

# FUND EVALUATION REPORT

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## San Jose Federated City Employees' Retirement System

Quarterly Review  
September 30, 2011



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**1. Executive Summary**

- Broad Market Overview
- Current Situation
- Aggregate Plan Overview
- Manager Highlights

**2. Plan Summary**

**3. Plan Detail**

**4. Portfolio Reviews**

**5. Corporate Update**

**6. Appendices**

- The World Markets in the Third Quarter of 2011
- Glossary and Notes

## **Executive Summary**

### **As of September 30, 2011**

**Heightened volatility and risk aversion plagued the markets in the third quarter, due in part to a renewed focus on a faltering global economy and sovereign debt issues in the Eurozone.**

- The Federal Reserve announced that it would sell \$400 billion of its shorter-term Treasury securities to purchase longer-term Treasuries in a plan dubbed “Operation Twist.” The plan’s goal is to stimulate economic growth by further reducing long-term borrowing rates.
- Eurozone governments began voting on measures to expand the powers of the \$440 billion European Financial Stability Facility (EFSF), the region’s rescue fund, to include the ability to purchase debt of struggling Eurozone nations and provide capital to banks in the region.
- In the third quarter, the U.S. unemployment rate fell slightly to 9.1%. The government sector continued to shed jobs, while the private sector continued to hire, albeit at a slower pace than previously.





**In the worst quarter for equities since 2008, stocks across the globe experienced double-digit losses.**

- International equities lagged U.S. equities, due in part to a strengthening U.S. dollar and expanding sovereign debt concerns in the Eurozone. The developed international equity market, as proxied by the MSCI EAFE index, fell 19.0%, while the domestic equity market, as proxied by the Russell 3000 index, declined 15.3%.
- Emerging market equities (-22.6%) were one of the worst performers for the quarter, partly due to concerns over the impact of the slowing global economy on demand for exports from the region.
- Value stocks outpaced growth stocks domestically, with the exception of the large cap sector.

**Government bonds were the strongest performers within the fixed income market in the third quarter due to their perceived safety, as well as the Federal Reserve’s announcement of “Operation Twist.”**

- TIPS and the Barclays Aggregate index returned 4.5% and 3.8%, respectively, for the quarter.
- Emerging market bonds (-8.6%) and high yield bonds (-6.1%) declined as risk aversion returned.

## Current Situation as of November 22, 2011

<b>Economic Growth</b>	 <p>Economic growth is trending down around the globe. 2011 GDP projections are between 1% and 2% for both the Eurozone and the U.S.<sup>1</sup> Projections for most emerging markets, which were growing between 5% and 10% earlier in the year, have slowed to the 3% to 6% range. China remains an exception, though even its projected growth has slowed modestly (to around 9%).</p>
<b>Employment</b>	 <p>Commensurate with the slowdown in economic growth, employment growth has likewise halted. The U.S. unemployment rate in October fell slightly to 9.0% from the 9.1% level in September. Payroll growth of 80,000 was slightly below estimates in October. However, the August and September figures were revised upward. The unemployment rate across the Eurozone has been following a similar path as in the US.</p>
<b>Inflation</b>	 <p>U.S. inflation remains elevated, increasing at a 3.5% annualized rate through October. Energy prices (e.g., gasoline) were the driver of the increase. There are still no signs of meaningful wage-driven inflation in the U.S. or Europe. In contrast, there is still strong demand for labor in Asia, resulting in true "wage inflation." The inflation level in Latin America and Asia is expected to be between 5% and 7% for 2011.<sup>1</sup></p>
<b>Interest Rates</b>	 <p>Short-term rates remain near zero in the U.S. and Japan, and the ECB and UK are maintaining rates below 1%. Despite the downgrade by S&amp;P, investors have fled to the liquidity of U.S. Treasuries, pushing down the rate on 10-year Treasuries to below 2%, a level not seen since the 1940s. Most emerging economies have been raising their interest rates this year, but both Brazil and Turkey recently cut their rates.</p>

<sup>1</sup> Source for GDP and inflation forecasts: The Economist Intelligence Unit.

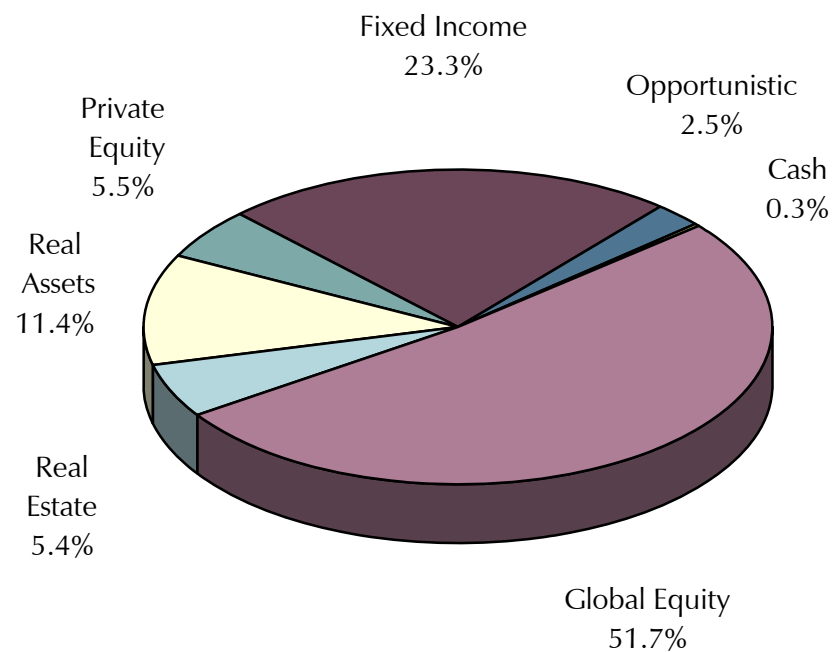
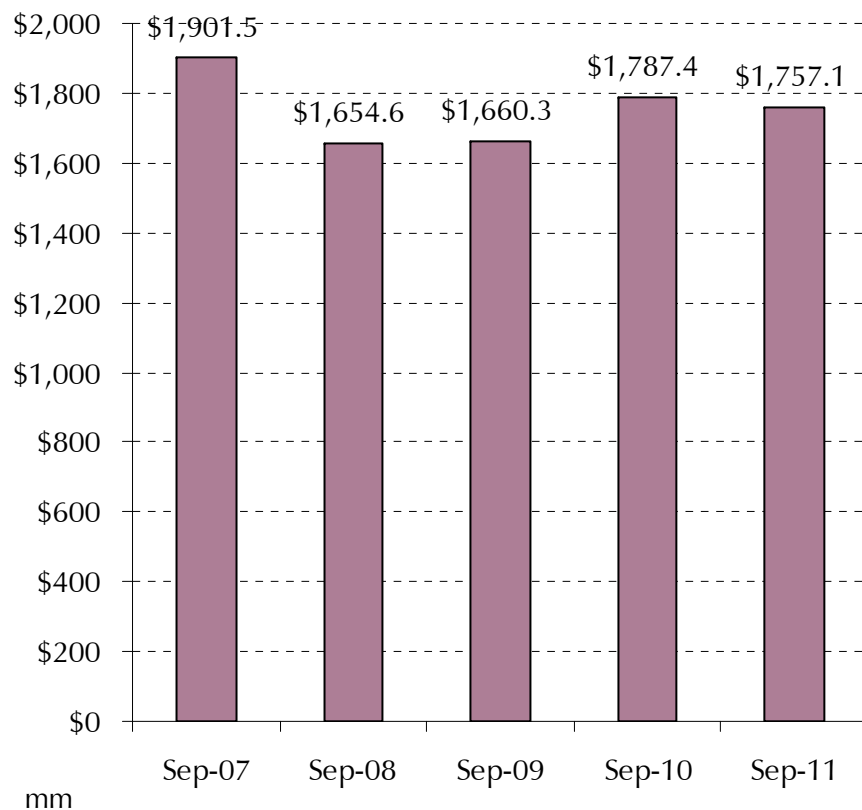
**The value of the San Jose Federated City Employees' Retirement System assets was \$1.757 billion on September 30, 2011, down approximately \$126.3 million since the end of the previous quarter.**

- Third quarter performance for the Retirement System was -9.3% net of fees, while the global equity market, as proxied by the MSCI All Country World Index, was down -17.4% during the quarter.
- The Retirement System outperformed the custom benchmark during the third quarter, and slightly underperformed the policy benchmark. Benchmark returns were -9.1% for the policy benchmark and -9.9% for the custom benchmark. The policy benchmark shows how a passive portfolio would perform if allocated according to the System's target allocations, and the custom benchmark shows how a passive portfolio would perform as the System is actually allocated in terms of specific manager benchmarks.
- During the third quarter, the Board of Trustees voted to move from Northern Trust Company to State Street Bank as the Retirement System's custodian. This move took place at the end of the third quarter.

- During the difficult market environment of the third quarter, the majority of the Retirement System's active managers were able to protect assets on the downside.
- New global equity managers Artisan Global Value and Tradewinds Global All Cap, both of which were funded during the first quarter of 2011, provided downside protection during the third quarter and ranked highly in the global equity manager peer group. Artisan returned -12.9% and Tradewinds returned -10.6%, compared to -17.7% for the MSCI ACWI Value benchmark. Artisan's relative outperformance was attributable in part to the high quality stocks that make up the portfolio's top five holdings, which include Mastercard, Compass Group, Arch Capital Group, Johnson & Johnson, and TE Connectivity. The relative outperformance for Tradewinds was also driven by high quality holdings. Both managers used the third quarter downturn as a buying opportunity.
- The Calamos Global Convertibles strategy returned -5.6% for the third quarter, versus -10.6% for the Merrill Lynch Global 300 Convertible Index. Within the convertibles market, the performance disparity between low grade and high grade securities reversed course with the flight to quality and safety, and Calamos' conservative style benefitted from this market environment.
- Risk parity commodities managers First Quadrant and Credit Suisse both outperformed the broad commodities market, as proxied by the Dow Jones-UBS Commodities Index, during the third quarter. First Quadrant returned -4.3% and Credit Suisse returned -6.3%, compared to -11.3% for the Dow Jones-UBS Commodities Index.

**Plan Summary**  
**As of September 30, 2011**





## San Jose Federated City Employees' Retirement System

## Aggregate Assets Asset Summary as of 9/30/11

	Market Value 9/30/11 (\$ mm)	% of Retirement System	Pro-Rata Target Allocation (%)	Target Allocation (%)	Target Range (%)	Market Value 6/30/11 (\$ mm)
<b>Total Fund Aggregate</b>	<b>1,757.1</b>	<b>100.0</b>	<b>100</b>	<b>NA</b>	<b>NA</b>	<b>1,883.4</b>
Global Equity Assets	908.6	51.7	54	49	43-55	1,042.2
Fixed Income Assets	409.0	23.3	22	20	15-25	419.2
Alternative Assets	435.1	24.8	23	31	26-36	419.9
Real Assets	199.9	11.4	11	10	0-15	204.7
Private Equity Assets	97.2	5.5	6	6	0-9	89.9
Real Estate Assets	94.7	5.4	5	5	0-8	92.1
Opportunistic Assets	43.3	2.5	2	5	0-8	33.1
Hedge Funds Assets	0.0	0.0	0	5	0-8	0.0
Cash	4.5	0.3	0	NA	NA	2.1



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Portfolio Roster as of 9/30/11

	Market Value 9/30/11 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 6/30/11 (\$ mm)
<b>Total Fund Aggregate</b>	<b>1,757.1</b>	<b>NA</b>	<b>100</b>	<b>NA</b>	<b>NA</b>	<b>1,883.4</b>
<b>Global Equity Assets</b>	<b>908.6</b>	<b>100.0</b>	<b>51.7</b>	<b>49</b>	<b>43-55</b>	<b>1,042.2</b>
Northern Trust MSCI ACWI Index <sup>1</sup>	276.9	30.5	15.8			318.8
Tradewinds Global All Cap	95.6	10.5	5.4			102.0
MSCI EAFE Small Cap	87.4	9.6	5.0			100.5
Northern Trust MSCI Emerging Markets Index	78.6	8.7	4.5			95.9
Artisan Global Value	76.5	8.4	4.4			82.7
Northern Trust Russell 3000 Index	72.2	7.9	4.1			81.9
Eagle Small-Cap Growth	63.8	7.0	3.6			80.3
Calamos Global Convertibles	55.8	6.1	3.2			59.1
MSCI EAFE Growth	53.9	5.9	3.1			62.6
RS Investments Small Cap Value	47.8	5.3	2.7			58.4

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



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Portfolio Roster as of 9/30/11

	Market Value 9/30/11 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 6/30/11 (\$ mm)
<b>Fixed Income Assets</b>	<b>409.0</b>	<b>100.0</b>	<b>23.3</b>	<b>20</b>	<b>15-25</b>	<b>419.2</b>
Barclays U.S. TIPS	203.2	49.7	11.6			199.0
Barclays Intermediate Government Bond	122.0	29.8	6.9			129.9
MacKay Shields High Yield Active Core	32.8	8.0	1.9			40.5
Northern Trust Long Term Credit Bond Index	27.0	6.6	1.5			21.4
Seix Credit Dislocation	23.9	5.8	1.4			28.3
<b>Real Assets</b>	<b>199.9</b>	<b>100.0</b>	<b>11.4</b>	<b>10</b>	<b>0-15</b>	<b>204.7</b>
First Quadrant Risk Parity Commodity Index	83.9	42.0	4.8			82.3
CS Compound Risk Parity Commodity Index	82.3	41.2	4.7			83.4
S&P Global Infrastructure	33.7	16.9	1.9			39.0
<b>Private Equity Assets<sup>1</sup></b>	<b>97.2</b>	<b>100.0</b>	<b>5.5</b>	<b>6</b>	<b>0-9</b>	<b>89.9</b>
Pathway Private Equity Fund VIII	30.5	31.4	1.7			28.5
Pantheon Global Secondary Fund III	30.2	31.1	1.7			28.7
Pantheon USA Fund VII	24.8	25.5	1.4			22.3
Partners Group Secondary 2008	9.0	9.3	0.5			8.6
Great Hill Equity Partners IV	2.7	2.8	0.2			1.8

<sup>1</sup> Fair values are based on reported values as of 6/30/11, adjusted for cash flows through 9/30/11.



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Portfolio Roster as of 9/30/11

	Market Value 9/30/11 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 6/30/11 (\$ mm)
<b>Real Estate Assets</b>	<b>94.7</b>	<b>100.0</b>	<b>5.4</b>	<b>5</b>	<b>0-8</b>	<b>92.1</b>
<b>Private Real Estate<sup>1</sup></b>	<b>50.2</b>	<b>53.0</b>	<b>2.9</b>			<b>49.1</b>
DRA Growth & Income Fund V	17.0	18.0	1.0			18.0
Fidelity Real Estate Growth Fund III, L.P.	10.0	10.6	0.6			8.8
Milpitas Warehouse	9.0	9.5	0.5			8.6
DRA Growth & Income Fund VI	7.4	7.8	0.4			7.2
GEAM Value Add Realty Partners, L.P.	6.8	7.2	0.4			6.5
<b>Core Real Estate<sup>2</sup></b>	<b>44.5</b>	<b>47.0</b>	<b>2.5</b>			<b>43.0</b>
PRISA I	27.5	29.0	1.6			26.5
American Core Realty Fund, LLC	17.0	18.0	0.9			16.5
<b>Opportunistic Assets</b>	<b>43.3</b>	<b>100.0</b>	<b>2.5</b>	<b>5</b>	<b>0-8</b>	<b>33.1</b>
Medley Opportunity Fund II <sup>1</sup>	17.3	39.9	1.0			16.5
White Oak Direct Lending Account <sup>2</sup>	17.3	39.9	1.0			9.2
GSO Direct Lending Account <sup>2</sup>	8.8	20.2	0.5			7.4
<b>Cash</b>	<b>4.5</b>	<b>100.0</b>	<b>0.3</b>	<b>NA</b>	<b>NA</b>	<b>2.1</b>
Internal Cash Account	4.5	100.0	0.3			2.1

<sup>1</sup> Fair values are based on reported values as of 6/30/11, adjusted for cash flows through 9/30/11.

<sup>2</sup> Fair values are based on reported values as of 9/30/11.



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 9/30/11

	3Q11 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
<b>Total Fund Aggregate<sup>1</sup></b>	<b>-9.3</b>	<b>-5.2</b>	<b>-0.1</b>	<b>4.1</b>	<b>2.2</b>	<b>6.1</b>	<b>1/1/94</b>	<b>7.2</b>
<b>Net of Fees</b>	<b>-9.3</b>	<b>-5.3</b>	<b>-0.3</b>	<b>3.9</b>	<b>2.0</b>	<b>5.8</b>		<b>7.0</b>
<i>CPI (inflation)</i>	0.5	3.5	3.9	1.2	2.3	2.4		2.5
<i>San Jose FCERS Policy Benchmark<sup>2</sup></i>	-9.1	-5.1	1.0	4.3	2.7	5.7		7.2
<i>San Jose FCERS Custom Benchmark<sup>3</sup></i>	-9.9	-6.2	-1.4	NA	NA	NA		NA
<i>Master Trust Public Funds &gt; \$1 billion (Median)</i>	-8.9	-4.1	1.5	4.1	2.2	5.7		NA
Global Equity	-17.0	-12.7	-3.9	NA	NA	NA	5/1/10	-2.3
<i>MSCI ACWI IMI</i>	-17.9	-14.1	-6.0	1.2	-1.3	5.2		-4.1
<i>MSCI ACWI</i>	-17.4	-13.6	-6.0	0.6	-1.6	4.5		-4.1
<i>Global Equity Policy Benchmark<sup>4</sup></i>	-18.1	-14.5	-6.4	NA	NA	NA		-4.3
Fixed Income	2.5	6.5	5.8	10.4	7.2	6.6	1/1/94	6.5
<i>Barclays Universal</i>	2.9	5.9	4.8	8.2	6.4	5.9		6.4
<i>Fixed Income Policy Benchmark<sup>5</sup></i>	2.5	6.8	6.4	8.5	6.8	5.8		6.4

<sup>1</sup> Represents performance which is gross of fees for public market managers and net of fees for private market managers.

<sup>2</sup> Policy Benchmark consists of 16% MSCI ACWI, 9% MSCI ACWI Value, 5% MSCI Emerging Markets, 5% MSCI EAFE Small Cap, 3% MSCI EAFE Growth, 3% Russell 3000, 2.5% Russell 2000 Growth, 2.5% Russell 2000 Value, 7.5% Barclays U.S. TIPS, 5% Barclays Int. Govt., 2.5% Barclays Long U.S. Credit, 2.5% Merrill Lynch High Yield BB/B, 2.5% CSFB Leveraged Loan, 3% ML 300 Global Convertibles, 5% HFRI, 5% NCREIF Property, 6% Venture Economics Private Equity, 8% Custom Risk Parity Benchmark, 2% S&P Global Infrastructure Index, and 5% 3-Month LIBOR +5%. Prior to April 2011, the Policy Benchmark consisted of 16% MSCI ACWI, 9% MSCI ACWI Value, 5% MSCI Emerging Markets, 5% MSCI EAFE Small Cap, 3% MSCI EAFE Growth, 3% Russell 3000, 2.5% Russell 2000 Growth, 2.5% Russell 2000 Value, 7.5% Barclays U.S. TIPS, 5% Barclays Int. Govt., 2.5% Barclays Long U.S. Credit, 2.5% Merrill Lynch High Yield BB/B, 2.5% CSFB Leveraged Loan, 3% ML 300 Global Convertibles, 5% HFRI, 5% NCREIF Property, 6% Venture Economics Private Equity, 8% Dow Jones - UBS Commodities, 2% S&P Global Infrastructure Index, and 5% 3-Month LIBOR +5%. Prior to April 2010, the Policy Benchmark consisted of 34% Russell 1000/9% Russell 2000/ 29% Barclays Aggregate/ 7% S&P Citigroup WGBI/ 15% MSCI ACWI (ex. U.S.)/ 6% NCREIF Property.

<sup>3</sup> Custom Benchmark consists of the individual benchmarks that comprise the Policy Benchmark weighted accordingly to actual allocations and re-adjusted monthly.

<sup>4</sup> The Global Equity Policy Benchmark consists of 33% MSCI ACWI, 18% MSCI ACWI Value, 10% MSCI Emerging Markets, 10% MSCI EAFE Small Cap, 6% MSCI EAFE Growth, 6% Russell 3000, 5% Russell 2000 Growth, 5% Russell 2000 Value, and 6% ML 300 Global Convertibles.

<sup>5</sup> The Fixed Income Policy Benchmark consists of 37.5% Barclays U.S. TIPS, 25% Barclays Int. Govt., 12.5% Barclays Long U.S. Credit, 12.5% Merrill Lynch High Yield BB/B, 12.5% CSFB Leveraged Loan Index. Prior to April 2010 is 100% Barclays Aggregate.



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 9/30/11

	3Q11 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
<b>Total Fund Aggregate (continued)</b>								
Real Assets	-7.1	-5.8	4.0	NA	NA	NA	5/1/10	5.3
<i>Custom Risk Parity Benchmark<sup>1</sup></i>	-6.0	NA	NA	NA	NA	NA		NA
<i>S&amp;P Global Infrastructure Index</i>	-13.1	-5.8	-1.1	0.9	NA	NA		1.1
<i>Dow Jones - UBS Commodities</i>	-11.3	-13.7	-0.1	-5.8	-2.6	4.8		2.9
<i>Real Assets Policy Benchmark<sup>2</sup></i>	-7.5	-6.8	5.8	NA	NA	NA		6.9
Private Equity <sup>3, 4</sup>	5.6	18.2	23.1	2.3	4.9	NA	1/1/06	3.4
<i>Venture Economics PE Composite (lagged one qtr.)</i>	6.1	18.5	19.2	3.9	9.0	7.7		11.0
Real Estate <sup>3, 5</sup>	2.6	10.2	14.9	-12.0	-2.2	6.8	1/1/94	8.0
<i>NCREIF Property (lagged one qtr.)</i>	3.9	12.4	16.7	-2.6	3.4	7.6		8.9
Opportunistic Assets <sup>3, 6</sup>	3.9	4.8	NA	NA	NA	NA	12/1/10	3.7
<i>3-Month LIBOR + 5%</i>	1.3	4.0	5.3	5.8	7.5	NA		4.4

<sup>1</sup> Risk Parity Benchmark returns provided by Staff.

<sup>2</sup> The Real Assets Policy Benchmark consists of 80% Custom Risk Parity Benchmark and 20% S&P Global Infrastructure Index. Prior to April 2011, the Real Assets Policy Benchmark consisted of 80% Dow Jones - UBS Commodities and 20% S&P Global Infrastructure Index.

<sup>3</sup> Returns are time-weighted on an aggregate level and dollar-weighted (IRR) on an individual manager basis.

<sup>4</sup> All manager returns are presented one quarter lagged.

<sup>5</sup> All manager returns are presented one quarter lagged with the exception of the American Core Realty Fund and PRISA, which are not lagged.

<sup>6</sup> Manager returns for Medley are lagged one quarter; returns for White Oak and GSO are not lagged.



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 9/30/11

	3Q11 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
<b>Total Fund Aggregate</b>	<b>-9.3</b>	<b>-5.2</b>	<b>-0.1</b>	<b>4.1</b>	<b>2.2</b>	<b>6.1</b>	<b>1/1/94</b>	<b>7.2</b>
<b>Net of Fees</b>	<b>-9.3</b>	<b>-5.3</b>	<b>-0.3</b>	<b>3.9</b>	<b>2.0</b>	<b>5.8</b>		<b>7.0</b>
<i>CPI (inflation)</i>	0.5	3.5	3.9	1.2	2.3	2.4		2.5
<i>San Jose FCERS Policy Benchmark<sup>1</sup></i>	-9.1	-5.1	1.0	4.3	2.7	5.7		7.2
<i>San Jose FCERS Custom Benchmark<sup>2</sup></i>	-9.9	-6.2	-1.4	NA	NA	NA		NA
<i>Master Trust Public Funds &gt; \$1 billion (Median)</i>	-8.9	-4.1	1.5	4.1	2.2	5.7		NA
<b>Global Equity</b>	<b>-17.0</b>	<b>-12.7</b>	<b>-3.9</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>5/1/10</b>	<b>-2.3</b>
Northern Trust MSCI ACWI Index <sup>3</sup>	-17.9	-13.5	-5.7	NA	NA	NA	6/1/10	3.4
Net of Fees	-17.9	-13.6	-5.7	NA	NA	NA		3.3
<i>MSCI ACWI</i>	-17.4	-13.6	-6.0	0.6	-1.6	4.5		3.1
Tradewinds Global All Cap	-10.6	NA	NA	NA	NA	NA	4/1/11	-11.7
Net of Fees	-10.7	NA	NA	NA	NA	NA		-12.0
<i>MSCI ACWI Value</i>	-17.7	-13.5	-6.8	-0.4	-3.0	4.4		-18.0
<i>Peer Global Equity</i>	-18.7	-13.4	-5.3	NA	NA	NA		-18.1
<i>Peer Ranking (percentile)</i>	4	NA	NA	NA	NA	NA		10

<sup>1</sup> Policy Benchmark consists of 16% MSCI ACWI, 9% MSCI ACWI Value, 5% MSCI Emerging Markets, 5% MSCI EAFE Small Cap, 3% MSCI EAFE Growth, 3% Russell 3000, 2.5% Russell 2000 Growth, 2.5% Russell 2000 Value, 7.5% Barclays U.S. TIPS, 5% Barclays Int. Govt., 2.5% Barclays Long U.S. Credit, 2.5% Merrill Lynch High Yield BB/B, 2.5% CSFB Leveraged Loan, 3% ML 300 Global Convertibles, 5% HFRI, 5% NCREIF Property, 6% Venture Economics Private Equity, 8% Custom Risk Parity Benchmark, 2% S&P Global Infrastructure Index, and 5% 3-Month LIBOR +5%. Prior to April 2011, the Policy Benchmark consisted of 16% MSCI ACWI, 9% MSCI ACWI Value, 5% MSCI Emerging Markets, 5% MSCI EAFE Small Cap, 3% MSCI EAFE Growth, 3% Russell 3000, 2.5% Russell 2000 Growth, 2.5% Russell 2000 Value, 7.5% Barclays U.S. TIPS, 5% Barclays Int. Govt., 2.5% Barclays Long U.S. Credit, 2.5% Merrill Lynch High Yield BB/B, 2.5% CSFB Leveraged Loan, 3% ML 300 Global Convertibles, 5% HFRI, 5% NCREIF Property, 6% Venture Economics Private Equity, 8% Dow Jones - UBS Commodities, 2% S&P Global Infrastructure Index, and 5% 3-Month LIBOR +5%. Prior to April 2010, the Policy Benchmark consisted of 34% Russell 1000/9% Russell 2000/ 29% Barclays Aggregate/ 7% S&P Citigroup WGBI/ 15% MSCI ACWI (ex. U.S.)/ 6% NCREIF Property.

<sup>2</sup> Custom Benchmark consists of the individual benchmarks that comprise the Policy Benchmark weighted accordingly to actual allocations and re-adjusted monthly.

<sup>3</sup> Northern Trust MSCI ACWI includes exposure to the MSCI ACWI (ex. U.S.) and the Russell 3000 Index to simulate MSCI ACWI exposure.





# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 9/30/11

	3Q11 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
<b>Global Equity (continued)</b>								
MSCI EAFE Small Cap	-17.7	-14.2	-4.3	NA	NA	NA	6/1/10	7.1
Net of Fees	-17.7	-14.2	-4.4	NA	NA	NA		7.1
<i>MSCI EAFE Small Cap</i>	-18.6	-15.5	-5.5	5.6	-1.9	9.8		7.8
Northern Trust MSCI Emerging Markets Index	-22.6	-22.1	-16.3	NA	NA	NA	5/1/10	-7.7
Net of Fees	-22.7	-22.2	-16.5	NA	NA	NA		-8.8
<i>MSCI Emerging Markets</i>	-22.6	-21.9	-16.1	6.3	4.9	16.1		-7.5
Artisan Global Value	-12.9	NA	NA	NA	NA	NA	3/1/11	-10.1
Net of Fees	-13.1	NA	NA	NA	NA	NA		-10.5
<i>MSCI ACWI Value</i>	-17.7	-13.5	-6.8	-0.4	-3.0	4.4		-18.5
<i>Peer Global Equity</i>	-18.7	-13.4	-5.3	NA	NA	NA		-17.9
<i>Peer Ranking (percentile)</i>	12	NA	NA	NA	NA	NA		10
Northern Trust Russell 3000 Index	-15.3	-9.8	0.6	1.7	-0.7	3.6	9/1/99	1.4
Net of Fees	-15.3	-9.9	0.6	1.7	-0.8	3.6		1.4
<i>Russell 3000</i>	-15.3	-9.9	0.5	1.5	-0.9	3.5		1.3



	3Q11 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
<b>Global Equity (continued)</b>								
Eagle Small-Cap Growth	-23.2	-12.0	3.7	7.3	5.7	10.0	6/1/98	5.7
Net of Fees	-23.3	-12.4	3.1	6.6	5.0	9.3		5.0
<i>Russell 2000 Growth</i>	-22.2	-15.6	-1.1	2.1	1.0	5.5		2.1
<i>Peer Small Cap Growth</i>	-21.9	-13.5	-0.1	3.7	2.0	6.8		6.2
<i>Peer Ranking (percentile)</i>	74	29	29	11	4	4		60
Calamos Global Convertibles	-5.6	-4.1	0.9	NA	NA	NA	11/1/09	6.1
Net of Fees	-5.7	-4.4	0.4	NA	NA	NA		5.6
<i>Merrill Lynch Global 300 Convertible Index</i>	-10.6	-8.0	-3.0	7.6	2.1	NA		4.2
MSCI EAFE Growth	-18.3	-13.8	-6.3	NA	NA	NA	6/1/10	5.0
Net of Fees	-18.3	-13.9	-6.4	NA	NA	NA		4.9
<i>MSCI EAFE Growth</i>	-19.0	-15.4	-8.8	-0.6	-2.2	4.9		4.7
RS Investments Small Cap Value	-21.8	-17.9	-2.0	NA	NA	NA	8/1/10	1.0
Net of Fees	-22.1	-18.4	-2.8	NA	NA	NA		0.2
<i>Russell 2000 Value</i>	-21.5	-18.5	-6.0	-2.8	-3.1	6.5		-3.2
<i>Peer Small Cap Value</i>	-20.6	-16.8	-3.4	2.3	0.5	8.9		-0.2
<i>Peer Ranking (percentile)</i>	68	67	33	NA	NA	NA		33

# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 9/30/11

	3Q11 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
<b>Fixed Income</b>	<b>2.5</b>	<b>6.5</b>	<b>5.8</b>	<b>10.4</b>	<b>7.2</b>	<b>6.6</b>	<b>1/1/94</b>	<b>6.5</b>
Barclays U.S. TIPS	3.0	9.0	7.7	NA	NA	NA	6/1/10	9.2
Net of Fees	3.0	9.0	7.7	NA	NA	NA		9.1
<i>Barclays U.S. TIPS</i>	4.5	10.6	9.9	8.1	7.1	7.2		10.5
Barclays Intermediate Government Bond	3.2	5.2	3.9	NA	NA	NA	6/1/10	5.6
Net of Fees	3.1	5.2	3.9	NA	NA	NA		5.5
<i>Barclays IT Gov't</i>	3.2	5.4	3.7	5.4	5.9	4.8		5.4
MacKay Shields High Yield Active Core	-3.7	-0.1	2.7	NA	NA	NA	5/1/09	13.8
Net of Fees	-3.8	-0.4	2.3	NA	NA	NA		13.3
<i>Merrill Lynch U.S. High Yield BB/B</i>	-5.0	-0.4	2.0	12.0	6.3	7.7		16.2
<i>Barclays High Yield</i>	-6.1	-1.4	1.8	13.8	7.1	8.8		18.6
<i>Peer High Yield</i>	-6.1	-1.4	2.2	11.8	6.6	8.4		17.5
<i>Peer Ranking (percentile)</i>	9	19	38	NA	NA	NA		87
Northern Trust Long Term Credit Bond Index	9.4	13.4	9.3	NA	NA	NA	5/1/10	13.6
Net of Fees	9.3	13.3	9.2	NA	NA	NA		13.5
<i>Barclays Long U.S. Credit</i>	9.1	13.5	9.3	16.6	8.2	8.1		13.2



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 9/30/11

	3Q11 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
<b>Fixed Income (continued)</b>								
Seix Credit Dislocation	-2.7	-0.8	1.8	NA	NA	NA	5/1/09	7.3
Net of Fees	-2.8	-1.1	1.4	NA	NA	NA		7.0
<i>CSFB Leveraged Loan Index</i>	-3.8	-0.9	2.4	6.8	3.2	4.5		13.7
<b>Real Assets</b>	<b>-7.1</b>	<b>-5.8</b>	<b>4.0</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>5/1/10</b>	<b>5.3</b>
First Quadrant Risk Parity Commodity Index <sup>1</sup>	-4.3	NA	NA	NA	NA	NA	4/1/11	-9.1
<i>Custom Risk Parity Benchmark<sup>2</sup></i>	-6.1	NA	NA	NA	NA	NA		-11.1
<i>Dow Jones - UBS Commodities</i>	-11.3	-13.7	-0.1	-5.8	-2.6	4.8		-17.3
Credit Suisse Compound Risk Parity Commodity Index <sup>1</sup>	-6.3	NA	NA	NA	NA	NA	4/1/11	-11.0
<i>Custom Risk Parity Benchmark<sup>2</sup></i>	-6.1	NA	NA	NA	NA	NA		-11.1
<i>Dow Jones - UBS Commodities</i>	-11.3	-13.7	-0.1	-5.8	-2.6	4.8		-17.3
S&P Global Infrastructure	-13.1	-6.0	-1.5	NA	NA	NA	5/1/10	0.6
Net of Fees	-13.1	-6.1	-1.6	NA	NA	NA		0.6
<i>S&amp;P Global Infrastructure Index</i>	-13.1	-5.8	-1.1	0.9	NA	NA		1.1
<b>Private Equity<sup>3, 4</sup></b>	<b>5.6</b>	<b>18.2</b>	<b>23.1</b>	<b>2.3</b>	<b>4.9</b>	<b>NA</b>	<b>1/1/06</b>	<b>3.4</b>
<i>Venture Economics PE Composite (lagged one qtr.)</i>	6.1	18.5	19.2	3.9	9.0	7.7		11.0

<sup>1</sup> Performance is net of fees.

<sup>2</sup> Risk Parity Benchmark returns provided by Staff.

<sup>3</sup> All manager returns are presented one quarter lagged.

<sup>4</sup> Returns are time-weighted on an aggregate level and dollar-weighted (IRR) on an individual manager basis.



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 9/30/11

	3Q11 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
<b>Real Estate<sup>1</sup></b>	<b>2.6</b>	<b>10.2</b>	<b>14.9</b>	<b>-12.0</b>	<b>-2.2</b>	<b>6.8</b>	<b>1/1/94</b>	<b>8.0</b>
<b>Private Real Estate<sup>2</sup></b>	<b>1.8</b>	<b>7.7</b>	<b>11.2</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>7/1/09</b>	<b>-12.4</b>
<i>NCREIF Property (lagged one qtr.)</i>	<i>3.9</i>	<i>12.4</i>	<i>16.7</i>	<i>-2.6</i>	<i>3.4</i>	<i>7.6</i>		<i>3.9</i>
<b>Core Real Estate</b>	<b>3.5</b>	<b>13.1</b>	<b>19.0</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>7/1/09</b>	<b>5.8</b>
PRISA I	4.1	15.3	23.0	-8.4	-1.0	NA	7/1/04	4.8
Net of Fees	3.9	14.4	21.7	-4.8	1.7	NA		6.5
<i>NCREIF Property</i>	<i>3.3</i>	<i>11.0</i>	<i>16.1</i>	<i>-1.5</i>	<i>3.4</i>	<i>7.8</i>		<i>7.7</i>
American Core Realty Fund, LLC	3.2	12.0	16.1	-6.9	NA	NA	4/1/07	-1.7
Net of Fees	2.9	11.1	14.9	-7.9	NA	NA		-2.7
<i>NCREIF Property</i>	<i>3.3</i>	<i>11.0</i>	<i>16.1</i>	<i>-1.5</i>	<i>3.4</i>	<i>7.8</i>		<i>2.0</i>
<b>Opportunistic Assets<sup>2, 3</sup></b>	<b>3.9</b>	<b>4.8</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>12/1/10</b>	<b>3.7</b>
3-Month LIBOR + 5%	1.3	4.0	5.3	5.8	7.5	NA		4.4

<sup>1</sup> All manager returns are presented one quarter lagged with the exception of the American Core Realty Fund and PRISA, which are not lagged.

<sup>2</sup> Returns are time-weighted on an aggregate level and dollar-weighted (IRR) on an individual manager basis.

<sup>3</sup> Manager returns for Medley are lagged one quarter; returns for White Oak and GSO are not lagged.



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)
<b>Total Fund Aggregate<sup>1</sup></b>	<b>12.9</b>	<b>19.4</b>	<b>-23.8</b>	<b>8.8</b>	<b>13.0</b>	<b>6.7</b>	<b>11.4</b>	<b>24.4</b>	<b>-3.9</b>	<b>-1.0</b>
<b>Net of Fees</b>	<b>12.7</b>	<b>19.1</b>	<b>-24.0</b>	<b>8.5</b>	<b>12.7</b>	<b>6.4</b>	<b>11.1</b>	<b>24.0</b>	<b>-4.2</b>	<b>-1.3</b>
<i>CPI (inflation)</i>	1.5	2.7	0.1	4.1	2.5	3.4	3.3	1.9	2.4	1.6
<i>San Jose FCERS Policy Benchmark<sup>2</sup></i>	14.5	19.0	-22.8	8.2	13.5	6.7	10.8	20.6	-5.9	-2.5
<i>San Jose FCERS Custom Benchmark<sup>3</sup></i>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Master Trust (Median)</i>	12.5	19.4	-24.2	7.9	NA	NA	NA	NA	NA	NA
Global Equity	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI ACWI IMI</i>	14.3	36.4	-42.3	11.2	20.9	11.5	16.4	35.5	-17.6	-15.6
<i>MSCI ACWI</i>	12.7	34.6	-42.2	11.7	21.0	10.8	15.2	34.0	-19.3	-16.2
<i>Global Equity Policy Benchmark<sup>4</sup></i>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Domestic Equity	NA	30.7	-37.3	6.2	14.9	6.5	12.7	32.0	-19.6	-6.6
<i>Russell 3000</i>	16.9	28.3	-37.3	5.1	15.7	6.1	11.9	31.1	-21.5	-11.5

<sup>1</sup> Represents performance which is gross of fees for public market managers and net of fees for private markets managers.

<sup>2</sup> Policy Benchmark consists of 16% MSCI ACWI, 9% MSCI ACWI Value, 5% MSCI Emerging Markets, 5% MSCI EAFE Small Cap, 3% MSCI EAFE Growth, 3% Russell 3000, 2.5% Russell 2000 Growth, 2.5% Russell 2000 Value, 7.5% Barclays U.S. TIPS, 5% Barclays Int. Govt., 2.5% Barclays Long U.S. Credit, 2.5% Merrill Lynch High Yield BB/B, 2.5% CSFB Leveraged Loan, 3% ML 300 Global Convertibles, 5% HFRI, 5% NCREIF Property, 6% Venture Economics Private Equity, 8% Custom Risk Parity Benchmark, 2% S&P Global Infrastructure Index, and 5% 3-Month LIBOR +5%. Prior to April 2011, the Policy Benchmark consisted of 16% MSCI ACWI, 9% MSCI ACWI Value, 5% MSCI Emerging Markets, 5% MSCI EAFE Small Cap, 3% MSCI EAFE Growth, 3% Russell 3000, 2.5% Russell 2000 Growth, 2.5% Russell 2000 Value, 7.5% Barclays U.S. TIPS, 5% Barclays Int. Govt., 2.5% Barclays Long U.S. Credit, 2.5% Merrill Lynch High Yield BB/B, 2.5% CSFB Leveraged Loan, 3% ML 300 Global Convertibles, 5% HFRI, 5% NCREIF Property, 6% Venture Economics Private Equity, 8% Dow Jones - UBS Commodities, 2% S&P Global Infrastructure Index, and 5% 3-Month LIBOR +5%. Prior to April 2010, the Policy Benchmark consisted of 34% Russell 1000/9% Russell 2000/ 29% Barclays Aggregate/ 7% S&P Citigroup WGBI/ 15% MSCI ACWI (ex. U.S.)/ 6% NCREIF Property.

<sup>3</sup> Custom Benchmark consists of the individual benchmarks that comprise of the Policy Benchmark weighted accordingly to actual allocations and re-adjusted monthly.

<sup>4</sup> The Global Equity Policy Benchmark consists of 33% MSCI ACWI, 18% MSCI ACWI Value, 10% MSCI Emerging Markets, 10% MSCI EAFE Small Cap, 6% MSCI EAFE Growth, 6% Russell 3000, 5% Russell 2000 Growth, 5% Russell 2000 Value, and 6% ML 300 Global Convertibles.



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)
<b>Total Fund Aggregate (continued)</b>										
International Equity	NA	37.6	-45.0	14.8	22.6	17.0	19.9	34.6	-17.9	-19.0
<i>MSCI ACWI (ex. U.S.)</i>	11.2	41.4	-45.5	16.7	26.7	16.6	20.9	40.8	-14.9	-19.7
Fixed Income	7.2	15.9	-1.3	6.7	5.8	0.8	6.3	9.0	10.5	6.5
<i>Barclays Universal</i>	7.2	8.6	2.4	6.5	5.0	2.7	5.0	5.8	9.8	8.1
<i>Fixed Income Policy Benchmark<sup>1</sup></i>	8.0	5.9	5.2	7.0	4.3	2.4	4.3	4.1	10.3	8.4
Real Assets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>S&amp;P Global Infrastructure Index</i>	5.8	25.3	-39.0	23.2	NA	NA	NA	NA	NA	NA
<i>Dow Jones - UBS Commodities</i>	16.7	18.7	-36.6	11.1	-2.7	21.4	9.1	23.9	25.9	-19.5
<i>Real Assets Policy Benchmark<sup>2</sup></i>	14.5	NA	NA	NA	NA	NA	NA	NA	NA	NA
Private Equity <sup>3,4</sup>	10.9	-13.5	-4.0	15.5	-3.5	NA	NA	NA	NA	NA
<i>Venture Economics PE Composite (lagged one qtr.)</i>	14.8	-7.4	-6.4	28.4	17.8	29.0	15.9	8.9	-14.7	-26.2
Real Estate <sup>3,5</sup>	7.2	-37.4	-5.4	23.4	13.2	22.9	10.3	28.7	10.7	7.5
<i>NCREIF Property (lagged one qtr.)</i>	5.8	-22.1	5.3	17.3	17.6	19.2	12.4	7.8	5.7	10.1

<sup>1</sup> The Fixed Income Policy Benchmark consists of 37.5% Barclays U.S. TIPS, 25% Barclays Int. Govt., 12.5% Barclays Long U.S. Credit, 12.5% Merrill Lynch High Yield BB/B, 12.5% CSFB Leveraged Loan Index. Prior to April 2010 is 100% Barclays Aggregate.

<sup>2</sup> The Real Assets Policy Benchmark consists of 80% Custom Risk Parity Benchmark and 20% S&P Global Infrastructure Index. Prior to April 2011, the Real Assets Policy Benchmark consisted of 80% Dow Jones - UBS Commodities and 20% S&P Global Infrastructure Index.

<sup>3</sup> Returns are time-weighted on an aggregate level and dollar-weighted (IRR) on an individual manager basis.

<sup>4</sup> All manager returns are presented one quarter lagged.

<sup>5</sup> All manager returns are presented one quarter lagged with the exception of the American Core Realty Fund and PRISA, which are not lagged.



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)
<b>Total Fund Aggregate<sup>1</sup></b>	<b>12.9</b>	<b>19.4</b>	<b>-23.8</b>	<b>8.8</b>	<b>13.0</b>	<b>6.7</b>	<b>11.4</b>	<b>24.4</b>	<b>-3.9</b>	<b>-1.0</b>
<b>Net of Fees</b>	<b>12.7</b>	<b>19.1</b>	<b>-24.0</b>	<b>8.5</b>	<b>12.7</b>	<b>6.4</b>	<b>11.1</b>	<b>24.0</b>	<b>-4.2</b>	<b>-1.3</b>
<i>CPI (inflation)</i>	1.5	2.7	0.1	4.1	2.5	3.4	3.3	1.9	2.4	1.6
<i>San Jose FCERS Policy Benchmark<sup>2</sup></i>	14.5	19.0	-22.8	8.2	13.5	6.7	10.8	20.6	-5.9	-2.5
<i>San Jose FCERS Custom Benchmark<sup>3</sup></i>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Master Trust (Median)</i>	12.5	19.4	-24.2	7.9	NA	NA	NA	NA	NA	NA
<b>Global Equity</b>										
Northern Trust MSCI ACWI Index <sup>4</sup>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI ACWI</i>	12.7	34.6	-42.2	11.7	21.0	10.8	15.2	34.0	-19.3	-16.2
Tradewinds Global All Cap	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI ACWI Value</i>	10.2	31.7	-41.5	6.7	25.6	10.8	19.1	39.0	-19.3	-14.3
MSCI EAFE Small Cap	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI EAFE Small Cap</i>	22.0	46.8	-47.0	1.4	19.3	26.2	30.8	61.3	-7.8	-12.5

<sup>1</sup> Represents performance which is gross of fees for public market managers and net of fees for private markets managers.

<sup>2</sup> Policy Benchmark consists of 16% MSCI ACWI, 9% MSCI ACWI Value, 5% MSCI Emerging Markets, 5% MSCI EAFE Small Cap, 3% MSCI EAFE Growth, 3% Russell 3000, 2.5% Russell 2000 Growth, 2.5% Russell 2000 Value, 7.5% Barclays U.S. TIPS, 5% Barclays Int. Govt., 2.5% Barclays Long U.S. Credit, 2.5% Merrill Lynch High Yield BB/B, 2.5% CSFB Leveraged Loan, 3% ML 300 Global Convertibles, 5% HFRI, 5% NCREIF Property, 6% Venture Economics Private Equity, 8% Custom Risk Parity Benchmark, 2% S&P Global Infrastructure Index, and 5% 3-Month LIBOR +5%. Prior to April 2011, the Policy Benchmark consisted of 16% MSCI ACWI, 9% MSCI ACWI Value, 5% MSCI Emerging Markets, 5% MSCI EAFE Small Cap, 3% MSCI EAFE Growth, 3% Russell 3000, 2.5% Russell 2000 Growth, 2.5% Russell 2000 Value, 7.5% Barclays U.S. TIPS, 5% Barclays Int. Govt., 2.5% Barclays Long U.S. Credit, 2.5% Merrill Lynch High Yield BB/B, 2.5% CSFB Leveraged Loan, 3% ML 300 Global Convertibles, 5% HFRI, 5% NCREIF Property, 6% Venture Economics Private Equity, 8% Dow Jones - UBS Commodities, 2% S&P Global Infrastructure Index, and 5% 3-Month LIBOR +5%. Prior to April 2010, the Policy Benchmark consisted of 34% Russell 1000/9% Russell 2000/ 29% Barclays Aggregate/ 7% S&P Citigroup WGBI/ 15% MSCI ACWI (ex. U.S.)/ 6% NCREIF Property.

<sup>3</sup> Custom Benchmark consists of the individual benchmarks that comprise of the Policy Benchmark weighted accordingly to actual allocations and re-adjusted monthly.

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





# San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)
<b>Global Equity (continued)</b>										
Northern Trust MSCI Emerging Markets Index	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI Emerging Markets</i>	18.9	78.5	-53.3	39.4	32.2	34.0	25.6	55.8	-6.2	-2.6
Artisan Global Value	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI ACWI Value</i>	10.2	31.7	-41.5	6.7	25.6	10.8	19.1	39.0	-19.3	-14.3
Northern Trust Russell 3000 Index	17.2	28.9	-37.3	5.3	15.8	6.2	12.0	31.2	-21.4	-11.3
Net of Fees	17.2	28.9	-37.3	5.2	15.8	6.2	12.0	31.1	-21.5	-11.3
<i>Russell 3000</i>	16.9	28.3	-37.3	5.1	15.7	6.1	11.9	31.1	-21.5	-11.5
Eagle Small-Cap Growth	34.4	41.3	-35.8	12.7	21.4	4.2	20.8	44.7	-22.5	14.5
Net of Fees	33.7	39.5	-36.1	12.0	20.7	3.6	20.0	43.8	-23.0	13.7
<i>Russell 2000 Growth</i>	29.1	34.5	-38.5	7.0	13.3	4.2	14.3	48.5	-30.3	-9.2
MSCI EAFE Growth	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI EAFE Growth</i>	12.2	29.4	-42.7	16.5	22.3	13.3	16.1	32.0	-16.0	-24.6
Calamos Global Convertibles	11.5	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	11.0	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Merrill Lynch Global 300 Convertible Index</i>	11.7	36.3	-29.3	6.5	12.8	6.0	NA	NA	NA	NA



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)
<b>Global Equity (continued)</b>										
RS Investments Small Cap Value	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Russell 2000 Value</i>	24.5	20.6	-28.9	-9.8	23.5	4.7	22.2	46.0	-11.4	14.0
<b>Fixed Income</b>	<b>7.2</b>	<b>15.9</b>	<b>-1.3</b>	<b>6.7</b>	<b>5.8</b>	<b>0.8</b>	<b>6.3</b>	<b>9.0</b>	<b>10.5</b>	<b>6.5</b>
Barclays U.S. TIPS	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclays U.S. TIPS</i>	6.3	11.4	-2.4	11.6	0.4	2.8	8.5	8.4	16.6	8.2
Barclays Intermediate Government Bond	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclays IT Gov't</i>	5.0	-0.3	10.4	8.5	3.8	1.7	2.3	2.3	9.6	8.4
MacKay Shields High Yield Active Core	13.7	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	13.2	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclays High Yield</i>	15.1	58.2	-26.2	1.9	11.8	2.7	11.1	29.0	-1.4	5.3
<i>Merrill Lynch High Yield BB/B</i>	14.5	46.1	-23.7	2.7	10.7	3.4	9.9	23.0	-1.3	5.5
Seix Credit Dislocation	7.8	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	7.5	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>CSFB Leveraged Loan Index</i>	10.0	44.9	-28.8	1.9	7.2	5.7	5.6	11.0	1.1	2.6
Northern Trust Long Term Credit Bond Index	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclays Long U.S. Credit</i>	10.7	16.8	-3.9	3.6	3.5	3.8	9.4	10.4	11.9	12.2



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)
<b>Real Assets</b>										
Credit Suisse Compound Risk Parity Commodity Index	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Custom Risk Parity Benchmark<sup>1</sup></i>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Dow Jones - UBS Commodities</i>	16.7	18.7	-36.6	11.1	-2.7	21.4	9.1	23.9	NA	NA
First Quadrant Risk Parity Commodity Index	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Custom Risk Parity Benchmark<sup>1</sup></i>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Dow Jones - UBS Commodities</i>	16.7	18.7	-36.6	11.1	-2.7	21.4	9.1	23.9	NA	NA
S&P Global Infrastructure	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>S&amp;P Global Infrastructure Index</i>	5.8	25.3	-39.0	23.2	NA	NA	NA	NA	NA	NA
<b>Private Equity<sup>2,3</sup></b>	<b>10.9</b>	<b>-13.5</b>	<b>-4.0</b>	<b>15.5</b>	<b>-3.5</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Venture Economics PE Composite (lagged one qtr.)	14.8	-7.4	-6.4	28.4	17.8	29.0	15.9	8.9	-14.7	-26.2

<sup>1</sup> Risk Parity Benchmark returns provided by Staff.

<sup>2</sup> Returns are time-weighted on an aggregate level and dollar-weighted (IRR) on an individual manager basis.

<sup>3</sup> All manager returns are presented one quarter lagged.



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

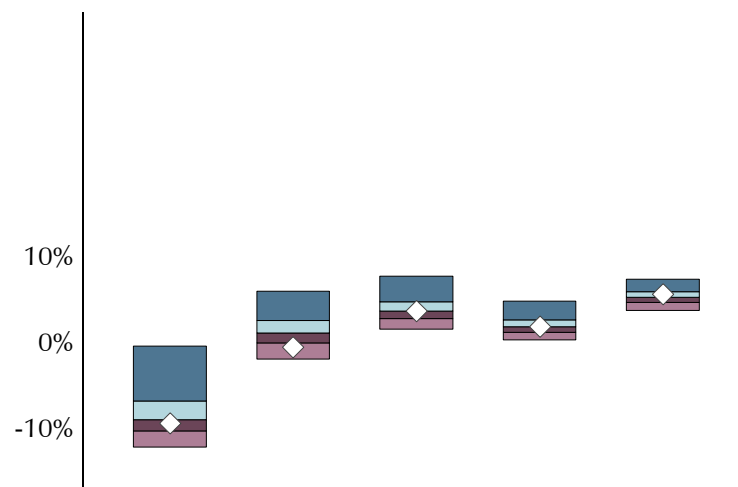
	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)
<b>Real Estate<sup>1</sup></b>	<b>7.2</b>	<b>-37.4</b>	<b>-5.4</b>	<b>23.4</b>	<b>13.2</b>	<b>22.9</b>	<b>10.3</b>	<b>28.7</b>	<b>10.7</b>	<b>7.5</b>
<b>Private Real Estate<sup>2</sup></b>	<b>0.8</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<i>NCREIF Property (lagged one qtr.)</i>	5.8	-22.1	5.3	17.3	17.6	19.2	12.4	7.8	5.7	10.1
<b>Core Real Estate</b>	<b>14.2</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
PRISA I	18.4	-34.2	-13.0	17.5	16.2	23.3	NA	NA	NA	NA
Net of Fees	13.2	-34.8	-13.6	16.7	15.2	22.2	NA	NA	NA	NA
<i>NCREIF Property</i>	13.1	-16.9	-6.5	15.8	16.6	20.1	14.5	9.0	6.7	7.3
American Core Realty Fund, LLC	11.2	-30.0	-5.3	NA	NA	NA	NA	NA	NA	NA
Net of Fees	10.1	-30.7	-6.2	NA	NA	NA	NA	NA	NA	NA
<i>NCREIF Property</i>	13.1	-16.9	-6.5	15.8	16.6	20.1	14.5	9.0	6.7	7.3

<sup>1</sup> All manager returns are presented one quarter lagged with the exception of the American Core Realty Fund and PRISA, which are not lagged.

<sup>2</sup> Returns are time-weighted on an aggregate level and dollar-weighted (IRR) on an individual manager basis.



Total Fund Aggregate vs. Public Pensions > \$1 billion<sup>1</sup>

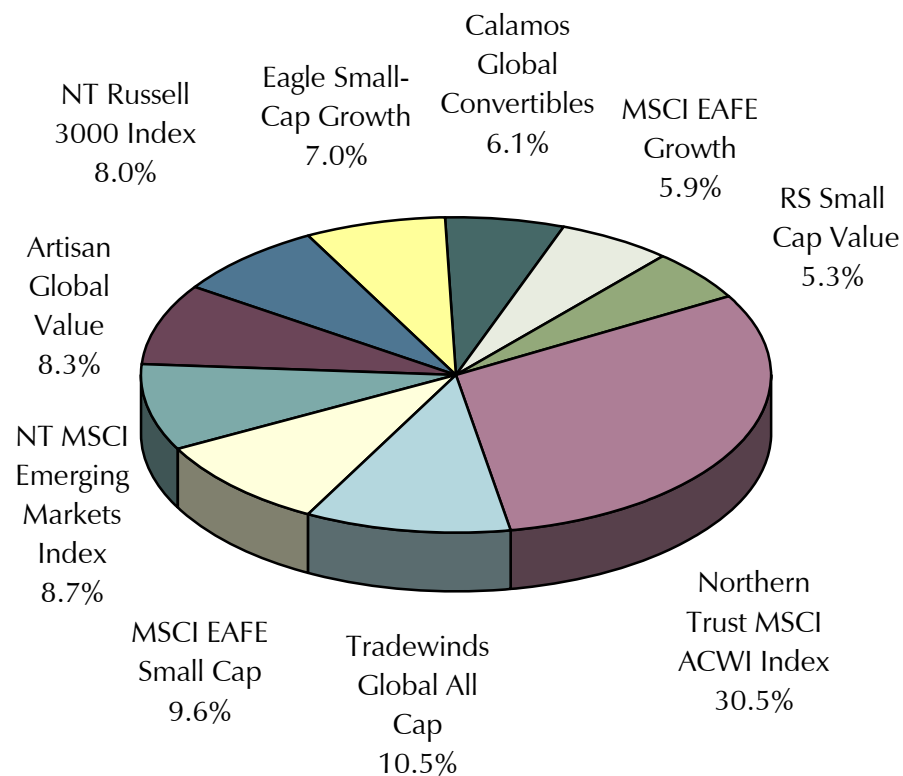


	3Q11 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
<b>Total Fund Aggregate</b>	<b>-9.3</b>	<b>0.2</b>	<b>4.1</b>	<b>2.2</b>	<b>6.1</b>
25th percentile	-6.6	3.0	5.2	3.0	6.4
Median	-8.9	1.5	4.1	2.2	5.7
75 Percentile	-10.3	0.3	3.2	1.6	5.2

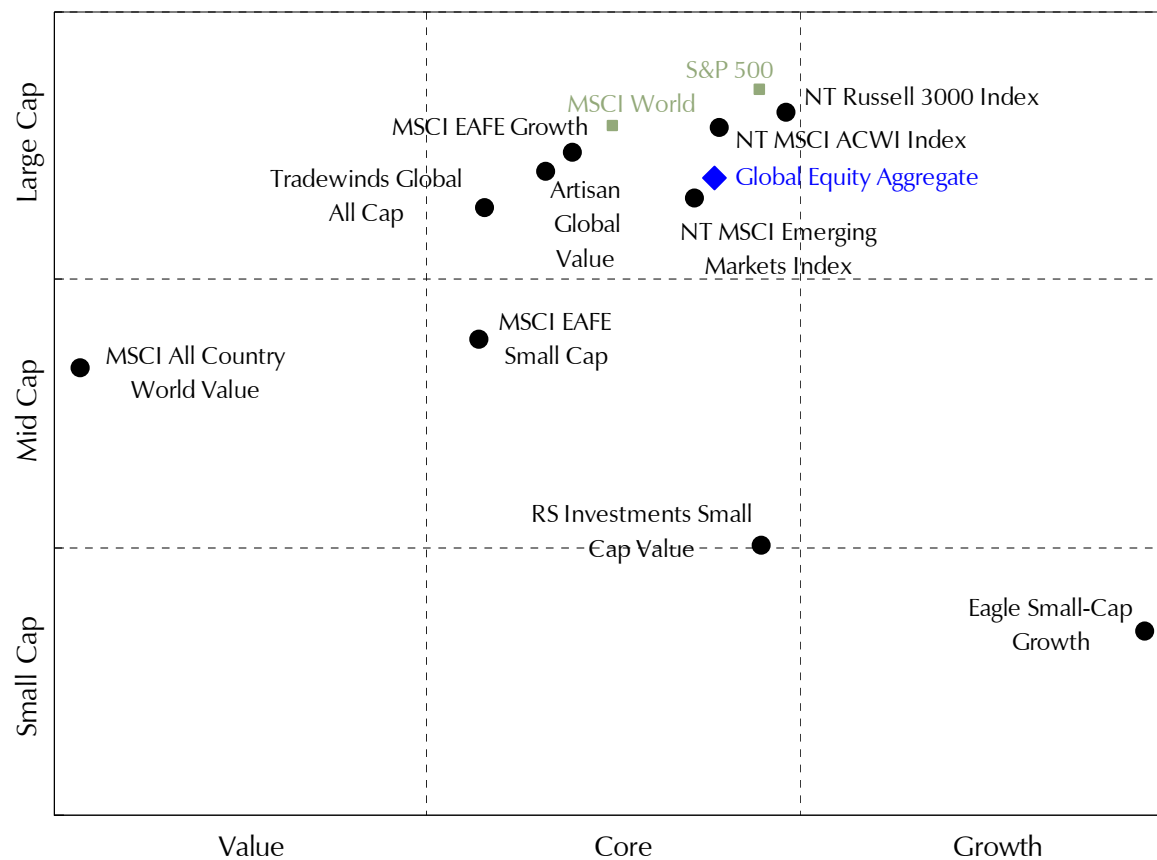
<sup>1</sup> Universe data provided by InvestMetrics.

## Plan Detail

## Global Equity Assets As of September 30, 2011



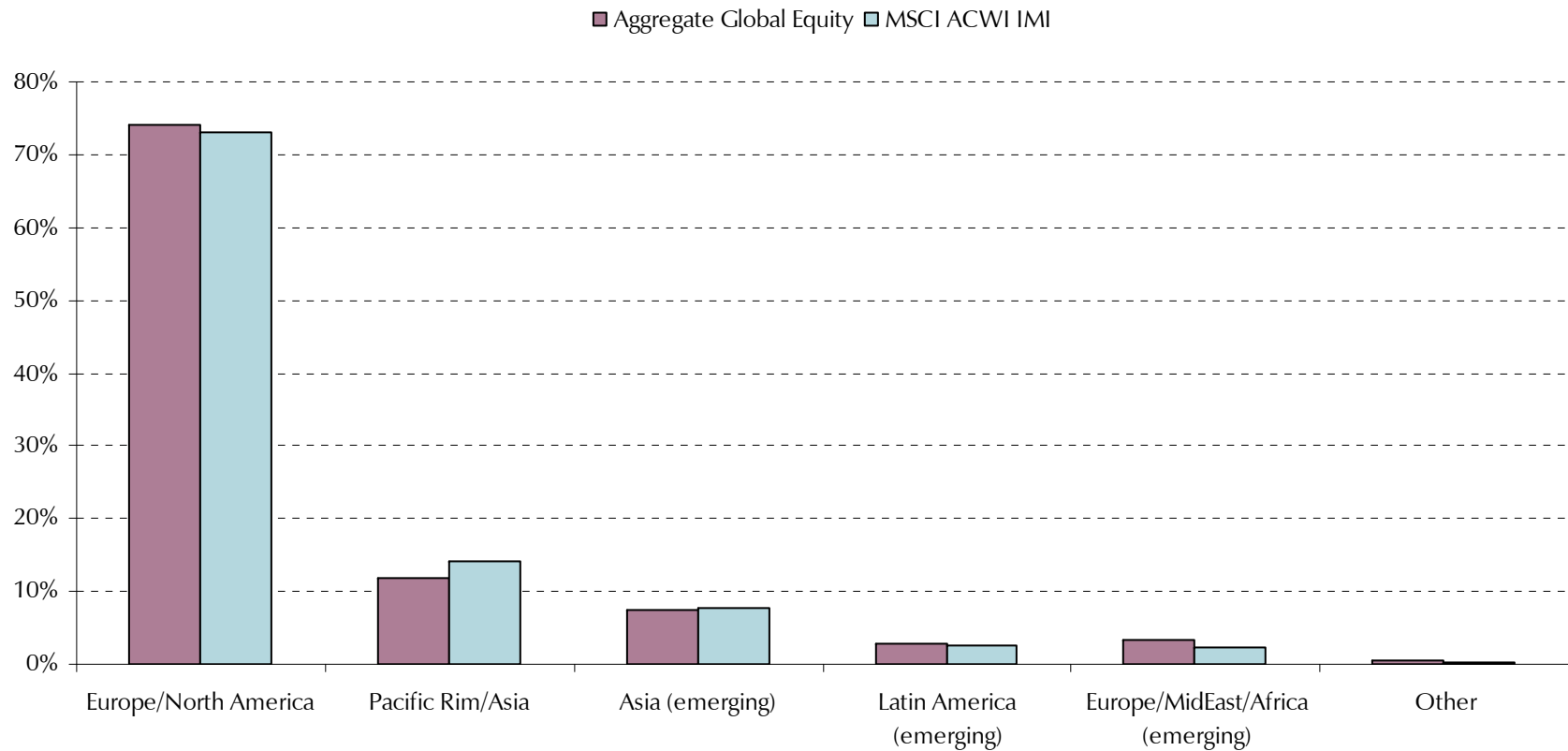




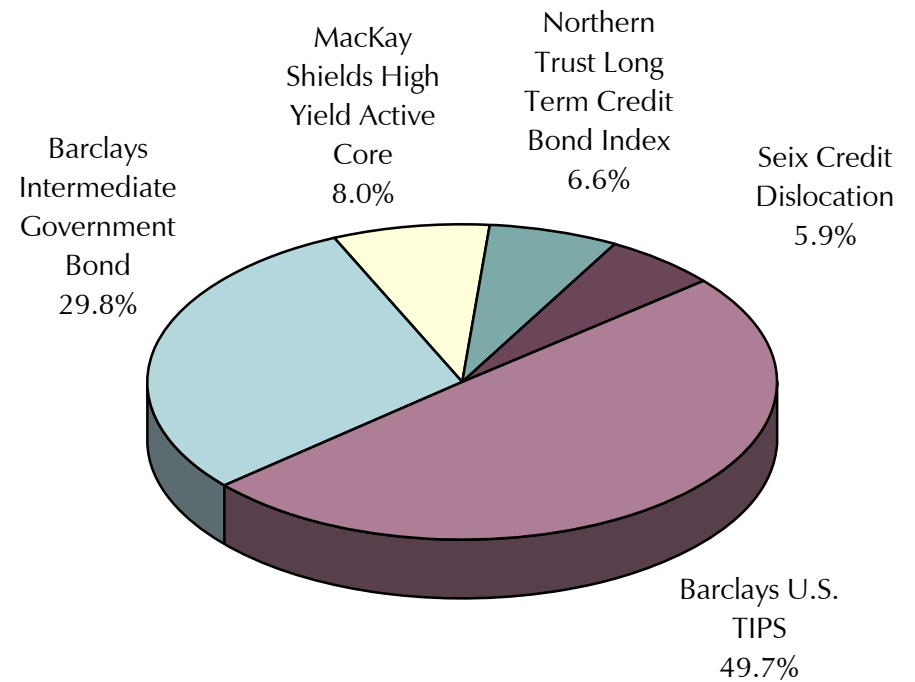
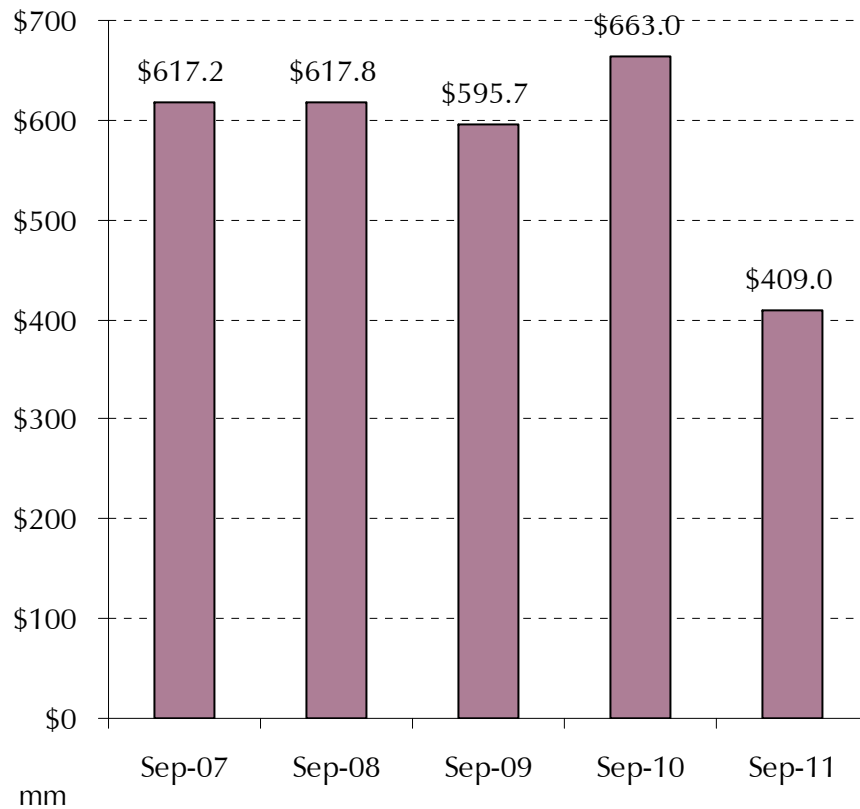
	Aggregate Global Equity 9/30/11	MSCI ACWI IMI 9/30/11	Aggregate Global Equity 6/30/11
<b>Capitalization Structure:</b>			
Weighted Average Market Cap. (US\$ billion)	34.7	53.6	47.9
Median Market Cap. (US\$ billion)	2.0	0.8	3.0
Large (% over US\$10 billion)	51	67	64
Medium (% US\$2 billion to US\$10 billion)	27	23	22
Small (% under US\$2 billion)	22	10	14
<b>Fundamental Structure:</b>			
Price-Earnings Ratio	17	16	21
Price-Book Value Ratio	2.4	2.5	2.9
Dividend Yield (%)	2.6	2.8	2.3
Historical Earnings Growth Rate (%)	9	7	8
Projected Earnings Growth Rate (%)	11	10	11

Sector Allocation (%):	Aggregate Global Equity 9/30/11	MSCI ACWI IMI 9/30/11	Aggregate Global Equity 6/30/11
Industrials	14	11	21
Materials	10	8	9
Consumer Discretionary	13	11	10
Information Technology	14	12	13
Health Care	9	9	9
Utilities	4	4	4
Telecom	4	5	3
Consumer Staples	8	10	7
Financials	17	19	16
Energy	8	11	8

	Aggregate Global Equity 9/30/11 (%)	MSCI ACWI IMI 9/30/11 (%)
<b>Europe/North America</b>	<b>67.4</b>	<b>73.1</b>
United States	44.1	44.9
United Kingdom	7.3	8.3
France	3.1	3.2
Switzerland	2.9	3.1
Germany	1.3	2.8
Norway	1.0	0.4
<b>Pacific Rim/Asia</b>	<b>14.6</b>	<b>14.1</b>
Japan	10.8	9.1
Australia	2.5	3.2
<b>Asia (emerging)</b>	<b>9.6</b>	<b>7.7</b>
South Korea	2.6	1.9
China	2.5	2.1
Taiwan	1.6	1.6
<b>Latin America (emerging)</b>	<b>3.5</b>	<b>2.6</b>
Brazil	2.3	1.7
<b>Europe/MidEast/Africa (emerging)</b>	<b>4.2</b>	<b>2.3</b>
Russia	1.5	0.7
South Africa	1.7	1.0
<b>Other</b>	<b>0.7</b>	<b>0.3</b>



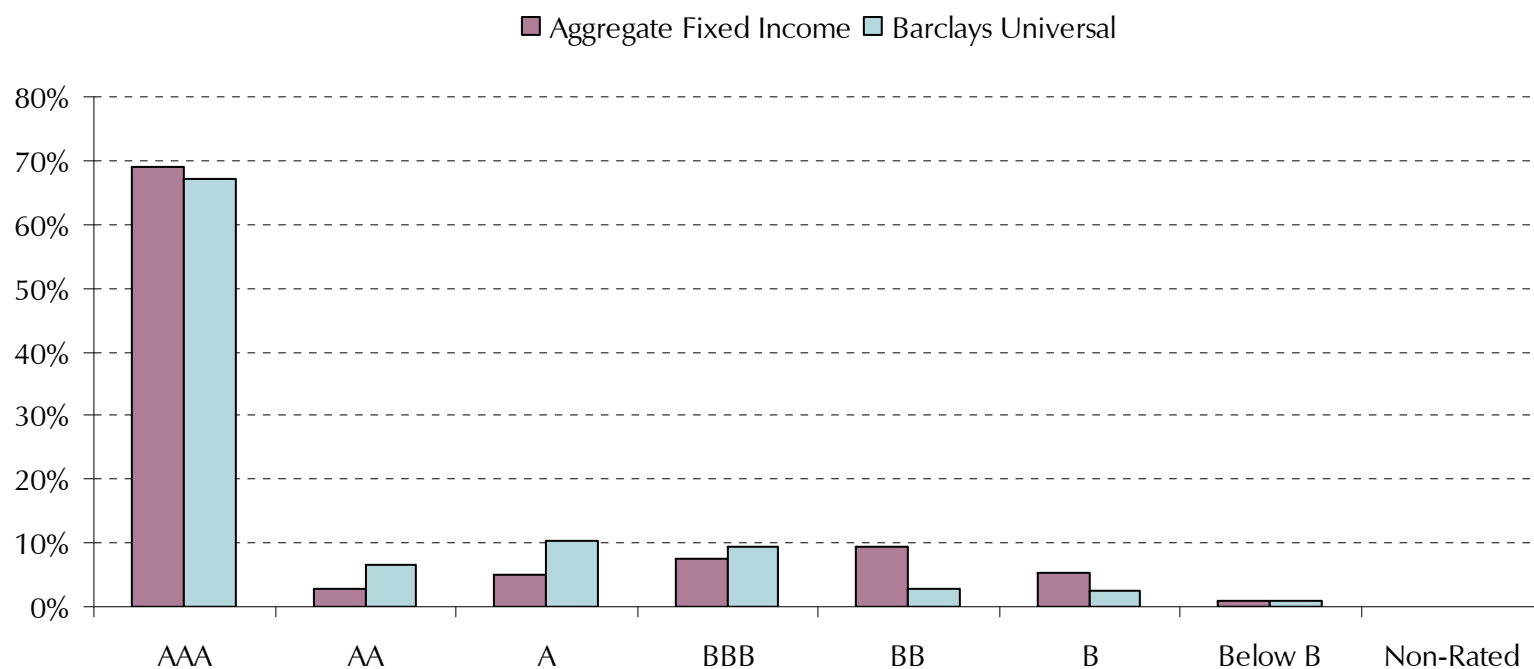
**Fixed Income Assets  
As of September 30, 2011**



Risk: (sixty months)	Aggregate Fixed Income 9/30/11	Barclays Universal 9/30/11
Annualized Return (%)	7.2	6.4
Standard Deviation (%)	5.0	4.0
Best Monthly Return (%)	4.8	3.8
Worst Monthly Return (%)	-3.8	-3.6
Beta	1.12	1.00
Correlation (R <sup>2</sup> ) to Index	0.90	1.00
Correlation to Total Fund Return	0.62	NA
Sharpe Measure (risk-adjusted return)	1.11	1.18
Information Ratio	0.39	NA

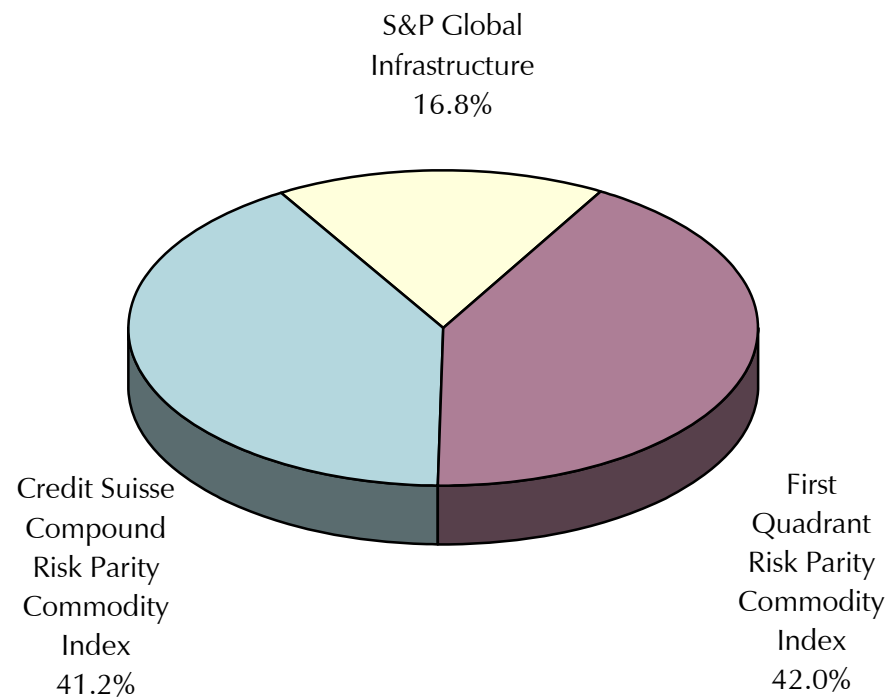
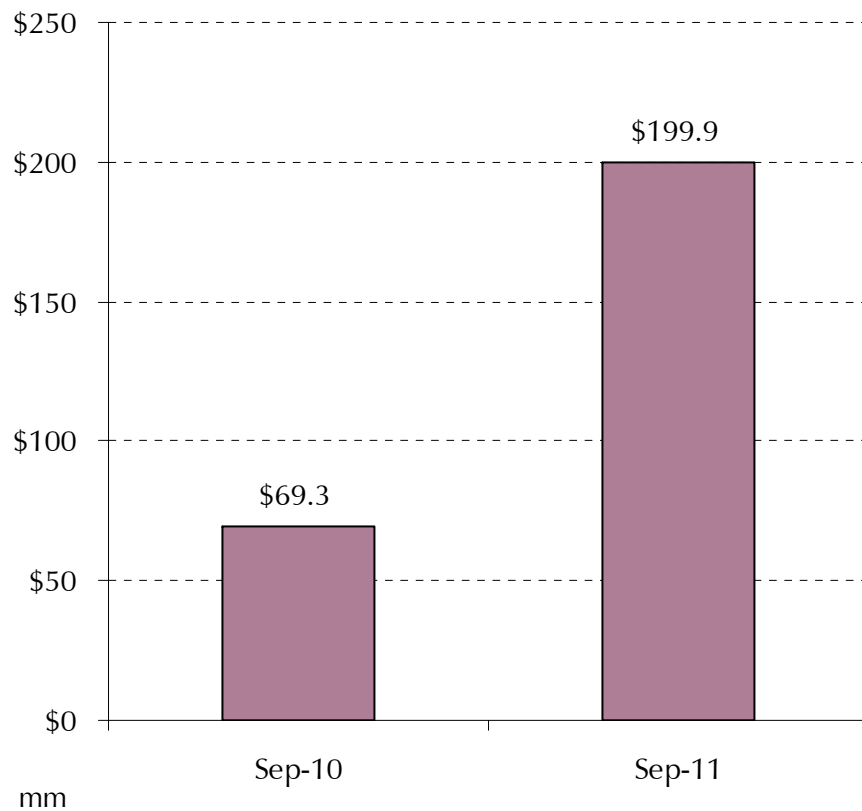


Duration & Yield:	Aggregate Fixed Income 9/30/11	Barclays Universal 9/30/11	Aggregate Fixed Income 6/30/11
Average Effective Duration (years)	4.3	4.9	3.9
Yield to Maturity (%)	2.6	2.9	2.4



	Aggregate Fixed Income 9/30/11	Barclays Universal 9/30/11	Aggregate Fixed Income 6/30/11
<b>Market Allocation (%):</b>			
United States	94	86	94
Foreign (developed markets)	5	12	5
Foreign (emerging markets)	1	3	1
<b>Currency Allocation (%):</b>			
Non-U.S. Dollar Exposure	2	0	2
<b>Sector Allocation (%):</b>			
U.S. Treasury-Nominal	22	30	23
U.S. Treasury-TIPS	44	0	42
U.S. Agency	4	8	5
Mortgage Backed	0	28	0
Corporate	12	26	13
Bank Loans	4	0	5
Local & Provincial Government	1	1	1
Sovereign & Supranational	0	4	0
Commercial Mortgage Backed	0	2	0
Asset Backed	0	0	0
Cash Equivalent	1	0	1
Other	11	0	12

## Real Assets As of September 30, 2011



**Portfolio Reviews**  
**As of September 30, 2011**

## Global Equity Portfolios Reviews As of September 30, 2011

## San Jose Federated City Employees' Retirement System

## Northern Trust MSCI ACWI Index Portfolio Detail as of 9/30/11

**Mandate:** Global Equities  
**Active/Passive:** Passive  
**Market Value:** \$276.9 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 6/1/2010  
**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

Northern Trust MSCI ACWI includes exposure to the MSCI ACWI (ex. U.S.) Index and the Russell 3000 Index to simulate MSCI ACWI exposure. The MSCI ACWI (ex. U.S.) Index assets have a fee of 0.07%, and the Russell 3000 Index assets have a fee of 0.02%.

### Liquidity Constraints:

Daily

### Strategy:

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

Performance (%):	3Q11	YTD	1 YR	Since 6/1/10
Northern Trust MSCI ACWI Index <sup>1</sup>	-17.9	-13.5	-5.7	3.4
Net of Fees	-17.9	-13.6	-5.7	3.3
MSCI ACWI	-17.4	-13.6	-6.0	3.1

Capitalization Structure:	NT MSCI ACWI	9/30/11 MSCI ACWI
Weighted Average Market Cap. (US\$ billion)	57.5	61.5
Median Market Cap. (US\$ billion)	2.3	6.2
Large (% over US\$10 billion)	72	78
Medium (% US\$2 billion to US\$10 billion)	23	21
Small (% under US\$2 billion)	6	1

### Fundamental Structure:

Price-Earnings Ratio	16	15
Price-Book Value Ratio	2.6	2.6
Dividend Yield (%)	2.9	2.9
Historical Earnings Growth Rate (%)	7	7
Projected Earnings Growth Rate (%)	10	10

### Sector Allocation (%):

Financials	19	19
Information Technology	13	12
Industrials	11	10
Consumer Discretionary	10	10
Energy	10	11
Consumer Staples	10	11
Health Care	10	9
Materials	8	8
Telecom	5	5
Utilities	4	4

### Diversification:

Number of Holdings	4,881	2,457
% in 5 largest holdings	7	5
% in 10 largest holdings	11	9

### Region Allocation (%):

U.S.	49	44
Other North America	7	4
Europe	21	25
Pacific Rim/Asia	12	14
Asia (emerging)	7	8
Latin America (emerging)	2	3
Europe/MidEast/Africa (emerging)	2	2

### Largest Five Holdings:

		Industry
ExxonMobil	1.4	Energy
Apple	1.4	Technology Hardware
IBM	0.8	Software & Services
Chevron Corporation	0.7	Energy
Microsoft Corporation	0.7	Software & Services

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



## San Jose Federated City Employees' Retirement System

## Tradewinds Global All Cap Portfolio Detail as of 9/30/11

**Mandate:** Global Equities  
**Active/Passive:** Active  
**Market Value:** \$95.6 million  
**Portfolio Manager:** Dave Iben, CFA  
**Location:** Los Angeles, California  
**Inception Date:** 4/1/2011  
**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

0.75% on first \$10 mm; 0.65% on next \$30 mm; 0.55% on next \$160 mm; 0.525% thereafter

### Liquidity Constraints:

Monthly

### Strategy:

Tradewinds believes that markets are not always efficient and they seek to take advantage of occasional material mis-pricings anywhere in the world regardless of geography or market capitalization. While remaining flexible and opportunistic in terms of where they source investment ideas, Tradewinds is very disciplined in the valuation they are willing to pay. The team looks for companies that trade at attractive absolute valuations, offer good downside protection and possess strong franchise quality.

Performance (%):	3Q11	YTD	Since 4/1/11
<b>Tradewinds Global All Cap</b>	<b>-10.6</b>	<b>NA</b>	<b>-11.7</b>
<b>Net of Fees</b>	<b>-10.7</b>	<b>NA</b>	<b>-12.0</b>
MSCI ACWI Value	-17.7	-13.5	-18.0
Peer Global Equity	-18.7	-13.4	-18.1
Peer Ranking (percentile)	4	NA	10

	9/30/11		6/30/11	
	Tradewinds Global All Cap	MSCI ACWI Value	Tradewinds Global All Cap	MSCI ACWI Value
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	34.5	67.7	36.1	77.2
Median Market Cap. (US\$ billion)	5.1	5.8	8.0	7.1
Large (% over US\$10 billion)	61	80	73	83
Medium (% US\$2 billion to US\$10 billion)	26	19	18	16
Small (% under US\$2 billion)	14	1	9	1

<b>Fundamental Structure:</b>				
Price-Earnings Ratio	17	12	21	15
Price-Book Value Ratio	1.7	1.7	2.1	1.9
Dividend Yield (%)	3.1	3.8	3.1	3.1
Historical Earnings Growth Rate (%)	6	1	5	1
Projected Earnings Growth Rate (%)	9	7	10	9

<b>Sector Allocation (%):</b>				
Materials	22	5	22	6
Industrials	18	7	16	8
Utilities	11	7	14	7
Information Technology	7	6	5	5
Telecom	9	9	10	8
Consumer Discretionary	5	6	4	7
Consumer Staples	3	6	5	5
Health Care	7	11	7	10
Energy	7	14	7	14
Financials	12	29	9	31

<b>Diversification:</b>				
Number of Holdings	90	1,328	83	1,327
% in 5 largest holdings	20	9	22	8
% in 10 largest holdings	35	15	39	13

<b>Region Allocation (%):</b>				
Americas	41	49	43	47
Europe	13	24	12	26
Pacific Rim	25	14	26	13
Other	21	13	19	14

<b>Largest Five Holdings:</b>		<b>Industry</b>
Newmont Mining	4.7	Materials
Barrick Gold	4.2	Materials
Lilly (Eli)	4.0	Pharmaceuticals & Biotech
Microsoft	3.8	Software & Services
EDF	3.6	Utilities





## San Jose Federated City Employees' Retirement System

## MSCI EAFE Small Cap Portfolio Detail as of 9/30/11

**Mandate:** Global Equities  
**Active/Passive:** Passive  
**Market Value:** \$87.4 million  
**Portfolio Manager:** Russell Investments (Transition Manager)  
**Location:** Tacoma, Washington  
**Inception Date:** 6/1/2010  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

Base fee of \$50,000. In addition 0.05% on first \$200 mm; 0.03% on next \$200 mm; 0.015% thereafter. Fee applies to aggregated Russell Investment accounts.

### Liquidity Constraints:

Daily

### Strategy:

Russell Investments manages an optimized portfolio with a Tracking Error target of 2.0% to the MSCI EAFE Small Cap Index.

Performance (%):	3Q11	YTD	1 YR	Since 6/1/10
MSCI EAFE Small Cap	-17.7	-14.2	-4.3	7.1
Net of Fees	-17.7	-14.2	-4.4	7.1
MSCI EAFE Small Cap	-18.6	-15.5	-5.5	7.8

	9/30/11 MSCI EAFE Small Cap	MSCI EAFE Small Cap	6/30/11 MSCI EAFE Small Cap	MSCI EAFE Small Cap
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	12.5	1.4	16.4	1.8
Median Market Cap. (US\$ million)	795.4	569.3	1,286.4	693.0
Large (% over US\$10 billion)	31	0	38	0
Medium (% US\$2 billion to US\$10 billion)	30	22	31	36
Small (% under US\$2 billion)	40	78	31	64

### Fundamental Structure:

Price-Earnings Ratio	17	17	19	20
Price-Book Value Ratio	2.1	1.9	2.5	2.5
Dividend Yield (%)	3.1	3.3	2.7	2.6
Historical Earnings Growth Rate (%)	3	5	3	5
Projected Earnings Growth Rate (%)	8	7	9	12

### Sector Allocation (%):

Industrials	26	23	27	23
Consumer Discretionary	16	18	16	18
Financials	13	20	13	19
Materials	11	11	12	11
Information Technology	9	8	10	9
Consumer Staples	8	7	7	6
Health Care	6	6	5	5
Energy	5	5	5	5
Telecom	3	1	2	1
Utilities	2	2	2	2

### Diversification:

Number of Holdings	471	2,406	404	2,427
% in 5 largest holdings	5	2	6	2
% in 10 largest holdings	10	3	10	3

### Region Allocation (%):

Americas	2	0	2	0
Europe	54	54	59	59
Pacific Rim	43	46	38	41
Other	1	0	1	0

### Largest Five Holdings:

		Industry
Dassault Systems	1.4	Software & Services
Shire	1.3	Pharmaceuticals & Biotech
Daiwa House Inds	1.0	Real Estate
Unicharm	0.9	Household/Personal Products
JGC	0.9	Capital Goods



## San Jose Federated City Employees' Retirement System

## Northern Trust MSCI Emerging Markets Index Portfolio Detail as of 9/30/11

**Mandate:** Global Equities  
**Active/Passive:** Passive  
**Market Value:** \$78.6 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 5/1/2010  
**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

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

**Liquidity Constraints:**  
 Daily

### Strategy:

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

Performance (%):	3Q11	YTD	1 YR	Since 5/1/10
Northern Trust MSCI Emerging Markets Index	-22.6	-22.1	-16.3	-7.7
Net of Fees	-22.7	-22.2	-16.5	-8.8
MSCI Emerging Markets	-22.6	-21.9	-16.1	-7.5

	9/30/11 NT MSCI EM	MSCI Emerging Markets	6/30/11 NT MSCI EM	MSCI Emerging Markets
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	37.2	37.9	54.6	49.0
Median Market Cap. (US\$ billion)	4.3	4.3	5.7	5.7
Large (% over US\$10 billion)	61	62	67	67
Medium (% US\$2 billion to US\$10 billion)	34	34	30	30
Small (% under US\$2 billion)	5	4	3	2

### Fundamental Structure:

Price-Earnings Ratio	14	14	17	18
Price-Book Value Ratio	2.5	2.4	3.0	3.0
Dividend Yield (%)	3.1	3.0	2.3	2.2
Historical Earnings Growth Rate (%)	15	15	16	16
Projected Earnings Growth Rate (%)	13	13	17	18

### Sector Allocation (%):

Financials	24	24	23	25
Materials	14	14	14	15
Energy	14	14	14	15
Information Technology	13	13	11	12
Telecom	9	9	7	7
Consumer Discretionary	8	8	10	8
Consumer Staples	8	7	6	7
Industrials	7	7	7	7
Utilities	4	3	6	4
Health Care	1	1	1	1

### Diversification:

Number of Holdings	873	825	871	824
% in 5 largest holdings	9	9	10	9
% in 10 largest holdings	15	15	17	15

### Region Allocation (%):

Asia	59	59	61	59
Latin America	22	22	22	23
Europe, Middle East and Africa	19	18	17	19
Canada	0	0	0	0
Other	0	0	0	0

### Largest Five Holdings:

		Industry
Samsung	2.5	Semiconductors
China Mobile	1.9	Telecommunication Services
Taiwan Semiconductor	1.8	Semiconductors
America Movil	1.5	Telecommunication Services
Petrol Brasileiros	1.4	Energy



## San Jose Federated City Employees' Retirement System

## Artisan Global Value Portfolio Detail as of 9/30/11

**Mandate:** International Equities,  
Developed Markets

**Active/Passive:** Active

**Market Value:** \$75.6 million

**Portfolio Manager:** David Samra  
Dan O'Keefe

**Location:** San Francisco, California

**Inception Date:** 3/1/2011

**Account Type:** Separately Managed

**Fee Schedule:**  
0.80% on first \$50 mm; 0.60% on next \$50 mm; 0.50% thereafter

**Liquidity Constraints:**  
Daily

**Strategy:**  
Artisan employs a bottom-up investment approach seeking to identify undervalued quality businesses that offer the potential for superior risk/reward outcomes. Artisan runs a somewhat concentrated portfolio of 40 to 60 stocks. They are benchmark-agnostic, and willing to have exposures that are materially different than the benchmark.

**Guidelines:**  
Max. % per country other than U.S. = 35%; Max. % per industry = 25%; Max. % in debt securities = 10%; Max % outside developed markets = 10% above benchmark weighting

	Value	Core	Growth
Large			
Medium			
Small			

Performance (%):	3Q11	YTD	Since 3/1/11
Artisan Global Value	-12.9	NA	-10.1
Net of Fees	-13.1	NA	-10.5
MSCI ACWI Value	-17.7	-13.5	-18.5
Peer Global Equity	-18.7	-13.4	-17.9
Peer Ranking (percentile)	12	NA	10

	9/30/11 Artisan Global Value	MSCI ACWI Value	6/30/11 Artisan Global Value	MSCI ACWI Value
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	46.0	67.7	56.0	77.2
Median Market Cap. (US\$ billion)	16.7	5.8	32.1	7.1
Large (% over US\$10 billion)	77	80	80	83
Medium (% US\$2 billion to US\$10 billion)	23	19	20	16
Small (% under US\$2 billion)	0	1	0	1

<b>Fundamental Structure:</b>				
Price-Earnings Ratio	13	12	15	15
Price-Book Value Ratio	2.5	1.7	2.8	1.9
Dividend Yield (%)	2.3	3.8	2.2	3.1
Historical Earnings Growth Rate (%)	13	1	11	1
Projected Earnings Growth Rate (%)	10	7	11	9

<b>Sector Allocation (%):</b>				
Consumer Discretionary	19	6	12	7
Information Technology	15	6	22	5
Consumer Staples	14	6	10	5
Industrials	11	7	7	8
Financials	29	29	39	31
Health Care	8	11	11	10
Materials	2	5	0	6
Utilities	0	7	0	7
Telecom	0	9	0	8
Energy	2	14	0	14

<b>Diversification:</b>				
Number of Holdings	43	1,328	30	1,327
% in 5 largest holdings	21	9	29	8
% in 10 largest holdings	39	15	52	13

<b>Region Allocation (%):</b>				
Americas	58	49	75	47
Europe	34	24	19	26
Pacific Rim	9	14	6	13
Other	0	13	0	14

<b>Largest Five Holdings:</b>		<b>Industry</b>
MasterCard	5.1	Software & Services
Compass Group	4.4	Consumer Services
Arch Capital Group	4.2	Insurance
Johnson & Johnson	3.8	Pharmaceuticals & Biotech
TE Connectivity	3.7	Technology Hardware



## San Jose Federated City Employees' Retirement System

## Northern Trust Russell 3000 Index Portfolio Detail as of 9/30/11

**Mandate:** Domestic Equities  
**Active/Passive:** Passive  
**Market Value:** \$72.2 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 9/1/1999  
**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**  
 0.02% on all assets  
**Liquidity Constraints:**  
 Daily

### Strategy:

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

Performance (%):	3Q11	YTD	1 YR	3 YR	5 YR	Since 9/1/99
Northern Trust Russell 3000 Index	-15.3	-9.8	0.6	1.7	-0.7	1.4
Net of Fees	-15.3	-9.9	0.6	1.7	-0.8	1.4
Russell 3000	-15.3	-9.9	0.5	1.5	-0.9	1.3

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure <sup>1</sup>	Info. Ratio	Correlation to Index
Northern Trust Russell 3000 Index	19.4%	1.00	Neg.	NA	1.00
Russell 3000	19.3	1.00	Neg.	NA	1.00

	9/30/11		6/30/11	
Capitalization Structure:	NT Russell 3000	Russell 3000	NT Russell 3000	Russell 3000
Weighted Average Market Cap. (US\$ billion)	72.3	71.5	72.4	72.6
Median Market Cap. (US\$ million)	999.1	801.3	1,318.1	1,038.1
Large (% over US\$10 billion)	72	72	73	73
Medium (% US\$2 billion to US\$10 billion)	20	20	20	20
Small (% under US\$2 billion)	8	8	7	7

Fundamental Structure:				
Price-Earnings Ratio	17	17	20	21
Price-Book Value Ratio	3.0	3.0	3.3	3.4
Dividend Yield (%)	2.0	2.0	1.7	1.7
Historical Earnings Growth Rate (%)	8	8	7	7
Projected Earnings Growth Rate (%)	11	11	11	11

Sector Allocation (%):				
Information Technology	19	19	18	18
Financials	15	15	16	16
Health Care	12	12	12	12
Consumer Discretionary	12	12	12	12
Industrials	11	11	12	12
Energy	11	11	12	12
Consumer Staples	10	10	9	9
Utilities	4	4	3	3
Materials	4	4	4	4
Telecom	3	3	3	3

Diversification:				
Number of Holdings	2,634	2,938	2,661	2,970
% in 5 largest holdings	10	10	9	9
% in 10 largest holdings	17	17	15	15

Largest Ten Holdings:		Industry
ExxonMobil	2.8	Energy
Apple	2.8	Technology Hardware
IBM	1.7	Software & Services
Chevron	1.5	Energy
Microsoft	1.5	Software & Services
Procter & Gamble	1.4	Household/Personal Products
Johnson & Johnson	1.4	Pharmaceuticals & Biotech
AT&T	1.3	Telecommunication Services
General Electric	1.3	Capital Goods
Pfizer	1.1	Pharmaceuticals & Biotech

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



## San Jose Federated City Employees' Retirement System

## Eagle Small-Cap Growth Portfolio Detail as of 9/30/11

**Mandate:** Domestic Equities  
**Active/Passive:** Active  
**Market Value:** \$63.8 million  
**Portfolio Manager:** Bert L. Boksen, CFA  
**Location:** St. Petersburg, Florida  
**Inception Date:** 6/1/1998  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

0.75% on first \$3 mm; 0.70% on next \$7 mm; 0.60% on next \$40 mm; 0.50% thereafter

### Liquidity Constraints:

Daily

### Strategy:

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

### Guidelines:

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

Performance (%):	3Q11	YTD	1 YR	3 YR	5 YR	Since 6/1/98
<b>Eagle Small-Cap Growth</b>	<b>-23.2</b>	<b>-12.0</b>	<b>3.7</b>	<b>7.3</b>	<b>5.7</b>	<b>5.7</b>
<b>Net of Fees</b>	<b>-23.3</b>	<b>-12.4</b>	<b>3.1</b>	<b>6.6</b>	<b>5.0</b>	<b>5.0</b>
Russell 2000 Growth	-22.2	-15.6	-1.1	2.1	1.0	2.1
Peer Small Cap Growth	-21.9	-13.5	-0.1	3.7	2.0	6.2
Peer Ranking (percentile)	74	29	29	11	4	60
Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure <sup>1</sup>	Info. Ratio	Correlation to Index	
<b>Eagle Small-Cap Growth</b>	<b>25.7%</b>	<b>0.97</b>	<b>0.15</b>	<b>0.90</b>	<b>0.98</b>	
Russell 2000 Growth	25.0	1.00	Neg.	NA	1.00	

	9/30/11 Eagle	Russell 2000 Growth	6/30/11 Eagle	Russell 2000 Growth
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	1.3	1.2	1.7	1.4
Median Market Cap. (US\$ million)	954.5	477.9	1,225.3	625.7
Large (% over US\$10 billion)	0	0	0	0
Medium (% US\$2 billion to US\$10 billion)	18	14	28	27
Small (% under US\$2 billion)	82	86	72	73

### Fundamental Structure:

Price-Earnings Ratio	26	28	33	33
Price-Book Value Ratio	3.1	3.7	3.8	4.5
Dividend Yield (%)	0.5	0.8	0.3	0.6
Historical Earnings Growth Rate (%)	9	11	9	10
Projected Earnings Growth Rate (%)	18	18	18	17

### Sector Allocation (%):

Consumer Discretionary	19	15	20	15
Materials	6	4	6	5
Industrials	17	16	16	16
Energy	8	7	8	8
Utilities	0	0	0	0
Health Care	20	21	17	19
Telecom	0	1	0	1
Information Technology	22	23	26	25
Financials	7	8	5	7
Consumer Staples	2	5	2	4

### Diversification:

Number of Holdings	89	1,141	88	1,161
% in 5 largest holdings	15	3	15	2
% in 10 largest holdings	26	5	25	4

### Largest Ten Holdings:

		Industry
Genesco	4.6	Retailing
Lufkin Industries	3.0	Energy
Vitamin Shoppe	2.7	Retailing
BJ's Restaurants	2.6	Consumer Services
Quality Systems	2.5	Health Equipment & Services
Sirona Dental Systems	2.4	Health Equipment & Services
Huron Consulting Group	2.3	Commercial & Professional Services
EZCORP	2.2	Diversified Financials
Thoratec	2.2	Health Equipment & Services
Waste Connections	2.0	Commercial & Professional Services

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



## San Jose Federated City Employees' Retirement System

**Mandate:** Fixed Income  
**Active/Passive:** Active  
**Market Value:** \$55.8 million  
**Portfolio Manager:** John P Calamos/ Nick P Calamos  
**Location:** Naperville, Illinois  
**Inception Date:** 11/1/2009  
**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

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

**Liquidity Constraints:**  
Daily

**Strategy:**  
Calamos seeks to leverage their capital structure research by investing in global convertible securities, in order to generate consistent alpha and manage downside volatility. The portfolio construction process incorporates top-down and bottom-up analysis. Top-down considerations focus on the global macroeconomic environment, sectors and the identification of long-term secular themes that they believe will influence growth opportunities for decades to come. For bottom-up research, they first determine the intrinsic value of the company and then utilize quantitative and qualitative analysis to value the securities within the company's capital structure.

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

Performance (%):	3Q11	YTD	1 YR	Since 11/1/09
<b>Calamos Global Convertibles</b>	<b>-5.6</b>	<b>-4.1</b>	<b>0.9</b>	<b>6.1</b>
<b>Net of Fees</b>	<b>-5.7</b>	<b>-4.4</b>	<b>0.4</b>	<b>5.6</b>
Merrill Lynch Global 300 Convertible Index	-10.6	-8.0	-3.0	4.2

## Calamos Global Convertibles Portfolio Detail as of 9/30/11

	9/30/11		6/30/11	
	Calamos	ML Global 300 Convertible	Calamos	ML Global 300 Convertible
<b>Duration &amp; Yield:</b>				
Average Effective Duration (years)	2.7	3.0	2.4	2.6
Yield to Maturity (%)	1.1	3.8	0.2	1.8
<b>Quality Structure (%):</b>				
Average Quality	BBB	BB+	BBB-	BB+
AAA (includes Treasuries and Agencies)	0	0	0	0
AA	6	5	5	4
A	21	16	25	16
BBB	37	29	29	29
BB	34	37	38	36
B	2	11	3	12
Below B	0	3	0	4
Non-Rated	0	0	0	0
<b>Sector Allocation (%):</b>				
U.S. Treasury-Nominal	0	0	0	0
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	0	0	0	0
Mortgage Backed	0	0	0	0
Corporate	0	0	0	0
Bank Loans	0	0	0	0
Local & Provincial Government	0	0	0	0
Sovereign & Supranational	0	0	0	0
Commercial Mortgage Backed	0	0	0	0
Asset Backed	0	0	0	0
Cash Equivalent	5	0	4	0
Other	95	100	96	100
<b>Market Allocation (%):</b>				
United States	65	49	62	48
Foreign (developed markets)	30	42	31	44
Foreign (emerging markets)	5	9	7	8
<b>Currency Allocation (%):</b>				
Non-U.S. Dollar Exposure	14	36	17	36



## San Jose Federated City Employees' Retirement System

## MSCI EAFE Growth Portfolio Detail as of 9/30/11

**Mandate:** Global Equities  
**Active/Passive:** Passive  
**Market Value:** \$53.9 million  
**Portfolio Manager:** Russell Investments (Transition Manager)  
**Location:** Tacoma, Washington  
**Inception Date:** 6/1/2010  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

Base fee of \$50,000. In addition 0.05% on first \$200 mm; 0.03% on next \$200 mm; 0.015% thereafter. Fee applies to aggregated Russell Investment accounts.

### Liquidity Constraints:

Daily

### Strategy:

Russell Investments manages an optimized portfolio with a Tracking Error target of 1.25% to the MSCI EAFE Growth Index.

Performance (%):	3Q11	YTD	1 YR	Since 6/1/10
MSCI EAFE Growth	-18.3	-13.8	-6.3	5.0
Net of Fees	-18.3	-13.9	-6.4	4.9
MSCI EAFE Growth	-19.0	-15.4	-8.8	4.7

	9/30/11 MSCI EAFE Growth	MSCI EAFE Growth	6/30/11 MSCI EAFE Growth	MSCI EAFE Growth
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	53.1	44.7	63.6	56.7
Median Market Cap. (US\$ billion)	11.6	6.6	18.3	7.8
Large (% over US\$10 billion)	80	76	98	80
Medium (% US\$2 billion to US\$10 billion)	18	24	2	20
Small (% under US\$2 billion)	2	0	0	0

### Fundamental Structure:

Price-Earnings Ratio	15	17	18	20
Price-Book Value Ratio	2.7	2.8	3.7	3.3
Dividend Yield (%)	3.1	2.6	2.4	2.1
Historical Earnings Growth Rate (%)	4	6	17	6
Projected Earnings Growth Rate (%)	8	10	3	15

### Sector Allocation (%):

Consumer Staples	19	20	5	18
Materials	15	14	1	16
Industrials	14	18	81	19
Financials	14	12	3	13
Health Care	11	8	4	7
Consumer Discretionary	11	13	2	13
Information Technology	7	7	1	7
Energy	4	5	1	5
Telecom	4	2	1	2
Utilities	2	2	0	2

### Diversification:

Number of Holdings	320	541	100	542
% in 5 largest holdings	13	12	85	12
% in 10 largest holdings	20	19	88	19

### Region Allocation (%):

Americas	1	0	1	0
Europe	64	65	94	67
Pacific Rim	34	35	5	33
Other	0	0	0	0

### Largest Five Holdings:

		Industry
Nestle	4.2	Food Beverage & Tobacco
Roche	2.4	Pharmaceuticals & Biotech
British American Tobacco	2.2	Food Beverage & Tobacco
HSBC Holdings Plc	2.1	Banks
GlaxoSmithKline	1.8	Pharmaceuticals & Biotech



## San Jose Federated City Employees' Retirement System

## RS Investments Small Cap Value Portfolio Detail as of 9/30/11

**Mandate:** Domestic Equities  
**Active/Passive:** Active  
**Market Value:** \$47.8 million  
**Portfolio Manager:** Team  
**Location:** San Francisco, California  
**Inception Date:** 8/1/2010  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

1.00% on first \$30 mm; 0.80% on next \$20 mm; 0.60% thereafter. Fees are based on aggregated assets of the Federated and Police & Fire plans.

### Liquidity Constraints:

Daily

### Strategy:

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

### Guidelines:

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

Performance (%):	3Q11	YTD	1 YR	Since 8/1/10
<b>RS Investments Small Cap Value</b>	<b>-21.8</b>	<b>-17.9</b>	<b>-2.0</b>	<b>1.0</b>
<b>Net of Fees</b>	<b>-22.0</b>	<b>-18.4</b>	<b>-2.9</b>	<b>0.1</b>
Russell 2000 Value	-21.5	-18.5	-6.0	-3.2
Peer Small Cap Value	-20.6	-16.8	-3.4	-0.2
Peer Ranking (percentile)	68	67	33	33

	9/30/11 RS SCV	Russell 2000 Value	6/30/11 RS SCV	Russell 2000 Value
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	2.6	0.9	3.4	1.1
Median Market Cap. (US\$ billion)	1.9	0.3	2.5	0.5
Large (% over US\$10 billion)	0	0	0	0
Medium (% US\$2 billion to US\$10 billion)	53	7	71	11
Small (% under US\$2 billion)	47	93	29	89

### Fundamental Structure:

Price-Earnings Ratio	18	18	24	22
Price-Book Value Ratio	1.8	1.3	2.4	1.5
Dividend Yield (%)	1.1	2.5	0.7	1.9
Historical Earnings Growth Rate (%)	8	1	7	0
Projected Earnings Growth Rate (%)	14	11	14	11

### Sector Allocation (%):

Information Technology	24	11	25	12
Health Care	11	5	9	6
Energy	10	5	11	5
Consumer Discretionary	15	11	13	12
Materials	8	5	8	5
Telecom	0	1	0	1
Utilities	7	8	6	6
Consumer Staples	0	3	0	3
Industrials	4	15	2	16
Financials	22	36	26	34

### Diversification:

Number of Holdings	38	1,345	39	1,364
% in 5 largest holdings	22	2	21	2
% in 10 largest holdings	40	5	39	4

### Largest Ten Holdings:

		Industry
Gamestop	6.1	Retailing
Groupe Aeroplan	4.3	Media
Compass Minerals Intl	4.2	Materials
Calpine	3.9	Utilities
Myriad Genetics	3.8	Pharmaceuticals & Biotech
Waste Connections	3.6	Commercial & Professional Services
Acxiom	3.5	Software & Services
Atmel	3.5	Semiconductors
New Gold	3.5	Materials
AOL	3.5	Software & Services





## Fixed Income Portfolio Reviews As of September 30, 2011

## San Jose Federated City Employees' Retirement System

## Barclays U.S. TIPS Portfolio Detail as of 9/30/11

**Mandate:** Fixed Income  
**Active/Passive:** Passive  
**Market Value:** \$203.2 million  
**Portfolio Manager:** Russell Investments (Transition Manager)  
**Location:** Tacoma, Washington  
**Inception Date:** 6/1/2010  
**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

### Fee Schedule:

Base fee of \$50,000. In addition 0.05% on first \$200 mm; 0.03% on next \$200 mm; 0.015% thereafter. Fee applies to aggregated Russell Investment accounts.

### Liquidity Constraints:

Daily

### Strategy:

Russell Investments seeks to replicate the performance of the Barclays U.S. TIPS Index.

Performance (%):	3Q11	YTD	1 YR	Since 6/1/10
Barclays U.S. TIPS	3.0	9.0	7.7	9.2
Net of Fees	3.0	9.0	7.7	9.1
Barclays U.S. TIPS	4.5	10.6	9.9	10.5

Duration Quality Structure:	9/30/11		6/30/11	
	Barclays U.S. TIPS	Barclays TIPS	Barclays U.S. TIPS	Barclays TIPS
Average Quality	AAA	AAA	AAA	AAA
AAA (includes Treasuries and Agencies)	100	100	100	100
AA	0	0	0	0
A	0	0	0	0
BBB	0	0	0	0
BB	0	0	0	0
B	0	0	0	0
Below B	0	0	0	0
Non-Rated	0	0	0	0
<b>Sector Allocation (%):</b>				
U.S. Treasury-Nominal	0	0	0	0
U.S. Treasury-TIPS	100	100	100	100
U.S. Agency	0	0	0	0
Mortgage Backed	0	0	0	0
Corporate	0	0	0	0
Bank Loans	0	0	0	0
Local & Provincial Government	0	0	0	0
Sovereign & Supranational	0	0	0	0
Commercial Mortgage Backed	0	0	0	0
Asset Backed	0	0	0	0
Cash Equivalent	0	0	0	0
Other	0	0	0	0
<b>Market Allocation (%):</b>				
United States	100	100	100	100
Foreign (developed markets)	0	0	0	0
Foreign (emerging markets)	0	0	0	0
<b>Currency Allocation (%):</b>				
Non-U.S. Dollar Exposure	0	0	0	0



## San Jose Federated City Employees' Retirement System

## Barclays Intermediate Government Bond Portfolio Detail as of 9/30/11

**Mandate:** Fixed Income  
**Active/Passive:** Passive  
**Market Value:** \$122.0 million  
**Portfolio Manager:** Russell Investments (Transition Manager)  
**Location:** Tacoma, Washington  
**Inception Date:** 6/1/2010  
**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

### Fee Schedule:

0.05% on all assets

### Liquidity Constraints:

Daily

### Strategy:

Russell Investments manages an optimized portfolio to the Barclays Intermediate Government Index.

Performance (%):	3Q11	YTD	1 YR	Since 6/1/10
<b>Barclays Intermediate Government Bond</b>	<b>3.2</b>	<b>5.2</b>	<b>3.9</b>	<b>5.6</b>
<b>Net of Fees</b>	<b>3.1</b>	<b>5.2</b>	<b>3.9</b>	<b>5.5</b>
Barclays IT Gov't	3.2	5.4	3.7	5.4

	9/30/11		6/30/11	
Duration & Yield:	Barclays Int Gov't Bond	Barclays IT Gov't	Barclays Int Gov't Bond	Barclays IT Gov't
Average Effective Duration (years)	3.8	3.8	3.7	3.7
Yield to Maturity (%)	0.8	0.8	1.3	1.3
Quality Structure (%):				
Average Quality	AAA	AAA	AAA	AAA
AAA (includes Treasuries and Agencies)	95	95	100	95
AA	5	5	0	5
A	0	0	0	0
BBB	0	0	0	0
BB	0	0	0	0
B	0	0	0	0
Below B	0	0	0	0
Non-Rated	0	0	0	0
Sector Allocation (%):				
U.S. Treasury-Nominal	84	84	83	84
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	16	16	17	16
Mortgage Backed	0	0	0	0
Corporate	0	0	0	0
Bank Loans	0	0	0	0
Local & Provincial Government	0	0	0	0
Sovereign & Supranational	0	0	0	0
Commercial Mortgage Backed	0	0	0	0
Asset Backed	0	0	0	0
Cash Equivalent	0	0	0	0
Other	0	0	0	0
Market Allocation (%):				
United States	100	100	100	100
Foreign (developed markets)	0	0	0	0
Foreign (emerging markets)	0	0	0	0
Currency Allocation (%):				
Non-U.S. Dollar Exposure	0	0	0	0



## San Jose Federated City Employees' Retirement System

## Mackay Shields High Yield Active Core Portfolio Detail as of 9/30/11

**Mandate:** High Yield  
**Active/Passive:** Active  
**Market Value:** \$32.8 million  
**Portfolio Manager:** Dan Roberts, Ph.D.  
**Location:** New York, New York  
**Inception Date:** 5/1/2009  
**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

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

**Liquidity Constraints:**  
Daily

### Strategy:

The High Yield Active Core Investment Team believes that attractive risk-adjusted returns and, ultimately, attractive absolute returns are generated by a strategy of yield capture and error avoidance. Based on the observation that bonds, even high yield bonds, have a limited upside, but a 100% downside potential, this simple observation leads to the most fundamental element of the High Yield Active Core investment philosophy: the high yield market does not reward inappropriately high levels of risk. This view is considered in combination with the observation that, over any given cycle, total return is driven almost entirely by income.

### Guidelines:

Average rating of BB- or better. Maximum of 20% bank loans, and maximum of 5% CCC or lower. Gains are harvested from the portfolio.

Performance (%):	3Q11	YTD	1 YR	Since 5/1/09
<b>MacKay Shields High Yield Active Core</b>	<b>-3.7</b>	<b>-0.1</b>	<b>2.7</b>	<b>13.8</b>
<b>Net of Fees</b>	<b>-3.8</b>	<b>-0.4</b>	<b>2.3</b>	<b>13.3</b>
Merrill Lynch U.S. High Yield BB/B	-5.0	-0.4	2.0	16.2
Barclays High Yield	-6.1	-1.4	1.8	18.6
Peer High Yield	-6.1	-1.4	2.2	17.5
Peer Ranking (percentile)	9	19	38	87

	9/30/11		6/30/11	
	Mackay High Yield	Merrill Lynch U.S. High Yield BB/B	Mackay High Yield	Merrill Lynch U.S. High Yield BB/B
<b>Duration &amp; Yield:</b>				
Average Effective Duration (years)	3.6	4.7	3.5	4.7
Yield to Maturity (%)	8.3	8.5	6.1	6.8
<b>Quality Structure (%):</b>				
Average Quality	BB-	B+	BB-	B+
AAA (includes Treasuries and Agencies)	0	0	1	0
AA	0	0	0	0
A	0	0	0	0
BBB	10	0	8	0
BB	46	55	42	55
B	32	45	36	45
Below B	12	0	10	0
Non-Rated	0	0	2	0
<b>Sector Allocation (%):</b>				
U.S. Treasury-Nominal	0	0	0	0
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	0	0	0	0
Mortgage Backed	0	0	0	0
Corporate	97	0	96	100
Bank Loans	2	0	2	0
Local & Provincial Government	0	0	0	0
Sovereign & Supranational	0	0	0	0
Commercial Mortgage Backed	0	0	0	0
Asset Backed	0	0	0	0
Cash Equivalent	0	0	1	0
Other	0	0	1	0
<b>Market Allocation (%):</b>				
United States	96	81	96	81
Foreign (developed markets)	4	9	3	6
Foreign (emerging markets)	1	10	1	13
<b>Currency Allocation (%):</b>				
Non-U.S. Dollar Exposure	0	0	0	0



## San Jose Federated City Employees' Retirement System

## Northern Trust Long Term Credit Bond Index Portfolio Detail as of 9/30/11

**Mandate:** Fixed Income  
**Active/Passive:** Passive  
**Market Value:** \$27.0 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 5/1/2010  
**Account Type:** Commingled Fund

	Short	Int.	Long
High			
Medium			
Low			

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

**Liquidity Constraints:**  
 Daily

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

Performance (%):	3Q11	YTD	1 YR	Since 5/1/10
<b>Northern Trust Long Term Credit Bond Index</b>	<b>9.4</b>	<b>13.4</b>	<b>9.3</b>	<b>13.6</b>
<b>Net of Fees</b>	<b>9.3</b>	<b>13.3</b>	<b>9.2</b>	<b>13.5</b>
Barclays Long U.S. Credit	9.1	13.5	9.3	13.2

	9/30/11		6/30/11	
	NT Barclays LT Credit	Barclays Long U.S. Credit	NT Barclays LT Credit	Barclays Long U.S. Credit
<b>Duration &amp; Yield:</b>				
Average Effective Duration (years)	13.0	13.0	12.5	12.5
Yield to Maturity (%)	5.1	5.1	5.8	5.8
<b>Quality Structure (%):</b>				
Average Quality	A	A	A	A
AAA (includes Treasuries and Agencies)	3	3	3	3
AA	16	16	17	16
A	42	42	40	42
BBB	40	40	41	40
BB	0	0	0	0
B	0	0	0	0
Below B	0	0	0	0
Non-Rated	0	0	0	0
<b>Sector Allocation (%):</b>				
U.S. Treasury-Nominal	0	0	0	0
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	1	1	1	1
Mortgage Backed	0	0	0	0
Corporate	78	78	78	78
Bank Loans	0	0	0	0
Local & Provincial Government	14	14	13	14
Sovereign & Supranational	7	7	8	7
Commercial Mortgage Backed	0	0	0	0
Asset Backed	0	0	0	0
Cash Equivalent	0	0	0	0
Other	0	0	0	0
<b>Market Allocation (%):</b>				
United States	79	79	78	79
Foreign (developed markets)	21	21	22	21
Foreign (emerging markets)	0	0	0	0
<b>Currency Allocation (%):</b>				
Non-U.S. Dollar Exposure	0	0	0	0



## San Jose Federated City Employees' Retirement System

**Mandate:** High Yield  
**Active/Passive:** Active  
**Market Value:** \$23.9 million  
**Portfolio Manager:** Michael McEachern, CFA  
**Location:** Upper Saddle River, New Jersey  
**Inception Date:** 5/1/2009  
**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

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

**Liquidity Constraints:**  
 Daily

### Strategy:

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

### Guidelines:

Average Credit quality of BB- or better. Maximum of 20% high yield bonds, and maximum of 5% rated C or lower. Gains are harvested from the portfolio.

Performance (%):	3Q11	YTD	1 YR	Since 5/1/09
<b>Seix Credit Dislocation</b>	<b>-2.7</b>	<b>-0.8</b>	<b>1.8</b>	<b>7.3</b>
<b>Net of Fees</b>	<b>-2.8</b>	<b>-1.1</b>	<b>1.4</b>	<b>7.0</b>
CSFB Leveraged Loan Index	-3.8	-0.9	2.4	13.7

## Seix Credit Dislocation Portfolio Detail as of 9/30/11

	9/30/11		6/30/11	
	Seix	CSFB Lev Loan	Seix	CSFB Lev Loan
<b>Duration &amp; Yield:</b>				
Average Effective Duration (years)	1.7	0.3	1.8	0.3
Yield to Maturity (%)	4.9	5.0	4.0	4.6
<b>Quality Structure (%):</b>				
Average Quality	BB-	B	BB	B
AAA (includes Treasuries and Agencies)	5	0	2	0
AA	0	0	0	0
A	0	0	0	0
BBB	2	0	7	0
BB	38	39	64	39
B	56	47	27	47
Below B	0	3	0	3
Non-Rated	0	12	0	12
<b>Sector Allocation (%):</b>				
U.S. Treasury-Nominal	0	0	0	0
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	0	0	0	0
Mortgage Backed	0	0	0	0
Corporate	21	0	18	0
Bank Loans	75	100	80	100
Local & Provincial Government	0	0	0	0
Sovereign & Supranational	0	0	0	0
Commercial Mortgage Backed	0	0	0	0
Asset Backed	0	0	0	0
Cash Equivalent	5	0	2	0
Other	0	0	0	0
<b>Market Allocation (%):</b>				
United States	100	100	100	100
Foreign (developed markets)	0	0	0	0
Foreign (emerging markets)	0	0	0	0
<b>Currency Allocation (%):</b>				
Non-U.S. Dollar Exposure	0	0	0	0



## Real Assets Portfolio Reviews As of September 30, 2011

**Mandate:** Commodity  
**Active/Passive:** Active  
**Market Value:** \$83.9 million  
**Portfolio Manager:** Team  
**Location:** Pasadena, California  
**Inception Date:** 4/1/2011  
**Account Type:** Separately Managed

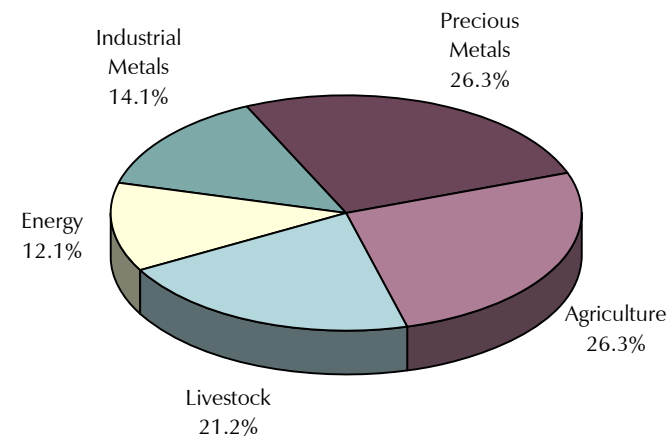
**Fee Schedule:**  
0.35% on all assets

**Liquidity Constraints:**  
Daily

**Strategy:**

First Quadrant believes that there are inherent flaws to commodity indices, and they seek to produce a strategy which providing investors a higher correlation to inflation over the long run. First Quadrant utilizes futures and swaps to gain exposure to five commodity complexes, representing twenty specific commodities, and targets 20% risk to each of the commodity complexes. The complexes are energy, industrial metals, precious metals, agriculture, and livestock. The firm employs a quantitative methodology and uses risk as the weighting for each commodity product, making adjustments to the allocations depending upon the perceived volatility environment (high risk, low risk, or moderate risk). The firm will modify the investment exposure based upon the predicted environment ranging from 88% (in a high volatility environment) to 146% (in a low volatility environment). Collateral for the portfolio is actively managed and invested in U.S. Treasuries and agency securities.

**Current Risk Allocation:**



Performance (%):	3Q11	YTD	Since 4/1/11
<b>First Quadrant Risk Parity Commodity Index<sup>1</sup></b>	<b>-4.3</b>	<b>NA</b>	<b>-9.1</b>
Custom Risk Parity Benchmark <sup>2</sup>	-6.1	NA	-11.1
Dow Jones - UBS Commodities	-11.3	-13.7	-17.3

<sup>1</sup> Performance is net of fees.

<sup>2</sup> Risk Parity benchmark returns provided by Staff.





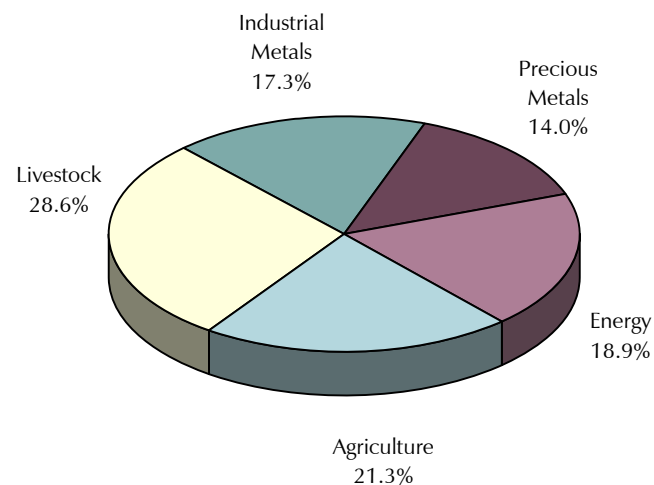
**Mandate:** Commodity  
**Active/Passive:** Active  
**Market Value:** \$82.3 million  
**Portfolio Manager:** Christopher Burton  
**Location:** New York, New York  
**Inception Date:** 4/1/2011  
**Account Type:** Commingled Fund

**Fee Schedule:**  
0.42% on first \$100 mm; 0.37% thereafter

**Liquidity Constraints:**  
Daily

**Strategy:**  
Credit Suisse Asset Management (CSAM) seeks to provide a commodity-based investment return with reduced risk, measured by standard deviation, versus traditional commodity indices. The team aims to capture the spot return of commodities while employing active management techniques to exploit commodity market inefficiencies. The commodities team at CSAM utilizes futures to replicate the risk-based index. The portfolio consists of five commodity complexes (energy, industrial metals, precious metals, agriculture, and livestock) and 24 commodities included in the S&P- Goldman Sachs Commodities Index. CSAM allocates 20% of capital to each of the commodity complexes. Within each commodity complex, the strategy equal weights the specific commodities. The portfolio is rebalanced on a monthly basis. Active strategies used by CSAM seek to exploit the time period (roll date) the fund purchases commodities, using a quantitative and qualitative assessment. Collateral for the fund is actively managed and invested in U.S. Treasuries and agency securities.

### Current Risk Allocation:



Performance (%):	3Q11	YTD	Since 4/1/11
Credit Suisse Compound Risk Parity Commodity Index <sup>1</sup>	-6.3	NA	-11.0
Custom Risk Parity Benchmark <sup>2</sup>	-6.1	NA	-11.1
Dow Jones - UBS Commodities	-11.3	-13.7	-17.3

<sup>1</sup> Performance is net of fees.

<sup>2</sup> Risk Parity benchmark returns provided by Staff.



## San Jose Federated City Employees' Retirement System

## S&P Global Infrastructure Portfolio Detail as of 9/30/11

**Mandate:** Infrastructure

**Active/Passive:** Passive

**Market Value:** \$33.7 million

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

**Location:** Tacoma, Washington

**Inception Date:** 5/1/2010

**Account Type:** Separately Managed

**Fee Schedule:**

0.25% on all assets, which is typically offset by earnings on swap collateral

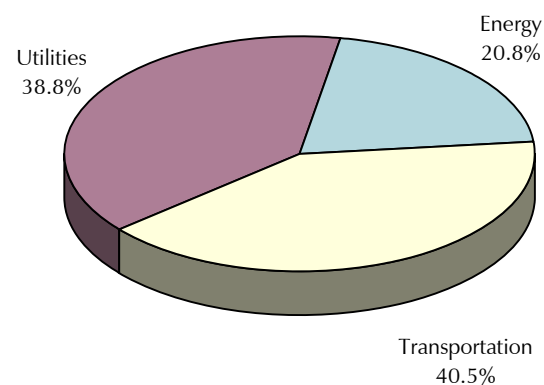
**Liquidity Constraints:**

Monthly

**Strategy:**

The S&P Global Infrastructure swap seeks to replicate the performance of the Standard & Poor's Global Infrastructure Index. 50% of swap value is held as collateral in Treasury Bills.

**Current Risk Allocation:**

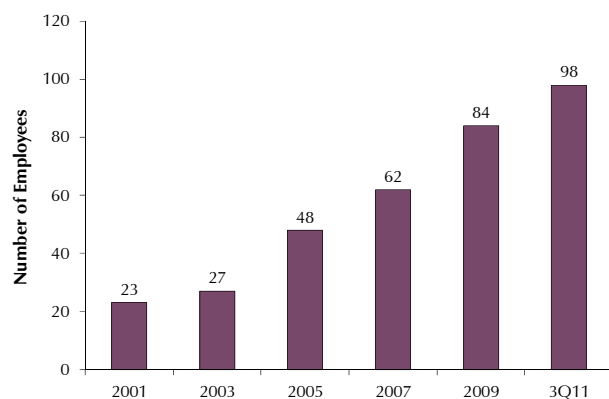


Performance (%):	3Q11	YTD	1 YR	Since 5/1/10
S&P Global Infrastructure	-13.1	-6.0	-1.5	0.6
Net of Fees	-13.1	-6.1	-1.6	0.6
S&P Global Infrastructure Index	-13.1	-5.8	-1.1	1.1

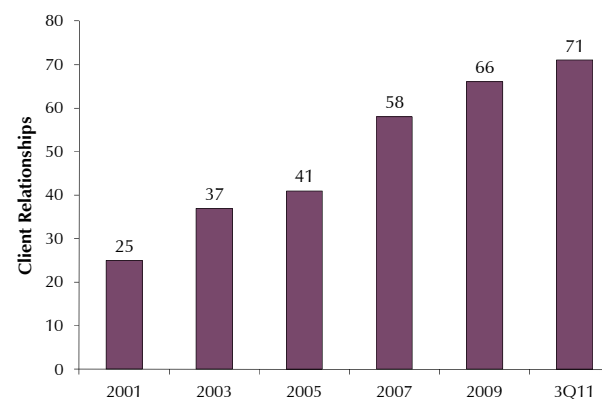
## **Meketa Investment Group Corporate Update**

- Staff of 98, including 59 investment professionals and 17 CFA charterholders
- 71 clients, with over 140 funds throughout the United States
- Significant investment in staff and resources
- Offices in Boston, Miami, and San Diego
- Clients have aggregate assets of over \$300 billion
  - Over \$20 billion in assets committed to alternative investments
    - Private Equity      ▪ Infrastructure      ▪ Natural Resources
    - Real Estate        ▪ Hedge Funds      ▪ Commodities

**Employee Growth**



**Client Growth**



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



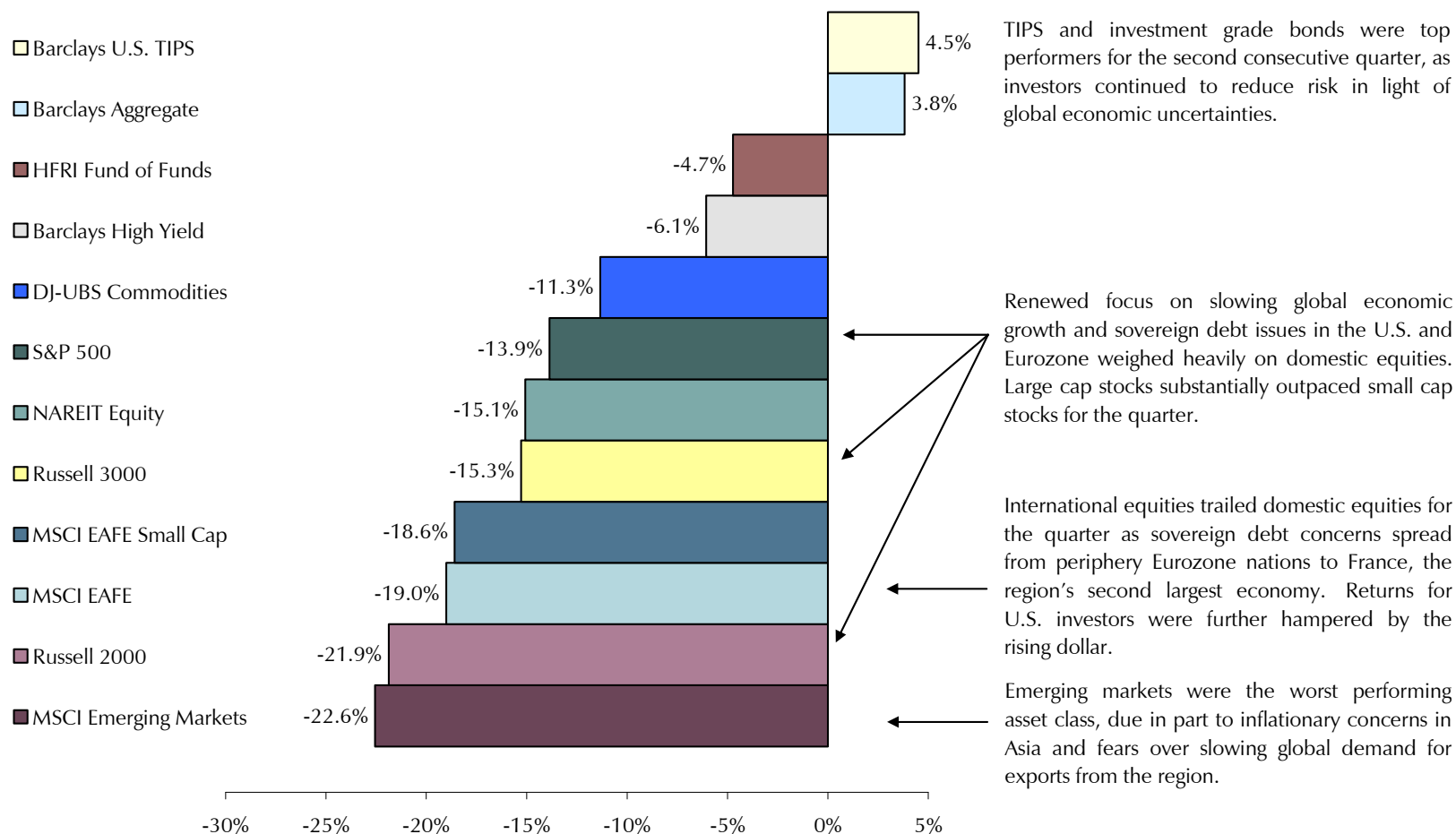
### Asset Classes Followed Intensively by Meketa Investment Group

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

## Appendices

## The World Markets Third Quarter of 2011

The World Markets  
Third Quarter of 2011



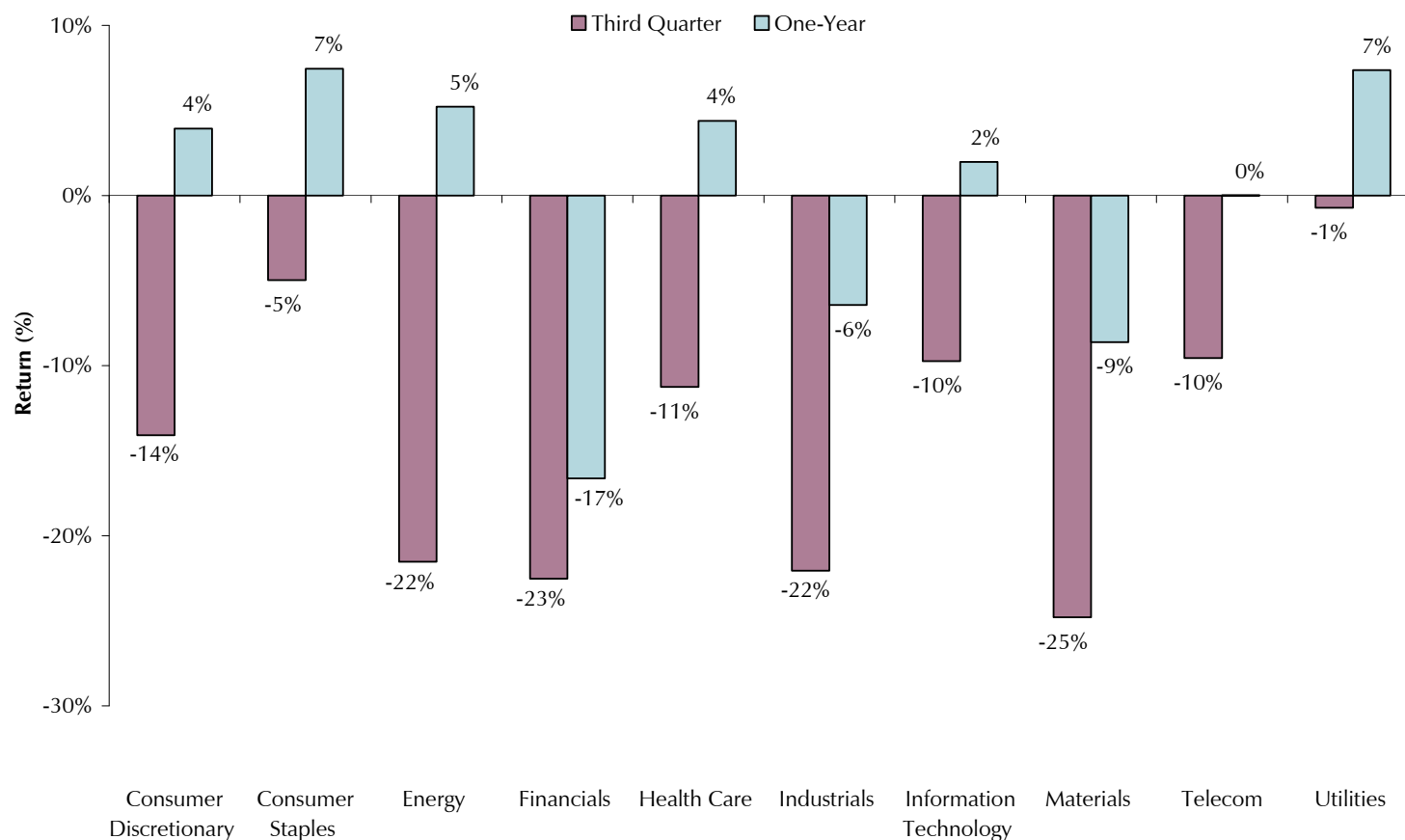


### Index Returns

	3Q11 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
<b>Domestic Equity</b>						
Russell 3000	-15.3	-9.9	0.5	1.5	-0.9	3.5
Russell 1000	-14.7	-9.2	0.9	1.6	-0.9	3.3
Russell 1000 Growth	-13.1	-7.2	3.8	4.7	1.6	3.0
Russell 1000 Value	-16.2	-11.2	-1.9	-1.5	-3.5	3.4
Russell MidCap	-18.9	-12.3	-0.9	4.0	0.6	7.4
Russell MidCap Growth	-19.3	-11.6	0.8	5.9	1.6	6.7
Russell MidCap Value	-18.5	-13.0	-2.4	2.0	-0.8	7.5
Russell 2000	-21.9	-17.0	-3.5	-0.4	-1.0	6.1
Russell 2000 Growth	-22.2	-15.6	-1.1	2.1	1.0	5.5
Russell 2000 Value	-21.5	-18.5	-6.0	-2.8	-3.1	6.5
<b>Foreign Equity</b>						
MSCI ACWI (ex. U.S.)	-19.9	-16.8	-10.8	0.5	-1.6	6.8
MSCI EAFE	-19.0	-15.0	-9.4	-1.1	-3.5	5.0
MSCI EAFE Small Cap	-18.6	-15.5	-5.5	5.6	-1.9	9.8
MSCI Emerging Markets	-22.6	-21.9	-16.1	6.3	4.9	16.1
<b>Fixed Income</b>						
Barclays Universal	2.9	5.9	4.8	8.2	6.4	5.9
Barclays Aggregate	3.8	6.6	5.3	8.0	6.5	5.7
Barclays U.S. TIPS	4.5	10.6	9.9	8.1	7.1	7.2
Barclays High Yield	-6.1	-1.4	1.8	13.8	7.1	8.8
JPMorgan GBI-EM Global Diversified	-8.6	-2.2	-2.6	9.4	11.3	NA
<b>Other</b>						
NAREIT Equity	-15.1	-6.0	0.9	-2.0	-2.4	9.2
DJ-UBS Commodities	-11.3	-13.7	-0.1	-5.8	-2.6	4.8
HFRI Fund of Funds	-4.7	-5.0	-1.6	0.2	0.4	3.6

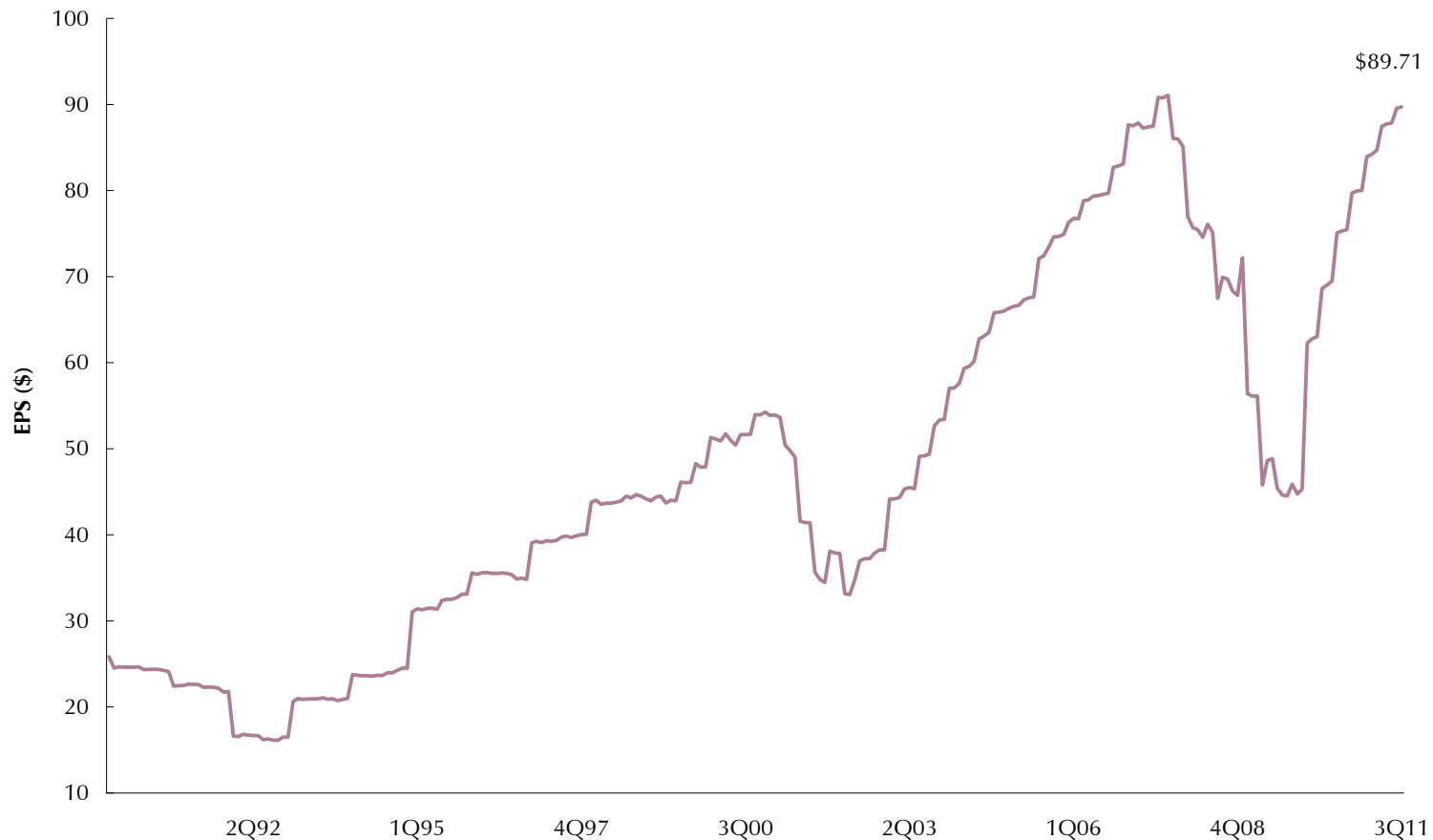
## S&amp;P Sector Returns

All sectors in the S&P 1500 declined in the third quarter, with eight of the ten sectors posting double-digit losses. Materials (-25%), industrials (-22%), and energy (-22%), traditionally cyclical sectors, declined more than 20% each, due in part to fears of a global slowdown. For the trailing year, over half the sectors advanced, with utilities (+7%) and consumer staples (+7%) leading the way.



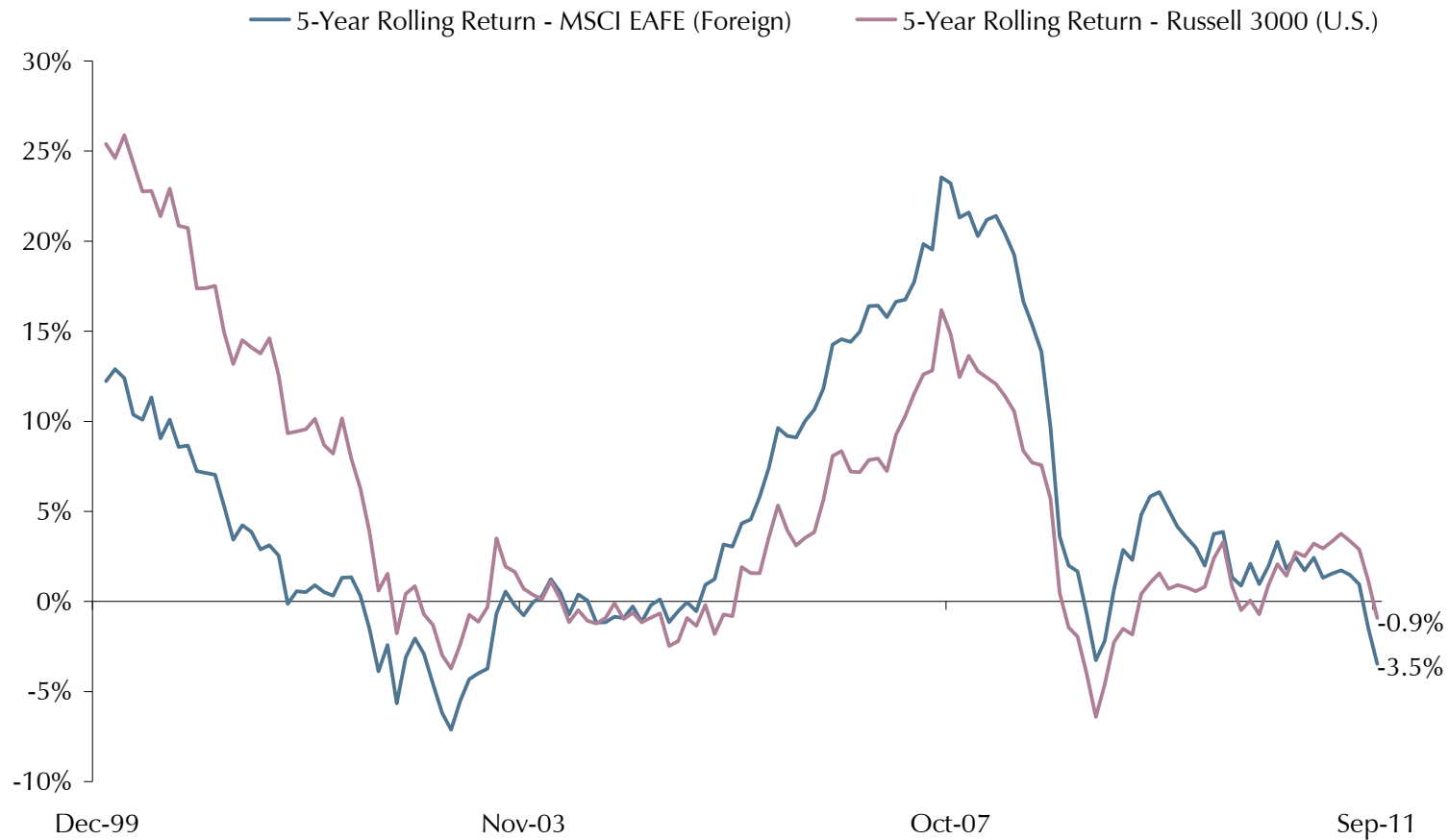
### S&P 500 Earnings Per Share

Corporate profitability grew for the eighth consecutive quarter. As of quarter-end, S&P 500 trailing one-year earnings were \$89.71, a 19% increase over the prior year and a level more than double the lows of early 2009.



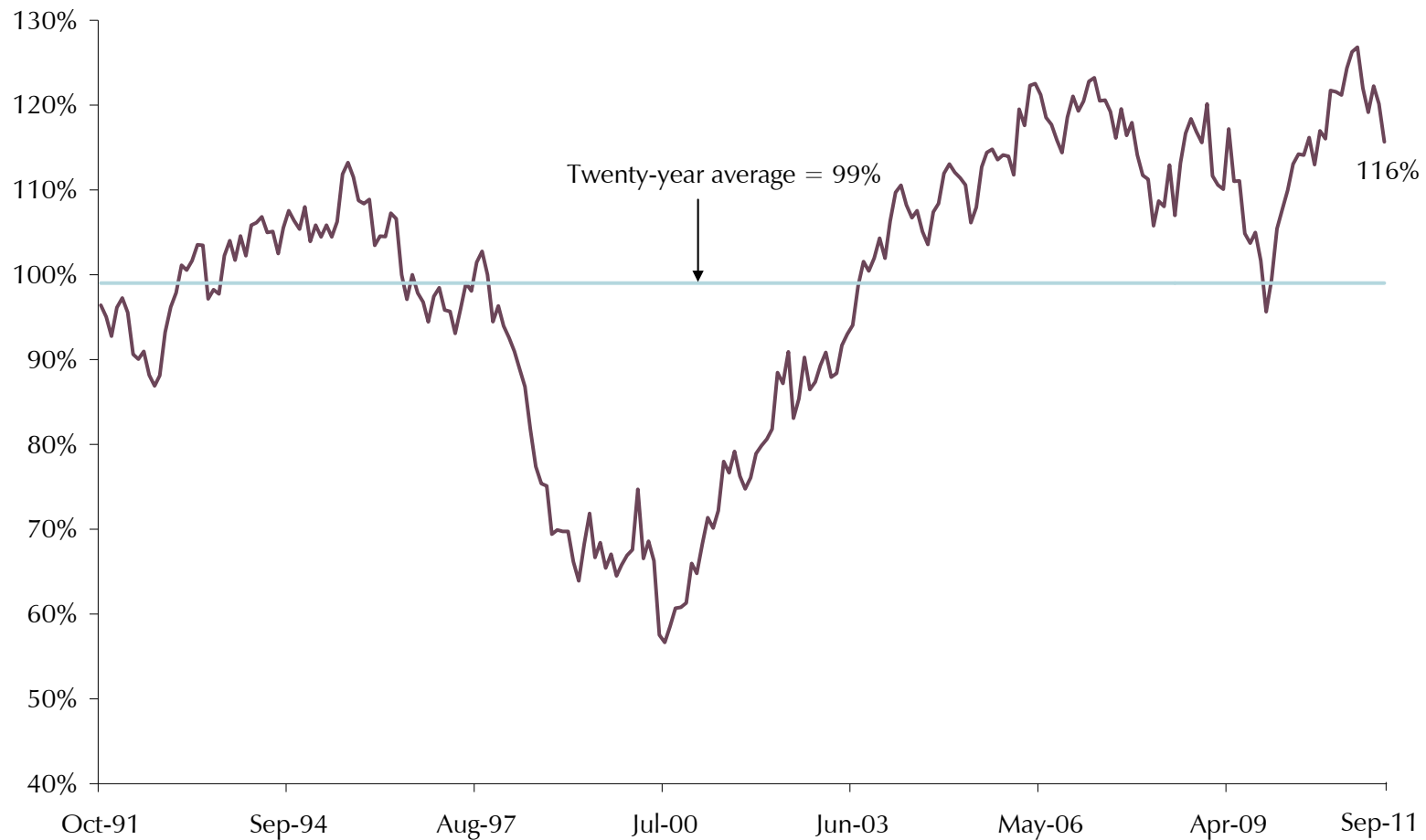
### Equity Markets

The domestic equity market declined 15.3% in the third quarter, while international developed market equities declined 19.0%. The performance spread between domestic and international equities expanded further during the quarter to 2.6% for the five-year period ending September 30.



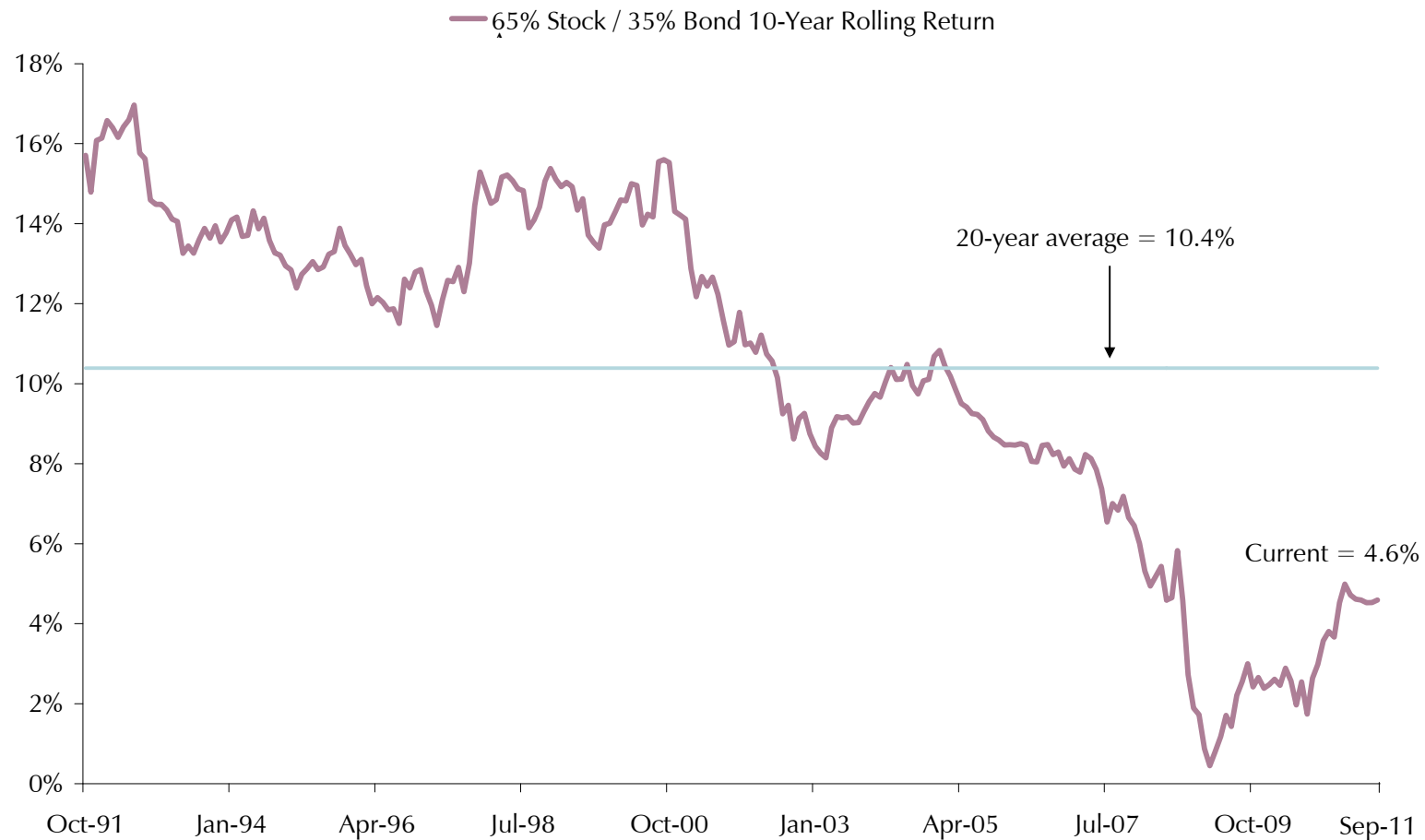
**Russell 2000 P/E (Small Cap) vs. Russell 1000 P/E (Large Cap)**

The ratio of small cap (Russell 2000) P/E's to large cap (Russell 1000) P/E's declined in the third quarter, but remained well above its long-term average. Large cap stocks declined by 14.7% during the quarter, while small cap stocks fell by 21.9%.



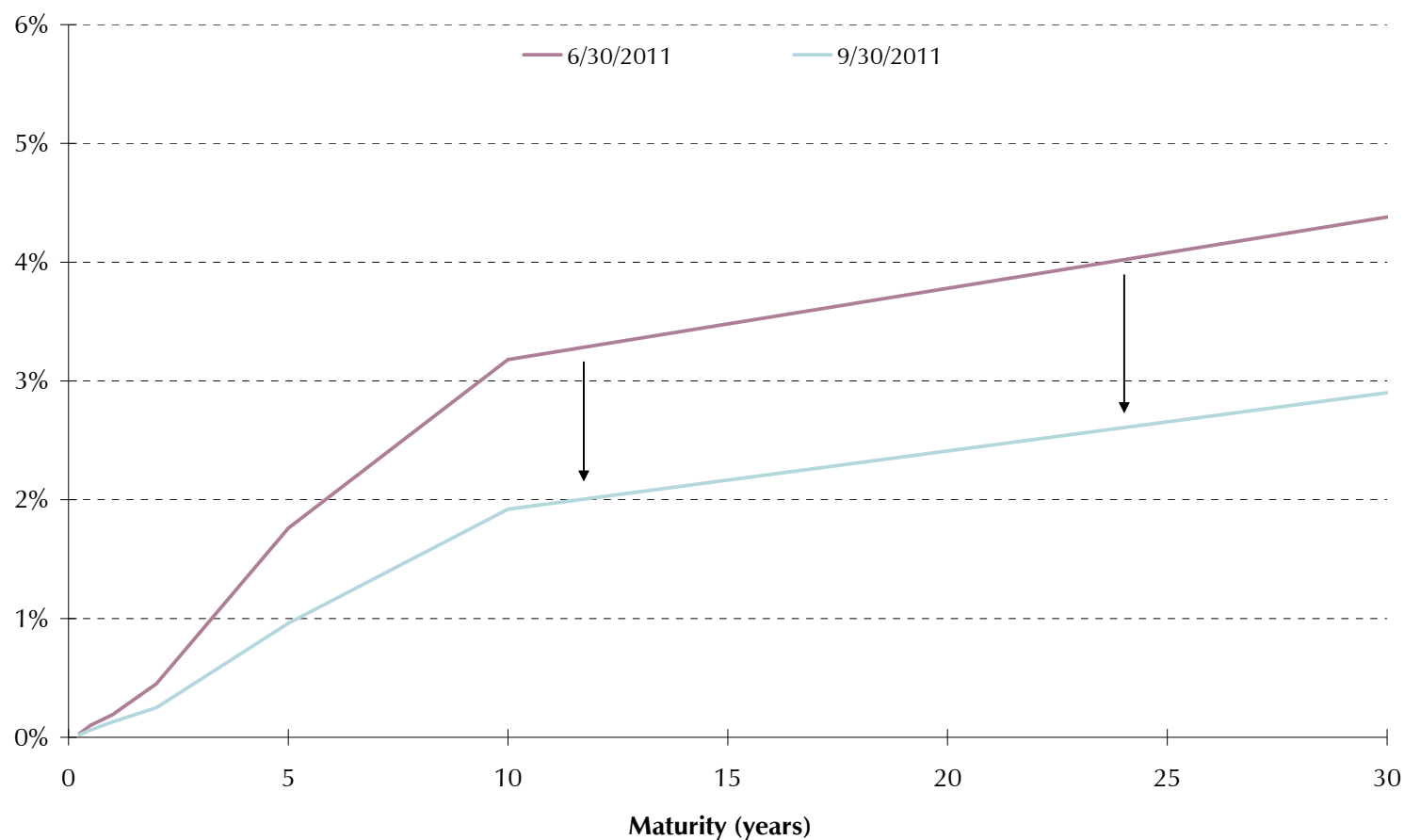
**Rolling Ten-Year Returns: 65% Stocks and 35% Bonds**

At quarter-end, the ten-year annual return of a portfolio comprised of 65% domestic stocks (Russell 3000) and 35% investment grade bond (Barclays Aggregate) was 4.6%, far below its twenty-year average.

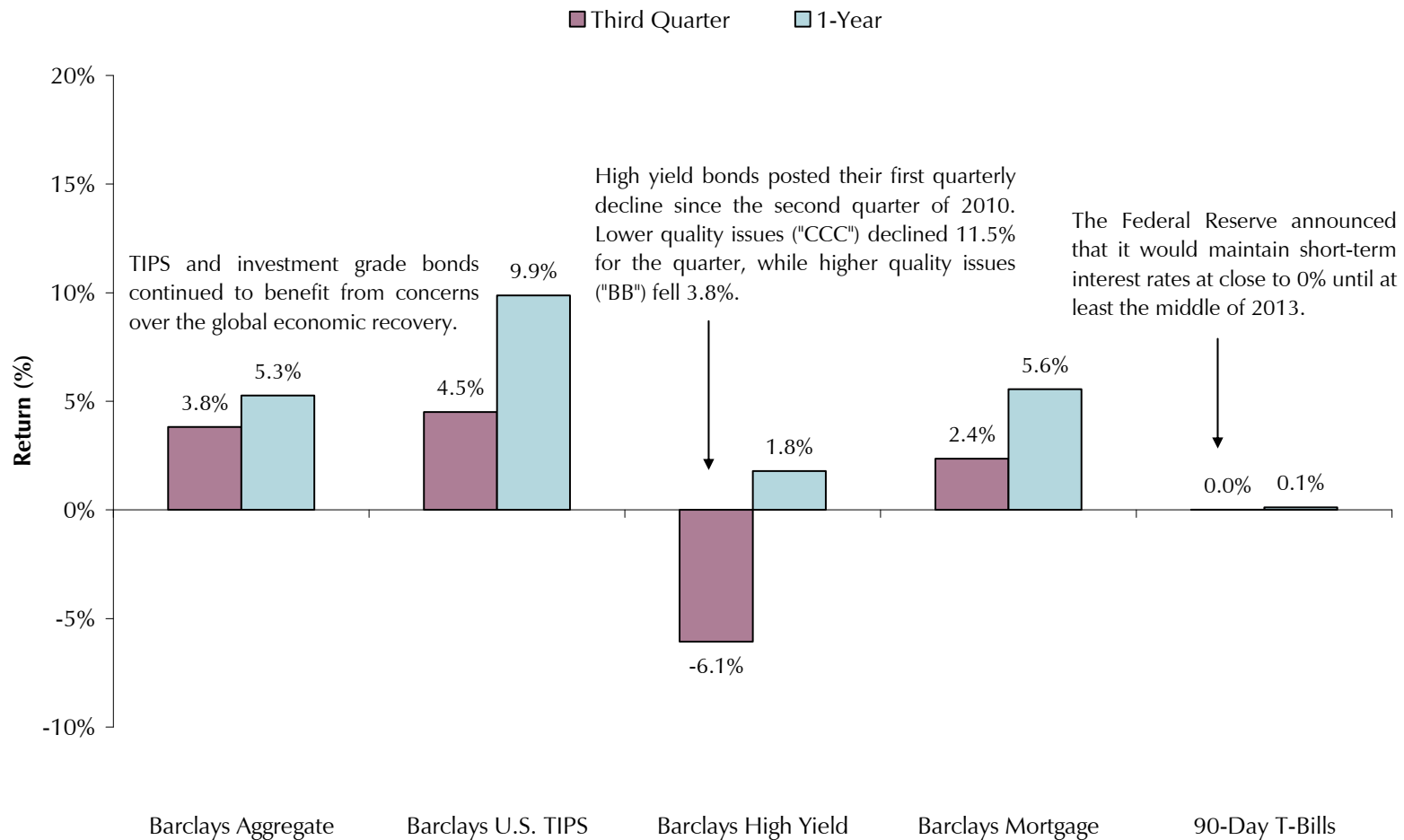


### Treasury Yields

Global economic uncertainties caused investors to seek the perceived safety of U.S. Treasuries, despite the recent downgrade by Standard & Poor's. The Federal Reserve's announcement of "Operation Twist," a plan to sell \$400 billion of its shorter-term Treasuries to purchase longer-term Treasuries, acted as a further tailwind. Ten-year Treasuries returned 12.2% for the quarter, while thirty-year Treasuries advanced 31.0%.



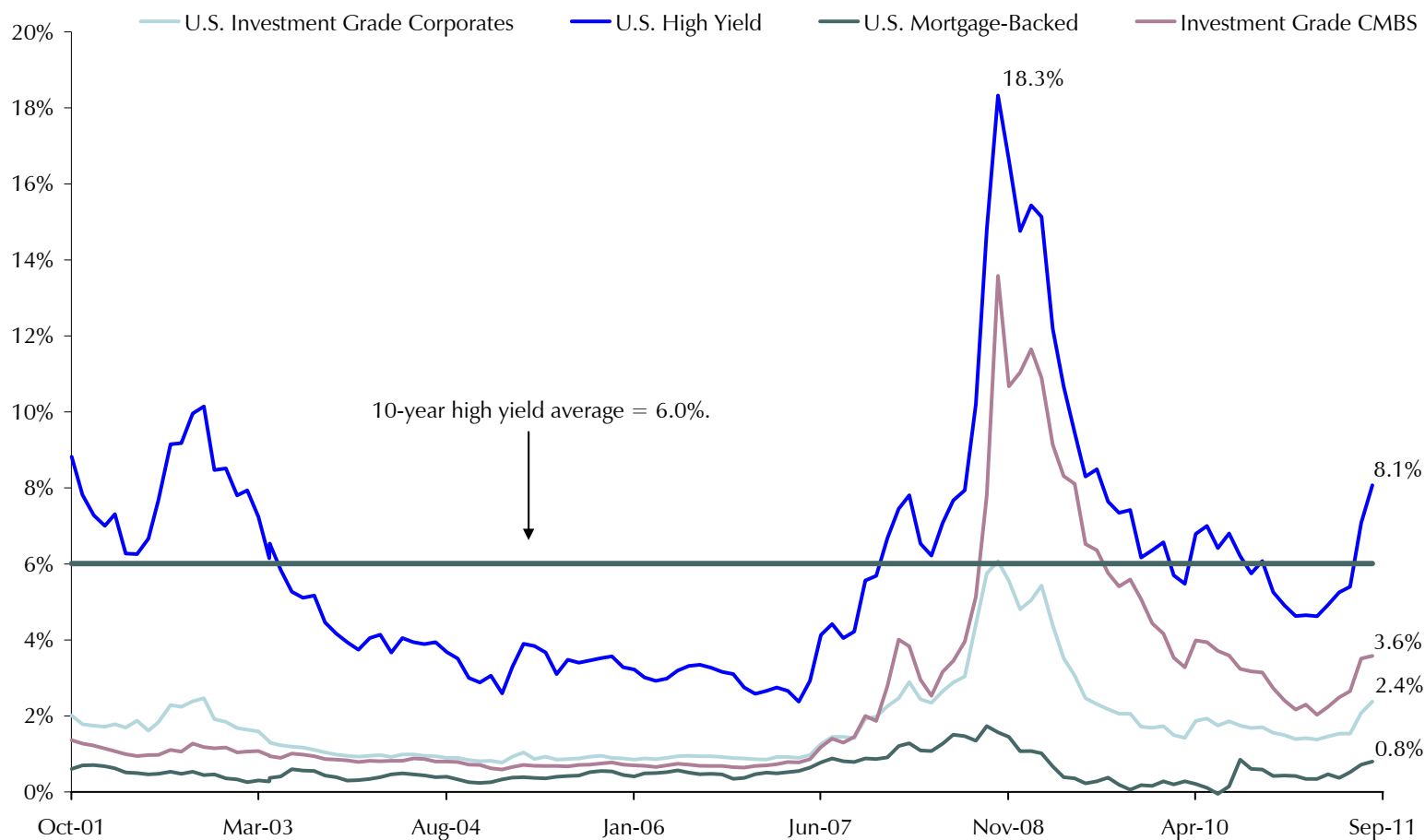
### U.S. Fixed Income Markets





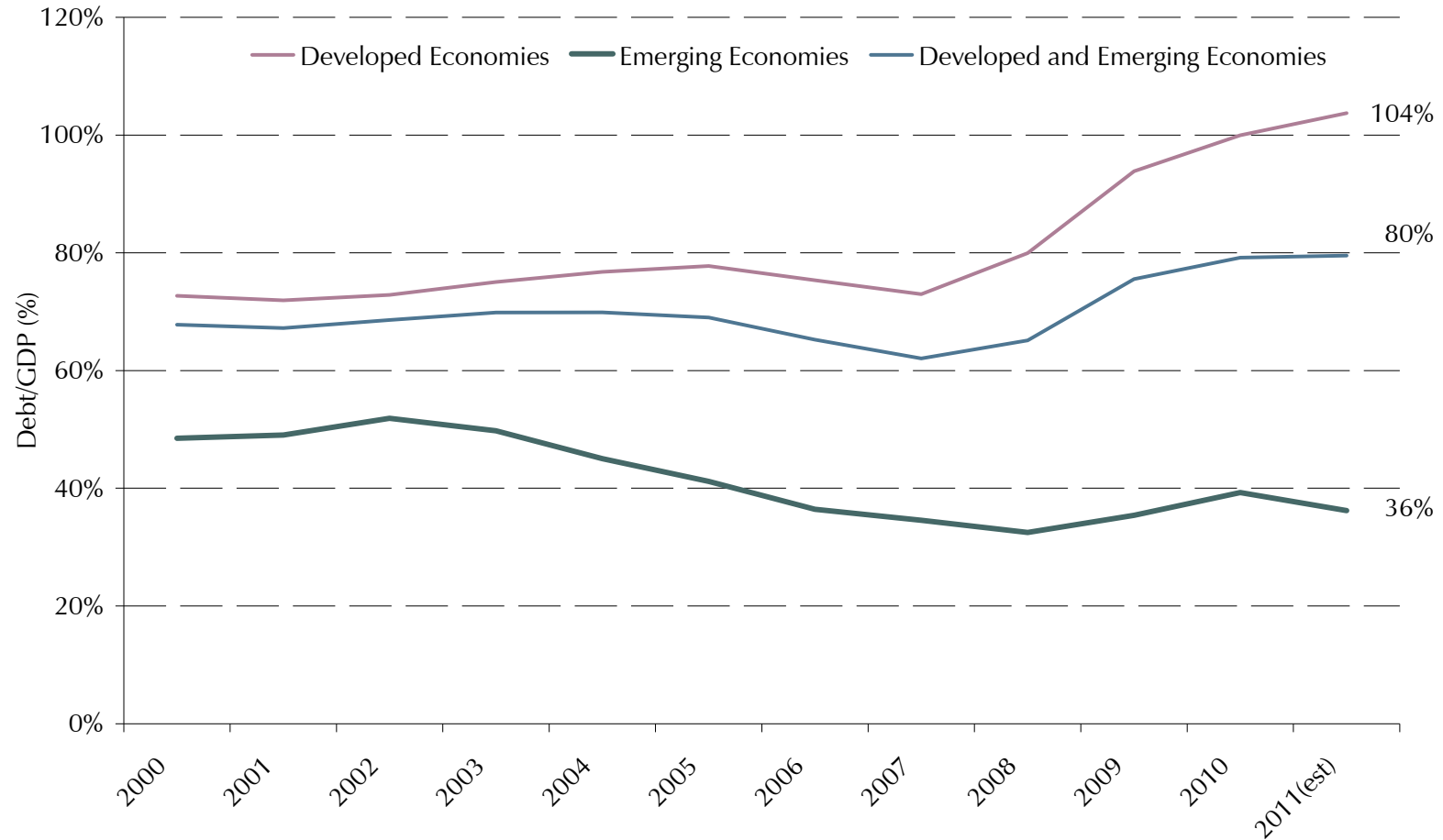
### Credit Spreads vs. U.S. Treasury Bonds

In the third quarter, credit spreads continued to expand across all sectors. High yield bond spreads rose by 2.8%, to 8.1%, a level 210 basis points above their ten-year average.



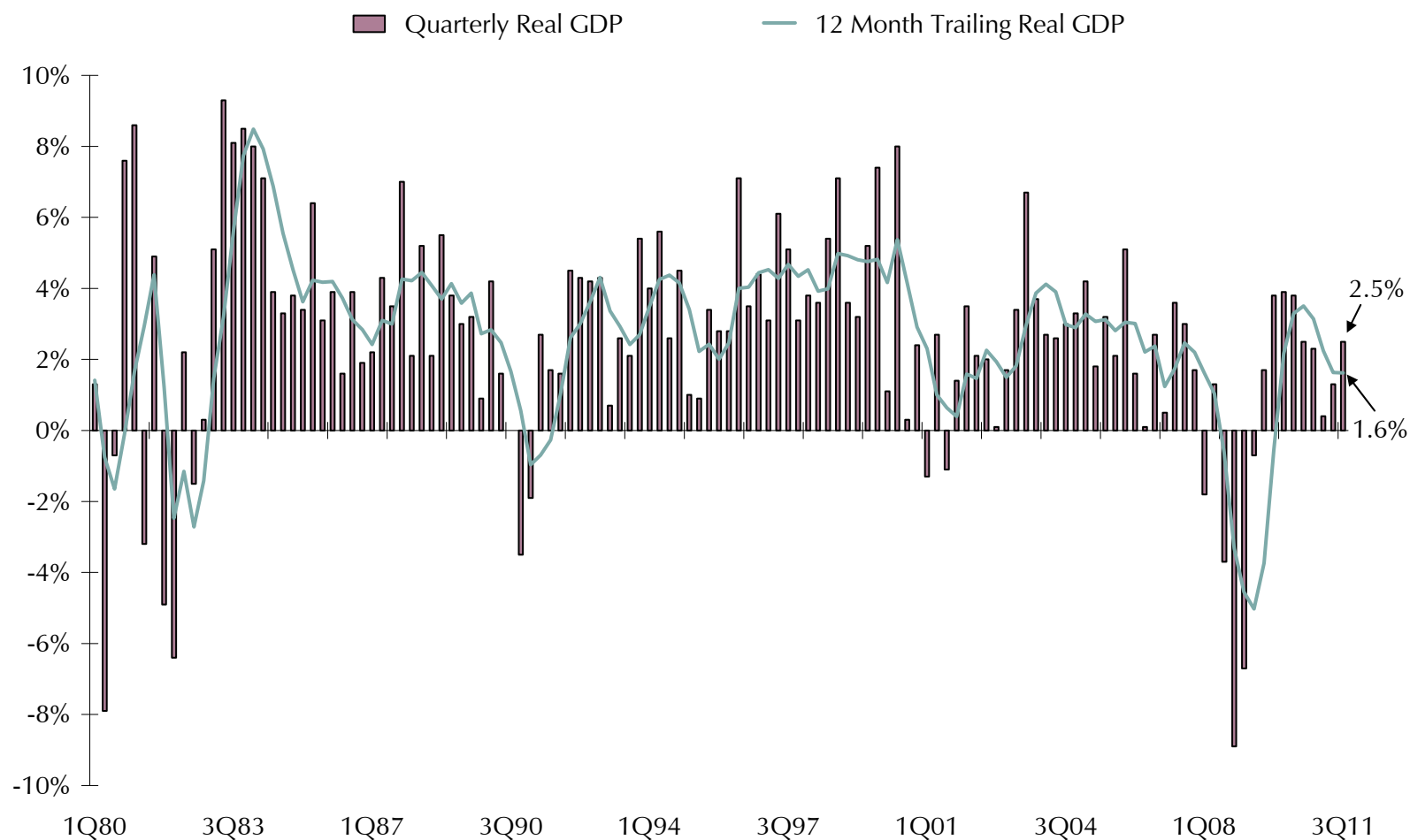
### Sovereign Debt

While cumulative debt/GDP levels are below 40% for emerging markets, developed nation levels are over 100%.



**Real Gross Domestic Product (GDP) Growth<sup>1</sup>**

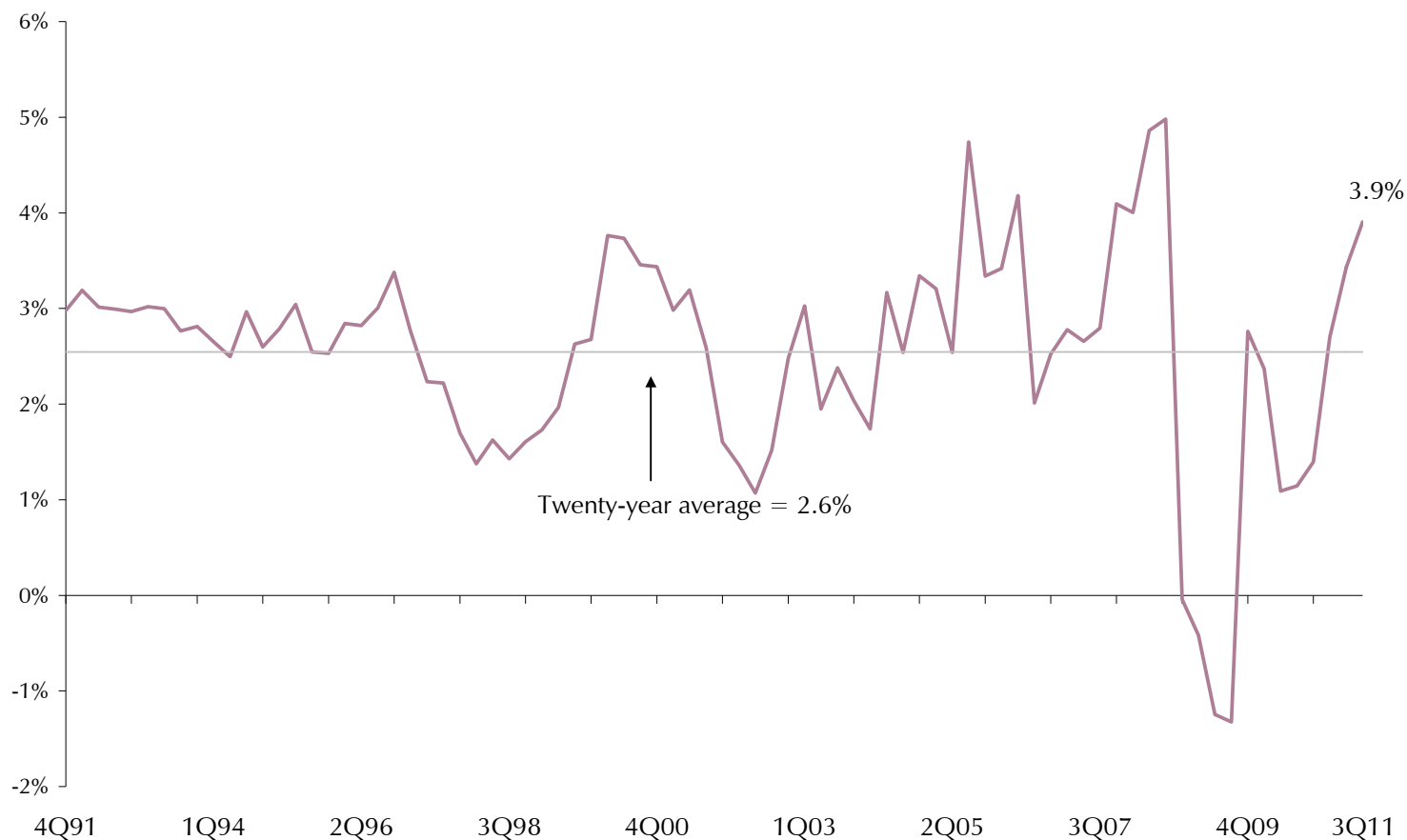
Real GDP growth for the third quarter was 2.5% annualized, up from the 1.6% growth rate in the second quarter. Real personal consumption expenditure, the largest component of the economy, drove the increase, rising 2.4% in the quarter.



<sup>1</sup> Quarterly data are annualized.

### U.S. Inflation (CPI) Trailing Twelve Months<sup>1</sup>

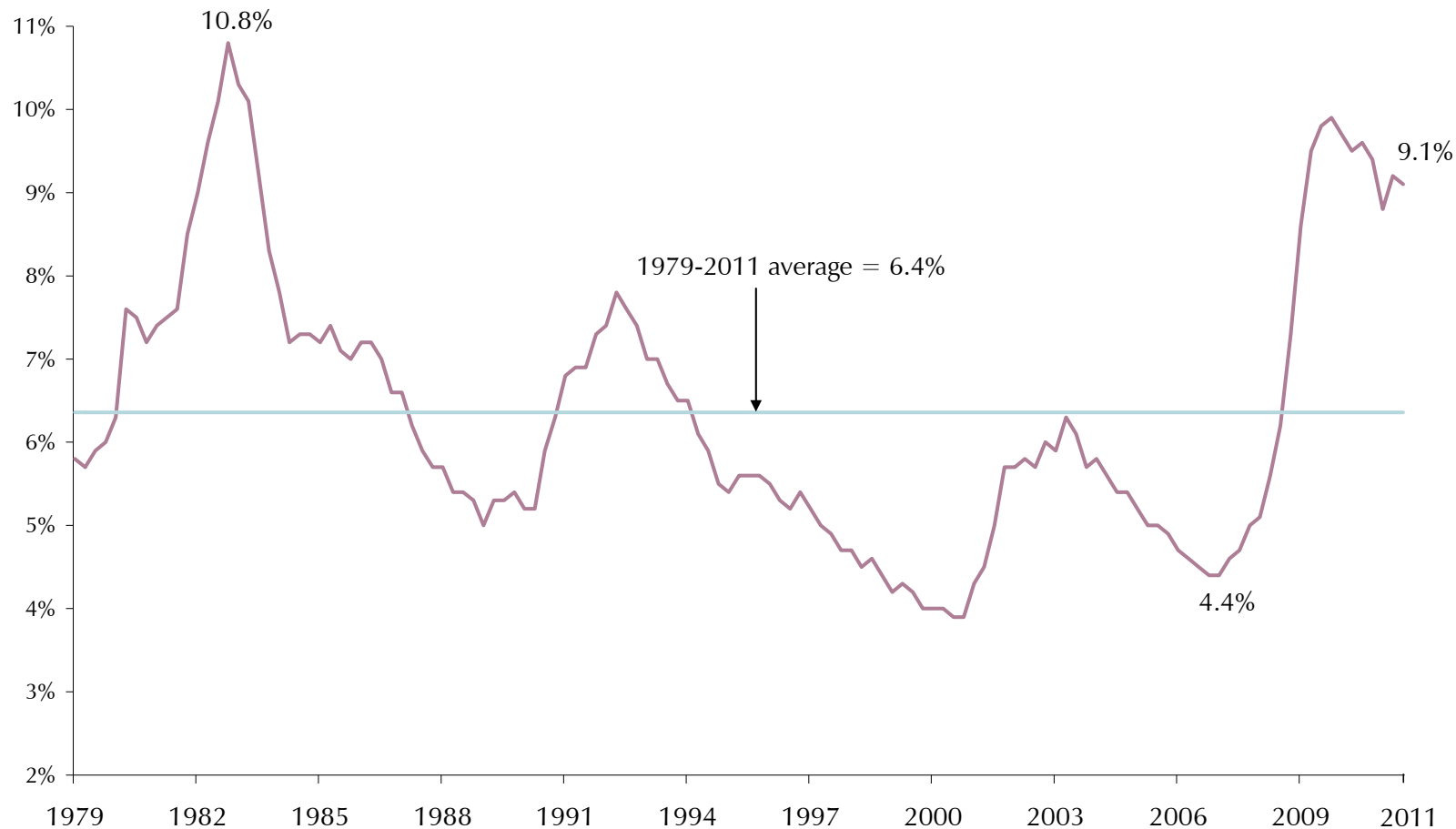
Trailing twelve-month CPI rose 0.3% to 3.9%, driven by rising energy costs. Over the past twelve months, the energy commodities (gasoline and oil) component of CPI increased 32.8%.



<sup>1</sup> Data is non-seasonally adjusted CPI, which may be volatile in the short-term.

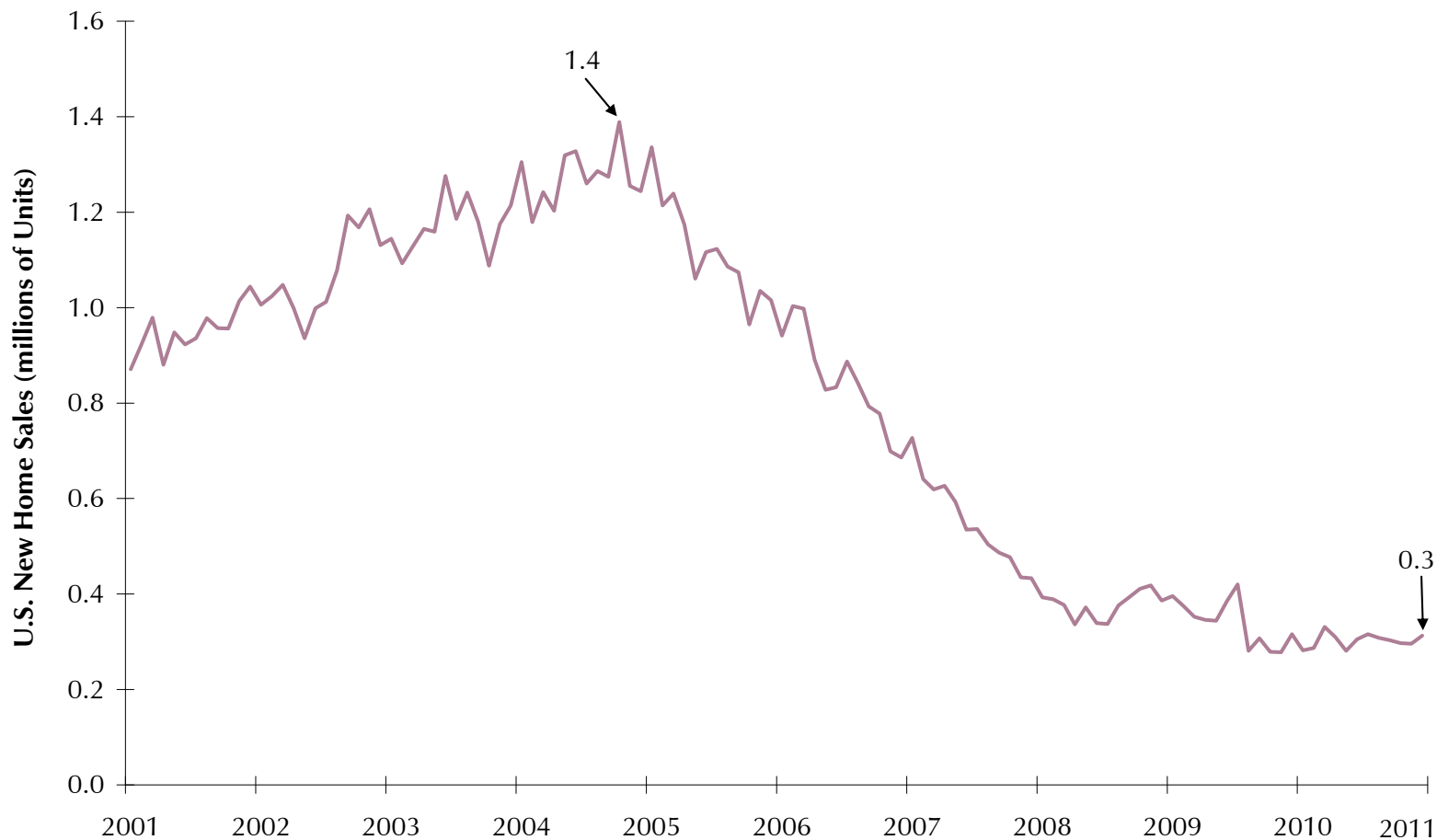
### U.S. Unemployment

The unemployment rate declined slightly (-0.1%) during the third quarter, finishing at 9.1%. The private sector continued to modestly add jobs, while government employment declined. Approximately 14 million were officially unemployed as of September 30.



**U.S. New Home Sales**

After steadily declining from their peak in 2005, new home sales in the U.S. seem to have bottomed at a level close to 20% of their high.



## Glossary and Notes As of September 30, 2011

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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