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*The City of Grand Rapids – Police and Fire Retirement System  
Executive Summary of Investment Performance*

*September 30, 2012*

Investment Performance	Tab 1
Capital Market Review	Tab 2
Appendix	

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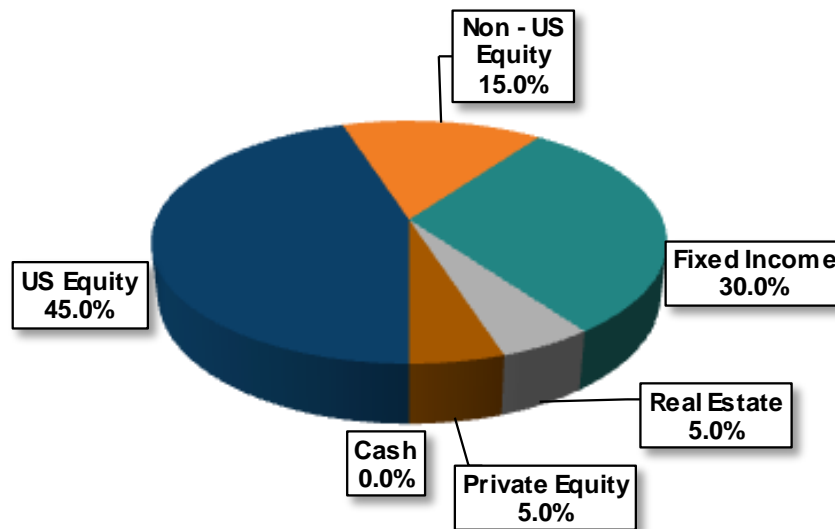
*Total Fund*

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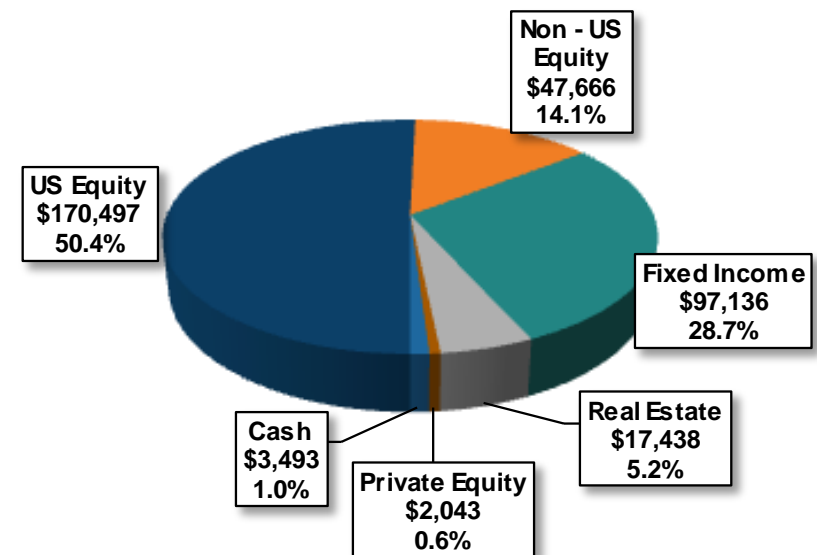
# Policy Allocation vs Actual Allocation

Total Fund Composite  
As of September 30, 2012

Policy Allocation



Actual Allocation (in \$'000s)



Total Assets: \$338,273,000

# Policy Allocation vs Actual Allocation



Total Fund Composite  
As of September 30, 2012

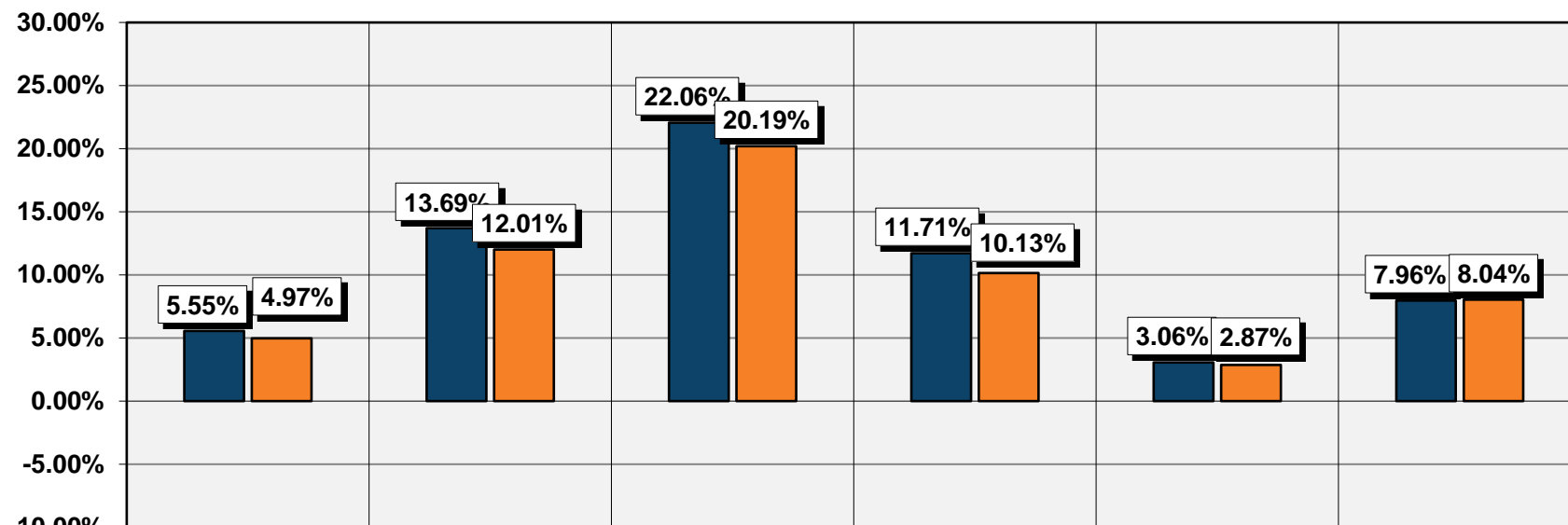
	Market Value (in \$'000s)	Asset Allocation	
		Actual	Policy
US Equity	\$170,497	50.40%	45.00%
Non - US Equity	\$47,666	14.09%	15.00%
Fixed Income	\$97,136	28.72%	30.00%
Real Estate	\$17,438	5.16%	5.00%
Private Equity	\$2,043	0.60%	5.00%
Cash	\$3,493	1.03%	0.00%
Total Fund Composite	\$338,273	100.00%	100.00%

# Investment Performance



## Total Fund Composite\*

Periods Ended September 30, 2012



■ Total Fund Composite

■ Total Fund Policy\*\*

\*Returns are net of fees

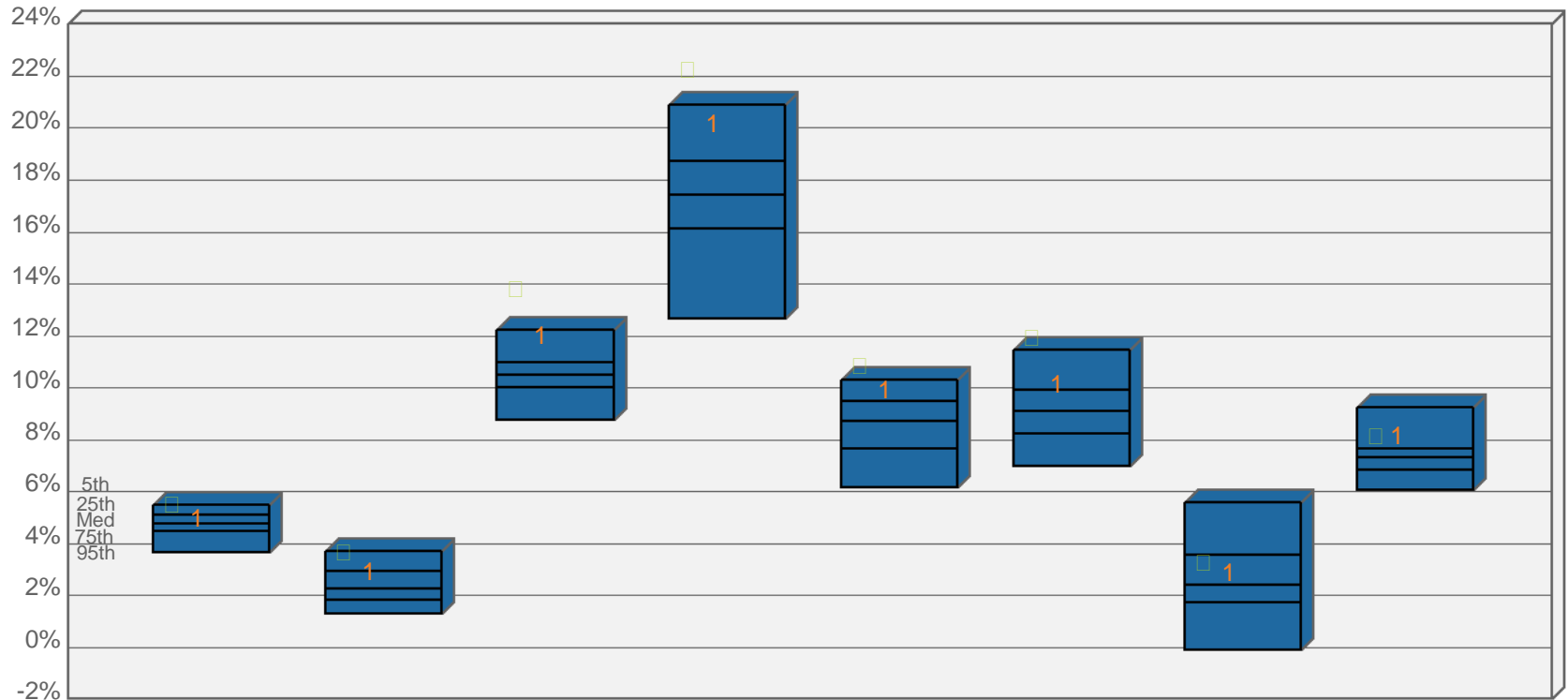
\*\* Policy index = Wilshire 5000 (45%), MSCI ACWI ex U.S. (15%), Barclays Aggregate (30%), FTSE EPRA NAREIT Dev RE (5%), Wilshire 5000 +2.5% (5%)

# Performance Comparison



## Total Fund Composite

Periods Ended September 30, 2012



	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	5 Years	10 Years
□ Total Fund	5.61 ( 2)	3.76 ( 4)	13.90 ( 1)	22.36 ( 1)	10.97 ( 2)	12.05 ( 1)	3.37 (26)	8.25 (11)
1 Policy Index	4.97 (35)	2.92 (25)	12.01 ( 7)	20.19 (10)	9.93 (10)	10.13 (18)	2.87 (35)	8.04 (13)
5th %tile	5.46	3.71	12.24	20.87	10.30	11.45	5.60	9.24
25th %tile	5.08	2.94	10.99	18.74	9.47	9.91	3.56	7.66
Median	4.77	2.27	10.47	17.43	8.72	9.07	2.39	7.32
75th %tile	4.46	1.84	10.01	16.10	7.63	8.24	1.75	6.81
95th %tile	3.67	1.27	8.74	12.65	6.16	6.98	-0.09	6.08
Number of Funds	62	62	62	62	62	60	59	50

\*Total Returns of Total Fund Public Sponsors Universe - Gross of Fees

# Performance Comparison



## Trailing Returns

Periods Ended September 30, 2012

	Quarter	2 Quarters	3 Quarters	1 Year	3 Years	5 Years	10 Years	Incept Date	Incept Ret
<b>U.S. Equity Composite</b>									
<b>Net of Fee Return</b>	<b>6.73</b>	<b>3.18</b>	<b>17.35</b>	<b>32.28</b>	<b>14.36</b>	<b>2.05</b>	<b>9.05</b>	<b>9/30/87</b>	<b>8.60</b>
Wilshire 5000	6.15	2.83	15.95	29.89	13.21	1.35	8.66	9/30/87	8.63
Value Added	0.57	0.35	1.40	2.40	1.14	0.71	0.39	9/30/87	-0.03
<b>Fixed Composite</b>									
<b>Net of Fee Return</b>	<b>3.08</b>	<b>5.34</b>	<b>7.64</b>	<b>9.19</b>	<b>9.88</b>	<b>7.26</b>	<b>5.99</b>	<b>9/30/87</b>	<b>7.72</b>
Barclays Aggregate	1.59	3.68	4.00	5.16	6.19	6.53	5.33	9/30/87	7.47
Value Added	1.50	1.66	3.65	4.03	3.70	0.73	0.66	9/30/87	0.25
<b>Non-U.S. Equity Composite</b>									
<b>Net of Fee Return</b>	<b>8.13</b>	<b>2.05</b>	<b>13.85</b>	<b>17.20</b>	<b>7.08</b>	<b>-4.00</b>	<b>7.37</b>	<b>12/31/89</b>	<b>8.34</b>
Policy Benchmark	7.40	-0.77	10.37	14.48	3.17	-4.12	9.32	12/31/89	4.21
Value Added	0.73	2.82	3.48	2.72	3.91	0.12	-1.95	12/31/89	4.13
<b>Real Estate Composite</b>									
<b>Net of Fee Return</b>	<b>4.53</b>	<b>5.76</b>	<b>17.93</b>	<b>26.95</b>	<b>10.54</b>			<b>6/30/09</b>	<b>17.53</b>
FTSE EPRA/NAREIT Developed RE	5.51	7.74	21.64	30.59	12.91			6/30/09	19.84
Value Added	-0.98	-1.98	-3.71	-3.64	-2.38			6/30/09	-2.30
<b>Alternative Investments Composite</b>									
<b>Net of Fee Return</b>	<b>-7.39</b>	<b>-4.69</b>	<b>-1.64</b>	<b>-1.41</b>				<b>6/30/10</b>	<b>2.12</b>
Wilshire 5000 +2.5%	6.78	4.08	17.82	32.39				6/30/10	20.70
Value Added	-14.17	-8.76	-19.46	-33.80				6/30/10	-18.58
<b>Total Fund</b>									
<b>Net of Fee Return</b>	<b>5.55</b>	<b>3.63</b>	<b>13.69</b>	<b>22.06</b>	<b>11.71</b>	<b>3.06</b>	<b>7.96</b>	<b>9/30/87</b>	<b>8.36</b>
Policy Index	4.97	2.92	12.01	20.19	10.13	2.87	8.04	9/30/87	8.52
Value Added	0.58	0.72	1.68	1.87	1.57	0.19	-0.08	9/30/87	-0.16



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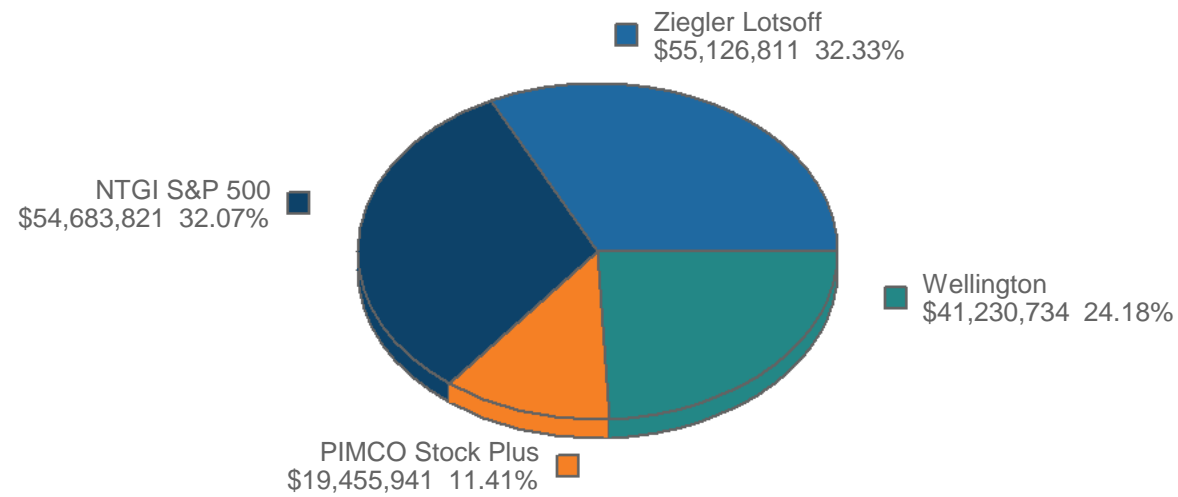
*U.S. Equity*

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# Manager Allocation

## U.S. Equity Composite

As of September 30, 2012



# Performance Comparison



## Trailing Returns

Periods Ended September 30, 2012

	Quarter	2 Quarters	3 Quarters	1 Year	3 Years	5 Years	10 Years	Incept Date	Incept Ret
<b>NTGI S&amp;P 500</b>									
<b>Net of Fee Return</b>	<b>6.36</b>	<b>3.44</b>	<b>16.45</b>	<b>30.22</b>	<b>13.20</b>	<b>0.90</b>	<b>8.23</b>	<b>9/30/98</b>	<b>4.71</b>
Policy Benchmark	6.35	3.42	16.43	30.18	13.20	1.04	8.26	9/30/98	4.72
Value Added	0.01	0.03	0.02	0.04	0.00	-0.14	-0.03	9/30/98	-0.00
<b>PIMCO Stock Plus</b>									
<b>Net of Fee Return</b>	<b>8.50</b>	<b>6.79</b>	<b>22.50</b>	<b>38.19</b>	<b>16.29</b>	<b>2.55</b>	<b>8.69</b>	<b>9/30/00</b>	<b>2.68</b>
Standard & Poor's 500	6.35	3.42	16.43	30.18	13.20	1.04	8.01	9/30/00	1.95
Value Added	2.16	3.38	6.07	8.01	3.09	1.50	0.68	9/30/00	0.73
<b>Wellington</b>									
<b>Net of Fee Return</b>	<b>5.69</b>	<b>2.95</b>	<b>17.97</b>	<b>36.39</b>	<b>17.72</b>	<b>5.77</b>	<b>12.19</b>	<b>9/30/99</b>	<b>10.05</b>
Russell 2000	5.25	1.59	14.23	31.91	12.99	2.21	10.17	9/30/99	6.70
Value Added	0.44	1.36	3.74	4.48	4.73	3.56	2.01	9/30/99	3.35
<b>Ziegler Lotsoff</b>									
<b>Net of Fee Return</b>	<b>7.25</b>	<b>1.83</b>	<b>16.01</b>	<b>29.48</b>	<b>12.07</b>	<b>0.03</b>		<b>9/30/04</b>	<b>4.91</b>
Standard & Poor's 500	6.35	3.42	16.43	30.18	13.20	1.04		9/30/04	5.42
Value Added	0.90	-1.59	-0.41	-0.70	-1.13	-1.01		9/30/04	-0.52
<b>Equity Composite</b>									
<b>Net of Fee Return</b>	<b>6.73</b>	<b>3.18</b>	<b>17.35</b>	<b>32.28</b>	<b>14.36</b>	<b>2.05</b>	<b>9.05</b>	<b>9/30/87</b>	<b>8.60</b>
Wilshire 5000	6.15	2.83	15.95	29.89	13.21	1.35	8.66	9/30/87	8.63
Value Added	0.57	0.35	1.40	2.40	1.14	0.71	0.39	9/30/87	-0.03

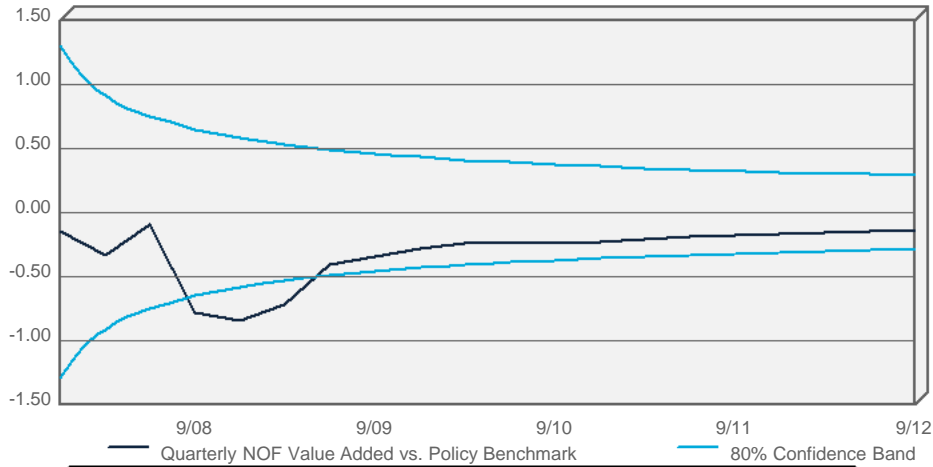
# Investment Manager Analysis



## NTGI S&P 500

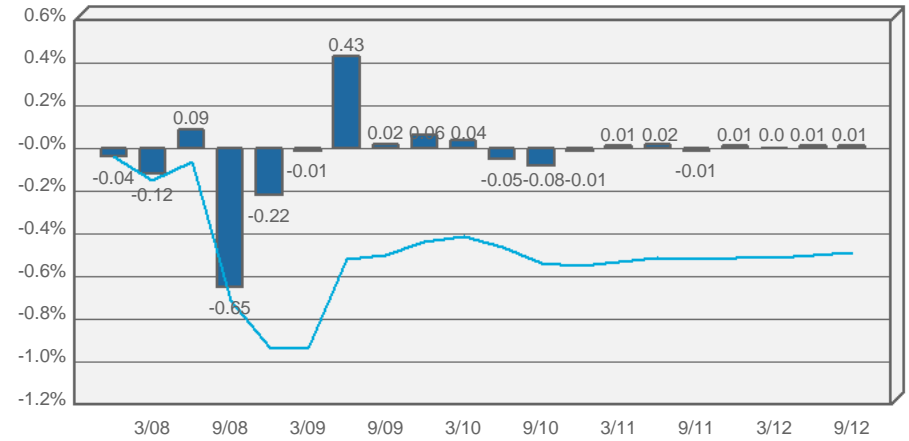
September 30, 2012

Cumulative Skill Analysis vs Benchmark



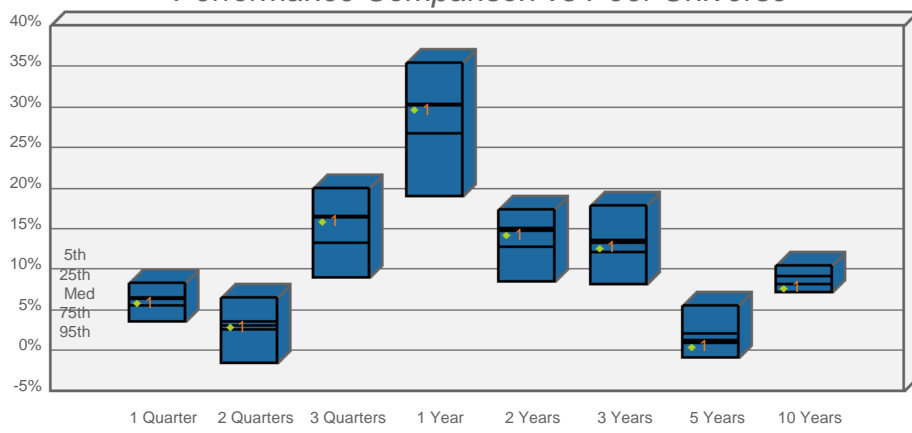
Excess Return:	-0.14	Information Ratio:	-0.35
Excess Risk:	0.39	T-Stat:	-0.78

Value-Added Analysis vs Benchmark



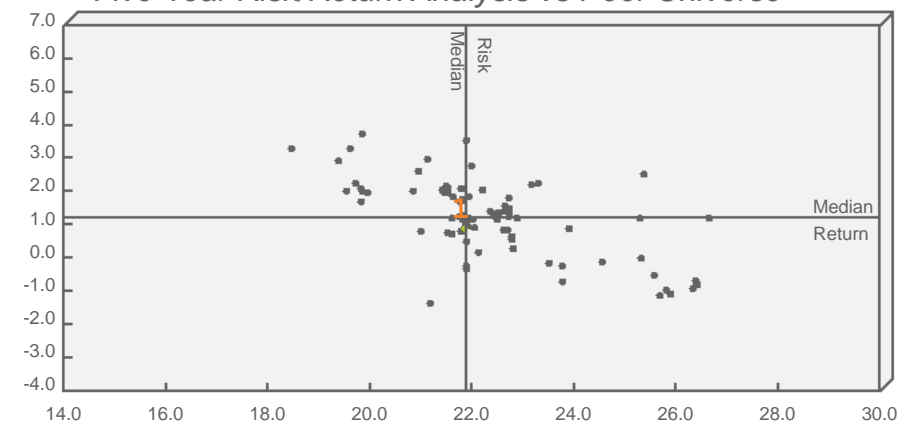
■ Quarterly Value Added vs. Policy Benchmark  
 — Cumulative Value Added

Performance Comparison vs Peer Universe\*



	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	5 Years	10 Years
NTGI S&P 500	6.36 (36)	3.44 (26)	16.46 (29)	30.24 (32)	14.81 (30)	13.25 (40)	0.96 (69)	8.29 (43)
Policy Benchmark	6.35 (43)	3.42 (34)	16.43 (35)	30.18 (45)	14.75 (40)	13.20 (46)	1.04 (68)	8.26 (43)
Median	6.32	2.99	16.28	30.12	14.62	13.19	1.19	8.12
Number of Funds	290	281	263	250	215	185	119	50

Five Year Risk/Return Analysis vs Peer Universe\*



Description	Legend	Gross Fee Ret		Standard Deviation	
		Value	Rank	Value	Rank
NTGI S&P 500	●	0.96	69	22.08	36
Policy Benchmark	■	1.04	68	21.89	54
Median		1.19		21.89	

\*Total Returns of Large Neutral Equity Portfolios Universe - Gross of Fees

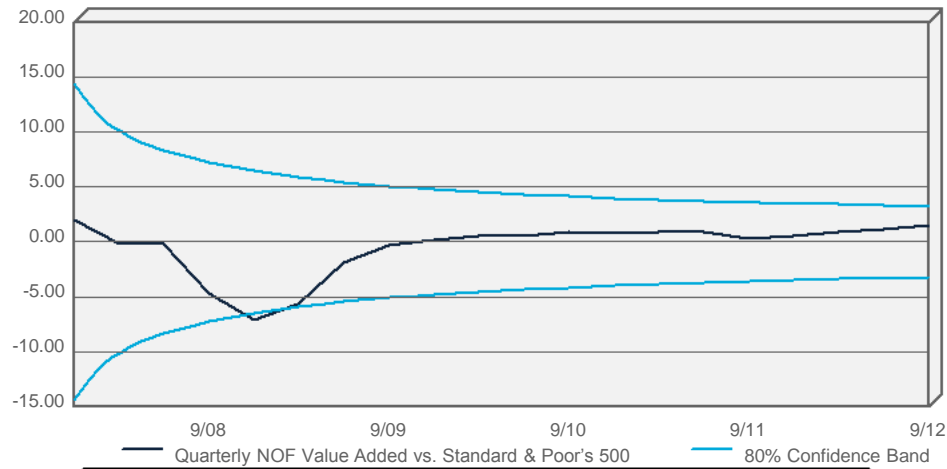
# Investment Manager Analysis



## PIMCO Stock Plus

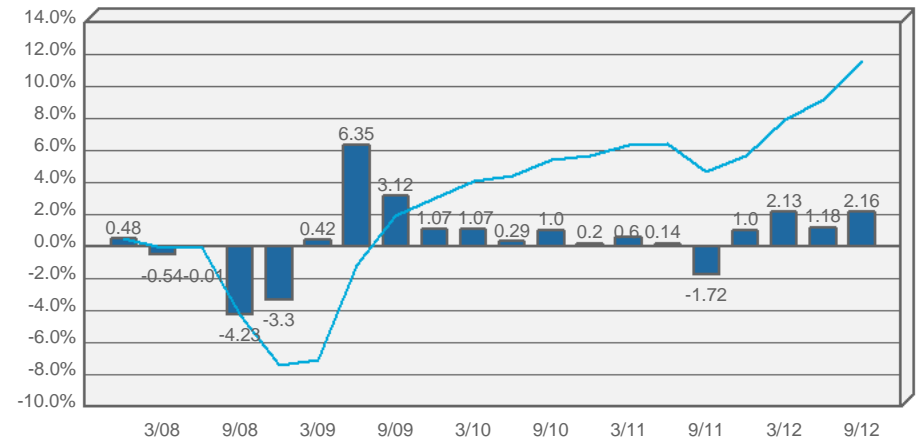
September 30, 2012

Cumulative Skill Analysis vs Benchmark



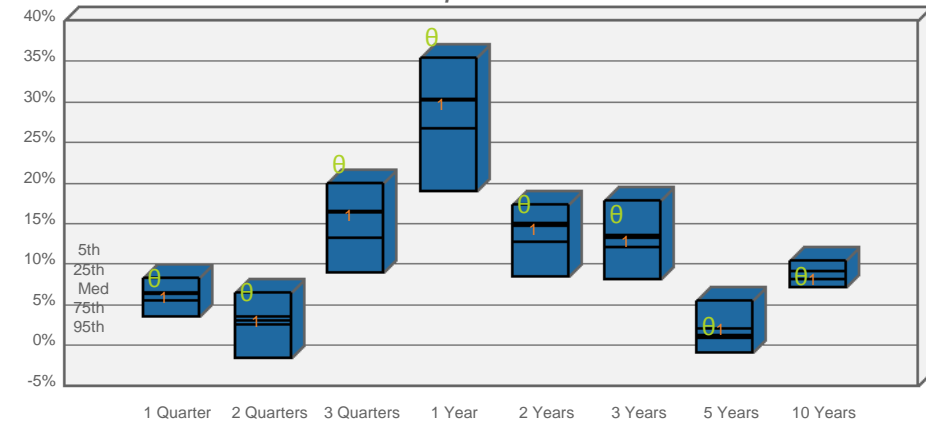
Excess Return:	1.49	Information Ratio:	0.34
Excess Risk:	4.39	T-Stat:	0.76

Value-Added Analysis vs Benchmark



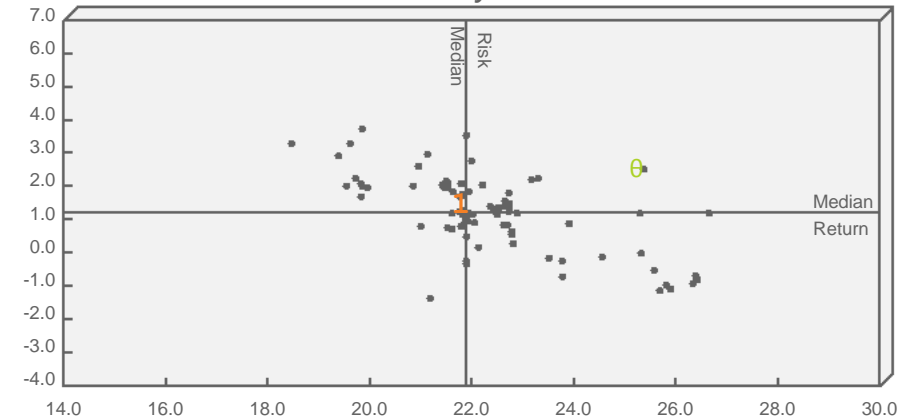
■ Quarterly Value Added vs. Standard & Poor's 500  
 — Cumulative Value Added

Performance Comparison vs Peer Universe\*



	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	5 Years	10 Years
5th	8.50 (2)	6.79 (3)	22.50 (1)	38.19 (1)	17.56 (3)	16.29 (6)	2.55 (14)	8.69 (33)
25th	6.35 (43)	3.42 (34)	16.43 (35)	30.18 (45)	14.75 (40)	13.20 (46)	1.04 (68)	8.01 (77)
Med	6.32	2.99	16.28	30.12	14.62	13.19	1.19	8.12
75th								
95th								
Number of Funds	290	281	263	250	215	185	119	50

Five Year Risk/Return Analysis vs Peer Universe\*



Description	Legend	Gross Fee Ret		Standard Deviation	
		Value	Rank	Value	Rank
PIMCO Stock Plus	⊖	2.55	14	25.38	10
Standard & Poor's 500	⊖	1.04	68	21.89	54
Median		1.19		21.89	

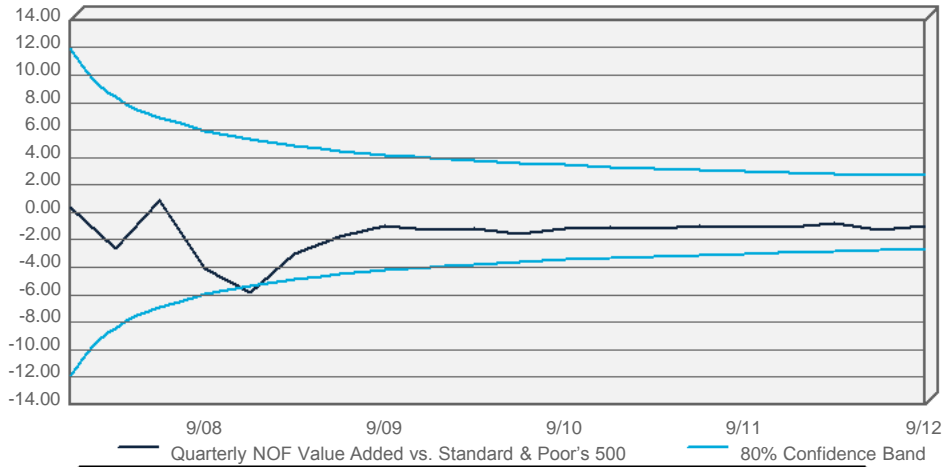
\*Total Returns of Large Neutral Equity Portfolios Universe - Gross of Fees

# Investment Manager Analysis



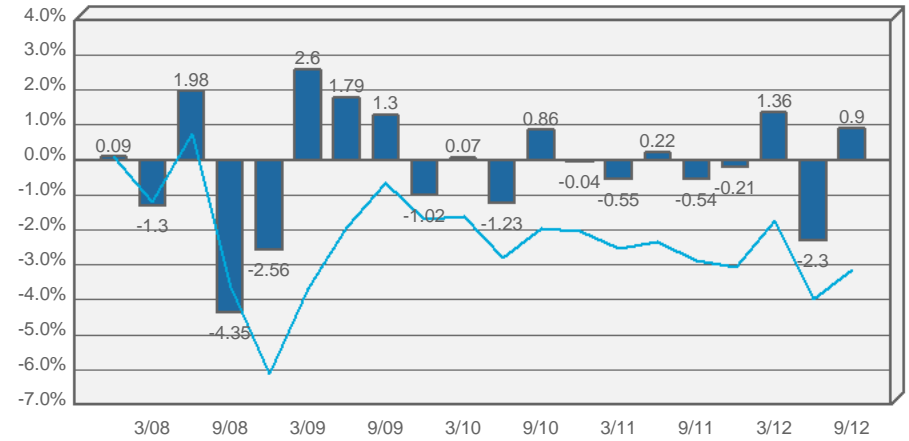
## Ziegler Lotsoff September 30, 2012

Cumulative Skill Analysis vs Benchmark



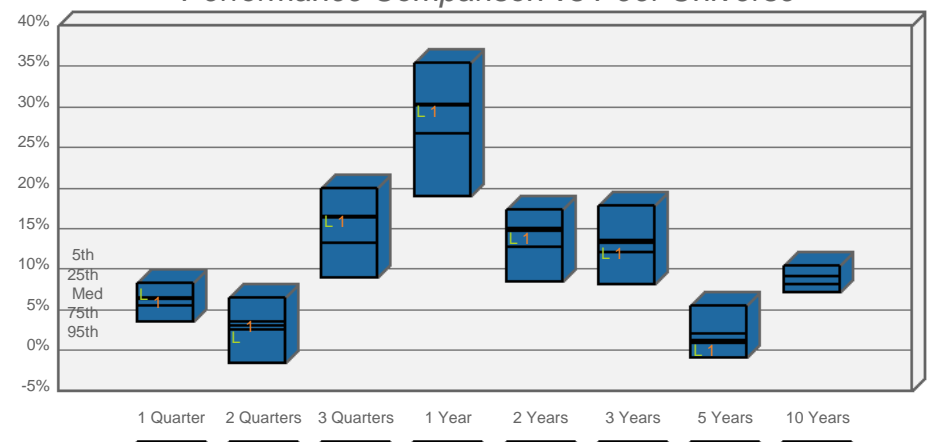
Excess Return:	-1.00	Information Ratio:	-0.28
Excess Risk:	3.63	T-Stat:	-0.62

Value-Added Analysis vs Benchmark



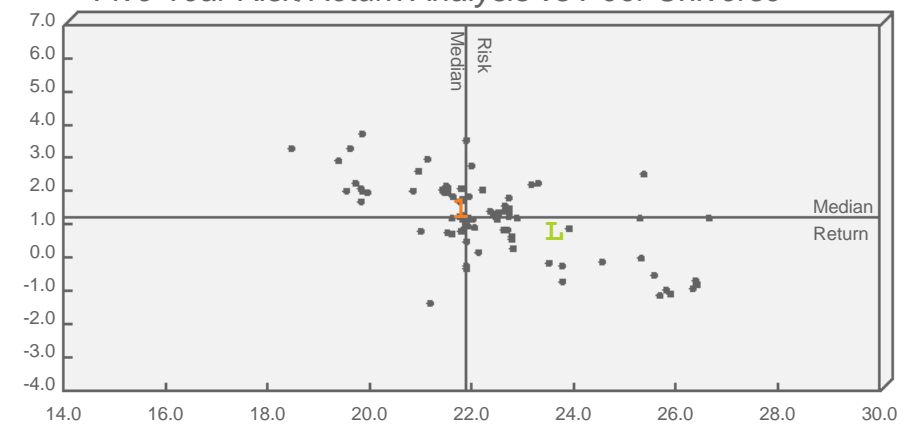
■ Quarterly Value Added vs. Standard & Poor's 500  
— Cumulative Value Added

Performance Comparison vs Peer Universe\*



	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	5 Years	10 Years
Ziegler Lotsoff	7.34 ( 9)	2.01 (81)	16.32 (48)	29.93 (65)	14.29 (61)	12.45 (72)	0.39 (81)	
S&P 500 Index	6.35 (43)	3.42 (34)	16.43 (35)	30.18 (45)	14.75 (40)	13.20 (46)	1.04 (68)	
Median	6.32	2.99	16.28	30.12	14.62	13.19	1.19	8.12
Number of Funds	290	281	263	250	215	185	119	50

Five Year Risk/Return Analysis vs Peer Universe\*



Description	Legend	Gross Fee Ret		Standard Deviation	
		Value	Rank	Value	Rank
Ziegler Lotsoff	L	0.39	81	23.72	17
Standard & Poor's 500	I	1.04	68	21.89	54
Median		1.19		21.89	

\*Total Returns of Large Neutral Equity Portfolios Universe - Gross of Fees

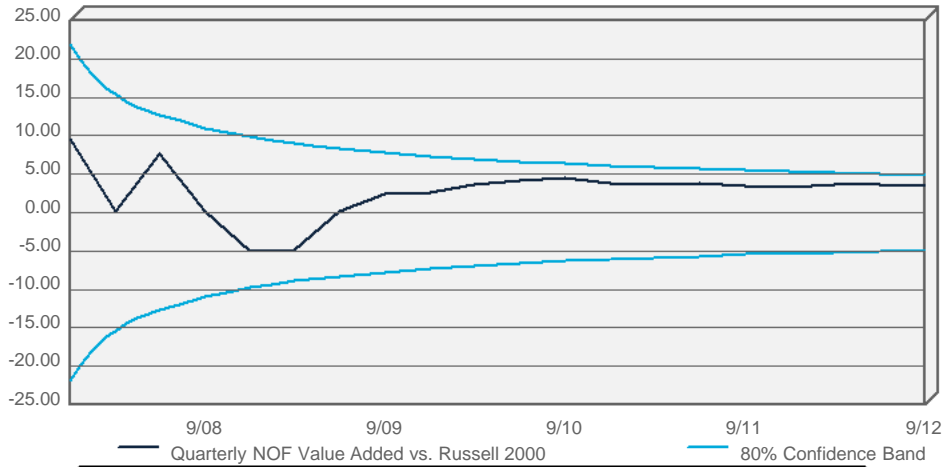
# Investment Manager Analysis



## Wellington

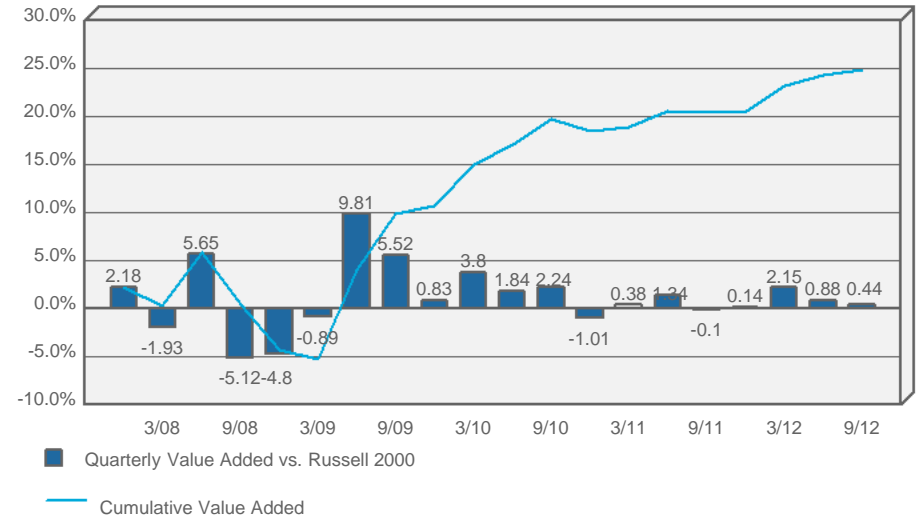
September 30, 2012

Cumulative Skill Analysis vs Benchmark

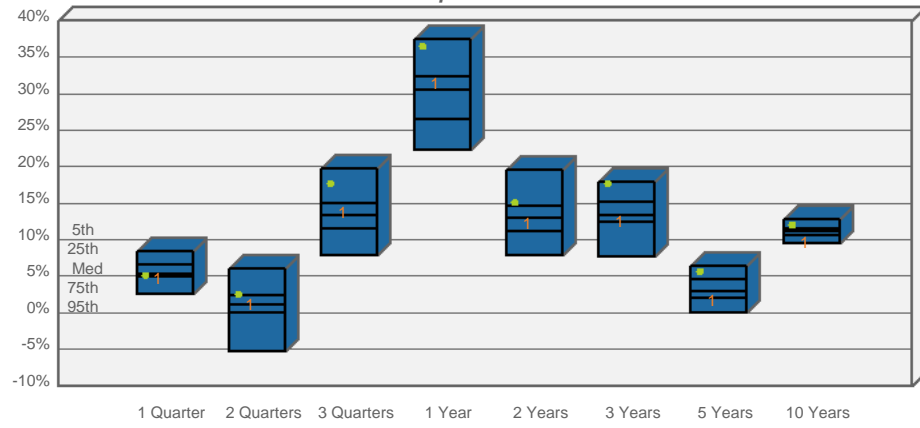


<b>Excess Return:</b>	3.48	<b>Information Ratio:</b>	0.52
<b>Excess Risk:</b>	6.66	<b>T-Stat:</b>	1.17

Value-Added Analysis vs Benchmark

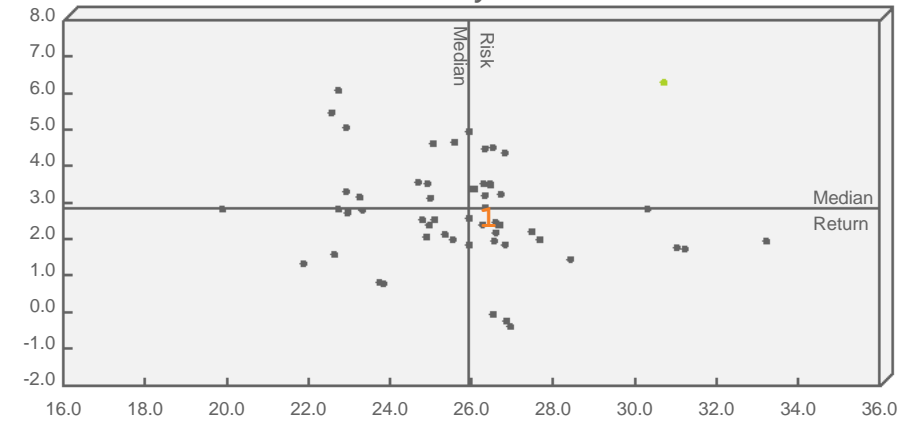


Performance Comparison vs Peer Universe\*



	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	5 Years	10 Years
Wellington	5.85 (35)	3.27 (12)	18.49 (6)	37.19 (6)	15.80 (18)	18.42 (2)	6.39 (5)	12.73 (5)
Russell 2000	5.25 (63)	1.59 (44)	14.23 (42)	31.91 (36)	12.81 (50)	12.99 (61)	2.21 (68)	10.17 (84)
Median	5.35	0.97	13.39	30.43	12.99	13.27	2.83	11.08
Number of Funds	129	129	127	122	106	92	65	25

Five Year Risk/Return Analysis vs Peer Universe\*



Description	Legend	Gross Fee Ret		Standard Deviation	
		Value	Rank	Value	Rank
Wellington	●	6.39	5	30.97	5
Russell 2000	1	2.21	68	26.54	29
Median		2.83		25.93	

\*Total Returns of Small Neutral Equity Portfolios Universe - Gross of Fees

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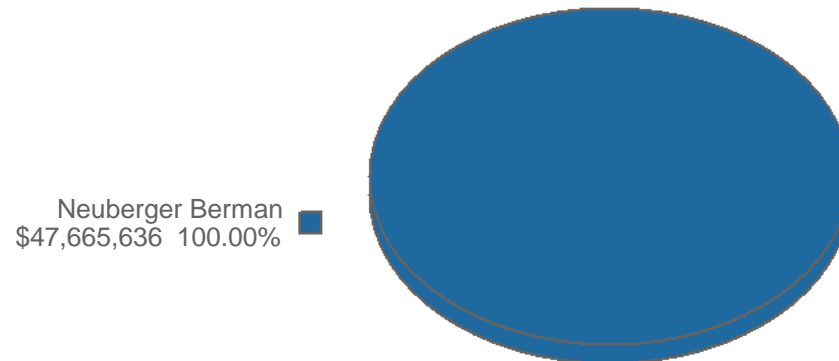
*Non - U.S. Equity*

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# Manager Allocation

## Non-U.S. Equity Composite As of September 30, 2012



# Performance Comparison



## Trailing Returns

Periods Ended September 30, 2012

	Quarter	2 Quarters	3 Quarters	1 Year	3 Years	5 Years	10 Years	Incept Date	Incept Ret
<b>Neuberger Berman</b>									
<b>Net of Fee Return</b>	<b>8.12</b>	<b>2.05</b>	<b>13.85</b>	<b>17.19</b>	<b>7.08</b>	<b>-4.00</b>		<b>6/30/06</b>	<b>0.32</b>
MSCI ACWI X US (N)	7.40	-0.77	10.37	14.48	3.17	-4.12		6/30/06	1.52
Value Added	0.72	2.82	3.47	2.71	3.91	0.12		6/30/06	-1.20
<b>Non-U.S. Equity Composite</b>									
<b>Net of Fee Return</b>	<b>8.13</b>	<b>2.05</b>	<b>13.85</b>	<b>17.20</b>	<b>7.08</b>	<b>-4.00</b>	<b>7.37</b>	<b>12/31/89</b>	<b>8.34</b>
Policy Benchmark	7.40	-0.77	10.37	14.48	3.17	-4.12	9.32	12/31/89	4.21
Value Added	0.73	2.82	3.48	2.72	3.91	0.12	-1.95	12/31/89	4.13

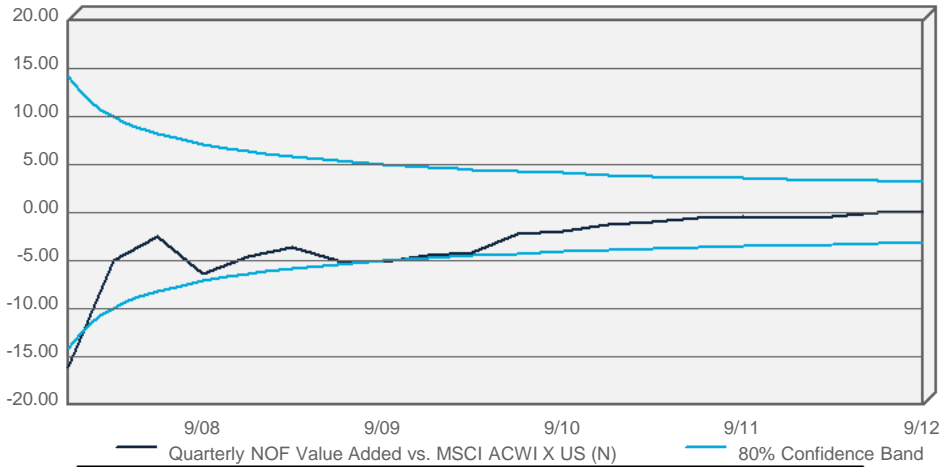
# Investment Manager Analysis



## Neuberger Berman

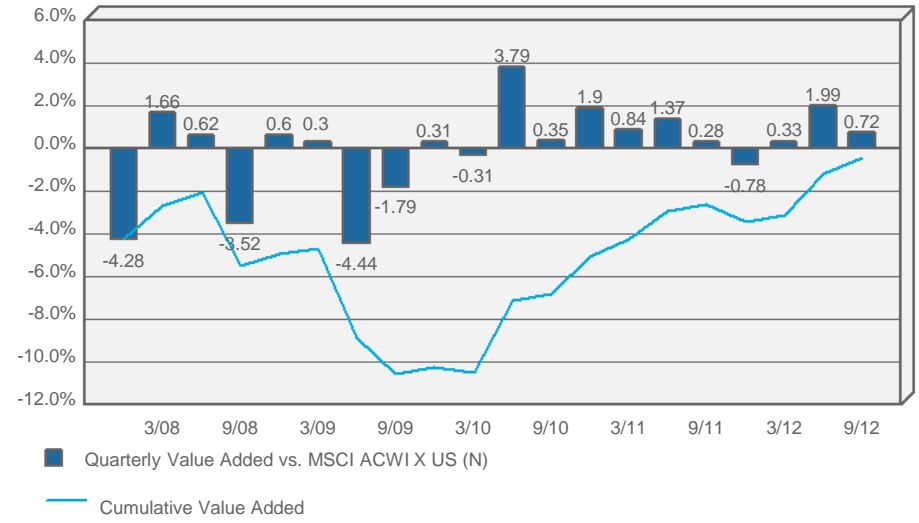
September 30, 2012

Cumulative Skill Analysis vs Benchmark

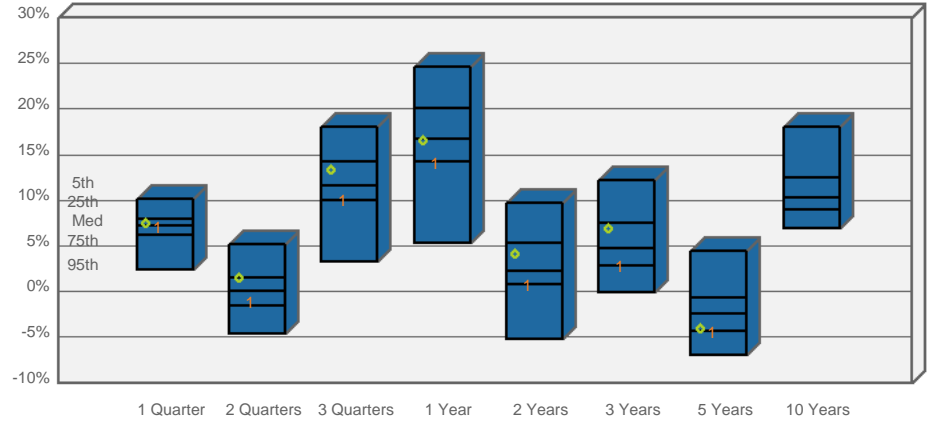


Excess Return:	0.13	Information Ratio:	0.03
Excess Risk:	4.31	T-Stat:	0.07

Value-Added Analysis vs Benchmark

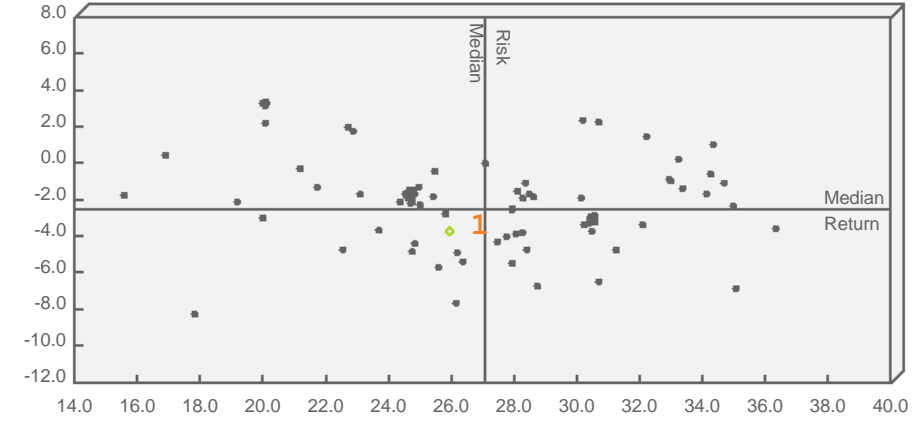


Performance Comparison vs Peer Universe\*



	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	5 Years	10 Years
◆ Neuberger Berman	8.12 (20)	2.05 (19)	13.85 (26)	17.19 (45)	4.67 (27)	7.46 (24)	-3.53 (59)	
■ MSCI ACWI X US	7.40 (38)	-0.77 (63)	10.37 (70)	14.48 (72)	1.05 (69)	3.17 (69)	-4.12 (71)	
Median	7.13	0.03	11.60	16.64	2.20	4.67	-2.50	10.27
Number of Funds	1233	1185	1135	1042	852	714	464	180

Five Year Risk/Return Analysis vs Peer Universe\*



Description	Legend	Gross Fee Ret		Standard Deviation	
		Value	Rank	Value	Rank
Neuberger Berman	◆	-3.53	59	26.25	59
MSCI ACWI X US (N)	■	-4.12	71	27.08	49
Median		-2.50		27.07	

\*Total Returns of International Equity Portfolios Universe - Gross of Fees

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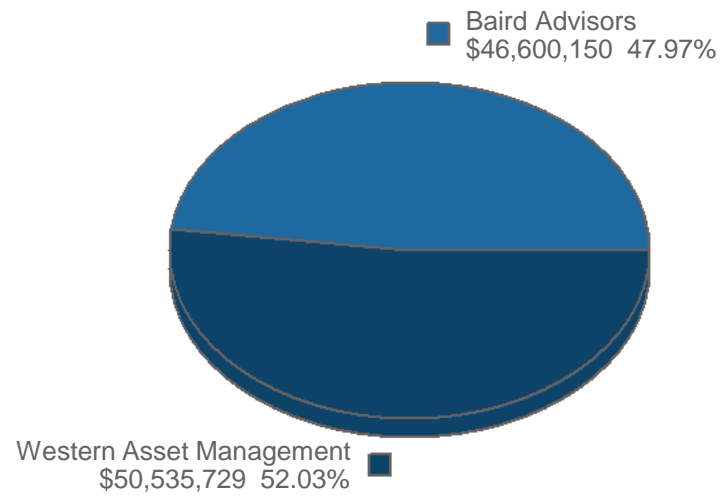
# *Fixed Income*

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# Manager Allocation

## Fixed Composite

As of September 30, 2012



# Performance Comparison



## Trailing Returns

Periods Ended September 30, 2012

	Quarter	2 Quarters	3 Quarters	1 Year	3 Years	5 Years	10 Years	Incept Date	Incept Ret
<b>Baird Advisors</b>									
<b>Net of Fee Return</b>	<b>2.69</b>	<b>5.16</b>	<b>6.32</b>	<b>7.49</b>	<b>8.18</b>	<b>6.71</b>		<b>3/31/03</b>	<b>5.52</b>
Barclays Aggregate	1.59	3.68	4.00	5.16	6.19	6.53		3/31/03	5.29
Value Added	1.10	1.48	2.32	2.32	2.00	0.17		3/31/03	0.23
<b>Western Asset Management</b>									
<b>Net of Fee Return</b>	<b>3.44</b>	<b>5.50</b>	<b>8.76</b>	<b>10.52</b>	<b>11.38</b>	<b>7.59</b>		<b>3/31/04</b>	<b>6.06</b>
Barclays Aggregate	1.59	3.68	4.00	5.16	6.19	6.53		3/31/04	5.27
Value Added	1.86	1.82	4.77	5.36	5.20	1.06		3/31/04	0.79
<b>Fixed Composite</b>									
<b>Net of Fee Return</b>	<b>3.08</b>	<b>5.34</b>	<b>7.64</b>	<b>9.19</b>	<b>9.88</b>	<b>7.26</b>	<b>5.99</b>	<b>9/30/87</b>	<b>7.72</b>
Barclays Aggregate	1.59	3.68	4.00	5.16	6.19	6.53	5.33	9/30/87	7.47
Value Added	1.50	1.66	3.65	4.03	3.70	0.73	0.66	9/30/87	0.25

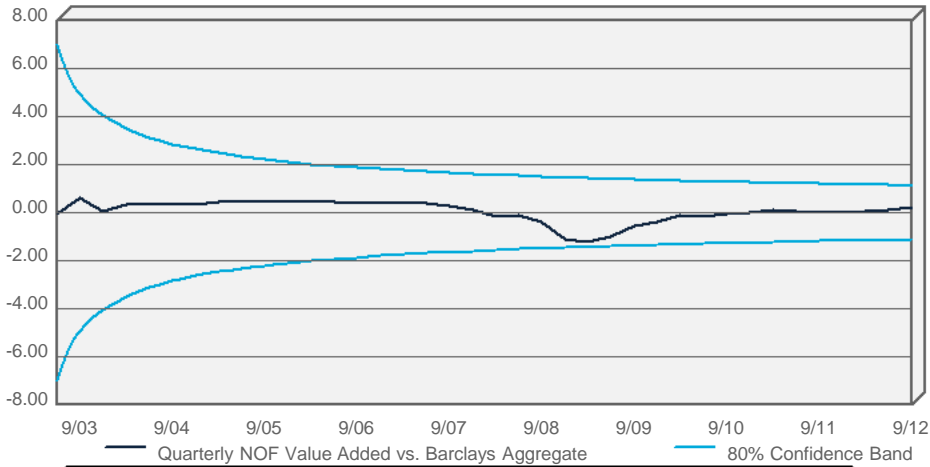
# Investment Manager Analysis



## Baird Advisors

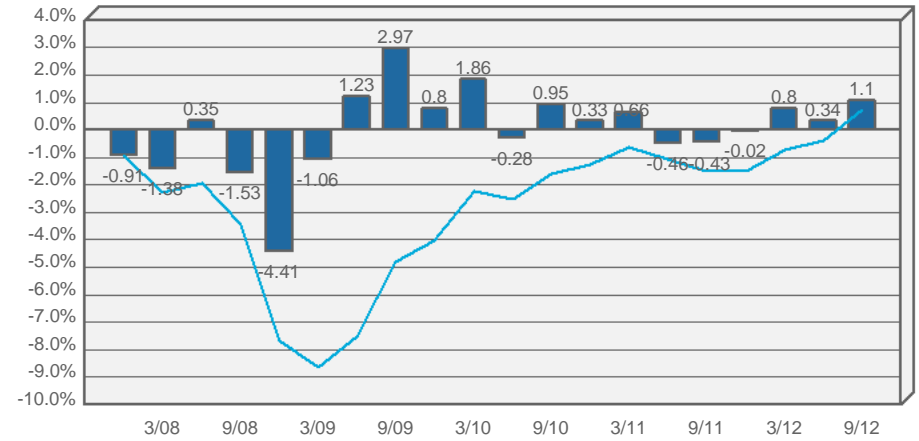
September 30, 2012

Cumulative Skill Analysis vs Benchmark



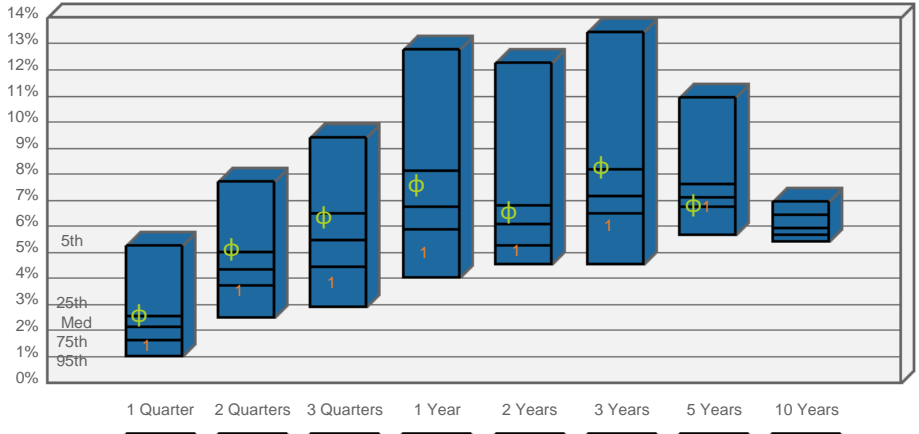
<b>Excess Return:</b>	0.22	<b>Information Ratio:</b>	0.10
<b>Excess Risk:</b>	2.12	<b>T-Stat:</b>	0.31

Value-Added Analysis vs Benchmark



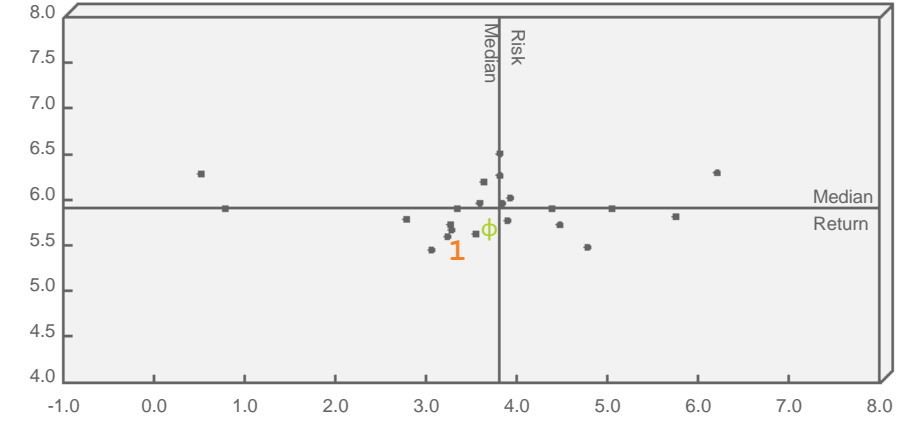
■ Quarterly Value Added vs. Barclays Aggregate  
 — Cumulative Value Added

Performance Comparison vs Peer Universe\*



	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	5 Years	10 Years
☺ Baird Advisors	2.74 (19)	5.27 (17)	6.49 (23)	7.71 (28)	6.67 (26)	8.41 (15)	6.92 (65)	
1 Bairdys Agg.	1.59 (75)	3.68 (77)	4.00 (83)	5.16 (79)	5.21 (75)	6.19 (79)	6.53 (81)	
Median	2.11	4.30	5.44	6.72	6.09	7.13	7.11	5.89
Number of Funds	73	72	71	66	56	46	33	21

Since Inception Risk/Return Analysis vs Peer Universe\*



Description	Legend	Gross Fee Ret		Standard Deviation	
		Value	Rank	Value	Rank
Baird Advisors	☺	5.69	78	3.76	52
Barclays Aggregate	1	5.29	99	3.40	69
Median		5.91		3.81	

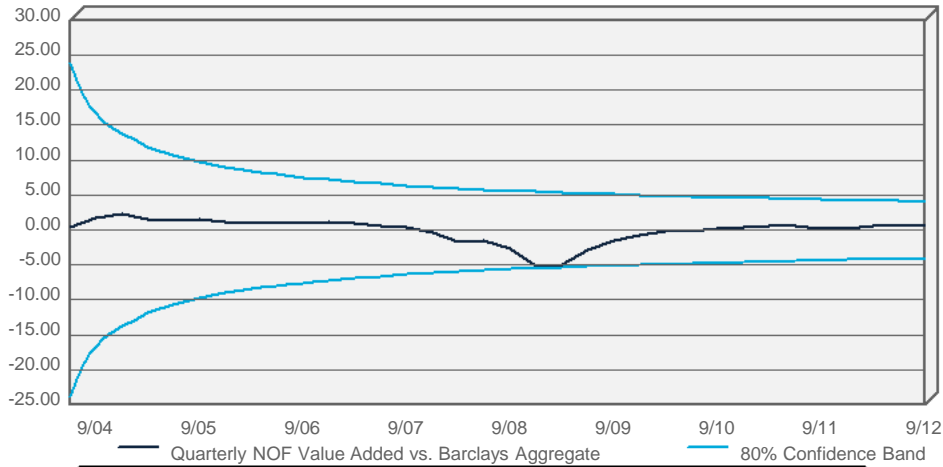
\*Total Returns of Fixed Income Core Fixed Income Portfolios Universe - Gross of Fees

# Investment Manager Analysis



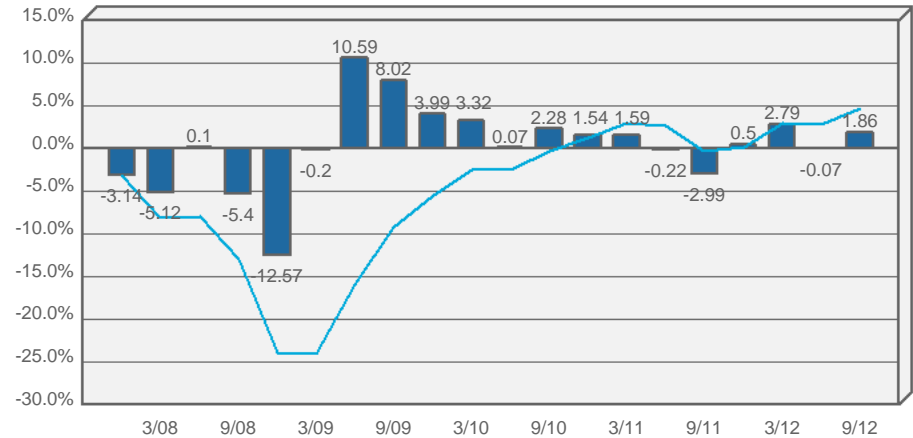
## Western Asset Management September 30, 2012

Cumulative Skill Analysis vs Benchmark



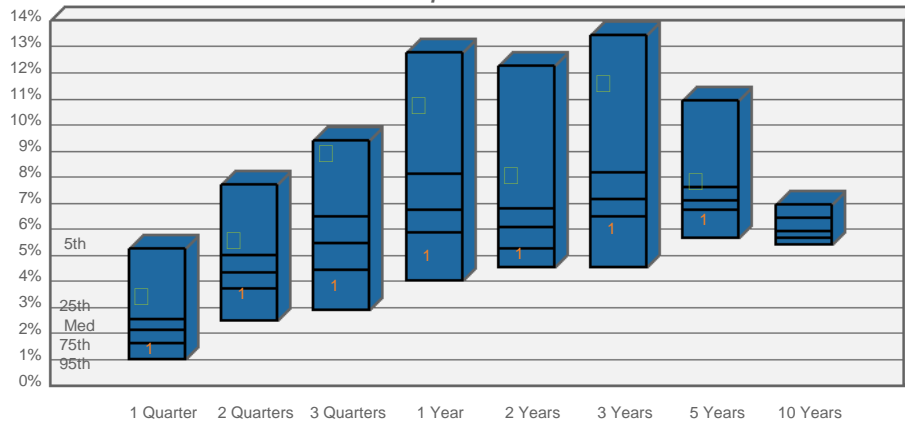
<b>Excess Return:</b>	0.75	<b>Information Ratio:</b>	0.10
<b>Excess Risk:</b>	7.25	<b>T-Stat:</b>	0.29

Value-Added Analysis vs Benchmark



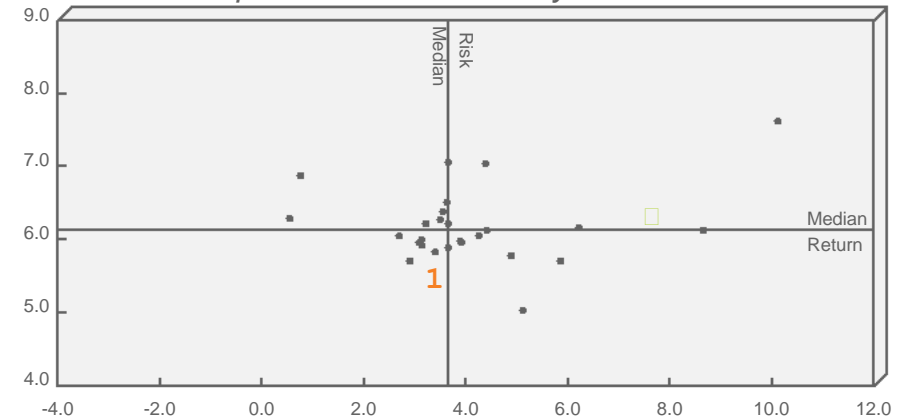
■ Quarterly Value Added vs. Barclays Aggregate  
— Cumulative Value Added

Performance Comparison vs Peer Universe\*



	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	5 Years	10 Years
Western Asset Ma	3.52 (11)	5.66 (12)	9.00 (9)	10.85 (11)	8.17 (10)	11.71 (7)	7.92 (14)	
Barclays Agg.	1.59 (75)	3.68 (77)	4.00 (83)	5.16 (79)	5.21 (75)	6.19 (79)	6.53 (81)	
Median	2.11	4.30	5.44	6.72	6.09	7.13	7.11	5.89
Number of Funds	73	72	71	66	56	46	33	21

Since Inception Risk/Return Analysis vs Peer Universe\*



Description	Legend	Gross Fee Ret		Standard Deviation	
		Value	Rank	Value	Rank
Western Asset Management	□	6.32	28	7.78	9
Barclays Aggregate	1	5.27	99	3.49	66
Median		6.13		3.65	

\*Total Returns of Fixed Income Core Fixed Income Portfolios Universe - Gross of Fees



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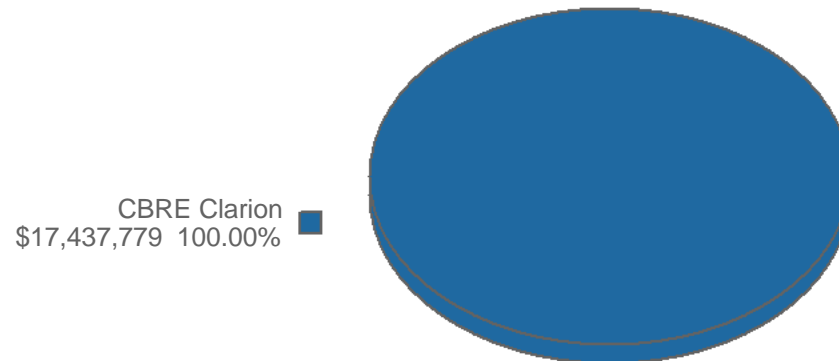
*Real Estate*

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# Manager Allocation

## Real Estate Composite

As of September 30, 2012



# Performance Comparison



## Trailing Returns

Periods Ended September 30, 2012

	Quarter	2 Quarters	3 Quarters	1 Year	3 Years	5 Years	10 Years	Incept Date	Incept Ret
<b>CBRE Clarion</b>									
<b>Net of Fee Return</b>	<b>4.53</b>	<b>5.76</b>	<b>17.93</b>	<b>26.95</b>	<b>10.54</b>			<b>6/30/09</b>	<b>17.53</b>
FTSE EPRA/NAREIT Developed RE	5.51	7.74	21.64	30.59	12.91			6/30/09	19.84
Value Added	-0.98	-1.98	-3.71	-3.64	-2.38			6/30/09	-2.30
<b>Real Estate Composite</b>									
<b>Net of Fee Return</b>	<b>4.53</b>	<b>5.76</b>	<b>17.93</b>	<b>26.95</b>	<b>10.54</b>			<b>6/30/09</b>	<b>17.53</b>
FTSE EPRA/NAREIT Developed RE	5.51	7.74	21.64	30.59	12.91			6/30/09	19.84
Value Added	-0.98	-1.98	-3.71	-3.64	-2.38			6/30/09	-2.30

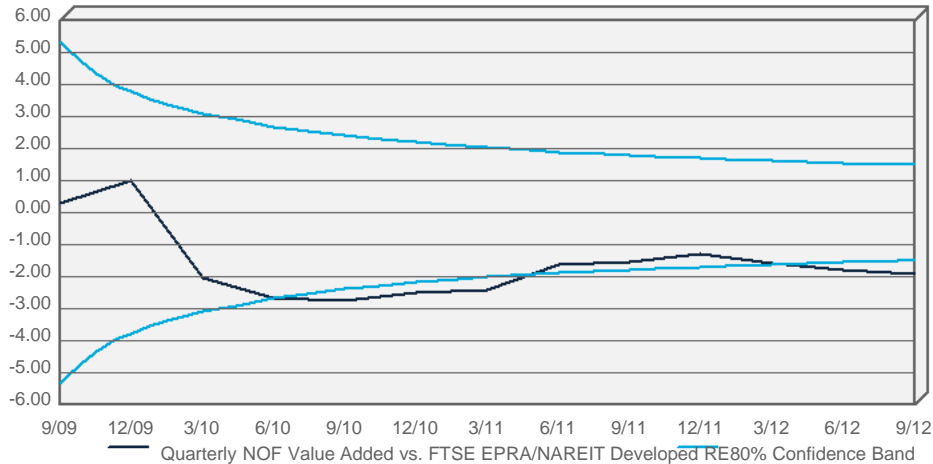
# Investment Manager Analysis



## CBRE Clarion

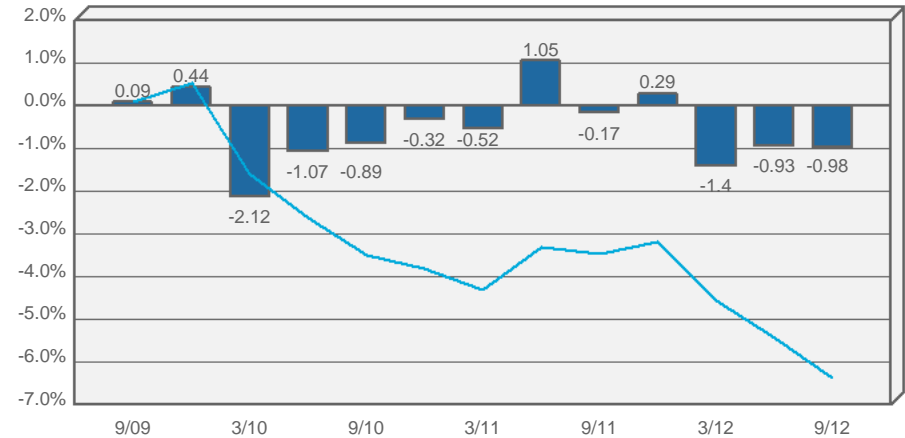
September 30, 2012

Cumulative Skill Analysis vs Benchmark



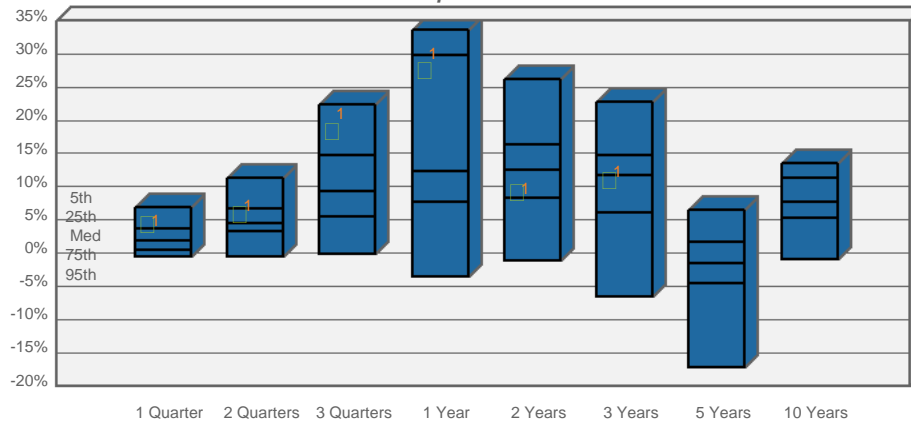
Excess Return:	-1.92	Information Ratio:	-1.18
Excess Risk:	1.63	T-Stat:	-2.05

Value-Added Analysis vs Benchmark



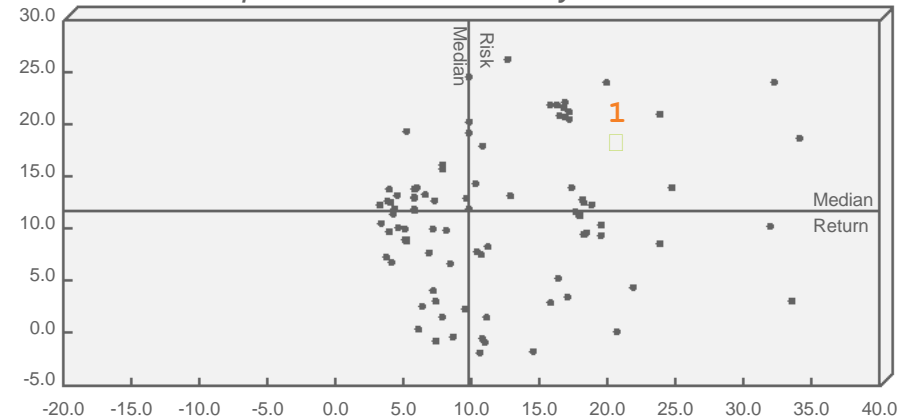
■ Quarterly Value Added vs. FTSE EPRA/NAREIT Developed RE  
 — Cumulative Value Added

Performance Comparison vs Peer Universe\*



	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	5 Years	10 Years
CBRE Clarion	4.71 (15)	6.15 (29)	18.79 (12)	27.88 (27)	9.52 (69)	11.34 (56)	-	-
FTSE EPRA/NAREIT	5.51 (7)	7.74 (11)	21.64 (6)	30.59 (23)	10.27 (65)	12.91 (39)	-	-
Median	1.78	4.48	9.20	12.28	12.50	11.73	-1.66	7.71
Number of Funds	384	366	353	345	300	249	199	62

Since Inception Risk/Return Analysis vs Peer Universe\*



Description	Legend	Gross Fee Ret		Standard Deviation	
		Value	Rank	Value	Rank
CBRE Clarion	□	18.33	20	21.10	10
FTSE EPRA/NAREIT	1	19.84	16	21.09	10
Median		11.73		9.76	

\*Total Returns of Real Estate Portfolios Universe - Gross of Fees

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# *Private Equity*

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# Investment Manager Performance



## Private Partnerships As of September 30, 2012

Partnership	Commitment Value	Inception Date	Capital Called		Capital Distributed		Fair Value	Total Value / Paid-In Capital <sup>1</sup>	Annualized IRR
			Amount	%	Amount	%			
Adams Street Direct 2010 Fund	\$500,000	April 27, 2010	\$219,736	44%	\$0	0%	\$242,061	1.10	7.03%
Adams Street Non-US Dev. 2010 Fund	\$1,500,000	April 27, 2010	\$339,055	23%	\$0	0%	\$339,355	1.00	0.10%
Adams Street Non-US EM 2010 Fund	\$500,000	January 3, 2011	\$89,000	18%	\$0	0%	\$76,400	0.86	-21.41%
Adams Street US 2010 Fund	\$2,500,000	April 27, 2010	\$668,008	27%	\$0	0%	\$769,350	1.15	11.41%
Flag Global Partners	\$5,000,000	January 17, 2012	\$750,000	15%	\$0	0%	\$616,197	0.82	NA
<b>Alternative Investments Composite</b>	<b>\$10,000,000</b>	<b>April 27, 2010</b>	<b>\$2,065,799</b>	<b>21%</b>	<b>\$0</b>	<b>0%</b>	<b>\$2,043,363</b>	<b>0.99</b>	<b>-1.10%</b>

<sup>1</sup> TVPI = Fair Value + Capital Distributed / Capital Called

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# *Capital Market Review*

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## U.S. Equity

The U.S. stock market rallied 6.2% in the third quarter, posting gains across each month. The market has now risen in four consecutive months, up 10.3% during that period, and has recouped all losses from the previous high on October 9, 2007. As was the case in the previous quarter, returns during the third quarter were comparable across size and style segments.

The market's third quarter rally was broad based, with all economic sectors advancing. Utilities, the worst performing sector, posted a 0.5% total return while Energy was the best performer, up 10.0%. The Telecom Services sector was a strong performer during the quarter, up 7.9%, and leads other segments in 2012 with a 25.7% return year-to-date.

The U.S. monetary base has expanded dramatically since the beginning of the global financial crisis in 2008, and is continuing to do so. The first round of quantitative easing (QE1) began in 2008 while QE2 was announced in 2010. The Fed's recently announced QE3, which commits to purchasing \$40 billion per month of agency MBS, representing nearly half a trillion in stimulus over the course of a year, is likely to push the monetary base over \$3 trillion by the end of 2013.

## Non-U.S. Equity

Most global equity markets rallied in the third quarter, with surprising resilience in the European exchanges. The European Central Bank's actions to shore up the euro, and record low yields on the safest European sovereign debt, gave investors confidence to buy local-market stocks, even in the face of public unrest in Spain and Greece late in the quarter. The Asia-Pacific region's performance experienced headwinds from Japan, but still managed positive returns. Emerging markets sprinted to stellar performance in the third quarter, despite continued signs of an economic slowdown in China.

## Fixed Income

With the Federal Reserve holding fast on low interest rates and buying mortgage-backed paper to spur the job market, bond investors accelerated their move into riskier asset space, snapping up higher-yielding corporate paper whether investment-grade or "junk." The yields on long-dated Treasuries rose slightly during the third quarter, while short-term yields actually ticked downward. Despite the considerable turmoil in continental European fixed income markets, the quest for yield kept global investors buying bonds in developed and emerging economies.



# Asset Class Assumptions Update



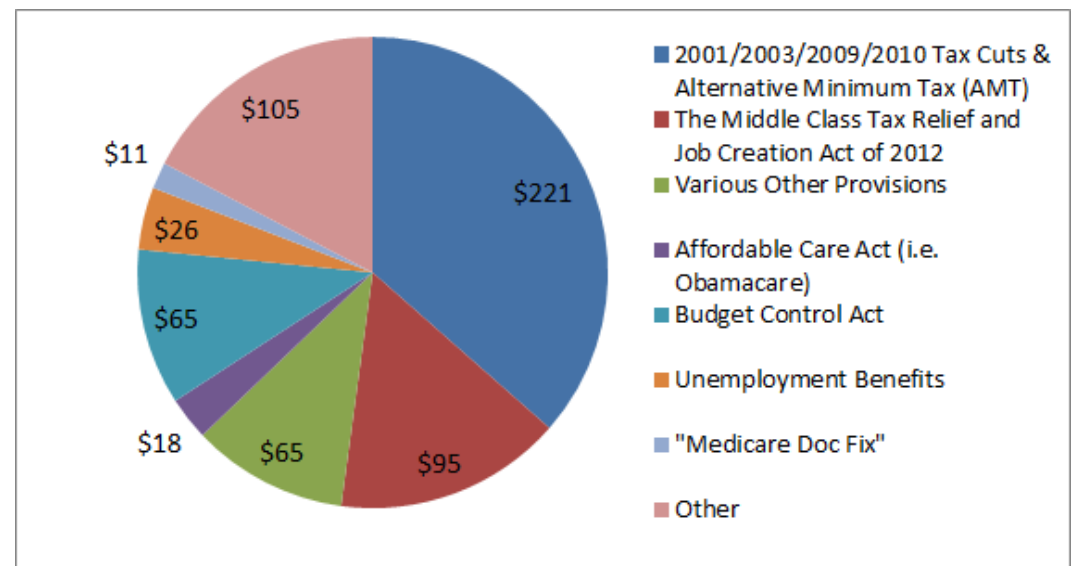
	Total Return (%)			Risk (%)
	2012 ACA	Q3 2012	Change vs YE	2012 ACA
<u>Investment Categories:</u>				
U.S. Stocks	7.50	7.50	-	17.00
Dev ex-U.S. Stocks	7.50	7.50	-	18.00
Emerging Mkt Stocks	7.50	7.50	-	26.00
Global Stocks	7.80	7.80	-	17.05
Private Markets	10.25	10.25	-	27.50
Cash Equivalents	1.50	1.65	0.15	1.25
Core Bonds	2.85	2.55	(0.30)	5.00
LT Core Bonds	3.20	2.70	(0.50)	10.00
TIPS	1.65	1.35	(0.30)	6.00
High Yield Bonds	5.45	4.80	(0.65)	10.00
Non-U.S. Bonds (Hdg)	2.50	2.20	(0.30)	3.50
U.S. RE Securities	5.05	5.30	0.25	15.00
Private Real Estate	5.80	6.05	0.25	12.25
Commodities	4.00	4.45	0.45	13.00
Real Asset Basket	5.85	6.00	0.15	7.75
Inflation:	2.00	2.45	0.45	1.75
<u>Returns minus Inflation:</u>				
U.S. Stocks	5.50	5.05	(0.45)	
U.S. Bonds	0.85	0.10	(0.75)	
Cash Equivalents	(0.50)	(0.80)	(0.30)	
<u>Stocks minus Bonds:</u>	4.65	4.95	0.30	
<u>Bonds minus Cash:</u>	1.35	0.90	(0.45)	

- Refers to the combined effect of tax increases and automatic spending cuts that are part of current U.S. law
- Scheduled to go into effect at the end of the year
- Mandated in part within the Budget Control Act of 2011, which resulted from the debt ceiling increase negotiations
- CBO estimates that if no changes are made to current law:
  - Federal budget deficit slashed by \$607bil (~ 4% of GDP) between FY 2012 and FY 2013
  - Unemployment would rise by almost a 1%

- Tax cuts of 2001/'03/'09/'10 and AMT are set to expire at year-end
  - Would raise rates on all income tax levels, estate taxes, capital gains (from 15% to 20%) and dividend income (from 15% to the marginal rate)
  - Collectively expected to cut the 2013 deficit by \$221bil
- Middle Class Tax Relief and Job Creation Act of 2012, also set to expire at year-end
  - Expiration of the 2% cut in the Social Security payroll tax (from 4.2% to 6.2%)
  - First introduced in Jan. 2011, expected to raise \$95bil in revenue

- Partial expensing of investment property and R&D tax credit will expire (\$65bil in revenue)
- Affordable Care Act provisions include a 3.8% additional investment income tax on \$250,000+ income earners (effective Jan. 2013, \$18bil in revenue)

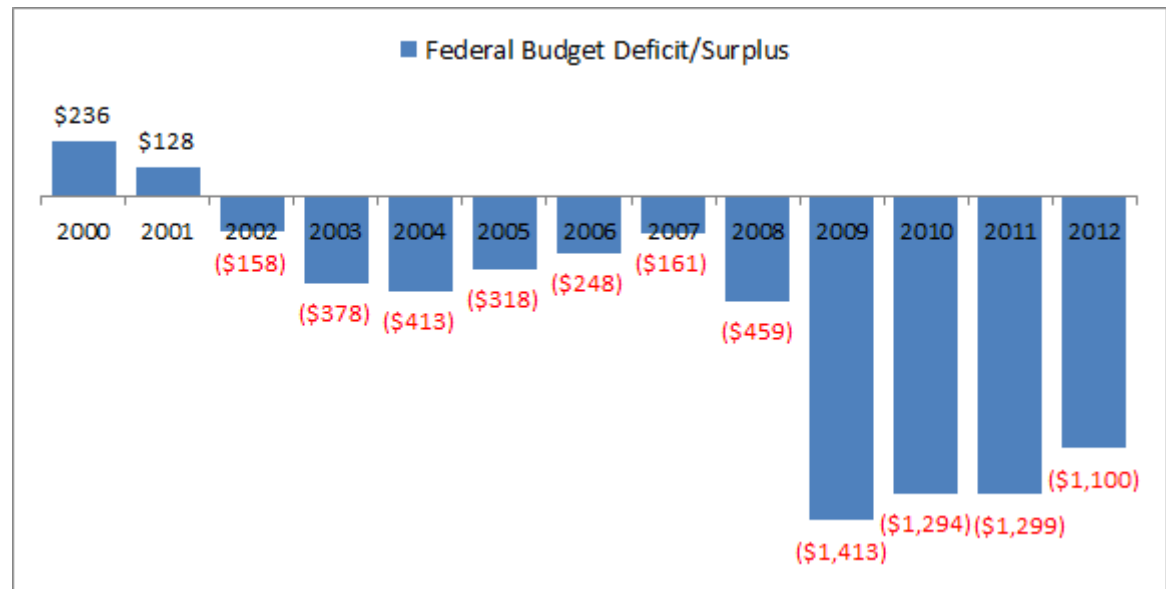
CBO Projection of Deficit Reduction (\$bil)



Data sources: Congressional Budget Office

- Budget Control Act of 2011
  - “Sequestration” designed to pre-set cuts in discretionary and mandatory spending
  - Result of “Super Committee’s” failure to reach an agreement on cuts in 2011
  - Half of the scheduled annual cuts will come from the national defense budget
  - Expected to slash spending by \$65bil in FY 2013 and additional \$41bil by 2021
- Eligibility for extended unemployment benefits set to expire in Jan. 2013 (\$26bil less in government spending)
- “Medicare Doc Fix,” reduce Medicare payments to doctors (savings of \$11bil)
- Other revenue and spending cuts expected to reduce the deficit by \$105bil between FY 2012 and FY 2013

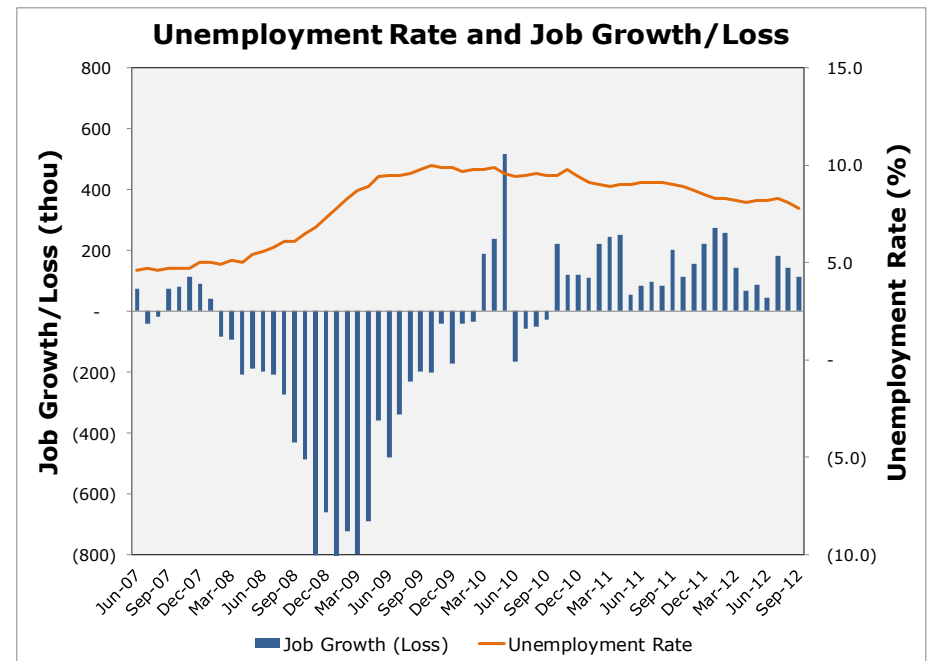
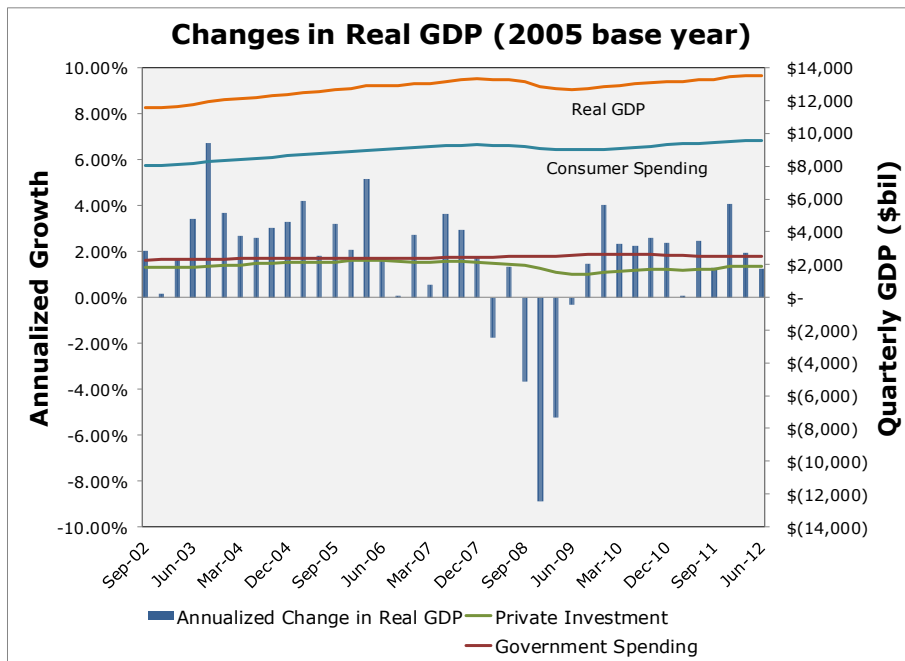
Federal Budget Deficit/Surplus (\$bil)



Data sources: Congressional Budget Office

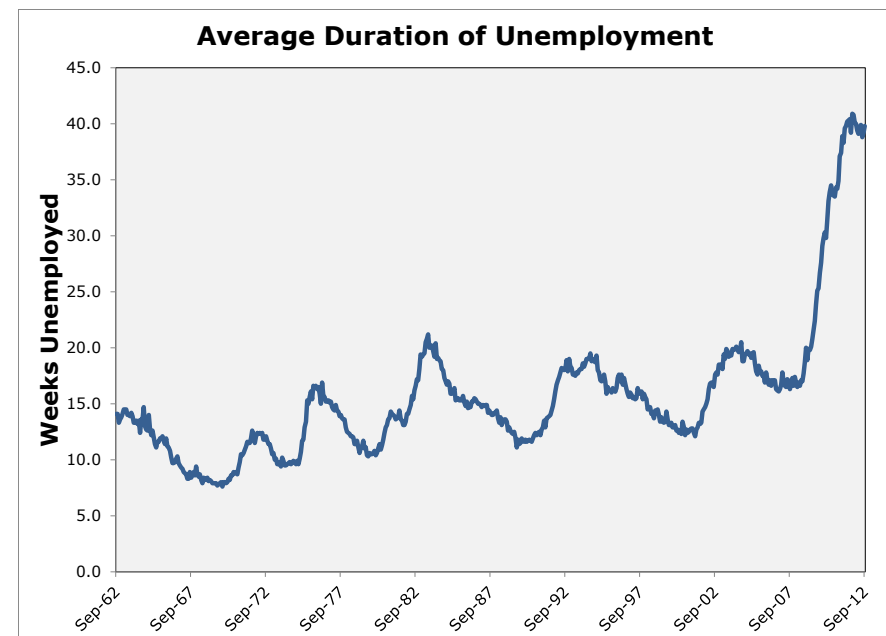
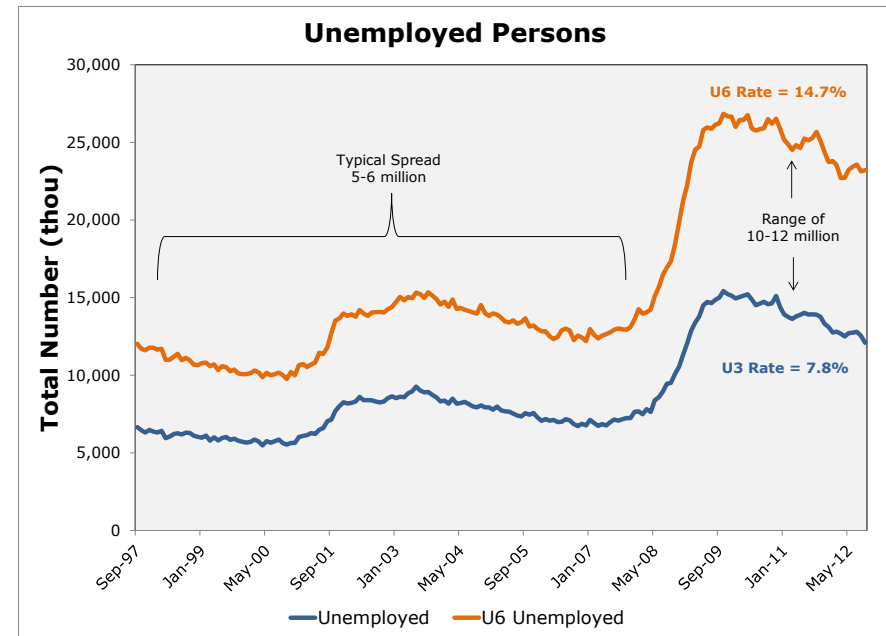
September 30, 2012	Key Economic Indicators			
<b>CPI (all items)</b> Seasonally adjusted	Monthly Change		Cumulative Change	
	Sep-12	0.6	3-Month	1.2
	Aug-12	0.6	12-Month	2.0
	Jul-12	0.0	10-Yr Annual	2.5
Breakeven Inflation	10-Year	2.5		
<b>Consumer Sentiment</b> Unv. of Michigan Survey	Sep-12	78.3		
	Aug-12	74.3		
	1-Yr Ago	59.5	10-Yr Avg	79.1
<b>Manufacturing</b> Inst. for Supply Mgmt Purchasing Mngrs' Idx	Sep-12	51.5	Change in Manufacturing Sector	
	Aug-12	49.6	>50	Expansion
	1-Yr Avg	52.2	<50	Contraction

Note: Seasonally adjusted CPI data is utilized to better reflect short-term pricing activity.

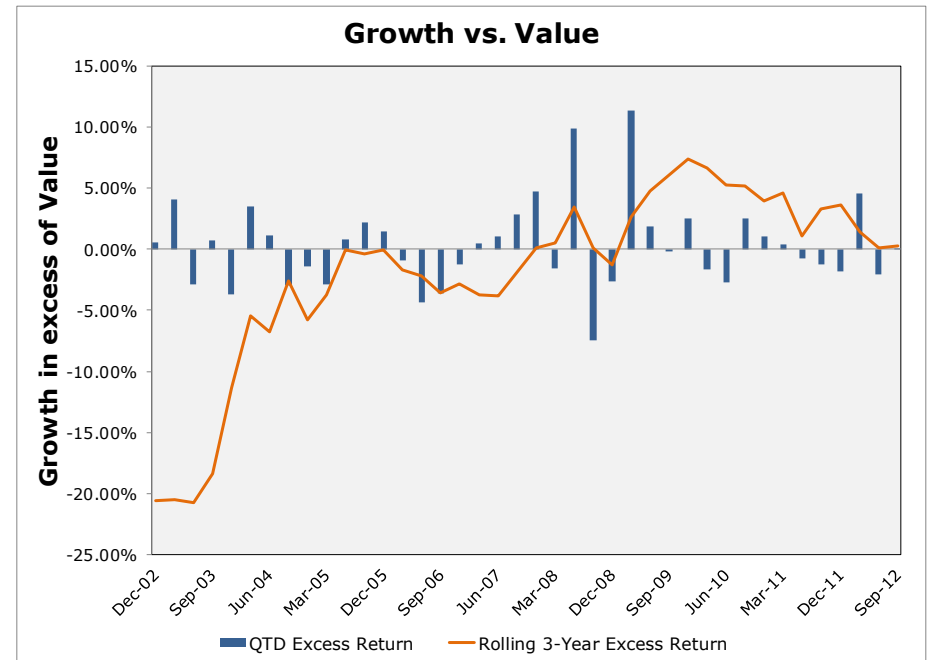
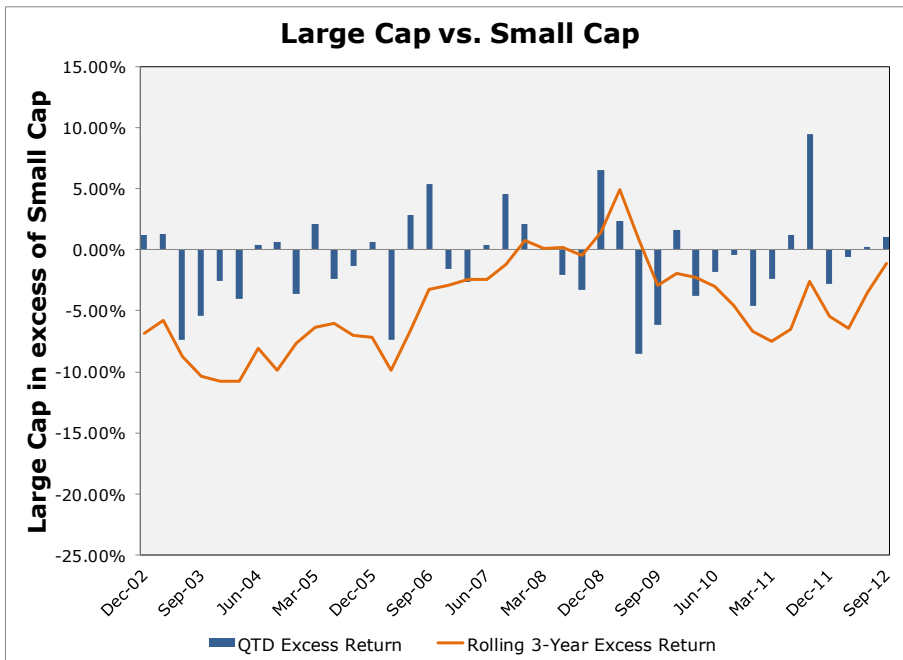
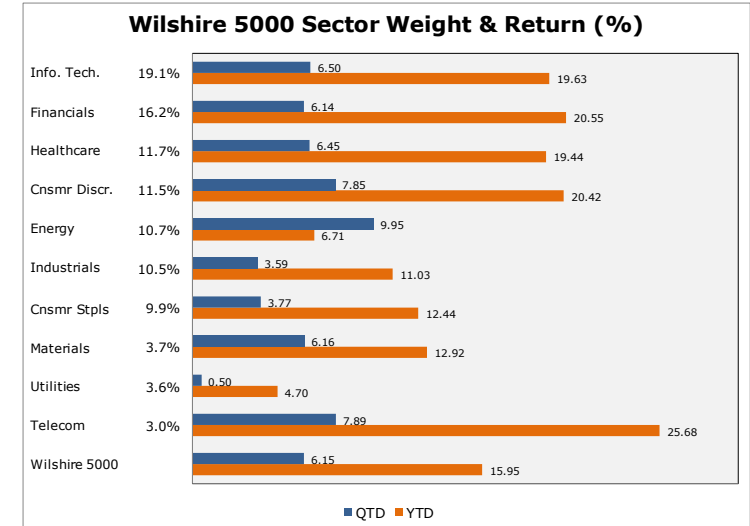


Data sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve Bank of St. Louis, Barclays Capital

- Unemployment continues to improve
  - “Official” unemployment = 7.8%, broader measure (U6) = 14.7%
  - Current difference in terms of individuals is 11.1 million
- 
- Average unemployment duration remains elevated
  - Long-term average for the 50-year period included to the right is 15.6 weeks

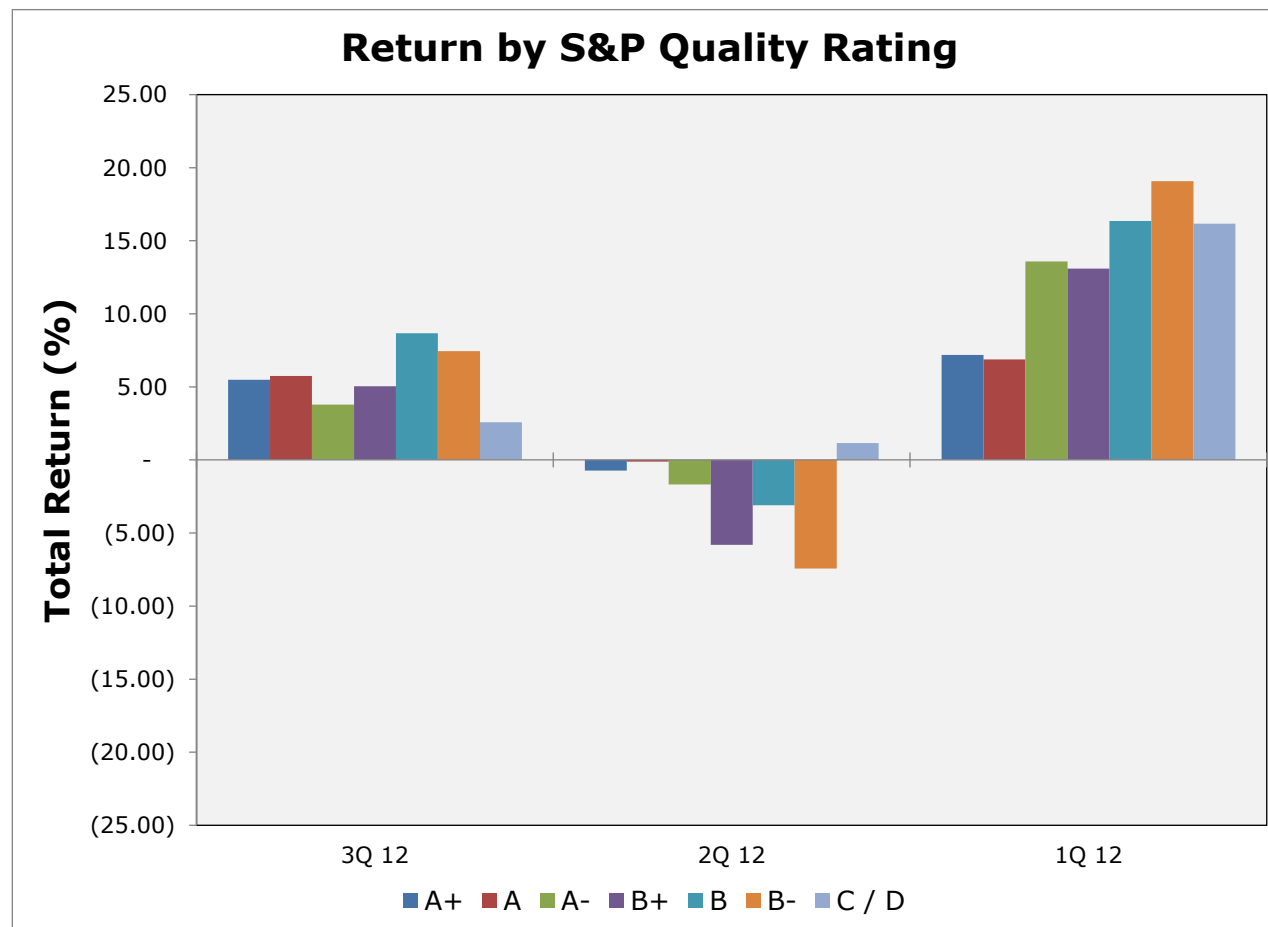


September 30, 2012	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Wilshire 5000	6.2	15.9	29.9	13.2	1.3	8.7
Wilshire U.S. Large Cap	6.3	16.0	29.6	13.1	1.1	8.3
Wilshire U.S. Small Cap	5.2	15.2	32.4	14.4	3.8	11.9
Wilshire U.S. Large Growth	6.3	17.8	30.4	13.1	2.7	8.5
Wilshire U.S. Large Value	6.2	14.2	28.7	13.0	-0.6	7.9
Wilshire U.S. Small Growth	5.2	13.7	29.2	15.1	4.0	12.7
Wilshire U.S. Small Value	5.1	16.5	35.3	13.6	3.5	11.0
Wilshire REIT Index	-0.2	14.7	32.4	20.7	1.7	11.4
MSCI USA Minimum Volatility Index	3.2	12.3	23.9	14.5	3.3	7.6
FTSE RAFI U.S. 1000 Index	6.5	14.7	28.9	11.7	2.3	n.a.



Data sources: Wilshire Compass, Wilshire Atlas

Lower quality names have lead the market for 2012, in aggregate

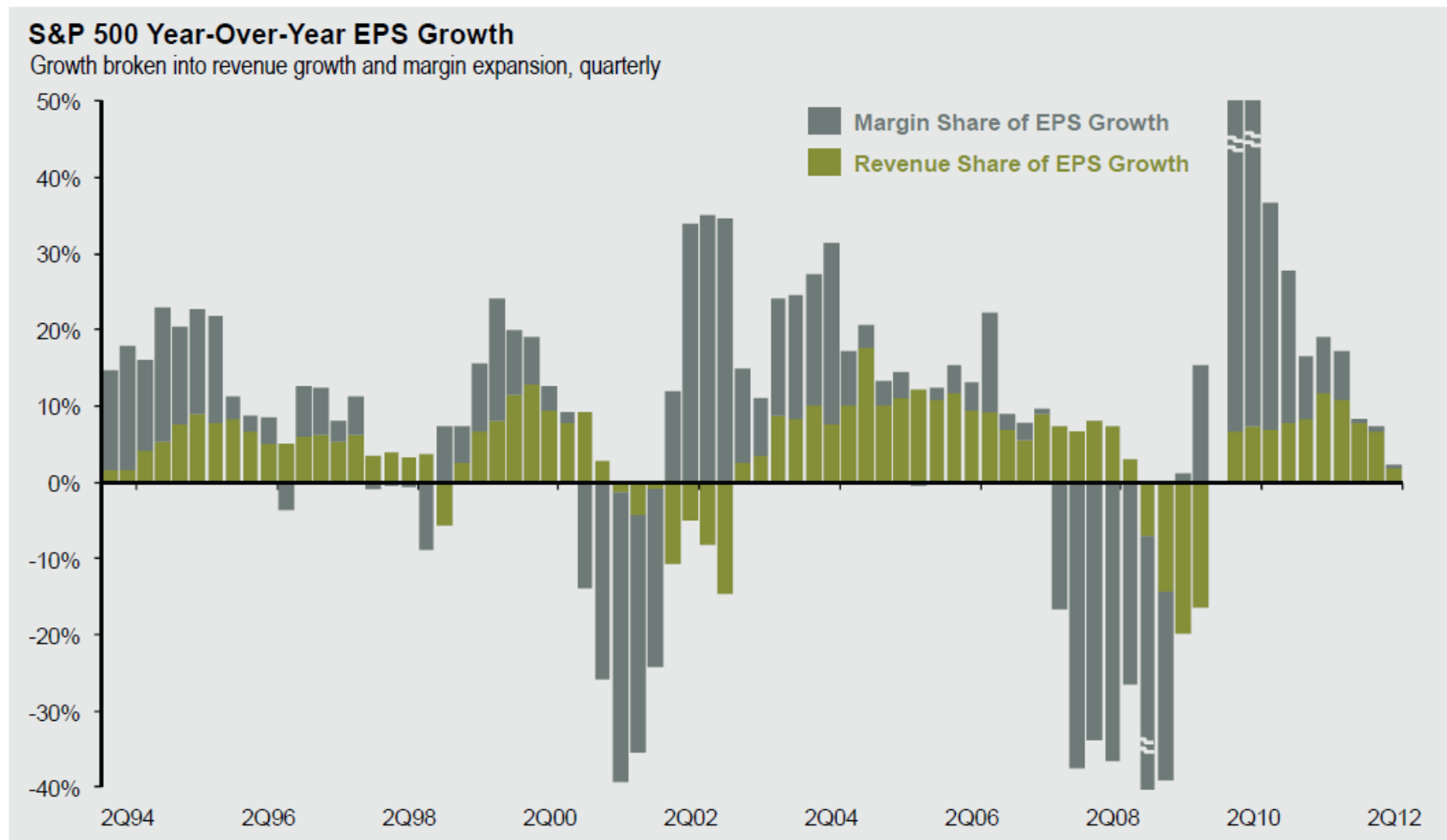


Data sources: Wilshire Atlas



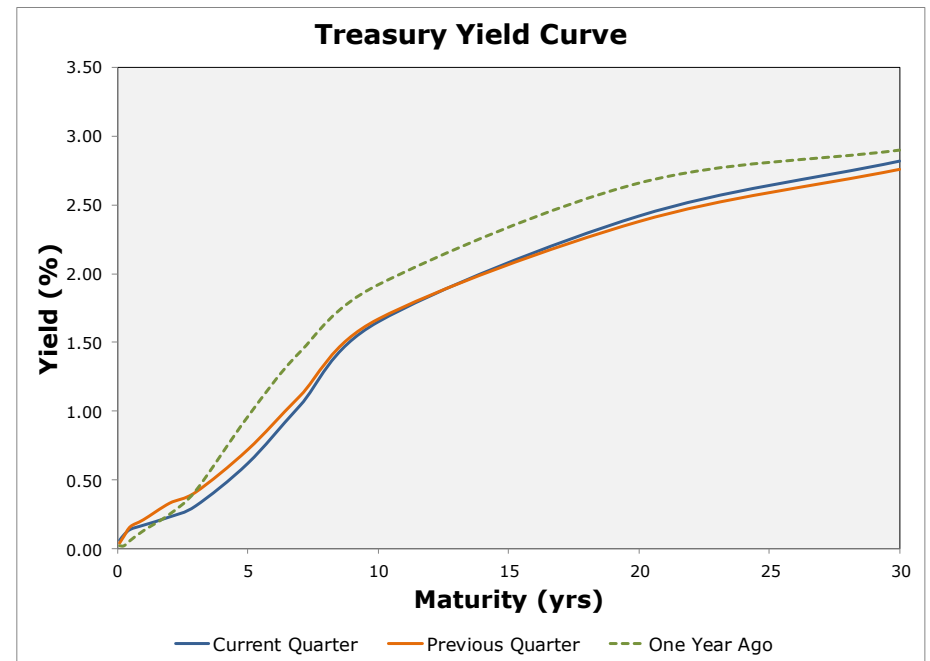
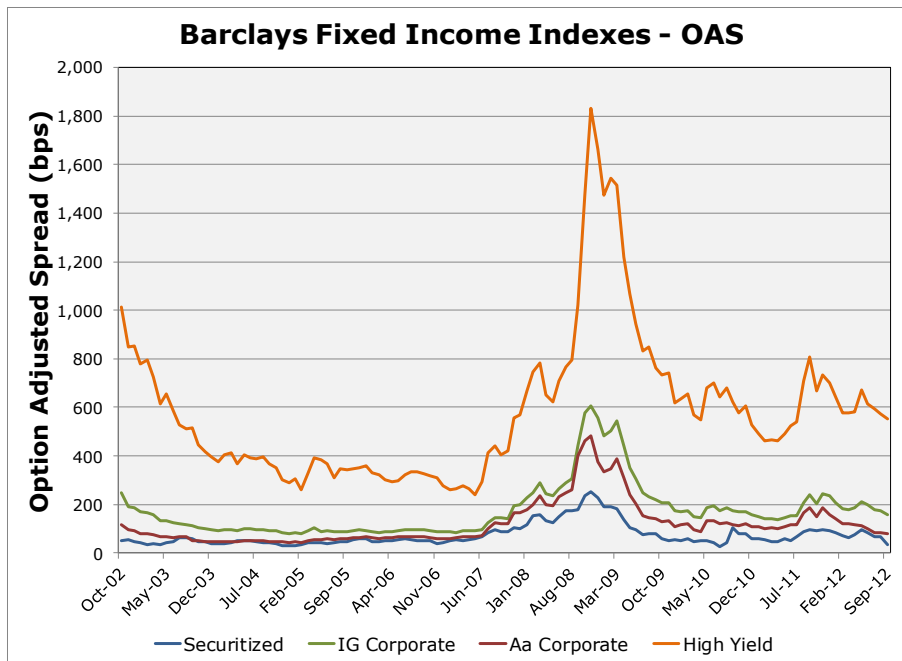
# Growth in Earnings per Share

Exiting credit crisis, earnings growth was driven by significant margin improvements – although this appears to be reaching a ceiling



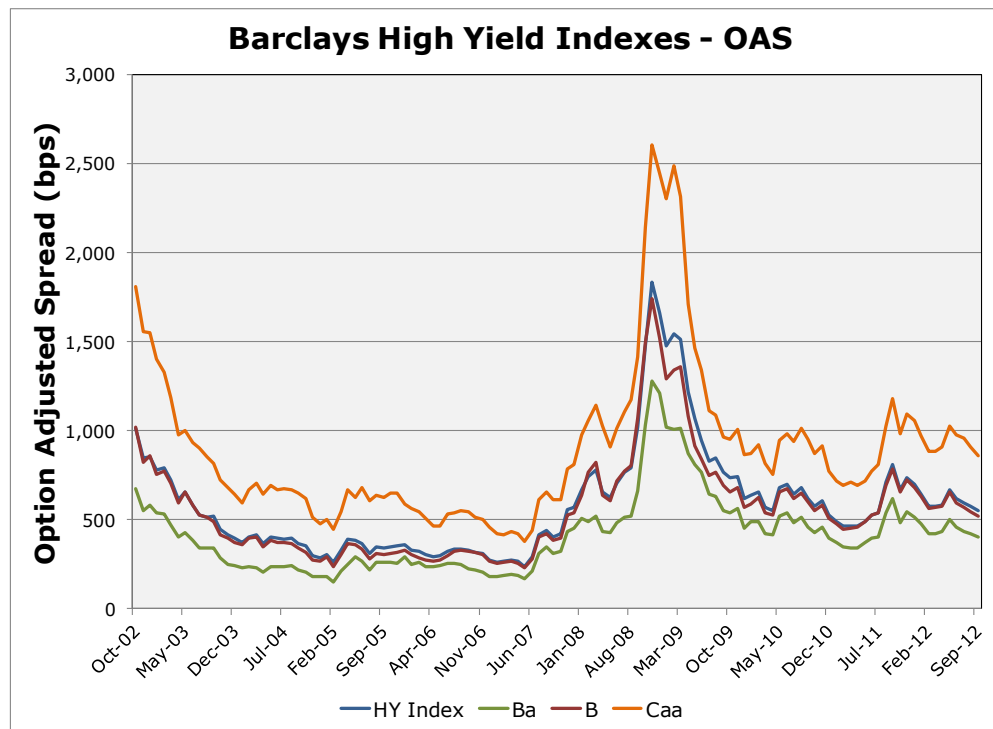
Source: Standard & Poor's, Compustat, J.P. Morgan Asset Management.  
EPS levels are based on operating earnings per share. Most recently available data is 1Q12. \*2Q12 data are Standard & Poor's estimates.

September 30, 2012	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays Aggregate Bond Index	1.6	4.0	5.1	6.2	6.5	5.3
Barclays Treasury Index	0.6	2.1	3.0	5.4	6.2	4.8
Barclays Govt-Related Index	1.6	4.3	5.1	5.3	6.1	5.0
Barclays Securitized Index	1.3	3.1	4.2	5.6	6.2	5.2
Barclays Corporate IG Index	3.8	8.7	10.8	9.1	8.1	6.6
Barclays LT Govt/Credit Index	3.1	8.3	11.1	12.5	10.9	8.1
Barclays Long-Term Treasury Index	0.2	4.4	6.3	12.0	11.1	7.7
Barclays U.S. TIPS Index	2.1	6.2	9.1	9.3	7.9	6.6
Barclays High Yield Index	4.5	12.1	19.4	12.9	9.3	11.0
Treasury Bills	0.0	0.1	0.1	0.1	0.7	1.8



Data sources: Wilshire Compass, Barclays Capital, U.S. Treasury

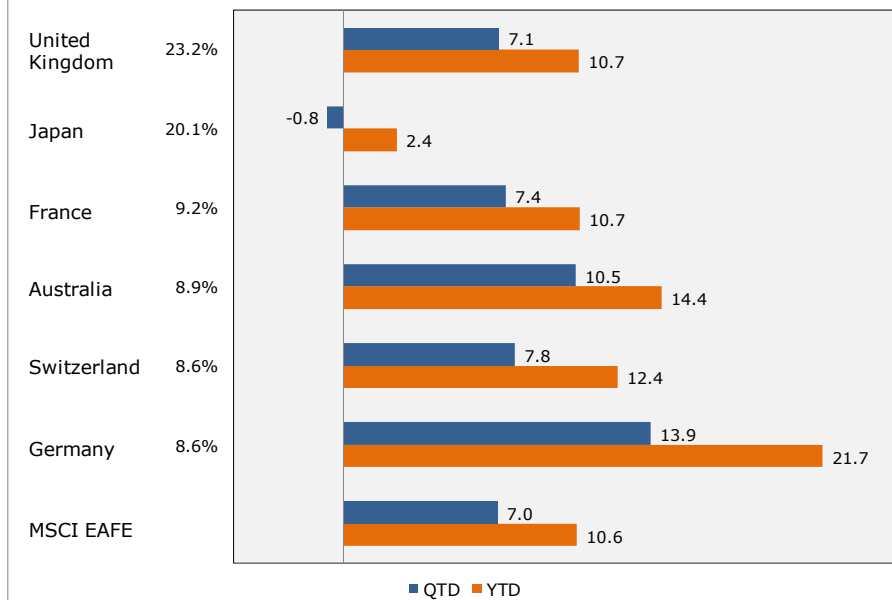
September 30, 2012	Weight	Qtr	Ytd	1 Yr	3 Yr
Barclays High Yield Index	100%	4.5	12.1	19.4	12.9
Quality Distribution					
Ba U.S. High Yield	38.5%	4.4	11.5	17.7	12.6
B U.S. High Yield	43.7%	4.4	11.5	18.7	11.9
Caa U.S. High Yield	16.1%	4.8	14.5	24.2	13.6
Ca to D U.S. High Yield	1.4%	9.3	21.3	34.0	17.0
Non-Rated U.S. High Yield	0.3%	8.5	20.1	31.0	15.3



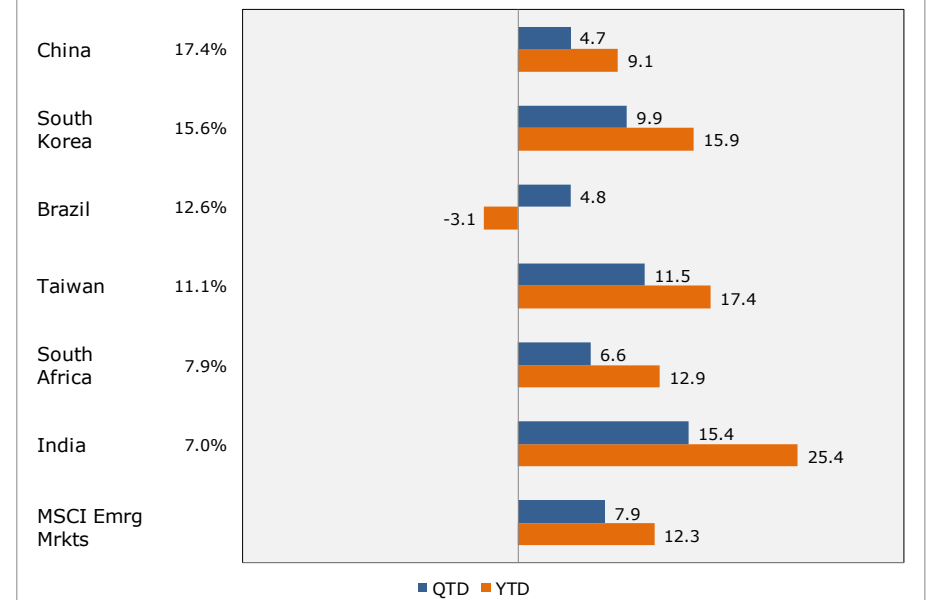
Data sources: Barclays Capital

September 30, 2012	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
MSCI ACWI ex-US (\$g)	7.5	10.8	15.0	3.6	-3.7	10.3
MSCI EAFE (\$g)	7.0	10.6	14.3	2.6	-4.8	8.7
MSCI Emerging Markets (\$g)	7.9	12.3	17.3	6.0	-1.0	17.4
MSCI Frontier Markets (\$g)	7.4	6.0	4.0	-1.0	-9.2	9.5
MSCI EAFE Minimum Volatility Idx	7.2	11.6	13.5	6.9	0.8	11.4
FTSE RAFI Developed ex-US Index	7.4	7.9	10.9	-0.9	-4.5	n.a.
JPM Non US Global Bond	4.0	3.7	3.5	4.7	7.1	7.5
JPM Non US Global Bond Hedged	1.8	4.4	5.2	4.7	5.2	4.6
JPM EMBI Global	6.8	14.7	20.6	12.3	10.3	12.5
Euro vs. Dollar	1.4	-0.9	-4.1	-4.2	-2.0	2.6
Yen vs. Dollar	2.6	-1.1	-0.9	4.8	8.1	4.6
Pound vs. Dollar	3.0	3.9	3.7	0.3	-4.5	0.2

### MSCI EAFE: Largest Countries and Return

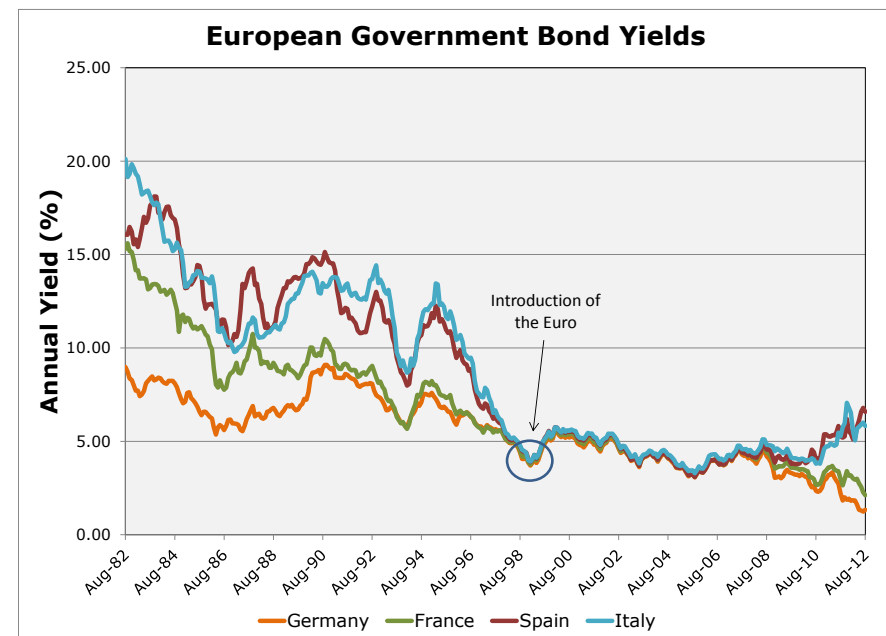
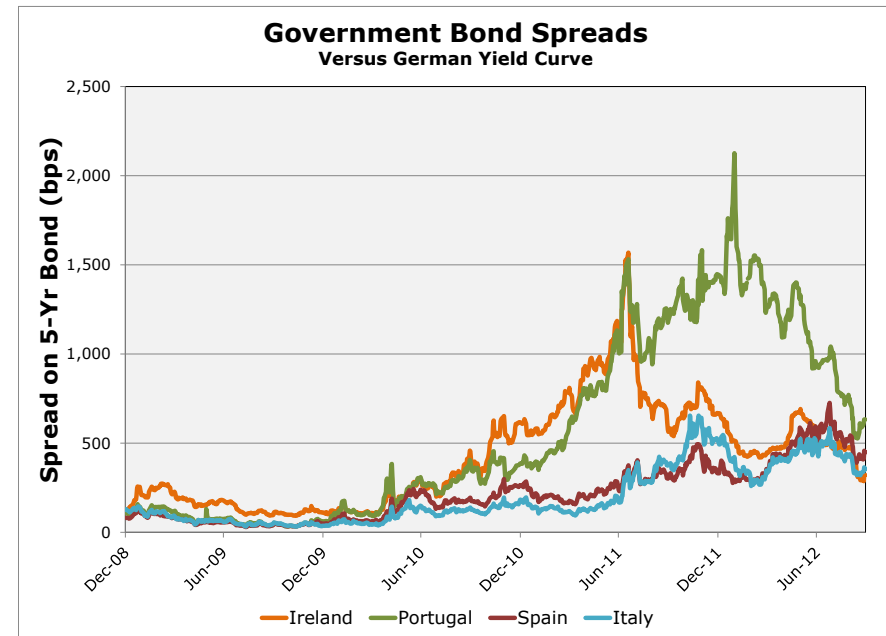


### MSCI EM: Largest Countries and Return



Data sources: Wilshire Compass, MSCI Barra

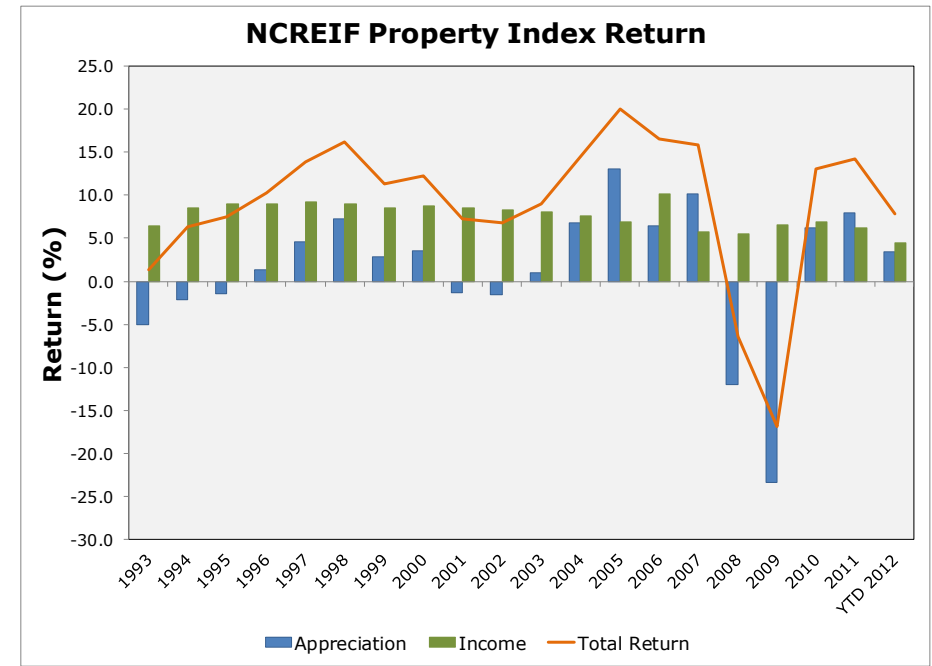
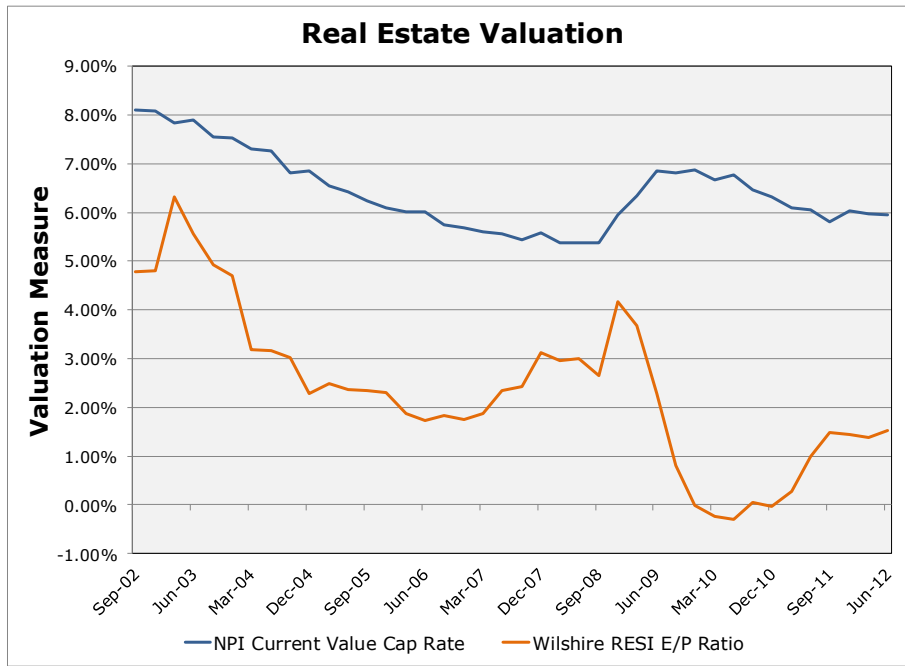
- Attention has turned to economies much larger than Greece, such as Spain and Italy
- Spreads have come down during the quarter
- Germany and France are among the top 5 economies across the globe





September 30, 2012	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays U.S. TIPS Index	2.1	6.2	9.1	9.3	7.9	6.6
Dow Jones UBS Commodity Index	9.7	5.6	6.0	5.3	-3.0	5.2
Global Public Real Estate*	3.3	18.9	30.5	17.4	0.2	12.4
NCREIF Property Index	2.3	7.8	11.0	10.9	2.3	8.3
NCREIF Timberland Index	0.8	1.7	2.2	-0.5	3.3	7.6
Alerian MLP Index (Oil & Gas)	8.9	8.5	26.2	25.1	14.0	17.3

\* Wilshire Global Real Estate Securities from June 2002 to December, 2004. Wilshire Global REITs from 2004 to present.



Data sources: Wilshire Compass, National Council of Real Estate Investment Fiduciaries

# Asset Class Performance



**Annual Asset Class Returns - Best to Worst**

2007	2008	2009	2010	2011	YTD 2012	Annualized 5-Year 2007-2011
Emrg Mrkts 39.8%	Core Bond 5.2%	Emrg Mrkts 79.0%	REITs 28.6%	U.S. TIPS 13.6%	U.S. Equity 15.9%	U.S. TIPS 8.0%
Commodities 16.2%	T-Bills 2.0%	High Yield 58.2%	Emrg Mrkts 19.2%	REITs 9.2%	REITs 14.7%	High Yield 7.5%
U.S. TIPS 11.6%	U.S. TIPS -2.3%	Developed 32.5%	U.S. Equity 17.2%	Core Bond 7.8%	Emrg Mrkts 12.3%	Core Bond 6.5%
Developed 11.6%	High Yield -26.2%	REITs 28.6%	Commodities 16.8%	High Yield 5.0%	High Yield 12.1%	Emrg Mrkts 2.7%
Core Bond 7.0%	Commodities -35.6%	U.S. Equity 28.3%	High Yield 15.1%	U.S. Equity 1.0%	Developed 10.6%	T-Bills 1.5%
U.S. Equity 5.6%	U.S. Equity -37.2%	Commodities 18.9%	Developed 8.2%	T-Bills 0.1%	U.S. TIPS 6.2%	U.S. Equity 0.1%
T-Bills 5.0%	REITs -39.2%	U.S. TIPS 11.4%	Core Bond 6.5%	Developed -11.7%	Commodities 5.6%	REITs -2.0%
High Yield 1.9%	Developed -43.1%	Core Bond 5.9%	U.S. TIPS 6.3%	Commodities -13.3%	Core Bond 4.0%	Commodities -2.1%
REITs -17.5%	Emrg Mrkts -53.2%	T-Bills 0.2%	T-Bills 0.1%	Emrg Mrkts -18.2%	T-Bills 0.1%	Developed -4.3%

Data sources: Wilshire Compass

Note: Developed asset class is developed markets ex-U.S., ex-Canada.



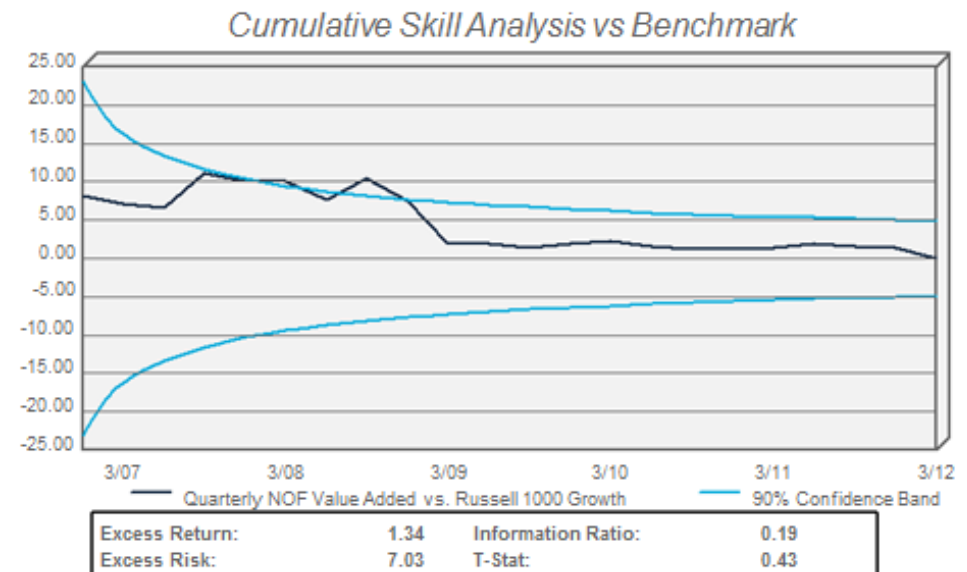
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# *Appendix*

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## Cumulative Skill Graph

- Graphical representation of the statistical significance of excess returns over a specified benchmark for the cumulative time period being analyzed.
- Positive cumulative excess performance is shown when the dark blue line is above the “0.00” line measured on the left Y axis.
- The light blue lines that form a channel, or the shape of a trumpet horn, represent the boundaries of the statistical significance test.
- The width of the channel is calculated based on the amount of “Excess Risk” that the manager takes over the benchmark.



## Value Added Graph

- Illustrates excess returns over the specified benchmark for individual periods, usually quarters, and for the cumulative time period being analyzed.
- A period in which there was positive excess performance the dark blue bar is above the line. Negative excess performance is below the line. The magnitude of the excess performance is measured on the left Y axis.
- The light blue line is the cumulative result of the quarterly performance and is measured on the right Y axis.

