



OKLAHOMA TEACHERS RETIREMENT SYSTEM

INVESTMENT COMMITTEE MEETING

DECEMBER 18, 2012

3:00 PM

MEETING MATERIALS

ALL BOARD MEMBERS ARE ENCOURAGED TO ATTEND INVESTMENT COMMITTEE MEETINGS

INVESTMENT COMMITTEE MEMBERS:

Chair: James Dickson

Vernon Florence, Bill Peacher, Michael Simpson, Gary Trennepohl

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
Investment Committee Meeting
Tuesday, December 18, 2012 – 3:00 PM
TRS Administration Board Room
2500 N. Lincoln Blvd., 5th Floor, Oklahoma City, OK

AGENDA

- 1. CALL TO ORDER**
- 2. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT CONSULTANT MONTHLY REPORT**
- 3. DISCUSSION AND POSSIBLE ACTION ON SMALL CAPITALIZATION DOMESTIC EQUITY SEARCH**
- 4. DISCUSSION AND POSSIBLE ACTION ON BRANDES INVESTMENT PARTNERS**
- 5. DISCUSSION AND POSSIBLE ACTION ON WELLINGTON MANAGEMENT COMPANY**
- 6. DISCUSSION AND POSSIBLE ACTION ON EPOCH INVESTMENT PARTNERS MERGER**
- 7. DISCUSSION AND POSSIBLE ACTION ON PIMCO BRAVO II**
- 8. QUESTIONS AND COMMENTS FROM TRUSTEES**
- 9. ADJOURNMENT**

ALL BOARD MEMBERS ARE ENCOURAGED TO ATTEND INVESTMENT COMMITTEE MEETINGS

INVESTMENT COMMITTEE:

Chair: James Dickson

Members: Vernon Florence, Bill Peacher, Michael Simpson, Gary Trennepohl



EPOCH

Epoch Investment Partners, Inc.

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New York, NY 10019

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December 6, 2012

To Epoch Clients, Consultants and Friends:

I am pleased to announce that Epoch Investment Partners has agreed to enter into a strategic business combination via a merger with TD Bank Group, wherein TD will acquire the common stock of Epoch Holding Corporation, the parent of Epoch Investment Partners. TD is a firm possessing a reputation for financial strength and outstanding client service. This combination will enhance Epoch's ability to serve clients and will preserve our independence and longevity.

The agreement between TD and Epoch establishes a more formidable North American asset management capability. In this arrangement, Epoch will become the platform for the combined entity's active U.S. and global equity strategies. Similar to Epoch, TD's asset management arm, TD Asset Management, is an experienced and established money manager led by buy-side professionals with a strong focus on investment excellence and process discipline. They very much understand and respect what Epoch has achieved and the need to preserve the culture that underpins our success.

I want to emphasize that our relationship with you will remain the same, as our arrangement with TD preserves Epoch's identity, culture, and operating autonomy. Our distinct investment philosophy and process remain unchanged. All Epoch associates—including our management, investment, client service, compliance and operations teams—remain the same and will continue to operate out of our office in New York.

We believe this arrangement is in the best interests of our clients, shareholders and employees. With greater resources, we will be able to accelerate our plan to deepen and expand our pool of talented investment professionals. Key personnel risk will be reduced, and our strong balance sheet will be further supported by being part of a larger group. We will be better able to withstand almost any storm in a troubled world.

The leadership team of Epoch, both investment and business personnel, have agreed to long-term employment agreements reinforcing our commitment to the firm, with myself continuing as CEO of Epoch Investment Partners. Our senior management will personally invest a substantial portion of their proceeds from the transaction and from long-term deferred compensation in Epoch's products, alongside our clients. This transformative event and the commitment of our senior team will allow us to accelerate the development of the firm by broadening our investment expertise for the benefit of our clients.

We thank you for the trust you have placed in us and we look forward to serving you in the years ahead.

Sincerely,

William W. Priest
Chief Executive Officer



OKLAHOMA TEACHERS RETIREMENT SYSTEM

Domestic Small Cap Equity Manager Searches

December, 2012



Gregory W Group

Small Cap Domestic Equity Search Process

- Public Request for Proposal was released for Small Cap Growth
- Public Request for Proposal was released for Small Cap Value
- Public Request for Proposal was released for Small Cap Core
- 178 Responses were received
 - 55 Small Cap Growth
 - 72 Small Cap Value
 - 51 Small Cap Core
- Extensive background checks were performed on firms
- Quantitative and qualitative data was analyzed



Overview of Small Cap Growth Recommended Finalists

Fifty five submissions were received to the Small Cap Growth Equity Request for Proposal. The candidates were subjected to intense reviews of their investment process, philosophy, resources and performance. The group of fifty five was narrowed several times before arriving at the following group of recommended finalists:

1. Geneva – Milwaukee, Wisconsin
2. Ranger Investments – Dallas, Texas
3. Wasatch Advisors – Salt Lake City, Utah



Small Cap Growth Performance Summary:

Periods Ended June 30, 2012

	Geneva	Ranger	Wasatch	Russell 2000 Growth	Russell 2000
Last Year	2.53%	1.36%	6.97%	-2.71%	-2.08%
Last 3 Years	21.63%	25.22%	22.00%	18.09%	17.80%
Last 5 Years	5.71%	2.28%	4.65%	1.99%	0.54%
Last 7 Years	7.94%	8.53%	5.99%	5.73%	4.60%
Last 10 Years	9.98%	-	7.51%	7.39%	7.00%



Small Cap Growth Portfolio

Characteristics: data as of 6/30/12

	Price to Earnings TTM	Price to Book	12 Mo Trailing EPS Growth	Dividend Yield	# of Holdings	Turnover Ratio
Geneva	27.1	3.5	20.9%	0.4%	50 - 60	108%
Ranger	23.5	3.9	47.4%	0.3%	40 - 60	71%
Wasatch	21.2	3.8	18.1%	0.5%	40 - 60	27%



Small Cap Growth Portfolio

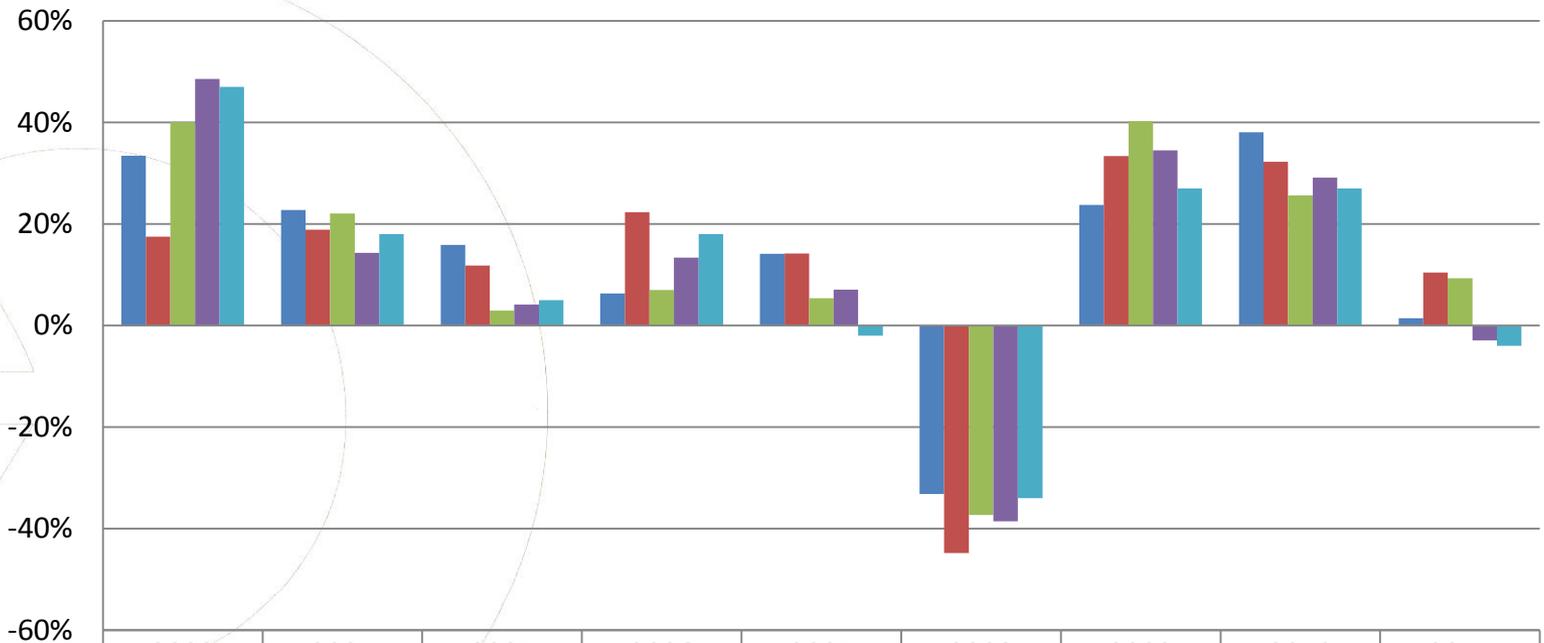
Characteristics: three year data as of 6/30/12

	Alpha	Beta	R ²
Geneva	6.4	0.80	0.90
Ranger	7.1	0.87	0.90
Wasatch	8.2	0.70	0.90

Note: Benchmarked against the Russell 2000 Growth Index.



Small Cap Growth Annual Return Comparisons: Calendar Year Periods

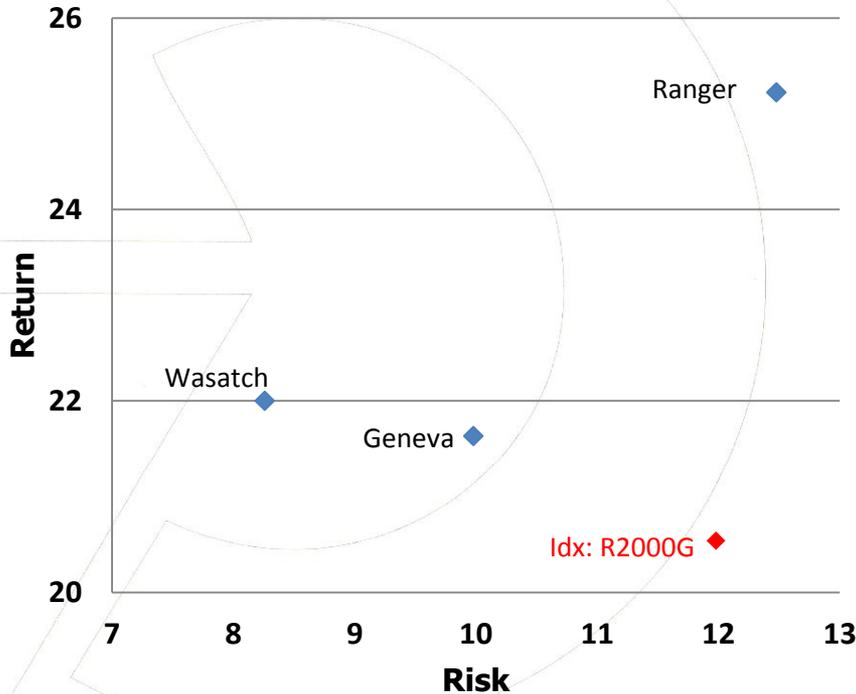


	2003	2004	2005	2006	2007	2008	2009	2010	2011
■ Geneva	33%	23%	16%	6%	14%	-33%	24%	38%	1%
■ Ranger	17%	19%	12%	22%	14%	-45%	33%	32%	10%
■ Wasatch	40%	22%	3%	7%	5%	-37%	40%	26%	9%
■ Russell 2000G	49%	14%	4%	13%	7%	-39%	34%	29%	-3%
■ Russell 2000	47%	18%	5%	18%	-2%	-34%	27%	27%	-4%

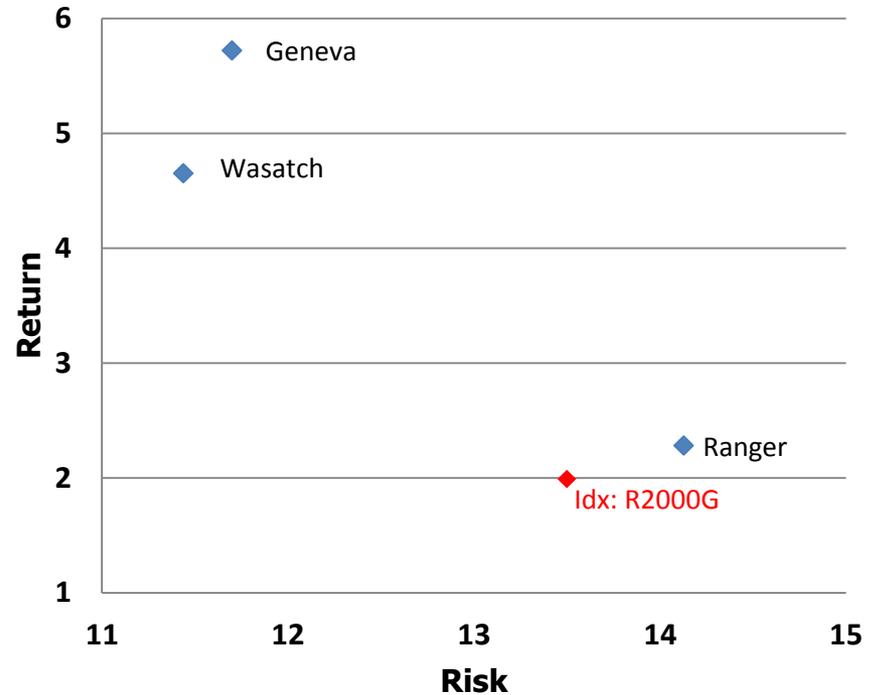


Small Cap Growth Risk / Return Scatterplot: Periods Ending June 30, 2012

Risk/Return Scatterplot: **Three Years**



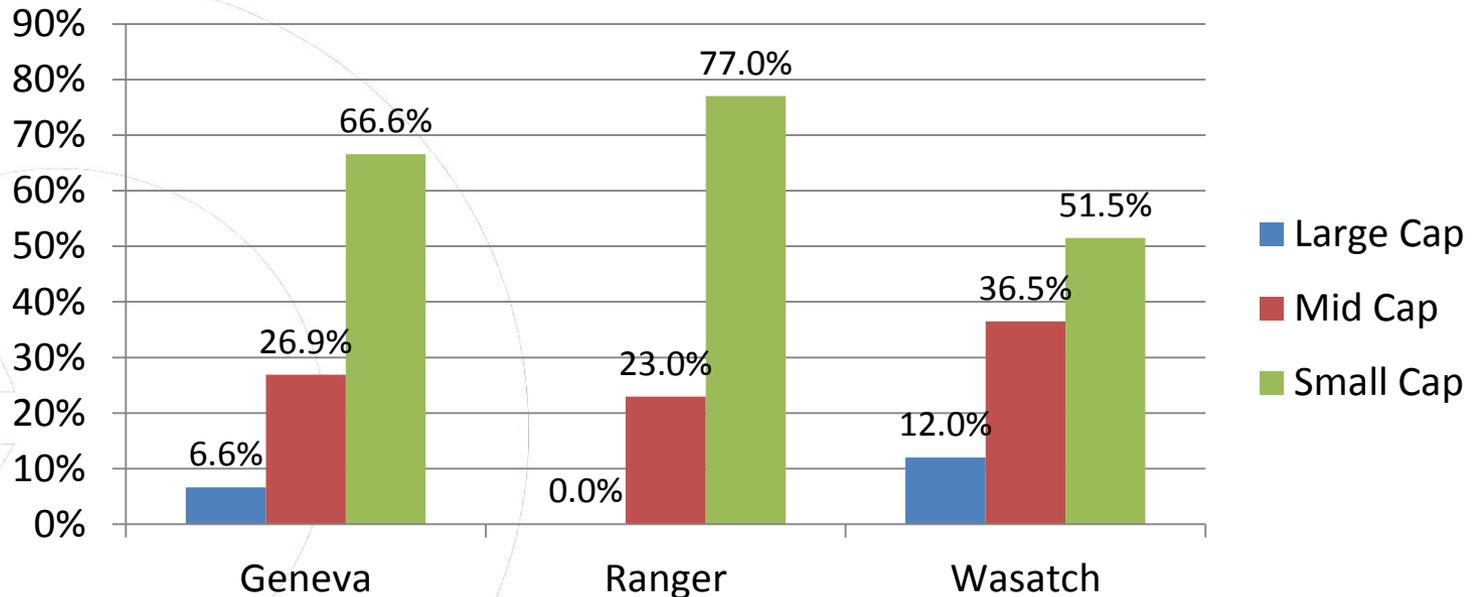
Risk/Return Scatterplot: **Five Years**



Please note differences in scale.



Small Cap Growth Market Cap Analysis



	Geneva	Ranger	Wasatch
Average Market Cap	2,000	1,588	2,649
Median Market Cap	1,430	1,386	1,588

Note: Breakpoints used to determine size were mandated in RFP as follows: Small Cap: Less than \$2 billion in total capitalization. Mid Cap: Between \$2 billion and \$5 billion in total capitalization. Large Cap: More than \$5 billion in total capitalization.



Small Cap Growth Correlation Matrix

Observation Periods Ended June 30, 2012

Correlation Matrix: **Five Years**

	Geneva	Ranger	Wasatch	Shapiro
Geneva	1.00			
Ranger	0.97	1.00		
Wasatch	0.95	0.93	1.00	
Shapiro	0.92	0.90	0.95	1.00



Small Cap Growth Fee Analysis

	Geneva	Ranger	Wasatch
% Fee at \$150 Million	0.90%	0.77%	0.92%
\$ Fee at \$150 Million	\$1,350,000	\$1,150,000	\$1,375,000
Negotiable?	Yes	Yes	Yes



Manager Review:

Geneva Capital

- Location: Milwaukee, Wisconsin
- Total AUM: \$3.7 billion
- Product AUM: \$322 million
- Background: Founded in 1987 by two of its principals, William A. Priebe and Amy S. Croen. Both were former employees of First Wisconsin Trust Company, where they worked closely as analysts/portfolio managers of an in-house mid capitalization pooled fund.
- Ownership: Sub Chapter S Corporation; 100% Employee owned
- Process: Geneva engages in fundamental analysis to identify high quality companies with superior management teams, low leverage and a consistent, sustainable record of growth. Geneva's investment process is designed to reduce risk by immediately eliminating high risk securities during the screening process. Geneva focuses on identifying high-quality stocks with the intention of holding them for a long period of time, often 3 years or more. For this reason, portfolio turnover is relatively low. While Geneva is primarily a bottom-up manager looking for companies with superior fundamental characteristics, they are also cognizant of the importance of understanding the current and future economic and market trends that impact their investments. For that reason they added a top-down component to the investment approach. Approximately 80%-90% of the investment process is bottom-up.
- Decision Making Structure: Team based
- Key Personnel: Amy Croen, Michelle Picard, William Priebe, W. Scott Priebe
- Fee at \$150 million: 0.90%
- Fee Proposal: *negotiable*
 - First \$50 million: 1.00%
 - Next \$50 million: 0.90%
 - Balance: 0.80%



Manager Review:

Ranger Investments

- Location: Dallas, Texas
- Total AUM: \$1.1 billion
- Product AUM: \$785 million
- Background: Founded in 2002 and began managing small and mid capitalization growth portfolios in May of 2003.
- Ownership: Limited Partnership; Employees own 100% of the equity participation interests of the firm; Affiliate of Ranger Investment Group L.L.C. & Ranger Capital Group Holding L.P.
- Process: Ranger's research process is focused on identifying high quality, high-growth companies with market capitalizations from \$100 million to \$2.0 billion or within the market cap range of the Russell 2000 Growth Index at the initial time of purchase. While Ranger does not employ static screens, the investment team does seek to identify companies with certain financial and qualitative characteristics. Once a company that fits Ranger's preferred criteria is identified, a detailed research analysis is conducted on the stock to further evaluate its potential for outperformance.
- Decision Making Structure: Portfolio Manger; Conrad Doenges
- Key Personnel: Conrad Doenges, Scott Canon
- Fee at \$150 million: 0.77%
- Fee Proposal: *negotiable*
 - First \$25 million: 1.00%
 - Next \$25 million: 0.80%
 - Next \$50 million: 0.70%
 - Balance: Negotiable



Manager Review:

Wasatch Advisors

- Location: Salt Lake City, Utah
- Total AUM: \$12 billion
- Product AUM: \$1 billion
- Background: Established in 1975 by Samuel S. Stewart, Jr., the firm was formed to manage assets for clients in a style that relies on intensive, fundamental research of individual companies. Stewart's research pointed to earnings growth as an essential indicator of future stock prices – a premise that remains the underlying core of Wasatch Advisors' investment culture.
- Ownership: Independent and 100% Employee-owned
- Process: Wasatch practices a disciplined and unique process that utilizes extraordinarily thorough due diligence, cross-team collaboration, and individual experience to find better investments. Wasatch uses a bottom-up process of fundamental analysis to look for individual companies that it believes are high-quality, stable, and have the potential to grow earnings for long periods of time.
- Decision Making Structure: Portfolio Manager: JB Taylor, Paul Lambert
- Key Personnel: JB Taylor, Paul Lambert, Jeff Cardon
- Fee at \$150 million: 0.92%
- Fee Proposal: *negotiable*
 - First \$50 million: 1.00%
 - Next \$50 million: 0.90%
 - Balance: 0.85%



Overview of Small Cap Value Recommended Finalists

Seventy-two submissions were received to the Small Cap Value Equity Request for Proposal. The candidates were subjected to intense reviews of their investment process, philosophy, resources and performance. The group of seventy-two was narrowed several times before arriving at the following group of recommended finalists:

1. Cove Street Capital – El Segundo, California
2. Frontier Capital – Boston, Massachusetts
3. Huber Capital Management – Los Angeles, California
4. Neumeier Poma – Carmel, California



Small Cap Value Performance

Summary: Periods Ended June 30, 2012

	Cove Street	Frontier	Huber	Neumeier Poma	Russell 2000 Value	Russell 2000
Last Year	13.76%	5.93%	8.85%	0.63%	-1.44%	-2.08%
Last 3 Years	23.19%	24.57%	32.56%	22.69%	17.43%	17.80%
Last 5 Years	1.58%	7.83%	6.51%	5.06%	-1.05%	0.54%
Last 7 Years	4.93%	10.56%	-	9.33%	3.38%	4.60%
Last 10 Years	8.87%	10.58%	-	10.94%	6.50%	7.00%



Small Cap Value Portfolio

Characteristics: data as of 6/30/12

	Price to Earnings TTM	Price to Book	12 Mo Trailing EPS Growth	Dividend Yield	# of Holdings	Turnover Ratio
Cove Street	12.2	1.9	19.4%	1.1%	25 - 35	60%
Frontier	16.5	1.6	1.6%	1.4%	70 - 100	36%
Huber	13.2	1.2	26.7%	1.9%	40 - 50	20%
Neumeier Poma	16.7	3.3	-	1.2%	30 - 40	53%



Small Cap Value Portfolio

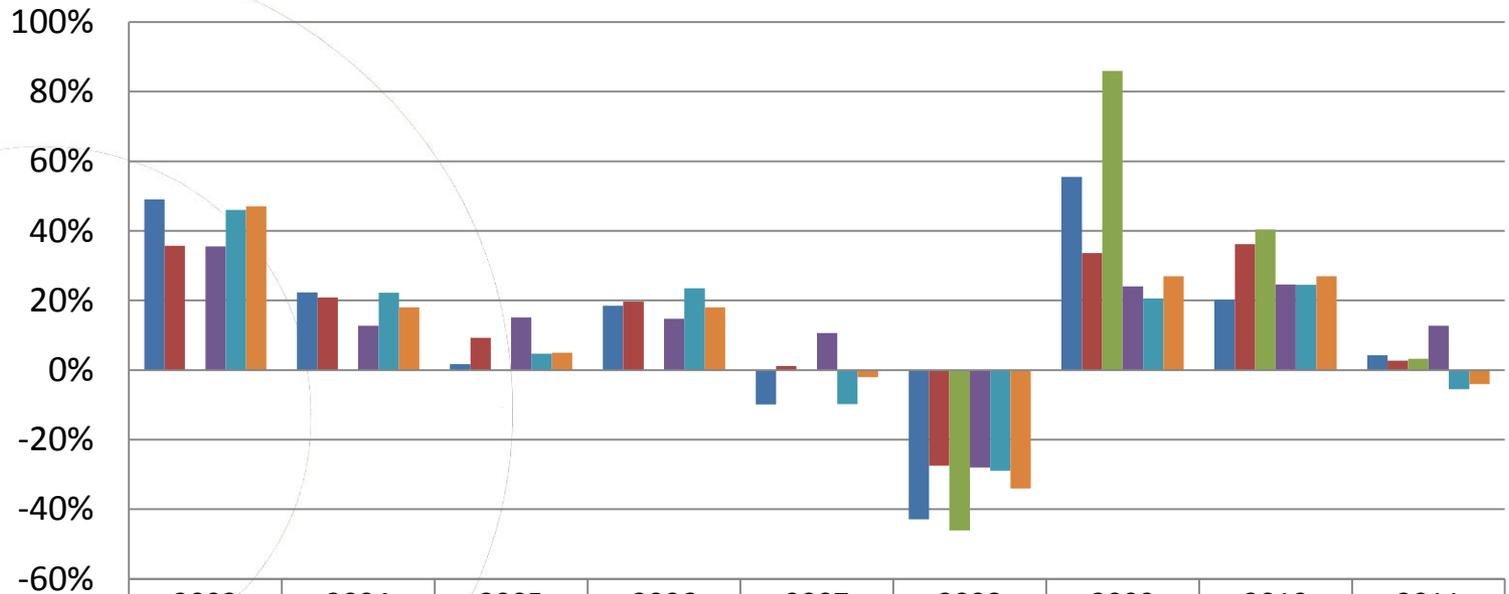
Characteristics: three year data as of 6/30/12

	Alpha	Beta	R ²
Cove Street	5.4	0.81	0.72
Frontier	6.9	1.00	1.00
Huber	2.6	1.17	0.97
Neumeier Poma	7.4	0.82	0.89

Note: Benchmarked against the Russell 2000 Value Index.



Small Cap Value Annual Return Comparisons: Calendar Year Periods

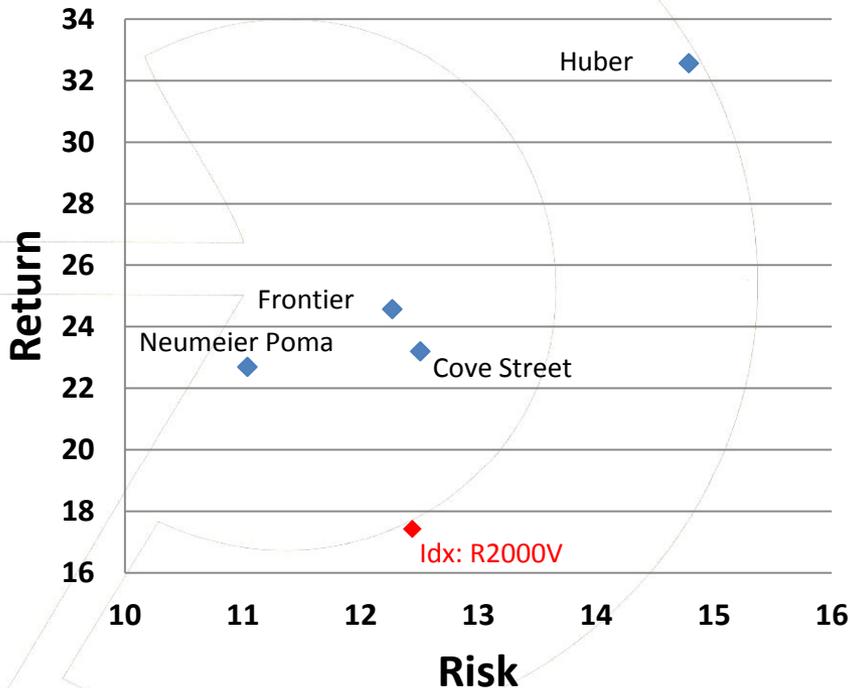


	2003	2004	2005	2006	2007	2008	2009	2010	2011
■ Cove Street	49%	22%	2%	19%	-10%	-43%	55%	20%	4%
■ Frontier	36%	21%	9%	20%	1%	-27%	34%	36%	3%
■ Huber						-46%	86%	40%	3%
■ Neumeier Poma	36%	13%	15%	15%	11%	-28%	24%	25%	13%
■ Russell 2000 Value	46%	22%	5%	23%	-10%	-29%	21%	25%	-6%
■ Russell 2000	47%	18%	5%	18%	-2%	-34%	27%	27%	-4%

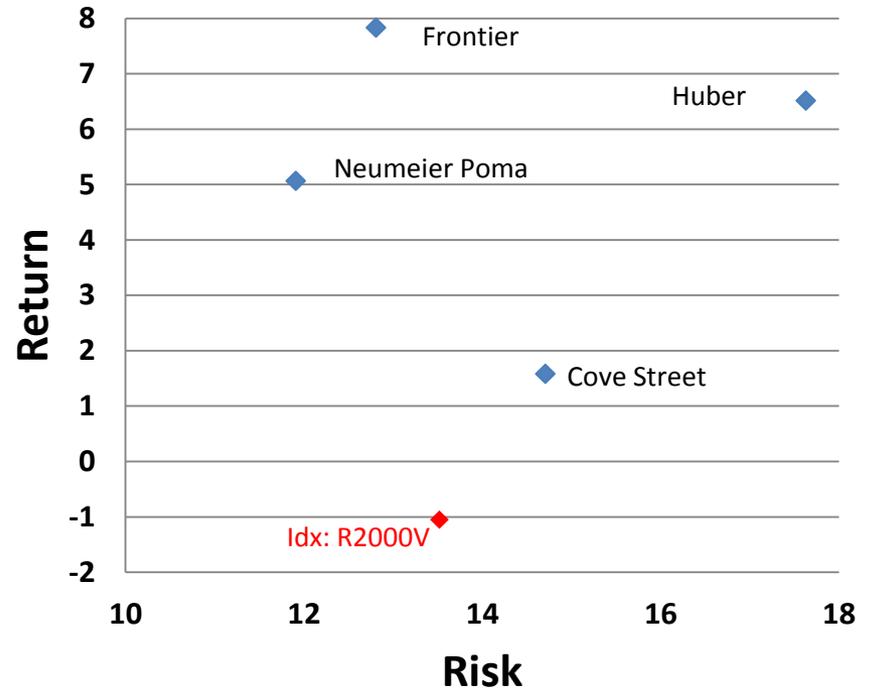


Small Cap Value Risk / Return Scatterplot: Periods Ending June 30, 2012

Risk/Return Scatterplot: **Three Years**



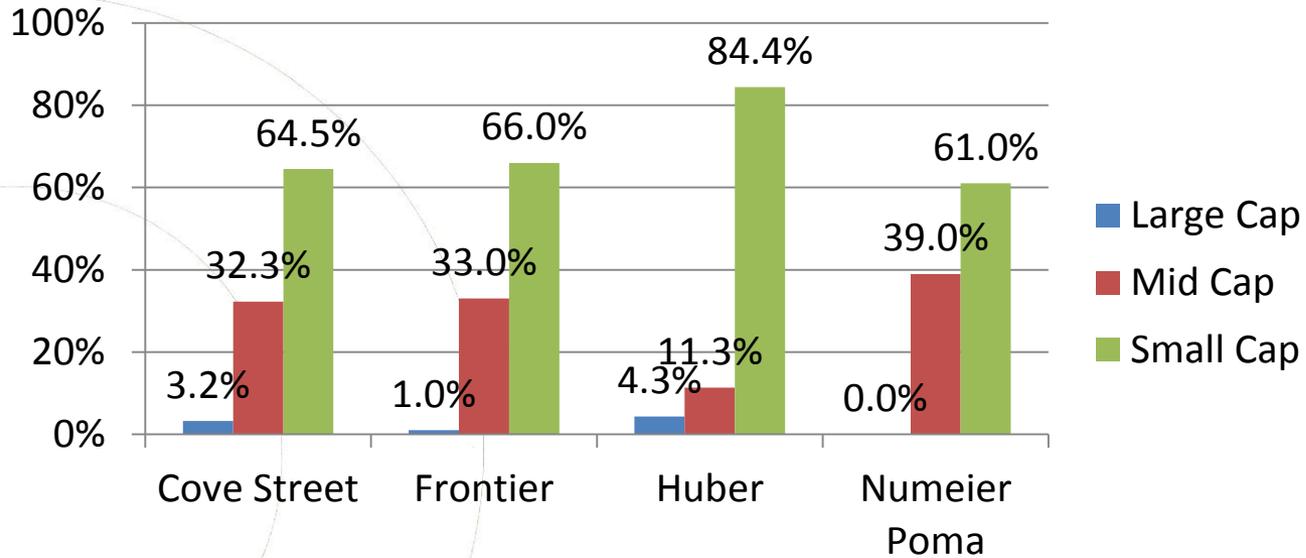
Risk/Return Scatterplot: **Five Years**



Please note differences in scale.



Small Cap Value Market Cap Analysis



	Cove Street	Frontier	Huber	Neumeier Poma
Average Market Cap	1,728	1,600	1,350	2,067
Median Market Cap	1,450	1,200	869	1,815

Note: Breakpoints used to determine size were mandated in RFP as follows: Small Cap: Less than \$2 billion in total capitalization. Mid Cap: Between \$2 billion and \$5 billion in total capitalization. Large Cap: More than \$5 billion in total capitalization.



Small Cap Value Correlation Matrix

Observation Periods Ended June 30, 2012

Correlation Matrix: **Five Years**

	Cove Street	Frontier	Huber	Neumeier Poma	Shapiro
Cove Street	1.00				
Frontier	0.93	1.00			
Huber	0.96	0.94	1.00		
Neumeier Poma	0.90	0.97	0.91	1.00	
Shapiro	0.94	0.96	0.97	0.92	1.00



Small Cap Value Fee Analysis

	Cove Street	Frontier	Huber	Neumeier Poma
% Fee at \$150 Million	0.77%	1.00%	1.25%	0.77%
\$ Fee at \$150 Million	\$1,150,000	\$1,500,000	\$1,875,000	\$1,115,000
Negotiable?	Yes	Yes	Yes	Yes



Manager Review:

Cove Street Capital

- Location: El Segundo, California
- Total AUM: \$400 million
- Product AUM: \$140 million
- Background: Founded in 2011 by Jeffrey Bronchick, CFA and his business partner Daniele Beasley. Bronchick and Beasley worked together for 11 years at Reed Conner & Birdwell, a value equity investment advisor, and were able to negotiate a reorganization process that enabled them to start their business with a solid asset base, a fully functional back office, compliance and technology infrastructure, and the negotiated rights to three GIPS compliant performance track records.
- Ownership: Independent and 100% Employee-owned
- Process: Cove Street employs a classic value strategy in the tradition of Ben Graham and Warren Buffett. Using a research-oriented, bottom up method, they seek to purchase securities selling at prices materially below their estimate of intrinsic value. They build a concentrated portfolio that holds around 30-35 stocks. They use quantitative and qualitative analysis to identify cheap securities with highly desirable business models.
- Decision Making Structure: Portfolio Manager: Jeffrey Bronchick
- Key Personnel: Jeffrey Bronchick, Daniele Beasley
- Fee at \$150 million: 0.77%
- Fee Proposal: *negotiable*
 - First \$25 million: 1.00%
 - Next \$25 million: 0.80%
 - Balance: 0.70%



Manager Review:

Frontier Capital

- Location: Boston, Massachusetts
- Total AUM: \$9.7 billion
- Product AUM: \$390 million
- Background: Frontier was founded in November 1980 and has managed equity portfolios utilizing fundamental research and bottom-up stock selection for more than 30 years. The majority of their client base is comprised of U.S. tax exempt institutions.
- Ownership: In January 2000, Frontier became an affiliate of Affiliated Managers Group, a publicly held holding company. AMG owns a majority interest in Frontier with the remaining interest held by 17 active Frontier employees.
- Process: Frontier uses a quantitative screen to eliminate companies that have excessive price to book values or enterprise value/sales ratios. Seventeen investment professionals work together to identify, analyze, and recommend holdings using bottom-up fundamental research. The portfolio managers build a portfolio of generally 70 - 100 holdings based on the recommendations of the analyst team and the conclusions reached during their own due diligence of the investable universe.
- Decision Making Structure: Co-Portfolio Managers: William Teichner, CFA and Thomas Duncan Jr.
- Key Personnel: William Teichner, Thomas Duncan
- Fee at \$150 million: 1.00%
- Fee Proposal: *negotiable*
 - Balance: 1.00%



Manager Review:

Huber Capital Management

- Location: Los Angeles, California
- Total AUM: \$1.9 billion
- Product AUM: \$450 million
- Background: Founded in 2007. Focused on value investing utilizing fundamental research and behavioral finance. Joe Huber was previously Principal and Director of Research for Hotchkis & Wiley Capital Management.
- Ownership: Independent; 100% Employee owned
- Process: Huber's investment process is driven by in-depth, internal, 100% bottom-up fundamental research. HCM employs a 3 stage dividend discount model to rank stocks across the market for inclusion into the portfolio. Huber looks for low expectation stocks that trade at a significant discount to the present value of future cash flows. Individual security analysis is estimated to average 260 hours per security, with greater or lesser amounts depending on the complexity of the investment under review. The target portfolio will include 30 - 60 securities.
- Decision Making Structure: Team based with final decisions made by Joe Huber
- Key Personnel: Joe Huber, Emidio Checcone, Gary Steiner, Tom Schloemer, and Chris Karger
- Fee at \$150 million: 1.25%
- Fee Proposal: *negotiable*
 - Balance: 1.25%



Manager Review:

Neumeier Poma

- Location: Carmel, California
- Total AUM: \$260 million
- Product AUM: \$260 million
- Background: Founded in 1985 by Peter Neumeier. The firm began managing institutional accounts in 1990. In 2000, Brian Poma was hired as an analyst and was eventually promoted to Portfolio Manager in 2006. In 2008, Poma was made an equity partner.
- Ownership: Independent; 100% Employee owned
- Process: Neumeier Poma seeks to build portfolios of 30 - 40 profitable value stocks. Internal research in addition to third party research is utilized to identify stocks with a greater than 40% upside/20% downside return expectation ratio. Portfolio managers actively discuss price, valuation, risk/return ratio, potential catalytic events, insider buying, and short interest before purchasing a stock. They look for companies with low debt, high margins, and low relative historical stock valuations. Neumeier Poma attempts to preserve client capital by managing risk while also outperforming their value benchmarks and peer groups over a market cycle (5 years).
- Decision Making Structure: Co-Portfolio Managers: Peter Neumeier, CFA and Brian Poma, CFA
- Key Personnel: Peter Neumeier, Brian Poma
- Fee at \$150 million: 0.77%
- Fee Proposal: *negotiable*
 - First \$25 million: 1.00%
 - Next \$25 million: 0.80%
 - Balance: 0.70%



Overview of Small Cap Core Recommended Finalists

Fifty-one submissions were received to the Small Cap Core Equity Request for Proposal. The candidates were subjected to intense reviews of their investment process, philosophy, resources and performance. The group of fifty-one was narrowed several times before arriving at the following group of recommended finalists:

1. AJO Partners – Philadelphia, Pennsylvania
2. GW&K – Boston, Massachusetts
3. Punch & Associates – Edina, Minnesota



Small Cap Core Performance Summary:

Periods Ended June 30, 2012

	AJO	GW&K	Punch	Russell 2000
Last Year	-2.55%	2.57%	3.38%	-2.08%
Last 3 Years	19.72%	21.45%	15.82%	17.80%
Last 5 Years	0.65%	5.47%	2.00%	0.54%
Last 7 Years	5.40%	7.28%	6.72%	4.60%
Last 10 Years	8.82%	11.63%	10.55%	7.00%



Small Cap Core Portfolio

Characteristics: data as of 6/30/12

	Price to Earnings TTM	Price to Book	12 Mo Trailing EPS Growth	Dividend Yield	# of Holdings	Turnover Ratio
AJO	12.5	1.6	17.3%	1.4%	145 - 165	130%
GW&K	20.1	2.4	11.3%	1.2%	55 - 85	22%
Punch	18.8	1.8	15.0%	1.6%	30 - 50	35%



Small Cap Core Portfolio

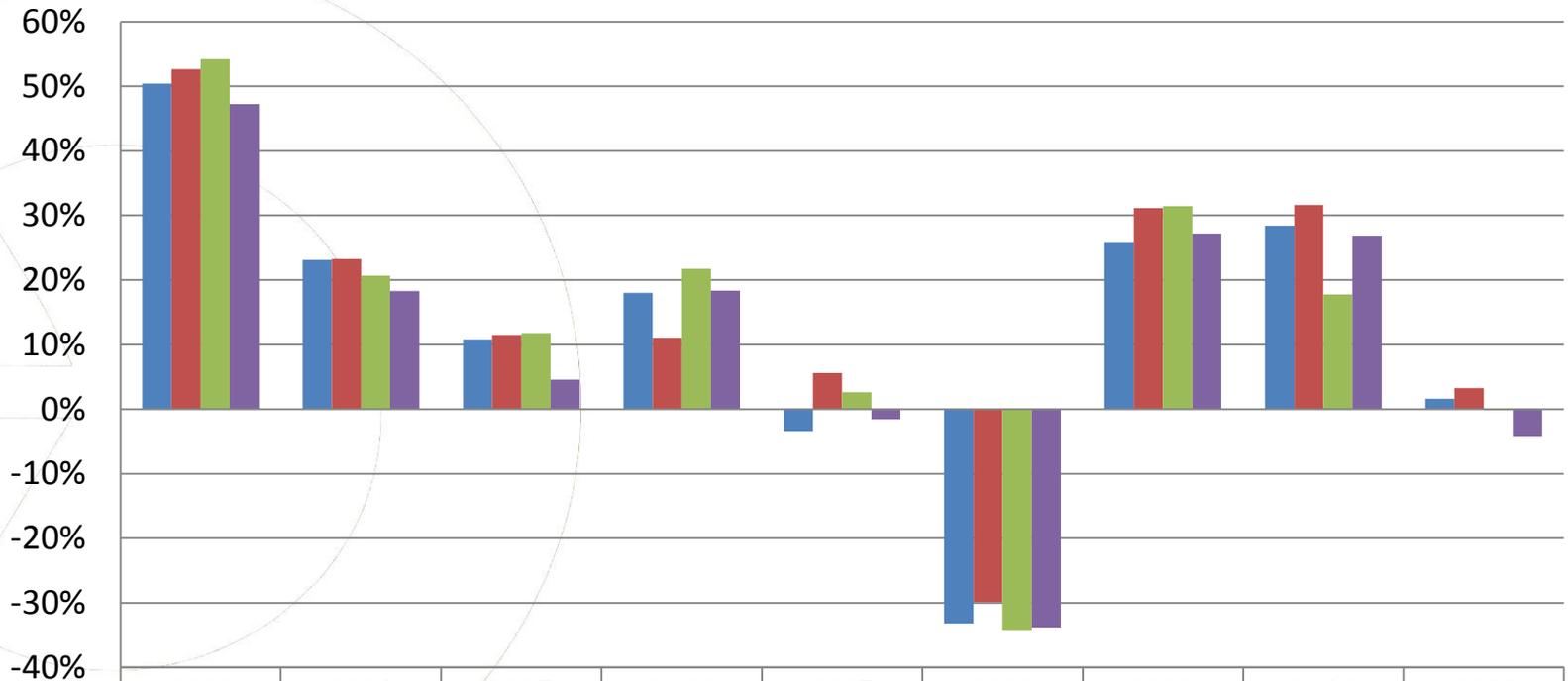
Characteristics: three year data as of 6/30/12

	Alpha	Beta	R ²
AJO	2.38	0.95	0.97
GW&K	5.34	0.86	0.98
Punch	2.64	0.82	0.93

Note: Benchmarked against the Russell 2000 Index.



Small Cap Core Annual Return Comparisons: Calendar Year Periods



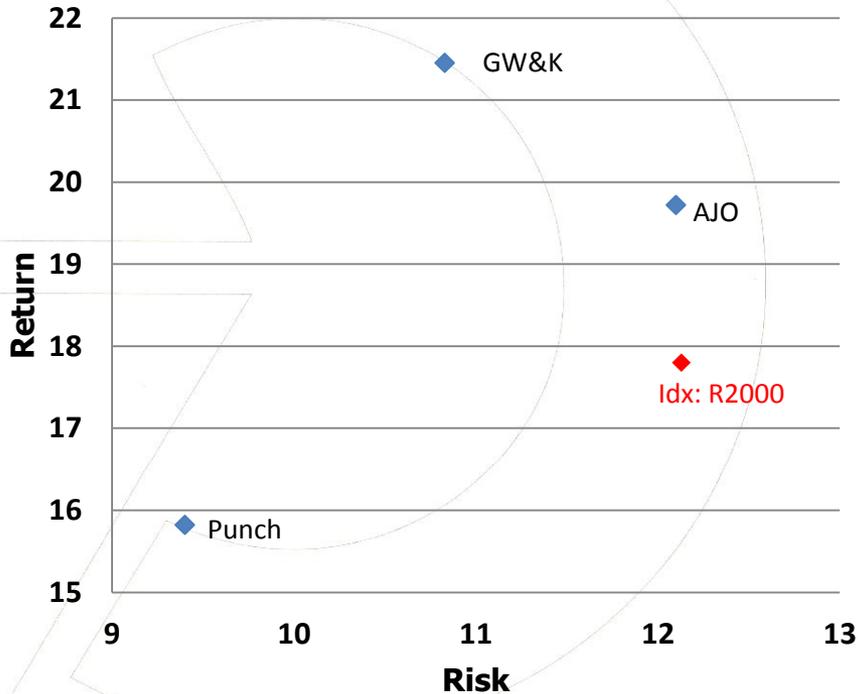
	2003	2004	2005	2006	2007	2008	2009	2010	2011
■ AJO	50%	23%	11%	18%	-3%	-33%	26%	28%	2%
■ GW&K	53%	23%	11%	11%	6%	-30%	31%	32%	3%
■ Punch	54%	21%	12%	22%	3%	-34%	31%	18%	0%
■ Russell 2000	47%	18%	5%	18%	-2%	-34%	27%	27%	-4%



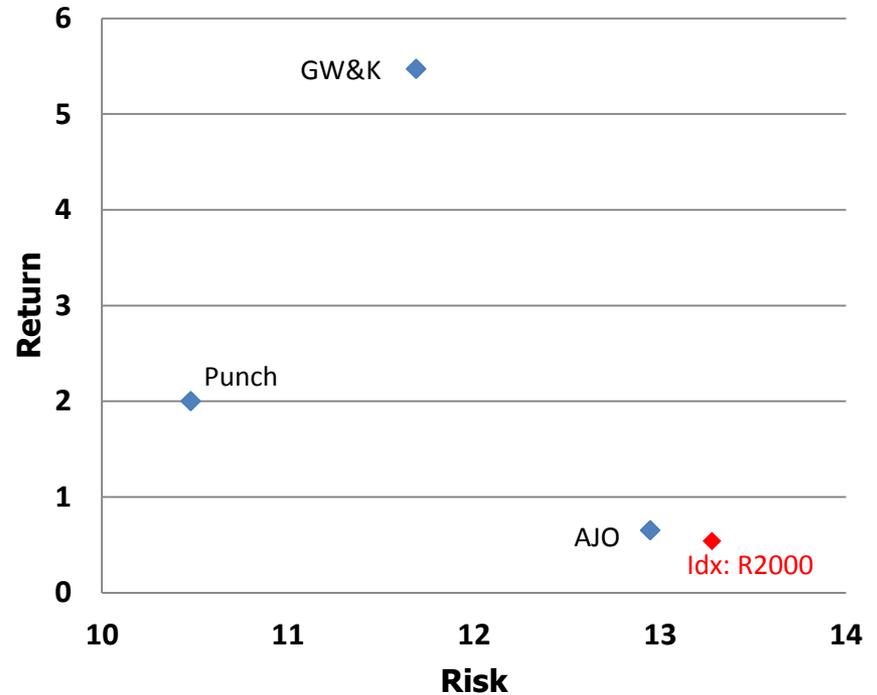
Small Cap Core Risk / Return Scatterplot:

Periods Ending June 30, 2012

Risk/Return Scatterplot: **Three Years**



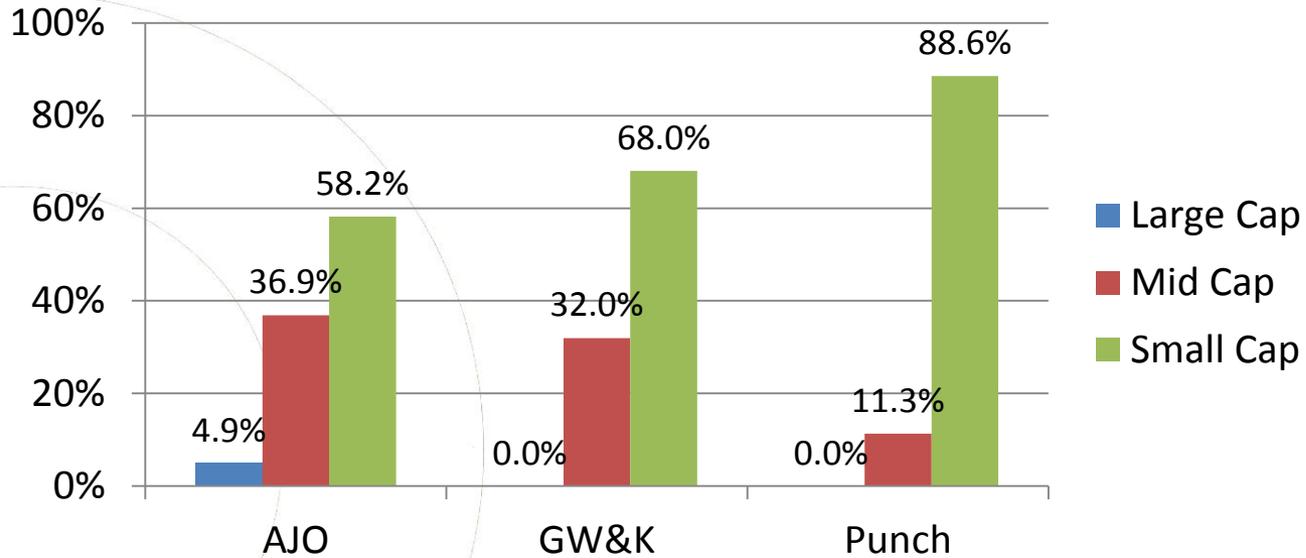
Risk/Return Scatterplot: **Five Years**



Please note differences in scale.



Small Cap Core Market Cap Analysis



	AJO	GW&K	Punch
Average Market Cap	2,000	1,681	770
Median Market Cap	1,500	1,333	354

Note: Breakpoints used to determine size were mandated in RFP as follows: Small Cap: Less than \$2 billion in total capitalization. Mid Cap: Between \$2 billion and \$5 billion in total capitalization. Large Cap: More than \$5 billion in total capitalization.



Small Cap Core Correlation Matrix

Observation Periods Ended June 30, 2012

Correlation Matrix: **Five Years**

	AJO	GW&K	Punch	Shapiro
AJO	1.00			
GW&K	0.94	1.00		
Punch	0.94	0.97	1.00	
Shapiro	0.93	0.96	0.96	1.00



Small Cap Core Fee Analysis

	AJO	GW&K	Punch
\$ Fee at \$150 Million	0.70%	0.73%	0.91%
% Fee at \$150 Million	\$1,050,000	\$1,100,000	\$1,365,000
Negotiable?	Yes	Yes	Yes



Manager Review:

AJO Partners

- Location: Philadelphia, Pennsylvania
- Total AUM: \$20.3 billion
- Product AUM: \$57 million
- Background: Founded in 1984 by Theodore R. Aronson and began managing domestic small cap core accounts in 1991.
- Ownership: Independent and 100% employee owned
- Process: AJO uses systematic, bottom-up investment process, their foundation being a seasoned, suitable, liquid universe of U.S.-listed stocks. They evaluate companies relative to their industry peers using three categories — or pillars — of attractiveness: value, management, and momentum. Overarching this multi-factor valuation is a portfolio construction process that optimizes the tradeoff between expected return and multi-faceted risk. Portfolios are fully invested, sector-neutral, and well-diversified in terms of industry, fundamental characteristics, and other statistical measures of risk. Individual security bets are controlled to 1.2% above benchmark weight. The result is a portfolio with 100+ names with sector weights aligned with a 50%/50% blend of the Russell 2000/Russell 2500 indexes. Actual, realized trading costs are used as a guide toward efficient implementation. Cost-effective portfolio implementation is vital to the investment process. Actual trading results are captured in a transaction-cost model to guide selection of trading methods and venues. They utilize blind-strike package trading, active ECNs and passive crossing networks, as well as a well-screened roster of traditional agency broker/dealers.
- Decision Making Structure: Team based
- Key Personnel: Theodore R. Aronson, Stefani Cranston, Gina Marie N. Moore, Martha E. Ortiz, Gregory J. Rogers, R. Brian Wenzinger, Christopher J. Whitehead
- Fee at \$150 million: 0.70%
- Fee Proposal: *negotiable*
 - All assets: 0.70%



Manager Review:

GW&K Investment Management

- Location: Boston, Massachusetts
- Total AUM: \$14.8 billion
- Product AUM: \$1.1 billion
- Background: Established in 1974 and began managing small cap core accounts in 2000.
- Ownership: GW&K became a majority owned affiliate of Affiliated Managers Group (AMG) in 2008 and continues to operate independently under the AMG umbrella of managers. AMG holds a 75% majority interest in GW&K with nine senior GW&K professionals owning the remaining 25%.
- Process: The Small Cap Equity Strategy relies on a bottom-up, research-driven process. Research analysts devote a considerable amount of time to understanding a company's business as well as economic and industry conditions. GW&K attempts to control risk by adhering to a disciplined investment approach, having diversification measures within each investment strategy, maintaining a team approach to decision making, and following a strict fundamental research process. Although investment professionals add value through the bottom-up research and security selection process, this does not imply that the effectiveness of a top-down macroeconomic approach be disregarded. Inherent in fundamental analysis is a review of factors that determine a company's projected sustainable growth rate (i.e. interest rates, commodity prices, political issues, etc.).
- Decision Making Structure: Team based.
- Key Personnel: Jeffrey W. Thibault
- Fee at \$150 million: 0.73%
- Fee Proposal: *negotiable*
 - First \$25 million: 0.85%
 - Next \$25 million: 0.75%
 - Balance: 0.70%



Manager Review:

Punch & Associates

- Location: Edina, Minnesota
- Total AUM: \$595 million
- Product AUM: \$294 million
- Background: Founded in 2002 by a discretionary investment group that had worked together at Merrill Lynch for 19 years prior.
- Ownership: Sub Chapter S Corporation and 100% Employee-owned
- Process: Punch & Associates use a fundamental, bottom-up process that is focused on taking advantage of the persistent inefficiencies in the small cap equity markets. Behavioral based, contrarian approach is used to invest in high quality “under the radar” companies that receive little attention from institutional analysts and professional investors. The risk management process permeates each component of the investment process and is regarded as “paramount.” Punch regard themselves as a highly risk-sensitive manager who traffics in a risky (or, opportune) space. The purchase decision takes into consideration the current valuation, level of conviction, perceived urgency of the opportunity, liquidity and overall portfolio diversification benefits. Investments are usually exited after a portfolio company has become over-recognized and begins trading at more demanding valuations.
- Decision Making Structure: Portfolio Manager: Howard Punch with input of investment team
- Key Personnel: Howard Punch, John Carraux, James Gibson
- Fee at \$150 million: 0.91%
- Fee Proposal: *negotiable*
 - First \$50 million: 0.98%
 - Next \$50 million: 0.90%
 - Balance: 0.85%



Appendix

Small Cap Equity Manager Searches

- 1 Small Cap Growth Equity
- 2 Small Cap Value Equity
- 3 Small Cap Core Equity

Portfolio Simulations

- The following page summarizes an extensive series of portfolio simulations that show combinations of the potential candidates and the legacy small cap equity manager.
- The simulations illustrate the impact of various combinations of candidates with the existing manager.
- Performance and risk characteristics are compared using updated performance data. Composite data used for the candidates and the legacy manager.



Portfolio Combinations

Portfolio Manager	=	Shapiro	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15					
Shapiro	9.09%	100.00%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	50.0%											
Geneva	9.09%		11.0%	16.5%		16.5%	16.5%	11.0%		11.0%	5.6%	12.5%		12.5%	8.3%		8.3%					
Ranger	9.09%		11.0%	16.5%	16.5%		16.5%	11.0%	11.0%		5.6%	12.5%	12.5%		8.3%	8.3%						
Wasatch	9.09%		11.0%		16.5%	16.5%			11.0%	11.0%	5.6%		12.5%	12.5%			8.3%	8.3%				
subtotal	27.3%		33.0%	33.0%	33.0%	33.0%	33.0%	22.0%	22.0%	22.0%	16.7%	25.0%	25.0%	25.0%	16.7%	16.7%	16.7%					
Cove Street	9.09%		8.3%	16.5%			16.5%	11.0%			4.2%	12.5%			8.3%	8.3%						
Frontier	9.09%		8.3%	16.5%	16.5%			11.0%	11.0%		4.2%	12.5%	12.5%			8.3%	8.3%					
Huber	9.09%		8.3%		16.5%	16.5%			11.0%	11.0%	4.2%		12.5%	12.5%				8.3%				
Neumier Poma	9.09%		8.3%			16.5%	16.5%			11.0%	4.2%			12.5%	8.3%							
subtotal	36.4%		33.0%	33.0%	33.0%	33.0%	33.0%	22.0%	22.0%	22.0%	16.7%	25.0%	25.0%	25.0%	16.7%	16.7%	16.7%					
AJO	9.09%							11.0%		11.0%	5.6%				8.3%		8.3%					
GWK	9.09%							11.0%	11.0%		5.6%				8.3%	8.3%						
Punch	9.09%								11.0%	11.0%	5.6%					8.3%	8.3%					
subtotal	27.3%		0.0%	0.0%	0.0%	0.0%	0.0%	22.0%	22.0%	22.0%	16.7%	0.0%	0.0%	0.0%	16.7%	16.7%	16.7%					
Total	100.0%																					
Returns																				MAX	MIN	STDEV
1 Year	34.3%	30.3%	33.5%	32.2%	35.1%	31.9%	32.5%	33.4%	33.6%	31.7%	32.10%	33.4%	33.7%	31.5%	31.7%	33.0%	32.3%			35.1%	30.3%	1.2%
3 Years	17.5%	15.3%	17.5%	16.5%	17.7%	17.3%	16.5%	16.5%	17.8%	16.5%	16.41%	16.4%	18.1%	16.9%	16.1%	16.6%	16.3%			18.1%	15.3%	0.7%
5 Years	5.7%	5.1%	5.7%	4.4%	5.7%	6.0%	4.4%	5.0%	6.4%	5.4%	5.39%	5.0%	6.4%	5.9%	4.8%	5.6%	5.6%			6.4%	4.4%	0.6%
10 Years	13.1%	14.2%	13.4%	13.0%	13.2%	13.4%	13.3%	13.4%	13.9%	13.4%	13.74%	13.69%	13.95%	13.7%	13.6%	13.7%	13.8%			14.2%	13.0%	0.3%
Standard Deviation	22.6%	27.0%	23.9%	23.6%	23.9%	23.9%	23.6%	23.6%	23.7%	23.6%	24.3%	24.5%	25.0%	24.6%	24.2%	24.2%	24.5%			27.0%	22.6%	0.9%
Mean (5 Year)	5.7%	5.1%	5.7%	4.4%	5.7%	6.0%	4.4%	5.0%	6.4%	5.4%	5.4%	5.0%	6.4%	5.9%	4.8%	5.6%	5.6%			6.4%	4.4%	0.6%
Sharpe Ratio (5 Year)	0.33	0.30	0.33	0.28	0.33	0.34	0.28	0.30	0.36	0.32	0.32	0.30	0.35	0.33	0.29	0.32	0.32			0.36	0.28	0.02
Alpha (5 Year)	3.29	3.27	3.39	2.19	3.47	3.74	2.19	2.67	4.07	3.14	3.17	2.78	4.23	3.65	2.6	3.34	3.4			4.23	2.19	0.58
Beta (5 Year)	0.90	1.03	0.94	0.93	0.94	0.94	0.93	0.94	0.94	0.93	0.96	0.96	0.98	0.96	0.95	0.95	0.96			1.03	0.90	0.03
R2 (5 Year)	0.98	0.90	0.96	0.95	0.95	0.95	0.95	0.97	0.93	0.96	0.96	0.95	0.94	0.94	0.95	0.95	0.95			0.98	0.90	0.02
Best 1 Year	69.5%	97.7%	78.9%	75.6%	77.8%	79.9%	73.6%	74.7%	79.7%	76.2%	80.9%	81.7%	87.8%	84.3%	78.5%	80.5%	82.9%			97.7%	69.5%	6.3%
Worst 1 Year	-40.6%	-45.2%	-42.8%	-44.3%	-42.9%	-42.4%	-42.9%	-41.3%	-41.3%	-41.5%	-42.2%	-43.4%	-43.5%	-43.1%	-42.2%	-42.1%	-42.4%			-40.6%	-45.2%	1.1%
Best 3 Years	34.7%	38.4%	36.8%	35.1%	36.9%	37.0%	34.7%	34.8%	37.2%	35.3%	36.1%	36.1%	39.4%	37.4%	35.4%	36.1%	36.3%			39.4%	34.7%	1.3%
Worst 3 Years	-15.4%	-16.5%	-15.9%	-16.2%	-16.3%	-15.7%	-15.3%	-15.6%	-15.8%	-15.4%	-15.7%	-15.8%	-16.7%	-15.8%	-15.6%	-15.7%	-15.8%			-15.3%	-16.7%	0.4%

