



# OKLAHOMA TEACHERS RETIREMENT SYSTEM

## INVESTMENT COMMITTEE MEETING

**MARCH 26, 2013**

**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*

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**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA  
Investment Committee Meeting  
Tuesday, March 26, 2013 – 3:00 PM  
TRS Administration Board Room  
2500 N. Lincoln Blvd., 5<sup>th</sup> 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 DOMESTIC SMALL CAP EQUITY RFP**
- 4. DISCUSSION AND POSSIBLE ACTION ON PORTFOLIO REBALANCING**
- 5. DISCUSSION AND POSSIBLE ACTION ON INTERNATIONAL EQUITY ALLOCATION AND MANAGER SEARCH**
- 6. DISCUSSION AND POSSIBLE ACTION ON FIXED INCOME ALLOCATION AND MANAGER REVIEW**
- 7. QUESTIONS AND COMMENTS FROM TRUSTEES**
- 8. 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*

# February 2013 - Market Performance Update

Stocks Edge Higher

## Equity Total Returns

Index	Last Month	Last Year	Last 3 Years	Last 5 Years
Dow Jones Industrial Average	1.8	11.5	13.9	5.7
NASDAQ (prc chg only)	0.6	6.5	12.2	6.8
S&P 500 cap weighted	1.4	13.5	13.5	4.9
S&P 500 equal weighted	1.2	15.3	15.2	8.1
S&P Mid Cap	1.0	14.6	16.0	8.6
S&P Small Cap	1.4	14.7	16.5	8.4
S&P REIT	1.3	17.6	20.0	7.4
Russell 1000 Growth	1.2	9.6	13.8	6.4
Russell 1000 Value	1.4	17.6	13.7	3.9
Russell Mid Cap Growth	1.0	10.8	15.3	6.8
Russell Mid Cap Value	1.8	18.9	16.0	7.4
Russell 2000 Growth	1.1	11.2	15.8	7.8
Russell 2000 Value	1.1	16.9	13.6	6.7
Russell Top 200	1.3	13.0	13.0	4.5
Russell 1000	1.3	13.6	13.8	5.2
Russell Mid Cap	1.4	15.0	15.7	7.2
Russell 2500	1.2	15.2	15.8	7.9
Russell 2000	1.1	14.0	14.7	7.4
MSCI World Ex US	-1.0	8.8	6.7	-1.2
MSCI World Ex US Growth	0.3	8.5	7.6	-1.1
MSCI World Ex US Value	-2.3	9.0	5.7	-1.4
MSCI EAFE	-1.0	9.8	6.9	-1.3
MSCI Emerging Markets	-1.3	0.3	6.6	0.3

Despite the economic uncertainty emanating from Washington D.C., (looming sequestration was the crises du jour) domestic equities managed to move higher during February. International equities earned mixed results during the month. Developed and emerging markets both moved lower. The growth index posted a modest gain.

Domestic equity performance was narrowly correlated. Value stocks outperformed growth stocks among large and mid caps. Small cap growth and value tied for the month. Mid caps outperformed by a narrow margin. Trailing year performance dispersion between domestic equity market segments was low.

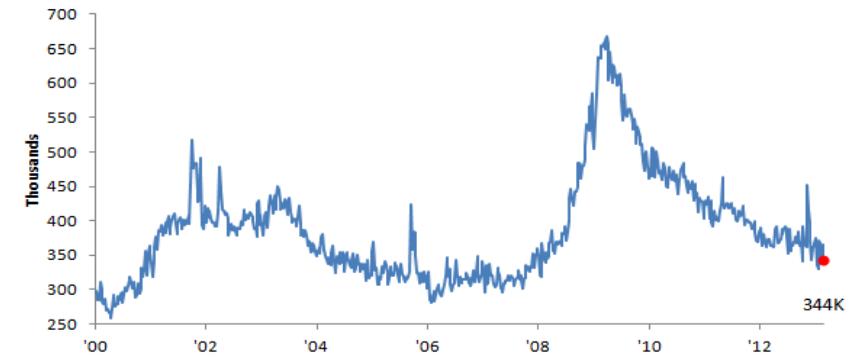
Trailing one and three year returns for domestic equity remained high.

Fixed income returns rebounded during February. Core bonds posted a modestly positive return while long duration Treasuries gained 1.3%. Money market funds produced virtually no income.

## Bond Total Returns

Index	Last Month	Last Year	Last 3 Years	Last 5 Years
BC T-Bills	0.0	0.1	0.1	0.3
BC Long Treasury	1.3	3.4	11.8	8.5
BC US Agg	0.5	3.1	5.5	5.5

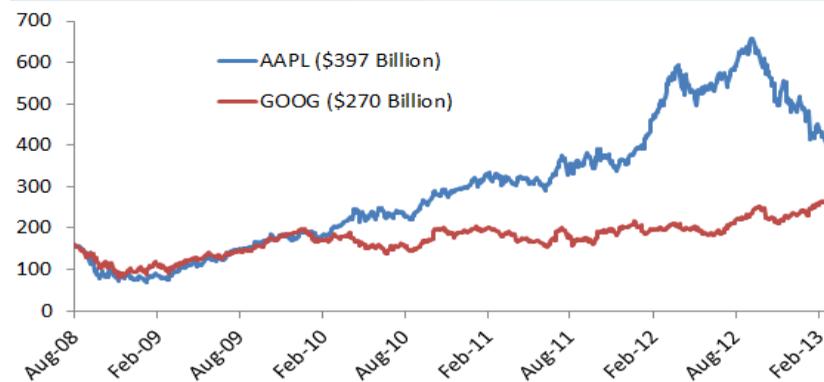
## Initial Jobless Claims (Seasonally Adjusted): 2000 - 2013



## AAA Unleaded Gasoline National Average Price Per Gallon



## Google (GOOG) vs. Apple (AAPL) Market Cap (\$, Billions)



# Monthly Asset Allocation Review



Asset Class	Total Market Value	Current Percentage	Target Percentage	Difference	Notes
All Cap/Large Cap	2,448,869,167	21.6%	17.5%	4.1%	Excess allocation bound for Private Equity
Mid Cap	1,533,209,366	13.5%	12.5%	1.0%	
Small Cap	1,035,198,629	9.1%	10.0%	-0.9%	
<b>Total Domestic Equity</b>	<b>5,017,277,162</b>	<b>44.2%</b>	<b>40.0%</b>	<b>4.2%</b>	
Large Cap International Equity	1,281,077,376	11.3%	12.5%	-1.2%	
Small Cap International Equity	414,886,544	3.7%	2.5%	1.2%	
<b>Total International Equity</b>	<b>1,695,917,754</b>	<b>14.9%</b>	<b>15.0%</b>	<b>-0.1%</b>	
<b>Core Fixed Income</b>	<b>2,398,971,838</b>	<b>21.1%</b>	<b>25.0%</b>	<b>-3.9%</b>	
High Yield Bonds	611,948,331	5.4%	5.0%	0.4%	
MLPs	680,564,441	6.0%	5.0%	1.0%	
Private Equity	211,591,219	1.9%	5.0%	-3.1%	
Real Estate	503,167,304	4.4%	5.0%	-0.6%	
Opportunistic Assets	136,247,680	1.2%	0.0%	1.2%	
<b>Total Non-Core Assets</b>	<b>2,143,518,974</b>	<b>18.9%</b>	<b>20.0%</b>	<b>-1.1%</b>	
<b>Cash</b>	<b>98,378,514</b>	<b>0.9%</b>	<b>0.0%</b>	<b>0.9%</b>	
<b>Composite</b>	<b>11,354,064,242</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	

# Total Fund + Asset Class Composite Summary

As of February 28, 2013

	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month
<b>Total Fund (Gross of Fees)</b>	<b>11,354,064,242</b>	<b>12/1/1991</b>	<b>21.3</b>	<b>9.4</b>	<b>9.9</b>	<b>6.6</b>	<b>11.8</b>	<b>11.3</b>	<b>13.0</b>	<b>6.3</b>	<b>0.5</b>
<b>Total Fund (Net of Fees)</b>				<b>9.0</b>	<b>9.6</b>	<b>6.3</b>	<b>11.4</b>	<b>11.0</b>	<b>12.9</b>	<b>6.2</b>	<b>0.5</b>
<i>Allocation Index</i>				9.2	8.8	5.5	11.3	10.3	11.6	6.0	0.6
<i>Actuarial Assumption</i>				8.0	8.0	8.0	8.0	8.0	6.6	1.9	0.6
Total Domestic Equity	5,017,277,162 S&P 500 44.2%	4/1/1990	22.9	10.3	10.4	6.2	13.4	12.6	15.2	9.4	1.0
				9.0	8.2	4.9	13.5	13.5	13.0	7.6	1.4
Total All Cap Equity	693,387,691 Russell 3000 6.1%	9/1/2006	6.5	4.6	-	4.9	12.9	10.0	11.7	8.0	1.1
				4.9	-	5.4	13.8	13.6	13.8	8.2	1.3
Total Large Cap Active Equity	802,420,086 S&P 500 7.1%	1/1/1995	18.2	9.5	8.8	4.4	13.3	14.1	14.0	9.2	1.6
				8.8	8.2	4.9	13.5	13.5	13.0	7.6	1.4
Total Mid Cap Equity	1,533,209,366 Russell Mid Cap 13.5%	11/1/1998	14.3	9.2	13.0	8.4	15.2	12.3	17.3	11.2	1.5
				8.8	11.9	7.2	15.6	15.0	17.7	10.8	1.4
Total Small Cap Equity	1,035,198,629 Russell 2000 9.1%	2/1/1998	15.1	8.2	11.3	7.0	11.1	11.1	15.9	8.4	-0.7
				6.5	11.2	7.4	14.7	14.0	15.2	11.3	1.1
Total International Equity	1,695,917,754 MSCI ACWI ex-US 14.9%	2/1/1998	15.1	8.9	10.7	0.2	7.9	9.7	17.9	6.9	-1.1
				-	11.2	-0.4	7.1	7.2	17.3	6.6	-1.0
Core Fixed Income (ex- High Yield)	2,398,971,838 Barclays Aggregate 21.1%	4/1/1990	22.9	7.6	6.7	8.4	9.0	6.6	3.6	-0.1	0.6
				-	5.0	5.5	5.5	3.1	1.6	-0.3	0.5
Master Limited Partnerships	680,564,441 Alerian MLP Index 6.0%	12/1/2008	4.2	17.4	-	-	-	17.3	26.7	13.4	2.0
				14.1	-	-	-	12.1	19.5	10.1	0.9
High Yield Fixed Income	611,948,331 ML High Yield II 5.4%	2/1/2009	4.1	18.5	-	-	12.2	13.7	11.9	4.1	0.4
				-	-	-	11.7	11.8	9.9	3.5	0.5
Core Real Estate	503,167,304 NCREIF 4.4%	4/1/2011	1.9	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-
Cash	98,378,514 91 Day T-bill 0.9%	4/1/1990	22.9	-	-	-	-	-	-	-	-
				-	1.8	0.4	0.1	0.1	0.1	0.0	0.0

# Equity Portfolios Summary

As of February 28, 2013

	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month
Hotchkis & Wiley Large Cap	409,220,521	4/1/1990	22.9	10.3	9.2	4.4	13.7	15.9	16.9	11.7	1.4
Russell 1000 Value	3.6%			9.6	8.8	3.9	13.7	17.6	16.8	10.3	1.4
Sawgrass	393,199,565	7/1/2006	6.7	6.1	-	6.0	14.0	12.2	11.1	6.7	1.7
Russell 1000 Growth	3.5%			6.4	-	6.4	13.8	9.6	10.6	5.6	1.2
ARI All Cap	351,050,878	9/1/2006	6.5	3.8	-	4.9	13.1	12.0	12.3	9.0	1.4
Russell 3000 Value	3.1%			4.9	-	5.4	13.8	13.6	13.8	8.2	1.3
EPOCH All Cap	342,336,813	9/1/2006	6.5	5.2	-	4.8	12.5	8.2	11.0	7.0	0.8
Russell 3000 Value	3.0%			4.9	-	5.4	13.8	13.6	13.8	8.2	1.3
NT Cap Weighted Passive	473,075,876	4/1/2012	0.9	11.0	-	-	-	-	12.9	7.6	1.4
S&P 500 Cap Weighted	4.2%			-	8.2	4.9	13.5	13.5	13.0	7.6	1.4
SSGA Eq Weighted Passive	479,985,513	4/1/2012	0.9	14.3	-	-	-	-	17.2	10.2	1.1
S&P 500 Equal Weighted	4.2%			-	11.6	8.1	15.2	15.3	-	10.3	1.2
Frontier Capital	391,941,825	6/1/2002	10.8	9.2	13.4	8.1	14.3	12.7	13.8	8.9	1.2
Russell Mid Cap Growth	3.5%			8.1	11.3	6.8	15.3	10.8	14.9	9.2	1.0
Wellington Management	326,674,223	9/1/1998	14.5	9.3	11.4	4.8	10.4	0.3	14.5	10.7	0.9
Russell Mid Cap Growth	2.9%			7.9	11.3	6.8	15.3	10.8	14.9	9.2	1.0
AJO Partners	381,070,997	8/1/1998	14.6	10.0	12.1	7.5	16.4	14.9	17.9	10.1	1.7
Russell MidCap	3.4%			8.3	9.9	7.2	15.6	15.0	17.7	10.8	1.4
Hotchkis & Wiley Mid Cap	433,522,321	8/1/2002	10.6	13.2	14.9	13.4	19.3	21.3	22.6	14.9	2.2
Russell MidCap Value	3.8%			10.7	12.1	7.4	16.0	18.9	20.2	12.2	1.8
Shapiro Capital Management	579,932,109	2/1/1998	15.1	9.3	14.6	10.4	13.0	10.0	15.3	6.5	-1.9
Russell 2000 Value	5.1%			7.8	11.0	6.7	13.6	16.9	16.9	11.7	1.1
Legacy Small Cap	455,266,519	-	-	-	-	-	-	-	-	-	-
	4.0%			-	-	-	-	-	-	-	-
Causeway Capital	454,549,830	5/1/2003	9.8	10.5	-	1.5	9.7	10.8	19.0	6.0	-1.0
MSCI ACWI Ex US	4.0%			9.2	-	-0.8	7.4	10.4	19.0	7.7	-0.9
Brandes	394,845,084	2/1/1996	17.1	10.1	10.6	-1.4	4.8	5.1	14.3	7.2	-2.6
MSCI ACWI Ex US	3.5%			4.9	9.9	-0.8	7.4	10.4	19.0	7.7	-0.9
Thornburg	431,582,331	12/1/2005	7.2	6.6	-	1.1	8.4	7.2	15.3	5.3	-2.2
MSCI ACWI Ex US	3.8%			3.8	-	-0.8	7.4	10.4	19.0	7.7	-0.9
ARI Small Cap International	104,745,829	12/1/2011	1.2	22.1	-	-	-	16.8	23.5	10.1	1.3
MSCI EAFE Small Cap	0.9%			25.2	12.9	1.6	10.3	11.3	21.7	10.8	1.1
Epoch Small Cap International	99,973,251	12/1/2011	1.2	16.8	-	-	-	10.6	20.5	8.3	0.4
MSCI EAFE Small Cap	0.9%			25.2	12.9	1.6	10.3	11.3	21.7	10.8	1.1
Wasatch Small Cap International	106,595,411	12/1/2011	1.2	33.1	-	-	-	24.3	27.2	10.7	3.3
MSCI EAFE Small Cap	0.9%			25.2	12.9	1.6	10.3	11.3	21.7	10.8	1.1
Wellington Small Cap International	103,572,053	12/1/2011	1.2	25.5	-	-	-	15.3	22.8	8.7	0.1
MSCI EAFE Small Cap	0.9%			25.2	12.9	1.6	10.3	11.3	21.7	10.8	1.1

# Fixed Income and Non-Core Portfolios Summary

As of February 28, 2013



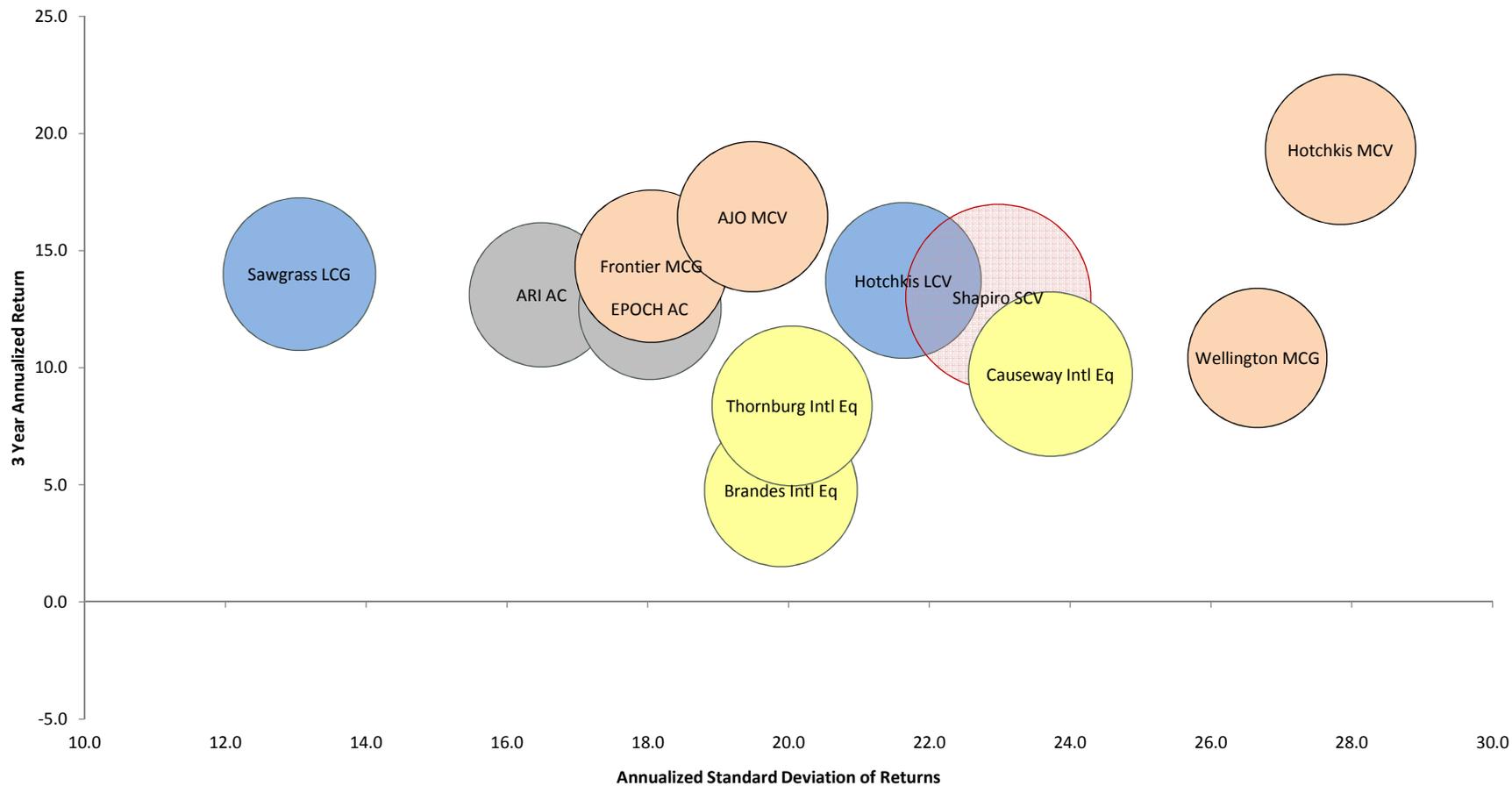
	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month
Loomis Sayles <i>Barclays Aggregate</i>	626,300,228 5.5%	8/1/1999	13.6	7.6	8.1	10.4	9.8	8.7	5.9	0.8	0.3
				6.1	5.0	5.5	5.5	3.1	1.6	-0.3	0.5
Lord Abbett <i>Barclays Aggregate</i>	592,731,778 5.2%	11/1/2004	8.3	6.8	-	8.2	7.8	6.9	4.7	0.8	0.6
				5.2	-	5.5	5.5	3.1	1.6	-0.3	0.5
Mackay Shields <i>Barclays Aggregate</i>	604,845,428 5.3%	11/1/2004	8.3	7.0	-	8.4	8.8	7.6	5.8	1.0	0.5
				5.2	-	5.5	5.5	3.1	1.6	-0.3	0.5
Hoisington <i>Barclays Aggregate</i>	283,321,809 2.5%	11/1/2004	8.3	9.2	-	10.1	14.7	3.2	-4.8	-5.8	1.3
				5.2	-	5.5	5.5	3.1	1.6	-0.3	0.5
Stephens <i>Barclays Aggregate</i>	291,772,595 2.6%	11/1/2004	8.3	5.0	-	4.7	3.8	2.7	1.3	-0.2	0.4
				5.2	-	5.5	5.5	3.1	1.6	-0.3	0.5
Loomis Sayles High Yield <i>Merrill Lynch High Yield II</i>	203,543,958 1.8%	2/1/2009	4.1	19.1	-	-	11.9	16.4	14.7	5.1	-0.1
				20.2	-	-	11.7	11.8	9.9	3.5	0.5
Lord Abbett High Yield <i>Merrill Lynch High Yield II</i>	205,486,537 1.8%	2/1/2009	4.1	19.1	-	-	12.9	13.1	11.8	4.2	0.7
				-	-	-	11.7	11.8	9.9	3.5	0.5
Mackay Shields High Yield <i>Merrill Lynch High Yield II</i>	202,917,835 1.8%	2/1/2009	4.1	17.3	-	-	11.7	11.5	9.2	3.1	0.7
				-	-	-	11.7	11.8	9.9	3.5	0.5

# Non-Traditional Portfolios Summary

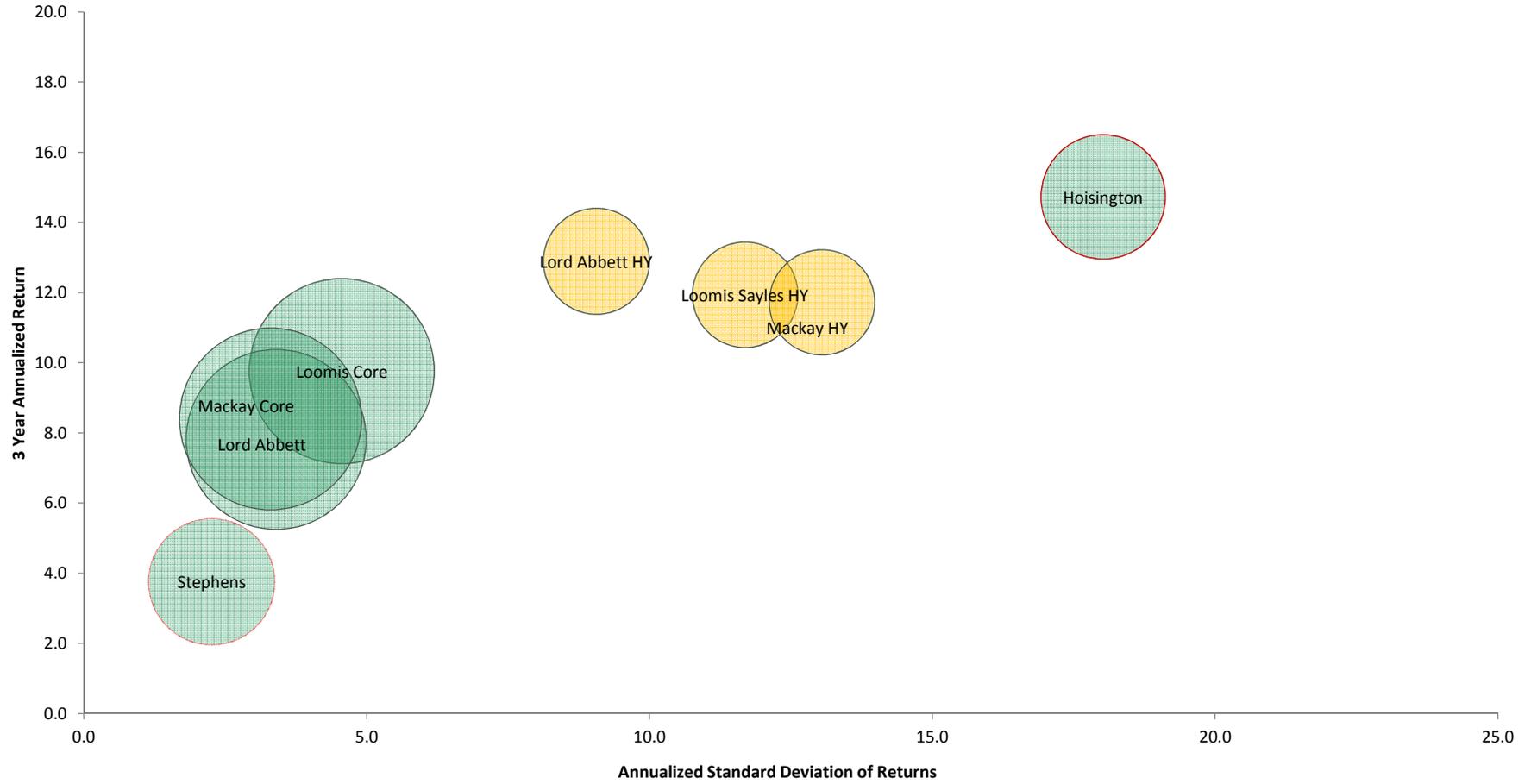
As of February 28, 2013

	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month
Legacy Private Equity Portfolio	72,986,226	10/1/2008	4.4	-	-	-	-	-	-	-	-
Franklin Park Private Equity	138,604,993	4/1/2010	2.9	-	-	-	-	-	-	-	-
Total Private Equity %	1.9%										
Chickasaw Capital MLP	195,274,645	2/28/2011	2.0	25.1	-	-	-	26.1	34.9	17.2	3.2
Alerian MLP Index	1.7%			14.2	-	-	-	12.1	19.5	10.1	0.9
Cushing MLP Management	168,625,672	2/28/2011	2.0	16.6	-	-	-	18.1	29.8	14.4	2.5
Alerian MLP Index	1.5%			14.1	-	-	-	12.1	19.5	10.1	0.9
FAMCO MLP	316,664,124	2/28/2011	2.0	13.1	-	-	-	12.1	20.6	10.6	1.0
Alerian MLP Index	2.8%			14.1	-	-	-	12.1	19.5	10.1	0.9
AEW Real Estate	168,556,340	5/1/2011	1.8	-	-	-	-	-	-	-	-
NCREIF - OEDCE	1.5%			-	-	-	-	-	-	-	-
Heitman Real Estate	173,735,967	5/1/2011	1.8	-	-	-	-	-	-	-	-
NCREIF - OEDCE	1.5%			-	-	-	-	-	-	-	-
L&B Real Estate	160,874,997	4/1/2011	1.9	-	-	-	-	-	-	-	-
NCREIF - OEDCE	1.4%			-	-	-	-	-	-	-	-
PIMCO Distressed Mortgage I	13,186	5/1/2008	4.8	-	-	-	-	-	-	-	-
Barclays Aggregate	0.0%			-	-	-	-	-	-	-	-
PIMCO Distressed Mortgage II	15,885,783	12/1/2008	4.2	-	-	-	-	-	-	-	-
Barclays Aggregate	0.1%			-	-	-	-	-	-	-	-
PIMCO BRAVO	120,348,711	3/31/2011	1.9	-	-	-	-	-	-	-	-
Barclays Aggregate	1.1%			-	-	-	-	-	-	-	-

# Three Year Risk/Return Review - Equity Portfolios



# Three Year Risk/Return Review - Fixed Income Portfolios



# Manager Status Summary

Manager	% of Total Portfolio	Mandate	Status	Reason - Date of Most Recent Change (term)
Wellington	2.9%	Mid Cap Growth	On Alert	Performance - August 2012 (June 2013)
Epoch	3.1%	All Cap Equity	On Alert	Personnel/Org - December 2012 (June 2013)
Epoch	0.9%	International Small Cap	On Alert	Personnel/Org - October 2012 (June 2013)
Loomis Sayles High Yield	1.8%	High Yield Fixed Income	On Alert	Personnel - October 2012 (March 2013)

All other managers currently rated **In Compliance**.

Classification Notes:
<p><b>In Compliance:</b> The portfolio is in full compliance with its guidelines and it is performing to expectations.</p> <p><b>On Alert:</b> Concerns exist with the portfolio's performance, a change in investment characteristics, management style, ownership structure, staff or other related events.</p> <p><b>On Notice:</b> A continued and serious problem with any of the issues mentioned above. If the situation is not resolved to the Committee's satisfaction, a replacement will be selected and hired.</p>

# Manager Profile - Frontier Capital, Mid Cap Growth



Asset Class:	Mid Cap Growth Domestic Equity
Status:	In Compliance
Portfolio Size:	\$391,941,825
Inception Date:	6/1/2002
Target Allocation:	3.1%
Actual Allocation:	3.5%
Annual Management Fee:	0.56%
Location:	Boston, Massachusetts
Structure:	Wholly-owned by AMG
Portfolio Management Team:	Stephen M. Knighly, CFA Christopher J. Scarpa
Represented by:	Stephen M. Knighly, CFA Christopher J. Scarpa

Notes:

Bottom-up selection of growth stocks that isolates investments through company contacts, industry research, and competitive analysis.

Founded: 1980

Return Profile	Since Inception	Last 5 Years	Last 3 Years	Last Year	Last Quarter	Last Month
Frontier Mid Cap Growth	9.2	8.1	14.3	12.7	8.9	1.2
Russell Mid Cap Growth	8.1	6.8	15.3	10.8	9.2	1.0

Risk Characteristics	Number of Holdings	Average Mkt Cap	Dividend Yield	P/E Ratio	P/B Ratio
Frontier Mid Cap Growth	90	\$7,864 MM	0.6%	21.8	3.8
Russell Mid Cap Growth	457	\$8,579 MM	1.2%	20.9	4.3

# Manager Profile - Wellington Management, Mid Cap Growth



Asset Class:	Mid Cap Growth Domestic Equity
Status:	In Compliance
Portfolio Size:	\$326,674,223
Inception Date:	9/1/1998
Target Allocation:	3.1%
Actual Allocation:	2.9%
Annual Management Fee:	0.45%
Location:	Boston, Massachusetts
Structure:	Privately Held
Portfolio Management Team:	Frank Boggan

## Notes:

Fundamental individual selection of high quality mid cap growth stocks selling at attractive valuations.

Represented by:	Frank Boggan Zander Grant
-----------------	------------------------------

Founded: 1928

Return Profile	Since Inception	Last 5 Years	Last 3 Years	Last Year	Last Quarter	Last Month
Wellington Mid Cap Growth	9.3	4.8	10.4	0.3	10.7	0.9
Russell Mid Cap Growth	8.1	6.8	15.3	10.8	9.2	1.0

Risk Characteristics	Number of Holdings	Average Mkt Cap	Dividend Yield	P/E Ratio	P/B Ratio
Wellington Mid Cap Growth	73	\$7,220 MM	0.7%	12.8	2.6
Russell Mid Cap Growth	457	\$8,579 MM	1.2%	20.9	4.3



# Small Capitalization Domestic Equity Portfolio

March, 2013

# Domestic Small Capitalization Equity Portfolio

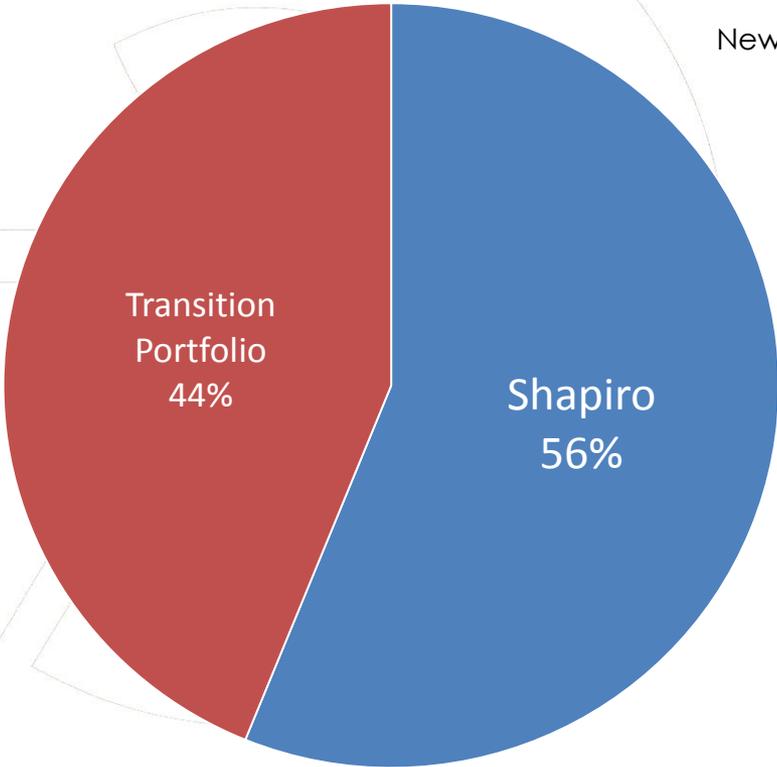
- The current **target allocation to domestic small cap equities is 10%**.
- The small cap allocation had two managers until recently. One of the managers, Tocqueville, was terminated.
- Their portfolio recently completed a lengthy transition due to the illiquid nature of many of its holdings.
- We took the time during the transition to design a new small cap domestic equity portfolio structure.
- The new portfolio structure will use the current active small capitalization manager (Shapiro Capital) **in combination with several new managers**.

# Domestic Small Cap Equity Description

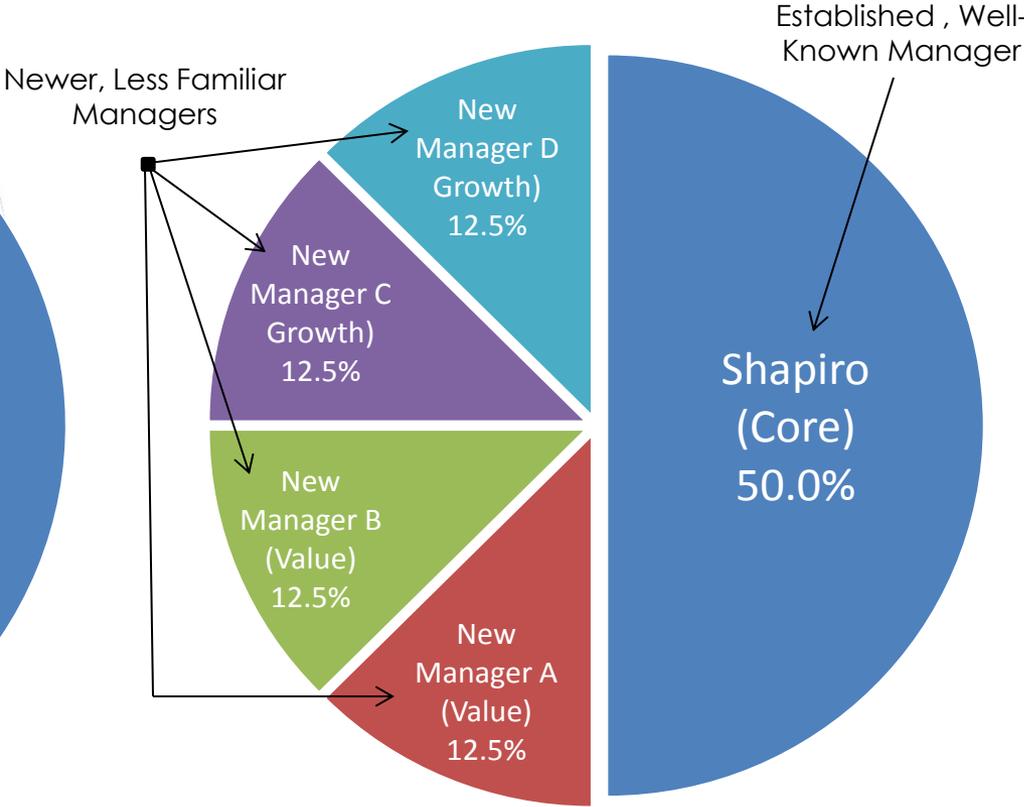
- **Smaller companies have historically generated higher returns than larger ones.** Share prices are significantly more volatile in the short run.
- Today, **the upper threshold of small caps is approximately \$2 billion.** We believe that allowing small cap managers to hold positions that grow through this threshold is opportunistic and positive for returns. Some small cap managers dabble in micro cap companies. Caution must be used to manage position sizes in illiquid shares.
- Small cap companies are followed by fewer and fewer sell side analysts. This evolution makes the market less efficient and more suited to active management. It also **creates significant opportunity for outperformance.** We do not believe that small cap portfolios should be managed passively.
- **Capacity issues exist for small cap equity managers.** They need to manage their assets under management and close to new assets at an appropriate size. This creates a “demand” for new managers in the asset class.
- **Small cap managers tend to be analysts.** Most focus on individual stock selection in their own proprietary fashion. There are no prototypical small cap managers. Thought needs to be paid to combining dissimilar portfolios and managers creatively. Small cap manager selection is difficult and time consuming, but ultimately rewarding if done correctly.

# Potential Small Cap Portfolio Structure

### Current Structure



### Potential Future Structure



# Portfolio Construction

- **Recommendation:** Construct a core + satellite small cap allocation using Shapiro as the portfolio's core position.
- **Hire four or five managers to complement Shapiro's portfolio.** Equal weight growth and value managers. This would give the portfolio adequate diversification and significantly reduce liquidity issues among the newly hired portfolios. It would also provide the portfolio valuable **managerial depth**.
- This structure would fund the new managers with approximately **\$125 million each** (assuming four new managers). This dollar amount is a **relatively large initial allocation** for small cap managers. However, we do not believe it is excessive.
- **Allocations could be adjusted over time** or as needed, to equalize the weightings among all managers.

# Small Cap Manager Selection Criteria

## More Important

- Capacity
- Liquidity Management
- Proprietary Investment Advantage
- Quality
- Stability
- Experience
- Reasonable Fees
- Diversifying Properties

## Less Important

- Long Track Record
- Large Assets Under Management
- Extended Product Line
- Style Purity
- Capitalization Purity
- Excellent Recent Returns

# Small Capitalization Equity Portfolio Design: **Next Steps**

Select and Retain New  
Investment Managers

Construct New Small  
Cap Manager Mandate

Design Transition  
Strategy and Fund  
New Managers.

# Return History – Periods Ended February 28, 2013

## Gross of Management Fees

	Value Managers				Existing Manager	Growth Managers		Benchmarks		
	Cove Street	Frontier	Huber	Neumeier Poma	Shapiro	Geneva	Wasatch	Russell 2000	Russell 2000 Growth	Russell 2000 Value
One Year	21.7%	24.6%	29.1%	11.9%	<b>10.0%</b>	16.0%	17.0%	14.0%	11.2%	16.9%
Three Years	17.6%	23.6%	26.2%	20.3%	<b>13.0%</b>	21.2%	21.1%	14.7%	15.8%	13.6%
Five Years	10.9%	16.0%	18.2%	10.5%	<b>10.4%</b>	10.4%	11.5%	7.4%	7.8%	6.0%
Ten Years	12.5%	16.2%	-	13.3%	<b>14.6%</b>	13.6%	12.9%	11.1%	11.2%	11.0%

# Three Year Risk/Return Scatterplot



# Correlation Matrix

## Five Year Trailing Period

	Cove Street	Frontier	Huber	Neumeier Poma	Shapiro	Geneva	Wasatch
Cove Street		0.92	0.91	0.91	<b>0.92</b>	0.90	0.94
Frontier	0.92		0.92	0.96	<b>0.95</b>	0.95	0.93
Huber	0.91	0.92		0.90	<b>0.95</b>	0.90	0.92
Neumeier Poma	0.91	0.96	0.90		<b>0.94</b>	0.92	0.93
<b>Shapiro</b>	<b>0.92</b>	<b>0.95</b>	<b>0.95</b>	<b>0.94</b>		<b>0.92</b>	<b>0.94</b>
Geneva	0.90	0.95	0.90	0.92	<b>0.92</b>		0.96
Wasatch	0.94	0.93	0.92	0.93	<b>0.94</b>	0.96	
Average vs. Others	0.92	0.94	0.92	0.93	0.94	0.93	0.94

# Small Cap Finalist Return Comparisons:

Calendar Year Periods/Gross of Management Fees



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	YTD 2013
■ Cove Street	49%	22%	2%	19%	-10%	-43%	55%	20%	4%	29%	6%
■ Frontier	36%	21%	9%	20%	1%	-27%	34%	36%	3%	26%	10%
■ Huber						-46%	86%	40%	3%	32%	9%
■ Neumeier Poma	36%	13%	15%	15%	11%	-28%	24%	25%	13%	14%	7%
■ Geneva	33%	23%	16%	6%	14%	-33%	24%	38%	1%	18%	7%
■ Wasatch	40%	22%	3%	7%	5%	-37%	40%	26%	9%	20%	6%
■ Russell 2000	47%	18%	5%	18%	-2%	-34%	27%	27%	-4%	16%	7%

# Portfolio Comparisons

*The following pages detail a series of portfolio simulations using the finalist managers in a series of potential portfolios. To ease the comparison process, we used portfolio constructions we believed most practical alongside a reference portfolio construction.*

# Portfolio Allocations

Portfolios	Allocations						
	Shapiro	Cove Street	Frontier	Huber	Neumeier Poma	Geneva	Wasatch
<b>1. Equal Weighted: All Managers</b>	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%
<b>2. 50% Shapiro; Cove, Frontier, Geneva, Wasatch</b>	50.0%	12.5%	12.5%	0.0%	0.0%	12.5%	12.5%
<b>3. 50% Shapiro; Frontier, Neumeier, Geneva, Wasatch</b>	50.0%	0.0%	12.5%	0.0%	12.5%	12.5%	12.5%
<b>4. 50% Shapiro; Frontier, Huber, Geneva, Wasatch</b>	50.0%	0.0%	12.5%	12.5%	0.0%	12.5%	12.5%
<b>5. 40% Shapiro; Frontier, Neumeier, Cover Street, Geneva, Wasatch</b>	40.0%	8.8%	12.5%	0.0%	8.8%	15.0%	15.0%

# Portfolio Return Comparison

Performance Periods Ended 12.31.2012

Portfolio	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
<b>1. Equal Weighted: All Managers</b>	3.45%	21.93%	17.98%	8.63%	12.56%
<b>2. 50% Shapiro; Cove, Frontier, Geneva, Wasatch</b>	3.21%	21.03%	16.29%	8.17%	12.93%
<b>3. 50% Shapiro; Frontier, Neumeier, Geneva, Wasatch</b>	3.10%	19.23%	16.25%	8.16%	13.10%
<b>4. 50% Shapiro; Frontier, Huber, Geneva, Wasatch</b>	3.32%	21.08%	16.64%	8.60%	13.23%
<b>5. 40% Shapiro; Frontier, Neumeier, Cover Street, Geneva, Wasatch</b>	3.10%	20.21%	16.65%	8.12%	12.85%
<i>Russell 2000</i>	1.85%	16.35%	12.25%	3.56%	9.72%

# Size/Style Allocation Comparison

**Portfolio 1.**

	Value	Core	Growth
Large	0	0	0
Mid	4	13	14
Small	22	19	27

**Portfolio 2.**

	Value	Core	Growth
Large	0	0	0
Mid	2	21	9
Small	27	22	19

**Portfolio 3.**

	Value	Core	Growth
Large	0	0	0
Mid	1	20	11
Small	24	23	20

**Portfolio 4.**

	Value	Core	Growth
Large	0	0	0
Mid	3	19	8
Small	28	24	17

**Portfolio 5.**

	Value	Core	Growth
Large	0	0	0
Mid	2	18	12
Small	23	21	23

# Small Cap Growth Portfolio Characteristics:

	Price to Earnings	Price to Book	Geometric Weighted Market Capitalization
<b>1. Equal Weighted: All Managers</b>	18.2x	2.0x	\$1.521 billion
<b>2. 50% Shapiro; Cove, Frontier, Geneva, Wasatch</b>	18.6x	1.9x	\$1.611 billion
<b>3. 50% Shapiro; Frontier, Neumeier, Geneva, Wasatch</b>	19.0x	2.1x	\$1.708 billion
<b>4. 50% Shapiro; Frontier, Huber, Geneva, Wasatch</b>	18.5x	1.9x	\$1.580 billion
<b>5. 40% Shapiro, Frontier, Neumeier, Cover Street, Geneva, Wasatch</b>	18.5x	1.9x	\$1.660 billion

# Small Cap Growth Portfolio Characteristics:

## Three Years Ended January 31, 2013

	Alpha	Beta	R <sup>2</sup>	Tracking Error	Information Ratio	Sharpe Ratio
1. Equal Weighted: All Managers	5.46	1.10	0.92	1.96%	0.5347	1.03
2. 50% Shapiro; Cove, Frontier, Geneva, Wasatch	3.94	1.11	0.91	2.47%	0.3123	0.93
3. 50% Shapiro; Frontier, Neumeier, Geneva, Wasatch	3.93	1.11	0.91	2.08%	0.3959	0.93
4. 50% Shapiro; Frontier, Huber, Geneva, Wasatch	5.21	0.87	0.97	2.60%	0.3828	0.94
5. 40% Shapiro, Frontier, Neumeier, Cover Street, Geneva, Wasatch	4.37	1.10	0.91	2.28%	0.3380	0.96

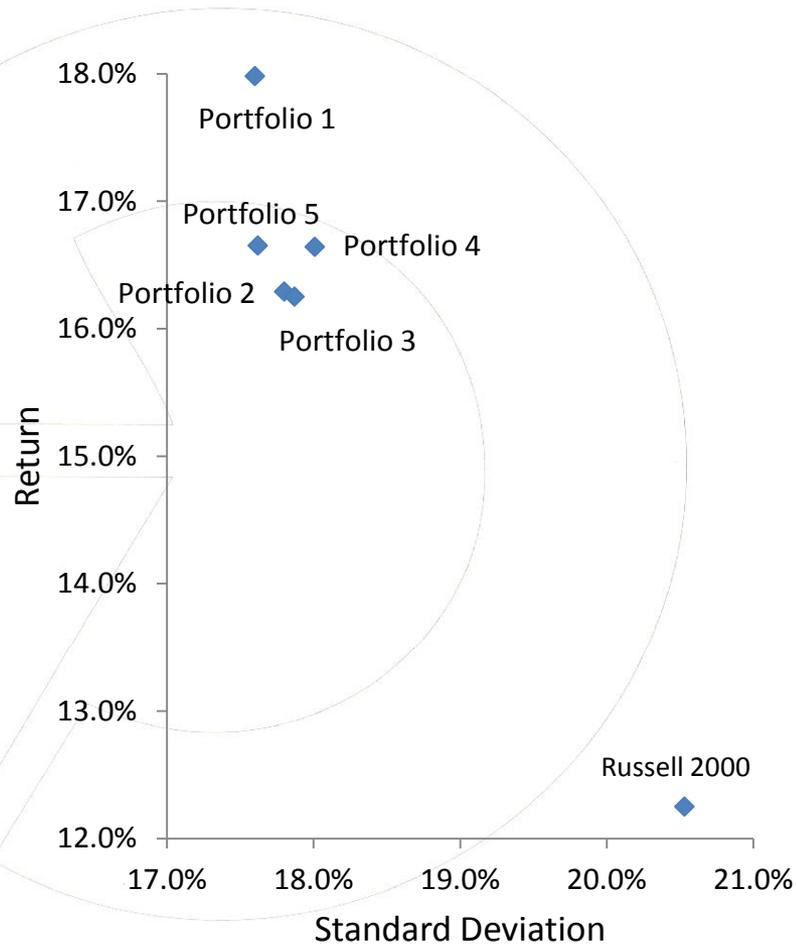
*Notes: Composite data used. Benchmarked against the S&P 500 Index.*

*Tracking error is a measure of the volatility of excess returns relative to a benchmark.*

*The information ratio measures a manager's ability to consistently add value relative to a passive index. The ratio is composed of excess return and tracking error. The higher the information ratio, the better, as this indicates a large excess return against a small tracking error. The information ratio measures the consistency with which a manager delivers alpha.*

# Small Cap Growth Risk / Return Scatterplot:

Three Years Ended January 31, 2013



	3 Year Return	3 Year Standard Deviation
Portfolio 1	17.98%	17.60%
Portfolio 2	16.29%	17.80%
Portfolio 3	16.25%	17.87%
Portfolio 4	16.64%	18.01%
Portfolio 5	16.65%	17.62%
Russell 2000	12.25%	20.53%

# Time Period Returns + Best/Worst Returns

	Quarterly Return		Extreme Outliers	
	Annualized Mean	Annualized Standard Deviation	Lowest 3 Month Return %	Highest 3 Month Return %
Portfolio 1	17.98%	17.60%	<b>-37.64%</b> <i>(Nov '08-Jan '09)</i>	<b>+34.85%</b> <i>(May '09-Jul '09)</i>
Portfolio 2	16.29%	17.80%	<b>-38.79%</b> <i>(Nov '08-Jan '09)</i>	<b>+37.79%</b> <i>(May '09-Jul '09)</i>
Portfolio 3	16.25%	17.87%	<b>-38.29%</b> <i>(Nov '08-Jan '09)</i>	<b>+36.20%</b> <i>(May '09-Jul '09)</i>
Portfolio 4	16.64%	18.01%	<b>-40.6%</b> <i>(Nov '08-Jan '09)</i>	<b>+40.6%</b> <i>(May '09-Jul '09)</i>
Portfolio 5	16.65%	17.62%	<b>-37.8%</b> <i>(Nov '08-Jan '09)</i>	<b>+35.3%</b> <i>(May '09-Jul '09)</i>
Russell 2000	12.25%	20.53%	<b>-35.1%</b> <i>(Nov '08-Jan '09)</i>	<b>+29.0%</b> <i>(May '09-Jul '09)</i>

# Upside/Downside Capture Ratios

Managers vs. Russell 2000 - Five Years ended 12/31/2013

	Upside Capture Ratio	Downside Capture Ratio	Upside/Downside Capture Ratio
Portfolio 1	109.97%	87.48%	<b>125.71%</b>
Portfolio 2	106.96%	90.26%	118.50%
Portfolio 3	105.51%	87.01%	121.26%
Portfolio 4	<b>112.20%</b>	<b>91.57%</b>	122.53%
Portfolio 5	105.99%	89.00%	119.09%



# Small Cap Value Manager Review

# Small Cap Value Performance Summary:

## Periods Ended February 28<sup>th</sup>, 2013

	Cove Street	Frontier	Huber	Neumeier Poma	Russell 2000 Value	Russell 2000
Last Year	21.70%	24.59%	<b>29.11%</b>	11.89%	16.89%	14.02%
Last 3 Years	17.60%	23.63%	<b>26.16%</b>	20.29%	13.59%	14.71%
Last 5 Years	10.90%	16.01%	<b>18.18%</b>	10.49%	6.74%	7.35%
Last 7 Years	6.50%	<b>11.12%</b>	-	9.33%	3.96%	4.62%
Last 10 Years	12.50%	<b>16.20%</b>	-	13.31%	10.96%	11.16%

# Small Cap Value Portfolio Characteristics: data as of 2/28/13

	Price to Earnings TTM	Price to Book	12 Mo Trailing EPS Growth	Dividend Yield	# of Holdings	Turnover Ratio
Cove Street	14.20	1.40	0.00%	0.90%	33	<b>57%</b>
Frontier	<b>18.17</b>	1.79	1.62%	1.16%	<b>81</b>	31%
Huber	15.05	1.39	<b>35.94%</b>	<b>1.49%</b>	46	32%
Neumeier Poma	15.80	<b>3.70</b>	N/A	1.20%	33	39%

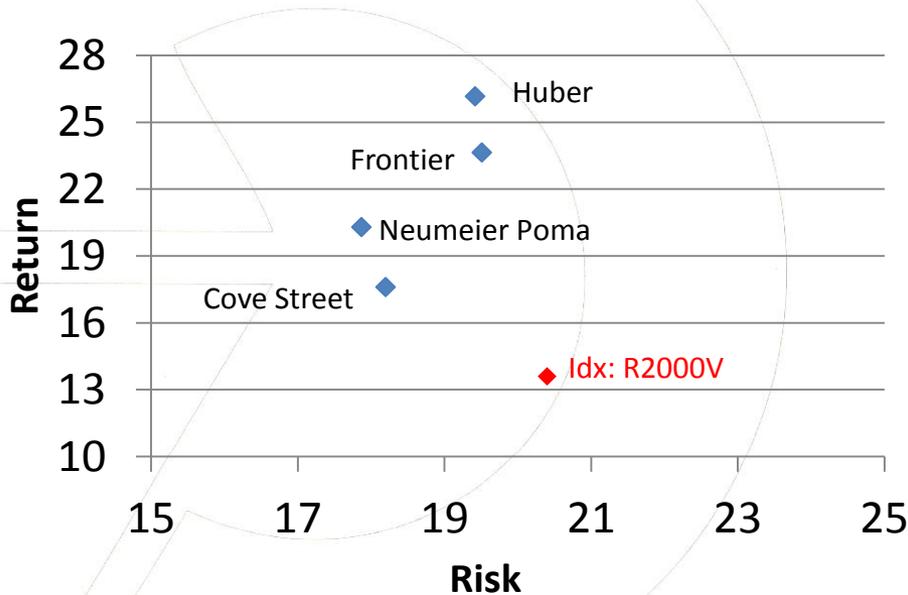
# Small Cap Value Portfolio Characteristics: three year data as of 2/28/13

	Alpha	Beta	R <sup>2</sup>
Cove Street	6.90	0.60	0.90
Frontier	<b>9.59</b>	<b>0.95</b>	<b>0.96</b>
Huber	0.99	0.91	0.89
Neumeier Poma	7.95	0.85	0.88

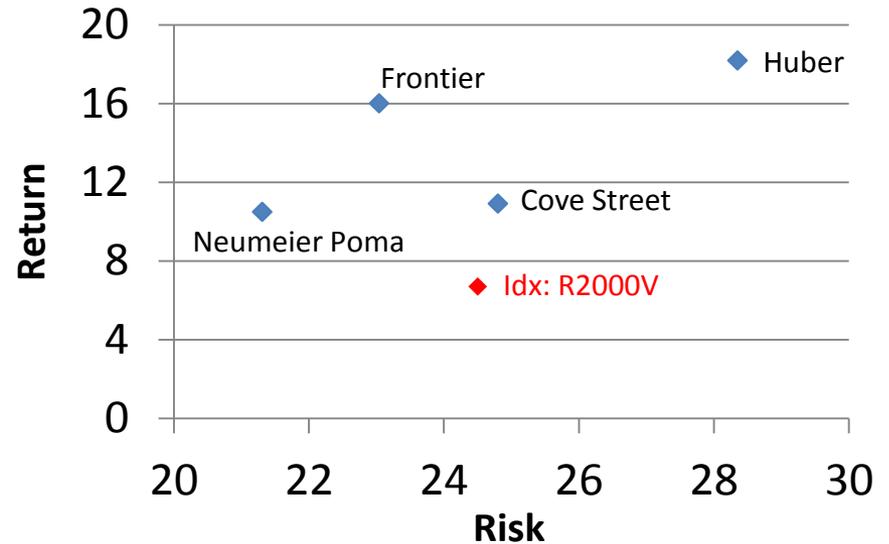
Note: Benchmarked against the Russell 2000 Value Index.

# Small Cap Value Risk / Return Scatterplot: Periods Ending February 28<sup>th</sup>, 2013

Risk/Return Scatterplot: **Three Years**



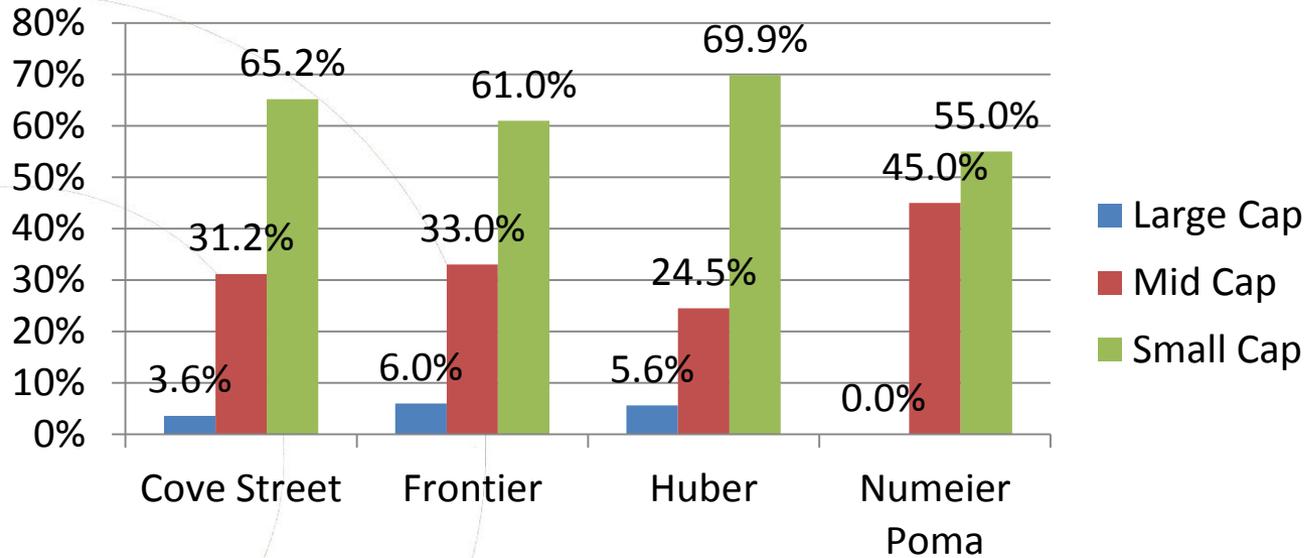
Risk/Return Scatterplot: **Five Years**



Please note differences in scale.

# Small Cap Value Market Cap Analysis

data as of 2/28/13



	Cove Street	Frontier	Huber	Neumeier Poma
Average Market Cap	1,709	2,000	1,860	2,200
Median Market Cap	1,059	1,400	1,225	2,000

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 Manager Review

# Small Cap Growth Performance Summary:

## Periods Ended February 28<sup>th</sup>, 2013

	Geneva	Wasatch	Russell 2000 Growth	Russell 2000
Last Year	16.01%	<b>17.03%</b>	11.17%	14.02%
Last 3 Years	<b>21.15%</b>	21.13%	15.77%	14.71%
Last 5 Years	10.43%	<b>11.47%</b>	7.83%	7.35%
Last 7 Years	<b>7.64%</b>	7.45%	5.16%	4.62%
Last 10 Years	<b>13.59%</b>	12.87%	11.22%	11.16%

# Small Cap Growth Portfolio Characteristics: data as of 2/28/13

	Price to Earnings TTM	Price to Book	12 Mo Trailing EPS Growth	Dividend Yield	# of Holdings	Turnover Ratio
Geneva	<b>27.8</b>	<b>3.5</b>	<b>21.5%</b>	0.4%	53	22.9%
Wasatch	23.2	3.2	17.9%	<b>0.6%</b>	53	19.5%

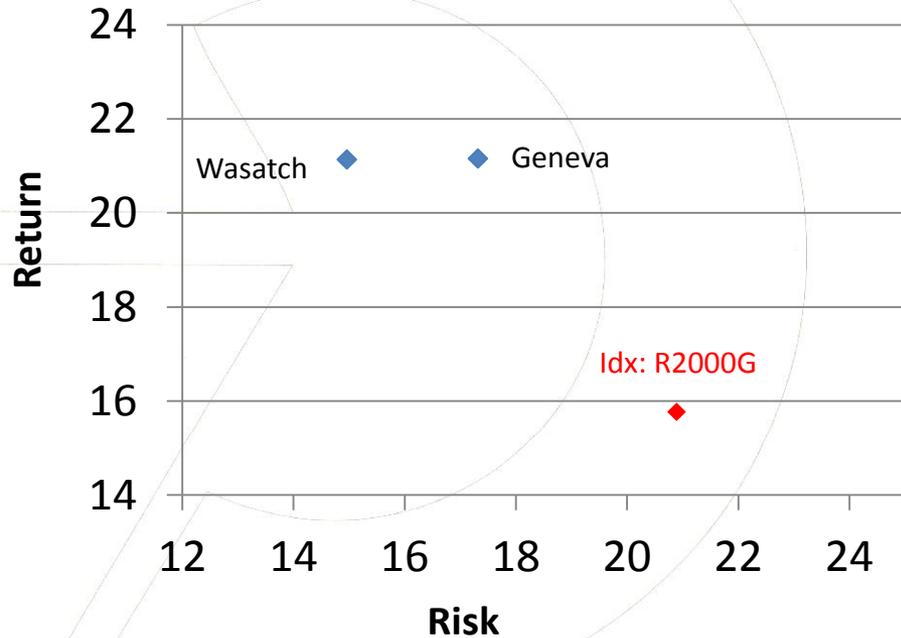
# Small Cap Growth Portfolio Characteristics: three year data as of 2/28/13

	Alpha	Beta	R <sup>2</sup>
Geneva	7.46	<b>0.8</b>	0.94
Wasatch	<b>9.07</b>	0.69	0.94

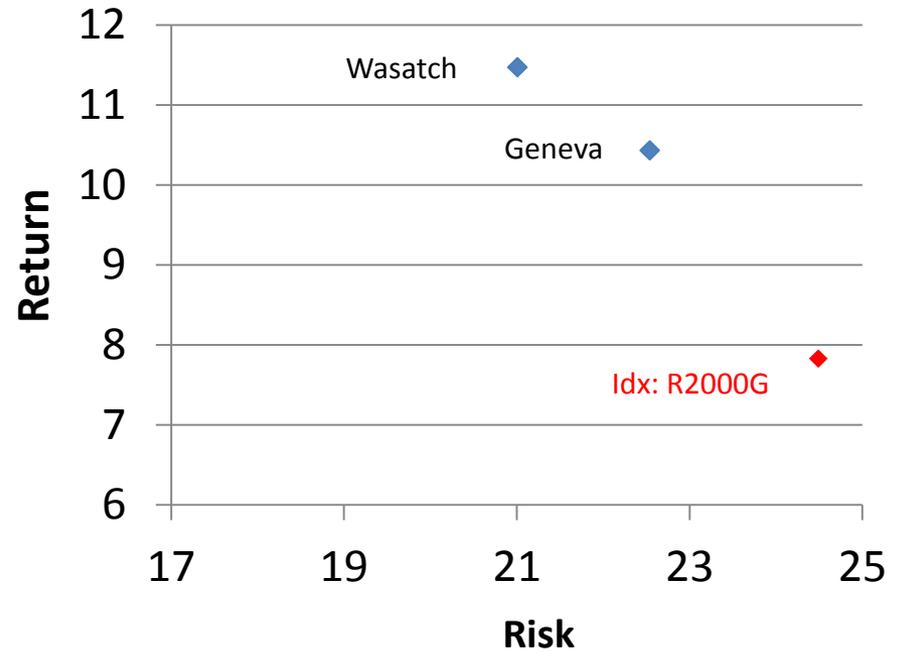
Note: Benchmarked against the Russell 2000 Growth Index.

# Small Cap Growth Risk / Return Scatterplot: Periods Ending February 28<sup>th</sup>, 2013

Risk/Return Scatterplot: **Three Years**



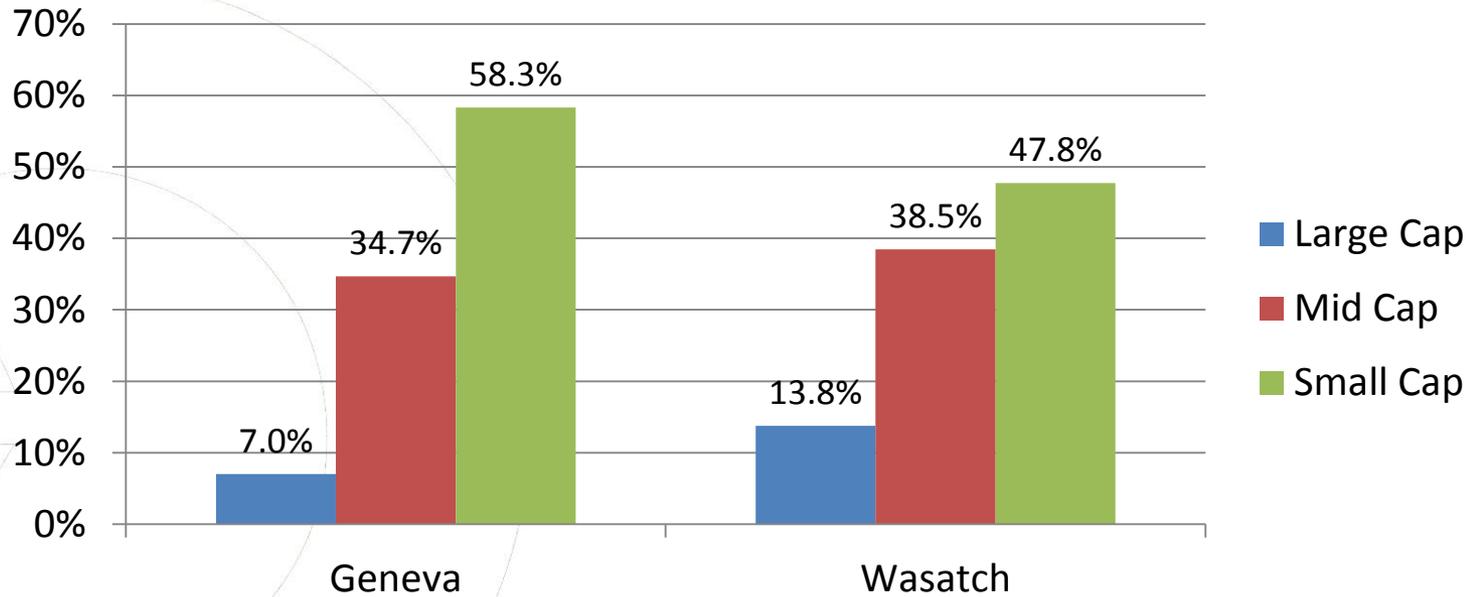
Risk/Return Scatterplot: **Five Years**



Please note differences in scale.

# Small Cap Growth Market Cap Analysis

## Data as of February 28th, 2013



	Geneva	Wasatch
Average Market Cap	2,260	3,266
Median Market Cap	1,640	1,858

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.



# Appendix

# 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
- Annual Fee Proposal on \$150 million allocation: **Best and Final**
  - 0.70%
  - \$1,050,000

# Manager Review: Frontier Capital

- Location: Boston, Massachusetts
- Total AUM: \$9.7 billion
- Product AUM: \$444 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
- Annual Fee Proposal on \$150 million allocation: **Best and Final**
  - First \$50 million: 1.00%
  - Thereafter: 0.90%
  - \$1,400,000

# 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: 0.72%
- **Fee Proposal: *Best and Final***
  - First \$100 million: 0.75%
  - Next \$100 million: 0.65%
  - Balance: 0.60%

# Manager Review: Huber Capital Management

- Location: El Segundo, 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
- Annual Fee Proposal on \$150 million allocation: **Best and Final**
  - 1.25%
  - \$1,875,000

# Manager Review: Neumeier Poma

- Location: Carmel, California
- Total AUM: \$270 million
- Product AUM: \$270 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
- Annual Fee Proposal on \$150 million allocation: **Best and Final**
  - First \$100 million: 0.65%
  - Next \$100 million: 0.60%
  - Thereafter: 0.55%
  - \$950,000

# 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: 0.89%
- Fee Proposal: *Best and Final*
  - First \$40 million: 1.00%
  - Next \$60 million: 0.90%
  - Balance: 0.80%

## REBALANCING DISCUSSION

Investment Manager	Target Allocation (\$)	Market Value (\$)	Over / Under Target (\$)
Advisory Research All Cap	\$351,335,020.93	\$360,572,177.08	\$9,237,156.15
Epoch Investment Partners	\$351,335,020.93	\$351,230,930.63	(\$104,090.30)
EQ - ALL CAP DOMESTIC	\$702,670,041.86	\$711,803,107.71	\$9,133,065.85
Sawgrass Asset Management	\$401,525,738.21	\$404,469,959.40	\$2,944,221.19
Hotckis Wiley Large Cap	\$401,525,738.21	\$428,828,478.49	\$27,302,740.28
EQ - LARGE CAP DOMESTIC	\$803,051,476.42	\$833,298,437.89	\$30,246,961.47
Northern Trust Index	\$250,953,586.38	\$484,090,118.83	\$233,136,532.45
SSGA Index	\$250,953,586.38	\$493,014,822.28	\$242,061,235.90
EQ - PASSIVE DOMESTIC INDEX	\$501,907,172.76	\$977,104,941.11	\$475,197,768.35
Private Equity - Legacy	\$286,804,098.72	\$72,986,361.29	(\$213,817,737.43)
Private Equity - Franklin Park	\$286,804,098.72	\$138,604,992.71	(\$148,199,106.01)
EQ - PRIVATE EQUITY	\$573,608,197.44	\$211,591,354.00	(\$362,016,843.44)
Aronson Johnson Ortiz	\$358,505,123.40	\$395,315,485.69	\$36,810,362.29
Hotckis Wiley Mid Cap	\$358,505,123.40	\$456,844,698.11	\$98,339,574.71
Frontier Cap Mgmt	\$358,505,123.40	\$401,496,206.44	\$42,991,083.04
Wellington Mgmt	\$358,505,123.40	\$331,857,261.13	(\$26,647,862.27)
EQ - MID CAP DOMESTIC	\$1,434,020,493.60	\$1,585,513,651.37	\$151,493,157.77
Shapiro Cap Mgmt	\$573,608,197.44	\$619,201,147.99	\$45,592,950.55
Transition Account - AJO	\$573,608,197.44	\$472,104,989.73	(\$101,503,207.71)
EQ - SMALL CAP DOMESTIC	\$1,147,216,394.88	\$1,091,306,137.72	(\$55,910,257.16)
Thornburg Invest Intl Eq	\$430,206,148.08	\$431,672,117.15	\$1,465,969.07
Brandes Investment Partners	\$430,206,148.08	\$405,806,938.36	(\$24,399,209.72)
Capital Guardian	\$0.00	\$53,713.13	\$53,713.13
Causeway Cap Mgmt	\$430,206,148.08	\$457,063,867.27	\$26,857,719.19
EQ - LARGE CAP INTERNATIONAL	\$1,290,618,444.24	\$1,294,596,635.91	\$3,978,191.67
Advisory Research Intl Eq	\$107,551,537.02	\$104,585,561.78	(\$2,965,975.24)
Epoch Intl Eq	\$107,551,537.02	\$101,362,216.66	(\$6,189,320.36)
Wasatch Intl Eq	\$107,551,537.02	\$109,110,782.06	\$1,559,245.04
Wellington Intl Eq	\$107,551,537.02	\$105,461,409.13	(\$2,090,127.89)
EQ - SMALL CAP INTERNATIONAL	\$430,206,148.08	\$420,519,969.63	(\$9,686,178.45)
GROUP EQ - ALL / LARGE / PRIVATE EQUITY	\$2,581,236,888.48	\$2,733,797,840.71	\$152,560,952.23
GROUP EQ - MID / SMALL	\$2,581,236,888.48	\$2,676,819,789.09	\$95,582,900.61
GROUP EQ - INTERNATIONAL	\$1,720,824,592.32	\$1,715,116,605.54	(\$5,707,986.78)
CATEGORY EQUITIES	\$6,883,298,369.28	\$7,125,734,235.34	\$242,435,866.06

\* Net of Cash

\* EQ to FI differential caused by transition accounts

\* Assets as of March 19, 2013

## REBALANCING DISCUSSION

Investment Manager	Target Allocation (\$)	Market Value (\$)	Over / Under Target (\$)
AEW	\$191,202,732.48	\$168,556,340.00	(\$22,646,392.48)
Heitman	\$191,202,732.48	\$173,735,967.00	(\$17,466,765.48)
L&B	\$191,202,732.48	\$160,874,997.00	(\$30,327,735.48)
FI - REAL ESTATE	\$573,608,197.44	\$503,167,304.00	(\$70,440,893.44)
Loomis Sayles High Yield	\$191,202,732.48	\$205,464,723.33	\$14,261,990.85
Lord Abbett High Yield	\$191,202,732.48	\$206,438,920.25	\$15,236,187.77
MacKay Shields High Yield	\$191,202,732.48	\$204,232,018.94	\$13,029,286.46
FI - HIGH YIELD	\$573,608,197.44	\$616,135,662.52	\$42,527,465.08
Chickasaw	\$143,402,049.36	\$199,810,683.86	\$56,408,634.50
Cushing	\$143,402,049.36	\$172,065,829.04	\$28,663,779.68
Fiduciary Asset Management Co.	\$286,804,098.72	\$318,550,904.17	\$31,746,805.45
FI - MLP'S	\$573,608,197.44	\$690,427,417.07	\$116,819,219.63
Loomis Sayles Core Plus	\$682,948,118.20	\$628,046,791.47	(\$54,901,326.73)
Hoisington Investment Mgmt Co.	\$341,474,059.10	\$281,013,913.22	(\$60,460,145.88)
Lord Abbett Core Plus	\$682,948,118.20	\$593,343,175.31	(\$89,604,942.89)
MacKay Shields Core Plus	\$682,948,118.20	\$606,207,800.20	(\$76,740,318.00)
Stephens Capital Management	\$341,474,059.10	\$291,838,730.86	(\$49,635,328.24)
FI - CORE PLUS	\$2,731,792,472.81	\$2,400,450,411.06	(\$331,342,061.75)
PIMCO Distressed Mortgage Fund 1 (DMF I)	\$13,186.00	\$13,186.00	\$0.00
PIMCO Distressed Mortgage Fund 2 (DMF II)	\$15,886,213.00	\$15,886,213.00	\$0.00
PIMCO Bank Recapitalization Fund 1 (BRAVO 1)	\$120,348,710.97	\$120,348,710.97	\$0.00
FI - OPPORTUNISTIC	\$136,248,514.39	\$136,248,514.39	\$0.00
GROUP FI - HIGH YIELD / REAL ESTATE	\$1,147,216,394.88	\$1,119,302,966.52	(\$27,913,428.36)
GROUP FI - CORE PLUS / MLP / OPPORTUNISTIC	\$3,441,649,184.64	\$3,227,126,342.52	(\$214,522,842.12)
CATEGORY FIXED INCOME	\$4,588,865,579.52	\$4,346,429,309.04	(\$242,436,270.48)

\* Net of Cash

\* EQ to FI differential caused by transition accounts

\* Assets as of March 19, 2013

## REBALANCING DISCUSSION

Investment Manager	Target Allocation (%)	Percentage of Fund (%)	Over / Under Target (%)
Advisory Research All Cap	3.06%	3.14%	0.08%
Epoch Investment Partners	3.06%	3.06%	0.00%
EQ - ALL CAP DOMESTIC	6.13%	6.20%	0.08%
Sawgrass Asset Management	3.50%	3.53%	0.03%
Hotckis Wiley Large Cap	3.50%	3.74%	0.24%
EQ - LARGE CAP DOMESTIC	7.00%	7.26%	0.26%
Northern Trust Index	2.19%	4.22%	2.03%
SSGA Index	2.19%	4.30%	2.11%
EQ - PASSIVE DOMESTIC INDEX	4.38%	8.52%	4.14%
Private Equity - Legacy	2.50%	0.64%	-1.86%
Private Equity - Franklin Park	2.50%	1.21%	-1.29%
ALT INV - PRIVATE EQUITY	5.00%	1.84%	-3.16%
Aronson Johnson Ortiz	3.13%	3.45%	0.32%
Hotckis Wiley Mid Cap	3.13%	3.98%	0.86%
Frontier Cap Mgmt	3.13%	3.50%	0.37%
Wellington Mgmt	3.13%	2.89%	-0.23%
EQ - MID CAP DOMESTIC	12.50%	13.82%	1.32%
Shapiro Cap Mgmt	5.00%	5.40%	0.40%
Transition Account - AJO	5.00%	4.12%	-0.88%
EQ - SMALL CAP DOMESTIC	10.00%	9.51%	-0.49%
Thornburg Invest Intl Eq	3.75%	3.76%	0.01%
Brandes Investment Partners	3.75%	3.54%	-0.21%
Capital Guardian	0.00%	0.00%	0.00%
Causeway Cap Mgmt	3.75%	3.98%	0.23%
EQ - LARGE CAP INTERNATIONAL	11.25%	11.28%	0.03%
Advisory Research Intl Eq	0.94%	0.91%	-0.03%
Epoch Intl Eq	0.94%	0.88%	-0.05%
Wasatch Intl Eq	0.94%	0.95%	0.01%
Wellington Intl Eq	0.94%	0.92%	-0.02%
EQ - SMALL CAP INTERNATIONAL	3.75%	3.67%	-0.08%
GROUP EQ - ALL / LARGE / PRIVATE EQUITY	22.50%	23.83%	1.33%
GROUP EQ - MID / SMALL	22.50%	23.33%	0.83%
GROUP EQ - INTERNATIONAL	15.00%	14.95%	-0.05%
CATEGORY EQUITIES	60.00%	62.11%	2.11%

\* Net of Cash

\* EQ to FI differential caused by transition accounts

\* Assets as of March 19, 2013

## REBALANCING DISCUSSION

Investment Manager	Target Allocation (%)	Percentage of Fund (%)	Over / Under Target (%)
AEW	1.67%	1.47%	-0.20%
Heitman	1.67%	1.51%	-0.15%
L&B	1.67%	1.40%	-0.26%
FI - REAL ESTATE	5.00%	4.39%	-0.61%
Loomis Sayles High Yield	1.67%	1.79%	0.12%
Lord Abbett High Yield	1.67%	1.80%	0.13%
MacKay Shields High Yield	1.67%	1.78%	0.11%
FI - HIGH YIELD	5.00%	5.37%	0.37%
Chickasaw	1.25%	1.74%	0.49%
Cushing	1.25%	1.50%	0.25%
Fiduciary Asset Management Co.	2.50%	2.78%	0.28%
FI - MLP'S	5.00%	6.02%	1.02%
Loomis Sayles Core Plus	5.95%	5.47%	-0.48%
Hoisington Investment Mgmt Co.	2.98%	2.45%	-0.53%
Lord Abbett Core Plus	5.95%	5.17%	-0.78%
MacKay Shields Core Plus	5.95%	5.28%	-0.67%
Stephens Capital Management	2.98%	2.54%	-0.43%
FI - CORE PLUS	23.81%	20.92%	-2.89%
PIMCO Distressed Mortgage Fund 1 (DMF I)	0.00%	0.00%	0.00%
PIMCO Distressed Mortgage Fund 2 (DMF II)	0.14%	0.14%	0.00%
PIMCO Bank Recapitalization Fund 1 (BRAVO 1)	1.05%	1.05%	0.00%
FI - OPPORTUNISTIC	1.19%	1.19%	0.00%
GROUP FI - HIGH YIELD / REAL ESTATE	10.00%	9.76%	-0.24%
GROUP FI - CORE PLUS / MLP / OPPORTUNISTIC	30.00%	28.13%	-1.87%
CATEGORY FIXED INCOME	40.00%	37.89%	-2.11%

\* Net of Cash

\* EQ to FI differential caused by transition accounts

\* Assets as of March 19, 2013