



PORTSMOUTH  
BOSTON  
ATLANTA

Sean Higman, George Hauptfuhrer and Jon Prime • Consultants  
Brian Basiliere • Investment Analyst  
Colin Kelley • Performance Analyst

[pbaTPBP@primebuchholz.com](mailto:pbaTPBP@primebuchholz.com)

## Town of Palm Beach Police Retirement System

Investment Performance Analysis  
Period Ended September 30, 2012

# Index

---

- Market Environment Tab I
- Total Fund Review Tab II
  - Total Fund Highlights
  - Segment Performance
  - Executive Summary
  - Asset Allocation
  - Schedule of Investable Assets
  - Liquidity Schedule
  - Operational Detail
  - Fee Schedule
  - Peer Performance Comparison
- Exposures and Characteristics Tab III
- Investment Detail Tab IV
  - Performance Highlights
  - Manager Profiles
  - Historical Performance

Tab I

- Third quarter data showed U.S. GDP growth decelerated further in the second quarter. Real GDP grew at an annualized rate of 1.3% in the second quarter, which is down from 2.0% in the first quarter, according to the Bureau of Economic Analysis. Declines in personal consumption expenditures, non-residential, and residential fixed investment—all of which have largely offset weakness in other economic segments—weighed on economic growth. This trend extended globally with few exceptions as several countries experienced decelerations or declines in economic activity during the second quarter. The euro area contracted by 0.7% (annualized), with the modest growth from the German and Dutch economies fully offset by declines in Austria, Belgium, Spain, Italy, France, and other countries. Japan's growth slowed to an annualized rate of 0.7%, while the United Kingdom contracted 1.5%. China posted annualized growth of 7.4%, which is in line with the previous quarter but below expectations, following waning corporate profitability, industrial output, and demand for exports.
- Slowing global growth prompted action from central banks across the world. In addition to maintaining historically low policy rates, several of the largest central banks in the developed world introduced new measures that favored growth over the containment of inflation. In early September, the European Central Bank (ECB) announced a program of Outright Monetary Transactions (OMT), which allows the ECB to purchase unlimited amounts of sovereign debt on the open market, effectively lowering borrowing costs of troubled countries. The Federal Reserve Bank also extended Operation Twist through the end of 2012, introduced a plan to increase monthly residential mortgage-backed securities (MBS) purchases by \$40 billion per month, and confirmed that short-term interest rates would remain at low levels into 2015. Similarly, the Bank of Japan (BOJ) announced additional asset purchases to support its economy, while China has taken unprecedented action by injecting hundreds of billions of yuan into its banking system via reverse-repurchase agreements.
- Consumer prices across the Organisation for Economic Co-operation and Development (OECD) countries were up 2.0% over the trailing 12-month period ended August 31st. Energy prices increased dramatically, while food prices increased at a more moderate rate. Excluding energy and food, consumer prices across the OECD were up 1.8% over the trailing period. In the U.S., headline CPI (including energy and food) increased 1.7% over the trailing period. However, given declines in domestic energy prices over the trailing period, U.S. CPI (excluding energy and food) was higher at 1.9%. China also experienced moderate inflation (2.0%) compared to other emerging economies, while Japan's prices were 0.4% lower than they were in August 2011.
- Unemployment across OECD countries remained at a stubbornly high 7.9% in August. U.S. unemployment dipped below 8.0% for the first time since January 2009, dropping to 7.8% in September. While the U.S. economy has added an average of 146,000 jobs per month year to date in 2012, 12.1 million people remain unemployed and 8.6 million are underemployed (involuntary part-time workers). Unemployment in the euro area moderated at 11.4% after rising in each of the 13 months preceding July 2012. Spain (25.1%) continued to have the highest rate of unemployment, followed by Portugal (15.9%) and Ireland (15.0%). Germany remained stable at 5.5%.
- The U.S. housing market showed additional improvement in the second quarter with the Federal Housing Finance Agency's (FHFA) seasonally adjusted, purchase-only house price index increasing 1.8%. Housing prices were 3.0% higher than in the second quarter of 2011. The FHFA's Principal Economic attributed the gains, which were fairly broad in nature, to fewer distressed sales, more modest inventories, and favorable mortgage rates.
- The price per barrel of West Texas Intermediate (WTI) recovered throughout August before settling at \$92.19—8.5% higher—at the close of the third quarter. Advances in August were attributable to ongoing tensions in the Middle East, production concerns, and sustained demand from the emerging markets. While Brent crude, which is more levered to supply and demand conditions outside of the U.S., followed a similar trajectory during the quarter, the premium over WTI increased as the Brent price per barrel advanced 14.9% to \$112.39.

# Historical Returns

Third Quarter 2012

	Qtr	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr
<b>Equity Index Returns</b>						
S&P 500	6.4	30.2	14.8	13.2	1.1	8.0
Russell 3000 (Broad Market)	6.2	30.2	14.4	13.3	1.3	8.5
Russell 1000 (Large Cap)	6.3	30.1	14.6	13.3	1.2	8.4
Russell Midcap	5.6	28.0	12.7	14.3	2.2	11.2
Russell 2000 (Small Cap)	5.3	31.9	12.8	13.0	2.2	10.2
MSCI ACWI (USD)	6.8	21.0	6.6	7.2	-2.1	8.6
MSCI ACWI (Local)	5.6	20.6	6.5	6.8	-2.4	7.0
MSCI ACWI ex-U.S. (USD)	7.4	14.5	1.0	3.2	-4.1	9.8
MSCI ACWI ex-U.S. (Local)	5.1	13.7	0.8	2.4	-4.6	6.6
MSCI EAFE (USD)	6.9	13.8	1.5	2.1	-5.2	8.2
MSCI EAFE (Local)	4.7	13.5	0.6	1.3	-6.2	4.9
MSCI EM (USD)	7.7	16.9	-1.0	5.6	-1.3	17.0
MSCI EM (Local)	5.9	16.4	1.2	5.8	0.0	14.9
S&P Developed ex-U.S. (Small Cap)	8.3	14.1	3.6	5.7	-3.2	12.0
London - FTSE 100*	4.2	17.0	6.0	8.0	1.9	8.7
Japan - Nikkei 225*	-0.7	4.0	-0.7	-2.5	-10.3	0.8
Hong Kong - Hang Seng*	8.0	22.9	-0.1	3.2	-2.0	12.5
China - Shanghai Composite*	-5.5	-9.3	-9.4	-7.3	-16.3	4.6

\*Returns in local currency

	Qtr	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr
<b>MSCI ACWI Sector</b>						
Consumer Discretionary	6.3	24.6	10.9	14.1	1.9	8.9
Consumer Staples	5.3	23.3	14.2	15.1	7.2	10.9
Energy	9.4	20.8	9.0	7.0	-0.9	13.0
Financials	8.5	22.9	0.3	-0.2	-10.1	4.3
Healthcare	7.4	26.6	15.4	12.8	4.6	7.9
Industrials	4.7	20.9	4.9	8.6	-3.0	9.6
Information Technology	7.0	26.4	12.2	11.1	1.7	10.4
Materials	7.4	12.4	-1.0	4.6	-3.9	13.0
Telecom	6.8	17.1	8.3	9.7	-0.1	11.9
Utilities	0.7	6.0	0.9	1.2	-3.4	10.3

	Qtr	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr
<b>Fixed Income Index Returns</b>						
LIBOR US 3m	0.1	0.5	0.4	0.4	1.2	2.2
Citigroup 3m T-Bill	0.0	0.1	0.1	0.1	0.6	1.7
BOA ML 1-3 Yr Treasury	0.3	0.6	0.9	1.4	2.8	2.8
Barclays 3-10 Yr Treasury	0.9	3.8	4.9	6.3	7.2	5.2
Barclays 5-10 Yr Treasury	1.0	5.1	6.3	7.8	8.3	5.7
Barclays Long-Term Treasury	0.2	6.3	11.6	12.0	11.1	7.7
Barclays Credit	3.5	10.1	7.3	8.7	7.9	6.4
Barclays Gov't/Credit	1.7	5.7	5.4	6.5	6.6	5.4
Barclays Aggregate	1.6	5.2	5.2	6.2	6.5	5.3
Barclays Municipal	2.3	8.3	6.1	6.0	6.1	5.0
Barclays High Yield	4.5	19.4	10.2	12.9	9.3	11.0
JPM Global Bond	2.8	3.4	4.3	4.9	6.9	6.9
JPM Non-U.S. Bond	3.9	3.5	4.1	4.7	7.1	7.5
JPM Global Bond-Hedged	1.4	4.4	3.6	4.6	5.3	4.6
JPM Non-U.S. Bond-Hedged	1.8	4.9	3.2	4.1	4.9	4.5
JP Morgan EMBI+	6.9	20.3	10.4	12.3	10.3	13.2
JPM GBI-EM Global Div Bond	4.8	12.7	4.8	9.4	8.7	-
JPM GBI-EM Global Div Bond-Hedged	1.9	7.2	4.8	6.7	6.0	-

	Qtr	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr
<b>Hedge Fund Index Returns</b>						
<b>HFRI Fund Weighted Composite</b>						
<b>Absolute Return</b>						
HFRI Event Driven (Total)	2.7	6.7	3.2	5.8	2.0	8.2
HFRI Relative Value (Total)	3.7	9.2	5.7	7.8	4.9	6.7
HFRI RV: FI-Convertible Arbitrage	3.0	8.8	2.9	6.4	4.2	5.1
HFRI EH: Equity Market Neutral	1.2	4.1	1.0	1.0	-0.2	2.2
<b>Directional Hedge</b>						
HFRI Equity Hedge (Total)	3.5	7.5	1.5	3.2	-0.4	5.8
HFRI Macro (Total)	1.6	-1.2	0.5	1.5	3.3	6.5
HFRI Emerging Markets (Total)	3.2	4.6	-2.4	2.1	-1.4	11.2
HFRI EH: Short Bias	-7.8	-16.8	-11.0	-11.8	-5.9	-5.9
<b>Fund of Funds</b>						
HFRI FOF Strategic	2.7	3.5	0.2	1.4	-2.4	4.3
HFRI FOF Diversified	2.2	2.7	0.8	1.7	-1.4	3.7

	Qtr	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr
<b>Illiquid Partnerships</b>						
<b>Private Real Assets (as of 9/30/2012)</b>						
NCREIF Property Index	2.3	11.0	13.5	10.9	2.3	8.3
Apartment	2.4	12.0	15.2	13.2	2.8	8.2
Industrial	2.3	11.1	13.2	9.7	1.5	7.7
Office	2.3	9.9	12.6	9.8	1.2	7.6
Retail	2.3	12.0	13.7	11.2	4.3	10.7
NCREIF Timber Index	0.8	2.3	1.2	-0.5	3.3	7.6
<b>Private Equity (as of 03/31/2012)</b>						
<b>U.S. Private Equity</b>						
Venture Capital	5.1	9.8	9.3	11.7	4.1	8.0
Early/Seed Stage	3.3	6.4	6.1	6.0	1.9	2.7
Later Stage	4.3	9.0	3.5	2.7	-0.2	-0.2
Buyouts	3.4	20.4	10.9	10.9	6.5	5.9
Small	5.0	9.7	10.9	13.0	4.2	9.6
Medium	3.6	11.2	5.1	5.8	5.0	10.2
Large	4.0	13.2	8.7	7.7	3.8	9.3
	6.5	13.7	9.3	9.7	5.7	9.8

	Qtr	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr
<b>Real Assets and Inflation</b>						
<b>REITs</b>						
FTSE EPRA/NAREIT GL	5.5	30.6	10.3	12.9	-2.2	11.8
<b>Commodities</b>						
DJ-UBS Commodity	9.7	6.0	3.0	5.3	-3.0	5.2
Goldman Sachs Commodity	11.5	12.7	7.7	6.5	-5.4	3.4
<b>Natural Resources</b>						
SP GSSI Natural Resources	12.1	20.5	8.9	8.9	0.0	14.0
<b>Inflation-Protected Bonds</b>						
Barclays U.S. TIPS	2.1	9.1	9.5	9.3	7.9	6.6
<b>Inflation</b>						
U.S. CPI	0.2	1.4	2.6	2.1	2.0	2.4
U.S. CPI Plus 5%	1.5	6.4	7.7	7.2	7.1	7.5

# Key Metrics

Third Quarter 2012

Option-Adjusted Spreads		
	Current QTR	1 Year Ago
U.S. High Yield	551	807
U.S. Corporate	156	238
U.S. IG Financials	179	332
CDX IG 5-Yr	99	144
CDX HY 5-Yr	504	829
Agency MBS	24	80
CMBS	155	351
ABS - Fixed Rate	44	77
ABS - Floating Rate	115	122
TED <sup>1</sup>	27	36
Emerging Markets (External)	332	495

<sup>1</sup>3 month US LIBOR minus 3 Month US T Bills

U.S. Economy		
	Current QTR	1 Year Ago
Unemployment Rate	7.80%	9.10%
Quarterly GDP <sup>2</sup>	1.30%	1.30%
Current Account Deficit <sup>2</sup>	\$117.40	\$118.00
Annualized Current Account Deficit/GDP <sup>2</sup>	3.01%	3.15%

<sup>2</sup>Statistics as of one quarter prior

Central Bank Activity		
	Current QTR	1 Year Ago
Fed Funds Rate	0-0.25%	0-0.25%
Bank of Japan Target Rate	0.10%	0.10%
European Central Bank Rate	0.75%	1.50%
Bank of England Official Bank Rate	0.50%	0.50%

Inflation Forecast		
	Current QTR	1 Year Ago
10-Year Treasury Yield	1.63%	1.92%
10-Year Breakeven <sup>4</sup>	2.42%	1.76%
5-Year Treasury Yield	0.62%	0.95%
5-Year Breakeven <sup>4</sup>	2.08%	1.43%

<sup>4</sup> Breakeven rates calculated by Bloomberg

Equity Market Valuations	Current QTR			1-Year Ago		
	Trailing P/E	Forward P/E	Div. Yield	Trailing P/E	Forward P/E	Div. Yield
S&P 500 Index	14.5x	13.9x	2.1%	12.3x	11.6x	2.2%
Russell 1000 Index	14.7x	14.1x	2.0%	11.8x	2.2x	1.8%
Russell Midcap Index	16.1x	15.4x	1.8%	14.2x	13.3x	2.0%
Russell 2000 Index	16.4x	15.8x	1.6%	14.5x	13.6x	1.8%
Russell 3000 Index	14.8x	14.2x	2.0%	12.6x	11.9x	2.1%
Russell 3000 Growth Index	17.5x	16.5x	1.6%	15x	13.6x	1.6%
Russell 3000 Value Index	12.9x	12.5x	2.4%	10.9x	10.5x	2.7%
MSCI ACWI Index	13.5x	12.7x	2.7%	11.1x	10.7x	3.0%
MSCI ACWI ex-U.S. Index	12.7x	11.8x	3.4%	10.2x	10.1x	3.7%
MSCI EAFE Index	13x	11.9x	3.6%	10.2x	10.2x	4.0%
MSCI EM Index	11.6x	10.9x	2.9%	9.5x	9.3x	3.1%
London - FTSE 100 <sup>3</sup>	12.4x	11.3x	4.1%	9.6x	9.2x	3.9%
Japan - Nikkei 225 <sup>3</sup>	15.1x	14.1x	2.2%	14.6x	14.3x	2.2%
Hong Kong - Hang Seng <sup>3</sup>	10.4x	10.9x	3.4%	8.3x	9.6x	3.8%
China - Shanghai Composite <sup>3</sup>	10.6x	9.5x	2.8%	12.2x	10.9x	2.0%

<sup>3</sup>Returns in local currency

P/E excludes companies with negative earnings

U.S. Treasury Yields							Curve Steepness
Date	3-Mo T-Bill	6-Mo T-Bill	2-Year Note	5-Year Note	10-Year Note	30-Year Note	10-Year - 2-Year
1 Year Ago	0.02%	0.06%	0.25%	0.95%	1.92%	2.92%	1.67%
Current Quarter	0.08%	0.13%	0.24%	0.62%	1.63%	2.82%	1.39%

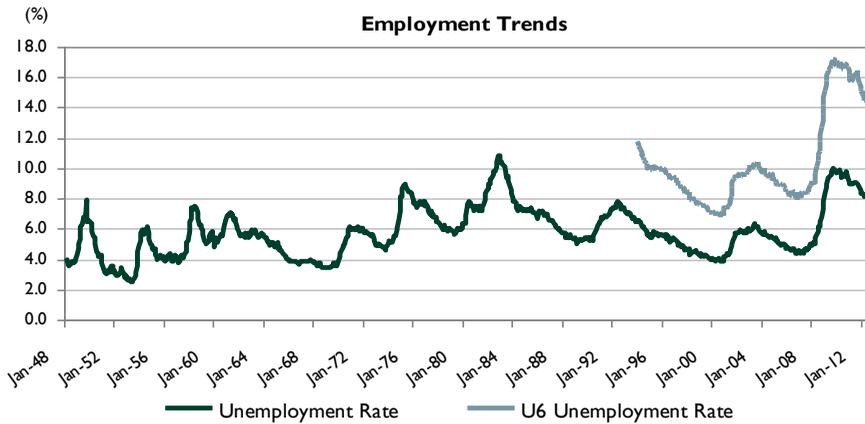
Currency Rates (per U.S. Dollar) (%)								Current Spot
	MTD	QTD	YTD	1 Year	2 Year**	3 Year*	5 Year**	Rate
U.S. Dollar Spot (DXY)**	-1.6%	-2.1%	-0.3%	1.8%	0.8%	1.4%	0.6%	79.935
Canadian Dollar	0.3%	3.3%	3.8%	6.7%	2.3%	2.8%	0.2%	0.984
Japanese Yen	0.5%	2.4%	-1.3%	-1.2%	3.5%	4.8%	8.0%	77.960
British Pound	1.9%	2.9%	4.0%	3.7%	1.4%	0.4%	-4.6%	0.619
Euro	2.2%	1.5%	-0.8%	-3.9%	-2.9%	-4.2%	-2.1%	0.778
Australian Dollar	0.5%	1.4%	1.7%	7.4%	3.6%	5.5%	3.2%	0.964
Brazil	0.1%	-0.7%	-8.0%	-7.2%	-8.8%	-4.5%	-2.0%	2.026
China	1.0%	1.1%	0.2%	1.6%	3.2%	2.8%	3.6%	6.285
GBP/Euro	-0.4%	1.4%	4.9%	8.0%	4.5%	4.8%	-2.6%	0.795
Yen/Euro	-1.6%	0.8%	-0.5%	2.9%	6.6%	9.4%	10.3%	100.210

\*Annualized Price Change

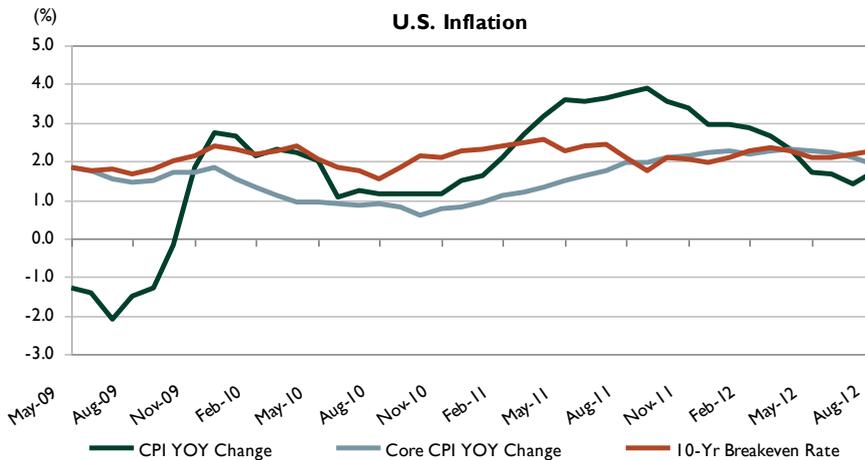
\*\*Index measures value of USD relative to basket of foreign currencies.

# Macroeconomic Trends

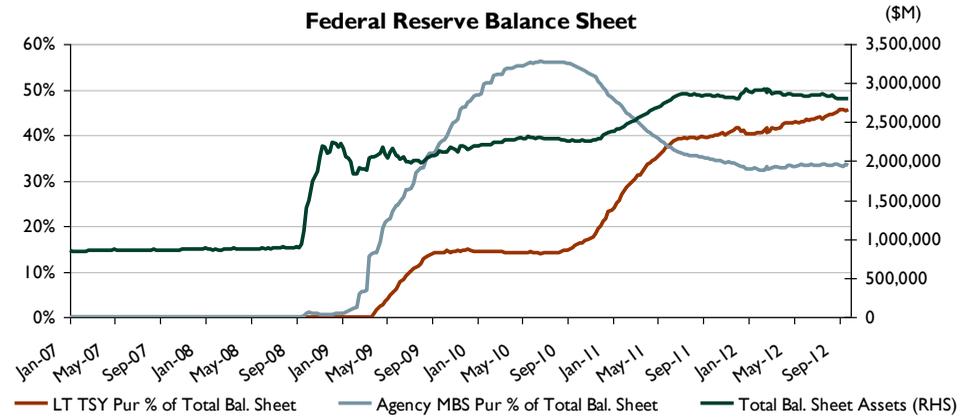
Third Quarter 2012



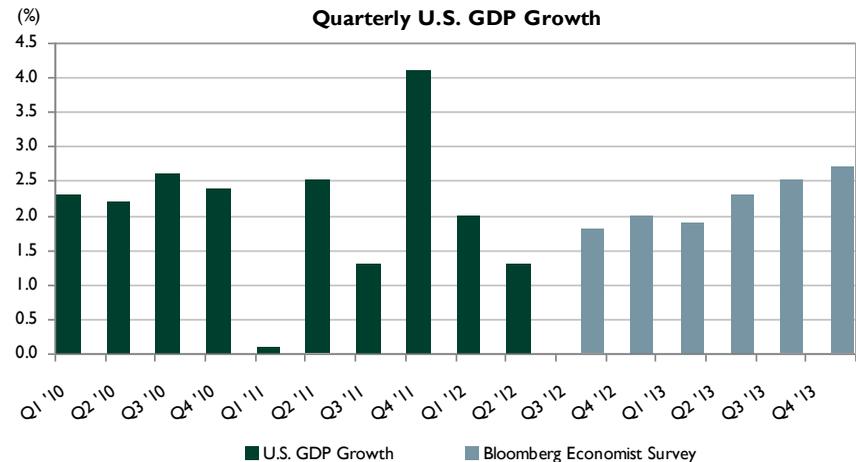
The September unemployment rate fell to 7.8% marking its lowest level since January 2009. However, the broader U6 rate remains elevated and the Fed has indicated they are concerned that current slow economic growth is insufficient to dramatically improve unemployment. The Fed will continue to monitor the jobs market as it debates whether to expand/continue QE measures.



Year-over-year Core CPI (1.9%) fell below 2.0% in September for the first time since July 2011. However, inflation expectations rose during the quarter as the market has exhibited some concern that Fed expansionary policy will drive prices higher in the future.



Amid continued monetary easing, the Fed's balance sheet was approximately \$2.8 trillion at the end of the third quarter. The percentage of the total balance sheet, represented by long-term purchases of U.S. Treasuries and agency MBS, has risen to nearly 80% in aggregate—at a time when the balance sheet has grown sharply, which has significantly impacted market prices. Prior to the credit crisis in 2008, these assets represented less than 20% of total Fed balance sheet.

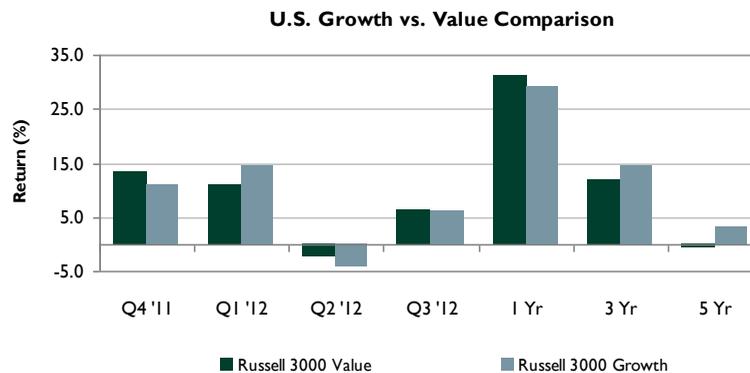
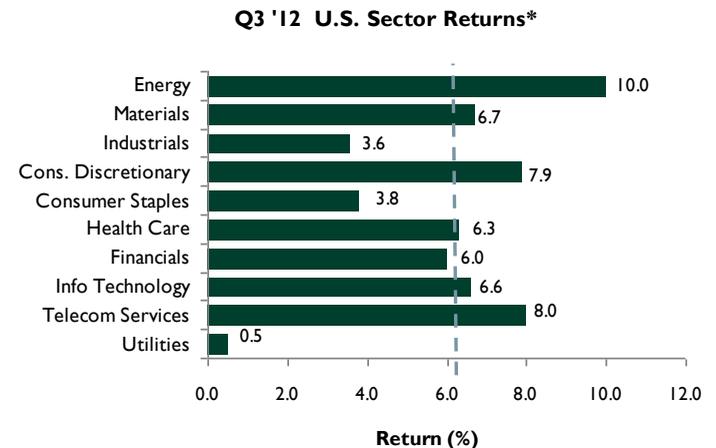
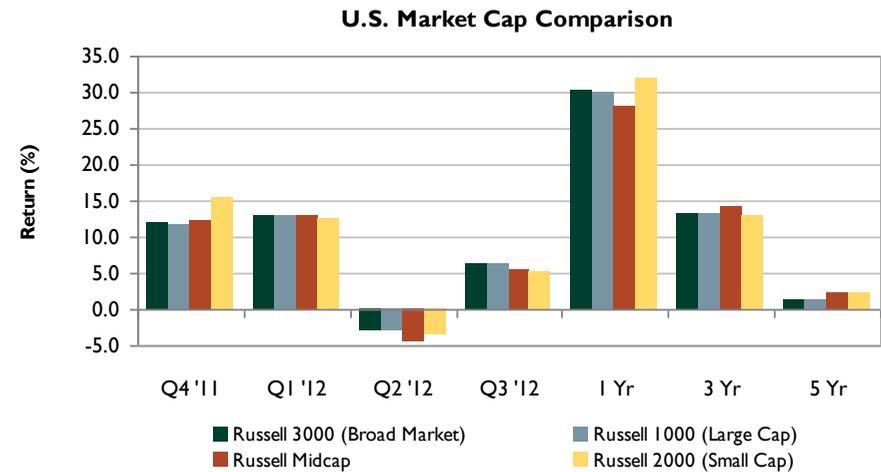


Real U.S. GDP growth slowed to 1.3%, annualized in the second quarter, as declines in personal consumption expenditures, nonresidential, and residential fixed investment weighed on economic growth. The IMF currently forecasts U.S. Growth to be 2.2% in 2012 and 2.1% in 2013 with ongoing political gridlock and the looming fiscal cliff cited as economic risks.

# U.S. Equity

Third Quarter 2012

- Equity markets seemingly climbed the proverbial wall of worry in the third quarter. Returns were modest in July and gained momentum in August and September. The Russell 3000 Index, a proxy for the broad U.S. equity market, advanced 6.2%. As the quarter progressed, volatility as measured by the CBOE Volatility Index (VIX), declined and riskier assets outperformed. Nevertheless, many of the challenges facing domestic equity markets persist, notably the uncertainty surrounding the upcoming election, the pending fiscal cliff, and slowing economic activity.
- As a result of higher commodity prices, the energy sector (+10.0%) posted the largest gain, followed by the telecom and consumer discretionary sectors. The weakest sector was utilities, though consumer staples and industrials stocks also underperformed the broad market.
- While small cap equities outpaced their larger counterparts in August and September, large caps generated the best performance during the third quarter. Year to date through September, large cap equities, as represented by the Russell 1000 Index (+16.3%), maintained a material lead over mid (+14.0%) and small (+14.2%) cap equities, as represented by the Russell Midcap and Russell 2000 Indices, respectively.
- Value stocks (+6.4%) maintained a slight edge over growth stocks (+6.0%), but remain at a relative deficit year to date given the substantial outperformance of growth stocks in the first quarter, when the market posted double-digit gains.
- In August, Apple became the largest company by capitalization in market history. The stock, which was up close to 65% year to date through September, comprised 4% of the Russell 1000 Index and 8% of the Russell 1000 Growth Index at September 30th.



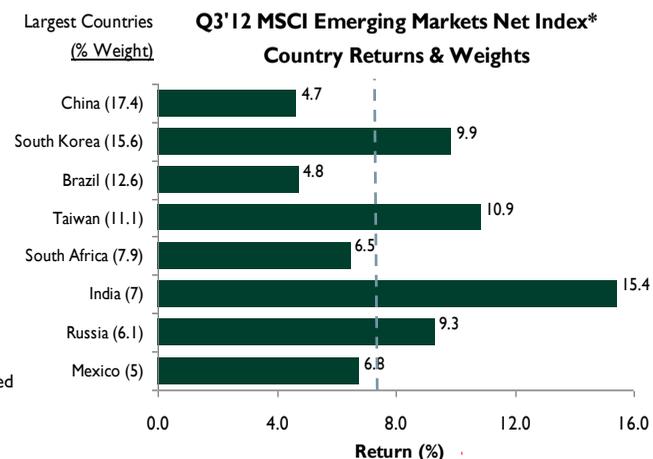
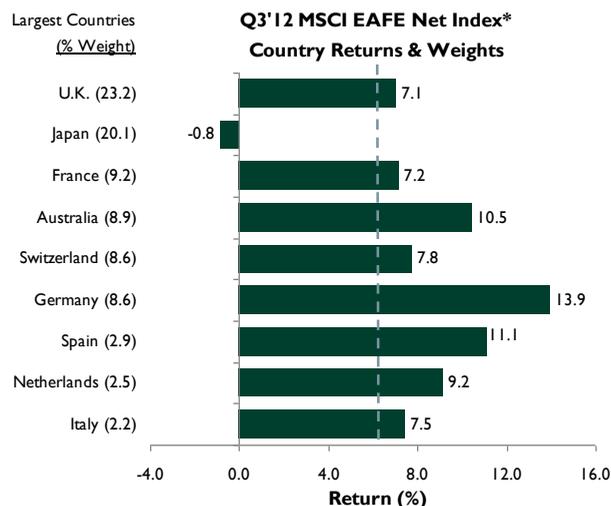
Sources: InvestMetrics, Bloomberg

# International Equity

Third Quarter 2012

- Developed foreign equities, as measured by the MSCI EAFE Index, rebounded in the quarter, advancing 6.9% in U.S. dollar (USD) terms. Foreign equity markets reacted favorably to the ECB's efforts to support peripheral debt markets. Currency movements served as a tailwind as most major currencies appreciated relative to the USD following additional quantitative easing (QE) announced by the Fed. The Index gained only 4.7% in local terms.
  - Spain (+11.1% USD, +9.6% locally) generated gains, aided by an agreement with the European Union in July on a bank bailout package aimed at propping up the nation's troubled lenders.
  - Japan (-0.8% USD, -3.3% locally) joined Ireland as the only developed foreign countries to post a loss, despite the BOJ's efforts to offset global economic weakness through monetary easing in September.
  - All economic sectors within the MSCI EAFE Index posted gains during the quarter, paced by financials. Though investor appetite for risk assets increased, the traditionally more defensive health care and consumer staples sectors also generated strong gains.

- Emerging markets equities managed strong returns despite ongoing investor concern over slowing global growth. The MSCI Emerging Markets Index advanced 7.7% in USD, as developing markets benefited from strong domestic demand, accommodative monetary policy, and improving sentiment in continental Europe. Returns were further enhanced by favorable currency movements, with the benchmark gaining only 5.9% locally.
  - Returns in China (+4.7% USD, +4.6% locally) lagged during the quarter, weighed down by investor concern over slowing growth and disappointing economic indicators—namely weak manufacturing data and export orders.
  - Though Brazil (+4.8% USD, +5.3% locally) lagged the broad index, the country benefited from the August announcement of an infrastructure-focused stimulus package.
  - Emerging Europe was an area of strength, with Russia (+9.3% USD, +5.9% locally), Poland (+12.3% USD, +7.8% locally), and the Czech Republic (+10.2% USD, +7.3% locally) all performing well due in part to the improving news out of the euro zone.
  - With the exception of utilities, all economic sectors within emerging markets saw positive returns. Health care and energy produced the strongest gains, the latter of which was helped by rising oil prices.



Sources: MSCI/Barra, Wall Street Journal, Financial Times.

Note: All returns quoted in USD terms, unless otherwise noted.

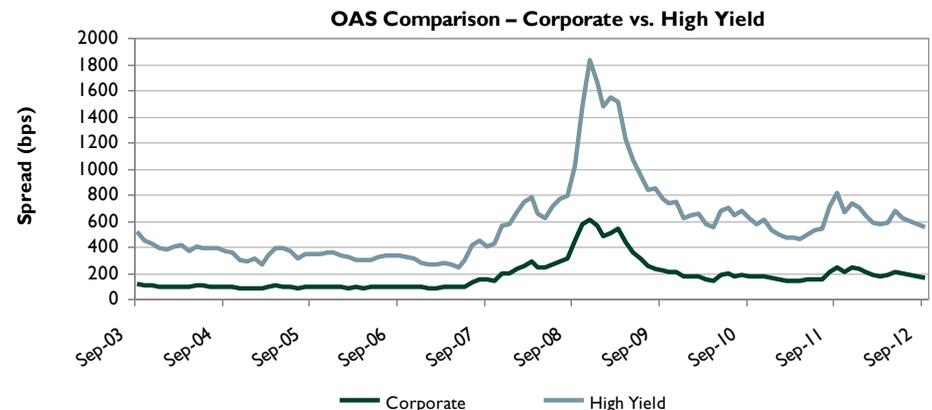
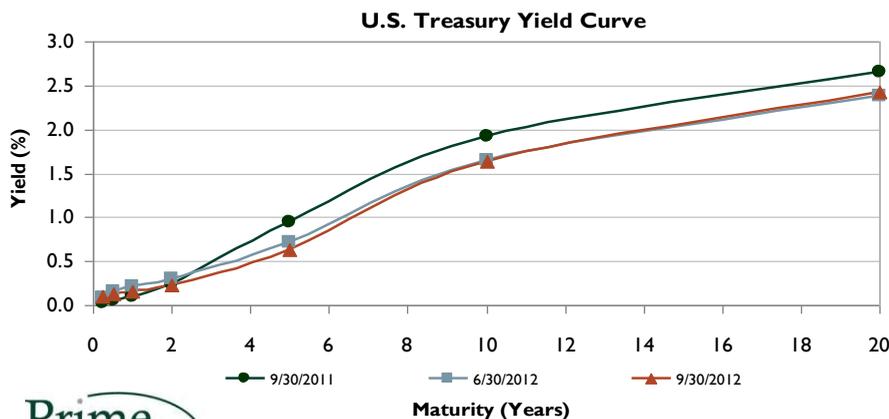
\*Dotted line indicates total index return

# U.S. Fixed Income

Third Quarter 2012

- U.S. Treasury yield changes were modest when viewing the quarter-to-quarter results; however, this masks the significant movement during the period. The 30-year U.S. treasury yield ultimately rose by only 7 bps, ending the quarter at 2.82%, but exhibited a wide range (3.10–2.45%). The U.S. Treasury markets grappled with competing forces, including rising inflation expectations, positive announcements from Europe, and continued Treasury purchases by the Fed. The 139 bps difference between the 10- and 2-year yields at quarter-end showed the curve continues to be steep relative to the historical monthly average (approximately 88 bps).
- The Fed announced a new round of open-ended QE in an effort to improve labor market conditions. The latest stimulus program includes plans to increase monthly agency residential MBS purchases by \$40 billion. With the previously announced extension of Operation Twist, the long-term monthly purchases are expected to be \$85 billion through 2012. The FOMC also extended its pledge to keep rates near zero until the middle of 2015.
- Barclays Aggregate Index (+1.6.%) returns were led by corporates and commercial MBS as risk aversion waned and investors sought yield amid historically low Treasury rates. Lower quality continued to outperform higher-rated bonds, with AAA-rated issues producing the lowest total return in the Aggregate Index's credit quality segments. Longer maturity also continued to meaningfully outperform shorter-term issues. The 10-year plus maturity segment of the Index generated total returns of more than 3%, outpacing the 1- to 3-year portion (+0.6%).

- Investment grade corporates (+3.8%) significantly outperformed similar duration U.S. Treasuries as spreads fell 43 bps. The sector benefited from price returns, particularly in July, while coupon returns helped to a lesser degree. Financials (+5.5%) were strong and significantly outpaced the gains of utilities and industrial bonds. Domestic financials were aided by the lessened risk of contagion from European banks after the ECB announced plans to make unlimited purchases of troubled sovereign debt, which we believe should help alleviate pressure on the balance sheets of many of the region's banks.
- The securitized sector outpaced the broad market on a total return basis. The U.S. MBS fixed rate portion of the Index gained 1.1% as spreads ended the quarter at 27 bps—the lowest level since August 2010. The sector benefited from increased demand driven by the Fed's purchase program. Within the sector, the Fed's focus on purchases in the 2.5–4.0% portion of the coupon stack caused this part of the market to outperform. Commercial MBS rallied sharply, with spreads ending the quarter at 155 bps—well below the historical monthly average of 212 bps, but still well above pre-2008 levels.
- Price increases (spreads fell 74 bps to 585 bps), as well as the positive impact from coupon returns, caused high yield bonds to rise 4.5%. Industrials slightly underperformed the Index, while both utilities (+5.8%) and financials (+5.5%) accounted for the strong benchmark returns. From a quality perspective, CCC-rated paper (+4.8%) outperformed both higher quality BB-rated and B-rated debt, both of which gained 4.4% in the quarter.

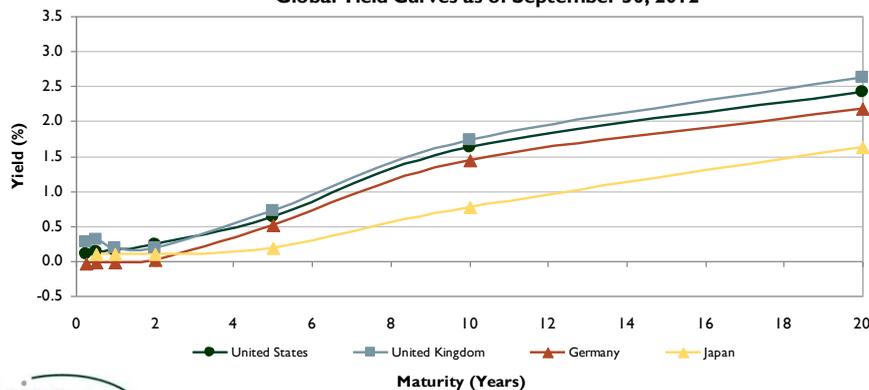


# Currencies & Global Bonds

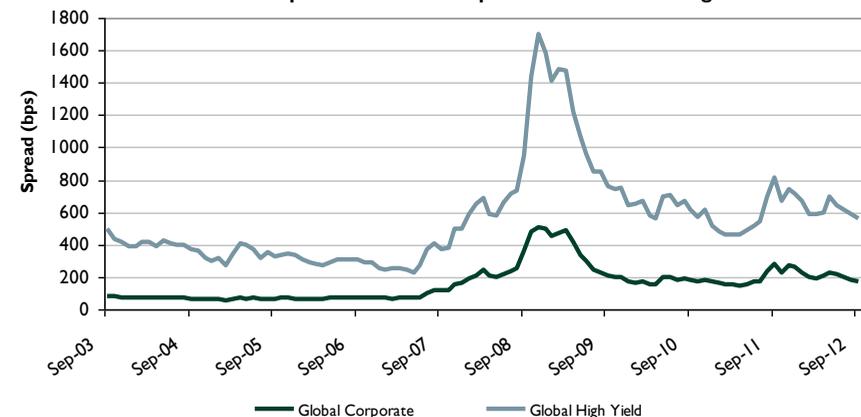
Third Quarter 2012

- While Russia surprised markets with a 25 bps rate hike, most central banks maintained accommodative monetary policy. China followed up on its unexpected rate cut in the second quarter by lowering its lending rate by an additional 31 bps to 6.0%. Brazil continued its easing efforts, lowering its Selic rate 100 bps over the course of the quarter to a record low of 7.5%. However, the most significant news came from the ECB, which not only cut rates 25 bps but also announced the open-ended sovereign debt bond-buying program. Meanwhile, the Federal Reserve also announced its own unlimited QE program; both initiatives are designed to lower borrowing costs. The Bank of England and BOJ also extended their own asset purchase programs in the face of global macro weakness. In the case of Japan, the easing program was also likely aimed at stemming yen appreciation. Actions by the major central banks led to declining risk aversion, which put pressure on safe assets such as U.S. Treasuries and USD.
- The Dollar Spot Index, a weighted-average of six major currencies (euro, Japanese yen, British pound, Canadian dollar, Swedish krona, Swiss franc), declined 2.1%. Gains in the yen (+2.4%) and euro (+1.5%) accounted for the majority of the weakness in the USD. Additionally, the Swedish krona rose 6.1% and is increasingly being considered a safe haven currency. Out of 43 developed and emerging markets currencies tracked, the USD underperformed all but ten, with notable strength against the Argentinian peso and Indonesian rupiah.
- The USD's weakness during the quarter created a wide gap between unhedged and hedged returns. The Barclays Global Treasury ex-U.S. Index rose 4.0% on an unhedged basis, but gained 1.8% when adjusted for weakness in the USD. The positive sentiment generated by the ECB's bond-buying program caused yields in peripheral Europe to decline, which led to strong gains in euro area bond markets. In local terms, Ireland rose 9.1%, while Spain and Italy rose 4.0% and 5.7%, respectively. The 1.5% gain in the euro enhanced returns and turned low to middle single-digit local market returns in core euro area countries into mid to high single-digit returns on an unhedged basis. In aggregate, the euro area gained 5.1% on an unhedged basis. Outside of the euro area, Sweden (+6.8%) and the U.K. (+4.2%) were notable winners, as were Canada (+4.2%) and Japan (+3.1%).
- Similar patterns were evident in emerging markets as currencies contributed significantly to results. The Barclays EM Local Currency GBI rose 5.1% in unhedged returns, approximately 300 bps higher than returns measured in local currencies. EM EMEA (+5.6%) was the strongest region—notably Russia (+7.8%), Poland (+7.5%), and Hungary (+6.0%). EM Asia (+5.5%) slightly trailed EMEA as South Korea (+6.7%) and the Philippines (+5.1%) rose in absolute terms, but generally trailed their European and Middle East counterparts. EM Americas (+4.0%) was a laggard as the 6.7% gain in both Mexico and Chile could not offset a more modest result in Brazil (+2.4%).

Global Yield Curves as of September 30, 2012



OAS Comparison - Global Corporate versus Global High Yield

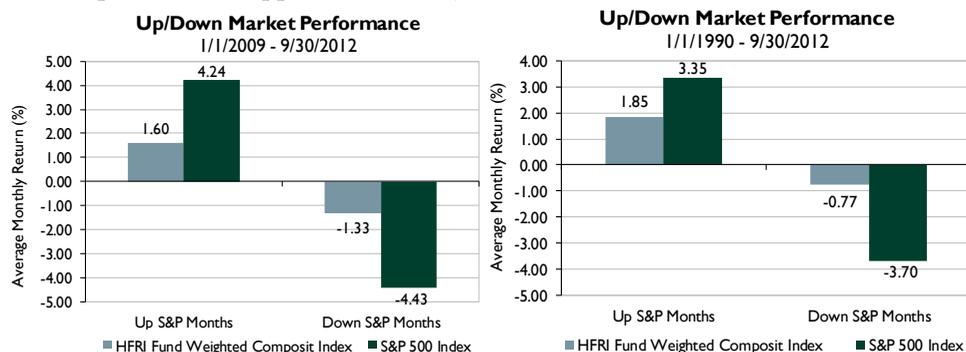


# Flexible Capital

Third Quarter 2012

- While equity markets were strong once again, hedge fund indices continued to lag the broad market. The HFRI Fund Weighted Composite Index was up 2.9%, capturing less than half of the 6.4% return of the S&P 500, bringing the year-to-date return to 4.7%. Long/short equity managers, as represented by the HFRI Equity Hedge Index, were among the better hedge fund performers at 3.5% as high net long exposure to the equity markets continues to be rewarded. Relative value strategies have been the strongest performers in 2012, with the HFRI Relative Value Index posting a 3.7% gain for the quarter and 8.1% year to date. Event-driven managers posted moderate gains, as represented by the HFRI Event Driven (+2.7%) and HFRI ED: Distressed/ Restructuring (+3.1%) Indexes. Managers with lower net exposure struggled, as represented by the HFRI EH: Market Neutral (+1.2%) and the HFRI Short Bias (-7.8%) Indexes. The Short Bias Index is down 13.7% year to date. Fund of funds strategies generally lagged direct hedge funds as the added diversification has not been beneficial in the recent market rallies.
- Hedge fund performance continues to disappoint relative to the run-up in the broad equity market (see chart below). Compared to historical levels, the upside capture by hedge funds post-crisis has dropped, while downside capture has increased. Despite disappointing results, hedge funds continue to offer downside protection and significantly less volatility than traditional long-only equity.
- Drivers of long/short equity fund performance were mixed, as many funds have added to the highest conviction names (e.g., Equinix, Google, Apple, etc.), which has been a positive source of attribution. Common short themes include continued pressure on the traditional personal computers, European financials, and cyclical industrial businesses with Europe and China exposure. Other drivers of performance appear to be idiosyncratic in nature rather than thematic.

- It was a strong quarter for credit-oriented managers, with a number of larger distressed and stressed situations performing in line with manager theses. Lehman Brothers debt and claims appreciated ahead of the distribution from the estate, which occurred in early October 2012. Approaches to Lehman vary by manager, but many have looked to reinvest proceeds back into the Lehman complex due to the uncorrelated and process-driven nature of the investment in an environment where distressed options are limited. Another popular and top performing trade was bank debt in TXU. TXU has traded down in recent quarters due to the volatility of natural gas prices; however, the commodity stabilized in the quarter and TXU debt traded up. While the potential for future volatility exists, many managers are willing to tolerate near-term price fluctuations as they believe the eventual restructuring will be positive for senior bank debt holders and TXU's role in the Texas power generation industry provides a level of downside protection.
- The true standout in the quarter and over the first nine months of the year has been mortgage-backed credit, particularly residential securities. The residential mortgage-backed securities (RMBS) market has benefited from both fundamental improvements in the housing sector and increased attention from yield-starved investors. The sharp rise in the third quarter led to profit-taking as managers remain confident in the underlying fundamentals, but are wary of a correction given the momentum created by retail and yield-focused investors that lack the analytical resources to understand the complex securities.
- Another theme that emerged was the reduction of credit protection, particularly in Europe as managers no longer view credit spreads as offering asymmetrical upside given the efforts by European central bankers to provide a backstop to troubled issuers. Outside of credit, corporate activity remains low, leading many event-driven managers to focus more heavily on special situations equity trades.



## Goldman Sachs Hedge Fund VIP Basket\*

Top 5 Q3 Performers		
Company	Q3	YTD
Google Inc	30.1%	16.8%
LyondellBasell	29.3%	63.0%
Delphi Auto	21.6%	43.9%
Citigroup	19.4%	24.5%
Visteon	18.6%	-11.0%
<b>S&amp;P 500</b>	<b>6.4%</b>	<b>16.5%</b>

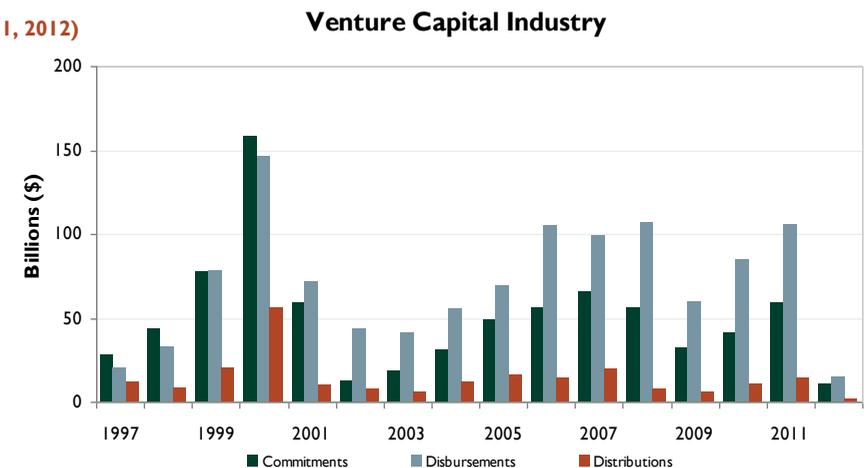
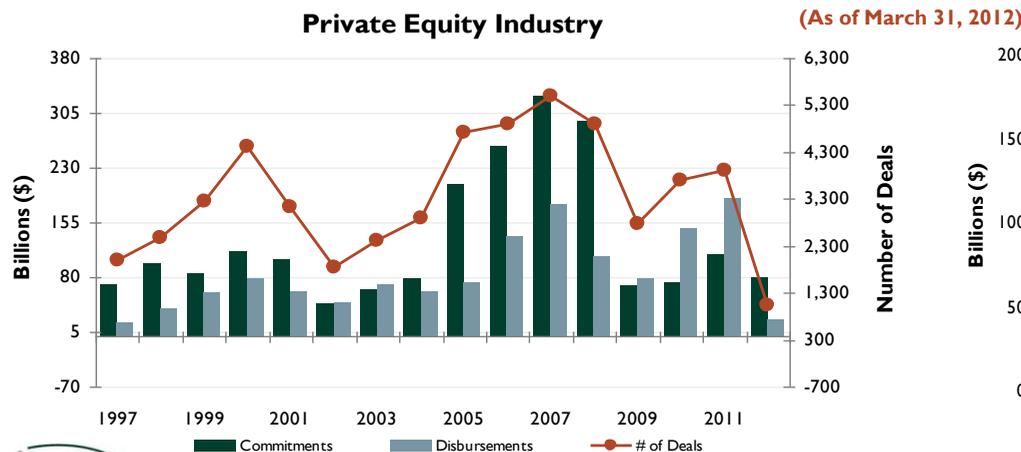
Bottom 5 Q3 Performers		
Company	Q3	YTD
TripAdvisor	-26.3%	30.6%
United Continental	-19.9%	3.3%
Delta Air Lines	-16.4%	13.2%
Intel Corp	-14.2%	-4.2%
Priceline.com	-6.9%	32.3%
<b>S&amp;P 500</b>	<b>6.4%</b>	<b>16.5%</b>

\* 50 companies that "matter most" to hedge funds; positions that appear most frequently as top ten holdings of hedge funds with 10-200 total holdings. Performance based on price change.

# Private Equity (As of June 30, 2012)

Third Quarter 2012

- U.S. private equity raised a total of \$34.8 billion from 65 funds during the second quarter of 2012, a decline from the \$38.1 billion raised by 136 funds during the prior quarter. Thematically, strong interest in energy and health care helped propel 23 industry-centric funds to close on a combined \$13.7 billion. That total is similar to the \$13.2 billion raised by 23 managers during the same period a year ago. Despite the economic uncertainty hovering over capital markets, U.S. distressed debt and restructuring firms collected just \$7.7 billion during the first half of 2012, down from the \$9.1 billion they raised during the same period in 2011.
- Thirty-eight U.S. venture capital funds raised \$5.9 billion in the second quarter. This is a 12% increase by dollar commitments and a 22% decline by number of funds compared to the first quarter, which saw 49 funds raise \$5.3 billion. Venture fundraising for the first half of 2012 totaled \$11.2 billion, a 10% increase by dollar commitments compared to the first half of 2011 (\$10.2 billion) and an 8% decline by number of funds.
- Bolstered by the record-breaking offering from Facebook in May, venture-backed IPO activity marked its strongest quarter on record, by dollars raised. Deals-wise, 11 venture-backed companies went public in the United States during the second quarter, a decline of 42% from the first quarter, and down 50% from the second quarter of 2011. Additionally, nine of the quarter's 11 IPOs were IT-related, representing 82% of the total issues for the quarter.
- Mezzanine funds have already drawn together more capital during the first half of 2012 than during all of last year. In the first half, 17 mezzanine funds closed on \$7.2 billion, compared to the \$2.9 billion raised by 19 managers during the first half of 2011. Additionally, this represents more than the \$4.7 billion raised by mezzanine firms during all of 2011. Secondary firms saw fundraising swell to \$12.7 billion during the first six months of the year, more than double the \$5.2 billion raised during the first half of 2011.
- Private equity activity contracted during the first half of 2012, when transactions with financial buyers experienced declines of 16% for deal count and 27% for dollar volume. The second half of 2012 could prove more fruitful for financial sponsors due to ample capital, the need to sell long-time holdings, and prospective postelection tax increases in the U.S. The potential for tax hikes in 2011 led to the best two-quarter period on record for U.S. private equity exits in the second half of 2010. A similar pattern this year could increase the pool of available targets and lift overall M&A activity.
- Thirty European-centric funds raised \$17.7 billion during the second quarter, compared to \$15.6 billion closed by 29 funds during the previous quarter. Investment activity increased slightly during the second quarter compared to the first, as transactions totaling €13.7 billion were completed—a 17% increase from the prior quarter.



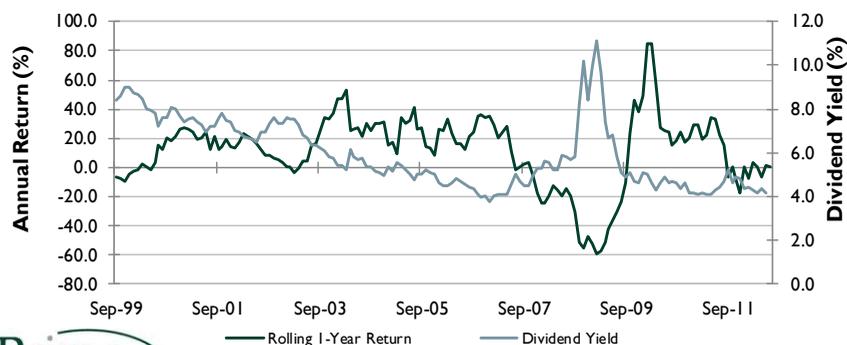
# Inflation Hedging

Third Quarter 2012

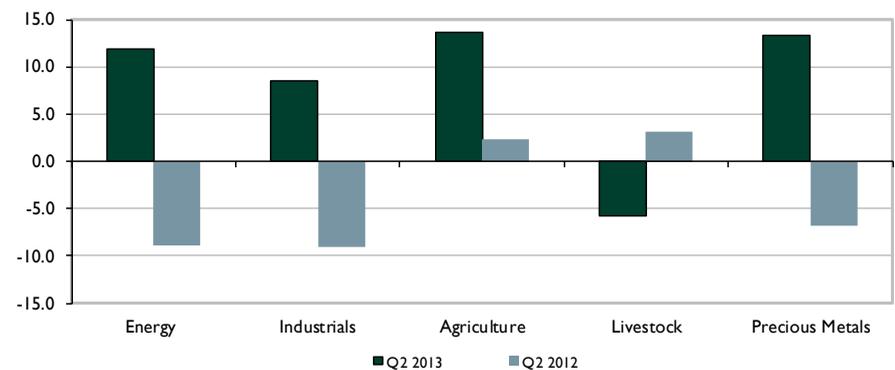
- Global real estate securities gained 5.5% with performance generally positive due to major central bank action and slowly improving real estate fundamentals. There was a shift in regional performance, as Asia and Europe significantly outperformed the U.S. market. Asia led the advance, returning 13.1% as real estate fundamentals and operating performance in Hong Kong, Singapore, and Tokyo generally improved and amid increasing investor sentiment that Asian securities were relatively undervalued. European securities recovered from a -1.8% second quarter loss with a 7.3% increase reflecting an easing of concern over the European debt crisis. The U.S. market, down 1.8% in September, ended essentially flat (+0.1%) for the third quarter due to a leveling off of asset values, rising concerns around the U.S. economic outlook, an increase in REIT capital offerings, and slowing growth in the apartment sector.
- Commodities advanced 9.7%, as measured by the DJ-UBS Commodity Index, with the strongest performers including grains, petroleum, petroleum products, and precious metals. Of particular note within these sectors, silver and gasoline increased by approximately 25%. ECB and Federal Reserve Bank stimuli provided a broad tailwind to commodity prices despite ongoing concerns over prospects for global growth. The continued drought in the U.S. and dry weather in Russia and Australia further decreased crop production forecasts and boosted grain prices. Central bank action, higher seasonal demand, lower-than-expected supply, and re-emerging geopolitical risks combined to lift petroleum/petroleum product prices. Natural gas prices rallied (+8.6%) as consumer demand increased and utilities switched from coal in favor of the bargain-priced fuel. The precious metal sub-index also moved higher with investors seeking a hedge in response to central bank actions.

- The NCREIF Property Index, a measure of core real estate property pricing in the U.S., returned 2.3% in the third quarter. Property markets continue to stabilize and show some positive signs in most sectors. Overall sales volume remains well below peaks of 2007. However, more than \$50 billion of assets transacted in the second quarter compared to less than \$20 billion during the trough in the second quarter of 2009. Transactions continue to be most robust in the apartment sector, and fundamentals in the sector also continue to improve. Office, industrial, and hotel vacancies continued to decline, and while retail assets have experienced a negative net absorption, rental rate declines have been slow. With the three-year new supply forecast below the 20-year average in all sectors, the supply/demand picture for real estate remains promising even in a muted recovery.
- The Barclays U.S. TIPS Index rose 2.1%, with the strongest gains experienced in 10- to 20-year part of the curve. The real yield curve steepened with the 2-to 10-year spread increasing from 9 bps to 54 bps. However, the long end flattened to a certain extent as yield declines beyond the 7-year maturity point gradually decreased. While larger declines in yields at the front end of the curve compared to the back end of the curve would normally favor shorter duration strategies, near-term inflation expectations widened out to a greater degree than longer-term expectations. The 5-year breakeven inflation rate increased 40 bps to 2.2%, while the 10-year breakeven inflation rate rose 28 bps to 2.4%. Shifting near-term inflation expectations caused shorter-dated TIPS to underperform their longer-maturity counterparts. Furthermore, as inflation expectations rose, TIPS across the maturity spectrum outperformed their nominal Treasury counterparts.

Public Real Estate



DJ UBS Commodities Sector Performance



**Tab II**

# Total Fund Highlights

---

- During the third quarter of 2012, The Town of Palm Beach Police Retirement System gained 4.2% performing in line with its Target Index, and returning 8.6% year to date. All segments within the portfolio posted positive returns during the quarter, with the domestic (+5.2%) and international (+7.7%) equity segments contributing positively towards absolute performance. The domestic equity segment trailed its Russell 3000 (+6.2%) by 100 bps, while the international equity segment outperformed its benchmark MSCI EAFE Index (+6.9%) by 80 bps. The total flexible capital segment contributed positively towards relative performance, outpacing its benchmark HFRI FOF Composite (+2.3%) by 60 bps. The total fixed income segment (+1.7%) closely matched its benchmark Fixed Income Composite (+1.6%) over the quarter. The total inflation hedging segment also contributed positively towards absolute performance, performing in line with its benchmark Inflation Hedging Composite (5.7%) At quarter-end, Total Fund assets were valued at approximately \$58.5 million.

# Segment Performance

## Segment Level Performance (% Rate of Return)

**Benchmark Dependent Metrics relative to S&P 500 Index**

**As of September 30, 2012**

	<b>1 Quarter Return</b>	<b>1 Year Return</b>	<b>3 Years Return</b>	<b>5 Years Return</b>	<b>10 Years Return</b>	<b>Since Inception Return</b>	<b>Since Inception Standard Deviation</b>	<b>Since Inception Beta</b>	<b>Since Inception Actual Correlation</b>	<b>Inception Date</b>
<b>Total Fund</b>	<b>4.2</b>	<b>13.8</b>	<b>7.2</b>	<b>1.1</b>	<b>6.6</b>	<b>7.6</b>	<b>9.2</b>	<b>0.5</b>	<b>0.9</b>	<b>Apr-91</b>
Target Index	4.2	11.8	6.4	0.7	6.5	7.6	9.3	0.6	1.0	Apr-91
<b>Domestic Equity</b>	<b>5.2</b>	<b>26.7</b>	<b>13.4</b>	<b>2.5</b>	<b>9.1</b>	<b>10.3</b>	<b>18.1</b>	<b>1.0</b>	<b>0.9</b>	<b>Apr-91</b>
Russell 3000 Index	6.2	30.2	13.3	1.3	8.5	8.9	16.8	1.0	1.0	Apr-91
<b>International Equity</b>	<b>7.7</b>	<b>22.7</b>	<b>6.0</b>	<b>-1.3</b>	<b>NA</b>	<b>9.6</b>	<b>22.7</b>	<b>1.2</b>	<b>0.9</b>	<b>Jan-03</b>
MSCI EAFE (Net)	6.9	13.8	2.1	-5.2	NA	7.7	21.4	1.2	0.9	Jan-03
<b>Total Flexible Capital</b>	<b>2.9</b>	<b>8.6</b>	<b>4.6</b>	<b>0.9</b>	<b>NA</b>	<b>5.1</b>	<b>7.3</b>	<b>0.3</b>	<b>0.8</b>	<b>Apr-03</b>
HFRI Fund of Funds Composite Index	2.3	2.9	1.5	-1.6	NA	3.5	7.3	0.3	0.8	Apr-03
<b>Total Fixed Income</b>	<b>1.7</b>	<b>6.5</b>	<b>5.6</b>	<b>5.0</b>	<b>4.8</b>	<b>6.5</b>	<b>4.4</b>	<b>0.0</b>	<b>0.1</b>	<b>Apr-91</b>
Fixed Income Composite Index	1.6	6.6	5.4	5.2	5.4	7.9	6.3	0.3	0.8	Apr-91
<b>Total Inflation Hedging</b>	<b>5.6</b>	<b>11.0</b>	<b>8.1</b>	<b>-3.7</b>	<b>NA</b>	<b>-0.3</b>	<b>16.2</b>	<b>0.7</b>	<b>0.8</b>	<b>Jul-06</b>
Inflation Hedging Composite Index	5.7	12.8	10.2	4.1	NA	6.0	11.9	0.5	0.9	Jul-06

Since inception returns are calculated from the first full quarter.

# Executive Summary

## Town of Palm Beach

### Police Retirement System

#### Preliminary Executive Summary as of September 30, 2012

Market Value	% of Portfolio		QTR Ended Dec-11	QTR Ended Mar-12	QTR Ended Jun-12	QTR Ended Sep-12	Fiscal YTD	Calendar YTD	1 YR	3 YRS	5 YRS	10 YRS	Return Since	Inception Date
\$58,464,374	100.0	<b>Total Fund including Total Other</b>												
\$58,435,646	100.0	<b>Total Fund</b>	4.8	6.9	-2.5	4.2	13.8	8.6	13.8	7.2	1.1	6.6	7.6	Apr-91
		Target Index	3.8	5.7	-2.2	4.2	11.8	7.8	11.8	6.4	0.7	6.5	7.6	Apr-91
		Actual Index	3.7	5.7	-2.4	4.1	11.4	7.4	11.4	6.0	0.5	6.6	8.8	Apr-91
		Consumer Price Index	-0.5	1.6	0.0	0.2	1.4	1.9	1.4	2.1	2.0	2.4	2.5	Apr-91
\$22,302,441	38.1	<b>Global Equity</b>	9.6	13.5	-5.2	6.2	25.1	14.2	25.1	10.5	1.1	9.1	10.3	Apr-91
\$13,356,680	22.8	<b>Domestic Equity</b>	11.9	12.0	-3.9	5.2	26.7	13.2	26.7	13.4	2.5	9.1	10.3	Apr-91
		<b>Russell 3000 Index</b>	12.1	12.9	-3.1	6.2	30.2	16.1	30.2	13.3	1.3	8.5	8.9	
\$3,321,934	5.7	SSgA S&P 500 (R) Flagship NL Fund	11.8	12.6	-2.7	6.5	30.4	16.6	30.4	13.2	1.1	8.0	8.6	Jan-95
		<b>S&amp;P 500 Index</b>	11.8	12.6	-2.8	6.4	30.2	16.4	30.2	13.2	1.1	8.0	8.7	
\$3,483,331	6.0	Stralem & Company Large Cap Core Account	11.8	8.2	-3.4	4.9	22.5	9.6	22.5	11.8	2.6	NA	4.9	Apr-06
		<b>S&amp;P 500 Index</b>	11.8	12.6	-2.8	6.4	30.2	16.4	30.2	13.2	1.1	8.0	3.8	
\$2,086,679	3.6	SSgA S&P Midcap 400 (R) Index NL Fund	13.0	13.5	-4.9	5.6	28.8	14.0	28.8	14.3	NA	NA	9.7	Oct-08
		<b>S&amp;P MidCap 400</b>	13.0	13.5	-4.9	5.4	28.5	13.8	28.5	14.3	3.8	10.8	9.7	
\$1,989,392	3.4	CRM Midcap Value Instl Fund	9.3	13.3	-4.7	5.1	24.2	13.6	24.2	9.8	NA	NA	5.9	Oct-08
		<b>Russell Midcap Value Index</b>	13.4	11.4	-3.3	5.8	29.3	14.0	29.3	13.9	1.7	11.0	8.2	
\$2,475,345	4.2	Geneva Mid Cap Equity Account	13.1	13.5	-4.6	3.6	26.9	12.1	26.9	17.5	5.8	NA	8.2	Sep-05
		<b>Russell Midcap Growth Index</b>	11.2	14.5	-5.6	5.3	26.7	13.9	26.7	14.7	2.5	11.1	5.8	

# Executive Summary

## Town of Palm Beach

### Police Retirement System

#### Preliminary Executive Summary as of September 30, 2012

Market Value	% of Portfolio		QTR Ended Dec-11	QTR Ended Mar-12	QTR Ended Jun-12	QTR Ended Sep-12	Fiscal YTD	Calendar YTD	1 YR	3 YRS	5 YRS	10 YRS	Return Since	Inception Date
\$8,945,760	15.3	<b>International Equity</b>	<b>5.9</b>	<b>16.0</b>	<b>-7.3</b>	<b>7.7</b>	<b>22.7</b>	<b>15.8</b>	<b>22.7</b>	<b>6.0</b>	<b>-1.3</b>	<b>NA</b>	<b>9.6</b>	<b>Jan-03</b>
		<b>MSCI EAFE (Net)</b>	<b>3.3</b>	<b>10.9</b>	<b>-7.1</b>	<b>6.9</b>	<b>13.8</b>	<b>10.1</b>	<b>13.8</b>	<b>2.1</b>	<b>-5.2</b>	<b>8.2</b>	<b>7.7</b>	
\$4,265,521	7.3	Harris Associates International Value L.P.	2.4	16.6	-10.4	7.9	15.5	12.8	15.5	5.5	-0.6	NA	11.8	Mar-03
		<b>MSCI EAFE Value Index (Net)</b>	<b>2.7</b>	<b>9.7</b>	<b>-7.1</b>	<b>7.5</b>	<b>12.6</b>	<b>9.6</b>	<b>12.6</b>	<b>-0.1</b>	<b>-6.3</b>	<b>8.5</b>	<b>8.8</b>	
		<b>MSCI EAFE (Net)</b>	<b>3.3</b>	<b>10.9</b>	<b>-7.1</b>	<b>6.9</b>	<b>13.8</b>	<b>10.1</b>	<b>13.8</b>	<b>2.1</b>	<b>-5.2</b>	<b>8.2</b>	<b>8.6</b>	
\$4,680,239	8.0	Artisan International Inv Fund	9.6	15.5	-4.4	7.5	30.0	18.7	30.0	6.5	-2.3	NA	8.9	Jan-03
		<b>MSCI EAFE Growth Index (Net)</b>	<b>3.9</b>	<b>12.0</b>	<b>-7.3</b>	<b>6.4</b>	<b>14.8</b>	<b>10.5</b>	<b>14.8</b>	<b>4.3</b>	<b>-4.2</b>	<b>7.8</b>	<b>7.4</b>	
		<b>MSCI EAFE (Net)</b>	<b>3.3</b>	<b>10.9</b>	<b>-7.1</b>	<b>6.9</b>	<b>13.8</b>	<b>10.1</b>	<b>13.8</b>	<b>2.1</b>	<b>-5.2</b>	<b>8.2</b>	<b>7.7</b>	
\$17,145,023	29.3	<b>Total Flexible Capital</b>	<b>1.8</b>	<b>5.6</b>	<b>-1.9</b>	<b>2.9</b>	<b>8.6</b>	<b>6.7</b>	<b>8.6</b>	<b>4.6</b>	<b>0.9</b>	<b>NA</b>	<b>5.1</b>	<b>Mar-03</b>
		<b>HFRI Fund of Funds Composite Index</b>	<b>-0.5</b>	<b>3.4</b>	<b>-2.3</b>	<b>2.3</b>	<b>2.9</b>	<b>3.3</b>	<b>2.9</b>	<b>1.5</b>	<b>-1.6</b>	<b>3.6</b>	<b>3.5</b>	
\$5,138,227	8.8	Archstone Offshore Fund, Ltd.	2.2	5.6	-3.0	3.7	8.6	6.3	8.6	3.8	0.4	NA	3.1	Jul-06
		<b>HFRI FOF: Diversified Index</b>	<b>-0.6</b>	<b>3.1</b>	<b>-1.9</b>	<b>2.2</b>	<b>2.7</b>	<b>3.3</b>	<b>2.7</b>	<b>1.7</b>	<b>-1.4</b>	<b>3.7</b>	<b>1.0</b>	
\$6,488,313	11.1	Forester Offshore A2 Fund, Ltd.	3.7	6.3	-1.3	2.1	11.0	7.0	11.0	4.2	NA	NA	4.6	Oct-08
		<b>HFRI FOF: Strategic Index</b>	<b>-0.3</b>	<b>4.4</b>	<b>-3.1</b>	<b>2.7</b>	<b>3.5</b>	<b>3.9</b>	<b>3.5</b>	<b>1.4</b>	<b>-2.4</b>	<b>4.3</b>	<b>0.9</b>	
\$5,518,482	9.4	Weatherlow Offshore Fund I Ltd.	NA	NA	-1.4	3.2	NA	NA	NA	NA	NA	NA	4.1	Feb-12
		<b>HFRI FOF: Diversified Index</b>	<b>-0.6</b>	<b>3.1</b>	<b>-1.9</b>	<b>2.2</b>	<b>2.7</b>	<b>3.3</b>	<b>2.7</b>	<b>1.7</b>	<b>-1.4</b>	<b>3.7</b>	<b>1.7</b>	

# Executive Summary

## Town of Palm Beach

### Police Retirement System

#### Preliminary Executive Summary as of September 30, 2012

Market Value	% of Portfolio		QTR Ended Dec-11	QTR Ended Mar-12	QTR Ended Jun-12	QTR Ended Sep-12	Fiscal YTD	Calendar YTD	1 YR	3 YRS	5 YRS	10 YRS	Return Since	Inception Date
\$12,115,052	20.7	<b>Total Fixed Income</b>	<b>2.1</b>	<b>0.6</b>	<b>2.0</b>	<b>1.7</b>	<b>6.5</b>	<b>4.4</b>	<b>6.5</b>	<b>5.6</b>	<b>5.0</b>	<b>4.8</b>	<b>6.5</b>	<b>Apr-91</b>
		<b>Fixed Income Composite Index</b>	<b>2.5</b>	<b>0.3</b>	<b>2.1</b>	<b>1.6</b>	<b>6.6</b>	<b>4.0</b>	<b>6.6</b>	<b>5.4</b>	<b>5.2</b>	<b>5.4</b>	<b>7.9</b>	
\$8,034,979	13.7	SSgA U.S. Aggregate Bond Index NL Fund	1.1	0.3	2.1	1.6	5.1	4.0	5.1	6.1	6.5	5.2	5.7	Jan-02
		<b>Barclays U.S. Aggregate</b>	<b>1.1</b>	<b>0.3</b>	<b>2.1</b>	<b>1.6</b>	<b>5.2</b>	<b>4.0</b>	<b>5.2</b>	<b>6.2</b>	<b>6.5</b>	<b>5.3</b>	<b>5.8</b>	
\$4,080,074	7.0	Richmond Capital Fixed Income Account	1.1	1.2	2.0	1.9	6.3	5.1	6.3	6.7	7.1	NA	5.4	Jan-03
		<b>Barclays U.S. Aggregate</b>	<b>1.1</b>	<b>0.3</b>	<b>2.1</b>	<b>1.6</b>	<b>5.2</b>	<b>4.0</b>	<b>5.2</b>	<b>6.2</b>	<b>6.5</b>	<b>5.3</b>	<b>5.3</b>	
\$6,545,388	11.2	<b>Total Inflation Hedging</b>	<b>4.3</b>	<b>3.5</b>	<b>-2.6</b>	<b>5.6</b>	<b>11.0</b>	<b>6.5</b>	<b>11.0</b>	<b>8.1</b>	<b>-3.7</b>	<b>NA</b>	<b>-0.3</b>	<b>Jul-06</b>
		<b>Inflation Hedging Composite Index</b>	<b>4.9</b>	<b>3.5</b>	<b>-1.8</b>	<b>5.7</b>	<b>12.8</b>	<b>7.5</b>	<b>12.8</b>	<b>10.2</b>	<b>4.1</b>	<b>NA</b>	<b>6.0</b>	
\$4,298,700	7.4	Wellington Diversified Inflation Hedges CTF	4.8	5.0	-5.6	7.5	11.6	6.5	11.6	7.3	NA	NA	2.6	Oct-08
		<b>DIH Composite Index</b>	<b>5.9</b>	<b>4.9</b>	<b>-5.1</b>	<b>7.7</b>	<b>13.5</b>	<b>7.2</b>	<b>13.5</b>	<b>8.7</b>	<b>2.1</b>	<b>NA</b>	<b>5.1</b>	
\$2,246,688	3.8	Vanguard Inflation-Protected Securities Adm Fund	2.6	0.7	3.3	2.1	9.0	6.2	9.0	NA	NA	NA	9.1	Feb-10
		<b>Barclays U.S. Treasury: U.S. TIPS</b>	<b>2.7</b>	<b>0.9</b>	<b>3.2</b>	<b>2.1</b>	<b>9.1</b>	<b>6.2</b>	<b>9.1</b>	<b>9.3</b>	<b>7.9</b>	<b>6.6</b>	<b>9.1</b>	

# Executive Summary

## Town of Palm Beach

### Police Retirement System

#### Preliminary Executive Summary as of September 30, 2012

Market Value	% of Portfolio		QTR Ended Dec-11	QTR Ended Mar-12	QTR Ended Jun-12	QTR Ended Sep-12	Fiscal YTD	Calendar YTD	1 YR	3 YRS	5 YRS	10 YRS	Return Since	Inception Date
\$327,743	0.6	<b>Total Liquid Capital</b>	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.6	NA	1.6	Apr-06
\$327,743	0.6	Government Stif 15	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.6	NA	1.6	Apr-06
		<b>Citigroup 3 Month T-Bill</b>	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.6	1.7	1.6	
\$28,728	0.0	<b>Total Other</b>												
\$28,728	0.0	Meridian Holdback												

#### Please Note:

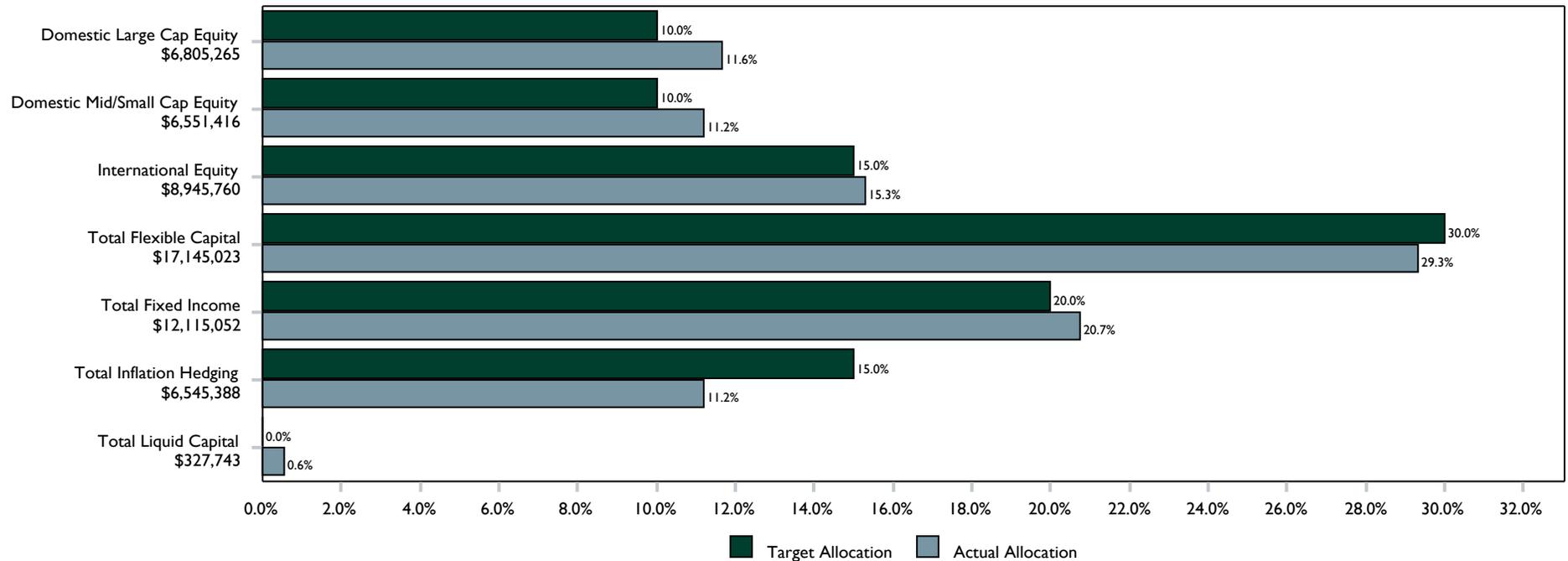
- Periods greater than one year are annualized
- Since inception returns are calculated from the first full month
- Prior to 10/31/1999: Performance representative of Town of Palm Beach Total Fund.
- Prior to 12/31/2001: Performance provided by Callan & Associates.
- Prior to 12/31/2004: Portfolios were combined
- Actual Index represents actual allocations with index returns.
- Performance and market values are subject to change based on statement availability from the investment manager/custodian
- Target Index (effective 9/1/2009): 20% Russell 3000 Index/ 15% MSCI EAFE Net Index/ 30% HFRI FOF Index/ 15% Inflation Hedging Composite Index/ 20% Barclays U.S. Aggregate Index
- Fixed Income Composite Index (effective 12/1/2011): 100% Barclays U.S. Aggregate Index
- Fixed Income Composite Index (prior to 11/30/2011): 50% BOA Conv. Bond US Inv. Gr. Index / 50% Barclays U.S. Aggregate Index
- Inflation Hedging Composite Index (effective 07/01/2012) : Active weights of DIH Composite Index and Barclays US Treasury Inflation Notes Index
- Inflation Hedging Composite Index (effective 10/01/2011) : 5% 70% NCREIF Index/30% NAREIT Index/ 60% DIH Composite Index / 35% Barclays US Treasury Inflation Notes Index
- Inflation Hedging Composite Index (prior to 09/30/2011) : 30% 70% NCREIF Index/30% NAREIT Index/ 45% DIH Composite Index / 25% Barclays US Treasury Inflation Notes Index
- Forester, Weatherlow: Market value estimated using preliminary manager-reported performance
- Total Fixed Income: Performance includes terminated managers
- Total Flexible Capital: Performance includes terminated managers
- Government Stif 15: Client specific cash performance not available. Citigroup Treasury Bill 3 Month Index is being reported

# Asset Allocation - Current

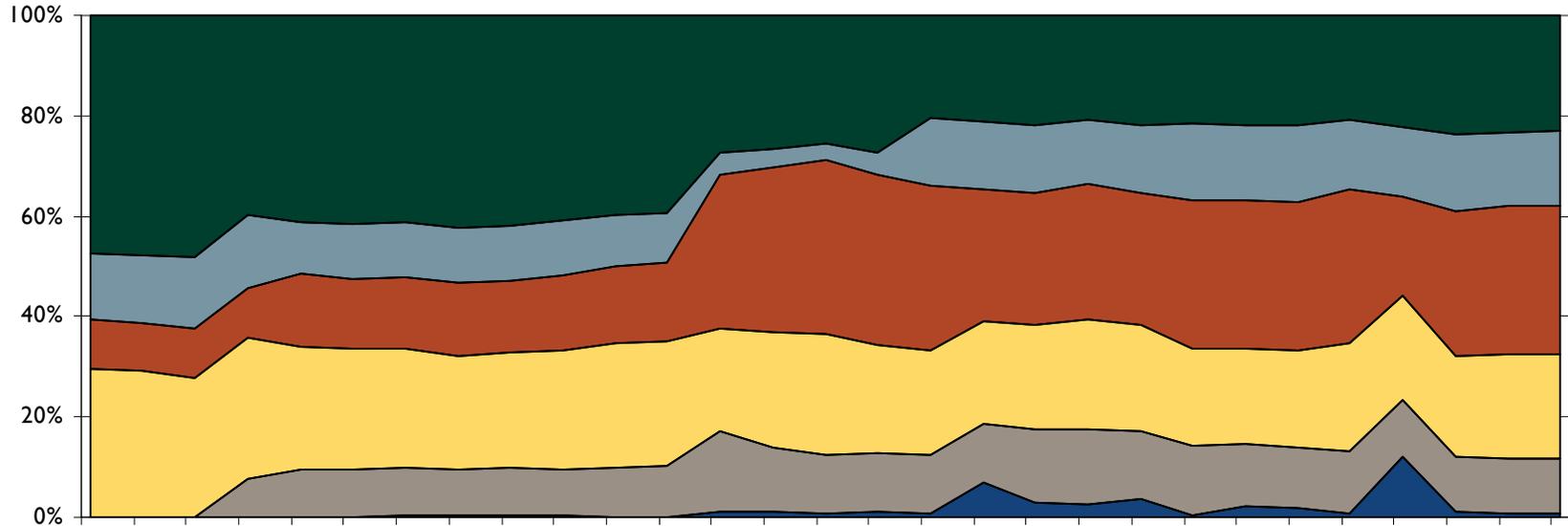
## Asset Allocation Policy Ranges

As of September 30, 2012

	Asset Allocation (%)	Lower (%)	Target (%)	Upper (%)	Difference (%)
Total Fund	100.0	-	100.0	-	0.0
Domestic Large Cap Equity	11.6	7.2	10.0	12.5	1.6
Domestic Mid/Small Cap Equity	11.2	7.2	10.0	12.5	1.2
International Equity	15.3	12.0	15.0	18.0	0.3
Total Flexible Capital	29.3	20.0	30.0	40.0	-0.7
Total Fixed Income	20.7	15.0	20.0	25.0	0.7
Total Inflation Hedging	11.2	12.0	15.0	18.0	-3.8
Total Liquid Capital	0.6	0.0	0.0	5.0	0.6



# Asset Allocation – Historical



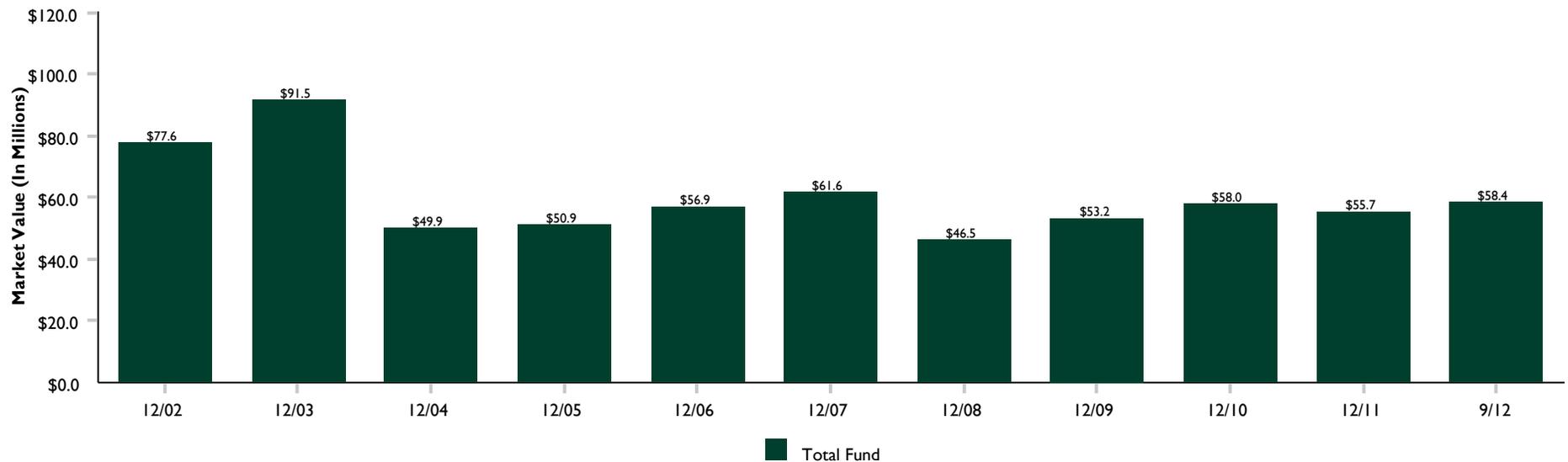
	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12
Domestic Equity	47	48	48	40	41	42	41	42	42	41	40	40	27	27	25	27	21	21	22	21	22	22	22	22	21	22	24	23	23
Intl Equity	13	13	14	15	10	11	11	11	11	11	10	10	4	4	4	4	13	14	14	13	14	15	15	15	14	14	15	15	15
Flexible Capital	10	10	10	10	14	14	14	15	15	15	15	16	31	33	35	34	33	26	27	27	26	30	29	29	31	20	29	29	29
Fixed Income	30	29	28	28	25	24	24	23	23	24	25	25	20	23	24	22	21	21	21	22	21	19	19	19	22	21	20	21	21
Inflation Hedging	0	0	0	8	9	10	10	9	10	9	10	10	16	13	12	12	12	12	15	15	14	14	12	12	12	12	11	11	11
Cash	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1	7	3	3	4	0	2	2	1	12	1	1	1

# Schedule of Investable Assets

## Total Fund

January 1, 2002 To September 30, 2012

Periods Ending	Beginning Market Value	Net Cash Flow	Investment Performance	Ending Market Value
2002	\$88,209,969	-\$1,902,154	-\$8,682,906	\$77,624,908
2003	\$77,624,908	-\$1,730,045	\$15,626,064	\$91,520,928
2004	\$91,520,928	-\$49,174,188	\$7,583,305	\$49,930,044
2005	\$49,930,044	-\$2,026,545	\$3,041,254	\$50,944,753
2006	\$50,944,753	-\$651,663	\$6,623,829	\$56,916,920
2007	\$56,916,920	\$45,752	\$4,676,848	\$61,639,520
2008	\$61,639,520	-\$718,479	-\$14,416,759	\$46,504,281
2009	\$46,504,281	-\$1,245,587	\$7,985,660	\$53,244,355
2010	\$53,244,355	-\$992,403	\$5,723,460	\$57,975,412
2011	\$57,975,412	-\$1,544,935	-\$736,961	\$55,693,516
To 09/2012	\$55,693,516	-\$1,964,504	\$4,706,634	\$58,435,646
	<b>\$88,209,969</b>	<b>-\$61,904,750</b>	<b>\$32,130,427</b>	<b>\$58,435,646</b>



# Liquidity Schedule

As of September 30, 2012

Investments	Inception	Subscriptions	Market Value	Daily	Monthly	Quarterly	Notes
<b>Global Equity</b>							
SSgA S&P 500 (R) Flagship NL Fund	Jan-95	Daily	\$3,321,934	\$3,321,934			
Stralem & Company Large Cap Core Account	Mar-06	Daily	\$3,483,331	\$3,483,331			
SSgA S&P Midcap 400 (R) Index NL Fund	Sep-08	Daily	\$2,086,679	\$2,086,679			
CRM Midcap Value Instl Fund	Sep-08	Daily	\$1,989,392	\$1,989,392			
Geneva Mid Cap Equity Account	Aug-05	Daily	\$2,475,345	\$2,475,345			
Harris Associates International Value L.P.	Feb-03	Monthly	\$4,265,521		\$4,265,521		Reds: 30 days notice
Artisan International Inv Fund	Dec-02	Daily	\$4,680,239	\$4,680,239			
<b>Flexible Capital</b>							
Archstone Offshore Fund, Ltd.	Jun-06	Monthly	\$5,138,227			\$5,138,227	Reds: 90 days notice
Forester Offshore A2 Fund, Ltd.	Sep-08	Quarterly	\$6,488,313			\$6,488,313	Reds: 60 days notice. See footnote 2
Weatherlow Offshore Fund I Ltd.	Jan-12	Monthly	\$5,518,482			\$5,518,482	Quarterly with 65 days notice. One-Year lock up.
<b>Inflation Hedging</b>							
Wellington Diversified Inflation Hedges CTF	Sep-08	Monthly	\$4,298,700		\$4,298,700		Reds: notice by 22nd calendar day of prior month
Vanguard Inflation-Protected Securities Adm Fund	Jan-10	Daily	\$2,246,688	\$2,246,688			
<b>Fixed Income</b>							
SSgA U.S. Aggregate Bond Index NL Fund	Dec-01	Daily	\$8,034,979	\$8,034,979			
Richmond Capital Fixed Income Account	Dec-02	Daily	\$4,080,074	\$4,080,074			
<b>Liquid Capital</b>							
Government Stif 15	Mar-06	Daily	\$327,743	\$327,743			
Cash In Transit	Jun-12	Daily					Cash in transit is holdback from Guggenheim liquidation
<b>Total (\$)</b>			<b>\$58,435,646</b>	<b>\$32,726,402</b>	<b>\$8,564,221</b>	<b>\$17,145,023</b>	
<b>Total (%)</b>			<b>100.0</b>	<b>56.0</b>	<b>14.7</b>	<b>29.3</b>	

## Redemption Terms

Daily	\$32,726,402	56.0
Monthly	\$8,564,221	14.7
Quarterly	\$17,145,023	29.3
<b>Total</b>	<b>\$58,435,646</b>	<b>100.0</b>

### Footnotes:

Liquidity schedule based on managers' general redemption terms. Please contact your client service team for specific redemption information.

# Operational Detail

Manager	Vehicle Type	Latest Audited Financials	Auditor/Accountant	Legal Counsel	Custodian	Administrator	Holdings Transparency
SSgA S&P 500 Flagship Index Fund	Pooled	Aug-11	Deloitte & Touche LLP	Goodwin Procter LLP	State Street Bank and Trust Company	Russell Fund Services Company	High
Stralem & Company Large Cap Core Account	Separate	Oct-11	Eisner, LLP	Kramer Levin Naftalis & Frankel	State Street Bank and Trust	Ultimus Fund Solutions, LLC	High
SSgA S&P MidCap Index NL Fund	Pooled	Dec-11	PricewaterhouseCoopers	SSgA Internal Legal Staff, Ropes and Gray LLP	State Street Bank and Trust Company	State Street Bank	High
CRM Midcap Value Instl Fund	Pooled	Jun-12	Ernst & Young LLP	Bingham McCutchen LLP	The Bank of New York Mellon	BNY Mellon Investment Servicing (U.S.) Inc	High
Geneva Mid Cap Equity Account	Separate	N/A	Kohler & Franklin	Croen & Barr	State Street Bank and Trust	N/A	High
Harris Associates International Value LP.	Pooled	Dec-10	Deloitte & Touche LLP	Winston & Strawn LLP	State Street Bank and Trust Company	Harris Associates, LP	High
Artisan International Inv Fund	Pooled	Sep-11	Ernst & Young LLP	Ropes & Gray LLP	State Street Bank and Trust Company	Artisan Partners Limited Partnership	High
Archstone Offshore Fund, Ltd.	Pooled	Dec-11	Ernst & Young LLP	Willkie Farr & Gallagher LLP (US), Walkers (Cayman)	Bank of New York Mellon	SS&C Technologies, Inc.	High
Forester Offshore B Fund, Ltd.	Pooled	Jun-11	Ernst & Young LLP	Ogier (Cayman)	BNY Mellon, Citco Bank and Trust Company Limited, JPMorgan Asset Management	Citco Fund Services	High
Weatherlow Offshore Fund I Ltd.	Pooled	Dec-11	Deloitte & Touche LLP	Sidley Austin LLP (US), Maples & Calder (Cayman)	State Street Bank and Trust	Citco Fund Services	
SSgA Passive Bond Market NL Fund	Pooled	Dec-11	PricewaterhouseCoopers, Ernst & Young	SSgA Internal Legal Staff, Ropes and Gray LLP	State Street Bank and Trust Company	State Street Bank	Medium
Richmond Capital Fixed Income Account	Separate	N/A	*Keiter, Stephen, Hurst, Gary & Shreaves (Annual Review Only)	LeClair Ryan	State Street Bank and Trust	N/A	High
Wellington Diversified Inflation Hedges CTF	Pooled	Dec-11	PricewaterhouseCoopers	Internal/Goodwin Procter LLP	State Street Bank and Trust	Internal	High
Vanguard Inflation-Protected Securities Adm Fund	Pooled	Dec-11	PricewaterhouseCoopers	Vanguard Legal Department	JPMorgan Chase & Co.	Vanguard	High
SSgA US Government Money Market Fund	Pooled	Aug-11	Deloitte & Touche LLP	Goodwin Procter LLP	State Street Bank and Trust Company	Russell Fund Services Company	High

N/A: information not applicable, N/P: information not provided at the time of report creation.

Low Transparency: limited disclosure of underlying portfolio holdings/components.

Medium Transparency: partial disclosure of underlying holdings/components.

High Transparency: access to underlying portfolio holdings/components.

Transparency assessments may not be comparable across asset classes or vehicles, given the existence of differing industry practices and implementation methods.

Auditor, latest audited financials, and legal counsel data provided for separate accounts is that of the management firm and provided for informational purposes only. Separate accounts typically are not audited.

Information obtained from third party sources is believed to be reliable, however, the accuracy of the information is not guaranteed and is not subject to independent verification.

Data is as of the most recent calendar year end and updated annually.

# Fee Schedule

## Fee Schedule as of September 30, 2012

### Police Retirement System

	<u>Fee Schedule</u>	<u>Assets Market Value</u>	<u>Projected Annual Fee (\$)</u>	<u>Projected Annual Fee (%)</u>
SSgA S&P 500 (R) Flagship NL Fund	0.05% on first \$50 million 0.04% on next \$50 million 0.02% over \$100 million Minimum Fee of \$7,500 Prorated with US Aggregate Bond Index & Midcap Index	\$3,321,934	\$1,528	0.05%
Stralem & Company Large Cap Core Account	0.80% on assets managed	\$3,483,331	\$27,867	0.80%
SSgA S&P Midcap 400 (R) Index NL Fund	0.08% on first \$50 million 0.06% on next \$50 million 0.04% over \$100 million Minimum Fee of \$7,500 Prorated with S&P 500 Index & US Aggregate Bond Index	\$2,086,679	\$1,536	0.07%
CRM Midcap Value Instl Fund	0.81% on assets managed	\$1,989,392	\$16,114	0.81%
Geneva Mid Cap Equity Account	0.75% on assets managed	\$2,475,345	\$18,565	0.75%
Harris Associates International Value L.P.	0.95% on assets managed	\$4,265,521	\$40,522	0.95%
Artisan International Inv Fund	1.22% on assets managed	\$4,680,239	\$57,099	1.22%
Archstone Offshore Fund, Ltd.	1.50% on assets managed <sup>1</sup>	\$5,138,227	\$77,073	1.50%

1 - Fee does not include underlying manager fees.

# Fee Schedule

## Fee Schedule as of September 30, 2012

### Police Retirement System

	<u>Fee Schedule</u>	<u>Assets Market Value</u>	<u>Projected Annual Fee (\$)</u>	<u>Projected Annual Fee (%)</u>
Forester Offshore B Fund, Ltd.	1.00% on assets managed <sup>1</sup>	\$6,488,313	\$64,883	1.00%
Weatherlow Offshore Fund I Ltd.	1.00% on assets managed <sup>1</sup>	\$5,518,482	\$55,185	1.00%
SSgA U.S. Aggregate Bond Index NL Fund	0.06% on first \$50 million 0.05% on next \$50 million 0.04% over \$100 million Minimum Fee of \$7,500 Prorated with S&P 500 & S&P Midcap Index	\$8,034,979	\$4,436	0.06%
Richmond Capital Fixed Income Account	0.35% on assets managed	\$4,080,074	\$14,280	0.35%
Wellington Diversified Inflation Hedges CTF	0.90% on assets managed \$45,000 minimum	\$4,298,700	\$45,000	1.05%
Vanguard Inflation-Protected Securities Adm Fund	0.11% on assets managed	\$2,246,688	\$2,471	0.11%
Government Stif I 5	--	\$327,743	--	--
<b>Total Investment Management Fees<sup>2</sup></b>		<b>\$58,435,646</b>	<b>\$426,560</b>	<b>0.73%</b>

<sup>1</sup> - Fee does not include underlying manager fees.

# Fee Schedule

## Fee Schedule as of September 30, 2012

### Police Retirement System

	<u>Fee Schedule</u>	<u>Assets Market Value</u>	<u>Projected Annual Fee (\$)</u>	<u>Projected Annual Fee (%)</u>
State Street Bank & Trust Co.				
-Custody Fees	0.015% on assets custodied	\$58,435,646	\$8,765	0.015%
-Accounting Fees				
Separate Domestic Eq Fees	\$4,000 each		\$12,000	
Separate Domestic FI Fees	\$5,000 each		\$5,000	
Mutual Funds/Pooled Accounts	\$2,750 each		\$2,750	
-Accounting Fees				
Depository Trades	\$15.00 each			
Domestic Holdings > 150	\$60.00 each			
Paydowns	no charge			
Physicals	\$35.00 each			
Options or Futures	\$55.00 each			
Outgoing Wires	\$7.50 each			
Expense Checks	\$15.00 each			
Estimated Total to SSBT Fee:			\$28,515	0.05%
<b>Total Fees</b>		<b>\$58,435,646</b>	<b>\$455,075</b>	<b>0.78%</b>

I - Fee does not include underlying manager fees.

- State Street Custodian fees exclude Transaction Activity fees

# Peer Performance Comparison

As of September 30, 2012

	1 Year Return	3 Years Return	5 Years Return	5 Years Standard Deviation	5 Years Beta	5 Years Actual Correlation	Year To Date Return	2011 Return	2010 Return	2009 Return	2008 Return
SSgA S&P 500 (R) Flagship NL Fund	30.4 (42)	13.2 (43)	1.1 (63)	21.3	1.0	1.0	16.6 (41)	2.1 (48)	15.0 (47)	26.5 (51)	-37.0 (61)
<b>S&amp;P 500 Index</b>	<b>30.2 (46)</b>	<b>13.2 (45)</b>	<b>1.1 (64)</b>	<b>21.3</b>	<b>1.0</b>	<b>1.0</b>	<b>16.4 (44)</b>	<b>2.1 (48)</b>	<b>15.1 (45)</b>	<b>26.5 (51)</b>	<b>-37.0 (61)</b>
<b>IM U.S. Large Cap Core Equity (SA+CF) Median</b>	<b>29.9</b>	<b>12.8</b>	<b>1.6</b>	<b>21.4</b>	<b>1.0</b>	<b>1.0</b>	<b>15.9</b>	<b>1.9</b>	<b>14.9</b>	<b>26.5</b>	<b>-36.2</b>
Stralem & Company Large Cap Core Account	22.5 (95)	11.8 (69)	2.6 (28)	17.7	0.8	1.0	9.6 (98)	7.9 (6)	10.7 (89)	20.6 (85)	-29.5 (15)
<b>S&amp;P 500 Index</b>	<b>30.2 (46)</b>	<b>13.2 (45)</b>	<b>1.1 (64)</b>	<b>21.3</b>	<b>1.0</b>	<b>1.0</b>	<b>16.4 (44)</b>	<b>2.1 (48)</b>	<b>15.1 (45)</b>	<b>26.5 (51)</b>	<b>-37.0 (61)</b>
<b>IM U.S. Large Cap Core Equity (SA+CF) Median</b>	<b>29.9</b>	<b>12.8</b>	<b>1.6</b>	<b>21.4</b>	<b>1.0</b>	<b>1.0</b>	<b>15.9</b>	<b>1.9</b>	<b>14.9</b>	<b>26.5</b>	<b>-36.2</b>
SSgA S&P Midcap 400 (R) Index NL Fund	28.8 (30)	14.3 (36)	3.8 (36)	24.9	1.0	1.0	14.0 (35)	-1.8 (48)	26.4 (24)	37.2 (48)	-36.2 (30)
<b>S&amp;P MidCap 400</b>	<b>28.5 (35)</b>	<b>14.3 (35)</b>	<b>3.8 (36)</b>	<b>24.9</b>	<b>1.0</b>	<b>1.0</b>	<b>13.8 (47)</b>	<b>-1.7 (48)</b>	<b>26.6 (20)</b>	<b>37.4 (45)</b>	<b>-36.2 (31)</b>
<b>IM U.S. Mid Cap Core Equity (SA+CF) Median</b>	<b>27.5</b>	<b>14.0</b>	<b>3.1</b>	<b>24.9</b>	<b>1.0</b>	<b>1.0</b>	<b>13.4</b>	<b>-2.1</b>	<b>24.5</b>	<b>36.3</b>	<b>-39.6</b>
CRM Midcap Value Instl Fund	24.2 (62)	9.8 (60)	0.6 (40)	21.9	0.8	1.0	13.6 (45)	-6.9 (83)	18.9 (25)	28.7 (63)	-35.0 (18)
<b>Russell Midcap Value Index</b>	<b>29.3 (25)</b>	<b>13.9 (9)</b>	<b>1.7 (16)</b>	<b>25.9</b>	<b>1.0</b>	<b>1.0</b>	<b>14.0 (40)</b>	<b>-1.4 (46)</b>	<b>24.8 (5)</b>	<b>34.2 (30)</b>	<b>-38.4 (47)</b>
<b>IM U.S. Multi-Cap Core Equity (MF) Median</b>	<b>25.5</b>	<b>10.6</b>	<b>0.1</b>	<b>22.3</b>	<b>0.8</b>	<b>1.0</b>	<b>13.3</b>	<b>-2.1</b>	<b>15.2</b>	<b>30.5</b>	<b>-39.1</b>
Geneva Mid Cap Equity Account	26.9 (39)	17.5 (19)	5.8 (10)	22.1	0.8	1.0	12.1 (67)	3.4 (18)	30.5 (22)	36.5 (67)	-35.7 (18)
<b>Russell Midcap Growth Index</b>	<b>26.7 (41)</b>	<b>14.7 (52)</b>	<b>2.5 (61)</b>	<b>25.9</b>	<b>1.0</b>	<b>1.0</b>	<b>13.9 (52)</b>	<b>-1.7 (50)</b>	<b>26.4 (51)</b>	<b>46.3 (31)</b>	<b>-44.3 (60)</b>
<b>IM U.S. Mid Cap Growth Equity (SA+CF) Median</b>	<b>26.1</b>	<b>14.9</b>	<b>3.3</b>	<b>25.4</b>	<b>0.9</b>	<b>1.0</b>	<b>14.0</b>	<b>-1.8</b>	<b>26.5</b>	<b>41.4</b>	<b>-43.5</b>
Harris Associates International Value L.P.	15.5 (44)	5.5 (35)	-0.6 (22)	27.6	1.0	1.0	12.8 (32)	-14.7 (75)	17.0 (27)	56.0 (7)	-42.1 (56)
<b>MSCI EAFE Value Index</b>	<b>12.6 (74)</b>	<b>-0.1 (89)</b>	<b>-6.3 (92)</b>	<b>26.9</b>	<b>1.0</b>	<b>1.0</b>	<b>9.6 (66)</b>	<b>-12.2 (58)</b>	<b>3.2 (95)</b>	<b>34.2 (54)</b>	<b>-44.1 (72)</b>
<b>MSCI EAFE Index</b>	<b>13.8 (63)</b>	<b>2.1 (75)</b>	<b>-5.2 (82)</b>	<b>25.5</b>	<b>0.9</b>	<b>1.0</b>	<b>10.1 (60)</b>	<b>-12.1 (58)</b>	<b>7.8 (66)</b>	<b>31.8 (63)</b>	<b>-43.4 (68)</b>
<b>IM International Value Equity (SA+CF) Median</b>	<b>15.0</b>	<b>4.0</b>	<b>-2.9</b>	<b>25.2</b>	<b>0.9</b>	<b>1.0</b>	<b>11.1</b>	<b>-11.0</b>	<b>11.1</b>	<b>35.4</b>	<b>-41.1</b>

# Peer Performance Comparison

As of September 30, 2012

	1 Year Return	3 Years Return	5 Years Return	5 Years Standard Deviation	5 Years Beta	5 Years Actual Correlation	Year To Date Return	2011 Return	2010 Return	2009 Return	2008 Return
Artisan International Inv Fund	30.0 (1)	6.5 (15)	-2.3 (25)	26.6	1.1	1.0	18.7 (1)	-7.3 (8)	5.9 (93)	39.8 (10)	-47.0 (76)
<b>MSCI EAFE Growth Index</b>	<b>14.8 (85)</b>	<b>4.3 (40)</b>	<b>-4.2 (55)</b>	<b>24.4</b>	<b>1.0</b>	<b>1.0</b>	<b>10.5 (71)</b>	<b>-12.1 (37)</b>	<b>12.2 (40)</b>	<b>29.4 (66)</b>	<b>-42.7 (43)</b>
<b>MSCI EAFE Index</b>	<b>13.8 (90)</b>	<b>2.1 (77)</b>	<b>-5.2 (67)</b>	<b>25.5</b>	<b>1.0</b>	<b>1.0</b>	<b>10.1 (80)</b>	<b>-12.1 (37)</b>	<b>7.8 (81)</b>	<b>31.8 (58)</b>	<b>-43.4 (48)</b>
<b>IM International Large Cap Growth Equity (MF) Median</b>	<b>17.8</b>	<b>3.9</b>	<b>-3.8</b>	<b>25.6</b>	<b>1.0</b>	<b>1.0</b>	<b>11.3</b>	<b>-13.6</b>	<b>11.2</b>	<b>33.3</b>	<b>-43.6</b>
SSgA U.S. Aggregate Bond Index NL Fund	5.1 (100)	6.1 (100)	6.5 (100)	3.2	1.0	1.0	4.0 (100)	7.7 (76)	6.5 (100)	5.9 (100)	5.2 (1)
<b>Barclays U.S. Aggregate</b>	<b>5.2 (100)</b>	<b>6.2 (100)</b>	<b>6.5 (100)</b>	<b>3.3</b>	<b>1.0</b>	<b>1.0</b>	<b>4.0 (100)</b>	<b>7.8 (75)</b>	<b>6.5 (99)</b>	<b>5.9 (100)</b>	<b>5.2 (1)</b>
<b>IM U.S. Corporate Bonds (SA+CF) Median</b>	<b>12.4</b>	<b>10.1</b>	<b>9.0</b>	<b>7.3</b>	<b>1.1</b>	<b>0.6</b>	<b>9.9</b>	<b>8.7</b>	<b>10.1</b>	<b>19.9</b>	<b>-3.3</b>
Richmond Capital Fixed Income Account	6.3 (67)	6.7 (70)	7.1 (57)	4.3	1.2	0.9	5.1 (59)	7.6 (62)	7.3 (49)	10.7 (40)	2.1 (57)
<b>Barclays U.S. Aggregate</b>	<b>5.2 (92)</b>	<b>6.2 (92)</b>	<b>6.5 (81)</b>	<b>3.3</b>	<b>1.0</b>	<b>1.0</b>	<b>4.0 (94)</b>	<b>7.8 (51)</b>	<b>6.5 (84)</b>	<b>5.9 (88)</b>	<b>5.2 (32)</b>
<b>IM U.S. Broad Market Core Fixed Income (SA+CF) Median</b>	<b>6.7</b>	<b>7.2</b>	<b>7.2</b>	<b>3.7</b>	<b>0.9</b>	<b>0.9</b>	<b>5.4</b>	<b>7.8</b>	<b>7.2</b>	<b>9.8</b>	<b>3.0</b>

**Please Note:**

- Standard Deviation, Beta and Correlation are relative to the primary benchmark for the strategy
- Manager and benchmark universe rankings are listed in parenthesis next to manager and benchmark returns
- Peer Universe rankings range from 1 to 100. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100.

**Tab III**

# Portfolio Comparison

As of September 30, 2012

	SSgA S&P 500 Index	Stralem Large Cap Core	SSgA S&P MidCap Index	CRM MidCap Value	Geneva Mid Cap Equity	Domestic Equity	Russell 3000
<b>Composition</b>							
# of Holdings	501	31	401	60	56	917	2,961
% Top 15 Holdings	27.6	56.4	12.0	35.8	36.2	20.9	22.6
% Top 25 Holdings	37.1	86.7	17.3	53.4	56.3	30.0	30.2
<b>Characteristics</b>							
Wtd Avg Mkt Cap (\$B)	119.9	117.5	4.0	11.3	8.3	64.3	99.3
Forecast P/E	13.9	13.3	16.0	14.7	21.0	15.1	14.1
Price/Book ratio	2.7	2.5	2.3	2.1	3.9	2.6	2.6
Historical EPS Growth - 5 Year	8.0	8.4	7.4	2.4	17.6	9.1	8.0
Forecast EPS Growth - Long-Term	10.9	9.3	13.2	13.1	16.9	12.3	11.6
Current Yield	2.1	2.8	1.5	1.6	0.5	1.8	2.0
<b>GICS Sectors (%)</b>							
Energy	11.2	11.9	5.8	7.3	8.5	9.5	10.2
Materials	3.5	6.1	6.8	5.8	1.6	4.7	3.9
Industrials	9.7	19.3	15.8	13.5	19.9	15.6	10.7
Consumer Discretionary	11.0	3.4	13.7	11.7	19.3	11.1	12.2
Consumer Staples	10.7	6.6	3.2	5.3	5.3	6.7	9.5
Health Care	11.9	15.5	10.2	10.4	14.2	12.8	11.9
Financials	14.4	0.0	21.6	19.1	6.6	11.0	16.0
Information Technology	19.9	15.2	15.2	12.4	22.8	17.4	19.1
Telecommunication Services	3.2	3.9	0.6	0.0	0.0	1.9	2.9
Utilities	3.4	13.4	5.0	9.7	0.0	6.6	3.5
Cash	1.0	4.6	2.1	4.8	1.8	2.8	0.0
<b>Market Capitalization (%)</b>							
Large (\$15.0B-Above)	82.1	95.4	0.0	24.1	6.6	50.1	68.4
Mid/Large (\$7.0-15.0B)	12.5	0.0	9.9	42.5	50.3	20.3	12.2
Mid (\$1.0-7.0B)	4.4	0.0	86.8	28.6	41.4	26.6	16.2
Small/Mid (\$0.5-1.0B)	0.0	0.0	1.2	0.0	0.0	0.2	1.8
Small (\$0.0-0.5B)	0.0	0.0	0.0	0.0	0.0	0.0	1.3
Cash	1.0	4.6	2.1	4.8	1.8	2.8	0.0

# Portfolio Comparison

As of September 30, 2012

	Harris Intl Value	Artisan Intl	International Equity	MSCI EAFE	Global Equity	MSCI AC World
<b>Composition</b>						
# of Holdings	55	83	128	920	1,041	2,440
% Top 15 Holdings	45.9	46.0	29.5	18.3	15.3	12.8
% Top 25 Holdings	68.5	63.5	43.5	25.4	22.2	17.6
<b>Characteristics</b>						
Wtd Avg Mkt Cap (\$B)	32.9	52.0	42.9	53.4	55.7	79.8
Forecast P/E	13.0	13.8	13.4	11.6	14.4	12.7
Price/Book ratio	1.9	2.4	2.2	2.0	2.4	2.3
Historical EPS Growth - 5 Year	-7.7	11.3	3.4	-0.1	7.3	6.0
Forecast EPS Growth - Long-Term	19.7	15.8	17.7	12.2	14.5	11.9
Current Yield	2.8	2.6	2.7	3.7	2.2	2.8
<b>GICS Sectors (%)</b>						
Energy	0.0	2.6	1.3	8.3	6.2	11.1
Materials	8.6	7.9	8.3	9.6	6.1	7.5
Industrials	17.2	13.0	15.0	12.4	15.3	10.1
Consumer Discretionary	20.0	12.4	16.1	10.1	13.1	10.4
Consumer Staples	7.1	28.4	18.3	12.0	11.3	10.6
Health Care	4.1	6.2	5.2	10.2	9.7	9.5
Financials	30.4	18.4	24.1	23.5	16.3	19.9
Information Technology	10.0	5.5	7.6	4.3	13.5	12.8
Telecommunication Services	0.0	3.7	1.9	5.4	1.9	4.6
Utilities	0.0	0.0	0.0	4.0	3.9	3.6
Cash	2.6	1.9	2.2	0.0	2.6	0.0
<b>Market Capitalization (%)</b>						
Large (\$15.0B-Above)	50.7	74.7	63.3	71.0	55.4	72.3
Mid/Large (\$7.0-15.0B)	24.6	16.7	20.4	16.1	20.3	16.6
Mid (\$1.0-7.0B)	21.5	6.7	13.8	13.0	21.5	11.0
Small/Mid (\$0.5-1.0B)	0.7	0.0	0.3	0.0	0.2	0.1
Small (\$0.0-0.5B)	0.0	0.0	0.0	0.0	0.0	0.0
Cash	2.6	1.9	2.2	0.0	2.6	0.0

# Regional Exposure

As of September 30, 2012

Regional Allocation (%)						
	Global Equity	MSCI AC World	Harris Intl Value	Artisan Intl	International Equity	MSCI EAFE
Canada	1.3	4.4	1.7	3.8	2.8	0.0
United States	58.0	46.5	1.4	2.8	2.1	0.0
Pacific ex Japan	4.0	5.8	3.7	15.7	10.0	14.1
Japan	6.9	7.2	23.0	12.0	17.2	20.1
Europe ex UK	20.2	15.7	53.2	44.5	48.6	42.0
United Kingdom	5.1	8.4	14.1	11.3	12.7	23.3
Middle East	0.1	0.2	0.0	0.0	0.0	0.6
<b>Developed Markets</b>	<b>95.7</b>	<b>88.2</b>	<b>97.2</b>	<b>90.0</b>	<b>93.4</b>	<b>100.0</b>
EM Asia	1.5	6.8	0.0	6.9	3.6	0.0
EM Europe	0.0	1.2	0.0	0.0	0.0	0.0
EM Latin America	0.1	2.7	0.2	0.2	0.2	0.0
EM Mid East+Africa	0.0	1.0	0.0	0.0	0.0	0.0
<b>Emerging Markets</b>	<b>1.5</b>	<b>11.8</b>	<b>0.2</b>	<b>7.1</b>	<b>3.8</b>	<b>0.0</b>
<b>Frontier Markets</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.9</b>	<b>0.5</b>	<b>0.0</b>
Cash	2.6	0.0	2.6	1.9	2.2	0.0

Regional Allocation (%)		
	Global Equity	MSCI AC World
United States	58.0	46.5
<b>Non-US Developed</b>	<b>37.7</b>	<b>41.7</b>
<b>Emerging Markets</b>	<b>1.5</b>	<b>11.8</b>
<b>Frontier Markets</b>	<b>0.2</b>	<b>0.0</b>
Cash	2.6	0.0

# Flexible Capital Strategy

	Forester Offshore Fund, Ltd.	Archstone Offshore Fund, Ltd.	Weatherlow Offshore Fund I Ltd	Total Leveraged Portfolio		
Market Value	\$6,488	\$5,138	\$5,518	\$17,145		
% of Total Managed Portfolio (\$58.4 mm)	11.1	8.8	9.4	29.3		
<b>Market Exposure (%)</b>						
Gross Long %	90.0	105.9	114.0	102.5		
Gross Short %	59.0	77.3	79.0	70.9		
Net %	31.0	28.6	35.0	31.6		
Total Gross	149.0	183.2	193.0	173.4		
<b>Strategy Weights (%)</b>						
L/S Equity	90.0	55.6	48.0	66.2		
L/S Credit	0.0	10.6	16.0	8.3		
Event-Driven	0.0	1.7	2.0	1.1		
Distressed	0.0	5.7	14.0	6.2		
Special Situations	0.0	1.6	3.0	1.5		
Relative Value	0.0	2.6	11.0	4.3		
Macro	0.0	0.0	6.0	1.9		
Other/Cash	10.0	22.2	0.0	10.5		
<b>Geography (%)</b>						
U.S. & Canada	67.8	58.7	62.6	63.4		
Developed Europe	17.5	24.0	15.8	18.9		
Asia	12.1	11.9	5.8	10.0		
Emerging Markets	2.7	0.0	7.4	3.4		
Other	0.0	5.4	8.4	4.3		
<b>Top 10 Long Holdings/Managers</b>						
	<b>Manager</b>	<b>% of Portfolio</b>	<b>Manager</b>	<b>% of Portfolio</b>	<b>Manager</b>	<b>% of Portfolio</b>
	KENSICO	NA	ELLIOTT	10.2	PINE RIVER (NISSWA)	6.5
	VIKING	NA	FARALLON	9.2	SILVER POINT	4.8
	PENNANT CAPITAL	NA	VIKING	8.3	BAY POND	4.5
	SAMLYN CAPITAL	NA	JNV OVERSEAS	7.7	SENATOR	4.5
	TIGER GLOBAL	NA	BAY RESOURCE PT	6.9	SOROBAN	4.5
	WELLINGTON	NA	OZ OVERSEAS	6.8	HIGHFIELDS	4.4
	JOHO CAPITAL	NA	DISCOVERY GLOBAL	5.8	SABA	4.3
	CASTINE CAPITAL	NA	LUXOR	5.8	CENTERBRIDGE	4.0
	COATUE	NA	HIGHFIELDS	5.0	ESG	3.9
	LANSDOWNE PARTNERS	NA	SCOUT	5.4	GREYWOLF	3.8

Data for Period Ended September 30, 2012

- Portfolios with incomplete data are excluded from the Total Leveraged Portfolio calculations.

- Top holdings are reflected as of current quarter end when provided by the manager. Otherwise, holdings are based on 13Fs with a quarter lag, when applicable.

The 13F reflects top equity holdings as a percentage of total equity holdings at the firm level.

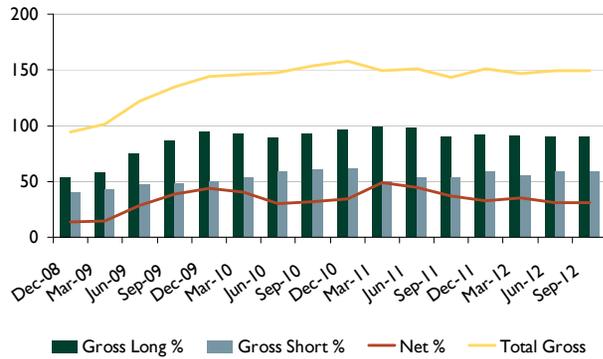
- Market Values in '000s.

- Statistics as of 6/30/2012: Forester Offshore Fund, Ltd. , Archstone Offshore Fund, Ltd.

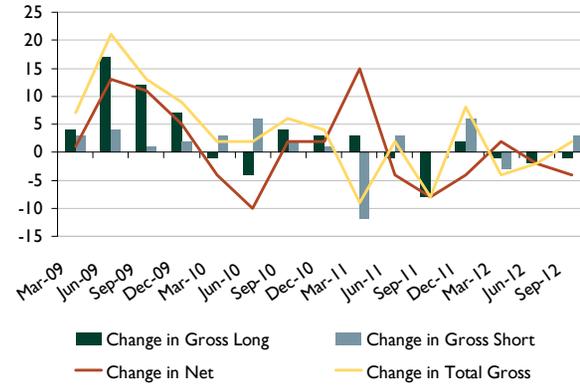
# Flexible Capital Strategy

## Forester Offshore, Ltd.

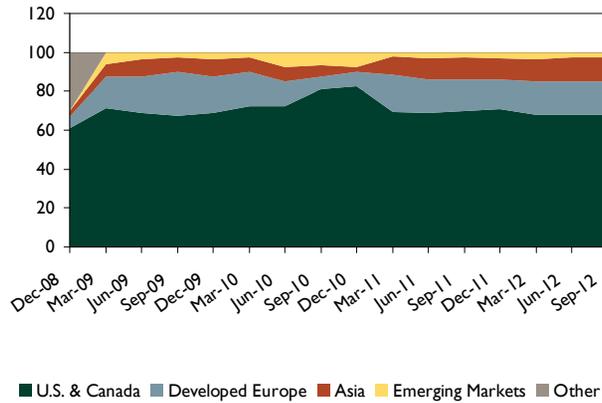
Market Exposure



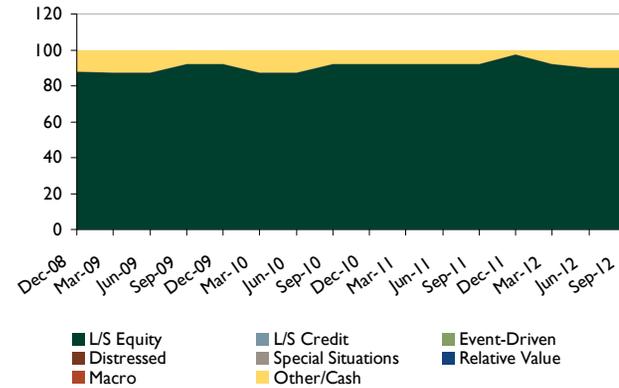
Change in Market Exposure



Geographic Exposure

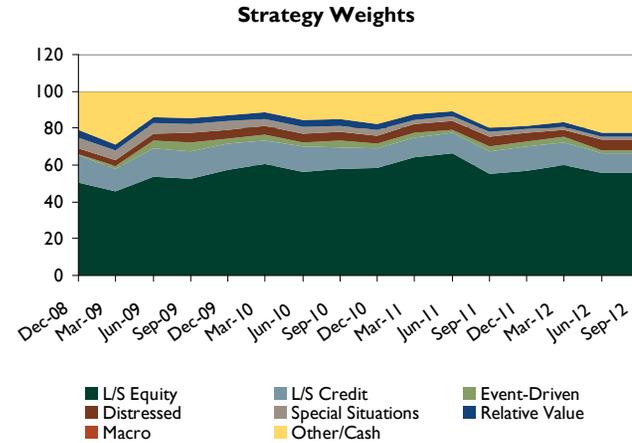
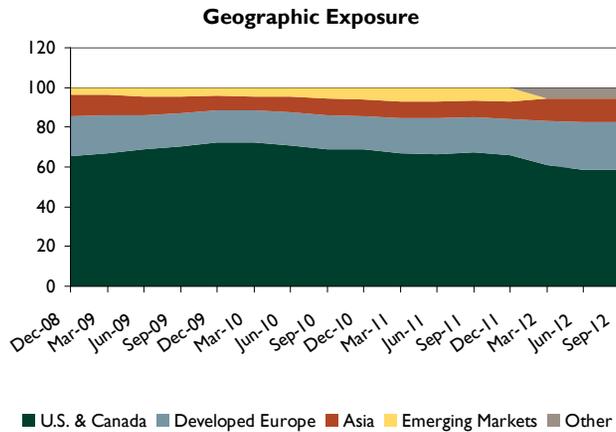
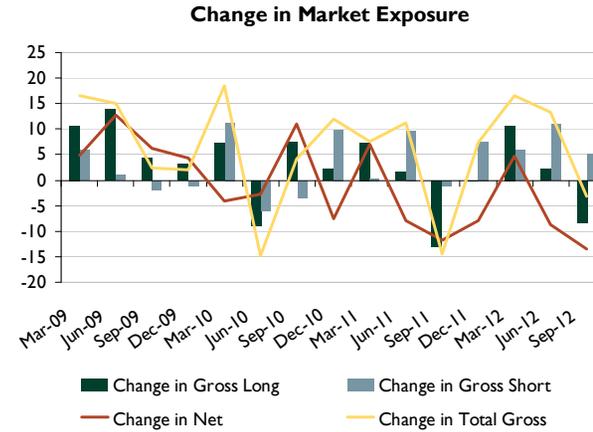
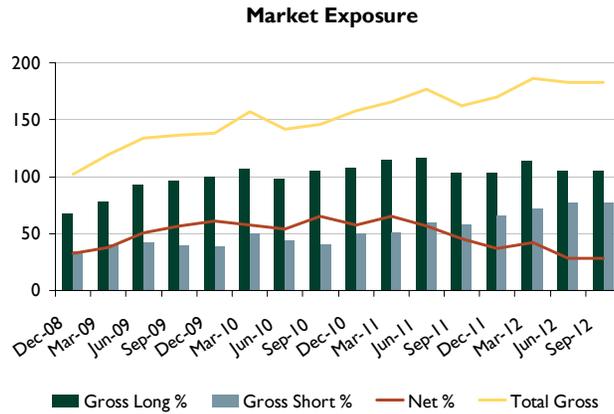


Strategy Weights



# Flexible Capital Strategy

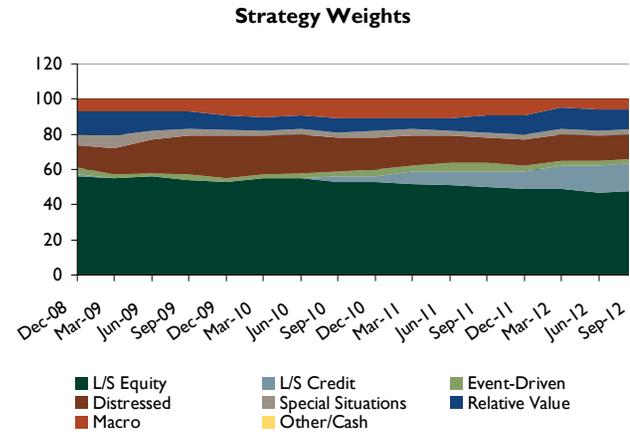
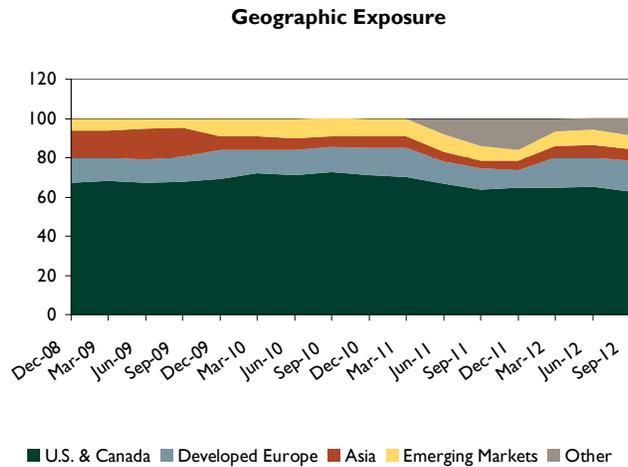
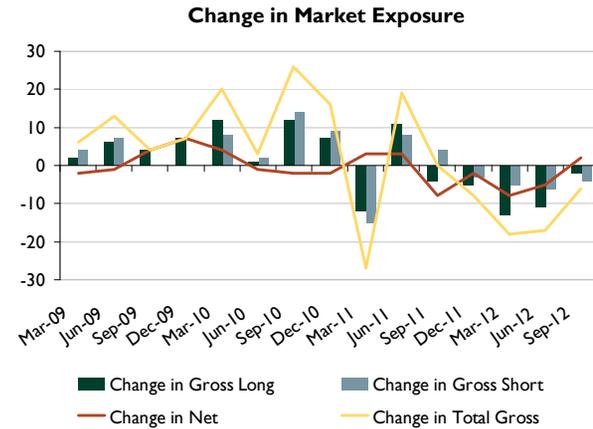
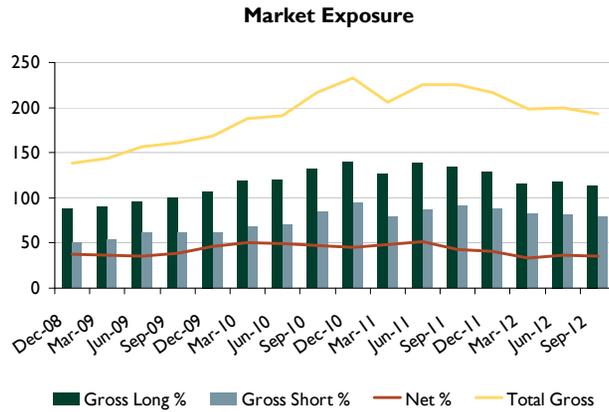
## Archstone Offshore Fund



9/30/2012 statistics are based on 6/30/2012

# Flexible Capital Strategy

## Weatherlow Offshore Fund I Ltd.



Geographic exposure is subjectively assessed by the manager based on underlying fund exposure and is shown as a % of total gross one quarter in arrears.

# Inflation Hedging

	Vanguard Inflation-Protected Securities	BC US Treasury Inflation Notes
<b>Portfolio Characteristics</b>		
Yield	1.5	-0.9
Average Maturity	9.4	9.2
Duration	8.5	5.3
<b>Quality Breakdown</b>		
U.S. Treasury	99.8	100.0
U.S. Government/Agency	0.0	0.0
Agency MBS	0.0	0.0
Non-U.S. Sovereign/Agency	0.0	0.0
AAA	0.0	0.0
AA	0.0	0.0
A	0.0	0.0
BBB	0.0	0.0
BB and Below	0.0	0.0
NR/Other	0.2	0.0
<b>Sector and Sub-Sector Breakdown</b>		
U.S. Treasury	99.8	100.0
U.S. Government Related	0.0	0.0
Non-U.S. Sovereign/Agency	0.0	0.0
Investment Grade Corporate	0.0	0.0
<i>Industrials</i>	0.0	0.0
<i>Utility</i>	0.0	0.0
<i>Financials</i>	0.0	0.0
High Yield	0.0	0.0
Non-U.S. Dollar	0.0	0.0
Emerging Market Debt	0.0	0.0
MBS	0.0	0.0
<i>MBS - Agency</i>	0.0	0.0
<i>MBS - Non-Agency</i>	0.0	0.0
CMBS	0.0	0.0
ABS	0.0	0.0
Municipal	0.0	0.0
Cash	0.2	0.0
Other	0.0	0.0

Data for Period Ended September 30, 2012

Yield represents Yield to Maturity, Duration represents Effective Duration unless otherwise noted.

<sup>(1)</sup> Yield to maturity is calculated by Vanguard by adding the trailing 12-month inflation adjustment to the "real" YTM of the fund. Duration represents Average Duration. 0.2% Cash represents Short-Term Reserves.

<sup>(2)</sup> Duration represents Real Option Adjusted Duration. Yield shown is Real Yield.

	Wellington DIH <sup>(1)</sup>	Wellington DIH Target Allocation
<b>Asset Allocation Summary</b>		
Total Equities	51.7	50.0
<i>Energy</i>	25.0	25.0
<i>Metals and Mining</i>	4.5	5.0
<i>Agriculture/Livestock</i>	10.2	10.0
<i>Real Estate</i>	0.0	0.0
<i>Climate Change</i>	0.0	0.0
<i>Other</i>	12.0	10.0
Total Commodities	24.9	25.0
<i>Energy</i>	6.0	6.3
<i>Industrial Metals</i>	5.9	6.3
<i>Precious Metals</i>	6.9	6.3
<i>Agriculture/Livestock</i>	5.8	6.3
Total Fixed Income/Cash	23.4	25.0
<i>TIPS</i>	21.7	25.0
<i>Cash</i>	1.7	0.0

<b>Equities Exposure by Geography</b>		
U.S.	46.4	44.3
Non-U.S.	53.6	55.7

Data for Period Ended September 30, 2012

<sup>(1)</sup> Total Equities Other includes 6% Enduring Assets and 6% Precious Metals.

Commodities includes 0.3% in Residual Cash. Total Fixed Income includes 6% in ELD Linkers.

<sup>(2)</sup> Total Equities Other includes 5% Enduring Assets and 5% Precious Metals.

Total Fixed Income includes 5% in ELD Linkers.

# Fixed Income

	SSgA U.S. Aggregate		
	Richmond	Bond Index NL Fund	BC Aggregate <sup>(2)</sup>
<b>Portfolio Characteristics</b>			
Yield	2.2	1.6	1.6
Average Maturity	5.7	6.7	6.7
Duration	4.1	4.8	4.9
<b>Quality Breakdown</b>			
U.S. Treasury	6.5	36.0	36.1
U.S. Government/Agency	6.0	5.0	5.1
Agency MBS	31.0	29.4	30.0
Non-U.S. Sovereign/Agency	0.0	0.0	4.1
AAA	9.9	3.3	3.0
AA	4.2	4.6	2.1
A	32.9	11.1	10.5
BBB	9.5	10.6	9.1
BB and Below	0.0	0.0	0.0
NR/Other	0.0	0.0	0.0
<b>Sector and Sub-Sector Breakdown</b>			
U.S. Treasury	6.5	36.0	36.1
U.S. Government Related	6.0	5.0	5.1
Non-U.S. Sovereign/Agency	0.0	0.0	4.1
Investment Grade Corporate	46.2	21.0	21.1
<i>Industrials</i>	15.2	11.9	11.9
<i>Utility</i>	3.6	2.4	2.4
<i>Financials</i>	27.4	6.7	6.8
High Yield	0.0	0.0	0.0
Non-U.S. Dollar	0.0	0.0	0.0
Emerging Market Debt	0.0	0.0	0.0
MBS	31.0	29.4	30.0
<i>MBS - Agency</i>	31.0	29.4	30.0
<i>MBS - Non-Agency</i>	0.0	0.0	0.0
CMBS	8.3	1.9	1.9
ABS	0.0	0.3	0.3
Municipal	0.5	0.0	0.0
Cash	1.5	0.4	0.0
Other	0.0	6.0	1.4

Data for Period Ended September 30, 2012

Yield represents Yield to Maturity, Duration represents Effective Duration unless otherwise noted.

- Statistics as of 6/30/2012: Richmond

- Statistics as of 9/15/2012: SSgA U.S. Aggregate Bond Index NL Fund

<sup>(1)</sup> Duration is Modified Adjusted Duration. Sector Breakdown Other includes 5.6% Non-Corporates

<sup>(2)</sup> Duration represents Modified Adjusted Duration. Sector Breakdown Other is Supranationals.

Tab IV

# Performance Highlights

---

## Equity

- The Stralem Large Cap Core Strategy was up 4.9% during the quarter, trailing the 6.4% gain for the S&P 500 Index. The portfolio's up-market exposure (representing 63% of composite assets) hurt third quarter results, accounting for almost all of the relative underperformance. While the allocation effect did not materially impact performance in terms of up, notably it was selection in two of the three up-market segments (new industries and dominant companies) that negatively impacted results. Of note, Intel (-14%) and Microsoft (-2%) within new industries hurt relative performance, while dominant companies including Coca-Cola (-2%), FedEx (-7%), and Dow Chemical (-8%) also posted losses. Attribution in terms of down-market stocks (33% of composite assets) was slightly positive, driven by mega cap energy names ExxonMobil (+8%) and Chevron (+11%) in the energy segment and high yield holdings, including AT&T (+7%), Merck (+9%) and Pfizer (+9%). More broadly, performance on the year has been negatively impacted by an overweight to utilities—an area the team believes will hold up well should market volatility increase later this year and in 2013. The portfolio was also punished on a relative basis by a lack of exposure to financials. Lastly, the portfolio has no exposure to Apple, a name that now represents close to 4% of the S&P 500 Index. This decision alone has cost approximately 200 basis points of relative performance; however, the team prefers names such as Qualcomm, Intel, and Cisco that could be beneficiaries of the shift to smartphones. Despite underperformance throughout the quarter and on the year, the team remains comfortable with its positioning and the names in the portfolio. There were no new buys or outright sales during the quarter. The main activity during the quarter was related to trimming pharma names on strength. While a number of these names are yielding in excess of 4%, there are concerns about downside risk at current levels.

# Performance Highlights

---

## Equity (cont'd)

- Cramer Rosenthal McGlynn's Mid Cap Value strategy advanced 5.1% in the three months ended September 30, 2012, but failed to match the Russell Mid Cap Value Index's 5.8% gain. Nevertheless, CRM's Mid Cap Value strategy is within 40 bps of the benchmark in the year-to-date period with a return of 13.6%. Sector allocation, which is a by-product of CRM's bottom-up research and portfolio construction, weighed on relative results in the quarter. CRM is underweight the energy sector where Cameco, a miner of uranium, faced a declining prices and continued concerns over Japan's nuclear program. Cameco's decline offset strong performance from Cameron International, Marathon Oil, and Whiting Petroleum in the quarter and selection was neutral in the sector. In addition to CRM's under allocation to energy, CRM's overweighting of the information technology sector, where stock selection was similarly neutral, weighed on relative results. Stock selection was problematic within healthcare where Hospira figured among the top detractors. CRM reports that Hospira, a drug maker, is in the early stages of resolving quality issues in its manufacturing. While CRM expects Hospira's stock to remain challenged in the near-term, the Firm believes that valuations are sufficiently compelling given the company's longer-term prospects. CRM had positive results across its industrials, consumer discretionary, and utilities portfolios. Stanley Black & Decker, a standout within the industrials sector, increased its dividend, announced an accretive acquisition, and expanded on plans to restructure costs, prompting a recovery from the sell off in the second quarter. Limited Brands and McGraw-Hill contributed to CRM's outperformance within the consumer discretionary sector. Investors have responded favorably to McGraw-Hill's plan to split into two companies, McGraw-Hill Financial and McGraw-Hill Education, while Limited Brands exceeded expectations for sales. CRM continues to prefer well capitalized companies that are returning capital to its shareholders, as well as misunderstood restructurings, asset sales, and spin-offs. CRM has also been opportunistic in its trading of portfolio positions – reducing holdings into strength and redeploying capital into high conviction names with additional upside. Though challenging in the short-term, CRM continues to believe that the market volatility has presented great opportunities for long-term investors. The Mid Cap Value strategy remains closed to new investors.
- During the quarter, CRM announced that Thad Pollack joined Jay Abramson and Chip Rewey, CFA as a co-portfolio manager on the Mid Cap Value strategy. Pollack joined CRM in 2003 and is a sector lead on the consumer staples team.

# Performance Highlights

---

## Equity (cont'd)

- Geneva's Mid Cap Growth strategy returned 3.6% in the quarter ended September 30, 2012, but it failed to match the Russell Midcap Growth Index's 5.3% gain. Underperformance in the quarter was attributable to stock selection—Geneva's health care, consumer discretionary, and materials holdings lagged the benchmark. Cerner, a health care IT company, was the largest detractor within the sector. Geneva has otherwise focused on veterinary and dental names, as well as companies that offer solutions to cost proliferation. Geneva attributes a significant part of its relative underperformance within the health care sector to substantial price appreciation in stocks that it does not own. Stock selection was very mixed in the consumer discretionary sector, in which strong performance from Panera and Tractor Supply Company did not fully offset weakness in Chipotle Mexican Grill and Gentex. Geneva's sole materials position (Sigma-Aldrich) declined—albeit modestly—in the quarter. Geneva reports that portfolio activity has declined in recent quarters during which the consequences of incorrectly buying or selling has increased. Trading has tended to be opportunistic in nature—Geneva trimmed and added with market volatility. During the quarter, Geneva established two new positions—McCormick & Company and Ulta Salons—and sold Whiting Petroleum. During this time, Geneva repositioned its portfolio into natural gas to capitalize on the fuel's significant price disconnect. Geneva is increasingly constructive on financials in anticipation of a merger and acquisition super cycle, but remains underweight the sector. Geneva describes the current portfolio as balanced with exposure to both steady and more aggressive (20%+) growers. Valuations are concerning in some segments of the portfolio, but Geneva has yet to take any significant action. Because the Firm continues to have a cautious outlook, it plans to maintain its emphasis on quality.

# Performance Highlights

---

## Equity (cont'd)

- The Harris International Equity strategy gained 7.9% over the quarter, outpacing the 7.5% return of the MSCI EAFE Index. Lead PM David Herro's bet on European financials added meaningful value as positions in Banco Santander (Spain), BNP Paribas (France), and Lloyds Banking Group (UK) all outperformed the broad benchmark. Herro and his investment team also saw strong stock selection within the industrials, consumer discretionary, and commodities sectors. Technology was the only area of weakness, with positions in Japanese electronics companies Canon, Rohm, and Omron all posting losses during the quarter. The strategy continued to hold a strong cyclical tilt, with the portfolio positioned heavily in favor of financials, industrials, and consumer discretionary names. These overweights came largely at the expense of the energy and telecommunications sectors, where the portfolio continued to hold no exposure. Herro has long avoided energy names due to its dependence on oil pricing rather than company fundamentals, while his aversion to telecommunications is driven primarily by concerns over unfavorable industry trends and regulation. From a regional perspective the portfolio continued to hold a significant overweight to continental Europe at the expense of most other countries and regions, with the exception of Japan which was roughly in line with the Index. The portfolio continued to hold defensive hedges on the Australian dollar, Japanese yen, Swiss franc, and Swedish kroner were all hedged.
- Lead PM David Herro seeks deeply undervalued investment opportunities, which are often out of favor with most investors. This, coupled with the concentrated nature of the strategy, can result in considerable deviations from the benchmark. Investors must have a similar investment horizon to Harris (3-5 years). Currently, the portfolio has meaningful exposure to continental Europe, in particular banking names, a region where Herro and his team have identified what it believes to be strong companies trading at attractive valuations. We maintain a high level of conviction in the Harris International Fund and Herro, however it is important that clients are aware of the potential deviations from the benchmark and peers that may result from the active bets taken in this strategy.

# Performance Highlights

---

## Equity (cont'd)

- Artisan's International Fund gained 7.5% during the quarter, outperforming the 6.9% gain of the MSCI EAFE Index. Following another strong quarter, the strategy is now well ahead of the benchmark over the year-to-date period ended September 30th (+18.7% vs. +10.1%). Relative outperformance in the quarter was driven entirely by stock selection. The investment team added meaningful value within the industrials and healthcare sectors, where notable contributors included biotechnology names such as Grifols and Actelion Ltd., as well as Canadian Pacific Railway and German courier Deutsche Post. Financials was the only economic sector where Artisan failed to add relative value, due in part to mixed returns within the banking sector. At quarter-end the portfolio continued to hold a significant overweight to consumer staples, where exposure was focused on high quality companies with dominant market positions. The overweight to staples has come primarily at the expense of energy and utilities, where Artisan holds a minimal allocation. Regionally, the Fund's allocation to continental Europe remained underweight, with exposure focused in core nations such as Germany, France, and Switzerland at the expense of the PIIGS nations. The strategy's direct emerging markets allocation decreased modestly to 11%, with much of the exposure coming from Chinese and to a lesser extent Korean positions.
- In February 2012, Andrew J. Euretig and Charles-Henri Hamker were added as Assistant Portfolio managers on the strategy. Euretig has served as an Analyst with Artisan since 2005, while Hamker has been with the Firm since 2000. Mark Yockey, who has managed the Fund since its inception, remains the lead Portfolio Manager.
- Following the withdrawal of an S-1 (IPO) registration in December, Artisan has yet to share a detailed plan for providing liquidity to the Ziegler family and private equity firm Hellman & Friedman, and for reducing the debt associated with the Firm's recapitalization in 2006. Artisan reports that the Firm continues to review its options and is likely to re-address Firm ownership in the coming quarters. We continue to monitor the situation closely and will communicate any developments as we are made aware of them.

# Performance Highlights

---

## Flexible Capital

- Archstone Offshore gained 3.7% in the quarter, bringing year-to-date returns to 6.3%. This compares favorably to the HFRI FOF: Diversified Index, which gained 2.2% and 3.3% over the same respective periods. Archstone's absolute return oriented managers reported relatively consistent results on the quarter, with returns generally falling in a range of 3% to 4%. Farallon was the worst performing manager, gaining just under 3% as the Fund maintained a double-digit cash balance during the credit and equity market rally. King Street gained 3.5% despite running with a cash balance in excess of 40% as their invested capital is concentrated in more complex corporate credit securities that have moved up due to improved fundamentals and increased attention from a yield-starved investment community. Elliott was the top performing absolute return manager, gaining 4.7% on the strength of its distressed book, most notably Lehman Brothers which appreciated ahead of the most recent cash distribution in October. There was greater dispersion amongst equity managers, with more volatile managers such as Discovery and Bay Resources leading the way with 9% returns. Discovery benefited from risk-on positioning, particularly in emerging, whereas Bay Resources' concentration in cyclical equities such as energy and materials aided returns. Alpha generation was modest for most managers, with Viking gaining 4% and Kensico up 3%, while event-driven manager Luxor (-1%) was hurt by poor security selection on the short-side of the book.
- Forester Offshore gained 2.1% in the quarter, bringing year-to-date returns to 7.0%. Over the same respective periods, the HFRI FOF: Strategic Index gained 2.7% and 3.9%. Long/short equity manager performance was generally positive, but lagged broader equity indices. Among the better performers during the quarter was Coatue, which gained more than 5.5%. Coatue's portfolio is concentrated in technology and media names, and top holdings such as Apple, Liberty Global, and News Corp. all posted strong double-digit gains in the quarter. Samlyn was also a strong contributor, gaining nearly 5% due to strength from the energy and financials sectors. Financials specialist Wellington Bay Pond also outperformed, gaining more than 7%. Managers exposed to global cyclicals also performed quite well, most notably HHR (6%) and Lone Pine (8%) both of which have considerable allocations to consumer related companies that have participated in the equity market rally this year. Outside of equities, mortgage focused manager Premium Point (9%) benefited from improving housing fundamentals, as well as greater interest in more complex, higher yielding credit from other investors. On the negative side, Forester's hedge related managers struggled during the quarter as equity and credit markets appreciated, and volatility levels declined, weighing on options positions. Hedging activity also weighed on managers such as Mason (-1.7%), which had considerable credit shorts throughout much of the quarter. Mason's relatively concentrated event-driven portfolio also saw a number of trades work against them.

# Performance Highlights

---

## Flexible Capital (cont'd)

- Weatherlow gained 3.2% in the third quarter, outperforming the HFRI FOF: Diversified Index, which appreciated 2.2%. Year to date, the Fund has returned 6.6%—double that of the Index. The strongest area within Weatherlow continues to be credit-oriented managers; specifically, those focused on the mortgage and structured credit space. Pine River gained roughly 14% in the quarter, bringing year-to-date gains to 29%. Pine River is focused on non-agency RMBS trading, which has outperformed almost all other areas of the market in 2012. Pine River has also added considerable alpha in addition to the strong positive tailwind from the sector. Strength in the mortgage and structured credit market also benefited Seer Capital (+8%) and Eton Park (+5%). Corporate credit managers were also an area of strength, with Anchorage, Centerbridge, and Silver Point all reporting gains of 5–6% amidst spread tightening and positive events among a number of larger distressed situations. Credit manager returns depended largely on net market exposure during the quarter, implying a low level of alpha generation as Saba and Greywolf were positioned net short and both reported modest losses. Similarly, more hedged event-driven managers such as Azentus and Edoma were roughly flat on the quarter. Outside of credit, equity manager returns were generally strong, with a handful of true standouts to the upside. Soroban (+11%) and Cambrian (+10%) both benefited from strength in the energy sector, while Wellington's financials-focused fund Bay Pond appreciated 7%. Global equity manager Kleinheinz continues to underperform, declining 2% in the third quarter, bringing year-to-date returns to -3.2%. Kleinheinz's third quarter performance is particularly disappointing, as the manager has a sizable allocation to emerging markets, which outperformed developed market equities. Weatherlow's tail-hedge strategies cost the Fund roughly 40 bps during the quarter.

## Fixed Income

- During the third quarter of 2012, the Richmond Capital Fixed Income Account gained 1.9%, finishing 30 bps ahead of the BC Aggregate Index. The Fund continued to be negatively impacted by its exposure to shorter-term issues in comparison to its benchmark, as longer dated maturities continued to outperform. Richmond did however benefit from being overweight lower quality issues, with AAA-rated issues continuing to produce the lowest total return in the Aggregate Index's credit quality segments. Investment grade corporates significantly outperformed similar duration U.S. Treasuries, of which Richmond held approximately 46.0% of assets, contributing positively towards relative performance over the quarter. Richmond also benefitted from its exposure to the securitized sector, which outpaced the broad market on a total return basis, with commercial MBS rallying sharply from the increased demand driven by the Fed's purchase program.

# Performance Highlights

---

## Inflation Hedging

- During the third quarter, Vanguard Inflation-Protected Securities Fund matched the 2.1% return of the Barclays U.S. Treasury Inflation Protected Securities (TIPS) Index. The Fund maintained a benchmark-like duration, and a modest tilt to the 10-20 year maturity range offset the headwind caused by a modest overweight to the 1-3 year maturity range. Performance in the TIPS market was impacted by countering factors. The real yield curve steepened with larger declines in yields at the front-end of the curve compared to the back-end of the curve, which in most cases would favor shorter duration strategies. However, near-term inflation expectations widened out to a greater degree than longer-term expectations. The five-year breakeven inflation rate increased 40 bps to 2.2%, while the ten-year breakeven inflation rate rose 28 bps to 2.4%. Shifting near-term inflation expectations caused shorter-dated TIPS to underperform their longer-maturity counterparts. Furthermore, expectations for higher inflation led TIPS across the maturity spectrum to outperform their nominal Treasury counterparts. Entering the fourth quarter, the Fund was invested solely in TIPS and maintained duration and yield characteristics that matched the benchmark.
- Wellington Diversified Inflation Hedges returned 7.5% in the third quarter, reversing declines experienced in the second quarter. During the quarter, the composite benchmark for the strategy advanced 7.7%. In the aggregate, asset allocation decisions were additive, while security selection detracted from performance.
- Security selection within the metals and mining portfolio detracted the most from Fund performance as out of benchmark positions in coal companies (Whitehaven / Peabody Energy), and security selection within diversified minors (Tinto and Anglo American rather than Xstrata) underperformed the benchmark. Energy equity holdings also detracted from Fund performance as producer selection decisions and exposure to a coal company, CONSOL, hurt relative returns.
- The commodities allocation outperformed its benchmark. Overweights to corn and soybeans were additive, as the drought in the U.S. drove yields lower/prices higher. In addition, an underweight to hogs contributed to outperformance.
- As of quarter-end the Fund was overweight EMILB (6% vs. benchmark of 5%) , precious metals (6% vs. 5%), enduring assets (6% vs. 5%), commodities (25.6% vs. 25%), ag & livestock (10.2% vs. 10%), energy (25.1% vs. 25%), as well as underweight metals & mining (4.5% vs. 5.0%), and TIPS/cash (16.7% vs. 20%).

# Manager Profiles

## Archstone Offshore Fund

June 30, 2012

### Firm Details: Archstone Partners

<p><b>Total Assets (\$ mil.):</b> \$4,001</p> <p><b>Style:</b> Hybrid FOF</p> <p><b>Assets in Style (\$ mil.):</b> \$2,957</p> <p><b>Year Founded:</b> 1991</p> <p><b>Location:</b> New York, NY</p> <p><b>Ownership:</b> Alfred Shuman 80%; Balance in declining order: Stanley Shuman; Richard Nye; Steven Kotler; Stephanie Shuman; Joseph Pignatelli; David Parker; John Marshall</p> <p><b>Registration:</b> SEC</p> <p><b>GP Capital:</b> \$37.5 million</p>	<p><b>Key Investment Professionals:</b></p> <p>- Alfred Shuman - Founder. BA from Harvard ('61) and MBA from Harvard Business School ('63). Serves as Trustee of various non-profit and educational organizations.</p> <p>- Joe Pignatelli - President of Archstone Funds. Over 15 years experience in investment management. Oversees all manager analysis, asset allocation, and coordination of legal/financial issues. Bachelors from Pace University and Masters from Baruch College.</p> <p>-David Parker - COO and Chief Compliance Officer. BS from University of Texas and MBA from Harvard Business School. Duties include all management-related issues, strategy, planning, and governance.</p> <p>Other investment professionals include Mark Smith, Barbara Barlick, Kevin Jornlin &amp; Edgar Smith.</p>
--	---

### Investment Objective, Philosophy/Process, and Assessment

The fund's three primary goals are: 1) to earn 3-5 times the risk free rate of return; 2) to capture a substantial share of the market's gains; 3) to protect its capital during market declines.

Archstone Partners employs a fund-of-funds approach that focuses on top-tier firms. The following strategies are employed: hedged equity, market neutral, global trading, short biased, and long biased. The fund targets 60% to directional equity managers and 40% to non-directional, usually multi-strategy managers. Manager allocations are targeted to be either 10%, 5%, or 2.5%. A significant element of qualitative analysis exists in this process, as the partners rely heavily on experience and contacts in building the portfolio. Archstone requires that its underlying managers have at least \$5 million invested in the fund, and that the invested amount represents at least 50% of the managers' net worth.

We believe Archstone has a strong and experienced team. Based on our research of hedge funds, we believe the Fund consists of high quality underlying hedge funds. This Fund may be more concentrated than some other fund-of-funds and Archstone is willing to size up their high conviction managers. The firm has been able to leverage long-standing relationships in the hedge fund industry that can often lead to early access to new managers. Archstone provides full transparency, including manager names and allocations, exposures, and detailed quarterly letters. Archstone passes through a greater percentage of operating expenses to fund investors than many of their peers and these increased fees should be taken into consideration when investing with Archstone.

### Sample Portfolio Characteristics

Underlying Funds	Alloc %	Strategy
Elliott International, Ltd	10	Absolute Return
Farallon Capital Offshore Investors, Inc.	9	Absolute Return
Viking Global Equities III, Ltd.	8	Long/Short Equity
JNV Overseas Fund, Ltd.	8	Long/Short Equity
Bay Resource Partners Offshore Fund, Ltd.	7	Long/Short Equity
OZ Overseas Fund II, Ltd	7	Absolute Return
Discovery Global Opportunity Fund, Ltd.	6	Long/Short Equity
Luxor Capital Partners Offshore	6	Long/Short Equity
Highfields Capital, Ltd.	5	Long/Short Equity
Scout Capital Fund, Ltd	5	Long/Short Equity
York Investment, Ltd.	5	Absolute Return
Conatus Capital Overseas, Ltd.	5	Long/Short Equity
King Street Capital Ltd	5	Absolute Return
Kensico Offshore Fund, Ltd.	5	Long/Short Equity
Eton Park Overseas Fund, LTD	4	Absolute Return
Glenhill Capital Overseas Partners, Ltd.	3	Long/Short Equity
Lone Pine	1	Long/Short Equity

### Vehicle Information:

<b>Inception:</b>	October 2000	<b>3c1/3c7:</b>	3c7
<b>Assets (\$ mil.):</b>	\$1,567	<b>Subscriptions:</b>	Monthly
<b>Minimum Account Size:</b>	\$1,000,000	<b>Redemptions (notice):</b>	Quarterly with 90 day notice
<b>Management Fee:</b>	1.5% flat or 1% + 5% incentive; Underlying Manager Fees	<b>Lock-up:</b>	12 months
<b>Profit Allocation:</b>	0% for flat fee/5% for incentive fee structure	<b>ERISA Capacity:</b>	None as of 6/23/2010
<b>Highwater Mark:</b>	Yes, for incentive fee structure	<b>Prime Broker:</b>	N/A
<b>Hurdle Rate:</b>	N/A	<b>Administrator:</b>	SS&C Technologies, Inc.
<b>UBTI:</b>	No	<b>Auditor:</b>	Ernst & Young LLP
<b>Additional Expenses:</b>	Payroll and all operating expenses (capped at 0.60% excl. interest expense, 0.53% in 2011)	<b>Legal Counsel:</b>	Willkie Farr & Gallagher LLP (US), Walkers (Cayman)
<b>Additional Vehicles:</b>	Onshore		

This report is not an offer, nor does it invite anyone to make an offer, to buy or sell securities. Information obtained from third parties is believed to be reliable, however, accuracy of the data is not guaranteed. Information provided by investment managers may be confidential and should be treated as such. Content is current as of the date indicated and subject to change without notice. The assessment within is the opinion of Prime Buchholz and intended solely for our clients. Clients may, at times, invest in managers or products that are not recommended by us. Due diligence and monitoring of managers that are not Prime Buchholz recommended is less rigorous than the level applied to recommended managers. Reports provided to clients regarding managers that have not been recommended by us are for informational purposes only and do not necessarily constitute our endorsement of the manager. Returns are provided by third party sources and are net of fees unless otherwise stated. Performance may or may not reflect reinvestment of dividends and other earnings. Past performance is not an indication of future results and there is no guarantee the manager will achieve cited future investment results.

# Manager Profiles

## Forester Offshore, Ltd.

September 30, 2012

### Firm Details: Forester Capital

<b>Total Assets (\$ mil.):</b>	\$3,500	<b>Key Investment Professionals:</b>	
<b>Style:</b>	Directional Hedge FOF	Trent Carmichael - Prior to founding Forester Capital, Mr. Carmichael was with Tiger Management from 1996 to 1999, Nelson Capital Management from 1991-1994 and Donaldson, Lufkin and Jenrette from 1988-1990. Mr. Carmichael has a Master's degree in Management from the Kellogg School and a BA in Economics from Duke University. He has obtained the Chartered Financial Analyst designation.	
<b>Assets in Style (\$ mil.):</b>	\$1,685		
<b>Year Founded:</b>	1999		
<b>Location:</b>	Greenwich, CT		
<b>Ownership:</b>	100% Trent Carmichael and family.	Fritz Fortmiller - Mr. Fortmiller joined Forester in 2006. Prior to Forester, he worked at Cambridge Associates from 1999-2005 as a Specialist Consultant, Research Consultant and Associate. Prior to that, he founded Turnbuckle Records and worked as a Paralegal Specialist in the U.S. Attorney's Office. BA in Philosophy from Yale University. He has obtained the Chartered Financial Analyst designation.	
<b>Registration:</b>	SEC		
<b>GP Capital:</b>	\$28.5 million across funds (as of 9/30/2010)		

### Investment Objective, Philosophy/Process, and Assessment

The fund seeks to achieve medium to long-term returns that are superior to the broad market averages while assuming less risk. Diversification will be achieved through investment in managers that have different expertise in industry sectors, cap sizes, or geographical areas. Forester looks for managers who have a demonstrated track record, have the ability to generate both long and short ideas, and have a significant amount of their own net worth in their fund. Individual managers are limited to 25% of overall portfolio. Forester may invest up to 10% in an affiliated fund. The fund does not invest in managers who specialize in currencies, bonds or commodities.

Based on our research of hedge funds, we believe the Fund consists of high quality underlying hedge funds and is offered at a reasonable fee. This Fund may be more diversified than some other fund-of-funds as Forester tends to weight highest conviction ideas in the range of 4.5%-6.5%. Forester has been able to leverage long-standing relationships in the hedge fund industry that can often lead to early access to new managers. Forester provides a high degree of transparency, including manager names and allocation ranges, market and regional exposures, and quarterly letters.

The offshore fund was rolled out in January of 2004. The fund is identical in strategy and process to the Forester Partners, LP. Forester Partners II, LP was created to accommodate 3c1 investors when Forester Partners LP converted to a 3c7 vehicle in January 2008. There is substantial overlap between managers in Forester Partners, LP, Forester Partners II, LP and Forester Offshore, Ltd.

\*A partial list of the Fund's largest manager allocations appears to the right. Prime, Buchholz receives full transparency from Forester and clients may receive a full manager list by signing a separate non-disclosure agreement with Forester.

\*Forester prefers offshore investors under the \$2 million minimum to choose the 3yr liquidity, B share class.

\*Allocations to 3c-1 products are subject to slot availability.

### Sample Portfolio Characteristics

Underlying Funds	Alloc %	Strategy
Kensico Capital Management Corp.		U.S. Long/Short
Viking Global Investors LP		Global Long/Short
Pennant Capital Management, L.L.C.		U.S. Long/Short
Samlyn Capital, LLC		Global Long/Short
Tiger Global Management, L.L.C.		Global Long/Short
Coatue Management, L.L.C.		Global TMT
Joho Capital, L.L.C.		Asia Long/Short
Wellington Management Company, LLC		Global Long/Short Sector
Abrams Bison Investments, L.L.C.		U.S. Long Biased
Castine Capital Management, LLC		U.S. Low Net Sector
Lansdowne Partners Limited Partnership		Global Long/Short
Merchants' Gate Capital LP		Global Long/Short
Polar Capital LLP		Europe Long/Short
Steadfast Capital Management LP		U.S. Long/Short
HHR Asset Management LLC		U.S. Long Biased

### Vehicle Information:

<b>Inception:</b>	January 2004	<b>3c1/3c7:</b>	3c7
<b>Assets (\$ mil.):</b>	\$850	<b>Subscriptions:</b>	Quarterly
<b>Minimum Account Size:</b>	\$2,000,000	<b>Redemptions (notice):</b>	A: Annual (anniversary) B: Three-year liquidity
<b>Management Fee:</b>	1.0%, underlying manager fees	<b>Lock-up:</b>	A: Two years B: Three years
<b>Profit Allocation:</b>	A: 3%, B: None	<b>ERISA Capacity:</b>	None as of 4/11/2011
<b>Highwater Mark:</b>	Yes	<b>Prime Broker:</b>	N/A
<b>Hurdle Rate:</b>	NA	<b>Administrator:</b>	International Fund Services
<b>UBTI:</b>	No	<b>Auditor:</b>	Ernst & Young LLP
<b>Additional Expenses:</b>	Accounting, legal, filing (approx. 18 bps)(0.06% in 2011)	<b>Legal Counsel:</b>	Ogier (Cayman)
<b>Additional Vehicles:</b>	Onshore 3c1 and 3c7		

This report is not an offer, nor does it invite anyone to make an offer, to buy or sell securities. Information obtained from third parties is believed to be reliable, however, accuracy of the data is not guaranteed. Information provided by investment managers may be confidential and should be treated as such. Content is current as of the date indicated and subject to change without notice. The assessment within is the opinion of Prime Buchholz and intended solely for our clients. Clients may, at times, invest in managers or products that are not recommended by us. Due diligence and monitoring of managers that are not Prime Buchholz recommended is less rigorous than the level applied to recommended managers. Reports provided to clients regarding managers that have not been recommended by us are for informational purposes only and do not necessarily constitute our endorsement of the manager. Returns are provided by third party sources and are net of fees unless otherwise stated. Performance may or may not reflect reinvestment of dividends and other earnings. Past performance is not an indication of future results and there is no guarantee the manager will achieve cited future investment results.

# Manager Profiles

## Weatherlow Offshore Fund I Ltd.

September 30, 2012

### Firm Details: Evanston Capital Management

<b>Total Assets (\$ mil.):</b>	\$4,525	<b>Key Investment Professionals:</b>	
<b>Style:</b>	Hybrid FOF	- David Wagner - Founding Principal and CEO. Career spans over 30 years, most recently as CIO of Northwestern University for 10 years. BA and MBA from Dartmouth.	
<b>Assets in Style (\$ mil.):</b>	\$4,422	- Adam Blitz, CFA - Managing Director. Six years experience in Prime Brokerage at Goldman Sachs and as Head Trader at AQR (quantitative hedge fund). BS from Wharton School at University of Pennsylvania.	
<b>Year Founded:</b>	2002	- Ken Meister, CFA - Managing Director. Most recently with William Blair & Company. Previously with Northern Trust working on asset allocation, manager selection and risk controls. BS from Indiana Univ. and MBA from Loyola Univ. of Chicago.	
<b>Location:</b>	Evanston, IL	- Ryan Cahill, CPA - CFO. Previously employed by Arthur Andersen LLP. More than 14 years experience. BS from University of Notre Dame.	
<b>Ownership:</b>	49.9% TA Associates/24% D. Wagner/5.5% external (John Croghan)/20.6% employees		
<b>Registration:</b>	SEC		
<b>GP Capital:</b>	\$50 M (internal investments as of 5/31/12)		

### Investment Objective, Philosophy/Process, and Assessment

Weatherlow is a diversified fund of hedge funds that seeks to generate equity-like returns with bond-like volatility.

Evanston uses a systematic scoring process on various investment and business-related factors for funds in the evaluation process (called 360 degree). The manager blends quantitative modeling and qualitative review to build the portfolio. Extensive relationships are a primary source of new ideas (built up by Wagner over years at Northwestern). Typically, 65-70% of managers are firmly established, while the remainder will be newer ideas. Multiple strategies are employed (average allocation 50% long/short equity, 20% event driven, 20% relative value, 10% global asset allocation). The Fund will typically be made up of 15-30 managers, and the aim is for no single fund to account for more than 15% of capital. Weatherlow tends to have higher gross exposure than many other fund of funds (max 300%) and, in the past, has invested on the margin in some more quantitative managers.

\*Investments under \$3 million are generally restricted to the 3-year lock up share class.

\*\*A partial list of managers appears to the right.

### Sample Portfolio Characteristics

Underlying Funds	Alloc %	Strategy
Pine River Nisswa Fixed Income	7	Relative Value
Silver Point Capital Fund, L.P.	5	Event-Driven
Bay Pond Partners LP	5	Long/Short Equity
Senator Global Opportunity Fund, LP	5	Multi-Strategy
Soroban Fund LLC	5	Long/Short Equity
Highfields Capital II, LP	4	Multi-Strategy
Saba Capital Partners, L.P.	4	Relative Value
Centerbridge Credit Partners, LP	4	Event-Driven
ESG Cross Border Equity Fund LP	4	Long/Short Equity
Greywolf Capital Partners II	4	Relative Value, Event-Driven
Joho Fund LP	4	Long/Short Equity
Anchorage Capital Partners, LP	4	Event-Driven, Relative Value
Seer Capital Partners Fund, LP	4	Relative Value
Cavalry Capital Appreciation	3	Long/Short Equity
Eton Park Fund, LP	3	Multi-Strategy
Deerfield Partners, LP	3	Long/Short Equity
North Run Capital, L.P.	3	L/S Equity, Event-Driven
Triton Fund LP	3	Relative value
12 West Capital Fund, LP	3	L/S Equity
Edoma Global Event Driven Fund LP	3	L/S Equity, Event-Driven
CamCap Resources, L.P.	2	Long/Short equity
Palmetto Catastrophe Fund, LP	2	Relative Value
Bridgewater Pure Alpha	2	Global Asset Allocation
Wolf Creek Partners, LP	1	Long/Short Equity

### Vehicle Information:

<b>Inception:</b>	January 2003 (onshore October 2002)	<b>3c1/3c7:</b>	3c7
<b>Assets (\$ mil.):</b>	\$2,759	<b>Subscriptions:</b>	Monthly
<b>Minimum Account Size:</b>	\$3,000,000	<b>Redemptions (notice):</b>	Quarterly with 65
<b>Management Fee:</b>	1% (1yr lock), 0.85% (3yr lock); underlying mgrs fees	<b>Lock-up:</b>	1 or 3 years (investor choice)
<b>Profit Allocation:</b>	10%	<b>ERISA Capacity:</b>	20% of fund assets (no constraints yet)
<b>Highwater Mark:</b>	Yes	<b>Prime Broker:</b>	N/A
<b>Hurdle Rate:</b>	6%	<b>Administrator:</b>	Citco Fund Services (Curacao) N.V.
<b>UBTI:</b>	N/A	<b>Auditor:</b>	Deloitte & Touche LLP
<b>Additional Expenses:</b>	Audit, legal, accounting, admin (0.18% in 2011)	<b>Legal Counsel:</b>	Sidley Austin LLP (US), Maples & Calder (Cayman)
<b>Additional Vehicles:</b>			

This report is not an offer, nor does it invite anyone to make an offer, to buy or sell securities. Information obtained from third parties is believed to be reliable, however, accuracy of the data is not guaranteed. Information provided by investment managers may be confidential and should be treated as such. Content is current as of the date indicated and subject to change without notice. The assessment within is the opinion of Prime Buchholz and intended solely for our clients. Clients may, at times, invest in managers or products that are not recommended by us. Due diligence and monitoring of managers that are not Prime Buchholz recommended is less rigorous than the level applied to recommended managers. Reports provided to clients regarding managers that have not been recommended by us are for informational purposes only and do not necessarily constitute our endorsement of the manager. Returns are provided by third party sources and are net of fees unless otherwise stated. Performance may or may not reflect reinvestment of dividends and other earnings. Past performance is not an indication of future results and there is no guarantee the manager will achieve cited future investment results.

# Manager Profiles

September 30, 2012

## Wellington Diversified Inflation Hedges

### Firm Details: Wellington Management Company, LLP

Total Assets (\$ mil.):	\$747,508
Style:	Natural Resources
Assets in Style (\$mil.):	\$8,340
Year Founded:	1928
Product Inception:	2005
Location:	Boston, MA
Ownership:	100% employee owned. Over 100 partners. No individual owns more than 5%.

**Key Investment Professionals:**  
 Scott Elliott, Director of Asset Allocation Strategies and Senior V.P., is the lead portfolio manager on the strategy.  
 Commodities: David Chang and Gregory LeBlanc  
 Core Energy: Karl Bandtel  
 Metals & Mining, Agric, Livestock & Forest Products Equities: John O'Toole, David Fassnacht, and David Palmer  
 Global Precious Metals: Keith White  
 Global Climate Change: Kenneth Abrams and Mark Beckwith  
 TIPs Core Bond: Lindsey Politi and Joe Marvan  
 Emerging Markets Inflation Linked Bonds: Richardo Adroque  
 Cash: Tim Smith

### Investment Objective and Philosophy/Process

**Objective:** Wellington's Diversified Inflation Hedges Portfolio invests in various liquid assets, seeking strong relative performance in a rising inflationary environment. The Fund seeks to provide long-term returns of CPI+5%. Portfolio volatility is expected to be between stocks and bonds.

**Philosophy/Process:** Wellington intends to invest in a number of liquid assets, including core energy equities, metals & mining equities, agriculture, livestock & forest products equities, global precious metals, commodities, emerging inflation linked bonds and domestic TIPs. Wellington seeks to add value through bottom-up stock analysis, combined with a top-down look at the macroeconomic factors affecting the markets. In addition, the tactical management of allocations in another source of returns.

DIH seeks to benefit from areas of the market with favorable supply and demand characteristics. Specifically, the portfolio targets markets experiencing increasing demand, but constrained supply response. Generally, these conditions result in rising prices.

In 2008, Wellington introduced Diversified Inflation Hedges II (DIH II). Wellington manages DIH II like the standard DIH portfolio with the exception of the fixed income component, which is an Inflation Protected Muni Bond Plus portfolio. Management will pursue the muni bond plus approach with an inflation protection overlay instead of a TIPs approach. Also, for the commodities component, the approach will initially utilize short term cash for the cash collateral, but will have the flexibility to move the collateral to municipal bonds.

**Process Enhancements:** Wellington has transitioned all bond portfolios to long only. As part of the transition, Wellington eliminated the use of broad market derivatives, inflation break-evens, and now all bond portfolios hold only inflation protected government securities and emerging inflation linked bonds. Guidelines for the commodities portfolio remain unchanged, allowing up to 200% gross exposure (150 long/50 short), and will not allow net short positions in any commodity. The collateral pool is currently a cash collateral pool.

### Assessment

**Assessment:** Wellington Diversified Inflation Hedges was launched at the beginning of 2005, providing a liquid option for investors seeking an inflationary hedge. Management has the flexibility to move between multiple asset classes, enabling the portfolio to perform well in stable as well as rising inflationary environments. The product structure provides investors with access to multiple talents from the

Wellington organization. DIH provides a unique mix of real asset categories while providing an element of active management through tactical asset allocation. We are comfortable with this strategy as a core component of an inflation hedging program.

**Composite Benchmark:** 25% MSCI Wld Energy >\$3 Bil/10% MSCI Wld Metals & Mining >\$3 Bil/10% Agr. Equities bmk (70% MSCI Wld Agr. Products, Fertilizers & Agr Chem, Forest Products/30% MSCI Wld Construction & Farm Machinery, Packaged Food & Meats, Paper Products)/3.5% MSCI AC Wld IMI Gold & Prec Metals/1.5% S&P GSCI Prec Metals Total Return/25% equal sector-weighted S&P Goldman Sachs Commodity/20% Barclays US TIPs 1-10 Year/5% Barclays Emerging Mkts Tradable Govt Infl-Linked Bond. (Components have changed over time.)

### Vehicle Information:

Vehicle Name	Minimum	Assets (\$ mil.)	Fee	Sample Operational Detail	Security Constraints:	Equities 40-90%, Commodities 0-50%, Fixed Income 0-50%
Wellington Diversified Inflation Hedges	\$5,000,000	\$7,579.0	0.90% \$45,000 minimum	Wellington Diversified Inflation Hedges Last Audited Financial 12/31/2011 Accountant/Auditor PricewaterhouseCoopers Custodian State Street Bank and Trust Administrator N/A Securities Lending N/A	Sector Constraints: Avg # of Securities: Turnover: Assets in Composite: GIPS Compliant:	N/A N/A N/A 80% Yes (Since 1993)

This report is not an offer, nor does it invite anyone to make an offer, to buy or sell securities. Information obtained from third parties is believed to be reliable, however, accuracy of the data is not guaranteed. Information provided by investment managers may be confidential and should be treated as such. Content is current as of the date indicated and subject to change without notice. The assessment within is the opinion of Prime Buchholz and intended solely for our clients. Clients may, at times, invest in managers or products that are not recommended by us. Due diligence and monitoring of managers that are not Prime Buchholz recommended is less rigorous than the level applied to recommended managers. Reports provided to clients regarding managers that have not been recommended by us are for informational purposes only and do not necessarily constitute our endorsement of the manager. Returns are provided by third party sources and are net of fees unless otherwise stated. Performance may or may not reflect reinvestment of dividends and other earnings. Past performance is not an indication of future results and there is no guarantee the manager will achieve cited future investment results.

# Manager Profiles

## Vanguard Inflation Protected Securities

September 30, 2012

### Firm Details: The Vanguard Group

Total Assets (\$ mil.):	\$2,027,620
Style:	Infl Protected Securities
Assets in Style (\$mil.):	\$42,758
Year Founded:	1975
Product Inception:	2000
Location:	Valley Forge, PA
Ownership:	-The firm is owned by fund shareholders.

### Key Investment Professionals:

- John Hollyer, CFA - Hollyer joined Vanguard in 1989 as a Fixed Income Portfolio Manager. B.S. University of Pennsylvania. He has co-managed the Fund since its inception.
- Gemma Wright-Casparius. Wright-Casparius joined Vanguard in 2011 from GIC, Singapore's SWF. She has more than 30 years experience and obtained a B.B.A. degree in Economics and Finance and an M.B.A. degree from Bernard M. Baruch College of The City University of New York.

### Investment Objective and Philosophy/Process

**Investment Objective:** The Fund seeks to provide inflation protection and income consistent with investment in inflation-indexed securities.

**Philosophy/Process:** Vanguard Inflation-Protected Securities Fund offers investors exposure to a wide range of inflation-adjusted bonds and other securities. At least 80% of the Fund will be comprised of inflation indexed bonds issues by the U.S. government or its agencies, but the remaining assets can be invested in other Treasuries, corporates, or agency bonds that may or may not be adjusted for inflation. The Fund managers actively manage exposure along the yield curve and will adjust duration based on interest rate expectations. The Fixed Income Group uses a hub and satellite decision-making framework. The hub consists of senior investment professionals that are tasked with developing a macroeconomic outlook, making strategic duration and yield curve positioning decisions, and making broad sector and quality allocation decisions. The satellites implement the macro decisions from the hub level. Specifically, they are responsible for issuer selection, subsector allocations, tactical duration/yield curve positioning, etc. Research responsibilities are assigned by sector and industries. The analysts are tasked with performing deep fundamental research on their respective sectors and, after forming an independent opinion, outlining the investment rationale and assigning the issue a rating (outperform, market-perform, or underperform.) The satellite teams meet regularly and discuss new ideas. Traders participate in these meetings in order to offer a view on liquidity. If an idea is accepted, the PM directs the trading desk to implement the idea.

### Assessment

Vanguard has a deep and well-regarded team of investment professionals. One of the key strengths of the Fixed Income Group is the hub and satellite structure which leverages key abilities across all strategies and results in more consistent positioning and views across strategies. The Vanguard Inflation-Protected Securities Fund will typically invest only in U.S. TIPS resulting in benchmark-like performance. However, it is important to note that the Fund is actively managed and Vanguard can purchase a constrained amount of non-inflation linked, non-government related bonds. Like many Vanguard products, fees are extremely competitive. Some considerations include Vanguard's preference for longer-term commitments and securities lending. While the Fund offers daily liquidity, Vanguard prefers longer-term commitments and requests advance notice for redemptions of a large dollar amount.

In August 2011, Vanguard announced that the Firm will no longer engage in securities lending in fixed income funds. Please note that TIPS pay semi-annual interest based on the inflation-adjusted principal amount of the bond. Inflation adjustments are determined by the index ratio of the bond, which measures the change in CPI since the bond's issuance. At maturity, investors receive either the adjusted principal or original principal amount (par value), whichever is greater. However, during periods of deflation, the adjusted principal may decrease, leading to lower coupon payments. While investors are guaranteed the par value of the bond at maturity, bonds purchased at inflation adjusted levels, those with higher index ratios, may suffer a loss if a bond matures following a prolonged period of deflation. Please note that Vanguard notified us on August 19, 2011 that Ken Volpert would be relinquishing his duties as co-PM. Gemma Wright-Casparius, who is joining from GIC, Singapore's SWF where she was responsible for actively managed global ILBs, has been named as co-PM along with John Hollyer. Hollyer has been on the fund since inception along with Volpert. According to Vanguard, there will be no change to the objective and process. We will monitor this change but are not overly concerned about it at present time.

### Vehicle Information:

Vehicle Name	Minimum	Assets (\$ mil.)	Fee	Sample Operational Detail	Quality/Avg. Quality:	AAA-AA/AAA
Vanguard Infl Prot Sec A Fd	\$0	\$15,822.0	0.11%	Vanguard Inflation-Prot I Fd	Duration:	3-9 Years
Vanguard Inflation-Prot I Fd	\$5,000,000	\$12,186.0	0.07%	Last Audited Financial	% Non-Investment Grade:	0%
Vanguard Infl Prot Sec Fd	\$3,000	\$16,268.0	0.20%	Accountant/Auditor	% Foreign:	Typically 0%
				Custodian	Security Constraints:	N/A
				Administrator	Sector Constraints:	N/A
				Securities Lending	Avg # of Securities:	~30
					Turnover:	29%
					Assets in Composite:	NA
					GIPS Compliant:	No

This report is not an offer, nor does it invite anyone to make an offer, to buy or sell securities. Information obtained from third parties is believed to be reliable, however, accuracy of the data is not guaranteed. Information provided by investment managers may be confidential and should be treated as such. Content is current as of the date indicated and subject to change without notice. The assessment within is the opinion of Prime Buchholz and intended solely for our clients. Clients may, at times, invest in managers or products that are not recommended by us. Due diligence and monitoring of managers that are not Prime Buchholz recommended is less rigorous than the level applied to recommended managers. Reports provided to clients regarding managers that have not been recommended by us are for informational purposes only and do not necessarily constitute our endorsement of the manager. Returns are provided by third party sources and are net of fees unless otherwise stated. Performance may or may not reflect reinvestment of dividends and other earnings. Past performance is not an indication of future results and there is no guarantee the manager will achieve cited future investment results.



# Historical Performance

## Return and Risk Summary

As of September 30, 2012

	1 Quarter Return	Previous Quarter Return	1 Year Return	1 Year Standard Deviation	3 Years Return	3 Years Standard Deviation	5 Years Return	5 Years Standard Deviation	7 Years Return	7 Years Standard Deviation	10 Years Return	10 Years Standard Deviation
SSgA S&P 500 (R) Flagship NL Fund	6.5	-2.7	30.4	12.2	13.2	17.0	1.1	21.3	4.5	18.4	8.0	16.8
<b>S&amp;P 500 Index</b>	<b>6.4</b>	<b>-2.8</b>	<b>30.2</b>	<b>12.2</b>	<b>13.2</b>	<b>17.0</b>	<b>1.1</b>	<b>21.3</b>	<b>4.5</b>	<b>18.4</b>	<b>8.0</b>	<b>16.8</b>
Stralem & Company Large Cap Core Account	4.9	-3.4	22.5	11.3	11.8	13.7	2.6	17.7	5.1	15.3	8.6	13.8
<b>S&amp;P 500 Index</b>	<b>6.4</b>	<b>-2.8</b>	<b>30.2</b>	<b>12.2</b>	<b>13.2</b>	<b>17.0</b>	<b>1.1</b>	<b>21.3</b>	<b>4.5</b>	<b>18.4</b>	<b>8.0</b>	<b>16.8</b>
SSgA S&P Midcap 400 (R) Index NL Fund	5.6	-4.9	28.8	14.9	14.3	20.5	3.8	24.9	6.2	21.5	10.8	19.4
<b>S&amp;P MidCap 400</b>	<b>5.4</b>	<b>-4.9</b>	<b>28.5</b>	<b>14.9</b>	<b>14.3</b>	<b>20.5</b>	<b>3.8</b>	<b>24.9</b>	<b>6.2</b>	<b>21.5</b>	<b>10.8</b>	<b>19.4</b>
CRM Midcap Value Instl Fund	5.1	-4.7	24.2	13.4	9.8	20.4	0.6	21.9	4.8	19.2	10.4	17.9
<b>Russell Midcap Value Index</b>	<b>5.8</b>	<b>-3.3</b>	<b>29.3</b>	<b>12.9</b>	<b>13.9</b>	<b>19.0</b>	<b>1.7</b>	<b>25.9</b>	<b>4.8</b>	<b>22.3</b>	<b>11.0</b>	<b>20.2</b>
Geneva Mid Cap Equity Account	3.6	-4.6	26.9	15.0	17.5	18.0	5.8	22.1	7.9	19.2	11.3	16.8
<b>Russell Midcap Growth Index</b>	<b>5.3</b>	<b>-5.6</b>	<b>26.7</b>	<b>15.3</b>	<b>14.7</b>	<b>20.5</b>	<b>2.5</b>	<b>25.9</b>	<b>5.7</b>	<b>22.4</b>	<b>11.1</b>	<b>20.3</b>
Harris Associates International Value L.P.	7.9	-10.4	15.5	19.6	5.5	20.3	-0.6	27.6	4.6	24.0	11.1	23.1
<b>MSCI EAFE Value Index</b>	<b>7.5</b>	<b>-7.1</b>	<b>12.6</b>	<b>12.9</b>	<b>-0.1</b>	<b>19.4</b>	<b>-6.3</b>	<b>26.9</b>	<b>1.0</b>	<b>23.7</b>	<b>8.5</b>	<b>22.5</b>
<b>MSCI EAFE Index</b>	<b>6.9</b>	<b>-7.1</b>	<b>13.8</b>	<b>13.4</b>	<b>2.1</b>	<b>19.2</b>	<b>-5.2</b>	<b>25.5</b>	<b>1.8</b>	<b>22.4</b>	<b>8.2</b>	<b>21.2</b>
Artisan International Inv Fund	7.5	-4.4	30.0	14.5	6.5	20.6	-2.3	26.6	4.6	23.3	9.1	22.4
<b>MSCI EAFE Growth Index</b>	<b>6.4</b>	<b>-7.3</b>	<b>14.8</b>	<b>14.0</b>	<b>4.3</b>	<b>19.2</b>	<b>-4.2</b>	<b>24.4</b>	<b>2.7</b>	<b>21.4</b>	<b>7.8</b>	<b>20.1</b>
<b>MSCI EAFE Index</b>	<b>6.9</b>	<b>-7.1</b>	<b>13.8</b>	<b>13.4</b>	<b>2.1</b>	<b>19.2</b>	<b>-5.2</b>	<b>25.5</b>	<b>1.8</b>	<b>22.4</b>	<b>8.2</b>	<b>21.2</b>
Archstone Offshore Fund, Ltd.	3.7	-3.0	8.6	6.4	3.8	7.9	0.4	10.8	3.6	9.8	6.0	8.7
<b>HFRI FOF: Diversified Index</b>	<b>2.2</b>	<b>-1.9</b>	<b>2.7</b>	<b>4.0</b>	<b>1.7</b>	<b>4.8</b>	<b>-1.4</b>	<b>8.2</b>	<b>1.7</b>	<b>7.7</b>	<b>3.7</b>	<b>6.9</b>
Forester Offshore A2 Fund, Ltd.	2.1	-1.3	11.0	5.5	4.2	7.9	2.9	8.7	5.8	8.0	7.0	7.0
<b>HFRI FOF: Strategic Index</b>	<b>2.7</b>	<b>-3.1</b>	<b>3.5</b>	<b>5.8</b>	<b>1.4</b>	<b>6.6</b>	<b>-2.4</b>	<b>10.0</b>	<b>1.7</b>	<b>9.6</b>	<b>4.3</b>	<b>8.7</b>
Weatherlow Offshore Fund I Ltd.	3.2	-1.4	6.5	4.7	4.1	5.9	1.6	10.0	5.3	9.2	6.6	8.0
<b>HFRI FOF: Diversified Index</b>	<b>2.2</b>	<b>-1.9</b>	<b>2.7</b>	<b>4.0</b>	<b>1.7</b>	<b>4.8</b>	<b>-1.4</b>	<b>8.2</b>	<b>1.7</b>	<b>7.7</b>	<b>3.7</b>	<b>6.9</b>
SSgA U.S. Aggregate Bond Index NL Fund	1.6	2.1	5.1	1.3	6.1	2.8	6.5	3.2	5.8	3.2	5.2	3.3
<b>Barclays U.S. Aggregate</b>	<b>1.6</b>	<b>2.1</b>	<b>5.2</b>	<b>1.3</b>	<b>6.2</b>	<b>2.8</b>	<b>6.5</b>	<b>3.3</b>	<b>5.9</b>	<b>3.2</b>	<b>5.3</b>	<b>3.3</b>
Richmond Capital Fixed Income Account	1.9	2.0	6.3	0.8	6.7	2.7	7.1	4.3	6.2	4.0	5.4	3.8
<b>Barclays U.S. Aggregate</b>	<b>1.6</b>	<b>2.1</b>	<b>5.2</b>	<b>1.3</b>	<b>6.2</b>	<b>2.8</b>	<b>6.5</b>	<b>3.3</b>	<b>5.9</b>	<b>3.2</b>	<b>5.3</b>	<b>3.3</b>

# Historical Performance

## Return and Risk Summary

As of September 30, 2012

	1 Quarter Return	Previous Quarter Return	1 Year Return	1 Year Standard Deviation	3 Years Return	3 Years Standard Deviation	5 Years Return	5 Years Standard Deviation	7 Years Return	7 Years Standard Deviation	10 Years Return	10 Years Standard Deviation
Wellington Diversified Inflation Hedges CTF	7.5	-5.6	11.6	10.1	7.3	17.2	-1.3	26.3	5.2	23.2	NA	NA
<b>DIH Composite Index</b>	<b>7.7</b>	<b>-5.1</b>	<b>13.5</b>	<b>10.0</b>	<b>8.7</b>	<b>15.8</b>	<b>2.1</b>	<b>20.8</b>	<b>6.9</b>	<b>18.2</b>	<b>NA</b>	<b>NA</b>
Vanguard Inflation-Protected Securities Adm Fund	2.1	3.3	9.0	1.8	9.3	3.0	7.7	5.2	6.5	5.1	NA	NA
<b>Barclays U.S. Treasury: U.S. TIPS</b>	<b>2.1</b>	<b>3.2</b>	<b>9.1</b>	<b>1.7</b>	<b>9.3</b>	<b>2.8</b>	<b>7.9</b>	<b>5.0</b>	<b>6.6</b>	<b>5.0</b>	<b>6.6</b>	<b>4.8</b>

# Historical Performance

## Return Summary

As of September 30, 2012

	Year To Date Return	2011 Return	2010 Return	2009 Return	2008 Return	2007 Return	2006 Return	2005 Return	2004 Return	2003 Return	2002 Return
SSgA S&P 500 (R) Flagship NL Fund	16.6	2.1	15.0	26.5	-37.0	5.5	15.8	4.9	10.9	28.7	-22.1
<b>S&amp;P 500 Index</b>	<b>16.4</b>	<b>2.1</b>	<b>15.1</b>	<b>26.5</b>	<b>-37.0</b>	<b>5.5</b>	<b>15.8</b>	<b>4.9</b>	<b>10.9</b>	<b>28.7</b>	<b>-22.1</b>
Stralem & Company Large Cap Core Account	9.6	7.9	10.7	20.6	-29.5	13.0	10.7	13.3	16.8	21.7	-19.2
<b>S&amp;P 500 Index</b>	<b>16.4</b>	<b>2.1</b>	<b>15.1</b>	<b>26.5</b>	<b>-37.0</b>	<b>5.5</b>	<b>15.8</b>	<b>4.9</b>	<b>10.9</b>	<b>28.7</b>	<b>-22.1</b>
SSgA S&P Midcap 400 (R) Index NL Fund	14.0	-1.8	26.4	37.2	-36.2	8.0	10.3	12.7	16.5	35.7	-14.6
<b>S&amp;P MidCap 400</b>	<b>13.8</b>	<b>-1.7</b>	<b>26.6</b>	<b>37.4</b>	<b>-36.2</b>	<b>8.0</b>	<b>10.3</b>	<b>12.6</b>	<b>16.5</b>	<b>35.6</b>	<b>-14.5</b>
CRM Midcap Value Instl Fund	13.6	-6.9	18.9	28.7	-35.0	10.4	17.3	8.0	25.0	41.9	-16.7
<b>Russell Midcap Value Index</b>	<b>14.0</b>	<b>-1.4</b>	<b>24.8</b>	<b>34.2</b>	<b>-38.4</b>	<b>-1.4</b>	<b>20.2</b>	<b>12.6</b>	<b>23.7</b>	<b>38.1</b>	<b>-9.6</b>
Geneva Mid Cap Equity Account	12.1	3.4	30.5	36.5	-35.7	16.2	4.6	15.8	20.9	26.5	-14.0
<b>Russell Midcap Growth Index</b>	<b>13.9</b>	<b>-1.7</b>	<b>26.4</b>	<b>46.3</b>	<b>-44.3</b>	<b>11.4</b>	<b>10.7</b>	<b>12.1</b>	<b>15.5</b>	<b>42.7</b>	<b>-27.4</b>
Harris Associates International Value L.P.	12.8	-14.7	17.0	56.0	-42.1	-0.4	31.3	16.0	19.2	42.8	-7.1
<b>MSCI EAFE Value Index</b>	<b>9.6</b>	<b>-12.2</b>	<b>3.2</b>	<b>34.2</b>	<b>-44.1</b>	<b>6.0</b>	<b>30.4</b>	<b>13.8</b>	<b>24.3</b>	<b>45.3</b>	<b>-15.9</b>
<b>MSCI EAFE Index</b>	<b>10.1</b>	<b>-12.1</b>	<b>7.8</b>	<b>31.8</b>	<b>-43.4</b>	<b>11.2</b>	<b>26.3</b>	<b>13.5</b>	<b>20.2</b>	<b>38.6</b>	<b>-15.9</b>
Artisan International Inv Fund	18.7	-7.3	5.9	39.8	-47.0	19.7	25.6	16.3	17.8	29.1	-18.9
<b>MSCI EAFE Growth Index</b>	<b>10.5</b>	<b>-12.1</b>	<b>12.2</b>	<b>29.4</b>	<b>-42.7</b>	<b>16.5</b>	<b>22.3</b>	<b>13.3</b>	<b>16.1</b>	<b>32.0</b>	<b>-16.0</b>
<b>MSCI EAFE Index</b>	<b>10.1</b>	<b>-12.1</b>	<b>7.8</b>	<b>31.8</b>	<b>-43.4</b>	<b>11.2</b>	<b>26.3</b>	<b>13.5</b>	<b>20.2</b>	<b>38.6</b>	<b>-15.9</b>
Archstone Offshore Fund, Ltd.	6.3	-5.0	6.9	19.8	-23.3	12.1	12.3	10.5	11.7	14.0	-2.3
<b>HFRI FOF: Diversified Index</b>	<b>3.3</b>	<b>-5.0</b>	<b>5.5</b>	<b>11.5</b>	<b>-20.9</b>	<b>9.7</b>	<b>10.2</b>	<b>7.5</b>	<b>7.2</b>	<b>11.4</b>	<b>1.2</b>
Forester Offshore A2 Fund, Ltd.	7.0	-2.5	5.6	14.6	-13.6	18.4	11.5	12.0	10.0	9.0	5.6
<b>HFRI FOF: Strategic Index</b>	<b>3.9</b>	<b>-7.3</b>	<b>6.3</b>	<b>13.2</b>	<b>-25.2</b>	<b>12.8</b>	<b>11.8</b>	<b>10.3</b>	<b>8.3</b>	<b>15.8</b>	<b>-4.0</b>
Weatherlow Offshore Fund I Ltd.	6.3	-6.2	9.3	21.0	-21.7	22.2	11.5	9.5	7.7	12.3	NA
<b>HFRI FOF: Diversified Index</b>	<b>3.3</b>	<b>-5.0</b>	<b>5.5</b>	<b>11.5</b>	<b>-20.9</b>	<b>9.7</b>	<b>10.2</b>	<b>7.5</b>	<b>7.2</b>	<b>11.4</b>	<b>1.2</b>

# Historical Performance

## Return Summary

As of September 30, 2012

	Year To Date Return	2011 Return	2010 Return	2009 Return	2008 Return	2007 Return	2006 Return	2005 Return	2004 Return	2003 Return	2002 Return
SSgA U.S. Aggregate Bond Index NL Fund	4.0	7.7	6.5	5.9	5.2	6.9	4.2	2.3	4.2	4.1	10.4
<b>Barclays U.S. Aggregate</b>	<b>4.0</b>	<b>7.8</b>	<b>6.5</b>	<b>5.9</b>	<b>5.2</b>	<b>7.0</b>	<b>4.3</b>	<b>2.4</b>	<b>4.3</b>	<b>4.1</b>	<b>10.3</b>
Richmond Capital Fixed Income Account	5.1	7.6	7.3	10.7	2.1	6.2	4.4	2.0	3.9	4.0	9.8
<b>Barclays U.S. Aggregate</b>	<b>4.0</b>	<b>7.8</b>	<b>6.5</b>	<b>5.9</b>	<b>5.2</b>	<b>7.0</b>	<b>4.3</b>	<b>2.4</b>	<b>4.3</b>	<b>4.1</b>	<b>10.3</b>
Wellington Diversified Inflation Hedges CTF	6.5	-8.6	17.4	42.7	-45.2	30.4	20.4	25.0	NA	NA	NA
<b>DIH Composite Index</b>	<b>7.2</b>	<b>-4.1</b>	<b>16.3</b>	<b>30.0</b>	<b>-31.8</b>	<b>26.7</b>	<b>17.9</b>	<b>20.5</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Vanguard Inflation-Protected Securities Adm Fund	6.2	13.3	6.3	11.0	-2.8	11.7	0.5	NA	NA	NA	NA
<b>Barclays U.S. Treasury: U.S. TIPS</b>	<b>6.2</b>	<b>13.6</b>	<b>6.3</b>	<b>11.4</b>	<b>-2.4</b>	<b>11.6</b>	<b>0.5</b>	<b>2.8</b>	<b>8.5</b>	<b>8.4</b>	<b>16.6</b>

# Index Descriptions

Third Quarter 2012

**Barclays Aggregate Index** comprises government securities, mortgage-backed securities, asset-backed securities and corporate securities to simulate the universe of bonds in the market. The maturities of the bonds in the index are over one year.

**Barclays Aggregate Float Adjusted Index** is a benchmark of the dollar-denominated investment grade bond market that excludes Treasuries, agencies, and mortgage-backed securities held in Federal Reserve accounts.

**Barclays Corporate Bond Index** includes investment-grade, SEC-registered publicly issued U.S. corporate debentures and secured notes. The corporate sectors are industrial, utility, and finance. All securities must have at least one year to final maturity and at least \$250 million of par outstanding.

**Barclays High Yield Index** covers the universe of fixed rate, non-investment grade debt. Pay-in-kind (PIK) bonds, Eurobonds, and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC-registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, and 144-As are also included.

**Barclays Global Emerging Markets Index** represents the union of the USD-denominated U.S. Emerging Markets Index and the predominately EUR-denominated Pan Euro Emerging Markets Index, covering emerging markets in the following regions: Americas, Europe, Middle East, Africa, and Asia. Countries must have a maximum sovereign rating of Baa1/BBB+/BBB+.

**Barclays Global Treasury Ex-US Capped Index** includes government bonds issued by investment-grade countries outside the United States, in local currencies, that have a remaining maturity of one year or more and are rated investment grade.

**Barclays Global Treasury Index** tracks fixed-rate local currency sovereign debt of investment-grade countries. The Index represents the Treasury sector of the Global Aggregate Index and currently contains issues from more than 30 countries denominated in over 20 currencies. The three major components are the U.S. Treasury Index, the Pan-European Treasury Index, and the Asian-Pacific Treasury Index, in addition to Canadian, Chilean, Mexican, and South-African government bonds.

**Barclays GNMA Index** is comprised of 30-year GNMA pass-throughs, 15-year GNMA pass-throughs, and GNMA Graduated Payment Mortgages.

**Barclays Intermediate U.S. Treasury Index** includes all publicly issued U.S. Treasury securities that have a remaining maturity of greater than or equal to 1 year and less than 10 years, are rated investment grade, and have \$250 million or more of outstanding face value.

**Barclays Long U.S. Treasury Index** includes all publicly issued, U.S. Treasury securities that have a remaining maturity of 10 or more years, are rated investment grade, and have \$250 million or more of outstanding face value.

**Barclays U.S. Credit Index** includes publicly issued U.S. corporates, specified foreign debentures, and secured notes denominated in U.S. dollars. The Index is a subset of the U.S. Government/Credit Index and the U.S. Aggregate Index.

**Barclays U.S. Mortgage Backed Securities (MBS) Index** covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid adjustable rate mortgages) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

**Barclays U.S. Treasury Index** is comprised of public obligations of the U.S. Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index.

**Barclays U.S. TIPS Index** is a rules-based, market value-weighted index that tracks inflation protected securities issued by the U.S. Treasury.

**Barclays Mortgage Index** contains 15- and 30-year fixed-rate securities. These securities are pools of mortgage loans issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The Index holds approximately 600 securities.

**Citigroup 3-Month T-Bill Index** consists of equal dollar amounts of three-month Treasury bills that are purchased at the beginning of each of three consecutive months. As each bill matures, all proceeds are rolled over or reinvested in a new three-month bill.

**Citigroup World Government Bond Index** is a market capitalization weighted index consisting of the government bond markets of the following countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Netherlands, Spain, Sweden, Switzerland, United Kingdom, and United States. It includes all fixed-rate bonds with a remaining maturity of one year or longer and with amounts outstanding of at least the equivalent of U.S. \$25 million.

# Index Descriptions

Third Quarter 2012

**Consumer Price Index (CPI)** is an inflationary indicator that measures the change in the cost of a fixed basket of products and services, including housing, electricity, food, and transportation.

**DJ-AIG Commodity Index** is composed of futures contracts on physical commodities. It is composed of commodities traded on U.S. exchanges, with the exception of aluminum, nickel, and zinc, which trade on the London Metal Exchange (LME).

**FTSE EPRA/NAREIT Global Real Estate Index** is designed to represent general trends in eligible real estate equities worldwide. Relevant real estate activities are defined as the ownership, disposal and development of income-producing real estate. The Index series includes a range of regional and country indices.

**HFRI Distressed Securities Index** is an equally weighted index that represents strategies that invest in, and may sell short the securities of companies where the security's price has been, or is expected to be, affected by a distressed situation as reported by the hedge fund managers listed within the Hedge Fund Research (HFR) database.

**HFRI Equity Hedge Index** is designed to represent the overall composition of the equity hedge (also known as long/short equity) universe. The Index is constructed with equally weighted composites of constituents as reported by the hedge fund managers listed within the Hedge Fund Research (HFR) database.

**HFRI ED: Distressed Restructuring Index** is designed to represent strategies which employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings.

**HFRI Event Driven Index** is an equally weighted index that represents constituents investing in opportunities created by significant transactional events as reported by the hedge fund managers listed within the Hedge Fund Research (HFR) database.

**HFRI FOF Composite Index** includes over 800 constituent fund of funds, both domestic and offshore. Fund of Funds invest with multiple managers through funds or managed accounts. The strategy designs a diversified portfolio of managers with the objective of significantly lowering the risk (volatility) of investing with an individual manager. The Fund of Funds manager has discretion in choosing which strategies to invest in for the portfolio. A manager may allocate funds to numerous managers within a single strategy, or with numerous managers in multiple strategies.

**HFRI FOF Conservative Index** includes constituents that exhibit one or more of the following characteristics: seeks consistent returns by primarily investing in funds that generally engage in more "conservative" strategies such as Equity Market Neutral, Fixed Income Arbitrage, and Convertible Arbitrage; exhibits a lower historical annual standard deviation than the HFRI Fund of Funds Composite Index. A fund in the Index shows generally consistent performance regardless of market conditions.

**HFRI FOF Diversified Index** includes constituents that exhibit one or more of the following characteristics: invests in a variety of strategies among multiple managers; historical annual return and/or a standard deviation generally similar to the HFRI Fund of Fund Composite index; demonstrates generally close performance and returns distribution correlation to the HFRI Fund of Fund Composite Index. A fund in the Diversified Index tends to show minimal loss in down markets while achieving superior returns in up markets.

**HFRI FOF Strategic Index** includes FoFs that exhibit one or more of the following characteristics: seeks superior returns by primarily investing in funds that generally engage in more opportunistic strategies such as Emerging Markets, Sector specific, and Equity Hedge; exhibits a greater dispersion of returns and higher volatility compared to the HFRI Fund of Funds Composite Index.

**HFRI Fund Weighted Composite Index** is designed to represent the performance of domestic and offshore hedge funds across all strategies with the exception of fund of funds. Comprised of over 2000 hedge funds, it is a fund weighted index in that all funds, regardless of assets under management or other factors, are given an equal weighting.

**HFRI Merger Arbitrage Index** is designed to represent managers who utilize a merger or risk arbitrage investment strategy by investing in securities of companies that are the subject of some form of extraordinary corporate transaction, including acquisition or merger proposals, exchange offers, cash tender offers and leveraged buy-outs.

**HFRI Convertible Arbitrage Index** is designed to represent managers who utilize convertible arbitrage strategies where, in an effort to capitalize on relative pricing inefficiencies, managers will purchase long positions in convertible securities, generally convertible bonds, convertible preferred stock or warrants, and hedge a portion of the equity risk by selling short the underlying common stock.

**HFRI Distressed Securities Index** is designed to represent the overall composition of the distressed strategy hedge fund universe. The Index is asset weighted based on the distribution of assets in the hedge fund industry.

# Index Descriptions

Third Quarter 2012

**HFRX Equity Hedge Index** is designed to represent managers who utilize a long/short equity approach to investing with portfolio exposures anywhere from net long to net short depending on market conditions. Equity hedge managers' source of return is similar to that of traditional stock pickers on the upside, but they use short selling and hedging to attempt to outperform the market on the downside. Stock index put options are also often used as a hedge against market risk.

**HFRX Equity Market Neutral Index** is designed to reflect the performance of Equity Market Neutral strategies which employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities and select securities for purchase and sale. These can include both Factor-based and Statistical Arbitrage/Trading strategies. Equity Market Neutral Strategies typically maintain net equity market exposure no greater than 10% long or short.

**HFRX Event Driven Index** is designed to represent hedge fund managers who seek investment opportunities created by significant transactional events, such as spin-offs, mergers and acquisitions, industry consolidations, liquidations, reorganizations, bankruptcies, recapitalizations and share buybacks and other extraordinary corporate transactions.

**HFRX Global Hedge Index** is designed to be representative of the overall composition of the hedge fund universe. It is comprised of eight strategies: convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The Index is asset weighted based on the distribution of assets in the hedge fund industry.

**HFRX Macro Index** is designed to represent hedge investment strategies that generally employ a top-down global approach that concentrates on forecasting how global macroeconomic and political events affect the valuations of financial instruments. Macro strategies attempt to identify extreme price valuations in stock markets, interest rates, foreign exchange rates and physical commodities, and make leveraged bets on the anticipated price movements in these markets.

**HFRX Merger Arbitrage Index** is designed to reflect the performance of Merger Arbitrage strategies which employ an investment process primarily focused on opportunities in equity and equity related instruments of companies which are currently engaged in a corporate transaction.

**HFRX Relative Value Arbitrage Index** is designed to represent investment managers who maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types range broadly across equity, fixed income, derivative or other security types.

**JPMorgan EMBI+ Index** is a market capitalization-weighted index that tracks returns for actively traded external debt instruments in emerging markets.

**JPMorgan Global Government Bond Index** is a total return, market capitalization-weighted index that is rebalanced monthly. The Index currently comprises the local currency, fixed rate coupon issues of 13 markets greater than 1-year in maturity.

**Merrill Lynch 1-3 Year Treasury Index** is an unmanaged index consisting of all public U.S. Treasury obligations having maturities from 1 to 2.99 years and reflects total return.

**Merrill Lynch High-Yield Bond Master II Index** tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

**MSCI ACWI (All Country World Index) Index (net)** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The Index consists of 48 country indices comprising 23 developed and 25 emerging market country indices.

**MSCI ACWI ex-U.S. Index (net)** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets, excluding the U.S.

**MSCI EAFE Index (net)** is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada.

**MSCI EAFE Small Cap Index (net)** is a free float-adjusted market capitalization index that is designed to measure the equity market performance of small companies within developed markets, excluding the U.S. & Canada, and includes companies that are in the Investable Market Index with a market capitalization below that of the companies in the Standard Index in a particular market.

**MSCI EM (Emerging Markets) Index (net)** is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets

**MSCI U.S. Investable Market Energy Index** represents the investable universe of energy companies in the U.S. equity market.

# Index Descriptions

Third Quarter 2012

**MSCI World Index (net)** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The Index consists of 23 developed market country indices.

*MSCI Indexes calculated on a net basis reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.*

**NAREIT Equity Index** is an unmanaged index of all tax-qualified REITs listed on the NYSE, AMEX, and NASDAQ which have 75% or more of their gross invested book assets invested directly or indirectly in the equity ownership of real estate. Total return calculation for the NAREIT Equity Index include reinvestment of distributions.

**NCREIF Property Index** provides returns for institutional grade real estate held in a fiduciary environment in the United States. Client performance is generally reported one quarter in arrears unless otherwise noted.

**NCREIF Timberland Index** is a property-based index reporting returns for three regions of the U.S.: the South, Northeast and Pacific Northwest. In addition to total returns, the Index reports income and appreciation returns. Client performance is generally reported one quarter in arrears unless otherwise noted.

**Russell 1000 Growth Index** measures the performance of the large cap growth segment of the U.S. equity universe. The Index includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

**Russell 1000 Index** measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market.

**Russell 1000 Value Index** measures the performance of the large cap value segment of the U.S. equity universe. The Index includes those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

**Russell 2000 Growth Index** measures the performance of the small cap growth segment of the U.S. equity universe. The Index includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values.

**Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index, representing approximately 10% of the total market capitalization of that Index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

**Russell 2000 Value Index** measures the performance of small cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

**Russell 2500 Index** measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as "smid" cap. The Russell 2500 Index is a subset of the Russell 3000® Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership.

**Russell 2500 Value Index** measures the performance of the small to mid cap value segment of the U.S. equity universe. It includes those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values.

**Russell 3000 Growth Index** measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values.

**Russell 3000 Index** measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

**Russell 3000 Value Index** measures the performance of the broad value segment of U.S. equity value universe. It includes those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

**Russell Microcap® Index** measures the performance of the micro cap segment of the U.S. equity market. It includes 1,000 of the smallest securities in the small cap Russell 2000® Index based on a combination of their market cap and current index membership, and includes the next 1,000 smallest stocks.

**Russell Midcap® Growth Index** measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap Index companies with higher price-to-book ratios and higher forecasted growth values.

**Russell Midcap® Index** measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap Index represents approximately 31% of the total market capitalization of the Russell 1000 companies.

# Index Descriptions

Third Quarter 2012

**Russell Midcap® Value Index** measures the performance of the mid-cap value segment of the U.S. equity universe. The Index includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values.

**S&P 500 Index** is a gauge of the U.S. equities market and includes 500 leading companies in leading industries of the U.S. economy.

**S&P GSCI** is a world-production weighted index composed of 24 commodity futures contracts. It is a composite index of commodity sector returns and represents an unleveraged investment through broadly diversified long positions in commodity futures.

**S&P Midcap 400 Index** tracks a diverse basket of medium-sized U.S. firms whose market capitalization usually range from approximately \$2 billion to \$10 billion.

**TUCS®** – Wilshire's Trust Universe Comparison Services® benchmark is a cooperative effort between Wilshire Associates and custodial organizations. Custodians submit asset positions and performance data to be pooled into universes of managed tax-exempt portfolios. TUCS is the most widely accepted benchmark for the performance of institutional assets.

**ThomsonOne Analytics Cumulative Vintage Year Performance** is an index comprised of pooled cash flows of private capital partnerships (Buyout, Venture and Mezzanine). Client performance is generally reported one quarter in arrears unless otherwise noted.

**Wilshire 5000 Index** represents the broadest index for the U.S. equity market, measuring the performance of all U.S. equity securities with readily available price data.

**Policy Index** – A custom benchmark consisting of a number of indices which are weighted based on the asset allocation targets within a client investment policy. The index measures the return of the asset allocation strategy if it were implemented using passive (index) portfolios.

**Actual Index** – A custom benchmark consisting of a number of indices which are weighted based on the allocation of each asset class within a client's overall structure at the beginning of each quarter. The index measures the return of the current asset allocation if it were implemented using passive (index) portfolios.

The difference between the Actual Index and the Policy Index measures the impact of the decision to allocate assets differently than the client's policy mandates (allocation effect). The difference between the Total Fund Return and the Actual Index measures how the management team performed versus a passive strategy (manager selection effect). The difference between Total Fund Return and the Policy Index measures both the allocation effect and the manager selection effect.

## INDEX COMPOSITE COMPONENTS

**Spliced Total Stock Mkt Composite Index:** Wilshire 5000 Index from 6/82 through 4/05. MSCI US Broad Market Index thereafter. **Spliced Total International Stock Mkt Composite Index:** Total International Composite Index through August 31, 2006; the MSCI EAFE + Emerging Markets Index through December 15, 2010; and the MSCI ACWI ex USA IMI Index thereafter. **Spliced Energy Index:** S&P 500 Index through November 30, 2000; S&P Energy Sector Index through May 31, 2010; MSCI All Country World Energy Index thereafter. **Barclays Aggregate Flt Adjusted Composite Index:** BC Aggregate Index through 12/31/2009; BC Aggregate Flt Adjusted Index thereafter. **Barclays Govt 1-3 Year Flt Adjusted Composite Index:** Prior to 1/1/2010, this index is BC Govt 1-3 Year Index. **Barclays 1-5 Year G/C Flt Adjusted Composite Index:** Prior to 1/1/2010, this index is BC 1-5 Year G/C Index. **Barclays LT G/C Flt Adjusted Composite Index:** Prior to 1/1/2010, this index is BC LT G/C Index. **BC LT Govt Flt Adjusted Composite Index:** Prior to 1/1/2010, this index is BC Long term Government Index. **Barclays LT Govt Flt Adjusted Composite Index:** Prior to 1/1/2010, this index is BC Long term Government Index. **Barclays LT Govt Flt Adjusted Composite Index:** Prior to 1/1/2010, this index is BC Long term Government Index. **Global Sustainability Spliced Index:** FTSE KLD Global Sustainability Index prior to 9/1/2010; MSCI World ESG Index thereafter. **SSgA Real Asset Composite Index:** 30% Dow Jones US Select REIT Index, 25% Goldman Sachs Commodities Index, 25% MSCI World Natural Resources Index, and 20% Barclays US TIPS Index. **Wellington DIH Composite:** 25% MSCI World Energy >\$3 Bil/ 10% MSCI World Metals & Mining >\$3 Bil/ 10% Agriculture, Forest Products & Livestock/3% HSBC Global Climate Change/ 3.5% MSCI IMI Gold & Precious Metal/ 1.5% S&P GSCI Precious Metals Total Return / 25% equal sector-weighted S&P Goldman Sachs Commodity/ 20% Barclays US TIPS 1-10 Year / 2% Barclays Emerging Markets Tradable Government Inflation-Linked Bond. **Wellington SRA Composite:** 40% MSCI Energy \$3 B and above/15% MSCI Metals and Mining \$3 B and above/25% Equal Sector Weighted S&P GSCI Commodities Index/ and 20% Barclays TIPS. **S&P Completion Index:** Prior to 6/30/2005 this index is DJ Wilshire 4500 Index. **MSCI U.S. Mid Cap 450 Index:** History prior to May 16, 2003, reflects the S&P Midcap 400 Index.

*Periods greater than one year are annualized.*

*Peer groups, performance, risk and equity analytics are provided by InvestmentMetrics, 2012. All rights reserved. Calculations are based on quarterly periods unless noted otherwise.*

*MPT (Modern Portfolio Theory) statistics are based on monthly data. Quarterly observations are utilized only when monthly data points are not available. Examples include: beta/correlation/standard deviation calculations.*

*Indices referenced in this report are unmanaged and cannot be invested in directly. Index returns do not reflect any investment management fees or transaction expenses. Index descriptions listed are representative and not all inclusive.*

*This report is not an offer, nor does it invite anyone to make an offer, to buy or sell securities. Information obtained from third parties is believed to be reliable; however, accuracy of the data is not guaranteed and may not have been independently verified. Unless otherwise noted, content is current as of the date indicated and subject to change without notice.*

*Commentary within includes the opinion of Prime Buchholz, is intended solely for our clients, and is not meant to provide tax or legal advice. Clients should consult a tax or legal professional for advice regarding their particular situation.*

*For modeling output: Prime Buchholz proprietary reporting is compiled utilizing analytics provided by InvestmentMetrics.*

*Clients may, at times, invest in managers or products that are not recommended by Prime Buchholz. Due diligence and monitoring of managers that are not Prime Buchholz recommended is less rigorous than the level applied to recommended managers. Reports provided to clients regarding managers that have not been recommended by us are for informational purposes only and do not necessarily constitute our endorsement of the manager.*

*Returns are provided by third-party sources and are net of investment management fees and gross of consulting fees unless otherwise stated. Performance may or may not reflect reinvestment of dividends and other earnings. Performance and market values are subject to change based on statement availability from the investment manager/custodian.*

*Past performance is not an indication of future results.*