STANISLAUS COUNTY **Phone (209) 525-6393**
EMPLOYEES' RETIREMENT ASSOCIATION **Fax (209) 558-5976**
832 12th Street, Suite 600 **www.stancera.org**
Modesto, CA 95354 **e-mail: retirement@stancera.org**
MAIL: P.O. Box 3150 Modesto 95353-3150

AGENDA

BOARD OF RETIREMENT **October 23, 2012**
832 12th Street, Suite 600 – **Wesley W. Hall Board Room** **2:00 p.m.**
Modesto, CA 95354

The Board of Retirement welcomes you to its meetings, which are regularly held on the second Wednesday and the fourth Tuesday of each month. Your interest is encouraged and appreciated.

CONSENT ITEMS: These matters include routine administrative actions and are identified under the Consent Items heading.

PUBLIC COMMENT: Matters under jurisdiction of the Board, may be addressed by the general public before or during the regular agenda. However, California law prohibits the Board from taking action on any matter which is not on the posted agenda unless it is determined an emergency by the Board of Retirement. Any member of the public wishing to address the Board during the "Public Comment," period shall be permitted to be heard once up to three minutes. Please complete a Public Comment Form and give it to the Chair of the Board. Any person wishing to make a presentation to the Board must submit the presentation in written form, with copies furnished to all Board members. Presentations are limited to three minutes.

BOARD AGENDAS & MINUTES: Board agendas, Minutes and copies of items to be considered by the Board of Retirement are customarily posted on the Internet by Friday afternoon preceding a meeting at the following website: www.stancera.org.

Materials related to an item on this Agenda submitted to the Board after distribution of the agenda packet are available for public inspection at StanCERA, 832 12th Street, Suite 600, Modesto, CA 95354, during normal business hours.

AUDIO: All Board of Retirement regular meetings are audio recorded. Audio recordings of the meetings are available after the meetings at http://www.stancera.org/sections/aboutus/agendas.

NOTICE REGARDING NON-ENGLISH SPEAKERS: Board of Retirement meetings are conducted in English and translation to other languages is not provided. Please make arrangements for an interpreter if necessary.

REASONABLE ACCOMMODATIONS: In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary at (209) 525-6393. Notification 72 hours prior to the meeting will enable StanCERA to make reasonable arrangements to ensure accessibility to this meeting.

1. Meeting Called to Order
2. Roll Call
3. Announcements
4. Public Comment
5. Consent Items
   a. Approval of the October 10, 2012, Administrative Meeting Minutes **View**
   b. StanCERA Complaint Log of July 1 – September 30, 2012 **View**

6. Semi-Annual Performance Report by Pyramis Global Advisors **View**

7. Semi-Annual Performance Report by LSV Asset Management **View**

8. Strategic Investment Solutions (SIS), Inc.

   a. Monthly Performance Review for the Month Ending September 30, 2012 **View**

   b. Report on "Top 10 Holdings" by StanCERA Investment Managers as of September 30, 2012 **View**

   c. Discussion and Action on Asset Allocation Mixes for Review **View**

9. Executive Director

   a. Public Employees' Pension Reform Act of 2012 – AB 340 and AB 197

   b. New Legislation Update

10. Correspondence

    a. Discussion and Action on Dodge & Cox Letter Dated September 20, 2012 – Response to Equity Account Question **View**

11. Committee Reports & Recommendations for Action

    STANDING COMMITTEES

    a. Due Diligence Committee – Darin Gharat, Chair

       i. SIS, Inc.'s Memorandum – Investment Managers Due Diligence Review **View**

       ii. Pyramis International Growth - Due Diligence Questionnaire Response Dated August 30, 2012 and Presentation Booklet **View**

       iii. Capital Prospects LLC - Due Diligence Questionnaire Response Dated August 30, 2012 and Presentation Booklet **View**

       iv. BNY Mellon Capital Management - Due Diligence Questionnaire Response Dated September 6, 2012 and Presentation Booklet **View**

11. Committee Reports & Recommendations for Action (Cont.)

STANDING COMMITTEES (Cont.)

a. Due Diligence Committee – Darin Gharat, Chair (Cont.)

v. Legato Capital Management - Due Diligence Questionnaire Response Dated September 6, 2012 and Presentation Booklet **View**

12. Closed Session

a. Conference with Legal Counsel – Pending Litigation – One Case:
O'Neal et al v. Stanislaus County Employees' Retirement Association
Stanislaus County Superior Court Case No. 648469
Government Code Section 54956.9(a)

b. Conference with Legal Counsel – Pending Litigation – One Case:
Nasrawi et al v. Buck Consultants, LLC, et.al, Santa Clara County Superior Court Case No. 1-11-CV202224
Government Code Section 54956.9(b)

c. Conference with Legal Counsel – Personnel Matter Pursuant to Government Code Section 54957 (b)

13. Members' Forum (Information and Future Agenda Requests Only)

14. Adjournment

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PLEASE POST FOR EMPLOYEE VIEWING

BOARD OF RETIREMENT MINUTES — October 10, 2012

Members Present: Jegan Raja, Maria De Anda, Donna Riley, Ron Martin, Mike Lynch, Jim DeMartini, Darin Gharat

Members Absent: *Michael O'Neal, Jeff Grover and Gordon Ford*

Alternate Member Present: Joan Clendenin, Alternate Retiree Representative

Staff Present: Rick Santos, Executive Director
Luiana Irizarry, Interim Executive Assistant
Dawn Lea, Benefits Manager
Kathy Herman, Operations Manager
Kathy Johnson, Accountant

Others Present: Fred Silva, General Legal Counsel
Paul Harte & Nathan Pratt, Strategic Investment Solutions (SIS), Inc.
Doris Foster & Stan Risen, County Chief Executive Office

1. Meeting called to order at 2:01 p.m. by Jim DeMartini, Chair.

2. **Roll Call**

3. **Announcements**

   Ms. Irizarry announced the retirement effective date for Saysong Phongsa changed to October 6, 2012.

   Ms. Irizarry announced a numbering correction has been made to the agenda and is reflected in the electronic version of the agenda.

4. **Public Comment**

   None.

5. **Consent Items**

Motion was made by Maria De Anda and seconded by Darin Gharat to approve the following items with corrections.

Motion carried.

a. Approval of the September 25, 2012 Investment Meeting Minutes

b. Receipt of the Executive Director's 2012 3rd Quarter Update of Goals and 2010-2012 Strategic Action Plan

c. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**

1. Debra Archibald, BHRS, Effective 10-02-12
2. Frank De Mattos, Animal Services, Effective 07-03-12
3. Kenneth Fisher, SBT, Effective 10-20-2012
4. Carolyn List, HSA, Effective 09-17-12
5. Elaine Mc Dermott, Public Defender, Effective 10-17-12
6. Saysong Phongsa, CSA, Effective 10-05-12 (Effective date changed to 10-06-12)
7. Mark Puthuff, Sheriff, Effective 10-10-12
8. David Rhea, Sheriff, 10-23-12

d. Approval of Deferred Retirement(s) – **Section 31700**

1. Pedro Rodriguez, CSA, Effective 08-25-12
2. Sharen Smithcamp, CSA, Effective 09-08-12
3. Amanda Stepp, BHRS, Effective 07-21-12

6. **Executive Director**

a. Public Employees' Pension Reform Act of 2012 – AB 340 and AB 197

b. New Legislation Update

c. Discussion and Action on Alternative Investment Class Educational Study Session

Motion was made by Mike Lynch and seconded by Ron Martin to request Paul Harte of SIS Inc., to include Real Estate, Commodities, Infrastructure and Direct Lending within the investment allocation model and bring back to Board in October for feedback.

7. **Members' Forum (Information and Future Agenda Requests Only)**

Mr. Santos announced that the Dodge & Cox letter dated September 20, 2012 will be placed on the Board of Retirement October Investment meeting.

Mr. Santos announced that due to heavy concentration of investment items the next couple months, the Active vs. Passive educational presentation will be moved to a future date.

8. **Closed Session**

J. Clendenin and M. O'Neal recused themselves at 3:59 p.m.

Motion was made by Darin Gharat and seconded by Maria De Anda to commence to Closed Session at 3:59 p.m.

Motion carried.

Motion was made by Darin Gharat and seconded by Ron Martin to return to Open Session at 4:07 p.m.

Motion carried.

Ms. Irizarry read the findings of the Closed Session:

a. Conference with Legal Counsel – Pending Litigation – One Case:
O'Neal et al v. Stanislaus County Employees' Retirement Association
Stanislaus County Superior Court Case No. 648469
Government Code Section 54956.9(a)

No Report

b. Conference with Legal Counsel – Pending Litigation – One Case:
Nasrawi et al v. Buck Consultants, LLC, et.al, Santa Clara County
Superior Court Case No. 1-11-CV202224
Government Code Section 54956.9(b)

No Report

9. **Adjournment**

Meeting adjourned at 4:08 p.m.

Respectfully submitted,

Rick Santos, Executive Director

APPROVED AS TO FORM:
FRED A. SILVA, GENERAL LEGAL COUNSEL

By: _____
Fred A. Silva, General Legal Counsel

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Top

10/23/12
Item #5b

October 18, 2012

REPORT

TO: Retirement Board Members

FROM: Kathy Herman, Operations Manager

SUBJECT: StanCERA Complaint Log

There were two (4) complaints logged from July 1 through September 30, 2012 in the StanCERA complaint log.

Two were insurance related; one was related to the processing of 1099R's and one to the mailing of advice notices. Staff continued to refer insurance related calls to SML. In a side note an additional 17 complaints were logged in the 1st half of October directly related to insurance. Staff is working with Resco, SML and Patrick McTighe to resolve these issues. We will continue to update the Board on a quarterly basis providing copies of the complaints received during the previously completed quarter.

Top

10/23/12
Item #6

Pyramis Global Advisors®

International Growth

October 23, 2012

PRESENTATION TO:
Stanislaus County Employees Retirement Association

Brian Hoesly, CFA
Institutional Portfolio Manager

Michael Strong
Lead Portfolio Manager

Brian Higgins
Senior Account Executive

Sue Curran
Senior Vice President, Relationship Manager
401-292-4722
sue.curran@pyramis.com

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Table of Contents

1. Pyramis International Growth Investment Process
2. Investment Performance & Positioning
3. Appendix
   A. Important Information
   B. Biographies

See "Important Information" for a discussion of performance data, some of the principal risks related to any of the investment strategies referred to in this presentation and other information related to this presentation.

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Pyramis International Growth Investment Process

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Pyramis International Growth—Investment Team

Total Portfolio

Michael Strong
Lead Portfolio Manager
Industry: 1986
Pyramis/Fidelity: 1999

Brian Hoesly
Institutional Portfolio Manager
Industry: 1989
Pyramis: 2006

Chris Steward
Institutional Portfolio Manager
Industry: 1987
Pyramis: 2006

Regional Sub-Portfolios

Europe	Japan	Pacific Basin Ex Japan	Canada	Emerging Markets Equity
Cedric De la Chaise *Industry: 1995* *FIL Limited: 1995*	**Eileen Dibb** *Industry: 1997* *Pyramis/Fidelity: 2005*	**Henry Chan** *Industry: 1995* *Pyramis: 2011*	**Joe Overdevest** *Industry : 2002* *Pyramis/Fidelity: 2002*	**Ashish Swarup** *Industry: 1999* *Fidelity: 2004*

Research resources described herein include the combined resources of Pyramis and Fidelity Investments.

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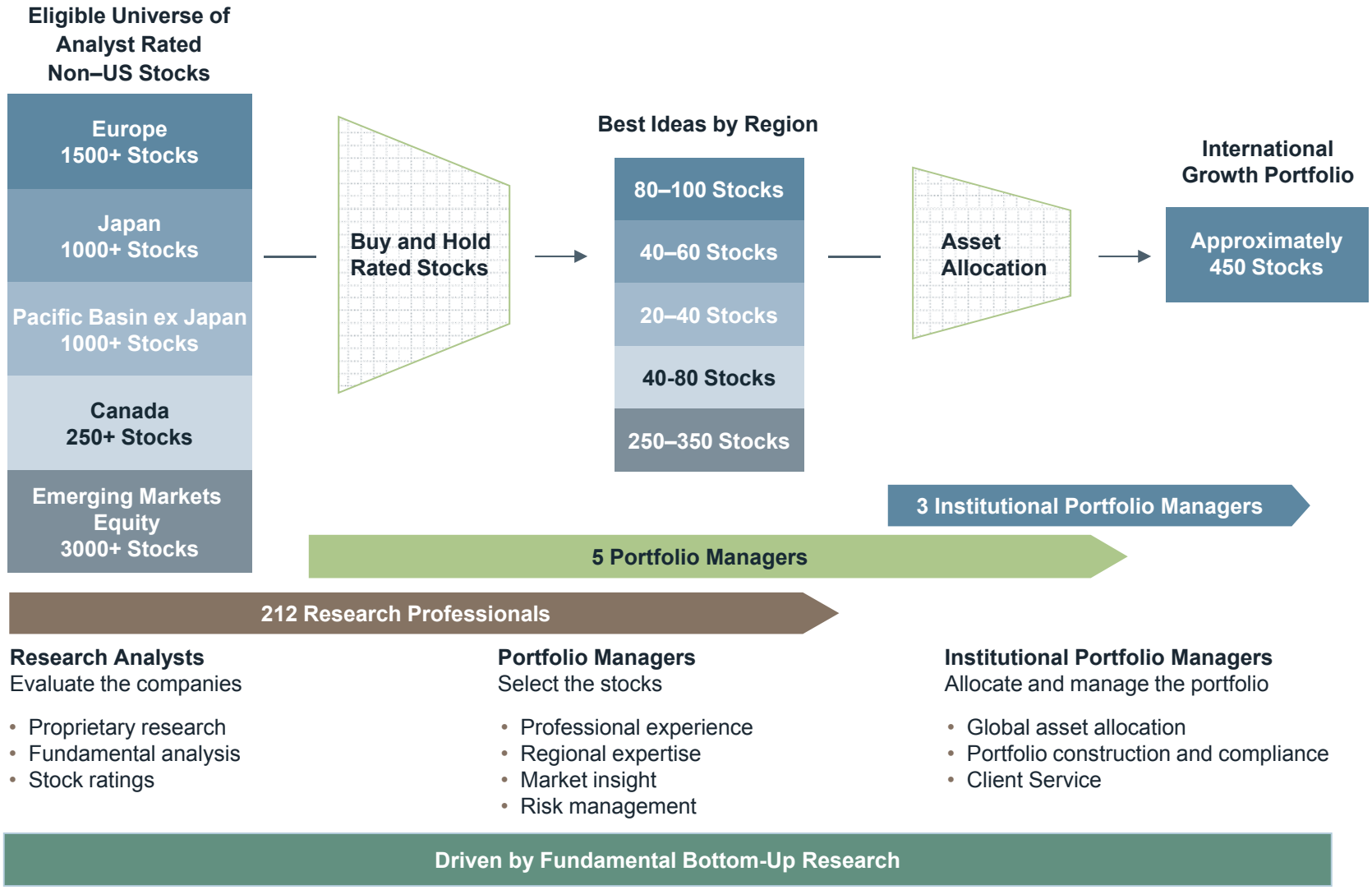
Pyramis International Growth—Investment Process



Research Analysts
Evaluate the companies

- Proprietary research
- Fundamental analysis
- Stock ratings

Portfolio Managers
Select the stocks

- Professional experience
- Regional expertise
- Market insight
- Risk management

Institutional Portfolio Managers
Allocate and manage the portfolio

- Global asset allocation
- Portfolio construction and compliance
- Client Service

Driven by Fundamental Bottom-Up Research

For illustrative purposes only.
Research resources described herein include the combined resources of Pyramis and Fidelity Investments.

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Fidelity's Global Research Resources

Research Resources

- Local market coverage
- Proprietary research
- Research professionals manage industry/country funds
- Main investment offices in Smithfield, Boston, Miami, Toronto, Montreal, London, Hong Kong, and Tokyo

Pyramis and Fidelity Equity Research Analysts and Associates	
Europe	22
Asia	30
Americas	168
Total	**220**

FIL Limited Equity Research Analysts and Associates	
Europe	75
Asia	70
Total	**145**

Research resources described herein are as of June 30, 2012.

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201210-12150

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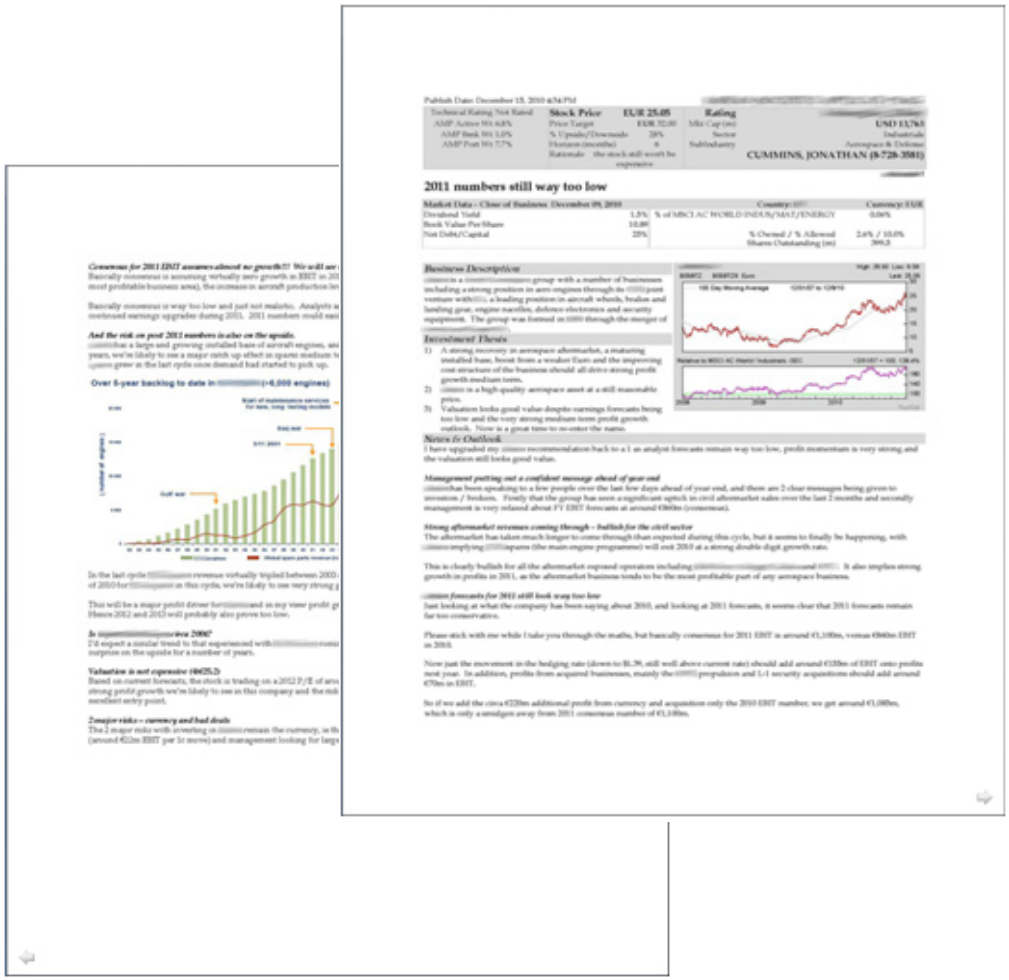
Step 1: Proprietary Research

Fundamental Research

- Company meetings
- Written notes
- Face-to-face
- Analyst ratings
- Analyst model portfolio



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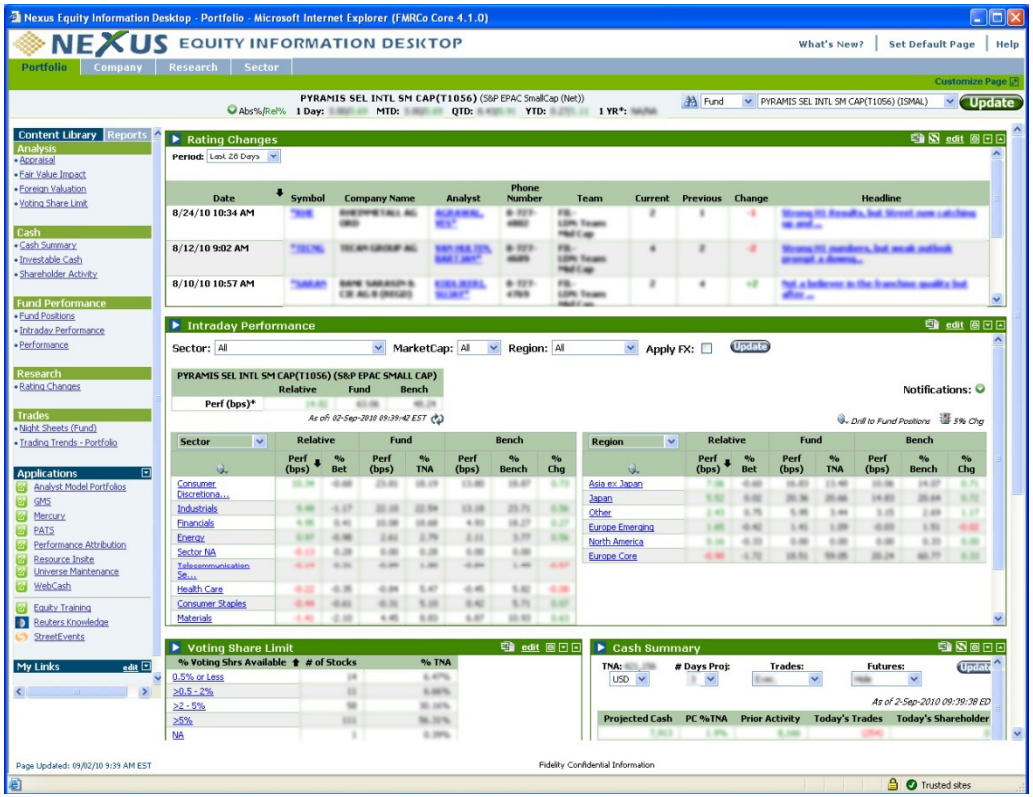
Step 2: Stock Selection

Identify Best Ideas

Selection Process:

- Total return target based on proprietary 2–3 yr forward earnings potential and target valuation metrics
- Fundamental prospects:
  - Top line growth: volume, pricing
  - Operating profit margin evolution
  - Porter Competitive Analysis
  - Secular story tied to company
  - Potential for increasing cash flow
  - Management quality and use of capital
  - Balance sheet strength
  - Strategy and economics of M&A
  - Ownership structure
- Target valuation metrics for company fundamentals



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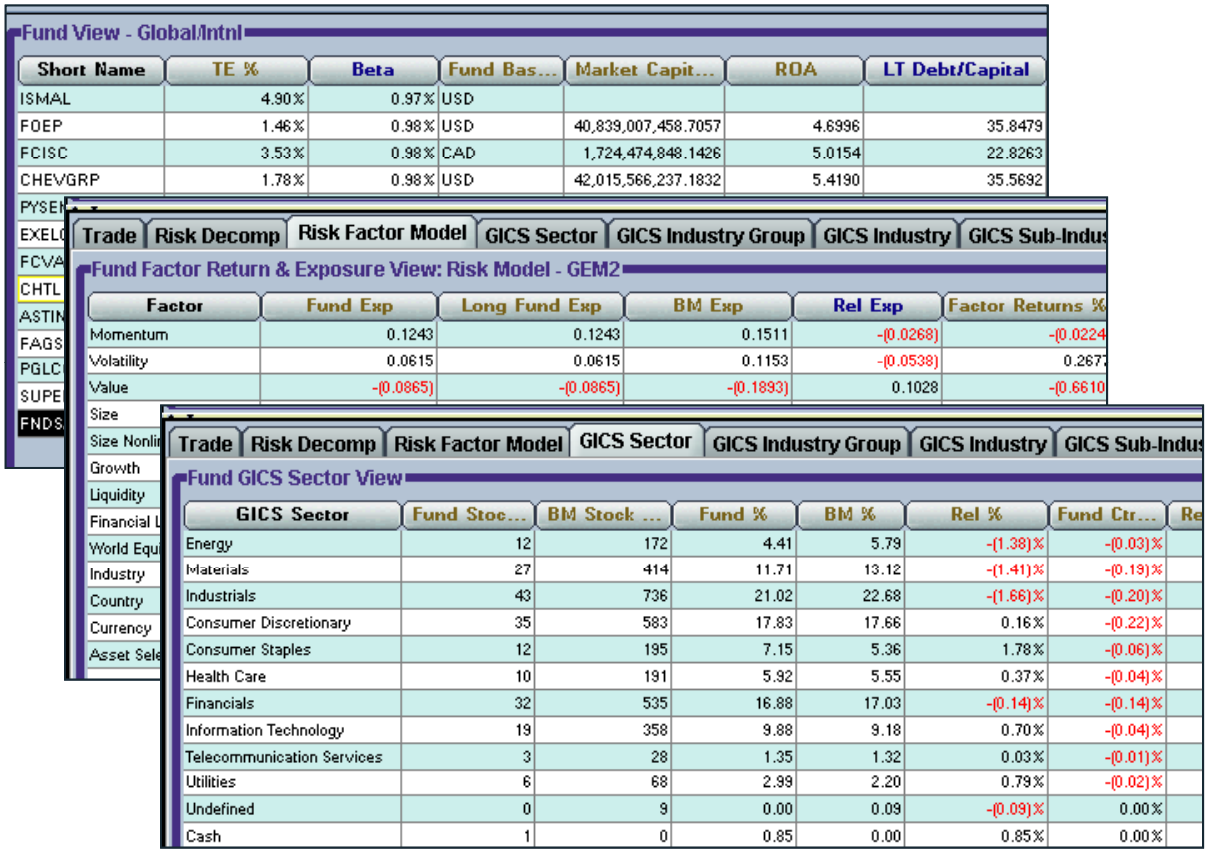
Step 3: Portfolio Construction

Disciplined Portfolio Construction and Risk Management

Buy/Sell Discipline:

- Region, sector and liquidity exposures
- Return potential to target price = “upside”
- Seek to exit positions when full valuations are reached, investment thesis deteriorates or better potential elsewhere
- Monitor investment thesis
- Realization of catalysts
- Monitor liquidity and trade execution



Fund View - Global/Intnl

Short Name	TE %	Beta	Fund Bas...	Market Capit...	ROA	LT Debt/Capital
ISMAL	4.90%	0.97%	USD			
FOEP	1.46%	0.98%	USD	40,839,007,458.7057	4.6996	35.8479
FCISC	3.53%	0.98%	CAD	1,724,474,848.1426	5.0154	22.8263
CHEVGRP	1.78%	0.98%	USD	42,015,566,237.1832	5.4190	35.5692

Trade | Risk Decomp | Risk Factor Model | GICS Sector | GICS Industry Group | GICS Industry | GICS Sub-Indus

Fund Factor Return & Exposure View: Risk Model - GEM2

Factor	Fund Exp	Long Fund Exp	BM Exp	Rel Exp	Factor Returns %
Momentum	0.1243	0.1243	0.1511	-(0.0268)	-(0.0224
Volatility	0.0615	0.0615	0.1153	-(0.0538)	0.267
Value	-(0.0865)	-(0.0865)	-(0.1893)	0.1028	-(0.6610

Trade | Risk Decomp | Risk Factor Model | GICS Sector | GICS Industry Group | GICS Industry | GICS Sub-Indus

Fund GICS Sector View

GICS Sector	Fund Stoc...	BM Stock ...	Fund %	BM %	Rel %	Fund Ctr...	Re
Energy	12	172	4.41	5.79	-(1.38)%	-(0.03)%	
Materials	27	414	11.71	13.12	-(1.41)%	-(0.19)%	
Industrials	43	736	21.02	22.68	-(1.66)%	-(0.20)%	
Consumer Discretionary	35	583	17.83	17.66	0.16%	-(0.22)%	
Consumer Staples	12	195	7.15	5.36	1.78%	-(0.06)%	
Health Care	10	191	5.92	5.55	0.37%	-(0.04)%	
Financials	32	535	16.88	17.03	-(0.14)%	-(0.14)%	
Information Technology	19	358	9.88	9.18	0.70%	-(0.04)%	
Telecommunication Services	3	28	1.35	1.32	0.03%	-(0.01)%	
Utilities	6	68	2.99	2.20	0.79%	-(0.02)%	
Undefined	0	9	0.00	0.09	-(0.09)%	0.00%	
Cash	1	0	0.85	0.00	0.85%	0.00%	

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Pyramis International Growth—Investment Parameters

Factors	Parameters
Regional weights	Benchmark weight ± 5.0%
Country weights	Benchmark weight ± 5.0%
Industry group weights	Benchmark weight ± 10.0%
Security weights	Benchmark weight ± 3.0%
Market capitalization	Benchmark weighted average ± 15.0%

Benchmark: MSCI EAFE (N) Index

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Investment Performance & Positioning

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Pyramis International Growth—Investment Results (Gross)

As of September 30, 2012

	Cumulative Return (%)	Annualized Return (%)					
Portfolio/Index	**YTD**	**1-Year**	**3-Year**	**5-Year**	**Since Inception**	**Inception Date**	**TNA (M)**
Stanislaus IG – (G)	12.60	17.63	5.09	(3.00)	1.34	05/11/2006	$126.65
Stanislaus IG – (N)	12.18	17.05	4.57	(3.49)	0.84		
MSCI AC World ex US (N)	10.38	14.48	3.17	(4.12)	0.20		
Active Return – Gross	**2.22**	**3.15**	**1.92**	**1.12**	**1.14**		
Active Return – Net	**1.80**	**2.57**	**1.40**	**0.63**	**0.64**		
Stanislaus IG – Europe (G)	17.44	25.80	6.01	(2.08)	2.34	05/11/2006	
MSCI Europe (N)	11.19	17.18	1.84	(5.82)	(0.92)		
Active Return (G)	**6.25**	**8.62**	**4.17**	**3.74**	**3.26**		
Stanislaus IG – Japan (G)	6.17	1.45	2.60	(5.94)	(5.96)	05/11/2006	
MSCI Japan (N)	2.27	(1.68)	(0.56)	(6.50)	(5.78)		
Active Return (G)	**3.90**	**3.13**	**3.16**	**0.56**	**(0.18)**		
Stanislaus IG – Pac ex-Japan (G)	13.77	19.68	4.16	(1.87)	7.40	05/11/2006	
MSCI Pac Basin ex Japan (N)	17.45	24.51	7.99	0.15	6.40		
Active Return (G)	**(3.68)**	**(4.83)**	**(3.83)**	**(2.02)**	**1.00**		
Stanislaus IG – Canada (G)	8.72	16.63			7.55	12/02/2009	
MSCI Canada (N)	8.37	13.82			4.46		
Active Return (G)	**0.35**	**2.81**			**3.09**		
Stanislaus IG – EME (G)	8.82	13.61	4.18	(4.41)	2.23	05/11/2006	
MSCI Emerging Markets (N)	11.98	16.93	5.63	(1.28)	4.64		
Active Return (G)	**(3.16)**	**(3.32)**	**(1.45)**	**(3.13)**	**(2.41)**		

(N)= Net Dividend Withholding Taxes
Performance shown is gross of any fees and expenses, including advisory fees, which when deducted will reduce returns.
Past performance is no guarantee of future results.

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Pyramis International Growth—Top Contributors and Detractors

Six Months Ended September 30, 2012

Top Contributors

Security	Portfolio Average Weight (%)	Benchmark Average Weight (%)	Relative Weight (%)	Relative Return (%)	Sector	Country
Bayer	0.9	0.4	0.5	26.9	Health Care	Germany
SoftBank	0.6	0.2	0.4	39.5	Telecom Services	Japan
Franco-Nevada	0.3	0.0	0.3	40.8	Materials	Canada
Vale	0.1	0.4	(0.3)	(15.8)	Materials	Brazil
Sanofi	1.2	0.6	0.6	15.3	Health Care	France

Top Detractors

Security	Portfolio Average Weight (%)	Benchmark Average Weight (%)	Relative Weight (%)	Relative Return (%)	Sector	Country
Novartis	0.0	0.9	(0.9)	11.6	Health Care	Switzerland
OGX Petroleo e Gas	0.1	0.0	0.1	(63.9)	Energy	Brazil
Transocean	0.5	0.1	0.4	(17.4)	Energy	Switzerland
UBS	0.8	0.3	0.5	(11.5)	Financials	Switzerland
Westpac Banking	0.0	0.5	(0.4)	7.1	Financials	Australia

Past performance is no guarantee of future results. Holdings data shown does not represent all of the securities purchased, sold or recommended to clients and may change at any time. Portfolio weights are rounded and a zero weight represents either no holding or a very small weight.
Benchmark: MSCI AC World ex-US (N) Index
Client data shown.

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Pyramis International Growth—Sector Attribution

Six Months Ended September 30, 2012

Sector	Relative Weight (%) Rescaled	Stock Selection (Bps)	Sector Selection (Bps)	Total Contribution (Bps)
Industrials	0.9	39.7	(3.1)	36.6
Consumer Discretionary	3.2	49.8	(14.8)	35.0
Materials	(0.8)	18.3	3.4	21.6
Telecommunication Services	(0.8)	27.1	(8.8)	18.3
Health Care	(0.2)	18.9	(2.3)	16.7
Utilities	(1.6)	11.7	4.9	16.6
Information Technology	0.5	6.9	(3.3)	3.6
Consumer Staples	0.1	1.2	(1.5)	(0.3)
Financials	(1.8)	(7.2)	(5.1)	(12.3)
Energy	0.6	(20.3)	(2.9)	(23.2)

Benchmark: MSCI AC World ex-US (N) Index
Past performance is no guarantee of future results.
Client data shown.

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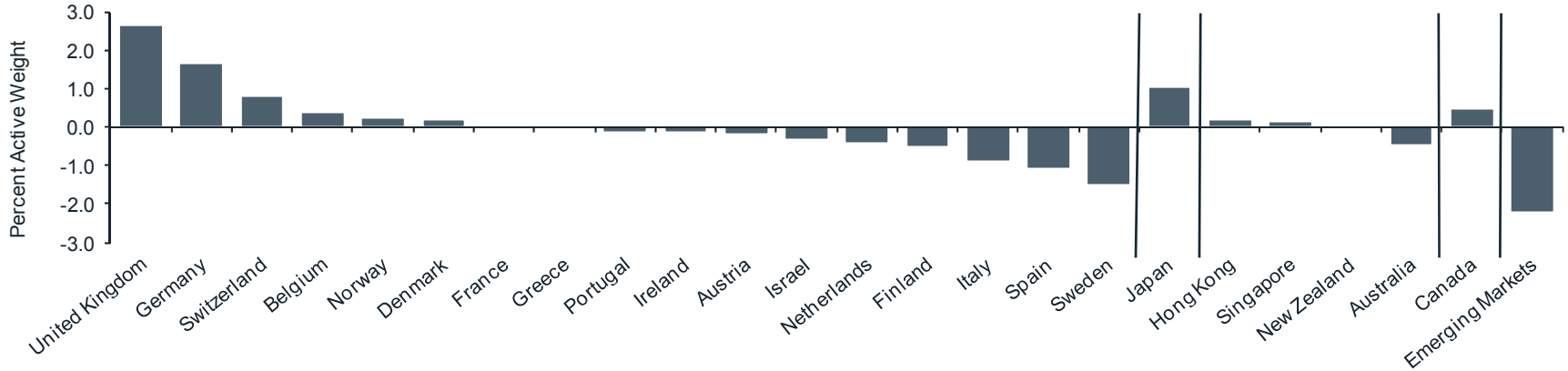
Pyramis International Growth—Regional and Country Allocations

As of September 30, 2012

Regional Allocation

	Portfolio Weight (%)	MSCI AC World ex US (N) (%)	Difference
Europe	45.4	44.7	0.8
Japan	14.7	13.6	1.0
Pacific ex Japan	9.5	9.6	(0.0)
Canada	8.8	8.3	0.5
Emerging Markets	21.6	23.9	(2.2)

Active Weight Versus Index* (%)



*Relative to the MSCI AC World ex-US (N) Index
Client data shown.

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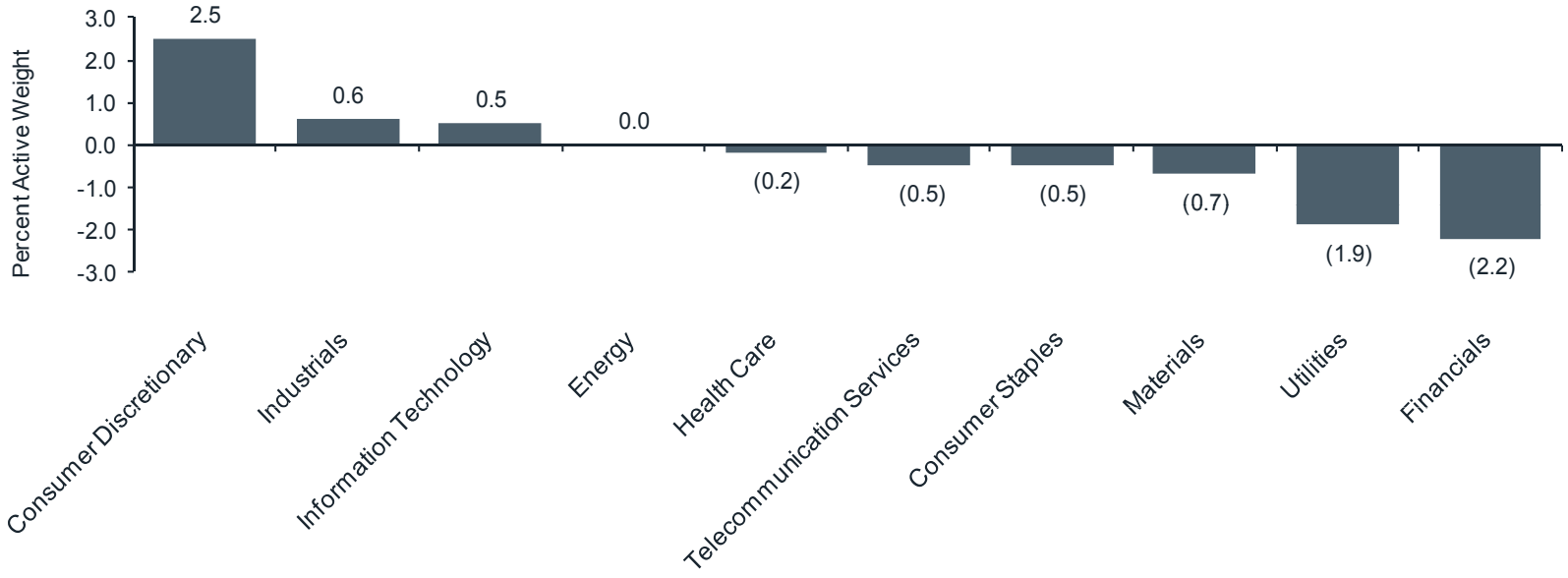
International Growth—Sector Active Weights

As of September 30, 2012

Active Weight Versus Index* (%)



*Relative to the MSCI AC World ex-US (N) Index
Client data shown.

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Pyramis International Growth—Top 10 Active Weights

As of September 30, 2012

Holdings	Top 10 Positive Active* (%)
Wolseley	0.6
Sanofi	0.6
WPP	0.6
Lanxess	0.5
UBS	0.5
Allianz	0.5
Saipem	0.5
SoftBank	0.5
ORIX	0.5
SAP	0.5
Total	**5.4**

Holdings	Top 10 Negative Active* (%)
Novartis	(0.9)
Total	(0.7)
Petroleo Brasileiro-Petrobras	(0.5)
Taiwan Semiconductor Manufacturing	(0.5)
Banco Santander	(0.5)
Rio Tinto	(0.4)
Bank of Nova Scotia	(0.4)
AstraZeneca	(0.4)
Vale	(0.4)
Unilever	(0.4)
Total	**(5.1)**

*Relative to the MSCI AC World ex-US (N) Index
Past performance is no guarantee of future results. Not representative of manager's entire portfolio or all recommendations.
Not a recommendation or offer to buy or sell securities.
Client data shown.

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Appendix

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Important Information

Read this important information carefully before making any investment. Speak with your relationship manager if you have any questions.

Risks

Past performance is no guarantee of future results. An investment may be risky and may not be suitable for an investor's goals, objectives and risk tolerance. Investors should be aware that an investment's value may be volatile and any investment involves the risk that you may lose money.

The value of a strategy's investments will vary day to day in response to many factors, including in response to adverse issuer, political, regulatory, market or economic developments. The value of an individual security or a particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole.

The performance of international strategies depends upon currency values, political and regulatory environments, and overall economic factors in the countries in which they invest. Foreign markets, particularly emerging markets, can be more volatile than the U.S. market due to increased risks of adverse issuer, political, regulatory, market, or economic developments and can perform differently from the U.S. market. The risks are particularly significant for strategies that focus on a single country or region.

These materials contain statements that are “forward-looking statements,” which are based on certain assumptions of future events. Forward-looking statements are based on information available on the date hereof, and Pyramis does not assume any duty to update any forward looking statement. Actual events may differ from those assumed. There can be no assurance that forward-looking statements, including any projected returns, will materialize or that actual market conditions and/or performance results will not be materially different or worse than those presented.

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Important Information, continued

Performance Data

Unless otherwise indicated performance data shown is client data. Performance data is generally presented gross of any fees and expenses, including advisory fees, which when deducted will reduce returns. All results reflect realized and unrealized appreciation and the reinvestment of dividends and investment income, if applicable. Taxes have not been deducted. In conducting its investment advisory activities, Pyramis utilizes certain assets, resources and investment personnel of FMR Co., which does not claim compliance with the Global Investment Performance Standards (GIPS®).

If representative account information is shown, it is based on an account in the subject strategy's composite that generally reflects that strategy's management and is not based on performance.

Index or benchmark performance shown does not reflect the deduction of advisory fees, transaction charges and other expenses, which if charged would reduce performance. Investing directly in an index is not possible.

* * * *

The business unit of Pyramis Global Advisors (Pyramis) consists of: Pyramis Global Advisors Holdings Corp., a Delaware corporation; Pyramis Global Advisors Trust Company, a non-depository limited purpose trust company (PGATC); Pyramis Global Advisors, LLC, a U.S. registered investment adviser (PGA LLC); Pyramis Global Advisors (Canada) ULC, an Ontario registered investment adviser; Pyramis Global Advisors (UK) Limited, a U.K. registered investment manager (Pyramis-UK); Pyramis Global Advisors (Hong Kong) Limited, a Hong Kong registered investment adviser (Pyramis-HK); Pyramis Distributors Corporation LLC, a U.S. registered broker-dealer; and Fidelity Investments Canada ULC, an Alberta corporation (FIC). Investment services are provided by PGATC, PGA LLC, Pyramis Global Advisors (Canada) ULC, Pyramis-UK and/or Pyramis-HK.

"Fidelity Investments" refers collectively to FMR LLC, a US company, and its subsidiaries, including but not limited to Fidelity Management & Research Company (FMR Co.), and Pyramis. "FIL Limited" refers collectively to FIL Limited, a non-US company, and its subsidiaries. "Fidelity" refers collectively to Pyramis and Fidelity Investments.

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Not FDIC Insured • No Bank Guarantee • May Lose Value

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Biographies

Chris Steward, CFA
Institutional Portfolio Manager

Chris Steward is an institutional portfolio manager at Pyramis Global Advisors, a Fidelity Investments company. He is a member of the portfolio management teams for the Pyramis International Growth and Select International Small Cap strategies.

Prior to joining Pyramis in 2006, Chris was a vice president and portfolio advisor at Wellington Management. In that role, he conducted investment reviews with prospects and clients on a broad range of equity, fixed income, and asset allocation products. Chris also worked with the global asset allocation group at Putnam Investments, where he served as a portfolio manager for five years in the global bond group at Scudder, Stevens & Clark, and was an analyst in various capacities with the Federal Reserve Bank of New York for five years.

Chris earned a Bachelor of Arts degree from Vassar College and a Master of Arts degree in Economics from Cambridge University in England. In addition to being a Chartered Financial Analyst charterholder, Chris also has authored and co-authored numerous texts on international investing, one of which was a required reading for Level III of the CFA program.

Brian Hoesly, CFA
Institutional Portfolio Manager

Brian Hoesly is an institutional portfolio manager at Pyramis Global Advisors, a Fidelity Investments company. He is a member of the portfolio management teams for the Pyramis International Growth, International Value, Global Equity Market Neutral and U.S. Equity Market Neutral strategies.

Prior to joining Pyramis in 2006, Brian was vice president at Wellington Management, working with clients invested in multiple strategies, including international equities and asset allocation. He actively conducted portfolio reviews on a wide array of strategies articulating performance, process, holdings, and investment themes on behalf of portfolio management teams.

Prior to that, he served in the product and investment areas of Mellon Trust, the global data research group at Interactive Data Corporation, and with Kidder, Peabody & Co., Inc. He has more than 19 years of investments industry experience.

Brian earned a Bachelor of Science degree from the University of Wisconsin and a Master's degree in Business Administration from Boston University. He is a Chartered Financial Analyst charterholder and a member of the Boston Securities Analysts Society.

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Biographies

Eileen M. Dibb, CFA

Portfolio Manager

Eileen Dibb is a portfolio manager at Pyramis Global Advisors, a unit of Fidelity Investments. She manages Japan equity portfolios including the Japan portion of the Pyramis International Growth strategy.

Prior to assuming her current role at Pyramis, Eileen was responsible for researching and analyzing Asian stocks for a global equity portfolio managed by Fidelity Investments. Prior to joining Fidelity in 2005, Eileen was vice president and regional analyst at Wellington Management Company, where she managed dedicated Japan portfolios. Prior to joining Wellington in 1999, she was an international equity analyst at DuPont Pension Fund, beginning in 1997. Eileen also served in a number of roles at The Dai-ichi Mutual Life Insurance Company from 1992 through 1996.

Eileen earned a Bachelor of Arts degree in International Relations and Japanese Studies from Bucknell University and a Master of Business Administration degree from The Wharton School at the University of Pennsylvania. She completed a program of study at the Center for Japanese Studies at Nanzan University in Nagoya, Japan and is fluent in Japanese. She is a Chartered Financial Analyst (CFA) charterholder, and is a former board member of the Boston Security Analysts Society.

Henry Chan, CPA, CFA

Portfolio Manager

Henry Chan is a portfolio manager at Pyramis Global Advisors, a unit of Fidelity Investments. In this role, Henry is responsible for managing investment strategies focused on the Pacific Basin region.

Prior to joining Pyramis in 2011, Henry was a portfolio manager responsible for Asian investment policy at Baring Asset Management beginning in 2004 where, most recently, he was head of the Asia investment team with specialist research responsibilities on Greater China markets. He had the lead role in Baring's Asian institutional mandates and flagship retail products. At the specialist level, Henry managed the Greater China Fund Inc, a US listed closed end fund, and co-managed the Baring China Absolute Return Fund and Baring Korea Trust. Prior to joining Baring Asset Management he worked at Invesco (formerly LGT) where he handled a number of Pacific Basin (including Japan) and Asia ex Japan portfolios. He has specialist experience in a number of markets including Taiwan, Hong Kong, China, Korea and Japan. He was also the lead fund manager of INVESCO Asia NET Fund, INVESCO GT Taiwan Fund and a number of Greater China portfolios.

Henry earned a Bachelor's degree from the London School of Economics and Political Science in 1992. He is a Certified Professional Accountant and a CFA charterholder. Henry speaks fluent English, Cantonese and Mandarin.

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Biographies

Michael C. Strong

Institutional Portfolio Manager

Mike Strong is an institutional portfolio manager at Pyramis Global Advisors, a unit of Fidelity Investments. He is lead portfolio manager for the Pyramis International Growth strategy.

Prior to assuming his current role, Mike was an investment director responsible for Fidelity's institutional international equity strategies. Prior to joining Fidelity in 1998, he spent almost 10 years as a senior investment consultant at Watson Wyatt in London. Prior to that, Mike was the investment manager for Ford Motor Company's European Pension Plans.

Mike earned a Bachelor of Arts degree in Economics from the University of Manchester, England.

Cedric De La Chaise

Portfolio Manager, European Equities

Cedric is a Portfolio Manager in the European Equities Group at FIL Limited. Based in London, he is responsible for managing pan-European equity portfolios on behalf of institutional clients. Prior to assuming his current role, he was an assistant portfolio manager for Fidelity's European Growth fund. Previously, Cedric served as sector leader for the Consumer Team and managed the Global Consumer Sector Fund, was a sector leader for European Financials, and worked as an equity analyst covering European media, insurance, retailers, and micro-cap stocks. He joined FIL Limited in 1995.

Cedric earned his M.Sc. from Warwick Business School.

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Biographies

Joe Overdevest

Portfolio Manager

Joe Overdevest is a portfolio manager for the Canadian Focused Equity strategy, the Canadian equity sub-portfolio of Pyramis International Growth strategy, and Fidelity Global Fund. He is a co-portfolio manager of Fidelity Global Natural Resources Fund and the equity sub-portfolio of the Fidelity Canadian Asset Allocation Fund. He is also co-portfolio manager of Pyramis Canadian Systematic Equity at Pyramis Global Advisors, a Fidelity Investments company.

Prior to assuming his current role, Joe was a research analyst with Team Canada, the research and portfolio management team for investment products sold through Fidelity Investments Canada ULC. Previous areas of coverage include: Canadian oil and gas, diversified financials, telecommunications, retail, consumer durables, and automotive parts.

Joe earned a Bachelor of Business Administration honors degree from Wilfrid Laurier University.

Ashish Swarup

Portfolio Manager

Ashish Swarup is a portfolio manager at Fidelity Investments.

Ashish assumed his current position in the firm's London offices in September 2010 as part of the Global Emerging Markets team. He currently manages the Pyramis Emerging Markets All Cap strategy, the Fidelity Emerging Markets Discovery Fund, the Emerging Markets sleeve of Fidelity Total International Fund and the Fidelity Emerging Markets Fund for Fidelity Investments Canada. Previously, he managed the Emerging Markets sleeve of Fidelity Diversified International and served as an assistant portfolio manager for Fidelity International Limited (FIL) on their Global Emerging Markets Fund. Ashish joined FIL in 2004 as a research analyst responsible for covering consumer and diversified stocks in Eastern Europe, Russia, the Middle East and Africa.

Ashish earned his Bachelor of Engineering degree in electronics and communication from the India Institute of Technology (IIT). He earned his post-graduate diploma in management from the Indian Institute of Management (IIM), and his Master's of Business Administration from INSEAD in Fontainebleau, France.

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Biographies

Sue Curran

Senior Vice President, Relationship Manager

Sue Curran is senior vice president, relationship manager at Pyramis Global Advisors, a Fidelity Investments company. In this role, Sue is responsible for overall management of institutional client relationships, including many large public and corporate pension funds, throughout the U.S.

Sue joined Fidelity in 2001. Prior to assuming her current role, she was a director at Deutsche Asset Management responsible for covering public funds in the Western region of the U.S. Before joining Deutsche Asset Management, Sue was a vice president of public funds at Bank of America. Prior to that, she held various management and sales positions at Merrill Lynch. Sue has over 25 years of investment industry experience.

Sue earned a Bachelor of Arts degree from Wheaton College. She holds the Financial Industry Regulatory Authority (formerly NASD) Series 7 and 63 licenses.

Brian Higgins

Senior Account Executive

Brian Higgins is a senior account executive at Pyramis Global Advisors, a unit of Fidelity Investments. In this role, Brian is responsible for account management and serves as the day-to-day contact for public and private institutional clients, as well as endowment and foundation clients.

Prior to assuming his current role, Brian held various positions at Fidelity Pricing and Cash Management Services and Fidelity Management Trust Company. Prior to joining Fidelity in 1999, Brian served in the accounting operations group at First Data Investor Services Group, 440 Financial and State Street Bank. He has more than 17 years of investment industry experience.

Brian earned a Bachelor of Arts degree from Stonehill College. He holds the Financial Industry Regulatory Authority (formerly NASD) Series 7 and 63 licenses.

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LSV
Asset Management

Top

10/23/12
Item #7

Stanislaus County Employees' Retirement Association

October 23, 2012

Keith Bruch, CFA
Partner & Director, Client Portfolio Services
(312) 460-2336

155 North Wacker Drive, Suite 4600
Chicago, IL 60606

Organizational Update

- **LSV'S KEY ORGANIZATIONAL STRENGTHS:**
  - **ACADEMIC FOUNDATION**
  - **25+ YEARS OF RESEARCH**
  - **SUCCESSFULLY APPLIED MODELS FOR OVER 15 YEARS**
  - **VALUE EQUITY FOCUS – OUR SOLE BUSINESS**
  - **CONSISTENCY OF PEOPLE, PHILOSOPHY & PORTFOLIO**
  - **EMPLOYEE OWNERSHIP**

- **ALL STRATEGIES BUILT FROM SAME INVESTMENT MODEL**
  - **$62.9 BILLION IN FIRMWIDE ASSETS UNDER MANAGEMENT**
  - **$14.6 BILLION IN INTERNATIONAL LARGE CAP VALUE ASSETS**
  - **LIMITED CAPACITY OFFERINGS**

U.S.	Non-U.S.
Large Cap Value	Large Cap Value
Mid Cap Value (Closed)*	Small Cap Value (Closed)
Small/ Mid Cap Value (Closed)*	Europe Small Cap Value (Closed)
Small Cap Value (Closed)*	Japan Small Cap Value (Closed)
Micro Cap Value (Closed)*	Global Value
S&P 500 Enhanced	Emerging Markets Value (Closed)
Russell 1000 Value Enhanced	MSCI EAFE Enhanced
Managed Volatility	MSCI World Enhanced

*** Select Strategies Open to Existing Clients**

Organizational Structure

Josef Lakonishok, Ph.D.
Founding Partner, CEO & CIO

Portfolio Services

James Owens
Partner & Director
Client Portfolio Svcs.

Keith Bruch, CFA
Partner & Director
Client Portfolio Svcs.

Peter Young, CFA
Partner & Director
Client Portfolio Svcs.

Scott Kemper
Partner & Director
Client Portfolio Svcs.

Paul Halpern, Ph.D.
Director, Client
Portfolio Svcs., Canada

David Beata
Partner & Senior Analyst
Client Portfolio Svcs.

Marketing

Jason Ciaglo
Partner & Director
Business Development

Michael Wagner
Director
Taft-Hartley Sales & Svcs.

Marisa Rosenblatt
Senior Client Services
Analyst

Jessica Deely
Jennifer Horowitz
Summer Rottinger
Client Services Analysts

Research & Portfolio Construction

Menno Vermeulen, CFA
Partner
Portfolio Manager
Senior Quantitative Analyst

Bhaskaran Swaminathan, Ph.D.
Partner
Director of Research

Puneet Mansharamani, CFA
Partner, Portfolio Manager,
Senior Quantitative Analyst

Jason Karceski, Ph.D.
Partner
Senior Research Analyst

Bala Ragothaman, CFA
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Senior Quantitative Analyst

Han Qu
Partner
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Titus Liu
Systems Analyst

Simon Zhang, CFA
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Senior Quantitative Analyst

Greg Sleight
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Quantitative Analyst

Louis K.C. Chan, Ph.D.
Academic Advisor
Professor of Finance
University of Illinois

Guy Lakonishok, CFA
Quantitative Analyst

Dan Givoly, Ph.D.
Academic Advisor
Chair, Dept. of Accounting
Penn State University

Operations & Compliance

Tremaine Atkinson, Partner
Chief Operating Officer
Chief Compliance Officer

Trading

Eric Miller
Partner
Senior Trader

Dan Newman
Partner
Senior Trader

Claude O'Malley
Trader

Brian Sanderson
Trader

Brian Weber
Operations Specialist

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Leslie Kondziela
Compliance Officer,
Legal Services Manager

Jill Pusateri
Portfolio Compliance
Manager

Barry Garrett
Compliance Analyst

Operations

Kevin Phelan
Partner
Director of Operations

Tracy Bolger
Partner
Operations Manager

Rajeev Uppalapati
Systems Analyst

Monika Quinn
Portfolio Accounting
Manager

Gloria Balta
Beth Chambers
Kris Lewis
Lisa Lewis
Mirrin McDougald
Laura Nelson
Portfolio Accountants

Bus. Mgmt.

Tanya Kregul
Business Manager

Relationship Summary

Stanislaus County Employees' Retirement Association

Investment Strategy:	International Large Cap Value Equity
Inception Date:	September 14, 2004
Initial Funding:	$81,163,381
Custodian:	Mellon
Consultant:	Strategic Investment Solutions
Benchmark:	MSCI ACWI Ex U.S.
Restrictions:	None

Portfolio Growth

Beginning Value - 9/14/04:	**$**	**81,163,381**
Net Contributions/Withdrawals:	$	(27,100,000)
Return on Investment:	$	67,190,214
Ending Value - 9/30/12:	**$**	**121,253,595**

Objectives/Investment Process:

The objective of our International Large Cap Value Equity strategy is to outperform the benchmark by at least 250 basis points (gross of fees) per annum over a full investment cycle. LSV will attempt to meet this performance objective with a tracking error of approximately 5-6% relative to the Index.

The process used to select stocks is a **quantitative** approach developed by our founding partners through years of academic research on a variety of investment and investor behavior topics. The process ranks a broad universe of stocks on a combination of **value** *and* **momentum** factors and seeks to invest approximately 150-175 stocks in the most attractive securities possible within our strict risk parameters to control the portfolio's tracking error relative to the benchmark. The resulting portfolio will be **broadly diversified** across industry groups and **fully invested** (cash balances are typically less than 1% of the portfolio). Initial positions must be in stocks with a market capitalization greater than $500 million.

Market Update

	Periods Ending 9/30/12						
Large Cap International Indices	3Q12	YTD	1 Yr	2 Yrs	3 Yrs	5 Yrs	10 Yrs
MSCI EAFE	6.9%	10.1%	13.8%	1.6%	2.1%	-5.3%	8.2%
MSCI EAFE Value	7.5%	9.6%	12.6%	0.7%	-0.1%	-6.3%	8.5%
MSCI ACWI Ex-U.S.	7.4%	10.4%	14.5%	1.1%	3.2%	-4.1%	9.9%
MSCI World Ex-U.S.	7.3%	9.9%	13.8%	1.7%	2.5%	-4.8%	8.7%
MSCI EAFE (Local)	4.7%	9.1%	13.5%	0.6%	1.3%	-6.2%	4.9%
MSCI EAFE Value vs Growth Spread:	**1.1%**	**-0.9%**	**-2.2%**	**-1.7%**	**-4.4%**	**-2.1%**	**0.7%**
Small Cap International Indices							
S&P Developed ex US Small Cap	8.3%	12.3%	13.6%	3.2%	5.2%	-3.6%	11.6%
S&P Developed ex US Small Cap Value	7.6%	11.5%	12.2%	2.7%	4.5%	-3.9%	12.1%
Value vs Growth Spread:	**-1.3%**	**-1.6%**	**-2.6%**	**-1.0%**	**-1.5%**	**-0.6%**	**1.0%**
Emerging Markets Indices							
MSCI Emerging Markets	7.7%	12.0%	17.0%	-1.0%	5.6%	-1.3%	17.0%
MSCI Emerging Markets Value	7.2%	10.7%	15.4%	-1.1%	5.2%	0.0%	18.8%
Value vs Growth Spread:	**-1.1%**	**-2.6%**	**-3.0%**	**-0.3%**	**-0.8%**	**2.6%**	**3.6%**
Comparative U.S. Indices							
S&P 500	6.4%	16.4%	30.2%	14.8%	13.2%	1.1%	8.0%
Russell 2000	5.3%	14.2%	31.9%	12.8%	13.0%	2.2%	10.2%

All returns are in USD; periods longer than one year are annualized.

International Value Equity Investment Performance

Periods Ended September 30, 2012

Assets Managed: $121,253,595

LSV International Value Equity	3Q12	6 Mo.	YTD	1 Year	3 Years	5 Years	7 Years	Return Since Inception*
Stanislaus County Portfolio- Gross	**8.6%**	**-0.7%**	**10.4%**	**15.0%**	**4.4%**	**-3.8%**	**3.8%**	**6.9%**
Stanislaus County Portfolio- Net	**8.4%**	**-1.0%**	**9.9%**	**14.3%**	**3.7%**	**-4.4%**	**3.1%**	**6.2%**
MSCI ACWI Ex US	7.4%	-0.8%	10.4%	14.5%	3.2%	-4.1%	3.3%	6.2%
MSCI ACWI Ex US Value	7.6%	-0.7%	9.9%	13.5%	1.7%	-4.5%	3.0%	6.0%

Calendar Years

LSV International Value Equity	YTD 2012	2011	2010	2009	2008	2007	2006	2005	2004*
Stanislaus County Portfolio- Gross	**10.4%**	**-12.3%**	**13.4%**	**48.6%**	**-47.9%**	**12.0%**	**32.2%**	**16.0%**	**16.9%**
Stanislaus County Portfolio- Net	**9.9%**	**-12.9%**	**12.7%**	**47.7%**	**-48.3%**	**11.4%**	**31.4%**	**15.3%**	**16.7%**
MSCI ACWI Ex US	10.4%	-13.7%	11.2%	41.5%	-45.5%	16.7%	26.7%	16.6%	15.6%
MSCI ACWI Ex US Value	9.9%	-13.2%	7.8%	44.3%	-45.5%	12.3%	29.8%	16.4%	16.2%

*Inception Date: 9/15/2004

Note: All returns are in USD; indices shown net of withholding taxes. Periods greater than one year are annualized.

Sector Attribution

6 Months Ended September 30, 2012

Sector	Avg. Portfolio Weight	Avg. Bench Weight	Weight Diff.	Port Return	Bench Return	Return Diff.	Sector Selection	Stock Selection	Total Effect
Consumer Discretionary	7.60%	9.44%	-1.84%	5.15	-5.15	10.30	0.06	0.77	0.83
Health Care	8.57%	7.18%	1.39%	14.79	9.95	4.84	0.14	0.38	0.52
Telecommunication Services	10.56%	5.90%	4.66%	6.05	5.20	0.85	0.28	0.08	0.36
Utilities	4.19%	3.86%	0.33%	3.81	-3.19	7.00	0.01	0.28	0.29
Industrials	10.06%	10.57%	-0.52%	-4.68	-3.81	-0.87	0.01	-0.10	-0.09
Energy	13.36%	11.39%	1.97%	-4.04	-2.58	-1.47	-0.01	-0.22	-0.22
Information Technology	5.42%	6.57%	-1.15%	-11.23	-6.02	-5.20	0.03	-0.29	-0.26
Financials	23.96%	23.67%	0.29%	-0.05	2.15	-2.20	0.03	-0.49	-0.46
Consumer Staples	6.35%	10.34%	-3.98%	0.60	5.23	-4.63	-0.25	-0.21	-0.46
Materials	9.94%	11.08%	-1.14%	-11.42	-5.47	-5.95	0.02	-0.63	-0.61
TOTAL	100.00%	100.00%		-0.47	-0.38	-0.08	0.33	-0.41	-0.08

1 Year Ended September 30, 2012

Sector	Avg. Portfolio Weight	Avg. Bench Weight	Weight Diff.	Port Return	Bench Return	Return Diff.	Sector Selection	Stock Selection	Total Effect
Utilities	4.24%	3.98%	0.26%	29.89	1.31	28.58	0.00	1.19	1.20
Consumer Discretionary	6.92%	9.31%	-2.38%	31.15	13.03	18.11	-0.02	1.18	1.15
Financials	23.81%	23.48%	0.33%	20.44	19.45	0.99	0.05	0.26	0.31
Health Care	8.45%	7.05%	1.40%	23.08	22.74	0.34	0.09	0.06	0.15
Materials	9.86%	11.58%	-1.72%	4.43	6.54	-2.11	0.06	-0.20	-0.14
Industrials	9.95%	10.56%	-0.60%	12.44	13.92	-1.49	-0.01	-0.16	-0.17
Telecommunication Services	10.73%	6.02%	4.71%	8.69	9.64	-0.95	-0.23	-0.09	-0.32
Energy	13.94%	11.42%	2.52%	12.92	16.70	-3.78	0.17	-0.55	-0.38
Consumer Staples	6.13%	10.05%	-3.92%	14.65	22.16	-7.50	-0.29	-0.39	-0.68
Information Technology	5.95%	6.55%	-0.60%	0.11	13.21	-13.10	0.02	-0.83	-0.81
TOTAL	100.00%	100.00%		15.41	15.10	0.31	-0.16	0.47	0.31

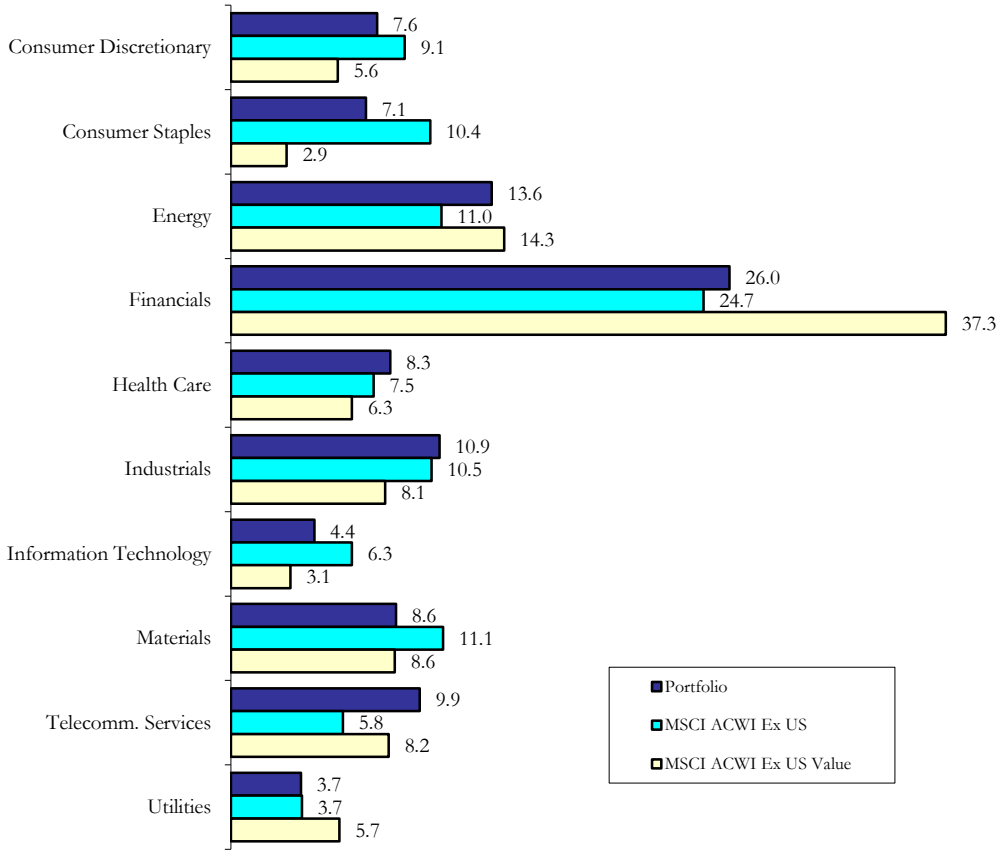
Portfolio Characteristics

International Large Cap Value
As of 9/30/12

	Stanislaus Portfolio	MSCI ACWI Ex US	MSCI ACWI Ex US Value
Price / Earnings (FY1)	9.4x	12.8x	11.2x
Price / Earnings (FY2)	8.7x	11.7x	10.2x
Price / Cash Flow	5.1x	7.7x	5.9x
Price / Book	1.0x	1.4x	1.1x
Dividend Yield	4.4%	3.3%	4.1%
Weighted Average Market Cap	$38.3 billion	$51.4 billion	$57.8 billion
Weighted Median Market Cap	$13.9 billion	$28.9 billion	$33.1 billion

Portfolio Characteristics

Diversification by Sector as of 9/30/12



Top Ten Holdings as of 9/30/12

DESCRIPTION	% PORT.
ROYAL DUTCH SHELL PLC	2.7%
SANOFI	2.1%
ASTRAZENECA	1.6%
ALLIANZ AG	1.4%
BASF AG NPV	1.3%
ENI SPA	1.3%
CHINA PETROLEUM & CHEMICAL CORP	1.3%
OLD MUTUAL PLC	1.3%
VODAFONE GROUP PLC	1.3%
BT GROUP PLC	1.3%

Country Weights

Developed Countries	Stanislaus Portfolio	MSCI ACWI Ex US	MSCI ACWI Ex US Value	Emerging Countries	Stanislaus Portfolio	MSCI ACWI Ex US	MSCI ACWI Ex US Value
Australia	5.24	6.02	6.25	Brazil	3.45	2.99	2.98
Austria	1.23	0.18	0.29	Chile	0.00	0.45	0.42
Belgium	0.51	0.78	0.48	China	4.08	4.11	4.03
Canada	7.98	8.27	8.05	Colombia	0.00	0.29	0.29
Denmark	0.24	0.81	0.22	Czech Republic	0.00	0.07	0.07
Finland	0.53	0.51	0.59	Egypt	0.00	0.09	0.08
France	6.89	6.34	7.29	Hungary	0.00	0.07	0.07
Germany	6.03	5.86	6.06	India	0.50	1.67	1.61
Greece	0.05	0.03	0.02	Indonesia	0.43	0.65	0.69
Hong Kong	1.77	2.12	2.21	Korea (South)	3.45	3.69	3.57
Ireland	0.02	0.18	0.18	Malaysia	0.00	0.85	0.82
Israel	0.44	0.41	0.40	Mexico	0.86	1.17	1.17
Italy	2.27	1.53	2.44	Morocco	0.00	0.02	0.02
Japan	14.17	13.43	13.15	Peru	0.00	0.16	0.16
Netherlands	2.04	1.69	1.60	Philippines	0.00	0.21	0.21
New Zealand	0.00	0.09	0.08	Poland	0.00	0.35	0.35
Norway	1.56	0.67	0.46	Russia	2.55	1.44	1.46
Portugal	0.00	0.11	0.13	South Africa	3.80	1.86	1.79
Singapore	1.10	1.29	1.36	Taiwan	2.64	2.64	2.54
Spain	2.58	1.97	3.20	Thailand	0.00	0.53	0.52
Sweden	1.62	2.21	1.82	Turkey	1.69	0.40	0.39
Switzerland	4.75	5.90	5.25	**Total**	**23%**	**24%**	**23%**
UK	15.54	15.88	15.23				
Total	**77%**	**76%**	**77%**				

Portfolio Holdings by Country

COUNTRY	% PORT.
AUSTRALIA	**5.1%**
NATIONAL AUSTRALIA BANK LTD	1.0%
MACQUARIE GROUP LIMITED	0.9%
RIO TINTO LIMITED	0.7%
LEND LEASE CORP LIMITED	0.7%
METCASH LTD	0.5%
DOWNER EDI LTD	0.3%
BANK OF QUEENSLAND LTD	0.3%
ARRIUM LTD	0.2%
MOUNT GIBSON IRON NPV	0.2%
BOART LONGYEAR NPV	0.2%
PANORAMIC RESOURCES LTD	0.1%
BLUESCOPE STEEL LTD	0.1%
PAPERLINX LIMITED	0.0%
AUSTRIA	**1.2%**
OMV AG	0.9%
AUSTRIA TECHNOLOGIE & SYSTEM	0.3%
BELGIUM	**0.5%**
DELHAIZE GROUP	0.5%
BRAZIL	**3.4%**
CIA SANEAMENTO BASICO DE - ADR	1.2%
BANCO DO BRASIL SA	0.8%
PETROLEO BRASILEIRO SA - ADR	0.7%
CIA VALE DO RIO DOCE (CVRD)	0.6%
CENTRAIS ELEC BRAS - SP ADR CM	0.2%
CANADA	**7.8%**
CDN IMPERIAL BK OF COMMERCE	1.3%
MAGNA INTERNATIONAL INC- CL A	1.0%
METRO INC - A	1.0%
EMPIRE CO LTD 'A'	0.8%
NATIONAL BK CDA MONTREAL QUE	0.7%
WESTJET AIRLINES LTD	0.6%

COUNTRY	% PORT.
CANADA (continued)	
AGRIUM INC	0.5%
ATCO LTD - CL I	0.5%
CELESTICA INC	0.4%
RONA INC	0.4%
CALFRAC WELL SERVICES LTD	0.4%
CORUS ENTERTAINMENT	0.2%
RESEARCH IN MOTION	0.1%
CHINA	**4.0%**
CHINA PETROLEUM AND CHEMICAL CORP	1.3%
BANK OF CHINA LTD	1.1%
TIANNENG POWER INTERNATIONAL LTD	0.5%
CHINA RAILWAY CONSTRUCTION - H	0.5%
YANZHOU COAL MININ	0.3%
WEIQIAO TEXTILE CO LTD - H	0.2%
GLOBAL BIO-CHEM TECHNOLOGY	0.0%
DENMARK	**0.2%**
DANSKE BANK AS	0.2%
FINLAND	**0.5%**
HUHTAMAKI OYJ	0.5%
FRANCE	**6.7%**
SANOFI	2.1%
TOTAL SA	1.0%
BNP PARIBAS	0.7%
SOCIETE GENERALE	0.7%
ARKEMA	0.6%
SCOR REGROUPE	0.6%
THALES	0.4%
AXA	0.3%
VIVENDI UNIVERSAL SA	0.3%
GERMANY	**5.9%**
ALLIANZ AG - REG	1.4%
BASF AG NPV	1.3%

COUNTRY	% PORT.
GERMANY (continued)	
BAYER AG ORD NPV	0.9%
DAIMLER AG	0.7%
E. ON AG	0.6%
RWE AG (NEU)	0.6%
DEUTSCHE BANK AG - REG	0.4%
GREAT BRITAIN	**15.2%**
ROYAL DUTCH SHELL PLC - B SHS	1.8%
ASTRAZENECA	1.6%
OLD MUTUAL PLC	1.3%
VODAFONE GROUP PLC	1.3%
BT GROUP PLC	1.3%
BP PLC	1.2%
LEGAL & GENERAL GROUP PLC	1.2%
ROYAL DUTCH SHELL PLC	0.9%
J SAINSBURY PLC	0.8%
BAE SYSTEMS PLC	0.8%
WM MORRISON SUPERMARKETS PLC	0.6%
COOKSON GROUP PLC	0.5%
BARCLAYS PLC	0.5%
GLAXOSMITHKLINE	0.4%
GREENE KING PLC	0.4%
AVIVA PLC	0.3%
DRAX GROUP PLC	0.2%
HONG KONG	**1.7%**
DAH CHONG HONG	0.6%
YUE YUEN INDUSTRIAL HLDG	0.5%
JOHNSON ELECTRIC HLDGS	0.3%
KINGBOARD CHEMICALS HOLDINGS	0.2%
CHINA SHINEWAY PHARMACEUTICAL GROUP LTD	0.1%
INDIA	**0.5%**
TATA STEEL LTD	0.5%
INDONESIA	**0.4%**
TIMAH TBK PT	0.4%

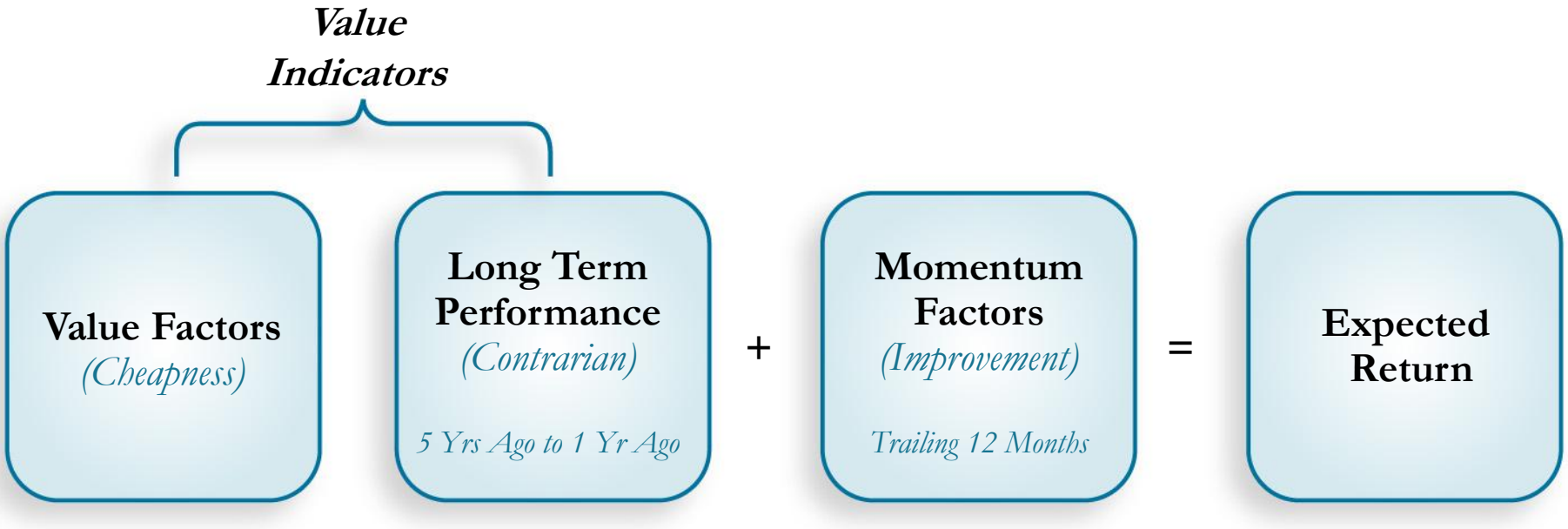
Portfolio Holdings by Country

COUNTRY	% PORT.
ISRAEL	**0.4%**
ELBIT SYSTEMS LTD	0.4%
ITALY	**2.2%**
ENI SPA	1.3%
PARMALAT SPA	0.4%
ENEL	0.4%
FINMECCANICA SPA	0.1%
BANCO POPLARE SCARL	0.0%
JAPAN	**14.2%**
KDDI CORP	1.1%
NIPPON TEL & TEL CORP	1.0%
MARUBENI CORPORATION	1.0%
SUMITOMO CORP JPY51	0.9%
KYORIN CO LTD	0.8%
ITOCHU CORPORATION	0.7%
SUMITOMO MITSUI GR NPV	0.7%
NTT DOCOMO NPV	0.7%
NICHIREI CORP	0.6%
MIZUHO FINL GP NPV	0.6%
MITSUBISHI TOKYO F NPV	0.5%
MIRACA HOLDINGS INC	0.5%
JX HOLDINGS INC	0.5%
BROTHER INDUSTRIES LTD	0.5%
HANWA CO LTD	0.5%
SEINO TRANSPORTN	0.5%
GEO CORP	0.5%
KYOWA EXEO CORP	0.4%
SAPPORO HOKUYO HOLDINGS INC	0.4%
EIZO NANAO CORPORATION	0.3%
MAEDA ROAD CONST	0.3%
FUJI MACHINE MFG CO LTD	0.3%
HITACHI CAPITAL CORP	0.3%
NISSAN SHATAI CO LTD	0.2%
NIPPON ELEC GLASS CO	0.2%
YODOGAWA STEEL WORKS LTD	0.2%

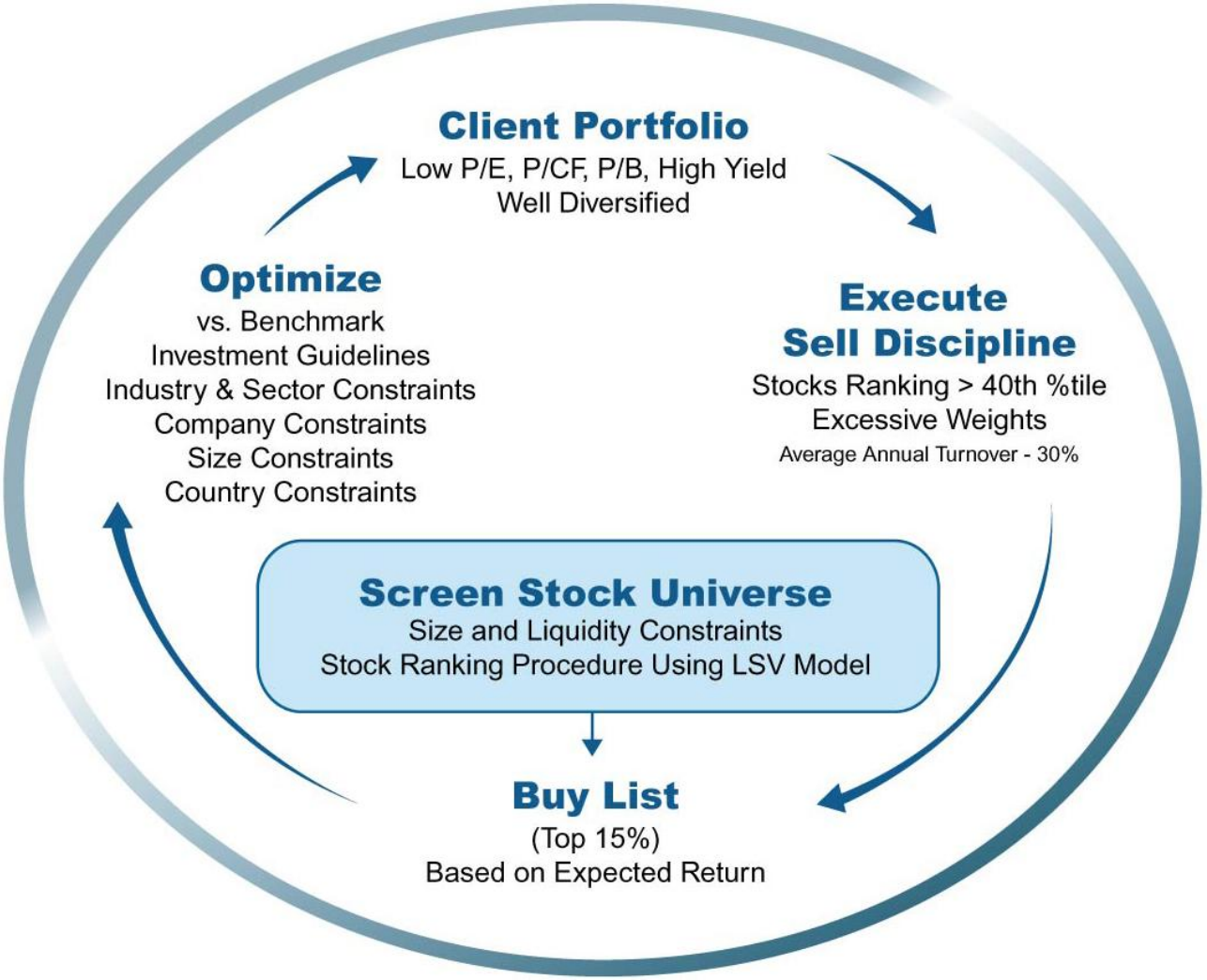
COUNTRY	% PORT.
MEXICO	**0.8%**
GRUMA SA	0.8%
NETHERLANDS	**2.0%**
DSM NV	0.7%
KONINKLIJKE KPN NPV	0.6%
AEGON NV	0.4%
ING GROEP NV	0.3%
NORWAY	**1.5%**
DNB HOLDING ASA	0.6%
STATOILHYDRO ASA	0.6%
STOLT NIELSEN SA	0.4%
RUSSIAN FEDERATION	**2.5%**
JSC MMC NORILSK NICKEL-ADR	0.8%
OAO GAZPROM-SPON ADR	0.7%
MOBILE TELESYSTEMS-SP ADR	0.7%
LUKOIL - SPONS ADR	0.4%
SINGAPORE	**1.1%**
UTD O/S BANK	0.6%
GOLDEN AGRI-RESOURCES LTD	0.5%
SOUTH AFRICA	**3.7%**
IMPERIAL HOLDINGS LTD	1.1%
MTN GROUP LTD	0.8%
MMI HOLDINGS LTD	0.8%
EXXARO RESOURCES LTD	0.5%
ASTRAL FOODS LIMITED	0.5%
EQSTRA HOLDINGS LTD	0.0%
SOUTH KOREA	**3.4%**
KT CORPORATION	0.9%
KOREA EXCHANGE BANK	0.8%
BS FINANCIAL GROUP INC	0.5%
SK TELECOM CO LTD	0.5%

COUNTRY	% PORT.
SOUTH KOREA (continued)	
DGB FINANCIAL GROUP CO LTD	0.5%
DAISHIN SECURITIES CO LTD	0.2%
SPAIN	**2.5%**
BANCO SANTANDER	0.8%
REPSOL SA	0.8%
TELEFONICA SA	0.5%
BANCO BILBAO VIZCAYA ARGENTA	0.4%
SWEDEN	**1.6%**
BOLIDEN AB	0.8%
TRELLEBORG AB SERBSEK26	0.7%
SWITZERLAND	**4.7%**
NOVARTIS AG	1.2%
SWISS RE LTD	1.1%
CREDIT SUISSE GROUP	0.9%
ZURICH FINANCIAL SVCS	0.7%
BALOISE HOLDING - R	0.5%
UNAXIS HOLDING AG	0.2%
CLARIANT AG-REG	0.0%
TAIWAN	**2.6%**
ASUSTEK COMPUTER	0.7%
TECO ELECTRIC & MACHINERY	0.5%
COMPAL ELECTRONICS	0.5%
GIGABYTE TECHNOLOGY CO LTD	0.5%
LITE-ON IT CORP	0.4%
TURKEY	**1.7%**
TOFAS TURK OTOMOBIL FABRIKASI AS	0.8%
FORD OTOMOTIV SANAYI AS	0.5%
SELCUK ECZA DEPOSU TICARET V	0.4%
CASH	**1.8%**
TOTAL	**100%**

Expected Return Model



Rebalancing Process



How Cheap Are Cheap Stocks?

LSV Strategy	Price/Earnings	Price/Cash Flow	Price/Book	Dividend Yield
U.S. Large Cap Value	10.1x	6.3x	1.4x	2.5%
U.S. Mid Cap Value	9.7x	5.7x	1.2x	2.6%
U.S. Small Cap Value	10.3x	6.0x	1.2x	2.0%
U.S. Micro Cap Value	11.1x	6.5x	1.1x	2.0%
International Large Cap Value	9.4x	5.2x	1.0x	4.2%
International Small Cap Value	9.9x	5.7x	0.9x	3.5%
Emerging Markets Value	9.0x	5.8x	1.0x	4.1%

Global Equity Valuations

Market Index	Price/Earnings	Price/Cash Flow	Price/Book	Dividend Yield
S&P 500	14.0x	9.9x	2.2x	2.1%
Russell Mid Cap	15.5x	10.1x	2.1x	1.7%
Russell 2000	19.0x	12.0x	1.9x	1.3%
MSCI World ex U.S.	12.9x	7.6x	1.4x	3.5%
S&P Developed ex US Small Cap	14.2x	8.8x	1.2x	2.8%
MSCI Emerging Markets	12.7x	8.0x	1.6x	2.7%

Research and Investment Team

Name	Years of Experience/LSV	Role and Responsibilities	Education
Josef Lakonishok	35/18	CEO, CIO Founding Partner Portfolio Manager	Ph.D. Cornell University, Finance MS Cornell University, Statistics MBA/BA Tel-Aviv University, Economics & Statistics
Menno Vermeulen, CFA	21/17	Partner Portfolio Manager Senior Quantitative Analyst	MS Erasmus University-Rotterdam, Econometrics
Puneet Mansharamani, CFA	14/12	Partner Portfolio Manager Senior Quantitative Analyst	MS Case Western Reserve University, Engineering BS Delhi University, Engineering
Bhaskaran Swaminathan	23/7	Partner Director, Research	Ph.D. University of California at Los Angeles, Finance MBA University of Denver, Finance; BE College of Engineering, Guindy, Madras, India, Mechanical Engineering
Jason Karceski	19/4	Partner Senior Research Analyst	Ph.D. University of Illinois, Finance; MBA University of North Florida; BS California Institute of Technology, Electrical Engineering
Han Qu	19/18	Partner Senior Research Analyst	MS University of Illinois, Finance MS University of Illinois, Statistics BS Shanghai University, Computer Science
Simon Zhang, CFA	14/14	Partner Senior Quantitative Analyst	MBA/MS University of Illinois, Finance & MIS Civil Engineering MS Tongji University, Shanghai, Engineering Management BS Shanghai Institution of Building Material, Engineering
Bala Ragothaman, CFA	15/6	Partner Senior Quantitative Analyst	MS University of Iowa, Computer Science and Networks BS PSG College, Bharathiar University, Computer Engineering
Titus Liu	11/2	Systems Analyst	MBA University of Chicago, Finance, Econometrics & Accounting BS University of Illinois, Electrical Engineering
Greg Sleight	6/6	Partner Quantitative Analyst	MBA University of Chicago, Econometrics, Econ. & Analytic Fin. BS University of Illinois, Material Science & Engineering
Guy Lakonishok, CFA	12/4	Quantitative Analyst	MBA University of Chicago, Analytical Finance & Accounting BS Washington University, Electrical Engineering
Dan Givoly, CPA (Isr.)	28/7	Academic Advisor; Ernst & Young Professor of Accounting; Chairman, Department of Accounting, Pennsylvania State University	Ph.D. New York University, Accounting & Finance MBA Tel-Aviv University; BA Hebrew University, Jerusalem Economics & Statistics
Louis Chan	30/12	Academic Advisor Professor Finance, University of Illinois	Ph.D. University of Rochester, Finance & Applied Economics BS University of Hawaii, Business Administration

Client Portfolio Services Team

Name	Years of Experience/LSV	Role and Responsibilities	Education
James Owens	23/12	Partner Director, Client Portfolio Services	BA Iowa State University, Finance
Keith Bruch, CFA	24/9	Partner Director, Client Portfolio Services	MBA University of Chicago, Finance BA Northwestern University, Economics
Peter Young, CFA	24/8	Partner Director, Client Portfolio Services	BS Wake Forest University, Business/Mathematics
Scott Kemper	16/6	Partner Director, Client Portfolio Services	MBA University of Chicago BA DePauw University
Jason Ciaglo	14/4	Partner Director, Business Development	MBA University of Chicago BA University of California-Berkeley, English
Michael Wagner	25/1	Director, Taft-Hartley Sales & Services	MBA Loyola University, Finance BS Elmhurst College, Marketing
Paul Halpern	41/8	Director, Client Portfolio Services, Canada Director, Capital Markets Institute The University of Toronto, Rotman	Ph.D. University of Chicago MBA University of Chicago Bcomm University of Toronto
Tremaine Atkinson	24/14	Partner Chief Operating Officer Chief Compliance Officer	BA University of California-San Diego, Economics

Representative Client List

Public Clients

Alberta Investment Management Corporation
Arizona State Retirement System
AustralianSuper
Bayerische Versorgungskammer (BVK)
Baltimore County Employees' Retirement System
Bristol County Retirement System
Chicago Firemen's Annuity & Benefit Fund
City and County of San Francisco Employees' Retirement System
City of El Paso, Texas Employees Retirement System
City of Gainesville Police Officers' & Firefighters' Ret. Plan
City of Kansas City Employee's Retirement System
City of Richmond
City of Stamford, CT Employees' Retirement Fund
City of St. Louis Employees Retirement System
Denver Employees Retirement Plan
District of Columbia Retirement Board
El Paso County Retirement Plan
Fairfax County Employees' Retirement System
Firefighters' Retirement System of Louisiana
Frederick County Employees' Retirement Plan
Howard County (MD) Master Trust
Illinois Municipal Retirement Fund
Illinois State Board of Investment
Kansas City Police Employees' Retirement System
Louisiana State Employees' Retirement System
Metropolitan Water Reclamation District
Minnesota State Board of Investment
Municipal Police Employees' Ret. System of Louisiana
Municipal Employees' Annuity & Benefit Fund of Chicago
New Hampshire Retirement System
New Jersey Transit Corporation
New York State Teachers' Retirement System
New Zealand Superannuation Fund
Nexcom

Public Clients (Cont.)

North Dakota State Investment Board
Ohio Highway Patrol Retirement System
Ohio Public Employees Retirement System
Ohio School Employees' Retirement System
Parochial Employees' Retirement System of Louisiana
Pennsylvania Municipal Retirement System
RTD (Denver) Salaried Employees' Pension Trust
Sacramento County Employees' Retirement System
San Antonio Fire and Police Pension Fund
South Carolina Retirement System Investment Commission
Stanislaus County Employees' Retirement Association
State of Idaho Endowment Fund
State of Michigan Retirement Systems
State of Wisconsin Investment Board
Teachers' Retirement System of Illinois
Teachers' Retirement System of Louisiana
Virgin Islands Government Employees' Retirement System
Virginia Retirement System
West Virginia Investment Management Board

Taft Hartley Clients

1199 National Benefit & Pension Fund
Automobile Mechanics Local 701
Bricklayers & Trowel Trades International Pension Fund
Carpenters Labor Management Pension Trust Fund
Carpenters Pension Fund of Illinois
Carpenters Pension Trust of St. Louis
Central Pennsylvania Teamsters Pension Fund
Chicago Laborers
Empire State Carpenters
I.A.T.S.E. National Pension Fund
I.B.E.W. Local #103
I.B.E.W. Local #134
I.U.O.E. Local 302 & 612
I.U.O.E. Local 825
Laborers' National Pension Fund

Taft Hartley Clients (Cont.)

Masters, Mates & Pilots Pension Plan
Mid-Atlantic Regional Council of Carpenters
National Asbestos Workers Pension Fund
National Roofing Industry Pension Fund
New England Healthcare Workers
New York City District Council of Carpenters
Northern Illinois Plumbers Local 501
Northwest Indiana Carpenters
Service Employees Int'l Union Master Pension Trust
S.E.I.U. Local 25
Sheet Metal Workers Local 73
Teamsters Joint Council No. 83 of Virginia
Twin City Pipe Trades
U.A. Plumbers & Pipefitters Nat'l Pension Fund Staff Plan
U.M.W.A. 1974 Pension Trust
U.F.C.W. International Union-Industry Pension Fund
U.F.C.W. Midwest Pension Fund

Not-For-Profit & Eleemosynary

American Baptist Home Mission Society
Archdiocese of Cincinnati
Archdiocese of New York
Diocese of Buffalo
Evangelical Lutheran Church in America
Ministers and Missionaries Benefit Board
National Geographic Society
Pacific Salmon Commission
The Salvation Army
The Seeing Eye, Inc.
TriHealth, Inc.
Sisters of St. Francis of Philadelphia
United Church of Canada
YMCA

Representative list is selected based on regional and client type considerations. Some clients choose not to be listed.
For a full client list please call (312) 242-2489.
It is not known whether the listed clients approve or disapprove of LSV Asset Management or the advisory services provided.

Representative Client List

Corporate Clients
ACT, Inc. (American College Testing)
Altria Group
Anadarko Petroleum Corporation
Armstrong World Industries
AT&T
Bank of America
BASF
Bridger Coal Company - Reclamation Trust
Caterpillar Inc.
Chrysler Group
Cox Enterprises, Inc.
Daimler NA
Deere & Company
Desjardins Global Asset Management
Diebold, Inc.
Dominion
Duke Energy
Educational Testing Service
El Paso Corporation
FM Global
Harbor Capital
Harsco Corporation
Hess Corporation
Hoogovens Pensioenfonds
ipac
Kraft Foods
L-3 Communications Corporation
Lufkin Industries, Inc.
LyondellBasell
Marsh & McLennan Companies, Inc.

Corporate Clients (Cont.)
NCR Corporation
Nissan North America
Olin Corporation
OnePath
PacifiCorp
Pensioenfonds Vervoer
Prudential
Raytheon Company
SEI Funds, Inc.
Shell Pensioenfonds
Stagecoach PLC
Telstra Super Pty, Ltd
Thomson Reuters
Towers Watson
Twin Disc, Inc.
Washington Mutual
Wells Fargo Funds
Westpac Staff Superannuation Plan
Wilmington Trust Investment Advisors

Endowment & Foundation Clients
Alma College Endowment
Ancilla Systems, Inc.
Buffalo Fine Arts Academy
Roy J. Carver Charitable Trust
Chagnon Foundation
College of the Ozarks
Cullen Foundation
DePaul University
Irving S. Gilmore Foundation

Endowment & Foundation Clients (Cont.)
Jewish Healthcare Foundation
John D. & Catherine T. MacArthur Foundation
McConnell Foundation
McGill University
New Jersey Health Foundation
Princeton Theological Seminary
Saint Louis University
Stanford University
Texas Presbyterian Foundation
Triad Foundation
University of Guelph
University of Manitoba
York University

Health Care
Advocate Health Care
Catholic Healthcare West
Christiana Care Health Services
CHRISTUS Health
Covenant Health
Froedtert Health
Kaiser Foundation Hospitals
Methodist Hospital System
Methodist Le Bonheur Healthcare
Trinity Health
WellSpan Health System

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MARKET UPDATE

FOR SEPTEMBER 2012

U.S. EQUITY

Risky assets have performed well over the past couple of months following the policy shift by the European Central Bank and the announcement of further stimulation by the U.S. Federal Reserve. Financial markets are likely discounting low but positive real growth rates in developed countries, minimal long-term real earnings growth and negative real interest rates for many years forward, as well as inflation rates that are close to central bank targets.

September was another positive month for equities as U.S. stocks were up 2-3% for the month. Within the U.S. markets, Value outperformed Growth and small caps outperformed large caps. The Russell 1000 Growth Index was up +2.0% for the month and the Russell 1000 Value Index was up +3.2%. The Russell 2000 Growth Index was up +3.0% and the Russell 2000 Value was up +3.6%. The S&P 500 Index ended the month up +2.6%.

The S&P 500 Index has a current P/E ratio of 12.8. This P/E ratio is below the forward 12-month average which over the past 10 years is at 14.3.

The third quarter earnings season begins in the second week of October. The estimated earnings growth rate for Q3 2012 according to Factset is -2.6%. If the third quarter is negative, it will mark the end of an eleven-quarter streak of earnings growth for the S&P 500 Index. For Q3 2012, 83 companies in the S&P 500 have issued negative EPS guidance and 21 positive.

Corporate merger highlights for the month included: Realty Income will buy American Realty Capital Trust for $1.9 billion; Dutch financial services company ING Groep will sell its entire stake in Capital One Financial for about $3 billion; Glencore International sweetened its offer for Xstrata to salvage the $36 billion merger with the large mining company; Plains Exploration & Production will acquire BP's stake in some deep-water Gulf of Mexico wells for $5.5 billion; Chesapeake Energy will sell most of its gas fields and pipelines in the Permian Basin to Royal Dutch Shell and Chevron for about $6.9 billion; FirstMerit will buy Citizens Republic Bancorp in a deal valued at roughly $950 million; A Thai billionaire made a $7.2 billion bid for Fraser and Neave potentially derailing Heineken's bid for full control of F&N's beer business; Government ownership of AIG has dropped from 53% to 16%; the government has recouped $197 billion form its initial $182 billion bailout; Waste Connections will acquire subsidiaries of R360 Environmental Solutions for about $1.3 billion; Russia will sell its 7.6% stake in Sberbank in a deal valued at $5 billion; Dole Food sold its worldwide packaged foods division and Asia fresh produce unit to Japan's Itochu for $1.7 billion; China's Alibaba Group bought back half the stake Yahoo owned in the company for about $7.6 billion; Blackstone Group will buy home security provider Vivint for $2 billion; Advent International made a $1 billion offer to buy Dutch pharmacy chain Mediq; American Greetings received an offer from a group led by its CEO valuing the company at $580 million; and, Tempur-Pedic International will buy rival mattress maker Sealy Corp. in a deal valued at $1.3 billion.

FIXED INCOME

The Federal Reserve announced additional easing actions in September that met market expectations. First, the Fed will immediately begin purchasing agency mortgage-backed securities (MBS) at a rate of $40 billion per month with an open-ended timeline. Second, it has extended "Operation Twist" through year end. Lastly, it has prolonged its "extended period" language, promising "exceptionally low" interest rates through "at least mid-2015." As a result of these aggressive measures, the Fed believes growth will be higher in 2013 than previously forecasted (2.5% - 3.0% versus 2.2% - 2.8%). The Federal Reserve was reacting to the U.S. economy growing at a mediocre pace the last few months with recent growth rates of about 1.5% that has been insufficient to reduce unemployment rates at an adequate pace. Ben Bernanke hopes its latest plan will stimulate the economy but what if it only stimulates stocks and other risky assets?

Gross domestic product grew at an annual rate of 1.3% in the 2nd quarter, slower than the 1.7% rate reported in late August.

The Labor Dept. reported that employers added a disappointing 96,000 jobs in August and the unemployment rate fell to 8.1% from July's 8.3%.

Long-term interest rates rose in the month of September. The bellwether 10-year Treasury note ended the month yielding 1.65% up from 1.57% at the close of August. At month-end, the 30-year bond yield was 2.82% with the 3-month T-bill at 0.09%. The Barclays Capital US

Aggregate Index was up by 0.14% in September. EM Debt was the best performing sector as the JPM GBI-EM Global Diversified Unhedged Index returned 2.6% for the month.

On the economic front, the following key data was released in September, including weaker manufacturing and encouraging housing statistics:

THE GOOD

*Chrysler's U.S. vehicle sales jumped 14% in August, Ford's increased 13%, GM's rose 10%, Toyota's surged 46% and Honda's skyrocketed 60%.

*The ISM non-manufacturing index rose to 53.7% in August, slightly ahead of analysts' expectations of 53.0% and from a reading of 52.6% in July.

*Worker productivity increased at a revised annual rate of 2.2% in the 2nd quarter after declining at a 0.5% pace in the 1st quarter.

*The Federal Housing Finance Agency reported that more mortgages were refinanced in the first seven months of 2012 than in all of 2011. The average rate on the 30-year fixed rate mortgage loan held steady at 3.55% in September.

*The Federal Reserve reported that U.S. consumer credit shrank by $3.28 billion in July as Americans reduced credit card debt.

*Retail sales in the U.S. increased by 0.9% in August, the most in six months, boosted by demand for automobiles.

*The National Association of Home Builders/Wells Fargo builder sentiment index rose to 40 from 37 in August.

*The median existing home price rose 9.5% year-on-year to $187,400 in August. Sales on existing homes jumped 7.8% to a seasonally adjusted annual rate of 4.82 million in August, the highest level in more than two years.

*The median price of a new home increased a record 11.2% to $256,000, the highest level since March 2007.

Consumer confidence improved in September .The Conference Board reported that its index of consumer attitudes rose to 70.3 in September from an upwardly revised 61.3 in August and was at the highest level since February. The University of Michigan-Thomson Reuters' consumer sentiment gauge final reading rose to 78.3 in September from 74.3 in August and the highest level since May.

THE NOT SO GOOD

*The Commerce Dept. reported that construction spending plunged 0.9% in July after a 0.4% gain in June.

* The Institute of Supply Management Supply's manufacturing index held steady at 49.6 in August, slightly below June's reading of 49.8.

*The U.S. trade deficit widened slightly in July to $42 billion versus a downwardly revised $41.9 billion in June.

*Premiums for employer-sponsored health plans grew 4% to $15,745 in 2012, eclipsing a general inflation rate of 2.3% and wages that rose just 1.7%.

*The Commerce Dept. reported that wholesale inventories climbed 0.7% in July to $485.2 billion, the largest increase in five months.

*The Census Bureau reported that the median household income, after adjustments for inflation, declined -1.5% to $50,100 in 2011.

*The Labor Dept. reported that its seasonally adjusted producer price index increased 1.7% in August, the largest gains since June 2009, after rising 0.3% in July.

*Industrial production dropped 1.2% last month compared to July, the biggest setback since a 1.7% decline in March 2009 when the country was in recession.

*Consumer prices rose a seasonally adjusted 0.6% in August, the first increase since March; higher gas prices accounted for 80% of that increase.

*The Empire State index of manufacturing activity decreased to -10.4 in September from -5.9 in August and marked the lowest level since November 2010.

*The U.S. current account deficit, that measures the flow of goods, services and investments into and out of the U.S., narrowed to $117.4 billion in the 2nd quarter.

*The Commerce Dept. reported that August housing starts increased a less-than-expected 2.3% to a seasonally adjusted annual rate of 750,000 units.

*The Purchasing Managers index on manufacturing averaged 51.5 in the 3rd quarter, below the 54.2 registered in the 2nd quarter and the worst showing since the 3rd quarter of 2009.

*The Business Roundtable's CEO Economic Outlook Index tumbled to 66 in the 3rd quarter from 89.1 in the 2nd quarter.

NON-U.S. MARKETS

The Bank of Canada left its policy rate unchanged in in September as expected. The Bank has now been on hold for two years since raising the overnight rate target to 1.00%. Year-over-year, GDP rose +1.9% to the end of July.

The Bank of England left its policy rate unchanged at 0.50%. Moreover, it kept the size of the asset purchase program unchanged at £375 billion. Industrial production was a positive surprise as overall output in July gained +2.9%. GDP fell by -0.4% in the second quarter.

The European Central Bank left its three administered rates unchanged in September, keeping the minimum bid rate at 75 basis points, the marginal lending rate at 1.50% and the deposit rate at zero. Overall euro zone GDP was -0.2% in the second quarter, unrevised from the preliminary estimate. The ECB staff revised their forecast for growth and inflation. They now project that euro zone GDP will contract by -0.4% in 2012 and grow 0.5% in 2013 (down from 1.0%). Meanwhile consumer inflation should run at 2.5% in 2012 and 1.9% in 2013.

The ECB bond buying program was a necessary step towards alleviating the stress in the government bond markets (particularly Spain and Italy). However, it will only be effective if member countries agree upon the conditions and apply for aid. Spain will most likely be required to abide by the ECB's conditionality to receive assistance funds. Europe will also decide shortly whether Greece will receive the €33.5 billion installment of the €130 billion bailout package pledged in October 2011.

The preliminary prints of the manufacturing purchasing managers' indexes (PMI) for September were mixed in the euro zone suggesting that Germany is rebounding quite robustly, the overall euro zone is improving modestly, while France is weakening.

The Bank of Japan unexpectedly joined the U.S. Federal Reserve in the "monetary-easing game" in mid-September. While it left the policy rate unchanged at 0-10 basis points, the Bank expanded its asset purchase program by ¥10 trillion up to ¥55 trillion. Industrial production fell by -1.3% in August, the fourth decline in the last five months, leaving it down by -5.1% since April.

China's top economic planner approved projects to build roads, rail and other infrastructure worth $157 billion. Economic analysts believe the double-digit economic growth days are firmly in the past with the forecast of new economic growth in a wide range of 7.0 to 9.5%.

Non-U.S. equities were up for the month of September. The MSCI ACWI Ex-U.S. was up +3.8% (US dollars) in September. Developed stocks (EAFE) were up +3.0% while Emerging Markets gained +6.1% for the month.

CONCLUSION

In the middle of September, the Federal Reserve gave the markets an open-ended quantitative easing policy. The Fed decided not only to continue Operation Twist at its current level but to also buy an additional $40 billion a month of agency mortgage bonds. This latter easing policy will continue "if the outlook for the labor markets does not improve substantially."

Total easing will equal $85 billion per month to year-end, which equates to almost $500 billion a year going forward. The balance sheet of the Federal Reserve is now up to $1.5 trillion. Fed Chairman Bernanke proposes to raise that amount by half a trillion dollars a year until an acceptable rate of unemployment is achieved. The question is will more Quantitative Easing have any meaningful effect upon employment?

The Federal Reserve has a dual mandate to maintain price stability (i.e. inflation) while promoting full employment. These goals can often conflict with one another. For now, the goal of higher employment is taking precedence over the need to stem inflation. The fact that we are in a deleveraging type of environment certainly makes it easier for the Federal Reserve to continue their policy of quantitative easing given that short-term inflationary pressures seem to be under control.

When asked at the last FOMC press conference, Federal Chairman Bernanke would not overtly state the definition of an acceptable level of unemployment. However, Federal Reserve Bank of Minneapolis President Kocherlakota said in a recent speech that the Fed should hold the main interest rate near zero, "As long as the FOMC is continuing to satisfy its price stability mandate, it should keep the fed funds rate extraordinarily low until the unemployment rate has fallen below 5.5 percent."

To put that in perspective, it takes roughly 125,000 new jobs per month just to keep up with population growth and maintain the unemployment level. The U.S. needs 250,000 new jobs per month for a year to drop the unemployment rate by about 1.0%. The economy would need to grow at a rate of 3% per year for that to happen. This means that we might reach 5.5% unemployment three years from now if the economy started to grow at a 3% annualized GDP rate. The Fed has clearly stated it intends to keep rates at near zero for another three years.

The other side of the Federal Reserve equation is price inflation. The Fed likes to look at PCE inflation (Personal Consumption Expenditures) and not just the headline Consumer Price Inflation. The number that Kocherlakota targeted for PCE is 2.25%. It appears that Kocherlakota is saying that he will continue to support the current Fed's quantitative easing as long as inflation is lower than 2.25%. The PCE index today is just below 2.0%.

Monthly Market Update

US Equity Indices Trailing Performance

Annualized Performance to Date: Ending Sep-12	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Russell 3000 Index	2.63	6.23	16.13	30.20	14.42	13.26	1.30	4.60	8.49
Russell TOP 200 Index	2.76	6.61	17.22	30.87	15.35	12.89	0.85	4.31	7.33
Russell TOP 200 Growth Index	1.95	6.41	17.97	30.18	17.05	14.85	3.60	5.95	7.71
Russell TOP 200 Value Index	3.59	6.81	16.46	31.59	13.68	10.94	-1.91	2.67	6.99
S&P 500 Index	2.58	6.35	16.44	30.20	14.76	13.20	1.05	4.48	8.01
Russell 1000 Index	2.57	6.31	16.28	30.06	14.56	13.27	1.22	4.60	8.35
Russell 1000 Growth Index	1.96	6.11	16.80	29.19	15.79	14.73	3.24	5.80	8.41
Russell 1000 Value Index	3.17	6.51	15.75	30.92	13.33	11.84	-0.90	3.28	8.17
Russell Mid-Cap Index	2.12	5.59	14.00	28.03	12.65	14.26	2.24	5.38	11.18
Russell Mid-Cap Growth Index	2.00	5.35	13.88	26.69	13.00	14.73	2.54	5.66	11.11
Russell Mid-Cap Value Index	2.23	5.80	14.03	29.28	12.35	13.86	1.73	4.84	10.96
Russell 2000 Index	3.28	5.25	14.23	31.91	12.81	12.99	2.21	4.68	10.17
Russell 2000 Growth Index	3.00	4.84	14.08	31.18	13.89	14.19	2.96	5.52	10.55
Russell 2000 Value Index	3.56	5.67	14.37	32.63	11.66	11.72	1.35	3.74	9.68
DJ US REIT Index	-1.97	-0.38	14.47	32.06	15.98	20.52	1.60	5.34	11.28
DJ-UBS US Commodity Index TR	1.71	9.69	5.63	5.99	2.97	5.26	-3.03	-0.86	5.20
DJ-UBS US Gold Index TR	5.12	10.28	12.41	8.42	15.58	19.84	17.76	19.71	17.53

Non-US Indices Trailing Performance

Annualized Performance to Date: Ending Sep-12	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
MSCI AC World Index ex USA	3.77	7.49	10.86	15.04	1.51	3.63	-3.67	3.79	10.32
MSCI AC World Index	3.19	6.97	13.39	21.67	7.20	7.78	-1.54	4.13	9.16
MSCI EAFE Index	2.99	6.98	10.59	14.33	2.04	2.59	-4.77	2 33	8.69
MSCI Emerging Markets index	6.05	7.89	12.33	17.33	-0.66	5.96	-0.98	8.97	17.37
ML Global Government Bond Ex. U.S. Index	1.10	3.43	2.68	3.23	5.13	6.10	8.31	7.21	7.44
Euro	2.06	1.38	-0.90	-4.11	-2.93	-4.17	-1.98	0.93	2.67
Japanese Yen	0.64	2.56	-1.11	-0.93	3.62	4.79	8.13	5.52	4.58
UK Pound Sterling	1 66	2.96	3.91	3.66	1.23	0.32	-4.54	-1.30	0.27

US Fixed Income Indices Trailing Performance

Annualized Performance to Date: Ending Sep-12	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
ML 3-month T-bill Total Return Index	0.01	0.03	0.07	0.07	0.11	0.11	0.72	1.89	1.82
BarCap Aggregate Bond Index	0.14	1.59	3.99	5.16	5.21	6.19	6.53	5.92	5.32
ML U.S. Corp/Govt Master Index	0.07	1.80	4.65	5.86	5.45	6.60	6.61	5.93	5.37
ML U S. Corporate Master Index	0.74	3.98	9.04	10.98	7.41	9.13	7.87	6.68	6.52
BarCap Mortgage Backed Securities Index	0.21	1.13	2.80	3.71	4 63	4.99	6.35	5.90	5.24
ML U.S. High Yield Master Index	1.40	4.58	11.91	18.82	9 74	12.57	8.97	8.63	10.61
JPM EMBI Global	1 47	6.75	14.71	20.58	10.51	12.27	10.32	9.55	12.51

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING SEPTEMBER 30, 2012
PRELIMINARY BASIS

SUMMARY OF INVESTMENTS

ASSET CLASS	MARKET VALUE	PERCENT	POLICY TARGET	POLICY RANGE
DOMESTIC EQUITIES	635,438,964	43.9%	41.9%	36.9% - 46.9%
INTERNATIONAL EQUITIES	244,004,219	16.9%	19.0%	16.0% - 22.0%
FIXED INCOME	534,089,667	36.9%	37.6%	33.9% - 41.3%
SPECIAL SITUATIONS	20,764,619	1.4%	1.5%	1.0% - 2.0%
SECURITY LENDING	(2,318,615)	-0.2%	0.0%	0.0% - 0.0%
CASH (equity managers only)	14,739,141	1.0%	0.0%	0.0% - 3.0%
TOTAL PORTFOLIO	1,446,717,996	100.0%	100.0%	

	CURRENT	TARGET
DODGE & COX - LARGE CAP VALUE	10.0%	9.8%
BlackRock - R1000 VALUE INDEX	6.5%	6.0%
DELAWARE - LARGE CAP GROWTH	8.4%	7.3%
BlackRock - R1000 GROWTH INDEX	5.4%	5.0%
CAPITAL PROSPECTS	4.7%	4.5%
LEGATO CAPITAL	4.3%	4.0%
BNY - S&P 500 INDEX	5.4%	5.3%
LSV ASSET MGMT - INTL EQ	8.4%	9.5%
PYRAMIS - INTL EQ	8.8%	9.5%
DODGE & COX FIXED INCOME	29.2%	30.1%
PIMCO	7.7%	7.5%
INVESCO - GLOBAL REIT	1.4%	1.5%
SECURITY LENDING	-0.2%	0.0%
TOTALS	100.0%	100.0%

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING SEPTEMBER 30, 2012
PRELIMINARY BASIS

GROWTH OF ASSETS AND CHANGES IN ALLOCATION

ASSET CLASS	CURRENT MONTH	PRIOR MONTH	% CHANGE *	PRIOR YEAR	% CHANGE *
MARKET VALUE					
DOMESTIC EQUITIES	635,438,964	619,154,024	2.63%	481,317,553	32.02%
INTERNATIONAL EQUITIES	244,004,219	234,698,413	3.97%	208,770,238	16.88%
FIXED INCOME	534,089,667	532,839,159	0.23%	519,282,614	2.85%
SPECIAL SITUATIONS	20,764,619	20,447,680	1.55%	32,934,193	-36.95%
SECURITIES LENDING	(2,318,615)	(2,318,615)	0.00%	(2,690,770)	13.83%
CASH (equity managers only)	14,739,141	14,808,600	-0.47%	12,886,026	14.38%
TOTAL PORTFOLIO	1,446,717,996	1,419,629,262	1.91%	1,252,499,855	15.51%
ASSET ALLOCATION (ACTUAL)					
DOMESTIC EQUITIES	43.92%	43.61%	0.3%	38.43%	5.5%
INTERNATIONAL EQUITIES	16.87%	16.53%	0.3%	16.67%	0.2%
FIXED INCOME	36.92%	37.53%	-0.6%	41.46%	-4.5%
SPECIAL SITUATIONS	1.44%	1.44%	0.0%	2.63%	-1.2%
SECURITY LENDING	-0.16%	-0.16%	0.0%	-0.21%	0.0%
CASH (equity managers only)	1.02%	1.04%	0.0%	1.03%	0.0%
TOTAL PORTFOLIO	100.0%	100.0%	0.0%	100.0%	0.0%

+27 MM +196 MM

* % Change represents changes in cash balances, including cash transfers, and does not represent investment returns

2

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING SEPTEMBER 30, 2012
PRELIMINARY BASIS

MANAGER ALLOCATION

ASSET CLASS	MARKET VALUE	PERCENT	POLICY TARGET	POLICY RANGE
DOMESTIC EQUITIES				
DODGE & COX LARGE CAP VALUE	145,120,549	10.0%	9.8%	7.8% - 11.8%
BLACKROCK R1000 VALUE INDEX	93,506,210	6.5%	6.0%	5.0% - 7.0%
DELAWARE LARGE CAP GROWTH	121,852,074	8.4%	7.3%	5.8% - 8.8%
BLACKROCK R1000 GROWTH INDEX	77,769,722	5.4%	5.0%	4.0% - 6.0%
CAPITAL PROSPECTS SMALL CAP VALUE	67,604,467	4.7%	4.5%	3.5% - 5.5%
LEGATO CAPITAL SMALL CAP GROWTH	62,507,069	4.3%	4.0%	3.0% - 5.0%
BNY S&P 500 INDEX	77,586,547	5.4%	5.3%	4.3% - 6.3%
TOTAL DOMESTIC EQUITIES	645,946,638	44.6%	41.9%	
FIXED INCOME				
DODGE & COX	422,719,533	29.2%	30.1%	27.6% - 32.6%
PIMCO	111,370,134	7.7%	7.5%	6.0% - 9.0%
TOTAL FIXED INCOME	534,089,667	36.9%	37.6%	
INTERNATIONAL INVESTMENTS				
LSV ASSET MGMT.	121,536,363	8.4%	9.5%	8.0% - 11.0%
PYRAMIS	126,699,294	8.8%	9.5%	8.0% - 11.0%
TOTAL INTERNATIONAL EQUITIES	248,235,656	17.2%	19.0%	
SPECIAL SITUATIONS				
INVESCO (Global REITs)	20,764,619	1.4%	1.5%	1.0% - 2.0%
TOTAL SPECIAL SITUATIONS	20,764,619	1.4%	1.5%	0.0% - 3.0%
SECURITIES LENDING	(2,318,615)	-0.2%	0.0%	0.0% - 0.0%
TOTAL StanCERA PORTFOLIO	1,446,717,966	100.0%	100.0%	

transitioned month-end to BlackRock Index Fund

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING SEPT 30, 2012
PRELIMINARY

TOTAL FUND

	CASH	BONDS	EQUITIES	TOTAL
DOMESTIC EQUITIES				
DODGE & COX LARGE CAP VALUE	5,233,932		139,886,617	145,120,549
BLACKROCK R1000 VALUE INDEX	6,244		93,499,966	93,506,210
DELAWARE LARGE CAP GROWTH	1,388,286		120,463,788	121,852,074
BLACKROCK R1000 GROWTH INDEX	0		77,769,722	77,769,722
CAPITAL PROSPECTS SMALL CAP VALUE	2,238,610		65,365,857	67,604,467
LEGATO CAPITAL SMALL CAP GROWTH	1,640,380		60,866,689	62,507,069
BNY S&P 500 INDEX	222		77,586,326	77,586,547
TOTAL DOMESTIC EQUITIES	10,507,674		635,438,964	645,946,638
FIXED INCOME				
DODGE & COX	12,796,145	409,923,389		422,719,533
PIMCO	17,560,126	93,810,008		111,370,134
TOTAL FIXED INCOME	30,356,271	503,733,397		534,089,667
INTERNATIONAL INVESTMENTS				
LSV ASSET MGMT.	2,445,118		119,091,245	121,536,363
PYRAMIS	1,786,319		124,912,975	126,699,294
TOTAL INTERNATIONAL EQUITIES	4,231,437		244,004,219	248,235,656
SPECIAL SITUATIONS				
INVESCO (Global REITs)	0		20,764,619	20,764,619
TOTAL SPECIAL SITUATIONS	0		20,764,619	20,764,619
SECURITIES LENDING	(2,318,615)			(2,318,615)
TOTAL STANCERA PORTFOLIO	42,776,767	503,733,397	900,207,803	1,446,717,966
	3.0%	34.8%	62.2%	100.0%

4

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING SEPTEMBER 30, 2012
PRELIMINARY BASIS

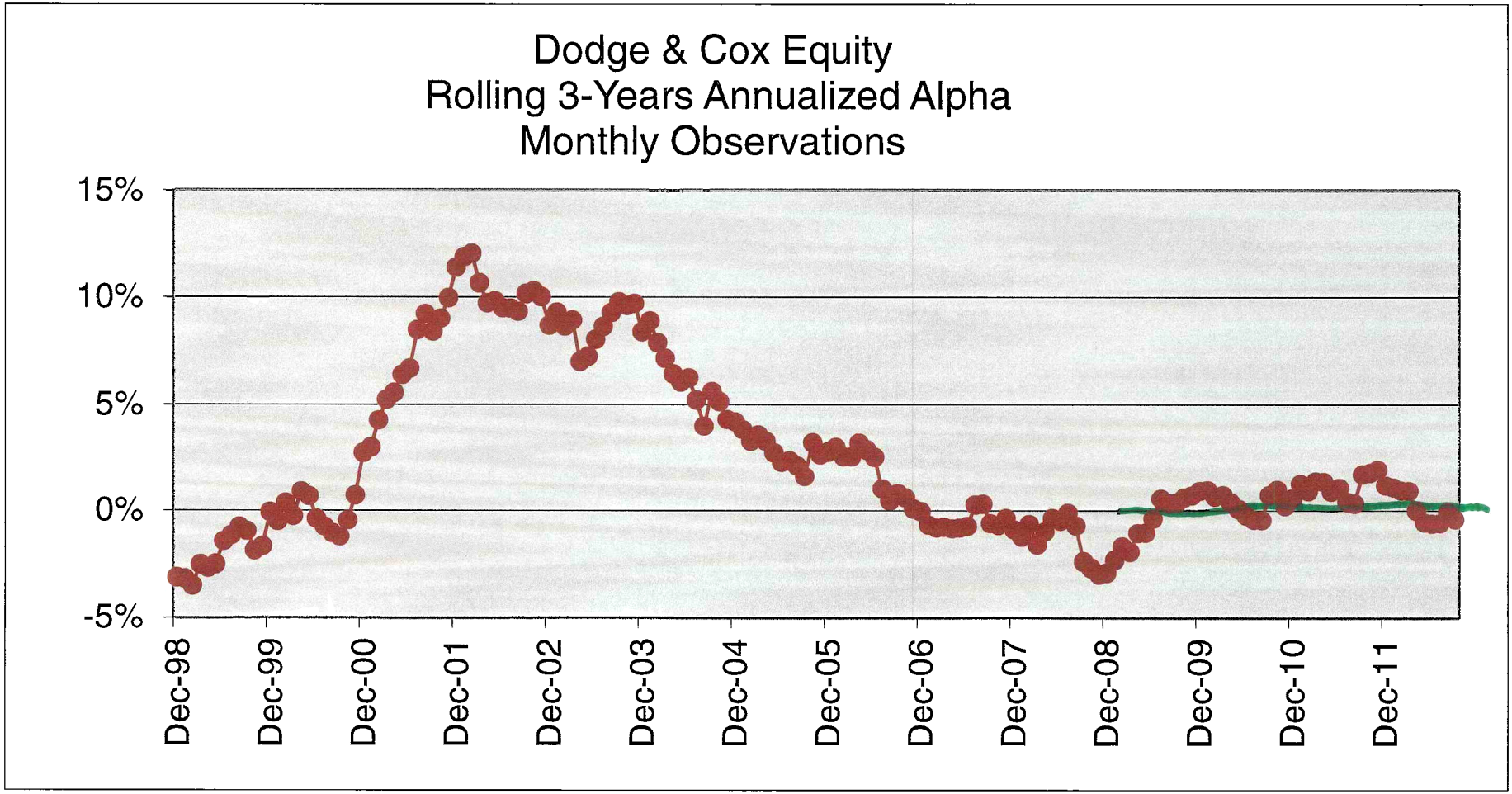
CURRENT PERFORMANCE

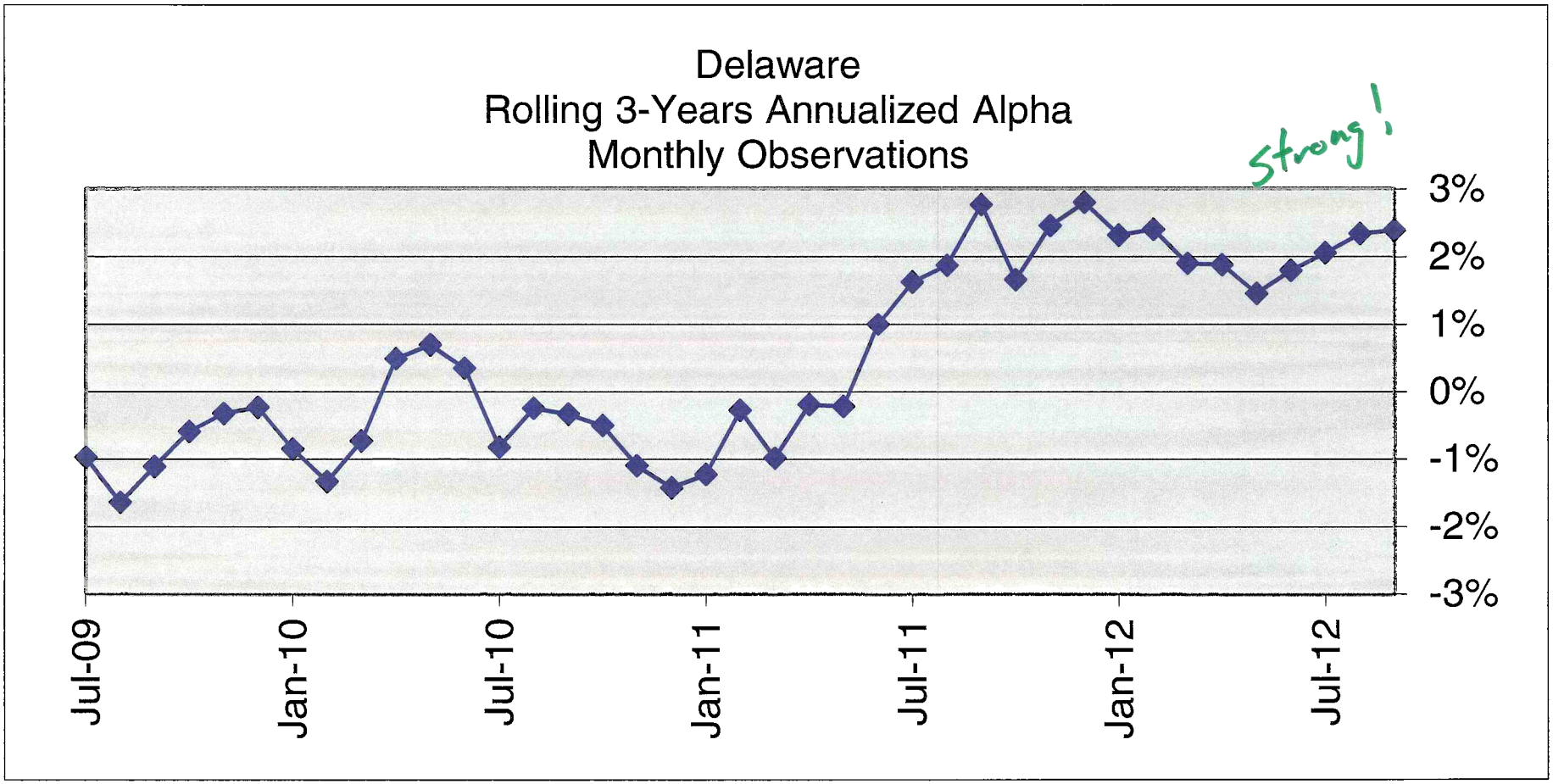
	MARKET VALUE	SEPTEMBER	ALPHA	AUGUST	ALPHA	FISCAL YTD	ALPHA
DOMESTIC EQUITIES							
DODGE & COX - LARGE CAP VALUE	139,886,617	3.06%	-0.11%	2.82%	0.65%	8.09%	1.58%
RUSSELL 1000 VALUE		*3.17%*		*2.17%*		*6.51%*	
BLACKROCK - R1000 VALUE INDEX	93,499,966	3.17%	0.00%	2.18%	0.01%	6.55%	0.04%
RUSSELL 1000 VALUE		*3.17%*		*2.17%*		*6.51%*	
DELAWARE - LARGE CAP GROWTH	120,463,788	2.70%	0.74%	2.81%	0.12%	6.55%	0.44%
RUSSELL 1000 GROWTH		*1 96%*		*2.69%*		*6.11%*	
BLACKROCK - R1000 GROWTH INDEX	77,769,722	1.96%	0.00%	2.70%	0.01%	6.15%	0.04%
RUSSELL 1000 GROWTH		*1.96%*		*2.69%*		*6.11%*	
CAPITAL PROSPECTS	65,365,857	2.87%	-0.69%	4.85%	1.77%	7.50%	1.83%
RUSSELL 2000 VALUE		*3.56%*		*3.08%*		*5.67%*	
LEGATO CAPITAL	60,866,689	3.52%	0.52%	4.65%	1.06%	5.61%	0.77%
RUSSELL 2000 GROWTH		*3.00%*		*3.59%*		*4.84%*	
BNY - S&P 500 INDEX	77,586,326	2.59%	0.01%	2.26%	0.01%	6.36%	0.01%
S&P 500		*2.58%*		*2.25%*		*6.35%*	
TOTAL DOMESTIC EQUITY	635,438,964	2.85%	0.22%	3.03%	0.53%	6.83%	0.60%
Russell 3000 Index		*2.63%*		*2.50%*		*6.23%*	
FIXED INCOME							
DODGE & COX	422,719,533	0.65%	0.51%	0.36%	0.29%	2.55%	0.96%
BARCLAYS US AGGREGATE BOND		*0.14%*		*0.07%*		*1.59%*	
PIMCO	111,370,134	0.46%	0.32%	0.31%	0.24%	2.14%	0.55%
BARCLAYS US AGGREGATE BOND		*0.14%*		*0.07%*		*1.59%*	
TOTAL FIXED INCOME	534,089,667	0.61%	0.47%	0.35%	0.28%	2.47%	0.88%
BARCLAYS US AGGREGATE BOND		*0.14%*		*0.07%*		*1.59%*	
INTERNATIONAL INVESTMENTS							
LSV ASSET MGMT	119,091,245	3.88%	0.11%	2.60%	0.51%	8.54%	1.05%
MSCI ACWI Free ex-US		*3.77%*		*2.09%*		*7 49%*	
PYRAMIS	124,912,975	3.76%	-0.01%	0.66%	-1.43%	7.81%	0.32%
MSCI ACWI Free ex-US		*3.77%*		*2.09%*		*7.49%*	
TOTAL INTERNATIONAL EQUITY	244,004,219	3.82%	0.05%	1.61%	-0.48%	8.18%	0.69%
MSCI ACWI Free ex-US		*3.77%*		*2.09%*		*7.49%*	
SPECIAL SITUATIONS							
INVESCO	20,764,619	1.55%	-0.08%	0.57%	0.30%	5.21%	-0.22%
FTSE EPRA/NAREIT Global REIT		*1.63%*		*0.27%*		*5.43%*	
SECURITIES LENDING							
BNY MELLON	(2,318,615)						
CASH and SHORT-TERM INVESTMENTS							
CASH	14,739,111	0.01%	0.00%	0.01%	0.00%	0.03%	0.00%
90-day US Treasury Bill	0	0.01%		0.01%		0.03%	
Total StanCERA Fund	1,446,717,966	*2.16%*	0.23%	*1.71%*	0.19%	*5.44%*	0.80%
Policy Index		*1.93%*		*1.52%*		*4.64%*	
Actuary Rate of Assumption (8.00%)		*0.67%*	1.49%	*0.67%*	1.04%	*2.00%*	3.44%
Actuary Rate of Inflation (3.50%)		*0.29%*	1.87%	*0.29%*	1.42%	*0.88%*	4.57%

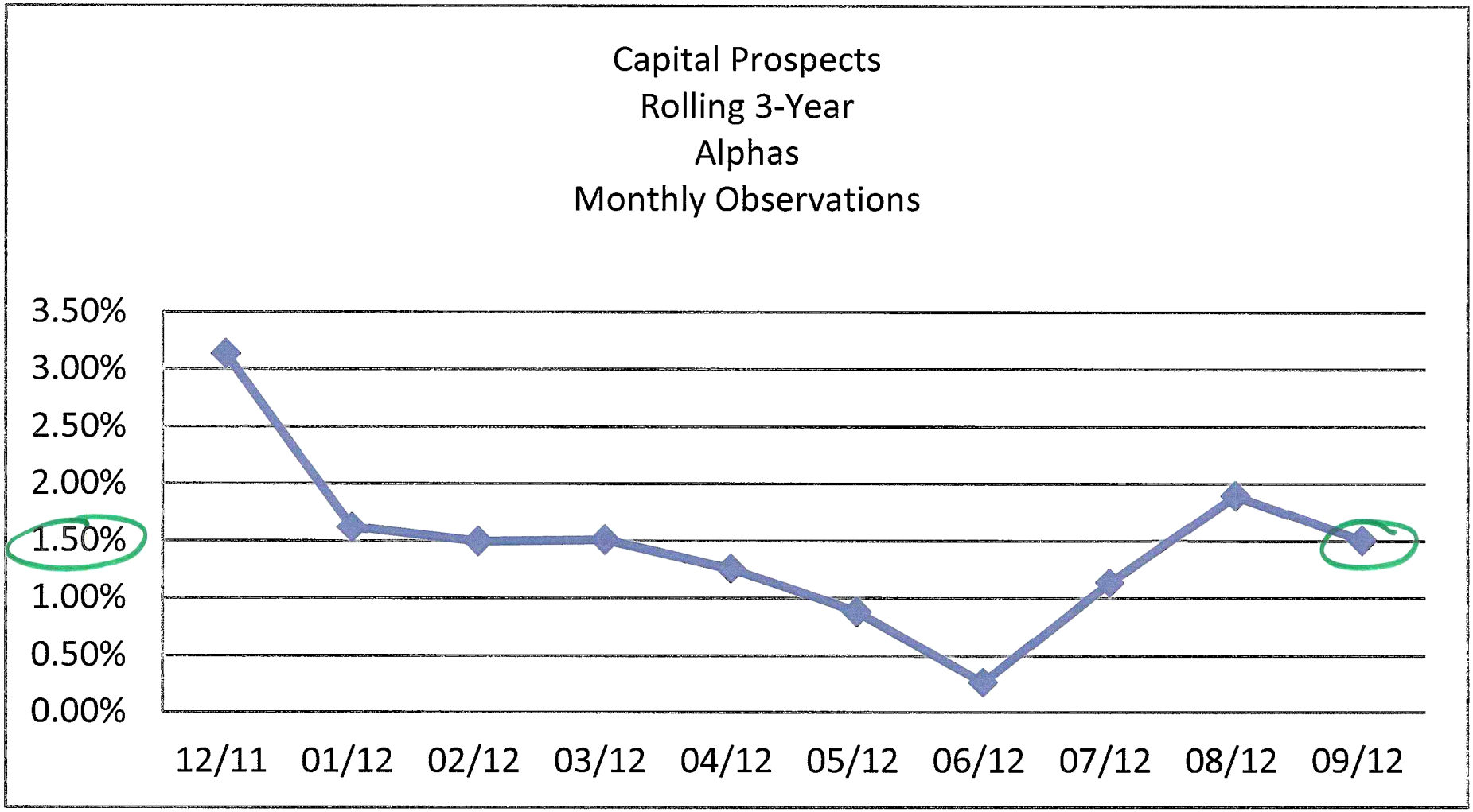
All active managers outperforming past 3 months

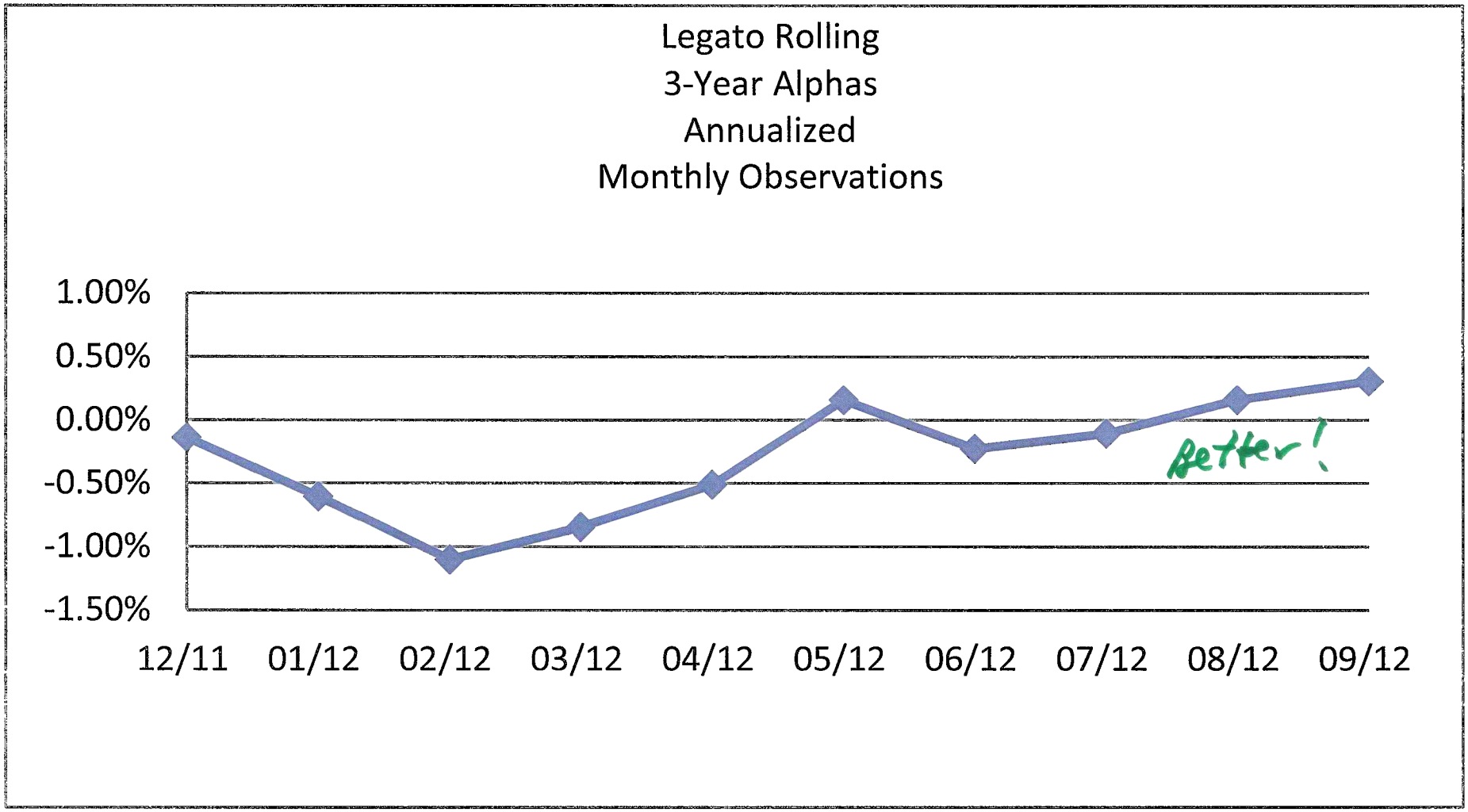
Good start to FY 2013

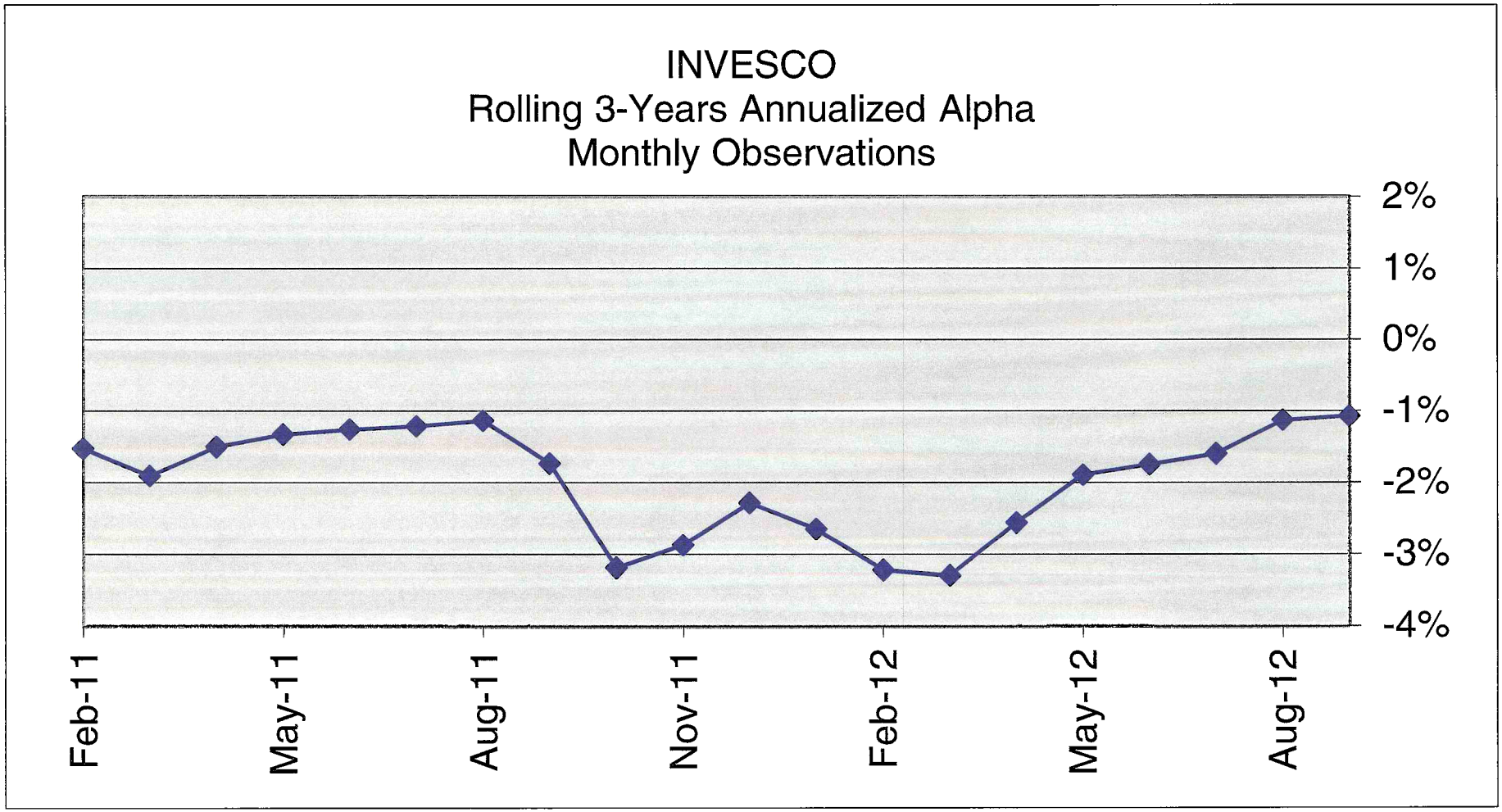
5

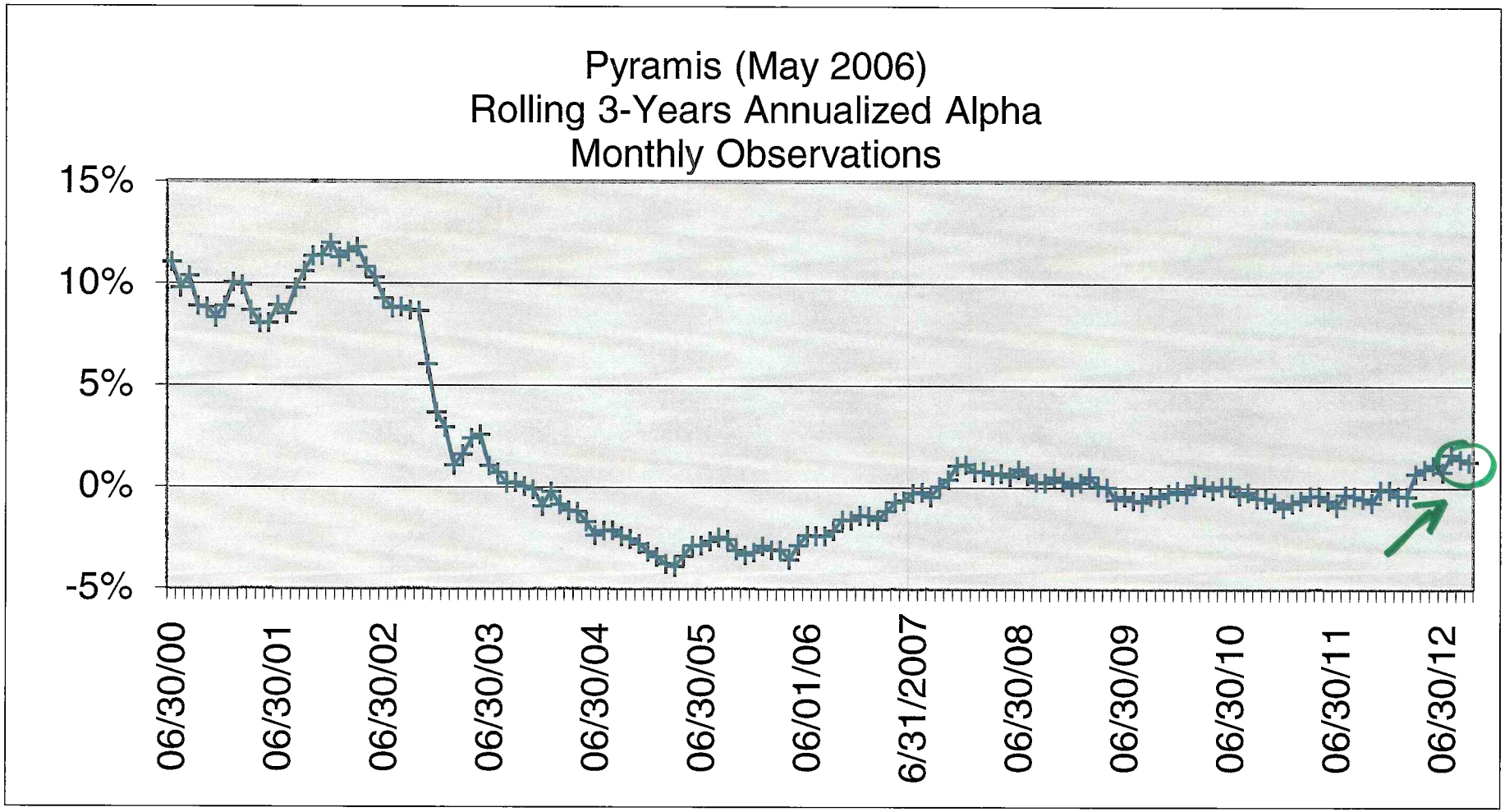

Dodge & Cox Equity
Rolling 3-Years Annualized Alpha
Monthly Observations
15%
10%
5%
0%
-5%
Dec-98
Dec-99
Dec-00
Dec-01
Dec-02
Dec-03
Dec-04
Dec-05
Dec-06
Dec-07
Dec-08
Dec-09
Dec-10
Dec-11

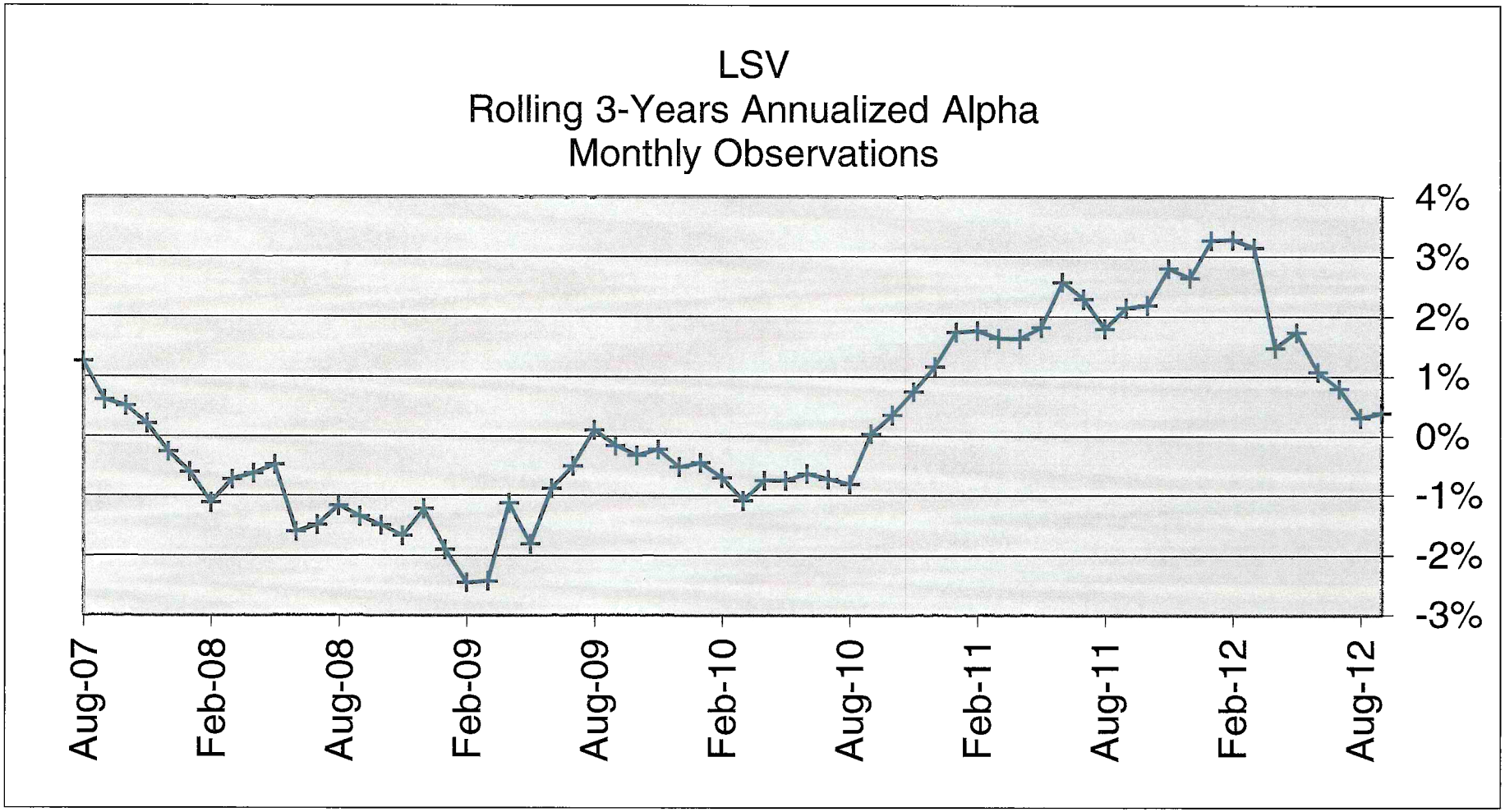

Delaware
Rolling 3-Years Annualized Alpha
Monthly Observations
Strong!
3%
2%
1%
0%
-1%
-2%
-3%
Jul-09
Jan-10
Jul-10
Jan-11
Jul-11
Jan-12
Jul-12

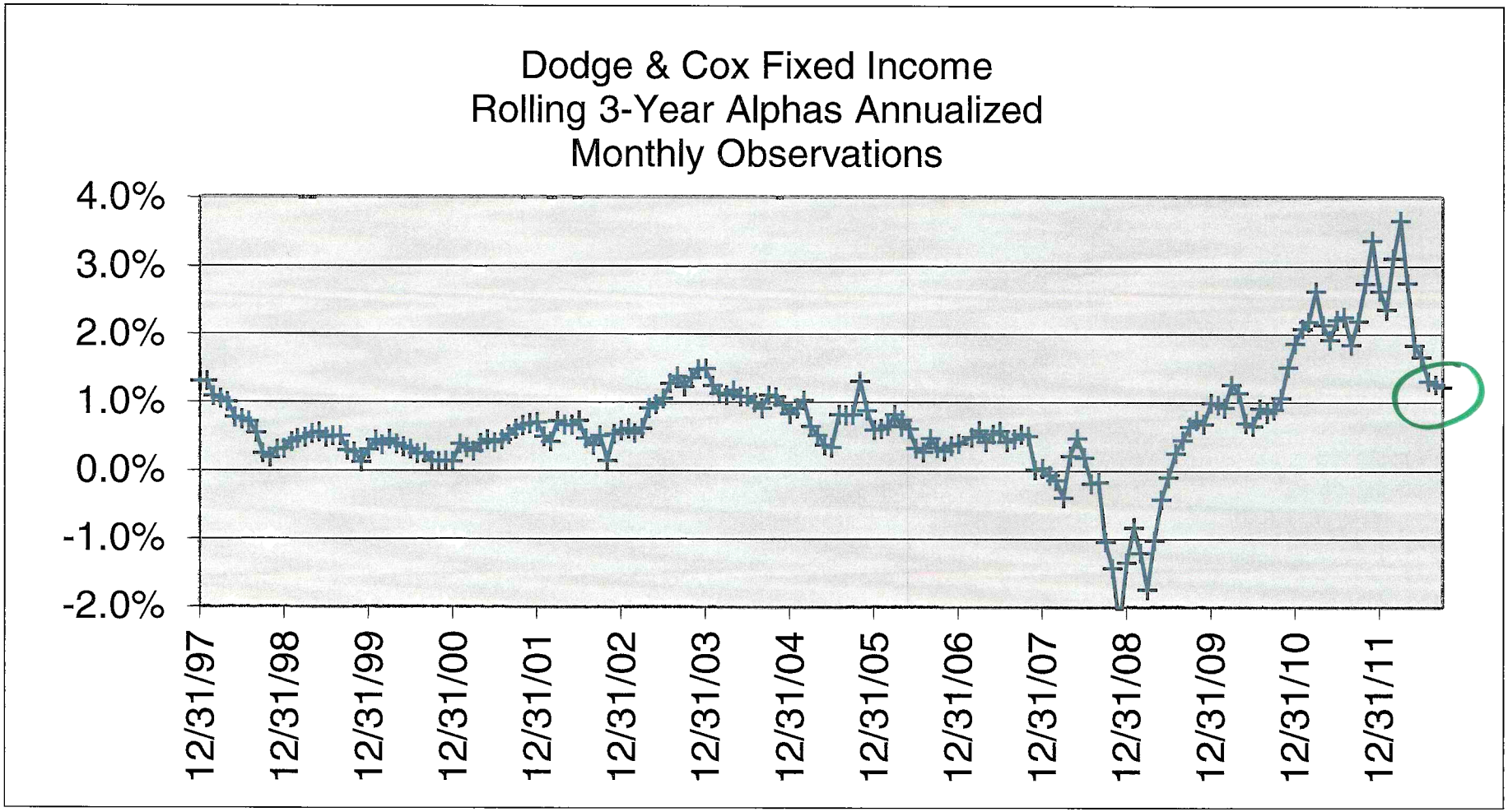

Capital Prospects
Rolling 3-Year
Alphas
Monthly Observations
3.50%
3.00%
2.50%
2.00%
1.50%
1.00%
0.50%
0.00%
12/11
01/12
02/12
03/12
04/12
05/12
06/12
07/12
08/12
09/12

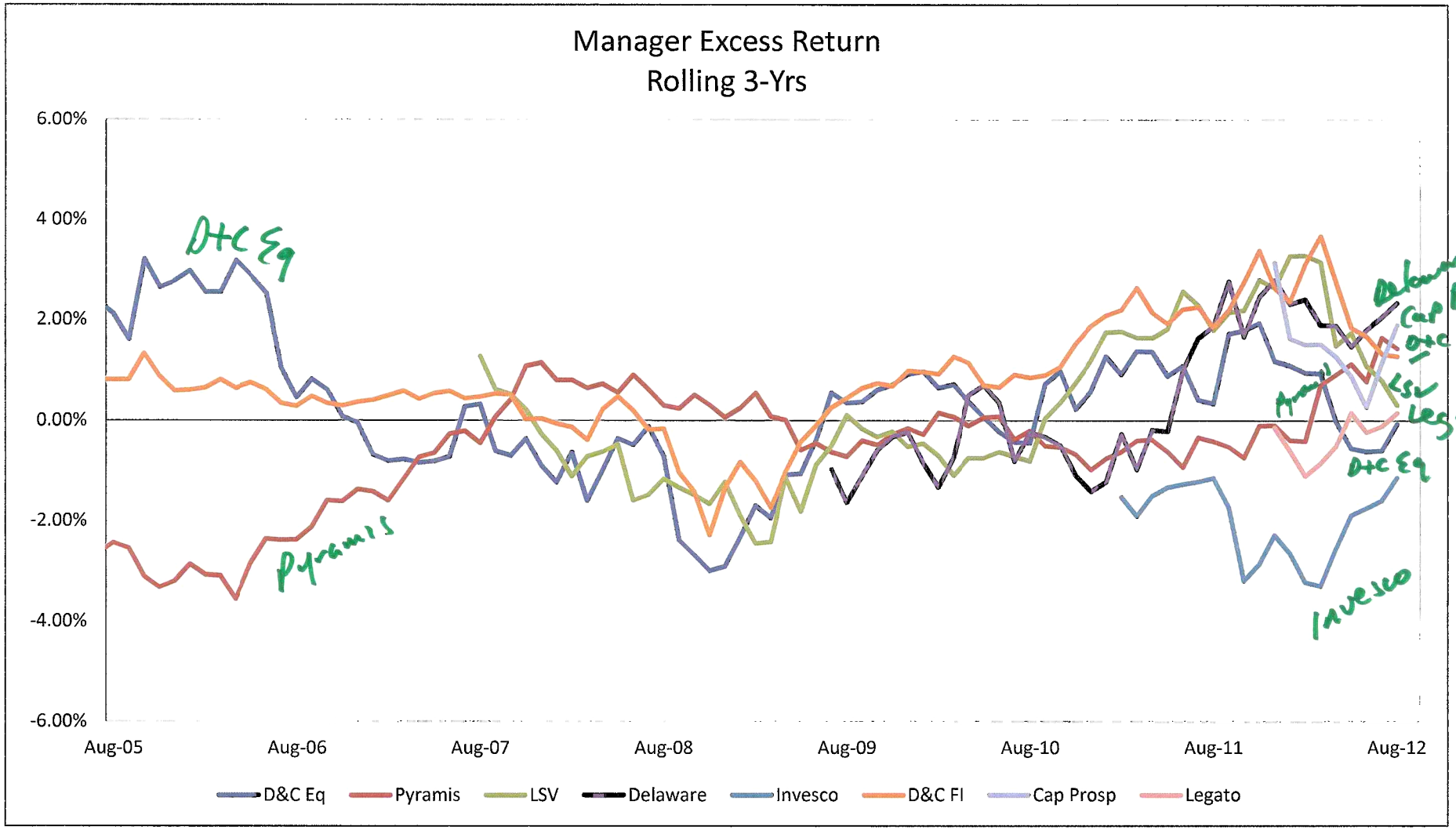

Legato Rolling
3-Year Alphas
Annualized
Monthly Observations
1.00%
0.50%
0.00%
-0.50%
-1.00%
-1.50%
12/11
01/12
02/12
03/12
04/12
05/12
06/12
07/12
08/12
09/12
Better!


INVESCO
Rolling 3-Years Annualized Alpha
Monthly Observations
2%
1%
0%
-1%
-2%
-3%
-4%
Feb-11
May-11
Aug-11
Nov-11
Feb-12
May-12
Aug-12


Pyramis (May 2006)
Rolling 3-Years Annualized Alpha
Monthly Observations
15%
10%
5%
0%
-5%
06/30/00
06/30/01
06/30/02
06/30/03
06/30/04
06/30/05
06/01/06
6/31/2007
06/30/08
06/30/09
06/30/10
06/30/11
06/30/12


LSV
Rolling 3-Years Annualized Alpha
Monthly Observations
4%
3%
2%
1%
0%
-1%
-2%
-3%
Aug-07
Feb-08
Aug-08
Feb-09
Aug-09
Feb-10
Aug-10
Feb-11
Aug-11
Feb-12
Aug-12


Dodge & Cox Fixed Income
Rolling 3-Year Alphas Annualized
Monthly Observations
4.0%
3.0%
2.0%
1.0%
0.0%
-1.0%
-2.0%
12/31/97
12/31/98
12/31/99
12/31/00
12/31/01
12/31/02
12/31/03
12/31/04
12/31/05
12/31/06
12/31/07
12/31/08
12/31/09
12/31/10
12/31/11


Manager Excess Return
Rolling 3-Yrs
6.00%
4 00%
2.00%
0.00%
-2.00%
-4.00%
-6.00%
Aug-05
Aug-06
Aug-07
Aug-08
Aug-09
Aug-10
Aug-11
Aug-12
D&C Eq
Pyramis
LSV
Delaware
Invesco
D&C FI
Cap Prosp
Legato

Top

10/23/12
Item #8b

STANCERA
Price Monitor Position Report

BlackRock
Passive Large Cap Growth Manager
Positions as of September 30, 2012

Company	Symbol	# Shares	$ Value Position	Weight Manager	Weight StanCERA	9/30/2012 $ PX	10/15/2012 $ PX	Position % Change	Relative % Change
Apple Inc.	AAPL	9,618	$6,416,002	8.25%	0.44%	667.10	634.76	-4.85%	-4.48%
INTL Business Machines	IBM	11,884	$2,465,300	3.17%	0.17%	207.45	208.93	0.71%	1.08%
Microsoft Corp.	MSFT	81,169	$2,395,307	3.08%	0.17%	29.51	29.76	0.85%	1.22%
Google Inc.	GOOG	2,783	$2,099,782	2.70%	0.15%	754.50	740.98	-1.79%	-1.42%
Coca-Cola Co.	KO	42,647	$1,617,610	2.08%	0.11%	37.93	38.13	0.53%	0.90%
Philip Morris Intl.	PM	17,380	$1,563,171	2.01%	0.11%	89.94	92.06	2.36%	2.73%
Verizon Communications	VZ	30,377	$1,384,301	1.78%	0.10%	45.57	44.50	-2.35%	-1.98%
Oracle Corp	ORCL	41,036	$1,290,977	1.66%	0.09%	31.46	31.30	-0.51%	-0.14%
Pepsico Inc.	PEP	16,813	$1,189,877	1.53%	0.08%	70.77	70.34	-0.61%	-0.24%
Abbott Laboratories	ABT	16,448	$1,127,661	1.45%	0.08%	68.56	72.05	5.09%	5.46%
TOP TEN HOLDINGS			$21,549,990	27.71%	1.49%	Russell 1000 Growth:		**-0.37%**	

Total Portfolio Value	**$77,769,722**
Total StanCERA Value	$1,446,717,966

STANCERA
Price Monitor Position Report

BlackRock
Passive Large Cap Value Manager
Positions as of September 30, 2012

Company	Symbol	# Shares	$ Value Position	Weight Manager	Weight StanCERA	9/30/2012 $ PX	10/15/2012 $ PX	Position % Change	Relative % Change
EXXON MOBIL CORP	XOM	58,691	$5,367,256	5.74%	0.37%	91.45	91.51	0.07%	-0.51%
GENERAL ELECTRIC CO	GE	132,169	$3,001,549	3.21%	0.08%	22.71	22.64	-0.31%	-0.89%
CHEVRON CORP	CVX	23,906	$2,786,485	2.98%	0.08%	116.56	112.82	-3.21%	-3.79%
AT&T INC	T	69,944	$2,636,875	2.82%	0.18%	37.70	35.21	-6.60%	-7.18%
PFIZER INC	PFE	95,576	$2,375,058	2.54%	0.16%	24.85	25.57	2.90%	2.32%
PROCTER & GAMBLE CO	PG	31,411	$2,178,695	2.33%	0.15%	69.36	68.71	-0.94%	-1.52%
WELLS FARGO & CO	WFC	61,200	$2,113,240	2.26%	0.06%	34.53	33.90	-1.82%	-2.40%
JPMORGAN CHASE & CO	JPM	49,433	$2,001,033	2.14%	0.06%	40.48	42.38	4.69%	4.11%
BERKSHIRE HATHAWAY INC	BRK/B	22,475	$1,982,332	2.12%	0.06%	88.20	89.11	1.03%	0.45%
JOHNSON & JOHNSON	JNJ	26,460	$1,823,371	1.95%	0.13%	68.91	68.60	-0.45%	-1.03%
TOP TEN HOLDINGS			$26,265,894	28.09%	1.35%	Russell 1000 Value		**0.58%**	

Total Portfolio Value	**$93,506,210**
Total StanCERA Value	$1,446,717,966

STANCERA
Price Monitor Position Report

Capital Prospects
Active US Small Cap Value Manager
Positions as of September 30, 2012

Company	Symbol	# Shares	$ Value Position	Weight Manager	Weight StanCERA	Weight R2000V	9/30/2012 $ PX	10/15/2012 $ PX	Position % Change	Relative % Change
Regal Beloit Corp	RBC	12,949	$912,660	1.35%	0.06%	0.00%	70.48	67.06	-4.85%	-4.09%
The Brink's Co	BCO	33,158	$851,816	1.26%	0.06%	0.00%	25.69	27.11	5.53%	6.29%
Hanesbrands Inc	HBI	25,023	$797,733	1.18%	0.06%	0.00%	31.88	32.81	2.92%	3.68%
Polyone Corporation	POL	46,919	$777,451	1.15%	0.05%	0.05%	16.57	16.08	-2.96%	-2.20%
Gulfport Energy Corp	GPOR	24,654	$770,691	1.14%	0.05%	0.19%	31.26	31.84	1.86%	2.62%
Meredith	MDP	21,827	$763,930	1.13%	0.05%	0.21%	35.00	34.25	-2.14%	-1.38%
Belden Inc	BDC	20,714	$763,930	1.13%	0.05%	0.03%	36.88	37.51	1.71%	2.47%
Littelfuse, Inc	LFUS	13,033	$736,889	1.09%	0.05%	0.02%	56.54	55.46	-1.91%	-1.15%
First American F	FAF	32,445	$703,086	1.04%	0.05%	0.34%	21.67	23.42	8.08%	8.84%
A. O. Smith Corp	AOS	11,984	$689,566	1.02%	0.05%	0.27%	57.54	56.13	-2.45%	-1.69%
TOP TEN HOLDINGS			$7,767,753	11.49%	0.54%	1.11%	Russell 2000 Value:		**-0.76%**	

Total Portfolio Value	**$67,604,467**
Total StanCERA Value	$1,446,717,966

STANCERA
Price Monitor Position Report

Delaware Investments Advisers
Active Large Cap Growth Portfolio
Positions as of September 30, 2012

Company	Symbol	# Shares	$ Value Position	Weight Manager	Weight StanCERA	Weight R1000G	9/30/2012 $ PX	10/15/2012 $ PX	Position % Change	Relative % Change
Apple Inc.	AAPL	16,900	$11,274,075	9.25%	0.78%	8.63%	667.11	634.76	-4.85%	-4.48%
Crown Castle International Corp.	CCI	101,200	$6,486,920	5.32%	0.45%	0.26%	64.10	67.05	4.60%	4.97%
Visa Inc.	V	46,900	$6,297,732	5.17%	0.44%	0.97%	134.28	139.89	4.18%	4.55%
EOG Resources Inc.	EOG	54,950	$6,157,148	5.05%	0.43%	0.42%	112.05	110.03	-1.81%	-1.44%
QUALCOMM Inc.	QCOM	97,100	$6,065,837	4.98%	0.42%	1.48%	62.47	59.29	-5.09%	-4.72%
MasterCard Inc. Cl A	MA	13,050	$5,891,814	4.84%	0.41%	0.68%	451.48	475.82	5.39%	5.76%
Google Inc. Cl A	GOOG	7,700	$5,809,650	4.77%	0.40%	2.70%	754.50	740.98	-1.79%	-1.42%
Allergan Inc.	AGN	57,400	$5,256,692	4.32%	0.36%	0.38%	91.58	93.54	2.14%	2.51%
Kinder Morgan Inc.	KMI	144,265	$5,124,293	4.21%	0.35%	0.24%	35.52	34.89	-1.77%	-1.40%
Intuit Inc.	INTU	77,700	$4,574,976	3.76%	0.32%	0.24%	58.88	60.11	2.09%	2.46%
TOP TEN HOLDINGS			$62,939,136	51.67%	4.35%	16.01%	Russell 1000 Growth:		**-0.37%**	

Total Portfolio Value	**$121,852,074**
Total StanCERA Value	$1,446,717,966

STANCERA
Price Monitor Position Report

Dodge & Cox Equity
Active US Large Cap Value Manager
Positions as of September 30, 2012

Company	Symbol	# Shares	$ Value Position	Weight Manager	Weight StanCERA	Weight R1000V	9/30/2012 $ PX	10/15/2012 $ PX	Position % Change	Relative % Change
COMCAST CORP-CLASS A	CMCSA	177,763	$6,358,582	4.24%	0.44%	0.70%	35.77	36.43	1.85%	1.27%
WELLS FARGO & CO	WFC	160,072	$5,527,286	3.88%	0.38%	2.30%	34.53	33.90	-1.82%	-2.40%
MERCK & CO. INC.	MRK	122,500	$5,524,750	3.75%	0.38%	1.80%	45.10	46.59	3.30%	2.72%
CAPITAL ONE FINANCIAL CORP	COF	92,500	$5,273,425	3.72%	0.36%	0.40%	57.01	57.60	1.03%	0.45%
GENERAL ELECTRIC CO	GE	230,000	$5,223,300	3.39%	0.36%	3.20%	22.71	22.64	-0.31%	-0.89%
TIME WARNER INC	TWX	100,032	$4,534,450	2.96%	0.31%	0.60%	45.33	44.97	-0.79%	-1.37%
SANOFI-ADR	SNY	98,255	$4,230,860	2.86%	0.29%	-	43.06	43.64	1.35%	0.77%
PFIZER INC	PFE	153,100	$3,804,535	2.60%	0.26%	2.50%	24.85	25.57	2.90%	2.32%
NOVARTIS AG-ADR	NVS	62,000	$3,798,120	2.60%	0.26%	-	61.26	62.31	1.71%	1.13%
GLAXOSMITHKLINE PLC-SPON ADR	GSK	80,000	$3,699,200	2.52%	0.26%	-	46.24	46.24	0.00%	-0.58%
TOP TEN HOLDINGS			$47,974,508	32.52%	3.32%	11.50%	Russell 1000 Value:		**0.58%**	

Total Portfolio Value	**$145,120,549**
Total StanCERA Value	$1,446,717,966

STANCERA
Price Monitor Position Report

Legato Capital Management
Active US Small Cap Growth Manager
Positions as of September 30, 2012

Company	Symbol	# Shares	$ Value Position	Weight Manager	Weight StanCERA	Weight R2000G	9/30/2012 $ PX	10/15/2012 $ PX	Position % Change	Relative % Change
ISHARES RUSSELL 2000G INDEX	IWO	13,454	1,286,336.94	2.06%	0.09%	-	95.61	94.52	-1.14%	0.00%
ULTIMATE SOFTWARE GROUP INC	ULTI	9,448	964,640.80	1.54%	0.07%	0.46%	102.10	102.58	0.47%	1.61%
UNITED NATURAL FOODS INC	UNFI	12,907	754,414.15	1.21%	0.05%	0.48%	58.45	56.26	-3.75%	-2.61%
PORTFOLIO RECOVERY ASSOCIATES	PRAA	6,977	728,608.11	1.17%	0.05%	0.30%	104.43	105.56	1.08%	2.22%
LKQ CORP	LKQX	35,830	661,959.25	1.06%	0.05%	-	18.47	20.13	8.99%	10.13%
HEALTH MANAGEMENT ASSOC INC	HMA	78,200	656,098.00	1.05%	0.05%	-	8.39	7.84	-6.56%	-5.42%
SEMTECH CORP	SMTC	25,807	648,787.98	1.04%	0.04%	0.28%	25.14	23.77	-5.45%	-4.31%
KENEXA CORP	KNXA	13,489	618,200.87	0.99%	0.04%	0.21%	45.83	45.89	0.13%	1.27%
COSTAR GROUP INC	CSGP	7,434	606,168.36	0.97%	0.04%	0.39%	81.54	81.39	-0.18%	0.96%
GEO GROUP INC	GEO	21,889	605,668.63	0.97%	0.04%	-	27.67	27.98	1.12%	2.26%
TOP TEN HOLDINGS			$ 7,530,883.09	12.05%	0.52%	2.12%	Russell 2000 Growth:		**-1.14%**	

Total Portfolio Value	**$ 62,507,069**
Total StanCERA Value	$1,446,717,966

STANCERA
Price Monitor Position Report

BNY - S&P 500 Index
Passive S&P 500 Index Fund
Positions as of September 30, 2012

Company	Symbol	# Shares	$ Value Position	Weight Manager	Weight StanCERA	9/30/2012 $ PX	10/15/2012 $ PX	Position % Change	Relative % Change
Apple Inc.	AAPL	5,641	$3,762,948	4.85%	0.26%	667.10	634.76	-4.85%	-4.81%
Exxon Mobil Corp	XOM	27,488	$2,513,804	3.24%	0.17%	91.45	91.51	0.07%	0.11%
General Electric Co	GE	61,154	$1,388,799	1.79%	0.10%	22.71	22.64	-0.31%	-0.27%
INTL Business Machines	IBM	6,582	$1,365,523	1.76%	0.09%	207.45	208.93	0.71%	0.75%
Chevron Corp	CVX	11,649	$1,357,765	1.75%	0.09%	116.56	112.82	-3.21%	-3.17%
Microsoft Corp.	MSFT	45,747	$1,350,006	1.74%	0.09%	29.51	29.76	0.85%	0.89%
AT&T	T	33,751	$1,272,419	1.64%	0.09%	37.70	35.21	-6.60%	-6.56%
Google Inc	GOOG	1,481	$1,117,246	1.44%	0.08%	754.50	740.98	-1.79%	-1.75%
Johnson & Johnson	JNJ	15,988	$1,101,729	1.42%	0.08%	68.91	68.60	-0.45%	-0.41%
Pfizer Inc	PFE	44,023	$1,093,970	1.41%	0.08%	24.85	25.57	2.90%	2.94%
TOP TEN HOLDINGS			$16,324,209	21.04%	1.13%	S&P 500 Index:		**-0.04%**	

Total Portfolio Value	**$77,586,547**
Total StanCERA Value	$1,446,717,966

STANCERA
Price Monitor Position Report

LSV Asset Management
International Large Cap Value
Positions as of September 30, 2012

Company	Symbol	Market	# Shares	$ Value Position	Weight Manager	Weight StanCERA	Weight ACWI xUS	9/30/2012 PX	10/15/2012 PX	Position % Change	Relative % Change
ROYAL DUTCH SHELL PLC	RDS/A	London	48,327	$3,354,404	2.76%	0.23%	1.49%	69.41	69.15	-0.37%	-0.95%
SANOFI S.A.	SNY	Paris	60,684	$2,613,032	2.15%	0.18%	0.70%	43.06	45.02	4.55%	3.97%
ASTRAZENECA PLC	AZN	London	42,154	$2,017,504	1.66%	0.14%	0.40%	47.86	47.10	-1.59%	-2.17%
ALLIANZ SE	ALV.DE	Germany	17,601	$1,677,202	1.38%	0.12%	0.37%	95.29	92.90	-2.51%	-3.09%
BASF SE	BAS.DE	Germany	25,177	$1,652,895	1.36%	0.11%	0.53%	65.65	64.90	-1.14%	-1.72%
ENI - ENTE NAZIONALE IDROCARBURI	ENI	Italy	97,115	$1,652,895	1.36%	0.11%	0.38%	17.02	17.50	2.82%	2.24%
CHINA PETROLEUM & CHEMICAL	SNP	Hong Kong	17,753	$1,640,741	1.35%	0.11%	0.10%	92.42	101.61	9.94%	9.36%
OLD MUTUAL PLC	OML.L	London	9,657	$1,640,741	1.35%	0.11%	0.09%	169.90	175.60	3.35%	2.77%
VODAFONE GROUP	VOD	London	9,266	$1,628,587	1.34%	0.11%	0.94%	175.75	173.00	-1.56%	-2.14%
BT GROUP PLC	BT	London	43,453	$1,616,434	1.33%	0.11%	0.19%	37.20	34.85	-6.32%	-6.90%
TOP TEN HOLDINGS				$19,494,433	16.04%	1.35%	5.19%	MSCI ACWI ex-U.S.		**0.58%**	

Total Portfolio Value	**$121,536,363**
Total StanCERA Value	$1,446,717,966

STANCERA
Price Monitor Position Report

Pyramis Global Advisors
Active Non-US Growth Manager
Positions as of September 30, 2012

Company	Symbol	Market	# Shares	$ Value Position	Weight Manager	Weight StanCERA	Weight ACWI xUS	9/30/2012 $ PX	10/15/2012 $ PX	Position % Change	Relative % Change
ROYAL DUTCH SHELL PLC CL A(NL)	B09CBL4	Amsterdam	57568	$1,992,247	1.63%	0.14%	1.47%	69.41	69.15	-0.37%	-0.95%
NESTLE SA (REG)	7123870	Switzerland	30756	$1,940,658	1.57%	0.13%	1.38%	49.19	51.19	4.07%	3.49%
BP PLC	798059	Paris	225629	$1,590,369	1.30%	0.11%	0.89%	42.36	41.56	-1.89%	-2.47%
SANOFI	5671735	Paris	18625	$1,589,816	1.29%	0.11%	0.67%	43.06	43.64	1.35%	0.77%
VODAFONE GROUP PLC	B16GWD5	London	544581	$1,545,527	1.25%	0.11%	0.93%	28.50	28.02	-1.68%	-2.26%
SAMSUNG ELECTRONICS CO LTD	6771720	So. Korea	1216	$1,469,389	1.14%	0.10%	0.88%	1211.06	1169.61	-3.42%	-4.00%
ROCHE HLDGS GENUSSSCHEINE	7110388	Swiss	7223	$1,350,374	1.08%	0.09%	0.87%	180.00	188.70	4.83%	4.25%
BRITISH AMER TOBACCO PLC (UK)	287580	London	25100	$1,288,698	1.08%	0.09%	0.66%	102.64	104.24	1.56%	0.98%
BAYER AG	5069211	Germany	14192	$1,220,183	0.90%	0.08%	0.47%	66.83	68.27	2.15%	1.57%
SAP AG	4846288	Germany	16641	$1,179,831	0.88%	0.08%	0.43%	71.33	71.47	0.20%	-0.38%
TOP TEN HOLDINGS				$15,167,092	11.73%	1.05%	8.64%	MSCI ACWI ex-US:		**0.58%**	

Total Portfolio Value	**$126,699,294**
Total StanCERA Value	$1,446,717,966

Top

10/23/12
Item #8c

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

ASSET/LIABILITY EDUCATION STUDY SESSION

ASSET MIXES FOR INVESTMENT CONSIDERATION

October 23, 2012

STRATEGIC INVESTMENT SOLUTIONS, INC.

333 Bush Street, Suite 2000
San Francisco, CA 94104
(415) 362-3484

Paul S. Harte
Vice President

StanCERA Target Portfolio Expectations – Scenario A

Projected StanCERA Asset Allocation

Scenario A - No New Asset Classes

Fall 2012

Optimal Portfolios

Efficient Frontier
No new asset classes

Asset	Expected Return	Expected Std. Dev.	Limits Min	Limits Max	Current Mix	Asset Mix Alternatives: 1	2	3	4	5
US Large Cap	8.0%	18.0%	0.0%	100.0%	33.1%	26.0%	31.0%	36.0%	42.0%	47.0%
US Small Cap	8.3%	21.0%	0.0%	100.0%	8.3%	6.0%	7.0%	9.0%	10.0%	12.0%
Int'l Stock	2.8%	4.5%	0.0%	100.0%	15.0%	12.0%	14.0%	16.0%	18.0%	21.0%
EM Stock	8.0%	18.5%	0.0%	100.0%	5.0%	4.0%	4.5%	5.0%	6.0%	7.0%
US Fixed Income	8.5%	27.5%	0.0%	100.0%	37.1%	48.5%	38.5%	29.0%	19.0%	8.0%
Real Estate	6.6%	18.5%	0.0%	5.0%	1.5%	3.5%	5.0%	5.0%	5.0%	5.0%
Totals					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gm Mean Return					**6.6%**	**6.0%**	**6.5%**	**7.0%**	**7.5%**	**8.0%**
Std. Deviation					**11.3%**	**9.5%**	**10.9%**	**12.4%**	**14.1%**	**15.9%**

Constraints:

Real Estate maximum of 5%

US Small Cap maximum of 20% of US Equity

EM Stock maximum of 25% of Non-US Equity (ACWI ex-US)

Non-US Equity maximum of 33% of Total Public Equity (as per current)

6.0% < Expected (return) < 8.0%
actuarial interest rate

Current Mix
Real Return = 4.2% (6.6% - 2.4% Inflation)

StanCERA Target Portfolio Expectations – Scenario B

Projected StanCERA Asset Allocation
Scenario B – Add Direct Lending, Commodities & Infrastructure (up to 5%)
Fall 2012

- Addition of new asset classes lowers risk by about 1.0%
- Compare Current Mix to Mix 2

Optimal Portfolios

	Expected	Expected	Limits	Limits	Current	Asset Mix Alternatives				
Asset	Return	Std. Dev.	Min	Max	Mix	1	2	3	4	5
US Large Cap	8.0%	18.0%	0.0%	100.0%	33.1%	22.0%	26.0%	30.0%	34.0%	39.0%
US Small Cap	8.3%	21.0%	0.0%	100.0%	8.3%	6.0%	7.0%	8.0%	9.0%	10.0%
Int'l Stock	2.8%	4.5%	0.0%	100.0%	15.0%	10.0%	12.0%	13.0%	15.0%	17.0%
EM Stock	8.0%	18.5%	0.0%	100.0%	5.0%	3.0%	4.0%	4.0%	5.0%	6.0%
US Fixed Income	8.5%	27.5%	0.0%	100.0%	37.1%	48.0%	38.0%	29.0%	19.0%	8.0%
Real Estate	6.6%	18.5%	0.0%	**5.0%**	1.5%	1.0%	2.0%	2.5%	3.0%	5.0%
Direct Lending	8.3%	10.0%	0.0%	**5.0%**	0.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Commodities	4.3%	30.0%	0.0%	**5.0%**	0.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Infrastructure	6.6%	18.5%	0.0%	**5.0%**	0.0%	0.0%	1.0%	3.5%	5.0%	5.0%
Totals					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gm Mean Return					**6.6%**	**6.0%**	**6.5%**	**7.0%**	**7.5%**	**8.0%**
Std. Deviation					**11.3%**	**8.9%**	**10.3%**	**11.8%**	**13.3%**	**15.0%**

Constraints:

Real Estate, Direct Lending, Commodities & Infrastructure each @ maximum of 5%

US Small Cap maximum of 20% of US Equity

EM Stock maximum of 25% of Non-US Equity (ACWI ex-US)

Non-US Equity maximum of 33% of Total Public Equity (as per current)

Direct Lending modeled [HY (5.3% return) + 300 bps illiquidity premium] with 10% Risk

Comments

- Mix 1 at 6.0% return has too much FI (48%)
- Mix 2 at 6.5% return keeps FI level (38%) and lowers equities by 12% (61% to 49%)
- Mix 3 at 7.0% return lowers FI by 8% (29%) and lowers equities by 6% (61% to 55%)
- Mix 4 at 7.5% return lowers FI by 18% and raises equities by 2% (61% to 63%)
- Mix 5 at 8.0% return lowers FI by 29% (from 37% to 8%)

StanCERA Target Portfolio Expectations – Scenario C

Projected StanCERA Asset Allocation
Scenario C - Alternative Asset Classes up to 7.5%
Fall 2012

Optimal Portfolios

Raising alternative asset classes from 5.0% to 7.5% has a minimal effect of lowering total plan risk by 30-40 bps

	Expected	Expected	Limits	Limits	Current	Asset Mix Alternatives				
Asset	Return	Std. Dev.	Min	Max	Mix	1	2	3	4	5
US Large Cap	8.0%	18.0%	0.0%	100.0%	33.1%	21.0%	25.0%	28.0%	32.0%	36.0%
US Small Cap	8.3%	21.0%	0.0%	100.0%	8.3%	5.0%	6.0%	7.0%	8.0%	9.0%
Int'l Stock	2.8%	4.5%	0.0%	100.0%	15.0%	9.0%	11.0%	12.0%	14.0%	16.0%
EM Stock	8.0%	18.5%	0.0%	100.0%	5.0%	3.0%	4.0%	4.0%	5.0%	6.0%
US Fixed Income	8.5%	27.5%	0.0%	100.0%	37.1%	47.0%	38.0%	29.0%	19.0%	9.0%
Real Estate	6.6%	18.5%	0.0%	**7.5%**	1.5%	1.5%	1.5%	2.5%	2.5%	1.5%
Direct Lending	8.3%	10.0%	0.0%	**7.5%**	0.0%	8.0%	7.5%	7.5%	7.5%	7.5%
Commodities	4.3%	30.0%	0.0%	**7.5%**	0.0%	5.5%	6.0%	7.0%	7.0%	7.5%
Infrastructure	6.6%	18.5%	0.0%	**7.5%**	0.0%	0.0%	1.0%	3.0%	5.0%	7.5%
Totals					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gm Mean Return					**6.6%**	**6.0%**	**6.5%**	**7.0%**	**7.5%**	**8.0%**
Std. Deviation					**11.3%**	**8.6%**	**10.0%**	**11.4%**	**13.0%**	**14.6%**

Constraints:

Real Estate, Direct Lending, Commodities & Infrastructure each @ maximum of 7.5%
US Small Cap maximum of 20% of US Equity
EM Stock maximum of 25% of Non-US Equity (ACWI ex-US)
Non-US Equity maximum of 33% of Total Public Equity (as per current)
Direct Lending modeled [HY (5.3%) return +300 bps illiquidity premium] with 10% Risk

Scenario C raising alternative asset classes to 7.5% vs. Scenario B from 5.0% does have the effect of lowering the equities allocation

Comments

- Mix 1 at 6.0% return has too much FI (47%)
- Mix 2 at 6.5% return keeps FI at same level (38%) and lowers equities by 15% (61% to 46%)
- Mix 3 at 7.0% return lowers FI by 8% (29%) and lowers equities by 10% (61 to 51%)
- Mix 4 at 7.5% return lowers FI by 18% and lowers equities by 2% (61 to 59%)
- Mix 5 at 8.0% return lowers FI by 28% (too much from 37% to 9%)

StanCERA Target Portfolio Expectations – Scenario D

Projected StanCERA Asset Allocation

Scenario D - Alternative Asset Classes up to 5%

Fall 2012

Optimal Portfolios

	Expected	Expected	Limits	Limits	Current	Asset Mix Alternatives				
Asset	Return	Std. Dev.	Min	Max	Mix	1	2	3	4	5
US Large Cap	8.0%	18.0%	0.0%	100.0%	33.1%	22.0%	26.0%	30.0%	34.0%	39.0%
US Small Cap	8.3%	21.0%	0.0%	100.0%	8.3%	6.0%	7.0%	8.0%	9.0%	10.0%
Int'l Stock	2.8%	4.5%	0.0%	100.0%	15.0%	10.0%	12.0%	13.0%	15.0%	17.0%
EM Stock	8.0%	18.5%	0.0%	100.0%	5.0%	3.0%	4.0%	4.0%	5.0%	6.0%
US Fixed Income	8.5%	27.5%	0.0%	100.0%	37.1%	48.0%	38.0%	29.0%	19.0%	8.0%
Real Estate	6.6%	18.5%	0.0%	**5.0%**	1.5%	1.0%	2.0%	2.5%	3.0%	5.0%
Direct Lending	8.3%	**17.6%**	0.0%	**5.0%**	0.0%	**5.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**
Commodities	4.3%	30.0%	0.0%	**5.0%**	0.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Infrastructure	6.6%	18.5%	0.0%	**5.0%**	0.0%	0.0%	1.0%	3.5%	5.0%	5.0%
Totals					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gm Mean Return					**6.6%**	**6.0%**	**6.5%**	**7.0%**	**7.5%**	**8.0%**
Std. Deviation					**11.3%**	**9.1%**	**10.5%**	**12.0%**	**13.6%**	**15.3%**

Constraints:

Real Estate, Direct Lending, Commodities & Infrastructure each @ maximum of 5%
US Small Cap maximum of 20% of US Equity
EM Stock maximum of 25% of Non-US Equity (ACWI ex-US)
Non-US Equity maximum of 33% of Total Public Equity (as per current)
Direct Lending modeled [HY (5.3%) return +300 bps illiquidity premium] with 17.6% Risk (same Sharpe Ratio as HY)

Comments

- Only change from Scenario D compared to Scenario B is raising the risk level of Direct Lending from 10.0% to 17.6% (that corresponds to the same Sharpe ratio as High Yield).
- There is a minimal effect of raising the risk (Standard Deviation) by 20-30 bps at the total plan level.

StanCERA Target Portfolio Expectations – Scenario E

Projected StanCERA Asset Allocation

Scenario E - Alternative Asset Classes up to 5% excluding Commodities

Fall 2012

Optimal Portfolios

	Expected	Expected	Limits	Limits	Current	Asset Mix Alternatives				
Asset	Return	Std. Dev.	Min	Max	Mix	1	2	3	4	5
US Large Cap	8.0%	18.0%	0.0%	100.0%	33.1%	24.0%	28.0%	32.0%	36.0%	41.0%
US Small Cap	8.3%	21.0%	0.0%	100.0%	8.3%	6.0%	7.0%	8.0%	9.0%	10.0%
Int'l Stock	2.8%	4.5%	0.0%	100.0%	15.0%	11.0%	12.0%	14.0%	16.0%	18.0%
EM Stock	8.0%	18.5%	0.0%	100.0%	5.0%	4.0%	4.0%	5.0%	5.0%	6.0%
US Fixed Income	8.5%	27.5%	0.0%	100.0%	37.1%	48.0%	39.5%	30.0%	20.0%	10.0%
Real Estate	6.6%	18.5%	0.0%	**5.0%**	1.5%	1.0%	3.0%	3.0%	4.0%	5.0%
Direct Lending	8.3%	10.0%	0.0%	**5.0%**	0.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Infrastructure	6.6%	18.5%	0.0%	**5.0%**	0.0%	1.0%	1.5%	3.0%	5.0%	5.0%
Totals					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gm Mean Return					**6.6%**	**6.0%**	**6.5%**	**7.0%**	**7.5%**	**8.0%**
Std. Deviation					**11.3%**	**9.1%**	**10.4%**	**11.9%**	**13.5%**	**15.2%**

Constraints:

Real Estate, Direct Lending & Infrastructure each @ maximum of 5%
US Small Cap maximum of 20% of US Equity
EM Stock maximum of 25% of Non-US Equity (ACWI ex-US)
Non-US Equity maximum of 33% of Total Public Equity (as per current)
Direct Lending modeled [HY (5.3%) return +300 bps illiquidity premium] with 10% Risk

Comments

- Scenario E removes Commodities from consideration as an alternative asset class.
- The overall effect to the total plan is a slightly higher risk level (+20 bps).

Asset Allocation Mixes Observations

- Scenario A – current mix is fairly efficient
- Scenario A – getting to a 8% expected return is quite difficult
  - Takes 92% equities and 8% fixed income
- Scenario B – adding alternative asset classes of Direct Lending, Infrastructure, Commodities up to 5% and taking existing asset class of Real Estate up to 5%
  - Mix 3 is reasonable at a 7.0% expected return – lowers equities by 6% and FI by 8%
  - Mix 3 standard deviation is lowered from 12.4% to 11.8% compared to Scenario A
- Scenario C – adding alternative asset classes up to 7.5%
  - No real benefit over Scenario B (at 5.0%) with the exception of bringing down Equities allocation
- Scenario D – models Direct Lending at a higher standard deviation for comparison
- Scenario E – same as Scenario B with the difference of no Commodities
  - Mix 3 in Scenario E is almost identical to Scenario B with a slightly higher level of total plan risk

APPENDIX

New Asset Classes for Consideration – Real Estate

- Real Estate Investment Trust (REIT) company, usually traded publicly, that manages a portfolio of real estate to earn profits for shareholders. REITs make investments in a diverse array of real estate. To avoid taxation at the corporate level, 75% or more of the REIT's income must be from real property and 95% in net earnings must be distributed to shareholders annually. REITs tend to pay yields of 5% to 10%.
- Real Estate Limited Partnership (Private RE) buys properties and passes rental income to limited partners. If the properties appreciate in value over time, they can be sold and the profit passed to limited partners.
- Private RE tends to have a higher fee structure
  - Up to 2% management fee and 20% carry; illiquid in nature.
- Private RE can be divided into Core, Value-added and Opportunistic.

New Asset Classes for Consideration – Real Estate

- Expected Return = 6.6% (REITs)
- Expected Risk = 18.5%
- Sharpe Ratio = 0.249

Correlations	Real Estate
US Lg. Cap Equities	0.63
U.S. Sm. Cap Equities	0.61
U.S. Fixed Income	0.17
Int'l Stocks	0.58
EM Stocks	0.52
High Yield FI	0.65
Private Equity	0.46
Absolute Ret. HF	0.65
U.S. TIPS	0.28
Commodities	0.65
Infrastructure	0.55

New Asset Classes for Consideration – Real Estate

- No liquidity premium as REITs are public market instruments. A liquidity premium should exist for Private Real Estate although it is hard to quantify
- Private RE Core attempts to gain exposure and replicate the NCREIF Index or ODCE Core.
  - Private RE Value Added should conservatively add 150-200 bps above Core
  - Private Opportunistic RE should add 300-400 bps above Core
- There are capital calls for Private Real Estate investments, however none for REITs
- Real Estate returns, as measured by equity REITs, have consistently provided returns above U.S. Fixed Income and below U.S. Equity. The forecast inputs:
  - Current capitalization rates used for appraisals adjusted for fees and give-ups
  - Equity REITs beta relative to the S&P 500 (currently 0.55) multiplied by the U.S. equity expected return
- Real Estate performs well in stable and/or rising interest rate environments
- Real Estate performs well in steady and/or above-average economic growth environments

New Asset Classes for Consideration – Real Estate

Projected StanCERA Results
Fall 2012

Asset	Expected Return	Expected St. Dev.	Current StanCERA Mix	increase RE to 5.0%	increase RE to 7.5%
US Large Cap	8.00%	18.00%	33.10%	33.10%	33.10%
US Small Cap	8.30%	21.00%	8.30%	8.30%	8.30%
US Fixed Income	2.80%	4.50%	37.10%	33.60%	31.10%
Int'l Stock	8.00%	18.50%	15.00%	15.00%	15.00%
EM Stock	8.50%	27.50%	5.00%	5.00%	5.00%
Real Estate	6.60%	18.50%	1.50%	5.00%	7.50%
Totals			100.00%	100.00%	100.00%
Gm. Mean Return			**6.63%**	**6.75%**	**6.85%**
Standard Deviation			**11.30%**	**11.75%**	**12.06%**

New Asset Classes for Consideration – Commodities

- Definition: bulk goods such as grains, metals, foods and energy (oil, natural gas) traded on exchanges or spot market.
- Commodities are thought to be inflation-hedging instruments. Should perform well in rising inflation/growth type of environments.
  - Note: recent years commodities have performed more in line with equities (part of the "risk-on" trade)
- Return from commodities generally is comprised of three parts: the underlying spot price of the commodity, the rolling of futures associated with the underlying commodity, and the underlying cash spot price
- Commodities can be invested in four primary ways: passive index return (beta), active management (beta 0-100% long); long-short strategy; and, rolling management of futures.
  - Active management can include: fundamental analysis, quantitative analysis, technical analysis, sentiment analysis and market forecasts

New Asset Classes for Consideration – Commodities

- Expected Return = 4.3%
- Expected Risk = 30.0%
- Sharpe Ratio = 0.077

Correlations	Commodities
US Lg. Cap Equities	0.27
U.S. Sm. Cap Equities	0.28
U.S. Fixed Income	-0.07
Int'l Stocks	0.29
EM Stocks	0.37
High Yield FI	0.13
Real Estate	0.28
Absolute Ret. HF	0.49
U.S. TIPS	0.45
Private Equity	0.18
Infrastructure	0.22

New Asset Classes for Consideration – Commodities

- No illiquidity premium – investments are generally made in the futures market
- No capital calls
- Exposures include: Passive index replication, active management, hedge fund long/short strategy, and/or futures rolling
- The expected return to a commodities futures investment is a function of three elements: the expected cash return on the underlying collateral, the expected change in price of the commodities, and the return (positive or negative) associated with the shape of the price curve of future delivery of a commodity. The current expectation for commodities assumes that commodity prices will generally mirror overall inflation and that the structure of futures prices will not provide any additional return. The forecast inputs:
  - Cash expectation
  - Added to inflation expectation
- Performs well in steady and/or above-average economic growth environments

New Asset Classes for Consideration – Commodities

Projected StanCERA Results
Fall 2012

Asset	Expected Return	Expected St. Dev.	Current StanCERA Mix	add Commodities to 5.0%
US Large Cap	8.00%	18.00%	33.10%	33.10%
US Small Cap	8.30%	21.00%	8.30%	8.30%
US Fixed Income	2.80%	4.50%	37.10%	32.10%
Int'l Stock	8.00%	18.50%	15.00%	15.00%
EM Stock	8.50%	27.50%	5.00%	5.00%
Real Estate	6.60%	18.50%	1.50%	1.50%
Commodities	4.50%	30.00%	0.00%	5.00%
Totals			100.00%	100.00%
Gm. Mean Return			**6.63%**	**6.82%**
Standard Deviation			**11.30%**	**11.83%**

New Asset Classes for Consideration – Infrastructure

- Definition: a nation's basic system of transportation, communication, and other aspects of its physical plant. Building and maintaining road, bridge, sewage, and electrical systems. For developing countries, infrastructure advances are important to boarder economic development.
- Sub-categories of Infrastructure include: transportation (bridges, toll roads, airports, railroads and ports); energy, utilities, communication, and social (schools, hospitals, prisons and other public buildings).
- Infrastructure are long-lived assets that are costly and time consuming to replace.
  - Generate relatively stable cash flows that usually increase with inflation
- Infrastructure does have publicly-traded entities (much like REITs in Real Estate) and private investment vehicles.
- Private investments are illiquid in nature with 60-80% of returns generated from income streams that are often linked to movements in inflation indexes.

New Asset Classes for Consideration – Infrastructure

- Expected Return = 7.1%
- Expected Risk = 25.0%
- Sharpe Ratio = 0.204

Correlations	Infrastructure
US Lg. Cap Equities	0.51
U.S. Sm. Cap Equities	0.51
U.S. Fixed Income	0.42
Int'l Stocks	0.50
EM Stocks	0.45
High Yield FI	0.62
Real Estate	0.64
Absolute Ret. HF	0.55
U.S. TIPS	0.38
Private Equity	0.30
Commodities	0.22

New Asset Classes for Consideration – Infrastructure

- No liquidity premium for public market instruments. A liquidity premium should exist for Private Infrastructure although it is hard to quantify.
  - The majority of the return is made up of the cash flows of the underlying assets
- Capital calls exist for Private Infrastructure investments
  - No capital calls for public market Infrastructure stocks
- The history and experience of infrastructure investments is quite limited. However, there are indexes that track performance of publicly traded securities that own, operate, and develop infrastructure assets. The forecast implies:
  - Multiple regression of Infrastructure proxy relative to the major asset classes to develop multiple betas of infrastructure relative to these asset classes
  - Betas are multiplied by the expected asset class premiums and added to cash expectation
- Performs well in steady and/or above-average economic growth environments and rising inflation environments

New Asset Classes for Consideration – Infrastructure

Projected StanCERA Results
Fall 2012

Asset	Expected Return	Expected St. Dev.	Current StanCERA Mix	add Infrastructure to 5.0%
US Large Cap	8.00%	18.00%	33.10%	33.10%
US Small Cap	8.30%	21.00%	8.30%	8.30%
US Fixed Income	2.80%	4.50%	37.10%	32.10%
Int'l Stock	8.00%	18.50%	15.00%	15.00%
EM Stock	8.50%	27.50%	5.00%	5.00%
Real Estate	6.60%	18.50%	1.50%	1.50%
Infrastructure	7.10%	25.00%	0.00%	5.00%
Totals			100.00%	100.00%
Gm. Mean Return			**6.63%**	**6.87%**
Standard Deviation			**11.30%**	**12.11%**

New Asset Classes for Consideration – Direct Lending

- Definition: a sub-segment of the fixed income asset class that supports the financing of middle-market companies with non-traditional sources of capital, such as pension funds, insurance companies and other institutional investors.
- Private credit has traditionally been supplied by banks, but a variety of factors has left this market segment underserved by the traditional capital providers.
- Private credit strategies provide opportunities for yield enhancement. The illiquidity premium is considerable. Life of funds are generally ten years.
- The return in private credit instruments may be generated from a combination of sources, including: up-front points, current cash yield or coupon, payment-in-kind interest, equity upside or warrants, and other types of servicing fees.
- The risk in corporate lending is typically measured as a percentage of default.

New Asset Classes for Consideration – Direct Lending

- Expected Return = 8.3% (High Yield Return 5.3% + 300 bps illiquidity premium)
- Expected Risk = 10.0%
- Sharpe Ratio = 0.63

Correlations	Direct Lending
US Lg. Cap Equities	0.63
U.S. Sm. Cap Equities	0.62
U.S. Fixed Income	0.15
Int'l Stocks	0.60
EM Stocks	0.57
High Yield FI	0.76
Real Estate	0.65
Absolute Ret. HF	0.49
U.S. TIPS	0.26
Private Equity	0.41
Commodities	0.25

New Asset Classes for Consideration – Direct Lending

- An illiquidity premium exists although it is hard to quantify. Equity like returns with risk profile of secured debt
- Direct Lending set-up in a private equity or hedge fund format. High fees and a slight J-Curve effect are mitigated by interest rate or coupon payments from underlying loans.
- The history and experience of direct lending investments is limited. There are no indexes that track the performance of the direct lending space. The forecast implies:
  - Returns are estimated based upon the current underlying loan portfolio of the investment managers minus the implied default rate present in the high yield market.
- Performs well in steady and/or above-average economic growth environments
- Typically, the underwriting process will protect the investor from a rising rate environment and also places a floor on how low rates can go

New Asset Classes for Consideration – Direct Lending

Projected StanCERA Results
Fall 2012

Asset	Expected Return	Expected St. Dev.	Current StanCERA Mix	add Direct Lending to 5.0%
US Large Cap	8.00%	18.00%	33.10%	33.10%
US Small Cap	8.30%	21.00%	8.30%	8.30%
US Fixed Income	2.80%	4.50%	37.10%	32.10%
Int'l Stock	8.00%	18.50%	15.00%	15.00%
EM Stock	8.50%	27.50%	5.00%	5.00%
Real Estate	6.60%	18.50%	1.50%	1.50%
Direct Lending	8.30%	10.00%	0.00%	5.00%
Totals			100.00%	100.00%
Gm. Mean Return			**6.63%**	**6.85%**
Standard Deviation			**11.30%**	**11.55%**

Glossary of Terms

- **Asset Allocation** – (1) The way investments are distributed and weighted among different asset classes. (2) The distribution of investments among categories of assets, such as equities, fixed income, cash equivalents, and real estate.
- **CAPM** – Capital Asset Pricing Model. A system of equations that describes the way prices of individual assets are determined in efficient markets, that is, in markets where information is freely available and reflected instantaneously in asset prices. According to this model, prices are determined in such a way that risk premiums are proportional to systematic risk, measured by the beta coefficient, which cannot be eliminated by diversification. CAPM provides an explicit expression of the expected returns for all assets. Basically, the model holds that if investors are risk averse, high-risk stocks must have higher expected returns than low-risk stocks. CAPM maintains that the expected return of a security or a portfolio is equal to the rate on a risk-free investment plus a risk premium.
- **Correlation** – A relationship between two quantities, such that when one changes, the other does. A measure (ranging in value from 1.00 to -1.00) of the association between a dependent variable (fund, portfolio) and one or more independent variables (index). Correlation is a measure, not necessarily of causality, but rather of the strength of a relationship. A correlation coefficient of 1.00 implies that the variables move perfectly in lockstep; a correlation coefficient of -1.00 implies that they move inversely in lockstep; and a coefficient of 0.00 implies that the variables as calibrated are uncorrelated. A correlation half-life is the amount of time it takes for the amount of the measured time period to diminish by half exponentially.
- **Efficient Frontier** – A set of optimal portfolios, one for each level of expected return, with minimum risk.
- **Expected Return** -- Estimate of the return of an investment or portfolio from a probability distribution curve of all possible rates of return; statistically, it is the mean (ether geometric mean or arithmetic mean) of the distribution or the "most likely" outcome.
- **Factor Model** – Regression-based mathematical calculation used to determine the extent to which macroeconomic factors or other explanatory variables affect the value or price movement of a specific security or portfolio.

Glossary of Terms

- **Geometric Return** – Similar to the arithmetic mean, which is what most people think of with the word "average", except that instead of adding the set of returns and then dividing the sum by the number of return observations (N), the numbers are multiplied and then the Nth root of the resulting product is taken. Also known as compound return.
- **Mean Reversion** – Statistical phenomenon stating that the greater the deviation of a given observation (e.g. a quarterly or annual return) from its mean, the greater the probability that the next measured observation will deviate less far. In other words, an extreme event is likely to be followed by a less extreme event.
- **Optimization** – Process of determining the portfolio composition such that expected return is maximized for a given risk level, or risk is minimized for a given expected return level. Other optimizations could target risk of shortfall, maximization of Sharpe ratio, or minimization of tracking error.
- **Sharpe Ratio** – A ratio of return to volatility, useful in comparing two portfolios or stocks in terms of risk-adjusted return. The higher the Sharpe Ratio, the more sufficient are returns for each unit of risk. It is calculated by first subtracting the risk free rate from the return of the portfolio, then dividing by the standard deviation of the portfolio.
- **Stochastic Simulation** – Uses random processes to simulate the various sources of uncertainty that affect the value of the instrument, portfolio or investment in question, and calculates a representative value or distribution of possible outcomes given the simulated values of the underlying inputs.
- **Treasury Inflation-Protected Securities (TIPS) – I**nflation-indexed bonds issued by the U.S. Treasury. The principal is adjusted to the Consumer Price Index (CPI), the commonly used measure of inflation. The coupon rate is constant, but generates a different amount of interest when multiplied by the inflation-adjusted principal, thus protecting the holder against inflation. TIPS are currently offered in 5-year, 10-year and 20-year maturities. Beginning in February 2010, the U.S. Treasury will once again offer 30-year TIPS bonds.

Direct Lending – Market Characteristics

Return Breakdown

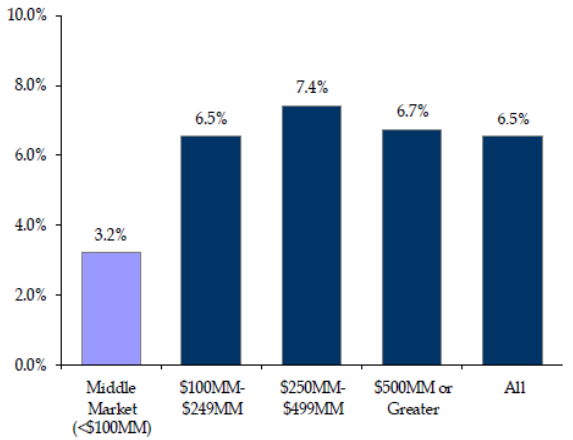
Current Pay Interest	8%-10%+
PIK Interest	2%-4%
Origination/Other Fees *	2%-3%
Warrant/ Equity Upside	2%-5%+

Total Gross Unlevered Return	10%-12%+
Total Gross Levered Return	14%-16%+**

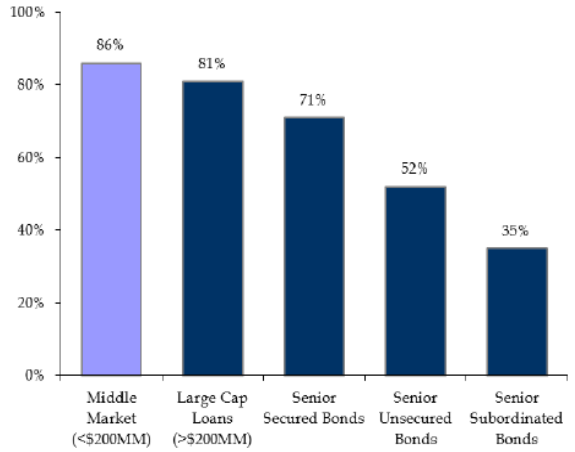
*Closing fees, amendment fees, prepayment fees, etc. where applicable.

**Effect of 1:1 leverage.

Default Rates by Loan Size[1]



Recovery Rate by Loan Class[2]



Note: (1) Cumulative institutional loan default rates for public filings by deal size from 1995 to 2011.
Source: S&P LCD

Note: (2) Reflects ultimate recovery rates for the period 1989 to 2009.
Source: S&P LSTA

DODGE & COX

Investment Managers

September 20, 2012

RECEIVED
SEP 26 2012
StanCERA

Mr. Richard L. Santos
Stanislaus County Employees' Retirement Association
832 12th Street, Suite 600
Modesto, CA 95354

Dear Rick:

I am writing in response to a question that came up at our last meeting with the Board of Trustees on August 28. Since I was not able to attend, I thought that it might be helpful to provide my own response and some data related to StanCERA's equity account under management by Dodge & Cox.

There is a perception by some Trustees that Dodge & Cox is sometimes reluctant to sell equity securities that have declined in value. While our portfolio turnover is in fact quite low, meaning that we typically hold securities for the long-term, the truth is that our equity team is continuously evaluating new opportunities, monitoring existing holdings and comparing these two alternatives to make sure that we have the portfolio invested in a way that we believe provides the best risk/reward return potential. For the one year ending June 30, 2012, we completely sold 22 of your equity holdings and purchased 11 new holdings. These decisions are ultimately made by our Investment Policy Committee, consisting of nine senior professionals with an average of more than twenty-five years of experience per Committee member at the firm. We base these decisions on the intensive fundamental research on individual companies performed by our 22 global industry analysts and the collective judgment of the Committee.

The reality in the investment management business is that smart people make judgments that end up being both right and wrong over time. In baseball terms, "nobody bats a thousand." When a security that we own in your portfolio does not perform well, we continue to actively research the company's business opportunities and risks, talk to management, competitors and customers, fine tune our financial models for estimated profits and cash flow over the next three to four years, monitor its equity valuation, and then ask ourselves the question: would we still buy the security today if we were starting from scratch? If the answer is yes, we will continue to hold it and occasionally buy more, if we believe that the company's long-term fundamental outlook has not changed as much as its lower stock price implies. If the answer is no, then we will discuss the decision whether to start trimming or outright sell the security. In fact, we go through this all-cash portfolio exercise formally a few times each year, asking our analysts and portfolio managers to construct their own fully invested hypothetical portfolio from scratch. We then discuss the output of the exercise and determine whether we want to consider making any changes.

To help illustrate this process better, I have enclosed an exhibit showing the actual five largest detractors (% decline in value times size of holding = return impact) in StanCERA's equity portfolio for the past three calendar years (2009, 2010, and 2011). This data excludes some stocks that might have declined more in percentage terms, but had less impact because the size of holding was small. The exhibit also shows how each of the fifteen stocks (five per year, times three years) performed in the subsequent years after it was a large detractor. You can see that only one stock appears more than once – Hewlett-Packard in both 2010 and 2011. And only one of these large detractors was subsequently sold – Citigroup, which was in the same year (2009) when it was also the detractor. The other thirteen holdings (not counting HP twice) have been continuously held, but may have been trimmed or increased in size during the subsequent periods.

The bottom line is that seven of these thirteen large detractors have cumulatively outperformed the market since the year in which they were such a detractor. Five have underperformed the market and one was very close to the market return since the year in which they were detractors. Two of the positive subsequent performers – Comcast and Sprint Nextel – have more than doubled in value (over different time periods). They are also the two largest positive contributors in your portfolio year-to-date in 2012. One (Amgen) is up more than 50% and two (Wal-Mart and Bank of America) are up about 45% (again, different time periods). These strong turnaround returns have contributed quite positively to Dodge & Cox's results since the financial crisis ended and the market bottomed in early 2009. On the other hand, Hewlett-Packard has significantly detracted from Dodge & Cox's results since then, along with Boston Scientific, Computer Sciences and Sony to a much lesser extent (since they were smaller holdings), after the year in which they were large detractors. It is hard to draw absolute conclusions without also looking at changes in portfolio holding sizes over time, but it is statistically true that more than one half (seven) of these total thirteen detractors became positive contributors to our subsequent performance. This supports our view that it is not always a good idea to "shoot the losers." And in fact, it can be quite rewarding to add more to those holdings, if we have the continuing strong conviction that the security is temporarily undervalued in comparison to the company's long-term fundamental outlook. Sprint Nextel is an excellent example this year, up 107% through 8/31/12 after being down 45% last year. We added more to the holding in the spring before the stock doubled in value. This decision was made after a series of meetings with Sprint management and Board members confirmed our conviction in their turnaround plan.

Ultimately, we know that our clients will judge us by our overall performance results. However, I hope that this discussion will be helpful in answering the questions about how Dodge & Cox reacts when some of its investment decisions invariably disappoint. We will continue to actively research those companies, deepen our understanding of the challenges they face, and then collectively decide if we have the conviction to continue holding or perhaps buy more. If we don't have the conviction, we

will reduce the position or perhaps completely sell. Over decades of investing on behalf of our clients, including StanCERA, this fundamental approach has served us well. For example, **for the 20 years ending 8/31/12, StanCERA's equity account has returned 11.8% annualized, compared to 9.2% for the Russell 1000 Value Index and 8.4% for the S&P 500 Index.** For the one year ending 8/31/12, the account has returned 18.4%, compared to 17.3% for the Value Index and 18.0% for the S&P 500. We are also back to the top of our peer group in the year-to-date 2012 period. See the enclosed performance page for your account for other time periods.

Please share this letter with any Trustees you think would be interested. And please call Bob Thompson, Jane Larrow, or me if you have any questions or feedback. We sincerely appreciate StanCERA's long-term confidence in and relationship with Dodge & Cox.

Sincerely,

Wendell Birkhofer

Wendell W. Birkhofer

P.S. The sell decision for Citigroup turned out to be the right decision, since the stock has basically treaded water since we sold it in 2009.

Enclosures
Cc Paul Harte, SIS, and Robert Thompson

Stanislaus County Employees' Retirement Association - Equity

	Performance	Subsequent performance			
2009 Largest Detractors	2009	2010	2011	YTD 8/31/12	12/31/09-8/31/12 Cumulative Return
Citigroup Inc.	-44.9 sold May '09				
Comcast Corp. Cl A	1.7*	33.1	10.5	42.9	110.1
Amgen Inc.	-2.0	-3.0	18.2	32.6	52.1
Wal-Mart Stores Inc.	-2.6	3.2	13.9	23.8	45.5
Vulcan Materials Co.	-21.7	-13.8	-9.5	-1.0	-22.8
				S&P 500	33.4

2010 Largest Detractors	2010	2011	YTD 8/31/12	12/31/10-8/31/12 Cumulative Return
Hewlett-Packard Co.	-17.7	-37.9	-33.7	-58.8
Sanofi ADS	-14.9	17.3	16.5	36.6
Boston Scientific Corp.	-15.9	-29.5	1.1	-28.7
Computer Sciences Corp.	-12.9	-51.1	38.8	-32.1
Medtronic Inc.	-13.8	5.8	8.4	14.7
			S&P 500	15.9

2011 Largest Detractors	2011	YTD 8/31/12
Hewlett-Packard Co.	-37.9	-33.7
Bank of America Corp.	-49.1	44.1
Sony Corp. ADS	-48.9	-36.9
Bank of New York Mellon Corp.	-32.9	15.3
Sprint Nextel Corp.	-44.7	107.3

	2009	2010	2011	YTD 8/31/12	12/31/08-8/31/12 Cumulative Return
StanCERA Equity Total Return	30.2	14.3	-3.1	15.5	66.5
Russell 1000 Value Index	19.7	15.5	0.4	12.2	55.7
Standard & Poor's 500 Composite	26.5	15.1	2.1	13.5	68.7

* Comcast had a negative contribution to the portfolio return in 2009, even though its total return was slightly positive.

Stanislaus County Employees Retirement Association - Equity **Account # 827**

August 31, 2012 Time Weighted Total Rates of Return

Account Summary *	1 Month	3 Months	Year-to-Date	1 Year	3 Years	5 Years	10 Years	Since Inception 12/31/72
Equity Securities	**2.9%**	**11.1%**	**15.9%**	**18.3%**	**12.2%**	**-1.3%**	**7.3%**	**11.5%**
Total Portfolio **	**2.8**	**10.7**	**15.5**	**18.4**	**11.9**	**- 0.8**	**7.4**	**11.5**
Total Portfolio (Net of Fees)	**2.7**	**10.6**	**15.4**	**18.2**	**11.7**	**- 0.9**	**7.2**	**11.3**
Comparative Indices								
Standard & Poor's 500 Composite	2.3	7.9	13.5	18.0	13.6	1.3	6.5	9.8
Russell 1000 Value Index	2.2	8.3	12.2	17.3	12.1	- 0.9	6.6	N.A.

NOTE: Performance returns do not reflect the deduction of investment management fees and are annualized for periods greater than one year, unless otherwise noted.

* Account established 6/14/68; performance prior to 12/31/72 is not available.

** Before 4/1/01, Account No. 827 did not include cash equivalents.

STRATEGIC INVESTMENT SOLUTIONS, INC.

memorandum

TO: StanCERA Board of Retirement
StanCERA Staff

FROM: Paul S. Harte

DATE: October 15, 2012

SUBJECT: FALL 2012 INVESTMENT MANAGERS DUE DILIGENCE REVIEW

The StanCERA due diligence committee performed reviews of four of their equity investment managers in late August to early September:

Thursday, August 31, 2012
Pyramis Global Advisors – International Growth Equity – Smithfield, RI
Capital Prospects – U.S. Small Cap Value – Stamford, CT

Thursday, September 6, 2012
BNY Mellon Capital Management – S&P 500 Index – San Francisco, CA
Legato Capital Management – U.S. Small Cap Growth – San Francisco, CA

The StanCERA due diligence committee was represented by Jim DeMartini, Chair; Jeff Grover, Trustee and Darin Gharat, Trustee. StanCERA Staff by Executive Director, Rick Santos and by investment consultant Strategic Investment Solutions.

Pyramis Global Advisors – Smithfield R.I. – August 31, 2012

Pyramis was represented by:
Sue Curran – Sr. Vice President, Relationship Manager
Michael Strong – Lead Portfolio Manager
Brian Hoesly – Institutional Portfolio Manager
Chris Steward – Institutional Portfolio Manager
Cedric de la Chaise – Lead Portfolio Manager, European Equities
Eileen Dibb – Lead Portfolio Manager, Japan
Yasmin Landy - Institutional Portfolio Manager
Brian Higgins – Senior Account Executive

PYRAMIS OVERVIEW
StanCERA has a six-year relationship with Pyramis. Mike Jones is now Head of Pyramis and is focusing on building out distribution. Colin Fitzgerald, London (from Robeco) and Maureen Fitzgerald, USA (from SSgA) are Mike's lieutenants carrying out the day-to-day operations. Abigail Johnson (daughter of founder) was recently named the #2 person in the overall Fidelity structure.

INTERNATIONAL GROWTH

The Pyramis International Growth Team at the Total Portfolio level remains unchanged. Michael Strong is the Lead Portfolio Manager and is supported by Brian Hoesly and Chris Steward. These institution portfolio managers allocated and manage the overall portfolio from five regional sub-portfolios: Europe led by Cedric de la Chaise; Japan by Eileen Dibb; Pacific Basin Ex-Japan by Henry Chan; Canada by Joe Overdevest; and, Emerging Markets Equity by Bob von Rekowsky. The Emerging Markets exposure is part of a commingled pool. The five sub-portfolio lead portfolio managers are located in regions with the exception of Eileen Dibb located in Smithfield, R.I. and Bob von Rekowsky located in Boston.

The Emerging Markets sub-portfolio has struggled the past five years with performance trailing its benchmark by about 300 basis points. Subsequent to our onsite due diligence visit, Pyramis announced that they have made a change within the Emerging Markets sector. Effective October 1, 2012, Ashish Swarup will become the portfolio manager, succeeding Bob Von Rekowsky. Bob will be exploring other opportunities within the company. Ashish is an experienced emerging markets investment professional. He joined the London-based investment management team in 2010 and has managed or co-managed the emerging markets assets of several Fidelity portfolios.

Ashish managed the Emerging Markets All Cap product at Fidelity. That product since inception (10/29/10) had outperformed its benchmark by 955 basis points. Pyramis made a similar change in Japan a few years ago after that sector had been struggling and new portfolio manager Eileen Dibb has been successful in turning performance around.

Pyramis has a total of 213 research professionals within their platform. Research analysts evaluate companies and give stock ratings. The portfolio managers select the stocks within their sectors. The resulting portfolio is approximately 450 stocks across the five sub-sector regions. Pyramis has a pool of dedicated analysts that are separated from Fidelity. The Director of Research at Pyramis has a goal of not replicating what has already been built at Fidelity. Research analysts at Fidelity are generally hired out of college and cover twenty companies and rotate their coverage every 3-4 years. Pyramis hires experienced analysts who opportunistically find “best picks” in sectors and generally have a wider, global perspective.

Europe

Cedric de la Chaise, Lead Portfolio Manager for Europe was connected via video conference. Cedric stated that 80-90% of idea generation is done with his own set of research analysts in London. Cedric tends to own stocks that his analysts prefer with a 2-3 year timeframe and attractive valuations. A total of 15% of his portfolio is comprised of stocks with a strong buy rating vs. 7% of the benchmark and 17% of his portfolio in below-average ratings vs. 46% for the benchmark. It should be noted that portfolios may hold stock rated below-average for risk control purposes. Cedric wants to buy quality, growth companies that are undervalued. High conviction names will be over weighted by about 100 basis points.

Cedric commented on the macroeconomic events going on within Europe. Cedric stated that Europe presently cannot grow on its own and tries to avoid companies that have the majority of their revenue based purely on domestic sales. The U.S. is the biggest driver of European growth and China has begun to slow down. Cedric splits his portfolio into three parts: Cyclical (earnings risk, macro driven, valuation rock bottom); Defensive (valuations currently at extreme highs) and Financials. The allocation between these three parts is a balancing act. Cedric stated that where we are in the short-term on a

relative valuation of one versus the other two determines short-term allocation decisions on over and under-weights. A total of 28% of the European portfolio revenues is coming from Emerging Markets.

Cedric stated that ultimately Europe must enact Fiscal Reform, Banking Reform and Structure Reform. The debt situation must be neutralized and Southern European countries must make fiscal structural reforms. Periods of stress and periods of easing will be part of the evolution. Cedric is underweight the Financial sector (primarily banks) because of sovereign issues. He remains balanced in cyclicals (with an overweight to Chemicals) and balanced in defensive, quality growth companies.

Emerging Markets

Yasmin Landry from the Emerging Markets team gave us a review. Emerging Markets remains a less efficient asset class and Pyramis will go down in capitalization size to take advantage of the inefficiencies. The EM Equity team will work with their debt colleagues. The EM portfolio management team in Boston works with analysts "on the ground" across the emerging markets countries.

Sectors are constrained +/- 300 basis points and Countries are constrained +/- 500 basis points. The EM team has been built out these past few years. The thematic ideas generated in Emerging Markets also get consideration in Developed Markets. EM is currently 25% of the total International Growth portfolio and is thus fairly neutral to the MSCI ACWI ex-US Index benchmark weighting. The EM team generally will look out two years on forward earnings. The portfolio tends to be a mix between durable "steady" growers and companies with strong growth prospects.

China has been a tricky place for Pyramis in regards to stock selection and has thus had a negative effect on overall performance. Pyramis has been adding resources to both China and India. The EM portfolio (in a commingled format) has a total of 200-250 stocks and active position weight relative to the benchmark of 60% is made up from best ideas stocks.

Subsequent to our onsite due diligence visit, Pyramis announced that they have made a change within the Emerging Markets sector. Effective October 1, 2012, Ashish Swarup will become the portfolio manager, succeeding Bob Von Rekowsky.

Pacific Basin ex-Japan

The Pacific Basin ex-Japan region has also been challenging these past few months for Pyramis. Up to 11/2011, the region had been adding value. Asia and China (Hong Kong) has proved to be the difficult geographic areas. The fund has taken on a more conservative China positioning and has also recently added resources and more individuals in their Hong Kong office. One of the reasons for underperformance has been that the Pacific Basin portfolio has a smaller cap weighting than the benchmark in periods where large caps have outperformed.

Japan

Lead Portfolio Manager Eileen Dibb was present in Smithfield to review the Japan region that stands at 15.3% of the total portfolio. Eileen was quite enthusiastic about her portfolio and stated that her portfolio has a robust mid-cap weighting. Eileen is quite positive on Japan as the strong yen over the past few years has hurt overall performance of the Japanese exporters. However, this has cause management of Japanese companies to begin cutting costs. Companies have struggled versus inflation, yen strength and natural disasters but there are a growing number of companies that are "fantastic" according to Eileen. If the yen weakens just a bit Eileen will expect to see very strong results from her portfolio companies.

Risk Management

Ian Baker gave an overview of Pyramis' risk management platform. His group is comprised of five professionals with three in the Portfolio Monitor Team and two Investment Analysts. The team of five on a daily basis reviews risk factors at the product level. The team will have a quarterly review with the International Growth team with a focus on compliance with investment risk expectations. A review is also made of the five regions making up the total portfolio. An in-depth analysis of all portfolios and a risk dashboard that looks at the following: Risk measures, Trading activity, Performance, Exposures and Risk decomposition.

FX Trading

Jake Ryan gave an overview of Pyramis and FX Trading as it is related to the International Growth portfolio that StanCERA is invested in. Pyramis traded approximately $116 million in FX trades during the one-year period to June 30, 2012. About 48% executed by Pyramis through the StreetFX service (used by Pacific Basin ex-Japan and Canada); about 50% executed by Pyramis through the FMR FX Trading Desk (used by Europe, Japan and EM sleeves) and the remaining 2% executed by BNY Mellon as Custodian to the account in a select few countries. StanCERA's custodian, BNY Mellon does charge ticket charges on all FX Trading.

Pyramis then gave us a tour of their trading desk and Portfolio Management desks. The amount of dollars that has been spent on systems and technology was quite impressive. The building that Pyramis shares with Fidelity (primarily high net worth division) is the largest building in Rhode Island and is only three stories high.

Performance

As of July 31, 2012 Pyramis performance is illustrated in the table below:

	1-Year	3-Years	5 Years	Since Inception
StanCERA Gross	-11.27	6.48	-3.00	0.43
StanCERA Net	-11.73	4.96	-3.49	-0.07
Benchmark	-12.16	4.18	-4.29	-0.71
Alpha Gross	0.89	2.30	1.29	1.14
Alpha Net	0.43	1.78	0.80	0.64

Benchmark: MSCI ACWI ex-US Index
Since Inception date: 5/11/2006
Performance figures are annualize returns in %
Fees average 50 bps per year
Strategic Investment Solutions recommends that StanCERA continue to use Pyramis as their provider for Active Non-US Equities with a Growth style.

Capital Prospects LLC – Stamford, CT. – August 31, 2012

Marilyn Freeman – Principal & Manager
Elizabeth Knope – Principal & Manager
Claudia Lupinacci – Sr. Client Service / Operations
Joan Cueni – Sr. Client Service / Operations
Ashley Martin – Sr. Research / Operations

Capital Prospects Overview
Capital Prospects was founded as a multiple-manager in the fall of 2002 by co-owners Marilyn Freeman and Liz Knope. The two founding principals have over 20 years of experience in the manager-of-managers business at a former employer, Northern Trust. The firm is equal owned by its two founding partners.

Cap Prospects has a total of 8 public funds client relationships with assets at $1,059 million as of July 2012. Cap Prospects specializes in domestic emerging managers and all of their portfolios are in the domestic equity space.

Cap Prospects has 5 full-time employees and currently is searching for a Senior Research investment professional to add to their staff. In addition, the firm has one outside contract consultant.

StanCERA Small Cap Value Emerging Manager Program
Both of the partners (Marilyn and Liz) are involved in the StanCERA small cap value program design, with Liz Knope as the lead. Ashley Martin is the principal day-to-day administrative contact. Cap Prospects believes that a well-diversified investment program, including a mix of managers that covers all components of the established benchmark, offers the best opportunities for outperformance over the long term.

Overall, Cap Prospects has a focus list of 180 firms across the entire spectrum of domestic equities. A total of 42 firms have been funded and an additional 130 firms are either very early in the research process or still monitored but of less interest. The small cap value sub-group contains about 50 firms that are monitored.

The investment due diligence process includes the following steps:
1. Gather and review background information on the manager
2. Manager interviews
3. Quantitative analysis
4. “Focus List” managers

The investment decision making process includes the following steps:
1. Establish investment objectives and guidelines
2. Test combinations of managers and
3. Select initial manager mix

In the current small cap value program for StanCERA, Channing, InView and Ten in aggregate provide the program’s “relative value” core group. Satellite strategies around the core are Bernzott, Keeley and Walthausen. The program is monitored on an ongoing basis and manager changes and rebalancing is performed when necessary.

The StanCERA small cap value account was funded on January 1, 2009 with $49.1 million. As of July 31, 2012 the account value was $62.6 million that includes withdrawals of $17.5 million plus monthly cash distributions of $300,000 in 2010 and $250,000 in 2011.

The resulting portfolio of six managers is quite diversified with 342 holdings and a higher Return on Equity of 16.7% vs. 6.3% for the Russell 2000 Value Index. The portfolio has a moderate risk level with a forecasted tracking error of 3.6%.

StanCERA Performance
Performance since inception has met and exceeded expectations. As of September 30, 2012 the Capital Prospects emerging manger program has returned +17.92% vs. +13.78% for the Russell 2000 Value Index, or an annualized alpha of 414 basis points.

The move to a manager of manager program in 2009 in the U.S. small cap asset class has been quite beneficial. Strategic Investment Solutions recommends that StanCERA retain Capital Prospects as their small cap value manager.

Mellon Capital Management Corporation ("Mellon Capital") – San Francisco – September 6, 2012

Key Personnel
Alexander Huberts – President (Investments & Finance)
Lowell Bennett – Managing Director (Global Investment Strategist)
Karen Wong – Managing Director (Head of Equity Portfolio Management)
Richard Brown – Director (Senior Portfolio Manager)
Tom Durante – Director (Senior Portfolio Manager)
Rebecca Gao – Director (Senior Portfolio Manager)
Marlene Walker Smith – Director (Senior Portfolio Manager)

Mellon Capital Overview
Mellon Capital Management Corporation ("Mellon Capital") was established in 1983 as an indirect wholly owned subsidiary of Mellon Financial Corporation. On July 1, 2007, The Bank of New York Company, Inc. and Mellon Financial Corporation merged, creating The Bank of New York Mellon Corporation ("BNY Mellon"). As a result, Mellon Capital became an indirect wholly owned subsidiary of BNY Mellon.

Mellon Capital is headquartered in San Francisco, and houses a fully integrated investment platform of portfolio management, research, trading, operations, client service and marketing. Client types include corporate plans, public and labor union retirement plans, endowments, foundations, and the sub-advisory marketplace.

Mellon Capital – S&P 500 Index Fund
Mellon Capital's equity indexing approach is disciplined and structured. Portfolios are constructed to achieve performance and characteristics similar to those of the benchmark. For equity index portfolios, risk is generally defined as tracking error. To minimize tracking error, portfolio managers use portfolio analytics designed to identify composition biases. Portfolio managers use monitoring systems to evaluate and manage each index portfolio. The systems identify security mis-weights and analyze factor biases by economic sector, capitalization sector, and yield. Portfolio managers continuously evaluate the portfolio's composition relative to the index. A portfolio is rebalanced when

a factor bias threshold is exceeded, typically using cash flows from dividend accruals and contributions and withdrawals.

Mellon Capital employs a strategic trading approach when rebalancing a portfolio due to benchmark changes. The dual goal of its trading approach is to minimize risk in the portfolio and preserve portfolio value. The approach is based on two premises: (1) trading smaller pieces generally results in lower transaction costs, and (2) trading quietly with unpredictable timing can result in better executions of trades. If advantageous, trades may be executed before the effective date, on the close of the effective date, and completed after the effective date.

StanCERA Performance
Mellon Capital's S&P 500 Index fund has performed as expected.

	1-Year	3-Years	5-Years	10-Years
StanCERA Net	30.26	13.26	1.13	8.07
S&P 500	30.20	132	1.05	8.01

Legato Capital Management – San Francisco – September 6, 2012

Victor Hymes – CEO and CIO
Adam Lawlor – Sr. Vice President
Douglas Porter – Sr. Vice President
Eric Pollack – Sr. Vice President
Tim Byrd – Vice President
Eric Tsang – Vice President

Legato Overview
Legato was established on February 11, 2004 and since its formation has focused on the construction of multi-manager portfolios. Victor Hymes and Forward Management, LLC provided the capital for the formation of Legato. Forward is a limited partner to Legato. Legato Employee, LLC, a Delaware limited liability company, was organized in 2008 for the sole purpose of facilitating the transfer of Legato ownership profits interest to the employees of Legato. Victor Hymes owns 57%, Forward Management 35%, and Legato Employee LLC 8% of the stock of the company.

Legato has a total of 9 client relationships with assets at $1.6 billion as of June 2012. A total of five of these clients are public funds. Client mandates include Domestic Large Cap; Domestic SMID Cap; Domestic Small Cap (StanCERA included); Domestic Micro Cap; Domestic All Cap; International Large Cap; and, Emerging Markets Equity.

Legato has a total of 13 full time employees and has added four professionals since the end of 2010. A total of 6 of these employees are on the investment team; 3 are analysts and the remaining 4 are administrative.

StanCERA Small Cap Growth Emerging Manager Program
Investment decisions are made collectively by the investment team members, utilizing Legato's Conviction Ranking process. Emerging managers are reviewed on a quarterly

basis and ranked independently by investment team members. Any proposal to change an existing manager line-up or a change in allocations is further discussed with Legato's CIO and Legal Counsel. The four active members of the investment team are as follows: Victor Hymes, Adam Lawlor, Doug Porter and Eric Pollack. Adam Lawlor has lead responsibility for the StanCERA portfolio along with Doug Porter as his co-leader.

Legato's conviction ranking process is at the core of all manager research and due diligence, portfolio construction and rebalancing activities. The CIO does have the final say regarding the inclusion of emerging managers. Quarterly, Legato re-evaluates each funding manager in five important areas and also ranks the focus list of unfunded managers with high potential. Fundamental to their process is the belief that deterioration of alpha production occurs over time. When any manager's Conviction Ranking falls below (3), that manager is given two quarters to either: demonstrate their ability to mitigate the issue(s) and, as a result move back to a Conviction Ranking (3) status or higher; or have Legato begin the process of removing client assets from the manager's care.

Legato's portfolio construction process is designed to integrate manager selection, asset allocation, and risk management to build portfolios that aim to achieve consistent alpha, while reducing overall risk.

The creation of a portfolio has five steps:

1. Customization. Understanding the clients risk and return expectations along with proper benchmark.
2. Manager selection. Identification of the proper investment managers for a client's customized portfolio from Legato's conviction ranked manager universe. Correlations of absolute returns and alphas between managers.
3. Multi-Scenario Portfolio Construction. Legato blends the investment manager Conviction Rankings to determine an initial portfolio allocation. Each manager's ranking determines the maximum allocation weight within a portfolio. For example, a manager with a ranking of (3) has a maximum weight of 25% and (4) a weight up to 35%.
4. Portfolio Structure and Diversification. The multiple scenario portfolio allocations are back-tested and each portfolio is evaluated to test for optimal portfolio structure and diversification.
5. Investment Due Diligence and Ongoing Monitoring.

StanCERA Portfolio Update and Performance

Performance since inception has met expectations. As of September 30, 2012, the StanCERA portfolio has returned +21.27% vs. +19.54% for the Russell 2000 Growth Index, or 173 basis points of alpha on an annualized basis. The Inception date of the StanCERA portfolio was 12/22/2008.

The move to a manager of manager program in 2009 in the U.S. small cap asset class has been quite beneficial. Strategic Investment Solutions recommends that StanCERA retain Legato Capital Management as their small cap growth manager.

Top

10/23/12
Item #11a.ii.

Client Due Diligence

Pyramis International Growth

August 2012

Stanislaus County Employees'
Retirement Association

Pyramis
GLOBAL ADVISORS™
A Fidelity Investments Company

Table of Contents

Section I	Due Diligence Questionnaire
Section II	StanCERA – IG Portfolio Attribution
Section III	Commission Usage and Directed Brokerage Policy
Section IV	Code of Ethics
Section V	Service Provider Oversight
Section VI	Foreign Exchange (FX) Trading Policy
Section VII	StanCERA Portfolio – FX Transaction Cost Analysis

Section I

Due Diligence Questionnaire

Pyramis
GLOBAL ADVISORS™
A Fidelity Investments Company

STANCERA DUE DILIGENCE QUESTIONNAIRE

Date: Thursday, August 30, 2012, from 8:00 – 10:00 am

Company: Pyramis Global Advisors Trust Company (PGATC)
International Growth Equity

Site: Smithfield, RI

Reviewers: StanCERA Due Diligence Committee Members
StanCERA Staff
Paul Harte (Investment Consultant – SIS)

Contacts: Sue Curran, Relationship Manager

A. History, Ownership and Experience

A1. Please provide a description of your firm's history including years in business and historic ownership.

FMR LLC, commonly referred to as Fidelity or Fidelity Investments, is a privately owned financial services firm founded in 1946 by Edward Johnson 2nd, the father of the current Chairman, Edward Johnson 3rd. Currently one of the largest privately held investment management firms, Fidelity's ownership structure allows its interests to align with those of its clients.

Pyramis Global Advisors (Pyramis) was established in 2005 as a wholly owned subsidiary of Fidelity to focus on the unique needs of institutional clients. Pyramis' investment team was initially formed through the migration of investment professionals from Fidelity's institutional portfolio teams. In addition, Pyramis gained the institutional sales and client services operations of Fidelity Management Trust Company (FMTC), which was Fidelity's distribution entity at that time.

Pyramis offers clearly-defined, traditional long-only, equity, fixed income, asset allocation, and alternative disciplines as well as customized solutions to meet specific client objectives. Its mission is to help clients achieve their investment and business objectives by harnessing its deep and diverse capabilities. Pyramis offers its investment strategies through commingled pools, separate accounts, and limited partnerships. Pyramis' ongoing goal is to exceed industry standards for investment and business performance.

A2. List the total number of institutional clients and account assets gained and lost for this and each of the last five calendar years: (Firm-side Gain/Loss)

The following table provides the assets and account gains and losses for YTD 2012 and the past four years at the firm level.

Period	Accounts Gained	Assets Gained ($M)	Accounts Lost	Assets Lost ($M)
06/30/2012	50	5,295.61	41	1,707.49
2011	118	10,041.24	93	9,818.03
2010	111	9,706.23	113	14,576.72
2009	135	8,037.35	93	6,121.19

Period	Accounts Gained	Assets Gained ($M)	Accounts Lost	Assets Lost ($M)
2008	39	2,213.09	16	1,409.33

Please also list the same information (assets gained and lost) as it specifically relates to the US International Growth Equity product that StanCERA has invested with Pyramis.

The following table provides the assets and account gains and losses for YTD 2012 and the past four years at the product level.

Period	IG Accounts Gained	Assets Gained ($M)	IG Accounts Lost	Assets Lost ($M)
06/30/2012	2	3.15	0	0
2011	5	29.67	4	861.85
2010	1	10.10	2	958.53
2009	0	38.63	4	262.38
2008	0	70.69	5	1,063.10

A3. Describe the firm's underlying philosophy and mission statement.

Pyramis Global Advisors is an institutional asset manager whose mission is to help its clients achieve their investment and business objectives by harnessing our deep and diverse investment capabilities. Our ongoing goal in this mission is to exceed industry standards for investment results, client service and overall business performance, which is backed by Pyramis' extensive resources. Such resources include one of the largest global research organizations in the world, including dedicated Pyramis analysts, and comprehensive research done across companies' capital structures, globally. Additionally, a strong commitment to robust risk management, fueled by proprietary and commercial risk tools, serves to focus our security selection and portfolio construction discipline in an efficient and purposeful manner, on behalf of our clients.

It follows then that our investment philosophy as a Firm has its underpinnings in security selection. Generally, while we are acutely knowledgeable on all the macroeconomic pressures that influence the environments or markets in which we invest, we are ultimately producing purposeful returns on the back of security selection. Our primary skill set is rooted in security selection. That is not to say that we do not vary portfolio construction techniques depending on the asset class at hand, we do. Whether it be constrained sector allocations in equity or duration awareness in fixed income, we have implicit or explicit guidelines for each strategy. It is, however, the belief of our Firm that our portfolio managers' strongest probability for achieving client goals is to harness the security specific knowledge resident in our research. We believe that this approach, over time, allows us to fulfill our mission.

Mission Statement

Pyramis delivers asset management products and services designed to meet the unique needs of institutional investors around the world. Pyramis is a multi-class asset manager with extensive experience, offering long-only and alternative equity, as well as fixed income and real estate debt and REIT investment strategies.

A4. What overall changes have been made in staffing over the past three calendar years? Has there been a significant increase or decrease in the size of staffing or rotation of staff between accounts?

Firm Level

The following table shows the Pyramis investment-professional gains over the past three calendar years and YTD 2012.

Role	Gains as of 06/30/2012	Gains for 2011	Gains for 2010	Gains for 2009
Portfolio Manager	0	1	0	7
Research Analysts	4	7	5	10
Research Associates	1	2	0	2
Traders	1	0	0	1
Other	2	0	0	0
Total*	**8**	**10**	**5**	**20**

**Source: Pyramis Global Advisors as of June 30, 2012. Data is unaudited.*
These figures reflect the resources of Pyramis Global Advisors, a US company.

The following table shows the Pyramis investment-professional losses over the past three calendar years and YTD 2012.

Role	Losses as of 06/30/2012	Losses for 2011	Losses for 2010	Losses for 2009
Portfolio Manager	1	4	2	3
Research Analysts	4	3	3	3
Research Associates	0	2	1	0
Traders	0	0	1	0
Other	1	0	0	0
Total*	**6**	**9**	**7**	**6**

**Source: Pyramis Global Advisors as of June 30, 2012. Data is unaudited.*
These figures reflect the resources of Pyramis Global Advisors, a US company.

Product Level

The following change occurred within the International Growth investment team within the past three years: In April 2011, management of Pyramis International Growth's Pacific Basin (ex-Japan) portfolio sleeve transitioned to Pyramis portfolio manager Henry Chan from Fidelity International portfolio manager John Lo.

A5. Have your company or principal officer(s) been involved in any litigation or other legal proceedings over the past three years related to your investment activities?

From time to time, in the regular course of its business, PGATC (including any officer or principal thereof) may be involved in legal proceedings (including, but not limited to, litigation, bankruptcy, receivership, or similar proceedings). There are no material legal proceedings pending against PGATC that might affect the investment management services contemplated herein.

A6. When did the SEC last audit your firm? Please note any material findings or recommendations.

PGATC is not registered with the SEC as an investment advisor. PGATC is a New Hampshire limited-purpose trust bank. As a bank, PGATC is exempt from SEC registration under the Investment Advisers Act of 1940 and is therefore not required to file Form ADV.

B. Firm Overview: Ownership, Offices Organization, Clientele

B1. Please provide a description of your firm's ownership.

Pyramis Global Advisors (Pyramis) was established by FMR LLC (Fidelity or Fidelity Investments) in 2005 as a separate business unit to focus on institutional clients. The Pyramis group of companies is wholly owned by Fidelity under Pyramis Global Advisors Holdings Corp. (PGAHC), a directly held subsidiary of Fidelity. In the US, Pyramis provides investment management services to institutional clients through Pyramis Global Advisors Trust Company (PGATC), a New Hampshire limited-purpose trust company, and Pyramis Global Advisors, LLC (PGA LLC), an investment advisor registered with the Securities and Exchange Commission. PGATC and PGA LLC are each wholly owned, directly held subsidiaries of PGAHC.

Fidelity is a privately held company whose shares are principally owned (51%) by officers and senior employees of Fidelity and members of their families (including members of the Edward C. Johnson 3d family). Johnson family members, by virtue of their ownership and control of Series B Voting Common Shares of Fidelity, control 49% of the voting power of Fidelity shares.

B2. Are there any anticipated changes in ownership in the next twelve months?

Private ownership has provided Fidelity with a stable platform to pursue long-term business goals and there are currently no plans to change this ownership structure.

B3. List the city location(s) of your firm's office(s) and headquarter office.

Pyramis maintains its corporate headquarters and primary investment offices in Smithfield, Rhode Island, and has offices in six other locations worldwide. The following table shows Pyramis' institutional investment offices:

Location	Function
Smithfield, RI (USA)	Portfolio Management & Research, Marketing, Technology, Administration, Distribution, and Client Service
Boston, MA (USA)	Portfolio Management & Research, Marketing and Technology
Merrimack, NH (USA)	Portfolio Management & Research
Toronto	Portfolio Management & Research, Marketing, Distribution, and Client Service
Montreal	Portfolio Management & Research and Distribution
London	Portfolio Management & Research, Distribution and Administration
Hong Kong	Portfolio Management & Research, Distribution, and Administration

B4. Are there any anticipated significant changes in the location of your office(s)?

No changes are anticipated at this time.

B5. Does your firm have a business continuity plan that would allow for the firm to occupy alternative office space in the event that your firm's current office space cannot be used due to some unforeseen disaster, interruption of necessary building services (such as electricity) or other reason?

At Pyramis, significant resources—including staff, time, facilities, and equipment—are dedicated to managing our Business Continuity Program. This program allows us to continue to provide the full spectrum of financial services in the event of an incident affecting operational functions, applications, networks, and/or building sites. Our goal is to provide uninterrupted service; and in so doing ensure that our clients' interests, as well as our own, are best protected.

Pyramis is able to leverage Fidelity-wide resources as well as invest specifically in a business unit Business Continuity Plan. Fidelity has established an Enterprise Business Continuity (EBC) team that drives business continuity planning efforts. This team provides guidance, training, expertise, and governance to all Fidelity business units. Fidelity's Enterprise Business Continuity System has obtained BS25999 Certification.

EBC maintains strong ties with Federal, state, and local agencies (e.g., Homeland Security, Police, Fire, etc.) that have jurisdiction over event management for each Fidelity location. EBC is responsible for emergency event management and alternate site readiness. EBC also provides oversight of business unit continuity plans and testing practices, which culminates in a semi-annual scorecard that is independently sent to business unit presidents.

EBC assigns a business continuity liaison to work with the Pyramis continuity planner, who in turn works with relevant business function representatives, application owners, and network owners to evaluate the business requirements and identify alternative facilities, equipment, and essential personnel to ensure that procedures are in place to quickly recover from any type of business interruption.

The main goals of the Pyramis Business Continuity Program are to:

- Understand and anticipate a disruption in service
- Create awareness and avoid complacency
- Establish, test, and maintain effective recovery procedures

The program documents the planning and recovery processes required to maintain our critical business functions during an unexpected business interruption and throughout the recovery. It is guided by procedures that involve all employees and vendors and is subject to periodic audits.

Fidelity has three main data centers located in Texas, New Hampshire, and North Carolina. All three sites are configured to be able to back up the other in an emergency situation. Tapes are stored off-site at Fidelity Information Management Company (FIMCo).

B6. List the investment-related service(s) that your firm provides including investment mandate management, investment consulting, trading, brokerage, custodial or other services.

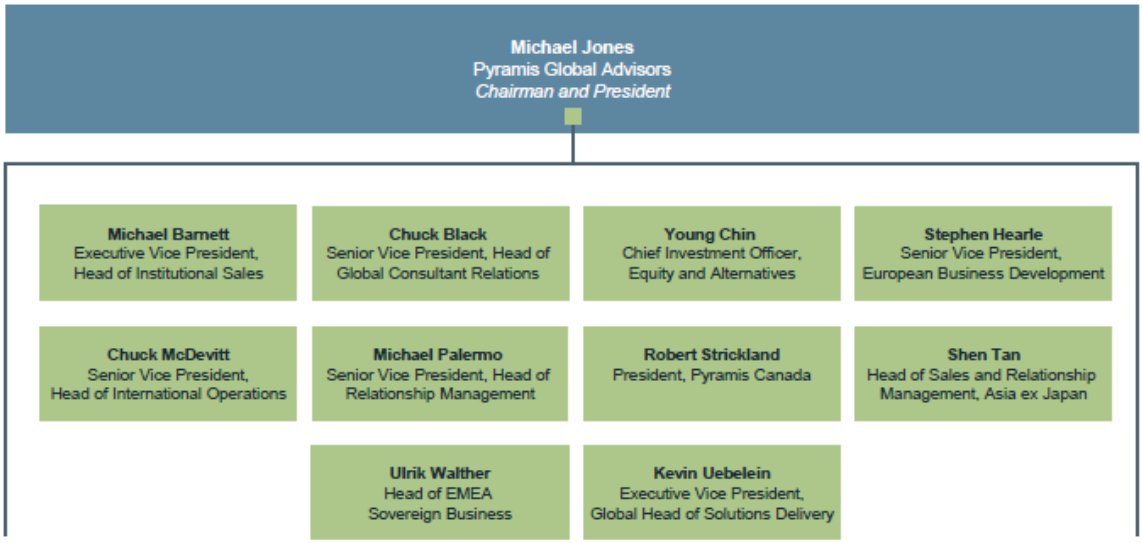
Investment management fees comprise nearly all of Pyramis' revenue. A very small amount of revenue (less than 1%) was derived from investment income.

B7. Provide a firm-wide organization chart showing your firm's investment-related business and other supportive functions.

The following chart shows the organization of our investments, distribution, and operations groups.

Pyramis Global Advisors: Distribution, Operations, and Investments Organizational Structure

As of June 30, 2012



B8. Does your firm have any non-investment mandate management business?

Please refer to our response to Question B6.

B9. List the number of institutional clients firm wide by asset size in each of the following categories:

The following table shows the number of institutional clients by asset size in public and other fund types at the firm level. Data is shown as of June 30, 2012.

Account Size	Clients in Public Funds	Other Clients
$1 Million – $100 Million	47	276
$100 Million – $250 Million	27	85
$250 Million – $1 Billion	32	54
Over $1 Billion	8	30

Please also list the same information as it specifically relates to the International Growth Equity product that StanCERA has invested with Pyramis.

The following table shows the same information for the International Growth strategy. As in the previous table, data is shown as of June 30, 2012.

Account Size	IG Clients in Public Funds	Other IG Clients
$1 Million – $100 Million	8	30
$100 Million – $250 Million	2	3
$250 Million – $1 Billion	5	3
Over $1 Billion	2	0

C. Portfolio Team – International Growth Equity

C1. Provide detailed biographical information for each member of the International Growth Equity portfolio team that is running the StanCERA portfolio including education, degree(s), certification(s), charter(s), and years with the firm and years in the industry.

Each International Growth account is managed by a team of regional portfolio managers, and a lead portfolio management team who are responsible for total portfolio performance, both in terms of implementing active regional allocation policy and ensuring that the total portfolio meets client objectives and guidelines. The regional portfolios for StanCERA's portfolio are: Europe, Japan, Pacific Basin ex-Japan, Canada, and Emerging Markets.

The five regional portfolio managers (one portfolio manager for Europe, one portfolio manager for Japan, one portfolio manager for Pacific Basin ex Japan, one portfolio manager for Canada, and one portfolio manager for Emerging Markets) are each individually accountable for the performance of his/her regional portfolio. The portfolio managers work closely with Pyramis Global Advisors' and the broader Fidelity analysts to generate new investment ideas and constantly monitor portfolio holdings to ensure that we hold high conviction stocks that are consistent with the overall portfolio's risk profile. The lead portfolio management team consists of the lead portfolio manager (Mike Strong) and two institutional portfolio managers (Chris Steward and Brian Hoesly) who work closely with the regional portfolio managers in monitoring portfolio risk, performance and portfolio construction.

Biographies for the team members follow:

Michael C. Strong
Portfolio Manager

Michael Strong is an institutional portfolio manager at Pyramis. He is lead portfolio manager for the Pyramis International Growth strategy.

Prior to assuming his current role, Mike was an investment director responsible for Fidelity's institutional international equity strategies. Prior to joining Fidelity in 1998, he spent almost 10 years as a senior investment consultant at Watson Wyatt in London. Prior to that, Mike was the investment manager for Ford Motor Company's European Pension Plans.

Mike earned a Bachelor of Arts degree in Economics from the University of Manchester, England.

Brian Hoesly, CFA
Institutional Portfolio Manager

Brian Hoesly is an institutional portfolio manager at Pyramis. He is a member of the portfolio management teams for the Pyramis International Growth, International Value, Global Equity Market Neutral and US Equity Market Neutral strategies.

Prior to joining Pyramis in 2006, Brian was vice president at Wellington Management, working with clients invested in multiple strategies, including international equities and asset allocation. He actively conducted portfolio reviews on a wide array of strategies articulating performance, process, holdings, and investment themes on behalf of portfolio management teams.

Prior to joining Wellington Management, Brian served in the product and investment areas of Mellon Trust, the global data research group at Interactive Data Corporation, and with Kidder, Peabody & Co., Inc. He has more than 19 years of investments industry experience.

Brian earned a Bachelor of Science degree from the University of Wisconsin and a Master's degree in Business Administration from Boston University. He is a Chartered Financial Analyst charterholder and a member of the Boston Securities Analysts Society.

Chris Steward, CFA
Institutional Portfolio Manager

Chris Steward is an institutional portfolio manager at Pyramis. He is a member of the portfolio management teams for the Pyramis International Growth and Select International Small Cap strategies.

Prior to joining Pyramis in 2006, Chris was a vice president and portfolio advisor at Wellington Management. In that role, he conducted investment reviews with prospects and clients on a broad range of equity, fixed income, and asset allocation products. Chris also worked with the global asset allocation group at Putnam Investments, where he served as a portfolio manager for five years in the global bond group at Scudder, Stevens & Clark, and was an analyst in various capacities with the Federal Reserve Bank of New York for five years.

Chris earned a Bachelor of Arts degree from Vassar College and a Master of Arts degree in Economics from Cambridge University in England. In addition to being a Chartered Financial Analyst charterholder, Chris also has authored and co-authored numerous texts on international investing, one of which was a required reading for Level III of the CFA program.

Cedric de la Chaise
Portfolio Manager, European Equities

Cedric is a portfolio manager in the European Equities Group at FIL Limited. Based in London, he is responsible for managing pan-European equity portfolios on behalf of institutional clients.

Prior to assuming his current role, he was an assistant portfolio manager for Fidelity's European Growth fund. Previously, Cedric served as sector leader for the Consumer Team and managed the Global Consumer Sector Fund, was a sector leader for European Financials, and worked as an equity analyst covering European media, insurance, retailers, and micro-cap stocks. He joined FIL Limited in 1995.

Cedric earned his M.Sc. from Warwick Business School.

Eileen M. Dibb, CFA
Portfolio Manager

Eileen Dibb is a portfolio manager at Pyramis. She manages Japan equity portfolios including the Japan portion of the Pyramis International Growth strategy.

Prior to assuming her current role at Pyramis, Eileen was responsible for researching and analyzing Asian stocks for a global equity portfolio managed by Fidelity Investments. Prior to joining Fidelity in 2005, Eileen was vice president and regional analyst at Wellington Management Company, where she managed dedicated Japan portfolios. Prior to joining Wellington in 1999, she was an international equity analyst at DuPont Pension Fund, beginning in 1997. Eileen also served in a number of roles at The Dai-ichi Mutual Life Insurance Company from 1992 through 1996.

Eileen earned a Bachelor of Arts degree in International Relations and Japanese Studies from Bucknell University and a Master of Business Administration degree from The Wharton School at the University of Pennsylvania. She completed a program of study at the Center for Japanese Studies at Nanzan University in Nagoya, Japan and is fluent in Japanese. She is a Chartered Financial Analyst (CFA) charterholder, and is a former board member of the Boston Security Analysts Society.

Henry Chan, CPA, CFA
Portfolio Manager

Henry Chan is a portfolio manager at Pyramis. In this role, Henry is responsible for managing investment strategies focused on the Pacific Basin region.

Prior to joining Pyramis in 2011, Henry was a portfolio manager responsible for Asian investment policy at Baring Asset Management beginning in 2004 where, most recently, he was head of the Asia investment team with specialist research responsibilities on Greater China markets. He had the lead role in Baring's Asian institutional mandates and flagship retail products. At the specialist level, Henry managed the Greater China Fund Inc, a US-listed, closed-end fund, and co-managed the Baring China Absolute Return Fund and Baring Korea Trust. Prior to joining Baring Asset Management he worked at Invesco (formerly LGT) where he handled a number of Pacific Basin (including Japan) and Asia ex Japan portfolios. He has specialist experience in a number of markets including Taiwan, Hong Kong, China, Korea and Japan. He was also the lead fund manager of INVESCO Asia NET Fund, INVESCO GT Taiwan Fund and a number of Greater China portfolios.

Henry earned a Bachelor's degree from the London School of Economics and Political Science in 1992. He is a Certified Professional Accountant and a CFA charterholder. Henry speaks fluent English, Cantonese, and Mandarin.

Joe Overdevest
Portfolio Manager

Joe Overdevest is a portfolio manager for the Canadian Focused Equity strategy, the Canadian equity sub-portfolio of Pyramis International Growth strategy, and Fidelity Global Fund. He is a co-portfolio manager of Fidelity Global Natural Resources Fund and the equity sub-portfolio of the Fidelity Canadian Asset Allocation Fund. He is also co-portfolio manager of Pyramis Canadian Systematic Equity at Pyramis Global Advisors, a Fidelity Investments company.

Prior to assuming his current role, Joe was a research analyst with Team Canada, the research and portfolio management team for investment products sold through Fidelity Investments

Canada ULC. Previous areas of coverage include: Canadian oil and gas, diversified financials, telecommunications, retail, consumer durables, and automotive parts.

Joe earned a Bachelor of Business Administration honors degree from Wilfrid Laurier University.

Bob von Rekowsky
Portfolio Manager

Bob von Rekowsky manages all of Fidelity's emerging markets equity funds. He also manages several institutional and retail funds available to domestic and overseas investors.

Bob joined Fidelity's Fixed Income Division in 1989. In 1995, he moved along with the emerging markets debt group into the company's high income division as a sovereign debt analyst. Bob continued in that role while working out of Fidelity's London office from 1996 to mid-1998, when he then transitioned into European equity research. From mid-1998 to 2002, Bob split his time as a research analyst between Emerging and pan-European equities. During that time, Bob was sector leader for emerging markets in London.

From 2002 to 2004, Bob was an associate fund manager for the emerging markets funds, responsible for the EMEA region. In January 2004, Bob relocated to Boston to take over management of all of Fidelity's global emerging market equity funds.

Bob received his B.A. from the University at Albany, SUNY, his M.A. from Northeastern University, and his M.S. in Finance from Brandeis University. Bob is a member of the Boston Economic Club, the Boston Committee on Foreign Relations and World Boston. He is also a coordination board member for the Armenia 2020 project.

Bob authored "Investor's Outlook" in Russian Investment Review's June to October 2003 edition. He was voted "Best of the Buyside" in Institutional Investor magazine in 2001, 2002 and 2003.

C2. Describe the decision-making process between investment professionals on the International Growth Equity team.

StanCERA's International Growth portfolio is managed by a team comprised of portfolio managers who are each individually accountable for the performance of his/her regional portfolio. The regional portfolio managers each have ultimate decision-making authority and accountability for their respective regional portfolio within the investment guidelines. The entire portfolio is overseen by a three-person lead portfolio management team, led by Michael Strong. Mike is responsible for the total portfolio performance, both in terms of implementing active regional allocation policy and ensuring that the total portfolio meets client objectives.

C3. Which portfolio managers work on StanCERA account(s) and who is ultimately responsible for the decision-making of the composition of the portfolio?

Mike Strong is ultimately responsible for the portfolio, both in terms of implementing active regional allocation policy and ensuring that the total portfolio meets client objectives. Mike works closely with institutional portfolio managers Chris Steward and Brian Hoesly. As stated previously, the regional portfolio managers have complete discretion over security selection in their respective regional sub-portfolios.

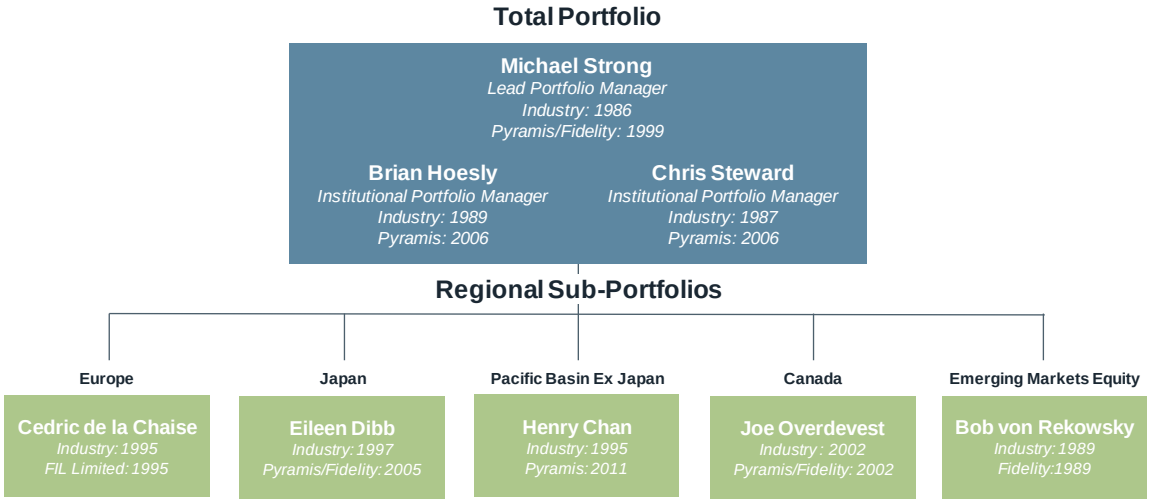
The regional portfolio managers working on StanCERA's portfolio are as follows:

Cedric de la Chaise	Europe
Eileen M. Dibb, CFA	Japan
Henry Chan, CPA, CFA	Pacific Basin ex Japan
Joe Overdevest	Canada
Bob von Rekowsky	Emerging Markets

Please see our answer to the preceding questions for further detail on the structure of the investment team.

C4. Provide a functional organization chart that shows the specific positions or titles of employees that oversee the International Growth Equity accounts?

The following chart shows the organization of the International Growth Investment Team.



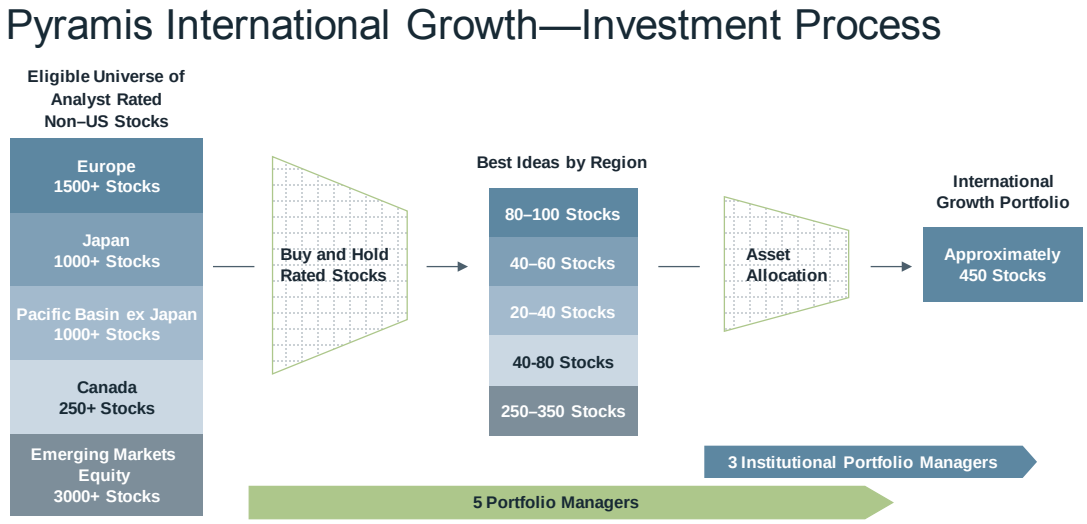
C5. Provide a detailed explanation of how the decision-making body operates for International Growth Equity. Include in the explanation the inputs, range and limits of decisions reached by the various participants in the process.

As mentioned previously, StanCERA's International Growth portfolio is managed by a team of portfolio managers who are each individually accountable for the performance of his/her regional portfolio. The regional portfolio managers each have ultimate decision-making authority and accountability for their respective regional portfolio within the investment guidelines. The entire portfolio is overseen by a three-person lead portfolio management team led by Mike Strong. Mike is responsible for the total portfolio performance, both in terms of implementing active regional allocation policy and ensuring that the total portfolio meets client objectives.

The International Growth portfolio investment process (detailed in the diagram below) combines active stock selection with active regional asset allocation. The portfolio managers use bottom-up, fundamental research to construct regional portfolios in Europe, Japan, the Pacific Basin ex-Japan, Canada, and Emerging Markets. In the International Growth investment process, the portfolio managers select stocks for their regional portfolios, and this process usually contributes 80%–85% of the active return.

In the first phase of the investment process, the regional portfolio managers work closely with our analysts in identifying the most appropriate "buy"-rated stocks for inclusion in the portfolio. Within

any particular region, the universe of buy-rated stocks may be as large as 350; the regional portfolio manager's role is to create a diversified portfolio that incorporates the analysts' best ideas and meets risk parameters and client guidelines.



As stated previously, the regional portfolio managers each have ultimate decision-making authority and accountability for their respective regional portfolio within the investment guidelines. The guidelines determine the approximate number of holdings, average market capitalization exposure, and maximum and minimum active weightings in industry groups and stocks. The aim of these guidelines is to ensure that the risks taken in the portfolio are commensurate with the performance target and to focus active risk on stock selection. Country and industry group (as defined by MSCI's classification of 24 industry groups) relative active weights are a residual of the stock selection process; country weights are held within ± 5% of the benchmark, while industry group weights are constrained to ±10% of the benchmark weight. Listed below are the investment parameters for the portfolios:

Factors	Parameters
Regional Weights	Benchmark Weight ± 5%
Country Weights	Benchmark Weight ± 5%
Industry Group Weights	Benchmark Weight ± 10%
Security Weights	Benchmark Weight ± 3%
Market Capitalization	Benchmark Weighted Average ± 15%

The regional portfolio managers construct diversified regional portfolios from the best fundamental investment ideas from the global research platform. Using proprietary and third-party optimization models, portfolio managers monitor and control risk within each regional module. Regional portfolio managers, analysts and traders continually monitor the markets and portfolio holdings. Buy and sell decisions are implemented as appropriate to ensure that the portfolio contains the highest conviction investment ideas and that risk parameters remain consistent with the benchmark and within client guidelines.

Finally, the regional asset allocation positions are determined by the lead portfolio management team based on recommendations from Fidelity's London-based Global Asset Allocation Group (GAAG). The lead portfolio manager, Mike Strong, is a voting member of this group of investment

professionals which meets formally every quarter to determine asset allocation policies for a number of multi-asset portfolios. The key inputs to the process include bottom-up data derived from portfolio manager inputs, analysts' field research, and Fidelity's proprietary data on liquidity, market activity, and fund flows. The lead portfolio management team uses the GAAG's recommendations as a guide in determining the directional positioning of the regional allocation for the International Growth strategy. The final decision regarding the magnitude of the active positions is the responsibility of the lead portfolio management team.

The lead portfolio management team is also responsible for the overall strategy. The team monitors the regional portfolios and meets regularly with the regional portfolio managers to review the positioning and performance of each portfolio and assess the level of conviction of the regional portfolio managers in their stock ideas. Although the lead portfolio management team is responsible for the overall strategy, it has no responsibility for stock selection within the regional portfolios.

C6. When portfolio client-mandate changes must be implemented, what methods are used to coordinate and monitor compliance?

Pyramis Compliance is responsible for oversight of the firm's policies, procedures, and processes that are reasonably designed to seek to ensure that portfolio management activities are conducted in accordance with applicable client guidelines and investment objectives. Pyramis Compliance relies upon processes and controls established by Fidelity's centralized compliance function, FMR Co. Investment Compliance (FMR IC), to monitor portfolio management activity with respect to compliance with applicable client guidelines.

Pyramis Compliance, along with FMR IC, reviews client guidelines to determine the restrictions that need to be applied on the automated proprietary compliance monitoring system (system). The system is maintained by FMR IC and provides pre-trade and post-trade testing. FMR IC compliance professionals and investment professionals receive guideline exception messages at the time of trade. If it is determined that a breach will occur, FMR IC will notify the investment professional that the trade/order is not permitted. In addition, FMR IC compliance professionals perform a review of account holdings the day after trading occurs (e.g., T+1 check) to identify any potential or actual exceptions that may have occurred.

Significant issues related to investment oversight are escalated to Pyramis Compliance as they are identified.

C7. How is individual staff performance measured and rewarded? Describe the compensation/incentive/equity ownership structure for the team members within your International Growth Equity product.

As a firm, we structure our compensation competitively to attract and retain the best professionals in the investment management field. In addition to salary, Pyramis compensates investment professionals with bonuses, profit sharing arrangements, stock appreciation rights, and stock ownership.

Pyramis' compensation structure is designed to align the interests of the product offered with those of our clients. Compensation is determined based on various factors, including:

- The investment performance of the products with which investment professionals have direct involvement
- A combination of the value and success of individual contributions made to the investment process

These factors encourage cooperation and information sharing across individual product lines and maximize idea generation across the group.

To attract and retain the best investment professionals, we structure our compensation packages to be in the upper quartile of our peer group. We monitor our position through the use of industry surveys.

Equity portfolio managers are awarded bonuses based on the performance of their portfolios relative to the appropriate investment benchmark and peer group ranking. Evaluation is based on a combination of one-, three-, and five-year performance, ensuring that portfolio management decisions are not made based on short-term considerations.

Equity analysts' bonuses range as a percentage of base salary from 50% to 150% and are determined by the following factors, each of which contributes to a percentage of the total:

- Performance of their stock recommendations
- Impact of their stock recommendations on portfolios
- Manager appraisal

In addition to base salary and cash bonuses, portfolio managers, analysts, and traders may receive share awards. Eligible employees are awarded shares based on a number of factors, including performance, potential, and level of responsibility in the organization. Upon termination, all vested shares are redeemed by Fidelity at the current value of the shares.

D. Investment Activities - International Growth Equity

D1. Describe your investment philosophy and approach in managing the International Growth Equity account for StanCERA.

The International Growth investment approach is a core investment strategy with a growth orientation. We believe that independent, fundamental, bottom-up stock research can provide opportunities to purchase companies at a discount to their long-term fundamental fair value, and that identifying strong companies with above average earnings growth can lead to consistent market-beating performance. As we focus on world-class companies that possess a competitive advantage we tend to have a relatively long-term holding period. As many of the world's leading companies compete globally, Pyramis' (and, more broadly, Fidelity's) worldwide research team is able to provide unique insights into many aspects of a company's business in any region of the world.

D2. Assign a value between 1 and 10 (with 1 being the highest) to each of the following elements that reflects your firm's relative importance of that element in your firm's investment process for International Growth Equities. (Note: you may assign the same value to more than one element).

The following table shows the relative importance of each investment element in the International Growth process.

Investment Element	Relative Importance
Economic Forecasts	5
Top-Down Analysis	4
Bottom-up Analysis	1
Sector Rotation	7
Security Selection	1
Fundamental Analysis	1

Investment Element	Relative Importance
Currency Analysis	4
Technical Analysis	8
Current Management	3

D3. Has the philosophy for International Growth Equity changed during the past few years?

The International Growth investment philosophy and process have not materially changed since the strategy's inception in 1995.

D4. Please illustrate your International Growth Equity investment process with two most recent buys made in the portfolios. Limit each purchase description to one page. Also, please illustrate your investment process with two most recent sales made in the portfolios. Again, limit each stock sale description to one page.

Following are examples of recent transactions that took place in the StanCERA portfolio during July 2012.

Purchases	Continental AG • Company Description: Continental is a Germany-based manufacturer of automobile parts and components, including tires, brake systems, vehicle stability control systems, and engine injection systems. • Investment Thesis: We initiated a position in Continental because the stock is attractively valued with good growth potential in both OEM and replacement tire markets. More than half of the company's profits are derived from tires, a high-quality, stable margin business. Continental's tires enjoy premium positioning among competitors and are standard equipment on some luxury car brands. We also expect that the company's powertrain segment has turnaround potential and should generate expanding margins in 2014. Lastly, Continental has a strong range of new technologies in its portfolio that should generate revenue growth.
	Keyence Corp. • Company Description: Keyence is a Japan-based company that engages in the development, manufacture, and sale of factory automation and control equipment, measurement instruments, and other electronic application equipment. • Investment Thesis: Keyence offers a strong balance sheet and high operating margins which provide downside protection as the business cycle begins to slow. Longer-term, structural growth will come from increased adoption of sensors in emerging markets to improve productivity.
Sales	HeidelbergCement AG • Company Description: HeidelbergCement is a Germany-based company engaged in the manufacture and distribution of building materials. It produces cement, concrete products and building aggregates. • Investment Thesis: Despite having exposure to stronger markets than peers, which may lead to potentially better

	pricing and volumes, we closed our position in HeidelbergCement because we do not view it as an attractive business relative to other opportunities in the sector over the long run. The company has generated returns on invested capital below its peers during the past decade due to poor capital allocation and balance sheet management.
	Kansai Electric Power Co. Inc. • Company Description: Kansai Electric Power is a Japan-based power supplier. • Investment Thesis: Despite having a shareholder value-oriented philosophy, we closed our position in Kansai Electric Power as we believe Japan's electricity market is effectively impaired for the foreseeable future with respect to earnings. The likelihood of nuclear capacity regaining traction in the country from a political and safety perspective has taken even more steps backward after limited signs of hope for limited restarts. Thus, the power generation industry is now faced with increasing financial burdens that will be assumed by the shareholders.

D5. When can it be expected that your investment philosophy for International Growth Equities would be out of favor or not rewarded? Site historical examples of market periods when your investment performance lagged market benchmarks.

A fundamentally based investment strategy such as International Growth is not as likely to perform as well as other strategies at times when sentiment and macro economic factors, rather than company fundamentals, is driving stock market returns.

On a calendar-year basis, StanCERA's International Growth portfolio has outperformed its benchmark every year, with the exception of 2008. During 2008, the portfolio underperformed the benchmark MSCI ACWI ex US (N) Index by 122 basis points. Negative security selection in France, Japan, and Australia detracted from relative performance. At the sector level, Financials was the top sector detractor, as security selection proved challenging amid the negative news flow due to the global credit crisis and the collapse of Lehman Brothers.

D6. Are there any internally developed restrictions on your investment philosophy for International Growth Equities?

International Growth is managed according to an internally developed list of investment guidelines and parameters aimed at ensuring that the risks taken in the portfolio are commensurate with the performance target and to focus active risk on stock selection.

Factors	Parameters
Regional Weights	Benchmark Weight ± 5%
Country Weights	Benchmark Weight ± 5%
Industry Group Weights	Benchmark Weight ± 10%
Security Weights	Benchmark Weight ± 3%
Market Capitalization	Benchmark Weighted Average ± 15%

D7. What is the expected annual turnover for the StanCERA International Growth Equity portfolio?

The expected annual portfolio turnover is in the range of 50% to 75% for the International Growth strategy.

D8. For International Growth Equity accounts, do you have absolute and/or relative investment return objectives? If so, please state your return objectives, benchmark and time horizon over with the objectives should be achieved.

With respect to StanCERA's International Growth portfolio, we target 200–300 basis points of excess return per annum relative to the MSCI ACWI ex US Index over a full market cycle.

D9. What investment decision(s) add the most value (e.g. stock selection, sector/industry selection, trading)? Please include performance attribution for calendar years 2012 YTD, 2011 and 2010.

We expect security selection in the regional portfolios to contribute 80%–85% of the active return. We expect the remaining 15%–20% of the active return to come from regional asset allocation. Please see the attached "StanCERA – International Growth Portfolio Attribution" Excel spreadsheet for attribution data.

D10. How do you measure and monitor risk so that risk parameters are in line with portfolio returns for the International Growth Equity accounts? What is the expected tracking error range for these products?

The primary risk controls in the portfolio construction process are constraints on the maximum and minimum positions relative to the benchmark weight at the regional, country, industry group, and individual security level. We target tracking error to define risk for International Growth.

The following table provides the major risk factors and risk controls maintained for International Growth:

Risk Factor	Risk Control
Regional Weights	Benchmark ± 5%
Country Weights	Benchmark ± 5%
Industry Weights	Benchmark ± 10%
Security Weights	Benchmark ± 3%
Market Capitalization	Benchmark Average ± 15%
Expected Tracking Error	3%–5% Per Annum

D11. Who are the principals who make the final decisions on the International Growth Equity accounts?

As mentioned previously, StanCERA's International Growth portfolio is managed by a team comprised of portfolio managers who are each individually accountable for the performance of his/her regional portfolio. The regional portfolio managers each have ultimate decision-making authority and accountability for their respective regional portfolio within the investment guidelines. The entire portfolio is overseen by a three-person lead portfolio management team led by Mike

Strong. Mike is responsible for the total portfolio performance, both in terms of implementing active regional allocation policy and ensuring that the total portfolio meets client objectives.

D12. What should StanCERA expect for investment returns in their International Growth Equity account over the next 3 to 5 years?

We do not forecast market returns; therefore, we are unable to provide expected absolute returns for StanCERA's portfolio during the next three–five years. However, for StanCERA's International Growth portfolio, we do target 200–300 basis points of excess return per annum relative to the MSCI ACWI ex US Index over a full market cycle.

E. Research Methodology - International Growth Equity

E1. Describe the internal structure and organization of the research department for all accounts. How is your research universe divided amongst investment professionals?

Fundamental in-house company research has always been the basis of Pyramis' investment process. The majority of our research efforts are devoted to bottom-up research.

In addition to its own analysts located in Smithfield, Rhode Island, London, and Hong Kong, Pyramis also has access to analysts supporting our broader Fidelity organization located in Boston, London, Hong Kong and Tokyo. Equity research analysts and associates at Pyramis and Fidelity are divided into sector teams in each investment office worldwide. Having analysts working in regional offices across the globe provides them with regular exposure to the companies under their coverage and the competitive environment in which they operate as well as insight into local customs and practices. The analysts then apply their local perspective to the construction of financial models and have the autonomy to be flexible in their construction, rather than being constrained by a specific firm-wide investment methodology.

In addition, aligning analysts according to common sectors promotes the cross-fertilization of ideas across regions and facilitates communication throughout the firm's global research organization. Analysts know and interact with their counterparts in other regions and work as a team to analyze the factors that drive the performance of stocks within their industry.

Sources of Research

Fundamental research is the cornerstone of our investment approach. Both Pyramis and Fidelity analysts conduct bottom-up research focused on each company's fundamental prospects relative to other companies and relative to expectations. To gain insight into a company's business prospects, analysts conduct detailed fundamental research using company reports, balance sheet analysis, and meetings with a company's management, plus its suppliers, distributors, and competitors. On average, both Pyramis and Fidelity conduct 4,500 company meetings in Europe, Japan, and Hong Kong every year. In most cases, a company is covered internally by more than one analyst.

Pyramis' analysts combined with the Fidelity's research teams, comprises one of the largest research organizations in the world. Fidelity's position as one of the largest investment management firms in the industry enables our investment professionals to have unparalleled access to company management. Analysts meet with both senior management and middle level company management. Visits with larger companies occur frequently—sometimes as often as monthly. With some of these companies, analysts are in daily contact via telephone and/or e-mail.

Outputs of Research

The research note and company rating is the key output from the research teams along with the stock's weight in the Analyst Model Portfolio which provides an additional ranking of the analyst's conviction in his or her recommendations. Fidelity analysts cover over 3,500 international companies and write a detailed research note at a minimum of every 90 days for each company. Pyramis analysts have a different coverage model where they cover a very broad universe of stocks, but are much more opportunistic in the stocks that they provide ratings on. All research notes follow a standard global format and contain the analyst's financial model used to evaluate a company. The model forms the basis of their research ratings. In rating securities on a 1–5 scale, analysts indicate their views of whether or not stocks are likely to outperform the regional index on a 12 to 18 month timeframe.

There is constant and extensive communication between the analysts and portfolio managers through both formal and informal communications via email, phone, and face-to-face meetings. Hard copy and electronic versions of all research notes are circulated daily to the International Growth portfolio management team. Any change in a stock rating is communicated to portfolio managers immediately through email and voicemail or Fidelity's secure instant messaging system.

E2. Are "soft dollars" used to acquire research information for the International Growth Equity product?

Please see the attached "Commission Usage and Directed Brokerage Policy."

E3. What percentage of all research received is generated from "soft dollars" for the International Growth Equity accounts?

Please see the attached "Commission Usage and Directed Brokerage Policy."

E4. Describe how external and internal sources of information are used in the research process for all International Growth Equity accounts with estimated percentages of external versus internal research.

Internal Research

Approximately 90% of our research is performed internally (the combined resources of Pyramis and FMR LLC).

The research note and company rating is the key output from the research teams, along with the stock's weight in the Analyst Model Portfolio, which provides an additional ranking of the analyst's conviction in his or her recommendations. Fidelity analysts cover over 3,500 international companies and write a detailed research note at a minimum of every 90 days for each company. Pyramis analysts have a different coverage model where they cover a very broad universe of stocks, but are much more opportunistic in the stocks that they provide ratings on. All research notes follow a standard global format and contain the analyst's financial model used to evaluate a company. The model forms the basis of their research ratings. In rating securities on a 1–5 scale, analysts indicate their views of whether or not stocks are likely to outperform the regional index on a 12 to 18 month timeframe.

There is constant and extensive communication between the analysts and portfolio managers through both formal and informal communications via email, phone, and face-to-face meetings. Hard copy and electronic versions of all research notes are circulated daily to the International Growth portfolio management team. Any change in a stock rating is communicated to portfolio managers immediately through email and voicemail or Fidelity's secure instant messaging system.

External Research

Our external research sources, which account for approximately 10% of our research effort, provide us with a wide range of information. For example, Pyramis, either directly or through Fidelity, has retainer contracts with various university professors and medical doctors. These experts add insights into specific sectors within our research process. For information on more mainstream areas, such as earnings estimates, we draw on all of the providers in a given area. Overall, these efforts give our analysts the ability to compare and contrast information and to use the vendors they feel have the best data for the companies they cover.

Our scale enables us to use these non-traditional data vendors to supplement our extensive in-house efforts. We also use more than 250 external data providers and devote significant resources to outside data sources. These sources of information are examined to gain an understanding of what other market participants are considering, but their conclusions are not used to form our independent fundamental and relative value determinations.

E5. Describe any technical or quantitative support process or tools used in the research process for the International Growth Equity accounts.

The International Growth strategy is primarily a qualitative process. The depth and breadth of our global research resources, which include the combined resources of Pyramis, Fidelity Investments and FIM, mean we do not need to use quantitative screens to reduce the investable universe of stocks we actively research. However, relative valuation data is an important part of the proprietary financial models that are developed by the analysts for each of the companies they follow. While each analyst creates his or her own model, inputs typically include fundamental quantitative measures such as price to earnings, price to book, price to cash flow, return on equity, beta, and yield. The rating process also includes qualitative measures such as the strength of company management, competitive position, pricing power, and the prospects for the sector. In addition, analysts will consider both historic valuation and pricing relative to a company's competitors. The model forms the basis of an analyst's research ratings. In rating securities on a 1-to-5 scale, analysts indicate their views of whether stocks are likely to outperform the regional index within the next 12 to 18 months. The models used by the analysts were developed and are maintained internally.

F. Trading and Settlement – International Growth Equity

F1. How many traders are employed at your firm for International Growth Equities?

Pyramis and Fidelity employed 35 equity traders worldwide as of June 30, 2012.[1]

F2. How does your firm balance the need to trade with brokers providing research against lower cost execution brokers?

Pyramis may generally only trade with brokers on its approved list.

[1] Source: Fidelity Management & Research Company, as of June 30, 2012. Data is unaudited.
These figures reflect the resources of Fidelity Management & Research Company, LLC, a US company, and its subsidiaries.

In selecting brokers to execute client portfolio transactions, Pyramis considers the factors it deems relevant in the context of a particular trade and in regard to its overall responsibilities with respect to its accounts. This may include any special instructions from the portfolio manager, which may emphasize, for example, speed of execution over other factors. Depending on the factors considered, Pyramis may choose to execute an order using different methods, including:

- Electronic communication networks
- Alternative trading systems
- Algorithmic trading
- Actively working an order with a broker

The factors Pyramis may deem relevant include, but are not limited to, the following:

- Price of the security
- Size and type of the transaction
- Commission rates
- Speed and certainty of trade executions, including brokers' willingness to commit capital
- Nature and character of the markets for the security to be purchased or sold, including the degree of specialization of the broker in such market or securities; the availability of liquidity in the security
- Reliability of a market center or broker
- Broker's overall trading relationship with Pyramis
- Trader's assessment of whether and how closely the broker likely will follow the trader's instructions
- Degree of anonymity which a particular market or broker can provide
- Potential for avoiding market impact
- Execution services rendered on a continuing basis
- Execution efficiency, settlement capability, and financial condition of the firm

We constantly monitor the brokers we use for trade execution quality and other criteria. Brokers receive feedback periodically regarding their relationship with Pyramis. This feedback helps them constantly strive to improve the level of service they provide to the firm.

F3. How are stock brokerage firm trading allocation volumes monitored?

Please see our answer to the preceding question.

F4. How does your firm track the market impact of its trades?

Commission rates will vary depending upon the following factors:

- Type of trading methods used
- Market where the trade is executed
- Investment strategies of the portfolio

We regularly evaluate our commission costs and use a standard commission structure across our brokers. On the whole, our commission costs are typically below the industry average.

We continuously monitor our trading activity to evaluate execution quality. Pyramis trading management monitors transaction costs through reports provided by our vendor, ITG. These reports help trading management oversee transaction costs and identify and address any anomalies.

Additionally, we use well-developed procedures and technology to allow us to monitor daily trade activity. We take a number of specific steps at the end of each trading day and periodically

throughout the day to ensure that the system is working as efficiently as possible, examples of which include checking execution on a daily basis against the market highs and lows and requiring and providing execution reports to portfolio managers at the end of the day for review.

F5. If you pool various clienteles' (accounts) orders for one security, how are the final cost allocations applied to the various accounts?

Pyramis has adopted a trade allocation policy that is designed to achieve fairness and not disadvantage comparable client accounts over time when aggregating and allocating trade orders, which may include proprietary accounts. When feasible and when consistent with the fair and equitable treatment of all client accounts, Pyramis will combine (or "merge") orders of various funds and accounts for order entry and execution. When orders are combined, the average price for all separate executions within that block are used for all securities and futures involved in such trades.

The portfolio management and trading function are segregated to enhance the overall control environment and to seek to ensure that trade allocation policies and procedures are consistently and fairly applied. Upon trade execution, allocations are systematically performed within the Order Management System (OMS) per the approved Trade Allocation Policy, generally on the trade date. In the case of all partial fills, trades executed on Pyramis' equity trading desk are allocated to client accounts based on order size. If a partial fill is completed via multiple trades with different prices, client accounts typically receive the average share price.

Pyramis Trading Management and Compliance have established a process for reviewing trade allocations for consistency with the allocation policy.

F6. Who is the designated operations/administration officer?

This function is performed for Pyramis by its sister company, Fidelity Pricing and Cash Management Services (FPCMS). The designated officer who oversees this function is Patrick Sheppard, senior vice president, Pyramis Governance, Compliance, & Treasury.

F7. How many staff are involved in the operations area?

Not applicable.

F8. What training is provided to operations staff?

Not applicable.

F9. To whom does the operations/administrative officer report?

Patrick Sheppard reports to Linda Wondrack, executive vice president, Head of Asset Management Compliance.

F10. Does your firm participate in commission recapture programs for your clients?

Please see the attached "Commission Usage and Directed Brokerage Policy."

F11. Please explain in detail how you handle FX trading? Is it internally done within Pyramis, with StanCERA's custodian or placed out to bid? What have been the annual commission costs for FX trading for each of the past three years?

The StanCERA account trades FX transactions through both the Pyramis Trading Desk and the FMR Trading Desk. For details on how FX trading is managed on each desk, please see the attached "Foreign Exchange (FX) Trading Policy."

Annual Commission Costs

Please see the attached "StanCERA Portfolio – FX Transaction Cost Analysis" document, which shows a one-year study; we are currently working on a three-year analysis and will forward that to you as soon as it is complete.

G. Compliance and Conflicts of Interest

G1. What handbooks, manuals, written policies, written procedures or training are provided to new and current employees?

Compliance Policies and Procedures (CPPs) have been developed to assist all officers, directors and employees of Pyramis Global Advisors. These CPPs have been prepared for the exclusive use of Pyramis and its employees and an electronic copy of the currently effective CPPs is available on the Pyramis intranet. Employees are informed of the location of the CPPs at the Pyramis New Hire Training, mandatory training provided to all new employees of Pyramis. In addition, all active Pyramis employees are required to certify in an annual survey that they have been made aware of the location of the CPPs and that they understand they are responsible for conducting themselves in accordance with those CPPs.

Pyramis will review, no less frequently than annually, the adequacy of the policies and procedures established herein as well as the effectiveness of their implementation. Furthermore, Pyramis reviews these CPPs from time to time in response to such matters as significant compliance events, changes in business arrangements and regulatory developments.

G2. How many staff work on compliance?

The following table shows the number and experience of Compliance personnel.

	Number	Average Years of Experience at Firm	Average Years of Industry Experience
Senior Officers	7	12	22
Junior Officers	2	17	27
Staff	16	8	13

G3. Please submit a copy of the firm's Code of Ethics.

Please see the attached "Code of Ethics."

G4. What sorts of reports are generated for portfolio managers to insure that the account portfolio is in compliance with the client's investment mandates or investment policy?

Pyramis Compliance relies upon processes and controls established by Fidelity's centralized compliance function, FMR Co. Investment Compliance (FMR IC), to monitor portfolio management activity with respect to compliance with applicable client guidelines.

Pyramis Compliance, along with FMR IC, reviews client guidelines to determine the restrictions that need to be applied on the automated proprietary compliance monitoring system (system). The system is maintained by FMR IC and provides pre-trade and post-trade testing. FMR IC compliance professionals and investment professionals receive guideline exception messages at the time of trade. If it is determined that a breach will occur, FMR IC will notify the investment professional that the trade/order is not permitted. In addition, FMR IC compliance professionals perform a review of account holdings the day after trading occurs (e.g., T+1 check) to identify any potential or actual exceptions that may have occurred.

Lastly, our proprietary compliance monitoring system includes functionality that allows for regular standard compliance reporting as well as ad hoc requests.

G5. What is the procedure for checking trades that the portfolio manager places against the client's investment guidelines prior to execution?

Typically, client objectives are identified through a detailed review with the client prior to Pyramis commencing management of the portfolio. For separate accounts, these investment guidelines are specifically identified within the Investment Management Agreement. In those circumstances where a commingled investment vehicle (pool) is used and individual client objectives cannot be accommodated, the investment objectives and guidelines are disclosed in the Declaration of Separate Fund of the pool.

Pyramis Investment Compliance will work with the client and the portfolio manager to establish objectives that meet the investment goals, but also allow the portfolio manager to achieve an acceptable return expectation. Pyramis' Investment Compliance Team works with the Account Executive and Portfolio Manager throughout this review process, to ensure guidelines are clear and can be effectively monitored.

Once both parties agree on objectives, Pyramis Investment Compliance works with Fidelity's centralized compliance function, FMR Co. Investment Compliance, to ensure the guidelines are entered into our proprietary compliance monitoring system. Guidelines are systematically monitored at pre-trade and post-trade on a daily basis.

G6. Do you have a main Compliance Officer? To whom does the Compliance Officer report to?

Yes. Patrick Sheppard, senior vice president, Governance, Compliance, & Treasury (Pyramis GCT) serves as senior compliance officer for the Pyramis Global Advisors (Pyramis) business unit. In this role, he regularly briefs Linda Wondrack, chief compliance officer of Fidelity, and her respective staff on compliance and risk matters relating to Pyramis. Further, Patrick also reports on a day-to-day basis to Mike Jones, president and chief executive officer of PGATC.

Pyramis GCT is supported by several administrative groups that report directly to members of the Pyramis senior management team. PGATC also benefits from various compliance and oversight committees within the Pyramis business unit. From time to time, members of Patrick's organization chair and serve as members of such committees in addition to other members of Pyramis' senior management team.

G7. Describe how your firm maintains its independence form the rest of the investment management community (e.g. consultants, brokers, custodians, etc.).

Fidelity, a privately held investment firm, established Pyramis in 2005 as a separate business unit to focus on institutional clients. As a privately owned company, Fidelity is able to maintain its independence and can invest for long-term growth and success, which provides significant benefits for its clients and employees.

Private ownership has always been at the core of Fidelity's structure and provides us with a stable platform to pursue our long-term business goals.

Please see the attached "Service Provider Oversight" policy for details on how we manage relationships with service providers.

G8. Provide your written policy on the processes to keep employees' trading of securities independent form the processes for trading securities for clientele.

PGATC has adopted the Code of Ethics for Personal Investing (the "Code of Ethics"), which contains rules about owning and trading securities, including shares of sub-advised funds, for personal benefit. The Code of Ethics is designed to ensure that employees do not place their own personal interests ahead of interests of clients. All employees and their immediate family members are required to abide by the Code of Ethics.

Requirements

Among other requirements, employees must comply with the following:

- Maintain all brokerage accounts at Fidelity so that such accounts may be monitored
- Disclose all personal transactions in covered securities in any account in which they have a beneficial interest
- Obtain pre-clearance from the Ethics Office before making a personal transaction in public or private securities
- Prohibitions on short selling, IPO and hedge fund investing, and excessive trading
- Wait two (2) business days following the issuance of a Fidelity and/or Pyramis research note on a company before personally trading in securities of that company
- Surrender short-term gains from any sale of a security that is made within 60 days of purchasing the same security

In addition, the Code of Ethics prohibits portfolio managers from personally trading a security within seven (7) days before or after a trade is executed in the same security by any of the funds or accounts managed by them.

Monitoring and Enforcement

The Ethics Office has primary responsibility for monitoring employee trading activity to ensure that employees comply with the Code of Ethics by conducting both automated and manual post-trade monitoring.

When there is reason to believe that an employee has violated the Code of Ethics, the Ethics Office investigates the matter. Depending on the circumstances, any of the following actions may be taken:

- Informational memorandum
- Written warning
- Fine

- Personal trading restriction
- Disgorgement of profits
- Referral of the matter to Human Resources
- Dismissal from employment

In addition to the above actions, the matter may be referred to civil or criminal authorities.

G9. How does your firm monitor compliance of employees to the written policy of separation of employees' personal trading in securities from trading securities for clients' accounts?

Under the Code of Ethics, employees are required to conduct their personal investing through a Fidelity brokerage account, which facilitates monitoring of employee trades by providing the Ethics Office with real-time access to employees' personal account(s).

In addition, Fidelity has a proprietary online Pre-Clearance System for pre-trade monitoring and oversight of employee trades. All employees and any other employee with access to non-public securities holdings information of the funds are required to pre-clear their personal trades through this system prior to placing a personal trade in a publicly traded security. The employee enters the trade details online through the Web-based interface and instantaneously receives either a denial or an approval based upon several proprietary tests including the real-time trading activity of the funds.

Post-trade monitoring of employee trades is performed using Fidelity's proprietary electronic database. Time-based rules are automatically tested on a daily basis. In addition, manual review of employee trading is regularly conducted by the Ethics Office to ensure compliance with all rules under the Code of Ethics.

Section II

StanCERA – IG Portfolio Attribution

Pyramis
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The “StanCERA – IG Portfolio Attribution” Excel spreadsheet is attached to this questionnaire via the “paperclip” feature. To view the report, please click on the paperclip on the left of this PDF document.

Section III

Commission Usage and Directed Brokerage Policy

Pyramis GLOBAL ADVISORS™
A Fidelity Investments Company

Pyramis Global Advisors
Commission Usage and Directed Brokerage Policy

I. Explanation of the Rule

Section 28(e) of the 1934 Act allows investment advisers exercising investment discretion to use portfolio commissions known as "soft dollars" to pay for "brokerage and research services," subject to certain requirements, without violating any law or fiduciary duty, including either Section 17(e) of the 1940 Act or the fiduciary duty of quality execution. Under Section 28(e), the adviser may cause an account to pay more than the lowest available commission if the adviser determines in good faith that the amount of commission paid is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer, viewed in terms of the particular transaction or the adviser's overall responsibilities to its discretionary accounts.

In making a good faith determination, the adviser may consider not only the benefit derived by the account paying the commission, but also the benefits derived by other accounts over which the adviser exercises investment discretion. If any research or brokerage product has a "mixed use," (i.e., it also has a non-research or non-brokerage use), the adviser may pay for the research or brokerage portion with commissions through a mixed use allocation made in good faith. In addition, the SEC has indicated that the brokerage and research services must be "provided by" the broker-dealer in order to fall within the Section 28(e) safe harbor. At a minimum, the broker-dealer must be legally obligated to provide the brokerage and research services.

Clients also may enter into arrangements under which a broker-dealer executing portfolio transactions for the client's account agrees to pay the cost of certain products and services provided to the client's account (e.g., custody and transfer agent services) out of the client's portfolio commissions or otherwise to rebate commissions to the client. These arrangements are sometimes referred to as "directed brokerage," though they also are known as "expense reimbursement" or "commission recapture" arrangements. Commission recapture agreements are legal, but they fall outside the safe harbor of Section 28(e). As a result, services or rebates that a broker-dealer provides under a commission recapture arrangement must be for exclusive benefit for the client paying the commission dollars.

Commission recapture arrangements must be disclosed to shareholders of mutual funds and clients of investment advisers.

II. Formal Citation of the Rule

Section 28(e) of the 1934 Act

III. Responsible Compliance Officer

Pyramis SVP of GRCT&P

CPP Business Owner: Pyramis Research Services (PRS); Pyramis Treasurer's Office (PTO)

IV. Means of Achieving Compliance

A. Commission Usage Program for Pyramis Trades Executed by Pyramis Trading Desk

For Pyramis trades executed by the Pyramis Trading Desk, Pyramis shall follow established procedures relating to commission usage in compliance with Section 28(e) of the 1934 Act and provisions of the 1940 Act. In particular, Pyramis may enter into Commission Sharing Arrangements with various brokers whereby soft dollar pools are created (CSA Pools). Pyramis may only use commissions accumulated in

such CSA Pools to pay for contractual research services eligible under Section 28(e).

New Vendor/Product Review

Requests for new vendor and/or research services from Pyramis PMs and analysts who trade on the Pyramis desk are submitted to PRS, which in turn facilitates the review and approval for the services to be considered under Pyramis' commission usage program. The Pyramis Soft Dollar Working Group reviews requests and approves the request if it meets eligibility criterion under Section 28(e) and is in accordance with Pyramis' commission usage program policies and procedures. Updates are provided to the PTO on the eligible services.

The PTO receives quarterly reports from the PRS of new vendor/research added in the commission usage program.

Research Voting

PRS administers the Wall Street On Demand System (RVS), a web-based platform through which Investment Professionals vote quarterly on research services produced by the executing broker (which are referred to as "street research") or produced by another broker for Pyramis and paid for by an executing broker with commissionable trades, so called "secondary street research." Taken together, these two categories are referred to as "voted research services" because they are obtained from executing brokers through the voting process described below.

Through RVS, investment professionals cast votes based on the value of research services received. Investment Operations reviews Investment Professional budgets with the CIO for approval. Once the quarterly voting is complete, all votes are aggregated and distributed back to the brokers through a "Research Report Card." The Research Report Card provides information to the brokers such as the value of the research, the broker's ranking against the universe of research providers, and various statistical information and commentary. These research values are designated dollar values and paid out of the CSA Pools.

The PTO and PRS review quarterly reports from RVS detailing the results of the broker voting process and the Research Report Cards. CUG monitors trading budgets and compares actual to budgeted commission usage amounts.

Mixed-use allocations are allowed and tracked for instances in which a service is used by both soft-dollar-eligible investment professionals and non-soft-dollar-eligible investment professionals. Only the costs associated with eligible users for eligible services are permitted to be applied to this program.

The Commission Uses Group is responsible for the final approval of the contractual invoices being paid with brokerage commissions.

B. Commission Usage Program for Pyramis Trades Executed by FMR Co Trading Desk

For Pyramis trades executed by an FMR Co Trading Desk, Pyramis has adopted FMR Co's established policies and procedures relating to commission usage in compliance with Section 28(e) and the 1940 Act, which directly follow FMR Co's policies and procedures. Consistent with the Section 28(e) safe harbor, FMR Co uses commissions to pay for certain contractual and voted research services, i.e., customized research services that are not generally commercially available, as well as market data services.

New Vendor/Product Review

Requests for a new vendor and/or research services from Pyramis PMs and analysts who trade on the

FMR/FIL desks are submitted to PRS, which in turn facilitates the review and approval for the services to be considered under Pyramis' commission usage program. The Pyramis Soft Dollar Working Group reviews requests and approves the request if it meets eligibility criterion under Section 28(e) and is in accordance with Pyramis' commission usage program policies and procedures.

The PTO and PRS receive quarterly reports from IIS of new vendor/research added in the commission usage program.

Research Voting

PRS administers the Wall Street On Demand Research Vote System (RVS) for Through the RVS, investment professionals cast votes based on the value of research services received. Budgets are assigned to Investment Professionals based on various factors including tenure and need for research. Once the quarterly voting is complete all votes are aggregated and distributed back to the brokers through a "Research Report Card." The Research Report Card provides information to the brokers such as the value of the research, the broker's ranking against the universe of research providers, and various statistical information. These research values, if applicable, reduce the gross agency commissions used in calculating the commission recapture threshold, which reduces the amount of portfolio commissions to be recaptured back to the client accounts.

The PTO and PRS reviews quarterly reports from RVS detailing the results of the broker voting process and the Research Report Cards. CUG monitors trading budgets and compares actual to budgeted commission usage amounts.

Mixed-use allocations are allowed and tracked for instances in which a service is used by both soft dollar eligible investment professionals and non-soft eligible investment professionals. Only the costs associated to eligible users for eligible services are permitted to be applied to this program.

The Commission Uses Group is responsible for the final approval of the contractual invoices being paid with brokerage commissions.

Administration of Commission Recapture Program

The Commission Uses Group administers FMR Co's Commission Recapture Program. Under the Commission Recapture Program, portfolio commission payments to participating brokers that either exceed predetermined amounts or are generated from capital committed trades (i.e., principal trades), are "recaptured" and used to offset fund expenses, such as custody and transfer agent services. At the close of each quarter, the Commission Uses analyst runs the processes that calculate the commission recapture for all participating brokers based on the dross agency commissions paid by the funds. All predetermined amounts (e.g., contractual and voted research services) are back out of the gross agency commissions using a proportionate share allocation. The Commission Uses Group sends each participating broker a recapture memo that lists each fund's recapture as well as instructions outlining wire instructions for the recaptured amount.

The PTO and PRS receive quarterly reports from CUG detailing total amount of commission recaptured and the pro rated share of commission paid to Pyramis client accounts.

V. Oversight Function

The following groups within Pyramis are responsible for the oversight of the commission usage program:

- PTO

- PRS
- Pyramis Trade Oversight Committee

VI. Methods of Conducting Oversight

PTO and PRS

The PTO and PRS play key roles in the oversight of Pyramis and FMR Co commission usage programs as they relate to Pyramis trades executed on the FMR Co Trading desk and Pyramis Trading desk. The PTO receives a variety of reporting related to the commission usage program, which includes the following:

- New vendor/product report detailing number of new vendor and products added to the commission usage program. The report is reviewed for completeness and accuracy of vendors and services under current commission usage program.

- Quarterly report of broker voting process detailing the result of the broker votes, summary comments, value of services voted, etc.

- Quarterly commission recapture report from CUG detailing commissions earned, amount recaptured, pro-rated amount due to Pyramis client accounts. The PTO reviews to seek to ensure commission recaptured amounts are reasonable and that Pyramis clients have been appropriately refunded amounts that were due.

- Quarterly mix use service report from CUG detailing how mix use services are allocated. The report is reviewed to seek to ensure that allocations are consistent according to the approved allocation methodology.

Additionally, the PTO reviews broker voting and points assignment methodology on an annual basis to seek to ensure fair and consistent treatment of Pyramis interest in the commission usage program. The PTO represents Pyramis in the Commission Usage Oversight Committee and is part of proceedings of the Committee, which includes policy setting, review and approval of matters related to the commission usage program.

Pyramis Trade Oversight Committee

The Pyramis Trade Oversight Committee receives a quarterly update on the commission usage program from the PTO. The update contains information relative to broker voting process, number of new vendors and services approved for commission usages, amount of mix use allocations, amount of commission recaptured and paid to Pyramis clients, etc. The Pyramis Trade Oversight Committee reviews pertinent issues and approves recommended changes in policy and oversight controls.

VII. Attachments

Directed Brokerage Ban Policy and Procedures

The use of fund assets to pay selling brokers or otherwise finance the sale of fund shares is regulated by Rule 12b-1 under the 1940 Act. Rule 12b-1 permits mutual funds to use their assets to pay distribution-related costs. In order to rely on Rule 12b-1, a fund must adopt "a written plan describing all material aspects of the proposed financing of distribution" that is approved by fund shareholders and fund directors. In August 2004, the SEC amended Rule 12b-1 to prohibit mutual funds from compensating a broker-dealer for promoting or selling fund shares by directing portfolio commissions to that broker, although funds may still use selling brokers to execute portfolio transactions so long as the fund has policies and procedures in place to preclude *quid pro quo* arrangements relative to the sale of fund

shares.

Pyramis does not use independent broker-dealers to distribute Pyramis funds or investment-related products and no broker-dealer may be compensated for promoting or selling Pyramis or FMR Co fund shares by directing trades to that broker-dealer. Also, Pyramis may not enter into any agreement or other understanding under which Pyramis directs, or is expected to direct, portfolio securities transactions, or any remuneration described in Rule 12b-1(h) under the Investment Company Act of 1940 ("remuneration"), to a broker-dealer in consideration for the promotion or sale of shares issued by the fund or any other registered investment company.

Pyramis has in place the following procedures:

Trading

Pyramis and FMR Co's traders are instructed by trading management and Pyramis and Fidelity's Compliance Groups to focus exclusively on execution quality when they trade with broker-dealers.

Pyramis and FMR Co traders are prohibited from communicating with marketing or sales personnel about the promotion or sale of fund shares by broker-dealers that also may effect transactions on behalf of the funds.

Pyramis Compliance and FMR Co Investment Compliance (FMR IC) periodically educate Pyramis traders and FMR traders, respectively, concerning Rule 12b-1(h).

Pyramis and FMR Co analyze execution quality.

Section IV

Code of Ethics

Pyramis
GLOBAL ADVISORS™
A Fidelity Investments Company

2011

Rules for Employee Investing

CODE OF ETHICS FOR PERSONAL INVESTING

Fidelity Funds Version

Fidelity INVESTMENTS

Rules for Employee Investing

Trust: it works for all of us—and so does good judgment

The Rules for Employee Investing are fairly comprehensive. They cover most of the personal investing situations a Fidelity employee is likely to find. Yet it's always possible you will encounter a situation that isn't fully addressed by the rules. If that happens, you need to know what to do. The easiest way to make sure you are making the right decision is to follow these three principles:

1. Know the policy.
If you think your situation isn't covered, check again. It never hurts to take a look at the rules.

2. Seek guidance.
Asking questions is always appropriate when you are unclear about what the policy says or how it applies to your situation. Your manager and the Ethics Office are two good places to start.

3. Use sound judgment.
Analyze the situation and weigh the options. Think about how your decision would look to an outsider.

The trust of our customers is essential to our business, and ethical behavior by all employees is essential to maintaining that trust. Knowing and following the Code of Ethics is one of the most important ways we show customers that we're serious about the trust they've placed in us.

These Rules for Employee Investing contain the Code of Ethics for Personal Investing, the Policy on Inside Information, and the Rules for Broker-Dealer Employees.

The Fidelity Funds Version of the Code of Ethics for Personal Investing contains rules about owning and trading securities for personal benefit. This version applies to officers, directors, and employees of Fidelity companies that are involved in the management and operations of Fidelity's funds, including investment advisors to the funds and the principal underwriter of the funds. Keep in mind that if you change jobs within Fidelity, a different version of the Code of Ethics may apply to you.

The Policy on Inside Information, which applies to every Fidelity employee, contains rules on inside information and how to prevent its unauthorized use or dissemination.

The Rules for Broker-Dealer Employees apply to employees who have a securities license or who are employed by or associated with one of Fidelity's broker-dealers.

1 *Code of Ethics for Personal Investing* 4

This version of the Code of Ethics includes additional rules, which apply to Fund-Advisory Employees as well as Traders, Research Analysts, and Portfolio Managers (see box, page 3).

Rules for All Employees Subject to This Code of Ethics 4

What's Required

Acknowledging that you understand the rules
Complying with federal securities laws
Reporting violations to the Ethics Office
Disclosing securities accounts and holdings in covered securities
Moving covered accounts to Fidelity
Moving holdings in Fidelity funds to Fidelity
Disclosing transactions of covered securities
Disclosing gifts and transfers of ownership of covered securities
Getting approval before engaging in private securities transactions
Getting prior approval to serve as a director
Clearing trades in advance (pre-clearance)

What's Prohibited

Trading restricted securities
Selling short
Participating in an IPO
Participating in an investment club
Investing in a hedge fund
Excessive trading
Profiting from knowledge of fund transactions
Influencing a fund to benefit yourself or others
Attempting to defraud a client or fund
Using a derivative to get around a rule

Additional Rules for Fund-Advisory Employees 12

What's Required

Surrendering 60-day gains (60-Day Rule)

What's Prohibited

Buying securities of certain broker-dealers
Trading after a research note

Additional Rules for Traders, Research Analysts, and Portfolio Managers 13

All rules listed above for Fund-Advisory Employees, plus the rules in this section

What's Required

Notification of your ownership of securities in a research note
Disclosing trading opportunities to the funds before personally trading

What's Prohibited

Trading within seven days of a fund you manage

CONTACT INFORMATION

Ethics Office

Phone
(001) 617-563-5566
(001) 800-580-8780

Fax
(001) 617-385-0939

E-mail
ethics.office@fmr.com

Mail zone
Z1N

Web
MyCompliance.fmr.com

Pre-Clearance

Web
Internal
preclear.fmr.com

External
preclear.fidelity.com

Phone
(001) 617-563-6109
(001) 800-771-2707

To call the phone numbers from outside the United States or Canada, dial "001" before the number.

WHO IS SUBJECT TO THIS VERSION OF THE CODE OF ETHICS?

All individuals described in each group below are subject to this version of the Code of Ethics. You can also be placed in a certain group by designation of the Ethics Office. Keep in mind that if you change jobs within Fidelity, a different version of the Code of Ethics may apply to you.

Fund-Knowledgeable Employees

Employees of Fidelity Management Trust Company (FMTC), Fidelity Pricing and Cash Management Services (FPCMS), and Fidelity Audit Services; and employees, including temporary employees, with access to timely fund information (including access to systems such as AS400 trading or development machines).

Fund-Advisory Employees

Employees of Fidelity Management & Research Company (FMR Co.), Fidelity Capital Markets (FCM) and Corporate Compliance; certain employees of Strategic Advisers, Inc.; employees of Pyramis Global Advisors; members of the Board of Directors of FMR Co. and FMR LLC; elected officers of FMR Co. and FMR LLC; members of the Fidelity Management Committee; attorneys acting as counsel in FMR LLC Legal; and employees, including temporary employees, with access to fund research notes or investment recommendations for the funds.

Traders, Research Analysts, and Portfolio Managers

Employees trading for the funds (traders), employees making investment recommendations for the funds (research analysts), and employees who manage a fund or a portion of a fund's assets (portfolio managers).

1 Code of Ethics for Personal Investing

Fidelity Funds Version

Following the rules—in letter and in spirit

This Fidelity Funds Version of the Code of Ethics contains rules about owning and trading securities for personal benefit. Certain rules, which are noted, apply both to you and to anyone else who is a covered person (see Key Concepts on page 6).

You have a fiduciary duty to never place your own personal interest ahead of the interests of Fidelity's clients, including shareholders of the Fidelity funds. This means never taking unfair advantage of your relationship to the funds or Fidelity in attempting to benefit yourself or another party. It also means avoiding any actual or potential conflicts of interest with the funds or Fidelity when managing your personal investments.

Because no set of rules can anticipate every possible situation, it is essential that you follow these rules not just in letter, but in spirit as well. Any activity that compromises Fidelity's integrity, even if it does not expressly violate a rule, has the potential to harm Fidelity's reputation and may result in scrutiny or further action from the Ethics Office.

WHAT'S REQUIRED

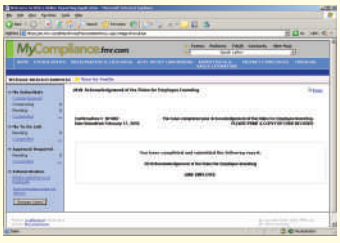
Acknowledging that you understand the rules

When you begin working for Fidelity, and again each year, you are required to:

- acknowledge that you understand and will comply with all rules that apply to you
- authorize Fidelity to have access to all of your covered accounts (see Key Concepts on page 6) and to obtain and review account and transaction data (including duplicate copies of non-Fidelity account statements) for compliance or employment-related purposes
- acknowledge that you will comply with any new or existing rules that become applicable to you in the future

RULES ACKNOWLEDGMENT

Respond to the e-mail that you receive from the Ethics Office to acknowledge your understanding of the rules.



To Do

- Promptly respond to the e-mail you receive from the Ethics Office each year requiring you to acknowledge the Code of Ethics. New employees need to respond within 10 days of hire.
- If you do not have access to e-mail, you may obtain a hard copy of the Acknowledgment Form at MyCompliance.fmr.com or by contacting the Ethics Office.

Complying with federal securities laws

In addition to complying with these rules and other company-wide policies, you need to comply with federal securities laws.

Reporting violations to the Ethics Office

If you become aware that you or someone else has violated any of these rules, you need to promptly report the violation.

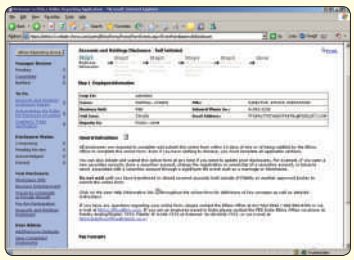
To Do

- Call the Ethics Office Service Line at (001) 617-563-5566 or (001) 800-580-8780.
- Call the Chairman's Line at (001) 800-242-4762 if you would prefer to speak on a non-recorded line.

Disclosing securities accounts and holdings in covered securities

You must disclose all securities accounts—those that hold covered securities (see Key Concepts on page 7) and those that do not. You must also disclose all covered securities not held in an account. This rule covers not only securities accounts and holdings under your own name or control, but also those under the name or control (including trading discretion or investment control) of your covered persons (see Key Concepts on page 6). It includes accounts held at Fidelity as well as those held at other financial institutions. Information regarding these holdings must not be more than 45 days old when you submit it.

ACCOUNTS AND HOLDINGS DISCLOSURE



Use the online form to disclose all new securities accounts and holdings in covered securities not held in an account that become associated with you.

MyCompliance.fmr.com

To Do

Employees newly subject to this rule

- Within 10 days of hire or of being notified by the Ethics Office that this version of the Code of Ethics applies to you, submit an Accounts and Holdings Disclosure (available at MyCompliance.fmr.com) showing all of your securities accounts and holdings in covered securities not held in an account. Forward the most recent statement for each account listed to the Ethics Office if not held at Fidelity. If you do not have any securities accounts or applicable holdings, check the appropriate box in the online form confirming that you have nothing to disclose.

Current employees

- Each year, you will receive an Annual Accounts and Holdings Report. You will be required to confirm that all information previously disclosed is accurate and complete.
- As soon as any new securities account is opened, or a preexisting securities account becomes associated with you (such as through marriage or inheritance), complete an Accounts and Holdings Disclosure (available at MyCompliance.fmr.com) with the new information and submit it promptly to the Ethics Office.
- On your next Quarterly Trade Verification, confirm that the list of disclosed securities accounts in the appropriate section of the report is accurate and complete.

Automatic investment plan

A program in which regular periodic purchases (or withdrawals) are made automatically in (or from) covered accounts according to a set schedule and allocation.

Moving covered accounts to Fidelity

You and your covered persons need to maintain all covered accounts (see Key Concepts below) at Fidelity Brokerage Services LLC (FBS).

Exceptions

With prior written approval from the Ethics Office, you or your covered persons can maintain a covered account at a broker-dealer other than FBS if any of the following applies:

- it contains only securities that cannot be transferred
- it exists solely for products or services that FBS does not provide
- it exists solely because your covered person's employer also prohibits external covered accounts
- it is managed by a third-party registered investment advisor with discretionary authority over the account
- it is associated with an ESOP (employee stock option plan) in which a covered person is a participant through his or her current employer, or was from a previous employer, and for which the employee has options that have not yet vested
- it is associated with an ESPP (employee stock purchase plan) in which a covered person is a participant through his or her current employer
- it is required by a direct purchase plan, a dividend reinvestment plan, or an automatic investment plan with a public company (collectively, "automatic investment plans") in which regularly scheduled purchases are made or planned on a monthly basis
- it is required by a trust agreement
- it is associated with an estate of which you or any of your covered persons is the executor, but not a beneficiary, and involvement with the account is temporary
- transferring the account would be inconsistent with other applicable rules

To Do

- Transfer assets to an FBS account.
- Close all external covered accounts except for those that you have received written permission to maintain.
- For permission to maintain an external covered account, submit a completed Exception Request Form (available at MyCompliance.fmr.com) to the Ethics Office. Follow the specific instructions for each type of account and provide a current statement for each account.
- Comply with any Ethics Office request for duplicate reporting.

KEY CONCEPTS

Certain terms have a specific meaning within this version of the Code of Ethics. These terms are defined as "Key Concepts."

Covered person

Fidelity is concerned not only that you observe the requirements of the Code of Ethics, but also that those in whose affairs you are actively involved observe the Code of Ethics. This means that the Code of Ethics can apply to persons owning assets over which you have control or influence or in which you have an opportunity to directly or indirectly profit or share in any profit derived from a securities transaction. This may include:

- you
- your spouse or domestic partner who shares your household
- any other immediate family member who shares your household and:
  - a) is under 18, or
  - b) is supported financially by you or who financially supports you
- anyone else the Ethics Office has designated as a covered person

This is not an exclusive list, and a covered person may include, for example, immediate family members who live with you but whom you do not financially support, or whom you financially support or who financially support you but who do not live with you. If you have any doubt as to whether a person would be considered a "covered person" under the Code of Ethics, contact the Ethics Office.

Immediate family member

Your spouse, or domestic partner who shares your household, and anyone who is related to you in any of the following ways, whether by blood, adoption, or marriage:

- children, stepchildren, and grandchildren
- parents, stepparents, and grandparents
- siblings
- parents-, children-, and siblings-in-law

Covered account

The term "covered account" encompasses a fairly wide range of accounts. Important factors to consider are:

- your actual or potential investment control over an account, including whether you have trading authority, power of attorney, or investment control over an account

Specifically, a covered account is a brokerage account or any other type of account that holds, or is capable of holding, a covered security, and that belongs to, or is controlled by (including trading discretion or investment control), any of the following:

- a covered person
- any corporation or similar entity where a covered person is a controlling shareholder or participates in investment decisions by the entity
- any trust of which you or any of your covered persons:
  - – participates in making investment decisions for the trust
  - – is a trustee of the trust
  - – is a settlor who can independently revoke the trust and participate in making investment decisions for the trust

Exception With prior written approval from the Ethics Office, a covered account may qualify for an exception from these rules if it would be consistent with the general principles and objectives of the Code of Ethics, taking into consideration factors that include the potential for harm to the funds, the reason for the request, and whether the procedural and reporting requirements of this Code of Ethics are necessary or appropriate to protect the funds. Such an exception may be granted for an account where:

- a covered person has no trading discretion or influence over the account, such as a blind trust
- it is the account of a non-profit organization and a covered person is a member of a board or committee responsible for the investments of the organization, provided that the covered person does not participate in investment decisions with respect to covered securities

Moving holdings in Fidelity funds to Fidelity

You and your covered persons need to maintain holdings in shares of Fidelity funds in a Fidelity account.

Exceptions—No Approval Required

- You or your covered persons can continue to maintain a preexisting interest in either of the following:
  - a Fidelity money market fund
  - a variable annuity or life insurance product whose underlying assets are held in Fidelity-advised funds

Exceptions—Approval Required

With prior written approval from the Ethics Office, you or your covered persons can maintain holdings in Fidelity funds in an account outside Fidelity if any of the following applies:

- the holdings are in a defined benefit or contribution plan, such as a 401(k), that is administered by a company at which a covered person is currently employed
- the holdings are in a retirement plan and transferring them would result in a tax penalty
- the holdings are in an account that is managed by a third-party registered investment advisor with discretionary authority over the account
- maintaining the holdings in the external account is required by a trust agreement
- the holdings are associated with an estate of which you or any of your covered persons is the executor, but not a beneficiary, and involvement with the account is temporary
- you can show that transferring the holdings would create a significant hardship

To Do

- Transfer shares of Fidelity funds to a Fidelity account except for those that you have received written permission to maintain.
- For permission to maintain shares of Fidelity funds in an account at another financial institution, complete an Exception Request Form (available at MyCompliance.fmr.com). Attach a current statement for each account you list on the form. Forward the form and statement(s) to the Ethics Office.

KEY CONCEPTS, continued

- it is an educational institution's account that is used in connection with an investment course that is part of an MBA or other educational program and a covered person participates in investment decisions with respect to the account

Fidelity fund

The terms "fund" and "Fidelity fund" mean any investment company or pool of assets that is advised or subadvised by FMR Co., Pyramis Global Advisors, or any other Fidelity entity.

Covered security

This definition applies to all persons subject to this version of the Code of Ethics.

Covered securities include securities in which a covered person has the opportunity, directly or indirectly, to profit or share in any profit derived from a transaction in such securities, and encompasses most types of securities, including, but not limited to:

- shares of Fidelity mutual funds (except money market funds), including shares of Fidelity funds in a 529 Plan
- shares of another company's mutual fund if it is advised by Fidelity (check the prospectus to see if this is the case)
- interests in a variable annuity or life insurance product in which any of the underlying assets are held in funds advised by Fidelity, such as Fidelity VIP Funds (check the prospectus to see if this is the case)
- interests in Fidelity's deferred compensation plan reflecting hypothetical investments in Fidelity funds
- interests in Fidelity's deferred bonus plan (ECI) reflecting hypothetical investments in Fidelity funds
- shares of stock (of both public and private companies)
- ownership units in a private company or partnership
- corporate and municipal bonds
- bonds convertible into stock
- options on securities (including options on stocks and stock indexes)
- security futures (futures on covered securities)
- shares of exchange-traded funds (ETFs)
- shares of closed-end mutual funds

Exceptions The following are not considered covered securities (please note that accounts holding non-covered securities still require disclosure):

- shares of money market funds (including Fidelity money market funds)
- shares of non-Fidelity open-end mutual funds (including shares of funds in non-Fidelity 529 plans)
- shares, debentures, or other securities issued by FMR LLC to you as compensation or a benefit associated with your employment
- U.S. Treasury securities
- obligations of U.S. government agencies with remaining maturities of one year or less
- money market instruments, such as certificates of deposit, banker's acceptances, and commercial paper
- currencies
- commodities (such as agricultural products or metals), and options and futures on commodities that are traded on a commodities exchange

Disclosing transactions of covered securities

You need to disclose transactions in covered securities made by you or your covered persons. For accounts held at FBS that you have disclosed, the Ethics Office will receive transaction reports automatically. For approved covered accounts held outside FBS, comply with any Ethics Office requests for duplicate reporting. For any other transactions in covered securities (for example, if you or any of your covered persons purchases interests in a Fidelity-advised investment product in a non-brokerage account outside Fidelity), you need to disclose this transaction information to the Ethics Office.

Exception

- You do not have to report transactions in a covered account if the transactions are being made through an approved discretionary account or under an automatic investment plan (see Key Concepts on page 6), and the details of the account or plan have been provided to the Ethics Office.

To Do

- For transactions in covered securities not made through a covered account, submit a completed Securities Transaction Report (available at MyCompliance.fmr.com) to the Ethics Office within 30 days following the end of the quarter in which the transaction was completed.
- When requested each quarter, promptly confirm or update your transaction history in covered securities on the Quarterly Trade Verification.
- Provide the details of any automatic investment plan to the Ethics Office.

Disclosing gifts and transfers of ownership of covered securities

You need to notify the Ethics Office of any covered securities that you or your covered persons give, donate, or transfer to another party, or that you or your covered persons receive from another party. This includes, among other things, inheritances of covered securities and donations of covered securities to charities.

To Do

- Complete a Securities Transaction Report (available at MyCompliance.fmr.com) within 30 days following the end of the quarter during which the gift or transfer was made.
- When requested each quarter, promptly confirm or update your history of giving, donating, transferring, or receiving covered securities on the Quarterly Trade Verification.

Getting approval before engaging in private securities transactions

You and your covered persons need prior written approval from the Ethics Office for each and every intended investment in a private placement or other private securities transaction in covered securities. This includes any add-on, any subsequent investment, or any investment whose terms materially differ from any previous approval you may have received.

To Do

- Before engaging in any private securities transaction, fill out a Private Transaction Request Form (available at MyCompliance.fmr.com).
- Get the necessary approval from your manager, division head, or other authority, as described on the request form.
- Submit the request to the Ethics Office and await approval.
- Report the final transaction within 30 days following the end of the quarter in which it was completed using a Securities Transaction Report (available at MyCompliance.fmr.com).
- When requested each quarter, promptly confirm or update your transaction history in private securities transactions on the Quarterly Trade Verification.

For private securities transactions offered by a Fidelity company, the Ethics Office will typically preapprove such investments for employees who are offered an opportunity to invest. In such cases, you will receive notification that the offering has been preapproved by the Ethics Office.

Getting prior approval to serve as a director

You need to get prior approval to serve as a director or trustee of any publicly traded company, or of a non-Fidelity privately held company that is likely to issue shares. Approval depends on a determination that the activity will not conflict with the best interests of the funds and their shareholders. Note that the *Policy on Outside Activities* (available at MyCompliance.fmr.com) requires prior written approval for other activities as well, including accepting additional employment outside Fidelity or participating in an activity that may create an actual or perceived conflict of interest with Fidelity.

To Do

- Request approval from both your manager and the Ethics Office before participating in any activities outside Fidelity by submitting a New Outside Activity Request using the compliance Online Reporting system (available at MyCompliance.fmr.com).

Delegating pre-clearance responsibilities

In very limited circumstances, you may, with the prior written approval of the Ethics Office, designate someone to obtain pre-clearance approvals for you. In such a case, the agent is responsible for obtaining the correct approvals, and you are responsible for maintaining reasonable supervision over that person's activities related to pre-clearance.

Clearing trades in advance (pre-clearance)

You and your covered persons must obtain prior approval from the Ethics Office for any orders to buy or sell a covered security (see "How to Pre-Clear a Trade" in the sidebar). The purpose of this rule is to reduce the possibility of conflicts between personal trades in covered securities and trades made by the funds. When you apply for pre-clearance, you are not just asking for approval, you are giving your word that you and your covered persons:

- do not have any inside information on the security you want to trade (see *Policy on Inside Information* on page 15)
- are not using knowledge of actual or potential fund trades to benefit yourself or others
- believe the trade is available to the general investor on the same terms
- will provide any relevant information requested by the Ethics Office

Generally, requests will not be approved if it is determined that your transaction may take advantage of trading by the funds or create an actual or perceived conflict of interest with fund trades.

The rules of pre-clearance

You and your covered persons must obtain pre-clearance approval before placing any orders to buy or sell a covered security. It is important to understand the following rules before requesting pre-clearance for a trade:

- Pre-clearance approval is only good during the market session for which you receive it. If you do not trade during the market session for which you were granted approval, it expires.
- Place day orders only (orders that automatically expire at the end of the trading session). Good-till-cancelled orders (such as orders that stay open indefinitely until a security reaches a specified market price) are not permitted.
- Check the status of all orders at the end of the market session and cancel any orders that have not been executed. If any covered person leaves an order open and it is executed the next day (or later), it will generate a violation that will be assigned to you.
- Trade only during the regular market hours, or the after-hours trading session, of the exchange(s) where the security in question is traded.
- Place requests for pre-clearance after the market has been open for a while, as pre-clearance is not available right at market opening. To find out when pre-clearance for a given market typically becomes available, contact the Ethics Office.
- Unless an exception listed below applies or the Ethics Office has instructed you otherwise, these pre-clearance rules apply to all your covered accounts — including Fidelity accounts and any outside covered accounts that belong to you or any of your covered persons.

Exceptions

You do not need to pre-clear trades or transactions in certain covered securities. These include:

- shares of Fidelity funds
- exchange-traded funds (ETFs)
- options and futures that are based on an index (e.g., S&P 100, S&P 500) or that are based on one or more instruments that are not covered securities (e.g. commodities, currencies and U.S. Treasuries; see Key Concepts on page 7 for an expanded list of non-covered securities)
- securities being transferred as a gift or a donation
- automatic dividend reinvestments
- subscription rights
- currency warrants
- the regular exercise of an employee stock option (note that any resulting sale of the underlying stock at current market prices must be pre-cleared)

With the prior written approval of the Ethics Office, there are a few situations where you may be permitted to trade without pre-clearing. These situations are:

- trades in a covered account that is managed by a third-party registered investment advisor with discretionary authority over the account
- trades made through an automatic investment plan, the details of which have been disclosed to the Ethics Office in advance
- when you can show that a repeated rejection of your pre-clearance request is causing a significant hardship

To Do

- Before placing any trade in a covered security, pre-clear it using the Fidelity Global Pre-Clearance System, available at preclear.fmr.com (internal) and preclear.fidelity.com (external).
- Immediately cancel any good-till-cancelled orders in your covered accounts.

HOW TO PRE-CLEAR A TRADE

To avoid errors, use these step-by-step instructions:

1. Access the Fidelity Global Pre-Clearance System:
Internal
preclear.fmr.com
External
preclear.fidelity.com

If you are unable to access the Fidelity Global Pre-Clearance System, call the Pre-Clearance Line at (001) 617-563-6109 or (001) 800-771-2707.

Note that pre-clearance for FMR Co. and Pyramis equity traders and their covered persons is not available until noon, local market time.

2. Accurately enter the details of the trade you would like to make. Do not trade unless you receive approval. Note the pre-clearance reference number for your records.

3. Place your order. Be sure your order is for the same security and direction as your pre-clearance approval. Do not place a good-till-cancelled order.

4. Check the status of your order at the end of the market session.

5. Cancel any orders that have not been executed.

WHAT'S PROHIBITED

Trading restricted securities

Neither you nor your covered persons may trade a security that Fidelity has restricted. If you have been notified not to trade a particular security, neither you nor your covered persons may trade that security until you are notified that the restriction has been removed.

Selling short

Selling a security that is on loan to you from a broker-dealer (rather than owned by you) at the time you sell it.

Selling short

The short position in a particular covered security may not exceed the number of shares of that security held in the same account. This prohibition includes selling securities short, buying puts to open, selling calls to open, straddles, and spreads.

Exceptions

- Options and futures on, or ETFs that track, the following indexes: NASDAQ 100, Russell 2000, S&P 100, S&P 500, S&P Midcap 400, S&P Europe 350, FTSE 100, FTSE Mid 250, Hang Seng 100, S&P/TSX 60, NSE S&P CNX Nifty (Nifty 50), MSCI EM, and Nikkei 225.
- Options, futures, and ETFs based on one or more instruments that are not covered securities (e.g., commodities, currencies, and U.S. Treasuries; see Key Concepts on page 7 for an expanded list of non-covered securities).

Participating in an IPO

Neither you nor your covered persons are allowed to participate in an initial public offering (IPO) of securities where no public market in a similar security of the issuer previously existed. This rule applies to equity securities, corporate debt securities, and free stock offers through the Internet.

Exceptions

With prior written approval from the Ethics Office, you and your covered persons may participate if:

- you or your covered persons have been offered shares because you already own equity in the company
- you or your covered persons have been offered shares because you are a policyholder or depositor of a mutual company that is reorganizing into a stock company
- you or your covered persons have been offered shares because of employment with the company

To Do

- For written approval to participate in an IPO that may qualify as an exception, submit to the Ethics Office a completed Exception Request Form (available at MyCompliance.fmr.com).
- Do not participate in any IPO without prior written approval from the Ethics Office.

Participating in an investment club

Neither you nor your covered persons may participate in an investment club or similar entity.

Investing in a hedge fund

Neither you nor your covered persons may invest in a hedge fund, alternative investment, or similar investment product or vehicle.

Exceptions

- Investment products or vehicles issued or advised by Fidelity.
- A hedge fund, alternative investment, or similar investment product or vehicle that you or your covered persons bought before joining Fidelity. You must show that you and your covered persons have no influence over the product's or vehicle's investment decisions and that the investment cannot be readily liquidated or that liquidation would cause a significant hardship. The prior written approval of the Ethics Office is required to qualify for this exception. Note that even if your request is approved, neither you nor your covered persons can make any further investments in the product, and the investment must be liquidated at the earliest opportunity.

To Do

- To request an exception to invest in an investment product or vehicle issued or advised by Fidelity, submit a completed Private Transaction Request Form (available at MyCompliance.fmr.com) to the Ethics Office.
- To request an exception to maintain a preexisting investment, submit a completed Private Transaction Request Form (available at MyCompliance.fmr.com) to the Ethics Office. Note that even if your request is approved, neither you nor your covered persons can make any further investments in the product or vehicle, and the investment must be liquidated at the earliest opportunity.

Excessive trading

Excessive trading in covered accounts is strongly discouraged. In general, anyone trading covered securities more than 60 times (other than Fidelity funds) in a quarter across all his or her covered accounts should expect additional scrutiny of his or her trades. Note that you and your covered persons also need to comply with the policies in any Fidelity fund prospectus concerning excessive trading. The Ethics Office monitors trading activity, and may limit the number of trades allowed in your covered accounts during a given period.

Exception

- This rule does not apply to transactions in an account that is managed by a third-party registered investment advisor with discretionary authority over the account.

Profiting from knowledge of fund transactions

You may not use your knowledge of transactions in funds or other accounts advised by FMR Co., Pyramis Global Advisors, or any other Fidelity entity to profit by the market effect of these transactions.

Influencing a fund to benefit yourself or others

The funds and accounts advised by Fidelity are required to act in the best interests of their shareholders and clients, respectively. Accordingly, you are prohibited from influencing any of these funds or accounts to act for the benefit of any party other than their shareholders or clients.

For example, you may not influence a fund to buy, sell, or refrain from trading a security that would affect that security's price to advance your own interest or the interest of a party that has or seeks to have a business relationship with Fidelity.

Attempting to defraud a client or fund

Attempting to defraud a fund or an account advised by FMR Co., Pyramis Global Advisors, or any other Fidelity entity in any way is a violation of Fidelity's rules and federal law.

Using a derivative to get around a rule

If something is prohibited by these rules, then it is also against these rules to effectively accomplish the same thing by using a derivative. This includes futures, options, and other types of derivatives.

HOW WE ENFORCE THE CODE OF ETHICS

The Ethics Office regularly reviews the forms and reports it receives. If these reviews turn up information that is incomplete, questionable, or potentially in violation of this Code of Ethics, the Ethics Office will investigate the matter and may contact you.

If it is determined that you or any of your covered persons has violated this Code of Ethics, the Ethics Office or another appropriate party may take action. Among other things, subject to applicable law, potential actions may include:

- an informational memorandum
- a written warning
- a fine, a deduction from wages, disgorgement of profit, or other payment
- a limitation or ban on personal trading
- referral of the matter to Human Resources
- dismissal from employment
- referral of the matter to civil or criminal authorities

Fidelity takes all Code of Ethics violations seriously, and, at least once a year, provides the funds' trustees with a summary of actions taken in response to material violations of this Code of Ethics. You should be aware that other securities laws and regulations not addressed by this Code of Ethics may also apply to you, depending upon your role at Fidelity.

Fidelity and the funds retain the discretion to interpret this Code of Ethics and to decide how the rules apply to any given situation.

Exceptions In cases where exceptions to this Code of Ethics are noted and you may qualify for them, you need to get prior written approval from the Ethics Office. The way to request any particular exception is discussed in the text of the relevant rule. If you believe that you have a situation that warrants an exception that is not discussed in this Code of Ethics, you may submit a written request to the Ethics Office. Your request will be considered by the Ethics Office, and you will be notified of the outcome.

Appeals If you believe a request of yours has been incorrectly denied or that an action is not warranted, you may appeal the decision. To make an appeal, you need to provide the Ethics Office a written explanation of your reasons for appeal within 30 days of when you were informed of the decision. Be sure to include any extenuating circumstances or other factors not previously considered. During the review process, you may, at your own expense, engage an attorney to represent you. The Ethics Office may arrange for senior management or other parties to be part of the review process. The Ethics Office will notify you in writing about the outcome of your appeal.

Additional Rules for Fund-Advisory Employees

Option transactions under the 60-Day Rule

Option transactions can be matched either to a prior purchase of the underlying security or to prior option transactions in the opposite direction.

When matching an option transaction to prior purchases of the underlying security, opening an option position by selling a call or buying a put is treated as a sale and will be matched to any purchases of the underlying security made during the preceding 60 days.

When matching an option transaction to prior option transactions, a closing position is matched to any like opening positions taken during the preceding 60 days.

When exercising an option, the initial purchase or sale of an option, not the exercise or assignment of the option, is matched to any opposite transactions made during the preceding 60 days. The sale of the underlying securities received from the exercise of an option will also be matched to any opposite transactions made during the period.

There is no exception to the 60-Day Rule for the selling of securities upon the automatic exercise of an option that is in the money at its expiration date. To avoid surrendering 60-day gains that would result from an automatic liquidation, you need to cancel the automatic liquidation before it happens.

WHAT'S REQUIRED

Surrendering 60-day gains (60-Day Rule)

Any sale of covered securities will be matched against any purchases of that security, or its equivalent, in the same account during the previous 60 days (starting with the earliest purchase in the 60-day period). Any gain resulting from any matched transactions must be surrendered. For specific information about how option transactions are treated under this rule, see the sidebar and the examples below.

Gains are calculated differently under this rule than they would be for tax purposes. Neither losses nor potential tax liabilities will be offset against the amount that must be surrendered under this rule.

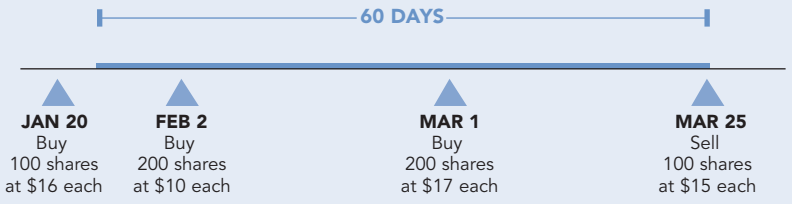
Exceptions

This rule does not apply:

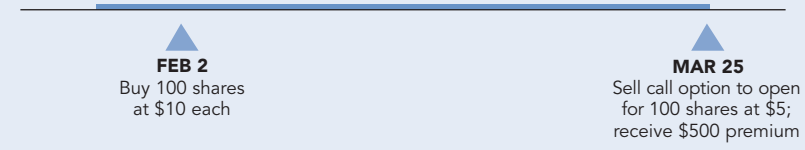
- to transactions in shares of Fidelity funds
- to transactions in options and futures on, or ETFs that track, the following indexes: NASDAQ 100, Russell 2000, S&P 100, S&P 500, S&P Midcap 400, FTSE 100, FTSE Mid 250, FTSE 350, Hang Seng 100, S&P/TSX 60, NSE S&P CNX Nifty (Nifty 50), MSCI EM, and Nikkei 225
- to transactions in options, futures, and ETFs based on one or more instruments that are not covered securities (e.g., commodities, currencies, and U.S. Treasuries; see Key Concepts on page 7 for an expanded list of non-covered securities)
- to transactions made in a covered account that is managed by a third-party registered investment advisor with discretionary authority over the account
- to transactions under an automatic investment plan
- to tax-planning transactions, provided that there is a demonstration of how the proposed transaction relates to the covered person's tax strategy; this exception is not automatic, is granted on a case-by-case basis, and requires advanced review and written approval of the Ethics Office
- when the rule would impose a substantial unforeseen personal financial hardship on the employee; this exception is not automatic, is granted on a case-by-case basis, and requires advanced review and written approval of the Ethics Office (note that an employee seeking relief must establish a bona fide financial hardship, such as unforeseen medical expenses, and should be prepared to demonstrate, among other things, that he or she possesses no other assets to meet the financial need)

EXAMPLES

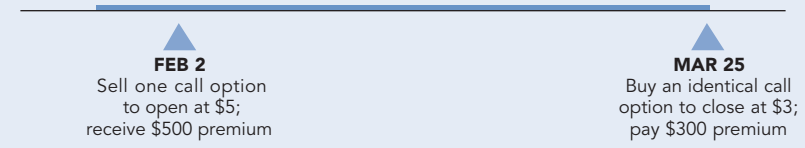
Example 1 The March 25 sale is matched to the February 2 purchase (not the January 20 purchase, which was more than 60 days prior). Surrendered: $500 ($5 x 100 shares).



Example 2 The March 25 call option sale is matched to the February 2 purchase of the underlying security (the call's execution price and expiration date are immaterial). Surrendered: $500 (the premium for selling the option).



Example 3 The March 25 call option purchase is a closing transaction and is matched to the February 2 sale (since that opening transaction was made within 60 days). Surrendered: $200 (difference between premium received and premium paid).



To Do

- Before trading a covered security in a covered account that might trigger the 60-Day Rule, make sure you understand how much may have to be surrendered. The calculation may be complicated, especially if options or multiple prior purchases are involved. If you have any questions about this provision, call the Ethics Office at (001) 617-563-5566 or (001) 800-580-8780.
- To request permission for a tax-planning or hardship exception, you must contact the Ethics Office before trading. Allow at least two business days for your request to be considered. Approvals will be based on fund trading and other pre-clearance tests. You are limited to a total of five exceptions per calendar year across all your covered accounts.

WHAT'S PROHIBITED

Buying securities of certain broker-dealers

Neither you nor your covered persons are allowed to buy the securities of a broker-dealer or its parent company if the Ethics Office has restricted those securities.

Trading after a research note

Neither you nor your covered persons are allowed to trade a covered security of an issuer until two full business days have elapsed (not including the day the note was published) since the publication of a research note on that issuer by any Fidelity entity.

Additional Rules for Traders, Research Analysts, and Portfolio Managers

Traders, Research Analysts, and Portfolio Managers are subject to the additional rules for Fund-Advisory Employees, plus the rules in this section.

WHAT'S REQUIRED

Notification of your ownership of securities in a research note

You must check the box on a research note you are publishing to indicate any ownership, either by you or your covered persons, of any security of an issuer that is the subject of the research note.

Disclosing trading opportunities to the funds before personally trading

There are three aspects to this rule:

Disclosing information received from an issuer
Any time you receive, directly from an issuer, material information about that issuer (that is not considered inside information), you must check to see if that information has been disclosed to the funds in a research note. If not, you must communicate that information to the funds before you or any of your covered persons personally trade any securities of that issuer in a covered account.

To Do

- Confirm whether a Fidelity research note has been published with the relevant information.
- If not, publish a research note or provide the information to the relevant head of research.
- If you are a trader, disclose the information to the analyst covering the issuer.
- If you think you may have received inside information, follow the rules in the *Policy on Inside Information* (see page 15).

Disclosing information about an issuer that is assigned to you If you are a research analyst, you must disclose in a research note material information you have about an issuer that is assigned to you before you or any of your covered persons personally trade a security of that issuer in a covered account.

Exception

- You or any of your covered persons may be permitted to trade the assigned security in a covered account without publishing a research note if you have obtained the prior approval of both the relevant head of research and the Ethics Office.

To Do

- Publish a research note with the relevant information and indicate any ownership interest in the issuer that you or your covered persons may have before personally trading a security you are assigned to cover.

  Note: You will not be able to obtain pre-clearance approval for your personal trade until two full business days have elapsed (not including the day the note was published) following the publication of your research note.
- To request an exception to this rule, first contact the relevant head of research and seek approval. Then contact the Ethics Office for approval. Do not personally trade the security until you have received full approval.

Recommending trading opportunities In addition, you must recommend for the funds, and, if you are a portfolio manager, trade for the funds, a suitable security before personally trading that security.

WHAT'S PROHIBITED

Trading within seven days of a fund you manage

Neither you nor your covered persons are allowed to trade within seven calendar days (not including the day of the trade) before or after a trade is executed in any covered security of the same issuer by any of the funds you manage.

Exceptions

- **When the rule would work to the disadvantage of a fund** You must never let a personal trade prevent a fund you manage from subsequently trading a covered security of the same issuer, if not making the trade would disadvantage the fund. However, you need approval from the Ethics Office before making any trades under this exception. The Ethics Office will need to know, among other things, what new information arose since the date of the trade in your covered account.
- **When the conflicting fund trade results from standing orders** A personal trade may precede a fund trade in the same covered security when the fund's trade was generated independently by the trading desk because of a standing instruction to trade proportionally across the fund's holdings in response to fund cash flows.

- **When the covered account is independently managed** This exception applies only where a covered account is managed by a third-party registered investment advisor with discretionary authority over the account. To qualify for this exception, you must have previously obtained written approval from the Ethics Office to maintain the managed account.
- **When the conflicting personal trade or fund trade is in options or futures on, or ETFs that track, the following indexes:** NASDAQ 100, Russell 2000, S&P 100, S&P 500, S&P Midcap 400, S&P Europe 350, FTSE 100, FTSE Mid 250, Hang Seng 100, S&P/TSX 60, NSE S&P CNX Nifty (Nifty 50), MSCI EM, and Nikkei 225.
- **When the conflicting personal trade or fund trade is in options, futures, or ETFs based on one or more instruments that are not covered securities** (e.g., commodities, currencies, and U.S. Treasuries; see Key Concepts on page 7 for an expanded list of non-covered securities).

To Do

- Before trading personally, consider whether there is any likelihood that you may be interested in trading a covered security of the same issuer in your assigned funds within seven calendar days following the day of the fund trade. If so, refrain from personally trading in a covered account.
- If a fund you manage has recently traded a security, you must delay any covered account trades in any covered security of the same issuer for seven calendar days following the day of the most recent fund trade.
- Contact the Ethics Office immediately to discuss any situation where these rules would work to the disadvantage of the funds.

Legal Information The Code of Ethics for Personal Investing constitutes the Code of Ethics required by Rule 17j-1 under the Investment Company Act of 1940 and by Rule 204A-1 under the Investment Advisers Act of 1940 for the Fidelity funds, FMR LLC subsidiaries that are the funds' investment advisors or principal underwriters, Fidelity Management Trust Company, subsidiaries of Pyramis Global Advisors Holdings Corp., and any other entity designated by the Ethics Office. Fidelity is required to provide a copy of this Code of Ethics, and any amendments to it, to all employees covered under it.

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Section V

Service Provider Oversight

Pyramis
GLOBAL ADVISORS™
A Fidelity Investments Company

Pyramis Global Advisors
Service Provider Oversight

I. Explanation of the Rule

Pyramis Global Advisors ("Pyramis") routinely contracts with various product and service providers ("Service Providers") to provide a broad range of services or products to Pyramis or Pyramis' products. These Service Providers may be affiliated or unaffiliated with Pyramis or its ultimate parent company, FMR LLC. Pyramis adheres to certain basic vendor management practices with respect to all service providers, but has tailored its oversight program so that the level of diligence, process and oversight corresponds to the materiality of the contract. Service Providers which provide products/services that are critical to Pyramis' ability to operate and/or present significant levels of risk are designated as "Critical Service Providers." Oversight of Critical Service Providers include certain minimum actions, such as performing risk assessment activities (e.g., RFP review, External Security Reviews, etc.), carrying out due diligence activities, reviewing of contract for appropriate and sufficient terms, and formal processes for oversight of the relationship.

Detailed standards can be found in our Service Provider Oversight Program ("SPOP") document. Service Providers that are not deemed Critical Service Providers are not subject to all elements of this Policy; the level of oversight needed for these Service Providers will be considered on a case-by-case basis given the product or service provided.

II. Formal Citation of the Rule

Section 203(e)(6) of the Investment Advisers Act of 1940

III. Responsible Compliance Officer

Pyramis SVP of GRCT&P

CPP Business Owner: Pyramis Risk Management

IV. Means of Achieving Compliance

Pyramis Risk Management is responsible for oversight of the SPOP; however the execution of the day-to-day management and overall oversight of each Critical Service Provider covered by the SPOP will be the responsibility of the identified "Relationship Owner." The Relationship Owner is the person or persons within the Pyramis business function that is most reliant on the product/service of the Critical Service Provider. In some cases, policies regarding oversight of certain service providers is set out in a specific policy and procedures (e.g., Pyramis Accounting and Custody Oversight Policy, Pyramis Affiliated Sub-Adviser Policy). In those cases, the guidelines set out in those policies would dictate the responsible compliance group or team.

Vendor management programs typically encompass four main elements: (1) risk assessment; (2) due diligence in selecting a vendor; (3) contract structuring and review; and (4) oversight. Because the nature of the services provided by each vendor vary, the application of these elements of the vendor management program will be dictated by the facts and circumstances of each relationship. Both the risk assessment and due diligence process are included in Pyramis' identification of a Service Provider as a Critical Service Provider.

Identification
New Service Providers, or existing Service Providers where a change to service/product has occurred, will go through a series of risk assessment activities, as appropriate (which may include background

checks and external security reviews). In addition to this due diligence, each will have their characteristics reviewed against a series of risk criteria to determine if the Service Provider should be considered a Critical Service Provider, and thus subject to the SPOP. The Relationship Owner is responsible for the review; Pyramis Risk Management will assist and provide guidance as needed and determine the designation of "Critical Service Provider." On an annual basis, the entire universe of Pyramis Service Providers will be reviewed by Pyramis Risk Management to ensure the complete set of Critical Service Providers is known. The common traits of Critical Service Providers include but are not limited to:

1. **Criticality to Daily Processing Requirements**; the single instance failure of the Service Provider's product/service, intraday or permanently, **might** have a direct negative impact on Pyramis' ability to meet client SLAs or carry out other revenue generating activities
2. **Required by regulation**; the Service Provider's product/service requires specific oversight per the rules or guidance of one (or more) of our regulators
3. **Access to Pyramis or Pyramis Institutional Client Data**; the Service Provider's product/service includes housing, feeding, or processing Pyramis or Pyramis Institutional Client Data.

Management

Critical Service Providers will have a Relationship Owner assigned. The Relationship Owner will be responsible for the day-to-day management of the relationship. The specific level of day-to-day management activity will vary by service provider and will be dictated by the nature of the relationship.

Oversight

The SPOP outlines minimum annual oversight requirements, and provides guidance regarding which Pyramis groups should be involved in the process. The Relationship Owner is ultimately responsible for ensuring all requirements are met.

V. Oversight Function

Pyramis Risk Management has oversight of the overall SPOP. In this role, Pyramis Risk Management will maintain a list of Critical Service Providers and the associated Relationship Owners. Pyramis Risk Management will facilitate annual validation of the Critical Service Provider universe.

Relationship Owners are responsible for both the day-to-day management and oversight of the Service Providers for which they have been assigned.

VI. Methods of Conducting Oversight

Pyramis Risk Management will periodically provide the current list of Critical Service Providers and associated Relationship Owners to the Risk & Compliance Committee.

Relationship Owners will define the processes they will use to perform day-to-day management for each of their Critical Service Providers, based on the nature of each relationship.

Pyramis Risk Management, through the SPOP, will establish the minimum oversight requirements for all Critical Service Providers. Relationship Owners will be responsible for meeting these requirements, or, when this is not possible, escalating to Pyramis Risk Management as needed.

VII. Attachments

None

Section VI

Foreign Exchange (FX) Trading Policy

Pyramis
GLOBAL ADVISORS™
A Fidelity Investments Company

Pyramis Global Advisors
Foreign Currency Trading Policy and Procedures
As of May 16, 2011

At Pyramis Global Advisors ("Pyramis"), spot foreign (non-US dollar denominated) currency ("FX") transactions for accounts managed by Pyramis or its affiliates are generally effected by StreetFX, an independent FX trading service associated with State Street Bank and Trust Company ("State Street Bank"), Fidelity Management & Research Company's ("FMR Co.") Global Equity Trading desk, or by a client's custodian. With respect to high income mandates, FX transactions are generally effected by the FMR Co. High Income Trading desk with the dealer counterparty as part of the negotiated international high-income securities trade. Where a Pyramis account is sub-advised by an unaffiliated adviser, FX transactions are generally effected by such sub-adviser in accordance with its policies.

As described below, the manner in which FX transactions are effected varies based on a number of factors including the trading desk on which the account trades, the type of transaction that gives rise to the FX transaction and/or the specific currency or activity involved. Pyramis has adopted the following policy and procedures to address the manner in which it oversees FX trading that is effected by StreetFX and the FMR Co. Global Equity Trading desk on behalf of accounts for which Pyramis serves as investment adviser.

This policy and these procedures are designed to ensure that FX trades entered into on behalf of these accounts are transacted in a manner that seeks to provide fair and reasonable treatment over time under the circumstances, taking into account qualitative and quantitative factors and considerations that vary based on the context of the transactions.

FX Trading of Pyramis Client Accounts by StreetFX

Except as described below under "FX Trading of Pyramis Client Accounts by Custodians," Pyramis client accounts that trade on the Pyramis Equity Trading desk generally use the FX trading capabilities of StreetFX. After foreign trades are confirmed, StreetFX batches the corresponding FX transactions for execution. All like currencies are batched together and netted before being priced. For non-Restricted Currencies[1], StreetFX guarantees execution at rates equal to the WM/Reuters benchmark rates in effect at a particular execution time, plus three basis points in the case of a net buy and minus three basis points in the case of a net sell. The price is determined based on net positions, which is then applied to all of the trades (buys and sells). We believe this netting process may provide an opportunity to reduce costs over time. This service also allows Pyramis to execute FX trades at designated times throughout the day (11am, 1pm, 3pm and 5pm), which reduces the window of currency risk while retaining the opportunity for netting. Execution reporting is received by Pyramis both daily and monthly. The Pyramis Treasurer's Office ("Pyramis TO") reviews the reporting from StreetFX to evaluate the quality of the FX trading services.

The Pyramis TO regularly reviews the reporting described above, and provides a summary of the reporting to the Pyramis Trade Oversight Committee on a quarterly basis. On a semi-annual basis, the Pyramis TO provides an update regarding overall FX trading quality and any associated issues.

[1] See below, "FX Trading of Pyramis Client Accounts by Custodians."

FX Trading of Pyramis Client Accounts on the FMR Co. Global Equity Trading Desk

Except as described below under "FX Trading of Pyramis Client Accounts by Custodians," Pyramis client accounts whose trades are executed by FMR Co. use the FX trading capabilities of the FMR Co. Global Equity Trading desk, which acts as agent on behalf of Pyramis accounts for which it transacts FX.

The FMR Co's Treasurer's Office ("FMR TO"), in conjunction with the International Markets Committee, Fidelity Pricing and Cash Management Services and the FMR Co. Global Equity Trading desk, evaluates foreign currency markets periodically to determine whether a particular foreign currency or type of currency transaction should be traded by the FMR Co. Global Equity Trading desk or the clients' custodian(s) based on various legal, operational or other considerations (See below, "FX Trading of Pyramis Client Accounts by Custodians").

FMR Co. transacts FX only with counterparties that the FMR Co. Global Equity Trading desk has selected and approved, and that have executed appropriate documentation. All such counterparties must be approved by the Counterparty Research & Analysis Group in accordance with FMR Co.'s counterparty approval guidelines.

In choosing among approved counterparties to effect FX transactions, and in evaluating the quality of the services provided by these counterparties, FMR Co. considers a range of quantitative and qualitative factors it deems relevant in the context of a particular trade with regard to FMR Co.'s overall responsibilities with respect to the accounts for which FMR Co. exercises investment discretion or provides trading services, including any instructions from the client. These factors may include, but are not limited to, the following:

- price/exchange rate
- size of the transaction
- availability of liquidity in the currency
- execution efficiency
- settlement capability
- creditworthiness of the counterparty
- expertise regarding the relevant currency markets
- speed and certainty of trade executions
- reasonableness of compensation (spread) to be paid
- nature and characteristics of the currency being traded
- the potential for avoiding market impact and information leakage
- the quality of execution services rendered on a continuing basis

Based on the factors considered, FMR Co. actively works orders and may choose to execute an order using electronic channels or by dealing directly with counterparties. Buy and sell orders for the same currency generally are aggregated, and the net position (buy or sell) is used to determine the price/exchange rate at which all such orders are traded. In all cases, the FMR Co. Global Equity trading desk will check indicative exchange rates in the market before effecting an FX transaction.

FMR Co. regularly reviews its FX trading activity. On a daily basis, management of the FMR Co. Global Equity Trading desk reviews reports that evaluate FX transactions effected by the desk in the context of overall FX market activity. On at least a monthly basis, management of the FMR Co. Global Equity Trading desk reviews an internal report of FX trading activity on the desk which includes order flow, distribution and rank by currency and counterparty, and reports on these matters to the FMR TO as needed. The FMR TO periodically reports to the Pyramis TO the results of this review of FX trading activity on the desk, a summary of

which is also provided to the Pyramis Trade Oversight Committee on a quarterly basis. On a semi-annual basis, the Head of the FMR Co. Global Equity Trading desk provides an update to the Pyramis Trade Oversight Committee that includes analysis of the FX trading quality and any associated issues.

FX Trading of Pyramis Client Accounts by Custodians

Certain currencies that by local law or regulation can only be held or traded by a local entity, or for which logistical or operational challenges make trading by non-local custodians or agents impractical or inefficient ("Restricted Currencies"), are not supported by StreetFX and/or designated by FMR Co. for trading by the clients' custodian banks, working through sub-custodians or agents in the relevant foreign jurisdiction. In such cases, Pyramis has determined that trading through the client's custodian mitigates risks that client accounts face in these Restricted Currencies markets. Pyramis monitors the list of Restricted Currencies designated by FMR Co. and/or not supported by StreetFX regularly and consults with FMR Co. and/or StreetFX periodically as to the basis for a currency's status.

In addition to trading Restricted Currencies, the clients' custodian banks generally effect FX transactions in connection with dividend, interest, or other income repatriation; certain corporate actions; and certain transactions driven by local taxes or other laws or regulations (e.g., stamp duties). Effecting these transactions through the custodian is operationally efficient as the custodians process income repatriation transactions on behalf of client accounts and, as a result, have direct visibility into the amount and timing of these transactions. Also, the value of each of these individual transactions is typically small relative to trade settlement-related transactions. Accordingly, effecting these FX transactions in this manner reduces the operational risk associated with additional information exchanges and transaction processing that would be required if they were effected outside of the custodian.

The Pyramis TO, in consultation with FMR Co.'s Global Equity Trading desk and the FMR TO, as appropriate, monitors custodians' execution of the FX transactions they conduct on behalf of Pyramis clients, requiring such data and other information as to allow Pyramis to evaluate the execution achieved. The Pyramis TO regularly reviews the reporting described above, and provides a summary of the reporting to the Pyramis Trade Oversight Committee on a quarterly basis. On a semi-annual basis, the Pyramis TO provides an update to the Pyramis Trade Oversight Committee that includes analysis of the FX trading quality and any associated issues.

FX Trading of Pyramis Client Accounts Directed by Client to Custodian

At the direction of a client, Pyramis may be instructed to use the client's custodian to carry out certain FX transactions. In such cases, the client retains the responsibility to oversee the custodian's provision of FX trading services.

Section VII

StanCERA Portfolio – FX Transaction Cost Analysis

Pyramis
GLOBAL ADVISORS™
A Fidelity Investments Company

FX Trading Discussion with Stanislaus County Employees' Retirement Association

International Growth

Pyramis GLOBAL ADVISORS®
A FIDELITY INVESTMENTS COMPANY

Agenda

I. Introductions

II. Account Summary

III. FX Volumes (FMR and Custodian)

IV. FMR FX Process

V. Custodian FX

VI. Questions & Answers

Stanislaus County Employees' Retirement Association
Account Profile

International Growth
Portfolio Profile

6/30/12	
Total Net Assets	$117,472,026.18
# of Securities	264 (482)
# of Countries	23 (44)
# of Currencies	12 (35)

Foreign Exchange

Pyramis utilizes Foreign Exchange transactions for three purposes:

- Trade Settlement
- Income Repatriation
- Corporate Action Settlement

Stanislaus County Employees' Retirement Association

International Growth

The International Growth Account traded approx $115.7 M USD in FX during the 12 month period ending June 30, 2012

- Approximately 47.8% executed by Pyramis through the StreetFX service.
- Approximately 49.7% executed by Pyramis through the FMR FX Trading Desk.
- The remaining 2.5% executed by BNY Mellon as Custodian to the Account.
- There are NO restricted currencies directly held in this portfolio.

FX Trading Counterparty	Volume (USD)	Percentage
Bank Of America Na (Fx)	3,742,792.99	3.2%
Barclays Bank Plc(Fx)	4,442,139.49	3.8%
Brown Brothers Harriman And Co	5,216,163.90	4.5%
Citibank Na (Fx Algo)	1,741,322.59	1.5%
JP Morgan Chase Bank	6,557,816.62	5.7%
Citibank Na	5,263,435.24	4.5%
Credit Suisse	3,921,793.71	3.4%
Custodian - Bank of New York Mellon	2,904,252.55	2.5%
Deutsche Bank Ag Ny Branch	4,465,673.03	3.9%
Goldman Sachs And Co	4,543,093.64	3.9%
HSBC Bank USA	2,080,396.11	1.8%
Morgan Stanley And Co LLC	9,184,860.33	7.9%
Royal Bk Of Scot Plc,Ny Br(248	2,668,914.02	2.3%
State Street Bank - StreetFX	55,280,306.97	47.8%
State Street Bank And Tr Co	930,700.89	0.8%
UBS Ag Stamford Branch	2,758,786.49	2.4%
Grand Total	115,702,448.57	100.0%

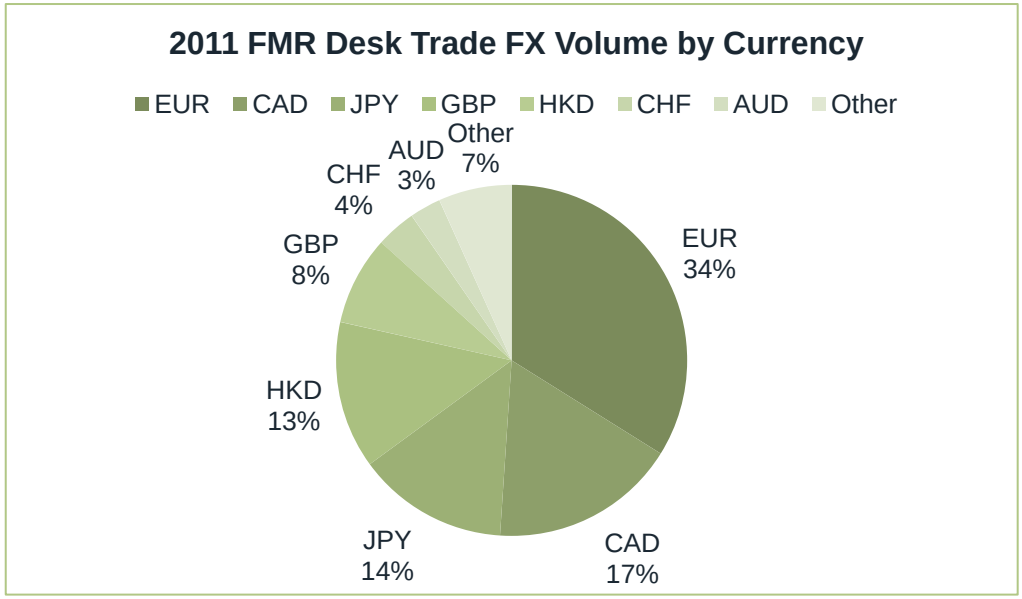
FX Trading Currency	Volume (USD)	Percentage
Australian Dollar (AUD)	8,963,326.79	7.7%
Canadian Dollar (CAD)	35,533,648.03	30.7%
Swiss Franc (CHF)	3,874,208.89	3.3%
Danish Kronen (DKK)	774,461.23	0.7%
European Monetary Unit (Euro) (EUR)	15,258,423.02	13.2%
Uk Pound (GBP)	9,687,722.96	8.4%
Hong Kong Dollar (HKD)	9,348,358.28	8.1%
Japanese Yen (JPY)	28,992,591.04	25.1%
Norwegian Krona (NOK)	764,715.83	0.7%
New Zealand Dollar (NZD)	512,840.52	0.4%
Swedish Krona (SEK)	255,620.45	0.2%
Singapore Dollar (SGD)	1,736,531.53	1.5%
Grand Total	115,702,448.57	100.0%

There were 3,929 FX transactions during the 12 month period, of which Fidelity executed 3,251. The custodian bank executed an additional 678 for repatriation purposes.

Stanislaus County Employees' Retirement Association

FMR Foreign Exchange Trading Desk : An Agency Trading Methodology

- 2011 Gross FX Volume approx $249B
- Dedicated FX trading desk which executes spot FX transactions for trade settlement and corporate actions*
- Trade 19 currencies with 13 counterparties
- Top 7 currencies cover 93% of volume across EUR, CAD, JPY, HKD, GBP, CHF, AUD
- Multiple decision factors involved in trading currencies
- FMR reviews currency needs and goes to the market with one side per currency to establish a price
- FMR adds no additional spread on execution rate
- Improvements and Oversight
- Evaluation of Fidelity Restricted Currency Markets



*FMR Desk executes corporate actions over the equivalent of $5,000 USD

Confide ntial

Stanislaus County Employees' Retirement Association

State Street Bank's StreetFX 3rd party FX Trading Platform

- Street FX is a service offered by the State Street Global Markets unit of State Street Bank & Trust Company.
  - Separate service offering from custody and distinct from custody FX pricing model.
- Used for trade settlement involving established currencies.
  - Currently trades 19 currencies for Pyramis.
- FX details for confirmed securities trades are routed to Street FX.
- FX trades are executed in five pricing windows throughout the day (9am, 11am,1pm, 3pm and 5pm).
  - For all trades received before the cut-off of the applicable trading window, buys and sells of all like currency pairs are batched together and netted for pricing purposes.
- Street FX guarantees pricing at rates equal to the then applicable WM Reuters benchmark bid/ask (+/-a 1 basis point spread). *** *Previously a +/- 3 basis points*
- Daily and monthly execution reporting provided.
- Pyramis adds no additional spread on Street FX execution rate.

Stanislaus County Employees' Retirement Association

Custodian FX

- Restricted Currencies
  - PGA has directed the custodian bank to execute FX for markets deemed restricted by Fidelity and Pyramis due to either regulatory or operational reasons such as liquidity, filing requirements, tax liability or potential settlement risks (i.e., buy-ins or potential suspension of trading)
- Income Repatriation
  - The custodian is the collection agent and the party that can confirm the foreign currencies were collected on time and in full
  - The custodian has integrated internal systems between their custodial networks and the foreign exchange desk
- Corporate Actions < $5000 USD
  - Corporate Actions that are less then the equivalent of $5000 USD are directed to the custodian due to relatively small size of trades and operational efficiencies
  - Custodian FX Oversight and Reporting
    - Fidelity and Pyramis are assessing, refining and formalizing their policies with regard to oversight reporting and monitoring
    - Active discussions are on-going with the custodian banks to develop standard templates for transaction reporting and analysis to enhance their transaction review and analysis capabilities
      - Numerous meetings with all of the major Pyramis and Fidelity Global Custodians
      - Driving to Improved clarity and transparency of process
      - Daily transaction reporting
      - Internal TCS Modeling and analysis

Stanislaus County Employees' Retirement Association FX Trade Cost Analysis

July 1, 2011 – June 30, 2012 : FX TCA Results

- Internal measurement platform utilizing all major market sources including Reuters, EBS, and Bloomberg
- Flexibility in providing analysis against multiple benchmarks or market fixes
- Calculated approximate FX cost in basis points from a daily midpoint or point in time.

	Mid of daily High / Low					
QTR	Pyramis Notional (Right Axis)	Pyramis Bps	Cust Notional (Right Axis)	Cust Bps	Total Notional (Right Axis)	Total Bps
2011-07	$ 7,644,155	(2.09)	$ 236,628	(27.46)	$ 7,880,783	(2.85)
2011-08	$ 13,223,673	(0.98)	$ 164,765	(32.41)	$ 13,388,438	(1.37)
2011-09	$ 9,654,323	(2.47)	$ 174,632	(45.44)	$ 9,828,955	(3.23)
2011-10	$ 11,637,920	(5.89)	$ 158,137	(40.91)	$ 11,796,057	(6.36)
2011-11	$ 7,556,374	1.66	$ 115,707	(37.57)	$ 7,672,081	1.07
2011-12	$ 6,505,050	(1.02)	$ 217,967	(26.08)	$ 6,723,016	(1.84)
2012-01	$ 10,232,842	(0.98)	$ 147,836	(19.12)	$ 10,380,678	(1.23)
2012-02	$ 11,717,629	(1.73)	$ 410,450	(28.96)	$ 12,128,079	(2.65)
2012-03	$ 9,173,799	(0.96)	$ 125,866	(32.44)	$ 9,299,665	(1.38)
2012-04	$ 8,884,391	1.57	$ 295,477	(22.22)	$ 9,179,869	0.80
2012-05	$ 9,455,249	0.27	$ 495,466	(24.54)	$ 9,950,715	(0.97)
2012-06	$ 7,112,791	(2.59)	$ 361,322	(17.99)	$ 7,474,112	(3.34)
total	***$ 112,798,196***	***(1.39)***	***$ 2,904,253***	***(27.65)***	***$ 115,702,449***	***(2.05)***

	London close					
QTR	FMR Notional (Right Axis)	FMR Bps	Cust Notional (Right Axis)	Cust Bps	Total Notional	Total Bps
2011-07	$ 7,644,155	(0.70)	$ 236,628	(31.43)	$ 7,880,783	(1.62)
2011-08	$ 13,223,673	(1.80)	$ 164,765	(17.70)	$ 13,388,438	(2.00)
2011-09	$ 9,654,323	(0.99)	$ 174,632	(39.65)	$ 9,828,955	(1.68)
2011-10	$ 11,637,920	(1.65)	$ 158,137	(68.70)	$ 11,796,057	(2.55)
2011-11	$ 7,556,374	(0.14)	$ 115,707	(27.65)	$ 7,672,081	(0.55)
2011-12	$ 6,505,050	(2.22)	$ 217,967	(38.98)	$ 6,723,016	(3.41)
2012-01	$ 10,232,842	(1.01)	$ 147,836	(25.77)	$ 10,380,678	(1.36)
2012-02	$ 11,717,629	(0.54)	$ 410,450	(29.75)	$ 12,128,079	(1.53)
2012-03	$ 9,173,799	(0.98)	$ 125,866	(34.74)	$ 9,299,665	(1.44)
2012-04	$ 8,884,391	(2.33)	$ 295,477	(22.14)	$ 9,179,869	(2.97)
2012-05	$ 9,455,249	(0.55)	$ 495,466	(22.81)	$ 9,950,715	(1.65)
2012-06	$ 7,112,791	(1.38)	$ 361,322	(19.40)	$ 7,474,112	(2.25)
total	***$ 112,798,196***	***(1.19)***	***$ 2,904,253***	***(29.30)***	***$ 115,702,449***	***(1.90)***

Pyramis and Fidelity currently measure the implicit FX trading costs as the difference between execution rate and the Mid Point of the daily High / Low.

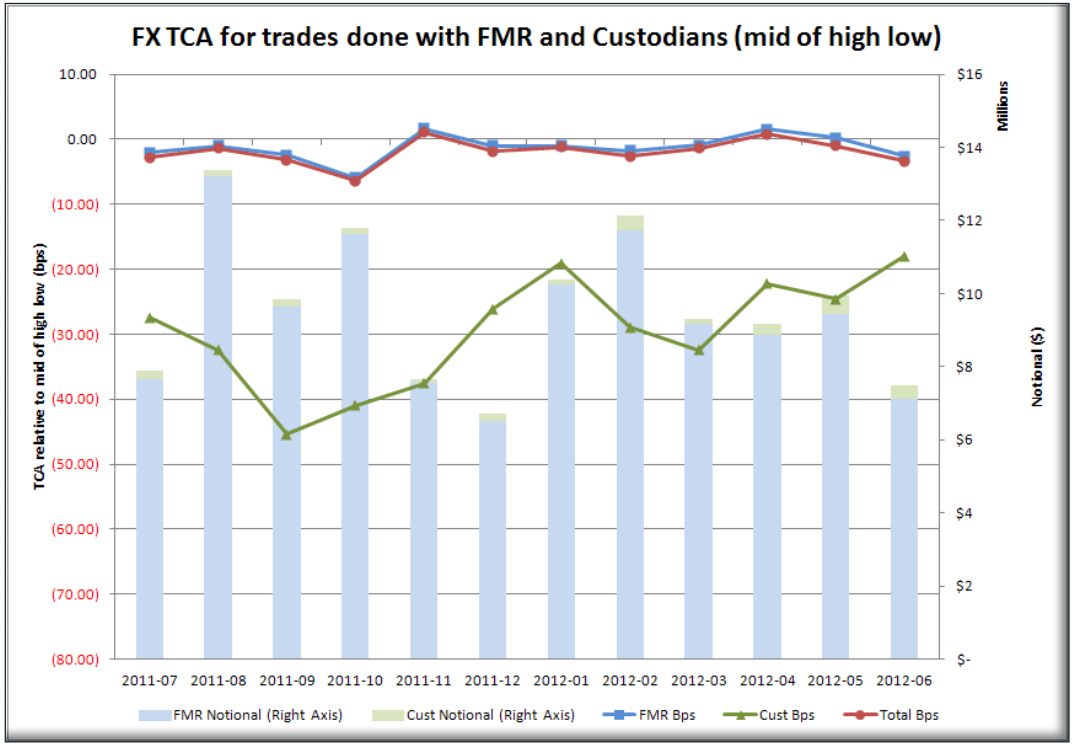
We also provide a secondary measure of the execution rate against a fixed point in time, such as the London Close.

The following slides will present the performance of Pyramis and the Custodian Bank, as measured against both benchmarks.

Stanislaus County Employees' Retirement Association FX Trade Cost Analysis (Mid of Daily High / Low)

The Chart on the right depicts the summary of the basis points spread between the individual FX transactions and the midpoint of the daily high low.

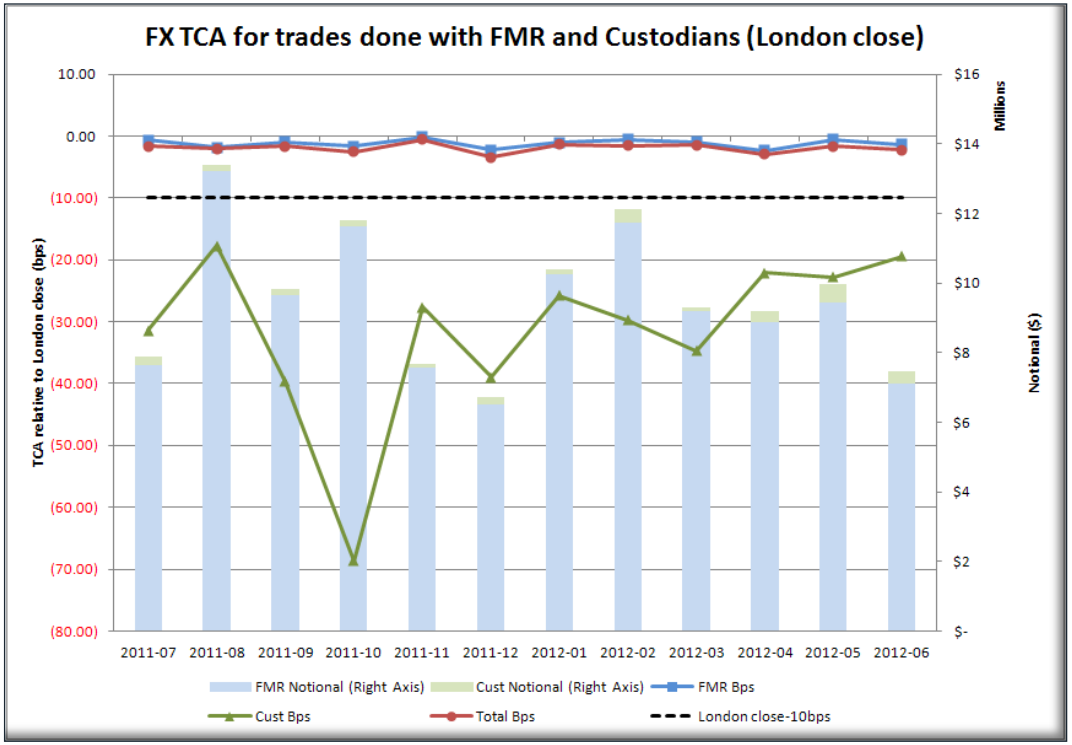
As expected, the performance of the Fidelity trading has the greatest impact on the overall results. The custodian's activity, while resulting in greater spreads (costs), has a small negative impact on the total results.



Stanislaus County Employees' Retirement Association FX Trade Cost Analysis (London Close)

The Chart on the right depicts the summary of the basis points spread between the individual FX transactions and the daily London Close.

The green line represents the results of the custodian's activity, while the dashed heavy black line represents a hypothetical "London Close – 10 Basis points" measurement.



STANCERA DUE DILIGENCE QUESTIONNAIRE

Date: Thursday, August 30, 2012 2:00 – 3:30 pm

Company: Capital Prospects LLC
U.S. Small Cap Value (Emerging Manager of Managers Program)

Site: Stamford, CT

Reviewers: StanCERA Due Diligence Committee Members
StanCERA Staff
Paul Harte (Investment Consultant – SIS)

Contacts: Marilyn Freeman
Elizabeth Knope

A. History, Ownership and Experience

A1. Please provide a description of your firm's history including years in business and historic ownership.

Capital Prospects LLC was founded as a multiple-member LLC in the fall of 2002 by co-owners Marilyn R. Freeman and Elizabeth A. Knope as a manager-of-managers firm specializing in emerging, woman- and minority-owned investment manager programs. The two founding principals each had over 20 years of experience in the manager-of-managers business at a former employer, Northern Trust Global Advisors, Inc. and its predecessor firms. The firm is equally owned by its two founding partners.

A2. List the total number of institutional clients and account assets gained and lost for this and each of the last five calendar years: (Firm-side Gain/Loss)

	Accounts Gained		***Accounts Lost***	
Date	***Number***	***$ Million***	***Number***	***$ Million***
2012 (YTD)	0	0	0	N/A
2011	0	0	0	N/A
2010	0	0	0	N/A
2009	1	$ 49 mm	1*	$70 mm
2008	2	$265 mm	0	N/A

*Capital Prospects has only ever been terminated from one client account. In November of 2009, The City of Philadelphia withdrew a significant portion (approximately 35%) of the assets of the emerging manager program managed by Capital Prospects, to meet a cash flow need. Manager changes made as a result, coupled with the degree of volatility exhibited by some of the program managers, led the Board to terminate the relationship.

Please also list the same information (assets gained and lost) as it specifically relates to the US Small Cap Value Equity product that StanCERA has invested with Capital Prospects.

	Accounts Gained		***Accounts Lost***	
Date	***Number***	***$ Million***	***Number***	***$ Million***
2012 (YTD)*	0	0	0	N/A
2011	0	0	0	N/A
2010	0	0	0	N/A
2009	1	$ 49 mm	0	N/A
2008	0	0	0	N/A

A3. Describe the firm's underlying philosophy and mission statement.

The goal the founding partners had when establishing Capital Prospects was to create a firm which would deliver successful emerging investment programs to our clients with the highest standard of ethical conduct. Client service is key; the assets and number of clients goal supports both partners being involved in all client relationships.

All of this, with a focused team in an entrepreneurial setting, has been our goal.

A4. What have been the changes in staff in the past three years? (Please list additions and departures for each staff person grouped by calendar year and include the position or role of that staff person).

The key organizational change that occurred was the build-out of the staff (beyond the two founding partners) as the business has grown. Joan Cueni joined in 2004, Claudia Lupinacci joined in 2006 and Ashley Martin joined in 2008. The contract consultant role of Janice Elliott began in 2004. In December 2011, Lauren Ciocca joined the team as a Jr. Analyst. She moved from the area in June 2012 and left Capital Prospects. She has been Capital Prospects' only departure. We are in the midst of replacing her role.

With the exception of Ashley Martin, we worked with this entire team at our former employer. No restructuring or other organizational changes have occurred.

A5. Have your company or principal officer(s) been involved in any litigation or other legal proceedings over the past three years related to your investment activities?

There has been no litigation or other legal proceedings relating to our investment activities regarding the firm or any officer or principal.

A6. When did the SEC last audit your firm? Please note any material findings or recommendations.

Capital Prospects LLC has not been audited by the SEC.

B. Firm Overview: Ownership, Offices Organization, Clientele

B1. Please provide a description of your firm's ownership.

The firm is equally owned by its two founding partners. The firm has no affiliated or subsidiary organizations.

B2. Are there any anticipated changes in ownership in the next twelve months?

There are no anticipated changes in the next twelve months.

B3. List the city location(s) of your firm's office(s) and headquarter office.

The headquarters office is in Stamford, CT. Both partners' homes are also registered offices, also in Stamford and in North Haven, CT.

B4. Are there any anticipated significant changes in the location of your office(s)?

There are no planned changes in location.

B5. Does your firm have a business continuity plan that would allow for the firm to occupy alternative office space in the event that your firm's current office space cannot be used due to some unforeseen disaster, interruption of necessary building services (such as electricity) or other reason?

Our business continuity plan includes a fully configured back-up server and data maintained at one of the partner's homes, to be used in the event the main server could not be used for any reason.

The details of our Business Continuity Plan can be found in Exhibit D to our Code of Ethics and Professional Conduct.

As to an electric interruption at the headquarters building, it has a generator which has been used as required to be taken off the electrical grid during high temperature days. We experienced no interruption of services during these "roll-offs".

B6. List the investment-related service(s) that your firm provides including investment mandate management, investment consulting, trading, brokerage, custodial or other services.

The emerging manager-of-managers business is the sole activity of Capital Prospects.

B7. Provide a firm-wide organization chart showing your firm's investment-related business and other supportive functions.

Please refer to the **Appendix** to this submission for a detailed organizational chart with descriptions of responsibilities.

B8. Does your firm have any non-investment mandate management business?

No.

B9. List the number of institutional clients firm wide by asset size in each of the following categories:

Account Size with Capital Prospects	Public Funds	Other Clients
$1 Million - $100 Million	4	N/A
$100 Million - $250 Million	.	N/A
$250 Million - $1 Billion	1	N/A
Over $1 Billion	0	N/A

Please also list the same information as it specifically relates to the US Small Cap Value Equity product that StanCERA has invested with Capital Prospects

Account Size with Capital Prospects	Public Funds	Other Clients
$1 Million - $100 Million	2	N/A
$100 Million - $250 Million	0	N/A
$250 Million - $1 Billion	0	N/A
Over $1 Billion	0	N/A

C. Portfolio Team – US Small Cap Value (Emerging Manager of Managers Program)

C1. Provide detailed biographical information for each member of the U.S. Small Cap Equity Value portfolio team that is running the StanCERA portfolio including education, degree(s), certification(s), charter(s), and years with the firm and years in the industry.

Please refer to the **Appendix** to this submission for a complete set of biographies.

C2. Describe the decision-making process between investment professionals on the US Small Cap Value (Emerging Manager of Manager) team on putting a diversified portfolio of managers together?

Please refer to the response to Question D3.

C3. Which investment professionals work on StanCERA account(s) and who is ultimately responsible for the decision-making of the composition of the portfolio?

Both partners are involved in all program design, with Liz Knope as the lead. Although the associate team is cross-trained on all accounts, Ashley Martin is the principal day-to-day administrative contact.

C4. Provide a functional organization chart that shows the specific positions or titles of employees that oversee the U.S. Small Cap Value Equity accounts?

As a small firm growing its business all team members are involved in all accounts. Please see the **Appendix** for our organizational chart.

C5. Provide a detailed explanation of how the decision-making body operates for the U.S. Small Cap Value Emerging Manager of Manager program. Include in the explanation the inputs, range and limits of decisions reached by the various participants in the process.

Please refer to the response to Question D3.

C6. When portfolio client-mandate changes must be implemented, what methods are used to coordinate and monitor compliance?

All client mandate details and any changes are put on a template specific to each client.

We monitor compliance-related issues no less frequently than monthly. The review process uses a form created off the client and managers' investment guidelines as a checklist that once completed can then be reviewed by senior management. A review of trading activity and brokerage is typically part of this review as well.

C7. How is individual staff performance measured and rewarded? Describe the compensation/incentive/equity ownership structure for the team members within your firm.

The compensation structure for all key investment personnel includes salary plus bonus. The firm may consider ownership in the future for select professionals.

D. Investment Activities - US Small Cap Value (Emerging Manager of Managers Program)

D1. Describe your investment philosophy and approach in managing the U.S. Small Cap Value Emerging Manager of Manager program for StanCERA.

In terms of our own philosophy as a manager-of-managers, we feel it is incumbent upon us to understand thoroughly the specific investment philosophy and portfolio decision-making process that distinguishes one manager from another. We do not believe that any one style or investment approach within a style is superior to another and do believe that talented managers can be found across the entire investment spectrum. We believe that a well-diversified investment program, i.e., including a mix of managers that covers all components of the established benchmark, offers the best opportunity for outperformance over the long term.

D2. Has the philosophy for your firm's Emerging Manager of Managers program changed during the past few years?

Our philosophy has not changed.

D3. Please illustrate your U.S. Small Cap Value Emerging Manager of Managers Program investment process with how you went about selecting the StanCERA managers who make up their portfolio. How do you monitor these managers in place and ultimately decide to replace them?

Research/Due Diligence Process

Our research goal first and foremost is to identify investment managers that we feel are capable of generating investment insights that offer the potential for a performance edge over the competition. Additionally, we need to satisfy ourselves that the organization is structured properly and has all the resources in place – or access to those necessary resources – to support future growth of the business and a continued robust investment management process.

Our due diligence process, involves a number of steps by which we attempt to develop an assessment as to the investment manager's skill. Key elements we look for that we believe are indicative of a superior investment management firm include:

- Smart people with significant and high quality past investment experience who are able to develop unique insights
- A well-developed investment philosophy coupled with a flexible thought process that responds well to a changing environment
- A comprehensive research effort supported by sophisticated and well integrated analytical tools
- Appropriately disciplined investment decision-making and portfolio implementation processes
- Demonstrated consistency of portfolio characteristics and associated return/risk patterns
- Understanding by the manager as to past and prospective sources of value added

We believe these characteristics are key to successful firms.

Our investment manager due diligence process is as follows:

Step 1: Gather and review background information on the manager
Background information is provided by the manager, and what we obtain initially includes a history of the firm, biographies of the key individuals, commentary on the firm's investment philosophy, descriptions of the firm's investment research effort and decision making process and the manager's performance record. In addition to manager supplied information, as stated above, Capital Prospects LLC subscribes to eVestment Alliance, which is an additional source of background information.

Step 2: Manager Interviews
Through the interview process, which will progress from an initial meeting to a series of meetings if a manager is found to be of interest, we further develop our knowledge on the firm and understanding of the manager's investment capabilities. Our evaluation process always includes at least one on-site meeting, where we have additional opportunities to meet staff, explore the investment approach in more detail (through further discussion of the investment

discipline as well as, for example, attending an investment review meeting), examine the firm's trading process and generally observe the operation of the firm. The goal of the interview process is to increase the depth of our knowledge on the firm's organizational structure, business history, growth goals and the business plan to achieve those goals, experience levels of key professionals and depth of support staff, style implications of the manager's investment philosophy, investment decision making structure and portfolio implementation process, internal controls and outcomes of any audits or litigation.

As we add to our knowledge base on a manager, we begin to build our assessment as to whether a particular manager possesses the ability to develop unique insights or strategies that can give them a potential performance edge relative to other managers with a similar investment approach or style. People are key, and we look for individuals with exceptional backgrounds, whose history indicates both an understanding and commitment to investment management. We also look for people who are able to think independently and demonstrate flexibility in response to the surrounding environment. In terms of organizational support, we look for dynamic environments that foster creativity and provide a full array of resources to support the investment effort. We scrutinize the decision making process to make sure it allows investment ideas to be effectively and efficiently represented in client portfolios.

Step 3: Quantitative Analysis

Because historical performance is not a predictor of future success and in and of itself can be grossly misleading, we believe in-depth quantitative analysis is best performed after a manager is determined to be of interest on a qualitative basis (Steps 1 and 2 above). Our quantitative analysis focuses on both performance and portfolio characteristics and is supported by Thomson Reuters' investment analysis tools (through Vestek) and Strategic Financial Solutions' PerTrac system.

While we obtain historical performance and current portfolios as we proceed through the manager evaluation process, once we have determined that a manager is of definite interest, we also obtain actual past portfolios. We generate portfolio characteristics on those collected portfolios from our analytical systems and examine those characteristics, currently and over time, to determine if they have been stable and are consistent with our understanding of the manager's style. On the performance side, we evaluate returns in a number of ways, including 1) against appropriate market and style benchmarks; 2) in different market environments; 3) relative to the level of risk incurred, and 4) within peer group universes. Apart from trends over time, we also examine the contribution of specific strategies in particular time periods that may have significantly impacted the long term track record either positively or negatively. Our goal is to determine if we believe the results reflect true skill on the part of the manager and in combination with our qualitative assessment, whether the dynamics remain in place to support value added performance in the future.

Step 4: "Focus List" Managers

Managers who have provided us with background material and with whom we have had an initial research discussion enter our research "Focus List." Managers on the Focus List are at various stages within our research process, ranging from an initial research discussion to those

we know very well and are either currently using or are prepared to use in an investment program. The Focus List generally numbers around 180 firms. (Additionally, we have a "back-up" list of managers that consists of firms that have contacted us or sent material but who we have not met with as yet and managers who we have researched and are continuing to monitor but who we do not feel are currently candidates for a client program. This list consists of about 130 firms.)

It is important to recognize that some of our evaluation is subjective and some is more quantifiable. As we develop our knowledge of a manager and form judgments as to their investment expertise, we "assign" them a rating of A, B, C, D or E. "A" and "B" managers are those we think are the most talented and well-structured and likely candidates for future assignments. (Managers we are currently using would be in those categories.) "C" managers are those we regard as more average. "D" managers have, in our view, some problem area, and "E" managers are those we have eliminated from consideration. In forming those ratings we consider four broad categories of assessment and their importance to our initial evaluation. Those categories and their relative importance in an initial evaluation are: Firm Organization/Depth and Strength of Key Professionals and Staff (30%), Investment Philosophy and Decision Making Process (45%), Historical Performance and Risk Profile (20%) and Client Service Capability (5%.)

In addition, as we approach the point where we are prepared to use a particular manager in client investment programs, we have that manager complete an extensive questionnaire. The questionnaire response formally documents, in the manager's own words, elements of their process and operations to be included in our own due diligence records and gives us a comprehensive overview and an opportunity to pinpoint any elements that may require further evaluation. A final step in our manager selection process is to interview several client references provided by the manager. This can include both current and past clients.

Investment Decision-Making Process

Our investment program construction methodology consists of the following steps:

Step 1: Establish investment objectives and guidelines
This exercise is conducted with the client and focuses on establishing the program benchmark, return expectations, risk tolerances, evaluation time frame and allowable/prohibited transactions. (Investment objectives and guidelines for the underlying managers flow from the overall program objectives and guidelines established with the client.)

Step 2: Given all the goals of the investment program and criteria for manager inclusion, we identify appropriate candidates from our research universe

Step 3: Test combinations of managers and

Step 4: Select initial manager mix

We test combinations of managers, each of whom we believe individually has the ability to provide value added as a result of our due diligence in the manager selection process, in order to identify the alternative that provides the most attractive characteristics relative to the client's set of objectives. The process is an iterative one that examines historical return data and also tests the impact of different manager weightings on the aggregate program style positioning using a full range of fundamental characteristics and risk model factor sensitivities.

In terms of evaluating prospective investment program results from the standpoint of the historical return experience, we pay more attention to the outputs relating to risk dynamics and correlations than to the returns generated, which in and of themselves cannot be expected to predict future results. Risk characteristics (e.g., standard deviation, residual standard deviation/tracking error, beta) are more useful tools in engineering a program design that will have the desired overall characteristics relative to the benchmark going forward.

From a holdings-based perspective, we test different combinations of managers (using actual portfolios) to arrive at an appropriately diversified mix of managers that provides participation across all style elements inherent in the specified benchmark and is within the risk parameters specified by the client. We generate portfolio characteristics and risk model factor exposures for each manager under consideration and for the output of every iteration in the combination evaluation process, ultimately arriving at an initial combination for the investment program that we believe will meet the return and risk posture desired, relative to the program benchmark.

Our overall objective was to select managers representing a variety of approaches to small cap value investing that in aggregate offer exposure across the universe, as represented by the Russell 2000 Value Index. In doing this, we include approaches ranging from those that will have exposure to more contrarian, "out-of-favor" ideas up to more "aggressive" relative value approaches focused on future prospects. Each manager has been selected for their distinctive investment process and the talent of the key investors delivering that process.

In the current program, Channing, InView and Ten in aggregate provide the program's "relative value" core. Satellite value strategies around the core are Bernzott (long term support from dividend/earnings growth plus critical assessment of management), Keeley (with a specialized focus on corporate reorganizations) and Walthausen (focusing on neglected and special situation stocks).

Monitoring/Manager Replacement

We monitor managers against all the factors that were involved in their initial selection. On the qualitative side, this is done mainly through ongoing dialogue with the managers, both through frequent phone conversations and periodic face-to-face meetings, including on-site visits targeted annually. We routinely query firms as to their owners/investors, ownership extension plans, succession plans, business goals plus plan/timeframe to achieve those goals and current and projected financial health. We also review the back office/administration infrastructure. In our questionnaire that we have managers under consideration for hiring complete, we formally ask firms to describe in writing their capitalization structure, financial condition, ownership structure and specifics of their plans to extend ownership, longer term business goals and plans for

achieving and supporting growth, and their history of accounts/clients/assets gained and lost. Our questionnaire also asks managers to detail compliance procedures and standards of practice and further queries as to the occurrence, status and results of any audits, investigations or litigation. We review those areas as part of our formal update meetings and in an annual update to our questionnaire for managers currently under contract. On a quarterly basis, we track changes in assets under management. We also require managers, as part of their contract with us, to notify us promptly as to any significant developments or changes within the firm, and failure to do so could result in placement on our "Watch List" or in termination. We also require managers to provide us with their ADVs Parts 1 & 2 A and B, which contain information on prior investigations and audits. We do request and check references. For managers we are using, we collect certificates of insurance coverage at the date of hire and annually thereafter. To summarize, from all our ongoing contact we obtain updates on firm growth and current business development goals, financial condition, marketing targets and marketing strategies, resource enhancements and plans for additional resources. Those inputs, in combination with our existing knowledge of the manager, allow us to arrive at our assessment of the current soundness of the firm's operations.

On the quantitative side, performance evaluation first and foremost relates to the manager's "role" within the investment program. The risk level incurred to achieve the performance attained is also evaluated relative to prior expectations (See Question D8). Quarterly, or more frequently if necessary, we develop fundamental characteristics for portfolios which are compared to the benchmark and to the manager's historical time series of portfolio characteristics, in order to monitor style consistency and the manager's risk profile. We monitor transactions as well to check for both style and investment process consistency. On occasion, if a manager has been underperforming, we will evaluate investment activity in a daily framework, looking at buy and sell activity (or inactivity) with respect to price movements of specific portfolio holdings.

On a quarterly and year-to-date basis at a minimum, we run performance attribution analysis to decompose performance into that attributable to sector positioning and that attributable to security selection. Our performance attribution analysis is holdings-based and utilizes analytical metrics provided by Vestek. We also generate returns-based reports (available through PerTrac) that provide a considerable amount of statistical information, including standard deviation, alpha, beta, r-squared, tracking error, information ratio, Sharpe ratio, Treynor ratio, capture ratios, risk/return plots and returns-based style analysis. Additionally, we evaluate managers within their respective peer group style universes on a periodic basis. Apart from various analyses, ongoing dialogue with the manager to understand strategy and subsequent results is most critical to our evaluation process.

The basic data for all those evaluations comes from the client's custodial records. That data is input into our analytical system, which currently consists of Vestek's fundamentals-based risk model and returns-based analytics available through PerTrac. Those systems enable us to generate a full spectrum of portfolio characteristics and performance-based investment measurements. We also require managers to submit a written analysis each quarter detailing investment outlook, portfolio strategy and the major factors influencing relative performance for the quarter and year-to-date.

We monitor compliance-related issues no less frequently than monthly. The review process uses a form created off managers' investment guidelines as a checklist that once completed can then be reviewed by senior management. A review of trading activity and brokerage is typically part of this review as well.

A manager may be terminated for any of a number of other reasons, including: 1) adverse organizational developments (such as litigation or financial difficulty); 2) departure of key talent; 3) development of portfolio strategy inconsistent with style; 4) inability to implement their investment approach in a value added manner due to excessive growth in assets; 5) undesirable volatility; 6) persistent underperformance, or 7) identification of a more interesting manager candidate. We address organizational developments and departures of key people immediately and make decisions as to continued firm retention quickly. Most other developments that prompt termination emerge over time. Through our ongoing monitoring effort we attempt to catch developments that warrant manager changes as their potential impact becomes evident. Managers may be placed on a "watch list" for reasons of volatility, poor performance and/or style shifts, and are then subject to more intensive monitoring and increased formal review meetings. Timeframes leading to termination cannot be strictly specified, but we attempt to make changes in a responsive fashion as all the variables and dynamics of the situation crystallize.

D4. When can it be expected that your investment philosophy for U.S. Small Cap Value Emerging Manager of Managers program would be out of favor or not rewarded? Site historical examples of market periods when your investment performance lagged market benchmarks.

The underlying managers we select for our client programs generally have a bias toward stocks of higher quality companies (even if their style is more contrarian value); thus, we will typically lag the market when lower quality is leading and in "junk" rallies. Because our managers select stocks based on the strength of underlying fundamentals factors (even if analyzed using quantitative models), our relative performance is stronger when the market pays attention to fundamentals and rationally prices them. We do relatively poorly in volatile markets where fundamentals and valuation become de-linked. Finally, in markets lacking clarity as to the direction of the economy, inflation, interest rates, oil prices, etc., where a lengthy "inflection point" ensues, our managers may lag the market as well.

Since inception of the investment program at the beginning of 2009, there have not been any sustained periods of underperformance. The second and third quarters of 2009, when the "junk rally" off the market bottom was in full swing were weak, as was November 2011 – January 2012 when the market was again coming off of a significant correction.

D5. What is the expected manager turnover for the StanCERA U.S. Small Cap Value Equity portfolio?

Our manager turnover has historically averaged 10-15% annually. While we are constantly identifying managers of potential interest and determining managers that would be replacement candidates (should we need a replacement manager), we will continue to retain managers chosen

for a particular program as long as we feel their value added potential is intact. New manager ideas are best incorporated via additional cash flow, if available.

D6. For U.S. Small Cap Value Emerging Manager of Manager accounts, do you have absolute and/or relative investment return objectives? If so, please state your return objectives, benchmark and time horizon over with the objectives should be achieved.

Over a full market cycle, generally regarded as 3-5 years, we expect to outperform the Russell 2000 Value index by a minimum of 100 basis points net of fees annualized.

D7. What investment decision(s) add the most value (e.g. stock selection, sector/industry selection, trading)? Please include performance attribution for YTD 2012, 2011 and 2010.

We would expect stock selection to be the greatest source of value added and that has been the case since inception. Using a Brinson attribution analysis, stock selection accounted for 70% of value added since inception and sector positioning for 30%. Key positives were relative performance in industrials, technology, healthcare and consumer staples; underweighting financials, and overweighting consumer discretionary and materials. Using factor-based attribution, stock selection was the overwhelming source of value added since inception and industry positioning added modestly, with the greatest positive contribution there coming from underweighting banks and diversified financial services. Factor positioning was negative overall, on balance due to a tilt away from higher dividend yield. Negatives from tilts toward lower book to price, higher earnings yield and higher market cap and positives from tilts toward higher long term growth, higher earnings revision and lower momentum cancelled each other out.

YTD 2012: The Small Cap Value Emerging Managers Program returned 7.7% for the seven months through July, outperforming the Russell 2000 Value by 60 basis points. All of the outperformance came from stock selection, led by strong relative results in industrials, technology, materials and consumer discretionary. Performance in healthcare was strong on an absolute basis (and ahead of the Program benchmark) but lagged on a sector basis. Sector positioning detracted from comparisons due to underweighting financials and overweighting energy and industrials. Risk factor exposures were positive on balance, driven by rewards from tilts toward the higher capitalization end of the small cap universe, lower momentum and higher long term growth (partially offset by negative returns associated with tilts toward higher beta, higher earnings yield and lower book to price).

2011: The Small Cap Value Emerging Managers Program was down -4.0% for the year, 150 basis points less than the benchmark. Outperformance was all due to stock selection, which added value in six of the ten sectors. The strongest relative performance was in consumer discretionary, technology, energy, consumer staples and industrials. Financials and materials were areas of notable weakness. Sector positioning was negative on balance, due mainly to underweighting utilities and overweighting industrials. Risk factor exposures were a positive for the year as a whole. Key positives were tilts toward lower book to price, higher earnings revisions and the higher end of the market cap spectrum within small cap value. A tilt away from higher dividend yield was the most significant negative.

2010: The Small Cap Value Emerging Managers Program returned 28.0% for the year, exceeding the Russell 2000 by 350 basis points. About half of the value added came from sector positioning and was due to alignment with sectors of strength – i.e., overweighting industrials, materials and consumer discretionary and underweighting financials and utilities. Stock selection accounted for the other half of value added and was principally due to favorable relative performance in financials, materials, energy and healthcare. From a risk model standpoint, factor positioning was negative due mainly to tilts toward the higher end of the small cap stock segment and toward lower dividend yield and lower book to price.

D8. How do you measure and monitor risk so that risk parameters are in line with portfolio returns for the U.S. Small Cap Value Equity accounts? What is the expected tracking error range for these products?

We use Vestek's risk model. On a monthly basis active risk model factor exposures are reviewed at the total program level as is the associated return attribution. A running history of those factor exposures is available to identify any shifts. (In practice, common factor exposures are fairly stable but factor returns vary.) Periodically, we evaluate each manager's risk factor exposure profile and their contribution to the overall program profile. This is done at least semi-annually as well prior to any major cash flow and as part of any manager change in order to determine the best course of action relative to maintaining the desired overall risk profile.

We identify and measure risk at the total portfolio level using the same tools as at the manager level, which is part of our monitoring process as described in the response to Question D3. on investment program monitoring. In the investment guidelines we establish with each manager, we set expectations as to overall portfolio risk characteristics and bands relative to sector weightings versus the benchmark.

We also review fundamental portfolio characteristics (e.g., capitalization, earnings growth, p/e, PEG, yield, price/book, ROE, sector/industry weightings, etc.) at least quarterly. From this we are able to generate a time series of risk characteristics which we monitor for consistency. In addition, we have a style-based matrix which positions managers' portfolios visually along the capitalization spectrum and style spectrum (value-growth, which is determined by our own algorithm) and relative to market benchmarks positioned in the same fashion. Shifts in positioning within this "Style Space" can be a harbinger of style drift. We monitor transactions as well to check for both style and investment process consistency. On occasion, if a manager has been underperforming, we will evaluate investment activity in a daily framework, looking at buy and sell activity (or inactivity) with respect to price movements of specific portfolio holdings.

We believe risk is best controlled by careful manager selection and appropriate diversification. We strive to select the best managers available and believe that hiring talented individuals having a well-developed investment process supported by high caliber resources is not only the best way to generate favorable results, but the best insurance against disappointments. Diversification is also key. We are not averse to utilizing managers with concentrated (and riskier) approaches, as long as they are part of a well-diversified package. Our aim is to develop an investment program that has exposure across all elements of the benchmark universe and is effectively benchmark

style neutral. We allow for appropriate "bets" in the program that will generate outperformance, but these must be consistent with the client's risk expectations. We focus on understanding the sources of unwanted or excessive risk and volatility and making adjustments as necessary – either replacing a manager or adjusting manager weights. Any weight adjustment is determined in the same manner used to develop our initial weighting allocation or a targeted rebalancing

Tracking error is expected to fall within a range of 3%-5%. Forecast tracking error, based on Vestek's holdings-based risk model, at 6/30/12 was 3.55% versus the Russell 2000 Value index.

D9. Who are the principals who make the final decisions on the U.S. Small Cap Value Equity accounts?

Marilyn Freeman and Liz Knope make all decisions regarding client investment programs.

D10. What should StanCERA expect for investment returns in their U.S. Small Cap Value Equity account over the next 3 to 5 years?

We do not ourselves forecast capital market returns but rely on the managers in our investment programs for those insights. As to the outlook for small cap value, our managers have a range of expectations generally encompassing returns of 5%- 10% for the segment.

E. Research Methodology - U.S. Small Cap Value Emerging Manager of Manager Program

E1. Describe the internal structure and organization of the research department for all accounts. How is your research universe divided amongst investment professionals?

Both principals of Capital Prospects LLC are involved in research, with Liz Knope the lead research person. Our experience is extensive. In the 15+ years we have been involved in emerging manager programs specifically, we have screened well over 1,400 managers and personally evaluated about 1000 firms. We are supported in the research effort by our more junior Associates, Joan Cueni, Claudia Lupinacci and Ashley Martin, who compile analytical information on managers and portfolios and generate various research analyses. In addition, Janice Elliott (our contract consultant, whose investment experience is extensive) provides considerable support on the research side in terms of developing special analyses and participating in manager interviews and evaluations. Final decisions on managers and investment program structuring are made by Liz Knope and Marilyn Freeman.

E2. Describe how external and internal sources of information are used in the research process for all U.S. Small Cap Value Equity accounts with estimated percentages of external versus internal research.

100% of our research is generated in-house. As a small firm, we do not have a separate research arm. All manager research and investment decision-making is conducted by the two principals, Liz Knope and Marilyn Freeman, supported by analytical work produced by the rest of the team. All data, including notes from manager meetings, manager-produced background information and investment strategy updates, manager historical portfolios and our holdings-based and

returns-based analytics are stored in our on-line manager research database. We believe our analytics are of the highest calibre and together with our extensive experience in manager evaluation and investment program management result in the highest quality research overall.

Key sources of new manager ideas for us include manager initiatives directed toward us, networking within the investment community (i.e., communication with managers, consultant contacts and business associates), and information identified via the trade press. Our primary tool for screening emerging managers and obtaining quick, summary background and historical performance information is eVestment Alliance.

E3. Describe any technical or quantitative support process or tools used in the research process for the U.S. Small Cap Value Equity managers.

Our support tools come from outside vendors and are as follows:

			First Year Used
-eVestment Alliance	Manager database:	Manager profiles, performance, returns-based analytics, peer group comparisons	2009
-Thomson Reuters– Vestek/TPA Fixed Module	Fundamental analytics	Risk model, portfolio analytics, holdings-based performance attribution, market data and analysis, broad market and custom benchmarks	2003 2011
-PerTrac	Returns-based analytics:	Performance and risk analytics, optimizer	2004
-Russell RIO	Index Data:	Russell Index constituent data and analytics	2004

F. Trading and Settlement – U.S. Small Cap Value Equity Manager of Manager

F1. How are stock brokerage firm trading allocation volumes monitored?

We monitor compliance-related issues no less frequently than monthly. The review process uses a form created off managers' investment guidelines as a checklist that once completed can then be reviewed by senior management. A review of trading activity and brokerage is typically part of this review as well.

F2. How does your firm track the market impact of its managers' trades?

Please refer to our answer to question F1. We do not ourselves do market impact analysis, but may collect it from our managers.

F3. Who is the designated operations/administration officer?

Marilyn Freeman is the Chief Compliance Officer and oversees the day-to-day activities of the team and office.

F4. How many staff are involved in the operations area?

Three associates support all client operations. (This will be four with our new hire).

F5. What training is provided to operations staff?

With one exception, the entire team came from our former employer. These experienced people have established the firm's practices, in conjunction with the partners. New employees are trained in all operations aspects by the Senior Associates.

F6. To whom does the operations/administrative officer report?

Marilyn Freeman is a partner of the firm.

F7. Does your firm participate in commission recapture programs for your clients?

Certain of our clients have commission recapture programs; the terms are given to our sub-managers and Capital Prospects monitors.

G. Compliance and Conflicts of Interest

G1. What handbooks, manuals, written policies, written procedures or training are provided to new and current employees?

Capital Prospects - Employee Handbook
Capital Prospects – Code of Ethics and Professional Conduct
Capital Prospects - Systems Manual
Pertrac online training
Vestek online tutorial

G2. How many staff work on compliance?

Each staff member works on compliance: data collection and summaries by one Associate, review of each account by Senior Associates and sign-off by Liz Knope.

G3. Please submit a copy of the firm's Code of Ethics.

Please see our Code of Ethics and Professional Conduct in the **Appendix** to this submission.

G4. What sorts of reports are generated for portfolio managers to insure that the account portfolio is in compliance with the client's investment mandates or investment policy?

The monthly compliance process and reporting described in F1. and G2. result in a summary for each manager in each program versus the program guidelines, which Liz Knope reviews and signs.

G5. What is the procedure for checking trades that the portfolio manager places against the client's investment guidelines prior to execution?

Capital Prospects has no pre-execution or pre-settlement capability. Several of our managers use Advent products that control for trades of securities not allowed by client guidelines.

G6. Do you have a main Compliance Officer? To whom does the Compliance Officer report to?

Marilyn R. Freeman is the Chief Compliance Officer. She is a partner of the firm.

G7. Describe how your firm maintains its independence from the rest of the investment management community (e.g. consultants, brokers, custodians, etc.).

Capital Prospects is an independent entrepreneurship with a focused business plan. All of our 8 current clients are public funds, so we are very sensitive to issues of conflict among service providers in the business. We have maintained full independence since inception of the firm.

G8. Provide your written policy on the processes to keep employees' trading of securities independent form the processes for trading securities for clientele.

Please refer to our Code of Ethics and Professional Conduct for our policy.

G9. How does your firm monitor compliance of employees to the written policy of separation of employees' personal trading in securities from trading securities for clients' accounts?

Marilyn R. Freeman, the CCO, reviews all personal trades for all staff quarterly. Her partner, Liz Knope, reviews Marilyn's trades. As a manager-of-managers, the firm does no direct trading, and the information it receives on the sub-manager portfolio activity is the client's custodial data. Thus, the policy on personal trading takes a very conservative posture of our requirements.

Capital Prospects LLC

Stanislaus County Employees' Retirement Association

Small Cap Value Emerging Manager Program Review

August 30, 2012

Marilyn R. Freeman

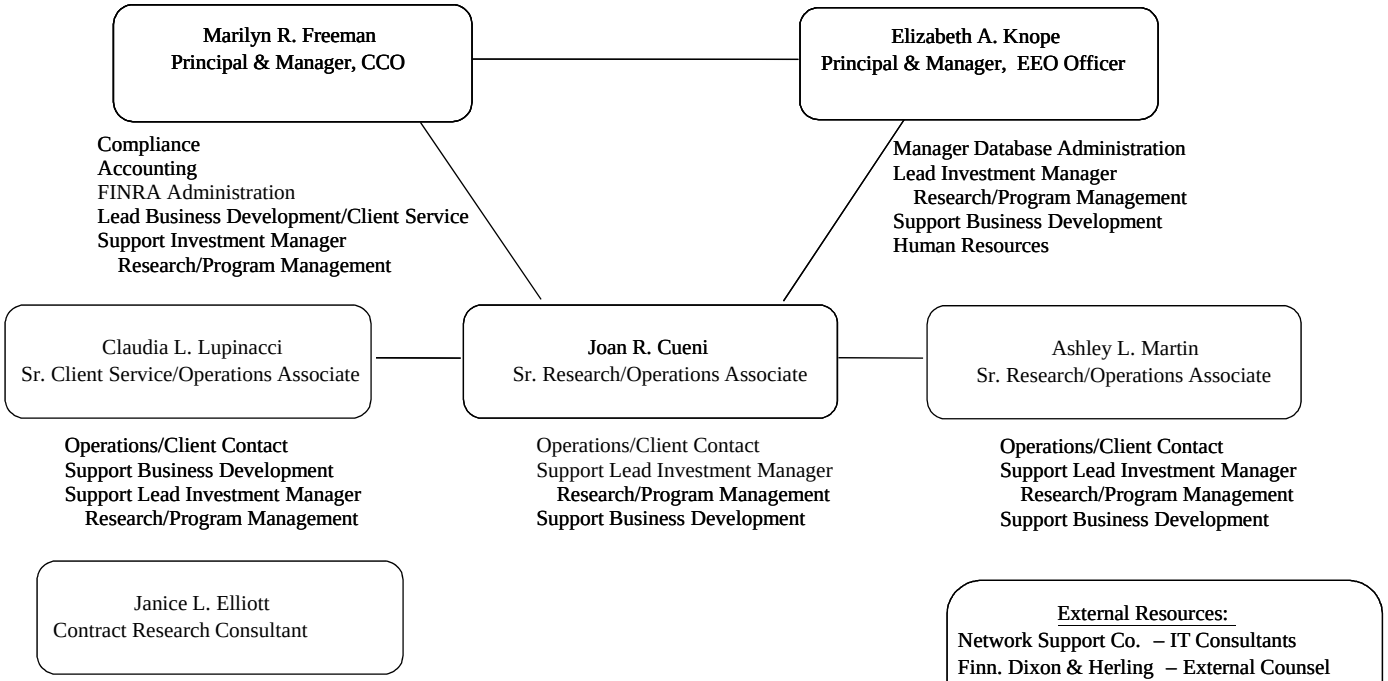
Elizabeth A. Knope

Capital Prospects LLC

- Formed October, 2002
- SEC Registered Investment Adviser
- 100% women-owned and controlled; Principals each own 50%
- Focus on emerging manager-of-managers investment programs
  - Area of specialty for both partners since 1992
  - Built emerging business to approximately $2.0 billion and 8 key clients at previous employer
- CP specializes in domestic emerging managers and minority/woman-owned managers
- AUM as of July 31, 2012 (*preliminary*): $1,059 million; 8 client relationships

– Russell 3000	$ 321 million, 4 accounts
– Russell 2000 Value	$ 114 million, 2 accounts
– Russell 2000	$ 209 million, 4 accounts
– Russell 3000/Barclays Aggregate	$ 415 million, 1 account

Capital Prospects LLC - Organizational Chart



Name	Title/Role	Year Joined Firm	Years Investment Experience	Education/Certifications
Marilyn R. Freeman	Principal & Manager, CCO	2001	30+	BA, MBA
Elizabeth A. Knope	Principal & Manager, EEO	2002	34+	BA, MBA, CFA
Joan R. Cueni	Sr. Research/Operations Associate	2004	10+	BS
Claudia L. Lupinacci	Sr. Client Service/Operations Associate	2006	10+	BA
Ashley L. Martin	Sr. Research/Operations Associate	2008	6+	BBA
Janice L. Elliott	Contract Consultant	2005	20+	BS

Capital Prospects LLC

Marilyn R. Freeman — 30+ years investment experience; B.A. State University of NY at Stony Brook; M.B.A. University of Connecticut

* Principal and Manager, **Capital Prospects LLC**
* EVP & Director of Client Service, **Northern Trust Global Advisors, Inc.** and predecessor firm RCB International, Inc.
* Partner and Managing Director, **Rogers, Casey & Barksdale, Inc.**
* Member of The Greenwich Roundtable

Elizabeth A. Knope, CFA — 34+ years investment experience; B.A. Skidmore College; M.B.A. Boston University

* Principal and Manager, **Capital Prospects LLC**
* EVP & Director of U.S. Investment Research, **Northern Trust Global Advisors, Inc.** and predecessor firm RCB International, Inc.
* Partner and Managing Director, **Rogers, Casey & Barksdale, Inc.**
* Manager, Pension Fund Planning & Analysis, **AT&T** and **New England Telephone**
* Investment Analyst, **The Boston Company, Inc.**

Joan R. Cueni — 10+ years investment experience; B.S. Iona College

* Sr. Research/Operations Associate, **Capital Prospects LLC**
* Research Assistant, **HEI Hospitality**
* Jr. Analyst, **Northern Trust Global Advisors, Inc.**

Claudia L. Lupinacci — 10+ years investment experience; B.A. Pace University

* Sr. Client Service/Operations Associate, **Capital Prospects LLC**
* Sr. Analyst, Client Services Team Leader, **Northern Trust Global Advisors, Inc.**
* Staff Accountant, **J.S. Karlton Company, Inc.**

Ashley L. Martin — 6 years investment experience; B.B.A. Western Connecticut State University

* Sr. Research/Operations Associate, **Capital Prospects LLC**
* Director Accounting, Reporting, Legal & Compliance, **Parenteau Associates LLC**
* Assistant, VP of Finance & Administration office, **Western CT State University**

Janice L. Elliott — 20+ years investment experience; B.S. Sacred Heart University

* Contract Consultant, Research, **Capital Prospects LLC**
* Vice President, Sr. Investment Analyst, **Northern Trust Global Advisors, Inc.**
* Manager, **KPMG LLP**
* Senior International Research Analyst, **Evaluation Associates**

Client Service

- Critical component to successful relationship
- Consultative histories
  - Establishment of program
  - Ongoing
- Extension of staff; partner with our clients
  - Strong reputation
  - Verizon award
  - Retention measures
- References

Policies/Procedures and Compliance

Operations Procedures

Monthly

- Portfolio Reconciliation
- Performance Reconciliation
- Performance Reporting - Flash

Quarterly

- Soft Dollar Reporting
- Brokerage Reporting
- Composite Creation
- Track changes in assets under management

Yearly

- Annual Updating Amendment to Questionnaire
- Collect Manager ADVs Parts 1 & 2
- Collection of certificates of insurance coverage, privacy policy

Plus specific client requests

Compliance Procedures

Monthly

- Manager Monthly Compliance Certification
- Total Plan Compliance Review by Client

Quarterly

- Employee Trade submission
- Political Contribution reporting

Six-Monthly

- Formal review of compliance with Code of Ethics and Professional Conduct

Yearly

- Client Specified Questionnaires
- Provide ADVs Parts 1 & 2
- Provide Privacy Policy & Confidentiality Policy
- Distribution of certificates of insurance coverage

Manuals, Operations Materials Maintained

Client procedural manual
Client compliance manual
Client performance measurement manual
Systems manual
Employee handbook
Code of Ethics and Professional Conduct

Compliance audit completed in August 2010

Research Universe

- Specialized focus on domestic emerging managers
    - More recently established investment firms
    - Established firms newly entering the institutional arena
    - Emerging talent/products within larger organizations on an opportunistic basis
- "Focus List" of 180 firms includes those subject to more extensive research/monitoring and those currently funded; secondary list of firms (currently numbers 130) are either very early on in the research process or those still monitored but of less interest
- Since beginning coverage of managers in these universes in the early 1990's, we have screened over 2,000 firms, evaluated over 1,000 firms and funded over 75 managers

Investment Strategy and Objectives

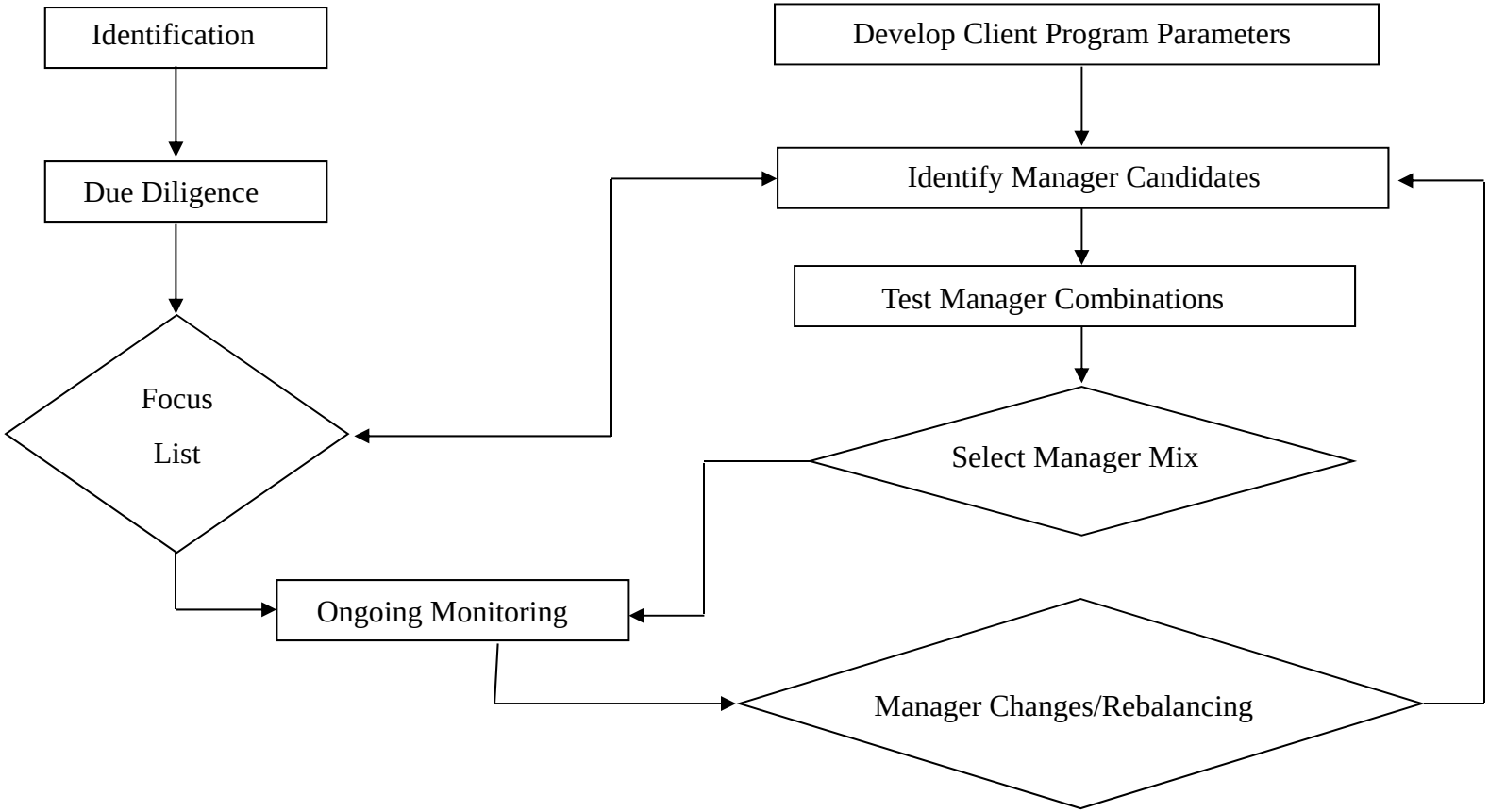
- Primary investment program goal is to add value over the chosen benchmark within acceptable risk parameters
  - Benchmark, risk tolerances and return expectations determined in conjunction with client
- Manager research focuses on identifying investment managers able to develop unique insights/strategies, who have solid implementation processes that prospectively give them a performance advantage
- Investment program construction keys off the profile and dynamics of the benchmark. We engineer the manager mix so that the overall program will be:
  - Tailored to risk specifications
  - Well-diversified
  - Benchmark "style" neutral
- At every step, judgments are developed based upon an assessment of both qualitative and quantitative factors
- Value added results in part from our construction decisions but is primarily expected to come from the active decisions of the individual managers in terms of:
  - Security selection
  - Sector/industry bets
  - Investment/economic themes

Investment Process

Manager Research Effort

Decision Making Process

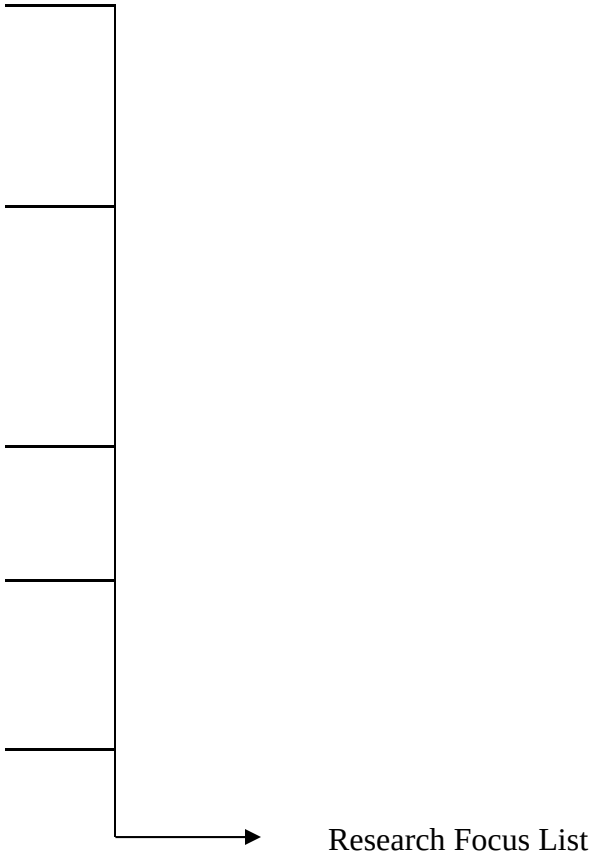
Investment Program Management



Investment Process

Ongoing Manager Research and Evaluation

- Identify managers of interest
  - Managers contacting us
  - Our networking
  - Conferences
  - Trade press articles
  - Database analysis
- Review background material
  - Firm profile/history
  - People
  - Investment philosophy and process
  - Performance
- Interviews with key professionals
  - Including on-site meetings
- Quantitative assessment
  - Portfolio characteristics
  - Performance history
- Reference checks



Manager Evaluation

Qualitative Factors

- Organization
  - History/development of firm, business profile, financial resources, growth plans
  - Investment professionals' backgrounds/experience, commitment
  - Strength of support structure and operational/administrative controls
  - Any regulatory issues
- Investment philosophy and process
  - Thoroughness and depth
  - Caliber of research effort and adequacy of resources
  - Flexibility of thought process
  - Effectiveness of implementation – buy and sell disciplines, trading
  - Consistency of characteristics with style
  - Potential to add value / "uniqueness" versus peers

Quantitative Factors

- Portfolio characteristics and risk factor exposures
  - Consistency over time and with style
- Risk profile
  - Diversification characteristics, volatility measures, tracking error
- Historical performance comparisons
  - Versus benchmark, peers, style and in different market environments
- Value added expectations

Investment Process

Investment Program Management

- Define parameters of client program
  - Investment objectives
  - Manager qualifications
  - Benchmark
  - Risk and return expectations
- Develop manager candidate list (from Research Focus List)
- Program construction
  - Test manager combinations for optimal mix versus benchmark
    - Diversification
    - Risk profile
    - Value added potential
- Ongoing monitoring
  - Results versus selection criteria
  - Performance analysis and attribution
- Program rebalancing; manager changes/graduation
  - Rebalance to original style, capitalization and specific manager allocations periodically
  - Terminations typically result from adverse firm developments, inconsistent strategy, excessive asset growth, undesirable volatility or persistent underperformance
  - Graduation policy set in conjunction with the client - in our view, these may be case-by-case decisions driven by expected value-added potential

Resource Commitment

- Continued due diligence on vendors of analytical systems to support our manager research, investment program management and client service requirements

- Currently have agreements in place with:

– eVestment Alliance	Manager database:	Manager profiles, performance, returns-based analytics, peer group comparisons
– Thomson Reuters Vestek/TPA	Fundamental analytics:	Risk model, portfolio analytics, holdings-based performance attribution, market data and analysis, broad market and custom benchmarks, fixed income analytics
– Strategic Investment Solutions Pertrac	Returns-based analytics:	Performance and risk analytics, optimizer
– Russell RIO	Index Data:	Russell Index constituent data and analytics

- We are committed to acquiring additional tools, as we identify them, that we believe will enhance our ability to deliver a consistently superior investment product

Stanislaus County Employees' Retirement Association

Asset Allocation

- Funding date: 1/1/09
- Funding amount: $49.1 million
- 2010 Scheduled Cash Flow: ($300k) monthly
- Cash Flow 5/3/10: ($7.5 million)
- 2011 Scheduled Cash Flow through 7/15/11: ($250k) monthly
- Cash Flow 6/3/11: ($10 million)
- Current value 7/31/2012: $62.6 million

	Total Assets	% of Fund
Bernzott	$8,856	14.1 %
Channing	14,094	22.5
InView	14,104	22.5
Keeley	8,186	13.1
Ten	8,590	13.7
Walthausen	8,847	14.1
Total Fund	**$62,676**	**100.0 %**

Stanislaus County Employees' Retirement Association

Equity Investment Characteristics – 6/30/2012

Manager	% Total	# Holdings	Wtd. Avg. Mkt. Cap ($B)	Forecast P/E	Price/Book	Forecast Growth (%)	Yield (%)
Bernzott	14.2 %	29	$3.3	13.9 x	3.7 x	12.5 %	1.3 %
Channing	23.4	40	1.6	14.0	2.3	16.3	1.4
InView	22.2	59	2.1	12.1	1.6	14.4	2.1
Keeley	13.0	63	2.6	14.5	2.7	16.5	1.3
Ten	13.4	130	1.3	10.5	1.9	9.6	2.1
Walthausen	13.8	76	1.3	12.3	2.2	12.8	1.2
Total Equity Portfolio	**100.0 %**	**342**	**$2.0**	**12.8 x**	**2.3 x**	**14.0 %**	**1.6 %**
Russell 2000 Value		**1,362**	**$1.2**	**14.8 x**	**1.8 x**	**14.4 %**	**2.1 %**

- All managers employ varying degrees of quantitative, fundamental and technical analysis: objective is to achieve a balanced mix
- "Core" position (60%) combines Ten's quantitative, sector-neutral relative value approach with Channing's and InView's intrinsic value focus on currently undervalued, high quality companies with improving outlooks
- Remaining 40% more "eclectic"
  - Bernzott: Long term support from dividend/earnings growth plus critical assessment of management
  - Keeley: Corporate restructurings (especially spin-offs)
  - Walthausen: Cash flow generation; value creation strategies
- Resulting portfolio:
  - Well-diversified
  - Higher ROE than benchmark (16.7% vs. 6.3%)
  - PEG ratio (on forecast growth & P/E) at an 11% discount to the benchmark
  - Moderate risk level (forecast tracking error of 3.56)

Stanislaus County Employees' Retirement Association

Sector Allocation – 6/30/2012

	Bernzott	Channing	InView	Keeley	Ten	Walthausen	Total Equity	Russell 2000 Value
Energy	4.5 %	5.1 %	4.6 %	6.3 %	6.0 %	5.4 %	5.2 %	6.5 %
Materials	6.6	5.9	5.1	8.8	3.6	10.7	6.6	5.1
Industrials	20.7	21.8	18.0	25.3	10.5	21.5	19.7	13.3
Consumer Discretionary	34.7	18.3	15.6	15.7	14.4	12.8	18.5	11.4
Consumer Staples	4.2	2.4	4.5	5.1	4.3	0.2	3.4	2.6
Healthcare	8.5	5.7	5.3	3.8	8.6	6.6	6.3	4.8
Financials	3.1	27.1	27.8	23.8	35.3	25.0	24.1	35.8
Information Technology	17.8	13.7	11.8	6.5	13.0	17.8	13.4	13.0
Telecommunication Services	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.6
Utilities	0.0	0.0	7.2	4.6	4.0	0.0	2.7	7.0

Stanislaus County Employees' Retirement Association

Top Ten Holdings – 6/30/12

Bernzott	%
Teleflex Inc	4.74
Dresser-Rand Group Inc	4.46
Energizer Holdings Inc	4.19
Cintas Corp	4.12
Jack Henry & Associate	4.03
Broadridge Financial S	4.02
Synopsys Inc	3.93
International Game Tec	3.77
Newell Rubbermaid Inc	3.75
Covance Inc	3.73
Total	40.75

Channing	%
Hanesbrands Inc	3.53
The Brink's Co	3.20
Cymer Inc	3.14
Cytec Inds Inc	3.10
Symmetry Medical Inc	3.06
Meredith Corp	3.03
Regal Beloit Corp	3.01
A. O. Smith Corp	2.91
Matthews International	2.90
Polyone Corporation	2.84
Total	30.72

InView	%
Ares Cap Corp	2.96
Tech Data Corp	2.81
Crown Holdings, Inc	2.78
CMS Energy Corp	2.66
Avista Corporation	2.58
Apollo Coml Real Est F	2.40
Magnachip Semiconducto	2.39
ASBURY	2.36
Flextronics Ltd	2.35
Regal Beloit Corp	2.34
Total	25.62

Keeley	%
Wyndham	3.10
Flowers Foods Inc	2.66
Wright Express Corp	2.63
Wabtec Corporation	2.54
Treehouse Foods, Inc	2.42
Capitol Federal	2.35
Hanesbrands Inc	2.32
Avis Budget Group, Inc	2.24
Kansas City Southern	2.18
Hill-Rom Holdings, Inc	2.17
Total	24.60

Ten	%
SVB Finl Group	2.31
Dean Foods Co New	2.28
Multimedia Games	2.24
Domino's Pizza, Inc	2.08
Cno Financial	1.83
Medidata Solutions Inc	1.77
Aircastle Ltd	1.72
Kulicke and Soffa Indu	1.64
Protective Life Corp	1.64
Alamo Group Inc	1.63
Total	19.13

Walthausen	%
Ocwen Finl Corp	3.40
Vishay Intertechnology	2.81
The Shaw Group Inc	2.73
Primerica, Inc	2.56
Standex Intl Corp	2.48
Cooper Tire	2.36
Power-One, Inc	2.31
Altisource Portfolio S	2.23
LPS	2.11
Cai International, Inc	1.89
Total	24.87

Stanislaus County Employees' Retirement Association

Top Ten Holdings – 6/30/12 (continued)

Total Composite	%
Regal Beloit Corp	1.41
The Brink's Co	1.20
Hanesbrands Inc	1.12
Belden Inc	1.11
Meredith Corp	1.09
Littelfuse Inc	1.07
Newell Rubbermaid Inc	1.02
Polyone Corporation	1.00
Gulfport Energy Corp	0.94
A. O. Smith Corp	0.92
Total	10.89

Stanislaus County Employees' Retirement Association

Comparative Investment Performance – Periods through July 2012 (preliminary returns)

Subadvisers	Total Assets July 31, 2012 ($000)	% of Fund	YTD	2011	2010	2009	1 Year Ending Jul-12	2 Years Ending Jul-12	3 Years Ending Jul-12	Since* Inception Jul-12
Bernzott	$8,856	14.1 %	2.51 %	10.33 %	21.12 %	41.41 %	2.84 %	15.07 %	13.68 %	20.27 %
Channing	14,094	22.5	2.09	-5.93	33.00	23.47	-5.04	8.32	11.93	13.56
Inview	14,131	22.5	10.44	-8.13	17.48	41.27	3.11	7.85	12.04	15.65
Keeley	8,186	13.1	7.99	-4.99	21.53	18.72	-1.65	11.15	12.61	11.57
Ten	8,590	13.7	13.02	-3.74	31.03	19.49	6.61	14.19	16.34	16.03
Walthausen	8,847	14.1	13.19	-3.99	43.57	37.96	6.08	15.04	24.87	23.86
Fund Composite	**$62,703**	**100.0 %**	**7.67 %**	**-4.03 %**	**28.02 %**	**30.04 %**	**1.33 %**	**11.00 %**	**14.58 %**	**16.34 %**
Russell 2000 Value			*7.13*	*-5.50*	*24.50*	*20.58*	*0.89*	*9.36*	*12.83*	*12.39*

- *Fund Performance Inception Date: January 2, 2009. Returns for periods greater than one year are annualized.*
- *All returns are gross of fees.*
- *The portfolio Custodian bank is Bank of New York Mellon. We recommend comparing our report with the account statement you receive from the underlying Custodian to verify the accuracy of our statement.*

Stanislaus County Employees' Retirement Association

Comparative Investment Performance – Overall Comments

- The investment program began during the tail end of the severe contraction covering late 2007 through early 2009 that accompanied the financial crisis and economic recession. The market turned sharply upward starting in March 2009 but was dominated for the next year by lower price, lower quality stocks at the expense of more fundamentally strong companies. The market since then, while positive on balance, see-sawed between optimism and pessimism driven by views on the sustainability of the U.S. economic recovery, slowing growth in emerging markets (particularly China) and insolvency issues in the Eurozone, with investors exhibiting a commensurately variable appetite for risk taking ("risk-on/risk-off") as opinions shifted.

- Over the 43 months since inception, the Fund outperformed the benchmark by 390 basis points annualized, with value added in each calendar year and year-to-date 2012. Through 2010, outperformance was driven about equally by stock selection and sector positioning – since 2011 stock selection has been a greater source and on balance for the entire time value added came 70% from stock selection and 30% from sector positioning. Notable sources of value added included strong relative performance in industrials, technology, healthcare and consumer staples; underweighting financials (especially banks), and overweighting materials and consumer discretionary (specialty retailing; consumer services).

- Risk model factor positioning was a negative over the full period due on balance to a tilt away from higher dividend yield. Negatives from tilts toward lower book to price, higher earnings yield and higher market cap and positives from tilts toward higher long term growth, higher earnings revision and lower momentum effectively cancelled each other out.

- With the exception of Keeley, whose investment performance was impacted by a lower level of market activity in their area of focus (corporate reorganizations) tied to the economic contraction, all of the managers have outperformed the benchmark since inception. Keeley's performance has improved as the economy gained strength, and the outlook for their strategy is favorable. Ten remains on Watch List status due to continuing business development challenges.

Stanislaus County Employees' Retirement Association – *Performance Overview*

Key market dynamics:

YTD to July 2012

- Investors exhibited considerable optimism in the early part of the year, as visible (though still minor) improvement in the economy was evident. As spring advanced, however, the Eurozone debt crisis and slowing economies in other regions re-ignited investors' fears, prompting the market to retreat in April-May but then recover in a "see-saw" (risk-on/risk-off) fashion. Through July, the Russell 3000 returned 10.4%. Within the Russell indices, large cap stocks led (+10.7%-11.7%), while mid cap (+8%) and small cap (+7%) trailed. Growth outperformed on the large cap side but value did better in small and mid cap. The Russell 2000 Value returned 7.1%.
- Outperforming sectors in small cap value were financials and healthcare (both +13%), followed by consumer discretionary and (marginally) consumer staples. Energy (-5%) was weakest and technology also declined. Other underperformers, in order, were materials, industrials, telecommunications and utilities.
- Higher market cap, earnings revision and long term growth were the more rewarded factor exposures. Higher beta and earnings yield were notably weak.

2011

- Despite ongoing economic concerns and various global "shocks," upward biased market momentum continued into April until investors expressed renewed concern over the sustainability of the economic recovery. Things worsened over the summer months as concerns in particular over sovereign debt issues in the Eurozone mounted. Macro issues became predominant and investors moved between "risk- on" and "risk-off" postures (mostly "risk-off") during a period of increased volatility. Correlations were high, with the market showing little discrimination in individual stock performance relative to fundamentals.
- The year ended largely where it began, with the Russell 3000 returning 1.0%. Larger cap "safe" stocks were the winners, with the Russell Top 200 up 2.8%. In contrast, the Russell 2000 fell -4.2% for the year. Growth generally outperformed value. The Russell 2000 Value returned -5.5%.
- Utilities was the strongest small cap value sector, returning 17%. Other outperforming sectors were healthcare, consumer staples and financials. The weakest sectors were energy and telecommunications (both at -14%), followed by technology, consumer discretionary, materials and industrials.
- Higher dividend yield, momentum and earnings revision were the factors most rewarded for the year; higher book to price and historical beta were most penalized.

Fund Results:

YTD To July 2012 *7.7% vs. 7.1% for the benchmark*

- Outperformance came from stock selection, led by strong relative results in industrials, technology, materials and consumer discretionary. Performance in healthcare was strong on an absolute basis (and ahead of the Program benchmark) but lagged on a sector basis.
- Sector positioning detracted from comparisons due to underweighting financials and overweighting energy and industrials.
- Risk factor exposures were positive on balance, driven by rewards from tilts toward the higher capitalization end of the small cap universe, lower momentum and higher long term growth (partially offset by negative returns associated with tilts toward higher beta, higher earnings yield and lower book to price).

2011 *-4.0% vs. -5.5% for the benchmark*

- Outperformance was all due to stock selection, with the strongest relative performance in consumer discretionary, technology, energy, consumer staples and industrials. Sector positioning was negative on balance, due mainly to underweighting utilities and overweighting industrials.
- Factor positioning was a positive as a result of tilts toward lower book to price, higher earnings revisions and the higher end of the market cap spectrum within small cap value, offsetting the negative impact of a tilt away from higher dividend yield.

Note: All returns are gross of fees.

Stanislaus County Employees' Retirement Association – *Performance Overview*

Key market dynamics:

2010

- Stock market rally that started in March 2009 continued into April 2010, and despite some perceived broadening was still dominated by low quality; from spring on, the market "see-sawed" reflecting alternating moods of investor pessimism and optimism regarding the economic recovery and longer term growth prospects. While interrupted at times by a preference for lower quality issues, a more sustainable environment where underlying fundamentals and valuations are more rationally linked (which favors stock picking) was taking hold by year-end.
- Mid and small cap stocks rose 26%-27%, handily leading the market; mega cap rose 13% and large cap was up about 16%. Russell 2000 Value returned 24.5%.
- Within small cap value, outperforming sectors were materials, industrials, consumer discretionary energy and technology.
- Factors rewarded most notably were higher dividend yield, higher beta and higher longer term growth.

2009

- Equity market rally off 3/9/09 low resulted in a 28.3% full year gain for the Russell 3000 while the Russell 2000 Value advanced 20.6%.
- Performance dominated by low price, lower quality stocks at the expense of more fundamentally strong companies virtually throughout the last three quarters.
- Mid cap stocks were strongest (+41%), followed by large cap (+28%) and small cap (+27%) – mega cap stocks advanced the least (+24%) for the year.
- Growth outpaced value across the capitalization spectrum.
- Materials, consumer discretionary, technology, energy and telecommunications were the leading sectors in the Russell 2000 Value, while financials (which declined), utilities, industrials and consumer staples underperformed.
- Factor returns rewarded for the year were higher book to price, higher forward e/p, higher long term expected growth, and in particular higher beta; those penalized were lower dividend yield, higher earnings revision yield, higher market cap and especially higher momentum.

Fund Results:

2010 *28.0% vs. 24.5% for the benchmark*

- About half of the value added came from sector positioning and was due to alignment with sectors of strength – i.e., overweighting industrials, materials and consumer discretionary and underweighting financials and utilities.
- Stock selection accounted for the other half of value added and was principally due to favorable relative performance in financials, materials, energy and healthcare.
- From a risk model standpoint, factor positioning was negative due mainly to tilts toward the higher end of the small cap stock segment and toward lower dividend yield and lower book to price.

2009 *30.0% vs. 20.6% for the benchmark*

- Underweighting (low exposure to banks) and stock selection in financials a significant positive.
- Other positives: overweighting materials (paper/packaging), consumer discretionary (apparel, leisure time), energy (services/equipment); underweighting utilities; stock selection in industrials, technology, healthcare, consumer staples.
- On balance, outperformance was 65% attributable to sector/industry positioning and 35% to stock selection.
- Tilt toward lower book to price and minimal exposure to micro cap were negatives and more than offset positives from higher forward earnings to price, less negative long term growth and historical beta exposure, and lower momentum.

Note: All returns are gross of fees.

Stanislaus County Employees' Retirement Association

Small Cap Value Emerging Manager Program
Sub-Manager Firm Characteristics

Bernzott Capital Advisors — Camarillo, CA
Kevin Bernzott — Majority-Owned
Style: Small Cap Value — 6/30/12 AUM:$377MM
Benchmark: Russell 2000 Value

Bernzott focuses on identifying stable, sustainable long term returns through extensive evaluation of value metrics and company management. Initially, screens are applied targeting companies with consecutive ten year periods of accelerating earnings and/or dividend growth. Additional ratios are applied to develop a select list of companies with attractive value characteristics. Key to the process is extensive discussion with top management, which enables Bernzott to determine their opinion as to the true worth of the underlying business. Buy prices are carefully determined to minimize downside risk.

Channing Capital Management — Chicago, IL
Eric T. McKissack, Wendell Mackey — African-American
Style: Small Cap Value — 6/30/12 AUM:$878MM
Benchmark: Russell 2000 Value

Channing utilizes a fundamental, bottom up value approach that focuses on undervalued and neglected stocks (i.e., companies trading at a 40% or greater discount to their intrinsic value) that have improving returns and attractive growth opportunities. Screening disciplines focus on numerous variables, including cash flow multiples, earnings multiples, return on equity, return on capital and earnings growth rates. Companies of interest are high quality with strong management teams and have leading market positions or competitive advantages that will drive future earnings and cash flow growth but which are currently misunderstood and underfollowed by Wall Street. Extensive fundamental research conducted in-house is a hallmark of Channing's approach. Valuation disciplines focus on p/e and cash flow ratios and are examined relative to history, peers, growth rate, overall market and in light of the current stage in the business cycle.

InView Investment Management — Chicago, IL
Glen Kleczka — Majority-Owned
Style: Small Cap Value — 6/30/12 AUM:$114MM
Benchmark: Russell 2000 Value

InView's investment process starts with the premise that equity prices systematically overreact to transitory psychology or events without regard to long term outlook or intrinsic value but do trend toward intrinsic value over time. Through quantitative screens they identify such companies displaying price/value disparities that are also good businesses with solid managements, favorable outlooks and improving financials. Fundamental research delves further into management's strength. Models are produced to develop InView's opinion as to intrinsic value and normalized earnings power, revealing the most attractive opportunities relative to current price.

Keeley Asset Management — Chicago, IL
John L. Keeley, Jr. — Majority-Owned
Style: Small Cap Value — 6/30/12 AUM:$4,414MM
Benchmark: Russell 2000 Value

Investment strategy focuses primarily on companies involved in corporate restructurings (including spin-offs), as well as companies trading at or below perceived book value, companies emerging from bankruptcy and financial institution conversions. Stocks of companies in those categories traditionally have traded at discounts to inherent market value, and opportunities exist for a move to premium valuations as successful management of these typically focused businesses becomes evident in the marketplace. This is a heavily research-driven process, focusing on company-by-company analysis.

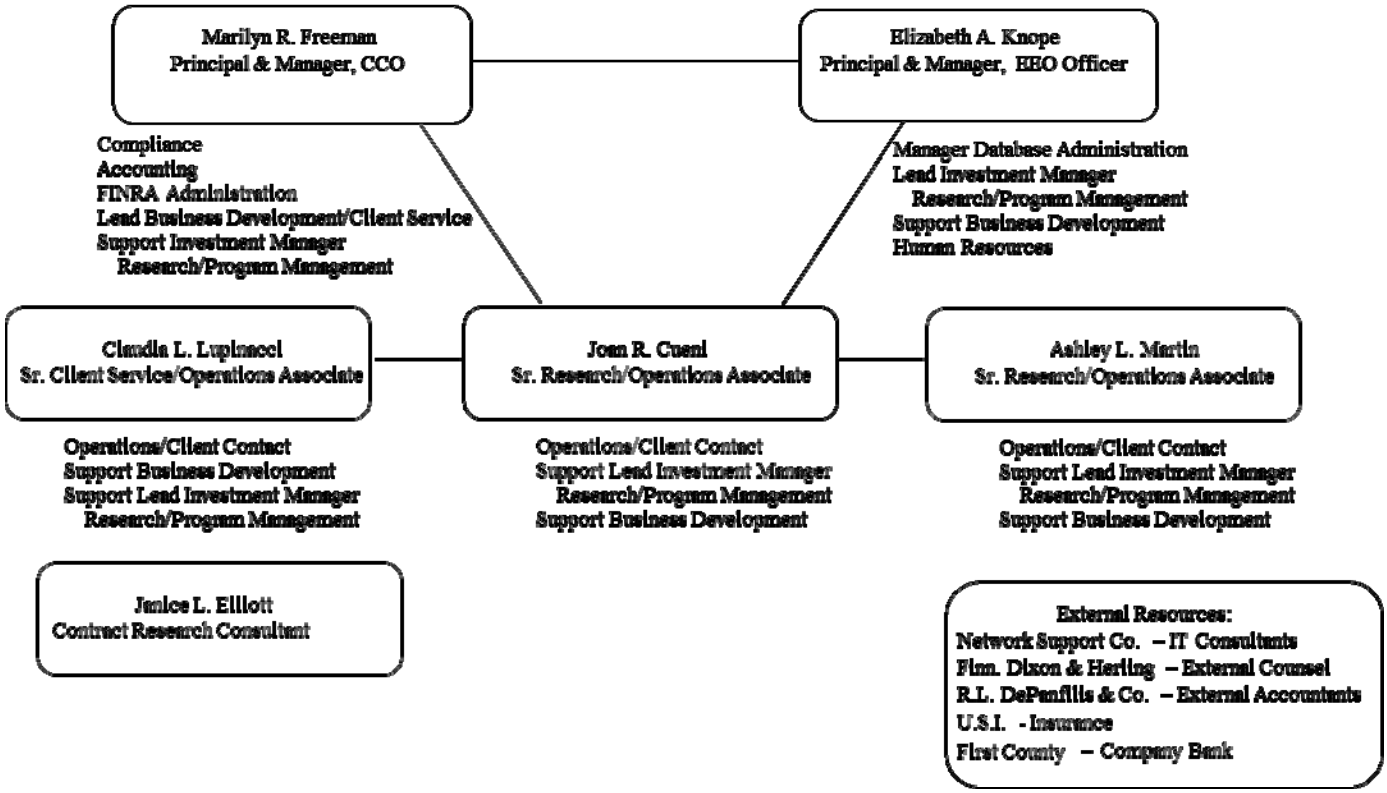
Ten Asset Management, Inc. — San Diego, CA
Jeffrey K. Kerrigan — Majority-owned
Style: Small Cap Value — 6/30/12 AUM:$29MM
Benchmark: Russell 2000 Value

Ten's quantitative model focuses on stock selection. The underlying theory is that collective investor behavior produces market dynamics and quantifiable factors that are predictive of future returns. In their process, securities are evaluated in terms of fundamental, technical, market opinion and management behavior factors to arrive at an estimate of expected relative return. The process emphasizes understanding the economic basis as to why each factor should be predictive. Stock weightings are determined through optimization via their risk model. The modeling process is dynamic, with a significant ongoing research effort to determine the effectiveness of current factors and to identify potential additional factors.

Walthausen & Co. LLC — Clifton Park, NY
John B. Walthausen — Majority-owned
Style: Small Cap Value — 6/30/12 AUM:$638MM
Benchmark: Russell 2000 Value

Walthausen's investment approach emphasizes neglected stocks and value on an individual basis relative to the full universe of small cap stocks. The process begins with a scoring process using 12 specific criteria grouped into value, insider sentiment, Street enthusiasm, financial strength and relative momentum categories. Top scoring stocks are subject to proprietary fundamental research that looks carefully at management's historical success in creating value for shareholders, in their ability to generate cash flow going forward and at their opportunities and strategies to enhance future value. Portfolio construction focuses on each holding's contribution to the overall risk profile.

Capital Prospects LLC – Organizational Chart



Name	Title/Role	Year Joined Firm	Years Investment Experience	Education/Certifications
Marilyn R. Freeman	Principal & Manager, CCO	2001	30+	BA, MBA
Elizabeth A. Knope	Principal & Manager, EEO	2002	34+	BA, MBA, CFA
Joan R. Cueni	Sr. Research/Operations Associate	2004	10+	BS
Claudia L. Lupinacci	Sr. Client Service/Operations Associate	2006	10+	BA
Ashley L. Martin	Sr. Research/Operations Associate	2008	6+	BBA
Janice L. Elliott	Contract Consultant	2005	20+	BS

Capital Prospects currently has 8 funded accounts. As Capital Prospects LLC is a small firm growing its business, all members of the firm are involved in all client relationships.

Business Experience

2001 - present Capital Prospects LLC

Principal & Manager

Established Capital Prospects LLC, a manager-of-managers firm specializing in emerging, woman- and minority-owned investment managers.

9/01 – 3/02

Consulted to Northern Trust Global Advisors, Inc. on specific client service projects.

1977 - 2001

24-year career at Northern Trust Global Advisors, Inc. and Northern Trust Company of Connecticut (predecessor firms RCB International, Inc. and RCB Trust Company; Rogers, Casey & Barksdale, Inc.)
Firm of $16 billion of assets under management in 2001, principally institutional tax-exempt accounts.

Late 1980's – 8/01 Managing Director, then Executive Vice President and Director of Client Service

Key responsibilities:

- Oversaw US-based International, Canadian and Emerging Program clients.
- Oversaw administration of off-shore Channel Islands-based US and Global investment funds.
- Member of team to establish Emerging, Women and Minority-owned portion of business – eventually grew to $2.5 billion in AUM.
- Liaison for legal negotiations with new clients; member of compliance team.
- One of two-member team establishing first hedge fund activity for the firm. Manager appointments, Prime Broker selection, fund accounting firm selection, use of proprietary risk model.

1977 – late 1980's Various positions – Analyst and Vice President

Key responsibilities:

- Member of team establishing a multi-product, multi-asset class commingled family of funds for Canadian pension funds; manager of US-based staff for Canadian product.
- Oversaw Global product migration from Group Trust format to CT bank-maintained collective fund; establishing maintaining standards. Included emerging markets and global custody in early days of international investing.
- Established currency overlay in conjunction with CIO for Global product.
- Created and supported Prospectus for public offering of certain fund sections of Canadian product; significant Canadian legal liaison work.
- Became manager of entire performance analyst staff in CT, all products.

Committee Membership:

Trust Investment Committee member from its inception
Management and Compensation Committees
Several single jurisdiction Investment Committees (Canada, US-based International, e.g.)

Education

MBA with concentration in Finance and Management, University of Connecticut
BA French, State University of New York at Stony Brook

Professional

Member of The Greenwich Roundtable, an intellectual cooperative for investors in alternative investments
Member Beta Gamma Sigma, National scholastic honor society for schools of business

Business Experience

2002-present Capital Prospects LLC

Principal & Manager

Established Capital Prospects LLC, a manager-of-managers firm specializing in emerging, woman- and minority-owned investment managers.

1983-2002 Northern Trust Global Advisors, Inc.
RCB International, Inc.
Rogers, Casey & Barksdale, Inc.

(In 1989, the consulting arm of Rogers, Casey & Barksdale was spun out of the original firm and the successor, now concentrating exclusively on manager-of-manager investment services, was renamed RCB International. RCB International was acquired by The Northern Trust Company in 1995 and renamed Northern Trust Global Advisors – "NTGA." The business focus of NTGA was unchanged with that acquisition.)

Executive Vice President and Director of U.S. Investment Research (also Managing Director and Principal of RCB International and Rogers, Casey & Barksdale while privately owned)

- Managed the research process for identifying, selecting and monitoring U.S. equity and fixed income investment managers and was the senior decision-maker with respect to investment program construction for a number of client programs focused specifically on "emerging" managers, as well as a fund offered by a subsidiary (Northern Trust Company of Connecticut – "NTCC") focused on small cap managers.
- Headed the U.S. Investment Committee, the entity responsible for approving recommendations on manager retentions/terminations across all of NTGA's U.S. investment programs.
- Chairman of the Trust Investment Committee of NTCC, the entity responsible for approving all investment-related actions with respect to trust company client programs.
- Scope of overall responsibilities: Managed staff of five involved in researching 150-200 investment managers annually and monitoring 60+ managers actively funded. Maintained broad-based knowledge of U.S. investment managers in general (beyond those of immediate interest). Established the framework for manager evaluation and both directed and actively participated in the process. Directed or was significantly involved in client program manager allocations.
  Developed client reporting and review materials, using a full scope of qualitative and quantitative analytics, and participated in client reviews. Negotiated terms of investment contracts with investment managers and with some clients. Ensured operational aspects of various client programs were in line with requirements.

1978-1983 AT&T
New England Telephone

Manager, Pension Planning & Analysis

- Experience in all aspects of pension fund management. Major responsibilities were in the areas of:
- Investment policy and strategy, including determination of Fund investment objectives, formulation of capital market assumptions and investment strategy alternatives and development of 3-5 year planning statement setting asset mix goals in light of corporate financial considerations and anticipated market conditions.
- Investment manager evaluation, including development of evaluation criteria, assessment of manager capabilities, performance analysis and selection/termination recommendations.
- Special projects, such as analysis of new investment opportunities and master trustee selection.

1971-1977 The Boston Company, Inc.

Investment Analyst

- Responsible for coverage of retailing, broadcasting and tobacco industries.
- Initiated investment recommendations on new and existing holdings and provided in-depth analysis of company and industry current operations/future outlook based primarily on interviews with corporate management and industry participants.

1969-1971 Master Taxplan Commission – Commonwealth of Massachusetts

Researcher

- Responsible for data analysis for various studies incorporated in the Commission's tax reform recommendations.

Education

M.B.A. Boston University Graduate School of Management – concentration in Finance
B.A. Skidmore College – Government major

Professional

Chartered Financial Analyst (CFA)
Member – New York Society of Security Analysts
Member – Association for Investment Management and Research

Business Experience

2004 - present

Research/Operations Associate

Investment Operations – Ensure ongoing smooth functioning of each client's investment program focusing on coordination and oversight of all activities with respect to clients, custodial banks and managers.

Investment Program Management - Assist in developing manager allocation analyses (identify and refine combinations in conjunction with other team members). Generate reports on portfolio/program characteristics, risk profiles, performance attribution, etc. Implement rebalancing process.

Manager Research – Develop background materials to be used in manager selection and construction/monitoring of client investment programs. Assist in analytical activities related to manager evaluation including: qualitative assessment of manager capabilities, analysis of historical portfolio holdings and historical returns/risk profiles.

Systems and Administrative Support – Principal contact with analytical systems vendors, coordinator of report production and creation.

2001 – 2004 Northern Trust Company of Connecticut

Jr. Analyst

- Met with and evaluated manager candidates
- Wrote manager analysis
- Tracked performance of over 265 managers
- Created and distributed flash reports quarterly
- Tracked trades
- Researched significant investments
- Managed the emerging/minority questionnaire process
- Built the templates for Request for Proposal (RFP)
- Aided in review process of the request for proposals
- Researched several databases for current manager news
- Updated several proprietary and industry databases

1999 – 2001

Administrative Assistant

- Assisted in special projects for the Domestic and International research teams
- Updated and maintained due diligence filing system
- Created client presentation

1998 – 1999 Diamond Lease USA, Inc.

Accounts Payable/Receivable

- Maintained general ledger software
- Assisted Treasurer with daily wire transactions
- Maintained the nightly Time Deposit
- Prepared Commercial paper trades
- Processed Accounts Receivable/Payable weekly
- Prepared monthly billing
- Drafted checks

Education

2001 Iona College, New Rochelle, NY - B.S., Business Administration

Business Experience

2006 - present Capital Prospects LLC

Sr. Client Service/Operations Associate

Investment Operations – Ensure ongoing smooth functioning of each client's investment program focusing on coordination and oversight of all activities with respect to clients, custodial banks and managers.

Investment Program Management - Assist in developing manager allocation analyses (identify and refine combinations in conjunction with other team members). Generate reports on portfolio/program characteristics, risk profiles, performance attribution, etc. Implement rebalancing process.

Manager Research – Develop background materials to be used in manager selection and construction/monitoring of client investment programs. Assist in analytical activities related to manager evaluation including: qualitative assessment of manager capabilities, analysis of historical portfolio holdings and historical returns/risk profiles.

1999-2005 Northern Trust Global Advisors, Inc.

Sr. Investment Reporting Analyst-Officer. Client Services

- Responds to queries from clients/internal partners/consultants
- Prepare monthly client reports
- Monitors client deadlines
- Delegates work on a daily/monthly basis
- Assemble charts and client data for client presentations
- Prepare quarterly reports
- Assist in Program Management
- Prepare cash notifications between manager and custodian

Senior Fund Accountant

- Unitized monthly funds
- Entered fund accounting data in performance system
- Prepared financial statements

1996-1999 J.S. Karlton Company, Inc., Greenwich, CT

Staff Accountant

- Responsible for all aspects of Accounts Payable
- Reconciliation of over 30 bank account to the General Ledger
- Generate journal entries and account analysis
- Responsible for billing over 100 tenants rent for two office buildings
- Maintain all lease files
- Coordinate annual tax and expense escalations

Education

Pace University, Pleasantville, NY, - B.B.A. Accounting 1996

Business Experience

2008- present Capital Prospects LLC

Sr. Research/Operations Associate

Investment Operations – Ensure ongoing smooth functioning of each client's investment program focusing on coordination and oversight of all activities with respect to clients, custodial banks and managers.

Investment Program Management - Assist in developing manager allocation analyses (identify and refine combinations in conjunction with other team members). Generate reports on portfolio/program characteristics, risk profiles, performance attribution, etc. Implement rebalancing process.

Manager Research – Develop background materials to be used in manager selection and construction/monitoring of client investment programs. Assist in analytical activities related to manager evaluation including: qualitative assessment of manager capabilities, analysis of historical portfolio holdings and historical returns/risk profiles.

2005-2008 Parenteau Associates LLC

Director of Accounting, Reporting, Legal & Compliance

- Responsible for developing and submitting all Requests for Proposals which included coordinating with the company President and investment managers to ensure quality responses.
- Coordinated initial responses to consultant and database questionnaires in order to establish manager relationships and then maintained monthly and quarterly database updates.
- Prepared presentation materials for executive level presentations to key investment managers.
- Analysis of investment managers and creation of various graphics with the data obtained to create accurate representation of the manager for presentations and marketing materials.

2002-2005 Western Connecticut State University

Assistant, VP of Finance and Administration Office

- Handled all typing and correspondence.
- Assisted Controller in financial statement preparation as needed.

- Acted as a backup for budget analyst, including assisting with spreadsheets and coding all University assistant temp hires and adjunct applications.
- Proofed payroll distribution and vendor payments as requested for accuracy.
- Assisted Finance and Administration Controller with implementation of a new policy and procedures manual for the Fiscal Affairs Department.

Education

B.B.A. Western Connecticut State University – Accounting Major

Professional

Pledge Member - Connecticut Society of Certified Public Accountants

Lauren Ciocca

Business Experience

2011- Present - Capital Prospects LLC

Research & Operations Assistant

Client Service Support- Assist in the compilation of statements utilized in monthly reporting, review and proofing of quarterly data, and completion of client daily trade and irregularities files

Operations Support- Collect backup materials and reports needed to complete monthly client compliance, compile data from sub-managers utilized on a quarterly basis, collect monthly reports used on a monthly basis

Research Support- Incorporate updated client legal contracts to create electronic versions of the most recently executed versions, populate spreadsheets with requested data utilized for manager focus list

2006-2011 - Butler America

Technical Writer, Sikorsky Aircraft

Data Input- Incorporated engineering data into shared database to identify impacted maintenance tasks for varying countries and clients

Publishing- Identified and edited applicable tasks for the S70A Blackhawk, composed and published tasks ensuring consistency, technical accuracy, and proper formatting

Reporting- Developed and maintained reports designed to track and trend deliveries of tasks, reducing budget and time expended on research of upcoming deliveries

Education

2011 New York University, New York, NY- B.A. in Political Science.

Business Experience

2005 - present Capital Prospects LLC

Contract Research Consultant

- Economic and Equity and Fixed Income market research.
- Style Analysis research.
- Investment manager research support.

2000-2004 Northern Trust Global Advisors, Inc.

Vice President, Sr. Investment Analyst

Key responsibilities:

- Qualitative and quantitative analysis of U.S. equity and fixed income investment managers for inclusion in multi-manager investment programs.
- Primary investment professional responsible for daily compliance oversight for U.S. equity and fixed income accounts.
- Assisted in the construction of U.S. equity and fixed income multi-manager programs.
- Member of both the U.S. and Emerging Manager Investment Committees.
- Presented quarterly investment reviews to clients and Trust Company board members.
- Participated in new business presentations.

1996-2000 KPMG, LLP

Manager

Key responsibilities:

- Asset allocation studies, manager search and selection, and quarterly performance reporting. Clients included defined benefit plans and defined contribution plans, both 401(k) and 403(b) funds.
- Project manager for a wrap program relationship.
- Oversight of quarterly manager updates for brokers, review of portfolios for adherence to policy guidelines, and for semi-annual due diligence visits and written reports.
- Production, coordination and distribution of investment related information to an internal group of approximately 200 registered investment advisors.

- Produced a quarterly educational newsletter for the participants of a large midwestern 403(b) fund.

1989-1996 Evaluation Associates

Senior International Research Analyst

Key responsibilities:

- Evaluated and reviewed investment management firms based on qualitative and quantitative analysis.
- Produced asset class specific research and collaborated with other members of the research department on white paper research reports.
- Provided written commentary and performance measurement evaluations for client portfolios.
- Constructed and audited performance evaluation worksheets, charts and portfolio characteristic summaries for clients and consultants.
- Editor of International Managers Profiles, an internally produced publication of over 50 international equity and fixed income investment managers.
- Trained new analysts in department functions and procedures.

Education

Sacred Heart University, Fairfield, CT, - B.S., Business Administration

CAPITAL PROSPECTS LLC

CODE OF ETHICS AND PROFESSIONAL CONDUCT

(Revised January 2012)

The Business of Capital Prospects LLC

Capital Prospects LLC (the "Firm") serves as a manager-of-managers. As such, the Firm is responsible for the selection of investment managers for specific client programs and the allocation of program assets across those selected managers.

The Firm also occasionally renders advice to clients as to the investment strategy of, and selection and oversight of, investment managers without having the discretion to allocate assets to those managers. In no case does the Firm have or take custody of client assets.

In all cases, the underlying investment managers, or sub-advisors, are responsible for implementation of investment strategy in client portfolios. As a standard, the Firm's oversight role encompasses review and monitoring of the underlying managers' portfolios from data maintained by the client's custodian, on a monthly basis. Clients' investment reporting is distributed quarterly (and monthly, if required), and client meetings take place as required.

Foreword

The Firm has established this Code of Ethics and Professional Conduct to protect the reputation and integrity of the Firm and that of its managers, officers, Principals and employees (collectively, "Supervised Persons"), to assist its Supervised Persons in following uniform standards of ethical conduct and to ensure that the Firm will act in a manner that is consistent with the applicable requirements of the Investment Advisers Act of 1940, as amended (the "Advisers Act") and the rules and regulations that have been promulgated thereunder (the "Rules").

This Code of Ethics and Professional Conduct is intended to govern the actions and working relationships of the Firm's Supervised Persons with current or potential clients, fellow Supervised Persons, competitors, suppliers, government representatives, the media, and anyone else with whom the Firm has contact. In these relationships, the Firm's Supervised Persons must observe the highest standards of ethical conduct. The success of the Firm as a provider of investment advisory services is built upon the trust and confidential relationships maintained between the Firm and its clients; therefore, each of the Firm's Supervised Persons is expected in all business matters to place the Firm's interest above his or her own self-interest. The policies and procedures set forth in this Code of Ethics and Professional Conduct will, in all cases, be followed to the extent they are applicable to the activities of the Firm.

Our clients have entrusted us with the extraordinary responsibility of managing their assets to the best of our ability. As a consequence, we owe our clients, both as a matter of principle and as a matter of law, a fiduciary duty, that is, a duty of loyalty and a duty of care. In

addition, as employees, officers and managers of the Firm, each of us owes a duty of loyalty to the Firm. Moreover, each of us is required to comply with certain express requirements of the Advisers Act and the Rules thereunder. This Code of Ethics and Professional Conduct describes our duties to our clients and the Firm, as well as our additional obligations under the Advisers Act and the Rules thereunder, and sets forth certain rules that have been adopted by the Firm with a view toward ensuring that the Firm and its Supervised Persons will fulfill such duties and obligations.

In preparing and maintaining this Code of Ethics and Professional Conduct, senior managers of the Firm have performed a risk-based assessment of the business of the Firm and the areas of compliance that are of particular importance to the Firm in light of the Firm's activities. The following have been identified as key areas of particular compliance importance to the Firm:

1. Ensuring effective allocation of client assets among sub-advisors, and effective investment of such assets by sub-advisors, in accordance with client investment guidelines.

2. Avoiding conflicts of interest with respect to the selection of sub-advisors for specific client programs and the allocation of client assets to such sub-advisors.

3. Firm employees (i.e., reviewing employee backgrounds, supervising employee activities, advising and training as to applicable laws, rules and regulations and the policies and procedures set forth in this Code of Ethics and Professional Conduct).

4. Maintaining appropriate books and records as required by the Advisers Act and the Rules, in particular maintaining communications to and from Firm clients.

All of the Firm's Supervised Persons must resolve any doubt as to the meaning of this Code of Ethics and Professional Conduct in favor of good, ethical and professional judgment.

As set forth in this Code of Ethics and Professional Conduct, it is the Firm's policy that both the Firm and its Supervised Persons comply with the law. However, the law prescribes a minimum standard of conduct; this Code of Ethics and Professional Conduct prescribes conduct which often exceeds the legal standard.

This Code of Ethics and Professional Conduct is intended to satisfy the requirements of Rule 204A-1 (code of ethics) and Rule 206(4)-7 (compliance procedures and practices) and shall be interpreted and implemented in accordance with the requirements of such Rules.

The following principles apply to all Supervised Persons of the Firm:

A. Confidentiality

1. Non-public information regarding the Firm or its businesses, employees and clients is confidential, and, except in connection with the performance of their duties at the Firm, Supervised Persons may neither disclose such information nor use it for trading in securities or for other personal gain during the time that they are, and after the time when they ceased to be, Supervised Persons.

2. Public communication involving the Firm, including on social networking sites such as Facebook, LinkedIn and Twitter, must have prior clearance from the Firm's Compliance Officer.

B. Self-Interest

Unless otherwise approved in writing by the Firm's Compliance Officer, Supervised Persons are prohibited from:

1. Except in the case of non-employees, accepting employment or engaging in a business (including consulting and similar arrangements with competitor(s)) that conflict with the performance of their duties or the Firm's interest.

2. Soliciting or demanding or accepting or agreeing to accept, anything of value from any person in conjunction with the performance of their duties at the Firm.

3. Accepting personal fees, commissions, other compensation paid, or expenses paid or reimbursed from others, not in the usual course of the Firm's business, in connection with any business or transaction involving the Firm.

4. Acting on behalf of the Firm in any material transaction involving others with whom Supervised Persons or their immediate families have any significant direct or indirect financial interest.

5. Borrowing money from any client, supplier, or vendor unless the client, supplier, or vendor is a financial institution that makes such loans in the ordinary course of its business.

6. Making any political contribution of money or other property on their own behalf or on behalf of the Firm without prior approval from the Firm's Compliance Officer.

7. Engaging in excessive speculation, borrowing or gambling.

8. Permitting the Firm's property (including data transmitted or stored electronically and computer resources) to be damaged, lost, or used in an unauthorized manner.

9. Except in the case of non-employees, providing the Firm's clients with legal or tax advice.

10. Except in the case of non-employees, engaging or investing in any business, partnership, sole proprietorship, or joint venture which directly or indirectly competes with services provided by the Firm, except where such an investment represents insignificant ownership in a publicly traded company. The making of any investment is subject to Section A.1 of this Code of Ethics and Professional Conduct.

11. Misusing the Firm's electronic message communications system.

12. Doing any of the above actions indirectly through another person.

Notwithstanding item 2 above, a Supervised Person may accept normal business amenities that facilitate the discussion of business, foster good business relations, or serve some other demonstrable business purpose. Gifts of nominal value may be accepted from present or prospective clients, suppliers, or vendors with whom a Supervised Person maintains an actual or potential business relationship. Discounts and price reductions not generally available to others are considered gifts. Employees may not accept cash gifts in any amount and must report any such attempted gift to the Firm's Compliance Officer. Further, Supervised Persons are expressly prohibited from soliciting, demanding or accepting anything of value with the intent to be influenced or rewarded in connection with any business transaction or relationship involving the Firm. The term "gift" does not include any discounts or programs that are available to all employees under a general offer that has been approved by the Firm's Compliance Officer.

Reasonable entertainment may be engaged in between a Supervised Person and present or prospective clients, suppliers, or vendors. For purposes of this Code of Ethics and Professional Conduct, "reasonable entertainment" means entertainment, the purpose of which is to hold bona fide business discussions, and for which the expense would be paid by the Firm as a reasonable business expense if the Firm had paid the expense itself.

If there is any question about the propriety or reasonableness of any entertainment, the Supervised Person should secure the approval of the Firm's Compliance Officer.

All employees are expected to demonstrate the ability to properly manage their personal finances, particularly the prudent use of credit. Employees who encounter personal financial problems are encouraged to obtain counseling.

C. Holding Office/Appointments/Political Contributions

1. The written approval of the Firm's Compliance Officer is needed before an employee may become a director, manager, officer or partner of any business organized for profit. If such service is on behalf of the Firm, the employee must turn over all compensation received by the employee for such service to the Firm other than reimbursement of out-of-pocket expenses.

2. Employees are encouraged to participate in organizations which are involved in charitable, educational or community activities, and no approval is needed for involvement with such organizations.

3. Employees may participate in civic and political activities. An employee may hold a part-time elective or appointive office and may participate in political campaigns, including political fund raising activities, provided the employee receives the approval of the Firm's Compliance Officer based on the employee's full disclosure concerning the time involved and the compensation, if any, to be received. An employee's participation in political activities, particularly an employee's participation in political campaigns and/or political fund raising events, will be reviewed in light of the employee's position at the Firm and the degree of discretionary authority the employee may exercise in his or her position

at the Firm, as well as the employee's personal relationship with the political candidate. The Chief Compliance Officer's approval will be contingent in part upon the compliance of any fund-raising activities with the applicable restrictions on solicitation activities under Rule 206(4)-5 (political contributions by certain investment advisers).

4. Employees must avoid appointments, including fiduciary appointments, that may conflict with the performance of their duties for the Firm or otherwise interfere with their employment relationship with the Firm. All fiduciary and other appointments, except those on behalf of the employee's immediate family members, must be approved by the Firm's Compliance Officer prior to the employee's acceptance of the appointment.

5. Employees may not make political contributions except in accordance with the Firm's Political Contributions and Payments policies and procedures, which are attached hereto as Exhibit A.

D. Internal Accounting Controls; Maintenance of Records

Internal Accounting Controls

1. It is the legal responsibility of the Firm to develop and maintain systems of internal accounting controls that permit the preparation of its financial statements in accordance with applicable laws, rules and accounting principles.

2. No one shall, directly or indirectly, knowingly falsify or cause to be falsified any book, record or account of the Firm. This includes expense accounts, approval of invoices submitted by suppliers or vendors, records of transactions with clients, records of disposition of company assets or any other record.

Maintenance of Records

1. The Firm will maintain and preserve books and records as described in the Rules, including, without limitation, Rule 204-2, a copy of the current text of which is attached hereto as Schedule 1.

2. The Firm shall keep all such books and records in a secure location, to which access is limited to authorized personnel.

3. In the case of records stored on electronic media storage, the Firm shall take such steps as may be necessary to reasonably safeguard such records from loss, alteration or destruction, including, but not limited to, limiting access to such electronic records to specifically approved personnel using passwords that are changed periodically and maintaining a duplicate copy thereof to the extent required by Rule 204-2(g)(iii). In addition, in order to ensure the accuracy of any electronic reproduction of non-electronic records, the Firm shall only permit such reproductions to be made by specifically approved and trained Firm personnel or by specifically approved vendors. The Firm will maintain e-mail correspondence

in accordance with the its E-mail Retention Policy, a copy of which is attached hereto as Exhibit B.

E. Trading in the Stock of the Firm's Clients

No Supervised Person may invest in the securities of a client of the Firm if the client's securities are publicly traded and the Supervised Person has non-public information concerning the client at the time of the proposed investment.

F. Compliance

1. Each Supervised Person of the Firm shall act on the Firm's behalf in a manner that complies with all laws and regulations under which the Firm must operate, including, without limitation, the Federal securities laws.

2. If a Supervised Person becomes aware of or suspects embezzlement, false entries in the Firm's records, false statements to the Firm's regulators, false statements by a client (where the Supervised Person knows that the client's statement is false or has reason to inquire as to its falseness), or any fraud or potential fraud, or other criminal violation involving the Firm, its Supervised Persons or clients, such Supervised Person must immediately contact the Firm's Compliance Officer.

   No Supervised Person who (i) reports any such violation in good faith or (ii) objects to, or refuses to participate in, any activity or practice, where the employee has a good faith, reasonable basis to believe that the activity or practice causes or will result in such a violation, shall suffer any harassment, retaliation, demotion, discharge, suspension or other adverse employment consequence as a result of such reporting or refusal. Any officer of the Firm or other employee who retaliates against a Supervised Person shall be subject to disciplinary action up to and including termination of employment or removal from a supervisory position.

3. A Supervised Person who is charged with or convicted of a crime must report the event to the Firm's Compliance Officer.

G. Fiduciary Duty to the Firm's Clients

The Advisers Act imposes a fiduciary duty upon the Firm, which means that the Firm owes the Firm's clients a duty of loyalty and a duty of care.

Under the duty of care, the Firm is obligated:

1. to exercise a high degree of care in evaluating investment alternatives, in making investment recommendations to the Firm's clients and, when applicable, in exercising its discretionary power to make investments on behalf of the Firm's clients;

2. to use its best efforts to ensure that all information provided to the Firm's clients is accurate in all material respects; and

3. to ensure that all recommendations to the Firm's clients and, if applicable, the investments made by the Firm on behalf of the Firm's clients, are suitable in light of each client's needs, financial circumstances and investment objectives.

In conformity with the requirements of the duty of care, we have adopted the following policies and procedures:

Portfolio Management:

- Investment decisions with respect to client portfolios shall only be made by duly authorized investment managers of the Firm.

- The investment of client assets by sub-advisors, and the Firm's allocation of client assets among sub-advisors, will be reviewed periodically in accordance with the terms of the advisory agreement with each such client to seek to ensure continued adherence with such clients' investment guidelines.

Accuracy of Information:

- Our account reports will be prepared by Firm personnel who are trained in the preparation of such reports and we will periodically review certain of such reports on a test basis with a view toward ensuring that such reports are accurate. In addition, copies of any reports of any inaccuracies in such reports shall be delivered to the Firm's Compliance Officer, who shall investigate the cause of such inaccuracy and take such further action as may be warranted in the circumstances with a view toward ensuring that the cause of such inaccuracy will be rectified.

- We will maintain, or will cause our sub-advisors to maintain, as appropriate, records as to the valuation of the assets of the accounts of our clients and shall compare such records with those of the custodian of the assets of such accounts to ensure the accuracy thereof. The calculation of the fees that are payable in respect of such assets, to the extent that they are based upon the value of such assets, shall be made by qualified personnel of the Firm, and the Firm's Compliance Officer shall periodically test certain of the reports rendered by the Firm to confirm the accuracy of the fees charged therein.

- Our Form ADV, our advertising and our correspondence with our clients will be prepared or reviewed by duly authorized and trained personnel, and we will periodically review the disclosures therein with a view toward ensuring the accuracy thereof. Any advertising shall be prepared and published in conformity with the Firm's Policies and Procedures on Advertising, a copy of which is attached hereto as Exhibit C.

Safeguarding of Client Assets:

- The Firm shall not maintain physical custody of any assets of any client. The Firm will not direct the withdrawal or transfer of any client assets from the custodian thereof unless it is expressly authorized to do so in writing by such client, and then, except where payment of the funds or securities withdrawn or transferred is to be made directly to the client, only if such withdrawal or transfer is approved by two employees of the Firm who have been authorized in advance in writing to direct such withdrawals or transfers.

- The Firm does not expect to have custody of any assets of any client. However, if the Firm is deemed to have custody of any assets of a client, such as by reason of having authority to transfer any of such assets away from the custodian thereof, to pay the Firm's fees, by serving in any capacity (such as general partner of a limited partnership, managing member of a limited liability company or a comparable position for another type of pooled investment vehicle) that gives the Firm or any of its Supervised Persons legal ownership of or access to client funds or securities, or otherwise, it shall comply with the requirements of Rule 206(4)-2.

Privacy Protection:

- In order to ensure the protection of our client records and information, the Firm has adopted and will comply with the requirements of the Firm's Policies and Procedures Concerning Privacy, a copy of which is attached hereto as Exhibit D.

Business Continuity

- In order to ensure that our clients' interests will not be placed at risk as a result of our inability to provide advisory services after a natural disaster, a terrorist attack, the death of key personnel or a similar event, the Firm has adopted and will comply with the requirements of the Firm's Business Continuity Plan, a copy of which is attached hereto as Exhibit E.

Proxy Voting

- The Firm does not have proxy voting authority over any of its clients' securities.

Under the duty of loyalty, employees are obligated:

1. always to act in the best interests of the Firm's clients;

2. to render disinterested and impartial advice to the Firm's clients;

3. to avoid engaging in any activity that conflicts with the interests of the Firm's clients; and

4. to disclose to the Firm's clients any potential conflict of interest.

Similarly, under the duty of loyalty, the Firm and its employees cannot unfairly favor one client over another.

In order to seek to ensure that the Firm complies with its duty to avoid engaging in any activities that conflict with the interests of the Firm's clients, it is the policy of the Firm not to accept any payments from any sub-advisor for any purpose.

H. Specifically Prohibited Conduct

In addition to imposing a fiduciary duty upon the Firm and its employees, the Advisers Act and/or the Rules expressly prohibit the Firm and its employees from:

- purchasing any security from, or selling a security to, a client for the account of the Firm or for the account of an employee of the Firm, without written disclosure to the client of the capacity in which the Firm or its employees are acting and without the express consent of the client;

- engaging in false or misleading advertising, including the use of testimonials and certain references to past recommendations;

- receiving performance fees (except in certain specified circumstances);

- making payments to outside solicitors, except in compliance with certain specific requirements; and

- engaging in any insider trading.

To ensure that the Firm and its employees will not inadvertently engage in any of these specifically prohibited transactions, the Firm has adopted the following rules:

1. The Firm and its employees may not purchase (or sell) a security from (or to) a client for the account of the Firm or for any account in which an employee of the Firm has a Beneficial Interest without the prior approval of the Firm's Compliance Officer. For purposes of this Code of Ethics and Professional Conduct, an employee will be deemed to have a "Beneficial Interest" in an account, in a security or in a transaction, if any of the following persons or entities has the opportunity to profit or share directly or indirectly in any profit derived from such account, security or transaction:

- the employee himself or herself;

- any member of the employee's immediate family sharing the same household;

- any partnership as to which the employee is a general partner;

- any corporation or similar entity in which the employee owns securities if the employee is a controlling shareholder of the entity and has or shares investment control over the entity's portfolio; or

- any trust as to which (a) the employee is the trustee and such employee or any member of his immediate family is a beneficiary, (b) the employee is a

beneficiary and controls or shares control of the trust's investments, or (c) the employee is a settlor, has the power to revoke the trust without the consent of another person and shares investment control over the trust's investments.[1]

2. Pursuant to the Firm's Policies and Procedures relating to Advertising, a copy of which is attached as Exhibit C to this Code of Ethics and Professional Conduct, all advertising by the Firm (which includes any written communication that is to be sent to more than one person) will be reviewed by the Firm's Compliance Officer prior to the dissemination thereof.

3. The Firm will not accept any performance fees except pursuant to arrangements that have been approved by the Firm's Compliance Officer.

4. The Firm will not engage any outside solicitors except pursuant to arrangements that have been approved by the Firm's Compliance Officer and that comply with the requirements of Rule 206(4)-3.

5. Each employee of the Firm will be required to read and agree to abide by the Firm's Written Policy on Insider Trading, a copy of which is attached as Exhibit F to this Code of Ethics and Professional Conduct.

I. Personal Securities Transactions

The Advisers Act expressly requires that the Firm maintain records with respect to the securities holdings of, and each security transaction that is entered into by, the Firm or any Supervised Person of the Firm who (A) has access to nonpublic information regarding any client's purchase or sale of securities, or nonpublic information regarding the portfolio holdings of any "reportable fund" or (B) is involved in making securities recommendations to clients, or who has access to such recommendations that are non-public (an "Access Person"). Since providing investment advice is the Firm's primary business, under an applicable rule, all managers and officers of the Firm are presumed to be Access Persons.

In order to ensure compliance with this rule:

1. Each employee of the Firm (and any other Access Person of the Firm), not later than 10 days after such employee's employment commences (or the date that such person becomes an Access Person) and at least once every year thereafter, shall be required to report the information set forth below to the Firm's Compliance Officer, which information must be current as of a date not more than 45 days prior to the date on which such employee's employment commenced (or the date on which such person became an Access Person):

[1] The definition of "Beneficial Interest" is determined by reference to Rule 16a-1(a)(2) of the rules and regulations promulgated under the Exchange Act of 1934, to which further reference should be made if there is any question as to whether an employee has a Beneficial Interest in any transaction or security. The term "immediate family" includes children, grandchildren, parents, grandparents, parents-in-law, siblings-in-law and children-in-law.

- the title and type of security and, as applicable, the exchange ticker symbol or CUSIP number, and the number of shares and principal amount of all securities in which the person has a direct or indirect Beneficial Interest (as defined above);

- the name of any broker, dealer or bank with whom the person maintains an account in which any securities are held, either directly or indirectly, for the benefit of such person; and

- the date that the report is submitted by such person;

provided, however, that such person need not make a report with respect to any account over which the person has no direct or indirect influence or control.

2. Each employee of the Firm (and any other Access Person of the Firm) must provide a securities transaction report to the Firm's Compliance Officer within 30 days of the end of each calendar quarter which sets forth, as to each transaction involving a security in which the person had, or as a result of the transaction, acquired a Beneficial Interest (as defined above):

- the date of the transaction, the title and type of security and, as applicable, the exchange ticker symbol or CUSIP number, interest rate and maturity date, and the number of shares and principal amount of each security involved in a securities transaction that was effected during such quarter;

- the nature of the transaction (i.e., purchase, sale or other acquisition or disposition);

- the price at which the transaction was effected;

- the name of the broker, dealer or bank with or through which the transaction was effected; and

- the date such person submits the report;

provided, however, that a person need not report (i) any transactions effected in any account over which such person has no direct or indirect influence or control, (ii) any transaction effected pursuant to an automatic investment plan (such as a dividend reinvestment plan), or (iii) any transaction in any of the following securities: direct obligations of the Government of the United States, bankers' acceptances, bank certificates of deposit, commercial paper, and high quality short-term debt instruments, including repurchase agreements, shares issued by open-end investment companies that are registered under the Investment Company Act of 1940, as amended other than reportable funds and shares issued by unit investment trusts that are invested exclusively in one or more open-end funds.

If no reportable securities transaction in which any such person has a direct or indirect Beneficial Interest occurred during the prior quarter, that fact must be stated in the quarterly securities transaction report.

An employee of the Firm (and any other Access Person of the Firm) may satisfy the foregoing reporting requirement by supplying or directing his or her broker to supply to the Firm's Compliance Officer copies of confirmations of all personal securities transactions or copies of all periodic statements for all securities accounts as to which such person has a direct or indirect Beneficial Interest, provided that such confirmations or statements are delivered to the Firm's Compliance Officer within 30 days of the end of the applicable quarter.

In order to comply with the Act and the Rules, and to ensure that the personal securities transactions of employees of the Firm (and any other Access Person of the Firm) will not even have the appearance of a conflict of interest, the Firm has adopted the following restrictions on, and requirements relating to, personal investing activities:

1. No employee of the Firm (or any other Access Person of the Firm) may acquire a Beneficial Interest in any security that is being offered in an initial public offering without the prior approval of the Firm's Compliance Officer.

2. No employee of the Firm (or any other Access Person of the Firm) may acquire a Beneficial Interest in any security in a private placement without the prior approval of the Firm's Compliance Officer.

J. Administration

1. The Firm shall appoint a Compliance Officer who will be responsible for the administration of this Code of Ethics and Professional Conduct. Employees shall refer all questions on this Code of Ethics and Professional Conduct to the Compliance Officer. The Firm's Compliance Officer may act through a designee if and to the extent deemed appropriate by such Compliance Officer.

2. Whenever disclosure or approval is required by this Code of Ethics and Professional Conduct, Supervised Persons shall promptly make a written report with a full account of the circumstances to the Firm's Compliance Officer.

3. All Supervised Persons of the Firm must sign an Acknowledgment confirming that they have read and understood this Code of Ethics and Professional Conduct and the Exhibits thereto, including the Written Policy on Insider Trading, and that they agree to comply in all respects with this Code of Ethics and Professional Conduct, including such policy. New Supervised Persons shall receive a copy of this Code of Ethics and Professional Conduct as a part of their employee orientation (or, in the case of non-employees, when they become Supervised Persons) and shall be required to sign such an Acknowledgment promptly after they have become Supervised Persons. Copies of any amendments to this Code of Ethics and Professional Conduct shall be provided to, and acknowledged by, all Supervised Persons.

4. All Supervised Persons must promptly complete and return a certification of compliance with this Code of Ethics and Professional Conduct in accordance with annual compliance certification procedures established by the Firm.

5. Each Supervised Person is responsible for reporting to the Firm's Compliance Officer any activity that may violate this Code of Ethics and Professional Conduct, whether the activity involves the Supervised Person or another Supervised Person of the Firm.

6. The Compliance Officer shall review, no less frequently than annually, the adequacy of this Code of Ethics and Professional Conduct, and the policies and procedures described herein, as well as the effectiveness of the implementation thereof, and shall maintain records evidencing the conduct of such review. During the course of such review, the Compliance Officer shall consider any compliance matters that arose during the previous year, any changes in the business activities of the Firm, and any changes in the Advisers Act or the Rules that might suggest a need to revise this Code of Ethics and Professional Conduct.

7. The Firm shall review, no less frequently than annually, the adequacy of the policies and procedures established by this Code of Ethics and Professional Responsibility and the effectiveness of the implementation thereof, including the effectiveness of the Compliance Officer in implementing such policies and procedures and monitoring compliance therewith, and shall maintain records evidencing the conduct of such review.

EXHIBIT A

CAPITAL PROSPECTS LLC
POLITICAL CONTRIBUTIONS AND PAYMENTS
POLICIES AND PROCEDURES

A. Applicable Restrictions

In order to ensure compliance with federal, state and local "pay-to-play" laws, rules and regulations relating to political contributions made by investment advisers who provide, or may provide, services to government entities (including Rule 206(4)-5 under the Advisers Act, which becomes effective on March 14, 2011), all Supervised Persons, on behalf of themselves or the Firm, must disclose to the firm any applicable prior or proposed Contribution (as defined below) or Solicitation Payment (as defined below) in accordance with the procedures contained herein.

Rule 206(4)-5 prohibits the Firm from:

- providing investment advisory services for compensation to a Government Entity (as defined below) within two years after a Contribution to an Official (as defined below) of the Government Entity is made by the Firm or any Covered Associate (as defined below) of the Firm (including a person who becomes a Covered Associate up to two years after the Contribution is made);
- providing or agreeing to provide, directly or indirectly, any Payment (as defined below) to any individual or entity that is not a Regulated Person (as defined below) to Solicit (as defined below) a Government Entity for investment advisory services on the Firm's behalf; or
- coordinating, or Soliciting any person or political action committee to make, any Contribution to an Official of a Government Entity to which the Firm is providing or seeking to provide investment advisory services or any Payment to a political party of a state or locality where the Firm is providing or seeking to provide investment advisory services.

In addition to Rule 206(4)-5, other state and local laws, rules and regulations place restrictions on, or otherwise limit, the ability of the Firm and its Supervised Persons to make political contributions.

The Firm and its Covered Associates may not do anything indirectly (*i.e.*, through others) that, if done directly, would violate Rule 206(4)-5 or such state or local laws, rules and regulations. Therefore, the Firm and its Covered Associates may not use third-party solicitors, attorneys, family members or companies affiliated with the Firm to do anything that would cause the Firm to violate Rule 206(4)-5 or any other similar federal, state or local laws, rules and regulations.

The prohibitions contained in Rule 206(4)-5 will apply to the Firm as a result of a Contribution made by a Covered Associate before the person became a Covered Associate if the Contribution was made within (i) the six-month period preceding the date such person became a

Covered Associate or (ii) the two-year period preceding the date such person became a Covered Associate if such Covered Associate solicits clients on behalf of the Firm.

Rule 206(4)-5 provides that certain *de minimis* contributions may be made by Covered Associates without affecting the Firm's ability to provide investment advisory services to related Government Entities. For purposes of this Manual, a "***De Minimis* Contribution**") shall mean any Contribution or Contributions made to any one Official (as defined below) by a Covered Associate that do not exceed, in the aggregate (i) $150 if such Contributions are made to an Official for whom the Covered Associate making such Contributions **is not** entitled to vote at the time of the making of each such Contribution or (ii) $350 if such Contributions are made to an Official for whom the Covered Associate making such Contributions **is** entitled to vote at the time of the making of each such Contribution.

Rule 206(4)-5 also requires the Firm to keep detailed records regarding Contributions and certain Payments made by Covered Persons and regarding Governmental Entities to which the Firm provides investment advisory services.

B. Definitions

As used in this section, the following terms have the meanings set forth below.

"**Contribution**" means any Payment made for:

(i) the purpose of influencing any election for federal, state or local office;

(ii) payment of debt incurred in connection with any such election; or

(iii) transition or inaugural expenses of the successful candidate for state or local office.

"**Covered Associate**" of the Firm means:

(i) any general partner, managing member or Executive Officer, or other individual with a similar status or function;

(ii) any Employee who Solicits a Government Entity for the Firm and any person who supervises, directly or indirectly, such Employee; and

(iii) any political action committee controlled by the Firm or by any person described in the preceding clauses (i) or (ii).

"**Executive Officer**" of the Firm means:

(i) the president;

(ii) any vice president in charge of a principal business unit, division or function (such as sales, administration or finance);

(iii) any other officer of the Firm who performs a policy-making function for the Firm; or

(iv) any other person who performs similar policy-making functions for the Firm.

"**Government Entity**" means any state or political subdivision of a state, including:

(i) any agency, authority or instrumentality of the state or political subdivision;

(ii) a pool of assets sponsored or established by the state or political subdivision or any agency, authority or instrumentality thereof, including, but not limited to a "defined benefit plan" as defined in section 414(j) of the Internal Revenue Code (26 U.S.C. 414(j)), or a state general fund;

(iii) a Government-Related Plan; and

(iv) officers, agents or employees of the state or political subdivision or any agency, authority or instrumentality thereof, acting in their official capacity.

"**Government-Related Plan**" means any participant-directed investment program or plan sponsored or established by a state or political subdivision or any agency, authority or instrumentality thereof, including, but not limited to, a "qualified tuition plan" authorized by section 529 of the Internal Revenue Code (26 U.S.C. 529), a retirement plan authorized by section 403(b) or 457 of the Internal Revenue Code (26 U.S.C. 403(b) or 457) or any similar program or plan.

"**Official**" means any person (including any election committee for the person) who was, at the time of the relevant Contribution, an incumbent, candidate or successful candidate for elective office of a Government Entity, if the office:

(i) is directly or indirectly responsible for, or can directly influence the outcome of, the hiring of the Firm by a Government Entity; or

(ii) has authority to appoint any person who is directly or indirectly responsible for, or can directly influence the outcome of, the hiring of the Firm by a Government Entity.

"**Payment**" means any gift, subscription, loan, advance or deposit of money or anything of value (including, without limitation, any *quid pro quo* or bartering arrangement).

"**Regulated Person**" means:

(i) an SEC-registered investment adviser that has not, and whose Covered Associates have not, within two years of soliciting a Government Entity, (A) made a contribution to an Official of a Government Entity other than a *De Minimis* Contribution and (B) coordinated or solicited any person or political action committee to make any (1) Contribution to an Official of a Government Entity to which the Firm is providing or seeking to provide investment advisory services; or (2) Payment to a political party of a state or locality where the Firm is providing or seeking to provide investment advisory services to a Government Entity; and

(ii) an SEC-registered broker-dealer that is subject to requirements that the SEC has determined are equivalent to the requirements of Rule 206(4)-5.

"**Solicit**" means:

(i) with respect to investment advisory services, to communicate, directly or indirectly, for the purpose of obtaining or retaining a client for, or referring a client to, the Firm; and

(ii) with respect to a Contribution or Payment, to communicate, directly or indirectly, for the purpose of obtaining or arranging a Contribution or a Payment.

"**Solicitation Payment**" means any Payment to any individual or entity to Solicit any Government Entity for investment advisory services on the Firm's behalf.

C. Procedures

Covered Associates List

On or before March 14, 2011, the Chief Compliance Officer shall compile a list containing the names, titles and business and residence addresses of all of the Firm's Covered Associates (the "**Covered Associates List**"). The Chief Compliance Officer shall (i) update the Covered Associates List, as appropriate, in conjunction with the on-boarding of each new employee and (ii) review and update the Covered Associates List no less often than quarterly.

Government Entities List

On or before March 14, 2011, the Chief Compliance Officer shall compile a list of each Government Entity to which the Firm provided investment advisory services on or after September 13, 2010 (the "**Government Entity List**"). The Chief Compliance Officer shall (i) update the Government Entity List, as appropriate, in conjunction with the on-boarding of each new client and (ii) review and update the Government Entity List no less often than quarterly.

Contributions Log

On or before March 14, 2011, the Chief Compliance Officer shall create a log (the "**Contributions Log**") in which shall be recorded (i) each direct or indirect Contribution made by the Firm or any of its Covered Associates to any Official of a Government Entity and (ii) each direct or indirect Payment to any political party of a state or political subdivision thereof, or to a political action committee. The Contributions in the Contributions Log shall be listed in chronological order and the Contributions Log shall indicate, at a minimum: (A) the name and title of each contributor; (B) the name and title (including any city/county/state or other political subdivision) of each recipient of a Contribution; (C) the amount and date of each Contribution; and (D) whether such Contribution was the subject of an exception for certain returned Contributions pursuant to Rule 206(4)-5(b)(2) under the Advisers Act.

Solicitor Log

On or before March 14, 2011, the Chief Compliance Office shall create a log (the "**Solicitor Log**") in which will be recorded the name and business address of each Regulated Person, if any, to whom the Firm provides or agrees to provide, directly or indirectly, Payment to Solicit a Government Entity for investment advisory services (including any investment in a Fund) on the Firm's behalf.

New Employee Certifications

Commencing no later than March 14, 2011, each proposed new employee shall be required to complete, execute and return to the Chief Compliance Officer a New Employee Initial Political Contribution and Payment Certification, the form of which is attached to this Manual as **Appendix I**, **prior to the commencement of such proposed new employee's employment with, or engagement by, the Firm**. Such Certification shall be provided to the proposed new employee, completed by the proposed new employee and reviewed by the Chief Compliance Officer **prior to the commencement of any new employment with, or engagement by, the Firm**.

Current Employee Certifications

No later than March 7, 2011, each employee shall complete, execute and return to the Chief Compliance Officer an Employee Initial Political Contribution and Payment Certification, the form of which is attached to this Exhibit A as **Appendix II**. Such Certification shall be provided to each employee, completed by each employee and reviewed by the Chief Compliance Officer **no later than March 14, 2011**.

Quarterly Employee Certifications

Commencing no later than March 31, 2011, each employee shall, each quarter, complete, execute and return to the Chief Compliance Officer a Quarterly Political Contribution and Payment Certification, the form of which is attached to this Exhibit A as **Appendix III**. Such Certification shall be provided to each employee, completed by each employee and reviewed by the Chief Compliance Officer **no later than three (3) business days following the last calendar day of the applicable quarter.**

Contributions

The Firm does not generally permit employee to make Political Contributions, in light of the fact that the Firm seeks to provide advisory services to Governmental Entities. However, any employee that wishes to make a Contribution to an Official of a Government Entity shall submit a written request to make such Contribution to the Chief Compliance Officer, or his or her designee. In connection with determining whether to approve a Contribution, the Chief Compliance Officer may (i) review such notification and determine whether the proposed Contribution would be to an Official of a Government Entity that is on the Government Entity List (a "**Prohibited Government Entity**"), (ii) determine whether the proposed Contribution would be to an Official of a Government Entity that is or is reasonably likely to become a prospective investor in any Fund or prospective recipient of other investment advisory services

from the Firm (a "**Prospect**"), (iii) determine whether the proposed Contribution would potentially violate any state or local "pay-to-play" or similar laws, rules or regulations or any prevailing client contract, and (iv) if the proposed Contribution is to an Official of a Prohibited Government Entity or Prospect, or would potentially violate any state or local "pay-to-play" or similar laws, rules or regulations, determine whether such proposed Contribution falls within any exemption contained within Rule 206(4)-5 under the Advisers Act or such state or local "pay-to-play" or similar laws, rules or regulations.

The Chief Compliance Officer shall inform the requesting employee whether such employee may make the requested Contribution as promptly as is reasonably practicable following such employee's request. **In no event shall the requesting employee make the requested Contribution (i) prior to receiving pre-approval from the Chief Compliance Officer or (ii) if approval is denied.**

The Chief Compliance Officer shall consult with the applicable employee regarding the proposed Contribution in light of the determinations made by the Chief Compliance Officer as promptly as is reasonably practicable following receipt of the initial notification from the employee.

The Chief Compliance Officer shall cause (i) a record of any proposed Contribution and whether such Contribution was made to be logged in a "Proposed Contributions Log", (ii) each notification of a proposed Contribution to be saved in the Firm's document management system and (iii) each Contribution made to be entered into the Contributions Log. A copy of each notification of a proposed Contribution shall be saved in a separate, confidential file maintained for each Covered Associate.

Solicitation

Pre-Approval Process

Any employee that desires to make or agree to make, directly or indirectly, any Solicitation Payment shall submit a request to make such Solicitation Payment to the Chief Compliance Officer, or his or her designee. The Chief Compliance Officer shall (i) review such request and determine whether the requested Solicitation Payment is permitted under Rule 206(4)-5(a)(2) and (ii) determine whether the requested Solicitation Payment would potentially violate any state or local "pay-to-play" or similar laws, rules or regulations or any prevailing client contract. The Chief Compliance Officer shall inform the requesting employee whether such employee may make the requested Solicitation Payment as promptly as is reasonably practicable following such employee's request. **In no event shall the requesting employee make the requested Solicitation Payment (i) prior to receiving pre-approval from the Chief Compliance Officer or (ii) if approval is denied.**

Solicitation Request Records

The Chief Compliance Officer shall cause (i) a record of any approval or denial of any requested Solicitation Payment to be logged in a "Solicitation Payment Request Log," (ii) each request to make a Solicitation Payment to be saved in the Firm's document management system

and (iii) the identity of the recipient of each approved Solicitation Payment to be entered into the Solicitor Log.

Possible Violations

In the event that the Firm discovers that any employee has made a Contribution that may cause the Firm to be prohibited from receiving compensation that it is then receiving for providing investment advisory services pursuant to Rule 206(4)-5(a)(1) under the Advisers Act, the Chief Compliance Officer shall determine whether any applicable Contribution may be returned, allowing the Firm to rely upon the exception that may be provided by Rule 206(4)-5(b)(3) under the Advisers Act. If the Firm is not able to rely on such exception, the Firm shall cease accepting compensation for the investment advisory services it provides to the relevant Governmental Entity until such time as the acceptance of payment is no longer prohibited by Rule 206(4)-5(a)(1) and take such other actions as may be determined by the Chief Compliance Officer to be appropriate at that time. In the event that the Firm discovers any other possible violation of Rule 206(4)-5(a)(1) under the Advisers Act, or any state or local "pay-to-play" or similar laws, rules or regulations, the Chief Compliance Officer shall determine the appropriate action(s) to be taken and appropriately document such action(s). The Chief Compliance Officer shall create and maintain a record of any possible violation that occurs of Rule 206(4)-5(a)(1) under the Advisers Act or any state or local "pay-to-play" or similar laws, rules or regulations, and the resolution of each such possible violation, if any.

Appendix I
New Employee
Initial Political Contribution And Payment Certification

TO: Chief Compliance Officer

FROM: _____
(Name of Employee)

Capitalized terms used in this Certification have the meanings ascribed to such terms in the **Appendix** to this Certification.

1. *Initial:*

_____ I have reviewed, understand and agree to abide by the Firm's policies and procedures regarding Political Contributions and Payments as set forth as Exhibit A to the Firm's Code of Ethics and Professional Conduct.

_____ I understand that I must provide advance notification to the Firm's Chief Compliance Officer of any proposed direct or indirect Contribution to any Official of a Government Entity prior to the commencement of my employment with or engagement by the Firm in accordance with the Firm's Political Contributions and Payments policies and procedures.

_____ I understand that I may not (and I will not) make or agree to make, directly or indirectly, after the date hereof and prior to the commencement of my employment with, or engagement by, the Firm, any Payment to any individual or entity to Solicit any Government Entity for investment advisory services on the Firm's behalf unless I obtain pre-approval from the Firm's Chief Compliance Officer as required by the Firm's Political Contributions and Payments policies and procedures.

2. *Initial all applicable statements below and, if any applicable Contributions described above have been made during the periods described, provide the requested information.*

A. _____ (*initial if applicable*): I have not made any applicable Contributions during the immediately preceding six months.

B. _____ (*initial if applicable*): I have not made any applicable Contributions during the immediately preceding two years.

C. _____ (*initial if applicable*): During the past six months I have made the applicable Contributions set forth on **Exhibit A**.

D. _____ (*initial if applicable*): During the past two years, I have made applicable Contributions in addition to those made during the past six months (if any) and such Contributions are also set forth on **Exhibit A**.

By signing below, I hereby certify that the information provided herein is true and correct as of the date set forth below.

Date: _____ Signature: _____

Name: _____

BELOW TO BE COMPLETED BY CHIEF COMPLIANCE OFFICER OR DESIGNEE:

Reviewed by the undersigned on the date set forth below.

Date: _____ Signature: _____

Name: _____

Exhibit A

Contributions

Name & Title (Including Any City/County/State or Other Political Subsidiaries) of Recipient of Contribution	Amount of Contribution	Date of Contribution

"**Firm**" means Capital Prospects, LLC.

"**Contribution**" means any Payment made for: (i) the purpose of influencing any election for federal, state or local office; (ii) payment of debt incurred in connection with any such election; or (iii) transition or inaugural expenses of the successful candidate for state or local office.

"**Payment**" means any gift, subscription, loan, advance or deposit of money or anything of value (including, without limitation, any *quid pro quo* or bartering arrangement).

"**Solicit**" means: (i) with respect to investment advisory services, to communicate, directly or indirectly, for the purpose of obtaining or retaining a client for, or referring a client to, the Firm and (ii) with respect to a Contribution or Payment, to communicate, directly or indirectly, for the purpose of obtaining or arranging a Contribution or a Payment.

"**Official**" means any person (including any election committee for the person) who was, at the time of the relevant Contribution, an incumbent, candidate or successful candidate for elective office of a Government Entity, if the office: (i) is directly or indirectly responsible for, or can directly influence the outcome of, the hiring of the Firm by a Government Entity or (ii) has authority to appoint any person who is directly or indirectly responsible for, or can directly influence the outcome of, the hiring of the Firm by a Government Entity.

"**Government Entity**" means any state or political subdivision of a state, including: (i) any agency, authority or instrumentality of the state or political subdivision; (ii) a pool of assets sponsored or established by the state or political subdivision or any agency, authority or instrumentality thereof, including, but not limited to a "defined benefit plan" as defined in section 414(j) of the Internal Revenue Code (26 U.S.C. 414(j)), or a state general fund; (iii) a Government-Related Plan; and (iv) officers, agents, or employees of the state or political subdivision or any agency authority or instrumentality thereof, acting in their official capacity.

"**Government-Related Plan**" means any participant-directed investment program or plan sponsored or established by a state or political subdivision or any agency, authority or instrumentality thereof, including, but not limited to, a "qualified tuition plan" authorized by section 529 of the Internal Revenue Code (26 U.S.C. 529), a retirement plan authorized by section 403(b) or 457 of the Internal Revenue Code (26 U.S.C. 403(b) or 457) or any similar program or plan.

Appendix II

Employee Initial Political Contribution And Payment Certification

TO: Chief Compliance Officer

FROM: _____

(Name of Employee)

Capitalized terms used in this Certification have the meanings ascribed to such terms in the **Appendix** to this Certification.

Please Initial:

_____ I have reviewed, understand and agree to abide by the Firm's policies and procedures regarding Political Contributions and Payments as set forth as Exhibit A to the Firm's Code of Ethics and Professional Conduct.

_____ I understand that I must provide advance notification to the Firm's Chief Compliance Officer of any proposed direct or indirect Contribution to any Official of a Government Entity on or after March 14, 2011 in accordance with the Firm's Political Contributions and Payments policies and procedures.

_____ I understand that I may not (and I will not) make or agree to make, directly or indirectly, on or after September 13, 2011, any Payment to any individual or entity to Solicit any Government Entity for investment advisory services on the Firm's behalf unless I obtain pre-approval from the Firm's Chief Compliance Officer as required by the Firm's Political Contributions and Payments policies and procedures.

By signing below, I hereby certify that the information provided herein is true and correct as of the date set forth below.

Date: _____ Signature: _____

Name: _____

BELOW TO BE COMPLETED BY CHIEF COMPLIANCE OFFICER OR DESIGNEE:

Reviewed by the undersigned on the date set forth below.

Date: _____ Signature: _____

Name: _____

"**Firm**" means Capital Prospects, LLC.

"**Contribution**" means any Payment made for: (i) the purpose of influencing any election for federal, state or local office; (ii) payment of debt incurred in connection with any such election; or (iii) transition or inaugural expenses of the successful candidate for state or local office.

"**Payment**" means any gift, subscription, loan, advance or deposit of money or anything of value (including, without limitation, any *quid pro quo* or bartering arrangement).

"**Solicit**" means: (i) with respect to investment advisory services, to communicate, directly or indirectly, for the purpose of obtaining or retaining a client for, or referring a client to, the Firm and (ii) with respect to a Contribution or Payment, to communicate, directly or indirectly, for the purpose of obtaining or arranging a Contribution or a Payment.

"**Official**" means any person (including any election committee for the person) who was, at the time of the relevant Contribution, an incumbent, candidate or successful candidate for elective office of a Government Entity, if the office: (i) is directly or indirectly responsible for, or can directly influence the outcome of, the hiring of the Firm by a Government Entity or (ii) has authority to appoint any person who is directly or indirectly responsible for, or can directly influence the outcome of, the hiring of the Firm by a Government Entity.

"**Government Entity**" means any state or political subdivision of a state, including: (i) any agency, authority or instrumentality of the state or political subdivision; (ii) a pool of assets sponsored or established by the state or political subdivision or any agency, authority or instrumentality thereof, including, but not limited to a "defined benefit plan" as defined in section 414(j) of the Internal Revenue Code (26 U.S.C. 414(j)) or a state general fund; (iii) a Government-Related Plan; and (iv) officers, agents or employees of the state or political subdivision or any agency, authority or instrumentality thereof, acting in their official capacity.

"**Government-Related Plan**" means any participant-directed investment program or plan sponsored or established by a state or political subdivision or any agency, authority or instrumentality thereof, including, but not limited to, a "qualified tuition plan" authorized by section 529 of the Internal Revenue Code (26 U.S.C. 529), a retirement plan authorized by section 403(b) or 457 of the Internal Revenue Code (26 U.S.C. 403(b) or 457) or any similar program or plan.

Appendix III
Quarterly Political Contribution and Payment Certification

TO: Chief Compliance Officer

FROM: _____
(Name of Employee)

FOR QUARTER ENDING □ 3/31 □ 6/30 □ 9/30 □ 12/31 (check one) _____ (Year)

Capitalized terms used in this Certification have the meanings ascribed to such terms in the **Appendix** to this Certification.

1. *Initial:*

_____ I have reviewed, understand and agree to abide by the Firm's policies and procedures regarding Political Contributions and Payments as set forth as Exhibit A to the Firm's Code of Ethics and Professional Conduct.

2. *Initial all applicable statements below and, if any applicable Contributions or Payments have been made during the periods described, provide the requested information.*

A. _____ (*initial if applicable*): Since the date of the most recent Quarterly Political Contribution and Payment Certification submitted by me (or of my Initial Political Contribution and Payment Certification if this is the first Quarterly Political Contribution and Payment Certification submitted by me), I have not made a direct or indirect Contribution to any Official of a Government Entity or any direct or indirect Payment to any political party of a state or political subdivision thereof, or to a political action committee.

B. _____ (*initial if applicable*): Since the date of the most recent Quarterly Political Contribution and Payment Certification submitted by me (or of my Initial Political Contribution and Payment Certification if this is the first Quarterly Political Contribution and Payment Certification submitted by me), I have not made or agreed to make, directly or indirectly, any Payment to any individual or entity to Solicit any Government Entity for investment advisory services on the Firm's behalf.

C. _____ (*initial if applicable*): Since the date of the most recent Quarterly Political Contribution and Payment Certification submitted by me (or of my Initial Political Contribution and Payment Certification if this is the first Quarterly Political Contribution and Payment Certification submitted by me), I have not coordinated, or Solicited any person or political action committee to make, any Contribution to any Official of any Government Entity or any Payment to a political party of any state or locality.

D. _____ (*initial if applicable*): Since the date of the most recent Quarterly Political Contribution and Payment Certification submitted by me (or of my Initial Political Contribution and Payment Certification if this is the first Quarterly Political Contribution and Payment Certification submitted by me), I have made the direct or indirect Contributions to Officials of Government Entities and/or direct or indirect Payments to political parties of states or political subdivisions thereof, or to political action committees, set forth on Exhibit A.

E. _____ (*initial if applicable*): Since the date of the most recent Quarterly Political Contribution and Payment Certification submitted by me (or of my Initial Political Contribution and Payment Certification if this is the first Quarterly Political Contribution and Payment Certification submitted by me), I have made the Payment(s) to an individual or entity to Solicit a Government Entity for investment advisory services on the Firm's behalf set forth on Exhibit B.

By signing below, I hereby certify that the information provided herein is true and correct as of the date set forth below.

Date: _____ Signature: _____

Name: _____

BELOW TO BE COMPLETED BY CHIEF COMPLIANCE OFFICER OR DESIGNEE:

Reviewed by the undersigned on the date set forth below.

Date: _____ Signature: _____

Name: _____

Exhibit A

Contributions and Payments

Name & Title (Including Any City/County/State or Other Political Subsidiaries) of Recipient of Contribution or Payment	Amount of Contribution or Payment	Date of Contribution or Payment

Exhibit B

Payments to an Individual or Entity to Solicit a Government Entity for Investment Advisory Services on the Firm's Behalf

Name & Title (Including Any City/County/State or Other Political Subsidiaries) of Recipient of Payment	Amount of Payment	Date of Payment

"**Firm**" means Capital Prospects, LLC.

"**Contribution**" means any Payment made for: (i) the purpose of influencing any election for federal, state or local office; (ii) payment of debt incurred in connection with any such election; or (iii) transition or inaugural expenses of the successful candidate for state or local office.

"**Payment**" means any gift, subscription, loan, advance or deposit of money or anything of value (including, without limitation, any *quid pro quo* or bartering arrangement).

"**Solicit**" means: (i) with respect to investment advisory services, to communicate, directly or indirectly, for the purpose of obtaining or retaining a client for, or referring a client to, the Firm and (ii) with respect to a Contribution or Payment, to communicate, directly or indirectly, for the purpose of obtaining or arranging a Contribution or a Payment.

"**Official**" means any person (including any election committee for the person) who was, at the time of the relevant Contribution, an incumbent, candidate or successful candidate for elective office of a Government Entity, if the office: (i) is directly or indirectly responsible for, or can directly influence the outcome of, the hiring of the Firm by a Government Entity or (ii) has authority to appoint any person who is directly or indirectly responsible for, or can directly influence the outcome of, the hiring of the Firm by a Government Entity.

"**Government Entity**" means any state or political subdivision of a state, including: (i) any agency, authority or instrumentality of the state or political subdivision; (ii) a pool of assets sponsored or established by the state or political subdivision or any agency, authority or instrumentality thereof, including, but not limited to a "defined benefit plan" as defined in section 414(j) of the Internal Revenue Code (26 U.S.C. 414(j)) or a state general fund; (iii) a Government-Related Plan; and (iv) officers, agents or employees of the state or political subdivision or any agency, authority or instrumentality thereof, acting in their official capacity.

"**Government-Related Plan**" means any participant-directed investment program or plan sponsored or established by a state or political subdivision or any agency, authority or instrumentality thereof, including, but not limited to, a "qualified tuition plan" authorized by section 529 of the Internal Revenue Code (26 U.S.C. 529), a retirement plan authorized by section 403(b) or 457 of the Internal Revenue Code (26 U.S.C. 403(b) or 457) or any similar program or plan.

EXHIBIT B

CAPITAL PROSPECTS LLC
E-MAIL RETENTION POLICY

Capital Prospects LLC (the "Firm") will retain all e-mail correspondence for 5 years, 2 years onsite.

No e-mails are to be deleted. One can create a "junk" folder, but all e-mail must be saved. All client and manager correspondence is to be saved to specific folders which can be retrieved if required.

Personal and Firm business correspondence are to be separate. Any business correspondence delivered to personal e-mails must be redirected to the Firm and the sender informed of the business e-mail address. Employees of the Firm are strongly encouraged to use personal Web-based e-mail accounts for all personal email.

Electronic messages sent and received by employees of the Firm using instant messaging services or using social networking services such as Facebook, LinkedIn or Twitter will not be retained by the Firm, and therefore employees are required to use the Firm's email system and not any such instant messaging service or other alternative electronic system for any electronic communications that are of a type which is required to be maintained under the Firm's general document retention policies (e.g., communications relating to purchases and sales of securities, and communications with clients of the Firm).

Employees of the Firm are not permitted to use social networking services such as Facebook, LinkedIn or Twitter for any business purpose. Employees should contact the Firm's Chief Compliance Officer with any questions they may have concerning this policy.

Remote web-access to the Firm's addresses via the exchange server is allowable when necessary for reading and response, but no e-mails are to be deleted and all messages are to be directed to their respective folders when next in the office. The managing partners have VPNs (virtual private networks) installed on their laptops.

The Administrator account is to be checked throughout the day by Joan Cueni and Marilyn R. Freeman, with redirection of client and manager e-mails and "junk" filing of spam.

EXHIBIT C

CAPITAL PROSPECTS LLC
POLICIES AND PROCEDURES RELATING TO ADVERTISING

The maintenance of the reputation of Capital Prospects LLC (the "Firm") for honesty in its relationships with its clients and prospective clients is essential to the Firm's future success. For this reason, the Firm must exercise extraordinary care to ensure that its communications to its clients and the public are accurate and complete, do not contain any potentially misleading information, are based upon solid factual data and do not contain promises or predictions as to future results. In addition, the Securities and Exchange Commission (the "SEC") has expressly prohibited certain types of advertising, including testimonials and, except in certain specified circumstances, references to past specific recommendations. **To ensure preservation of its reputation and compliance with the requirements of the SEC, the Firm has determined that all advertising and solicitation materials (including any written communication addressed to more than one person) must be submitted to the Firm's Compliance Officer for review and approval prior to the dissemination thereof**.

In addition, in accordance with the requirements of the SEC, the Firm's Compliance Officer will keep and maintain the following records that relate to advertising:

- A copy of each notice, circular, advertisement, newspaper article, investment letter, bulletin or other communication that the Firm circulates or distributes, directly or indirectly, to more than 10 persons (other than persons connected with the Firm).

- A copy of each written communication that the Firm sends to any client or prospective client relating to any recommendation made or proposed to be made or any advice given or proposed to be given, together with the names and addresses of each person, if any, to whom such communication was specifically addressed; provided, however, that if the Firm sends or otherwise delivers any such communication to more than 10 persons, the Firm is not required to keep a record of the names and addresses of the persons to whom it was sent; except that if such communication is distributed to persons named on any list, the Firm is required to retain with the copy of such communication a memorandum describing the list and the source thereof.

- Copies of any records or documents, including internal working papers, that are necessary to establish the basis for or demonstrate the calculation of the performance or rate of return of any or all managed accounts or securities recommendations in any notice, circular, advertisement, newspaper article, investment letter, bulletin or other communication that the Firm circulates or distributes, directly or indirectly, to 10 or more persons (other than persons connected with the Firm). The Compliance

Officer need not keep a copy of any account records that are used to calculate the performance of managed accounts so long as the Firm keeps copies of all account statements for its clients and such account statements reflect all debits, credits and other transactions for each account period.

EXHIBIT D

CAPITAL PROSPECTS LLC
POLICIES AND PROCEDURES CONCERNING
CONFIDENTIALITY AND PRIVACY

Confidentiality

Client information is to be kept confidential at all times. Disclosure of information shall only be to support the delivery of services for the client account (e.g., disclosure of required details to sub-managers and other vendors; adequate information provided to support the activities of a contract consultant).

Regarding external contact from the press, only the Chief Compliance Officer may respond.

If there are any questions on this policy contact the CCO, Marilyn R. Freeman.

Preservation of Confidential Information: Privacy.

In the conduct of its business, the Firm collects nonpublic information about its clients that is provided by its clients, or obtained with its clients' authorization. It is the Firm's policy not to disclose such nonpublic information, except as required or permitted by law. Permitted disclosures will include, for example, the provision of information to employees and unaffiliated third parties who need to have such information in order to assist the Firm in providing services to its clients.

The Firm is aware of Regulation S-P governing the privacy of consumer financial information (the "Privacy Rule"). The Privacy Rule governs the treatment of nonpublic personal information about individuals who obtain financial products or services primarily for personal, family or household purposes. It is not anticipated that any of the Firm's services will be obtained for such purposes. The Firm will comply with the Privacy Rule when as it may hereafter apply to a particular client relationship.

EXHIBIT E

CAPITAL PROSPECTS LLC
BUSINESS CONTINUITY PLAN

Capital Prospects LLC (the "Firm") maintains a server which is backed up to a SATA Drive as well as two external locations across the U.S. The Network Support Company is our technology supplier.

The Network Support Company
7 Kenosia Avenue
Danbury, CT 06801
203-744-2274

Key contacts at Network Support Company are:

William Hatcher	Account Manager	WHatcher@network-support.com
Doug Macomber	Technician	dmacomber@network-support.com
Steve Cihanek	Technical Services Coordinator	quotes@network-support.com
Barry Remor	Barracuda contact	BRemor@network-support.com

The Firm has one server. It is a Hewlett Packard powered by a Proliant Tower. It is attached to one work station which is used for the Server's sole purpose. Our Network currently consists of four workstations and three lap tops (MRF&EAK & Scanner).

Server Routine:

On a daily basis the server is backed up offsite every 15 minutes and a complete snapshot is taken once a day during the evening hours. This occurs for a two week interval at which point the 15 minute back ups begin to be overwritten (server's short term memory). The evening snapshot remains the same and can be recalled at anytime. In addition to the offsite back up the Server is also pushing a flat file out to a SATA Drive. On a monthly basis a Firm employee removes the SATA Drive and replaces it with the corresponding SATA Drive. That drive is then removed from the premises. At any point in time there is always a SATA Drive stored offsite with that Drive's most recent snapshot.

The following are the current procedures used for the SATA Drive backup system.

There are two SATA Drives that get rotated.

1. On a non quarter end processing month (Feb, Mar, May, Jun, Aug, Sept, Nov & Dec) – The Network Support Company sends an e-mail letting CP LLC know that the flat file has been pushed to the SATA Drive. The Drive is then replaced with the rotation SATA Drive and is taken offsite.

2. On a quarter end processing month (Jan, Apr, Jul & Oct) – The Network Support Company sends an e-mail bi-weekly letting the Firm know that the flat file has been

pushed to the SATA Drive. The Drive is then replaced with the rotation SATA Drive and is taken offsite.

3. On a yearly basis, it is anticipated that the SATA Drive will be taken to Elizabeth Knope's home to test the restore function of the Server for a Day Zero restore option. This disaster recovery test can be conducted anywhere internet access is available.

4. On a monthly basis the server is rebooted to clean out the memory cache.

In the event of a significant business disruption, Marilyn Freeman and/or Elizabeth Knope would collect the off-site copy of the back-up SATA Drive and notify The Network Support Company, who would then have a virtual server (NAS box) sent via overnight to a Firm-designated location (likely one of the partner's homes).

The data from the main server is currently being backed up by Network Support and maintained in two offsite locations across the U.S.

As all key analytic systems are web-based, oversight of client portfolios could continue from either partner's home. As for email access, the fact that the Firm uses the exchange server set-up through Network Support would allow access to the Firm's email via the web. Each partner also has a VPN set up on her computer.

The http://..... is slightly different when the Firm's server is powered off; because the web interface that the Firm is familiar with is actually part of the server. Instead, the link below should be followed. It provides a look into the mailbag facility in Network Support's Florida office. It will not be sorted into each individual mailbox.

[_____]

For further details on the external e-mail access please refer to the Firm's' Master Server Binder.

The Firm's partners have multiple ISP's (AOL, SBC). The Firm also has a fully redundant and configured "mini-server" which is stored offsite at Elizabeth Knope's home office and can be activated if necessary.

The Firm has contracted with The Network Support Company to utilize space on an e-mail Archive service (Barracuda) for all emails and this functionality is at The Network Support Company's Orlando location. The Barracuda system logs all of the Firm's e-mails prior to being sorted into individual mailboxes. This data cannot be manipulated or deleted, thus creating a complete snapshot that is being archived offsite.

This access, coupled with the firm's client, investment manager and vendor contact list, and the full duplicate set of operating procedure manuals by client (maintained both in the office and at Marilyn Freeman's home) would permit ongoing program management and contact.

The key systems that support the Firm's analytical work for its clients are web-based, with one exception. Vestek, eVestment, Nelsons and its clients' custodians' accounting and performance systems are web-based and accessible from any location. PerTrac is machine dependent, but the essential PerTrac data can be accessed elsewhere (specific market index websites, Excel, eVestment and the custodial systems).

A full disaster recovery test of off-site SATA Drive is intended to be completed in the first quarter of each year. A full test is expected for March 2011.

EXHIBIT F

CAPITAL PROSPECTS LLC
WRITTEN POLICY ON INSIDER TRADING

Capital Prospects LLC (the "Firm") prohibits anyone who is associated with the Firm, including any officer or employee of the Firm (an "Associated Person") from trading, either personally or on behalf of others, on material non-public information or communicating material non-public information to others in violation of the Insider Trading and Securities Fraud Enforcement Act of 1988. This conduct is frequently referred to as "insider trading." Any questions regarding this policy should be referred to the Firm's Compliance Officer.

The term "insider trading" is not clearly defined in federal or state securities laws, but generally is used to refer to the use of material non-public information to trade in securities (whether or not one is an "insider") or to communications of material non-public information to others.

While the law concerning insider trading is not static, it is generally understood that the law prohibits:

- trading by an insider on the basis of material non-public information;
- trading by a non-insider on the basis of material non-public information, where the information either was disclosed to the non-insider in violation of an insider's duty to keep it confidential or was misappropriated; or,
- communicating material non-public information to others.

I. Who is an Insider?

The term "insider" is broadly defined. It includes officers, directors and employees of a company. In addition, a person can be a "temporary insider" if he or she enters into a special confidential relationship with the company and, as a result, is given access to information that is intended to be used solely for the company's purposes. A temporary insider can include, among others, a company's attorneys, accountants, consultants, bank lending officers, and the employees of such organizations. In addition, the Firm may become a temporary insider of a client company it advises or for which it performs other services. If a client company expects the Firm to keep the disclosed non-public information confidential and the relationship implies such a duty, then the Firm and its Associated Persons who have knowledge of such information will be considered insiders.

II. What is Material Information?

Trading on insider information is not a basis for liability unless the information is material. "Material information" generally is defined as information that a reasonable investor would consider important in making their investment decisions, or information that is likely to have a substantial effect on the price of a company's securities, regardless of whether the information is related directly to the company's business. Information that Associated Persons of

the Firm should consider material includes, but is not limited to: dividend changes; earnings estimates; changes in previously released earnings estimates; significant merger or acquisition proposals or agreements; major litigation; liquidation problems; and extraordinary management developments.

III. What is Non-public Information?

Information is non-public until it has been effectively communicated to the marketplace. For example, information found in a report filed with the SEC, or appearing in Dow Jones, Reuters Economic Services, The Wall Street Journal or other publications of general circulation would be considered public information.

IV. Penalties for Insider Trading

Penalties for trading on or communicating material non-public information are severe, both for individuals involved in such unlawful conduct and their employers. A person can be subject to some or all of the penalties described below even if they do not personally benefit from the activities surrounding the violation. Penalties include: civil injunctions; treble damages; disgorgement of profits; jail sentences; fines for the person who committed the violation of up to three times the profit gained or loss avoided, whether or not the person actually benefited; and, fines for the employer or other controlling person of up to the greater of $1,000,000 or three times the amount of the profit gained or loss avoided. In addition, any violation of this policy statement can be expected to result in serious sanctions by the Firm, including dismissal of the persons involved.

V. Procedures to Implement Insider Trading Policy

The following procedures have been established to aid the Associated Persons of the Firm in avoiding insider trading. Failure to follow these procedures may result in dismissal, regulatory sanctions and criminal penalties.

A. Identify Insider Information

Before trading or making investment recommendations for any account on the basis of information about a company that is not generally available to the public, each Associated Person of the Firm should ask himself or herself the following questions:

1. Is the information material? Is this information that an investor would consider important in making an investment decision? Is this information that would substantially effect the market price of the securities if generally disclosed?

2. Is the information non-public? To whom has this information been provided? Has the information been effectively communicated to the marketplace, such as by being published in publications of general circulation?

B. Report to Compliance Officer

If, after consideration of the above, the Associated Person has further questions as to whether the information is material and non-public, the following procedures shall be followed:

1. The Associated Person shall report the matter immediately to the Firm's Compliance Officer, who shall advise the Associated Person as to the proper course of action to take after review of the matter.

2. Pending receipt of the advice of the Firm's Compliance Officer, the Associated Person shall not purchase, sell or recommend securities on behalf of himself or herself or others, including accounts managed by the Firm.

3. The Associated Person shall not communicate the information inside or outside the Firm other than to the Firm's Compliance Officer.

C. Personal Securities Trading

As described in the Firm's Code of Ethics and Professional Conduct, all employees of the Firm are required to submit a report to the Firm of every securities transaction in which they have a direct or indirect beneficial interest within thirty (30) days after the end of the calendar quarter in which the transactions were effected. This report shall include, among other things, the names of the securities, dates of the transactions, quantities, prices and broker/dealer or other entity through which the transactions were effected.

D. Restricting Access to Material Non-Public Information

Information in an Associated Person's possession that he or she has identified as material and non-public may not be communicated to anyone, including persons within the Firm except as provided in paragraph B above. In addition, care should be taken so that such information is secure. For example, files containing material non-public information should be sealed and kept in a secure storage space.

Schedule 1

Rule 204-2. Books and records to be maintained by investment advisers.

a. Every investment adviser registered or required to be registered under section 203 of the [Advisers] Act shall make and keep true, accurate and current the following books and records relating to its investment advisory business:

1. A journal or journals, including cash receipts and disbursements, records, and any other records of original entry forming the basis of entries in any ledger.

2. General and auxiliary ledgers (or other comparable records) reflecting asset, liability, reserve, capital, income and expense accounts.

3. A memorandum of each order given by the investment adviser for the purchase or sale of any security, of any instruction received by the investment adviser concerning the purchase, sale, receipt or delivery of a particular security, and of any modification or cancellation of any such order or instruction. Such memoranda shall show the terms and conditions of the order, instruction, modification or cancellation; shall identify the person connected with the investment adviser who recommended the transaction to the client and the person who placed such order; and shall show the account for which entered, the date of entry, and the bank, broker or dealer by or through whom executed where appropriate. Orders entered pursuant to the exercise of discretionary power shall be so designated.

4. All check books, bank statements, cancelled checks and cash reconciliations of the investment adviser.

5. All bills or statements (or copies thereof), paid or unpaid, relating to the business of the investment adviser as such.

6. All trial balances, financial statements, and internal audit working papers relating to the business of such investment adviser.

7. Originals of all written communications received and copies of all written communications sent by such investment adviser relating to (i) any recommendation made or proposed to be made and any advice given or proposed to be given, (ii) any receipt, disbursement or delivery of funds or securities, or (iii) the placing or execution of any order to purchase or sell any security: *Provided, however, (a)* That the investment adviser shall not be required to keep any unsolicited market letters and other similar communications of general public distribution not prepared by or for the investment adviser, and *(b)* that if the investment adviser sends any notice, circular or other advertisement offering any report, analysis, publication or other investment advisory service to more than 10 persons, the investment adviser shall not be required to keep a record of the names and addresses of the persons to whom it was sent; except that if such notice, circular or advertisement is distributed to persons named on any list, the investment adviser shall retain with the copy of such notice, circular or advertisement a memorandum describing the list and the source thereof.

8. A list or other record of all accounts in which the investment adviser is vested with any discretionary power with respect to the funds, securities or transactions of any client.

9. All powers of attorney and other evidences of the granting of any discretionary authority by any client to the investment adviser, or copies thereof.

10. All written agreements (or copies thereof) entered into by the investment adviser with any client or otherwise relating to the business of such investment adviser as such.

11. A copy of each notice, circular, advertisement, newspaper article, investment letter, bulletin or other communication that the investment adviser circulates or distributes, directly or indirectly, to 10 or more persons (other than persons connected with such investment adviser), and if such notice, circular, advertisement, newspaper article, investment letter, bulletin or other communication recommends the purchase or sale of a specific security and does not state the reasons for such recommendation, a memorandum of the investment adviser indicating the reasons therefor.

12.

i. A copy of the investment adviser's code of ethics adopted and implemented pursuant to Rule 204A-1 that is in effect, or at any time within the past five years was in effect;

ii. A record of any violation of the code of ethics, and of any action taken as a result of the violation; and

iii. A record of all written acknowledgments as required by Rule 204A-1(a)(5) for each person who is currently, or within the past five years was, a supervised person of the investment adviser.

13.

i. A record of each report made by an access person as required by Rule 204A-1(b), including any information provided under paragraph (b)(3)(iii) of that rule in lieu of such reports;

ii. A record of the names of persons who are currently, or within the past five years were, access persons of the investment adviser; and

iii. A record of any decision, and the reasons supporting the decision, to approve the acquisition of securities by access persons under Rule 204A-1(c), for at least five years after the end of the fiscal year in which the approval is granted.

iv. An investment adviser shall not be deemed to have violated the provisions of this paragraph (a)(13) because of his failure to record securities transactions of any advisory representative if he establishes that he instituted adequate procedures and used reasonable diligence to obtain promptly reports of all transactions required to be recorded.

14. A copy of each written statement and each amendment or revision thereof, given or sent to any client or prospective client of such investment adviser in accordance with the provisions of Rule 204-3 under the Act, and a record of the dates that each written statement, and each amendment or revision thereof, was given, or offered to be given, to any client or prospective client who subsequently becomes a client.

15. All written acknowledgments of receipt obtained from clients pursuant to Rule 206(4)-3(a)(2)(iii)(B) and copies of the disclosure documents delivered to clients by solicitors pursuant to Rule 206(4)-3.

16. All accounts, books, internal working papers, and any other records or documents that are necessary to form the basis for or demonstrate the calculation of the performance or rate of return of any or all managed accounts or securities recommendations in any notice, circular, advertisement, newspaper article, investment letter, bulletin or other communication that the investment adviser circulates or distributes, directly or indirectly, to 10 or more persons (other than persons connected with such investment adviser); *provided, however,* that, with respect to the performance of managed accounts, the retention of all account statements, if they reflect all debits, credits, and other transactions in a client's account for the period of the statement, and all worksheets necessary to demonstrate the calculation of the performance or rate of return of all managed accounts shall be deemed to satisfy the requirements of this paragraph.

17.

i. A copy of the investment adviser's policies and procedures formulated pursuant to Rule 206(4)-7(a) of this chapter that are in effect, or at any time within the past five years were in effect;

ii. Any records documenting the investment adviser's annual review of those policies and procedures conducted pursuant to Rule 206(4)-7(b) of this chapter;

iii. A copy of any internal control report obtained or received pursuant to Rule 206(4)-2(a)(6)(ii).

18.

i. Books and records that pertain to Rule 275.206(4)-5 containing a list or other record of:

A. The names, titles and business and residence addresses of all covered associates of the investment adviser;

B. All government entities to which the investment adviser provides or has provided investment advisory services, or which are or were investors in any covered investment pool to which the investment adviser provides or has provided investment advisory services, as applicable, in the past five years, but not prior to September 13, 2010;

C. All direct or indirect contributions made by the investment adviser or any of its covered associates to an official of a government entity, or direct or indirect payments to a political party of a State or political subdivision thereof, or to a political action committee; and

D. The name and business address of each regulated person to whom the investment adviser provides or agrees to provide, directly or indirectly, payment to solicit a government entity for investment advisory services on its behalf, in accordance with Rule 275.206(4)-5(a)(2).

ii. Records relating to the contributions and payments referred to in paragraph (a)(18)(i)(C) of this section must be listed in chronological order and indicate:

A. The name and title of each contributor;

B. The name and title (including any city/county/State or other political subdivision) of each recipient of a contribution or payment;

C. The amount and date of each contribution or payment; and

D. Whether any such contribution was the subject of the exception for certain returned contributions pursuant to Rule 275.206(4)-5(b)(2).

iii. An investment adviser is only required to make and keep current the records referred to in paragraphs (a)(18)(i)(A) and (C) of this section if it provides investment advisory services to a government entity or a government entity is an investor in any covered investment pool to which the investment adviser provides investment advisory services.

iv. For purposes of this section, the terms "contribution," "covered associate," "covered investment pool," "government entity," "official," "payment," "regulated person," and "solicit" have the same meanings as set forth in Rule 275.206(4)-5.

b. If an investment adviser subject to paragraph (a) of this section has custody or possession of securities or funds of any client, the records required to be made and kept under paragraph (a) of this section shall include:

1. A journal or other record showing all purchases, sales, receipts and deliveries of securities (including certificate numbers) for such accounts and all other debits and credits to such accounts.

2. A separate ledger account for each such client showing all purchases, sales, receipts and deliveries of securities, the date and price of each purchase and sale, and all debits and credits.

3. Copies of confirmations of all transactions effected by or for the account of any such client.

4. A record for each security in which any such client has a position, which record shall show the name of each such client having any interest in such security, the amount or interest of each such client, and the location of each such security.

5. A memorandum describing the basis upon which you have determined that the presumption that any related person is not operationally independent under Rule 206(4)-2(d)(5) has been overcome.

c.

1. Every investment adviser subject to paragraph (a) of this section who renders any investment supervisory or management service to any client shall, with respect to the portfolio being supervised or managed and to the extent that the information is

reasonably available to or obtainable by the investment adviser, make and keep true, accurate and current:

i. Records showing separately for each such client the securities purchased and sold, and the date, amount and price of each such purchase and sale.

ii. For each security in which any such client has a current position, information from which the investment adviser can promptly furnish the name of each such client, and the current amount or interest of such client.

2. Every investment adviser subject to paragraph (a) of this section that exercises voting authority with respect to client securities shall, with respect to those clients, make and retain the following:

i. Copies of all policies and procedures required by Rule 206(4)-6.

ii. A copy of each proxy statement that the investment adviser receives regarding client securities. An investment adviser may satisfy this requirement by relying on a third party to make and retain, on the investment adviser's behalf, a copy of a proxy statement (provided that the adviser has obtained an undertaking from the third party to provide a copy of the proxy statement promptly upon request) or may rely on obtaining a copy of a proxy statement from the Commission's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system.

iii. A record of each vote cast by the investment adviser on behalf of a client. An investment adviser may satisfy this requirement by relying on a third party to make and retain, on the investment adviser's behalf, a record of the vote cast (provided that the adviser has obtained an undertaking from the third party to provide a copy of the record promptly upon request).

iv. A copy of any document created by the adviser that was material to making a decision how to vote proxies on behalf of a client or that memorializes the basis for that decision.

v. A copy of each written client request for information on how the adviser voted proxies on behalf of the client, and a copy of any written response by the investment adviser to any (written or oral) client request for information on how the adviser voted proxies on behalf of the requesting client.

d. Any books or records required by this section may be maintained by the investment adviser in such manner that the identity of any client to whom such investment adviser renders investment supervisory services is indicated by numerical or alphabetical code or some similar designation.

e.

1. All books and records required to be made under the provisions of paragraphs (a) to (c)(1)(i), inclusive, and (c)(2) of this rule (except for books and records required to be made under the provisions of paragraphs (a)(11), (a)(12)(i), (a)(12)(iii), (a)(13)(ii), (a)(13)(iii), (a)(16), and (a)(17)(i) of this section), shall be maintained and preserved in an easily accessible place for a period of not less than five years from the end of the fiscal year during which the last entry was made on such record, the first two years in an appropriate office of the investment adviser.

2. Partnership articles and any amendments thereto, articles of incorporation, charters, minute books, and stock certificate books of the investment adviser and of any predecessor, shall be maintained in the principal office of the investment adviser and preserved until at least three years after termination of the enterprise.

3.

i. Books and records required to be made under the provisions of paragraphs (a)(11) and (a)(16) of this rule shall be maintained and preserved in an easily accessible place for a period of not less than five years, the first two years in an appropriate office of the investment adviser, from the end of the fiscal year during which the investment adviser last published or otherwise disseminated, directly or indirectly, the notice, circular, advertisement, newspaper article, investment letter, bulletin or other communication.

ii. *Transition rule.* If you are an investment adviser to a private fund as that term is defined in Rule 203(b)(3)-1, and you were exempt from registration under section 203(b)(3) of the Act prior to February 10, 2005, paragraph (e)(3)(i) of this section does not require you to maintain or preserve books and records that would otherwise be required to be maintained or preserved under the provisions of paragraph (a)(16) of this section to the extent those books and records pertain to the performance or rate of return of such private fund or other account you advise for any period ended prior to February 10, 2005, provided that you were not registered with the Commission as an investment adviser during such period, and provided further that you continue to preserve any books and records in your possession that pertain to the performance or rate of return of such private fund or other account for such period.

f. An investment adviser subject to paragraph (a) of this section, before ceasing to conduct or discontinuing business as an investment adviser shall arrange for and be responsible for the preservation of the books and records required to be maintained and preserved under this section for the remainder of the period specified in this section, and shall notify the Commission in writing, at its principal office, Washington, D.C. 20549, of the exact address where such books and records will be maintained during such period.

g. *Micrographic and electronic storage permitted.*

1. *General.* The records required to be maintained and preserved pursuant to this part may be maintained and preserved for the required time by an investment adviser on:

i. Micrographic media, including microfilm, microfiche, or any similar medium; or

ii. Electronic storage media, including any digital storage medium or system that meets the terms of this section.

2. *General requirements.* The investment adviser must:

i. Arrange and index the records in a way that permits easy location, access, and retrieval of any particular record;

ii. Provide promptly any of the following that the Commission (by its examiners or other representatives) may request:

A. A legible, true, and complete copy of the record in the medium and format in which it is stored;

B. A legible, true, and complete printout of the record; and

C. Means to access, view, and print the records; and

iii. Separately store, for the time required for preservation of the original record, a duplicate copy of the record on any medium allowed by this section.

3. *Special requirements for electronic storage media.* In the case of records on electronic storage media, the investment adviser must establish and maintain procedures:

i. To maintain and preserve the records, so as to reasonably safeguard them from loss, alteration, or destruction;

ii. To limit access to the records to properly authorized personnel and the Commission (including its examiners and other representatives); and

iii. iTo reasonably ensure that any reproduction of a non-electronic original record on electronic storage media is complete, true, and legible when retrieved.

h.

1. Any book or other record made, kept, maintained and preserved in compliance with Rules 240.17a-3 and 240.17a-4 of this chapter under the Securities Exchange Act of 1934, or with rules adopted by the Municipal Securities Rulemaking Board, which is substantially the same as the book or other record required to be made, kept, maintained and preserved under this section, shall be deemed to be made, kept, maintained and preserved in compliance with this section.

2. A record made and kept pursuant to any provision of paragraph (a) of this section, which contains all the information required under any other provision of paragraph (a) of this section, need not be maintained in duplicate in order to meet the requirements of the other provision of paragraph (a) of this section.

i. As used in this section the term "discretionary power" shall not include discretion as to the price at which or the time when a transaction is or is to be effected, if, before the order is given by the investment adviser, the client has directed or approved the purchase or sale of a definite amount of the particular security.

j.

1. Except as provided in paragraph (j)(3) of this section, each non-resident investment adviser registered or applying for registration pursuant to section 203 of the Act shall keep, maintain and preserve, at a place within the United States designated in a notice from him as provided in paragraph (j)(2) of this section true, correct, complete and current copies of books and records which he is required to make, keep current, maintain or preserve pursuant to any provisions of any rule or regulation of the Commission adopted under the Act.

2. Except as provided in paragraph (j)(3) of this section, each nonresident investment adviser subject to this paragraph (j) shall furnish to the Commission a written notice specifying the address of the place within the United States where the copies of the books and records required to be kept and preserved by him pursuant to paragraph (j)(1) of this section are located. Each non-resident investment adviser registered or applying for registration when this paragraph becomes effective shall file such notice within 30 days after such rule becomes effective. Each non-resident investment adviser who files an application for registration after this paragraph becomes effective shall file such notice with such application for registration.

3. Notwithstanding the provisions of paragraphs (j)(1) and (2) of this section, a non-resident investment adviser need not keep or preserve within the United States copies of the books and records referred to in said paragraphs (j)(1) and (2), if:

   i. Such non-resident investment adviser files with the Commission, at the time or within the period provided by paragraph (j)(2) of this section, a written undertaking, in form acceptable to the Commission and signed by a duly authorized person, to furnish to the Commission, upon demand, at its principal office in Washington, D.C., or at any Regional Office of the Commission designated in such demand, true, correct, complete and current copies of any or all of the books and records which he is required to make, keep current, maintain or preserve pursuant to any provision of any rule or regulation of the Commission adopted under the Act, or any part of such books and records which may be specified in such demand. Such undertaking shall be in substantially the following form:

      > The undersigned hereby undertakes to furnish at its own expense to the Securities and Exchange Commission at its principal office in Washington, D.C. or at any Regional Office of said Commission specified in a demand for copies of books and records made by or on behalf of said Commission, true, correct, complete and current copies of any or all, or any part, of the books and records which the undersigned is required to make, keep current or preserve pursuant to any provision of any rule or regulation of the Securities and Exchange Commission under the Investment Advisers Act of 1940. This undertaking shall be suspended during any period when the undersigned is making, keeping current, and preserving copies of all of said books and records at a place within the United States in compliance with Rule 204-2(j) under the Investment Advisers Act of 1940. This undertaking shall be binding upon the undersigned and the heirs, successors and assigns of the undersigned, and the written irrevocable consents and powers of attorney of the undersigned, its general partners and managing agents filed with the Securities and Exchange Commission shall extend to and cover any action to enforce same.

   and

   ii. Such non-resident investment adviser furnishes to the Commission, at his own expense 14 days after written demand therefor forwarded to him by registered mail at his last address of record filed with the Commission and signed by the Secretary of the Commission or such person as the Commission may authorize to act in its behalf, true, correct, complete and current copies of any or all books and records which such investment adviser is required to make, keep current or preserve pursuant to any provision of any rule or regulation of the Commission adopted under the Act, or any part of such books and records which may be specified in said written demand. Such copies shall be furnished to the Commission at its principal office in Washington, D.C., or at any

Regional Office of the Commission which may be specified in said written demand.

4. For purposes of this rule the term *non-resident investment adviser* shall have the meaning set out in Rule 0-2(d)(3) under the Act. [Editor's note: There is no paragraph (d) to Rule 0-2. The term *non-resident* is defined in Rule 0-2(b)(2).]

k. Every investment adviser that registers under section 203 of the Act after July 8, 1997 shall be required to preserve in accordance with this section the books and records the investment adviser had been required to maintain by the State in which the investment adviser had its principal office and place of business prior to registering with the Commission.

l. (l) *Records of private funds.* If an investment adviser subject to paragraph (a) of this section advises a private fund (as defined in Rule 203(b)(3)-1,) and the adviser or any related person (as defined in Form ADV (17 CFR 279.1)) of the adviser acts as the private fund's general partner, managing member, or in a comparable capacity, the books and records of the private fund are records of the adviser for purposes of section 204 of the Act.

Acknowledgment

By affixing my signature below, I acknowledge that I have read and understood the foregoing Code of Ethics and Professional Conduct and the Exhibits thereto, including the Written Policy on Insider Trading, and agree that I will comply in all respects with such Code of Ethics and Professional Conduct, including such policy.

_____ _____

Name Date

Due Diligence Questionnaire

INDEXING STRATEGIES

PRESENTED TO:

STRATEGIC INVESTMENT SOLUTIONS
&
STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Mellon Capital

A. History, Ownership and Experience

A1. Please provide a description of your firm's history including years in business and historic ownership.

Mellon Capital Management Corporation ("Mellon Capital") was established in 1983 as an indirect wholly owned subsidiary of Mellon Financial Corporation. On July 1, 2007, The Bank of New York Company, Inc. and Mellon Financial Corporation merged, creating a global leader in asset management and securities servicing - The Bank of New York Mellon Corporation ("BNY Mellon"). As a result, Mellon Capital became an indirect wholly owned subsidiary of BNY Mellon. As of March 31, 2012, our parent company ranks as one of the largest global asset managers with $1.3 trillion in assets under management and is the world's leading asset servicer with $26.6 trillion in assets under custody and administration.

Mellon Capital has a strong support and leadership structure through its partnership with BNY Mellon and its large asset management organization. As of July 31, 2012, Mellon Capital is one of the largest investment subsidiaries of BNY Mellon with assets under management of approximately $245.7 billion, including overlay, for 480 clients across 1,878 accounts.

Mellon Capital is headquartered in San Francisco, and houses a fully integrated investment platform of portfolio management, research, trading, operations, client service and marketing. Mellon Capital takes a disciplined and analytical approach to global investment strategies. Our clients include corporate plans, public and labor union retirement plans, endowments, foundations, and the sub-advisory marketplace.

Mellon Capital specializes in providing domestic and global asset allocation strategies, traditional and enhanced indexing, active equity and fixed income strategies, alternative investments, currency strategies, active commodities, and overlay strategies.

A2. List the total number of institutional clients and account assets gained and lost for this and each of the last five calendar years: (Firm-side Gain/Loss)

	Gained # of Accts.	**Gained Assets ($ Mill.)**	**Lost # of Accts.**	**Lost Assets ($ Mill.)**
2012 (YTD)	114	8,484	191	6,506
2011	301	27,598	326	25,966
2010	447	19,408	394	11,357
2009	374	22,587	477	23,262
2008	699	57,183	530	41,303

Please also list the same information (assets gained and lost) as it specifically relates to the S&P 500 Index Fund that StanCERA has invested with BNY Mellon Capital Management. – EB DV Stock Index Fund

	Gained # of Accts.	Gained Assets ($ Mill.)	Lost # of Accts.	Lost Assets ($ Mill.)
2012 (YTD)	3	2,489	9	2,613
2011	5	182	19	959
2010	20	504	25	617
2009	11	382	29	1,320
2008	18	6,391	13	955

A3. Describe the firm's underlying philosophy and mission statement.

At Mellon Capital, we believe that institutional and retail investors deserve access to top-quality asset management that is based on sound philosophical principles, competitive pricing and excellence in execution.

Our mission is to provide superior investment solutions and service to clients worldwide and to be recognized by our clients and peers as thought leaders in the industry.

We are committed to a corporate strategy that emphasizes:

* Continuous innovation and the delivery of value to clients
* Industry-wide leadership in the development of ideas and quality solutions
* Mutual respect and collaboration among our people and with our clients and business partners

A4. What have been the changes in staff (specifically those devoted to institutional clients) in the past three years? *(Please list additions and departures for each staff person grouped by calendar year and include the position or role of that staff person).*

On March 16, 2012, **Vikas Oswal**, executive vice president, chief investment strategist, departed the firm. Vikas' responsibilities were transitioned to other strategists, ensuring no disruption in client service. The position of chief investment strategist will not be replaced. However, we have begun an active search to hire additional strategists at Mellon Capital.

On July 4, 2011, **James Tufts**, former executive vice president, head of client service, sales and marketing, departed Mellon Capital.

On July 1, 2011, **Richard Watson,** joined Mellon Capital as executive vice president and global head of distribution, replacing James Tufts. Richard reports to Gabby Parcella, CEO, and serves as a key member of Mellon Capital's executive planning committee and senior management committee. Richard joined us from The Boston Company Asset Management where he was the head of distribution. At Mellon Capital, he will be responsible for sales, consultant relations,

client relationship management, marketing communications, product marketing, and distribution support.

In March 2011, **Gabriela (Gabby) Parcella,** was promoted from chief operating officer to chief executive officer of Mellon Capital, succeeding Charlie Jacklin. Gabby's understanding of Mellon Capital's collaborative investment approach, along with her risk management experience, ensure the firm continues to focus on providing its clients with superior client service and performance.

Charlie Jacklin changed roles from chief executive officer and president to chairman of Mellon Capital in order to focus on investment management and client and consultant relationships. **Tom Loeb** has joined **Bill Fouse** as chairman emeritus and continues to be actively involved in the organization.

In March 2011, Alexander Huberts, rejoined Mellon Capital as president, investments and finance, reporting to Gabby Parcella, chief executive officer. All investment management, finance and performance measurement functions report to Alexander. Previously, Alexander was president of Coefficient Global®, a division of Standish Mellon Asset Management, where he ran a global asset allocation strategy. Alexander previously worked at Mellon Capital for 11 years as our former director of research, head of asset allocation, and a co-developer of the original Mellon Capital GTAA model.

Jeff Zhang was promoted to executive vice president and chief investment officer, active strategies, and reports to Alexander Huberts, president, investments and finance. **Michael Ho**, former chief investment officer, transitioned his responsibilities to Alexander and Jeff and departed on July 4, 2011.

In December 2010, **Oliver Buckley**, executive vice president, retired after 10 years of service. Oliver contributed to several Mellon Capital committees and was key to the successful integration of Franklin Portfolio Associates with Mellon Capital. When he announced his plans to retire in October 2010, **Warren Chiang**, managing director, head of active equity strategies, took over his responsibility for the management of the entire active equity group, in accordance with the succession plan. Oliver and Warren had been working closely for the previous two years which made for a smooth transition.

In April 2010, **Anjun Zhou,** joined Mellon Capital as managing director, head of asset allocation research, reporting to Jeff Zhang, managing director, head of multi-strategy. She leads the asset allocation research group effort to continually improve upon and enhance our asset allocation and currency investment processes and develop new investment strategies. The asset allocation research teams report to her directly.

A5. What overall changes have been made in staffing over the past three calendar years? Has there been a significant increase or decrease in the size of staffing or rotation of staff between accounts?

There were modest staff reductions over the past three calendar years, particularly in the company's back office functions, as a result of the consolidation of multiple asset management subsidiaries into Mellon Capital.

There have been no significant increases or decreases in the size of staffing or in the rotation of staff between accounts.

A6. Has your company or principal officer(s) been involved in any litigation or other legal proceedings over the past three years related to your investment activities?

There is no pending litigation brought by a current or former client against Mellon Capital relating to investment advisory services provided by Mellon Capital or regulatory enforcement action against Mellon Capital.

Except as stated below, in the past ten years, neither Mellon Capital nor, to its knowledge, any of its officers or principals has been named as a defendant in litigation preceding that relates to Mellon Capital providing investment management services.

On December 1, 2011, Mellon Capital Management Corporation and various WisdomTree entities were named as defendants in a complaint filed by Research Affiliates, LLC in the United States District Court for the Central District of California, Southern Division. The complaint claims patent infringement in the management of certain WisdomTree Exchange Traded Funds for which Mellon Capital serves as subadviser.

In June 2011, Deutsche Bank Trust Company Americas ("DB Trust"), in its capacity as trustee for certain series of debt securities issued by the Tribune Company ("Tribune"), has brought a fraudulent conveyance action arising out of the bankruptcy of Tribune which is pending in the U.S. Bankruptcy Court in Delaware. Tribune was the subject of a leveraged buyout ("LBO") in 2007 in the course of which shareholders of Tribune were collectively paid a total of approximately $8.5 billion. DB Trust seeks to void and recover, as constructive fraudulent conveyances, all proceeds received by the defendants (including Mellon Capital and many other assets managers) in connection with the LBO.

In June 2009, a pro se plaintiff, John Karls, filed two complaints in state court in San Francisco against various BNY Mellon entities (collectively, "BNY Mellon"), including Mellon Capital Management Corporation. The complaints were vague but in essence alleged that BNY Mellon committed conversion by wrongfully using plaintiff's foreign tax credit arbitrage idea. Karls claimed that a different entity had stolen his idea and sold it to other institutions such as BNY Mellon. BNY Mellon filed demurrers to the complaints. One of the complaints was dismissed with prejudice because it was duplicative of the second complaint. The other complaint was dismissed with prejudice because Karls' claim for conversion was preempted by federal and state intellectual property and trade secret laws. In December 2010, the Court of Appeal for the State of California affirmed the judgments dismissing with prejudice Karls' two actions against BNY Mellon. Additionally, the California Supreme Court has denied Karls' petition for review.

The Bank of New York Mellon Corporation ("BNY Mellon") is a publicly held financial holding company organized under the laws of the State of Delaware and supervised by the Board of Governors of the Federal Reserve System ("Federal Reserve"). Like all major institutions, BNY Mellon and its subsidiaries are subject to various litigations, proceedings and investigations. As a public company, BNY Mellon files certain publicly available reports with the United States Securities and Exchange Commission pursuant to the Securities and Exchange Act of 1934. These reports describe, in general, any material pending legal or regulatory proceedings to which BNY Mellon or its subsidiaries is a party. BNY Mellon's filings are available on its website at www.bnymellon.com.

A7. When did the SEC last audit your firm? Please note any material findings or recommendations.

The SEC completed a limited routine examination of Mellon Capital in April 2011 and there were no material findings. Mellon Capital has never been subject to censure, inquiry, or administrative action by any regulatory bodies.

B. Firm Overview: Ownership, Offices Organization, Clientele

B1. Please provide a description of your firm's ownership.

Mellon Capital Management Corporation ("Mellon Capital") was established in 1983 as an indirect wholly owned subsidiary of Mellon Financial Corporation. On July 1, 2007, The Bank of New York Company, Inc. and Mellon Financial Corporation merged, creating a global leader in asset management and securities servicing - The Bank of New York Mellon Corporation ("BNY Mellon"). As a result, Mellon Capital became an indirect wholly owned subsidiary of BNY Mellon. As of March 31, 2012, our parent company ranks as one of the largest global asset managers with $1.3 trillion in assets under management and is the world's leading asset servicer with $26.6 trillion in assets under custody and administration.

B2. Are there any anticipated changes in ownership in the next twelve months?

There are no anticipated changes in ownership in the next twelve months.

B3. List the city location(s) of your firm's office(s) and headquarter office.

San Francisco, CA (Headquarters)
Portfolio management, research, trading, business development, client service, information technology, legal and compliance, marketing, and operations

Pittsburgh, PA
Portfolio management, research, trading, accounting, compliance, business development, client service, information technology, marketing, and operations

Boston, MA
Portfolio management, research, information technology, client service and business development

Philadelphia, PA
Portfolio management and research

Pune, India
Portfolio management support, marketing and reporting, research, operations, and information technology

B4. Are there any anticipated significant changes in the location of your office(s)?

There are no anticipated changes in location of our office.

B5. Does your firm have a business continuity plan that would allow for the firm to occupy alternative office space in the event that your firm's current office space cannot be used due to some unforeseen disaster, interruption of necessary building services (such as electricity) or other reason?

BNY Mellon has developed a policy to maintain a crisis plan, as well as business recovery plans, to ensure preparedness during and following a crisis for automated and non-automated business support identified by senior management as "vital" (i.e., they must be recovered in the event of a disaster).

In the case where it is determined that it is advisable to vacate the primary San Francisco location, Mellon Capital maintains a contract with Sungard Disaster Recovery services to provide offsite recovery services, both workstation spaces for staff as well as permanently located servers and telecommunications services. Through this contract, Mellon Capital has access to the full breadth and scope of Sungard's worldwide disaster recovery network of services.

General Planning:

Mellon Capital currently has a primary office in San Francisco, as well as offices in Pittsburgh, PA, Boston, MA and Pune, India. Each of these offices supports critical business functions and all offices are part of the planning effort. Mellon Capital utilizes a blended approach for physical location of technology. BNY Mellon corporate datacenters provide support of location specific equipment for the Boston and Pittsburgh offices. The San Francisco server infrastructure is at an off-site mission critical data center that is separate and distinct from its primary offices. The data center is certified to the highest industry standards and compliance requirements and features 24/7/365 power, cooling, connectivity and security capabilities to help ensure mission critical operations and business continuity. All locations utilize the BNY Mellon corporate datacenters for non-location specific technology that is shared with the full parent organization.

In general, Mellon Capital uses automated tools for maintaining the enterprises' data using well-known vendor packages or in house methods as appropriate. Depending on the requirements,

data is backed up hourly, daily or weekly in a combination of onsite tapes, offsite encrypted tapes or movement to our hot site business recovery area (contracted with SunGard Business Continuity services). The Pittsburgh office utilizes other BNY Mellon facilities on the Pittsburgh campus for hot site business recovery and the Boston office utilizes BNY Mellon's Client Service Center located in Everett, MA, just outside of Boston.

Business Continuity Planning Team:

This is a planning team made up of business and technology managers, which is chaired by key members of the Compliance and Risk Management Department. This team attempts to meet weekly, year round, on business recovery planning.
Annual Planning and Testing:

The BNY Mellon Global Business Continuity Division ("GBC") and Mellon Capital have determined that annual testing of the various business continuity plans and services is required. The Business Continuity Planning Team coordinates the annual testing planning and execution.

Audit and Management Review:

The Business Continuity Planning team oversees all aspects of the annual test and all test plans have to be pre-approved by GBC. Each phase of the annual Business Recovery test is documented and subject to oversight by the GBC. A written summary of the completion dates of each aspect of the annual testing effort is prepared, signed by the CEO of Mellon Capital and the Vice Chairman of the BNY Mellon Asset Management sector and submitted to the GBC.

B6. List the investment-related service(s) that your firm provides including investment mandate management, investment consulting, trading, brokerage, custodial or other services.

Mellon Capital is a dedicated asset manager, and it derives all of its revenues from providing investment management services.

B7. Provide a firm-wide organization chart showing your firm's investment-related business and other supportive functions.

Please see attached Senior Staff organization chart.

B8. Does your firm have any non-investment mandate management business?

Mellon Capital does not have any non-investment mandate management business.

B9. List the number of institutional clients firm wide by asset size in each of the following categories:

Account Size	Public Funds	Other Clients
$1 Million - $100 Million	28	276
$100 Million - $250 Million	14	65
$250 Million - $1 Billion	14	47
Over $1 Billion	18	26

Please also list the same information as it specifically relates to the S&P 500 Index Fund that StanCERA has invested with BNY Mellon Capital Management. EB DV Stock Index Fund

Account Size	Public Funds	Other Clients
$1 Million - $100 Million	7	21
$100 Million - $250 Million	2	13
$250 Million - $1 Billion	2	5
Over $1 Billion	1	4

C. Portfolio Team – S&P 500 Index Fund

C1. Provide detailed biographical information for each member of the US Equity Index portfolio team that is running the StanCERA portfolio including education, degree(s), certification(s), charter(s), and years with the firm and years in the industry.

Please find attached key investment professionals biographies.

C2. Describe the decision-making process between investment professionals on the US Equity Index team.

Mellon Capital's equity indexing approach is disciplined and structured. Portfolios are constructed to achieve performance and characteristics similar to those of the benchmark. For equity index portfolios, risk is generally defined as tracking error. To minimize tracking error, portfolio managers use a series of portfolio analytics that are designed to identify composition biases. Portfolio managers use Straight Through Express and an internally developed, automated monitoring system to evaluate and manage each index portfolio. The systems identify security mis-weights and analyze factor biases by economic sector, capitalization sector, and yield. Portfolio managers continuously evaluate the portfolio's composition relative to the index. They rebalance the portfolio when a factor bias threshold is exceeded, typically using cash flows from dividend accruals and contributions and withdrawals.

Portfolio managers closely monitor changes to the index and pending corporate actions, and implement strategic trading methods accordingly to preserve value for our clients. On a daily basis, portfolio managers receive index data directly from index providers. They also maintain contact with large custodians regarding potential changes to the composition of the index that arise from corporate actions and/or index redefinitions. Changes that occur due to mergers, acquisitions, and other corporate activities are evaluated by a corporate actions team who determines the most appropriate course to maximize economic value for our portfolios.

Mellon Capital employs a strategic trading approach when rebalancing the portfolios due to benchmark changes. The dual goal of our trading approach is to minimize risk in the portfolio and preserve portfolio value. Our strategic trading approach is based on two premises: (1) trading smaller pieces generally results in lower transaction costs, and (2) trading quietly with unpredictable timing can result in better executions of our trades. If advantageous, trades may be

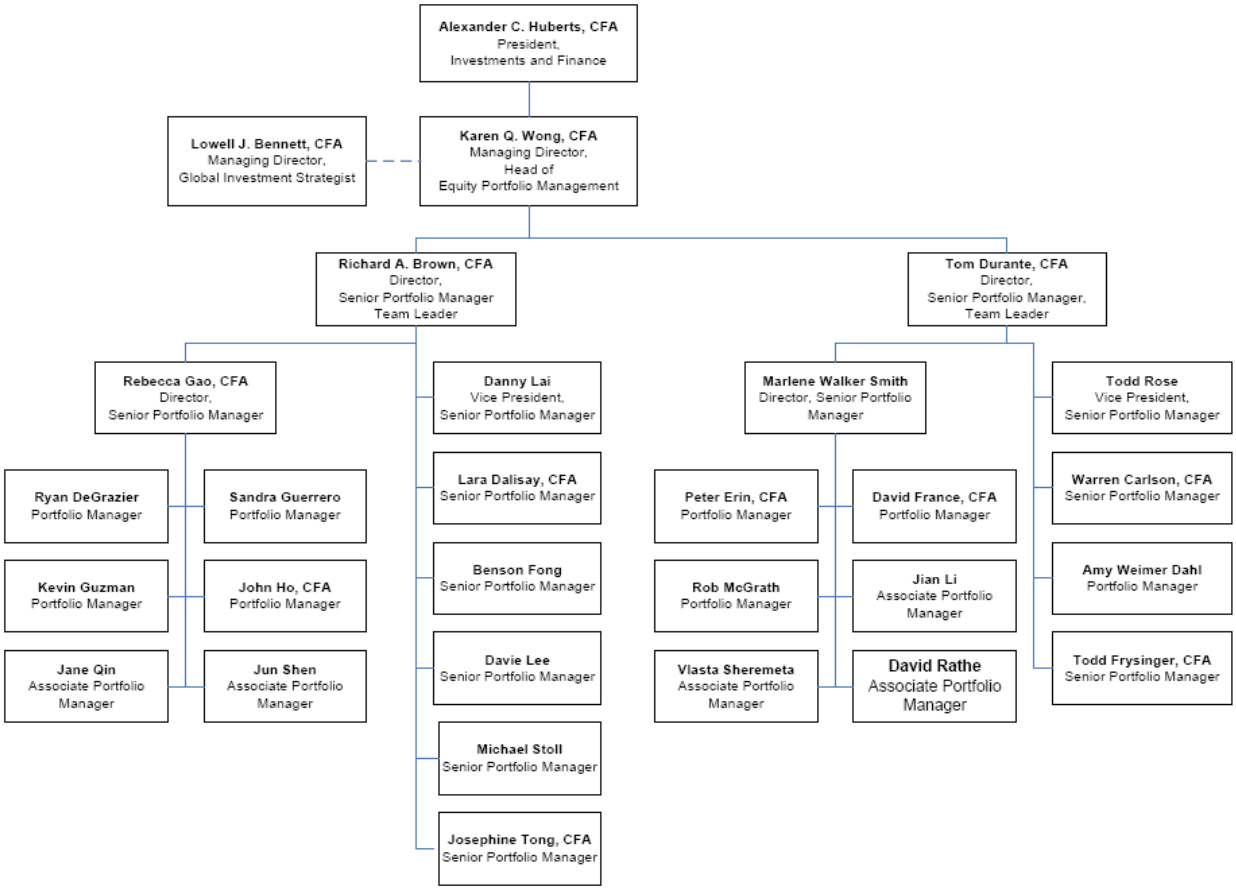
executed before the effective date, on the close of the effective date, and completed after the effective date.

C3. Which portfolio managers work on StanCERA account and who is ultimately responsible for the decision-making of the composition of the portfolio?

Mellon Capital's equity index portfolios are managed on a team basis. However, each portfolio is assigned a primary and a secondary portfolio manager. The primary portfolio manager is responsible for portfolio oversight on a day-to-day basis, whereas the backup portfolio manager will assume responsibility when the primary manager is unavailable due to illness or vacations. All portfolio managers are cross-trained and we encourage a collaborative approach to management. We find that the team approach allows for breadth and depth of knowledge within the group. It also facilitates disaster recovery planning such that if one location were to be incapacitated due to unforeseen events, we can easily transfer operations to the other office as well as our remote contingency site.

C4. Provide a functional organization chart that shows the specific positions or titles of employees that oversee the US Equity Index accounts?

Please see the organizational chart below for Mellon Capital's Equity Indexing team.



C5. Provide a detailed explanation of how the decision-making body operates for US Equity Index. Include in the explanation the inputs, range and limits of decisions reached by the various participants in the process.

Mellon Capital challenges the popular belief that indexing is a commodity and that managers should be chosen solely on the basis of fees or assets under management. We believe that such a surface review of index managers can be significantly detrimental to the plan in question.

Equity indexing managers have two basic paths to choose from: (1) they can mechanize their operations to minimize their cost of delivery of the product. By doing so, the managers can create a higher profit margin for themselves and offer low fees to clients. Alternatively, (2) they can aim to balance cost reduction with shareholder value preservation within their funds. At Mellon Capital, we believe that focusing on preserving shareholder value (Alternative 2) is a significantly better choice to be made for the client. To illustrate why we feel taking the extra effort to preserve shareholder value is a better path to take, consider the following example related to trading for changes to an index:

Index A announces a change to their benchmark effective in one week's time – Company X will be dropped and Company Y will be added. A manager solely focusing on minimizing their cost to deliver the product will line up all portfolios following that benchmark, and construct one trade with each portfolio buying the identical percentage of the new company and selling all shares of the deleted company. No individual portfolio circumstances will be taken into account, and the trade will be executed at the close of business on the effective date of the index change. This seems to be an efficient method that ensures that each account will track the benchmark return very closely. Instead of portfolio managers individually looking at accounts to determine the best route for each, one person can make a few assumptions and construct the trades for all accounts in a short period of time. Without knowing anything else about these portfolios except market values, a single person can estimate the weight of the new company, multiply that weight times each portfolio's market value, and determine how the number of shares needed to bring each portfolio to perfect weight in the new company. By focusing the timing of the trade to the close of business on the effective date, the portfolio manager will have traded at the same price that is used by the benchmark to calculate the return for the next day. On the surface, everything points to this being the best way to handle the rebalancing.

Further investigation, however, shows several potential problems with this path. Primarily, it can be very expensive to trade large blocks of a security in a narrow window of time, particularly when the trade is completely predictable to the market place. If speculators can safely assume that a manager will be trading concentrated blocks of a given security at a specific point in time, they can take advantage of that fact. A manager taking this route will not only cause the clients to bear the market impact but also losses resulted from speculators trading ahead of them. Focusing on value preservation instead of production-cost minimization accomplishes several goals: (1) Each trade is smaller in size and therefore generally creates less market impact. (2) By spreading out the trades within the day and across several days, the manager makes it much more difficult for speculators to take advantage of the timing of a particular trade. (3) By being more flexible in the timing of the trades for index changes, a good manager/trader can take advantage of the significant fluctuations in a stock's price as people move in and out of the market in that

security. Finally, (4) by varying the trading points in time, a manager can generally avoid the market impact caused when other large players are trading.

Mellon Capital employs a strategic trading approach to trading index changes to minimize transaction costs and preserve value. This approach has given our clients significant cost savings over the years, leading to incremental excess return that is commensurate with the amount of turnover in the underlying index.

In a value preservation style of management, portfolio managers will review the overall condition of the portfolio, the sector/country biases that may exist, and the amount of cash currently available in their account, along with the size of the account and the timing of future cash flows to that account. They may determine that it is prudent to buy slightly less of a specific addition rather than be forced to sell some other securities for cash to purchase the addition to full weight. This would be appropriate particularly if cash from dividends or a cash flow would be available within a matter of days. Another example is if one were to know that a client has a regular monthly outflow in a separately managed account, one might base the purchase decision on an index addition on the new expected market value of the account instead of the current market value of the account. This would save the client from having to buy, and then potentially sell those shares with the outflow trade.

In evaluating equity indexing managers, one should consider the amount of individual care given to each portfolio. Our portfolio managers strive to incorporate all known client specific details in their trading decisions to find the best alternative for each client with each trade. Making trading decisions that are customized to each portfolio can add incremental return to the portfolio over time. Our track record reflects the impact of this extra care.

C6. When portfolio client-mandate changes must be implemented, what methods are used to coordinate and monitor compliance?

The compliance department is responsible for monitoring client investment guidelines and regulatory requirements, reviewing internal controls, identifying potential risks to the firm and implementing appropriate procedures and controls to mitigate risks.

A team of compliance professionals monitor the numerous compliance controls regarding authorized investment transactions, client account documentation, trade executions, trade records, positions reconcilement, future position limits, and mark-to-market calculations.

An ongoing process has been set in place to ensure that the integrity and accuracy of each client account is maintained. Internal reviews on account assets and legal documentation status, including investment guidelines, are conducted regularly. Such reviews are administered for collective funds, participant collective fund accounts, and separately managed accounts.

Account reviews are conducted under the guidance of Mellon Capital's compliance department. A Compliance Associate monitors the review process to ensure the initial and annual account reviews are completed as required. At inception, a review of the account is conducted promptly to evaluate the appropriateness of the investments for the account and to ensure that the account complies with the applicable investment guidelines. A compliance associate collects the account

documentation and performs an independent review of the account's portfolio. Next, comments are gathered from and verified by the portfolio manager and Client Service Representative assigned to the account. The final step of the review includes obtaining written approval from a senior member of Mellon Capital's staff.

Mellon Capital's Compliance Department uses Charles River ("CR"), a third-party automated compliance monitoring system, in verifying adherence with clients' investment guidelines and applicable regulatory requirements. The client guidelines/prospectus restrictions are hard coded into the CR system for most strategies and monitored on a daily basis, post trade. Currently pre-trade compliance exists within CRD on active equity strategies and only in limited scope on passive equity and fixed income accounts.

In addition, we have numerous compliance controls regarding authorized investment transactions, client account documentation, trade executions, trade records, positions reconcilement, future position limits, and mark-to-market calculations.

Those persons responsible for the investment process are required to complete a quarterly checklist, ensuring compliance with the procedures set forth within the risk management system. The Compliance Department will then review the checklist to monitor the effectiveness of the risk management controls and ensure that any problems that do occur are subject to prompt corrective action. Any material problems will be reported directly to senior management or the Board of Directors of Mellon Capital.

C7. How is individual staff performance measured and rewarded? Describe the compensation/incentive/equity ownership structure for the team members within your US Equity Index products.

The primary objectives of the Mellon Capital compensation plans are to:

- Motivate and reward superior investment and business performance
- Motivate and reward continued growth and profitability
- Attract and retain high-performing individuals critical to the on-going success of Mellon Capital
- Create an ownership mentality for all plan participants

Cash compensation is comprised primarily of a market-based base salary and variable incentives (cash and deferred). Base salary is determined by the employees' experience and performance in the role, taking into account the ongoing compensation benchmark analyses. Base salary is generally a fixed amount that may change as a result of an annual review, upon assumption of new duties, or when a market adjustment of the position occurs. Funding for the Mellon Capital Annual and Long Term Incentive Plan is through a pre-determined fixed percentage of overall Mellon Capital profitability. Therefore, all bonus awards are based initially on Mellon Capital's financial performance. Annual incentive opportunities are pre-established for each individual, expressed as a percentage of base salary ("target awards"). These targets are derived based on a review of competitive market data for each position annually. Annual awards are determined by applying multiples to this target award. Awards are 100% discretionary. Factors considered in awards include individual performance, team performance, investment performance of the

associated portfolio(s) (including both short and long term returns) and qualitative behavioral factors. Other factors considered in determining the award are the asset size and revenue growth/retention of the products managed (if applicable). Awards are paid partially in cash with the balance deferred through the Long Term Incentive Plan.

Participants in the Long Term Incentive Plan have a high level of accountability and a large impact on the success of the business due to the position's scope and overall responsibility. This plan provides for an annual award, payable in cash after a three-year cliff vesting period as well as a grant of BNY Mellon Restricted Stock for senior level roles.

D. Investment Activities – S&P 500 Index Fund

D1. Describe your investment philosophy and approach in managing the S&P 500 Index Fund account for StanCERA.

Mellon Capital's equity indexing approach is disciplined and structured. Portfolios are constructed to achieve performance and characteristics similar to those of the benchmark. For equity index portfolios, risk is generally defined as tracking error. To minimize tracking error, portfolio managers use a series of portfolio analytics that are designed to identify composition biases. Portfolio managers use Straight Through Express and an internally developed, automated monitoring system to evaluate and manage each index portfolio. The systems identify security mis-weights and analyze factor biases by economic sector, capitalization sector, and yield. Portfolio managers continuously evaluate the portfolio's composition relative to the index. They rebalance the portfolio when a factor bias threshold is exceeded, typically using cash flows from dividend accruals and contributions and withdrawals.

Portfolio managers closely monitor changes to the index and pending corporate actions, and implement strategic trading methods accordingly to preserve value for our clients. On a daily basis, portfolio managers receive index data directly from index providers. They also maintain contact with large custodians regarding potential changes to the composition of the index that arise from corporate actions and/or index redefinitions. Changes that occur due to mergers, acquisitions, and other corporate activities are evaluated by a corporate actions team who determines the most appropriate course to maximize economic value for our portfolios.

Mellon Capital employs a strategic trading approach when rebalancing the portfolios due to benchmark changes. The dual goal of our trading approach is to minimize risk in the portfolio and preserve portfolio value. Our strategic trading approach is based on two premises: (1) trading smaller pieces generally results in lower transaction costs, and (2) trading quietly with unpredictable timing can result in better executions of our trades. If advantageous, trades may be executed before the effective date, on the close of the effective date, and completed after the effective date.

D2. Has the philosophy for US Equity Index changed during the past few years?

There has been no change to the EB DV Stock Index Fund philosophy over the past few years.

D3. What is the expected annual turnover for the StanCERA S&P 500 Index Fund portfolio?

We have not established an official expected range of total portfolio turnover. However, we seek to minimize trading and transaction costs while also matching the index's fundamentals and performance.

D4. How do you measure and monitor risk so that risk parameters are in line with portfolio returns for the StanCERA S&P Index account? What is the expected tracking error range for these products?

Risk management is embedded in our quantitative portfolio management process; it's not a separate function. Our strategies follow a systematic investment process that is rigorously and objectively implemented. Portfolio managers do not have discretion and autonomy over their portfolios but are instead bound by our quantitative management process. The targeted risk and any other parameters of the mandate, such as constraints, are built into the model prior to the inception of the account. All trades are reviewed and approved by a senior portfolio manager prior to execution.

- Mellon Capital employs a robust trading process that involves multiple checks and reconciliations.
- All trades are communicated via an electronic order management system (OMS).
- The portfolio management group is responsible for order generation and requires authorization of all trades by a senior manager.
- Compliance conducts a pre-trade check to ensure the trades are within specified guidelines before releasing trades to trading.
- The OMS maintains an electronic audit trail of the order flow throughout the execution process.
- Orders and allocations are sent to the broker and back to trading and trade operations electronically.
- Mellon Capital's trade operations department conducts a post trade reconciliation which matches up the PM's orders with the broker's executions.
- Any deviations or discrepancies create an alert/break which is rectified by a joint effort between portfolio management, trade operations and trading.
- Each department (portfolio management, trade operations, compliance and trading) has separate and independent management and oversight.

D5. Please describe your security lending operations with respect to the passive index fund in which StanCERA invests. Please also describe how you invest the security lending proceeds within your collateral pool. Please state what the return in bps has been in the S&P 500 Index fund for calendar years 2012 YTD, 2011 and 2010.

Securities Lending Organizational Structure

BNY Mellon securities lending is a business unit within the Asset Servicing Division of The Bank of New York Mellon. Securities lending is a multi-faceted discipline that requires a well-

organized team of professionals to handle each component of the program. We dedicate an entire group of more than 240 professionals worldwide to provide a completely full-service and internally managed program. Staff members focus upon specific areas of expertise, yet they work and share information with other members of the department so that we're delivering a well-managed, world-class lending program.

The department consists of teams of professionals specializing in the following disciplines:

- Domestic Trading
- International Trading
- Cash Collateral Management
- Risk Management and Control
- Client Service
- Operations
- Systems & Technology
- Business Development
- Product Development and Project Management

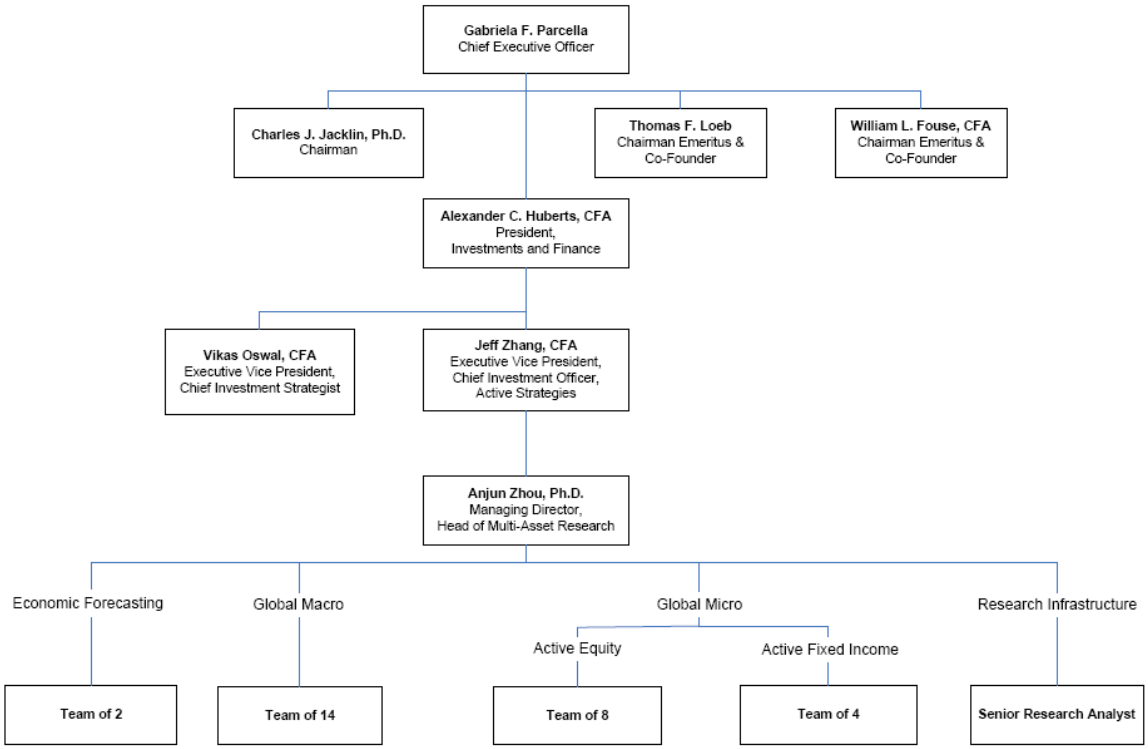
E. Research Methodology – S&P 500 Index Fund

E1. Describe the internal structure and organization of the research department for all accounts. How is your research universe divided amongst investment professionals?

Anjun Zhou, Managing Director, Head of Multi-Asset Research, oversees the central research department. Within this group we have equity research analysts, whose contributions encompasses a wide spectrum of indexing topics, ranging from passive cap-weighted indexing to rule-based fundamental indexing. This team also contributes to the development of customized solutions for our clients.

Furthermore, our equity index portfolio managers perform research related to potential process improvements, including system enhancements and cost-effective alternatives to gain market exposures. Additionally, we have a team of associate portfolio managers that comprise our index and corporate action team. The associate portfolio managers do not manage portfolios but provide critical research, analysis and support functions to our portfolio management staff. They are chartered with analyzing all index events and ancillary to that, coordinate trading activities, as well as disseminate impact analysis for larger index reconstitutions or rebalancing activity.

Please see the organizational chart below for Mellon Capital's research department.



E2. Are "soft dollars" used to acquire research information for the S&P 500 Index fund product?

The EB DB Stock Index Fund does not participate in soft dollar arrangements.

E3. What percentage of all research received is generated from "soft dollars" for the S&P 500 Index fund account?

The EB DB Stock Index Fund does not participate in soft dollar arrangements.

E4. Describe how external and internal sources of information are used in the research process for the S&P 500 Index fund account, with estimated percentages of external versus internal research.

Mellon Capital consumes a large amount of data from external sources on a daily basis to support the portfolios that are managed. Controls are spread across several different groups. We generally obtain the data from various vendors by going through an FTP site. This enables us to validate site credentials prior to pulling the data so that we can ensure it is coming from a trusted source. The application support team monitors all of the scheduled jobs on a daily basis to ensure the data is retrieved as it is expected. They have run books for each of the processes that detail the escalation path should something not be there, or should there be an error with the file. The data management team is responsible for watching security and price data load into PACE which is our data warehouse. They confirm that the files load at the appropriate time and in the appropriate order and correct any errors before allowing the load to finish. Errors may include security resolution issues or unknown identifiers. They have an established process built to address these issues. With respect to pricing we have daily exception reports that are generated

from our portfolio management and accounting system that run nightly and are reviewed by the operations team in Pune, India. They research any issues and provide feedback to the pricing group in Pittsburgh for further action.

E5. Describe any technical or quantitative support process or tools used in the research process for the S&P 500 Index fund account.

Please see our response to the question above.

F. Trading and Settlement – S&P 500 Index Fund

F1. How many traders are employed at your firm for US Equity Index funds?

Mellon Capital employs a team of 10 traders, led by Lynn Challenger, Managing Director, Head of Global Trading. Please see his biography below. The team is highly skilled with an average of 19 years of investment experience. As head of the department, Lynn Challenger reports directly to Alexander Huberts, President, Investments and Finance.

Lynn Challenger
Managing Director, Head of Global Trading

B.A., University of California at Berkeley, Business Administration
22 years of investment experience
6 years at Mellon Capital

- Manages the global trading desk responsible for the execution of Mellon Capital's strategies
- Prior to joining Mellon Capital, worked as the director -- head of North American FX Options Trading at Dresdner Kleinwort
- Previously worked as vice president, derivatives training at WR Hambrecht + Company and head of Asian FX Options at Credit Suisse First Boston
- Former CEO and Founder of Mercator Associates
- Began career in 1991 trading FX Options for O'Connor and Associates
- Chair of Trade Management Oversight Committee, member of the Sovereign Risk Committee and Investment Management Committee
- NYSE Euronext Institutional Traders Advisory Committee (ITAC) member since 2011

F2. How does your firm balance the need to trade with brokers providing research against lower cost execution brokers?

The EB DV Stock Index fund does not engage in soft dollar practices.

Mellon Capital isolates the soft dollar program to active equity accounts only. In cases where a service is used by more than one department, Mellon Capital has determined which portion of the service and related costs should be attributed to the active equity investment process. To the extent that soft dollar credits benefit all active equity strategies, it is not possible to isolate certain accounts that have made other arrangements. For example, soft dollars will not be generated from the portion of trades that are directed to particular brokers by our clients or from trades for accounts that prohibit soft dollars.

As a fiduciary, Mellon Capital must ensure that all transactions are completed on a "best execution" basis. Mellon Capital's policy is that the approved use of soft dollars to reimburse vendors for legitimate research services must not interfere with or impede "best execution". No material changes are expected to be made to the Best Execution Policy, and Mellon Capital has adopted a separate Soft Dollar Policy Please also note that Mellon Capital uses soft dollar credits to pay for research services eligible under section 28(e) of the Securities Exchange Act of 1934 and the CFA Standards for Soft Dollars. Furthermore, we use soft dollars to only pay for third-party independent research (not broker generated research) and therefore do not need to trade through a particular broker. We have the flexibility to add and delete brokers participating in our soft dollar program.

F3. How are stock brokerage firm trading allocation volumes monitored?

Mellon Capital fulfills its obligation to seek best execution for its clients as follows:

The trading department is responsible for conducting periodic trade analysis for equity trade lists. It utilizes various pre- and post-trade reports, each serving a different purpose and providing a corresponding methodology for conducting the analysis for types of trading benchmarks while factoring in such relevant factors as liquidity and broker experience.

The periodic trade analysis encompasses:

- Pre-trade analysis: Formulating a trading strategy
- Transaction costs
- Bid/ask spread
- Market impact
- Trade evaluation
- Provide feedback to further trading strategies
- Appraise counterparty execution
- Using effective TOM systems
- Minimizes time to market
- Provides additional automated compliance checks
- Enables Straight Through Process

On a quarterly basis, the trading department provides the Trade Management Oversight Committee (TMOC) with a best execution report for its trade analysis. TMOC takes appropriate steps to ensure that the brokers Mellon Capital frequently uses are capable of delivering best execution on an aggregate basis over time.

F4. How does your firm track the market impact of its trades?

Mellon Capital's approach to trading considers broker selection and evaluation, commission review and trade evaluation, conflict avoidance, brokerage arrangements, trade allocation, and focuses on acting in the best interest of the client and meeting our fiduciary responsibility when implementing investment strategies. Portfolio turnover is driven by client cash flows, as well as rebalance trading initiated by the portfolio management teams who have responsibility for the accounts.

All equity trades are managed through the central trading desk. All traders report to Lynn Challenger, Managing Director, Head of Global Trading. Please see biography below. The trading desk is broken into specialties but with a high level of collaboration between traders. The trading desk currently consists of 10 experienced traders with a combined average of 18 years investment experience who work in a continuous partnership with the portfolio managers when executing trade orders.

Mellon Capital measures trading costs at three levels: explicit, implicit and subjective.

The explicit costs for trading consist of commissions, taxes and fees. Mellon Capital is able to leverage its global presence and market share to negotiate aggressive commission schedules for both domestic and international equities.

For implicit costs, we take a proactive approach to analyzing our trading activity. The first step is to establish a benchmark for each trade. On average we use the arrival price for active trades. We then measure our impact versus the appropriate benchmark for each trade and analyze our performance using factors like: deviation from benchmark price; deviation from interval VWAP; timing and speed; broker performance; strategy selection; index/beta movement; and other factors.

Mellon Capital also performs an annual broker survey, which includes the subjective input from traders and trade operations personnel, to evaluate the broker's ability to execute and clear all securities. The goal of this survey is to rank our brokers by product type on their ability to service our accounts from trading to settlement.

F5. If you pool various clienteles' (accounts) orders for one security, how are the final cost allocations applied to the various accounts?

Mellon Capital has implemented these trade management policies and procedures designed to help identify and manage actual and potential conflicts of interest resulting from trading activities. Conflicts should be reduced or avoided whenever possible, as they may impair Mellon Capital's ability to seek best execution. The Trade Management Oversight Committee continually works to identify actual and potential conflicts resulting from trading activities.

Please see attachment for our Best Execution Policy.

F6. Who are the designated operations/administration officers?

Mellon Capital's system administration and system operations departments are currently led by Nick Fohl, Chief Administrative Officer, who reports to Linda Lillard, Chief Operating Officer.

Linda Lillard
Executive Vice President, Chief Operating Officer

B.A., Rutgers University
29 years of IT experience
21 years of investment and finance experience
11 years at Mellon Capital

- Responsible for oversight of all operations including accounting, investment operations, data management, information technology, trade operations, legal and compliance
- Broad experience in software implementation and infrastructure management with extensive experience in the financial services industry
- Prior to joining Mellon Capital, held positions of principal at Bank of America Securities responsible for brokerage back office operations systems and Vice President at Nicholas-Applegate Capital Management responsible for investment data management, administration and reporting
- Chair of the Operations Committee
- Member of Executive Planning Committee, Fiduciary Committee, Senior Management Committee, IT Steering Committee, New Product Committee, Risk Management Committee, Securities Pricing Committee, Fiduciary Committee, Senior Management Committee, and Trade Management Oversight Committee

Nicholas Fohl
Managing Director, Chief Administrative Officer

B.A., University of California at San Diego
26 years of investment experience
20 years of IT experience
13 years at Mellon Capital

- Responsible for the design and implementation of client service, operations and administration technology systems
- Manages systems operations, systems support, project management, application engineering, and data management and reporting
- Prior to joining Mellon Capital, was a senior IT project manager and systems analyst for GT Global and Quote.com, the financial division of the internet portal Terra-Lycos
- Previously managed retail mutual fund operations at GT Global and Wells Fargo

F7. How many staff members are involved in the operations area?

As of June 30, 2012, Mellon Capital employed 264 operations professionals. This figure includes those dedicated to : accounting, compliance, Enterprise Data Management Office, IT, International Operations, Investment Operations, Operations, Portfolio Reconciliations, Revenue, Strategic Project Office, Trade Operations.

F8. What training is provided to operations staff?

Mellon Capital has developed a structured on-boarding process for all new employees. It includes an overview of all relevant policies and procedures, a compliance and benefits training, an overview of the company by department, and systems training. The goal of the on-boarding process is to quickly acclimate new employees into the organization and to provide a standard foundation of knowledge for new employees to build upon as they integrate into their new position. New staff members work closely with one or more senior staff members who provide on the job training. Responsibilities are transferred slowly to new staff members as they demonstrate the conceptual understanding and operational precision to meet our standards.

All employees, including Investment professionals have access to MyLearning, which contains an eLearning Library consisting of over 100 courses that support the ongoing professional development of our employees and Intuition courses which are specific to the lines of business. The courses in the library are aligned with the core and job/functional competencies in our performance management program. In addition, all employees have unlimited access to summaries of thousands of business books through GetAbstract, which provides them an opportunity to gain additional knowledge at their leisure.

In addition, all employees participate in MyPerformance, which is our Performance Management Program. Performance management at BNY Mellon is based on the concept of partnership between employees and the company, and between each employee and his or her direct manager. Within 60 days of start date, all Mellon Capital Management employees are expected to complete a development plan which will outline the basis for which their performance will be based. Also, our Performance Management Program (PMP) - including tools, training and other resources – helps employees to perform their jobs effectively. PMP is an opportunity for all employees to:

- Know what's expected of them and how that aligns with the corporate strategy;
- Receive feedback to understand where they excel and where and how to improve; and
- Participate in ongoing planning to manage their own career growth and focus on continued professional development.

At the end of their career with Mellon Capital, all employees participant in an exit interview with a Human Resources representative to discuss feedback on the organization and to review questions and concerns related to the termination of company benefit programs. All former employees are also reminded in writing of their ongoing obligations under the Mellon Capital

Management Agreement Concerning Confidentiality and Nonsolicitation signed during the new hire offer process.

F9. To whom does the operations/administrative officers report?

Please see attached operations organizational chart.

F10. Does your firm participate in commission recapture programs for your clients?

Mellon Capital would be willing to accommodate a commission recapture program based on the direction of the client. We currently accommodate a small number of clients through several third party providers.

G. Compliance and Conflicts of Interest

G1. What handbooks, manuals, written policies, written procedures or training are provided to new and current employees?

Upon an employee joining the firm, Mellon Capital's compliance department conducts training that covers all major aspects of the Code of Conduct, which includes the Code of Ethics and Personal Securities Trading Policy. The class is also open to all existing employees to attend as a "refresher course". On an annual basis, Mellon Capital partners with BNY Mellon's ethics office, and presents all employees with an annual review of the Code of Ethics. All employees are also required to certify that they have read and understood the company's Code of Ethics on an annual basis.

Periodically or as needed, Mellon Capital conducts training in order to educate employees on certain compliance policies and procedure. Based on an employee's role and responsibilities within the Firm, Bank of New York Mellon will require additional targeted compliance training. These types of training courses are administered through Bank of New York Mellon.

Compliance policies and procedures are also posted in the company's intranet as a resource for all employees.

G2. How many staff members work on compliance?

Larry Lee serves as the firm's Chief Compliance Officer ("CCO"). Mr. Lee is responsible for managing the operations of Compliance Department which has a total of 12 staff including him and is divided into 3 groups – the Client Compliance Group, the Regulatory Group and Risk Management.

G3. Please submit a copy of the firm's Code of Ethics.

BNY Mellon has developed and implemented a Personal Securities Trading Policy and Code of Conduct for all employees of the company, including Mellon Capital. These policies outline ethical behaviors and guidelines for monitoring and promoting compliance with applicable laws.

An orientation is held for all new employees for the purpose of familiarizing and educating them on these codes of conduct and policies.

These codes incorporate a corrective action program that is strictly followed when a violation has occurred. Should a violation of these codes and policies occur, they would be dealt with on a case-by-case basis. Depending on the severity and frequency of the violation, our step-by-step corrective action program may be initiated.

The same codes and policies apply to principals and the company itself.

G4. What sorts of reports are generated for portfolio managers to insure that the account portfolio is in compliance with the client's investment mandates or investment policy?

Mellon Capital has distinguished itself as a client-focused investment manager, offering a range of investment strategies that can be customized to our clients' unique criteria. A variety of exclusive and inclusive screens have been implemented in our long-standing index strategies, enhanced index strategies, and active equity and fixed income strategies. Some examples of our implementations include sustainability, socially responsible investing, nuclear decommissioning, and other criteria dictated by individual client investment policies.

Our Compliance Department uses Charles River ("CR"), an automated compliance monitoring system, in verifying adherence with clients' investment guidelines and applicable regulatory requirements. In addition, CR is used to maintain broker restrictions for equity, futures, and bullet swaps trades. For forward currency trades, allowable brokers' rules are created in FXOmatic, a proprietary system. All broker restrictions are checked on a pre-trade basis.

Upon inception of the account, a compliance associate creates a file folder for the account with copies of the investment management agreement and related schedules to determine the client's investment guidelines. The compliance associate also summarizes the client guidelines into a matrix that is reviewed and signed off by the compliance manager, the client service representative and the portfolio manager assigned to the account, respectively. The purpose of the sign-off is to ensure completeness and accuracy.

Upon obtaining the appropriate sign-offs, the guidelines are coded into CR. A copy of all the codes and rules are printed from CR and reviewed by the compliance manager for proper coding and again for completeness. The Compliance Department also tracks changes to clients' investment guidelines and updates the rules on CR accordingly.

All accounts set up in CR are monitored daily on a post trade basis. Alerts are researched and communicated to the portfolio managers timely.

In addition to CR, internal reviews on account assets and investment guidelines are also conducted. These reviews are administered for the collective funds and separately managed accounts. Upon acceptance of a fiduciary account, a prompt review of the account assets is conducted to evaluate the appropriateness of the account. Additionally, at least once every calendar year, the assets of each account are evaluated to determine the appropriateness of the

account. The account reviews are conducted by the appropriate portfolio manager(s). The process is monitored to ensure completion in a timely manner.

For terminated accounts, the Compliance Department performs a final account review.

The Chief Compliance Officer is responsible for monitoring any outstanding issues and ensuring these issues are followed up. Mellon Capital will report on a quarterly basis to the BNY Mellon Corporation Fiduciary Risk Management Committee regarding the issues noted above and will annually report to the Committee regarding completion of all required portfolio account reviews.

Portfolio managers adhere to maintaining the model structure, and they use a systematic, quantitative process to develop trade lists. In order to control turnover and associated transaction costs, they may eliminate small trades that have a small impact on the overall portfolio characteristics.

Before implementation, all portfolio transactions and resulting portfolio characteristics are reviewed and approved by at least one senior portfolio manager prior to execution.

Portfolio managers keep records of the holdings and the security movements. The accountant verifies and reconciles the assets with the custodian. The accountant will notify the portfolio manager if the portfolio management system is wrong or suspected to be wrong. In addition, the primary individuals for portfolio management, cash management, and account maintenance prepare several internal control reports on a daily, weekly, monthly, and/or quarterly basis in order to monitor compliance with the portfolio's policies, restrictions, procedures and investment objective. Daily reports include asset allocation weights, daily asset allocation changes, daily performance, and compliance rule checks.

G5. What is the procedure for checking trades that the portfolio manager places against the client's investment guidelines prior to execution?

The Compliance Department uses Charles River Development ("CRD"), an automated compliance monitoring system, in verifying adherence with clients' investment guidelines and applicable regulatory requirements.

All accounts in CRD are monitored daily on a post trade basis. Pre-trade compliance exists within CRD on active equity strategies and only in limited scope on passive equity and fixed income accounts. Certain guideline restrictions such as broker rules on futures and forward contracts, credit rating requirements and restricted securities are monitored on a pre-trade basis. Certain client guideline restrictions are also incorporated into Mellon Capital's proprietary portfolio management or trading systems, as applicable, in order to ensure compliance.

G6. Do you have a main Compliance Officer? To whom does the Compliance Officer report to?

Mellon Capital has appointed Lawrence P. Lee as Chief Compliance Officer (the "CCO"), who also oversees risk management. Mr. Lee has a dotted reporting line to the Chief Operating Officer, Linda Lillard, and a dotted reporting line to the Chief Executive Officer, Gabby Parcella. In addition to the supervisory structure within Mellon Capital, Mr. Lee reports to Mark Musi,

Chief Compliance and Ethics Officer for The Bank of New York Mellon on an interim basis. On a permanent basis Mr. Lee will report to the Global Head of Investment Management for Risk and Compliance for BNY Mellon Investment Management ("BNYM IM") once that position is filled. BNYM IM is the umbrella organization for BNY Mellon's investment management firms, wealth management services, and global distribution companies. BNYM IM maintains a robust risk management and compliance infrastructure that serves as a dedicated resource for compliance reporting and functionality.

G7. Describe how your firm maintains its independence from the rest of the investment management community (e.g. consultants, brokers, custodians, etc.).

Mellon Capital distinguishes itself as a leading index manager by its long-term commitment to indexing, time-tested value preservation approach, in-depth relationships with industry partners, and top-tier client service.

Long-Term Commitment to Indexing

The co-founders of Mellon Capital are recognized as the originators of index funds in the late 1960s and early 1970s. Over the years, we have established broad portfolio management and trading capabilities, as well as client services and technological resources to support the growth of our indexing business. Today, Mellon Capital is one of the leading index managers in the U.S., with the majority of firm's assets in index strategies.

We demonstrated our commitment to our indexing clients during the financial crisis in 2008 and 2009 by setting no gates or lock-ups in our collective funds, when some of the industry's largest managers imposed such restrictions.

Time-Tested Value Preservation Approach

When trading in the open market, Mellon Capital employs a strategic trading approach to minimize transaction costs and preserve value. This approach allows our portfolio managers to minimize market impact by trading small blocks and to take advantage of any favorable movement of the stock price when other managers move into and out of the market. This approach has provided our clients with significant cost savings over the years.

Furthermore, when index composition changes as a result of corporate actions, our portfolio managers screen all potential trades against a list of securities that have pending corporate action activities and evaluate the terms of the corporate action to determine whether the security should be traded or omitted from the trade. The economic value of the alternatives is thoroughly analyzed to maximize the value of client portfolios.

Additionally, when portfolio managers anticipate upcoming changes to the composition of an index, they use dividend cash flows to fund shares purchases to the extent possible. We continually look for opportunities to allocate cash inflows towards expected index constituent changes in order to minimize transaction costs.

In-Depth Relationships with Industry Partners

The senior members of our portfolio management team often collaborate with index providers to improve index investability and construction techniques. Recently, the head of our equity index

team initiated a successful effort with MSCI to create a new index net return series without tax withholding for U.S. equities, thus providing a more comparable benchmark for U.S.-based investors. We have also worked with Russell on the inclusion of publicly traded partnerships in the Russell index family. Mellon Capital participates in the S&P U.S. Index Advisory Panel that provides advice to the Index Committee and the Russell Index Client Advisory Board that provides input regarding index methodology changes and development. In the past, we have worked with many index providers on custom strategies developed on clients' request.

In the broker community, we have built an extensive network of relationships and are able to negotiate better deals on behalf of our clients. For example, we were able to negotiate zero commission on a large MSCI EAFE trade. The broker was motivated to deal because they had the other side of the trade in their inventory and this effectively reduced their risk, enticing them to offer us a great deal from which our clients also benefited.

Top-Tier Client Service

Client focus, trust, teamwork, and outperformance are the core values that drive our global team dedicated to exceed in every market we serve. Our goal is to build relationships with clients that extend beyond traditional money management and not only meet expectations, but exceed them. We foster this dedication by hiring professionals who share this commitment and by continually analyzing where this industry is going and how to best serve our clients.

Mellon Capital is among the most respected equity index managers in the institutional investment management industry. Our strategies have consistently delivered incremental outperformance over the index with the same level of risk. Our portfolio management skill and strategic trading techniques seek to preserve portfolio value and consistently add incremental return. This value preservation is achieved with a keen focus on risk control, trading thoughtfully, and analyzing corporate actions carefully. We believe that preserving client value and delivering "no surprises" results, along with working closely with our clients to develop solutions to their needs, are critical components of client service and important manager selection criteria.

G8. Provide your written policy on the processes to keep employees' trading of securities independent from the processes for trading securities for clientele.

Please see attached Personal Securities Trading Policy.

G9. How does your firm monitor compliance of employees to the written policy of separation of employees' personal trading in securities from trading securities for clients' accounts?

Mellon Capital's employees are subject to stringent laws and regulations governing personal securities trading. BNY Mellon's Personal Securities Trading Policy promotes the highest standards of behavior and ensures compliance with applicable laws.

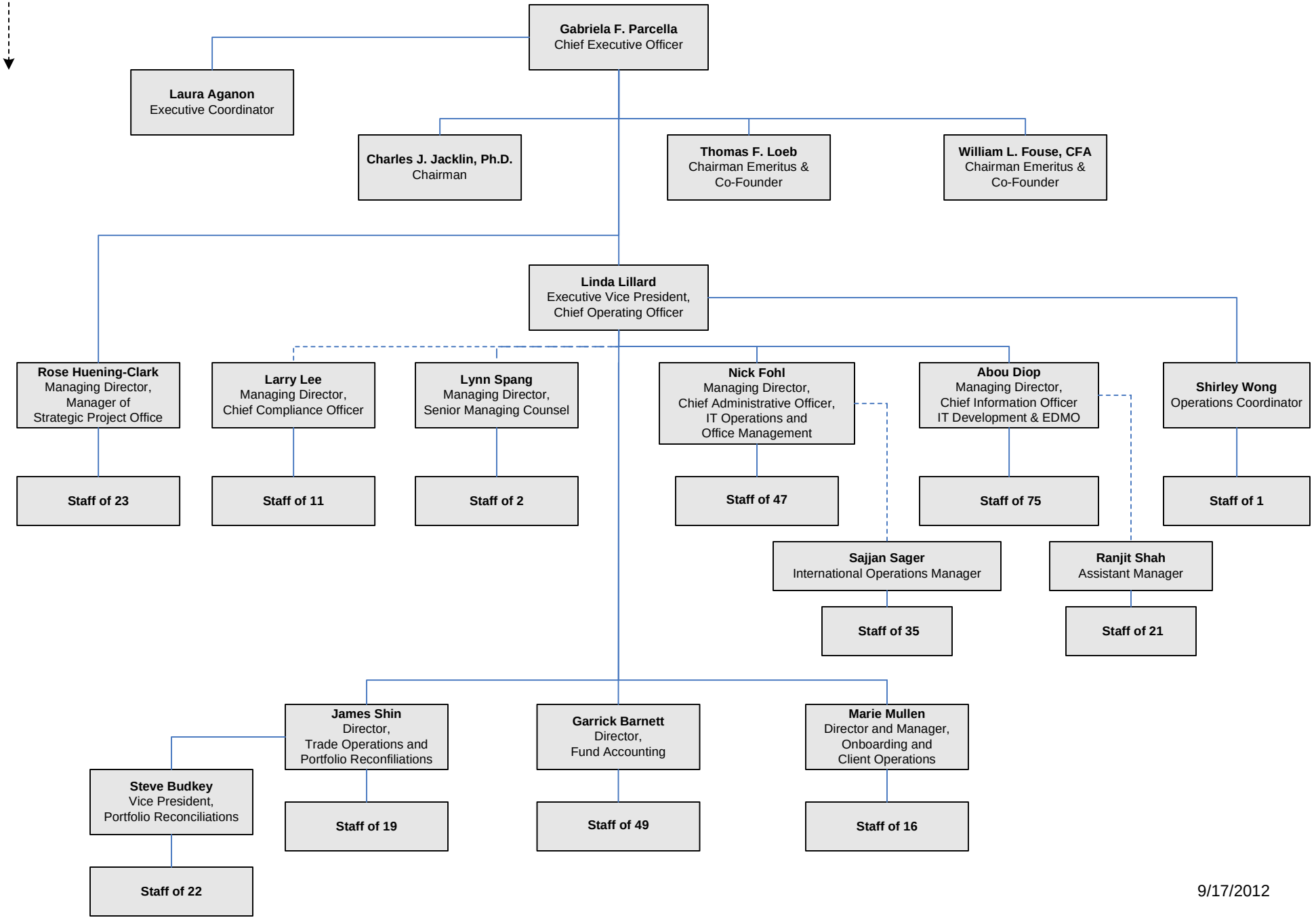
Mellon Capital maintains a rigorous pre-clearance procedure for all personal securities trades in order to eliminate conflicts of interest between client portfolios and personal trades. Employees must receive pre-clearance before they engage in purchases or sales of securities. To facilitate this, the Bank of New York Mellon has partnered with Protegent to provide web-enabled

solutions to manage employees' personal trading in compliance with BNY Mellon's Code of Conduct and Personal Securities Trading Policy. Protegent is a company that provides financial institutions with online tools to enhance personal trading compliance. Employees utilize Protegent's web-based system referred to as the Personal Trading Assistant (PTA). The PTA is a web-enabled and automated technology designed to gather, analyze and identify issues that may exist in employees' personal trading.

Additionally, all Mellon Capital U.S.-based employees are required to maintain brokerage accounts at specific broker-dealers that have been approved by the Bank of New York Mellon Corporation. This includes accounts owned both directly and indirectly by the employee. Any exceptions to this requirement must be approved, in writing, by the Ethics Office.

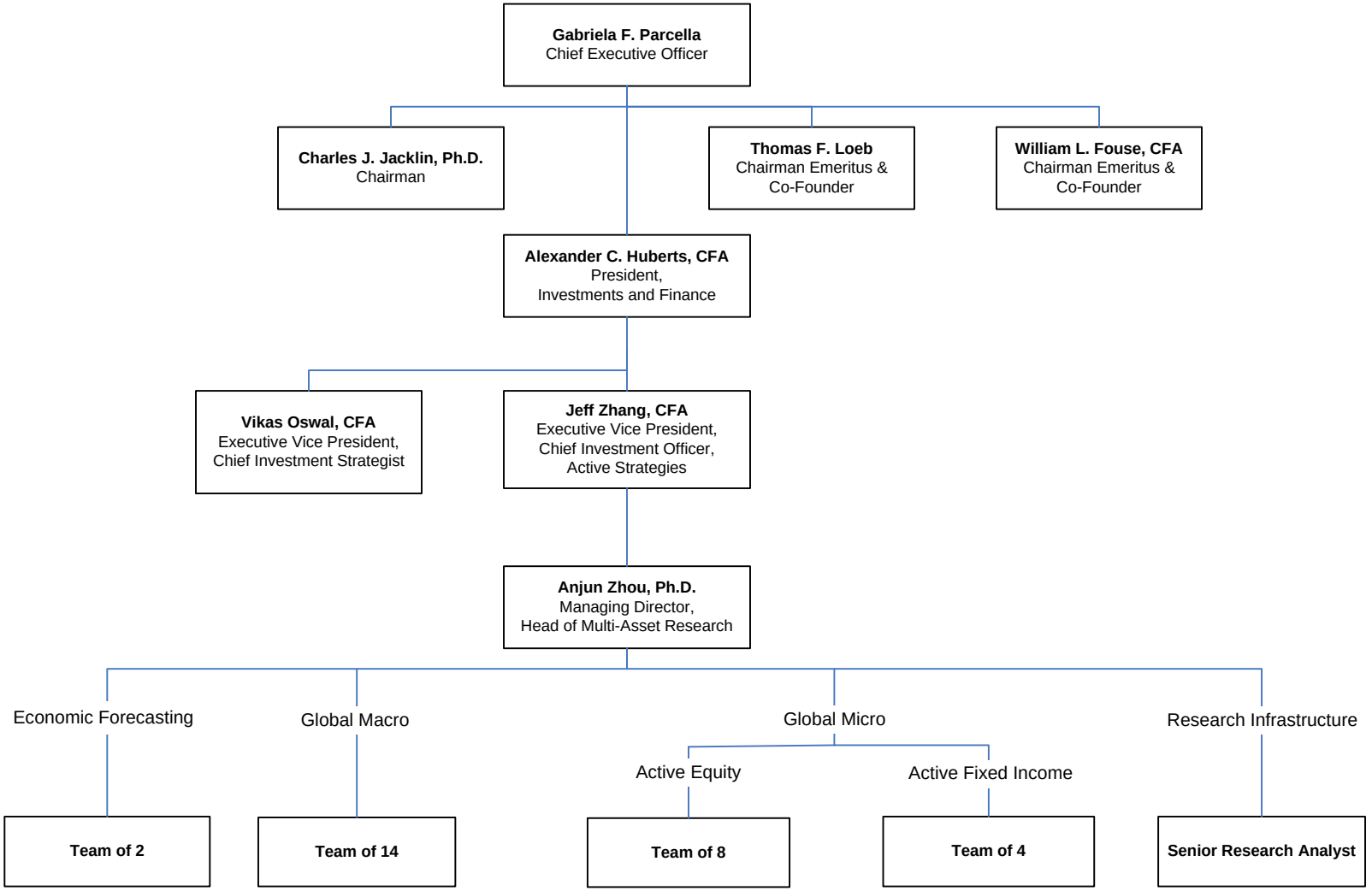
Mellon Capital

Operations



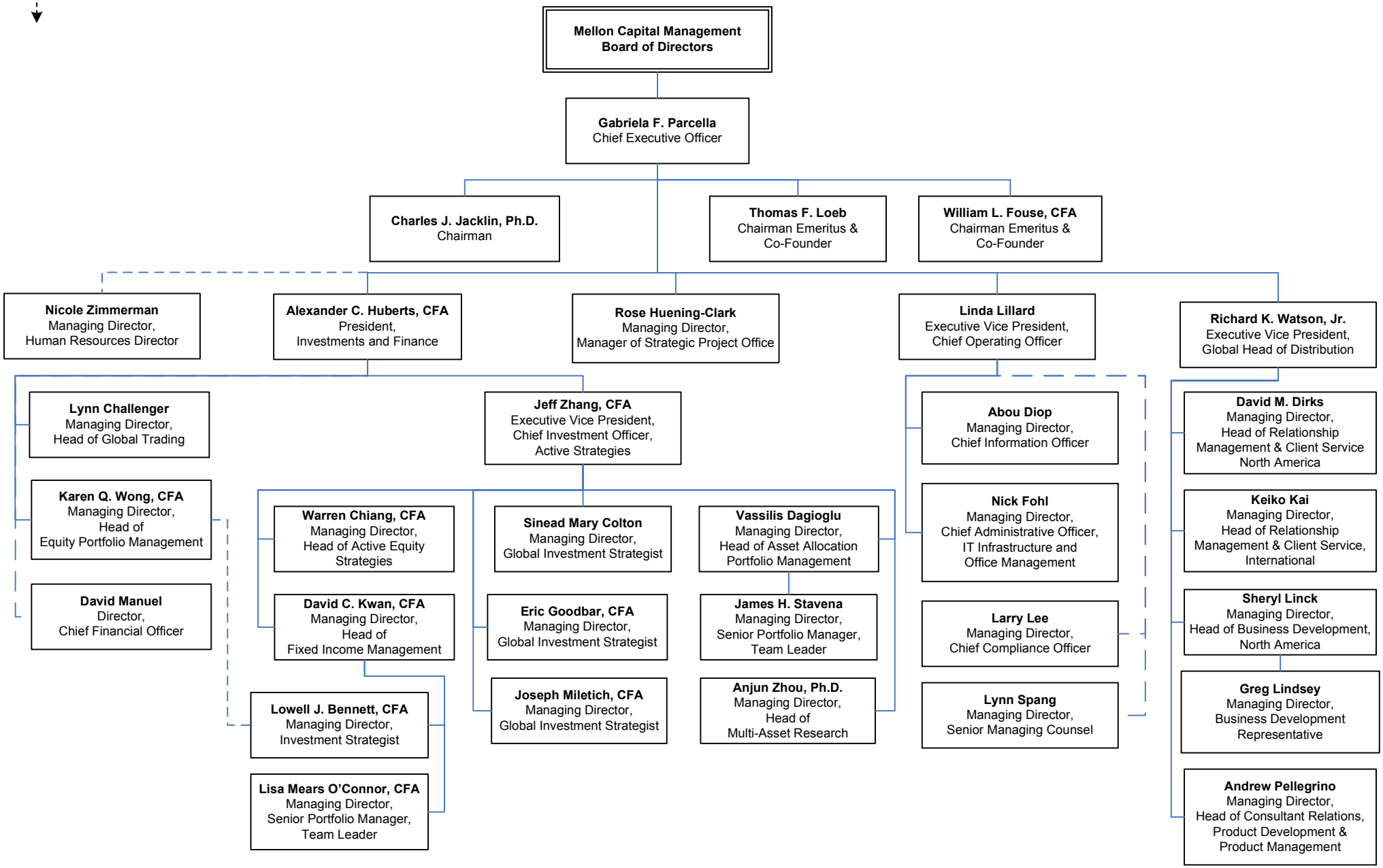
9/17/2012

Investment Management—Research



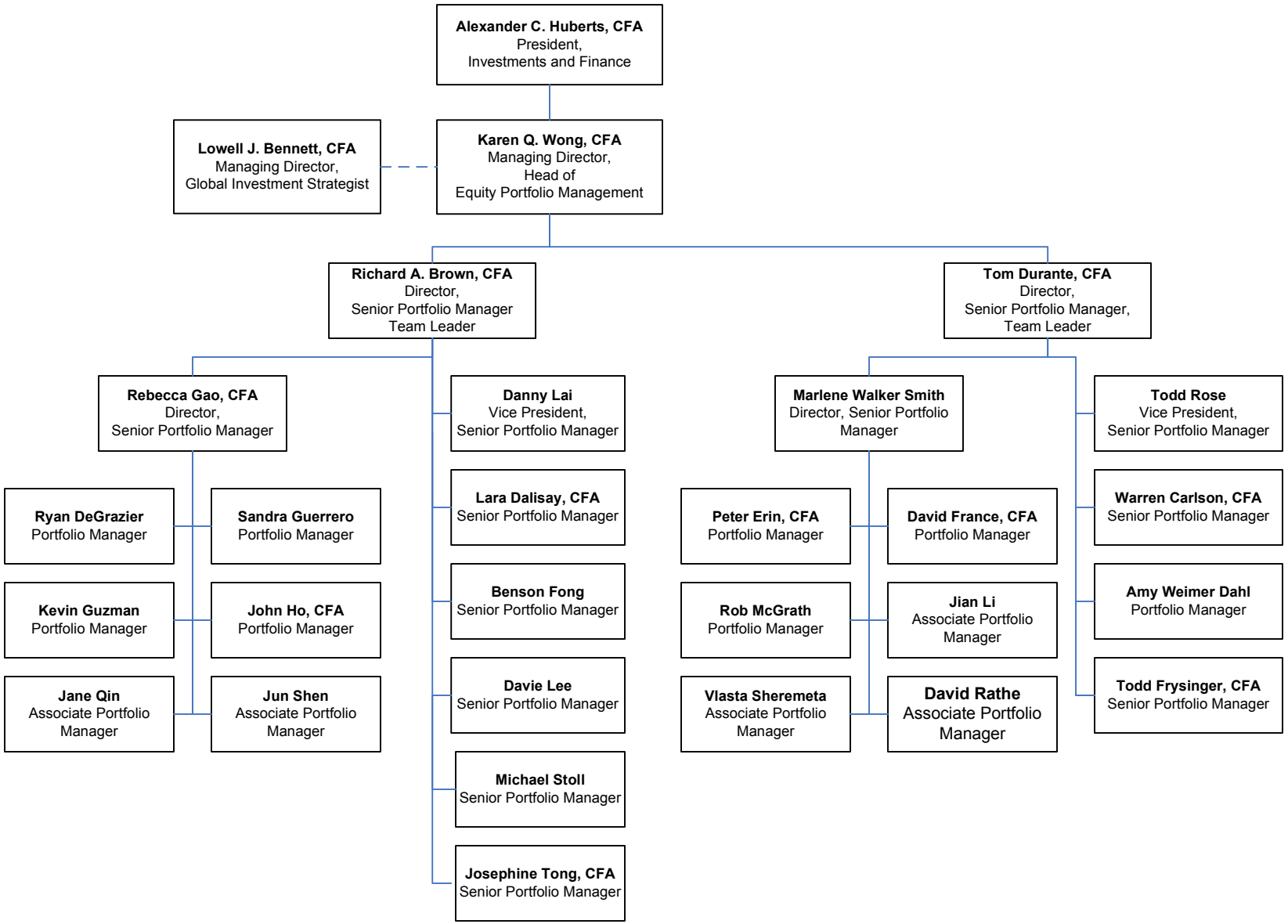
Senior Staff

Mellon Capital



8/2/2012

Investment Management—Equity Indexing



Alexander C. Huberts, CFA
President, Investments and Finance

Master's, Tilburg University, Netherlands, Economics and Finance
27 years of finance and investment experience
12 years at Mellon Capital

- Provides strategic leadership and firm-wide oversight for portfolio management, research, trading, finance, and performance measurement. Portfolio manager of the ECS-Fund
- Previously chief investment officer and founder of Coefficient Global®, a business unit of Standish Mellon Asset Management, specializing in quantitative investment strategies
- From 2003-2006, chief investment officer of Standish, responsible for over $150 billion in fixed income assets
- From 1992 to 2003, head of asset allocation and director of research at Mellon Capital where he co-developed GTAA; responsible for portfolio management in domestic, international and global asset allocation strategies
- From 1985-1992, worked on quantitative stock selection at Concord Capital Management, a global macro strategy at AMRO Bank, and at the Ministry of Finance in the Netherlands
- Extensive finance and investment expertise, including publications in *The Journal of Portfolio Management*, *The Journal of Investing* and *The Financial Analysts Journal*
- Awarded the 1995 Graham and Dodd scroll for outstanding financial research
- Chair of Investment Management Committee
- Member of Mellon Capital's Board of Directors, Executive Planning Committee, Fiduciary Committee, Investment Strategy Review Committee, IT Steering Committee, New Product Committee, Risk Management Committee, Senior Management Committee, and Trade Management Oversight Committee

Karen Q. Wong, CFA
Managing Director, Head of Equity Portfolio Management

M.B.A., San Francisco State University, Finance
B.S. San Francisco State University, Accounting and Statistics
13 years of investment experience
12 years at Mellon Capital

- Head of equity portfolio management responsible for overseeing all passive equity indexing strategies, including exchange traded funds (ETFs)
- Responsible for refinement and implementation of the equity portfolio management process
- Member of the Senior Management Committee, Investment Management Committee, Risk Management Committee, Fiduciary Committee, and Trade Management Oversight Committee
- Prior to joining Mellon Capital, worked as a security analyst at Redwood Securities
- Member of CFA Institute and the CFA Society of San Francisco
- Member of S&P Index Advisory Panel and Russell Index Client Advisory Board

Lynn Challenger
Managing Director, Head of Global Trading

B.A., University of California, Berkeley, Business Administration
22 years of investment experience
6 years at Mellon Capital

- Manages the global trading desk responsible for the execution of Mellon Capital's strategies
- Prior to joining Mellon Capital, worked as the director – head of North American FX Options Trading at Dresdner Kleinwort
- Previously worked as vice president, derivatives training at WR Hambrecht + Company and head of Asian FX Options at Credit Suisse First Boston
- Former CEO and Founder of Mercator Associates
- Began career in 1991 trading FX Options for O'Connor and Associates
- Chair of Trade Management Oversight Committee and Charity Committee, member of the Sovereign Risk Committee and Investment Management Committee
- NYSE Euronext Institutional Traders Advisory Committee (ITAC) member since 2011
- The New York Federal Reserve Bank's Foreign Exchange Committee (FXC) member since 2012

Lowell J. Bennett, CFA
Managing Director, Investment Strategist

M.B.A., Stanford University, Finance
B.S., Stanford University, Industrial Engineering
25 years of finance and investment experience
15 years at Mellon Capital

- Responsible for working with clients to fashion practical viable investment solutions to meet their needs, and for articulating investment strategies, results and developments to clients
- Actively involved in the development and implementation of new strategies, the refinement of current strategies, and providing global investment knowledge, expertise and experience to the investment process
- Previously portfolio manager for active and index portfolios
- Prior to joining Mellon Capital, performed research focusing on prepayment and index modeling and risk management, and worked as a senior strategist at Merrill Lynch
- Member of the Mellon Capital Fiduciary Committee
- Member of the CFA Institute and CFA Society of San Francisco

Anjun Zhou
Managing Director, Head of Multi-Asset Research

Ph.D., University of Illinois at Urbana-Champaign, Finance
M.A., Peking University, International Finance and Economics
B.A., Peking University, Business Administration
11 years of investment experience
2 years at Mellon Capital

- Responsible for enhancing investment strategies, improving risk controls, developing new strategies and providing leadership to the central research team across all asset classes
- Prior to joining Mellon Capital, was an executive director of global macro and asset allocation at Morgan Stanley, responsible for research and product development for GTAA institutional accounts and retail funds
- Prior to Morgan Stanley, was vice president at Deutsche Asset Management, responsible for developing quantitative strategies in the multi-asset class framework for Quantitative Strategies Group and a proprietary trading and hedge fund group
- Previously, principal at State Street Global Advisors, responsible for quantitative research and product development for global active strategies in multiple asset classes
- Author of a number of publications on volatility modeling, innovative approach on stock selection and studies on market economy

Thomas J. Durante, CFA
Director, Senior Portfolio Manager, Team Leader

B.A., Fairfield University, Accounting
30 years of investment experience
12 years at Mellon Capital*

- Heads a team of portfolio managers covering domestic and international equity indexing portfolios
- Responsible for refinement and implementation of the equity portfolio manager process
- Prior to joining Mellon Equity Associates, LLP, worked in the fund accounting department for Dreyfus
- Member of the CFA Institute and the CFA Society of Pittsburgh

Richard A. Brown, CFA
Director, Senior Portfolio Manager, Team Leader

M.B.A., California State University at Hayward
17 years of investment experience
17 years at Mellon Capital

- Heads a team of portfolio managers covering domestic and international equity indexing portfolios
- Responsible for refinement and implementation of the equity portfolio management process
- Member of CFA Institute and the CFA Society of San Francisco

Mellon Capital Management Corporation's Best Execution Manual

I. *INTRODUCTION* **2**
II. *BEST EXECUTION* **3**
A. General Principles and Policy 3
1. Trade Management Oversight Committee ("TMOC"). 3
a. Implementation of a Trade Evaluation Process. 4
b. Broker Evaluation Process. 7
c. Quarterly TMOC Review 8
d. Communication with Senior Management 8
2. Firm-Wide Trading Policies 8
a. Statement of Policy on Allocation of Transactions Among Clients 9
b. Approved Brokers 9
c. Statement of Policy on Brokerage Practices 9
d. Trade Management 9
B. Additional Firm-Wide Trading Policies to be Implemented 9
APPENDIX A **10**
Mellon Capital Management Corporation's Statement of Policy on Allocation of Transactions Among Clients 10
APPENDIX B **12**
Mellon Capital Management Corporation's Policies on Approved Brokers 12
Dealing with Broker-Dealers 12
Qualification of Broker-Dealers 12
Review of Brokers 13
APPENDIX C **14**
Mellon Capital Management Corporation's Statement of Policy on Brokerage Practices 14
APPENDIX D **16**
Mellon Capital Management's Trade Evaluation Form 16

I. *INTRODUCTION*

This Best Execution Manual (the "Manual") has been prepared for use by Mellon Capital Management Corporation's ("Mellon Capital") Trading Department.

The Best Execution Manual includes Mellon Capital policies and procedures pertaining to broker selection and evaluation, commission review and trade evaluation, conflict avoidance, directed and minority brokerage arrangements and trade allocation, as well as describes the function of the Trade Management Oversight Committee ("TMOC").

The information set forth in this Manual is intended to assist Mellon Capital personnel in their daily activities and decisions.

II. *BEST EXECUTION*

A. General Principles and Policy

Mellon Capital Management Corporation ("Mellon Capital"), as an SEC registered investment adviser, has a fiduciary responsibility to act always in the best interests of its clients and to place the interests of its clients before our own, including seeking to obtain "best execution" for its client's transactions. Mellon Capital is conscious of this responsibility when developing and implementing a client's investment strategy. To help meet its fiduciary responsibility when implementing an investment strategy for its clients, Mellon Capital has adopted the following set of policies and procedures that are intended to (1) ensure that we seek best execution for client transactions, and (2) enhance oversight of Mellon Capital's trading function and monitoring procedures.

This manual focuses on establishing policies, processes, disclosures, and documentation procedures, which together, form a systematic, repeatable, and demonstrable approach to seeking best execution of our client's transactions in the aggregate. Mellon Capital's obligation to seek best execution of client's transactions must be evaluated considering the circumstances surrounding the transactions.

In accordance with guidelines published by the Securities and Exchange Commission (the "Commission") it is a firm policy of Mellon Capital that it must seek to:

.[1] "execute securities transactions for clients in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances. A money manager should consider the full range and quality of a broker's services in placing brokerage including, among other things, the value of research provided as well as execution capability, commission rate, financial responsibility, and responsiveness to the money merger…The determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution for the managed account. In this connection, money managers should periodically and systematically evaluate the execution performance of broker-dealers executing their transactions.

Mellon Capital fulfills its obligation to seek best execution for its clients as follows:

1. Trade Management Oversight Committee ("TMOC")

   In connection with meeting its "best execution" obligation as described above, Mellon Capital's TMOC is responsible for evaluating the firm's trade management policies and procedures and for making recommendations, when appropriate, to senior management to improve the firm's trading practices. When

1. See SEC Release No. 34-23170 (April 30, 1986).

evaluating the firm's trading policies and procedures, the TMOC may consider relevant factors such as, but not limited to changes in market forces, availability of risk capital, market fragmentation, liquidity, and decimalization. To adequately fulfill its mandate, the TMOC meets formally on a quarterly basis, with more frequent meetings scheduled as needed. The TMOC is chaired by the Head of Global Trading and its members consist of the President of Investments and Finance, COO, CCO, and Managing Directors from the following portfolio management departments: Fixed Income, Asset Allocation, Active Equity and Passive Equity, as well as personnel representing trading and trade clearing.

a. Implementation of a Trade Evaluation Process

An effective Trade Evaluation Process provides important information that can help Mellon Capital analyze trading effectiveness. Different asset classes and account strategies require different methods for assessing the relative importance of the best execution factors. Generally, Mellon Capital takes into account, but not limited to, the following criteria when determining the relative importance of the best execution factors:

- The characteristics of the client;
- The characteristics of the client order;
- The characteristics of the financial instrument;
- The characteristics of the execution venues or entities to which the orders can be directed.

Equities

Mellon Capital's Trading Department shall be responsible for conducting periodic trade analysis for equity trade lists. The Trading Department conducts their analysis utilizing various pre and post trade reports, each serving a different purpose and providing a corresponding methodology for conducting the analysis for types of trading benchmarks (i.e., MOC, intra-day, etc.) while factoring in such relevant factors as liquidity and broker experience. Mellon Capital's Trading Department is responsible for documenting the trade analysis process and maintaining the appropriate records.

Fixed Income

Due to the nature of the fixed income market, and the fact that each trade is closely scrutinized prior to execution, the fixed income department evaluates brokers engaging in the trades as closely as the trades themselves. The theory behind this process is based on the premise that a broker's potential to provide an executable price, within the context of a security's fair market

value, is determined beforehand and thus the best indication of their eligibility for inclusion in the trading process. An explanation of the process to determine fair market value is provided in the Trading Department Procedures manual. This process is applied to all types of trades including: competitive, negotiated and program.

The formal "Trade Evaluation" form is used to evaluate a broker for randomly sampled fixed income trades. On this form, the following areas are scrutinized for acceptability: Execution and Settlement. Settlement encompasses trade failures and/or problems as reported by Mellon Capital's trade clearing department.

Additionally, using the asset class evaluation questions as a guideline, each class is scrutinized to determine the broker's capabilities within that asset class. Where applicable, electronic trading platform information is reviewed and incorporated into the evaluation process .Finally, a recommendation is made as to whether or not a broker should be involved in the trading of a security from that asset class. A ranking versus its peers is assigned to the broker to aid in the broker selection process.

Forward Foreign Exchange

Transactions are executed via an electronic trading platform or telephone with the approved counterparties. Execution of the trade will vary and will be dictated by the terms of the client agreement i.e. competitive quotes from approved counterparties are sought where the client agreement permits, or the client's custodian is used to execute the trade where the agreement specifies this approach.

To evaluate best execution in foreign exchange, the traders create a post trade report that analyzes various benchmarks and current market conditions. For forward foreign exchange, traders complete a formal "Trade Evaluation" from to evaluate randomly sampled foreign exchange trades. Copies of these reports are then reviewed by TMOC.

Exchange Traded Derivatives

Transactions in exchange traded derivatives are typically routed through executing brokers which contract with the clearing broker via a standard give-up agreement. Executing brokers are

selected based on their market share, physical presence, market knowledge and technology.

Traders evaluate every trade to ensure execution matches trading instructions. For large complex trades, the traders will create a post trade report that analyzes various benchmarks and trade performance. Traders also complete a formal "Trade Evaluation" form to evaluate randomly sampled trades. Copies of these reports are then reviewed by TMOC.

Over the Counter Derivatives

Where multiple prices are not available on a single electronic platform, such as in the case of over-the-counter derivatives, Mellon Capital may seek multiple price quotes for comparison where liquidity permits, but for larger transactions and/or transactions in less liquid markets it may be more appropriate to select a single venue.

Trade Evaluation Process

The Trading Department is responsible for the oversight of the Trade Evaluation process for Passive and Active Equities. Trades are reviewed daily by the Head of Global Trading using ITG, a third party analytics provider. Trade detail is evaluated on price at which the securities were traded, number of shares, commission rate, and benchmark comparison and market conditions. Quarterly, trading activity is reviewed using ITG and compiled into various Best Execution analysis reports. To ensure a fair review, all equity trading activity is separated by active and passive trading and then summarized. The Best Execution reports are reviewed by the Global Head of Trading, and then presented to TMOC on a quarterly basis..

The Compliance Department is responsible for monitoring the trade evaluation process for Fixed Income, Forward Foreign Exchange, Exchange Traded Derivatives and Over the Counter Derivatives. To ensure a fair and unbiased review of the trading process, Compliance will conduct a random sampling of the Trading Department's post-trade analysis. On various and unspecified days, Compliance will request that the Trading Department complete a formal Trade Evaluation Form ("TE Form") for selected executed trade lists. The TE Form is designed to evaluate broker execution based on factors, such as:

- the price at which the securities were executed,
- number of shares traded,
- commission rate,
- benchmark comparison of the trade,

- deviations from the benchmark (e.g. market conditions),
- how well the broker followed instructions, and
- any other particular issues.

The Trading Department will forward an electronic copy to Compliance. The Head of Global Trading will review and approve the TE Forms. Compliance will maintain the report with the corresponding daily trade analysis documentation. The Head of Global Trading will be responsible for summarizing these findings for the TMOC on a quarterly basis.

b. Broker Evaluation Process

The Trading Department is responsible for providing the TMOC a documented review of the quality of services received from brokers on an annual basis. The TMOC will review such reports and assist the Trading Department in the regular review of the quality of services received from brokers. In striving to improve its trade management process, TMOC shall take appropriate steps to ensure that the brokers Mellon Capital frequently uses are capable of delivering best execution on an aggregate basis over time. A broker's ability to achieve best execution may be adversely affected by certain changes in market conditions and its settlement capabilities. The TMOC review considers each of the broker's characteristics and alternative trading options. To effectively rate the brokers, the Trading Department and Trade Settlements Department complete an annual broker survey. The broker survey is designed to evaluate brokers based on three Categories: Execution, Technology and Settlement. Each of those Categories contains several Factors that are rated on a scale between 1(Excellent) and 5 (Poor). Any rating 3 or higher requires additional details. The Factor scores are subtotaled for each Category. A Category weighting is then applied to the Category subtotals (Execution 40%, Technology 20% and Settlement 40%). These weighted Category scores are then added together to form an overall rating. Brokers with an Overall rating above 3 will be placed on a "Watch" list and evaluated by the TMOC on a quarterly basis. Additionally, at each meeting all TMOC members are required to report any problems or issues that have arisen in their department with any broker since the last meeting. These issues will be recorded by the TMOC and may require further follow-up or actionable response, as deemed necessary. The TMOC reserves the right to amend the broker evaluation procedures as necessary.

c. Quarterly TMOC Review

On a quarterly basis, the Trading department will provide TMOC with a documented review of its trade analysis and will include the following reports:

1) A complete summary of all formal TE Forms conducted for the appropriate quarter also including any broker issues that were highlighted outside of the formal review process,
2) ITG Trading Report for Passive and Active Equities.
3) Soft Dollar Commissions Report for Active Equity.
4) Broker Commission Reports demonstrate the amount of commissions received for all assets types by each broker for each year.
5) Broker Evaluation Watch List (if any)

These reports will assist in providing conclusions to the TMOC as to the quality of the executions.

d. Communication with Senior Management

As a result of these meetings and reviews, matters may arise that require the review and or attention of the firm's senior management committee. As a matter of policy, any substantial changes to the firm's business practices proposed by the TMOC will be brought to the attention of the firm's senior management. This will be the responsibility of the TMOC Chairperson. Once the Chairperson has a reasonable basis to conclude that senior management has reviewed and approved the proposal, the TMOC can implement the new policy/procedure. Any questions or modifications requested by senior management should be addressed with TMOC for discussion and potential updating. TMOC should consist of some members who also sit on senior management committee to ensure the Chairperson has fully executed his obligation to have senior management review new proposals.

2. Firm-Wide Trading Policies

Mellon Capital has established trading policies and procedures that are designed to emphasize Mellon Capital's fiduciary responsibility to seek best execution. These policies and procedures have been documented and made available to clients upon request. A description of such trading policies follows.

a. Statement of Policy on Allocation of Transactions Among Clients

Mellon Capital's Statement of Policy on Allocation of Transactions Among Clients ("Trade Allocation Policy") is designed to assure fair treatment of all Mellon Capital clients in situations where two or more clients' accounts participate simultaneously in a buy or sell program involving the same security. ***(See Appendix A)***

b. Approved Brokers

Mellon Capital's Policy on Approved Brokers is designed to provide for the formal review and approval brokers for use in trading, while providing parameters and guidance on conflict avoidance. ***(See Appendix B)***

c. Statement of Policy on Brokerage Practices

Mellon Capital's Statement of Policy on Brokerage Practices is designed to reaffirm the principle of seeking "best available price and most favorable execution" with respect to portfolio transactions. This principle recognizes that commissions on portfolio transactions must be negotiated and utilized for the ultimate benefit of clients. ***(See Appendix C)***

d. Trade Management

Mellon Capital has implemented these trade management policies and procedures designed to help identify and manage actual and potential conflicts of interest resulting from trading activities**.** Conflicts should be reduced or avoided whenever possible, as they may impair Mellon Capital's ability to seek best execution. The TMOC continually works to identify actual and potential conflicts resulting from trading activities.

B. Additional Firm-Wide Trading Policies to be Implemented

As part of its mandate and Mellon Capital's fiduciary responsibility to seek "best execution" for Mellon Capital clients, the TMOC shall continue to develop trading policies and procedures to address various other issues.

APPENDIX A

Mellon Capital Management Corporation's Statement of Policy on Allocation of Transactions Among Clients

The basic purpose of this policy is to ensure fair treatment of all clients of Mellon Capital Management Corporation ("Mellon Capital") in situations in which two or more clients' accounts participate simultaneously in a buy or sell program involving the same security. Pursuant to this policy, Mellon Capital will seek to aggregate or "block trade" orders that are placed by a portfolio manager or multiple portfolio managers for Mellon Capital clients' accounts concurrently. Essentially, this policy is structured on the basis of pro rata allocation, the belief being that in most instances a pro rata allocation will assure fairness. However, the policy recognizes that no rigid formula will always lead to a fair and reasonable result, and that a degree of flexibility may be needed to adjust to specific circumstances is necessary. Therefore, under certain circumstances, allocations on a basis other than strictly pro rata is permitted if it is believed that such allocation is fair and reasonable. The overriding principle to be followed in applying the following guidelines is to be fair and reasonable to all clients and to avoid even the appearance of any favoritism or discrimination among clients. Mellon Capital does not trade for proprietary accounts of Mellon Capital nor for its directors, officers or employees with clients' trades.

The following guidelines should serve to implement this policy:

General Rule:

The use of pro rata allocations is based on the average price of the transactions. Except as provided in the following paragraphs, the executed portion of a transaction combining two or more accounts will be allocated as near as practicable on a pro rata basis (to the nearest tradable lot), with each account involved receiving approximately a percentage of the executed portion of the order based upon each account's percentage of the entire order. Transaction costs, including brokerage expenses, are shared based on each client's participation in the transaction. This procedure will apply to all accounts which are participating in the execution under precisely the same trading circumstances (price limits, time of entry, etc.). Allocations are done at the end of the day based on the original allocation methodology as detailed on the Trade Authorization submitted by the portfolio manager(s) and securities are not held collectively any longer than is necessary to settle the purchase or sale on a delivery versus payment basis.

Exceptions from the General Rule:

1. If the pro rata allocation would result in a number of shares being allocated to a particular account that is insignificant in relation to the size of the account and the total amount authorized to buy or sell in that account, then the individual portfolio manager may determine an allocation that he or she deems fair and reasonable to all of his or her accounts that are involved in the order. However, all such deviations from pro rata involving such judgments should be documented on the trading records as to the basis of the reasoning, and provide the Chief Compliance Officer or his designee a basis for reconstructing the allocation methodology sufficient enough to verify the account manager is acting without bias.

2. **Exceptions for Cash creates for Exchange Traded Funds**

   Exchange traded funds that accept cash in lieu of stocks during a creation or redemption order are an exception to the execution policy of Mellon Capital. Because the risk of the trade is placed on the Approved Provider (AP) and not the fund, each order is treated independent of the other. For example, if two like orders arrive at the trading desk at the same time but for different APs, then Mellon Capital may execute each order individually and apply the best execution mandate independently. Further, each order may receive different average prices and the orders may not be pro-rata allocated.

3. **The Allocation of Combined Orders Entered on the Basis of News Events or a Sense of Urgency to Trade:**

   The portfolio manager will place all such incoming orders on an equal time basis in calculating the pro rata allocation and the average price, provided that the time lapses between contact and order receipt appear reasonable in relation to the decision-making process on the part of the money managers involved.

4. **IPOs:**

   IPO's raise special allocation issues because the opportunities to invest in such offerings are limited as they are often over-subscribed. Further, so-called "hot" IPO's can offer the potential for significant profits through short-term trading. In recognition of the special circumstances presented by IPO's, the following guidelines exist:

   a) Indications of interest with the account breakdown are provided to the equity trader by the portfolio manager prior to the pricing of the offering.
   b) If the allocation is a partial fill, it will be allocated on a pro rata basis.
   c) If the allocation to the account is de minimis, the portfolio manager may determine to reallocate to the other participants in a fair and equitable fashion.
   d) Any deviation from pro rata distribution will be approved in writing by Mellon Capital's President of Investments and Finance or such persons or his/her designee.

Implementing the Policy:

It will be the responsibility of the portfolio manager and the Trading Department to carry out the above policy and to provide the necessary documentation for the procedures involved.

Interpretation and Changes to Policy:

Mellon Capital's President of Investments and Finance or his/her designee reserves the right to interpret and modify this policy in his discretion as deemed necessary. Such interpretations or changes will be based on what he believes is fair and reasonable for Mellon Capital's clients.

APPENDIX B

Mellon Capital Management Corporation's Policies on Approved Brokers

(Equity and Fixed Income Products)

Dealing with Broker-Dealers

In dealing with broker-dealers and their related organizations, it is Mellon Capital Management Corporation's ("Mellon Capital") policy to avoid conflicts of interest between Mellon Capital and such broker-dealers (or their related organizations) as conflicts might affect the exercise of its best judgment in effecting such dealings. It is Mellon Capital's policy to not engage in transactions (principal or agency) with any broker-dealer affiliated with The Bank of New York Mellon Corporation or its affiliates. Additionally, Mellon Capital will not trade with particular broker-dealers for certain accounts where the transaction may be deemed a non-exempt "prohibited transaction" pursuant to the Employee Retirement Income Security Act ("ERISA").

At a minimum, the Compliance Department monitors transactions with brokers on a monthly basis to ensure that the firm does not trade with affiliated brokers. The list of broker transactions is compared to those brokers listed on Mellon Capital's approved brokers list (which excludes those that are affiliated with Mellon Capital).

No officer, employee, or director of Mellon Capital shall inform any broker-dealer not concerned in the execution of a transaction, or any other person outside the firm, of any portfolio changes in a client's account, whether proposed or in process.

Qualification of Broker-Dealers

The Bank of New York Mellon Corporation ("BNY Mellon"), Mellon Capital's parent company, maintains a broker selection policy designed to effectively manage the risk of selecting and retaining brokers used to execute trades. BNY Mellon Corporate Risk Management Department approves executing brokers/dealers for use by all BNY Mellon subsidiaries. In no event will the fact that an executing broker may clear through a BNY Mellon affiliate or have a clearing arrangement with a BNY Mellon affiliate be considered as part of the broker selection process.

BNY Mellon Corporate Risk Management Department makes available to the investment entities an Approved Brokers List consisting of two lists of approved brokers; one for brokers approved for use in all trades ("All Trades List") and another list for brokers who are approved for use in Delivery Versus Payment trades only ("DVP Trades Only List"). The two lists are reviewed, updated and distributed at least quarterly or more frequently to reflect changes to the lists. Only the specific legal entities named on the lists are approved for executing trades.

BNY Mellon investment entities may submit requests for brokers to be added to both approved lists. The request must indicate to which list the investment entity is seeking to have the broker added, and the specific legal entity being requested. The requests should also have the following information (as applicable):

- Audited Financial Statements

- Focus Report (X-17 A-5 Part II)
- For Non-Self Clearing Firms, Legal Entity Name of Clearing Firms Used by Executing Broker
- Name of Parent Company
- If Subsidiary, Amount of Ownership
- Contact Information for Requested Broker
- Specific Reason for Wanting to Use the Broker Rather than using a Broker Already on the List

BNY Mellon Corporate Risk Management Department will review various criteria such as broker/dealer's financial soundness, regulatory capital, parent affiliation, market presence, available agency ratings and other industry information. Criteria for evaluating broker/dealers for inclusion on the "All Trades List" are more stringent and include additional factors such as implied or explicit level of government support. Upon completing the review, BNY Mellon Corporate Risk Management Department notifies the requesting investment entity whether the specific broker dealer will be placed on the "DVP Trades Only List" or "All Trades List".

In addition to the BNY Mellon broker approval process described above, Mellon Capital maintains an Approved Brokers List, which is a subset of BNY Mellon's Approved Brokers list (consisting of "DVP Trades Only List" and "All Trades List"). All brokers used by Mellon Capital must be on the Mellon Capital Approved Brokers List as well as BNY Mellon's Approved Brokers List. All requests to trade with a broker that is not currently on Mellon Capital's Approved Brokers List must be submitted to Mellon Capital's Trade Management Oversight Committee ("TMOC") for review and approval prior to trading.

Once specific broker is approved by TMOC, Mellon Capital's Compliance Department will amend Mellon Capital's Approved Brokers List accordingly.

Please note that trades may be placed with non-approved brokers when there is a business reason to do so, but must be noted as an exception on the trade authorization and approved by the Managing Director of Fixed Income Management or the Head of Global Trading,

Review of Brokers

The brokers listed on Mellon Capital's Approved Brokers List and any proposed changes to the list are reviewed and approved annually (or more frequently, as necessary) by TMOC. Brokers are approved based upon the criteria outlined above.

Brokers are also monitored by BNY Mellon's Corporate Risk Management Department for continued compliance. In addition to ongoing due diligence and quarterly review, a detailed annual review is conducted for all approved brokers. This review consists of verification of a clean audit opinion and compliance with regulatory capital requirements, a review of notes to the financial statements, and a comparison of key data to the prior year.

Mellon Capital's policy pertaining to counterparty approval process for over-the-counter derivative products is outlined in the Mellon Capital's Fiduciary Committee Policy for Counterparty Approval.

APPENDIX C

Mellon Capital Management Corporation's Statement of Policy on Brokerage Practices

As of May 1, 1975, all national securities exchanges were prohibited from allowing their members to charge fixed rates of commissions on the execution of transactions. This prohibition resulted from the passage by Congress of the Securities Acts Amendments of 1975 which amended the Securities and Exchange Act of 1934.

In recognition of these regulatory changes, Mellon Capital Management Corporation ("Mellon Capital") has adopted this Statement of Policy on Brokerage Practices with respect to commissions paid on portfolio transactions executed on behalf of our clients. It is the responsibility of the traders to carry out this policy, including the fiduciary responsibility of negotiating the amount of the brokerage commission for each transaction.

Essentially, this policy reaffirms the principle of seeking "best available price and most favorable execution" with respect to all portfolio transactions. This principle recognizes that commissions on portfolio transactions must be negotiated and utilized for the ultimate benefit of clients.

Mellon Capital's brokerage commission policy is as follows:

1. Mellon Capital will continue to seek to obtain the best available price and most favorable execution with respect to all portfolio transactions executed on behalf of clients.

2. "Best available price and most favorable execution" is defined to mean the execution of a particular investment decision at the price and commission which provides the most favorable total cost or proceeds for the client reasonably obtainable under the circumstances.

3. In selecting a broker for each specific transaction, Mellon Capital will use its reasonable judgment to choose the broker most capable of providing the brokerage services necessary to obtain best available price and most favorable execution. The full range and quality of brokerage services available will be considered in making these determinations. Brokers may be selected on the basis of the quality of such "brokerage services" related to the requirements of the specific transaction. For example, capable floor brokers or traders, competent block trading coverage, good communications, ability to position, retail distribution and underwriting, use of automation, research contacts, arbitrage skills, administrative ability, or provisions of market information relating to the security. Mellon Capital will continue make periodic evaluations of the quality of these brokerage services as provided by various firms and to measure their services against Mellon Capital's own standards of execution. Brokerage services will be obtained only from those firms which meet our standards, maintain a reasonable capital position, and can be expected to reliably and continuously supply these services. Mellon Capital will endeavor to develop and maintain brokerage contacts and relationships in the interest of providing our clients with maximum liquidity.

4. Mellon Capital is not obligated to choose the broker offering the lowest available commission rate if, in its best judgment, there is a material risk that the total cost or proceeds from the transaction might be less favorable than obtainable elsewhere. Mellon Capital will endeavor to keep informed of rate structures offered by the brokerage community. In the selection of brokers, Mellon Capital will not solicit competitive bids or "shop" the order for a lower rate if this would, in its reasonable judgment, be harmful to the execution process and not in the best interests of clients.

5. In those instances where it is reasonably determined that more than one broker can offer the brokerage services needed to obtain the best available price and most favorable execution for a given

client, consideration will be given to those brokers that supply research and other services in addition to execution services. Such services may include factual and statistical information or other items of supplementary research assistance. However, Mellon Capital will not select an executing broker on the basis of research or other services unless such selection is otherwise consistent with best available price and most favorable execution.

6. In no event will Mellon Capital enter into agreements, expressed or implied, with broker/dealers wherein Mellon Capital would select a firm for execution as a means of remuneration for recommending Mellon Capital as an investment adviser for prospective or present clients. However, portfolio transactions may be executed through broker/dealers who have made such a recommendation, if otherwise consistent with best price and most favorable execution.

7. In those instances where a client has expressed a preference for a particular broker, that broker will be selected only when the broker is determined, in Mellon Capital's reasonable judgment, to be capable of providing the best available price and most favorable execution. Where a client has directed Mellon Capital to execute transactions with one or more specific brokers, Mellon Capital will follow such direction and assume no responsibility for seeking the best available price and most favorable execution. Where a client has directed Mellon Capital to provide a given amount of commissions to a specific broker in return for the provision of a service by that broker to the client, Mellon Capital will follow such direction in such manner as Mellon Capital deems to be consistent with its contractual and legal responsibilities.

In connection with meeting its "best execution" obligation as described above, Mellon Capital's TMOC is responsible for evaluating the firm's trade management policies and procedures and for making recommendations, when appropriate, to senior management to improve the firm's trading practices. When evaluating the firm's trading policies and procedures, the TMOC may consider relevant factors such as changes in market forces, availability of risk capital, market fragmentation, liquidity, and decimalization. To adequately fulfill its mandate, the TMOC meets formally on a quarterly basis, with more frequent meetings scheduled as needed. The TMOC is chaired by the Head of Global Trading and its members consist of the President of Investments and Finance,, COO, CCO, and Managing Directors from the following portfolio management departments: Fixed Income, Asset Allocation, Active Equity and Passive Equity, as well as personnel representing trade clearing.

APPENDIX D

Mellon Capital Management's Trade Evaluation Form

TRADER:

EXECUTING BROKER:

BUY/SELL

TRADE DATE:

TRADE DATE LIST #:

ACCOUNT:

TOTAL SECURITIES:

TOTAL SHARES:

TOTAL DOLLARS:

COMMISSION RATE:

BENCHMARKS:

VARIANCES:

REASON FOR VARIANCE:

	EXCELLENT				POOR
EXECUTION RATING:	1	2	3	4	5

TRADER'S NOTES:

TRADE EVALUATION PROCESS:

REVIEW POST TRADE REPORT
COMPARE TRADE EXECUTIONS VERSUS TRADER'S BENCHMARK (CLOSE, VWAP, BID/OFFER STRIKE, PREVIOUS CLOSE)

NOTE VARIANCESTO BENCHMARK/TRADING INSTRUCTIONS
EXPLAIN ANY VARIANCES TO BENCHMARK (TRADER'S VS BROKER DECISION)

SELECT RATING FOR OVERALL EXECUTION

NOTE ANY ADDITIONAL INSTRUCTIONS OR SPECIAL CIRCUMSTANCES RELATED TO EXECUTIONS

Personal Securities Trading Policy

BACKGROUND:

The Bank of New York Mellon Corporation has established a comprehensive Personal Securities Trading Policy ("PSTP").

POLICY:

Mellon Capital has adopted The Bank of New York Mellon Corporation's PSTP requiring all employees to understand and comply with requirements per their classification under the PSTP and the associated responsibilities. Employees should also understand the implications per the Securities Firewall policy regarding separation of functions to protect material, non-public information from communication to BNY Mellon investment professionals. The Bank of New York Mellon's Ethics Office shares responsibility for administering the PSTP with the Preclearance Compliance Officer ("PCO") at the individual subsidiaries, including Mellon Capital. Please refer to The Bank of New York Mellon Corporation's Personal Security Trading Policy.

Mellon Capital's Compliance Department is responsible for the following activities for all full-time employees:

- Providing employees with guidance on the components of the PSTP;
- Designation of employee classification, including recommendations to the Investment Ethics Committee ("IEC") for classification of Access Decision Makers (new hires and transfers). All employees are classified as Investment Employees, unless they are employed within the Active Equity Group and as such are either classified as Access Decision Makers ("ADM") or MicroCap Access Decision Makers ("MCADMS"). Mellon Capital classifies each employee accordingly and submits back to the Ethics Office with a copy to Compliance for review;
- Conducting new employee orientation;
- Maintaining the list of restricted securities for use in manual preclearance;
- Manual preclearance of securities as necessary;
- Receiving private placement requests and forwarding to the Ethics Office;
- Reporting violations to the Mellon Capital Board of Directors; and
- Record retention for all activities enumerated above.

Full-time employees of Mellon Capital have the following responsibilities:

- Read the Policy and comply with it - in this regard, employees should comply with the spirit of the Policy as well as the strict letter of its provisions.
- Know how you are classified under the Policy.
- Be aware that you are personally liable for any improper or illegal acts committed during the course of your employment, and that "ignorance of the law" is not a defense.
- Understand that certain violations of law may subject you to civil penalties such as fines, regulatory sanctions including suspensions, as well as criminal penalties.
- Recognize that failure to comply with Policy may result in the imposition of serious sanctions, including but not limited to disgorgement of profits, cancellation of trades, selling of positions, suspension of personal trading privileges, dismissal, substantial personal liability and referral to law enforcement agencies or other regulatory agencies.
- Report known violations of the Policy to the BNY Mellon Ethics Office – the Ethics Help Line or the Ethics Hot Line (Ethics Point) may be used for this purpose.

The Bank of New York Mellon's Ethics Office is responsible for:

- Obtaining the Initial Statement of Accounts and Holdings within 10 days of start date and involving Mellon Capital Compliance in the event of employees failure to respond to repeated requests;
- Preparing Interested Party Letters on behalf of employees;
- Obtaining and reviewing brokerage statements;
- Matching broker confirms against approved preclearance requests;
- Obtaining the Annual Statement of Accounts and Holdings and reconciling to records;
- Identifying instances of short-term trading, failure to preclear, frequent or excessive trading, and trading Mellon securities not in accordance with policy restrictions;
- Overseeing the approval process for IPOs;
- Overseeing the approval process for private placements;
- Determining appropriate sanctions and communicating to employees regarding PSTP violations;
- Calculating disgorgement of profits discovered from short term trading and 7-day trading restrictions;

- Communicating disgorgement requirements to employees and collecting and distributing profits;
- Reporting violations, as necessary, to management, the BNY Mellon Board of Directors, the IEC and the PCO;
- Record retention for all activities enumerated above.

QUESTIONS:

Questions with this policy should be directed to Mellon Capital's Compliance department, Mellon Capital's Chief Compliance Officer and/or BNY Mellon Ethics Office as appropriate.

STANCERA DUE DILIGENCE QUESTIONNAIRE

Date: Thursday, September 6, 2012 1:00 – 2:30 pm

Company: Legato Capital Management
U.S. Small Cap Growth (Emerging Manager of Managers Program)

Site: San Francisco, CA

Reviewers: StanCERA Due Diligence Committee Members
StanCERA Staff
Strategic Investment Solutions (Investment Consultant)

Contacts: Victor Hymes
Adam Lawlor
Doug Porter

A. History, Ownership and Experience

A1. Please provide a description of your firm's history including years in business and historic ownership.

Legato was established on February 11, 2004, when we filed our Articles of Incorporation with the California Secretary of State. Legato has been registered with the U.S. Securities and Exchange Commission ("SEC") since August 2005. From October 2004 through September 2005, Legato was registered with the State of California.

Since its formation, Legato has focused on the construction of multi-manager portfolios and investment manager development through two business lines, Asset Management and Emerging Manager Development. In regards to Asset Management, Legato's multi-manager portfolios enable large institutional investors to tap into the potential of outstanding emerging investment managers while minimizing risk through diversification. Further, our clients can achieve these benefits while reducing manager specific risk and administrative and due diligence costs. For Emerging Manager Development, Legato, in partnership with institutional investors, identifies and assists in the development and strengthening of emerging manager firms.

Victor L. Hymes, CEO and Chief Investment Officer, and Forward Management, LLC ("Forward"), an SEC registered investment adviser, provided the capital for the formation of Legato. Forward is a limited partner to Legato, and Forward and Legato operate independently of one another. Legato Employee, LLC, a Delaware limited liability company, was organized in 2008 for the sole purpose of facilitating the transfer of Legato ownership profits interest to employees of Legato. Over the years, Victor L. Hymes, Legato's majority shareholder, and Forward have diluted their ownership shares for the purpose of transferring ownership to key employees through Legato Employee, LLC.

The chart below shows Legato's current ownership structure.

A2. List the total number of institutional clients and account assets gained and lost for this and each of the last five calendar years: (Firm-side Gain/Loss)

	Accounts Gained		Accounts Lost	
Date	Number*	$ Million	Number	$ Million
2012 (YTD)	0	0	1	$15.3
2011	1	$154	0	0
2010	5	$140	0	0
2009	1	$69.8	0	0
2008	5	$657.7	0	0

*For purposes of this chart, each manager in the CalPERS emerging manager development program is listed as a separate account.

Please also list the same information (assets gained and lost) as it specifically relates to the US Small Cap Growth Equity product that StanCERA has invested with Legato.

	Accounts Gained		Accounts Lost	
Date	Number	$ Million	Number	$ Million
2012 (YTD)	0	0	0	0
2011	0	0	0	0
2010	0	0	0	0
2009	0	0	0	0
2008	2	$67.6	0	0

A3. Describe the firm's underlying philosophy and mission statement.

At Legato, we are dedicated to engagement of the finest entrepreneurial talent for the purpose of leveraging their collective skill to enhance institutional investment performance. Our long-term objective is the production of competitive, risk-adjusted returns while providing industry-leading

client service. We believe the greatest stability of alpha can be achieved by combining high conviction entrepreneurial managers whose approaches are diversified.

Our goal is to create customized portfolios that are relatively style neutral to a client's benchmark. Strict guideline adherence enables proper diversification among investment managers, style, strategies, capitalization, and risk exposures.

- The multi-manager portfolios are constructed utilizing a universe of conviction ranked and approved managers from which we select managers for inclusion into customized portfolios to meet each client's goals and objectives.

- Legato's portfolio construction process is designed to integrate manager selection, asset allocation and risk management to deliver portfolios that aim to achieve consistent alpha, while reducing risk.

We believe that as the assets under management (AUM) of any investment manager increase, the probability of their producing competitive investment performance declines as it becomes increasingly more difficult for investment managers to efficiently implement their strategy. This tends to be true across all asset classes, but is particularly evident in capacity constrained asset classes such as micro, small and mid-cap equity. Therefore, Legato actively seeks entrepreneurial investment managers with total firm AUM of $2 billion or less, and the product AUM significantly lower than $1 billion for the capacity constrained asset classes.

A4. What have been the changes in staff in the past three years?
(Please list additions and departures for each staff person grouped by calendar year and include the position or role of that staff person).

Information provided upon request.

A5. Have your company or principal officer(s) been involved in any litigation or other legal proceedings over the past three years related to your investment activities?

During the past three years, Legato has not been involved in any litigation or other Legal proceedings related to our investment activities. To the best of our knowledge, Legato's principal officer(s) have not been involved in any litigation or other proceedings over the past three years related to Legato's investment activities.

A6. When did the SEC last audit your firm? Please note any material findings or recommendations.

The SEC conducted an examination of Legato in November 2009. We received a letter, dated August 2, 2010, from the SEC staff identifying their findings. Please see **Appendix A** for a copy of the SEC staff's letter and Legato's response.

B. Firm Overview: Ownership, Offices Organization, Clientele

B1. Please provide a description of your firm's ownership.

Legato is 65.26% owned by its employees and 56.92% minority owned. The remaining 34.74% is owned by Forward.

B2. Are there any anticipated changes in ownership in the next twelve months?

At this time, there are no anticipated changes in ownership in the next twelve months.

B3. List the city location(s) of your firm's office(s) and headquarter office.

Legato's headquarters/office is located at 111 Pine Street, Suite 1700, San Francisco, California.

B4. Are there any anticipated significant changes in the location of your office(s)?

There are no anticipated changes in the location of our office.

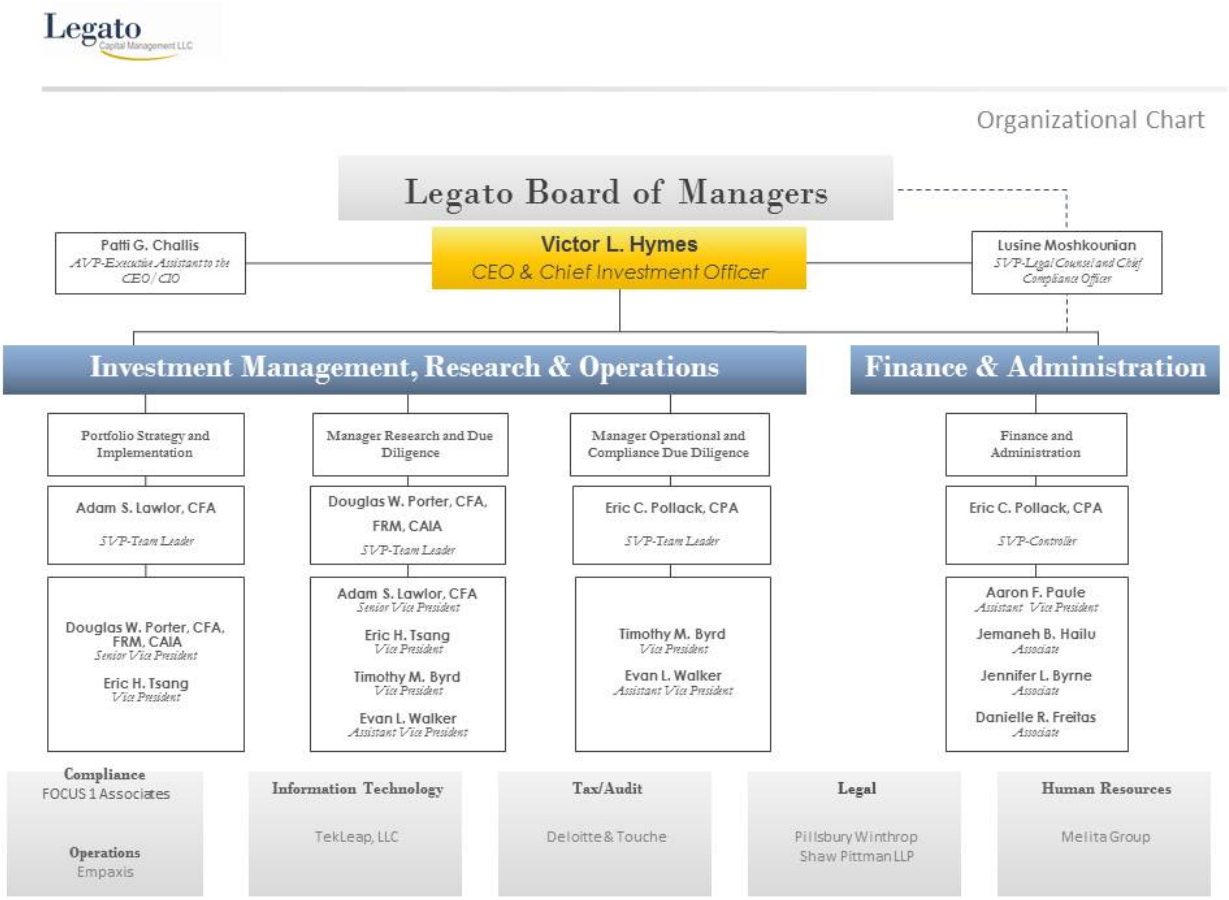
B5. Does your firm have a business continuity plan that would allow for the firm to occupy alternative office space in the event that your firm's current office space cannot be used due to some unforeseen disaster, interruption of necessary building services (such as electricity) or other reason?

Legato's business continuity plan ("BCP") was developed to minimize downtime and maximize recovery time in the event of a business disruption. In the event our facilities become inoperative due to a significant business disruption, the BCP provides for two alternative worksites. Furthermore, employees may access emails and network systems remotely from their homes or other locations if they are unable to travel to the alternative worksite due to the severity of the disruption.

B6. List the investment-related service(s) that your firm provides including investment mandate management, investment consulting, trading, brokerage, custodial or other services.

Legato is dedicated to providing investment management services through the multi-manager structure and development of emerging managers, and does not provider other services.

B7. Provide a firm-wide organization chart showing your firm's investment-related business and other supportive functions.



B8. Does your firm have any non-investment mandate management business?

No.

B9. List the number of institutional clients firm wide by asset size in each of the following categories:

Below is client account information as of August 31, 2012.

Account Size with Legato	Public Funds	Other Clients
$1 Million - $100 Million	3	4
$100 Million - $250 Million	4	1
$250 Million - $1 Billion	1	0
Over $1 Billion	0	0

Please also list the same information as it specifically relates to the US Small Cap Growth Equity product that StanCERA has invested with Legato

Below is client account information for U.S. Small Cap Growth Equity product as of August 31, 2012.

Account Size with Legato	Public Funds	Other Clients
$1 Million - $100 Million	2	0
$100 Million - $250 Million	0	0
$250 Million - $1 Billion	0	0
Over $1 Billion	0	0

C. Portfolio Team – US Small Cap Growth (Emerging Manager of Managers Program)

C1. Provide detailed biographical information for each member of the U.S. Small Cap Equity Growth portfolio team that is running the StanCERA portfolio including education, degree(s), certification(s), charter(s), and years with the firm and years in the industry.

Legato utilizes a team approach in the management of client portfolios. The Legato investment team is jointly responsible for all portfolio management decisions. Listed below are the members of Legato's investment team, who collectively have over seventy-five (75) years of institutional experience in portfolio management, manager research, quantitative analysis and risk management, global asset management business leadership, investment banking, plan sponsor leadership, investment team leadership, trading, operations and compliance, client service, and marketing.

Name	Title/Role	Years of Investment Experience		Credentials
		Industry	Firm	
Victor L. Hymes	CEO, CIO and Investment Team Member	29	8	MBA, BA
Adam S. Lawlor, CFA	Senior Vice President and Investment Team Member	20	8	BS
Douglas W. Porter, CFA, FRM, CAIA	Senior Vice President and Investment Team Member	11	2	BA
Eric C. Pollack, CPA	Senior Vice President and Investment Team Member	19	1	MBA, BS

Victor L. Hymes is the CEO and CIO of Legato. Prior to founding Legato in 2004, he held the positions of CIO and Chief Operating Officer at Cazenave Partners, LLC. Mr. Hymes spent 10 years managing investment portfolios for public and corporate pension funds, Taft-Hartley and eleemosynary clients at Scudder, Stevens & Clark, Inc. Early in the year 2000, following Scudder's reorganization as Zurich Scudder Investments, Inc., Mr. Hymes headed Zurich's $80 billion North American institutional business. He has also spent nearly a decade with Goldman, Sachs & Company and Kidder, Peabody & Company. Mr. Hymes has 29 years of investment experience, and holds an MBA from the Stanford University Graduate School of Business and a bachelor's degree from Oberlin College.

Adam S. Lawlor is a Senior Vice President and member of the investment team of Legato. Prior to co-founding Legato in 2004, he held the position of Director of Manager Research at Cazenave Partners, LLC. From 2000 to 2002, he directed the Investment Consulting Group at Robertson Stephens. From 1995 to 2000, he was a member of the Global Manager Research

Group at Callan Associates. Mr. Lawlor has 20 years of investment experience. He received his undergraduate degree from the University of Connecticut, where he studied business administration. He is a member of both the CFA Institute and the CFA Society of San Francisco.

Douglas W. Porter is a Senior Vice President and member of the investment team at Legato. Prior to joining Legato in 2010, he spent seven years as an analyst at Russell Investments, which included positions within Russell's US Equity manager research, multi-asset class portfolio management, institutional consulting, and institutional client service teams. From 2001 to 2003, Mr. Porter was an Index Analyst for Russell/Mellon Analytical Services. Mr. Porter has 11 years of investment experience. He received his undergraduate degree from the University of Puget Sound, where he studied business administration. He is a member of the CFA Institute, the CAIA Association, and Global Association of Risk Professionals, where he received certification as a Financial Risk Manager.

Eric C. Pollack is a Senior Vice President, a member of the investment team, and Controller for Legato. Prior to joining Legato in 2011, Mr. Pollack was a Consultant with Matthews International Capital Management and Wells Fargo. From 2006 to 2010, Mr. Pollack was a Manager of Finance, Governance and Control for Barclays Global Investors. Over the prior 12 year period, he was an Accounting Manager at Visa USA, a Financial Specialist at Hewlett Packard, a Senior Associate at PricewaterhouseCoopers, a Senior Examiner at the New York Stock Exchange, a Financial Analyst at SG Cowen, and a Team Leader at Chase Manhattan Bank. Mr. Pollack has 19 years of financial experience and holds an MBA from Pace University and bachelor's degree from Hofstra University. He is a Certified Public Accountant.

The investment team is supported by the following three analysts.

Timothy M. Byrd is a Vice President at Legato. Prior to joining Legato in 2010, Mr. Byrd worked in Operations and Client Service at SKBA Capital Management, LLC. From 1999 to 2007, he held several positions at Harvard Management Company, including Supervisor of Accounting. Mr. Byrd has 13 years of investment and financial experience. He received his Bachelor of Arts with a double major in Business Administration and Biology from Principia College in Elsah, Illinois in 1998. He also received his MBA from San Francisco State University in 2012.

Eric H. Tsang is a Vice President at Legato. Prior to joining Legato in 2012, he was Senior Modeling and Solutions Analytics Project Manager for MSCI Barra. From 2006 to 2008, Mr. Tsang was the Enterprise Risk Product Manager, also for MSCI Barra. Mr. Tsang also has 2 years of experience working as a Senior Quantitative Risk Associate with Morgan Stanley and 3 years of experience working as a Senior Research Investment Data Analyst at BARRA Inc. He has 13 years of investment experience. Mr. Tsang received his undergraduate degree from the University of California, Berkeley, where he studied economics and molecular cell biology.

Evan L. Walker is an Assistant Vice President at Legato. Prior to joining Legato in 2012, he was an Investment Analyst and Fund Administrator with the Dynamic Strategies Group of Stifel, Nicolaus & Company, Incorporated. Prior to that, he was an Operations Specialist with Stone & Youngberg, LLC, which was acquired by Stifel, Nicolaus in 2011. He also spent 2 years as an

Accounting Clerk with Standard Trust Deed. He has 10 years of financial and investment experience. Mr. Walker received his undergraduate degree in Environmental Studies from the University of California, Santa Cruz.

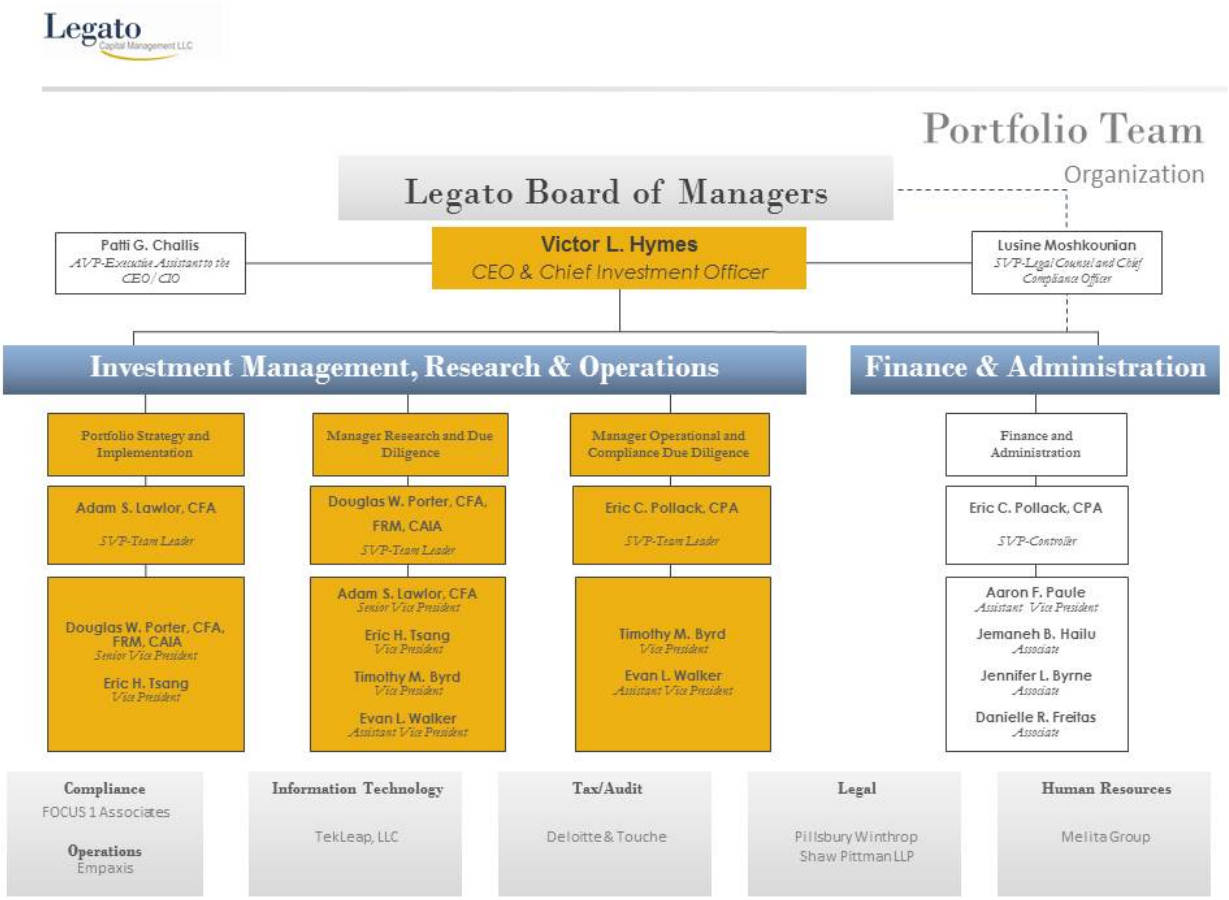
C2. Describe the decision-making process between investment professionals on the US Small Cap Growth (Emerging Manager of Manager) team on putting a diversified portfolio of managers together?

Investment decisions are made collectively by the investment team members, utilizing Legato's Conviction Ranking process. As further described below in response to C5. and D1., managers are evaluated on quarterly basis and ranked based on the Conviction Ranking process. As part of this process, investment team members independently rank each manager and share this information with the investment team. Any proposal to change the manager line-up or allocations is further discussed with Legato's CIO and Legal Counsel/Chief Compliance Officer, allowing the collective group to weigh in on any proposed changes to a portfolio.

C3. Which investment professionals work on StanCERA account(s) and who is ultimately responsible for the decision-making of the composition of the portfolio?

The investment performance of all our client portfolios is owned by the four active members of Legato's investment team, with the Chief Investment Officer being the ultimate decision maker. Beyond this, individual members of the investment team are organized in pairs and assigned to each client with responsibility for all aspects of their respective client relationships. Each team has a specific leader who holds the majority of the responsibility for the quality of the entire client relationship. Adam S. Lawlor, leads the relationship with StanCERA, with Douglas W. Porter, CFA, CAIA, FRM, as his co-leader.

C4. Provide a functional organization chart that shows the specific positions or titles of employees that oversee the U.S. Small Cap Growth Equity accounts?



C5. Provide a detailed explanation of how the decision-making body operates for the U.S. Small Cap Growth Emerging Manager of Manager program. Include in the explanation the inputs, range and limits of decisions reached by the various participants in the process.

Legato's Conviction Ranking process is at the heart of all manager research and due diligence, portfolio construction and rebalancing activities. It is dynamic, allowing Legato to reduce or increase a client's exposure to a particular emerging manager based on our current conviction. Importantly, it is designed to benefit from a diverse circle of decision-makers, freeing each to have his/her own point of view respected, valued and heard. Successfully implementing Legato's process requires a group of talented professionals capable of standing alone with their own point of view and capable of expressing it. The consistent application of the Conviction Ranking process by many past and present employees supports our belief that the process transcends the effect of a single individual member of the group responsible for its implementation. The four (4) members of our investment team are not only well-credentialed, but deep in training and experience. We are convinced that a powerful investment process combined with individual strength and passion are the ingredients which lead to successful outcomes.

While it is the case that the Chief Investment Officer has the final say regarding the inclusion of specific emerging managers, he realizes and has demonstrated the overarching importance that

each client benefits from the diversity of thought brought to the table by each member of Legato's investment team. After all, we have been fortunate enough to build an investment team second, with more than seventy-five (75) years of institutional experience and demonstrated success.

Quarterly, Legato reevaluates each funded emerging manager in five important areas and also ranks the focus list of unfunded managers with high potential. Critical to the process of realizing the full measure of each Legato investment team member, is the practice in which manager scoring is reached independently and revealed to all investment team members prior to discussion and debate. When the proposals reach the Chief Investment Officer, an additional level of scrutiny is placed upon the findings in consultation with Legato's legal counsel and chief compliance officer. This methodology gives the collective group the opportunity to have the benefit of critical thinking on the part of each professional, and does not allow for the natural bias that is associated with professional rank or standing in the organization. As a final step prior to funding, Legato engages Kroll Background Screening, a global leader in background search and research, to perform a full multi-state search on all firms utilized. Even after all our work is done, a sense of humility drives us to take this important last step to ensure we have not missed anything.

Fundamental to our process is the belief that deterioration of alpha production occurs over time. Therefore, it is imperative that allocations in any client's portfolio reflect the current conviction, which has implications for the total percentage assets any one manager can hold of a given client's total portfolio. As our conviction wanes, a commensurate reduction in allocation is intended to protect the client portfolio from anticipated underperformance. A full and complete manager review and ranking discussion quarterly affords the best opportunity to protect against downside risk.

C6. When portfolio client-mandate changes must be implemented, what methods are used to coordinate and monitor compliance?

Legato reviews client guidelines with each manager prior to funding to ensure that guidelines are understood. As a part of its due diligence process, Legato reviews the pre- and post-trade compliance systems and checks that each manager has in place. In regards to compliance at Legato, the firm utilizes FactSet to monitor guidelines at the manager and overall portfolio level on a post-trade basis.

C7. How is individual staff performance measured and rewarded? Describe the compensation/incentive/equity ownership structure for the team members within your firm.

The components of Legato's employee compensation and incentive programs are as follows:

- Base salary
- Bonus potential associated with individual performance and firm profitability
- Firm equity for key professionals

Legato compensates the firm's professionals through a competitive base salary and a performance bonus band, linked to each employee's individual contribution and firm profitability. There is also a discretionary bonus pool tied directly to the firm's net income that creates additional bonus opportunity for key contributors.

To ensure retention of key team members, Legato places a special emphasis on creating an environment of opportunity. The following goals of senior management keep us at the forefront and enable us to attract the best candidates. We strive to maintain:

- A firm structure that easily accommodates growth and future success
- A higher level of equity ownership by employees
- A well-managed compensation and incentive program
- A culture characterized by passion about new ideas combined with a strong drive to succeed

It is the desire of Legato's majority shareholder, Victor L. Hymes, that each key member of the Legato team has the opportunity to become a shareholder, strengthening commitment and aligning interests more fully. Initial ownership stakes have been awarded based on: leadership and performance excellence; acknowledgement of past accomplishments and future promise; and excellence in area of key significance to the firm.

Finally, profits interest are awarded at no cost to the employee. We view this as an extraordinary recruitment tool in attracting top professionals and aligning our clients' interests with our own.

D. Investment Activities - US Small Cap Growth (Emerging Manager of Managers Program)

D1. Describe your investment philosophy and approach in managing the U.S. Small Cap Growth Emerging Manager of Manager program for StanCERA.

As with our firm philosophy, the investment philosophy behind our product is our belief that the greatest stability of alpha can be achieved by combining high conviction emerging managers.

A cornerstone of Legato's investment philosophy is the belief that the combination of differentiated investment disciplines with unique risk and return characteristics can create a stream of attractive risk-adjusted returns. Therefore, our focus is not in determining which style of investing is superior, but in assessing their long term excess return potential and how the performance pattern of each manager compliments others over the course of a market cycle.

The Conviction Ranking process implemented by Legato's investment team drives our process for inclusion, termination, placement on our watch list, and other actions and designations. Legato has a robust manager ranking process which identifies potential areas of concern in a timely fashion. Quarterly, our team takes a fresh perspective on our Conviction Rankings assigned to managers, with the goal of making appropriate adjustments. The process focuses our attention on the area of greatest concern and sets into motion a process of identifying and potentially weeding out weaker managers over time. Although the Conviction Ranking scores

are re-visited quarterly, it is far less common for such meetings to result in a manager termination or re-allocation.

When any manager's Conviction Ranking score falls below (3), that manager is given two quarters to either: demonstrate their ability to mitigate the issue(s) and, as a result, move back to a Conviction Ranking (3) status or higher; or have Legato begin the process of removing client assets from the manager's care. If we terminate a manager because we have lost our conviction, that manager will be removed from all client portfolios. We may also terminate a manager due to changes in the construction requirements of a client's portfolio or inconsistency with client-driven restrictions due to an increase in the emerging manager's AUM. In these cases, we may retain the manager in other portfolios.

D2. Has the philosophy for your firm's Emerging Manager of Managers program changed during the past few years?

While Legato's philosophy has not changed, after a period of study, we determined that the use of (+/-) to indicate a directional trend in our five (5) underlying manager scores, served to give greater context to our quarterly discussions. Also, we formalized the list of appropriate actions to take when a manager's overall conviction score falls below three (3). Finally, in 2011 we identified specific leaders to oversee the three critical drivers of our process. Each relies on other team members and research analysts in collaboration to achieve success, but the leader of each area of focus will be evaluated for the global success of their team.

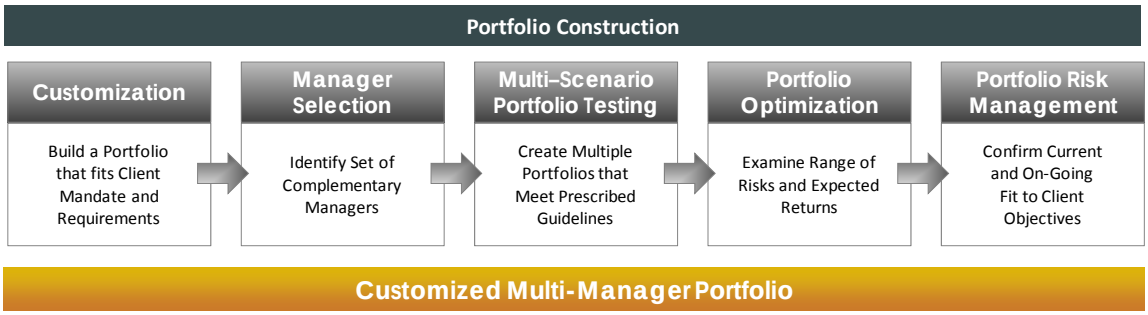
Portfolio Strategy and Implementation	Adam S. Lawlor, CFA
Manager Research and Due Diligence	Douglas W. Porter, CFA, FRM, CAIA
Manager Operational and Compliance Due Diligence	Eric C. Pollack, CPA

D3. Please illustrate your U.S. Small Cap Growth Emerging Manager of Managers Program investment process with how you went about selecting the StanCERA managers who make up their portfolio. How do you monitor these managers in place and ultimately decide to replace them?

Legato's portfolio construction process is designed to integrate manager selection, asset allocation and risk management to deliver portfolios that aim to achieve consistent alpha, while reducing risk.

The multi-manager portfolios are constructed utilizing a universe of conviction ranked and approved managers from which we select managers for inclusion into customized portfolios to meet each client's goals and objectives.

Our goal is to create portfolios that are relatively style neutral to a client's benchmark. Strict guideline adherence ensures proper diversification among investment managers, style, strategies, capitalization, and risk exposures.



Customization

The initial step in the portfolio construction process is unique to each client's customized mandate to ensure their portfolio's return and risk characteristics are delivered. During this step we develop a framework for optimal portfolio structure and manager selection by:

- Understanding the client's specific return and risk expectations based on alpha and tracking error parameters.
- Analyzing the mandate's benchmark to understand the capitalization and style characteristics, as well as historical risk and return statistics and current capital market trends.
- Combining benchmark analysis with the client's specific risk and return expectations, we determine potential portfolio structures and investment managers. We consider the following factors: core/satellites or barbell, percentage blend of enhanced and active management, and level of exposures to sub-styles.
- Including other factors that influence the optimal portfolio structure and number of investment managers such as: mandate size, client restrictions, capacity of investment managers, and asset flows.

Manager Selection

The next step is to identify the most appropriate investment managers for a client's customized portfolio from our conviction ranked investment manager universe. We evaluate investment manager suitability for inclusion into a portfolio based on a number of factors including:

- The suitability of a manager's investment process within a multi-manager portfolio
- A manager's fit within the complementary categories fitted to a client's customized portfolio (i.e., concentrated/diversified, risk controls, adherence to style, sector exposures)
- Correlations of absolute returns and alphas between managers as they relate to a client's preferred benchmark
- A manager's capacity, use of cash, trading velocity and portfolio liquidity

We also evaluate strategy exposures of the investment managers selected for our portfolios to maintain proper diversification across different:

- Investment philosophies and processes: quantitative/fundamental, market inefficiencies
- Sources of alpha, stock selection/industry/fundamental, original vs. street research, performance in various market conditions
- Sources of risk: fundamental and risk factor contribution, tracking error
- Sub-styles spectrum: deep value/pure value/relative value & GARP/pure growth/aggressive growth

Multi-Scenario Portfolio Construction

Legato blends the investment manager Conviction Rankings to determine an initial portfolio allocation. Each manager's Conviction Ranking determines the maximum allocation weight within a client portfolio. For example, a manager with a Conviction Ranking of (3) has a maximum weight of 25% and one ranked (4) a maximum weight of 35%. The maximum weights of each manager are normalized to create a baseline portfolio as shown in the table below.

Manager with Conviction Ranking	Maximum Weight	Normalized Weight for Baseline Portfolio
Manager A - 3	25%	21%
Manager B - 3	25%	21%
Manager C - 4	35%	29%
Manager D - 4	35%	29%
Total	**120%**	**100%**

These initial portfolio weights represent a form of risk-budgeting, where capital is allocated to managers with the highest Conviction Ranking within the context of a fully diversified portfolio. In addition to the baseline portfolio, multiple portfolios are constructed, making adjustment to the manager weights based on risk budget, portfolio structure, portfolio characteristics, diversification, guidelines and client restrictions.

Portfolio Structure and Diversification

The multiple scenario portfolio allocations are then back-tested creating performance and holdings analysis. Each portfolio is evaluated to test for optimal portfolio structure and diversification across the following:

- Portfolio characteristics – current and historical relative to benchmark
- Sector/industry and capitalization exposures
- Back-testing – Modern Portfolio Theory ("MPT") statistics, performance attribution, returns-based style analysis
- Manager allocations relative to maximum weights and re-balancing constraints

In addition, we utilize mean variance optimization and risk budget analysis for each of the multiple scenario portfolios. Using expected returns, standard deviations, tracking errors and

historical correlations for the individual managers, we test our conclusions against those suggested by a hypothetical portfolio which maximizes Sharpe and Information Ratios.

Importantly, we are cognizant of the fact that statistical measures do not capture qualitative attributes of a process, strategy or team and we, therefore, do not simply accept these statistics as the key drivers of the portfolio's structure or diversification.

All portfolios are customized to meet client specifications.

Investment Due Diligence and Ongoing Monitoring

Legato's investment due diligence process focuses in detail on:

- Philosophy, process and strategy
- Performance versus benchmark, and attribution
- Adherence to style and strategy
- Analytical tools used for style and strategy analysis
- Leverage and derivative use
- Compliance
- Back office/operations
- Trading practices, including execution, directed brokerage, commissions, soft dollar usage
- Counterparty exposure

We maintain an active dialogue with our managers, both formally and informally, to understand their current strategies. Our investment team members conduct frequent manager meetings, including on-site visits. We formally talk to our managers quarterly; however, informal dialogue is more frequent. These conversations are designed to understand the manager's current positions, outlook, risk exposures and performance. The investment managers are formally reviewed quarterly to evaluate sources of risk and return, peer group comparisons, and portfolio composition.

Legato places particular emphasis on qualitative risks such as changes in a firm's investment process, portfolio management team, research capabilities, trade execution, business operations, level of integrity, and suitability of strategy to client objectives.

Our emphasis on qualitative risk management, however, is not meant to imply that we under-emphasize quantitative analysis. To the contrary, we believe qualitative and quantitative analysis must work in concert. A quantitatively observed development such as style drift, for instance, may well signal the emergence of a larger qualitative risk such as waning firm leadership.

It is very important that we understand the risk exposures of a particular strategy. We evaluate the style and strategy purity to ensure these results were achieved within a disciplined, repeatable process, and evaluate trade executions, commissions, and soft dollar usage. We establish investment guidelines for each of our managers based on their particular style and capitalization emphasis, as well as specific sector and security level exposures.

There are several additional dimensions to emerging manager research which prove valuable in understanding the business risk of any single manager.

Initially, one should be concerned with the investment team's understanding of their process in terms of its strengths and weaknesses or, when it works well, and the environment in which it will face difficulty. Legato operates under the belief that there is no perfect "black box", and, as a result, a manager's response to the question, "describe the environment, during which, your strategy faces difficulty creating excess returns," is very important to us. The foundation for this inquiry rests in our belief that humans suffer from biases, some of which are invisible to the investment process practitioners themselves. It is difficult to anticipate the conditions under which a firm's financial strength might suffer, if there is not a clear understanding of the shortcomings inherent in any and all investment processes.

Next, we are very interested in helping our clients set appropriate expectations commensurate with the risk, business or otherwise, acceptable in implementing an emerging manager program. To do this, it is critical that there be transparency with regard to all that these managers do in creating alpha for our clients. This does not simply mean answering the questions we ask, but going beyond this point, highlighting additional issues that are related, but not necessarily captured by the question posed. This is not only a measure of a manager's understanding of the risks his/her product introduces, but demonstrates a heightened respect for truth, integrity and transparency. This point is critical to our decision to pursue a relationship or not with any emerging manager.

Operational Due Diligence and Ongoing Monitoring

We believe that clearly defined and executed compliance procedures are critical to the ongoing business success of any investment manager. In this area, emerging managers face particularly high hurdles, as pricing for internal and/or third party compliance vendors has increased dramatically. At Legato, we place significant weight on a firm's compliance and control procedures. Our view is that for compliance and control procedures to be effective, they need to be integrated into both front-end and back-end investment processes.

We require our investment managers to complete a compliance checklist which includes:

- Business Development
- Written Compliance Procedures
- Code of Ethics
- Updated ADV Parts 1,2A and 2B
- SEC Audits/Review
- Proxy Voting Procedures
- Financial Statement Review
- Privacy Policy Statement
- Soft-Dollar Statement
- Affiliated Broker-Dealer Statement

Our process further ensures efficient and effective compliance oversight, incorporating user-specified goals or guidelines within the portfolio management software.

Reporting Requirements

Legato requires that each manager complete a quarterly investment and compliance report. In addition, Legato conducts quarterly calls with each manager.

Legato conducts formal on-site visits. Importantly, site visits are a requirement prior to any manager's initial funding, and Legato's investment team will meet with senior investment manager professionals as an important part of the due diligence process.

We strive to gain insight into a number of factors that are not easily quantifiable. Some of these factors include:

- Culture and environment in which the investment team operates
- Physical proximity of investment team members
- Level of passion of key investment professionals
- Consistencies/Inconsistencies in process execution among various investment team members
- Professionalism exhibited by staff and team
- Examination of research and portfolio management systems
- Adherence to regulatory and compliance guidelines
- Assessment of integrity of firm professionals

D4. When can it be expected that your investment philosophy for U.S. Small Cap Growth Emerging Manager of Managers program would be out of favor or not rewarded? Site historical examples of market periods when your investment performance lagged market benchmarks.

We anticipate outperformance versus the benchmark/style peers in investment environments where stock prices follow company fundamentals. In addition, our portfolios tend to outperform in down markets.

We anticipate underperformance versus the benchmark/style peers in investment environments that could be characterized as brief periods of severe dislocation from company fundamentals and stock prices. For example, our portfolio lagged during the third quarter of 2009, which we considered the final stages of the junk rally, due to our portfolio's bias toward higher quality companies.

We attempt to construct portfolios that will minimize underperformance versus the benchmark/style peers in a broad number of differing investment environments.

D5. What is the expected manager turnover for the StanCERA U.S. Small Cap Growth Equity portfolio?

The expected manager turnover is based on the outcome of Legato's Conviction Ranking process. When any manager's Conviction Ranking score falls below (3), that manager is given two quarters to either: demonstrate their ability to mitigate the issue(s) and, as a result, move back to a Conviction Ranking (3) status or higher; or have Legato begin the process of removing client assets from the manager's care. On average, Legato's Conviction Ranking process has resulted in one manager change per year for the StanCERA U.S. Small Cap Growth Equity portfolio.

D6. For U.S. Small Cap Growth Emerging Manager of Manager accounts, do you have absolute and/or relative investment return objectives? If so, please state your return objectives, benchmark and time horizon over with the objectives should be achieved.

Legato's return objectives for the U.S. Small Cap Growth accounts are 3 - 5% tracking error and 1.5% to 2.5% excess returns over a full market cycle.

D7. What investment decision(s) add the most value (e.g. stock selection, sector/industry selection, trading)? Please include performance attribution for YTD 2012, 2011 and 2010.

While trading and sector allocation decisions can be a source of excess returns, Legato believes that the largest and most persistent source of excess returns is stock selection. Please see **Appendix B** for attribution reports for YTD 2012, 2011, and 2010.

D8. How do you measure and monitor risk so that risk parameters are in line with portfolio returns for the U.S. Small Cap Growth Equity accounts? What is the expected tracking error range for these products?

Legato's investment team members are responsible for the overall risk management of client portfolios. Legato measures and monitors risk at both the underlying investment manager level and the client portfolio level, ensuring that risk parameters are in line with portfolio returns and expectations.

Portfolio limits are established through an iterative process to ensure the total portfolio matches the client's return and risk objectives. We aim to remain style neutral to a client's benchmark and within well-defined risk parameters as derived from client guidelines. Strict portfolio limits are placed around the initial target weights of the managers, market capitalization exposures, fundamental and risk factors, and tracking error guidelines.

We establish investment guidelines and allocation parameters for each of our managers based on their particular style and capitalization emphasis, as well as specific sector and security level exposures. In addition, specific manager guidelines are monitored with an internal compliance and risk management system.

While we have a sophisticated portfolio monitoring system in place, Legato believes that the best way to manage risk is through portfolio construction, as opposed to placing restrictive guidelines on our managers. We construct the portfolio with the goal of style neutrality and diversification across the major industry sectors, while allowing the managers to add value opportunistically.

Legato also utilizes powerful and flexible performance measurement and risk models, such as FactSet utilizing Axioma risk models to offer efficient and effective analysis of the portfolio's overall exposures to both fundamental and risk factors including:

- Analysis of total portfolio risk and tracking error
- Contribution and sources of risk – fundamental/industry/stock specific
- Exposures to fundamental and risk characteristics
- Acknowledgement of non-diversifiable risk

In reviewing our manager selections, we are often reminded why it is critically important to diversify managers in terms of their sources of alpha, risk, and investment approach while constructing manager of managers portfolios. A carefully constructed multi-manager portfolio mitigates the impact of a single manager's investment style going out of favor as well as the potential negative impact of unexpected organizational changes at the single manager level.

With this in mind, Legato's investment strategy employs a manager research and portfolio construction process that identifies and combines the best entrepreneurial managers with offsetting portfolio characteristics to build a portfolio with the greatest potential to deliver the highest risk adjusted returns over the intermediate and long term. Legato's manager research process aims to develop a thorough understanding of managers, identify future performance drivers, and build conviction in the stability of those drivers. The portfolio construction process combines the highest conviction managers with complementary sources of risk and returns to build customized portfolios that meet or exceed each client's unique risk and return expectations.

Legato, through fully integrating the FactSet and Axioma tools with established programs, produces optimal risk and attribution analysis seamlessly at the manager and portfolio level. The historical holdings of the underlying investment managers are combined at the desired portfolio weights. Performance, fundamental characteristics and risk attribution analysis output is reviewed by the investment team to ensure the portfolio mix is consistent with Legato's latest long-term conviction in the underlying manager lineup and overall investment objectives.

FactSet and Axioma, along with Advent/Axys, are used in the portfolio monitoring process. Legato downloads holdings of the underlying investment managers and runs a number of quantitative reports to better understand past performance and investment style. Next, attribution analysis is produced to better understand the sources of risk and alpha in the portfolio. Finally, we compare our quantitative findings with the investment manager's process and engage the manager in a dialogue to inform our opinion and ultimately, come to a more or less confident assessment of the strategy.

Relative to our clients' stated guidelines and benchmark, we again utilize FactSet and Axioma to understand both intended and unintended risk exposures. Portfolio exposures relative to specific benchmarks, performance and risk attribution reports are reviewed by our investment team monthly. Portfolio tracking error is monitored to ensure portfolios remain within predetermined guidelines; however, the tracking error is not the primary driver of our investment process.

The expected tracking error for the U.S. Small Cap Growth product is 3-5%.

D9. Who are the principals who make the final decisions on the U.S. Small Cap Growth Equity accounts?

The investment team, comprised of Victor L Hymes, Adam S. Lawlor, CFA, Douglas W. Porter, CFA, CAIA, FRM, and Eric C. Pollack, CPA, is responsible for the investment decisions for the U.S. Small Cap Growth Equity accounts.

D10. What should StanCERA expect for investment returns in their U.S. Small Cap Growth Equity account over the next 3 to 5 years?

Legato's return objectives for the StanCERA U.S. Small Cap Growth account are 3 - 5% tracking error and 1.5% to 2.5% excess returns over a full market cycle.

E. Research Methodology - U.S. Small Cap Growth Emerging Manager of Manager Program

E1. Describe the internal structure and organization of the research department for all accounts. How is your research universe divided amongst investment professionals?

The investment team members, supported by a team of analysts, are collectively responsible for maintaining Legato's research universe. The analysts are responsible for the initial review of managers. The research universe is divided amongst the analysts based on style (i.e., value, growth and core). The investment team members build upon the information from the analysts through further research, including manager meetings and on-site reviews.

E2. Describe how external and internal sources of information are used in the research process for all U.S. Small Cap Growth Equity accounts with estimated percentages of external versus internal research.

We begin with a universe of entrepreneurial/emerging managers, typically with less than $2 billion in firm assets under management. We utilize multiple sources to discover and identify investment managers and newly-formed "developing managers."

Many existing firms contact Legato directly for inclusion in our universe. Our team's extensive experience and relationships within the investment management community provide us early access to these firms. We also continuously track the movements of talented investment professionals who may start a new firm. Finally, we use third party databases, such as Informa Investment Solutions (PSN), Morningstar and eVestment Alliance to augment our efforts to identify investment managers for our internal database.

Over many years, Legato has built and maintained a comprehensive in-house database of investment managers. We collect manager information from our proprietary questionnaire about the organization, its history, business strategy, investment professionals, compliance and operational capabilities, as well as all product related information such as philosophy, research and security selection process, portfolio construction and sell disciplines. We also utilize third-party databases to augment our internal efforts.

Our database of manager profiles and statistics is updated on a regular basis to ensure the best investment ideas are reflected in our client's portfolios. In summary, we are looking for firms with:

- A disciplined and repeatable investment process
- Continuity of talent within the investment team
- The ability to consistently produce alpha
- The ability and willingness to take calculated risks
- A firm structure that easily accommodates growth and future success
- A higher level of equity ownership by employees
- A well-managed compensation and incentive program
- A culture characterized by passion about new ideas combined with a strong drive to succeed

E3. Describe any technical or quantitative support process or tools used in the research process for the U.S. Small Cap Growth Equity managers.

Initially, the quantitative data bring us to a manager's "front door." Once we open that door, the real due diligence begins. Our depth of expertise across many varying disciplines (including portfolio management, manager research, quantitative analysis and risk management, global asset management business leadership, investment banking, plan sponsor leadership, investment team leadership, trading, operations and compliance, client service and marketing) enable us to not only demonstrate value added to an emerging manager, but also improve our chances that selected managers will provide industry-leading performance to our clients.

Finally, we take great pride in our demonstrated ability to understand the risk exposures of a particular strategy. A part of that analysis includes determination of the degree to which a manager exhibits "style purity," helping to ensure that superior results are achieved within a disciplined, repeatable process.

Legato utilizes the following quantitative indicators to discover great managers:

Return - Consistency Analysis – Benchmark Comparisons

- Quarterly, annually and cumulative periods
- Rolling periods and various market cycles
- Performance attribution – decomposition of alpha
- Composite analysis – assets, dispersion, compliancy

Risk - Management

- Portfolio construction rules – concentration, % buys
- Sector/industry/single security guidelines
- Trading policies – buy & sell discipline (full position or incrementally), velocity, illiquid issues

Investment Manager Skill – Modern Portfolio Theory ("MPT") Statistics

- Alpha, information ratio, Sharpe ratio
- Standard deviation, tracking error, downside risk
- Beta, correlation, R-squared
- Up-market and down-market capture

Strategy & Style Purity

- Returns-based style analysis
- Historical holdings style analysis
- Historical asset allocation and sector analysis

Legato utilizes the following tools:

Operation	Infrastructure
Portfolio Construction	FactSet, Axioma
Account Monitoring	FactSet, Axioma, eVestment, Informa Investment Solutions (PSN)
Manager Research	FactSet, Axioma, Informa Investment Solutions (PSN), Morningstar, eVestment
Reporting	FactSet and Advent/Axys
Account Reconciliation	Advent/Axys and Excel
Performance Measurement	Advent/Axys
3rd Party Background Checks	Kroll Background Screening
Collaboration Platform	Box

F. Trading and Settlement – U.S. Small Cap Growth Equity Manager of Manager

F1. How are stock brokerage firm trading allocation volumes monitored?

As part of the quarterly reviews, the investment team members review the brokerage practices of the managers, including the broker-dealers utilized, allocation of trading amongst brokerage firms, commissions and soft dollar practices.

F2. How does your firm track the market impact of its managers' trades?

As part of its due diligence, Legato asks for third-party trading evaluation analysis.

F3. Who is the designated operations/administration officer?

Eric C. Pollack primarily performs the duties of an operations/administration officer, supported by the analysts and finance/administration staff.

F4. How many staff are involved in the operations area?

Seven staff members are involved in the operations area, including Eric C. Pollack and three analysts.

F5. What training is provided to operations staff?

Legato's training philosophy is centered on peer to peer training. New operations team members are mentored and trained by existing personnel, often shareholders. To facilitate the training process and enhance Legato's collaborative work environment, personnel with similar functions are physically located in the same or adjoining office space. We are also in the process of developing a more formalized training program (i.e., Legato University) for all Legato employees.

F6. To whom does the operations/administrative officer report?

Eric C. Pollack reports to Legato's CEO/CIO, Victor L. Hymes.

F7. Does your firm participate in commission recapture programs for your clients?

No.

G. Compliance and Conflicts of Interest

G1. What handbooks, manuals, written policies, written procedures or training are provided to new and current employees?

Legato's code of ethics, employment handbook, business continuity plan, and compliance manual are provided to employees and available on Legato's on-line document management platform. Compliance training is provided at least annually.

G2. How many staff work on compliance?

At Legato, all employees are responsible for compliance. Legato's chief compliance officer is responsible for overseeing the day-to-day compliance program. She is supported by Focus 1 Associates, an independent third-party compliance consultant, and the law firm of Pillsbury Winthrop Shaw Pittman LLP.

G3. Please submit a copy of the firm's Code of Ethics.

Please see attached **Appendix C** for a copy of Legato's code of ethics.

G4. What sorts of reports are generated for portfolio managers to insure that the account portfolio is in compliance with the client's investment mandates or investment policy?

Legato conducts back-end trade reviews to monitor compliance with specific client investment guidelines. FactSet also serves as an effective resource for our post-trade compliance monitoring of client portfolios for adherence to specific client investment restrictions. Legato obtains transactional and holdings information from the custodians through Advent/Axys feeds. This data is exported to FactSet/Axioma, our integrated portfolio management system, and tested against client guidelines programmed within the FactSet/Axioma platform.

G5. What is the procedure for checking trades that the portfolio manager places against the client's investment guidelines prior to execution?

Legato requires each manager to have front-end trade procedures to avoid violating client restrictions, and reviews the managers' front-end and back-end trade monitoring capabilities and controls periodically.

G6. Do you have a main Compliance Officer? To whom does the Compliance Officer report to?

Yes. The Chief Compliance Officer reports to Legato's CEO/CIO, Victor L. Hymes, with a dotted line reporting to the Legato Board of Managers. The Chief Compliance Officer's biography is provided below.

Ms. Moshkounian is a Senior Vice President, Legal Counsel and Chief Compliance Officer at Legato. Prior to joining Legato in 2012, she spent seven years with the SEC's investment adviser/investment company examination group. From 1999 to 2004, she was a member of the investment management practice group of Morgan, Lewis & Bockius LLP. She has also served as a Senior Compliance Analyst for BA Investment Services, Inc. and an Examiner for FINRA. Ms. Moshkounian has 14 years of legal experience. She holds a Master of Laws from Boston University School of Law, a Juris Doctor from Tulane Law School, and a bachelor's degree from University of California, Irvine.

G7. Describe how your firm maintains its independence form the rest of the investment management community (e.g. consultants, brokers, custodians, etc.).

Legato places the highest priority on maintaining its reputation for integrity and professionalism. That reputation is a vital business asset. The confidence and trust placed in our firm and its employees by our clients is something we value and endeavor to protect. To that end, Legato does not enter into financial arrangements with consultants, brokers, custodians, and/or third-party marketing firms (e.g., placement agents).

G8. Provide your written policy on the processes to keep employees' trading of securities independent form the processes for trading securities for clientele.

Employee personal securities trading practices are covered by Legato's code of ethics. Legato has adopted a code of ethics, which requires quarterly and annual reporting and certification of employee personal trading activity. Legato maintains a restricted list and requires certification within five (5) days of the employee's trade. Please see attached **Appendix C** for a copy of Legato's code of ethics.

G9. How does your firm monitor compliance of employees to the written policy of separation of employees' personal trading in securities from trading securities for clients' accounts?

In addition to reporting personal securities transactions, and as an industry best practice, we require quarterly certifications from each employee concerning outside business activities, gifts, and political contribution. As part of her oversight of the firm's compliance program, the Chief Compliance Officer reviews personal securities transactions and quarterly attestations of all Legato employees for compliance with Legato's code of ethics.

Each underlying managers utilized by Legato has also adopted a code of ethics requiring their employees to report their personal securities transaction to their respective firm. A number of these managers' enforce black-out periods and maintain restricted lists. The underlying managers' code of ethics and personal securities practices are evaluated as part of Legato's on-going operational and compliance due diligence process.

Legato
Capital Management LLC

Le-ga-to
(adj. & adv.) smooth, connected; without breaks

Dedicated to Discovering the Finest Entrepreneurial Investment Manager Talent

StanCERA

Due Diligence On-site

September 6, 2012

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Fax: (877) 838-8304
info@legatocm.com

Legato
Capital Management LLC

Biographical Information

Adam S. Lawlor, CFA
lawlor@legatocm.com
Direct line: (415) 821-8561
Mr. Lawlor is a Senior Vice President and member of the investment team of Legato Capital Management LLC. Prior to co-founding Legato in 2004, he held the position of Director of Manager Research at Cazenave Partners, LLC. From 2000 to 2002, he directed the Investment Consulting Group at Robertson Stephens. From 1995 to 2000, he was a member of the Global Manager Research Group at Callan Associates. Mr. Lawlor has 20 years of investment experience. He received his undergraduate degree from the University of Connecticut, where he studied business administration. He is a member of both the CFA Institute and the CFA Society of San Francisco.

Douglas W. Porter, CFA, CAIA, FRM
porter@legatocm.com
Direct line: (415) 821-8564
Mr. Porter is a Senior Vice President and member of the investment team at Legato Capital Management LLC. Prior to joining Legato in 2010, he spent seven years as an analyst at Russell Investments, which included positions within Russell's US Equity manager research, multi-asset class portfolio management, institutional consulting, and institutional client service teams. From 2001 to 2003, Mr. Porter was an Index Analyst for Russell/Mellon Analytical Services. Mr. Porter has 11 years of investment experience. He received his undergraduate degree from the University of Puget Sound, where he studied business administration. He is a member of the CFA Institute, the CAIA Association, and Global Association of Risk Professionals, where he received certification as a Financial Risk Manager.

Eric C. Pollack, CPA
pollack@legatocm.com
Direct line: (415) 821-8582
Mr. Pollack is a Senior Vice President, a member of the investment team, and Controller for Legato Capital Management LLC. Prior to joining Legato in 2011, Mr. Pollack was a Consultant with Matthews International Capital Management and Wells Fargo. From 2006 to 2010, Mr. Pollack was a Manager of Finance, Governance and Control for Barclays Global Investors. Over the prior 12 year period, he was an Accounting Manager at Visa USA, a Financial Specialist at Hewlett Packard, a Senior Associate at PricewaterhouseCoopers, a Senior Examiner at the New York Stock Exchange, a Financial Analyst at SG Cowen, and a Team Leader at Chase Manhattan Bank. Mr. Pollack has 19 years of financial experience and holds an MBA from Pace University and bachelor's degree from Hofstra University. He is a Certified Public Accountant.

Lusine Moshkounian
moshkounian@legatocm.com
Direct line: (415) 821-8571
Ms. Moshkounian is a Senior Vice President, Legal Counsel and Chief Compliance Officer at Legato Capital Management LLC. Prior to joining Legato in 2012, she spent seven years with the SEC's investment adviser/investment company examination group. From 1999 to 2004, she was a member of the investment management practice group of Morgan, Lewis & Bockius LLP. She has also served as a Senior Compliance Analyst for BA Investment Services, Inc. and an Examiner for FINRA. Ms. Moshkounian has 14 years of legal experience. She holds a Master of Laws from Boston University School of Law, a Juris Doctor from Tulane Law School, and a bachelor's degree from University of California, Irvine.

History, Ownership and Experience

Mission Statement

Legato's long-term objective is the production of competitive, risk-adjusted returns while providing industry-leading client service. Its mission:

Engage the finest entrepreneurial talent and leverage their collective skill for the purpose of enhancing institutional investment performance

Victor L. Hymes
CEO & Chief Investment Officer

Legato
Capital Management LLC

Outline of Presentation

A. History, Ownership and Experience

B. Firm Overview

C. Portfolio Team

D. Investment Activities

E. Research Methodology

F. Trading and Settlement

G. Compliance and Conflicts of Interest

H. Introduction to Firm-Wide Team and Office Tour

Appendices

A. Portfolio Update

B. Legato Key Professionals Biographies

C. Research Team Biographies

Section A.

History, Ownership and Experience

History, Ownership and Experience

Investment Philosophy

Our Philosophy	We believe the greatest stability of alpha can be achieved by combining high conviction managers whose approaches are diversified
Our Mission	Engage the finest entrepreneurial talent and leverage their collective skill for the purpose of enhancing institutional investment performance
Long-Term Objective	Production of competitive, risk-adjusted returns while providing industry-leading client service

History, Ownership and Experience

Investment Process

le-ga-to *adj. & adv.*

Smooth, connected;

without breaks

We leverage our extensive manager research and due diligence capabilities to provide expertise in Asset Management

The investment managers we utilize, typically have less than $2 billion in assets under management and invest in large, midsize and small companies, both in the U.S. and abroad

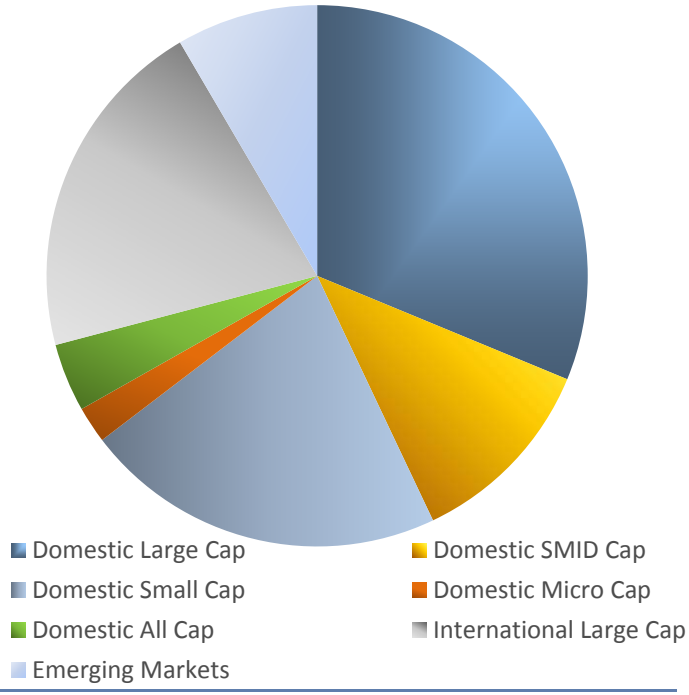
History, Ownership and Experience

Assets Under Management (AUM) by Strategy

As of June 30, 2012

Asset Class	Assets	% of AUM
Domestic Large Cap	$498 million	31%
Domestic SMID Cap	$187 million	12%
Domestic Small Cap	$346 million	22%
Domestic Micro Cap	$35 million	2%
Domestic All Cap	$65 million	4%
International Large Cap	$329 million	21%
Emerging Markets	$135 million	8%
TOTAL AUM	**$1,595 million**	**100%**

$1,595 million in Institutional AUM



***Strategies**: S&P 1500®, Russell 1000®, Russell 2500™, Russell 2000®, Russell 2000® Growth, Russell Microcap®*

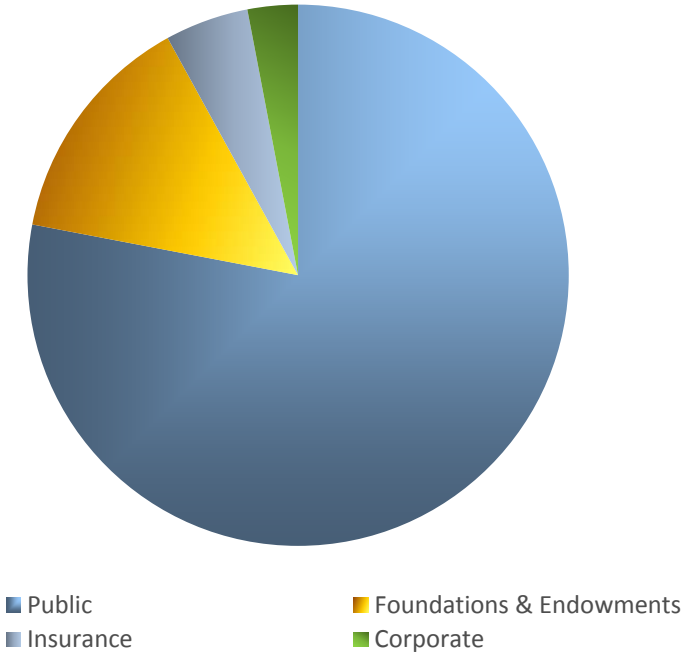
History, Ownership and Experience

Assets Under Management (AUM) by Client Type

As of June 30, 2012

Client Type	Assets	% of AUM
Public	$1,251 million	78%
Corporate	$51 million	3%
Foundations & Endowments	$218 million	14%
Insurance	$75 million	5%
TOTAL AUM	**$1,595 million**	**100%**

$1,595 million in Institutional AUM



Legato
Capital Management LLC

History, Ownership and Experience

Client List as of 6/30/2012

Institutional Focus

We close our doors to new client-partners at twenty-five relationships

- Kaiser Foundation Hospitals
- CalPERS
- Southern California Edison
- San Joaquin County Employees' Retirement Association
- Stanislaus County Employees' Retirement Association
- San Diego County Employees Retirement Association
- Employees Retirement System of Texas
- Pacific Gas and Electric Company
- New York State Insurance Fund

It is not known whether the listed clients approve or disapprove of Legato Capital Management or the advisory service provided. This client list is provided for informational purposes only and does not constitute an endorsement or testimonial by the listed clients.

Legato Capital Management LLC

History, Ownership and Experience

Our Core Values

Standards

Maintain work and ethical standards of the highest quality

Clients

Respect and value our clients' interests

Diversity

Seek, hear and value diversity of thought

Workplace

Strive for candid, direct communication and mutual respect

History, Ownership and Experience

Organizational Chart

Compliance
FOCUS 1 Associates

Operations
Empaxis

Information Technology
TekLeap, LLC

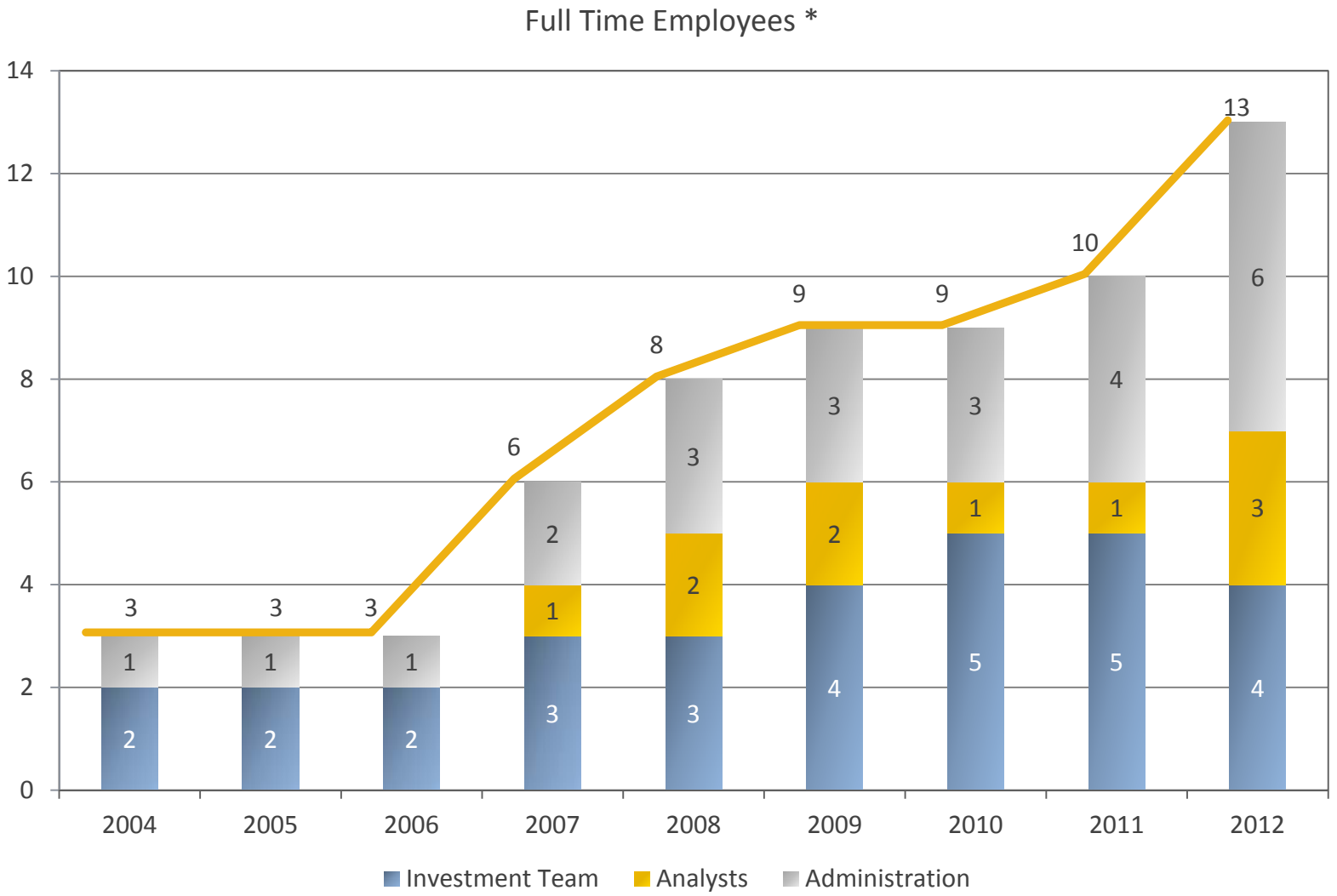
Tax/Audit
Deloitte & Touche

Legal
Pillsbury Winthrop Shaw Pittman LLP

Human Resources
Melita Group

History, Ownership and Experience

Recent Enhancements - People



**As of 12/31 for 2004 – 2011 and as of 6/30 for 2012*

Legato
Capital Management LLC

History, Ownership and Experience

Business Plan

	2011	2012	2013	2014	2015
Investment Professionals	5	5	6	6	7
Client Service*	1	1	2	2	3
Operations	3	3	3	5	5
Administration	1	3	3	4	4
Marketing	1	1	1	2	2
TOTAL	**11**	**13**	**15**	**19**	**21**
AUM** in mm's	**1,485**	**2,224**	**2,835**	**3,576**	**4,505**
Mandates***	**11**	**14**	**16**	**19**	**22**

**Investment Team Members provide client service, supported by administrative team*
***Assumes market level changes of 5% per year*
****Legato closes its doors to new client-partners after twenty-five relationships*

Section B.

Firm Overview

Firm Overview

Firm Structure & Ownership

Adam S. Lawlor, CFA

Douglas W. Porter, CFA, CAIA, FRM

Eric C. Pollack, CPA

Firm Overview

Business Continuity Plan

Ensure rapid recovery and resumption of operations, allowing clients to have access to their account information

Key operational safeguards

- ✓ Workstations and servers backed up daily
- ✓ Use of cloud based applications for communications and to maintain and access client documents
- ✓ Redundancy of client data with duplicative portfolio information maintained at the custodians and managers
- ✓ Managers and service providers geographically dispersed
- ✓ On-going review of the managers' disaster recovery/business continuity plans

Disaster Recovery/Business Continuity Plan reviewed and tested periodically to capture changes in the organization (people, systems and tools)

- ✓ Rally Point Test planned for 3Q 2012
- ✓ Full Rollover Test planned for 4Q 2012

New disaster recovery protocols and technologies considered for 2012

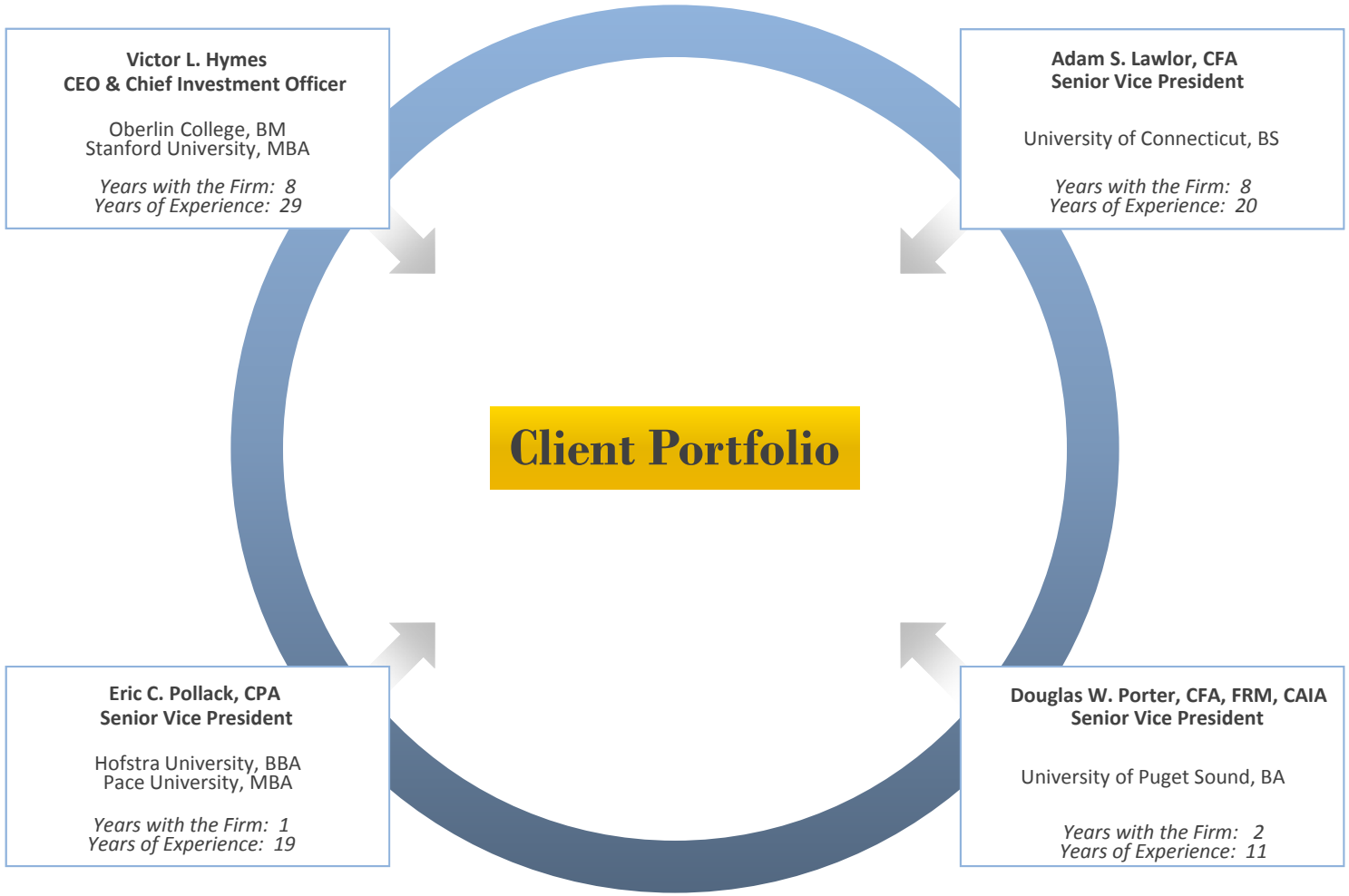
- ✓ Automatic employee notifications in the event of a significant business disruption
- ✓ Migration of existing phone service off-site
- ✓ Upgrade in the service provider for cloud based back-up

Section C.

Portfolio Team

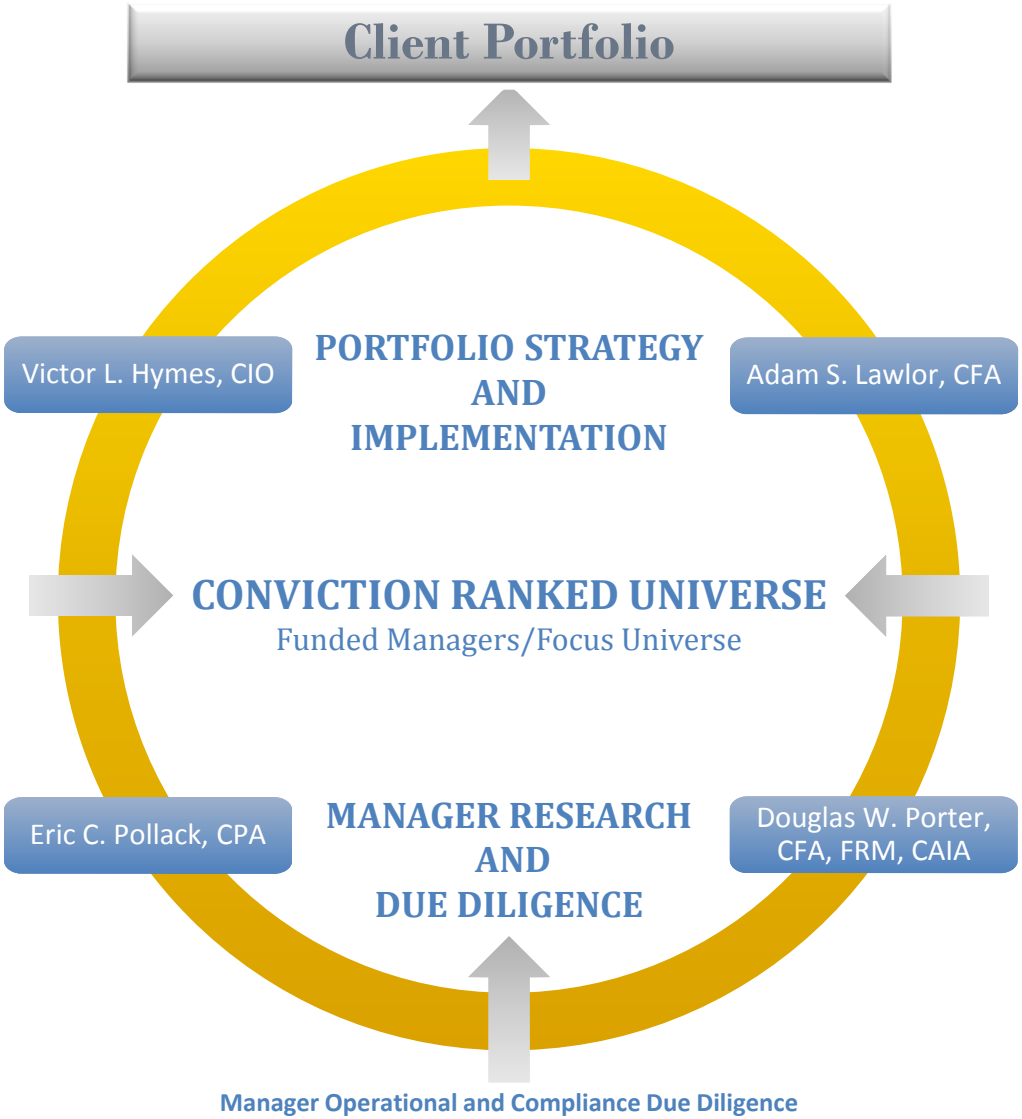
Portfolio Team

Investment Team Professionals



Portfolio Team

Investment Process



PORTFOLIO STRATEGY AND IMPLEMENTATION

Client Portfolio Guidelines and Restrictions

Governance

Incentive Structure

Proxy Voting and Best Execution

Background Checks

Qualitative Analysis

Construction

Transition Management

Performance Measurement and Monitoring

MANAGER RESEARCH AND DUE DILIGENCE

Quantitative Analysis

Risk Management

Trading

Initial Manager Funding

Stress Testing

Quarterly Investment Review

Portfolio Rebalancing

Focus List

Operations and Business Risk
Quarterly Compliance Review

Legato Capital Management LLC

Portfolio Team

Organization

Compliance
FOCUS 1 Associates

Operations
Empaxis

Information Technology
TekLeap, LLC

Tax/Audit
Deloitte & Touche

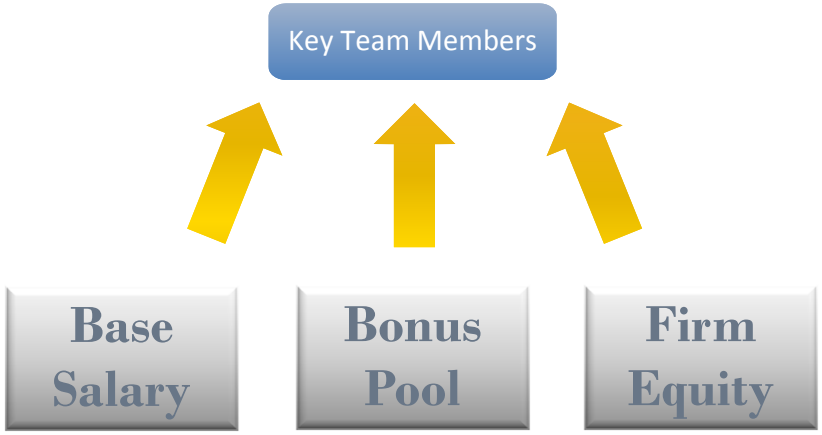
Legal
Pillsbury Winthrop Shaw Pittman LLP

Human Resources
Melita Group

Portfolio Team

Compensation

To ensure retention of key team members, Legato places a special emphasis on creating an environment of opportunity.



Employee	Base Salary	Bonus Pool	Firm Equity	FPU	Profit Sharing
Adam Lawlor	✓	✓	✓	✓	✓
Douglas Porter	✓	✓	✓	✓	✓
Eric Pollack	✓	✓	✓	✓	✓
Lusine Moshkounian	✓	✓			✓
Remaining Employees	✓	✓			✓

✓ Current Compensation ✓ Proposed Compensation

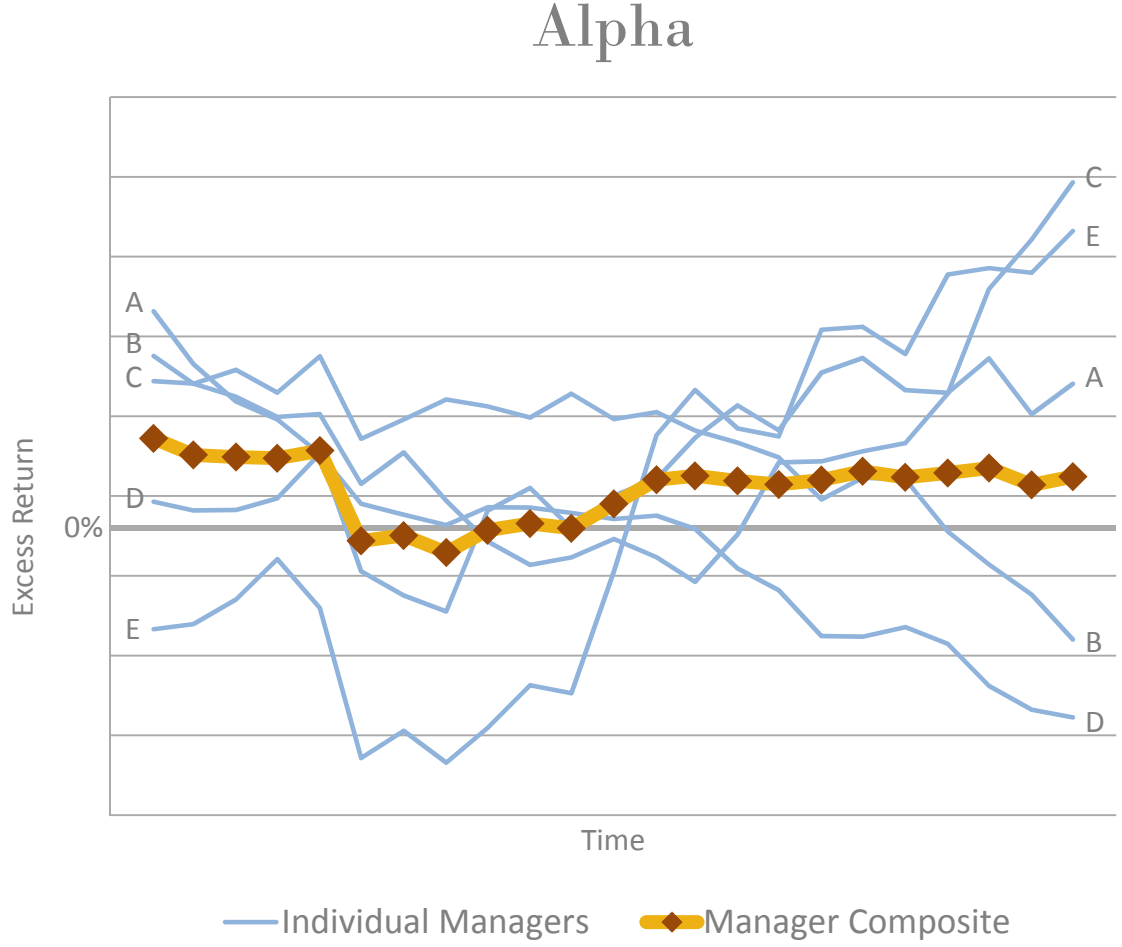
Section D.

Investment Activities

Investment Activities

Diversified Sources of Excess Return

- Improved prospects for stable alpha generation through the ***Diversification of Sources of Excess Return***

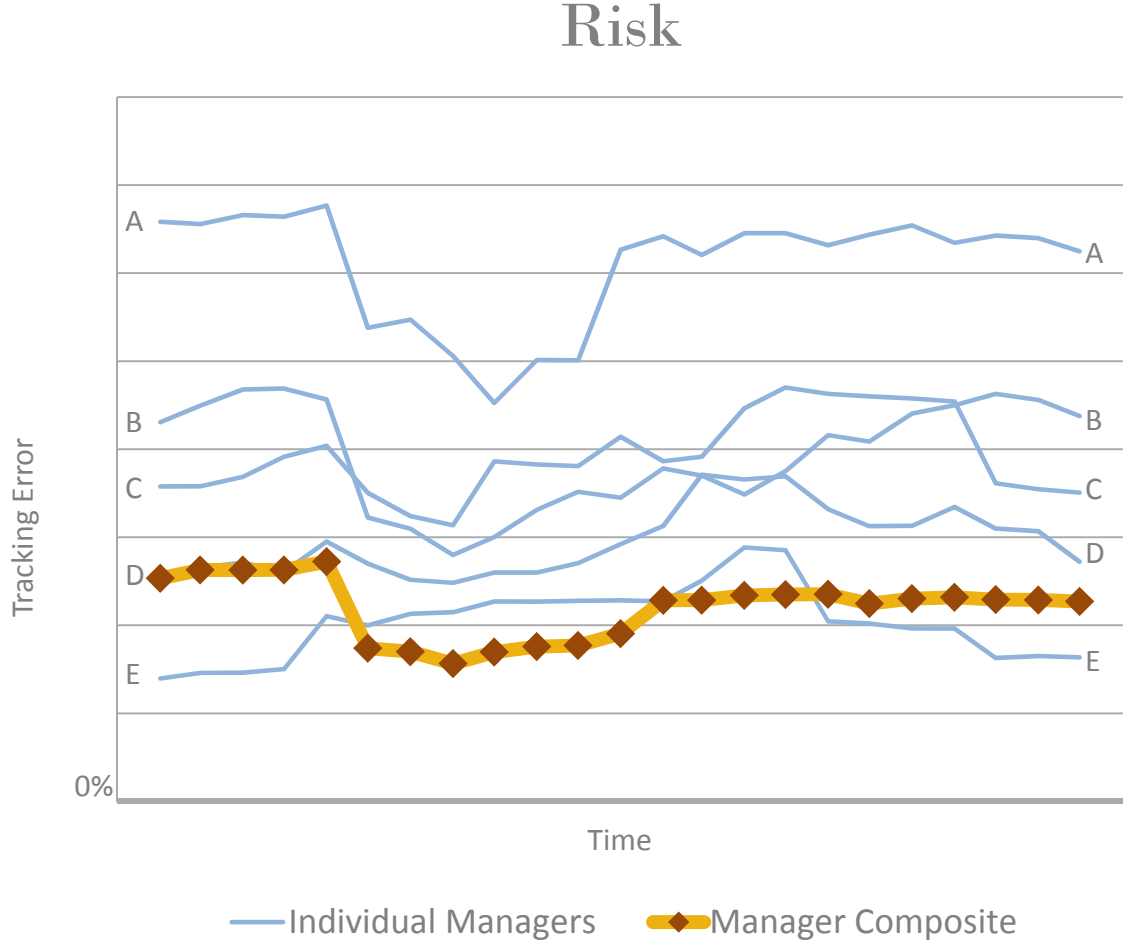


Rolling twelve-month periods. Shown for informational purposes only.

Investment Activities

Reduction of Manager-Specific Risk

- ***Reduction of Manager-Specific Risk*** and overall portfolio risk as measured by tracking error



Rolling twelve-month periods. Shown for informational purposes only.

Legato
Capital Management LLC

Investment Activities

Investment Philosophy & Process

Determine an appropriate manager mix that captures each client's unique risk and return requirements

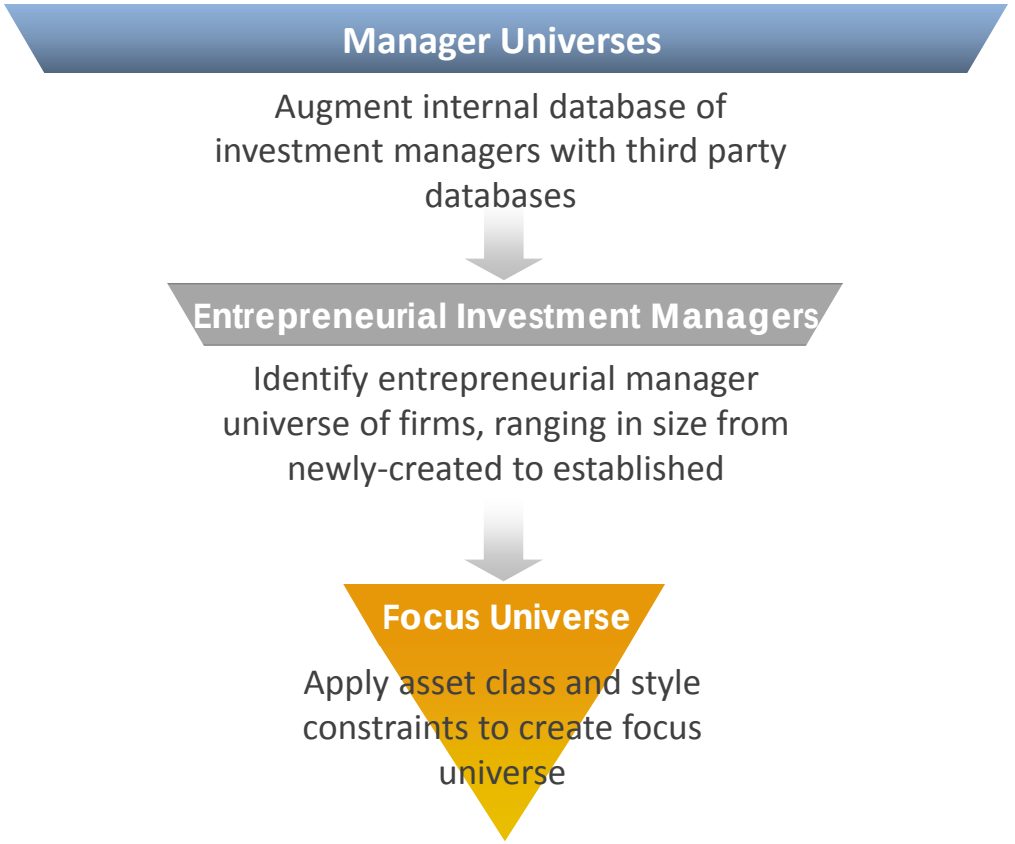
Our manager research process identifies entrepreneurial managers with the greatest potential to deliver the highest risk adjusted returns over the intermediate and long term periods

A portfolio of the highest conviction managers is then constructed to meet each client's unique objectives

Investment Activities

Universe Identification

Through our experience and strategic partnerships, we command the attention of the highest quality entrepreneurial managers



Legato Capital Management LLC

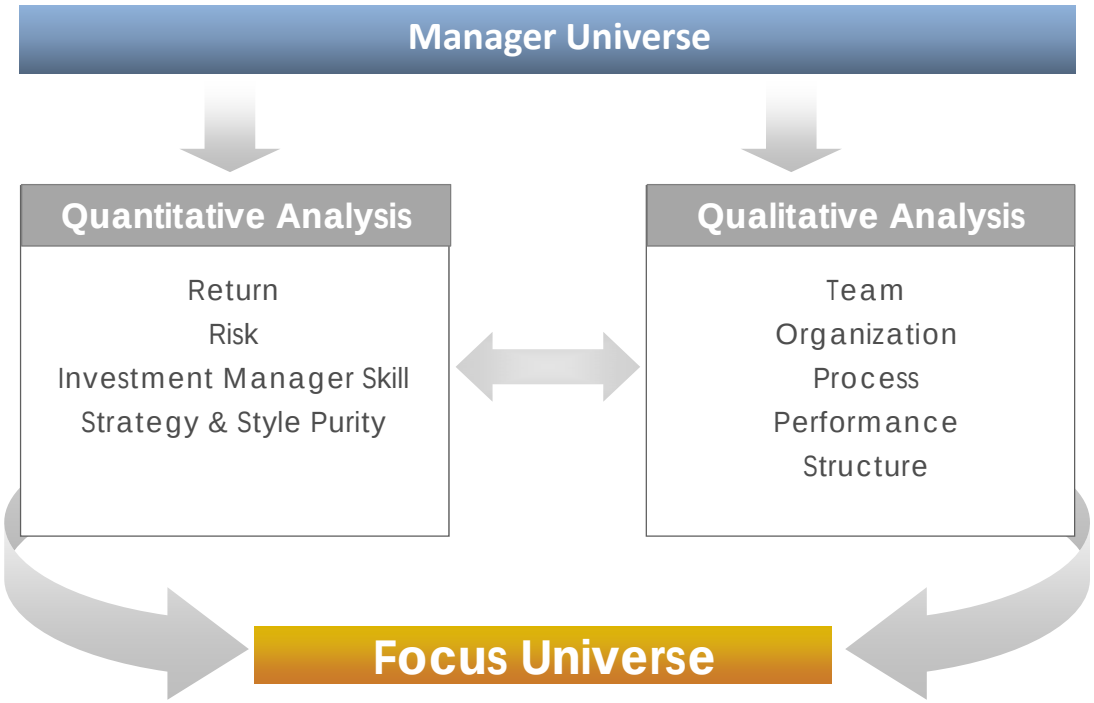
Investment Activities

Manager Research

Insights drawn from quantitative and qualitative analyses lead to deeper questions

We look for:

- *A disciplined and repeatable investment process*
- *An organizational structure that supports the investment process*
- *A talented and dedicated team*
- *An entrepreneurial culture*
- *An ability and willingness to take calculated risks*



Legato
Capital Management LLC

Investment Activities

Quantitative Analysis

Managers are measured against broad market and style benchmarks and universes, to identify consistent superior performance and adherence to strategy

Return - Consistency Analysis – Benchmark Comparisons
Quarterly, annually and cumulative periods
Rolling periods and various market cycles
Performance attribution – decomposition of alpha
Composite analysis – assets, dispersion, compliancy

Risk - Management
Portfolio construction rules – concentration, % buys
Sector/industry/single security guidelines
Trading policies – buy & sell discipline (full position or incrementally), velocity, illiquid issues

Investment Manager Skill – Statistical Analysis
Alpha, information ratio, Sharpe ratio
Standard deviation, tracking error, downside risk
Beta, correlation, R-squared
Up-market and down-market capture

Strategy & Style Purity
Returns-based style analysis
Historical holdings style analysis
Historical asset allocation and sector analysis

Legato
Capital Management LLC

Investment Activities

Qualitative Analysis

We dig deeper to identify critical drivers of each manager's future performance

Team
Experience, leadership and passion
Continuity and dynamics of investment team
Compensation structure
Non-Investment responsibilities – business, marketing, client service

Organization
Quality, integrity and vision of senior management
Ownership structure, succession plan
Corporate policies and procedures, compliance/regulatory checklist
Financial and business plans – products, markets and asset growth
Operations – marketing, client service, infrastructure, staffing, outsourcing
Comprehensive background check on all retained emerging manager firms

Process
Security selection – strength of idea generation
Research – appropriateness of research effort to support security selection criteria
Sell discipline – objectivity towards portfolio holdings
Implementation – efficient decision making, sensitivity to a product's capacity limitations
Risk management – appropriate policies, tools

Structure
Complementary investment strategy
Supports investment guidelines – concentration, sector exposure, trading
Product capacity – current and future growth, product closure level

Legato Capital Management LLC

Investment Activities

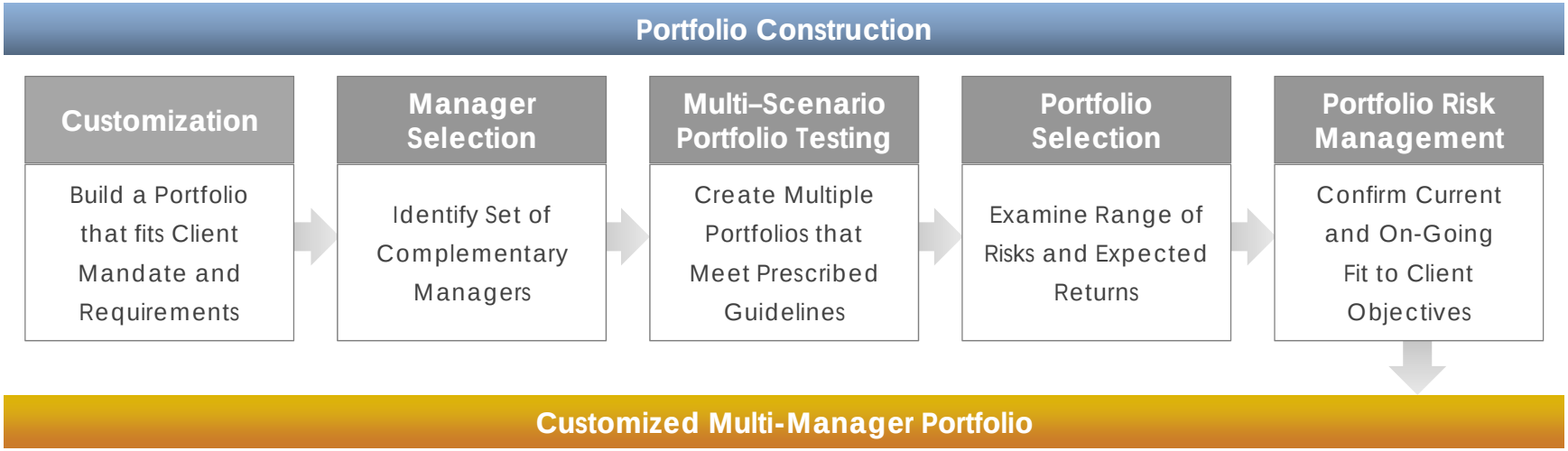
Conviction Ranking

We assign each manager a Conviction Ranking. Our conclusions are not the result of a simple averaging scheme, but are based on our overall assessment of an organization's most powerful drivers.

Legato Capital Management LLC

Investment Activities

Portfolio Construction Process



The portfolio construction process is designed to integrate manager selection, asset allocation and risk management to deliver customized multi-manager portfolios

Legato Capital Management LLC

Investment Activities

Multi-Scenario Portfolio Construction

Legato blends the investment manager Conviction Rankings to determine an initial portfolio allocation. These initial portfolio weights represent a form of risk-budgeting. In addition to the baseline portfolio, multiple portfolios are constructed by making adjustments to the manager weights based on risk budget, portfolio structure, portfolio characteristics, diversification, guidelines and client restrictions.

Manager	Style	Sub-style	Conviction Ranking	Absolute Maximum Weight	Normalized Weight for Baseline Portfolio	Minimum Tracking Error	Maximum Tracking Error	Portfolio using Optimizer	Final Portfolio
Manager A	Value	Deep Value	4	35.0%	19.4%	21.0%	16.8%	25.0%	21.0%
Manager B	Growth	Pure Growth	4	35.0%	19.4%	21.0%	16.5%	15.0%	18.5%
Manager C	Value	Relative Value	3	25.0%	13.9%	12.5%	16.5%	10.0%	15.0%
Manager D	Growth	Aggressive Growth	3	25.0%	13.9%	12.5%	16.2%	15.0%	14.0%
Manager E	Core	Core – Diversified	4	35.0%	19.4%	17.0%	20.0%	20.0%	17.5%
Manager F	Core	Core - Concentrated	3	25.0%	13.9%	16.0%	14.0%	15.0%	14.0%
Total				**180%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Due to rounding, numbers may not total 100%. Shown for informational purposes only.

Legato Capital Management LLC

Investment Activities

Portfolio & Risk Management

On-going Portfolio and Risk Management

On-going Due Diligence	Risk Management	Rebalancing Procedures	Sell Discipline
• Portfolio Monitoring • Manager Meetings • Revision of Conviction Rankings • Performance and Risk Attribution • Formal Quarterly Reviews	• Changes in Organization and Financial Stability • Changes in Process and Execution • Asset Growth Characteristics • Style and Sector Exposures • Tracking Error and Overall Risk Exposures	• Changes in Conviction Ranking • Target Allocation Drift • Diversification and Risk Controls	• Inconsistent Implementation of the Investment Process • Fundamental Changes in Ownership or Investment Team Personnel • Unexplained Style Drift • Capacity Constraints at the Individual Manager Level • Consistent Under-performance

Multi-Manager Portfolio

Legato Capital Management LLC

Investment Activities

Performance Expectations

Legato's investment process is designed to incorporate Conviction Ranking results to ensure identification of emerging managers with the highest potential for the production of competitive risk-adjusted returns

The portfolios utilize Legato's highest conviction, entrepreneurial managers who are believed to have the following characteristics:

- ✓ Talented and dedicated investment teams with an ability and willingness to take calculated risks
- ✓ An organizational structure that supports the investment process (employee owned, investment led, low asset base, sufficient operations and compliance infrastructure)
- ✓ A structured investment process that gives each manager the greatest opportunity to generate attractive risk-adjusted returns, on a benchmark and peer relative basis, over a market cycle

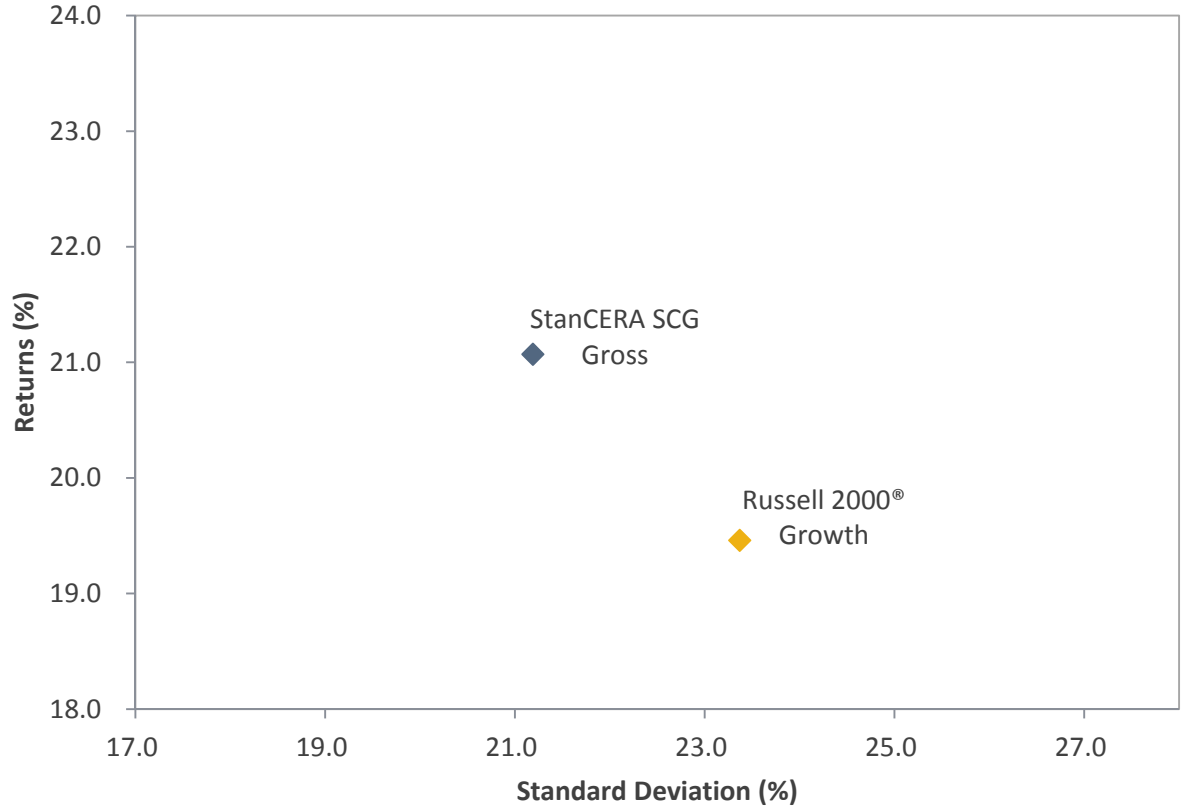
Given the uncertainty related to projecting market environments over a short term period, the total portfolio of managers is diversified across multiple styles and sub-styles to allow for outperformance across a number of market environments.

- ✓ Utilization of managers across the style spectrum (Growth, Core, and Value)
- ✓ Utilization of managers across the capitalization spectrum
- ✓ Managers that focus on a variation of characteristics to generate excess returns
- ✓ Managers that have heterogeneous investment processes (quantitative, fundamental, blend)

Portfolios are customized to client specifications and guidelines.

Risk and Return*

Period Ending 6/30/2012

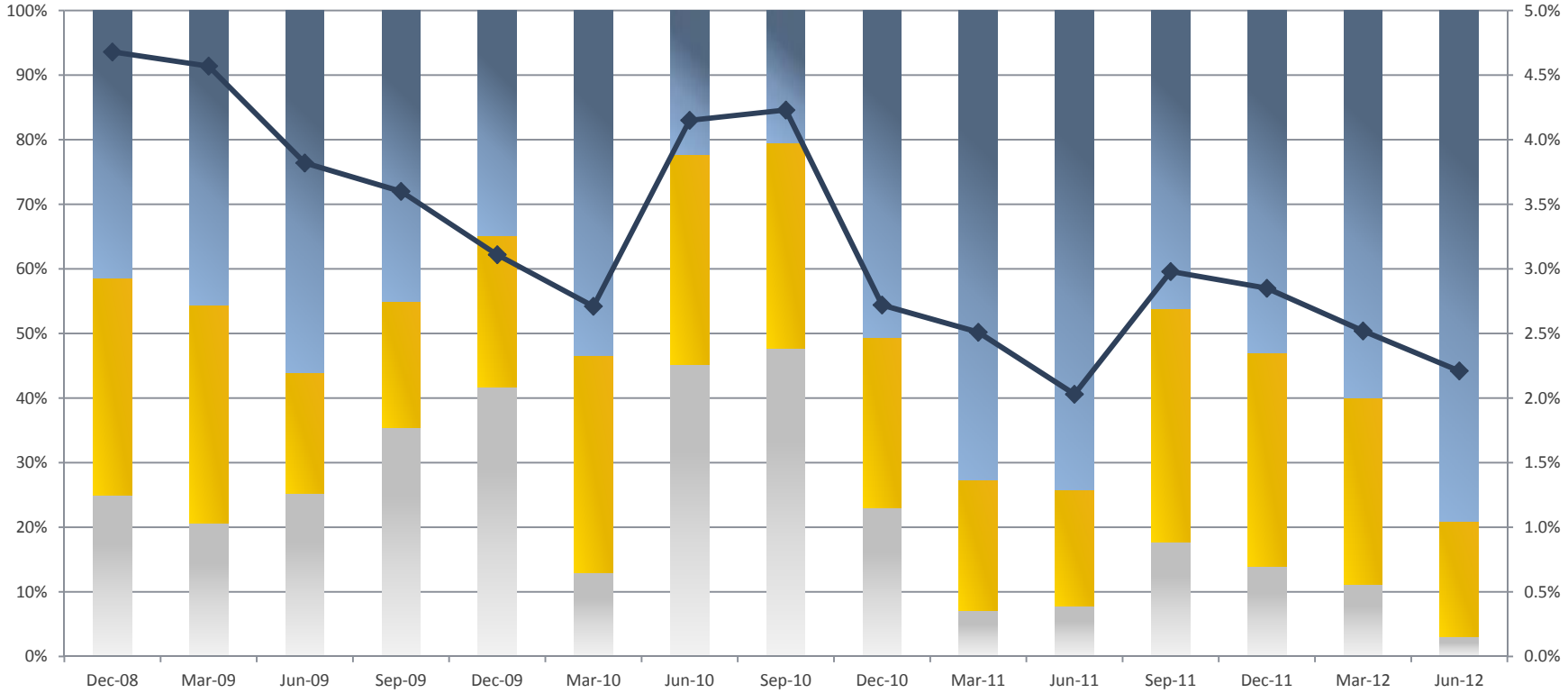


	Returns	Standard Deviation	Information Ratio	Sharpe Ratio	Excess Return	Beta	Correlation	Tracking Error	Up Market Capture	Down Market Capture
StanCERA SCG Gross	21.07%	21.19%	1.07	0.99	1.61	0.90	0.99	3.57%	90.31	90.94
Russell 2000® Growth	19.46%	23.37%	0.00	0.83	0.00	1.00	1.00	0.00	100.00	100.00

**Portfolio Inception date 12/22/2008*

Risk Attribution

Tracking Error is attributable to stock specific, industry and style risk factors. Tracking Error is expected to be between 3% and 5%.



	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
Stock Specific	41%	46%	56%	45%	35%	53%	22%	21%	51%	73%	74%	46%	53%	60%	79%
Industries	34%	34%	19%	19%	23%	34%	33%	32%	26%	20%	18%	36%	33%	29%	18%
Style	25%	21%	25%	36%	42%	13%	45%	48%	23%	7%	8%	18%	14%	11%	3%
Predicted Tracking Error	4.68%	4.57%	3.82%	3.60%	3.11%	2.71%	4.15%	4.23%	2.72%	2.51%	2.03%	2.98%	2.85%	2.52%	2.21%

Source: FactSet/Axioma US MH Fundamental. Total Risk consists of Style, Industries and Stock Specific Risk Contribution. Each security is assigned to one industry. Stock Specific Risk Contribution is the risk attributable to specific risk of individual stocks.

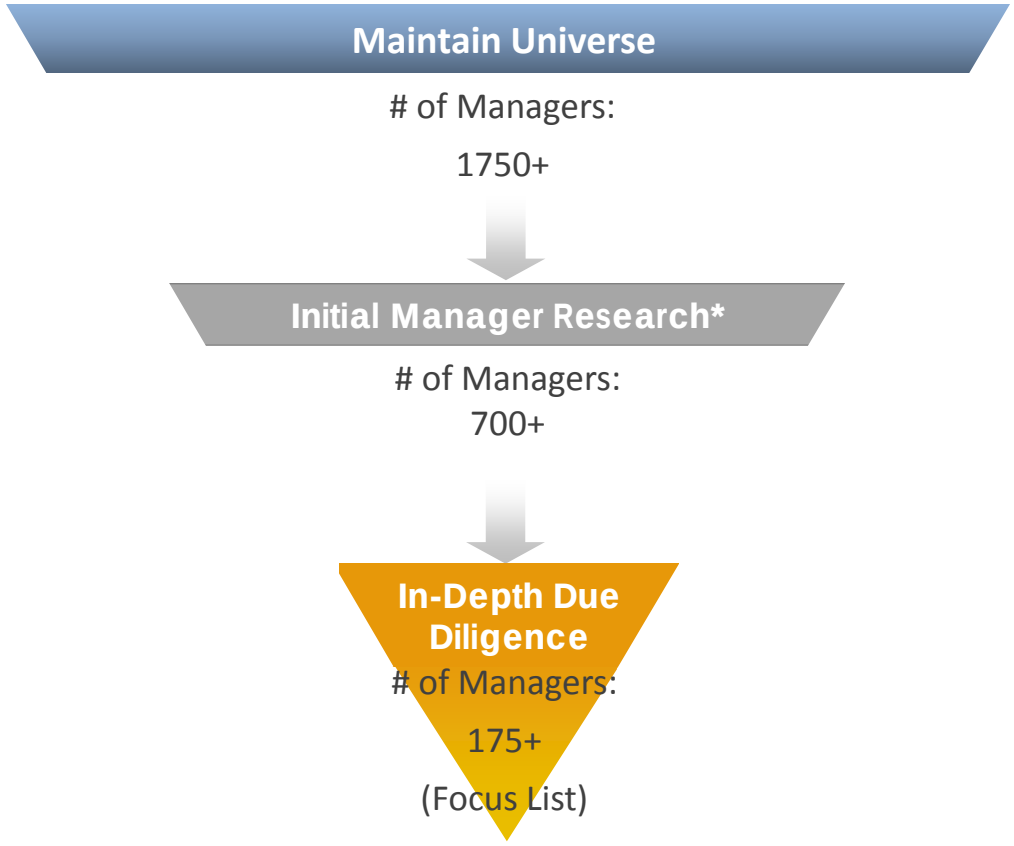
Section E.

Research Methodology

Research Methodology

Idea Generation and Research

Analyze manager universe and develop a list of High Conviction ranked managers



*As of 6/30/12, managers under $2 billion in firm wide AUM and at least 20% employee ownership

Research Methodology

Manager Universe Identification

Legato utilizes an extensive internal and external network to identify and attract a wide pool of emerging manager candidates

Active Research

- Proprietary manager database
- Third party databases (e.g., eVestment, FactSet, Informa)
- Industry news services (e.g., P&I, FinDaily, Emerging Manager Monthly)
- Mutual fund portfolio manager changes (Morningstar)
- SEC web-site

Industry Contacts

- Private equity firms
- Capital partners and consultants

Conferences

- Emerging manager focused - CalPERS Diversity Conference, Robert Toigo Foundation, NASP, OPAL, California PUC, RG & Associates
- Other industry - CFA Society of SF, IMI, Pension Bridge, SACRS

Research Methodology

PORTFOLIO STRATEGY AND IMPLEMENTATION

Client Portfolio Guidelines and Restrictions

Governance

Incentive Structure

Proxy Voting and Best Execution

Background Checks

Qualitative Analysis

Construction

Transition Management

Performance Measurement and Monitoring

MANAGER RESEARCH AND DUE DILIGENCE

Quantitative Analysis

Risk Management

Trading

Initial Manager Funding

Stress Testing

Quarterly Investment Review

Portfolio Rebalancing

Focus List

Operations and Business Risk
Quarterly Compliance Review

Risk Methodology

Risk Management Tools

Legato uses the following risk management tools:

Operation	Tool
✓ Manager Due Diligence	FactSet, Axioma, eVestment, Kroll Report, Due Diligence Questionnaire
✓ Portfolio Construction	FactSet, Axioma, eVestment
✓ Account Monitoring	FactSet, Axioma, Excel, Advent/Axys
✓ Performance Measurement	Advent/Axys, eVestment, FactSet
✓ Performance Reconciliation	Advent/Axys, Excel, Empaxis

Section F.

Trading and Settlement

Trading and Settlement

Trade Cost Evaluation (Underlying)

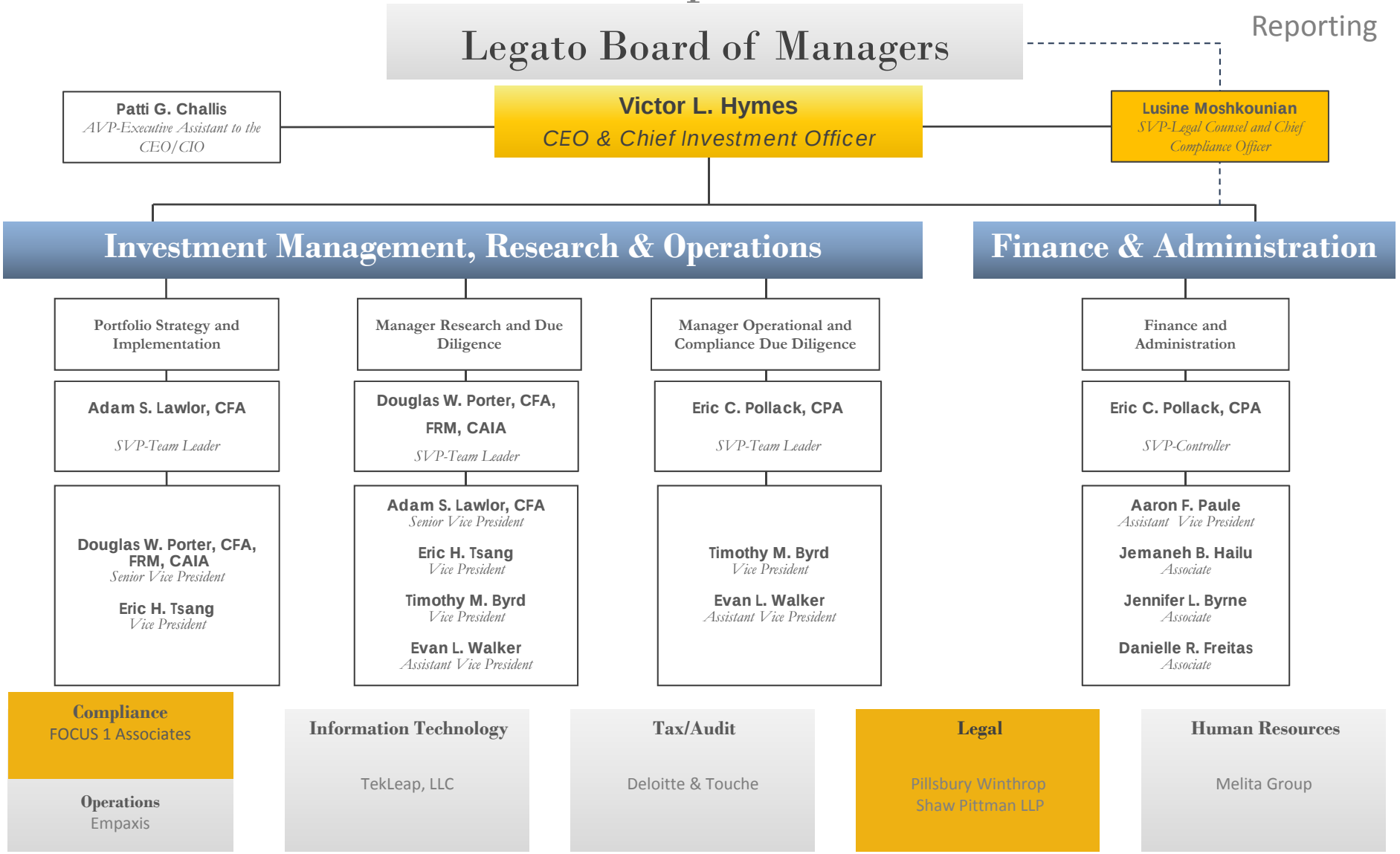
On-going evaluation of trading costs to ensure managers are seeking best execution for client portfolios

- ✓ Legato evaluates the execution of trading from the perspective of each manager's stated investment strategy
- ✓ Access to trading costs across managers allows peer-to-peer evaluation of trading costs
- ✓ Legato requests trade costs evaluations from managers
- ✓ Trading costs are monitored at least on a quarterly basis
- ✓ Evaluation of soft dollar usage

Section G.

Compliance and Conflicts of Interest

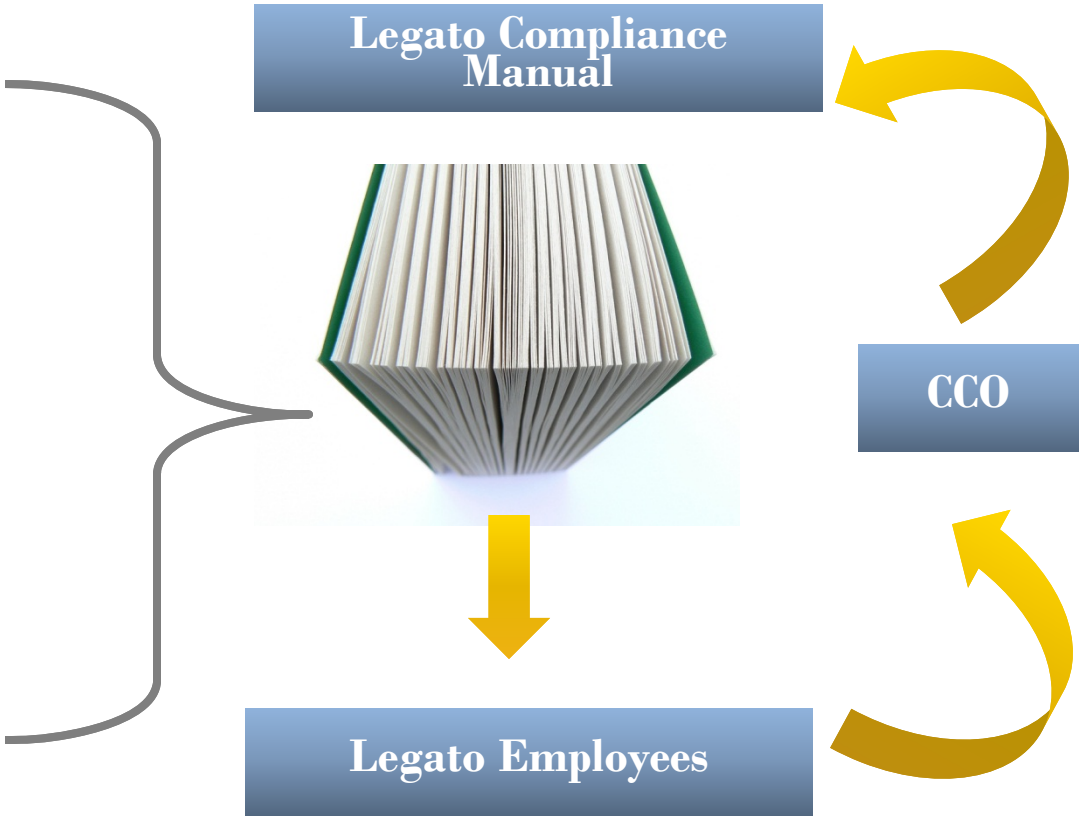
Compliance and Conflicts of Interest



Compliance and Conflicts of Interest

Compliance Manual

- ✓ Code of Ethics
- ✓ Pay-to-Play
- ✓ Conflicts of Interest
- ✓ Portfolio Management & Trading
- ✓ Manager Due Diligence
- ✓ Regulatory Filings & Disclosures
- ✓ Proxy Voting Procedures
- ✓ Business Continuity Plan
- ✓ Marketing
- ✓ Books & Records



Compliance and Conflicts of Interest

Role & Support

Shared commitment to establishing and maintaining a culture of compliance

Implement a compliance program focused on protecting clients' interests

- ✓ Maintain robust policies and procedures
- ✓ Annual compliance review and testing
- ✓ Periodic risk assessment

Quarterly Employee Attestations

- ✓ Employee personal securities transactions
- ✓ Outside business activities
- ✓ Political contributions
- ✓ Gifts & entertainment

Keep current on new regulatory developments and best practices

Serve as a resource to Investment Team members

- ✓ Participate in Investment Committee meetings
- ✓ Involvement with Manager Operational and Compliance Due Diligence

Supported by 3rd party service providers

- ✓ FOCUS 1 Associates
- ✓ Pillsbury Winthrop Shaw Pittman LLP

Section H.

Introduction to Firm-Wide Team and Office Tour

Legato Capital Management LLC

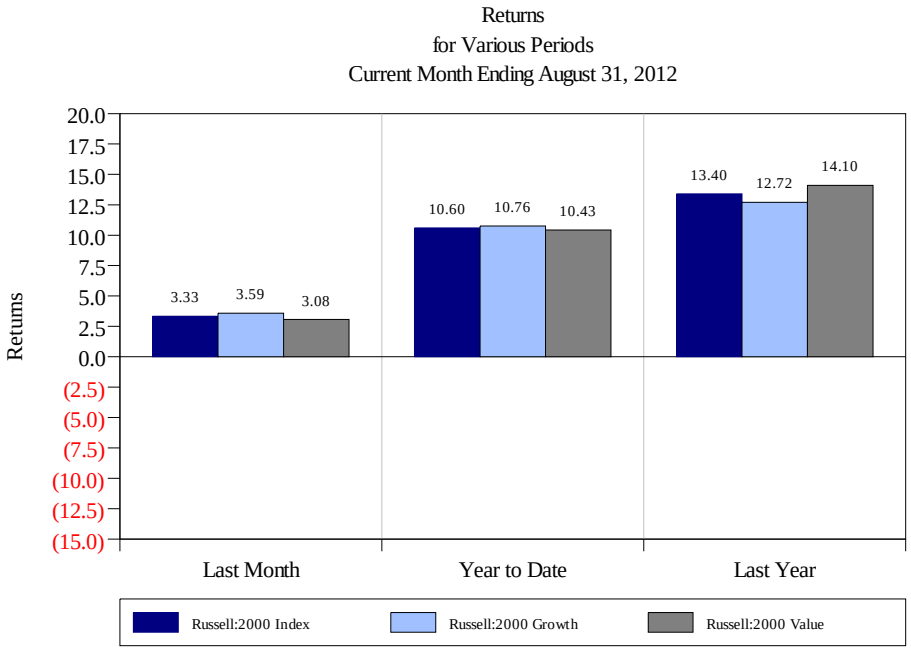
Appendix A.

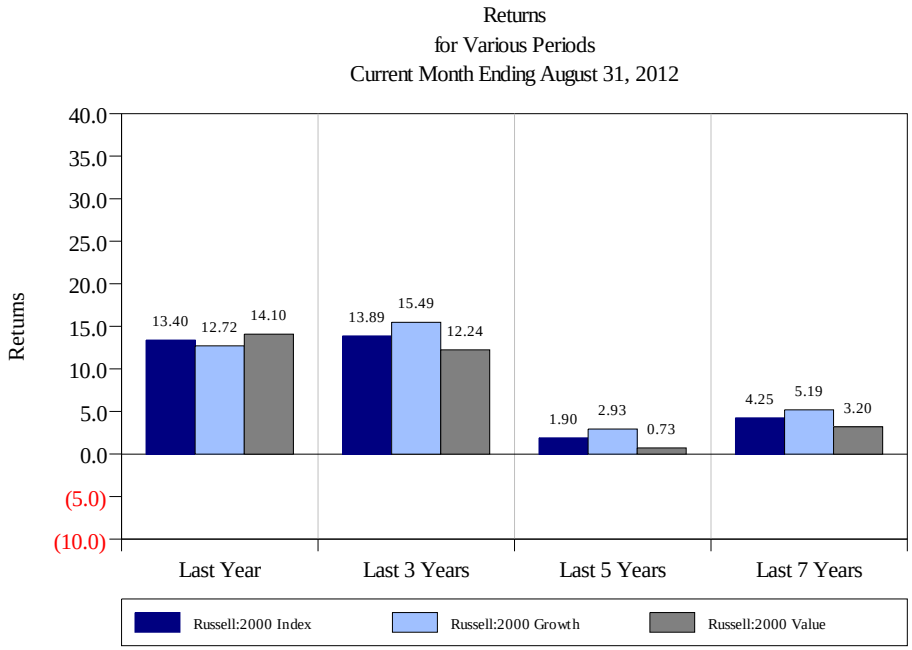
Portfolio Update

Estimated as of August 31, 2012

Portfolio Update

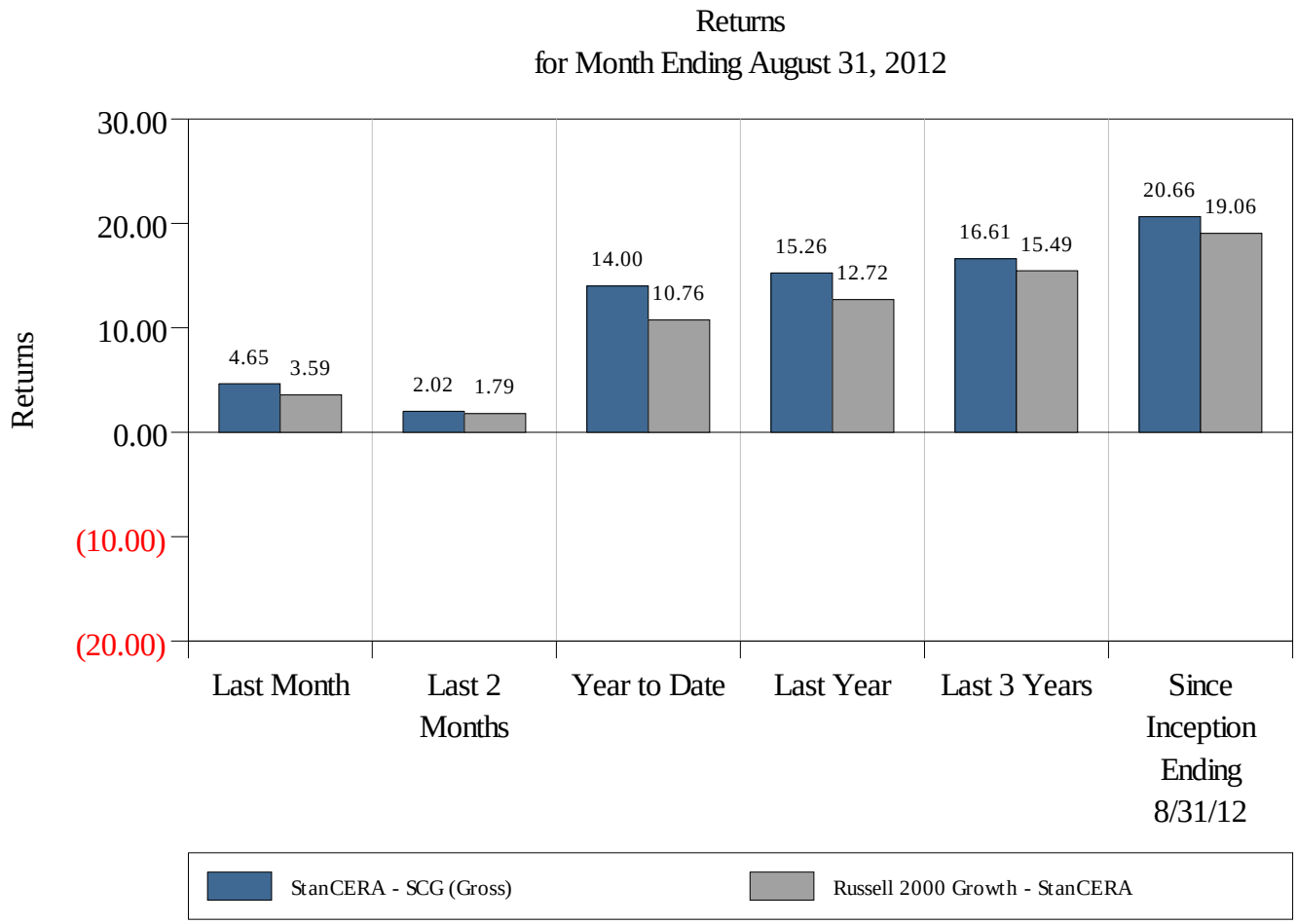
Small Cap Index Performance 8/31/2012





Portfolio Update

Performance 8/31/2012

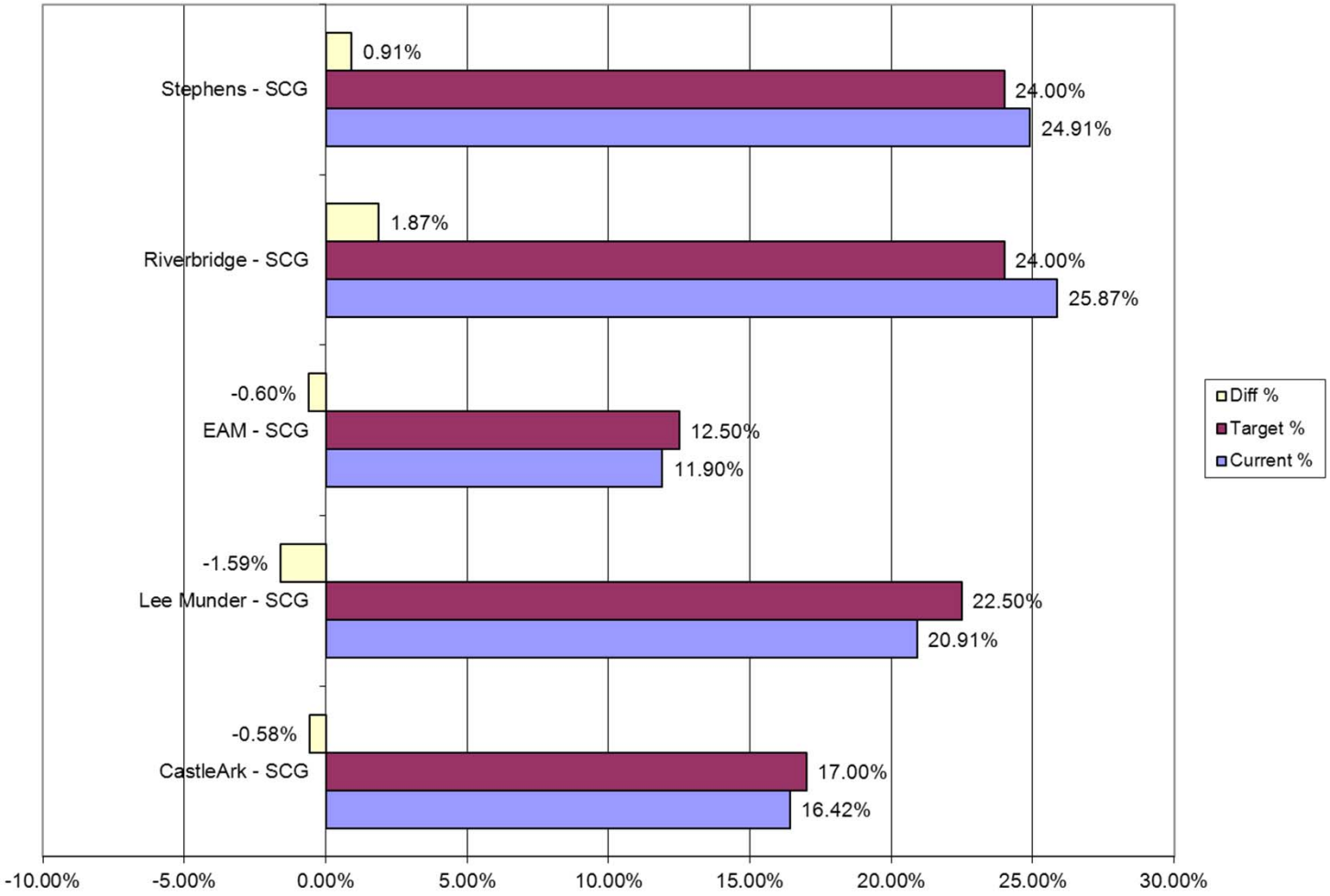


Inception date – 12/22/2008

Legato Capital Management LLC

Portfolio Update

Asset Allocation vs. Target 8/31/2012



Legato Capital Management LLC

Portfolio Update

Manager Performance 8/31/2012

Returns
for Period Ended August 31, 2012

	Last Month	Last 2 Months	Year to Date	Last Year	Last 2 Years	Last 3 Years	Last 3 3/4 Years
Castleark - SCG - StanCERA	4.07	2.87	7.74	10.32	20.86	--	--
Lee Munder - SCG - StanCERA	8.14	4.12	15.45	11.43	20.64	--	--
EAM Investors - SCG - StanCERA	2.18	1.44	13.28	12.59	--	--	--
Riverbridge - SCG StanCERA	5.04	1.71	14.49	20.26	25.29	19.76	22.91
Stephens Invt - SCG - StanCERA	3.01	0.36	16.15	17.36	25.32	19.94	23.28
StanCERA - SCG (Gross)	4.65	2.02	14.00	15.26	21.53	16.61	20.66
Russell 2000 Growth - StanCERA	3.59	1.79	10.76	12.72	19.89	15.49	19.06

Inception date – 12/22/2008

Portfolio Update

Risk Statistics 8/31/2012

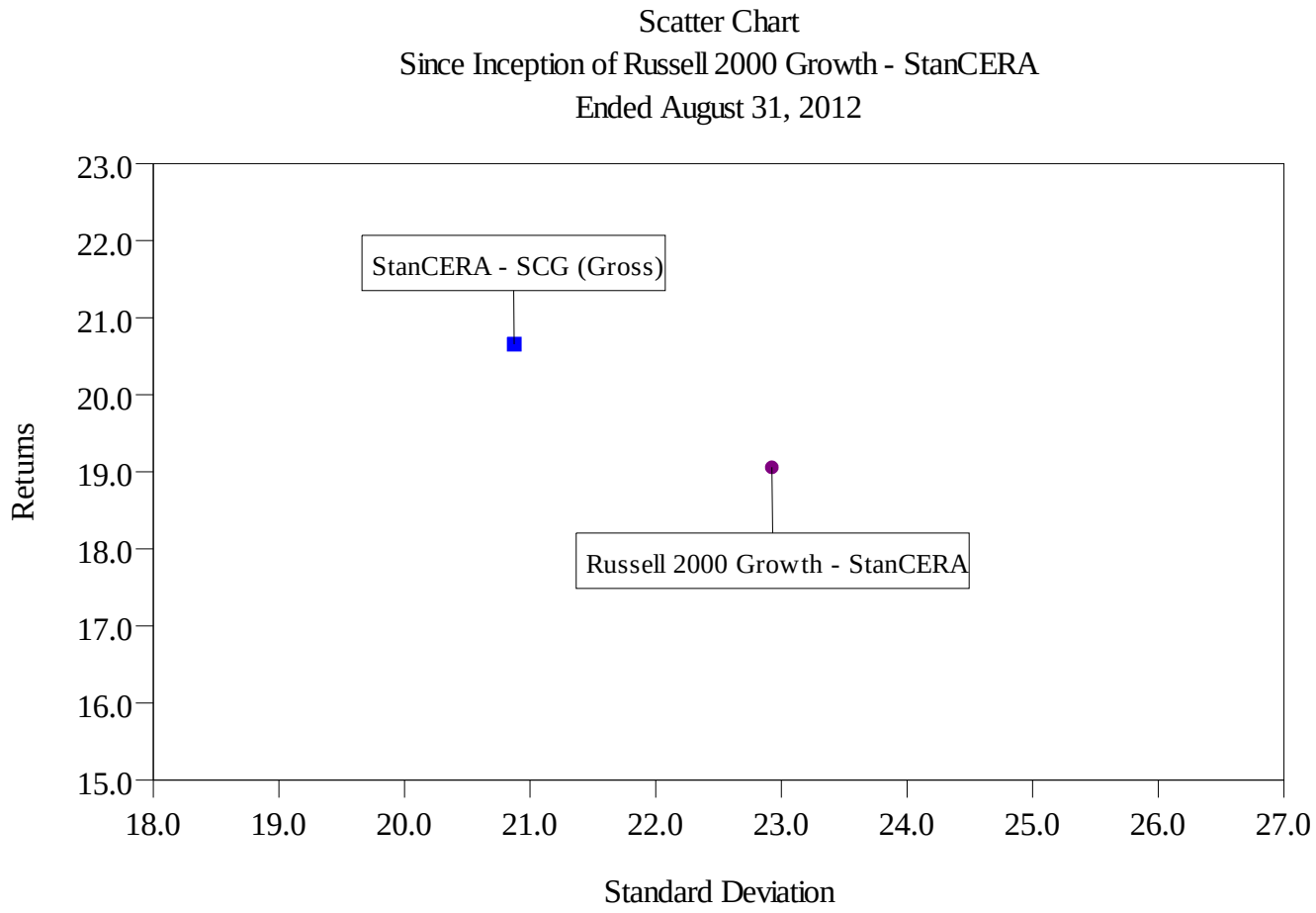
Risk Statistic Relative to R2000 Growth
Since Inception of StanCERA - SCG (Gross)
for Period Ended August 31, 2012

	Returns	Standard Deviation	Information Ratio	Sharpe Ratio	Excess Return	Beta	Correlation	Tracking Error	Up Market Capture	Down Market Capture
StanCERA - SCG (Gross)	20.66	20.87	1.01	0.98	1.60	0.90	0.99	3.55	91.55	91.77
Russell 2000 Growth - StanCERA	19.06	22.92	0.00	0.83	0.00	1.00	1.00	0.00	100.00	100.00

Inception date – 12/22/2008

Portfolio Update

Return/Risk Summary 8/31/2012



Inception date – 12/22/2008

Portfolio Update

Performance Attribution QTD 8/31/2012

Performance Attribution

StanCERA - Small Cap Growth Portfolio vs. Russell 2000 Growth
6/29/2012 to 8/31/2012
U.S. Dollar

	StanCERA - SCG			Russell 2000 Growth			Attribution Analysis		
Legato Russell Global Sector	Port. Average Weight	Port. Total Return	Port. Contrib. To Return	Bench. Average Weight	Bench. Total Return	Bench. Contrib. To Return	Allocation Effect	Selection Effect	Total Effect
Total	**100.00**	**2.16**	**2.16**	**100.00**	**1.84**	**1.84**	**-0.31**	**0.64**	**0.33**
Consumer Discretionary	**14.38**	**2.83**	**0.39**	**17.83**	**4.15**	**0.74**	**-0.08**	**-0.19**	**-0.27**
Consumer Staples	**3.55**	**2.28**	**0.10**	**4.34**	**-0.28**	**-0.01**	**0.01**	**0.10**	**0.11**
Energy	**4.27**	**7.01**	**0.28**	**6.01**	**4.50**	**0.27**	**-0.06**	**0.11**	**0.05**
Financial Services	**8.73**	**4.23**	**0.39**	**8.96**	**2.95**	**0.27**	**-0.02**	**0.12**	**0.10**
Health Care	**21.97**	**-2.23**	**-0.55**	**21.92**	**-0.69**	**-0.20**	**-0.02**	**-0.35**	**-0.36**
Materials & Processing	**3.25**	**1.96**	**0.03**	**7.40**	**3.96**	**0.28**	**-0.09**	**-0.07**	**-0.16**
Producer Durables	**16.89**	**1.46**	**0.26**	**14.72**	**-0.47**	**-0.06**	**-0.05**	**0.33**	**0.28**
Technology	**21.83**	**5.21**	**1.16**	**17.46**	**2.66**	**0.50**	**0.04**	**0.53**	**0.57**
Utilities	**1.49**	**7.08**	**0.11**	**1.38**	**4.05**	**0.06**	**-0.01**	**0.05**	**0.04**
[Cash]	**3.63**	**0.02**	**0.00**	**--**	**--**	**--**	**-0.03**	**--**	**-0.03**

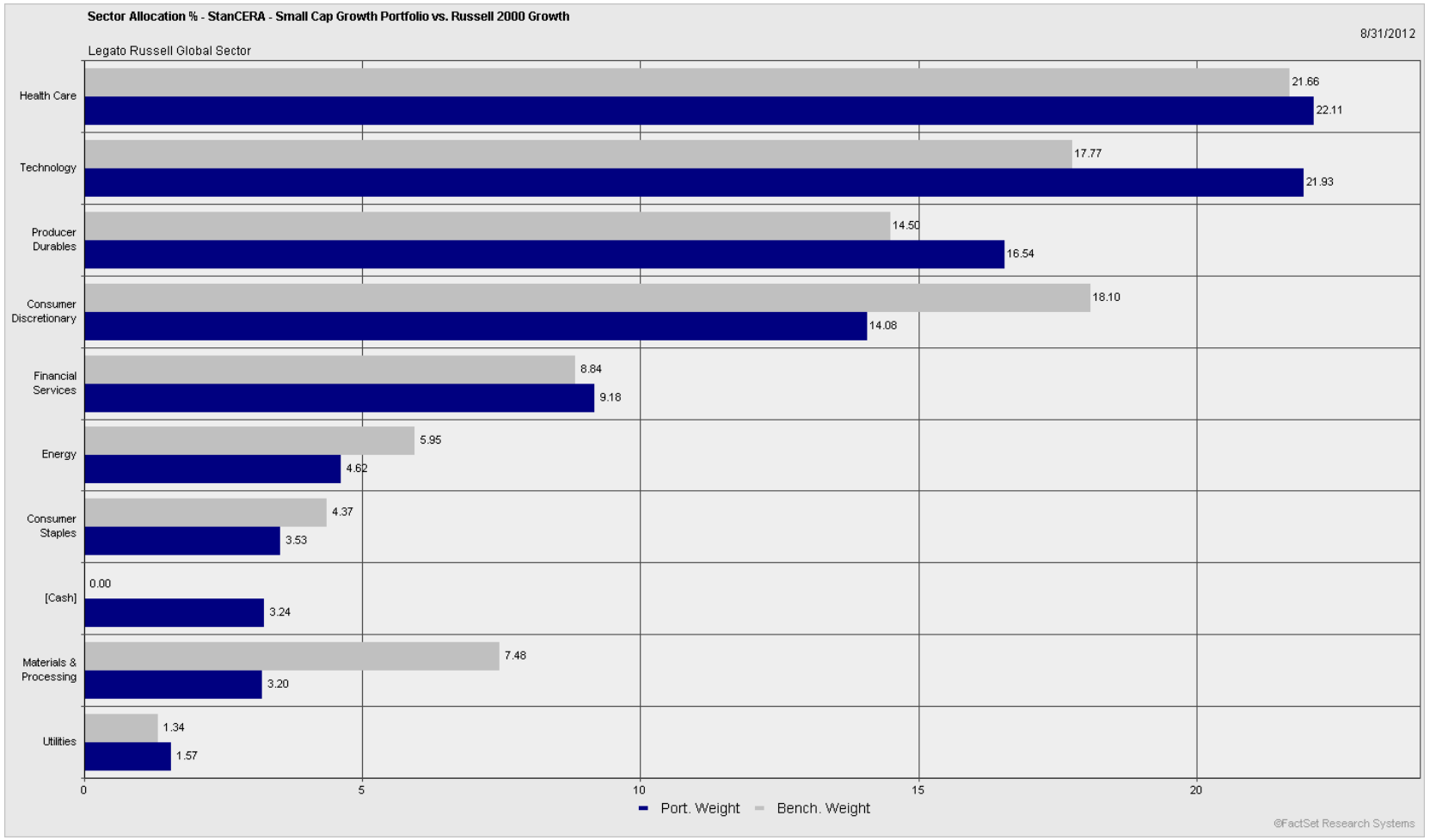
* Attribution performance may differ from reported performance due to effects from trading and cash flows.

Source: FactSet

Legato Capital Management LLC

Portfolio Update

Sector Allocation 8/31/2012



Source: FactSet

Legato Capital Management LLC

Portfolio Update

Portfolio Characteristics 8/31/2012

Portfolio Characteristics

StanCERA - Small Cap Growth Portfolio vs. Russell 2000 Growth
8/31/2012
Axioma US 2 MH Fundamental

	StanCERA - SCG	R2000 Growth
# of Securities	433	1,117
Market Capitalization		
Weighted Average	1,652.31	1,426.51
Median	924.82	569.39
Dividend Yield	0.45	0.84
Price to Book	2.74	3.14
Price to Earnings	21.26	15.40
Price to Earnings using FY1 Est	19.82	17.49
EPS Growth (Historical 5 Year)	11.71	10.31
EPS Growth (Est. LTG)	18.23	18.45
PEG using FY1 Est	3.08	2.71
Price to Sales	1.29	1.22
Price to CF	9.92	10.11
ROE	10.74	10.56
Total Debt to Equity	0.24	0.21
Axioma- Predicted Beta	0.97	#N/A
Predicted Tracking Error (Std Dev)	2.28	#N/A

Exposures

StanCERA - Small Cap Growth Portfolio vs. Russell 2000 Growth
8/31/2012
Axioma US 2 MH Fundamental

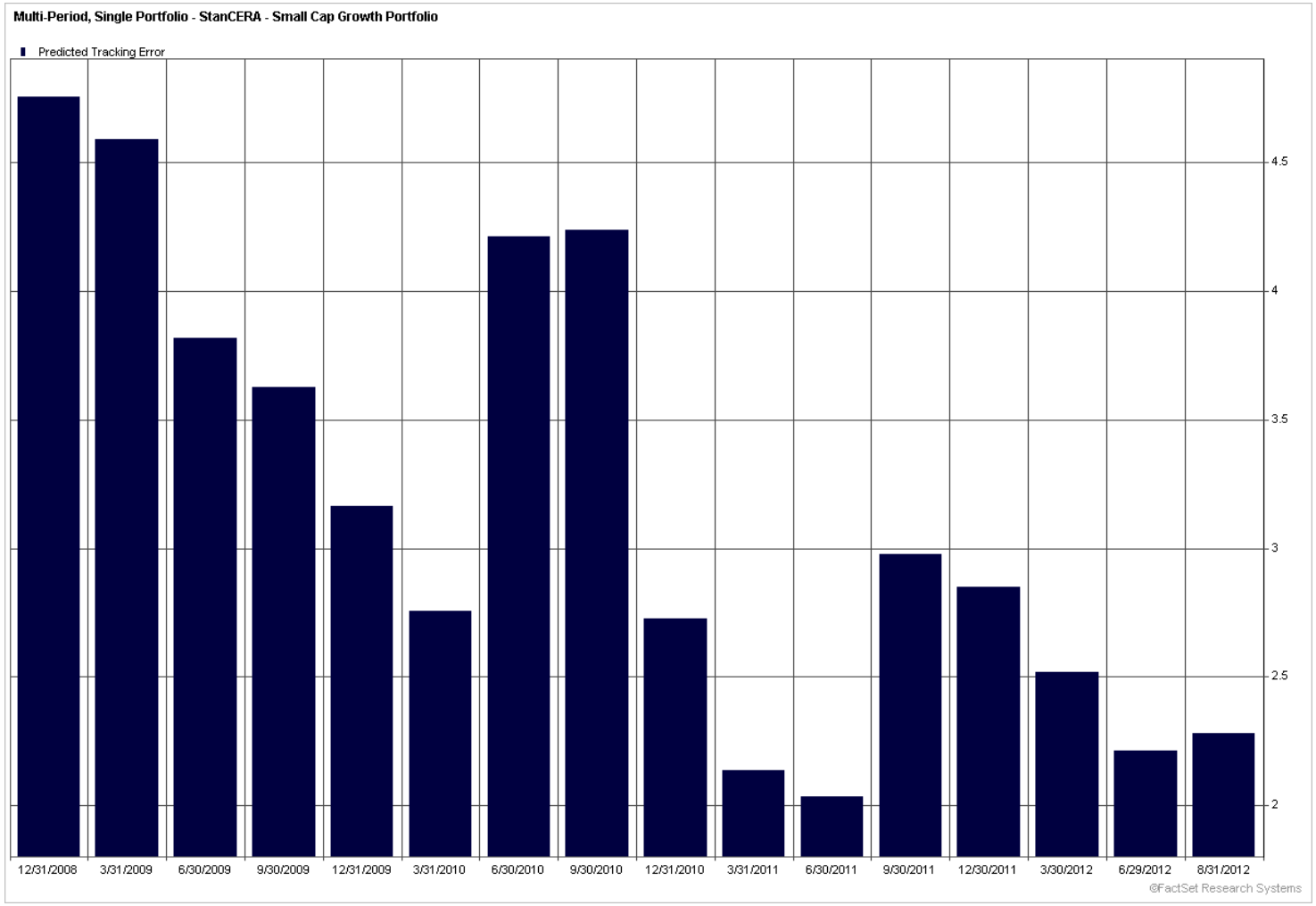
Style Breakout	Portfolio Exposure	Benchmark Exposure	Active Exposure	Percent Factor Contr. to Tot. Risk
Liquidity	**-0.03**	**-0.08**	**0.05**	**-0.13**
Volatility	**0.54**	**0.53**	**0.01**	**-0.40**
Market Sensitivity	**0.37**	**0.33**	**0.04**	**-1.02**
Leverage	**-0.29**	**-0.34**	**0.05**	**-0.12**
Medium-Term Momentum	**0.36**	**0.26**	**0.10**	**0.35**
Short-Term Momentum	**0.22**	**0.16**	**0.06**	**0.85**
Size	**-0.64**	**-0.71**	**0.06**	**0.67**
Value	**-0.36**	**-0.45**	**0.09**	**0.01**
Growth	**0.08**	**-0.01**	**0.09**	**0.21**
Exchange Rate Sensitivity	**-0.20**	**-0.08**	**-0.12**	**-0.32**
Industries	**0.96**	**1.00**	**-0.04**	**19.87**
Total	**1.02**	**0.61**	**0.40**	**19.95**

Source: FactSet/Axioma

Legato Capital Management LLC

Portfolio Update

Tracking Error 8/31/2012



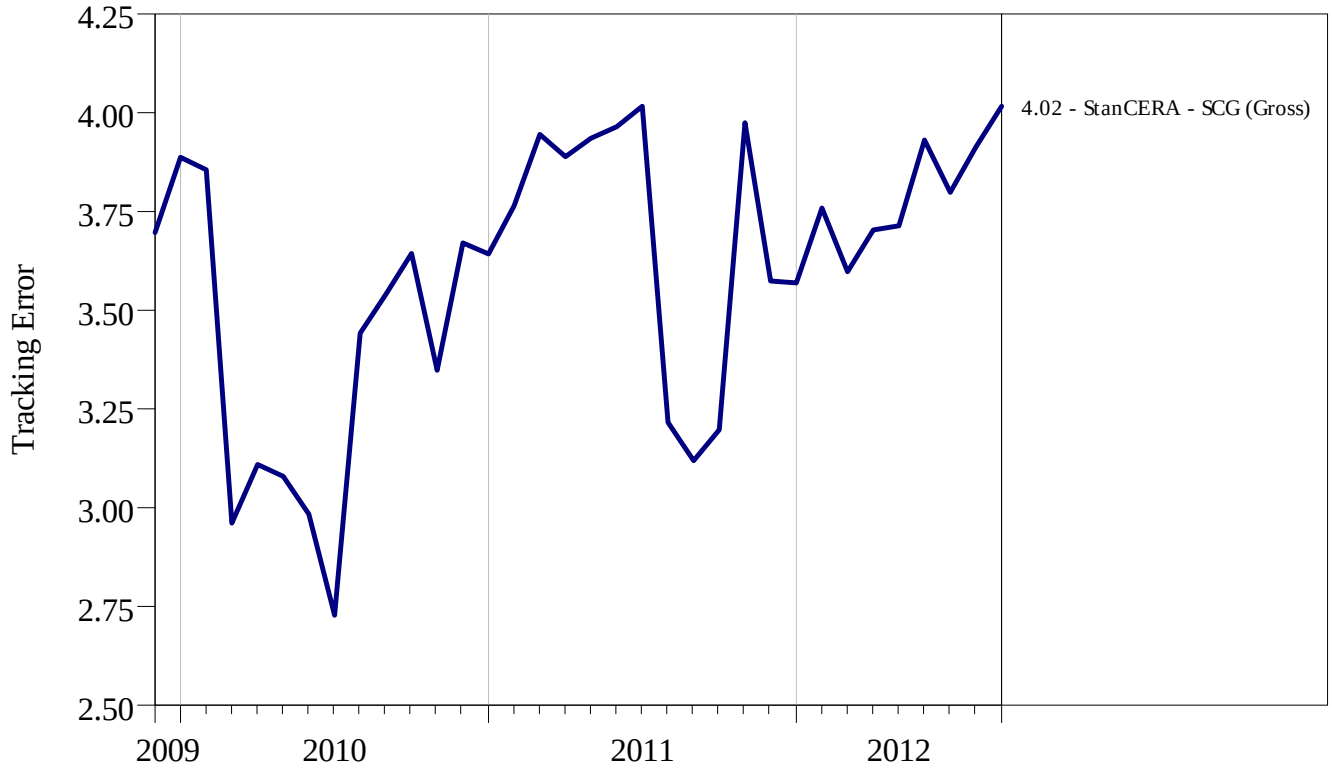
Source: FactSet

Legato Capital Management LLC

Portfolio Update

Tracking Error 8/31/2012

Rolling 12 Month Tracking Error Relative To Russell 2000 Growth - StanCERA
Since Inception of StanCERA - SCG (Gross)
Ended August 31, 2012



Legato
Capital Management LLC

Performance Disclosure

Past performance is no guarantee for future results. All performance and statistical information is historical. The market indices are unmanaged and do not reflect the deduction of fees and expenses typically associated with managing a client portfolio. A market index may not be available for direct investment.

Investment product returns are gross of investment advisory fees and other expenses necessary to manage portfolios. If fees and expenses were deducted, actual performance would be less than that shown in this presentation. The currency used to express performance is U.S. dollars. Legato Capital Management LLC's advisory fees are described in our Form ADV Part 2. Legato Capital Management LLC has filed a registration statement on Form ADV with the Securities and Exchange Commission (SEC). A copy of our Form ADV can be obtained from the SEC's website (www.sec.gov) or by directly contacting Legato Capital Management LLC (1-877-838-8301). During the period, there were no investment strategies employed to obtain the results portrayed other than those strategies disclosed in Legato's Form ADV or other disclosure brochure.

Legato Capital Management LLC claims compliance with the Global Investment Performance Presentation Standards (GIPS®), the U.S. and Canadian version of GIPS®. The CFA Institute has not been involved with or reviewed Legato's claim of compliance.

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The views expressed in this material are subject to change with market conditions. Neither this material nor any accompanying oral remarks are intended to be a determination that a particular product or service is suitable for any individual or institutional investor.

Appendix B.

Legato Key Professionals Biographies

Legato
Capital Management LLC

Legato Key Professionals

Victor L. Hymes
CEO & Chief Investment Officer

Victor L. Hymes is the CEO and Chief Investment Officer of Legato Capital Management LLC, an investment management company he founded in 2004. Legato utilizes entrepreneurial investment managers to create customized solutions for institutional clients.

Mr. Hymes graduated from Oberlin College in 1980, having focused in the areas of music and mathematics. After teaching in the Ohio Public School System, he entered the Stanford Graduate School of Business, where he received his MBA. He began his post-graduate career at Goldman, Sachs & Company. Following six years at Goldman, he continued in investment banking for three years at Kidder, Peabody & Company.

In 1992, Mr. Hymes began his career in the investment management industry at Scudder, Stevens & Clark, Inc., managing investment portfolios for corporate and public pension funds, endowments and Taft-Hartley clients. Later, he directed Scudder's entire West Coast fixed income group and was a frequent speaker on the topic of mortgage derivatives. Early in the year 2000, following Scudder's reorganization as Zurich Scudder Investments, Inc., Mr. Hymes headed Zurich's $80 billion North American institutional business. After ten years with Zurich, he spent one year with Cazenave Partners, LLC, before founding Legato.

Mr. Hymes is a past member of the Oberlin College Board of Trustees, where he served as Chair of the Investment Committee. At the conclusion of his six-year term as Chair, Oberlin's Endowment was named winner of the 2010 Nonprofit Award for Excellence by *Foundation & Endowment Money Management*. Mr. Hymes served with distinction on the boards of Oberlin College and Earthjustice, each of which has recognized him as an Honorary Trustee. He is a past Board Chair of San Francisco Performances.

Mr. Hymes currently is a member of the Board and Chair of the Investment Committee of the Presbyterian Church (U.S.A.) Foundation. He is a Director of Montgomery Street Income Securities, a closed-end mutual fund, where he serves as Chair of the Valuation Committee. Also, Mr. Hymes is a member of the Strategic Advisory Board of the CFA Society of San Francisco.

Legato Key Professionals

Adam S. Lawlor, CFA
Senior Vice President

Adam S. Lawlor, CFA is a Senior Vice President and member of the Investment Team for Legato Capital Management LLC, an investment management firm he co-founded specializing in Entrepreneurial Manager Portfolio Construction & Management. Most recently, Mr. Lawlor was the Director of Manager Research at Cazenave Partners, where he helped to develop the "Manager of Managers" program for emerging managers. Prior to Cazenave, from 2000 to 2002 he directed the Investment Consulting Group at Robertson Stephens, where he was responsible for $1.3 billion in assets and ran the firm's sub-advisory investment manager program. This included constructing and customizing multi-manager portfolios. Before joining Robertson Stephens, Mr. Lawlor was a member of the Global Manager Research Group at Callan Associates from 1995 to 2000, specializing in researching both domestic equity and fixed income investment managers.

Mr. Lawlor received a BS in Business Administration from the University of Connecticut, Storrs in 1992. He is a member of both the CFA Institute and CFA Society of San Francisco. Mr. Lawlor is also a member of the investment committee of San Francisco Performances. Mr. Lawlor has day-to-day responsibility for manager research, including initial due diligence, portfolio construction, analysis and optimization of existing manager asset allocation.

Douglas W. Porter, CFA, CAIA, FRM
Senior Vice President

Douglas W. Porter, CFA, CAIA, FRM is Senior Vice President and member of the Investment Team for Legato Capital Management LLC, an investment management firm specializing in Entrepreneurial Manager Portfolio Construction & Management. Most recently, Mr. Porter worked at Russell Investments as a Research Analyst on the U.S. Equity Research team. At Russell, Mr. Porter's research focused on evaluating and ranking US Smid, Small and Micro Cap managers. In addition, Mr. Porter built several analytical tools to support manager evaluation and multi-manager fund construction. Prior to 2006, Mr. Porter was a Portfolio Analyst at Russell where he worked with internal multi-manager portfolio managers to analyze risk-return relative to multi-asset class diversification and portfolio construction. He began at Russell as a Consulting Analyst and Client Service Associate, and for two years conducted analysis in support of the firm's Institutional Consulting and Client Service teams. Prior to joining Russell, Mr. Porter worked for Russell Mellon Analytical Services as an Index Analyst, from November 2001 to February 2003, and was primarily responsible for researching corporate actions in support of Russell's US Equity Indexes.

Mr. Porter received his BS in Business Leadership from the University of Puget Sound in Tacoma, Washington. He is also a member of the CFA Institute, the CAIA Association, and Global Association of Risk Professionals where he received certification as a Financial Risk Manager. Mr. Porter has day-to-day responsibility for manager research, including initial due diligence, portfolio construction, analysis and optimization of existing manager asset allocation.

Legato Key Professionals

Eric C. Pollack, CPA
Senior Vice President

Eric C. Pollack is a Senior Vice President, a member of the Investment Team, and Controller for Legato Capital Management LLC, an investment management firm specializing in Entrepreneurial Manager Portfolio Construction & Management. Most recently, Mr. Pollack was a Consultant with Matthews International Capital Management, and Wells Fargo where he managed critical financial accounting, financial reporting, audit, compliance and integration projects. Prior to his role as a Consultant, from 2006 to 2010, Mr. Pollack was a Manager – Finance, Governance and Control for Barclays Global Investors where he was responsible for areas within accounting, financial reporting, audit and compliance. Over the prior 12 year period, he was an Accounting Manager at Visa USA, a Financial Specialist at Hewlett Packard, a Senior Associate at PricewaterhouseCoopers, a Senior Examiner at the New York Stock Exchange, a Financial Analyst at SG Cowen, and a Team Leader at Chase Manhattan Bank. These roles developed a robust understanding of the financial services sector, across both accounting, operational and compliance functions.

Mr. Pollack received his BS in Business Administration from Hofstra University; and an MBA from Pace University. He has day to day responsibility for Legato's financial accounting, reporting, budgeting, treasury, tax and audit compliance functions.

Lusine Moshkounian
Senior Vice President

Lusine Moshkounian is a Senior Vice President, Legal Counsel and Chief Compliance Officer at Legato Capital Management LLC, an investment management firm specializing in Entrepreneurial Manager Portfolio Construction & Management. Prior to joining Legato in 2012, she spent seven years with the SEC's investment adviser/investment company examination group, where she was responsible for conducting examinations of investment advisers. From 1999 to 2004, she was a member of the investment management practice group of Morgan, Lewis & Bockius LLP, where she advised primarily multi-manager funds on state and federal securities law, regulatory compliance and corporate matters. She has also served as a Senior Compliance Analyst for BA Investment Services, Inc. and an Examiner for FINRA.

Ms. Moshkounian received her bachelor's degree in History from the University of California, Irvine in 1992. She holds a Master of Laws from Boston University School of Law and a Juris Doctor from Tulane Law School. She is also a member of the California Bar. Ms. Moshkounian has day to day responsibility for regulatory oversight of portfolio management, operations and compliance for Legato and its managers. Additionally, she maintains all company and client records, IMAs, manager and vendor agreements, RFPs and marketing materials. As the Chief Compliance Officer, she serves as secretary to the Legato Board of Managers.

Appendix C.

Research Team Biographies

Research Team Biographies

Timothy M. Byrd
Vice President

Mr. Byrd is a Vice President for Legato Capital Management LLC. Prior to joining Legato in 2010, Mr. Byrd worked in Operations and Client Service at SKBA Capital Management, LLC. From 1999 to 2007, he held several positions at Harvard Management Company, including Supervisor of Accounting. Mr. Byrd has 13 years of investment and financial experience. He received his Bachelor of Arts with a double major in Business Administration and Biology from Principia College in Elsah, Illinois in 1998. He also received his MBA from San Francisco State University in 2012.

Eric H. Tsang
Vice President

Mr. Tsang is a Vice President at Legato Capital Management LLC. Prior to joining Legato in 2012, he was Senior Modeling and Solutions Analytics Project Manager for MSCI Barra. From 2006 to 2008, Mr. Tsang was the Enterprise Risk Product Manager, also for MSCI Barra. Mr. Tsang also has 2 years of experience working as a Senior Quantitative Risk Associate with Morgan Stanley and 3 years of experience working as a Senior Research Investment Data Analyst at BARRA Inc. He has 13 years of investment experience. Mr. Tsang received his undergraduate degree from the University of California, Berkeley, where he studied economics and molecular cell biology.

Evan L. Walker
Assistant Vice President

Mr. Walker is an Assistant Vice President at Legato Capital Management LLC. Prior to joining Legato in 2012, he was an Investment Analyst and Fund Administrator with the Dynamic Strategies Group of Stifel, Nicolaus & Company, Incorporated. Prior to that, he was an Operations Specialist with Stone & Youngberg, LLC, which was acquired by Stifel, Nicolaus in 2011. He also spent 2 years as an Accounting Clerk with Standard Trust Deed. He has 10 years of financial and investment experience. Mr. Walker received his undergraduate degree in Environmental Studies from the University of California, Santa Cruz.