



California Public Employees' Retirement System
Performance Review – June 30, 2012

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August 2012



Asset Class Assumptions Update

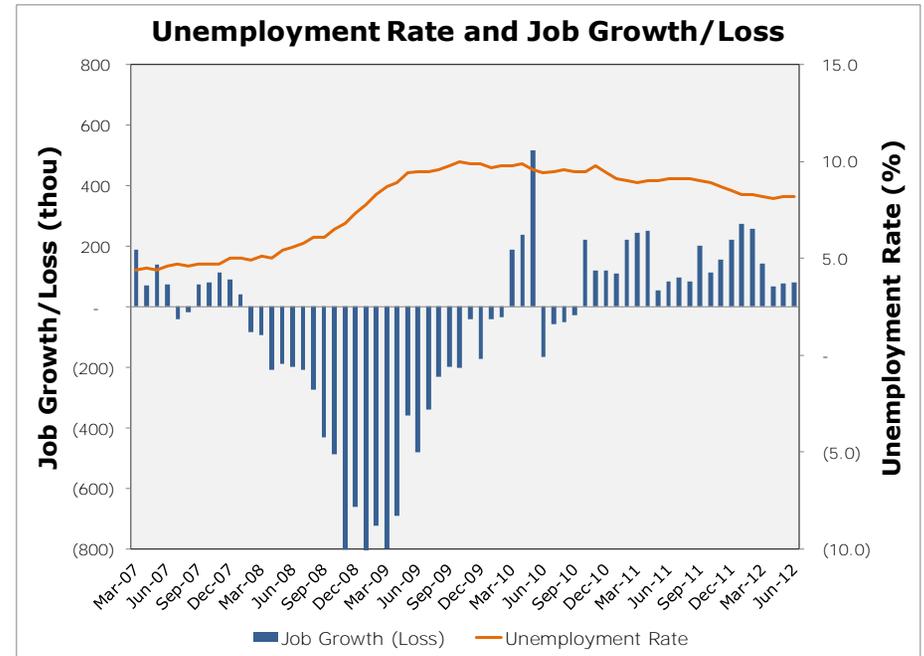
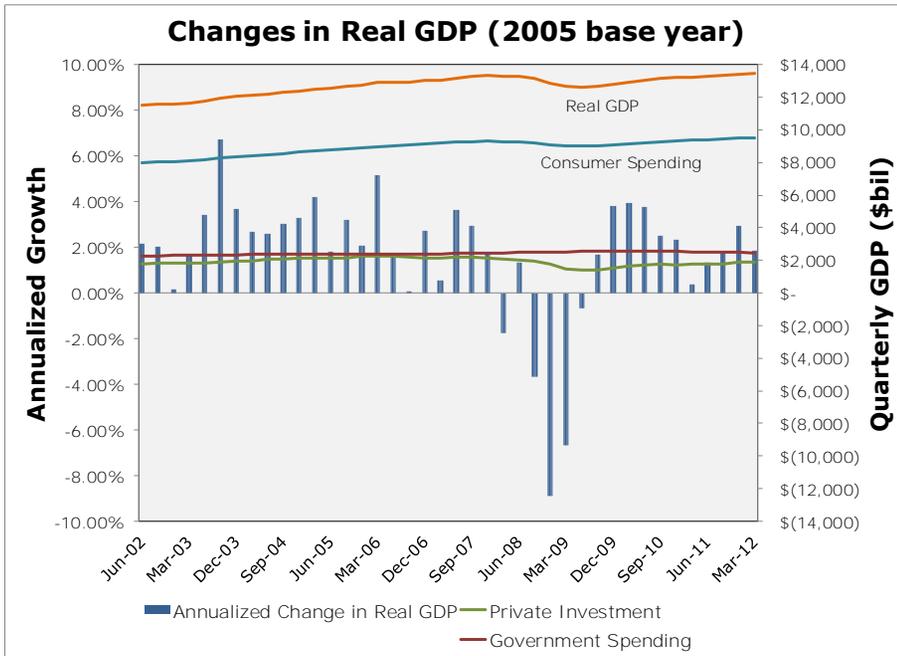
| | Total Return (%) | | | Risk (%) |
|---------------------------------|------------------|------------|-----------------|-------------|
| | 2012 ACA | Q2 2012 | Change vs YE | 2012 ACA |
| <u>Investment Categories:</u> | | | | |
| U.S. Stocks | 7.50 | 7.50 | - | 17.00 |
| Dev ex-U.S. Stocks | 7.50 | 7.50 | - | 18.00 |
| Emerging Mkt Stocks | 7.50 | 7.50 | - | 26.00 |
| Global Stocks | 7.80 | 7.80 | - | 17.05 |
| Private Markets | 10.25 | 10.30 | 0.05 | 27.50 |
| Cash Equivalents | 1.50 | 1.55 | 0.05 | 1.25 |
| Core Bonds | 2.85 | 2.70 | (0.15) | 5.00 |
| LT Core Bonds | 3.20 | 2.85 | (0.35) | 10.00 |
| TIPS | 1.65 | 1.45 | (0.20) | 6.00 |
| High Yield Bonds | 5.45 | 5.20 | (0.25) | 10.00 |
| Non-U.S. Bonds (Hdg) | 2.50 | 2.35 | (0.15) | 3.50 |
| U.S. RE Securities | 5.05 | 5.15 | 0.10 | 15.00 |
| Private Real Estate | 5.80 | 5.95 | 0.15 | 12.25 |
| Commodities | 4.00 | 4.15 | 0.15 | 13.00 |
| Real Asset Basket | 5.85 | 5.90 | 0.05 | 7.75 |
| Inflation: | 2.00 | 2.15 | 0.15 | 1.75 |
| <u>Returns minus Inflation:</u> | | | | |
| U.S. Stocks | 5.50 | 5.35 | (0.15) | |
| U.S. Bonds | 0.85 | 0.55 | (0.30) | |
| Cash Equivalents | (0.50) | (0.60) | (0.10) | |
| <u>Stocks minus Bonds:</u> | 4.65 | 4.80 | 0.15 | |
| <u>Bonds minus Cash:</u> | 1.35 | 1.15 | (0.20) | |



Economic Review

| June 30, 2012 | Key Economic Indicators | | | |
|------------------------------------------------------------------------|-------------------------|------|--------------------------------|-------------|
| CPI (all items) Seasonally adjusted | Monthly Change | | Cumulative Change | |
| | Jun-12 | 0.0 | 3-Month | -0.2 |
| | May-12 | -0.3 | 12-Month | 1.7 |
| | Apr-12 | 0.0 | 10-Yr Annual | 2.4 |
| Breakeven Inflation | 10-Year | 2.1 | | |
| Consumer Sentiment Unv. of Michigan Survey | Jun-12 | 73.2 | | |
| | May-12 | 79.3 | | |
| | 1-Yr Ago | 71.5 | 10-Yr Avg | 79.4 |
| Manufacturing Inst. for Supply Mgmt Purchasing Mngrs' Idx | Jun-12 | 49.7 | Change in Manufacturing Sector | |
| | May-12 | 53.5 | >50 | Expansion |
| | 1-Yr Ago | 52.6 | <50 | Contraction |
| | | | | |

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

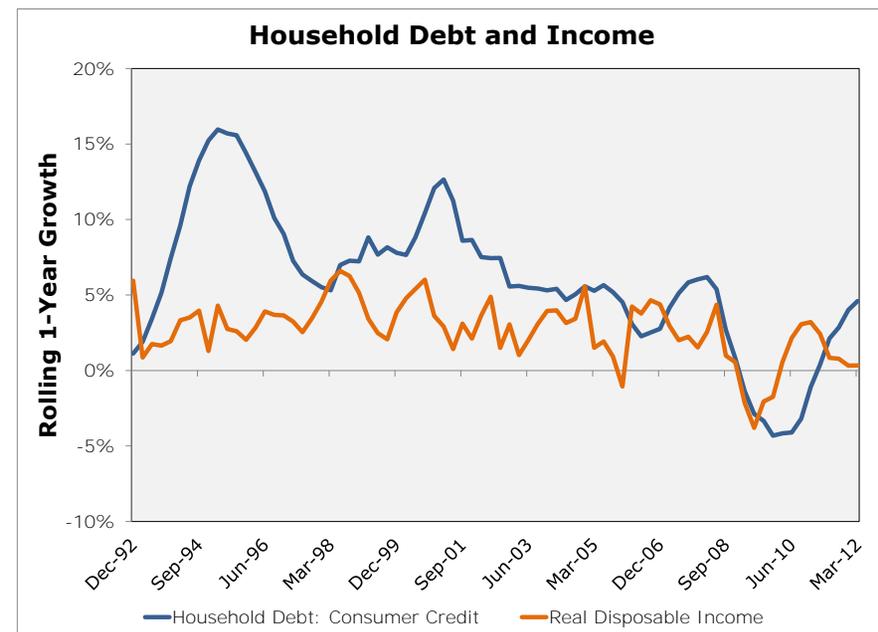
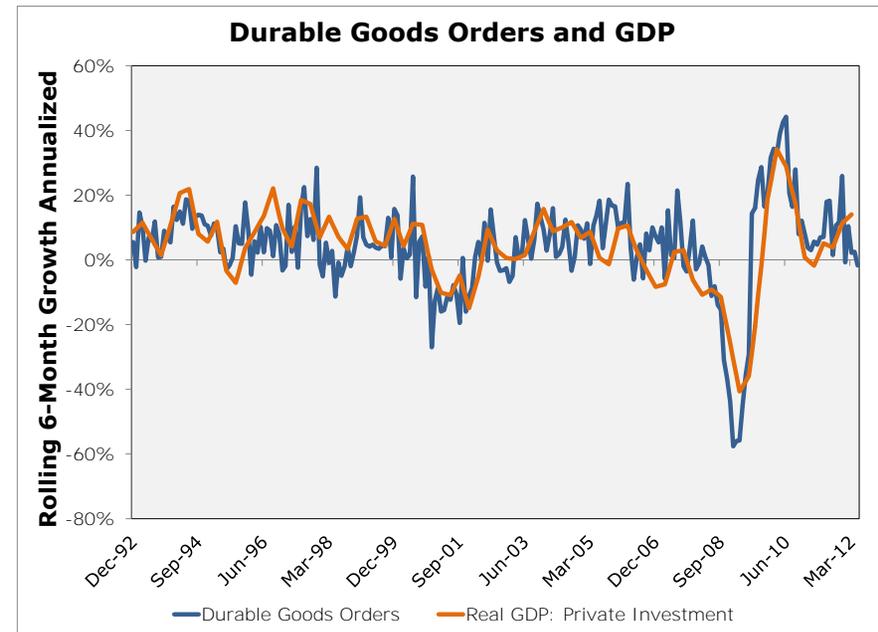


Data sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve Bank of St. Louis, Barclays Capital



Drivers of Growth

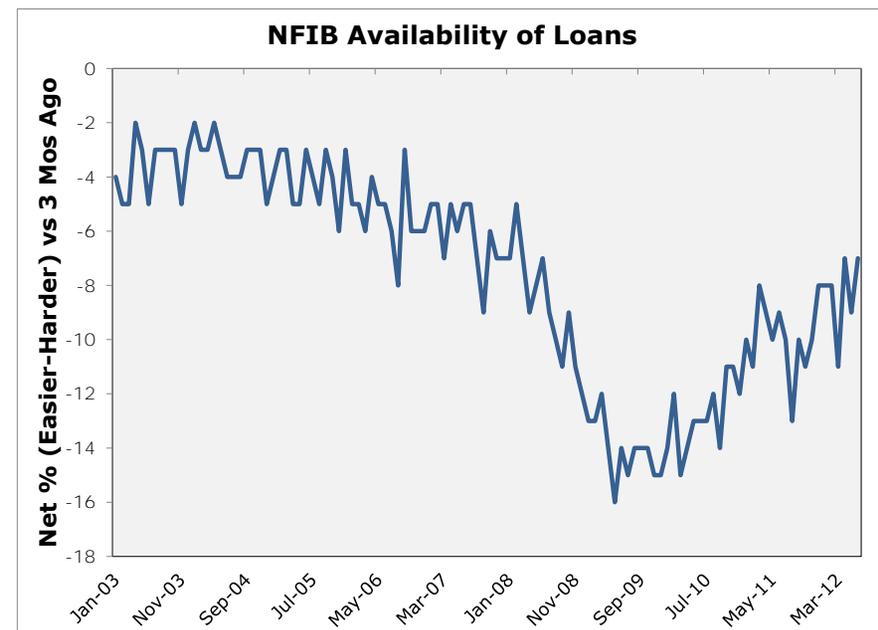
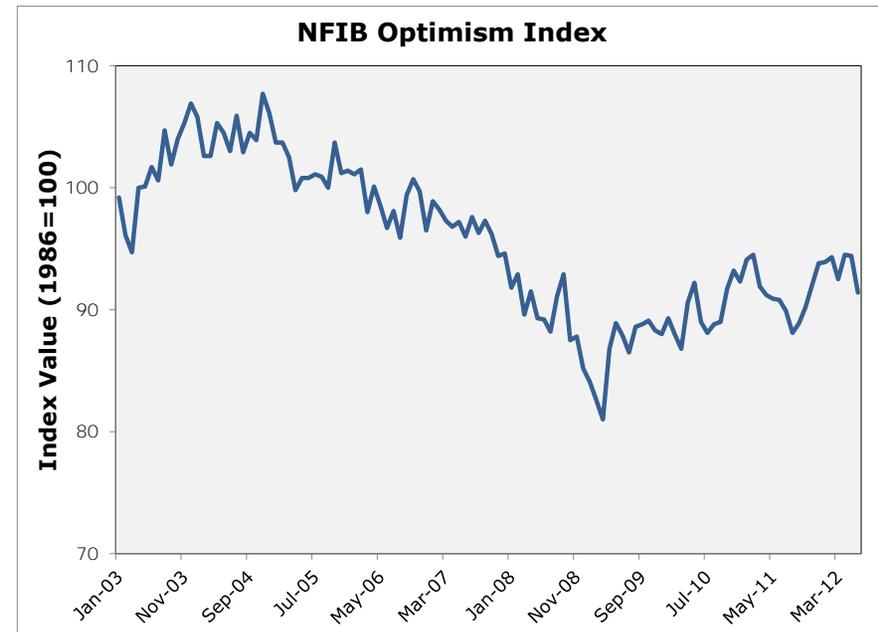
- Business spending has been a major driver of economic growth – particularly early in the recovery
- Durable goods orders – a strong indicator of private investment – is beginning to slow following a major spike
- Consumer credit is now expanding
- However, growth in real disposable income is a drag on consumer spending – the most important factor in economic growth





Small Businesses

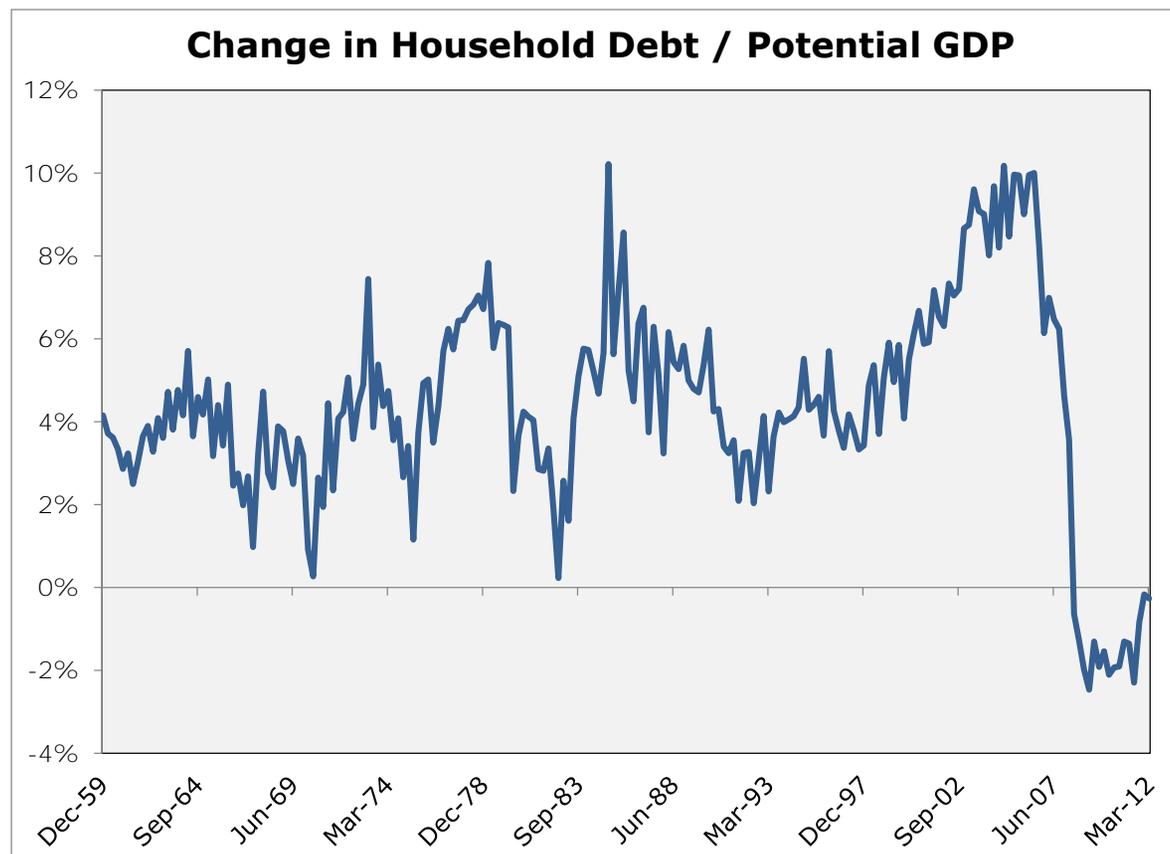
- Small businesses are a major part of the U.S. economy, employing roughly one-half of the private, non-farm U.S. workforce
- NFIB Optimism Index has been rather stagnant since the credit crisis
- Credit conditions for small businesses have eased but are still tighter than before the crisis





Debt Activity Since Crisis

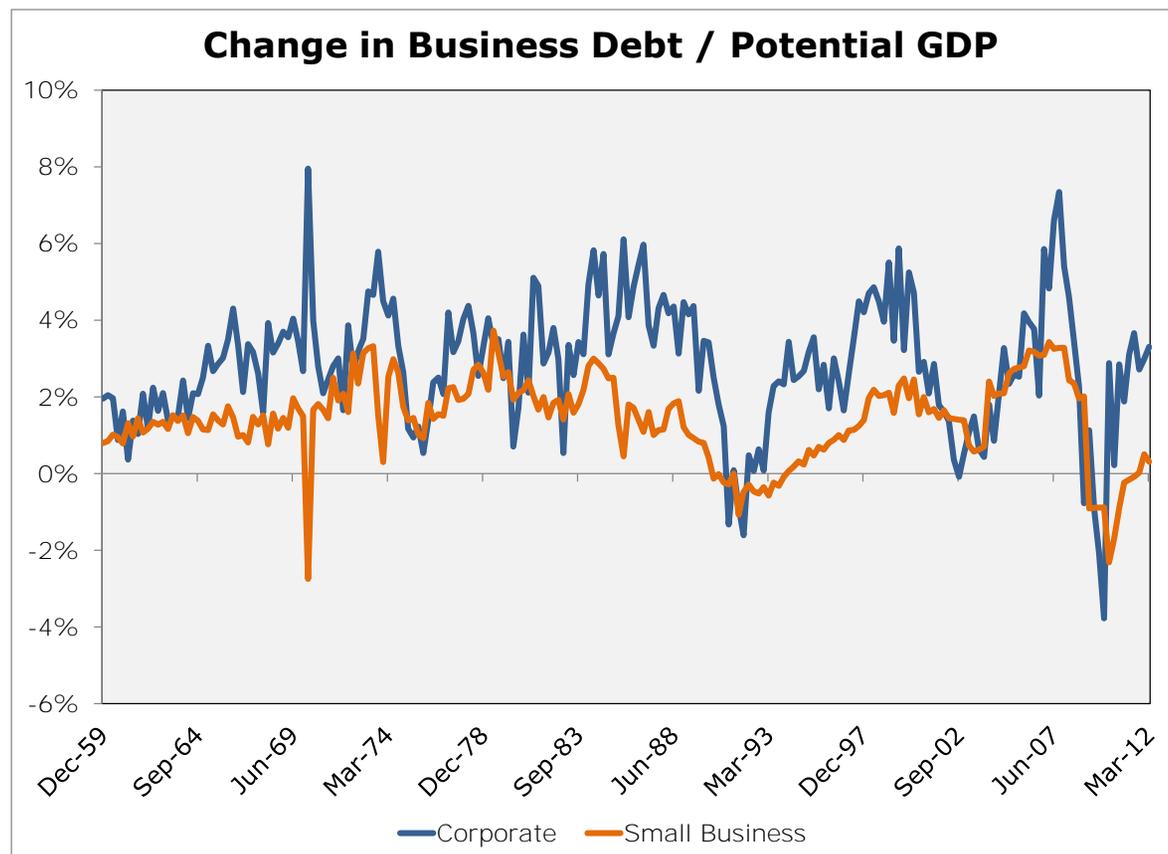
- All of the major market participants utilize debt to help fund their spending
- Although consumer credit is beginning to increase (previous slide), mortgage defaults are still overwhelming new borrowing





Debt Activity Since Crisis

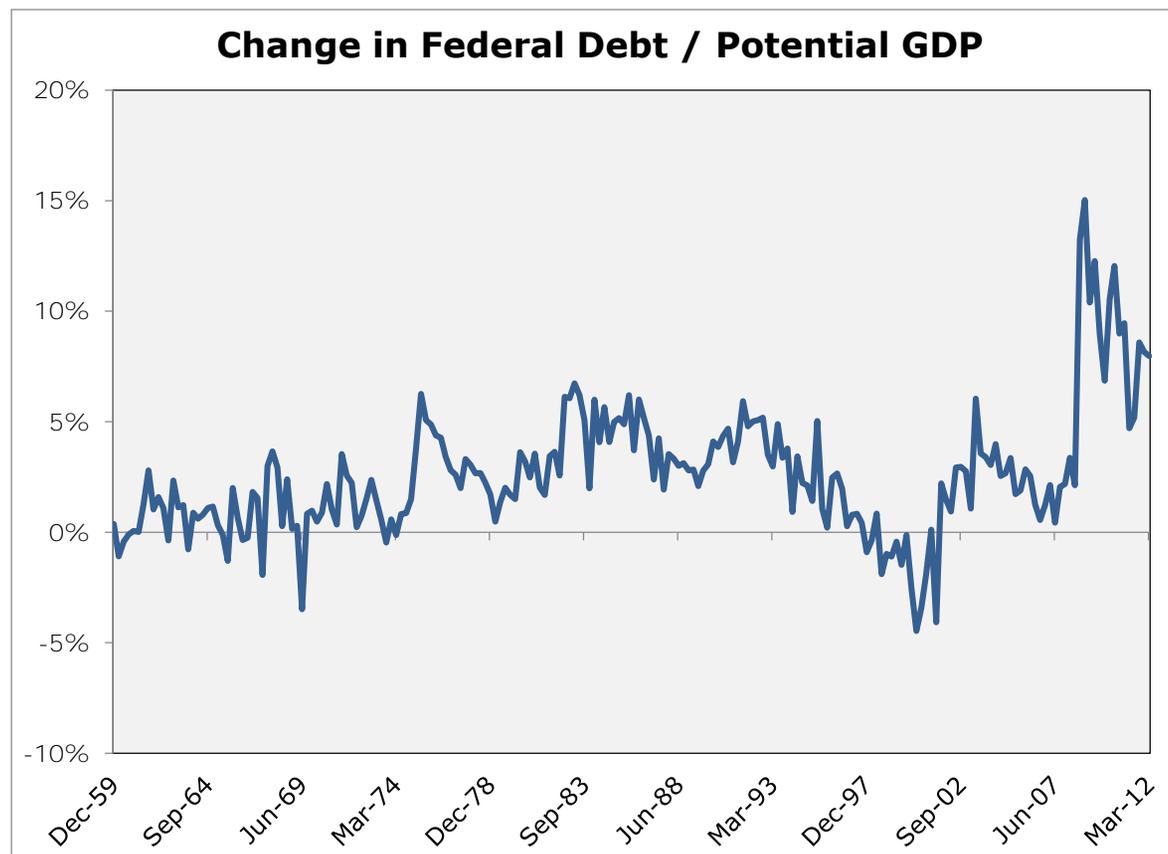
- Corporate borrowing has rebounded
- Small businesses, which are more reliant on U.S. demand, remain cautious





Debt Activity Since Crisis

- Borrowing continues through the Federal government
- Fiscal stimulus will likely decrease going forward





Asset Class Performance

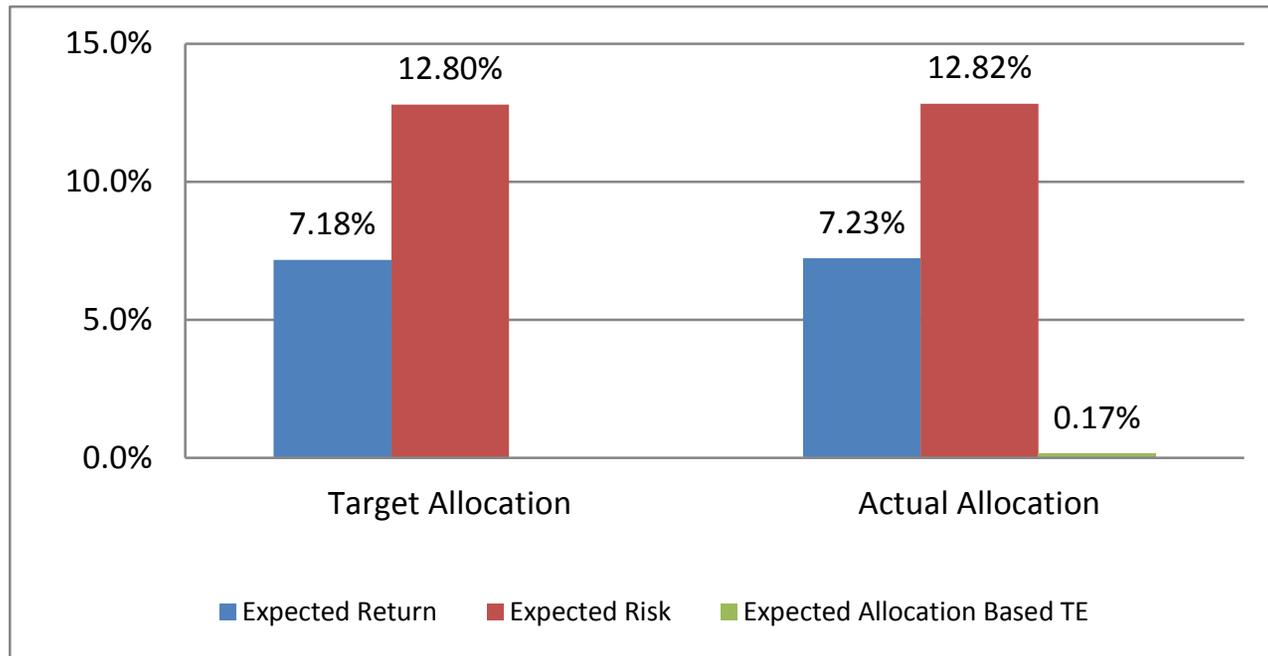
Annual Asset Class Returns - Best to Worst

| 2007 | 2008 | 2009 | 2010 | 2011 | YTD 2012 | Annualized 5-Year 2007-2011 |
|----------------------|-----------------------|----------------------|----------------------|-----------------------|----------------------|-----------------------------------|
| Emrg Mrkts 39.8% | Core Bond 5.2% | Emrg Mrkts 79.0% | REITs 28.6% | U.S. TIPS 13.6% | REITs 14.9% | U.S. TIPS 8.0% |
| Commodities 16.2% | T-Bills 2.0% | High Yield 58.2% | Emrg Mrkts 19.2% | REITs 9.2% | U.S. Equity 9.2% | High Yield 7.5% |
| U.S. TIPS 11.6% | U.S. TIPS -2.3% | Developed 32.5% | U.S. Equity 17.2% | Core Bond 7.8% | High Yield 7.3% | Core Bond 6.5% |
| Developed 11.6% | High Yield -26.2% | REITs 28.6% | Commodities 16.8% | High Yield 5.0% | Emrg Mrkts 4.1% | Emrg Mrkts 2.7% |
| Core Bond 7.0% | Commodities -35.6% | U.S. Equity 28.3% | High Yield 15.1% | U.S. Equity 1.0% | U.S. TIPS 4.0% | T-Bills 1.5% |
| U.S. Equity 5.6% | U.S. Equity -37.2% | Commodities 18.9% | Developed 8.2% | T-Bills 0.1% | Developed 3.4% | U.S. Equity 0.1% |
| T-Bills 5.0% | REITs -39.2% | U.S. TIPS 11.4% | Core Bond 6.5% | Developed -11.7% | Core Bond 2.4% | REITs -2.0% |
| High Yield 1.9% | Developed -43.1% | Core Bond 5.9% | U.S. TIPS 6.3% | Commodities -13.3% | T-Bills 0.0% | Commodities -2.1% |
| REITs -17.5% | Emrg Mrkts -53.2% | T-Bills 0.2% | T-Bills 0.1% | Emrg Mrkts -18.2% | Commodities -3.7% | Developed -4.3% |

Data sources: Wilshire Compass

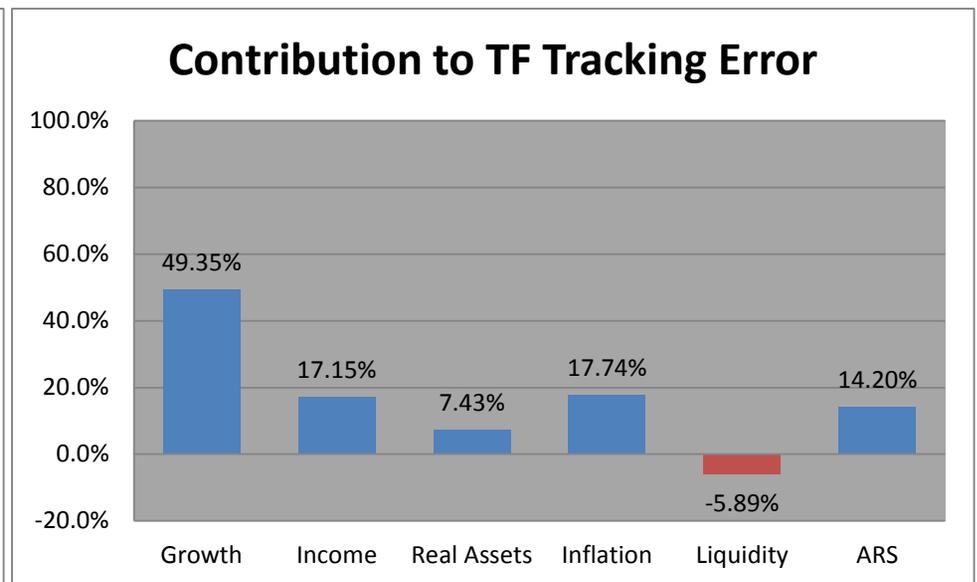
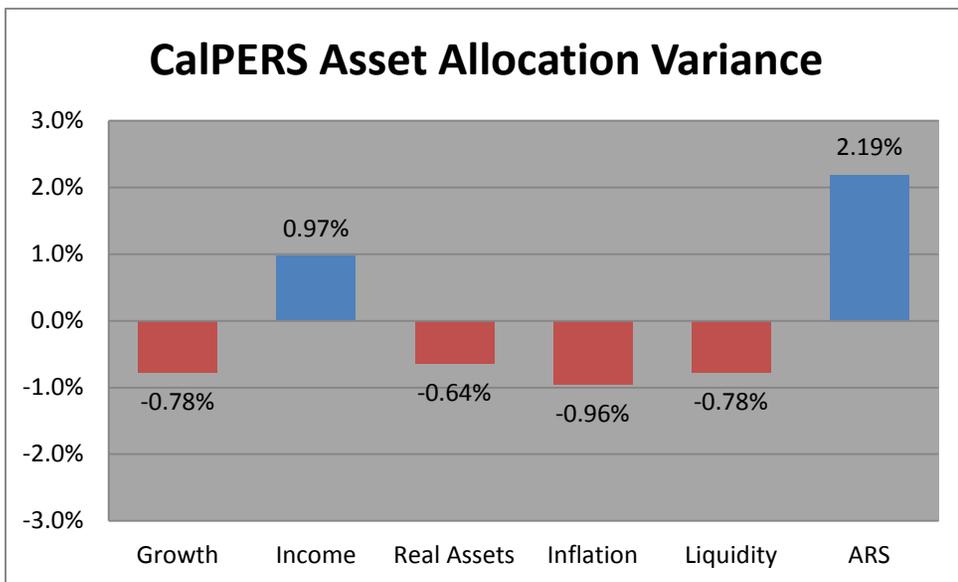
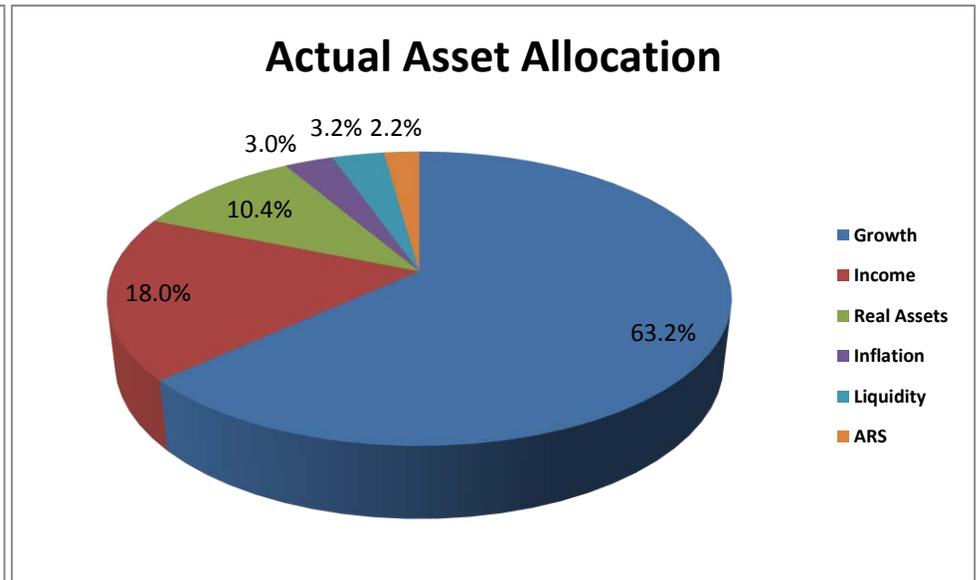
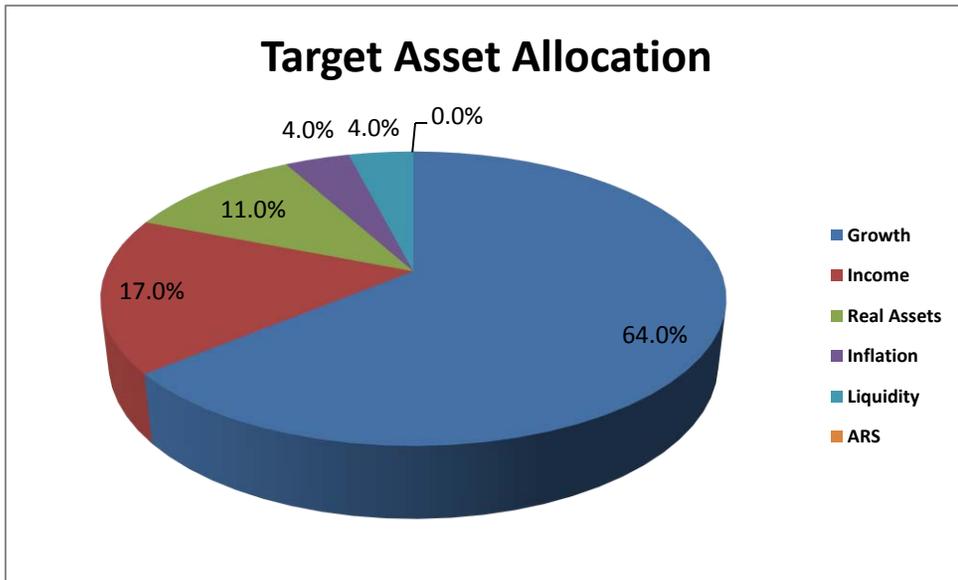
Note: Developed asset class is developed markets ex-U.S., ex-Canada.

CalPERS Investments are Expected to Provide Return





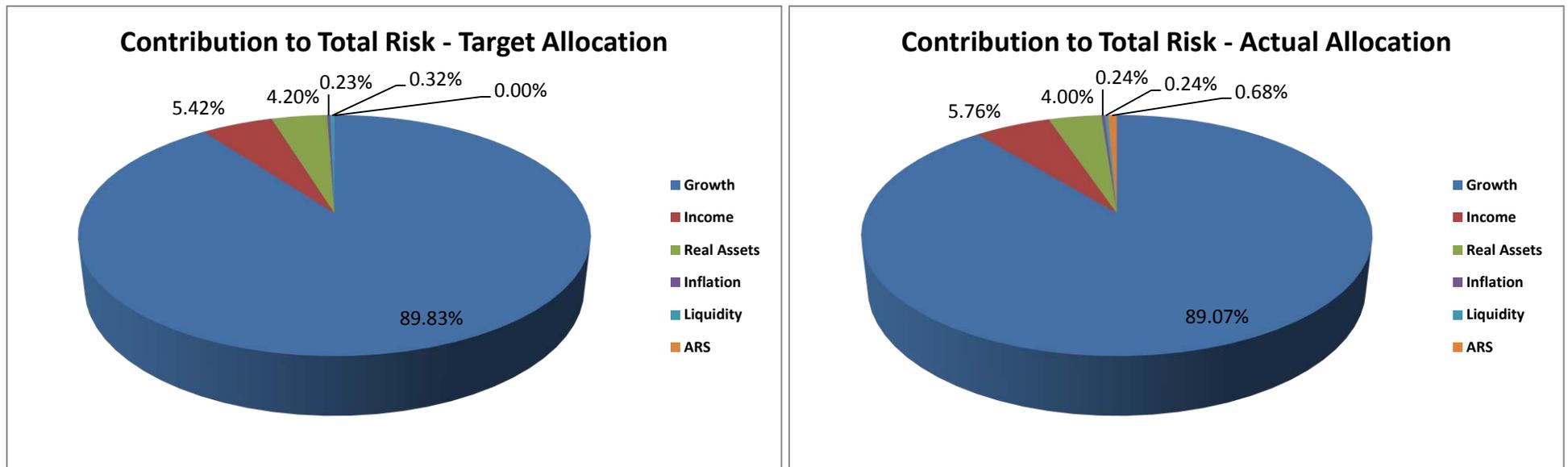
Asset and Risk Allocation



Forecasts using Wilshire's June 2012 Asset Class Assumptions.



Drivers of Expected Total Risk



- This total risk forecast is based on asset allocation variance only.
- Other sources of risk measures (structural within asset classes, manager/program specific source of tracking error, covariance) are not considered here.



Total Fund – Performance

| | Market Value | Five-Year Ratios | | | | | | | |
|----------------------------------------------------|--------------------|------------------|--------------|--------------|---------------|-------------|-------------------|-------------|-------------|
| | | Qtr | 1-Year | 3-Year | 5-Year | 10-Year | VaR | Sharpe | Info |
| TOTAL FUND | \$233.4 bil | -0.9% | 1.0% | 10.6% | 0.1% | 6.1% | \$30.6 bil | -0.1 | -0.8 |
| <i>Total Fund Policy Benchmark</i> | | 0.0% | 1.7% | 12.0% | 2.7% | 7.1% | | 0.1 | 0.0 |
| <i>Actuarial Rate</i> | | 1.9% | 7.8% | 7.8% | 7.8% | 7.8% | | | |
| GROWTH | 147.0 | -3.4% | -4.4% | 13.5% | -1.2% | 6.2% | \$29.4 bil | -0.1 | -0.6 |
| <i>Growth Policy Benchmark</i> | | -1.5% | -3.9% | 14.3% | 0.7% | 7.0% | | 0.0 | 0.0 |
| PUBLIC EQUITY | 112.7 | -5.7% | -7.2% | 11.6% | -2.6% | 5.6% | \$21.3 bil | -0.2 | -0.7 |
| <i>Public Equity Policy Benchmark</i> | | -5.6% | -7.0% | 11.2% | -1.7% | 6.0% | | -0.1 | 0.0 |
| PRIVATE EQUITY | 34.2 | 5.0% | 5.4% | 20.0% | 7.2% | 9.9% | \$10.9 bil | 0.6 | -0.3 |
| <i>Private Equity Policy Benchmark</i> | | 13.3% | 5.0% | 25.6% | 12.4% | 10.9% | | 0.8 | 0.0 |
| INCOME | 41.9 | 4.0% | 12.7% | 13.2% | 9.6% | 8.3% | \$5.5 bil | 1.2 | 0.1 |
| <i>Income Policy Benchmark</i> | | 4.2% | 13.9% | 10.6% | 9.3% | 7.5% | | 1.3 | 0.0 |
| REAL ASSETS | 24.2 | 7.7% | 12.6% | -6.2% | -10.8% | 3.1% | \$2.7 bil | -0.7 | -1.1 |
| <i>Real Assets Policy Benchmark</i> | | 2.4% | 11.0% | 6.5% | 3.7% | 8.6% | | 0.5 | 0.0 |
| INFLATION | 7.1 | -5.1% | 0.1% | 7.6% | -.-% | -.-% | \$0.5 bil | N/A | N/A |
| <i>Inflation Policy Benchmark</i> | | -2.3% | 2.1% | 6.7% | -.-% | -.-% | | N/A | N/A |
| LIQUIDITY | 7.5 | 1.2% | 4.6% | 1.7% | 2.2% | 2.6% | \$0.4 bil | N/A | N/A |
| <i>Liquidity Policy Benchmark</i> | | 1.5% | 5.3% | 1.9% | 2.2% | 2.5% | | N/A | N/A |
| ABSOLUTE RETURN STRATEGIES | 5.1 | -0.8% | -2.0% | 4.7% | -0.2% | 5.0% | | -0.2 | -1.1 |
| <i>Absolute Return Strategies Policy Benchmark</i> | | 1.3% | 5.3% | 5.7% | 7.2% | 8.1% | | 6.5 | 0.0 |
| CURRENCY + ASSET ALLOCATION TRANSITION | 0.6 | -.-% | -.-% | -.-% | -.-% | -.-% | | | |



Total Fund – Attribution (Quarter)

California Public Employees' Retirement System
Total Fund Attribution - Quarter
As of 6/30/2012

| Asset Class | Actual (%) | | Policy (%) | | Difference (%) | | Total Fund Return Contribution (%) | | | |
|------------------------------|---------------|--------------|---------------|-------------|----------------|--------------|------------------------------------|--------------|-------------------|--------------|
| | Weight | Return | Weight | Return | Weight | Return | Actual Allocation | Interaction | Active Management | Total |
| Growth | 63.77 | -3.38 | 64.00 | -1.54 | -0.23 | -1.85 | -0.02 | 0.00 | -1.19 | -1.22 |
| Public Equity | 49.33 | -5.71 | 50.00 | -5.63 | -0.67 | -0.09 | -0.05 | 0.00 | -0.04 | -0.10 |
| Private Equity | 14.44 | 4.99 | 14.00 | 13.26 | 0.44 | -8.28 | 0.00 | -0.02 | -1.09 | -1.11 |
| Income | 17.86 | 3.97 | 17.00 | 4.15 | 0.86 | -0.19 | -0.02 | 0.00 | -0.03 | -0.05 |
| Real Assets | 9.35 | 7.72 | 11.00 | 2.36 | -1.65 | 5.36 | -0.04 | -0.07 | 0.57 | 0.45 |
| Inflation | 3.15 | -5.06 | 4.00 | -2.29 | -0.85 | -2.77 | 0.02 | 0.02 | -0.11 | -0.07 |
| Absolute Return | 2.20 | -0.79 | 0.00 | 1.27 | 2.20 | -2.05 | 0.03 | -0.05 | 0.00 | -0.02 |
| Liquidity | 3.66 | 1.23 | 4.00 | 1.53 | -0.34 | -0.30 | 0.01 | 0.00 | -0.01 | 0.00 |
| Monthly Linked Return | 100.00 | -0.91 | 100.00 | 0.00 | | -0.90 | -0.02 | -0.10 | -0.79 | -0.90 |
| Trading/Hedging | | 0.01 | | 0.00 | | 0.01 | | | | 0.01 |
| Total | | -0.90 | | 0.00 | | -0.90 | | | | -0.90 |



Total Fund – Attribution (Calendar YTD)

**California Public Employees' Retirement System
Total Fund Attribution - Calendar Year-to-Date
As of 6/30/2012**

| Asset Class | Actual (%) | | Policy (%) | | Difference (%) | | Total Fund Return Contribution (%) | | | |
|------------------------------|---------------|-------------|---------------|-------------|----------------|--------------|------------------------------------|--------------|-------------------|--------------|
| | Weight | Return | Weight | Return | Weight | Return | Actual Allocation | Interaction | Active Management | Total |
| Growth | 63.42 | 6.27 | 64.00 | 10.06 | -0.58 | -3.78 | -0.07 | 0.03 | -2.40 | -2.43 |
| Public Equity | 49.23 | 5.79 | 50.00 | 5.91 | -0.77 | -0.12 | -0.10 | 0.00 | -0.06 | -0.16 |
| Private Equity | 14.19 | 7.71 | 14.00 | 24.47 | 0.19 | -16.76 | 0.03 | -0.07 | -2.22 | -2.26 |
| Income | 17.83 | 4.11 | 17.00 | 3.69 | 0.83 | 0.43 | -0.09 | 0.01 | 0.07 | -0.02 |
| Real Assets | 9.41 | 9.79 | 11.00 | 5.28 | -1.59 | 4.51 | 0.01 | -0.06 | 0.50 | 0.45 |
| Inflation | 3.18 | -1.67 | 4.00 | 0.65 | -0.82 | -2.32 | 0.06 | 0.02 | -0.10 | -0.02 |
| Absolute Return | 2.22 | 0.68 | 0.00 | 2.51 | 2.22 | -1.83 | -0.12 | -0.04 | 0.00 | -0.17 |
| Liquidity | 3.94 | 0.82 | 4.00 | 1.06 | -0.06 | -0.24 | -0.01 | 0.00 | -0.01 | -0.02 |
| Monthly Linked Return | 100.00 | 5.60 | 100.00 | 7.81 | | -2.20 | -0.22 | -0.04 | -1.94 | -2.20 |
| Trading/Hedging | | 0.16 | | -0.42 | | 0.58 | | | | 0.58 |
| Total | | 5.77 | | 7.39 | | -1.62 | | | | -1.62 |



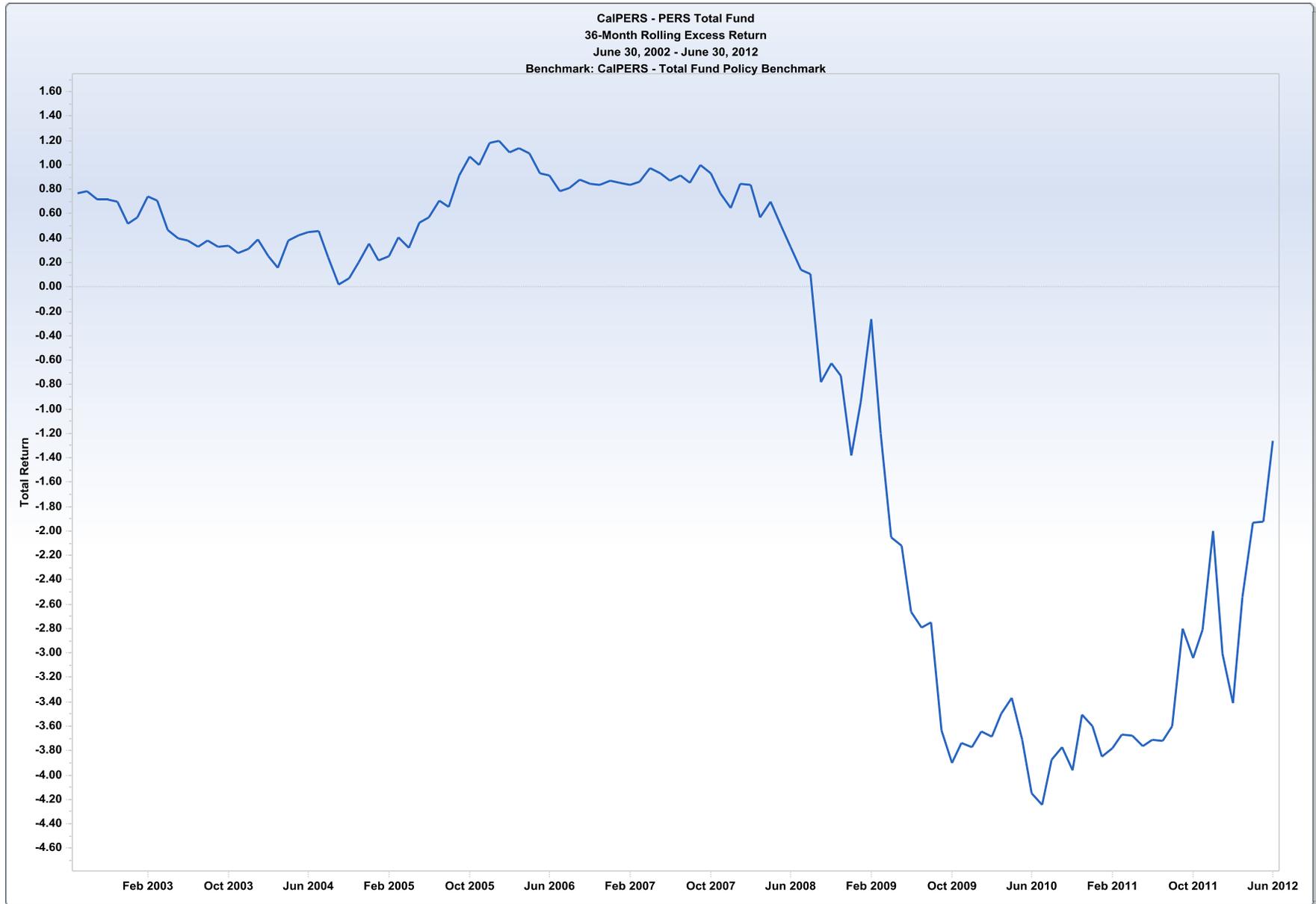
Total Fund – Attribution (Fiscal YTD)

California Public Employees' Retirement System Total Fund Attribution - Fiscal Year-to-Date As of 6/30/2012

| Asset Class | Actual (%) | | Policy (%) | | Difference (%) | | Total Fund Return Contribution (%) | | | |
|------------------------------|---------------|-------------|---------------|-------------|----------------|--------------|------------------------------------|--------------|-------------------|--------------|
| | Weight | Return | Weight | Return | Weight | Return | Actual Allocation | Interaction | Active Management | Total |
| Growth | 63.29 | -4.42 | 64.00 | -3.90 | -0.71 | -0.52 | -0.08 | 0.02 | -0.42 | -0.48 |
| Public Equity | 48.84 | -7.25 | 50.00 | -7.02 | -1.16 | -0.23 | -0.20 | 0.00 | -0.12 | -0.32 |
| Private Equity | 14.44 | 5.37 | 14.00 | 5.03 | 0.44 | 0.35 | -0.14 | 0.05 | -0.07 | -0.16 |
| Income | 18.01 | 12.74 | 17.75 | 13.89 | 0.26 | -1.15 | -0.30 | 0.02 | -0.22 | -0.50 |
| Real Assets | 9.46 | 12.59 | 10.50 | 11.00 | -1.04 | 1.60 | -0.07 | -0.05 | 0.19 | 0.07 |
| Inflation | 3.10 | 0.05 | 3.75 | 2.09 | -0.65 | -2.04 | 0.02 | 0.02 | -0.08 | -0.04 |
| Absolute Return | 2.27 | -1.97 | 0.00 | 5.27 | 2.27 | -7.24 | 0.08 | -0.17 | 0.00 | -0.08 |
| Liquidity | 3.88 | 4.63 | 4.00 | 5.27 | -0.12 | -0.64 | -0.04 | 0.00 | -0.03 | -0.07 |
| Monthly Linked Return | 100.00 | 0.59 | 100.00 | 1.69 | | -1.10 | -0.39 | -0.16 | -0.56 | -1.11 |
| Trading/Hedging | | 0.42 | | -0.02 | | 0.44 | | | | 0.45 |
| Total | | 1.01 | | 1.68 | | -0.66 | | | | -0.66 |

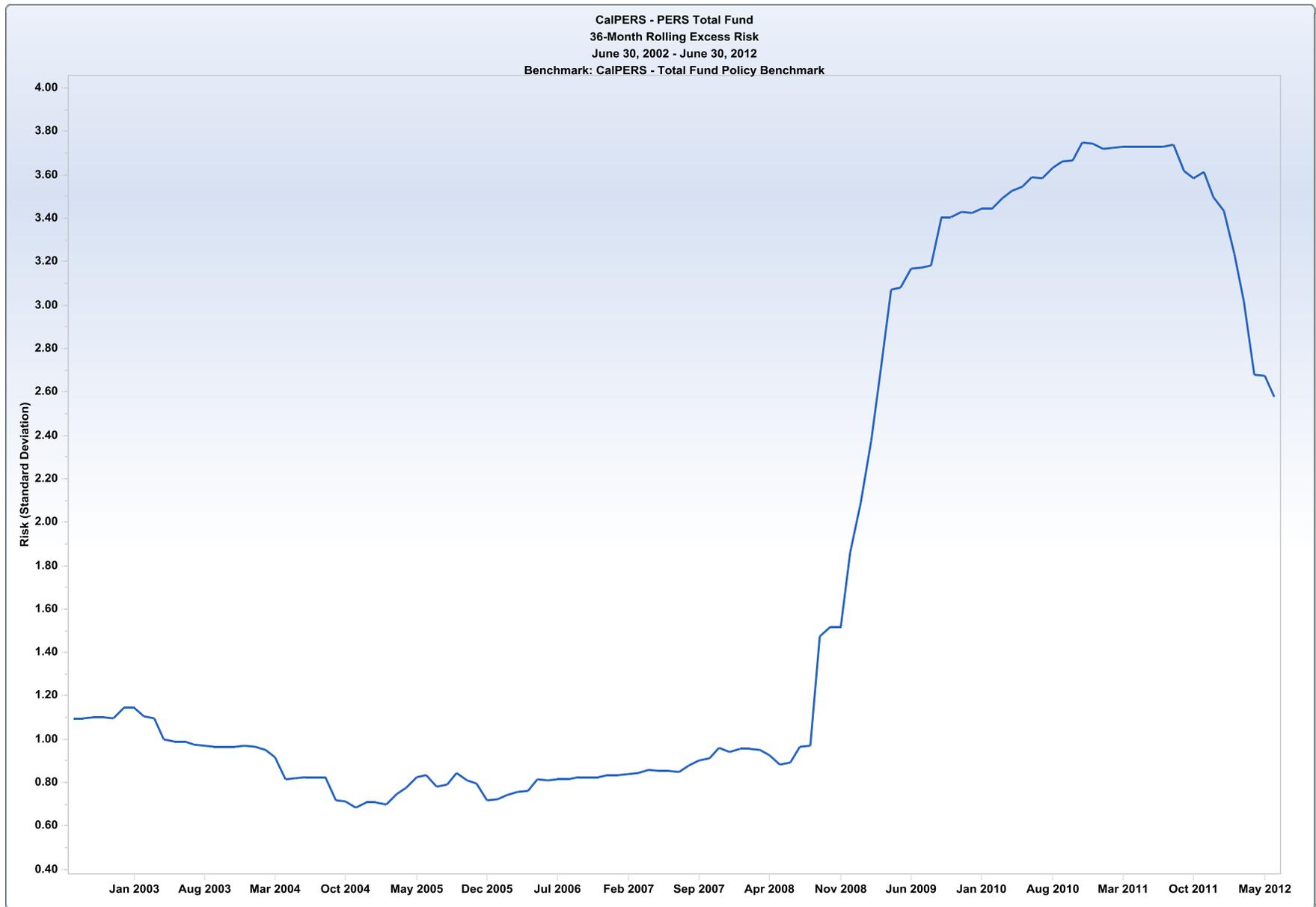


Total Fund – Rolling Excess Returns





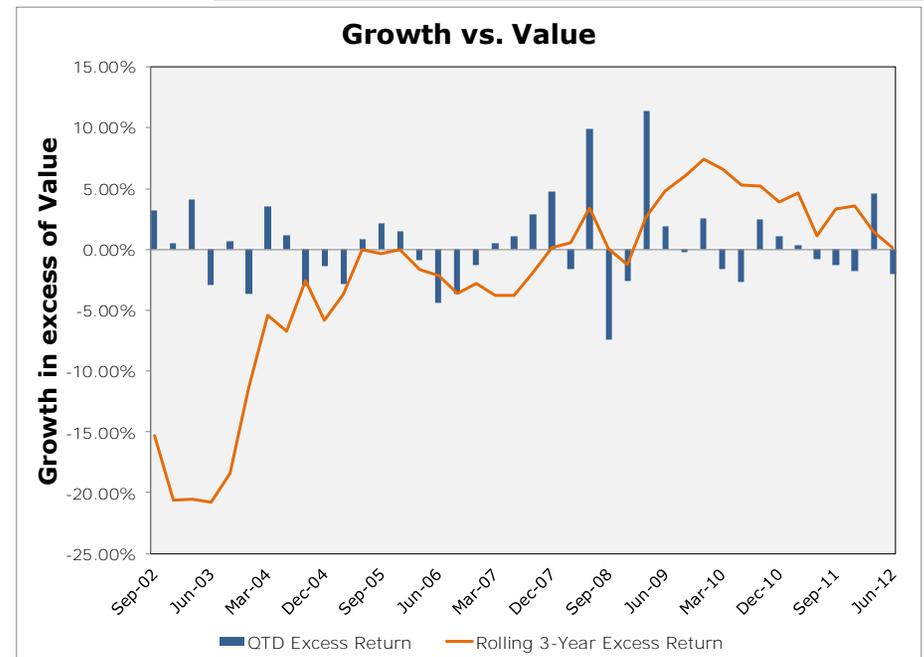
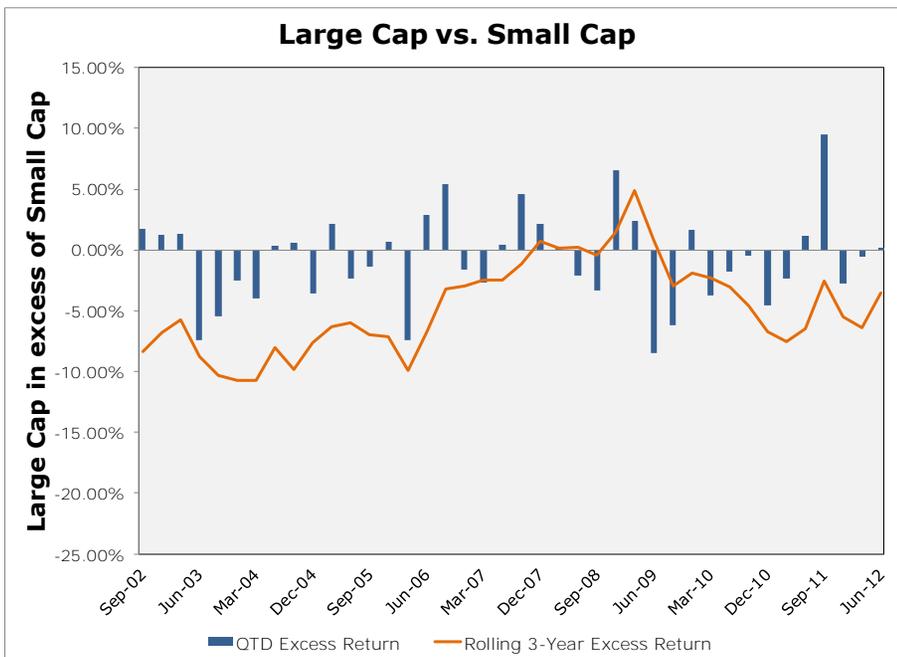
Total Fund – Rolling Tracking Error





U.S. Capital Markets: Equity

| June 30, 2012 | Qtr | Ytd | 1 Yr | 3 Yr | 5 Yr | 10 Yr |
|-----------------------------------|------|------|------|------|------|-------|
| Wilshire 5000 | -3.1 | 9.2 | 4.0 | 16.7 | 0.4 | 6.0 |
| Wilshire U.S. Large Cap | -3.1 | 9.1 | 4.6 | 16.2 | 0.3 | 5.7 |
| Wilshire U.S. Small Cap | -3.3 | 9.5 | -1.4 | 20.5 | 2.3 | 9.2 |
| Wilshire U.S. Large Growth | -4.2 | 10.8 | 4.4 | 16.3 | 2.2 | 6.1 |
| Wilshire U.S. Large Value | -2.1 | 7.6 | 4.8 | 16.1 | -1.7 | 5.2 |
| Wilshire U.S. Small Growth | -4.2 | 8.0 | -3.3 | 20.2 | 2.9 | 9.7 |
| Wilshire U.S. Small Value | -2.5 | 10.9 | 0.3 | 20.6 | 1.6 | 8.5 |
| Wilshire REIT Index | 3.7 | 14.9 | 13.2 | 33.6 | 2.0 | 10.3 |
| MSCI USA Minimum Volatility Index | 2.5 | 8.8 | 12.4 | 18.1 | 3.2 | 5.6 |
| FTSE RAFI U.S. 1000 Index | -3.2 | 7.7 | 2.0 | 18.5 | 1.0 | n.a. |



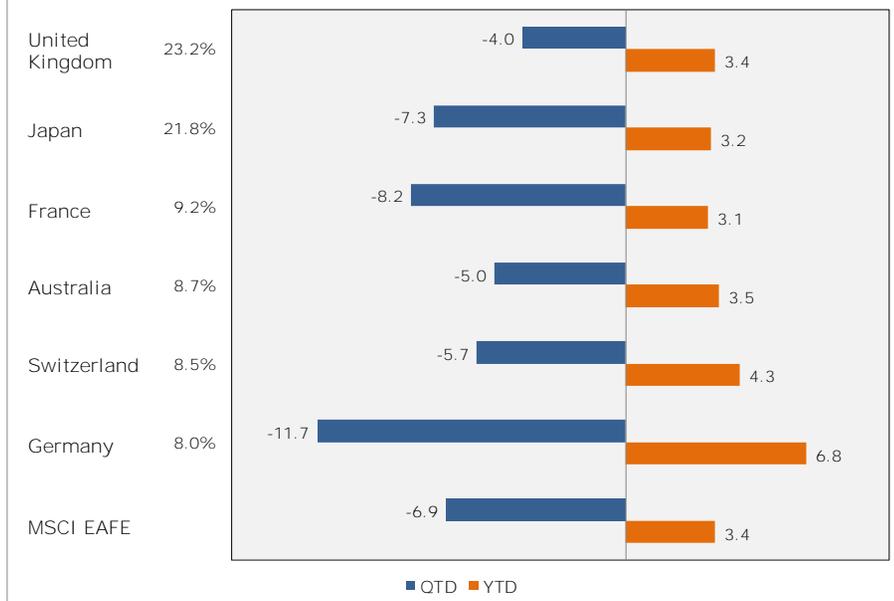
Data sources: Wilshire Compass, Wilshire Atlas



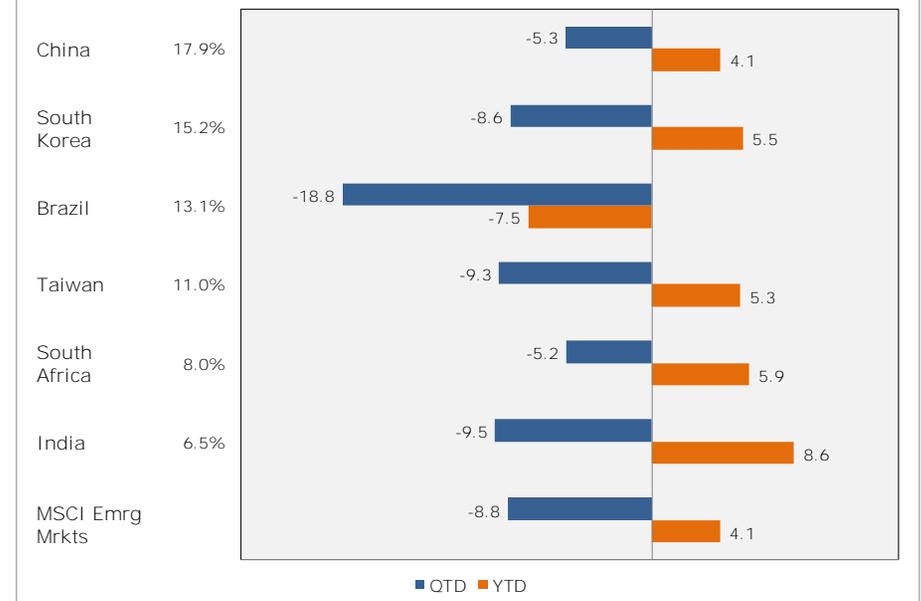
Non-U.S. Capital Markets

| June 30, 2012 | Qtr | Ytd | 1 Yr | 3 Yr | 5 Yr | 10 Yr |
|----------------------------------|------|------|-------|------|------|-------|
| MSCI ACWI ex-US (\$g) | -7.4 | 3.1 | -14.1 | 7.4 | -4.2 | 7.2 |
| MSCI EAFE (\$g) | -6.9 | 3.4 | -13.4 | 6.5 | -5.6 | 5.6 |
| MSCI Emerging Markets (\$g) | -8.8 | 4.1 | -15.7 | 10.1 | 0.2 | 14.4 |
| MSCI Frontier Markets (\$g) | -6.6 | -1.3 | -14.9 | 1.1 | -9.8 | 8.5 |
| MSCI EAFE Minimum Volatility Idx | -1.6 | 4.1 | -2.3 | 9.7 | -0.1 | 9.4 |
| FTSE RAFI Developed ex-US Index | -9.2 | 0.4 | -19.0 | 4.9 | -5.4 | n.a. |
| JPM Non US Global Bond | 0.5 | -0.2 | 1.0 | 5.8 | 8.0 | 7.4 |
| JPM Non US Global Bond Hedged | 1.3 | 2.5 | 6.4 | 4.7 | 5.4 | 4.8 |
| JPM EMBI Global | 2.5 | 7.4 | 10.9 | 13.5 | 9.4 | 11.7 |
| Euro vs. Dollar | -4.7 | -2.2 | -12.5 | -3.4 | -1.3 | 2.5 |
| Yen vs. Dollar | 3.2 | -3.6 | 1.2 | 6.5 | 9.1 | 4.2 |
| Pound vs. Dollar | -1.8 | 0.9 | -2.3 | -1.6 | -4.8 | 0.3 |

MSCI EAFE: Largest Countries and Return



MSCI EM: Largest Countries and Return

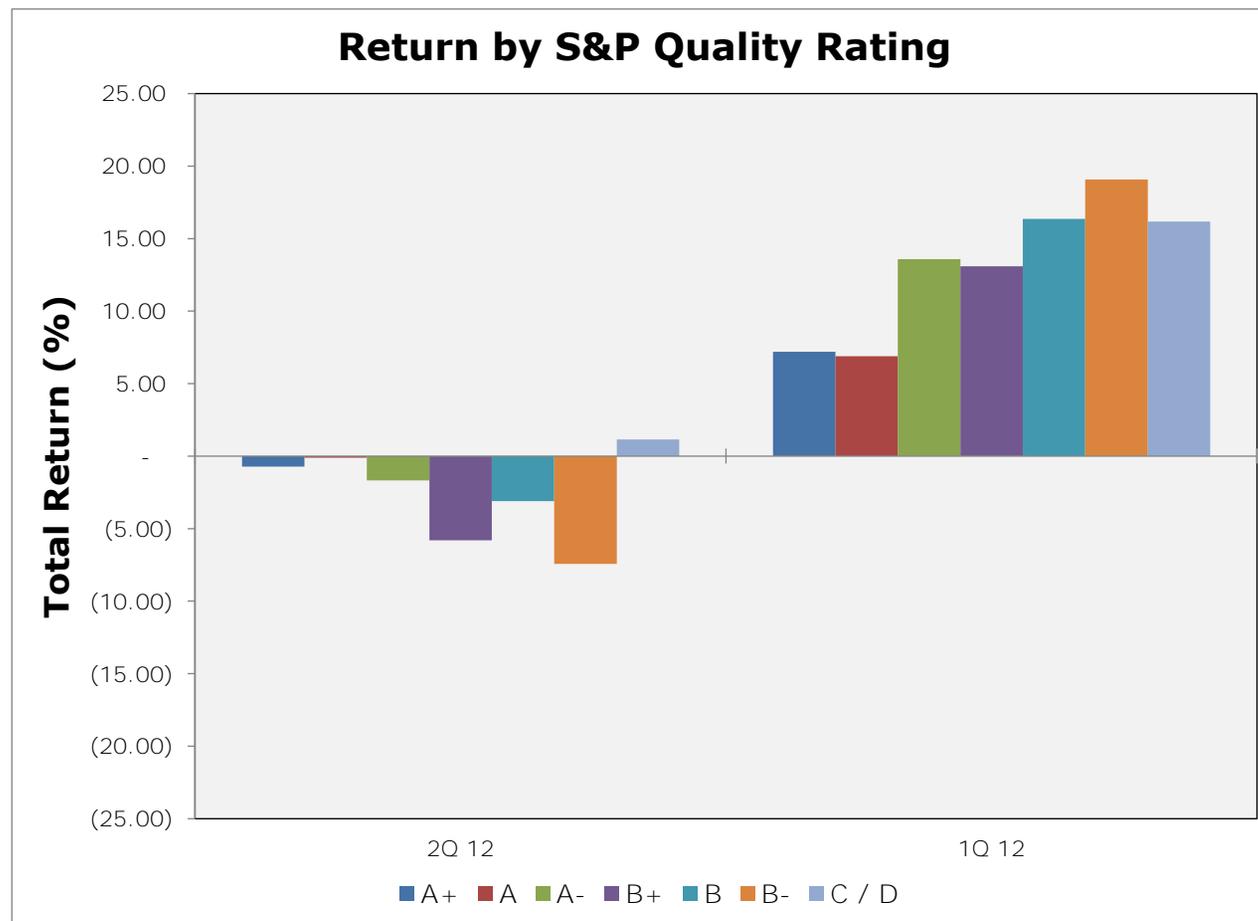


Data sources: Wilshire Compass, MSCI Barra



Returns by Quality Segment

Lower quality names still lead the market after giving some back during the second quarter



Data sources: Wilshire Atlas

Growth: Public Equity – Performance

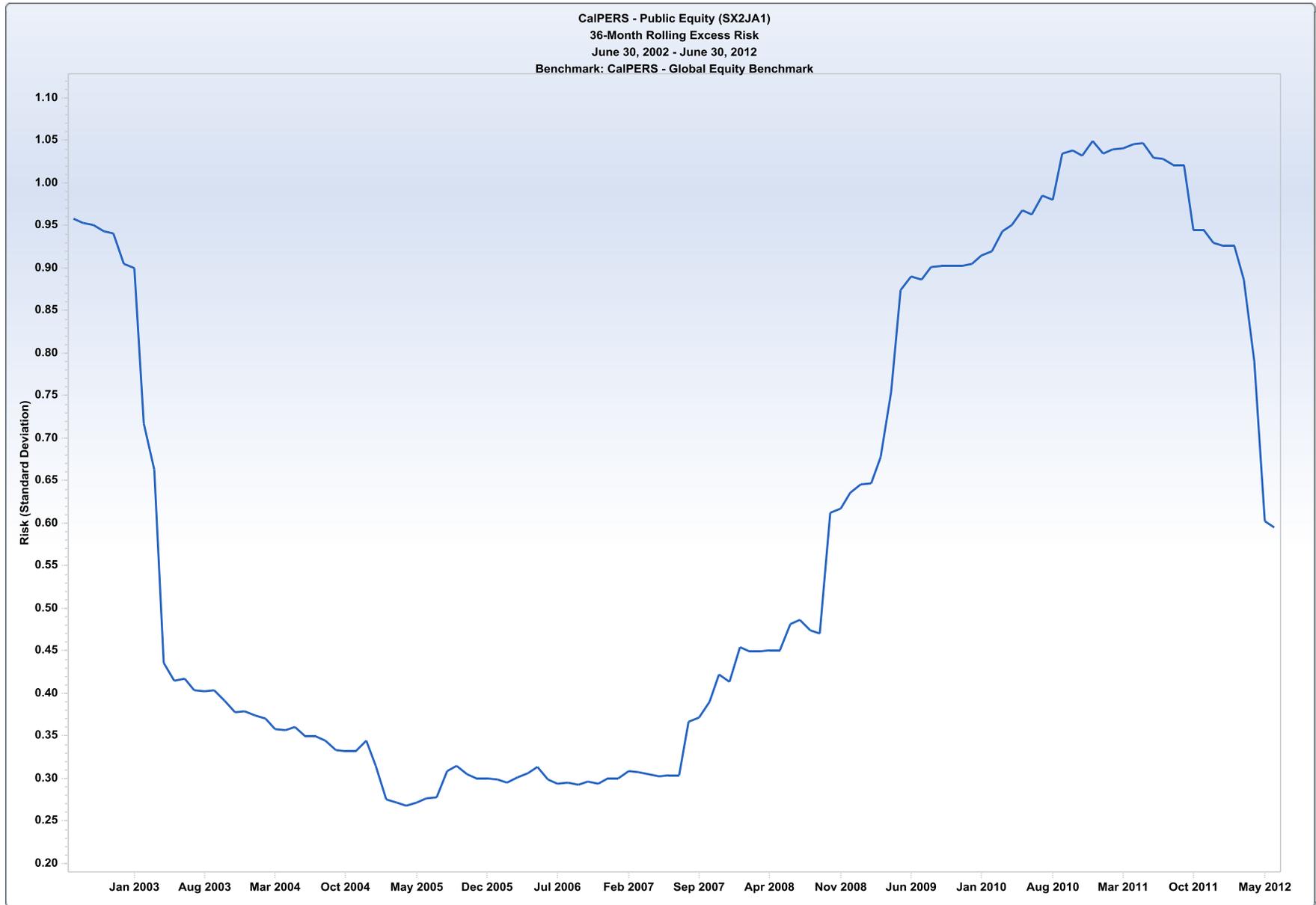


| | <u>Market Value</u> | <u>Qtr</u> | <u>1-Year</u> | <u>3-Year</u> | <u>5-Year</u> | <u>10-Year</u> | <u>VaR</u> | <u>5-year Sharpe Ratio</u> | <u>5-year Info Ratio</u> |
|---------------------------------------|---------------------|--------------|---------------|---------------|---------------|----------------|-------------------|----------------------------|--------------------------|
| PUBLIC EQUITY | 112.7 | -5.7% | -7.2% | 11.6% | -2.6% | 5.6% | \$21.3 bil | -0.2 | -0.7 |
| <i>Public Equity Policy Benchmark</i> | | -5.6% | -7.0% | 11.2% | -1.7% | 6.0% | | -0.1 | 0.0 |
| <i>Value Added</i> | | -0.1% | -0.2% | 0.4% | -0.9% | -0.4% | | | |
| US Equity Composite (ex ARS) | 53.9 | -3.6% | 2.4% | 16.5% | 0.1% | 5.7% | | 0.0 | -0.4 |
| <i>Custom US Equity Benchmark</i> | | -3.3% | 3.2% | 16.4% | 0.3% | 5.8% | | 0.0 | 0.0 |
| <i>Value Added</i> | | -0.3% | -0.8% | 0.1% | -0.2% | -0.1% | | | |
| Total Int'l Equity (ex ARS) | 57.7 | -7.6% | -14.8% | 7.9% | -4.5% | 6.7% | | -0.2 | 0.2 |
| <i>Custom Int'l Equity Benchmark</i> | | -7.4% | -14.6% | 6.6% | -4.8% | 6.6% | | -0.2 | 0.0 |
| <i>Value Added</i> | | -0.2% | -0.2% | 1.3% | 0.3% | 0.1% | | | |
| Global Equity Equitization | 0.6 | -3.1% | -3.0% | 11.7% | -.-% | -.-% | | | |
| <i>Custom Benchmark</i> | | -5.6% | -7.0% | 11.2% | -.-% | -.-% | | | |
| <i>Value Added</i> | | 2.5% | 4.0% | 0.5% | -.-% | -.-% | | | |

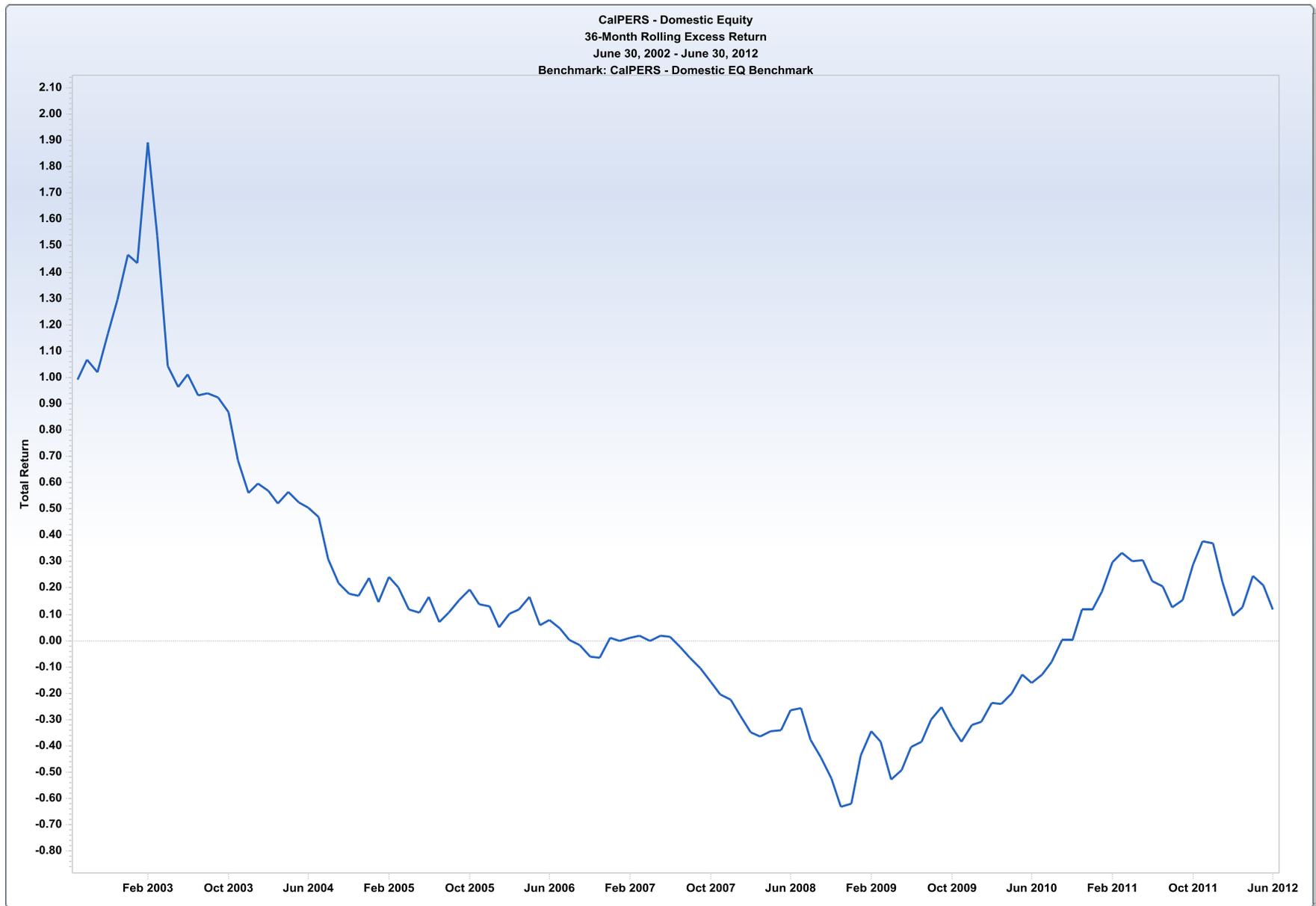
Growth: Public Equity – Rolling Excess Returns



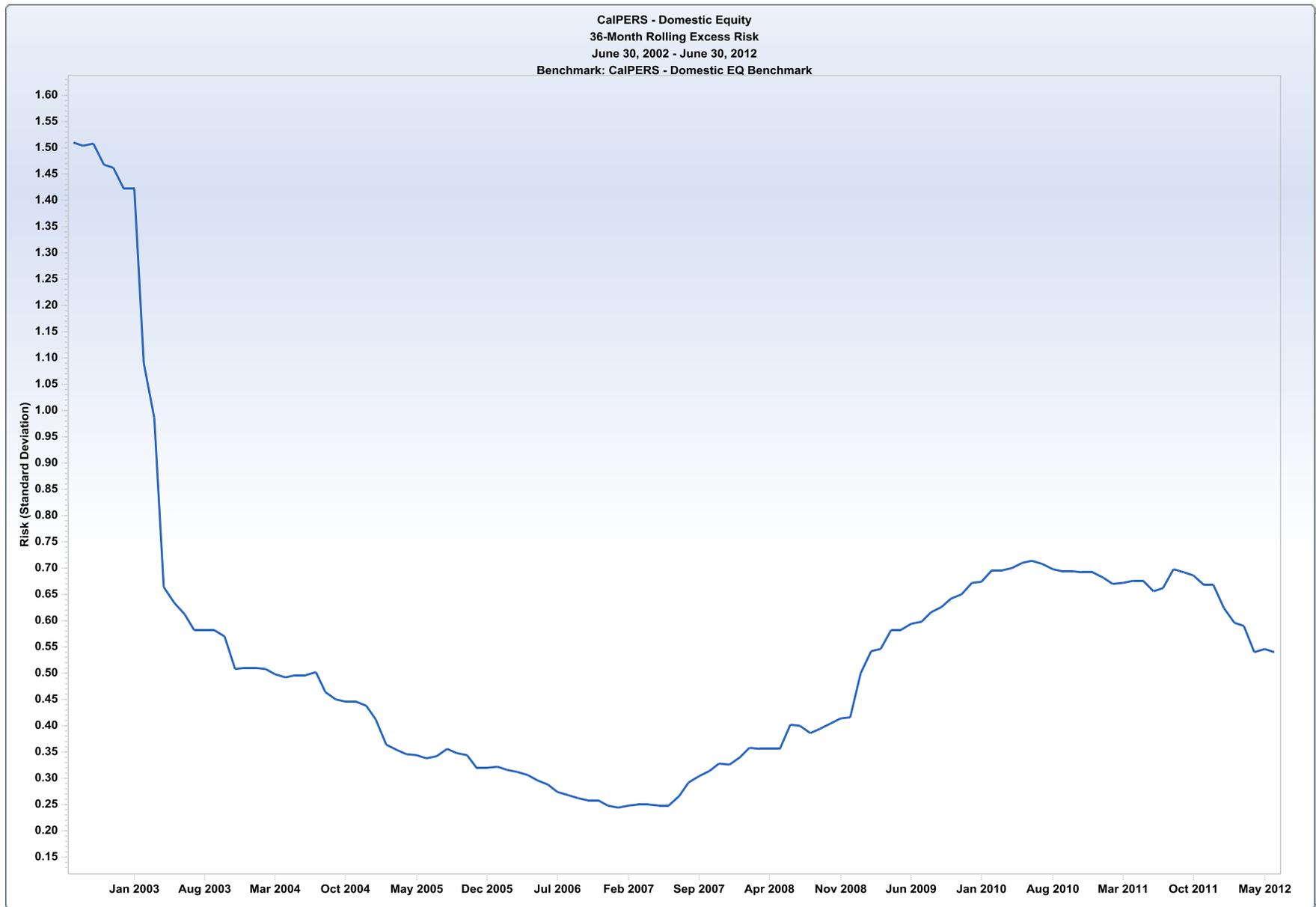
Growth: Public Equity – Rolling Tracking Error



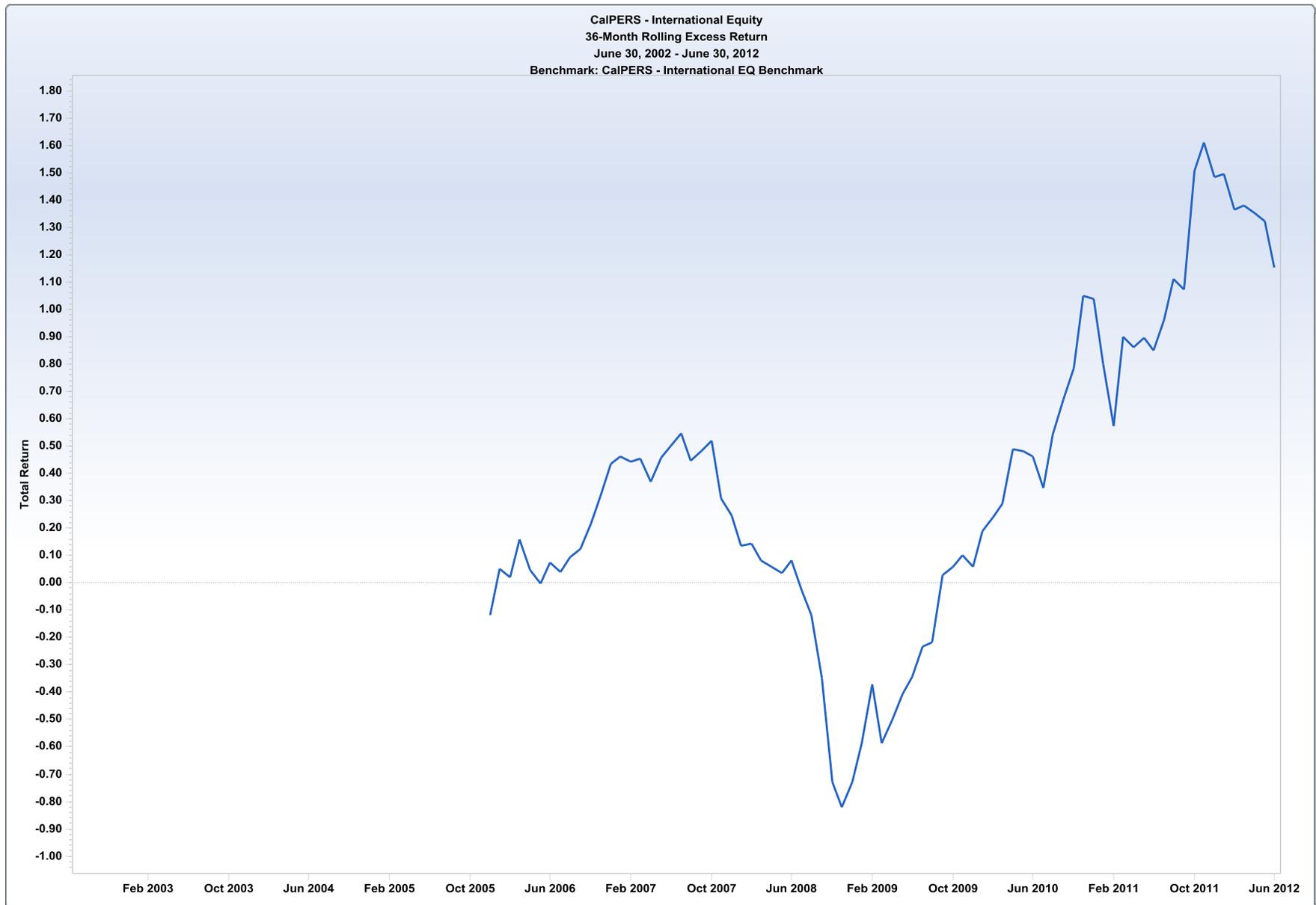
Growth: US Equity – Rolling Excess Returns



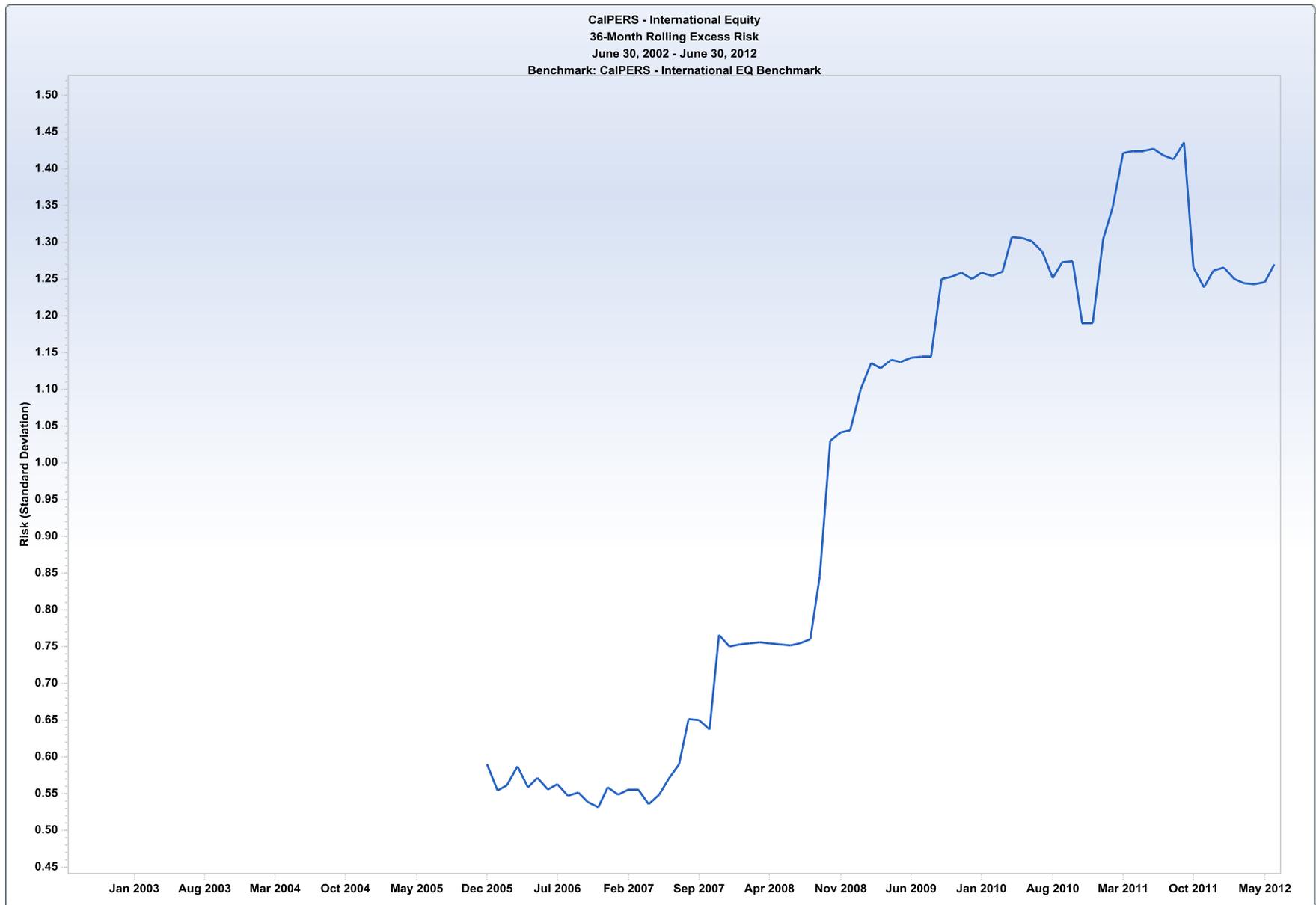
Growth: US Equity – Rolling Tracking Error



Growth: International Equity – Rolling Excess Returns



Growth: International Equity – Rolling Tracking Error



Growth: Corporate Governance/MDP/FoF

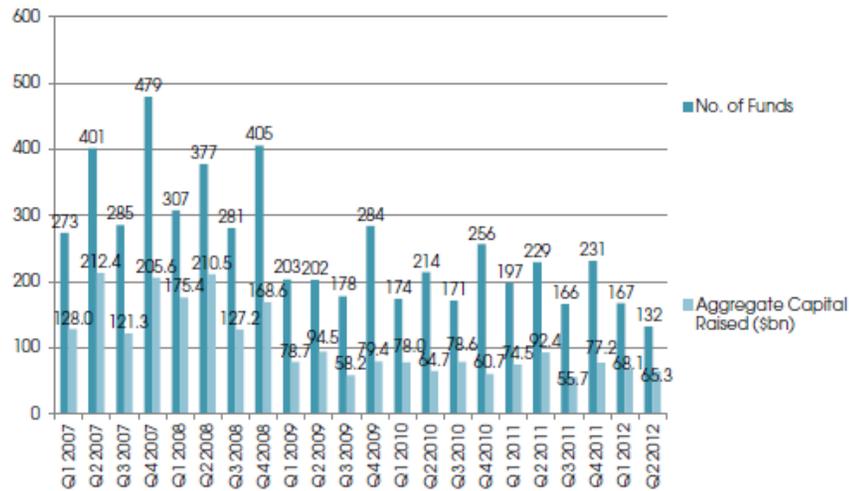


| | <u>Market</u> <u>Value</u> | <u>Qtr</u> | <u>1-Year</u> | <u>3-Year</u> | <u>5-Year</u> | <u>10-Year</u> | <u>Date</u> |
|-----------------------------------|-------------------------------|--------------|---------------|---------------|---------------|----------------|--------------|
| Total Corporate Governance | 4.0 | -7.3% | -12.3% | 8.5% | -6.0% | 4.5% | 12/98 |
| <i>Policy Benchmark</i> | | -5.4% | -4.3% | 8.4% | -4.1% | 4.9% | |
| <i>Value Added</i> | | -1.9% | -8.0% | 0.1% | -1.9% | -0.4% | |
| Total MDP | 1.3 | -5.3% | -3.2% | 12.2% | -1.1% | 5.2% | 6/00 |
| <i>Policy Benchmark</i> | | -5.2% | -2.8% | 12.1% | -0.1% | 6.6% | |
| <i>Value Added</i> | | -0.1% | -0.4% | 0.1% | -1.0% | -1.4% | |
| Total FoF | 0.9 | -5.8% | -5.5% | 15.2% | -.-% | -.-% | 3/08 |
| <i>Policy Benchmark</i> | | -4.9% | -4.5% | 14.9% | -.-% | -.-% | |
| <i>Value Added</i> | | -0.9% | -1.0% | 0.3% | -.-% | -.-% | |



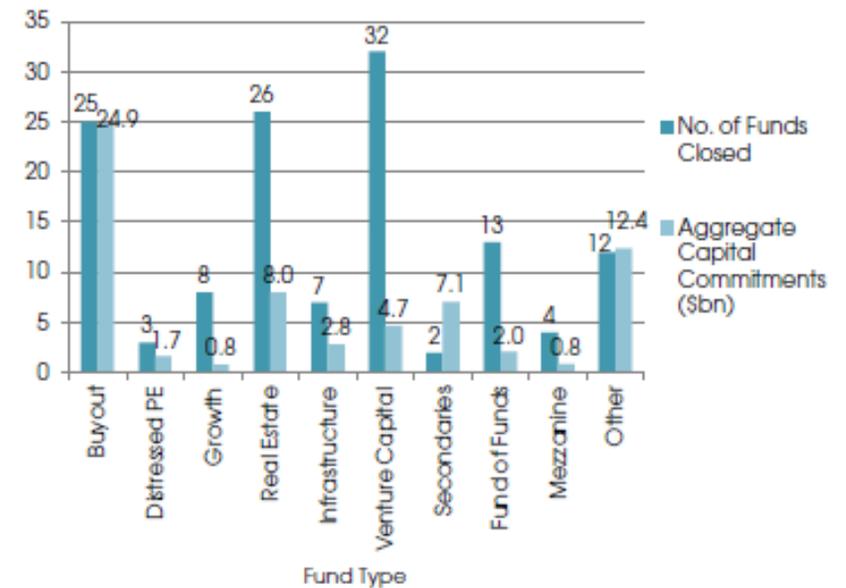
Private Equity Fundraising

Fig. 3: Quarterly Global Private Equity Fundraising, Q1 2007 - Q2 2012



Source: Preqin Q2 2012 Private Equity Quarterly Report

Fig. 8: Private Equity Fundraising by Type, Q2 2012

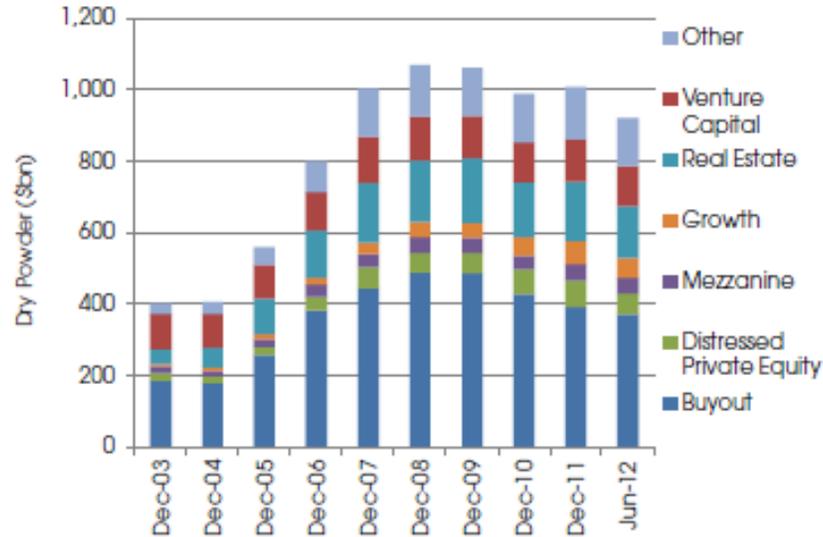


Source: Preqin Funds in Market



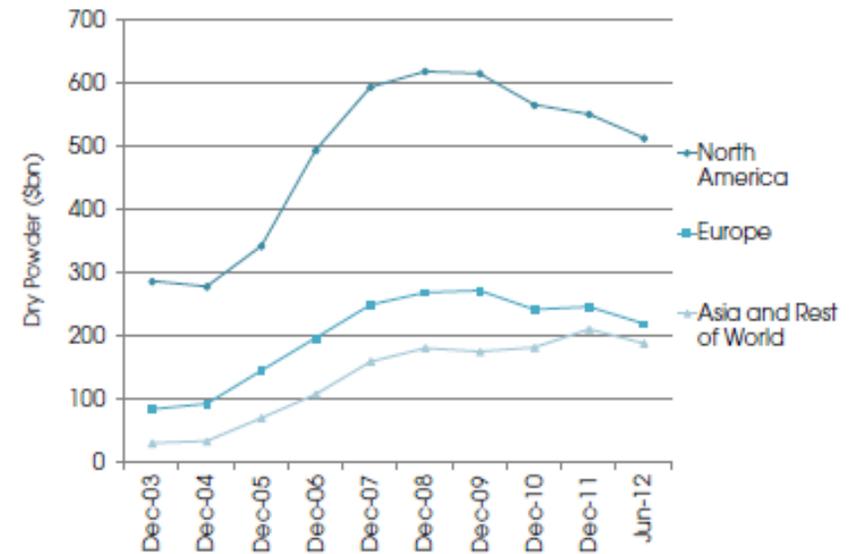
Private Equity Dry Powder

Fig. 37: Private Equity Dry Powder by Fund Type, 2003 - June 2012



Source: Preqin Fund Manager Profiles

Fig. 38: Private Equity Dry Powder by Primary Geographic Focus, 2003 - June 2012



Source: Preqin Fund Manager Profiles

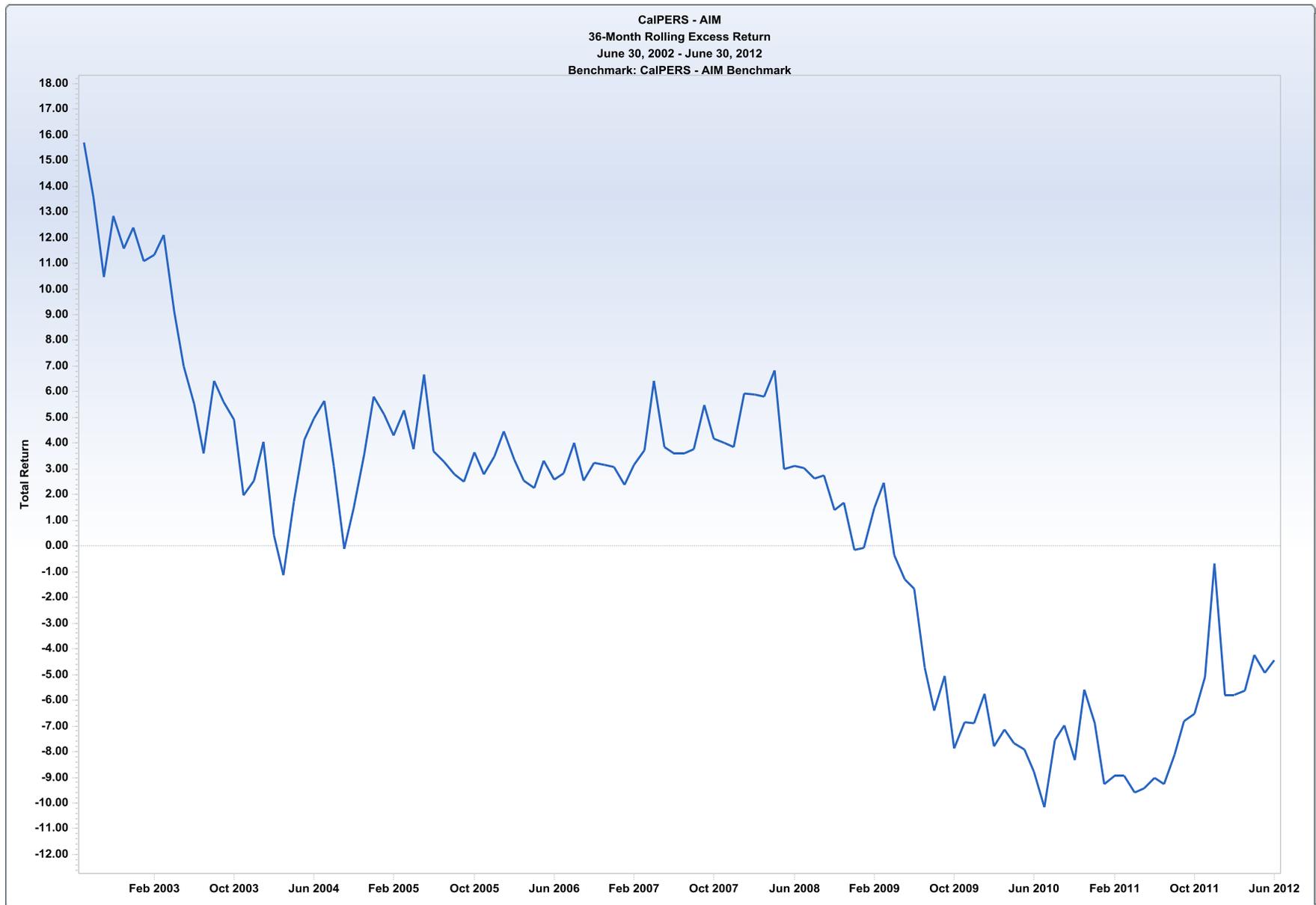
Source: Preqin

Growth: Private Equity (AIM) – Performance

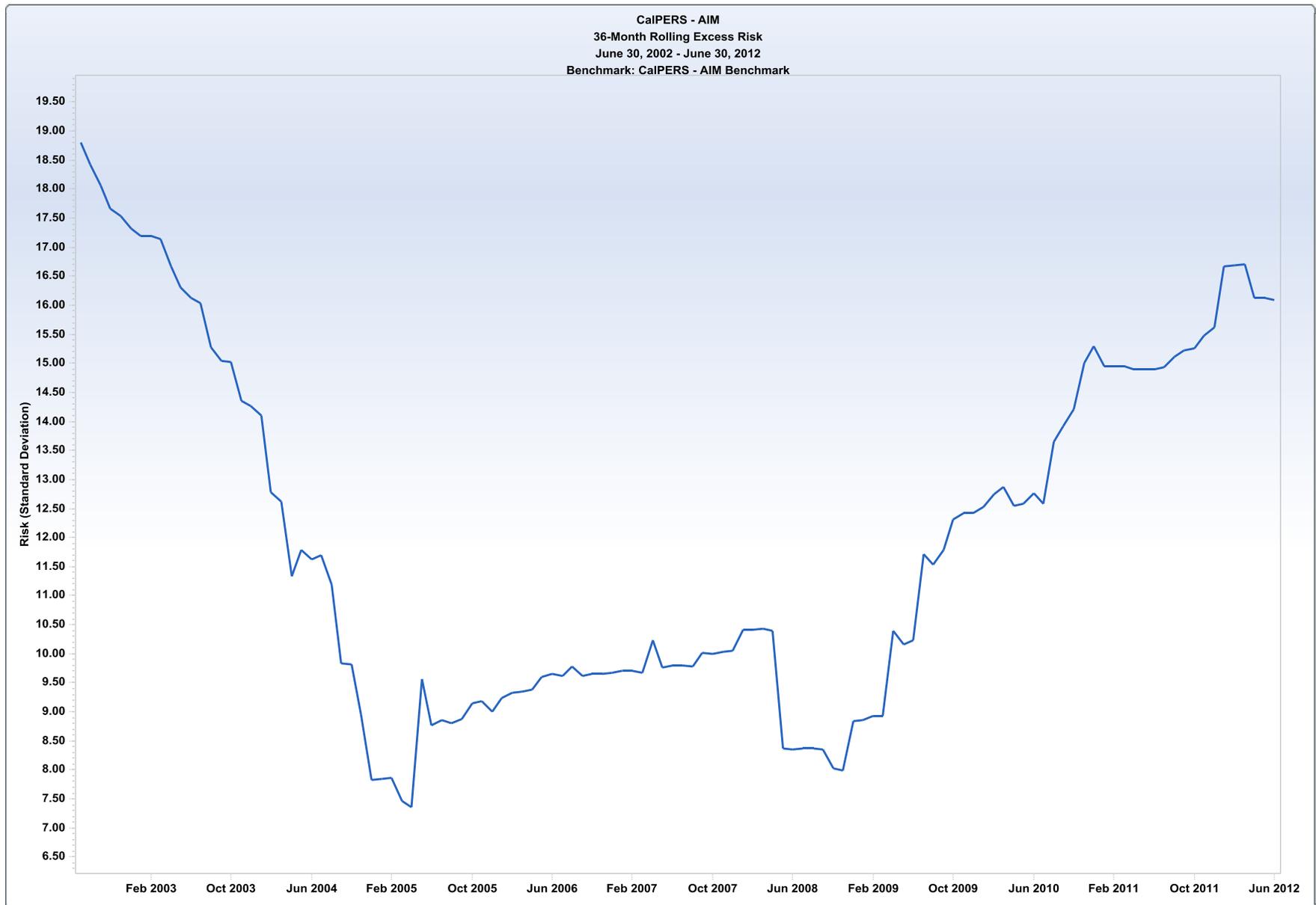


| | Market Value | Qtr | 1-Year | 3-Year | 5-Year | 10-Year | VaR | 5-year Sharpe Ratio | 5-year Info Ratio |
|----------------------------------------|---------------------|-------------|---------------|---------------|---------------|----------------|-------------------|----------------------------|--------------------------|
| PRIVATE EQUITY (AIM) | 34.2 | 5.0% | 5.4% | 20.0% | 7.2% | 9.9% | \$10.9 bil | 0.6 | -0.3 |
| <i>AIM Policy Benchmark</i> | | 13.3% | 5.0% | 25.6% | 12.4% | 10.9% | | 0.8 | 0.0 |
| <i>Value Added</i> | | -8.3% | 0.4% | -5.6% | -5.2% | -1.0% | | | |
| Private Equity Partnership Investments | 34.2 | 5.1% | 5.6% | 20.1% | 7.3% | 9.9% | | | |
| Private Equity Distribution Stock | 0.1 | -16.9% | -35.7% | -2.4% | -0.5% | 8.9% | | | |

Growth: Private Equity (AIM) – Rolling Excess Returns



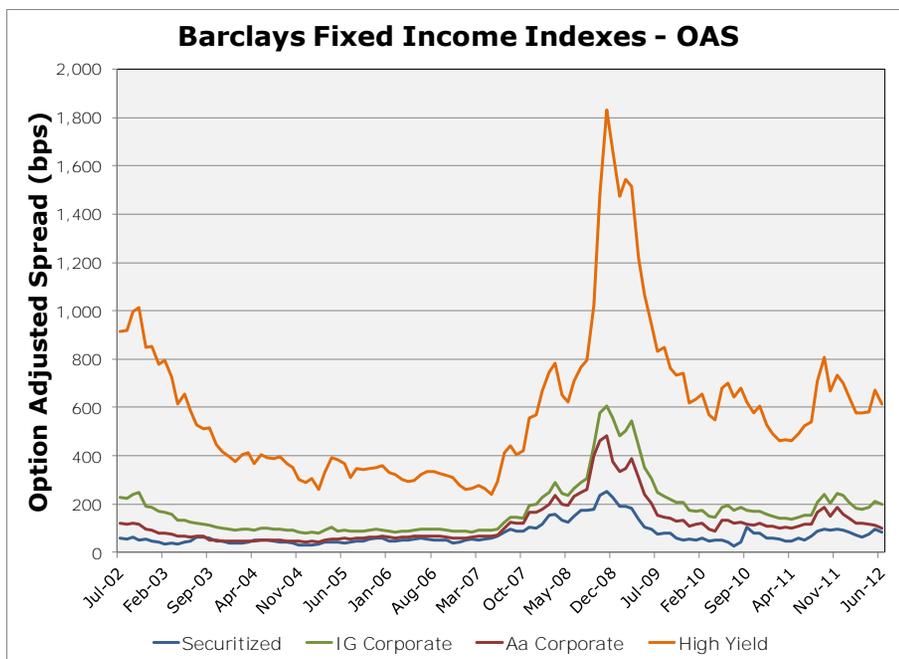
Growth: Private Equity (AIM) – Rolling Tracking Error



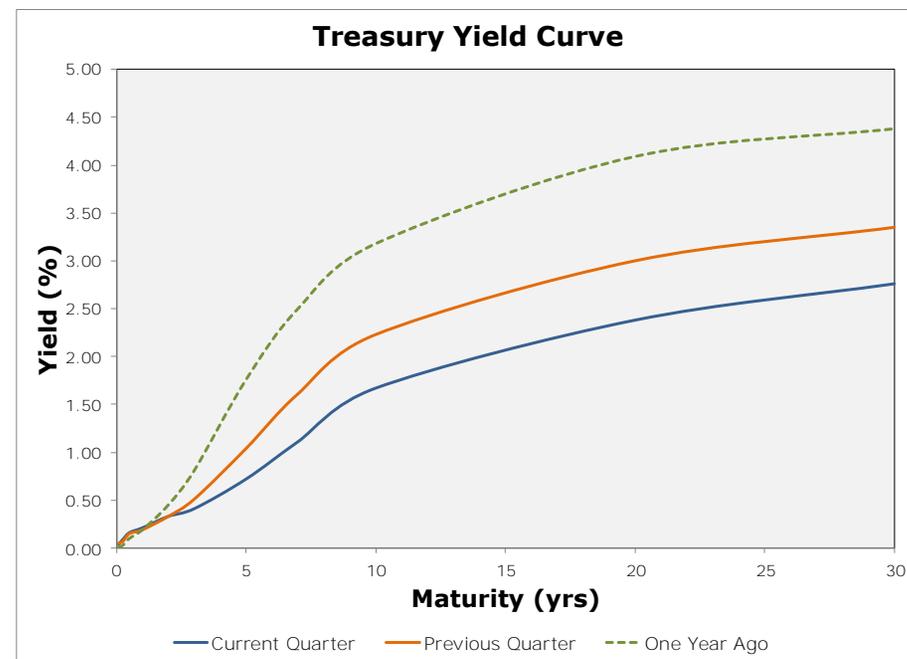
U.S. Capital Markets: Fixed Income



| June 30, 2012 | Qtr | Ytd | 1 Yr | 3 Yr | 5 Yr | 10 Yr |
|-----------------------------------|------|-----|------|------|------|-------|
| Barclays Aggregate Bond Index | 2.1 | 2.4 | 7.5 | 6.9 | 6.8 | 5.6 |
| Barclays Treasury Index | 2.8 | 1.5 | 9.0 | 5.9 | 6.9 | 5.5 |
| Barclays Govt-Related Index | 1.8 | 2.7 | 6.5 | 5.6 | 6.4 | 5.4 |
| Barclays Securitized Index | 1.1 | 1.8 | 5.1 | 6.2 | 6.5 | 5.3 |
| Barclays Corporate IG Index | 2.5 | 4.7 | 9.7 | 10.6 | 7.6 | 6.6 |
| Barclays LT Govt/Credit Index | 7.3 | 5.0 | 24.6 | 14.4 | 11.0 | 8.7 |
| Barclays Long-Term Treasury Index | 10.6 | 4.2 | 32.3 | 13.6 | 12.1 | 8.9 |
| Barclays U.S. TIPS Index | 3.2 | 4.0 | 11.7 | 9.6 | 8.4 | 7.2 |
| Barclays High Yield Index | 1.8 | 7.3 | 7.3 | 16.3 | 8.4 | 10.2 |
| Treasury Bills | 0.0 | 0.0 | 0.1 | 0.1 | 1.0 | 1.9 |



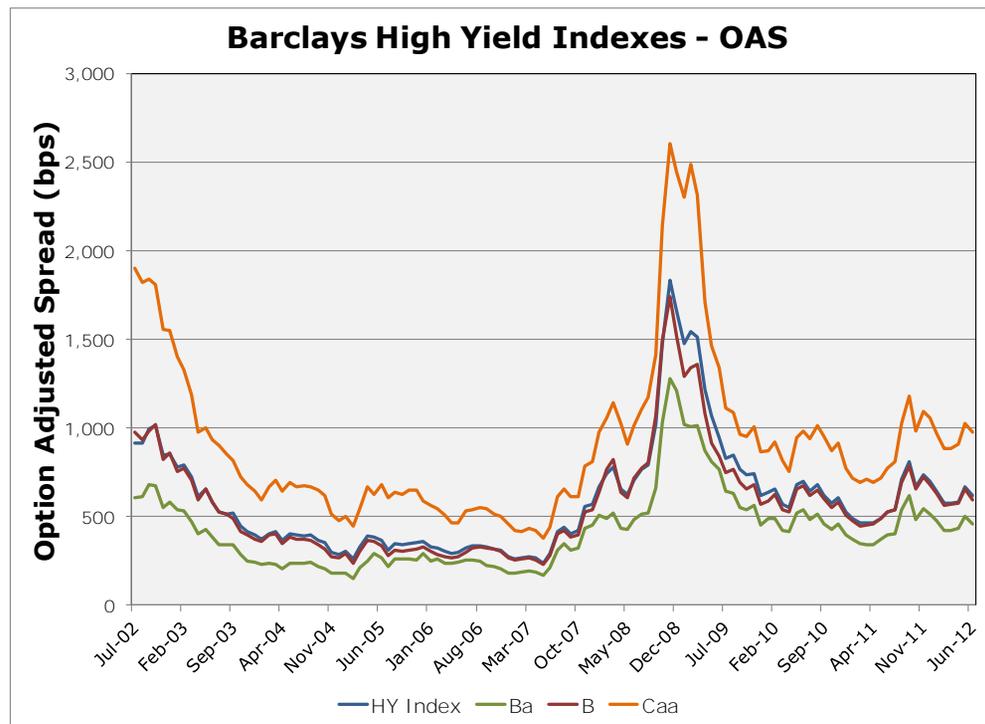
Data sources: Wilshire Compass, Barclays Capital, U.S. Treasury





High Yield by Quality

| June 30, 2012 | Weight | Qtr | Ytd | 1 Yr | 3 Yr |
|---------------------------|--------|------|------|------|------|
| Barclays High Yield Index | 100% | 1.8 | 7.3 | 7.3 | 16.3 |
| Quality Distribution | | | | | |
| Ba U.S. High Yield | 40.3% | 2.3 | 6.8 | 8.6 | 15.0 |
| B U.S. High Yield | 43.2% | 1.8 | 6.8 | 7.7 | 14.0 |
| Caa U.S. High Yield | 15.1% | 1.1 | 9.3 | 4.6 | 19.1 |
| Ca to D U.S. High Yield | 1.1% | -1.8 | 10.9 | -8.1 | 25.5 |
| Non-Rated U.S. High Yield | 0.3% | 1.2 | 10.8 | 14.1 | 16.6 |

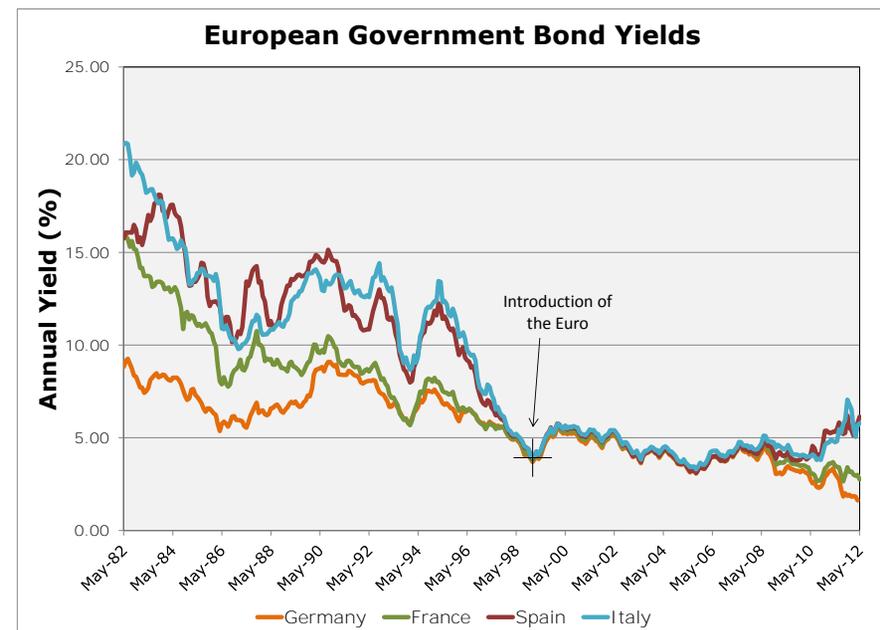
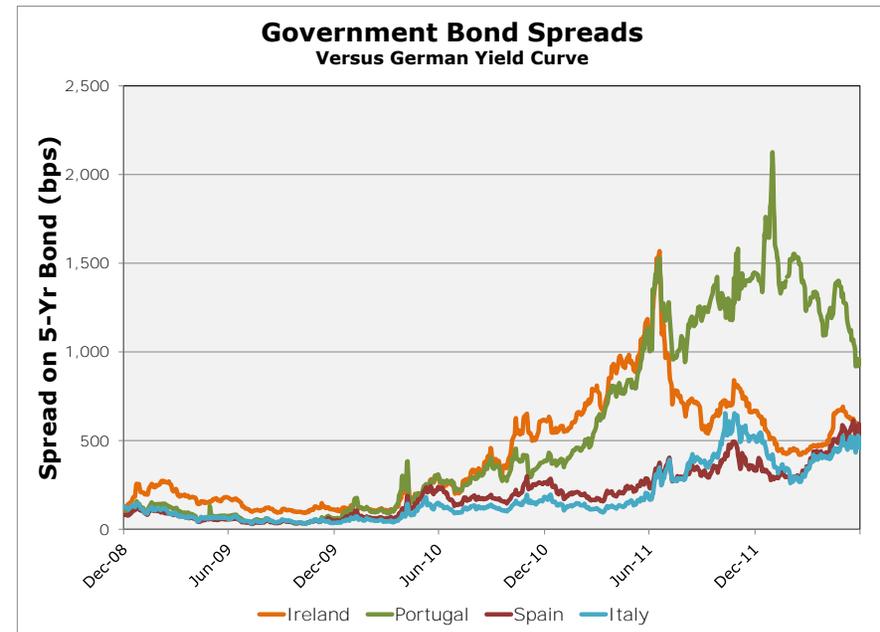


Data sources: Barclays Capital



European Debt

- Attention has turned to economies much larger than Greece, such as Spain and Italy
- Spreads continue to climb
- Germany and France are among the top 5 economies across the globe



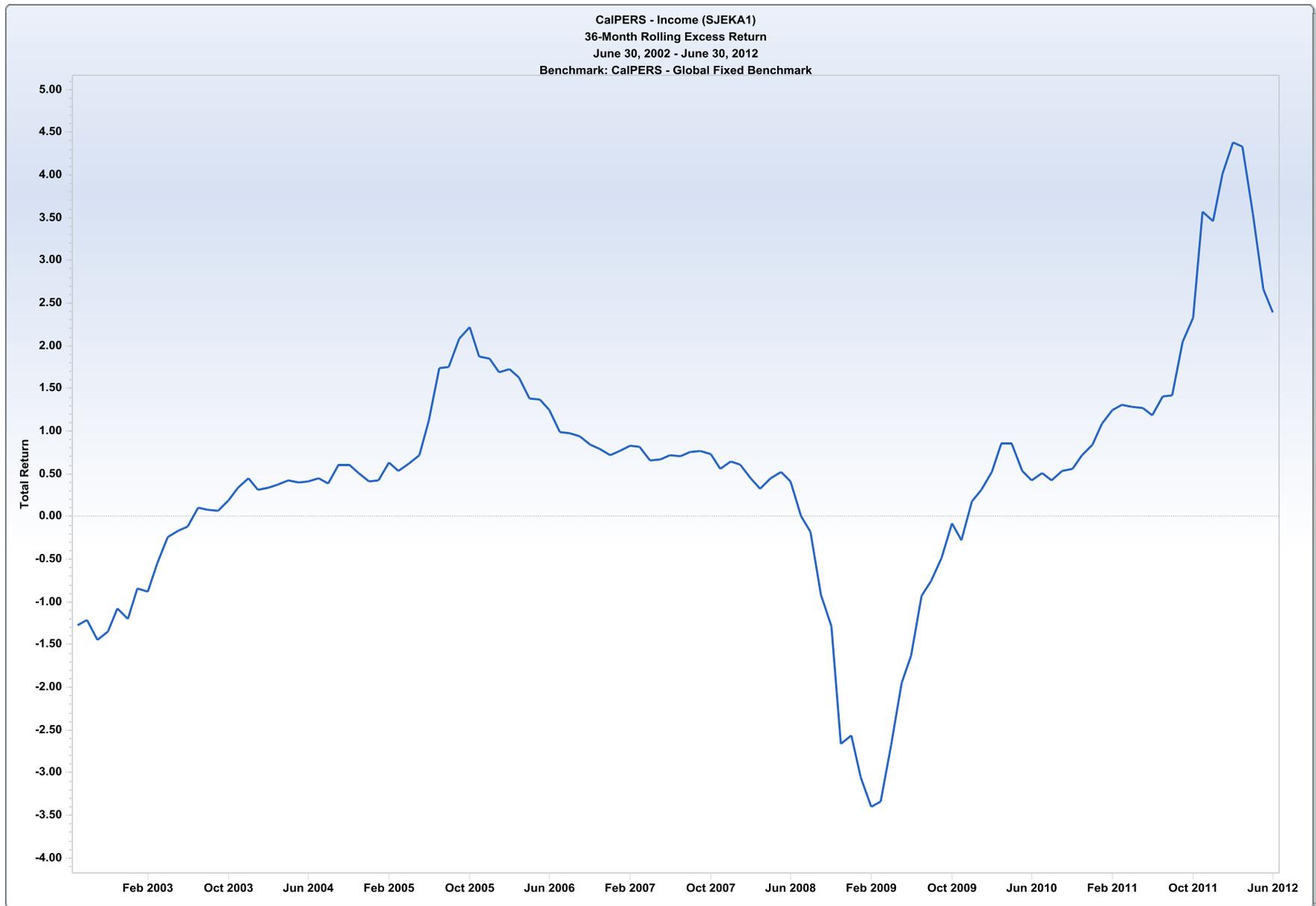


Income - Performance

| | Market Value | Qtr | 1-Year | 3-Year | 5-Year | 10-Year | VaR | 5-year Sharpe Ratio | 5-year Info Ratio |
|---------------------------------------|---------------------|-------------|---------------|---------------|---------------|----------------|------------------|----------------------------|--------------------------|
| INCOME | 41.9 | 4.0% | 12.7% | 13.2% | 9.6% | 8.3% | \$5.5 bil | 1.2 | 0.1 |
| <i>Income Policy Benchmark</i> | | 4.2% | 13.9% | 10.6% | 9.3% | 7.5% | | 1.3 | 0.0 |
| <i>Value Added</i> | | -0.2% | -1.2% | 2.6% | 0.3% | 0.8% | | | |
| U.S. Income | 38.3 | 4.2% | 13.8% | 13.8% | 9.7% | 8.2% | | 1.3 | 0.1 |
| <i>U.S. Income Policy Benchmark</i> | | 4.5% | 15.1% | 11.0% | 9.4% | 7.5% | | 1.3 | 0.0 |
| <i>Value Added</i> | | -0.3% | -1.3% | 2.8% | 0.3% | 0.7% | | | |
| Non-U.S. Income | 3.6 | 1.1% | 2.4% | 8.4% | 8.8% | 8.0% | | 0.8 | 0.7 |
| <i>Non-US Income Policy Benchmark</i> | | 0.4% | 0.8% | 5.5% | 7.3% | 7.2% | | 0.7 | 0.0 |
| <i>Value Added</i> | | 0.7% | 1.6% | 2.9% | 1.5% | 0.8% | | | |

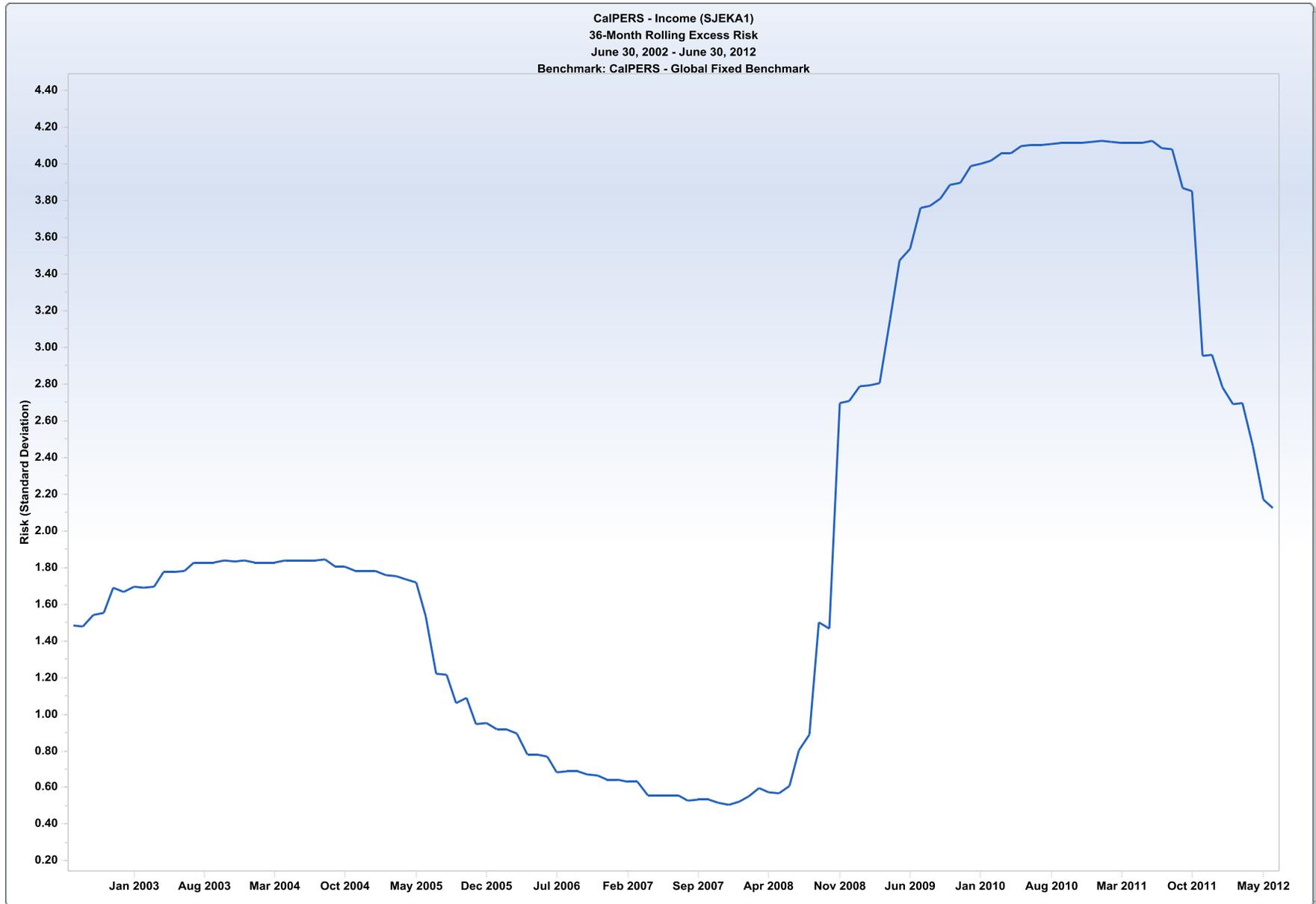


Income – Rolling Excess Returns



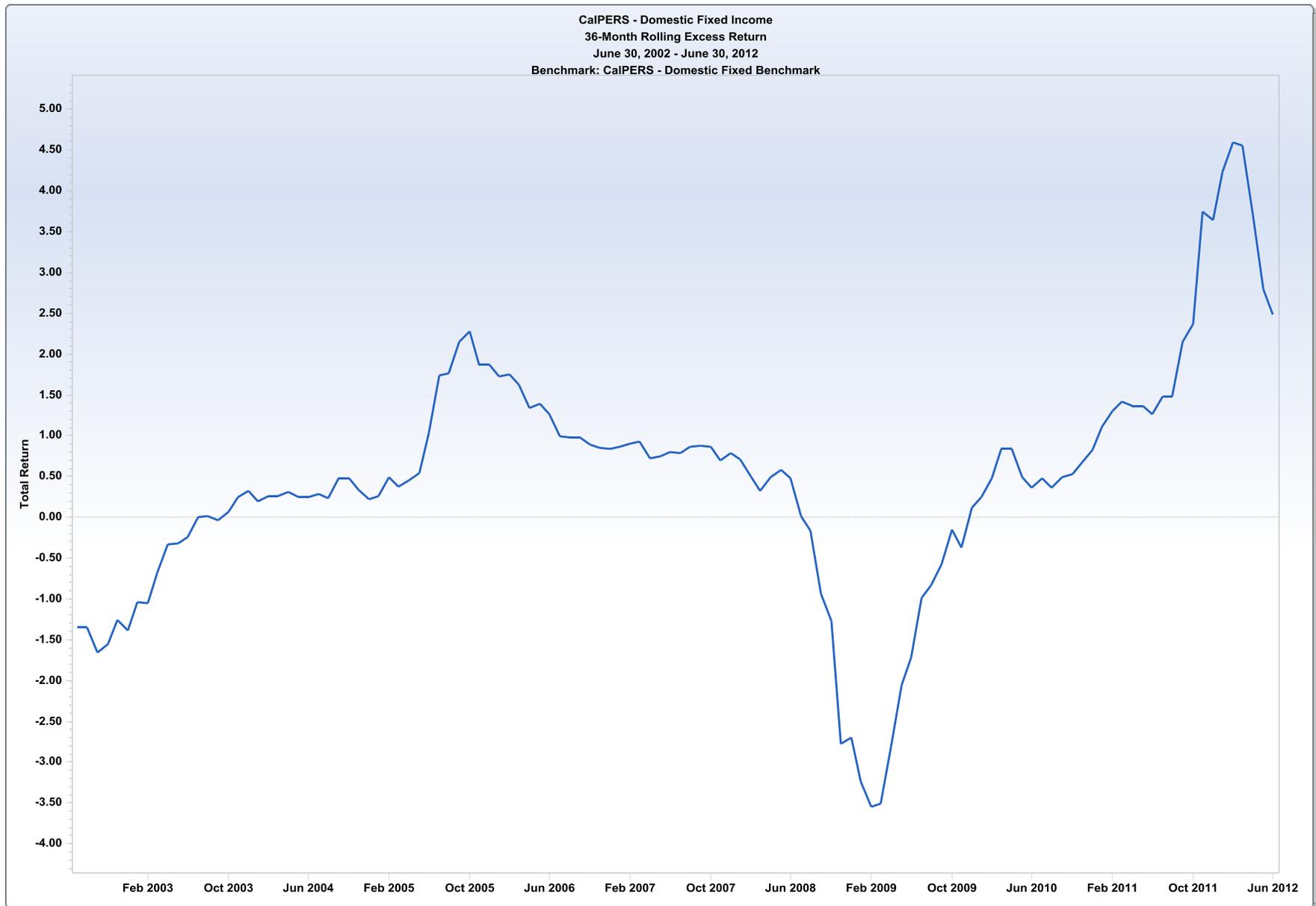


Income – Rolling Tracking Error



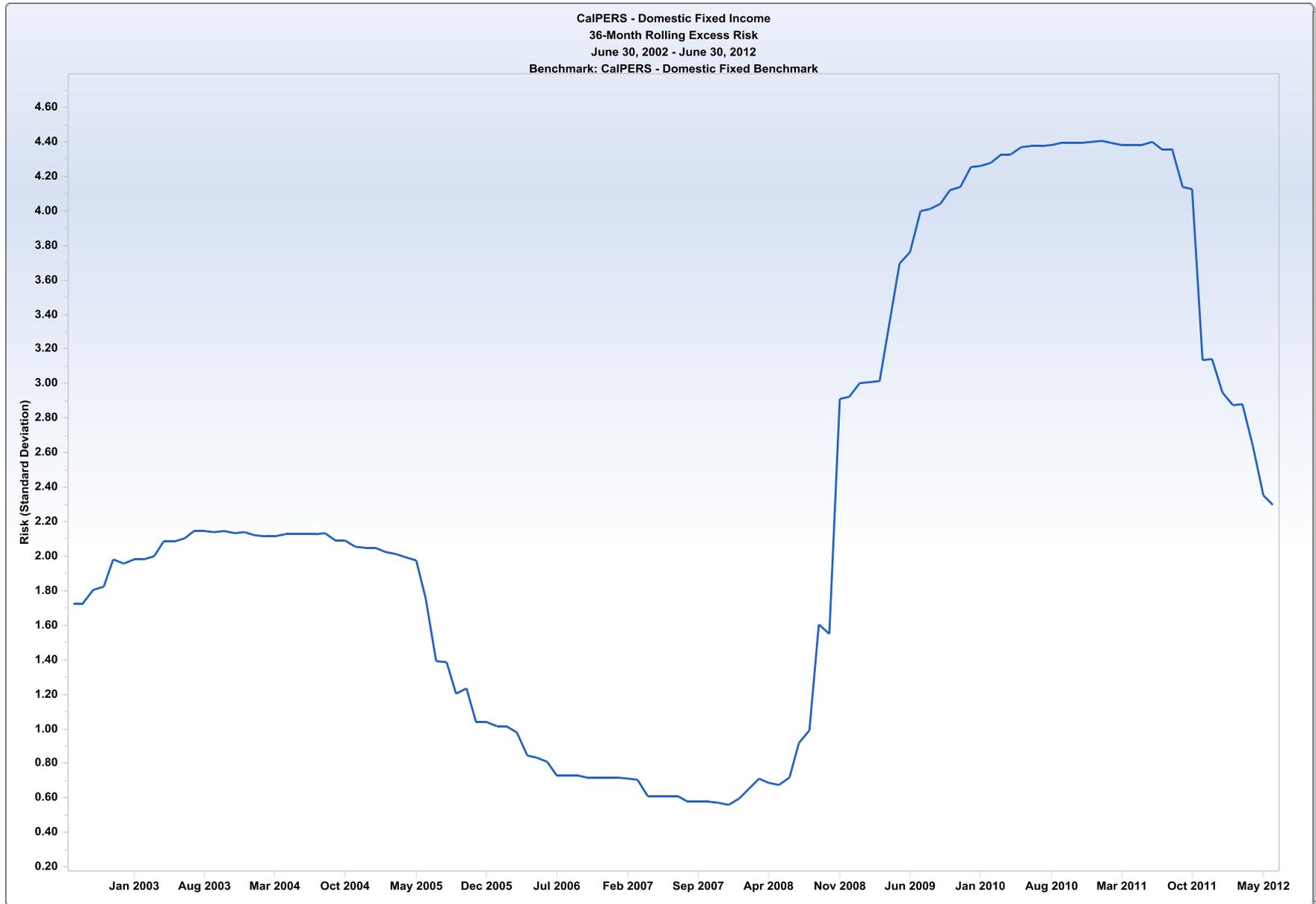


US Income – Rolling Excess Returns

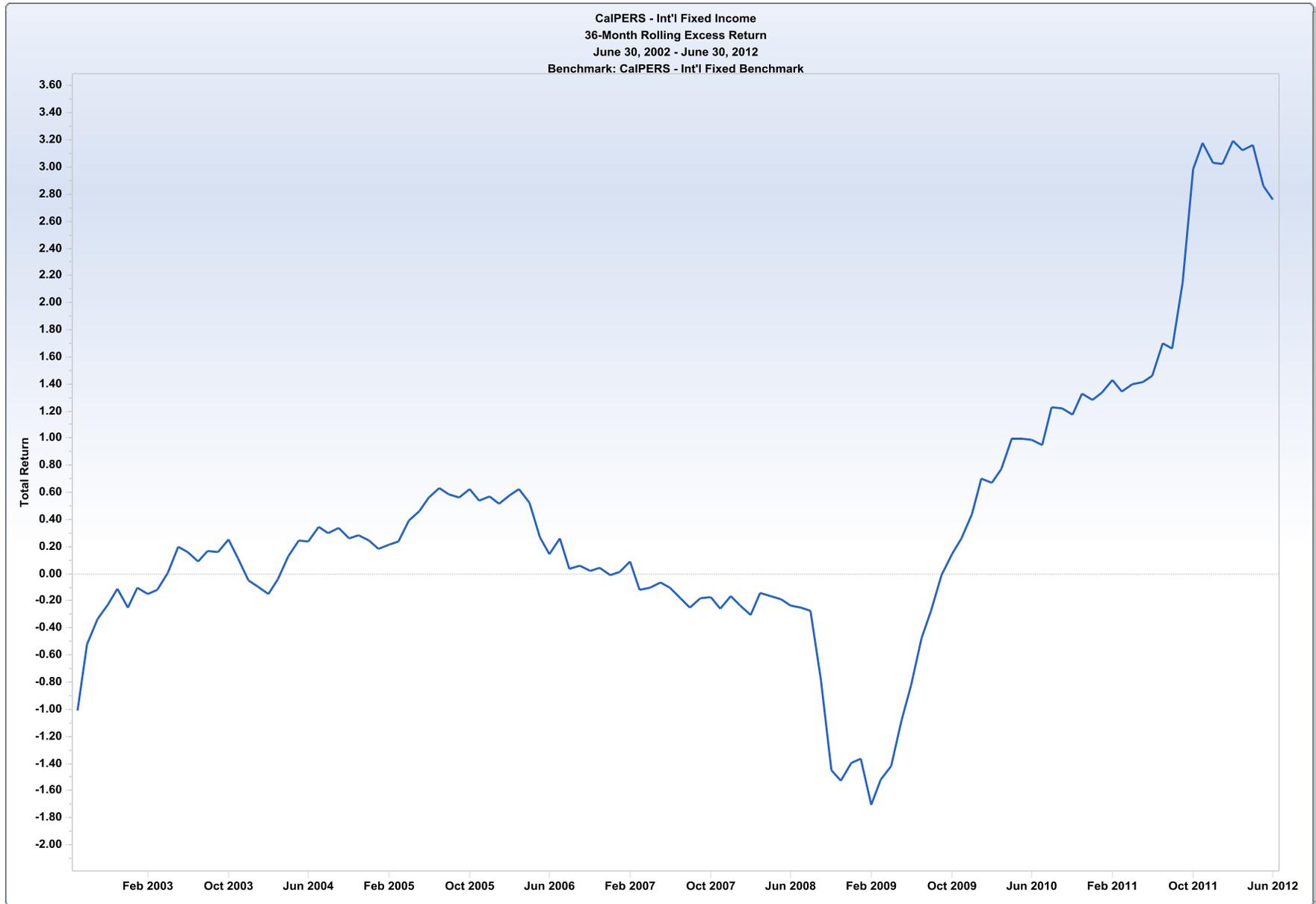




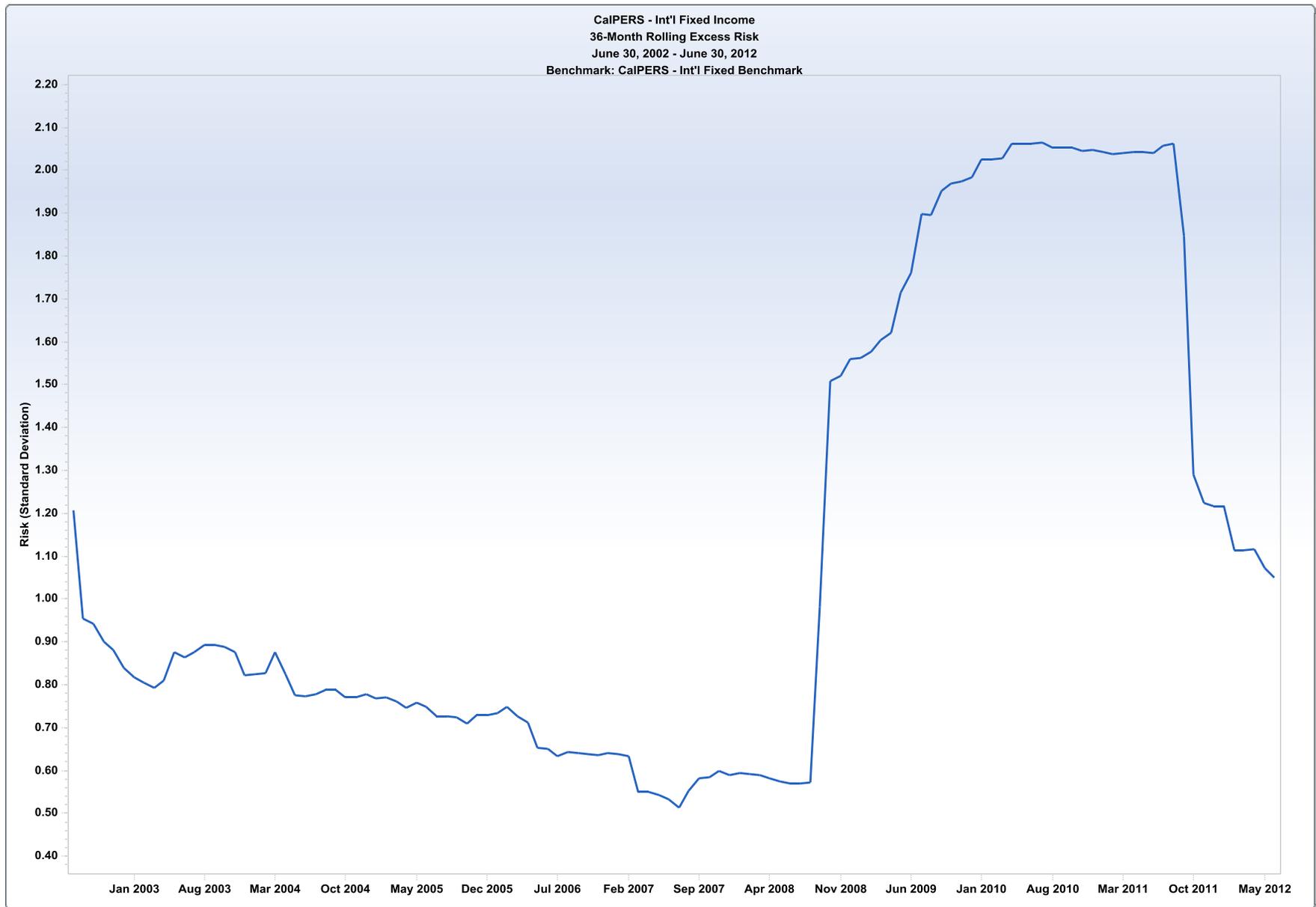
US Income – Rolling Tracking Error



International Income – Rolling Excess Returns



International Income – Rolling Tracking Error



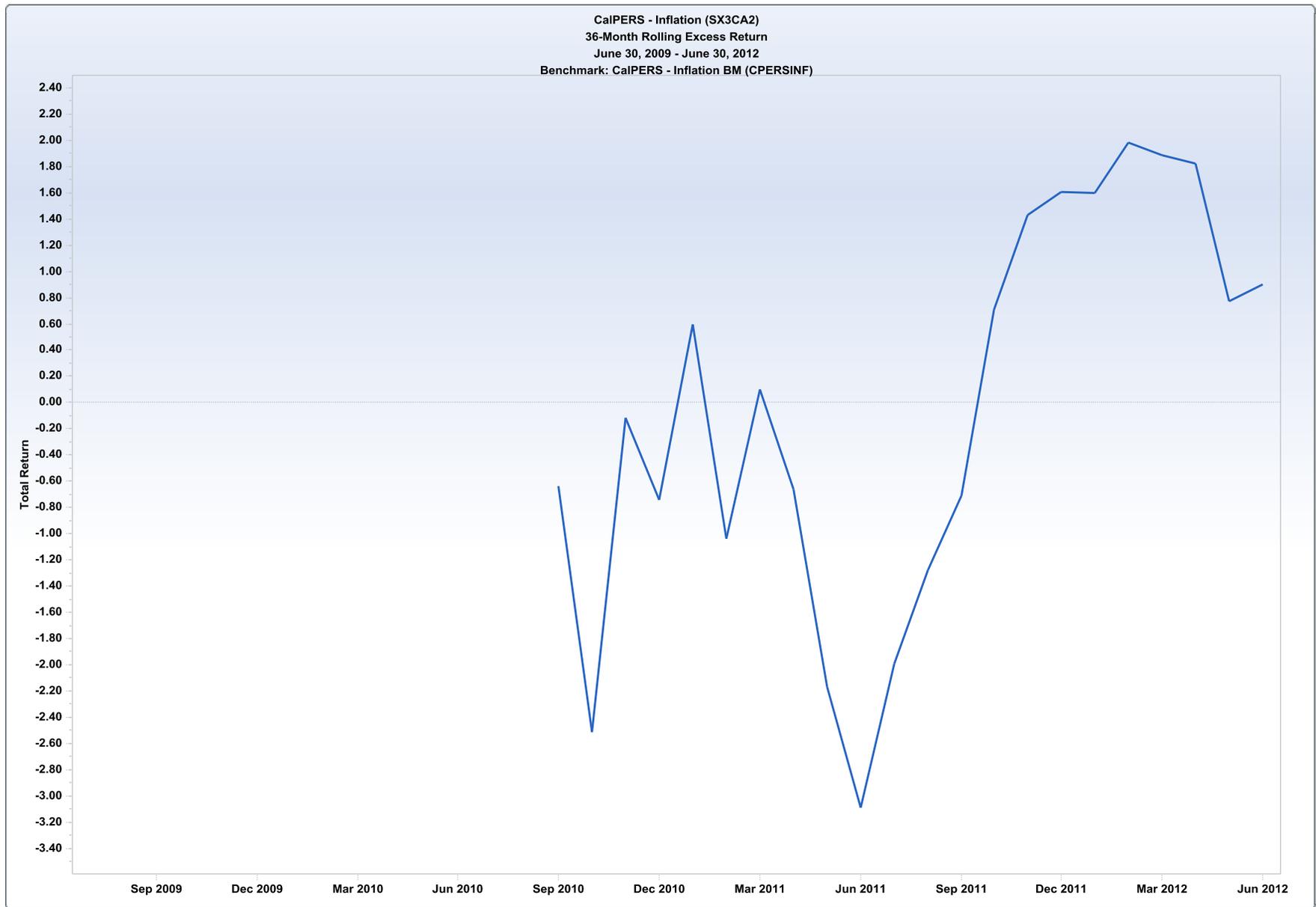


Inflation Performance

| | Market Value | Qtr | 1-Year | 3-Year | 5-Year | 10-Year | VaR | 5-year Sharpe Ratio | 5-year Info Ratio |
|-----------------------------------|---------------------|---------------|---------------|---------------|---------------|----------------|------------------|----------------------------|--------------------------|
| INFLATION | 7.1 | -5.1% | 0.1% | 7.6% | -.-% | -.-% | \$0.5 bil | N/A | N/A |
| <i>Inflation Policy Benchmark</i> | | -2.3% | 2.1% | 6.7% | -.-% | -.-% | | N/A | N/A |
| <i>Value Added</i> | | -2.8% | -2.0% | 0.9% | -.-% | -.-% | | | |
| Commodities | 3.1 | -12.1% | -11.0% | 2.8% | -.-% | -.-% | | | |
| <i>GSCI Total Return Index</i> | | -12.4% | -10.7% | 2.1% | -.-% | -.-% | | | |
| <i>Value Added</i> | | 0.3% | -0.3% | 0.7% | -.-% | -.-% | | | |
| Inflation Linked Bonds | 4.0 | 1.3% | 8.2% | 8.6% | -.-% | -.-% | | | |
| <i>Custom Benchmark</i> | | 1.1% | 7.8% | 8.3% | -.-% | -.-% | | | |
| <i>Value Added</i> | | 0.2% | 0.4% | 0.3% | -.-% | -.-% | | | |

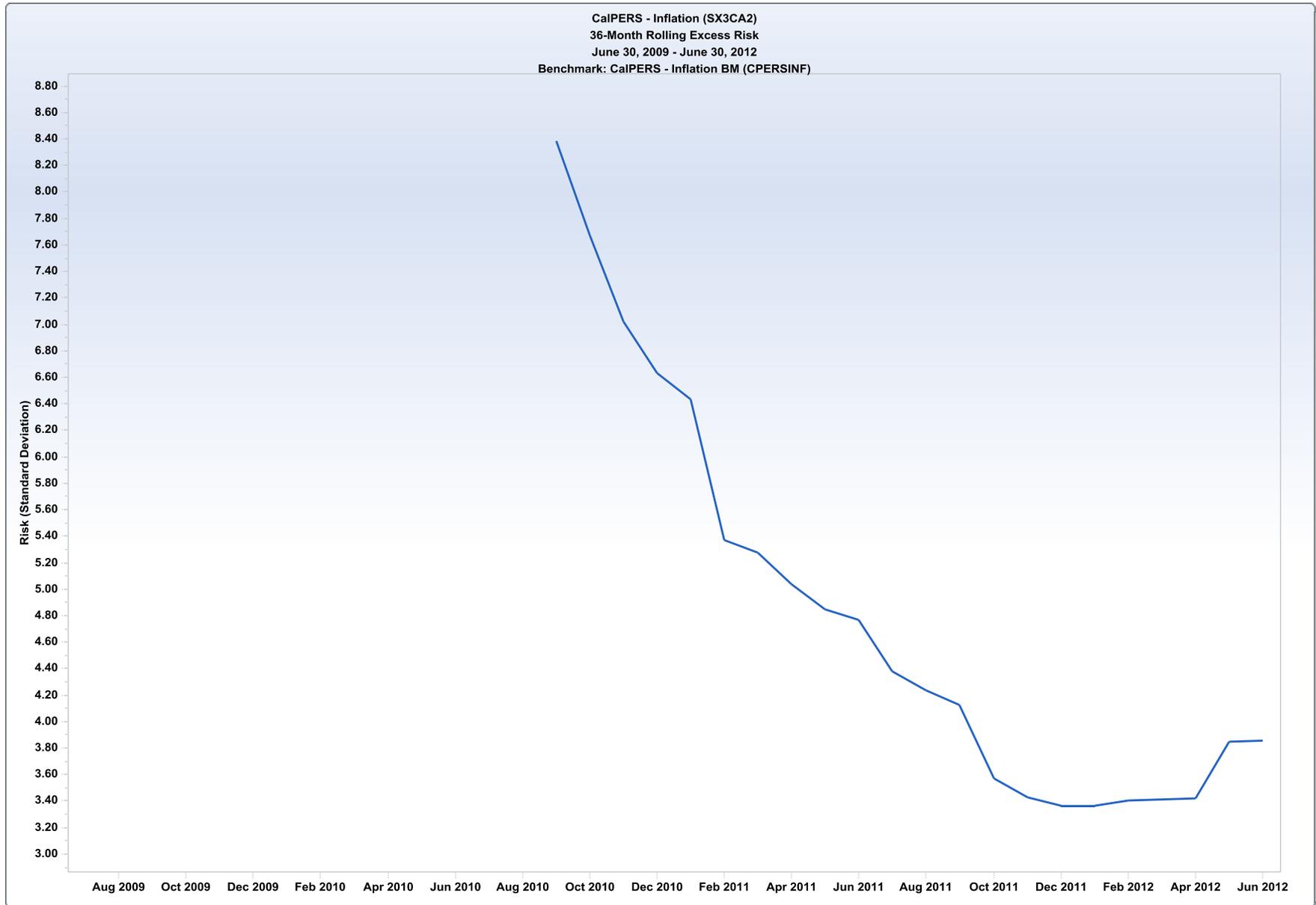


Inflation – Rolling Excess Returns





Inflation – Rolling Tracking Error

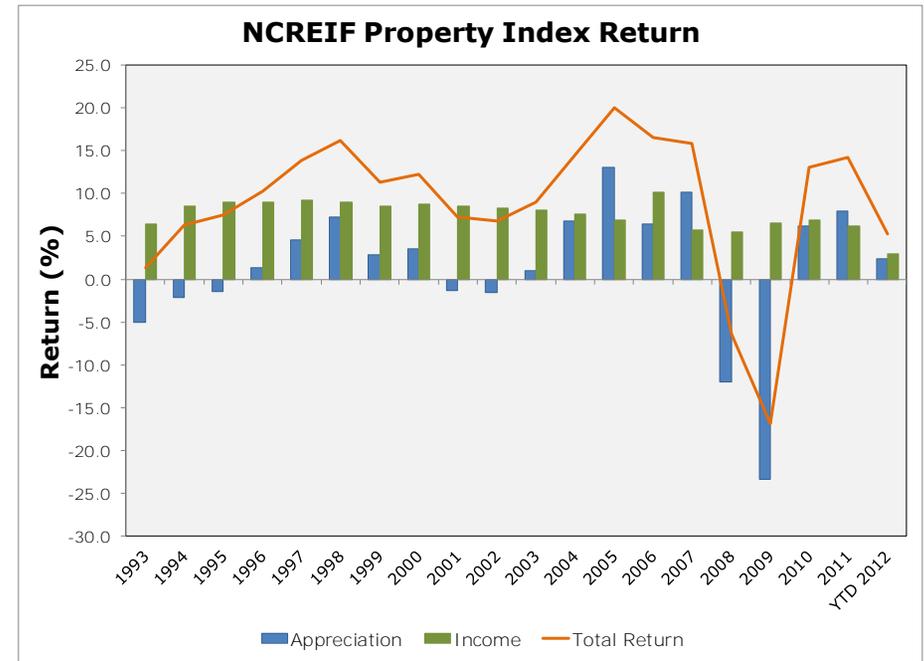
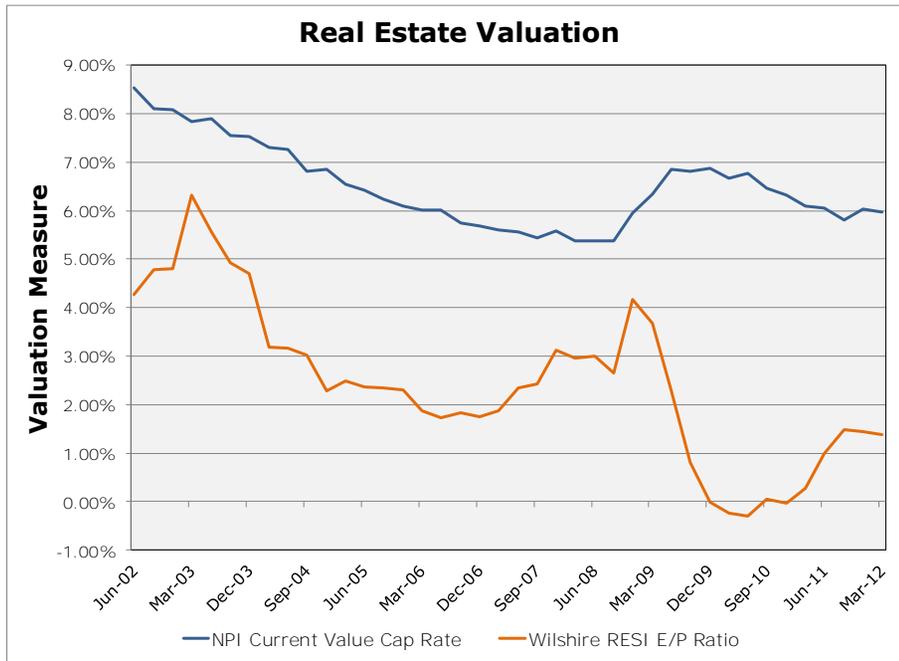




Real Assets

| June 30, 2012 | Qtr | Ytd | 1 Yr | 3 Yr | 5 Yr | 10 Yr |
|-------------------------------|------|------|-------|------|------|-------|
| Barclays U.S. TIPS Index | 3.2 | 4.0 | 11.7 | 9.6 | 8.4 | 7.2 |
| Dow Jones UBS Commodity Index | -4.5 | -3.7 | -14.3 | 3.5 | -3.7 | 5.0 |
| Global Public Real Estate* | 3.2 | 15.0 | 7.2 | 27.9 | -0.2 | 10.7 |
| NCREIF Property Index | 2.7 | 5.3 | 12.0 | 8.8 | 2.5 | 8.3 |
| NCREIF Timberland Index | 0.6 | 1.0 | 1.1 | -0.7 | 4.0 | 7.6 |
| Alerian MLP Index (Oil & Gas) | -2.3 | -0.4 | 7.8 | 27.0 | 9.9 | 16.7 |

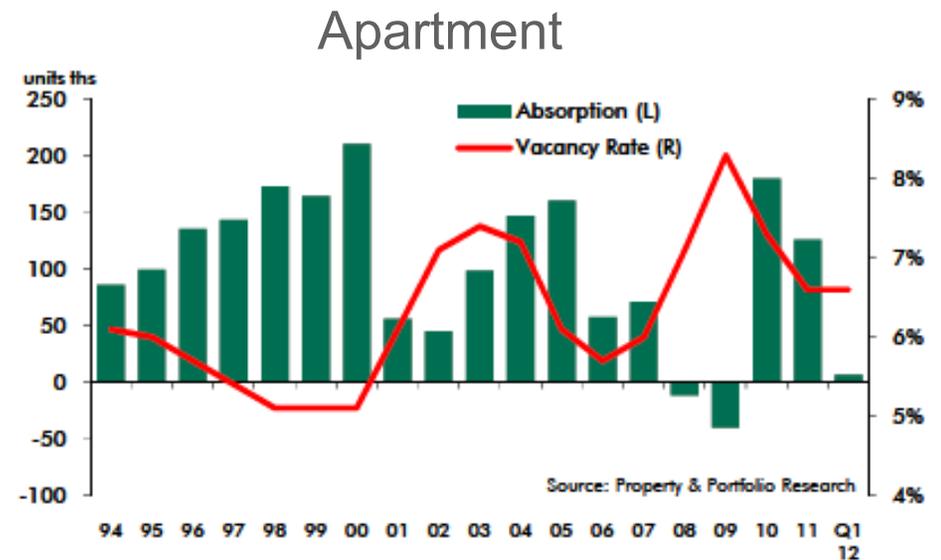
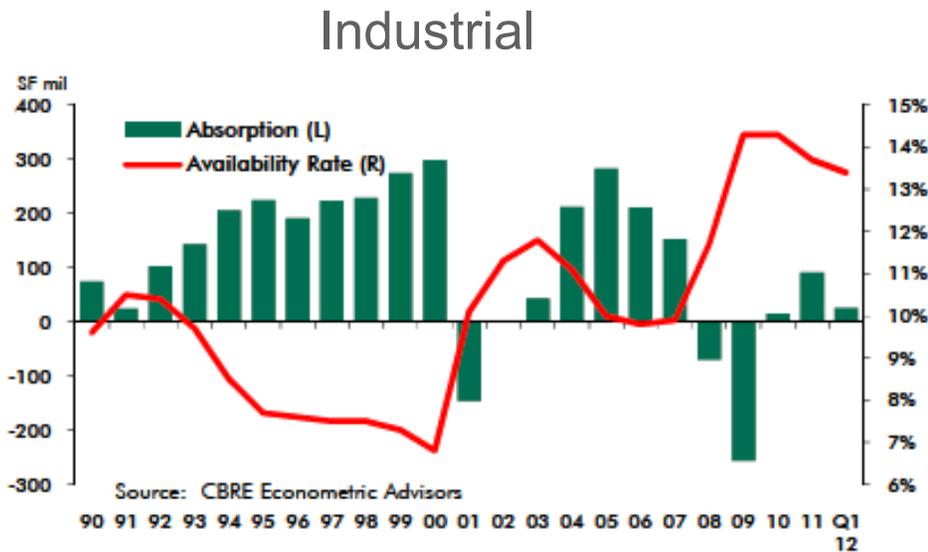
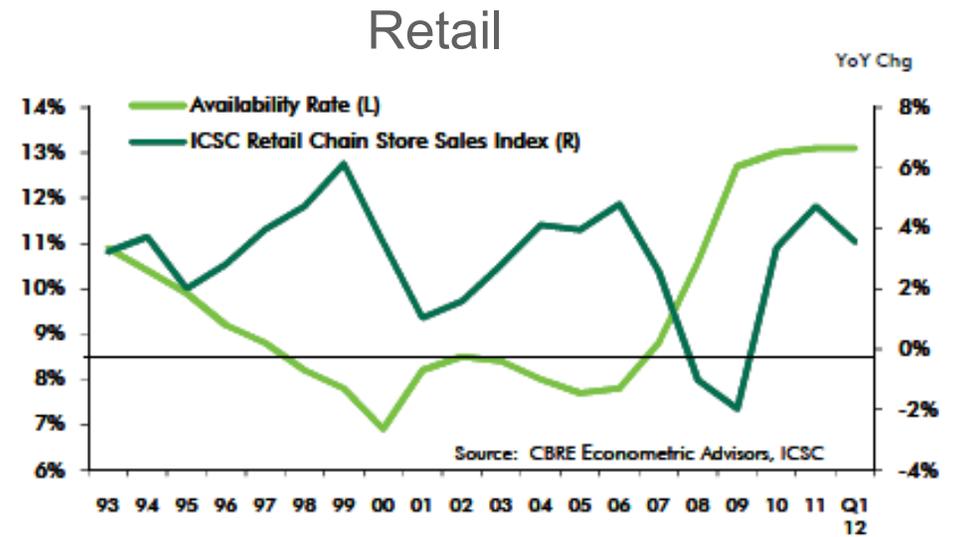
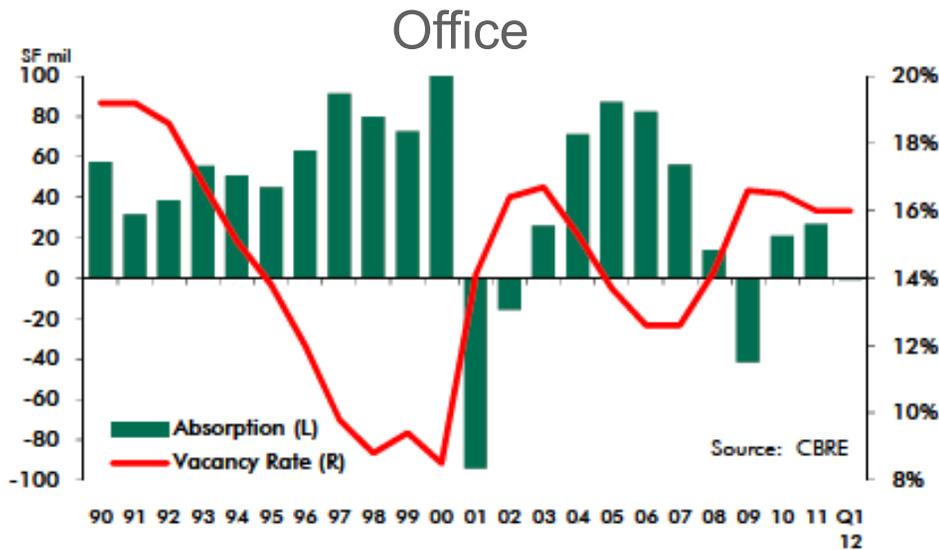
* Wilshire Global Real Estate Securities from June 2002 to December, 2004. Wilshire Global REITs from 2004 to present.



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



Commercial Property *(as of Q1 2012)*

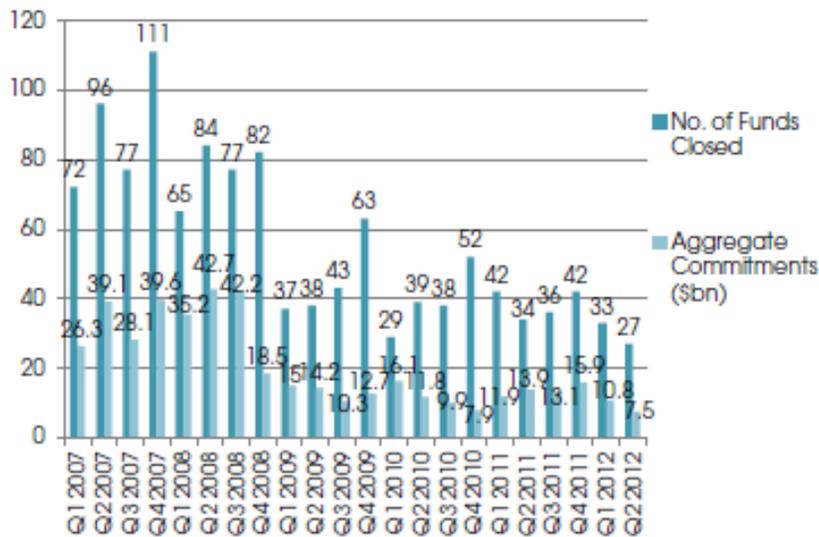


Source: CB Richard Ellis



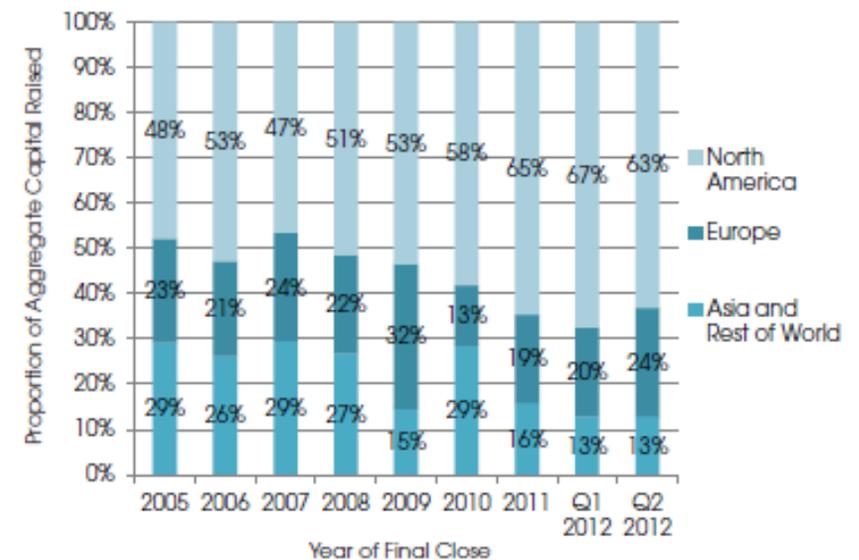
Real Estate Fundraising

Fig. 15: Quarterly Global Closed-End Private Real Estate Fundraising, Q1 2007 - Q2 2012



Source: Preqin Real Estate Online

Fig. 20: Breakdown of Aggregate Capital Raised by Primary Regional Focus, 2005 - Q2 2012



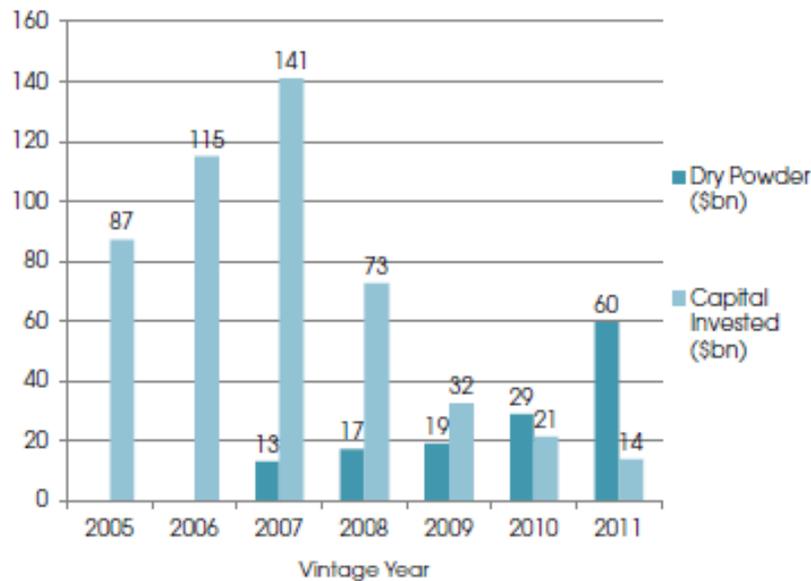
Source: Preqin Real Estate Online

Source: Preqin



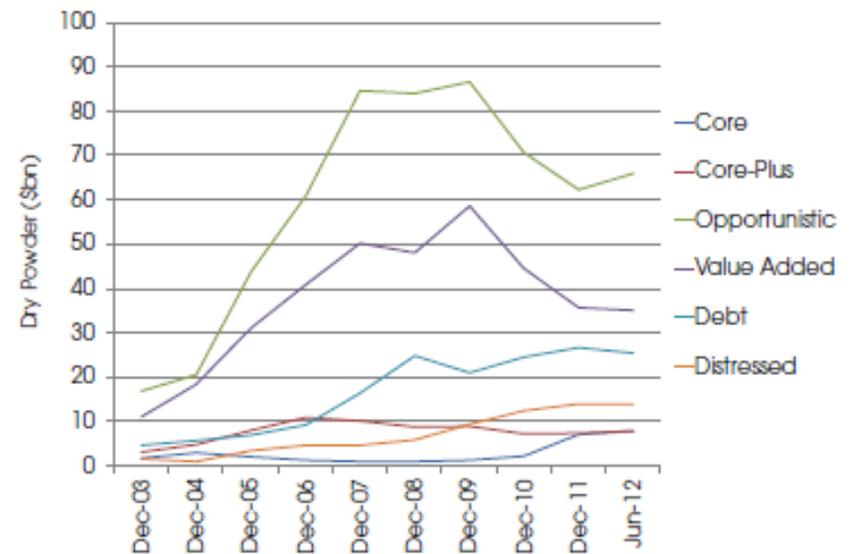
Real Estate Dry Powder

Fig. 29: Closed-End Private Real Estate Funds - Capital Invested and Dry Powder Remaining by Vintage Year as of June 2012



Source: Prequin Real Estate Online

Fig. 31: Closed-End Private Real Estate Dry Powder by Strategy, 2003-2012



Source: Prequin Real Estate Online

Source: Prequin

Infrastructure

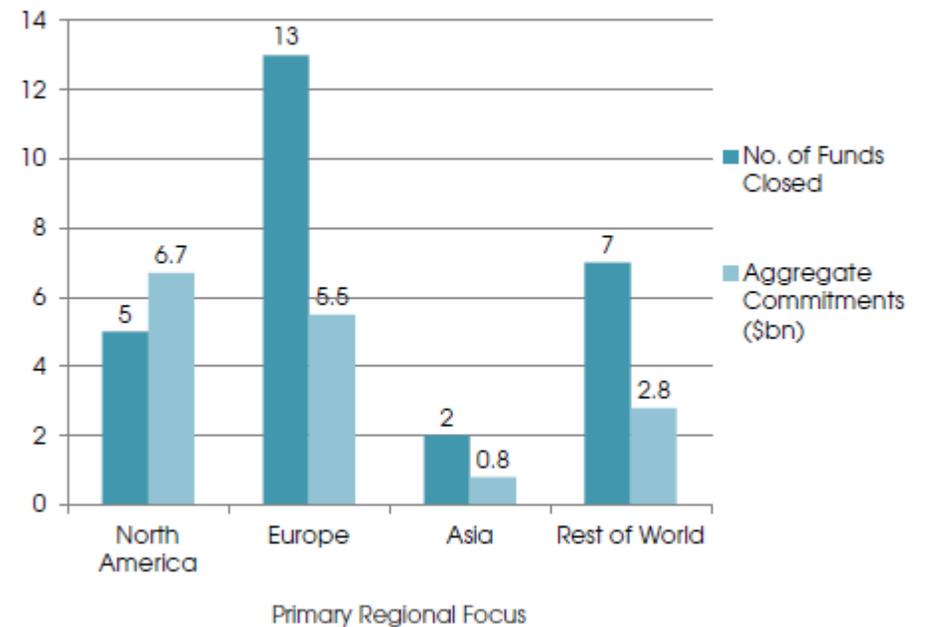


Fig. 6: Annual Unlisted Infrastructure Fundraising, 2004 - Q2 2012



Source: Preqin Infrastructure Online

Fig. 10: Unlisted Infrastructure Fundraising over the Past 12 Months by Primary Regional Focus



Source: Preqin Infrastructure Online

Source: Preqin



Real Assets – Performance

| | Market Value | Qtr | 1-Year | 3-Year | 5-Year | 10-Year | VaR | 5-year Sharpe Ratio | 5-year Info Ratio |
|-------------------------------------|-------------------------|-------------|---------------|---------------|---------------|----------------|------------------|------------------------------------|----------------------------------|
| REAL ASSETS | 24.2 | 7.7% | 12.6% | -6.2% | -10.8% | 3.1% | \$2.7 bil | -0.7 | -1.1 |
| <i>Real Assets Policy Benchmark</i> | | 2.4% | 11.0% | 6.5% | 3.7% | 8.6% | | 0.5 | 0.0 |
| <i>Value Added</i> | | 5.3% | 1.6% | -12.7% | -14.5% | -5.5% | | | |
| Real Estate | 21.0 | 8.7% | 15.9% | -7.0% | -12.1% | 2.4% | \$2.8 bil | -0.7 | -1.1 |
| <i>Real Estate Policy Benchmark</i> | | 2.5% | 12.7% | 8.8% | 4.6% | 9.1% | | 0.5 | 0.0 |
| <i>Value Added</i> | | 6.2% | 3.2% | -15.8% | -16.7% | -6.7% | | | |
| Forestland | 2.1 | 0.0% | -11.0% | -4.1% | -.-% | -.-% | | | |
| <i>NCREIF Timberland Index</i> | | 0.4% | 1.2% | -1.3% | -.-% | -.-% | | | |
| <i>Value Added</i> | | -0.4% | -12.2% | -2.8% | -.-% | -.-% | | | |
| Infrastructure | 1.0 | 4.5% | 8.4% | 30.0% | -.-% | -.-% | | | |
| <i>CPI + 400 BPS 1Qtr Lag</i> | | 2.6% | 6.7% | 7.5% | -.-% | -.-% | | | |
| <i>Value Added</i> | | 1.9% | 1.7% | 22.5% | -.-% | -.-% | | | |

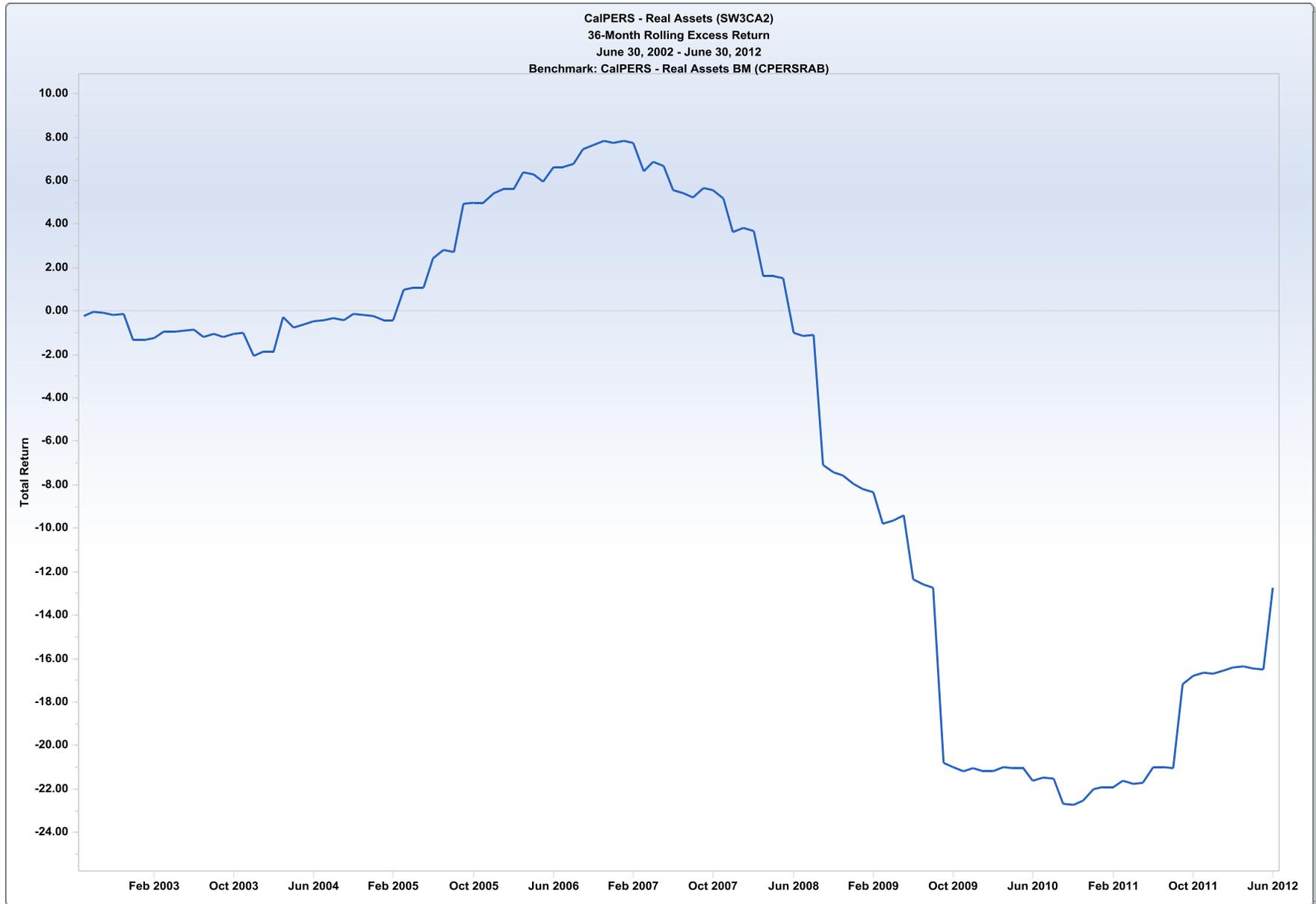


Real Estate – Performance

| | Market Value | Qtr | 1-Year | 3-Year | 5-Year | 10-Year | VaR | 5-year Sharpe Ratio | 5-year Info Ratio |
|-----------------------------------------|---------------------|--------------|---------------|---------------|---------------|----------------|------------------|----------------------------|--------------------------|
| Real Estate | 21.0 | 8.7% | 15.9% | -7.0% | -12.1% | 2.4% | \$2.8 bil | -0.7 | -1.1 |
| <i>Real Estate Policy Benchmark</i> | | 2.5% | 12.7% | 8.8% | 4.6% | 9.1% | | 0.5 | 0.0 |
| <i>Value Added</i> | | 6.2% | 3.2% | -15.8% | -16.7% | -6.7% | | | |
| Strategic Real Estate | 12.9 | 12.7% | 22.3% | 6.4% | 7.4% | 14.2% | | | |
| <i>Wt. NCREIF ODCE+FTSE EPRA NAREIT</i> | | 2.5% | 12.7% | 8.8% | 4.6% | 9.1% | | | |
| <i>Value Added</i> | | 10.2% | 9.6% | -2.4% | 2.8% | 5.1% | | | |
| Legacy Real Estate ex Public | 6.8 | 3.4% | 9.5% | -15.2% | -18.2% | -1.6% | | | |
| <i>Wt. NCREIF ODCE+FTSE EPRA NAREIT</i> | | 2.5% | 12.7% | 8.8% | 4.6% | 9.1% | | | |
| <i>Value Added</i> | | 0.9% | -3.2% | -24.0% | -22.8% | -10.7% | | | |
| Public REITS | 1.3 | 2.0% | 2.2% | 18.1% | -3.8% | 8.6% | | | |
| <i>FTSE EPRA/NAREIT DE Index</i> | | 2.1% | 2.4% | 19.5% | -2.5% | 10.0% | | | |
| <i>Value Added</i> | | -0.1% | -0.2% | -1.4% | -1.3% | -.-% | | | |

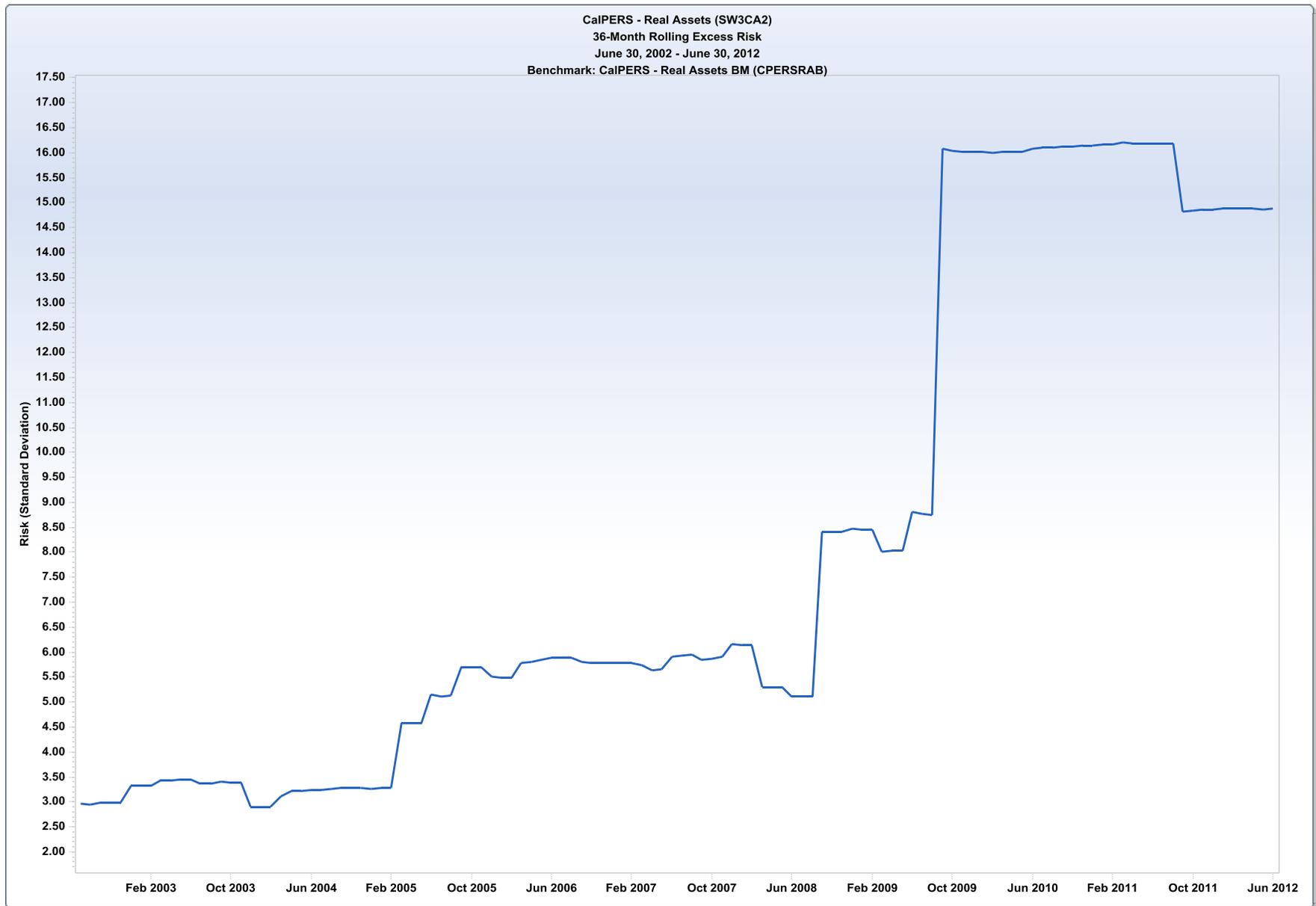


Real Assets – Rolling Excess Returns

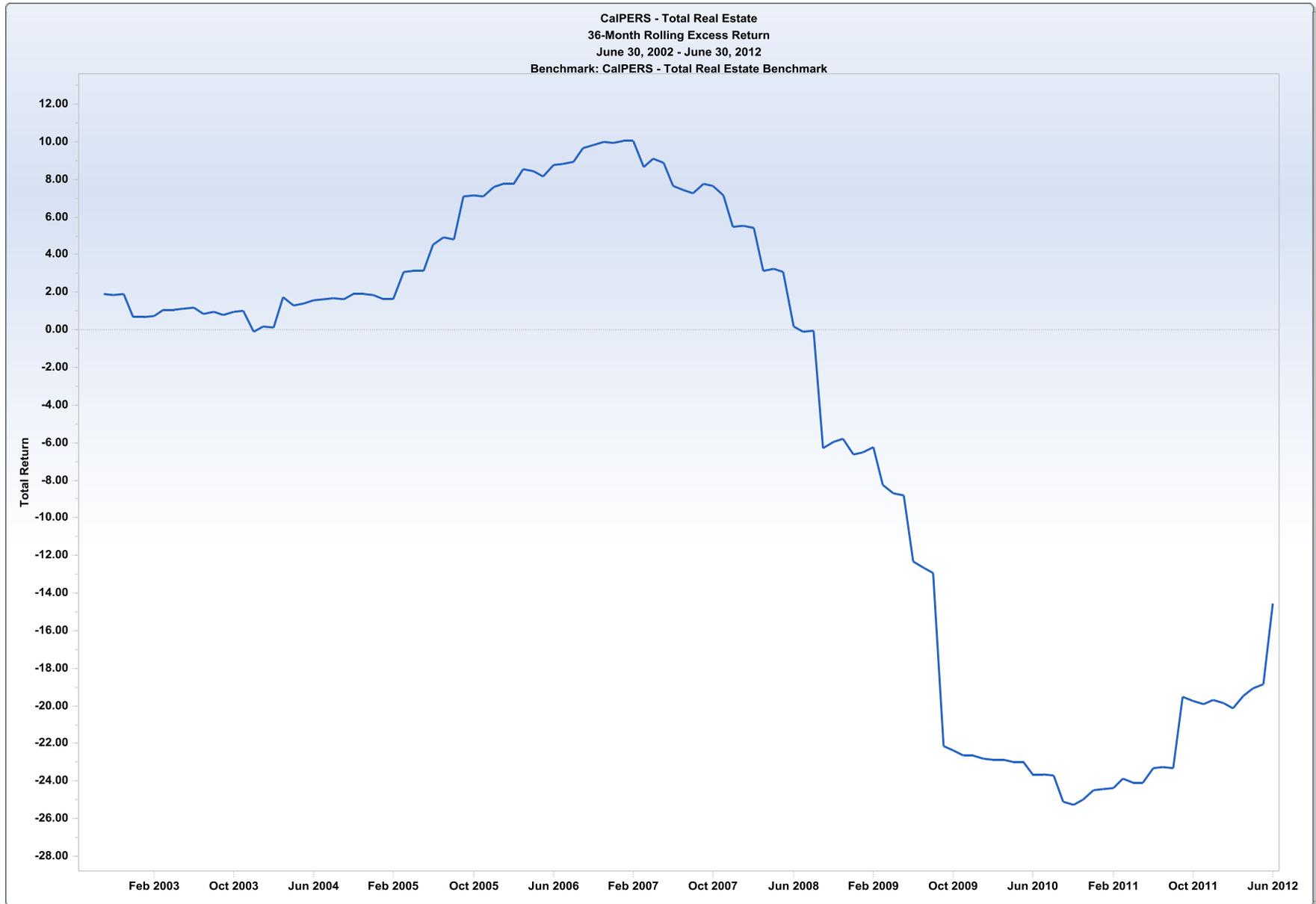




Real Assets – Rolling Tracking Error

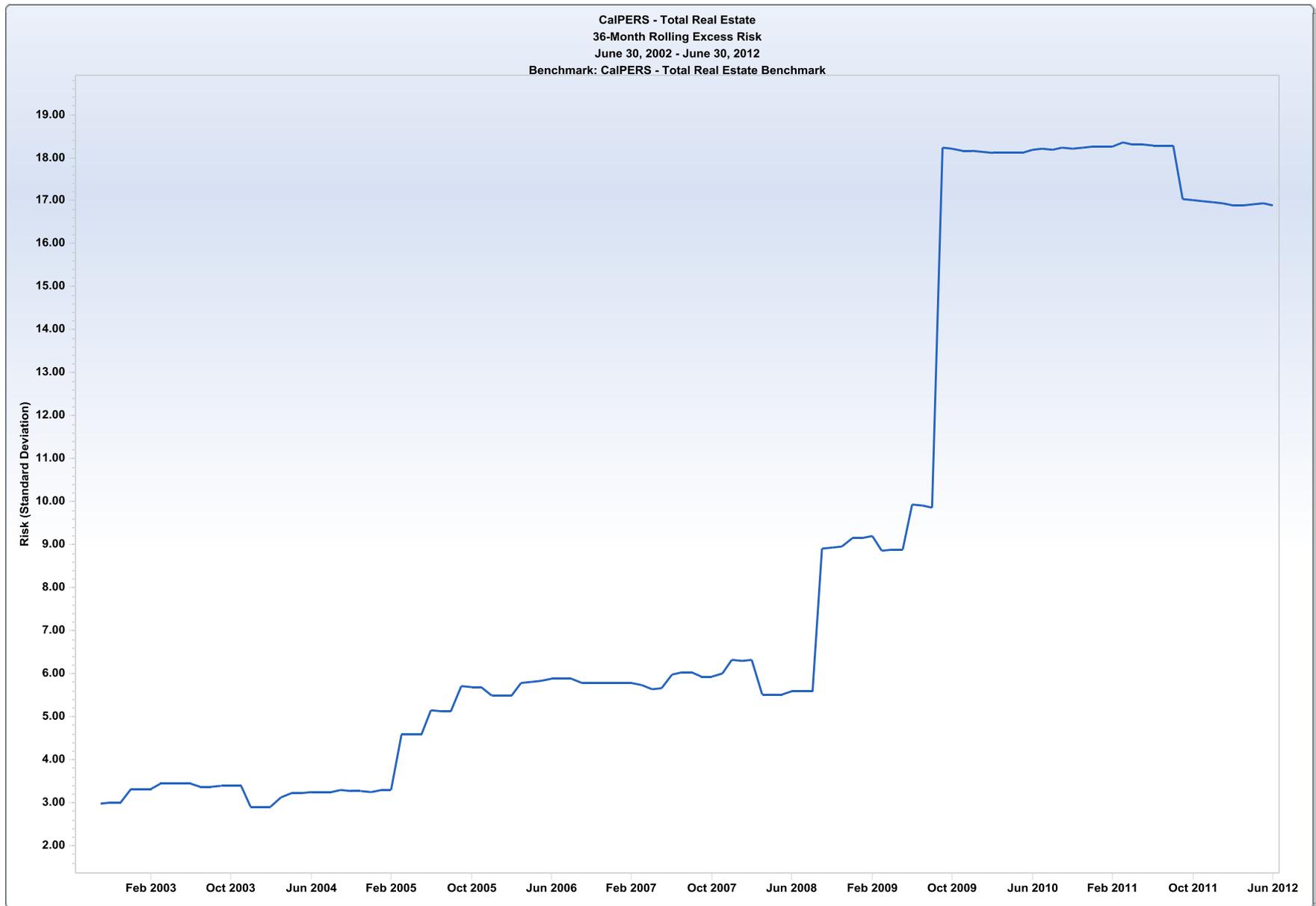


Real Estate – Rolling Excess Returns





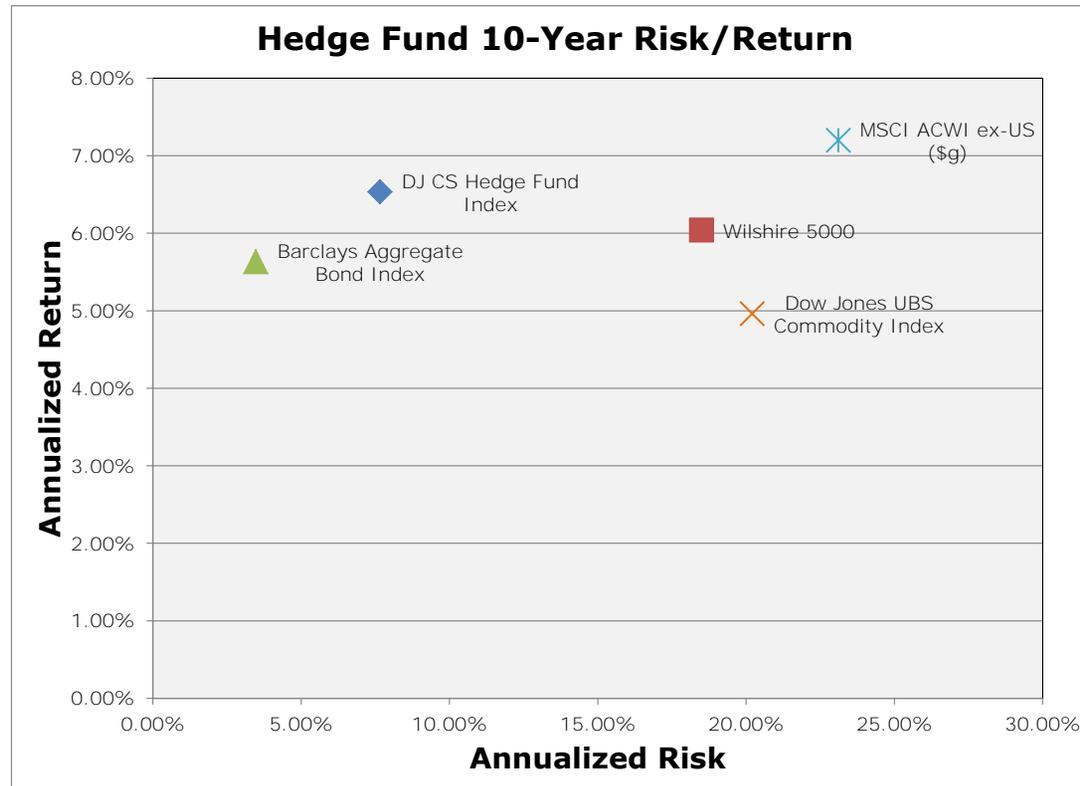
Real Estate – Rolling Tracking Error





Hedge Fund Performance

| June 30, 2012 | Qtr | Ytd | 1 Yr | 3 Yr | 5 Yr | 10 Yr |
|-------------------------------|------|------|-------|------|------|-------|
| DJ CS Hedge Fund Index | -1.8 | 2.2 | -2.0 | 6.9 | 1.9 | 6.5 |
| Event Driven Index | -1.7 | 3.4 | -7.2 | 6.1 | 1.4 | 7.5 |
| Global Macro Index | -1.4 | 0.1 | 5.2 | 9.3 | 6.9 | 9.9 |
| Long/Short Equity Index | -4.6 | 2.2 | -6.0 | 4.6 | 0.6 | 6.2 |
| Multi-Strategy Index | -0.1 | 4.6 | 2.0 | 8.9 | 2.4 | 6.8 |
| Wilshire 5000 | -3.1 | 9.2 | 4.0 | 16.7 | 0.4 | 6.0 |
| MSCI ACWI ex-US (\$g) | -7.4 | 3.1 | -14.1 | 7.4 | -4.2 | 7.2 |
| Barclays Aggregate Bond Index | 2.1 | 2.4 | 7.5 | 6.9 | 6.8 | 5.6 |
| Dow Jones UBS Commodity Index | -4.5 | -3.7 | -14.3 | 3.5 | -3.7 | 5.0 |



Data sources: Wilshire Compass

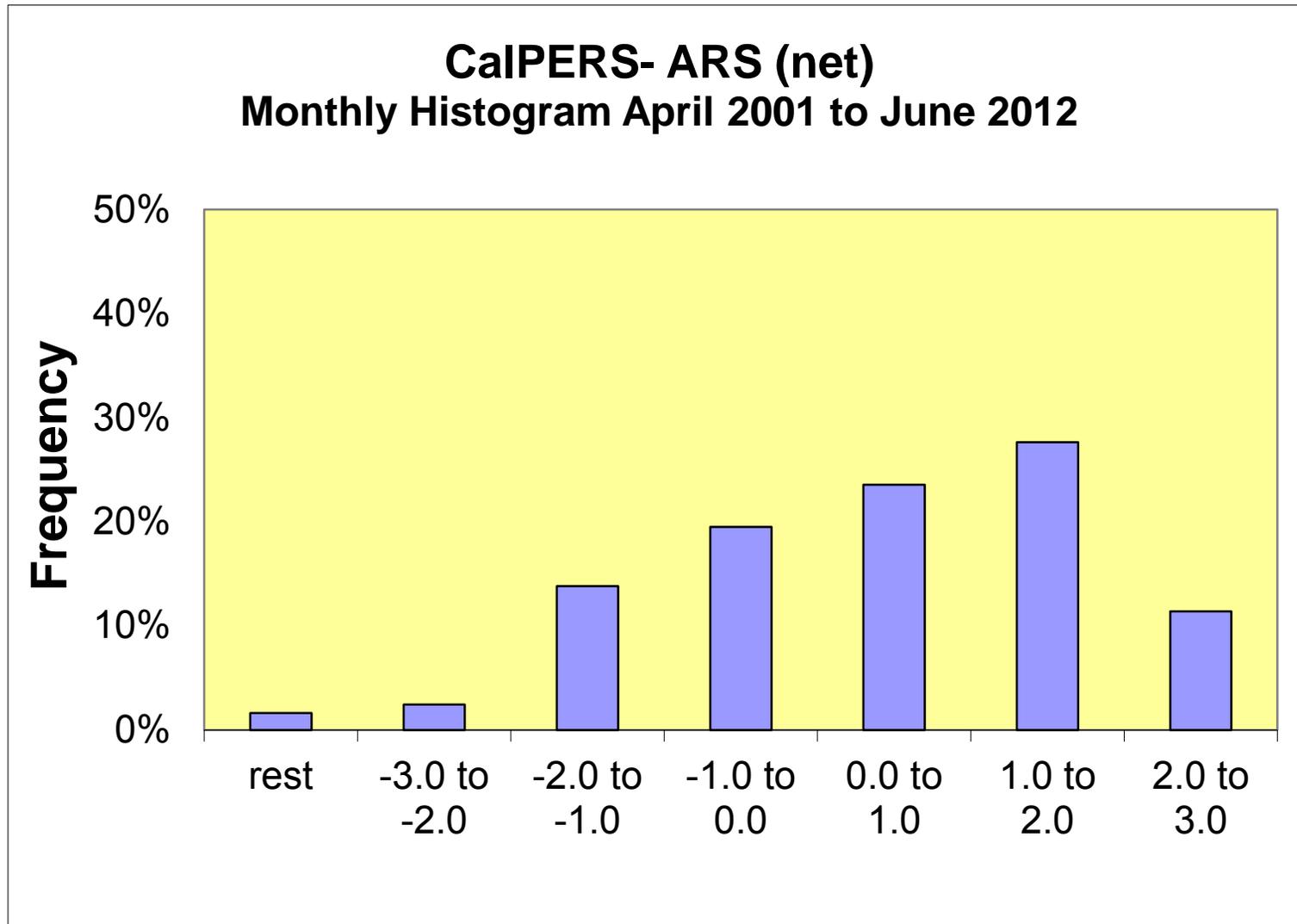


ARS – Distribution of Performance

| | <u>Market</u> | | | | | | <u>5-Year</u> | <u>5-Year Up</u> | <u>5-Year</u> | <u>5-Year</u> |
|-------------------------------------------|---------------|--------------|---------------|---------------|---------------|----------------|---------------|------------------|---------------|----------------|
| | <u>Value</u> | <u>Qtr</u> | <u>1-Year</u> | <u>3-Year</u> | <u>5-Year</u> | <u>10-Year</u> | <u>Info</u> | <u>Capture</u> | <u>Sharpe</u> | <u>Sortino</u> |
| | | | | | | | <u>Ratio</u> | <u>Ratio</u> | <u>Ratio</u> | <u>Ratio</u> |
| Absolute Return Strategies | 5.1 | -0.8% | -2.0% | 4.7% | -0.2% | 5.0% | -1.1 | 0.0 | -0.2 | -0.2 |
| <i>ARS Policy Benchmark</i> | | 1.3% | 5.3% | 5.7% | 7.2% | 8.1% | | | | |
| <i>Value Added</i> | | -2.1% | -7.3% | -1.0% | -7.4% | -3.1% | | | | |
| Total Direct Investments | 3.6 | -0.5% | -1.1% | 6.3% | 0.4% | 5.4% | | | | |
| Total Emerging Fund of Hedge Funds | 1.5 | -1.6% | -4.1% | 0.5% | -1.4% | | | | | |
| HFRI Fund of Funds Index | | -2.3% | -4.5% | 2.2% | -2.1% | 3.2% | | | | |



ARS – Histogram of Monthly Returns





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