



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

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November 2012



Asset Class Assumptions Update

	Total Return (%)			Risk (%)
	2012 ACA	Q3 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	10.25	-	27.50
Cash Equivalents	1.50	1.65	0.15	1.25
Core Bonds	2.85	2.55	(0.30)	5.00
LT Core Bonds	3.20	2.70	(0.50)	10.00
TIPS	1.65	1.35	(0.30)	6.00
High Yield Bonds	5.45	4.80	(0.65)	10.00
Non-U.S. Bonds (Hdg)	2.50	2.20	(0.30)	3.50
U.S. RE Securities	5.05	5.30	0.25	15.00
Private Real Estate	5.80	6.05	0.25	12.25
Commodities	4.00	4.45	0.45	13.00
Real Asset Basket	5.85	6.00	0.15	7.75
Inflation:	2.00	2.45	0.45	1.75
<u>Returns minus Inflation:</u>				
U.S. Stocks	5.50	5.05	(0.45)	
U.S. Bonds	0.85	0.10	(0.75)	
Cash Equivalents	(0.50)	(0.80)	(0.30)	
<u>Stocks minus Bonds:</u>	4.65	4.95	0.30	
<u>Bonds minus Cash:</u>	1.35	0.90	(0.45)	



The “Fiscal Cliff”

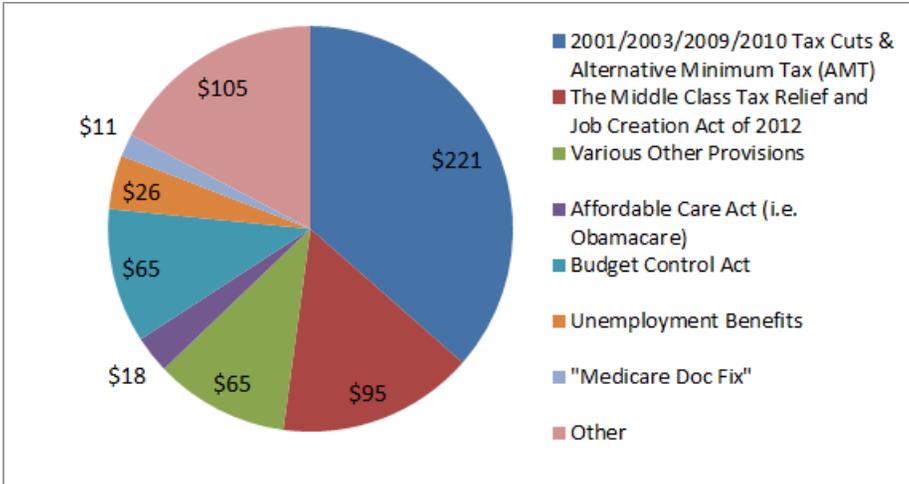
- Refers to the combined effect of tax increases and automatic spending cuts that are part of current U.S. law
- Scheduled to go into effect at the end of the year
- Mandated in part within the Budget Control Act of 2011, which resulted from the debt ceiling increase negotiations
- CBO estimates that if no changes are made to current law:
 - Federal budget deficit slashed by \$607bil (~ 4% of GDP) between FY 2012 and FY 2013
 - Unemployment would rise by almost a 1%



Tax Increases

- Tax cuts of 2001/'03/'09/'10 and AMT are set to expire at year-end
 - Would raise rates on all income tax levels, estate taxes, capital gains (from 15% to 20%) and dividend income (from 15% to the marginal rate)
 - Collectively expected to cut the 2013 deficit by \$221bil
- Middle Class Tax Relief and Job Creation Act of 2012, also set to expire at year-end
 - Expiration of the 2% cut in the Social Security payroll tax (from 4.2% to 6.2%)
 - First introduced in Jan. 2011, expected to raise \$95bil in revenue
- Partial expensing of investment property and R&D tax credit will expire (\$65bil in revenue)
- Affordable Care Act provisions include a 3.8% additional investment income tax on \$250,000+ income earners (effective Jan. 2013, \$18bil in revenue)

CBO Projection of Deficit Reduction (\$bil)



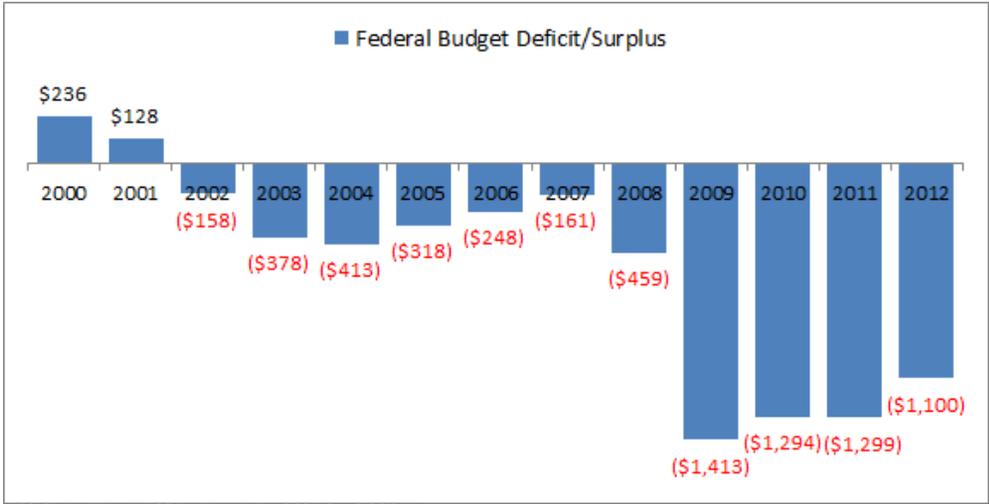
Data sources: Congressional Budget Office



Automatic Spending Cuts

- Budget Control Act of 2011
 - “Sequestration” designed to pre-set cuts in discretionary and mandatory spending
 - Result of “Super Committee’s” failure to reach an agreement on cuts in 2011
 - Half of the scheduled annual cuts will come from the national defense budget
 - Expected to slash spending by \$65bil in FY 2013 and additional \$41bil by 2021
- Eligibility for extended unemployment benefits set to expire in Jan. 2013 (\$26bil less in government spending)
- “Medicare Doc Fix,” reduce Medicare payments to doctors (savings of \$11bil)
- Other revenue and spending cuts expected to reduce the deficit by \$105bil between FY 2012 and FY 2013

Federal Budget Deficit/Surplus



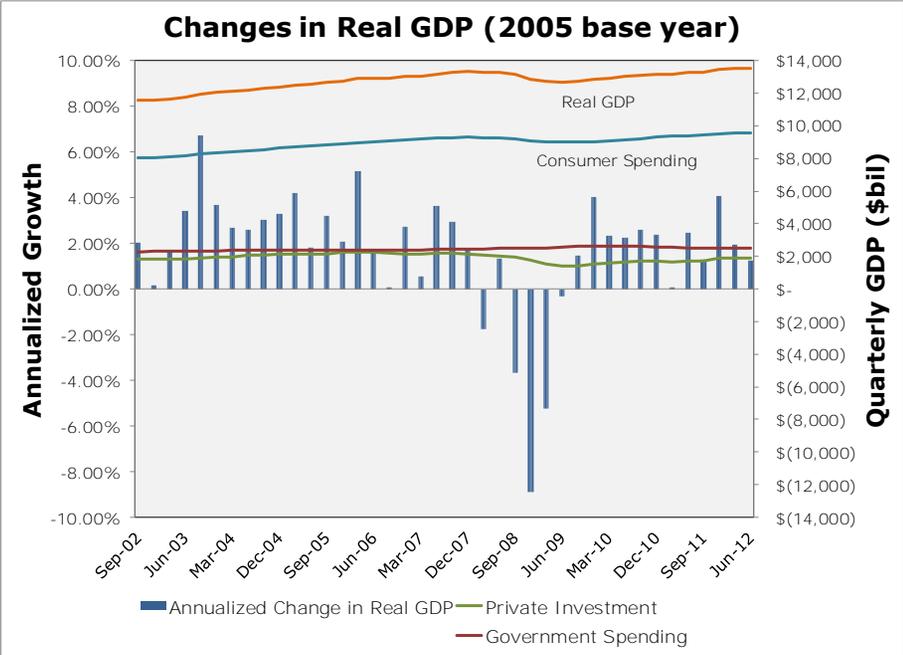
Data sources: Congressional Budget Office



Economic Review

September 30, 2012	Key Economic Indicators			
CPI (all items) Seasonally adjusted	Monthly Change		Cumulative Change	
	Sep-12	0.6	3-Month	1.2
	Aug-12	0.6	12-Month	2.0
	Jul-12	0.0	10-Yr Annual	2.5
Breakeven Inflation	10-Year	2.5		
Consumer Sentiment Unv. of Michigan Survey	Sep-12	78.3		
	Aug-12	74.3		
	1-Yr Ago	59.5	10-Yr Avg	79.1
Manufacturing Inst. for Supply Mgmt Purchasing Mngrs' Idx	Sep-12	51.5	Change in Manufacturing Sector	
	Aug-12	49.6	>50	Expansion
	1-Yr Avg	52.2	<50	Contraction

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

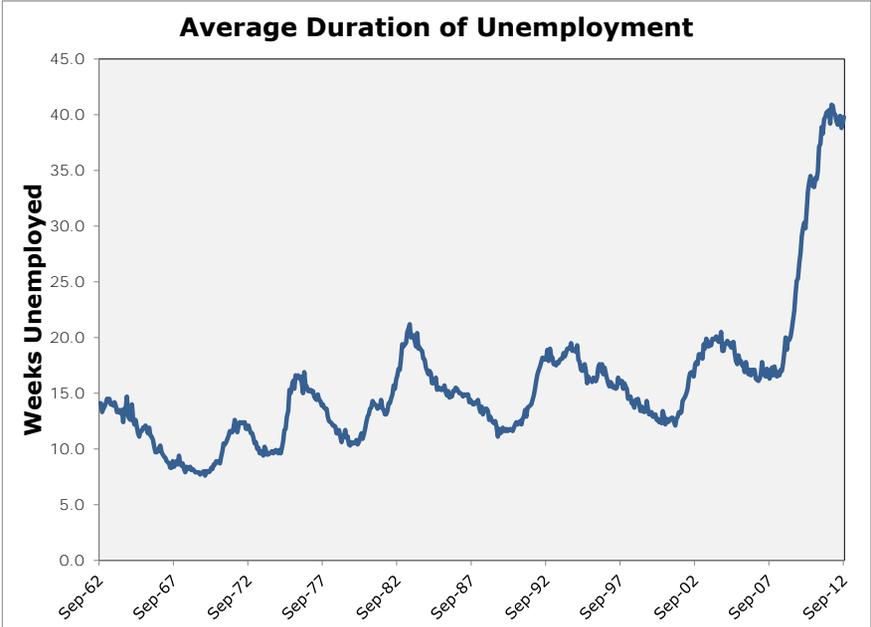
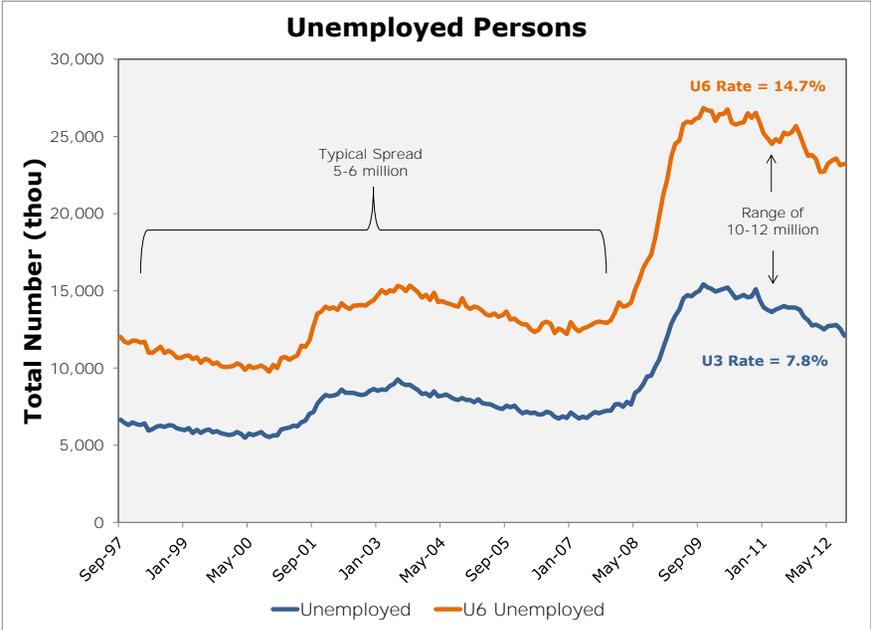


Data sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve Bank of St. Louis, Barclays Capital



Employment Conditions

- Unemployment continues to improve
 - “Official” unemployment = 7.8%, broader measure (U6) = 14.7%
 - Current difference in terms of individuals is 11.1 million
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- Average unemployment duration remains elevated
 - Long-term average for the 50-year period included to the right is 15.6 weeks

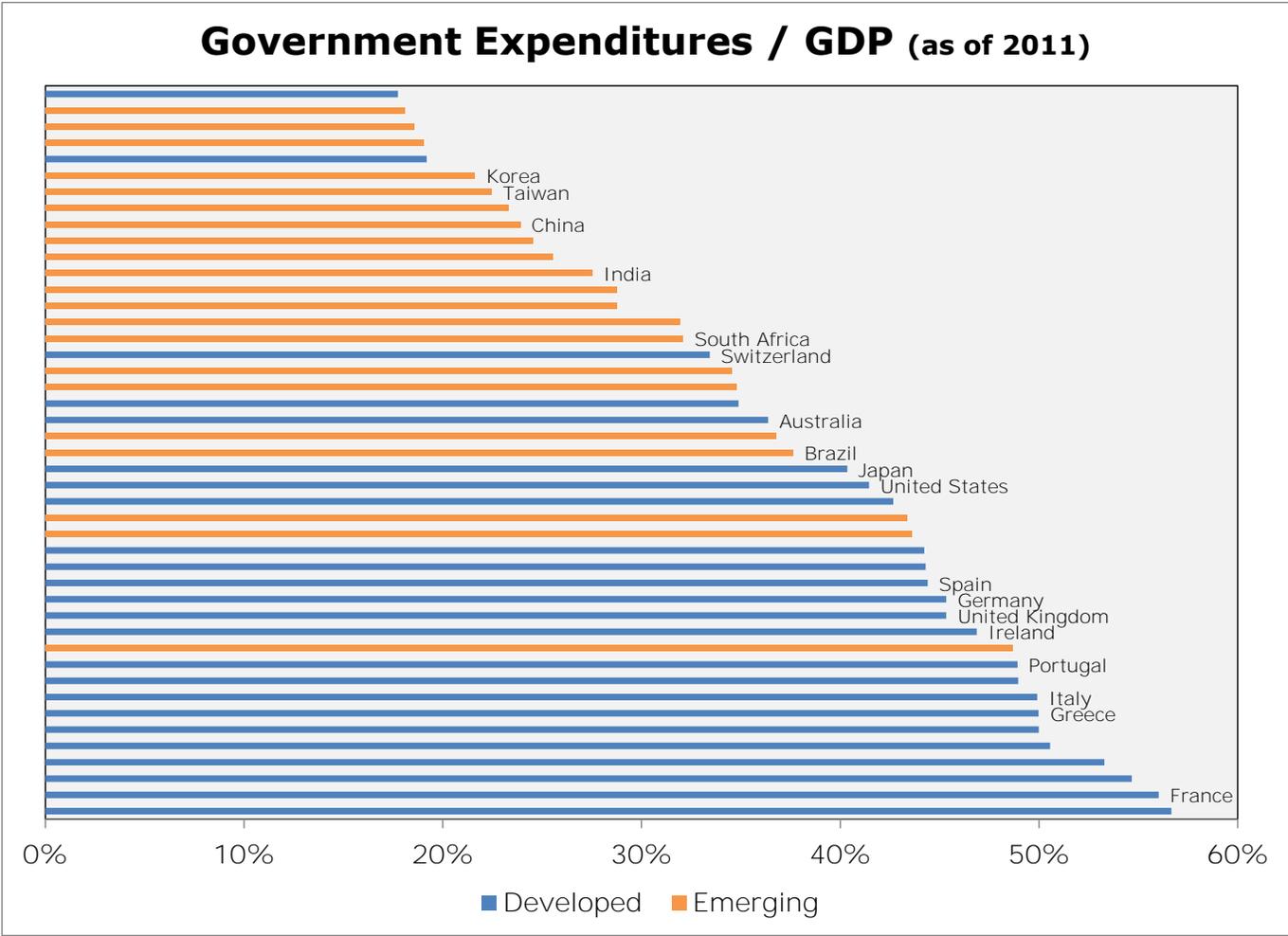


Source: Bureau of Labor Statistics



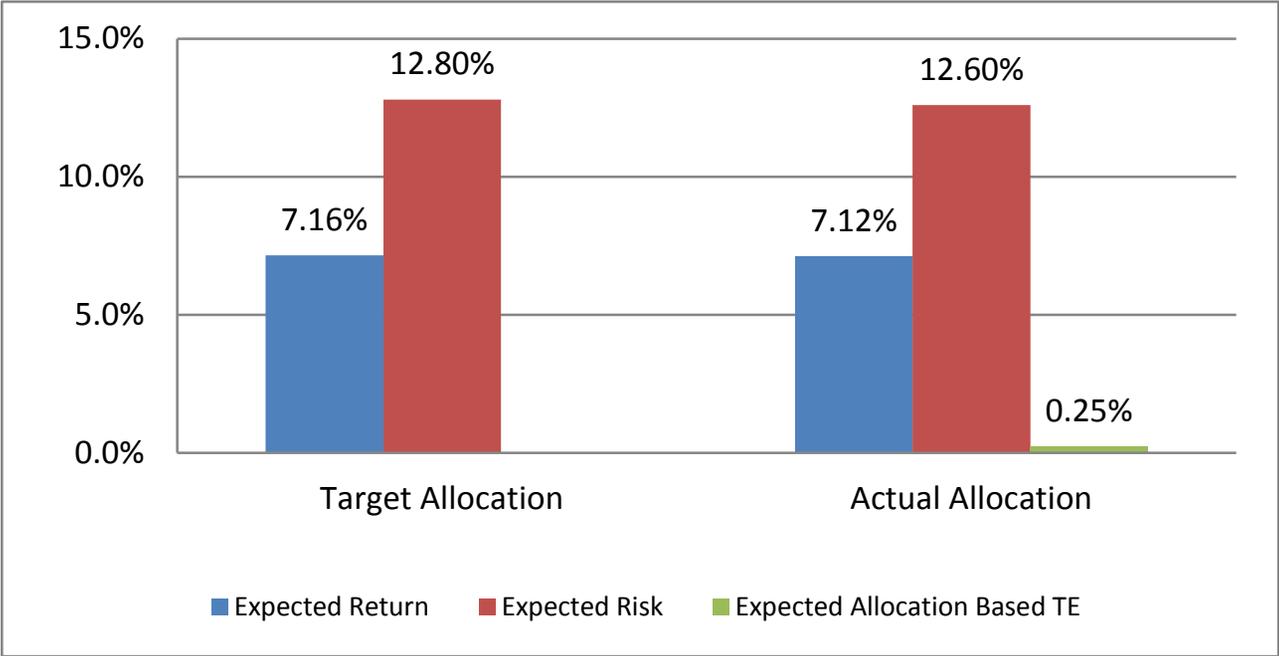
Global Government Spending

Emerging Market countries are in a better position to provide further fiscal stimulus



Data sources: International Monetary Fund

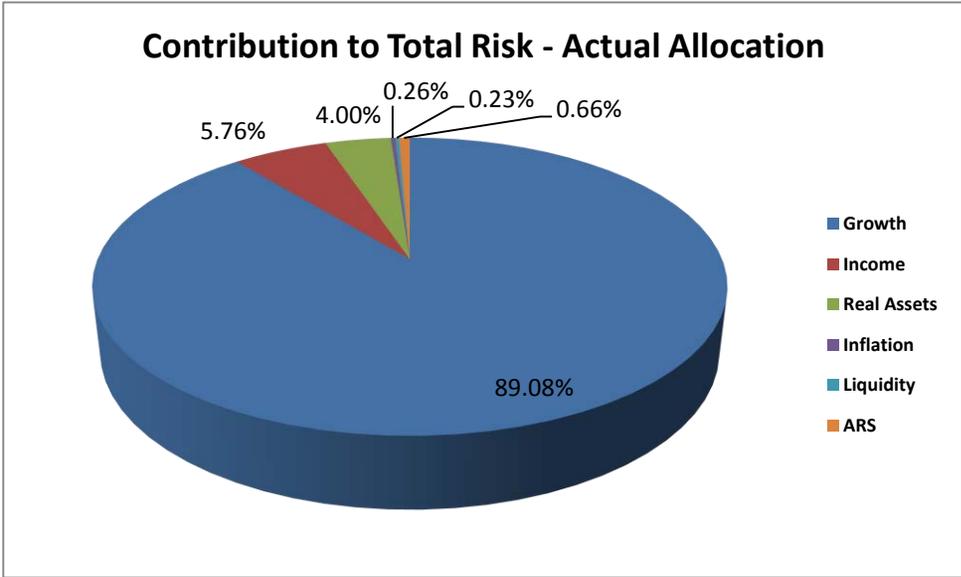
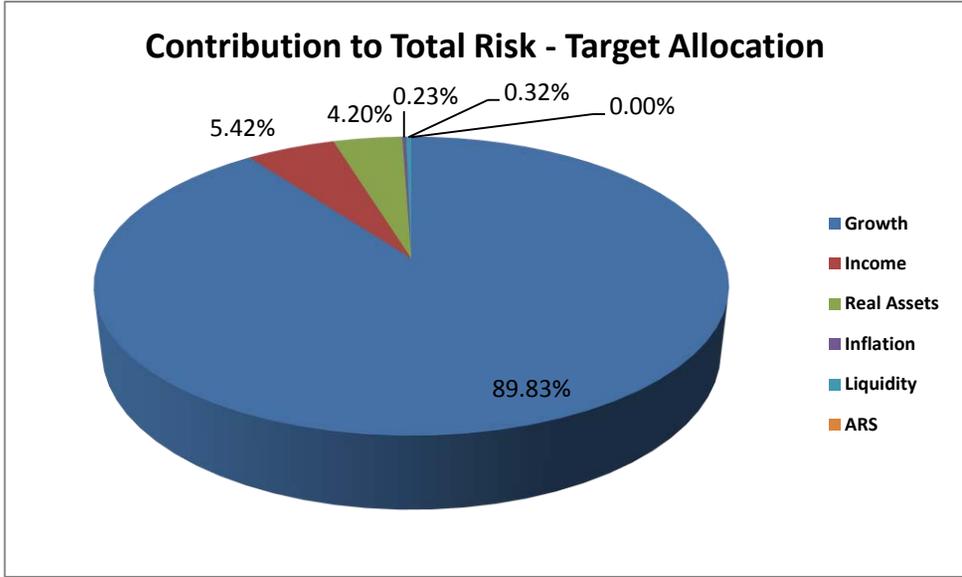
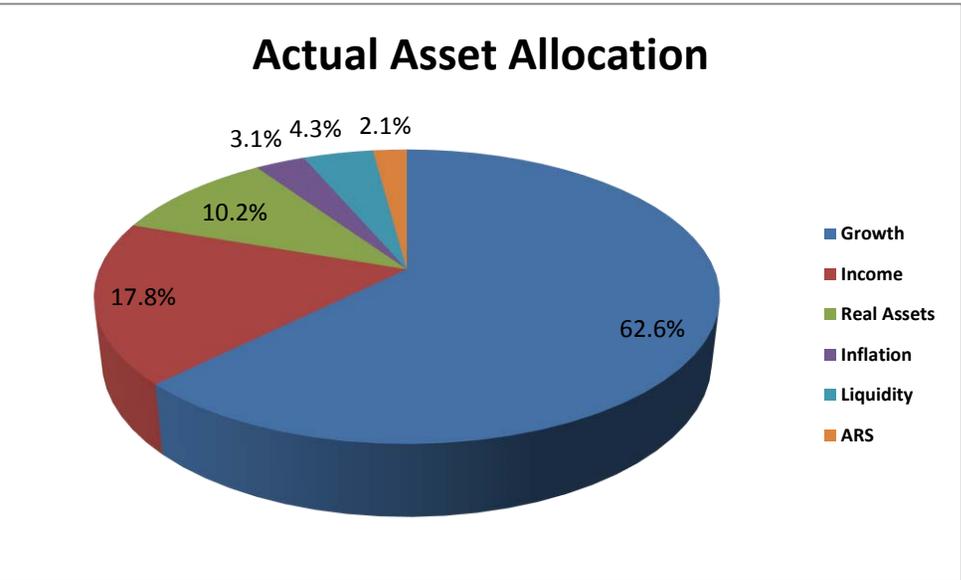
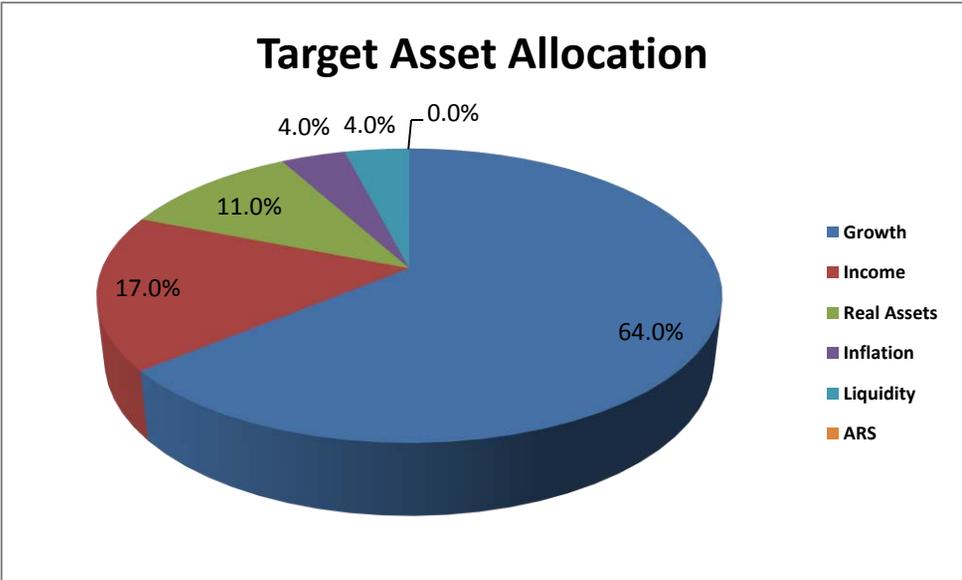
CalPERS Investments are Expected to Provide Return



Forecasts using Wilshire’s September 2012 Asset Class Assumptions.



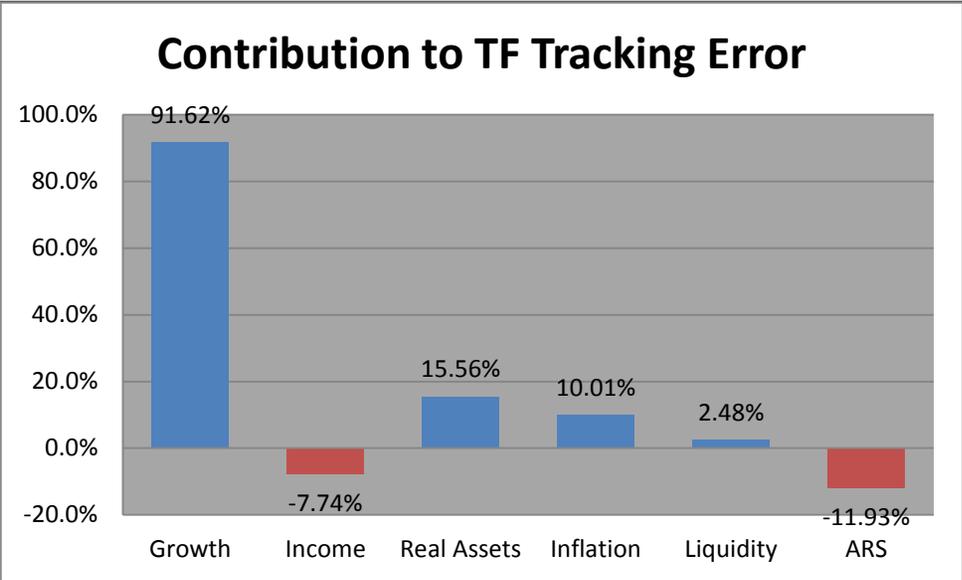
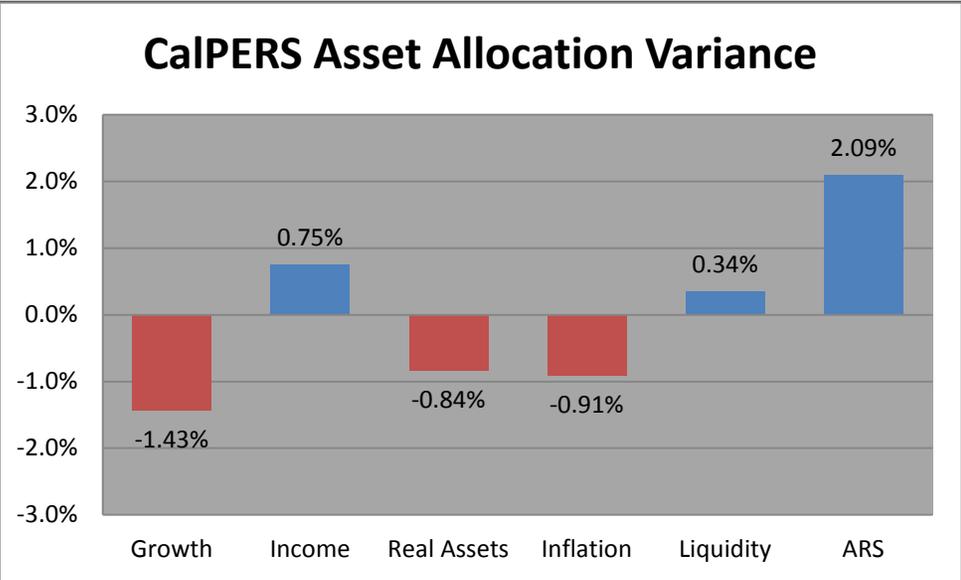
Asset and Risk Allocation



Forecasts using Wilshire's September 2012 Asset Class Assumptions.



Drivers of Expected Excess Risk



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

Forecasts using Wilshire’s September 2012 Asset Class Assumptions.



Total Fund – Performance

	Market Value	Five-Year Ratios							
		Qtr	1-Year	3-Year	5-Year	10-Year	VaR	Sharpe	Info
TOTAL FUND	\$243.2 bil	4.3%	13.5%	9.1%	0.4%	7.7%	\$32.0 bil	0.0	-0.8
<i>Total Fund Policy Benchmark</i>		3.6%	13.4%	9.3%	2.9%	8.6%		0.2	0.0
<i>Actuarial Rate</i>		1.8%	7.7%	7.7%	7.7%	7.8%			
GROWTH	151.5	5.4%	16.4%	9.8%	-0.8%	8.8%	\$30.3 bil	-0.1	-0.5
<i>Growth Policy Benchmark</i>		4.6%	17.1%	9.7%	1.0%	9.5%		0.0	0.0
PUBLIC EQUITY	118.6	7.0%	21.4%	7.9%	-1.6%	8.4%	\$22.5 bil	-0.1	-0.6
<i>Public Equity Policy Benchmark</i>		7.1%	21.6%	7.5%	-0.8%	8.8%		-0.1	0.0
PRIVATE EQUITY	32.8	-0.1%	1.5%	17.2%	4.9%	10.5%	\$10.4 bil	0.4	-0.4
<i>Private Equity Policy Benchmark</i>		-4.0%	0.0%	17.4%	10.5%	11.0%		0.6	0.0
INCOME	43.2	3.0%	9.0%	11.0%	9.4%	8.2%	\$5.7 bil	1.3	0.1
<i>Income Policy Benchmark</i>		2.4%	8.2%	9.4%	9.0%	7.1%		1.3	0.0
REAL ASSETS	24.7	0.9%	11.0%	4.6%	-11.4%	3.3%	\$2.8 bil	-0.7	-1.1
<i>Real Assets Policy Benchmark</i>		2.2%	10.8%	8.6%	3.2%	8.7%		0.5	0.0
INFLATION	7.5	5.9%	8.9%	8.9%	4.3%	-.%	\$0.6 bil	0.2	0.1
<i>Inflation Policy Benchmark</i>		4.9%	10.1%	7.5%	4.0%	-.%		0.3	0.0
LIQUIDITY	10.6	0.4%	1.8%	1.8%	2.0%	2.6%	\$0.5 bil	N/A	N/A
<i>Liquidity Policy Benchmark</i>		0.6%	2.3%	2.1%	2.1%	2.5%		N/A	N/A
ABSOLUTE RETURN STRATEGIES	5.1	2.2%	1.4%	3.3%	0.2%	5.5%		-0.1	-1.0
<i>Absolute Return Strategies Policy Benchmark</i>		1.4%	5.3%	5.6%	6.8%	9.0%		6.9	0.0
CURRENCY + ASSET ALLOCATION TRANSITION	0.7	-.%	-.%	-.%	-.%	-.%			



Total Fund – Attribution (Quarter)

California Public Employees' Retirement System Total Fund Attribution - Quarter As of 9/30/2012

Asset Class	Actual (%)		Policy (%)		Difference (%)		Total Fund Return Contribution (%)			
	Weight	Return	Weight	Return	Weight	Return	Actual Allocation	Interaction	Active Management	Total
Growth	62.86	5.39	64.00	4.63	-1.14	0.76	-0.01	-0.02	0.47	0.45
Public Equity	48.43	7.04	50.00	7.07	-1.57	-0.04	-0.06	0.00	-0.02	-0.07
Private Equity	14.43	-0.15	14.00	-4.00	0.43	3.85	-0.05	0.05	0.52	0.51
Income	18.27	2.97	17.00	2.40	1.27	0.57	-0.02	0.01	0.10	0.09
Real Assets	10.24	0.95	11.00	2.19	-0.76	-1.24	0.01	0.01	-0.14	-0.12
Inflation	3.10	5.89	4.00	4.92	-0.90	0.96	-0.01	-0.01	0.04	0.02
Absolute Return	2.15	2.24	0.00	1.37	2.15	0.87	-0.05	0.02	0.00	-0.03
Liquidity	3.39	0.39	4.00	0.57	-0.61	-0.18	0.03	0.00	-0.01	0.02
Monthly Linked Return	100.00	4.26	100.00	3.84		0.42	-0.05	0.01	0.46	0.42
Trading/Hedging		0.03		-0.21		0.23				0.24
Total		4.29		3.63		0.66				0.66

Total Fund – Attribution (Calendar YTD)



California Public Employees' Retirement System
Total Fund Attribution - Calendar Year-to-Date
As of 9/30/2012

Asset Class	Actual (%)		Policy (%)		Difference (%)		Total Fund Return Contribution (%)			
	Weight	Return	Weight	Return	Weight	Return	Actual Allocation	Interaction	Active Management	Total
Growth	63.23	12.00	64.00	15.15	-0.77	-3.15	-0.08	0.02	-1.98	-2.04
Public Equity	48.96	13.24	50.00	13.41	-1.04	-0.16	-0.16	0.00	-0.08	-0.24
Private Equity	14.27	7.55	14.00	19.48	0.27	-11.94	-0.03	-0.02	-1.76	-1.81
Income	17.98	7.20	17.00	6.17	0.98	1.03	-0.12	0.01	0.17	0.07
Real Assets	9.69	10.83	11.00	7.59	-1.31	3.24	0.03	-0.05	0.37	0.34
Inflation	3.15	4.12	4.00	5.60	-0.85	-1.48	0.05	0.01	-0.06	0.00
Absolute Return	2.20	2.61	0.00	3.91	2.20	-1.30	-0.18	-0.03	0.00	-0.22
Liquidity	3.76	1.21	4.00	1.63	-0.24	-0.42	0.02	0.00	-0.02	0.00
Monthly Linked Return	100.00	10.10	100.00	11.95		-1.85	-0.29	-0.04	-1.52	-1.84
Trading/Hedging		0.20		-0.66		0.86				0.85
Total		10.30		11.29		-0.99				-0.99



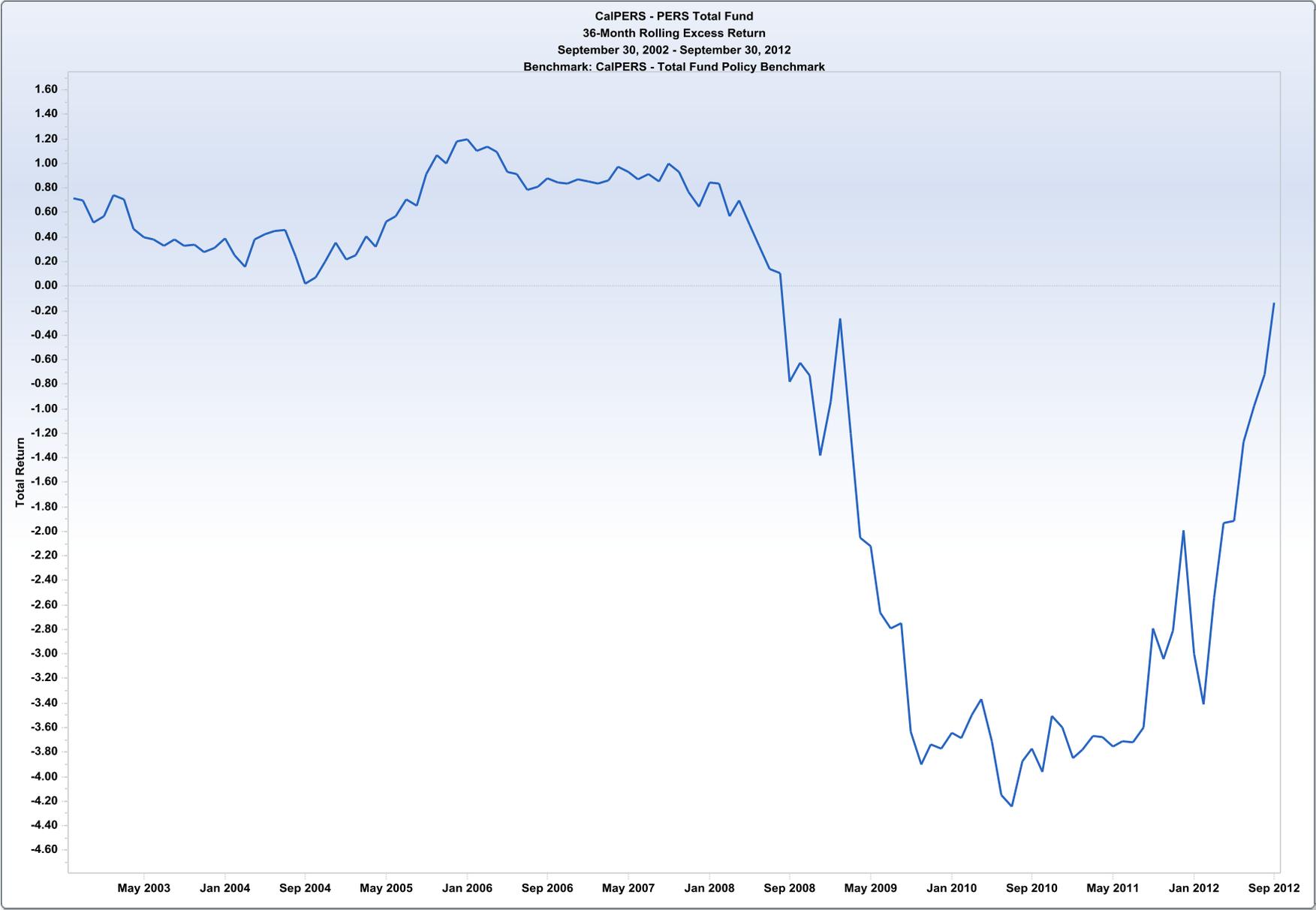
Total Fund – Attribution (Fiscal YTD)

California Public Employees' Retirement System Total Fund Attribution - Fiscal Year-to-Date As of 9/30/2012

Asset Class	Actual (%)		Policy (%)		Difference (%)		Total Fund Return Contribution (%)			
	Weight	Return	Weight	Return	Weight	Return	Actual Allocation	Interaction	Active Management	Total
Growth	62.86	5.39	64.00	4.63	-1.14	0.76	-0.01	-0.02	0.47	0.45
Public Equity	48.43	7.04	50.00	7.07	-1.57	-0.04	-0.06	0.00	-0.02	-0.07
Private Equity	14.43	-0.15	14.00	-4.00	0.43	3.85	-0.05	0.05	0.52	0.51
Income	18.27	2.97	17.00	2.40	1.27	0.57	-0.02	0.01	0.10	0.09
Real Assets	10.24	0.95	11.00	2.19	-0.76	-1.24	0.01	0.01	-0.14	-0.12
Inflation	3.10	5.89	4.00	4.92	-0.90	0.96	-0.01	-0.01	0.04	0.02
Absolute Return	2.15	2.24	0.00	1.37	2.15	0.87	-0.05	0.02	0.00	-0.03
Liquidity	3.39	0.39	4.00	0.57	-0.61	-0.18	0.03	0.00	-0.01	0.02
Monthly Linked Return	100.00	4.26	100.00	3.84		0.42	-0.05	0.01	0.46	0.42
Trading/Hedging		0.03		-0.21		0.23				0.24
Total		4.29		3.63		0.66				0.66

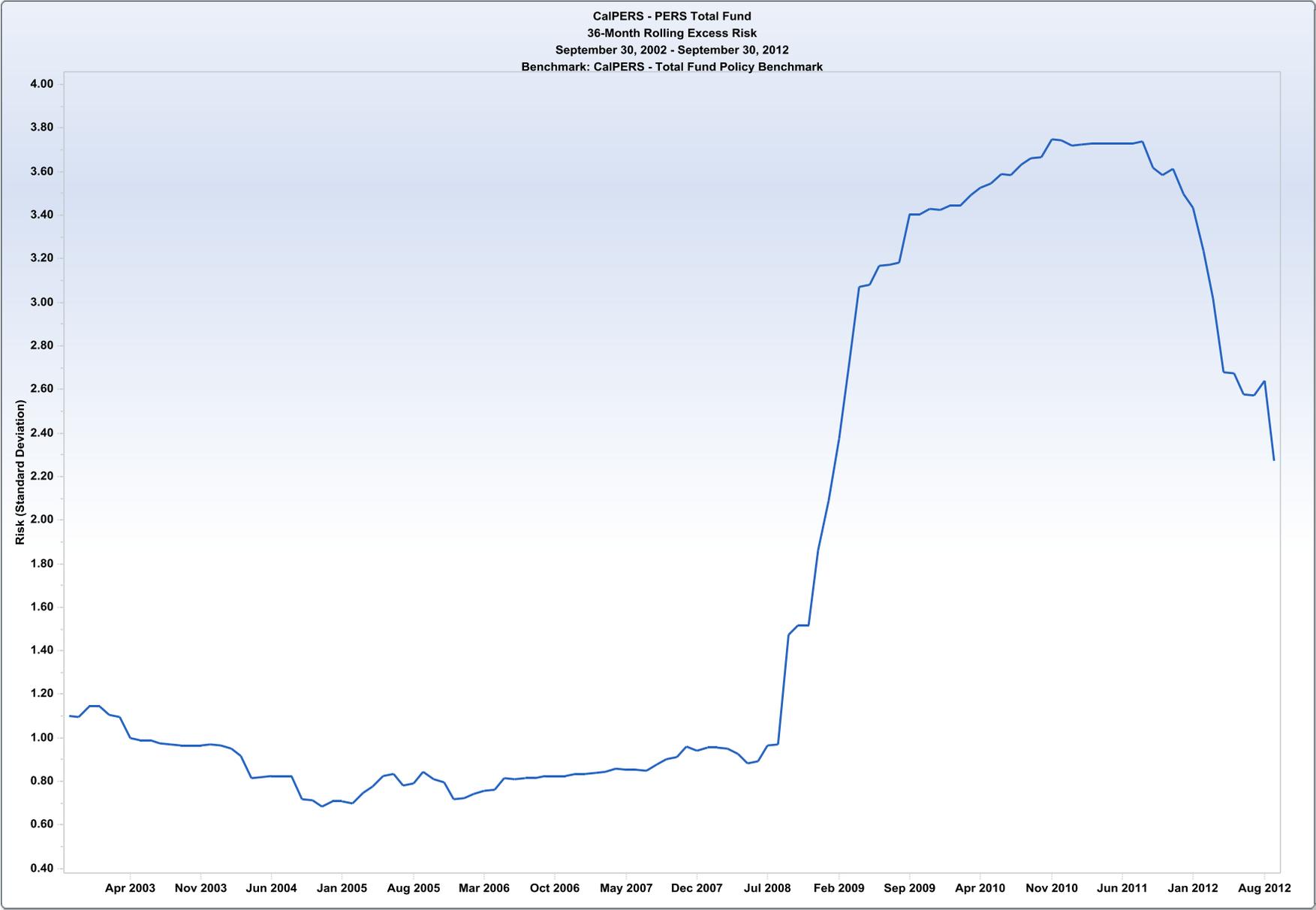


Total Fund – Rolling Excess Returns





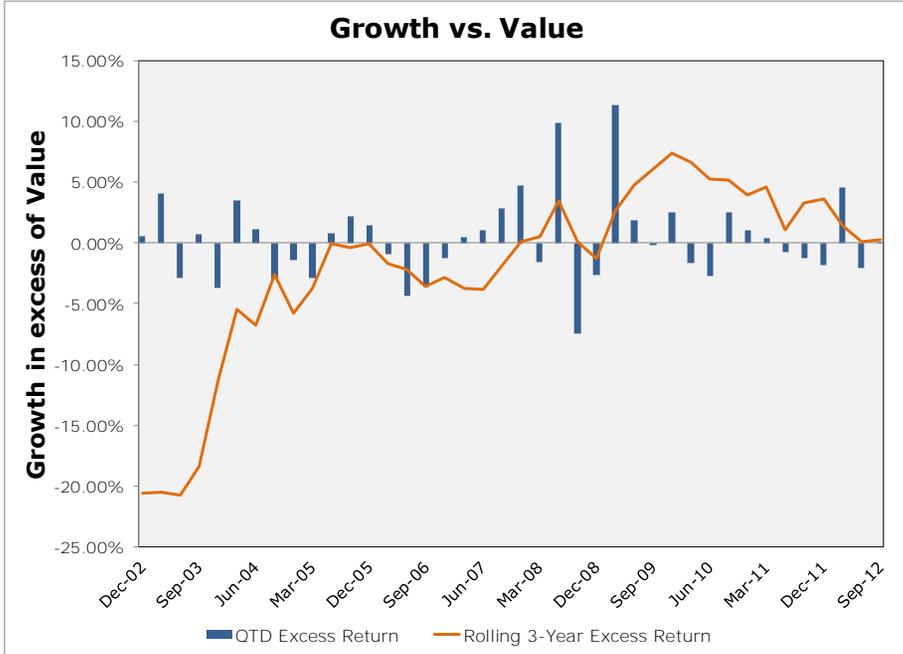
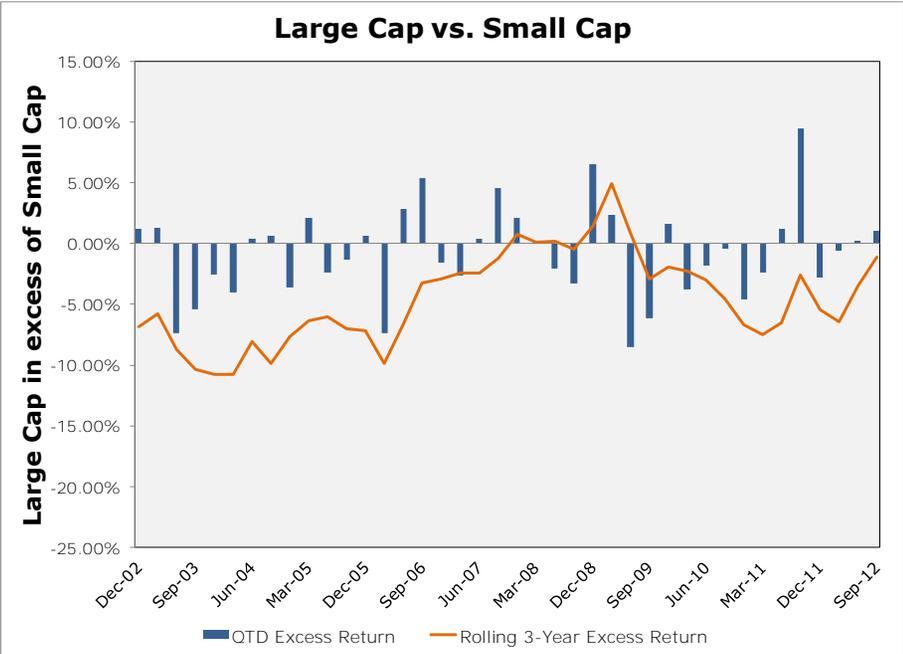
Total Fund – Rolling Tracking Error





U.S. Capital Markets: Equity

September 30, 2012	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Wilshire 5000	6.2	15.9	29.9	13.2	1.3	8.7
Wilshire U.S. Large Cap	6.3	16.0	29.6	13.1	1.1	8.3
Wilshire U.S. Small Cap	5.2	15.2	32.4	14.4	3.8	11.9
Wilshire U.S. Large Growth	6.3	17.8	30.4	13.1	2.7	8.5
Wilshire U.S. Large Value	6.2	14.2	28.7	13.0	-0.6	7.9
Wilshire U.S. Small Growth	5.2	13.7	29.2	15.1	4.0	12.7
Wilshire U.S. Small Value	5.1	16.5	35.3	13.6	3.5	11.0
Wilshire REIT Index	-0.2	14.7	32.4	20.7	1.7	11.4
MSCI USA Minimum Volatility Index	3.2	12.3	23.9	14.5	3.3	7.6
FTSE RAFI U.S. 1000 Index	6.5	14.7	28.9	11.7	2.3	n.a.

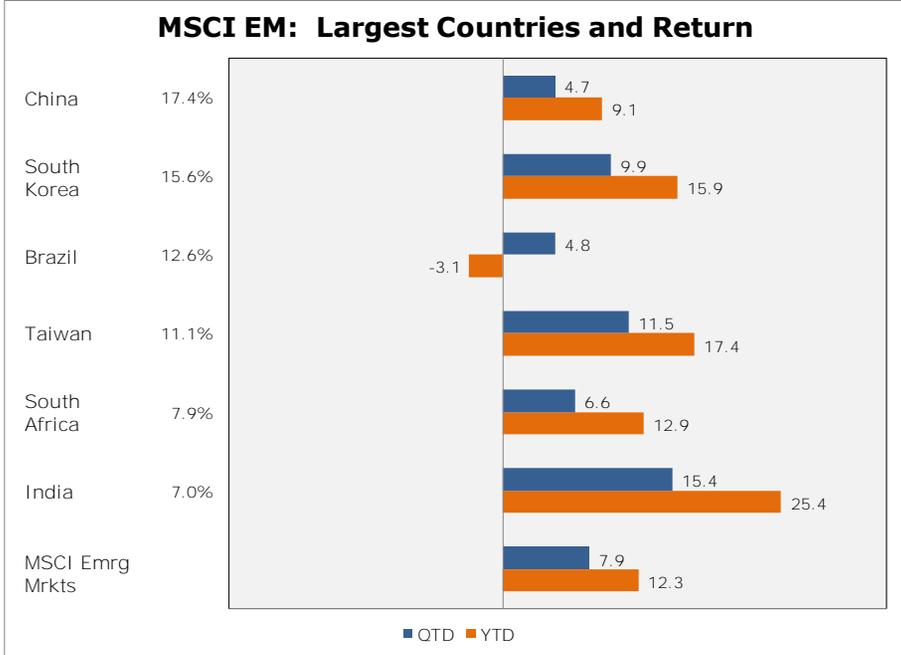
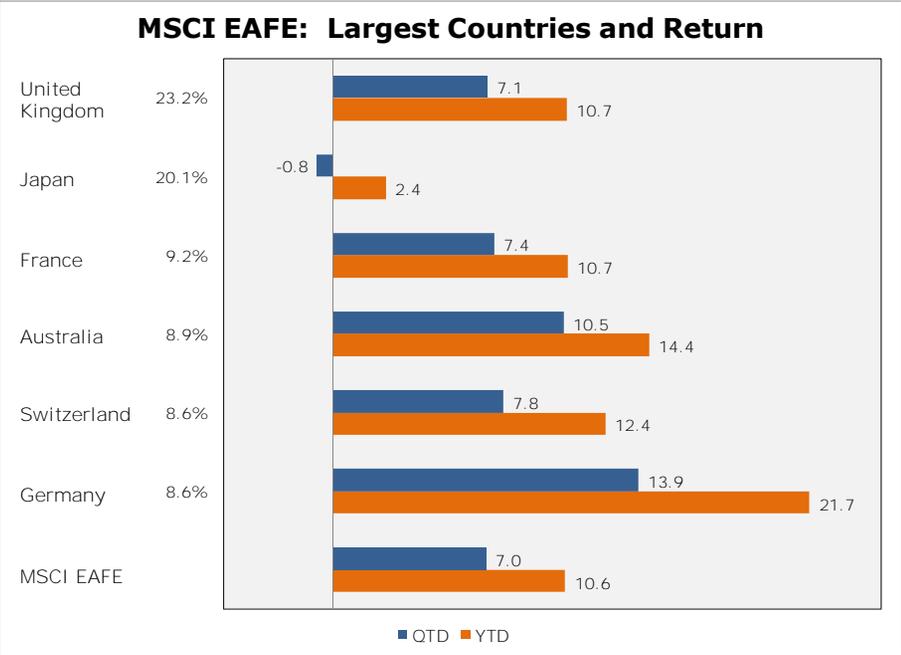


Data sources: Wilshire Compass, Wilshire Atlas



Non-U.S. Capital Markets

September 30, 2012	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
MSCI ACWI ex-US (\$g)	7.5	10.8	15.0	3.6	-3.7	10.3
MSCI EAFE (\$g)	7.0	10.6	14.3	2.6	-4.8	8.7
MSCI Emerging Markets (\$g)	7.9	12.3	17.3	6.0	-1.0	17.4
MSCI Frontier Markets (\$g)	7.4	6.0	4.0	-1.0	-9.2	9.5
MSCI EAFE Minimum Volatility Idx	7.2	11.6	13.5	6.9	0.8	11.4
FTSE RAFI Developed ex-US Index	7.4	7.9	10.9	-0.9	-4.5	n.a.
JPM Non US Global Bond	4.0	3.7	3.5	4.7	7.1	7.5
JPM Non US Global Bond Hedged	1.8	4.4	5.2	4.7	5.2	4.6
JPM EMBI Global	6.8	14.7	20.6	12.3	10.3	12.5
Euro vs. Dollar	1.4	-0.9	-4.1	-4.2	-2.0	2.6
Yen vs. Dollar	2.6	-1.1	-0.9	4.8	8.1	4.6
Pound vs. Dollar	3.0	3.9	3.7	0.3	-4.5	0.2

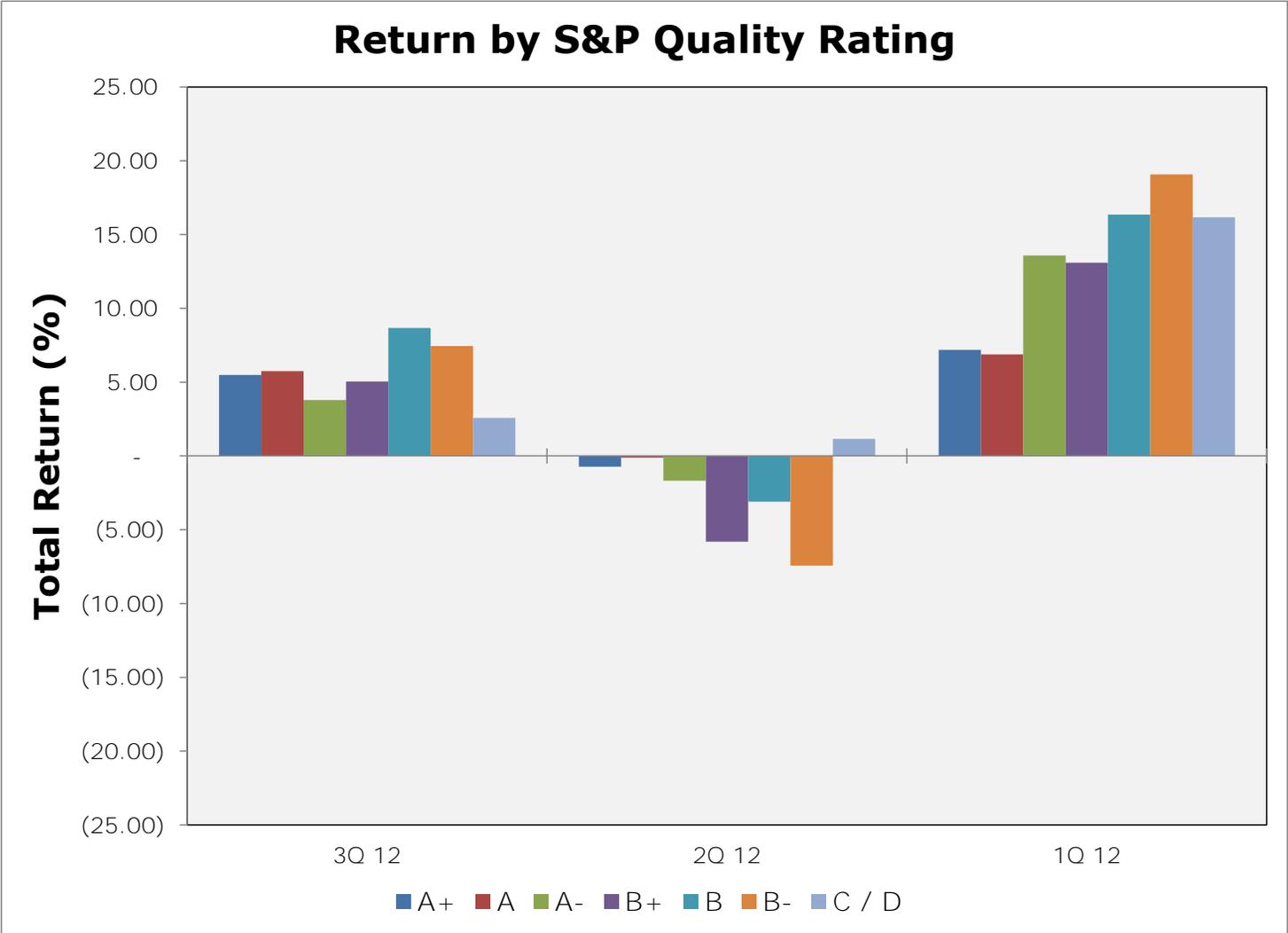


Data sources: Wilshire Compass, MSCI Barra



Returns by Quality Segment

Lower quality names have lead the market for 2012, in aggregate

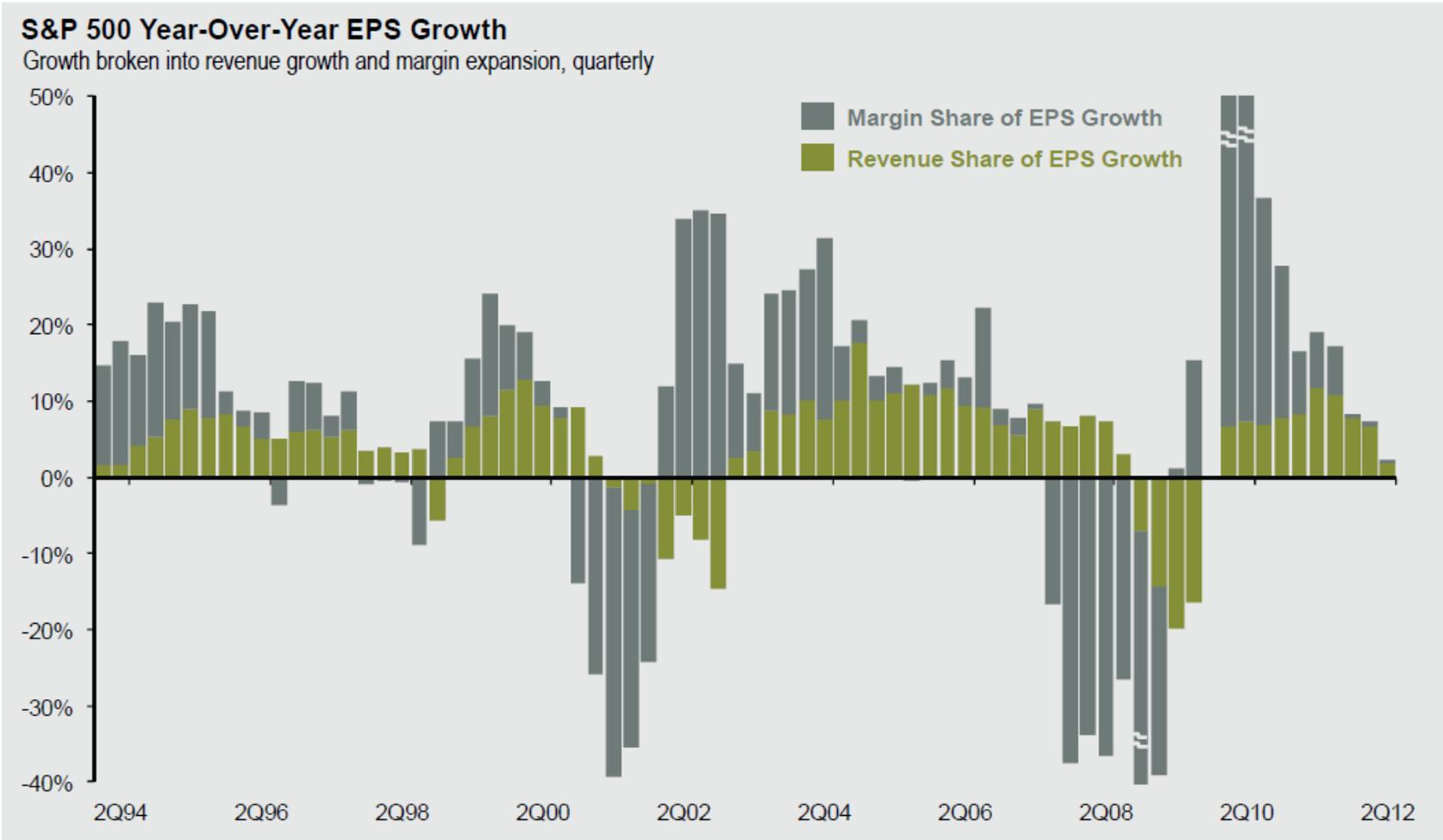


Data sources: Wilshire Atlas



Growth in Earnings per Share

- Exiting credit crisis, earnings growth was driven by significant margin improvements – although this appears to be reaching a ceiling



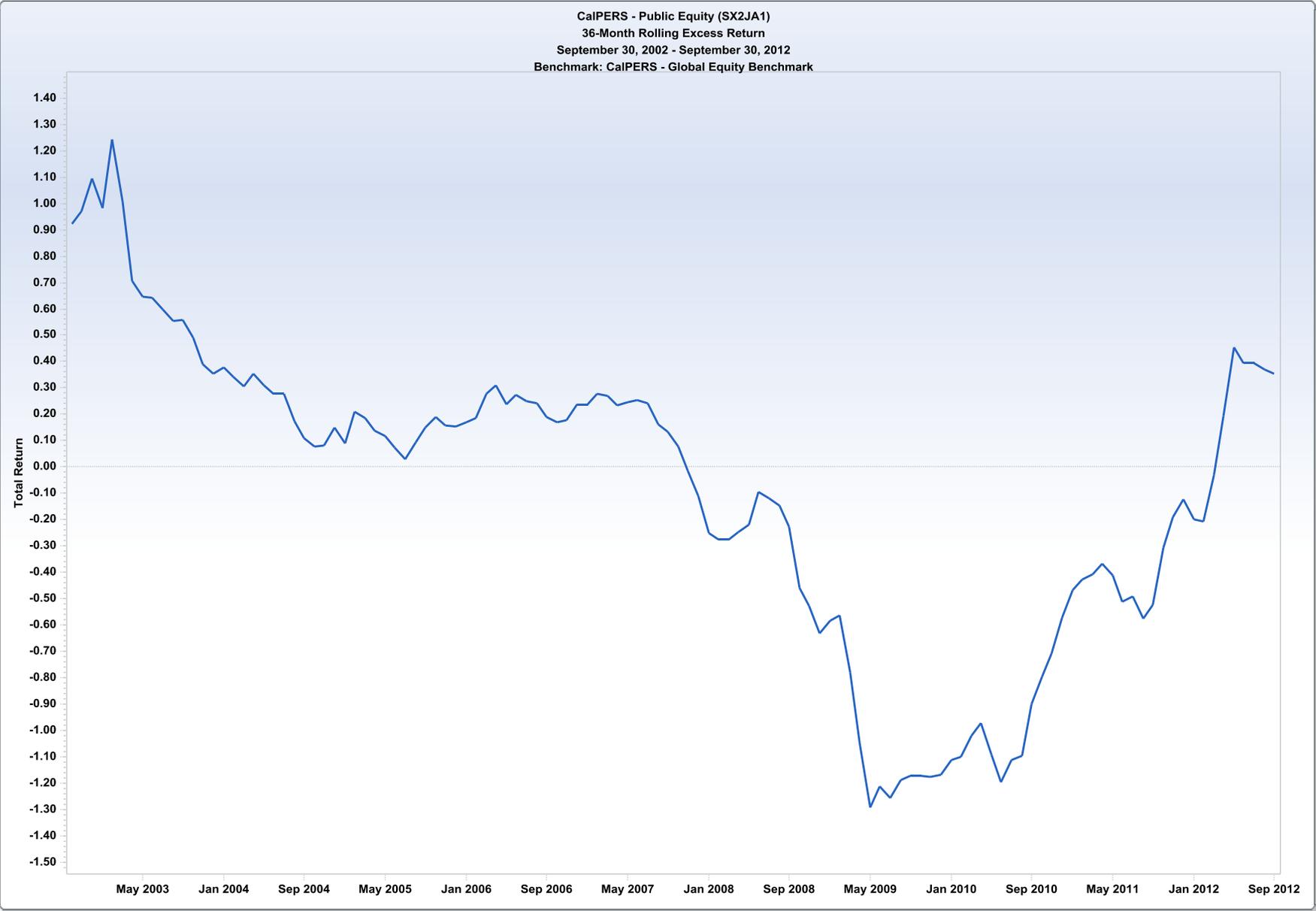
Source: Standard & Poor's, Compustat, J.P. Morgan Asset Management.
EPS levels are based on operating earnings per share. Most recently available data is 1Q12. *2Q12 data are Standard & Poor's estimates.

Growth: Public Equity – Performance

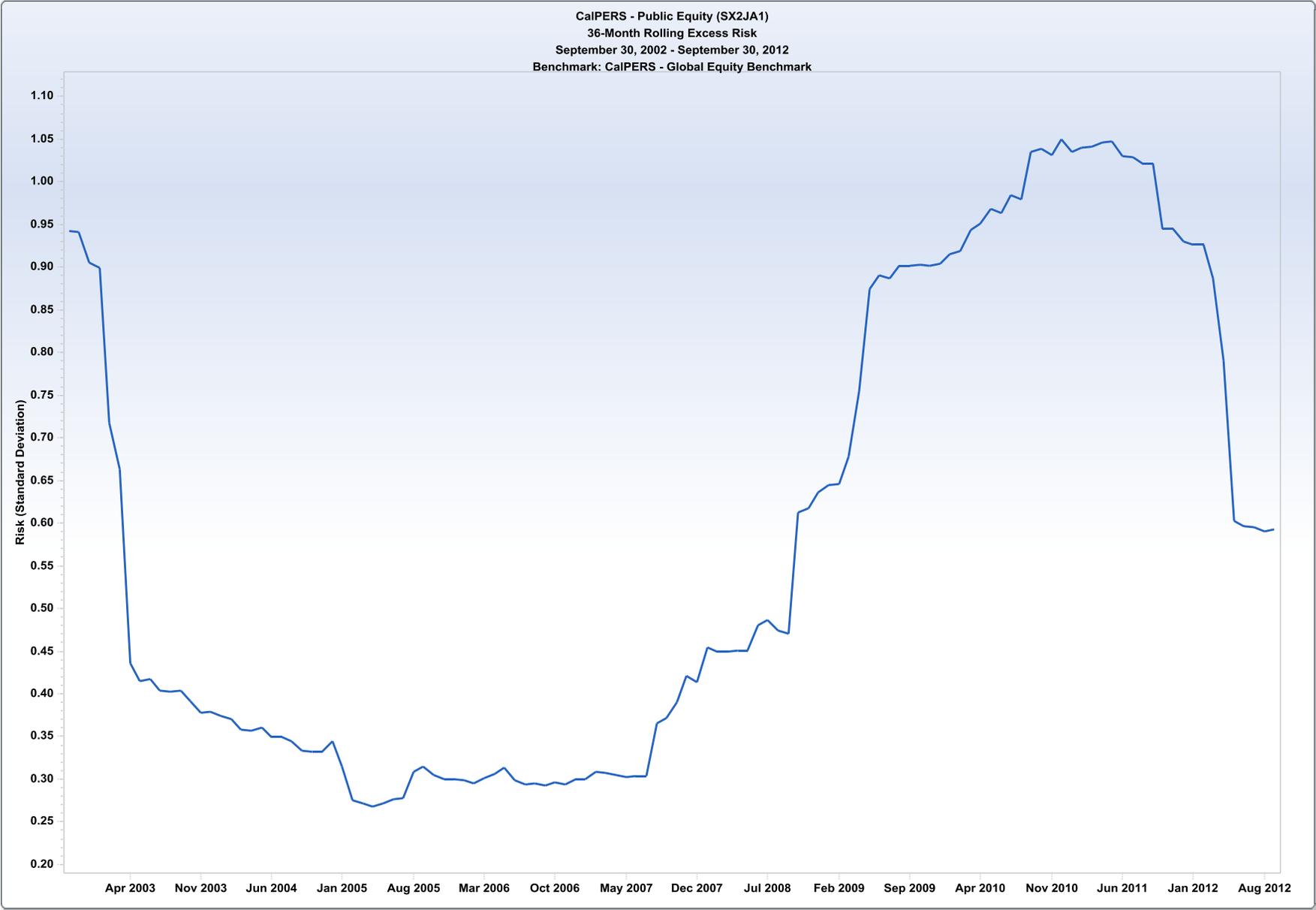


	<u>Market Value</u>	<u>Qtr</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>	<u>VaR</u>	<u>5-year Sharpe Ratio</u>	<u>5-year Info Ratio</u>
PUBLIC EQUITY	118.6	7.0%	21.4%	7.9%	-1.6%	8.4%	\$22.5 bil	-0.1	-0.6
<i>Public Equity Policy Benchmark</i>		7.1%	21.6%	7.5%	-0.8%	8.8%		-0.1	0.0
<i>Value Added</i>		-0.1%	-0.2%	0.4%	-0.8%	-0.4%			
US Equity Composite (ex ARS)	55.3	6.4%	29.6%	13.0%	1.1%	8.4%		0.0	-0.2
<i>Custom US Equity Benchmark</i>		6.3%	29.8%	13.0%	1.2%	8.4%		0.0	0.0
<i>Value Added</i>		0.1%	-0.2%	0.0%	-0.1%	0.0%			
Total Int'l Equity (ex ARS)	61.4	7.7%	14.8%	3.9%	-3.7%	9.9%		-0.2	0.3
<i>Custom Int'l Equity Benchmark</i>		7.4%	14.4%	3.0%	-4.1%	9.7%		-0.2	0.0
<i>Value Added</i>		0.3%	0.4%	0.9%	0.4%	0.2%			
Global Equity Equitization	1.3	5.7%	22.0%	7.9%	-.-%	-.-%			
<i>Custom Benchmark</i>		7.1%	21.6%	7.5%	-.-%	-.-%			
<i>Value Added</i>		-1.4%	0.4%	0.4%	-.-%	-.-%			

Growth: Public Equity – Rolling Excess Returns

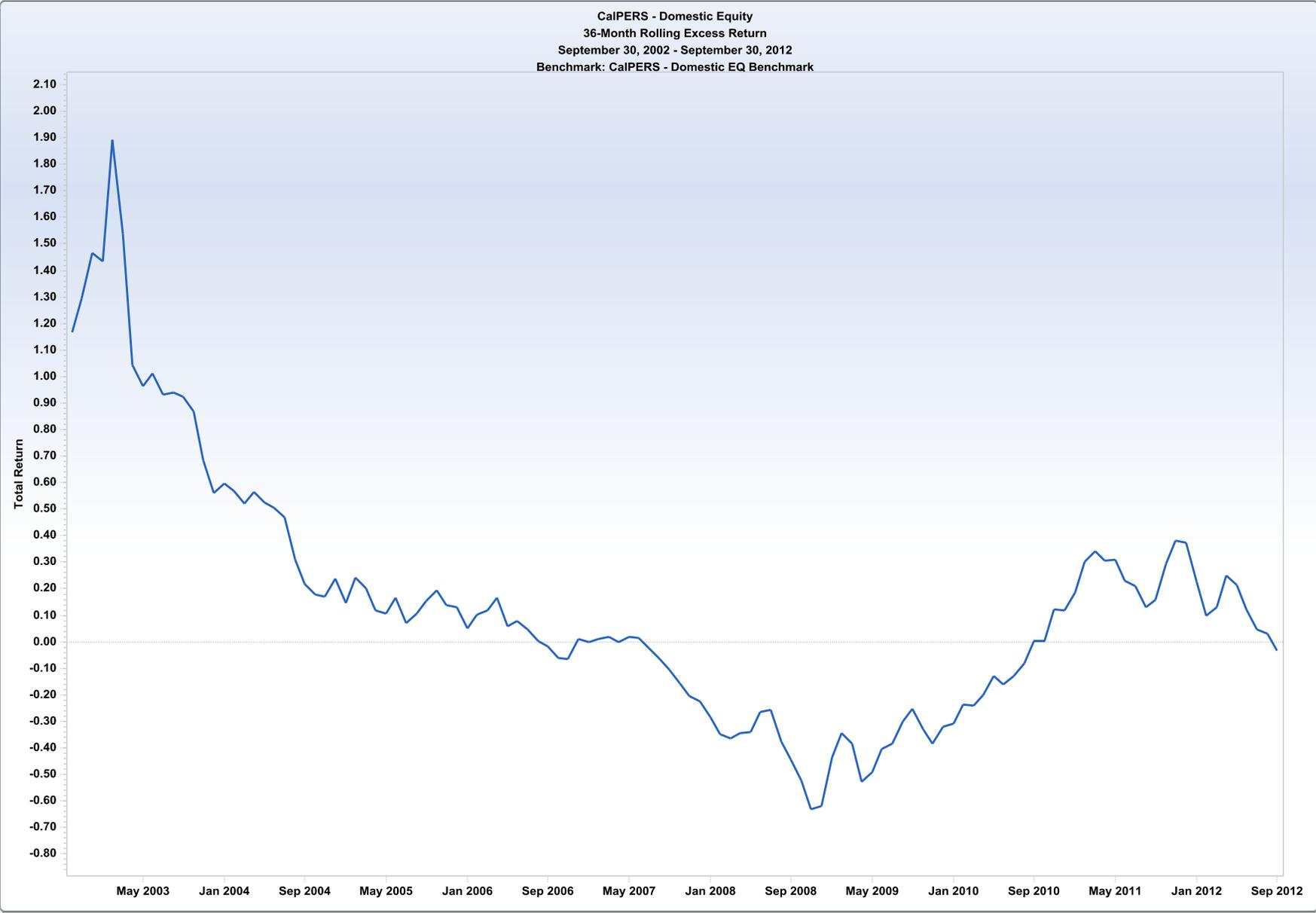


Growth: Public Equity – Rolling Tracking Error

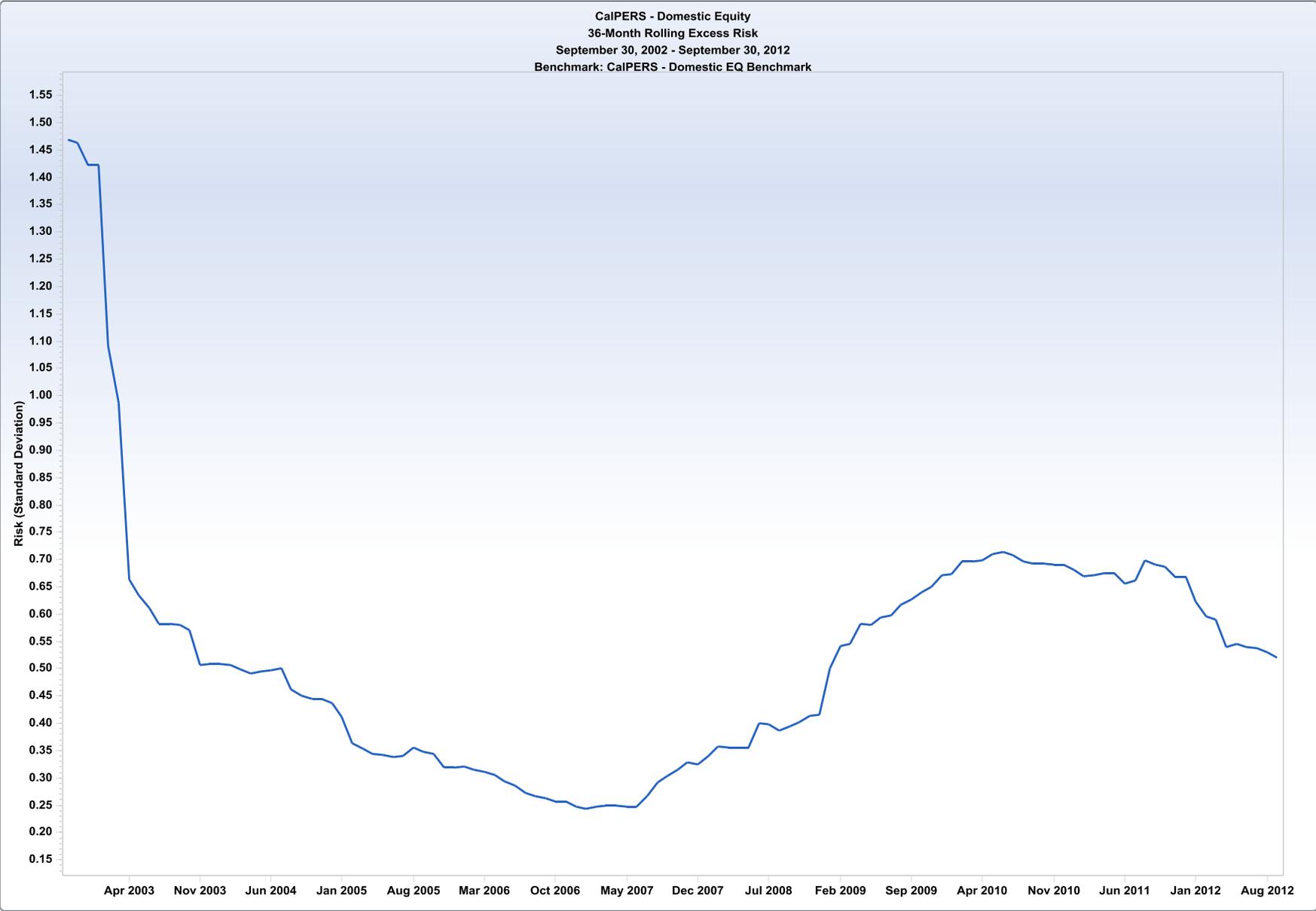




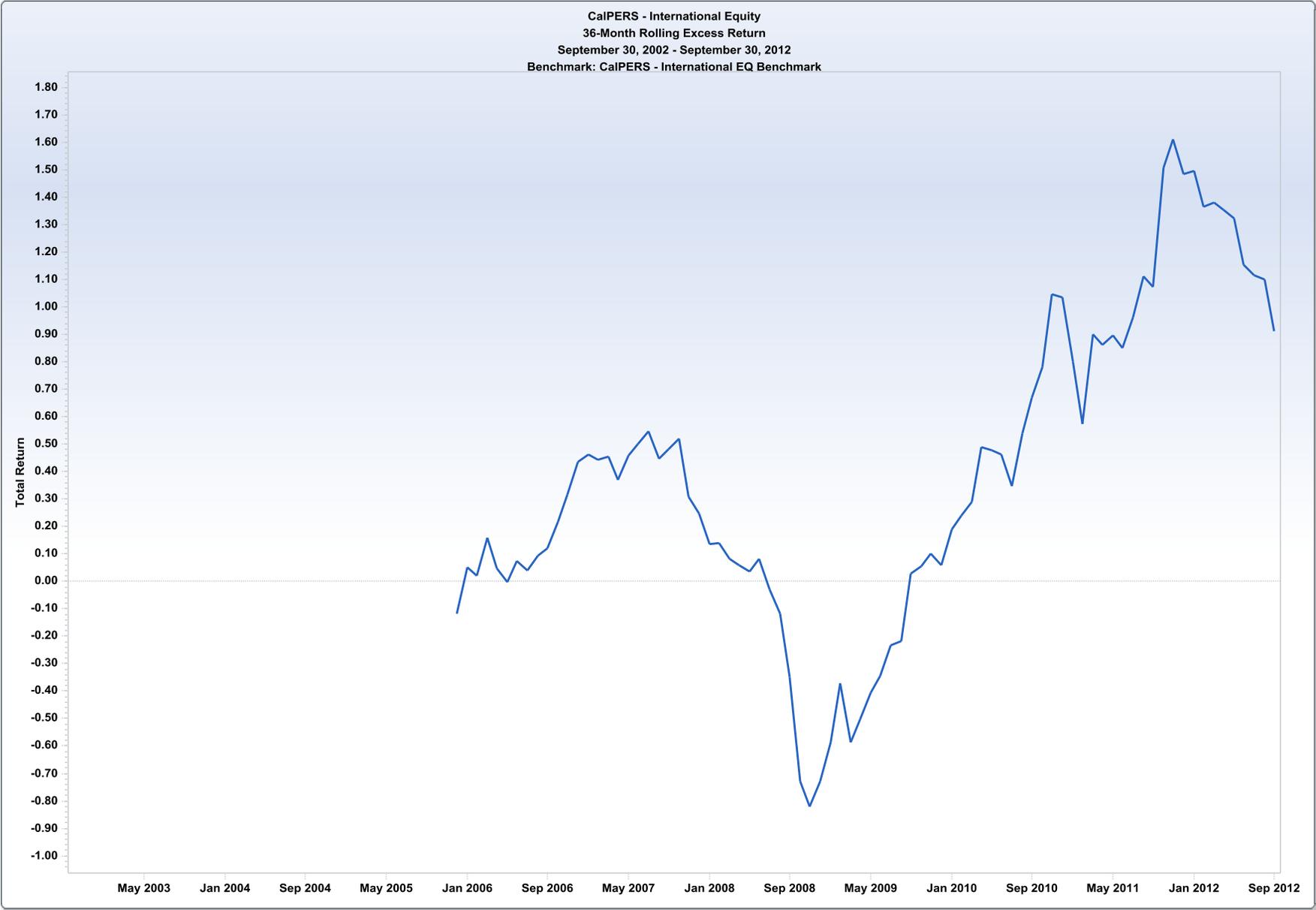
Growth: US Equity – Rolling Excess Returns



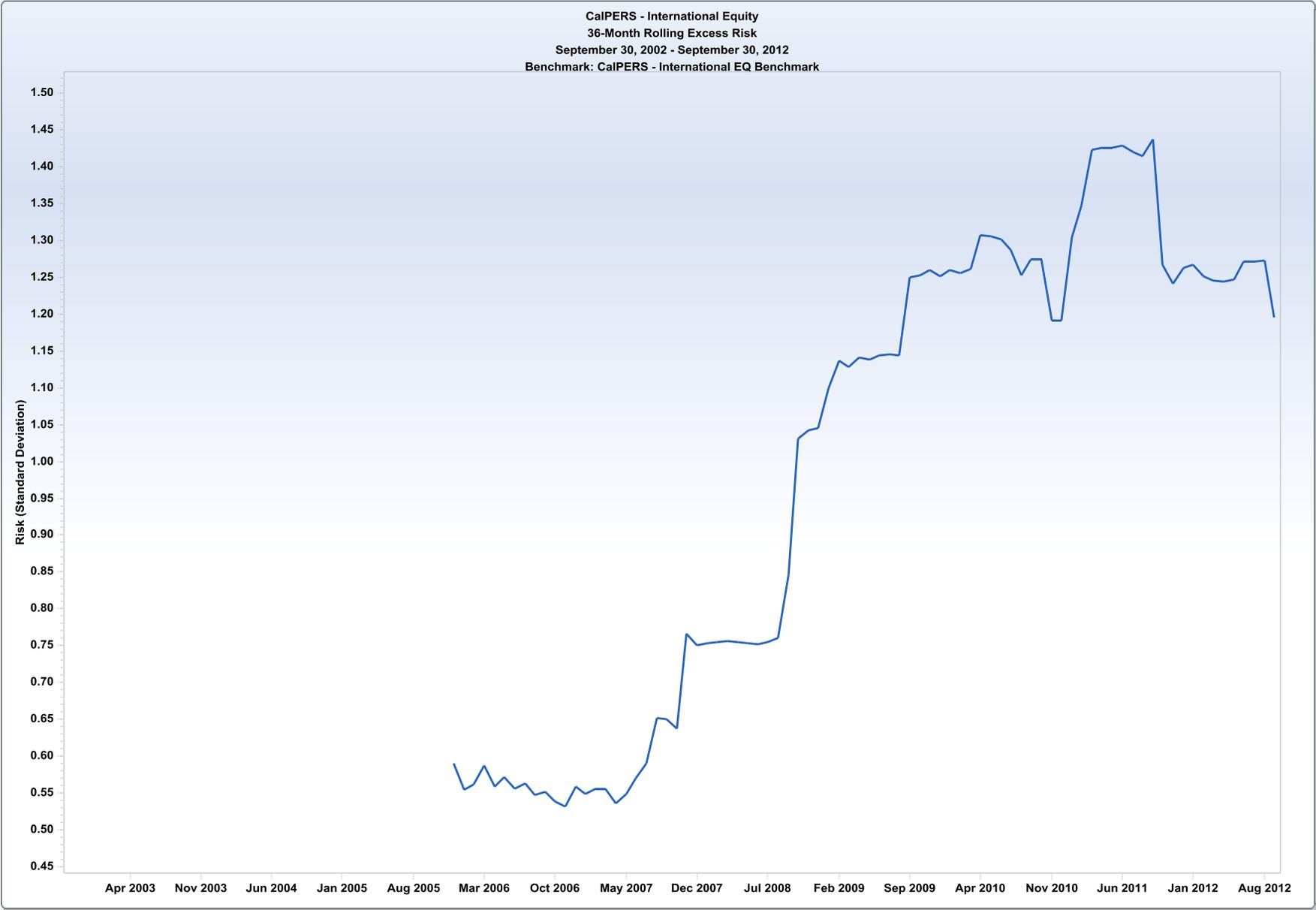
Growth: US Equity – Rolling Tracking Error



Growth: International Equity – Rolling Excess Returns



Growth: International Equity – Rolling Tracking Error



Growth: Corporate Governance/MDP/FoF

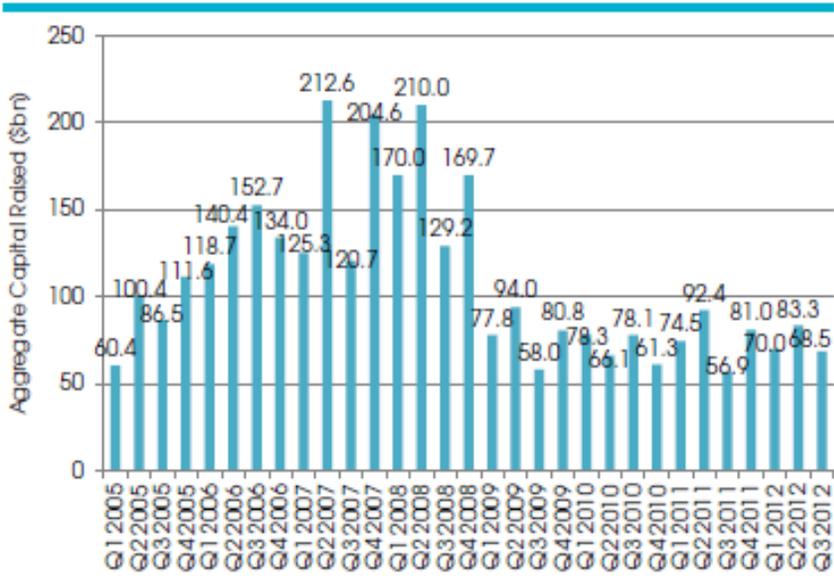


	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>	<u>Date</u>
Total Corporate Governance	4.1	4.3%	14.0%	4.5%	-4.3%	7.4%	12/98
<i>Policy Benchmark</i>		3.6%	15.9%	5.7%	-3.3%	7.3%	
<i>Value Added</i>		0.7%	-1.9%	-1.2%	-1.0%	0.1%	
Total MDP	1.4	7.5%	25.7%	9.7%	-0.1%	7.7%	6/00
<i>Policy Benchmark</i>		7.2%	25.3%	9.3%	0.9%	9.1%	
<i>Value Added</i>		0.3%	0.4%	0.4%	-1.0%	-1.4%	
Total FoF	0.9	6.5%	25.0%	11.7%	-.-%	-.-%	3/08
<i>Policy Benchmark</i>		6.2%	26.1%	10.9%	-.-%	-.-%	
<i>Value Added</i>		0.3%	-1.1%	0.8%	-.-%	-.-%	



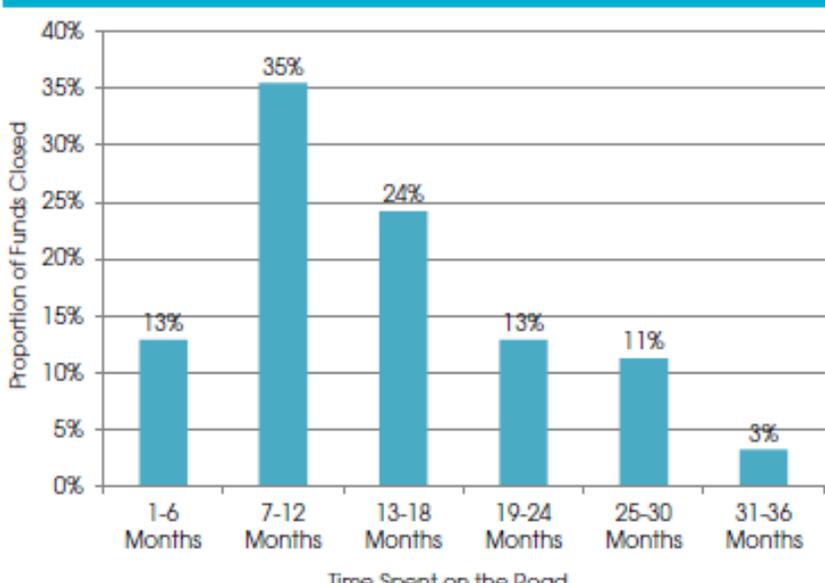
Private Equity Fundraising

Fig. 14: All Private Equity Fundraising by Quarter, Q1 2005 - Q3 2012



Source: Preqin Funds in Market

Fig. 15: Time Spent on the Road for Funds Closed in Q3 2012

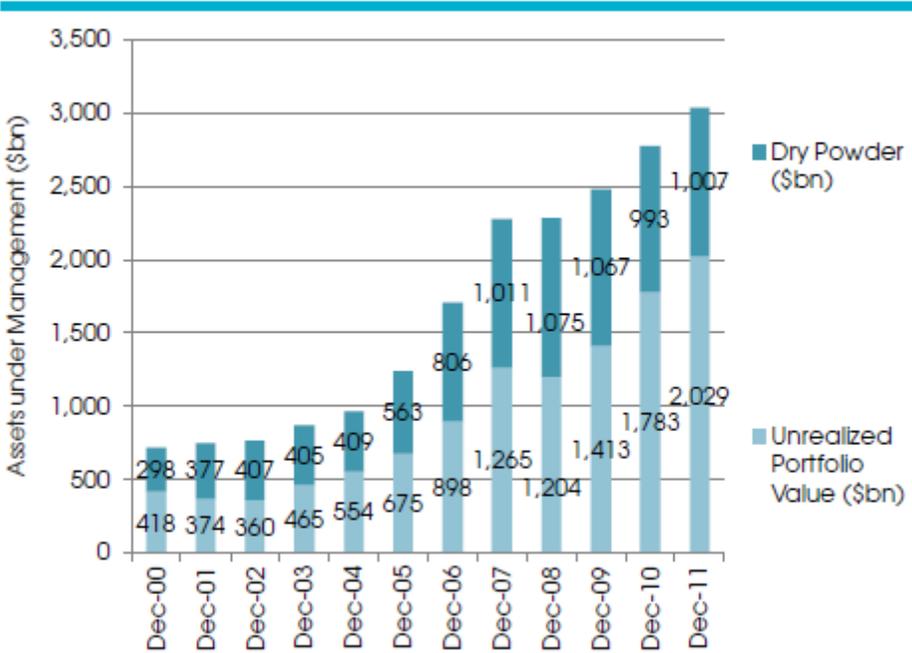


Source: Preqin Funds in Market



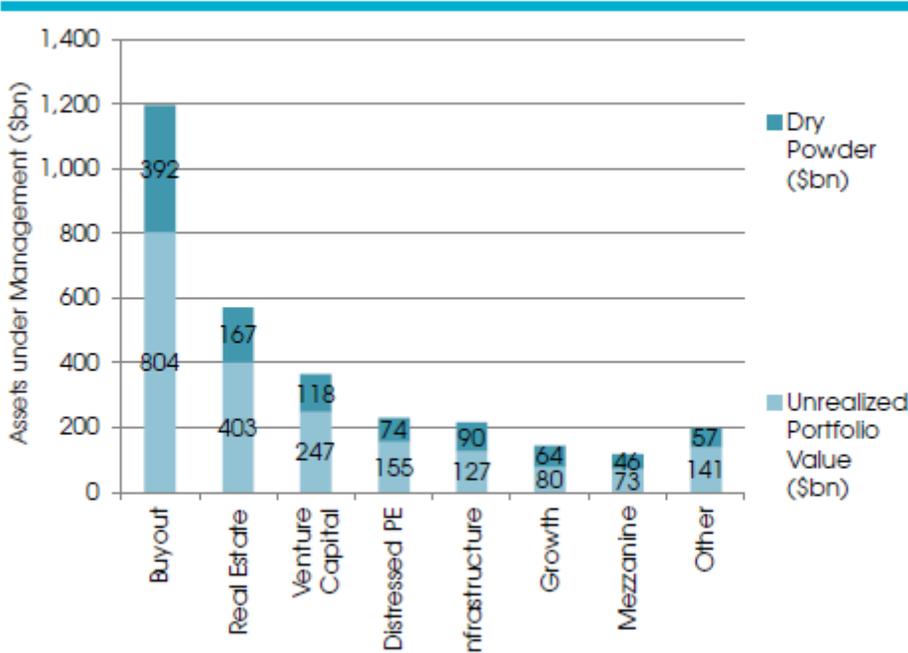
Private Equity Assets Under Management

Fig. 1: All Private Equity Assets under Management, 2000 - 2011



Source: 2012 Preqin Private Equity Performance Monitor

Fig. 2: Private Equity Assets under Management by Fund Type



Source: 2012 Preqin Private Equity Performance Monitor

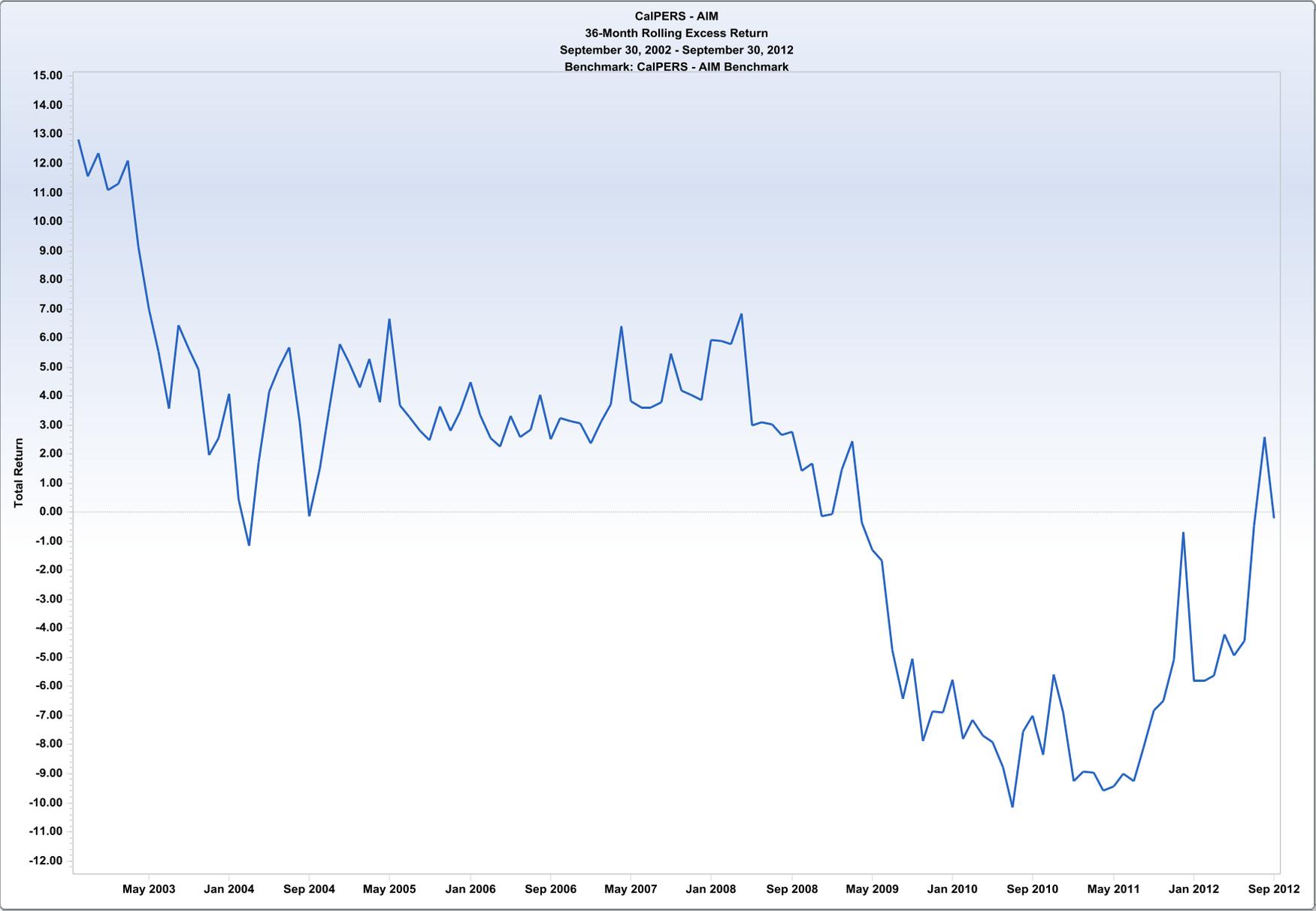
Source: Preqin

Growth: Private Equity (AIM) – Performance

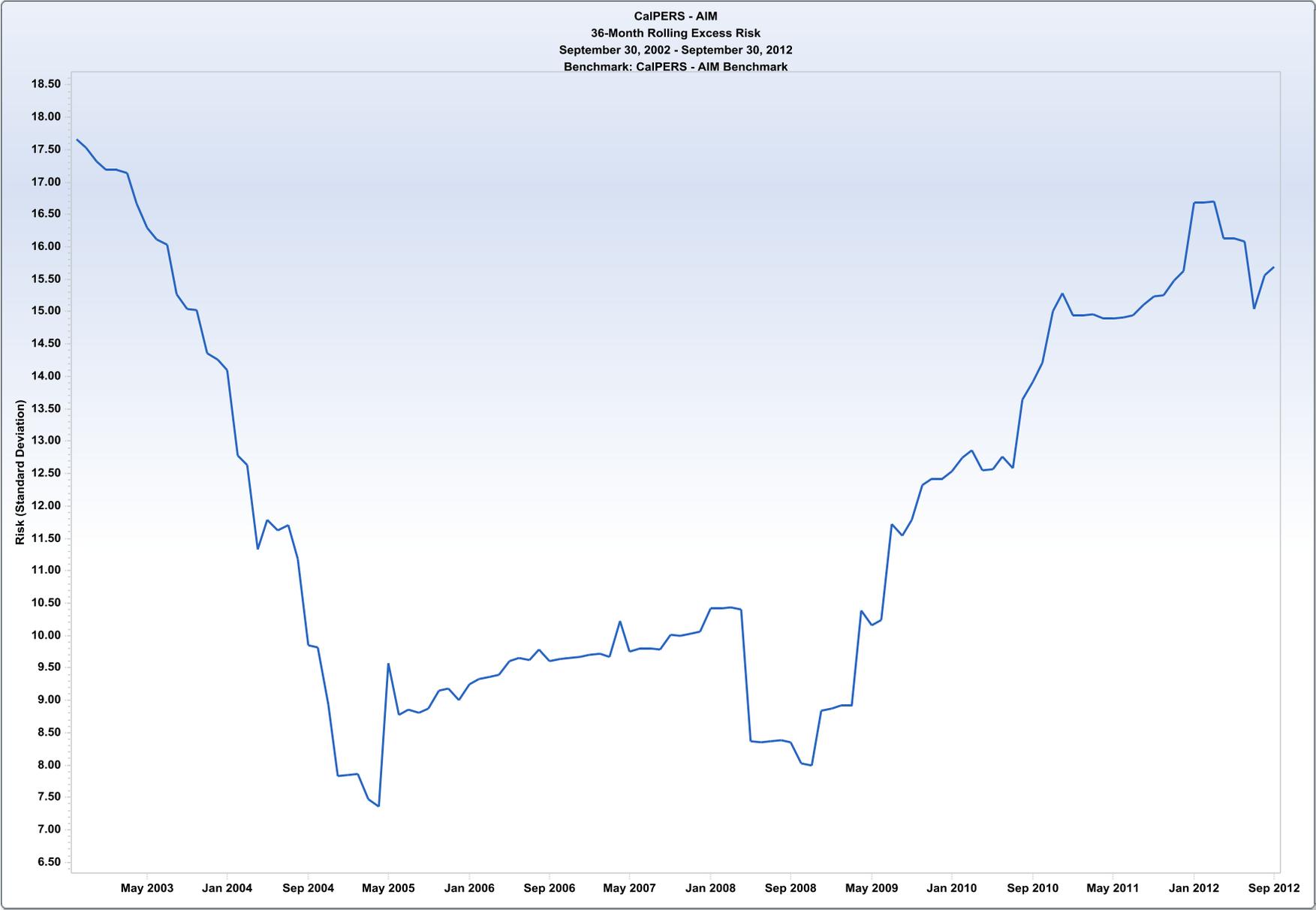


	Market Value	Qtr	1-Year	3-Year	5-Year	10-Year	VaR	5-year Sharpe Ratio	5-year Info Ratio
PRIVATE EQUITY (AIM)	32.8	-0.1%	1.5%	17.2%	4.9%	10.5%	\$10.4 bil	0.4	-0.4
<i>AIM Policy Benchmark</i>		-4.0%	0.0%	17.4%	10.5%	11.0%		0.6	0.0
<i>Value Added</i>		3.9%	1.5%	-0.2%	-5.6%	-0.5%			
Private Equity Partnership Investments	32.8	-0.1%	1.6%	17.3%	5.0%	10.5%			
Private Equity Distribution Stock	0.0	-23.6%	-36.3%	-13.3%	-6.0%	5.9%			

Growth: Private Equity (AIM) – Rolling Excess Returns



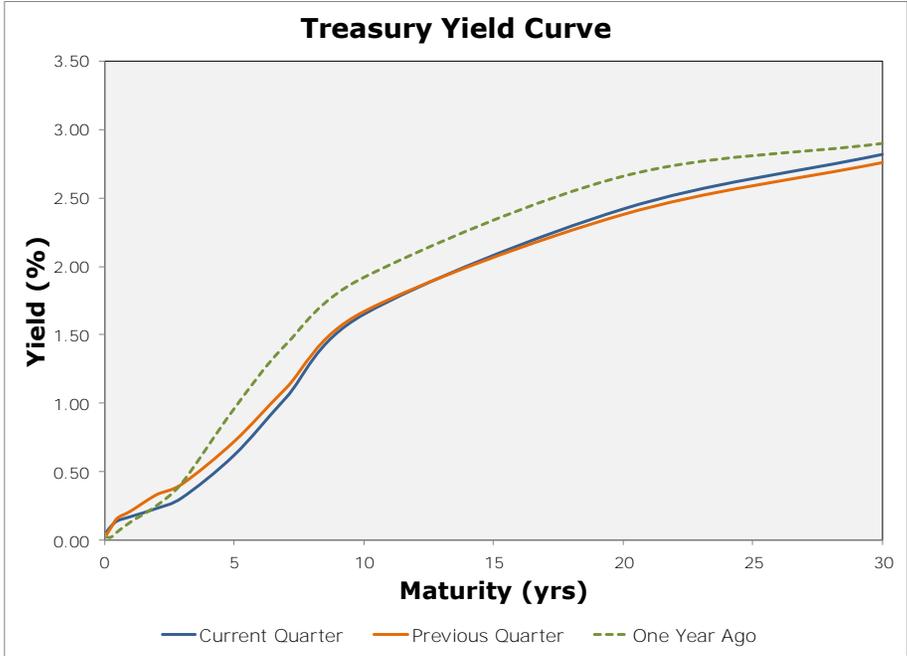
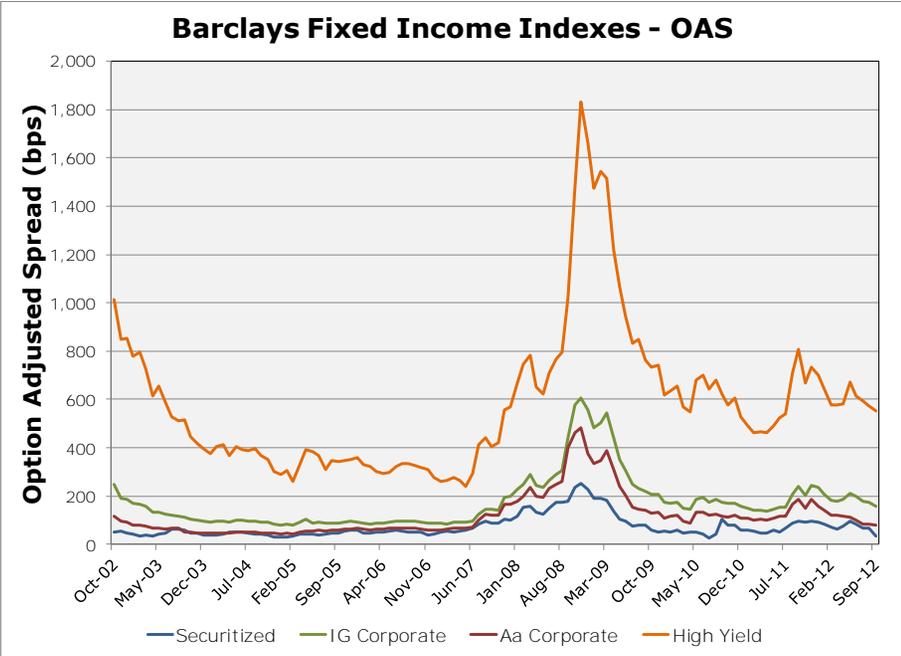
Growth: Private Equity (AIM) – Rolling Tracking Error





U.S. Capital Markets: Fixed Income

September 30, 2012	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays Aggregate Bond Index	1.6	4.0	5.1	6.2	6.5	5.3
Barclays Treasury Index	0.6	2.1	3.0	5.4	6.2	4.8
Barclays Govt-Related Index	1.6	4.3	5.1	5.3	6.1	5.0
Barclays Securitized Index	1.3	3.1	4.2	5.6	6.2	5.2
Barclays Corporate IG Index	3.8	8.7	10.8	9.1	8.1	6.6
Barclays LT Govt/Credit Index	3.1	8.3	11.1	12.5	10.9	8.1
Barclays Long-Term Treasury Index	0.2	4.4	6.3	12.0	11.1	7.7
Barclays U.S. TIPS Index	2.1	6.2	9.1	9.3	7.9	6.6
Barclays High Yield Index	4.5	12.1	19.4	12.9	9.3	11.0
Treasury Bills	0.0	0.1	0.1	0.1	0.7	1.8

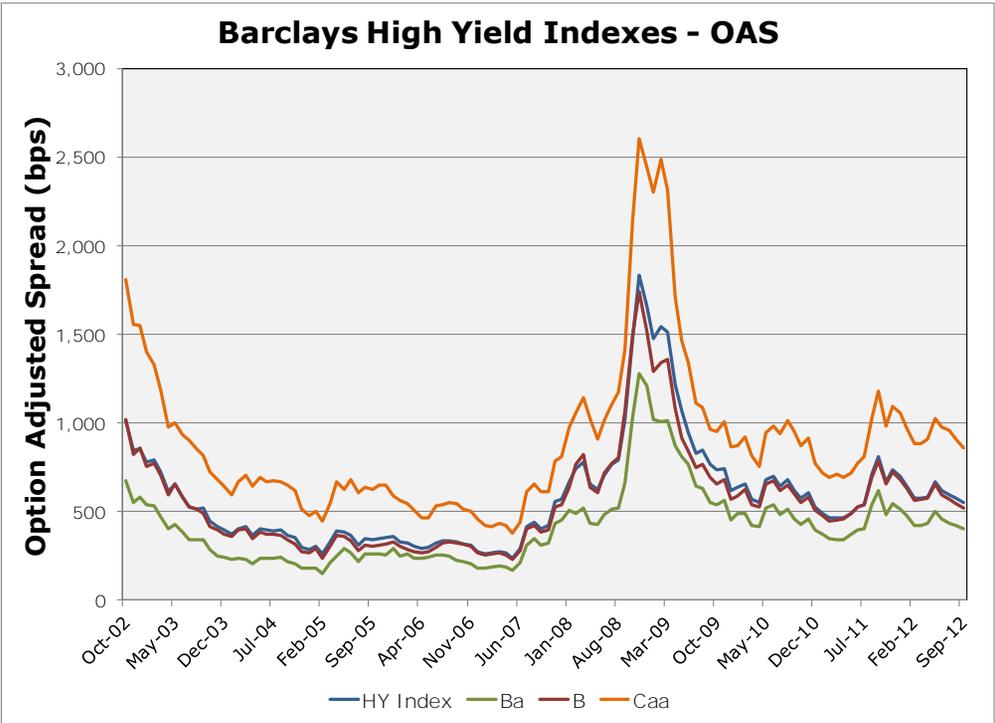


Data sources: Wilshire Compass, Barclays Capital, U.S. Treasury



High Yield by Quality

September 30, 2012	Weight	Qtr	Ytd	1 Yr	3 Yr
Barclays High Yield Index	100%	4.5	12.1	19.4	12.9
Quality Distribution					
Ba U.S. High Yield	38.5%	4.4	11.5	17.7	12.6
B U.S. High Yield	43.7%	4.4	11.5	18.7	11.9
Caa U.S. High Yield	16.1%	4.8	14.5	24.2	13.6
Ca to D U.S. High Yield	1.4%	9.3	21.3	34.0	17.0
Non-Rated U.S. High Yield	0.3%	8.5	20.1	31.0	15.3

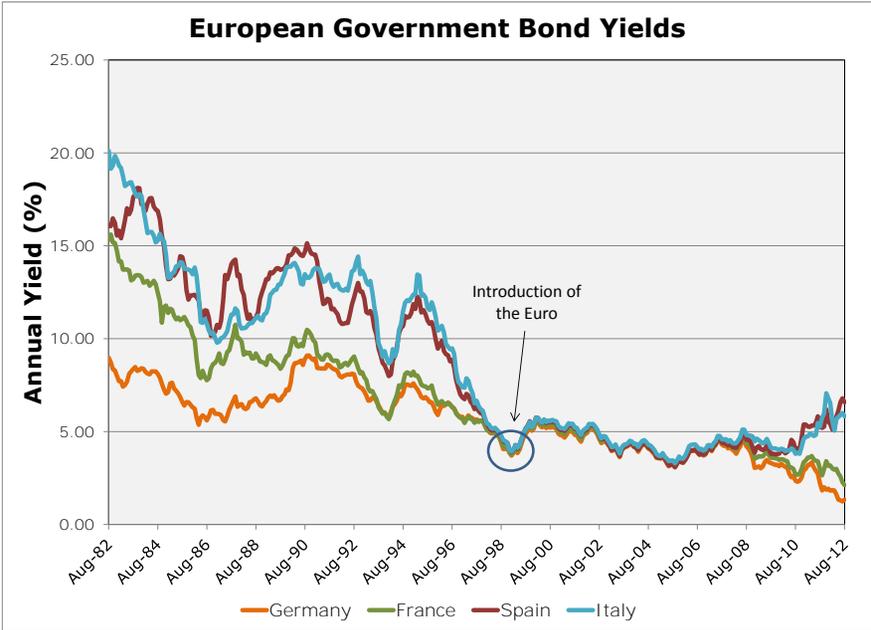
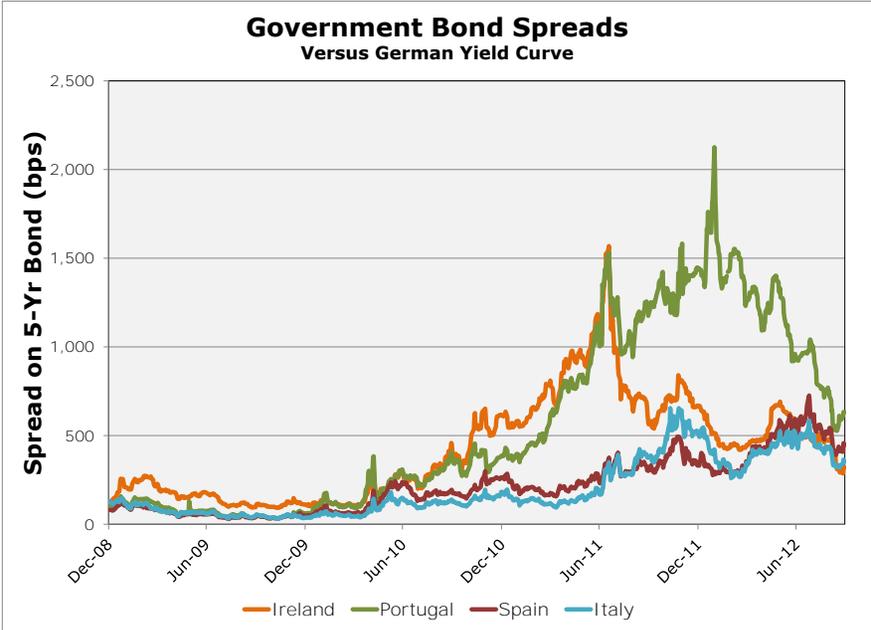


Data sources: Barclays Capital



European Debt Issues

- Attention has turned to economies much larger than Greece, such as Spain and Italy
- Spreads have come down during the quarter
- Germany and France are among the top 5 economies across the globe



Source: Barclays Capital, International Monetary Fund

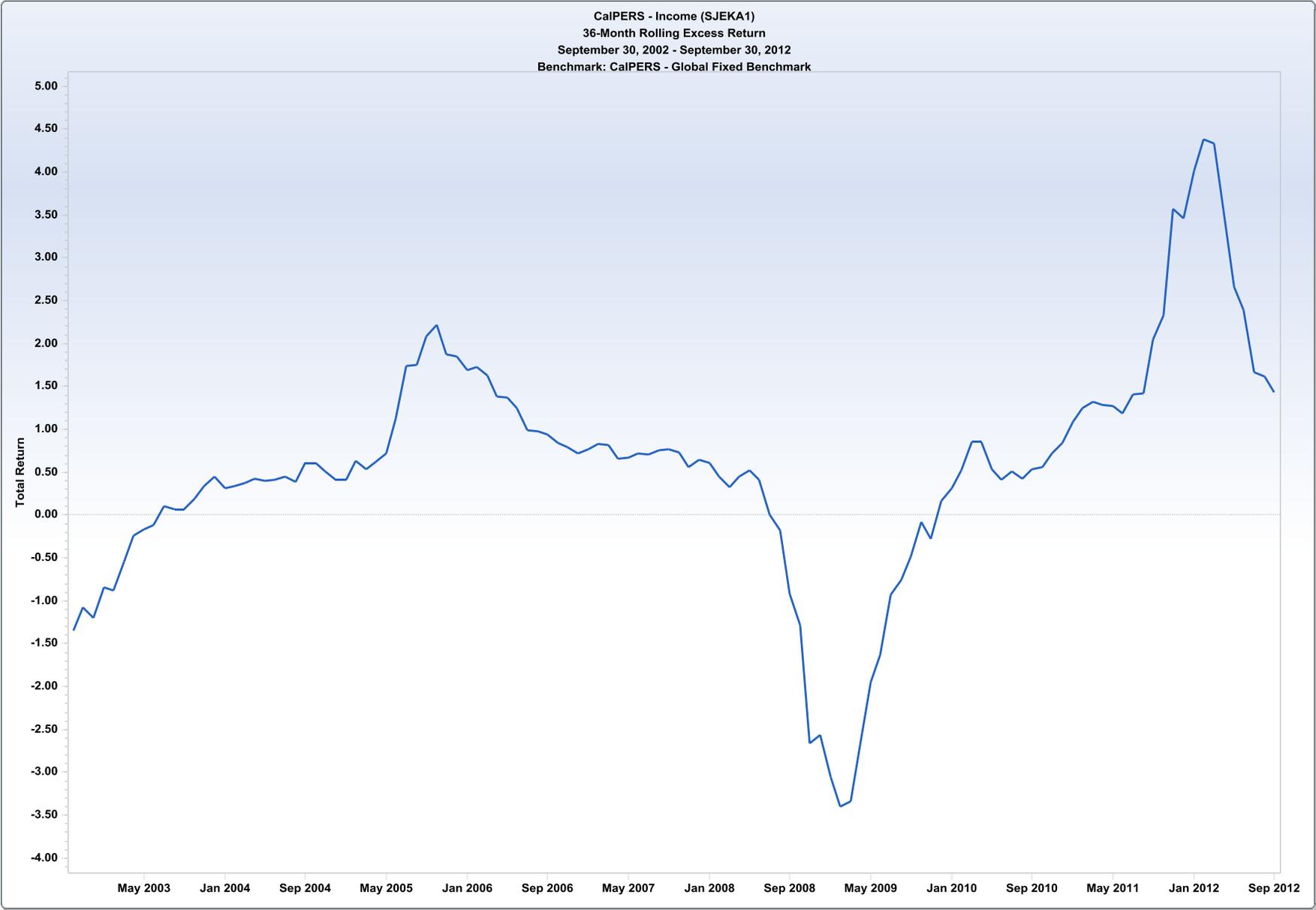


Income - Performance

	Market Value	Qtr	1-Year	3-Year	5-Year	10-Year	VaR	5-year Sharpe Ratio	5-year Info Ratio
INCOME	43.2	3.0%	9.0%	11.0%	9.4%	8.2%	\$5.7 bil	1.3	0.1
<i>Income Policy Benchmark</i>		2.4%	8.2%	9.4%	9.0%	7.1%		1.3	0.0
<i>Value Added</i>		0.6%	0.8%	1.6%	0.4%	1.1%			
U.S. Income	39.6	2.8%	9.4%	11.5%	9.6%	8.1%		1.3	0.1
<i>U.S. Income Policy Benchmark</i>		2.3%	8.6%	9.8%	9.2%	7.0%		1.3	0.0
<i>Value Added</i>		0.5%	0.8%	1.7%	0.4%	1.1%			
Non-U.S. Income	3.6	4.6%	5.6%	6.7%	8.2%	8.2%		0.7	0.8
<i>Non-US Income Policy Benchmark</i>		4.0%	3.7%	4.4%	6.6%	7.3%		0.6	0.0
<i>Value Added</i>		0.6%	1.9%	2.3%	1.6%	0.9%			

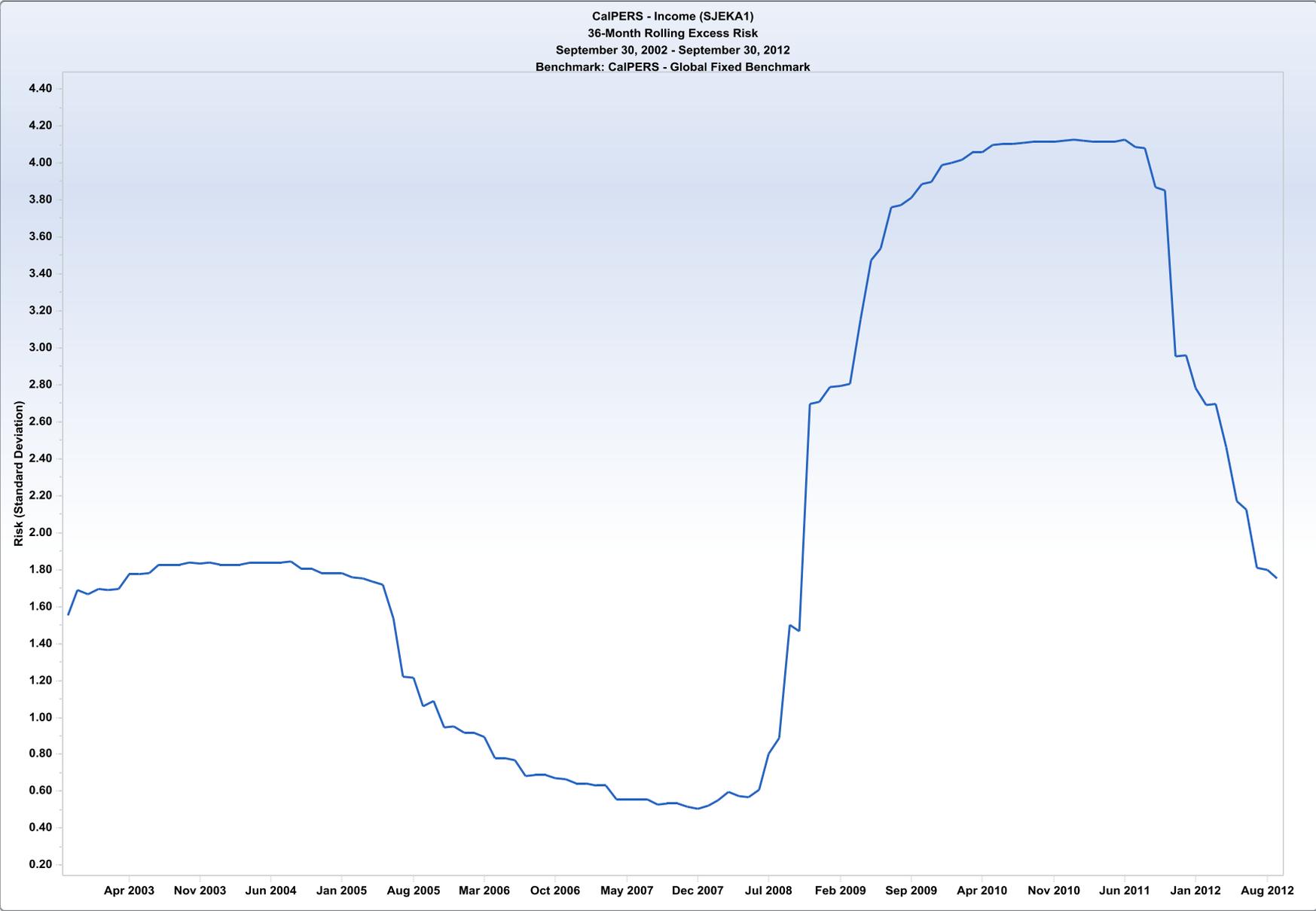


Income – Rolling Excess Returns



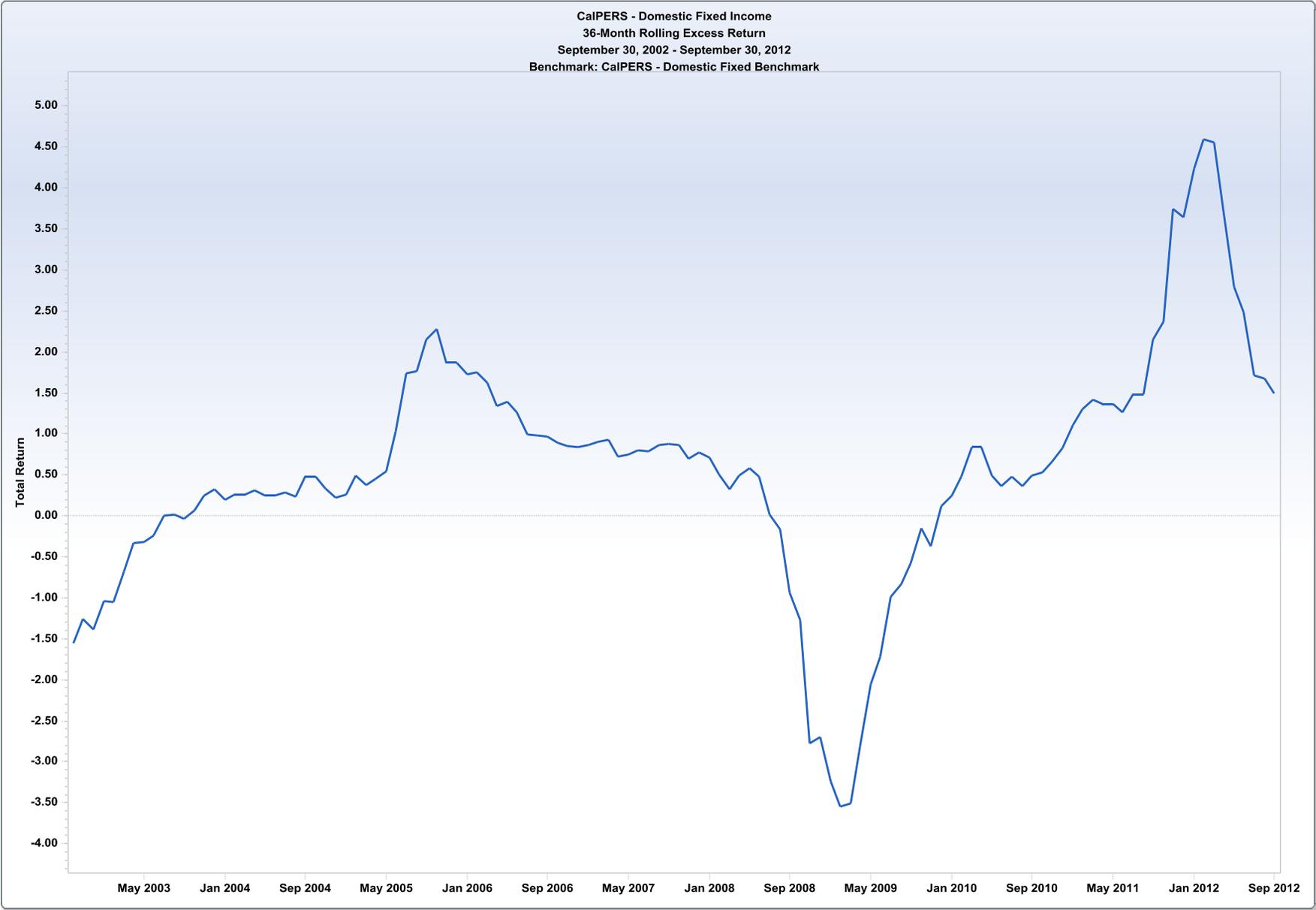


Income – Rolling Tracking Error



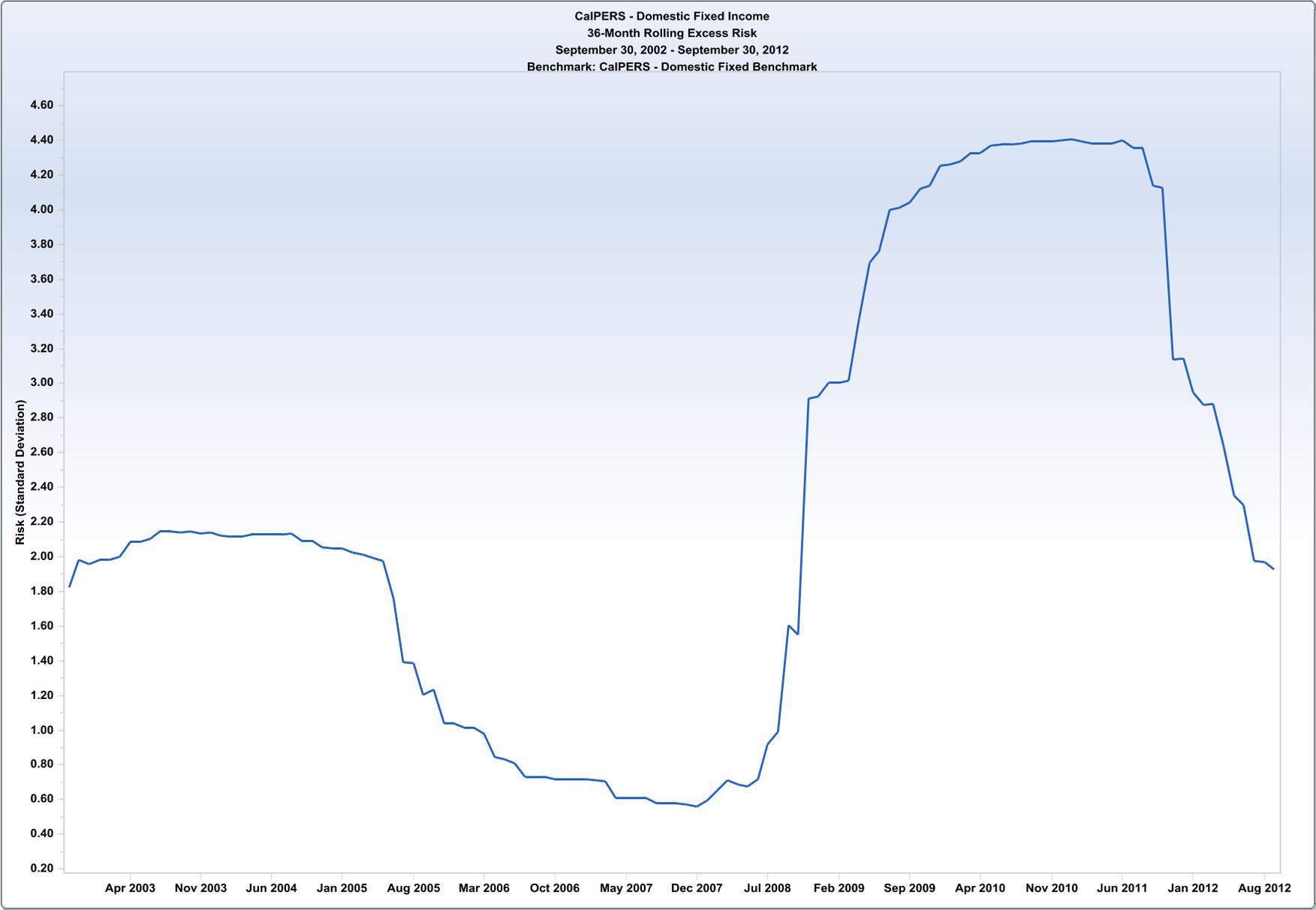


US Income – Rolling Excess Returns

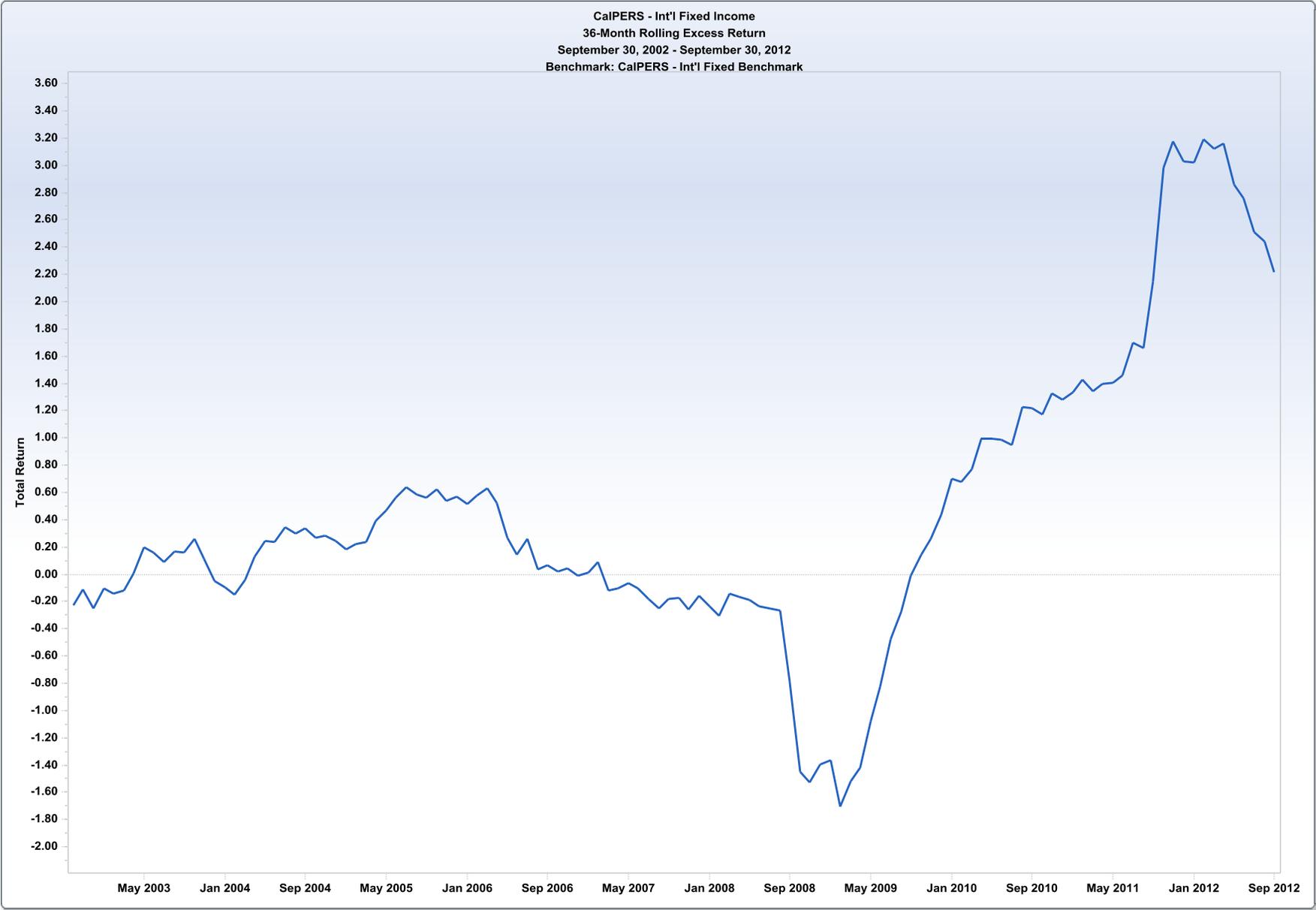




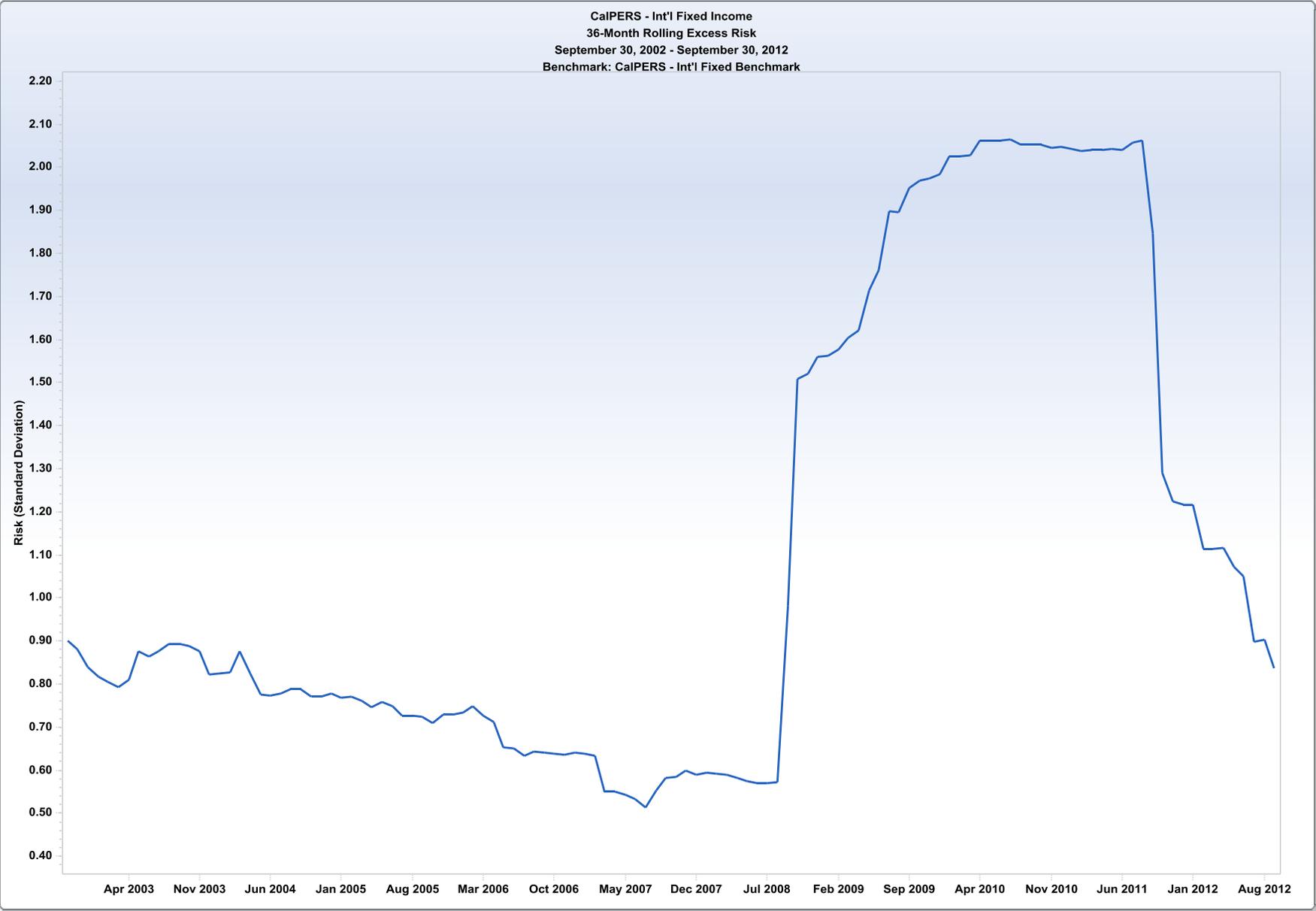
US Income – Rolling Tracking Error



International Income – Rolling Excess Returns



International Income – Rolling Tracking Error



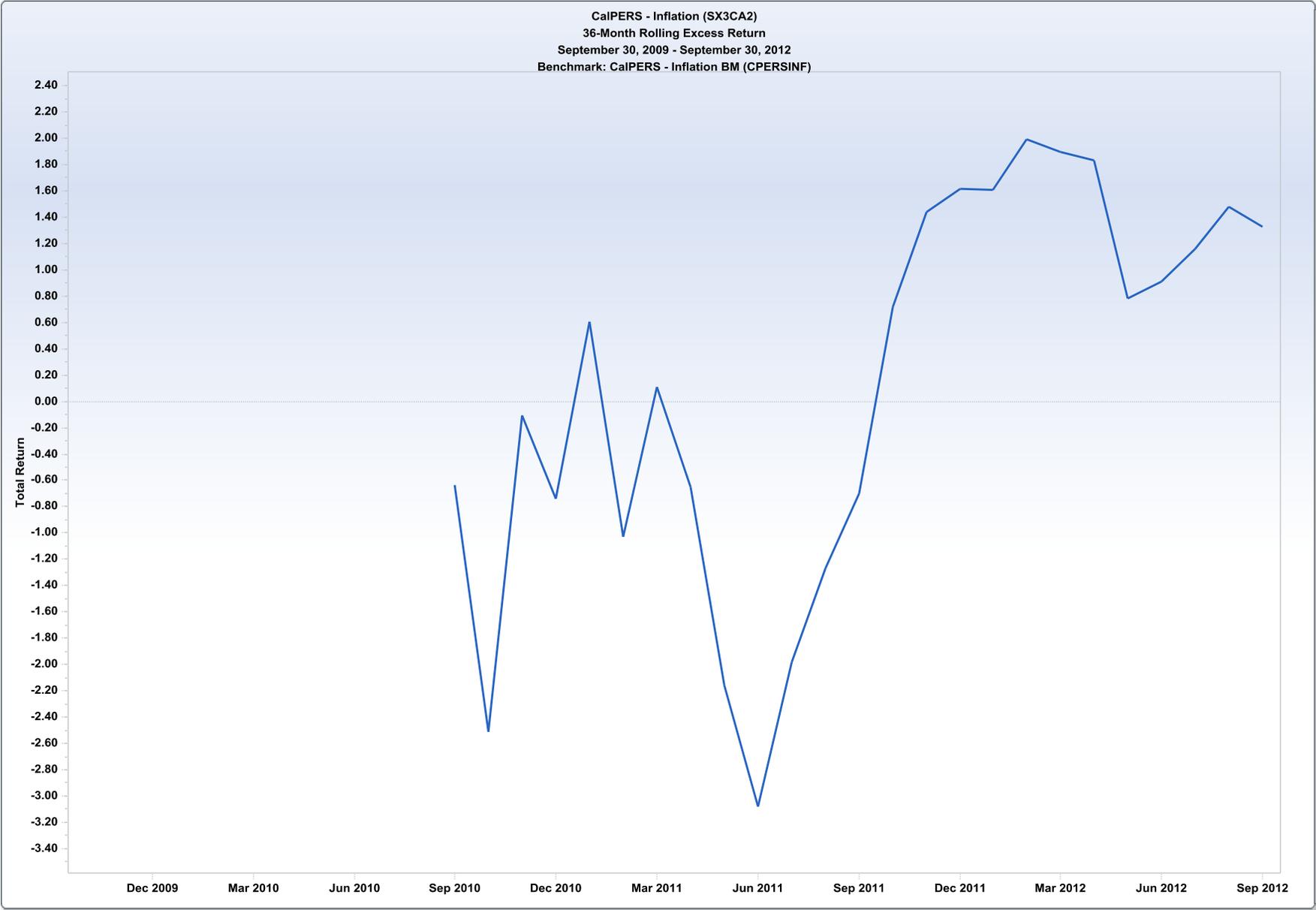


Inflation Performance

	Market Value	Qtr	1-Year	3-Year	5-Year	10-Year	VaR	5-year Sharpe Ratio	5-year Info Ratio
INFLATION	7.5	5.9%	8.9%	8.9%	4.3%	-.-%	\$0.6 bil	0.2	0.1
<i>Inflation Policy Benchmark</i>		4.9%	10.1%	7.5%	4.0%	-.-%		0.3	0.0
<i>Value Added</i>		1.0%	-1.2%	1.4%	0.3%	-.-%			
Commodities	3.5	10.2%	11.7%	6.9%	-5.6%	-.-%			
<i>GSCI Total Return Index</i>		11.5%	12.7%	6.5%	-5.6%	-.-%			
<i>Value Added</i>		-1.3%	-1.0%	0.4%	0.0%	-.-%			
Inflation Linked Bonds	4.1	2.5%	8.4%	8.1%	-.-%	-.-%			
<i>Custom Benchmark</i>		2.7%	8.7%	7.9%	-.-%	-.-%			
<i>Value Added</i>		-0.2%	-0.3%	0.2%	-.-%	-.-%			

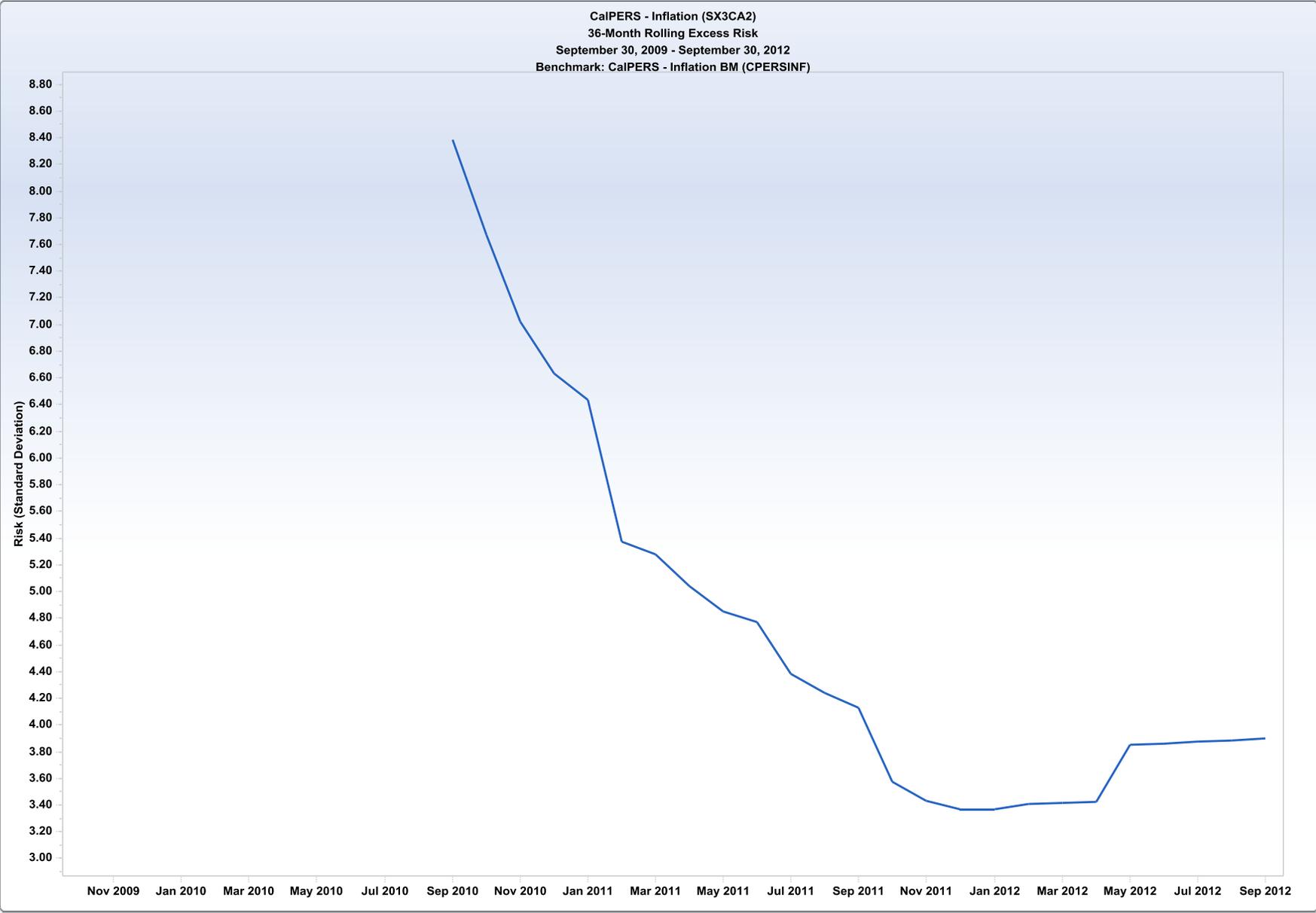


Inflation – Rolling Excess Returns





Inflation – Rolling Tracking Error

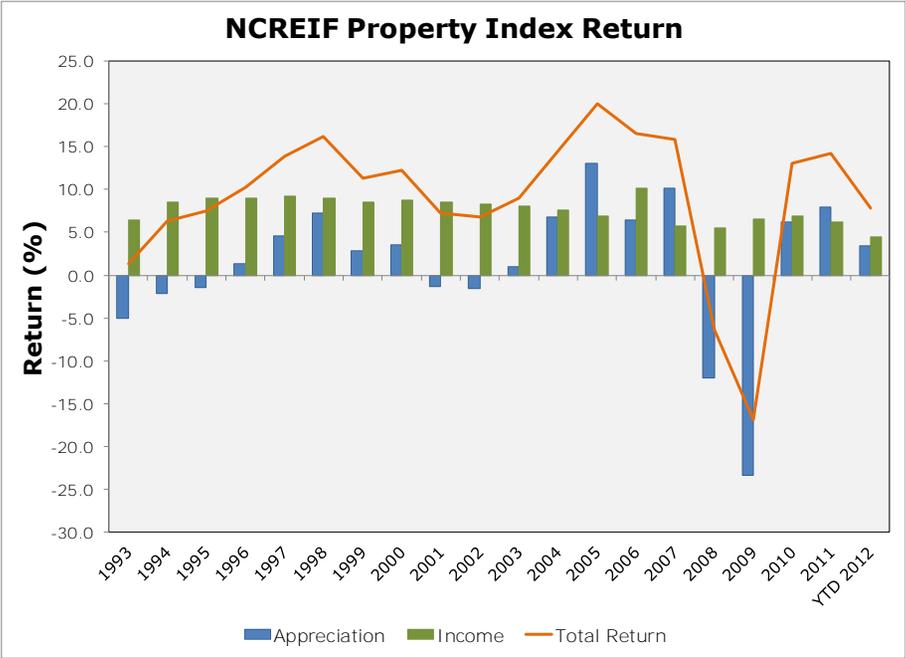
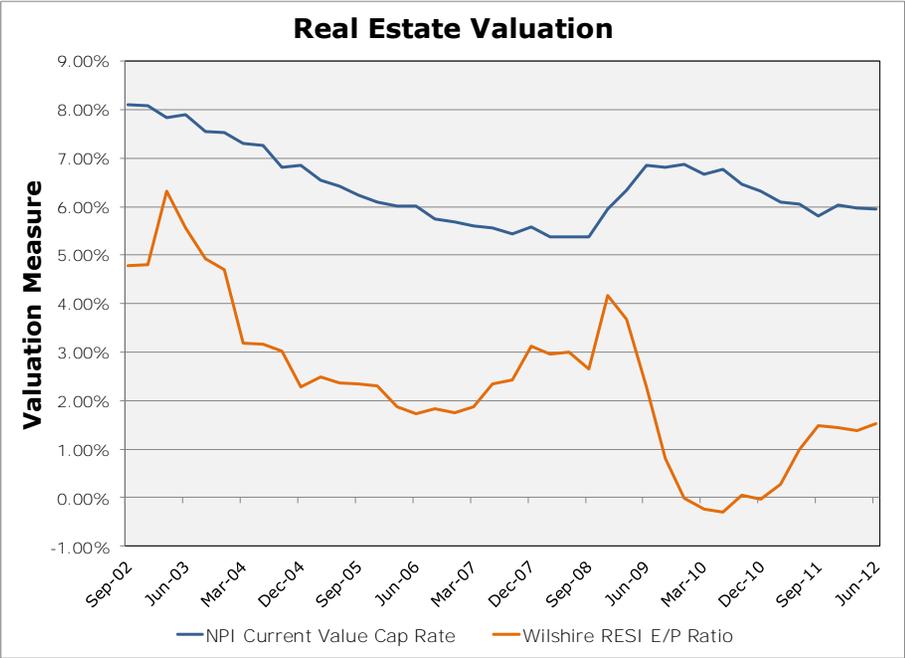




Real Assets

September 30, 2012	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays U.S. TIPS Index	2.1	6.2	9.1	9.3	7.9	6.6
Dow Jones UBS Commodity Index	9.7	5.6	6.0	5.3	-3.0	5.2
Global Public Real Estate*	3.3	18.9	30.5	17.4	0.2	12.4
NCREIF Property Index	2.3	7.8	11.0	10.9	2.3	8.3
NCREIF Timberland Index	0.8	1.7	2.2	-0.5	3.3	7.6
Alerian MLP Index (Oil & Gas)	8.9	8.5	26.2	25.1	14.0	17.3

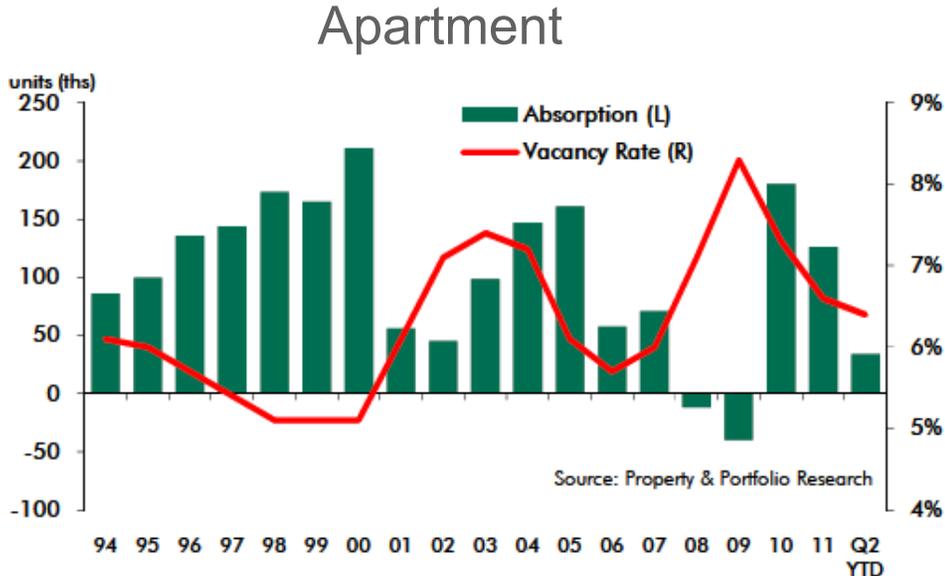
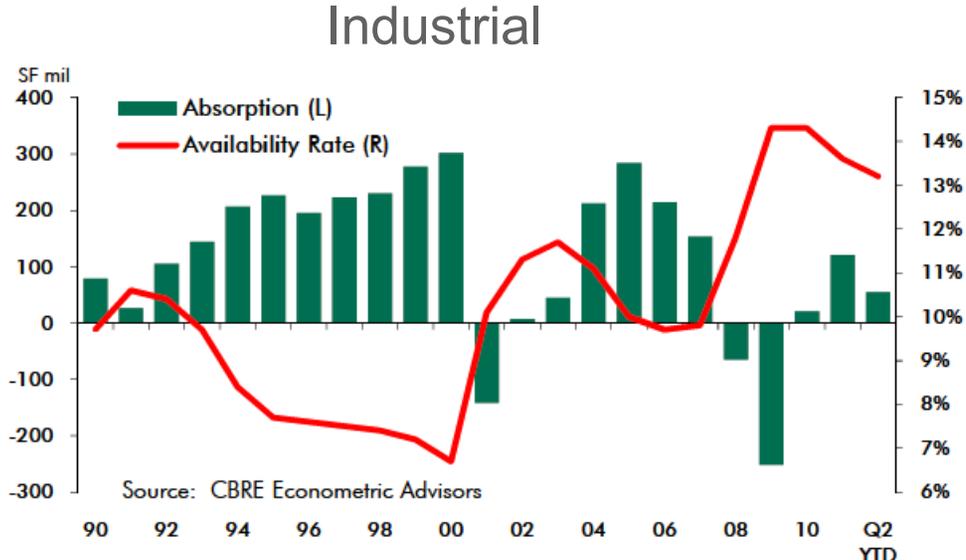
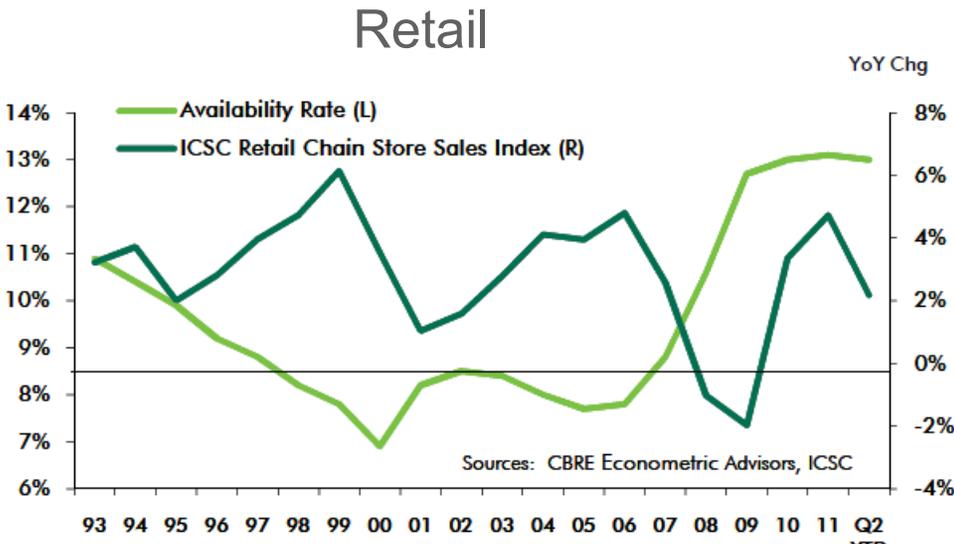
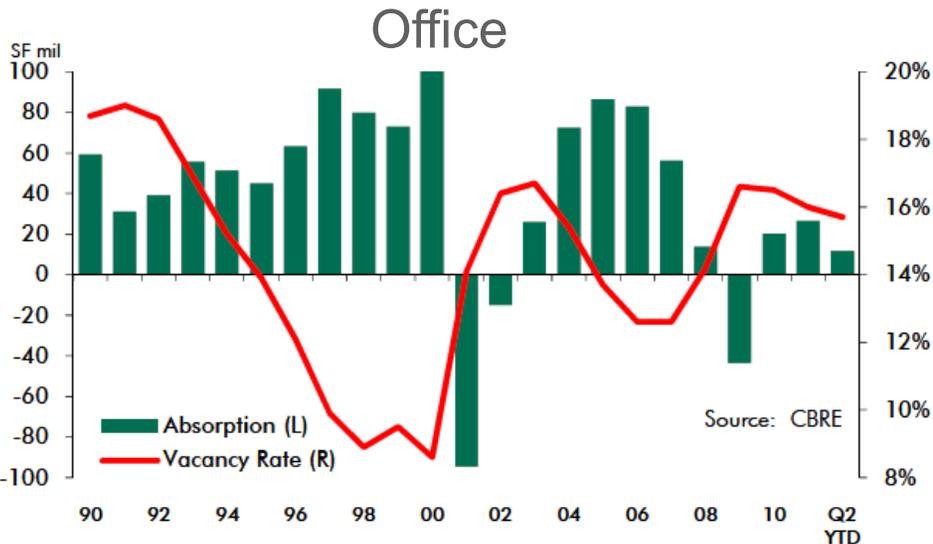
* Wilshire Global Real Estate Securities from June 2002 to December, 2004. Wilshire Global REITs from 2004 to present.



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



Commercial Property (as of Q2 2012)

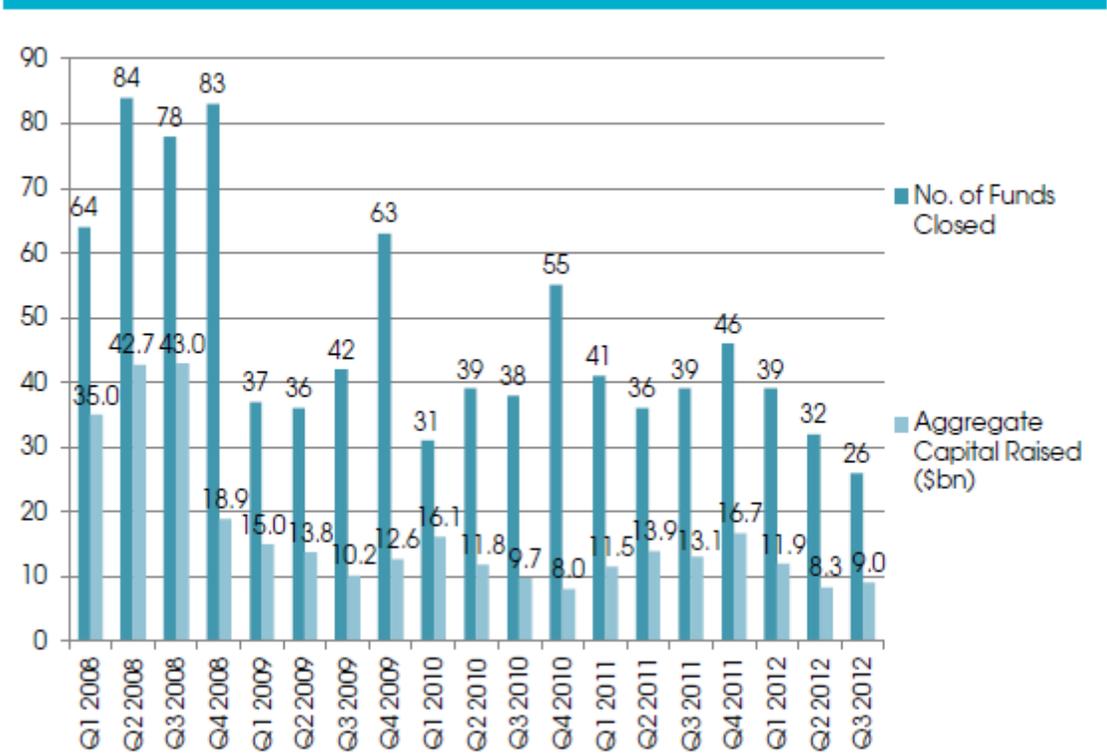


Source: CB RICHARD ELLIS



Real Estate Fundraising

Fig. 13: Quarterly Global Closed-End Private Real Estate Fundraising, Q1 2008 - Q3 2012



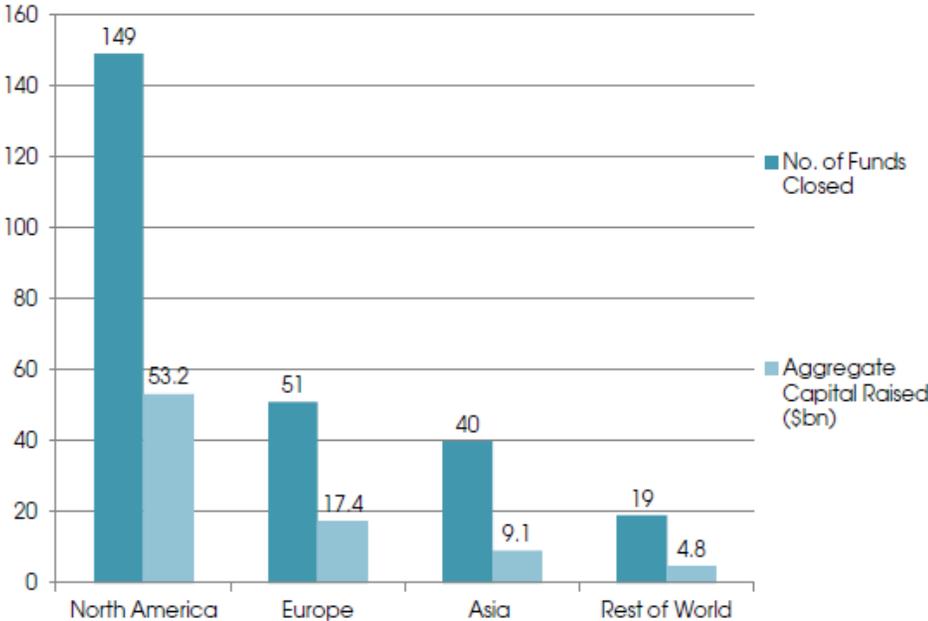
Source: Preqin Real Estate Online

Source: Preqin



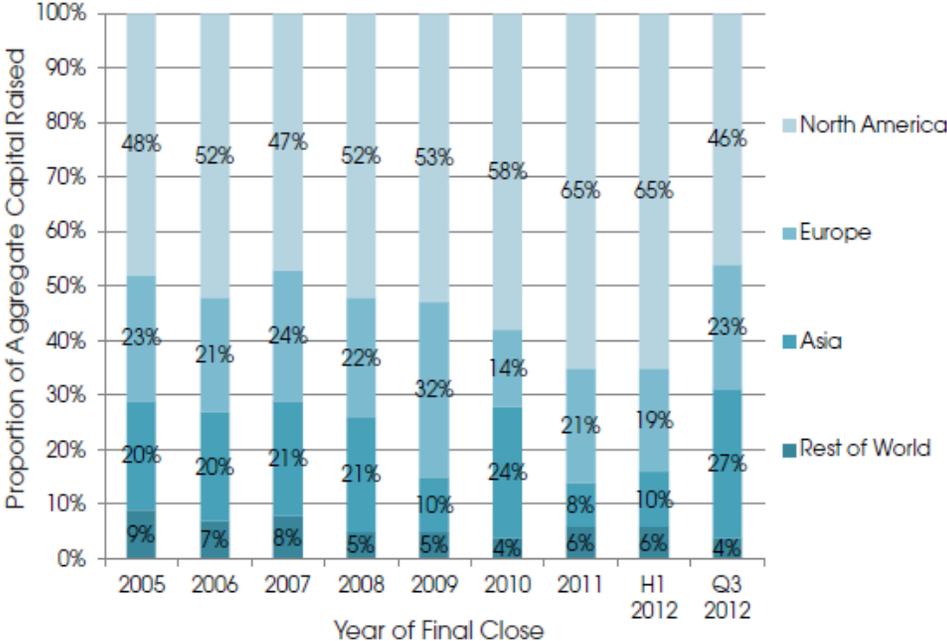
Real Estate Fundraising

Fig. 17: Closed-End Private Real Estate Fundraising by Primary Geographic Focus, 2011 - September 2012



Source: Preqin Real Estate Online

Fig. 18: Breakdown of Aggregate Capital Raised by Primary Regional Focus, 2005 - Q3 2012



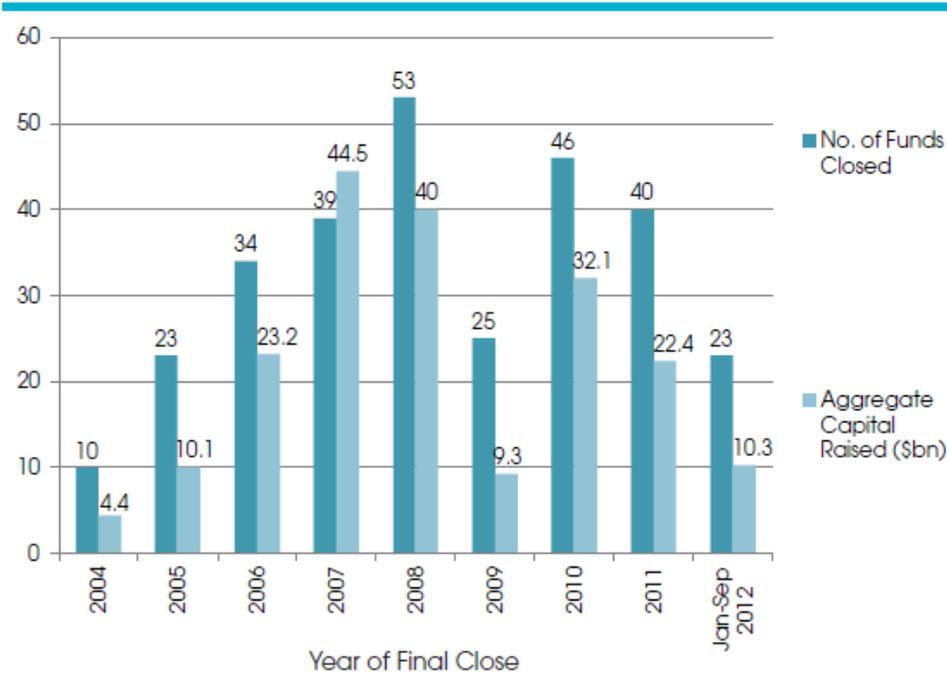
Source: Preqin Real Estate Online

Source: Preqin



Infrastructure

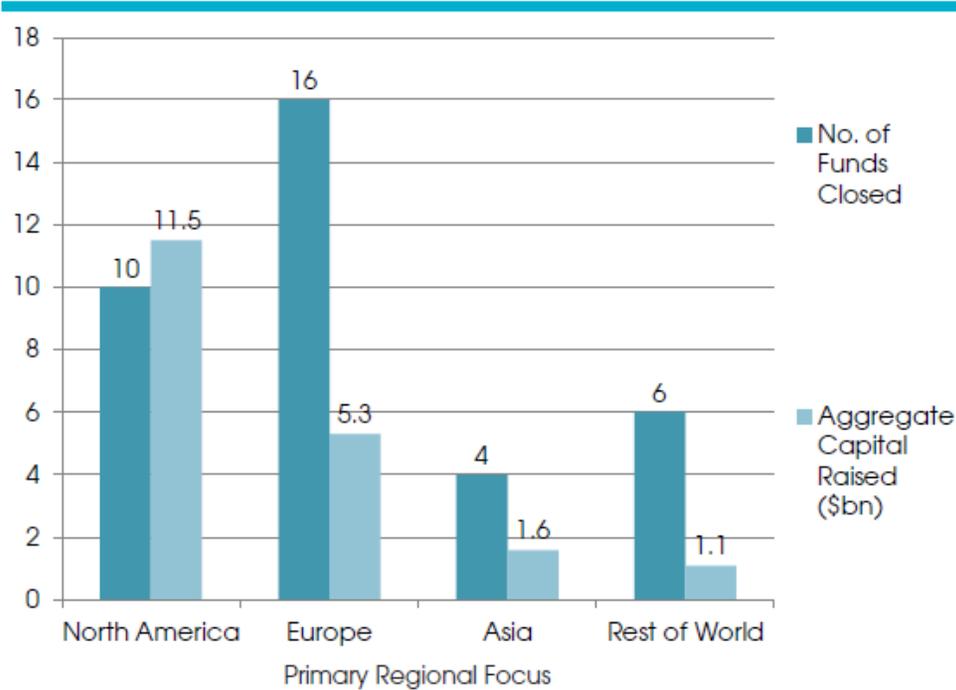
Fig. 5: Annual Unlisted Infrastructure Fundraising, 2004 - Q3 2012



Source: Preqin Infrastructure Online

Source: Preqin

Fig. 9: Unlisted Infrastructure Fundraising over the Past 12 Months by Primary Regional Focus



Source: Preqin Infrastructure Online



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	24.7	0.9%	11.0%	4.6%	-11.4%	3.3%	\$2.8 bil	-0.7	-1.1
<i>Real Assets Policy Benchmark</i>		2.2%	10.8%	8.6%	3.2%	8.7%		0.5	0.0
<i>Value Added</i>		-1.3%	0.2%	-4.0%	-14.6%	-5.4%			
Real Estate	21.6	1.2%	14.3%	5.2%	-12.6%	2.5%	\$2.9 bil	-0.7	-1.1
<i>Real Estate Policy Benchmark</i>		2.5%	12.6%	10.4%	4.1%	9.1%		0.5	0.0
<i>Value Added</i>		-1.3%	1.7%	-5.2%	-16.7%	-6.6%			
Forestland	2.1	-0.2%	-11.5%	-3.8%	-.-%	-.-%			
<i>NCREIF Timberland Index</i>		0.6%	1.1%	-0.7%	-.-%	-.-%			
<i>Value Added</i>		-0.8%	-12.6%	-3.1%	-.-%	-.-%			
Infrastructure	1.0	-0.9%	3.7%	28.1%	-.-%	-.-%			
<i>CPI + 400 BPS 1Qtr Lag</i>		1.0%	5.7%	7.1%	-.-%	-.-%			
<i>Value Added</i>		-1.9%	-2.0%	21.0%	-.-%	-.-%			

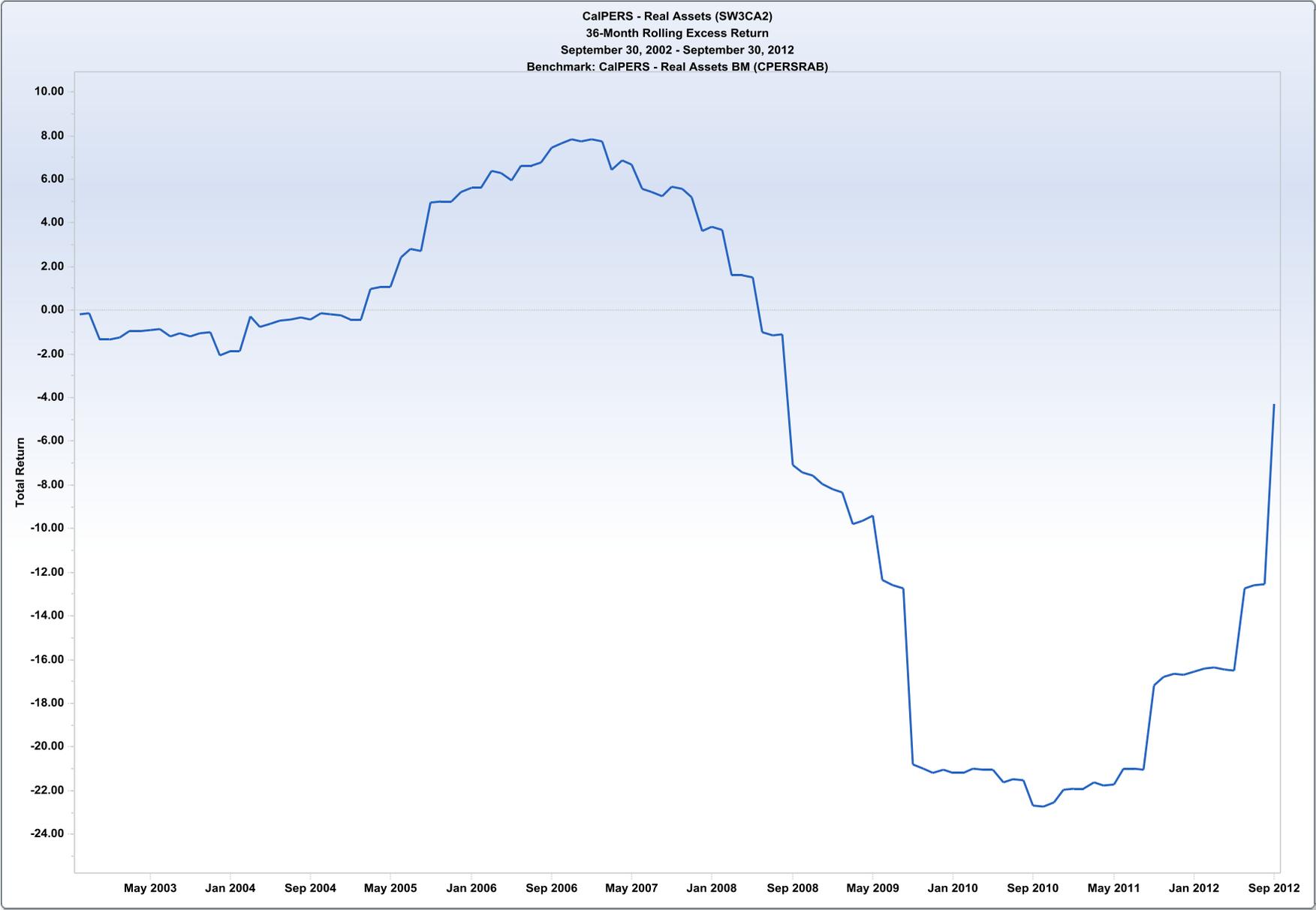


Real Estate – Performance

	Market Value	Qtr	1-Year	3-Year	5-Year	10-Year	VaR	5-year Sharpe Ratio	5-year Info Ratio
Real Estate	21.6	1.2%	14.3%	5.2%	-12.6%	2.5%	\$2.9 bil	-0.7	-1.1
<i>Real Estate Policy Benchmark</i>		2.5%	12.6%	10.4%	4.1%	9.1%		0.5	0.0
<i>Value Added</i>		-1.3%	1.7%	-5.2%	-16.7%	-6.6%			
Strategic Real Estate	13.2	0.3%	16.9%	13.7%	5.0%	14.3%			
<i>Wt. NCREIF ODCE+FTSE EPRA NAREIT</i>		2.5%	12.6%	10.4%	4.1%	9.1%			
<i>Value Added</i>		-2.2%	4.3%	3.3%	0.9%	5.2%			
Legacy Real Estate ex Public	6.9	2.0%	6.7%	-0.8%	-18.4%	-1.5%			
<i>Wt. NCREIF ODCE+FTSE EPRA NAREIT</i>		2.5%	12.6%	10.4%	4.1%	9.1%			
<i>Value Added</i>		-0.5%	-5.9%	-11.2%	-22.5%	-10.6%			
Public REITS	1.1	5.5%	30.4%	12.3%	-3.1%	10.5%			
<i>FTSE EPRA/NAREIT DE Index</i>		5.5%	30.6%	12.9%	-2.2%	11.8%			
<i>Value Added</i>		0.0%	-0.2%	-0.6%	-0.9%	-1.3%			

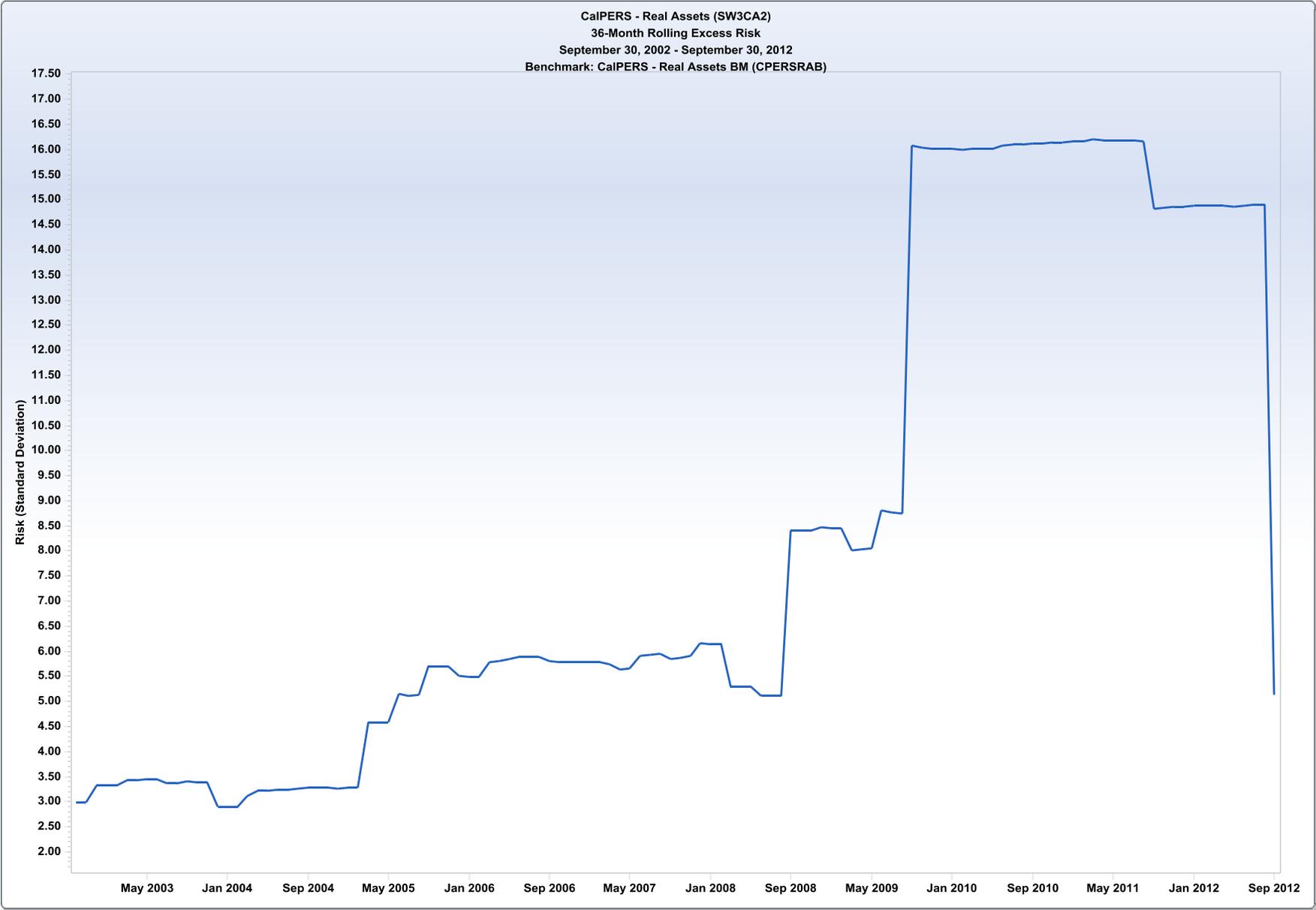


Real Assets – Rolling Excess Returns



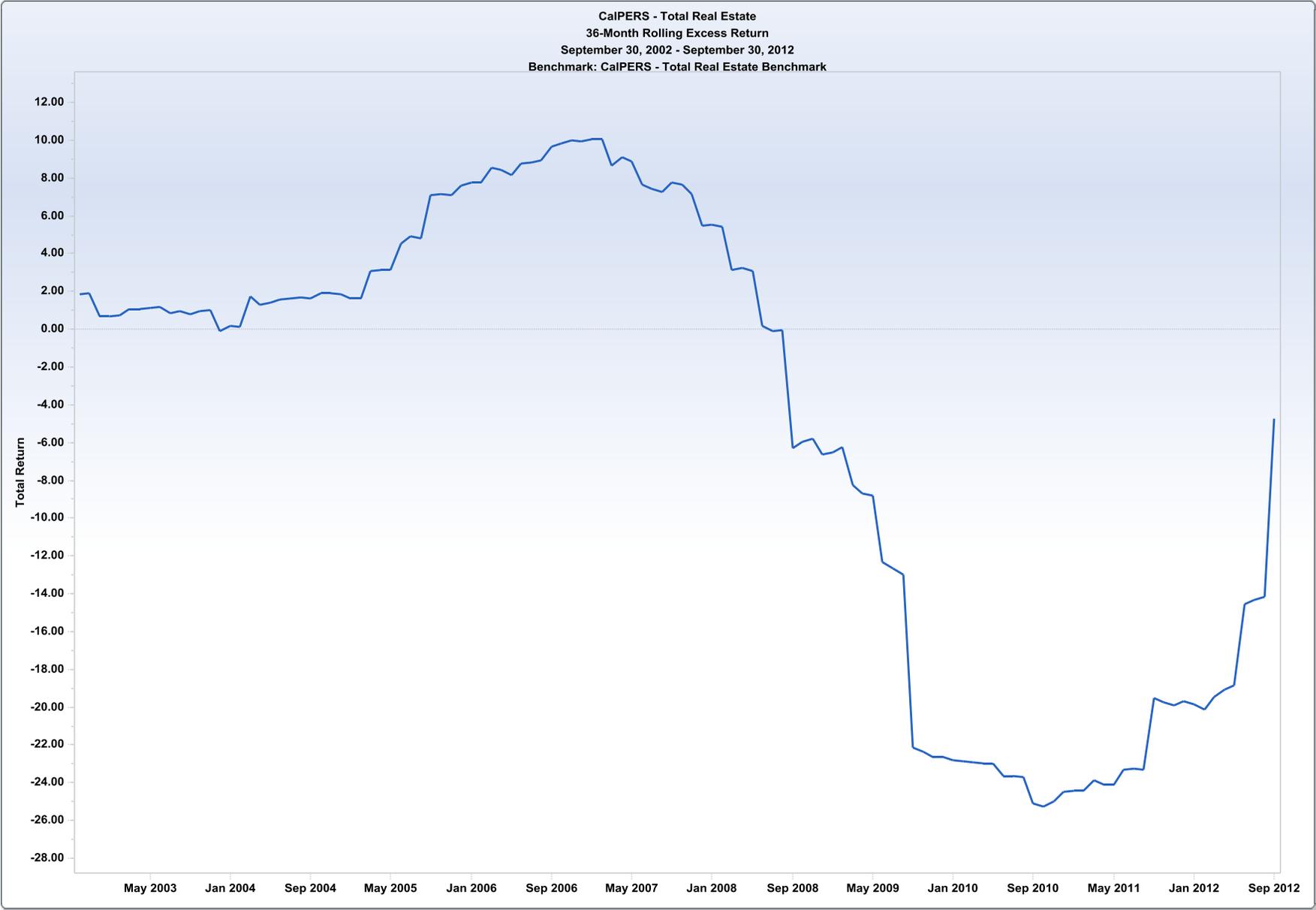


Real Assets – Rolling Tracking Error



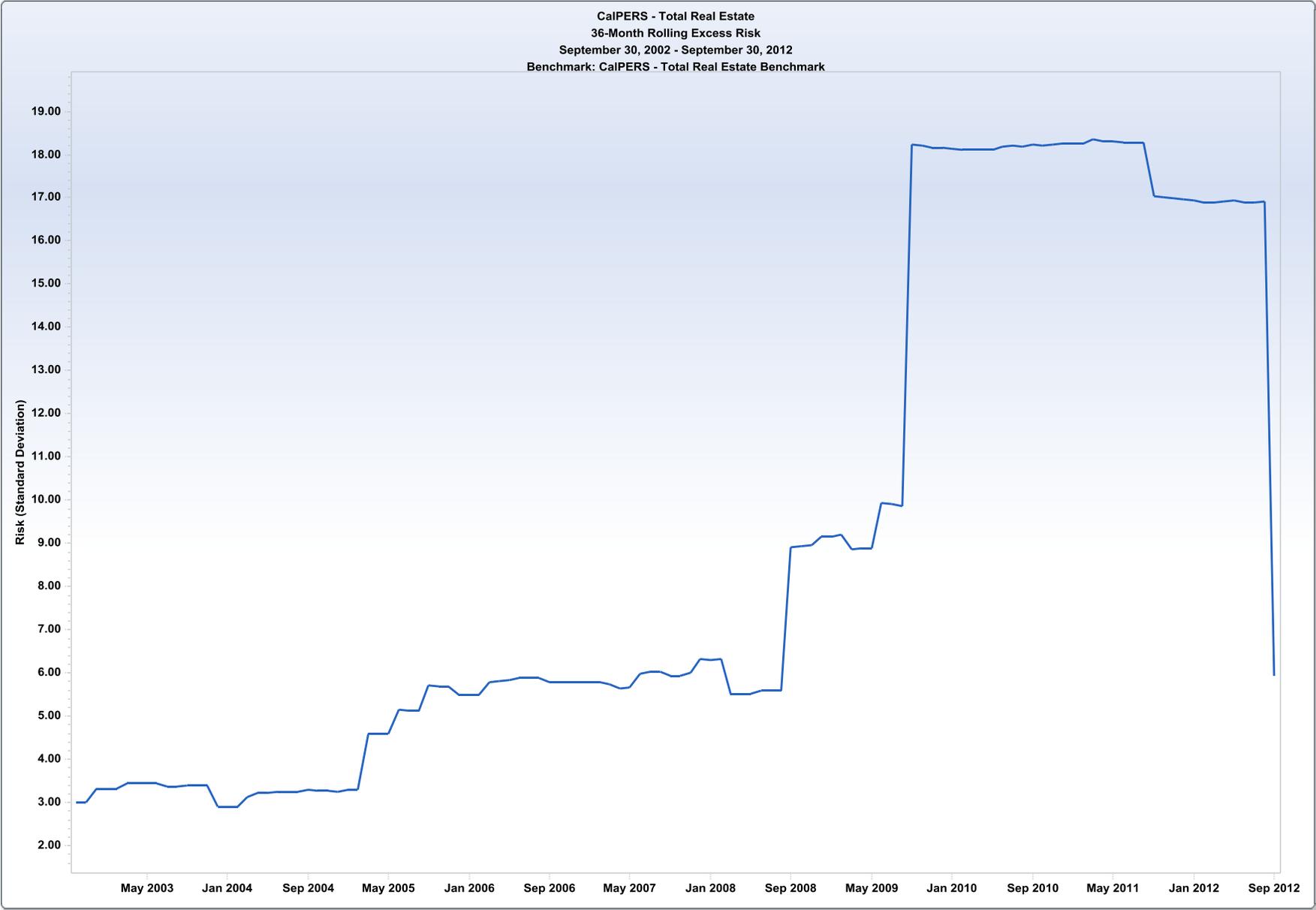


Real Estate – Rolling Excess Returns





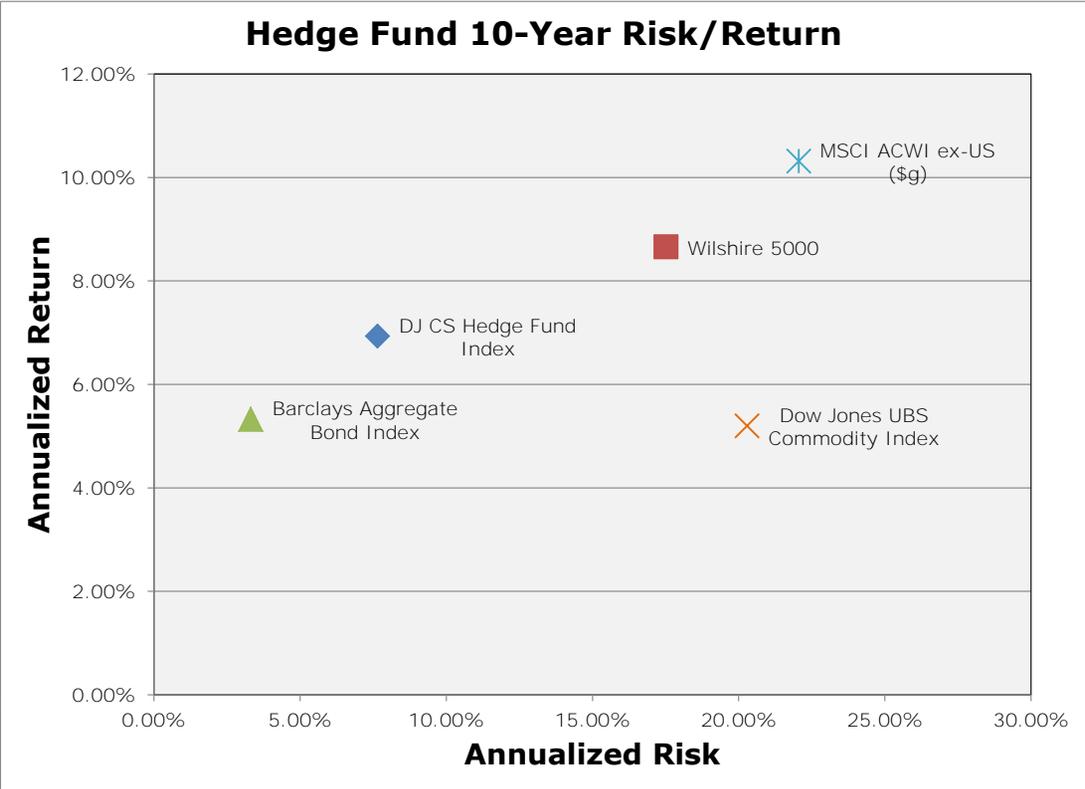
Real Estate – Rolling Tracking Error





Hedge Fund Performance

September 30, 2012	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
DJ CS Hedge Fund Index	3.3	5.6	6.4	5.6	2.3	6.9
Event Driven Index	3.6	7.2	7.9	4.8	2.0	8.2
Global Macro Index	3.1	3.3	3.9	8.4	6.7	9.8
Long/Short Equity Index	3.7	6.0	8.1	3.2	1.0	6.9
Multi-Strategy Index	3.5	8.2	9.6	7.5	3.1	7.1
Wilshire 5000	6.2	15.9	29.9	13.2	1.3	8.7
MSCI ACWI ex-US (\$g)	7.5	10.8	15.0	3.6	-3.7	10.3
Barclays Aggregate Bond Index	1.6	4.0	5.1	6.2	6.5	5.3
Dow Jones UBS Commodity Index	9.7	5.6	6.0	5.3	-3.0	5.2



Data sources: Wilshire Compa

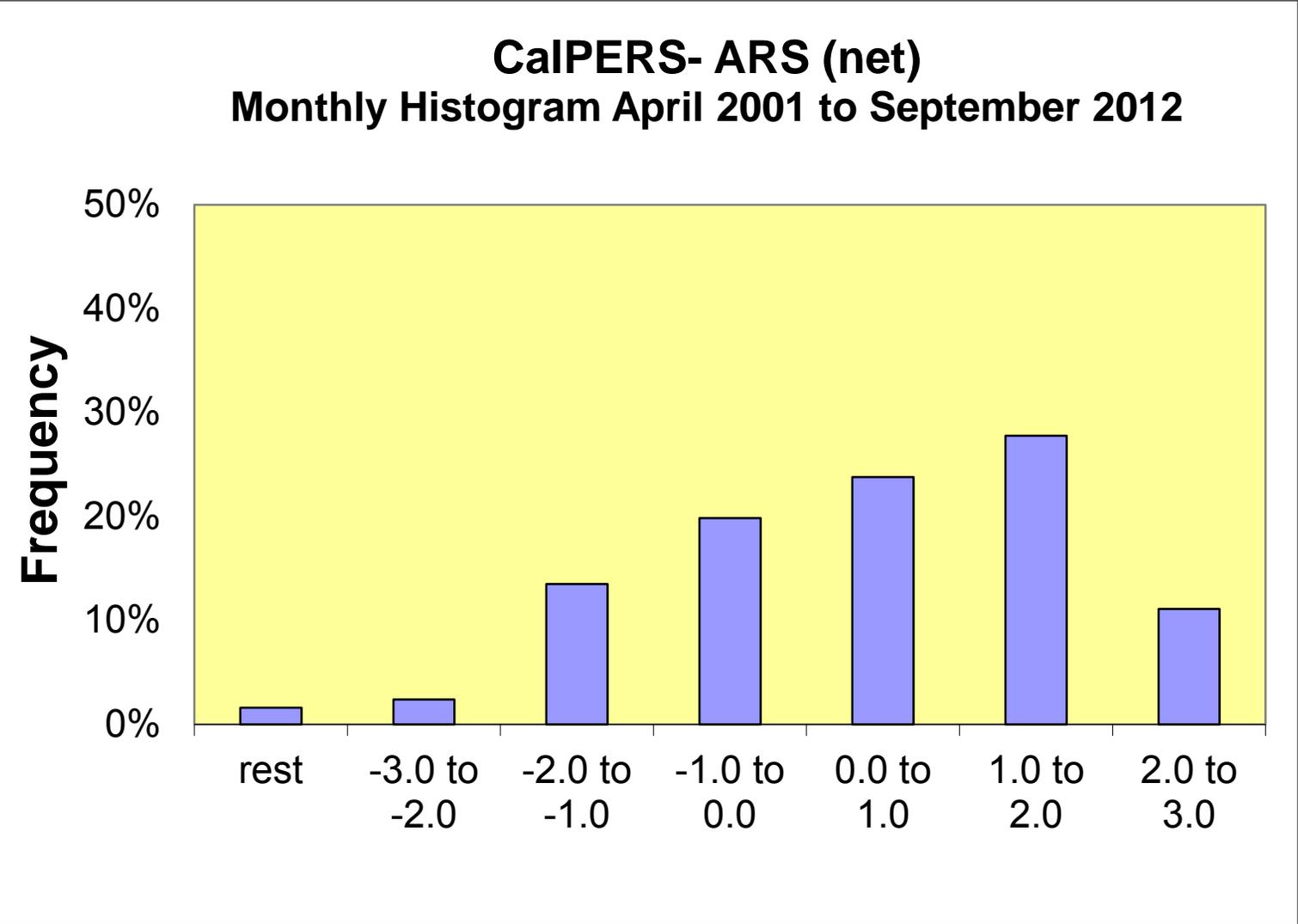


ARS – Distribution of Performance

	<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	2.2%	1.4%	3.3%	0.2%	5.5%	-1.0	0.0	-0.1	-0.2
<i>ARS Policy Benchmark</i>		1.4%	5.3%	5.6%	6.8%	9.0%				
<i>Value Added</i>		0.8%	-3.9%	-2.3%	-6.6%	-3.5%				
Total Direct Investments	3.6	2.4%	2.2%	4.7%	0.8%	6.1%				
Total Emerging Fund of Hedge Funds	1.5	1.9%	-0.4%	0.0%	-1.0%					
HFRI Fund of Funds Index		2.4%	2.9%	1.5%	-1.7%	3.6%				



ARS – Histogram of Monthly Returns





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