

# Update to The “CalPERS Effect” on Targeted Company Share Prices

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*September 24, 2013*

## **Summary**

Wilshire was asked to update the “CalPERS Effect” study on CalPERS engagement efforts as Staff continues monetizing the corporate governance engagement process. This report will be very similar to the longstanding “CalPERS Effect” paper that Wilshire published for a number of years. However, there are some key differences to this study, as will be noted throughout.

This analysis evaluates CalPERS’ corporate governance effectiveness by measuring the performance of the stocks of the 183 companies targeted by CalPERS from the 1999 engagement process through the 2012 engagement process – fourteen “cohort years”. Unlike the original “CalPERS Effect” study, this analysis examines the performance of all companies engaged – both “Focus List” companies and those that were engaged privately and were never officially named to the “Focus List.”

Relative performance is measured by examining the total return for targeted companies for the three years preceding CalPERS’ first involvement<sup>1</sup>, the “initiative date,” and the total return for these same companies for the subsequent five years. This analysis is prepared against two benchmarks: 1) all stocks against the Russell 1000 Index, and 2) each stock against its appropriate Russell 1000 sector index.

For the three years prior to the “initiative date”, the engaged companies produced returns that averaged 38.87% below the Russell 1000 Index on a cumulative basis, and 35.87% below the respective Russell 1000 sector indices. For the five years after the “initiative date,” the average engaged companies produced excess returns of 13.72% above the Russell 1000 Index and 12.11% above the respective Russell 1000 sector indices on a cumulative basis.

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<sup>1</sup> Due to data limitations, the 1999 cohort year companies are only examined for a three year period prior to engagement and the 2000 cohort year companies are only examined for a four year period prior to engagement. Because of this data limitation, we are only showing the “average” company performance for three years prior to the initiative date. All cohort years from 2001 forward show five years of performance preceding the initiative date in the appendix. All cohort years, including 1999 and 2000, examine the performance of companies for five years after the initiative date.

## *Analysis<sup>2</sup>*

To measure the significance of the “CalPERS Effect,” it is necessary to examine stock returns during the period before and after the initiative event. After the initiative date, stock returns respond to a wide range of economic and company specific news such as updated forecasts for GDP, inflation rates, interest rates, and corporate profitability. Measuring the cumulative stock returns against the market indices for the most part mitigates the economic and market impact on the stock’s return. Isolating the part of a stock return’s movement that is attributable solely to CalPERS’ involvement from the initiative date is more difficult, as there can be other factors that affect the returns.

In addition to CalPERS’ participation, competing or confounding corporate announcements that had nothing to do with CalPERS’ involvement (such as management changes, scandals, new businesses, etc.) affect the stock price. Taking out competing and confounding corporate announcement effects would be ideal to isolate the sole impact of CalPERS’ involvement. However, determining which announcements did and did not involve CalPERS is very subjective and completely eliminating these effects from the stock performance is impossible. Alternatively, eliminating those companies with corporate announcements during the five year period after the initiative date would eliminate all companies from the analysis. The continuing question is whether CalPERS’ governance activities contribute to improved share prices for those companies engaged. Thus, the objective is to see how well all companies performed against the two benchmarks over the long-term after CalPERS’ involvement, regardless of competing or confounding corporate announcements. Wilshire believes that by extending the post initiative observation period to five years, the impact on stock price of any one announcement is lessened, and the long-term effect of a company’s good or bad fundamental performance becomes more relevant.

## *Methodology*

This study reflects the results for all stocks engaged by CalPERS from 1999 through 2012 – fourteen cohort years. Wilshire compares the daily returns of each engaged company to the Russell 1000 and to the appropriate sector index of the Russell 1000 and compounds the return differences through time. It is important to note that some of the treatment of certain corporate activities may not lend themselves precisely to an attempt to replicate the performance of the engagement process moving forward. For example, when companies pay dividends, the cash flow is reflected in the daily returns of the stock. However, applying the same methodology to an investment process would assume that the dividends were removed from the account as soon as they were received. Similarly, if an engaged company is acquired or dissolves during the five years after the initiative date, the performance is fully reflected until the company stops trading. From an investment process view, this would assume that the position is fully liquidated at the closing price on the last trading day and the proceeds invested in the Russell 1000 Index or the appropriate sector index. Other difference between this study and the way an investor might implement this approach from a practical standpoint include the impacts of periodic rebalancing

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<sup>2</sup> Wilshire’s methodology is consistent with that used in a study entitled “Long-Term Rewards From Corporate Governance,” published in the *Journal of Applied Corporate Finance* in the winter of 1994. Daily excess returns are calculated and compounded to provide the cumulative relative performance.

– this study assumes an equal dollar investment in each company over time, with no rebalancing, whereas an investor might find it more appropriate to periodically rebalance to limit concentration in the portfolio. However, in spite of these differences, Wilshire believes that the results of this study in terms of outperformance relative to the two sets of benchmarks is indicative of what an investor might achieve, depending on how the investment process was structured.

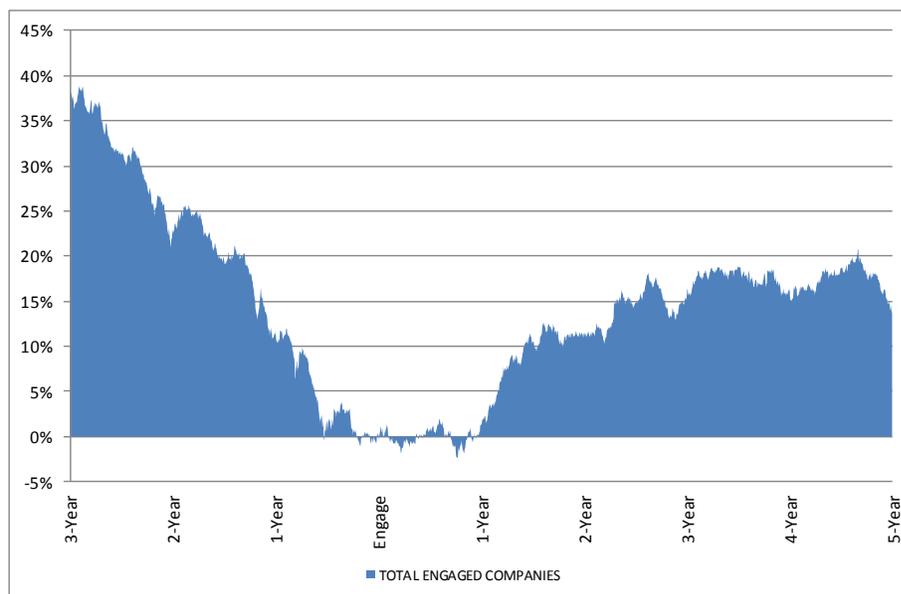
### *General findings*

Wilshire’s examination shows that CalPERS’ good governance campaign has added value to the share prices of targeted companies. For the three years prior to the initiative date, the engaged companies have produced returns that averaged 38.87% below the Russell 1000 Index and 35.87% below the appropriate Russell 1000 sector indices. For the first five years after the initiative date, targeted companies collectively produced stock returns of 13.72% above the Russell 1000 Index and 12.11% above the appropriate Russell 1000 sector indices on a cumulative basis.

The following exhibit plots the excess return for the 183 companies engaged by CalPERS versus the Russell 1000. The figure’s origin, at the center, marks the date of CalPERS’ first letter, or the initiative date. While actual initiative dates differ for each company, they act in the figure as a common starting point from which to measure the impact of CalPERS’ corporate governance efforts. Performance is presented through June 30, 2013 where applicable.

*Exhibit I.*

**Corporate Governance Program Engaged Companies - Total Composite  
Cumulative Excess Return Before and During  
Relative to Benchmark (Russell 1000)**



Time	Excess Return	# of Securities
-3 Years	38.87%	183
-2 Years	22.69%	183
-1 Year	11.33%	183
Engage	0.00%	183
+1 Year	1.43%	176
+2 Years	11.43%	176
+3 Years	15.35%	169
+4 Years	16.34%	155
+5 Years	13.72%	143

Moving left from the origin (0 on the horizontal axis) measures time prior to the initiative date, while moving right from the origin measures time subsequent to the initiative date. The vertical axis measures the cumulative excess return of the combined Focus List companies. The excess return plots below the origin represent negative figures, while the plots above the origin represent positive figures. The table to the right of the graph shows the actual cumulative excess return figures over various periods.

Starting at the far left, the 183 companies experienced a cumulative 38.87% shortfall for the three years prior to the CalPERS initiative. Likewise, these companies collectively underperformed their respective benchmarks by 11.33% and 22.69% over the one- and two-year periods prior to the initiative date. This analysis clearly demonstrates the steady erosion in shareholder value by companies prior to being placed on CalPERS’ Focus List.

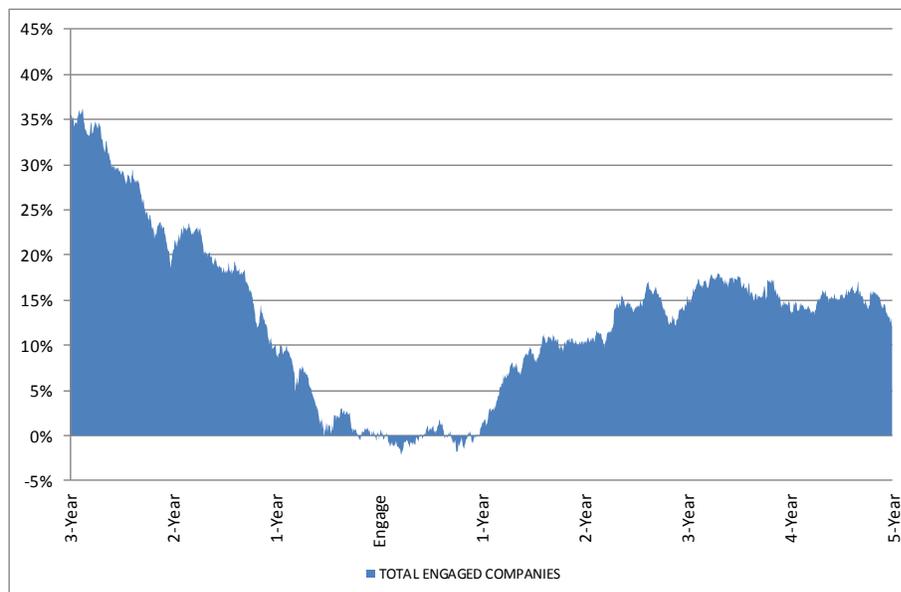
The figure also demonstrates the end of the targeted company stock price’s sharp erosion subsequent to CalPERS’ initial contact. Within one year, the 176 Focus List companies (The seven names added to the study in 2012 have only accumulated ten months of track record as of June 30, 2013) outperformed by 1.43%. By the fifth year, the cumulative excess return was 13.72%.

Exhibit II below plots the excess return for the 183 companies engaged by CalPERS versus the appropriate Russell 1000 sector indices. A similar pattern of underperformance prior to

engagement and outperformance after the initiative date is shown, even after adjusting for sector effects.

*Exhibit II.*

**Corporate Governance Program Engaged Companies - Total Composite  
Cumulative Excess Return Before and During  
Relative to Sector (Russell 1000)**



Time	Excess Return	# of Securities
-3 Years	35.87%	183
-2 Years	20.26%	183
-1 Year	10.02%	183
Engage	0.00%	183
+1 Year	1.05%	176
+2 Years	10.39%	176
+3 Years	14.52%	169
+4 Years	14.83%	155
+5 Years	12.11%	143

The table in Exhibit III shows the information ratio of the Focus List composite, which is defined as the excess return divided by the standard deviation of excess return or tracking error. The annualized excess return is calculated using the composite cumulative excess returns from Exhibit I through various time periods (1 Year, 2 Years, etc.). The annualized standard deviation is derived from the daily excess returns posted by the engaged companies from the initiative date to five years after the initiative date. The information ratio is simply the annualized excess returns divided by the annualized tracking error, or standard deviation of excess returns.

*Exhibit III.*
**Composite Annualized Information Ratios**

## Versus Russell 1000 Index

	Annualized Excess Return	Annualized Tracking Error	Information Ratio
1 Year	1.43%	5.27%	0.27
2 Years	5.56%	4.89%	1.14
3 Years	4.88%	4.40%	1.11
4 Years	3.86%	4.43%	0.87
5 Years	2.61%	4.65%	0.56

## Versus Russell 1000 Sector Indices

	Annualized Excess Return	Annualized Tracking Error	Information Ratio
1 Year	1.05%	4.83%	0.22
2 Years	5.07%	4.55%	1.11
3 Years	4.62%	4.12%	1.12
4 Years	3.52%	4.61%	0.76
5 Years	2.31%	4.75%	0.49

The tables below show the percentage of companies with positive and negative relative performance over various time periods from the initiative date versus both benchmarks.

*Exhibit IV*

**All Engaged Companies**  
**Excess Returns vs. Benchmark (Russell 1000)**

	<u>+ 1 Year</u>	<u>+2 Years</u>	<u>+3 Years</u>	<u>+4 Years</u>	<u>+5 Years</u>
# of Companies with Positive Excess Returns (Percent)	82 46.6%	101 57.4%	90 53.3%	79 51.0%	72 50.3%
# of Companies with Negative Excess Returns (Percent)	94 53.4%	75 42.6%	79 46.7%	76 49.0%	71 49.7%
Total Number of Companies	176	176	169	155	143
Median Stock Performance	-2.6%	8.6%	5.7%	1.6%	1.0%

**All Engaged Companies**  
**Excess Returns vs. Sector (Russell 1000)**

	<u>+ 1 Year</u>	<u>+2 Years</u>	<u>+3 Years</u>	<u>+4 Years</u>	<u>+5 Years</u>
# of Companies with Positive Excess Returns (Percent)	86 48.9%	104 59.1%	89 52.7%	79 51.0%	73 51.0%
# of Companies with Negative Excess Returns (Percent)	90 51.1%	72 40.9%	80 47.3%	76 49.0%	70 49.0%
Total Number of Companies	176	176	169	155	143
Median Stock Performance	-0.9%	7.2%	4.4%	0.6%	1.1%

Wilshire has further analyzed the dataset for the engaged companies to get a better picture of what has driven the performance of the total composite. Exhibit V below shows relative performance for various percentiles of the companies.

*Exhibit V*

Excess Returns vs. Benchmark (Russell 1000)						
	Number of Securities	Percentile Rank				
		10%	25%	50%	75%	90%
1-Year	176	-51.1%	-23.5%	-2.6%	20.7%	53.7%
2-Year	176	-54.8%	-24.2%	8.6%	39.7%	77.5%
3-Year	169	-60.8%	-28.2%	5.7%	53.6%	91.8%
4-Year	155	-72.8%	-46.4%	1.6%	56.6%	120.9%
5-Year	143	-91.9%	-54.3%	1.0%	54.3%	121.9%

Excess Returns vs. Sector (Russell 1000)						
	Number of Securities	Percentile Rank				
		10%	25%	50%	75%	90%
1-Year	176	-46.4%	-22.0%	-0.9%	23.1%	48.6%
2-Year	176	-50.0%	-20.9%	7.2%	37.9%	78.7%
3-Year	169	-55.0%	-28.8%	4.4%	50.7%	91.5%
4-Year	155	-70.4%	-38.5%	0.6%	56.3%	110.8%
5-Year	143	-84.9%	-49.9%	1.1%	53.1%	109.7%

The Appendix of this report provides additional information on the performance of the specific cohort years relative to both benchmarks.

### **Conclusion**

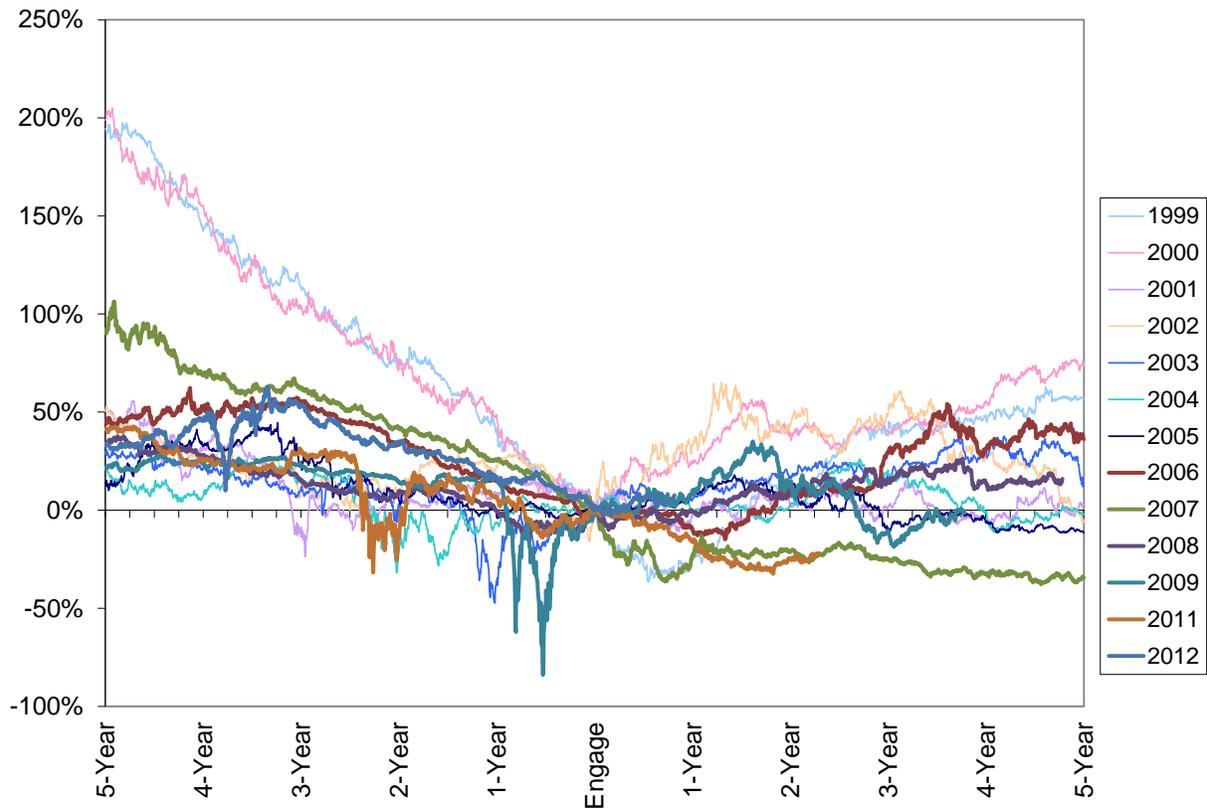
CalPERS' approach to improving portfolio returns by engaging management of poorly performing companies to rethink governance and strategy continues to work. Despite underperforming the Russell 1000 by 38.87% for the three years up to the initiation of CalPERS' shareholder activism, the 183 companies that were targeted by the System from 1999 through 2012 have outperformed by 13.72% over the subsequent five-year period on a cumulative basis.

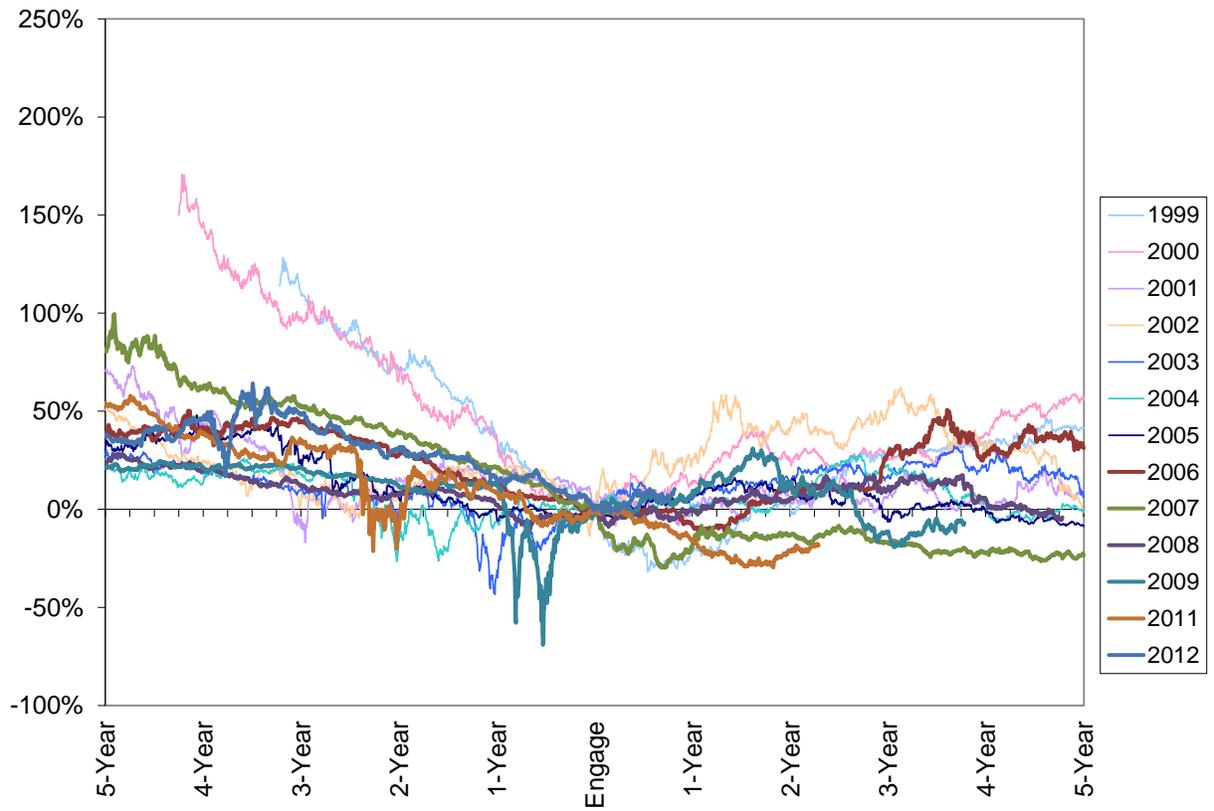
Most investment resources in the industry continue to be focused on identifying small misvaluations in publicly traded stocks. This is, perhaps, unfortunate since investors are not earning a satisfactory return on the manager fees and brokerage costs they pay, given the evidence showing that the public stock markets are fairly efficiently priced. However, the evidence is equally clear that many corporate assets are poorly managed and that resources spent on identifying and rectifying those cases can create substantial opportunity and premium returns for active shareholders. CalPERS has been an active corporate governance investor for many years and the continued success of the engagement process is proof that good corporate governance can improve shareholder returns.

**Appendix A**

The following graphs depicts the cumulative excess performance of the engaged companies by initiative date year. Each year represents the cumulative excess returns of all the engaged companies of that particular year. The first graph shows returns relative to the Russell 1000 Index. The second graph shows returns relative the appropriate sector indices of the Russell 1000 Index. The returns are depicted and described in the same manner as Exhibit I of the main report.

*Exhibit A.1*

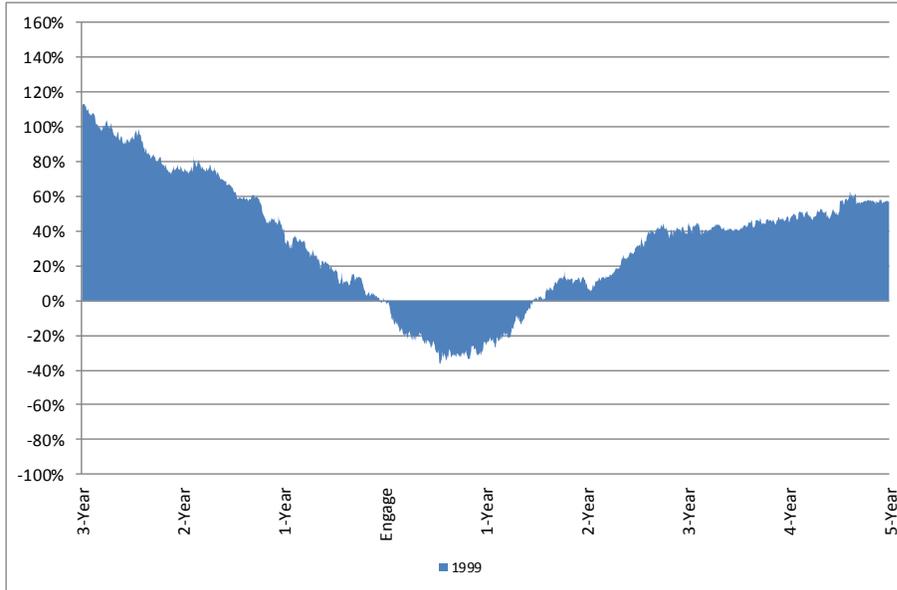




The rest of Exhibit A displays each year’s Focus List’s cumulative excess returns. Each year is presented in two charts – the first a comparison to the Russell 1000 Index and the second a comparison to the appropriate sector indices of the Russell 1000 Index.

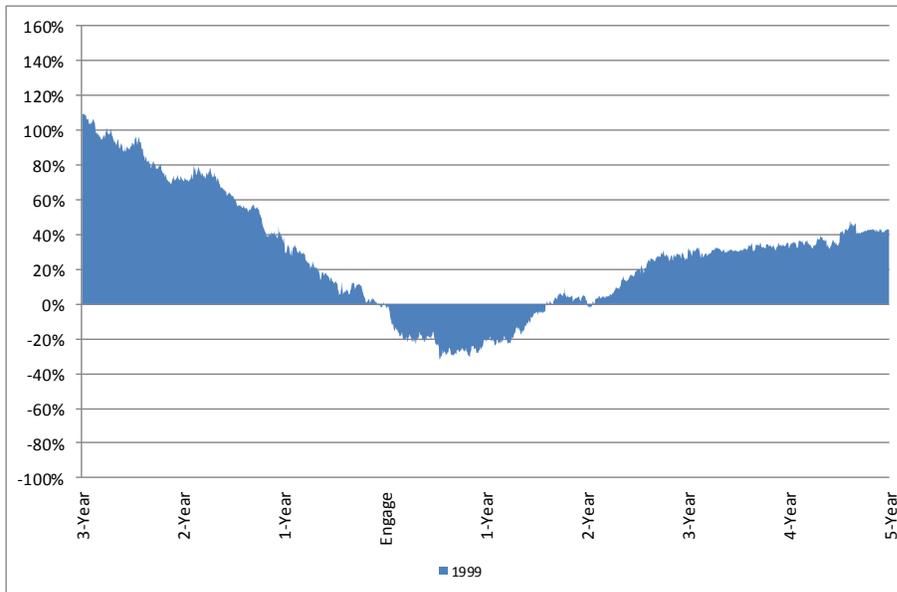
Exhibit A.2

**1999**  
**Cumulative Excess Return Before and During**  
**Relative to Benchmark (Russell 1000)**



Time	Excess Return	# of Securities
-3 Years	113.32%	14
-2 Years	74.56%	14
-1 Year	41.79%	14
Engage	0.00%	14
+1 Year	-24.94%	14
+2 Years	9.92%	14
+3 Years	37.97%	14
+4 Years	48.47%	14
+5 Years	56.79%	14

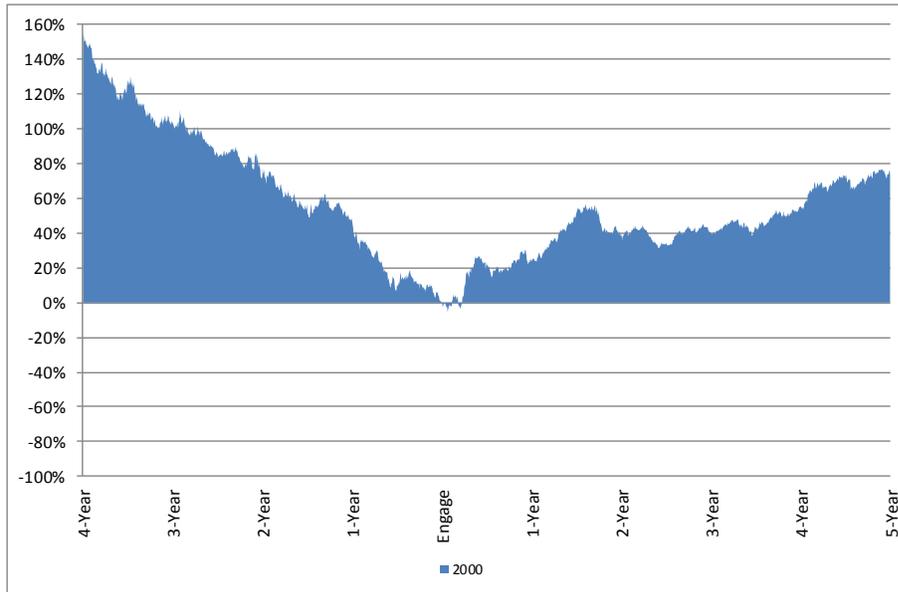
**1999**  
**Cumulative Excess Return Before and During**  
**Relative to Sector (Russell 1000)**



Time	Excess Return	# of Securities
-3 Years	109.67%	14
-2 Years	71.56%	14
-1 Year	38.17%	14
Engage	0.00%	14
+1 Year	-21.35%	14
+2 Years	2.29%	14
+3 Years	25.78%	14
+4 Years	35.35%	14
+5 Years	42.65%	14

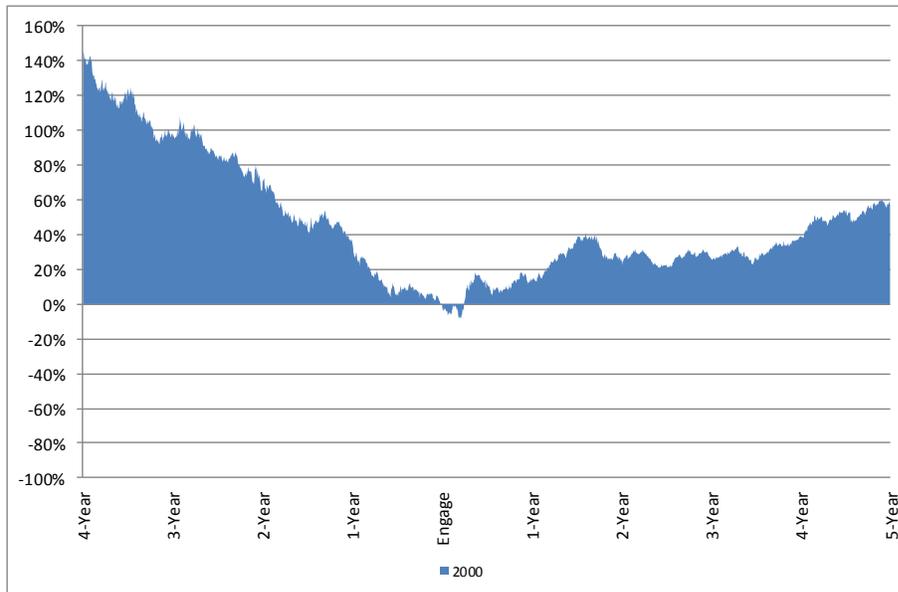
Exhibit A.3

**2000**  
**Cumulative Excess Return Before and During**  
**Relative to Benchmark (Russell 1000)**



Time	Excess Return	# of Securities
-4 Years	155.33%	15
-3 Years	103.97%	15
-2 Years	73.59%	15
-1 Year	46.75%	15
Engage	0.00%	15
+1 Year	24.43%	15
+2 Years	39.67%	15
+3 Years	40.11%	15
+4 Years	55.76%	15
+5 Years	73.62%	15

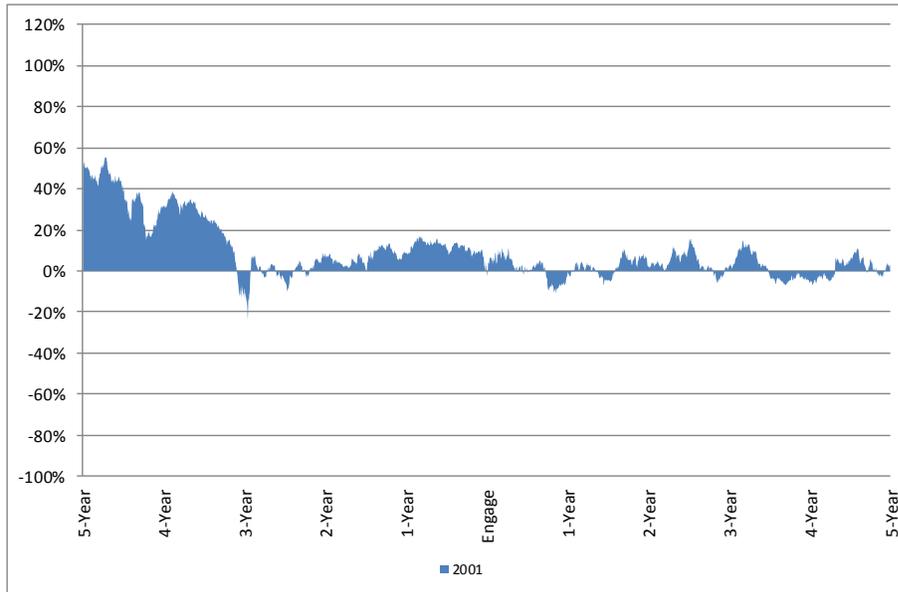
**2000**  
**Cumulative Excess Return Before and During**  
**Relative to Sector (Russell 1000)**



Time	Excess Return	# of Securities
-4 Years	146.27%	15
-3 Years	98.01%	15
-2 Years	67.67%	15
-1 Year	36.10%	15
Engage	0.00%	15
+1 Year	14.22%	15
+2 Years	26.09%	15
+3 Years	26.48%	15
+4 Years	39.35%	15
+5 Years	56.86%	15

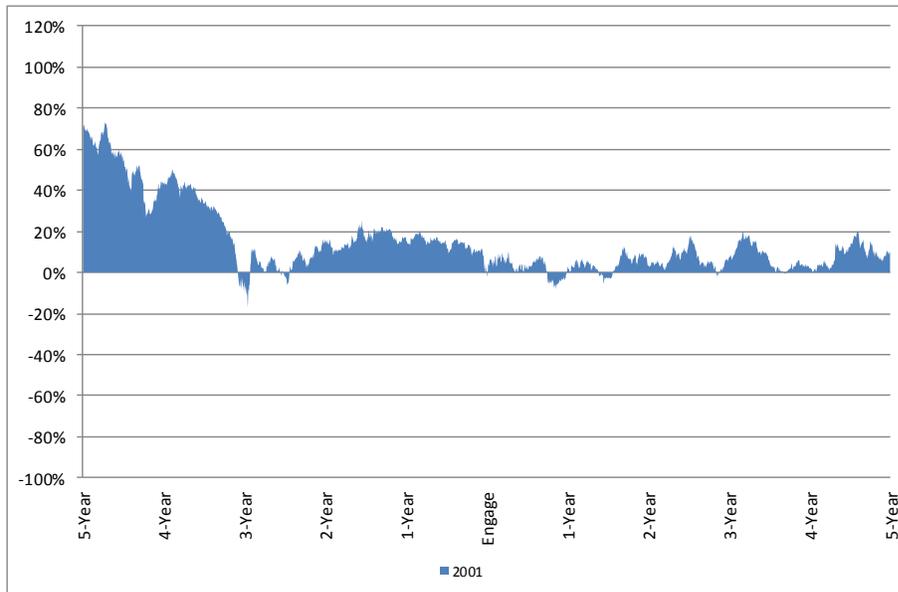
*Exhibit A.4*

**2001  
Cumulative Excess Return Before and During  
Relative to Benchmark (Russell 1000)**



Time	Excess Return	# of Securities
-5 Years	50.42%	14
-4 Years	31.37%	14
-3 Years	-8.68%	14
-2 Years	8.64%	14
-1 Year	8.65%	14
Engage	0.00%	14
+1 Year	-1.93%	14
+2 Years	2.55%	14
+3 Years	1.96%	14
+4 Years	-5.60%	14
+5 Years	2.82%	14

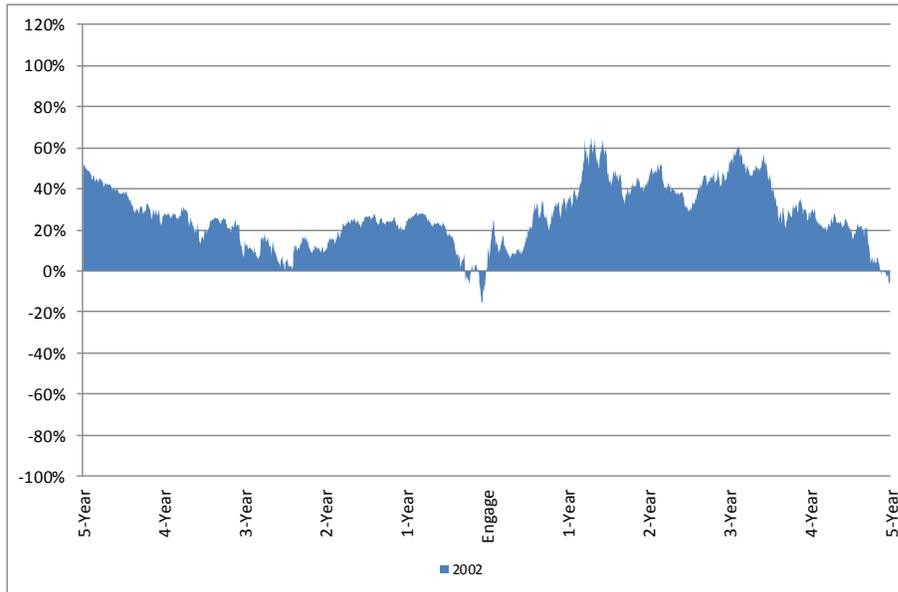
**2001  
Cumulative Excess Return Before and During  
Relative to Sector (Russell 1000)**



Time	Excess Return	# of Securities
-5 Years	70.31%	14
-4 Years	43.02%	14
-3 Years	-4.98%	14
-2 Years	16.07%	14
-1 Year	16.98%	14
Engage	0.00%	14
+1 Year	1.45%	14
+2 Years	3.55%	14
+3 Years	6.83%	14
+4 Years	2.05%	14
+5 Years	9.97%	14

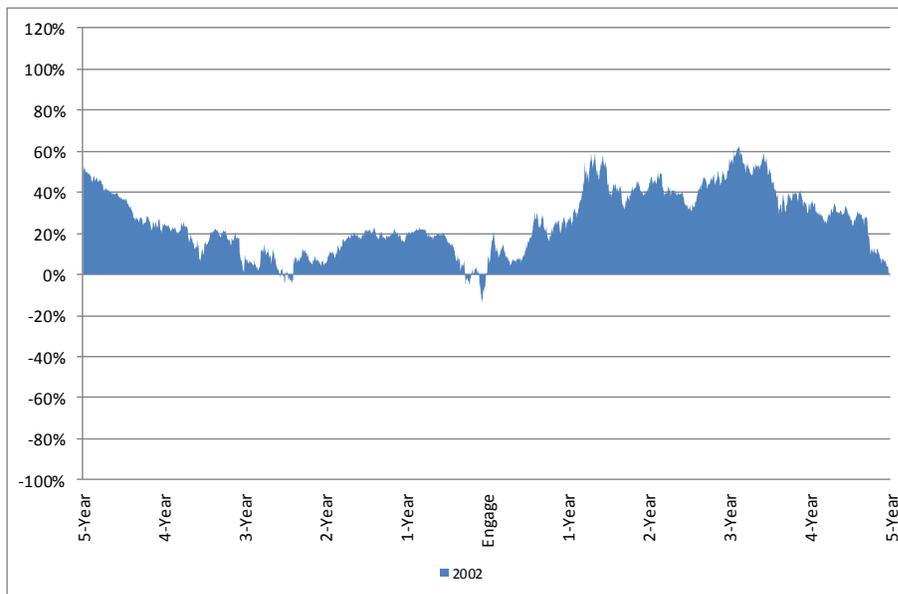
Exhibit A.5

**2002**  
**Cumulative Excess Return Before and During**  
**Relative to Benchmark (Russell 1000)**



Time	Excess Return	# of Securities
-5 Years	50.63%	17
-4 Years	26.82%	17
-3 Years	11.56%	17
-2 Years	9.52%	17
-1 Year	22.81%	17
Engage	0.00%	17
+1 Year	33.23%	17
+2 Years	42.44%	17
+3 Years	47.99%	17
+4 Years	28.28%	17
+5 Years	-5.44%	17

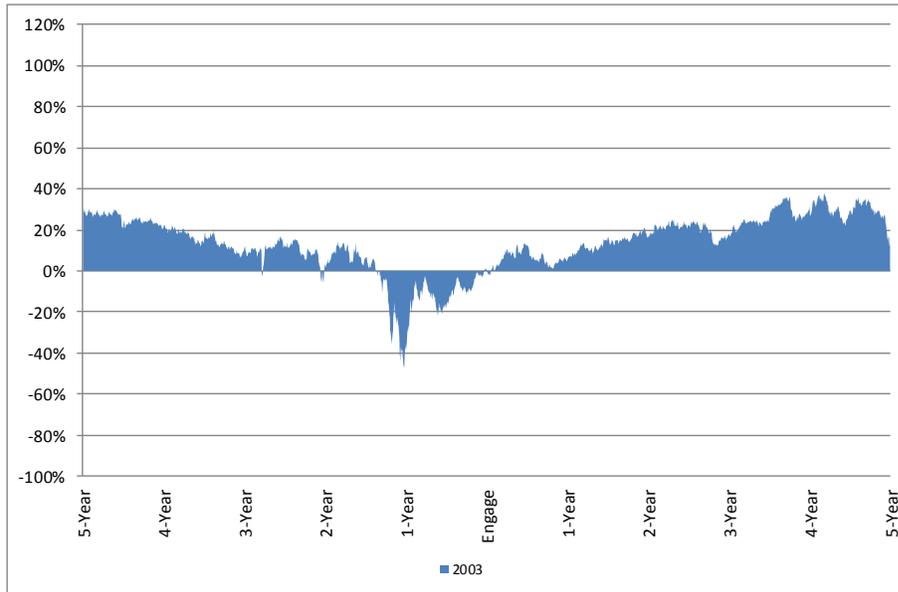
**2002**  
**Cumulative Excess Return Before and During**  
**Relative to Sector (Russell 1000)**



Time	Excess Return	# of Securities
-5 Years	50.56%	17
-4 Years	23.59%	17
-3 Years	5.99%	17
-2 Years	5.12%	17
-1 Year	18.85%	17
Engage	0.00%	17
+1 Year	25.35%	17
+2 Years	40.44%	17
+3 Years	50.66%	17
+4 Years	33.93%	17
+5 Years	-0.10%	17

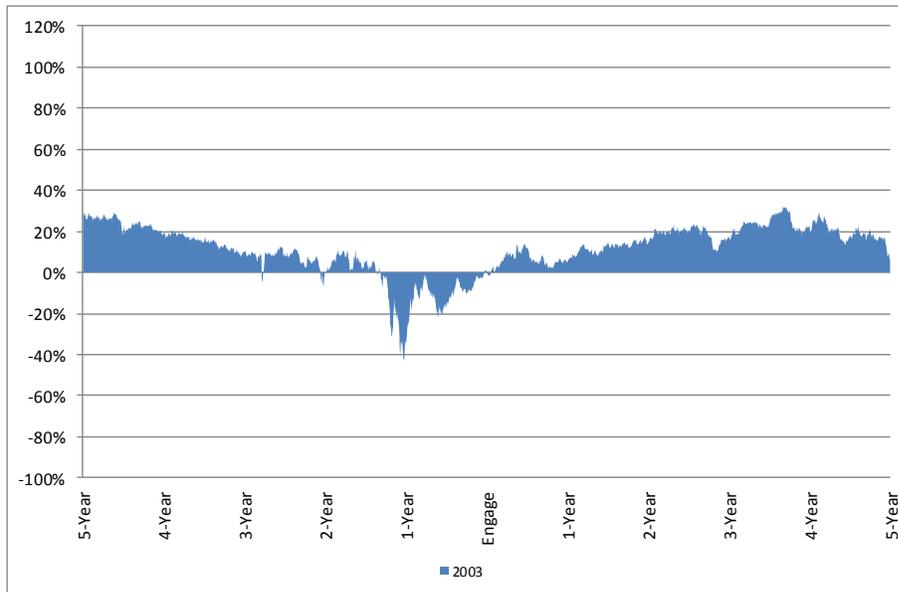
Exhibit A.6

**2003**  
**Cumulative Excess Return Before and During**  
**Relative to Benchmark (Russell 1000)**



Time	Excess Return	# of Securities
-5 Years	29.58%	17
-4 Years	22.04%	17
-3 Years	11.48%	17
-2 Years	3.31%	17
-1 Year	-38.40%	17
Engage	0.00%	17
+1 Year	5.34%	17
+2 Years	17.42%	17
+3 Years	18.41%	17
+4 Years	31.25%	17
+5 Years	13.58%	17

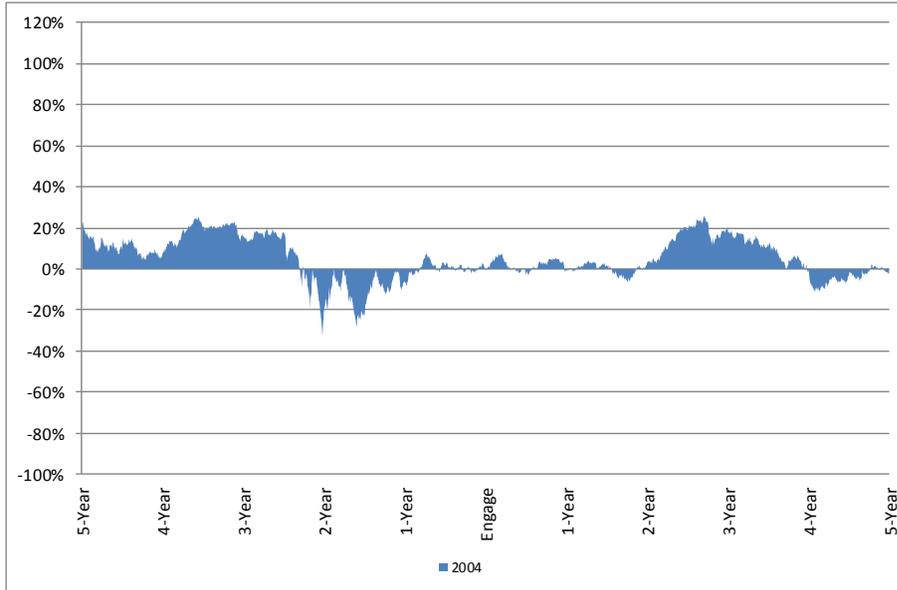
**2003**  
**Cumulative Excess Return Before and During**  
**Relative to Sector (Russell 1000)**



Time	Excess Return	# of Securities
-5 Years	28.00%	17
-4 Years	19.27%	17
-3 Years	10.14%	17
-2 Years	0.47%	17
-1 Year	-34.28%	17
Engage	0.00%	17
+1 Year	5.22%	17
+2 Years	14.82%	17
+3 Years	17.79%	17
+4 Years	23.25%	17
+5 Years	7.21%	17

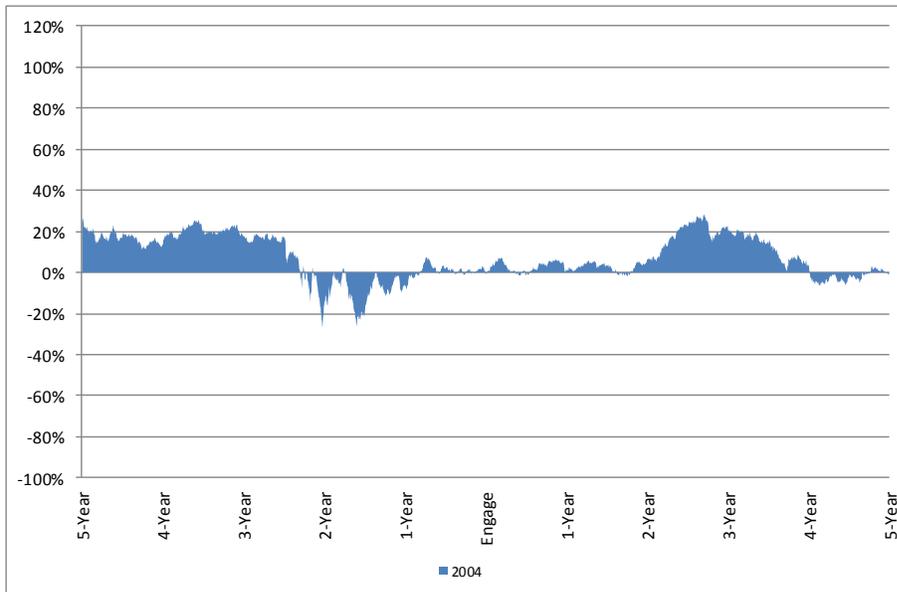
*Exhibit A.7*

**2004  
Cumulative Excess Return Before and During  
Relative to Benchmark (Russell 1000)**



Time	Excess Return	# of Securities
-5 Years	21.43%	16
-4 Years	7.70%	16
-3 Years	15.89%	16
-2 Years	-20.80%	16
-1 Year	-6.06%	16
Engage	0.00%	16
+1 Year	-0.32%	16
+2 Years	3.15%	16
+3 Years	20.43%	16
+4 Years	-1.19%	16
+5 Years	-1.87%	16

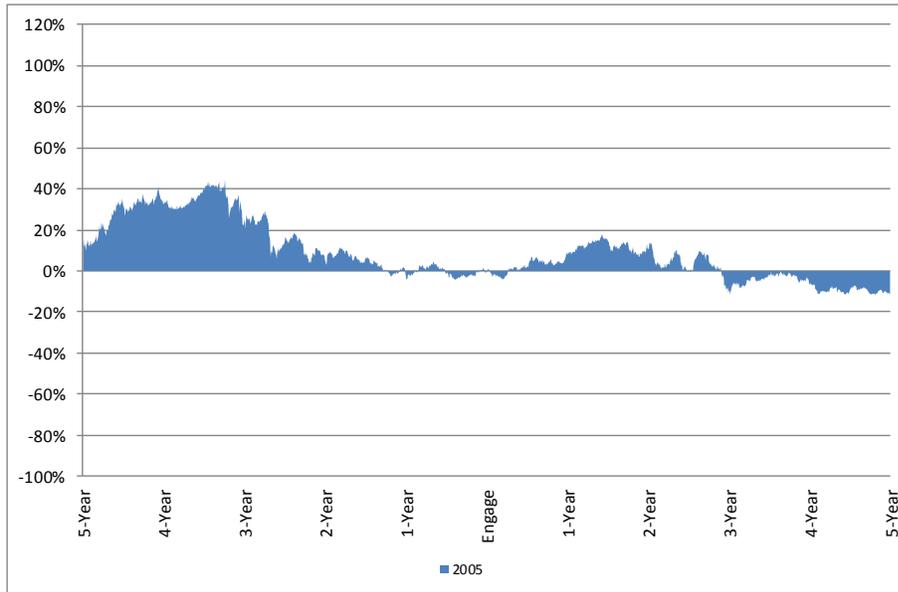
**2004  
Cumulative Excess Return Before and During  
Relative to Sector (Russell 1000)**



Time	Excess Return	# of Securities
-5 Years	25.12%	16
-4 Years	13.40%	16
-3 Years	17.48%	16
-2 Years	-16.16%	16
-1 Year	-6.09%	16
Engage	0.00%	16
+1 Year	1.32%	16
+2 Years	6.21%	16
+3 Years	22.97%	16
+4 Years	3.16%	16
+5 Years	-0.78%	16

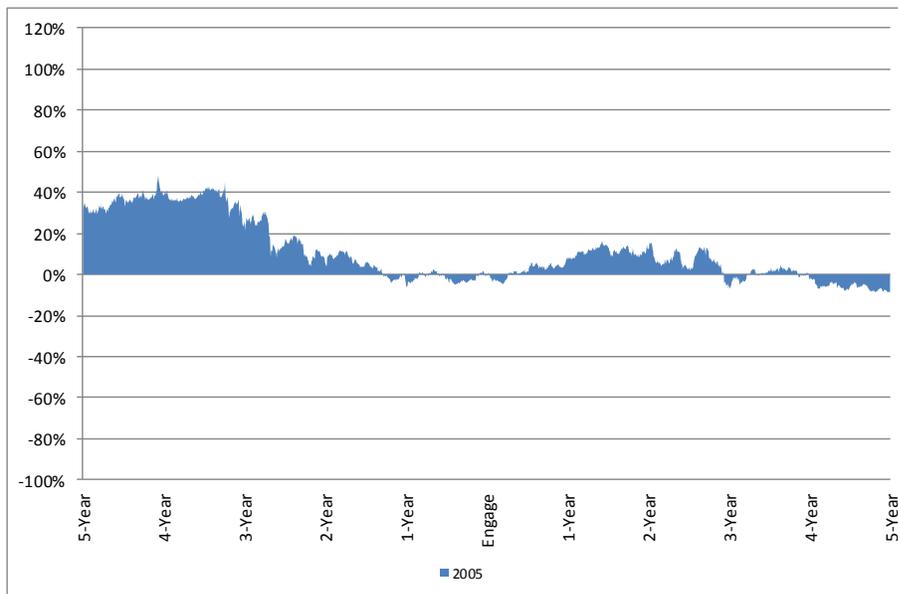
Exhibit A.8

**2005**  
**Cumulative Excess Return Before and During**  
**Relative to Benchmark (Russell 1000)**



Time	Excess Return	# of Securities
-5 Years	12.61%	16
-4 Years	32.68%	16
-3 Years	24.78%	16
-2 Years	5.01%	16
-1 Year	-2.67%	16
Engage	0.00%	16
+1 Year	8.21%	16
+2 Years	10.91%	16
+3 Years	-9.98%	16
+4 Years	-6.43%	16
+5 Years	-11.58%	16

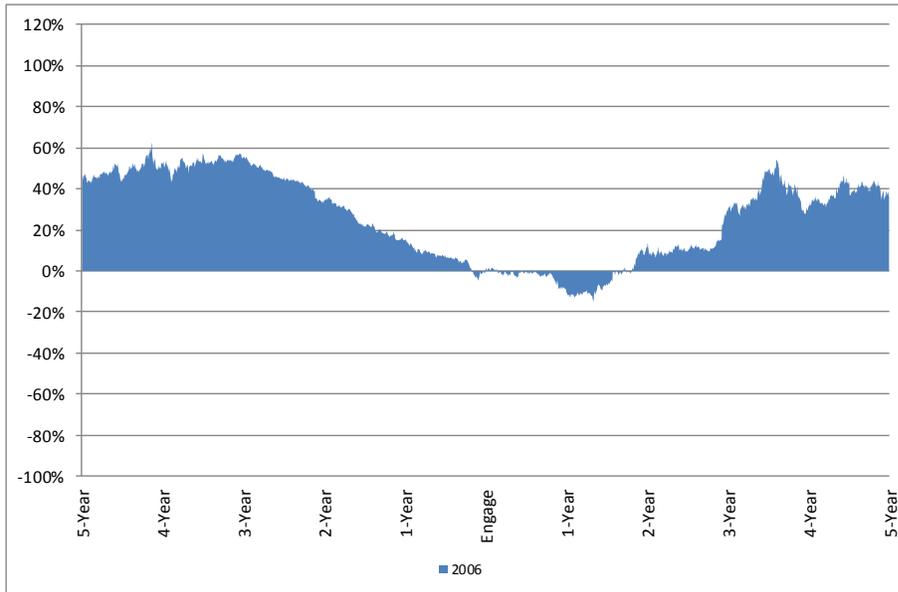
**2005**  
**Cumulative Excess Return Before and During**  
**Relative to Sector (Russell 1000)**



Time	Excess Return	# of Securities
-5 Years	30.89%	16
-4 Years	38.46%	16
-3 Years	25.42%	16
-2 Years	5.70%	16
-1 Year	-4.50%	16
Engage	0.00%	16
+1 Year	7.53%	16
+2 Years	12.69%	16
+3 Years	-6.23%	16
+4 Years	-2.23%	16
+5 Years	-9.12%	16

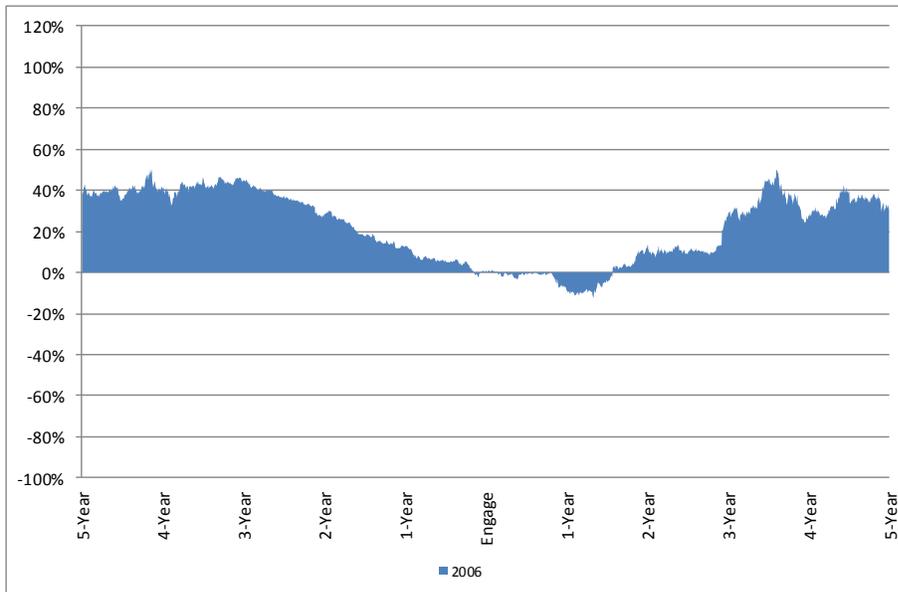
*Exhibit A.9*

**2006  
Cumulative Excess Return Before and During  
Relative to Benchmark (Russell 1000)**



Time	Excess Return	# of Securities
-5 Years	46.06%	18
-4 Years	52.15%	18
-3 Years	55.46%	18
-2 Years	34.12%	18
-1 Year	14.95%	18
Engage	0.00%	18
+1 Year	-9.85%	18
+2 Years	11.56%	18
+3 Years	29.14%	18
+4 Years	31.32%	18
+5 Years	36.18%	18

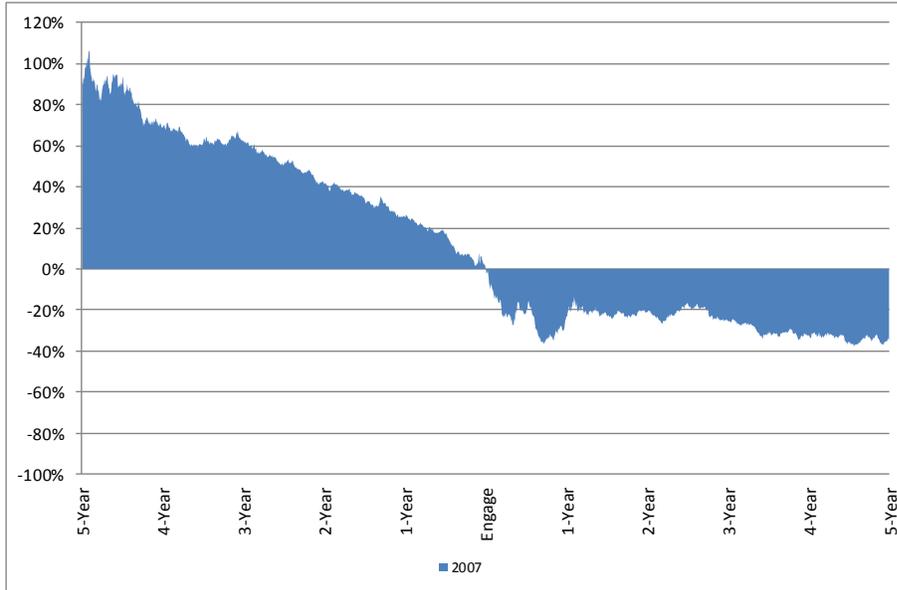
**2006  
Cumulative Excess Return Before and During  
Relative to Sector (Russell 1000)**



Time	Excess Return	# of Securities
-5 Years	38.63%	18
-4 Years	40.66%	18
-3 Years	44.94%	18
-2 Years	28.06%	18
-1 Year	12.64%	18
Engage	0.00%	18
+1 Year	-8.04%	18
+2 Years	12.03%	18
+3 Years	27.06%	18
+4 Years	27.55%	18
+5 Years	30.44%	18

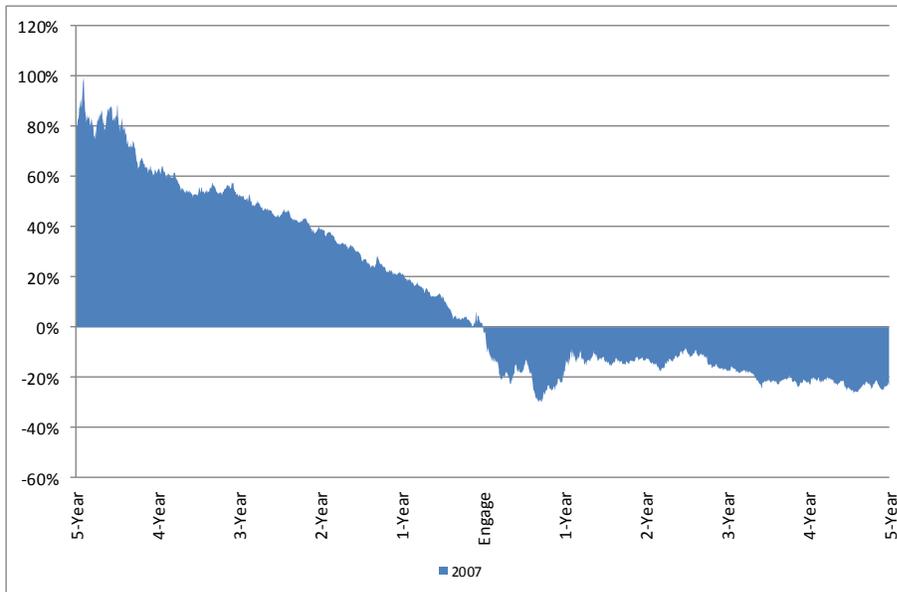
*Exhibit A.10*

**2007**  
**Cumulative Excess Return Before and During**  
**Relative to Benchmark (Russell 1000)**



Time	Excess Return	# of Securities
-5 Years	91.75%	16
-4 Years	68.80%	16
-3 Years	62.18%	16
-2 Years	41.64%	16
-1 Year	25.41%	16
Engage	0.00%	16
+1 Year	-22.60%	16
+2 Years	-21.01%	16
+3 Years	-25.18%	16
+4 Years	-32.58%	16
+5 Years	-34.43%	16

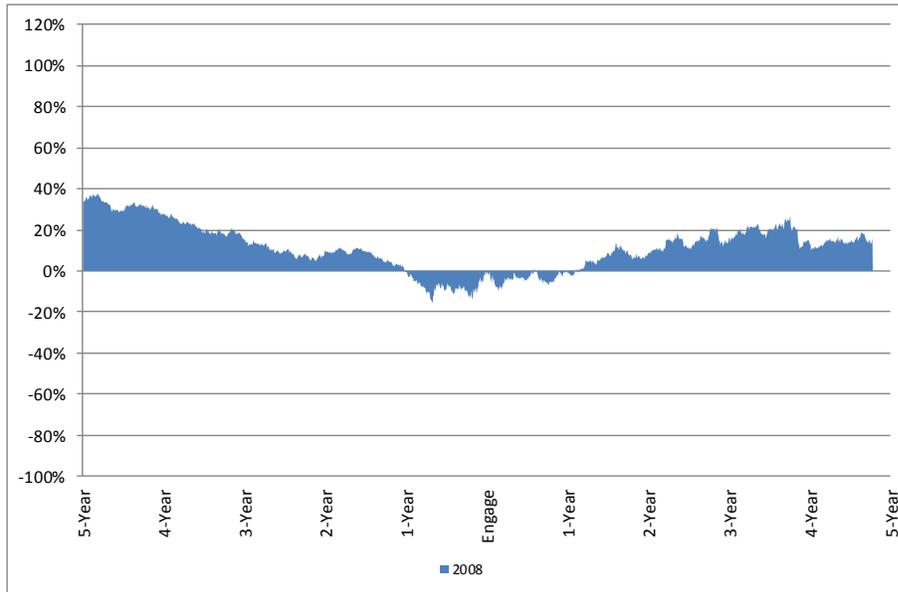
**2007**  
**Cumulative Excess Return Before and During**  
**Relative to Sector (Russell 1000)**



Time	Excess Return	# of Securities
-5 Years	81.39%	16
-4 Years	62.29%	16
-3 Years	51.99%	16
-2 Years	38.95%	16
-1 Year	21.12%	16
Engage	0.00%	16
+1 Year	-17.43%	16
+2 Years	-13.11%	16
+3 Years	-17.03%	16
+4 Years	-21.96%	16
+5 Years	-23.05%	16

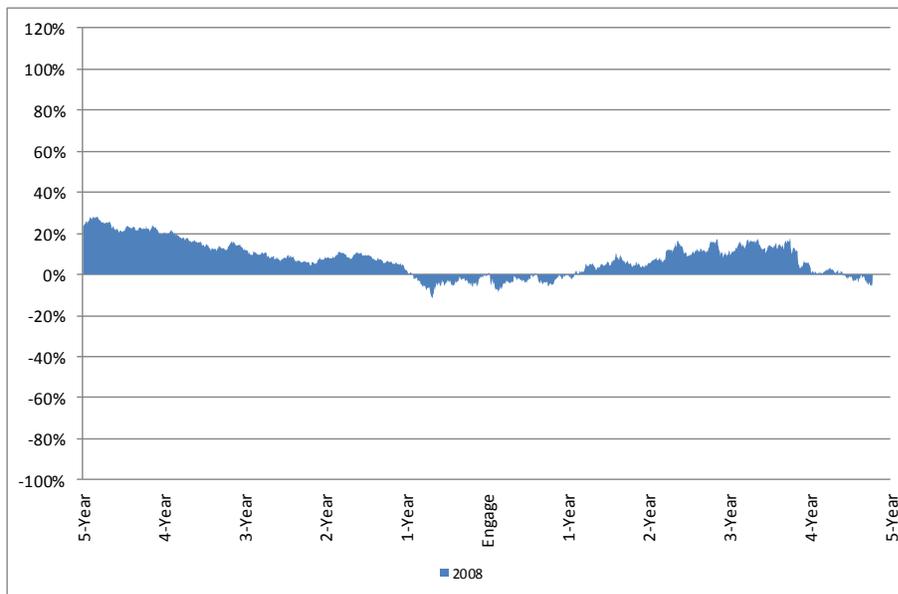
*Exhibit A.11*

**2008  
Cumulative Excess Return Before and During  
Relative to Benchmark (Russell 1000)**



Time	Excess Return	# of Securities
-5 Years	33.49%	12
-4 Years	27.61%	12
-3 Years	15.58%	12
-2 Years	9.84%	12
-1 Year	-0.21%	12
Engage	0.00%	12
+1 Year	-0.80%	12
+2 Years	8.69%	12
+3 Years	15.27%	12
+4 Years	13.65%	12
+5 Years	-	-

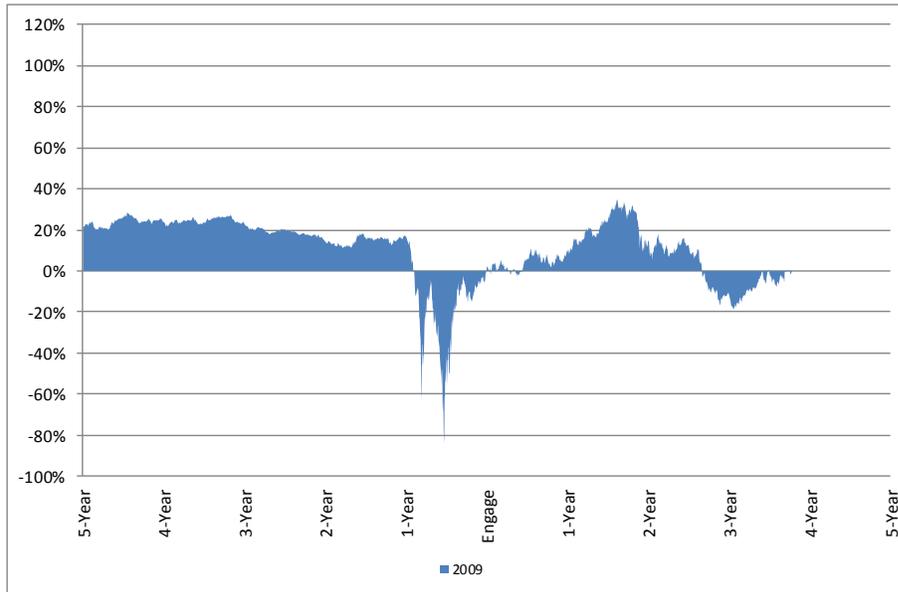
**2008  
Cumulative Excess Return Before and During  
Relative to Sector (Russell 1000)**



Time	Excess Return	# of Securities
-5 Years	23.45%	12
-4 Years	20.00%	12
-3 Years	12.41%	12
-2 Years	8.52%	12
-1 Year	2.31%	12
Engage	0.00%	12
+1 Year	-0.31%	12
+2 Years	5.49%	12
+3 Years	10.87%	12
+4 Years	4.45%	12
+5 Years	-	-

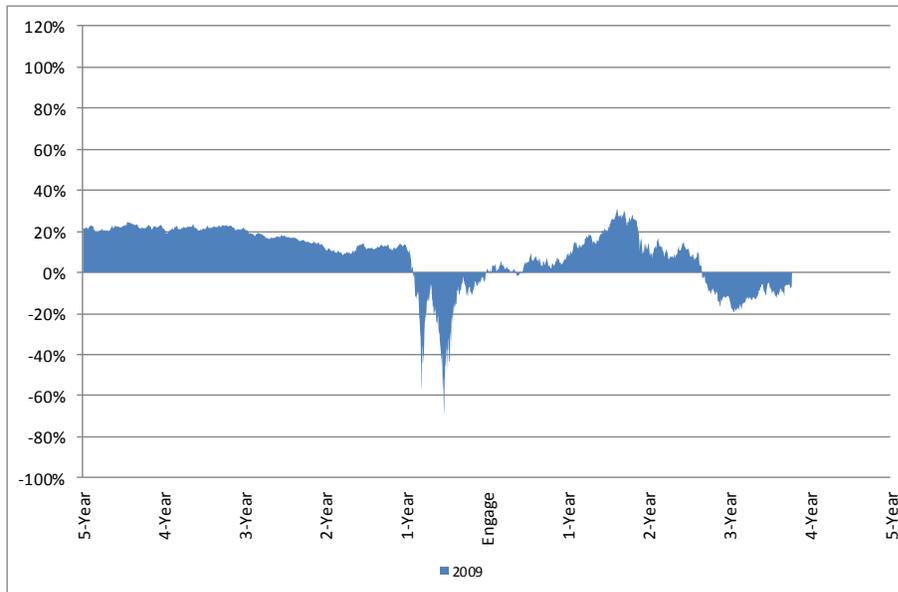
Exhibit A.12

**2009**  
**Cumulative Excess Return Before and During**  
**Relative to Benchmark (Russell 1000)**



Time	Excess Return	# of Securities
-5 Years	21.11%	14
-4 Years	23.75%	14
-3 Years	22.98%	14
-2 Years	14.41%	14
-1 Year	17.13%	14
Engage	0.00%	14
+1 Year	10.19%	14
+2 Years	14.10%	14
+3 Years	-11.91%	14
+4 Years	-	-
+5 Years	-	-

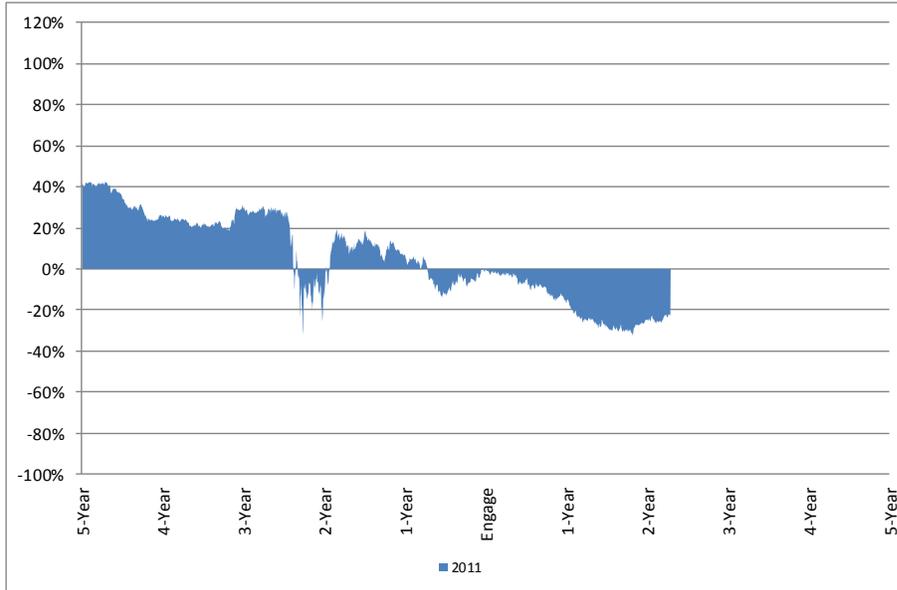
**2009**  
**Cumulative Excess Return Before and During**  
**Relative to Sector (Russell 1000)**



Time	Excess Return	# of Securities
-5 Years	21.11%	14
-4 Years	21.22%	14
-3 Years	21.21%	14
-2 Years	11.52%	14
-1 Year	13.68%	14
Engage	0.00%	14
+1 Year	9.30%	14
+2 Years	13.48%	14
+3 Years	-12.58%	14
+4 Years	-	-
+5 Years	-	-

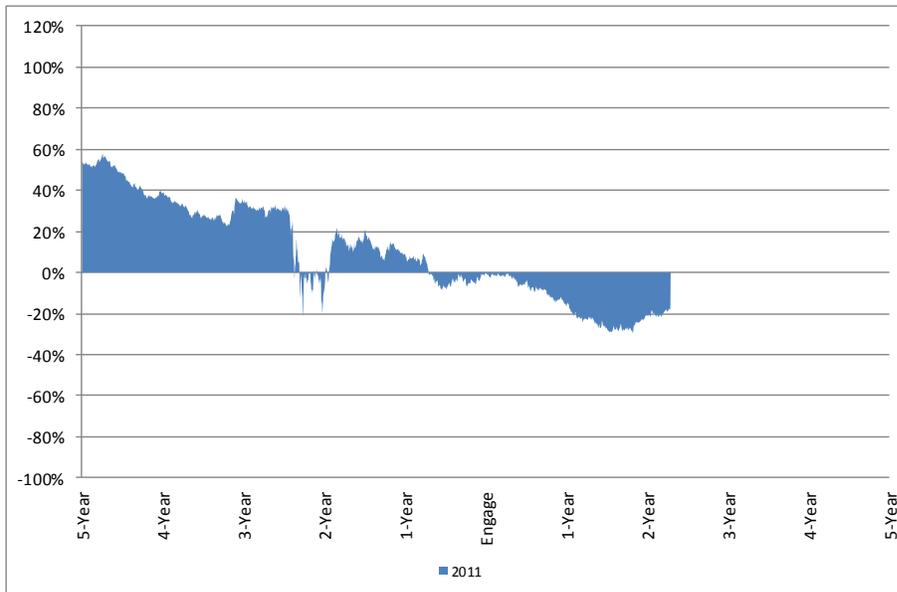
*Exhibit A.13*

**2011  
Cumulative Excess Return Before and During  
Relative to Benchmark (Russell 1000)**



Time	Excess Return	# of Securities
-5 Years	41.29%	7
-4 Years	26.03%	7
-3 Years	29.63%	7
-2 Years	-13.94%	7
-1 Year	6.56%	7
Engage	0.00%	7
+1 Year	-16.28%	7
+2 Years	-24.84%	7
+3 Years	-	-
+4 Years	-	-
+5 Years	-	-

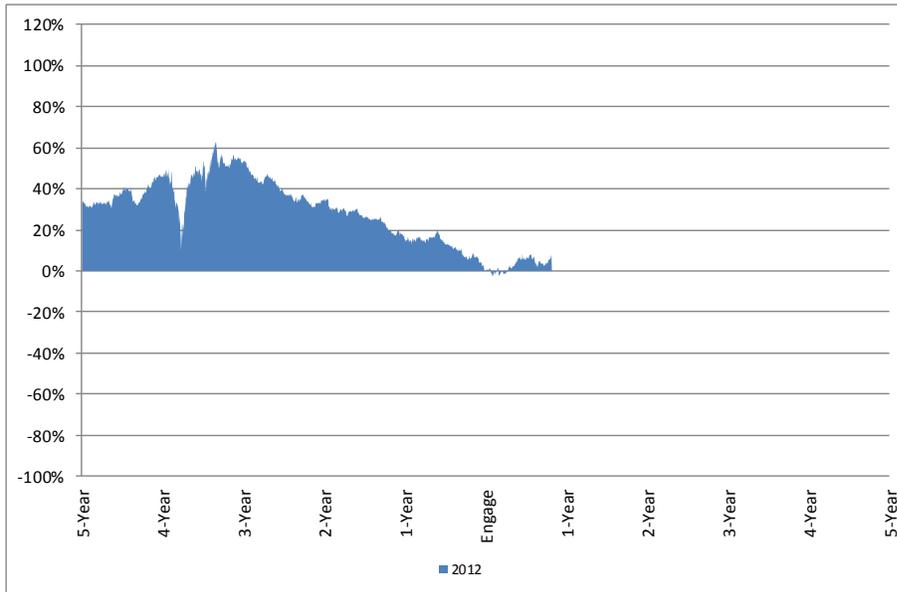
**2011  
Cumulative Excess Return Before and During  
Relative to Sector (Russell 1000)**



Time	Excess Return	# of Securities
-5 Years	54.16%	7
-4 Years	38.65%	7
-3 Years	34.03%	7
-2 Years	-10.33%	7
-1 Year	8.89%	7
Engage	0.00%	7
+1 Year	-16.26%	7
+2 Years	-21.13%	7
+3 Years	-	-
+4 Years	-	-
+5 Years	-	-

*Exhibit A.14*

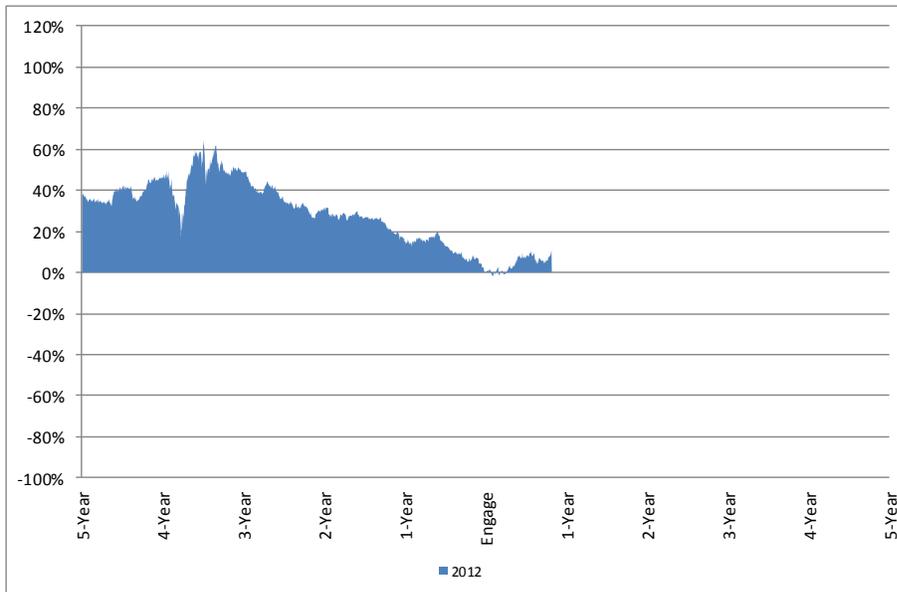
**2012**  
**Cumulative Excess Return Before and During**  
**Relative to Benchmark (Russell 1000)**



Time	Excess Return	# of Securities
-5 Years	32.94%	7
-4 Years	46.16%	7
-3 Years	53.36%	7
-2 Years	34.77%	7
-1 Year	15.34%	7
Engage	0.00%	7
+1 Year*	7.71%	7
+2 Years	-	-
+3 Years	-	-
+4 Years	-	-
+5 Years	-	-

\* 10-month figure

**2012**  
**Cumulative Excess Return Before and During**  
**Relative to Sector (Russell 1000)**



Time	Excess Return	# of Securities
-5 Years	37.25%	7
-4 Years	46.26%	7
-3 Years	48.89%	7
-2 Years	31.27%	7
-1 Year	15.04%	7
Engage	0.00%	7
+1 Year*	10.42%	7
+2 Years	-	-
+3 Years	-	-
+4 Years	-	-
+5 Years	-	-

\* 10-month figure

Exhibit A.15

All Companies Engaged

	1999			2000			2001			2002			2003			2004			2005		
	Cumulative			Cumulative			Cumulative			Cumulative			Cumulative			Cumulative			Cumulative		
	Absolute	Excess vs Sector	Excess vs BM	Absolute	Excess vs Sector	Excess vs BM	Absolute	Excess vs Sector	Excess vs BM	Absolute	Excess vs Sector	Excess vs BM	Absolute	Excess vs Sector	Excess vs BM	Absolute	Excess vs Sector	Excess vs BM	Absolute	Excess vs Sector	Excess vs BM
1-Yr	-11.95%	-21.35%	-24.94%	-2.48%	14.22%	24.43%	-18.52%	1.45%	-1.93%	55.63%	25.35%	33.23%	13.27%	5.22%	5.34%	10.06%	1.32%	-0.32%	24.85%	7.53%	8.21%
3-Yr	7.06%	25.78%	37.97%	14.30%	26.48%	40.11%	17.52%	6.83%	1.96%	92.71%	50.66%	47.99%	54.84%	17.79%	18.41%	67.35%	22.97%	20.43%	-24.81%	-6.23%	-9.98%
5-Yr	49.11%	42.65%	56.79%	61.84%	56.86%	73.62%	47.05%	9.97%	2.82%	81.91%	-0.10%	-5.44%	25.20%	7.21%	13.58%	10.88%	-0.78%	-1.87%	-3.30%	-9.12%	-11.58%
	Annualized			Annualized			Annualized			Annualized			Annualized			Annualized			Annualized		
	Absolute	Excess vs Sector	Excess vs BM	Absolute	Excess vs Sector	Excess vs BM	Absolute	Excess vs Sector	Excess vs BM	Absolute	Excess vs Sector	Excess vs BM	Absolute	Excess vs Sector	Excess vs BM	Absolute	Excess vs Sector	Excess vs BM	Absolute	Excess vs Sector	Excess vs BM
1-Yr	-11.95%	-21.35%	-24.94%	-2.48%	14.22%	24.43%	-18.52%	1.45%	-1.93%	55.63%	25.35%	33.23%	13.27%	5.22%	5.34%	10.06%	1.32%	-0.32%	24.85%	7.53%	8.21%
3-Yr	2.30%	7.95%	11.33%	4.56%	8.15%	11.90%	5.53%	2.23%	0.65%	24.44%	14.64%	13.96%	15.69%	5.61%	5.79%	18.72%	7.14%	6.39%	-9.07%	-2.12%	-3.44%
5-Yr	8.32%	7.36%	9.41%	10.11%	9.42%	11.67%	8.02%	1.92%	0.56%	12.71%	-0.02%	-1.11%	4.60%	1.40%	2.58%	2.09%	-0.16%	-0.38%	-0.67%	-1.89%	-2.43%

	2006			2007			2008			2009			2011			2012*			Total Composite	
	Cumulative			Cumulative			Cumulative			Cumulative			Cumulative			Cumulative			Cumulative	
	Absolute	Excess vs Sector	Excess vs BM	Absolute	Excess vs Sector	Excess vs BM	Absolute	Excess vs Sector	Excess vs BM	Absolute	Excess vs Sector	Excess vs BM	Absolute	Excess vs Sector	Excess vs BM	Absolute	Excess vs Sector	Excess vs BM	Excess vs Sector	Excess vs BM
1-Yr	5.83%	-8.04%	-9.85%	-36.44%	-17.43%	-22.60%	-9.64%	-0.31%	-0.80%	19.56%	9.30%	10.19%	-6.57%	-16.26%	-16.28%	25.28%	10.42%	7.71%	1.05%	1.43%
3-Yr	19.90%	27.06%	29.14%	-43.01%	-17.03%	-25.18%	22.29%	10.87%	15.27%	35.97%	-12.58%	-11.91%	-	-	-	-	-	-	14.52%	15.35%
5-Yr	39.11%	30.44%	36.18%	-26.30%	-23.05%	-34.43%	-	-	-	-	-	-	-	-	-	-	-	-	12.11%	13.72%
	Annualized			Annualized			Annualized			Annualized			Annualized			Annualized			Annualized	
	Absolute	Excess vs Sector	Excess vs BM	Absolute	Excess vs Sector	Excess vs BM	Absolute	Excess vs Sector	Excess vs BM	Absolute	Excess vs Sector	Excess vs BM	Absolute	Excess vs Sector	Excess vs BM	Absolute	Excess vs Sector	Excess vs BM	Excess vs Sector	Excess vs BM
1-Yr	5.83%	-8.04%	-9.85%	-36.44%	-17.43%	-22.60%	-9.64%	-0.31%	-0.80%	19.56%	9.30%	10.19%	-6.57%	-16.26%	-16.28%	25.28%	10.42%	7.71%	1.05%	1.43%
3-Yr	6.24%	8.31%	8.90%	-17.09%	-6.04%	-9.22%	6.94%	3.50%	4.85%	10.78%	-4.38%	-4.14%	-	-	-	-	-	-	4.62%	4.88%
5-Yr	6.82%	5.46%	6.37%	-5.92%	-5.11%	-8.09%	-	-	-	-	-	-	-	-	-	-	-	-	2.31%	2.61%

\* 8/31/2012 inception date; 10-month returns shown for 2012 engagements