



California Public Employees' Retirement System
Performance Review – March 31, 2013

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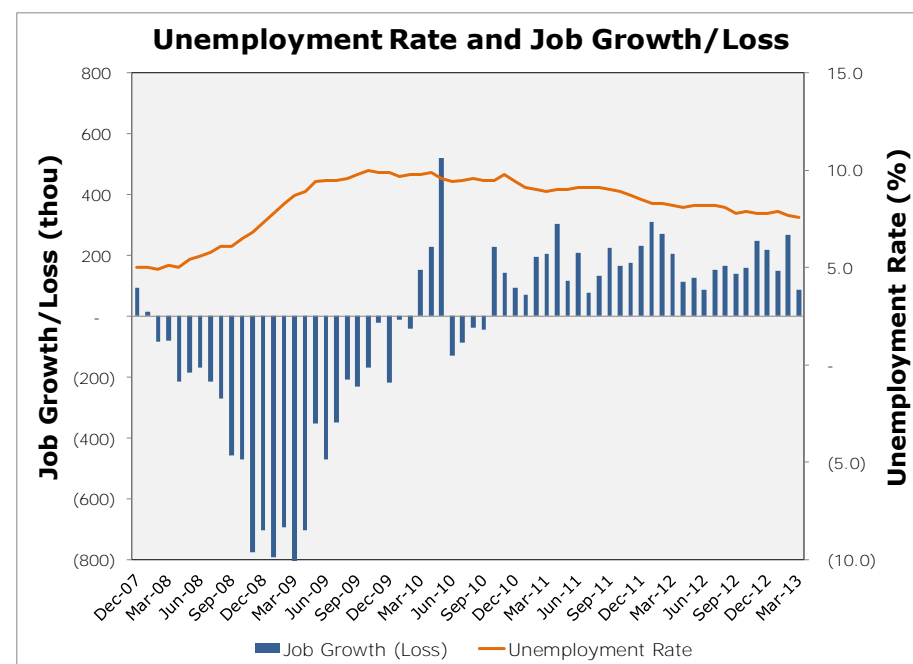
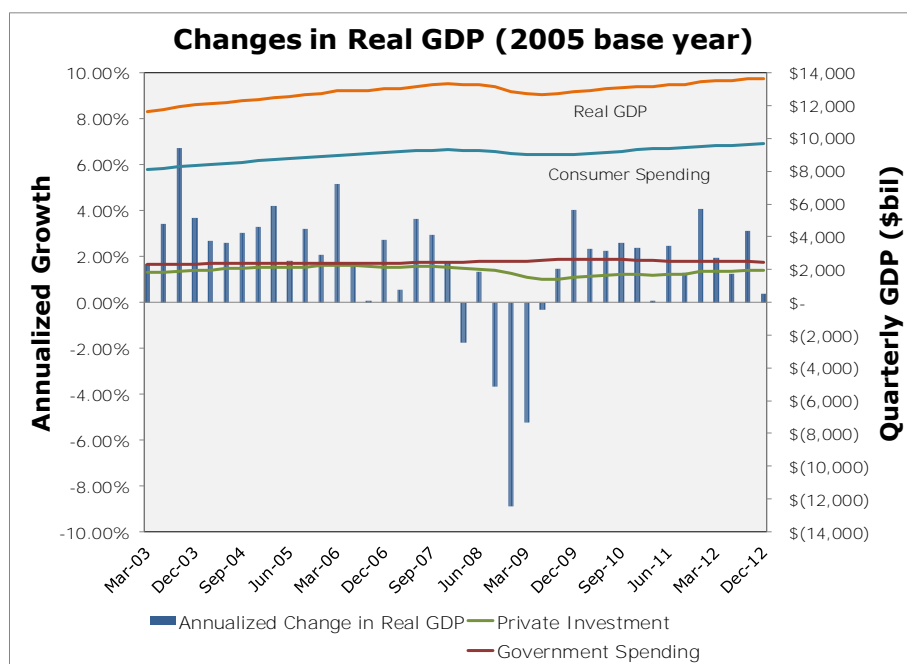
May 2013

Economic Review



March 31, 2013		Key Economic Indicators			
CPI (all items) Seasonally adjusted	Monthly Change		Cumulative Change		
	Mar-13	-0.2	3-Month	0.5	
	Feb-13	0.7	12-Month	1.5	
	Jan-13	0.0	10-Yr Annual	2.4	
Breakeven Inflation	10-Year	2.5			
Consumer Sentiment Unv. of Michigan Survey	Mar-13	78.6			
	Feb-13	77.6			
	1-Yr Ago	76.2	10-Yr Avg	78.9	
Manufacturing Inst. for Supply Mgmt Purchasing Mngrs' Idx	Mar-13	51.3	Change in Manufacturing Sector		
	Feb-13	54.2	>50	Expansion	
	1-Yr Avg	51.7	<50	Contraction	

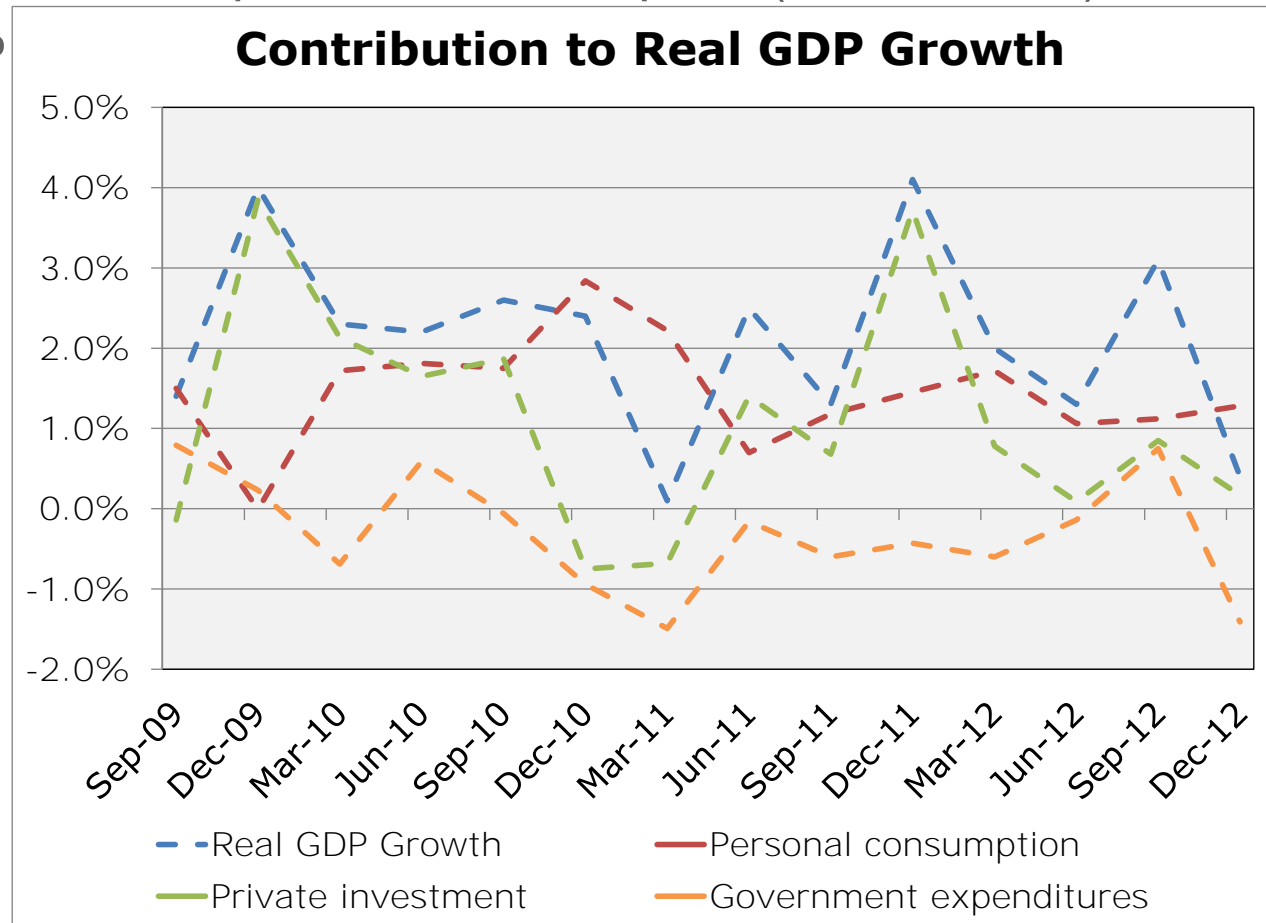
Note: Seasonally adjusted CPI data is utilized to better reflect short-term pricing activity.



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

Drivers of Economic Growth

- Real GDP growth has been moderate – 1.8% in 2011, 2.2% in 2012
- Private investment (largely non-residential construction, technology spending and other equipment) led the way early
- Contribution from personal consumption (70% of GDP) has been stable near 1%

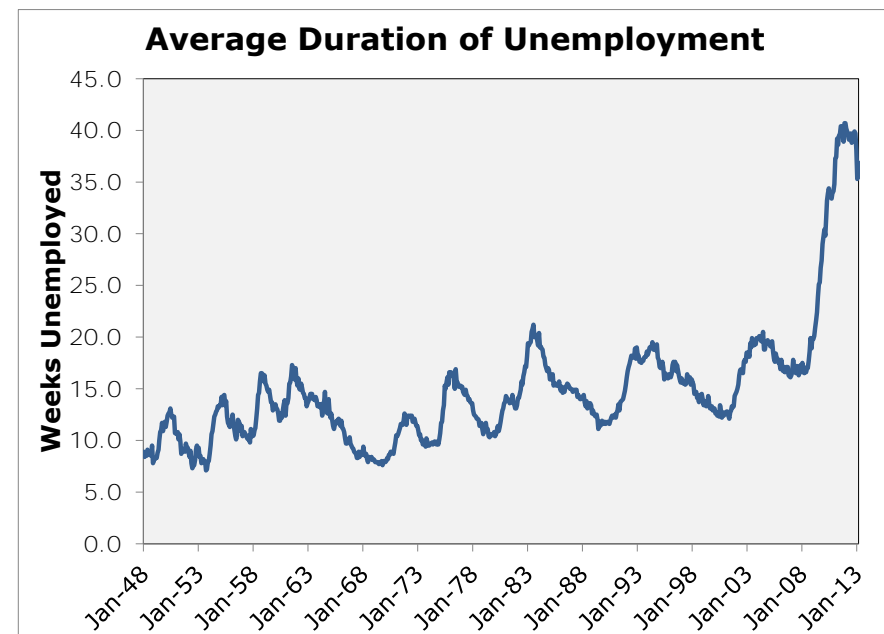
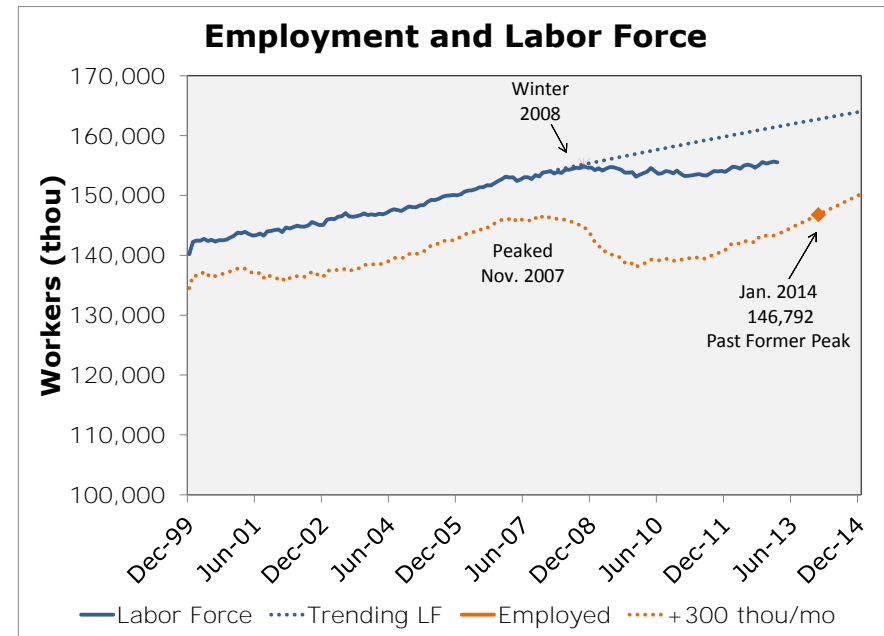


Source: Bureau of Economic Analysis



Employment Constraints

- High unemployment continues to restrain growth
 - Almost no growth in the labor force
 - Currently 3 million jobs below previous peak
- Average unemployment duration remains elevated
- Long-term average for the time period included to the right is 14.9 weeks

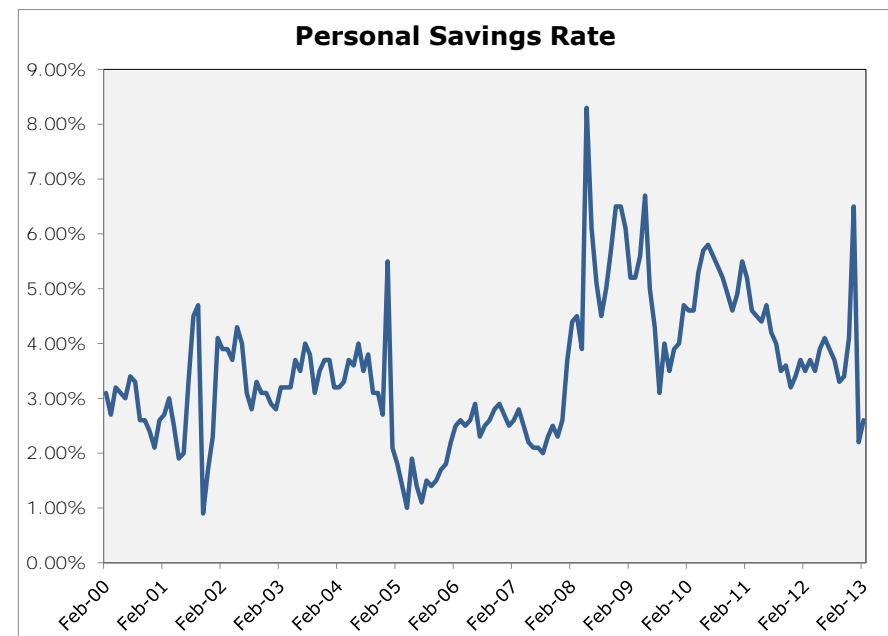
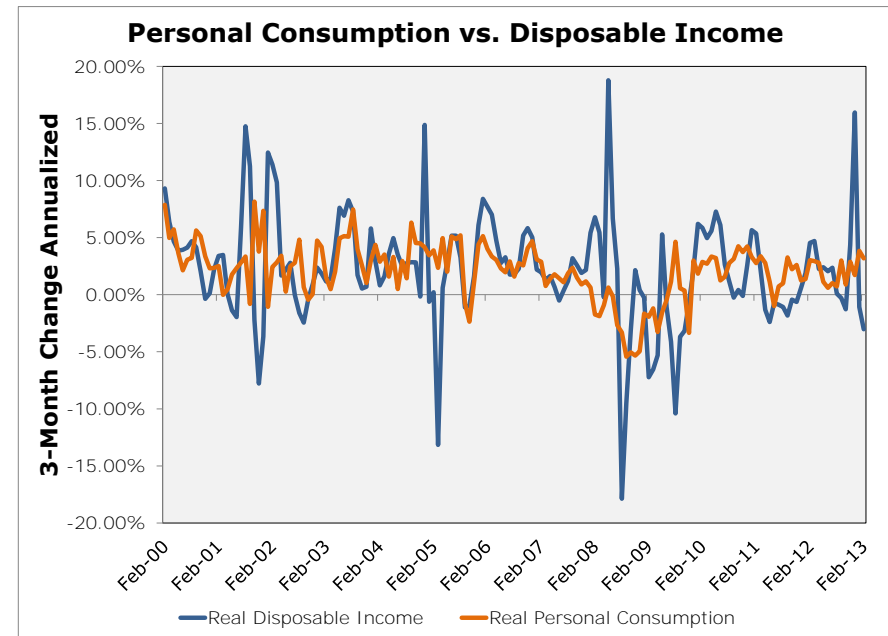




Spending Habits

- Income jumped in December due to increased dividend and bonus payments
- Entering 2013, income then fell sharply due to increased taxation
- Although a decline in disposable income can lead to a decline in spending, the magnitude is typically not the same
- Spending habits changed little with last year's increase in disposable income
- Savings rate fell to accommodate increased spending

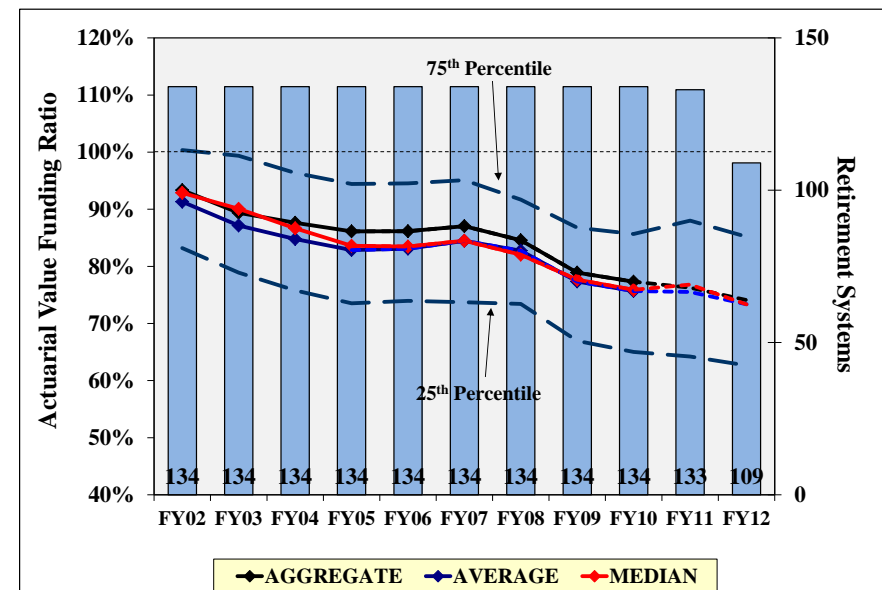
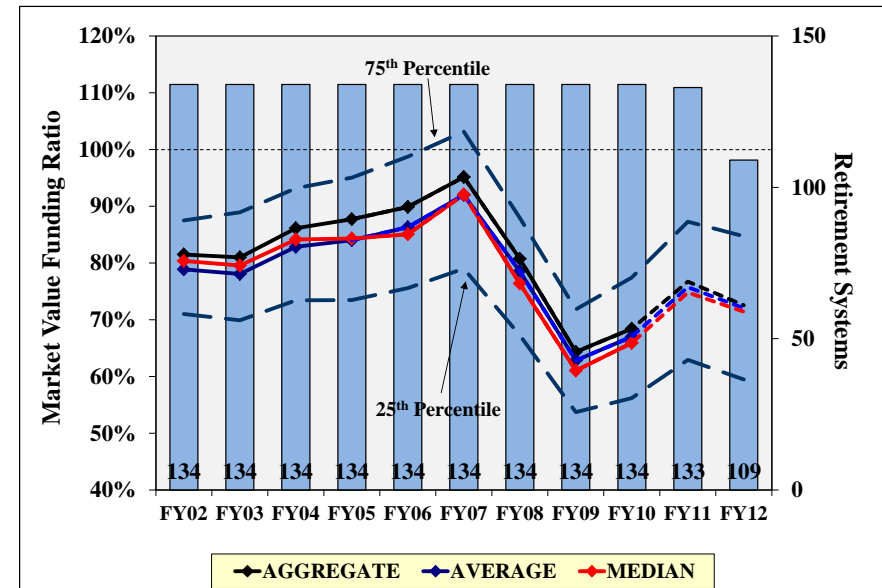
Source: Bureau of Economic Analysis



Wilshire 2013 State Funding Study



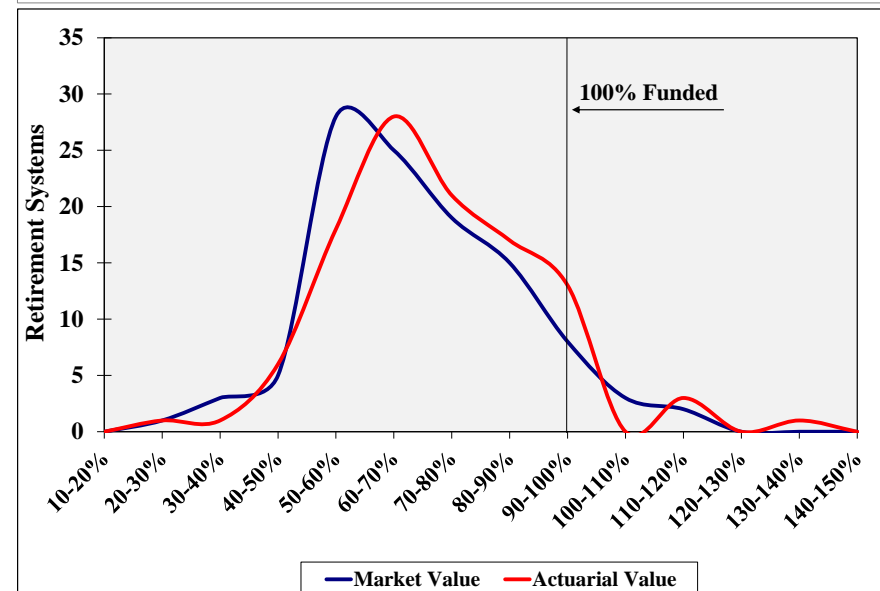
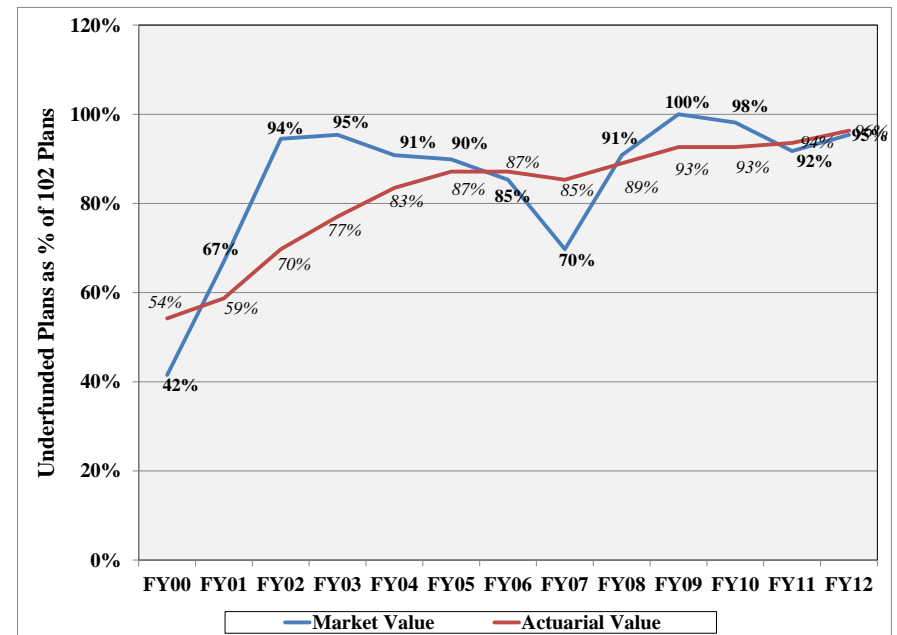
- 109 state retirement systems reported actuarial values on or after June 30, 2012
- Deterioration in funding ratio fueled by global stock market volatility in the 12 months ending June 30
- Funding ratios based on actuarial values also fell for 2012
- Actuarial ratios tend to exhibit moderated patterns of change, due to the smoothing of actuarial values



Wilshire 2013 State Funding Study



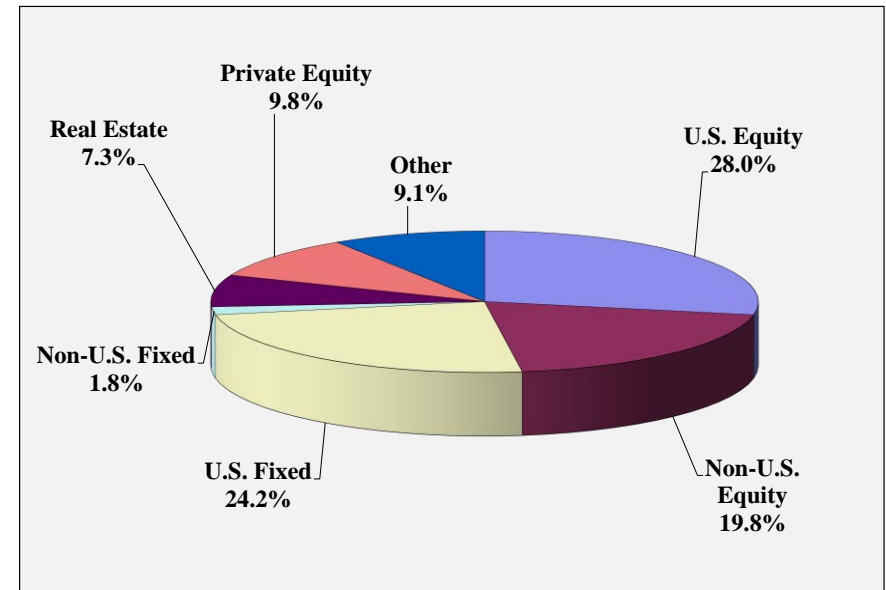
- Of the 109 plans with 2012 data, 95% of them were underfunded based on market values
- On a market value basis, a majority of the 109 plans are less than or equal to 80% funded



Wilshire 2013 State Funding Study



- U.S. Equity plus Non-U.S. Equity equals 48% of assets



- Average allocation to Non-U.S. Equities has increased while allocation to U.S. Bonds has decreased

Equity	Change in Exposure				
	2002	2007	2012	02-12	07-12
U.S. Equity	42.3 %	41.0 %	28.0 %	-14.3 %	-13.0 %
Non-U.S. Equity	12.9	18.2	19.8	6.9	1.6
Real Estate	4.0	5.2	7.3	3.3	2.1
Private Equity	4.2	4.6	9.8	5.6	5.2
Equity Subtotal	63.4	69.0	64.8	1.4	-4.2
Debt					
U.S. Fixed	35.2	26.4	24.2	-11.0	-2.2
Non-U.S. Fixed	1.4	0.9	1.8	0.4	0.9
Other	0.0	3.7	9.2	9.2	5.5
Debt Subtotal	36.6	31.0	35.2	-1.4	4.2
Return *	6.5	6.7	6.7	0.2	0.0
Risk *	11.0	11.5	11.2	0.2	-0.3



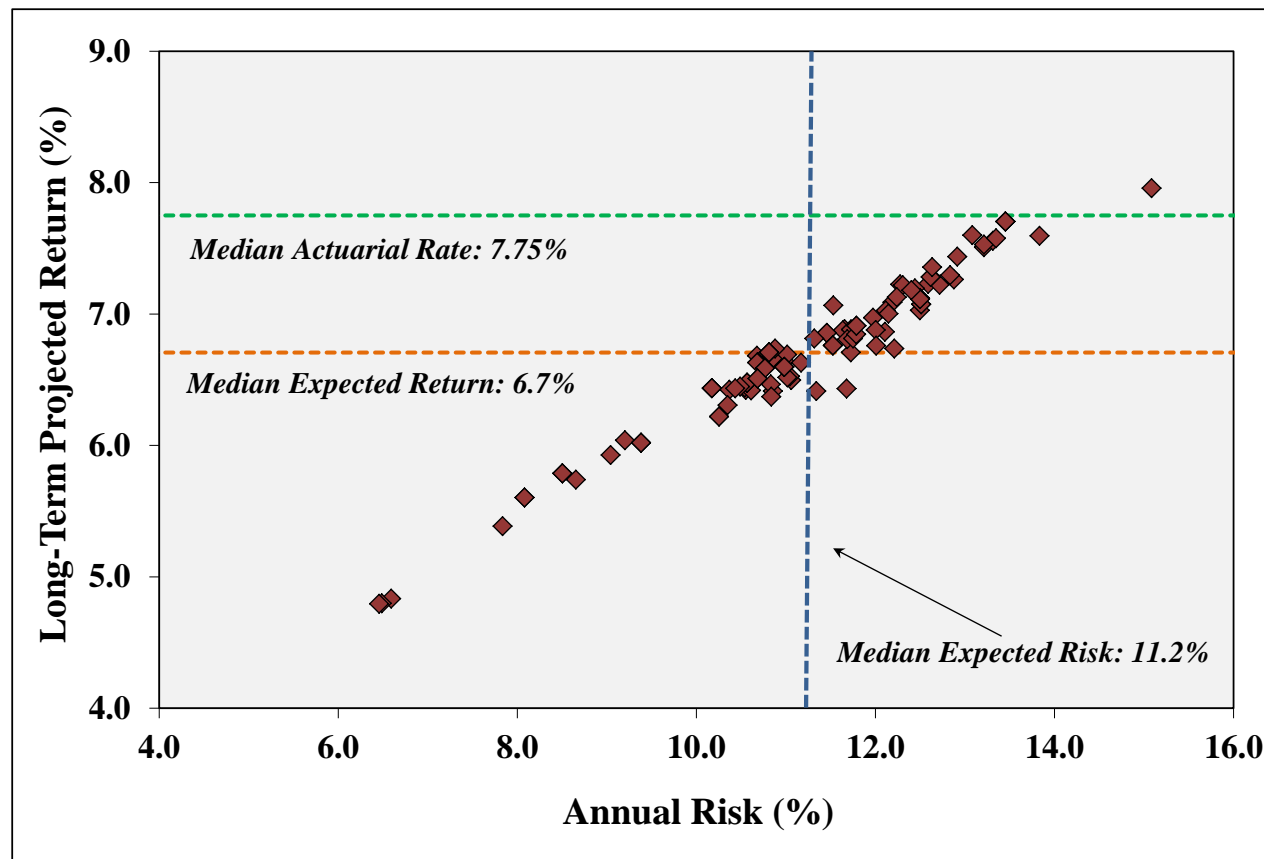
Asset Class Assumptions Update

	Total Return (%)			Risk (%)
	2013 ACA	Q1 2013	Change vs YE	2013 ACA
<u>Investment Categories:</u>				
U.S. Stocks	7.75	7.50	(0.25)	17.00
Dev ex-U.S. Stocks	7.75	7.50	(0.25)	18.00
Emerging Mkt Stocks	7.75	7.50	(0.25)	26.00
Global Stocks	8.00	7.75	(0.25)	17.30
Private Markets	10.75	10.45	(0.30)	27.50
Cash Equivalents	1.55	1.50	(0.05)	1.25
Core Bonds	3.25	3.25	-	5.00
LT Core Bonds	3.10	3.50	0.40	10.00
TIPS	2.60	2.70	0.10	6.00
High Yield Bonds	5.15	5.00	(0.15)	10.00
Non-U.S. Bonds (Hdg)	2.90	2.90	-	3.50
U.S. RE Securities	5.30	5.25	(0.05)	15.00
Private Real Estate	6.05	6.00	(0.05)	12.25
Commodities	4.55	4.50	(0.05)	13.00
Real Asset Basket	6.35	6.30	(0.05)	7.75
 Inflation:	 2.55	 2.50	 (0.05)	 1.75
<u>Returns minus Inflation:</u>				
U.S. Stocks	5.20	5.00	(0.20)	
U.S. Bonds	0.70	0.75	0.05	
Cash Equivalents	(1.00)	(1.00)	(0.00)	
 <u>Stocks minus Bonds:</u>	 4.50	 4.25	 (0.25)	
 <u>Bonds minus Cash:</u>	 1.70	 1.75	 0.05	

Wilshire 2013 State Funding Study



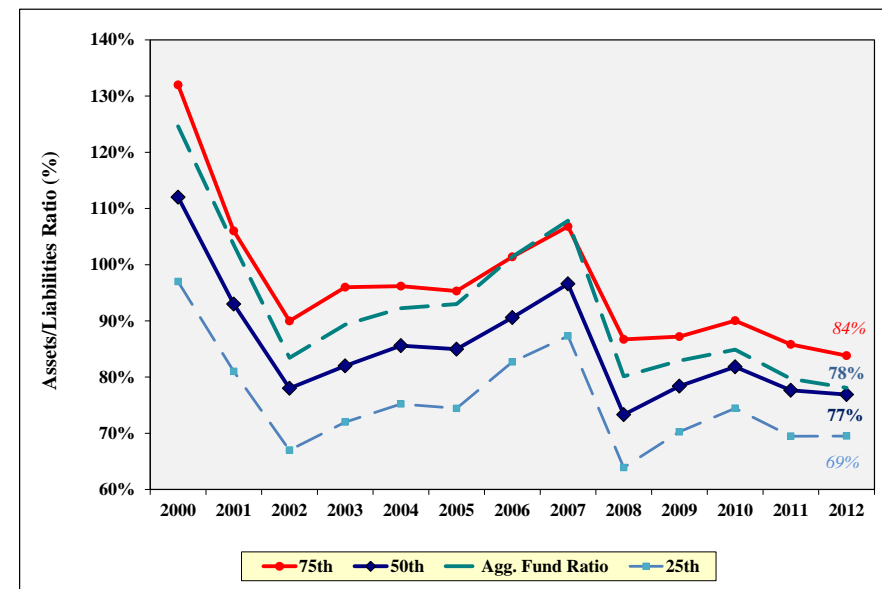
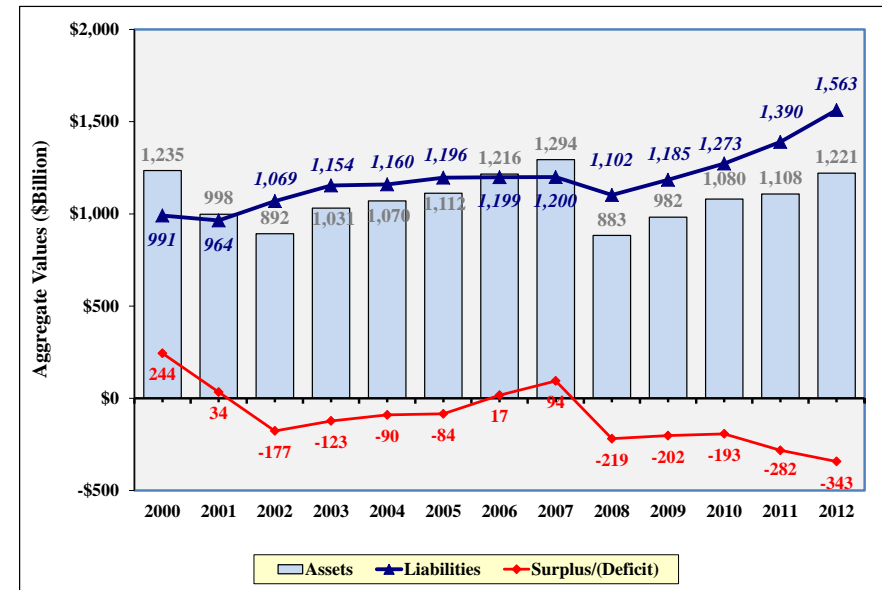
- Using Wilshire Consulting's January 2013 asset class assumptions to calculate return forecasts for the 134 plans in our study, the median expected return is 6.7% per year
- Only one plan is projected to meet or exceed the median actuarial rate of 7.75%



Wilshire 2013 Corporate Funding Study



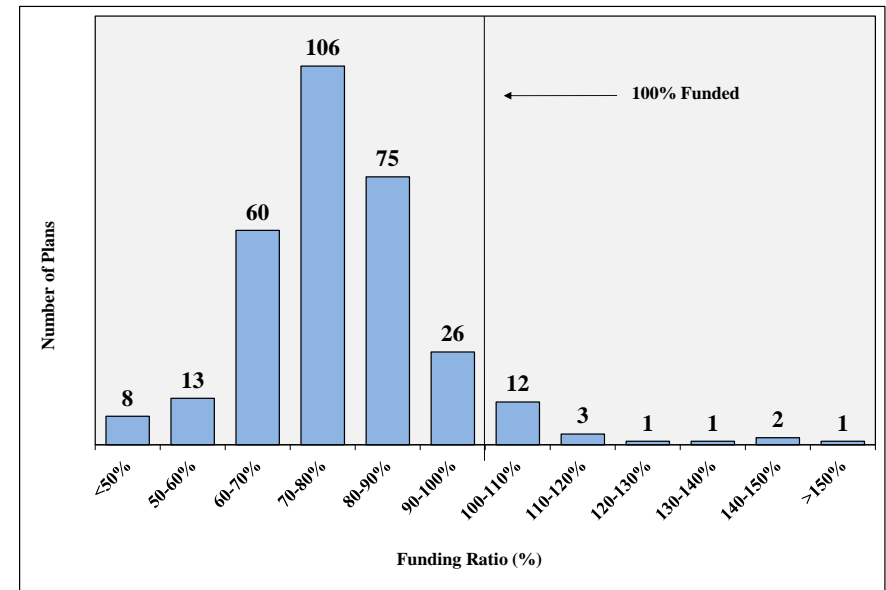
- Data for fiscal years 2012 and 2011 are based on S&P 500 Index constituents as of year-end 2012
- Aggregate funding ratio has slipped for the second straight year
- Pension liabilities have increased along with asset growth and increased contributions



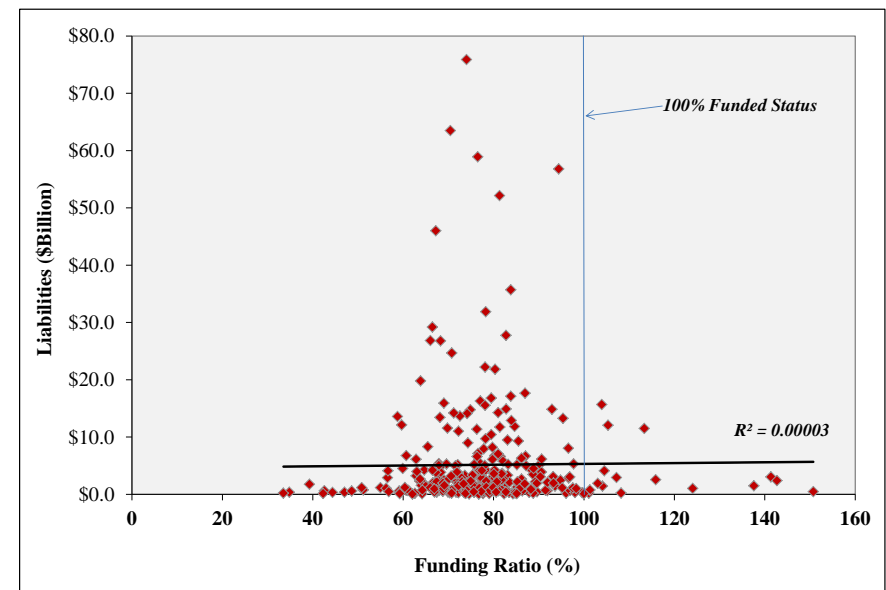
Wilshire 2013 Corporate Funding Study



- Just 20 out of 308 corporations have pension assets that equal or exceed liabilities



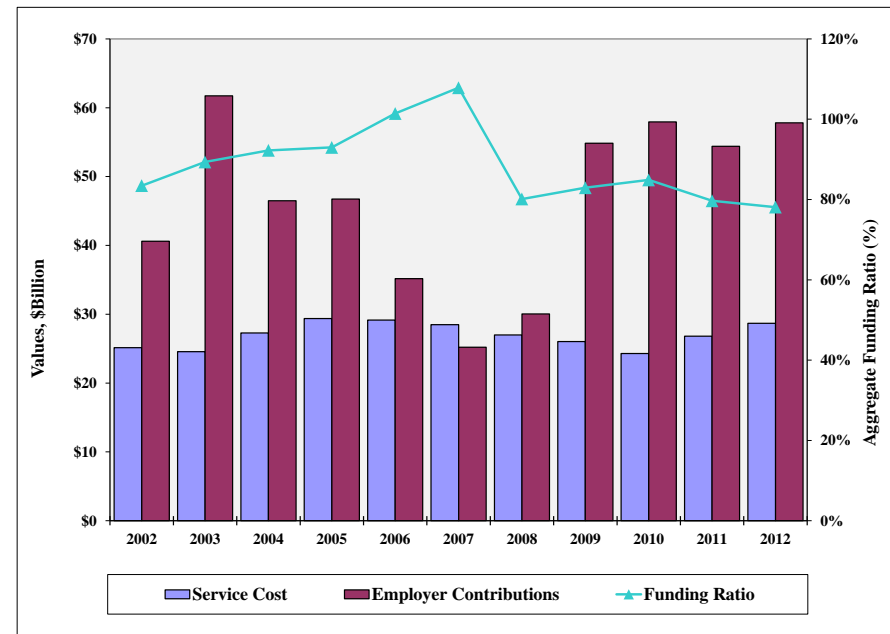
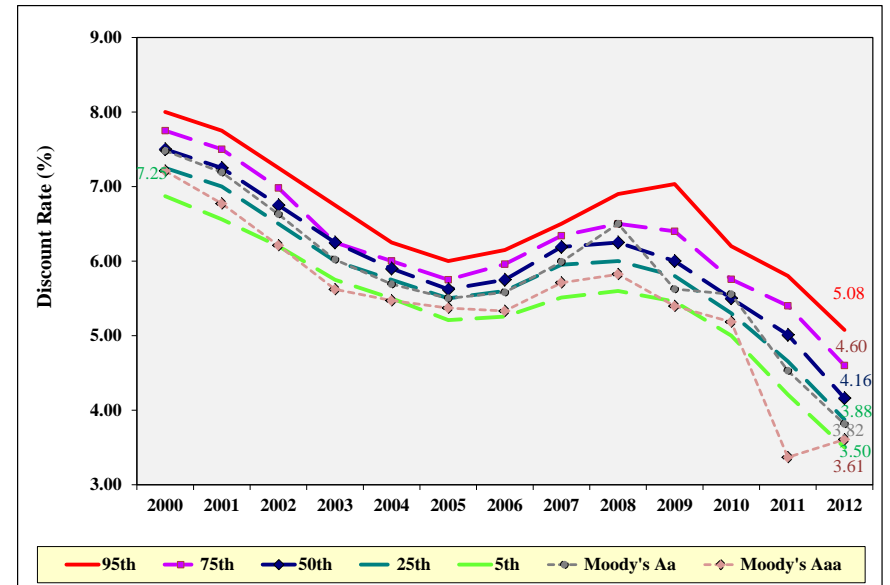
- Almost no relationship between liability size and funding ratio



Wilshire 2013 Corporate Funding Study



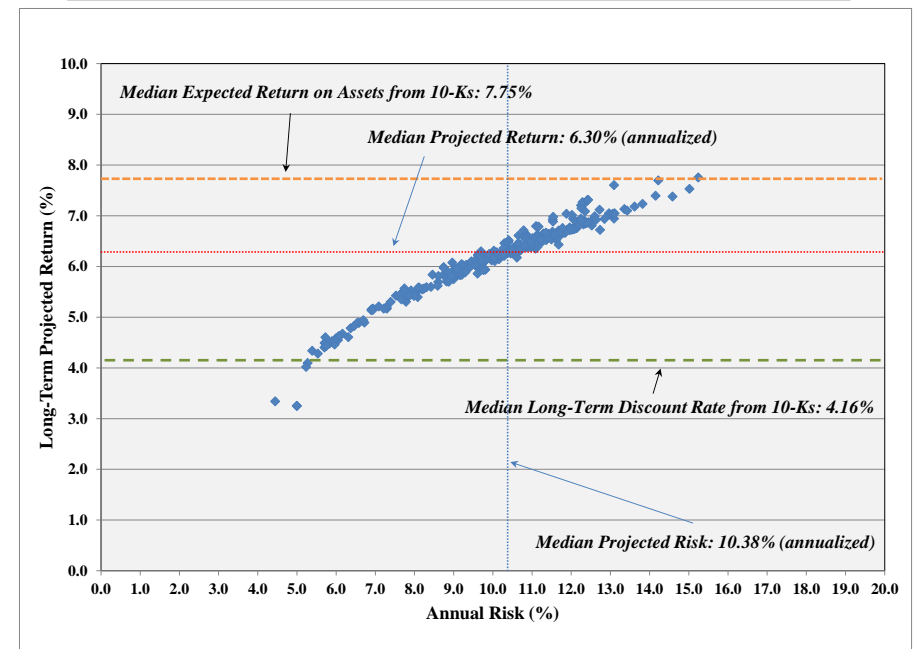
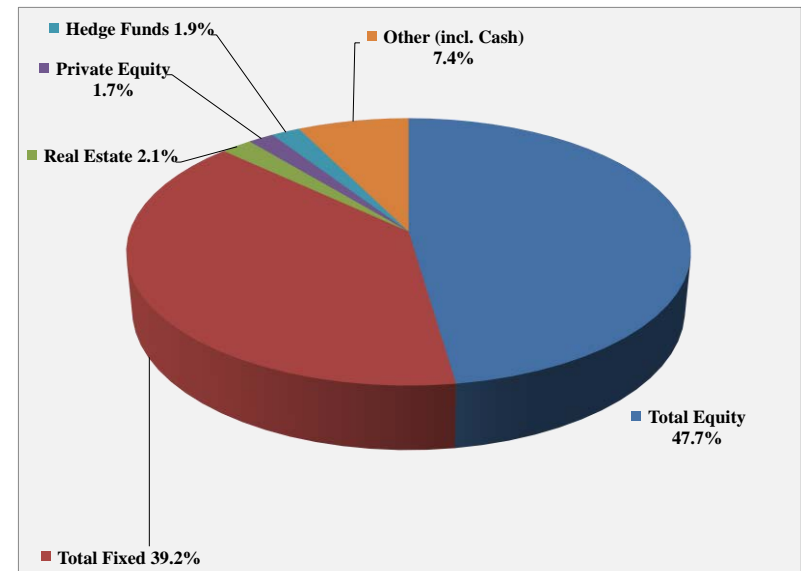
- Discount rates have been falling, generally, during the past 4 years
- Contributions have been up since 2008



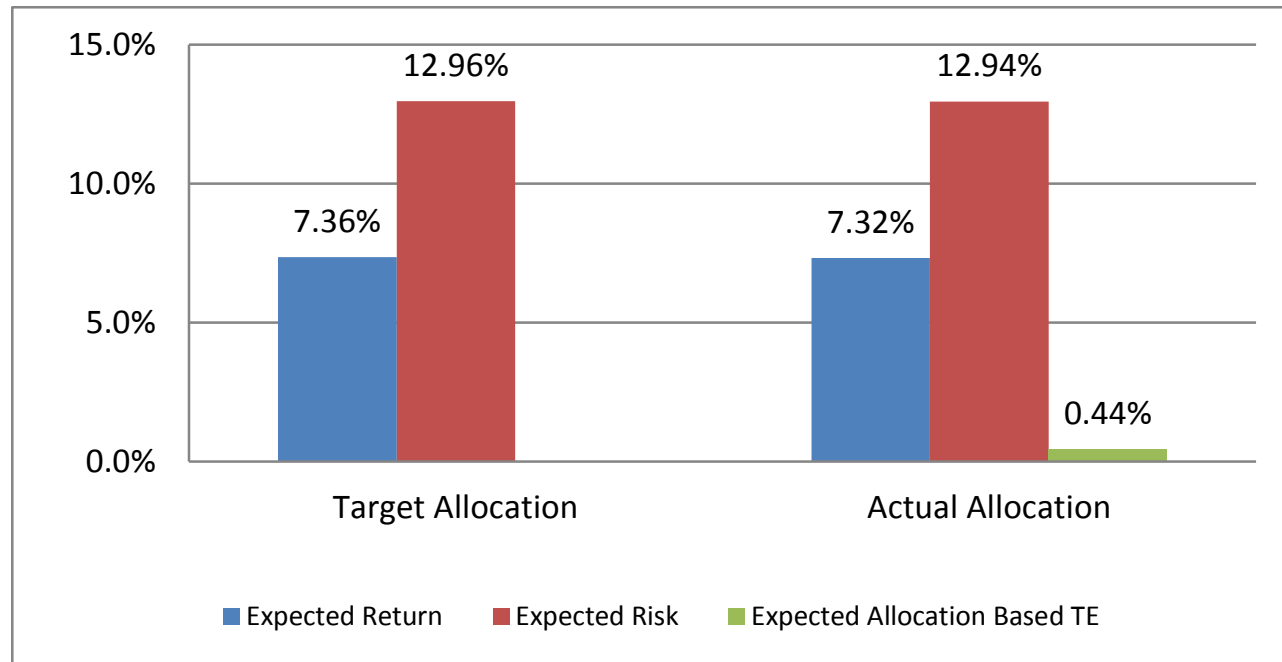
Wilshire 2013 Corporate Funding Study



- The corporate plans in our study had an average 47.7% exposure to public markets equity (U.S. and non-U.S.)
- Using Wilshire Consulting's January 2013 asset class assumptions to calculate return forecasts for these plans, the median expected return is 6.3% per year
- Only one plan is projected to meet or exceed the median expected return on assets of 7.75%



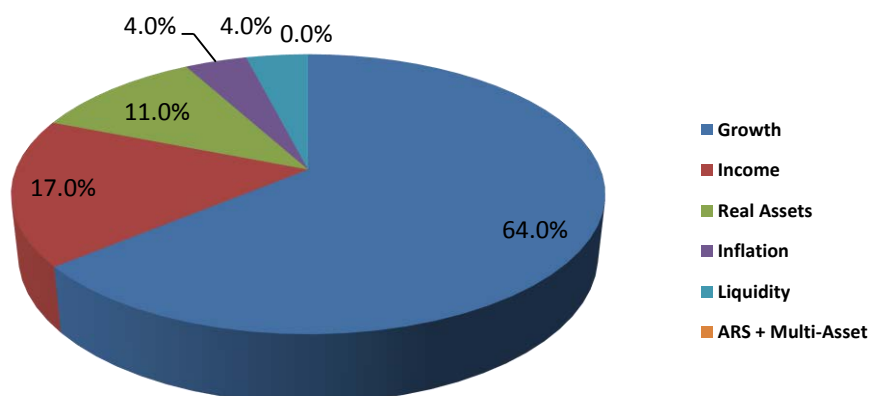
CalPERS Investments are Expected to Provide Return



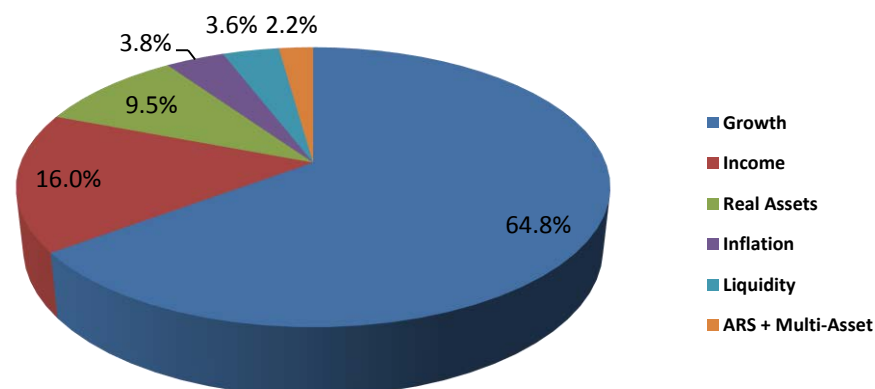


Asset and Risk Allocation

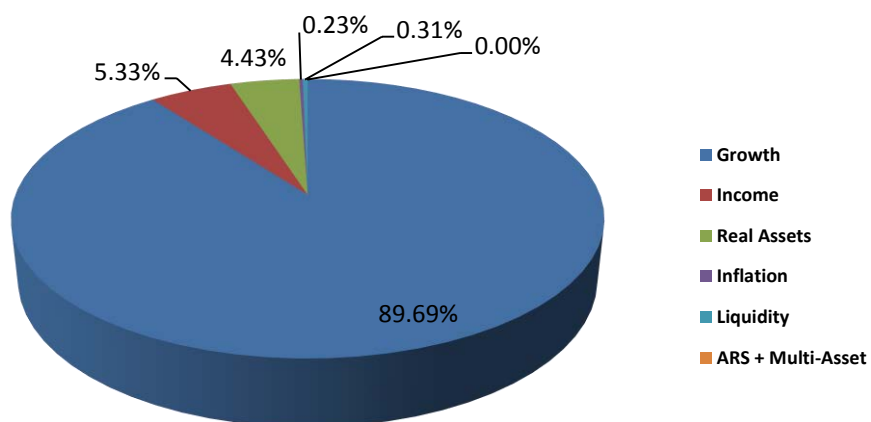
Target Asset Allocation



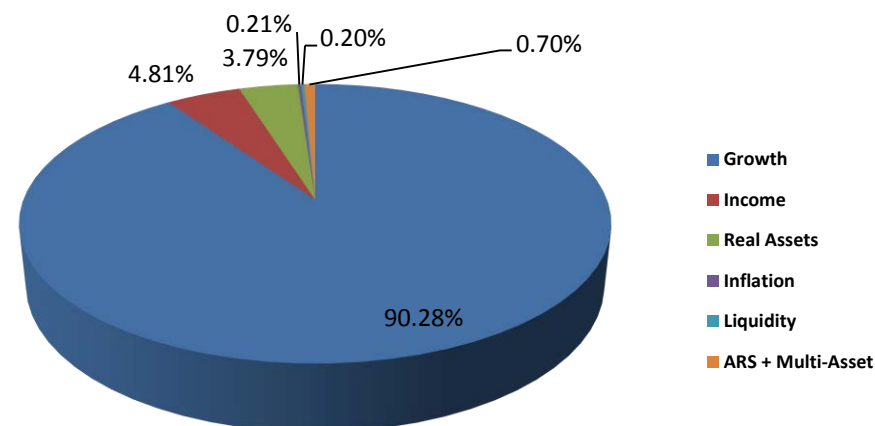
Actual Asset Allocation



Contribution to Total Risk - Target Allocation

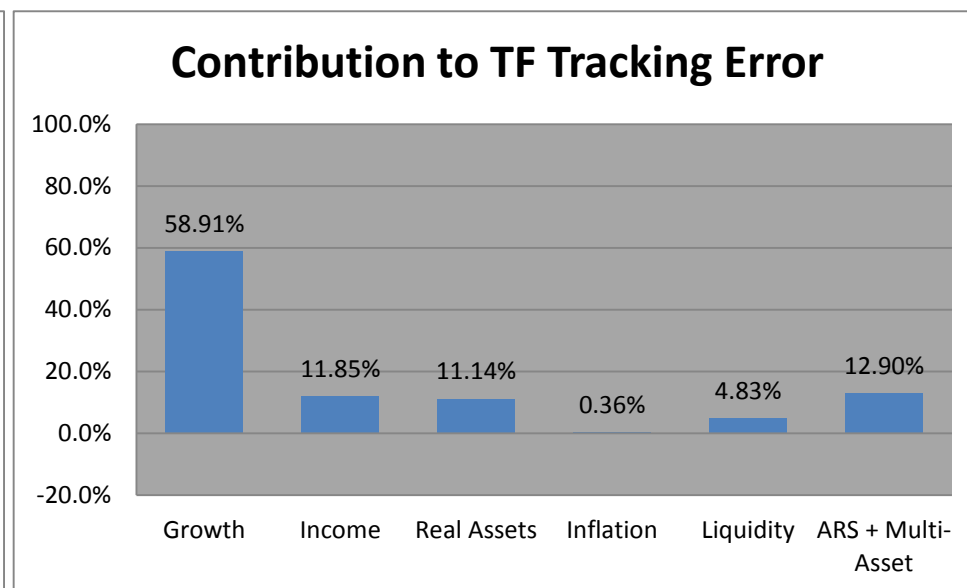
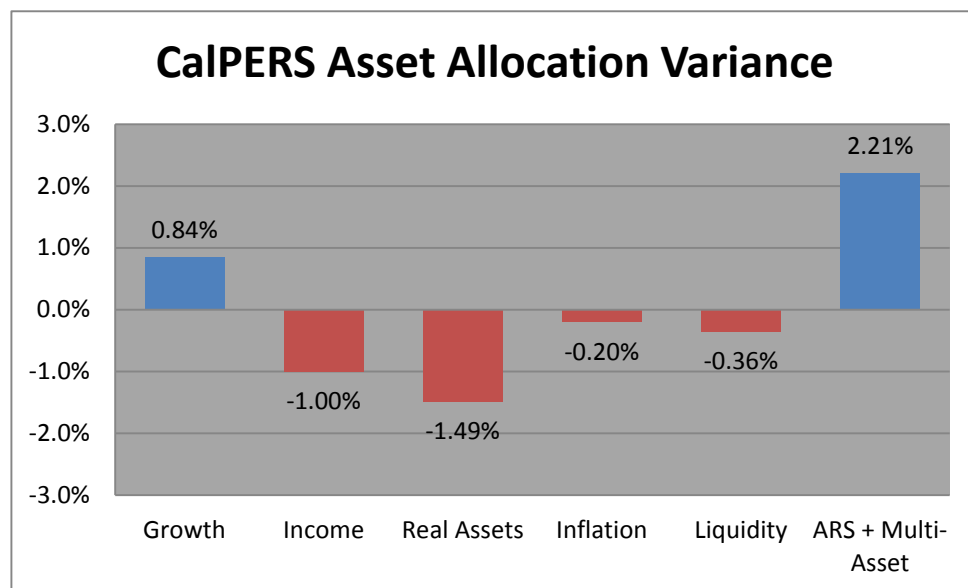


Contribution to Total Risk - Actual Allocation





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.



Total Fund – Performance

	Market Value	Five-Year Ratios							
		Qtr	1-Year	3-Year	5-Year	10-Year	VaR	Sharpe	Info
TOTAL FUND	\$257.4 bil	4.5%	10.9%	9.1%	2.8%	8.1%	\$33.9 bil	0.2	-0.7
<i>Total Fund Policy Benchmark</i>		3.8%	10.6%	9.3%	5.1%	8.9%		0.4	0.0
<i>Actuarial Rate</i>		1.8%	7.6%	7.7%	7.7%	7.7%			
GROWTH	165.3	6.6%	12.5%	9.9%	3.3%	9.6%	\$33.5 bil	0.2	-0.5
<i>Growth Policy Benchmark</i>		6.2%	13.9%	9.6%	5.0%	10.3%		0.3	0.0
PUBLIC EQUITY	133.3	7.2%	12.0%	8.6%	3.0%	9.2%	\$25.8 bil	0.1	-0.3
<i>Public Equity Policy Benchmark</i>		7.1%	11.7%	8.4%	3.6%	9.6%		0.1	0.0
PRIVATE EQUITY	32.0	4.0%	13.8%	14.3%	5.5%	11.9%	\$10.1 bil	0.5	-0.4
<i>Private Equity Policy Benchmark</i>		2.9%	20.3%	12.8%	11.2%	12.9%		0.7	0.0
INCOME	41.2	-0.8%	6.7%	8.9%	8.2%	7.4%	\$5.1 bil	1.1	0.2
<i>Income Policy Benchmark</i>		-1.1%	5.5%	8.6%	7.4%	6.5%		1.1	0.0
REAL ASSETS	24.5	1.2%	12.0%	7.1%	-11.1%	3.3%	\$2.7 bil	-0.7	-1.1
<i>Real Assets Policy Benchmark</i>		2.4%	9.7%	11.7%	3.0%	8.8%		0.5	0.0
INFLATION	9.8	-0.6%	0.8%	7.9%	0.6%	-.-%	\$0.6 bil	0.0	-0.2
<i>Inflation Policy Benchmark</i>		-0.3%	3.0%	6.8%	1.3%	-.-%		0.1	0.0
LIQUIDITY	9.3	0.0%	1.7%	1.8%	1.5%	2.5%	\$0.4 bil	N/A	N/A
<i>Liquidity Policy Benchmark</i>		0.1%	2.2%	2.1%	1.7%	2.5%		N/A	N/A
ABSOLUTE RETURN STRATEGIES	5.2	3.8%	5.6%	3.3%	1.7%	5.5%		0.2	-0.7
<i>Absolute Return Strategies Policy Benchmark</i>		1.3%	5.3%	5.5%	6.1%	8.8%		10.8	0.0
MULTI-ASSET CLASS COMPOSITE	0.5	-.-%	-.-%	-.-%	-.-%	-.-%		N/A	N/A
<i>Absolute 7.5%</i>		-.-%	-.-%	-.-%	-.-%	-.-%		N/A	N/A
CURRENCY + ASSET ALLOCATION TRANSITION	1.6	-.-%	-.-%	-.-%	-.-%	-.-%			



Total Fund – Attribution (Quarter)

California Public Employees' Retirement System Total Fund Attribution - Quarter As of 3/31/2013

Asset Class	Actual (%)		Policy (%)		Difference (%)		Total Fund Return Contribution (%)			
	Weight	Return	Weight	Return	Weight	Return	Actual Allocation	Interaction	Active Management	Total
Growth	63.43	6.56	64.00	6.16	-0.57	0.39	-0.02	-0.01	0.25	0.23
Public Equity	50.82	7.22	50.00	7.06	0.82	0.16	0.00	0.00	0.08	0.08
Private Equity	12.61	3.97	14.00	2.90	-1.39	1.07	0.00	-0.01	0.15	0.14
Income	16.88	-0.75	17.00	-1.06	-0.12	0.31	-0.02	0.00	0.05	0.03
Real Assets	9.71	1.25	11.00	2.38	-1.29	-1.13	0.02	0.02	-0.13	-0.09
Inflation	3.58	-0.56	4.00	-0.30	-0.42	-0.26	0.01	0.00	-0.01	0.00
Absolute Return	2.24	3.76	0.00	1.30	2.24	2.46	-0.06	0.06	0.00	-0.01
Liquidity	4.15	0.04	4.00	0.12	0.15	-0.09	-0.01	0.00	0.00	-0.01
Monthly Linked Return	100.00	4.15	100.00	4.00		0.15	-0.08	0.07	0.16	0.15
Trading/Hedging/Other		0.37		-0.22		0.60				0.60
Total		4.53		3.78		0.75				0.75

Total Fund – Attribution (Calendar YTD)



California Public Employees' Retirement System
Total Fund Attribution - Calendar Year-to-Date
As of 3/31/2013

Asset Class	Actual (%)		Policy (%)		Difference (%)		Total Fund Return Contribution (%)			
	Weight	Return	Weight	Return	Weight	Return	Actual Allocation	Interaction	Active Management	Total
Growth	63.43	6.56	64.00	6.16	-0.57	0.39	-0.02	-0.01	0.25	0.23
Public Equity	50.82	7.22	50.00	7.06	0.82	0.16	0.00	0.00	0.08	0.08
Private Equity	12.61	3.97	14.00	2.90	-1.39	1.07	0.00	-0.01	0.15	0.14
Income	16.88	-0.75	17.00	-1.06	-0.12	0.31	-0.02	0.00	0.05	0.03
Real Assets	9.71	1.25	11.00	2.38	-1.29	-1.13	0.02	0.02	-0.13	-0.09
Inflation	3.58	-0.56	4.00	-0.30	-0.42	-0.26	0.01	0.00	-0.01	0.00
Absolute Return	2.24	3.76	0.00	1.30	2.24	2.46	-0.06	0.06	0.00	-0.01
Liquidity	4.15	0.04	4.00	0.12	0.15	-0.09	-0.01	0.00	0.00	-0.01
Monthly Linked Return	100.00	4.15	100.00	4.00		0.15	-0.08	0.07	0.16	0.15
Trading/Hedging/Other		0.37		-0.22		0.60				0.60
Total		4.53		3.78		0.75				0.75

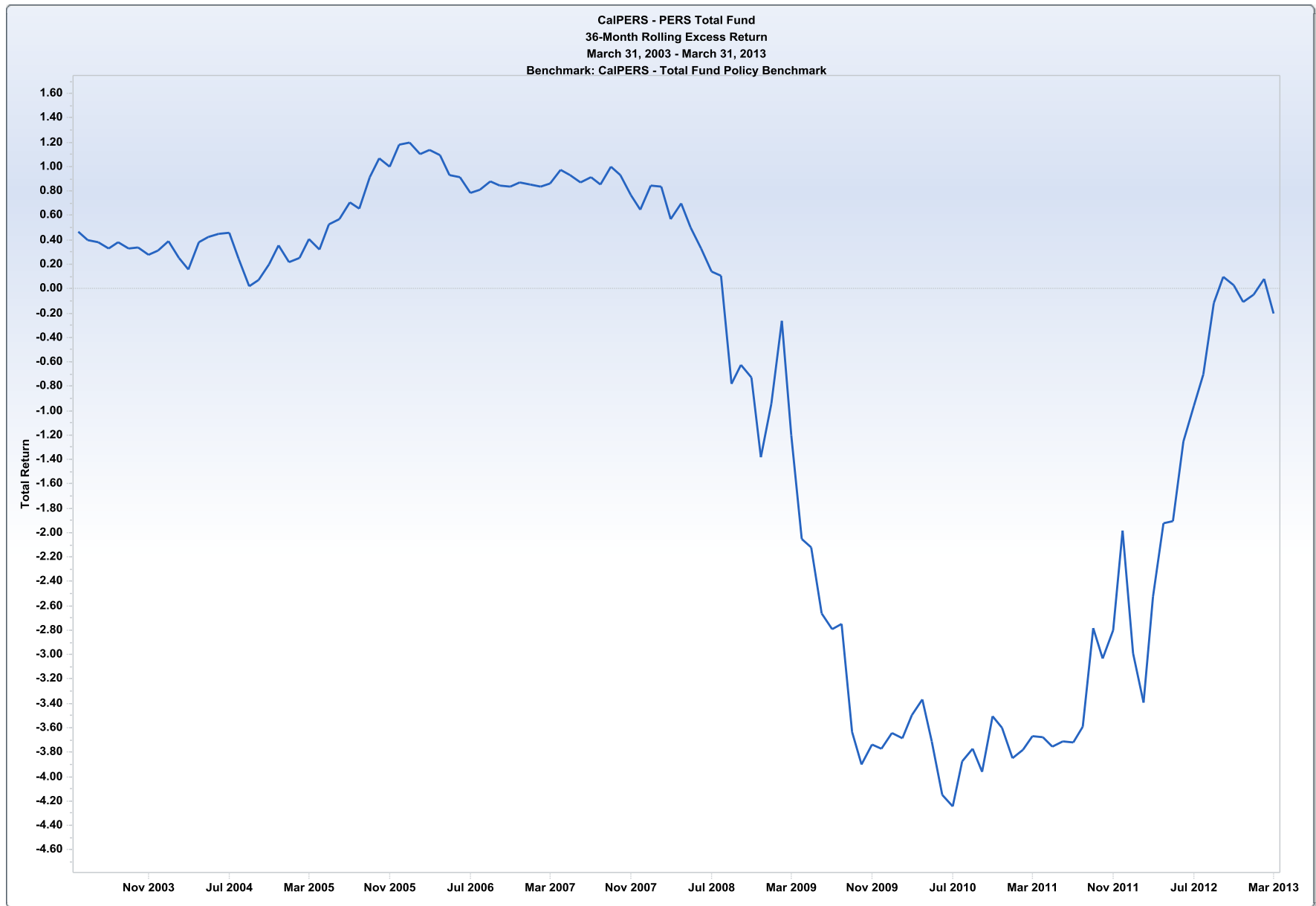


Total Fund – Attribution (Fiscal YTD)

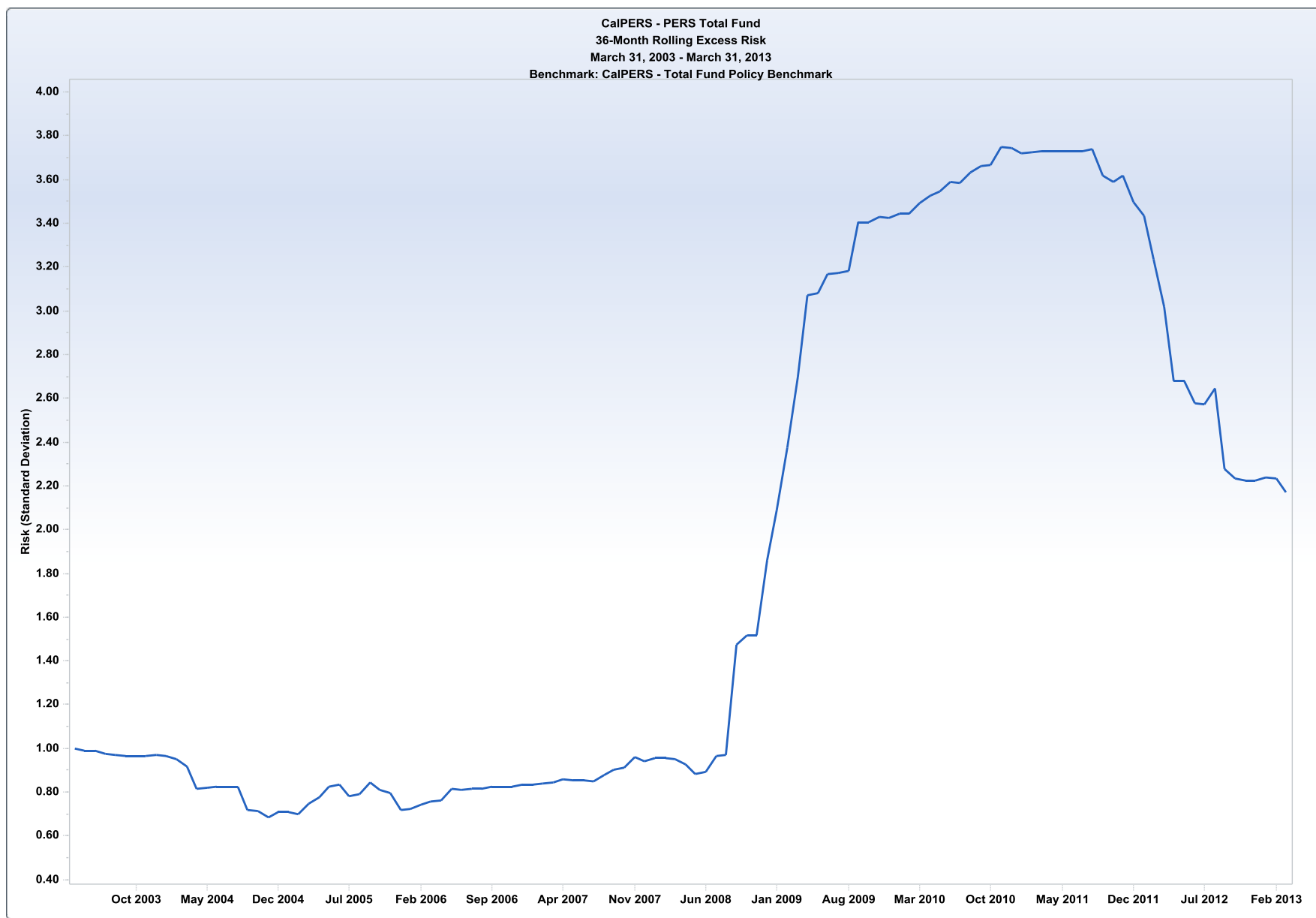
California Public Employees' Retirement System Total Fund Attribution - Fiscal Year-to-Date As of 3/31/2013

Asset Class	Actual (%)		Policy (%)		Difference (%)		Total Fund Return Contribution (%)			
	Weight	Return	Weight	Return	Weight	Return	Actual Allocation	Interaction	Active Management	Total
Growth	62.83	16.43	64.00	15.71	-1.17	0.72	-0.05	-0.02	0.44	0.37
Public Equity	49.35	18.76	50.00	18.35	-0.65	0.41	-0.06	0.00	0.20	0.13
Private Equity	13.47	8.36	14.00	6.20	-0.53	2.16	-0.08	0.05	0.25	0.22
Income	17.77	2.62	17.00	1.40	0.77	1.23	-0.08	0.01	0.22	0.15
Real Assets	10.00	4.01	11.00	7.22	-1.00	-3.20	0.04	0.04	-0.37	-0.30
Inflation	3.26	6.20	4.00	5.44	-0.74	0.75	0.02	-0.01	0.03	0.04
Absolute Return	2.16	6.73	0.00	4.01	2.16	2.72	-0.16	0.06	0.00	-0.10
Liquidity	3.99	0.42	4.00	0.70	-0.01	-0.28	0.01	0.00	-0.01	0.00
Monthly Linked Return	100.00	11.40	100.00	11.22		0.18	-0.23	0.09	0.31	0.17
Trading/Hedging		0.54		-0.64		1.18				1.18
Total		11.94		10.58		1.36				1.36

Total Fund – Rolling Excess Returns



Total Fund – Rolling Tracking Error

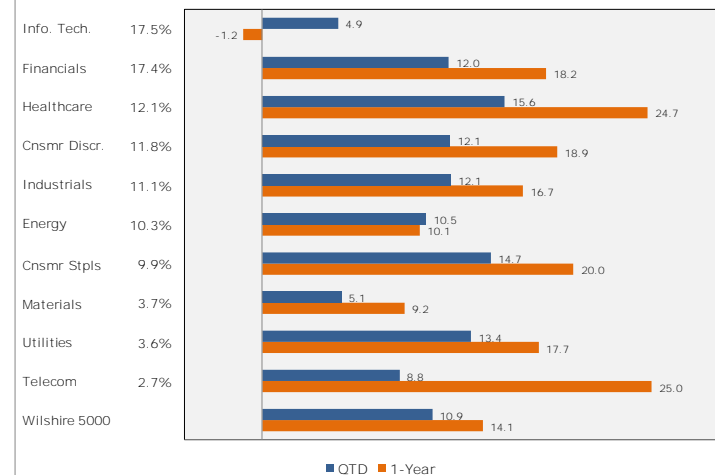


U.S. Capital Markets: Equity

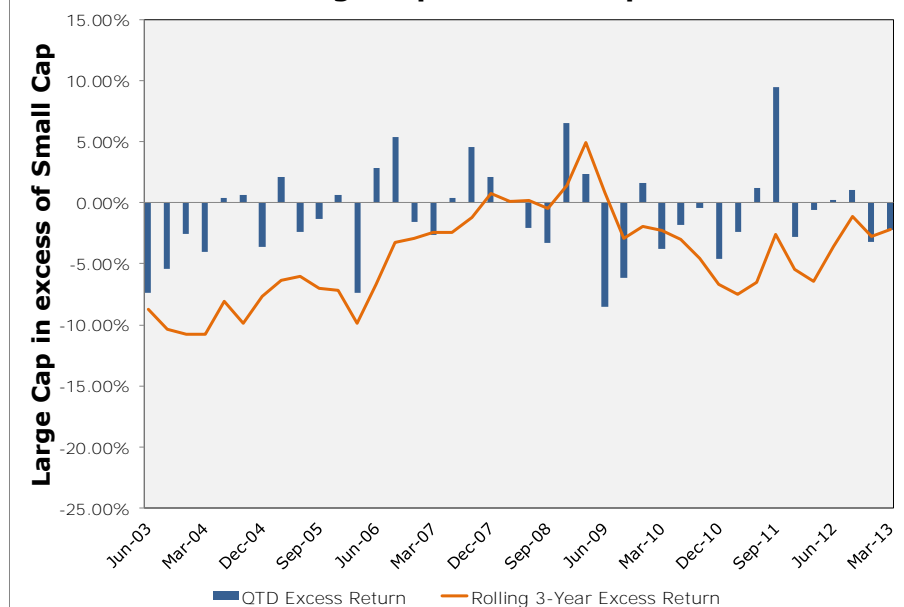


March 31, 2013	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Wilshire 5000	10.9	10.9	14.1	12.8	6.3	9.3
Wilshire U.S. Large Cap	10.6	10.6	13.7	12.6	5.8	8.8
Wilshire U.S. Small Cap	13.1	13.1	18.5	15.1	10.3	13.4
Wilshire U.S. Large Growth	9.1	9.1	10.3	11.6	6.7	8.6
Wilshire U.S. Large Value	12.0	12.0	16.8	13.4	4.8	9.0
Wilshire U.S. Small Growth	13.4	13.4	16.3	16.0	10.6	13.9
Wilshire U.S. Small Value	12.9	12.9	20.6	14.0	10.0	12.8
Wilshire REIT Index	7.4	7.4	14.0	17.3	6.3	12.2
MSCI USA Minimum Volatility Index	13.2	13.2	17.6	15.6	8.4	8.8
FTSE RAFI U.S. 1000 Index	12.8	12.8	18.7	13.4	8.4	n.a.

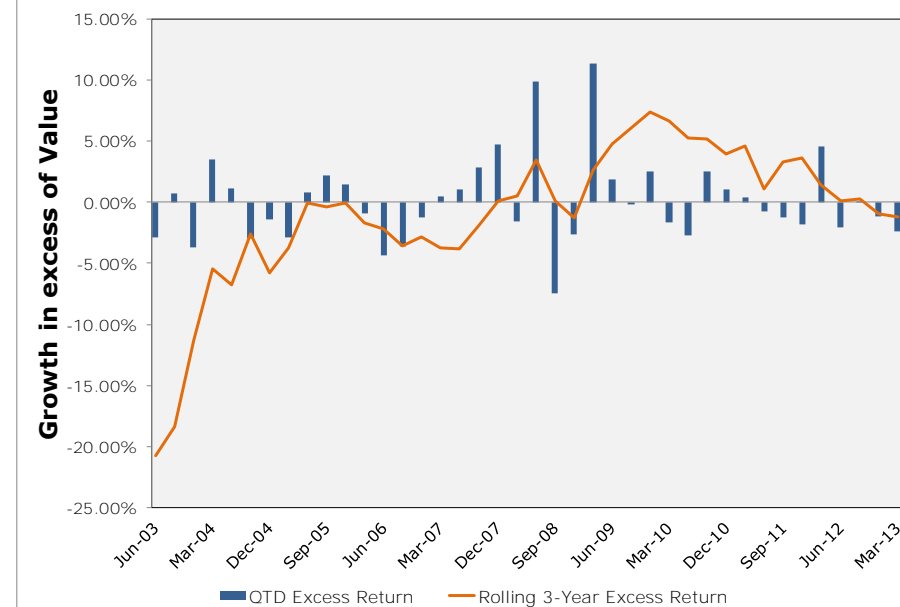
Wilshire 5000 Sector Weight & Return (%)



Large Cap vs. Small Cap



Growth vs. Value



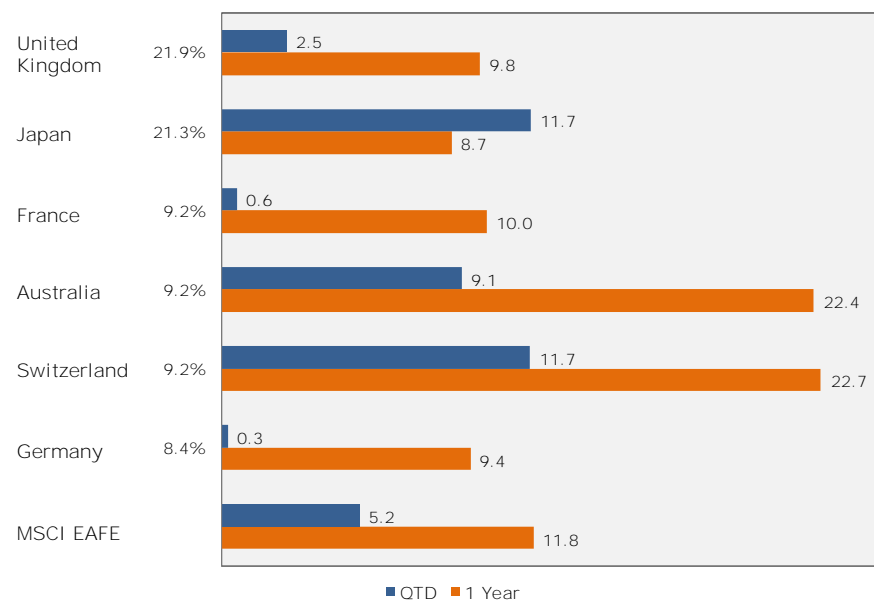
Data sources: Wilshire Compass, Wilshire Atlas

Non-U.S. Capital Markets

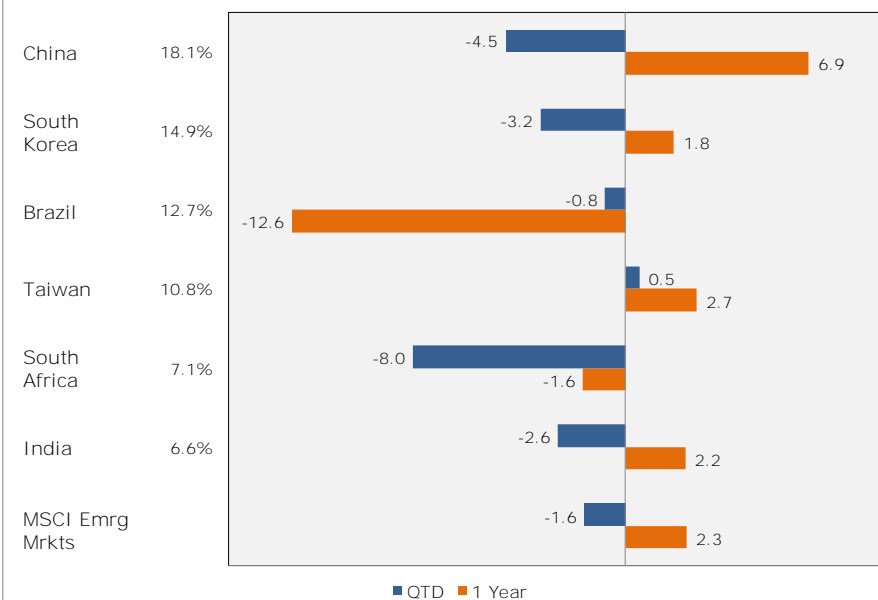


March 31, 2013	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
MSCI ACWI ex-US (\$g)	3.3	3.3	8.9	4.9	0.1	11.4
MSCI EAFE (\$g)	5.2	5.2	11.8	5.5	-0.4	10.2
MSCI Emerging Markets (\$g)	-1.6	-1.6	2.3	3.6	1.4	17.4
MSCI Frontier Markets (\$g)	8.2	8.2	12.0	2.5	-8.4	9.3
MSCI EAFE Minimum Volatility Idx	10.5	10.5	17.0	10.2	4.0	12.6
FTSE RAFI Developed ex-US Index	2.8	2.8	7.8	2.9	-0.5	n.a.
JPM Non US Global Bond	-4.2	-4.2	-2.7	3.7	2.7	5.8
JPM Non US Global Bond Hedged	1.3	1.3	5.6	5.0	4.8	4.6
JPM EMBI Global	-2.3	-2.3	10.4	10.6	9.8	10.6
Euro vs. Dollar	-2.6	-2.6	-3.6	-1.7	-4.2	1.6
Yen vs. Dollar	-8.0	-8.0	-12.5	-0.2	1.1	2.3
Pound vs. Dollar	-6.6	-6.6	-5.0	0.0	-5.2	-0.4

MSCI EAFE: Largest Countries and Return



MSCI EM: Largest Countries and Return

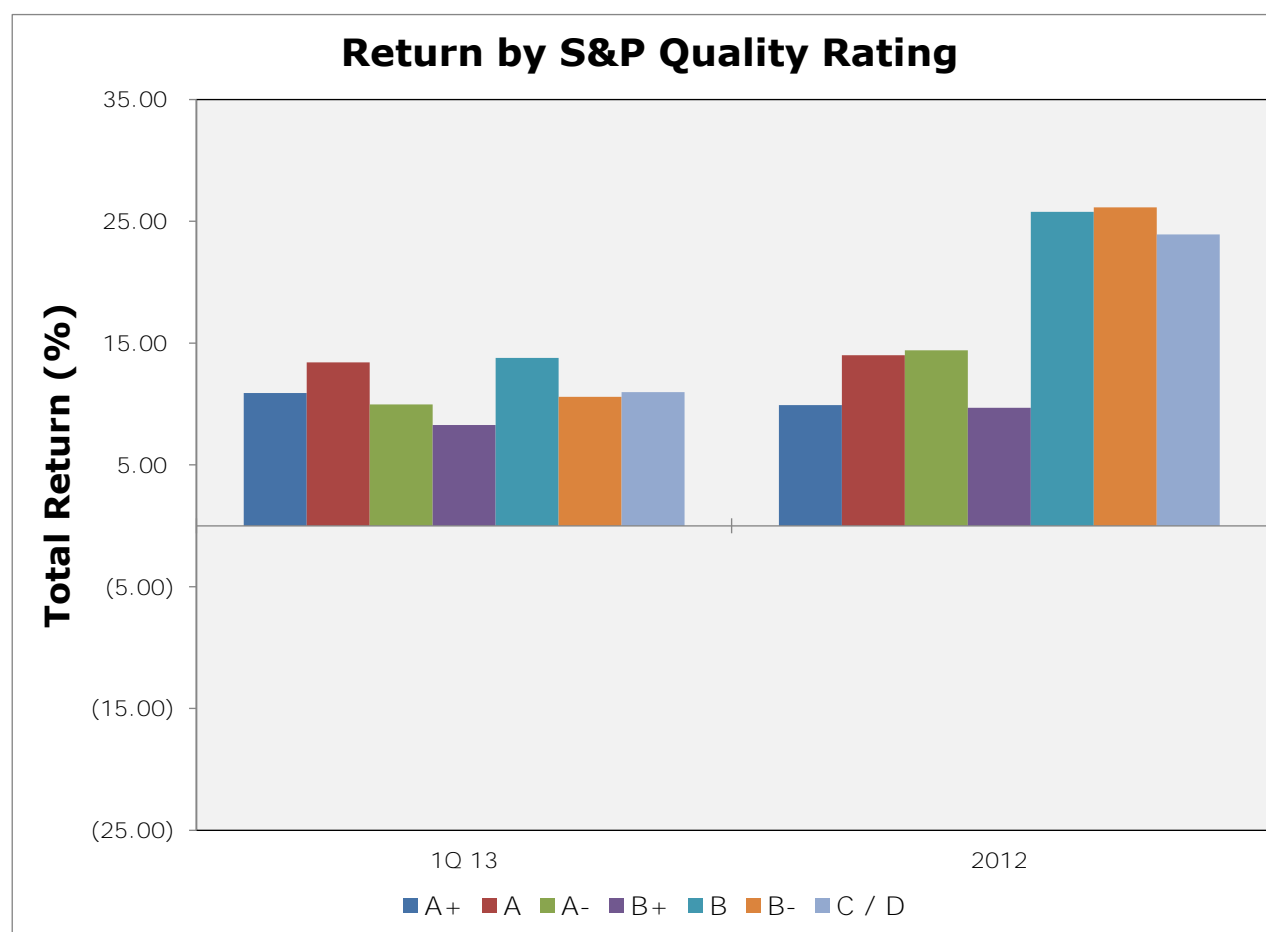


Data sources: Wilshire Compass, MSCI Barra



Returns by Quality Segment

Returns were evenly distributed by quality rating during the first quarter, particularly compared to 2012



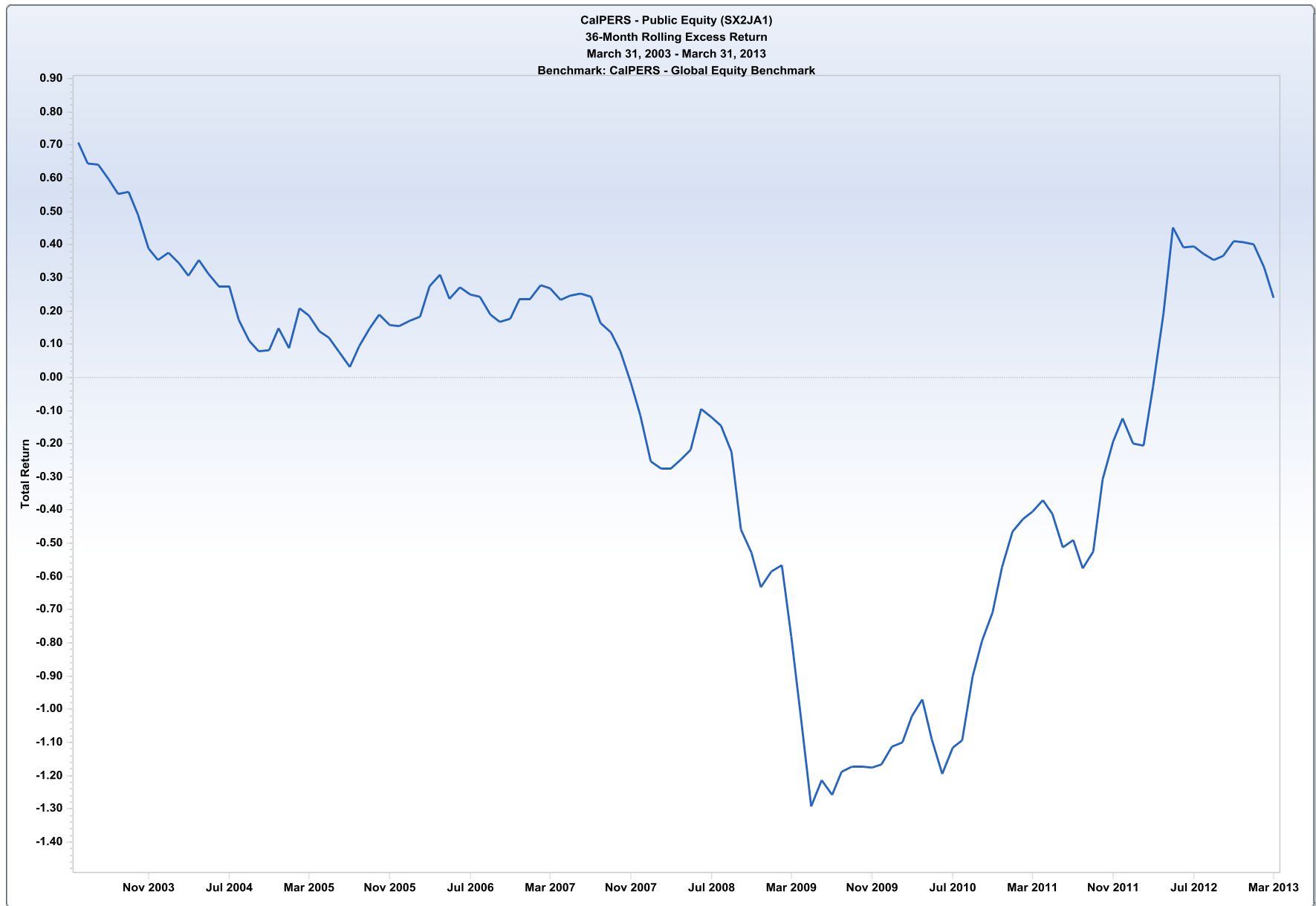
Data sources: Wilshire Atlas

Growth: Public Equity – Performance

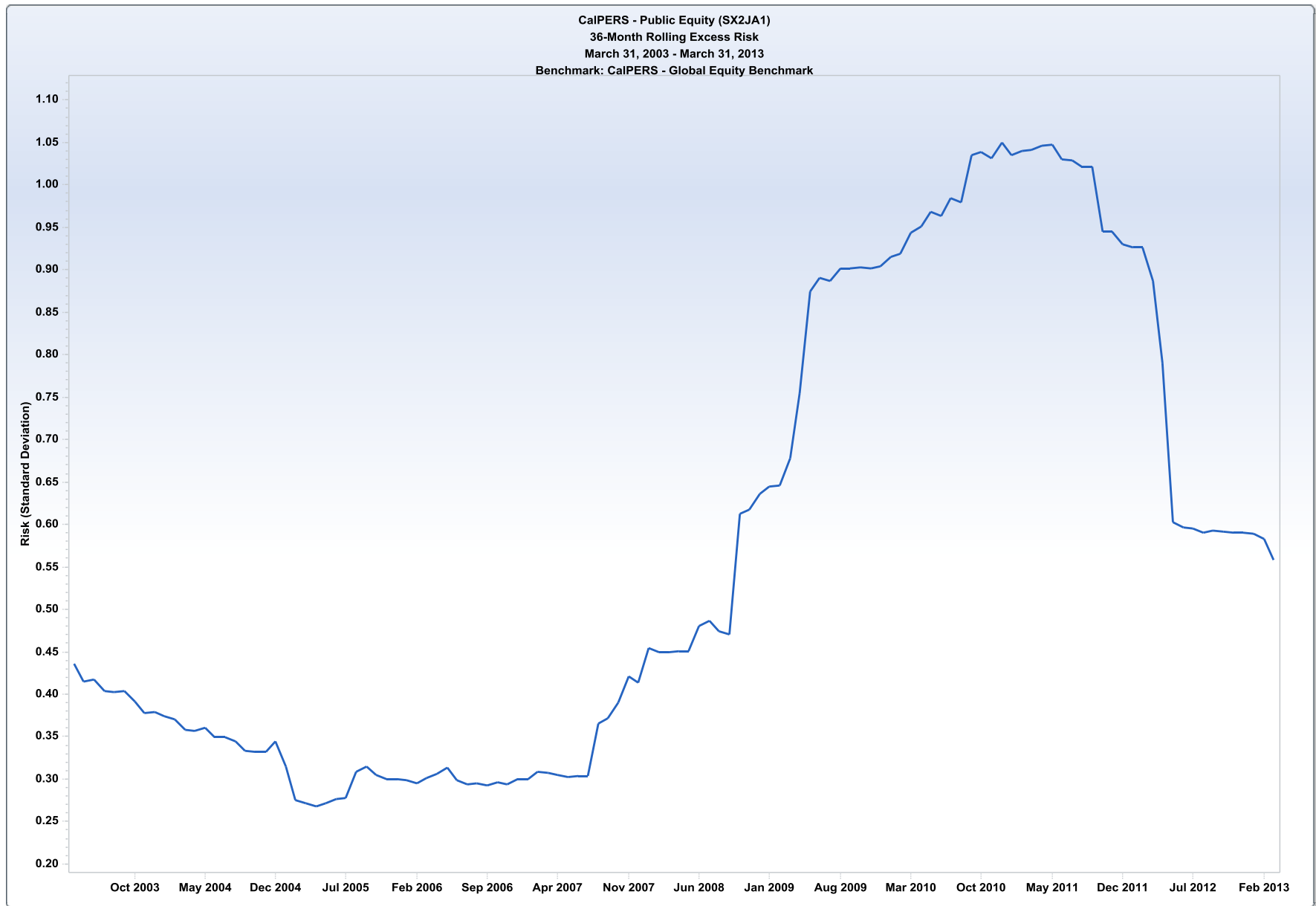


	Market Value	<u>Qtr</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>	<u>VaR</u>	<u>5-year Sharpe Ratio</u>	<u>5-year Info Ratio</u>
PUBLIC EQUITY	133.3	7.2%	12.0%	8.6%	3.0%	9.2%	\$25.8 bil	0.1	-0.3
<i>Public Equity Policy Benchmark</i>		7.1%	11.7%	8.4%	3.6%	9.6%		0.1	0.0
<i>Value Added</i>		0.1%	0.3%	0.2%	-0.6%	-0.4%			
US Equity Composite (ex ARS)	63.0	11.7%	15.1%	12.9%	6.4%	9.1%		0.3	0.3
<i>Custom US Equity Benchmark</i>		11.2%	14.5%	12.7%	6.1%	9.1%		0.3	0.0
<i>Value Added</i>		0.5%	0.6%	0.2%	0.3%	0.0%			
Total Int'l Equity (ex ARS)	68.3	3.4%	9.2%	5.2%	0.2%	11.2%		0.0	0.3
<i>Custom Int'l Equity Benchmark</i>		4.0%	9.9%	4.9%	-0.2%	10.9%		0.0	0.0
<i>Value Added</i>		-0.6%	-0.7%	0.3%	0.4%	0.3%			
Global Equity Equitization	1.4	6.5%	13.7%	8.9%	-.-%	-.-%			
<i>Custom Benchmark</i>		7.1%	11.7%	8.4%	-.-%	-.-%			
<i>Value Added</i>		-0.6%	2.0%	0.5%	-.-%	-.-%			

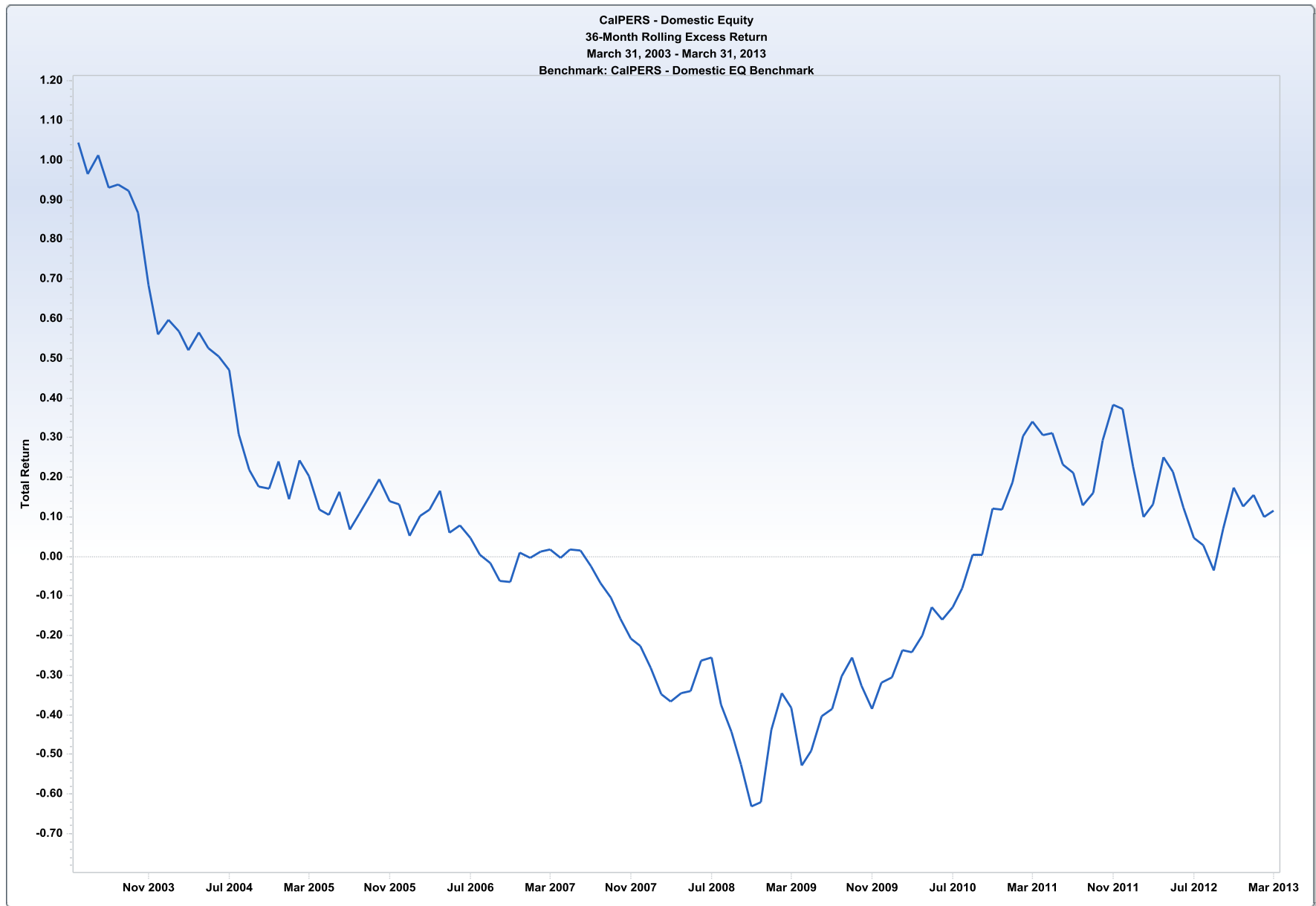
Growth: Public Equity – Rolling Excess Returns



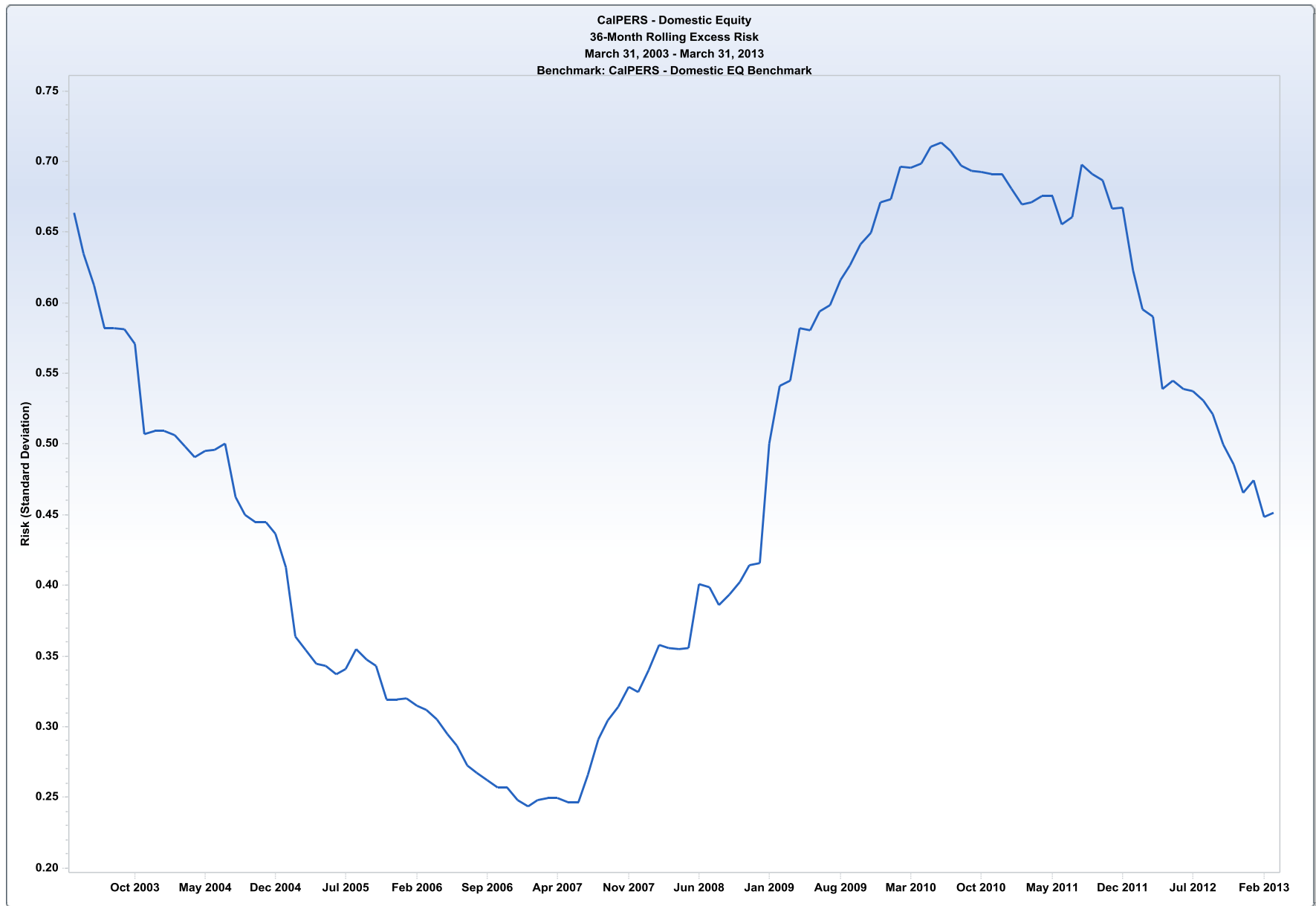
Growth: Public Equity – Rolling Tracking Error



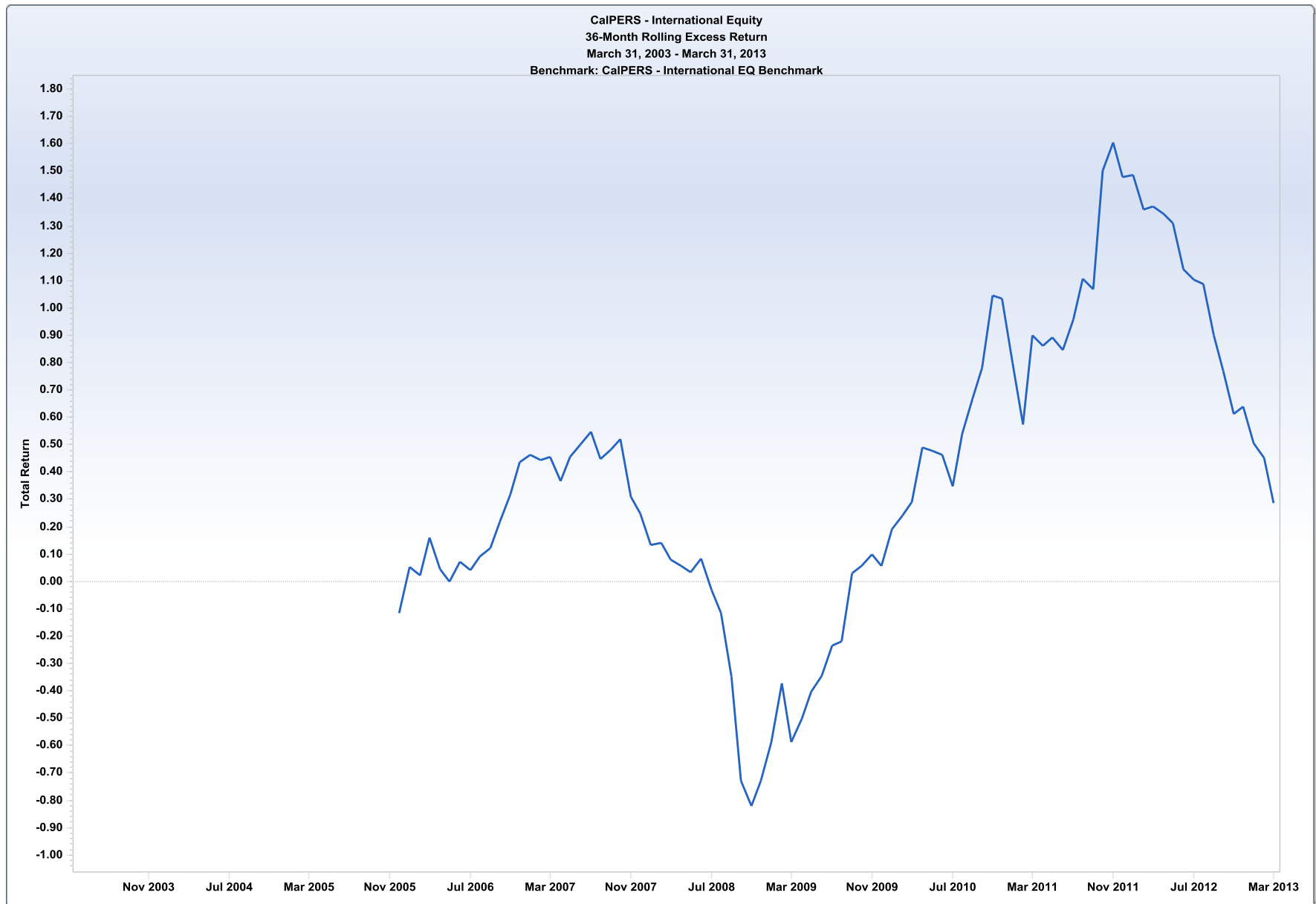
Growth: US Equity – Rolling Excess Returns



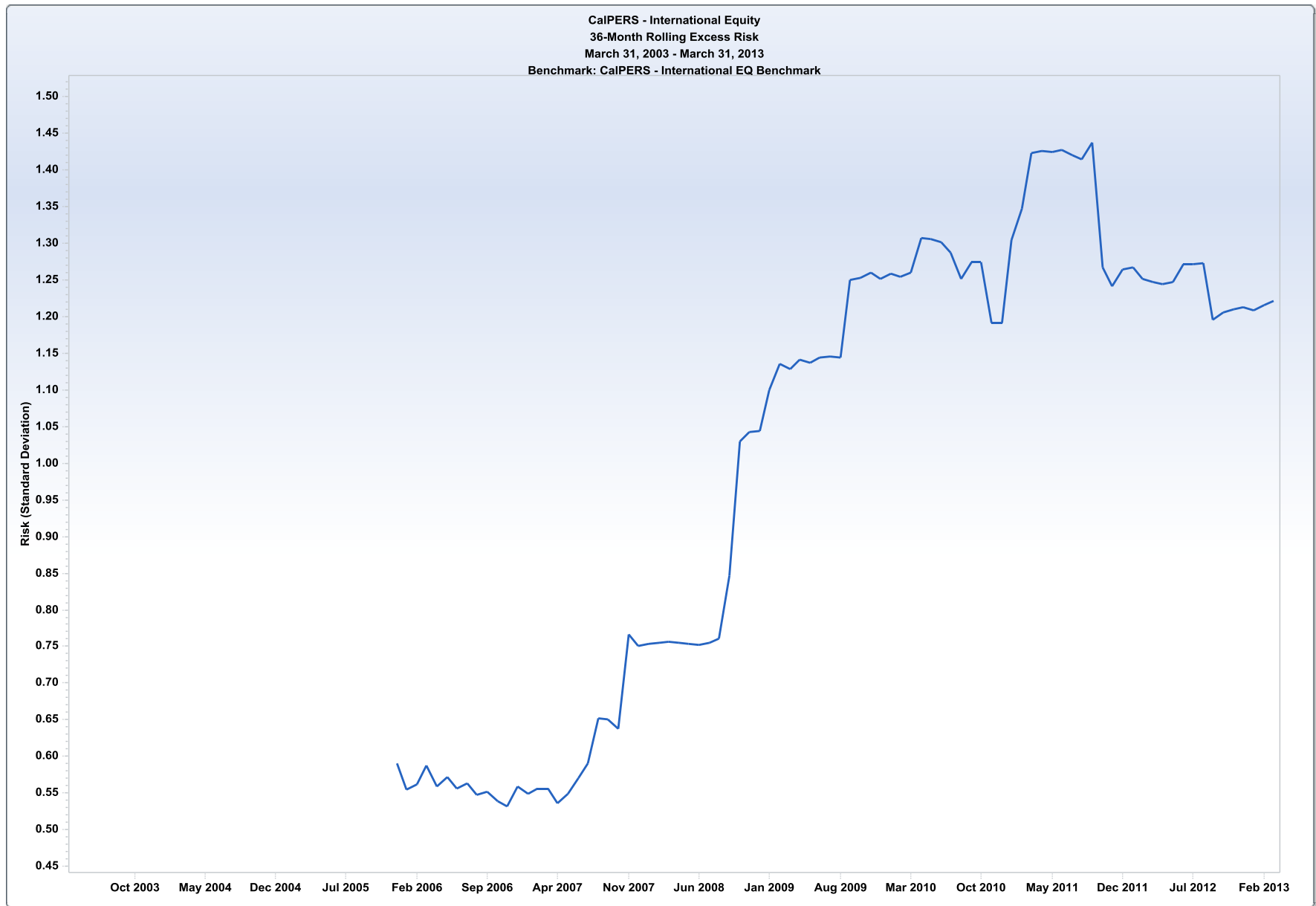
Growth: US Equity – Rolling Tracking Error



Growth: International Equity – Rolling Excess Returns



Growth: International Equity – Rolling Tracking Error



Growth: Corporate Governance/MDP/FoF

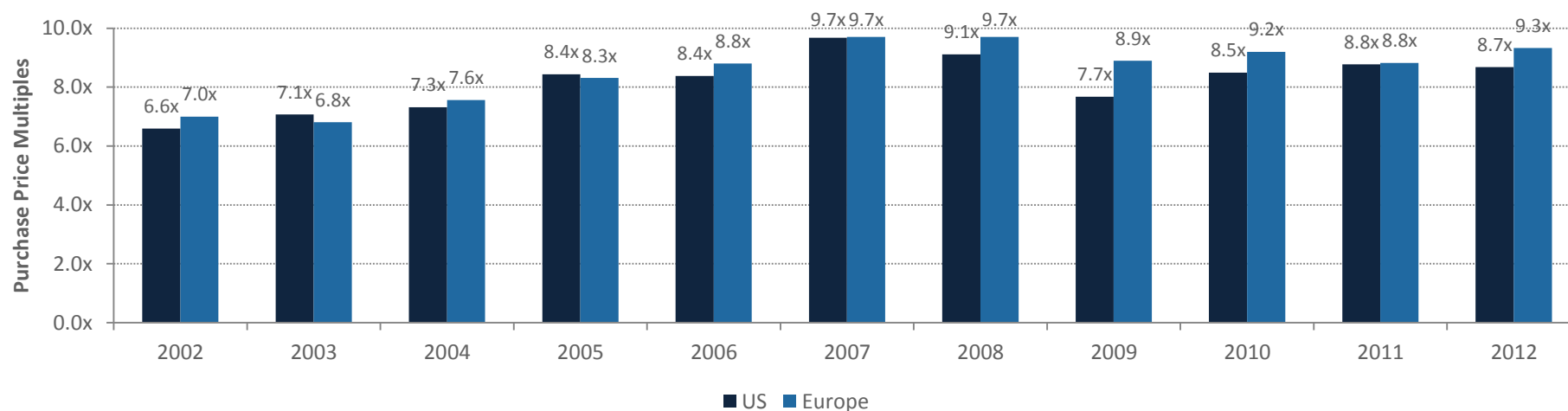


	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>	<u>Date</u>
Total Corporate Governance	4.6	11.7%	13.2%	7.3%	2.4%	9.4%	12/98
<i>Policy Benchmark</i>		9.7%	13.5%	8.2%	2.5%	8.7%	
<i>Value Added</i>		2.0%	-0.3%	-0.9%	-0.1%	0.7%	
Total MDP	1.5	7.6%	10.3%	9.4%	3.7%	8.5%	6/00
<i>Policy Benchmark</i>		6.8%	11.5%	9.4%	4.9%	9.9%	
<i>Value Added</i>		0.8%	-1.2%	0.0%	-1.2%	-1.4%	
Total FoF	1.0	8.7%	11.4%	11.6%	6.5%	-.-%	3/08
<i>Policy Benchmark</i>		8.5%	12.5%	10.8%	6.4%	-.-%	
<i>Value Added</i>		0.2%	-1.1%	0.8%	0.1%	-.-%	

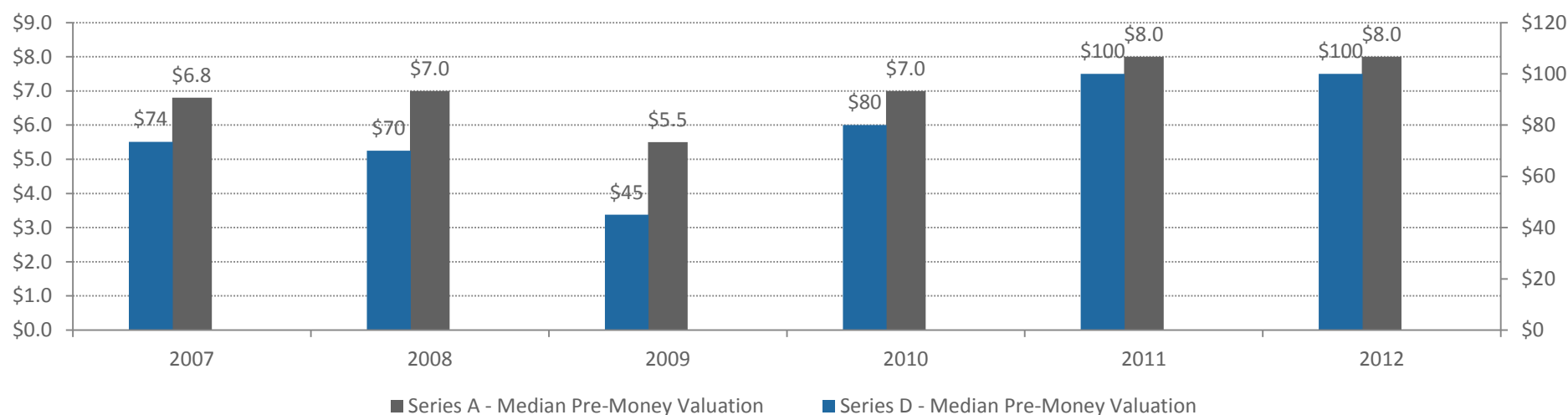
Private Equity Environment – Pricing



Global LBO Multiples (2002 – 2012)



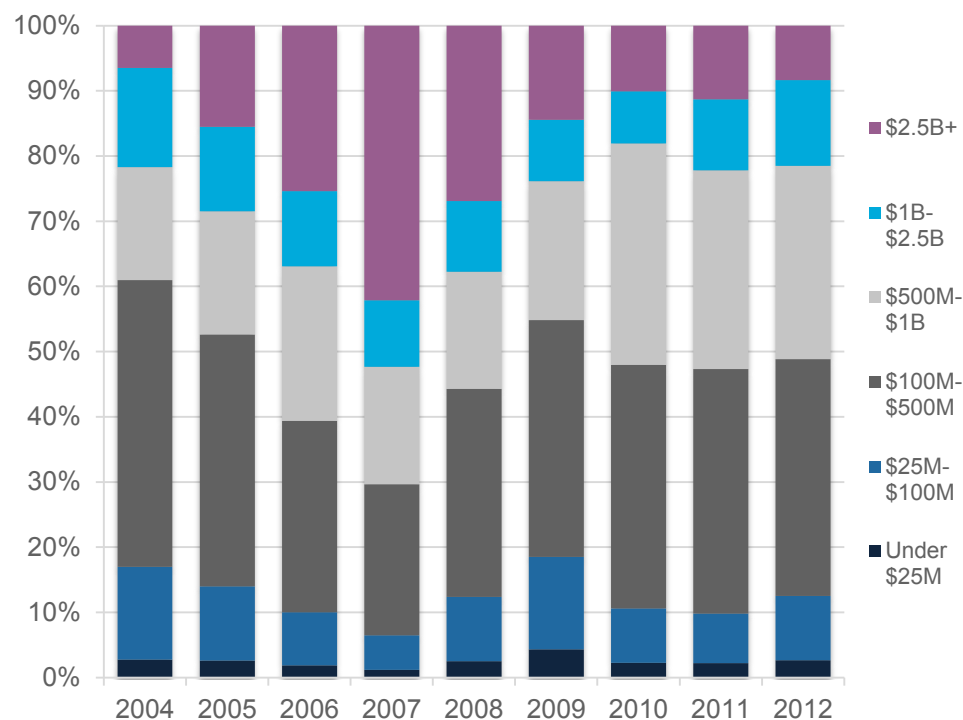
Venture Capital Valuations (2007 – 2012)



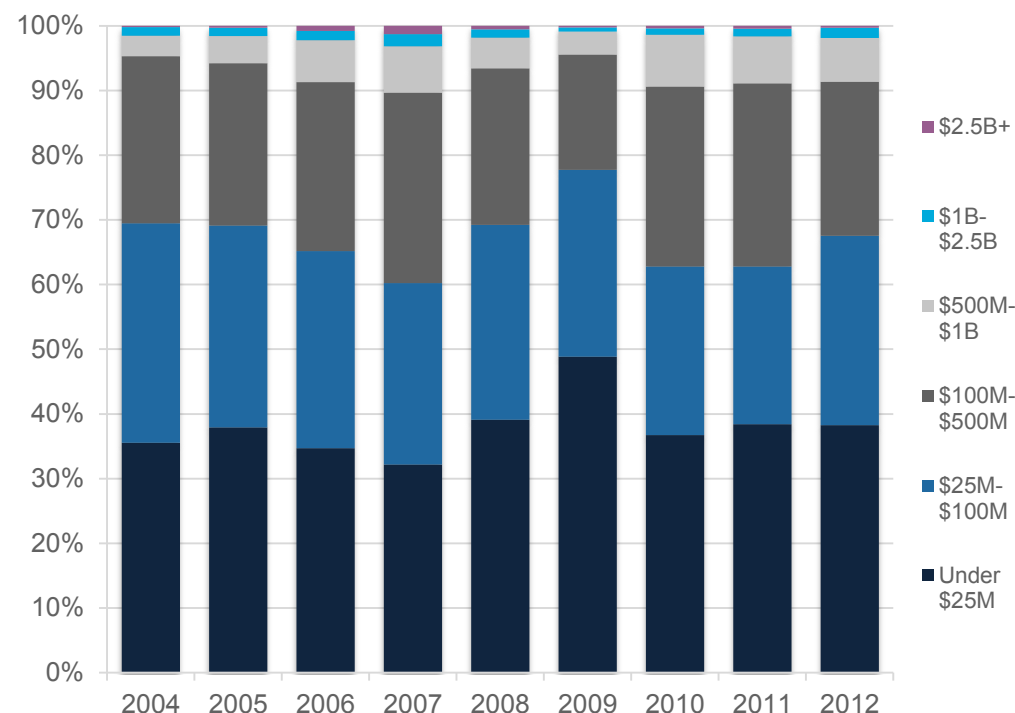
U.S. Investment Activity by Deal Size



Percentage of Deal Volume (capital) by Deal Size



Percentage of Deal Volume (count) by Deal Size



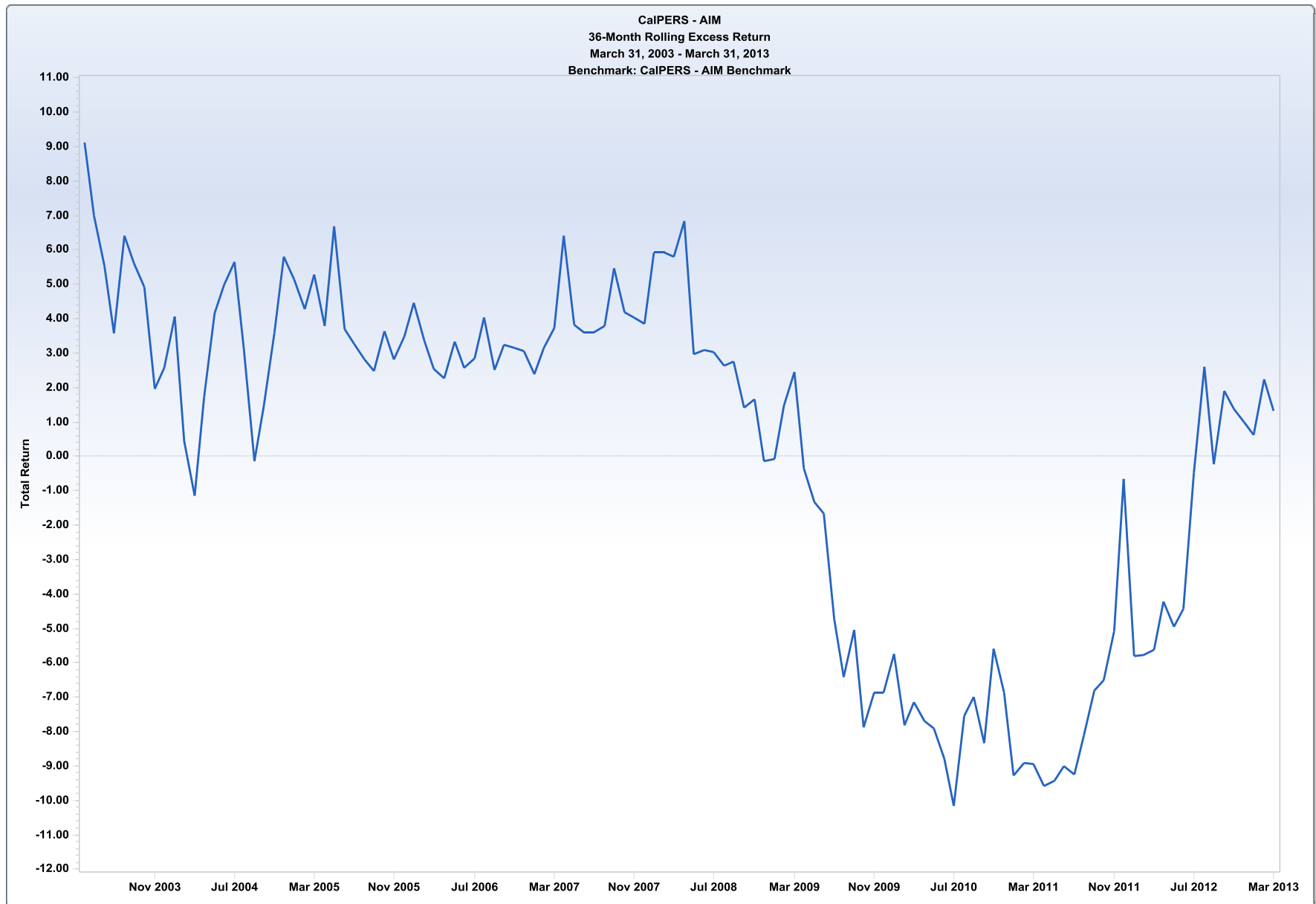
- The middle-market, defined as deals between \$100 million and \$500 million, continues to represent the core of private equity deal transactions and accounts for approximately 24% of deal activity and 36% of capital invested in 2012.

Growth: Private Equity (AIM) – Performance

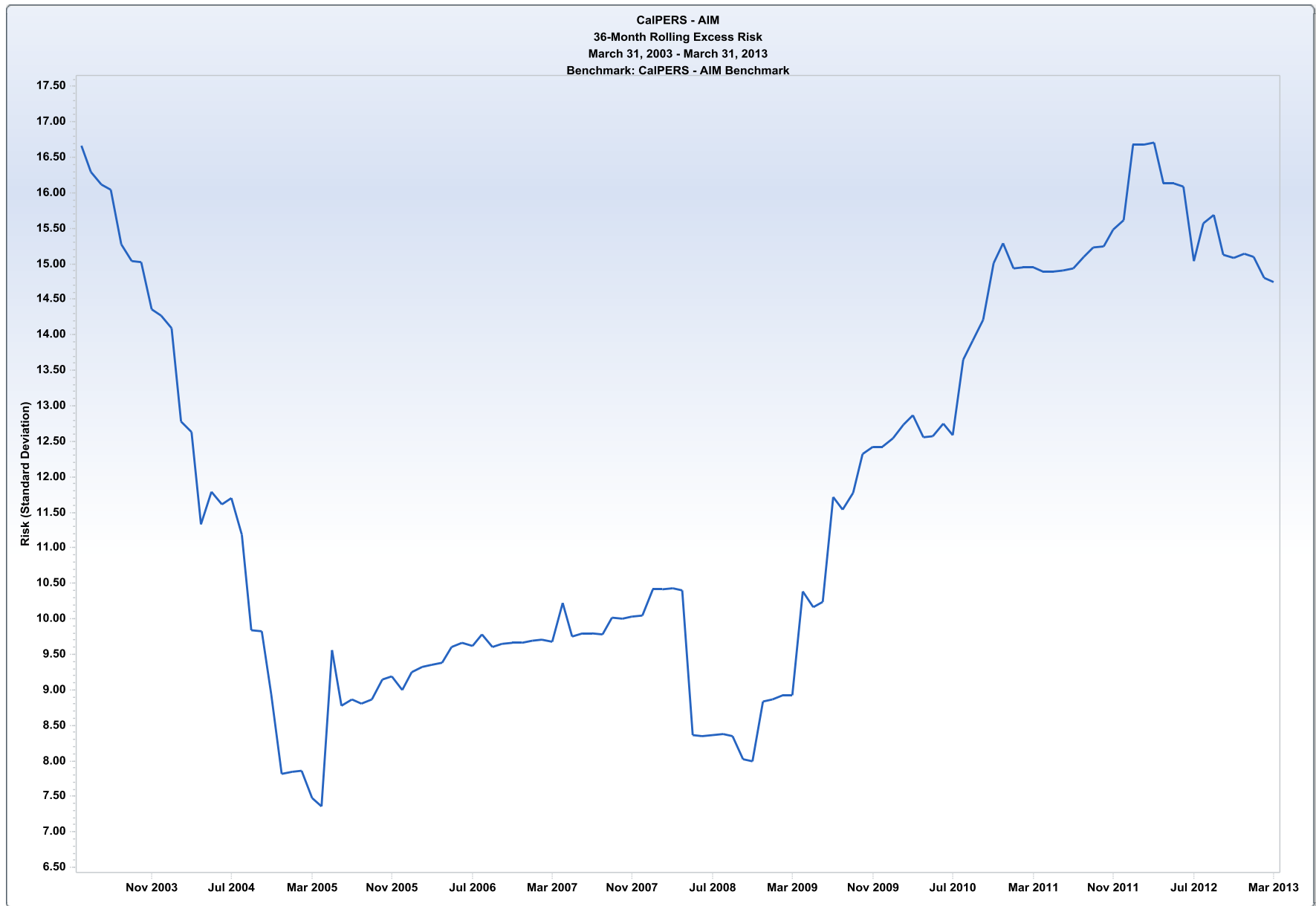


	Market Value	<u>Qtr</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>	<u>VaR</u>	5-year Sharpe Ratio	5-year Info Ratio
PRIVATE EQUITY (AIM)	32.0	4.0%	13.8%	14.3%	5.5%	11.9%	\$10.1 bil	0.5	-0.4
<i>AIM Policy Benchmark</i>		2.9%	20.3%	12.8%	11.2%	12.9%		0.7	0.0
<i>Value Added</i>		1.1%	-6.5%	1.5%	-5.7%	-1.0%			
Private Equity Partnership Investments	32.0	4.0%	13.9%	14.4%	5.7%	12.0%			
Private Equity Distribution Stock	0.0	7.6%	-40.9%	-17.0%	2.4%	5.2%			

Growth: Private Equity (AIM) – Rolling Excess Returns



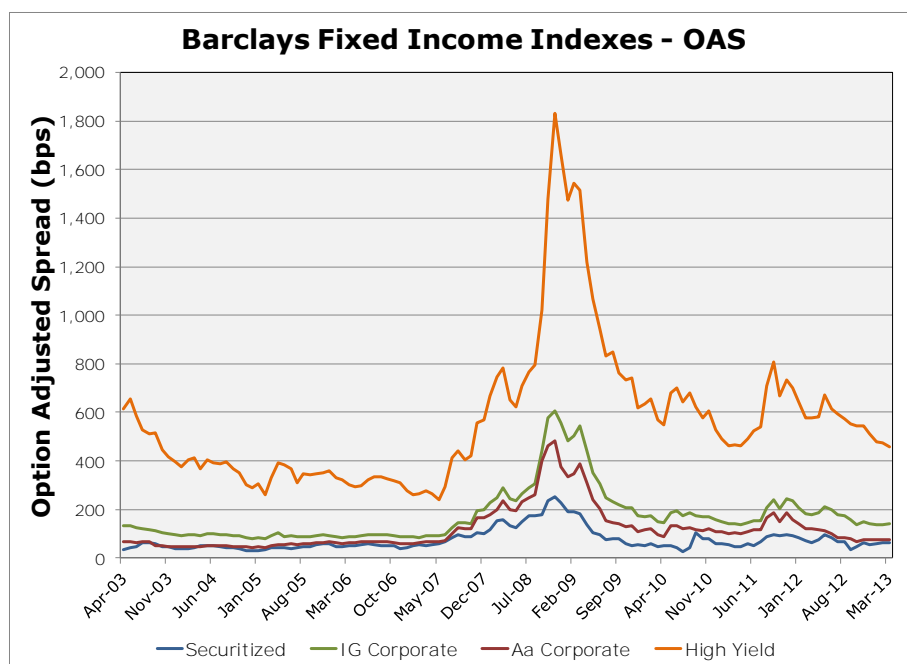
Growth: Private Equity (AIM) – Rolling Tracking Error



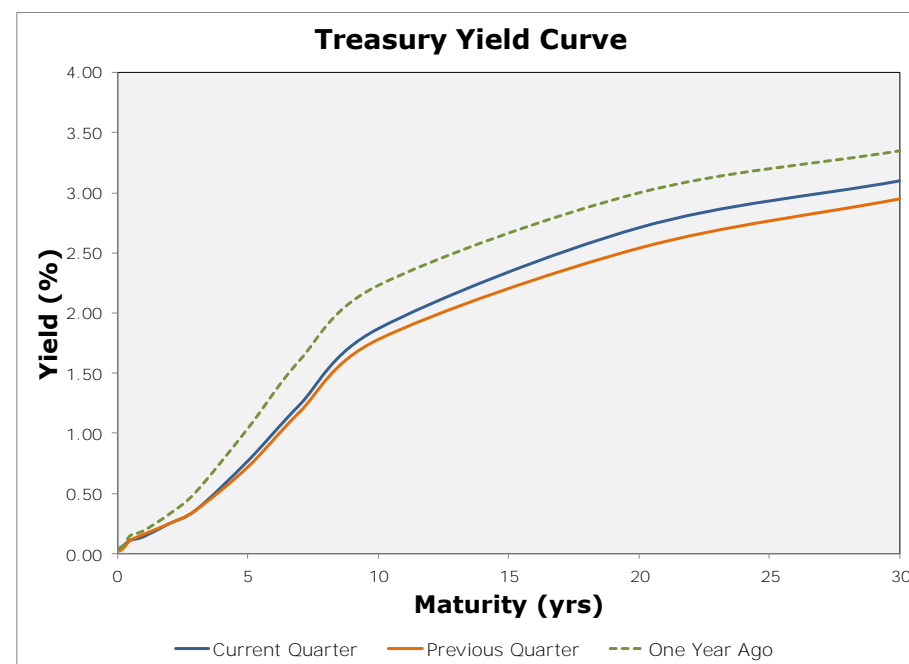
U.S. Capital Markets: Fixed Income



March 31, 2013	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays Aggregate Bond Index	-0.1	-0.1	3.8	5.5	5.5	5.0
Barclays Treasury Index	-0.2	-0.2	3.1	5.4	4.5	4.6
Barclays Govt-Related Index	-0.2	-0.2	3.8	5.0	4.8	4.7
Barclays Securitized Index	0.0	0.0	2.2	4.5	5.2	4.9
Barclays Corporate IG Index	-0.1	-0.1	7.5	8.1	7.9	6.1
Barclays LT Govt/Credit Index	-2.0	-2.0	8.9	12.3	9.5	7.5
Barclays LT Treasury Index	-2.4	-2.4	7.3	12.5	8.3	7.2
Barclays LT Govt-Related Index	-1.5	-1.5	9.1	12.6	9.0	8.0
Barclays LT Corporate IG Index	-1.8	-1.8	10.0	11.8	10.6	7.6
Barclays U.S. TIPS Index	-0.4	-0.4	5.7	8.6	5.9	6.3
Barclays High Yield Index	2.9	2.9	13.1	11.2	11.6	10.1
Treasury Bills	0.0	0.0	0.1	0.1	0.3	1.8



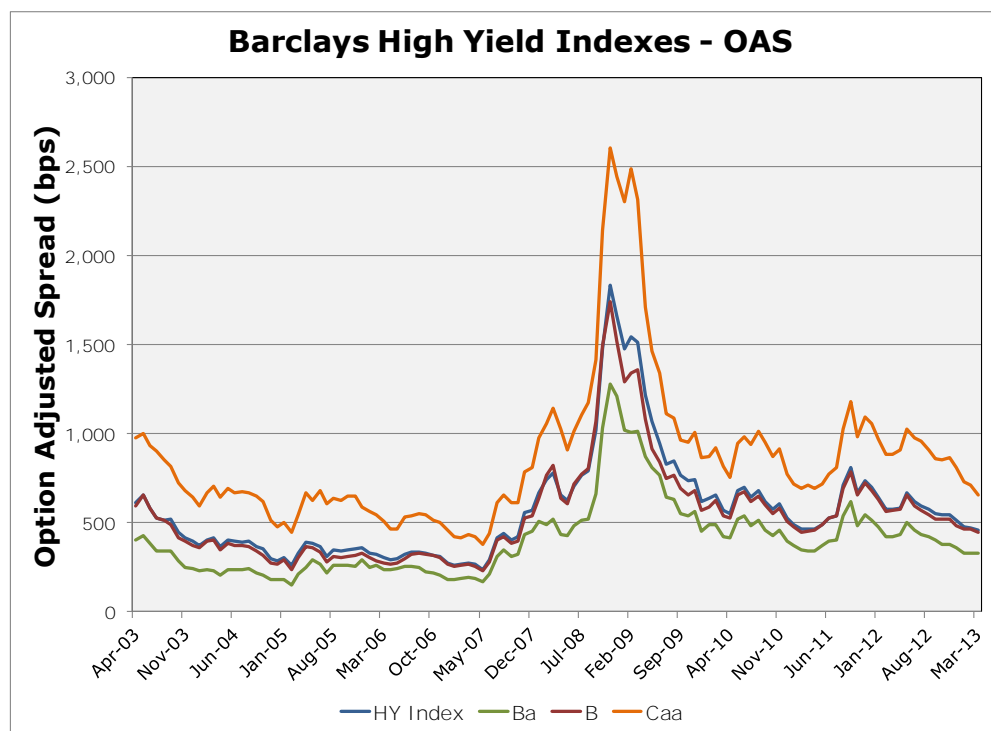
Data sources: Wilshire Compass, Barclays Capital, U.S. Treasury



High Yield by Quality



March 31, 2013	Weight	Qtr	Ytd	1 Yr	3 Yr
Barclays High Yield Index	100%	2.9	2.9	13.1	11.2
Quality Distribution					
Ba U.S. High Yield	37.8%	2.0	2.0	11.9	11.0
B U.S. High Yield	43.8%	2.7	2.7	13.1	11.2
Caa U.S. High Yield	17.0%	5.8	5.8	15.8	11.9
Ca to D U.S. High Yield	1.0%	-1.2	-1.2	13.4	9.4
Non-Rated U.S. High Yield	0.4%	3.9	3.9	16.1	12.8



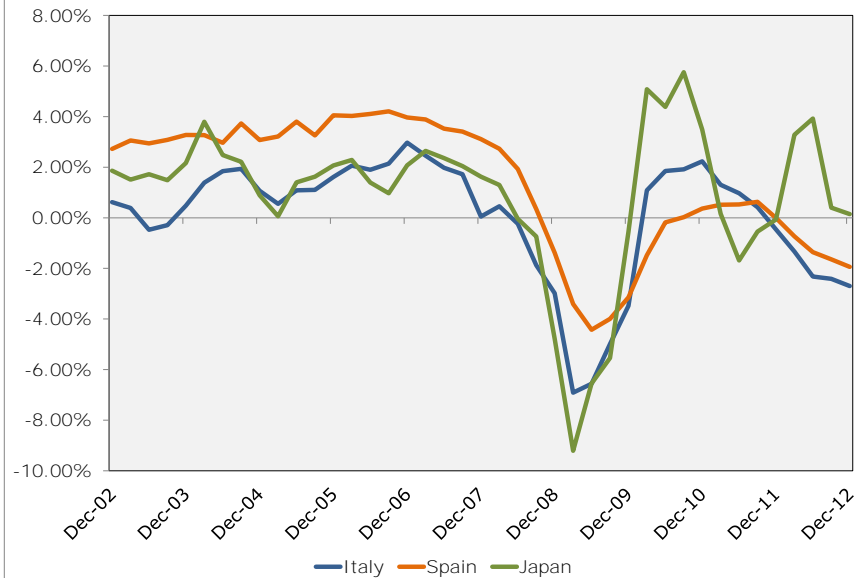
Data sources: Barclays Capital



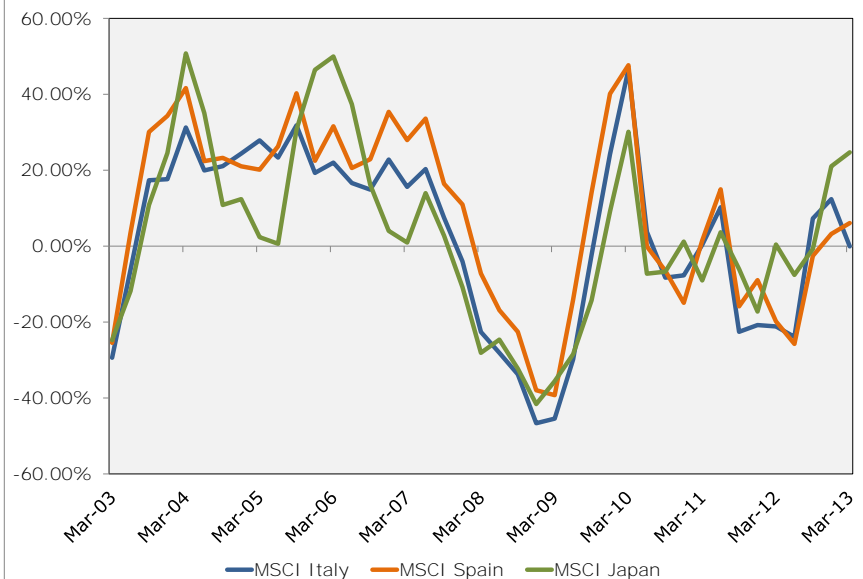
Economic Growth and Equity Returns

- Although many headlines have focused on “periphery” countries (Greece, Cyprus), larger economies also are experiencing on-going problems
 - Italy is the world’s 8th largest economy by GDP
 - Spain is the 12th largest
- Japan is showing signs of rebounding from their recent recession
- From a return perspective, Japan’s local stock market has done better lately than those in Italy and Spain

Change in GDP vs. 1-Year Ago (constant price)



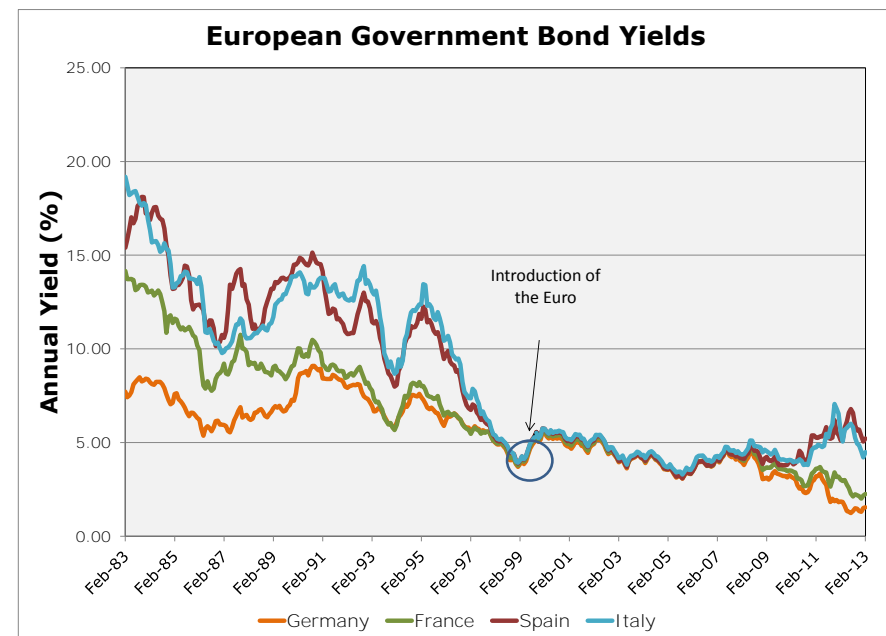
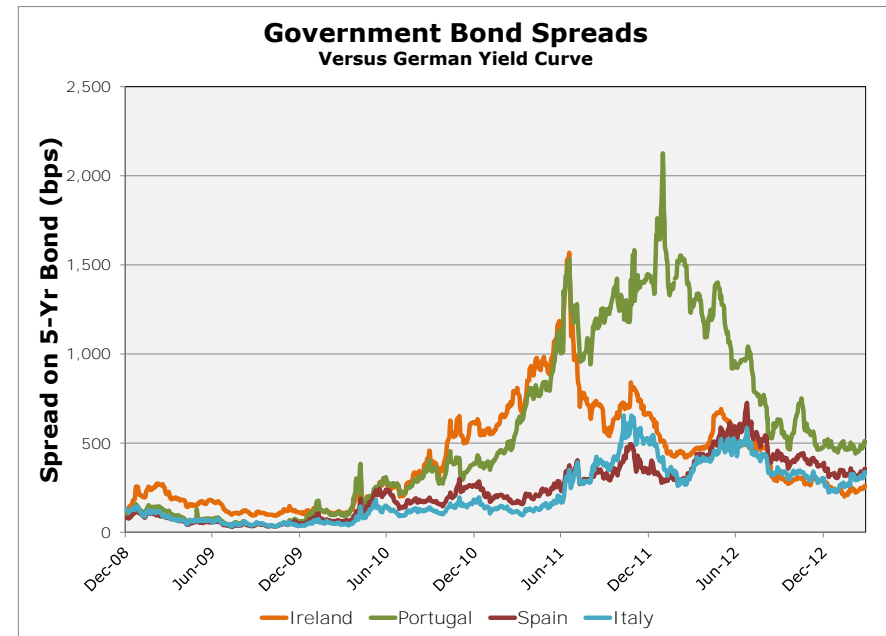
Rolling 1-Year Return (local currency)





European Debt Issues

- Spreads have leveled-off to some degree but remain elevated
- Yields remain low in some of the largest economies across the globe – including Germany and France along with the U.S.

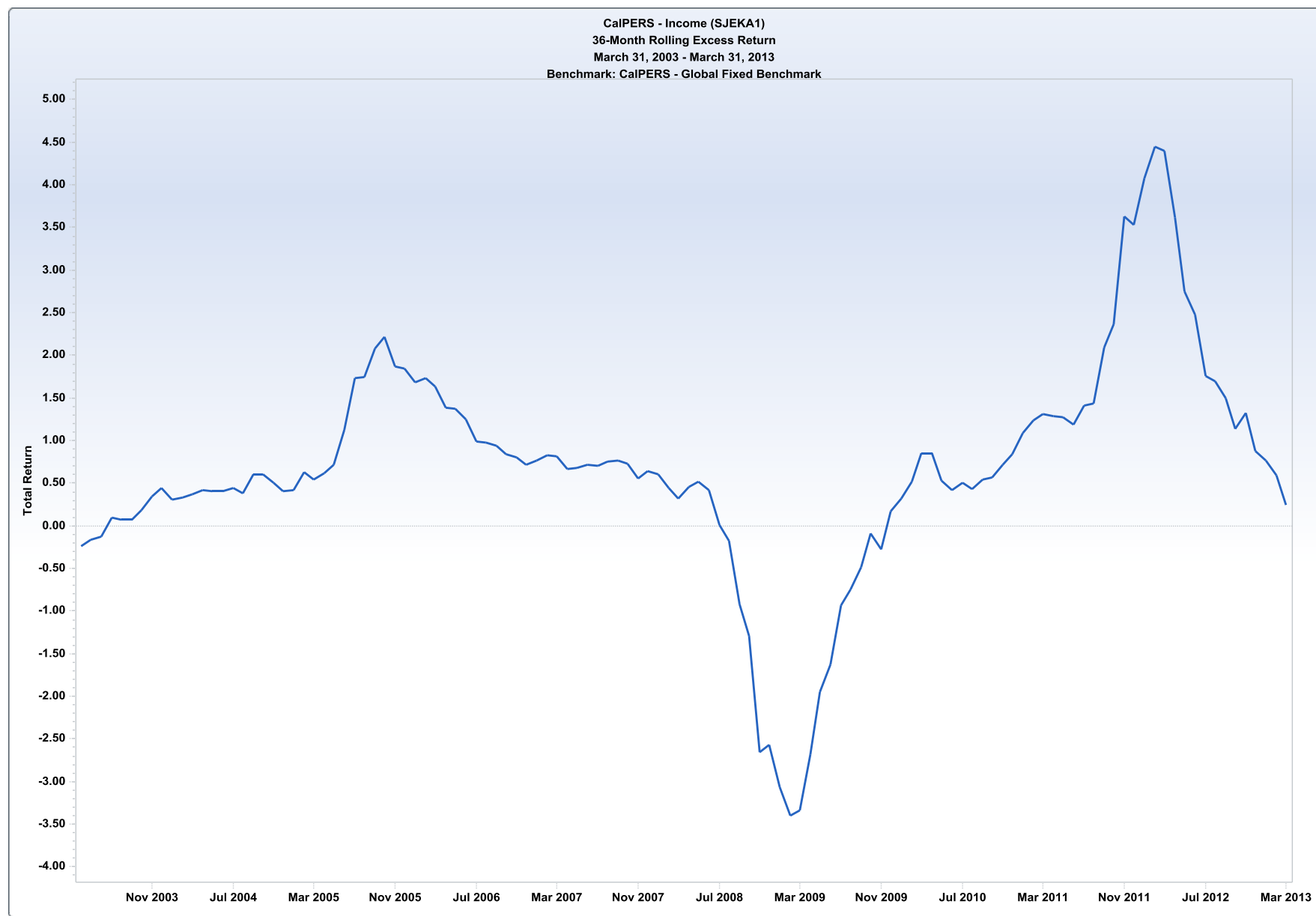




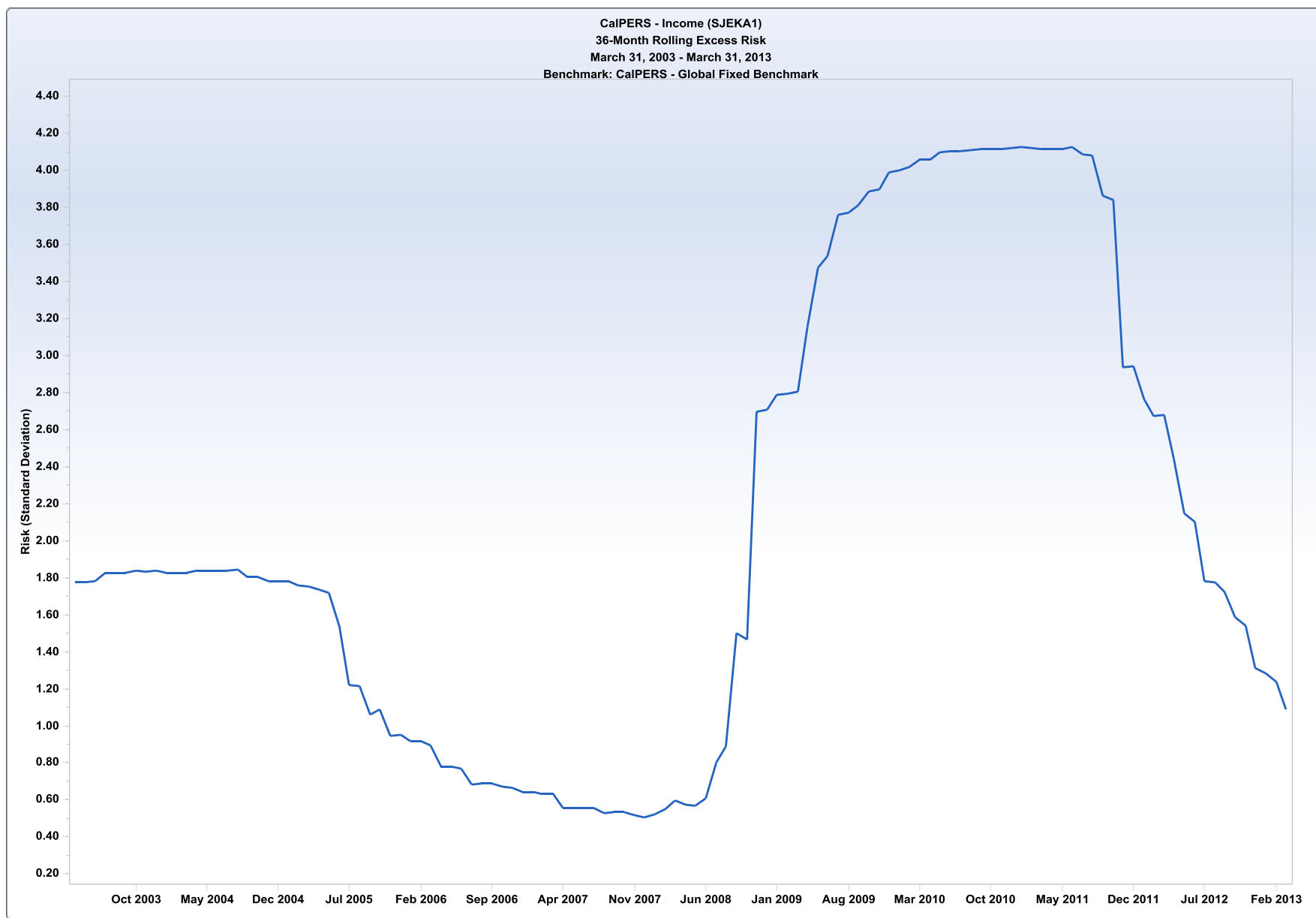
Income – Performance

	Market Value	<u>Qtr</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>	<u>VaR</u>	5-year Sharpe Ratio	5-year Info Ratio
INCOME	41.2	-0.8%	6.7%	8.9%	8.2%	7.4%	\$5.1 bil	1.1	0.2
<i>Income Policy Benchmark</i>		-1.1%	5.5%	8.6%	7.4%	6.5%		1.1	0.0
<i>Value Added</i>		0.3%	1.2%	0.3%	0.8%	0.9%			
U.S. Income	38.0	-0.5%	7.4%	9.3%	8.7%	7.5%		1.2	0.2
<i>U.S. Income Policy Benchmark</i>		-0.7%	6.4%	9.2%	7.9%	6.6%		1.2	0.0
<i>Value Added</i>		0.2%	1.0%	0.1%	0.8%	0.9%			
Non-U.S. Income	3.2	-3.8%	-0.7%	5.1%	4.0%	6.5%		0.4	0.9
<i>Non-US Income Policy Benchmark</i>		-4.0%	-2.3%	3.4%	2.4%	5.6%		0.2	0.0
<i>Value Added</i>		0.2%	1.6%	1.7%	1.6%	0.9%			

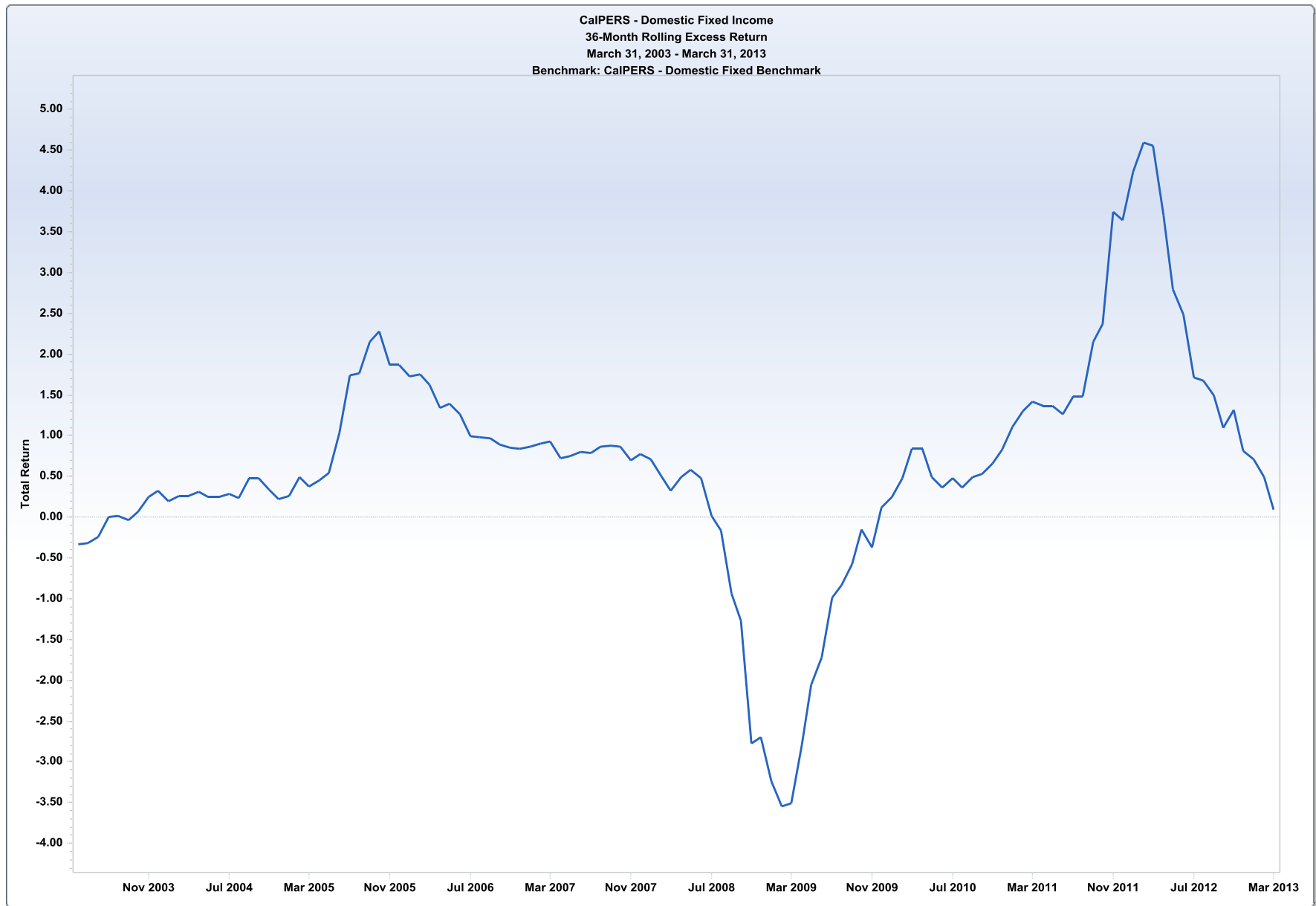
Income – Rolling Excess Returns



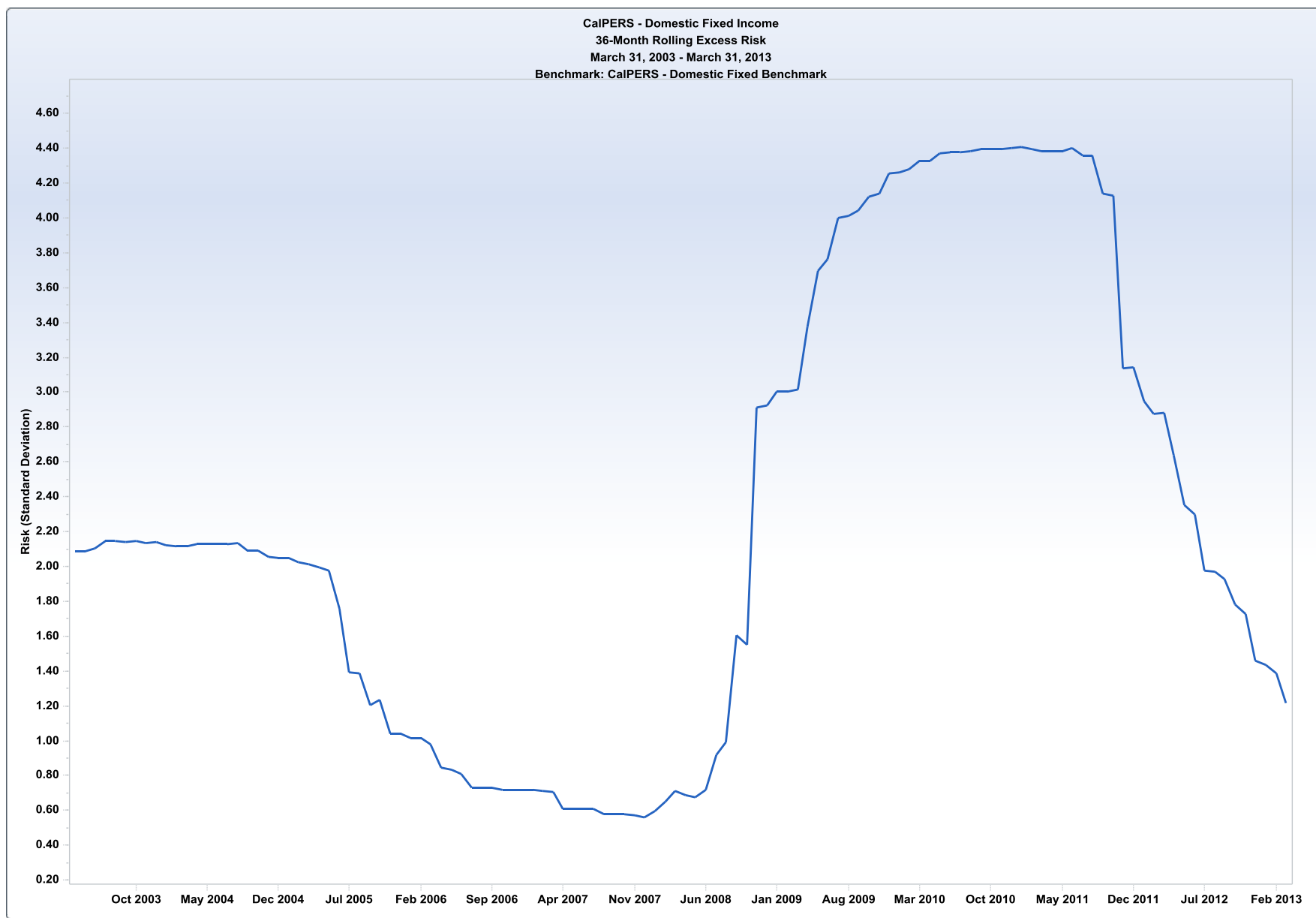
Income – Rolling Tracking Error



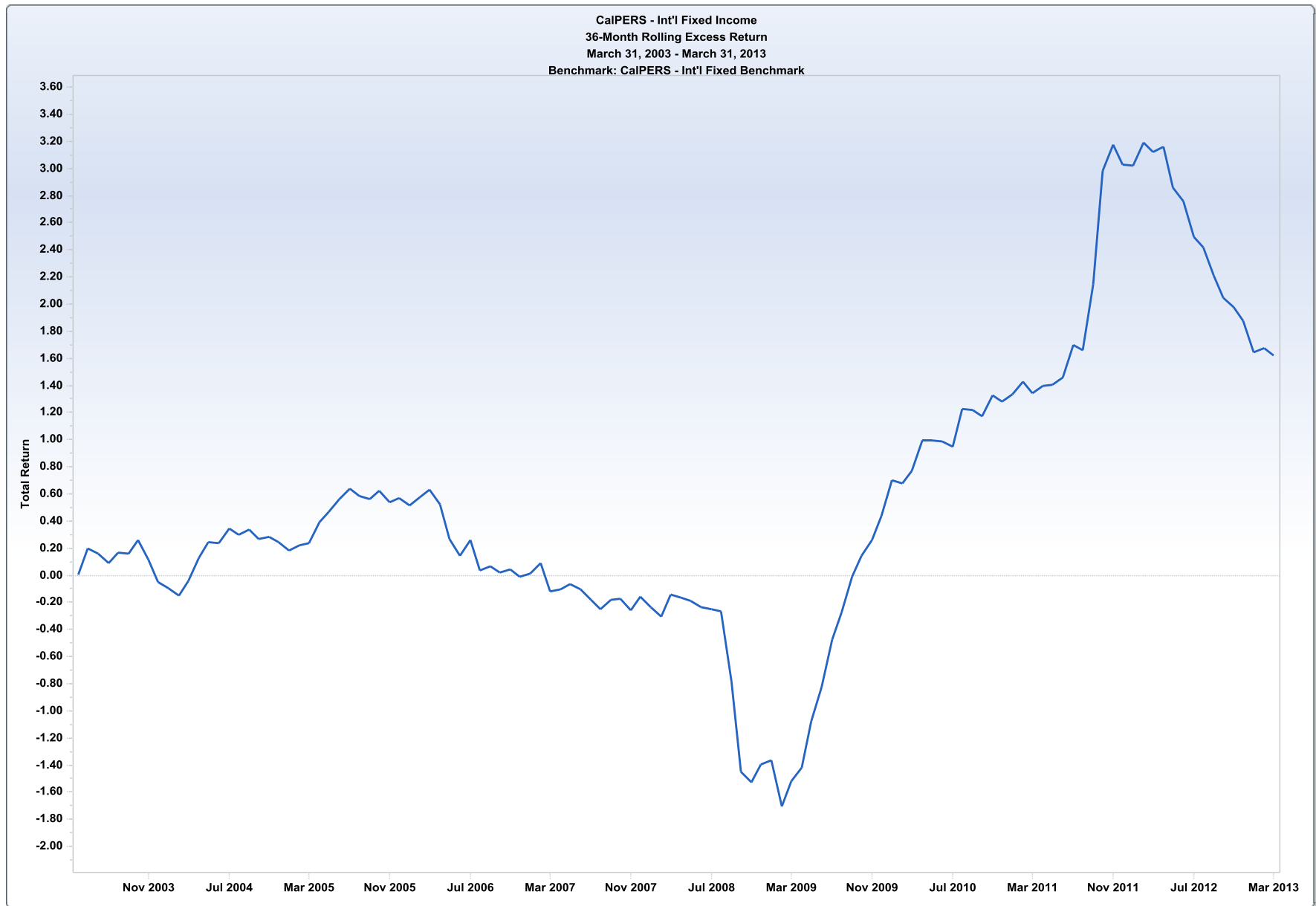
US Income – Rolling Excess Returns



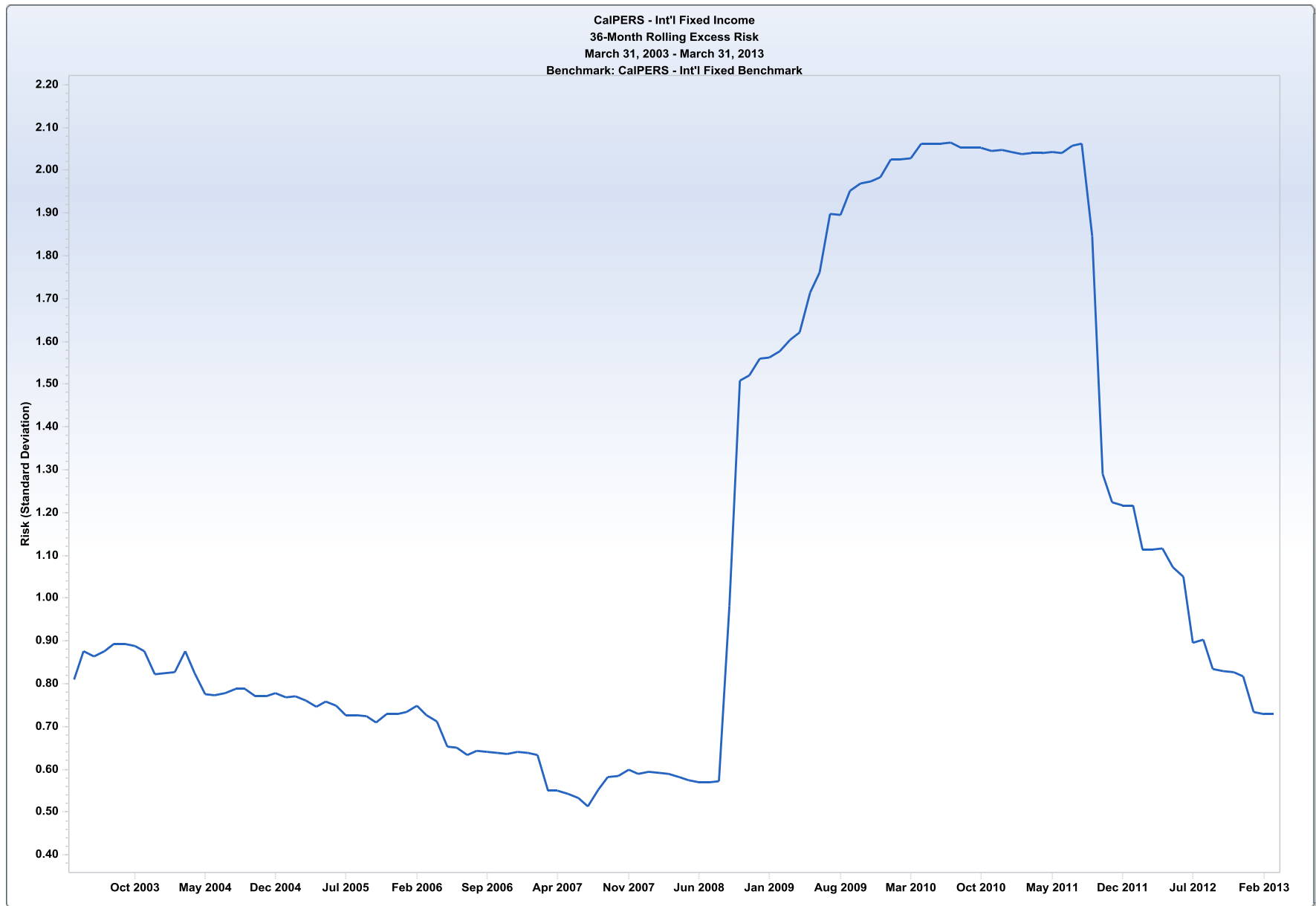
US Income – Rolling Tracking Error



International Income – Rolling Excess Returns



International Income – Rolling Tracking Error

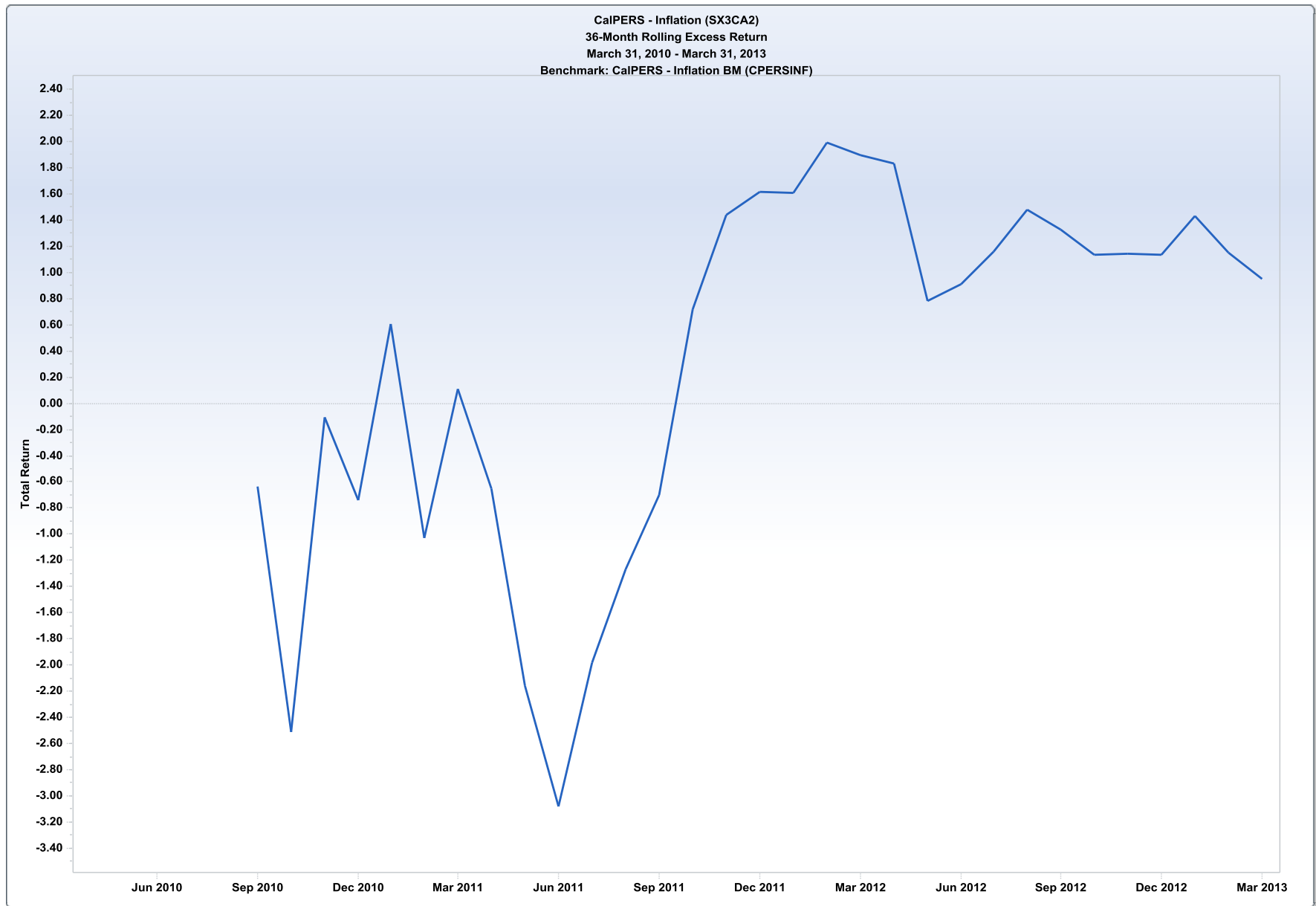




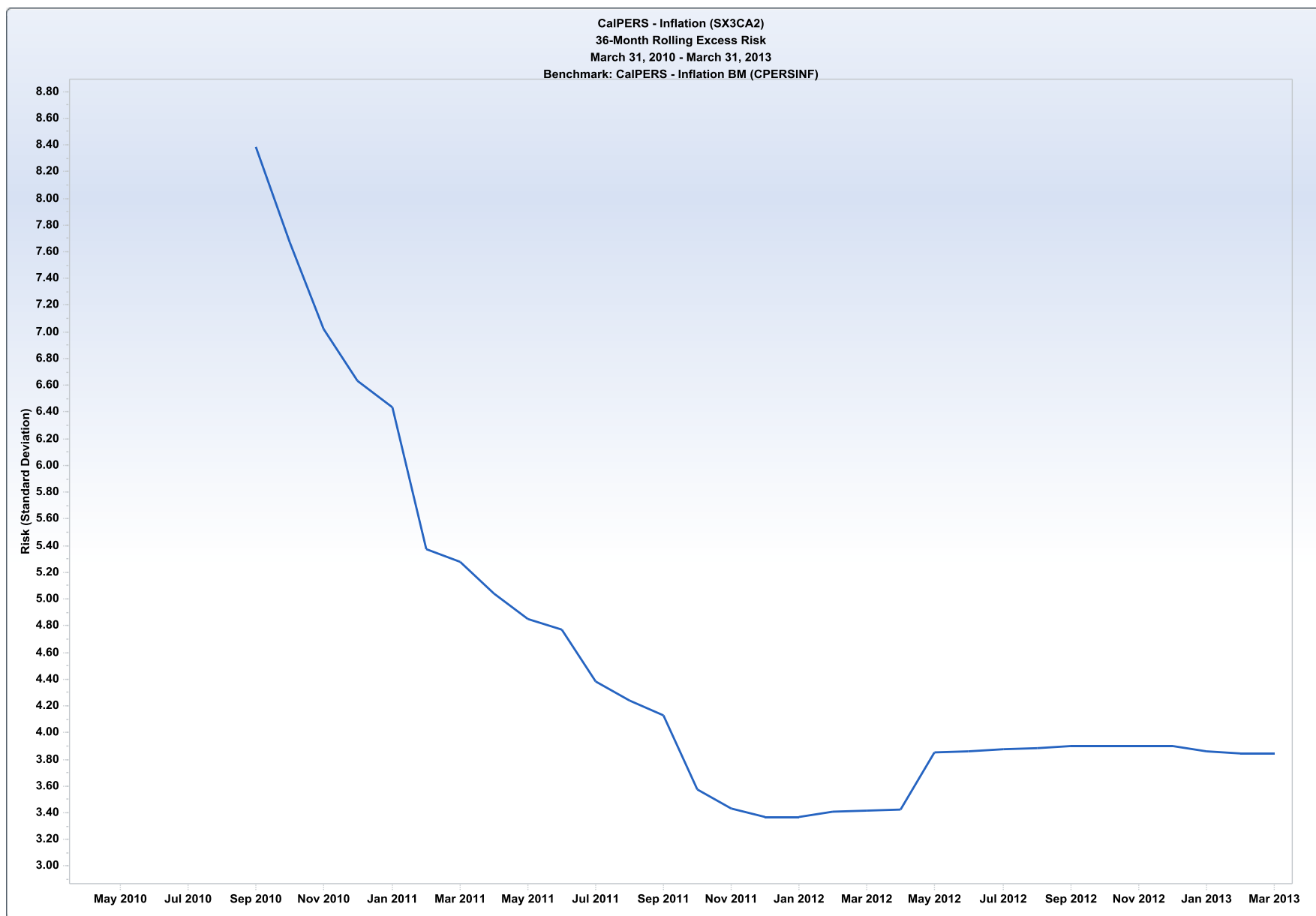
Inflation – Performance

	Market Value	<u>Qtr</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>	<u>VaR</u>	5-year Sharpe Ratio	5-year Info Ratio
INFLATION	9.8	-0.6%	0.8%	7.9%	0.6%	-.-%	\$0.6 bil	0.0	-0.2
<i>Inflation Policy Benchmark</i>		-0.3%	3.0%	6.8%	1.3%	-.-%		0.1	0.0
<i>Value Added</i>		-0.3%	-2.2%	1.1%	-0.7%	-.-%			
Commodities	1.3	0.9%	-5.0%	3.3%	-9.4%	-.-%			
<i>GSCI Total Return Index</i>		0.5%	-5.0%	3.0%	-9.8%	-.-%			
<i>Value Added</i>		0.4%	0.0%	0.3%	0.4%	-.-%			
Inflation Linked Bonds	6.1	-1.1%	5.3%	8.4%	4.9%	-.-%			
<i>Custom Benchmark</i>		1.0%	7.2%	8.8%	5.2%	-.-%			
<i>Value Added</i>		-2.1%	-1.9%	-0.4%	-0.3%	-.-%			

Inflation – Rolling Excess Returns



Inflation – Rolling Tracking Error

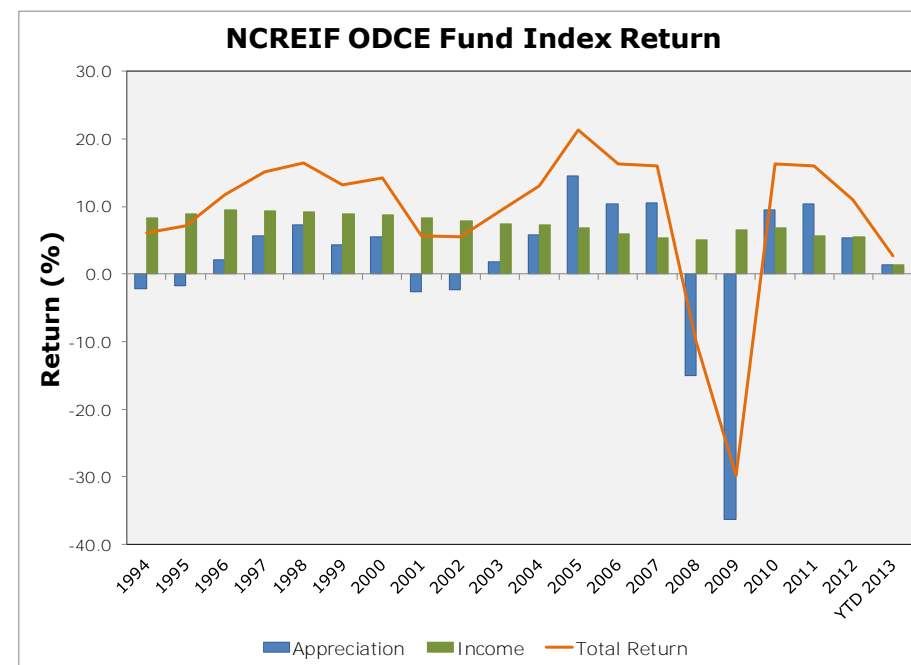
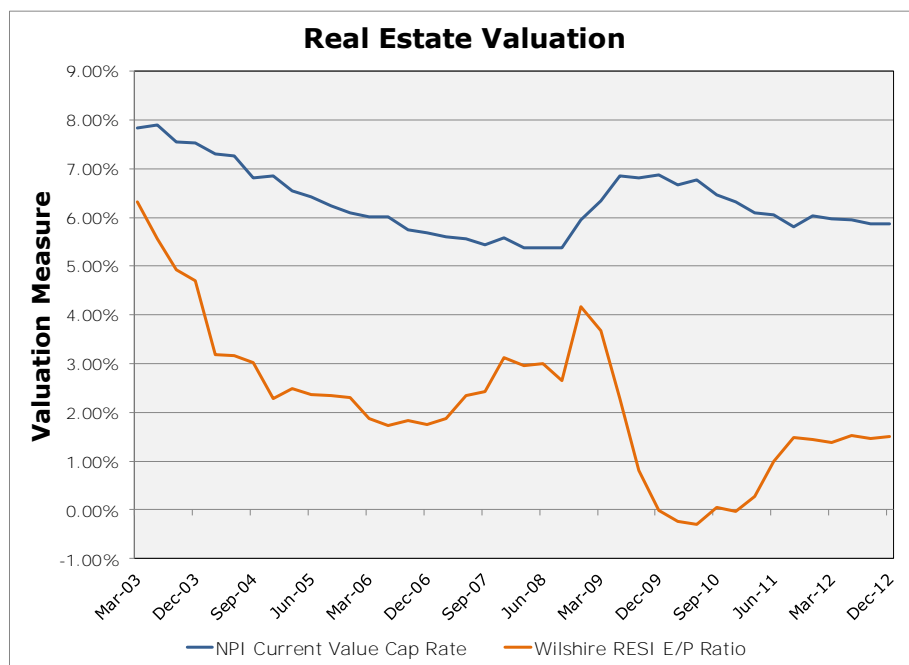


Real Assets



March 31, 2013	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays U.S. TIPS Index	-0.4	-0.4	5.7	8.6	5.9	6.3
Dow Jones UBS Commodity Index	-1.1	-1.1	-3.0	1.4	-7.1	3.7
Global Public Real Estate*	6.8	6.8	18.2	17.4	5.2	13.2
NCREIF ODCE Fund Index	2.7	2.7	10.8	15.1	-0.8	6.8
NCREIF Timberland Index	1.5	1.5	9.0	3.6	2.1	8.3
Alerian MLP Index (Oil & Gas)	19.7	19.7	23.1	21.5	18.4	17.8

* Wilshire Global Real Estate Securities from March 2003 to December, 2004. Wilshire Global REITs from 2004 to present.

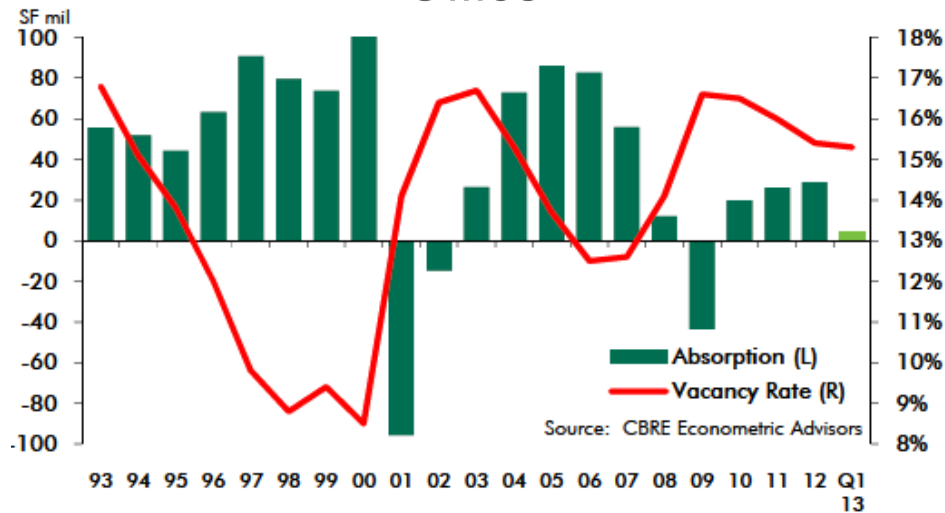


Data sources: Wilshire Compass, National Council of Real Estate Investment Fiduciaries

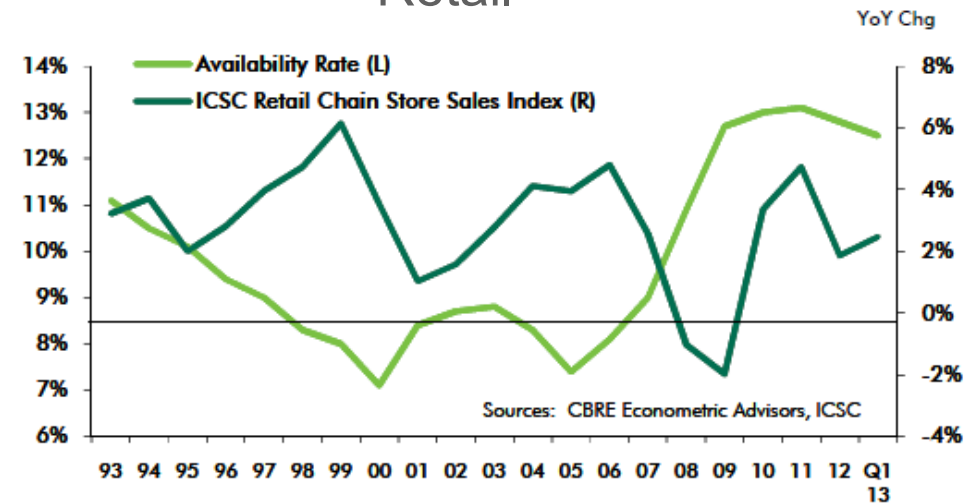
Commercial Property



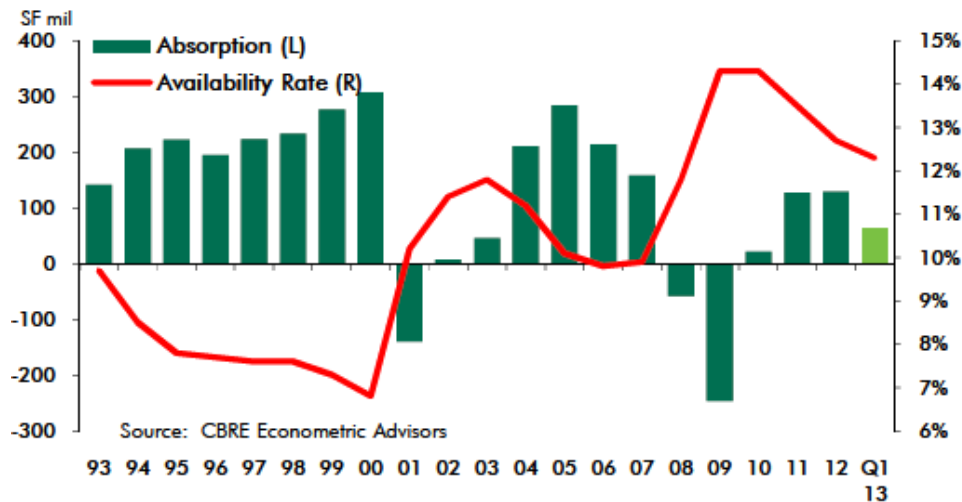
Office



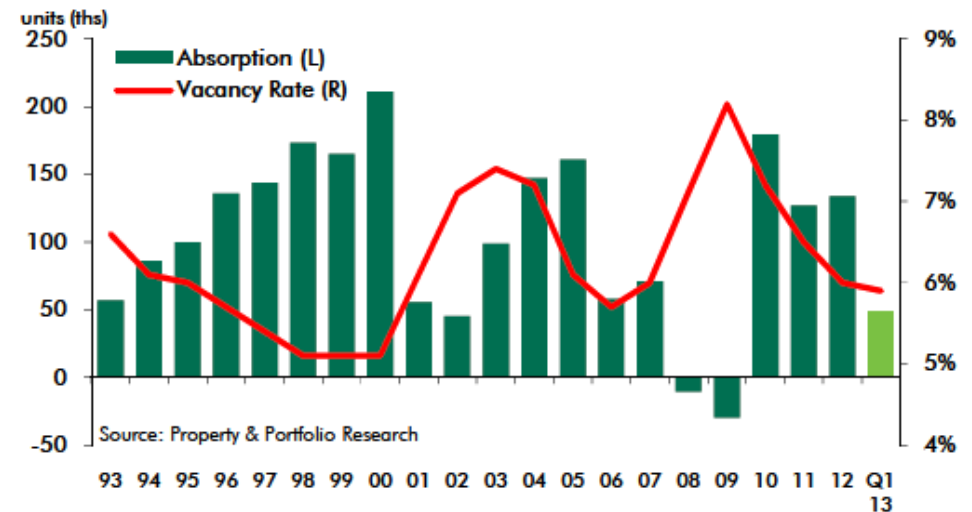
Retail



Industrial

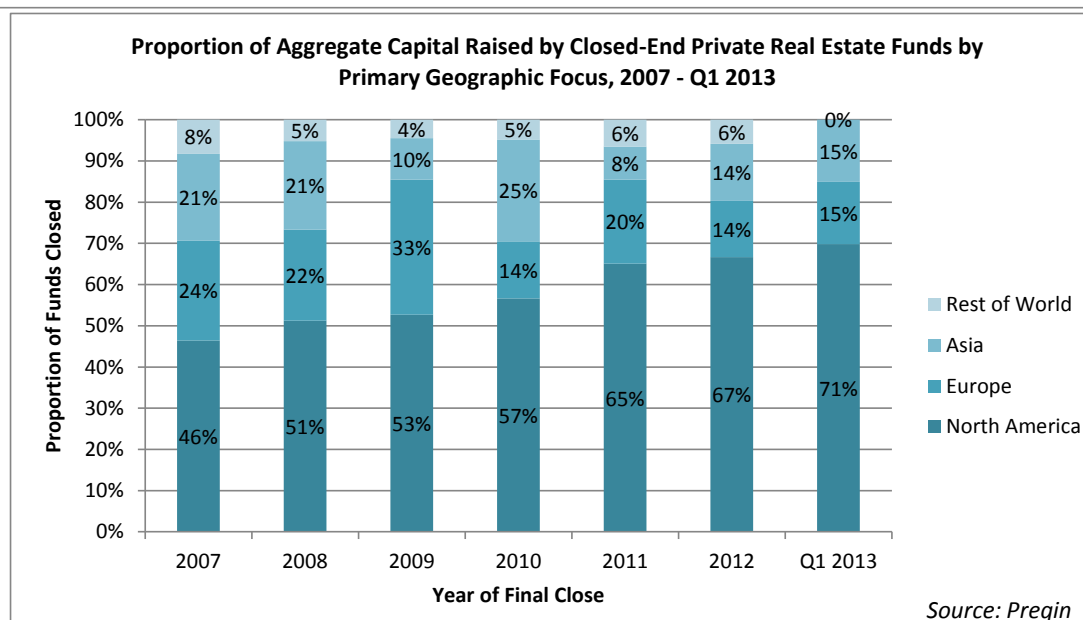
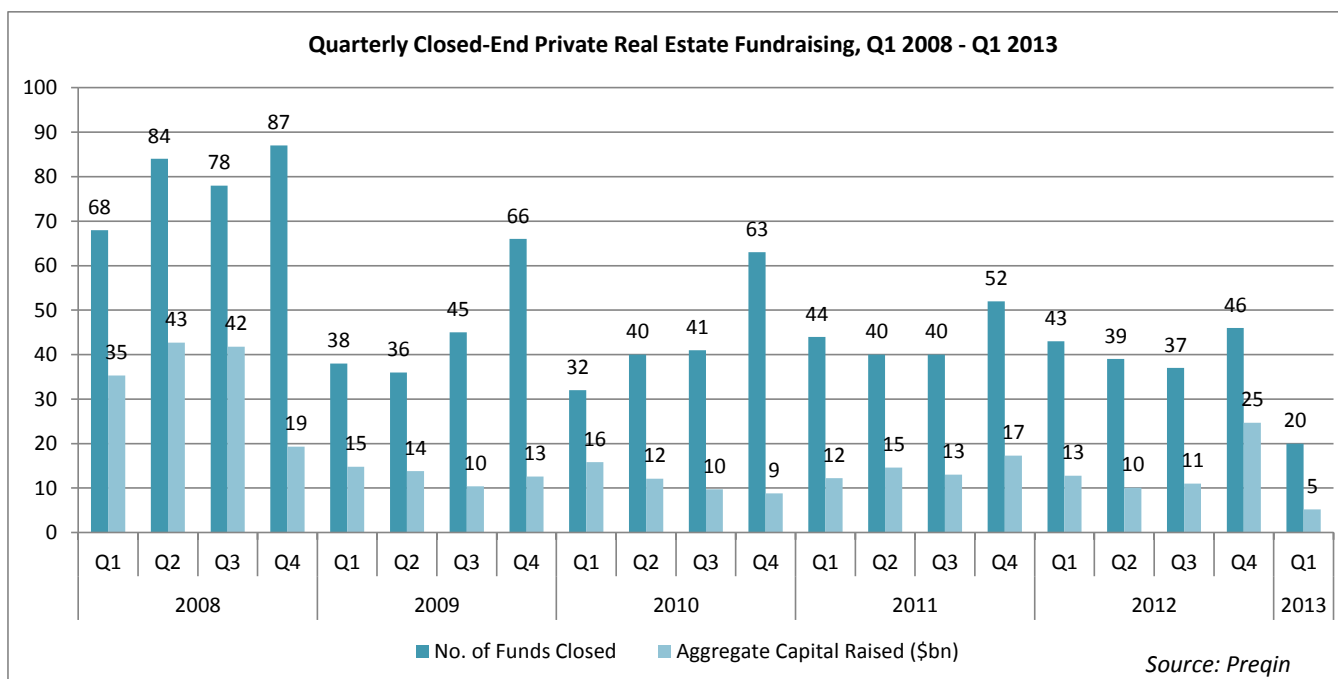


Apartment



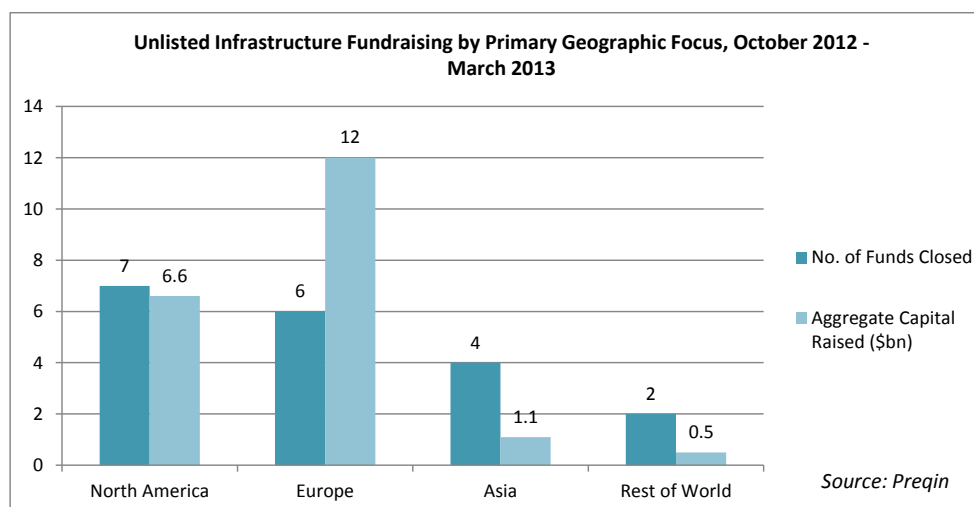
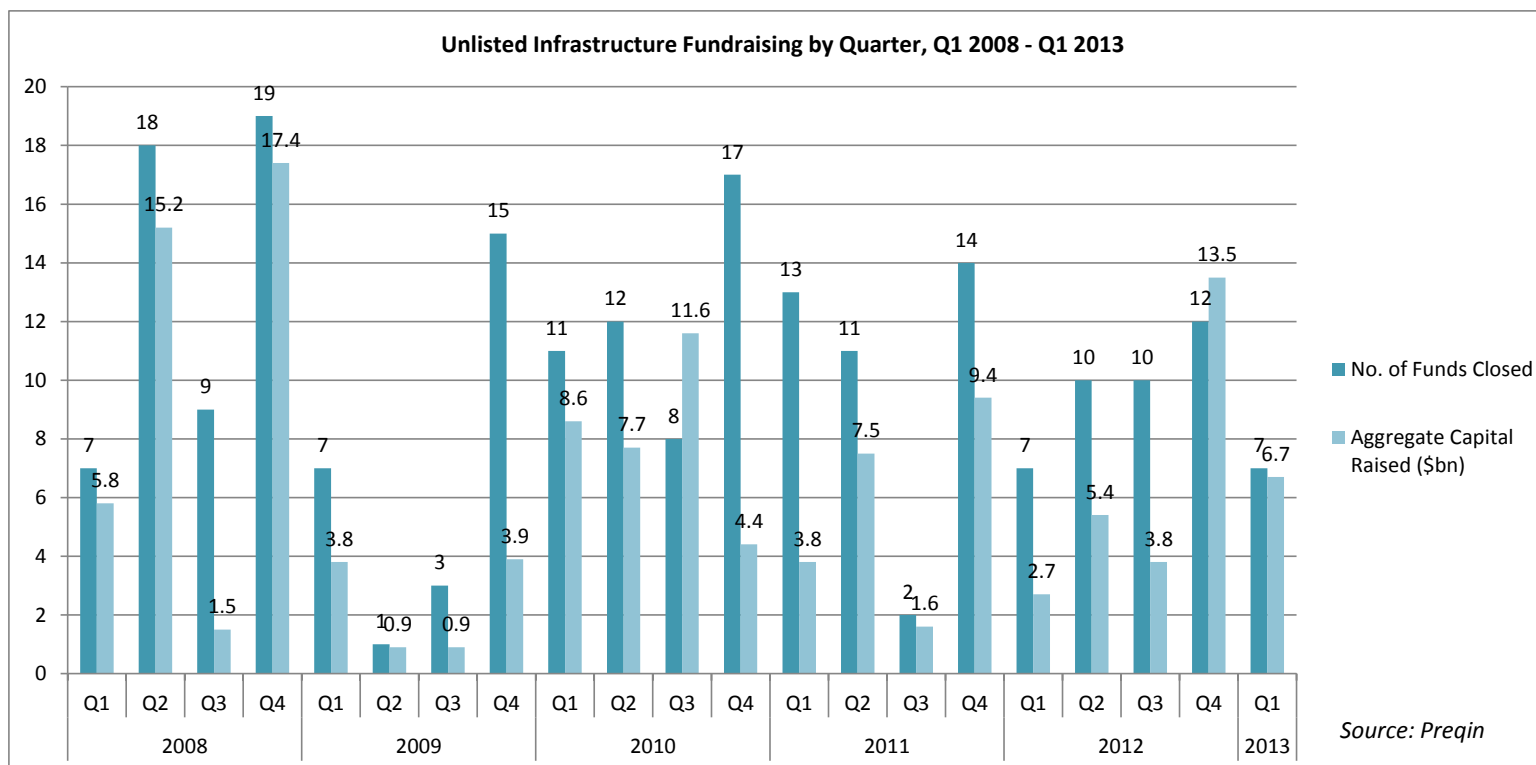
Source: CB Richard Ellis

Real Estate Fundraising



Source: Preqin

Infrastructure

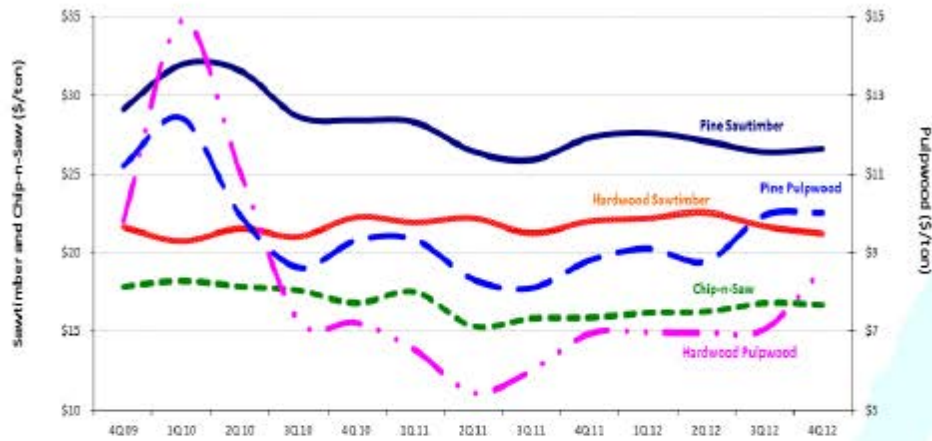


Source: Preqin

Timber

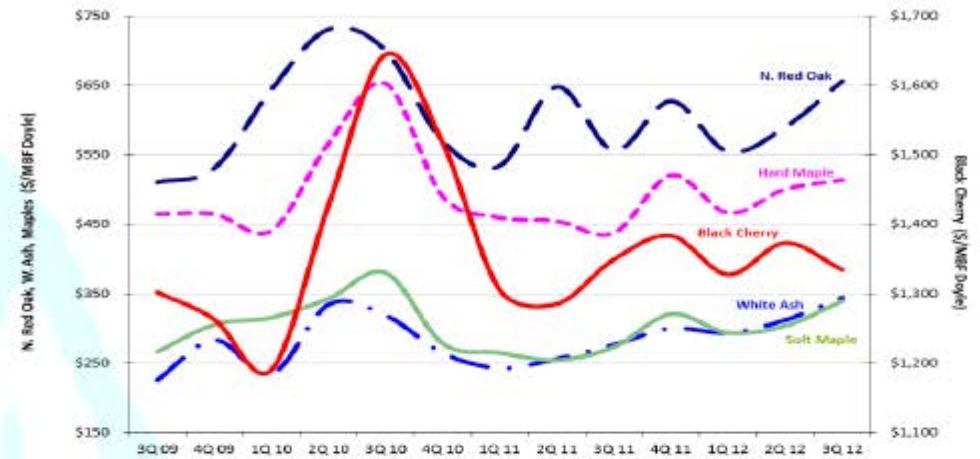


Southeastern Timber Prices



Source: Forest2Market®

Northeastern Hardwood Timber Prices



Source: Pennsylvania Woodlands Timber Market Report - Northwest Region

Pacific Northwest Timber Prices



Source: Log Lines®

Source: Forest Investment Associates

Inflation (CPI)



Source: <http://www.bls.gov/cpi/home.htm>



Real Assets – Performance

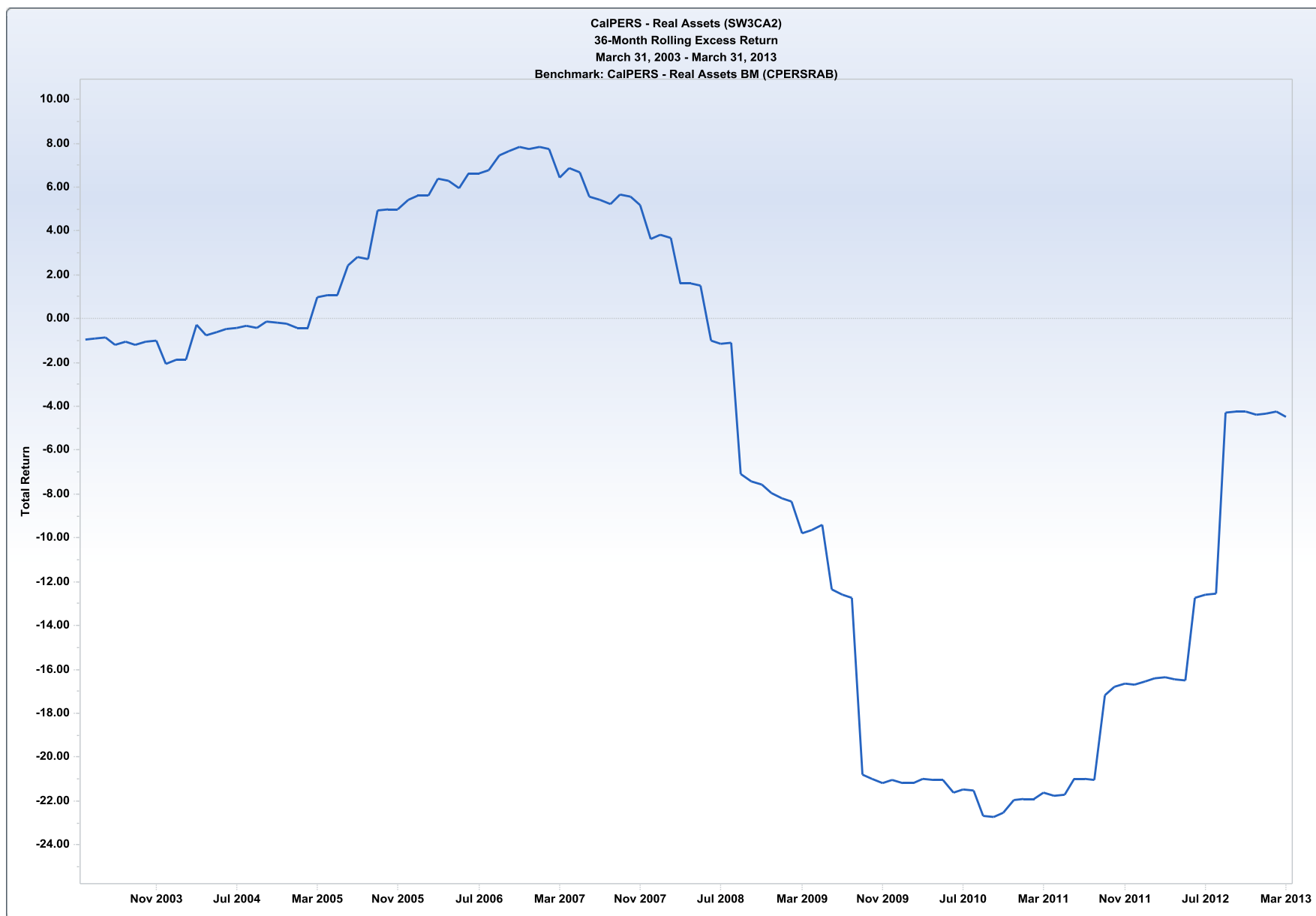
	Market Value	<u>Qtr</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>	<u>VaR</u>	5-year Sharpe Ratio	5-year Info Ratio
REAL ASSETS	24.5	1.2%	12.0%	7.1%	-11.1%	3.3%	\$2.7 bil	-0.7	-1.1
<i>Real Assets Policy Benchmark</i>		2.4%	9.7%	11.7%	3.0%	8.8%		0.5	0.0
<i>Value Added</i>		-1.2%	2.3%	-4.6%	-14.1%	-5.5%			
Real Estate	21.1	0.6%	12.7%	7.9%	-12.4%	2.5%	\$2.8 bil	-0.7	-1.1
<i>Real Estate Policy Benchmark</i>		2.2%	10.4%	13.4%	3.8%	9.3%		0.5	0.0
<i>Value Added</i>		-1.6%	2.3%	-5.5%	-16.2%	-6.8%			
Forestland	2.3	6.8%	6.9%	-2.3%	0.0%	-.-%			
<i>NCREIF Timberland Index</i>		5.9%	7.8%	3.0%	2.7%	-.-%			
<i>Value Added</i>		0.9%	-0.9%	-5.3%	-2.7%	-.-%			
Infrastructure	1.1	2.9%	9.3%	20.1%	13.3%	-.-%			
<i>CPI + 400 BPS 1Qtr Lag</i>		0.2%	5.8%	6.8%	6.6%	-.-%			
<i>Value Added</i>		2.7%	3.5%	13.3%	6.7%	-.-%			



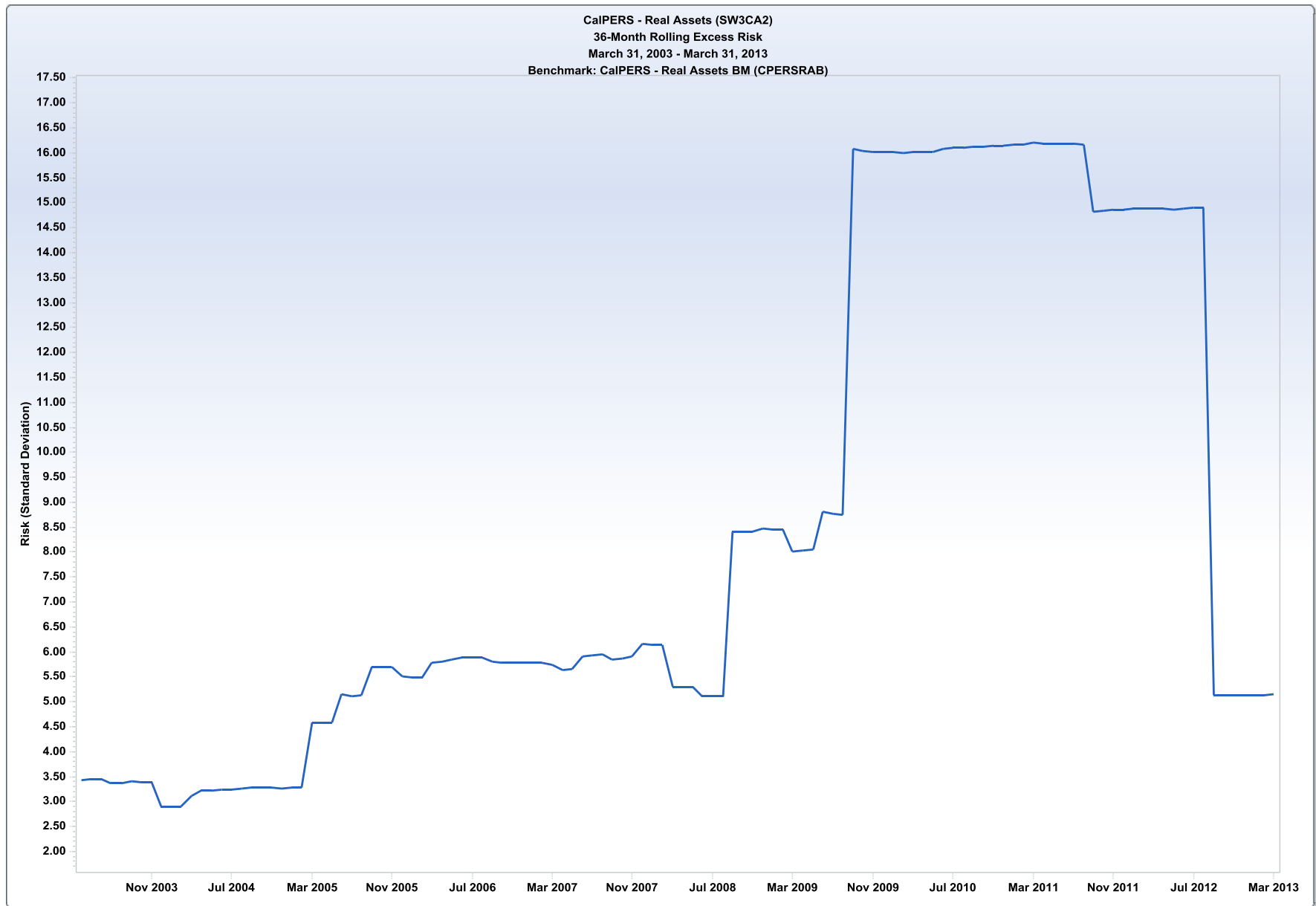
Real Estate – Performance

	Market Value	<u>Qtr</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>	<u>VaR</u>	5-year Sharpe Ratio	5-year Info Ratio
Real Estate	21.1	0.6%	12.7%	7.9%	-12.4%	2.5%	\$2.8 bil	-0.7	-1.1
<i>Real Estate Policy Benchmark</i>		2.2%	10.4%	13.4%	3.8%	9.3%		0.5	0.0
<i>Value Added</i>		-1.6%	2.3%	-5.5%	-16.2%	-6.8%			
Strategic Real Estate	14.4	0.7%	15.4%	13.3%	0.7%	14.3%			
<i>Wt. NCREIF ODCE+FTSE EPRA NAREIT</i>		2.2%	10.4%	13.4%	3.8%	9.3%			
<i>Value Added</i>		-1.5%	5.0%	-0.1%	-3.1%	5.0%			
Legacy Real Estate ex Public	6.7	-0.1%	7.8%	3.3%	-17.2%	-1.5%			
<i>Wt. NCREIF ODCE+FTSE EPRA NAREIT</i>		2.2%	10.4%	13.4%	3.8%	9.3%			
<i>Value Added</i>		-2.3%	-2.6%	-10.1%	-21.0%	-10.8%			

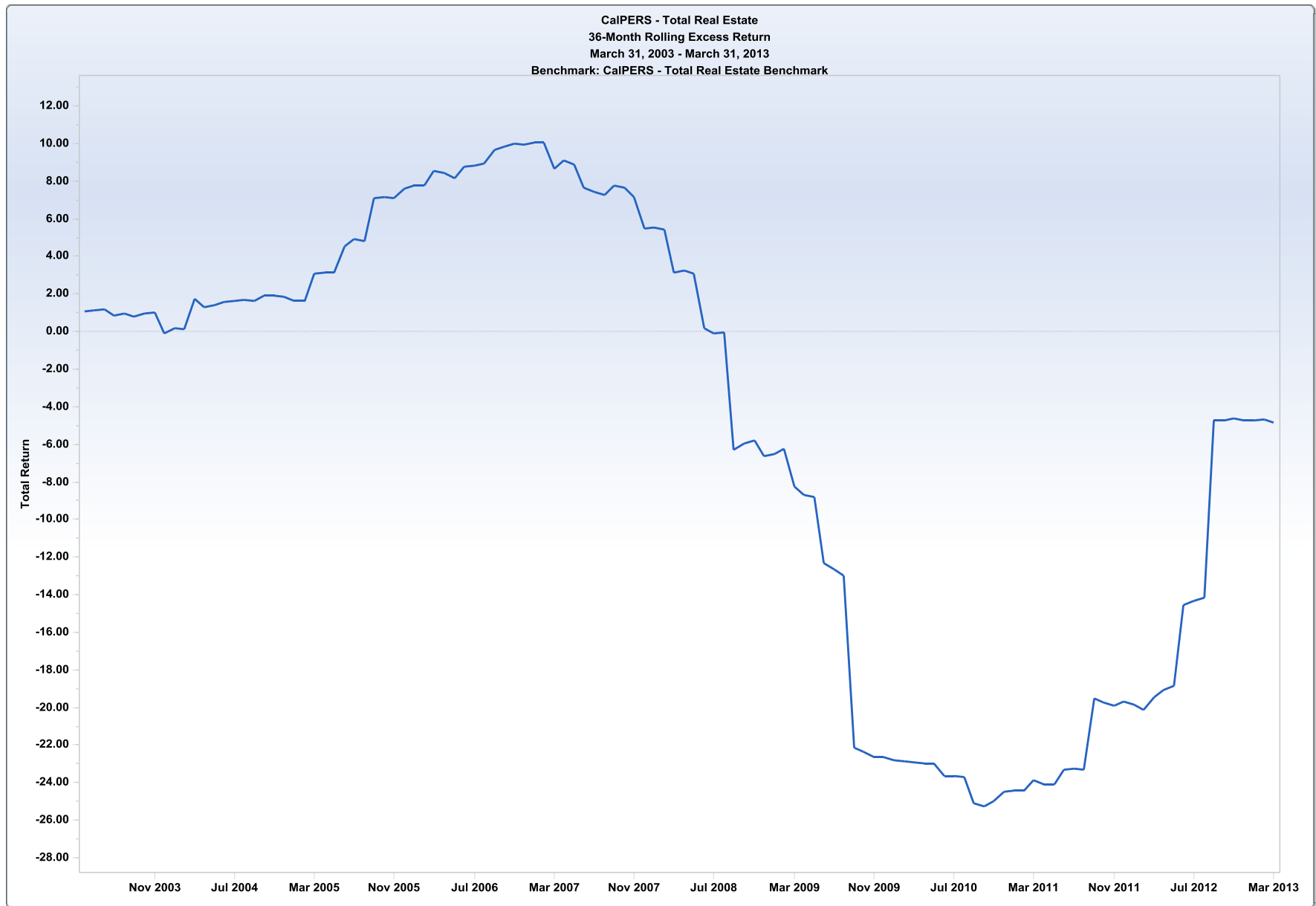
Real Assets – Rolling Excess Returns



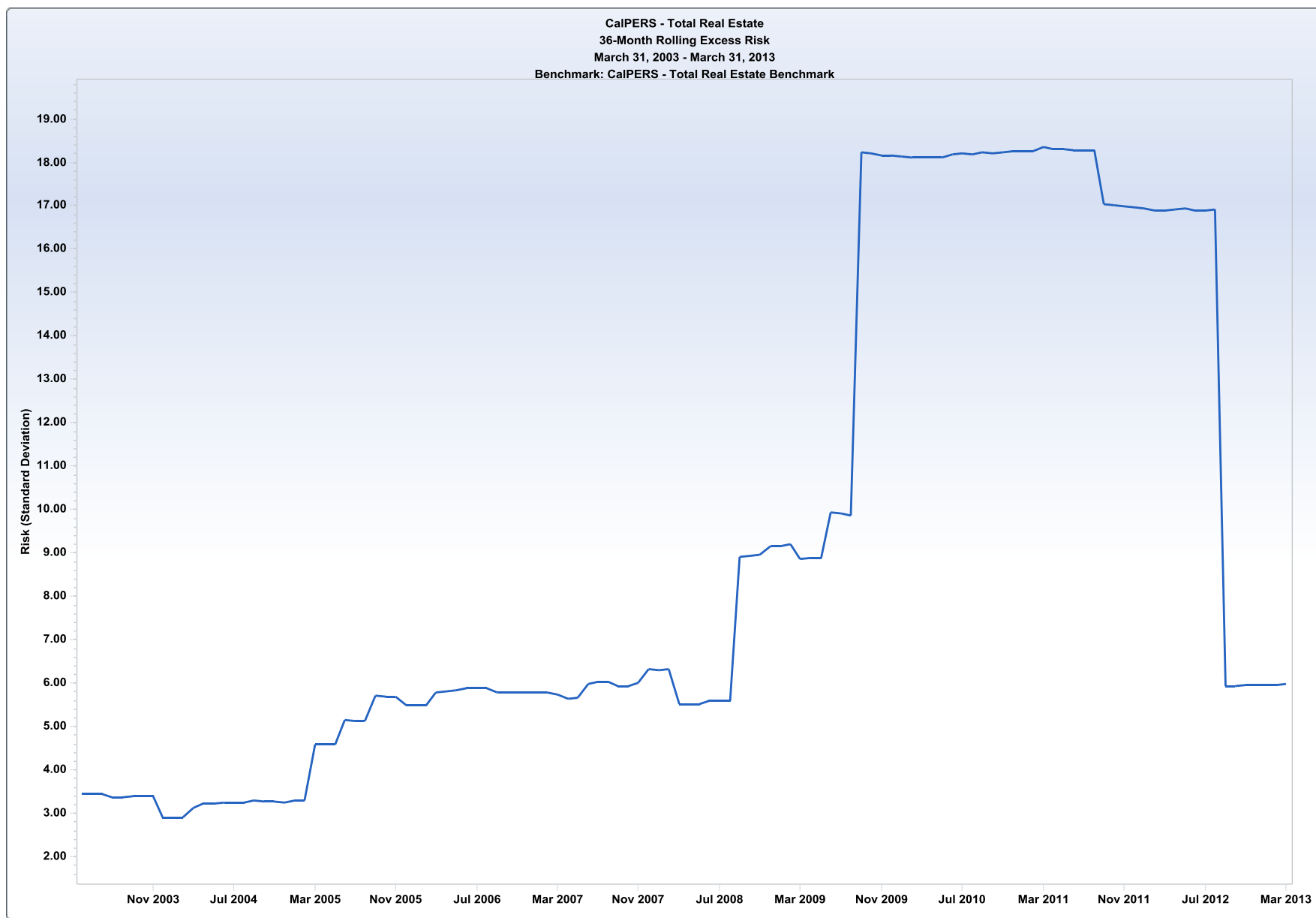
Real Assets – Rolling Tracking Error



Real Estate – Rolling Excess Returns



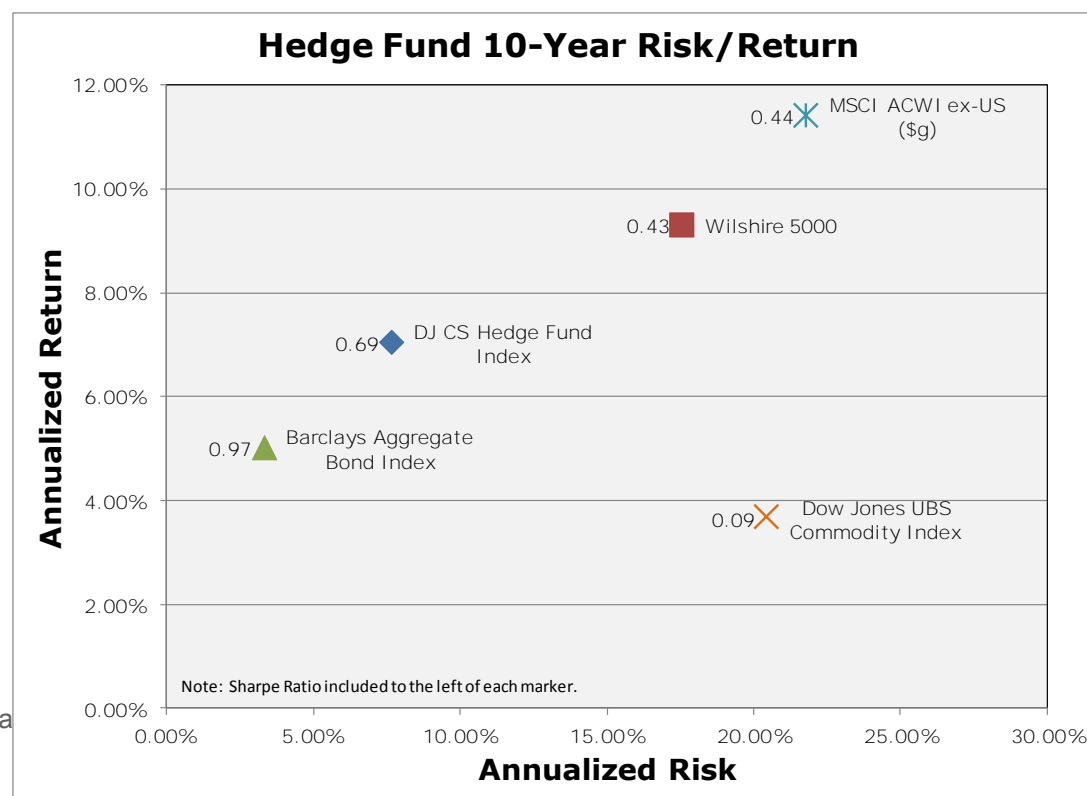
Real Estate – Rolling Tracking Error



Hedge Fund Performance



March 31, 2013	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
DJ CS Hedge Fund Index	3.6	3.6	7.2	5.4	3.4	7.1
Event Driven Index	4.8	4.8	10.2	4.3	4.0	8.3
Global Macro Index	2.2	2.2	5.1	7.9	5.1	9.5
Long/Short Equity Index	5.1	5.1	6.1	3.9	2.9	7.5
Multi-Strategy Index	3.1	3.1	9.5	7.5	4.8	7.1
Wilshire 5000	10.9	10.9	14.1	12.8	6.3	9.3
MSCI ACWI ex-US (\$g)	3.3	3.3	8.9	4.9	0.1	11.4
Barclays Aggregate Bond Index	-0.1	-0.1	3.8	5.5	5.5	5.0
Dow Jones UBS Commodity Index	-1.1	-1.1	-3.0	1.4	-7.1	3.7



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	5.2	3.8%	5.6%	3.3%	1.7%	5.5%	-0.7	0.3	0.2	0.3
<i>ARS Policy Benchmark</i>		1.3%	5.3%	5.5%	6.1%	8.8%				
<i>Value Added</i>		2.5%	0.3%	-2.2%	-4.4%	-3.3%				
Total Direct Investments	3.6	3.6%	5.6%	4.1%	2.3%	6.0%				
Total Funds of Funds	1.6	4.1%	5.4%	1.3%	0.3%					
HFRI Fund of Funds Index		3.9%	5.3%	2.3%	-0.2%	3.9%				

ARS – Histogram of Monthly Returns

