

**THE CITY OF MOBILE, ALABAMA
POLICE AND FIREFIGHTERS RETIREMENT PLAN**

**PERFORMANCE REPORT
PERIOD ENDING
DECEMBER 31, 2011**

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TABLE OF CONTENTS

SECTION	PAGE
I. CAPITAL MARKETS REVIEW	1-11
II. PLAN PERFORMANCE AND ANALYSIS	1-11
♦ Executive Overview	1
♦ Executive Summary - Total Plan Performance	2-3
♦ Total Returns of Public Funds Performance Comparison	4
♦ Total Fund Asset Allocation vs Policy Graph	5
♦ Total Fund Asset Allocation	6
♦ Asset Allocation - Investment Policy Index	7
♦ Fund Allocation by Manager	8
♦ Financial Reconciliation and Sources of Growth	9-10
♦ Quarterly Total Return- Market Line Analysis	11
III. MANAGER PERFORMANCE AND ANALYSIS	1-39
♦ SSgA Russell 1000 Index Fund	1-2
♦ Century Capital - SMID Cap Growth Portfolio	3-5
♦ Advisory Research - SMID Cap Value Portfolio	6-8
♦ Allianz Global Investors - International Equity Portfolio	9
♦ Orleans - Intermediate Fixed Income Portfolio	10-12
♦ Guggenheim - Real Estate Portfolio	13-14
♦ DLJ - Real Estate Portfolio	15-19
♦ TIAA-CREF - Real Estate Portfolio	20-21
♦ Hicks Muse - Real Estate Portfolio	22-26
♦ Ripplewood III- Private Equity Portfolio	27-30
♦ Levine Leichtman - Real Estate Portfolio	31-32
♦ Permal Capital - Real Estate Portfolio	33-35
♦ Westbrook - Real Estate Portfolio	36
♦ Timberland Investment Resources - Timber Portfolio	37-39
IV. APPENDICES	
A. Appendix A Asset Allocation	
B. Appendix B Definitions of Indices	
C. Appendix C Definition of Common Terms	
D. Market Sector Diversification	

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GRAY & COMPANY

CAPITAL MARKET REVIEW

Fourth Quarter 2011

CAPITAL MARKET HEADLINES

Risk Management

"It's tough to make predictions, especially about the future." - Yogi Berra

Risk management is a popular topic in investing today, especially for pension plans, endowments, and foundations. The definition of risk we adhere to is "the potential that a chosen action will lead to an undesirable outcome". Risk management is the attempt to lower the possibility of the occurrence of specified undesirable outcomes in the future.

"Risk is in the eye of the beholder." – Adapted

The recent economic crisis highlighted the risks investors face in managing their retirement plans, endowments, and foundations. Further, it is now clear risks vary from sponsor to sponsor – what represents real or perceived risk to a sponsor of a public plan can be very different than risks to a Taft-Hartley plan sponsor and is certainly different to risk associated with an endowment or foundation. Therefore, the first step in risk management is the identification of the undesirable outcomes with the investor. Mitigating these risks is of prime importance.

"Facts do not cease to exist because they are ignored." - Aldous Huxley

Measuring risk is the next step in the process. This measurement is typically done through an asset allocation or asset-liability study. Using state-of-the-art software, we are able to model a Plan's liabilities with the current asset allocation to forecast future contributions or underfunding risks. After projecting the Plan's current benefit structure and modeling the current asset allocation policy, we review several Plan options in an attempt to identify a superior risk profile. Primarily this focuses on the asset allocation policy, however, Plan design, contribution patterns, and spending policies are also included in this review.

The benefits of Liability Driven Investing (LDI) are presented and the risks may be quantified. Additionally, a dynamic or varying asset allocation policy may be reviewed; the policy tends to be based on achieving a certain funded status, but may also be customized. This strategy has come to be known as Dynamic Asset Allocation.

"In theory there is no difference between theory and practice. In practice there is." - Jan L. A. van de Snepscheut

Implementation of any changes to strategies is the next step in improving the risk profile. This may involve changes that are easily implemented but often in more sophisticated techniques requires experience and familiarity with complex financial transactions. Ongoing monitoring and reporting of the metrics associated with the identified risks facilitates continued success and improvement.

In summary, proper risk management incorporates the following steps:

- > Identification of relevant risk metrics
- > Measuring current risk exposures
- > Evaluating alternatives to improve risk profile
- > Implementing solutions
- > Monitoring plan progress

Please ask your consultant about these important services in 2012.

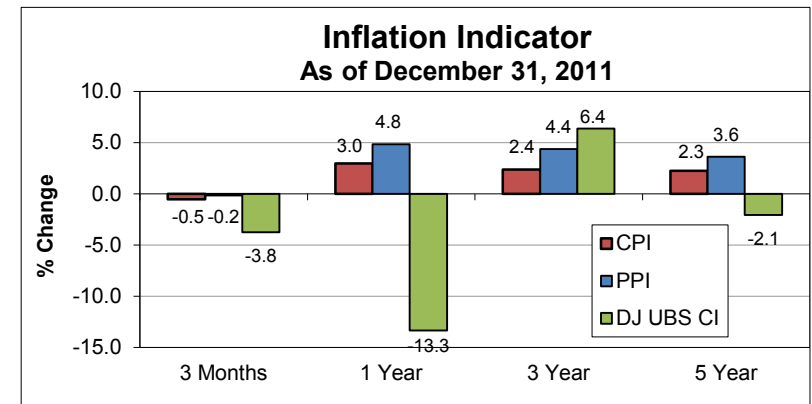
CAPITAL MARKET REVIEW

Intact: Amidst a sea of uncertainty, driven by macroeconomic and geo-political strife, the U.S. economy hobbled across the year-end finish line battered and bruised but intact. A debt downgrade, budget ceiling debate, and vacillation emanating from the Eurozone crisis did not deter the U.S. economy from showing some signs of life. Improving economic data released in the fourth quarter included durable goods orders, home sales, jobless claims, unemployment, and consumer spending (surprisingly robust in the year-end holiday season). These improvements led to an increase in growth forecast for the quarter towards the 3% range.

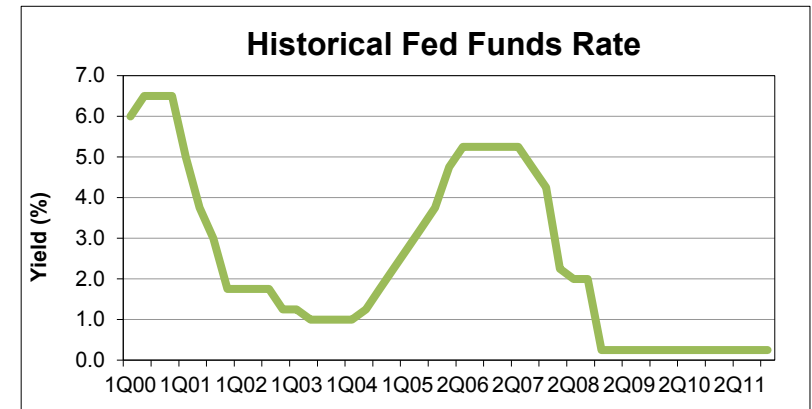
Commodity prices continued to weaken during the fourth quarter, with one notable exception - Oil. The decline in commodities during the quarter was due to slowing global growth, particularly in the emerging markets, and the relative strength of the dollar. Oil helped offset the losses in other commodities, rising nearly \$20 / barrel or 25% during the quarter; the surge in oil is partly due to low inventory levels, which creates an environment for sharp price swings. The CPI and PPI were both negative during the quarter, but ended the year near long-term historical averages.

The federal funds target rate continues to be maintained in a range between 0.0% and 0.25%. The Fed's "Operation Twist" program enacted in the previous quarter also appears to be facilitating their goal of keeping interest rates low as the economy continues to recover.

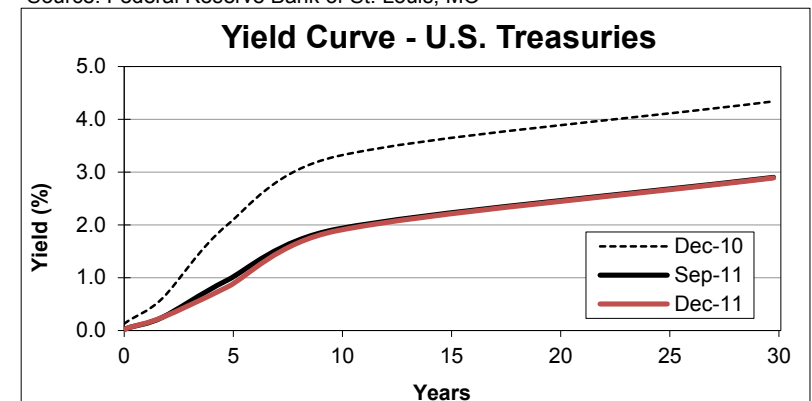
Somewhat of a surprise was the yield curve shifting slightly downward in a quarter that exhibited the oft-used "risk-on" moniker. A rebound in riskier assets normally coincides with a shift away from treasuries and a subsequent rise in rates. However, the continued safe haven status of the U.S. and the Fed's intervention into the markets are reasons for the stability of the yield curve in a period that favored riskier assets.



Source: Bureau of Labor Statistics, Wilshire and Dow Jones



Source: Federal Reserve Bank of St. Louis, MO



Source: Federal Reserve Bank of St. Louis, MO

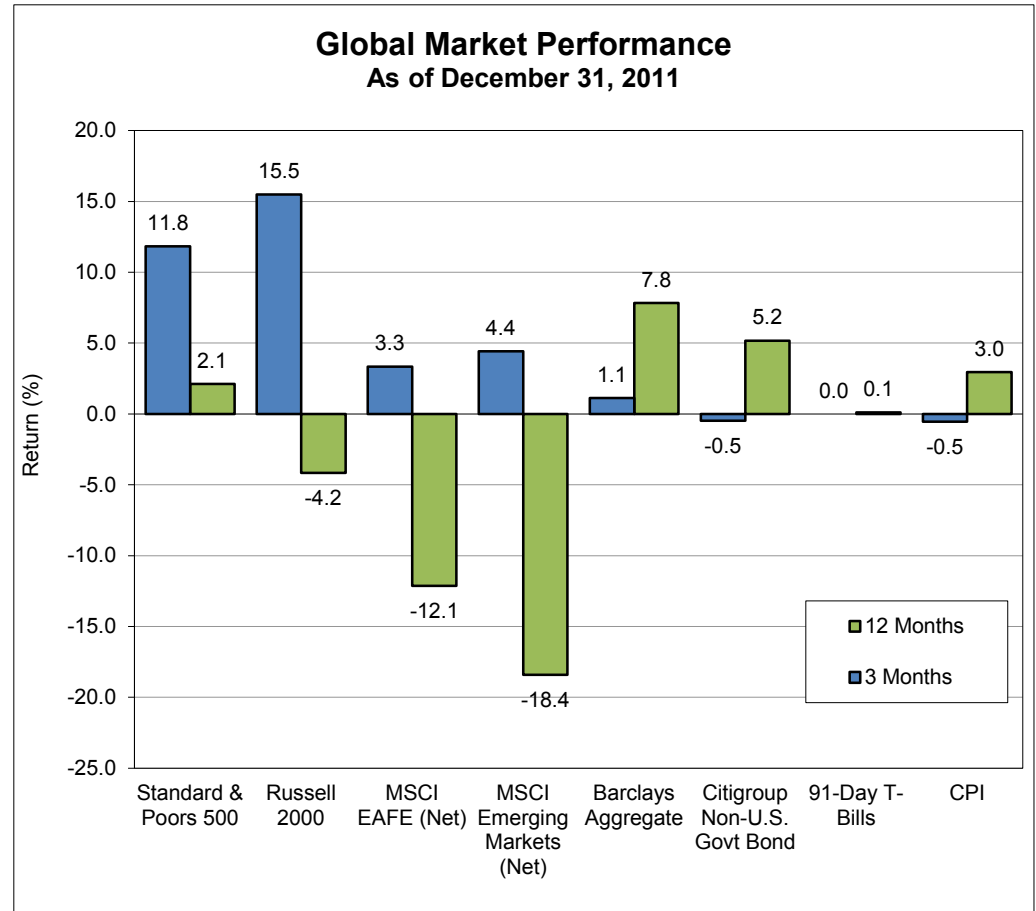
CAPITAL MARKET REVIEW

Hi Mom, Send Money: The global economic slowdown that the markets anticipated during the summer did not materialize. The sovereign debt crisis continues in Europe and areas of weak or negative growth exist, but the majority of economic data surprised on the upside during the quarter, notably in the U.S. and China. However, the full year results from the capital markets failed to meet most investors' performance objectives.

The equity markets rewarded persevering investors with solid returns during the quarter, particularly in October. This quarter's performance follows the dreadful results in the equity markets during the third quarter, where investors may have been tempted to reduce their equity exposures. The performance was largely driven by the realization that the global economy appears to be recovering better than expected. U.S. equities provided the best results, generating double digit returns. European stocks were positive, but the results were muted due to the debt crisis. Japan was the exception within the developed markets; equities fell approximately 4% during the quarter as their economy continues to worsen.

The fixed income markets also generated positive performance, partly due to the intervention of central banks. With inflation fears subsiding, central banks tended to cut lending rates and enact accommodative policies, including the European Central Bank lowering the target interest rate by 50 basis points and the Bank of London adding to their quantitative easing efforts. The sovereign debt crisis continued to intensify in Europe with the focus on Spain and Italy; rating agencies lowered the credit ratings of several nations in the region. Spreads tended to contract around the globe this quarter, favoring corporate debt.

The Euro continued to come under pressure due to the sovereign debt crisis and slowing economic growth in the region; the Euro dropped below the \$1.30 mark, a new 15 month low. The dollar's strength hurt U.S. investors with European allocations. The dollar was nearly unchanged with the Pound Sterling and Japanese Yen.



Source: Wilshire

Indexes are not investments, are not managed, and do not incur fees or expenses. It is not possible to invest in an index. Please see additional disclosures at the end of this review.

U.S. EQUITY MARKET

Total Returns (%) - Periods Ending December 31, 2011				
	3 Months	1 Year	3 Years	5 Years
Standard & Poors 500	11.82	2.12	14.10	(0.25)
Russell 1000	11.85	1.51	14.81	(0.02)
Russell 1000 Growth	10.60	2.63	18.02	2.50
Russell 1000 Value	13.11	0.39	11.55	(2.64)
S&P MidCap 400	12.99	(1.73)	19.58	3.32
Russell Midcap	12.31	(1.56)	20.17	1.41
S&P SmallCap 600	17.17	1.01	17.01	1.94
Russell 2000	15.48	(4.17)	15.63	0.15
Russell 2000 Growth	14.99	(2.92)	19.00	2.09
Russell 2000 Value	15.97	(5.50)	12.36	(1.87)
S&P 500 Sector Performance				
	3 Months	1 Year	3 Years	5 Years
Energy	18.22	4.37	13.01	4.81
Materials	15.32	(9.25)	17.98	1.23
Industrials	16.61	(0.57)	15.11	0.63
Con. Discretionary	12.68	6.16	24.11	1.95
Con. Staples	10.26	13.84	14.27	7.40
Health Care	10.07	12.84	11.49	2.68
Financials	10.83	(17.19)	3.00	(16.77)
Info Technology	8.78	2.81	22.40	4.09
Telecommunications	7.62	6.03	12.09	1.62
Utilities	8.25	19.98	12.50	3.84

Returns are annualized for periods greater than one year.

Source: Wilshire

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Shifting Sentiment: U.S. equity markets experienced a sharp rally in the fourth quarter, but still only managed to eke out a small gain over the year. Despite an 11.82% return for the quarter, the S&P 500 finished the year with just 2.12% gain. The majority of the quarter's return came in the month of October, following the plunge in equity prices over the summer. The double digit returns in the fourth quarter contributed to the volatility in markets. During the year the equity markets shifted directions and leadership; the first quarter generated mid single digit returns, the second quarter was flat, the third quarter produced a double digit decline, and the fourth quarter provided strong results. The markets have seen investor sentiment shift between guarded optimism to double dip recession fears and back again.

Small Cap led the way for the quarter as investors ventured back into riskier assets. Value outpaced Growth across the market capitalization spectrum as the Energy sector, typically associated with the Value style of investing, led the way among the sectors.

The Cyclical/ Economically Sensitive sectors (Energy, Materials, Industrials, and Consumer Discretionary) were the best performers for the quarter as "risk on" was back on. All sectors had positive returns for the quarter with most generating double digit returns. The Defensive sectors (Consumer Staples, Health Care, Technology, Telecom and Utilities) trailed the broader market during the quarter, but were among the best performers for the year..

For the year, investors were mostly in a defensive mode as Large Cap led the U.S. equity markets. This defensive mode was clearly evidenced in the almost 20% return of the Utilities sector, which is well known for its dividend yield attributes.

U.S. FIXED INCOME MARKET

Four-Peat: The fixed income markets posted a perfect record in 2011 with four consecutive quarters of positive performance for the broad fixed income benchmarks. Investors continued to favor the safety of the U.S. market over the uncertainty in Europe. The yield curve held steady during the quarter; at year-end the 2-Year Treasury Notes yielded 0.25% (unchanged from 9/30/11), 10-Year Treasury Bonds yielded 1.89% (down 3 basis points from 9/30/11), and 30-Year Treasury Bonds yielded 2.89% (down 1 basis point from 9/30/11).

The Federal Reserve has expressed its goal of stabilizing the housing market. First with Operation Twist in June 2011, a program in which the central bank shifts their holdings in short-term securities (bonds accumulated as part of their Quantitative Easing programs - QE and QEII) to longer maturity instruments. The intent of this program was to lower longer-term yields, that in turn will reduce mortgage rates and promote additional spending. Additionally, the Fed has been promoting the idea of additional measures for the housing market and investors are speculating a Quantitative Easing III will be announced in 2012.

Credit issues led within the broad fixed markets - Barclays Credit returned 1.7% and Barclays High Yield returned 6.5%. The relatively strong results are attributed to spread contraction as investors became less fearful of a second recession in the U.S. TIPS also generated strong performance due to their inflation protection. Government and Mortgages lagged, but provided positive results during the fourth quarter.

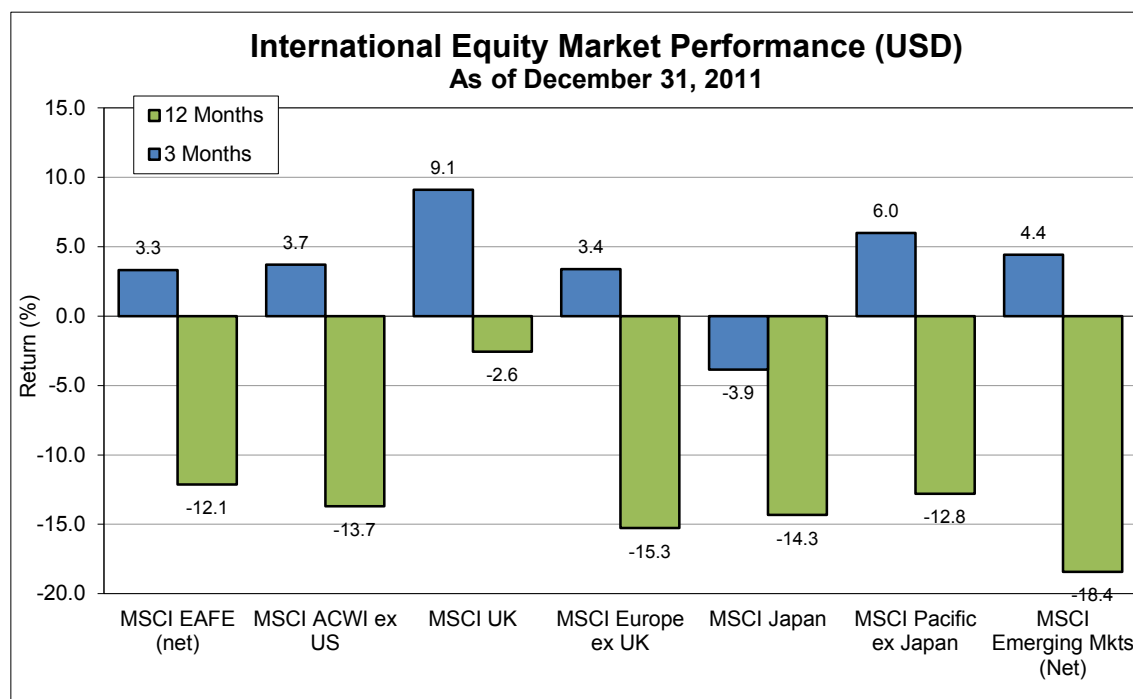
With yields near all time lows, the potential for losses due to rising rates is a concern. However, the asset class has shown the ability to protect investors during periods of weakness in the equity markets. The fixed income markets will be influenced by the strength of the economic recovery and Federal Reserve's actions.

Total Returns (%) - Periods Ending December 31, 2011				
	3 Months	1 Year	3 Years	5 Years
Barclays 1-3 Yr Govt	0.21	1.56	1.79	3.80
Barclays Intm G/C	0.84	5.81	5.64	5.88
Barclays Aggregate	1.12	7.84	6.77	6.50
Barclays G/C	1.18	8.73	6.60	6.55
Barclays Long Govt	1.80	29.14	7.47	10.80
Barclays Govt	0.84	9.02	4.01	6.56
Barclays Credit	1.70	8.35	10.90	6.80
Barclays Mortgage	0.88	6.23	5.83	6.52
Barclays High Yield	6.46	4.98	24.12	7.54
Barclays U.S TIPS	2.69	13.56	10.38	7.95
Returns are annualized for periods greater than one year. Source: Barclays Capital.				
Credit Spreads (in basis points)				
	Sep-11	Dec-11	Change	10-Yr Avg.
Aaa	94	75	(19)	103
Aa	149	158	9	126
A	238	225	(13)	177
Baa	292	283	(9)	251
Ba	641	549	(92)	473
B	817	727	(90)	643
Caa	1253	1140	(113)	1164

Source: Barclays Capital.

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INTERNATIONAL EQUITY MARKET



MSCI Country Indexes (Net) Three Months Ending December 31, 2011

	Return USD (%)	Return Local Currency (%)	Currency Effect (%)
France	2.7	6.1	(3.4)
Germany	3.9	7.4	(3.5)
Italy	0.7	4.1	(3.4)
Spain	(2.2)	1.1	(3.3)
Switzerland	4.1	7.2	(3.1)
UK	9.1	9.4	(0.3)
Europe Total	5.4	7.5	(2.1)
Australia	7.5	1.9	5.6
Hong Kong	6.3	6.0	0.3
Japan	(3.9)	(4.0)	0.2
Pacific Total	(0.3)	(1.8)	1.5
China	8.1	7.9	0.3
India	(14.3)	(7.0)	(7.2)
Brazil	8.8	9.3	(0.5)
Russia	6.2	5.9	0.3
Emerging Total	4.4	4.8	(0.4)

Indexes are not investments, are not managed, and do not incur fees or expenses. It is not possible to invest in an index.

Source: MSCI

Volatile: International equity markets generated positive returns in the quarter, but posted double digit losses for the year. Civil unrest in the Middle East and Northern Africa, the natural disaster in Japan, and the escalating Eurozone debt crisis were among the global events that fanned the flames of volatility in global markets in 2011. The situation in Europe has garnered the lions' share of financial headlines, as the political and financial leaders struggle to find an acceptable solution to the public debt levels.

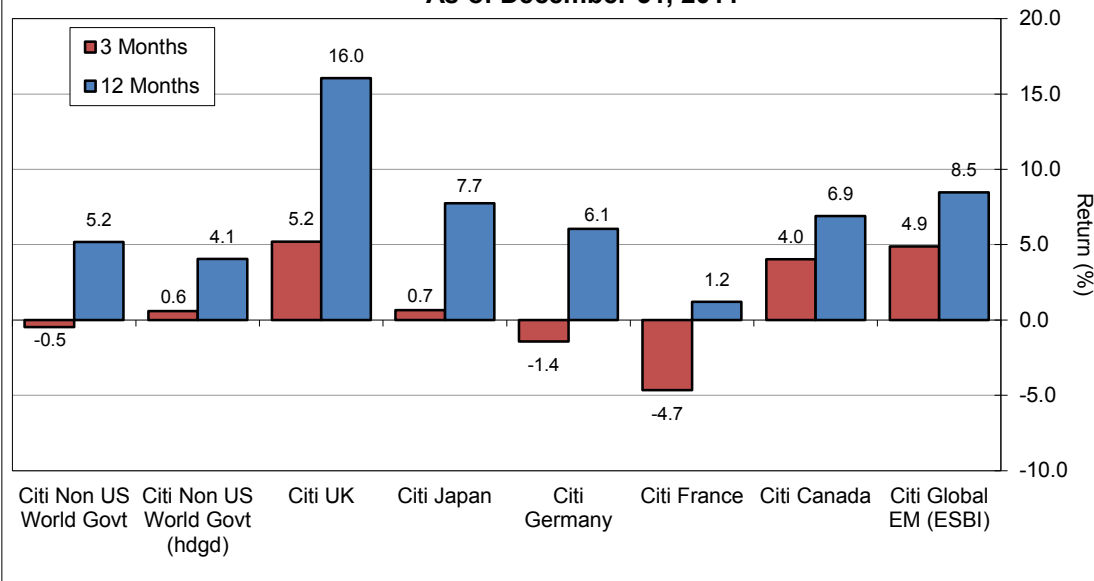
Europe The debt crisis intensified, European summits multiplied, and the question remains how will the Euro block stay unified. Expectations for a recession in 2012 increased across the region increased. For the quarter, the majority of developed European countries managed to generate positive returns; however, the gains in the quarter weren't enough to offset earlier losses in the year and most European equity markets finishing the year with double digit declines. The UK was the standout, achieving a 9.1% return in the quarter and finishing the year with a -2.6% return.

Asia Japan was one of only a few developed countries to experience negative returns in the quarter. The strength of the Yen and weakening global economy continued to hinder the country's exports, a major component of their gross domestic product (GDP); during the quarter GDP likely contracted in line with the reduction in exports. If confirmed, December would mark the third consecutive month of economic contraction.

Emerging Markets The broader Emerging Markets posted single digit returns in the quarter, led by China and Latin America. Taming inflation was the name of the game for most of 2011. China appears to have won that battle for now as monthly inflation readings receded, allowing for an easing of interest rates and banking capital reserve requirements. Latin America's fate seems to be inextricably linked to the growth prospects for Europe and China, which are major importers of Latin American goods and provide necessary capital to the region. The Emerging Markets are expected to experience economic growth rates well above the forecasted rates in the developed markets.

INTERNATIONAL BOND MARKET

Intl Fixed Income Market Performance (USD)
As of December 31, 2011



Citigroup World Government Bond Indexes
Three Months Ending December 31, 2011

	Return USD (%)	Return Local Currency (%)	Currency Effect (%)
France	-4.7	-1.5	-3.2
Germany	-1.4	1.9	-3.3
Ireland	-4.8	-1.6	-3.2
Italy	-6.2	-3.0	-3.2
Netherlands	-1.8	1.5	-3.3
Portugal	-6.8	-3.7	-3.1
Spain	-1.5	1.8	-3.3
Sweden	2.4	2.2	0.2
Switzerland	-1.5	1.4	-2.9
UK	5.2	5.5	-0.3
Europe Total	-3.7	-0.4	-3.2
Japan	0.7	0.5	0.2
Australia	9.1	3.5	5.7
Canada	4.0	1.7	2.4

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Source: The Yield Book

Have and Have Not's: The sovereign debt crisis worsened in Europe with the gap expanding between the fiscally strong nations and the overly indebted countries. Yields continued to fall in most major markets as global economic growth remains sluggish.

In Europe, the speculation of a default by Greece and the mounting debt burden in Italy and Spain led to political leadership changes within those countries. The European community increase the bailout fund to €1 trillion and the European Central Bank lowered rates by 0.5% to 1.0%, but investors' fears pushed yields higher for many of the weaker nations. Across the Eurozone, countries were downgraded or placed on negative watch by the rating agencies due to the evolving sovereign debt crisis. During the quarter, the Euro declined approximately 3% versus the dollar.

In the U.K. the Bank of England initiated another round of quantitative easing, adding £75 billion to their stimulus program in an effort to spur the economy. Inflationary pressures (a concern in prior periods) appear to be waning; the central bank maintained the target rate at 0.5%. The accommodative policies inspired fixed income investors, pulling yields down and generating strong returns for the quarter. The Pound Sterling was nearly unchanged versus the

dollar.

In Japan, the fixed income markets generated minimal gains as yields were nearly unchanged during the quarter. Demand for Japanese government bonds was robust as investors dismissed warnings from rating agencies. The Yen appreciated during the quarter despite the intervention efforts of the Ministry of Finance.

In the emerging markets, the fixed income investments tended to provide robust returns. Latin American issuers provided the best results, led by Uruguay, Brazil, and Mexico. Government debt from Eastern European countries under performed; Hungary was downgrade by the rating agencies and the debt declined by 14% during the quarter. Dollar denominated bonds performed best, as most emerging market currencies tended to lose value against the dollar. Emerging market debt continues to offer favorable characteristics, including superior economic growth prospects, sound fiscal policies, and attractive relative yields.

SELECTED INDEX RETURNS - PERIODS ENDING DECEMBER 31, 2011

	Quarter	One Year	Three Years	Five Years	Ten Years
US EQUITIES					
Dow Jones Industrial Average	12.8 %	8.4	14.9	2.4	4.6
Standard & Poors 500	11.8	2.1	14.1	(0.3)	2.9
Russell 3000	12.1	1.0	14.9	(0.0)	3.5
S&P MidCap 400	13.0	(1.7)	19.6	3.3	7.0
Russell Mid-Cap	12.3	(1.6)	20.2	1.4	7.0
S&P SmallCap 600	17.2	1.0	17.0	1.9	7.1
Russell 2000	15.5	(4.2)	15.6	0.2	5.6
Growth Stocks - Russell 3000 Growth	11.0	2.2	18.1	2.5	2.7
Value Stocks - Russell 3000 Value	13.3	(0.1)	11.6	(2.6)	4.1

US FIXED INCOME					
Barclays 1 - 3 Year Government	0.2 %	1.6	1.8	3.8	3.4
Barclays Intm Govt/Credit	0.8	5.8	5.6	5.9	5.2
Barclays Aggregate	1.1	7.8	6.8	6.5	5.8
Barclays Govt/Credit	1.2	8.7	6.6	6.6	5.9
Barclays Long Government	1.8	29.1	7.5	10.8	8.9
Barclays Government	0.8	9.0	4.0	6.6	5.6
Barclays Credit	1.7	8.4	10.9	6.8	6.4
Barclays Mortgage	0.9	6.2	5.8	6.5	5.7
Barclays High Yield	6.5	5.0	24.1	7.5	8.9
Barclays U.S TIPS	2.7	13.6	10.4	8.0	7.6

INTERNATIONAL (Measured in US Dollars)					
MSCI EAFE (Net)	3.3 %	(12.1)	7.7	(4.7)	4.7
MSCI ACWI ex U.S. (Net)	3.7	(13.7)	10.7	(2.9)	6.3
MSCI Europe (Net)	5.4	(11.1)	7.9	(5.2)	4.3
MSCI Pacific (Net)	(0.3)	(13.7)	7.5	(3.6)	5.5
MSCI Emerging Markets (Net)	4.4	(18.4)	20.1	2.4	13.9
Citigroup Non-U.S. Govt Bond	(0.5)	5.2	4.9	7.2	8.4

REAL ESTATE					
NAREIT Index	14.6 %	7.5	20.5	(2.1)	9.5
NCREIF Property Index	3.0	14.3	2.4	3.1	8.1

OTHER					
91-Day T-Bills	0.0 %	0.1	0.1	1.5	2.0
Consumer Price Index (percent change)	(0.5)	3.0	2.4	2.3	2.5
Producer Price Index (percent change)	(0.2)	4.8	4.4	3.6	3.4

Note: Returns for periods longer than 12 months are annualized. Indices are not investments, are unmanaged and do not incur fees or expenses. It is not possible to invest in an index.

DISCLOSURE

This Capital Market Review represents the opinions, investment strategies and views of Gray & Company and is based on current market conditions. The view expressed in the Capital Market Review is subject to change without notice. This Capital Market Review commentary is provided for informational purposes only and should not be construed as investment advice nor is it meant to be a solicitation or offer to purchase any product or service. Readers are encouraged to consult with their investment, legal or tax professional before making any investment decisions. We believe the information contained in this material to be reliable but do not warrant its accuracy or completeness.

Definitions:

BC (Barclays Capital) Treasury provides a measure of riskless return.

The **Dow Jones Industrial Averages** contains the stocks of 30 companies that are all major factors in their industries, and their stocks are widely held by individuals and institutional investors. As of December 31, 2008, The Dow® represented 27% of the float-adjusted market capitalization of the Dow Jones U.S. TSM Index, which provides near complete coverage of the U.S. stock market. The DJIA serves the same purpose today for which it was created in 1896 – to provide a clear, straightforward view of the stock market and, by extension, the U.S. economy.

The **S&P 500 Index** is a capitalization weighted index of the 500 largest publicly traded companies in the US and is widely accepted as the overall market proxy. It consists of 400 industrials, 40 utilities, 20 transportation stocks and 40 financial institutions issues when totaled covers approximately 75% of the US equities market.

The **Russell 3000 Index** measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 8% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 1000 Index** is composed of the 1000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index. The average capitalization was approximately \$12.1 billion; the median market capitalization was approximately \$3.8 billion. The smallest company in the index had an approximate market capitalization of \$1350.8 million.

The **S&P MidCap 400** provides investors with a benchmark for mid-sized companies. The index covers over 7% of the U.S. equity market, and seeks to remain an accurate measure of mid-sized companies, reflecting the risk and return characteristics of the broader mid-cap universe on an on-going basis.

The **S&P SmallCap 600** covers approximately 3% of the domestic equities market. Measuring the small cap segment of the market that is typically renowned for poor trading liquidity and financial instability, the index is designed to be an efficient portfolio of companies that meet specific inclusion criteria to ensure that they are investable and financially viable.

The **Russell 3000 Growth Index** measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 3000 Value Index** measures the performance of the broad value segment of the U.S. equity universe. It includes those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Growth Index** measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 2000 Value Index** measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 1000 Growth Index** is composed of those stocks in the Russell 1000 Index with greater than average growth orientation. The Russell Growth Index represents the universe of stocks from which most growth style money managers typically select.

The **Russell 1000 Value Index** is composed of those stocks in the Russell 1000 Index with less than average growth orientation. The Russell Value Index represents the universe of stocks from which most value style money managers typically select.

The **Barclays U.S. Aggregate Bond Index** is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS. The U.S. Aggregate rolls up into other Barclays Capital flagship indices such as the multi-currency Global Aggregate Index and the U.S. Universal Index, which includes high yield and emerging markets debt. The U.S. Aggregate Index was created in 1986, with index history backfilled to January 1, 1976.

The **Barclays Govt/Credit Index** is the non-securitized component of the U.S. Aggregate Index and was the first macro index launched by Barclays Capital. The U.S. Government/Credit Index includes Treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year), government-related issues (i.e., agency, sovereign, supranational, and local authority debt), and corporates. The U.S. Government/Credit Index was launched on January 1, 1979, with index history backfilled to 1973, and is a subset of the U.S. Aggregate Index.

The **Barclays U.S. Government Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The U.S. Government Index includes Treasuries (public obligations of the U.S. Treasury that have remaining maturities of more than one year) and U.S. agency debentures (publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The U.S. Government Index is a component of the U.S. Government/Credit Index and the U.S. Aggregate Index.

The **Barclays US Credit Index** comprises the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities. The US Credit Index was called the US Corporate Investment Grade Index until July 2000, when it was renamed to reflect its inclusion of both corporate and non-corporate issuers. Index history is available back to 1973. The US Credit Index is a subset of the US Government/Credit Index and the US Aggregate Index.

DISCLOSURE

The **Barclays Capital U.S. MBS (Mortgage) Index** measures the performance of investment grade fixed-rate mortgage-backed pass-through securities of GNMA, FNMA, and FHLMC.

The **Barclays U.S. Corporate High-Yield Index** measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging market debt. It was created in 1986, with history backfilled to July 1, 1983. The U.S. Corporate High-Yield Index is part of the U.S. Universal and Global High-Yield Indices.

The **Barclays U.S. TIPS** is a part of the Barclays Capital family of global inflation linked bond indices, the Barclays Capital US Government Inflation-linked bond index (US TIPS) measures the performance of the TIPS market. TIPS form the largest component of the Barclays Capital Global Inflation-Linked Bond Index. Inflation-linked indices include only capital indexed bonds with a remaining maturity of one year or more.

The **Barclays US Treasury 1-3yr term index™** measures the performance of short term government bonds issued the US Treasury. The index includes 2-Year and 3-Notes. Term Indices are a new concept in bond indexing developed by Barclays Capital. They have very similar yield, duration and risk/return characteristics to standard maturity based indices but are more compact and more liquid. Term indices use a standard market capitalisation weighting methodology but include only bonds near to their original term rather than selecting all bonds in a maturity range.

The **Barclays Capital Long Government/Credit Index** measures the investment return of all medium and larger public issues of U.S. Treasury, agency, investment-grade corporate, and investment-grade international dollar-denominated bonds with maturities longer than 10 years. The average maturity is approximately 20 years.

The **MSCI EAFE Index(net)** (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. As of May 27, 2010 the MSCI EAFE Index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

The **MSCI ACWI ex U.S. (net)** (All Country World Index excluding the United States) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. As of May 27, 2010 the MSCI ACWI ex. US consisted of 44 country indices comprising 23 developed and 21 emerging market country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

The **MSCI United Kingdom Index** is a free float adjusted market capitalization index that is designed to measure large and mid cap United Kingdom equity market performance. The MSCI United Kingdom Index is member of the MSCI international equity index series and represents the United Kingdom's equity portion of the global benchmark MSCI ACWI (All Country World Index) Index.

The **MSCI Europe Index (net)** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. As of June 2007, the MSCI Europe Index consisted of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

MSCI Europe ex UK Index (net) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe excluding the United Kingdom. As of June 2007, the MSCI Europe Index consisted of the following 15 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden and Switzerland.

The **MSCI Pacific Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in the Pacific region. As of June 2007, the MSCI Pacific Index consisted of the following 5 Developed Market countries: Australia, Hong Kong, Japan, New Zealand, and Singapore

MSCI Pacific ex Japan Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the Far East, excluding Japan. As of March 2008 the MSCI Pacific ex Japan Index consisted of the following 9 developed and emerging market country indices: China, Hong Kong, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan, and Thailand.

The **MSCI Japan Index** is a free float adjusted market capitalization index that is designed to measure large and mid cap Japanese equity market performance. The MSCI Japan Index is member of the MSCI international equity index series and represents the Japanese equity portion of the global benchmark MSCI ACWI (All Country World Index) Index.

The **MSCI Emerging Markets Index (net)** is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. As of May 27, 2010 the MSCI Emerging Markets Index consisted of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

The **Citigroup World Government Bond Ex-US Index** measures the performance of developed countries' global fixed-income markets invested in debt issues of non-US governmental entities. The World Government Bond Index (WGBI) includes the 23 government bond markets of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Malaysia, the Netherlands, Norway, Poland, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States prior to its exclusion.

Citigroup World Government Bond Ex-US Index hedged measures the performance of **The Citigroup World Government Bond Ex-US Index** and computing the monthly currency-hedged return by using a rolling one-month forward exchange contract as a hedging instrument.

Citigroup UK Bond Index includes the government bond markets of the United Kingdom and satisfies size, credit, and barriers-to-entry requirements.

Citigroup Japan Bond Index consists of the government bond market of Japan and satisfies size, credit, and barriers-to-entry requirements.

Citigroup Germany Bond Index consists of the government bond market of Germany and satisfies size, credit, and barriers-to-entry requirements.

Citigroup France Bond Index consists of the government bond market of France and satisfies size, credit, and barriers-to-entry requirements.

Citigroup Canada Bond Index consists of the government bond market of Canada and satisfies size, credit, and barriers-to-entry requirements.

DISCLOSURE

The **FTSE NAREIT US Real Estate Index** is calculated by FTSE International Limited (FTSE).

The **NCREIF Property Index** reports quarterly and annual returns consisting of income and appreciation components. The index is based on data collected from the voting members of NCREIF.

Specific property-type indices include apartment, office, retail, R&D/Office and Warehouse.

91-Day T-Bills provide a measure of riskless return.

Consumer Price Index is a government-issued index of the retail prices of basic household goods and services.

Producer Price Index is an index maintained by the U.S. Bureau of Labor Statistics that tracks the price of wholesale goods and commodities.

The **Dow Jones UBS Commodity Index** measures collateralized returns from a diversified basket of 19 commodity futures contracts from sectors spanning energy, precious metals, industrial metals, grains and livestock.

Moody's Long-Term Obligation Ratings:

Aaa Obligations rated **Aaa** are judged to be of the highest quality, with minimal credit risk.

Aa Obligations rated **Aa** are judged to be of high quality and are subject to very low credit risk.

A Obligations rated **A** are considered upper-medium grade and are subject to low credit risk.

Baa Obligations rated **Baa** are subject to moderate credit risk. They are considered medium grade and as such may possess certain speculative characteristics.

Ba Obligations rated **Ba** are judged to have speculative elements and are subject to substantial credit risk.

B Obligations rated **B** are considered speculative and are subject to high credit risk.

Caa Obligations rated **Caa** are judged to be of poor standing and are subject to very high credit risk.

Ca Obligations rated **Ca** are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

C Obligations rated **C** are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Standard Deviation is often used by investors to measure the risk of a stock or a stock portfolio. The basic idea is that the standard deviation is a measure of volatility: the more a stock's returns vary from the stock's average return, the more volatile the stock.

Treasuries: Treasury Securities are debt financed securities issued by the U.S. [government](#). There are three primary types of treasury securities. They are Treasury Bills, Treasury Notes and Treasury Bonds. Treasury Bills (a.k.a. T-bill) mature in one year or less. Treasury Bills are commonly issued with maturities dates of 91 days, 6 months, or 1 year. **91-Day T-Bills** provide a measure of riskless return. Treasury Notes (a.k.a. T-Note) mature between one and ten years. Treasury notes are commonly issued with maturities dates of 2, 3, 5 or 7 years. Treasury Bonds (a.k.a. T-Bond) are commonly issued with maturity dates of ten and thirty years.

The **federal funds target rate** is determined by a meeting of the members of the [Federal Open Market Committee](#). The **federal funds rate** is the [interest rate](#) at which private [depository institutions](#) (mostly banks) [lend](#) balances ([federal funds](#)) at the [Federal Reserve](#) to other depository institutions, usually overnight. It is the interest rate banks charge each other for loans.

The **European Central Bank** (ECB) is the institution of the European Union (EU) which administers the monetary policy of the 17 EU Eurozone member states. It is thus one of the world's most important central banks. The bank was established by the Treaty of Amsterdam in 1998, and is headquartered in Frankfurt, Germany.

The **eurozone**, officially the **euro area**, is an economic and monetary union (EMU) of 17 European Union (EU) member states that have adopted the euro currency as their sole legal tender. It currently consists of Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.

The **euro** (sign: €) is the official currency of the eurozone.

The **pound sterling** (sign: £), commonly called the **pound**, is the official currency of the United Kingdom.

Past performance is not indicative of future results. There is neither representation nor warranty as to the current accuracy of, nor liability for, decisions based on such information.

OVERVIEW

PORTFOLIO EVALUATION

- ♦ The fund's total market value as of December 31, 2011 was \$93.27 million.
- ♦ The Fund had a return of 6.96% for the quarter and a return of 1.76% for the last twelve months.

INVESTMENT POLICY AND OBJECTIVES

- ♦ To be actuarially sound to assure that its obligations to Fund members and others will be honored in a timely way.
- ♦ To achieve earnings at a sufficient level that, together with employee, city, and other periodic contributions, will enable it to meet its present and future obligations.
- ♦ To earn the highest total return on invested funds consistent with safety and in accordance with generally accepted investment practices to the extent permitted by law.
- ♦ To achieve a level of performance equal to or greater than the actuarial assumption so that benefits may be increased or enhanced or that contributions may be reduced.
- ♦ To meet all Statutory requirements of the State of Alabama.

PLAN RECONCILIATION

	<u>Quarter</u>
<u>Beginning Market Value</u>	87,280,940
Cash Flow In	0
Intrafund Transfers	0
Cash Flow Out	<u>-86,692</u>
Net Cash Flow	-86,692
Investment Performance	
Income	426,816
Asset Value Changes	<u>5,648,485</u>
Gross Performance	6,075,301
<u>Ending Market Value</u>	<u>93,269,549</u>

RECOMMENDATIONS

Mobile Police & Firefighters Executive Summary Table Periods Ending December 31, 2011

Name	Value \$(000)	% of Fund	Periods Ending 12/31/11						
			Cur Qtr	YTD	2 Yrs	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Total Fund	93,270	100.0	6.96	1.76	7.04	10.59	1.19	3.77	4.53
Policy Index			8.27	2.76	9.12	13.01	2.65	4.73	5.55
Passive Investing Index			8.20	2.45	8.68	12.59	2.31	4.62	5.61
Total Fund Excluding Alternatives	82,176	88.1	7.60	0.93	6.85	11.76			
Policy Index			8.79	1.03	7.83	12.11			
Total Domestic Equity Composite	47,288	50.7	11.87	1.35	9.43	16.61	0.29	3.94	5.00
SSgA Russell 1000 Index Fund	28,919	31.0	11.81	1.48	8.54	14.83	0.02	3.00	3.40
Russell 1000			11.85	1.51	8.56	14.81	-0.02	2.95	3.34
Advisory Research	8,919	9.6	16.01	5.86	13.79				
Russell 2500 Value			15.44	-3.36	9.84				
Century Capital	9,450	10.1	8.38	-2.97					
Russell 2500 Growth			13.51	-1.59					
Total International Equity Composite	7,333	7.9	6.71	-16.16	-4.57	4.08	-5.85	1.78	3.86
Allianz Global Investors	7,333	7.9							
MSCI ACWI ex US (Net)									
Total Fixed Income Composite	27,554	29.5	1.18	5.94	6.23	8.13	6.65	5.65	4.57
Orleans	27,554	29.5	1.18	5.94	6.23	8.13	6.65	5.65	
Barclays Int Govt/Credit			0.84	5.81	5.85	5.64	5.88	4.99	
Barclays U.S. Aggregate			1.12	7.84	7.19	6.77	6.50	5.60	
Real Estate Composite	4,194	4.5	4.29	12.81	12.97	-2.89	-5.49		
NCREIF Prop Index			2.96	14.26	13.68	2.43	3.09		

Mobile Police & Firefighters Executive Summary Table Periods Ending December 31, 2011

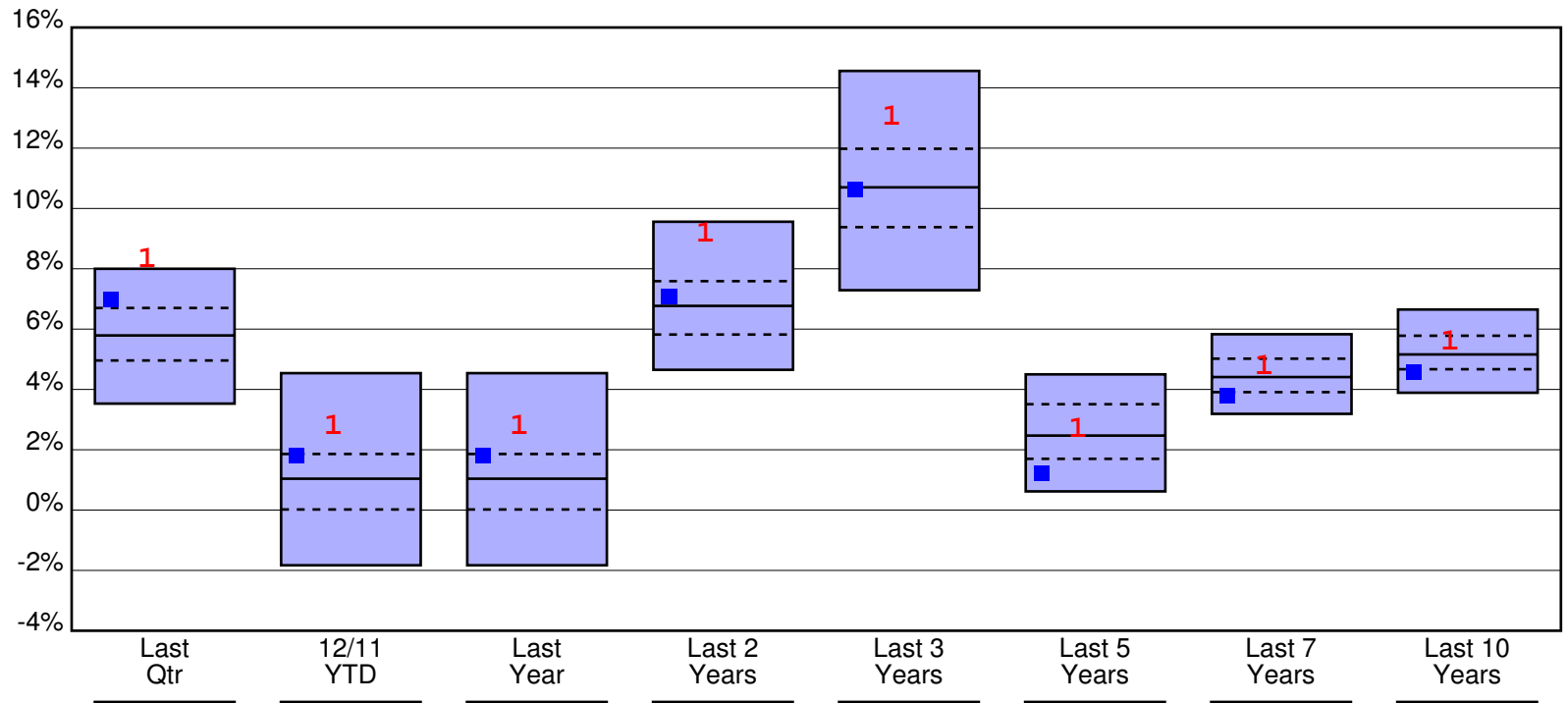
Name	Value \$(000)	% of Fund	Periods Ending 12/31/11						
			Cur Qtr	YTD	2 Yrs	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Guggenheim	1,769	1.9	6.75	17.41	16.69	-0.05	-5.62		
70% NCREIF / 30% NAREIT			6.44	12.77	15.11	8.83	2.63		
Westbrook	82	0.1	0.00	6.48	1.34	-3.59			
NCREIF Prop Index			2.96	14.26	13.68	2.43			
DLJ	537	0.6	7.02	9.18	9.54	-0.41	2.00	10.41	20.25
NCREIF Prop Index			2.96	14.26	13.68	2.43			
TIAA-CREF	1,807	1.9	1.43	10.98	11.74	-5.51			
NCREIF Prop Index			2.96	14.26	13.68	2.43			
Private Equity Composite	4,437	4.8	0.39	5.36	7.23	7.40			
Russell 3000+4%			13.12	5.02	12.68	18.87			
Hicks, Muse, Tate & Furst IV	231	0.2	0.00	23.00	9.72	10.02	-2.37	-3.03	-4.37
Russell 3000+4%			13.12	5.02	12.68	18.87	3.98	6.97	
Ripplewood Partners II, L.P.	1,044	1.1	0.00	14.58	9.07	11.77	7.69	6.96	
Russell 3000+4%			13.12	5.02	12.68	18.87	3.98	6.97	
Levine Leichtman Fund III	2,044	2.2	0.44	0.82	9.55	6.01			
Russell 3000+4%			13.12	5.02	12.68	18.87			
Permal Capital Fund IV	1,118	1.2	0.72	5.37	4.13	5.59	1.65		
Russell 3000+4%			13.12	5.02	12.68	18.87	3.98		
Timber Composite	2,463	2.6	3.37	4.96	1.98	5.78			
Timberland Investment Resources	2,463	2.6	3.37	2.04	0.55	4.79			
NCREIF Timberland Index			0.51	1.58	0.70	-1.15			

Mobile Police & Firefighters

Cumulative Performance Comparison

Total Returns of Total Fund Public Sponsors

Periods Ending 12/11

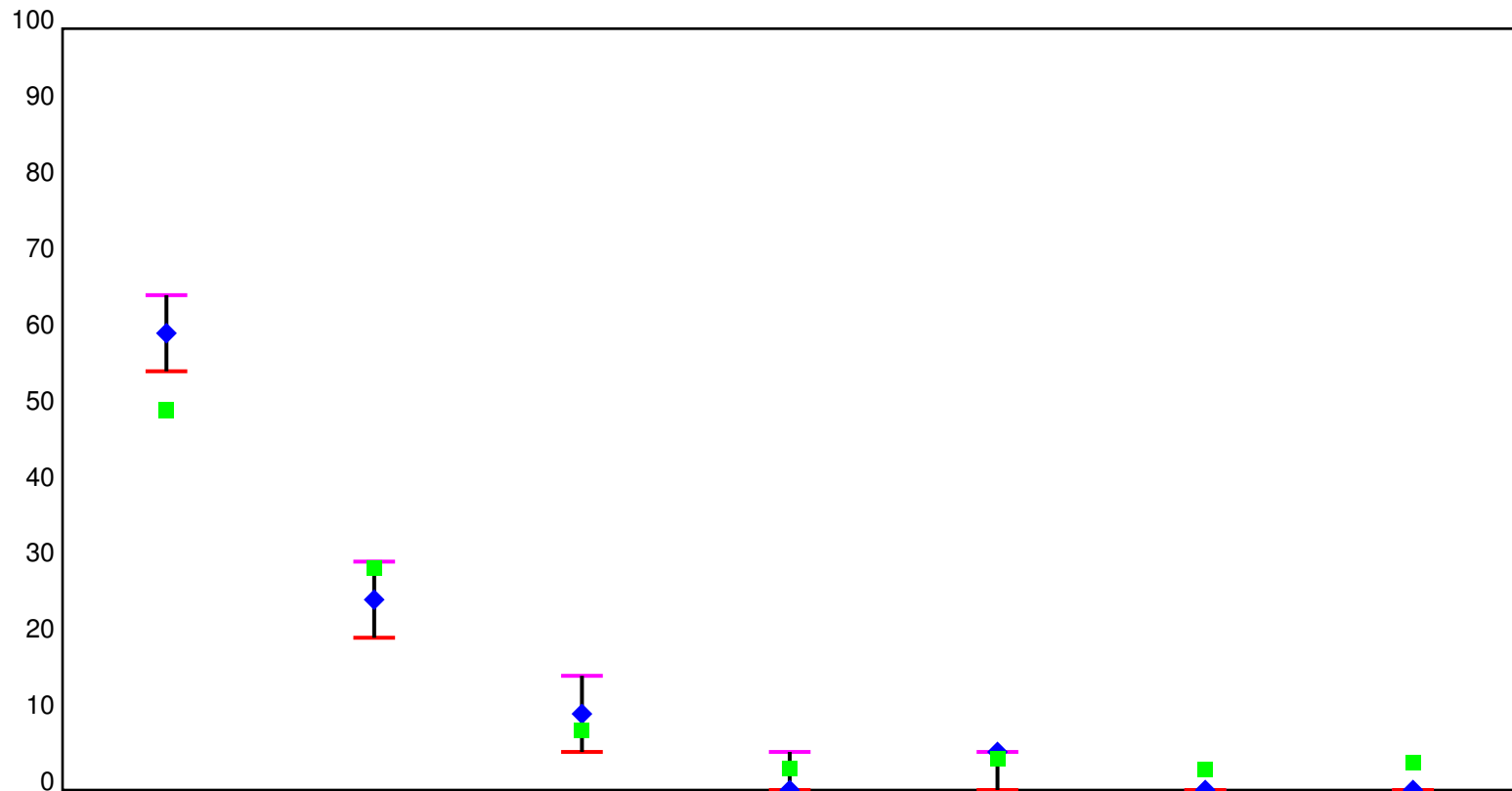


5th Percentile
25th Percentile
Median
75th Percentile
95th Percentile

■ Total Fund
1 Policy Index

Last Qtr	12/11 YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
8.00	4.54	4.54	9.56	14.56	4.50	5.83	6.65
6.70	1.86	1.86	7.59	11.98	3.51	5.02	5.78
5.79	1.04	1.04	6.77	10.70	2.47	4.41	5.16
4.96	0.02	0.02	5.82	9.38	1.70	3.91	4.67
3.53	-1.83	-1.83	4.65	7.29	0.62	3.19	3.89
6.96 (19)	1.76 (30)	1.76 (30)	7.04 (40)	10.59 (51)	1.19 (89)	3.77 (82)	4.53 (80)
8.27 (3)	2.76 (14)	2.76 (14)	9.12 (6)	13.01 (9)	2.65 (46)	4.73 (36)	5.55 (36)

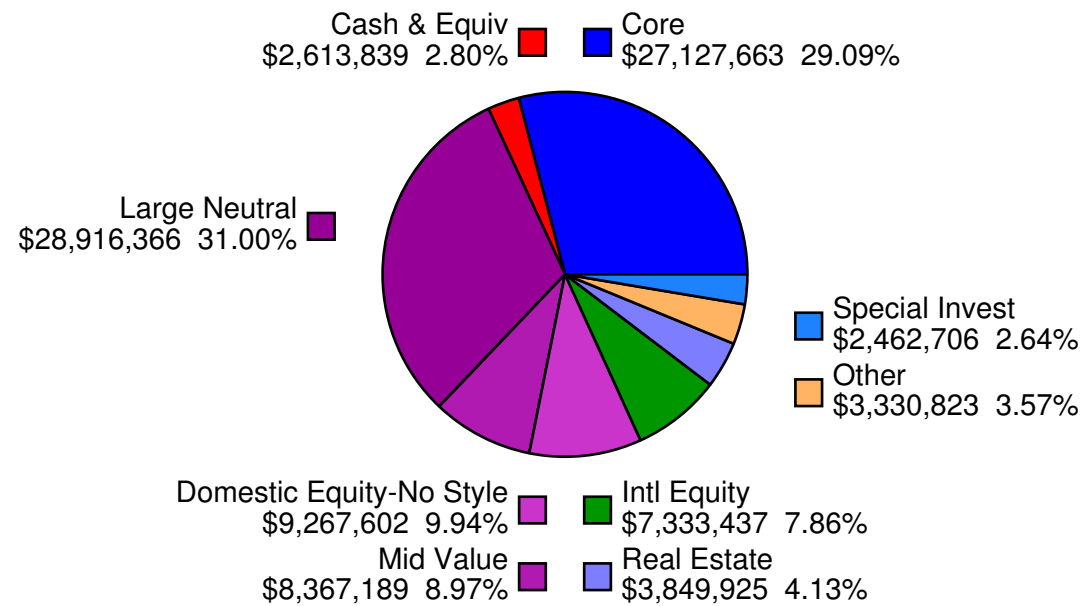
Mobile Police & Firefighters Asset Allocation vs Policy Graph Total Fund As of December 31, 2011



Legend	Domestic Equities	Domestic Fixed	International Equities	Cash	Real Estate	Special Investments	Other
◆ Policy	60.0	25.0	10.0	0.0	5.0	0.0	0.0
— Min	55.0	20.0	5.0	0.0	0.0	0.0	0.0
— Max	65.0	30.0	15.0	5.0	5.0	0.0	0.0
■ Actual	49.9	29.1	7.9	2.8	4.1	2.6	3.6

Mobile Police & Firefighters Asset And Policy Allocation Total Fund

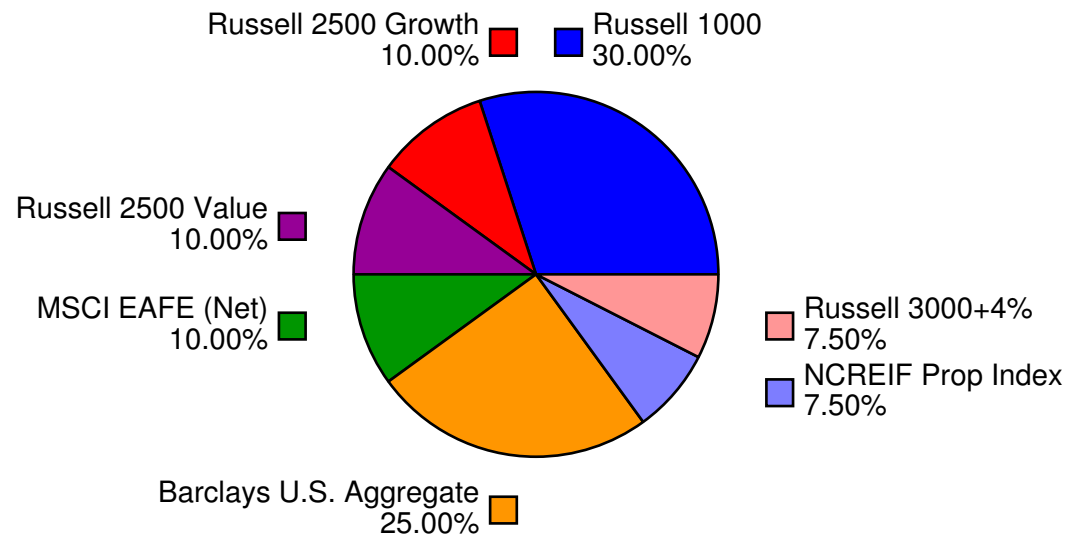
December 31, 2011 \$93,269,549



Mobile Police & Firefighters Asset And Policy Allocation Total Fund

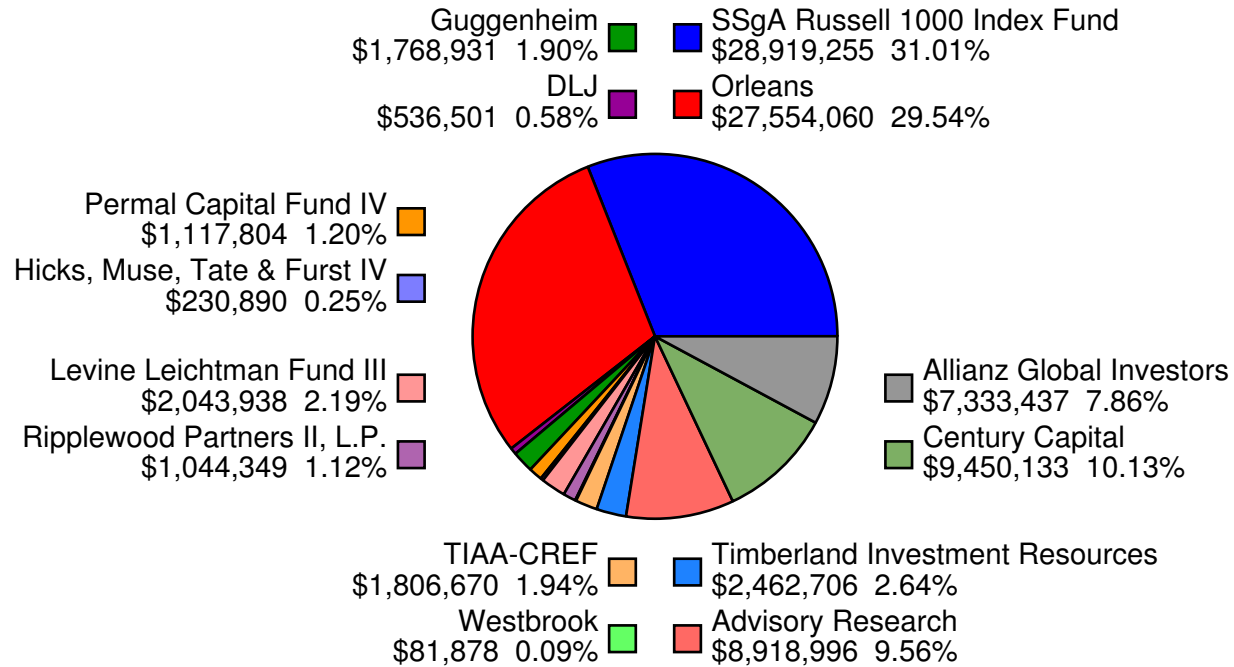
December 31, 2011

Policy Index



Mobile Police & Firefighters Total Fund Allocation By Manager Total Fund

December 31, 2011 \$93,269,549



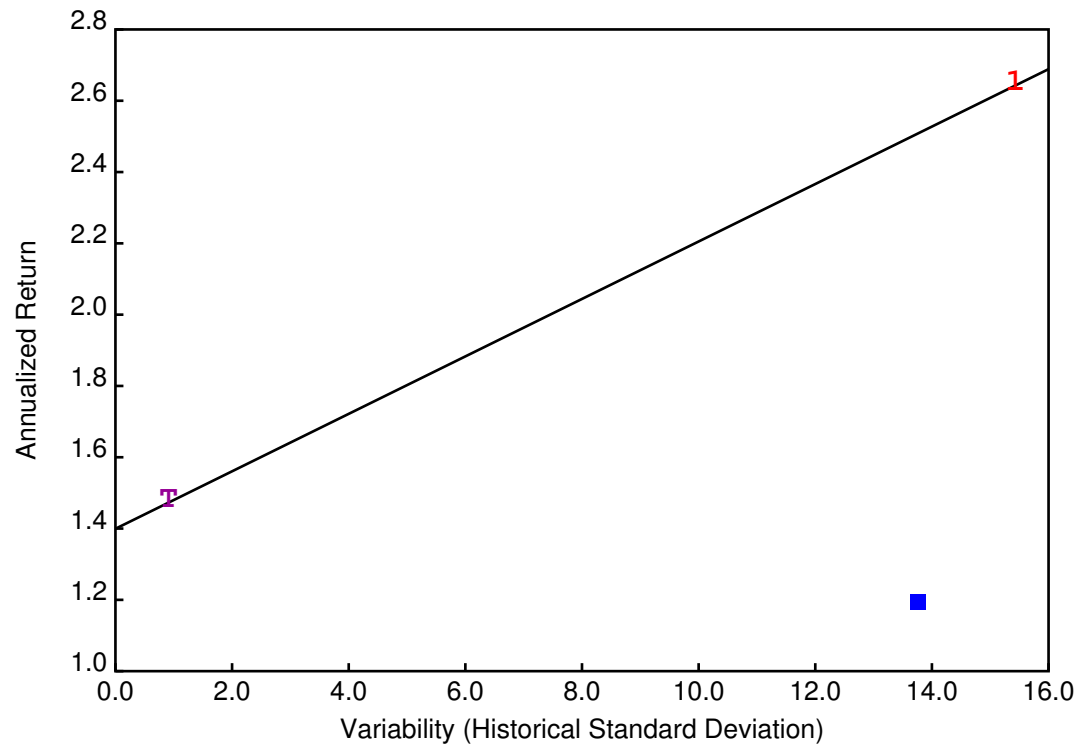
Mobile Police & Firefighters
Sources of Fund Growth
Total Fund
9/30/11 - 12/31/11

Manager Name	Beginning Value \$(000)	Net Contrib \$(000)	Invest Fees \$(000)	Invest Gain/Loss \$(000)	Ending Value \$(000)	Gross of Fees Return(%)	Net of Fees Return(%)
SSgA Russell 1000 Index Fund	25,869	0	5	3,055	28,919	11.81	11.79
Advisory Research	7,703	0	17	1,233	8,919	16.01	15.79
Century Capital	8,738	0	21	733	9,450	8.38	8.15
Managed Equity	42,310	0	44	5,022	47,288		
Artio Global (Julius Baer)	6,872	-6,875	0	NA	NA	NA	NA
Allianz Global Investors	0	6,875	0	459	7,333	7.95	7.95
Int'l Equity	6,872	0	0	459	7,333		
Orleans	27,240	0	8	322	27,554	1.18	1.15
Managed Fixed	27,240	0	8	322	27,554		
DLJ	501	0	0	35	537	7.02	7.02
Guggenheim	1,661	0	4	112	1,769	6.75	6.48
Westbrook	82	0	0	0	82	0.00	-0.05
TIAA-CREF	1,786	0	5	25	1,807	1.43	1.15
Real Estate	4,031	0	9	173	4,194		
Permal Capital Fund IV	1,112	0	3	8	1,118	0.72	0.50
Hicks, Muse, Tate & Furst IV	231	0	0	0	231	0.00	0.00
Ripplewood Partners II, L.P.	1,056	-11	0	0	1,044	0.00	0.00
Timberland Investment Resources	2,394	-7	5	81	2,463	3.37	3.16
Special Investments	4,793	-18	8	89	4,856		
Levine Leichtman Fund III	2,035	0	0	9	2,044	0.44	0.44

Mobile Police & Firefighters
Sources of Fund Growth
Total Fund
9/30/11 - 12/31/11

[illegible]

Mobile Police & Firefighters Quarterly Total Return Market Line Analysis Periods from 12/06 to 12/11



	Annualized Return	Variability	Reward	Sharpe Ratio
■ Total Fund	1.19	13.87	-0.29	-0.02
1 Policy Index	2.65	15.52	1.17	0.08
T 91-Day Treasury Bill	1.48	1.00	0.00	0.00

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City of Mobile Police & Firefighters

December 31, 2011

Performance Summary Table
Periods Ending 12/31/11

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
SSgA Russell 1000 Index Fund							
Total Return	11.81	1.48	1.48	8.54	14.83	0.02	3.40
Total Return (Net of Fees)	11.79	1.43	1.43	8.49	14.80	-0.02	
Russell 1000	11.85	1.51	1.51	8.56	14.81	-0.02	3.34
Variance	-0.04	-0.03	-0.03	-0.02	0.02	0.04	0.06

SSGA

Russell 1000 Index Fund

OBJECTIVE:

Track the return of the Russell 1000 Index.

STRATEGY:

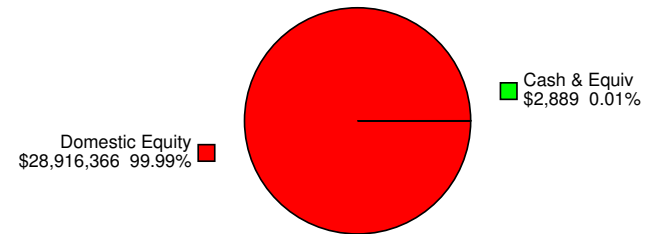
The Fund is managed using a "passive" or "indexing" investment approach, by which SSgA attempts to match, before expenses, the performance of the Index. SSgA will typically attempt to invest in the securities comprising the Index in the same proportions as they are represented in the Index. In some cases, it may not be possible or practicable to purchase all of the securities comprising the Index, or to hold them in the same weightings as they represent in the Index. In those circumstances, SSgA may employ a sampling or optimization technique to construct the portfolio in question. The Fund's returns may vary from the returns of the Index.

FEE SCHEDULE

9 bps on first \$30MM
7 bps on next \$30MM
5 bps thereafter

Asset Allocation SSgA Russell 1000 Index Fund

December 31, 2011 \$28,919,255



CONCLUSIONS/RECOMMENDATIONS

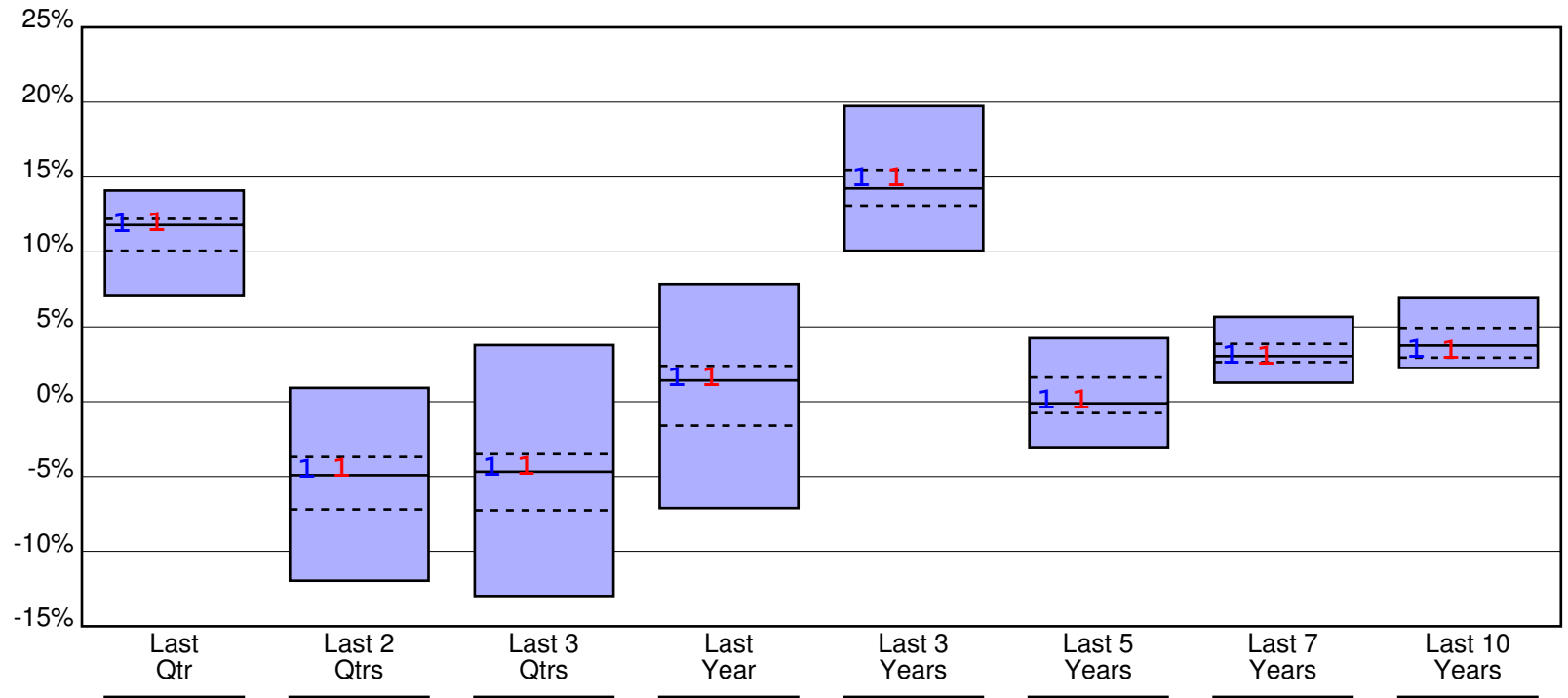
The SSgA Fund performed in line with the Russell 1000 Index during the quarter.

City of Mobile Police & Firefighters

All Large Cap Cumulative Performance Comparisons

Total Returns of Equity Portfolios

Periods Ending 12/11



5th Percentile	14.10	0.92	3.78	7.86	19.74	4.24	5.67	6.92
25th Percentile	12.21	-3.69	-3.50	2.39	15.48	1.62	3.86	4.93
Median	11.80	-4.91	-4.68	1.42	14.24	-0.11	3.04	3.75
75th Percentile	10.08	-7.20	-7.26	-1.60	13.09	-0.76	2.64	2.94
95th Percentile	7.06	-11.96	-12.98	-7.11	10.08	-3.10	1.27	2.25
1 SSgA Russell 1000 Index Fund	11.81 (48)	-4.60 (45)	-4.48 (48)	1.48 (49)	14.83 (38)	0.02 (47)	3.00 (51)	3.40 (60)
1 Russell 1000	11.85 (37)	-4.57 (45)	-4.45 (48)	1.51 (48)	14.81 (38)	-0.02 (47)	2.95 (52)	3.34 (62)

City of Mobile Police & Firefighters

December 31, 2011

Performance Summary Table
Periods Ending 12/31/11

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
Century Capital							
Total Return	8.38	-2.97	-2.97				
Total Return (Net of Fees)	8.15	-3.79	-3.79				
Russell 2500 Growth	13.51	-1.59	-1.59				
Variance	-5.12	-1.38	-1.38				

CENTURY CAPITAL

SMID Cap Growth Portfolio

OBJECTIVE:

Manager is expected to rank in the top 50% versus their peer group over a minimum three year period.

Investment Performance is expected to exceed the Russell 2500 Growth Index over a market cycle. (3-5 years)

STRATEGY:

Century Capital's Investment Philosophy is defined as follows:

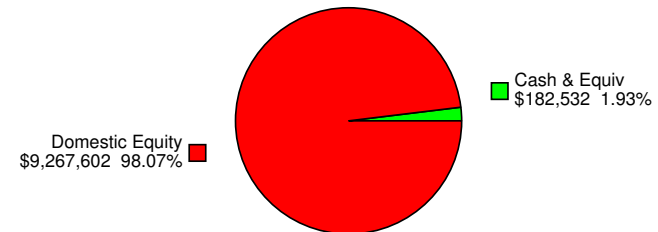
- Capital will flow to areas in the economy where returns on capital are above average and/or rising.
- Small and mid capitalization markets are inefficient, providing opportunities to utilize fundamental, bottom-up research to identify superior growth companies and misvaluations.
- Investing in small and mid capitalization stocks combines the high growth characteristics associated with small cap companies with the higher quality and stability of mid cap companies.

FEE SCHEDULE

88 bps on first \$50MM
80 bps on next \$50MM
75 bps thereafter

Asset Allocation Century Capital

December 31, 2011 \$9,450,133



CONCLUSIONS/RECOMMENDATIONS

Century Capital under performed the Russell 2500 Growth Index by 512 bps and ranked in the bottom of their peer group. The under performance is attributed to poor stock selection in Consumer Discretionary and Consumer Staples sectors, as well as an underweighting in the Energy sector.

Over the last year, Century Capital under performed the Russell 2500 Growth Index and ranked below the median of their peer group.

City of Mobile Police & Firefighters Equity Summary Statistics Century Capital Period Ending 12/11

	Portfolio	Russell 2500 Growth	Ten Largest Holdings	Mkt Value	% of Port	Quarterly Ret
Total Number Of Securities	51	1,435	Salix Pharmaceutical	311,025	3.36	61.66
Equity Market Value	9,267,602		Cyberonics Inc	247,900	2.68	18.37
Average Capitalization \$(000)	3,759,221	2,825,951	Cardtronics Inc	234,069	2.53	18.06
Median Capitalization \$(000)	2,901,806	727,762	Cooper Cos Inc	232,716	2.51	-10.90
Equity Segment Yield	0.44	0.79	Roper Inds Inc New	230,206	2.48	26.26
Equity Segment P/E - Average	20.05	24.92	Ansys Inc	229,120	2.47	16.80
Equity Segment P/E - Median	22.59	15.66	BE Aerospace Inc	224,518	2.42	16.91
Equity Segment Beta	1.27	1.36	Akamai Technologies	224,346	2.42	62.37
Price/Book Ratio	3.50	3.31	F5 Networks Inc	222,852	2.41	49.36
Debt/Equity Ratio	25.48	61.94	Buffalo Wild Wings I	219,408	2.37	12.89
Five Year Earnings Growth	9.07	7.38				

GICS Sectors	Weight		Return		Selection		
	Portfolio	Index	Portfolio	Index	Stock	Sector	Total
Energy	3.52	7.89	21.41	26.55	-0.18	-0.57	-0.75
Materials	1.89	7.71	-9.01	12.20	-0.40	0.08	-0.32
Industrials	14.01	16.02	20.98	20.83	0.02	-0.15	-0.12
Consumer Discretionary	20.48	14.71	2.15	10.84	-1.78	-0.16	-1.94
Consumer Staples	5.89	4.00	-12.74	6.05	-1.11	-0.14	-1.25
Health Care	23.41	17.02	8.12	10.64	-0.59	-0.19	-0.78
Financials	5.58	8.26	18.58	13.38	0.29	0.01	0.30
Information Technology	21.59	22.51	12.85	10.26	0.56	0.03	0.59
Telecom. Services	3.63	1.38	2.02	11.89	-0.36	-0.04	-0.40
Utilities	0.00	0.49		1.69	0.00	0.06	0.06
	100.00	100.00	9.00	13.61	-3.55	-1.06	-4.61

Stock Selection Return Attribution

[Portfolio Market Value Sector Percentage] * [Portfolio Sector Return - Index Sector Return]

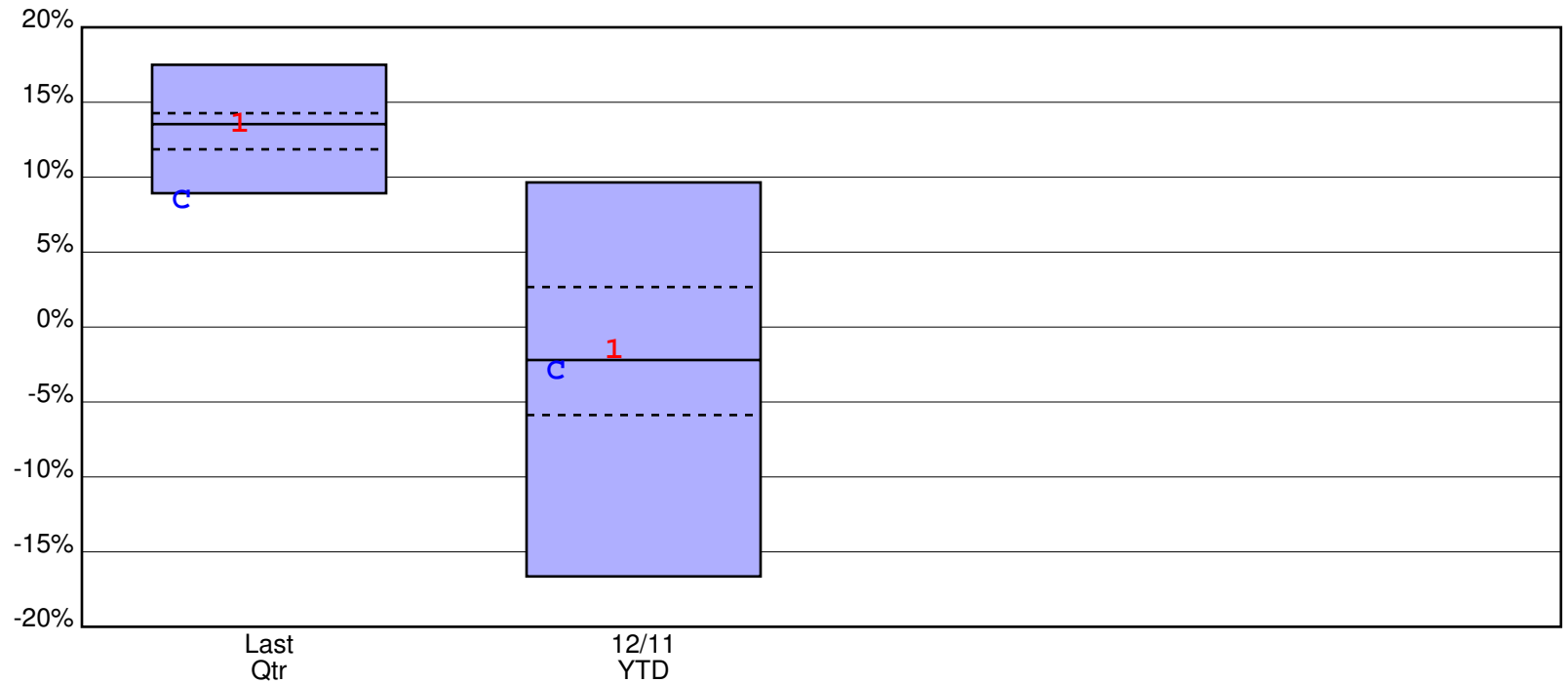
Sector Selection Return Attribution

[Portfolio Sector Percentage - Index Sector Percentage] * [Index Sector Return - Index Total Return]

Trading Effect -0.47%

[Actual Return 8.52%] - [Buy Hold Return 9.00%]

City of Mobile Police & Firefighters SMID Growth Cumulative Performance Comparisons Total Returns of Equity Portfolios Periods Ending 12/11



5th Percentile
25th Percentile
Median
75th Percentile
95th Percentile

17.50
14.27
13.54
11.86
8.93

9.65
2.67
-2.20
-5.87
-16.64

C Century Capital
1 Russell 2500 Growth

8.38 (97)
13.51 (52)

-2.97 (55)
-1.59 (46)

City of Mobile Police & Firefighters

December 31, 2011

Performance Summary Table
Periods Ending 12/31/11

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
Advisory Research							
Total Return	16.01	5.86	5.86	13.79			
Total Return (Net of Fees)	15.79	4.95	4.95	12.81			
Russell 2500 Value	15.44	-3.36	-3.36	9.84			
Variance	0.57	9.23	9.23	3.94			

ADVISORY RESEARCH SMID Cap Value

OBJECTIVE:

Manager is expected to rank in the top 50% versus their peer group over a minimum three year period.

Investment Performance is expected to exceed the Russell 2500 Value over a market cycle. (3-5 years)

STRATEGY:

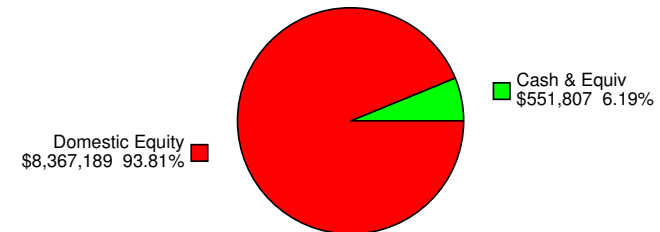
Advisory Research's Small/Mid Value Equities Strategy can be categorized as a fundamental and research driven approach to investing in small to mid capitalization value stocks with market caps between \$300 million and \$8 billion. While portfolio valuation metrics consistently reflect a value style, the portfolio is managed under the philosophy that growth and value stocks are not mutually exclusive. Advisory seeks to generate consistent, long-term performance by investing in businesses that have attractive valuations with growth potential and operating/competitive characteristics that provide downside protection. As a result, overall portfolio characteristics are targeted to possess above-average prospects for growth and below-average valuations relative to the Russell 2500 Value Index.

FEE SCHEDULE

90 bps on all assets

Asset Allocation Advisory Research

December 31, 2011 \$8,918,996



CONCLUSIONS/RECOMMENDATIONS

Advisory Research out performed the Russell 2500 Value Index by 57 basis points during the Fourth Quarter and ranked in the 42nd percentile of their peer group. The out performance is primarily attributed to stock selection in the Energy, Industrials, and Utilities sectors, as well as sector weighting decisions in the Consumer Discretionary and Utilities sectors.

Over the past 2 years, the Manager has out performed the Russell 2500 Value Index and ranked in the 36th percentile of their peer universe.

City of Mobile Police & Firefighters

Equity Summary Statistics

Advisory Research

Period Ending 12/11

	Portfolio	Russell 2500 Value	Ten Largest Holdings	Mkt Value	% of Port	Quarterly Ret
Total Number Of Securities	37	1,693	Foot Locker Inc	353,309	4.23	19.58
Equity Market Value	8,367,189		White Mtns Ins Group	342,362	4.10	11.76
Average Capitalization \$(000)	4,776,676	2,483,408	Cabot Oil & Gas Corp	319,539	3.82	22.64
Median Capitalization \$(000)	3,901,362	566,779	Oneok Inc New	316,419	3.79	32.22
Equity Segment Yield	1.47	2.20	Plum Creek Timber Co	310,029	3.71	6.55
Equity Segment P/E - Average	16.95	19.95	Family Dlr Stores In	306,175	3.66	13.73
Equity Segment P/E - Median	15.35	13.42	Trinity Inds Inc	299,398	3.58	40.89
Equity Segment Beta	1.30	1.39	Discover Finl Svcs	295,440	3.53	5.33
Price/Book Ratio	1.34	1.27	Spirit Aerosystems H	293,829	3.52	30.28
Debt/Equity Ratio	60.76	62.21	Jc Penney Co	293,186	3.51	32.20
Five Year Earnings Growth	-6.14	0.48				

GICS Sectors	Weight		Return		Selection		
	Portfolio	Index	Portfolio	Index	Stock	Sector	Total
Energy	12.89	4.86	20.36	16.01	0.56	0.04	0.60
Materials	5.37	5.67	8.14	18.39	-0.55	-0.01	-0.56
Industrials	11.02	13.42	31.32	20.12	1.23	-0.11	1.12
Consumer Discretionary	19.10	12.60	20.21	19.00	0.23	0.23	0.46
Consumer Staples	2.09	3.19	18.36	15.06	0.07	0.00	0.07
Health Care	1.67	5.62	18.41	12.75	0.09	0.11	0.20
Financials	35.73	32.86	11.07	14.71	-1.30	-0.02	-1.32
Information Technology	8.72	9.64	17.09	13.59	0.31	0.02	0.32
Telecom. Services	0.00	0.78		2.49	0.00	0.10	0.10
Utilities	3.41	11.36	32.22	10.66	0.74	0.38	1.12
	100.00	100.00	17.61	15.49	1.38	0.74	2.12

Stock Selection Return Attribution

[Portfolio Market Value Sector Percentage] * [Portfolio Sector Return - Index Sector Return]

Sector Selection Return Attribution

[Portfolio Sector Percentage - Index Sector Percentage] * [Index Sector Return - Index Total Return]

Trading Effect -0.15%

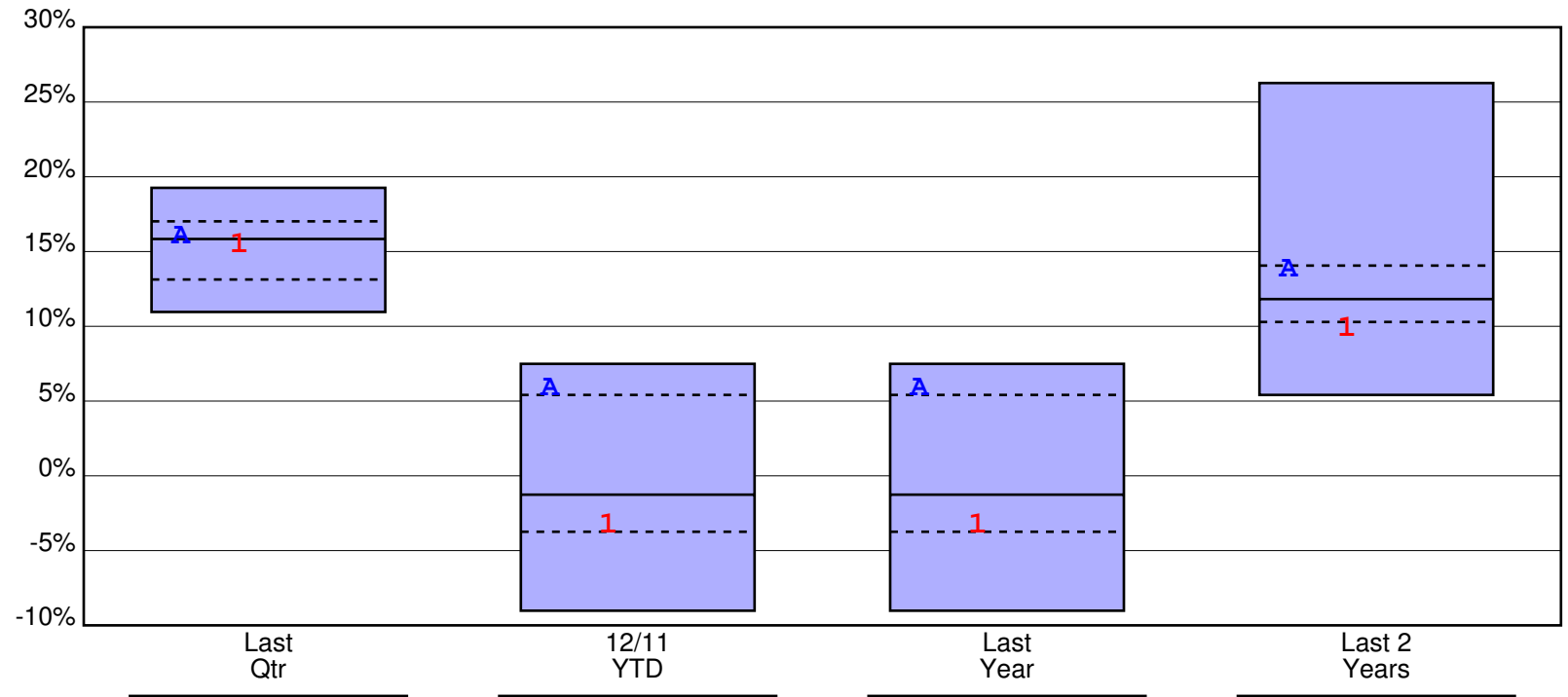
[Actual Return 17.46%] - [Buy Hold Return 17.61%]

City of Mobile Police & Firefighters

SMID Value-Neutral Cumulative Performance Comparisons

Total Returns of Equity Portfolios

Periods Ending 12/11



5th Percentile	19.26	7.49	7.49	26.27
25th Percentile	17.02	5.41	5.41	14.06
Median	15.84	-1.26	-1.26	11.82
75th Percentile	13.13	-3.74	-3.74	10.29
95th Percentile	10.96	-9.02	-9.02	5.41
A Advisory Research	16.01 (42)	5.86 (15)	5.86 (15)	13.79 (36)
1 Russell 2500 Value	15.44 (58)	-3.36 (67)	-3.36 (67)	9.84 (79)

City of Mobile Police & Firefighters

December 31, 2011

Performance Summary Table
Periods Ending 12/31/11

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
Allianz Global Investors							
Total Return							
Total Return (Net of Fees)							
MSCI ACWI ex US (Net)							

ALLIANZ GLOBAL INVESTORS (NFJ Int'l Value Fund) International Equity Portfolio

OBJECTIVE:

Manager is expected to rank in the top 50% versus their peer group over a minimum three year period.

Investment performance is expected to exceed the MSCI ACWI ex US (Net) Index over a market cycle. (3-5 years)

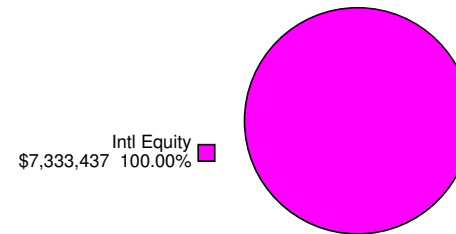
STRATEGY:

Allianz's investment process enables them to identify stocks offering attractive valuations and growth potential. Manager believes a diversified portfolio of dividend-paying companies with low relative and absolute valuations will out perform over market cycles. Investment conviction must come from analysis of company fundamentals and disciplined adherence to their investment process. Portfolio is constructed of approximately 40-60 of the most attractive securities, diversified among 40-50 industries. Position sizes of 1% through 4% at market value are established based on assessment of price-to-earnings and price-to-book ratios, as well as dividend yield and positive price momentum.

FEE SCHEDULE

0.85% annually on the first \$25 million
0.75% annually on the next \$25 million
0.60% annually on the next \$50 million
0.45% annually thereafter

Asset Allocation
Allianz Global Investors
December 31, 2011 \$7,333,437



CONCLUSIONS/RECOMMENDATIONS

Allianz Global Investors was funded during the 4th Quarter 2011. Manager performance will included in subsequent reports.

Returns reported by the manager for the partial quarter (10/4/2011 - 12/31/2011) were 8.73%

City of Mobile Police & Firefighters

December 31, 2011

Performance Summary Table
Periods Ending 12/31/11

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
Orleans							
Total Return	1.18	5.94	5.94	6.23	8.13	6.65	
Total Return (Net of Fees)	1.15	5.81	5.81	6.12	8.01	6.53	
Barclays Int Govt/Credit	0.84	5.81	5.81	5.85	5.64	5.88	
Variance	0.34	0.13	0.13	0.39	2.48	0.77	
Barclays U.S. Aggregate	1.12	7.84	7.84	7.19	6.77	6.50	

ORLEANS

Intermediate Fixed Income Portfolio

OBJECTIVE:

The manager is expected to rank in the top 50% versus their respective peer group over a minimum three year period.

Manager is expected to exceed the Barclays Int Govt/Corp Index over a full market cycle. (3-5 years)

STRATEGY:

Sector diversification is actively managed and sectors are significantly under or over weighted versus the benchmark. Consideration is given to supply and demand factors affecting future performance of the sectors as well as to yield relationships between the sectors.

Interest rate exposure is actively managed within a 15% band around the benchmark.

Yield curve exposure is generally kept neutral to the index and portfolios contain a full spectrum of maturities to achieve duration targets.

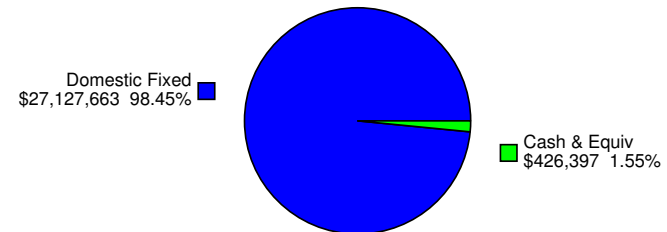
FEE SCHEDULE

15 bps on first \$10MM

10 bps thereafter

Asset Allocation Orleans

December 31, 2011 \$27,554,060



CONCLUSIONS/RECOMMENDATIONS

Orleans out performed the Barclays Int. Govt/Credit Index and the Barclay's U.S. Aggregate Index. Manager ranked in the 39th percentile of the Fixed Income Universe during the quarter.

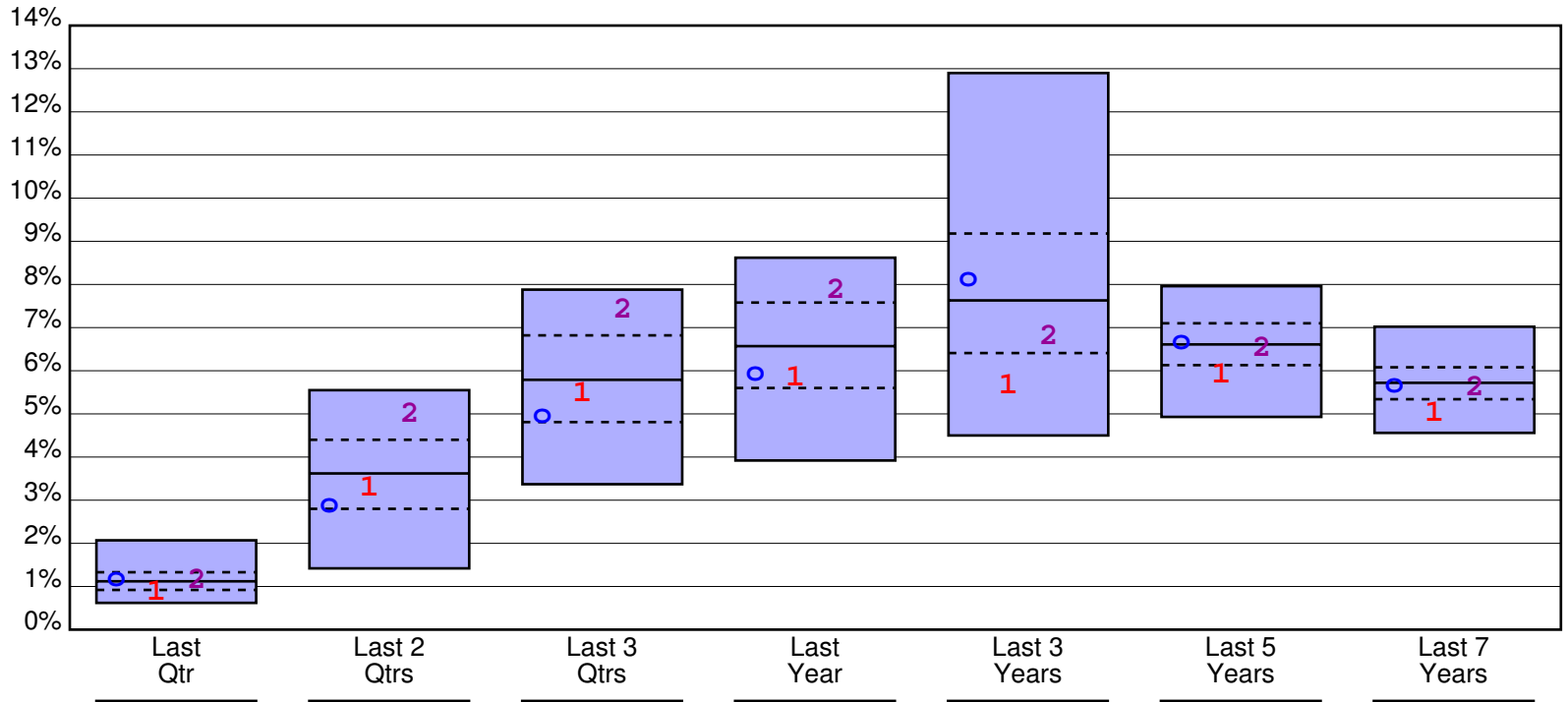
In all periods greater than one year, the manager has out performed the Barclays Int. Govt/Credit Index and the Barclay's U.S. Aggregate Index. Over the past seven years, manager ranks in the 59th percentile of the Fixed Income Universe.

City of Mobile Police & Firefighters

Intermediate Term Cumulative Performance Comparisons

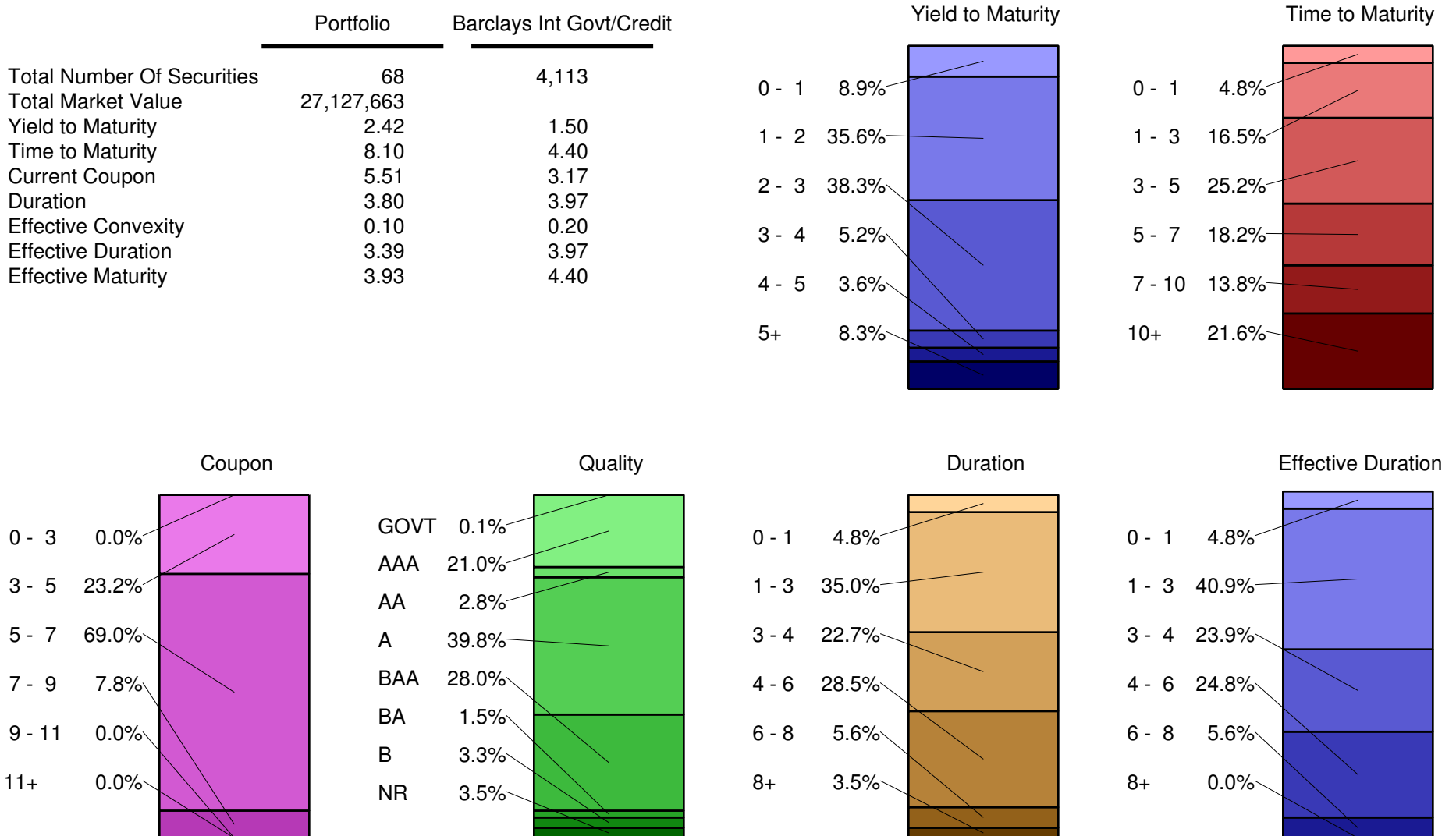
Total Returns of Fixed Income Portfolios

Periods Ending 12/11



5th Percentile	2.07	5.55	7.88	8.62	12.90	7.96	7.02
25th Percentile	1.33	4.40	6.82	7.58	9.18	7.10	6.08
Median	1.12	3.62	5.79	6.57	7.63	6.61	5.72
75th Percentile	0.92	2.80	4.81	5.60	6.41	6.13	5.34
95th Percentile	0.62	1.42	3.37	3.92	4.50	4.93	4.56
Orleans	1.18 (39)	2.87 (73)	4.95 (71)	5.94 (70)	8.13 (41)	6.65 (46)	5.65 (59)
Barclays Int Govt/Credit	0.84 (82)	3.26 (62)	5.45 (60)	5.81 (71)	5.64 (86)	5.88 (84)	4.99 (88)
Barclays U.S. Aggregate	1.12 (50)	4.98 (11)	7.39 (13)	7.84 (18)	6.77 (66)	6.50 (56)	5.60 (64)

City of Mobile Police & Firefighters Fixed Income, Mortgage and Municipals Summary Statistics Orleans Quarter Ending 12/11



City of Mobile Police & Firefighters

December 31, 2011

Performance Summary Table Periods Ending 12/31/11

GUGGENHEIM REAL ESTATE PLUS FUND **Real Estate - Open-ended, Core/Core-Plus Style**

OBJECTIVE

Return that exceeds the Blended Benchmark (70% NCREIF and 30% NAREIT).

Return that averages in top half of a comparable manager universe.

Achieve performance objectives, comply with Plan investment guidelines, add value to Plan.

STRATEGIES

Invests in both public (approximately 30% of portfolio) and private (approximately 70% of portfolio real estate)

Public investments consist of 4 separate account REIT strategies (core, large cap, small cap, and absolute return) and an in-house public/private arbitrage portfolio.

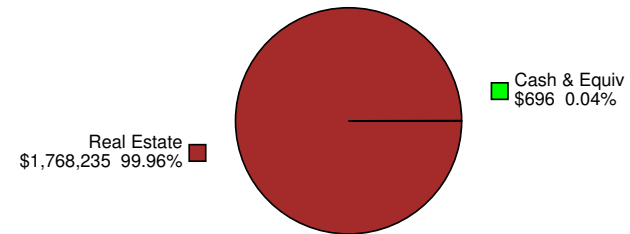
Private investments consist of direct properties (31 investments), mezzanine financing (8 investments), and 7 fund investments (in order to take advantage of market pricing and portfolio diversification).

FEE SCHEDULE

60 bps base management fee and an incentive fee: 20% of the outperformance over the benchmark, calculated on a rolling four quarters' basis

Asset Allocation Guggenheim

December 31, 2011 \$1,768,931

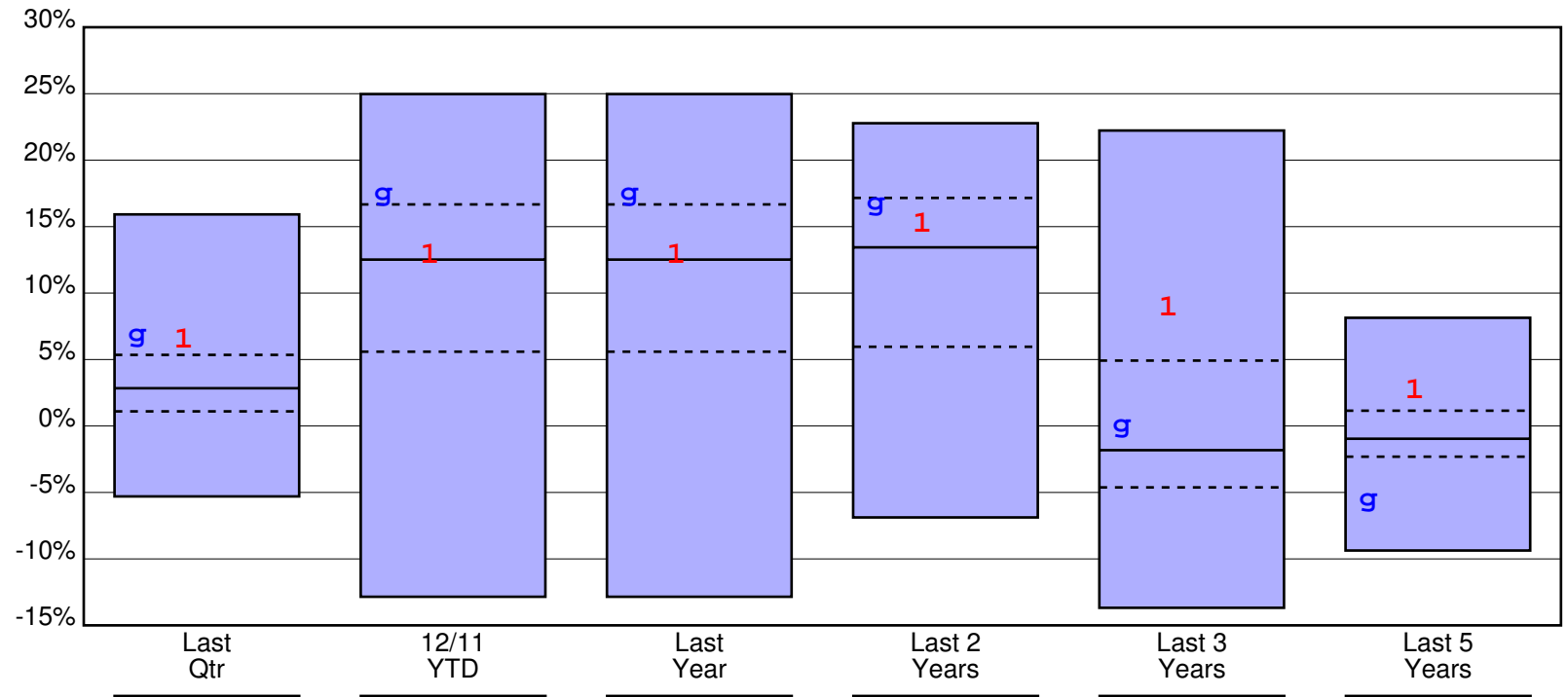


CONCLUSIONS/RECOMMENDATIONS

Guggenheim out performed the blended benchmark consisting of 70% NCREIF/30% NAREIT and ranked in the 22nd percentile of their peer group.

Long term, manager trails performance expectations, primarily due to current conditions within the Real Estate marketplace.

City of Mobile Police & Firefighters Cumulative Performance Comparison Total Returns of Real Estate Portfolios Periods Ending 12/11



5th Percentile	15.92	24.97	24.97	22.78	22.23	8.14
25th Percentile	5.35	16.67	16.67	17.16	4.92	1.15
Median	2.84	12.52	12.52	13.44	-1.82	-0.96
75th Percentile	1.10	5.59	5.59	5.96	-4.62	-2.31
95th Percentile	-5.30	-12.85	-12.85	-6.88	-13.68	-9.37
g Guggenheim	6.75 (22)	17.41 (21)	17.41 (21)	16.69 (30)	-0.05 (33)	-5.62 (88)
1 70% NCREIF / 30% NAREIT	6.44 (23)	12.77 (48)	12.77 (48)	15.11 (37)	8.83 (20)	2.63 (12)

City of Mobile Police & Firefighters December 31, 2011

DLJ REAL ESTATE CAPITAL PARTNERS FUND II Real Estate

OBJECTIVE

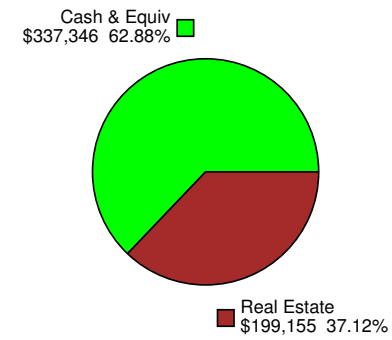
Manager is expected to out perform the NCREIF Index.

CONCLUSIONS/RECOMMENDATIONS

Fund term has expired and DLJ is completing disposition of its final properties

Asset Allocation DLJ

December 31, 2011 \$536,501



City of Mobile Police & Firefighters
Internal Rate of Return Table
DLJ
December 31, 2011

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
9/99		284,105	0		0	0	281,123	-1.05	NA
12/99	281,123	74,723	103,725	5,612	6,179	13,973	237,581	0.94	NA
3/00	237,581	0	27,164	-5,085	0	0	205,332	-0.99	NA
6/00	205,332	85,874	70,547	-3,371	0	0	217,288	-2.25	NA
9/00	217,288	127,268	17,213	-9,354	4,575	0	313,414	-5.91	-5.80
12/00	313,414	86,288	0	25,639	0	15,000	410,341	3.76	2.94
3/01	410,341	0	211	-2,756	0	0	407,374	2.58	1.69
6/01	407,374	143,166	33,120	2,647	3,933	15,000	501,134	3.26	1.83
9/01	501,134	0	64	-4,291	0	0	496,779	1.79	0.88
12/01	496,779	132,570	37,274	14,708	3,086	15,000	588,697	5.83	2.53
3/02	588,697	0	51,598	61,429	0	0	598,528	22.13	8.26
6/02	598,528	45,402	180,067	57,140	4,869	15,000	501,134	37.05	12.06
9/02	501,134	15,000	0	-18,768	0	15,000	482,366	32.01	9.63
12/02	482,366	251,457	38,199	74,902	3,851	0	766,675	52.13	13.68
3/03	766,675	43,610	79,379	3,244	0	0	734,150	51.48	12.53
6/03	734,150	15,000	0	54,226	0	15,000	788,376	64.42	14.11
9/03	788,376	544,306	240,878	18,920	2,103	0	1,108,621	68.86	13.92
12/03	1,108,621	0	3,127	241,887	0	0	1,347,380	126.39	21.08
3/04	1,347,380	118,913	391,372	21,621	2,093	15,000	1,079,449	126.77	19.86
6/04	1,079,449	106,623	106,623	130,968	0	0	1,210,418	157.32	21.91
9/04	1,210,418	54,230	243,754	255,775	0	12,675	1,263,994	220.68	26.12
12/04	1,263,994	30,270	140,710	258,989	3,048	0	1,409,495	286.36	29.21
3/05	1,409,495	23,087	428,199	24,714	0	9,843	1,019,254	297.84	28.42
6/05	1,019,254	4,653	57,806	66,820	2,125	0	1,030,795	324.04	28.45

City of Mobile Police & Firefighters
Internal Rate of Return Table
DLJ
December 31, 2011

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
9/05	1,030,795	8,226	380,083	122,226	8,226	0	772,938	368.68	29.24
12/05	772,938	0	11,041	133,827	0	0	895,725	422.40	30.15
3/06	895,725	6,916	190,499	21,922	0	6,916	727,148	448.06	29.81
6/06	727,148	0	0	10,244	0	0	737,392	473.86	29.45
9/06	737,392	90,971	152,912	77,749	2,138	0	751,062	521.46	29.72
12/06	751,062	2,360	238,181	132,476	2,360	0	645,357	590.20	30.42
3/07	645,357	5,080	26,609	13,402	0	5,080	632,151	627.87	30.20
6/07	632,151	0	63,777	3,618	0	0	571,992	665.28	29.94
9/07	571,992	0	104,628	51,478	0	0	518,842	721.58	30.02
12/07	518,842	0	17,928	-19,226	0	0	481,687	759.71	29.70
3/08	481,687	0	25,804	34,552	251	3,771	486,413	818.17	29.71
6/08	486,413	0	59,313	7,653	451	726	433,576	871.25	29.58
9/08	433,576	82,723	92,211	-34,190	651	1,226	388,021	914.21	29.27
12/08	388,021	6,759	98,819	10,868	561	1,324	304,944	976.86	29.20
3/09	304,944	256,372	0	-31,709	0	0	529,607	1,026.58	28.96
6/09	529,607	0	3,140	-9,531	1,195	0	515,742	1,083.28	28.77
9/09	515,742	0	0	58	460	3,129	512,211	1,147.76	28.63
12/09	512,211	0	0	-49,433	1,365	1,322	460,091	1,195.82	28.31
3/10	460,091	1	0	3,350	730	0	462,713	1,267.22	28.21
6/10	462,713	0	0	107	1,236	3,264	458,319	1,342.10	28.11
9/10	458,319	0	1,624	33,508	1,740	1,638	486,826	1,436.80	28.12
12/10	486,826	0	0	7,833	0	0	494,659	1,525.40	28.05
3/11	494,659	0	1,638	-2,467	0	0	490,554	1,612.39	27.95
6/11	490,554	0	0	15,554	0	0	506,108	1,713.73	27.91

City of Mobile Police & Firefighters Internal Rate of Return Table

DLJ

December 31, 2011

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
9/11	506,108	0	0	-3,147	0	1,668	501,294	1,813.04	27.82
12/11	501,294	0	0	35,208	0	0	536,501	1,936.68	27.83
Total		2,645,954	3,719,237	1,838,565	57,226	171,555	536,501	1,936.68	27.83

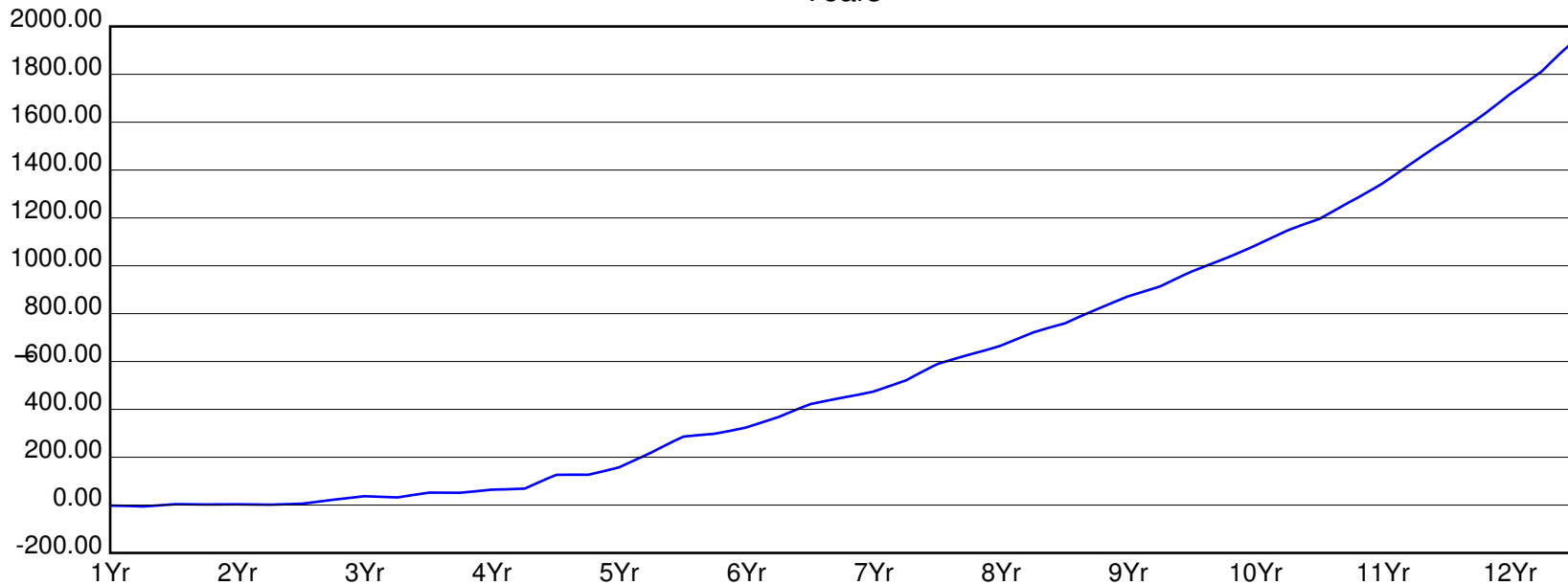
City of Mobile Police & Firefighters

J-Curve Graph

DLJ

3/31/00 - 12/31/11

Years



Year	Contribution	Distribution	Expenses	Investment Fees	Ending Value	Cumulative IRR
1	444,702	201,436	6,179	13,973	217,288	-2.25
2	356,722	50,544	8,508	30,000	501,134	3.26
3	177,972	269,003	7,955	30,000	501,134	37.05
4	325,067	117,578	3,851	30,000	788,376	64.42
5	769,842	742,000	4,196	15,000	1,210,418	157.32
6	112,240	870,469	5,173	22,518	1,030,795	324.04
7	15,142	581,623	8,226	6,916	737,392	473.86
8	98,411	481,479	4,498	5,080	571,992	665.28
9	0	207,673	702	4,497	433,576	871.25
10	345,854	194,170	2,407	2,550	515,742	1,083.28
11	1	0	3,791	7,715	458,319	1,342.10
12	0	3,262	1,740	1,638	506,108	1,713.73
Total	2,645,954	3,719,237	57,226	171,555		

City of Mobile Police & Firefighters

December 31, 2011

Performance Summary Table
Periods Ending 12/31/11

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
TIAA-CREF							
Total Return	1.43	10.98	10.98	11.74	-5.51		
Total Return (Net of Fees)	1.15	9.80	9.80	10.53	-6.56		
NCREIF Prop Index	2.96	14.26	14.26	13.68	2.43		
Variance	-1.53	-3.28	-3.28	-1.94	-7.93		

TIAA-CREF CORE PROPERTY FUND

Real Estate - Open-ended, Core Style

OBJECTIVE

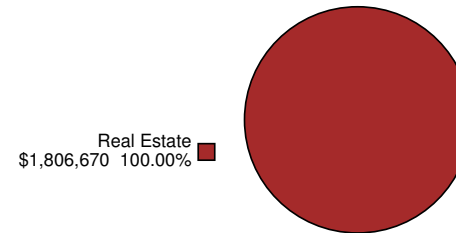
Manager is expected to outperform the NCREIF Index.

STRATEGIES

TIAA-CREF applies a team-based approach to acquisitions, asset management, dispositions, and research. A top-down proprietary research process combined with bottom-up local expertise provides the foundation for portfolio construction. The Real Estate Research Team utilizes a proprietary modeling process that analyzes 275 market and property type combinations to identify those that offer the greatest potential. Geographic market forecasts identify an initial list of cities and property types based on a rigorous screening of economic, demographic, and real estate market data within a risk-adjusted-return framework. This process, combined with external data and research, enhances the investment team's decision-making capabilities. Senior real estate investment management professionals review the recommended property opportunities and focus on those markets that they believe offer the most potential. The market selections and property-type combinations that comprise a Direct Real Estate portfolio are a result of: the proprietary real estate research processes; a view of strategic portfolio construction; and the applied market knowledge and experience of the Real Estate Investment group. Portfolios managed according to the strategy typically maintain controlling ownership of U.S. real estate assets.

Asset Allocation TIAA-CREF

December 31, 2011 \$1,806,670



CONCLUSIONS/RECOMMENDATIONS

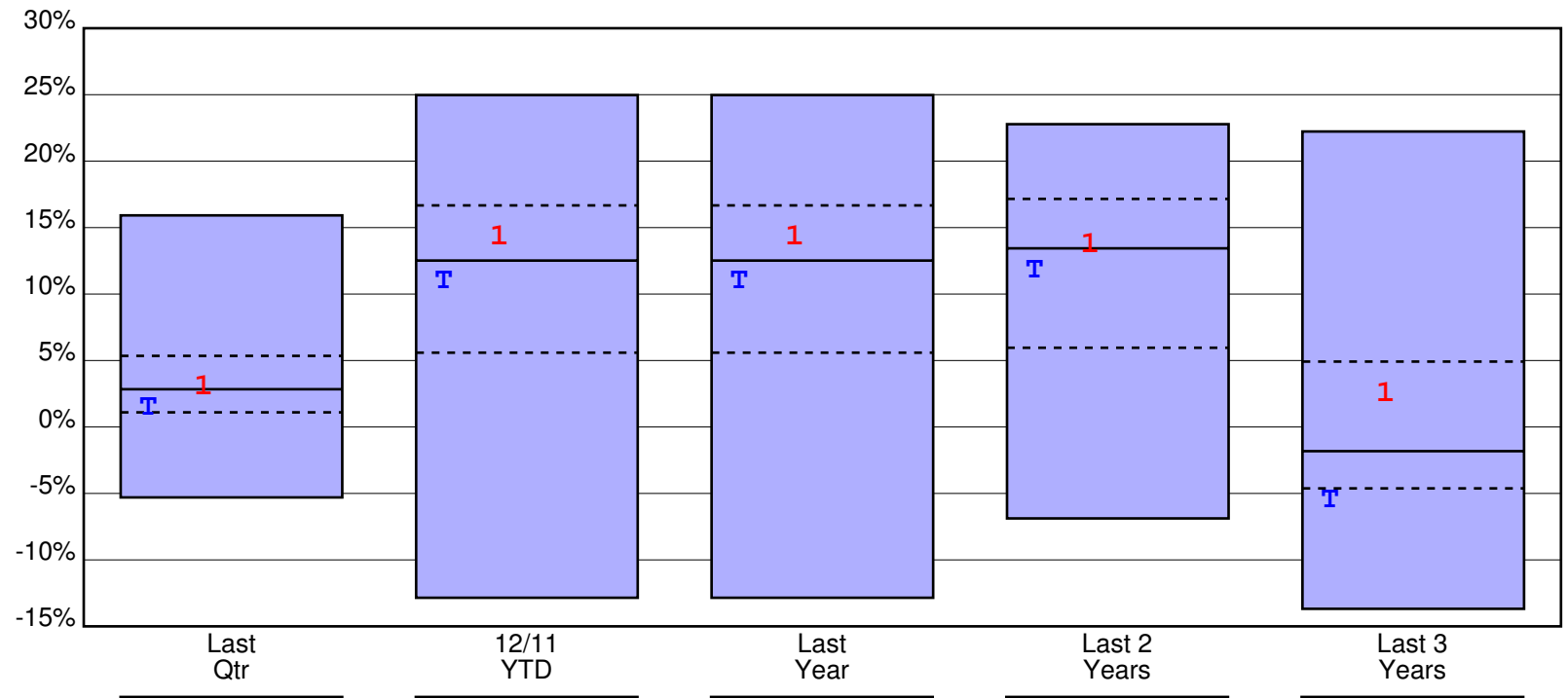
During the Fourth Quarter 2011, TIAA-CREF under performed the NCREIF Property Index by 153 basis points. Their performance placed them in the 73rd percentile of their peer universe.

Long term, manager trails performance expectations, primarily due to current conditions within the Real Estate marketplace.

FEE SCHEDULE

1.10% on first \$10MM
1.00% on next \$15MM
0.90% on next \$25MM
0.80% thereafter

City of Mobile Police & Firefighters Cumulative Performance Comparison Total Returns of Real Estate Portfolios Periods Ending 12/11



5th Percentile	15.92
25th Percentile	5.35
Median	2.84
75th Percentile	1.10
95th Percentile	-5.30
T TIAA-CREF	1.43 (73)
1 NCREIF Prop Index	2.96 (48)

City of Mobile Police & Firefighters December 31, 2011

HICKS, MUSE, TATE & FURST EQUITY FUND IV Private Equity

Initial Closing on August 7, 1998

OBJECTIVE

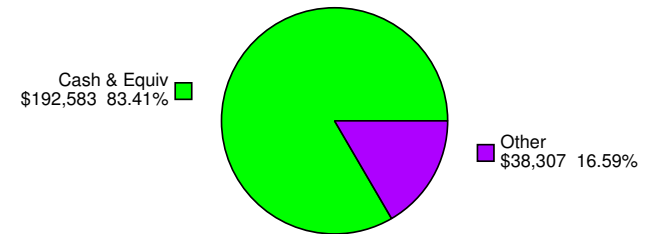
The manager needs to achieve a return of 400 basis points above the Russell 3000 index on an annual basis.

CONCLUSIONS/RECOMMENDATIONS

Hicks, Muse, Tate & Furst IV values and performance has not been updated through the Fourth Quarter of 2011. The manager's performance will be included in subsequent reports.

Fund Term has expired and HMTF is in the final phase of completing disposition final investments.

Asset Allocation
Hicks, Muse, Tate & Furst IV
December 31, 2011 \$230,890



City of Mobile Police & Firefighters
Internal Rate of Return Table
Hicks, Muse, Tate & Furst IV
December 31, 2011

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
9/98		930,532	64,711		0	0	865,821	0.00	NA
12/98	865,821	23,740	117,833	62,315	0	0	834,043	7.31	NA
3/99	834,043	272,679	64,549	-11,067	0	0	1,031,106	6.16	NA
6/99	1,031,106	156,654	0	74,543	0	0	1,262,303	14.22	NA
9/99	1,262,303	130,492	1,022	73,826	0	0	1,465,599	21.11	20.20
12/99	1,465,599	145,549	260	219,115	0	0	1,830,003	41.82	31.02
3/00	1,830,003	224,133	6,909	137,497	0	22,237	2,162,487	52.56	31.50
6/00	2,162,487	218,195	67,788	55,182	0	0	2,368,076	54.27	27.37
9/00	2,368,076	0	7,976	-302,706	0	0	2,057,394	25.45	11.73
12/00	2,057,394	46,616	41,932	-288,223	0	0	1,773,855	1.59	0.69
3/01	1,773,855	18,215	6,876	-212,750	0	11,515	1,560,929	-14.24	-5.86
6/01	1,560,929	42,818	1,012	234,552	0	0	1,837,287	3.09	1.10
9/01	1,837,287	22,558	484,649	-176,658	0	0	1,198,538	-9.52	-3.23
12/01	1,198,538	11,966	24,115	-269,195	0	0	917,194	-28.37	-9.63
3/02	917,194	27,496	2,811	4,104	0	10,504	935,479	-28.29	-8.96
6/02	935,479	3,470	0	-129,145	0	0	809,804	-37.45	-11.64
9/02	809,804	0	2,393	-19,057	0	0	788,354	-38.96	-11.49
12/02	788,354	0	7,177	-3,518	0	0	777,659	-39.38	-11.00
3/03	777,659	14,731	0	-49,296	0	0	743,094	-43.02	-11.65
6/03	743,094	0	0	82,005	0	0	825,099	-37.32	-9.29
9/03	825,099	0	0	-40,975	0	0	784,124	-40.33	-9.73
12/03	784,124	0	863	76,419	0	0	859,680	-34.94	-7.80
3/04	859,680	8,669	942	-51,378	0	0	816,029	-38.70	-8.45
6/04	816,029	0	73,922	-54,988	0	0	687,119	-42.74	-9.17

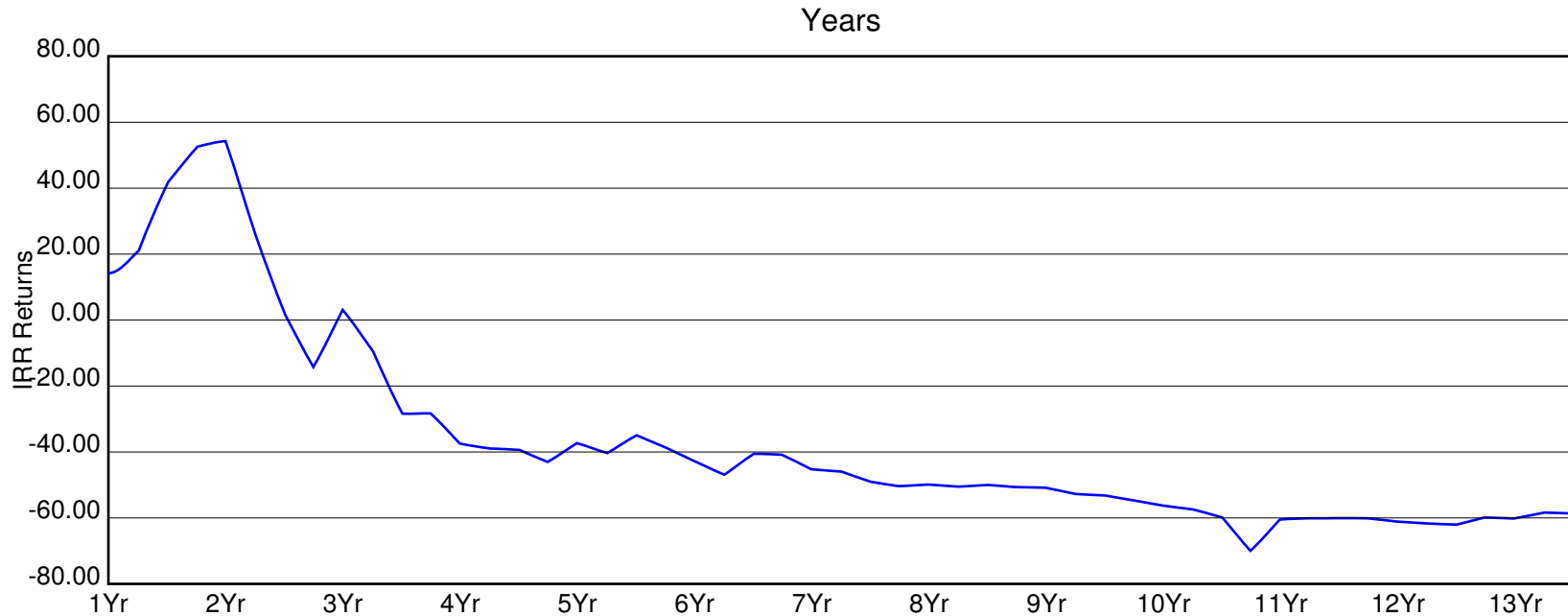
City of Mobile Police & Firefighters
Internal Rate of Return Table
Hicks, Muse, Tate & Furst IV
December 31, 2011

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
9/04	687,119	0	3,421	-54,963	0	0	628,735	-46.90	-9.94
12/04	628,735	0	29,658	89,646	0	0	688,723	-40.56	-7.93
3/05	688,723	4,580	1,084	-1,443	0	0	690,776	-40.85	-7.71
6/05	690,776	1,303	347,240	-56,077	0	0	288,762	-45.24	-8.48
9/05	288,762	0	16,992	104	0	0	271,874	-45.96	-8.36
12/05	271,874	0	0	-30,555	0	0	241,319	-49.05	-8.82
3/06	241,319	4,236	5,806	-7,701	0	0	232,048	-50.37	-8.87
6/06	232,048	0	0	14,941	0	0	246,989	-49.88	-8.48
9/06	246,989	0	81,948	410	0	0	165,451	-50.53	-8.37
12/06	165,451	0	56,426	15,881	0	0	124,906	-49.99	-8.01
3/07	124,906	3,026	0	1,596	0	0	129,528	-50.66	-7.93
6/07	129,528	0	0	6,834	0	0	136,362	-50.84	-7.76
9/07	136,362	0	0	-13,091	0	0	123,271	-52.75	-7.95
12/07	123,271	0	7,965	3,282	0	0	118,588	-53.20	-7.84
3/08	118,588	2,646	0	-8,645	0	0	112,589	-54.72	-7.96
6/08	112,589	0	0	-8,568	0	0	104,021	-56.24	-8.09
9/08	104,021	1,901	0	-4,877	0	0	101,045	-57.43	-8.15
12/08	101,045	0	1,901	-17,717	0	0	81,427	-59.88	-8.48
3/09	81,427	92,836	3,385	-89,451	0	0	81,427	-69.96	-10.78
6/09	81,427	0	3,385	94,278	0	0	172,320	-60.51	-8.25
9/09	172,320	0	0	8,479	0	0	180,799	-60.10	-7.98
12/09	180,799	0	0	4,541	0	0	185,340	-60.07	-7.80
3/10	185,340	6,516	0	3,441	0	0	195,296	-60.12	-7.65
6/10	195,296	0	0	-5,801	0	0	189,496	-61.11	-7.69

City of Mobile Police & Firefighters
Internal Rate of Return Table
Hicks, Muse, Tate & Furst IV
December 31, 2011

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
9/10	189,496	0	0	-1,792	0	0	187,704	-61.67	-7.65
12/10	187,704	0	0	9	0	0	187,713	-62.03	-7.57
3/11	187,713	0	0	23,446	0	0	211,159	-59.86	-7.02
6/11	211,159	1	0	1	0	0	211,161	-60.18	-6.94
9/11	211,161	0	0	19,727	0	0	230,888	-58.38	-6.50
12/11	230,888	0	0	2	0	0	230,890	-58.66	-6.43
Total		2,415,558	1,536,951	-603,461	0	44,256	230,890	-58.66	-6.43

City of Mobile Police & Firefighters
J-Curve Graph
Hicks, Muse, Tate & Furst IV
3/31/99 - 12/31/11



Year	Contribution	Distribution	Expenses	Investment Fees	Ending Value	Cumulative IRR
1	1,383,605	247,093	0	0	1,262,303	14.22
2	718,369	75,979	0	22,237	2,368,076	54.27
3	107,649	57,796	0	11,515	1,837,287	3.09
4	65,490	511,575	0	10,504	809,804	-37.45
5	14,731	9,570	0	0	825,099	-37.32
6	8,669	75,727	0	0	687,119	-42.74
7	5,883	381,403	0	0	288,762	-45.24
8	4,236	22,798	0	0	246,989	-49.88
9	3,026	138,374	0	0	136,362	-50.84
10	2,646	7,965	0	0	104,021	-56.24
11	94,737	8,671	0	0	172,320	-60.51
12	6,516	0	0	0	189,496	-61.11
13	1	0	0	0	211,161	-60.18
Total	2,415,558	1,536,951	26	44,256		

City of Mobile Police & Firefighters December 31, 2011

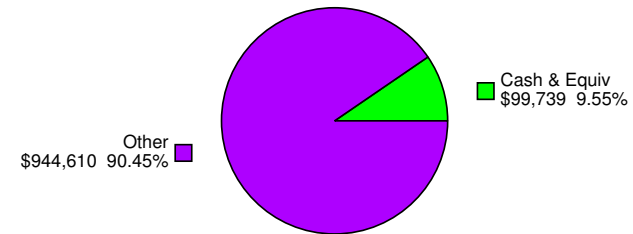
RIPPLEWOOD PARTNERS II Private Equity

OBJECTIVE

The manager needs to achieve a return of 400 basis points above the Russell 3000 index on an annual basis.

- Initial closing on Dec. 22, 2000
- Fund scheduled for termination Dec. 22, 2010, but elected to extend the fund by one year.
- Fund still has options for two more one-year extensions.

Asset Allocation
Ripplewood Partners II, L.P.
December 31, 2011 \$1,044,349



CONCLUSIONS/RECOMMENDATIONS

Ripplewood Fund II values and performance has not been updated through the Fourth Quarter of 2011. The manager's performance will be included in subsequent reports.

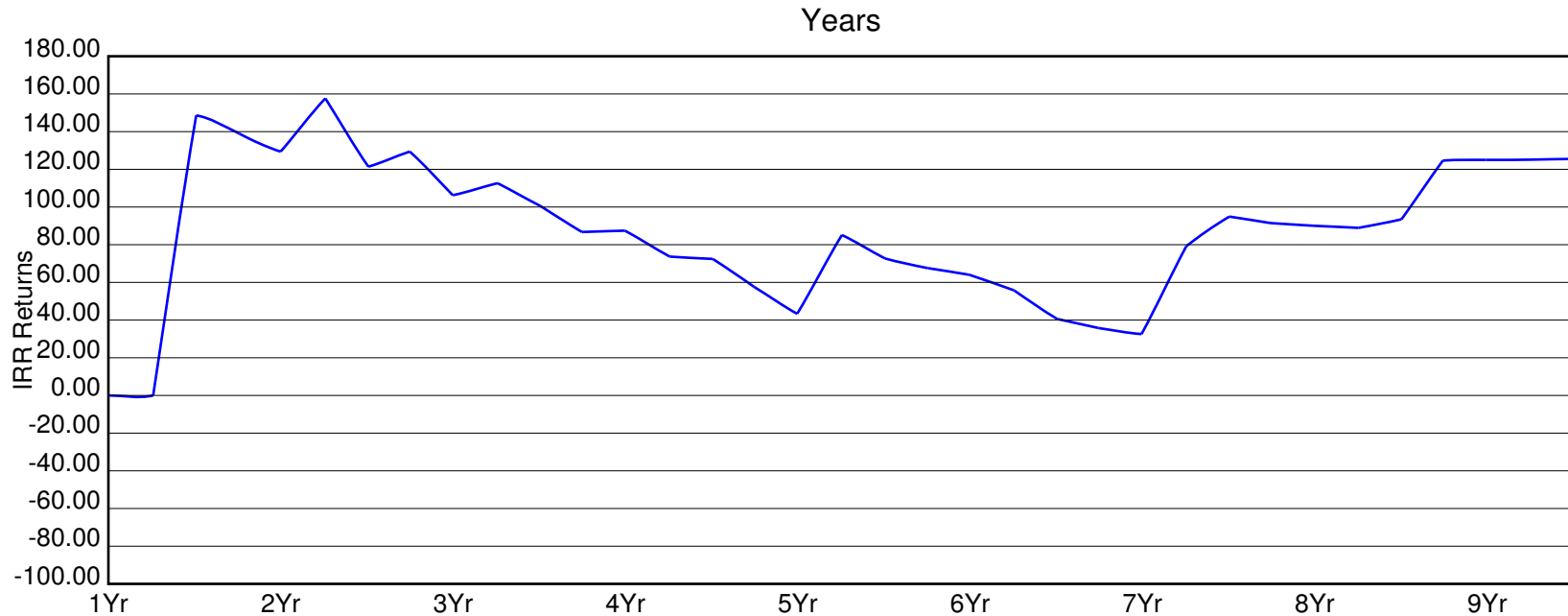
City of Mobile Police & Firefighters
Internal Rate of Return Table
Ripplewood Partners II, L.P.
December 31, 2011

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
9/02	0	57,759	0	0	0	0	57,759	0.00	NA
12/02	57,759	0	0	0	0	0	57,759	0.00	NA
3/03	57,759	0	0	0	0	0	57,759	0.00	NA
6/03	57,759	0	0	0	0	0	57,759	0.00	NA
9/03	57,759	0	0	0	0	0	57,759	0.00	0.00
12/03	57,759	0	0	85,832	0	0	143,591	148.60	101.04
3/04	143,591	0	468	-5,572	0	0	137,551	138.98	75.21
6/04	137,551	0	0	-5,600	0	0	131,951	129.38	58.49
9/04	131,951	165,743	468	19,183	0	12,485	303,924	157.65	58.50
12/04	303,924	0	0	-7,632	0	0	296,292	121.40	41.13
3/05	296,292	45,375	2,760	18,114	0	11,773	345,248	129.43	38.43
6/05	345,248	0	0	-6,170	0	0	339,078	106.26	29.47
9/05	339,078	18,289	0	16,020	0	10,986	362,401	112.66	28.02
12/05	362,401	0	0	-2,599	0	11,988	347,814	100.49	23.41
3/06	347,814	262,091	0	-5,856	0	0	604,049	86.74	19.22
6/06	604,049	13,868	3,400	17,385	0	9,718	622,184	87.45	17.97
9/06	622,184	0	0	-4,589	0	0	617,595	73.69	14.59
12/06	617,595	358,803	0	11,811	0	16,944	971,265	72.45	13.49
3/07	971,265	433,498	0	-5,676	0	0	1,399,087	57.62	10.51
6/07	1,399,087	0	111,639	-8,754	0	5,829	1,272,865	43.33	7.78
9/07	1,272,865	17,524	244,763	125,348	0	0	1,170,974	85.15	12.96
12/07	1,170,974	0	0	-12,855	0	0	1,158,119	72.70	10.84
3/08	1,158,119	51,352	8,878	1,460	0	2,842	1,199,211	67.55	9.73
6/08	1,199,211	0	5,467	3,942	0	0	1,197,686	64.03	8.90

City of Mobile Police & Firefighters
Internal Rate of Return Table
Ripplewood Partners II, L.P.
December 31, 2011

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
9/08	1,197,686	8,327	0	-15,397	0	8,327	1,182,289	55.75	7.59
12/08	1,182,289	306,214	3,677	-46,221	0	0	1,438,605	40.59	5.55
3/09	1,438,605	398,122	0	-8,211	8,493	0	1,820,023	35.77	4.78
6/09	1,820,023	14,368	8,078	-962	0	8,493	1,816,859	32.57	4.23
9/09	1,816,859	88,397	3,237	231,096	0	7,036	2,126,079	79.18	8.62
12/09	2,126,079	0	31,473	99,310	0	0	2,193,917	94.91	9.56
3/10	2,193,917	225,045	243,602	15,165	0	0	2,190,524	91.46	8.98
6/10	2,190,524	66,838	1,106,699	17,021	0	0	1,167,684	90.04	8.57
9/10	1,167,684	0	8,911	-1,862	0	0	1,156,911	88.93	8.22
12/10	1,156,911	0	84,051	26,888	0	3,138	1,096,610	93.48	8.27
3/11	1,096,610	0	0	161,282	0	0	1,257,892	124.66	9.92
6/11	1,257,892	76,567	264,832	-179	5,494	1,606	1,062,349	125.00	9.65
9/11	1,062,349	0	0	-974	5,531	0	1,055,844	125.13	9.37
12/11	1,055,844	0	0	2	11,497	0	1,044,349	125.53	9.13
Total		2,608,181	2,132,403	710,751	31,015	111,165	1,044,349	125.53	9.13

City of Mobile Police & Firefighters
J-Curve Graph
Ripplewood Partners II, L.P.
3/31/03 - 12/31/11



Year	Contribution	Distribution	Expenses	Investment Fees	Ending Value	Cumulative IRR
1	57,759	0	0	0	57,759	0.00
2	0	468	0	0	131,951	129.38
3	211,118	3,228	0	24,258	339,078	106.26
4	294,248	3,400	0	32,692	622,184	87.45
5	792,301	111,639	0	22,773	1,272,865	43.33
6	68,876	259,108	0	2,842	1,197,686	64.03
7	727,032	11,755	8,493	16,820	1,816,859	32.57
8	380,280	1,385,011	0	7,036	1,167,684	90.04
9	76,567	357,793	5,494	4,744	1,062,349	125.00
Total	2,608,181	2,132,403	31,015	111,165		
Total Capital Commitment:		2,000,000	Vintage Year: 2002			

City of Mobile Police & Firefighters

December 31, 2011

LEVINE LEICHTMAN CAPITAL PARTNERS III Private Equity

OBJECTIVE

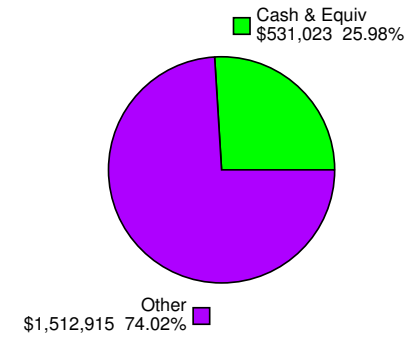
The manager needs to achieve a return of 400 basis points above the Russell 3000 index on an annual basis.

STRATEGIES

Levine Leichtman Capital Partners III, L.P. (the "Fund"), a California limited partnership, was established on October 18, 2002. The Fund's principal purpose is to seek out opportunities to invest in the securities of middle market companies located in the United States. The Fund began operations on its effective date, October 18, 2002 and shall continue until the last business day preceding its tenth (10th) anniversary, unless further extended for up to two consecutive one-year periods by the General Partner with the approval of the Limited Partners with at least a 66 2/3% interest.

- Fund Scheduled for termination Oct. 18, 2012, but can extend by two one-year terms

Asset Allocation
Levine Leichtman Fund III
December 31, 2011 \$2,043,938



CONCLUSIONS/RECOMMENDATIONS

Levine Leichtman Fund III values and performance has not been updated through the Fourth Quarter of 2011. The manager's performance will be included in subsequent reports.

City of Mobile Police & Firefighters
Internal Rate of Return Table
Levine Leichtman Fund III
December 31, 2011

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
12/07		2,301,943	0		0	0	2,301,943	0.00	NA
3/08	2,301,943	0	0	3,537	0	0	2,305,480	0.15	NA
6/08	2,305,480	61,331	86,896	258,643	0	23,791	2,514,767	11.41	NA
9/08	2,514,767	159,048	127,160	187,405	0	27,512	2,706,548	19.68	NA
12/08	2,706,548	276,909	576,611	-239,850	0	2,243	2,164,753	9.26	9.03
3/09	2,164,753	132,862	41,246	20,748	0	4,555	2,272,561	10.42	8.11
6/09	2,272,561	153,690	156,567	38,060	0	9,691	2,298,053	12.32	7.94
9/09	2,298,053	12,373	44,741	-141,895	0	4,013	2,119,778	5.87	3.27
12/09	2,119,778	45,936	39,809	66,044	0	3,850	2,188,099	9.01	4.35
3/10	2,188,099	15,380	58,311	98,761	0	6,994	2,236,934	13.73	5.83
6/10	2,236,934	80,588	124,359	33,563	0	7,776	2,218,951	15.40	5.85
9/10	2,218,951	60,133	38,419	222,873	0	7,564	2,455,973	26.15	8.74
12/10	2,455,973	11,929	313,708	44,815	0	13,895	2,185,115	28.53	8.65
3/11	2,185,115	40,446	57,598	61,531	0	6,948	2,222,546	31.99	8.86
6/11	2,222,546	30,692	148,327	-12,133	0	19,972	2,072,806	31.89	8.18
9/11	2,072,806	0	0	-37,872	0	0	2,034,933	30.56	7.32
12/11	2,034,933	0	0	9,004	0	0	2,043,938	31.50	7.04
Total		3,383,260	1,813,752	613,234	0	138,804	2,043,938	31.50	7.04

City of Mobile Police & Firefighters

December 31, 2011

PERMAL PRIVATE EQUITY HOLDINGS IV Private Equity - Fund of Funds

OBJECTIVE

The manager needs to achieve a return of 400 basis points above the Russell 3000 index on an annual basis.

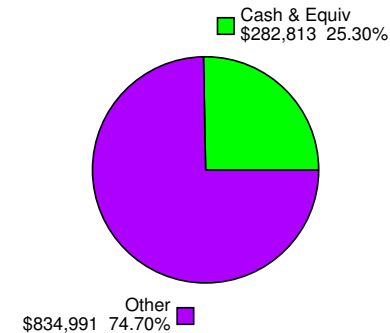
STRATEGIES

Private equity fund of funds.

Seek out opportunities to invest in core managers, emerging managers, and secondary opportunities.

Portfolio Composition: · The Fund has finished investing and is allocated 48% to Core Managers, 27% to Emerging Managers and 25% to Secondaries as a percentage of fund size and is broadly diversified across industries consistent with the Fund's investment guidelines

Asset Allocation
Permal Capital Fund IV
December 31, 2011 \$1,117,804



CONCLUSIONS/RECOMMENDATIONS

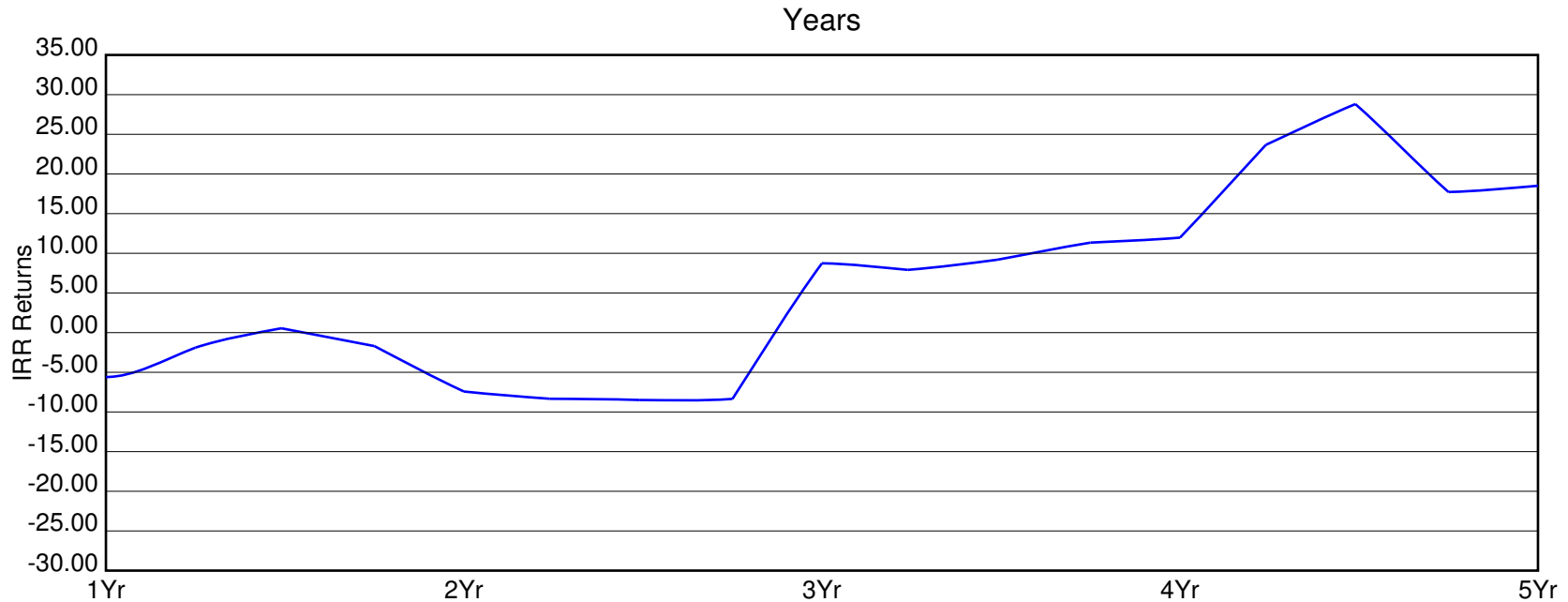
As of the end of 4th Quarter 2011 Permal has returned an annualized 3.48% in the fund since inception.

Since its inception in the 3rd Quarter 2007, the fund has experienced an appreciation of \$129,991.

City of Mobile Police & Firefighters
Internal Rate of Return Table
Permal Capital Fund IV
December 31, 2011

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
3/07		200,000	0		2,444	12,500	183,578	-0.75	NA
6/07	183,578	250,000	0	-16,511	1,648	2,500	412,919	-8.43	NA
9/07	412,919	0	24,666	21,547	682	2,500	406,618	1.23	NA
12/07	406,618	50,000	13,424	-21,562	3,717	2,500	415,415	-5.60	NA
3/08	415,415	80,000	16,540	11,453	2,095	2,500	485,733	-1.89	-1.57
6/08	485,733	0	8,455	8,586	1,375	2,500	481,989	0.55	0.38
9/08	481,989	50,000	10,647	-8,619	2,644	2,500	507,579	-1.70	-1.00
12/08	507,579	80,000	7,552	-23,664	1,949	2,500	551,914	-7.42	-3.86
3/09	551,914	377,956	0	-6,067	0	2,500	921,303	-8.34	-3.87
6/09	921,303	0	0	-5,322	240	2,500	913,241	-8.49	-3.55
9/09	913,241	0	0	-3,052	900	2,500	906,789	-8.36	-3.17
12/09	906,789	0	21,164	93,552	1,363	2,500	975,315	8.74	2.87
3/10	975,315	65,000	44,250	-2,592	942	2,500	990,031	7.91	2.40
6/10	990,031	14,761	22,379	9,762	349	2,500	989,325	9.19	2.58
9/10	989,325	256	0	15,408	734	2,500	1,001,754	11.35	2.94
12/10	1,001,754	0	0	6,135	0	2,500	1,005,389	11.97	2.90
3/11	1,005,389	0	0	77,859	0	2,500	1,080,749	23.67	5.18
6/11	1,080,749	0	0	37,052	0	2,500	1,115,301	28.81	5.84
9/11	1,115,301	70,000	0	-70,535	0	2,500	1,112,265	17.73	3.53
12/11	1,112,265	0	0	8,039	0	2,500	1,117,804	18.51	3.48
Total		1,237,972	169,077	129,991	21,082	60,000	1,117,804	18.51	3.48

City of Mobile Police & Firefighters
J-Curve Graph
Permal Capital Fund IV
9/30/07 - 12/31/11



Year	Contribution	Distribution	Expenses	Investment Fees	Ending Value	Cumulative IRR
1	500,000	38,090	8,491	20,000	415,415	-5.60
2	210,000	43,194	8,063	10,000	551,914	-7.42
3	377,956	21,164	2,503	10,000	975,315	8.74
4	80,017	66,629	2,025	10,000	1,005,389	11.97
5	70,000	0	0	10,000		
Total	1,237,972	169,077	21,082	60,000		

Total Capital Commitment: 1,000,000 Vintage Year: 2007

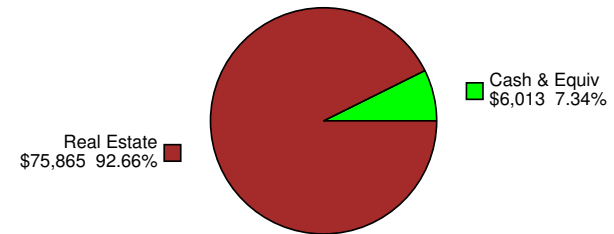
City of Mobile Police & Firefighters December 31, 2011

WESTBROOK REAL ESTATE FUND III Real Estate

OBJECTIVE

Manager is expected to outperform the NCREIF Index.

Asset Allocation
Westbrook
December 31, 2011 \$81,878



CONCLUSIONS/RECOMMENDATIONS

Westbrook values and performance has not been updated through the Fourth Quarter of 2011.

Fund Term expired on June 10, 2008 and the fund is in the final phase of completing dispositions.

City of Mobile Police & Firefighters

December 31, 2011

TIMBERLAND INVESTMENT RESOURCES - EASTERN TIMBERLAND OPPORTUNITIES FUND Timberland (Special Investments)

OBJECTIVE

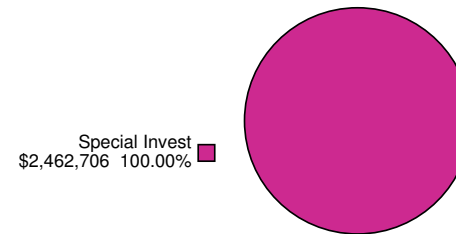
Manager is expected to outperform the NCREIF Timber Index.

STRATEGIES

Timberland Investment Resources (TIR) aims to achieve above market investment returns by identifying economic and biometric research. Investment opportunities are identified with research coupled with on-the-ground field and market intelligence. Asset allocation and portfolio theory are used to shape the portfolio to meet the risk and return profile of each client. Strategies are designed to meet individual investment objectives and guidelines. TIR provides ongoing active management that is required to realize the full investment potential.

Asset Allocation Timberland Investment Resources

December 31, 2011 \$2,462,706



CONCLUSIONS/RECOMMENDATIONS

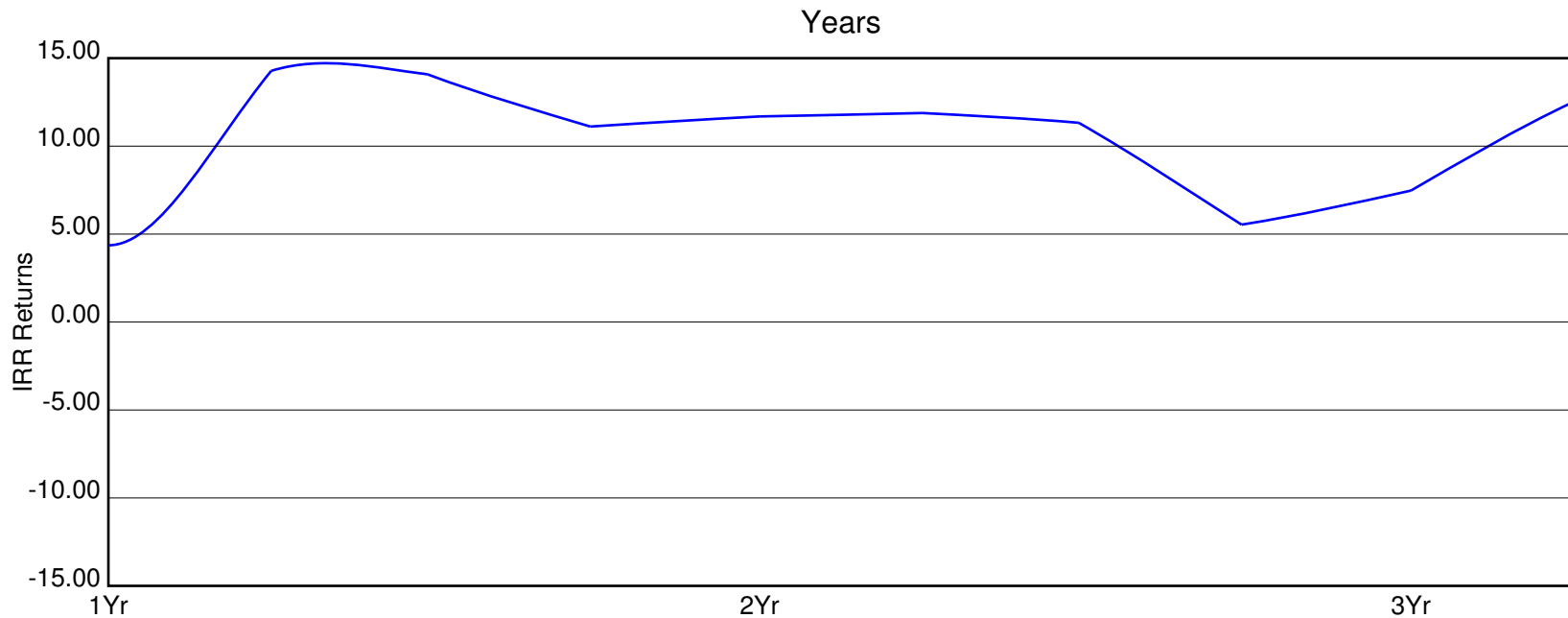
As of the end of 4th Quarter 2011 Timberland Investment Resources has returned an annualized 3.90% in the fund since inception.

Since its inception in the 4th Quarter 2008, the fund has experienced an appreciation of \$188,822.

City of Mobile Police & Firefighters
Internal Rate of Return Table
Timberland Investment Resources
December 31, 2011

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
12/08		967,502	0		0	837	966,264	-0.08	NA
3/09	966,264	0	0	44,697	0	2,086	1,008,875	5.21	NA
6/09	1,008,875	0	0	-1,764	0	2,077	1,005,034	4.73	NA
9/09	1,005,034	0	0	-2,469	0	2,068	1,000,497	4.36	NA
12/09	1,000,497	0	0	92,239	0	2,254	1,090,482	14.28	13.13
3/10	1,090,482	0	0	-990	445	2,246	1,086,801	14.08	10.42
6/10	1,086,801	1,039,861	0	-27,269	1,371	2,300	2,095,722	11.11	6.91
9/10	2,095,722	0	0	21,570	4,039	4,609	2,108,644	11.69	6.23
12/10	2,108,644	74,870	0	14,769	2,754	4,569	2,190,960	11.88	5.54
3/11	2,190,960	0	0	3,524	3,332	4,519	2,186,633	11.33	4.72
6/11	2,186,633	264,832	0	-68,025	6,505	4,812	2,372,123	5.54	2.11
9/11	2,372,123	0	0	32,353	5,576	4,948	2,393,952	7.47	2.58
12/11	2,393,952	0	0	80,588	6,744	5,090	2,462,706	12.52	3.90
Total		2,347,065	0	188,822	30,766	42,415	2,462,706	12.52	3.90

City of Mobile Police & Firefighters
J-Curve Graph
Timberland Investment Resources
6/30/09 - 12/31/11



Year	Contribution	Distribution	Expenses	Investment Fees	Ending Value	Cumulative IRR
1	967,502	0	0	7,068	1,000,497	4.36
2	1,039,861	0	5,855	11,409	2,108,644	11.69
3	339,702	0	18,167	18,848		
Total	2,347,065	0	30,766	42,415		

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DEFINITION OF INDICES

APPENDIX A

ASSET ALLOCATION	TARGET
LargeCap Equity	30.0 %
SmidCap Growth Equity	10.0 %
SmidCap Value Equity	10.0 %
International Equity	10.0 %
Fixed Income	25.0 %
Alternative Investments	15.0 %
Cash & Cash Equivalents	0 %

Indices used to calculate target and actual benchmarks:

Domestic Equity	Russell 1000 Index, Russell 2500 Growth, Russell 2500 Value
International Equity	MSCI EAFE Net Dividend Index
Fixed Income	Barclays Aggregate Bond Index
Alternative Investments	Russell 3000 + 4%, NCREIF Prop Index, NCREIF Timberland Index
Cash & Cash Equivalents	Citigroup 3-Month T-Bill

COMPOSITE MEDIAN MANAGER

A composite of median manager returns for each asset class weighted by the Target Asset Mix.

DEFINITION OF INDICES

APPENDIX B

The **Standard & Poor's (S&P) 500 Index** is a capitalization-weighted index 500 of the largest public companies and is widely accepted as the overall market proxy. It consists of 400 industrial issues, 40 utility stocks, 20 transportation stocks and 40 financial institution issues.

The **Russell 1000 Index** is composed of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index. The average market capitalization was approximately \$12.1 billion; the median market capitalization was approximately \$3.8 billion. The smallest company in the index had an approximate market capitalization of \$1,350.8 million.

The **Russell 1000 Value Index** is composed of those stocks in the Russell 1000 Index (the 1,000 largest US companies by market capitalization, the smallest of which has about \$370 million in market capitalization) with less than average growth orientation. The Russell Value Index represents the universe of stocks from which most value style money managers typically select.

The **Russell 1000 Growth Index** is composed of those stocks in the Russell 1000 Index (the 1,000 largest US companies by market capitalization, the smallest of which has about \$370 million in market capitalization) with greater than average growth orientation. The Russell Growth Index represents the universe of stocks from which most growth style money managers typically select.

The **Morgan Stanley Capital International (MSCI)-Europe, Australia, Far East (EAFE) Index** is made up of approximately 1000 companies representing the stock markets of 20 countries including: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Italy, Ireland, Japan, Malaysia, Netherlands, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. The average company has a market capitalization of over \$3 billion. The index is presented with net dividends reinvested and in US Dollars.

The **Barclays Aggregate Bond Index** is comprised of the Lehman Government/Corporate Bond Index plus the Lehman Mortgage Index. The Aggregate contains all publicly issued, fixed-rate, non-convertible bonds which have a maturity of more than one year and an outstanding par value of at least \$100 million for US Government issues and \$50 million for all others. The index includes debt issued by the US Government and agencies thereof, domestic corporate issues and foreign dollar-denominated issues. All issues are rate Baa/BBB or better.

The **Barclays Government/Corporate Bond Index** contains all publicly issued, fixed rate, non-convertible, bonds which have a maturity of more than one year and an outstanding par value of at least \$100 million for US Government issues and \$50 Million for all others. The index includes debt issued by the US Government and agencies thereof, domestic corporate issues and foreign dollar-denominated issues. All issues are rate Baa/BBB or better.

The **Salomon Brothers 3 Month TBill** provide a measure of riskless return.

DEFINITION OF UNIVERSES

APPENDIX B

US Balanced Universe consists of balanced composites which utilize both equity and fixed income securities within a relatively stable asset allocation structure. These are balanced, separately managed, fully discretionary, tax-free portfolios whose asset allocation is not actively managed.

The **Broad Equity Manager Universe** is composed of domestic equity composites utilizing either a growth managers who emphasizes on earnings growth-historic earnings growth, future earnings estimates and earnings surprise or a value managers who are bias towards stocks which are out of favor or believed to be severely undervalued-low Price/Earnings, low Price/Book and a strong balance sheet. The universe may utilize a combination of both styles and covers a broad range of market capitalizations.

The **Mid-Large Cap Growth Equity Manager Universe** is composed of equity composites for which the investment process emphasizes earnings growth which includes historic earnings growth, future earnings estimates and earnings surprise. Small capitalization managers are excluded.

The **Mid-Large Cap Value Equity Manager Universe** is composed of equity composites emphasizing a bias towards stocks which are out of favor or believed to be severely undervalued-low Price/Earnings, low Price/Book and a strong balance sheet. Small capitalization managers are excluded.

The **Small Cap Equity Manager Universe** is comprised of an equity composite where the investment process focuses on companies of capitalizations under \$500 million. The universe may utilize a combination of both growth and value style of investment process.

The **International Equity Manager Universe** is an equity composite for which the investment process emphasizes securities of non-US based companies.

The **Fixed Income Manager Universe** is composed of fixed income composites for which the investment process emphasizes either interest rate forecasting (adjusting portfolio's duration), market analysis (sector analysis, issues selection or yield curve analysis) or active core (tied to a benchmark) management. Intermediate, short-term and high yield managers are excluded.

The **Intermediate Fixed Income Manager Universe** is composed of fixed income composites whose investment process emphasizes either active core (tied to a benchmark) management, interest rate forecasting (adjusting portfolios' duration), or market analysis (sector analysis, issue selection, or yield curve analysis) with average portfolio durations in the 3-4 year range. High yield managers are excluded.

DEFINITION OF COMMON TERMS

APPENDIX C

Alpha is a measure of risk-adjusted return which reveals the manager's success (positive alpha) or lack of success (negative alpha) in selecting securities and timing the market. Alpha is the difference between the actual performance of the fund and the performance which should have been achieved given the market's performance and the fund's risk posture.

Beta is a measure of the volatility of the fund relative to an index. Funds which are equally volatile as the index will have a beta of 1.00; funds which are half as volatile will have a beta of 0.50; etc. Beta also roughly represents the return on the fund which has typically accompanied a 1 percent move in the market index. The beta coefficient reflects that component of the fund's total risk which cannot be reduced by further diversification.

The **Relative Risk/Reward Ratio** is a measure of risk adjusted return relative to the market's risk adjusted return. It is calculated by first dividing the manager's return for the period by the manager's standard deviation for the period. This quotient is then divided by the quotient of the market's return for the period divided by the market's standard deviation for the period. The measure represents the manager's rate of return per unit of risk relative to the market's rate of return per unit of risk. A ratio above 1.0 indicates positive relative performance and a ratio below 1.0 indicates a negative relative performance.

R-Squared (R^2) is a statistical measure of fund diversification relative to an index. Diversification can be gauged by calculating the portion of the variation in the fund's returns which is attributable to market movements. A completely diversified fund will be perfectly correlated with the market index and will have an R-squared of 100 percent. A non-diversified fund will behave independently of the market and will have an R-squared of 0 percent. An R-squared of 90 percent denotes that 90 percent of the risk is market-related, and 10 percent is unique to the fund.

Standard Deviation is a measure of volatility showing how widely dispersed or tightly bunched a set of returns are around their average return. Standard deviations presented in this report are based on quarterly returns and are annualized, unless otherwise indicated.

The **Style** is a description of the investment strategy used to determine the investment decisions within an asset class.

A **Universe** is a group of comparable investment styles. A Broad Universe, such as Broad Equity, refers to all styles in the Equity asset class. Style specific Universes such as Pure Small Cap, includes only styles with a high correlation to a Small Cap index and low correlation to a Large Cap index.

MARKET SECTOR DIVERSIFICATION

APPENDIX D

EQUITIES

C A P I T A L I Z A T I O N		Style				
		Growth	Core	Value	Quantitative	Index
	Domestic		SSgA			
	Large					
	Medium	Century		Advisory Research		
	International	Small	Century	Advisory Research		
		Venture Capital				
		Large		Allianz		
		Small				
O t h e r		Private Equity	Permal	Ripplewood	Levine Leichtman	HM Capital
		Real Estate	Westbrook		Guggenheim	DLJ TIAA-CREF
		Timber	Timberland Investment Resources			

FIXED INCOME

D o m e s t i c		Style			
		Rate	Maturity Differential	Core	Sector Allocation
	U.S. Gov't		Orleans		Orleans
	Mortgage		Orleans		Orleans
	Asset Backed		Orleans		Orleans
	Corporate		Orleans		Orleans
		Foreign / Yankee	Orleans		Orleans
		High Yield			