

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

**PERFORMANCE REPORT  
PERIOD ENDING  
SEPTEMBER 30, 2014**

**Gray & Company**  
**Global Investment Solutions**  
3333 Piedmont Road, Suite 1250  
Atlanta, GA 30305  
(404) 883-2500

## TABLE OF CONTENTS

SECTION	PAGE
<b>I. CAPITAL MARKETS REVIEW</b>	<b>1-11</b>
<b>II. PLAN PERFORMANCE AND ANALYSIS</b>	<b>1-13</b>
♦ Executive Overview	1
♦ Executive Summary - Total Plan Performance	2-5
♦ Total Returns of Public Funds Performance Comparison	6
♦ Total Fund Asset Allocation vs Policy Graph	7
♦ Total Fund Asset Allocation	8
♦ Asset Allocation - Investment Policy Index	9
♦ Fund Allocation by Manager	10
♦ Financial Reconciliation and Sources of Growth	11-12
♦ Quarterly Total Return- Market Line Analysis	13
<b>III. MANAGER PERFORMANCE AND ANALYSIS</b>	<b>1-44</b>
♦ SSgA Russell 1000 Index Fund	1-2
♦ Energy Opportunities Capital	3
♦ SSgA S&P 400 MidCap Index Fund	4-5
♦ Morgan Dempsey - Small Cap Value Portfolio	6-8
♦ SouthernSun - Small Cap Core Portfolio	9-11
♦ Allianz Global Investors - International Equity Portfolio	12-13
♦ Orleans - Intermediate Fixed Income Portfolio	14-16
♦ Guggenheim - Real Estate Portfolio	17-18
♦ DLJ - Real Estate Portfolio	19-23
♦ Hicks Muse - Real Estate Portfolio	24-28
♦ Ripplewood III- Private Equity Portfolio	29-33
♦ Levine Leichtman - Real Estate Portfolio	34-36
♦ Permal Capital - Real Estate Portfolio	37-40
♦ Timberland Investment Resources - Timber Portfolio	41-44
<b>IV. APPENDICES</b>	
A. Appendix A Asset Allocation	
B. Appendix B Definitions of Indices	
C. Appendix C Definition of Common Terms	
D. Market Sector Diversification	

This report was prepared by Gray & Company Global Investment Solutions using market index and universe data provided by the Wilshire Cooperative, as well as information provided by and received from the client. Past investment performance results are not indicative of future performance results. Gray & Co. does not warrant the accuracy of data provided to us by others, although we do take reasonable care to obtain and utilize only reliable information. All investment results are shown Gross of all fees unless otherwise noted. Gray & Company is a Registered Investment Advisor. A copy of our most recent ADV will be sent to you upon request. Please call us at 404-883-2500 to request one and it will be sent to you free of charge.



# **CAPITAL MARKET REVIEW**

**Third Quarter 2014**

# CAPITAL MARKET HEADLINES

## Currency Wars

Currency valuations played an important role in the capital markets this quarter, particularly for US. investors as the US Dollar appreciated versus all other major currencies.

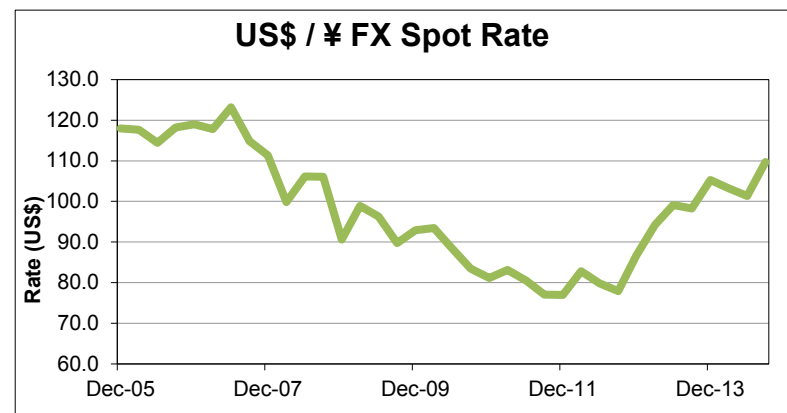
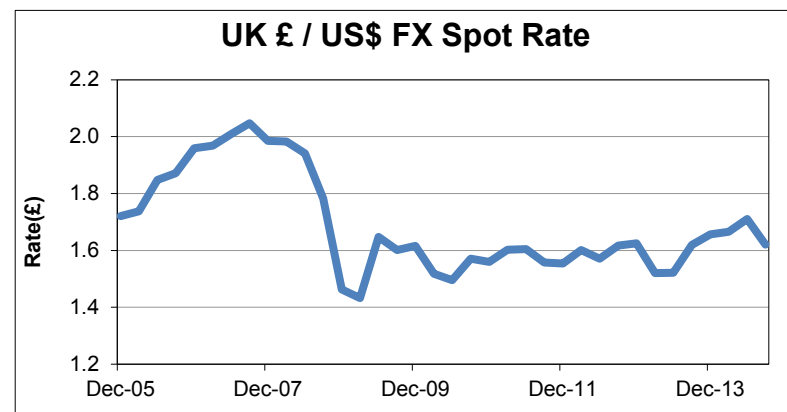
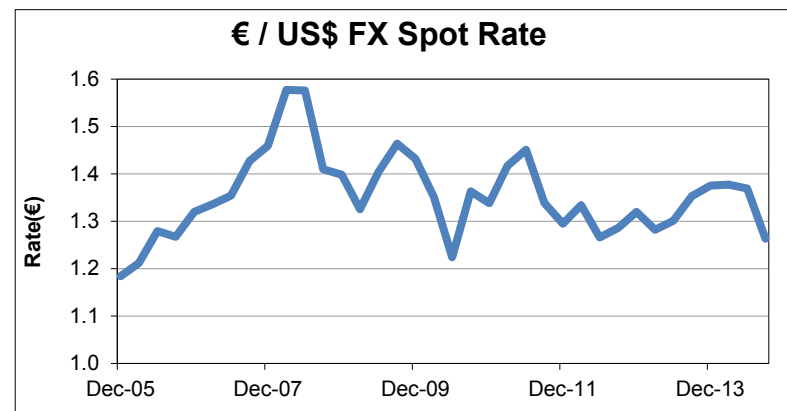
The value of a currency in the open market is based on supply/demand metrics. The primary factors influencing these metrics include: 1) inflation rates, 2) real interest rates, 3) current account balance, 4) political stability, 5) economic performance, and 6) public debt level. Some countries may choose to manipulate the currency markets, attempting to gain an economic or political advantage. An example is China's intervention into the currency markets, attempting to maintain a trading range for the Renminbi versus the US Dollar and other major currencies. In recent years countries have been accused of artificially weakening their currency to promote economic growth, triggering "Currency Wars".

**The Case for a Stronger Currency** - In theory a stronger currency is favorable. A strengthening currency implies a relatively strong economy with low/stable inflation rates and manageable national debt levels. Consumers benefit from the strong currency, reducing the relative cost of foreign goods and services (and travelling abroad). Corporations also benefit from lower import expenses and borrowing costs. Foreign investment is generally drawn to these countries, attracted by the economic prospects, inflation protection, and potential currency appreciation.

**The Case for a Weaker Currency** - In recent years several nations have pursued policies to weaken their currencies in an attempt to spur economic growth - stimulating exports (goods are less expensive for consumers with a stronger currency) and increasing domestic production. The political leaders and central bankers prefer the near term economic benefits of a weaker currency and accept the potential long term impact of higher inflation and interest rates.

Heavily indebted nations may profit from the higher inflation rates often associated with weaker currencies. As the currency is devalued by inflation, the fixed value of the principal will become relatively less expensive to repay.

*The graphs to the right depict the historical spot rate for the indicated currency pairs at the end of each quarter. The top two graphs depict the value of €1 and £1 in US \$; a falling line indicates the dollar is appreciating versus the other currency. The bottom graph illustrates the value of \$1 in Japanese Yen; a rising line indicates the dollar is appreciating versus the Yen. Note the strong appreciation of the US Dollar during the third quarter of 2014.*



Source: Reuters

# CAPITAL MARKET REVIEW

**Not So Fast:** Escalating geopolitical crises and disappointing economic data impacted the capital markets during the third quarter. The conflict between Russia and the Ukraine, US military action in Syria, protests in Hong Kong, and Scotland's referendum for independence threatened the global economic recovery. Additionally, Germany's economy showed signs of weakness, contracting during the second quarter; the Eurozone, in general, has struggled to generate meaningful economic growth.

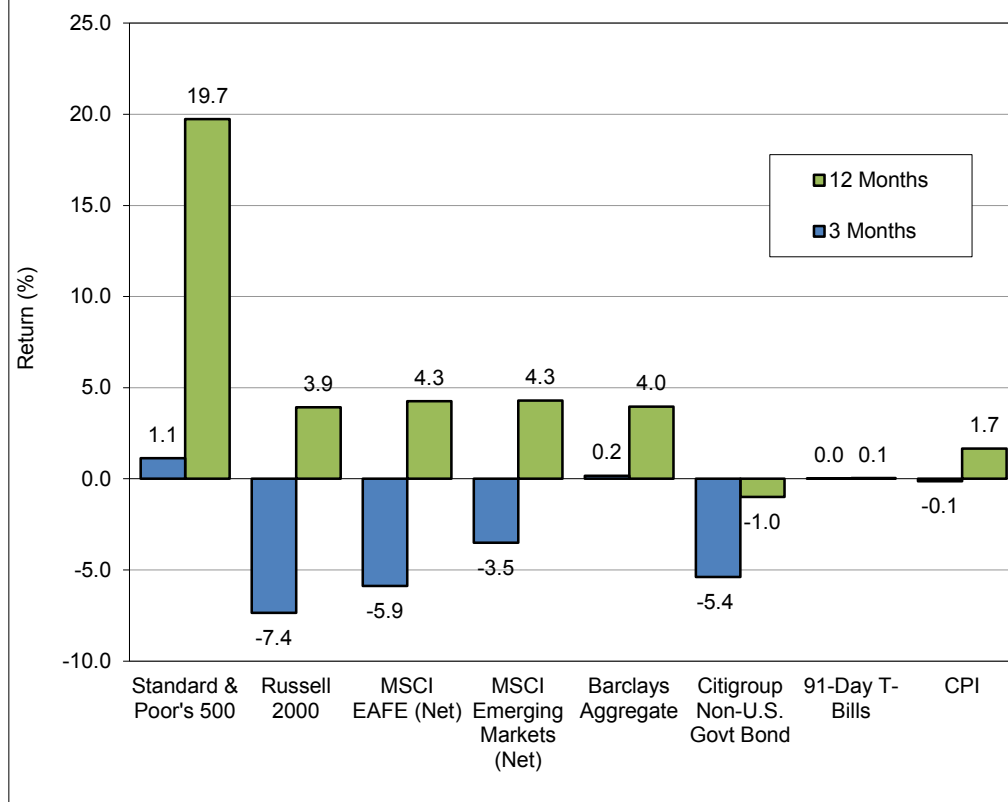
The major central banks continued on divergent paths this quarter, enacting monetary policies based on the economic conditions within their region. The European Central Bank reduced key interest rates and suggested asset purchases may be initiated in the near future to promote growth in continental Europe. The Bank of Japan maintained their accommodative policies to stimulate growth. The US Federal Reserve and the Bank of England have indicated rate hikes may be initiated in 2015 due to economic improvements in these nations.

Most major equity markets declined during the quarter due to weakening economic indicators around the globe. The US (large cap only), Switzerland (in local terms), Japan (in local terms), and select emerging markets were the exception, posting positive results. India and China were the standouts this quarter, returning 2.3% and 1.4% (in US \$), respectively. A strengthening dollar compounded losses in the international markets for US investors.

Fixed income outperformed equity in most markets this quarter. Interest rates tended to decline due to intervention by central banks, generating positive returns. The US fixed income market (as measured by the Barclays Aggregate) was one of the weaker performers. However, depreciating currencies turned gains into losses for US investors in the foreign fixed income markets.

During the quarter the U.S. Dollar appreciated by 5 to 8% versus nearly every major currency - Euro, Japanese Yen, U.K Pound, Swiss Franc, Australian Dollar, and Canadian Dollar.

**Global Market Performance**  
As of September 30, 2014



Source: Wilshire 9/30/2014

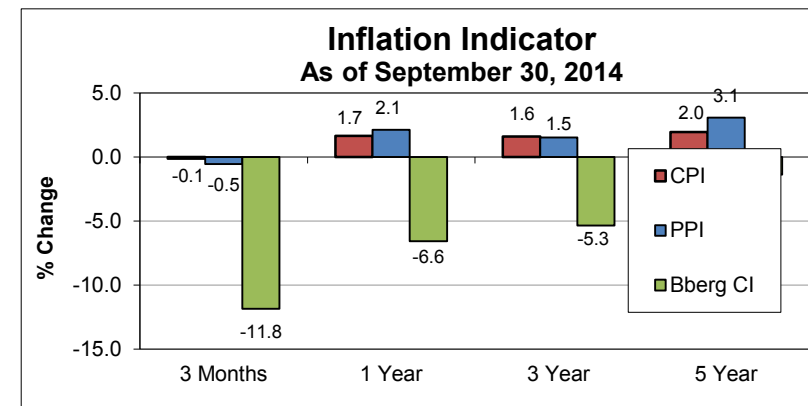
Indices are not investments, are not managed, and do not incur fees or expenses. It is not possible to invest in an index. The inclusion of these indices is for informational purposes only and should not be used as the basis for making an investment decision.

# CAPITAL MARKET REVIEW

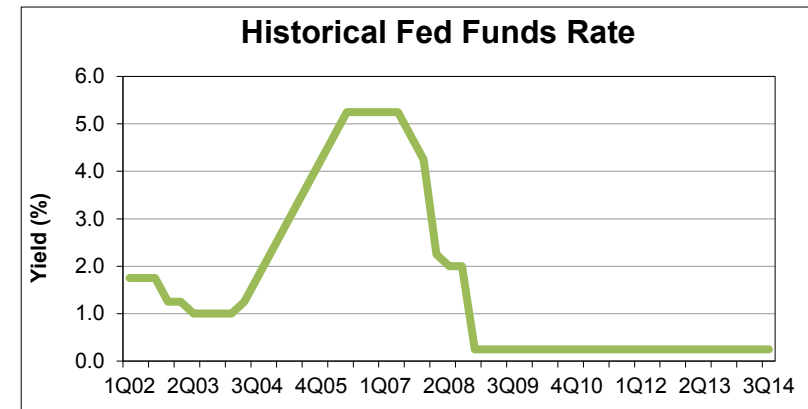
**Bouncing Back:** Economic growth bounced back from the -2.1% reading in the first quarter to register 4.6% in the second quarter and expectations are for GDP growth of 3% in the third quarter. The U.S. economy continues to improve, albeit with mixed readings. The Purchasing Managers Index for Manufacturing is well above 50, indicating expansion; durable goods orders and retail sales have been rising; unemployment is resting at 5.9% - 226,000 jobs, on average, have been created over the last few months. However, the housing recovery continues at a slow pace. Housing starts and building permits reside well below long-term averages and mortgage applications remain flat, due to higher credit standards at banks. Unfortunately, current headlines continue to overshadow the positive direction of the economy and as expectation remain for weaker than expect global growth.

Commodity indices were down in the third quarter led by the sell off in energy. An over supply and weaker global demand appeared to be the drivers of the sell off in oil. Agriculture and grains were bright spots in the quarter as they exhibited price increases. The CPI and PPI decline over the quarter, following commodity prices. Longer-term, core inflation expectations have risen, but the modest increase has not influenced the Fed to adjust its stance regarding the tightening of monetary policy at this time.

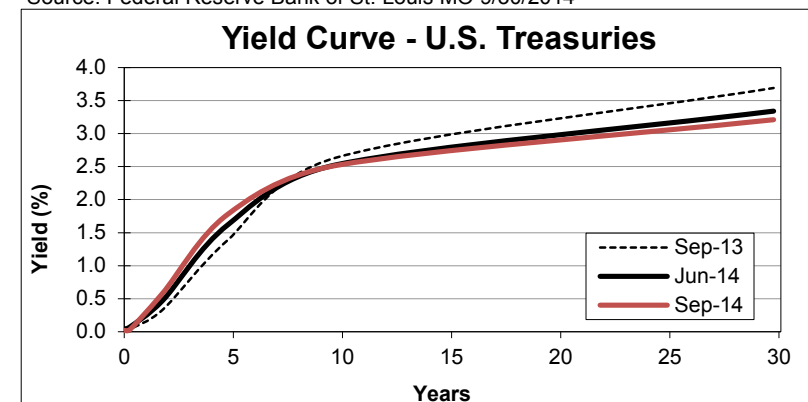
Interest rates ticked up in the intermediate years of the yield curve as the curve continued flattening. Often referred to as the "belly" of the curve, yields on the 5-Year and 7-Year U.S. Treasuries increased between 10 to 20 basis points. The 10-Year U.S. Treasury yield remained flat at 2.5% during the quarter and is down 52 basis points since the beginning of the year. The long-term 30-Year U.S. Treasury yield declined 12 basis points to 3.2% even as the economy rebounded. Current movement of yields along the curve signifies investors' skepticism regarding the sustainability and magnitude of economic growth. With the Fed Funds Rate anchored at zero, the Fed, as planned, has continued its measured reduction of asset purchases. However, the continued downward trajectory of the yield curve gives credence to the "lower for longer" philosophy against the consensus that rates have no where to go but up.



Sources: Bureau of Labor Statistics, Wilshire, and Bloomberg 9/30/2014



Source: Federal Reserve Bank of St. Louis MO 9/30/2014



Source: Federal Reserve Bank of St. Louis, MO 9/30/2014

# U.S. EQUITY MARKET

Total Returns (%) - Periods Ending September 30, 2014				
	3 Months	1 Year	3 Years	5 Years
Standard & Poor's 500	1.13	19.74	22.99	15.69
Russell 1000	0.65	19.03	23.24	15.90
Russell 1000 Growth	1.49	19.15	22.45	16.51
Russell 1000 Value	(0.19)	18.88	23.94	15.03
S&P MidCap 400	(3.98)	11.82	22.43	16.37
Russell Midcap	(1.66)	15.82	23.78	17.18
S&P SmallCap 600	(6.73)	5.74	22.85	16.24
Russell 2000	(7.36)	3.93	21.26	14.28
Russell 2000 Growth	(6.13)	3.80	21.90	15.50
Russell 2000 Value	(8.58)	4.12	20.61	13.02
S&P 500 Sector Performance				
	3 Months	1 Year	3 Years	5 Years
Energy	(8.65)	11.96	16.98	12.59
Materials	0.52	20.61	21.94	13.39
Industrials	(1.08)	16.81	24.88	17.30
Con. Discretionary	0.27	11.81	26.54	21.57
Con. Staples	1.94	16.61	18.15	15.33
Health Care	5.40	28.39	28.71	19.59
Financials	2.33	18.45	27.65	11.20
Info Technology	4.76	29.55	22.40	16.17
Telecommunications	3.06	13.24	15.29	14.60
Utilities	(3.96)	16.91	12.20	12.23

Sources: Wilshire 9/30/2014

Returns are annualized for periods greater than one year.

Indices are not investments, are not managed, and do not incur fees or expenses. It is not possible to invest in an index. The inclusion of these indices is for informational purposes only and should not be used as the basis for making an investment decision.

**Low Throttle:** The S&P 500 ended the quarter up a mere 1.1% and volatility increased. While the third quarter marked the seventh consecutive quarter of positive returns for the S&P 500, many of the other major market indices ended the quarter in the red. Investors treaded lightly where risk assets were concerned against the backdrop of mixed economic data, QE wind down, Middle East tensions, and fear of an Ebola outbreak.

Large Cap once again led the way in the third quarter of 2014 as performance leadership continued to rotate up the market cap spectrum. Large Cap outperformed Small Cap by over 800 basis points, driven by attractive relative valuations and their perceived safety within the equity market. Growth led the way over Value across all market caps. The performance differential can be attributed to sector weights; Growth benefited from higher allocations to Information Technology and Health Care, while Value was negatively impacted by greater exposures to Energy and Utilities (two of the worst performing sectors). Higher quality stocks outpaced lower quality stocks across all market capitalizations, particularly among Small Cap Value stocks, where higher quality outperformed lower quality by 250 basis points.

Health Care was the best performing sector during the quarter, returning 5.5%. The defensive sector performed well amid the heightened volatility. Pharmaceuticals and biotechnology were top contributors to performance. Energy went from the top performing sector in the second quarter (+12.1%) to the worst performing sector in the third quarter (-8.7%). The weak performance of the sector is attributed to the decline in oil prices, stemming from growing supply and weaker demand.

Year-to-date, Large Cap, Value, and Health Care lead the way among their respective market caps, style, and sectors.

## U.S. FIXED INCOME MARKET

**Shifting Gears:** Leadership in the fixed income market shifted from riskier issues to safer securities during the third quarter. The change coincided with the sell off in equities as the global markets re-priced assets under a slowing global economy. After two quarters of strong performance to start the year, the broad fixed income market (as measured by the Barclays US Aggregate) posted a marginal gain for the quarter.

During the quarter the front end of the yield curve steepened (0 to 5 years) while the back end of the curve flattened (5 - 30 years). At quarter-end, the 2-Year Treasury Notes yielded 0.58% (up 11 basis points from 6/30/14), 10-Year Treasury Bonds yielded 2.52% (down 1 basis points from 6/30/14), and 30-Year Treasury Bonds yielded 3.21% (down 13 basis points from 6/30/14).

Declining yields for longer dated issues (Treasuries) generated strong gains during the quarter for the Barclays Long Government Index; this index was the best performing fixed income segment for the third consecutive quarter. Government and Mortgages posted slight gains; Credit declined three (3) basis point - the only investment grade component to suffer a loss. High Yield and TIPS were the big losers with both falling approximately 2%.

The fixed income rally of 2014 downshifted during the third quarter due to growing evidence of a slowing global economy. In spite of the Federal Reserve's reduction in quantitative easing efforts, the central bank continues to promote their accommodative monetary policies - low rates for as long as necessary. Their position may be aided by the strengthening dollar, which lessens inflationary pressures. Fixed income investors appear to understand the Fed's intentions, forecasting stable to lower rates for an extended period of time, as evidenced by the shifts to the yield curve this quarter.

Total Returns (%) - Periods Ending September 30, 2014				
	3 Months	1 Year	3 Years	5 Years
Barclays 1-3 Yr. Govt	0.03	0.52	0.51	1.07
Barclays Intm G/C	(0.03)	2.20	2.01	3.42
Barclays Aggregate	0.17	3.96	2.43	4.12
Barclays G/C	0.17	4.08	2.54	4.27
Barclays Long Govt	2.63	11.60	2.08	6.99
Barclays Govt	0.32	2.28	1.06	3.11
Barclays Credit	(0.03)	6.64	4.82	6.10
Barclays Mortgage	0.18	3.78	2.07	3.48
Barclays High Yield	(1.87)	7.20	11.09	10.57
Barclays U.S TIPS	(2.04)	1.59	1.34	4.48
Returns are annualized for periods greater than one year.				
Credit Spreads (in basis points)				
	Jun-14	Sep-14	Change	10-Yr Avg.
Aaa	36	60	24	92
Aa	58	69	11	122
A	88	99	11	163
Baa	134	147	13	224
Ba	268	331	63	431
B	376	466	90	573
Caa	566	720	154	902
<hr/>				
10 Year Treasury	2.53%	2.52%	-0.01%	---

Source: Barclays Capital 9/30/2014

Returns are annualized for periods greater than one year.

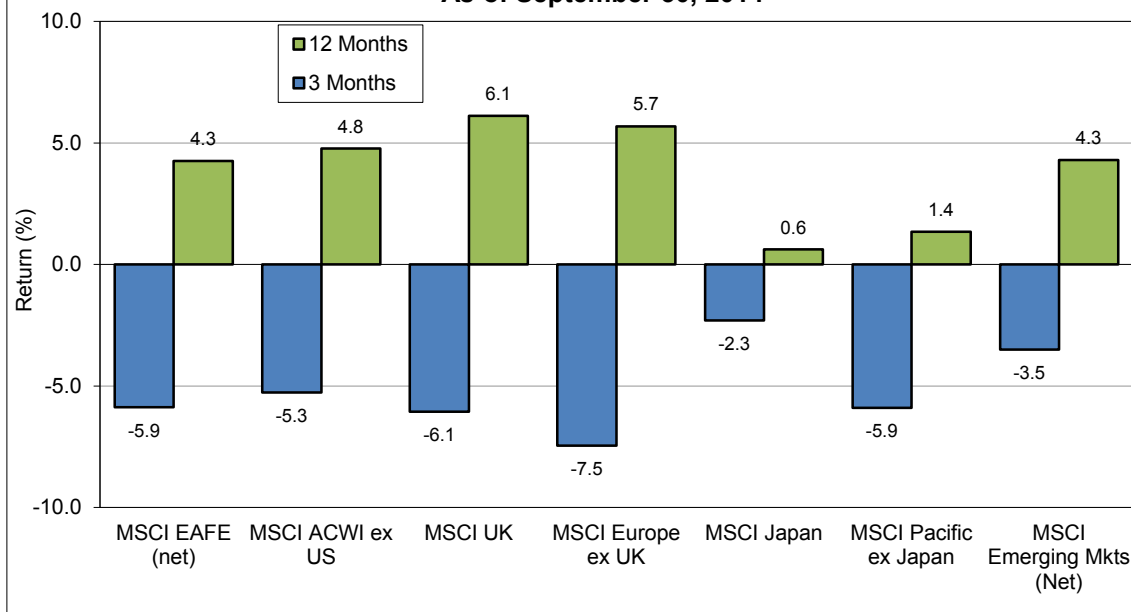
Indices are not investments, are not managed, and do not incur fees or expenses. It is not possible to invest in an index. The inclusion of these indices is for informational purposes only and should not be used as the basis for making an investment decision.



# INTERNATIONAL EQUITY MARKET

## International Equity Market Performance (USD)

As of September 30, 2014



Indices are not investments, are not managed, and do not incur fees or expenses. It is not possible to invest in an index. The inclusion of these indices is for informational purposes only and should not be used as the basis for making an investment decision.

## MSCI Country Indices (Net) Three Months Ending September 30, 2014

	Return USD (%)	Return Local Currency (%)	Currency Effect (%)
France	(8.4)	(0.7)	(7.7)
Germany	(11.2)	(3.7)	(7.5)
Italy	(8.7)	(1.1)	(7.7)
Spain	(7.5)	0.3	(7.8)
Switzerland	(4.4)	3.0	(7.4)
UK	(6.1)	(0.9)	(5.1)
<b>Europe Total</b>	<b>(7.0)</b>	<b>(0.2)</b>	<b>(6.8)</b>
Australia	(7.9)	(0.7)	(7.2)
Hong Kong	(2.6)	(2.4)	(0.2)
Japan	(2.3)	5.8	(8.1)
<b>Pacific Total</b>	<b>(3.6)</b>	<b>3.2</b>	<b>(6.9)</b>
China	1.4	1.6	(0.2)
India	2.3	5.1	(2.8)
Brazil	(8.6)	1.6	(10.2)
Russia	(15.4)	(4.7)	(10.7)
<b>Emerging Total</b>	<b>(3.5)</b>	<b>0.6</b>	<b>(4.1)</b>

Source: MSCI 9/30/14

**Weakened Prospects:** International equity markets declined during the quarter, driven by weaker growth prospects in Europe and Emerging Markets. Eurozone economic growth remained flat and inflation metrics declined, sparking deflationary concerns; Emerging Markets contended with lower commodity prices and U.S. monetary policy.

**Developed Markets:** Deflationary concerns remained the topic du jour in the Eurozone. A drop in the inflation rate to 0.3%, which is significantly below the 2% target, led the ECB to cut its primary lending rate. Growth rate estimates for the region for the remainder of the year come in below 1% and the unemployment rate remains high (over 11%). Germany surprisingly led the decline in Eurozone equity markets. In the U.K. equity markets generated negative returns as well. Investors seem to have ignored improving economic data and the resolution to the Scottish campaign for independence. Investors weighed the impact of rising prices for homes and the potential for a housing bubble; the situation may be exacerbated by stagnant wages and easy credit.

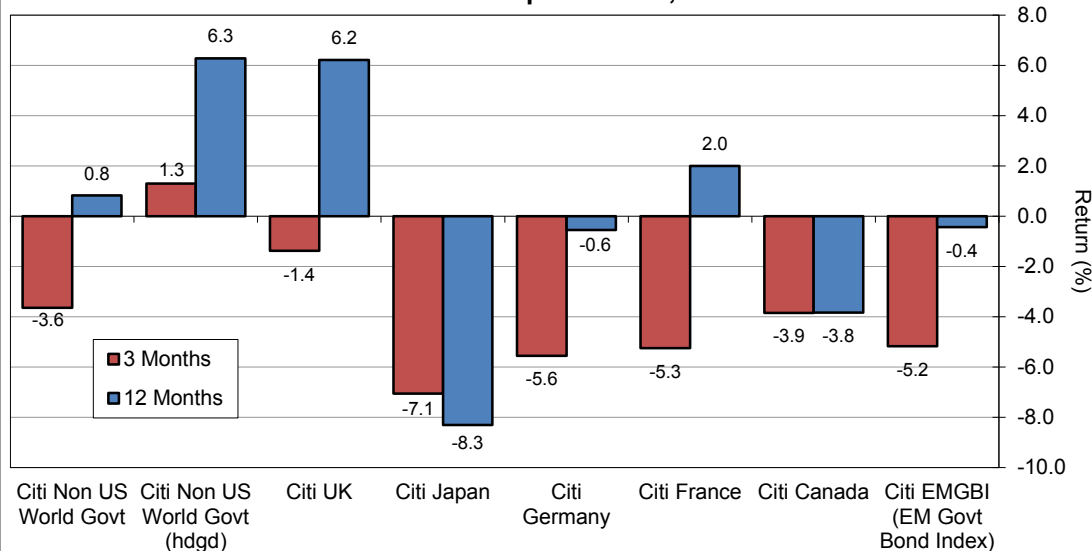
In Asia, Japanese equity markets posted the strongest returns (in local currency). After absorption of the recent tax hike, positive corporate earnings reports contributed to market performance. A weakened currency helped the nation's exporters. Japan is standing by its stimulus measures and will certainly be mindful of growth prior to the next round of tax increases, slated for next year. Lower commodity prices hurt Australian markets. In Hong Kong the equity markets appeared to be impacted by protest over electoral reformed.

**Emerging Markets:** EM equities returned to negative territory in the third quarter. Commodity prices and slower growth expectations were among the culprits. China and India were bright spots, generating positive returns in both local currency and US\$. In China the markets reacted favorably to stimulus measures and private ownership reforms; in India GDP was better than expected and boosted the markets. Russian equity markets declined 15%, suffering from the tensions in the Ukraine and subsequent sanctions. The Brazilian economy contracted in the second quarter, driving stocks down 9% in the third quarter.

# INTERNATIONAL BOND MARKET

## Intl Fixed Income Market Performance (USD)

As of September 30, 2014



## Citigroup World Government Bond Indices Three Months Ending September 30, 2014

	Return USD (%)	Return Local Currency (%)	Currency Effect (%)
France	(5.3)	2.7	(7.9)
Germany	(5.6)	2.4	(7.9)
Ireland	(4.8)	3.2	(8.0)
Italy	(4.8)	3.2	(8.0)
Netherlands	(5.2)	2.8	(8.0)
Spain	(4.4)	3.6	(8.0)
Sweden	(5.1)	2.3	(7.4)
Switzerland	(6.5)	0.7	(7.2)
UK	(1.4)	4.0	(5.4)
<b>European WGBI</b>	<b>(4.5)</b>	<b>3.1</b>	<b>(7.6)</b>
Japan	(7.1)	0.6	(7.7)
Australia	(6.3)	1.0	(7.4)
Canada	(3.9)	0.9	(4.7)

Source: The Yield Book 9/30/2014

Indices are not investments, are not managed, and do not incur fees or expenses. It is not possible to invest in an index. The inclusion of these indices is for informational purposes only and should not be used as the basis for making an investment decision.

**Dollar Trumps Market Returns:** The global fixed income markets posted solid gains (in local currencies) during the third quarter of 2014. However, the U.S. Dollar appreciated 5% to 8% versus all major currencies; the currency effect (a negative for U.S. investors) more than offset the gains in the fixed income market.

The European Central Bank (ECB) lowered their lending rate (to 0.05%) and indicated that additional monetary stimulus (potentially asset purchases) may be necessary to promote economic growth throughout the region. The central bank's intentions drove yields lower (yields on German 2-Year Bunds went negative) and credit spreads contracted, generating strong returns (in Euros) across the Euro-based fixed income markets for the quarter. This quarter the Euro fell 8% versus the dollar.

In England the economy continued to show signs of improvement. At the current pace of economic expansion, fixed income investors are targeting rate hikes by the Bank of England during the first quarter of 2015. In spite of possible rate increases, the U.K. fixed income market was a top performer (in

Pound Sterling). This quarter the Pound Sterling depreciated 5.4% versus the dollar.

The Bank of Japan continued their quantitative easing efforts during the quarter, attempting to stimulate domestic demand and foreign exports. The rally continued in the fixed income market, returning 0.6% (in Yen). The relatively low return was generated in a low yielding market; the 5-year bond yields under 0.2%, the 10-year bond yields under 0.6%, and the 30-year bond yields under 1.7% (yields as of 9/30/14; Financial Times). This quarter the Yen weakened 7.6% versus the dollar.

The emerging markets were among the weakest performers, returning 0.6% in local terms (as measured by the Citi EMGBI). These debt markets were impacted by the sell off in high yield securities during the summer; however, their higher income structure helped offset principal losses. The strengthening dollar reduced returns for U.S. investors by approximately 6% during the quarter.

## SELECTED INDEX RETURNS - PERIODS ENDING SEPTEMBER 30, 2014

	Quarter	One Year	Three Years	Five Years	Ten Years
<b>US EQUITIES</b>					
Dow Jones Industrial Average	1.9 %	15.3	19.0	14.8	8.2
Standard & Poors 500	1.1	19.7	23.0	15.7	8.1
Russell 3000	0.0	17.8	23.1	15.8	8.4
S&P MidCap 400	(4.0)	11.8	22.4	16.4	10.3
Russell Mid-Cap	(1.7)	15.8	23.8	17.2	10.3
S&P SmallCap 600	(6.7)	5.7	22.9	16.2	9.3
Russell 2000	(7.4)	3.9	21.3	14.3	8.2
Growth Stocks - Russell 3000 Growth	0.9	17.9	22.4	16.4	9.0
Value Stocks - Russell 3000 Value	(0.9)	17.7	23.7	15.1	7.8

<b>US FIXED INCOME</b>					
Barclays 1 - 3 Year Government	0.0 %	0.5	0.5	1.1	2.6
Barclays Intm Govt/Credit	(0.0)	2.2	2.0	3.4	4.1
Barclays Aggregate	0.2	4.0	2.4	4.1	4.6
Barclays Govt/Credit	0.2	4.1	2.5	4.3	4.6
Barclays Long Government	2.6	11.6	2.1	7.0	6.8
Barclays Government	0.3	2.3	1.1	3.1	4.1
Barclays Credit	(0.0)	6.6	4.8	6.1	5.4
Barclays Mortgage	0.2	3.8	2.1	3.5	4.7
Barclays High Yield	(1.9)	7.2	11.1	10.6	8.3
Barclays U.S TIPS	(2.0)	1.6	1.3	4.5	4.6
ML All Investment Grade Convertible Index					

<b>INTERNATIONAL (Measured in US Dollars)</b>					
MSCI EAFE (Net)	(5.9) %	4.3	13.7	6.6	6.3
MSCI ACWI ex U.S. (Net)	(5.3)	4.8	11.8	6.0	7.1
MSCI Europe (Net)	(7.0)	5.8	15.5	6.9	6.6
MSCI Pacific (Net)	(3.6)	0.9	10.3	6.1	5.8
MSCI Emerging Markets (Net)	(3.5)	4.3	7.2	4.4	10.7
Citigroup Non-U.S. Govt Bond	(5.4)	(1.0)	(1.1)	1.0	4.0

<b>REAL ESTATE</b>					
NAREIT Index	(2.6) %	13.4	17.0	15.8	7.7
NCREIF Property Index	%				

<b>OTHER</b>					
91-Day T-Bills	0.0 %	0.1	0.1	0.1	1.6
Consumer Price Index (percent change)	(0.1)	1.7	1.6	2.0	2.3
Producer Price Index (percent change)	(0.5)	2.1	1.5	3.1	3.1

Returns are annualized for periods greater than one year. Indices are not investments, are not managed, and do not incur fees or expenses. It is not possible to invest in an index. The inclusion of these indices is for informational purposes only and should not be used as the basis for making an investment decision.

# DISCLOSURE

This Capital Market Review, which is a quarterly publication circulated by Gray & Company and its affiliates, represents the opinions, investment strategies and views of Gray & Company and is based on current market conditions and is not intended to interpret laws or regulations. The views expressed in this Capital Market Review are subject to change without notice. This Capital Market Review commentary is provided for informational purposes only, based upon information generally available to the public from sources believed to be reliable, and should not be construed as investment or legal 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. This Capital Market Review is not designed to be a comprehensive analysis of any topic discussed herein, and should not be relied upon as the only source of information. Gray & Company believes the information contained in this material to be reliable but does not warrant its accuracy or completeness. Additionally, this Capital Market Review is not intended to represent advice or a recommendation of any kind, as it does not consider the specific investment objectives, financial situation, applicable risk factors, and/or particular needs of any individual client or investor and should not be relied upon as the basis for investment decisions. Past performance is not indicative or a guarantee of future results.

## 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.

# DISCLOSURE

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.

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.

---

## OVERVIEW

---

### PORTFOLIO EVALUATION

- ♦ The fund's total market value as of September 30, 2014 was \$145.89 million.
- ♦ The Fund had a return of -2.39% for the quarter and a return of 9.15% 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>
<b><u>Beginning Market Value</u></b>	<b>149,657,859</b>
Cash Flow In	0
Intrafund Transfers	0
Cash Flow Out	<u>-202,620</u>
<b>Net Cash Flow</b>	<b>-202,620</b>
<b>Investment Performance</b>	
Income	437,620
Asset Value Changes	<u>-4,004,417</u>
<b>Gross Performance</b>	<b>-3,566,797</b>
<b><u>Ending Market Value</u></b>	<b><u>145,888,442</u></b>

### RECOMMENDATIONS

# Mobile Police & Firefighters Executive Summary Table Periods Ending September 30, 2014

FYTD - 9/30/13

Name	Value \$(000)	% of Fund	Periods Ending 9/30/14						
			Cur Qtr	FYTD	1 Year	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Total Fund	145,888	100.0	-2.39	9.15	9.15	13.73	10.29	4.31	6.92
Net of Fee			-2.44	8.85	8.85	13.39	9.92	3.96	6.67
Mobile P&F Policy Index			-1.70	9.75	9.75	15.01	11.22	5.48	7.48
Total Fund Excluding Alternatives	137,490	94.2	-2.52	9.16	9.16	14.39	10.50	3.32	
Net of Fee			-2.57	8.89	8.89	14.11	10.21	3.05	
Policy Index excluding Alts			-1.84	10.26	10.26	15.54	11.31	5.65	
Total Opportunistic Equity Composite	6,752	4.6	-12.08	1.01	1.01				
Net of Fee			-12.31	0.01	0.01				
MSCI ACWI (Net)			-2.30	11.31	11.31				
Energy Opportunities Capital	6,752	4.6	-12.08	1.01	1.01				
Net of Fee			-12.31	0.01	0.01				
OIH_XLE Blended Index			-11.59	9.32	9.32				
Total Domestic Equity Composite	73,102	50.1	-2.54	14.11	14.11	21.11	15.01	5.54	8.97
Net of Fee			-2.60	13.81	13.81	20.75	14.66		
Domestic Equity Index			-2.00	14.51	14.51	22.70	15.78	6.53	8.56
SSgA Russell 1000 Index Fund	42,776	29.3	0.65	19.04	19.04	23.25	15.92	6.28	8.51
Net of Fee			0.65	18.99	18.99	23.17	15.85	6.24	
Russell 1000			0.65	19.03	19.03	23.24	15.90	6.26	8.46
SSgA S&P 400 MidCap Index Fund	15,225	10.4	-4.01	11.81	11.81				
Net of Fee			-4.01	11.75	11.75				
S&P Midcap 400			-3.98	11.82	11.82				



# Mobile Police & Firefighters Executive Summary Table Periods Ending September 30, 2014

FYTD - 9/30/13

Name	Value \$(000)	% of Fund	Periods Ending 9/30/14						
			Cur Qtr	FYTD	1 Year	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Morgan Dempsey SCV	7,354	5.0	-10.01	1.86	1.86				
Net of Fee			-10.27	0.74	0.74				
Russell 2000 Value			-8.58	4.12	4.12				
SouthernSun SCC	7,746	5.3	-8.60	5.88	5.88				
Net of Fee			-8.84	4.84	4.84				
Russell 2000			-7.36	3.93	3.93				
Total International Equity Composite	12,700	8.7	-5.45	3.70	3.70	13.01	4.82	-2.07	6.03
Net of Fee			-5.45	3.48	3.48	12.93	4.54		
MSCI ACWI ex US (Net)			-5.27	4.77	4.77	11.79	6.03	-0.16	7.06
Allianz Global Investors	12,700	8.7	-5.45	3.70	3.70				
Net of Fee			-5.45	3.48	3.48				
MSCI ACWI ex US (Net)			-5.27	4.77	4.77				
Total Fixed Income Composite	30,547	20.9	0.04	3.43	3.43	2.84	4.20	5.20	4.76
Net of Fee			0.01	3.31	3.31	2.72	4.07		
Barclays Int Govt/Credit			-0.03	2.20	2.20	2.01	3.42	4.30	4.05
Orleans	30,547	20.9	0.04	3.43	3.43	2.84	4.20	5.20	4.76
Net of Fee			0.01	3.31	3.31	2.72	4.07	5.09	
Barclays Int Govt/Credit			-0.03	2.20	2.20	2.01	3.42	4.30	4.05
Real Estate Composite	2,656	1.8	1.41	12.08	12.08	12.10	10.50	-1.01	6.32
Net of Fee			1.19	11.01	11.01	10.99	9.40	-1.97	5.33
NCREIF ODCE Fund Index			3.24	12.40	12.40	12.35	12.40	2.64	7.14

# Mobile Police & Firefighters Executive Summary Table Periods Ending September 30, 2014

FYTD - 9/30/13

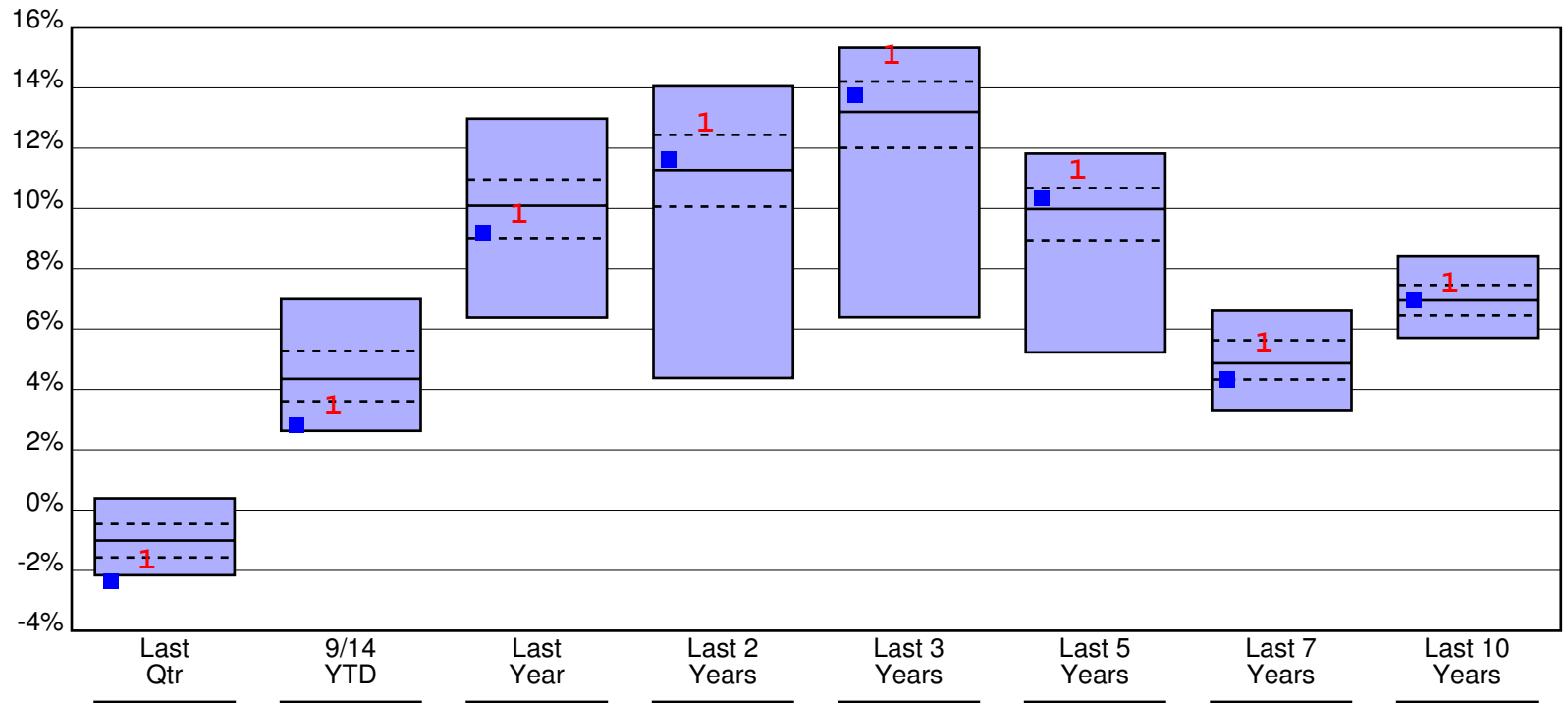
Name	Value \$(000)	% of Fund	Periods Ending 9/30/14						
			Cur Qtr	FYTD	1 Year	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Guggenheim	2,465	1.7	1.53	13.57	13.57	15.18	14.10	-0.29	
Net of Fee			1.28	12.48	12.48	14.07	13.00	-1.20	
70% NCREIF / 30% NAREIT			1.48	12.81	12.81	13.88	13.65	3.98	
DLJ	191	0.1	0.00	3.66	3.66	4.83	3.13	0.84	9.99
Net of Fee			0.00	3.66	3.66	4.02	2.31	-0.05	9.08
NCREIF ODCE Fund Index			3.24	12.40	12.40	12.35	12.40		
Private Equity Composite	3,188	2.2	-3.49	3.73	3.73	6.67	8.27	7.21	9.13
Net of Fee			-3.55	3.54	3.54	6.13	7.53	6.30	7.44
Russell 2500			-4.35	12.98	12.98	26.81	19.99	11.17	13.45
Hicks, Muse, Tate & Furst IV	70	0.0	0.00	-2.69	-2.69	3.93	8.55	1.69	1.22
Net of Fee			0.00	-2.69	-2.69	3.93	8.55	1.69	1.22
Russell 2500			-4.35	12.98	12.98	26.81	19.99	11.17	
Ripplewood Partners II, L.P.	718	0.5	-13.80	-11.42	-11.42	-3.76	2.12	2.38	3.36
Net of Fee			-13.80	-11.42	-11.42	-4.34	1.66	1.80	1.48
Russell 2500			-4.35	12.98	12.98	26.81	19.99	11.17	13.45
Levine Leichtman Fund III	1,710	1.2	0.00	10.53	10.53	10.80	10.99	9.67	13.92
Net of Fee			0.00	10.48	10.48	10.31	10.04	8.54	11.76
Russell 2500			-4.35	12.98	12.98	26.81	19.99	11.17	
Permal Capital Fund IV	690	0.5	-0.29	11.71	11.71	11.26	10.37	5.95	
Net of Fee			-0.57	10.90	10.90	10.53	9.50	4.83	
Russell 2500			-4.35	12.98	12.98	26.81	19.99	11.17	
Timber Composite	2,555	1.8	2.83	16.25	16.25	7.29	5.70		
Net of Fee			2.62	15.28	15.28	6.41	4.82		

Mobile Police & Firefighters  
Executive Summary Table  
Periods Ending September 30, 2014

FYTD - 9/30/13

[illegible]

# Mobile Police & Firefighters Cumulative Performance Comparison Total Returns of Total Fund Public Sponsors Periods Ending 9/14



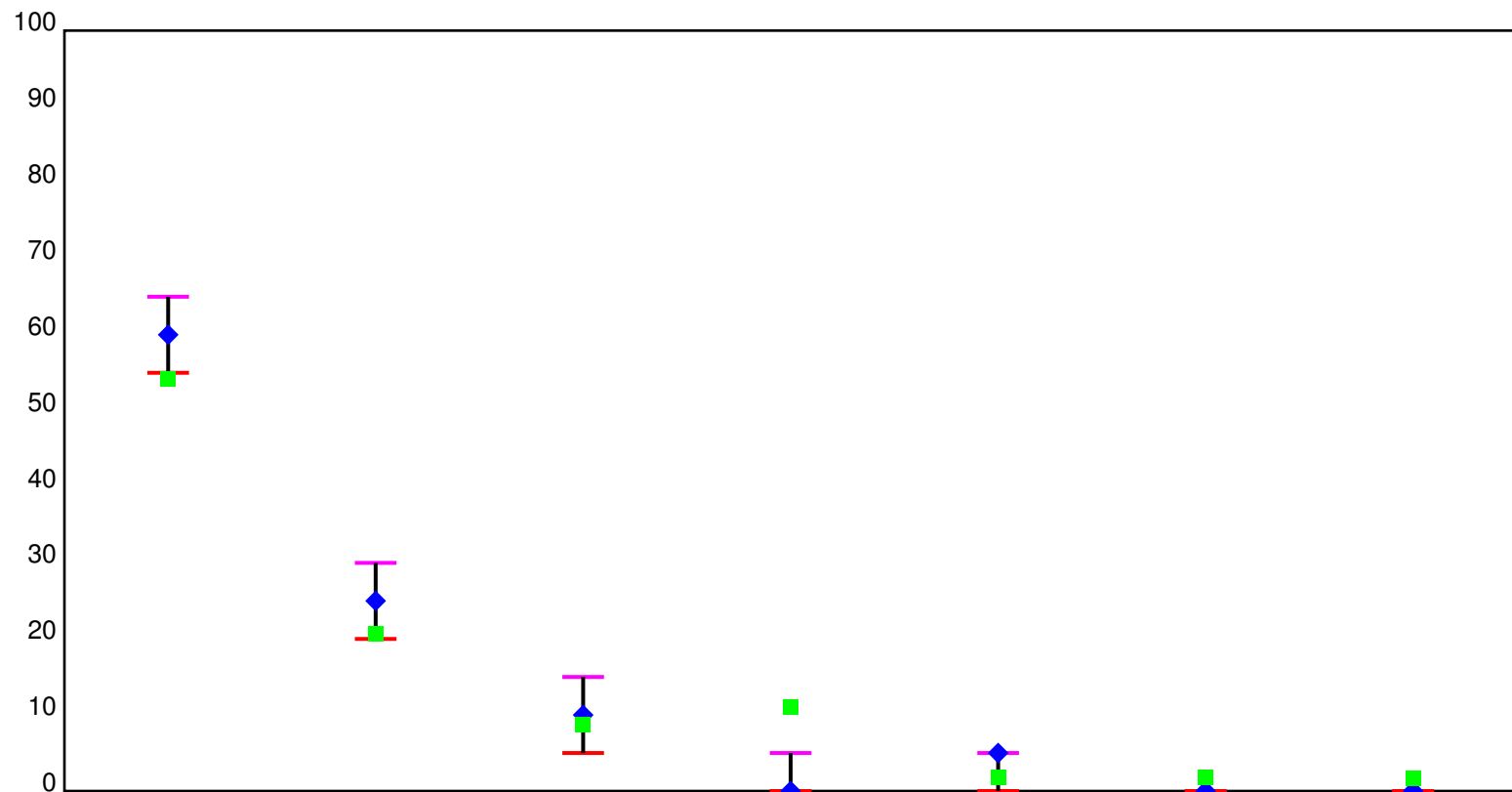
5th Percentile  
25th Percentile  
Median  
75th Percentile  
95th Percentile

Last Qtr	9/14 YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
0.39	6.99	12.98	14.05	15.33	11.82	6.61	8.41
-0.46	5.28	10.96	12.44	14.21	10.68	5.63	7.46
-1.01	4.35	10.09	11.27	13.20	9.98	4.87	6.95
-1.57	3.61	9.02	10.06	12.01	8.95	4.33	6.45
-2.16	2.63	6.38	4.38	6.39	5.23	3.29	5.71
-2.39 (97)	2.78 (90)	9.15 (72)	11.60 (42)	13.73 (35)	10.29 (36)	4.31 (77)	6.92 (53)
-1.70 (80)	3.41 (78)	9.75 (59)	12.76 (17)	15.01 (9)	11.22 (12)	5.48 (31)	7.48 (24)

■ Total Fund  
1 Mobile P&F Policy Index

# Mobile Police & Firefighters Asset Allocation vs Policy Graph

Total Fund  
As of September 30, 2014

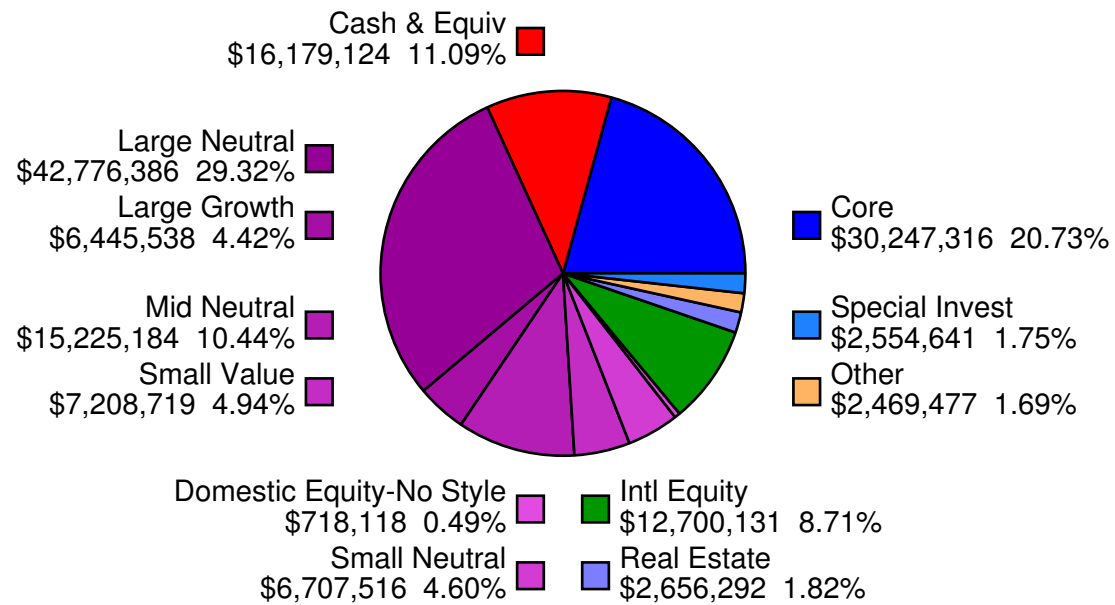


Legend		Domestic Equities	Domestic Fixed	International Equities	Cash	Real Estate	Special Investments	Other
◆	Policy	60.0	25.0	10.0	0.0	5.0	0.0	0.0
—	Min	55.0	20.0	5.0	0.0	0.0	0.0	0.0
—	Max	65.0	30.0	15.0	5.0	5.0	0.0	0.0
■	Actual	54.2	20.7	8.7	11.1	1.8	1.8	1.7

# Mobile Police & Firefighters Asset And Policy Allocation Total Fund

September 30, 2014

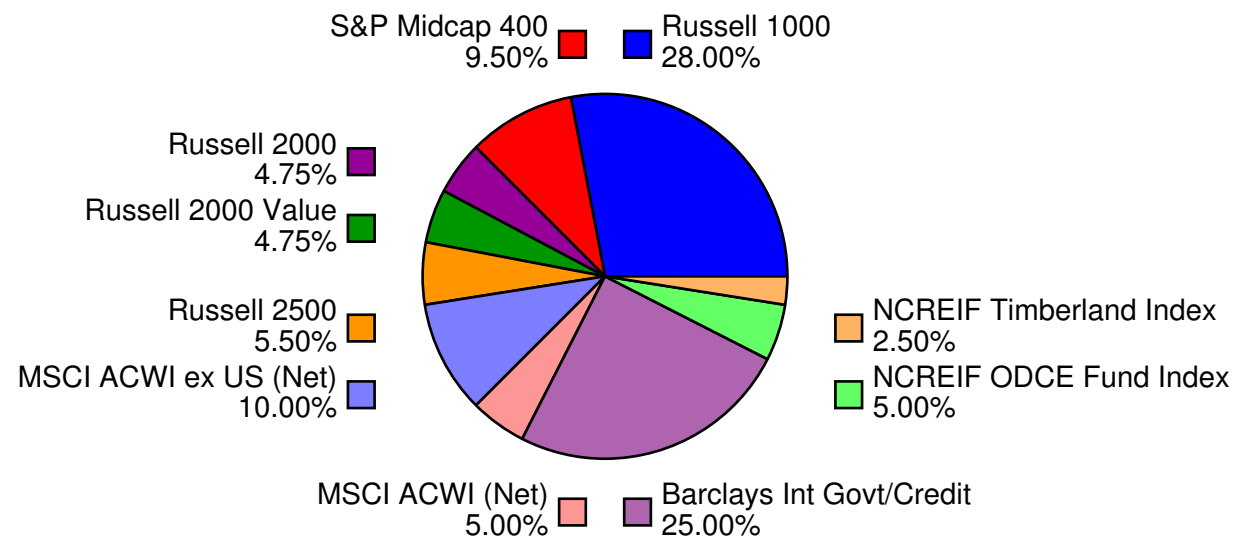
\$145,888,442



# Mobile Police & Firefighters Asset And Policy Allocation Total Fund

September 30, 2014

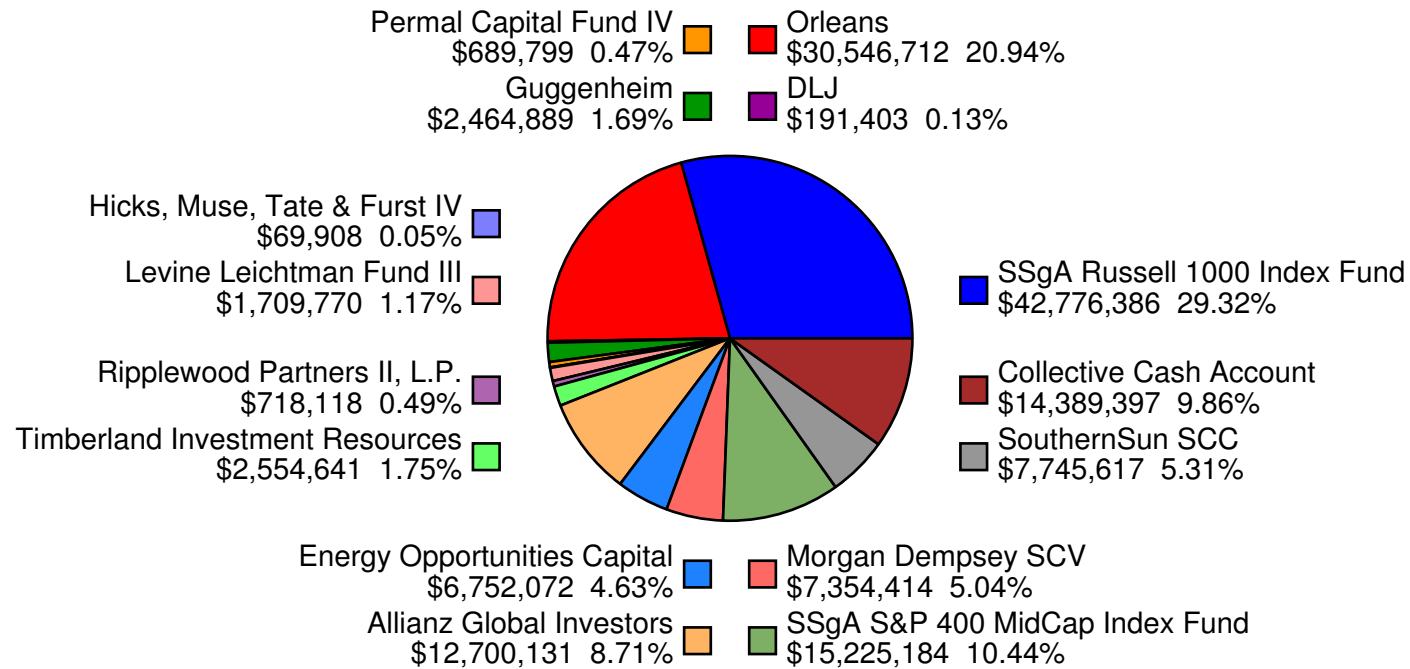
Mobile P&F Policy Index



# Mobile Police & Firefighters Total Fund Allocation By Manager Total Fund

September 30, 2014

\$145,888,442





**Mobile Police & Firefighters**  
**Sources of Fund Growth**  
**Total Fund**  
**6/30/14 - 9/30/14**

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	42,501	0	0	276	42,776	0.65	0.65
Energy Opportunities Capital	7,700	0	19	-929	6,752	-12.08	-12.31
Morgan Dempsey SCV	8,196	0	23	-820	7,354	-10.01	-10.27
SSgA S&P 400 MidCap Index Fund	15,861	0	0	-636	15,225	-4.01	-4.01
SouthernSun SCC	8,496	0	21	-730	7,746	-8.60	-8.84
Equity	82,755	0	63	-2,838	79,854		
Allianz Global Investors	13,461	-29	0	-732	12,700	-5.45	-5.45
Int'l Equity	13,461	-29	0	-732	12,700		
Orleans	30,544	0	9	11	30,547	0.04	0.01
Fixed Income	30,544	0	9	11	30,547		
Collective Cash Account	14,362	26	0	1	14,389	0.01	0.01
Short Term	14,362	26	0	1	14,389		
DLJ	191	0	0	0	191	0.00	0.00
Guggenheim	2,434	0	6	37	2,465	1.53	1.28
Real Estate	2,625	0	6	37	2,656		
Permal Capital Fund IV	719	-25	2	-2	690	-0.29	-0.57
Hicks, Muse, Tate & Furst IV	70	0	0	0	70	0.00	0.00
Ripplewood Partners II, L.P.	833	0	0	-115	718	-13.80	-13.80
Timberland Investment Resources	2,549	-60	5	71	2,555	2.83	2.62
Special Investments	4,171	-85	7	-46	4,032		

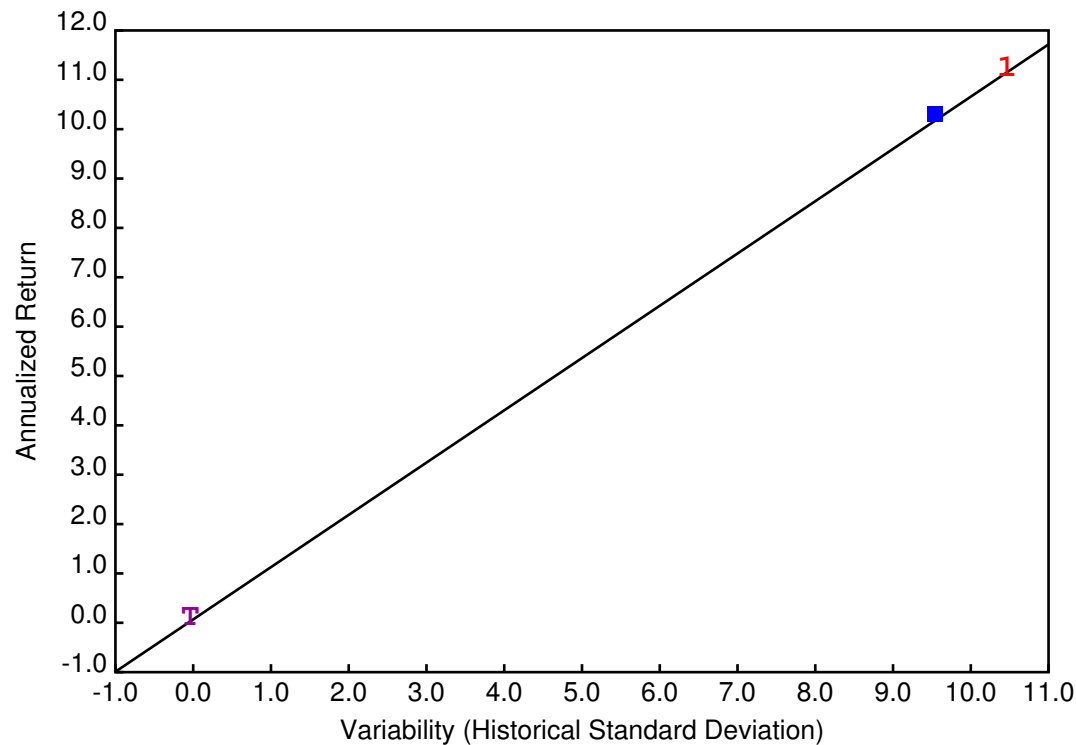
Mobile Police & Firefighters  
Sources of Fund Growth  
Total Fund  
6/30/14 - 9/30/14

[illegible]

# Mobile Police & Firefighters

## Quarterly Total Return Market Line Analysis

Periods from 9/09 to 9/14



	Annualized Return	Variability	Reward	Sharpe Ratio
■ Total Fund	10.29	9.63	10.19	1.06
1 Mobile P&F Policy Index	11.22	10.53	11.13	1.06
T 91-Day Treasury Bill	0.10	0.03	0.00	0.00

# City of Mobile Police & Firefighters

## September 30, 2014

Performance Summary Table  
Periods Ending 9/30/14

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
SSgA Russell 1000 Index Fund							
Total Return	0.65	7.99	19.04	19.98	23.25	15.92	8.51
Total Return (Net of Fees)	0.65	7.96	18.99	19.90	23.17	15.85	
Russell 1000	0.65	7.98	19.03	19.96	23.24	15.90	8.46
Variance	-0.00	0.01	0.01	0.02	0.01	0.01	0.05

### SSGA Russell 1000 Index Fund (Commingled 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 practical 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

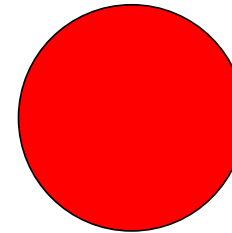
3.5 bps on all assets (Min. Fee of \$20,000 per year)

-fee schedule amended in 2014

-assets to be combined w/ Mid Cap Index assets when determining fees

Asset Allocation  
SSgA Russell 1000 Index Fund  
September 30, 2014 \$42,776,386

Domestic Equity  
\$42,776,386 100.00%



#### CONCLUSIONS/RECOMMENDATIONS

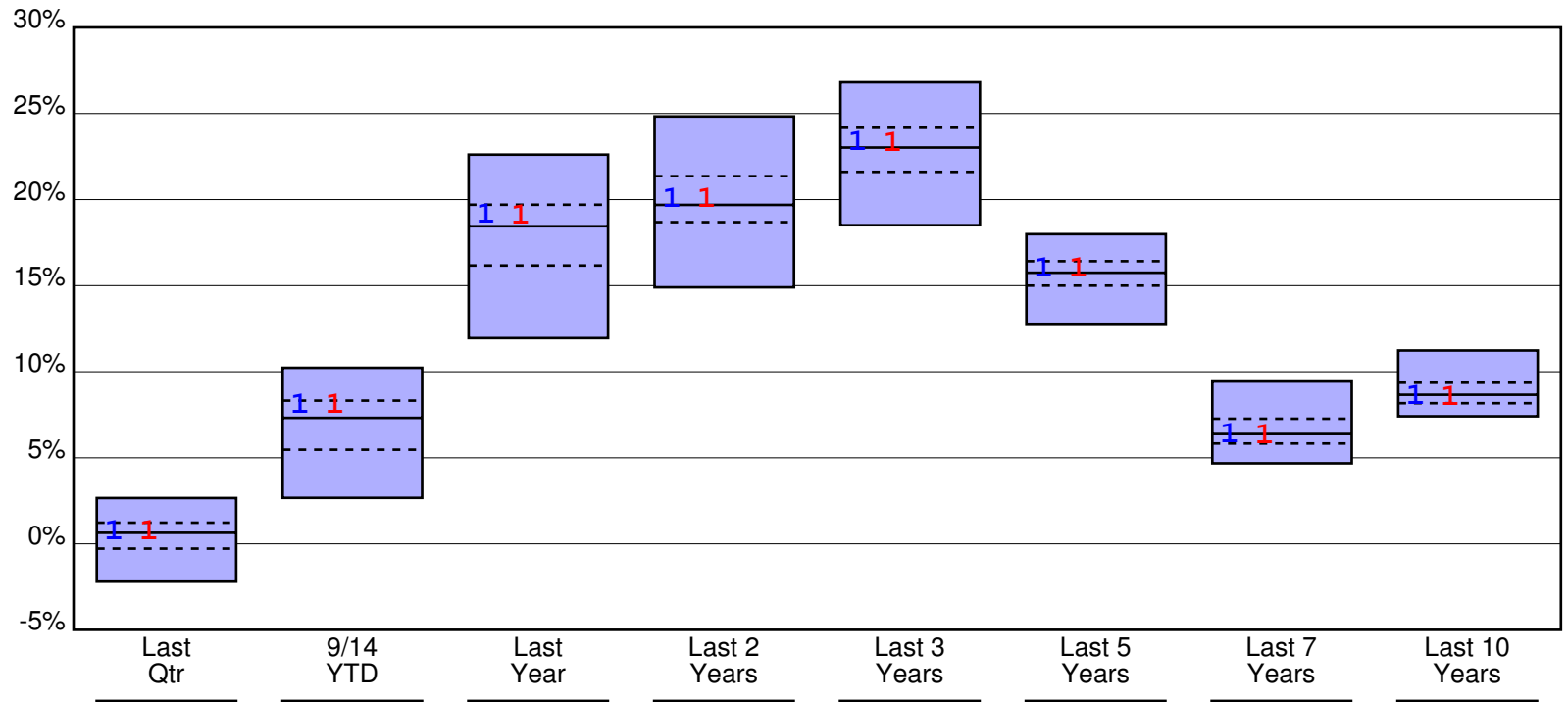
The SSgA Fund performed in line with the Russell 1000 Index during the quarter.

# City of Mobile Police & Firefighters

## All Large Cap Cumulative Performance Comparisons

### Total Returns of Equity Portfolios

#### Periods Ending 9/14



5th Percentile	2.66	10.23	22.61	24.83	26.81	17.99	9.43	11.23
25th Percentile	1.23	8.32	19.70	21.36	24.17	16.42	7.27	9.36
Median	0.64	7.32	18.45	19.69	23.02	15.75	6.38	8.66
75th Percentile	-0.28	5.47	16.17	18.69	21.61	15.00	5.83	8.17
95th Percentile	-2.20	2.67	11.95	14.90	18.51	12.78	4.68	7.41
1 SSgA Russell 1000 Index Fund	0.65 (49)	7.99 (37)	19.04 (37)	19.98 (43)	23.25 (37)	15.92 (41)	6.28 (53)	8.51 (59)
1 Russell 1000	0.65 (49)	7.98 (37)	19.03 (38)	19.96 (44)	23.24 (37)	15.90 (43)	6.26 (54)	8.46 (62)

# City of Mobile Police & Firefighters

## September 30, 2014

Performance Summary Table  
Periods Ending 9/30/14

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
Energy Opportunities Capital							
Total Return	-12.08	-1.51	1.01	10.73			
Total Return (Net of Fees)	-12.31	-2.25	0.01	9.52			
OIH_XLE Blended Index	-11.59	3.57	9.32	12.97			
Variance	-0.49	-5.09	-8.31	-2.24			

### ENERGY OPPORTUNITIES CAPITAL

#### Large Cap Growth Equity (Separately Managed)

#### 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 OIH\_XLE Blended Benchmark over a market cycle. (3-5 years)

#### STRATEGY

The fundamental goal is to produce returns superior to energy related benchmarks and broad market equity indices by investing in a diversified portfolio of energy company equities designed to capitalize on existing energy supply and demand fundamentals.

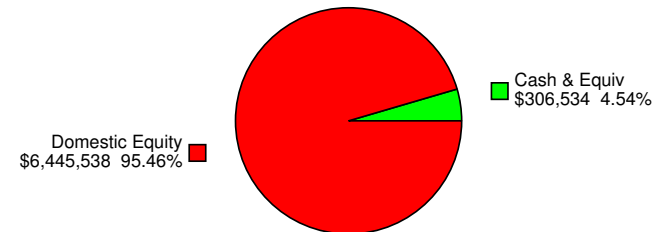
The primary thrust of the strategy is to capitalize on the ongoing positive supply and demand fundamentals that exist in energy markets. Among other things, the manager emphasizes those sectors and companies that are beneficiaries of the necessary capital expenditures that will be required to generate the supply required to maintain and support increasing global energy demand and global economic growth.

#### FEE SCHEDULE

1.00% on all assets

### Asset Allocation Energy Opportunities Capital

September 30, 2014 \$6,752,072



#### CONCLUSIONS/RECOMMENDATIONS

Energy Opportunities Capital under performed the blended benchmark during the 3rd Quarter 2014.

# City of Mobile Police & Firefighters

## September 30, 2014

Performance Summary Table  
Periods Ending 9/30/14

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
SSgA S&P 400 MidCap Index Fund							
Total Return	-4.01	3.19	11.81				
Total Return (Net of Fees)	-4.01	3.14	11.75				
S&P Midcap 400	-3.98	3.21	11.82				
Variance	-0.02	-0.02	-0.01				

### SSGA S&P 400 MIDCAP INDEX FUND (Commingled Fund)

#### OBJECTIVE:

Track the return of the S&P 400 MidCap 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 practical 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

3.5 bps on all assets (Min. Fee of \$20,000 per year)

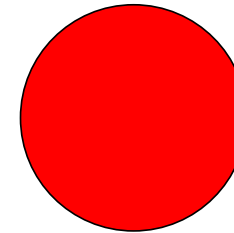
-fee schedule amended in 2014

-assets to be combined w/ Russell 1000 Index assets when determining fees

### Asset Allocation SSgA S&P 400 MidCap Index Fund

September 30, 2014 \$15,225,184

Domestic Equity  
\$15,225,184 100.00%



#### CONCLUSIONS/RECOMMENDATIONS

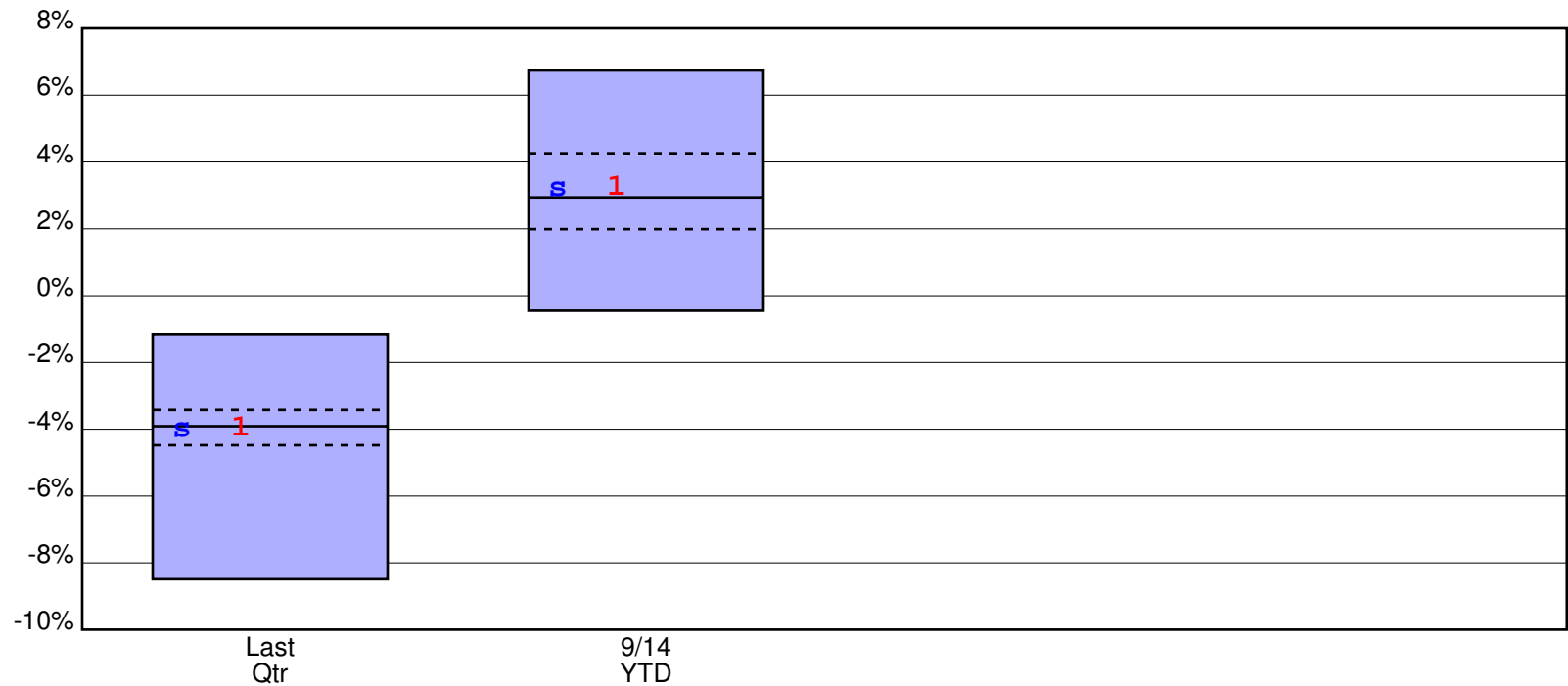
The SSgA S&P 400 MidCap Index Fund performed in-line with the S&P 400 MidCap Index during the quarter.

# City of Mobile Police & Firefighters

## Midcap Neutral Cumulative Performance Comparisons

### Total Returns of Equity Portfolios

#### Periods Ending 9/14



	5th Percentile	-1.15	6.74
	25th Percentile	-3.42	4.26
	Median	-3.91	2.94
	75th Percentile	-4.48	1.99
	95th Percentile	-8.49	-0.45
<b>S</b>	SSgA S&P 400 MidCap Index Fund	-4.01 (65)	3.19 (45)
<b>1</b>	S&P Midcap 400	-3.98 (61)	3.21 (44)



# City of Mobile Police & Firefighters

## September 30, 2014

Performance Summary Table  
Periods Ending 9/30/14

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
Morgan Dempsey SCV							
Total Return	-10.01	-6.33	1.86				
Total Return (Net of Fees)	-10.27	-7.12	0.74				
Russell 2000 Value	-8.58	-4.73	4.12				
Variance	-1.43	-1.60	-2.26				

### Morgan Dempsey Capital Management, LLC Small Cap Value Equity Separately Managed Account

#### 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 2000 Value Index over a market cycle. (3-5 years)

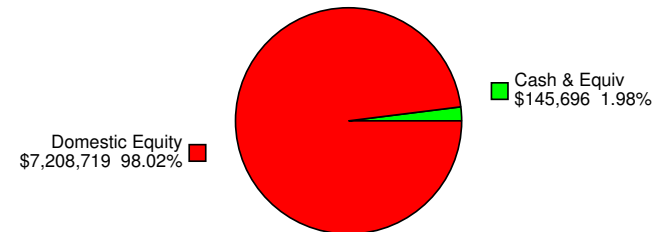
#### STRATEGY

Morgan Dempsey focuses on the area of the market where they can gain a significant advantage through bottom-up fundamental research. Their ability to pursue micro-cap companies in addition to small-cap stocks provides them with opportunities that are off limits to many larger institutional strategies. The firm pursues companies with strong competitive characteristics and equally strong balance sheets that are selling at a big discount to estimated intrinsic value. As a buy-and-hold investor, the firm wants to be a long-term partner with great companies. While they consider themselves value investors, growth is one of the many factors they take into consideration when computing intrinsic value estimates. Morgan Dempsey's value style fosters a capital preservation and risk control philosophy. Their contrarian bias affords them the freedom to be agnostic to benchmark weightings and to instead focus on the best companies in the most promising areas of the market. The portfolio will typically hold between 55-75 companies with diversification across industry sectors.

#### FEE SCHEDULE

**1.10% on all assets**

Asset Allocation  
Morgan Dempsey SCV  
September 30, 2014 \$7,354,414



#### CONCLUSIONS/RECOMMENDATIONS

Morgan Dempsey under performed the Russell 2000 Value Index by 143 basis points during the 3rd Quarter 2014 and ranked in the 96th percentile of the Small Cap Value Universe. Stock Selection in the Industrials and Consumer Discretionary sectors, as well as an overweighting in Energy and underweighting in the Financials sectors were the main contributors to the under performance.

# City of Mobile Police & Firefighters

## Equity Summary Statistics

### Morgan Dempsey SCV

#### Period Ending 9/14

	Portfolio	Russell 2000 Value	Ten Largest Holdings	Mkt Value	% of Port	Quarterly Ret
Total Number Of Securities	72	1,348	Unit Corp	372,134	5.17	-14.79
Equity Market Value	7,208,719		Sturm Ruger & Co Inc	366,636	5.09	-16.76
Average Capitalization \$(000)	1,182,574	1,537,921	J & J Snack Foods Co	355,060	4.93	-0.27
Median Capitalization \$(000)	426,029	587,905	Gorman Rupp Co	336,148	4.67	-14.82
Equity Segment Yield	1.57	2.09	Marcus Corp	335,639	4.66	-12.96
Equity Segment P/E - Average	22.52	33.08	Granite Constr Inc	324,939	4.51	-11.24
Equity Segment P/E - Median	18.58	14.58	Aptargroup Inc	316,793	4.40	-9.01
Equity Segment Beta	1.13	1.28	Foster L B Co	207,695	2.88	-15.07
Price/Book Ratio	1.85	1.43	Utah Med Prods Inc	198,014	2.75	-4.75
Debt/Equity Ratio	17.02	52.37	Cal Maine Foods Inc	192,595	2.67	20.90
Five Year Earnings Growth	6.94	6.42				

GICS Sectors	Weight		Return		Selection		
	Portfolio	Index	Portfolio	Index	Stock	Sector	Total
Energy	15.53	7.50	-16.74	-22.85	0.95	-1.15	-0.20
Materials	8.39	4.67	-7.39	-9.57	0.18	-0.04	0.15
Industrials	37.28	13.26	-12.35	-11.08	-0.47	-0.60	-1.07
Consumer Discretionary	15.51	11.18	-11.19	-8.99	-0.34	-0.02	-0.36
Consumer Staples	12.10	2.61	-2.23	-8.50	0.76	0.01	0.77
Health Care	6.39	4.87	-6.36	-6.86	0.03	0.03	0.06
Financials	2.50	38.46	-2.91	-5.04	0.05	-1.27	-1.22
Information Technology	2.31	10.13	-1.02	-6.92	0.14	-0.13	0.01
Telecom. Services	0.00	0.78		-8.52	0.00	-0.00	-0.00
Utilities	0.00	6.54		-10.44	0.00	0.12	0.12
	100.00	100.00	-10.33	-8.58	1.30	-3.05	-1.75

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 0.12%

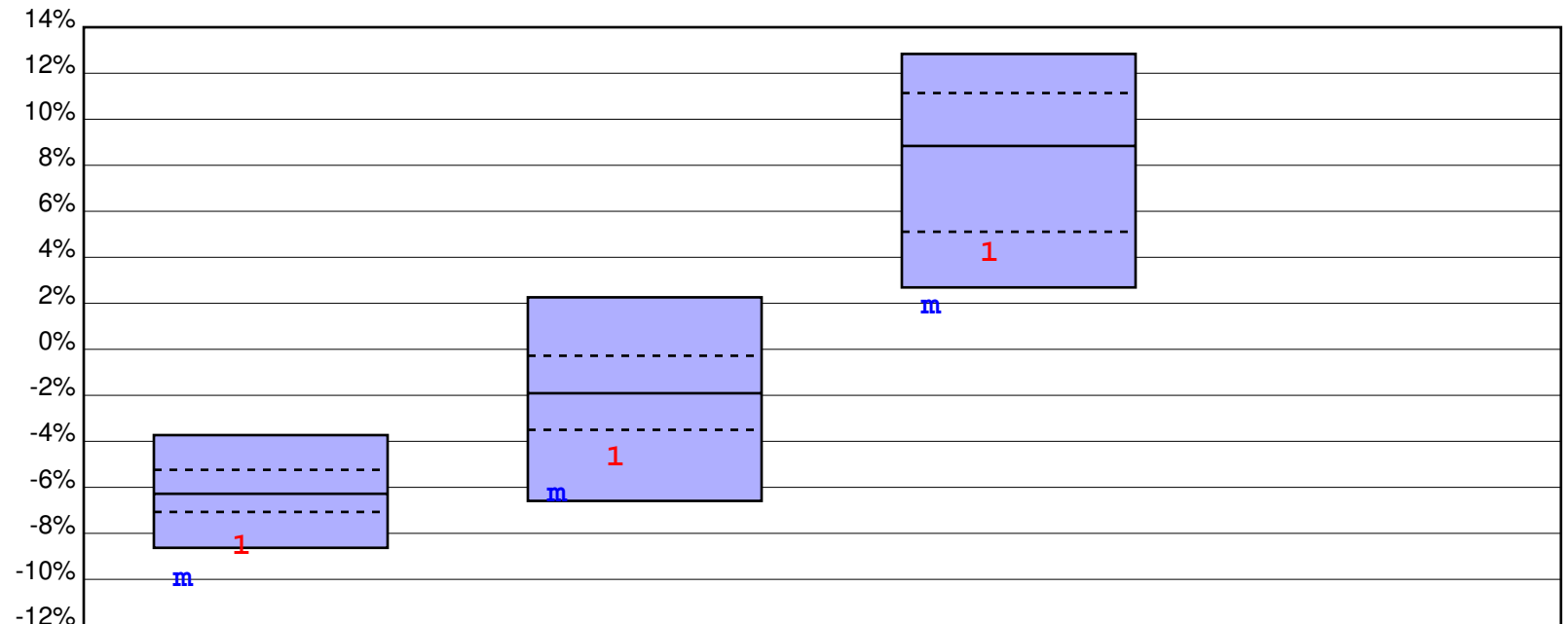
[ Actual Return -10.21% ] - [ Buy Hold Return -10.33% ]

# City of Mobile Police & Firefighters

## Small Value Cumulative Performance Comparisons

### Total Returns of Equity Portfolios

#### Periods Ending 9/14



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

Last  
Qtr

9/14  
YTD

Last  
Year

-3.73  
-5.24  
-6.28  
-7.07  
-8.63

2.26  
-0.28  
-1.91  
-3.50  
-6.59

12.84  
11.14  
8.84  
5.11  
2.69

**m** Morgan Dempsey SCV  
**1** Russell 2000 Value

-10.01 (96)  
-8.58 (93)

-6.33 (94)  
-4.73 (90)

1.86 (97)  
4.12 (90)

# City of Mobile Police & Firefighters

## September 30, 2014

Performance Summary Table  
Periods Ending 9/30/14

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
SouthernSun SCC							
Total Return	-8.60	-2.41	5.88				
Total Return (Net of Fees)	-8.84	-3.14	4.84				
Russell 2000	-7.36	-4.41	3.93				
Variance	-1.24	1.99	1.95				

### SOUTHERNSUN ASSET MANAGEMENT

#### Small Cap Core Equity

#### Separately Managed Account

#### 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 2000 Index over a market cycle. (3-5 years)

#### STRATEGY

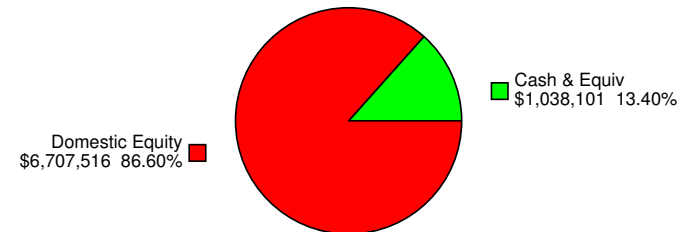
Pinpoint attractively valued companies based on a proprietary calculation and analysis of a company's discretionary cash flow. Analyze company's enterprise value, P/E and P/B ratios, and "break-up" value; and focus on companies with at least a minimal rate of organic growth (3-6%).

Bottom-up analysis of niche-dominant businesses with financial flexibility and uniquely-suited management teams.

#### FEE SCHEDULE:

1.00% on the first \$50,000,000  
0.95% on the next \$50,000,000  
0.90% on the next \$100,000,000  
0.85% thereafter

Asset Allocation  
SouthernSun SCC  
September 30, 2014 \$7,745,617



#### CONCLUSIONS/RECOMMENDATIONS

SouthernSun under performed the Russell 2000 Index by 124 basis points during the 3rd Quarter 2014 and ranked in the 88th percentile of the Small Cap Core Universe. Stock selection in the Energy and Consumer Staples sectors, as well as "zero" weighting to Financials and an overweighting to the Industrials sector were the main contributors to the under performance.

# City of Mobile Police & Firefighters

## Equity Summary Statistics

### SouthernSun SCC

#### Period Ending 9/14

	Portfolio	Russell 2000	Ten Largest Holdings	Mkt Value	% of Port	Quarterly Ret
Total Number Of Securities	22	1,992	Iconix Brand Group I	403,200	6.02	-13.97
Equity Market Value	6,707,516		Centene Corp Del	400,316	5.97	9.39
Average Capitalization \$(000)	3,500,959	1,685,709	Darling Intl Inc	390,124	5.82	-12.34
Median Capitalization \$(000)	2,442,542	660,806	Diebold Inc	389,403	5.81	-11.40
Equity Segment Yield	1.08	1.36	Trinity Inds Inc	379,133	5.66	7.10
Equity Segment P/E - Average	19.54	41.43	Chicago Bridge & Iro	378,628	5.65	-15.08
Equity Segment P/E - Median	18.14	15.15	Hill Rom Hldgs Inc	363,755	5.43	0.16
Equity Segment Beta	1.41	1.27	Sanderson Farms Inc	356,637	5.32	-8.56
Price/Book Ratio	2.19	2.07	AGCO Corp	354,361	5.29	-18.95
Debt/Equity Ratio	51.40	46.60	Brinks Co	330,310	4.93	-14.50
Five Year Earnings Growth	11.15	9.54				

GICS Sectors	Weight		Return		Selection		
	Portfolio	Index	Portfolio	Index	Stock	Sector	Total
Energy	6.44	6.34	-61.48	-20.56	-2.64	-0.01	-2.65
Materials	7.85	5.11	-9.96	-8.42	-0.12	-0.03	-0.15
Industrials	34.82	13.97	-3.20	-9.59	2.22	-0.46	1.77
Consumer Discretionary	17.32	13.18	-6.35	-8.53	0.38	-0.05	0.33
Consumer Staples	11.92	3.15	-10.47	-3.37	-0.85	0.35	-0.49
Health Care	11.56	13.28	4.86	-3.53	0.97	-0.07	0.91
Financials	0.00	22.95		-5.24	0.00	-0.49	-0.49
Information Technology	5.92	17.89	-11.40	-5.67	-0.34	-0.21	-0.54
Telecom. Services	0.00	0.76		-6.80	0.00	-0.00	-0.00
Utilities	4.16	3.38	-4.47	-10.28	0.24	-0.02	0.22
	100.00	100.00	-8.50	-7.39	-0.13	-0.99	-1.11

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 -1.44%

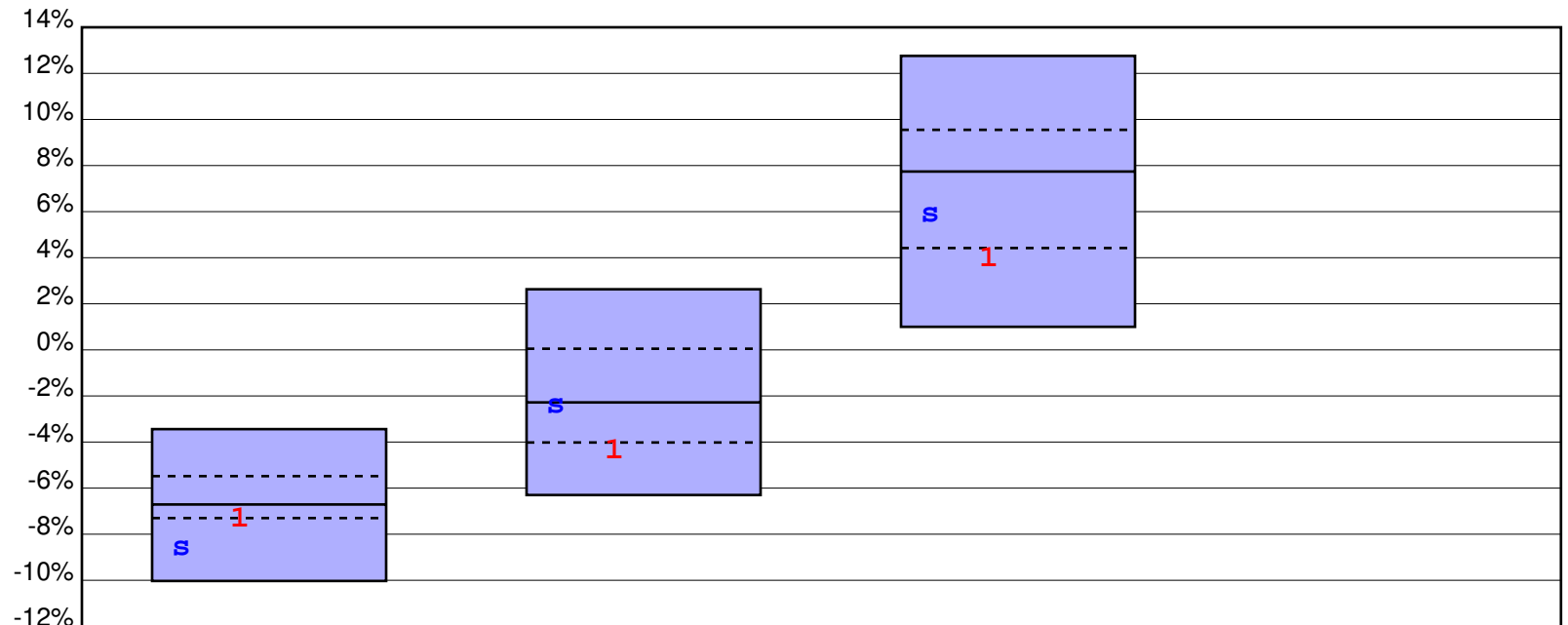
[ Actual Return -9.95% ] - [ Buy Hold Return -8.50% ]

# City of Mobile Police & Firefighters

## Small Neutral Cumulative Performance Comparisons

### Total Returns of Equity Portfolios

#### Periods Ending 9/14



	Last Qtr	9/14 YTD	Last Year
5th Percentile	-3.44	2.63	12.76
25th Percentile	-5.48	0.05	9.55
Median	-6.71	-2.28	7.74
75th Percentile	-7.30	-4.02	4.42
95th Percentile	-10.03	-6.30	1.00
<b>S</b> SouthernSun SCC	-8.60 (88)	-2.41 (52)	5.88 (66)
<b>1</b> Russell 2000	-7.36 (77)	-4.41 (80)	3.93 (83)

# City of Mobile Police & Firefighters

## September 30, 2014

Performance Summary Table  
Periods Ending 9/30/14

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
Allianz Global Investors							
Total Return	-5.45	-0.19	3.70	8.79			
Total Return (Net of Fees)	-5.45	-0.40	3.48	8.68			
MSCI ACWI ex US (Net)	-5.27	0.00	4.77	10.47			
Variance	-0.18	-0.20	-1.07	-1.67			

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

#### 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)

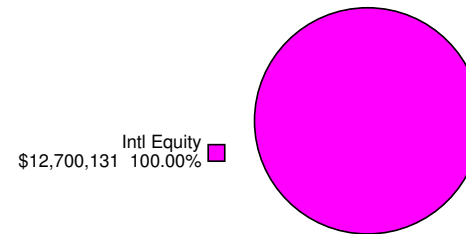
#### STRATEGY:

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. The 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  
September 30, 2014 \$12,700,131

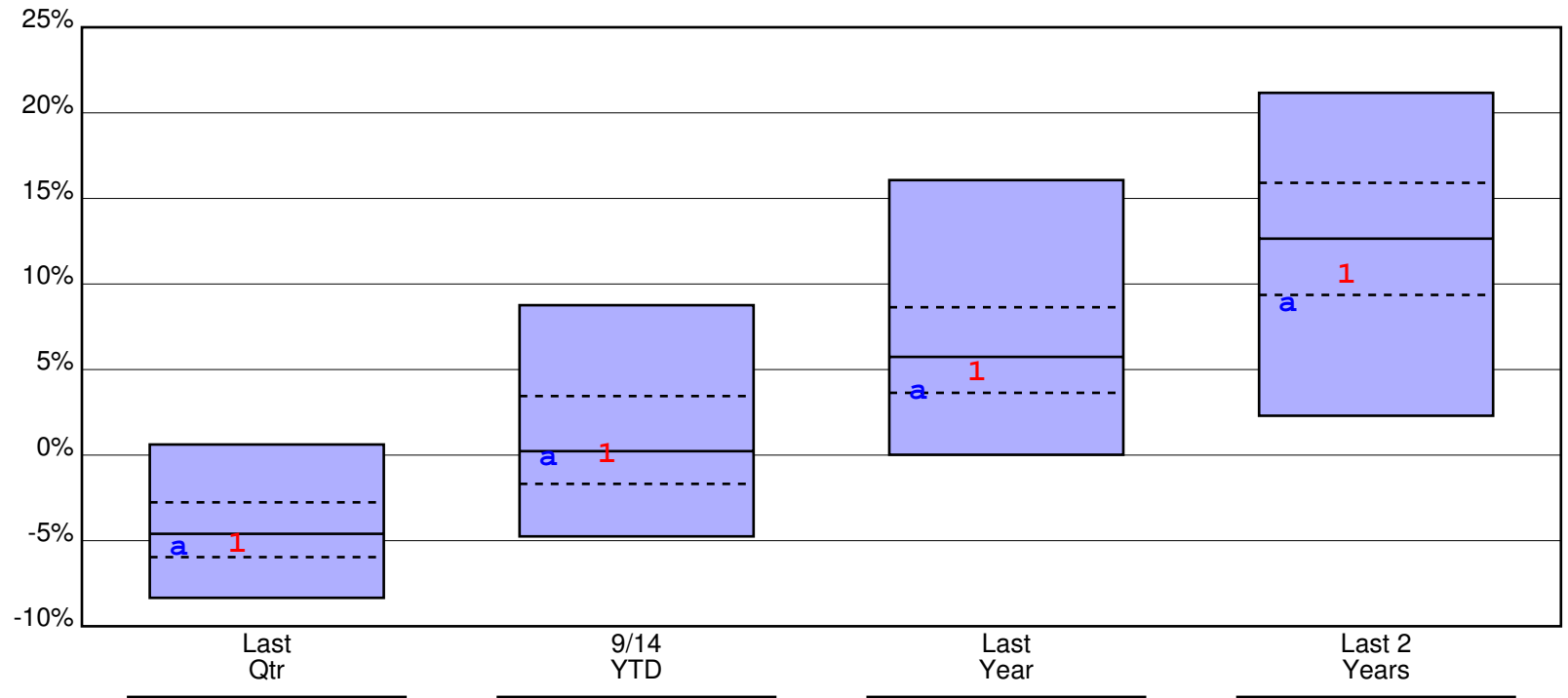


#### CONCLUSIONS/RECOMMENDATIONS

Allianz Global Investors under performed the MSCI ACWI ex US (Net) during the 3rd Quarter 2014 and ranked in the 63rd percentile of the International Equity Universe. Negative Sector Selection and regional allocations overwhelmed the portfolio's positive stock selections and were the contributors to the portfolio's performance for the quarter.

Over a 2-year time period, Allianz Global Investors ranks in the 78th percentile of the International Equity Universe.

# City of Mobile Police & Firefighters Cumulative Performance Comparison Total Returns of International Equity Portfolios Periods Ending 9/14



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

**a** Allianz Global Investors  
**1** MSCI ACWI ex US (Net)

Last Qtr  
0.62  
-2.76  
-4.60  
-5.96  
-8.34  
-5.45 (63)  
-5.27 (61)

9/14 YTD  
8.76  
3.45  
0.23  
-1.68  
-4.75  
-0.19 (57)  
0.00 (55)

Last Year  
16.07  
8.64  
5.74  
3.64  
0.02  
3.70 (74)  
4.77 (61)

Last 2 Years  
21.17  
15.91  
12.65  
9.36  
2.30  
8.79 (78)  
10.47 (68)



# City of Mobile Police & Firefighters

## September 30, 2014

Performance Summary Table  
Periods Ending 9/30/14

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
<b>Orleans</b>							
Total Return	0.04	2.94	3.43	1.73	2.84	4.20	4.76
Total Return (Net of Fees)	0.01	2.86	3.31	1.61	2.72	4.07	
Barclays Int Govt/Credit	-0.03	2.22	2.20	0.84	2.01	3.42	4.05
Variance	0.07	0.73	1.24	0.89	0.82	0.78	0.71
Barclays U.S. Aggregate	0.17	4.10	3.96	1.10	2.43	4.12	4.62

### ORLEANS

#### Intermediate Fixed Income Portfolio (Separately Managed)

##### 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.

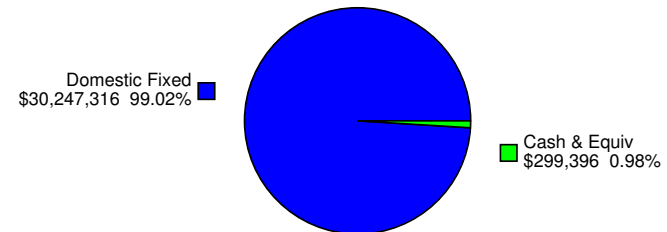
##### FEE SCHEDULE

15 bps on first \$10MM

10 bps thereafter

### Asset Allocation Orleans

September 30, 2014 \$30,546,712



### CONCLUSIONS/RECOMMENDATIONS

Orleans out performed the Barclays Int. Govt/Credit Index during the quarter. Manager ranked in the 61st percentile of the Fixed Income Universe during the quarter.

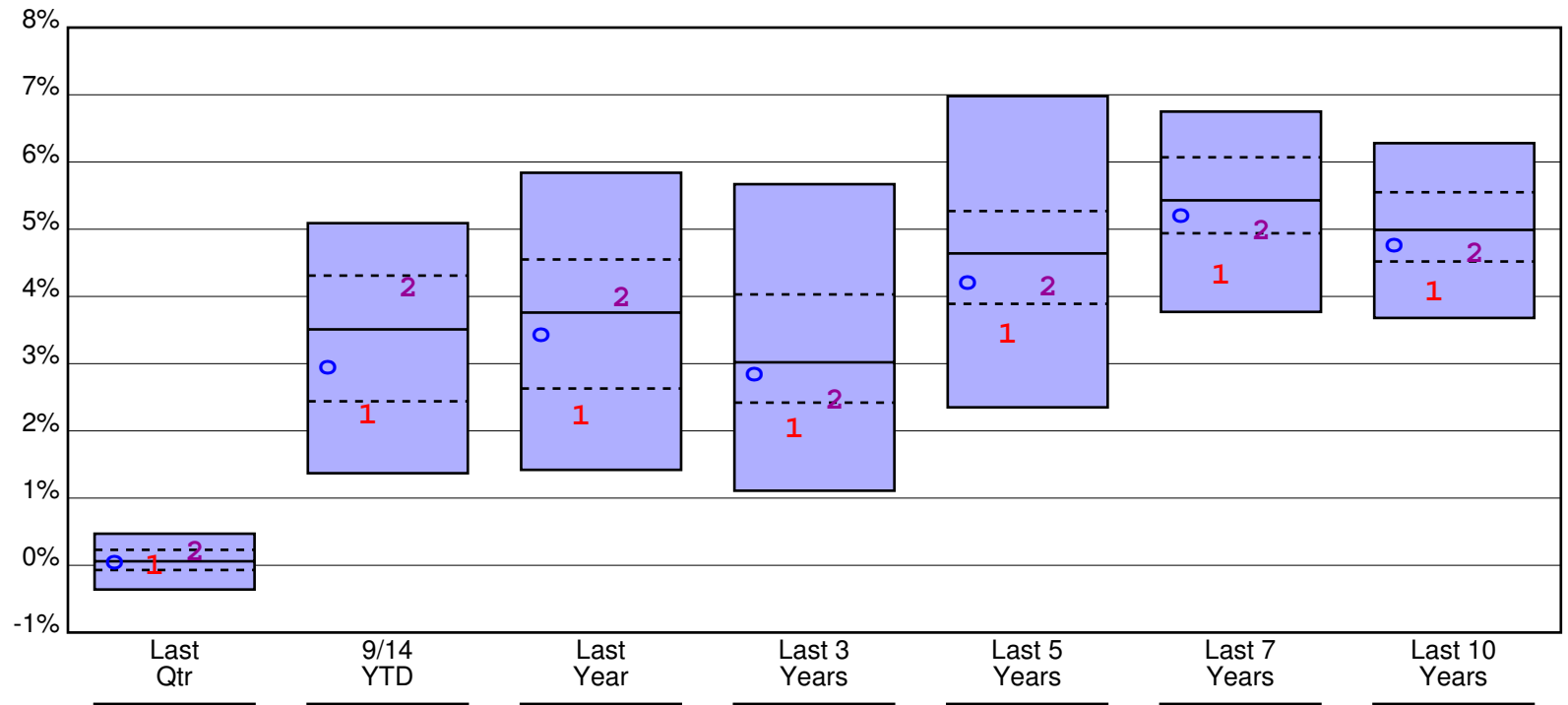
In all periods greater than one year, the manager has out performed the Barclays Int. Govt/Credit Index. Over the past seven years, manager ranks in the 59th percentile of the Fixed Income Universe.

# City of Mobile Police & Firefighters

## Intermediate Term Cumulative Performance Comparisons

### Total Returns of Fixed Income Portfolios

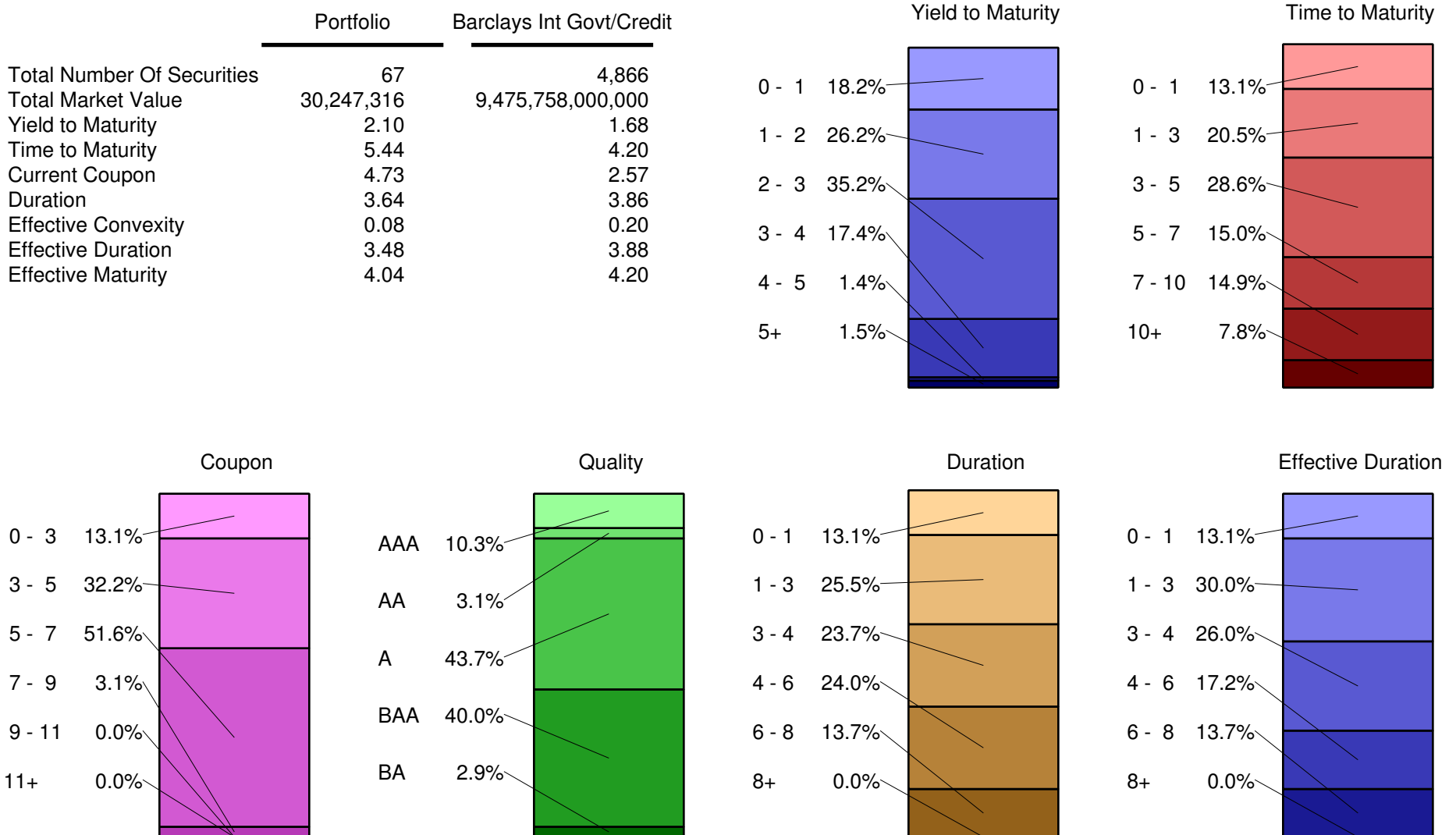
#### Periods Ending 9/14



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

	Last Qtr	9/14 YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
5th Percentile	0.47	5.09	5.84	5.67	6.98	6.75	6.28
25th Percentile	0.23	4.31	4.55	4.03	5.27	6.07	5.55
Median	0.06	3.51	3.76	3.02	4.64	5.43	4.99
75th Percentile	-0.07	2.44	2.63	2.42	3.89	4.94	4.52
95th Percentile	-0.36	1.37	1.42	1.11	2.35	3.77	3.68
Orleans	0.04 (53)	2.94 (63)	3.43 (55)	2.84 (59)	4.20 (62)	5.20 (62)	4.76 (63)
Barclays Int Govt/Credit	-0.03 (68)	2.22 (81)	2.20 (85)	2.01 (86)	3.42 (85)	4.30 (88)	4.05 (89)
Barclays U.S. Aggregate	0.17 (33)	4.10 (34)	3.96 (42)	2.43 (74)	4.12 (65)	4.95 (74)	4.62 (72)

# City of Mobile Police & Firefighters Fixed Income, Mortgage and Municipals Summary Statistics Orleans Quarter Ending 9/14



# City of Mobile Police & Firefighters

## September 30, 2014

### **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.

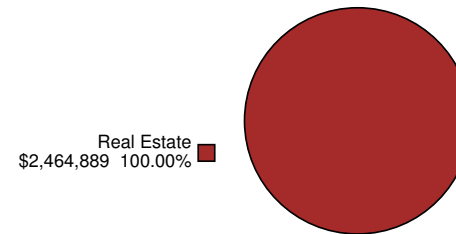
Private investments consist of direct properties (31 investments), mezzanine financing (8 investments), and 7 fund investments (in order to take advantage of market pricing and portfolio diversification).

#### **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

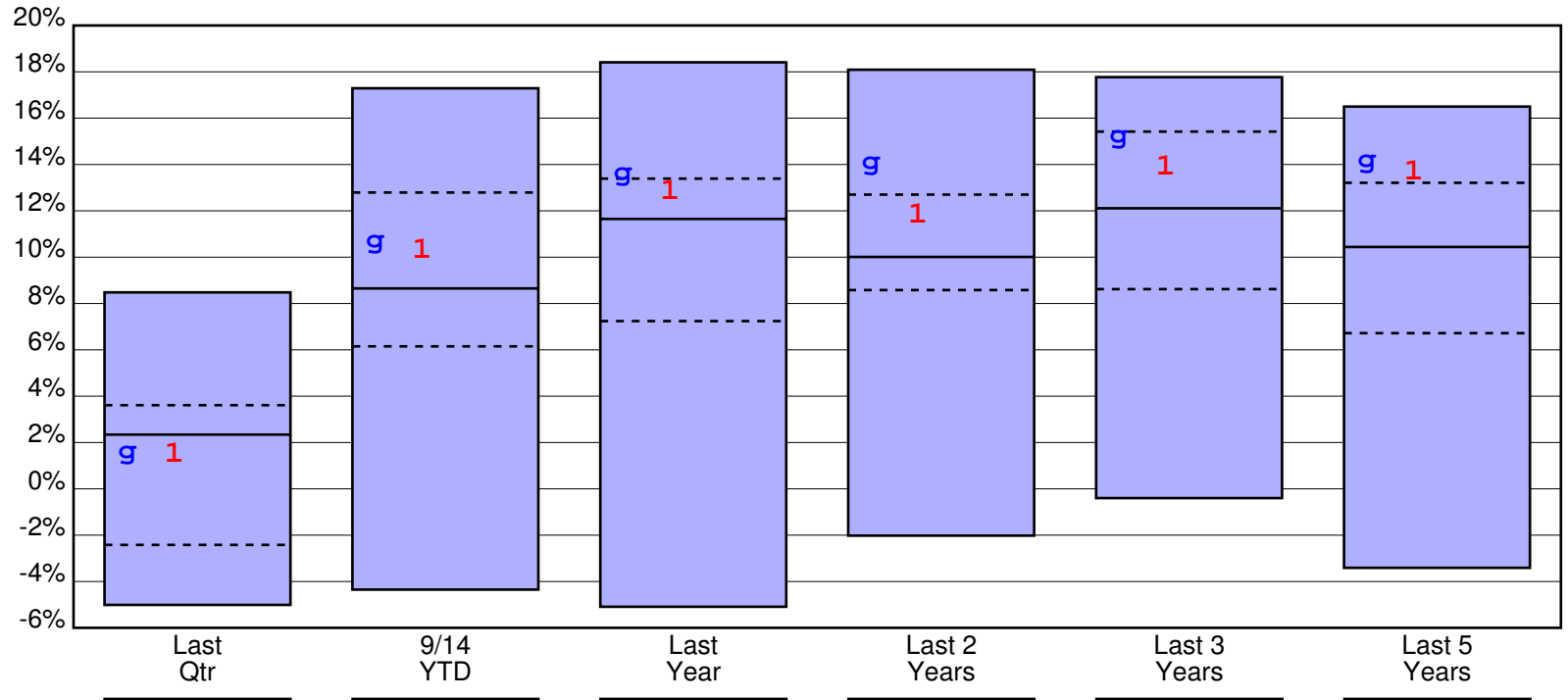
September 30, 2014      \$2,464,889



#### **CONCLUSIONS/RECOMMENDATIONS**

Guggenheim out performed the blended benchmark and ranked in the 57th percentile of the Real Estate Universe for the quarter.

# City of Mobile Police & Firefighters Cumulative Performance Comparison Total Returns of Real Estate Portfolios Periods Ending 9/14



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

Last Qtr	8.48	17.29	18.41	18.09	17.77	16.50
9/14 YTD	3.61	12.79	13.39	12.70	15.42	13.21
Last Year	2.34	8.65	11.65	10.01	12.11	10.44
Last 2 Years	-2.42	6.15	7.24	8.58	8.62	6.72
Last 3 Years	-5.01	-4.35	-5.09	-2.02	-0.40	-3.41
Last 5 Years						
Guggenheim (g)	1.53 (57)	10.64 (31)	13.57 (22)	14.05 (15)	15.18 (26)	14.10 (18)
70% NCREIF / 30% NAREIT (1)	1.48 (57)	10.26 (33)	12.81 (38)	11.78 (33)	13.88 (35)	13.65 (20)

## City of Mobile Police & Firefighters September 30, 2014

### DLJ REAL ESTATE CAPITAL PARTNERS FUND II Real Estate

#### OBJECTIVE

Manager is expected to out perform the NCREIF Index.

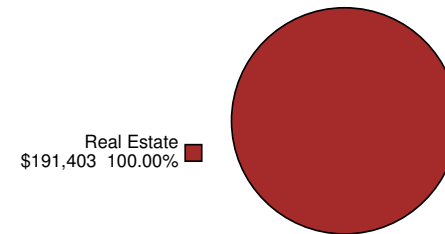
#### CONCLUSIONS/RECOMMENDATIONS

Fund values and performance have not yet been updated through 3Q2014.

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

#### Asset Allocation DLJ

September 30, 2014      \$191,403



City of Mobile Police & Firefighters  
Internal Rate of Return Table  
DLJ  
September 30, 2014

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
9/99		284,105	0	-2,982	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  
September 30, 2014

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  
September 30, 2014

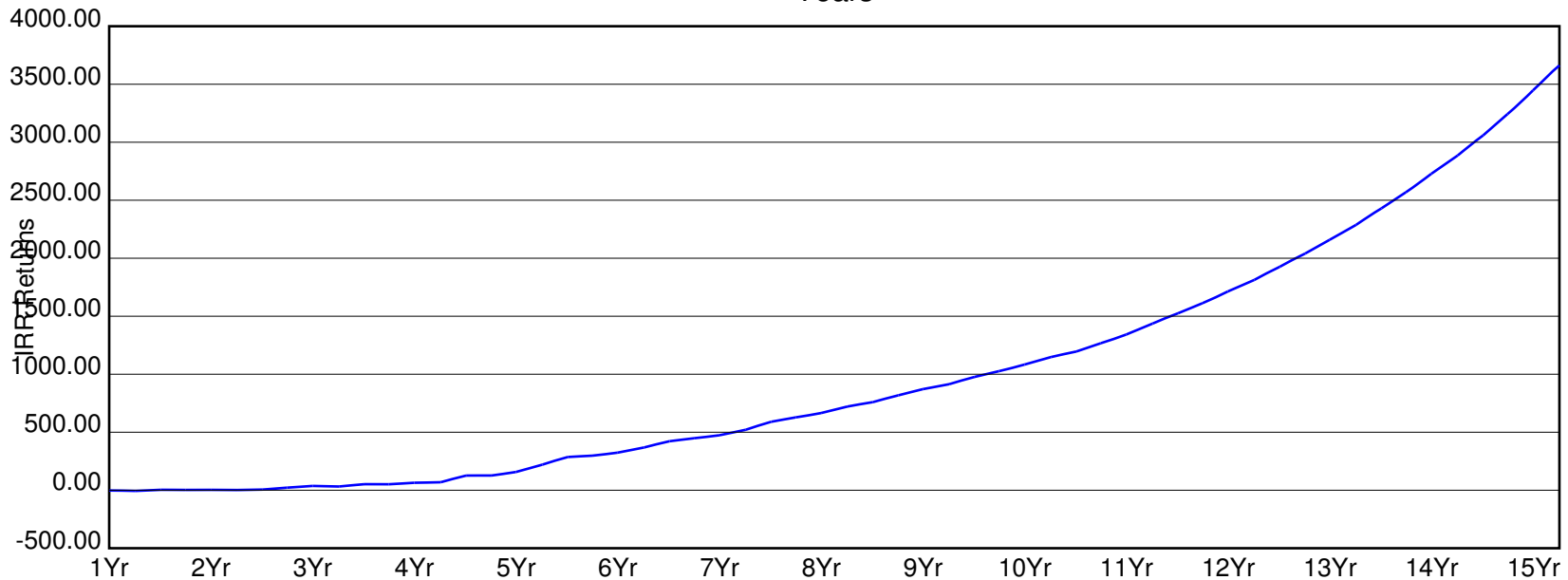
Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
9/11	506,108	0	0	-3,147	0	1,668	501,294	1,813.04	27.82
12/11	501,294	0	0	13,618	0	0	514,911	1,926.25	27.77
3/12	514,911	0	0	5,316	0	1,259	518,968	2,040.58	27.71
6/12	518,968	0	0	-337	0	0	518,631	2,158.59	27.64
9/12	518,631	0	0	4,280	0	1,066	521,845	2,287.20	27.58
12/12	521,845	0	0	16,929	0	0	538,774	2,429.90	27.54
3/13	538,774	0	0	122	0	1,066	537,830	2,568.66	27.48
6/13	537,830	0	0	20,084	0	0	557,915	2,727.88	27.46
9/13	557,915	0	0	-3,935	67,085	8,471	478,423	2,886.03	27.40
12/13	478,423	0	0	3,801	0	0	482,224	3,059.12	27.35
3/14	482,224	0	295,137	-22	970	0	186,095	3,243.21	27.33
6/14	186,095	0	0	5,308	0	0	191,403	3,447.12	27.32
9/14	191,403	0	0	0	0	0	191,403	3,662.64	27.30
Total		2,645,954	4,014,373	1,868,521	125,281	183,417	191,403	3,662.64	27.30

# City of Mobile Police & Firefighters J-Curve Graph

DLJ

3/31/00 - 9/30/14

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
13	0	0	0	2,927	518,631	2,158.59
14	0	0	0	2,132	557,915	2,727.88
15	0	295,137	68,955	8,471		
Total	2,645,954	4,014,373	125,281	183,417		

# City of Mobile Police & Firefighters

## September 30, 2014

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

Initial Closing on August 7, 1998

**Fund Term has expired and HMTF IV is completing disposition final investments.**

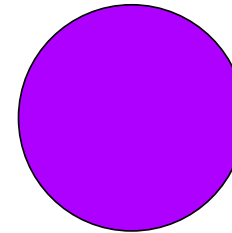
#### CONCLUSIONS/RECOMMENDATIONS

Hicks, Muse, Tate & Furst IV values have not been updated through 3Q2014.

The fund currently has three holdings remaining in its portfolio. Two are currently carried at a fair value above cost, with the remaining holding carried at a fair value significantly below cost. The fund is continuing to work through its remaining positions, though there is currently no estimated time frame for disposition of these positions. The manager is allowed the extra time needed to work out of these illiquid positions, per the fund documents.

Asset Allocation  
Hicks, Muse, Tate & Furst IV  
September 30, 2014 \$69,908

Other  
\$69,908 100.00%



City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Hicks, Muse, Tate & Furst IV  
September 30, 2014

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
9/98		930,532	64,711	0	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  
September 30, 2014

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  
September 30, 2014

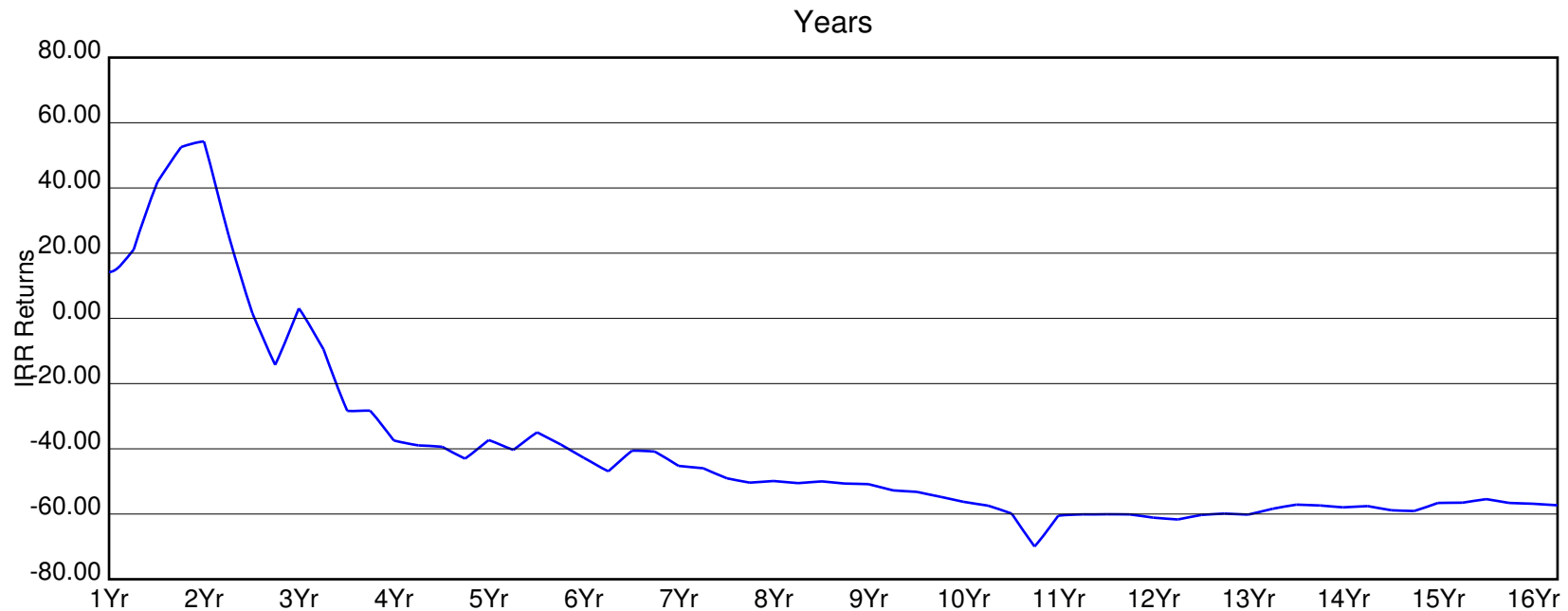
Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
9/10	189,496	0	0	-1,792	0	0	187,704	-61.67	-7.65
12/10	187,704	0	0	16,585	0	0	204,289	-60.27	-7.23
3/11	204,289	0	0	6,870	0	0	211,159	-59.86	-7.02
6/11	211,159	1	0	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	14,511	0	0	245,399	-57.12	-6.17
3/12	245,399	0	0	11	0	0	245,410	-57.38	-6.10
6/12	245,410	0	0	-2,925	0	0	242,485	-57.95	-6.08
9/12	242,485	0	0	5,848	0	0	248,333	-57.57	-5.92
12/12	248,333	0	0	-9,555	0	0	238,777	-58.84	-6.02
3/13	238,777	0	0	0	0	0	238,777	-59.07	-5.96
6/13	238,777	0	0	24,882	0	0	263,659	-56.60	-5.48
9/13	263,659	0	0	2,661	0	0	266,320	-56.52	-5.38
12/13	266,320	0	0	11,933	0	0	278,252	-55.43	-5.14
3/14	278,252	0	203,193	-7,241	0	0	67,818	-56.60	-5.23
6/14	67,818	0	0	2,090	0	0	69,908	-56.85	-5.18
9/14	69,908	0	0	0	0	0	69,908	-57.32	-5.17
Total		2,415,558	1,740,144	-561,250	0	44,256	69,908	-57.32	-5.17

# City of Mobile Police & Firefighters

## J-Curve Graph

### Hicks, Muse, Tate & Furst IV

#### 3/31/99 - 9/30/14



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
14	0	0	0	0	242,485	-57.95
15	0	0	0	0	263,659	-56.60
16	0	203,193	0	0		
Total	2,415,558	1,740,144	0	44,256		

Total Capital Commitment: 2,000,000

# City of Mobile Police & Firefighters

## September 30, 2014

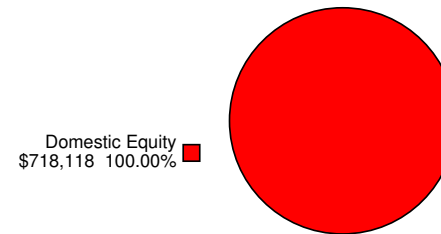
### **RIPPLEWOOD PARTNERS II** **Private Equity**

#### **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.  
September 30, 2014      \$718,118



#### **CONCLUSIONS/RECOMMENDATIONS**

Ripplewood Partners II made its final distribution on June 13, 2014.



City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Ripplewood Partners II, L.P.  
September 30, 2014

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

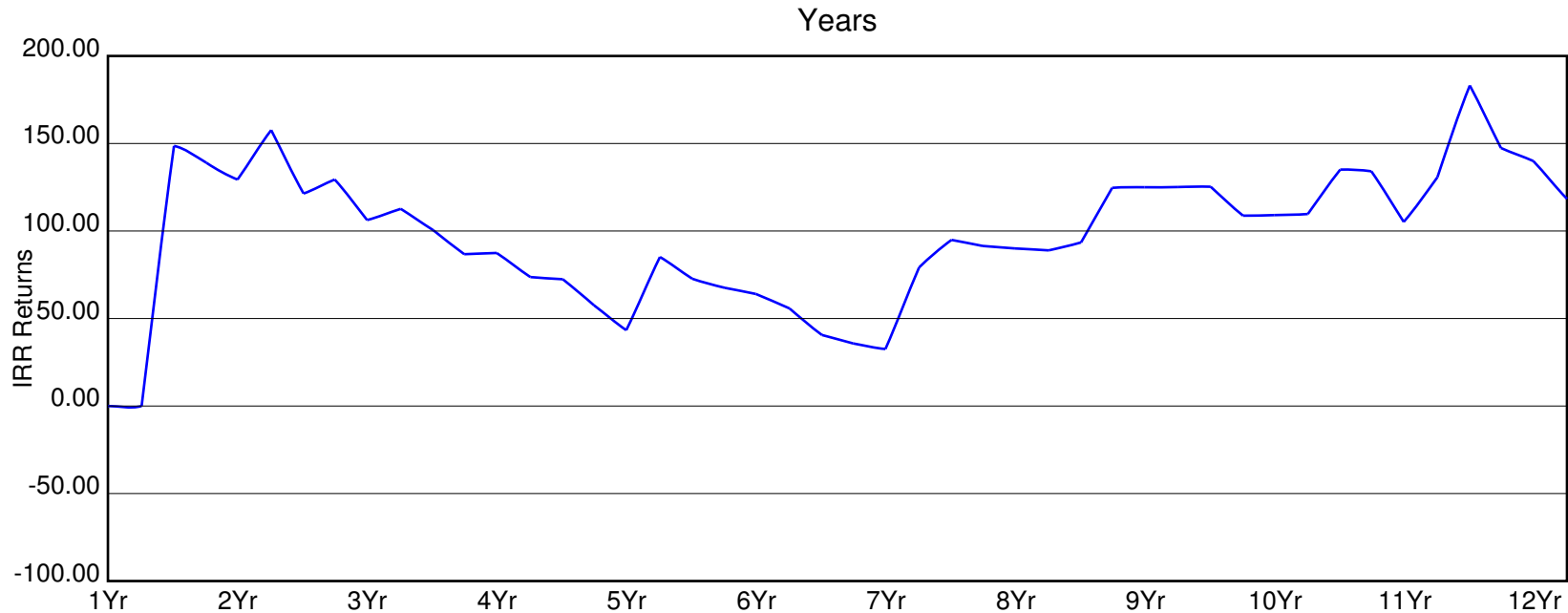
City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Ripplewood Partners II, L.P.  
September 30, 2014

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	-1,169	11,497	0	1,043,178	125.30	9.12
3/12	1,043,178	0	0	-87,620	10,805	18,434	926,319	108.75	8.00
6/12	926,319	0	0	-1,364	23,948	0	901,007	109.08	7.81
9/12	901,007	0	0	-270	15,159	0	885,579	109.71	7.64
12/12	885,579	0	39,995	125,535	14,238	0	956,881	135.08	8.64
3/13	956,881	0	0	-9,636	0	0	947,245	134.12	8.39
6/13	947,245	0	37,861	-153,425	0	0	755,959	105.20	6.88
9/13	755,959	0	0	125,707	0	0	881,666	130.74	7.85
12/13	881,666	0	0	254,335	0	0	1,136,001	183.14	9.64
3/14	1,136,001	0	72,717	-182,298	0	0	880,986	147.44	8.15
6/14	880,986	0	3,937	-43,930	0	0	833,119	139.99	7.70

City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Ripplewood Partners II, L.P.  
September 30, 2014

[illegible]

City of Mobile Police & Firefighters  
J-Curve Graph  
Ripplewood Partners II, L.P.  
3/31/03 - 9/30/14



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
10	0	0	51,780	18,434	901,007	109.08
11	0	77,856	29,397	0	755,959	105.20
12	0	76,654	0	0		
Total	2,608,181	2,286,913	95,164	129,599		

Total Capital Commitment: 2,000,000      Village Year: 2002

# City of Mobile Police & Firefighters

## September 30, 2014

### LEVINE LEICHTMAN CAPITAL PARTNERS III

#### Private Equity

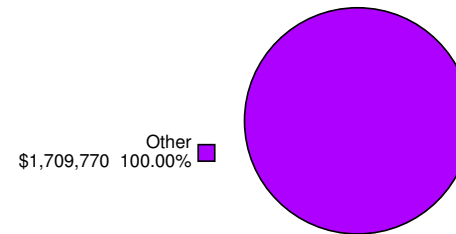
#### OBJECTIVE

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.

Asset Allocation  
Levine Leichtman Fund III  
September 30, 2014      \$1,709,770



#### CONCLUSIONS/RECOMMENDATIONS

Levine Leichtman Fund III values and performance has not been updated through the Third Quarter of 2014. The manager's performance will be included in subsequent reports.

Fund expired on October 18, 2012 and will not be extending the agreement. The General Partner has decided to liquidate Fund III and wind up the affairs of the Partnership. The liquidation process is expected to take up to three years (likely through 2015).

City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Levine Leichtman Fund III  
September 30, 2014

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
12/03		1,134,255	461,406	-326,677	0	39,051	307,121	-51.54	NA
3/04	307,121	210,315	9,312	21,994	0	21,994	508,124	-45.61	NA
6/04	508,124	0	241,858	-11,361	0	0	254,905	-43.92	NA
9/04	254,905	289,782	4,649	19,700	0	26,250	533,488	-43.65	NA
12/04	533,488	142,889	51,702	128,466	0	0	753,141	-23.18	-22.27
3/05	753,141	23,201	282,564	46,888	0	23,201	517,465	-16.07	-12.67
6/05	517,465	204,000	4,658	-9,933	0	0	706,874	-17.73	-11.89
9/05	706,874	26,250	53,097	-20,046	0	26,250	633,731	-20.07	-11.73
12/05	633,731	51,000	26,010	183,546	0	0	842,267	4.32	2.09
3/06	842,267	26,250	11,854	40,372	0	26,250	870,785	9.61	4.08
6/06	870,785	606,000	14,405	25,913	0	0	1,488,293	12.81	4.86
9/06	1,488,293	204,677	27,545	33,585	0	0	1,699,010	16.04	5.47
12/06	1,699,010	0	115,053	86,027	0	0	1,669,984	24.90	7.57
3/07	1,669,984	37,263	29,447	42,791	0	0	1,720,591	28.55	7.92
6/07	1,720,591	279,009	305,166	-45,351	0	21,009	1,628,074	22.65	5.93
9/07	1,628,074	707,676	182,942	75,039	0	0	2,227,847	29.61	7.07
12/07	2,227,847	21,000	130,012	183,108	0	0	2,301,943	46.32	9.86
3/08	2,301,943	0	0	3,537	0	0	2,305,480	44.83	9.00
6/08	2,305,480	61,331	86,896	258,643	0	23,791	2,514,767	67.84	12.07
9/08	2,514,767	159,048	127,160	187,405	0	27,512	2,706,548	83.51	13.49
12/08	2,706,548	276,909	576,611	-239,850	0	2,243	2,164,753	59.50	9.69
3/09	2,164,753	132,862	41,246	20,748	0	4,555	2,272,561	60.53	9.35
6/09	2,272,561	153,690	156,567	38,060	0	9,691	2,298,053	63.04	9.22
9/09	2,298,053	12,373	44,741	-141,895	0	4,013	2,119,778	49.96	7.24

City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Levine Leichtman Fund III  
September 30, 2014

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
12/09	2,119,778	45,936	39,809	66,044	0	3,850	2,188,099	55.04	7.52
3/10	2,188,099	15,380	58,311	98,761	0	6,994	2,236,934	62.89	8.06
6/10	2,236,934	80,588	124,359	33,563	0	7,776	2,218,951	65.15	7.97
9/10	2,218,951	60,133	38,419	222,873	0	7,564	2,455,973	83.53	9.34
12/10	2,455,973	11,929	313,708	44,815	0	13,895	2,185,115	86.86	9.27
3/11	2,185,115	40,446	57,598	61,531	0	6,948	2,222,546	92.12	9.36
6/11	2,222,546	19,895	148,327	-1,336	0	19,972	2,072,806	92.14	9.04
9/11	2,072,806	0	0	-37,872	0	0	2,034,933	89.31	8.53
12/11	2,034,933	0	0	135,219	0	13,442	2,156,711	101.13	9.07
3/12	2,156,711	0	0	10,805	0	0	2,167,515	102.44	8.87
6/12	2,167,515	0	93,975	6,930	0	0	2,080,470	103.45	8.66
9/12	2,080,470	0	21,083	333,736	0	13,611	2,379,511	132.68	10.07
12/12	2,379,511	0	11,059	-10,340	0	0	2,358,111	132.46	9.77
3/13	2,358,111	0	22,655	29,949	0	0	2,365,405	135.71	9.66
6/13	2,365,405	0	0	-44,168	0	0	2,321,237	132.58	9.24
9/13	2,321,237	0	0	-19,015	0	0	2,302,223	131.61	8.95
12/13	2,302,223	0	0	123,489	0	1,041	2,424,671	143.06	9.24
3/14	2,424,671	205,677	947,451	45,875	0	0	1,728,772	149.26	9.27
6/14	1,728,772	0	25,537	36,544	0	0	1,739,779	154.66	9.27
9/14	1,739,779	0	30,009	0	0	0	1,709,770	156.91	9.13
Total		5,239,764	4,917,202	1,738,111	0	350,903	1,709,770	156.91	9.13

# City of Mobile Police & Firefighters

## September 30, 2014

### 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.

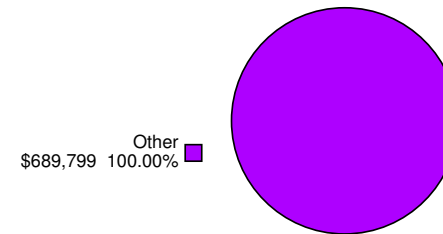
#### STRATEGIES

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  
September 30, 2014 \$689,799



#### CONCLUSIONS/RECOMMENDATIONS

Permal PEH IV has an annualized return since inception of 6.62% through 3rd Quarter 2014. Permal has distributed \$1,040,548 and has added \$453,332 in appreciated value since inception..



City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Permal Capital Fund IV  
September 30, 2014

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
3/07		200,000	0	-1,478	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
3/12	1,117,804	0	0	61,645	0	2,500	1,176,949	26.97	4.69
6/12	1,176,949	0	0	34,393	0	2,312	1,209,030	31.39	5.13
9/12	1,209,030	0	26,858	19,689	0	2,312	1,199,549	33.68	5.21
12/12	1,199,549	0	120,000	-2,929	0	2,312	1,074,307	33.00	4.90

City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Permal Capital Fund IV  
September 30, 2014

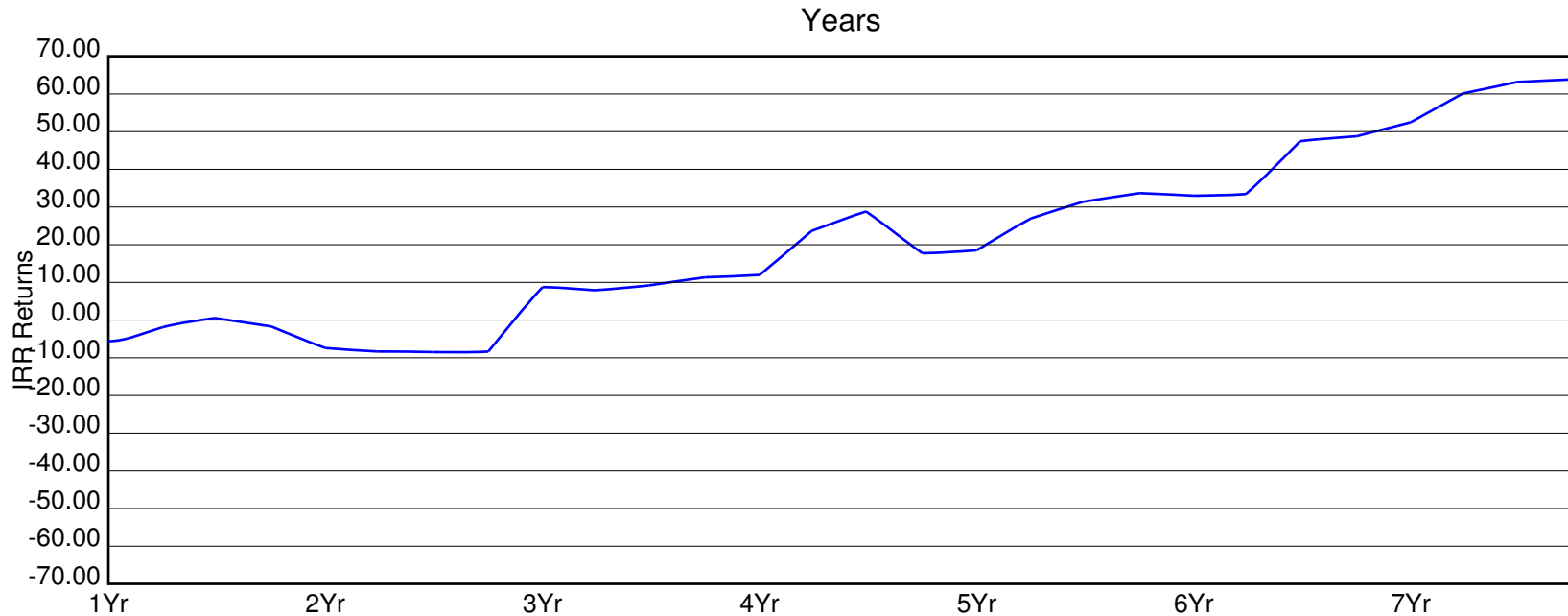
Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
3/13	1,074,307	0	0	4,484	0	0	1,078,791	33.43	4.75
6/13	1,078,791	0	40,000	102,574	0	2,139	1,139,226	47.47	6.20
9/13	1,139,226	0	0	10,515	0	0	1,149,740	48.76	6.10
12/13	1,149,740	0	0	28,147	0	2,139	1,175,749	52.51	6.25
3/14	1,175,749	137,797	606,191	51,517	0	0	758,872	60.13	6.75
6/14	758,872	0	53,440	15,377	0	1,979	718,830	63.18	6.78
9/14	718,830	0	24,982	-2,070	0	1,979	689,799	63.89	6.62
Total		1,375,769	1,040,548	453,332	21,082	77,672	689,799	63.89	6.62

# City of Mobile Police & Firefighters

## J-Curve Graph

### Permal Capital Fund IV

9/30/07 - 9/30/14



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	1,117,804	18.51
6	0	146,858	0	9,436	1,074,307	33.00
7	0	40,000	0	4,278	1,175,749	52.51
Total	1,375,769	1,040,548	21,082	77,672		

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

# City of Mobile Police & Firefighters

## September 30, 2014

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

#### **OBJECTIVE**

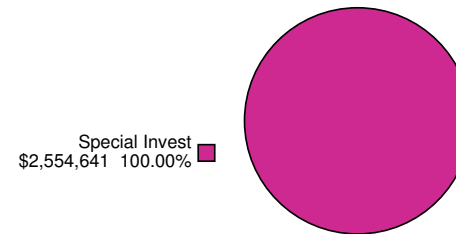
Manager is expected to outperform the NCREIF Timber Index.

#### **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**

September 30, 2014      \$2,554,641



#### **CONCLUSIONS/RECOMMENDATIONS**

Timberland Investment Resources has an annualized return since inception of 5.28% through 3rd Quarter 2014. Timberland has distributed \$287,001 and has added \$627,048 in appreciated value since inception.

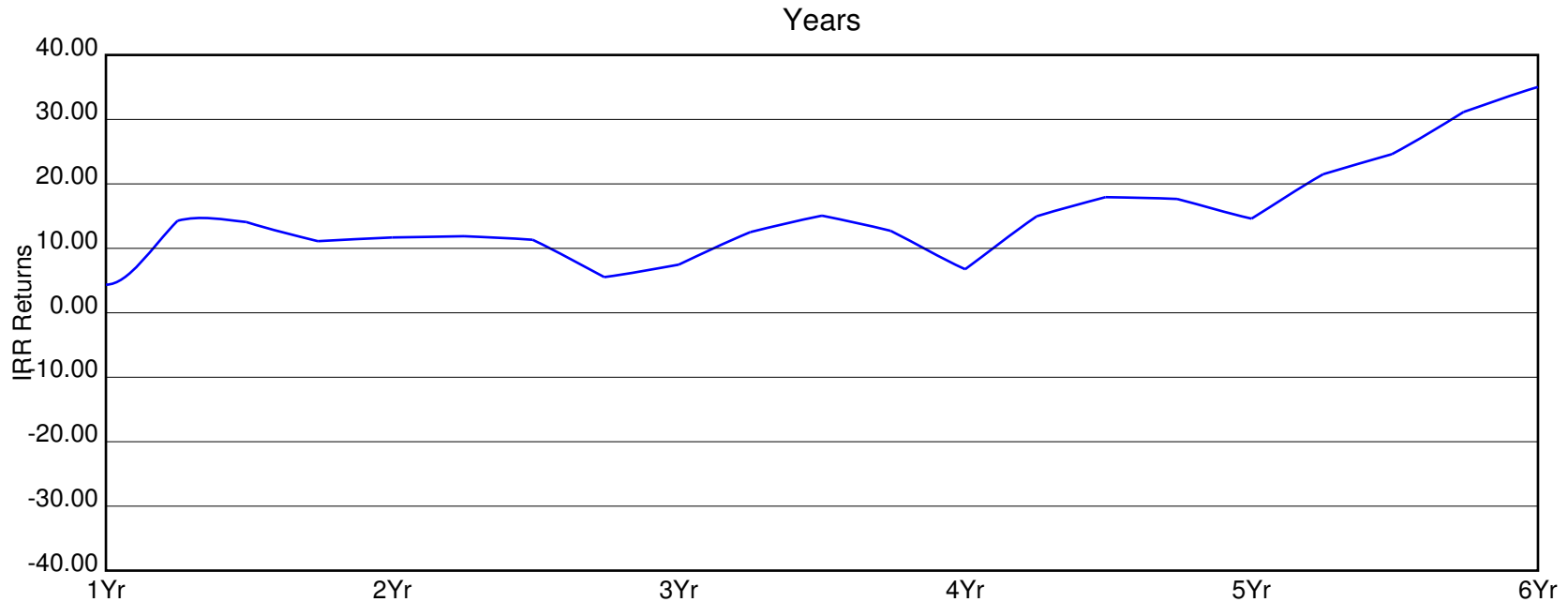
City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Timberland Investment Resources  
September 30, 2014

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
12/08		967,502	0	-401	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
3/12	2,462,706	0	0	46,261	3,123	5,168	2,500,676	15.07	4.30
6/12	2,500,676	0	0	-30,261	0	5,095	2,465,320	12.72	3.40
9/12	2,465,320	0	0	-92,590	0	4,894	2,367,836	6.76	1.72
12/12	2,367,836	0	0	140,187	0	5,173	2,502,850	14.98	3.48
3/13	2,502,850	0	72,790	54,705	0	5,125	2,479,640	17.94	3.88
6/13	2,479,640	0	0	-402	0	5,113	2,474,125	17.66	3.61
9/13	2,474,125	0	0	-49,215	0	5,001	2,419,909	14.61	2.86
12/13	2,419,909	0	133,102	123,496	0	4,971	2,405,332	21.50	3.90
3/14	2,405,332	0	0	57,154	0	5,079	2,457,407	24.61	4.21
6/14	2,457,407	0	20,797	117,670	0	5,268	2,549,012	31.15	4.98
9/14	2,549,012	0	60,312	71,221	0	5,280	2,554,641	35.04	5.28

City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Timberland Investment Resources  
September 30, 2014

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
Total		2,347,065	287,001	627,048	33,889	98,582	2,554,641	35.04	5.28

City of Mobile Police & Firefighters  
J-Curve Graph  
Timberland Investment Resources  
6/30/09 - 9/30/14



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	2,393,952	7.47
4	0	0	9,867	20,247	2,367,836	6.76
5	0	72,790	0	20,412	2,419,909	14.61
6	0	214,211	0	20,598		
Total	2,347,065	287,001	33,889	98,582		

---

## DEFINITION OF INDICES

### APPENDIX A

---

ASSET ALLOCATION	TARGET
Opportunistic Equity	5.00 %
LargeCap Equity	28.00 %
MidCap Equity	9.50 %
Small Cap Core Equity	4.75 %
Small Cap Value Equity	4.75 %
International Equity	10.00 %
Fixed Income	25.00 %
Alternative Investments	13.00 %
Cash & Cash Equivalents	0.00 %

#### Indices used to calculate target and actual benchmarks:

Opportunistic Equity	MSCI ACWI (net) Index
Domestic Equity	Russell 1000 Index, S&P MidCap 400, Russell 2000, Russell 2000 Value
International Equity	MSCI ACWI ex US Index
Fixed Income	Barclays Int Gov't/Credit Index
Alternative Investments	Russell 2500, NCREIF ODCE 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**

<b>C A P I T A L I Z A T I O N</b>	<b>Domestic</b>	<b>Style</b>				
		<b>Growth</b>	<b>Core</b>	<b>Value</b>	<b>Quantitative</b>	<b>Index</b>
		<b>Large</b>	SSgA Russell 1000			
		<b>Medium</b>				SSgA S&P 400
		<b>Small</b>	SouthernSun	Morgan Dempsey		
<b>International</b>	<b>Domestic</b>	<b>Opportunistic</b>	Energy Opportunities Capital			
		<b>Large</b>		Allianz		
		<b>Small</b>				
<b>Other</b>	<b>Domestic</b>	<b>Private Equity</b>	Permal		Levine Leichtman	HM Capital
		<b>Real Estate</b>			Guggenheim	DLJ
		<b>Timber</b>	Timberland Investment Resources			

**FIXED INCOME**

<b>Domestic</b>	<b>Style</b>				
	<b>Rate</b>	<b>Maturity Differential</b>	<b>Core</b>	<b>Sector Allocation</b>	<b>Index</b>
	<b>U.S. Gov't</b>	Orleans		Orleans	
	<b>Mortgage</b>	Orleans		Orleans	
	<b>Asset Backed</b>	Orleans		Orleans	
	<b>Corporate</b>	Orleans		Orleans	
	<b>Foreign / Yankee</b>	Orleans		Orleans	
<b>Domestic</b>	<b>High Yield</b>				