

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

**PERFORMANCE REPORT  
PERIOD ENDING  
DECEMBER 31, 2013**

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# **CAPITAL MARKET REVIEW**

**Fourth Quarter 2013**

## CAPITAL MARKET HEADLINES

### Bernanke's Legacy

*"We did the right thing, I hope." Ben Bernanke*

When Ben Bernanke took the helm of the Fed in 2006, the Dow Jones Industrial Average had broken through the 11,000 mark and the economy was on a tear. Within three years, the Dow had fallen below 7,000 for the first time in more than 11 years. We needn't rehash the story of the *Great Recession*. Suffice it to say that we have closed the chapter on Bernanke's leadership of the Federal Reserve, but the story continues on the policies implemented under his guidance.

The world is still struggling to digest Alan Greenspan's mixed legacy as Chairman of the US Federal Reserve Board from 1987 to 2006. So it is too soon to assess where departing successor, Ben Bernanke, is headed in the history books.

Mr. Bernanke's academic background (a leading expert on the *Great Depression*) and his views informed from his scholarly work, led to the central bank's innovation during the financial crisis. Standard & Poor's economist, Beth Ann Bovino, said "You're looking at one of the most creative chairman in history...each time markets felt that the Fed was out of bullets, he'd pull out a bazooka."<sup>1</sup>

One bazooka was Quantitative Easing ("QE"). The Fed bought billions of dollars in bonds to keep interest rates low and spur consumer demand. Regardless of the impact of QE on the U.S. economy, it would seem its impact on the rest of the world has been, on balance, generally benign. The first round of QE was unambiguously beneficial, because it minimized, or even eliminated, the tail risk of a global depression after the collapse of Lehman Brothers in September 2008.

Under Chairman Bernanke, the Fed has been mindful of its international responsibilities, playing a constructive role by increasing dollar liquidity in times of extreme financial stress. It provided dollar liquidity (via swap lines) to the central banks of Brazil, Mexico, Singapore, and South Korea in the aftermath of the Lehman failure. It also provided nearly unlimited amounts of similar liquidity to central banks in Europe and the Bank of Japan. These actions, in our view, contributed to easing extremely tight financial conditions and corresponding market volatility.

Finally, in the midst of the global financial crises and corresponding creation of new and innovative fiscal tools, he broke with convention to change the culture of the notoriously cryptic Fed, making it more transparent. Bernanke held regular press conferences and tried to explain Fed policy. And those policies had plenty of critics.

Publicly, Bernanke has handled the pressure with calm and occasional humor, like in this year's graduation speech at Princeton, where he defined the field of economics in this way: "A highly sophisticated field of thought... that is superb at explaining to policy makers precisely why the choices they made in the past were wrong. The future, not so much."<sup>2</sup>

1. NPR, November 27, 2013
2. Princeton University Speech, June 2, 2013

# CAPITAL MARKET REVIEW

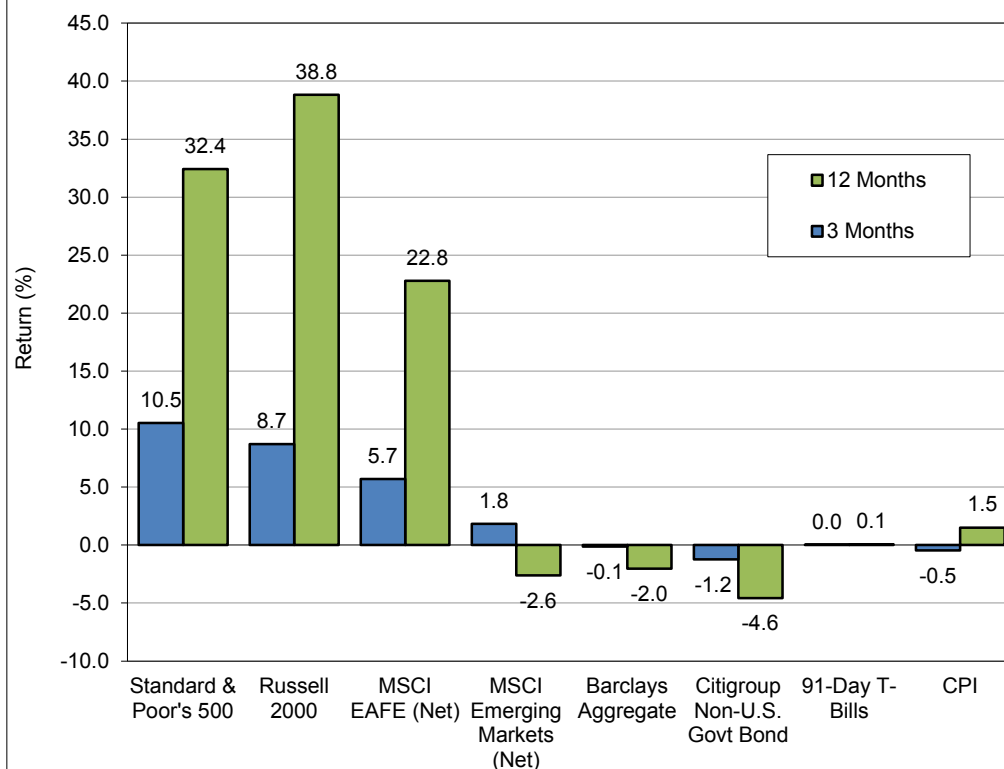
**Equities Rule, Bonds Drool:** The global economic recovery continued to gather strength during the fourth quarter; the U.S. posted impressive 3Q Gross Domestic Product results and Europe trended upward. Central banks have depressed yields and stimulated risk taking by investors. Equities ruled the markets for the quarter and year, led by the major developed markets.

Germany and the United States generated double digit performance for the quarter, returning 11.3% and 10.1% respectively. Japanese equities rose nearly 10% in local terms (unhedged results were much lower for foreign investors). Other developed markets also provided solid returns. The emerging markets managed a positive return for the quarter with results varying greatly by country. For the year the developed markets rose by over 20% - Finland and Ireland returned over 40% in 2013 (in US\$ and local terms). The emerging markets failed to participate in the equity rally due to liquidity concerns and declining commodity prices; the MSCI EM (Net) Index declined 2.6% for the year.

The Federal Reserve announced the first reduction in their asset purchases (tapering) in December, sending yields higher in the U.S. Yields also trended higher in the other "safe haven" markets. Spreads tended to contract between the higher and lower credit qualities. Within the U.S. the broad investment grade fixed income market suffered a loss for the quarter and year; High Yield was the lone segment with positive returns (quarter and year). International fixed income provided similar results - lower quality securities generated positive returns and higher quality issues declined in value. EM Debt was marginally higher for the quarter, but lost over 6% during the year.

The U.S. Dollar weakened versus most of the European currencies and advanced versus most Asian currencies. The Pound Sterling was one of the best performing currencies for the second consecutive quarter. The Yen depreciated almost 7% during the quarter, reverting back to its downward trend from the first half of the year.

**Global Market Performance**  
As of December 31, 2013



Source: Wilshire 12/31/2013

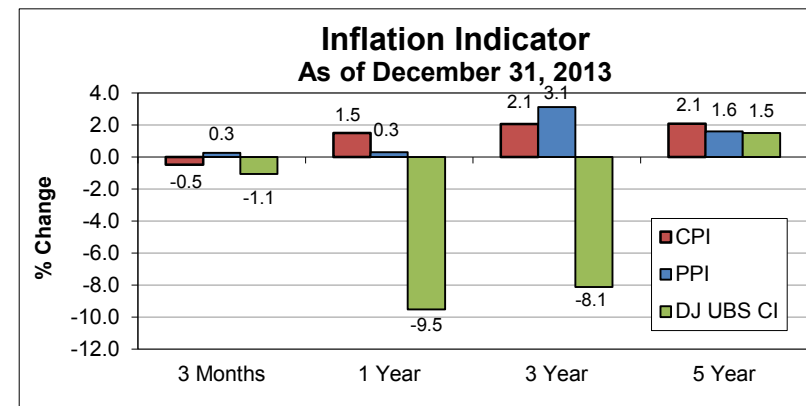
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# CAPITAL MARKET REVIEW

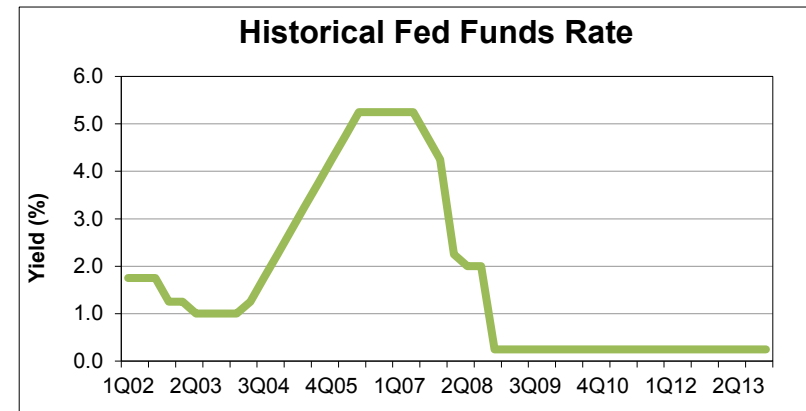
**Successful Progression:** The U.S. economy continued its successful progression in 2013. The steady economic progress amidst a low inflationary environment prompted the Fed to officially announce the implementation of its tapering strategy. Third quarter gross domestic product (GDP), as reported in the fourth quarter, came in at an impressive 4.1%, following a respectable second quarter growth rate of 2.5%. Consumer spending (accounts for approximately 70% of GDP) has been one of the more consistent contributors to GDP growth. In particular, historically low interest rates have driven increases in durable goods orders such as automobile purchases. Interest rates, though steadily rising, are expected to continue to hold below historical averages with the Fed maintaining an accommodative monetary policy. The unemployment rate continues to trend downward, although skeptics point to the decrease in workforce participation and the prevalence of part-time / low-wage jobs as the primary drivers of the decline.

Inflation continues to remain a non-factor, ending the year at 1.5%. CPI remains below average primarily due to modest increases in housing prices and declining commodity prices. The DJ UBS Commodity Index finished the year down 9.5%. Only 8 of 22 commodities in the index finished the year in positive territory. Precious metals led the way down with gold and silver declining 28% and 37%, respectively.

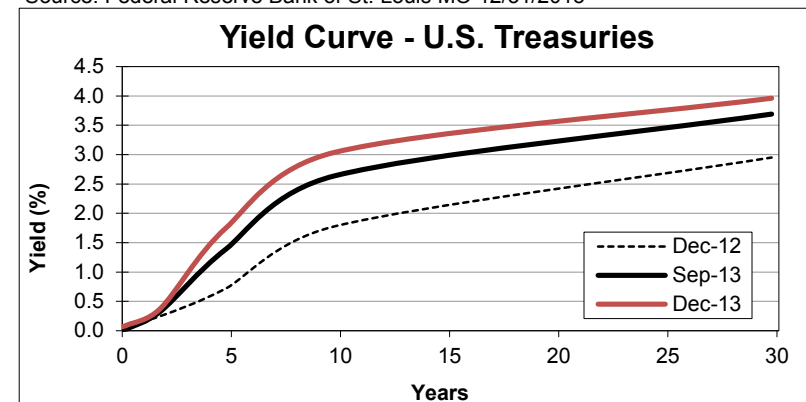
The yield curve continued its steepening ways during the quarter as the economy continued its recovery. The yields on the 5-Year, 10-Year, and 30-Year U.S. Treasuries increased between 27 to 40 basis points; the rates on the short end of the curve remained relatively flat, anchored by the near zero Fed Funds Rate. The yield on the 10-Year U.S. Treasury finished 2013 at 3.04%; a 126 basis point rise since the beginning of the year. The increase in rates has not created meaningful headwinds for economic growth (yet).



Source: Bureau of Labor Statistics, Wilshire, and Dow Jones 12/31/2013



Source: Federal Reserve Bank of St. Louis MO 12/31/2013



Source: Federal Reserve Bank of St. Louis, MO 12/31/2013

# U.S. EQUITY MARKET

Total Returns (%) - Periods Ending December 31, 2013				
	3 Months	1 Year	3 Years	5 Years
<b>Standard &amp; Poor's 500</b>	10.52	32.41	16.18	17.93
<b>Russell 1000</b>	10.23	33.11	16.30	18.59
<b>Russell 1000 Growth</b>	10.44	33.49	16.45	20.39
<b>Russell 1000 Value</b>	10.01	32.54	16.06	16.67
<b>S&amp;P MidCap 400</b>	8.34	33.51	15.64	21.89
<b>Russell Midcap</b>	8.39	34.76	15.87	22.35
<b>S&amp;P SmallCap 600</b>	9.83	41.30	18.41	21.37
<b>Russell 2000</b>	8.72	38.82	15.67	20.08
<b>Russell 2000 Growth</b>	8.18	43.29	16.81	22.57
<b>Russell 2000 Value</b>	9.29	34.50	14.48	17.63
S&P 500 Sector Performance				
	3 Months	1 Year	3 Years	5 Years
<b>Energy</b>	8.38	25.08	11.01	13.60
<b>Materials</b>	10.66	25.60	9.39	18.83
<b>Industrials</b>	13.54	40.69	17.30	19.88
<b>Con. Discretionary</b>	10.86	43.47	23.70	27.80
<b>Con. Staples</b>	8.67	26.18	16.65	15.78
<b>Health Care</b>	10.13	41.08	23.31	18.16
<b>Financials</b>	10.32	35.73	13.12	13.82
<b>Info Technology</b>	13.39	28.62	14.90	22.03
<b>Telecommunications</b>	5.47	12.16	12.03	13.30
<b>Utilities</b>	2.78	13.19	11.23	10.31

Returns are annualized for periods greater than one year.

Source: Wilshire 12/31/2013

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**Strong Finish:** The U.S. equity market finished the year strong; the S&P 500 returned 10.5% for the quarter, generating a cumulative return of 32.4% for the year. Indices reached all-time highs as the markets were undeterred by equity valuations, modest growth prospects, rising interest rates, or the Fed's tapering news.

Large Cap led the way in the final quarter, but it was Small Cap that reigned supreme in 2013 with the S&P 600 returning 41.3% for the year. As major macro economic headlines subsided, investors flocked to small cap companies with healthy earnings growth. Over the year, the returns on higher quality stocks were on par with lower quality stocks in Small Cap; in Large Cap lower quality stocks beat the returns of high quality stocks.

For the quarter Growth led the way in Large Cap, behind the performance of the Industrials and Technology sectors. But it was Value holding court within Small Cap as the heavily weighted Financials sector generated solid returns. For the year, it was Growth over Value across the market cap spectrum, driven primarily by the outstanding returns in growth oriented sectors like Industrials, Consumer Discretionary, and Health Care.

Industrials was the best performing sector during the quarter, returning 13.54%. Performance was driven by solid returns in names like Boeing, 3M, and UPS. The sector, in general, benefitted from declining commodity prices. The worst performing sector was the defensive Utilities sector. The sector, which includes companies well known for their dividend payouts, was negatively impacted by rising interest rates. For the year, the best performing sector was the Consumer Discretionary sector with a return of 43.5%. Returns within the sector were reflective of the bifurcation in consumer spending. The two worst performing sectors over the year were Telecom and Utilities. In a year that witnessed very strong equity returns, it comes as no surprise that these two defensive sectors were the laggards in 2013.

# U.S. FIXED INCOME MARKET

**The Beginning of the End:** On December 18th, the Federal Reserve finally announced their plans to taper their quantitative easing program. Initially the Fed will reduce their monthly asset purchases from \$85 billion to \$75 billion; the reduction is equally split between Treasuries and Mortgage Backed Securities (\$5 billion each). This action is a signal from the central bank that they believe the economy is strengthening (and possibly that Washington will not hamper future economic growth with political posturing).

Yields experienced minor upward pressure during the first two months of the quarter before rising more quickly in December. At quarter-end, the 2-Year Treasury Notes yielded 0.38% (up 5 basis points from 9/30/13), 10-Year Treasury Bonds yielded 3.04% (up 40 basis points from 9/30/13), and 30-Year Treasury Bonds yielded 3.96% (up 27 basis points from 9/30/13). During 2013 interest rates for Treasury securities with maturities of 5 years and longer increased by over 100 basis points.

With rates rising Treasuries struggled and spread sectors out performed on a relative basis. Within the investment grade category, Credit was the only segment to post a positive return as spreads tightened during the quarter. Mortgages suffered losses due in part to the pending reduction in MBS purchases by the Fed. Government securities were the weakest performer. High Yield continued to generate strong results during the quarter and was the clear winner in 2013.

For the third time in the past thirty years, the fixed income market (as measured by the Barclays Aggregate) suffered a loss for the calendar year (1994 and 1999 were the other two). With the Federal Reserve withdrawing their liquidity from the fixed income market, weak performance may persist into 2014.

Total Returns (%) - Periods Ending December 31, 2013				
	3 Months	1 Year	3 Years	5 Years
Barclays 1-3 Yr. Govt	0.07	0.37	0.81	1.25
Barclays Intm G/C	(0.02)	(0.86)	2.91	3.96
Barclays Aggregate	(0.14)	(2.02)	3.26	4.44
Barclays G/C	(0.03)	(2.35)	3.63	4.40
Barclays Long Govt	(2.97)	(12.48)	5.46	2.43
Barclays Govt	(0.69)	(2.60)	2.70	2.26
Barclays Credit	0.92	(2.01)	5.11	7.89
Barclays Mortgage	(0.42)	(1.41)	2.42	3.69
Barclays High Yield	3.58	7.44	9.31	18.93
Barclays U.S TIPS	(2.00)	(8.61)	3.55	5.63
Returns are annualized for periods greater than one year.				
Credit Spreads (in basis points)				
	Sep-13	Dec-13	Change	10-Yr Avg.
Aaa	75	59	(16)	88
Aa	78	63	(15)	89
A	115	91	(24)	126
Baa	187	154	(33)	211
Ba	360	296	(64)	429
B	486	412	(74)	576
Caa	710	641	(69)	912
<hr/>				
10 Year Treasury	2.64%	3.04%	0.40%	---

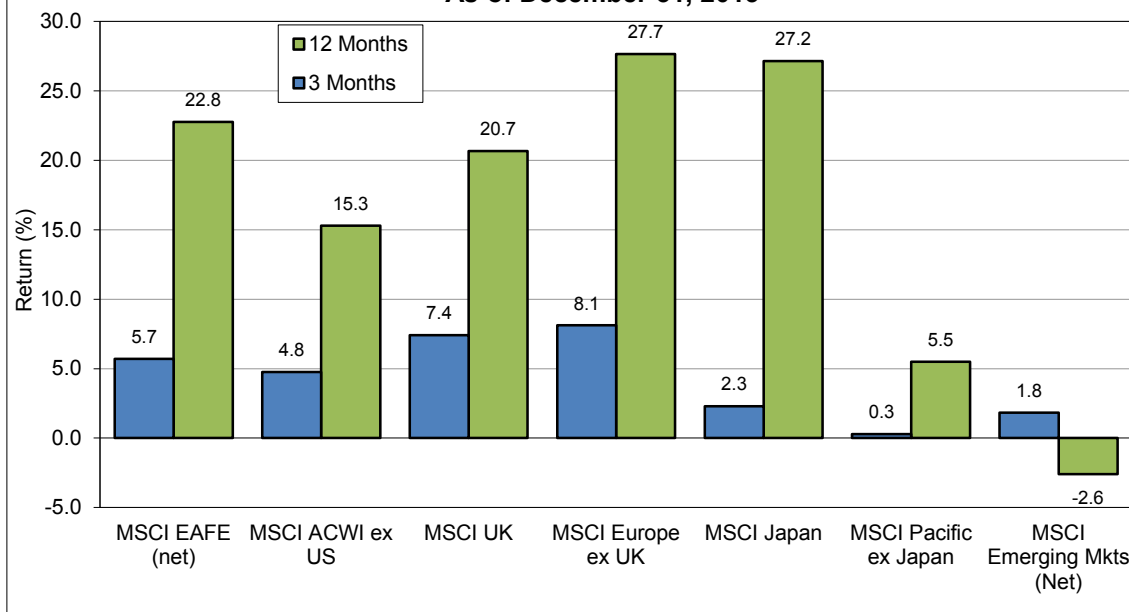
Source: Barclays Capital 12/31/2013

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# INTERNATIONAL EQUITY MARKET

**International Equity Market Performance (USD)**  
As of December 31, 2013



**MSCI Country Indices (Net)**  
Three Months Ending December 31, 2013

	Return USD (%)	Return Local Currency (%)	Currency Effect (%)
France	6.0	4.2	1.9
Germany	13.3	11.3	2.0
Italy	10.7	8.7	2.0
Spain	11.4	9.2	2.2
Switzerland	4.3	2.6	1.7
UK	7.4	5.0	2.4
<b>Europe Total</b>	<b>7.9</b>	<b>6.0</b>	<b>1.9</b>
Australia	(0.9)	3.6	(4.5)
Hong Kong	3.4	3.3	0.0
Japan	2.3	9.6	(7.3)
<b>Pacific Total</b>	<b>1.6</b>	<b>7.2</b>	<b>(5.7)</b>
China	3.8	3.8	0.0
India	10.3	9.0	1.3
Brazil	(5.6)	0.1	(5.7)
Russia	0.3	1.5	(1.2)
<b>Emerging Total</b>	<b>1.8</b>	<b>(1.0)</b>	<b>2.8</b>

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**Tale of Two Markets:** Equity markets in many of the developed countries ended 2013 with solid double digit returns for the year, as near-term risks dissipated. However, the same could not be said for emerging markets. The emerging markets returned 1.8% for the quarter, but declined by 2.6% over the year. Anemic growth in the Eurozone and the implications of the U.S. Fed tapering strategy were the primary issues aggravating liquidity and credit concerns in the emerging markets. In particular, banking and credit growth in Brazil, India, Turkey, and Indonesia have sparked investor concerns alongside that of China.

**Developed Markets:** Europe continued to crawl it's way out of recession and into positive GDP territory behind accommodative policies from the ECB. Macro headlines were generally quiet in Europe, enabling the region to return 8% in the quarter and 28% for the year. Germany led the way in the region for the quarter with a return of 13.3% on the continued strength of its exports. In the U.K., BOE monetary policy continued to benefit economic growth and a manufacturing uptrend.

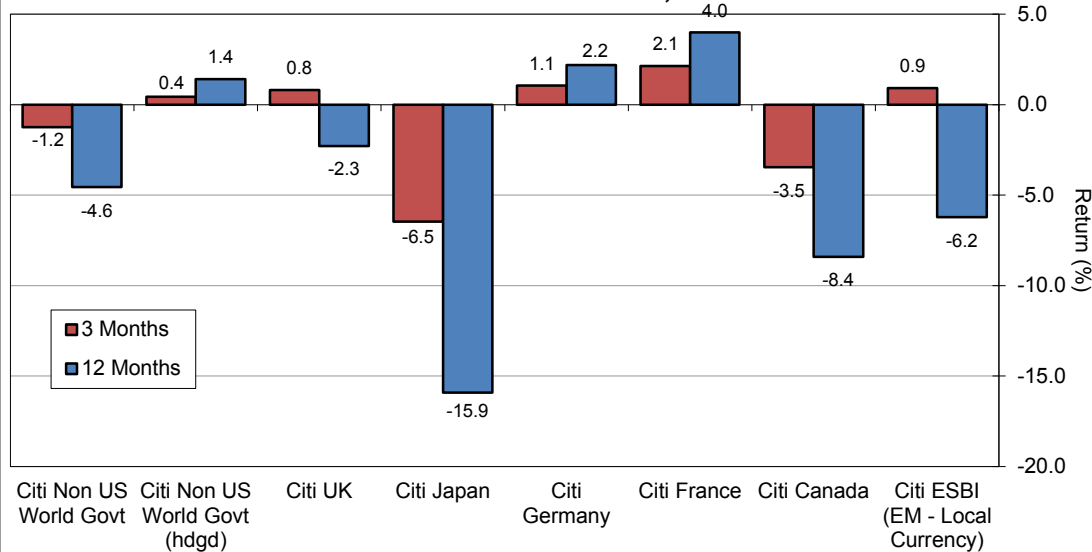
In Asia, monetary policy continued to influence the performance of Japanese equities. Prime Minister Abe has been steadfast in his support of stimulus measures to drive Japanese economic growth forward. The Japanese equity market returned 27% for the year. So far equity markets have clearly been the beneficiary of stimulus efforts, but the measures raise valid concerns over the impacts of the increasing debt burden.

**Emerging Markets:** Emerging market equities generated positive returns in the quarter, but still ended in the red for the year. Recently, the emerging markets have suffered from the tepid pace of global recovery and its subsequent impact on commodity based exporting countries. Accommodative monetary policy around the globe led to capital inflows and credit expansion in many of the countries, but also sparked inflation. With slower growth prospects on the horizon, the capital inflows of the past appear to be reversing, particularly for those countries with significant current account trade deficits. As such, all eyes are on China to see how they continue to manage and engineer growth; their success will heavily influence the results in other emerging countries.

# INTERNATIONAL BOND MARKET

## Intl Fixed Income Market Performance (USD)

As of December 31, 2013



## Citigroup World Government Bond Indices Three Months Ending December 31, 2013

	Return USD (%)	Return Local Currency (%)	Currency Effect (%)
France	2.1	0.3	1.8
Germany	1.1	(0.7)	1.8
Ireland	5.9	4.0	1.9
Italy	5.6	3.7	1.9
Netherlands	1.8	0.0	1.8
Spain	3.8	1.9	1.8
Sweden	0.2	0.2	0.0
Switzerland	1.5	(0.2)	1.7
UK	0.8	(1.4)	2.3
<b>European WGBI</b>	2.6	0.7	1.9
Japan	(6.5)	0.2	(6.7)
Australia	(4.7)	(0.4)	(4.3)
Canada	(3.5)	(0.2)	(3.3)

Source: The Yield Book 12/31/2013

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**Returns for Risk Takers:** Increased optimism for the global economic recovery led the fixed income markets in divergent paths. Investors with exposures to countries with higher perceived risk (remember the PIIGS) and lower credit qualities were rewarded. More conservative investors generally suffered losses.

In Europe economic conditions appear to be improving (or at least stabilizing). The European Central Bank reduced rates by 25 basis points to 0.25%. Yields tended to rise in the fiscally responsible nations (Germany, Netherlands...), resulting in very weak returns. Their weaker counterparts (Ireland, Italy, Spain...) enjoyed stronger results as spreads between the two groups contracted again. The Euro appreciated versus the dollar for a third consecutive quarter, enhancing the performance for U.S. investors.

Interest rates advanced in the U.K. during the quarter generating losses for local investors. The Bank of England maintained their accommodative policies to spur economic growth and reduce unemployment. The Pound Sterling was again one of the strongest currencies during the quarter.

Abenomics appears to be winning the battle against deflation. The Bank of Japan's quantitative easing program has spurred economic growth and exports at the expense of the nation's currency. The fixed income market generated minor gains in local terms. The Yen depreciated versus the dollar during the quarter; Yen weakness was a trend in 2013 that was only broken during the third quarter.

Emerging markets posted a second consecutive positive quarter; however, these good results were unable to overcome the sharp declines during the first six months of the year. Emerging market debt will benefit from an improving global economy, although the results may vary greatly from country to country.

## SELECTED INDEX RETURNS - PERIODS ENDING DECEMBER 31, 2013

	Quarter	One Year	Three Years	Five Years	Ten Years
<b>US EQUITIES</b>					
Dow Jones Industrial Average	10.2 %	29.6	15.7	16.7	7.5
Standard & Poors 500	10.5	32.4	16.2	17.9	7.4
Russell 3000	10.1	33.6	16.3	18.7	7.9
S&P MidCap 400	8.3	33.5	15.6	21.9	10.4
Russell Mid-Cap	8.4	34.8	15.9	22.4	10.2
S&P SmallCap 600	9.8	41.3	18.4	21.4	10.7
Russell 2000	8.7	38.8	15.7	20.1	9.1
Growth Stocks - Russell 3000 Growth	10.3	34.2	16.5	20.6	8.0
Value Stocks - Russell 3000 Value	10.0	32.7	15.9	16.8	7.7

<b>US FIXED INCOME</b>					
Barclays 1 - 3 Year Government	0.1 %	0.4	0.8	1.3	2.7
Barclays Intm Govt/Credit	(0.0)	(0.9)	2.9	4.0	4.1
Barclays Aggregate	(0.1)	(2.0)	3.3	4.4	4.6
Barclays Govt/Credit	(0.0)	(2.4)	3.6	4.4	4.5
Barclays Long Government	(3.0)	(12.5)	5.5	2.4	6.0
Barclays Government	(0.7)	(2.6)	2.7	2.3	4.1
Barclays Credit	0.9	(2.0)	5.1	7.9	5.2
Barclays Mortgage	(0.4)	(1.4)	2.4	3.7	4.6
Barclays High Yield	3.6	7.4	9.3	18.9	8.6
Barclays U.S TIPS	(2.0)	(8.6)	3.6	5.6	4.9
ML All Investment Grade Convertible Index					

<b>INTERNATIONAL (Measured in US Dollars)</b>					
MSCI EAFE (Net)	5.7 %	22.8	8.2	12.4	6.9
MSCI ACWI ex U.S. (Net)	4.8	15.3	5.1	12.8	7.6
MSCI Europe (Net)	7.9	25.2	9.9	13.4	7.3
MSCI Pacific (Net)	1.6	18.3	5.3	10.9	6.3
MSCI Emerging Markets (Net)	1.8	(2.6)	(2.1)	14.8	11.2
Citigroup Non-U.S. Govt Bond	(1.2)	(4.6)	0.6	2.3	4.1

<b>REAL ESTATE</b>					
NAREIT Index	0.3 %	3.2	10.0	16.7	7.8
NCREIF Property Index	2.5 %	11.0	11.9	5.7	8.6

<b>OTHER</b>					
91-Day T-Bills	0.0 %	0.1	0.1	0.1	1.7
Consumer Price Index (percent change)	(0.5)	1.5	2.1	2.1	2.4
Producer Price Index (percent change)	0.3	0.3	3.1	1.6	3.2

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

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## 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.

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## OVERVIEW

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### PORTFOLIO EVALUATION

- ♦ The fund's total market value as of December 31, 2013 was \$136.77 million.
- ♦ The Fund had a return of 5.79% for the quarter and a return of 19.54% 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>129,404,806</b>
Cash Flow In	0
Intrafund Transfers	0
Cash Flow Out	<u>-126,381</u>
<b>Net Cash Flow</b>	<b>-126,381</b>
<b>Investment Performance</b>	
Income	419,654
Asset Value Changes	<u>7,070,851</u>
<b>Gross Performance</b>	<b>7,490,505</b>
<b><u>Ending Market Value</u></b>	<b><u>136,768,931</u></b>

### RECOMMENDATIONS

# Mobile Police & Firefighters Executive Summary Table Periods Ending December 31, 2013

FYTD - 9/30/13

Name	Value \$(000)	% of Fund	Periods Ending 12/31/13						
			Cur Qtr	FYTD	1 Year	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Total Fund	136,769	100.0	5.79	5.79	19.54	10.68	12.52	5.08	6.80
Net of Fee			5.72	5.72	19.23	10.31	12.14	4.77	6.58
Mobile P&F Policy Index			6.13	6.13	20.73	11.31	13.97	6.09	7.38
Total Fund Excluding Alternatives	124,868	91.3	6.26	6.26	21.14	10.98	13.58		
Net of Fee			6.19	6.19	20.88	10.68	13.28		
Policy Index excluding Alts			6.60	6.60	21.70	11.48	14.51		
Total Opportunistic Equity Composite	6,907	5.1	2.56	2.56	26.69				
Net of Fee			2.31	2.31	25.19				
MSCI ACWI (Net)			7.31	7.31	22.80				
Energy Opportunities Capital	6,907	5.1	2.56	2.56	26.69				
Net of Fee			2.31	2.31	25.19				
OIH_XLE Blended Index			5.55	5.55	26.50				
Total Domestic Equity Composite	75,457	55.2	9.52	9.52	33.36	15.59	19.30	6.42	8.66
Net of Fee			9.45	9.45	33.08	15.22	18.94		
Domestic Equity Index			9.61	9.61	33.94	16.13	19.80	7.03	8.26
SSgA Russell 1000 Index Fund	44,778	32.7	10.23	10.23	33.14	16.32	18.62	6.48	7.84
Net of Fee			10.21	10.21	33.04	16.24	18.56	6.43	
Russell 1000			10.23	10.23	33.11	16.30	18.59	6.44	7.78
SSgA S&P 400 MidCap Index Fund	14,763	10.8	8.35	8.35					
Net of Fee			8.34	8.34					
S&P Midcap 400			8.34	8.34					



# Mobile Police & Firefighters Executive Summary Table Periods Ending December 31, 2013

FYTD - 9/30/13

Name	Value \$(000)	% of Fund	Periods Ending 12/31/13						
			Cur Qtr	FYTD	1 Year	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Morgan Dempsey SCV	7,918	5.8	8.74	8.74					
Net of Fee			8.46	8.46					
Russell 2000 Value			9.29	9.29					
SouthernSun SCC	7,997	5.8	8.50	8.50					
Net of Fee			8.24	8.24					
Russell 2000			8.72	8.72					
Total International Equity Composite	12,806	9.4	3.90	3.90	12.53	4.34	8.85	0.04	6.05
Net of Fee			3.90	3.90	12.53	4.11	8.46		
MSCI ACWI ex US (Net)			4.76	4.76	15.29	5.14	12.81	2.16	7.56
Allianz Global Investors	12,806	9.4	3.90	3.90	12.53				
Net of Fee			3.90	3.90	12.53				
MSCI ACWI ex US (Net)			4.76	4.76	15.29				
Total Fixed Income Composite	29,699	21.7	0.48	0.48	0.14	3.42	5.71	5.35	4.80
Net of Fee			0.45	0.45	0.02	3.30	5.59		
Barclays Int Govt/Credit			-0.02	-0.02	-0.86	2.91	3.96	4.61	4.09
Orleans	29,699	21.7	0.48	0.48	0.14	3.42	5.71	5.35	4.80
Net of Fee			0.45	0.45	0.02	3.30	5.59	5.23	
Barclays Int Govt/Credit			-0.02	-0.02	-0.86	2.91	3.96	4.61	4.09
Real Estate Composite	4,855	3.5	2.25	2.25	11.27	11.32	2.29	-1.34	8.11
Net of Fee			2.01	2.01	10.07	10.24	1.27	-2.25	7.17
NCREIF ODCE Fund Index			3.19	3.19	13.96	13.61	3.69	3.25	7.16

# Mobile Police & Firefighters Executive Summary Table Periods Ending December 31, 2013

FYTD - 9/30/13

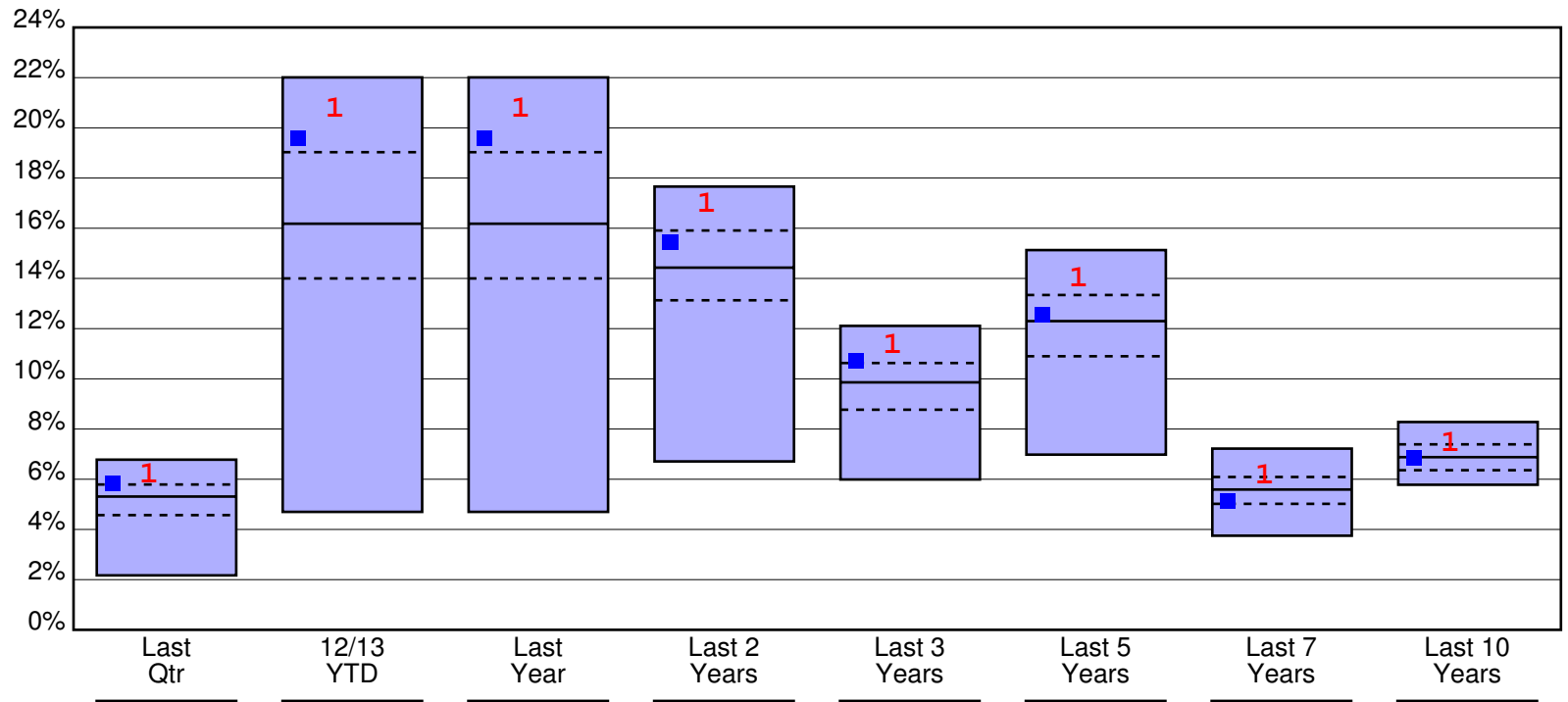
Name	Value \$(000)	% of Fund	Periods Ending 12/31/13						
			Cur Qtr	FYTD	1 Year	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Guggenheim	2,245	1.6	2.65	2.65	15.13	14.95	5.26	-0.45	
Net of Fee			2.40	2.40	14.02	13.85	4.25	-1.33	
70% NCREIF / 30% NAREIT			2.33	2.33	10.77	12.77	8.30	3.58	
Westbrook	64	0.0	0.00	0.00	-5.40	-6.10	-6.97	-11.82	-5.47
Net of Fee			0.00	0.00	-5.40	-6.15	-7.08	-11.89	-5.55
NCREIF ODCE Fund Index			3.19	3.19	13.96	13.61	3.69	3.25	7.16
DLJ	478	0.3	0.00	0.00	2.95	4.28	0.51	1.97	13.30
Net of Fee			0.00	0.00	1.03	3.35	-0.41	0.96	12.12
NCREIF ODCE Fund Index			3.19	3.19	13.96	13.61	3.69		
TIAA-CREF	2,068	1.5	2.42	2.42	10.07	11.49	1.05		
Net of Fee			2.14	2.14	8.87	10.29	-0.07		
NCREIF ODCE Fund Index			3.19	3.19	13.96	13.61	3.69		
Private Equity Composite	4,626	3.4	0.61	0.61	2.27	7.51	8.18	7.59	7.77
Net of Fee			0.57	0.57	2.17	6.74	7.30	6.56	5.63
Russell 2500			9.67	9.67	40.82	20.28	25.77	12.02	13.81
Hicks, Muse, Tate & Furst IV	266	0.2	0.00	0.00	11.54	12.37	10.82	1.55	-0.69
Net of Fee			0.00	0.00	11.54	12.37	10.82	1.55	-0.69
Russell 2500			9.67	9.67	40.82	20.28	25.77	12.02	
Ripplewood Partners II, L.P.	882	0.6	0.00	0.00	-4.02	4.86	7.04	5.53	4.70
Net of Fee			0.00	0.00	-4.02	4.18	6.39	4.87	2.21
Russell 2500			9.67	9.67	40.82	20.28	25.77	12.02	13.81
Levine Leichtman Fund III	2,302	1.7	0.00	0.00	-1.12	7.48	7.97	8.69	13.62
Net of Fee			0.00	0.00	-1.12	6.58	6.87	7.38	10.13
Russell 2500			9.67	9.67	40.82	20.28	25.77	12.02	

# Mobile Police & Firefighters Executive Summary Table Periods Ending December 31, 2013

FYTD - 9/30/13

Name	Value \$(000)	% of Fund	Periods Ending 12/31/13						
			Cur Qtr	FYTD	1 Year	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Permal Capital Fund IV	1,176	0.9	2.45	2.45	13.89	9.73	8.10	4.50	
Net of Fee			2.26	2.26	13.46	8.96	7.18	2.30	
Russell 2500			9.67	9.67	40.82	20.28	25.77	12.02	
Timber Composite	2,420	1.8	0.00	0.00	0.17	1.60	3.41		
Net of Fee			0.00	0.00	-0.45	0.83	2.59		
Timberland Investment Resources	2,420	1.8	0.00	0.00	0.17	1.60	3.41		
Net of Fee			0.00	0.00	-0.45	0.83	2.59		
NCREIF Timberland Index			5.92	5.92	9.68	6.28	2.68		

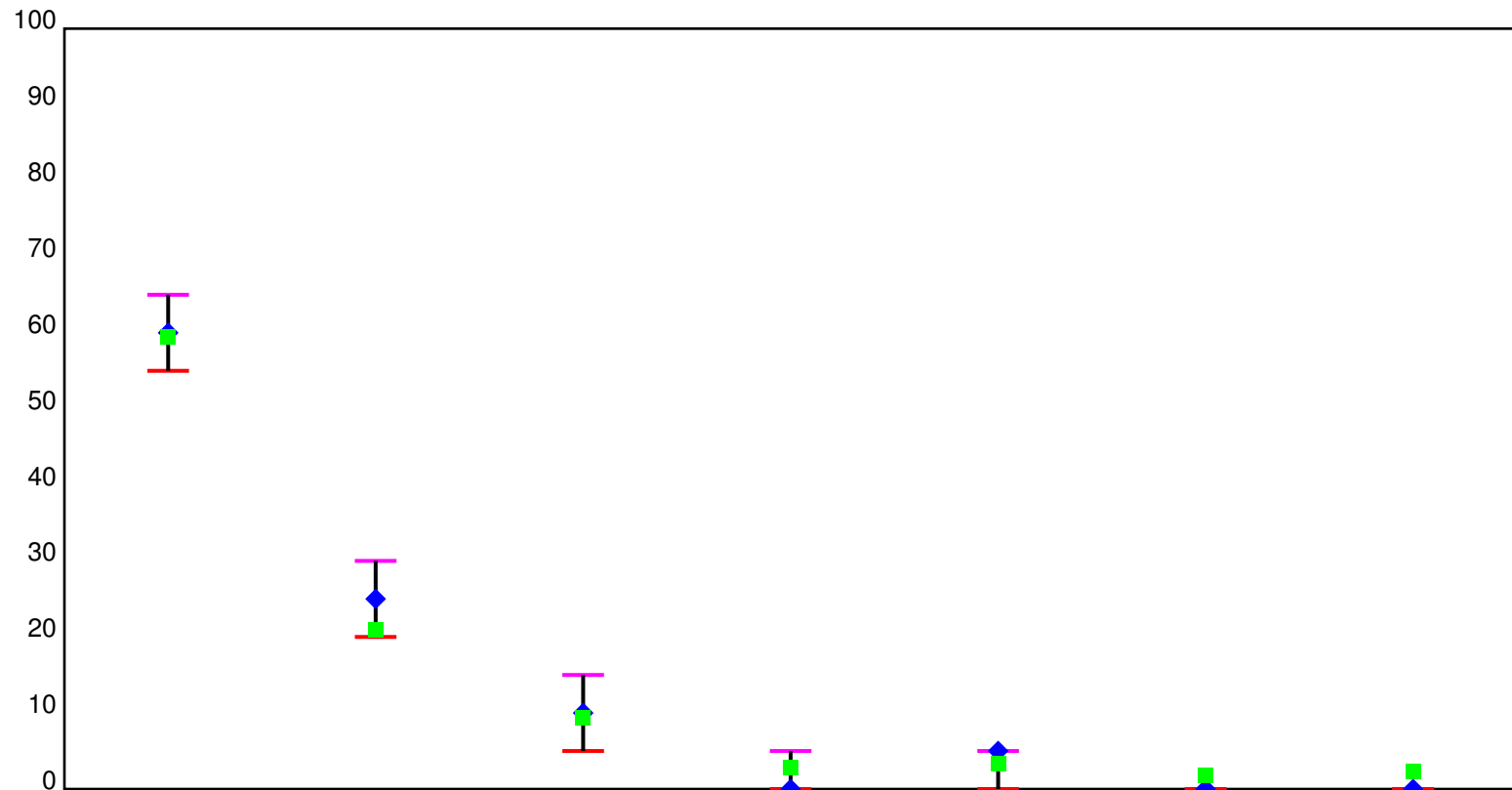
# Mobile Police & Firefighters Cumulative Performance Comparison Total Returns of Total Fund Public Sponsors Periods Ending 12/13



5th Percentile	6.78	22.01	22.01	17.66	12.11	15.13	7.22	8.28
25th Percentile	5.79	19.03	19.03	15.91	10.63	13.34	6.09	7.39
Median	5.31	16.18	16.18	14.43	9.86	12.30	5.59	6.88
75th Percentile	4.57	14.00	14.00	13.13	8.77	10.90	5.02	6.36
95th Percentile	2.17	4.70	4.70	6.71	5.99	6.98	3.75	5.78
■ Total Fund	5.79 (25)	19.54 (19)	19.54 (19)	15.39 (32)	10.68 (23)	12.52 (45)	5.08 (69)	6.80 (52)
1 Mobile P&F Policy Index	6.13 (15)	20.73 (10)	20.73 (10)	16.92 (10)	11.31 (10)	13.97 (11)	6.09 (26)	7.38 (26)

# Mobile Police & Firefighters Asset Allocation vs Policy Graph

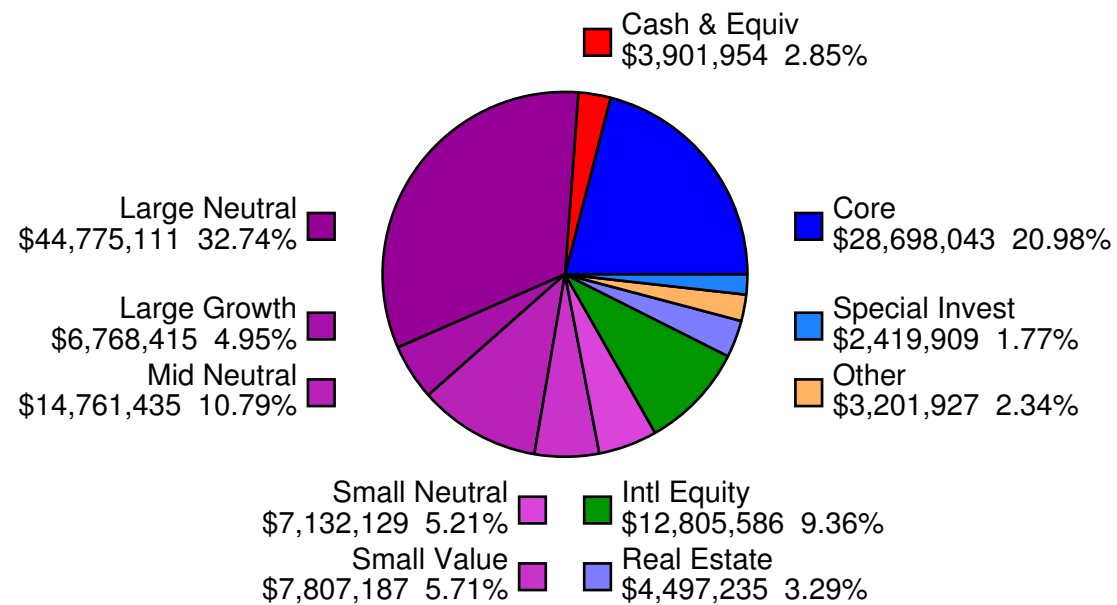
Total Fund  
As of December 31, 2013



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	59.4	21.0	9.4	2.9	3.3	1.8	2.3

# Mobile Police & Firefighters Asset And Policy Allocation Total Fund

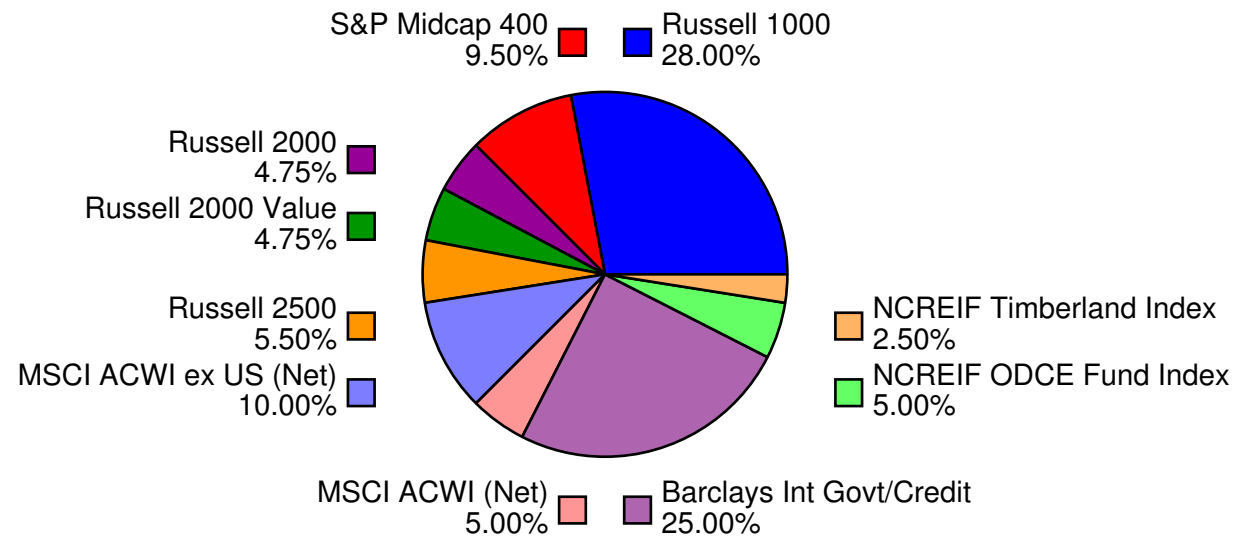
December 31, 2013      \$136,768,931



# Mobile Police & Firefighters Asset And Policy Allocation Total Fund

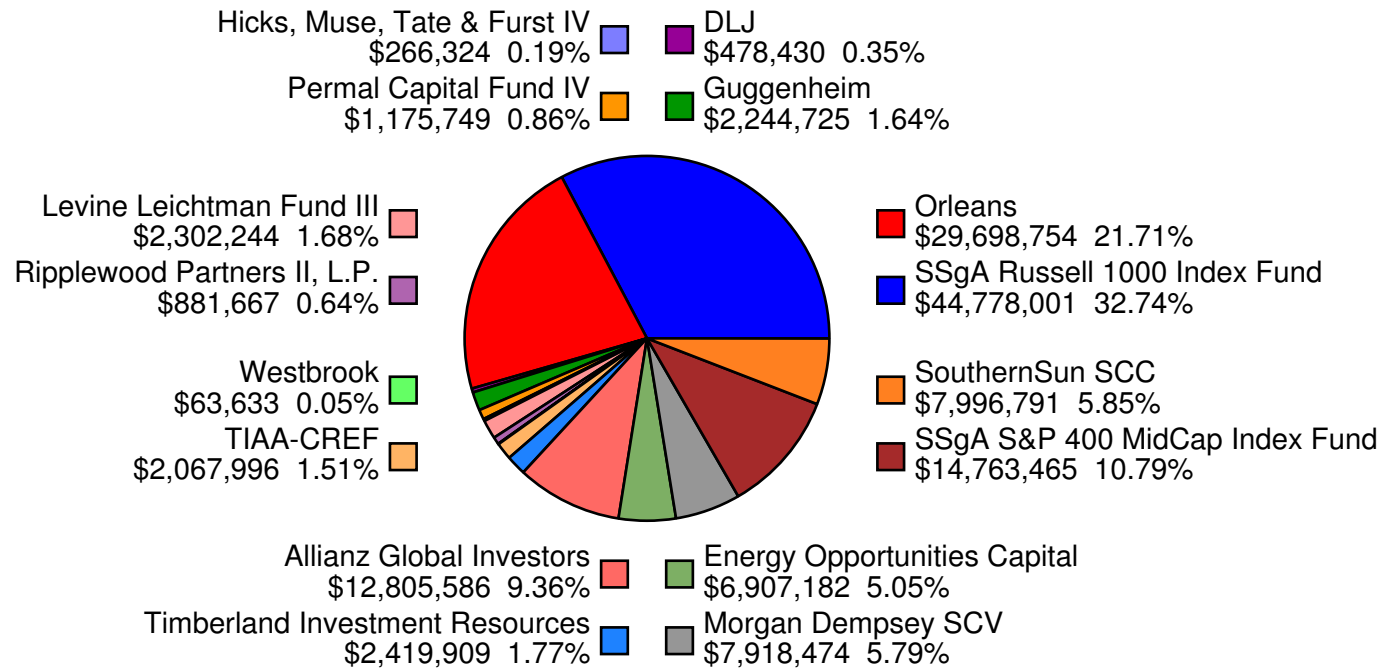
December 31, 2013

Mobile P&F Policy Index



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

December 31, 2013      \$136,768,931





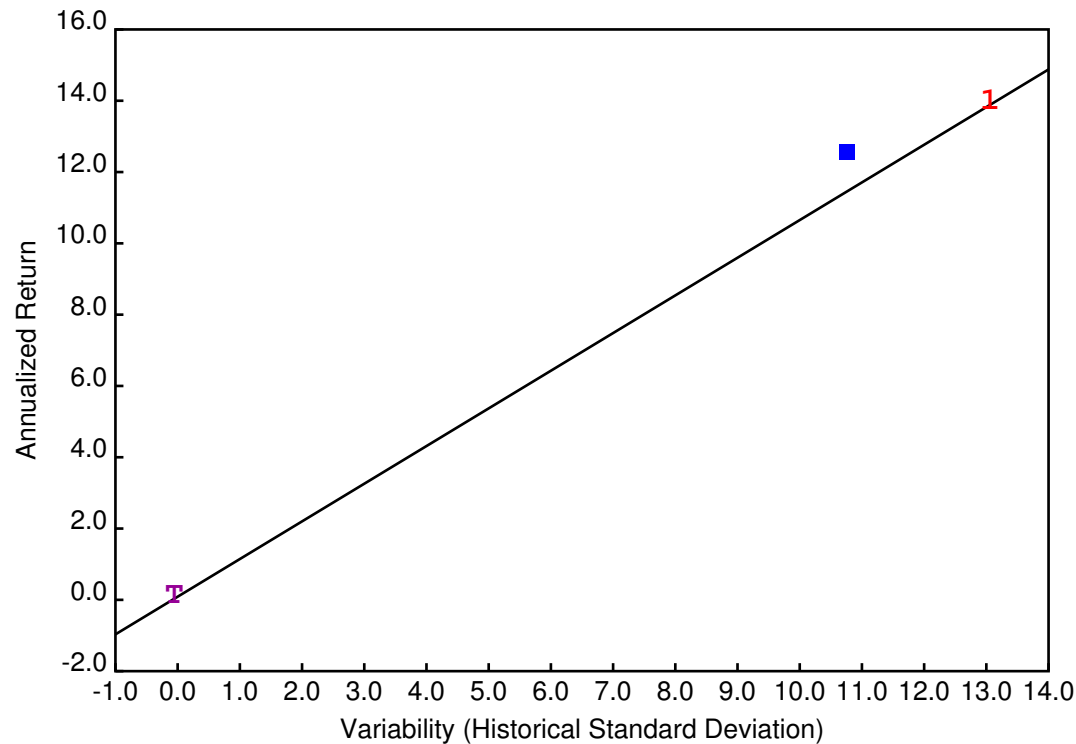
**Mobile Police & Firefighters**  
**Sources of Fund Growth**  
**Total Fund**  
**9/30/13 - 12/31/13**

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	40,628	0	7	4,157	44,778	10.23	10.21
Energy Opportunities Capital	6,751	0	17	173	6,907	2.56	2.31
Morgan Dempsey SCV	7,301	0	20	638	7,918	8.74	8.46
SSgA S&P 400 MidCap Index Fund	13,627	0	1	1,138	14,763	8.35	8.34
SouthernSun SCC	7,388	0	18	627	7,997	8.50	8.24
Equity	75,695	0	64	6,733	82,364		
Allianz Global Investors	12,350	-26	0	482	12,806	3.90	3.90
Int'l Equity	12,350	-26	0	482	12,806		
Orleans	29,567	0	9	141	29,699	0.48	0.45
Fixed Income	29,567	0	9	141	29,699		
DLJ	478	0	0	0	478	0.00	0.00
Guggenheim	2,192	0	5	58	2,245	2.65	2.40
Westbrook	64	0	0	0	64	0.00	0.00
TIAA-CREF	2,039	-14	6	49	2,068	2.42	2.14
Real Estate	4,773	-14	11	107	4,855		
Permal Capital Fund IV	1,150	0	2	28	1,176	2.45	2.26
Hicks, Muse, Tate & Furst IV	266	0	0	0	266	0.00	0.00
Ripplewood Partners II, L.P.	882	0	0	0	882	0.00	0.00
Timberland Investment Resources	2,420	0	0	0	2,420	0.00	0.00
Special Investments	4,718	0	2	28	4,744		
Levine Leichtman Fund III	2,302	0	0	0	2,302	0.00	0.00

Mobile Police & Firefighters  
Sources of Fund Growth  
Total Fund  
9/30/13 - 12/31/13

[illegible]

# Mobile Police & Firefighters Quarterly Total Return Market Line Analysis Periods from 12/08 to 12/13



	Annualized Return	Variability	Reward	Sharpe Ratio
■ Total Fund	12.52	10.87	12.40	1.14
1 Mobile P&F Policy Index	13.97	13.14	13.85	1.05
T 91-Day Treasury Bill	0.12	0.03	0.00	0.00

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# City of Mobile Police & Firefighters

## December 31, 2013

Performance Summary Table  
Periods Ending 12/31/13

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
SSgA Russell 1000 Index Fund							
Total Return	10.23	33.14	33.14	24.53	16.32	18.62	7.84
Total Return (Net of Fees)	10.21	33.04	33.04	24.43	16.24	18.56	
Russell 1000	10.23	33.11	33.11	24.49	16.30	18.59	7.78
Variance	0.00	0.02	0.02	0.04	0.02	0.03	0.06

### SSGA Russell 1000 Index Fund (Commingled Fund)

#### OBJECTIVE:

Track the return of the Russell 1000 Index.

#### STRATEGY:

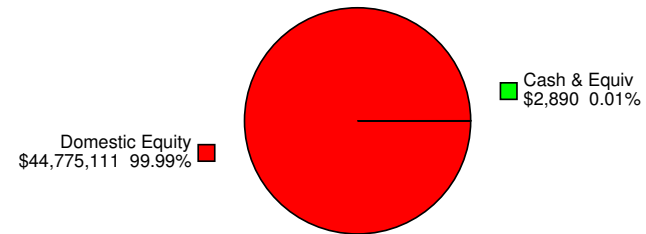
The Fund is managed using a "passive" or "indexing" investment approach, by which SSgA attempts to match, before expenses, the performance of the Index. SSgA will typically attempt to invest in the securities comprising the Index in the same proportions as they are represented in the Index. In some cases, 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

6 bps on first \$50MM  
4 bps on next \$50MM  
3 bps thereafter

### Asset Allocation SSgA Russell 1000 Index Fund

December 31, 2013 \$44,778,001



### CONCLUSIONS/RECOMMENDATIONS

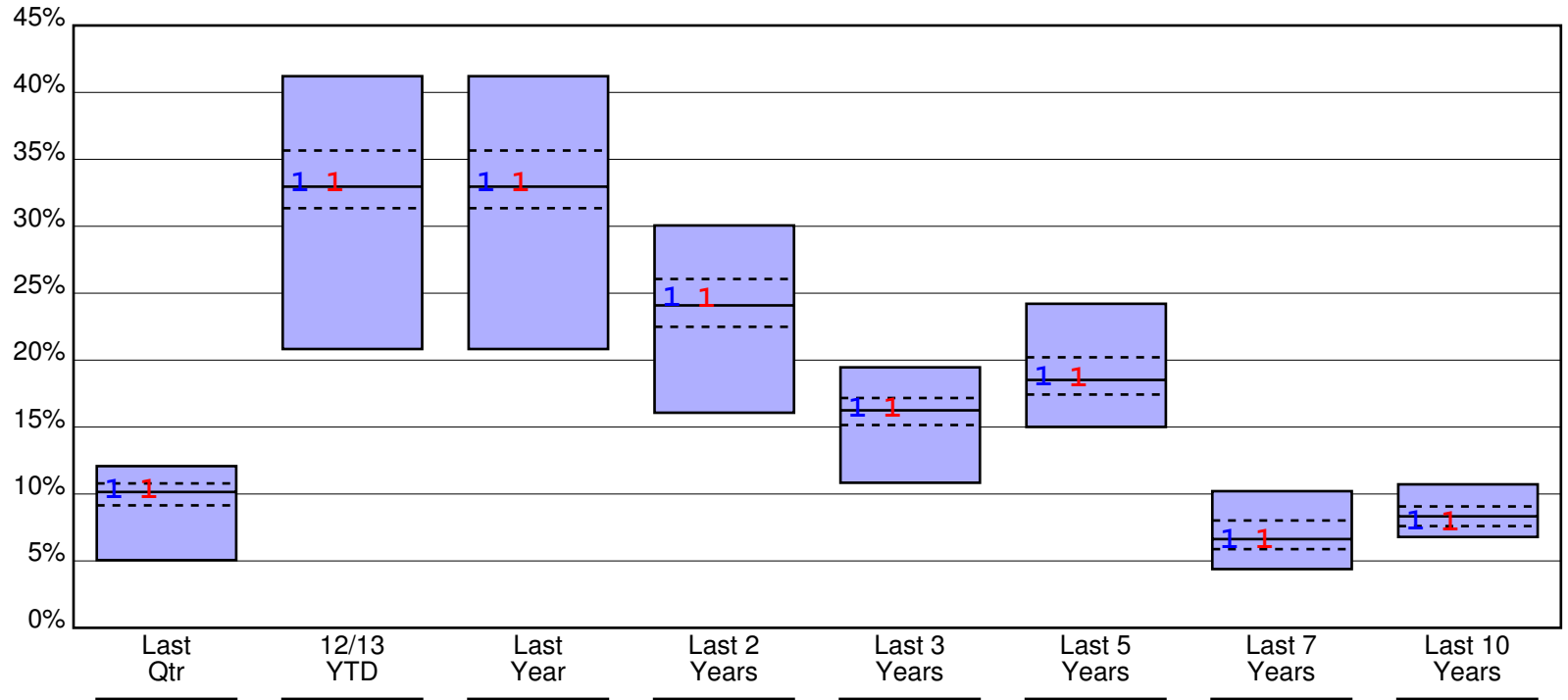
The SSgA Fund performed in-line with the Russell 1000 Index during the quarter.

# City of Mobile Police & Firefighters

## All Large Cap Cumulative Performance Comparisons

### Total Returns of Equity Portfolios

#### Periods Ending 12/13



5th Percentile	12.08	41.21	41.21	30.06	19.46	24.21	10.21	10.72
25th Percentile	10.79	35.66	35.66	26.06	17.17	20.21	8.02	9.07
Median	10.15	32.96	32.96	24.09	16.25	18.52	6.63	8.33
75th Percentile	9.15	31.35	31.35	22.49	15.15	17.43	5.88	7.60
95th Percentile	5.06	20.83	20.83	16.07	10.84	15.01	4.39	6.79
1 SSgA Russell 1000 Index Fund	10.23 (47)	33.14 (45)	33.14 (45)	24.53 (42)	16.32 (45)	18.62 (48)	6.48 (56)	7.84 (69)
1 Russell 1000	10.23 (47)	33.11 (46)	33.11 (46)	24.49 (43)	16.30 (46)	18.59 (48)	6.44 (58)	7.78 (71)

# City of Mobile Police & Firefighters

## December 31, 2013

Performance Summary Table  
Periods Ending 12/31/13

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
Energy Opportunities Capital							
Total Return	2.56	26.69	26.69				
Total Return (Net of Fees)	2.31	25.19	25.19				
OIH_XLE Blended Index	5.55	26.50	26.50				
Variance	-2.99	0.19	0.19				

### 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.

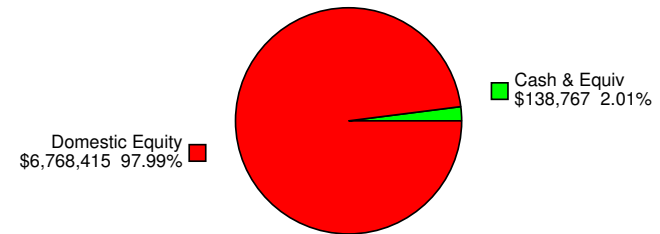
The primary thrust of the strategy is to capitalize on the ongoing positive supply and demand fundamentals that exist in energy markets. Among other things, the manager emphasizes those sectors and companies that are beneficiaries of the necessary capital expenditures that will be required to generate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

December 31, 2013 \$6,907,182



#### CONCLUSIONS/RECOMMENDATIONS

Energy Opportunities Capital under performed the blended benchmark by 299 basis points during the 4th Quarter 2013.

# City of Mobile Police & Firefighters

## December 31, 2013

Performance Summary Table  
Periods Ending 12/31/13

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
SSgA S&P 400 MidCap Index Fund							
Total Return	8.35						
Total Return (Net of Fees)	8.34						
S&P Midcap 400	8.34						
Variance	0.01						

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

#### OBJECTIVE:

Track the return of the S&P 400 MidCap Index.

#### STRATEGY:

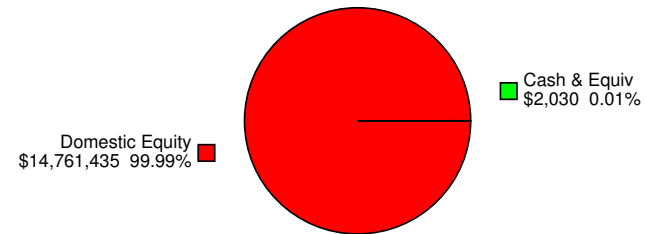
The Fund is managed using a "passive" or "indexing" investment approach, by which SSgA attempts to match, before expenses, the performance of the Index. SSgA will typically attempt to invest in the securities comprising the Index in the same proportions as they are represented in the Index. In some cases, 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

7 bps on first \$50MM  
5 bps on next \$50MM  
3 bps thereafter

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

December 31, 2013 \$14,763,465



### 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 12/13



Last  
Qtr

5th Percentile	11.73
25th Percentile	11.07
Median	9.76
75th Percentile	8.36
95th Percentile	7.84

<b>S</b> SSgA S&P 400 MidCap Index Fund	8.35 (75)
<b>1</b> S&P Midcap 400	8.34 (79)

# City of Mobile Police & Firefighters

## December 31, 2013

Performance Summary Table  
Periods Ending 12/31/13

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
Morgan Dempsey SCV							
Total Return	8.74						
Total Return (Net of Fees)	8.46						
Russell 2000 Value	9.29						
Variance	-0.55						

### 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)

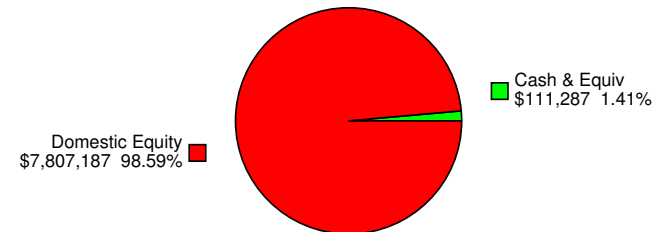
#### STRATEGY

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  
December 31, 2013 \$7,918,474



#### CONCLUSIONS/RECOMMENDATIONS

Morgan Dempsey under performed the Russell 2000 Value Index by 55 basis points during the 4th Quarter 2013 and ranked in the 75th percentile of the Small Cap Value Universe. Overall stock selection contributed to the under performance.

# City of Mobile Police & Firefighters

## Equity Summary Statistics

### Morgan Dempsey SCV

#### Period Ending 12/13

	Portfolio	Russell 2000 Value	Ten Largest Holdings	Mkt Value	% of Port	Quarterly Ret
Total Number Of Securities	72	1,393	Sturm Ruger & Co Inc	399,437	5.12	17.62
Equity Market Value	7,807,187		Granite Constr Inc	387,578	4.97	14.74
Average Capitalization \$(000)	1,344,309	1,537,332	Gorman Rupp Co	384,779	4.93	4.39
Median Capitalization \$(000)	574,419	617,904	J & J Snack Foods Co	379,608	4.87	10.15
Equity Segment Yield	1.21	1.93	Unit Corp	345,854	4.43	11.03
Equity Segment P/E - Average	23.32	37.77	Aptargroup Inc	324,403	4.16	13.21
Equity Segment P/E - Median	22.19	16.06	Jos A Bank Clothiers	318,255	4.08	24.50
Equity Segment Beta	1.00	1.33	Utah Med Prods Inc	258,649	3.31	-3.36
Price/Book Ratio	2.24	1.59	Foster L B Co	213,798	2.74	3.46
Debt/Equity Ratio	16.59	48.96	Weis Mkts Inc	176,864	2.27	8.03
Five Year Earnings Growth	3.37	3.91				

GICS Sectors	Weight		Return		Selection		
	Portfolio	Index	Portfolio	Index	Stock	Sector	Total
Energy	13.22	7.54	4.35	5.57	-0.16	-0.21	-0.37
Materials	10.03	4.62	5.23	12.99	-0.78	0.20	-0.58
Industrials	34.83	13.53	10.13	11.65	-0.53	0.51	-0.02
Consumer Discretionary	17.14	10.87	11.99	9.62	0.41	0.02	0.43
Consumer Staples	12.36	2.77	10.33	5.86	0.55	-0.33	0.23
Health Care	8.48	4.54	1.23	12.23	-0.93	0.12	-0.82
Financials	1.71	38.47	8.15	9.32	-0.02	-0.02	-0.04
Information Technology	2.23	10.93	16.42	8.79	0.17	0.04	0.21
Telecom. Services	0.00	0.65		-4.40	0.00	0.09	0.09
Utilities	0.00	6.08		6.33	0.00	0.18	0.18
	100.00	100.00	8.57	9.26	-1.29	0.60	-0.69

Stock Selection Return Attribution

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

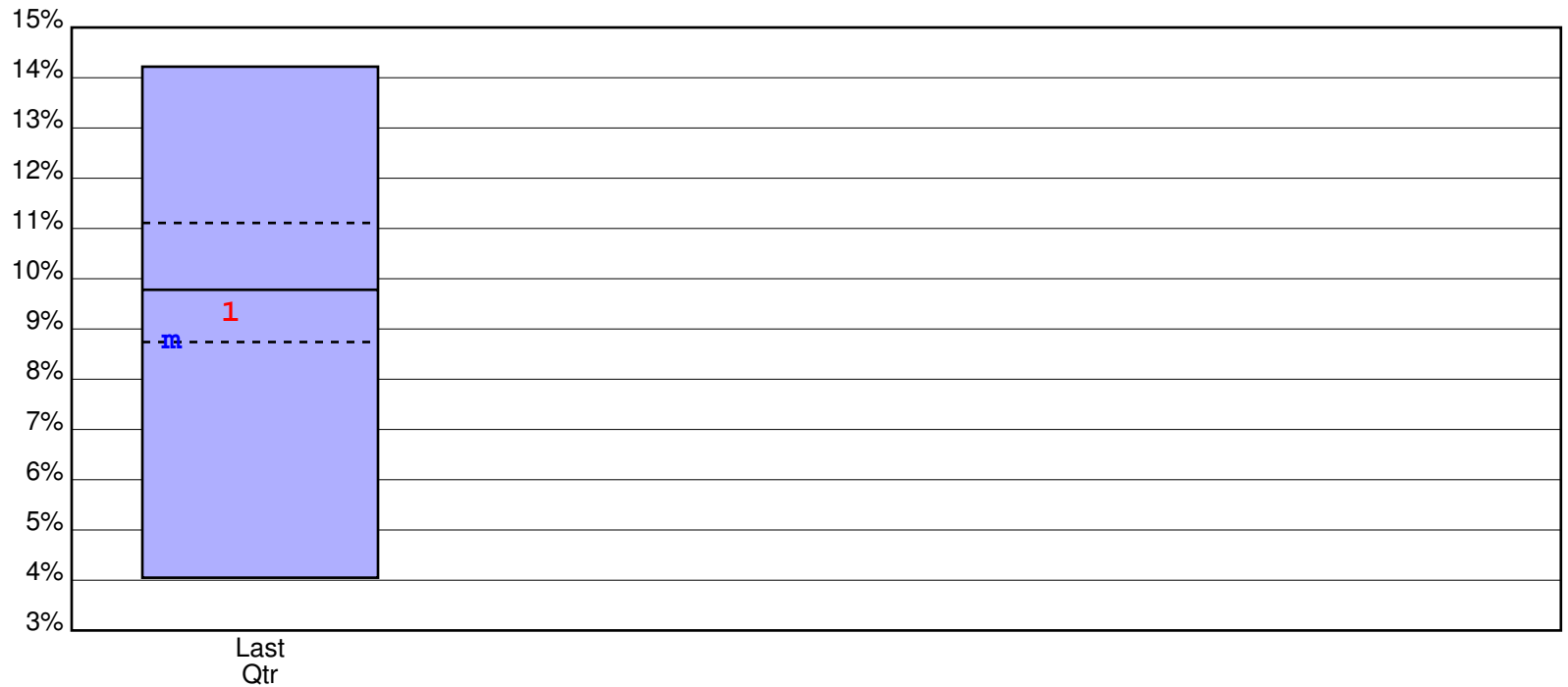
Sector Selection Return Attribution

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

Trading Effect 0.34%

[ Actual Return 8.90% ] - [ Buy Hold Return 8.57% ]

# City of Mobile Police & Firefighters Small Value Cumulative Performance Comparisons Total Returns of Equity Portfolios Periods Ending 12/13



5th Percentile	14.22
25th Percentile	11.11
Median	9.78
75th Percentile	8.74
95th Percentile	4.05

m Morgan Dempsey SCV	8.74 (75)
1 Russell 2000 Value	9.29 (56)

# City of Mobile Police & Firefighters

## December 31, 2013

Performance Summary Table  
Periods Ending 12/31/13

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
SouthernSun SCC							
Total Return	8.50						
Total Return (Net of Fees)	8.24						
Russell 2000	8.72						
Variance	-0.22						

### 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%).

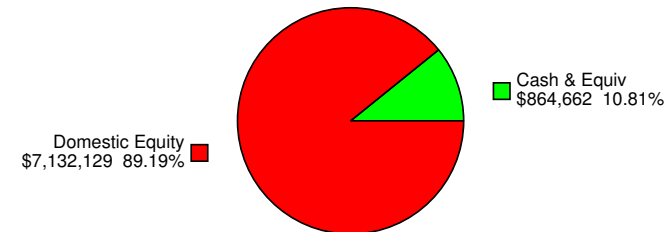
Bottom-up analysis of niche-dominant businesses with financial flexibility and uniquely-suited management teams.

#### 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

December 31, 2013 \$7,996,791



### CONCLUSIONS/RECOMMENDATIONS

SouthernSun under performed the Russell 2000 Index by 22 basis points during the 4th Quarter 2013 and ranked in the 76th percentile of the Small Cap Core Universe. Stock selection in Materials, Health Care, and Utilities were the main contributors to the under performance.

# City of Mobile Police & Firefighters

## Equity Summary Statistics

### SouthernSun SCC

#### Period Ending 12/13

	Portfolio	Russell 2000	Ten Largest Holdings	Mkt Value	% of Port	Quarterly Ret
Total Number Of Securities	20	2,003	Trinity Inds Inc	466,691	6.55	20.63
Equity Market Value	7,132,129		Darling Intl Inc	460,822	6.47	-1.32
Average Capitalization \$(000)	3,815,538	1,782,616	Chicago Bridge & Iro	457,270	6.42	22.76
Median Capitalization \$(000)	3,086,141	715,024	Carbo Ceramics Inc	444,562	6.24	17.94
Equity Segment Yield	1.02	1.23	Iconix Brand Group I	433,326	6.08	19.51
Equity Segment P/E - Average	22.01	47.82	URS Corp New	422,330	5.93	-1.01
Equity Segment P/E - Median	21.52	17.10	AGCO Corp	403,084	5.66	-1.87
Equity Segment Beta	1.44	1.27	Diebold Inc	383,576	5.38	13.49
Price/Book Ratio	2.57	2.35	Brinks Co	382,880	5.37	21.01
Debt/Equity Ratio	45.97	42.04	Centene Corp Del	360,185	5.05	-7.83
Five Year Earnings Growth	5.93	6.84				

GICS Sectors	Weight		Return		Selection		
	Portfolio	Index	Portfolio	Index	Stock	Sector	Total
Energy	6.20	5.66	17.94	5.98	0.74	-0.01	0.73
Materials	8.63	4.84	3.95	11.15	-0.62	0.09	-0.53
Industrials	37.24	14.41	11.26	10.99	0.10	0.53	0.63
Consumer Discretionary	18.29	13.89	14.82	8.96	1.07	0.01	1.09
Consumer Staples	10.02	3.96	3.25	5.91	-0.27	-0.17	-0.43
Health Care	10.60	12.97	2.45	8.39	-0.63	0.01	-0.62
Financials	0.00	22.38		9.10	0.00	-0.10	-0.10
Information Technology	4.67	18.11	13.49	7.46	0.28	0.16	0.44
Telecom. Services	0.00	0.76		5.28	0.00	0.03	0.03
Utilities	4.35	3.02	-5.51	6.36	-0.52	-0.03	-0.55
	100.00	100.00	9.33	8.65	0.16	0.52	0.68

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 0.49%

[ Actual Return 9.82% ] - [ Buy Hold Return 9.33% ]

# City of Mobile Police & Firefighters Small Neutral Cumulative Performance Comparisons Total Returns of Equity Portfolios Periods Ending 12/13



5th Percentile	11.89
25th Percentile	10.63
Median	9.29
75th Percentile	8.54
95th Percentile	5.98

<b>S</b> SouthernSun SCC	8.50 (76)
<b>1</b> Russell 2000	8.72 (67)

# City of Mobile Police & Firefighters

## December 31, 2013

Performance Summary Table  
Periods Ending 12/31/13

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
Allianz Global Investors							
Total Return	3.90	12.53	12.53	16.41			
Total Return (Net of Fees)	3.90	12.53	12.53	16.41			
MSCI ACWI ex US (Net)	4.76	15.29	15.29	16.05			
Variance	-0.86	-2.76	-2.76	0.35			

### 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)

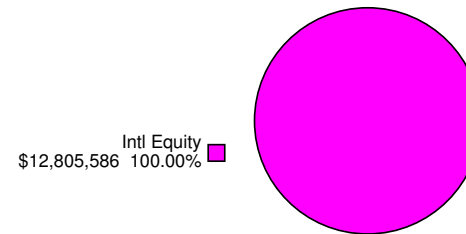
#### STRATEGY:

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  
December 31, 2013 \$12,805,586



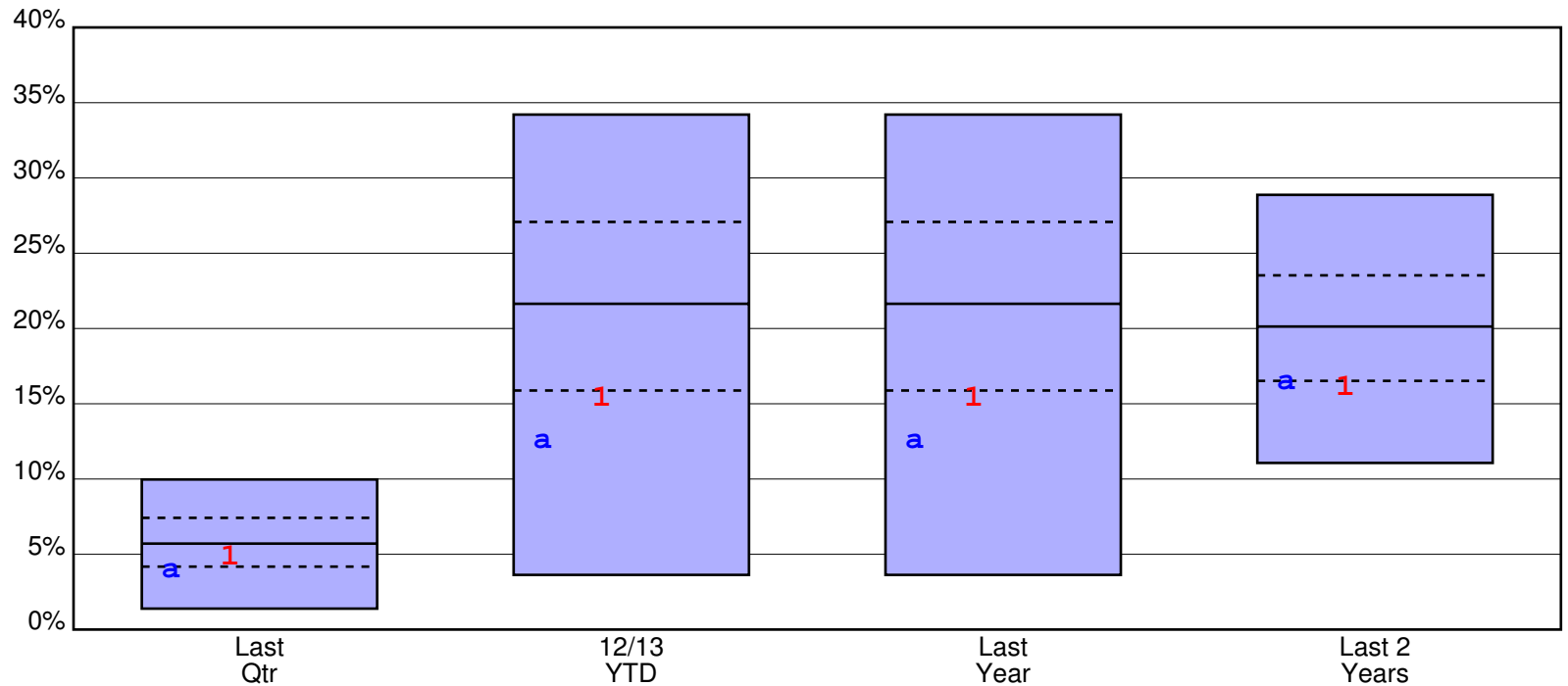
#### CONCLUSIONS/RECOMMENDATIONS

Allianz Global Investors under performed the MSCI ACWI ex US (Net) during the 4th Quarter 2013 and ranked in the 76th percentile of the International Equity Universe.

Over a 2-year time period, Allianz Global Investors ranks in the 76th percentile of the International Equity Universe.



# City of Mobile Police & Firefighters Cumulative Performance Comparison Total Returns of International Equity Portfolios Periods Ending 12/13



5th Percentile	9.97	34.21	34.21	28.88
25th Percentile	7.42	27.08	27.08	23.53
Median	5.71	21.64	21.64	20.13
75th Percentile	4.18	15.88	15.88	16.52
95th Percentile	1.39	3.63	3.63	11.07
a Allianz Global Investors	3.90 (76)	12.53 (86)	12.53 (86)	16.41 (76)
1 MSCI ACWI ex US (Net)	4.76 (67)	15.29 (77)	15.29 (77)	16.05 (78)

# City of Mobile Police & Firefighters

## December 31, 2013

Performance Summary Table  
Periods Ending 12/31/13

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
<b>Orleans</b>							
Total Return	0.48	0.14	0.14	2.18	3.42	5.71	4.80
Total Return (Net of Fees)	0.45	0.02	0.02	2.06	3.30	5.59	
Barclays Int Govt/Credit	-0.02	-0.86	-0.86	1.49	2.91	3.96	4.09
Variance	0.50	1.00	1.00	0.69	0.51	1.75	0.71
Barclays U.S. Aggregate	-0.14	-2.02	-2.02	1.05	3.26	4.44	4.55

### 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.

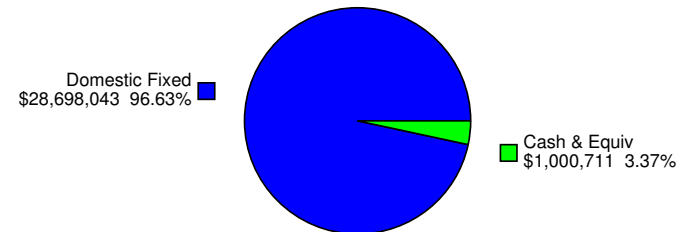
#### FEE SCHEDULE

15 bps on first \$10MM

10 bps thereafter

### Asset Allocation Orleans

December 31, 2013 \$29,698,754



### CONCLUSIONS/RECOMMENDATIONS

Orleans out performed the Barclays Int. Govt/Credit Index and the Barclays U.S. Aggregate Index. Manager ranked in the 19th percentile of the Fixed Income Universe during the quarter.

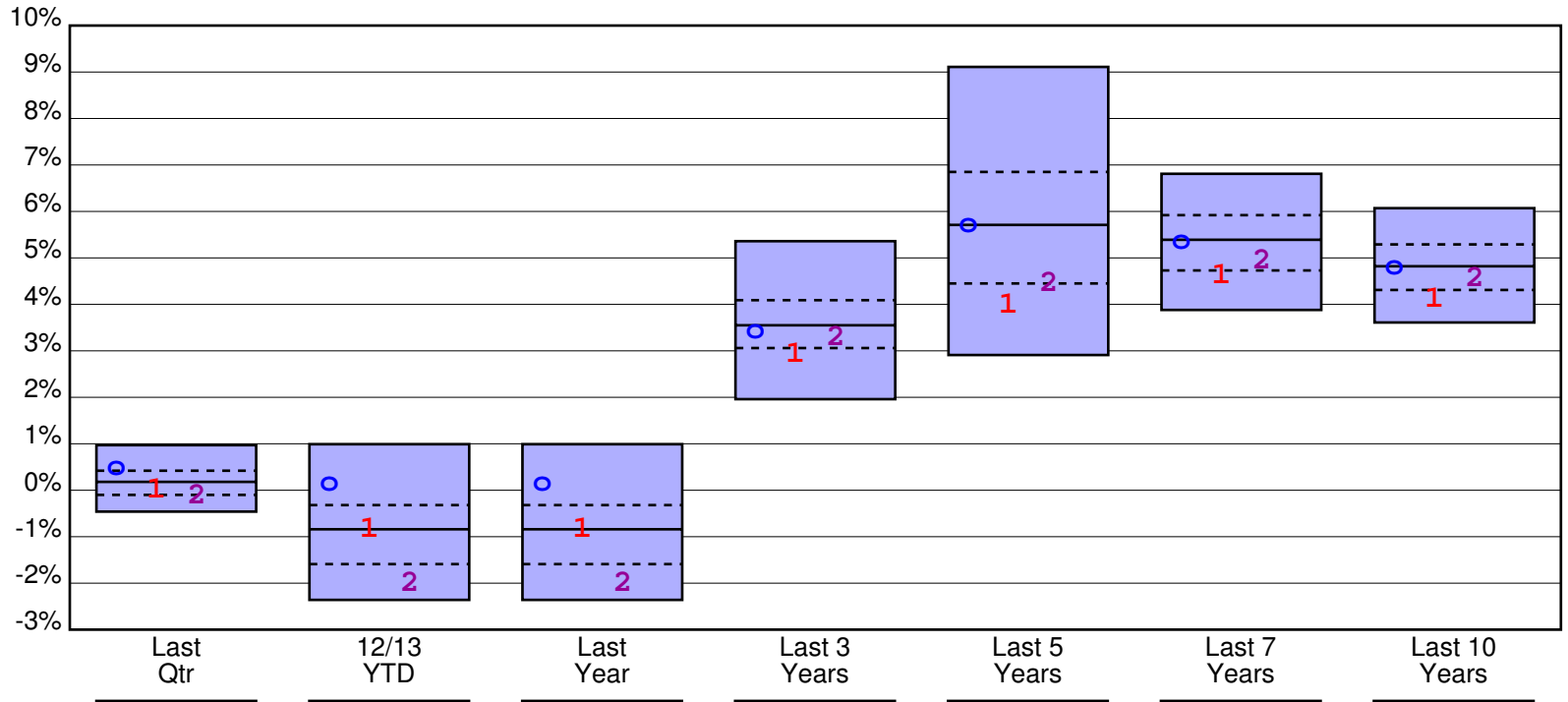
In all periods greater than one year, the manager has out performed the Barclays Int. Govt/Credit Index. Over the past seven years, manager ranks in the 52nd percentile of the Fixed Income Universe.

# City of Mobile Police & Firefighters

## Intermediate Term Cumulative Performance Comparisons

### Total Returns of Fixed Income Portfolios

#### Periods Ending 12/13



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

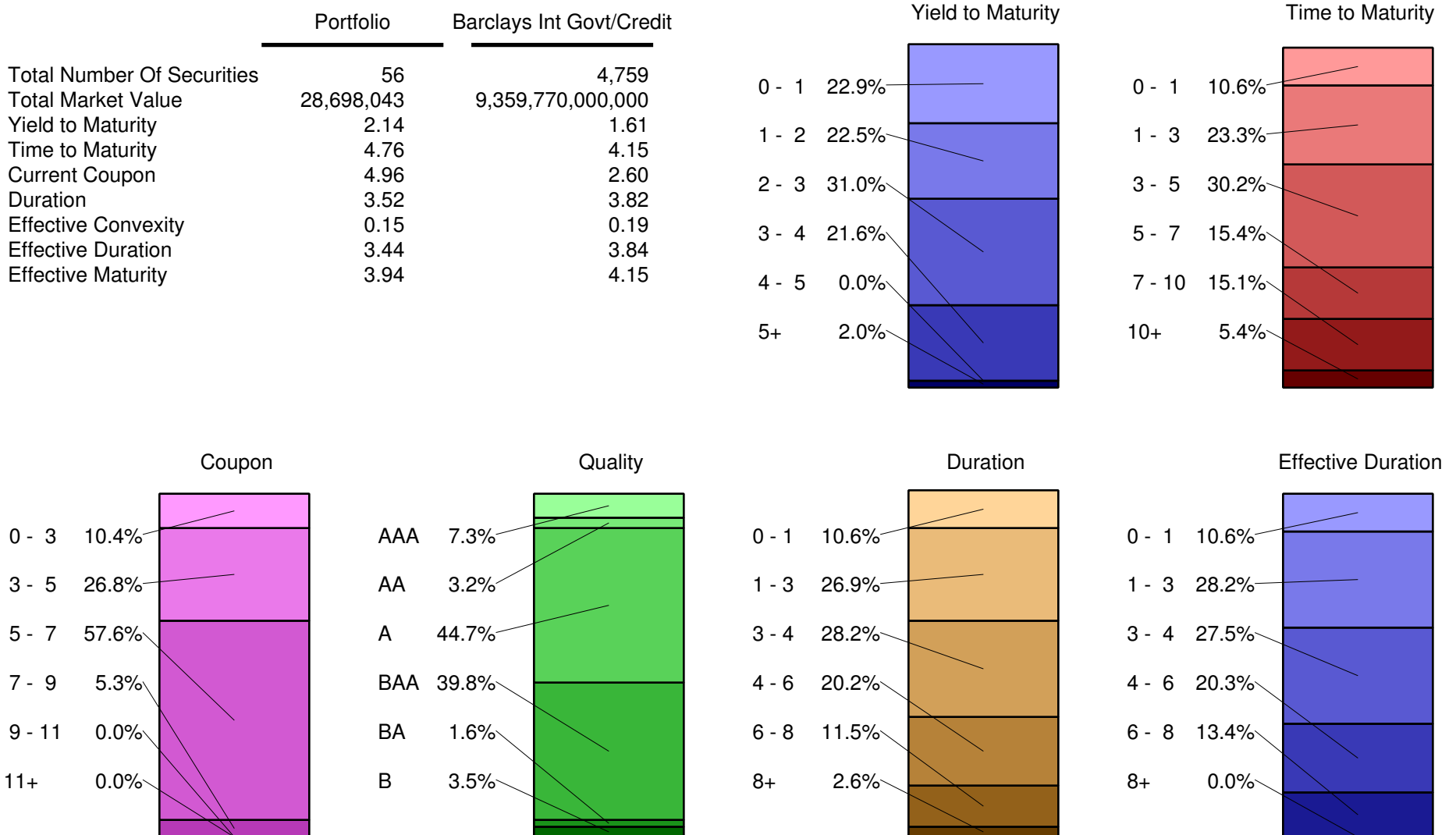
○ Orleans

1 Barclays Int Govt/Credit

2 Barclays U.S. Aggregate

Last Qtr	12/13 YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
0.97	0.99	0.99	5.36	9.11	6.81	6.07
0.42	-0.32	-0.32	4.09	6.85	5.92	5.29
0.18	-0.84	-0.84	3.55	5.71	5.39	4.82
-0.10	-1.59	-1.59	3.06	4.45	4.73	4.31
-0.46	-2.36	-2.36	1.96	2.91	3.88	3.61
0.48 (19)	0.14 (16)	0.14 (16)	3.42 (56)	5.71 (50)	5.35 (52)	4.80 (53)
-0.02 (69)	-0.86 (50)	-0.86 (50)	2.91 (80)	3.96 (86)	4.61 (79)	4.09 (82)
-0.14 (79)	-2.02 (89)	-2.02 (89)	3.26 (68)	4.44 (76)	4.91 (68)	4.55 (64)

# City of Mobile Police & Firefighters Fixed Income, Mortgage and Municipals Summary Statistics Orleans Quarter Ending 12/13



# City of Mobile Police & Firefighters

## December 31, 2013

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

#### **OBJECTIVE**

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

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

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

#### **STRATEGIES**

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

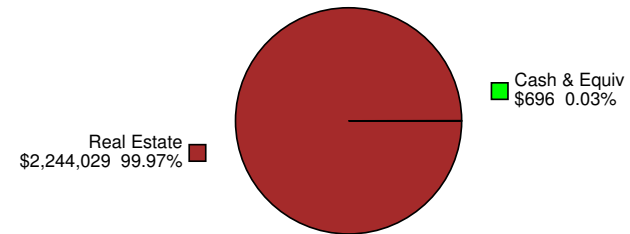
Public investments consist of 4 separate account REIT strategies (core, large cap, small cap, and absolute return) and an in-house public/private arbitrage portfolio.

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

#### **FEE SCHEDULE**

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

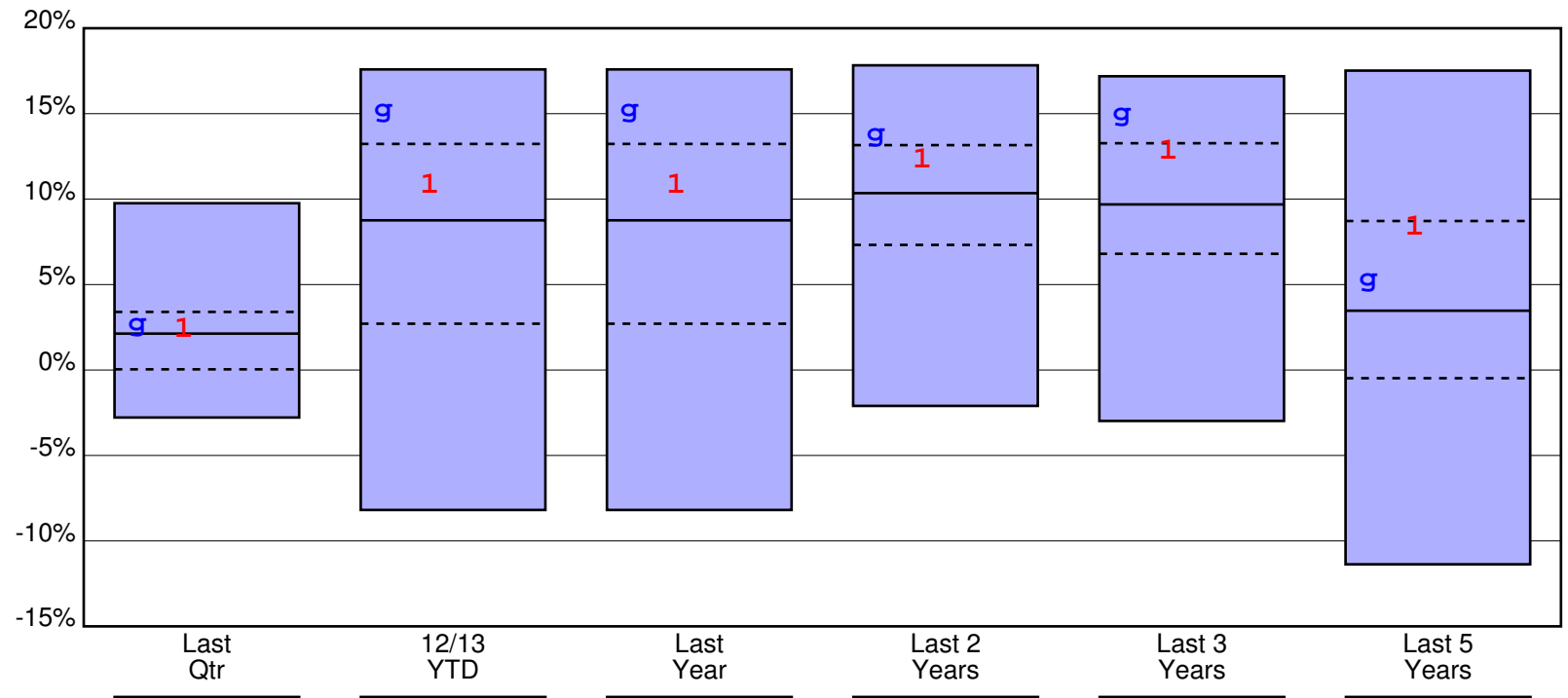
Asset Allocation  
Guggenheim  
December 31, 2013 \$2,244,725



#### **CONCLUSIONS/RECOMMENDATIONS**

Guggenheim out performed the blended benchmark by 32 bps and ranked in the 41st 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 12/13



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

Last Qtr	9.76	17.59	17.59	17.83	17.19	17.52
12/13 YTD	3.40	13.23	13.23	13.16	13.27	8.72
Last Year	2.13	8.76	8.76	10.35	9.69	3.47
Last 2 Years	0.04	2.71	2.71	7.32	6.80	-0.48
Last 3 Years	-2.78	-8.19	-8.19	-2.10	-2.98	-11.37
Last 5 Years						
Guggenheim	2.65 (41)	15.13 (13)	15.13 (13)	13.74 (22)	14.95 (11)	5.26 (34)
70% NCREIF / 30% NAREIT	2.33 (46)	10.77 (40)	10.77 (40)	12.23 (33)	12.77 (30)	8.30 (25)

City of Mobile Police & Firefighters  
December 31, 2013

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

**OBJECTIVE**

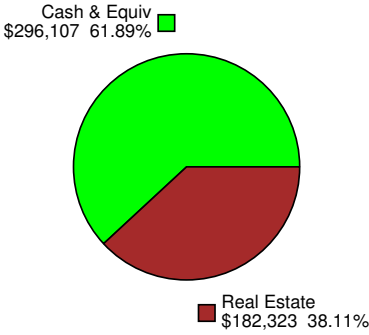
Manager is expected to out perform the NCREIF Index.

**CONCLUSIONS/RECOMMENDATIONS**

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

**Asset Allocation**  
**DLJ**

December 31, 2013      \$478,430



City of Mobile Police & Firefighters  
Internal Rate of Return Table  
DLJ  
December 31, 2013

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  
December 31, 2013

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

City of Mobile Police & Firefighters  
Internal Rate of Return Table  
DLJ  
December 31, 2013

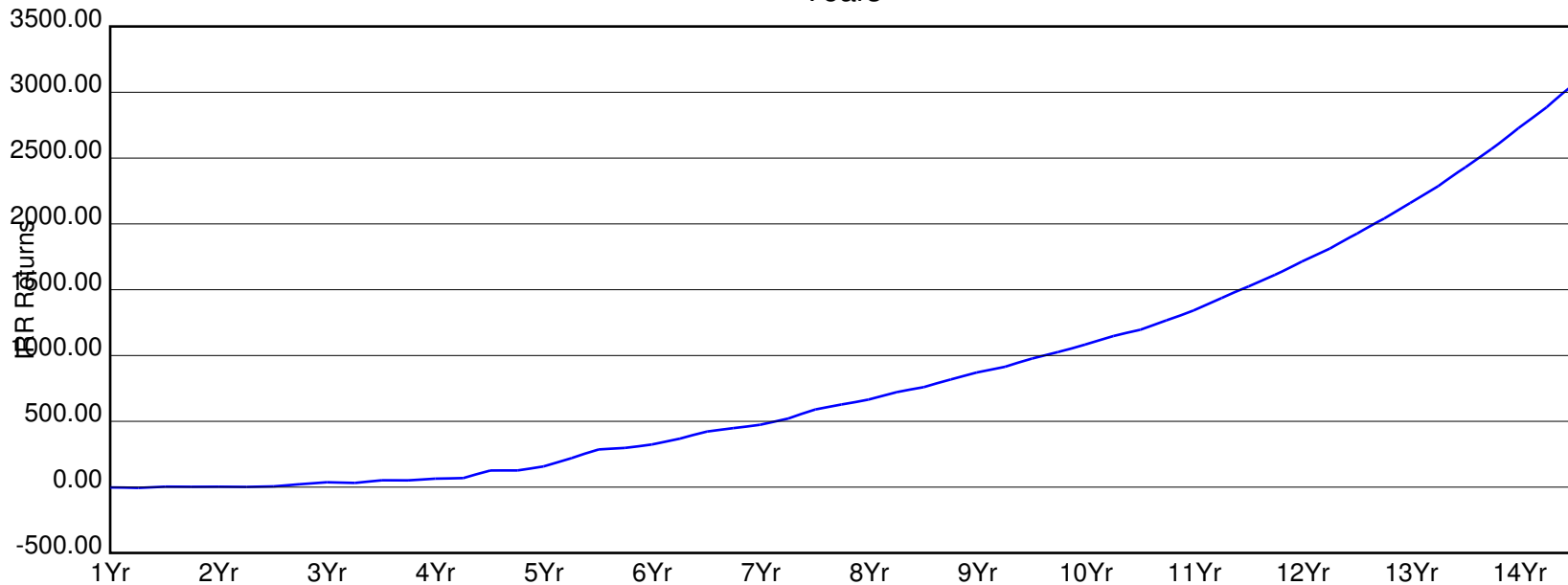
Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
9/11	506,108	0	0	-3,147	0	1,668	501,294	1,813.04	27.82
12/11	501,294	0	0	13,618	0	0	514,911	1,926.25	27.77
3/12	514,911	0	0	5,316	0	1,259	518,968	2,040.58	27.71
6/12	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	7	0	0	478,430	3,056.98	27.35
Total		2,645,954	3,719,237	1,859,441	124,311	183,417	478,430	3,056.98	27.35

# City of Mobile Police & Firefighters J-Curve Graph

DLJ

3/31/00 - 12/31/13

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
Total	2,645,954	3,719,237	124,311	183,417		

# City of Mobile Police & Firefighters

## December 31, 2013

Performance Summary Table  
Periods Ending 12/31/13

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
TIAA-CREF							
Total Return	2.42	10.07	10.07	11.74	11.49	1.05	
Total Return (Net of Fees)	2.14	8.87	8.87	10.54	10.29	-0.07	
NCREIF ODCE Fund Index	3.19	13.96	13.96	12.44	13.61	3.69	
Variance	-0.77	-3.89	-3.89	-0.70	-2.13	-2.64	

### TIAA-CREF CORE PROPERTY FUND

#### Real Estate - Open-ended, Core Style

#### OBJECTIVE

Manager is expected to outperform the NCREIF Index.

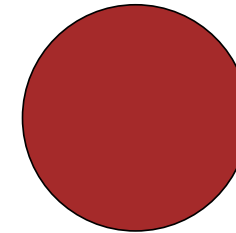
#### STRATEGIES

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

### Asset Allocation TIAA-CREF

December 31, 2013 \$2,067,996

Real Estate  
\$2,067,996 100.00%



#### CONCLUSIONS/RECOMMENDATIONS

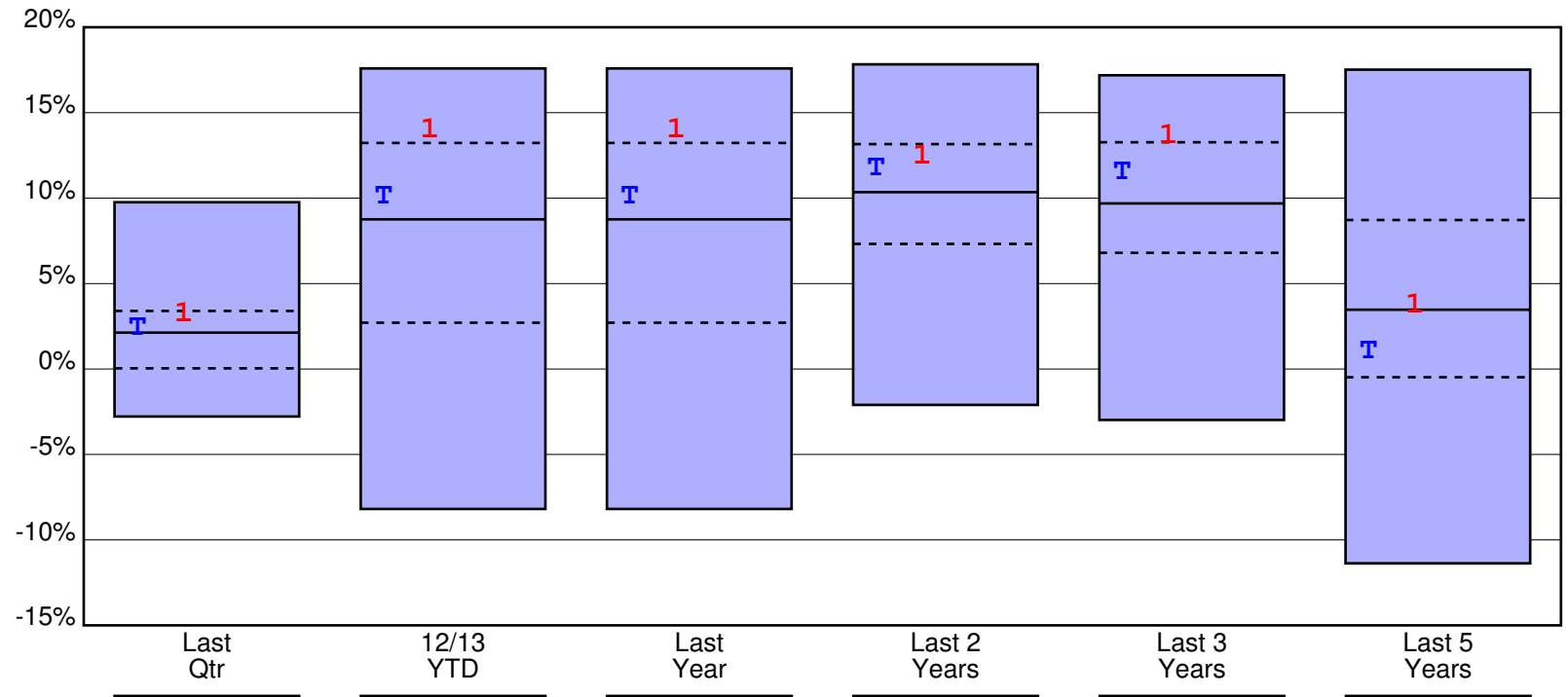
During the Fourth Quarter 2013, TIAA-CREF under performed the NCREIF Property Index by 77 basis points. Their performance placed them in the 45th percentile of their peer universe.

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

#### FEE SCHEDULE

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

# City of Mobile Police & Firefighters Cumulative Performance Comparison Total Returns of Real Estate Portfolios Periods Ending 12/13



5th Percentile	9.76	17.59	17.59	17.83	17.19	17.52
25th Percentile	3.40	13.23	13.23	13.16	13.27	8.72
Median	2.13	8.76	8.76	10.35	9.69	3.47
75th Percentile	0.04	2.71	2.71	7.32	6.80	-0.48
95th Percentile	-2.78	-8.19	-8.19	-2.10	-2.98	-11.37
T TIAA-CREF	2.42 (45)	10.07 (44)	10.07 (44)	11.74 (39)	11.49 (36)	1.05 (71)
1 NCREIF ODCE Fund Index	3.19 (30)	13.96 (19)	13.96 (19)	12.44 (30)	13.61 (21)	3.69 (49)

# City of Mobile Police & Firefighters December 31, 2013

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

Initial Closing on August 7, 1998

### OBJECTIVE

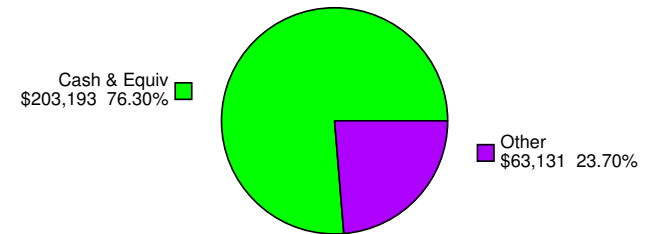
The manager needs to achieve a return of 400 basis points above the Russell 3000 index on an annual basis.

### CONCLUSIONS/RECOMMENDATIONS

Hicks, Muse, Tate & Furst IV values and performance has not been updated through the Fourth Quarter of 2013.

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

Asset Allocation  
Hicks, Muse, Tate & Furst IV  
December 31, 2013      \$266,324



City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Hicks, Muse, Tate & Furst IV  
December 31, 2013

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  
December 31, 2013

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



City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Hicks, Muse, Tate & Furst IV  
December 31, 2013

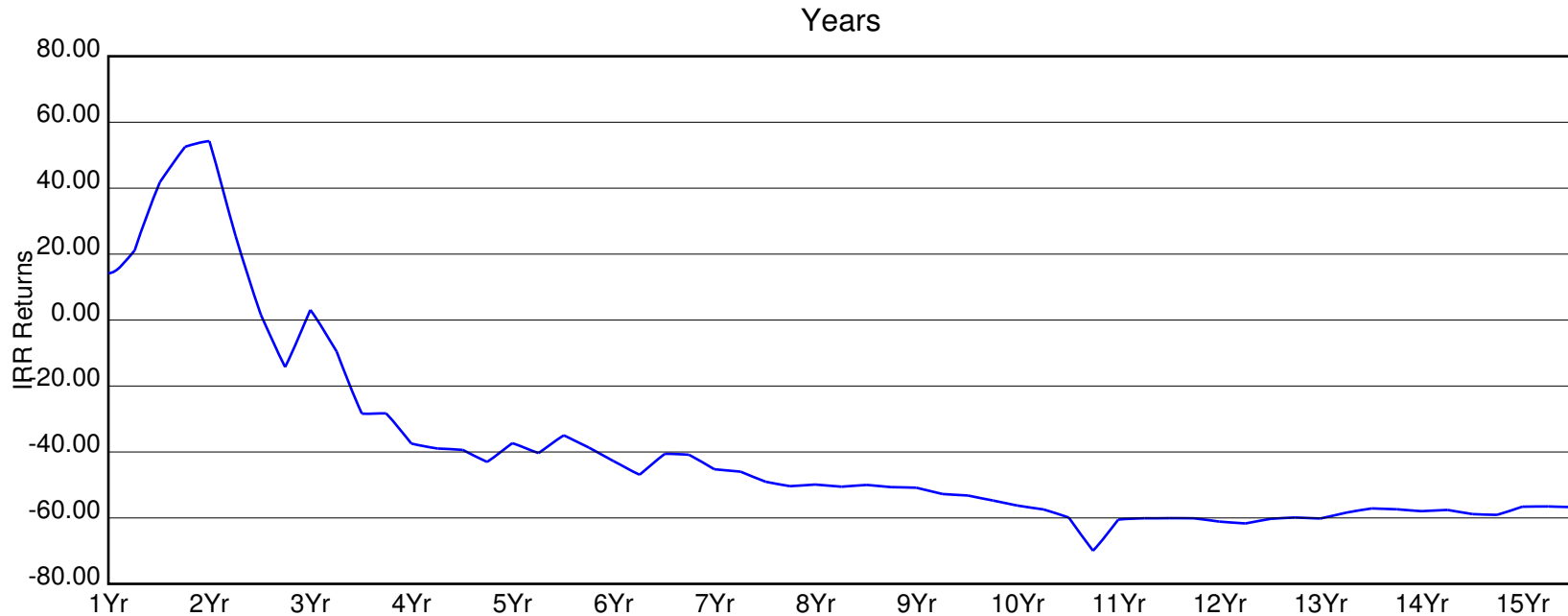
Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
9/10	189,496	0	0	-1,792	0	0	187,704	-61.67	-7.65
12/10	187,704	0	0	16,585	0	0	204,289	-60.27	-7.23
3/11	204,289	0	0	6,870	0	0	211,159	-59.86	-7.02
6/11	211,159	1	0	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	5	0	0	266,324	-56.72	-5.33
Total		2,415,558	1,536,951	-568,027	0	44,256	266,324	-56.72	-5.33

# City of Mobile Police & Firefighters

## J-Curve Graph

### Hicks, Muse, Tate & Furst IV

#### 3/31/99 - 12/31/13



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	30	0	263,659	-56.60
Total Capital Commitment: 2,000,000						
Total	2,415,558	1,536,951	0	44,256		

# City of Mobile Police & Firefighters

## December 31, 2013

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

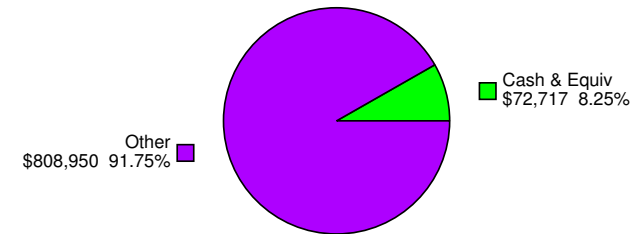
#### **OBJECTIVE**

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

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

#### **Asset Allocation** **Ripplewood Partners II, L.P.**

December 31, 2013      \$881,667



#### **CONCLUSIONS/RECOMMENDATIONS**

Ripplewood Partners II values and performance has not been updated through the Fourth Quarter of 2013. The manager's performance will be included in subsequent reports.

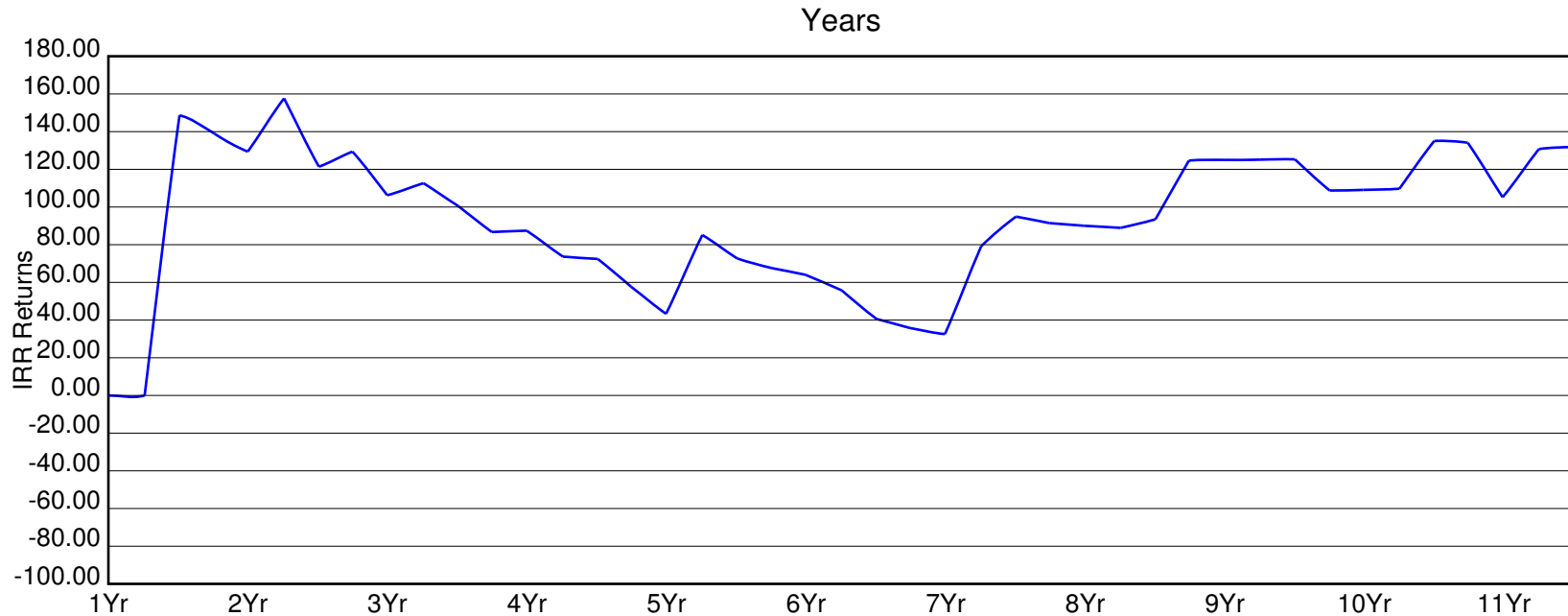
City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Ripplewood Partners II, L.P.  
December 31, 2013

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

City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Ripplewood Partners II, L.P.  
December 31, 2013

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	1	0	0	881,667	131.82	7.72
Total		2,608,181	2,210,258	708,507	95,164	129,599	881,667	131.82	7.72

City of Mobile Police & Firefighters  
J-Curve Graph  
Ripplewood Partners II, L.P.  
3/31/03 - 12/31/13



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

Total Contribution: 2,608,181  
Total Capital Commitment: 2,000,000  
Total Distribution: 2,210,258  
Total Expenses: 95,164  
Total Investment Fees: 129,599  
Vintage Year: 2002

# City of Mobile Police & Firefighters

## December 31, 2013

### LEVINE LEICHTMAN CAPITAL PARTNERS III Private Equity

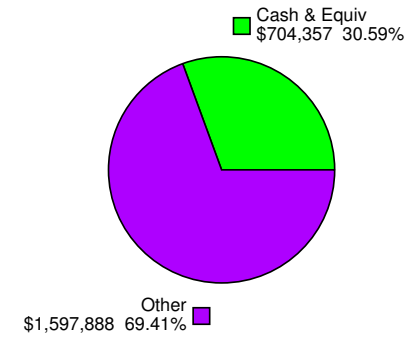
#### OBJECTIVE

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  
December 31, 2013      \$2,302,244



#### CONCLUSIONS/RECOMMENDATIONS

Levine Leichtman Fund III values and performance has not been updated through the Fourth Quarter of 2013. 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 determined to liquidate Fund III and wind up the affairs of the Partnership. The liquidation process will take a couple of years.

City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Levine Leichtman Fund III  
December 31, 2013

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  
December 31, 2013

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	22	0	0	2,302,244	132.28	8.75
Total		5,034,087	3,914,205	1,532,224	0	349,862	2,302,244	132.28	8.75

# City of Mobile Police & Firefighters December 31, 2013

## **PERMAL PRIVATE EQUITY HOLDINGS IV** **Private Equity - Fund of Funds**

### **OBJECTIVE**

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

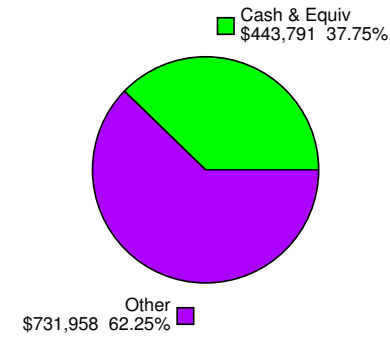
### **STRATEGIES**

Private equity fund of funds.

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

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

Asset Allocation  
Permal Capital Fund IV  
December 31, 2013      \$1,175,749



### **CONCLUSIONS/RECOMMENDATIONS**

Permal has an annualized return since inception of 6.25% through 4th Quarter 2013. Permal has distributed \$355,935 and has added \$388,508 in appreciated value since inception.

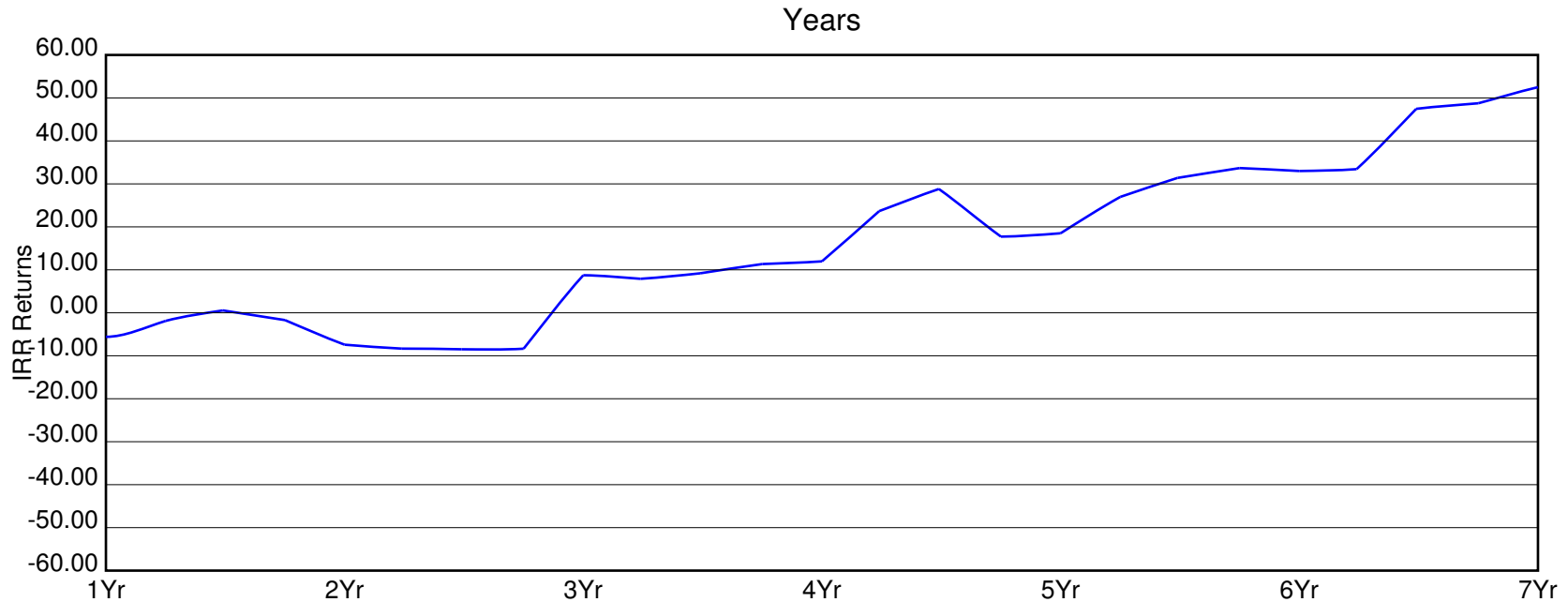
City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Permal Capital Fund IV  
December 31, 2013

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  
December 31, 2013

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
Total		1,237,972	355,935	388,508	21,082	73,714	1,175,749	52.51	6.25

City of Mobile Police & Firefighters  
J-Curve Graph  
Permal Capital Fund IV  
9/30/07 - 12/31/13



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		
Total	1,237,972	355,935	21,082	73,714		

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

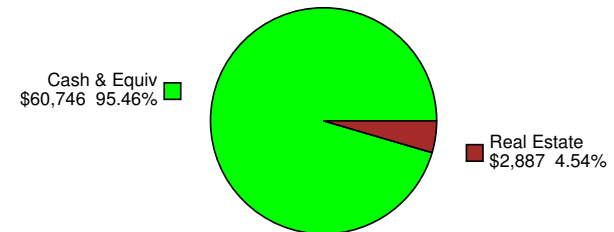
# City of Mobile Police & Firefighters December 31, 2013

## WESTBROOK REAL ESTATE FUND III Real Estate

### OBJECTIVE

Manager is expected to outperform the NCREIF Index.

Asset Allocation  
Westbrook  
December 31, 2013 \$63,633



### CONCLUSIONS/RECOMMENDATIONS

Westbrook values and performance has not been updated through the Fourth Quarter of 2013.

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

City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Westbrook  
December 31, 2013

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
9/98		2,313	0		0	9,205			NA
12/98		160,253	0	10,963	0	7,562	163,654		NA
3/99	163,654	322,306	0	20,745	0	7,397	499,308	42.85	NA
6/99	499,308	96,652	0	39,782	0	7,479	628,263	35.49	NA
9/99	628,263	56,380	51,547	53,680	0	7,562	679,214	46.24	44.07
12/99	679,214	273,848	0	1,801	0	7,562	947,301	37.22	27.72
3/00	947,301	161,087	30,179	48,968	0	7,459	1,119,718	41.48	25.23
6/00	1,119,718	201,358	0	65,368	0	7,459	1,378,985	48.45	24.67
9/00	1,378,985	725,803	176,895	98,586	0	7,541	2,018,938	56.17	24.37
12/00	2,018,938	88,598	141,928	34,599	0	6,806	1,993,401	53.46	20.51
3/01	1,993,401	0	90,933	86,400	0	6,842	1,982,026	59.86	20.26
6/01	1,982,026	0	10,089	91,721	0	6,836	2,056,822	67.23	20.22
9/01	2,056,822	0	104,968	1,270	0	6,893	1,946,231	63.45	17.52
12/01	1,946,231	0	100,122	-30,653	0	6,676	1,808,780	57.43	14.76
3/02	1,808,780	0	204,311	54,142	0	6,305	1,652,306	62.22	14.63
6/02	1,652,306	48,326	123,403	-2,280	0	5,935	1,569,014	61.18	13.42
9/02	1,569,014	0	94,965	-27,291	0	5,778	1,440,980	57.98	11.97
12/02	1,440,980	0	48,499	-34,428	0	5,582	1,352,471	54.34	10.63
3/03	1,352,471	0	0	70,526	0	5,423	1,417,574	62.20	11.23
6/03	1,417,574	0	28,920	22,346	0	5,418	1,405,582	64.91	11.00
9/03	1,405,582	0	41,438	150,662	0	5,448	1,509,358	81.79	12.58
12/03	1,509,358	0	261,534	23,834	0	5,030	1,266,628	85.29	12.35
3/04	1,266,628	0	61,888	81,815	0	4,682	1,281,873	95.82	12.88
6/04	1,281,873	0	104,581	117,773	0	0	1,295,065	110.86	13.74

City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Westbrook  
December 31, 2013

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
9/04	1,295,065	0	125,335	-1,096	0	0	1,168,634	112.81	13.30
12/04	1,168,634	0	435,461	2,960	0	0	736,133	115.85	12.99
3/05	736,133	0	68,689	8,214	0	0	675,658	120.77	12.86
6/05	675,658	0	270,692	165,527	0	0	570,493	145.56	14.14
9/05	570,493	0	157,137	12,844	0	0	426,200	153.17	14.09
12/05	426,200	0	87,347	-52,379	0	0	286,474	153.09	13.57
3/06	286,474	0	0	-545	0	0	285,929	159.86	13.49
6/06	285,929	0	0	5,615	0	0	291,544	167.70	13.47
9/06	291,544	0	73,596	1,864	0	0	219,812	175.34	13.41
12/06	219,812	0	70,480	-3,033	0	0	146,299	182.79	13.35
3/07	146,299	0	0	-2,996	0	0	143,303	190.53	13.29
6/07	143,303	0	0	-33,348	0	0	109,955	193.86	13.04
9/07	109,955	0	0	50	0	0	110,005	202.54	13.02
12/07	110,005	0	0	-33,508	0	0	76,497	205.97	12.78
3/08	76,497	0	0	2,588	0	0	79,085	215.33	12.78
6/08	79,085	0	0	2,260	0	0	81,345	224.90	12.78
9/08	81,345	0	0	2,875	0	0	84,220	234.97	12.78
12/08	84,220	0	0	2,823	0	0	87,043	245.32	12.78
3/09	87,043	6,943	0	1,282	0	128	95,140	255.46	12.78
6/09	95,140	0	128	-12,128	0	111	82,774	263.44	12.70
9/09	82,774	0	111	1,182	0	103	83,741	274.29	12.69
12/09	83,741	0	0	-2,321	0	0	81,421	284.76	12.66
3/10	81,421	0	96	-297	0	0	81,028	295.69	12.65
6/10	81,028	0	0	-402	89	0	80,537	307.03	12.64



City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Westbrook  
December 31, 2013

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
9/10	80,537	0	88	-2,181	0	0	78,268	318.44	12.61
12/10	78,268	0	89	1	0	0	78,180	330.65	12.60
3/11	78,180	0	76	1,070	0	0	79,174	343.17	12.60
6/11	79,174	0	0	2,765	67	0	81,872	356.56	12.60
9/11	81,872	0	0	101	0	57	81,916	369.88	12.59
12/11	81,916	0	0	-8,365	0	38	73,513	381.60	12.54
3/12	73,513	0	0	11	0	37	73,488	395.49	12.54
6/12	73,488	0	0	-111	0	0	73,377	409.73	12.53
9/12	73,377	0	0	-3,130	0	0	70,247	423.81	12.51
12/12	70,247	0	0	-2,981	0	0	67,266	438.32	12.49
3/13	67,266	0	0	-253	0	0	67,013	453.60	12.48
6/13	67,013	0	0	-3,745	0	0	63,268	468.58	12.46
9/13	63,268	0	0	365	0	0	63,633	485.26	12.46
12/13	63,633	0	0	0	0	0	63,633	502.32	12.45
Total		2,143,867	2,965,525	1,038,801	156	153,354	63,633	502.32	12.45

## City of Mobile Police & Firefighters December 31, 2013

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

#### **OBJECTIVE**

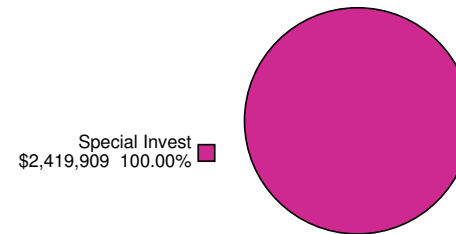
Manager is expected to outperform the NCREIF Timber Index.

#### **STRATEGIES**

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

#### **Asset Allocation Timberland Investment Resources**

December 31, 2013      \$2,419,909



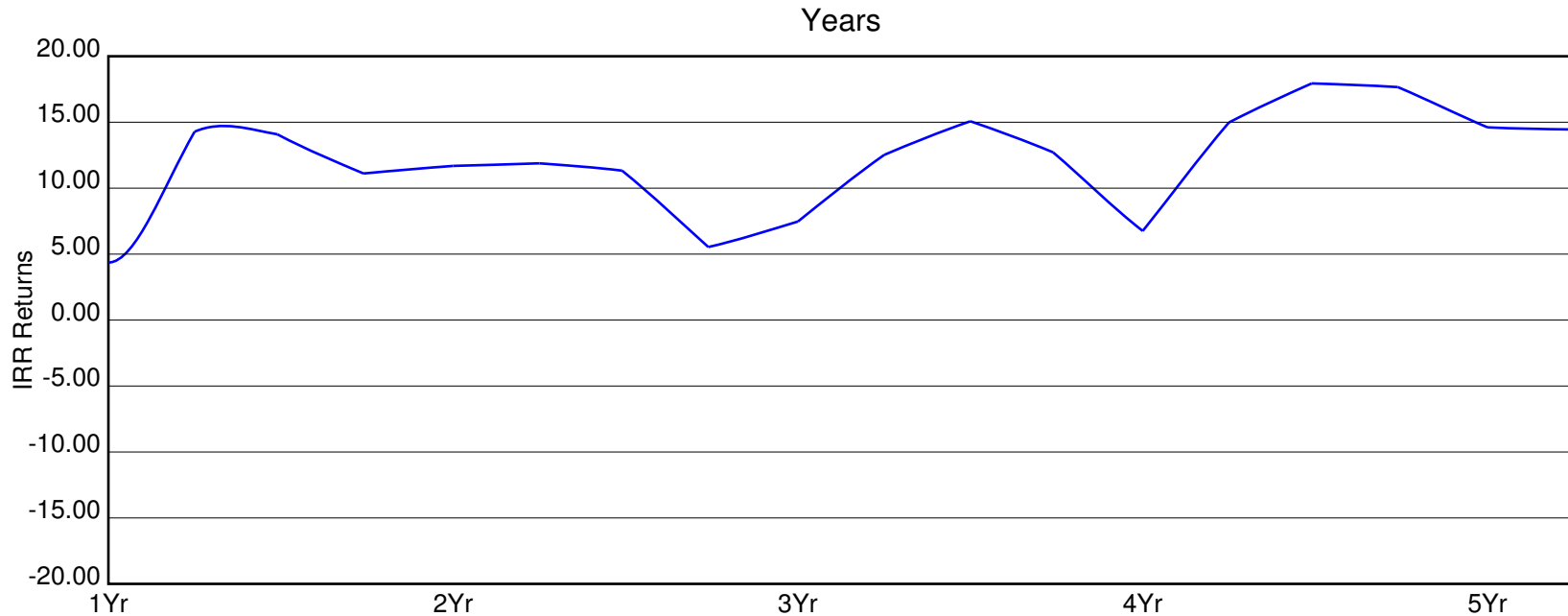
#### **CONCLUSIONS/RECOMMENDATIONS**

Timberland Investment values and performance has not been updated through the Fourth Quarter of 2013.

City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Timberland Investment Resources  
December 31, 2013

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	0	0	0	0	2,419,909	14.45	2.69
Total		2,347,065	72,790	257,507	33,889	77,984	2,419,909	14.45	2.69

City of Mobile Police & Firefighters  
J-Curve Graph  
Timberland Investment Resources  
6/30/09 - 12/31/13



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		
Total	2,347,065	72,790	33,889	77,984		

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## DEFINITION OF INDICES

### APPENDIX A

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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.

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## DEFINITION OF INDICES

### APPENDIX B

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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.

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## DEFINITION OF UNIVERSES

### APPENDIX B

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**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.

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## DEFINITION OF COMMON TERMS

### APPENDIX C

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

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

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

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

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

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

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



**MARKET SECTOR DIVERSIFICATION**  
**APPENDIX D**

**EQUITIES**

C A P I T A L I Z A T I O N		Style				
		Growth	Core	Value	Quantitative	Index
	Domestic		SSgA Russell 1000			
						SSgA S&P 400
			SouthernSun	Morgan Dempsey		
I n t e r n a t i o n a l	Domestic		Energy Opportunities Capital			
				Allianz		
O t h e r	Private Equity		Permal	Ripplewood	Levine Leichtman	HM Capital
	Real Estate		Westbrook		Guggenheim	DLJ TIAA-CREF
	Timber		Timberland Investment Resources			

**FIXED INCOME**

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