

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

**PERFORMANCE REPORT  
PERIOD ENDING  
DECEMBER 31, 2012**

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GRAY & COMPANY

## **CAPITAL MARKET REVIEW**

**Fourth Quarter 2012**

## CAPITAL MARKET HEADLINES

### The X-Files: The Monetary Policy Conspiracy

*"The X-Files" was a television series based on two FBI agents investigating unsolved cases that tended to have a paranormal nature. Agent Fox Mulder searched for the super-natural explanation, while agent Dana Scully pursued scientific evidence to solve the case. In this case, the duo examines the actions of the world's central banks.*

Setting: A conference room located in the basement of the J. Edgar Hoover FBI Building. Agent Mulder and Scully are sitting at a table covered with papers.

Agent Mulder believes he has uncovered the truth. He reviewed hours of press conference footage from the leaders of the central banks and read transcripts from central bank meetings. He conducted interviews with current and former staff members of the central banks and noted known conversations between these organizations. His theory is that the central banks have been infiltrated by an outside force – alien or otherwise.

His theory is based on the unprecedented stimulus efforts of the central banks, causing the expansion of their balance sheets. His research shows that the magnitude of their stimulus programs has vastly exceeded their responses to prior crises and recessions. In addition, the events that led to the credit crisis have central bank undertones - the loose credit standards around the world. He believes the Federal Reserve was the first to be corrupted, though he is unsure of the exact time and method. He highlights the policies adopted by the Fed and the similar programs implemented by the other central banks shortly thereafter. From the U.S. the corruption spread to Europe and the United Kingdom and finally Japan. He points to the change in leadership at the central banks and the subsequent change in policies - particular in the European Union and Japan. He further believes that these leaders may not even be aware of the outside entity's control; they may have been subjected to some sort of brainwashing. He hypothesizes that the mastermind behind the plot may be attempting to devalue the currencies of the economic powers to gain world dominance (possibly an organization with significant precious metal ownership). He cites the Bond movie "Goldfinger" as an example.

Agent Scully also believes she has identified the truth. She reviewed the actions of the central banks and economic theories. Her theory is that the central banks have adopted Keynesian macroeconomic policies to counter the effects of the credit crisis and subsequent global recession.

Her theory is based on the extraordinary circumstances that led to the credit crisis and the ensuing global recession. The mass amounts of liquidity provided by the central banks is classic Keynesian theory (utilizing fiscal and monetary policies to stabilize the economy during periods of an economic down turn). She offers the argument that the massive increase in stimulus during this period was necessitated by the credit crisis. The financial institutions were unable to provide liquidity to the markets due to the deterioration of their balance sheets (defaulting loans); the central banks provided capital and time for the banks to recover. The time line of events dictated that the Federal Reserve needed to be the first to act. Furthermore, Bernanke was a student of the Great Depression and the Fed's response to the current crisis was to prevent a repeat of the 1930's. The other central banks have adopted their policies based on the issues within their region; the success of the Fed's programs has encouraged the other leaders to implement similar initiatives. The turnover in leadership at the central banks is natural due to the politics associated with the position, the changing economic conditions, and the stress related to the role. She strongly rejects the idea of a sinister plot involving brainwashing to devalue currencies in order to control the world. There is no scientific evidence to support Mulder's outrageous claims. Though she admits that currency debasement may result (intended or unintended) and precious metals may be the beneficiary.

Mulder disputes the central banker's reliance on Keynesian theory to justify their actions. They understand the theory; however, they have abused it. During Keynes' time, governments tended to have a surplus during the growth stage of the business cycle, thereby supporting the use of monetary and fiscal policies to stimulate the economy during a recession. That is no longer the case; world economic powers are heavily in debt and cannot continue to support their economies. He realizes this - how is it the central banks do not?

Assistant Director Skinner (Mulder and Scully's boss) enters, interrupting their debate. He grabs the case file, scrambling to gather the papers on the table, and screams at Mulder for wasting the Bureau's resources and embarrassing the FBI. How dare he implicate the leaders of the central banks in some sort of conspiracy.

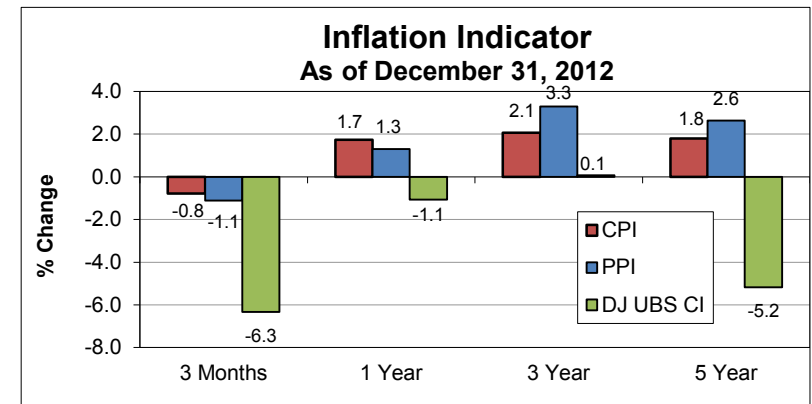
Setting: The steps of the Lincoln Memorial in the National Mall. Two men are talking - one is wearing an overcoat and hat and smoking a cigarette, the other is also wearing an overcoat with a balding head with a neatly groomed beard. Their voices are muffled, but you clearly hear the smoking man say, "I have taken care of your problem."

# CAPITAL MARKET REVIEW

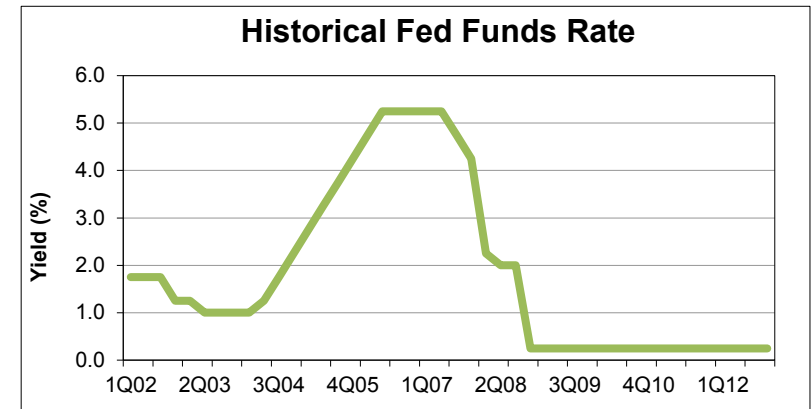
**Politics as Usual:** The presidential elections in November 2012 and the political grandstanding during the fiscal cliff debate in December 2012 stole the headlines in the fourth quarter, placing economic data on the back pages. The fiscal cliff resolution included the reinstatement of the full payroll tax, higher tax rates for upper income brackets, and higher capital gains taxes. The taxes hikes will hamper economic growth in 2013 as consumers will have less income to spend. However, the economy continued to improve at a very measured pace; the unemployment rate declined to 7.8% at year end (in January 2012 the rate was 8.5%) and the residential housing market improved with increasing transactions and rising prices.

Core inflation declined during the fourth quarter and remained below 2% for the year. Commodity prices were down significantly in the fourth quarter, ending the full year with a marginal loss. Grains and soft metals were a major factor in driving commodities lower. Gold prices came off their highs in October despite the depreciating U.S. dollar and the uncertainty in the political and economic markets. The Federal Reserve's monetary stimulus actions, however, continue to fuel increased inflation expectations.

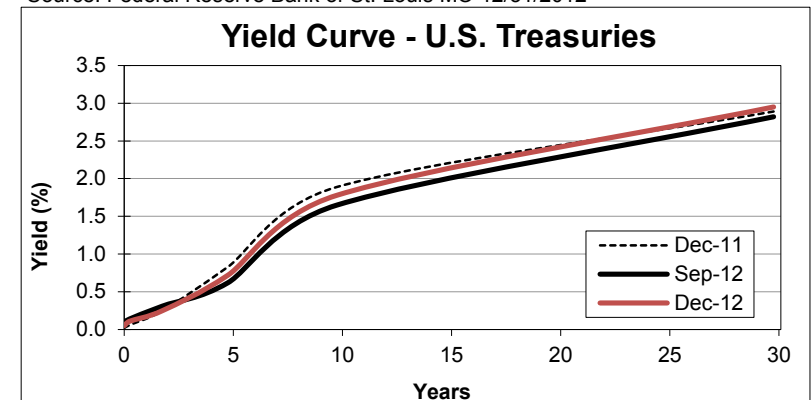
The Federal Reserve's unabashed commitment to its monetary easing program continued to help markets throughout the year. The central bank provided additional transparency, tying an increase in the federal funds rate to a 6.5% unemployment rate. The yield curve steepened in the quarter with rates ending slightly higher from their starting point on September 30th, but still remain well below historical averages.



Source: Bureau of Labor Statistics, Wilshire, and Dow Jones 12/31/2012



Source: Federal Reserve Bank of St. Louis MO 12/31/2012



Source: Federal Reserve Bank of St. Louis, MO 12/31/2012

# CAPITAL MARKET REVIEW

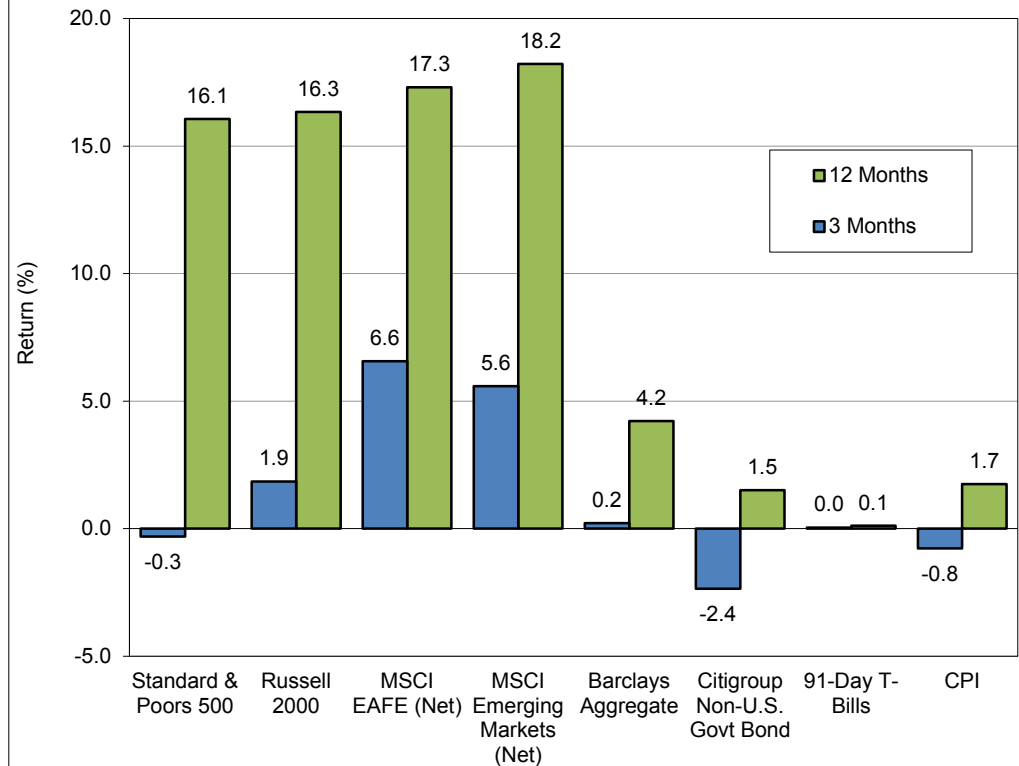
**Joining the Party:** The Bank of Japan initiated a program to devalue the Yen. The action was in response to changes in governmental leadership following the December 2012 elections; the party assuming control campaigned on fighting deflation. The Federal Reserve and European Central Bank continued to promote the benefits of their policies to spur economic growth and stabilize the markets.

The international equity markets enjoyed another strong quarter. Developed European countries and Japan led the way; the emerging markets also posted solid returns. The U.S. markets lagged with the S&P 500 posting a negative return. These impressive results were generated despite underwhelming global economic data. The markets are showing confidence in the ability of central banks to spur economic growth (or their ability to inflate prices of riskier assets as investors search for returns). Equities performed well in 2012, generating returns in the high teens; the emerging markets performed best, based partly on their stronger economic and fiscal position.

The global fixed income market's performance was dominated by Japan. The Bank of Japan's move to devalue the Yen caused sharp losses (in dollars) for Japanese bonds and drove the broad market indices lower. However, the European fixed income markets tended to generate modest gains and the U.S. market edged higher. Returns for U.S. investors were enhanced by the decline of the dollar versus most currencies.

With Japan's concerted effort to depreciate the Yen, all of the major central banks have fully embraced inflationary policies. At this time there appears to be a currency devaluation battle between the central banks. The weaker the currency, the more competitive a country is in the global economy, thereby promoting economic growth.

**Global Market Performance  
As of December 31, 2012**



Source: Wilshire 12/31/2012

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# U.S. EQUITY MARKET

Total Returns (%) - Periods Ending December 31, 2012				
	3 Months	1 Year	3 Years	5 Years
Standard & Poor's 500	(0.31)	16.06	10.89	1.67
Russell 1000	0.12	16.42	11.12	1.91
Russell 1000 Growth	(1.33)	15.26	11.35	3.13
Russell 1000 Value	1.53	17.50	10.86	0.59
S&P MidCap 400	3.61	17.88	13.63	5.15
Russell Midcap	2.88	17.26	13.15	3.56
S&P SmallCap 600	2.21	16.32	14.06	5.14
Russell 2000	1.85	16.34	12.25	3.55
Russell 2000 Growth	0.45	14.59	12.81	3.48
Russell 2000 Value	3.23	18.05	11.58	3.54

S&P 500 Sector Performance				
	3 Months	1 Year	3 Years	5 Years
Energy	(2.70)	4.78	9.87	(0.30)
Materials	2.73	14.85	8.46	0.11
Industrials	3.73	15.38	13.33	1.21
Con. Discretionary	2.18	24.29	18.99	9.61
Con. Staples	(1.99)	10.49	12.81	6.66
Health Care	0.08	17.78	11.01	4.73
Financials	5.93	28.79	6.41	(8.73)
Info Technology	(5.74)	14.72	9.11	3.76
Telecommunications	(6.04)	18.24	14.34	2.98
Utilities	(2.86)	1.34	8.84	0.49

Returns are annualized for periods greater than one year.

Source: Wilshire 12/31/2012

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**Not too Big, Not too Small:** The majority of U.S. equity indexes withstood a sluggish start to the quarter and ended in positive territory. The S&P 500 was one of the exceptions with a return of -0.3%; the weak performance was primarily driven by poor performance in the Technology sector. Despite the continued uncertainty surrounding the economy, the equity markets generated double digit returns for 2012.

Mid Cap was the clear winner this quarter. Mid Cap out performed Small Cap, which in turn, out performed Large Cap. Value out paced Growth across the capitalization ranges for the second consecutive quarter. The return differential in style benchmarks was driven by the indexes exposure to the Financials and Technology sectors and the difference in performance between these sectors.

The Financials sector was the best performing sector this quarter, returning 5.93%. The diversified financial services and housing related sub-industries were the main drivers of the strong performance. The Telecom sector was the weakest performing sector and one of five sectors that generated negative returns. The economically sensitive sectors - Financials, Industrials, Materials, and Consumer Discretionary - out performed the broader market this fourth quarter.

2012 was a year of reversals in the equity markets. Financials was the worst performing sector in 2011 (down 17%) and the best performing sector in 2012 (up 29%). Utilities was the best performing sector in 2011 (up 20%) and the worst in 2012 (up 1%). Lastly, Value overtook Growth in 2012, which was a reversal from 2011.

# U.S. FIXED INCOME MARKET

**All Quiet on the Fed Front:** The Federal Reserve continued with their quantitative easing program during the quarter, purchasing longer dated Treasury bonds and mortgage-backed securities to maintain interest rates at historic low levels. Their goal is to aid the labor and housing markets and promote stronger economic growth. The Fed is also providing greater transparency to the public, establishing a link between their monetary policies and their inflation and employment targets.

Yields on Treasuries have been trading in a narrow range since the announcement of QE III, ending the quarter near the higher end. At quarter-end, the 2-Year Treasury Notes yielded 0.25% (down 6 basis points from 9/30/12), 10-Year Treasury Bonds yielded 1.89% (up 13 basis points from 9/30/12), and 30-Year Treasury Bonds yielded 2.95% (up 13 basis points from 9/30/12).

The craving for high yielding (and riskier) fixed income securities continued this quarter, causing spread to contract across all credit quality categories with the exception of AAA. Credit was the best performing sector, led by high yield. During the quarter, Treasuries and Mortgages posted minor losses while TIPS generated positive results. For the year, high yield and investment grade corporates provided strong returns; the other major sectors trailed significantly.

Having survived the fiscal cliff, the market's attention remains on Washington and the approaching debt ceiling debate. Uncertainty seems to be a common theme.

Total Returns (%) - Periods Ending December 31, 2012				
	3 Months	1 Year	3 Years	5 Years
Barclays 1-3 Yr Govt	0.07	0.51	1.49	2.49
Barclays Intm G/C	0.35	3.89	5.19	5.18
Barclays Aggregate	0.21	4.22	6.19	5.95
Barclays G/C	0.37	4.82	6.70	6.06
Barclays Long Govt	(0.71)	3.78	13.62	9.58
Barclays Govt	(0.06)	2.02	5.48	5.23
Barclays Credit	1.04	9.37	8.73	7.65
Barclays Mortgage	(0.20)	2.59	4.72	5.67
Barclays High Yield	3.29	15.81	11.86	10.33
Barclays U.S TIPS	0.69	6.98	8.90	7.04
Returns are annualized for periods greater than one year. Source: Barclays Capital.				
Credit Spreads (in basis points)				
	Sep-12	Dec-12	Change	10-Yr Avg.
Aaa	52	69	17	93
Aa	74	66	(8)	122
A	126	116	(10)	168
Baa	204	180	(24)	226
Ba	433	383	(50)	436
B	557	520	(37)	591
Caa	901	846	(55)	946

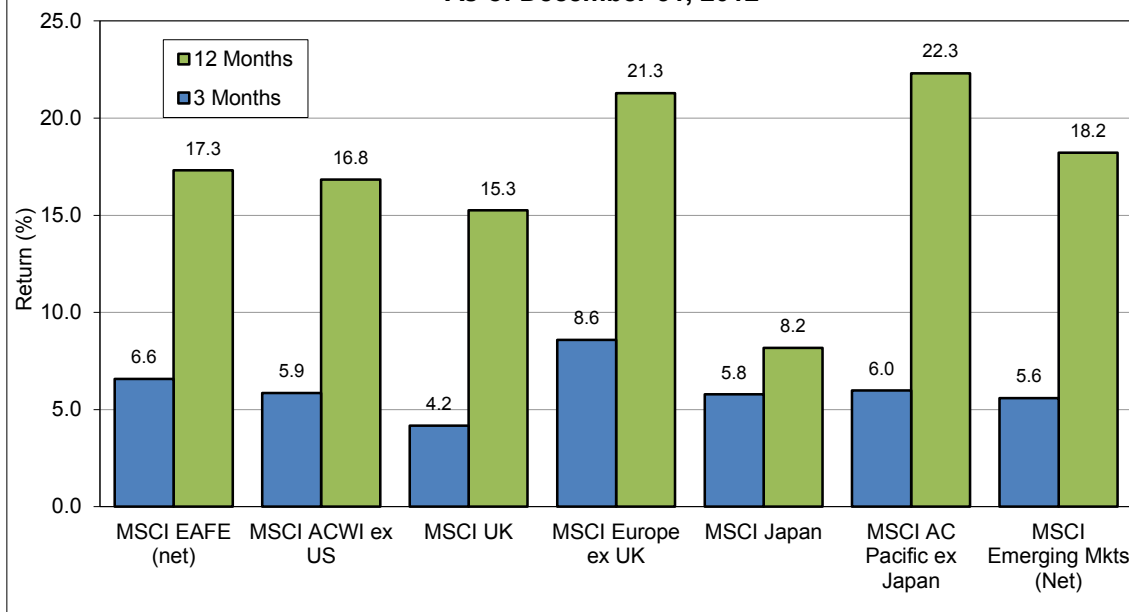
Source: Barclays Capital 12/31/2012

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# INTERNATIONAL EQUITY MARKET

**International Equity Market Performance (USD)**  
As of December 31, 2012



**MSCI Country Indexes (Net)**  
Three Months Ending December 31, 2012

	Return USD (%)	Return Local Currency (%)	Currency Effect (%)
France	10.8	8.2	2.7
Germany	8.5	5.9	2.6
Italy	9.3	6.6	2.7
Spain	9.6	6.9	2.7
Switzerland	8.0	5.2	2.8
UK	4.2	3.5	0.7
<b>Europe Total</b>	<b>7.0</b>	<b>5.1</b>	<b>1.9</b>
Australia	6.8	7.0	(0.2)
Hong Kong	5.7	5.6	0.0
Japan	5.8	17.6	(11.8)
<b>Pacific Total</b>	<b>5.9</b>	<b>12.6</b>	<b>(6.7)</b>
China	12.9	12.8	0.0
India	0.5	4.4	(3.9)
Brazil	3.5	4.4	(1.0)
Russia	2.5	0.7	1.8
<b>Emerging Total</b>	<b>5.6</b>	<b>5.3</b>	<b>0.3</b>

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Source: MSCI 12/31/2012

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**Continuance:** Non-U.S. equity markets continued their good performance from the third quarter into the fourth quarter of 2012. In general, Developed and Emerging Markets generated mid to high single digit returns.

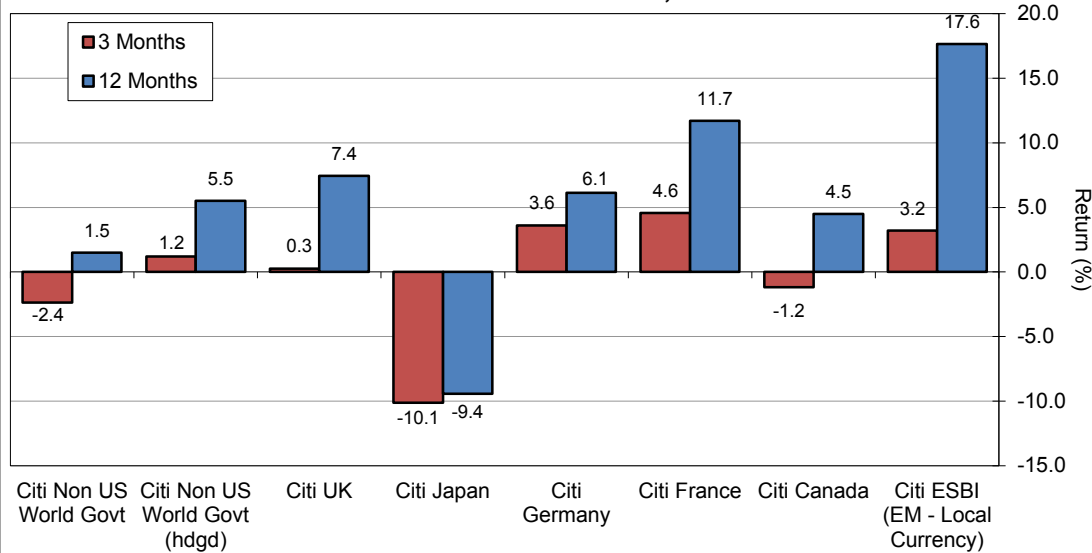
**Developed Markets:** European equities benefited from the explicit commitment of the European Central Bank to backstop the sovereign debt of faltering nations. Investor confidence was also boosted by cost cutting efforts in businesses and improved earnings. France was a standout in the region, returning just under 11% in the quarter, while the U.K was one of the weakest. Nevertheless, liquidity and solvency concerns still remain for individual countries. In Asia, the Japanese equity market had a strong finish to the year; the market responded to the growth oriented policies (fighting deflation and weakening the Yen) of the victorious party. Japan, however, is contending with anemic economic growth prospects and a poor demographic profile - the ratio of the working age to non-working age population continues to decline. Australia was the standout in the region behind solid demand pertaining to its commodities.

**Emerging Markets:** Emerging Markets rose during the quarter behind the strong performance of China. The world's second largest economy showed signs of economic stabilization, avoiding the hard landing predicted by some. The country's leadership is implementing new reforms to improve growth prospects. Elsewhere, the policies of the Brazilian government to spur growth generated moderately positive returns in their equity market.

# INTERNATIONAL BOND MARKET

## Intl Fixed Income Market Performance (USD)

As of December 31, 2012



## Citigroup World Government Bond Indexes Three Months Ending December 31, 2012

	Return USD (%)	Return Local Currency (%)	Currency Effect (%)
France	4.6	2.0	2.5
Germany	3.6	1.1	2.5
Ireland	6.8	4.2	2.6
Italy	7.8	5.2	2.6
Netherlands	4.3	1.7	2.5
Spain	8.2	5.6	2.6
Sweden	0.5	(0.3)	0.8
Switzerland	2.9	0.3	2.7
UK	0.3	(0.4)	0.7
<b>European WGBI</b>	4.6	2.4	2.2
Japan	(10.1)	(0.1)	(10.0)
Australia	(0.8)	(0.7)	(0.2)
Canada	(1.2)	(0.0)	(1.2)

Source: The Yield Book 12/31/2012

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**Let the Good Times Roll:** After an active third quarter, central banks continued to support the international fixed income markets with economic stimulus and fiscal relief efforts. The primary benefactors were the troubled nations in Europe.

In continental Europe the European Central Bank (ECB) sovereign assistance program helped ease funding pressures in the most troubled nations and generated strong returns in Italy and Spain. Greece appears content with the bail out process and committed to the European Union, at least for the time being. The Euro appreciated approximately 2.5% versus the dollar.

Economic growth resumed in the United Kingdom, ending their technical recession. However, the region continues to face economic challenges associated with slowing exports to Europe. The fear of a rating downgrade due to the weak growth expectations placed upward pressure on yields and generated negative returns (in local terms). The Pound Sterling appreciated 0.7% versus the dollar during the quarter.

The December elections in Japan saw a major shift in power, as the Liberal Democratic Party gained the Prime Minister post and a super-majority in the lower house. The party's platform was based on fighting deflation and weakening the Yen. With the polls predicting this outcome, yields moved slightly higher and the Yen depreciated versus the dollar, Euro, and Pound Sterling.

The emerging market debt benefited from investors' appetite for higher yields, gaining over 3% during the quarter. The majority of these nations enjoy relatively strong economic growth prospects and have sound fiscal policies. The demand for EM Debt securities has increased due to their attractive yields and potential for currency appreciation. For the year, emerging market debt was the best performing segment in the global fixed income markets.

## SELECTED INDEX RETURNS - PERIODS ENDING DECEMBER 31, 2012

	Quarter	One Year	Three Years	Five Years	Ten Years
<b>US EQUITIES</b>					
Dow Jones Industrial Average	(1.8) %	10.2	10.9	2.6	7.3
Standard & Poors 500	(0.3)	16.1	10.9	1.7	7.1
Russell 3000	0.3	16.4	11.2	2.0	7.7
S&P MidCap 400	3.6	17.9	13.6	5.2	10.5
Russell Mid-Cap	2.9	17.3	13.2	3.6	10.7
S&P SmallCap 600	2.2	16.3	14.1	5.1	10.5
Russell 2000	1.9	16.3	12.3	3.6	9.7
Growth Stocks - Russell 3000 Growth	(1.2)	15.2	11.5	3.2	7.7
Value Stocks - Russell 3000 Value	1.7	17.6	10.9	0.8	7.5

<b>US FIXED INCOME</b>					
Barclays 1 - 3 Year Government	0.1 %	0.5	1.5	2.5	2.8
Barclays Intm Govt/Credit	0.4	3.9	5.2	5.2	4.6
Barclays Aggregate	0.2	4.2	6.2	6.0	5.2
Barclays Govt/Credit	0.4	4.8	6.7	6.1	5.3
Barclays Long Government	(0.7)	3.8	13.6	9.6	7.6
Barclays Government	(0.1)	2.0	5.5	5.2	4.7
Barclays Credit	1.0	9.4	8.7	7.7	6.2
Barclays Mortgage	(0.2)	2.6	4.7	5.7	5.1
Barclays High Yield	3.3	15.8	11.9	10.3	10.6
Barclays U.S TIPS	0.7	7.0	8.9	7.0	6.7
ML All Investment Grade Convertible Index					

<b>INTERNATIONAL (Measured in US Dollars)</b>					
MSCI EAFE (Net)	6.6 %	17.3	3.6	(3.7)	8.2
MSCI ACWI ex U.S. (Net)	5.9	16.8	3.9	(2.9)	9.7
MSCI Europe (Net)	7.0	19.1	3.3	(4.3)	8.4
MSCI Pacific (Net)	5.9	14.4	4.6	(2.0)	8.0
MSCI Emerging Markets (Net)	5.6	18.2	4.7	(0.9)	16.5
Citigroup Non-U.S. Govt Bond	(2.4)	1.5	4.0	5.2	6.4

<b>REAL ESTATE</b>					
NAREIT Index	2.2 %	20.2	18.0	5.6	11.0
NCREIF Property Index					

<b>OTHER</b>					
91-Day T-Bills	0.0 %	0.1	0.1	0.5	1.8
Consumer Price Index (percent change)	(0.8)	1.7	2.1	1.8	2.4
Producer Price Index (percent change)	(1.1)	1.3	3.3	2.6	3.4

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, 2012 was \$111.69 million.
- ♦ The Fund had a return of 0.74% for the quarter and a return of 11.11% 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>111,173,187</b>
Cash Flow In	0
Intrafund Transfers	0
Cash Flow Out	<u>-298,849</u>
<b>Net Cash Flow</b>	<b>-298,849</b>
<b>Investment Performance</b>	
Income	585,750
Asset Value Changes	<u>228,771</u>
<b>Gross Performance</b>	<b>814,520</b>
<b><u>Ending Market Value</u></b>	<b><u>111,688,858</u></b>

### RECOMMENDATIONS

# Mobile Police & Firefighters Executive Summary Table Periods Ending December 31, 2012

FYTD - 9/30/12

Name	Value \$(000)	% of Fund	Periods Ending 12/31/12						
			Cur Qtr	FYTD	1 Year	3 Yrs	5 Yrs	7 Yrs	10 Yrs
<b>Total Fund</b>	<b>111,689</b>	<b>100.0</b>	<b>0.74</b>	<b>0.74</b>	<b>11.11</b>	<b>8.43</b>	<b>1.91</b>	<b>4.43</b>	<b>7.10</b>
Net of Fee			0.65	0.65	10.74	8.04	1.54	4.16	6.90
Mobile P&F Policy Index			1.85	1.85	13.23	9.72	3.35	5.22	7.92
<b>Total Fund Excluding Alternatives</b>	<b>100,277</b>	<b>89.8</b>	<b>0.74</b>	<b>0.74</b>	<b>11.78</b>	<b>8.47</b>	<b>0.41</b>		
Net of Fee			0.66	0.66	11.48	8.16	0.14		
Policy Index excluding Alts			1.50	1.50	13.15	9.38	3.45		
<b>Total Opportunistic Equity Composite</b>	<b>5,504</b>	<b>4.9</b>	<b>-1.73</b>	<b>-1.73</b>					
Net of Fee			-1.98	-1.98					
MSCI ACWI (Net)			2.88	2.88					
Energy Opportunities Capital	5,504	4.9	-1.73	-1.73					
Net of Fee			-1.98	-1.98					
OIH_XLE Blended Index			-2.60	-2.60					
<b>Total Domestic Equity Composite</b>	<b>54,606</b>	<b>48.9</b>	<b>0.25</b>	<b>0.25</b>	<b>14.28</b>	<b>11.02</b>	<b>1.45</b>	<b>4.71</b>	<b>8.86</b>
Net of Fee			0.14	0.14	13.85	10.64	1.12		
Domestic Equity Index			1.25	1.25	16.94	12.05	2.95	4.82	8.03
SSgA Russell 1000 Index Fund	33,659	30.1	0.12	0.12	16.47	11.12	1.95	4.34	7.57
Net of Fee			0.09	0.09	16.39	11.06	1.91	4.28	
Russell 1000			0.12	0.12	16.42	11.12	1.91	4.30	7.52
Advisory Research	10,596	9.5	0.29	0.29	14.10	13.89			
Net of Fee			0.06	0.06	13.11	12.91			
Russell 2500 Value			4.15	4.15	19.22	12.88			



# Mobile Police & Firefighters Executive Summary Table Periods Ending December 31, 2012

FYTD - 9/30/12

Name	Value \$(000)	% of Fund	Periods Ending 12/31/12						
			Cur Qtr	FYTD	1 Year	3 Yrs	5 Yrs	7 Yrs	10 Yrs
<b>Century Capital</b>	<b>10,351</b>	<b>9.3</b>	<b>0.63</b>	<b>0.63</b>	<b>10.51</b>				
Net of Fee			0.41	0.41	9.54				
Russell 2500 Growth			1.77	1.77	16.14				
<b>Total International Equity Composite</b>	<b>11,473</b>	<b>10.3</b>	<b>5.39</b>	<b>5.39</b>	<b>20.42</b>	<b>3.12</b>	<b>-5.32</b>	<b>2.23</b>	<b>7.64</b>
Net of Fee			5.39	5.39	20.42	2.74	-5.75		
MSCI ACWI ex US (Net)			5.85	5.85	16.83	3.87	-2.89		
<b>Allianz Global Investors</b>	<b>11,473</b>	<b>10.3</b>	<b>5.39</b>	<b>5.39</b>	<b>20.42</b>				
Net of Fee			5.39	5.39	20.42				
MSCI ACWI ex US (Net)			5.85	5.85	16.83				
<b>Total Fixed Income Composite</b>	<b>28,694</b>	<b>25.7</b>	<b>0.39</b>	<b>0.39</b>	<b>4.26</b>	<b>5.57</b>	<b>6.24</b>	<b>6.00</b>	<b>5.03</b>
Net of Fee			0.36	0.36	4.14	5.46	6.13		
Barclays Int Govt/Credit			0.35	0.35	3.89	5.19	5.18		
<b>Orleans</b>	<b>28,694</b>	<b>25.7</b>	<b>0.39</b>	<b>0.39</b>	<b>4.26</b>	<b>5.57</b>	<b>6.24</b>	<b>6.00</b>	
Net of Fee			0.36	0.36	4.14	5.46	6.13	5.87	
Barclays Int Govt/Credit			0.35	0.35	3.89	5.19	5.18	5.33	
<b>Real Estate Composite</b>	<b>4,522</b>	<b>4.0</b>	<b>1.84</b>	<b>1.84</b>	<b>9.61</b>	<b>11.71</b>	<b>-4.71</b>	<b>0.30</b>	<b>9.68</b>
Net of Fee			1.61	1.61	8.59	10.65	-5.63	-0.55	8.67
NCREIF ODCE Fund Index			2.35	2.35	10.94	14.40	-1.09	3.55	6.71
<b>Guggenheim</b>	<b>1,969</b>	<b>1.8</b>	<b>2.12</b>	<b>2.12</b>	<b>12.37</b>	<b>15.23</b>	<b>-4.37</b>		
Net of Fee			1.87	1.87	11.29	14.12	-5.27		
70% NCREIF / 30% NAREIT			2.31	2.31	13.70	15.77	1.91		

# Mobile Police & Firefighters Executive Summary Table Periods Ending December 31, 2012

FYTD - 9/30/12

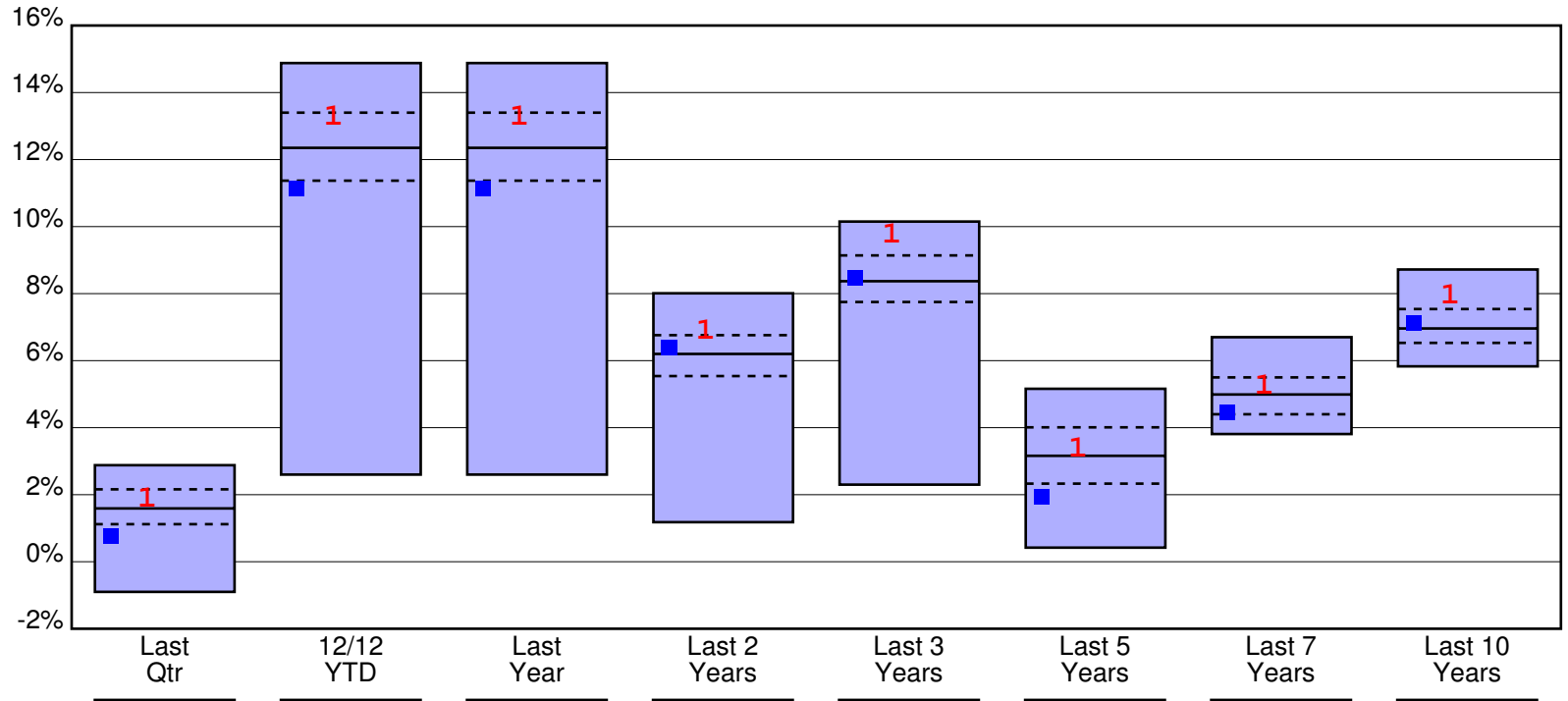
Name	Value \$(000)	% of Fund	Periods Ending 12/31/12						
			Cur Qtr	FYTD	1 Year	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Westbrook	70	0.1	0.00	0.00	-4.39	-4.11	-2.63	-10.46	-2.70
Net of Fee			0.00	0.00	-4.44	-4.17	-2.74	-10.53	-2.94
NCREIF ODCE Fund Index			2.35	2.35	10.94	14.40	-1.09	3.55	6.71
DLJ	522	0.5	0.00	0.00	1.81	5.45	-0.01	4.99	16.62
Net of Fee			0.00	0.00	1.35	4.80	-0.87	4.13	15.40
NCREIF ODCE Fund Index			2.35	2.35	10.94	14.40	-1.09		
TIAA-CREF	1,961	1.8	2.13	2.13	9.70	11.06			
Net of Fee			1.85	1.85	8.54	9.86			
NCREIF ODCE Fund Index			2.35	2.35	10.94	14.40			
<b>Private Equity Composite</b>	<b>4,523</b>	<b>4.0</b>	<b>-0.06</b>	<b>-0.06</b>	<b>8.59</b>	<b>9.50</b>	<b>7.74</b>	<b>8.46</b>	<b>6.09</b>
Net of Fee			-0.11	-0.11	7.65	8.40	6.53	7.01	3.62
Russell 2500			4.10	4.10	21.87	17.34	8.34	9.52	14.48
Hicks, Muse, Tate & Furst IV	248	0.2	0.00	0.00	1.20	12.11	0.95	2.59	-0.57
Net of Fee			0.00	0.00	1.20	12.11	0.95	2.59	-0.57
Russell 2500			4.10	4.10	21.87	17.34	8.34	9.52	
Ripplewood Partners II, L.P.	832	0.7	0.03	0.03	-8.77	2.73	4.03	4.39	
Net of Fee			0.03	0.03	-10.40	1.97	3.20	3.19	
Russell 2500			4.10	4.10	21.87	17.34	8.34	9.52	
Levine Leichtman Fund III	2,368	2.1	0.00	0.00	17.21	14.50	10.09	11.15	
Net of Fee			0.00	0.00	16.44	12.95	8.51	9.33	
Russell 2500			4.10	4.10	21.87	17.34	8.34	9.52	
Permal Capital Fund IV	1,074	1.0	-0.27	-0.27	9.88	6.02	4.89		
Net of Fee			-0.48	-0.48	9.20	5.12	3.69		
Russell 2500			4.10	4.10	21.87	17.34	8.34		

# Mobile Police & Firefighters Executive Summary Table Periods Ending December 31, 2012

FYTD - 9/30/12

Name	Value \$(000)	% of Fund	Periods Ending 12/31/12						
			Cur Qtr	FYTD	1 Year	3 Yrs	5 Yrs	7 Yrs	10 Yrs
<b>Timber Composite</b>	<b>2,368</b>	<b>2.1</b>	<b>0.00</b>	<b>0.00</b>	<b>-3.14</b>	<b>-0.70</b>			
Net of Fee			0.00	0.00	-3.73	-1.45			
Timberland Investment Resources	2,368	2.1	0.00	0.00	-3.14	-0.70			
Net of Fee			0.00	0.00	-3.73	-1.45			
NCREIF Timberland Index			5.92	5.92	7.75	3.00			

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



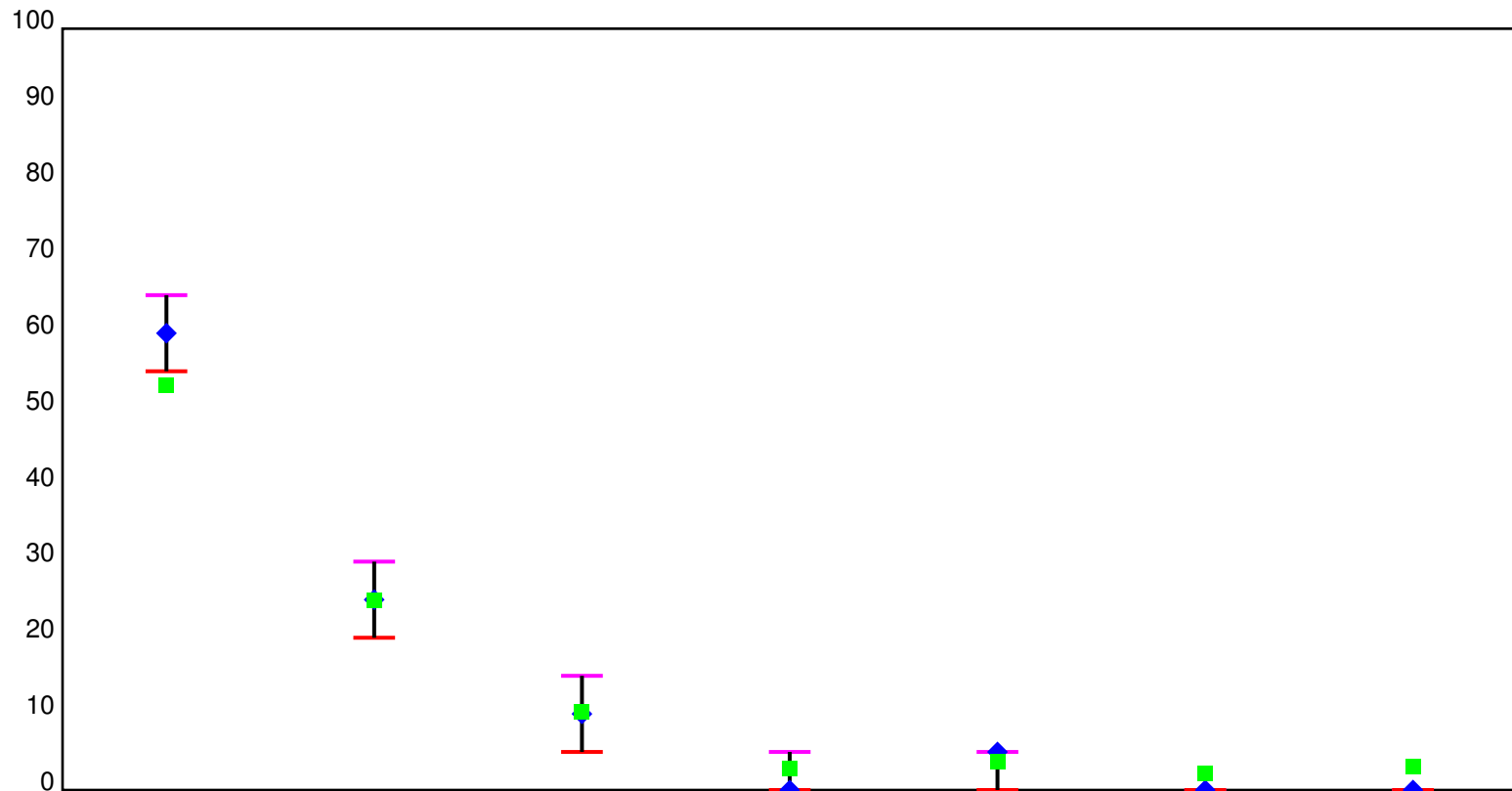
5th Percentile  
25th Percentile  
Median  
75th Percentile  
95th Percentile

Last Qtr	2.88	14.88	14.88	8.01	10.15	5.16	6.70	8.72
12/12 YTD	2.16	13.40	13.40	6.76	9.14	4.01	5.50	7.54
Last Year	1.59	12.35	12.35	6.20	8.37	3.16	4.99	6.96
Last 2 Years	1.12	11.37	11.37	5.54	7.75	2.33	4.40	6.53
Last 3 Years	-0.90	2.60	2.60	1.18	2.30	0.42	3.81	5.83
Last 5 Years	0.74 (88)	11.11 (80)	11.11 (80)	6.37 (38)	8.43 (47)	1.91 (82)	4.43 (73)	7.10 (40)
Last 7 Years	1.85 (37)	13.23 (28)	13.23 (28)	6.87 (22)	9.72 (12)	3.35 (37)	5.22 (31)	7.92 (14)
Last 10 Years								

■ Total Fund  
1 Mobile P&F Policy Index

# Mobile Police & Firefighters Asset Allocation vs Policy Graph

Total Fund  
As of December 31, 2012

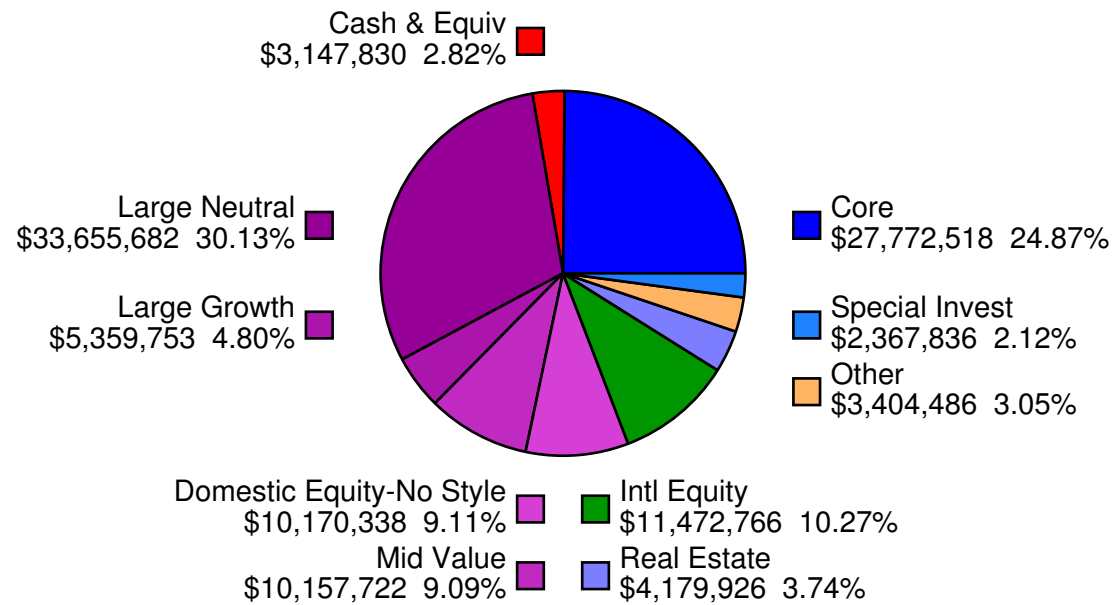


Legend	Domestic Equities	Domestic Fixed	International Equities	Cash	Real Estate	Special Investments	Other
◆ Policy	60.0	25.0	10.0	0.0	5.0	0.0	0.0
— Min	55.0	20.0	5.0	0.0	0.0	0.0	0.0
— Max	65.0	30.0	15.0	5.0	5.0	0.0	0.0
■ Actual	53.1	24.9	10.3	2.8	3.7	2.1	3.0

# Mobile Police & Firefighters Asset And Policy Allocation Total Fund

December 31, 2012

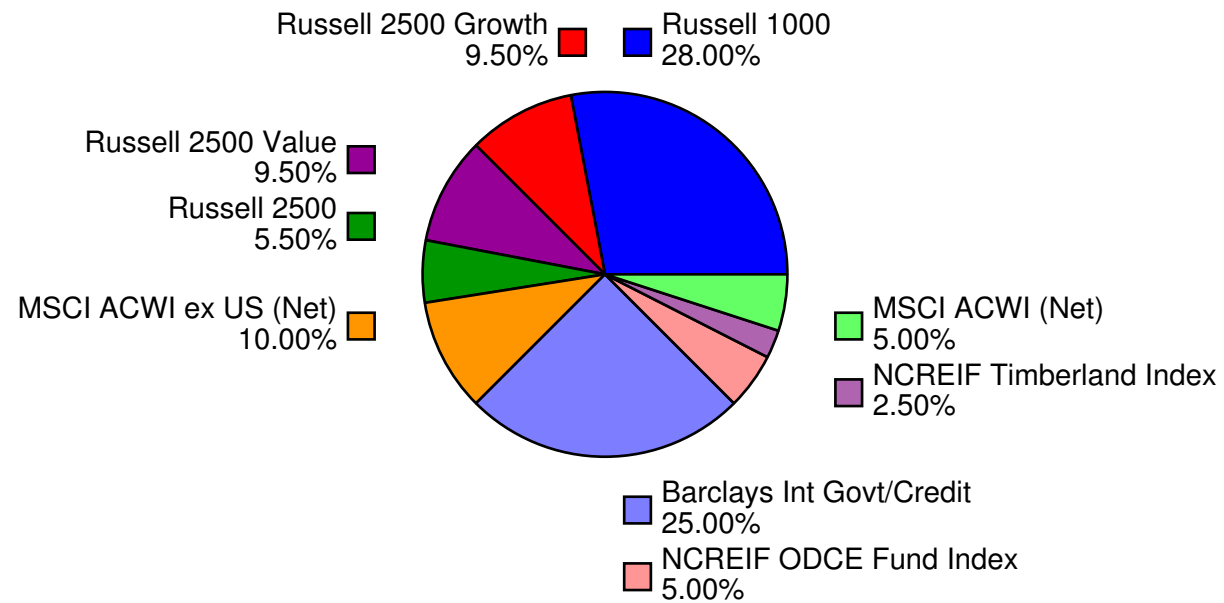
\$111,688,858



# Mobile Police & Firefighters Asset And Policy Allocation Total Fund

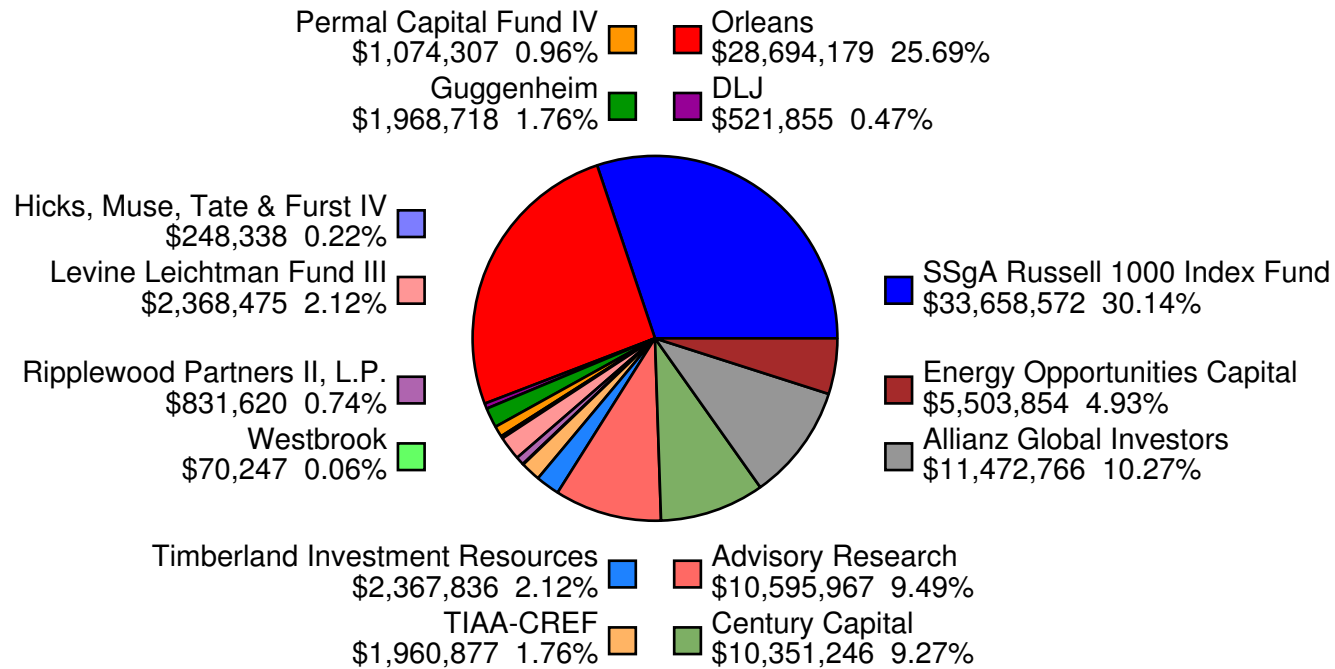
December 31, 2012

Mobile P&F Policy Index



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

December 31, 2012      \$111,688,858





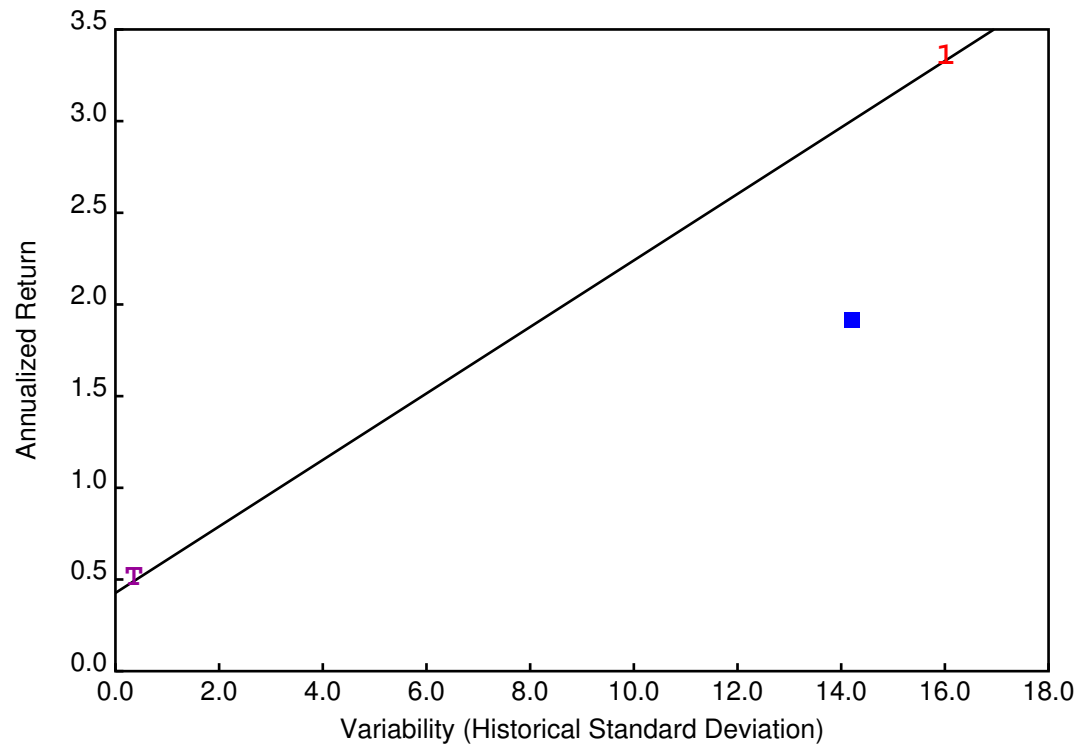
Mobile Police & Firefighters  
Sources of Fund Growth  
Total Fund  
9/30/12 - 12/31/12

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	33,628	0	10	40	33,659	0.12	0.09
Advisory Research	10,590	0	24	30	10,596	0.29	0.06
Century Capital	10,309	0	22	64	10,351	0.63	0.41
Energy Opportunities Capital	5,615	0	14	-97	5,504	-1.73	-1.98
<b>Managed Equity</b>	<b>60,142</b>	<b>0</b>	<b>70</b>	<b>37</b>	<b>60,110</b>		
Allianz Global Investors	10,909	-23	0	587	11,473	5.39	5.39
<b>Int'l Equity</b>	<b>10,909</b>	<b>-23</b>	<b>0</b>	<b>587</b>	<b>11,473</b>		
Orleans	28,591	0	8	112	28,694	0.39	0.36
<b>Managed Fixed</b>	<b>28,591</b>	<b>0</b>	<b>8</b>	<b>112</b>	<b>28,694</b>		
DLJ	522	0	0	0	522	0.00	0.00
Guggenheim	1,933	0	5	41	1,969	2.12	1.87
Westbrook	70	0	0	0	70	0.00	0.00
TIAA-CREF	1,925	0	5	41	1,961	2.13	1.85
<b>Real Estate</b>	<b>4,450</b>	<b>0</b>	<b>10</b>	<b>82</b>	<b>4,522</b>		
Permal Capital Fund IV	1,200	-120	2	-3	1,074	-0.27	-0.48
Hicks, Muse, Tate & Furst IV	248	0	0	0	248	0.00	0.00
Ripplewood Partners II, L.P.	886	-54	0	0	832	0.03	0.03
Timberland Investment Resources	2,368	0	0	0	2,368	0.00	0.00
<b>Special Investments</b>	<b>4,701</b>	<b>-174</b>	<b>2</b>	<b>-3</b>	<b>4,522</b>		
Levine Leichtman Fund III	2,380	-11	0	0	2,368	0.00	0.00

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

[illegible]

# Mobile Police & Firefighters Quarterly Total Return Market Line Analysis Periods from 12/07 to 12/12



	Annualized Return	Variability	Reward	Sharpe Ratio
■ Total Fund	1.91	14.34	1.40	0.10
1 Mobile P&F Policy Index	3.35	16.12	2.83	0.18
T 91-Day Treasury Bill	0.51	0.46	0.00	0.00

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# City of Mobile Police & Firefighters

## December 31, 2012

Performance Summary Table  
Periods Ending 12/31/12

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
<b>SSgA Russell 1000 Index Fund</b>							
Total Return	0.12	16.47	16.47	8.72	11.12	1.95	7.57
Total Return (Net of Fees)	0.09	16.39	16.39	8.65	11.06	1.91	
Russell 1000	0.12	16.42	16.42	8.71	11.12	1.91	7.52
Variance	0.00	0.05	0.05	0.01	0.00	0.03	0.05

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

#### OBJECTIVE:

Track the return of the Russell 1000 Index.

#### STRATEGY:

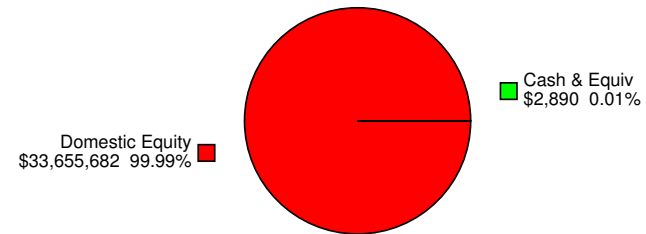
The Fund is managed using a "passive" or "indexing" investment approach, by which SSgA attempts to match, before expenses, the performance of the Index. SSgA will typically attempt to invest in the securities comprising the Index in the same proportions as they are represented in the Index. In some cases,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

#### FEE SCHEDULE

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

### Asset Allocation SSgA Russell 1000 Index Fund

December 31, 2012 \$33,658,572



### CONCLUSIONS/RECOMMENDATIONS

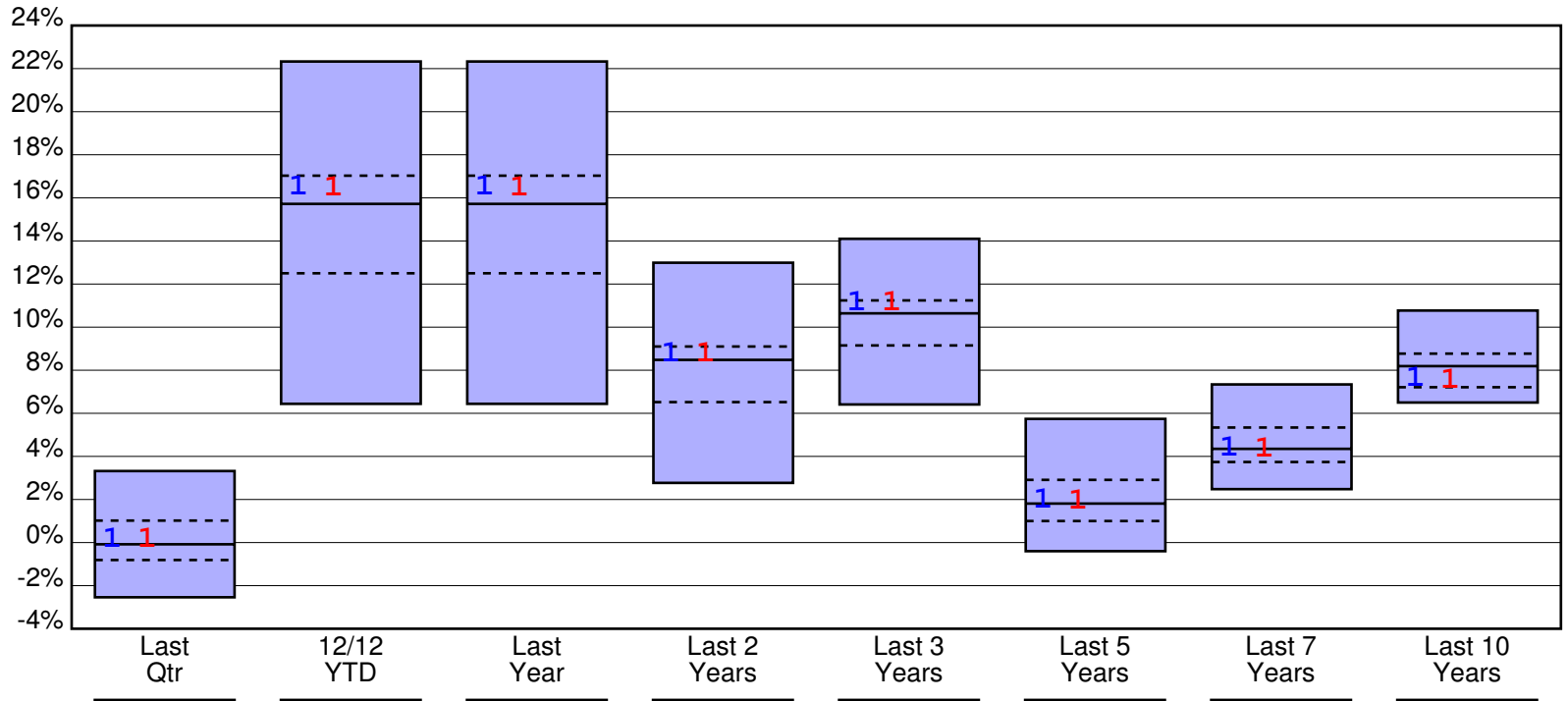
The SSgA Fund performed in-line with the Russell 1000 Index during the quarter.

# City of Mobile Police & Firefighters

## All Large Cap Cumulative Performance Comparisons

### Total Returns of Equity Portfolios

#### Periods Ending 12/12



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

Period	Last Qtr	12/12 YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
SSgA Russell 1000 Index Fund	0.12 (43)	16.47 (31)	16.47 (31)	8.72 (41)	11.12 (28)	1.95 (45)	4.34 (51)	7.57 (64)
Russell 1000	0.12 (43)	16.42 (33)	16.42 (33)	8.71 (41)	11.12 (28)	1.91 (46)	4.30 (52)	7.52 (67)

# City of Mobile Police & Firefighters

## December 31, 2012

Performance Summary Table  
Periods Ending 12/31/12

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
<b>Energy Opportunities Capital</b>							
Total Return	-1.73						
Total Return (Net of Fees)	-1.98						
OIH_XLE Blended Index	-2.60						
Variance	0.87						

### 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

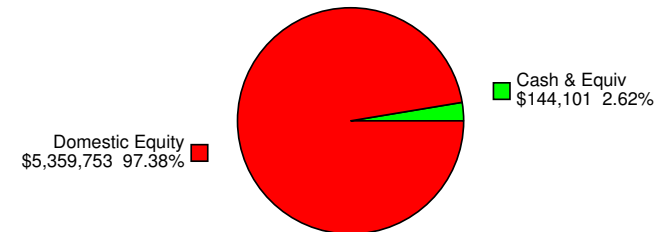
The fundamental goal is to produce returns superior to energy related benchmarks and broad market equity indices by investing in a diversified portfolio of energy company equities designed to capitalize on existing energy supply and demand fundamentals.

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, 2012 \$5,503,854



#### CONCLUSIONS/RECOMMENDATIONS

Energy Opportunities Capital out performed the blended benchmark by 87 basis points during the 4th Quarter 2012.

# City of Mobile Police & Firefighters

## December 31, 2012

Performance Summary Table  
Periods Ending 12/31/12

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
<b>Century Capital</b>							
Total Return	0.63	10.51	10.51	3.55			
Total Return (Net of Fees)	0.41	9.54	9.54	2.66			
Russell 2500 Growth	1.77	16.14	16.14	6.91			
Variance	-1.15	-5.62	-5.62	-3.35			

### **CENTURY CAPITAL SMID Cap Growth Portfolio (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 Russell 2500 Growth Index over a market cycle. (3-5 years)

#### **STRATEGY:**

Century Capital's Investment Philosophy is defined as follows:

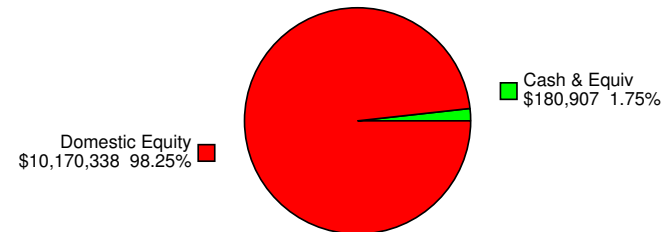
- Capital will flow to areas in the economy where returns on capital are above average and/or rising.
- Small and mid capitalization markets are inefficient, providing opportunities to utilize fundamental, bottom-up research to identify superior growth companies and misvaluations.
- Investing in small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

#### **FEE SCHEDULE**

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

### Asset Allocation Century Capital

December 31, 2012      \$10,351,246



#### **CONCLUSIONS/RECOMMENDATIONS**

Century Capital under performed the Russell 2500 Growth Index by 115 bps and ranked in the 71st percentile of their peer group. The under performance is attributed to overall stock selection.

Over the last year, Century Capital under performed the Russell 2500 Growth Index and ranked in the 84th percentile of their peer group.



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

	Portfolio	Russell 2500 Growth	Ten Largest Holdings	Mkt Value	% of Port	Quarterly Ret
Total Number Of Securities	61	1,389	BE Aerospace Inc	249,025	2.45	17.34
Equity Market Value	10,170,338		United Rentals Inc	234,246	2.30	39.16
Average Capitalization \$(000)	4,126,388	3,032,525	Kansas City Southn	233,744	2.30	10.43
Median Capitalization \$(000)	3,505,345	811,783	Akamai Technologies	233,473	2.30	6.93
Equity Segment Yield	0.50	0.86	Alliance Data System	231,616	2.28	1.98
Equity Segment P/E - Average	23.12	29.26	Penn Natl Gaming Inc	226,790	2.23	13.94
Equity Segment P/E - Median	22.01	16.68	Aruba Networks Inc	224,432	2.21	-7.72
Equity Segment Beta	1.24	1.22	Nxp Semiconductors N	224,382	2.21	5.44
Price/Book Ratio	3.52	3.63	Ipg Photonics Corp	223,278	2.20	17.47
Debt/Equity Ratio	32.12	62.15	Broadsoft Inc	221,795	2.18	-11.43
Five Year Earnings Growth	9.42	8.44				

GICS Sectors	Weight		Return		Selection		
	Portfolio	Index	Portfolio	Index	Stock	Sector	Total
Energy	6.47	5.05	2.92	-0.39	0.21	-0.03	0.18
Materials	5.31	6.83	0.37	3.60	-0.17	-0.03	-0.20
Industrials	14.15	16.33	9.42	10.20	-0.11	-0.18	-0.29
Consumer Discretionary	18.84	18.03	-0.92	2.50	-0.64	0.01	-0.64
Consumer Staples	2.33	3.75	-3.55	0.36	-0.09	0.02	-0.07
Health Care	19.02	16.69	-1.22	-5.39	0.79	-0.17	0.62
Financials	10.32	9.80	3.61	3.62	-0.00	0.01	0.01
Information Technology	21.05	21.40	-2.01	-0.37	-0.34	0.01	-0.34
Telecom. Services	2.01	1.54	-2.30	3.49	-0.12	0.01	-0.11
Utilities	0.50	0.58	3.40	0.08	0.02	0.00	0.02
	100.00	100.00	0.97	1.79	-0.45	-0.36	-0.81

Stock Selection Return Attribution

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

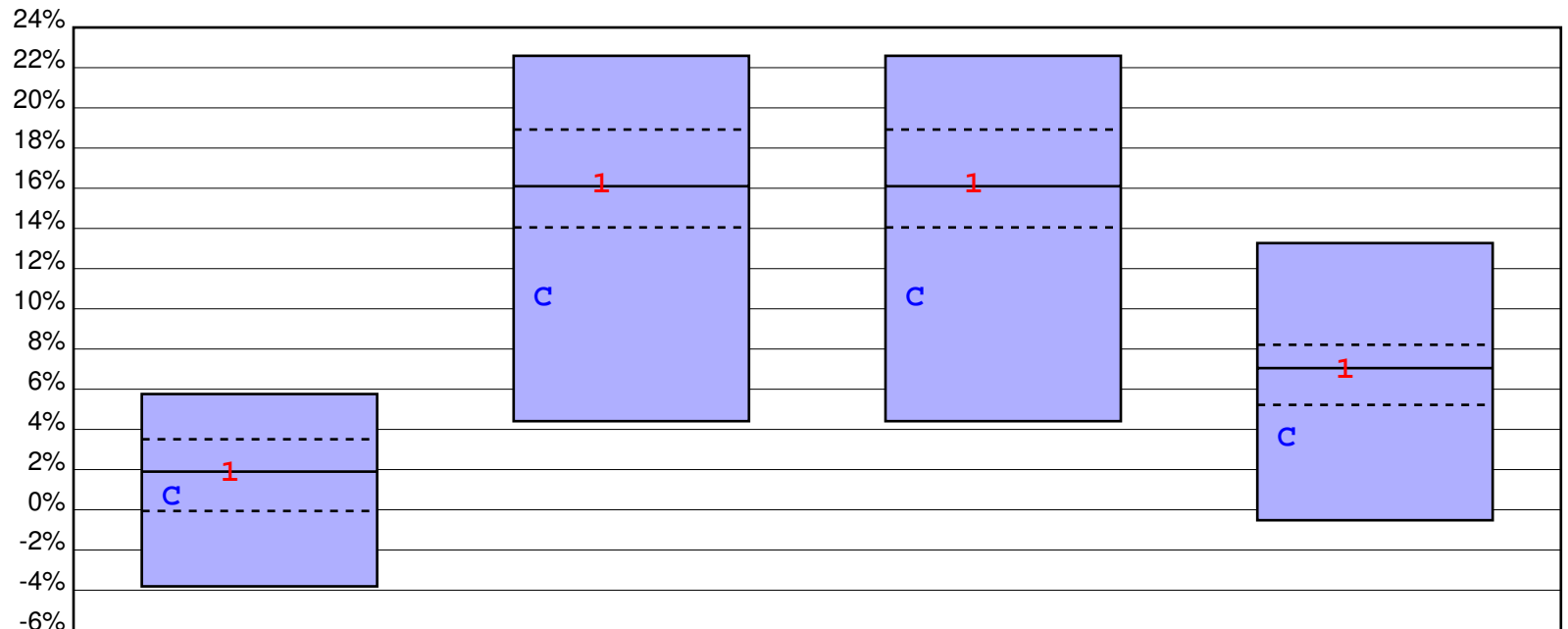
Sector Selection Return Attribution

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

Trading Effect -0.34%

[ Actual Return 0.63% ] - [ Buy Hold Return 0.97% ]

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



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

Last  
Qtr

12/12  
YTD

Last  
Year

Last 2  
Years

5.76  
3.51  
1.90  
-0.06  
-3.81

22.59  
18.92  
16.10  
14.05  
4.41

22.59  
18.92  
16.10  
14.05  
4.41

13.27  
8.21  
7.05  
5.22  
-0.52

**C** Century Capital  
**1** Russell 2500 Growth

0.63 (71)  
1.77 (55)

10.51 (84)  
16.14 (48)

10.51 (84)  
16.14 (48)

3.55 (84)  
6.91 (50)

# City of Mobile Police & Firefighters

## December 31, 2012

Performance Summary Table  
Periods Ending 12/31/12

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
<b>Advisory Research</b>							
Total Return	0.29	14.10	14.10	9.90	13.89		
Total Return (Net of Fees)	0.06	13.11	13.11	8.96	12.91		
Russell 2500 Value	4.15	19.22	19.22	7.34	12.88		
Variance	-3.86	-5.12	-5.12	2.57	1.01		

### ADVISORY RESEARCH SMID Cap Value (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 Russell 2500 Value over a market cycle. (3-5 years)

#### STRATEGY:

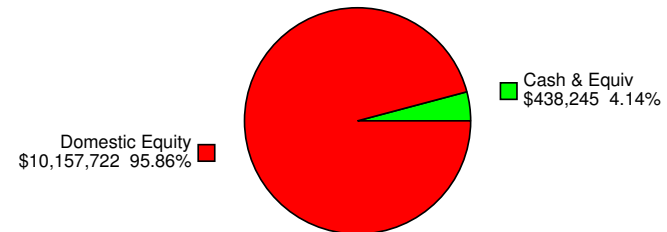
Advisory Research's Small/Mid Value Equities Strategy can be categorized as a fundamental and research driven approach to investing in small to mid capitalization value stocks with market caps between \$300 million and \$8 billion. While portfolio valuation metrics consistently reflect a value style,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

#### FEE SCHEDULE

90 bps on all assets

### Asset Allocation Advisory Research

December 31, 2012 \$10,595,967



### CONCLUSIONS/RECOMMENDATIONS

Advisory Research under performed the Russell 2500 Value Index by 386 basis points during the Fourth Quarter and ranked in the 93rd percentile of their peer group. The under performance is primarily attributed to stock selection in the Industrials and Consumer Discretionary sectors.

Over the past 3 years, the Manager has out performed the Russell 2500 Value Index and ranked in the 22nd percentile of their peer universe.

# City of Mobile Police & Firefighters

## Equity Summary Statistics

### Advisory Research

#### Period Ending 12/12

	Portfolio	Russell 2500 Value	Ten Largest Holdings	Mkt Value	% of Port	Quarterly Ret
Total Number Of Securities	41	1,797	Plum Creek Timber Co	466,329	4.59	2.24
Equity Market Value	10,157,722		Leucadia Natl Co	401,337	3.95	5.70
Average Capitalization \$(000)	4,709,169	2,886,719	Trinity Inds Inc	399,035	3.93	19.95
Median Capitalization \$(000)	2,827,416	660,585	Kaiser Aluminum Corp	393,582	3.88	6.11
Equity Segment Yield	1.26	2.03	White Mtns Ins Group	373,375	3.68	0.32
Equity Segment P/E - Average	18.88	21.21	Vail Resorts Inc	368,894	3.63	-5.54
Equity Segment P/E - Median	15.56	13.48	Discover Finl Svcs	330,759	3.26	-2.37
Equity Segment Beta	1.34	1.24	Visteon Corp	325,611	3.21	21.05
Price/Book Ratio	1.50	1.34	Pioneer Nat Res Co	325,100	3.20	2.10
Debt/Equity Ratio	61.63	65.87	Cit Group Inc	315,302	3.11	-1.90
Five Year Earnings Growth	-0.77	2.45				

GICS Sectors	Weight		Return		Selection		
	Portfolio	Index	Portfolio	Index	Stock	Sector	Total
Energy	10.03	7.33	1.08	2.09	-0.10	-0.05	-0.16
Materials	11.25	6.85	4.51	7.43	-0.33	0.15	-0.18
Industrials	13.54	13.69	-0.04	9.38	-1.28	-0.01	-1.28
Consumer Discretionary	17.05	11.23	-3.11	6.65	-1.66	0.15	-1.52
Consumer Staples	1.94	2.39	-6.77	8.02	-0.29	-0.02	-0.30
Health Care	1.42	6.39	4.37	0.94	0.05	0.16	0.21
Financials	36.61	32.45	0.11	2.46	-0.86	-0.07	-0.93
Information Technology	8.16	9.61	-1.01	5.13	-0.50	-0.01	-0.52
Telecom. Services	0.00	1.24		-6.73	0.00	0.13	0.13
Utilities	0.00	8.82		-0.47	0.00	0.40	0.40
	100.00	100.00	-0.03	4.11	-4.97	0.83	-4.14

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%

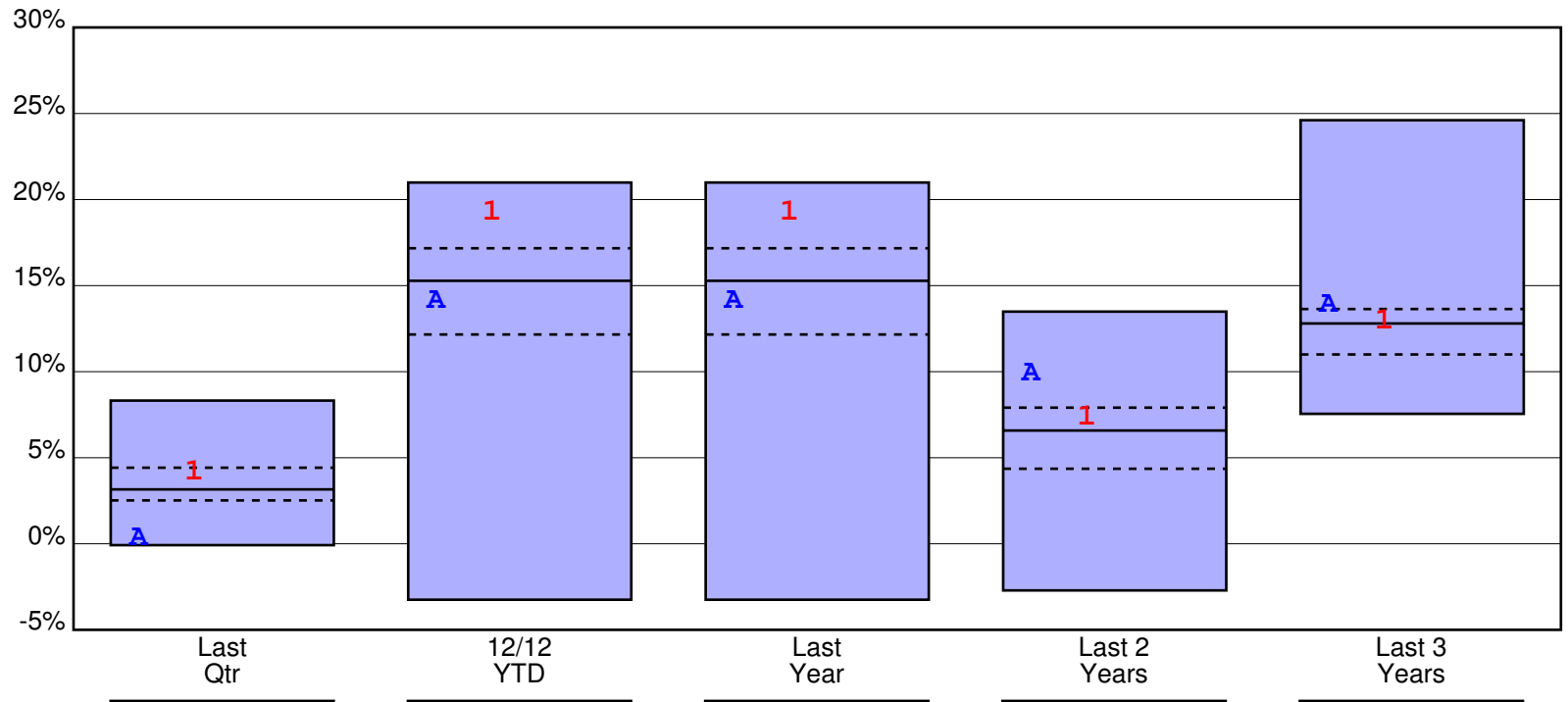
[ Actual Return 0.31% ] - [ Buy Hold Return -0.03% ]

# City of Mobile Police & Firefighters

## SMID Value-Neutral Cumulative Performance Comparisons

### Total Returns of Equity Portfolios

#### Periods Ending 12/12



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

**A** Advisory Research  
**1** Russell 2500 Value

# City of Mobile Police & Firefighters

## December 31, 2012

Performance Summary Table  
Periods Ending 12/31/12

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
<b>Allianz Global Investors</b>							
Total Return	5.39	20.42	20.42				
Total Return (Net of Fees)	5.39	20.42	20.42				
MSCI ACWI ex US (Net)	5.85	16.83	16.83				
Variance	-0.46	3.59	3.59				

### **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)

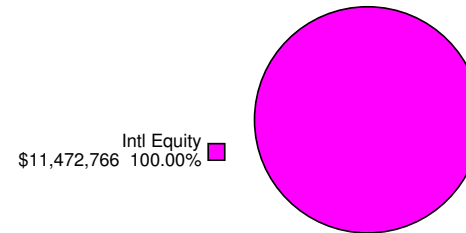
#### **STRATEGY:**

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, 2012 \$11,472,766

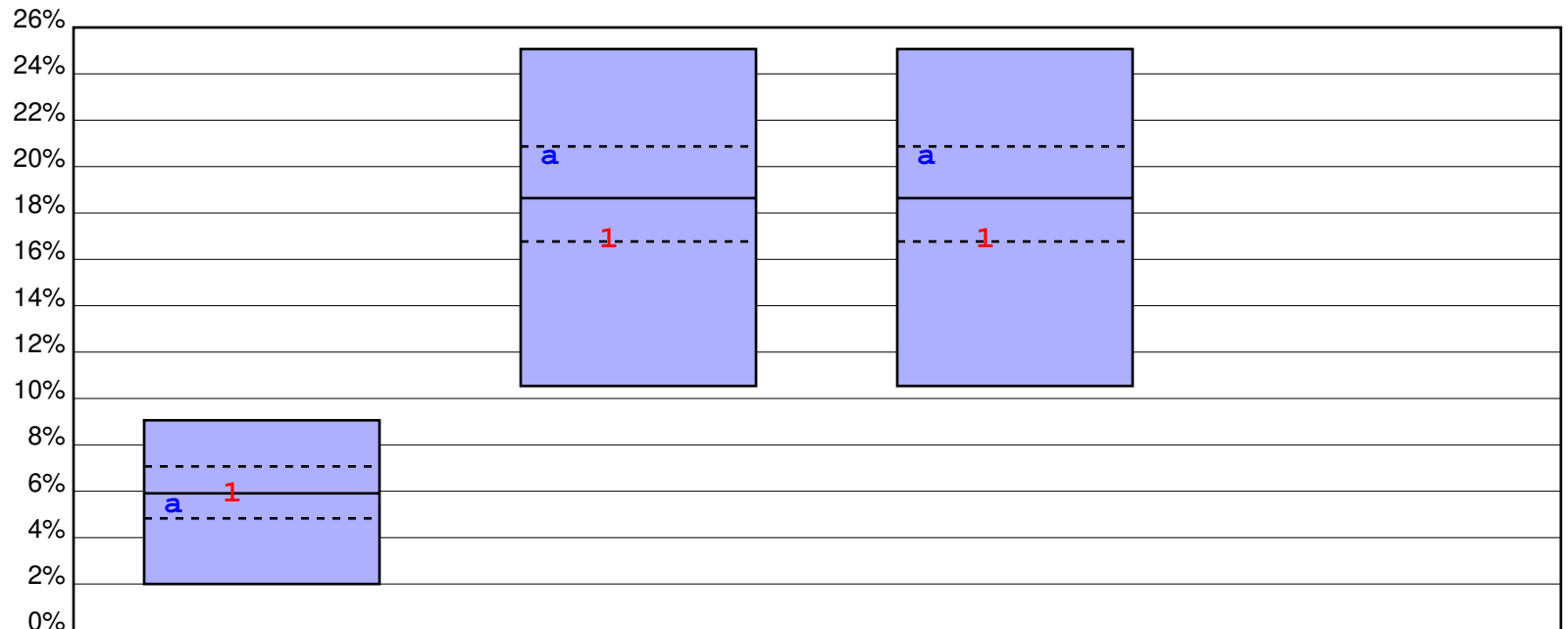


#### **CONCLUSIONS/RECOMMENDATIONS**

Allianz Global Investors under performed the MSCI ACWI ex US (Net) during the 4th Quarter 2012 and ranked in the 66th percentile of the International Equity Universe. The main driver was stock selection, particularly in the Financials and Materials sectors.

Over a 1-year time period, Allianz Global Investors ranks in the 28th percentile of the International Equity Universe.

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



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

Last  
Qtr

12/12  
YTD

Last  
Year

9.06  
7.07  
5.91  
4.83  
2.00

25.07  
20.87  
18.64  
16.77  
10.54

25.07  
20.87  
18.64  
16.77  
10.54

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

5.39 (66)  
5.85 (52)

20.42 (28)  
16.83 (74)

20.42 (28)  
16.83 (74)

# City of Mobile Police & Firefighters

## December 31, 2012

Performance Summary Table  
Periods Ending 12/31/12

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
<b>Orleans</b>							
Total Return	0.39	4.26	4.26	5.10	5.57	6.24	
Total Return (Net of Fees)	0.36	4.14	4.14	4.97	5.46	6.13	
Barclays Int Govt/Credit	0.35	3.89	3.89	4.84	5.19	5.18	
Variance	0.04	0.37	0.37	0.25	0.38	1.07	
Barclays U.S. Aggregate	0.21	4.22	4.22	6.01	6.19	5.95	

### 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.

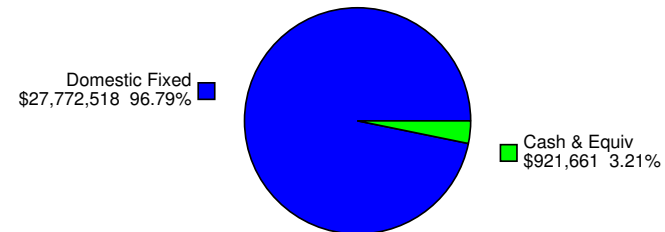
Yield curve exposure is generally kept neutral to the index and portfolios contain a full spectrum of maturities to achieve duration targets.

#### FEE SCHEDULE

15 bps on first \$10MM  
10 bps thereafter

### Asset Allocation Orleans

December 31, 2012 \$28,694,179



### CONCLUSIONS/RECOMMENDATIONS

Orleans out performed the Barclays Int. Govt/Credit Index and the Barclay's U.S. Aggregate Index. Manager ranked in the bottom half 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 57th percentile of the Fixed Income Universe.

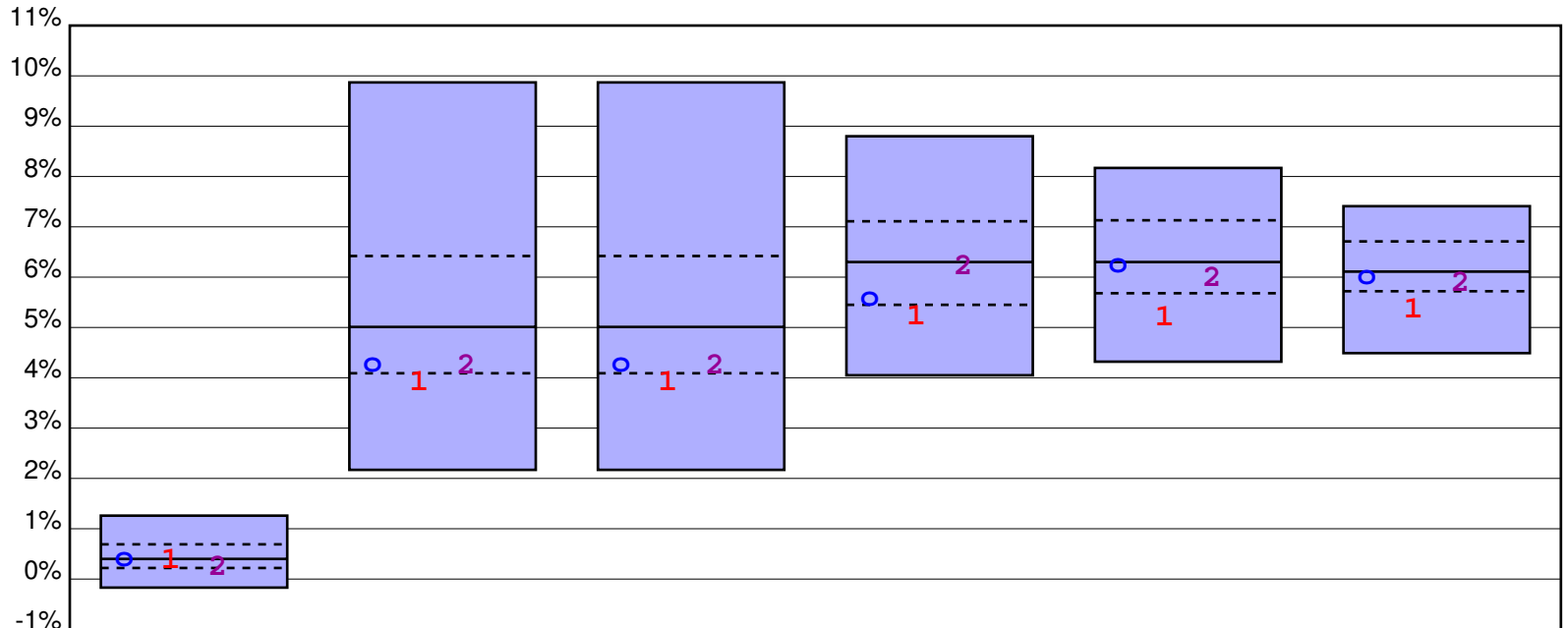


# City of Mobile Police & Firefighters

## Intermediate Term Cumulative Performance Comparisons

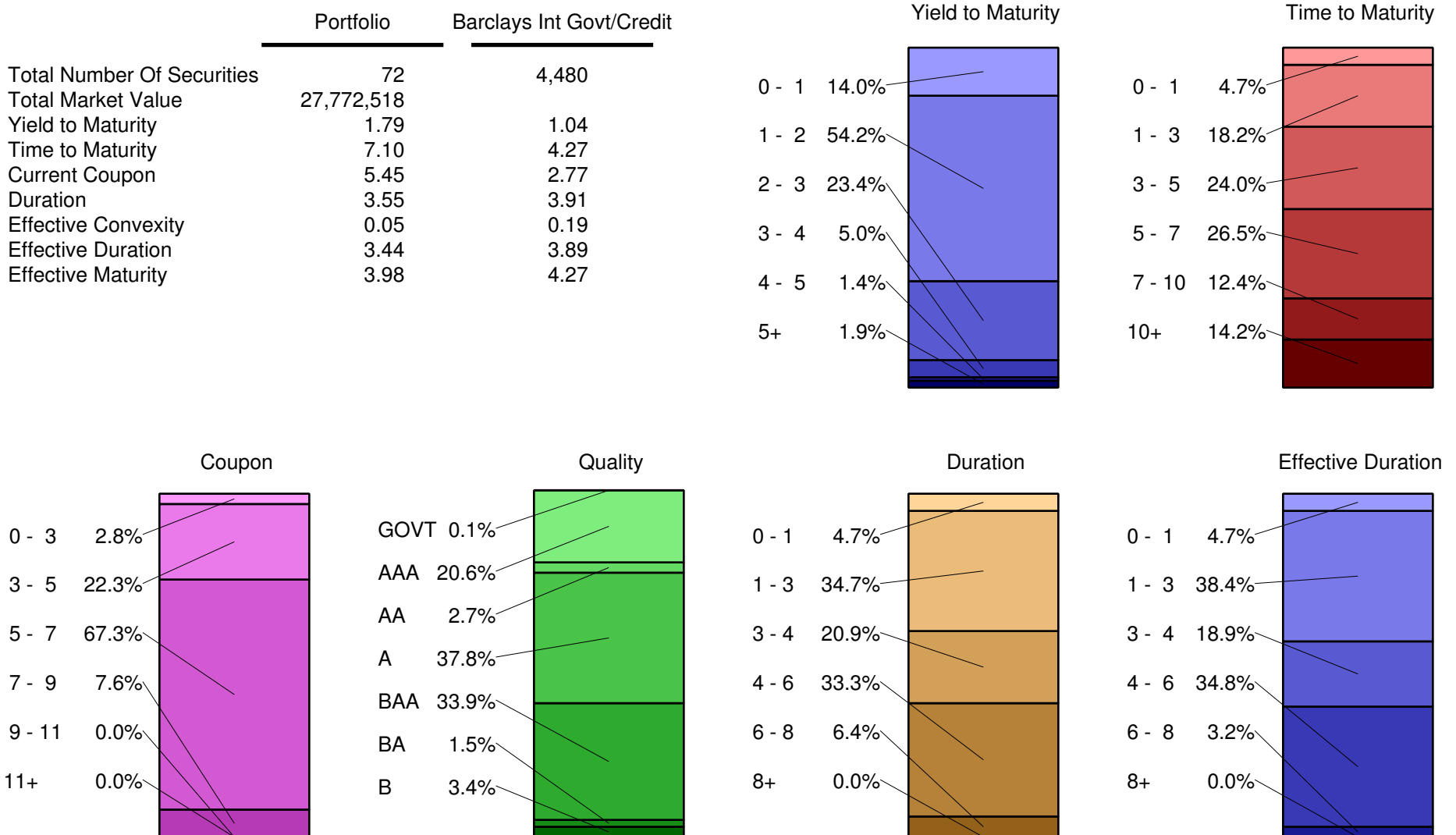
### Total Returns of Fixed Income Portfolios

#### Periods Ending 12/12



	Last Qtr	12/12 YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years
5th Percentile	1.26	9.87	9.87	8.80	8.17	7.41
25th Percentile	0.69	6.42	6.42	7.11	7.13	6.71
Median	0.40	5.01	5.01	6.30	6.30	6.11
75th Percentile	0.22	4.09	4.09	5.45	5.68	5.72
95th Percentile	-0.17	2.17	2.17	4.05	4.32	4.49
○ Orleans	0.39 (52)	4.26 (68)	4.26 (68)	5.57 (69)	6.24 (53)	6.00 (57)
1 Barclays Int Govt/Credit	0.35 (58)	3.89 (78)	3.89 (78)	5.19 (84)	5.18 (84)	5.33 (87)
2 Barclays U.S. Aggregate	0.21 (77)	4.22 (72)	4.22 (72)	6.19 (53)	5.95 (67)	5.86 (66)

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



# City of Mobile Police & Firefighters

## December 31, 2012

### **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)

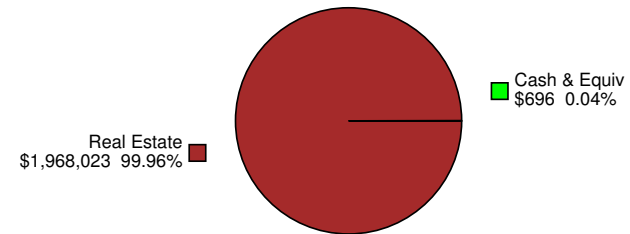
Public investments consist of 4 separate account REIT strategies (core, large cap, small cap, and absolute return) and an in-house public/private arbitrage portfolio.

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

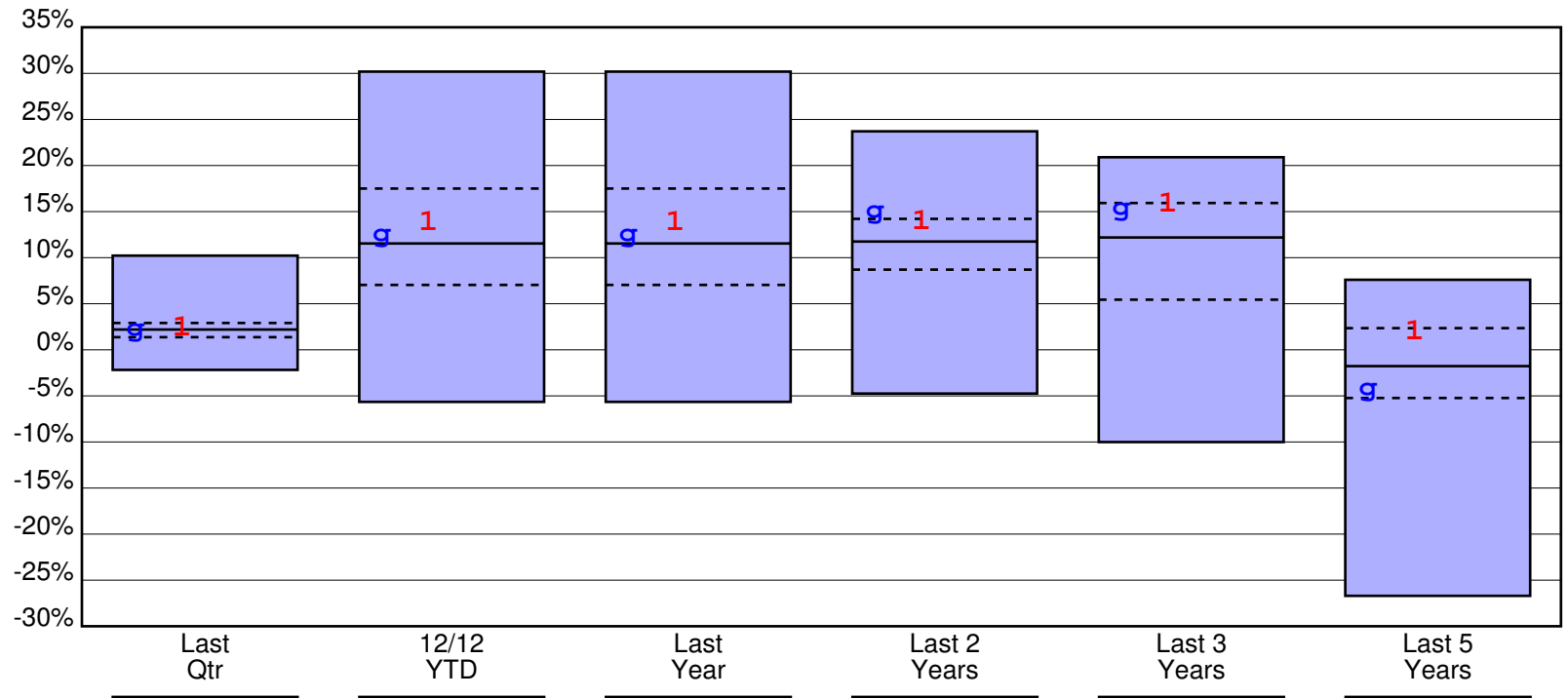
Asset Allocation  
Guggenheim  
December 31, 2012 \$1,968,718



#### **CONCLUSIONS/RECOMMENDATIONS**

Guggenheim under performed the blended benchmark by 19 bps and ranked in the 54th 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 12/12



5th Percentile	10.22	30.19	30.19	23.71	20.90	7.60
25th Percentile	2.91	17.50	17.50	14.21	15.93	2.35
Median	2.20	11.54	11.54	11.75	12.19	-1.77
75th Percentile	1.37	7.04	7.04	8.70	5.44	-5.23
95th Percentile	-2.18	-5.65	-5.65	-4.75	-10.01	-26.70
<b>g</b> Guggenheim	2.12 (54)	12.37 (42)	12.37 (42)	14.86 (17)	15.23 (31)	-4.37 (71)
<b>1</b> 70% NCREIF / 30% NAREIT	2.31 (47)	13.70 (36)	13.70 (36)	13.79 (28)	15.77 (25)	1.91 (25)

# City of Mobile Police & Firefighters December 31, 2012

## DLJ REAL ESTATE CAPITAL PARTNERS FUND II Real Estate

### OBJECTIVE

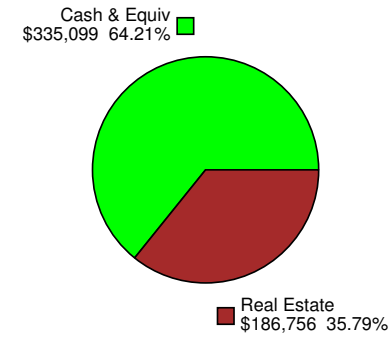
Manager is expected to out perform the NCREIF Index.

### CONCLUSIONS/RECOMMENDATIONS

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

### Asset Allocation DLJ

December 31, 2012      \$521,855



City of Mobile Police & Firefighters  
Internal Rate of Return Table  
DLJ  
December 31, 2012

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

City of Mobile Police & Firefighters  
Internal Rate of Return Table  
DLJ  
December 31, 2012

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, 2012

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	10	0	0	521,855	2,421.04	27.51
Total		2,645,954	3,719,237	1,826,244	57,226	173,880	521,855	2,421.04	27.51

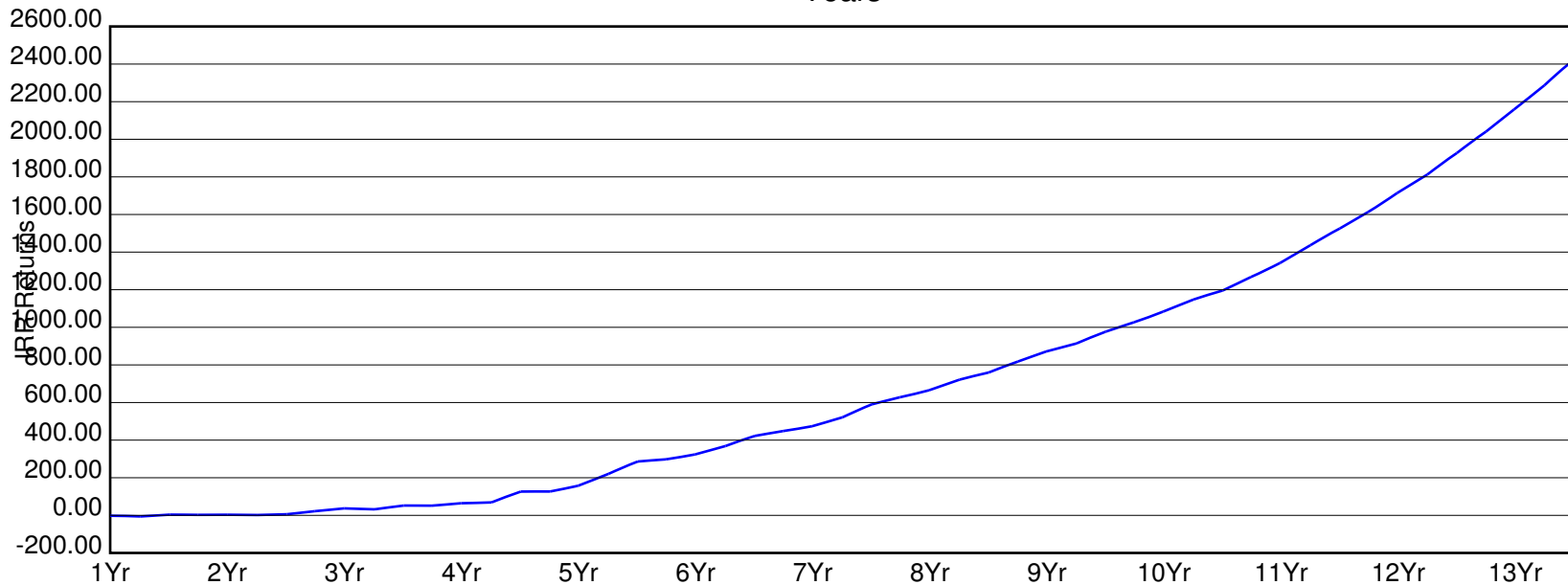


# City of Mobile Police & Firefighters J-Curve Graph

DLJ

3/31/00 - 12/31/12

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
Total	2,645,954	3,719,237	57,226	173,880		

# City of Mobile Police & Firefighters

## December 31, 2012

Performance Summary Table  
Periods Ending 12/31/12

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
<b>TIAA-CREF</b>							
Total Return	2.13	9.70	9.70	10.34	11.06		
Total Return (Net of Fees)	1.85	8.54	8.54	9.17	9.86		
NCREIF ODCE Fund Index	2.35	10.94	10.94	13.44	14.40		
Variance	-0.22	-1.25	-1.25	-3.10	-3.35		

### TIAA-CREF CORE PROPERTY FUND

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

#### OBJECTIVE

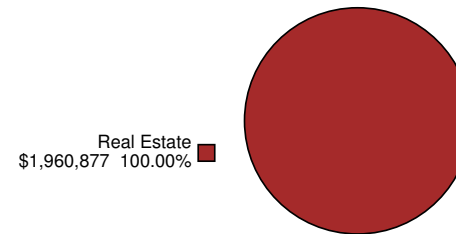
Manager is expected to outperform the NCREIF Index.

#### 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, 2012 \$1,960,877



#### CONCLUSIONS/RECOMMENDATIONS

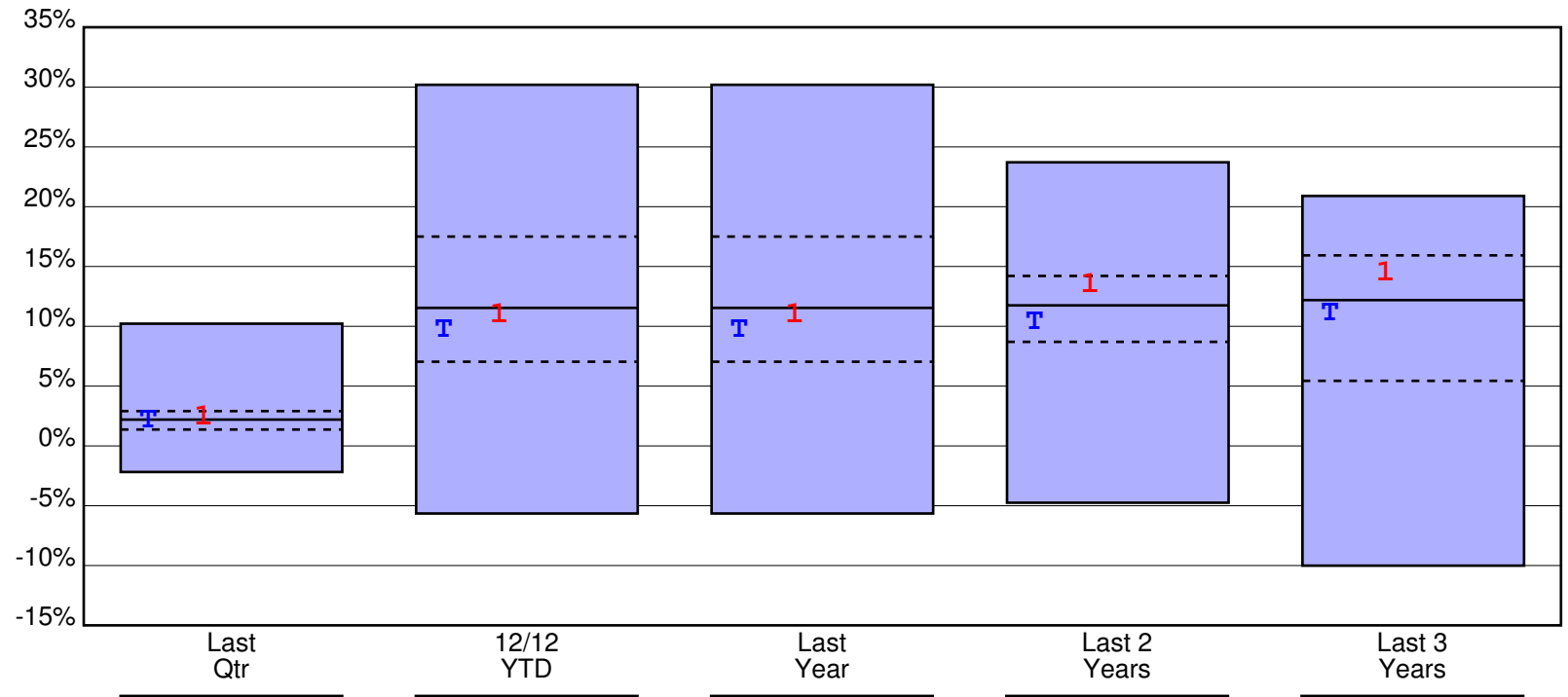
During the Fourth Quarter 2012, TIAA-CREF under performed the NCREIF Property Index by 22 basis points. Their performance placed them in the 53rd percentile of their peer universe.

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 12/12



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

10.22  
2.91  
2.20  
1.37  
-2.18

30.19  
17.50  
11.54  
7.04  
-5.65

30.19  
17.50  
11.54  
7.04  
-5.65

23.71  
14.21  
11.75  
8.70  
-4.75

20.90  
15.93  
12.19  
5.44  
-10.01

T TIAA-CREF

1 NCREIF ODCE Fund Index

2.13 (53)

9.70 (63)

9.70 (63)

10.34 (60)

11.06 (56)

2.35 (47)

10.94 (54)

10.94 (54)

13.44 (32)

14.40 (35)

# City of Mobile Police & Firefighters December 31, 2012

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

Initial Closing on August 7, 1998

### OBJECTIVE

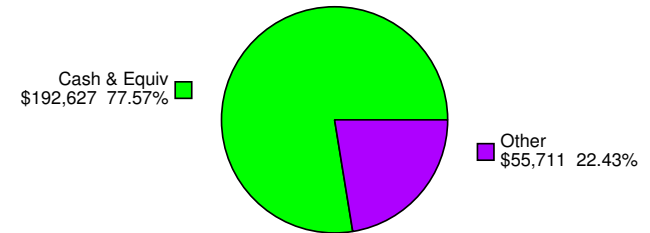
The manager needs to achieve a return of 400 basis points above the Russell 3000 index on an annual basis.

### CONCLUSIONS/RECOMMENDATIONS

Hicks, Muse, Tate & Furst IV values and performance has not been updated through the Fourth Quarter of 2012. The manager's performance will be included in subsequent reports.

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

Asset Allocation  
Hicks, Muse, Tate & Furst IV  
December 31, 2012 \$248,338



City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Hicks, Muse, Tate & Furst IV  
December 31, 2012

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

City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Hicks, Muse, Tate & Furst IV  
December 31, 2012

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, 2012

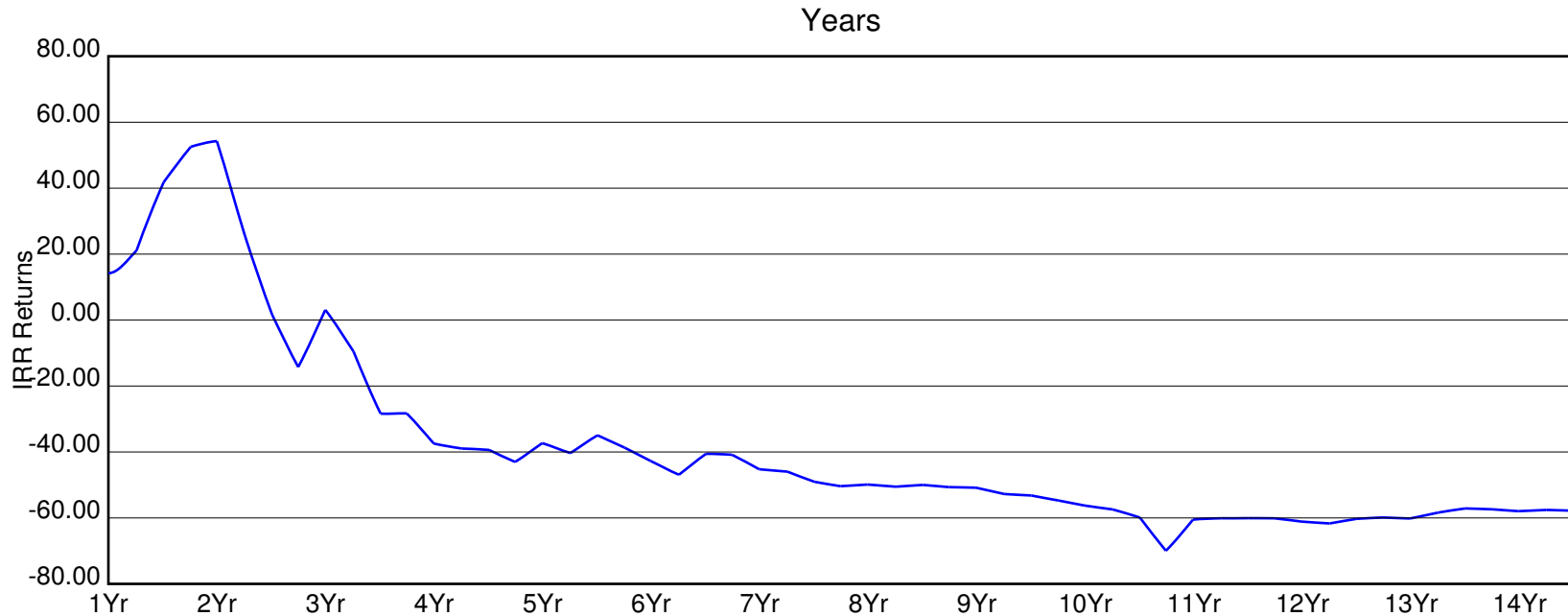
Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
9/10	189,496	0	0	-1,792	0	0	187,704	-61.67	-7.65
12/10	187,704	0	0	16,585	0	0	204,289	-60.27	-7.23
3/11	204,289	0	0	6,870	0	0	211,159	-59.86	-7.02
6/11	211,159	1	0	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	6	0	0	248,338	-57.81	-5.85
Total		2,415,558	1,536,951	-586,013	0	44,256	248,338	-57.81	-5.85

# City of Mobile Police & Firefighters

## J-Curve Graph

### Hicks, Muse, Tate & Furst IV

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



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
Total Capital Commitment	2,415,588	1,536,951	0	44,256		



# City of Mobile Police & Firefighters

## December 31, 2012

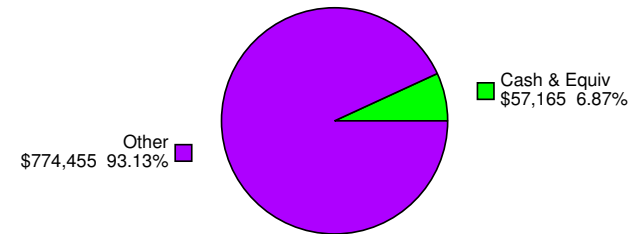
### **RIPPLEWOOD PARTNERS II** **Private Equity**

#### **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, 2012      \$831,620



#### **CONCLUSIONS/RECOMMENDATIONS**

Ripplewood Partners II values and performance has not been updated through the Fourth Quarter of 2012. The manager's performance will be included in subsequent reports.

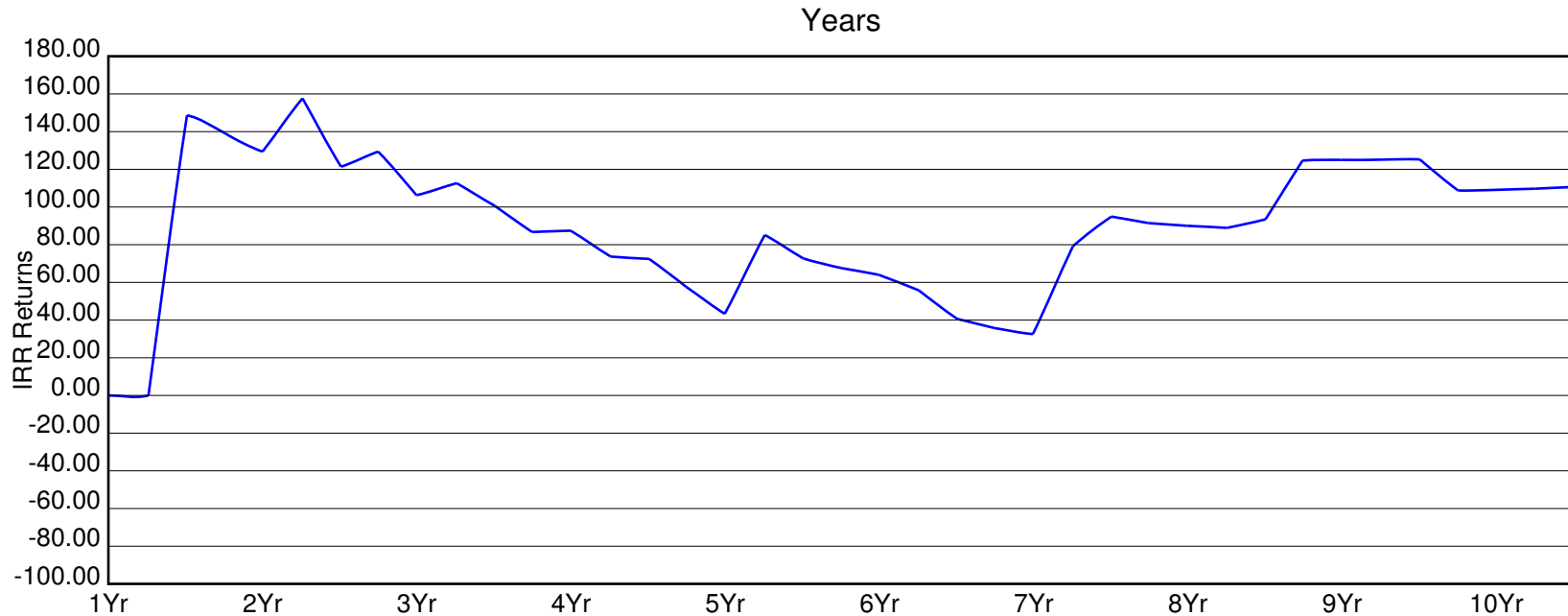
City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Ripplewood Partners II, L.P.  
December 31, 2012

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, 2012

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	274	14,238	0	831,620	110.64	7.49
Total		2,608,181	2,172,398	620,600	95,164	129,599	831,620	110.64	7.49

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



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
Total	2,608,181	2,172,398	95,164	129,599		
Total Capital Commitment:		2,000,000	Vintage Year: 2002			

# City of Mobile Police & Firefighters

## December 31, 2012

### LEVINE LEICHTMAN CAPITAL PARTNERS III Private Equity

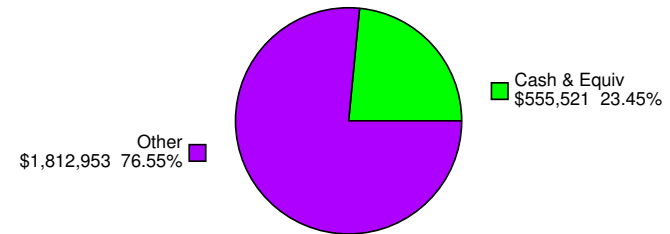
#### OBJECTIVE

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, 2012 \$2,368,475



#### CONCLUSIONS/RECOMMENDATIONS

Levine Leichtman Fund III values and performance has not been updated through the Fourth Quarter of 2012. 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, 2012

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
12/03		1,134,255	461,406		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, 2012

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	24	0	0	2,368,475	133.35	9.81
Total		5,034,087	3,891,550	1,575,800	0	349,862	2,368,475	133.35	9.81

# City of Mobile Police & Firefighters December 31, 2012

## **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.

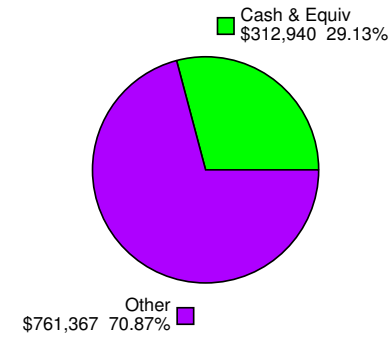
### **STRATEGIES**

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, 2012      \$1,074,307



### **CONCLUSIONS/RECOMMENDATIONS**

Permal has returned a cumulative 32.67% in the fund since inception, which equates to an annualized 4.85% return for the manager.

Since its inception in the 3rd quarter of 2007, the fund has experienced an appreciation of \$240,476.



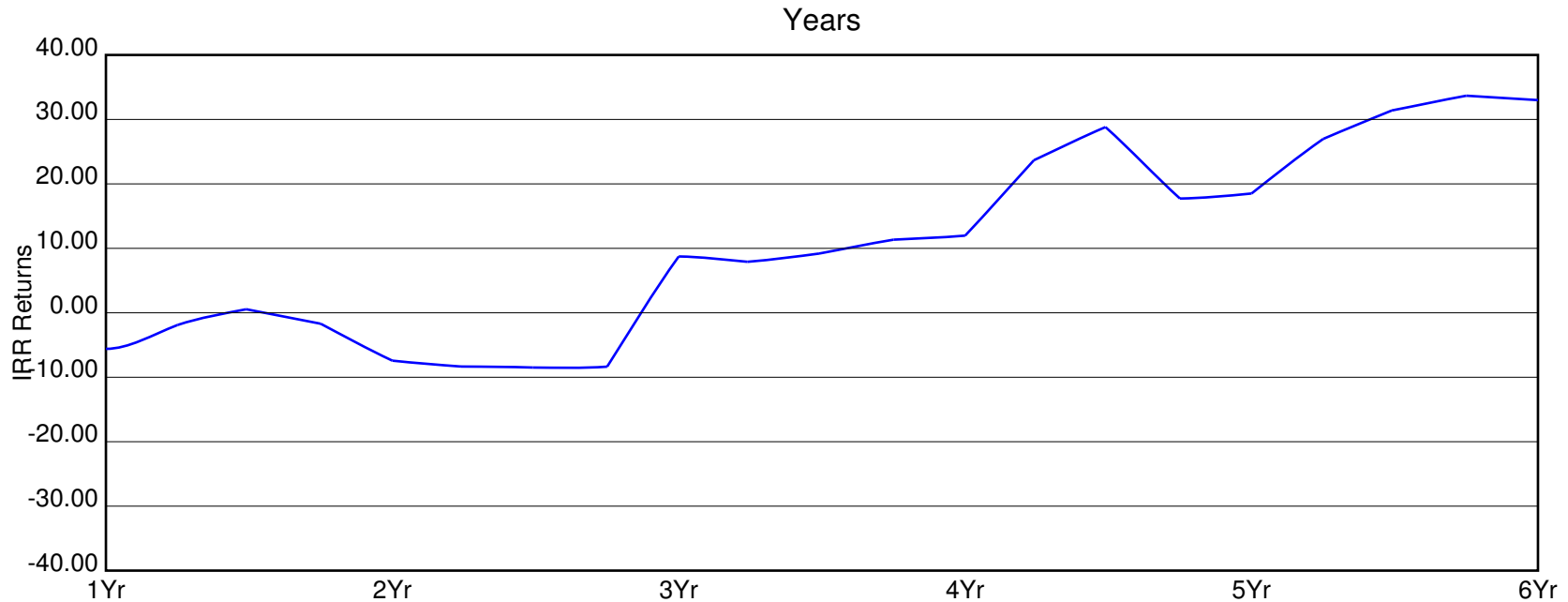
City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Permal Capital Fund IV  
December 31, 2012

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
3/07		200,000	0		2,444	12,500	183,578	-0.75	NA
6/07	183,578	250,000	0	-16,511	1,648	2,500	412,919	-8.43	NA
9/07	412,919	0	24,666	21,547	682	2,500	406,618	1.23	NA
12/07	406,618	50,000	13,424	-21,562	3,717	2,500	415,415	-5.60	NA
3/08	415,415	80,000	16,540	11,453	2,095	2,500	485,733	-1.89	-1.57
6/08	485,733	0	8,455	8,586	1,375	2,500	481,989	0.55	0.38
9/08	481,989	50,000	10,647	-8,619	2,644	2,500	507,579	-1.70	-1.00
12/08	507,579	80,000	7,552	-23,664	1,949	2,500	551,914	-7.42	-3.86
3/09	551,914	377,956	0	-6,067	0	2,500	921,303	-8.34	-3.87
6/09	921,303	0	0	-5,322	240	2,500	913,241	-8.49	-3.55
9/09	913,241	0	0	-3,052	900	2,500	906,789	-8.36	-3.17
12/09	906,789	0	21,164	93,552	1,363	2,500	975,315	8.74	2.87
3/10	975,315	65,000	44,250	-2,592	942	2,500	990,031	7.91	2.40
6/10	990,031	14,761	22,379	9,762	349	2,500	989,325	9.19	2.58
9/10	989,325	256	0	15,408	734	2,500	1,001,754	11.35	2.94
12/10	1,001,754	0	0	6,135	0	2,500	1,005,389	11.97	2.90
3/11	1,005,389	0	0	77,859	0	2,500	1,080,749	23.67	5.18
6/11	1,080,749	0	0	37,052	0	2,500	1,115,301	28.81	5.84
9/11	1,115,301	70,000	0	-70,535	0	2,500	1,112,265	17.73	3.53
12/11	1,112,265	0	0	8,039	0	2,500	1,117,804	18.51	3.48
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, 2012

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
Total		1,237,972	315,935	242,788	21,082	69,436	1,074,307	33.00	4.90

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



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		
Total	1,237,972	315,935	21,082	69,436		

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

# City of Mobile Police & Firefighters

## December 31, 2012

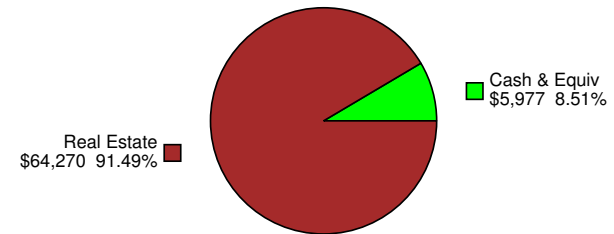
### WESTBROOK REAL ESTATE FUND III

#### Real Estate

#### OBJECTIVE

Manager is expected to outperform the NCREIF Index.

Asset Allocation  
Westbrook  
December 31, 2012 \$70,247



#### CONCLUSIONS/RECOMMENDATIONS

Westbrook values and performance has not been updated through the Fourth Quarter of 2012.

**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, 2012

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		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, 2012

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, 2012

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	0	0	0	70,247	439.07	12.50
Total		2,143,867	2,965,525	1,045,415	156	153,354	70,247	439.07	12.50

## City of Mobile Police & Firefighters December 31, 2012

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

#### **OBJECTIVE**

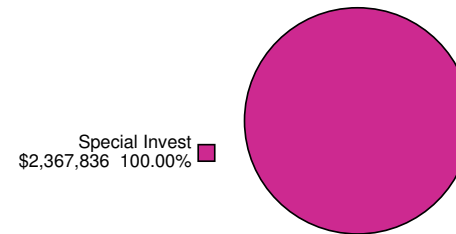
Manager is expected to outperform the NCREIF Timber Index.

#### **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, 2012      \$2,367,836



#### **CONCLUSIONS/RECOMMENDATIONS**

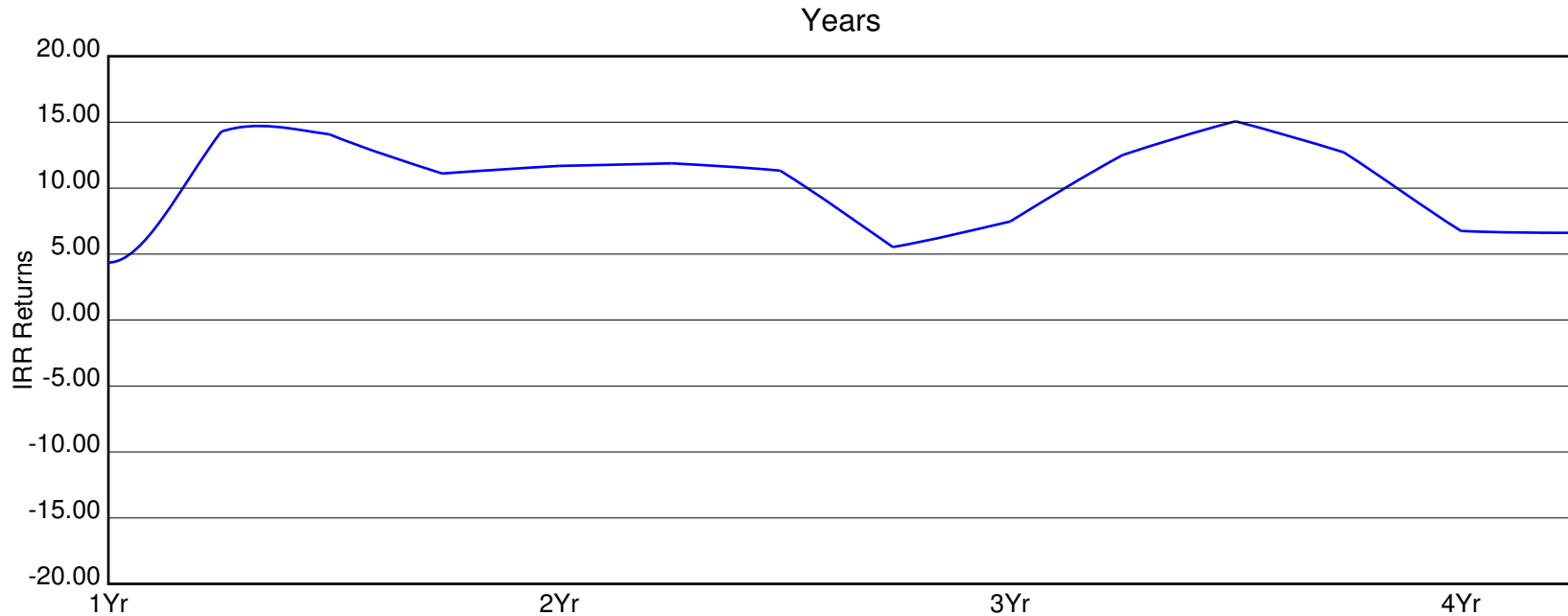
Timberland Investment values and performance has not been updated through the Fourth Quarter of 2012.



City of Mobile Police & Firefighters  
Internal Rate of Return Table  
Timberland Investment Resources  
December 31, 2012

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
12/08		967,502	0		0	837	966,264	-0.08	NA
3/09	966,264	0	0	44,697	0	2,086	1,008,875	5.21	NA
6/09	1,008,875	0	0	-1,764	0	2,077	1,005,034	4.73	NA
9/09	1,005,034	0	0	-2,469	0	2,068	1,000,497	4.36	NA
12/09	1,000,497	0	0	92,239	0	2,254	1,090,482	14.28	13.13
3/10	1,090,482	0	0	-990	445	2,246	1,086,801	14.08	10.42
6/10	1,086,801	1,039,861	0	-27,269	1,371	2,300	2,095,722	11.11	6.91
9/10	2,095,722	0	0	21,570	4,039	4,609	2,108,644	11.69	6.23
12/10	2,108,644	74,870	0	14,769	2,754	4,569	2,190,960	11.88	5.54
3/11	2,190,960	0	0	3,524	3,332	4,519	2,186,633	11.33	4.72
6/11	2,186,633	264,832	0	-68,025	6,505	4,812	2,372,123	5.54	2.11
9/11	2,372,123	0	0	32,353	5,576	4,948	2,393,952	7.47	2.58
12/11	2,393,952	0	0	80,588	6,744	5,090	2,462,706	12.52	3.90
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	0	0	0	2,367,836	6.61	1.58
Total		2,347,065	0	112,232	33,889	57,572	2,367,836	6.61	1.58

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



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		
Total	2,347,065	0	33,889	57,572		

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## DEFINITION OF INDICES

### APPENDIX A

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

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

Domestic Equity	Russell 1000 Index, Russell 2500 Growth, Russell 2500 Value
International Equity	MSCI 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	D o m e s t i c	Style				
		Growth	Core	Value	Quantitative	Index
		Large	SSgA			
		Medium	Century	Advisory Research		
		Small	Century	Advisory Research		
I n t e r n a t i o n a l	D o m e s t i c	Opportunistic	Energy Opportunities Capital			
		Large		Allianz		
		Small				
O t h e r	D o m e s t i c	Private Equity	Permal	Ripplewood	Levine Leichtman	HM Capital
		Real Estate	Westbrook		Guggenheim	DLJ TIAA-CREF
		Timber	Timberland Investment Resources			

**FIXED INCOME**

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