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DEFINED CONTRIBUTION MANAGER SEARCH

REAL ASSETS / DIVERSIFIED INFLATION HEDGE

STATE OF NORTH CAROLINA RETIREMENT SYSTEM

AUGUST 2012

MARSH & McLENNAN COMPANIES

CONTENTS

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Introduction

Mercer Investments was engaged to perform an investment manager search for a Real Assets / Diversified Inflation Hedge strategy for inclusion in the North Carolina Supplemental Retirement Plans.

Investment Rationale for Defined Contribution Plan Sponsors & Participants

- The slow pace of the economic recovery has contributed to persistently low inflation. However, investors are concerned that the rate of inflation is poised to increase substantially as a result of current fiscal and monetary policies focused on stimulating growth and employment.
- Protection from rising inflation is particularly concerning for defined contribution plan participants in or near retirement. This is because such participants:
  - Invest to a greater extent in their plan’s more conservative fixed income investment options;
  - Unlike active participants, retirees do not receive raises to help offset a rising cost of living, instead relying on investment gains keeping pace with inflation to maintain a real level of income; and
  - Retirement expenses, particularly health care costs, have experienced relatively high inflation.

Asset Class Performance

- No single asset class has proven to be a good inflation hedge over various market conditions.
- To provide protection over various inflation scenarios, investment managers have introduced strategies that invest in multiple inflation-sensitive asset classes.

Diversified Inflation Hedge (“Real Assets”) strategies invest in inflation-linked securities including fixed income (TIPS), commodities, precious metals, REITs, natural resources and inflation-sensitive equities (i.e., oil & gas, infrastructure, etc.). Mercer’s Real Assets / Diversified Inflation Hedge search includes five strategies. Each strategy aims to help DC plan participants in two ways: by helping participants’ account balances keep pace with inflation; and by adding additional diversification opportunities given low correlations to traditional stocks and bonds.

Candidates in this search were asked to submit historical data and portfolio details to Mercer's Global Investment Manager Database (GIMD). Mercer IC utilized the Manager Performance Analytics (MPA) System to further analyze the data. Data is as of March 31, 2012, unless otherwise stated.

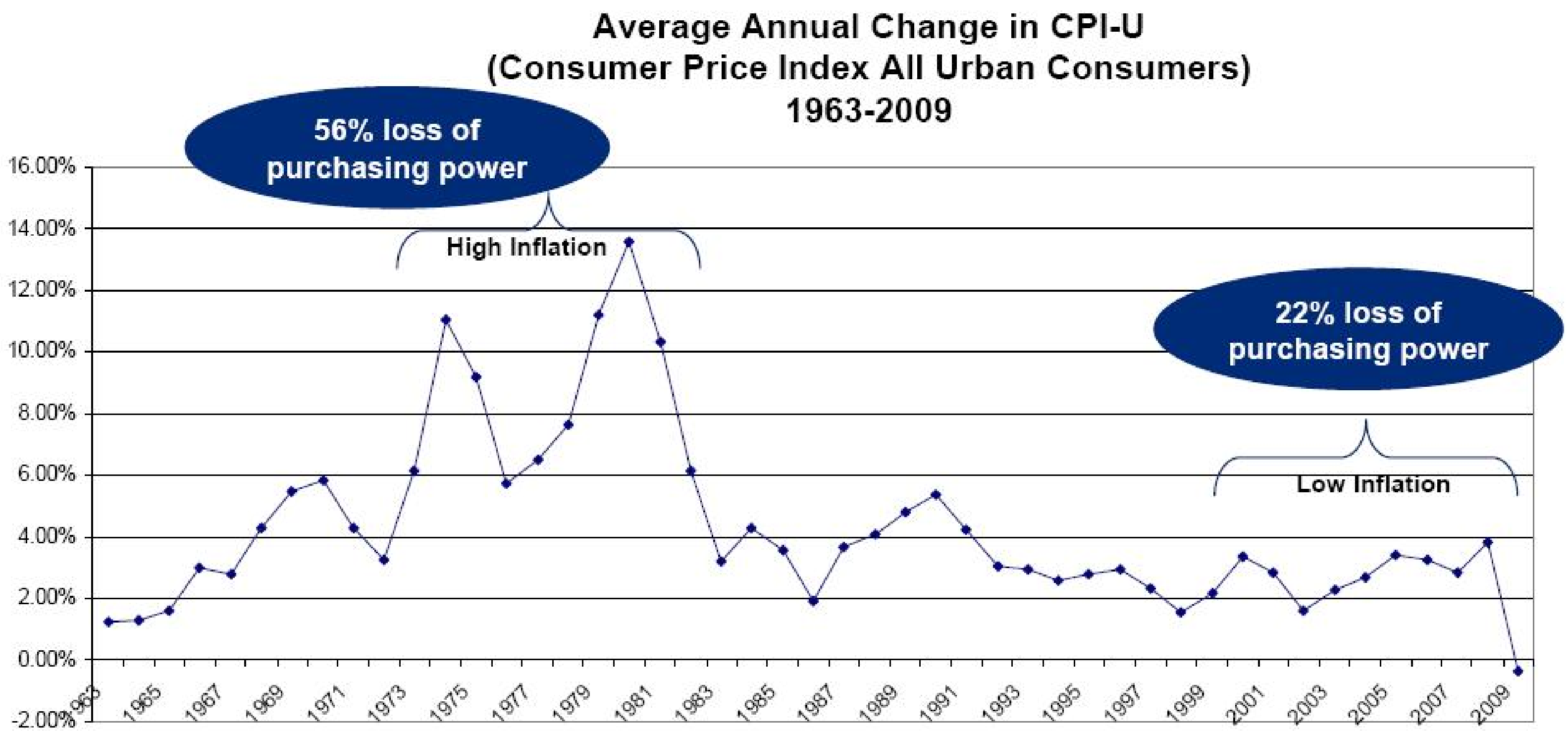
Selection of strategies for consideration

Mercer selected the strategies included in this search report based the consideration that the primary objective of the fund is inflation protection. The "real return" fund space often includes funds that focus on absolute returns but not specifically inflation sensitivity. These funds often use leverage to achieve an even risk exposure between equity, bonds and real assets. These strategies have volatility levels that are similar to equities and may not be suitable for lower risk investors.

No single asset class has proven to be a perfect inflation hedge over various market conditions. TIPS generally perform well during periods of rising inflation, but tend to lose value when inflation declines. Commodities have also performed well in rising inflation markets but have lost value when inflation remains persistently high or declines. Broadly diversified equities have tended to lose value during periods of rising inflation but perform well in falling and stable (either high or low) inflation markets. To provide protection over various inflation scenarios, investment managers have introduced strategies that invest in multiple inflation-sensitive asset classes.

The naïve starting allocation is often 1/3 TIPS, 1/3 REITs, and 1/3 commodities. This provides some guaranteed inflation protection from TIPS but at a low return. Commodities have a strong theoretical tie to inflation, and also proved to move with inflation in the 1970's. However, commodities have a low expected return and are very volatile. Finally, REITs are used to represent real estate, which is a good inflation hedge. Private real estate would be a preferable asset, but it is not a liquid instrument. REITs serve as a reasonable proxy but are quite volatile. This combined portfolio has good inflation protection properties but is volatile.

Impact of Rising Inflation for Plan Participants



- Spending needs of DC plan participants are in “real” terms, therefore inflation has a large impact
  - Increased inflation erodes the spending power of participant assets
    - High inflation:1973 to 1982 (56% purchasing power loss)
    - Low inflation: 2000 to 2009 (22% purchasing power loss)

Source: Bureau of Labor Statistics

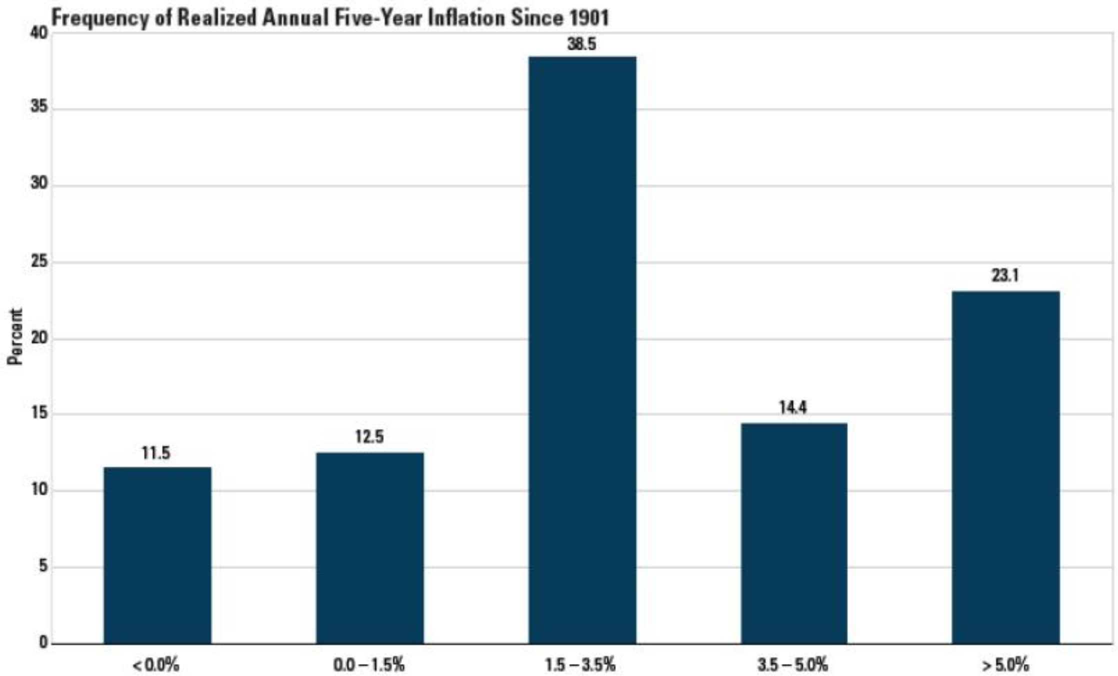
Participants Most Impacted by Rising Inflation

Impact of Rising Inflation

- Conservatively invested
  - Higher fixed income allocations
  - Bond prices inversely related to interest rate changes
- Shortened time horizon
  - Less time to wait for market recovery
  - Less available for future investments
- Cost of living
  - No salary increases with inflation
  - Rising health care costs increasing need for “real” dollars

Heighted Concerns in the Current Market

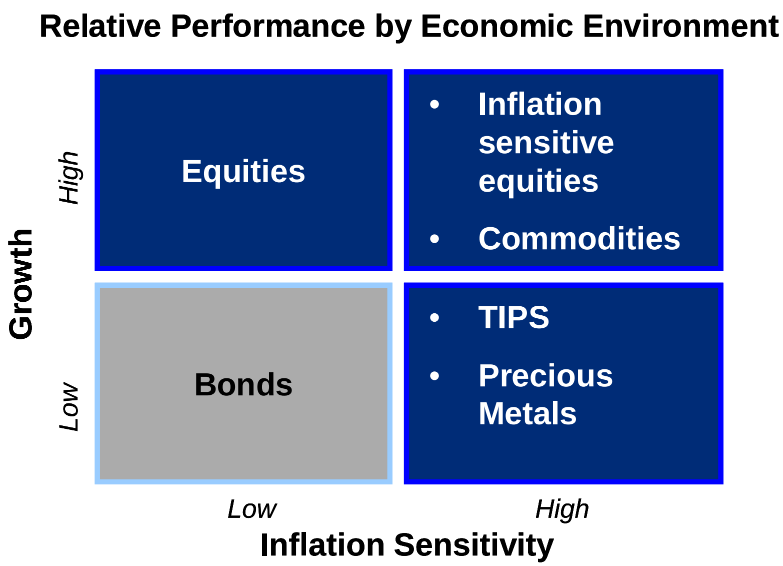
- DC Plans primarily offer investment options across nominal bonds & broadly diversified equities
- Stagflation environment creates poor market conditions for stocks & bonds
- Historically low yields make a fixed income portfolio more sensitive to rate increases, increasing need for inflation hedge and further diversification



Protection from rising inflation is an ongoing concern, not a rare event

Source: US Bureau of Labor

Potential Benefits of a Diversified Approach



- There is no perfect inflation hedge which will protect a portfolio in all inflation scenarios.
- Diversification across many types of real assets ensures protection from different levels of inflation as well from different underlying drivers of inflation.
- Real assets may add volatility to the portfolio and diversifying asset exposure maximizes return per unit of risk.

Mercer Return/Risk Assumptions

	Return	Risk	Inflation Hedging (50=Neutral)	Equity Beta
Equity	7.7%	20.0%	50	1.00
Core Bonds	4.0%	6.0%	20	0.10
TIPS	3.5%	4.5%	85	0.00
REITs	7.3%	17.0%	60	0.75
Commodities	4.1%	18.0%	80	0.00
Natural Resource Stocks	7.30%	19.50%	65	0.90

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Executive Summary

Below is a high-level summary on each of the strategies considered in this report.

<u>Lower Volatility</u>

JPMorgan Diversified Real Return Fund R5 /CTF

- Compared to other products in this space, JPMorgan is differentiated by its greater focus on fixed income (60%). The Fund allocates to TIPS, commodities, REITs, natural resource equity, and infrastructure.
- The strategy has a momentum-based rebalancing methodology (rolling 12-month performance) that is applied to all asset classes except cash. The rebalancing methodology is unique to the Diversified Real Return Fund and is not used in other JPMorgan portfolios.
- Unlike the other candidates, who focus mostly on total return, JPMorgan has a beta target of 0.5 to minimize the Portfolio's volatility.
- The Portfolio is almost entirely actively managed, with the exception of infrastructure equities, which are accessed via a passive ETF – the S&P Global Infrastructure Index.

PIMCO Inflation Response Multi-Asset Fund Institutional

- The Fund seeks to hedge global inflation risks while targeting enhanced return opportunities that inflation dynamics may present by providing diversified exposure to a broad opportunity set of inflation factors – or assets that will likely respond to different types of inflation – including TIPS, commodities, emerging market (EM) currencies, REITs and gold, as well as tactical use of floating rate securities in the event of deflation or an extreme market shock.
- Tail risk hedging strategies are used to limit the impact of periodic market stresses that may affect inflation-related assets.
- The Fund is invested in 4 underlying PIMCO strategies – the PIMCO Real Return Strategy, the PIMCO CommoditiesPLUS Strategy, the PIMCO Emerging Markets Currency Strategy, and the PIMCO Real Estate Real Return Strategy.

Higher Volatility

PIMCO Diversified Real Asset Collective Trust

- The Diversified Real Asset Collective Trust is comprised of three underlying PIMCO strategies: PIMCO Real Return II, PIMCO Commodities PLUS and PIMCO Real Estate PLUS. While the first two underlying strategies are actively managed, PIMCO Real Estate PLUS consists of a passively managed REIT portfolio.
- The target asset allocation for the Diversified Real Asset Collective Trust is evenly split between TIPS, commodities and real estate.
- The strategy's TIPS allocation can represent a greater portion of the portfolio than commodities and real estate when the manager wants to focus on capital preservation.

Wellington Balanced Real Assets Collective Investment Trust

- The Wellington fund has a large allocation to TIPS (+50%) and also a large allocation to natural resource stocks.
- The Fund has a relatively high tactical allocation range to natural resources stocks (20% - 60%), implying that it may exhibit more equity risk and volatility than the other candidates.
- Most of the Fund's underlying indices are global benchmarks, and the Fund's exposure to the US was 42% as of December 31, 2011. Similarly, the Fund's inflation-linked bond allocation includes emerging markets securities, suggesting a more global approach to investing.
- The Fund's underlying components are actively managed by teams at Wellington. Overweight and underweight decisions are based on the short- and intermediate-term outlooks of the team.

BlackRock Strategic Completion Fund

- The Fund, structured as a fund-of-funds, invests in underlying passive non-lendable collective trust funds. The asset class composition is roughly balanced between global real estate, TIPS, and commodities.
- The Fund is monitored daily, rebalanced on a month-end basis, and strategic allocations are reviewed and updated on an annual basis.
- The Fund allocations are strategic and long-term in nature, thereby seeking to avoid high turnover, elevated transaction costs and more extreme outcomes typically associated with a tactical asset allocation approach.

Comments/Recommendations

Mercer included the five candidates because they each offer something unique in the inflation category. As such, we believe that any one of these candidates would more than adequately fulfill the mandate for the State of North Carolina Retirement System. We believe that the following candidates are the most appropriate for the North Carolina Supplemental Retirement Plans.

Low Beta / Lower Return: PIMCO Inflation Response Multi-Asset Fund Institutional

- The strategy has a greater focus on fixed income, which will help to balance the many equity offerings in the Supplemental Retirement Plans.
- The strategy benefits from PIMCO's highly regarded research capabilities. The firm's investment committee demonstrates a strong ability to generate tactical and secular macroeconomic and risk factor forecasts.
- PIMCO's risk factor-based investment process links the fund's exposure to the firm's global secular and cyclical views.

High Beta / Higher Return: Wellington Balanced Real Assets Collective Investment Trust

- Appropriate if the Committee desires a higher-volatility strategy.
- Wellington has the highest inflation hedge score.
- All of the current underlying strategies have a 5 year or longer history.
- The asset allocation team running the strategy will actively move in and out of asset classes as market conditions change.

Real Assets / Diversified Inflation Hedge – Candidates

	Firm	Fund	Ticker
Low Beta	JPMorgan Asset Management (JPMorgan)	JPMorgan Diversified Real Return Fund R5 /CTF (JPM)	JRLRX / CTF
	Pacific Investment Management Company (PIMCO)	PIMCO Inflation Response Multi-Asset Fund Institutional (PIRMAF)	PIRMX
High Beta	Pacific Investment Management Company (PIMCO)	PIMCO Diversified Real Asset Collective Trust (PIMDRA)	Commingled
	Wellington Management Company (Wellington)	Wellington Balanced Real Assets Collective Investment Trust (Well)	Commingled
	BlackRock (BlackRock) *(Passive)*	BlackRock Strategic Completion Fund (BR)	Commingled

Real Assets / Diversified Inflation Hedge – Strategy Characteristics

	Fund Name	Total Fund Assets ($MM)	Strategy Inception	Expense Ratio	Performance Track Record
Low Beta	JPMorgan Diversified Real Return Fund R5 /CTF	$49	March 2011	0.90% / 0.65%	Hypothetical
	PIMCO Inflation Response Multi-Asset Fund Institutional	$40	August 2011	0.80%	Stated benchmark
High Beta	PIMCO Diversified Real Asset Collective Trust	$113	October 2009	0.65%	Stated benchmark
	Wellington Balanced Real Assets Collective Investment Trust	$207	April 2010	0.67%	Hypothetical
	BlackRock Strategic Completion Fund (Passive)	$195	October 2011	0.13%[1]	Stated benchmark

[1] Funds are subject to an accrual for administrative costs, including, but not limited to accounting, custody and audit fees. The amount is capped at 2 basis points (0.02%) per year in order to limit the impact on fund performance.

Real Assets / Diversified Inflation Hedge – Target Asset Allocation

	Fund Name	TIPS / Inflation Managed Bonds	Non-Dollar Bonds & Currencies	Commodities	Real Estate	Gold	Natural Resources Equity	Master Limited Partnerships / Infrastructure	Cash / Cash Equivalents
Low Beta	JPMorgan Diversified Real Return Fund R5 /CTF	60%[1]	0% N/A	10%	10%	0% N/A	10%	5%	5%
	PIMCO Inflation Response Multi-Asset Fund Institutional	45% (20%-70%)	15% (5%-25%)	20% (5%-35%)	10% (5-15%)	10% (5%-15%)	0% N/A	0% N/A	0% N/A
High Beta	PIMCO Diversified Real Asset Collective Trust	33% (13%-73%)	0% N/A	33% (13%-43%)	33% (13%-43%)	0% N/A	0% N/A	0% N/A	0% N/A
	Wellington Balanced Real Assets Collective Investment Trust	54% (35%-70%)	0% N/A	17% (0%-35%)	0% N/A	0% N/A	30% (20%-60%)	0% N/A	0% N/A
	BlackRock Strategic Completion Fund *(Passive)*	37% (36.6%-37.6%)	0% N/A	27% (26.4 %-24.7%)	36% (35.5%-36.5%)	0% N/A	0% N/A	0% N/A	0% N/A

[1] Includes short/intermediate credit and CPI swap overlay.

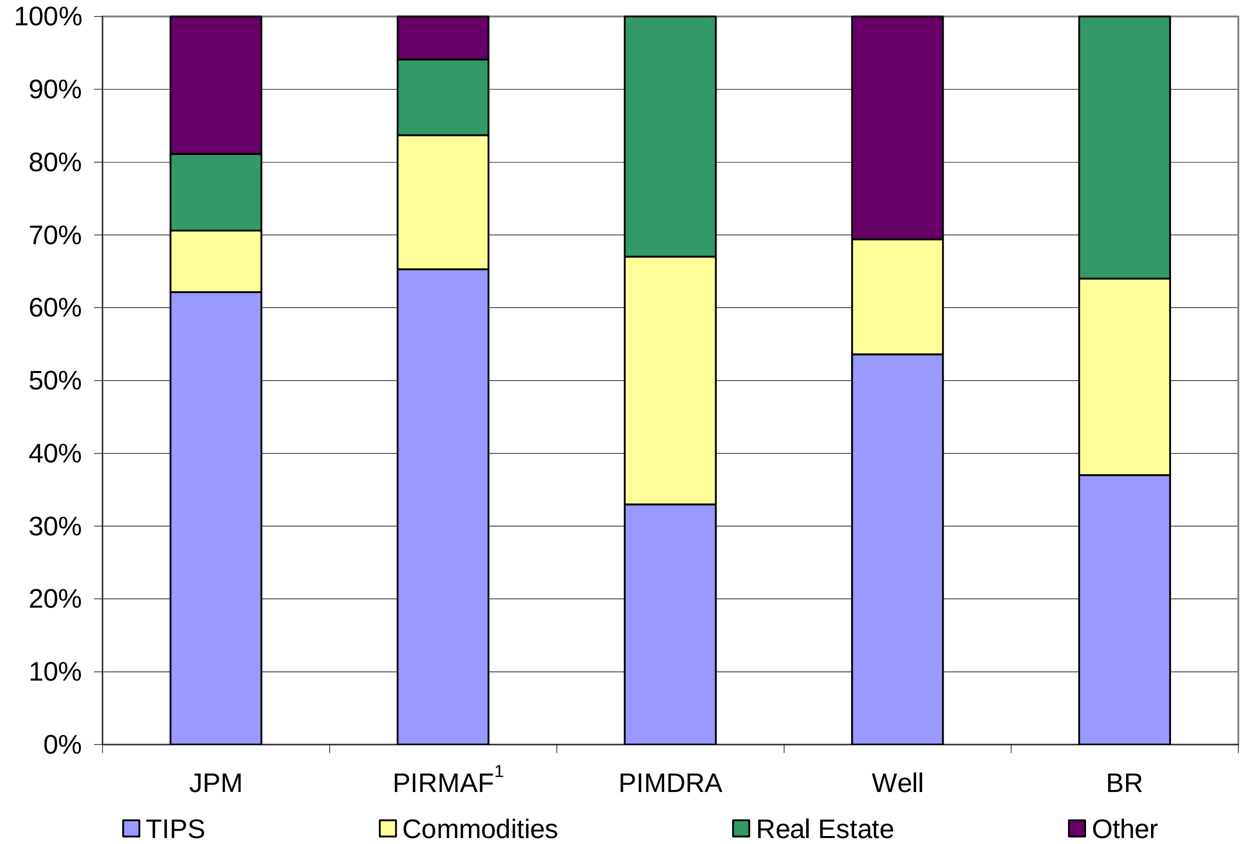
Real Assets / Diversified Inflation Hedge – Strategy Characteristics

	Fund Name	Total Fund Assets ($MM)	Fees	Expected Equity Beta	Historical Equity Beta (5 Yr Period)	Expected Inflation Hedge	Historical Volatility (5 Yr Period)	Geometric Expected Return	Active / Passive
Low Beta	JPMorgan Diversified Real Return Fund R5 /CTF	$49	0.90% / 0.65%	0.22	0.38	77.3	10.3	4.8%	Active
	PIMCO Inflation Response Multi-Asset Fund Institutional	$40	0.80%	0.15	0.34	72.8	10.3	5.0%	Active
High Beta	PIMCO Diversified Real Asset Collective Trust	$113	0.65%	0.25	0.72	74.3	18.6	5.4%	Active
	Wellington Balanced Real Assets Collective Investment Trust	$207	0.67%	0.27	0.55	78.2	15.8	5.1%	Active
	BlackRock Strategic Completion Fund *(Passive)*	$195	0.13%[1]	0.27	0.71	74.7	17.9	5.5%	Passive
Asset Classes	REITs (FTSE/EPRA NAREIT Developed)	N/A	N/A	0.75	1.32	60	31.9	7.3%	N/A
	TIPS (Barclays US TIPS)	N/A	N/A	0.00	-0.01	85	5.4	3.5%	N/A
	Commodities (Dow Jones UBS Commodities)	N/A	N/A	0.00	0.73	80	25.1	4.1%	N/A

[1] Funds are subject to an accrual for administrative costs, including, but not limited to accounting, custody and audit fees. The amount is capped at 2 basis points (0.02%) per year in order to limit the impact on fund performance.

Real Assets / Diversified Inflation Hedge – Current Asset Allocation Breakdown

As of March 31, 2012



- For the JPMorgan Diversified Real Return Fund, “Other” includes 10% Natural Resources Equity, 5% MLP’s, and 5% Cash.
- For the PIMCO Inflation Response Multi-Asset Fund, “Other” includes 10% Gold.
- For the Wellington Balanced Real Assets Collective Investment Trust, Other includes 30% Natural Resource Equity.

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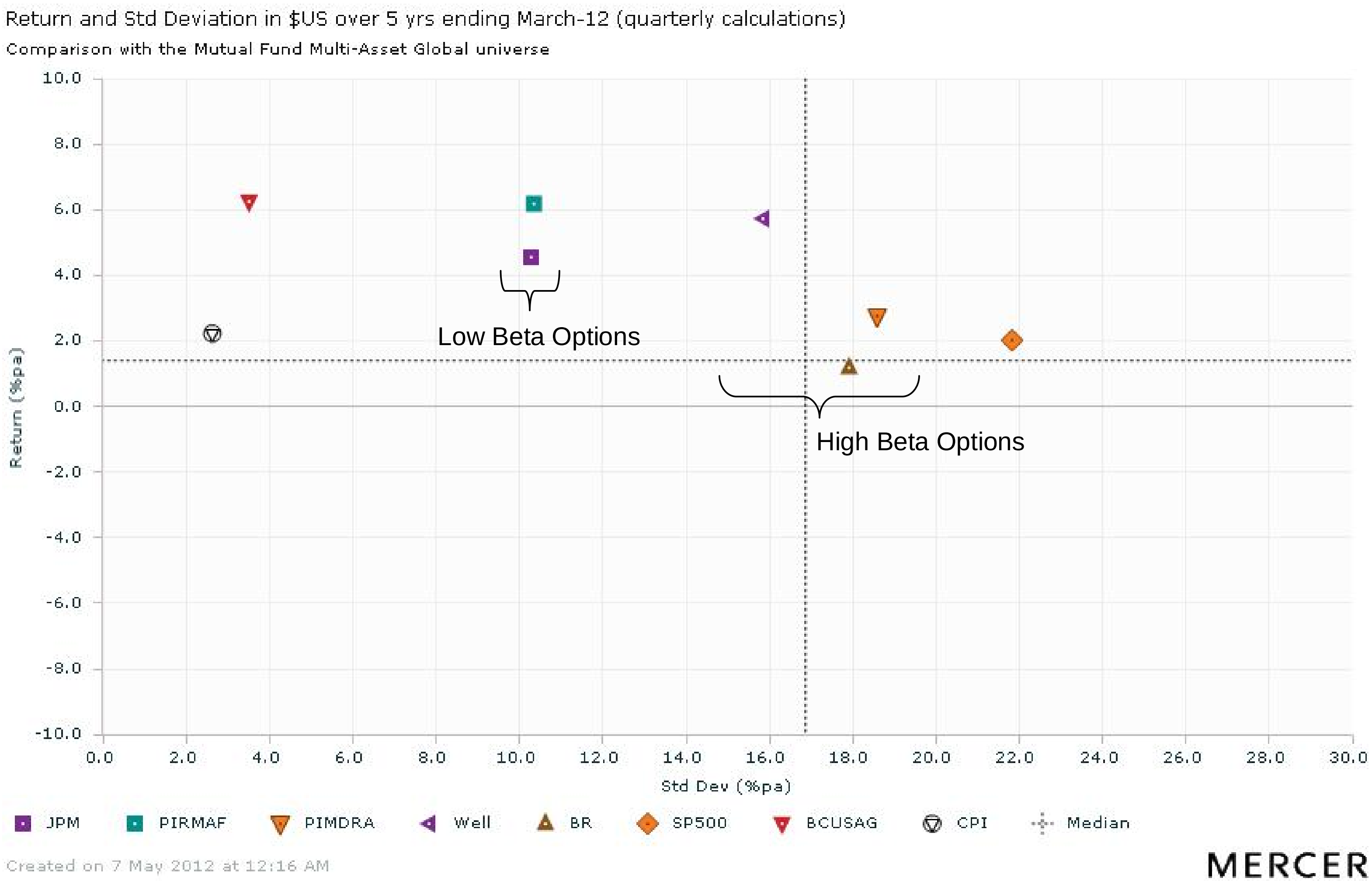
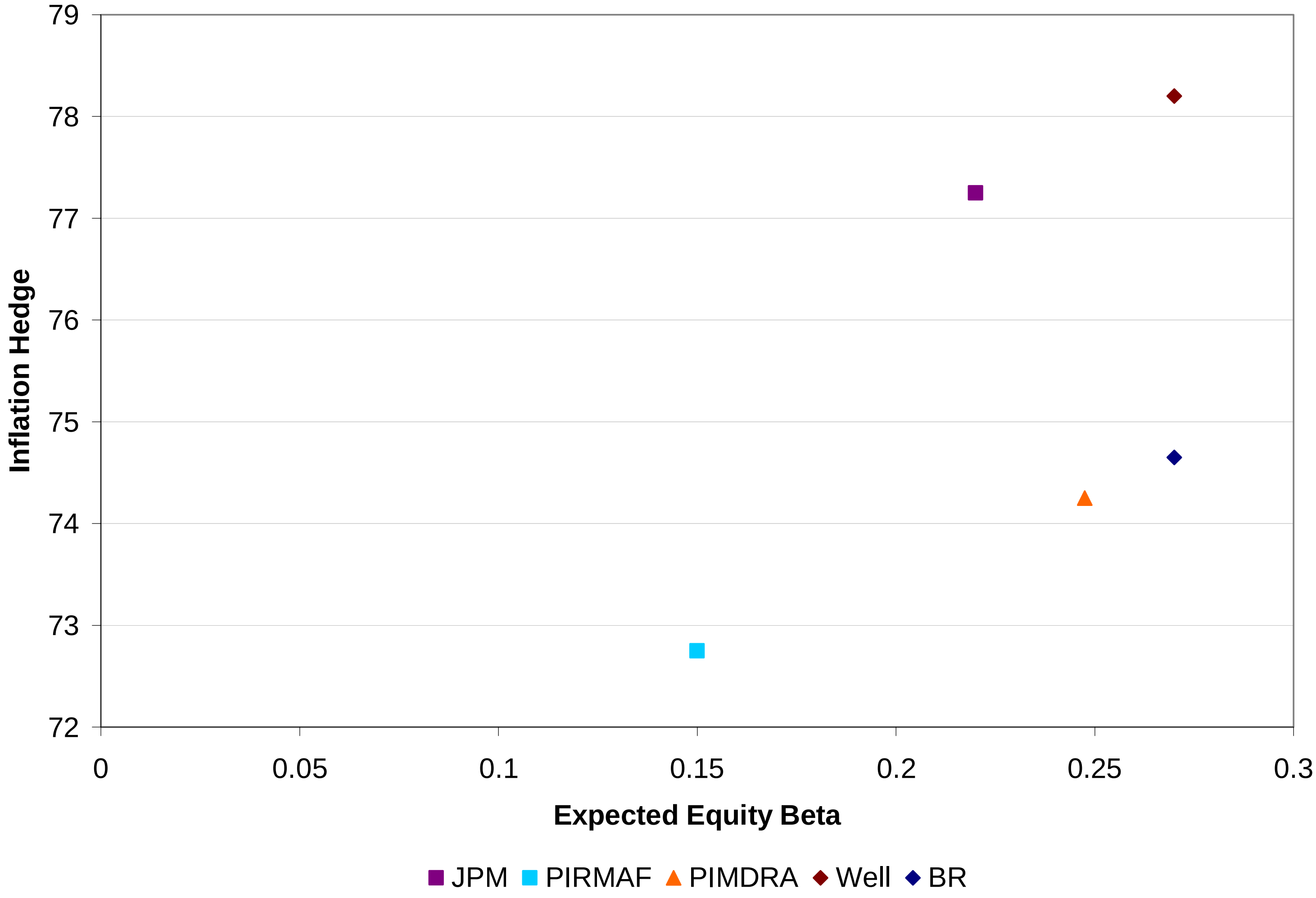
[1] PIRMAF’s allocation to TIPS also includes a 14.7% allocation to emerging market currencies.

Real Asset / Diversified Inflation Hedge – Risk/Return[1]

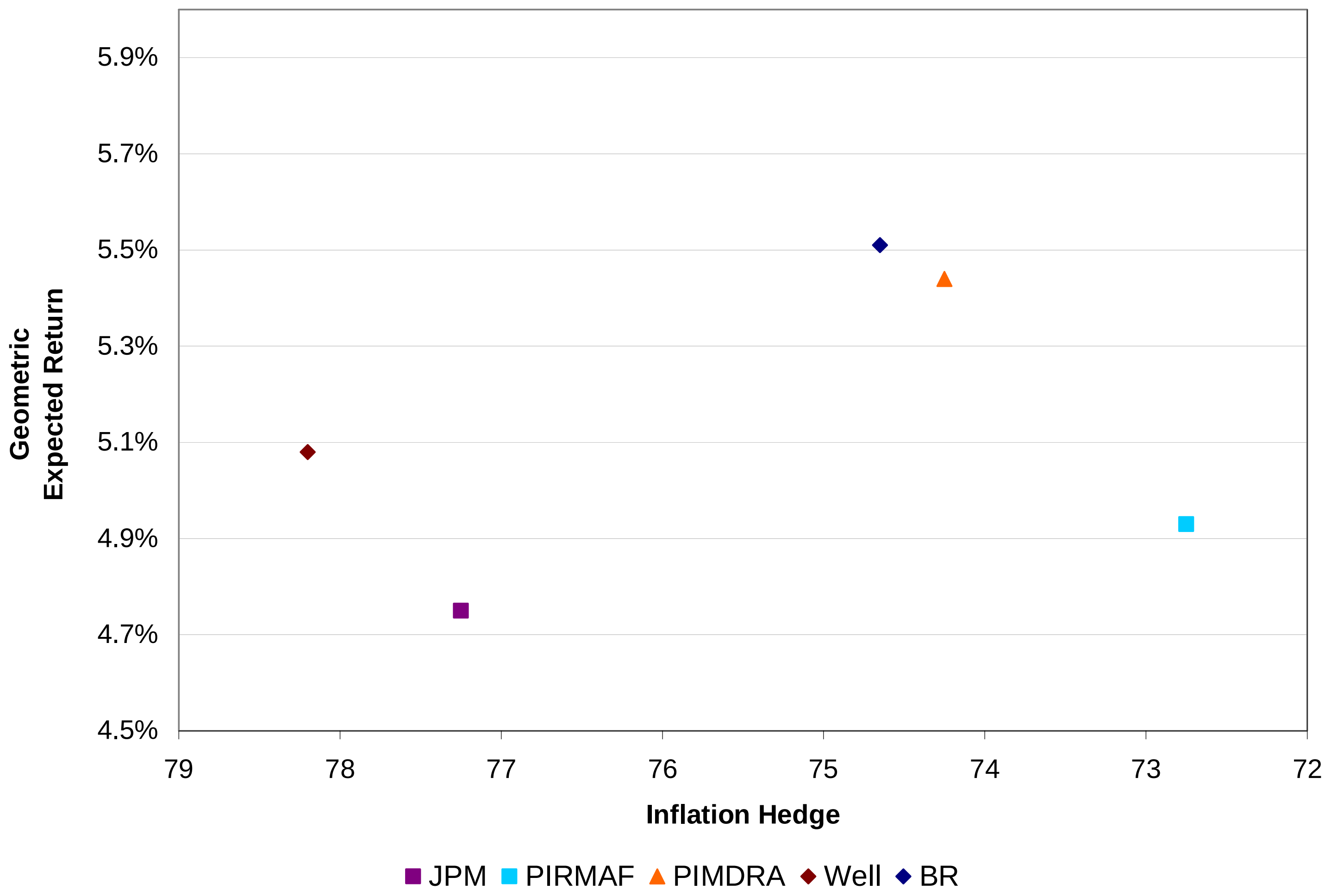


[1] Due to their short track records, custom benchmark returns are shown for indicative purposes for the BlackRock Strategic Completion Fund, PIMCO Diversified Real Asset Fund, and PIMCO Inflation Response Multi-Asset Fund and hypothetical returns were utilized for the JPMorgan Diversified Real Return Fund and Wellington Balanced Real Assets Collective Trust.

Real Asset / Diversified Inflation Hedge – Expected Equity Beta versus Inflation Hedge



Real Asset / Diversified Inflation Hedge – Expected Return versus Inflation Hedge



NCSRP Inflation Sensitive Options
Correlation of Returns in $US over 5 yrs ending March-12 (quarterly calculations)

		JPM	PIRMAF	PIMDRA	Well	BR	SP500	BCUSAG	CPI
JPM	**JPM**		0.98	0.94	0.94	0.97	0.80	-0.11	0.52
PIRMAF	**PIRMAF**	0.0		0.94	0.90	0.95	0.72	-0.09	0.57
PIMDRA	**PIMDRA**	-0.2	-0.2		0.82	0.98	0.84	-0.17	0.51
Well	**Well**	-0.2	-0.3	-0.8		0.89	0.76	-0.26	0.55
BR	**BR**	-0.1	-0.1	-0.1	-0.5		0.86	-0.14	0.50
S&P 500	**SP500**	-0.7	-1.0	-0.8	-1.2	-0.7		-0.32	0.35
Barclays Capital US Aggregate	**BCUSAG**	-1.7	-1.6	-1.9	-2.0	-1.8	-2.2		-0.52
CPI	**CPI**	-0.5	-0.5	-0.6	-0.5	-0.6	-0.8	-1.5	

Notes:
Correlation is shown in the right hand side of the table.
Risk Reduction is shown in the left hand side of the table.
Risk Reduction is defined as the reduction in standard deviation from diversification when using a 50:50 mix of the two managers.

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Qualitative Analysis

JPMorgan Diversified Real Return – Firm & Strategy Background

Firm Background

JPMorgan Chase & Co. (JPMorgan) is the parent company of the investment management businesses of JPMorgan Fleming Asset Management. JPMorgan Chase & Co. was formed on December 31, 2000, by the merger of JPMorgan & Co. and The Chase Manhattan Corporation. JPMorgan Investment Management evolved from the Trust and Investment Division of JPMorgan & Co. Incorporated, which was founded in 1861. Chase Fleming Asset Management was formed in 2000 by the combination of Chase Asset Management, organized in 1995 as an SEC registered investment advisor and Fleming Asset Management, a major international investment management company founded in 1873.

Strategy Background

- The team believes that different asset classes are appropriate for different stages of the inflation cycle. Inflation-sensitive equity, commodities and TIPS fare best when is inflation is low and rising, while real estate and short-term bonds perform best when inflation is high and stable, according to the team.
- The team utilizes a CPI swap overlay with nominal bonds to create inflation-protected bonds.
- The strategy is almost entirely actively managed with the exception of infrastructure equities, which are accessed via a passive ETF – the S&P Global Infrastructure Index. The ETF helps to provide liquidity for the Portfolio.
- Compared to other products in this space, JPMorgan is differentiated by its greater focus on fixed income.
- The strategy has a momentum-based rebalancing methodology (rolling 12-month investment performance) that is applied to all asset classes except cash. The rebalancing methodology is unique to the Diversified Real Return Fund and is not used in other JPMorgan portfolios.

JPMorgan Diversified Real Return – Objective & Asset Allocation Targets

Objective

- The performance goal of the strategy is CPI + 3-5%, with approximately 50-75 bps of this alpha coming from the team's momentum-based rebalancing approach.
- Risk (standard deviation) is targeted to be 40-60% of the US equity market (which has been around 20% historically).
- Beta is targeted at 0.5.

Asset Allocation Targets

Asset Class	Strategic Target	Tactical Range	Benchmark
TIPS	20.0%	55%-75%	Barclays US TIPS Index
Inflation-Managed Bonds	40.0%		Barclays Capital US 1-10 TIPS Index
Cash	5.0%		US T-Bills
REITs	10.0%	25%-45%	MSCI REIT Index
Commodities	10.0%		Dow Jones UBS Commodity TR Index
Natural Resource Equity	10.0%		HSBC Gold, Mining, and Energy Index
Infrastructure	5.0%		S&P Global Infrastructure Index

- The inflation-managed bond allocation includes short/intermediate credit and a CPI swap overlay.

JPMorgan Diversified Real Return – Portfolio Management Team & Underlying Strategy Characteristics

Portfolio Management Team

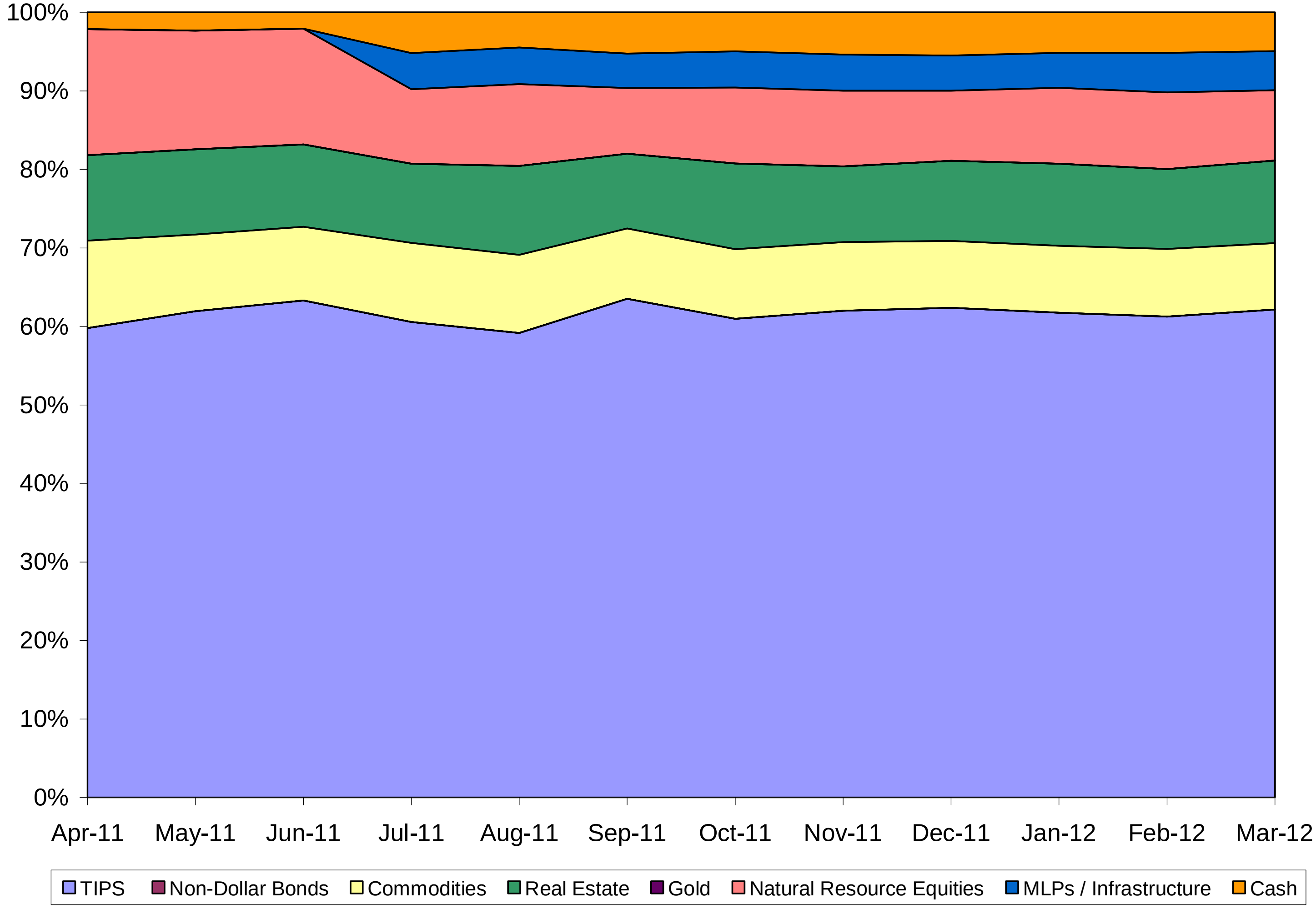
Product	Strategy Inception	Portfolio Manager	Industry Experience (Years)	Strategy Experience
JPMorgan Diversified Real Return	2011	Anne Lester Jeffrey Geller Michael Feser Katherine Santiago Maddi Dessner Nicole Fazio	20 34 18 7 17 9	2011 2011 2011 2011 2011 2011
JPMorgan Inflation Managed Bond	2010	Scott Grimshaw Deepa Majmudar Duane Huff	24 13 30	2010 2010 2010
JPMorgan Real Return Fund	2005	Steven Lear Donald Clemmenson	32 28	2009 2008
JPMorgan Realty Income	1998	Kay Herr Jason Ko	18 10	2007 2009
Highbridge Dynamic Commodities Strategy	2010	Sassan Alizadeh Mark Nodelman Christopher Tufts	18 13 15	2010 2010 2010
JPMorgan Global Natural Resources	2010	Neil Gregson	29	2010
JPMorgan Prime Money Market	1993	John Tobin Doris Grillo Christopher Tufts	20 27 15	2000 2000 2002
iShares S&P Global Infrastructure Fund	N/A	N/A	N/A	N/A

Underlying Strategy Characteristics

Product	Strategy Assets ($MM)	Vehicle	Current Allocation	Fees
JPMorgan Diversified Real Return	$49	Mutual Fund	--	0.90% / 0.65%
JP Morgan Inflation Managed Bond Fund	$1,259	Mutual Fund	42.2%	0.51%
JP Morgan Real Return Fund	$158	Mutual Fund	19.9%	0.50%
JP Morgan Realty Income Fund	$570	Mutual Fund	10.5%	0.73%
Highbridge Dynamic Commodities Strategy	$2,441	Mutual Fund	8.4%	1.27%

Fund				
JP Morgan Global Natural Resources Fund	$70	Mutual Fund	9.0%	0.85%
JP Morgan Prime Money Market Fund	$117,248	Mutual Fund	4.9%	0.21%
iShares S&P Global Infrastructure Index Fund	N/A	Exchange Traded Fund	5.0%	N/A

JPMorgan Diversified Real Return – Historical Asset Allocation



PIMCO Inflation Response Multi-Asset – Firm & Strategy Background

Firm Background

Pacific Investment Management Company (PIMCO) was established in 1971 as a subsidiary of Pacific Mutual Life Insurance Company (Pacific Life). In 1994, PIMCO merged with four other Pacific Life investment subsidiaries and the Thomson Advisory Group to form PIMCO Advisors L.P. In 2000, Allianz AG, a large insurance and financial services company based in Germany, acquired a majority interest in PIMCO Advisors L.P. Allianz now owns 100% of the company, and PIMCO operates as a separate and autonomous subsidiary. PIMCO's headquarters have remained in Newport Beach, California, since inception of the firm, and it now includes investment offices around the world.

Strategy Background

- The Fund seeks to hedge global inflation risks while targeting enhanced return opportunities that inflation dynamics may present by providing diversified exposure to a broad opportunity set of inflation factors – or assets that will likely respond to different types of inflation – including Treasury Inflation-Protected Securities (TIPS), commodities, emerging market (EM) currencies, real estate investment trusts (REITs) and gold, as well as tactical use of floating rate securities in the event of deflation or an extreme market shock.
- In addition, tail risk hedging strategies are used to limit the impact of periodic market stresses that may affect inflation-related assets.
- The Fund is invested in 4 underlying PIMCO strategies – the PIMCO Real Return Strategy, the PIMCO CommoditiesPLUS Strategy, the PIMCO Emerging Markets Currency Strategy, and the PIMCO RealEstateRealReturn Strategy.

PIMCO Inflation Response Multi-Asset – Objective & Asset Allocation Targets

Objective

- The Fund is a real return asset allocation strategy designed to hedge global inflation risks while targeting enhanced return opportunities that inflation dynamics may present.
- Historically, the Inflation Response Index has had a return of 5% over inflation. The Fund seeks to outperform the benchmark by 2-3% net of fees over a full market cycle (typically 5-7 years).

Asset Allocation Targets

Asset Class	Strategic Target	Tactical Range	Benchmark
TIPS	45%	20% - 70%	Barclays US TIPS Index
Commodities	20%	5% - 35%	Dow Jones UBS Commodity TR Index
Emerging Market Currencies	15%	5% - 25%	JPMorgan ELMI+ Index
Real Estate	10%	5% - 15%	Dow Jones US Select REIT Index
Gold	10%	5% - 15%	Dow Jones UBS Gold TR Index

PIMCO Inflation Response Multi-Asset – Portfolio Management Team & Underlying Strategy Characteristics

Portfolio Management Team

Product[1]	Strategy Inception	Portfolio Manager	Industry Experience (Years)	Strategy Experience
PIMCO Inflation Response Multi-Asset Fund	2011	Mihir Worah	11	2011
PIMCO Real Return Fund	1997	Mihir Worah	11	2007
PIMCO CommodityRealReturn Strategy Fund	2002	Mihir Worah	11	2007
PIMCO Emerging Markets Currency Fund	2005	Michael Gomez	17	2005
PIMCO RealEstateRealReturn Strategy Fund	2003	Mihir Worah	11	2007

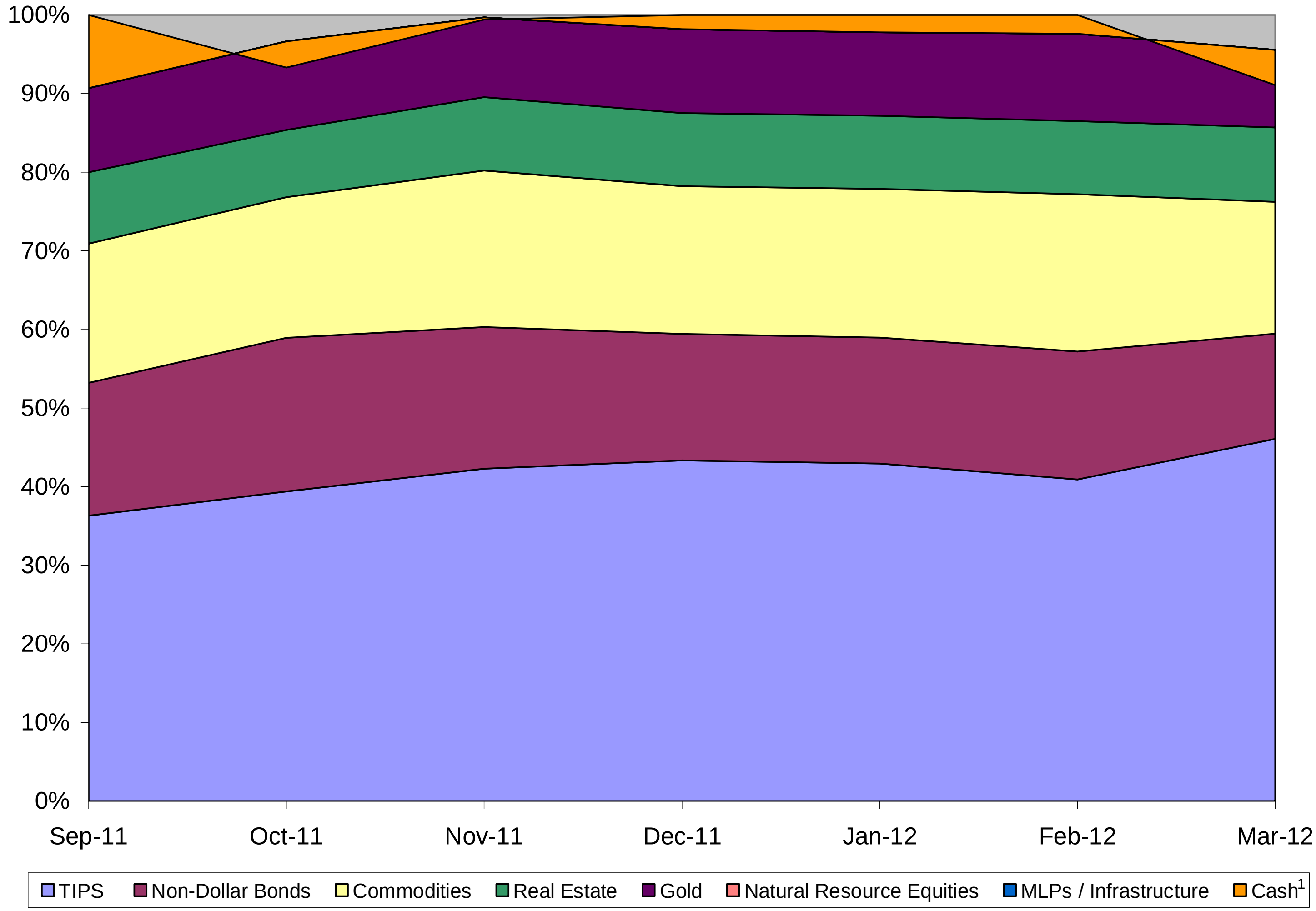
Underlying Strategy Characteristics

Product	Strategy Assets ($MM)[2]	Vehicle	Current Allocation (%)	Fees
PIMCO Inflation Response Multi-Asset Fund	40	Mutual Fund	--	0.80%
TIPS	56,738	Direct Holdings	50.6%	N/A
Inflation-Managed Bonds	21,637	Direct Holdings	0.0%	N/A
Commodities	24,713	Direct Holdings	18.4%	N/A
EM Currencies	3,042	Mutual Fund	14.7%	0.85%
REITs	418	Direct Holdings	10.4%	N/A
Gold	N/A	Direct Holdings	10.8%	N/A
Cash + Tail Risk Hedging	N/A	Direct Holdings	-4.9%	N/A

[1] PIMCO Fund shown is flagship fund/proxy and a potential investment for each respective asset class.

[2] AUM shown for flagship fund referenced above.

PIMCO Inflation Response Multi-Asset – Historical Asset Allocation



[1] **Gray area denotes short exposure.**

PIMCO Diversified Real Asset – Firm & Strategy Background

Firm Background

Pacific Investment Management Company (PIMCO) was established in 1971 as a subsidiary of Pacific Mutual Life Insurance Company (Pacific Life). In 1994, PIMCO merged with four other Pacific Life investment subsidiaries and the Thomson Advisory Group to form PIMCO Advisors L.P. In 2000, Allianz AG, a large insurance and financial services company based in Germany, acquired a majority interest in PIMCO Advisors L.P. Allianz now owns 100% of the company, and PIMCO operates as a separate and autonomous subsidiary. PIMCO's headquarters have remained in Newport Beach, California, since inception of the firm, and it now includes investment offices around the world.

Strategy Background

- The Diversified Real Asset strategy is comprised of three underlying PIMCO strategies (target allocation is 33.3% each): PIMCO Real Return II, PIMCO CommoditiesPLUS and PIMCO Real EstatePLUS. While the first two underlying strategies are actively managed, PIMCO Real EstatePLUS consists of passively managed REITs.
- PIMCO Real Return II is an intermediate duration portfolio that provides exposure to TIPS. While non-government securities are prohibited in this Portfolio, there will be some non-TIPS exposure that will look to add alpha as well as provide some diversification within PIMCO Real Return II.
- In the Diversified Real Asset strategy, commodities and real estate are each capped at a 10% deviation from their respective index weights to limit total portfolio risk. TIPS have a higher cap (35%) if needed to preserve capital in a bear market.
- The strategy does not include natural resources stocks because the team believes that commodities exposure need not be coupled with additional equity risk. The team does not invest in direct real estate, timber, oil & gas LPs, and infrastructure because, “they are not appropriate when daily pricing and liquidity is important”.
- Vineer Bhansali, the lead portfolio manager for the PIMCO Diversified Real Asset Collective Trust, collaborates with Mohamed El-Erian (CEO, co-CIO) and Curtis Mewbourne (generalist portfolio manager) on the asset allocation strategy. Bhansali also relies on PIMCO’s investment committee views and sector specialist views in formulating his investment decisions for the Diversified Real Asset strategy.

PIMCO Diversified Real Asset – Objective & Asset Allocation Targets

Objective

- The Diversified Real Asset strategy seeks to achieve improved inflation hedging by holding assets that have positive correlations to inflation.
- The strategy does not have a stated return target.

Asset Allocation Targets

Asset Class	Strategic Target	Tactical Range	Benchmark
TIPS	33.3%	13% - 73%	Barclays US TIPS Index
Commodities	33.3%	13% - 43%	Dow Jones UBS Commodity TR Index
Real Estate	33.3%	13% - 43%	Dow Jones US REIT Index

- The tactical range for the combined commodities and real estate allocations is 65% - 71%.

PIMCO Diversified Real Asset – Portfolio Management Team & Underlying Strategy Characteristics

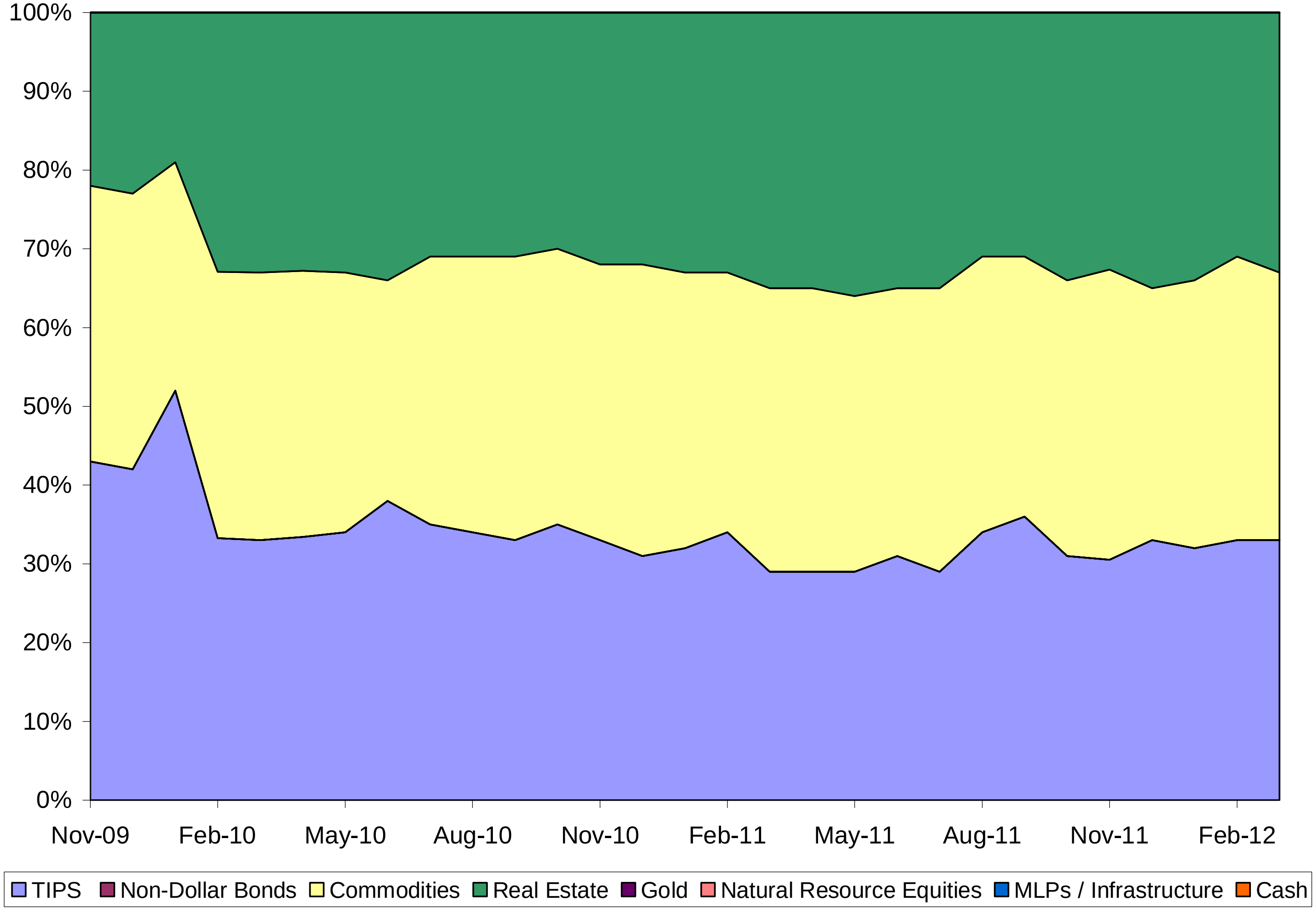
Portfolio Management Team

Product	Strategy Inception	Portfolio Manager	Industry Experience (Years)	Strategy Experience
PIMCO Diversified Real Asset CIT	2009	Vineer Bhansali	21	2009
PIMCO Real Return Collective Trust II	2009	Mihir Worah	11	2009
PIMCO CommoditiesPLUS Collective Trust	2009	Nicholas Johnson	11	2009
PIMCO RealEstatePLUS Collective Trust	2009	Mihir Worah	11	2009

Underlying Strategy Characteristics

Product	Strategy Assets ($MM)	Vehicle	Current Allocation	Fees
PIMCO Diversified Real Asset CIT	$113	CIT	--	0.65%
PIMCO Real Return Collective Trust II	$56,738	CIT	33%	0.35%
PIMCO CommoditiesPLUS Collective Trust	$24,713	CIT	33%	0.69%
PIMCO RealEstatePLUS Collective Trust	$418	CIT	34%	0.69%

PIMCO Diversified Real Asset – Historical Asset Allocation



Wellington Balanced Real Assets – Firm & Strategy Background

Firm Background

Wellington Management Company, LLP (Wellington) is an independent investment management firm with approximately 100 active partners. Wellington began operations in 1928 and created America's first balanced mutual fund the following year. In 1967, Wellington merged with Thorndike, Doran, Paine & Lewis, an investment counseling firm, and at one time was part of the Vanguard organization. Vanguard continues to be a large client of the firm. Wellington's employees purchased the firm in 1979. Wellington is headquartered in Boston and has an additional investment management office in Radnor, Pennsylvania, as well as client servicing offices around the world. The firm has initialized efforts to expand its global presence by allocating investment personnel to offices in London, Singapore and Hong Kong.

Strategy Background

- The Fund seeks to outperform CPI +3%.
- The Fund invests in inflation-linked bonds, global stocks and commodities. The global stocks allocation is comprised of natural resources equities while the inflation-linked bond allocation includes both US TIPS and emerging markets securities.
- The Fund’s underlying components are actively managed by teams at Wellington. Overweight and underweight decisions are based on the short- and intermediate-term outlooks of the team.
- The tactical equity exposure in the Fund ranges from 20% - 60%, which may lead to greater volatility than the other candidates.
- Most of the Fund’s underlying indices are global benchmarks, and the Fund’s exposure to the US is 42% as of December 31, 2011. Similarly, the Fund’s inflation-linked bond allocation includes emerging markets securities, suggesting a more global approach to investing.

Wellington Balanced Real Assets – Objective & Asset Allocation Targets

Objective

- Provide long-term returns consistent with outperforming inflation +3% with strong relative performance in rising inflation environments.
- Provide diversified global exposure to multiple asset classes and seek to add value from top-down allocation and bottom-up security selection decisions.

Asset Allocation Targets

Asset Class	Strategic Target	Tactical Range	Benchmark
Natural Resource Equities	29.5%	20% - 60%	
Metals & Mining	6.0%		MSCI World Metals & Mining >$3 Billion
Energy	15.0%		MSCI World Energy >$3 Billion
Global Agriculture	5.0%		DIH Agricultural Tier Benchmark1[1]
Precious Metals	3.5%		MSCI AC World IMI Gold & Precious Metals Index[2]
Commodities	16.5%	0% - 35%	
Diversified Commodities	15.0%		S&P GSCI Commodity Equal Sector Wght
Precious Metals	1.5%		S&P GSCI Precious Metals Total Return Index[2]
Inflation-Linked Bonds	54.0%	35% - 70%	
TIPS	50.0%		Barclays Capital US TIPS 1-10 Year
EM Linkers	4.0%		Barclays Capital Emerging Markets Tradable Government Inflation-Linked Bond Index
Cash	0.0%	0.0%	

[1] The DIH Agricultural Tier is a custom benchmark that is calculated by MSCI. The benchmark is market cap weighted, and structured to maintain the 70/30 tier weightings with monthly rebalancing. The benchmark is comprised of: 70% MSCI World Agriculture Products, Fertilizers & Agricultural Chemicals, Forest Products / 30% MSCI World Construction & Farm Machinery, Packaged Food & Meats, Paper Products. The individual sector weights in each of the tiers is a fallout of the cap weighting of the underlying names.

[2] The Global Precious Metals was previously represented in a separate bucket. Current presentation is to split the precious metals allocation as appropriate between Global Equities and Commodities.

- Since August 1, 2011, the composite benchmark for the Balanced Real Assets Portfolio is composed of:
  - 15% MSCI World Energy >$3 Bil, 6% MSCI World Metals & Mining >$3 Bil, 5% Agriculture Equities Benchmark*, 4% Barclays Capital Emerging Markets Tradable Government Inflation-Linked Bond Index, 3.5% MSCI AC World IMI Gold & Precious Metals Index, 1.5% S&P GSCI Precious Metals Total Return Index, 15% equal sector-weighted S&P Goldman Sachs Commodity Index, 50% Barclays Capital US TIPS 1-10 Year Index
- From February 1, 2011 through July 31, 2011, the composite benchmark for the Balanced Real Assets Portfolio is composed of:
  - 15% MSCI World Energy >$3 Bil, 6% MSCI World Metals & Mining >$3 Bil, 5% Agriculture Equities Benchmark*, 2% Barclays Capital Emerging Markets Tradable Government Inflation-Linked Bond Index, 2% HSBC Global Climate Change Benchmark Index, 3.5% MSCI AC World IMI Gold & Precious Metals Index, 1.5% S&P GSCI Precious Metals Total Return Index, 15% equal sector-weighted S&P Goldman Sachs Commodity Index, 50% Barclays Capital US TIPS 1-10 Year Index
- From inception to January 31, 2011, the composite benchmark for the Balanced Real Assets Portfolio was comprised of:
  - 15% MSCI World Energy >$3 Bil, 8% MSCI World Metals & Mining >$3 Bil, 5% Agriculture Equities Benchmark*, 2% HSBC Global Climate Change Benchmark Index, 3.5% MSCI AC World IMI Gold & Precious Metals Index, 1.5% S&P GSCI Precious Metals Total Return Index, 15% equal sector-weighted S&P Goldman Sachs Commodity Index, 50% Barclays Capital US TIPS 1-10 Year Index

* The Agriculture Equities Benchmark is composed of: 70% MSCI World Agricultural Products, Fertilizers & Agricultural Chemicals, Forest Products/30% MSCI World Construction & Farm Machinery, Packaged Food & Meats, Paper Products (which equates to 3.5% and 1.5% at the Balanced Real Assets level, respectively).

Wellington Balanced Real Assets – Portfolio Management Team & Underlying Strategy Characteristics

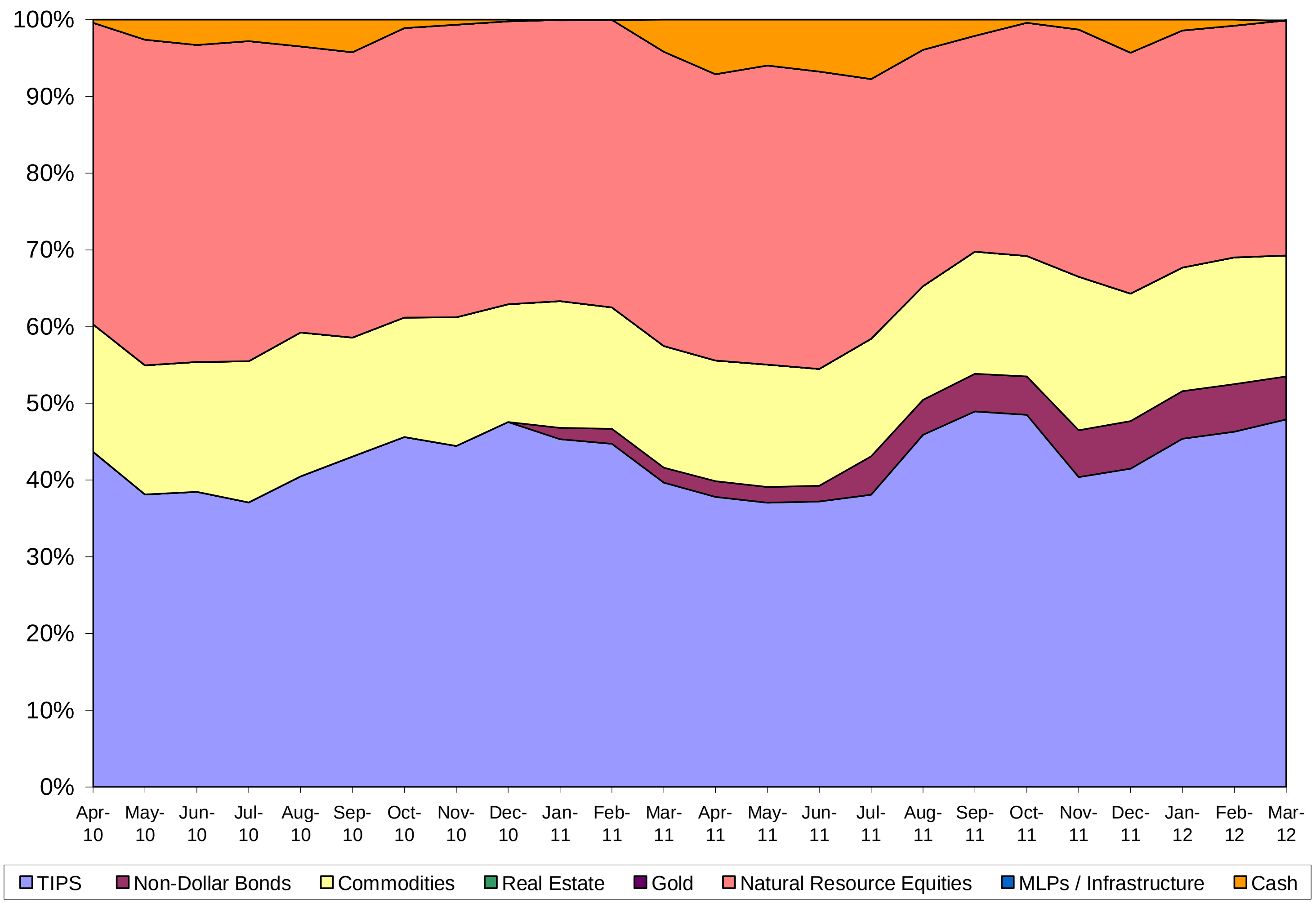
Portfolio Management Team

Product	Strategy Inception	Portfolio Manager	Industry Experience (Years)	Strategy Experience
Asset Allocation	2010	Scott Elliott Brian Garvey Julius Moschitz	21 19 7	2010 2010 2010
Core Energy / Metals Equities	1984 / 2005	Karl E. Bandtel Jay Bhutani John C. O'Toole, CFA Keith E. White	21 24 23 13	1998 2007 2000 2007
Agriculture	N/A	David R. Fassnacht, CFA David W. Palmer, CFA Sabre S. Mayhugh	23 16 18	2001 2001 2004
Global Climate Change	2007	Kenneth L. Abrams Mark J. Beckwith Thomas Levering Daniel J. Pozen	27 31 18 11	2007 2007 2007 2007
Commodities	2003	David A. Chang, CFA Gregory J. LeBlanc, CFA	10 19	2003 2003
Inflation-Linked Bonds	2000	Lindsay Thrift Politi Anthony H. Small Lucius T. Hill, III Philip Sun Ricardo Adrogue, Phd	11 9 26 14 13	2006 2010 2010 2010 N/A

Underlying Strategy Characteristics

Product	Strategy Assets ($MM)	Vehicle	Current Allocation	Fees
Wellington Balanced Real Assets	$207	Collective Investment Trust	--	0.67%
Natural Resources Equities	N/A	N/A	30.7%	N/A
Commodities	N/A	N/A	15.8%	N/A
Fixed Income	N/A	N/A	53.6%	N/A

Wellington Balanced Real Assets – Historical Asset Allocation



BlackRock Strategic Completion Fund – Firm & Strategy Background

Firm Background

The current entity was formed in 2009 when BlackRock acquired Barclays Global Investors (BGI). BlackRock was founded in 1988 and acquired Merrill Lynch Investment Managers in 2006. Merrill themselves had previously acquired the UK based Mercury Asset Management in 1998. The firm has a number of key shareholders, including The PNC Financial Services Group Inc, Barclays Plc, and Bank of America, which in aggregate own around 47% of BlackRock. The balance is owned by a group of institutional investors, employees and public investors. The firm has been publicly traded since 1999. The economic interests differ from the various parties' voting interests. PNC and Barclays owns approximately 25% and 2% of the voting rights, respectively, with the remainder of the voting rights owned by institutional investors, employees and the public. The firm is headquartered in New York and has investment management offices throughout the world.

Strategy Background

- The Fund, structured as a fund-of-funds, invests in underlying indexed non-lendable collective trust funds. The asset class composition includes global real estate, TIPS, and commodities.
- The Fund is monitored daily, rebalanced on a month-end basis, and strategic allocations are reviewed and updated on an annual basis.
- The Fund allocations are strategic and long-term in nature, thereby seeking to avoid high turnover, elevated transaction costs and more extreme outcomes typically associated with a tactical asset allocation approach.

BlackRock Strategic Completion Fund – Objective & Asset Allocation Targets

Objective

- The Fund's objective is to provide DC participants with an option to access a strategic portfolio of diversifying and real return type asset classes.
- The Fund allocations are strategic and long-term in nature, thereby seeking to avoid high turnover, elevated transaction costs and more extreme outcomes typically associated with a tactical asset allocation approach.

Asset Allocation Targets

Asset Class	Strategic Target	Tactical Range	Benchmark
TIPS	37.1%	36.6% - 37.6%	Barclays US TIPS Index
Commodities	26.9%	26.4% - 27.4%	Dow Jones UBS Commodity TR Index
Real Estate	36.0%	35.5% - 36.5%	FTSE/EPRA NAREIT Developed Spliced

BlackRock Strategic Completion Fund – Portfolio Management Team & Underlying Strategy Characteristics

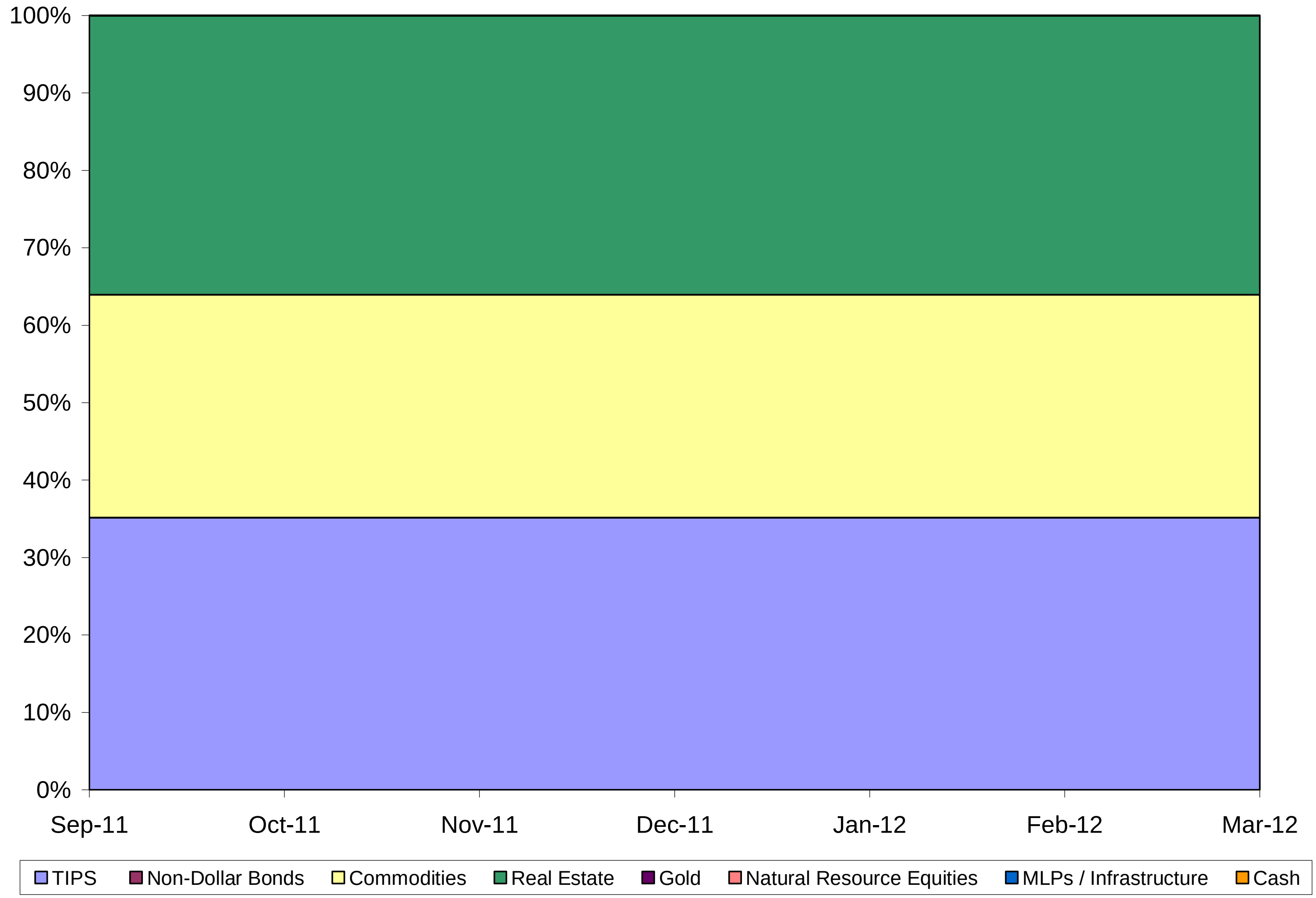
Portfolio Management Team

Product	Strategy Inception	Portfolio Manager	Industry Experience (Years)	Strategy Experience
BlackRock Strategic Completion	2011	Amy Whitelaw	14	2011
Developed Real Estate Index	2009	N/A	N/A	N/A
US Treasury Inflation Protected Securities Fund	2009	N/A	N/A	N/A
Dow Jones-UBS Commodity Index	2010	N/A	N/A	N/A

Underlying Strategy Characteristics

Product	Strategy Assets ($MM)	Vehicle	Current Allocation	Fees
BlackRock Strategic Completion	$197	CTF	--	0.13%
Developed Real Estate Index	$1,393	CTF	36%	0.03%
US Treasury Inflation Protected Securities Fund	$2,451	CTF	37%	0.12%
Dow Jones-UBS Commodity Index	$2,000	CTF	27%	0.18%

BlackRock Strategic Completion Fund – Historical Asset Allocation



4

Quantitative Analysis

JPMorgan Diversified Real Return – Strategy Performance Analysis

Annualized Returns Ending March 31, 2012

Product/Index	3 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)	7 Years (%)	10 Years (%)
Diversified Real Return Fund[1]	**3.5**	**2.7**	**12.0**	**4.6**	**6.0**	**7.6**
Barclays Capital US TIPS 1-10 Year Index	1.4	8.0	7.1	6.6	5.7	6.6
CPI + 300 bps	2.4	5.7	5.6	5.2	5.5	5.5

Last 8 Calendar Years Ending December 31, 2011

Product/Index	2004 (%)	2005 (%)	2006 (%)	2007 (%)	2008 (%)	2009 (%)	2010 (%)	2011 (%)
Diversified Real Return Fund[1]	**10.5**	**8.2**	**8.3**	**11.0**	**-15.7**	**18.3**	**10.0**	**2.0**
Barclays Capital US TIPS 1-10 Year Index	7.1	1.9	1.6	11.4	-2.4	12.0	5.2	8.9
CPI + 300 bps	6.3	6.4	5.6	7.1	3.1	5.7	4.5	5.9

[1] Hypothetical Returns were created and used for the Diversified Real Return Fund before its inception in 2011.

JPMorgan Diversified Real Return – Index Performance Analysis

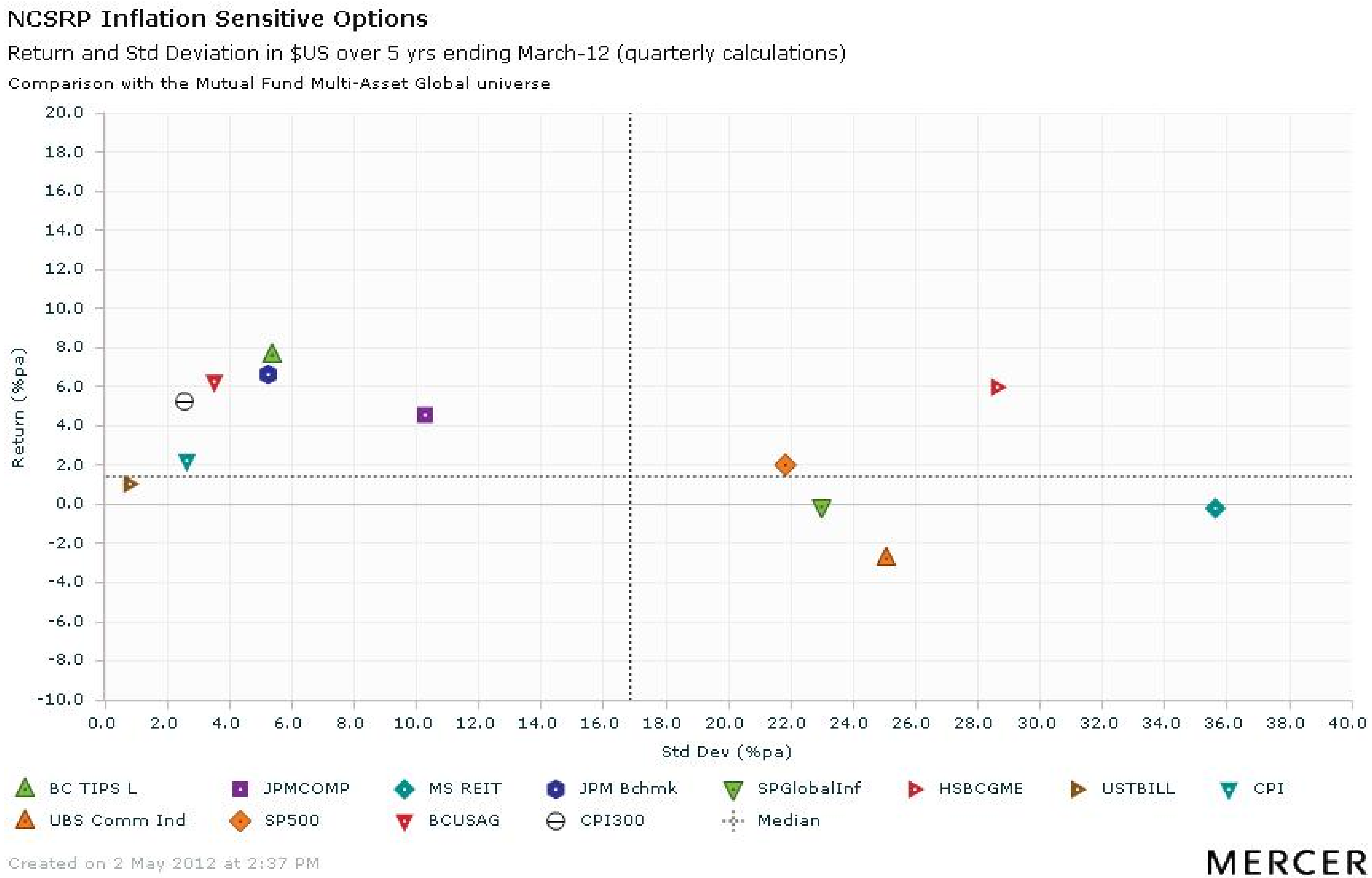
Annualized Returns Ending March 31, 2012

Product/Index	1 Year (%)	3 Years (%)	5 Years (%)	7 Years (%)	10 Years (%)
Barclays Capital US TIPS Index	12.2	8.7	7.6	6.3	7.5
MSCI REIT Index	12.8	43.4	-0.2	7.8	10.4
Dow Jones UBS Commodity Index	-16.3	9.0	-2.8	0.1	5.5
HSBC Gold, Metal and Energy Index	-15.1	20.3	6.0	12.8	14.8
S&P Global Infrastructure Index	1.2	18.8	-0.1	7.5	11.5
US T-Bills	0.0	0.1	1.1	2.0	1.8
Barclays Capital US TIPS 1-10 Year Index	8.0	7.1	6.6	5.7	6.6
CPI + 300 bps	5.7	5.6	5.2	5.5	5.5

Last 8 Calendar Years Ending December 31, 2011

Product/Index	2004 (%)	2005 (%)	2006 (%)	2007 (%)	2008 (%)	2009 (%)	2010 (%)	2011 (%)
Barclays Capital US TIPS Index	8.5	2.8	0.5	11.6	-2.4	11.4	6.3	13.6
MSCI REIT Index	31.5	12.1	35.9	-16.8	-38.0	28.6	28.5	8.5
Dow Jones UBS Commodity Index	9.1	21.4	2.1	16.2	-35.6	18.9	16.8	-13.3
HSBC Gold, Metal and Energy Index	10.9	37.1	28.7	39.3	-43.2	57.9	27.0	-15.8
S&P Global Infrastructure Index	30.7	15.0	39.5	23.2	-39.0	25.3	5.8	-0.4
US T-Bills	1.2	3.0	4.8	4.7	1.7	0.1	0.1	0.0
Barclays Capital US TIPS 1-10 Year Index	7.1	1.9	1.6	11.4	-2.4	12.0	5.2	8.9
CPI + 300 bps	6.3	6.4	5.6	7.1	3.1	5.7	4.5	5.9

JPMorgan Diversified Real Return – Risk/Return Analysis



PIMCO Inflation Response Multi-Asset – Strategy Performance Analysis

Annualized Returns Ending March 31, 2012

Product/Index	3 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)	7 Years (%)	10 Years (%)
PIMCO Inflation Response Multi-Asset Fund[1]	**3.2**	**--**	**--**	**--**	**--**	**--**
PIMCO Inflation Response Index	3.2	4.7	13.7	6.2	7.0	8.8
CPI	1.6	2.7	2.5	2.2	2.5	2.5
CPI + 5%	2.9	7.8	7.8	7.4	7.7	7.7

Last 8 Calendar Years Ending December 31, 2011

Product/Index	2004 (%)	2005 (%)	2006 (%)	2007 (%)	2008 (%)	2009 (%)	2010 (%)	2011 (%)
PIMCO Inflation Response Multi-Asset Fund[1]	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
PIMCO Inflation Response Index	11.4	8.6	7.2	11.0	-12.5	17.3	12.9	4.6
CPI	3.3	3.4	2.5	4.1	0.1	2.7	1.4	3.0
CPI + 5%	8.5	8.7	7.8	9.4	5.2	8.0	6.7	8.2

- The PIMCO Inflation Response Index represents 45% Barclays Capital US TIPS Index, 20% Dow Jones UBS Commodity Total Return Index, 15% JPMorgan Emerging Local Markets Index Plus Unhedged, 10% Dow Jones US Select REIT Index, and 10% Dow Jones UBS Gold Total Return Index.

[1] Manager cannot disclose hypothetical returns for the Inflation Response Multi-Asset Fund.

PIMCO Inflation Response Multi-Asset – Index Performance Analysis

Annualized Returns Ending March 31, 2012

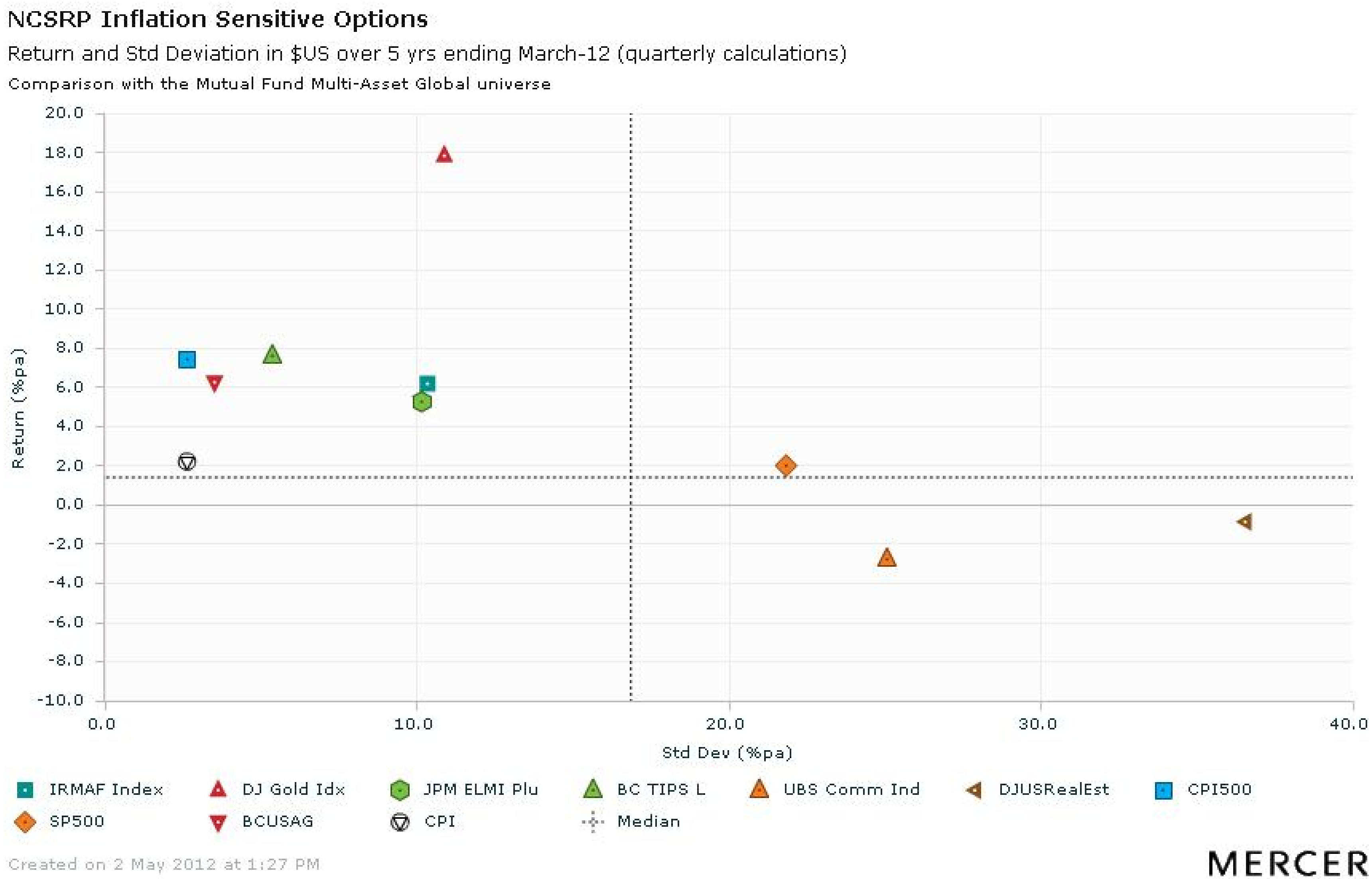
Product/Index	1 Year (%)	3 Years (%)	5 Years (%)	7 Years (%)	10 Years (%)
Barclays Capital US TIPS Index	12.2	8.7	7.6	6.3	7.5
Dow Jones UBS Commodity Index	-16.3	9.0	-2.8	0.1	5.5
JPMorgan ELMI Plus Unhedged	-2.9	7.2	5.3	6.3	8.4
Dow Jones US Select REIT Index	13.6	44.4	-0.9	7.5	10.3
DOW Jones UBS Gold TR Index	15.3	20.8	17.8	17.9	15.6
PIMCO Inflation Response Index	4.7	13.7	6.2	7.0	8.8
CPI	2.7	2.5	2.2	2.5	2.5
CPI + 5%	7.8	7.8	7.4	7.7	7.7

Last 8 Calendar Years Ending December 31, 2011

Product/Index	2004 (%)	2005 (%)	2006 (%)	2007 (%)	2008 (%)	2009 (%)	2010 (%)	2011 (%)
Barclays Capital US TIPS Index	8.5	2.8	0.4	11.6	-2.4	11.4	6.3	13.6
Dow Jones UBS Commodity TR Index	9.1	21.4	2.1	16.2	-35.6	18.9	16.8	-13.3
JPMorgan ELMI Plus Unhedged	14.8	3.2	12.3	16.0	-3.8	11.7	5.7	-5.2
Dow Jones US Select REIT Index	33.0	14.0	36.2	-17.9	-39.2	28.6	27.8	9.4
Dow Jones UBS Gold TR Index	3.4	13.8	16.0	24.2	2.4	22.7	28.6	9.6
PIMCO Inflation Response Index	11.4	8.6	7.2	11.0	-12.5	17.3	12.9	4.6
CPI	3.3	3.4	2.5	4.1	0.1	2.7	1.4	3.0
CPI + 5%	8.5	8.7	7.8	9.4	5.2	8.0	6.7	8.2

- The PIMCO Inflation Response Index represents 45% Barclays Capital US TIPS Index, 20% Dow Jones UBS Commodity Total Return Index, 15% JPMorgan Emerging Local Markets Index Plus Unhedged, 10% Dow Jones US Select REIT Index, and 10% Dow Jones UBS Gold Total Return Index.

PIMCO Inflation Response Multi-Asset – Risk/Return Analysis



PIMCO Diversified Real Asset – Strategy Performance Analysis

Annualized Returns Ending March 31, 2012

Product/Index	3 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)	7 Years (%)	10 Years (%)
PIMCO Diversified Real Asset Fund[1]	**4.5**	**1.6**	**--**	**--**	**--**	**--**
PIMCO Diversified Real Asset Composite Index	4.2	2.9	20.8	2.8	5.8	8.8
CPI	1.6	2.7	2.5	2.2	2.5	2.5

Last 8 Calendar Years Ending December 31, 2011

Product/Index	2004 (%)	2005 (%)	2006 (%)	2007 (%)	2008 (%)	2009 (%)	2010 (%)	2011 (%)
PIMCO Diversified Real Asset Fund	**--**	**--**	**--**	**--**	**--**	**--**	**19.2**	**1.8**
PIMCO Diversified Real Asset Composite Index	17.1	13.1	12.3	2.8	-25.2	22.4	17.4	3.1
CPI	3.3	3.4	2.5	4.1	0.1	2.7	1.4	3.0

- The Diversified Real Asset Composite Index represents 33.3% Barclays Capital US TIPS Index, 33.3% Dow Jones UBS Commodity TR Index and 33.3% Dow Jones US REIT Index.

[1] Manager cannot disclose hypothetical returns for the Diversified Real Asset Fund.

PIMCO Diversified Real Asset – Index Performance Analysis

Annualized Returns Ending March 31, 2012

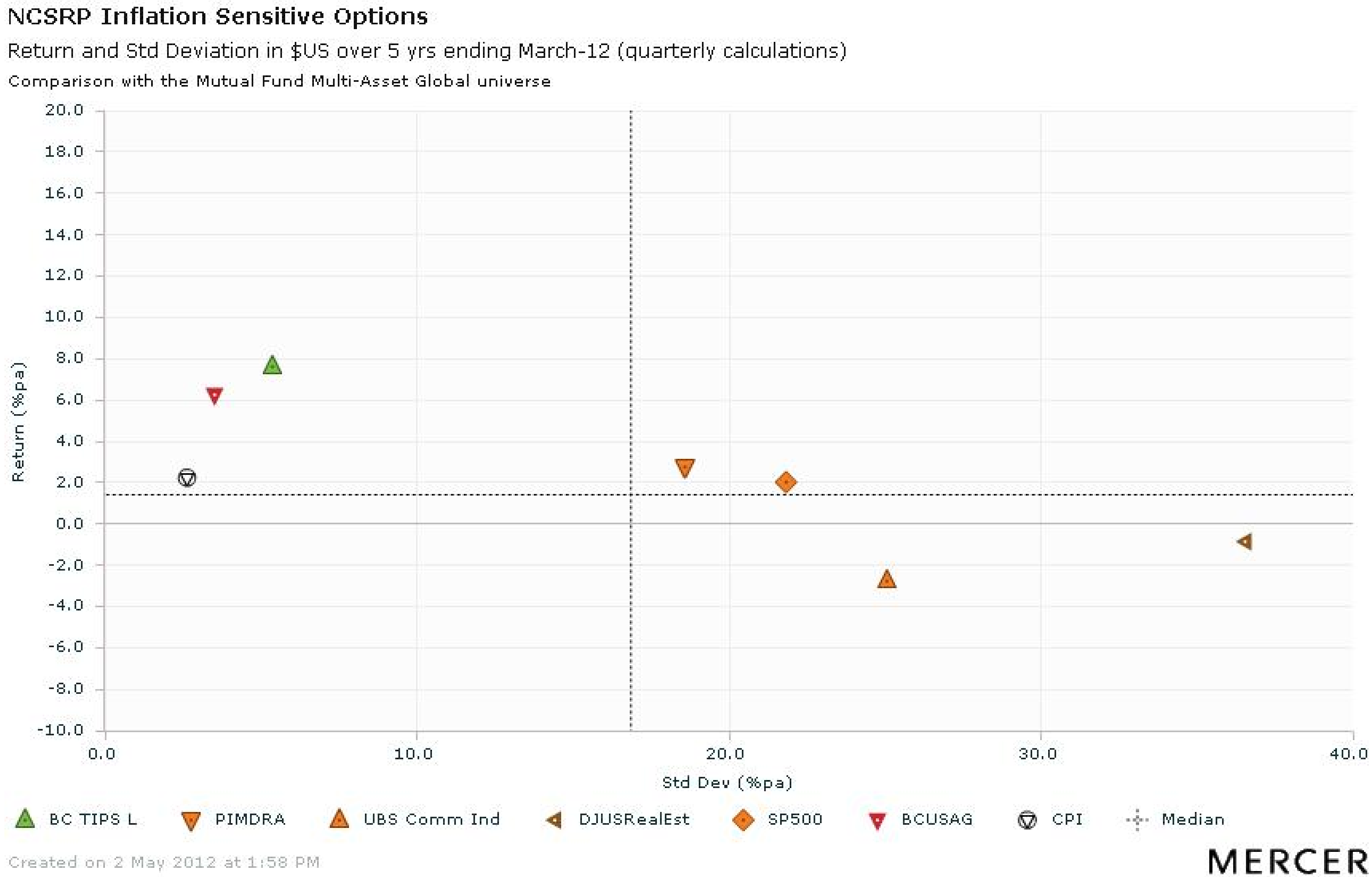
Product/Index	1 Year (%)	3 Years (%)	5 Years (%)	7 Years (%)	10 Years (%)
Barclays Capital US TIPS Index	12.2	8.7	7.6	6.3	7.5
Dow Jones UBS Commodity Index	-16.3	9.0	-2.8	0.1	5.5
Dow Jones US Select REIT Index	13.6	44.4	-0.9	7.5	10.3
PIMCO Diversified Real Asset Composite Index	2.9	20.8	2.8	5.8	8.8
CPI	2.7	2.5	2.2	2.5	2.5

Last 8 Calendar Years Ending December 31, 2011

Product/Index	2004 (%)	2005 (%)	2006 (%)	2007 (%)	2008 (%)	2009 (%)	2010 (%)	2011 (%)
Barclays Capital US TIPS Index	8.5	2.8	0.4	11.6	-2.4	11.4	6.3	13.6
Dow Jones UBS Commodity TR Index	9.1	21.4	2.1	16.2	-35.6	18.9	16.8	-13.3
Dow Jones US Select REIT Index	33.0	14.0	36.2	-17.9	-39.2	28.6	27.8	9.4
PIMCO Diversified Real Asset Composite Index	17.1	13.1	12.3	2.8	-25.2	22.4	17.4	3.1
CPI	3.3	3.4	2.5	4.1	0.1	2.7	1.4	3.0

- The Diversified Real Asset Composite Index represents 33.3% Barclays Capital US TIPS Index, 33.3% Dow Jones UBS Commodity TR Index and 33.3% Dow Jones US REIT Index.

PIMCO Diversified Real Asset – Risk/Return Analysis



Wellington Balanced Real Assets – Strategy Performance Analysis

Annualized Returns Ending March 31, 2011

Product/Index	3 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)	7 Years (%)	10 Years (%)
Wellington Balanced Real Assets	**3.5**	**-3.7**	**13.2**	**5.7**	**8.0**	**--**
Wellington Balanced Real Assets Composite Index	3.5	-0.2	13.0	5.8	7.6	--
CPI + 300 bps	2.4	5.7	5.6	5.2	5.5	5.5

Last 8 Calendar Years Ending December 31, 2011

Product/Index	2004 (%)	2005 (%)	2006 (%)	2007 (%)	2008 (%)	2009 (%)	2010 (%)	2011 (%)
Wellington Balanced Real Assets	**--**	**15.4**	**11.6**	**22.8**	**-23.6**	**28.6**	**13.9**	**-2.8**
Wellington Balanced Real Assets Composite Index	--	13.4	11.7	20.9	-21.6	23.3	12.5	0.7
CPI + 300 bps	6.3	6.4	5.6	7.1	3.1	5.7	4.5	5.9

- Returns for both the Balanced Real Asset Fund and its composite index are hypothetical until inception in April 2010.
- Since August 1, 2011, the composite benchmark for the Balanced Real Assets Portfolio is composed of:
  - 15% MSCI World Energy >$3 Bil, 6% MSCI World Metals & Mining >$3 Bil, 5% Agriculture Equities Benchmark*, 4% Barclays Capital Emerging Markets Tradable Government Inflation-Linked Bond Index, 3.5% MSCI AC World IMI Gold & Precious Metals Index, 1.5% S&P GSCI Precious Metals Total Return Index, 15% equal sector-weighted S&P Goldman Sachs Commodity Index, 50% Barclays Capital US TIPS 1-10 Year Index
- From February 1, 2011 through July 31, 2011, the composite benchmark for the Balanced Real Assets Portfolio is composed of:
  - 15% MSCI World Energy >$3 Bil, 6% MSCI World Metals & Mining >$3 Bil, 5% Agriculture Equities Benchmark*, 2% Barclays Capital Emerging Markets Tradable Government Inflation-Linked Bond Index, 2% HSBC Global Climate Change Benchmark Index, 3.5% MSCI AC World IMI Gold & Precious Metals Index, 1.5% S&P GSCI Precious Metals Total Return Index, 15% equal sector-weighted S&P Goldman Sachs Commodity Index, 50% Barclays Capital US TIPS 1-10 Year Index
- From inception to January 31, 2011, the composite benchmark for the Balanced Real Assets Portfolio was comprised of:

– 15% MSCI World Energy >$3 Bil, 8% MSCI World Metals & Mining >$3 Bil, 5% Agriculture Equities Benchmark*, 2% HSBC Global Climate Change Benchmark Index, 3.5% MSCI AC World IMI Gold & Precious Metals Index, 1.5% S&P GSCI Precious Metals Total Return Index, 15% equal sector-weighted S&P Goldman Sachs Commodity Index, 50% Barclays Capital US TIPS 1-10 Year Index

* The Agriculture Equities Benchmark is comprised of: 70% MSCI World Agricultural Products, Fertilizers & Agricultural Chemicals, Forest Products/30% MSCI World Construction & Farm Machinery, Packaged Food & Meats, Paper Products (which equates to 3.5% and 1.5% at the Balanced Real Assets level, respectively).

Wellington Balanced Real Assets – Index Performance Analysis

Annualized Returns Ending March 31, 2011

Product/Index	1 Year (%)	3 Years (%)	5 Years (%)	7 Years (%)	10 Years (%)
MSCI World Metals & Mining > $3 billion	-23.5	17.5	-0.5	9.8	--
MSCI World Energy > $3 billion	-8.1	17.2	3.6	7.3	--
DIH Agricultural Tier Benchmark	-4.5	18.6	8.8	12.7	--
Metals Benchmark Blend	-11.0	--	--	--	--
S&P GSCI Commodity Equal Sector Weight	-6.7	16.5	4.4	7.4	10.8
Barclays Capital US TIPS 1-10 Years	8.0	7.1	6.6	5.7	6.6
BarCap EM Tradable Gov't Inflation-Linked Bonds	2.2	--	--	--	--
Wellington Balanced Real Assets Composite Index	-0.2	13.0	5.8	7.6	--
CPI + 300 bps	5.7	5.6	5.2	5.5	5.5

- Returns for both the Balanced Real Asset Fund and its composite index are hypothetical until December 2010.

Wellington Balanced Real Assets – Index Performance Analysis

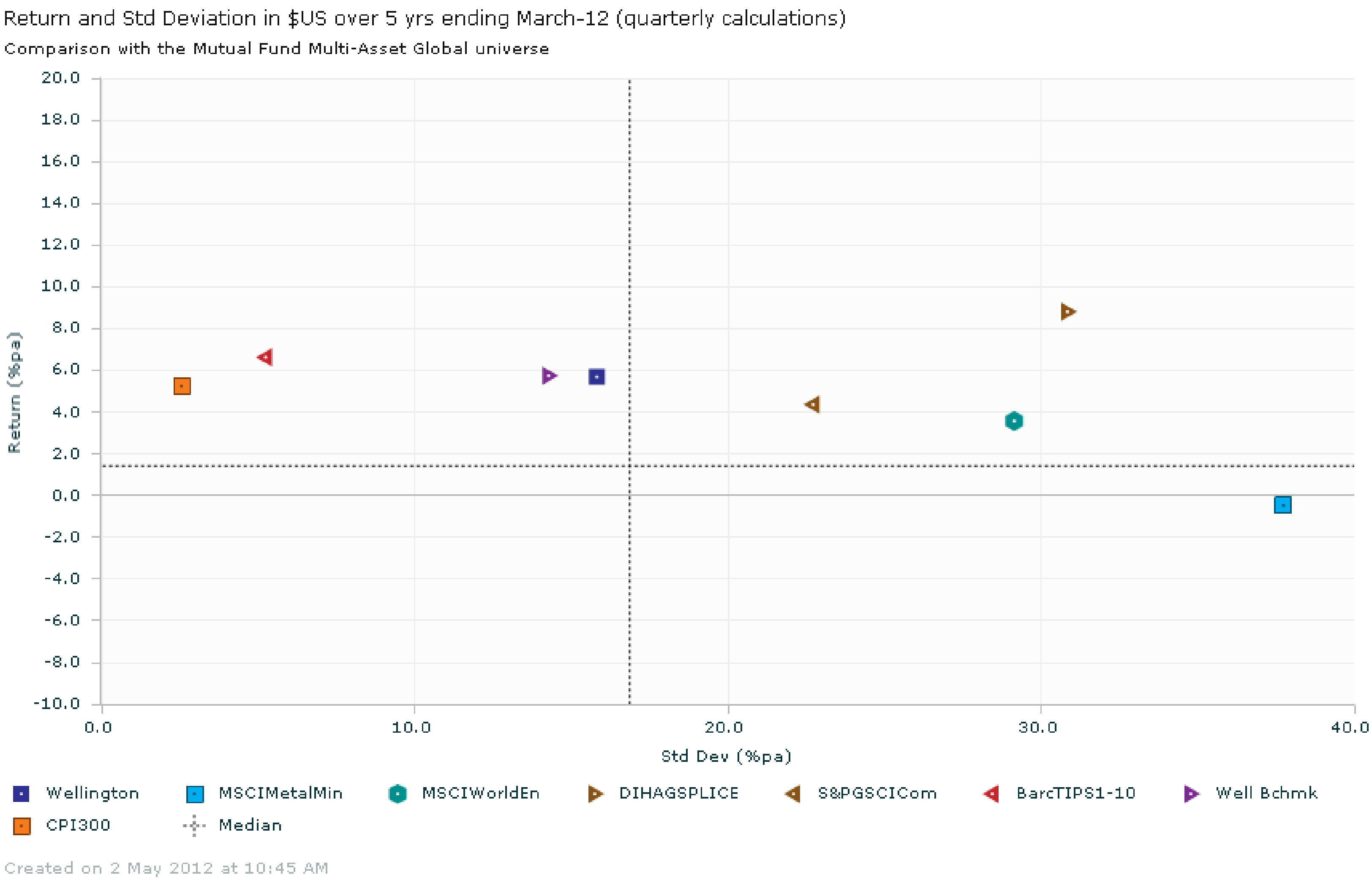
Last 8 Calendar Years Ending December 31, 2011

Product/Index	2004 (%)	2005 (%)	2006 (%)	2007 (%)	2008 (%)	2009 (%)	2010 (%)	2011 (%)
MSCI World Metals & Mining > $3 billion	--	35.6	36.5	45.4	-54.5	76.7	23.5	-27.1
MSCI World Energy > $3 billion	--	28.6	19.0	30.4	-37.1	25.1	12.3	0.9
DIH Agricultural Tier Benchmark	--	10.4	27.7	63.1	-39.6	38.9	19.2	-10.6
Metals Benchmark Blend	--	--	--	--	--	--	35.4	-12.7
S&P GSCI Commodity Equal Sector Weight	14.9	23.7	13.7	20.6	-31.0	27.9	21.3	-5.7
Barclays Capital US TIPS 1-10 Years	7.1	1.9	1.6	11.4	-2.4	12.0	5.2	8.9
BarCap EM Tradable Gov't Inflation-Linked Bonds	--	--	--	--	--	--	--	-4.7
Wellington Balanced Real Assets Composite Index	--	13.4	11.7	20.9	-21.6	23.3	12.5	0.7
CPI + 300 bps	6.3	6.4	5.6	7.1	3.1	5.7	4.5	5.9

- Returns for both the Balanced Real Asset Fund and its composite index are hypothetical until December 2010.
- Since September 30, 2011, the composite benchmark for the Balanced Real Assets Portfolio is comprised of:
  – 15% MSCI World Energy >$3 Bil6% MSCI World Metals & Mining >$3 Bil, 5% Agriculture Equities Benchmark*, 4% Barclays Capital Emerging Markets Tradable Government Inflation-Linked Bond Index, 3.5% MSCI AC World IMI Gold & Precious Metals Index, 1.5% S&P GSCI Precious Metals Total Return Index, 15% equal sector-weighted S&P Goldman Sachs Commodity Index, 50% Barclays Capital US TIPS 1-10 Year Index
- From inception to January 31 2011, the composite benchmark for the Balanced Real Assets Portfolio was comprised of:
  – 15% MSCI World Energy >$3 Bil, 8% MSCI World Metals & Mining >$3 Bil, 5% Agriculture Equities Benchmark*, 2% HSBC Global Climate Change Benchmark Index, 3.5% MSCI AC World IMI Gold & Precious Metals Index, 1.5% S&P GSCI Precious Metals Total Return Index, 15% equal sector-weighted S&P Goldman Sachs Commodity Index, 50% Barclays Capital US TIPS 1-10 Year Index

* The Agriculture Equities Benchmark is comprised of: 70% MSCI World Agricultural Products, Fertilizers & Agricultural Chemicals, Forest Products/30% MSCI World Construction & Farm Machinery, Packaged Food & Meats, Paper Products (which equates to 3.5% and 1.5% at the Balanced Real Assets level, respectively).

Wellington Balanced Real Assets – Risk/Return Analysis1



[1] The Metals Benchmark Blend Index and the BarCap EM Tradable Gov't Inflation-Linked Bond Index were not shown because of their short performance records.

BlackRock Strategic Completion Fund – Strategy Performance Analysis

Annualized Returns Ending March 31, 2012

Product/Index	3 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)	7 Years (%)	10 Years (%)
Strategic Completion Fund	**5.0**	--	--	--	--	--
Strategic Completion Fund Custom Benchmark	5.1	0.7	17.7	1.2	5.1	8.7
CPI	1.6	2.7	2.5	2.2	2.5	2.5

Last 8 Calendar Years Ending December 31, 2011

Product/Index	2004 (%)	2005 (%)	2006 (%)	2007 (%)	2008 (%)	2009 (%)	2010 (%)	2011 (%)
Strategic Completion Fund	--	--	--	--	--	--	--	--
Strategic Completion Fund Custom Benchmark	19.1	13.2	15.1	6.2	-30.2	25.0	15.1	-1.2
CPI	3.3	3.4	2.5	4.1	0.1	2.7	1.4	3.0

- The Strategic Completion Fund Custom Benchmark was composed of 35% Barclays Capital US TIPS Index; 36% FTSE EPRA/NAREIT Developed Index; 29% Dow Jones UBS Commodity Index until September 30, 2011.
- From September 30, 2011 until March 31, 2012, the Strategic Completion Fund Custom Benchmark was composed of 35% Barclays Capital US TIPS Index; 36% FTSE EPRA/NAREIT Developed Index (Net Div); 29% Dow Jones UBS Commodity Index until September 30, 2011.
- The Strategic Completion Fund Custom Benchmark is currently composed of 37% Barclays Capital US TIPS Index; 36% FTSE EPRA/NAREIT Developed Index (Net Div); 27% Dow Jones UBS Commodity Index.

BlackRock Strategic Completion Fund – Index Performance Analysis

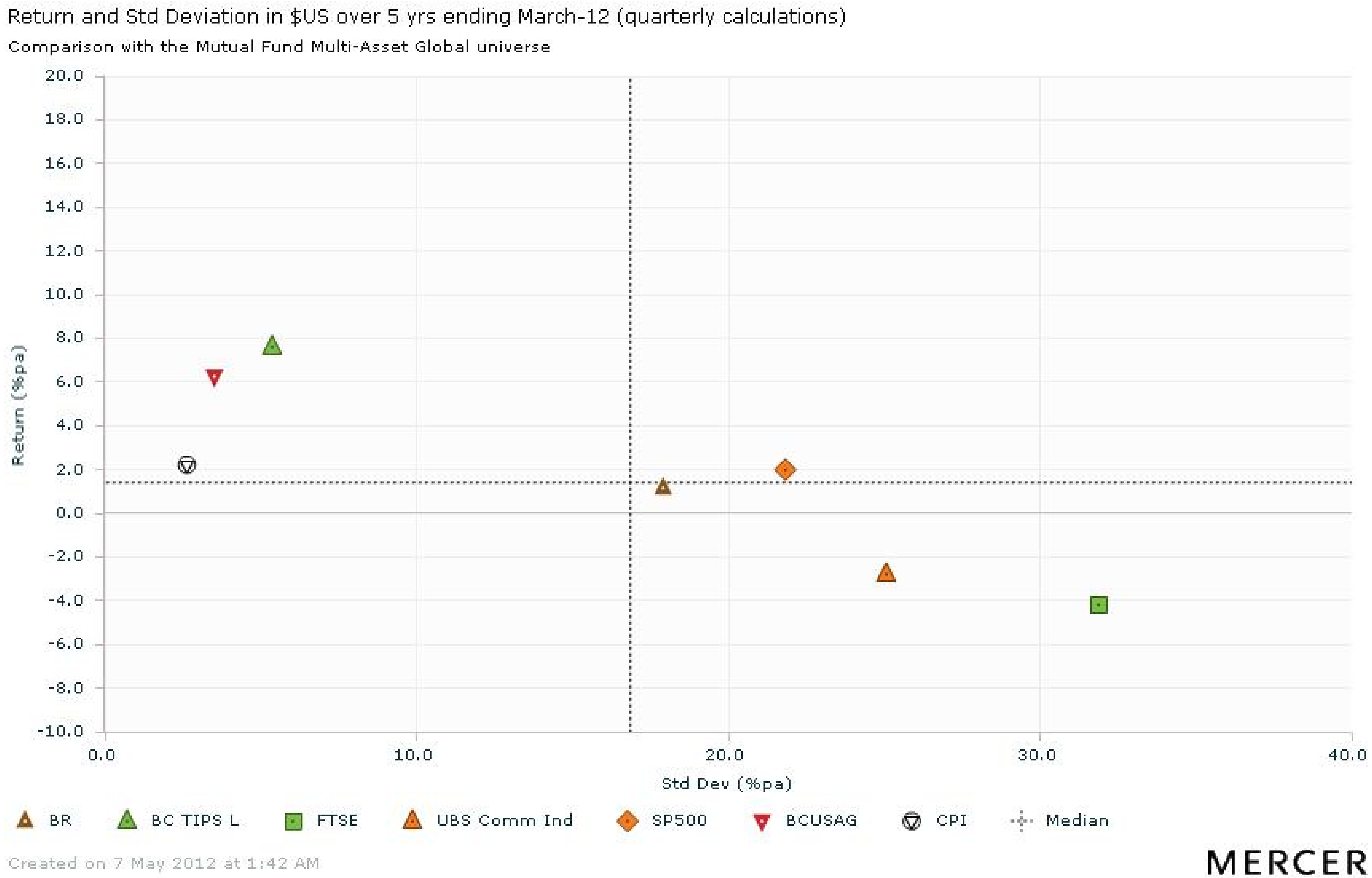
Annualized Returns Ending March 31, 2012

Product/Index	1 Year (%)	3 Years (%)	5 Years (%)	7 Years (%)	10 Years (%)
Barclays Capital US TIPS Index	12.2	8.7	7.6	6.3	7.5
FTSE/EPRA NAREIT Developed Spliced Index	2.9	31.3	-4.2	5.8	10.3
Dow Jones UBS Commodity Index	-16.3	9.0	-2.8	0.1	5.5
Strategic Completion Fund Custom Benchmark	0.7	17.7	1.2	5.1	8.7
CPI	2.7	2.5	2.2	2.5	2.5

Last 8 Calendar Years Ending December 31, 2011

Product/Index	2004 (%)	2005 (%)	2006 (%)	2007 (%)	2008 (%)	2009 (%)	2010 (%)	2011 (%)
Barclays Capital US TIPS Index	8.5	2.8	0.5	11.6	-2.4	11.4	6.3	13.6
FTSE/EPRA NAREIT Developed Spliced Index	38.0	15.4	42.4	-7.0	-47.7	38.3	20.4	-6.0
Dow Jones UBS Commodity Index	9.1	21.4	2.1	16.2	-35.6	18.9	16.8	-13.3
Strategic Completion Fund Custom Benchmark	19.1	13.2	15.1	6.2	-30.2	25.0	15.1	-1.2
CPI	3.3	3.4	2.5	4.1	0.1	2.7	1.4	3.0

BlackRock Strategic Completion Fund – Risk/Return Analysis



APPENDIX A

Additional Exhibits

PIMCO Inflation Response Multi-Asset – Profile

Key Decision Makers: IRMAF is designed to hedge global inflation risks while targeting enhanced return opportunities that inflation dynamics may present. The fund provides diversified exposure to a broad opportunity set of inflation factors or assets that will likely respond to different types of inflation including Treasury Inflation-Protected Securities (TIPS), commodities, emerging market (EM) currencies, real estate investment trusts (REITs), gold and tactical use of floating rate securities. Tail-risk hedging strategies are also utilized to limit the impact of periodic market stresses that may affect inflation-related assets.

Investment Style/Philosophy: IRMAF is designed to hedge global inflation risks while targeting enhanced return opportunities that inflation dynamics may present. The fund provides diversified exposure to a broad opportunity set of inflation factors or assets that will likely respond to different types of inflation including Treasury Inflation-Protected Securities (TIPS), commodities, emerging market (EM) currencies, real estate investment trusts (REITs), gold and tactical use of floating rate securities. Tail-risk hedging strategies are also utilized to limit the impact of periodic market stresses that may affect inflation-related assets.

Investment Process: PIMCO uses a three-step approach in seeking to achieve the Fund's investment objective which consists of 1) building the beta by developing a target allocation; 2) adding alpha through top-down active asset allocation tilts and bottom-up relative value strategies; and 3) utilizing hedging techniques to help manage risks.

The first step in the investment process involves determining what asset classes should be included as part of the fund's investment universe and determining what their strategic/IRMAF benchmark index weighting (index) should be. When determining if an asset class should be included as part of the strategic mix, PIMCO analyzes its historical beta and correlation to inflation. However, more important is their focus on using fundamental analysis to understand the relationship between an asset class' underlying cash flows and returns with inflation. Worah and the real return team also think extensively about tradeoffs in terms of inflation protection and expected return/risk, as well as the fact that returns of asset classes are influenced by multiple risk factors and their inflation sensitivity can change depending on market conditions. Ultimately, the inclusion of an asset class as part of the strategic mix is qualitative and based on Worah's assessment of its prospective inflation hedging capabilities. The IRMAF index utilized PIMCO's forward looking risk/return assumptions and was designed to have a similar volatility contribution from each asset class. The index was also designed to achieve portfolio volatility similar to a stock/bond mix and generate a return in excess of CPI.

The next step in the investment process is to attempt to add alpha through active asset allocation tilts and through active management in the underlying strategies. The tactical asset allocation process relies on the secular and cyclical macroeconomic and risk factor views generated by PIMCO's investment committee (IC). The firm's asset allocation (AA) committee translates the IC's broad ideas into specific return and risk forecasts for each asset class. In PIMCO's view, risk factors are the building blocks that drive returns and asset classes are merely carriers of various risk factors. The AA committee relies heavily on the inputs from Worah when determining the outlook for inflation related asset classes. While Worah is ultimately responsible for ultimately determining the fund's tactical exposures, the process is based on the views of the investment and asset allocation committees. When determining the tactical mix and whether to over/under weight asset classes, Worah considers the current and prospective economic environment, the inflation sensitivity of asset classes in those expected macro environments and the expected risk and volatility for various asset classes based on current valuations and projected macro conditions. The tactical mix is a function of trying to ensure that the fund is overweight asset classes that will be able to best hedge against or benefit from the expected drivers of inflation based on PIMCO's macro views, while also seeking to enhance expected returns and mitigate risk by capitalizing on risk-adjusted return projections.

Mercer Evaluation Summary

Factor	Rating (-, =, + or ++)	Comments
Idea Generation	++	The strategy's edge lies in the strength and depth of PIMCO's macroeconomic research capabilities. The firm's scale enables it to employ a depth of resources and people globally across multiple market sectors. The firm's Secular and Cyclical Forums bring together trade ideas and outlooks from regional and sector investment teams in a repeatable and well-organized way. PIMCO's investment committee has an established track record of generating macroeconomic views and formulating opinions on the prospective performance of risk factors. The strategy effectively leverages those skills when developing ideas regarding the potential drivers of inflation, the impact of inflation on various asset classes and the performance of asset classes during inflationary periods. In addition to the firm's overall strengths, Worah demonstrates a deep understanding of inflation and its impact on markets. The strategy also effectively utilizes PIMCO's ability to add value from a bottom-up perspective, relying on specialists to manage the underlying sub-strategies.
Portfolio Construction	++	The rationale behind the strategic benchmark index is sound taking account of both historic return patterns and forward looking assumptions on likely future linkages with inflation. The tactical allocation of the portfolio can and typically does differ substantially from the strategic allocation and is a function of PIMCO's economic views, the prospective risk-adjusted performance of various asset classes, and the inflation responsiveness of asset classes relative to what PIMCO identifies as the potential drivers of inflation. We think the tactical asset allocation process effectively leverages PIMCO's strength in idea generation. The construction process is augmented by Worah, which ensures that ideas are very well developed and vetted, yet also flexible and tailored to the specific objectives of the strategy. The portfolio also tactically seeks exposure to various tail-risk hedging strategies, which we think has the potential to add value and provide further inflation protection. Each sleeve is managed by a different portfolio manager within PIMCO, thus creating the ability to add value through bottom-up security selection.
Implementation	+	Current assets in IRMAF are relatively small at less than $50M and the strategy was just launched in mid-2011. While the small size of the fund is a potential concern, we think PIMCO has dedicated significant resources to researching inflation and managing the fund. A firm-wide lack of transparency regarding capacity limits precludes us from assigning the highest rating.

Business Management	+	PIMCO is one the largest asset management firms in the world, which carries both advantages and disadvantages. On the positive side, a large asset base provides the firm with extensive resources and contacts, which can be used to develop an informational advantage and conduct an in-depth analysis of a wide range of global investment opportunities. Additionally, the firm can use its size to obtain advantageous pricing in certain markets. On the other hand, a large asset base can hinder its ability to generate alpha by limiting the potential to invest in smaller/niche areas of the market and could create problems in exiting certain positions. PIMCO is also trying to enter new markets (e.g. equity management), which can lead to a potential loss of focus. The firm's culture is ultra-competitive and intense, which, when coupled with its renowned status, can lead to periodic bouts of turnover, but is a net positive as it produces a highly disciplined and thorough investment process.
Overall Rating (A, B+, B or C) **B+**	The strategy benefits from PIMCO's highly regarded research capabilities. The firm's investment committee demonstrates a strong ability to generate tactical and secular macroeconomic and risk factor forecasts. The firm's asset allocation committee effectively converts those views into asset class risk/return projections. In addition to the firm's overall strengths, the strategy benefits from a dedicated real return team who demonstrate a deep understanding of inflation trends and how to position the portfolio from both a strategic and tactical perspective to benefit from those trends. The dynamic nature of this fund effectively leverages PIMCO's skills and increases it ability to add value. PIMCO also has significant experience managing inflation related strategies. While we have confidence in PIMCO's ability to generate an inflation outlook and gauge the performance of asset classes in that environment, given the short track record in managing multi-asset vehicles we would like to see further evidence of the fund's ability to hedge inflation and to add value through active asset allocation.	
Additional Observations	While the strategy seeks a return in excess of inflation, investors should be aware that CPI is not an investable benchmark and PIMCO does not seek to track it. As such, the shorter-term performance of the strategy will likely be driven by factors other than realized inflation or changes in market inflation expectations. Still, the objective of the strategy is to formulate macroeconomic views regarding potential inflation and then seek exposure to asset classes and investments that should benefit from/protect against inflation and that perform relatively well during periods of rising inflation. While the portfolio is diversified, volatility and downside risk could be higher than expected as many of the underlying asset classes have exposure to common risk factors.	

APPENDIX B

Descriptions of Performance Exhibits

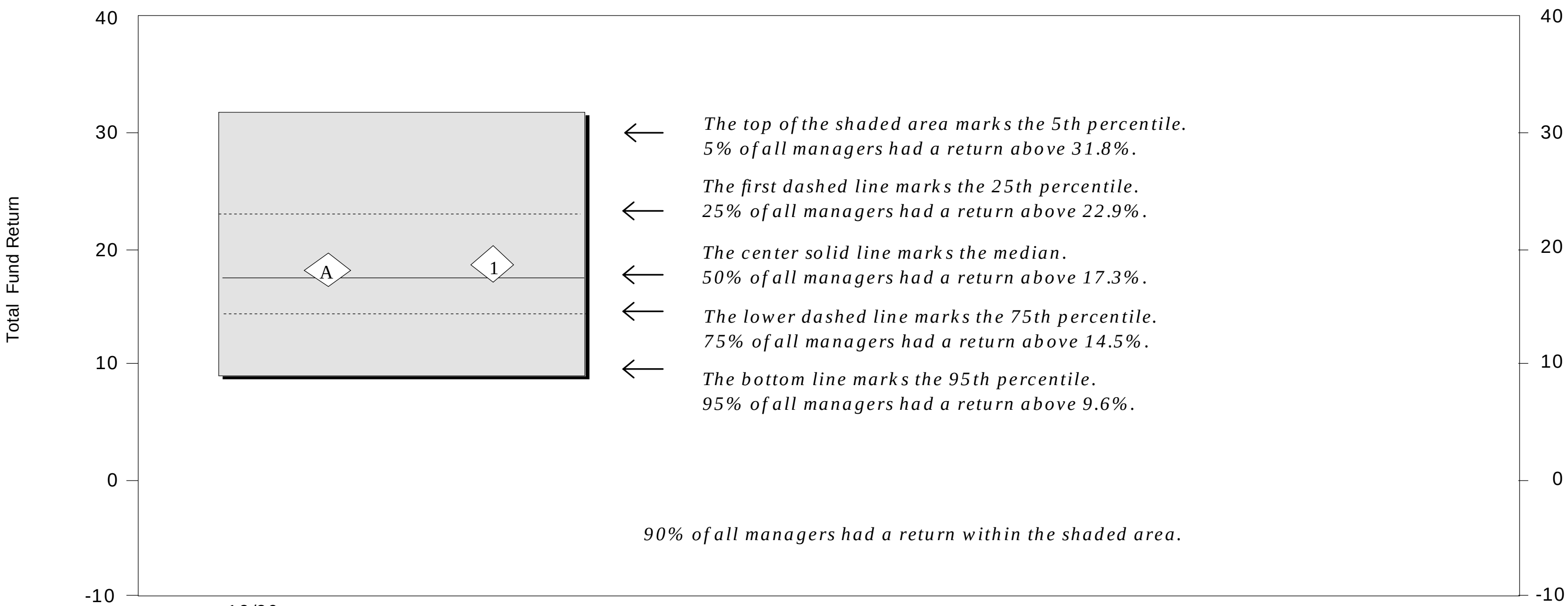
Description of Universe Calculation

Mercer Manager Universes are constructed using the composite portfolios submitted by investment managers to the Research Unit for evaluation. Each portfolio is reviewed and, based on Mercer's professional judgement, placed within the appropriate universe, which contains similarly managed portfolios.

Universes are calculated by sorting the returns from highest to lowest for each unique time period independently. The highest return is assigned the rank of zero (0) and the lowest a rank of 100. Depending on the number of observations between these two points, the remaining results are normalized to create the percentile rankings.

Results longer than one year are annualized.

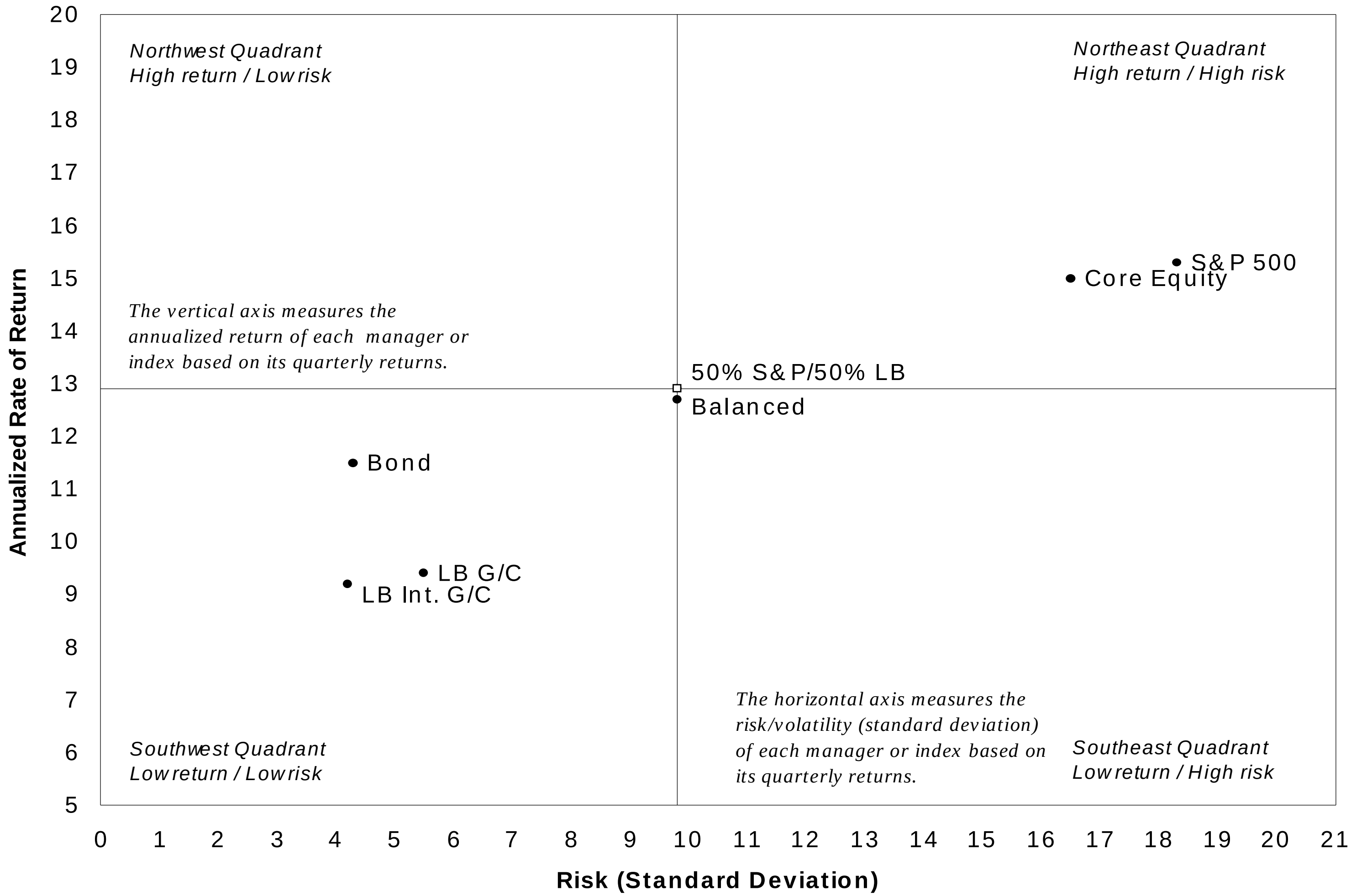
Description of Performance Graph



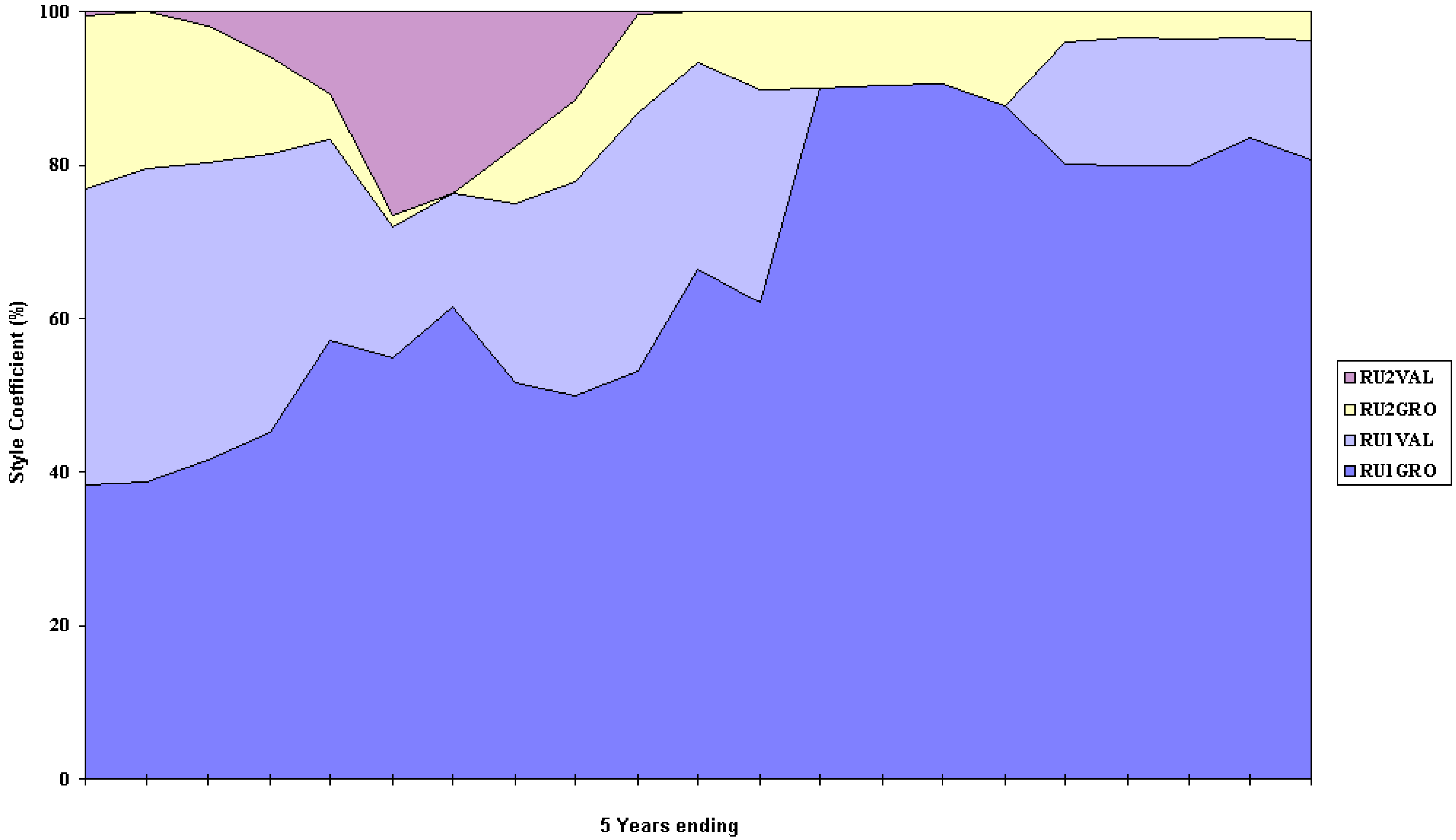
	12/89- 12/91		*This is the time period for which performance is being compared.*
5th Percentile	31.8		
25th Percentile	22.9		
MEDIAN	17.9		*These are the returns for each of the percentiles mentioned above.*
75th Percentile	14.5		
95th Percentile	9.6		
Manager A	18.3	48	*This is the return for the manager. It is representated by the diamond labeled "A" above.*
Index 1	18.5	45	*This is the return for the Index or "benchmark" specified by the Investment Policy. It is representative by the diamond labeled "1" above.*

These are the percentile rankings for manager & index, respectively.

Description of Risk / Return Graph



Description of Style Analysis Chart



The Rolling Style Analysis exhibit displays the components of each manager's return over a five year period along the dimensions of style (value versus growth), and size (market capitalization). The wider the band, the greater the similarity of the return pattern. The analysis is based on quarterly returns.

APPENDIX C

Glossary of Terms

ADR American Depository Receipt is a receipt for shares of a foreign company held by a US bank, facilitating receipt of dividends and simulating purchase of the stock.

Agency Bonds Debt obligations issued by government sponsored organizations such as the Federal Home Loan Bank and the Federal Land Bank. After Treasuries, agency bonds are considered to be the next highest quality securities in the domestic fixed income market.

Alpha A measure of value added provided by the manager. Specifically, alpha is the excess portfolio return compared to the risk-adjusted benchmark.

Asset Allocation The combination of assets in a portfolio to different asset types such as common stocks, bonds, cash, real estate, venture capital, etc. Different approaches to the asset allocation decision are employed such as strategic, dynamic or tactical.

Asset-Backed Security A collateralized fixed-income security which is supported by installment loans (autos, mobile homes, boats, etc.) or revolving lines of credit (credit cards). Asset-backed securities generally have AAA ratings based on recourse provisions or third-party credit enhancements. Most collateral behind asset-backed securities is subject to prepayment. However, unlike mortgage-backed securities, prepayments are virtually unaffected by changing market interest rate levels.

Association for Investment Manager Research (AIMR) An international, non-profit organization whose mission is to serve its members and investors as a global leader in educating and examining investment managers and analysts and sustaining high standards of professional conduct. AIMR's membership is global in scope, and its activities are worldwide.

AIMR Level I Verification Independent attestation that the requirements of the AIMR Performance Presentation Standards (PPS) have been met on a firm-wide basis.

AIMR Level II Verification Independent attestation that the performance results of specific composites have been calculated according to the AIMR-PPS standards, and that the requirements of the AIMR Performance Presentation Standards (PPS) have been met on a firm-wide basis.

Balanced (asset class) Investments in common stock, preferred stock and bonds which are combined in an effort to obtain the highest return consistent with a low-risk strategy. A balanced portfolio typically offers a higher yield than a pure stock fund and performs better than such a fund when stocks are falling. In a rising market, however, a balanced portfolio usually will not keep pace with an all-equity portfolio.

Base Currency The currency of an investor's home country.

Basic Industry A sector classification which includes securities of firms that convert raw materials into unfinished products.

Basis Point 1/100th of 1.0%, or 0.01%.

Blend An evaluation of securities using a combination of fundamental and quantitative methods.

Bottom-up A money-management style which begins with security selection.

Callable Bond A bond which can be "called" (i.e., redeemed) by the issuer at a date prior to maturity. If interest rates drop significantly below a callable bond's coupon, the issuer can call the bond and refinance it at a lower rate. From a bond investor's perspective, the proceeds received when the bond is called will have to be reinvested at a lower rate. Thus, callable bonds expose bondholders to reinvestment risk. The bond investor receives compensation for this disadvantage in the form of a higher yield.

Capital Goods A sector classification which include securities of firms that are involved in the production of other goods--industrial buildings, machinery, equipment--as well as highways, office buildings, government installations. In the aggregate such goods form a country's productive capacity.

Capitalization Market value times shares outstanding (common stock).

Cash Equivalents All fixed income securities that are highly liquid, with a known market value and a maturity, when acquired, of less than three months.

CMO Collateralized Mortgage Obligation is a security which groups mortgage pass-through bonds together and partitions the cash flows into successive maturity groups called tranches. CMOs attempt to mitigate prepayment risk by transferring the various degrees of prepayment risk among different tranches; thus, each tranche has different risk and return characteristics.

Commingled Fund An investment fund in which the manager pools the assets of several accounts to permit more efficient management and to reduce administrative cost. Also called collective investment funds, common funds or pooled funds.

Confidence Level The degree of certainty associated with a statistical measure, such as a t-statistic. In the context of this report, the confidence level provides insight into whether the manager's results were due to skill or luck. For example, with 20 or more observations, a t-statistic of 1.73 generally implies a confidence level of at least 95%; this means that there is only a 5% chance that the result was due to blind luck.

Consumer Durables A sector classification which includes securities of firms whose products, bought by consumers, are expected to last three years or more. These include automobiles, appliances, boats, and furniture. Economists look at the trend in consumer expenditure on durables as an important indicator of the strength of the economy, since consumers need confidence to make such large and expensive purchases.

Consumer Non-Durables A sector classification which includes securities of firms that provide consumable products such as food or drugs.

Consumer Services A sector classification which includes securities of firms that provide a service to the consumer rather than a product.

Convertible Securities These obligations include bonds, debentures, or preferred stock which may be exchanged by their owners for common stock -- usually in the same corporation. The terms which must be met to exercise this right of exchange are usually specified for each issue.

Convexity A measure of interest rate sensitivity. To demonstrate the concept, if bonds A and B have the same duration, but bond B has greater convexity, then the price of bond B will increase more than bond A if interest rates fall. Similarly, if rates increase, the price of bond B will fall less than the price of bond A. Investors who buy the price of bonds with a high degree of convexity will have to pay for convexity in the form of accepting a lower yield.

Core Style A strategy with investments in a large number of securities within a market capitalization range. Unlike an index strategy, a core strategy does try to exceed the return of the target index.

Corporates Debt obligations issued by private corporations. This type of debt instrument varies greatly in quality and liquidity as the terms of the obligation and the financial health of the issuer are factored in by the market.

Correlation Coefficient A statistical measure of the degree to which the movements of two variables are related. A correlation of 1.0 indicates that the two variables move perfectly in tandem. A correlation of 0.0 indicates a random relationship between the variables, and a correlation of -1.0 indicates perfect negative correlation (perfect tandem but in opposite directions). Combining assets in a portfolio with negative correlations or with positive correlations less than 1.0 will reduce total portfolio volatility.

Country Weighting The percentage exposure a portfolio has to the securities of a given country.

Coupon The annual rate of interest that the bond issuer promises to pay the bondholder.

CPI Consumer Price Index is a measure of the cost of a basket of consumer items. Changes in the index are generally accepted as a proxy for inflation.

Cross Hedging A cross hedge occurs when a foreign currency is hedged to another foreign currency instead of into the base currency (the US dollar for US investors). Managers may cross hedge when they want added currency exposure to a country.

Cross-Sectional Beta Beta is a measure of a portfolio's return volatility relative to the market (benchmark index). An estimate of the cross-sectional beta of a portfolio is a weighted average of the betas of the portfolio's component assets. A beta of 1.00 means a stock has exhibited the same volatility as the market over the period measured. A beta of 0.85 means, in general, a stock is less volatile than the market (moves 0.85% for each 1.00% move in the market) where a beta of 1.15 means a stock is more volatile than the market (moves 1.15% for each 1.00% move in the market).

Currency Hedging International managers may use currency hedges to minimize the effect of currency fluctuation against the US dollar. A 100% hedge will neutralize the effect while a partial hedge will reduce the effect.

Current Yield A bond's coupon rate divided by the bond's current price.

Debt to Equity The ratio of long-term debt to total common equity.

Derivative A financial instrument whose value is "derived" from or based upon the value of other financial instruments or the level of a financial index. Also refers to financial instruments which have complex structures with option-like features. Futures, options and currency forward contracts are examples of derivatives.

Diversification The reduction in risk that is sought by investing in assets which are not perfectly positively correlated. Diversification is the spreading of risk among a number of different investment opportunities. Since the assets are not perfectly correlated, losses of any one asset tend to be offset by gains on other assets.

Dividend A payment to owners of common or preferred stock. Dividends are usually paid out of the current earnings of a corporation. On preferred stock shares, the dividend is usually a fixed amount. On common stock shares, the dividend will vary with the fortunes of the corporation. Dividends are usually declared and paid quarterly.

Dividend Yield The current dividend per share of a stock divided by its current price per share. For example, a stock with a price of $100 per share paying a dividend of $5 per share would have a dividend yield of $5/$100=5%.

Down Market A quarter in which the market return is negative.

Duration A measure of a bond's price volatility relative to a change in the general level of interest rates, measured in years. It is a measure of the number of years until the average dollar, in present value terms, is received from coupon and principal payments. In general, bonds with longer durations have greater sensitivity to interest rates and vice versa.

Duration - Active Average portfolio duration is allowed to vary outside of a 20% range around the benchmark's duration.

Duration - Controlled Average portfolio duration is maintained within a 20% range around the benchmark's duration.

Duration - Neutral Average portfolio duration is maintained close to the benchmark's duration.

Duration - Tightly Controlled Average portfolio duration is maintained within a 10% range around the benchmark's duration.

Dynamic Asset Allocation An approach (such as portfolio insurance) where are investments hedged through the use of derivatives to theoretically limit any losses beyond a floor level.

Earnings Per Share (EPS) That portion of a company's profit allocated to each outstanding share of common stock.

Earnings Per Share Growth Rate The rate at which the earnings per share grows over various time periods.

Economic Risk The probability that economic conditions will deteriorate and thereby affect the safety of a company.

Effective Asset Allocation Tool to discern style orientation of a portfolio. The concept of effective asset allocation was introduced by Professor William F. Sharpe in 1988. Mercer has applied Sharpe's concept by developing its own version of effective asset allocation. Mercer's model regresses a minimum of five years of quarterly returns on a maximum of five various style indices. The coefficients of the linear combination are fitted using a quadratic rather than a linear program in order for the coefficients to lie within a specified range. These coefficients must sum to one, but lie between zero and one. In addition, the constant term (alpha) is omitted. The resulting coefficients are interpreted as the "effective asset allocation" of the manager's investment style. With this model, we can distinguish the investment styles of both equity and fixed income managers.

Effective Duration Also known as option-adjusted duration, a measure of how sensitive a bond's price is to interest rate changes with the option and structural characteristics of the bond taken into account.

Energy A sector classification which includes securities of firms that produce and/or sell oil, oil service, gas, solar energy, coal companies and makers of energy saving devices.

Equity Investment or ownership interest possessed by shareholders in a corporation -- stock as opposed to bonds.

Eurodollar Bonds A US dollar denominated bond issued and traded outside the jurisdiction of the United States.

Finance A sector classification which includes securities of firms that engage in making loans to individuals or businesses.

Fixed Income Debt instruments issued by corporations, governments or government agencies characterized by a fixed interest rate and stated maturity date. These represent the terms of the arrangement between someone who borrows money and someone who lends it.

Foreign Exchange Transactions involving the purchase and sale of currencies.

Forward Market A market in which participants agree to trade some commodity, security, or foreign exchange at a fixed price at some future date.

Forward Rate The rate at which forward transactions in some specific maturity are being made, e.g., the dollar price at which Deutschemarks can be bought for delivery three months hence.

Fundamental A qualitative method of evaluating securities by attempting to measure the underlying value of a particular stock using traditional security analysis.

Growth at a Reasonable Price Style An investment style employed by investment managers who invest in companies which have superior growth prospects. However, security selection techniques try to identify those companies that are underpriced relative to other companies in the same industry or sector.

Growth Style An investment style employed by investment managers who invest in companies that have superior growth prospects. Generally, these companies have higher price to earnings and price to book ratios and lower dividend yields.

Health Services A sector classification which includes securities of firms that provide health related services or products.

Hedging Strategy used to offset investment risk.

High Yield Bonds rated BB (Ba) or lower by Standard & Poor's Corporation and Moody's Investor Service. High yield bonds are lower quality than investment grade bonds and have greater credit risk.

Historical Beta Beta is a measure of a stock's (or portfolio) return volatility relative to the market (benchmark index). A beta of 1.00 means a stock has exhibited the same volatility as the market over the period measured. A beta of 0.85 means, in general, a stock is less volatile than the market (moves 0.85% for each 1.00% move in the market) where a beta of 1.15 means a stock is more volatile than the market (moves 1.15% for each 1.00% move in the market). An estimate of the historical beta of a portfolio is based on a simple linear regression of the portfolio returns.

Information Ratio A measure of the consistency of value added by an investment manager. Specifically, the information ratio is the average alpha divided by the variability of alpha.

Intermediate-Term Bond Bonds with a maturity between three and ten years.

Investment Grade Bonds rated BBB (Baa) or higher by Standard & Poor's Corporation and Moody's Investment Services. Investment grade bonds are higher quality than high yield bonds and have lower credit risk.

Kurtosis A measure of the relative peakedness or flatness of a distribution compared to the normal distribution. Positive kurtosis indicates a relatively peaked distribution. Negative kurtosis indicates a relatively flat distribution.

Limited Partnership An organization made up of a general partner, who manages a project, and limited partners, who invest money but have limited liability, are not involved in day-to-day management, and usually cannot lose more than their capital contribution. Typically, public limited partnerships are sold through brokerage firms, for minimum investments of $5,000, whereas private limited partnerships are put together with fewer than 35 limited partners who invest more than $20,000 each.

Local Currency The currency of the same country as a security or index.

Long-Term Bond A bond with a maturity of ten years or more.

Market Average Capitalization The average market (equity) capitalization of an aggregate portfolio of equity securities weighted by the proportion of each security to the total portfolio.

Market Timing A practice whereby a manager shifts between asset classes depending on the expected performance of each class. Can include timing between stocks and cash, or an unlimited number of asset classes. (see Tactical Asset Allocation.)

Maturity The date on which the principal or stated value of a bond becomes due and payable in full to the bondholder.

Maturity Structure The distribution of bonds in a portfolio across the maturity spectrum.

Maturity Structure - Actively Managed The portfolio's distribution of bonds by maturity will vary over time in order to benefit from temporary valuation differences among maturity ranges or expected shifts in the yield curve.

Maturity Structure - Laddered Bonds held in a portfolio are evenly distributed across the maturity spectrum.

Maturity Structure - Neutral The distribution of bonds by maturity in a portfolio is similar to the benchmark.

Median Market Capitalization The middle market value in a distribution of stock holdings.

Mortgage-Backed Security A collateralized fixed income security in which a group of mortgages are pooled together and act as collateral for the issuance of the security. Depending on the specific structure of the security, some combination of principal and interest payments of the underlying mortgages are “passed through” to the security holder. Types of mortgages that serve as collateral include: level payment fixed rate mortgages, adjustable rate mortgages, balloon mortgages, and graduated payment mortgages. The majority of these securities are issued and/or guaranteed by government agencies such as GNMA (Government National Mortgage Association - “Ginnie Mae”), FNMA (Federal National Mortgage Association - “Fannie Mae”), and FHLMC (Federal Home Loan Mortgage Corporation - “Freddie Mac”). Only GNMA is an arm of the US government and as such, is backed by the full faith and credit of the US government. FNMA and FHLMC, which are government-sponsored entities, are generally recognized as AAA quality due to their close ties to the US government.

Municipal Bonds Bonds issued by a state or local government or one of its agencies to supplement tax revenues for use in operating or capital expenditures. These debt instruments come in one of two forms, general obligation bonds and revenue bonds. Typically these bonds are exempt from federal and sometimes state and local taxes.

Mutual Fund An investment fund in which the investment company raises money from shareholders and invests in stocks, bonds, options, futures, currencies, or money market securities. These funds offer investors the advantages of diversification and professional management.

Non-US Dollar Bonds Bonds issued by foreign governments, corporations or other entities whose value is denominated in a currency other than the US dollar. Non-US dollar bonds incur currency risk to a US based investor.

Peer Group A narrowly defined group of investment managers who use a similar investment style, such as value investment managers.

Percentile Rank Time-weighted rates of return are ranked against Mercer universes or peer groups. For example, an investment manager’s return may rank at the 20th percentile of a particular Mercer universe or peer group. This indicates that 80% of the investment managers in the sample had lower performance. The highest percentile rank is 1 and the lowest is 100. Bars in graphic displays are divided by percentiles with the top of each bar denoting the 5th percentile followed by lines for the 25th, 50th (median), 75th, and 95th percentiles.

Political Risk The probability that a company will be affected by political actions.

Portfolio Turnover Volume of shares traded as a percentage of total shares currently held in the portfolio during a given period of time.

Price to Book Ratio (P/B) The current price of a stock divided by its book value per share. For instance a stock selling for $20 a share whose book value is $5 per share has a P/B of 4.

Price to Earnings Ratio (P/E) The current price of a stock divided by its earnings per share. For instance, a stock selling for $20 a share that earned $2 per share in the last 12 months has a P/E ratio of 10. Mercer excludes companies with negative earnings in its calculation.

Quality Rating A measure of a bond issuer’s credit quality, or its ability to meet future contractual obligations. Two widely used bond rating systems are those of Moody’s Investor Service and Standard & Poor’s Corporation.

Quantitative A systematic method of evaluating securities using a model composed of ranking or rating tools.

Quartile Represents a range of twenty-five percent of the outcomes. A first quartile rank means that the manager performed in the top twenty-five percent of its peer group or universe.

Return on Equity (ROE) An amount, expressed as a percentage, earned on a company’s common stock investment for a given period of time. It is calculated by dividing net income for the accounting period by common stock equity (net worth) at the beginning of the period.

Return/Risk Comparison Analysis that presents the rate of return in relation to the volatility of those returns as measured by the annualized standard deviation of quarterly returns.

Sector Biased The portfolio tends to have a concentration in a particular sector or maintains sector weightings which are significantly greater than or less than those of the benchmark's over all market environments.

Sector Neutral The portfolio's allocation among sectors is similar to that of the market.

Sector Rotation A portfolio's sector distribution will vary over time according to perceived valuation differences among different sectors and sub-sectors.

Semi Standard Deviation A measure of the downside volatility of returns.

Separate Account A single portfolio managed for a client.

Short-Term Bond A bond with a maturity less than three years.

Skewness A measure of the degree of asymmetry of a distribution around its mean. Positive skewness indicates a distribution of excess return over the benchmark with an asymmetric tail extending towards more positive values. Negative skewness indicates a distribution of excess return over the benchmark with an asymmetric tail extending towards more negative values.

Spot Market Market for immediate delivery (as opposed to future delivery). In the spot market for foreign exchange, settlement is two business days ahead.

Spot Price The current market price.

Standard Deviation A measure of the dispersion of a set of numbers around the average. In a regression analysis (which assumes a normal distribution), 68% of the data points fall between 1 standard deviation below the average and 1 standard deviation above.) Standard deviation is frequently used as a measure of risk (see Return/Risk Comparison).

Strategic Asset Allocation An approach where an asset allocation policy is established for the long run and the portfolio is invested at that static mix.

Systematic Risk The component of return that is associated with the broad-based market. Systematic risk is the volatility of rates of return on stocks or portfolios associated with changes in rates of return on the market as a whole.

T-Statistic Used to measure statistical significance, a t-statistic is a standardized ratio which measures how significantly far apart two measures are. To calculate the t-statistic of excess returns versus a benchmark, three measures are required: the average quarterly excess return over the benchmark, the standard deviation of quarterly excess returns and the square root of the number of observations. Divide the average excess return by the standard deviation, then multiply this ratio by the square root of one less than the number of observations.

Tactical Asset Allocation An approach where the weighting to different asset classes is changed frequently - up to several times per year - as a function of the expected performance from each asset class in the short run (see Market Timing).

Target Index Return The return derived from a portfolio invested in benchmark indices and weighted according to policy asset allocation targets.

Technology A sector classification which includes securities of firms that provide technology related services or products.

Time-Weighted Rate of Return A rate of return calculation. The time-weighted method minimizes the impact of cash flows on rate of return calculations. Time-weighted returns are an appropriate measure of an investment manager's performance, since investment managers may not have direct control over the timing or amount of cash flows directed to them.

Top-Down A money management style which begins with an assessment of the economy as a whole.

Tracking Error A measure of how much a return series deviates from its benchmark. Mercer measures the tracking error by the annualized standard deviation of quarterly excess returns.

Transportation A sector classification which includes securities of firms that provide transportation related services or products.

Treasury Securities Bonds which are direct debt obligations of the US government issued by the US Treasury. Backed by the “full faith and credit” of the United States, these bond are considered among the safest of investments carrying AAA/Aaa ratings. Treasury Bills are short-term securities issued with three-month, six-month, and one-year maturities. Notes are intermediate-term obligations available in maturities of one to ten years. Bonds are long-term obligations with maturities greater than ten years.

Universe A broadly defined group of investment managers. For example, a group of equity investment managers.

Unsystematic Risk The variability not explained by general market movements.

Up Market A quarter in which the market return is positive.

Utilities A sector classification which includes securities of firms that own or operate facilities used for the generation, transmission, or distribution of electric energy. Utilities distribute electricity, gas and water to their customers. Utility stocks usually offer above-average dividend yields to investors, but less capital appreciation potential than growth stocks. Utility stocks are also very sensitive to the direction of interest rates. Rising interest rates tend to harm the value of utility shares because higher rates provide a more attractive alternative to investors. In addition, utilities tend to be heavy borrowers, so higher interest rates add to their borrowing costs. Conversely, falling interest rates tend to buoy the value of utility stocks because utility dividends look more attractive and because the companies’ borrowing costs will be reduced.

Value Style An investment style employed by investment managers who invest in companies that appear to be undervalued relative to the market. Generally, these companies have lower price to earnings and price to book ratios and higher dividend yields.

Yankee Bonds A US dollar-denominated bond issued by foreign banks and corporations in the US market.

Yield Curve A graph showing the relationship between yield and maturity for a set of similar securities.

Yield to Maturity Internal rate of return on a bond bought at the current price and held to maturity. This assumes that coupon income is reinvested at the yield to maturity.

Yield to Worst The yield to maturity under the least desirable of all possible bond repayment patterns under the assumption that market yields are unchanged. If market yields are higher than the coupon, the yield to worst would assume no prepayment. If market yields are below the coupon, yield to worst would assume prepayment at the earliest call date.

APPENDIX D

Description of Indices

Equity Indices

American Stock Exchange

The American Stock Exchange Index (AMEX) contains issues of medium and smaller-sized companies, representing less than 5% of the market value of all US stocks. The index represents all major industry groups and includes American Depository Receipts and warrants. The index is market value-weighted.

Dow Jones Industrial Average

The Dow Jones Industrial Average (DJIA) contains 30 actively traded blue-chip stocks. The 106-year-old average is the best-known US stock average. The editors of the Wall Street Journal, which is owned by Dow Jones select the stocks. All but three of the stocks are listed on the New York Stock Exchange. In October of 1999, Microsoft Corp. and Intel Corp were the first NASDAQ Stock Market stocks to be included in the DJIA. The stocks are generally leaders in their industry. The DJIA purpose is to represent US listed equities, excluding transportation and utility stocks. The Dow is a price-weighted arithmetic average.

FTSE KLD 400 Social Index

The FTSE KLD 400 Social Index (KLD400) is a float-adjusted, market capitalization-weighted, common stock index of US equities. Launched by KLD in May 1990, the KLD400 (formerly KLD's Domini 400 Social Index) is constructed using environmental, social and governance (ESG) factors. The Domini 400 Social Index was renamed the FTSE KLD 400 Social Index in July 2009. It is a widely recognized benchmark for measuring the impact of social and environmental screening on investment portfolios. The index consists of 400 US stocks, which are screened on factors such as military contracting, alcohol and tobacco, gambling, nuclear power, environmental management and employee relations.

MSCI EAFE

The MSCI Europe, Australasia and the Far East (EAFE) Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The index is market value-weighted and calculated both with net and gross dividends reinvested. The index consists of approximately 1,000 securities from the following 21 countries:

Australia	Denmark	Germany	Ireland	Netherlands	Portugal	Sweden
Austria	Finland	Greece	Italy	New Zealand	Singapore	Switzerland
Belgium	France	Hong Kong	Japan	Norway	Spain	United Kingdom

MSCI EAFE (GDP-Weighted)

The MSCI Europe, Australasia and the Far East (EAFE) GDP-Weighted Index is designed to reflect the size of a country's economy rather than the size of its equity market, by using country weights based on a country's gross domestic product (GDP)..

MSCI Emerging Markets

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The index consists of the following 22 emerging markets country indices:

Brazil	Czech Republic	Indonesia	Mexico	Poland	Thailand
Chile	Egypt	Israel	Morocco	Russia	Turkey
China	Hungary	Korea	Peru	South Africa	
Colombia	India	Malaysia	Philippines	Taiwan	

MSCI World Index

The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The index measures the performance of stock markets in the United States, Europe, Canada, Australia, New Zealand and the Far East.and currently consists of securities from the following 23 countries: The index is market value-weighted and calculated both with net and gross dividends reinvested.

Australia	Denmark	Greece	Japan	Portugal	Switzerland
Austria	Finland	Hong Kong	Netherlands	Singapore	United Kingdom
Belgium	France	Ireland	New Zealand	Spain	United States
Canada	Germany	Italy	Norway	Sweden	

NASDAQ Composite

The National Association of Securities Dealers, a network of brokers, sponsors the NASDAQ (National Association of Securities Dealers Automated Quotation system). It is often called the OTC (over-the-counter) market. Unlike the NYSE and AMEX, the OTC has no trading floor and no auction market. It is a dealer to dealer market that operates via an electronic network.

The NASDAQ Composite Index measures all NASDAQ domestic and non-US based securities. .The NASDAQ Composite includes over 3,000 issues. The composite is a market value-weighted index calculated on a total return basis including dividends. The index represents many small company stocks but is heavily influenced by about 100 of the largest NASDAQ issues.

NASDAQ 100

The NASDAQ 100 Index includes 100 of the largest domestic and international non-financial companies listed on The NASDAQ Stock Market based on market capitalization. The NASDAQ 100 Index is a modified capitalization-weighted index which is designed to limit domination of the index by a few large stocks while retaining the capitalization ranking of companies. To be eligible for inclusion in the index, a stock must have a minimum average daily trading volume of 200,000 shares. Component stocks are adjusted quarterly to reflect changes in market capitalization.

New York Stock Exchange

The New York Stock Exchange Index (NYSE) is the largest equities marketplace in the world. It represents approximately 80% of the value of all publicly owned companies in America. The NYSE has the most stringent listing requirements of any stock exchange in the United States. Because of the Exchange listing requirements, the stocks tend to be larger, well established companies. The NYSE uses a specialist system of trading. The specialist brings buyers and sellers together on the Exchange floor and will buy or sell shares if there is an imbalance of orders. The index is market value-weighted and calculated on a total return basis with dividends re-invested.

Russell 1000

The Russell 1000 is intended to represent the universe of stocks in which most active equity managers invest. The index measures the performance 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 index is market value-weighted and restated annually based on May 31 market capitalization rankings.

Russell 1000 Growth

The Russell 1000 Growth Index is intended to be a benchmark for growth managers. The stocks are selected from the Russell 1000 Index, which currently contains approximately 1,000 of the largest US equity stocks by market capitalization. The index includes those stocks, which have had high earnings per share growth rate, high dividends per share growth rate, high price earnings ratio, high price book ratio, and a low dividend yield relative to the market.

The Russell 1000 securities are ranked by adjusted book to price ratios and by the I/B/E/S (Institutional Brokers Estimate System) growth rate. These ranks are then normalized into common units and combined to arrive at a composite rank. A company's composite rank is then used to determine its probability of being growth or value.

Companies with probabilities of 100% growth are placed entirely in the growth index. Companies with probabilities of being partially growth and value are held in both indexes according to their probability, i.e., a company with an 80% probability of growth would have 80% of its available market cap in the growth index and 20% in the value index. Inception is 12/31/83.

Russell 1000 Value

The Russell 1000 Value Index is intended to be a benchmark for value managers. The securities are chosen from the Russell 1000 Index, which currently contains approximately 1,000 of the largest US equity stocks by market capitalization. The index includes those stocks, which have a low price to book ratio, low price earnings ratio, high dividend yield and a low earnings per share growth rate.

The Russell 1000 securities are ranked by adjusted book to price ratios and by the I/B/E/S (Institutional Brokers Estimate System) growth rate. These ranks are then normalized into common units and combined to arrive at a composite rank. A company's composite rank is then used to determine its probability of being growth or value.

Companies with probabilities of 100% value are placed entirely in the value index. Companies with probabilities of being partially growth and value are held in both indexes according to their probability, i.e., a company with an 80% probability of value would have 80% of its available market cap in the value index and 20% in the growth index. Inception is 12/31/83.

Russell 2000

The Russell 2000 is intended to be a small capitalization market proxy. The index currently consists of approximately the 2,000 smallest stocks in the Russell 3000, representing approximately 10% of the total US equity market. The index is restated annually based on May 31 market capitalization rankings.

Russell 2000 Growth

The Russell 2000 Growth Index contains those Russell 2000 securities, which have a greater-than-average growth orientation. These securities generally have higher price-to-book and price-earnings ratios than those securities in the Russell 2000 Value Index.

The Russell 2000 securities are ranked by adjusted book to price ratios and by the I/B/E/S (Institutional Brokers Estimate System) growth rate. These ranks are then normalized into common units and combined to arrive at a composite rank. A company's composite rank is then used to determine its probability of being growth or value.

Companies with probabilities of 100% growth are placed entirely in the growth index. Companies with probabilities of being partially growth and value are held in both indexes according to their probability, i.e., a company with an 80% probability of growth would have 80% of its available market cap in the growth index and 20% in the value index. The index is restated annually based on May 31 market capitalization rankings. Inception is 12/31/83.

Russell 2000 Value

The Russell 2000 Value Index contains those Russell 2000 securities, which have a less-than-average growth orientation. These securities generally have lower price-to-book and price-earnings ratios than those securities in the Russell 2000 Growth Index.

The Russell 2000 securities are ranked by adjusted book to price ratios and by the I/B/E/S (Institutional Brokers Estimate System) growth rate. These ranks are then normalized into common units and combined to arrive at a composite rank. A company's composite rank is then used to determine its probability of being growth or value.

Companies with probabilities of 100% value are placed entirely in the value index. Companies with probabilities of being partially growth and value are held in both indexes according to their probability, i.e., a company with an 80% probability of value would have 80% of its available market cap in the value index and 20% in the growth index. The index is restated annually based on May 31 market capitalization rankings. Inception is 12/31/83.

Russell 2500

The Russell 2500 Index measures the performance of the 2500 smallest companies in the Russell 3000 Index, which represents approximately 16% of the total market capitalization of the Russell 3000 Index.

Russell 3000

The Russell 3000 Index currently consists of the largest US company stocks by market capitalization. The Russell 3000 represents approximately 99% of the investable US equity market. The index is restated annually based on May 31 market capitalization rankings.

Russell Midcap

The Russell MidCap Index measures the performance of the 800 smallest companies in the Russell 1000 which represent approximately 35% of the total market capitalization of the Russell 1000 index.

S&P 500

The S&P 500 index contains a representative sample of common stocks that trade on the New York and American Stock Exchanges and some over-the-counter stocks. The index represents about 86% of the market value of all the issues traded on the NYSE.

The index does not contain the 500 largest stocks. It has many relatively small companies in it because it is constructed of industry groups. Standard and Poor's first identifies important industry categories and allocates a representative sample of stocks to each group. The companies chosen to be in the S&P 500 generally do have the largest market values within their industry group.

The industry categories are grouped into ten sectors: Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Telecommunication Services and Utilities. The index is weighted by market capitalization and calculated on a total return basis with dividends reinvested.

S&P 500 Value & Growth

The S&P Value and Growth indices were developed by Standard and Poor's in conjunction with BARRA using a method developed by William F. Sharpe of Stanford University.

The stocks in the S&P 500 are ranked from the lowest to highest price-to-book ratios. Then, starting with the company with the lowest price-to-book ratio, the market capitalization of each company is added until 50% of the total market capitalization of the S&P 500 has been reached. Those companies, which fall into this group, constitute the S&P Value Index and the remaining companies comprise the S&P Growth Index.

Each index is capitalization-weighted and re-balanced semi-annually on January 1 and July 1. The indices are adjusted each month to reflect changes in the S&P 500. Companies, which are added to the S&P 500 are assigned to the Value or Growth Index, based on where their price-to-book ratio would have ranked at the most recent cut-off period.

S&P Midcap 400

The S&P MidCap 400 Index consists of 400 domestic stocks which are chosen by a committee at Standard & Poor's based on market capitalization, liquidity and industry group representation. The index is made up of companies listed on the NYSE, NASDAQ, and AMEX. None of the companies within the S&P MidCap overlap with those included in the S&P 500 index. The index is market value-weighted.

S&P Midcap Value & Growth

The S&P MidCap Value and Growth indices were developed by Standard and Poor's in conjunction with BARRA using a method developed by William F. Sharpe of Stanford University.

The stocks in the S&P MidCap 400 are ranked from the lowest to highest price-to-book ratios. Then, starting with the company with the lowest price-to-book ratio, the market capitalization of each company is added until 50% of the total market capitalization of the S&P 400 has been reached. Those companies, which fall into this group, constitute the S&P MidCap Value and the remaining companies comprise the S&P MidCap Growth Index.

Each index is capitalization-weighted and re-balanced semi-annually on January 1 and July 1. The indices are adjusted each month to reflect changes in the S&P MidCap 400. Companies which are added to the S&P MidCap 400 are assigned to the Value or Growth Index based on where their price-to-book ratio would have ranked at the most recent cut-off period.

S&P Smallcap 600

The S&P SmallCap 600 index is designed to be a benchmark of small capitalization stock performance and an investable portfolio for passive replication purposes. S&P began development of the index by surveying active and passive small cap managers, quantitative research analysts, academics and traders to determine a small cap market value definition.

S&P converted this market capitalization range into percentiles of the entire stock market in order to account for fluctuations in performance over time. The $600 million level converted into the 50th percentile and the $80 million lower level became the 83rd percentile. This percentile range was used to select the index back history and is used to select future index constituents.

S&P applied the target percentile range to their Index Selection Database to create a small cap universe of 1,850 stocks. The following screens were then used to select the 600 companies: 1. Companies must trade on the New York, NASDAQ or American stock exchanges, 2. Companies must have a trading history of at least six months, 3. Stocks that do not trade on any three days during a 12-month period are removed, 4. Companies with stock prices below $1.00 are removed, 5. Share turnover has to exceed 20% on an annualized basis, 6. Companies with 50% or more of the common shares owned by another corporation or 60% owned by insiders are removed, 7. Companies in bankruptcy or financial distress are eliminated, 8. Bid/Ask spreads calculated for 30 days must be 5% or less. The index was started on December 31, 1993, and a simulation for back history was used for returns back to January 1984.

Wilshire 4500

The Wilshire 4500 Index measures the performance of all small and midcap US equities. It is constructed using the Wilshire 5000 with the companies in the S&P 500 Composite excluded. The Wilshire 4500 is a misnomer, there are actually over 5,000 companies in the index. ADRs are excluded from the index. The Wilshire 4500 exchange distribution by market value is 35% NASDAQ, 63% NYSE and 2% AMEX.

Wilshire 5000

The Wilshire 5000 Equity Index was created by Wilshire Associates in 1974 and has historical data back to December 1970. The index measures the performance of all US headquartered equity securities with readily available price data. The Wilshire 5000 is a misnomer, there are actually over 7,000 stocks in the Index. The Wilshire 5000 exchange distribution by market value is 80% NYSE, 20% NASDAQ, and 1% AMEX. Non-domiciled US stocks, foreign issues and ADRs are excluded from the index. The index is computed on both an equal-weighted and value-weighted basis.

Fixed Income Indices

Barclays Capital Global Aggregate

The Barclays Capital Global Aggregate Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the US Aggregate Index, the Pan-European Index and the Asian-Pacific Aggregate Index. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and USD investment grade 144A securities. All issues must be fixed rate, nonconvertible and have at least one year remaining to maturity.

Barclays Capital Global Treasury

The Barclays Capital Global Treasury Index covers local currency-denominated debt of 30 countries. All issues must be fixed rate, nonconvertible and have at least one year remaining to maturity.

Barclays Capital US Aggregate

The Barclays Capital US Aggregate Index covers the US investment-grade, fixed-rate bond market and includes government and corporate bonds, agency mortgage pass-through securities, asset-backed issues, and ERISA-qualified CMBS. Price, coupon and total return are reported on a month-end to month-end basis. All returns are market value-weighted inclusive of accrued income.

Barclays Capital US Intermediate Aggregate

The Barclays Capital US Intermediate Aggregate Index consists of those bonds in the Government and Corporate Bond Indexes which have a maturity between one and ten years, and all Mortgage-Backed Securities and all Asset-Backed Securities within the Aggregate Index (i.e. the Aggregate Index less the Long Government/Corporate Index). The index was created to provide a broad based benchmark with a shorter duration than the Aggregate Index.

Price, coupon and total return are reported on a month-end to month-end basis. All returns are market value-weighted inclusive of accrued income.

Barclays Capital US Agency

The Barclays Capital US Agency Bond Index consists of all publicly issued debt of the US Government, quasi-federal corporations and corporate debt guaranteed by the US Government with a minimum outstanding of $250 million. Price, coupon and total return are reported on a month-end to month-end basis. All returns are market value weighted inclusive of accrued interest.

Barclays Capital US Credit

The Barclays Capital US Credit Bond Index includes bonds issued by both US and Non-US corporations. To qualify all bonds must be SEC registered.

The Credit Index is subdivided into pure corporate (industrial, utility, and finance, including both U.S and Non US corporations) and non-corporates (sovereign, supranational, foreign agencies, and foreign local governments). The first the sectors are composed of all publicly issued, non-convertible, investment grade domestic corporate debt. Issues must have a minimum rating of Baa by Moody's Investor Service, BBB by Standard and Poor's Corporation or BBB by Fitch Investor Services. Collateralized Mortgage Obligations (CMO's) and Asset-Backed securities are not included. All issues must have a maturity of at least one year and a par amount outstanding of at least $250 million. Price, coupon and total return are reported on a month-end to month-end basis. All returns are market value weighted inclusive of accrued interest.

Barclays Capital US Government Bond

The Barclays Capital US Government Bond Index is made up of the Treasury Bond Index and the Agency Bond Index. The Treasury index consists of all publicly issued domestic debt of the US Government with maturity greater than one year. Flower bonds, targeted investor notes (TINs), and state and local government series are excluded. US agency debt issues include both callable and noncallable securities. The Agency index includes publicly issued debt of US Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the US Government. Global issues associated with the World Bank are included. The largest issuers are Fannie Mae, the Resolution Trust Funding Corporation (REFCORP) and the Federal Home Loan Bank System (FHLB). All issues must have an outstanding par value of at least $250 million and a maturity of at least one year. Price, coupon and total return are reported for all sectors on a month-end to month-end basis. All returns are market value-weighted inclusive of accrued interest. The index is rebalanced monthly by market capitalization.

Barclays Capital US 1-3 Year Government

The Barclays Capital US 1-3 Year Government Index consists of those issues within the Government Bond Index which have a maturity greater than or equal to one year and less than or equal to three years. When an issue no longer meets the maturity criterion it is dropped from the index. All issues must have an outstanding par value greater than $250 million.

Barclays Capital US Government /Credit

The Barclays Capital US Government/Credit Bond Index combines the US Government and U.S Credit Bond Indices.

Barclays Capital US Long Government/Credit

The Barclays Capital US Long Government/Credit Index consists of those issues within the US Government/Credit Index which have a maturity greater than ten years. Price, coupon and total return are reported on a month-end to month-end basis. All returns are market value weighted inclusive of accrued interest.

Barclays Capital US High Yield

The Barclays Capital US High Yield Bond Index covers fixed rate, publicly issued, below investment-grade debt registered with the SEC. Eurobonds and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included. The bonds must be dollar denominated and nonconvertible, have at least one year remaining to maturity and an outstanding par value of at least $150 million. The bonds must be rated high-yield (Ba1/BB+ or lower) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be high-yield. A small number of unrated bonds are included in the index; to be eligible they must have previously held a high yield rating or have been associated with a high yield issuer, and must trade accordingly.

Barclays Capital US Mortgage Backed

The Barclays Capital US Mortgage Backed Securities Index is composed of all 15- and 30-year fixed rate security issues backed by mortgage pools of the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC).

Balloon securities are included in the index. The index excludes graduated payment mortgages (GPMs), buydowns, graduated equity mortgages (GEMs), project loans and manufactured homes (GNMA). Non-agency (whole loan) jumbo and 20-year securities are also excluded. The MBS universe groups over 600,000 individual fixed rate MBS pools into approximately 3,500 generic aggregates. To qualify for inclusion in the index, the aggregate must have a weighted average maturity (WAM) of at least one year and a minimum $250 million par amount outstanding.

Barclays Capital US Treasury Bond

The Barclays Capital US Treasury Bond Index consists of all public obligations of the US Treasury, including inflation-indexed securities. The index excludes flower bonds and foreign-targeted issues. All issues must have at least one year to maturity and a minimum amount outstanding of $250 million. Price, coupon and total return are reported on a month-end to month-end basis. All returns are market value-weighted inclusive of accrued interest.

Barclays Capital US Treasury Inflation Protected Securities (TIPS)

The Barclays Capital US Treasury Inflation Protected Securities (TIPS) Index measures the performance of inflation-protected bonds issued by the US Treasury. The rules for inclusion in the index are as follows:

- All bonds must be a US Treasury Inflation Note.
- The minimum amount outstanding is $250 million.
- All bonds must be dollar denominated and non-convertible.
- All bonds must have more than 1 year to maturity.

Barclays Capital US Universal

The Barclays Capital US Universal Index consists of the Aggregate Index, plus dollar-denominated Eurobonds (Eurodollar Index), 144A Index, Non-ERISA CMBS Index, High Yield CMBS Index, US High-Yield Corporate Index, and dollar-denominated Emerging Markets Index. The Universal Index was designed to capture the entire portfolio management choice set of fixed-income securities issued in US Dollars.

BofA Merrill Lynch Corporate 1-3 Year

The BofA Merrill Lynch 1-3 Year Corporate Bond Index consists of all those issues in the Corporate Master Index with a maturity greater than or equal to one year and less than or equal to three years. When an issue no longer meets the maturity criterion it is dropped from the index.

BofA Merrill Lynch High Yield Master

The BofA Merrill Lynch High Yield Master Index consists of US domestic and Yankee bonds which are rated less than BBB by Standard and Poor's or Baa by Moody's Investors Service but which are not in default (DDD1 or less). The issues must be publicly traded, nonconvertible and have a fixed coupon schedule. The issues must have a minimum maturity of 1 year and a par amount outstanding of at least $100 million at the start and close of the performance measurement period. The index excludes private placements, Title II securities, equipment trust certificates, inflation linked securities, convertible bonds, deferred interest (DIB) and pay-in-kind (PIK) bonds.

BofA Merrill Lynch 1-3 Year Treasury

The BofA Merrill Lynch 1-3 Year Treasury Index consists of those issues within the Treasury Master Index which have a maturity greater than or equal to one year and less than or equal to three years. When an issue no longer meets the maturity criterion it is dropped from the index.

Citigroup 3-Month Treasury Bill

The Citigroup 3-Month Treasury Bill Index is a monthly return equivalent of yield averages which are not marked to market. The calculation methodology is as follows: 1. Obtain discount yields for current month-end and two previous month-end dates. For example the January return requires the rates at the end of January, December and November. 2. Convert the discount rates to bond-equivalent yields. 3. Compute the simple average of the bond-equivalent yields. 4. Decompound to a monthly frequency using the actual number of days in the month in a 365-day year. Inception is 12/31/77.

Citigroup Broad Investment Grade

The Citigroup Broad Investment Grade (BIG) Bond Index measures the monthly total rate-of-return performance of the investment-grade universe of bonds issued in the United States. The BIG index includes institutionally traded US Treasury (excluding inflation-indexed securities), Government-sponsored (agency and supranational), mortgage and credit (corporate) securities. For inclusion in the index, all issues must have fixed coupon rate and a minimum maturity of one year. Each issue is individually Citigroup trader priced on the bid side at month-end.

U. S. Treasury issues and mortgage pass-throughs have a required entry and exit minimum amount outstanding of $1 billion. Credit and Government-sponsored securities must have a minimum amount outstanding of $100 million to be included in the index and are dropped from the index if the amount outstanding falls below $75 million. Credit bonds must be rated BBB-/Baa3 or better by either S&P or Moody's.

The index is market value-weighted. Total returns include price change, principal payments, coupon payments, accrued income and reinvestment income on intra-money cash flows. Coupon interest is put into 30-day T-bills until month-end when it is re-invested in the same issues. The index is re-weighted monthly. The inception date is December 31, 1979.

Citigroup High-Yield Cash-Pay

The Citigroup High-Yield Cash-Pay Index measures the performance of below investment-grade bonds issued in the United States. All of the bonds are publicly placed, have a fixed coupon and are nonconvertible. For inclusion in the index, an issue must have a minimum maturity of 1 year and a minimum amount outstanding of $100 million. The maximum quality rating allowed is BB+/Ba1 by either S&P or Moody's. The index includes only cash-pay bonds. Deferred-interest and issues are excluded. The inception date is December 31, 1988.

Citigroup High-Yield Market

The Citigroup High-Yield Market Index captures performance of below investment-grade corporate bonds issued in the United States. All the bonds are publicly placed, have a fixed coupon and are nonconvertible. For inclusion in the index, an issue must have minimum maturity of 1 year, a minimum amount outstanding of $100 million per issue when the issuer has a minimum of US$400 million total outstanding debt that qualifies for inclusion, or US$200 million minimum outstanding per issue when the issuer does not meet the US$400 million minimum.. The maximum quality rating allowed is BB+/Ba1 by both S&P and Moody's. The index includes cash-pay and deferred-interest bonds. Defaulted issues are excluded. When an issuer misses or expects to miss an interest payment, or enters into Chapter 11, the corresponding bonds exit the index at month end, reflecting the loss of the coupon payment or accrued interest. The index inception date is December 31, 1988.

Citigroup High-Yield Market 7+ Year Index (formerly Composite High Yield)

The Citigroup High-Yield Market 7+ Year Index measures the performance of below investment-grade bonds issued in the United States. All of the bonds are publicly placed, have a fixed coupon and are nonconvertible. For inclusion in the index, an issue must have a minimum maturity of 7 years and a minimum amount outstanding of $100 million. The maximum quality rating allowed is BB+/Ba1 by either S&P or Moody's. The index includes cash-pay and deferred-interest bonds. Defaulted issues are excluded. The inception date is Decemb er 31, 1984.

Citigroup World Government Bond

The Citigroup World Government Bond Index is designed to provide a measure of performance of fixed-rate securities in the world government bond market. Country eligibility is determined based on market capitalization and inevitability criteria. A market’s eligible issues must total at least US$20 billion, DM30 billion, and 2.5 trillion for three consecutive months for the market to be considered eligible for inclusion.

The index includes only Sovereign debt issued in each domestic market in the local currency. Foreign and Eurobonds are excluded from the index. Government securities that are floating- or variable-rate bonds, securities aimed principally at non-institutional investors or private placement-type securities are also excluded from the index. All issues must have a maturity of at least 1 year. The minimum amount outstanding required for index inclusion varies by each country since a local currency standard is used to determine eligibility. In the United States, the required minimum for each issue is $5 billion public amount outstanding. The returns are calculated monthly in local currency, US dollar terms and in non-base currency for each country and on a combined basis. The index is also available on a hedged-basis.

The index includes bonds from the following 23 countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Malaysia, Netherlands, Norway, Poland, Portugal, Singapore, Spain, Sweden, Switzerland, United Kingdom, and United States

Citigroup World Government Bond (Currency-Hedged)

The Citigroup World Government Bond (Currency-Hedged) Index is designed to provide a measure of performance of fixed-rate securities in the world government bond market. The index includes only Sovereign debt issued in the domestic market in local currency. Foreign and Eurobonds are excluded from the index. Government securities that are floating- or variable-rate bonds, securities aimed principally at non-institutional investors or private placement-type securities are also excluded from the index. All issues must have a maturity of at least 1 year.

The minimum amount outstanding required for index inclusion varies by each country since a local currency standard is used to determine eligibility. In the United States, the required minimum outstanding is $5 billion. The returns are calculated by using a rolling one-month forward exchange contract as a hedging instrument.

The index includes bonds from the following 23 countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Malaysia, Netherlands, Norway, Poland, Portugal, Singapore, Spain, Sweden, Switzerland, United Kingdom, and United States

CS First Boston High Yield

The CS First Boston High Yield Index is constructed to mirror the public high yield debt market. Issues must be BB rated by either Moody's or Standard and Poor's (Split BBB rated securities are included). New issues with par amounts greater than $75 million are automatically added to the index at the time of issuance. There are no more than two issues of any one issuer. Fallen Angels with market values greater than $75 million are added to the index three months after being downgraded. Defaulted issues are included after a company misses an interest and/or principal payment and defaults on its obligation, or when one or both Moody's and/or Standard and Poor's issue a D rating on an issue.

US 91 Day Treasury Bill

The US 91 Day Treasury Bill Index is based on the monthly auction average yield of the 91-Day Treasury Bill reported in the Federal Reserve Bulletin.

Real Estate Indices

FTSE NAREIT Equity Index

The FTSE NAREIT Equity Index is designed to provide the most comprehensive assessment of overall REIT industry performance, and includes all tax-qualified REITs with common shares that trade on the New York Stock Exchange, the American Stock Exchange or the NASDAQ National Market List. Companies with shares that trade on the NASDAQ Small Cap List or that trade over the counter are not included.

NCREIF Property Index

The National Council of Real Estate Investment Fiduciaries (NCREIF) and the Frank Russell Company NCREIF jointly developed the NCREIF Property Index. NCREIF is a non-profit association, which represents the institutional real estate industry. The NCREIF contributors include banks, insurance companies and independent advisors. Beginning with the first quarter of 1995, NCREIF has produced the index entirely on its own.

The purpose of the index is to serve as a benchmark for performance measurement of real estate owned by tax-exempt institutions and held in a fiduciary environment. The index tracks the income, appreciation and total return for a portfolio of unleveraged, institutional quality property. Sub-indices track the performance of five different property types (office, retail, industrial, hotel and apartment) within four geographical areas (east, west, south and midwest).

The property in the index must be investment grade, non- agricultural, income-producing property. Developmental property is excluded. Qualifying properties are added to the database quarterly. Properties, which are sold, are deleted during the quarter in which the sale takes place (historical data remains). Returns are calculated quarterly on a pre-management fee basis. Each property return is weighted by its market value. The property market value is determined by real estate appraisal methodology, consistently applied.

Other Indices

Consumer Price Index (CPI-U)

The Consumer Price Index (CPI-U) is published by the United States Department of Labor, Bureau of Labor Statistics. The index measures the average change in prices over time of a fixed basket of goods and services. The CPI-U calculates this price change for all urban consumers.

All urban consumers is defined as all wage earners, clerical workers, professional, managerial and technical workers, the self-employed, short-term workers, the unemployed, retirees and others not in the labor force. The index does not include persons in the military services, institutions or people outside the urban area. The CPI-U covers approximately 80% of the total non-institutional civilian population.

The Consumer Price Index (CPI-U) is based on prices of food, clothing, shelter, fuels, transportation fares, medical fees drugs, and other day-to-day living expenses. Prices are collected in 88 urban areas across the United States from about 57,000 housing units and 19,000 department stores, supermarkets, hospitals, gas stations and other stores and service establishments.

The manner by which the index is created by calculating price changes of the various items in each location. These price changes are averaged together with weights, which represent the importance in the spending of the appropriate population group. The local data is then combined to obtain the US city average.

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