



StanCERA

**Monthly Investment Performance
Summary**

**Provided by
Strategic Investment Solutions Inc.**

March 2009

U.S. EQUITY

The U.S. Government has clearly transitioned from a referee to a player in the financial markets. Over the past 18 months, the Federal Open Market Committee has lowered the funds target rate by 500 basis points to 25 bps. The central bank has now begun the process of buying up to an additional \$750 billion of agency mortgage backed securities, up to an additional \$100 billion of agency debt, and up to \$300 billion of longer-dated Treasury securities. In addition to these efforts, the Fed and Treasury have sought to enhance market liquidity by introducing a number of new programs. A couple of examples include the Primary Dealer Credit Facility that provides certain dealers access to public money and the Term Asset Backed Securities Lending Facility (TALF) that provides funding for lenders making car loans, advancing consumer credit lines and providing student loans. Another example is the \$750 billion Troubled Asset Relief Program (TARP) which has been used to inject capital directly into the banking system, will now fund public-private investment funds (PPIF) to remove impaired, mortgage-related assets from private-sector balance sheets.

The first few days of March started off like February and January before the markets staged a sharp rally. Growth and value (style) and large and small (capitalization) all performed in-line with one another. The Russell 1000 Growth Index was up +8.9% for the month of March, while the Russell 1000 Value Index was up +8.6%. In the small cap class, the Russell 2000 Growth Index was up +9.0% and the Russell 2000 Value Index was up +8.9%. The S&P 500 Index ended the month up +8.8% with a trailing 12-month P/E ratio of 12.4 (estimated P/E ratio of 13.8 on forward looking twelve-month operating earnings) and a dividend yield of 3.4%. U.S. stocks face the worst year for cuts to dividends since 1938.

Corporate merger activity highlights for the month included: Roche Holdings will buy the 44% of Genentech it doesn't already own for \$46.8 billion; Merck will acquire Schering-Plough for \$31.1 billion; CF Industries rejected a \$3.6 billion buyout proposal from Agrium; Boyd Gaming is trying to acquire some or all of the assets of Station Casinos for \$950 million; Gilead Sciences will acquire CV Therapeutics for about \$1.4 billion; Cadbury will sell its Schweppes Beverages business in Australia to Asahi Breweries for \$760 million; Sara Lee is examining a sale of its European household and personal-care business valued at up to \$2.5 billion; IBM is in talks to buy Sun Microsystems for at least \$6.5 billion; Charter Communications is in talks to give a large ownership stake to one of its biggest debt holders, Apollo Management; MGM Mirage finalized the sale of Treasure Island Hotel & Casino to Ruffin Acquisitions for \$775 million; Suncor will buy Petro-Canada for \$15.1 billion, creating Canada's largest oil company; State-backed Aabar Investments will pay about \$2.67 billion for a 9.1% stake in Daimler; and, Barclays is in exclusive talks to sell its iShares asset management unit to CVC Partners for about \$4.3 billion.

FIXED INCOME

A Commerce Dept. report showed the economy contracted at a staggering 6.3% pace in the final quarter of 2008 in the worst showing since 1982. The U.S. unemployment rate hit a 25-year high of 8.1% in February as employers let go a total of 651,000 jobs. The World Bank said that the global economy will shrink this year for the first time since World War II, noting that global industrial production could be as much as 15% lower than in 2008 by the middle of 2009.

Long-term interest rates fell in the month of March. The bellwether 10-year Treasury note ended the month at 2.65% down from 3.03% at the close of February. At month-end, the 30-year long bond yield was 3.50% and the 3-month T-bill was at 0.21%. The Barclays Capital US Aggregate Index was up by +1.39% in March. The Merrill Lynch High Yield Master II index

was the strongest sector for the month, up by +3.3% in March.

On the economic front, the following key data was released in March:

*The Commerce Dept. reported that consumer spending rose 0.6%, the largest increase since May, after falling 1% in December.

*The Institute for Supply Management reported that its non-manufacturing index, that gauges the service sector, came in at 41.6 in February versus 42.9 in January.

*The Commerce Dept. reported that factory orders fell by 1.9% in January from a revised 4.9% decline in December.

*Thomson Reuters reported that overall February same-store sales for a group of 35 retailers rose 0.3%, breaking a 4-month string of declines.

*The Commerce Dept. reported that wholesale inventories fell 0.7% in January following a 1.5% drop in December.

*The Treasury Dept. reported that the February budget deficit reached \$192.8 billion, a record for the month and up 10% from a year ago.

*The Commerce Dept. reported that total retail sales eased a better-than-expected 0.1% in February after rising by a revised 1.8% in January.

*The Commerce Dept. reported that the trade imbalance dropped to \$36 billion in January, a decline of 9.7% from December and the lowest level since October 2002.

*The Federal Reserve reported that industrial output dropped by 1.4% in February.

*The Treasury Dept. reported that net capital outflows from the U.S. were a record \$149 billion in January.

*The Commerce Dept. reported that construction of new homes and apartments unexpectedly jumped 22.2% in February compared with January, pushing total activity to a seasonally adjusted annual rate of 583,000 units.

*The Labor Dept. reported that wholesale prices edged up a slight 0.1% in February versus a 0.8% gain in January.

*The Labor Dept. reported that consumer inflation rose 0.4% in February, the biggest one-month jump since a 0.7% rise last July.

*The Commerce Dept. reported that the current account deficit fell to \$132.8 billion in the 4th quarter from a revised \$181.3 billion in the 3rd quarter.

*The New York based Conference Board's index of

leading economic indicators dropped 0.4% in February following a gain of 0.1% in January.

*The National Association of Realtors reported that sales of previously owned homes rebounded 5.1% in February to a 4.7 million-unit annual rate.

*The Commerce Dept. reported that durable goods orders rose 3.4% to \$165.6 billion in February, the largest increase since December 2007, after a revised 7.3% drop in January.

*Sales of newly built U.S. homes rose 4.7% in February to a 337,000 annual pace. The median price of new homes dropped 18.1% to \$200,900 in February.

*The Commerce Dept. reported that consumer spending edged up by 0.2% in February, while personal income fell 0.2% and wages declined 0.4%.

*The personal savings rate dipped slightly to 4.2% in February compared to 4.4% in January.

The Reuters/Univ. of Michigan index of consumer sentiment rose to 57.3 in March from 56.3 in February. For the first time in many months we have begun to see occasional pieces of positive economic news. We shall see if we are at "lull in the deflationary storm" or an inflection point or not as more data is reported over the coming months.

NON-U.S. MARKETS

Industrial production in the U.K. plunged by 2.6% in January. GDP contracted by another

0.5% in the month of February, the tenth straight decline and has now fallen by 4.3% below its April 2008 peak.

German factory output fell by a record 7.5% in January, its biggest drop since reunification in 1990. Factory orders in Germany were 38% lower than a year earlier. Euro zone GDP is likely to contract by 3.5% in 2009. French industrial production fell by 3.1% in January, its fifth consecutive decline. Italian GDP was revised down in the fourth quarter to -1.9% quarter-to-quarter.

Japanese orders are collapsing. Key machinery orders fell by another 3.2% in January, the fourth consecutive decline. Consumer confidence appears to be stabilizing albeit at low levels.

Chinese exports fell 25.7% year-over-year in February. China slipped into deflation in February as its CPI inflation rate dropped 2.6% on the month. This is the first negative reading on inflation since December 2002. India's industrial production fell -0.5% in January year-over-year. Brazilian GDP contracted a greater than expected -3.6% in the fourth quarter, the first decline since 2005.

Non-U.S. markets were higher in the month of March led by Emerging Markets. The MSCI ACWI Ex-U.S. was up by +8.1% (US dollars) in March. Developed stocks (EAFE) were up +6.4% while Emerging Markets were higher by +14.4%.

CONCLUSIONS

The economic data released in March contained some releases that exhibited their first month of improving comps in quite some time. U.S. mortgage rates are lower and home sales are on the rise. These reports are fed into consumer confidence which has stabilized over the last month or two. The equity markets began to react to these economic reports at the end of the

first week of March. In reality, the data as John Taylor of FX Concepts states "have just gone from catastrophic to terrible. Most of the truly negative aspects of the recession are still ahead: more unemployment (over 10% is a certainty), lower earnings (2009 S&P 500 earnings below \$20 for a current P/E over 40), and actual loan losses and bankruptcies."

Bear market rallies of over 20% always occur and usually just after the market becomes tremendously oversold and the U.S. equity market has already done that three times since October. So this current rally is not atypical but what does separate it from the others is what we stated in our opening remarks – government intervention. We understand the motives of the Bush and now Obama administrations to act forcefully to jump-start the economy and end the financial crisis but are somewhat weary of the potential effectiveness of their efforts given the huge overriding trends of massive deleveraging and de-globalization that are now in place. While there are some improvements in the economic and market data, we also observe that the "global chain of trust" remains a cloud over investors and consumers.

These days, it seems that at least two to four firms announce a new credit opportunity fund, distressed debt fund, bank loan fund or some combination of the three. With such a challenging economic outlook, corporate spreads staying wide for over six months now and price discovery of the so-called "toxic assets" still to be determined we wonder if the managers and investors have underestimated the default risk if this recession lasts as long as it now seems probable.

MARKET UPDATE

For March 2009

US Equity Indices	Style	Month	3 Months	1 Year	3 Years	5 Years	10 Years
Russell 3000	Broad US Equity	8.76%	(10.80%)	(38.20%)	(13.55%)	(4.59%)	(2.25%)
Russell 200	Large Cap Equity	8.60%	(10.99%)	(37.27%)	(12.30%)	(4.94%)	(4.11%)
Russell 200 Growth	Large Cap Growth	8.70%	(4.39%)	(32.21%)	(9.78%)	(4.45%)	(6.21%)
Russell 200 Value	Large Cap Value	8.48%	(17.51%)	(42.23%)	(14.83%)	(5.45%)	(2.21%)
S&P 500	Large Cap Equity	8.76%	(11.01%)	(38.09%)	(13.06%)	(4.76%)	(3.00%)
Russell 1000	Large Cap Equity	8.75%	(10.45%)	(38.27%)	(13.24%)	(4.54%)	(2.57%)
Russell 1000 Growth	Large Cap Growth	8.92%	(11.97%)	(40.03%)	(13.35%)	(6.35%)	(5.58%)
Russell 1000 Value	Large Cap Value	8.55%	(16.77%)	(42.42%)	(15.40%)	(4.94%)	(0.62%)
Russell Mid Cap	Mid Cap Equity	9.15%	(8.98%)	(40.81%)	(15.53%)	(3.53%)	2.27%
Russell Mid Cap Growth	Mid Cap Growth	9.53%	(3.36%)	(39.58%)	(14.89%)	(3.91%)	(0.86%)
Russell Mid Cap Value	Mid Cap Value	8.73%	(14.67%)	(42.51%)	(16.68%)	(3.81%)	3.13%
Russell 2000	Small Cap Equity	8.93%	(14.95%)	(37.50%)	(16.80%)	(5.24%)	1.93%
Russell 2000 Growth	Small Cap Growth	8.98%	(9.74%)	(36.36%)	(16.20%)	(5.37%)	(1.60%)
Russell 2000 Value	Small Cap Value	8.88%	(19.64%)	(38.89%)	(17.54%)	(5.30%)	4.87%
DJW US REIT Index	REITS	3.22%	(33.92%)	(60.66%)	(27.00%)	(9.44%)	3.71%

Non-US Indices

MSCI ACWI Ex-US	Broad Non-US Equity	8.07%	(10.62%)	(46.18%)	(12.75%)	(0.24%)	0.89%
MSCI AC World Index	Global Equity	8.29%	(10.57%)	(42.74%)	(12.84%)	(2.37%)	(1.27%)
MSCI EAFE	Developed Non-US Equity	6.39%	(13.85%)	(46.20%)	(14.07%)	(1.75%)	(0.46%)
MSCI Emerging Mkts.	Emerging Non-US Equity	14.38%	1.02%	(46.90%)	(7.88%)	6.25%	8.14%
ML Global Ex-US Bond	Global Bonds	2.62%	(5.86%)	(6.47%)	7.30%	4.39%	5.55%
Euro	Currency	4.54%	(4.48%)	(16.21%)	3.14%	1.56%	2.09%
Japanese Yen	Currency	(0.94%)	(8.22%)	0.77%	6.11%	1.04%	1.83%
British Pound	Currency	0.56%	(0.31%)	(27.88%)	(6.16%)	(4.85%)	(1.18%)

US Fixed Income Indices

ML 3-month T-Bill	Cash	0.02%	0.06%	1.01%	3.38%	3.17%	3.25%
Barclays US Aggregate	Core Bonds	1.39%	0.12%	3.13%	5.78%	4.13%	5.70%
Barclays US Universal	Core Bonds Plus	1.50%	0.39%	1.11%	4.86%	3.83%	5.64%
ML US Gov't/Credit	Core Bonds	1.10%	(1.28%)	1.78%	5.47%	3.74%	5.63%
ML US Corporate Master	Corporate Bonds	(0.21%)	(1.43%)	(8.07%)	0.47%	0.86%	4.38%
Barclays Mortgage Backed Securitie Mortgages		1.42%	2.20%	8.09%	7.61%	5.60%	6.17%
Merrill Lynch High Yield Master II High Yield Bonds		3.30%	5.02%	(20.28%)	(4.96%)	(0.32%)	2.35%

(not annualized if less than 1 year)

Source: mpi Stylus

Preliminary data

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING MARCH 31, 2009
PRELIMINARY BASIS

SUMMARY OF INVESTMENTS

ASSET CLASS	MARKET VALUE	PERCENT	POLICY NEW TARGET	RANGE
DOMESTIC EQUITIES	345,469,535	37.8%	46.4%	36.5% - 56.3%
INTERNATIONAL EQUITIES	159,134,130	17.4%	20.0%	16.0% - 24.0%
FIXED INCOME	376,964,840	41.2%	30.6%	27.6% - 33.6%
REAL ESTATE	9,359,424	1.0%	3.0%	1.5% - 4.5%
CASH (equity managers only)	23,598,431	2.6%	0.0%	0.0% - 3.0%
TOTAL PORTFOLIO	914,526,361	100.0%	100.0%	

	CURRENT	TARGET
DODGE & COX - LARGE CAP VALUE	13.7%	17.5%
DELAWARE - LARGE CAP GROWTH	8.8%	8.9%
LOOMIS SAYLES - LARGE CAP GROWTH	5.4%	5.9%
CAPITAL PROSPECTS	4.6%	5.0%
LEGATO CAPITAL	2.9%	4.3%
BNY - S&P 500 INDEX	4.6%	4.8%
LSV ASSET MGMT - INTL EQ	8.8%	10.0%
PYRAMIS - INTL EQ	9.0%	10.0%
DODGE & COX FIXED INCOME	41.2%	30.6%
INVESCO - GLOBAL REIT	1.0%	3.0%
TOTALS	100%	100%

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING FEBRUARY 28, 2009
PRELIMINARY BASIS

GROWTH OF ASSETS AND CHANGES IN ALLOCATION

<u>ASSET CLASS</u>	<u>CURRENT</u> <u>MONTH</u>	<u>PRIOR</u> <u>MONTH</u>	<u>% CHANGE *</u>	<u>PRIOR</u> <u>YEAR</u>	<u>% CHANGE *</u>
MARKET VALUE					
DOMESTIC EQUITIES	345,469,535	318,788,649	8.37%	565,600,549	-38.92%
INTERNATIONAL EQUITIES	159,134,130	147,793,263	7.67%	266,117,050	-40.20%
FIXED INCOME	376,964,840	378,472,190	-0.40%	432,544,612	-12.85%
REAL ESTATE	9,359,424	8,668,849	7.97%	20,159,042	-53.57%
CASH (equity managers only)	23,598,431	20,568,719	14.73%	27,195,597	-13.23%
TOTAL PORTFOLIO	914,526,361	874,291,670	4.60%	1,311,616,851	-30.27%
ASSET ALLOCATION (ACTUAL)					
DOMESTIC EQUITIES	37.78%	36.46%	1.3%	43.12%	-5.3%
INTERNATIONAL EQUITIES	17.40%	16.90%	0.5%	20.29%	-2.9%
FIXED INCOME	41.22%	43.29%	-2.1%	32.98%	8.2%
REAL ESTATE	1.02%	0.99%	0.0%	1.54%	-0.5%
CASH (equity managers only)	2.58%	2.35%	0.2%	2.07%	0.5%
TOTAL PORTFOLIO	100.0%	100.0%	0.0%	100.0%	0.0%

* % Change represents changes in cash balances, including cash transfers, and does not represent investment returns

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING MARCH 31, 2009
 PRELIMINARY BASIS

MANAGER ALLOCATION

ASSET CLASS	MARKET VALUE	PERCENT	POLICY TARGET	RANGE
DOMESTIC EQUITIES				
DODGE & COX - LARGE CAP VALUE	125,565,878	13.7%	17.5%	14.5% - 20.5%
DELAWARE - LARGE CAP GROWTH	80,529,359	8.8%	8.9%	6.9% - 10.9%
LOOMIS SAYLES - LARGE CAP GROWTH	49,179,655	5.4%	5.9%	4.5% - 7.3%
CAPITAL PROSPECTS - SMALL CAP VALUE	42,068,200	4.6%	5.0%	3.9% - 6.1%
LEGATO CAPITAL - SMALL CAP GROWTH	26,167,866	2.9%	4.3%	2.9% - 5.7%
BNY - S&P 500 INDEX	<u>41,971,509</u>	4.6%	4.8%	3.8% - 5.8%
TOTAL DOMESTIC EQUITIES	365,482,467	40.0%	46.4%	
FIXED INCOME				
DODGE & COX	<u>376,964,840</u>	41.2%	30.6%	27.6% - 33.6%
TOTAL FIXED INCOME	376,964,840	41.2%	30.6%	
INTERNATIONAL INVESTMENTS				
LSV ASSET MGMT.	80,517,570	8.8%	10.0%	8.0% - 12.0%
PYRAMIS	<u>82,202,059</u>	9.0%	10.0%	8.0% - 12.0%
TOTAL INTERNATIONAL EQUITIES	<u>162,719,630</u>	17.8%	20.0%	
REAL ESTATE				
INVESCO	<u>9,359,424</u>	1.0%	3.0%	1.5% - 4.5%
TOTAL REAL ESTATE	9,359,424	1.0%	3.0%	
TOTAL StanCERA PORTFOLIO	<u><u>914,526,361</u></u>	100.0%	100.0%	

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING 3/31/09
PRELIMINARY

	TOTAL FUND			
	CASH	BONDS	EQUITIES	TOTAL
DOMESTIC EQUITIES				
DODGE & COX - LARGE CAP VALUE	9,414,269		116,151,608	125,565,878
DELAWARE - LARGE CAP GROWTH	6,319,240		74,210,119	80,529,359
LOOMIS SAYLES - LARGE CAP GROWTH	908,006		48,271,649	49,179,655
CAPITAL PROSPECTS - SMALL CAP VALUE	2,668,873		39,399,327	42,068,200
LEGATO CAPITAL - SMALL CAP GROWTH	702,543		25,465,323	26,167,866
BNY - S&P 500 INDEX	0		41,971,509	41,971,509
TOTAL DOMESTIC EQUITIES	20,012,932		345,469,535	365,482,467
FIXED INCOME				
DODGE & COX	13,873,114	363,091,726		376,964,840
TOTAL FIXED INCOME	13,873,114	363,091,726		376,964,840
INTERNATIONAL INVESTMENTS				
LSV ASSET MGMT.	1,741,728		78,775,842	80,517,570
PYRAMIS	1,843,771		80,358,288	82,202,059
TOTAL INTERNATIONAL EQUITIES	3,585,499		159,134,130	162,719,630
REAL ESTATE				
INVESCO	0		9,359,424	9,359,424
TOTAL REAL ESTATE	0		9,359,424	9,359,424
TOTAL STANCERA PORTFOLIO	37,471,544	363,091,726	513,963,090	914,526,361

4.1%

39.7%

56.2%

100.0%

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING MARCH 31, 2009
PRELIMINARY BASIS

CURRENT PERFORMANCE

	MARKET VALUE	MAR	ALPHA	FEB	ALPHA	FISCAL YTD	ALPHA
DOMESTIC EQUITIES							
DODGE & COX - LARGE CAP VALUE	116,151,608	8.13%	-0.42%	-12.45%	0.91%	-40.28%	-1.10%
<i>RUSSELL 1000 VALUE</i>		8.55%		-13.36%		-39.18%	
DELAWARE - LARGE CAP GROWTH	74,210,119	10.46%	1.54%	-4.42%	3.10%	-32.98%	2.13%
<i>RUSSELL 1000 GROWTH</i>		8.92%		-7.52%		-35.11%	
LOOMIS SAYLES - LARGE CAP GROWTH	48,271,649	8.47%	-0.45%	-5.31%	2.21%	-42.27%	-7.16%
<i>RUSSELL 1000 GROWTH</i>		8.92%		-7.52%		-35.11%	
CAPITAL PROSPECTS*	39,399,327	7.40%	-1.48%	-11.53%	2.37%	-31.67%	4.98%
<i>RUSSELL 2000 VALUE</i>		8.88%		-13.90%		-36.65%	
LEGATO CAPITAL**	25,465,323	9.18%	0.21%	-8.04%	2.31%	-48.23%	-5.54%
<i>RUSSELL 2000 GROWTH***</i>		8.97%		-10.35%		-42.69%	
BNY - S&P 500 INDEX	41,971,509	8.81%	0.05%	-10.64%	0.01%	-36.31%	0.04%
<i>S&P 500</i>		8.76%		-10.65%		-36.35%	
TOTAL DOMESTIC EQUITY	345,469,535	8.75%	-0.01%	-9.24%	1.24%	-38.34%	-1.20%
<i>Russell 3000 Index</i>		8.76%		-10.48%		-37.14%	
FIXED INCOME							
DODGE & COX	376,964,840	0.40%	-0.99%	-1.69%	-1.31%	-0.41%	-4.59%
<i>BARCLAYS US AGGREGATE BOND</i>		1.39%		-0.38%		4.18%	
INTERNATIONAL INVESTMENTS							
LSV ASSET MGMT	78,775,842	8.31%	0.24%	-9.86%	-0.56%	-47.29%	-1.48%
<i>MSCI ACWI Free ex-US</i>		8.07%		-9.30%		-45.81%	
PYRAMIS	80,358,288	7.12%	-0.95%	-8.94%	0.36%	-46.86%	-1.05%
<i>MSCI ACWI Free ex-US</i>		8.07%		-9.30%		-45.81%	
TOTAL INTERNATIONAL EQUITY	159,134,130	7.71%	-0.36%	-9.40%	-0.10%	-47.08%	-1.27%
<i>MSCI ACWI Free ex-US</i>		8.07%		-9.30%		-45.81%	
REAL ESTATE							
INVESCO	9,359,424	7.97%	0.91%	-15.31%	1.19%	-48.62%	4.19%
<i>FTSE EPRA/NAREIT Global REIT</i>		7.06%		-16.50%		-52.81%	
CASH & SHORT-TERM INVESTMENTS							
CASH	23,598,431	0.04%	0.03%	0.07%	0.04%	1.29%	0.55%
<i>90 DAY TREASURY BILL</i>		0.01%		0.03%		0.74%	
TOTAL StanCERA Fund	914,526,361	4.96%	-1.28%	-6.22%	0.98%	-28.84%	-1.02%
<i>Policy Index</i>		6.24%		-7.20%		-27.82%	
<i>Actuary Rate of Assumption (8.16%)</i>		0.66%	4.30%	0.66%	-6.88%	6.11%	-34.95%
<i>Actuary Rate of Inflation (4.00%)</i>		0.33%	4.63%	0.33%	-6.55%	3.00%	-31.84%