



StanCERA

**Monthly Investment Performance
Summary**

**Provided by
Strategic Investment Solutions Inc.**

May 2009

U.S. EQUITY

Equity markets and interest rates continued to move higher in May as the degree of pessimism weakened across many metrics. During the month of May, the economic data released in the U.S. did not worsen and in many cases began to take on a more positive tone which in turn became a catalyst for a rally in a broad range of risk assets. It appears that many of those who have been short equities have been forced to cover and those investors who never sold their positions during the worst of the recent bear market continue to hold on as their positions recover.

May continued the strong rally in equities. Value outperformed Growth in large caps while Growth outperformed Value in small caps and large caps outperformed small caps. The Russell 1000 Growth Index was up +5.0% for the month of May, while the Russell 1000 Value Index was up +6.2%. In the small cap class, the Russell 2000 Growth Index was up +3.9% and the Russell 2000 Value Index was up +2.1%. The S&P 500 Index ended the month up +5.6% with a trailing 12-month P/E ratio of 15.2 (estimated P/E ratio of 15.9 on forward looking twelve-month operating earnings) and a dividend yield of 3.1%.

Corporate merger activity highlights for the month included: Sumitomo Mitsui will buy Citigroup's Japan brokerage business for \$5.9 billion as part of a bigger plan to restructure the U.S. bank; AIG will sell its Japanese headquarters to Nippon Life Insurance for \$1.2 billion; Pepsi Bottling rejected a \$6 billion acquisition offer from PepsiCo; Kohlberg Kravis Roberts is finalizing a deal to buy Anheuser-Busch InBev's South Korean beer assets for \$1.8 billion; AT&T will buy the bulk of Alltel assets being divested by Verizon for \$2.35 billion; Agrium increased its offer to buy smaller fertilizer rival CF Industries to about \$4.1 billion; Centrica will pay Electricite de France \$3.5 billion for a 20% stake in nuclear electricity generator British Energy; Alpha Natural Resources will acquire Foundation Coal for \$1.4 billion to create the 3rd largest U.S. coal

producer; Bank of America sold its entire lot of 13.5 billion shares in China Construction Bank for \$7.3 billion; Verizon will sell 4.8 million rural phone lines to Frontier Communications for \$5.15 billion, making it the largest rural-only service provider in the U.S.; Barclays, the U.K.'s 3rd biggest bank, is reportedly in talks to sell its asset management unit to potential buyers; AIG plans to spin off its Asian life insurance unit in an initial public offering; Novartis will buy Ebewe Pharma's injectable drug unit for \$1.2 billion to gain generic copies of cancer treatments; Franklin Resources and Crestview Partners are in joint talks to buy AIG's investment unit; Johnson & Johnson will buy Cougar Biotechnology, a maker of experimental cancer medicines, for nearly \$1 billion; PetroChina will pay \$1.0 billion to buy nearly half of Singapore Petroleum; and, AIG filed to sell a stake of almost \$1 billion in its majority-owned reinsurer Transatlantic Holdings.

FIXED INCOME

Fed Chairman Ben Bernanke said that the 3-year U.S. housing bust may be near a bottom and the recession should end this year, as long as there is not relapse of the credit squeeze that has strangled the economy.

The Labor Department reported that the unemployment rate soared to 8.9% in April, the highest since September 1983. The White House increased its forecast for the U.S. budget deficit to total \$1.84 trillion, a massive 12.9% of GDP in the current 2009 fiscal year that ends in September. Gross domestic product, which measures total goods and services output within U.S. borders, dropped at a 5.7% annual rate in the 1st quarter.

Long-term interest rates again rose in the month of May. The bellwether 10-year Treasury note ended the month yielding 3.47% up from 3.11% at the close of April. At month-end, the 30-year long bond yield was 4.33% and the 3-month T-bill was at 0.13%. Ten-year Treasury notes have lost 10.3% in 2009 while 30-year Treasury bonds have lost 27.5%. The Barclays Capital US

Aggregate Index was up by +0.73% in May. The Merrill Lynch High Yield Master II index was once again the strongest sector for the month, up by +7.1% in May. Investors should expect the yield curve to continue to steepen on the long end as the U.S. repeatedly comes to the market to convert short-term borrowing to long-term debt.

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

*U.S. manufacturing activity contracted at a slower-than-expected pace in April, raising hopes that the steep plunge that began last fall may be moderating.

*The Commerce Dept. reported that construction spending increased an unexpected 0.3% in March, the best showing since last September.

*21.8% of all U.S. homes, representing over 16 million residences, were in a negative equity position in the 1st quarter.

*The Labor Dept. reported that productivity, the key ingredient to rising living standards, grew at a 0.8% annual rate in the 1st quarter.

*The Council of Shopping Centers reported that same-store sales rose 0.7% in April, the first overall increase in 6 months.

*The U.S. trade gap widened in March to \$27.6 billion, from an upwardly revised estimate of \$26.1 billion in February, as imports of goods and services fell 1% to \$151.2 billion and exports tumbled 2.4% to \$123.6 billion.

*The Commerce Dept. reported that total retail sales dropped an unexpected 0.4% in April after falling by 1.3% in March.

*The Labor Dept. said the Producer Price Index climbed 0.3% in April after declining 1.2% in March.

*The Consumer Price Index was flat in April after falling 0.1% in March and compared to the same period last year, consumer prices fell 0.7%, the biggest 12-month decline since June 1955.

*The National Association of Home Builders/Wells Fargo Housing Market Index rose to 16 in May, its highest level in 8 months.

*The Commerce Dept. reported that housing starts fell 12.8% to a seasonally adjusted annual rate of 458,000 units in April, the lowest on record dating back to January, 1959.

*The Conference Board reported that its index of leading economic indicators, designed to forecast economic activity in the next 3 to 6 months, rose 1% in May, the 1st gain since June 2008.

*The median sales price of existing homes sold in April was \$170,200, a 15.4% year-over-year decline.

*The National Association of Realtors reported that existing home sales ticked up 2.9% in April to a seasonally adjusted annual rate of 4.68 million units.

*The Commerce Dept. reported that order for durable

Goods rose by 1.9% in April, the largest amount in 16 months.

The Conference Board's index of consumer attitudes jumped to 54.9 in May from a revised 40.8 in April and was the biggest one-month jump since April 2003. The Reuters/University of Michigan Survey of Consumers reported that its final May reading on consumer sentiments was 68.7, the highest since last September.

NON-U.S. MARKETS

The Bank of England left its official Bank Rate unchanged at 0.50% for the second straight month. First quarter GDP fell by 1.9% quarter-to-quarter and by 4.1% year-over-year.

The European Central Bank cut its administered interest rates as anticipated. It cut its benchmark rate on the main refinancing operation by 25 basis points to 1.00%. The European Union slashed its forecast for eurozone growth projecting a 4% contraction in GDP in 2009,

about double what it had predicted in January. The pace of decline in manufacturing activity is slowing. The overall eurozone purchasing managers' index (PMI) rose 3.7 points in May to 40.5. Investor confidence continues to rise with the Zew index of German investor sentiment jumping over 18 points in May to 31.1, the seventh consecutive gain.

The Bank of Japan kept its policy rate unchanged at 0.10%. GDP plunged 4.0% in the first quarter of this year following a revised 3.8% drop in the fourth quarter of last year. This was the fourth consecutive decline, and leaves GDP 9.7% lower than a year ago.

The U.S. dollar fell to the lowest level versus the euro since December, as traders looked for alternatives to the U.S. dollar and fears about the global economy abated.

Non-U.S. markets were sharply higher in the month of May led once again by Emerging Markets. The MSCI ACWI Ex-U.S. was up by +13.7% (US dollars) in May. Developed stocks (EAFE) were up +12.0% while Emerging Markets were higher by +17.1%.

CONCLUSIONS

The financial markets shrugged off the release of the U.S. bank stress results for the 19 largest bank holding companies and have focused on the "green shoots" of recovery. Based on the stress tests, regulators project that the 19 banks could experience \$600 billion in aggregate losses in 2009 and 2010 and need to raise their capital buffers by \$185 billion.

The majority of U.S. economic statistics may be starting to moderate. That said, many of the releases continue to be quite poor just not as poor as a couple of months ago. The recent upbeat tone that has helped propel equity prices might lead one to ask: Is the crisis over? We would caution that it is too early to

assume that the worst is behind us and to expect a vigorous rebound is naïve given that consumers and businesses need to continue to rethink their spending and saving patterns. The U.S. and Europe are still experiencing negative GDP growth and the global economy continues to experience a challenging environment as evidenced by stressed consumer credit, housing default rates on the rise and unemployment continuing to grow. We do not expect that these economic challenges will dissipate any time soon.

MARKET UPDATE

For May 2009

US Equity Indices	Style	Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
Russell 3000	Broad US Equity	5.34%	26.62%	3.84%	(32.85%)	(8.40%)	(1.52%)	(1.00%)
Russell 200	Large Cap Equity	6.01%	24.54%	2.08%	(31.60%)	(7.77%)	(2.28%)	(2.82%)
Russell 200 Growth	Large Cap Growth	4.87%	23.01%	8.19%	(28.57%)	(4.96%)	(2.25%)	(4.62%)
Russell 200 Value	Large Cap Value	7.29%	26.29%	(3.97%)	(34.67%)	(10.53%)	(2.28%)	(1.41%)
S&P 500	Large Cap Equity	5.59%	25.83%	2.96%	(32.57%)	(8.24%)	(1.90%)	(1.71%)
Russell 1000	Large Cap Equity	5.53%	26.38%	4.07%	(32.95%)	(8.23%)	(1.55%)	(1.28%)
Russell 1000 Growth	Large Cap Growth	4.96%	25.29%	10.29%	(30.71%)	(5.92%)	(1.80%)	(3.64%)
Russell 1000 Value	Large Cap Value	6.18%	27.62%	(2.15%)	(35.35%)	(10.70%)	(1.52%)	0.21%
Russell Mid Cap	Mid Cap Equity	4.34%	31.40%	9.57%	(36.15%)	(9.32%)	0.37%	3.47%
Russell Mid Cap Growth	Mid Cap Growth	5.17%	31.56%	16.07%	(35.72%)	(8.19%)	(0.22%)	0.65%
Russell Mid Cap Value	Mid Cap Value	3.43%	31.23%	2.99%	(36.84%)	(10.95%)	0.23%	4.09%
Russell 2000	Small Cap Equity	3.01%	29.54%	1.14%	(31.79%)	(10.14%)	(1.18%)	2.68%
Russell 2000 Growth	Small Cap Growth	3.87%	30.23%	7.86%	(31.55%)	(8.79%)	(1.31%)	(0.70%)
Russell 2000 Value	Small Cap Value	2.14%	28.86%	(4.89%)	(32.22%)	(11.62%)	(1.24%)	5.41%
DJW US REIT Index	REITS	2.57%	40.60%	(9.99%)	(49.64%)	(17.26%)	(2.01%)	5.71%
Non-US Indices								
MSCI ACWI Ex-US	Broad Non-US Equity	13.69%	39.76%	15.59%	(35.55%)	(5.04%)	5.63%	3.50%
MSCI AC World Index	Global Equity	10.08%	33.39%	10.16%	(34.34%)	(6.38%)	2.09%	0.74%
MSCI EAFE	Developed Non-US Equity	12.01%	34.61%	9.01%	(36.25%)	(7.33%)	3.35%	2.02%
MSCI Emerging Mkts.	Emerging Non-US Equity	17.15%	56.31%	38.06%	(34.13%)	3.65%	15.50%	10.33%
ML Global Ex-US Bond	Global Bonds	4.55%	8.04%	(0.88%)	3.85%	7.23%	6.21%	6.33%
Euro	Currency	6.82%	11.45%	1.83%	(8.92%)	3.29%	3.00%	3.10%
Japanese Yen	Currency	3.07%	2.50%	(5.03%)	10.59%	5.51%	2.98%	2.47%
British Pound	Currency	8.82%	13.13%	12.16%	(18.40%)	(4.84%)	(2.54%)	0.06%
US Fixed Income Indices								
ML 3-month T-Bill	Cash	0.02%	0.05%	0.09%	0.77%	3.11%	3.14%	3.18%
Barclays US Aggregate	Core Bonds	0.73%	2.61%	1.32%	5.36%	6.30%	5.01%	5.88%
Barclays US Universal	Core Bonds Plus	1.12%	3.69%	2.57%	3.83%	5.71%	4.92%	5.91%
ML US Gov't/Credit	Core Bonds	0.97%	2.33%	(0.14%)	4.04%	5.75%	4.62%	5.77%
ML US Corporate Master	Corporate Bonds	4.34%	7.33%	6.01%	(0.79%)	3.10%	3.14%	5.26%
Barclays Mortgage Backed Securitic	Mortgages	0.29%	2.00%	2.79%	9.19%	7.89%	6.14%	6.24%
Merrill Lynch High Yield Master II	High Yield Bonds	7.11%	23.34%	25.38%	(9.01%)	0.63%	3.75%	4.09%

(not annualized if less than 1 year)

Source: mpi Stylus

Preliminary data

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

SUMMARY OF INVESTMENTS

ASSET CLASS	MARKET VALUE	PERCENT	NEW TARGET	POLICY RANGE
DOMESTIC EQUITIES	418,275,721	39.8%	46.4%	36.5% - 56.3%
INTERNATIONAL EQUITIES	207,476,967	19.8%	20.0%	16.0% - 24.0%
FIXED INCOME	395,447,559	37.7%	30.6%	27.6% - 33.6%
REAL ESTATE	12,240,319	1.2%	3.0%	1.5% - 4.5%
CASH (equity managers only)	16,672,361	1.6%	0.0%	0.0% - 3.0%
TOTAL PORTFOLIO	1,050,112,927	100.0%	100.0%	

	<u>CURRENT</u>	<u>TARGET</u>
DODGE & COX - LARGE CAP VALUE	14.5%	17.5%
DELAWARE - LARGE CAP GROWTH	8.9%	8.9%
LOOMIS SAYLES - LARGE CAP GROWTH	5.2%	5.9%
CAPITAL PROSPECTS	4.8%	5.0%
LEGATO CAPITAL	2.9%	4.3%
BNY - S&P 500 INDEX	4.6%	4.8%
LSV ASSET MGMT - INTL EQ	10.2%	10.0%
PYRAMIS - INTL EQ	10.0%	10.0%
DODGE & COX FIXED INCOME	37.7%	30.6%
INVESCO - GLOBAL REIT	1.2%	3.0%
TOTALS	100%	100%

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

GROWTH OF ASSETS AND CHANGES IN ALLOCATION

<u>ASSET CLASS</u>	<u>CURRENT</u>	<u>PRIOR</u>		<u>PRIOR</u>	
<u>MARKET VALUE</u>	<u>MONTH</u>	<u>MONTH</u>	<u>% CHANGE *</u>	<u>YEAR</u>	<u>% CHANGE *</u>
DOMESTIC EQUITIES	418,275,721	393,780,249	6.22%	608,879,491	-31.30%
INTERNATIONAL EQUITIES	207,476,967	183,193,081	13.26%	284,574,375	-27.09%
FIXED INCOME	395,447,559	388,088,998	1.90%	430,811,809	-8.21%
REAL ESTATE	12,240,319	11,044,779	10.82%	20,683,790	-40.82%
CASH (equity managers only)	16,672,361	18,342,036	-9.10%	26,080,618	-36.07%
TOTAL PORTFOLIO	1,050,112,927	994,449,144	5.60%	1,371,030,082	-23.41%
ASSET ALLOCATION (ACTUAL)					
DOMESTIC EQUITIES	39.83%	39.60%	0.2%	44.41%	-4.6%
INTERNATIONAL EQUITIES	19.76%	18.42%	1.3%	20.76%	-1.0%
FIXED INCOME	37.66%	39.03%	-1.4%	31.42%	6.2%
REAL ESTATE	1.17%	1.11%	0.1%	1.51%	-0.3%
CASH (equity managers only)	1.59%	1.84%	-0.3%	1.90%	-0.3%
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 MAY 31, 2009
PRELIMINARY BASIS

MANAGER ALLOCATION

ASSET CLASS	MARKET VALUE	PERCENT	POLICY	
			TARGET	RANGE
DOMESTIC EQUITIES				
DODGE & COX - LARGE CAP VALUE	152,674,782	14.5%	17.5%	14.5% - 20.5%
DELAWARE - LARGE CAP GROWTH	93,096,565	8.9%	8.9%	6.9% - 10.9%
LOOMIS SAYLES - LARGE CAP GROWTH	54,638,399	5.2%	5.9%	4.5% - 7.3%
CAPITAL PROSPECTS - SMALL CAP VALUE	50,832,184	4.8%	5.0%	3.9% - 6.1%
LEGATO CAPITAL - SMALL CAP GROWTH	30,946,140	2.9%	4.3%	2.9% - 5.7%
BNY - S&P 500 INDEX	48,572,369	4.6%	4.8%	3.8% - 5.8%
TOTAL DOMESTIC EQUITIES	430,760,439	41.0%	46.4%	
FIXED INCOME				
DODGE & COX	395,447,559	37.7%	30.6%	27.6% - 33.6%
TOTAL FIXED INCOME	395,447,559	37.7%	30.6%	
INTERNATIONAL INVESTMENTS				
LSV ASSET MGMT.	107,173,447	10.2%	10.0%	8.0% - 12.0%
PYRAMIS	104,491,163	10.0%	10.0%	8.0% - 12.0%
TOTAL INTERNATIONAL EQUITIES	211,664,610	20.2%	20.0%	
REAL ESTATE				
INVESCO	12,240,319	1.2%	3.0%	1.5% - 4.5%
TOTAL REAL ESTATE	12,240,319	1.2%	3.0%	
TOTAL StanCERA PORTFOLIO	1,050,112,927	100.0%	100.0%	

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING 5/31/09
PRELIMINARY

	TOTAL FUND			
	CASH	BONDS	EQUITIES	TOTAL
DOMESTIC EQUITIES				
DODGE & COX - LARGE CAP VALUE	7,174,557		145,500,225	152,674,782
DELAWARE - LARGE CAP GROWTH	1,893,851		91,202,714	93,096,565
LOOMIS SAYLES - LARGE CAP GROWTH	419,837		54,218,563	54,638,399
CAPITAL PROSPECTS - SMALL CAP VALUE	2,470,524		48,361,660	50,832,184
LEGATO CAPITAL - SMALL CAP GROWTH	525,950		30,420,190	30,946,140
BNY - S&P 500 INDEX	0		48,572,369	48,572,369
TOTAL DOMESTIC EQUITIES	12,484,718		418,275,721	430,760,439
FIXED INCOME				
DODGE & COX	14,733,144	380,714,416		395,447,559
TOTAL FIXED INCOME	14,733,144	380,714,416		395,447,559
INTERNATIONAL INVESTMENTS				
LSV ASSET MGMT.	2,188,955		104,984,492	107,173,447
PYRAMIS	1,998,688		102,492,475	104,491,163
TOTAL INTERNATIONAL EQUITIES	4,187,643		207,476,967	211,664,610
REAL ESTATE				
INVESCO	0		12,240,319	12,240,319
TOTAL REAL ESTATE	0		12,240,319	12,240,319
TOTAL STANCERA PORTFOLIO	31,405,505	380,714,416	637,993,007	1,050,112,927

3.0% 36.3% 60.8% 100.0%

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

CURRENT PERFORMANCE

	MARKET VALUE	MAY	ALPHA	APR	ALPHA	FISCAL YTD	ALPHA
DOMESTIC EQUITIES							
DODGE & COX - LARGE CAP VALUE	145,500,225	7.07%	0.89%	13.56%	2.84%	-27.39%	1.11%
<i>RUSSELL 1000 VALUE</i>		6.18%		10.72%		-28.50%	
DELAWARE - LARGE CAP GROWTH	91,202,714	6.21%	1.25%	8.84%	-0.76%	-22.52%	0.91%
<i>RUSSELL 1000 GROWTH</i>		4.96%		9.60%		-23.43%	
LOOMIS SAYLES - LARGE CAP GROWTH	54,218,563	3.62%	-1.34%	7.22%	-2.38%	-35.87%	-12.44%
<i>RUSSELL 1000 GROWTH</i>		4.96%		9.60%		-23.43%	
CAPITAL PROSPECTS*	48,361,660	3.25%	1.11%	17.03%	1.16%	-17.43%	7.60%
<i>RUSSELL 2000 VALUE</i>		2.14%		15.87%		-25.03%	
LEGATO CAPITAL**	30,420,190	3.21%	-0.66%	14.58%	-0.47%	-38.77%	-7.24%
<i>RUSSELL 2000 GROWTH***</i>		3.87%		15.05%		-31.53%	
BNY - S&P 500 INDEX	48,572,369	5.61%	0.02%	9.58%	0.01%	-26.30%	0.06%
<i>S&P 500</i>		5.59%		9.57%		-26.36%	
TOTAL DOMESTIC EQUITY	418,275,721	5.53%	0.19%	10.46%	-0.06%	-28.12%	-1.30%
<i>Russell 3000 Index</i>		5.34%		10.52%		-26.82%	
FIXED INCOME							
DODGE & COX	395,447,559	2.69%	1.96%	2.97%	2.49%	5.31%	-0.13%
<i>BARCLAYS US AGGREGATE BOND</i>		0.73%		0.48%		5.44%	
INTERNATIONAL INVESTMENTS							
LSV ASSET MGMT	104,984,492	13.02%	-0.67%	17.77%	4.14%	-29.84%	0.15%
<i>MSCI ACWI Free ex-US</i>		13.69%		13.63%		-29.99%	
PYRAMIS	102,492,475	13.20%	-0.49%	12.29%	-1.34%	-32.45%	-2.46%
<i>MSCI ACWI Free ex-US</i>		13.69%		13.63%		-29.99%	
TOTAL INTERNATIONAL EQUITY	207,476,967	13.11%	-0.58%	15.00%	1.37%	-31.18%	-1.19%
<i>MSCI ACWI Free ex-US</i>		13.69%		13.63%		-29.99%	
REAL ESTATE							
INVESCO	12,240,319	10.82%	-1.81%	18.01%	-2.65%	-32.80%	3.07%
<i>FTSE EPRA/NAREIT Global REIT</i>		12.63%		20.66%		-35.87%	
CASH & SHORT-TERM INVESTMENTS							
CASH	16,672,361	0.03%	0.01%	0.04%	0.04%	1.36%	0.59%
<i>90 DAY TREASURY BILL</i>		0.02%		0.01%	0.01%	0.77%	
TOTAL StanCERA Fund	1,050,112,927	5.92%	0.43%	9.10%	0.72%	-17.76%	-0.33%
<i>Policy Index</i>		5.49%		8.38%		-17.43%	
<i>Actuary Rate of Assumption (8.16%)</i>		0.66%	5.26%	0.66%	8.44%	7.52%	-25.28%
<i>Actuary Rate of Inflation (4.00%)</i>		0.33%	5.59%	0.33%	8.77%	3.67%	-21.43%