



StanCERA

**Monthly Investment Performance
Summary**

**Provided by
Strategic Investment Solutions Inc.**

December 2009

U.S. EQUITY

Low interest rates and government support packages have spurred a 60% plus rally in the S&P 500 Index since March 9th. The S&P is valued at about 22 times operating earnings, near the highest since 2002. Are equity markets ahead of themselves? Strong business growth and the consumer in developed markets regaining their spending prowess would be quite helpful at this point in time as central banks contemplate their supportive exit strategies in 2010 and beyond.

Equity markets continued to rally in December. Growth outperformed value and small caps outperformed large caps. The Russell 1000 Growth Index was up +3.1% for the month of December, while the Russell 1000 Value Index was up +1.8%. In the small cap class, the Russell 2000 Growth Index was up +8.6% and the Russell 2000 Value Index was up +7.6%. The S&P 500 Index ended the month up +1.9%. The past ten years were the worst calendar decade for U.S. stocks (Russell 3000 Index -0.2%), even worse than the 1930s.

Corporate merger activity highlights for the month included: Siemens is reportedly hiring UBS to advise on a possible sale of its hearing-aid unit, valued at more than \$3 billion; Simon Property, the largest U.S. shopping mall owner, will buy Prime Outlets for \$2.3 billion; Allied Aviation made a \$12 billion bid to buy the aircraft leasing unit of AIG; Panasonic will buy a majority stake in Sanyo Electric for \$4.6 billion; BP sold its interest in Kazakhstan's Tengiz oilfield and the Caspian Pipeline Consortium to OAO Lukoil for \$1.6 billion; Exxon Mobil will buy XTO Energy in an all stock deal valued at about \$31 billion; Abu Dhabi bailed out neighboring Dubai with \$10 billion in surprise aid for debt-laden Dubai World; Boyd Gaming renewed its proposal to buy bankrupt competitor Station Casinos in a deal worth \$2.5 billion; National Australia Bank made a \$12 billion bid for Axa Asia Pacific; Brazil's Companhia Siderurgica Nacional made an unsolicited \$5.6 billion bid for Cimentos de Portugal to form one of the world's biggest cement firms; and, Sanofi-Aventis will

buy U.S. consumer healthcare group Chattem for \$1.9 billion.

\$52 billion has been raised from IPOs in Hong Kong and mainland China this year, about twice as much as the \$26.5 billion in U.S. IPOs.

FIXED INCOME

Real gross domestic product, the output of goods and services produced by labor and property located in the U.S., was once again revised downward to 2.2% in the third and final estimate for the third quarter. The first estimate was 3.5% and the second estimate was 2.8%. The third estimate primarily reflected downward revisions to nonresidential fixed investment, to private inventory investment and to personal consumption expenditures. In the second quarter, GDP decreased by -0.7%.

The unemployment rate fell to 10% in December from 10.2% according to the Bureau of Labor Statistics.

The Fed's Beige Book report said that the U.S. economy improved modestly in late October and November, with moderate gains in consumer spending, manufacturing and housing offsetting dismal conditions in commercial real estate. Economic growth has picked up over the past few months and while the pace is still moderate at roughly 3% to 4%, it is welcomed.

The Federal Reserve repeated its pledge to keep interest rates "exceptionally low" for an extended period" and said the economy is strengthening. "Deterioration in the labor market is abating," the Federal Open Market Committee said in a statement on December 16th. "Household spending appears to be expanding at a moderate rate, though it remains constrained by a weak labor market, modest income growth, lower housing wealth, and tight credit."

The combination of positive economic news including stronger-than-expected retail sales and a rise in consumer sentiment drove long-term interest rates higher in the month of December. The bellwether 10-year Treasury note ended the month yielding 3.83% up from 3.21% at the close of November. At month-end, the 30-year long bond yield was 4.64% and the 3-month T-bill was at 0.06%. The Barclays Capital US Aggregate Index was down -1.56% in December although high yield bonds once again posted a positive month with the Merrill Lynch US High Yield Master II Index up +3.1% for the month.

The number of companies defaulting on their bonds in 2009 rose to 262 as of December 21st, twice as many as 2008 and above the record of 229 set in 2001. 3.6% of prime mortgages, those made to the most credit-worthy borrowers, were seriously delinquent in the 3rd quarter, up nearly 20% from the 2nd quarter.

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

*Orders to U.S. factories unexpectedly rose in October, the sixth gain in the past seven months, further evidence that the manufacturing sector is beginning to recover.

*The Federal Reserve reported that outstanding balances of consumer credit fell by \$3.5 billion, or 1.7% annualized, in October to \$2.48 trillion.

*The Commerce Dept. reported that the trade deficit unexpectedly fell to \$32.9 billion in October, 7.6% below a revised September deficit of \$35.7 billion.

*Household net worth in the U.S. rose for the 2nd quarter in a row, growing 5% to an estimated \$53.4 trillion in the 3rd quarter.

*The Commerce Dept. reported that total retail sales increased 1.3% last month, the largest

advance since August, after rising 1.1% in October.

*Wholesale prices jumped 1.8% last month, more than double the 0.8% gain that analysts expected while core inflation, which excludes energy and food, rose 0.5%, the biggest increase in more than a year.

*Sales of existing homes surged 7.4% in November, the fastest pace since February 2007. The median home price dropped 4.3% in November, from a year-ago, to \$172,600, the smallest price decline since November 2007.

*The Commerce Dept. reported personal incomes were up 0.4% in November, the biggest gain in six months.

*Sales of newly built single-family homes unexpectedly dropped 11.3% in November.

*The personal savings rate for November was unchanged at 4.7%.

*Initial jobless claims fell by 22,000 to 432,000 in the week ending December 26, the lowest level since July 2008. The number of people collecting unemployment insurance fell to 4.98 million.

The Reuters/University of Michigan Surveys of Consumers reported that its final December reading of consumer sentiment was at 72.5 from 67.4 in November and the highest level since September.

NON-U.S. MARKETS

An extremely shallow euro zone and UK economic recovery will keep the corporate defaults across Europe at a historically high level between 8.1% and 11.1% compared with a long term trend rate of 4.5%, says Standard and Poor's in a new credit outlook report.

Germany's economy will grow by 1.6% next year and a more modest 1.2% in 2011, according to central bank predictions.

Non-U.S. Developed markets were once again higher in the month of December. The MSCI ACWI Ex-U.S. was up by +2.1% (US dollars) in

December. Developed stocks (EAFE) were up by +1.5% while Emerging Markets were up by +4.0% for the month and by +79% for the calendar year.

CONCLUSIONS

A return to normalcy will not be easy to achieve as we come out of this severe recession. GDP growth has now been revised downward twice for the third quarter and unemployment in the U.S. remains at 10.0%. Were it not for the amazing levels of stimulus provided by the governments and central banks (the U.S. national debt is now at \$12.1 trillion after \$787 billion in stimulus spending and \$700 billion in bank bailouts in 2009) who knows where we would be. That said, and as we have stated many times before, the United States and its citizens have always had the ability to overcome adversity and we are hopeful that their spirit, ingenuity and know-how will once again prevail. Corporate America is generally in good shape and demand for their products and services will once again appear in the not so distant future.

Low interest rates and general gradually improving economic activity has led the Fed to predict that the economy will grow by 2.5 to 3.5 percent in 2010 which unfortunately would bring the unemployment rate down only to a level between 9.3 and 9.7 percent.

We wish all of our clients, friends, and their families a Happy New Year with good health, happiness and prosperity.

MARKET UPDATE

For December 2009

US Equity Indices	Style	Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
Russell 3000	Broad US Equity	2.85%	5.90%	28.34%	28.34%	(5.42%)	0.76%	(0.20%)
Russell 200	Large Cap Equity	1.23%	6.12%	24.21%	24.21%	(5.61%)	0.16%	(2.26%)
Russell 200 Growth	Large Cap Growth	2.01%	8.40%	34.01%	34.01%	(1.32%)	1.42%	(4.83%)
Russell 200 Value	Large Cap Value	0.42%	3.81%	14.59%	14.59%	(9.79%)	(1.14%)	0.37%
S&P 500	Large Cap Equity	1.93%	6.04%	26.46%	26.46%	(5.63%)	0.42%	(0.95%)
Russell 1000	Large Cap Equity	2.43%	6.07%	28.43%	28.43%	(5.36%)	0.79%	(0.49%)
Russell 1000 Growth	Large Cap Growth	3.09%	7.94%	37.21%	37.21%	(1.89%)	1.63%	(3.99%)
Russell 1000 Value	Large Cap Value	1.77%	4.22%	19.69%	19.69%	(8.96%)	(0.25%)	2.47%
Russell Mid Cap	Mid Cap Equity	5.70%	5.92%	40.48%	40.48%	(4.59%)	2.43%	4.98%
Russell Mid Cap Growth	Mid Cap Growth	6.19%	6.69%	46.29%	46.29%	(3.18%)	2.40%	(0.52%)
Russell Mid Cap Value	Mid Cap Value	5.23%	5.21%	34.21%	34.21%	(6.62%)	1.98%	7.58%
Russell 2000	Small Cap Equity	8.05%	3.87%	27.17%	27.17%	(6.07%)	0.51%	3.51%
Russell 2000 Growth	Small Cap Growth	8.56%	4.14%	34.47%	34.47%	(4.00%)	0.87%	(1.37%)
Russell 2000 Value	Small Cap Value	7.57%	3.63%	20.58%	20.58%	(8.22%)	(0.01%)	8.27%
DJW US REIT Index	REITS	7.00%	9.18%	28.46%	28.46%	(13.65%)	(0.07%)	10.67%

Non-US Indices

MSCI ACWI Ex-US	Broad Non-US Equity	2.13%	3.79%	42.14%	42.14%	(3.04%)	6.30%	3.11%
MSCI AC World Index	Global Equity	2.10%	4.72%	35.41%	35.41%	(4.05%)	3.64%	0.89%
MSCI EAFE	Developed Non-US Equity	1.45%	2.22%	32.46%	32.46%	(5.57%)	4.02%	1.58%
MSCI Emerging Mkts.	Emerging Non-US Equity	3.96%	8.58%	79.02%	79.02%	5.42%	15.88%	10.09%
ML Global Ex-US Bond	Global Bonds	(5.78%)	(2.16%)	4.19%	4.19%	8.43%	4.43%	6.71%
Euro	Currency	(4.44%)	(1.85%)	3.22%	3.22%	2.85%	1.09%	3.65%
Japanese Yen	Currency	(7.47%)	(3.82%)	(2.63%)	(2.63%)	8.57%	1.94%	0.95%
British Pound	Currency	(1.60%)	0.97%	12.32%	12.32%	(6.21%)	(3.40%)	0.02%

US Fixed Income Indices

ML 3-month T-Bill	Cash	0.01%	0.04%	0.21%	0.21%	2.40%	3.02%	2.99%
Barclays US Aggregate	Core Bonds	(1.56%)	0.20%	5.93%	5.93%	6.04%	4.97%	6.33%
Barclays US Universal	Core Bonds Plus	(1.25%)	0.58%	8.60%	8.60%	5.80%	5.01%	6.44%
Barclays US Gov't/Credit	Core Bonds	(1.77%)	(0.21%)	4.52%	4.52%	5.81%	4.71%	6.34%
ML US Corporate Master	Corporate Bonds	(1.00%)	1.22%	19.76%	19.76%	5.31%	4.45%	6.57%
Barclays Mortgage Backed Securitie	Mortgages	(1.41%)	0.57%	5.89%	5.89%	7.04%	5.78%	6.46%
Merrill Lynch High Yield Master II	High Yield Bonds	3.13%	6.04%	57.51%	57.51%	5.82%	6.35%	6.52%

(not annualized if less than 1 year)

Source: mpi Stylus

Preliminary data

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








SUMMARY OF INVESTMENTS

ASSET CLASS	MARKET VALUE	PERCENT	POLICY	
			TARGET	RANGE
DOMESTIC EQUITIES	586,122,981	47.7%	46.4%	36.5% - 56.3%
INTERNATIONAL EQUITIES	265,945,162	21.6%	20.0%	16.0% - 24.0%
FIXED INCOME	349,500,432	28.4%	32.1%	29.1% - 35.1%
REAL ESTATE	15,594,416	1.3%	1.5%	0.0% - 3.0%
SECURITY LENDING	(2,817,652)	-0.2%	0.0%	0.0% - 0.0%
CASH (equity managers only)	14,358,982	1.2%	0.0%	0.0% - 3.0%
TOTAL PORTFOLIO	1,228,704,321	100.0%	100.0%	

	CURRENT	TARGET
DODGE & COX - LARGE CAP VALUE	15.5%	14.5%
BGI - R1000 VALUE INDEX	3.3%	3.0%
DELAWARE - LARGE CAP GROWTH	9.9%	8.9%
LOOMIS SAYLES - LARGE CAP GROWTH	5.9%	5.9%
CAPITAL PROSPECTS	5.2%	5.0%
LEGATO CAPITAL	4.2%	4.3%
BNY - S&P 500 INDEX	4.9%	4.8%
LSV ASSET MGMT - INTL EQ	11.1%	10.0%
PYRAMIS - INTL EQ	10.6%	10.0%
DODGE & COX FIXED INCOME	28.4%	32.1%
INVESCO - GLOBAL REIT	1.3%	1.5%
SECURITY LENDING	-0.2%	0.0%
TOTALS	100.0%	100.0%

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING DEC. 31, 2009
PRELIMINARY BASIS

GROWTH OF ASSETS AND CHANGES IN ALLOCATION

ASSET CLASS	CURRENT MONTH	PRIOR MONTH	% CHANGE *	PRIOR YEAR	% CHANGE *
MARKET VALUE					
DOMESTIC EQUITIES	586,122,981	565,479,920	3.65%	367,690,194	59.41%
INTERNATIONAL EQUITIES	265,945,162	256,636,443	3.63%	152,303,876	74.61%
FIXED INCOME	349,500,432	354,066,566	-1.29%	378,941,172	-7.77%
REAL ESTATE	15,594,416	15,135,667	3.03%	11,635,791	34.02%
SECURITIES LENDING	(2,817,652)	(2,826,402)			
CASH (equity managers only)	14,358,982	17,414,097	-17.54%	20,123,325	-28.65%
TOTAL PORTFOLIO	1,228,704,321	1,205,906,291 	1.89%	930,694,358	32.02%
ASSET ALLOCATION (ACTUAL)					
DOMESTIC EQUITIES	47.70%	46.89% 	0.8%	39.51%	8.2%
INTERNATIONAL EQUITIES	21.64%	21.28% 	0.4%	16.36%	5.3%
FIXED INCOME	28.44%	29.36% 	-0.9%	40.72%	-12.3%
REAL ESTATE	1.27%	1.26% 	0.0%	1.25%	0.0%
SECURITY LENDING	-0.23%	-0.23%	0.0%		
CASH (equity managers only)	1.17%	1.44% 	-0.3%	2.16%	-1.0%
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 DEC. 31, 2009
PRELIMINARY BASIS

MANAGER ALLOCATION

ASSET CLASS	MARKET VALUE	PERCENT	POLICY TARGET	RANGE
DOMESTIC EQUITIES				
DODGE & COX - LARGE CAP VALUE	190,305,347	15.5%	14.5%	11.5% - 17.5%
BGI - R1000 VALUE INDEX	39,965,494	3.3%	3.0%	2.0% - 4.0%
DELAWARE - LARGE CAP GROWTH	121,928,702	9.9%	8.9%	6.9% - 10.9%
LOOMIS SAYLES - LARGE CAP GROWTH	72,564,747	5.9%	5.9%	4.5% - 7.3%
CAPITAL PROSPECTS - SMALL CAP VALUE	63,638,508	5.2%	5.0%	3.9% - 6.1%
LEGATO CAPITAL - SMALL CAP GROWTH	51,142,622	4.2%	4.3%	2.9% - 5.7%
BNY - S&P 500 INDEX	<u>59,684,596</u>	4.9%	4.8%	3.8% - 5.8%
TOTAL DOMESTIC EQUITIES	599,230,016	48.8%	46.4%	
FIXED INCOME				
DODGE & COX	<u>349,500,432</u>	28.4%	32.1%	29.1% - 35.1%
TOTAL FIXED INCOME	349,500,432	28.4%	32.1%	
INTERNATIONAL INVESTMENTS				
LSV ASSET MGMT.	136,913,284	11.1%	10.0%	8.0% - 12.0%
PYRAMIS	<u>130,283,825</u>	10.6%	10.0%	8.0% - 12.0%
TOTAL INTERNATIONAL EQUITIES	<u>267,197,109</u>	21.7%	20.0%	
REAL ESTATE				
INVESCO	<u>15,594,416</u>	1.3%	1.5%	0.0% - 3.0%
TOTAL REAL ESTATE	15,594,416	1.3%	1.5%	
SECURITIES LENDING	<u>(2,817,652)</u>	-0.2%	0.0%	0.0% - 0.0%
TOTAL StanCERA PORTFOLIO	<u><u>1,228,704,321</u></u>	100.0%	100.0%	

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING 12/31/09
PRELIMINARY

	TOTAL FUND			
	CASH	BONDS	EQUITIES	TOTAL
DOMESTIC EQUITIES				
DODGE & COX - LARGE CAP VALUE	8,272,809		182,032,538	190,305,347
BGI - R1000 VALUE INDEX	6,222		39,959,272	39,965,494
DELAWARE - LARGE CAP GROWTH	1,251,852		120,676,850	121,928,702
LOOMIS SAYLES - LARGE CAP GROWTH	439,904		72,124,844	72,564,747
CAPITAL PROSPECTS - SMALL CAP VALUE	1,936,216		61,702,292	63,638,508
LEGATO CAPITAL - SMALL CAP GROWTH	1,199,842		49,942,780	51,142,622
BNY - S&P 500 INDEX	190		59,684,405	59,684,596
TOTAL DOMESTIC EQUITIES	13,107,035		586,122,981	599,230,016
FIXED INCOME				
DODGE & COX	4,454,932	345,045,501		349,500,432
TOTAL FIXED INCOME	4,454,932	345,045,501		349,500,432
INTERNATIONAL INVESTMENTS				
LSV ASSET MGMT.	846,328		136,066,956	136,913,284
PYRAMIS	405,619		129,878,206	130,283,825
TOTAL INTERNATIONAL EQUITIES	1,251,947		265,945,162	267,197,109
REAL ESTATE				
INVESCO	0		15,594,416	15,594,416
TOTAL REAL ESTATE	0		15,594,416	15,594,416
SECURITIES LENDING	(2,817,652)			(2,817,652)
TOTAL STANCERA PORTFOLIO	15,996,262	345,045,501	867,662,559	1,228,704,321

1.3% 28.1% 70.6% 100.0%

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING DEC. 31, 2009
PRELIMINARY BASIS

CURRENT PERFORMANCE

	MARKET VALUE	DEC	ALPHA	NOV	ALPHA	FISCAL YTD	ALPHA
DOMESTIC EQUITIES							
DODGE & COX - LARGE CAP VALUE	182,032,538	2.34%	0.57%	4.97%	-0.67%	24.66%	1.44%
<i>RUSSELL 1000 VALUE</i>		1.77%		5.64%		23.22%	
BGI - R1000 VALUE INDEX***	39,959,272	1.81%	0.04%	5.64%	0.00%	14.17%	0.26%
<i>RUSSELL 1000 VALUE</i>		1.77%		5.64%		13.91%	
DELAWARE - LARGE CAP GROWTH	120,676,850	4.01%	0.92%	7.15%	1.01%	24.72%	1.70%
<i>RUSSELL 1000 GROWTH</i>		3.09%		6.14%		23.02%	
LOOMIS SAYLES - LARGE CAP GROWTH	72,124,844	4.20%	1.11%	6.34%	0.20%	23.66%	0.64%
<i>RUSSELL 1000 GROWTH</i>		3.09%		6.14%		23.02%	
CAPITAL PROSPECTS*	61,702,292	6.11%	-1.46%	2.77%	-0.41%	24.41%	-2.73%
<i>RUSSELL 2000 VALUE</i>		7.57%		3.18%		27.14%	
LEGATO CAPITAL**	49,942,780	7.55%	-1.01%	3.22%	0.13%	20.84%	0.10%
<i>RUSSELL 2000 GROWTH**</i>		8.56%		3.09%		20.74%	
BNY - S&P 500 INDEX	59,684,405	1.94%	0.01%	6.00%	0.00%	22.61%	0.02%
<i>S&P 500</i>		1.93%		6.00%		22.59%	
TOTAL DOMESTIC EQUITY	586,122,981	3.65%	0.80%	5.33%	-0.35%	23.23%	0.06%
<i>Russell 3000 Index</i>		2.85%		5.68%		23.17%	
FIXED INCOME							
DODGE & COX	349,500,432	-0.30%	1.26%	1.22%	-0.07%	8.00%	4.06%
<i>BARCLAYS US AGGREGATE BOND</i>		-1.56%		1.29%		3.94%	
INTERNATIONAL INVESTMENTS							
LSV ASSET MGMT	136,066,956	2.09%	-0.04%	2.64%	-0.25%	27.42%	3.11%
<i>MSCI ACWI Free ex-US</i>		2.13%		2.89%		24.31%	
PYRAMIS	129,878,206	2.36%	0.23%	3.52%	0.63%	25.61%	1.30%
<i>MSCI ACWI Free ex-US</i>		2.13%		2.89%		24.31%	
TOTAL INTERNATIONAL EQUITY	265,945,162	2.22%	0.09%	3.07%	0.18%	26.55%	2.24%
<i>MSCI ACWI Free ex-US</i>		2.13%		2.89%		24.31%	
REAL ESTATE							
INVESCO	15,594,416	3.03%	-1.14%	1.83%	-0.15%	27.87%	-3.18%
<i>FTSE EPRA/NAREIT Global REIT</i>		4.17%		1.98%		31.05%	
SECURITIES LENDING							
BNY MELLON	(2,817,652)						
CASH and SHORT-TERM INVESTMENTS							
CASH	14,358,982	0.01%	0.00%	0.02%	0.00%	0.12%	0.01%
<i>90 DAY TREASURY BILL</i>		0.01%		0.02%		0.11%	
TOTAL StanCERA Fund	1,228,704,321	2.19%	0.60%	3.59%	0.09%	19.16%	2.04%
<i>Policy Index</i>		1.59%		3.50%		17.12%	
<i>Actuary Rate of Assumption (8.16%)</i>		0.66%	1.53%	0.66%	2.93%	4.00%	15.16%
<i>Actuary Rate of Inflation (4.00%)</i>		0.33%	1.86%	0.33%	3.26%	2.00%	17.16%

* Capital Prospects funded 12/31/2008 and replaced the Russell 2000 Value shares. **Legato Capital funded 12/22/2008 and replaced Mazama Capital.

*** BGI R1000 Value Index funded close of 7/31/09.