



StanCERA

**Monthly Investment Performance
Summary**

**Provided by
Strategic Investment Solutions Inc.**

January 2010

U.S. EQUITY

Wall Street's rise during the 1st week of the year may be a promising sign for things to come. The S&P 500 Index has posted full-year gains 31 of the last 36 times when the index rose during the 1st week of the year. However, equity markets sold off in the second-half of January and ended the month lower.

Equity markets were lower in the month of January. Value outperformed growth and large caps and small caps performed in-line with one another. The Russell 1000 Growth Index was down -4.4% for the month of January, while the Russell 1000 Value Index was down -2.8%. In the small cap class, the Russell 2000 Growth Index was down -4.5% and the Russell 2000 Value Index was down -2.9%. The S&P 500 Index ended the month down -3.6% with a trailing 12-month P/E ratio of 47.0 (estimated P/E ratio of 14.8 on forward looking twelve-month operating earnings) and a dividend yield of 2.1%.

The bull market high was set on October 9, 2007 at 14,165 for the Dow Jones Industrial Index and subsequently sank to a low of 6,547 on March 9, 2009. The secular bear market that has reigned over the past decade has, thus far, contained two cyclical bull and two cyclical bear episodes in the stock market and a boom-bust cycle in housing and commercial real estate. Maybe we need a new definition for "long term".

The Obama administration proposal for significant structural changes on what commercial banks are allowed to do and in regards to their size seemed to have a negative effect on the equity markets. The President and his economic team will work with Congress to ensure that no bank or financial institution that contains a bank will own, invest in or sponsor a hedge fund or a private equity fund, or proprietary trading operations unrelated to

servicing customers for its own profit. The President also announced a new proposal to limit the consolidation of the financial sector. Goldman Sachs posts a \$4.8 billion profit and J.P. Morgan a \$3.3 billion profit in the fourth quarter.

The results of the Massachusetts senate seat means that the Democrats no longer have the super-majority in the Senate.

Corporate merger activity highlights for the month included: Novartis plans to buy the rest of the world's biggest eye care firm Alcon for \$39.3 billion which would include Nestle's 23% stake; French oil company Total will pay \$2.25 billion for a stake in Chesapeake's Barnett Shale assets; Nestle will buy Kraft Food's pizza business for \$3.7 billion; Reliance Industries increased its offer to buy a stake in LyondellBasell Industries valuing the bankrupt chemicals maker at \$13.5 billion; Heineken will acquire the beer business of Mexico's FEMSA in a deal worth about \$7.6 billion; American Airlines and TPG offered to invest \$1.4 billion in Japan Airlines as the U.S. carrier tries to maintain ties with Asia's largest airline; Shiseido, Japan's largest cosmetic company, will buy U.S. based Bare Escentuals for \$1.7 billion; General Motors provided its Opel unit \$935 million in fresh funding; Cadbury accepted and recommended to shareholders Kraft's improved takeover offer worth \$19.7 billion; Tyco International will buy Broadview Security for \$1.9 billion; Swiss Reinsurance transferred part of its U.S. life insurance business to Berkshire Hathaway for \$1.27 billion; MetLife is in final talks to buy AIG's American Life Insurance unit in a deal that could be worth \$15 billion; Carrefour, Europe's biggest retailer, plans to invest \$1.4 billion in Brazil over the next two years; and, Liberty Global will sell its stake in Japan's largest cable TV operator for \$4 billion to KDDI, Japan's 2nd-largest telecommunications company.

We are seeing an increase in M&A activity especially from numerous non-U.S. companies. Globalization of business interests continues to march onward.

FIXED INCOME

The economy grew at a better than expected 5.7% annual rate in the 4th quarter, the fastest pace since 2003 subject to future revisions. The Beige Book report indicated that while economic activity remains at a low level, conditions have improved modestly and improvements are broader geographically than in the last report. A survey by the National Association for Business Economics found all respondents expect gains for GDP in 2010, and 61% expect growth to exceed 2%. The International Monetary Fund raised its forecast for world economic growth in 2010 to nearly 4%, up from an estimate of 3.1% last October and expects the U.S economy to grow by 2.7% this year.

Long-term interest rates moved lower in the month of January. Bonds were strong across the board with cash still close to a zero yield. The bellwether 10-year Treasury note ended the month yielding 3.61% down from 3.83% at the close of December. At month-end, the 30-year long bond yield was 4.51% and the 3-month T-bill was at 0.07%. The Barclays Capital US Aggregate Index was up by +1.53% in January.

Fed Chairman Ben Bernanke will likely get a second four-year term. Bernanke most likely means more “quantitative easing” (money printing) and more short-term zero rates. The Fed in January kept their funds target rate unchanged at 0.00 – 0.25%.

Core U.S. inflation has averaged 1.8% in the last year, and 1.3% annualized over the past three months. Underlying core inflation is even weaker because most of core inflation in recent months has come from autos (contributing 1.1% out of 1.3% over the past three months).

On the economic front, the following very mixed key data was released in January:

*The Institute for Supply Management’s manufacturing index rose to 55.9 in December, the highest level since April 2006. ISM also reported that its services index rose to 50.1 in December from 48.7 in November.

*The Commerce Dept. reported that spending on construction projects dropped 0.6% to \$900 billion in November, the lowest level in more than six years.

*The Commerce Dept. reported that new orders at U.S. factories rose 1.1% in November, notching their 3rd straight increase.

*Vacancies at the largest U.S. shopping centers reached a record 8.8% in the 4th quarter.

*A late holiday shopping surge helped U.S. retailers beat analysts’ sales estimated for December by posting a 2.9% overall increase.

*The national apartment vacancy rate rose to 8% in the last three months, up from 6.7% a year ago.

*The Labor Dept. reported that U.S. employers unexpectedly cut 85,000 jobs in December leaving the unemployment rate at 10%.

*Vehicles sold in the U.S. at an 11.2 million annual rate in December, up from a 10.9 million rate in November.

*The U.S. trade deficit widened a more than expected 9.7% to \$36.4 billion in November, as stronger consumer and manufacturing demand pushed imports to the highest level in nearly a year.

*The Commerce Dept. reported that retail sales unexpectedly fell 0.3% last month; compared to December 2008 sales rose 5.4%, but dropped 6.2% for the whole of 2009.

*A record 2.8 million properties with a mortgage received a foreclosure notice last year, jumping 21% from 2008 and 120% from 2007. Las Vegas had the largest number of foreclosure filings of any city last year, totaling 12% of its households.

*The consumer price index increased 0.1% in December, down from a 0.4% advance in November and the lowest rate since July.

*The National Association of Home

Builders/Wells Fargo Housing Market Index of builder confidence fell to 15 in January, the lowest level since June.

*The Labor Dept. reported that wholesale prices edged up 0.2% last month, much slower than the 1.8% surge in November.

*The Conference Board's index of leading economic indicators jumped 1.1% in December.

*A total of 43 states reported rising jobless rates in December, reversing signs of improvement seen the month before.

*The National Association of Realtors reported that sales of existing homes dropped 16.7% to a seasonally adjusted rate of 5.45 million in December.

*The median sales price of existing homes in December was \$178,300, up 1.5% from a year earlier and the first yearly gain since August 2007.

*The Commerce Dept. reported that orders for durable goods edged up by 0.3% in December. For the year, durable goods orders plunged by 20.2%, the largest drop on records that go back to 1992.

*The latest congressional budget estimates predict a \$1.35 trillion deficit for this year.

The Reuters/University of Michigan Surveys of Consumers reported that its final January reading of consumer sentiment was at 74.4 from 72.5 in December, and the highest level since January 2008. The Conference Board's Consumer Confidence Index increased by 2.3 points to 55.9 in January, the highest level in more than a year.

NON-U.S. MARKETS

The British economy grew 0.1% in the final quarter of 2009. Year-over year, GDP fell 3.2%. As expected, the Bank of England made no change to its monetary policy and kept its official Bank Rate unchanged at 0.5%. The unemployment rate in Britain remained unchanged at 7.8%.

Germany's economy shrank 5% in 2009, its biggest drop since WWII. The overall eurozone unemployment rate rose another tick in November to 10.0%, the 19th increase in the past 20 months, and 2.8 percentage points higher than the March 2008 trough. The European Central Bank also kept its key policy interest rate unchanged at 1.0%.

There is growing uncertainty about how Greece will fund its imbalances and similar concerns about Spain and Portugal that may necessitate ECB intervention.

The Bank of Japan kept its policy interest rate unchanged at 0.10%. The Monetary Policy Board kept its projections for growth in fiscal 2010 and 2011 unchanged at 1.3% and 2.1% respectively. Core inflation is expected to run at -0.5% in 2010 and -0.2% in 2011.

China's rapid economic growth continued in the three months to December, with GDP 10.7% higher than a year earlier. Chinese exports jumped by 18% in December, following 13 straight months of declines. China overtook Germany as the world's largest merchandise exporter in 2009 and also overtook Germany as the third largest economy overall in 2007 (measured by GDP on purchasing power parity basis). China's central bank has recently taken steps to rein in exploding credit. The monetary policy tightening cycle has clearly begun in China.

Non-U.S. Developed markets were lower in the month of January. The MSCI ACWI Ex-U.S. was down by -4.9% (US dollars) in January. Developed stocks (EAFE) were down by -4.4% while Emerging Markets were down by -5.6% for the month.

CONCLUSIONS

The month's economic data were generally disappointing. The data was not bad enough to

believe that the recovery is in danger, but rather despite a strong fourth quarter GDP caused primarily by the inventory stabilization (estimated to have added 3.4% of the 5.7% 4th quarter), the upswing is likely to be below normal post recession growth levels.

Bridgewater also summarized in their daily observation report, “Though long-term debt cycles don’t occur frequently and aren’t commonly understood, they’re pretty easy to understand. If you understand that a) there are limits to the amounts of debt one can carry; b) when these limits are reached, debt growth has to slow; c) slower debt growth means slower demand growth, you can understand the essence of the long-term debt cycle.”

As we look forward, with so much stimulus spending by central banks and governments, the real equilibrium level in our economy remains obscured. The deleveraging process to repair household budgets, corporate balance sheets and governmental budgets still has a ways to go.

The equity markets have been straight up from the lows in March 2009 and have just recently corrected in the latter half of January. Our view is that valuations are overall not cheap but that is offset by more than \$3 trillion in cash still sitting on the sidelines, a sum equivalent to 30% of the S&P’s current capitalization.

Wise words from Lew Sanders of Sanders Capital:

“Investing is a contest between knowledge and emotion” and “Risk is a continuum whereas opportunity is a variable.”

MARKET UPDATE

For January 2010

| US Equity Indices | Style | Month | 3 Months | 1 Year | 3 Years | 5 Years | 10 Years |
|------------------------------------|-------------------------|---------|----------|---------|----------|---------|----------|
| Russell 3000 | Broad US Equity | (3.60%) | 4.78% | 35.05% | (7.16%) | 0.57% | (0.17%) |
| Russell 200 | Large Cap Equity | (3.70%) | 3.61% | 30.64% | (7.21%) | (0.08%) | (2.20%) |
| Russell 200 Growth | Large Cap Growth | (4.50%) | 3.91% | 34.61% | (3.49%) | 1.22% | (4.71%) |
| Russell 200 Value | Large Cap Value | (2.85%) | 3.31% | 26.38% | (10.84%) | (1.41%) | 0.30% |
| S&P 500 | Large Cap Equity | (3.60%) | 4.16% | 33.14% | (7.24%) | 0.18% | (0.80%) |
| Russell 1000 | Large Cap Equity | (3.60%) | 4.57% | 34.81% | (7.10%) | 0.57% | (0.44%) |
| Russell 1000 Growth | Large Cap Growth | (4.36%) | 4.65% | 37.85% | (4.15%) | 1.42% | (3.95%) |
| Russell 1000 Value | Large Cap Value | (2.81%) | 4.48% | 31.44% | (10.20%) | (0.46%) | 2.52% |
| Russell Mid Cap | Mid Cap Equity | (3.34%) | 7.10% | 46.63% | (6.71%) | 2.25% | 4.98% |
| Russell Mid Cap Growth | Mid Cap Growth | (3.99%) | 6.71% | 47.07% | (5.62%) | 2.12% | (0.92%) |
| Russell Mid Cap Value | Mid Cap Value | (2.73%) | 7.46% | 45.58% | (8.40%) | 1.89% | 7.94% |
| Russell 2000 | Small Cap Equity | (3.68%) | 7.34% | 37.82% | (7.74%) | 0.61% | 3.29% |
| Russell 2000 Growth | Small Cap Growth | (4.47%) | 6.91% | 39.03% | (6.03%) | 0.88% | (1.73%) |
| Russell 2000 Value | Small Cap Value | (2.93%) | 7.74% | 36.55% | (9.57%) | 0.19% | 8.24% |
| DJW US REIT Index | REITS | (5.72%) | 7.83% | 47.84% | (17.70%) | 0.60% | 9.95% |
| Non-US Indices | | | | | | | |
| MSCI ACWI Ex-US | Broad Non-US Equity | (4.88%) | (0.04%) | 48.28% | (4.76%) | 5.61% | 3.18% |
| MSCI AC World Index | Global Equity | (4.30%) | 1.77% | 41.64% | (5.76%) | 3.17% | 1.01% |
| MSCI EAFE | Developed Non-US Equity | (4.40%) | (1.04%) | 40.39% | (7.19%) | 3.47% | 1.80% |
| MSCI Emerging Mkts. | Emerging Non-US Equity | (5.56%) | 2.40% | 80.66% | 3.79% | 14.49% | 9.40% |
| ML Global Ex-US Bond | Global Bonds | (0.12%) | (2.41%) | 8.99% | 8.98% | 4.81% | 7.02% |
| Euro | Currency | (3.12%) | (5.79%) | 8.46% | 2.27% | 1.29% | 3.57% |
| Japanese Yen | Currency | 2.69% | (0.15%) | (0.93%) | 10.09% | 2.68% | 1.68% |
| British Pound | Currency | (0.77%) | (2.79%) | 11.15% | (6.45%) | (3.21%) | (0.11%) |
| US Fixed Income Indices | | | | | | | |
| ML 3-month T-Bill | Cash | 0.01% | 0.02% | 0.22% | 2.27% | 2.99% | 2.94% |
| Barclays US Aggregate | Core Bonds | 1.53% | 1.23% | 8.51% | 6.60% | 5.16% | 6.53% |
| Barclays US Universal | Core Bonds Plus | 1.52% | 1.52% | 10.88% | 6.32% | 5.21% | 6.63% |
| ML US Gov't/Credit | Core Bonds | 1.63% | 1.09% | 8.34% | 6.28% | 4.86% | 6.47% |
| ML US Corporate Master | Corporate Bonds | 2.01% | 2.42% | 21.76% | 5.99% | 4.69% | 6.81% |
| Barclays Mortgage Backed Securitie | Mortgages | 1.33% | 1.18% | 7.09% | 7.49% | 5.94% | 6.69% |
| Merrill Lynch High Yield Master II | High Yield Bonds | 1.52% | 5.76% | 51.84% | 5.97% | 6.69% | 6.72% |

(not annualized if less than 1 year)

Source: mpi Stylus

Preliminary data

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING JANUARY 31, 2010
PRELIMINARY BASIS

SUMMARY OF INVESTMENTS

| ASSET CLASS | MARKET VALUE | PERCENT | POLICY | |
|-----------------------------|----------------------|---------------|---------------|---------------|
| | | | TARGET | RANGE |
| DOMESTIC EQUITIES | 562,655,974 | 47.0% | 46.4% | 36.5% - 56.3% |
| INTERNATIONAL EQUITIES | 253,622,760 | 21.2% | 20.0% | 16.0% - 24.0% |
| FIXED INCOME | 351,798,956 | 29.4% | 32.1% | 29.1% - 35.1% |
| REAL ESTATE | 14,669,193 | 1.2% | 1.5% | 0.0% - 3.0% |
| SECURITY LENDING | (2,778,274) | -0.2% | 0.0% | 0.0% - 0.0% |
| CASH (equity managers only) | 16,255,181 | 1.4% | 0.0% | 0.0% - 3.0% |
| TOTAL PORTFOLIO | 1,196,223,788 | 100.0% | 100.0% | |

| | CURRENT | TARGET |
|----------------------------------|---------------|---------------|
| DODGE & COX - LARGE CAP VALUE | 15.6% | 14.5% |
| BGI - R1000 VALUE INDEX | 3.2% | 3.0% |
| DELAWARE - LARGE CAP GROWTH | 9.6% | 8.9% |
| LOOMIS SAYLES - LARGE CAP GROWTH | 5.6% | 5.9% |
| CAPITAL PROSPECTS | 5.2% | 5.0% |
| LEGATO CAPITAL | 4.1% | 4.3% |
| BNY - S&P 500 INDEX | 4.8% | 4.8% |
| LSV ASSET MGMT - INTL EQ | 11.0% | 10.0% |
| PYRAMIS - INTL EQ | 10.4% | 10.0% |
| DODGE & COX FIXED INCOME | 29.4% | 32.1% |
| INVESCO - GLOBAL REIT | 1.2% | 1.5% |
| SECURITY LENDING | -0.2% | 0.0% |
| TOTALS | 100.0% | 100.0% |

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING JAN. 31, 2010
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 | 562,655,974 | 586,122,981 | -4.00% | 351,693,011 | 59.98% |
| INTERNATIONAL EQUITIES | 253,622,760 | 265,945,162 | -4.63% | 163,642,219 | 54.99% |
| FIXED INCOME | 351,798,956 | 349,500,432 | 0.66% | 378,536,705 | -7.06% |
| REAL ESTATE | 14,669,193 | 15,594,416 | -5.93% | 10,236,170 | 43.31% |
| SECURITIES LENDING | (2,778,274) | (2,817,652) | | | |
| CASH (equity managers only) | 16,255,181 | 14,358,982 | 13.21% | 21,700,729 | -25.09% |
| TOTAL PORTFOLIO | 1,196,223,788 | 1,228,704,321 | -2.64% | 925,808,833 | 29.21% |
| ASSET ALLOCATION (ACTUAL) | | | | | |
| DOMESTIC EQUITIES | 47.04% | 47.70% | -0.7% | 37.99% | 9.0% |
| INTERNATIONAL EQUITIES | 21.20% | 21.64% | -0.4% | 17.68% | 3.5% |
| FIXED INCOME | 29.41% | 28.44% | 1.0% | 40.89% | -11.5% |
| REAL ESTATE | 1.23% | 1.27% | 0.0% | 1.11% | 0.1% |
| SECURITY LENDING | -0.23% | -0.23% | 0.0% | | |
| CASH (equity managers only) | 1.36% | 1.17% | 0.2% | 2.34% | -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 JAN. 31, 2010
PRELIMINARY BASIS

MANAGER ALLOCATION

| ASSET CLASS | MARKET VALUE | PERCENT | POLICY | |
|-------------------------------------|----------------------|---------------|---------------|---------------|
| | | | TARGET | RANGE |
| DOMESTIC EQUITIES | | | | |
| DODGE & COX - LARGE CAP VALUE | 186,799,699 | 15.6% | 14.5% | 11.5% - 17.5% |
| BGI - R1000 VALUE INDEX | 38,839,976 | 3.2% | 3.0% | 2.0% - 4.0% |
| DELAWARE - LARGE CAP GROWTH | 115,431,721 | 9.6% | 8.9% | 6.9% - 10.9% |
| LOOMIS SAYLES - LARGE CAP GROWTH | 66,811,948 | 5.6% | 5.9% | 4.5% - 7.3% |
| CAPITAL PROSPECTS - SMALL CAP VALUE | 62,235,453 | 5.2% | 5.0% | 3.9% - 6.1% |
| LEGATO CAPITAL - SMALL CAP GROWTH | 49,085,408 | 4.1% | 4.3% | 2.9% - 5.7% |
| BNY - S&P 500 INDEX | <u>57,545,424</u> | <u>4.8%</u> | <u>4.8%</u> | 3.8% - 5.8% |
| TOTAL DOMESTIC EQUITIES | 576,749,630 | 48.2% | 46.4% | |
| FIXED INCOME | | | | |
| DODGE & COX | <u>351,798,956</u> | <u>29.4%</u> | <u>32.1%</u> | 29.1% - 35.1% |
| TOTAL FIXED INCOME | 351,798,956 | 29.4% | 32.1% | |
| INTERNATIONAL INVESTMENTS | | | | |
| LSV ASSET MGMT. | 131,919,485 | 11.0% | 10.0% | 8.0% - 12.0% |
| PYRAMIS | <u>123,864,800</u> | <u>10.4%</u> | <u>10.0%</u> | 8.0% - 12.0% |
| TOTAL INTERNATIONAL EQUITIES | <u>255,784,285</u> | <u>21.4%</u> | <u>20.0%</u> | |
| REAL ESTATE | | | | |
| INVESCO | <u>14,669,193</u> | <u>1.2%</u> | <u>1.5%</u> | 0.0% - 3.0% |
| TOTAL REAL ESTATE | 14,669,193 | 1.2% | 1.5% | |
| SECURITIES LENDING | <u>(2,778,274)</u> | <u>-0.2%</u> | <u>0.0%</u> | 0.0% - 0.0% |
| TOTAL StanCERA PORTFOLIO | <u>1,196,223,788</u> | <u>100.0%</u> | <u>100.0%</u> | |

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING 1/31/10
PRELIMINARY

| | TOTAL FUND | | | |
|-------------------------------------|-------------------|--------------------|--------------------|----------------------|
| | CASH | BONDS | EQUITIES | TOTAL |
| DOMESTIC EQUITIES | | | | |
| DODGE & COX - LARGE CAP VALUE | 7,500,275 | | 179,299,424 | 186,799,699 |
| BGI - R1000 VALUE INDEX | 6,222 | | 38,833,755 | 38,839,976 |
| DELAWARE - LARGE CAP GROWTH | 1,509,290 | | 113,922,431 | 115,431,721 |
| LOOMIS SAYLES - LARGE CAP GROWTH | 2,070,356 | | 64,741,592 | 66,811,948 |
| CAPITAL PROSPECTS - SMALL CAP VALUE | 2,451,625 | | 59,783,828 | 62,235,453 |
| LEGATO CAPITAL - SMALL CAP GROWTH | 555,697 | | 48,529,711 | 49,085,408 |
| BNY - S&P 500 INDEX | 190 | | 57,545,234 | 57,545,424 |
| TOTAL DOMESTIC EQUITIES | 14,093,656 | | 562,655,974 | 576,749,630 |
| FIXED INCOME | | | | |
| DODGE & COX | 6,496,144 | 345,302,812 | | 351,798,956 |
| TOTAL FIXED INCOME | 6,496,144 | 345,302,812 | | 351,798,956 |
| INTERNATIONAL INVESTMENTS | | | | |
| LSV ASSET MGMT. | 293,956 | | 131,625,530 | 131,919,485 |
| PYRAMIS | 1,867,569 | | 121,997,230 | 123,864,800 |
| TOTAL INTERNATIONAL EQUITIES | 2,161,525 | | 253,622,760 | 255,784,285 |
| REAL ESTATE | | | | |
| INVESCO | 0 | | 14,669,193 | 14,669,193 |
| TOTAL REAL ESTATE | 0 | | 14,669,193 | 14,669,193 |
| SECURITIES LENDING | (2,778,274) | | | (2,778,274) |
| TOTAL STANCERA PORTFOLIO | 19,973,050 | 345,302,812 | 830,947,926 | 1,196,223,788 |

1.7% 28.9% 69.5% 100.0%

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING JAN. 31, 2010
PRELIMINARY BASIS

CURRENT PERFORMANCE

| | MARKET VALUE | JAN | ALPHA | DEC | ALPHA | FISCAL YTD | ALPHA |
|---|---------------|--------|--------|--------|--------|------------|--------|
| DOMESTIC EQUITIES | | | | | | | |
| DODGE & COX - LARGE CAP VALUE | 179,299,424 | -1.84% | 0.97% | 2.34% | 0.57% | 22.36% | 2.60% |
| <i>RUSSELL 1000 VALUE</i> | | -2.81% | | 1.77% | | 19.76% | |
| BGI - R1000 VALUE INDEX*** | 38,833,755 | -2.82% | -0.01% | 1.81% | 0.04% | 10.95% | 0.24% |
| <i>RUSSELL 1000 VALUE</i> | | -2.81% | | 1.77% | | 10.71% | |
| DELAWARE - LARGE CAP GROWTH | 113,922,431 | -5.33% | -0.97% | 4.01% | 0.92% | 18.07% | 0.41% |
| <i>RUSSELL 1000 GROWTH</i> | | -4.36% | | 3.09% | | 17.66% | |
| LOOMIS SAYLES - LARGE CAP GROWTH | 64,741,592 | -7.93% | -3.57% | 4.20% | 1.11% | 13.86% | -3.80% |
| <i>RUSSELL 1000 GROWTH</i> | | -4.36% | | 3.09% | | 17.66% | |
| CAPITAL PROSPECTS* | 59,783,828 | -2.20% | 0.73% | 6.11% | -1.46% | 21.67% | -1.74% |
| <i>RUSSELL 2000 VALUE</i> | | -2.93% | | 7.57% | | 23.41% | |
| LEGATO CAPITAL** | 48,529,711 | -4.02% | 0.45% | 7.55% | -1.01% | 15.98% | 0.64% |
| <i>RUSSELL 2000 GROWTH**</i> | | -4.47% | | 8.56% | | 15.34% | |
| BNY - S&P 500 INDEX | 57,545,234 | -3.58% | 0.02% | 1.94% | 0.01% | 18.21% | 0.03% |
| <i>S&P 500</i> | | -3.60% | | 1.93% | | 18.18% | |
| TOTAL DOMESTIC EQUITY | 562,655,974 | -4.00% | -0.40% | 3.65% | 0.80% | 18.30% | -0.44% |
| <i>Russell 3000 Index</i> | | -3.60% | | 2.85% | | 18.74% | |
| FIXED INCOME | | | | | | | |
| DODGE & COX | 351,798,956 | 1.68% | 0.15% | -0.30% | 1.26% | 9.81% | 4.28% |
| <i>BARCLAYS US AGGREGATE BOND</i> | | 1.53% | | -1.56% | | 5.53% | |
| INTERNATIONAL INVESTMENTS | | | | | | | |
| LSV ASSET MGMT | 131,625,530 | -3.65% | 1.23% | 2.09% | -0.04% | 22.77% | 4.53% |
| <i>MSCI ACWI Free ex-US</i> | | -4.88% | | 2.13% | | 18.24% | |
| PYRAMIS | 121,997,230 | -4.93% | -0.05% | 2.36% | 0.23% | 19.42% | 1.18% |
| <i>MSCI ACWI Free ex-US</i> | | -4.88% | | 2.13% | | 18.24% | |
| TOTAL INTERNATIONAL EQUITY | 253,622,760 | -4.26% | 0.62% | 2.22% | 0.09% | 21.16% | 2.92% |
| <i>MSCI ACWI Free ex-US</i> | | -4.88% | | 2.13% | | 18.24% | |
| REAL ESTATE | | | | | | | |
| INVESCO | 14,669,193 | -5.93% | -0.20% | 3.03% | -1.14% | 20.28% | -3.20% |
| <i>FTSE EPRA/NAREIT Global REIT</i> | | -5.73% | | 4.17% | | 23.48% | |
| SECURITIES LENDING | | | | | | | |
| BNY MELLON | (2,778,274) | | | | | | |
| CASH and SHORT-TERM INVESTMENTS | | | | | | | |
| CASH | 16,255,181 | 0.01% | 0.00% | 0.01% | 0.00% | 0.13% | 0.01% |
| <i>90 DAY TREASURY BILL</i> | | 0.01% | | 0.01% | | 0.12% | |
| TOTAL StanCERA Fund | 1,196,223,788 | -2.37% | -0.12% | 2.19% | 0.60% | 16.34% | 1.86% |
| <i>Policy Index</i> | | -2.25% | | 1.59% | | 14.48% | |
| <i>Actuary Rate of Assumption (8.16%)</i> | | 0.66% | -3.03% | 0.66% | 1.53% | 4.67% | 11.67% |
| <i>Actuary Rate of Inflation (4.00%)</i> | | 0.33% | -2.70% | 0.33% | 1.86% | 2.33% | 14.01% |

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

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