AGENDA

BOARD OF RETIREMENT
832 12th Street, Suite 600 – Wesley W. Hall Board Room
Modesto, CA 95354

June 24, 2014
2:00 p.m.

The Board of Retirement welcomes you to its meetings, which are regularly held on the second Wednesday and the fourth Tuesday of each month. Your interest is encouraged and appreciated.

CONSENT ITEMS: These matters include routine administrative actions and are identified under the Consent Items heading.

PUBLIC COMMENT: Matters under jurisdiction of the Board, may be addressed by the general public before or during the regular agenda. However, California law prohibits the Board from taking action on any matter which is not on the posted agenda unless it is determined an emergency by the Board of Retirement. Any member of the public wishing to address the Board during the “Public Comment,” period shall be permitted to be heard once up to three minutes. Please complete a Public Comment Form and give it to the Chair of the Board. Any person wishing to make a presentation to the Board must submit the presentation in written form, with copies furnished to all Board members. Presentations are limited to three minutes.

BOARD AGENDAS & MINUTES: Board agendas, Minutes and copies of items to be considered by the Board of Retirement are customarily posted on the Internet by Friday afternoon preceding a meeting at the following website: www.stancera.org.

Materials related to an item on this Agenda submitted to the Board after distribution of the agenda packet are available for public inspection at StanCERA, 832 12th Street, Suite 600, Modesto, CA 95354, during normal business hours.

AUDIO: All Board of Retirement regular meetings are audio recorded. Audio recordings of the meetings are available after the meetings at http://www.stancera.org/sections/aboutus/agendas.

NOTICE REGARDING NON-ENGLISH SPEAKERS: Board of Retirement meetings are conducted in English and translation to other languages is not provided. Please make arrangements for an interpreter if necessary.

REASONABLE ACCOMMODATIONS: In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary at (209) 525-6393. Notification 72 hours prior to the meeting will enable StanCERA to make reasonable arrangements to ensure accessibility to this meeting.

1. Meeting Called to Order

2. Roll Call

3. Announcements

4. Public Comment

5. Consent Items
   a. Approval of the May 27, 2014 Investment Meeting Minutes View
   b. Approval of the June 11, 2014 Administrative Meeting Minutes View
   c. Correspondence – Strategic Investment Solutions, Inc. (SIS) View
6. Annual Update Capital Prospects LLC View
   a. Value Added Review View

7. Strategic Investment Solutions (SIS), Inc.
   a. Discussion and Action Regarding PIMCO Modification to Cash Equivalent Definition View
   b. Discussion and Action Regarding Infrastructure Strategy Review View
   c. Monthly Performance Review for the Month Ending May 31, 2014 View
   d. Report on “Top 10 Holdings” of StanCERA Investment Managers as of May 31, 2014 View

8. Executive Director
   a. Report out on the 2014 Due Diligence Trip View

9. Closed Session
   a. Discussion and Action Regarding Allocation of StanCERA’s Real Estate Assets Government Code Section 54956.81
   b. Conference with Legal Counsel – Pending Litigation – One Case: Stanislaus County Employees’ Retirement Association v. Buck Consultants, LLC, Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152 Government Code Section 54956.9(d)(4)
   c. Conference with Legal Counsel – Pending Litigation – One Case: O’Neal et al v. Stanislaus County Employees’ Retirement Association Stanislaus County Superior Court Case No. 648469 Government Code Section 54956.9(d)(1)
   d. Conference with Legal Counsel – Pending Litigation – One Case: Nasrawi et al v. Buck Consultants, LLC, et.al, Santa Clara County Superior Court Case No. 1-11-CV202224; Court of Appeal, Sixth Appellate District, Case No. H038894 Government Code Section 54956.9(d)(1)

10. Members’ Forum (Information and Future Agenda Requests Only)

11. Adjournment
PLEASE POST FOR EMPLOYEE VIEWING

BOARD OF RETIREMENT MINUTES  May 27, 2014

Members Present:  Gordon Ford, Donna Riley, Mike Lynch, Darin Gharat, Michael O’Neal, Jeff Grover, and Jason Gordo

Members Present:  Joan Clendenin, Alternate Retiree Representative

Members Absent:  Maria De Anda, and Jim DeMartini

Staff Present:  Rick Santos, Executive Director
Kellie Gomes, Executive Board Secretary
Kathy Herman, Operations Manager
Dawn Lea, Benefits Manager

Others Present:  Fred Silva, General Legal Counsel

1. Meeting Called to Order

Meeting called to order at 1:02 p.m. by Gordon Ford.

2. Roll Call

3. Announcements

Kellie Gomes announced that Item 8.a,”PIMCO Modification to Cash Equivalent Definition in Investment Policy Statement” was being pulled since it was not designated as a discussion and action item. The Board will hear this issue at the June 24th investment meeting.

4. Public Comment

None

5. Consent Items

a. Approval of the April 22, 2014 Meeting Minutes

b. Approval of the May 7, 2014 Special Meeting Minutes
c. Approval of Service Retirement(s) – Sections 31499.14, 31670, 31662.2 & 31810

2. Gein, David – Public Works – Effective 05-17-2014
5. Grimm, Bryan – Sheriff - Effective 05-17-2014
6. Hujdic, Cynthia – CSA – Effective 05-17-2014
8. Lebreton, Heidi Kiki – DCSS – Effective 05-20-2014
9. Luna, Elizabeth – Superior Court – Effective 05-01-2014

d. Approval of Deferred Retirement(s) – Section 31700

1. Curtin, Janice M. – CEO – Effective 01-04-2014
3. Hardy, Melissa – Sheriff – Effective 04-19-2014
5. Penca, Victor – CSA – Effective 03-08-2014
7. Solis, Mario – Auditor-Controller – Effective 03-04-2014

e. Amended Retirement Dates

1. Ellenburg, Judy - Sheriff – Effective 05-17-2014

f. StanCERA Investment Managers Peer Rankings for Quarter Ending March 30, 2014

Motion was made by Darin Gharat and seconded by Michael O'Neal to approve the above consent items.

Motion Carried unanimously.

6. Annual Update Report – Legato Capital Management, LLC

Adam Lawlor and Doug Porter from Legato Capital Management reported on the performance of the fund. The main highlight from the discussion was that one of the sub managers, Riverbridge Partners, is under watch by Legato because Riverbridge recently sold an equity stake in the company and Legato generally has found that these issues have some bearing on future performance.
7. Strategic Investment Solutions (SIS), Inc.
   a. Investment Performance Analysis for the First Quarter Ending March 31, 2014

   Quarterly Portfolio Performance Analysis (Return, Benchmark and Peer Ranking.)
   • 1st Quarter: 1.5%, 1.8%, 63
   • Fiscal YTD: 14.0%, 12.5%, 10
   • 1 Year: 14.5%, 12.2%, 13
   • 3 Year: 10.0%, 8.8%, 15
   • 5 Year: 16.8%, 15.4%, 3

   b. StanCERA Investment Managers Review List for Quarter Ending March 31, 2014

   c. Monthly Performance Review for the Month Ending April 30, 2014

   • Monthly Return: 0.27%
   • Fiscal YTD: 14.35%
   • Fiscal YTD alpha: 1.50%
   • Total Fund Value as of April 30, 2014: $1,680,577,809

   d. Report on “Top 10 Holdings” of StanCERA Investment Managers as of April 30, 2014

8. Executive Director
   a. PIMCO Modification to Cash Equivalent Definition – Paul

   Item Pulled

   b. Value Added Reports

   Rick Santos, Director gave an update on Quarter 1 results from the value added report.

   c. Legislative Update – Dawn Lea

   Dawn Lea gave a brief update on the Contra Costa lawsuit resolution. Contra Costa County Deputy Sheriffs and Professional Fire Fighters Unions filed suit against Contra Costa County Employees’ Retirement Association to block the implementation of AB 197, PEPRA clean up language regarding compensation earnable. Prior to the implementation of AB 197, CCCERA members were able to have their entire termination cash out included in their final average salary. They wanted this practice to continue. The Courts decided that Legacy Members, who became members prior to January 1, 2011 and retire after the effective date of the Judgment can include the lesser of the amount of “carried over” leave time
available December 31, 2012 or the amount cashed out in the final compensation period. They also requested to have "on-call" or "stand by" pay included in compensation earnable. The Courts found that CCCERA should not automatically exclude these and similar pay types from compensation earnable. Instead, they should make an individual determination for each member and include these pay types if the work was required of the Legacy Member to be served during the final compensation period and was ordinarily worked by persons in the same grade or position at the same rate of pay.

2:31 p.m. Darin Gharat left the meeting
2:36 p.m. Darin Gharat returned

d. StanCERA Monthly Staff Report

9. Closed Session

Motion was made by Darin Gharat and seconded by Michael O'Neal to enter into Closed Session at 2:36 p.m.

Motion Carried unanimously.

a. Discussion and Action Regarding Allocation of StanCERA's Real Estate Assets Government Code Section 54956.81

Motion was made by Jason Gordo and seconded by Michael O'Neal to enter into Open Session at 3:04 p.m.

Motion Carried unanimously.

Nothing to Report Out

10. StanCERA's Real Estate Asset Class

a. Discussion and Action Regarding New Investment Commitments to StanCERA's Real Estate Core Asset Class

   i. Presentation by Morgan Stanley
   ii. Presentation by RREEF America

3:34 p.m. Mike Lynch left
3:39 p.m. Mike Lynch returned
11. **Closed Session**

Motion was made by Darin Gharat and seconded by Mike O’Neal to enter into Closed Session at 4:07 p.m.

Motion Carried unanimously.

a. Discussion and Action Regarding Allocation of StanCERA’s Real Estate Assets
   Government Code Section 54956.81

4:14 p.m. Paul Harte left

b. Discussion and Action of Withdrawal of Application for a Service-Connected Disability Retirement by StanCERA Retired Member Raymond Byers
   Government Code Section 54957

c. Discussion and Action on the Application for a Service-Connected Disability Retirement by StanCERA Retired Member Sirv Man
   Government Code Section 54957

d. Conference with Legal Counsel – Pending Litigation – One Case:
   Stanislaus County Employees’ Retirement Association v. Buck Consultants, LLC,
   Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152
   Government Code Section 54956.9(d)(4)

e. Conference with Legal Counsel – Pending Litigation – One Case:
   O’Neal et al v. Stanislaus County Employees’ Retirement Association
   Stanislaus County Superior Court Case No. 648469
   Government Code Section 54956.9(d)(1)

f. Conference with Legal Counsel – Pending Litigation – One Case:
   Nasrawi et al v. Buck Consultants, LLC, et.al, Santa Clara County
   Superior Court Case No. 1-11-CV202224; Court of Appeal, Sixth Appellate
   District, Case No. H038894
   Government Code Section 54956.9(d)(1)

Motion was made by Darin Gharat and seconded by Michael O’Neal to enter into Open Session at 4:24 p.m.

Motion Carried unanimously.

Kellie Gomes reported that during closed session there was a motion by Donna Riley and seconded by Darin Gharat for Item 11.b to approve the withdrawal of application for a service-connected disability retirement by StanCERA retired member Raymond Byers. A roll call vote was taken and the motion carried unanimously.

Kellie Gomes reported that during closed session there was a motion by Darin Gharat and seconded by Donna Riley for Item 11.c to accept staff recommendation to deny the applicant Sirv Man on her application for service connected disability. A roll call vote was taken and the motion carried unanimously.
Nothing else to Report Out

12. Members’ Forum (Information and Future Agenda Requests Only)

Trustee Michael O’Neal stated that he attended the Spring SACRS event and was pleased with this years event and presenters.

Rick Santos explained that at the most recent Administrator’s Roundtable at SACRS, SACRS representative Bob Palmer spoke regarding interest in the creation of an advocacy group for the defined benefit plan. Mr. Palmer explained that the intent of the group would be as an advocate or proponent of the defined benefit. This would be in response to counter anti-defined benefit propaganda currently being directed at 37 Act Systems today. SACRS would propose funding this idea through an assessment of each System based on asset size. The StanCERA Board decided that the idea did not warrant a future agenda item.

13. Adjournment

Meeting adjourned at 4:32 p.m.

Respectfully submitted,

[Signature]

Rick Santos, Executive Director

APPROVED AS TO FORM:
FRED A. SILVA, GENERAL LEGAL COUNSEL

By: [Signature]
Fred A. Silva, General Legal Counsel
PLEASE POST FOR EMPLOYEE VIEWING

BOARD OF RETIREMENT MINUTES

June 11, 2014

Members Present: Donna Riley, Mike Lynch, Darin Gharat, Gordon Ford, Jeff Grover
Jim DeMartini, Michael O’Neal, Jason Gordo and Maria De Anda

Members Present: Joan Clendenin, Alternate Retiree Representative

Members Absent: None

Staff Present: Rick Santos, Executive Director
Kellie Gomes, Executive Board Secretary
Kathy Herman, Operations Manager
Dawn Lea, Benefits Manager

Others Present: Fred Silva, General Legal Counsel

1. **Meeting Called to Order**
   - Meeting called to order at 2:03 p.m. by Gordon Ford

2. **Roll Call**

3. **Announcements**
   - Rick Santos, Executive Director congratulated Trustee Michael O’Neal and Trustee Donna Riley on their reelection to their respective Retirement seats.
   - Kellie Gomes announced that the May 27th, 2014 minutes were pulled from the agenda for legal review and approval.

4. **Public Comment**
   - A member of the public was present and asked to speak regarding Item 7.a

5. **Consent Items**
   - Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2, & 31810**
     1. Aguilar, Maria Teresa – CSA – Effective 05-18-2014
     2. De Mattos, Mary - Sheriff - Effective 06-03-2014
     3. Lind, Teri - CSA - Effective 05-29-2014
5. **Consent Items (Cont.)**

4. Shadel, Julie - Sheriff - Effective 06-14-2014  
5. Sleeper, David - Probation – Effective 06-14-2014  

b. **Approval of Deferred Retirement(s) – Section 31700**

1. Patterson, Nancee – DCSS – Effective 05-24-2014  

c. **Approval of Death Benefit – Section 31781**

1. Adonis, Aimee, Deceased, May 23, 2014, Active Member  
2. King, Marie, Deceased, March 5, 2014 Active Member

Motion was made by Maria DeAnda and seconded by Darin Gharat to approve the above consent items.

Motion Carried Unanimously

6. **Committee Reports and Recommendations for Action**

**STANDING COMMITTEES**

a. **Internal Governance Committee**

i. **Discussion and Action to Approve the Professional Service Contracts – Legal Services**

   Motion was made by Mike Lynch and seconded by Jeff Grover to accept the recommendation of the Internal Governance Committee to Direct staff to negotiate and enter into professional service contracts with Reed Smith LLP (fiduciary & litigation), Hanson Bridget LLP (tax and benefits), Ted Cabral (disability) and Damrell, Nelson, Schrimp, Pallios, Pachers & Silva (general & litigation) in accordance with StanCERA’s purchasing policy.

   Motion Carried Unanimously

ii. **Discussion and Action to Append StanCERA Bylaw 1.6; Retirement Board Member Election Procedures**

   Item pulled for further research
7. **Executive Director**

   a. Discussion and Action Regarding Recommendation to the Board of Supervisors Regarding Implementation of Government Code Sections 31680.4 and 31680.5

   Motion was made by Darin Gharat and seconded by Maria DeAnda to accept Staff Recommendation to recommend the following to the County Board of Supervisors as follows:

   1. Neutral stance on implementation of Government Code Sections 31680.4 and 31680.5

   2. Affirm Counsel's interpretation that any member reinstating under these Code Sections shall be placed in the new PEPRA (Public Employee Pension Reform Act) Tier 6

   3. Accept post offer, pre-employment medical screening by the County to satisfy the medical examination required by 31680.4

   b. Discussion and Action on StanCERA's 2014-2015 Fiscal Year Administrative Budget

   Motion was made by Jeff Grover and seconded by Darin Gharat to accept StanCERA’s 2014-2015 Fiscal Year Administrative Budget as presented.

   Motion Carried Unanimously

   c. Legislative Update – Dawn Lea - Nothing reported

8. **Closed Session**

Motion was made by Darin Gharat and seconded by Donna Riley to enter into Closed Session at 2:52 p.m.

Motion Carried Unanimously

   a. Discussion and Action Regarding Allocation of StanCERA’s Real Estate Assets Government Code Section 54956.81

   b. Conference with Legal Counsel – Pending Litigation – One Case: Stanislaus County Employees’ Retirement Association v. Buck Consultants, LLC, Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152 Government Code Section 54956.9(d)(4)

   c. Conference with Legal Counsel – Pending Litigation – One Case: O’Neal et al v. Stanislaus County Employees’ Retirement Association Stanislaus County Superior Court Case No. 648469 Government Code Section 54956.9(d)(1)
8. Closed Session (Cont.)

d. Conference with Legal Counsel – Pending Litigation – One Case:
Nasrawi et al v. Buck Consultants, LLC, et.al, Santa Clara County
Superior Court Case No. 1-11-CV202224; Court of Appeal, Sixth Appellate
District, Case No. H038894 Government Code Section 54956.9(d)(1)

Motion was made by Darin Gharat and seconded by Donna Riley to enter into Open
Session at 3:11 p.m.

Motion Carried Unanimously

Nothing to report at this time

9. Members’ Forum (Information and Future Agenda Requests Only)

Kellie Gomes reported that we currently have over 700 electoral ballots received for
seat #6.a (Retiree Alternate) and asked for Trustee volunteers to participate in the
counting of the on June 27, 2014. Darin Gharat and Maria DeAnda volunteered to
participate.

10. Adjournment

Meeting adjourned at 3:15 p.m.

Respectfully submitted,

Rick Santos, Executive Director

APPROVED AS TO FORM:
FRED A. SILVA, GENERAL LEGAL COUNSEL

By:
Fred A. Silva, General Legal Counsel
June 9, 2014

Dear SIS Client:

Nearly 20 years ago, we founded Strategic Investment Solutions on the principles of focusing on risk management, avoiding conflicts of interest, providing highly experienced counsel, and encouraging firm stability through a broad distribution of ownership. As we enter the next 20 years, we are reaffirming our founding principles while pledging to update the firm to continue to provide the decision-making support you need in a world where increased complexity is a given.

We have always believed that if we accepted fees from investment managers, sponsored discretionary funds or charged asset-based fees, we would staff those more profitable business practices at the expense of those clients that hired us because of our undivided loyalty to a principle of conflict-free, client-focused advice. While this belief has served the staff and clients well, our undiversified revenue stream can sometimes place us at a competitive disadvantage when recruiting and retaining professional staff.

With that as a lead in, I am disappointed to announce that Pete Keliuotis, who joined SIS in 2001 and became CEO in 2012 following Mike Beasley’s retirement, will be leaving at the end of June and moving to the New York metropolitan area.

Pete has been a valuable member of our firm and as disappointed as we are to lose him, we understand his reasons, both financial and family-related, for accepting the very generous competing offer and we wish him well.

I will be assuming the role of CEO and have asked Mike Beasley to return on a temporary basis to help us internally update the SIS Business Plan to reflect changes in the market place and today’s client needs. We expect to make additional personnel changes and will keep you apprised as they occur.

We are reorienting our client coverage towards a team approach that will better align our professional staff to support the diverse needs of our client base. We will be communicating this alignment to you very short order. New senior management will be appointed as we retool our succession plans. We are updating our technology to provide you with direct access to critical information. We are also defining our compensation practices to reward superior client satisfaction and results.

We will be in touch with you shortly to arrange a meeting to go into these topics in complete detail and to listen to your ideas on how our relationship can be improved.

Thank you for your support and trust, and welcome to the next 20 years!

Sincerely,

Barry W. Dennis
Managing Director
Capital Prospects LLC

Stanislaus County Employees’ Retirement Association

Small Cap Value Emerging Manager Program Review

June 24, 2014

Marilyn R. Freeman

Elizabeth A. Knope
Capital Prospects LLC

- Formed October, 2002; based in Stamford, CT
- SEC Registered Investment Adviser
- 100% women-owned and controlled; Principals each own 50%
- Focus on emerging manager-of-managers investment programs
  - Area of specialty for both partners since 1992
  - Built emerging business to approximately $2.0 billion and 8 key clients at previous employer
- CP specializes in domestic emerging managers and minority/woman-owned managers
- AUM as of May 31, 2014: $1,400 million (preliminary); 8 client relationships
  - Russell 3000 $467 million, 4 accounts
  - Russell 2000 Value $176 million, 2 accounts
  - Russell 2000 $310 million, 4 accounts
  - Russell 3000/Barclays Aggregate $447 million, 1 account
- Karen Mair assuming more investment program analytical responsibilities; currently interviewing next senior research role
- New client relationship: Sub-advisor in Segal Rogerscasey’s Master Manager Program
## Capital Prospects LLC

### Client Profile

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<th>Client</th>
<th>Total Plan (9/13) (billions)</th>
<th>CP Allocation (5/14 prelim) (millions)</th>
<th>Benchmark</th>
<th>CP Funding</th>
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Capital Prospects LLC - Organizational Chart

Marilyn R. Freeman
Principal & Manager, CCO
Compliance
Accounting
FINRA Administration
Lead Business Development/Client Service
Support Investment Manager
Research/Program Management

Elizabeth A. Knope
Principal & Manager, EEO Officer
Manager Database Administration
Lead Investment Manager
Research/Program Management
Support Business Development
Human Resources

Claudia L. Lupinacci
Sr. Client Service/Operations Associate
Operations/Client Contact
Support Business Development
Support Investment Manager
Research/Program Management

Joan R. Cueni
Sr. Research/Operations Associate
Operations/Client Contact
Support Investment Manager
Research/Program Management
Support Business Development

Karen A. Mair
Research Associate
Market/Program Analysis
Support Investment Manager
Research/Program Management
Support Business Development

Ashley L. Martin
Sr. Research/Operations Associate
Operations/Client Contact
Support Investment Manager
Research/Program Management
Support Business Development

Janice L. Elliott
Contract Research Consultant

External Resources:
Network Support Co. – IT Consultants
Finn Dixon & Herling – External Counsel
R.L. DePanfilis & Co. – External Accountants
U.S.I. – Insurance
First County – Company Bank

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<thead>
<tr>
<th>Name</th>
<th>Title/Role</th>
<th>Year Joined Firm</th>
<th>Years Investment Experience</th>
<th>Education/Certifications</th>
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<td>Marilyn R. Freeman</td>
<td>Principal &amp; Manager, CCO</td>
<td>2001</td>
<td>30+</td>
<td>BA, MBA</td>
</tr>
<tr>
<td>Elizabeth A. Knope</td>
<td>Principal &amp; Manager, EEO</td>
<td>2002</td>
<td>34+</td>
<td>BA, MBA, CFA</td>
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<td>Joan R. Cueni</td>
<td>Sr. Research/Operations Associate</td>
<td>2004</td>
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</table>
Capital Prospects LLC

Marilyn R. Freeman
* Principal and Manager, Capital Prospects LLC
* EVP & Director of Client Service, Northern Trust Global Advisors, Inc.
  and predecessor firm RCB International, Inc.
* Partner and Managing Director, Rogers, Casey & Barksdale, Inc.
* Member of The Greenwich Roundtable

Elizabeth A. Knope, CFA
* Principal and Manager, Capital Prospects LLC
* EVP & Director of U.S. Investment Research, Northern Trust Global Advisors, Inc.
  and predecessor firm RCB International, Inc.
* Partner and Managing Director, Rogers, Casey & Barksdale, Inc.
* Manager, Pension Fund Planning & Analysis, AT&T and New England Telephone

Joan R. Cueni
* Research/Operations Associate, Capital Prospects LLC
* Research Assistant, HEI Hospitality
* Jr. Analyst, Northern Trust Global Advisors, Inc.

Claudia L. Lupinacci
* Client Service/Operations Associate, Capital Prospects LLC
* Sr. Analyst, Client Services Team Leader, Northern Trust Global Advisors, Inc.
* Staff Accountant, J.S. Karlton Company, Inc.

Ashley L. Martin
* Sr. Research/Operations Associate, Capital Prospects LLC
* Director Accounting, Reporting, Legal & Compliance, Parenteau Associates LLC
* Assistant, VP of Finance & Administration office, Western CT State University

Karen A. Mair
* Research Associate, Capital Prospects LLC
* Director, Private Banking & Investments Group, Merrill Lynch & Co.
* Senior Risk Manager, Engelhard Corporation
* Senior Financial Analyst, Federal Reserve Bank of NY

Janice L. Elliott
* Contract Consultant, Research, Capital Prospects LLC
* Vice President, Sr. Investment Analyst, Northern Trust Global Advisors, Inc.
* Manager, KPMG LLP
* Senior International Research Analyst, Evaluation Associates

Karen A. Mair
30+ years investment experience
B.A. State University of NY at Stony Brook
M.B.A. University of Connecticut

Elizabeth A. Knope, CFA
34+ years investment experience
B.A. Skidmore College
M.B.A. Boston University

Joan R. Cueni
10+ years investment experience
B.S. Iona College

Claudia L. Lupinacci
10+ years investment experience
B.A. Pace University

Ashley L. Martin
6 years investment experience
B.B.A. Western Connecticut State University

Karen A. Mair
16+ years investment experience
B.A. Trinity College
M.A. Harvard University

Janice L. Elliott
20+ years investment experience
B.S. Sacred Heart University
Research Universe

- Specialized focus on domestic emerging managers
  - More recently established investment firms
  - Established firms newly entering the institutional arena
  - Opportunistically, specialized products/talent within larger organizations

- Over 30 years experience evaluating/funding emerging firms

- “Focus List” of generally 170-180 firms includes those subject to more extensive research/monitoring and those currently funded; secondary list of firms (currently numbers 130) are either very early on in the research process or those still monitored but of less interest

- The universe of small cap value strategies within our Focus List numbers about 50
**Investment Strategy and Objectives**

- Primary investment program goal is to add value over the chosen benchmark within acceptable risk parameters
  - Benchmark, risk tolerances and return expectations determined in conjunction with client

- Manager research focuses on identifying investment managers able to develop unique insights/strategies, who have solid implementation processes that prospectively give them a performance advantage

- Investment program construction keys off the profile and dynamics of the benchmark. We engineer the manager mix so that the overall program will be:
  - Tailored to risk specifications
  - Well-diversified
  - Benchmark “style” neutral

- At every step, judgments are developed based upon an assessment of both qualitative and quantitative factors

- Value added results in part from our construction decisions but is primarily expected to come from the active decisions of the individual managers in terms of:
  - Security selection
  - Sector/industry bets
  - Investment/economic themes
Investment Process

Manager Research Effort

- Identification
- Due Diligence
- Focus List
- Ongoing Monitoring

Decision Making Process

- Develop Client Program Parameters
- Identify Manager Candidates
- Test Manager Combinations
- Select Manager Mix
- Manager Changes/Rebalancing

Investment Program Management
Investment Process

Ongoing Manager Research and Evaluation

- Identify managers of interest
  - Managers contacting us
  - Our networking
  - Conferences
  - Trade press articles
  - Database analysis

- Review background material
  - Firm profile/history
  - People
  - Investment philosophy and process
  - Performance

- Interviews with key professionals
  - Including on-site meetings

- Quantitative assessment
  - Portfolio characteristics
  - Performance history

- Reference checks

Research Focus List
Manager Evaluation

Qualitative Factors

- Organization
  - History/development of firm, business profile, financial resources, growth plans
  - Investment professionals’ backgrounds/experience, commitment
  - Strength of support structure and operational/administrative controls
  - Any regulatory issues
- Investment philosophy and process
  - Thoroughness and depth
  - Caliber of research effort and adequacy of resources
  - Flexibility of thought process
  - Effectiveness of implementation – buy and sell disciplines, trading
  - Consistency of characteristics with style
  - Potential to add value / “uniqueness” versus peers

Quantitative Factors

- Portfolio characteristics and risk factor exposures
  - Consistency over time and with style
- Risk profile
  - Diversification characteristics, volatility measures, tracking error
- Historical performance comparisons
  - Versus benchmark, peers, style and in different market environments
- Value added expectations
**Investment Process**

**Investment Program Management**

- Define parameters of client program
  - Investment objectives
  - Manager qualifications
  - Benchmark
  - Risk and return expectations

- Develop manager candidate list (from Research Focus List)

- Program construction
  - Test manager combinations for optimal mix versus benchmark
    - Diversification
    - Risk profile
    - Value added potential

- Ongoing monitoring
  - Results versus selection criteria
  - Performance analysis and attribution

- Program rebalancing; manager changes/graduation
  - Rebalance to original style, capitalization and specific manager allocations periodically
  - Terminations typically result from adverse firm developments, inconsistent strategy, excessive asset growth, undesirable volatility or persistent underperformance
  - Graduation policy set in conjunction with the client - in our view, these may be case-by-case decisions driven by expected value-added potential
**Resource Commitment**

- Continued due diligence on vendors of analytical systems to support our manager research, investment program management and client service requirements

- Currently have agreements in place with:
  
  - eVestment Alliance Manager database: Manager profiles, performance, returns-based analytics, peer group comparisons
  
  - Thomson Reuters Fundamental analytics: Risk model, portfolio analytics, holdings-based performance attribution, market data and analysis, broad market and custom benchmarks, fixed income analytics
  
  - Strategic Investment Solutions Returns-based analytics: Performance and risk analytics, optimizer
  
  - Russell RIO Index Data:

- We are committed to acquiring additional tools, as we identify them, that we believe will enhance our ability to deliver a consistently superior investment product
Stanislaus County Employees’ Retirement Association

Asset Allocation

- Funding date 1/1/09: $49.1 million
- 2010 Scheduled Cash Flow: ($300k) monthly
- Cash Flow 5/3/10: ($7.5 million)
- 2011 Scheduled Cash Flow through 7/15/11: ($250k) monthly
- Cash Flow 6/3/11: ($10 million)
- Cash Flow 4/1/14: ($2.2 million)
- Current value 5/31/14 (preliminary): $94 million

- Manager changes/rebalancing
  - June, 2013 – transitioned Ten to Haber Trilix, retaining same portfolio manager
  - November, 2013 – replaced Haber Trilix (firm closed) with Pacific Ridge

<table>
<thead>
<tr>
<th>Total Assets ($000)</th>
<th>% of Fund</th>
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</thead>
<tbody>
<tr>
<td>Bernzott</td>
<td>$12,358</td>
</tr>
<tr>
<td>Channing</td>
<td>21,810</td>
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<tr>
<td>InView</td>
<td>21,248</td>
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<tr>
<td>Keeley</td>
<td>12,186</td>
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<tr>
<td>Pacific Ridge</td>
<td>13,367</td>
</tr>
<tr>
<td>Walthausen</td>
<td>13,134</td>
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<tr>
<td><strong>Total Fund</strong></td>
<td><strong>$94,103</strong></td>
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</table>
Stanislaus County Employees’ Retirement Association

Equity Investment Characteristics – 3/31/2014

• All managers employ varying degrees of quantitative, fundamental and technical analysis: objective is to achieve a balanced mix

• “Core” position (60%) combines Channing’s and InView’s intrinsic value focus on currently undervalued, high quality companies with improving outlooks with a dedicated micro cap allocation to Pacific Ridge

• Remaining 40% more “eclectic”
  – Bernzott: Long term support from dividend/earnings growth plus critical assessment of management
  – Keeley: Corporate restructurings (especially spin-offs)
  – Walthausen: Cash flow generation; value creation strategies

• Resulting portfolio:
  – Well-diversified
  – Higher ROE than benchmark (21.6% vs. 7.2%)
  – PEG ratio (on forecast growth and P/E) at a 13% discount to the benchmark
  – Moderate risk level (forecast tracking error of 3.06)

<table>
<thead>
<tr>
<th>Manager</th>
<th>% Total</th>
<th># Holdings</th>
<th>Wtd. Avg. Mkt. Cap ($B)</th>
<th>Forecast P/E</th>
<th>Price/Book</th>
<th>Forecast Growth (%)</th>
<th>Yield (%)</th>
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<tbody>
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<td>30</td>
<td>$3.7</td>
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<td>3.7x</td>
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<td>1.4%</td>
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### Sector Allocation – 3/31/2014

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<th>InView</th>
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<th>Walthausen</th>
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<th>Russell 2000 Value</th>
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## Stanislaus County Employees’ Retirement Association

### Top Ten Holdings – 3/31/14

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<tr>
<th>Bernzott</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>Teleflex Incorporated</td>
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<tr>
<td>Telecommunications Sys</td>
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<tr>
<td>Broadridge Financial</td>
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<tr>
<td>Hillenbrand, Inc</td>
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<tr>
<td>Gentex Corp</td>
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</tr>
<tr>
<td>Mistras Group, Inc</td>
<td>4.6</td>
</tr>
<tr>
<td>Dresser-Rand Group Inc</td>
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<tr>
<td>Intl Game Technology</td>
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<tr>
<td>SP Plus Corp</td>
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<tr>
<td>Cinemark Holdings, Inc</td>
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<td><strong>Total</strong></td>
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<thead>
<tr>
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<th>%</th>
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</thead>
<tbody>
<tr>
<td>Iberiabank Corp</td>
<td>3.3</td>
</tr>
<tr>
<td>Cytec Industries Inc</td>
<td>3.2</td>
</tr>
<tr>
<td>Lancaster Colony Corp</td>
<td>3.1</td>
</tr>
<tr>
<td>Booz Allen Hamilton</td>
<td>3.0</td>
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<tr>
<td>Anixter Intl</td>
<td>3.0</td>
</tr>
<tr>
<td>Hillenbrand, Inc</td>
<td>3.0</td>
</tr>
<tr>
<td>First American Financial</td>
<td>3.0</td>
</tr>
<tr>
<td>Steelcase Inc</td>
<td>3.0</td>
</tr>
<tr>
<td>Polyone Corporation</td>
<td>3.0</td>
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<tr>
<td>Belden Inc</td>
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<td><strong>Total</strong></td>
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<table>
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<tr>
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<tbody>
<tr>
<td>Asbury Auto Group</td>
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</tr>
<tr>
<td>Meritor, Inc</td>
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<tr>
<td>American Equity Inv</td>
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</tr>
<tr>
<td>Belden Inc</td>
<td>2.8</td>
</tr>
<tr>
<td>Deluxe Corp</td>
<td>2.8</td>
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<tr>
<td>Matrix Service Co</td>
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<tr>
<td>Enpro Industries, Inc</td>
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<tr>
<td>Portland General Electric</td>
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<tr>
<td>Littelfuse, Inc</td>
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<tr>
<td>Och-Ziff Capital Mgt</td>
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<tr>
<td><strong>Total</strong></td>
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</table>

<table>
<thead>
<tr>
<th>Keeley</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITT Corp</td>
<td>2.7</td>
</tr>
<tr>
<td>Broadridge Financial</td>
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</tr>
<tr>
<td>Waddell &amp; Reed Fin</td>
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<tr>
<td>Chicago Bridge &amp; Iron</td>
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</tr>
<tr>
<td>Winland Electronics</td>
<td>2.0</td>
</tr>
<tr>
<td>Hanover Insurance</td>
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<tr>
<td>Vectren Corp</td>
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<tr>
<td>Viewpoint Financial</td>
<td>1.9</td>
</tr>
<tr>
<td>Air Lease Corp</td>
<td>1.9</td>
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<tr>
<td>Dana Holding Corp</td>
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<td><strong>Total</strong></td>
<td><strong>20.4</strong></td>
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<table>
<thead>
<tr>
<th>Pacific Ridge</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ultra Clean Holdings</td>
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<tr>
<td>Integrated Silicon</td>
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<tr>
<td>Photomedex, Inc</td>
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<td>Patrick Industries</td>
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<tr>
<td>Build-A-Bear Workshop</td>
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<td>Datalink Corp</td>
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<td>Landec Corp</td>
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<td>Band of California</td>
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<td>Rudolph Technologies</td>
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<td><strong>Total</strong></td>
<td><strong>22.6</strong></td>
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<table>
<thead>
<tr>
<th>Walthausen</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Big Lots, Inc</td>
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<tr>
<td>Olin Corp</td>
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<tr>
<td>Darling Intl</td>
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<tr>
<td>Orbital Sciences Corp</td>
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<td>Ocwen Financial Corp</td>
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<tr>
<td>M/I Homes, Inc</td>
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<td>Mueller Water Products</td>
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<td>Polyone Corp</td>
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<td>Regal Beloit Corp</td>
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<td>Littelfuse, Inc</td>
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<td>MB Financial, Inc</td>
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Stanislaus County Employees’ Retirement Association

Comparative Investment Performance

Periods through 3/31/14

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<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
<th>1 Year to 3/31/14</th>
<th>3 Years to 3/31/14</th>
<th>5 Years to 3/31/14</th>
<th>Inception to 3/31/14</th>
<th>Inception Date</th>
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<tr>
<td>Bernzott</td>
<td>-2.89%</td>
<td>35.06%</td>
<td>17.33 %</td>
<td>10.33%</td>
<td>21.12%</td>
<td>41.41%</td>
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<td>16.61%</td>
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<td>22.55%</td>
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<td>39.62%</td>
<td>22.88%</td>
<td>-5.93%</td>
<td>33.00%</td>
<td>23.47%</td>
<td>28.02%</td>
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<td>25.19%</td>
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<td>1/1/2009</td>
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<td>35.54%</td>
<td>21.81%</td>
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<td>N/A</td>
<td>N/A</td>
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<td>28.02%</td>
<td>30.04%</td>
<td>23.71%</td>
<td>15.46%</td>
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<td>21.35%</td>
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<td>22.89%</td>
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<td>29.10%</td>
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<td>25.44%</td>
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<td>1.78%</td>
<td>34.52%</td>
<td>18.05%</td>
<td>-5.50%</td>
<td>24.50%</td>
<td>20.58%</td>
<td>22.65%</td>
<td>12.74%</td>
<td>23.33%</td>
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Periods through 5/31/14 - (preliminary)

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<th>April/May 2014</th>
<th>YTD</th>
<th>1 Year to 5/31/14</th>
<th>3 Years to 5/31/14</th>
<th>5 Years to 5/31/14</th>
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<tr>
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<td>18.93%</td>
<td>14.35%</td>
<td>20.81%</td>
<td>19.63%</td>
</tr>
<tr>
<td>Russell 2000 Value</td>
<td>-1.95%</td>
<td>-0.21%</td>
<td>16.87%</td>
<td>12.07%</td>
<td>18.77%</td>
<td>16.13%</td>
</tr>
</tbody>
</table>

Fund Performance Inception Date: January 2, 2009. Returns for periods greater than one year are annualized. Sub adviser returns are gross of fees. The portfolio Custodian bank is Northern Trust. We recommend comparing our report with the account statement you receive from the underlying Custodian to verify the accuracy of our statement. Past performance is not indicative of future results.
The investment program began during the tail end of the severe contraction covering late 2007 through early 2009 that accompanied the financial crisis and economic recession. The market turned sharply upward starting in March 2009 but was dominated for the next year by lower price, lower quality stocks at the expense of more fundamentally strong companies. From early 2010 until towards the end of 2012, the market – while positive on balance – see-sawed between optimism and pessimism driven by views on the sustainability of the U.S. economic recovery, slowing growth in emerging markets, financial crises in European economies and challenging fiscal issues globally, with investors exhibiting a commensurately variable appetite for risk taking (“risk-on/risk-off”) as opinions shifted. Building confidence in the sustainability of the economic recovery and less attention on macro factors supported a strong market in 2013, and one that was more amenable to rewarding stock selection. Thus far, 2014 has seen leadership rotation and a move toward more defensiveness, but – in general – has maintained a modest uptrend.

Over the 65 months since inception (through May 2014), the Fund outperformed the benchmark by 440 basis points annualized, with value added in each calendar year and year-to-date 2014. On balance, stock selection contributed close to 70% of value added and sector positioning about 30%. The most notable positive contributors were overweightings and stock selection in industrials and materials; underweighting and stock selection in financials; overweighting consumer discretionary, and stock selection in technology and energy. Underweighting utilities and stock selection in healthcare and consumer staples were other positives but had less of an impact. From a risk model perspective, factor positioning was a negative due to tilts toward higher market capitalization (relative to the benchmark), lower dividend yield and lower book to price, offset somewhat by favoring higher long term growth, lower momentum, positive earnings revisions and lower p/e. Rewards from managers’ stock selection and sector positioning far outweighed those detractors.

Since inception, all of the managers currently in the program are ahead of their benchmarks. We are pleased with this performance and expect value added from each of the managers over the longer term, but we anticipate there will be some periods of weak relative performance for individual managers as well as for the composite. We continue to have confidence in each of the managers in the investment program.
Key market dynamics:

YTD to May 2014
- The early part of 2014 saw some dramatic shifts in terms of what equity characteristics were driving good or bad performance. Initially favoring growth stocks and stocks that had been doing well, there was a significant shift in market preferences towards lower beta, lower p/e and higher yield and on balance value dominated growth for the full period. Small and mid cap stocks generated better relative performance at the year’s start, but favoritism shifted to larger cap, at the notable expense of small cap.
- The Russell 3000 returned 4.3%. Mid cap was the strongest performing segment on balance, generating a return of 5.2%. The Russell 1000 gained 4.9%. Somewhat weaker, the Russell Top 200 advanced 4.7%. In contrast, the Russell 2000 fell -2.0%.
- The top performing sectors in the Russell 2000 Value were energy, utilities and consumer staples (all with positive returns) and healthcare. Materials (at -5%) was the weakest sector followed by consumer discretionary, technology, telecommunications, industrials and financials, all with negative returns.
- The favored risk factor exposures year-to-date were positive earnings revisions, lower p/e, lower momentum, lower dividend yield and higher market cap, although rewards to all the factors changed as the market preference shifted from growth to value.

2013
- The market sustained a broad advance through virtually all of 2013 as investors displayed strengthening confidence in the economy and less concern over potential disruptions. The Russell 3000 gained an outstanding 33.6%. Smaller cap outpaced large – the Russell 2000 advanced 38.8% and the Russell Midcap was up 34.8%. The Russell 1000 rose 33.2% and the Russell Top 200 returned 32.4%. Growth outpaced value across the capitalization spectrum – dramatically so in mid cap (230 basis points) and small cap (880 basis points). The Russell 2000 Value’s return was 34.5%.
- Outperforming sectors in the Russell 2000 Value (returning 41% to 49%) were consumer discretionary, healthcare, industrials, technology and consumer staples. Telecommunications was weakest followed by utilities, materials, energy and financials.
- The most rewarded risk factor tilts were toward lower market cap and lower p/e. Reversing trend, higher dividend yield was only modestly positive. Higher beta, momentum and long term growth were rewarded, while favoring higher book/price and positive earnings revisions was not.

Fund Results:

YTD to May 2014 0.7% vs -0.2% for the benchmark
- Outperformance was all due to stock selection, with favorable relative performance in all but financials and consumer discretionary. Technology, energy, materials and industrials were the strongest contributors.
- Sector positioning detracted across most of the portfolio but underweighting utilities and overweighting consumer discretionary and materials cost the most. Underweighting financials was a positive.
- From a risk model perspective, factor positioning was positive on balance due to favoring lower p/e, lower dividend yield and lower book/price.

2013 37.9% vs. 34.5% for the benchmark
- Outperformance was about 60% attributable to sector positioning, which added value in all but materials (overweighted). Overweighting industrials and consumer discretionary and underweighting financials and utilities were key.
- Stock selection added the most value in financials, industrials, technology, materials and energy. Returns in consumer discretionary, healthcare and consumer staples were not able to keep pace with very strong sector gains but were high in absolute terms. (+32% to +37%).
- Factor positioning was positive overall. Tilts toward lower p/e, lower book/price, higher beta and higher long term growth were rewarded, partly offset by higher market capitalization (relative to the benchmark).

Note: All returns are gross of fees.
Key market dynamics:

2012
- The year started out strongly, as investors chose to focus on improving trends in the economy. As the year progressed, however, concerns over a number of issues impacting the global and domestic economies as well as uncertainties regarding the U.S. election outcome and needed action on fiscal issues took charge. Nonetheless, equities had a strong year, with the Russell 3000 advancing 16.4% (as did both the Russell 1000 and the Russell 2000). Midcap was strongest with the Russell Midcap up 17.3%. Value outperformed growth – most notably in small cap where the spread was 350 basis points. The Russell 2000 Value gained 18.1% for the year.
- The top performing sectors in the Russell 2000 Value were consumer discretionary, materials, financials and industrials (+20% to +27%). Energy was weakest (+2%), followed by utilities, technology, telecommunications, consumer staples and industrials.
- Positive exposure to book to price was the most rewarded risk factor tilt by a significant margin, followed by long term growth, positive earnings revisions and larger market capitalization. Tilts toward higher momentum, higher dividend yield, higher earnings yield (lower p/e) and higher beta were penalized.

2011
- Despite ongoing economic concerns and various global “shocks,” upward biased market momentum continued into April until investors expressed renewed concern over the sustainability of the economic recovery. Things worsened over the summer months as concerns in particular over sovereign debt issues in the Eurozone mounted. Macro issues became predominant and investors moved between “risk- on” and “risk-off” postures (mostly “risk-off”) during a period of increased volatility. Correlations were high, with the market showing little discrimination in individual stock performance relative to fundamentals.
- The year ended largely where it began, with the Russell 3000 returning 1.0%. Larger cap “safe” stocks were the winners, with the Russell Top 200 up 2.8%. In contrast, the Russell 2000 fell -4.2% for the year. Growth generally outperformed value. The Russell 2000 Value returned -5.5%.
- Utilities was the strongest small cap value sector, returning 17%. Other outperforming sectors were healthcare, consumer staples and financials. The weakest sectors were energy and telecommunications (both at -14%), followed by technology, consumer discretionary, materials and industrials.

Fund Results:

2012
- Outperformance was over 90% attributable to stock selection, which added by far the most value in industrials, consumer discretionary and technology. Materials, healthcare and energy were other notable areas of relative strength. Overweighting industrials, consumer discretionary and materials and underweighting utilities were positives as well.
- Areas of weakness included overweighting energy and technology and underweighting plus weak sector-relative performance in financials, although returns in financials were strong on an absolute basis and above the portfolio benchmark.
- From a risk model standpoint, factor exposures detracted for the year due mainly to favoring lower book to price and higher earnings yield, partially offset by positives from lower dividend yield, higher market cap (relative to the benchmark), higher long term growth and positive earnings revisions.

2011
- Outperformance was all due to stock selection, with the strongest relative performance in consumer discretionary, technology, energy, consumer staples and industrials. Sector positioning was negative on balance, due mainly to underweighting utilities and overweighting industrials.
- Factor positioning was a positive as a result of tilts toward lower book to price, higher earnings revisions and the higher end of the market cap spectrum within small cap value, offsetting the negative impact of a tilt away from higher dividend yield.

Note: All returns are gross of fees.
Key market dynamics:

2011 continued
- Higher dividend yield, momentum and earnings revision were the factors most rewarded for the year; higher book to price and historical beta were most penalized.

2010
- Stock market rally that started in March 2009 continued into April 2010, and despite some perceived broadening was still dominated by low quality; from spring on, the market “see-sawed” reflecting alternating moods of investor pessimism and optimism regarding the economic recovery and longer term growth prospects.
- Mid and small cap stocks rose 26%-27%, handily leading the market; mega cap rose 13% and large cap was up about 16%. Russell 2000 Value returned 24.5%.
- Within small cap value, outperforming sectors were materials, industrials, consumer discretionary energy and technology.
- Factors rewarded most notably were higher dividend yield, higher beta and higher longer term growth.

2009
- The equity market rally off the 3/9/09 low resulted in a 28.3% full year gain for the Russell 3000 while the Russell 2000 advanced 27.2%. (The Russell 2000 Value returned 20.6%.) Mid cap stocks were strongest (+41%), followed by large cap (+28%) – mega cap stocks advanced the least (+24%) for the year. Within the strong upswing, performance was dominated by low price, lower quality stocks at the expense of more fundamentally strong companies. For the year, growth outpaced value across the capitalization spectrum.
- Materials, consumer discretionary, technology, energy and telecommunications were the leading sectors in the Russell 2000 Value, while financials (which declined), utilities, industrials and consumer staples underperformed
- Factor returns rewarded for the year were higher book to price, higher forward e/p, higher long term expected growth, and in particular higher beta; those penalized were lower dividend yield, higher earnings revision yield, higher market cap and especially higher momentum

Fund Results:

2010 28.0% vs. 24.5% for the benchmark
- About half of the value added came from sector positioning and was due to alignment with sectors of strength – i.e., overweighting industrials, materials and consumer discretionary and underweighting financials and utilities.
- Stock selection accounted for the other half of value added and was principally due to favorable relative performance in financials, materials, energy and healthcare.
- From a risk model standpoint, factor positioning was negative due mainly to tilts toward the higher end of the small cap stock segment and toward lower dividend yield and lower book to price.

2009 30.0% vs. 20.6% for the benchmark
- Underweighting (low exposure to banks) and stock selection in financials a significant positive
- Other positives: overweighting materials (paper-packaging), consumer discretionary (apparel, leisure time), energy (services/equipment); underweighting utilities; stock selection in industrials, technology, consumer staples
- On balance, outperformance was 60% attributable to sector/industry positioning and 40% to stock selection
- Tilt toward lower book to price and minimal exposure to micro cap were negatives and more than offset positives from higher forward earnings to price, less negative long term growth and historical beta exposure, and lower momentum

Note: All returns are gross of fees.
**Bernzott Capital Advisors**  
Kevin Bernzott  
Style: Small Cap Value  
Benchmark: Russell 2000 Value  

Bernzott focuses on identifying stable, sustainable long term returns through extensive evaluation of value metrics and company management. Initially, screens are applied targeting companies with consecutive ten year periods of accelerating earnings and/or dividend growth. Additional ratios are applied to develop a select list of companies with attractive value characteristics. Key to the process is extensive discussion with top management, which enables Bernzott to determine their opinion as to the true worth of the underlying business. Buy prices are carefully determined to minimize downside risk.

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**Channing Capital Management**  
Eric T. McKissack, Wendell E. Mackey  
Style: Small Cap Value  
Benchmark: Russell 2000 Value  

Channing utilizes a fundamental, bottom up value approach that focuses on undervalued and neglected stocks (i.e., companies trading at a 40% or greater discount to their intrinsic value) that have improving returns and attractive growth opportunities. Screening disciplines focus on numerous variables, including cash flow multiples, earnings multiples, return on equity, return on capital and earnings growth rates. Companies of interest are high quality with strong management teams and have leading market positions or competitive advantages that will drive future earnings and cash flow growth but which are currently misunderstood and underfollowed by Wall Street. Extensive fundamental research conducted in-house is a hallmark of Channing’s approach. Valuation disciplines focus on p/e and cash flow ratios and are examined relative to history, peers, growth rate, overall market and in light of the current stage in the business cycle.
### Stanislaus County Employees’ Retirement Association

#### Sub-Manager Firm Characteristics

**InView Investment Management**  
Glen Kleczka  
Style: Small Cap Value  
Benchmark: Russell 2000 Value  
Chicago, IL  
Majority-Owned  
3/31/14 AUM: $87MM

InView’s investment process starts with the premise that equity prices systematically overreact to transitory psychology or events without regard to long term outlook or intrinsic value but do trend toward intrinsic value over time. Through quantitative screens they identify such companies displaying price/value disparities that are also good businesses with solid managements, favorable outlooks and improving financials. Fundamental research delves further into management’s strength. Models are produced to develop InView’s opinion as to intrinsic value and normalized earnings power, revealing the most attractive opportunities relative to current price.

**Keeley Asset Management**  
John L. Keeley, Jr.  
Style: Small Cap Value  
Benchmark: Russell 2000 Value  
Chicago, IL  
Majority-Owned  
3/31/14 AUM: $5,900MM

Investment strategy focuses primarily on companies involved in corporate restructurings (including spin-offs), as well as companies trading at or below perceived book value, companies emerging from bankruptcy and financial institution conversions. Stocks of companies in those categories traditionally have traded at discounts to inherent market value, and opportunities exist for a move to premium valuations as successful management of these typically focused businesses becomes evident in the marketplace. This is a heavily research-driven process, focusing on company-by-company analysis.
Stanislaus County Employees’ Retirement Association

Sub-Manager Firm Characteristics

Pacific Ridge Capital Partners, LLC  
Dominic Marshall, Mark Cooper  
Style: Micro Cap Value  
Benchmark: Russell Microcap Value  
3/31/14 AUM: $147MM

Pacific Ridge’s micro cap value strategy is focused on the smallest and most inefficient segment of the U.S. equity market, consisting of a universe of 2,500 stocks in the $25 to $350 million market cap range. Ongoing quantitative screening includes common valuation metrics (with a focus on free cash flow and asset value), earnings estimate and revision data, profit margin trends, price/volume data, and others that attempt to quantify attractive attributes (such as low institutional ownership, low broker research coverage, high insider ownership, and insider buying activity). Non-quantitative means include management meetings at investor conferences and the firm's offices, broker research and contact with industry analysts. The process is a team process, whereby information and analysis on stocks is shared continually via initial formal analytical write-ups, ongoing maintenance updates, and a free-flow of information between the investment team members.

Walthausen & Co. LLC  
John B. Walthausen  
Style: Small Cap Value  
Benchmark: Russell 2000 Value  
3/31/14 AUM: $1,479MM

Walthausen’s investment approach emphasizes neglected stocks and value on an individual basis relative to the full universe of small cap stocks. The process begins with a scoring process using 12 specific criteria grouped into value, insider sentiment, street enthusiasm, financial strength and relative momentum categories. Top scoring stocks are subject to proprietary fundamental research that looks carefully at management’s historical success in creating value for shareholders, in their ability to generate cash flow going forward and at their opportunities and strategies to enhance future value. Portfolio construction focuses on each holding’s contribution to the overall risk profile.
### CAPITAL PROSPECTS Quarterly Value Added

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### CAPITAL PROSPECTS Quarterly Cumulative Value Added

[Graph showing quarterly cumulative value added]
MEMORANDUM

DATE: May 27, 2014

TO: StanCERA Board of Retirement
    StanCERA Staff

FROM: Paul S. Harte

SUBJECT: PIMCO
Request for Modification to StanCERA’s Guidelines

Overview

PIMCO had previously made a request to align StanCERA’s definition of cash equivalents in their Statement of Investment Policy to PIMCO’s standard definition of cash equivalents. The primary reason for PIMCO’s request is to improve their operational efficiency (i.e., to make StanCERA similar to PIMCO’s other clients) without having any material change to the risk/return profile of the StanCERA core fixed income portfolio.

The StanCERA Statement of Investment Policy as it relates to cash holdings is listed below:

Fixed Income Holdings
It is understood and acknowledged that benefit payment shortfalls (benefit payments less contributions) can be most efficiently managed from our fixed income portfolio. As a result, liquidity levels in the fixed income portfolios may naturally contain higher levels of cash relative to non-fixed income portfolios. Even so, excess cash holdings in separate short term fixed income accounts should be minimized. Cash equivalent holdings are allowed in the fixed income portfolio to maintain the portfolio duration within Investment Policy limits. Cash equivalent reserves shall consist of cash instruments having quality ratings by at least one rating agency of A-1, P-1 or higher, maturing in 360 days or less. The custodian’s short-term investment fund (STIF) is considered an eligible investment vehicle.

PIMCO Guidelines Request and Effect on StanCERA’s Guidelines

Strategic Investment Solutions—in an email that was sent to PIMCO on May 7, 2014—received the following answers to four basic questions on why they were requesting a modification to guidelines:

1. Why you want to make that change?

   We would like to align StanCERA’s definition of cash equivalent’s to PIMCO’s standard definition of cash equivalents. This improves our operational efficiency without any material change to the risk/return profile of StanCERA’s portfolio.
Background: StanCERA’s guidelines defined cash equivalent securities as “instruments having quality ratings by at least one rating agency of A-1/P-1 or higher and maturing in 360 days or less. PIMCO’s standard definition for cash equivalents (applied firm wide) applies a one year duration limit and a credit quality minimum of A- (which maps to A-2/P-2).

On the margin, aligning StanCERA’s definition to PIMCO’s standard definition will permit us to use a more automated process in evaluating compliance with cash backing limitations for forward settling positions. This issue originally surfaced in February 2014 when our compliance group notified us that we had modestly insufficient cash backing for a forward settling transaction because of the StanCERA’s “custom” cash equivalent definition (in this case, we had a T Bill that just exceeded the 360 day maturity limit that we were not allowed to “count” as a cash equivalent but it would have passed muster under the one year duration limit).

2. The effect of making that change if we grant you your request?

In truth, the effect will be marginal (and not noticeable) from StanCERA’s perspective. Changing the definition will allow us to automate a process that is currently more manual in nature. However, since this issue has only surfaced one time since funding the portfolio, it’s clear to me that leaving the guideline unchanged will not have a material impact on the portfolio. Finally, if we need to choose between the two limits (duration or credit), we would prefer to align the duration limitation (and move away from a maturity based test).

3. How much value can you add by that change potentially?

We requested the change primarily for operational reasons – I don’t see the change affecting the return or risk profile of the portfolio.

4. If we don’t make that change request, how much heartburn will that cause you?

In truth, it will cause us minimal heart burn. My best estimate is that once to twice a year, we may need to obtain clarification/approval to use an instrument for cash backing that falls outside of StanCERA’s definition. In light of this, if at all possible, I would very much like to maintain the duration test – I see that as an issue that is more likely to surface than the credit quality limit. I made the original request because I thought it would improve operations for our compliance and trade floor without “costs” for StanCERA.

Please let me know if I may answer any additional questions.

Warm regards,
Matt Clark
Recommendation

The request made by PIMCO to modify the Cash Equivalents section of StanCERA’s guidelines asks to change the duration from 360 days to 1-year (365 days) and to lower the credit quality minimum from A1/P1 to A2/P2 (still highly rated). These proposed changes would most likely only affect a handful of transactions in any year. The overall effect is miniscule.

Strategic Investment Solutions recommends that the StanCERA Board grant PIMCO’s request and change their Statement of Investment Policy as it relates to cash equivalents by lengthening the duration from 360 days to 1-year and changing the minimum credit quality from A1/P1 to A2/P2. If the StanCERA Board does not want to make any changes that would also be okay as the PIMCO request is solely from an operational standpoint to align StanCERA’s guidelines with their other clients.
# StanCERA
## Infrastructure Strategy Review
### June 24, 2014

<table>
<thead>
<tr>
<th><strong>Fund Name</strong></th>
<th>IFM Global Infrastructure Fund</th>
<th>JPMorgan Infrastructure Investments Fund (&quot;IIF&quot;)</th>
<th>Harvest MLP Alpha Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Term</strong></td>
<td>Open-ended</td>
<td>Open-ended</td>
<td>No specified term (public market securities)</td>
</tr>
<tr>
<td><strong>Strategy Summary</strong></td>
<td>Infrastructure investment style is “core”. Core infrastructure assets typically have monopoly-like characteristics, strong market positions, a predictable regulatory environment, high barriers to entry, limited demand elasticity and long lives.</td>
<td>The Fund seeks to invest in a broad range of infrastructure and infrastructure-related assets located primarily in the U.S., Canada, Western Europe and Australia, and secondarily in other OECD countries.</td>
<td>SMA focused on publicly-traded MLPs and midstream energy infrastructure securities. Harvest’s investment philosophy is to identify companies that will experience solid future growth; to maintain a bias toward MLPs and energy companies that have the greatest opportunity for cash flow expansion.</td>
</tr>
<tr>
<td><strong>Investment Period</strong></td>
<td>Ongoing</td>
<td>Ongoing</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Valuations</strong></td>
<td>Quarterly</td>
<td>Quarterly</td>
<td>MLP SMA would have a daily valuation. Pooled funds running the same MLP Alpha Strategy strike an NAV monthly.</td>
</tr>
<tr>
<td><strong>Liquidity</strong></td>
<td>Follows the Redemption policy mentioned below</td>
<td>The Fund has an indefinite term with a liquidity feature. In addition to semi-annual redemptions, investors can elect to receive distributions in the form of cash or to reinvest distributions back into the Fund.</td>
<td>Daily</td>
</tr>
<tr>
<td><strong>Redemptions</strong></td>
<td>IFM Investors must use its commercially reasonable best efforts to enable the investor to withdraw or transfer within 36 months from the end of the quarter when the request was received.</td>
<td>Redemption dates occur two times a year on March 31 or September 30.</td>
<td>Request at least 5 business days’ notice for an SMA.</td>
</tr>
<tr>
<td><strong>Distributions</strong></td>
<td>Paid or reinvested at investors’ preference</td>
<td>Paid or reinvested at investors’ preference</td>
<td>Paid or reinvested at investors’ preference</td>
</tr>
<tr>
<td>Fund Name</td>
<td>IFM Global Infrastructure Fund</td>
<td>JPMorgan Infrastructure</td>
<td>Harvest MLP Alpha</td>
</tr>
<tr>
<td>---------------------------</td>
<td>--------------------------------</td>
<td>-------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Target Return</td>
<td>10%</td>
<td>10-12%</td>
<td>10-15%</td>
</tr>
<tr>
<td>Target Yield</td>
<td>6-8%</td>
<td>5-7%</td>
<td>4-6%</td>
</tr>
<tr>
<td>Minimum commitment</td>
<td>USD 10 million</td>
<td>USD 10 million</td>
<td>USD 10 million</td>
</tr>
<tr>
<td>Management Fee</td>
<td>0.97% (&lt;$300mm)</td>
<td>1.10% (8yr Hard lock);</td>
<td>0.70% - (&lt;$100M)</td>
</tr>
<tr>
<td>Performance Fee Catch-up</td>
<td>20% over 8% hurdle</td>
<td>15% over 7% hurdle</td>
<td>N/A</td>
</tr>
<tr>
<td>Catch-up</td>
<td>None</td>
<td>None</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Correlation Matrix**

<table>
<thead>
<tr>
<th>Jan 09 - Mar 14</th>
<th>Harvest</th>
<th>IFM</th>
<th>JPM</th>
<th>Cash</th>
<th>Bond</th>
<th>Int'l Equity</th>
<th>S&amp;P 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harvest MLP Alpha</td>
<td>1.00</td>
<td>0.30</td>
<td>0.02</td>
<td>0.23</td>
<td>-0.18</td>
<td>0.45</td>
<td>0.59</td>
</tr>
<tr>
<td>IFM Infrastructure</td>
<td>0.30</td>
<td>1.00</td>
<td>0.35</td>
<td>0.10</td>
<td>0.13</td>
<td>0.42</td>
<td>0.39</td>
</tr>
<tr>
<td>JPM Infrastructure</td>
<td>0.02</td>
<td>0.35</td>
<td>1.00</td>
<td>0.03</td>
<td>-0.05</td>
<td>0.67</td>
<td>0.48</td>
</tr>
<tr>
<td>Cash</td>
<td>0.23</td>
<td>0.10</td>
<td>0.03</td>
<td>1.00</td>
<td>0.15</td>
<td>0.26</td>
<td>0.04</td>
</tr>
<tr>
<td>Bond</td>
<td>-0.18</td>
<td>0.13</td>
<td>-0.05</td>
<td>0.15</td>
<td>1.00</td>
<td>-0.10</td>
<td>-0.25</td>
</tr>
<tr>
<td>Int'l Equity</td>
<td>0.45</td>
<td>0.42</td>
<td>0.67</td>
<td>0.26</td>
<td>-0.10</td>
<td>1.00</td>
<td>0.90</td>
</tr>
<tr>
<td>S&amp;P 500 Index</td>
<td>0.59</td>
<td>0.39</td>
<td>0.48</td>
<td>0.04</td>
<td>-0.25</td>
<td>0.90</td>
<td>1.00</td>
</tr>
</tbody>
</table>

**Performance Review**

**Trailing Performance**

![Performance Chart](chart.png)
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These materials contain a summary of certain proposed terms of a hypothetical offering of securities as currently contemplated and do not purport to be a complete description of all material terms or of the terms of an offering that may be finally consummated. Any offering will be made only by means of a private placement memorandum or other appropriate materials (the “Offering Documents”) that will contain detailed information about any investment to be offered; no sales will be made, and no commitments to enter into investments will be accepted, and no money is being solicited or will be accepted, until the Offering Documents are made available to prospective investors. Any indications of interest from prospective investors in response to the information provided in these materials involves no obligation or commitment of any kind. Any investment decisions should be based only on the data in the Offering Documents.
<table>
<thead>
<tr>
<th>Section</th>
<th>Topic</th>
<th>Page</th>
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</thead>
<tbody>
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<td>1</td>
<td>Introduction to IFM Investors, LLC</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>IFM Global Infrastructure Fund</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Appendix I: Portfolio Companies</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Appendix II: Infrastructure Team Biographies</td>
<td>55</td>
</tr>
</tbody>
</table>
INTRODUCTION TO IFM INVESTORS, LLC
Introduction to IFM Investors

Independent and fully-aligned manager

- Global investment management company with offices in New York, London, Berlin, Tokyo, Sydney and Melbourne
  - $48 billion under management across a range of investment products
  - $18 billion of global infrastructure investments under management
  - Over $2 billion of infrastructure debt investments under management
- Independent and fully aligned investment manager
  - Owned by 30 pension funds
  - Structurally designed to avoid conflicts with other lines of business
- Two infrastructure funds – Australian and Global
  - One of the largest international investors in infrastructure
  - Pioneer infrastructure investor with over 19 year investment track record

Owners and investors

Global Infrastructure
Australian Infrastructure
Private Capital
Debt/Fixed Income
Equities
About IFM Investors

IFM Investors manages $48 billion in funds

$48bn

Across four asset classes
- Infrastructure $18b
- Listed Equities $14b
- Debt $15b
- Private Capital $2b

Six offices located in the four largest global pension markets

London
Berlin
New York
Tokyo
Melbourne
Sydney

* FUM figures at 31 March 2014
IFM INVESTORS MANAGES INFRASTRUCTURE INVESTMENTS FOR INSTITUTIONAL INVESTORS GLOBALLY. WE ULTIMATELY HOLD OURSELVES ACCOUNTABLE TO THEIR >12 MILLION MEMBERS AND RETIREES.

A Profile of IFM’s 105 Like-Minded Investors (1)

Committed Capital (%)

- Multi-Employer Plans: 43%
- Public Pension: 37%
- Foundations & Endowments: 3%
- Corporate/Private Pension: 5%
- Taft Hartley/Industry Pension: 11%
- Other: 1%

Total Investors by Region

- USA: 55
- Australia: 19
- Canada: 20
- UK & Europe: 9
- Asia: 2
- Australia: 19

(1) Investor count as at March 2014.
OVER $18 BILLION INFRASTRUCTURE EQUITY UNDER MANAGEMENT; 27 PORTFOLIO COMPANIES; 39 BOARD SEATS

Infrastructure investment portfolio

IFM Global Infrastructure Fund

IFM Australian Infrastructure Fund

Current Assets

2004 – March 2014

8

Fund Size

$10bn

1994 – March 2014

18

Fund Size

$8bn

(1) Please note the chart above excludes IFM Investors’ unclosed investment in Freeport LNG’s proposed natural gas liquefaction facility in Freeport, Texas. Financial close expected in late-2014.

(2) This represents total size of the Master Fund’s assets as at 31 March 2014, including assets’ NAV, undrawn investor commitments and Master Fund cash.

(3) Based on A$/US$ FX rate as at 31 March 2014
Our open-ended fund structure aligns us with our investor base

Long-term infrastructure investments matched to long-term liabilities of pension funds

**KEY BENEFITS OF OPEN-END FUNDS**
- Most suitable structure for long-lived assets and concessions
- Reinforces the long-term orientation of manager
- Known portfolio of assets in the fund (unlike a blind pool)
- Reduced j-curve: quicker investment period, no fees on undrawn commitments and cash yield from day one
- Vintage diversification: no pressure to invest or divest assets in poor markets
- Exclusive access to certain acquisitions due to long-term ownership structure
- LPs partner with long-term, like-minded, institutional investors only
- Robust redemption policy and quarterly valuations conducted by external valuers

<table>
<thead>
<tr>
<th>Key Consideration</th>
<th>Open-end</th>
<th>Closed-end</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term</td>
<td>Evergreen or perpetual</td>
<td>Typically 10 to 14 years</td>
</tr>
<tr>
<td>Investment Period or Vintage</td>
<td>Ongoing; Immediate exposure to income generating assets</td>
<td>Limited to commitment period, typically 4 or 5 years</td>
</tr>
<tr>
<td>Investment Strategy</td>
<td>Long-term hold is well suited to investments in post-development, “take-out” deals or “yield-oriented” deals</td>
<td>Shorter term focus is suited to turn-around or development deals</td>
</tr>
<tr>
<td></td>
<td>No rush to deploy capital</td>
<td>Mandatory exit is not consistent with the long-term hold philosophy of core infrastructure, and discourages strategic partnering</td>
</tr>
<tr>
<td></td>
<td>Ability to grow and diversify fund over time</td>
<td></td>
</tr>
<tr>
<td>Contributions &amp; Redemptions</td>
<td>Investors have control and optionality</td>
<td>Manager has control</td>
</tr>
<tr>
<td>Valuations</td>
<td>Regular, independent and audited</td>
<td>Manager’s discretion; not necessarily independent</td>
</tr>
<tr>
<td>Liquidity</td>
<td>Liquidity available from cash yield, exits if appropriate, and redemption option</td>
<td>Liquidity available from distributions and asset divestments at discretion of manager</td>
</tr>
<tr>
<td>Distributions vs Reinvestment</td>
<td>Investors have control: reinvestment or distributions</td>
<td>Distributions only until towards end of fund life (typically after investment period)</td>
</tr>
</tbody>
</table>
Strong, consistent returns over 19 years of investing in infrastructure

Cumulative net time-weighted performance of IFM Infrastructure Funds since inception

<table>
<thead>
<tr>
<th>TIME WEIGHTED RETURNS:</th>
<th>1-year (p.a.)</th>
<th>3-year (p.a.)</th>
<th>Since Inception (p.a.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFM AI (net)</td>
<td>15.7%</td>
<td>11.9%</td>
<td>12.3%</td>
</tr>
<tr>
<td>IFM II (net)</td>
<td>9.2%</td>
<td>9.0%</td>
<td>7.0%</td>
</tr>
<tr>
<td>US LP (net)</td>
<td>10.2%</td>
<td>7.9%</td>
<td>8.6%</td>
</tr>
</tbody>
</table>

(1) Returns as at 31 March 2014
IRR: Internal Rate of Return
TWR: Time Weighted Return

(2) In addition to the vehicles listed, there exist three additional LP’s who do not have sufficient track records for inclusion herein.
Strong operating performance, even through financial crisis

IFM Global Infrastructure Fund - EBITDA performance\(^{(1)}\)

IFM Australian Infrastructure Fund - EBITDA performance\(^{(4)}\)

1) EBITDA shown in local currency for assets in the Global Infrastructure Fund
2) IFM originally invested in the subsidiary Dalkia Łódź in 2006, followed by Dalkia Polska in 2010. Historic performance to 2010 is for Dalkia Łódź only
3) 50Hertz Transmission was acquired in 2010, historic performance is shown for illustrative effect. 50Hertz Transmission's 2011 result mainly due to base year optimisation of expenses and adjustments for one-off items relating to 2010
4) Historical data unavailable for New South Wales Rent Buy as it was acquired by the fund in March 2013
5) Port of Brisbane was acquired in 2010, historical performance is shown for illustrative effect
6) NSW Ports was acquired in 2013, historical performance is shown for illustrative effect

Note: 2013 EBITDA depending on financial year end of each company
Independent IFM Investors board

CHIEF EXECUTIVE OFFICER

Brett Himbury joined IFM Investors in 2010 as Chief Executive, and is responsible for developing and executing the firm’s strategy and ensuring the delivery of strong results for IFM Investors’ clients, shareholders and staff. He also chairs the Investments Committee. Brett’s experience spans over 30 years in financial services. Previously he was Managing Director of Tyndall Investment Management, the funds management business of Suncorp. Prior to that he held a range of leadership roles across funds management and financial planning. His roles included Executive General Manager, Financial Planning & Advice Services at the Commonwealth Bank, Head of Financial Planning & Advice at Westpac, and Associate Director National Adviser Services at Rothschild. With this diversity of experience, Brett brings a strong track record and unique insights to IFM Investors.

IFM Investors Board of Directors

Garry Weaven

Michael Migro
Michael had significant roles as Head of Business Strategy (BT Funds Management), Joint Managing Director (Westpac Financial Services), CEO (Perpetual Funds Management and Principal Global Investors Australia), and most recently in the USA as COO (Principal Global Investors) and President and Chief Operating Officer (Post Advisory Group LLC). Also a Director of Industry Fund Services and the Investment Committee of the Steve Waugh Foundation Australia.

Murray Bleach
Former Head of North America for Macquarie Bank (US) and former Global Head of Macquarie’s Private Placements Group (Aus). He is Co-Chairman of Suicide Prevention Australia, Chairman of Society One Pty Limited, a Non-Executive Director of Strongform Group.

Glenn Bunney
Chief Executive in industrial and human services, Trustee Director with HESTA, Director of ISPT and IGIP. Member of the IFM Investors IAB. Director and Board officer on several not-for-profit Boards at State, National and International levels.

Linda Rubinstein
Served on IFM Investors’ Investor Advisory Board and was the Chair of the Australian Government Employees Superannuation Trust (AGEST) until its merger with AustralianSuper. Currently a director of Superpartners and of IPS and has a part-time role as Holding Redlich’s National Pro-Bono manager.

Deborah Kiers
Managing Director of JMW Consultants covering Asia Pacific. Long-standing and international career consulting to major corporations and organisations, principally to elevate and improve business performance.

The Hon. Greg Combet AM
Successful six years in Cabinet, Ministerial and Parliamentary Secretary roles in the Australian Government as Minister for Industry and Innovation, Minister for Climate Change and Energy Efficiency and Minister for Defence Personnel, Science and Material.
Supported by a diverse, global team of infrastructure experts

**North America**

- **Alec Montgomery**, Head of Infrastructure – N.A.
- **Tom Osborne**, Executive Director
- **Michael Kulper**, Executive Director
- **Brooks Kaufman**, Investment Director
- **Anthony Edwards**, Investment Director
- **Jamie Cenn**, Investment Director
- **Wei-Sun Teh**, Vice President
- **Augustus Hart**, Associate
- **Neil Doherty**, Analyst
- **Jase Scott**, Analyst
- **David Seibbinder**, Analyst
- **Amy Zhu**, Analyst
- **Nicole Zhang**, Analyst

**Europe**

- **Christian Seymour**, Head of Infrastructure – Europe
- **Lars Bespolka**, Executive Director
- **Deepu Chintamaneni**, Vice President
- **Peter McCosker**, Associate
- **Jaime Siles**, Associate
- **Guillaume Camus**, Associate
- **Christian Lam**, Analyst

- **Frederic Michel-Verdier**, Executive Director
- **Werner Kersch**, Investment Director
- **Olivier Sueur**, Vice President
- **Victor Mateu**, Associate
- **Kevin Kaiser**, Analyst
- **Ruwantha Vidana-rachchi**, Associate

- **Manoj Mehta**, Executive Director
- **Jayce Wamsteker**, Investment Director
- **Tatjana van Vloten**, Associate
- **Guillaume Lam**, Analyst

**Australia**

- **Christian S. Mackenzie**, Analyst

**Global Business Development**

**AMERICAS**

- **Brian Clarke**, Executive Director - Americas
  - **Rena Pulido**, Director
  - **Hillary Ripley**, Vice President
  - **Jojo Granoff**, Investor Relations Director
  - **Susan Gorman**, Investor Relations Mgr
  - **Lauren Noble**, Analyst

**EUROPE**

- **Annabel Wiscarson**, Executive Director - Europe
- **Eddy Schipper**, Executive Director - Asia Pacific
- **Joshua Lim**, Executive Director
- **Charles Brooks**, Director
- **Yali Shida**, Director (Japan)
- **Dan Vanden Boom**, Director
- **Lucy Liu**, Manager
- **Stuart Place**, Associate
- **Jeff Lu**, Associate (Japan)

- **Ashar Abdi**, Director - Sustainability & Responsible Investment
- **Gabriel Gatti**, Principal
- **Lawrence Wong**, Principal
- **Sam Magee**, Director
- **Cara Esley**, Director
- **Peter Mordue**, Director (US)
- **Mandeep Mundae**, Director (UK)
- **Josh Crane**, Director

- **Jin Min Song**, Taxation Associate
- **Rose Li**, Taxation Associate
- **Lawrence Wong**, Principal
- **Benjamin Copeland, Associate
- **Ian Crawley, Associate (UK)
- **Olga Krainuchenko, Associate
- **Clare Glenn, Analyst (US)

- **Gerard Fullerton, Risk & Compliance Manager
- **Phil-Lyn Tran, Risk & Compliance Associate
- **Amanda Brooke, Legal Coordinator
- **Silvana Nathaniel, Legal Coordinator

**ASIA PACIFIC**

**Global Legal and Commercial**
Global team of senior infrastructure advisors

Chris Barlow
Non-Exec. Chairman of NT Airports
Since September 2007
- Former MD and CEO of APAC
- Held several roles with BAA plc including MD of Aberdeen Airport.

Peter Magarry
Non-Exec. Chairman of Ecogen Energy
Since June 2009
- Former CEO of Alinta, a position held during its sale to Singapore Power and Babcock & Brown
- Former General Manager of TXU Networks in Australia.

Peter Watson
Non-Exec. Chairman of Southern Cross Station and Praeco
Since July 2010
- Former CEO of Transfield Group – oversaw acquisition of 17 companies across six geographic regions as well as the listing of Transfield.

Maitre Patrice Gassenbach
Senior Advisor – France
Since January 2011
- Leading lawyer and senior level advisor in France
- Advised in significant mergers incl. Transdev and Veolia Transport to form Veolia; Gaz de France and Suez to form GDF Suez.

Tim Blood
MD of NSW Ports. Previously Non-Exec. Director of Port of Brisbane
Since June 2011
- Former CEO and Chair of P&O Australia Limited.

Peter Watson
Non-Exec. Chairman of Southern Cross Station and Praeco
Since July 2010
- Former CEO of Transfield Group – oversaw acquisition of 17 companies across six geographic regions as well as the listing of Transfield.

Keith Forman
Senior Advisor – North America
Since May 2012
- Former Partner/CFO of Crestwood Midstream Partners (owned by Blackstone), Kayne Anderson Advisors, and GSO Capital (focused on midstream energy market).

Dr. Uwe Franke
Senior Advisor – Germany
Since May 2012
- Former Chief Executive of BP Europa and Chairman of Mineralölkirtschaftsverband, the German national oil industry association.

Gary Watson
Senior Advisor – North America
Since July 2012
- Former CEO of the Port of Houston Authority in Houston, Texas

Nicolas Villen
Senior Advisor – Europe
Since March 2013
- Former CEO of Ferrovial Aeropuertos where he was responsible for multiple airports across the UK/Italy
- Also held several other roles at Ferrovial, including CFO.

Phil Cooper
Senior Advisor – Australia
Since September 2013
- Former Executive General Manager of Leighton Contractors
- Experienced in toll road operations and maintenance including CLEM7, Gateway Motorway, ED and M7 in Sydney.

Alec Dreyer
Senior Advisor – North America
Since July 2012
- Former CEO of the Port of Houston Authority in Houston, Texas

Dr. Uwe Franke
Senior Advisor – Germany
Since May 2012
- Former Chief Executive of BP Europa and Chairman of Mineralölkirtschaftsverband, the German national oil industry association.
### Why IFM Investors?

| Alignment | • Pension fund owned manager  
|           | • Single minded focus on investor returns  
|           | • Open-ended fund: patient capital, attractive to strategic partners |
| Track Record | • 19 years in the infrastructure sector  
|            | • Australian Infrastructure Fund: 11% annual net return since 1995  
|            | • Global Infrastructure Fund: 9.4% annual net return since 2009<sup>(1)</sup> |
| Our Assets | • 27 infrastructure assets across Europe, North America and Australia  
|            | • Real time insight into a broad array of infrastructure sub-sectors |
| Our Fund | • Open-end fund with truly long-term asset ownership and liability matching  
|          | • Core infrastructure portfolio of 8 assets, immediate diversification and growing  
|          | • Certainty of returns and cash yield |
| Our People | • 56 infrastructure professionals dedicated to infrastructure  
|           | • Depth and experience: industry, operational, regulatory, policy-making, finance |

<sup>(1)</sup> US (LP) feeder returns only. Returns as at March 2014
### Key objectives for pension funds

<table>
<thead>
<tr>
<th>IFM Global Infrastructure Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Long-lived investments to match increasing liabilities</strong></td>
</tr>
<tr>
<td><strong>Protection against inflation</strong></td>
</tr>
<tr>
<td><strong>Long-term returns similar to equities with less volatility</strong></td>
</tr>
<tr>
<td><strong>Current cash yield</strong></td>
</tr>
<tr>
<td><strong>Diversification across sector, geography and vintage</strong></td>
</tr>
<tr>
<td><strong>Short J-curve(^{(1)})</strong></td>
</tr>
<tr>
<td><strong>Aligned manager</strong></td>
</tr>
</tbody>
</table>

*IFM Investors aims to capture the underlying characteristics of core infrastructure investments*

---

\(^{(1)}\) The J-curve for IFM Investors’ open-end infrastructure fund tends to be shorter than closed-end funds due to a quicker investment period, no fees on undrawn commitments and a cash yield from day one.
# Protection against inflation

Infrastructures are being recognised as part of a core strategy for inflation protection.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Inflation Linkage</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK Transportation</td>
<td>• Aeronautical income from key airlines is indexed to inflation</td>
<td>• MAG has long-term agreements with airlines with aviation income tied to annual UK RPI. Retail concessionaire agreements, property leases, and car parking fees are tied to annual UK CPI.</td>
</tr>
<tr>
<td></td>
<td>• Non-aero income is driven by retail, car parking, and property activities, which are also indexed to inflation</td>
<td>• Operating costs are linked to annual UK CPI</td>
</tr>
<tr>
<td>UK regulated utility</td>
<td>• The Regulator sets real rate of return and real tariffs when determining the regulatory price control</td>
<td>• Anglian’s revenue streams are adjusted annually for inflation. In addition, the Regulatory Asset Base (RAB) is indexed annually with inflation</td>
</tr>
<tr>
<td>Broadcasting</td>
<td>• Long-term contract with clients typically linked to inflation</td>
<td>• C. 74% of Arqiva’s revenues are covered by medium- to long-term contracts, which are linked to UK RPI</td>
</tr>
<tr>
<td>Polish regulated utilities</td>
<td>• The regulator takes account of inflation when calculating the allowable revenues and regulated capital value</td>
<td>• The majority of Dalkia Polska’s revenues are protected as inflation is a pass-through cost</td>
</tr>
<tr>
<td>German regulated utilities</td>
<td>• The regulatory formulae for both revenues and costs take into account the impact of inflation</td>
<td>• 50Hertz generates most of its value added revenues by charging customers a network tariff that takes into account the impact of inflation</td>
</tr>
<tr>
<td>US regulated companies</td>
<td>• The regulator rate methodology is based upon an index rate adjustment mechanism</td>
<td>• C. 62% of Colonial’s revenues are directly linked to an inflation index. Duquesne’s regulated revenue stream allows for the recovery of cost for inflation</td>
</tr>
<tr>
<td>US generation company</td>
<td>• Main linkage to inflation from contracts on the cost side of the business</td>
<td>• Fixed transportation and operations and maintenance costs are linked to inflation</td>
</tr>
<tr>
<td></td>
<td>• Long-term linkage from new-entrant capital</td>
<td></td>
</tr>
</tbody>
</table>
Infrastructure investment strategy

CORE STRATEGY FOCUSED PRIMARILY ON MATURE ASSETS IN DEVELOPED MARKETS WITH A STRONG RULE OF LAW

- Diversified by sector, geography and vintage
- Primarily brownfield
- Avoid distressed assets and excessive leverage
  - Current weighted average portfolio leverage of 48.3% \(^{(1)}\)

- Proactive, long-term asset management
- Robust corporate governance
- Target net investment return of 10%
  - Currently expect cash yield to reach 6%-8%
  - 4.7% average cash yield since inception \(^{(1)}\)

---

\(^{(1)}\) Weighted average portfolio leverage and average cash yield since inception as of March 2014
Investment process: we apply a rigorous review and approval framework

OUR DEAL TEAMS ARE Sized TO ENSURE EXCEPTIONAL DUE DILIGENCE AND ANALYSIS

The IFM Investors Board Investment Committee has final approval authority (deal size >AU$300m)
IFM Investment Committees

INFRASTRUCTURE INVESTMENT SUB-COMMITTEE

Kyle Mangini
Global Head of Infrastructure
- 22 years’ infrastructure experience
- Credit Suisse First Boston and SBC Warburg

Michael Hanna
Head of Infrastructure – Australia
- 21 years’ infrastructure experience
- Victorian Treasury and Arup

Christian Seymour
Head of Infrastructure – Europe
- 21 years’ infrastructure experience
- Duke Energy, BHP Billiton and Bechtel

Alec Montgomery
Head of Infrastructure – North America
- 21 years’ infrastructure experience
- RBS - Head of Infrastructure Finance
- Deutsche Bank and UBS

Note: For full biographies of the senior team members, please refer to the Appendix

INFRASTRUCTURE INVESTMENT COMMITTEE

Brett Himbury
IFM Investors Chief Executive

Judith Smith, Deputy Chair
Chair of IFM Investors Risk Committee

Kyle Mangini
Global Head of Infrastructure

Joshua Lim
Executive Director, Commercial

Robin Miller
Global Head of Debt Investments

Neil Carter
Executive Director, Listed Equities (Small Caps)

BOARD INVESTMENT COMMITTEE

Murray Bleach
Non Executive Director
- 30 years of experience in the finance industry
- Former Head of NA and co-CEO of Macquarie Capital

And at least:
1x IFM Investors Director

No alternates are permitted.
The BIC has final approval for acquisitions > $300 million.
1 What are the revenue stream characteristics of the portfolio and what is the underlying risk profile?

**Portfolio Risk Profiling**

IFM INVESTORS APPLIES A THOUGHTFUL AND THOROUGH APPROACH TO PORTFOLIO CONSTRUCTION

**Inputs**

1. Revenue Types → 6 identified
2. Risks/Drivers → 20 identified
3. Asset Analysis:
   - Revenue streams identified by Revenue Type
   - Determine % of EBITDA by Revenue Type (ideally a 5 year forward-looking average)
   - Assess risks/drivers for each revenue stream (on a 6 point scale).

**Risk Matrix – Electricity Utility**

<table>
<thead>
<tr>
<th>Revenue Type</th>
<th>Distribution</th>
<th>Transmission</th>
<th>FOU</th>
<th>Comms</th>
<th>OUI</th>
<th>Key Con</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulated</td>
<td>36%</td>
<td>10%</td>
<td>39%</td>
<td>2%</td>
<td>18%</td>
<td>5%</td>
</tr>
<tr>
<td>Regulated</td>
<td>66%</td>
<td>23%</td>
<td>5%</td>
<td>3%</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

**Drivers/Risk factors**

- Regulatory Change (adverse)
- Population Growth (decrease)
- Economic Growth (decrease)
- Inflation (increase)
- Foreign Exchange (lower LC)
- Commodity Prices (increase)
- Abatement Risk
- Capital Expansion Risk
- Extreme Weather Risk
- Carbon Price (increase)
- Land Value (decrease)
- Counterparty Risk
- Level of Competition
- Substitution Risk
- Customer Concentration
- Reference Risk
- Leverage
- Concession Length
- Cashflow Risk

**NOTE:** A positive sign indicates risk beneficial to value

**Outputs**

**Portfolio Risk Profiling**

A number of tools/charts are generated through the aggregation of revenue type and risk:

- Risks/drivers are weighted by EBITDA at the asset level and NAV at the portfolio level
- Ability to do “what-if” scenarios

**Revenue Type Analysis**

GIF’s portfolio assets are characterised as having exposure to a diversity of revenue types, with a strong weighting to regulated revenues. The Australian Infrastructure portfolio has no “regulated” exposure but is heavier patronage (airports, ports).

**Core Infrastructure Rating**

Assesses the five key qualities which comprise “core” infrastructure. Seeking maximum monopolistic and longevity characteristics. A balance needs to be struck between cash flow certainty, inflation exposure and exposure to GDP.

**Risk Concentration Analysis**

Illustrates the portfolio distribution of any of the 20 risks/drivers. The weighted average represents the portfolio exposure.
Scenario Analysis & Portfolio Optimization

2 Scenario Analysis

How do asset and portfolio returns react under different medium-term macro-economic scenarios?

Output: Portfolio Scenario Sensitivities
Five-year equity return for each asset and scenario

Scenario Returns - Global

- Base Case
- Middle East Crisis Disrupts Growth
- European Debt Crisis
- US stumbles again
- Strong Global Recovery

GIF - Existing Portfolio
Scenario Analysis

- Portfolio level

1. Allocation ranges by asset / sub-sector

2. Allocation ranges by revenue category

3. Strategic asset allocation ranges

Output: Strategic Asset Allocation

Portfolio Allocation – IFM Global Infrastructure

- Current Portfolio

Portfolio Allocation – IFM Australian

- Current Portfolio

What asset and revenue stream allocations produce optimal / robust returns?

Output: Strategic Asset Allocation

Subsector Allocation
Stochastic Optimisation

Revenue Category Allocation
Stochastic Optimisation

Portfolio Allocation
Revenue Category Allocation
Stochastic Optimisation

Portfolio Allocation
– IFM Global Infrastructure

Portfolio Allocation
– IFM Australian

Current Portfolio

Total

PPP / Contracted Revenue
Regulated Revenue
Patronage / Contracted Price
Market / Market Price

Regulated Revenue
Patronage / Contracted Price
Market / Market Price

PPP / Contracted Revenue
Regulated Revenue
Patronage / Contracted Price
Market / Market Price

PPP / Contracted Revenue
Regulated Revenue
Patronage / Contracted Price
Market / Market Price

PPP / Contracted Revenue
Regulated Revenue
Patronage / Contracted Price
Market / Market Price

PPP / Contracted Revenue
Regulated Revenue
Patronage / Contracted Price
Market / Market Price
## Potential Risks in Infrastructure Investments

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description</th>
<th>IFM Investors Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regulatory</strong></td>
<td>• Regulated assets bear the risk that tariffs are set too low to provide adequate equity returns.                                                                                                         • Primary investment focus on countries with stable and well understood regulatory regimes.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Uncertainty relating to future tariffs can also create refinancing risk.                                                                                                                                    • Thorough due diligence pre-acquisition.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Developing a strong cooperative relationship with regulators.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Ongoing scenario analysis and risk planning with the company.</td>
<td></td>
</tr>
<tr>
<td><strong>Patronage</strong></td>
<td>• Risk of utilisation/patronage being lower than expected, affecting projected revenues of the asset.                                                                                                      • Thorough due diligence pre-acquisition, including consultant reports and internal expertise.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Often linked to GDP in the specific country, but also GDP in other countries linked to the asset.                                                                                                          • Strong understanding of macroeconomic drivers.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Ensuring capable embedded management team and ongoing monitoring of performance by IFM Investors.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Ensuring that cost structure can be adapted to the patronage profile.</td>
<td></td>
</tr>
<tr>
<td><strong>Contract</strong></td>
<td>• Contract counterparty risk affecting contracted revenue streams or a largely contracted cost base.                                                                                                        • Cooperation with strong creditworthy partners, including government.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Future ability to renew expiring contracts might create uncertainty about future revenues and costs.                                                                                                       • Ensuring appropriate contract provisions and protection mechanisms are put in place with the counterparty.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Only investments in countries with strong rule-of-law.</td>
<td></td>
</tr>
<tr>
<td><strong>Construction</strong></td>
<td>• New infrastructure projects bear the risk of not being completed within time or budget or within agreed specifications.</td>
<td></td>
</tr>
<tr>
<td><strong>Environmental</strong></td>
<td>• Community and environmental groups may oppose the construction or operation of an infrastructure project due to pollution, noise and other impacts and effects on the environment.</td>
<td>• Undertaking and complying with a formal environmental impact statement.</td>
</tr>
<tr>
<td></td>
<td>• Any unexpected costs to comply with environmental obligations may have an adverse impact on investor returns.                                                                                           • ESG framework integral to our investment and asset management processes.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• We have a dedicated IFM Investors Director of Responsible Investment who is also Chair of UN PRI Infrastructure committee.</td>
<td></td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
<td>• Interest rates directly impact the cost of debt as well as the discount rate used to calculate the net present value of an investment.</td>
<td>• Ensuring that a conservative approach to leverage is adopted at the asset level.</td>
</tr>
<tr>
<td></td>
<td>• Losses may occur in a rising interest rate environment while gains may occur when interest rates are falling.                                                                                           • Hedging all or a large proportion of debt.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Considering the potential to hedge against CPI risk.</td>
<td></td>
</tr>
</tbody>
</table>
IFM Investors’ objective with respect to ESG is to reduce risk while protecting and enhancing the value of our investments over the long term.

1. **Acquisition (new investments)**
   - IFM Investors’ ESG due diligence checklist identifies relevant and material issues for consideration.

2. **Asset Management (existing investments)**
   - Detailed ESG audit process followed by implementation of ESG initiatives as required.

3. **Disclosure**
   - Extensive investor briefings and reporting on ESG initiatives.

- IFM Investors approaches ESG issues in terms of relevance and materiality.
- Consideration of these issues is to avoid risk (including reputational) and identify opportunities.
- Risk Register
- Peer Review Team
- Independent Technical Due Diligence Reports (Scope includes climate change impacts)
- Key risks identified are captured in the Investments Committee Paper.

- IFM Investors has a formal ESG Policy approved by the IFM Investors Board.
- The IFM Investors Board requires an annual assessment of ESG integration by all investment groups.

Aim: to meet and exceed benchmark returns on a long-term basis.
WE ARE ACTIVE ASSET MANAGERS WITH THE OBJECTIVE OF DELIVERING ADDITIONAL VALUE ON A SUSTAINABLE BASIS
Proactive asset management

**Water and Sewerage Companies**

- Led Anglian to be one of the most efficient UK water companies
- Ensured customer service measures were included in management incentive plans
- Initiated early refinancing of bank acquisition facilities, successfully completed in 2011

**Strong EBITDA & margin performance**

- IFM Investment Director as interim CFO drove treasury and cash management
- Developed regulatory road map following multiple meetings with regulator
- Improved planning and delivery of capex programme

**Reduced CO₂ footprint**

- Implementation of dedicated biomass project that offsets 10% of the carbon emissions of Dalkia Polska
- Formed strategy committee to drive growth in Poland
- IFM Investors co-led Warsaw district heating network bolt-on acquisition

**Key Positions Appointed Since Acquisition**

- **Rich Riauzzi** President and CEO of Duquesne Light Holdings
- **Jim Morozzi** President and CEO of DQE Communications
- **Chris Wilson** Manager – Internal Audit
- **Joe Guyaux** Independent Board Member

- IFM Investors actively guides governance and stakeholder management
- Instrumental in appointing key management roles
- Continuous dialogue with Duquesne CFO concerning future financings and liability management programs, including financial hedges
EXISTING PORTFOLIO IS DIVERSIFIED BY SECTOR, REGULATOR, REGION AND CURRENCY

IFM GIF Sector Exposure\(^{(1)}\)

- Telecommunications: 10.7%
- Electricity Transmission & Distribution: 15.2%
- Water & Wastewater: 13.8%
- Steam and Hot Water Supply: 8.8%
- Electricity Generation: 8.1%
- Pipelines & Related Infrastructure: 10.3%

IFM GIF Geographical Exposure\(^{(1)}\)

- UK: 57.6%
- US: 25.0%
- Poland: 8.8%
- Germany: 8.5%

Please note the chart above excludes IFM Investors’ unclosed investment in Freeport LNG’s proposed natural gas liquefaction facility in Freeport, Texas. Financial close expected in late-2014.
IFM Global Infrastructure Fund – current portfolio

DIVERSIFIED PORTFOLIO OF STABLE ASSETS ACROSS EUROPE AND THE US

<table>
<thead>
<tr>
<th>Country</th>
<th>Asset</th>
<th>Acquired</th>
<th>Regulated</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>Colonial Pipeline</td>
<td>2007</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Duquesne Light</td>
<td>2006</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Essential Energy</td>
<td>2008</td>
<td></td>
</tr>
<tr>
<td></td>
<td>In Process</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>Arqiva</td>
<td>2004</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Anglian Water</td>
<td>2006</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>50Hertz</td>
<td>2010</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Dalkia Polska</td>
<td>2010(1)</td>
<td>✓</td>
</tr>
</tbody>
</table>

Notes:
(1) Dalkia Polska investment was made in 2010 following on from the 2006 acquisition of Dalkia Łódź
(2) Within the Manchester Airports Group portfolio, only Stansted is subject to regulation.
Global infrastructure market

ROBUST INVESTMENT PIPELINE IN THE NEXT 12 MONTHS

North America:
- “Private-to-private” transactions flourishing in the midstream energy, power generation and regulated utility sectors
- Opportunities from motivated sellers still emerging
  - Rising interest rate environment may trigger more take-private transactions
- Public Private Partnership (PPP) market continues to lag Australia and Europe
- Restructuring of leveraged transportation infrastructure and utilities deals

Europe:
- A more mature market with transactions across all infrastructure sub-sectors (utilities, transport, telecoms)
- Government disposals driven by budget deficits
- General drive to reduce corporate leverage through sale of non-core assets
- Change in regulatory frameworks, e.g. unbundling of vertically integrated gas and electricity players

IFM Investors portfolio companies are also pursuing acquisition opportunities with attractive risk/return profiles
## Summary of Principal Terms

<table>
<thead>
<tr>
<th>The Partnership</th>
<th>IFM Global Infrastructure (U.S.) L.P. is a Delaware limited partnership which invests in the Master Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Master Fund</td>
<td>IFM Global Infrastructure Fund (the “Master Fund”) holds the underlying infrastructure investments</td>
</tr>
<tr>
<td>Base currency</td>
<td>The Master Fund is denominated in US Dollars, the Partnership is denominated in USD</td>
</tr>
<tr>
<td>Minimum commitment</td>
<td>USD10 million</td>
</tr>
</tbody>
</table>
| Management fee  | - 0.97% pa for commitments <$300m (based on NAV)  
- 0.85% pa on total commitment if >$300m  
(Fees charged only on drawn capital) |
| Performance fee | - 20% over 8% per annum  
- No catch-up  
- 50% held back each year to cover any future performance deficits  
- 60% allocated to the investment team and reinvested for eight years |
| Catch-up        | None |
| Other fees      | No transaction, monitoring, financing, consulting fees, etc. Fund establishment cost shared pro rata amongst investors |
| Total expense ratio (TER) | 1.37% |
| Term            | Open-end |
| Reporting       | - Monthly Statement of Limited Partner’s Capital within 8 business days of month end  
- Quarterly performance reports within 45 days of the end of a calendar quarter  
- Annual audited financial statements of feeder fund and Master Fund by May 1 following the year end  
- Annual meetings and regular fund updates by phone or face-to-face meetings  
- Customised – specific reporting requirements accommodated to the extent information is available |
| Valuations      | Quarterly independent valuations conducted for all portfolio companies with valuers rotated off the assets every three years. Valuations are subject to an annual regulatory review and a semi-annual accounting audit. |
| Redemptions     | Clear redemption policy created with assistance and approval of investors |

1) Management fees (1.25%) plus all other Fund expenses divided by Master Fund Net Asset Value. TER shown is the average since inception through December 31, 2014. Please note: this is a summary only, for full terms please see the PPM (copy available upon request)
North American Portfolio Companies
Company Overview

- Colonial Pipeline Company (Colonial) is the largest refined petroleum products pipeline in the US, transporting product such as gasoline, kerosene, diesel and aviation fuels from Gulf Coast refineries to major markets along the US east coast.
- Pipeline network comprises 8,851 kilometers (5,500 miles) of large diameter pipes, supplying 267 marketing terminals across 13 states.
- More than 100 shippers utilize the pipeline, including oil companies, airlines, US Dept of Defense and wholesale marketers.

Financial Results

<table>
<thead>
<tr>
<th></th>
<th>Dec-07</th>
<th>Dec-08</th>
<th>Dec-09</th>
<th>Dec-10</th>
<th>Dec-11</th>
<th>Dec-12</th>
<th>Dec-13</th>
<th>Mar-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue ($m)</td>
<td>824</td>
<td>833</td>
<td>948</td>
<td>990</td>
<td>1,049</td>
<td>1,137</td>
<td>1,163</td>
<td>291</td>
</tr>
<tr>
<td>% Growth</td>
<td>3.2%</td>
<td>1.0%</td>
<td>13.9%</td>
<td>4.4%</td>
<td>6.0%</td>
<td>8.4%</td>
<td>2.3%</td>
<td>n.m.</td>
</tr>
<tr>
<td>EBITDA ($m)</td>
<td>496</td>
<td>456^(2)</td>
<td>581</td>
<td>610</td>
<td>632</td>
<td>689</td>
<td>663^(3)</td>
<td>172</td>
</tr>
<tr>
<td>% Margin</td>
<td>60.1%</td>
<td>54.8%</td>
<td>61.3%</td>
<td>61.6%</td>
<td>60.2%</td>
<td>60.5%</td>
<td>57.0%</td>
<td>58.9%</td>
</tr>
<tr>
<td>% Growth</td>
<td>9.5%</td>
<td>8.0%</td>
<td>27.5%</td>
<td>4.9%</td>
<td>3.6%</td>
<td>9.0%</td>
<td>(3.7%)</td>
<td>n.m.</td>
</tr>
</tbody>
</table>

Debt Profile

- Colonial’s leverage ratio (Net Debt/EV) at 45.1% as of March 31, 2014.
- Senior unsecured debt rated A by S&P and A2 by Moody’s.
- In October 2010, Colonial issued a $275 million, 10-year bond with a coupon of 3.5%.
- In April 2011, Colonial Pipeline HoldCo issued a $250 million, 10-year investment grade bond with a coupon of 6.45%.
- In April 2013, Colonial placed a 30 year, $350 million bond with an annual interest rate of 4.20% (118 bps spread to benchmark US Treasury rate).
- Weighted average life of debt maturity is 11 years.
Operating Highlights

Financial Performance
- Revenue was 1.6% below budget for the three months ended March 2014, which was primarily driven by shorter than expected length of haul and lower volumes due to unplanned maintenance outages on the pipeline.
- EBITDA was 2.8% below budget for the same period, largely due to lower revenue and higher than expected cost of power driven by an unusually cold winter.

Capex
- $122 million gasoline blending project in Baton Rouge that was approved in 3Q 2012 is expected to be operational in 3Q 2014.
- Capacity expansion on the mainline (Line 3) was completed during 1Q 2013 adding 60,000 barrels per day to capacity.
- Colonial’s board and management team have been actively reviewing opportunities to invest capital through accretive organic growth projects.

Regulation
- Approximately 60% of Colonial’s revenues are subject to a tariff escalation mechanism regulated by FERC. Under this methodology, FERC sets an industry wide (non-pipeline specific) escalation cap every five years. The current cap (applicable July 2011 - June 2016) is set at Producer Price Index for Finished Goods ("PPI") + 2.65%.

Company EBITDA performance

Cash distributions to IFM Investors

Valuation of IFM Investors’ investment

(1) Based on December financial year end.
(2) Adjusted for $16 million in non-cash expenses.
Duquesne Light Holdings

Company Overview

- Based in Pittsburgh, Pennsylvania, engages in the supply, transmission and distribution of electricity
- Majority of the company’s earnings are sourced from regulated transmission and distribution; ~592,000 direct customers
- Regulator: FERC and the Pennsylvania PUC

Financial Results

<table>
<thead>
<tr>
<th>Date</th>
<th>Dec-07</th>
<th>Dec-08</th>
<th>Dec-09</th>
<th>Dec-10</th>
<th>Dec-11</th>
<th>Dec-12</th>
<th>Dec-13</th>
<th>Mar-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue ($m)</td>
<td>1,108</td>
<td>1,160</td>
<td>1,108</td>
<td>1,179</td>
<td>1,159</td>
<td>1,060</td>
<td>995</td>
<td>254</td>
</tr>
<tr>
<td>% Growth</td>
<td>22.9%</td>
<td>4.6%</td>
<td>(4.4%)</td>
<td>6.4%</td>
<td>(1.7%)</td>
<td>(8.5%)</td>
<td>(6.1%)</td>
<td>n.m.</td>
</tr>
<tr>
<td>EBITDA ($m)</td>
<td>365</td>
<td>388</td>
<td>371</td>
<td>352</td>
<td>416</td>
<td>422</td>
<td>393</td>
<td>92</td>
</tr>
<tr>
<td>% Margin</td>
<td>32.9%</td>
<td>33.4%</td>
<td>33.5%</td>
<td>29.8%</td>
<td>35.9%</td>
<td>39.8%</td>
<td>39.5%</td>
<td>36%</td>
</tr>
<tr>
<td>% Growth</td>
<td>66.2%</td>
<td>6.2%</td>
<td>(4.2%)</td>
<td>(5.2%)</td>
<td>18.2%</td>
<td>1.5%</td>
<td>(6.9%)</td>
<td>n.m.</td>
</tr>
</tbody>
</table>

Debt Profile

- Duquesne’s leverage ratio (Net Debt/EV) at 58.7% as of March 31, 2014
- The company is rated Baa3/BBB- at DLH and A1/BBB+ at DLC by Moody’s and S&P, respectively
- June 2013 – S&P revised its rating outlook on DLH and DLC from stable to positive, citing the removal of commodity price risk under the POLR VI plan
- January 2014 – Moody’s upgraded Duquesne Light Company's senior unsecured rating to A3 from Baa1 and senior secured rating to A1 from A2, citing a more favourable view of the credit supportiveness of the U.S. regulatory environment
- Management will continue to evaluate balance sheet against changing market fundamentals to optimize financing structure, terms and cost
- Weighted average life of debt maturity is ~11 years

Date of Initial Investment | Jul-06
Invested Capital           | $327.2m
Current NAV                | $369.9m
Total Distributions        | $107.5m
Fully Diluted Ownership    | 25.18%
Co-Investors               | GIC, Macquarie, State Super, First State Super
Leverage\(^{1}\)            | 58.7%

IFM Investors Asset Management Team

Brooks Kaufman
Anthony Edwards
Kittredge Murphy
David Seelbinder

\(^{1}\) Net Debt / Enterprise Value.
\(^{2}\) Represents senior secured ratings for DLC and senior unsecured ratings for DLH.
Operating Highlights

Performance
- Duquesne’s EBITDA was approximately 11.7% above budget through March 2014 driven by higher than expected transmission and distribution volumes at the utility and higher than expected energy prices at Duquesne Generation as a result of cold weather
- DQE Communications is continuing its build out of fiber backbone and hired a new CEO and President, Jim Morozzi, in mid-2013
- Capital expenditures were approximately 9.0% below budget through March 2014 due to lower than expected storm restoration spend
- The company continues to meet system performance guidelines provided by the Pennsylvania Public Utility Commission (“PAPUC”)

Valuation
- Valuation increase in 2012 reflects IFM Investors’ purchase of additional 2.35% ownership interest in the Company through pre-emption process for MTAA’s 6.64% stake in June 2012
- Valuation increase in 2013 primarily driven by a decrease in overall discount rate as adopted by the newly appointed independent valuer, partially offset by adjusted operating assumptions

Company EBITDA performance\(^{(1)}\)
Cash distributions to IFM Investors
Valuation of IFM Investors’ investment

\(^{(1)}\) Based on December financial year end
Essential Power \(^{(1)}\)

**Date of Initial Investment**
May-08

**Invested Capital**
$922.4m

**Current NAV**
$450.5m

**Total Distributions**
n/a

**Fully Diluted Ownership**
100.0%

**Co-Investors**
n/a

**Leverage\(^{(2)}\)**
55.4%

Table current as at 31 Mar 2014

---

**Company Overview**

- Portfolio of primarily gas-fired and hydro electricity generating plants totalling 1,721 MW of net capacity
- Generating facilities are a mix of combined-cycle gas turbines (intermediate), simple-cycle gas turbines (peaking), turbines with blackstart capabilities, and smaller run-of-river hydro facilities
- The power stations are located in the northeast region of the US in the states of New Hampshire, Massachusetts, New Jersey and Maryland and participate in the ISO New England and the PJM Interconnection competitive wholesale electricity markets
- Unregulated

**Financial Results**

<table>
<thead>
<tr>
<th></th>
<th>Dec-08(^{(3)})</th>
<th>Dec-09</th>
<th>Dec-10</th>
<th>Dec-11</th>
<th>Dec-12</th>
<th>Dec-13 Mar-14 (^{(6)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue ((\text{$m})) (^{(4)})</td>
<td>142</td>
<td>182</td>
<td>263</td>
<td>229</td>
<td>174</td>
<td>71</td>
</tr>
<tr>
<td>Adj. Gross Margin (^{(5)})</td>
<td>86</td>
<td>170</td>
<td>183</td>
<td>182</td>
<td>164</td>
<td>137</td>
</tr>
<tr>
<td>% Growth</td>
<td>n/a</td>
<td>n/m</td>
<td>8.1%</td>
<td>(1.0%)</td>
<td>(9.9%)</td>
<td>(16.5%)</td>
</tr>
<tr>
<td>EBITDA ((\text{$m}))</td>
<td>58</td>
<td>117</td>
<td>125</td>
<td>116</td>
<td>98</td>
<td>76</td>
</tr>
<tr>
<td>% Growth</td>
<td>n/a</td>
<td>n/m</td>
<td>6.5%</td>
<td>(6.7%)</td>
<td>(15.3%)</td>
<td>(22.4%)</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Formerly North American Energy Alliance (NAEA).

\(^{(2)}\) Net Debt / Enterprise Value.

\(^{(3)}\) Partial year results for the period from acquisition (May 8, 2008).

\(^{(4)}\) Revenue includes mark-to-market on commodity contracts.

\(^{(5)}\) Adjusted Gross Margin represents total revenue, minus fuel and transportation expense and the elimination of non-cash items that affect revenue or fuel and transportation expense.

\(^{(6)}\) Excluding Newington Heat Rate Call Options.

---

**Debt Profile**

- Essential Power’s leverage ratio (Net Debt/EV) at 55.4% as of March 31, 2014
- First lien term loan debt is rated B1 (Moody’s) / BB- (S&P)
Operating Highlights

Performance

- For the quarter ending March 31, 2014 EBITDA was 33.7% (5) ahead of budget and Adjusted Gross Margin was 18.5% (5) ahead of budget.
- Year to date generation has been significantly above budget at the Newington facility due to the dual fuel capabilities of this facility and its participation in ISO-NE winter fuel oil program.
- This program compensates dual fuel generators for storing and dispatching on oil when gas availability is limited.
- For the quarter ended March 31, 2014 capital expenditures were significantly below budget due to a major project deferral, but this variance is expected to reverse late in the year once the project commences.

Hedging Challenges

- Financial hedge position entered into in 2011 de-linked from the physical asset (Newington).
- As the hedge did not contain a stop-loss provision, IFM Investors instructed Essential Power to crystallize the exposure.

---

**Company EBITDA performance**

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA $ (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>20</td>
</tr>
<tr>
<td>2009</td>
<td>100</td>
</tr>
<tr>
<td>2010</td>
<td>120</td>
</tr>
<tr>
<td>2011</td>
<td>140</td>
</tr>
<tr>
<td>2012</td>
<td>160</td>
</tr>
<tr>
<td>2013</td>
<td>180</td>
</tr>
<tr>
<td>Mar-14 (2)</td>
<td>180</td>
</tr>
</tbody>
</table>

**Valuation of IFM Investors’ investment**

<table>
<thead>
<tr>
<th>Year</th>
<th>NAV $ (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition</td>
<td>900</td>
</tr>
<tr>
<td>Dec-10</td>
<td>800</td>
</tr>
<tr>
<td>Dec-11</td>
<td>700</td>
</tr>
<tr>
<td>Dec-12</td>
<td>600</td>
</tr>
<tr>
<td>Dec-13</td>
<td>500</td>
</tr>
<tr>
<td>Mar-14</td>
<td>400</td>
</tr>
</tbody>
</table>

---

(1) Based on December financial year end
(2) Dotted line indicated CY2014 budget
(3) An equity contribution of US$155 million was made in September 2009 as part of a debt restructure.
**Freeport LNG**

**Company Overview**

- Natural gas liquefaction and export facility being developed by Freeport LNG Development L.P. in Freeport, Texas ("FLNG")
- The facility involves the construction of three liquefaction plants ("trains") on a brownfield site. Each train is separately funded, with IFM Investors committing to an equity investment in the second train ("Train 2"). Trains 1 and 2 are expected to be completed at the end of 2018, with Train 3 to be completed in 2019.
- The facility will utilize liquefaction technology developed by Air Products and Chemicals ("APCI"), which has been utilised in over 80 trains in 27 LNG projects globally. APCI technology is considered the standard in liquefaction technology and accounts for 80% of worldwide liquefaction capacity
- There may be future investment opportunities in the project for IFM Investors (e.g. In Train 3).

**Investment Thesis**

- Train 2’s revenue profile is supported by a 20-year, use-or-pay tolling agreement with BP Energy, commencing at the conclusion of construction. As it is a tolling agreement, IFM bears limited commodity risk and BP is solely responsible for the supply of natural gas to the plant
- The investment in Train 2 allows the Fund to achieve attractive returns over the long-term given the highly contracted nature of the asset
- The project will be built under a fixed price, date certain EPC Contract.
- The investment is considered to have limited development risk, with the receipt of relevant permits and approvals being a condition precedent to the Fund’s investment. FLNG is well advanced in the development and permitting process and financial close is expected to occur in Q3 2014
- The facility is being developed on an existing site thereby reducing the capital cost and risks, and allows the export facility to take advantage of the existing connecting infrastructure.
European Portfolio Companies
50Hertz Transmission

**Company Overview**

- One of four transmission system operators in Germany
- Owns and operates the 109,000km² (42,085m²) electricity grid in eastern Germany, headquartered in Berlin
- Transports power to >18 million people and companies who contribute approximately 20% of Germany’s GDP
- Regulator: Bundesnetzagentur (BNetzA)

**Financial Results**

<table>
<thead>
<tr>
<th>Date</th>
<th>Dec-07</th>
<th>Dec-08</th>
<th>Dec-09</th>
<th>Dec-10(2)</th>
<th>Dec-11</th>
<th>Dec-12</th>
<th>Mar-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (€m)</td>
<td>638</td>
<td>623</td>
<td>711</td>
<td>613</td>
<td>657</td>
<td>709</td>
<td>227.8</td>
</tr>
<tr>
<td>% Growth</td>
<td>n/m</td>
<td>(2.4%)</td>
<td>14.3%</td>
<td>n/m</td>
<td>7.3%</td>
<td>7.9%</td>
<td>n.a.</td>
</tr>
<tr>
<td>EBITDA (€m)</td>
<td>88</td>
<td>61</td>
<td>108</td>
<td>187</td>
<td>158(3)</td>
<td>270(4)</td>
<td>84.9</td>
</tr>
<tr>
<td>% Margin</td>
<td>13.9%</td>
<td>9.8%</td>
<td>15.1%</td>
<td>30.5%</td>
<td>24.0%</td>
<td>38.1%</td>
<td>37.3%</td>
</tr>
<tr>
<td>% Growth</td>
<td>n/m</td>
<td>(33.9%)</td>
<td>75.6%</td>
<td>n/m (15.5%)</td>
<td>71.4%</td>
<td>n.a.</td>
<td></td>
</tr>
</tbody>
</table>

**Debt Profile**

- Leverage ratio (Net Debt/EV) was 20.9% as of March 31, 2014
- Senior unsecured debt rated Baa1 by Moody’s
- Issue of €500 million bond at 3.875% in October 2010
- Refinancing of credit facility in June 2011 at 55bps margin
- Additional overdraft facility of €150 million and seasonal EEG facility of €200 million available

---

(1) Net Debt / Enterprise Value.
(2) Pro-forma 12 months in 2010 using IFRS. Comparison with 2009 not relevant due to significant beneficial regulatory changes introduced on January 1, 2010 and inclusion of results when 50Hertz Transmission was still part of the Vattenfall Group in 2009. Figures based on management accounts.
(3) Mainly due to base year optimisation of expenses and adjustments for one-off items relating to 2010.
(4) Driven by positive changes to the regulatory framework achieved in 2012.

---

**IFM Investors Asset Management Team**

Manoj Mehta, Werner Kersch, Lars Bespolka, Ruwantha Vidanaarachchi, Jaime Siles
Operating Highlights

Financial Performance

- Adjusted revenues were 10.2% lower than budget for FY2013 and EBITDA was 23.8% above budget for the same period
- Higher than budgeted profit driven by:
  - Better than expected 2012 regulatory settlement

Regulation

- Negotiations with the regulator BNetzA on the 2nd Regulatory Period cost determination concluded with a satisfactory outcome for the Company which was in line with the Business Plan
  - BNetzA re-confirmed an efficiency factor of 100% for 50Hertz for the next regulatory period
  - Further improvements to regulatory framework minimizing risk to the companies achieved

Capex

- Significant onshore and offshore capex programme: €4.0 billion over 10 years.
- Moratorium on nuclear power in Germany leading to further push for renewables.

Company EBITDA performance\(^{(1)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>50</td>
</tr>
<tr>
<td>2009</td>
<td>10</td>
</tr>
<tr>
<td>2010</td>
<td>20</td>
</tr>
<tr>
<td>2011</td>
<td>30</td>
</tr>
<tr>
<td>2012</td>
<td>250</td>
</tr>
<tr>
<td>2013</td>
<td>300</td>
</tr>
<tr>
<td>Mar-14</td>
<td>50</td>
</tr>
</tbody>
</table>

Cash distributions to IFM Investors

<table>
<thead>
<tr>
<th>Year</th>
<th>Distributions (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-10</td>
<td>10</td>
</tr>
<tr>
<td>Dec-11</td>
<td>20</td>
</tr>
<tr>
<td>Dec-12</td>
<td>20</td>
</tr>
<tr>
<td>Dec-13</td>
<td>30</td>
</tr>
</tbody>
</table>

Valuation of IFM Investors’ investment

<table>
<thead>
<tr>
<th>Year</th>
<th>NAV (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acqui...</td>
<td>250</td>
</tr>
<tr>
<td>Dec-10</td>
<td>250</td>
</tr>
<tr>
<td>Dec-11</td>
<td>300</td>
</tr>
<tr>
<td>Dec-12</td>
<td>350</td>
</tr>
<tr>
<td>Dec-13</td>
<td>350</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Based on December financial year end. Lower EBITDA in 2011 mainly due to base year optimisation of expenses and adjustments for one-off items relating to 2010.

\(^{(2)}\) YTD EBITDA for the period ending September 30, 2013.
Anglian Water Group

Company Overview

- Regulated water and wastewater company, providing services to more than 6 million water & waste water customers
- Fourth largest water supply and sewerage company in England and Wales by Regulated Capital Value
- Regulator: Ofwat

Financial Results

<table>
<thead>
<tr>
<th>Date</th>
<th>Mar-07</th>
<th>Mar-08</th>
<th>Mar-09</th>
<th>Mar-10</th>
<th>Mar-11</th>
<th>Mar-12</th>
<th>Mar-13</th>
<th>Mar-14(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (£m)(3)</td>
<td>1,751</td>
<td>1,811</td>
<td>1,361</td>
<td>1,396</td>
<td>1,412</td>
<td>1,474</td>
<td>1,207</td>
<td>1,261</td>
</tr>
<tr>
<td>% Growth</td>
<td>12.8%</td>
<td>3.5%</td>
<td>(24.9%)</td>
<td>2.5%</td>
<td>1.2%</td>
<td>4.4%</td>
<td>(18.2%)</td>
<td>4.5%</td>
</tr>
<tr>
<td>EBITDA (£m)(3)</td>
<td>588</td>
<td>637</td>
<td>662</td>
<td>698</td>
<td>708</td>
<td>703</td>
<td>712</td>
<td>759</td>
</tr>
<tr>
<td>% Margin</td>
<td>33.6%</td>
<td>35.1%</td>
<td>48.6%</td>
<td>50.0%</td>
<td>50.1%</td>
<td>47.7%</td>
<td>59.0%</td>
<td>60.2%</td>
</tr>
<tr>
<td>% Growth</td>
<td>6.0%</td>
<td>8.2%</td>
<td>3.9%</td>
<td>5.5%</td>
<td>1.4%</td>
<td>(0.7%)</td>
<td>1.3%</td>
<td>6.6%</td>
</tr>
</tbody>
</table>

Debt Profile

- Anglian’s leverage ratio (Net Debt/EV) was 71.8% as of March 31, 2014
- Tranched senior debt into Class A rated A/A-/A3 and a subordinated layer of Class B debt rated BBB+/BBB/Baa3
- HoldCo financing rated BB+/Ba3
- Significant debt capital market activity with more than £900m raised in FY13 and £200m raised in Q1 FY14 across both class A and B tranches in the UK bond and US PP markets
- Weighted average life of debt maturities is 16 years

Date of Initial Investment  Oct-06
Invested Capital           £332.4m(1)
Current NAV                £462.3m
Total Distributions        £260.6m
Fully Diluted Ownership    19.8%
Co-Investors               Canada Pension Plan, 3i Group, Colonial First State
Leverage(2)                71.8%

Table current as at Mar 31, 2014

IFM Investors Asset Management Team

Christian Seymour  Manoj Mehta  Peter McCosker

(1) The Fund acquired an initial equity stake in Oct-06 for £300m and subsequently acquired an additional stake of 0.43% in Jul-09 for £8.4m.
(2) Net Debt / Enterprise Value.
(3) March 2009 Revenue and EBITDA reflects divestment of Morrison Utility Services, a non-core subsidiary; March 2013 Revenue and EBITDA reflects divestment of Morrison Facilities Services, a non-core subsidiary.
Operating Highlights

Regulation
- AWG submitted its 2015-2020 business plan to Ofwat for review in December 2013. A draft determination is expected in August 2014 with a final determination to be levied by December 2014.
- AWG’s plan was viewed positively by Ofwat and the company was ranked as the 2nd water and sewerage company in the comparative league tables published in February 2014.

Strong operational performance
- Revenue and EBITDA were 1.0% adverse and 0.8% favourable to budget, respectively, for the FY13 period. This was due to lower than expected sales in the small business segment as a result of a lag effect of the recent economic downturn adversely impacting the demand; however this was partially offset by strong cost reductions across the company.

Non core subsidiaries
- Morrison Facilities services successfully divested in October 2012

Company EBITDA performance

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>500</td>
</tr>
<tr>
<td>2008</td>
<td>550</td>
</tr>
<tr>
<td>2009</td>
<td>600</td>
</tr>
<tr>
<td>2010</td>
<td>650</td>
</tr>
<tr>
<td>2011</td>
<td>700</td>
</tr>
<tr>
<td>2012</td>
<td>750</td>
</tr>
<tr>
<td>2013</td>
<td>800</td>
</tr>
<tr>
<td>2014</td>
<td>850</td>
</tr>
</tbody>
</table>

Cash distributions to IFM Investors

<table>
<thead>
<tr>
<th>Year</th>
<th>Distributions (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-07</td>
<td>30</td>
</tr>
<tr>
<td>Dec-08</td>
<td>25</td>
</tr>
<tr>
<td>Dec-09</td>
<td>20</td>
</tr>
<tr>
<td>Dec-10</td>
<td>50</td>
</tr>
<tr>
<td>Dec-11</td>
<td>50</td>
</tr>
<tr>
<td>Dec-12</td>
<td>50</td>
</tr>
<tr>
<td>Dec-13</td>
<td>50</td>
</tr>
<tr>
<td>Mar-14</td>
<td>50</td>
</tr>
</tbody>
</table>

Valuation of IFM Investors’ investment

<table>
<thead>
<tr>
<th>Year</th>
<th>NAV (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry</td>
<td>400</td>
</tr>
<tr>
<td>Dec-07</td>
<td>450</td>
</tr>
<tr>
<td>Dec-08</td>
<td>500</td>
</tr>
<tr>
<td>Dec-09</td>
<td>550</td>
</tr>
<tr>
<td>Dec-10</td>
<td>600</td>
</tr>
<tr>
<td>Dec-11</td>
<td>650</td>
</tr>
<tr>
<td>Dec-12</td>
<td>700</td>
</tr>
<tr>
<td>Dec-13</td>
<td>750</td>
</tr>
<tr>
<td>Mar-14</td>
<td>800</td>
</tr>
</tbody>
</table>

(AWG’s financial year has a March year end)
### Company Overview

- One of the largest owner and operators of broadcast and wireless communication infrastructure in the UK
- UK digital TV transmission towers, satellite and optical fibre infrastructure for media, and wireless sites for mobile operators
- Customers include: mobile wireless operators (Vodafone, O2, Orange, etc), television networks (BBC, ITV, Channel 4, BSkyB), radio broadcasters, and public safety organizations such as the police, fire and ambulance services
- Main regulator: OfCom

### Financial Results

<table>
<thead>
<tr>
<th></th>
<th>Jun-07</th>
<th>Jun-08</th>
<th>Jun-09</th>
<th>Jun-10</th>
<th>Jun-11</th>
<th>Jun-12</th>
<th>Jun-13</th>
<th>Mar-14</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue (£m)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>% Growth</strong></td>
<td>34.3%</td>
<td>74.9%</td>
<td>6.1%</td>
<td>2.4%</td>
<td>0.7%</td>
<td>0.1%</td>
<td>-1.3%</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>EBITDA (£m)</strong></td>
<td>162</td>
<td>276</td>
<td>305</td>
<td>330</td>
<td>348</td>
<td>401</td>
<td>417</td>
<td>301</td>
</tr>
<tr>
<td><strong>% Margin</strong></td>
<td>37.3%</td>
<td>36.3%</td>
<td>37.8%</td>
<td>40.0%</td>
<td>41.9%</td>
<td>48.2%</td>
<td>50.8%</td>
<td>49.5%</td>
</tr>
<tr>
<td><strong>% Growth</strong></td>
<td>34.1%</td>
<td>70.2%</td>
<td>10.6%</td>
<td>8.5%</td>
<td>5.2%</td>
<td>15.4%</td>
<td>4.0%</td>
<td>n/a</td>
</tr>
</tbody>
</table>

### Debt Profile

- Arqiva’s leverage ratio (Net Debt/EV) at 55.0% as of March 31 2014
- Successfully refinanced in February 2013
- Current facilities consist of ~£1.2bn senior bank debt, £750m senior bonds, £163 million and USD358 private placement offerings and £600 junior bonds
- Senior bonds are rated BBB by S&P and Fitch
- Junior bonds are rated B3 and B- by Moody’s and Fitch respectively

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(1) IFM Investors acquired an initial equity stake in Dec-04 for £70m. Additional £145m invested in Apr-07 with acquisition of competitor National Grid Wireless. Further 2.01% state acquired in May-10 for £27m, representing a discount of approximately 13% to IFM Investors’ valuation due to the distressed nature of the seller. £60.7m of equity contribution at refinancing in February 2013.

(2) Net Debt / Enterprise Value.

(3) 2008 and 2009 financials represent consolidated results post NGW acquisition.
Key Highlights

Company EBITDA performance

- Digital channel sales and WiFi roll out experiencing headwinds.
- Recent win in smart metering positive, catalyst for adjacent products.
- Revenue 4.8% below budget for the nine months to 31 March 2014.
- EBITDA 2.0% below budget for the same period.
- Capex 16.6% below budget, driven mainly by timing differences across various projects. Expected to reverse substantially by FYE 2014

Recent Financing

- As part of the continued refinancing of existing bank facilities:
  - GBP180 million Institutional Term Loan and GBP164 million fixed rate bond issued in January 2014
  - S&P and Fitch confirmed BBB rating for senior bonds
  - EIB loan negotiations ongoing – expect to close by June 2014

(1) Based on June financial year end. Increase in EBITDA between 2007 and 2008 due to NGW acquisition.
Dalkia Polska

Date of Initial Investment | March 2006
Invested Capital          | PLN 766m(1)
Current NAV               | PLN 1,485m
Total Distributions       | PLN 298m
Fully Diluted Ownership   | 40.0%
Co-Investors              | Dalkia International
Leverage(2)               | 38.7%

Table current as at Mar31, 2014

IFM Investors Asset Management Team

Frederic Michel-Verdier  
Jayco Wamsteker          
Olivier Sueur            
Ruwantha Vidanaarachchi 
Guillaume Camus

Company Overview

- Portfolio of district heating and cogeneration in Poland
- District heating network of 3,381 km post acquisition of SPEC Warsaw, the largest district heating network in the EU
- Seven cogeneration plants with combined thermal capacity of 4,875 MWth and electric capacity of 820 MWe
- Number one in the Polish district heating (~25% market share) and number three in Polish cogeneration market
- Regulator: Urząd Regulacji Energetyki (Energy Regulatory Office)

Financial Results

<table>
<thead>
<tr>
<th></th>
<th>Dec-07</th>
<th>Dec-08</th>
<th>Dec-09</th>
<th>Dec-10(3)</th>
<th>Dec-11(4)</th>
<th>Dec-12</th>
<th>Mar-14(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (PLNm)</td>
<td>704</td>
<td>744</td>
<td>898</td>
<td>2,260</td>
<td>2,496</td>
<td>3,667</td>
<td>1,255</td>
</tr>
<tr>
<td>% Growth</td>
<td>n/m</td>
<td>5.7%</td>
<td>20.7%</td>
<td>n/m</td>
<td>n/m</td>
<td>n/m</td>
<td>-13.0%</td>
</tr>
<tr>
<td>EBITDA (PLNm)</td>
<td>181</td>
<td>182</td>
<td>208</td>
<td>526</td>
<td>558</td>
<td>719</td>
<td>332</td>
</tr>
<tr>
<td>% Margin</td>
<td>26.0%</td>
<td>25.0%</td>
<td>23.0%</td>
<td>23.2%</td>
<td>22.4%</td>
<td>19.6%</td>
<td>26.5%</td>
</tr>
<tr>
<td>% Growth</td>
<td>n/m</td>
<td>0.6%</td>
<td>14.3%</td>
<td>n/m</td>
<td>n/m</td>
<td>n/m</td>
<td>-11.2%</td>
</tr>
</tbody>
</table>

Debt Profile

- Dalkia’s leverage ratio (Net Debt/EV) was 38.7% as of March 31 2014
- In December 2012, Dalkia Polska raised PLN600 million of external debt from PEKAO Bank
- Weighted average life of debt maturities is currently ~4 years (mostly financed through inter-company facilities); the company is currently developing a long-term financing strategy which will likely include a move to external financing

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(1) IFM Investors initially invested in a Dalkia Polska subsidiary, Dalkia Łódź, in 2006, for PLN360m. In November 2010, IFM exchanged its Dalkia Łódź stake for an interest in parent company Dalkia Polska for a total consideration of PLN1,082m, followed by the bolt-on acquisition of SPEC in October 2011 for PLN1441m.
(2) Net Debt / Enterprise Value.
(3) For FY10 onwards, financials are for the Dalkia Polska group and hence are not comparable to prior years.
(4) Include financial results of SPEC from October 2011 onwards.
(5) Growth rate compared to Mar-13 quarter
FY 2013 Revenues and EBITDA 3.7% and 5.7% below the budgeted PLN 4,006m and PLN 737m, respectively

- Below budget largely due to lower electricity and certificate prices
- Partly offset by favourable weather conditions and higher heat sales, as well as lower coal and biomass prices
- Earnings performance remained strong despite slowing economic conditions in Poland

For Q1 ending March 2014, revenue and EBITDA were below budget by 11.0% and 7.5% respectively, largely due to warmer than expected weather in the winter months

Capital expenditures have been below budget, mostly due to timing differences in cogeneration investments at Dalkia Warsaw and Poznan ZEC

On 1st October 2013 and according to schedule, Dalkia Polska repaid the first instalment (PLN350 million) of the external financing raised from PEKAO (PLN600 million) at the end of 2012

Operating Highlights
Manchester Airports Group

Date of Initial Investment  Feb-13
Invested Capital  £895m
Current NAV  £1,104m
Total Distributions  £37m
Fully Diluted Ownership(1)  35.5%
Co-Investors(2)  Manchester City Council
Leverage(3)  21.6%

Table current as at March 31, 2014

IFM Investors Asset Management Team

Christian Seymour  Manoj Mehta  Deepu Chintamaneni*  Peter McCosker  Kevin Kaiser

*Deepu Chintamaneni, VP based in IFM London, is seconded to MAG to assist with the transition.

Airports group in the UK

Description
- Manchester Airports Group ("MAG") is one of the top three airport operators in the UK, handling ~42m passengers p.a. across four airports – Manchester, Stansted, Bournemouth & East Midlands
- IFM Investors has a 35.5% economic ownership and 50% voting rights
- Notable developments since acquisition:
  - Signing of growth contracts with easyJet and Ryanair at Stansted which incentivises the airlines to grow passenger numbers by c.5m pa
  - UK Civil Aviation Authority (CAA) published its initial proposal for the economic regulation applicable to Stansted, indicating a preference to move towards a “light touch” price monitoring regime rather than Regulatory Asset Base model as per historical determinations

Investment thesis
- Essential infrastructure assets, with Manchester / Stansted being the 3rd / 4th largest commercial airports in the UK and East Midlands the 2nd largest cargo airport in the UK
- High quality portfolio diversified by customer, revenue source, passenger mix and regulatory regime (Manchester is unregulated, while Stansted is currently regulated)
- Strong growth potential, with Stansted in particular presenting opportunities to both win aeronautical market share and maximize non-aeronautical revenues via the reconfiguration of terminal buildings and related infrastructure

Financial Results & Transaction Metrics

<table>
<thead>
<tr>
<th></th>
<th>Mar-10</th>
<th>Mar-11</th>
<th>Mar-12</th>
<th>Mar-13</th>
<th>Mar-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (£m)(4)</td>
<td>585</td>
<td>563</td>
<td>601</td>
<td>574</td>
<td>590</td>
</tr>
<tr>
<td>% Growth</td>
<td>-5.7%</td>
<td>-3.8%</td>
<td>6.8%</td>
<td>-4.5%</td>
<td>3.4%</td>
</tr>
<tr>
<td>EBITDA (£m)</td>
<td>221</td>
<td>201</td>
<td>218</td>
<td>228</td>
<td>240</td>
</tr>
<tr>
<td>% Margin</td>
<td>37.7%</td>
<td>35.7%</td>
<td>36.2%</td>
<td>39.7%</td>
<td>40.1%</td>
</tr>
<tr>
<td>% Growth</td>
<td>-11.0%</td>
<td>-8.9%</td>
<td>8.2%</td>
<td>4.4%</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

(1) Economic ownership of 35.5%; voting rights of 50.0%.
(2) Manchester City Council also have a 35.5% ownership stake (50.0% voting rights), with the remaining 29.0% owned by nine district councils (no voting rights).
(3) Net Debt / Enterprise Value.
(4) Financials represent combination of MAG statutory accounts and Stansted regulatory accounts.
(5) On a like-for-like basis excluding results of Stansted airport.
Senior team bios (North America)

Alec Montgomery – Head of Infrastructure – North America

Alec joined IFM Investors in October 2008 and is responsible for IFM Investors’ infrastructure investment business in North America and managing the New York team. He joined IFM Investors after 15 years of banking experience focused on project and infrastructure finance. He is an IFM Investors board director on Duquesne Light Holdings and Essential Power.

Most recently he was the head of the infrastructure finance business at the Royal Bank of Scotland (RBS) in New York. Prior to RBS, he served in senior positions with Credit Agricole Indosuez (New York), Deutsche Bank (New York), and the Union Bank of Switzerland (in New York and Zurich). Prior to this, Alec worked in real estate development and provided econometric consulting services to electric utilities.

He holds a Bachelor of Arts in Economics from Harvard College and a Master of Business Administration with a concentration in International Finance from Babson College.

Tom Osborne – Executive Director – North America

Tom joined the firm in January 2013 and is responsible for relationship development, origination, analysis, structuring and execution of investments for the fund.

Tom has previously worked as Head of Americas Infrastructure in the Investment Banking Division of UBS Investment Bank, where he was the founding group head of the Americas infrastructure advisory practice and responsible for strategic advisory, M&A, lending and capital markets financing for major investors in infrastructure. While at UBS he also held the roles of Co-Head of US Infrastructure and Managing Director - Power and Utilities.

Prior to this, Tom worked as Director - Power and Utilities Group at Credit Suisse First Boston and as First Vice President - Utilities Group at PaineWebber Incorporated.

Tom holds a Bachelor of Arts with honors from the University of Virginia.

Michael Kulper – Executive Director – North America

Michael joined IFM Investors in 2013 and is responsible for relationship development, origination, analysis, structuring and execution of investments for the fund.

Prior to IFM Investors, Michael spent a decade as the founding president of Transurban’s North American toll roads concessions business. Under Michael’s leadership, Transurban developed into a leader in the North American toll road concessions business by successfully developing, investing, delivering and establishing operations for a S$3BN portfolio of toll road concessions. As a member of Transurban’s Executive Committee his accountabilities included management of the overall business, reporting through the CEO to the Board. Prior to Transurban, Michael spent eleven years at Credit Suisse, rising to the level of Director, Investment Banking, where he originated and executed M&A and capital raisings.

Michael holds a Bachelor of Economics (First Class Honors) from the University of Sydney.
Senior team bios (North America)

**Brooks Kaufman – Investment Director – North America**

Brooks joined IFM Investors in 2010 and is responsible for assisting in the management of existing and new IFM Investors infrastructure products. He also sources and evaluates investment opportunities, develops acquisition strategies for allocated infrastructure sectors, prepares investment proposals/reviews, completes transactions, monitors and reports on investments and divestments, and assumes operational responsibility for the management and analysis of allocated investments. He represents IFM Investors on the board of Duquesne Light Holdings.

Prior to joining IFM Investors, Brooks was Vice President - Finance with Soltage (New Jersey), a renewable energy company which develops and operates solar energy assets across the USA. From 2004-2009, Brooks held the position of Vice President – Global Corporate Investment Banking, Energy and Power, with Bank of America Securities (New York), and was Vice President - Investment Banking at Fieldstone Private Capital Group (New York). From 1995 to 2003, he worked with Mirant Corporation, formerly Southern Energy, Inc, (Atlanta) in the position of Finance Manager in Corporate Treasury and Business Development.

Brooks holds an MBA with concentrations in Accounting and Finance from New York University Stern School of Business and a BA with concentrations in Economics, English Literature and Political Science from Colgate University.

**Jamie Cemm – Investment Director – North America**

Jamie joined IFM Investors in 2010. His responsibilities include assisting in the management of existing and new IFM Investors infrastructure products. He also sources and evaluates investment opportunities, develops acquisition strategies for allocated infrastructure sectors, prepares investment proposals/reviews, completes transactions, monitors and reports on investments and divestments, and assumes operational responsibility for the management and analysis of allocated investments.

Previously, Jamie worked with Macquarie Capital Funds for five years (Sydney, London and New York) as an asset manager focusing on the acquisition, development and management of new and existing assets within the European, North and Latin American portfolios. Prior to Macquarie, Jamie spent seven years in commercial management roles within the construction industry, focusing on the delivery of civil, mining and industrial projects throughout Australia.

Jamie holds a Bachelor of Engineering from the University of Melbourne.

**Anthony Edwards – Investment Director – North America**

Anthony joined IFM Investors in July 2011. At IFM Investors, Anthony is responsible for the origination, analysis, structuring and execution of investments for the fund. Additionally Anthony is responsible for the ongoing management of assets within IFM Investors’ existing portfolio.

Prior to IFM Investors Anthony was a Senior Vice President at The Royal Bank of Scotland (“RBS”) for 11 years in both Europe and North America where he was responsible for advisory and debt transactions across a wide range of infrastructure sectors including toll roads, rail and logistics, social infrastructure, gas storage, ports and parking. Prior to RBS Anthony spent 5 years with PwC.

Anthony is a qualified Chartered Accountant and holds a BSc in Physics and Management Science from the University of Kent.
Senior team bios (North America)

**Rena Pulido – Director Business Development – North America**

Ms Pulido joined IFM Investors in April 2012. She previously worked at Ares Management LLC as Principal, Investor Relations, where she was responsible for heading up investor relations for their commercial real estate group. Prior to this, Ms Pulido was Managing Director with Macquarie Capital USA, responsible for the tax structuring of their real estate funds in North America and Europe.

Ms Pulido completed a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia and a Bachelor of Business from the University of Wollongong. She is a chartered accountant in Australia.

**Brian Clarke – Executive Director – North America**

Brian joined IFM Investors in February 2011 to manage the Firm’s business development, fundraising and client relationship efforts in North America.

Prior to joining IFM Investors, Brian was Senior Managing Director, Head of Sales in North America, with Macquarie Capital USA. He has also held the position of Senior Vice President, Head of Sales at Refco Alternative Investments, President and Founder of Cornerstone Partners, LLC, Vice President for Advancement and Secretary to the Board of St Mary’s College of Maryland as well as President of St Mary’s College of Maryland Foundation, Inc.

Brian holds a BA from the University of Maryland, where he graduated with Honors.
Christian Seymour – Head of Infrastructure – Europe


Christian has a background in the acquisition, marketing, project development and operations management of energy and related infrastructure developments. Spanning a period of 20 years, he has worked for companies such as Duke Energy, Santos, BHP Billiton, Bechtel and Woodside on medium-to large-scale projects, successfully leading multi-disciplinary project teams.

He holds a Master of Commercial Law from the University of Melbourne, a Master of Business Administration from the Queensland University of Technology and a Bachelor of Engineering (Honors First Class) from the University of Queensland.

Manoj Mehta – Executive Director, Infrastructure – Europe

Manoj joined IFM Investors in 2007 and is responsible for evaluating, implementing and managing European investments. Manoj represents IFM Investors on the boards of Eurogrid International (50Hertz Transmission) and Manchester Airports Group.

Prior to joining IFM Investors, Manoj held the position of Principal, Corporate Finance with Transport for London, and was responsible for leading the financial and commercial structuring of major transport projects, including the Thames Gateway Bridge and the East London Line Extension. Previously, Manoj was a Vice President in the Infrastructure Advisory Group at Citigroup and advised on large infrastructure transactions including the restructuring and sale of Railtrack, advising industrial sponsors on the structuring and financing of large PPP projects and power plants. Prior to joining Citigroup, Manoj spent three years with the Boston Consulting Group in Paris, where he was involved in various strategy consulting assignments within the Telecoms, Pharmaceuticals, Finance, Consumer Products and Power industries.

Manoj holds a Masters of Arts (Engineering) with Honors from University of Cambridge and a Masters of Management from the HEC School of Management.

Frederic Michel-Verdier – Executive Director – Europe

Frederic joined IFM Investors in 2008 and is responsible for evaluation, implementation and management of infrastructure investments as well as relationship management. He is a director of Dalkia Polska and its key subsidiaries (Dalkia Łódź, Dalkia Term, Dalkia Paliwa). Since joining IFM Investors, Frederic has been involved in the acquisition from Vattenfall of 50Hertz Transmission, and led the investment in Dalkia Polska.

Prior to joining IFM Investors, Frederic worked as a Director of Corporate Finance at ING Barings in London for seven years, SG Investment Banking for four years, and Ernst and Young for three years.

Frederic holds a MSc in Finance (Hons) from I.A.E – Sorbonne University in Paris and a MSc in Business Administration (Hons) from I.S.G Institut Superieur De Gestion, Paris.
Senior team bios (Europe)

**Werner Kerschl – Investment Director – Europe**

Werner joined IFM Investors in 2006 in Melbourne and relocated to the London office in 2007. He has worked on the successful acquisitions of Anglian Water Group (UK), Duquesne Light Holdings (USA), the Defence Headquarters PPP (Australia) and 50Hertz Transmission (Germany). He is also the alternate director on Anglian Water.

Werner previously worked for PricewaterhouseCoopers (Melbourne) in the valuations team, and before that at KPMG Financial Advisory Services in Vienna, Austria.

Werner is a CFA Charterholder and holds a Master of Business Consultancy from the Fachhochschule, Wiener Neustadt (Austria). He has also a Graduate Certificate in Business from the Victoria University of Technology, Melbourne.

**Jayco Wamsteker – Investment Director – Europe**

Jayco joined IFM Investors in June 2008. He has 20 years of experience in the infrastructure sector, covering energy & utilities, transport, telecoms, and natural resource projects. Jayco is an IFM Investors-appointed director on the boards Dalkia Polska and its key subsidiaries (Dalkia Łódź, Dalkia Term, Dalkia Paliwa) and is the alternate director of Arqiva Limited.

Prior to joining IFM Investors, Jayco worked as a financial adviser (UBS Warburg, PwC), project lender (Natixis) and developer (PowerGen, Enron, John Laing). He started his career in 1990 with MeesPierson in Amsterdam.

Jayco holds a MBA from the European University in Switzerland, a BBA in Corporate Finance from the European University in Belgium, and a BA in Music from the Alkmaar Conservatory in the Netherlands. He is fluent in English, Dutch, French, and German.

**Lars Bespolka – Investment Director – Europe**

Lars joined IFM Investors after a 15-year career as an investment banker at Credit Suisse covering the energy and utilities sectors, among others, and serving in their New York, Melbourne, Sydney, Hong Kong and Singapore offices. Lars has played critical roles transitioning new investments for the Master Fund, including acting as the interim CFO for Essential Power in 2008 and for 50Hertz Transmission in 2010. He is a board director of Eurogrid International (the holding company for 50Hertz Transmission) and Essential Power.

As group head of Credit Suisse’s power and project finance group in Asia-Pacific, he was responsible for a wide range of transactions which included M&A deals, bank and capital market financings, equity capital raisings, restructurings and structured deals.

Lars holds an BS in Economics with a concentration in Political Science from the Massachusetts Institute of Technology and was a visiting student at Oxford University. He is fluent in German.
Senior team bios (Australia)

Kyle Mangini – Global Head of Infrastructure

Kyle joined IFM Investors in May 2007 and is responsible for IFM Investors’ global infrastructure program, including the firm’s Australian and international infrastructure funds.

Prior to joining IFM Investors, Kyle had over 20 years of investment banking experience, focused primarily in the infrastructure sector. He has held senior positions with Credit Suisse First Boston and SBC Warburg in the United States, Asia and Australia. Kyle represents IFM Investors as a Director on the boards of Melbourne Airport and Pacific Hydro.

Kyle holds a Bachelor of Arts (Economics and Government) from Wesleyan University.

Michael Hanna – Head of Infrastructure Australia

Michael joined IFM Investors in July 2006 and is responsible for the Australian infrastructure team, which evaluates, implements and manages infrastructure investments in the Australian market.

Prior to IFM Investors, Michael worked with the Victorian Department of Treasury and Finance and was responsible for the management of the State’s risk exposure in the public transport, roads, urban development, and ports and logistics sectors. His transaction experience includes the sale of almost $1 billion of the Victoria’s interests in City Link Concession Notes with Transurban to finance two major road network upgrades. He also refranchised Melbourne metropolitan train and tram contracts in 2004. Previously, Michael was an associate with global engineers, Arup, in the UK and Australia. He managed planning, funding and implementation issues for major rail and inland waterways infrastructure, tourism and leisure investments, major industrial land banks and telecommunications infrastructure. Michael represents IFM Investors as an Alternate Director on the boards of Interlink Roads, Eastern Distributor and Ecogen Energy.

Michael holds a Master of Science (Urban and Regional Planning) from The University of Strathclyde; a Bachelor of Science (Geography) from Queens’s University; a Graduate Diploma in Applied Finance, MAICD SA Fin; and is a Chartered Member of the Royal Town Planning Institute.

Julio Garcia – Executive Director – Australia

Julio joined IFM Investors in January 2008 and is responsible for sourcing, evaluating and executing domestic and international infrastructure investments, as well as managing existing investments within the Australian infrastructure portfolio.

Julio’s experience includes roles in asset management, investment banking and strategy consulting. Prior to joining IFM Investors, Julio held positions with Viant Capital, Bank of America, Robertson Stephens and Gemini Consulting. Julio represents IFM Investors as a Director on the boards of Port of Brisbane, Ecogen Energy and NSW Ports.

Julio holds an MBA and a Bachelor of Arts (Public Policy) from Stanford University.
Senior team bios (Australia)

Quentin Law – Executive Director – Australia

Quentin joined IFM Investors in 2012 and is responsible for sourcing, evaluating and executing domestic and international infrastructure investments as well as managing existing investments within the Australian infrastructure portfolio. Quentin has over 20 years investment banking and corporate advisory experience and has advised on transactions across a range of industries. He has experience in all forms of infrastructure, utility and transport assets, including electricity and gas transmission and distribution, electricity generation, airports, seaports, toll roads, telecommunications and Public Private Partnerships (PPPs). Before he joined IFM Investors, Quentin was Managing Director at Orrong Advisory, a corporate advisory practice focused on infrastructure with clients that included leading institutions and corporations in Australia and offshore. His previous roles included Director at Citigroup Investment Banking, Associate Director at NM Rothschild & Sons and Director at Ernst & Young M&A and Arthur Andersen Corporate Finance. He holds a BCom (Melbourne), is a Chartered Accountant and a Fellow of the Financial Services Industry of Australia.

Quentin holds a Bachelor of Commerce from the University of Melbourne.

Michael Thomson – Executive Director – Australia

Michael joined IFM Investors in Melbourne in February 2008. Michael sources, evaluates and executes domestic and international infrastructure investments and manages existing investments within the Australian infrastructure portfolio. Michael was seconded to IFM Investors’ New York office in August 2008 and returned to Melbourne in December 2011.

Prior to joining IFM Investors, Michael held the position of Director and Head of Energy Mergers & Acquisitions in the corporate advisory division of PricewaterhouseCoopers. Previously, Michael was a Director in the Specialised Capital Group (equity underwriting and funds management group) at Westpac Banking Corporation in Melbourne, where he originated and executed equity investments in the energy and infrastructure sectors. Michael has held senior energy and infrastructure investment banking roles at Citigroup and Merrill Lynch.

Michael holds a Bachelor of Commerce from the University of Melbourne.

Michael Landman – Investment Director – Australia

Michael joined IFM Investors in 2007 and is responsible for evaluating, executing and managing infrastructure investments.

Prior to joining IFM Investors, Michael was involved with industrial research and development, oil and gas exploration, field development, engineering and planning, and strategy development and execution at BHP Billiton. He led a number of oil and gas asset transactions on behalf of BHP Billiton as Manager, Acquisitions and Divestments. Michael was formerly a Director of Surat Basin Rail. He represents IFM Investors as a Director on the boards of Ecogen Energy, Eastern Distributor, Interlink Roads and Regional Wind Farms.

Michael holds a Bachelor of Science (Honours), from the University of Melbourne; GradDipAppFin, PhD (Applied Mathematics), California Institute of Technology.
Jill Rossouw – Investment Director – Australia

Jill joined IFM Investors in 2004 and is responsible for reviewing and managing infrastructure investments, including board directorships. Her role involves ongoing management and monitoring of investments in various Australian infrastructure sectors.

Jill has extensive project finance advisory, corporate finance and private equity experience. She was Associate Director with the PricewaterhouseCoopers Project Finance and advised on business divestments and infrastructure projects at different stages in the procurement cycle. Prior to this, Jill worked with GE Capital’s private equity arm where she gained experience in the evaluation, due diligence, investment and reporting in relation to investee companies. Jill represents IFM Investors as a Director on the boards of AssetCo, Brisbane Airport, Defence HQ, Aged Care Financing Trust, Southern Cross Station, Perth CBD Courts and NSW Rent Buy.

Jill holds a MPhil (Finance), University of Cambridge, GradDipAppFin, Bachelor of Commerce (summa cum laude) (Natal)

Marigold Look – Investment Director – Australia

Marigold joined IFM Investors in 2006 and provides analysis, financial modelling, research and due diligence support to the infrastructure team.

She previously worked with Wilson HTM as an Industrial Equities Analyst, and prior to that was in the Corporate Finance division of PricewaterhouseCoopers. Marigold represents IFM Investors as a Director on the board of Axiom Education.

Marigold holds a Bachelor of Business (Accounting), Monash University, CFA, F Fin.

Adrian Croft – Investment Director – Australia

Adrian joined IFM Investors in 2009. He sources and evaluates domestic and international investment opportunities, develops acquisition strategies for allocated infrastructure sectors, prepares investment proposals and reviews, completes of transactions, monitors and reports on investments and divestments, and assumes operational responsibility for the management and analysis of allocated investments within infrastructure products.

Prior to IFM Investors, Adrian worked with Credit Suisse for 10 years and held the position of Vice President, Leveraged Finance in Tokyo, where he managed leveraged and structured financings for corporate and private equity clients. He worked in the New York and Melbourne offices of Credit Suisse prior to his appointment to the Tokyo office. Adrian represents IFM Investors as a Director on the board of NT Airports and NSW Ports.

Bachelor of Economics (Honours) and Bachelor of Laws (Honours) from the University of Sydney.
Danny Elia – Investment Director – Australia

Danny joined IFM Investors in 2011 and is primarily focused on driving the asset management strategy of IFM Investors’ Australian and global infrastructure funds. He has 20 years experience in finance and business operations in infrastructure, construction, transport, public-private partnerships, manufacturing and retail. Previous roles include CEO of South Australian Health Partnerships, Director of Public Private Partnerships for Leighton Contractors, General Manager of Transurban Victoria (CityLink) and Finance Director of Linfox Asia Pacific. Prior to these roles, Danny was the CFO or a senior finance executive for a number of multinational blue chip companies including Coles-Myer, General Mills, Bristol-Myers Squibb and Unilever. Danny is a Director of the Asset Management Council and represents IFM Investors as a Director on the boards of AssetCo, Southern Cross Station, Perth CBD Courts and Defence HQ.

He holds a Bachelor of Commerce from the University of Melbourne, is a Certified Practicing Accountant (CPA), and attended the Advanced Leadership Development Program at Mt Eliza Business School.

Janice Morris – Investment Director – Australia

Janice joined IFM Investors in Melbourne in 2000 and Janice provides analysis, financial modeling, research and due diligence support to the infrastructure team.

She previously worked with Ernst & Young in Melbourne in Assurance and Advisory Business (audit) and was with Ernst & Young in London in Transaction Advisory Services. Janice represents IFM Investors as a Director on the board of Wyuna Water.

Janice holds a Bachelor of Commerce from the University of Melbourne, CA, GAICD
This document shall not constitute an offer to sell or a solicitation of an offer to purchase interests in IFM Global Infrastructure (US), L.P. (the "Fund"). Any such offer may only be made by the Private Placement Memorandum for the Fund. This document was prepared solely for informational purposes. The information contained herein was obtained from sources we believe to be reliable. However, no representation is made that it is accurate or complete. Forward looking statements in this document are the opinion of IFM investors and should not be construed as guarantees. Actual future results and trends may differ materially from what is forecast in forward-looking statements due to a variety of factors. An investment in the Fund is speculative and involves substantial risks. Prospective investors should review carefully the discussion under the caption "Risk Factors" contained in the Fund's Private Placement Memorandum.
In the first quarter of 2014, the JPMorgan Infrastructure Investments Fund ("IIF" or the "Fund") completed the first quarter with a total gross return of -0.1% in local currency terms and 0.6% in U.S. dollar terms. Asset performance was flat this quarter, and currency movements improved returns. The Australian Dollar, British Pound and Euro all appreciated by 3.88%, 0.64% and 0.20% respectively this quarter. The Fund’s trailing one-year gross return was 7.1% in local currency terms and 10.5% in U.S. dollar terms. IIF continues its trend of delivering steady and stable income to investors, with a cash yield for the quarter of 1.1% and a trailing 12-month yield of 4.8%.

The Fund received $312.2 million in additional commitments and reinvested distributions during the quarter. As of March 31st, IIF had $345.9 million of uncalled capital and $77.8 million of cash, for a total of $423.7 million available for investment. We have several investment opportunities in the pipeline and plan to deploy uncalled capital over the next 3-6 months.

Past performance is not indicative of future returns. Returns include the re-investment of income. All performance numbers have been calculated in U.S. dollar terms.

For qualified investors only. This information has been prepared for investors who qualify to invest in the types of investments described herein. Generally they would include investors who are "Qualified Purchasers" as defined in the Investment Company Act of 1940, as amended, and "Accredited Investors" as defined in the Securities Act of 1933, as amended. This information may not be reproduced or used as sales literature with members of the general public.
Q1 performance was affected by three assets in particular–Southern Water Services, Southwest Generation and Summit Utilities. As part of the regulatory review process, Ofwat, the regulatory body for water and sewage providers in the UK, sets an allowed return that companies in the industry can earn on their Regulated Capital Value. In January 2014, Ofwat published the risk and reward guidance, which lowered the allowed cost of capital by 1.25% to 3.7% for the entire industry in the next regulatory period (2015-2020). In March 2014, Ofwat released the results of the risk-based review of the companies’ plans. Southern Water’s plan was highly rated in areas such as overall customer and Board engagement and water service plan, while other aspects of the plan were challenged by Ofwat. The Infrastructure Investments Group alongside the executive management team and the Board are focused on engaging with Ofwat and providing further supporting data to justify its plan.

Subsequent to the end of the quarter, Southwest Generation (“SWGen”) successfully negotiated an agreement to sell the Las Vegas I (“LV I”) and Las Vegas II (“LV II”) facilities to Nevada Energy (“NVE”). In the first half of 2013, Nevada Senate Bill 123 was signed into law which gave NVE the right to accelerate the retirement of the 800 megawatt Reid Gardner coal station in 2014 and buy up to 550 megawatts of the replacement capacity. As part of this process, NVE approached Southwest Generation about acquiring the LV I and LV II facilities, as well as understanding that NVE could self-build competing capacity to our detriment. SWGen swiftly agreed with NVE on the sale price of the two plants, at slightly below book value, and entered into a Purchase and Sale Agreement subject to the Public Utilities Commission of Nevada’s approval. The agreement was filed on May 1st, 2014 as part of the broader Reid Gardner replacement plan.

During the quarter, Summit Utilities experienced cost overruns in relation to its Maine expansion as a result of the previously terminated General Contractor. These cost overruns included payments made to sub-contractors which were not made by the General Contractor. The Infrastructure Investments Group and executive management team are working through a resolution to address the overruns. The primary goals for Summit Utilities in 2014 are to continue the roll-out of the expansion in Maine, customer conversions in Missouri, and the delivery of a successful rate case in Missouri. We look forward to sharing more details of the entire portfolio with you in the quarterly report. Thank you for your continued confidence in the Fund.

- Paul J. Ryan
Chief Executive Officer, OECD Infrastructure Equity and Debt
MLP 101
An Investor’s Guide
August 2013
What are MLPs and PTPs?

• Master Limited Partnership (MLPs) are passive investment vehicles where profits and losses are passed through the ownership structure to the limited partners. MLPs are limited partnerships which retain their partnership tax treatment. As such, the partnership itself does not pay entity level taxes. Rather, all tax items flow through to the partners, as long as 90% of its income is from qualifying sources.

• Publicly Traded Partnerships (PTPs) – PTPs are limited partnerships (i.e., MLPs), the interests in which (known as units) are traded on public securities exchanges such as the NYSE. Buying MLP units makes you a limited partner in that PTP.
MLPs: Real Assets

Real assets – land, infrastructure, and raw materials, among other things – are generally understood to be tangible assets with intrinsic value. These assets are also “real” in that they provide a real return rather than a nominal return and offer protection against inflation.

In recent years, real assets have grown in popularity with institutional investors seeking diversified, inflation-protected returns.

MLPs provide real asset exposure by means of ownership of energy infrastructure assets, including pipelines, terminals, and storage assets. Unlike many other real assets opportunities, MLPs feature the liquidity and daily pricing of a publicly-traded security. This removes a barrier of entry and is a unique advantage.
The modern MLP got its start with the Tax Reform Act of 1986. This legislation gave companies an incentive to restructure as publicly traded partnerships in order to take advantage of certain tax shelter benefits. In 1987, the Revenue Act was enacted, which required publicly traded partnerships to earn income only from specific sources (i.e., qualifying income).

In the 1980s, MLPs were formed that were involved in various businesses including exploration and production (E&P) of oil and natural gas, restaurants, sports teams, and other consumer activities. The cyclical in nature of these businesses was not well-suited to an entity that distributed large amounts of its cash flow.

In the 1990s, MLPs were reincarnated as entities that generally own midstream assets used to transport, process, and store natural gas, crude oil, and refined petroleum products with limited exposure to commodity price risk. The early energy MLPs consisted primarily of refined-product pipelines that were characterized as mature assets that required modest maintenance capital and generated significant cash flows that were distributed to unit holders. By the mid-2000s, the majority of MLPs were energy related.
By 2000, energy MLPs began reorienting their focus towards growth, making acquisitions, accelerating internal projects, and aggressively raising distributions. As major diversified energy players sought to monetize mature assets and redeploy the proceeds into faster-growing entities, the MLPs prospered. MLPs were able to take advantage of their unique tax structure which affords a lower cost of capital to acquire midstream assets and achieve superior returns compared to corporations.
MLPs are comprised of one or more general partner (the GP) and multiple limited partners (LP holders).

General Partner (GP) – A limited partnership can have one or more general partner that manage the partnership. The GP usually owns 2% of the partnership, is responsible for the operations and maintenance of the MLP, and has the authority to make decisions. Generally, the GP is eligible to receive incentive distributions as an incentive to grow the partnership’s distributions.

Limited Partner (LP) – An LP provides capital to the partnership and receives a majority of the cash flows generated by the partnership through distributions. An LP has no decision making authority for the partnership’s ownership and assets. Liability is limited to the amount of capital invested.
What is Qualifying Income?

- In order to be an MLP, the partnership must have at least 90% of its income derived from the following qualified sources/activities:
  - Natural resources (exploration, mining, production, processing, refining, transportation, storage, and marketing of natural resources);
  - Interest;
  - Dividends;
  - Real property rents; and
  - Gain from sale or other disposition of real estate.

- Transportation definition encompasses the following:
  - Includes any transport by pipeline of gas, oil or products thereof. Also includes transportation to a “Bulk Distribution Center” such as a terminal whether by pipeline, truck, barge, or rail; and
  - Excludes transport of oil and gas to a place where it is dispensed or sold to retail customers (e.g., gas stations). Refiners and processors who acquire the oil or gas for further refining or processing are not considered retail customers.
What is MLP-able?

Key Energy Characteristics

- Process, store, and transport energy products for a fixed fee;
- Operate long-lived tolling assets;
- Are not linked to commodity prices (except for coal & upstream MLPs) and;
- Have high barriers to entry and;
- No electricity assets (e.g. power plant); no direct retail assets (e.g. gas station).

Midstream
- Interstate Oil and Natural Gas Pipelines
- Intrastate Oil and Natural Gas Pipelines
- Petroleum Product Pipelines
- Gas Gathering and Processing Assets
- Facilities for Gas Compression, Treating, Fractionation, etc
- Commodity Storage Facilities
- Compressor Stations
- Coal Preparation and Transloading Facilities
- Liquefied Natural Gas Tankers and Carriers
- Liquefied Natural Gas Regasification Facilities

Upstream
- Oil Reserves
- Natural Gas Reserves
- Coal Reserves
- Other Exhaustible Ground Mineral and Natural Resources
- Drilling Platforms
- Drilling Rigs
- Other E&P Assets Used to Extract Exhaustible Ground Mineral and Natural Resources

Downstream
- Transportation to “Bulk Distribution Center” such as a Terminal or Refinery by:
  - Rail Cars
  - Refineries
  - Truck and Trailers
  - Barges and Tugboats
  - Propane Delivery and Service Vehicles

Other
- Timber
- Geothermal Energy Sources
- Fertilizer
- Nitrogen and Sulfur Product Manufacturing Plants

Green
- CO₂ Sequestration
- Biodiesel
- Ethanol Blending & Storage
What are MLP Distributions?

- MLPs generally distribute available cash flow.

- Distributable cash flow is calculated as net income plus depreciation and other non-cash items, less maintenance capital expenditures.

- Unit holders receive distributions on a quarterly basis. These distributions are similar to dividends made by C-Corporations.

- Distributions reduce the unit holder’s original basis in their units.
What are Incentive Distribution Rights (IDRs)?

- IDRs are typically agreed to between the partnership and the GP.

- IDRs allocate the percentage of total cash distributions that are allocated between the GP and LPs.

- The GP is allocated an increasing share of cash distributions as certain targeted levels of cash distribution to the LPs are achieved.

- The IDR structure is intended to encourage the GP to operate the MLP in a manner that maximizes cash distributions to the unit holders. The GP is thereby financially motivated to improve performance and ratchet-up the distributions to the partnership.
How are Distributions Allocated Between the LP and the GP?

- MLPs have a standard distribution schedule for the percentage of cash that is distributed each quarter between the LP and the GP. The schedule allocates the distributions based on tiers or levels. The highest distribution tier is known as the “High Splits.”

- A hypothetical split arrangement is shown immediately below:

<table>
<thead>
<tr>
<th>Distribution Schedule</th>
<th>LP%</th>
<th>GP%</th>
<th>LP Distribution Up to</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>98%</td>
<td>2%</td>
<td>$1.00</td>
</tr>
<tr>
<td>Tier 2</td>
<td>85%</td>
<td>15%</td>
<td>$2.00</td>
</tr>
<tr>
<td>Tier 3</td>
<td>75%</td>
<td>25%</td>
<td>$3.00</td>
</tr>
<tr>
<td>Tier 4 (High Splits)</td>
<td>50%</td>
<td>50%</td>
<td>Above $3.00</td>
</tr>
</tbody>
</table>
How are Distributions Allocated Between the LP and the GP? (Cont.)

• To illustrate a hypothetical split, assume an MLP were to declare a distribution of $4.00 per LP unit.

• Based upon the distribution schedule in the previous slide, the distribution breakdown would be as follows:

<table>
<thead>
<tr>
<th>Payment Tiers</th>
<th>Incremental Cash Distributions Per LP Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>LP</td>
</tr>
<tr>
<td>Tier 1 ($0.00-$1.00)</td>
<td>$1.00</td>
</tr>
<tr>
<td>Tier 2 ($1.00-$2.00)</td>
<td>$1.00</td>
</tr>
<tr>
<td>Tier 3 ($2.00-$3.00)</td>
<td>$1.00</td>
</tr>
<tr>
<td>Tier 4 (High Splits &gt;$3.00)</td>
<td>$1.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$4.00</strong></td>
</tr>
<tr>
<td><strong>% of Total Cash Distribution</strong></td>
<td>72%</td>
</tr>
</tbody>
</table>

If the distribution is increased to $5.00 per limited unit, the formulas for tiers 1-4 would apply, and both the LP and GP would receive $1.00 for the incremental $1.00 increase (i.e., from $4.00 to $5.00).
MLP Tax Basics

• Due to their partnership structure, MLPs are not subject to corporate-level income tax on income they earn, unlike a corporation. This eliminates double taxation at the unit holder level.

• The MLP structure typically allows LP unit holders to receive a tax shield equivalent to 80-90% of their cash distributions in a given year.

• Deferred tax will not be paid until units are sold by the LP unit holder.

• The basis on LP units is stepped up upon death of the unitholder if passed to an heir as an estate planning strategy.

• Any losses incurred by the partnership passed through to unit holders are passive losses. These loses cannot be used by the unit holder to offset income from other sources.

• These losses can be carried forward and used to offset future income from the same MLP.

• Thus, an MLP investor typically pays income taxes roughly equal to 10-20% of their distribution. The remaining 80-90% is deferred until the investor sells the LP units.
How is the Individual MLP LP Investor Taxed?

- Investors pay tax on their allocated share of partnership income and not on the cash distribution.

- An investor’s basis is calculated by taking the initial basis **PLUS** allocated income less depreciation, **LESS** the cash distribution.

- In the example below, 100 MLP units are purchased at $20 per unit; the 100 units are held for three years and then sold for approximately $22 per unit; yield is assumed at 7% annually, distribution growth is assumed at 5% annually; 90% of the allocated share of income is tax deferred (due to the depreciation tax shield); and taxes are paid on the non-shielded portion of income at an ordinary 35% tax rate.

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Per Unit</td>
<td>Total</td>
<td>Per Unit</td>
</tr>
<tr>
<td>Units</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase Price</td>
<td>$20</td>
<td>($2,000)</td>
<td>$1.47</td>
</tr>
<tr>
<td>Annual Distribution</td>
<td>$1.40</td>
<td>$140.00</td>
<td>$1.32</td>
</tr>
<tr>
<td>Yield Assumption</td>
<td>7%</td>
<td>$14.00</td>
<td>$0.15</td>
</tr>
<tr>
<td>Distribution Growth Rate</td>
<td>5%</td>
<td>$0.049</td>
<td>$0.049</td>
</tr>
<tr>
<td>Personal Tax Rate</td>
<td>35%</td>
<td>$20.00</td>
<td>$20.00</td>
</tr>
<tr>
<td>Tax Deferral Rate</td>
<td>90%</td>
<td>$18.74</td>
<td>$17.42</td>
</tr>
</tbody>
</table>

**Per Unit Total**

- Year 1 Total: $154.40
- Year 2 Total: $138.90
- Year 3 Total: $150.00

**Note:** The table above includes key assumptions and calculations for each year, showing the impact of tax deferral and tax payments.
In the example provided, after three years, the investor’s tax basis in the units would be reduced to $16.03.

When the investor sells the units for $22.05 per unit at the end of year 3, they would realize a total gain of approximately $6.00 per unit, in addition to having received $4.41 per unit in cash distributions over the three year period. This includes a capital gain of $2.05 and ordinary income of about $4.00 per unit, which represents the recapture of depreciation and amortization deductions. Taxes would total $1.70 per unit, consisting of $0.31 in capital gains tax and $1.39 of ordinary income. On 100 units, this would be roughly $170. On a $2,000 investment over three years, an investor would earn a gross profit of $205 from the sale of the security, pay taxes on allocable net income over three years of $15.40, and pay long-term capital gains and ordinary income taxes totaling $170 at the time of sale. This represents an internal rate of return (IRR) of approximately 8.2%. This is an illustrative example only, and is not intended to demonstrate actual or typical MLP returns.
What is the K-1 Statement?

- The Form K-1 that an MLP investor receives each year shows the investor’s share of the partnership’s income, gain, loss, deductions, and credits.

- The Form K-1 is typically distributed in February and is similar to a Form 1099 issued by a corporation.

- The investor pays tax on the portion of net income allocated to them (which is shielded by losses, deductions, and credits) at their individual ordinary income tax rate.

- Typically, the Form K-1 statement is generated allocating partnership income and loss items to each State in which the partnership has operations. Investors are required to file income tax returns in each of these States, even if they do not have other sources of income from these States.
Who Owns MLPs?

- MLPs are typically owned by retail investors.
  - 75% retail investors
  - 25% institutions

- Numerous investment banks cover the MLP sector from a research perspective.
CONTACT INFORMATION

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investment restrictions and may be illiquid; investors are strongly urged to review carefully the Offering Memorandum, including the risk
considerations described therein and other documents pertaining to the Fund and to discuss any prospective investment therein with their legal and
tax advisers prior to investing. This presentation does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or
solicitation is not authorized or to any person to whom it would be unlawful to make such offer or solicitation.

This information contains a summary of background MLP industry information and does not purport to be complete. This information is qualified in
its entirety by reference to the more detailed discussion contained in the confidential private placement memorandum, the exhibits, and related
documents.

Tax matters are very complicated, and the federal income tax consequences of an investment in the Harvest MLP fund will depend on the facts of
each investor's situation. Investors are encouraged to consult their own tax advisers regarding the specific tax consequences that may affect such
investors.

Circular 230 notice. The following notice is based on U.S. Treasury regulations governing practice before the U.S. Internal Revenue Service: (1) any
U.S. Federal tax advice contained herein is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding U.S.
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described herein; and (3) each taxpayer should seek advice based on the taxpayer’s particular circumstances from an independent tax advisor.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. FUTURE RETURNS ARE NOT GUARANTEED, AND A LOSS
OF PRINCIPAL MAY OCCUR.
U.S. EQUITY

All stocks registered a gain for the month of May. Growth outperformed Value and Large Caps outperformed Small Caps. The Russell 1000 Growth Index was up by +3.1% and the Russell 1000 Value Index up by +1.5% for the month. The Russell 2000 Growth Index was up by +1.0% and the Russell 2000 Value was up by +0.6%. The S&P 500 Index ended the month higher by +2.4%.

The S&P 500 Index has a trailing P/E ratio of 18.3, a forward 12-month estimate P/E ratio of 16.4 and dividend yield of 2.0%. About 76% of the S&P 500 companies that have released earnings this quarter (453 companies) have beaten estimates for profit (+5.5% on average), while 53% have exceeded revenue projections (+2.8% on average).

Corporate merger highlights for the month included: Berkshire Hathaway is buying the rest of Canadian power transmission provider AltaLink for $2.9 billion; Chinese iron and steel giant Baosteel is preparing a takeover bid for Aquila Resources that values the Australian iron and ore coal miner at $1.3 billion; Bendigo and Adelaide Bank will buy the business and assets of Victoria’s Rural Finance Corp. for $1.8 billion; Merck will sell its consumer care business to Germany’s Bayer for $14.2 billion; Hillshire Brands will buy Pinnacle Foods for about $4.3 billion; Vantiv, a payment-processing company, is near a deal to buy Mercury Payment Systems for about $1.65 billion; Darden will sell Red Lobster to Golden Gate Capital for $2.1 billion; Abbott Labs will buy Chile’s CFR Pharma for $2.9 billion to double its generic drugs business in the fast-growing Latin American market; AT&T will pay $48.5 billion to acquire DirecTV, gaining more than 38 million video subscribers in the U.S. and Latin America; AstraZeneca rejected a sweetened and final $118 billion offer from Pfizer; Google’s YouTube unit will buy Twitch, a privately held video-streaming service for gamers, for over $1 billion; Cobham, a British aerospace and military contractor, will buy U.S. communications equipment maker Aeroflex Holding for $1.5 billion; Treasury Wine Estates rejected a $3 billion takeover from private equity firm KKR; Accor, Europe’s biggest hotel operator, will buy hotels in Germany, the Netherlands, Switzerland for about $1.2 billion; A subsidiary of Koch Industries agreed to buy PetroLogistics, which produces propylene for $2.1 billion; Tyson Foods made a $6.2 billion offer for Hillshire Brands, topping an earlier bid from rival Pilgrim Pride; AmSurg will buy Sheridan Healthcare for about $2.35 billion; Apple will buy Beats for about $3.0 billion; and, Valeant Pharmaceuticals raised its unsolicited offer for Allergan a second time, increasing the cash portion of its bid and is preparing to take its $53.8 billion takeover bid directly to shareholders.

Alibaba Group, which powers 80% of all online commerce in China, is expected to raise more than $15 billion in an IPO.

FIXED INCOME

Gross domestic product contracted at an annual rate of -1.0% in the 1st quarter, as the economy took a beating from an especially harsh winter. The economy last posted a decline in the 1st quarter of 2011.

U.S. employers added a robust 288,000 jobs in April, the most in two years, the strongest evidence to date that the economy is picking up after a harsh winter slowed growth. The unemployment rate sank to 6.3% in April, its lowest level since September 2008. Unemployment rates fell in 43 states and almost half the states now have rates below 6.0%.

The yield on the bellwether 10-year Treasury note fell to 2.48% at the close of May from its April close at 2.67%. At month-end, the 30-year bond yield was 3.33% with the 3-month T-bill at 0.04%. The Barclays Capital US Aggregate Index was up +1.14% in May and is now up +3.87% for the first five months of 2014. EM Debt realized a very strong month in May as the JPM EM Bond Index + was up by +3.09%.

Fannie Mae earned $5.3 billion for the first quarter, and Freddie Mac earned $4.0 billion; both have more than fully repaid their government bailouts.

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

THE GOOD

*American car buyers were active in April with Nissan up +18%, Chrysler +14%, Toyota +13%, and GM up +7%. However, Ford fell -1% and VW -8%.

*The Institute for Supply Management said its services sector index rose to 55.2 in April from 53.1 in March.
MARKET UPDATE  
FOR MAY 2014

*The Commerce Dept. reported that the U.S. trade deficit shrank -3.6% to a seasonally adjusted $40.4 billion in March, as the nation boosted exports of oil and gas. *CoreLogic reported that U.S. home prices grew +1.4% in March to take the year-over-year gain to +11.1%.

*The U.S. Treasury Dept. reported that the U.S. government recorded a budget surplus of $107 billion in April.

*The National Federation of Independent Business said its small business optimism index rose to 95.2 in May, the highest level in more than six years.

*U.S. home construction surged in April to its highest pace in five months with almost all of that increase coming from the volatile apartment sector.

*The Commerce Dept. reported that durable goods orders increased +0.8% in April following an upwardly revised +3.6% gain in March.

The Conference Board’s Consumer Confidence Index rose to 83.0 in May from 81.7 in April.

THE NOT SO GOOD

*The Commerce Dept. reported that construction spending increased just +0.2% in March after having fallen -0.2% in February.

*The Labor Dept. reported that productivity declined at an annual rate of -1.7% in the 1st quarter, after growing at a +2.3% rate in the 4th quarter of 2013.

*Total consumer credit increased by $17.5 billion to $3.14 trillion in March, the largest rise since Feb. 2013.

*The Commerce Dept. reported that retail sales increased a slight +0.1% in April, after soaring +1.5% in March.

*The Labor Dept. reported that its seasonally adjusted producer price index for final demand increased +0.6% in April, the largest gain since September 2012.

*U.S. factory production fell -0.4% in April after two months of strong growth.

*Consumer spending, which accounts for 70% of overall economic activity, fell -0.1% in April, the Commerce Dept. announced. The drop was the first in 12 months.

U.K. GDP rose a solid +0.8% in the first quarter, unchanged from the preliminary estimate. That left GDP up a robust +3.1% year-over-year, which is the fastest pace in over six years.

The first-quarter GDP data were decidedly mixed in the Eurozone. German GDP jumped +0.8%, the best in three years. However, the overall Eurozone rose a disappointing +0.2%. France stagnated and Italy contracted -0.1%.

Not surprisingly, the 3.0 point Japanese VAT hike on April 1 is affecting the April data. Retail sales plunged -13.7% on broad-based weakness. Sales should stabilize over the next several months.

Non-U.S. Developed equities were positive in May. The MSCI ACWI Ex-U.S. was up +2.1% (US dollars) for the month. International Developed stocks (EAFE) were up +1.8% while Emerging Markets gained +3.5% for the month.

CONCLUSION

The Chicago Board Options Exchange Volatility Index, a gauge for U.S. stock volatility known as the VIX, dropped to 12.4 percent in April. The measure has lost 9.6% this year. With this backdrop of decreasing volatility, equity markets generally continue to rise and fixed income spread products generally continue to narrow.

NON-U.S. MARKETS

Canadian GDP rose a disappointing +1.2% annualized, well down from the +2.7% annualized rate in the fourth quarter of 2013.
## Monthly Market Update

### US Equity Indices Trailing Performance

<table>
<thead>
<tr>
<th>Index</th>
<th>1 Month</th>
<th>3 Months</th>
<th>YTD</th>
<th>1 Year</th>
<th>2 Years</th>
<th>3 Years</th>
<th>5 Years</th>
<th>7 Years</th>
<th>10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russell 3000 Index</td>
<td>2.18</td>
<td>2.85</td>
<td>4.32</td>
<td>20.57</td>
<td>24.17</td>
<td>14.80</td>
<td>18.82</td>
<td>5.81</td>
<td>8.17</td>
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<tr>
<td>Russell TOP 200 Index</td>
<td>2.33</td>
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<td>23.52</td>
<td>15.52</td>
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<tr>
<td>Russell TOP 200 Value Index</td>
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<td>4.97</td>
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<tr>
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<td>22.35</td>
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<td>19.60</td>
<td>25.98</td>
<td>15.12</td>
<td>18.44</td>
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<tr>
<td>Russell Mid-Cap Index</td>
<td>2.22</td>
<td>1.36</td>
<td>4.21</td>
<td>21.33</td>
<td>25.48</td>
<td>14.04</td>
<td>21.37</td>
<td>6.82</td>
<td>10.37</td>
</tr>
<tr>
<td>Russell Mid-Cap Growth Index</td>
<td>2.72</td>
<td>-0.67</td>
<td>3.28</td>
<td>20.72</td>
<td>23.71</td>
<td>12.76</td>
<td>20.53</td>
<td>7.15</td>
<td>9.66</td>
</tr>
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<td>Russell Mid-Cap Value Index</td>
<td>1.67</td>
<td>3.66</td>
<td>7.42</td>
<td>22.01</td>
<td>27.82</td>
<td>15.23</td>
<td>22.19</td>
<td>6.18</td>
<td>10.67</td>
</tr>
<tr>
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<td>0.80</td>
<td>-3.77</td>
<td>-2.02</td>
<td>16.79</td>
<td>23.73</td>
<td>11.73</td>
<td>19.32</td>
<td>5.72</td>
<td>8.59</td>
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<tr>
<td>Russell 2000 Value Index</td>
<td>0.63</td>
<td>-0.74</td>
<td>-0.21</td>
<td>16.87</td>
<td>23.88</td>
<td>12.07</td>
<td>18.77</td>
<td>4.45</td>
<td>8.30</td>
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<tr>
<td>Russell 2000 Growth Index</td>
<td>0.97</td>
<td>-6.58</td>
<td>-3.75</td>
<td>16.71</td>
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<td>11.41</td>
<td>19.82</td>
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<td>DJ US REIT Index</td>
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<td>17.23</td>
<td>10.33</td>
<td>12.97</td>
<td>9.81</td>
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<td>2.73</td>
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<tr>
<td>DJ-UBS US Commodity Index TR</td>
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<td>-0.10</td>
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<td>2.50</td>
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<td>-2.96</td>
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<td>-7.28</td>
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</table>

### Non-US Indices Trailing Performance

<table>
<thead>
<tr>
<th>Index</th>
<th>1 Month</th>
<th>3 Months</th>
<th>YTD</th>
<th>1 Year</th>
<th>2 Years</th>
<th>3 Years</th>
<th>5 Years</th>
<th>7 Years</th>
<th>10 Years</th>
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<tr>
<td>MSCI AC World Index ex USA</td>
<td>2.05</td>
<td>3.80</td>
<td>4.10</td>
<td>15.03</td>
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<td>1.60</td>
<td>8.27</td>
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<tr>
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<td>4.49</td>
<td>17.75</td>
<td>22.15</td>
<td>9.58</td>
<td>14.32</td>
<td>3.48</td>
<td>8.03</td>
</tr>
<tr>
<td>MSCI EAFE Index</td>
<td>1.76</td>
<td>2.73</td>
<td>4.11</td>
<td>18.53</td>
<td>25.18</td>
<td>7.79</td>
<td>11.92</td>
<td>1.33</td>
<td>7.55</td>
</tr>
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<td>MSCI Emerging Markets index</td>
<td>3.51</td>
<td>7.11</td>
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<td>4.61</td>
<td>9.44</td>
<td>-1.44</td>
<td>8.71</td>
<td>2.88</td>
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<tr>
<td>ML Global Government Bond Ex. U.S. Index</td>
<td>0.37</td>
<td>1.08</td>
<td>4.41</td>
<td>4.97</td>
<td>-3.69</td>
<td>-0.99</td>
<td>2.96</td>
<td>5.39</td>
<td>4.45</td>
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<tr>
<td>Euro</td>
<td>-1.59</td>
<td>-1.20</td>
<td>-0.97</td>
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<td>5.05</td>
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<td>-0.73</td>
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<td>Japanese Yen</td>
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<td>-7.23</td>
<td>-1.27</td>
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<td>0.83</td>
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<td>UK Pound Sterling</td>
<td>-0.66</td>
<td>0.09</td>
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<td>10.64</td>
<td>4.39</td>
<td>0.63</td>
<td>0.79</td>
<td>-2.33</td>
<td>-0.89</td>
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### US Fixed Income Indices Trailing Performance

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<tr>
<th>Index</th>
<th>1 Month</th>
<th>3 Months</th>
<th>YTD</th>
<th>1 Year</th>
<th>2 Years</th>
<th>3 Years</th>
<th>5 Years</th>
<th>7 Years</th>
<th>10 Years</th>
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<tbody>
<tr>
<td>ML 3-month T-bill Total Return Index</td>
<td>0.00</td>
<td>0.01</td>
<td>0.02</td>
<td>0.06</td>
<td>0.09</td>
<td>0.08</td>
<td>0.11</td>
<td>0.78</td>
<td>1.64</td>
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<tr>
<td>BarCap Aggregate Bond Index</td>
<td>1.14</td>
<td>1.82</td>
<td>3.87</td>
<td>2.71</td>
<td>1.81</td>
<td>3.55</td>
<td>4.96</td>
<td>5.29</td>
<td>4.99</td>
</tr>
<tr>
<td>ML U.S. Corp/Govt Master Index</td>
<td>1.27</td>
<td>1.97</td>
<td>4.25</td>
<td>2.47</td>
<td>1.85</td>
<td>3.93</td>
<td>5.37</td>
<td>5.37</td>
<td>5.00</td>
</tr>
<tr>
<td>ML U.S. Corporate Master Index</td>
<td>1.53</td>
<td>2.79</td>
<td>5.77</td>
<td>4.83</td>
<td>4.99</td>
<td>5.89</td>
<td>8.88</td>
<td>6.57</td>
<td>5.97</td>
</tr>
<tr>
<td>BarCap Mortgage Backed Securities Index</td>
<td>1.20</td>
<td>1.81</td>
<td>3.76</td>
<td>3.38</td>
<td>1.66</td>
<td>2.75</td>
<td>3.89</td>
<td>5.13</td>
<td>5.01</td>
</tr>
<tr>
<td>ML U.S. High Yield Master Index</td>
<td>0.96</td>
<td>1.85</td>
<td>4.67</td>
<td>7.85</td>
<td>11.21</td>
<td>8.57</td>
<td>14.28</td>
<td>8.38</td>
<td>8.89</td>
</tr>
<tr>
<td>JPM EMBI Global</td>
<td>3.20</td>
<td>6.13</td>
<td>8.45</td>
<td>4.84</td>
<td>7.59</td>
<td>7.82</td>
<td>10.59</td>
<td>8.07</td>
<td>9.65</td>
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</table>
# STANCERA
## MONTHLY PERFORMANCE REVIEW
### PERIOD ENDING MAY 31, 2014
#### PRELIMINARY BASIS

## SUMMARY OF INVESTMENTS

<table>
<thead>
<tr>
<th>ASSET CLASS</th>
<th>MARKET VALUE</th>
<th>CURRENT POLICY</th>
<th>TARGET POLICY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PERCENT</td>
<td>ALLOCATION</td>
<td>ALLOCATION</td>
</tr>
<tr>
<td>DOMESTIC EQUITIES</td>
<td>815,769,778</td>
<td>46.6%</td>
<td>46.7%</td>
</tr>
<tr>
<td>INTERNATIONAL EQUITIES</td>
<td>317,886,541</td>
<td>18.2%</td>
<td>18.0%</td>
</tr>
<tr>
<td>FIXED INCOME</td>
<td>506,013,660</td>
<td>28.9%</td>
<td>29.8%</td>
</tr>
<tr>
<td>ALTERNATIVES:</td>
<td>96,207,480</td>
<td>5.5%</td>
<td>5.5%</td>
</tr>
<tr>
<td>DIRECT LENDING</td>
<td>71,081,590</td>
<td>4.1%</td>
<td>4.0%</td>
</tr>
<tr>
<td>REAL ESTATE</td>
<td>25,125,890</td>
<td>1.4%</td>
<td>1.5%</td>
</tr>
<tr>
<td>INFRASTRUCTURE</td>
<td>0</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>SECURITY LENDING</td>
<td>0</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>CASH (equity managers only)</td>
<td>14,349,053</td>
<td>0.8%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>TOTAL PORTFOLIO</strong></td>
<td><strong>1,750,226,512</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CURRENT TARGET</th>
<th>ACTUAL</th>
<th>CURRENT</th>
<th>TARGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACTUAL</td>
<td>ALLOCATION</td>
<td>ALLOCATION</td>
<td></td>
</tr>
<tr>
<td>DODGE &amp; COX - LARGE CAP VALUE</td>
<td>10.6%</td>
<td>9.7%</td>
<td>8.8%</td>
</tr>
<tr>
<td>BlackRock - R1000 VALUE INDEX</td>
<td>6.6%</td>
<td>6.5%</td>
<td>5.5%</td>
</tr>
<tr>
<td>DELAWARE - LARGE CAP GROWTH</td>
<td>8.6%</td>
<td>8.5%</td>
<td>6.7%</td>
</tr>
<tr>
<td>BlackRock - R1000 GROWTH INDEX</td>
<td>5.6%</td>
<td>5.5%</td>
<td>4.6%</td>
</tr>
<tr>
<td>CAPITAL PROSPECTS</td>
<td>5.4%</td>
<td>5.5%</td>
<td>4.0%</td>
</tr>
<tr>
<td>LEGATO CAPITAL</td>
<td>4.7%</td>
<td>5.5%</td>
<td>3.7%</td>
</tr>
<tr>
<td>BNY - S&amp;P 500 INDEX</td>
<td>5.7%</td>
<td>5.5%</td>
<td>4.8%</td>
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<tr>
<td>LSV ASSET MGMT - INTL EQ</td>
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<td>9.0%</td>
<td>9.0%</td>
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<td>PYRAMIS - INTL EQ</td>
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<td>9.0%</td>
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<tr>
<td>DODGE &amp; COX FIXED INCOME</td>
<td>22.7%</td>
<td>23.8%</td>
<td>23.8%</td>
</tr>
<tr>
<td>PIMCO</td>
<td>6.2%</td>
<td>6.0%</td>
<td>6.0%</td>
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<tr>
<td>MEDLEY</td>
<td>1.6%</td>
<td>1.0%</td>
<td>2.1%</td>
</tr>
<tr>
<td>RAVEN</td>
<td>1.4%</td>
<td>1.5%</td>
<td>2.7%</td>
</tr>
<tr>
<td>WHITE OAK</td>
<td>1.0%</td>
<td>1.5%</td>
<td>2.7%</td>
</tr>
<tr>
<td>BlackRock - US REAL ESTATE SECURITIES INDEX</td>
<td>1.4%</td>
<td>1.5%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Unallocated Private Real Estate</td>
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<td>0.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Infrastructure</td>
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<td>0.0%</td>
<td>3.0%</td>
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<tr>
<td>SECURITY LENDING</td>
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<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
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</tbody>
</table>
# STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING MAY 31, 2014
PRELIMINARY BASIS

<table>
<thead>
<tr>
<th>ASSET CLASS</th>
<th>CURRENT MONTH</th>
<th>PRIOR MONTH</th>
<th>% CHANGE *</th>
<th>PRIOR YEAR</th>
<th>% CHANGE *</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>MARKET VALUE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>703,579,591</td>
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<tr>
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<td>522,589,682</td>
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<td>71,916,468</td>
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<td>REAL ESTATE</td>
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<td>24,524,140</td>
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<td>SECURITIES LENDING</td>
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<td>0</td>
<td>0.00%</td>
<td>(869,105)</td>
<td>100.00%</td>
</tr>
<tr>
<td>CASH (equity managers only)</td>
<td>14,349,053</td>
<td>11,246,094</td>
<td>27.59%</td>
<td>15,717,350</td>
<td>-8.71%</td>
</tr>
<tr>
<td>TOTAL PORTFOLIO</td>
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<td><strong>1,727,479,698</strong></td>
<td><strong>1.32%</strong></td>
<td><strong>1,540,492,978</strong></td>
<td><strong>13.61%</strong></td>
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<table>
<thead>
<tr>
<th>ASSET ALLOCATION (ACTUAL)</th>
<th>CURRENT MONTH</th>
<th>PRIOR MONTH</th>
<th>% CHANGE</th>
<th>PRIOR YEAR</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOMESTIC EQUITIES</td>
<td>46.61%</td>
<td>46.41%</td>
<td>0.2%</td>
<td>45.67%</td>
<td>0.9%</td>
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<tr>
<td>INTERNATIONAL EQUITIES</td>
<td>18.16%</td>
<td>18.25%</td>
<td>-0.1%</td>
<td>17.96%</td>
<td>0.2%</td>
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<tr>
<td>FIXED INCOME</td>
<td>28.91%</td>
<td>29.11%</td>
<td>-0.2%</td>
<td>33.92%</td>
<td>-5.0%</td>
</tr>
<tr>
<td>DIRECT LENDING</td>
<td>4.06%</td>
<td>4.16%</td>
<td>-0.1%</td>
<td>0.00%</td>
<td>4.1%</td>
</tr>
<tr>
<td>REAL ESTATE SECURITIES</td>
<td>1.44%</td>
<td>1.42%</td>
<td>0.0%</td>
<td>1.48%</td>
<td>0.0%</td>
</tr>
<tr>
<td>SECURITY LENDING</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.0%</td>
<td>-0.06%</td>
<td>0.0%</td>
</tr>
<tr>
<td>CASH (equity managers only)</td>
<td>0.82%</td>
<td>0.65%</td>
<td>0.2%</td>
<td>1.02%</td>
<td>-0.2%</td>
</tr>
<tr>
<td>TOTAL PORTFOLIO</td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>0.0%</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>0.0%</strong></td>
</tr>
</tbody>
</table>

* % Change represents changes in cash balances, including cash transfers, and does not represent investment returns.
<table>
<thead>
<tr>
<th>ASSET CLASS</th>
<th>MARKET VALUE</th>
<th>PERCENT</th>
<th>CURRENT POLICY TARGET</th>
<th>RANGE</th>
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<td><strong>DOMESTIC EQUITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DODGE &amp; COX - LARGE CAP VALUE</td>
<td>184,049,122</td>
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<td>7.7% - 11.7%</td>
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</tr>
<tr>
<td>BLACKROCK - R1000 VALUE INDEX</td>
<td>115,543,839</td>
<td>6.6%</td>
<td>6.5% - 6.5%</td>
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</tr>
<tr>
<td>DELAWARE - LARGE CAP GROWTH</td>
<td>151,044,567</td>
<td>8.6%</td>
<td>7.0% - 10.0%</td>
<td></td>
</tr>
<tr>
<td>BLACKROCK - R1000 GROWTH INDEX</td>
<td>98,821,350</td>
<td>5.6%</td>
<td>4.0% - 6.0%</td>
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</tr>
<tr>
<td>CAPITAL PROSPECTS - SMALL CAP VALUE</td>
<td>94,075,750</td>
<td>5.4%</td>
<td>4.0% - 5.0%</td>
<td></td>
</tr>
<tr>
<td>LEGATO CAPITAL - SMALL CAP GROWTH</td>
<td>82,177,393</td>
<td>4.7%</td>
<td>4.0% - 6.0%</td>
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</tr>
<tr>
<td>BNY - S&amp;P 500 INDEX</td>
<td>99,650,487</td>
<td>5.7%</td>
<td>4.0% - 6.0%</td>
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</tr>
<tr>
<td><strong>TOTAL DOMESTIC EQUITIES</strong></td>
<td>828,222,497</td>
<td>47.2%</td>
<td>46.7%</td>
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</tr>
<tr>
<td><strong>FIXED INCOME</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DODGE &amp; COX</td>
<td>397,362,635</td>
<td>22.7%</td>
<td>23.8% - 26.8%</td>
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</tr>
<tr>
<td>PIMCO</td>
<td>108,621,026</td>
<td>6.2%</td>
<td>5.0% - 7.0%</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL FIXED INCOME</strong></td>
<td>506,013,660</td>
<td>28.9%</td>
<td>29.0%</td>
<td></td>
</tr>
<tr>
<td><strong>DIRECT LENDING</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MEDLEY CAPITAL</td>
<td>27,847,590</td>
<td>1.6%</td>
<td>1.0% - 3.0%</td>
<td></td>
</tr>
<tr>
<td>RAVEN CAPITAL</td>
<td>25,082,068</td>
<td>1.4%</td>
<td>1.5% - 3.0%</td>
<td></td>
</tr>
<tr>
<td>WHITE OAK</td>
<td>19,151,862</td>
<td>1.0%</td>
<td>1.5% - 3.0%</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL DIRECT LENDING</strong></td>
<td>71,081,520</td>
<td>4.1%</td>
<td>4.0%</td>
<td></td>
</tr>
<tr>
<td><strong>INTERNATIONAL INVESTMENTS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LSV ASSET MGMT.</td>
<td>150,796,767</td>
<td>9.1%</td>
<td>9.0% - 10.5%</td>
<td></td>
</tr>
<tr>
<td>PYRAMIS</td>
<td>161,846,108</td>
<td>9.3%</td>
<td>9.0% - 10.5%</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL INTERNATIONAL EQUITIES</strong></td>
<td>321,742,875</td>
<td>16.4%</td>
<td>18.0%</td>
<td></td>
</tr>
<tr>
<td><strong>REAL ESTATE SECURITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BlackRock - US RE SECURITIES INDEX</td>
<td>25,125,690</td>
<td>1.4%</td>
<td>1.5% - 2.0%</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL REAL ESTATE</strong></td>
<td>25,125,690</td>
<td>1.4%</td>
<td>1.5% - 2.0%</td>
<td></td>
</tr>
<tr>
<td><strong>SECURITIES LENDING</strong></td>
<td></td>
<td>0.0%</td>
<td>0.0% - 0.0%</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL STANCERA PORTFOLIO</strong></td>
<td>1,750,228,612</td>
<td>100.0%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>Domestic Equities</td>
<td>Cash</td>
<td>Bonds</td>
<td>Equities</td>
<td>Total</td>
</tr>
<tr>
<td>------------------</td>
<td>------</td>
<td>-------</td>
<td>----------</td>
<td>-------</td>
</tr>
<tr>
<td>DODGE &amp; COX - LARGE CAP VALUE</td>
<td>4,516,613</td>
<td>180,433,509</td>
<td>184,949,122</td>
<td></td>
</tr>
<tr>
<td>BLACKROCK - R1000 VALUE INDEX</td>
<td>0</td>
<td>115,543,839</td>
<td>115,543,839</td>
<td></td>
</tr>
<tr>
<td>DELAWARE - LARGE CAP GROWTH</td>
<td>844,340</td>
<td>150,200,217</td>
<td>151,044,557</td>
<td></td>
</tr>
<tr>
<td>BLACKROCK - R1000 GROWTH INDEX</td>
<td>0</td>
<td>98,821,360</td>
<td>98,821,360</td>
<td></td>
</tr>
<tr>
<td>CAPITAL PROSPECTS - SMALL CAP VALUE</td>
<td>2,904,452</td>
<td>91,171,297</td>
<td>94,075,750</td>
<td></td>
</tr>
<tr>
<td>LEGATO CAPITAL - SMALL CAP GROWTH</td>
<td>2,228,083</td>
<td>79,649,310</td>
<td>82,177,393</td>
<td></td>
</tr>
<tr>
<td>BNY - S&amp;P 500 INDEX</td>
<td>0</td>
<td>99,650,257</td>
<td>99,650,257</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL DOMESTIC EQUITIES</strong></td>
<td><strong>19,492,719</strong></td>
<td><strong>815,760,778</strong></td>
<td><strong>826,262,497</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fixed Income</th>
<th>Cash</th>
<th>Bonds</th>
<th>Equities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>DODGE &amp; COX</td>
<td>11,677,622</td>
<td>385,715,012</td>
<td>397,392,635</td>
<td></td>
</tr>
<tr>
<td>PIMCO</td>
<td>3,725,866</td>
<td>104,865,067</td>
<td>108,591,036</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL FIXED INCOME</strong></td>
<td><strong>15,403,581</strong></td>
<td><strong>490,580,080</strong></td>
<td><strong>505,983,661</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Direct Lending</th>
<th>Cash</th>
<th>Bonds</th>
<th>Equities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEDLEY</td>
<td>0</td>
<td>27,647,960</td>
<td>27,647,960</td>
<td></td>
</tr>
<tr>
<td>RAVEN</td>
<td>0</td>
<td>25,082,068</td>
<td>25,082,068</td>
<td></td>
</tr>
<tr>
<td>WHITE OAK</td>
<td>0</td>
<td>18,151,862</td>
<td>18,151,862</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL DIRECT LENDING</strong></td>
<td><strong>0</strong></td>
<td><strong>71,881,890</strong></td>
<td><strong>71,881,890</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>International Investments</th>
<th>Cash</th>
<th>Bonds</th>
<th>Equities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>LSV ASSET MGMT.</td>
<td>1,034,512</td>
<td>158,762,255</td>
<td>159,796,767</td>
<td></td>
</tr>
<tr>
<td>PYRAMIS</td>
<td>2,821,622</td>
<td>159,124,286</td>
<td>161,946,908</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL INTERNATIONAL EQUITIES</strong></td>
<td><strong>3,856,134</strong></td>
<td><strong>317,886,541</strong></td>
<td><strong>321,742,675</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Real Estate Securities</th>
<th>Cash</th>
<th>Bonds</th>
<th>Equities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>BLACKROCK - US REAL ESTATE SECURITIES INDEX</td>
<td>144</td>
<td>25,125,746</td>
<td>25,125,890</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL REAL ESTATE</strong></td>
<td><strong>144</strong></td>
<td><strong>25,125,746</strong></td>
<td><strong>25,125,890</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Securities Lending</th>
<th>Cash</th>
<th>Bonds</th>
<th>Equities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL STANCERA PORTFOLIO</strong></td>
<td><strong>29,752,778</strong></td>
<td><strong>561,691,670</strong></td>
<td><strong>1,158,782,065</strong></td>
<td><strong>1,750,226,512</strong></td>
</tr>
</tbody>
</table>
## STANCERA
### MONTHLY PERFORMANCE REVIEW
#### PERIOD ENDING MAY 31, 2014

**PRELIMINARY BASIS**

### MARKET VALUE MAY ALPHA APRIL ALPHA FISCAL YTD ALPHA

<table>
<thead>
<tr>
<th>Domestic Equity</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>DODGE &amp; COX - LARGE CAP VALUE</td>
<td>180,429,509</td>
</tr>
<tr>
<td>RUSSELL 1000 VALUE</td>
<td>1.48%</td>
</tr>
<tr>
<td>BLACKROCK - R1000 VALUE INDEX</td>
<td>115,543,839</td>
</tr>
<tr>
<td>RUSSELL 1000 VALUE</td>
<td>1.48%</td>
</tr>
<tr>
<td>DELAWARE - LARGE CAP GROWTH</td>
<td>150,200,217</td>
</tr>
<tr>
<td>RUSSELL 1000 GROWTH</td>
<td>3.12%</td>
</tr>
<tr>
<td>BLACKROCK - R1000 GROWTH INDEX</td>
<td>98,821,250</td>
</tr>
<tr>
<td>RUSSELL 1000 GROWTH</td>
<td>3.12%</td>
</tr>
<tr>
<td>CAPITAL PROSPECTS</td>
<td>91,171,297</td>
</tr>
<tr>
<td>RUSSELL 1000 VALUE</td>
<td>0.03%</td>
</tr>
<tr>
<td>LEGATO CAPITAL</td>
<td>79,549,310</td>
</tr>
<tr>
<td>RUSSELL 2000 GROWTH</td>
<td>0.07%</td>
</tr>
<tr>
<td>INY - S&amp;P 500 INDEX</td>
<td>99,650,257</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>2.35%</td>
</tr>
<tr>
<td>TOTAL DOMESTIC EQUITY</td>
<td>815,769,778</td>
</tr>
<tr>
<td>2013 Russell 3000 Index</td>
<td>2.18%</td>
</tr>
</tbody>
</table>

### TOTAL DOMESTIC EQUITY INDEX

<table>
<thead>
<tr>
<th>Fixed Income</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>DODGE &amp; COX</td>
<td>397,300,336</td>
</tr>
<tr>
<td>BARCLAYS US AGGREGATE BOND</td>
<td>1.14%</td>
</tr>
<tr>
<td>PIMCO</td>
<td>108,620,268</td>
</tr>
<tr>
<td>BARCLAYS US AGGREGATE BOND</td>
<td>1.14%</td>
</tr>
<tr>
<td>TOTAL FIXED INCOME</td>
<td>500,013,660</td>
</tr>
<tr>
<td>BARNETTS US AGGREGATE BOND</td>
<td>1.14%</td>
</tr>
</tbody>
</table>

### TOTAL FIXED INCOME INDEX

<table>
<thead>
<tr>
<th>Direct Lending</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MEDLEY CAPITAL</td>
<td>27,847,660</td>
</tr>
<tr>
<td>CUSTOM 9% ANNUAL</td>
<td>0.75%</td>
</tr>
<tr>
<td>RAVEN CAPITAL</td>
<td>25,082,068</td>
</tr>
<tr>
<td>CUSTOM 9% ANNUAL</td>
<td>0.75%</td>
</tr>
<tr>
<td>WHITE OAK</td>
<td>18,151,862</td>
</tr>
<tr>
<td>CUSTOM 9% ANNUAL</td>
<td>0.75%</td>
</tr>
<tr>
<td>TOTAL DIRECT LENDING</td>
<td>71,031,590</td>
</tr>
<tr>
<td>CUSTOM 9% ANNUAL</td>
<td>0.75%</td>
</tr>
</tbody>
</table>

### TOTAL DIRECT LENDING INDEX

<table>
<thead>
<tr>
<th>International Equity</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>LSX ASSET MGMT</td>
<td>158,792,255</td>
</tr>
<tr>
<td>MSCI ADON ex-US</td>
<td>1.47%</td>
</tr>
<tr>
<td>PYRAMID</td>
<td>159,122,286</td>
</tr>
<tr>
<td>MSCI ADON ex-US</td>
<td>1.52%</td>
</tr>
<tr>
<td>TOTAL INTERNATIONAL EQUITY</td>
<td>317,914,541</td>
</tr>
<tr>
<td>MSCI ADON ex-US</td>
<td>1.47%</td>
</tr>
</tbody>
</table>

### TOTAL INTERNATIONAL EQUITY INDEX

<table>
<thead>
<tr>
<th>Real Estate</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>BlackRock US REI Index</td>
<td>35,122,690</td>
</tr>
<tr>
<td>CPM JONES US SELECT RE INDEX</td>
<td>2.46%</td>
</tr>
</tbody>
</table>

### TOTAL REAL ESTATE INDEX

<table>
<thead>
<tr>
<th>Cash and Short-Term Investments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH</td>
<td>14,349,303</td>
</tr>
<tr>
<td>90-Day US Treasury Bill</td>
<td>0.61%</td>
</tr>
</tbody>
</table>

| Total Stancera Fund | 1,750,235,512 | 1.46% | -0.23% | 0.27% | -0.11% | 16.02% | 1.25% |
| Current Policy Index | 1.46% | 0.27% | -0.11% | 16.02% | 1.25% |
| Actuary Rate of Assumption (7.75%) | 0.64% | 0.27% | -0.11% | 16.02% | 1.25% |
| Actuary Rate of Inflation (3.20%) | 1.15% | 0.27% | -0.11% | 16.02% | 1.25% |

*Policy Index represents Current Policy Index that will be built up over time to reach the Target Policy Index.*
Dodge & Cox Equity
Rolling 3-Years Annualized Alpha
Monthly Observations
Delaware
Rolling 3-Years Annualized Alpha
Monthly Observations

[Graph showing monthly observations from Jul-09 to Jan-14 with a notable point at 2% in Jul-14]
Capital Prospects
Rolling 3-Year
Alphas
Monthly Observations

<table>
<thead>
<tr>
<th>Year</th>
<th>Alphas</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/11</td>
<td>4.00%</td>
</tr>
<tr>
<td>02/12</td>
<td>3.00%</td>
</tr>
<tr>
<td>04/12</td>
<td>~2.00%</td>
</tr>
<tr>
<td>06/12</td>
<td>~1.00%</td>
</tr>
<tr>
<td>08/12</td>
<td>0.00%</td>
</tr>
<tr>
<td>10/12</td>
<td>~0.00%</td>
</tr>
<tr>
<td>12/12</td>
<td>~0.00%</td>
</tr>
<tr>
<td>02/13</td>
<td>~0.00%</td>
</tr>
<tr>
<td>04/13</td>
<td>~0.00%</td>
</tr>
<tr>
<td>06/13</td>
<td>~0.00%</td>
</tr>
<tr>
<td>08/13</td>
<td>~0.00%</td>
</tr>
<tr>
<td>10/13</td>
<td>~0.00%</td>
</tr>
<tr>
<td>12/13</td>
<td>~0.00%</td>
</tr>
<tr>
<td>02/14</td>
<td>~0.00%</td>
</tr>
<tr>
<td>04/14</td>
<td>~0.00%</td>
</tr>
</tbody>
</table>

*Strong*
Legato Rolling
3-Year Alphas
Annualized
Monthly Observations
LSV
Rolling 3-Years Annualized Alpha
Monthly Observations

[Graph showing monthly observations from Aug-07 to Feb-14 with varying percentages ranging from -3% to 4%]
PIMCO Rolling 3-Year Alphas
Annualized
Monthly Observations
STANCERA
Price Monitor Position Report

BlackRock
Passive Large Cap Growth Manager
Positions as of May 31, 2014

<table>
<thead>
<tr>
<th>Company</th>
<th>Symbol</th>
<th># Shares</th>
<th>$ Value</th>
<th>Weight Position</th>
<th>Weight StanCERA</th>
<th>5/31/2014 $ PX</th>
<th>6/13/2014 $ PX</th>
<th>% Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apple Inc.</td>
<td>AAPL</td>
<td>6,526</td>
<td>$4,130,732</td>
<td>4.18%</td>
<td>0.24%</td>
<td>633.00</td>
<td>91.28</td>
<td>-85.58%</td>
<td>-85.89%</td>
</tr>
<tr>
<td>Microsoft Corp.</td>
<td>MSFT</td>
<td>83,035</td>
<td>$3,399,454</td>
<td>3.44%</td>
<td>0.19%</td>
<td>40.94</td>
<td>41.23</td>
<td>0.71%</td>
<td>0.39%</td>
</tr>
<tr>
<td>Verizon Communications</td>
<td>VZ</td>
<td>39,956</td>
<td>$1,996,191</td>
<td>2.02%</td>
<td>0.11%</td>
<td>49.96</td>
<td>49.18</td>
<td>-1.56%</td>
<td>-1.88%</td>
</tr>
<tr>
<td>INTL Business Machines</td>
<td>IBM</td>
<td>9,488</td>
<td>$1,749,138</td>
<td>1.77%</td>
<td>0.10%</td>
<td>184.36</td>
<td>182.56</td>
<td>-0.98%</td>
<td>-1.29%</td>
</tr>
<tr>
<td>Coca-Cola Co.</td>
<td>KO</td>
<td>37,200</td>
<td>$1,521,849</td>
<td>1.54%</td>
<td>0.09%</td>
<td>40.91</td>
<td>40.37</td>
<td>-1.32%</td>
<td>-1.63%</td>
</tr>
<tr>
<td>Google Inc. - Class A</td>
<td>GOOG</td>
<td>2,612</td>
<td>$1,462,556</td>
<td>1.48%</td>
<td>0.08%</td>
<td>559.89</td>
<td>551.76</td>
<td>-1.45%</td>
<td>-1.77%</td>
</tr>
<tr>
<td>Google Inc. - Class C</td>
<td>GOOGL</td>
<td>2,590</td>
<td>$1,442,792</td>
<td>1.46%</td>
<td>0.08%</td>
<td>556.97</td>
<td>560.35</td>
<td>0.61%</td>
<td>0.29%</td>
</tr>
<tr>
<td>Philip Morris Intl.</td>
<td>PM</td>
<td>16,184</td>
<td>$1,432,910</td>
<td>1.45%</td>
<td>0.08%</td>
<td>88.54</td>
<td>88.45</td>
<td>-0.10%</td>
<td>-0.42%</td>
</tr>
<tr>
<td>Schlumberger LTD</td>
<td>SLB</td>
<td>13,393</td>
<td>$1,393,381</td>
<td>1.41%</td>
<td>0.08%</td>
<td>104.04</td>
<td>108.25</td>
<td>4.05%</td>
<td>3.73%</td>
</tr>
<tr>
<td>Oracle Corp</td>
<td>ORCL</td>
<td>33,160</td>
<td>$1,393,381</td>
<td>1.41%</td>
<td>0.08%</td>
<td>42.02</td>
<td>42.14</td>
<td>0.29%</td>
<td>-0.03%</td>
</tr>
</tbody>
</table>

TOP TEN HOLDINGS

<table>
<thead>
<tr>
<th></th>
<th>$ Value</th>
<th>Weight Position</th>
<th>Weight StanCERA</th>
<th>5/31/2014 $ PX</th>
<th>6/13/2014 $ PX</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$19,922,384</td>
<td>20.16%</td>
<td>1.14%</td>
<td>42.02</td>
<td>42.14</td>
<td>0.29%</td>
</tr>
</tbody>
</table>

Total Portfolio Value

$98,821,350

Total StanCERA Value

$1,750,226,512
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EXXON MOBIL CORP</td>
<td>XOM</td>
<td>53,674</td>
<td>$5,395,897</td>
<td>4.67%</td>
<td>0.31%</td>
<td>100.53</td>
<td>2.11%</td>
<td>102.65</td>
<td>0.79%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GENERAL ELECTRIC CO</td>
<td>GE</td>
<td>122,056</td>
<td>$3,269,891</td>
<td>2.83%</td>
<td>0.19%</td>
<td>26.79</td>
<td>0.93%</td>
<td>27.04</td>
<td>-0.38%</td>
<td></td>
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</tr>
<tr>
<td>JOHNSON &amp; JOHNSON</td>
<td>JNJ</td>
<td>29,154</td>
<td>$2,957,922</td>
<td>2.56%</td>
<td>0.17%</td>
<td>101.46</td>
<td>1.05%</td>
<td>102.53</td>
<td>-0.26%</td>
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</tr>
<tr>
<td>CHEVRON CORP</td>
<td>CVX</td>
<td>23,901</td>
<td>$2,934,814</td>
<td>2.54%</td>
<td>0.17%</td>
<td>122.79</td>
<td>3.64%</td>
<td>127.26</td>
<td>2.32%</td>
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<tr>
<td>WELLS FARGO &amp; CO</td>
<td>WFC</td>
<td>57,112</td>
<td>$2,900,150</td>
<td>2.51%</td>
<td>0.17%</td>
<td>50.78</td>
<td>2.21%</td>
<td>51.90</td>
<td>0.89%</td>
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<tr>
<td>BERKSHIRE HATHAWAY INC</td>
<td>BRK-B</td>
<td>20,797</td>
<td>$2,669,063</td>
<td>2.31%</td>
<td>0.15%</td>
<td>128.34</td>
<td>-1.40%</td>
<td>126.54</td>
<td>-2.72%</td>
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<tr>
<td>PROCTER &amp; GAMBLE CO</td>
<td>PG</td>
<td>31,893</td>
<td>$2,576,628</td>
<td>2.23%</td>
<td>0.15%</td>
<td>80.79</td>
<td>-1.42%</td>
<td>79.64</td>
<td>-2.74%</td>
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<tr>
<td>JPMORGAN CHASE &amp; CO</td>
<td>JPM</td>
<td>45,536</td>
<td>$2,530,410</td>
<td>2.19%</td>
<td>0.14%</td>
<td>55.57</td>
<td>2.65%</td>
<td>57.04</td>
<td>1.33%</td>
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<td></td>
</tr>
<tr>
<td>PFIZER INC</td>
<td>PFE</td>
<td>78,771</td>
<td>$2,333,986</td>
<td>2.02%</td>
<td>0.13%</td>
<td>29.63</td>
<td>-0.34%</td>
<td>29.53</td>
<td>-1.65%</td>
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<tr>
<td>AT&amp;T CORP</td>
<td>T</td>
<td>62,544</td>
<td>$2,218,442</td>
<td>1.92%</td>
<td>0.13%</td>
<td>35.47</td>
<td>-1.24%</td>
<td>35.03</td>
<td>-2.56%</td>
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<td></td>
</tr>
</tbody>
</table>

**Top Ten Holdings**

| $29,787,202 | 25.78% | 1.70% | Russell 1000 Value | 1.32% |

Total Portfolio Value

$115,543,839

Total StanCERA Value

$1,750,226,512
STANCERA
Price Monitor Position Report

Capital Prospects
Active US Small Cap Value Manager
Positions as of May 31, 2014

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>HILLENBRAND INC</td>
<td>HI</td>
<td>45,649</td>
<td>$1,382,716</td>
<td>1.47%</td>
<td>0.08%</td>
<td>0.10%</td>
<td>30.29</td>
<td>31.12</td>
<td>2.74%</td>
<td>0.08%</td>
<td>31.12</td>
<td>2.74%</td>
<td>0.74%</td>
</tr>
<tr>
<td>BELDEN INC</td>
<td>BDC</td>
<td>18,501</td>
<td>$1,331,872</td>
<td>1.42%</td>
<td>0.08%</td>
<td>0.19%</td>
<td>71.99</td>
<td>76.26</td>
<td>5.93%</td>
<td>0.08%</td>
<td>76.26</td>
<td>5.93%</td>
<td>3.93%</td>
</tr>
<tr>
<td>REGAL BELOIT CORP</td>
<td>RBC</td>
<td>16,160</td>
<td>$1,233,471</td>
<td>1.31%</td>
<td>0.07%</td>
<td>0.00%</td>
<td>76.33</td>
<td>78.21</td>
<td>2.46%</td>
<td>0.07%</td>
<td>78.21</td>
<td>2.46%</td>
<td>0.46%</td>
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<tr>
<td>LITTELFUSE INC</td>
<td>LFUS</td>
<td>12,852</td>
<td>$1,126,635</td>
<td>1.20%</td>
<td>0.06%</td>
<td>0.12%</td>
<td>67.66</td>
<td>88.69</td>
<td>1.17%</td>
<td>-0.83%</td>
<td>88.69</td>
<td>1.17%</td>
<td>-2.83%</td>
</tr>
<tr>
<td>BROADRIDGE FINANCIAL SOLUTIONS</td>
<td>BR</td>
<td>23,140</td>
<td>$949,201</td>
<td>1.01%</td>
<td>0.05%</td>
<td>0.00%</td>
<td>41.02</td>
<td>40.76</td>
<td>-0.63%</td>
<td>-2.64%</td>
<td>40.76</td>
<td>-2.64%</td>
<td>-0.83%</td>
</tr>
<tr>
<td>POLYONE CORP</td>
<td>POL</td>
<td>23,156</td>
<td>$929,263</td>
<td>0.99%</td>
<td>0.05%</td>
<td>0.23%</td>
<td>40.13</td>
<td>40.72</td>
<td>1.47%</td>
<td>-0.53%</td>
<td>40.72</td>
<td>1.47%</td>
<td>-0.83%</td>
</tr>
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<td>MEREDITH CORP</td>
<td>MDP</td>
<td>20,250</td>
<td>$910,461</td>
<td>0.97%</td>
<td>0.05%</td>
<td>0.10%</td>
<td>44.96</td>
<td>43.85</td>
<td>-2.47%</td>
<td>-4.47%</td>
<td>43.85</td>
<td>-2.47%</td>
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<tr>
<td>MB FINANCIAL INC</td>
<td>MBFI</td>
<td>33,467</td>
<td>$898,258</td>
<td>0.95%</td>
<td>0.05%</td>
<td>0.00%</td>
<td>26.84</td>
<td>27.46</td>
<td>2.31%</td>
<td>0.31%</td>
<td>27.46</td>
<td>2.31%</td>
<td>0.31%</td>
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<tr>
<td>FIRST AMERICAN FINANCIAL CORP</td>
<td>FAF</td>
<td>31,925</td>
<td>$894,539</td>
<td>0.95%</td>
<td>0.05%</td>
<td>0.19%</td>
<td>28.02</td>
<td>28.12</td>
<td>0.36%</td>
<td>-1.65%</td>
<td>28.12</td>
<td>0.36%</td>
<td>-1.65%</td>
</tr>
<tr>
<td>IBERIABANK CORP</td>
<td>IBKC</td>
<td>14,172</td>
<td>$885,171</td>
<td>0.94%</td>
<td>0.05%</td>
<td>0.12%</td>
<td>62.46</td>
<td>66.00</td>
<td>5.67%</td>
<td>3.66%</td>
<td>66.00</td>
<td>5.67%</td>
<td>3.66%</td>
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<tr>
<td><strong>TOP TEN HOLDINGS</strong></td>
<td></td>
<td></td>
<td><strong>$10,541,589</strong></td>
<td><strong>11.21%</strong></td>
<td><strong>0.60%</strong></td>
<td><strong>1.05%</strong></td>
<td><strong>Russell 2000 Value:</strong></td>
<td><strong>2.00%</strong></td>
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</table>

Total Portfolio Value
$94,075,750

Total StanCERA Value
$1,750,226,512
### Active Large Cap Growth Portfolio Positions as of May 31, 2014

<table>
<thead>
<tr>
<th>Company</th>
<th>Symbol</th>
<th># Shares</th>
<th>$ Value Position Manager</th>
<th>Weight Position Manager</th>
<th>Weight StanCERA</th>
<th>Weight R1000G</th>
<th>5/31/2014 $ PX</th>
<th>6/13/2014 $ PX</th>
<th>% Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visa Inc. Class A</td>
<td>V</td>
<td>39,075</td>
<td>$8,394,482</td>
<td>5.56%</td>
<td>0.48%</td>
<td>1.12%</td>
<td>214.83</td>
<td>211.29</td>
<td>-1.65%</td>
<td>-1.96%</td>
</tr>
<tr>
<td>QUALCOMM Incorporated</td>
<td>QCOM</td>
<td>100,375</td>
<td>$8,075,169</td>
<td>5.35%</td>
<td>0.46%</td>
<td>1.39%</td>
<td>80.45</td>
<td>79.11</td>
<td>-1.67%</td>
<td>-1.98%</td>
</tr>
<tr>
<td>Allergan, Inc.</td>
<td>AGN</td>
<td>47,900</td>
<td>$8,021,334</td>
<td>5.31%</td>
<td>0.46%</td>
<td>0.50%</td>
<td>167.46</td>
<td>161.79</td>
<td>-3.39%</td>
<td>-3.70%</td>
</tr>
<tr>
<td>Microsoft Corporation</td>
<td>MSFT</td>
<td>195,925</td>
<td>$8,021,170</td>
<td>5.31%</td>
<td>0.46%</td>
<td>3.42%</td>
<td>40.94</td>
<td>41.23</td>
<td>0.71%</td>
<td>0.39%</td>
</tr>
<tr>
<td>Celgene Corporation</td>
<td>CELG</td>
<td>52,275</td>
<td>$7,999,643</td>
<td>5.30%</td>
<td>0.46%</td>
<td>0.64%</td>
<td>153.03</td>
<td>159.99</td>
<td>4.55%</td>
<td>4.23%</td>
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<tr>
<td>Walgreen Co.</td>
<td>WAG</td>
<td>110,950</td>
<td>$7,978,415</td>
<td>5.28%</td>
<td>0.46%</td>
<td>0.51%</td>
<td>71.91</td>
<td>73.06</td>
<td>1.60%</td>
<td>1.29%</td>
</tr>
<tr>
<td>MasterCard Incorporated Class A</td>
<td>MA</td>
<td>104,000</td>
<td>$7,950,800</td>
<td>5.26%</td>
<td>0.45%</td>
<td>0.89%</td>
<td>76.45</td>
<td>75.94</td>
<td>-0.67%</td>
<td>-0.98%</td>
</tr>
<tr>
<td>EOG Resources, Inc.</td>
<td>EOG</td>
<td>74,375</td>
<td>$7,868,875</td>
<td>5.21%</td>
<td>0.45%</td>
<td>0.54%</td>
<td>105.80</td>
<td>114.02</td>
<td>7.77%</td>
<td>7.46%</td>
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<tr>
<td>Crown Castle International Corp.</td>
<td>CCI</td>
<td>93,425</td>
<td>$7,168,500</td>
<td>4.75%</td>
<td>0.41%</td>
<td>0.26%</td>
<td>76.73</td>
<td>73.80</td>
<td>-3.82%</td>
<td>-4.13%</td>
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<tr>
<td>Priceline Group Inc</td>
<td>PCLN</td>
<td>5,200</td>
<td>$6,648,876</td>
<td>4.40%</td>
<td>0.38%</td>
<td>0.66%</td>
<td>1278.63</td>
<td>1189.30</td>
<td>-6.99%</td>
<td>-7.30%</td>
</tr>
</tbody>
</table>

**Total Portfolio Value**  
$151,044,557

**Total StanCERA Value**  
$1,750,226,512

**Russell 1000 Growth:**  
0.31%
## STANCERA Price Monitor Position Report

**Dodge & Cox Equity**  
**Active US Large Cap Value Manager**  
**Positions as of May 31, 2014**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>HEWLETT-PACKARD CO</td>
<td>HPQ</td>
<td>232,705</td>
<td>$7,795,617</td>
<td>4.22%</td>
<td>0.45%</td>
<td>0.70%</td>
<td>33.50</td>
<td>35.16</td>
<td>-1.84%</td>
<td>4.64%</td>
</tr>
<tr>
<td>WELLS FARGO &amp; CO</td>
<td>WFC</td>
<td>146,072</td>
<td>$7,417,536</td>
<td>4.01%</td>
<td>0.42%</td>
<td>2.50%</td>
<td>50.78</td>
<td>51.90</td>
<td>2.11%</td>
<td>1.89%</td>
</tr>
<tr>
<td>CAPITAL ONE FINANCIAL CORP</td>
<td>COF</td>
<td>92,500</td>
<td>$7,297,325</td>
<td>3.95%</td>
<td>0.42%</td>
<td>0.50%</td>
<td>78.89</td>
<td>80.47</td>
<td>2.00%</td>
<td>1.69%</td>
</tr>
<tr>
<td>MICROSOFT CORP</td>
<td>MSFT</td>
<td>170,000</td>
<td>$6,959,800</td>
<td>3.76%</td>
<td>0.40%</td>
<td>0.00%</td>
<td>40.94</td>
<td>41.23</td>
<td>0.71%</td>
<td>0.39%</td>
</tr>
<tr>
<td>NOVARTIS AG-ADR</td>
<td>NVS</td>
<td>68,600</td>
<td>$6,178,116</td>
<td>3.34%</td>
<td>0.35%</td>
<td>0.00%</td>
<td>90.06</td>
<td>89.34</td>
<td>-0.80%</td>
<td>-1.11%</td>
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<tr>
<td>COMCAST CORP-CLASS A</td>
<td>CMCSA</td>
<td>110,363</td>
<td>$5,760,948</td>
<td>3.11%</td>
<td>0.33%</td>
<td>0.10%</td>
<td>52.20</td>
<td>52.47</td>
<td>0.52%</td>
<td>0.20%</td>
</tr>
<tr>
<td>TIME WARNER INC</td>
<td>TWX</td>
<td>78,232</td>
<td>$5,462,940</td>
<td>2.95%</td>
<td>0.31%</td>
<td>0.60%</td>
<td>69.83</td>
<td>67.84</td>
<td>-2.85%</td>
<td>-3.16%</td>
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<tr>
<td>SANOFI-ADR</td>
<td>SNY</td>
<td>98,255</td>
<td>$5,236,991</td>
<td>2.83%</td>
<td>0.30%</td>
<td>0.00%</td>
<td>53.30</td>
<td>53.78</td>
<td>0.90%</td>
<td>0.59%</td>
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<tr>
<td>GLAXOSMITHKLINE PLC-SPON ADR</td>
<td>GSK</td>
<td>95,000</td>
<td>$5,124,300</td>
<td>2.77%</td>
<td>0.29%</td>
<td>0.00%</td>
<td>53.94</td>
<td>54.50</td>
<td>1.04%</td>
<td>0.72%</td>
</tr>
<tr>
<td>SCHLUMBERGER LTD</td>
<td>SLB</td>
<td>44,300</td>
<td>$4,608,972</td>
<td>2.49%</td>
<td>0.26%</td>
<td>0.00%</td>
<td>104.04</td>
<td>108.25</td>
<td>4.05%</td>
<td>3.73%</td>
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</table>

**TOP TEN HOLDINGS**

<table>
<thead>
<tr>
<th>Total Portfolio Value</th>
<th>$184,949,122</th>
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<tbody>
<tr>
<td>Total StanCERA Value</td>
<td>$1,750,226,512</td>
</tr>
</tbody>
</table>
## Legato Capital Management
Active US Small Cap Growth Manager
Positions as of May 31, 2014

<table>
<thead>
<tr>
<th>Company</th>
<th>Symbol</th>
<th># Shares</th>
<th>$ Value Position</th>
<th>Weight Manager</th>
<th>Weight StanCERA</th>
<th>Weight R2000G</th>
<th>5/31/2014 $ PX</th>
<th>6/13/2014 $ PX</th>
<th>Position % Change</th>
<th>Relative % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ultimate Software Group, Inc.</td>
<td>ULTI</td>
<td>8,996</td>
<td>$1,143,661</td>
<td>1.39%</td>
<td>0.07%</td>
<td>0.43%</td>
<td>127.13</td>
<td>131.28</td>
<td>3.26%</td>
<td>0.25%</td>
</tr>
<tr>
<td>Cepheid</td>
<td>CPHD</td>
<td>23,049</td>
<td>$1,038,357</td>
<td>1.26%</td>
<td>0.06%</td>
<td>0.37%</td>
<td>45.05</td>
<td>45.57</td>
<td>1.15%</td>
<td>-1.86%</td>
</tr>
<tr>
<td>MAXIMUS, Inc.</td>
<td>MMS</td>
<td>22,274</td>
<td>$995,202</td>
<td>1.21%</td>
<td>0.06%</td>
<td>0.37%</td>
<td>44.68</td>
<td>42.56</td>
<td>-4.74%</td>
<td>-7.76%</td>
</tr>
<tr>
<td>Portfolio Recovery Associates, Inc.</td>
<td>PRAA</td>
<td>17,364</td>
<td>$968,738</td>
<td>1.18%</td>
<td>0.06%</td>
<td>0.34%</td>
<td>55.79</td>
<td>58.48</td>
<td>4.82%</td>
<td>1.81%</td>
</tr>
<tr>
<td>PAREXEL International Corporation</td>
<td>PRXL</td>
<td>17,404</td>
<td>$878,032</td>
<td>1.07%</td>
<td>0.05%</td>
<td>0.35%</td>
<td>50.45</td>
<td>52.52</td>
<td>4.10%</td>
<td>1.09%</td>
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<td>United Natural Foods, Inc.</td>
<td>UNFI</td>
<td>12,257</td>
<td>$826,244</td>
<td>1.01%</td>
<td>0.05%</td>
<td>0.41%</td>
<td>67.41</td>
<td>62.92</td>
<td>-6.66%</td>
<td>-9.68%</td>
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<td>Community Health Systems, Inc.</td>
<td>CYH</td>
<td>18,717</td>
<td>$781,809</td>
<td>0.95%</td>
<td>0.04%</td>
<td>0.00%</td>
<td>41.77</td>
<td>43.46</td>
<td>4.05%</td>
<td>1.03%</td>
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<td>Grand Canyon Education, Inc.</td>
<td>LOPE</td>
<td>17,207</td>
<td>$757,968</td>
<td>0.92%</td>
<td>0.04%</td>
<td>0.24%</td>
<td>44.05</td>
<td>44.71</td>
<td>1.50%</td>
<td>-1.52%</td>
</tr>
<tr>
<td>Internap Network Services Corporation</td>
<td>INAP</td>
<td>104,909</td>
<td>$751,148</td>
<td>0.91%</td>
<td>0.04%</td>
<td>0.00%</td>
<td>7.16</td>
<td>6.95</td>
<td>-2.93%</td>
<td>-5.95%</td>
</tr>
<tr>
<td>Dealertrack Technologies, Inc.</td>
<td>TRAK</td>
<td>18,709</td>
<td>$742,934</td>
<td>0.90%</td>
<td>0.04%</td>
<td>0.19%</td>
<td>39.71</td>
<td>41.03</td>
<td>3.32%</td>
<td>0.31%</td>
</tr>
<tr>
<td><strong>TOP TEN HOLDINGS</strong></td>
<td></td>
<td></td>
<td>$8,884,095</td>
<td>10.81%</td>
<td>0.51%</td>
<td>2.70%</td>
<td>Russell 2000 Growth:</td>
<td>3.01%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total Portfolio Value**

$82,177,393

**Total StanCERA Value**

$1,750,226,512
STANCERA
Price Monitor Position Report

BNY - S&P 500 Index
Passive S&P 500 Index Fund
Positions as of May 31, 2014

<table>
<thead>
<tr>
<th>Company</th>
<th>Symbol</th>
<th># Shares</th>
<th>$ Value Position 5/31/2014</th>
<th>Weight Manager StanCERA</th>
<th>5/31/2014 $ PX</th>
<th>6/13/2014 $ PX</th>
<th>Position % Change</th>
<th>Relative % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apple Inc.</td>
<td>AAPL</td>
<td>5,242</td>
<td>$3,318,361</td>
<td>3.33%</td>
<td>633.00</td>
<td>91.28</td>
<td>-85.58%</td>
<td>-86.35%</td>
</tr>
<tr>
<td>Exxon Mobil Corp</td>
<td>XOM</td>
<td>25,475</td>
<td>$2,561,018</td>
<td>2.57%</td>
<td>100.53</td>
<td>102.65</td>
<td>2.11%</td>
<td>1.34%</td>
</tr>
<tr>
<td>Microsoft</td>
<td>MSFT</td>
<td>44,057</td>
<td>$1,803,674</td>
<td>1.81%</td>
<td>40.94</td>
<td>41.23</td>
<td>0.71%</td>
<td>-0.06%</td>
</tr>
<tr>
<td>Johnson &amp; Johnson</td>
<td>JNJ</td>
<td>16,500</td>
<td>$1,674,128</td>
<td>1.68%</td>
<td>101.46</td>
<td>102.53</td>
<td>1.05%</td>
<td>0.29%</td>
</tr>
<tr>
<td>General Electric Co</td>
<td>GE</td>
<td>58,027</td>
<td>$1,554,548</td>
<td>1.56%</td>
<td>26.79</td>
<td>27.04</td>
<td>0.93%</td>
<td>0.16%</td>
</tr>
<tr>
<td>Chevron Corp</td>
<td>CVX</td>
<td>11,524</td>
<td>$1,415,037</td>
<td>1.42%</td>
<td>122.79</td>
<td>127.26</td>
<td>3.64%</td>
<td>2.87%</td>
</tr>
<tr>
<td>Wells Fargo &amp; Co.</td>
<td>WFC</td>
<td>27,670</td>
<td>$1,405,072</td>
<td>1.41%</td>
<td>50.78</td>
<td>51.90</td>
<td>2.21%</td>
<td>1.44%</td>
</tr>
<tr>
<td>Berkshire Hathaway Inc.</td>
<td>BRK-B</td>
<td>10,172</td>
<td>$1,305,421</td>
<td>1.31%</td>
<td>128.34</td>
<td>126.54</td>
<td>-1.40%</td>
<td>-2.17%</td>
</tr>
<tr>
<td>JPMorgan Chase &amp; Co.</td>
<td>JPM</td>
<td>22,416</td>
<td>$1,245,631</td>
<td>1.25%</td>
<td>55.57</td>
<td>57.04</td>
<td>2.65%</td>
<td>1.88%</td>
</tr>
<tr>
<td>Procter &amp; Gamble</td>
<td>PG</td>
<td>15,418</td>
<td>$1,245,631</td>
<td>1.25%</td>
<td>80.79</td>
<td>79.64</td>
<td>-1.42%</td>
<td>-2.19%</td>
</tr>
<tr>
<td><strong>TOP TEN HOLDINGS</strong></td>
<td></td>
<td></td>
<td>$17,528,521</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Portfolio Value $99,650,487
Total StanCERA Value $1,750,226,512
### International Large Cap Value Positions as of May 31, 2014

<table>
<thead>
<tr>
<th>Company</th>
<th>Symbol</th>
<th>Market</th>
<th># Shares</th>
<th>$ Value Position</th>
<th>Weight Position Manager</th>
<th>Weight StanCERA</th>
<th>Weight ACWI xUS</th>
<th>5/31/2014 $ PX*</th>
<th>6/13/2014 $ PX*</th>
<th>% Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROYAL DUTCH SHELL</td>
<td>RDS-A</td>
<td>London</td>
<td>48,386</td>
<td>$3,803,163</td>
<td>2.38%</td>
<td>0.22%</td>
<td>1.38%</td>
<td>76.60</td>
<td>80.50</td>
<td>2.42%</td>
<td>1.46%</td>
</tr>
<tr>
<td>ASTRAZENECA PLC</td>
<td>AZN</td>
<td>London</td>
<td>47,142</td>
<td>$3,403,671</td>
<td>2.13%</td>
<td>0.19%</td>
<td>0.49%</td>
<td>72.20</td>
<td>74.24</td>
<td>2.83%</td>
<td>1.87%</td>
</tr>
<tr>
<td>MAGNA INTERNATIONAL INC</td>
<td>MGA</td>
<td>Canada</td>
<td>27,018</td>
<td>$2,764,484</td>
<td>1.73%</td>
<td>0.16%</td>
<td>0.12%</td>
<td>102.32</td>
<td>107.87</td>
<td>5.42%</td>
<td>4.47%</td>
</tr>
<tr>
<td>ALLIANZ SE</td>
<td>ALV.DE</td>
<td>Germany</td>
<td>18,883</td>
<td>$2,349,012</td>
<td>1.47%</td>
<td>0.13%</td>
<td>0.42%</td>
<td>124.40</td>
<td>123.85</td>
<td>-0.44%</td>
<td>-1.40%</td>
</tr>
<tr>
<td>DAIMLER AG</td>
<td>DAI.DE</td>
<td>Germany</td>
<td>32,097</td>
<td>$2,237,155</td>
<td>1.40%</td>
<td>0.13%</td>
<td>0.50%</td>
<td>69.70</td>
<td>69.12</td>
<td>-0.83%</td>
<td>-1.79%</td>
</tr>
<tr>
<td>BASF SE</td>
<td>BASFY</td>
<td>Germany</td>
<td>19,289</td>
<td>$2,221,175</td>
<td>1.39%</td>
<td>0.13%</td>
<td>0.58%</td>
<td>115.15</td>
<td>115.57</td>
<td>0.36%</td>
<td>-0.59%</td>
</tr>
<tr>
<td>NOVARTIS AG</td>
<td>NVS</td>
<td>Switzerland</td>
<td>23,776</td>
<td>$2,141,277</td>
<td>1.34%</td>
<td>0.12%</td>
<td>1.13%</td>
<td>90.06</td>
<td>89.34</td>
<td>-0.78%</td>
<td>-1.75%</td>
</tr>
<tr>
<td>SANOFI S.A.</td>
<td>SNY</td>
<td>London</td>
<td>40,174</td>
<td>$2,141,277</td>
<td>1.34%</td>
<td>0.12%</td>
<td>0.70%</td>
<td>53.30</td>
<td>53.78</td>
<td>0.90%</td>
<td>-0.05%</td>
</tr>
<tr>
<td>CHINA PETROLEUM</td>
<td>SNP</td>
<td>Hong Kong</td>
<td>22,651</td>
<td>$2,045,399</td>
<td>1.28%</td>
<td>0.12%</td>
<td>0.13%</td>
<td>90.30</td>
<td>95.95</td>
<td>6.26%</td>
<td>5.30%</td>
</tr>
<tr>
<td>OLD MUTUAL PLC</td>
<td>OML.L</td>
<td>London</td>
<td>9,888</td>
<td>$1,997,460</td>
<td>1.25%</td>
<td>0.11%</td>
<td>0.09%</td>
<td>202.00</td>
<td>196.00</td>
<td>-2.97%</td>
<td>-3.93%</td>
</tr>
</tbody>
</table>

**TOP TEN HOLDINGS**

| $25,104,072 | 15.71% | 1.43% | 5.54% | MSCI ACWI ex-U.S. | 0.96% |

**Total Portfolio Value**

$159,796,767

**Total StanCERA Value**

$1,750,226,512

*Company quotes are provided directly in USD*
## STANCERA

**Price Monitor Position Report**

**Pyramis Global Advisors**

**Active Non-US Growth Manager**

**Positions as of May 31, 2014**

<table>
<thead>
<tr>
<th>Company</th>
<th>Symbol</th>
<th>Market</th>
<th># Shares</th>
<th>$ Value</th>
<th>Weight Position Manager</th>
<th>Weight StanCERA</th>
<th>Weight ACWI xUS</th>
<th>5/31/2014 PX*</th>
<th>5/16/2014 PX*</th>
<th>% Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>NESTLE SA (REG)</td>
<td>7123870</td>
<td>Switzerland</td>
<td>34,365</td>
<td>$2,700,533</td>
<td>1.66%</td>
<td>0.15%</td>
<td>1.35%</td>
<td>70.20</td>
<td>71.45</td>
<td>1.78%</td>
<td>0.83%</td>
</tr>
<tr>
<td>ROYAL DUTCH SHELL PLC CL A(NL)</td>
<td>B09CBL4</td>
<td>Amsterdam</td>
<td>67,681</td>
<td>$2,663,954</td>
<td>1.64%</td>
<td>0.15%</td>
<td>1.35%</td>
<td>28.84</td>
<td>28.81</td>
<td>-0.10%</td>
<td>-1.06%</td>
</tr>
<tr>
<td>SANOFI</td>
<td>5671735</td>
<td>Paris</td>
<td>19,768</td>
<td>$2,115,874</td>
<td>1.30%</td>
<td>0.12%</td>
<td>0.68%</td>
<td>53.30</td>
<td>53.10</td>
<td>-0.38%</td>
<td>-1.33%</td>
</tr>
<tr>
<td>HSBC HOLDINGS PLC (UK REG)</td>
<td>540528</td>
<td>London</td>
<td>196,453</td>
<td>$2,073,343</td>
<td>1.28%</td>
<td>0.12%</td>
<td>1.05%</td>
<td>10.45</td>
<td>10.60</td>
<td>1.44%</td>
<td>0.48%</td>
</tr>
<tr>
<td>BAYER AG</td>
<td>5069211</td>
<td>Germany</td>
<td>13,389</td>
<td>$1,938,443</td>
<td>1.19%</td>
<td>0.11%</td>
<td>0.64%</td>
<td>144.47</td>
<td>141.76</td>
<td>-1.88%</td>
<td>-2.83%</td>
</tr>
<tr>
<td>ROCHE HLDGS AG (GENUSSCHEINE)</td>
<td>7110388</td>
<td>Germany</td>
<td>6,437</td>
<td>$1,897,365</td>
<td>1.17%</td>
<td>0.11%</td>
<td>1.10%</td>
<td>36.89</td>
<td>37.72</td>
<td>2.25%</td>
<td>1.29%</td>
</tr>
<tr>
<td>LLOYDS BANKING GROUP PLC</td>
<td>870612</td>
<td>London</td>
<td>1,394,874</td>
<td>$1,821,684</td>
<td>1.12%</td>
<td>0.10%</td>
<td>0.35%</td>
<td>1.29</td>
<td>1.25</td>
<td>-3.10%</td>
<td>-4.06%</td>
</tr>
<tr>
<td>NOVARTIS AG (REG)</td>
<td>7103065</td>
<td>Germany</td>
<td>18,698</td>
<td>$1,679,568</td>
<td>1.03%</td>
<td>0.10%</td>
<td>1.10%</td>
<td>90.06</td>
<td>89.88</td>
<td>-0.20%</td>
<td>-1.16%</td>
</tr>
<tr>
<td>TOYOTA MOTOR CORP</td>
<td>6900643</td>
<td>Tokyo</td>
<td>28,600</td>
<td>$1,619,388</td>
<td>1.00%</td>
<td>0.09%</td>
<td>0.83%</td>
<td>113.11</td>
<td>109.61</td>
<td>-3.09%</td>
<td>-4.05%</td>
</tr>
<tr>
<td>ALLIANZ SE (REGD)</td>
<td>5231485</td>
<td>Germany</td>
<td>9,528</td>
<td>$1,617,378</td>
<td>1.00%</td>
<td>0.09%</td>
<td>0.41%</td>
<td>124.40</td>
<td>121.35</td>
<td>-2.45%</td>
<td>-3.41%</td>
</tr>
</tbody>
</table>

**TOP TEN HOLDINGS**

<table>
<thead>
<tr>
<th>Company</th>
<th>$ Value</th>
<th>Weight Position Manager</th>
<th>Weight StanCERA</th>
<th>Weight ACWI xUS</th>
<th>5/31/2014 PX*</th>
<th>5/16/2014 PX*</th>
<th>% Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Ten Holdings</td>
<td>$20,127,530</td>
<td>12.39%</td>
<td>1.15%</td>
<td>8.86%</td>
<td>MSCI ACWI ex-US:</td>
<td>0.96%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total Portfolio Value**

$161,946,108

**Total StanCERA Value**

$1,750,228,512

*Company quotes are provided in foreign currency and then converted to USD*
For the Board of Retirement Meeting
Held on June 24, 2014

TO: The Board of Retirement
FROM: Due Diligence Committee

I. SUBJECT: Report out on the 2014 Due Diligence Trip
II. ITEM NUMBER: #8.a
III. ITEM TYPE: Information
IV. STAFF RECOMMENDATION: None
V. ANALYSIS: Each year the due diligence team meets with several of our investment managers to discuss particular aspects of their business. Generally, these discussions focus on past or anticipated changes in firm management, past and anticipated future performance and how current and future economic views may drive the decision-making process at the firm. Due diligence refers to investigation and analysis in support of an investment action or recommendation. In this case, due diligence is meant to support the decision to continue to have the investment manager or consultant in question manage StanCERA’s capital.

On June 4th and 5th, the Due Diligence Committee consisting of Maria DeAnda, Chair, Jeff Grover, Trustee, Rick Santos, Staff, Nate Pratt and Paul Harte, Strategic Investment Solutions (SIS) met with 3 of our investment managers, Blackrock, Jackson Square Partners and Dodge & Cox. The group also met with SIS, StanCERA’s investment consultant. All meetings were done onsite in San Francisco. The following is a brief summary of the highlights of each visit.

Blackrock

Blackrock manages the following 3 passive funds for StanCERA (dollars managed as of April 30, 2014):

- Large Cap Value; $113,855,000
- Large Cap Growth; $95,843,000
- U.S. Real Estate; $24,524,000

In all, Blackrock manages approximately $234 million for StanCERA. The group met with several members of the Blackrock team and spent most of that time discussing the efficacy of passive investing and general economic conditions and their anticipated effect on capital markets. Performance wise, Blackrock has actually performed above its respective benchmarks, earning about 6 and 3 basis points of “excess return” over the past 3 years for the value and growth funds, respectively.
The team at Blackrock attributes this excess return mainly to the income generated from its securities lending program. Overall, the group continues to support the decision to allow Blackrock to manage a portion of StanCERA’s assets.

**Jackson Square Partners**

As of April 30, 2014, Jackson Square Partners (formerly Delaware Investments), managed approximately $146 million for StanCERA in a large cap growth fund. The group met with several members of the Jackson Square team, including Jeff Van Harte, CIO.

In April of this year, Jackson Square Partners spun off from Delaware Investments. Jeff explained that his team desired direct ownership and autonomy of the investment decision along with greater accountability as it relates to compensation. The Jackson Square team owns 50.1% of this new venture, while Delaware retains 49.9% ownership. After talking with the team, it appears that the split was amicable for the most part and Delaware continues to provide support and certain infrastructure for the team. However, Delaware has given Jackson Square 2 years to put the team’s own infrastructure into place. Mr. Van Harte explains that the formation of Jackson Square will allow both groups to achieve their business objectives and continuing to deliver the high level of service clients expect.

There are many dynamics to this joint venture and while the group continues to maintain trust in Jackson Square Partners, it is recommended that the Board continue to monitor the situation. To that end, in July, Jackson Square Partners will address the StanCERA Board in person with the intent of that meeting dedicated mostly to the transition.

**Dodge & Cox**

As of April 30, 2014, Dodge & Cox managed a total of approximately $573 million in StanCERA assets, with about $177.7 million in a large cap value fund and the remainder in a fixed income fund.

The group met with several members of the Dodge & Cox team including Bob Thompson, StanCERA’s client representative for many years. The team’s focus and strategy appears to be unchanged at the moment as they anticipate low interest rates for some time into the future. Overall, the group sees no reason not to continue to support the decision to allow the team to manage this portion of StanCERA’s assets.

**Strategic Investment Solutions (SIS)**

SIS manages the asset allocation, performance reporting and monitoring of StanCERA’s total portfolio. The group met with the Barry Dennis, Managing Director and Paul Harte, Senior Vice President. The meeting was mostly spent discussing a change in leadership and in the Organizational Structure. Pete Keliuotis, who began work at SIS in 2001 and eventually became CEO in 2012, will be leaving the firm at the end of June. As a result, Mr. Dennis will be stepping in to assume the role of
CEO. Mr. Dennis also revealed that the firm has asked Mike Beasley to return on a temporary basis and help with the new business plan and Org Structure.

Mr. Dennis intimated that given the competitive forces in today’s market place, the firm intends to hire individuals that have more expertise in specific areas where the firm is currently lacking. As a result, SIS intends to revamp its Org Structure, taking on a more “team” approach, where each area of expertise (i.e. real estate, alternatives, etc.) essentially has its own team and resources.

The group has asked and Mr. Dennis has agreed to come and address the StanCERA Board sometime within the next few months and directly discuss these changes. In the meantime, the group sees no reason to question the decision of SIS as consultant to the Board of Retirement in its investment matters.

VI. RISK: None

VII. STRATEGIC PLAN: Develop efficient and effective processes for the evaluation, monitoring and disposition of StanCERA’s active managers

VIII. ADMINISTRATIVE BUDGET IMPACT: None

Rick Santos, Executive Director

Kathy Herman, Operations Manager