



**STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION**
832 12th Street, Suite 600
Modesto, CA 95354
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Phone (209) 525-6393
Fax (209) 558-5976
www.stancera.org
e-mail: retirement@stancera.org

AGENDA

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

September 23, 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 September 10, 2014 Investment Meeting Minutes [View](#)

5. Consent Items (Cont.)

- b. SACRS Legislative Proposal [View](#)

6. Annual Update and Review – Dodge & Cox Fixed Income / Equities [View](#)

- a. Quarterly Value Added Report [View](#)

7. Strategic Investment Solutions (SIS), Inc.

- a. Monthly Performance Review for the Month Ending August 31, 2014 [View](#)
- b. Report on “Top 10 Holdings” by StanCERA Investment Managers as of August 31, 2014 [View](#)

8. Executive Director

- a. Infrastructure Investment Option Presentation [View](#)
- i. Morgan Stanley Investment Partners (MSIM) [View](#)
- ii. Kohlberg Kravis Roberts (KKR) [View](#)

9. Closed Session

- a. Discussion and Action Regarding Allocation of StanCERA’s Infrastructure 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



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PLEASE POST FOR EMPLOYEE VIEWING

BOARD OF RETIREMENT MINUTES

September 10, 2014

Members Present: Gordon Ford, Maria De Anda, Darin Gharat,
Mike Lynch, Jim DeMartini, Donna Riley and Jeff Grover

Member Absent: Michael O'Neal and Jason Gordo

Alternate Member Present: Joan Clendenin, Alternate Retiree Representative

Staff Present: Rick Santos, Executive Board Director
Kathy Herman, Fiscal Services/Operations Manager
Kellie Gomes, Executive Board Secretary

Others Present: Fred Silva, General Legal Counsel
Doris Foster, Chief Executive Office

1. Meeting called to order at 2:02 p.m. by Gordon Ford, Chair.
2. Roll Call
3. Announcements
None
4. Public Comment
None
5. Consent Items
 - a. Approval of the August 26, 2014 Investment Meeting Minutes

5. Consent Items (Cont.)

b. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**

1. Beck, Carla - Sheriff - Effective - 09-06-2014
2. Bradford, Robert - Clerk Recorder - Effective 08-19-2014
3. Cope, Mary Ann - HSA – Effective 08-08-2014
4. Garcia, Lisa - DCSS - Effective 08-16-2014
5. Gasca, Teresa - Sheriff – Effective 09-11-2014
6. Harvey, Nancy - Superior Court - Effective 9-20-2014
7. Koelmans, Shirley - Stan Co Fire - Effective 09-16-2014
8. Lepley, Vickie - Tax Collector - Effective 09-03-2014
9. Parker, Sharon - HSA - Effective 09-06-2014
10. Pearson, Teresa - HSA - Effective 09-18-2014
11. Perry, Deborah - Superior Courts - Effective 09-20-2014
12. West, Jennifer - District Attorney - Effective 09-20-2014

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

1. Freitas, Jackie – DCSS – Effective 08-08-2014
2. Gardette, Matthew – Sheriff - Effective 04-11-2014
3. Kiely, Brenda- CEO – Effective 06-28-2014
4. Kozina, Paul – DA – Effective 06-28-2014
5. Miller, Ryan – Sheriff – Effective 01-12-2014
6. Spaulding, Dana – Sheriff – Effective 08-09-2014
7. Taylor, Amy – Library – Effective 08-08-2014

d. Approval of Death Benefit – **Sections 31781, 31781.1, and 31781.3**

1. Koeurn Phe, Deceased, August 25, 2014, Active Member

e. Withdrawal of Application for a Service-Connected Disability – **Section 54957**

1. Rakoncza, Keith – Sheriff

f. Amended Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**

1. Ashlock, Ronald – BHRS – Effective 07-02-14

Motion was made by Darin Gharat and seconded by Donna Riley to approve consent items as presented.

Motion carried unanimously.

6. Executive Director

- a. Discussion and Action on the State Association of County Retirement Systems (SACRS) November 11-14, 2014 Fall Conference Voting Proxy Form

Motion was made by Darin Gharat and seconded by Donna Riley to appoint Michael O'Neal as the Voting Delegate and Maria DeAnda as the Alternate Voting Delegate for the State Association of County Retirement Systems (SACRS) November 11-14, 2014 Fall Conference.

Motion carried unanimously.

- b. StanCERA Monthly Staff Report

7. 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)

No closed session

8. Members' Forum (Information and Future Agenda Requests Only)

Mike Lynch briefly discussed the pensionable compensation issue and suggested that we stand steadfast in our previous interpretation of pensionable compensation for new PEPRA members (base pay only)

9. Adjournment

Meeting adjourned at 2:21 p.m.

Respectfully submitted,

Rick Santos, Executive Director

A handwritten signature in blue ink, appearing to read "Rick Santos", written in a cursive style.

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

By: 
Fred A. Silva, General Legal Counsel

SACRS LEGISLATIVE PROPOSAL

Title of Issue: Service Retirement Pending Disability Determination

Association: Los Angeles County Employees Retirement Association

Contact Person: Robert S. Van Der Volgen, Jr.

Phone No.: 626-564-2340

Fax No.: 626-564-2336

- Description of problem:** Under existing Government Code Section 31725.7, a member who files for disability retirement may, if eligible, retire for service while their disability retirement application is pending. If the member is later found to be eligible for disability retirement benefits, appropriate adjustments are made to their retirement allowance retroactive to the effective date of his or her disability retirement.

LACERA, as well as most other '37 Act systems, would allow a retiree under the above scenario to change their retirement option if the Board grants a disability benefit.

However, there appears to be a conflict between Government Code Section 31760, which precludes changes to a member's retirement election after receipt of the first payment of retirement allowance, and Government Code Section 31725.7(d) which states that the optional or unmodified type of allowance selected by the member at the time of retirement for service shall not be binding as to the type of allowance the member receives if the member is awarded a disability retirement.

When LACERA polled other '37 Act systems as to their interpretation and application of Section 31725.7, many systems acknowledged that while they allow for the change of retirement option, that there was ambiguity in the law due to the conflict between the two sections.

- Recommended solution:** Seek legislation to amend Government Code Section 31760 to clarify that a member who retired for service and is later granted a disability retirement benefit may change their retirement option. The recommended amendment is as follows:

Section 31760 is amended to read:

(a) Until the first payment of any retirement allowance is made, a member or retired member, in lieu of the retirement allowance for his life alone, may elect to have the actuarial equivalent of his retirement allowance as of the date of retirement applied to a lesser retirement allowance payable throughout life in accordance with one of the optional settlements specified in this article.

(b) Notwithstanding subdivision (a), the optional or unmodified type of allowance selected by the member at the time of retirement for service pursuant to Section 31725.7 shall not be binding as to the type of allowance the member receives if the member is later awarded a disability retirement.

3. **Why should the proposed legislation be sponsored by SACRS rather than by your individual retirement association?** If enacted, the proposed legislation would be applicable to all '37 Act systems.
4. **Do you anticipate that the proposed legislation would create any major problems, such as conflicting with Proposition 162 or creating a problem with any of the other 19 SACRS retirement associations?** No.
5. **Who will support or oppose this proposed change in law?** '37 Act Systems will likely support this as it harmonizes the two sections of CERL.
6. **Who will be available from your association to testify before the legislature?** Chief Counsel, LACERA.

Investment Review

- I. Dodge & Cox Update
- II. Fixed Income Portfolio Review
- III. Equity Portfolio Review
- IV. Supplemental Exhibits

Stanislaus County Employees' Retirement Association

September 23, 2014

Representing Dodge & Cox:

Wendell W. Birkhofer, Vice President, Senior Portfolio Manager

Deirdre A. Curry, Client and Consultant Service

Robert B. Thompson, Vice President, Portfolio Manager

This information was prepared at the above-named client's request in connection with a review of the client's account. Dodge & Cox does not guarantee the future performance of any account (including Dodge & Cox mutual funds) or any specific level of performance, the success of any investment decision or strategy that Dodge & Cox may use, or the success of Dodge & Cox's overall management of an account. Investment decisions made for a client's account by Dodge & Cox are subject to various market, currency, economic, political, and business risks (foreign investing, especially in developing countries, has special risks such as currency and market volatility and political and social instability), and those investment decisions will not always be profitable. While every effort is made to ensure accuracy, no representation is made that all information in this presentation is accurate or complete. Neither the information nor any opinion expressed in this presentation constitutes an offer to buy or sell the securities mentioned. This information is the confidential and proprietary product of Dodge & Cox. Any unauthorized use, reproduction, or disclosure is strictly prohibited.

Dodge & Cox Update

Key Characteristics of Our Organization

June 30, 2014

Over 80 Years of Investment Experience

Dodge & Cox was founded in 1930. We have a stable and well-qualified team of investment professionals, most of whom have spent their entire careers at Dodge & Cox.

Independent Organization

Ownership of Dodge & Cox is limited to active employees of the firm. Currently there are 79 shareholders and 228 total employees.

One Business

Dodge & Cox is solely in the business of investing our clients' assets. We apply a consistent investment approach to managing equity, debt, and balanced portfolios.

Single Investment Office Location

We maintain close communication among our investment professionals by managing investments from one office in San Francisco.

Independent Research Staff

Thorough fundamental analysis of each investment allows us to make independent, long-term decisions for our clients' portfolios.

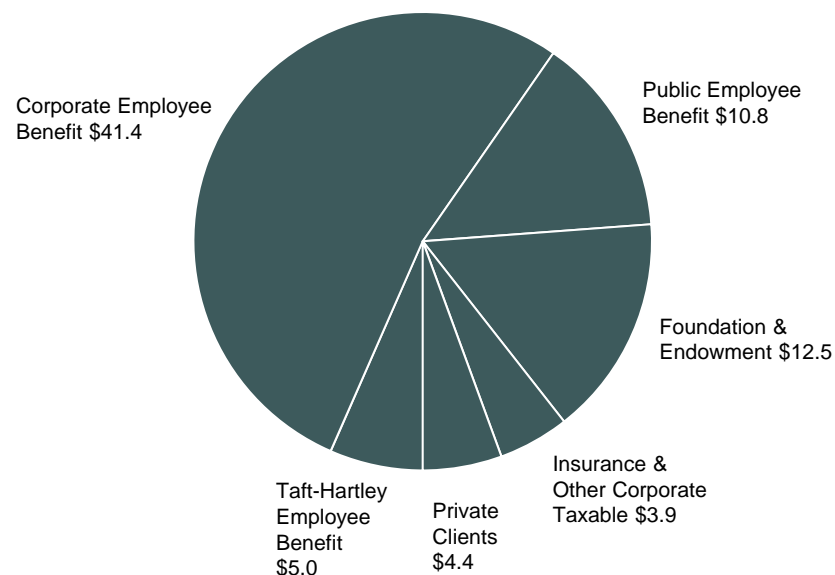
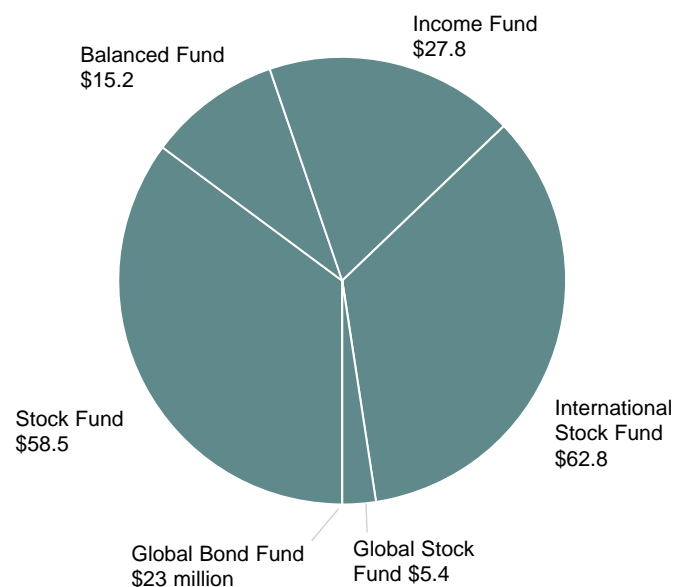
Dodge & Cox Assets Under Management (\$ in billions)

June 30, 2014

\$248.5 in Total Assets: \$162.8 in Equities / \$85.7 in Fixed Income

Dodge & Cox Funds: \$169.7 Billion

Separate Accounts: \$78.0 Billion



Non-U.S. Funds (Irish UCITS): \$777 Million

Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Experienced and Stable Investment Team

June 30, 2014

Investment Policy Committee

| | | | |
|-------------------|----|------------------------|-----------|
| John Gunn | 42 | Diana Strandberg | 26 |
| Bryan Cameron | 31 | David Hoeft | 21 |
| Charles Pohl | 30 | Steven Voorhis | 18 |
| Gregory Serrurier | 30 | Philippe Barret | <u>10</u> |
| Wendell Birkhofer | 27 | <i>Average Tenure:</i> | 26 |

International Investment Policy Committee

| | | | |
|-------------------|----|------------------------|-----------|
| John Gunn | 42 | Mario DiPrisco | 16 |
| Bryan Cameron | 31 | Roger Kuo | 16 |
| Charles Pohl | 30 | Keiko Horkan | 14 |
| Gregory Serrurier | 30 | Richard Callister | <u>12</u> |
| Diana Strandberg | 26 | <i>Average Tenure:</i> | 24 |

Global Stock Investment Policy Committee

| | | | |
|------------------|----|------------------------|-----------|
| Charles Pohl | 30 | Karol Marcin | 14 |
| Diana Strandberg | 26 | Lily Beischer | 13 |
| Steven Voorhis | 18 | Raymond Mertens | <u>11</u> |
| Roger Kuo | 16 | <i>Average Tenure:</i> | 18 |

Fixed Income Investment Policy Committee

| | | | |
|-----------------|----|------------------------|-----------|
| Dana Emery | 31 | James Dignan | 15 |
| Charles Pohl | 30 | Lucinda Johns | 12 |
| Thomas Dugan | 20 | Adam Rubinson | 12 |
| Kent Radspinner | 18 | Anthony Brekke | <u>11</u> |
| Larissa Roesch | 17 | <i>Average Tenure:</i> | 18 |

Global Bond Investment Policy Committee

| | | | |
|------------------|----|------------------------|-----------|
| Dana Emery | 31 | James Dignan | 15 |
| Diana Strandberg | 26 | Lucinda Johns | 12 |
| Thomas Dugan | 20 | Adam Rubinson | <u>12</u> |
| | | <i>Average Tenure:</i> | 19 |

Global Industry Analysts and PMs / Years at D&C / Coverage

| | | |
|----------------------|----|--|
| John Gunn | 42 | Former Chairman |
| Kenneth Olivier | 35 | Chairman Emeritus |
| Bryan Cameron | 31 | Senior Vice President, Director of Research |
| Charles Pohl | 30 | Chairman, Chief Investment Officer |
| Gregory Serrurier | 30 | Senior Vice President, Portfolio Manager |
| Wendell Birkhofer | 27 | Portfolio Manager |
| Lynn Poole | 27 | Portfolio Manager |
| Diana Strandberg | 26 | Senior Vice President, Dir. of Intl. Equity |
| Kevin Johnson | 25 | Portfolio Manager, Energy |
| Steven Cassriel | 22 | Portfolio Manager |
| David Hoeft | 21 | Senior Vice President, Assoc. Dir. of Research, Computer Hardware & Software |
| Steven Voorhis | 18 | Pharmaceuticals, India |
| John Iannuccillo | 17 | Aerospace, Electrical Equipment, Paper, Analytical Instruments |
| Mario DiPrisco | 16 | Banks (EMEA, Latin America), Latin America |
| Roger Kuo | 16 | EM, Media & Entertainment, Internet, China, Hong Kong |
| Keiko Horkan | 14 | Banks (U.S., Japan), Specialty / Consumer Finance, Japan |
| Karol Marcin | 14 | Insurance, Central Europe |
| Amanda Nelson | 14 | Telecom Equipment, Electric Utilities, Natural Gas Pipelines, Southern Europe (Incl. Turkey, Greece) |
| Lily Beischer | 13 | Telecom (Asia, EM), Retail, Footwear & Apparel, Cosmetics, Philippines, Indonesia |
| Richard Callister | 12 | Machinery, Medical Devices, Scandinavia |
| Englebert Bangayan | 12 | Commercial Services, Homebuilders, EM Asia |
| Raymond Mertens | 11 | Industrial, Energy, Oil Services |
| Philippe Barret, Jr. | 10 | Commercial Printing, Healthcare Services, Consumer Products |
| Karim Fakhry | 8 | Brokers, Investment Managers & Exchanges, Banks (Asia ex. Japan, Central Europe, Middle East), Trust Banks, Thailand |
| Joel-Patrick Millsap | 8 | Appliances, Building Products & Home Improvement (U.S.), Biotech & Pharma |
| Kathleen McCarthy | 7 | Telecom Services (South America, Africa, Europe), Autos |
| Paritosh Somani | 7 | Beverages, Restaurants, EMEA Consumer, Building Products (Int'l.), Tobacco |
| Tae Yamaura | 6 | Metals & Mining, Computer Services, EM Asia |
| Arun Palakurthy | 6 | Consumer Consumer |
| | 6 | Connectors, Logic Semiconductors, Japan |
| | 6 | Consumer Electronics, Memory Semiconductors, Telecom Services (Americas), Video Games |
| Benjamin Garosi | 5 | Chemicals, Transportation |
| Hallie Marshall | 5 | Portfolio Manager |
| Sophie Chen | 2 | China |
| Robert Turley | 1 | Asset Allocation, Economics, Portfolio Strategy |
| Rameez Dossa | 1 | Banks (Europe) |
| Salil Phadnis | 1 | Energy, Oil, REITs, Hotels |

Fixed Income Analysts and PMs / Years at D&C / Coverage

| | | |
|--------------------|-----|---|
| Dana Emery | 31 | Chief Executive Officer, President, Director of Fixed Income |
| Robert Thompson | 22 | Municipals, Portfolio Manager |
| Shirlee Neil | 22 | Corporates, Portfolio Transitions |
| Thomas Dugan | 20 | Senior Vice President, Associate Director of Fixed Income, Mortgage-Backed Securities |
| Stephanie Notowich | 19 | Mortgage-Backed Securities, Portfolio Manager |
| Kent Radspinner | 18 | Asset-Backed Securities, TIPS, Treasury Futures, Portfolio Manager |
| Nancy Kellerman | 18 | Municipals, Treasury Trading |
| Larissa Roesch | 17 | Corporates, Portfolio Manager |
| James Dignan | 15 | Mortgage-Backed Securities |
| E. Saul Peña | 14 | Corporates |
| Thinh Le | 13 | Corporates |
| Lucinda Johns | 12 | Corporates, Global Bonds, Portfolio Manager |
| Jay Stock | 12 | Analytics Systems, Treasury Futures |
| Adam Rubinson | 12 | Corporates, Portfolio Manager |
| Damon Blechen | 12 | Corporates, Global Bonds |
| Anthony Brekke | 11 | Corporates, Portfolio Manager |
| Nils Reuter | 11 | Mortgage-Backed Securities |
| Linda Chong | 9 | Mortgage- and Asset-Backed Securities, Korea, Malaysia |
| Nicholas Lockwood | 7 | Municipals, Treasury Trading |
| Allen Feldman | 7 | Mortgage-Backed Securities, Analytics Systems |
| Michael Kiedel | 6 | Corporates, Taxable Municipals |
| Matthew Schefer | 6 | Corporates, Global Bonds |
| Masato Nakagawa | 2 | Mortgage-Backed Securities |
| Mimi Yang | new | Global Bonds |

Years of experience at Dodge & Cox are updated annually in May

Fixed Income Portfolio Review

Stanislaus County Employees Retirement Association-Bond Acct

Account # 1607

June 30, 2014 Portfolio Summary

| | Market Value 6/30/14 | % | Estimated Annual Income | Current Yield |
|--------------------------------|-------------------------|---------------|----------------------------|------------------|
| Fixed Income Securities | \$382,502,203 | 96.4% | \$16,901,027 | 4.4 % |
| Cash | 10,821,603 | 2.7 | 1,082 | - |
| Total Under Management | \$393,323,806 | 99.2% | \$16,902,109 | 4.3% |
| Accrued Income | 3,271,456 | .8 | | |
| Total | \$396,595,262 | 100.0% | \$16,902,109 | 4.3% |

Stanislaus County Employees Retirement Association-Bond Acct

Account # 1607

June 30, 2014 Time Weighted Total Rates of Return

| <u>Account Summary</u> | 3 Months | Year-to- Date | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception 12/31/83 |
|--------------------------------------|--------------|------------------|--------------|--------------|--------------|--------------|--------------------------------|
| Fixed Income Securities | 2.45% | 4.98% | 7.10% | 5.53% | 7.24% | 6.21% | 9.14% |
| Total Portfolio * | 2.39 | 4.90 | 6.97 | 5.42 | 7.09 | 6.11 | 9.09 |
| Total Portfolio (Net of Fees) | 2.37 | 4.86 | 6.88 | 5.33 | 7.01 | 6.02 | 8.98 |

Comparative Indices

| | | | | | | | |
|------------------------------------|------|------|------|------|------|------|------|
| Barclays U.S. Aggregate Bond Index | 2.04 | 3.92 | 4.38 | 3.67 | 4.87 | 4.94 | 7.75 |
|------------------------------------|------|------|------|------|------|------|------|

NOTE: Performance returns do not reflect the deduction of investment management fees and are annualized for periods greater than one year, unless otherwise noted.

* Before 4/1/01, Account No. 1607 did not include cash equivalents.

Stanislaus County Employees Retirement Association-Bond Acct

Account # 1607

August 31, 2014 Time Weighted Total Rates of Return

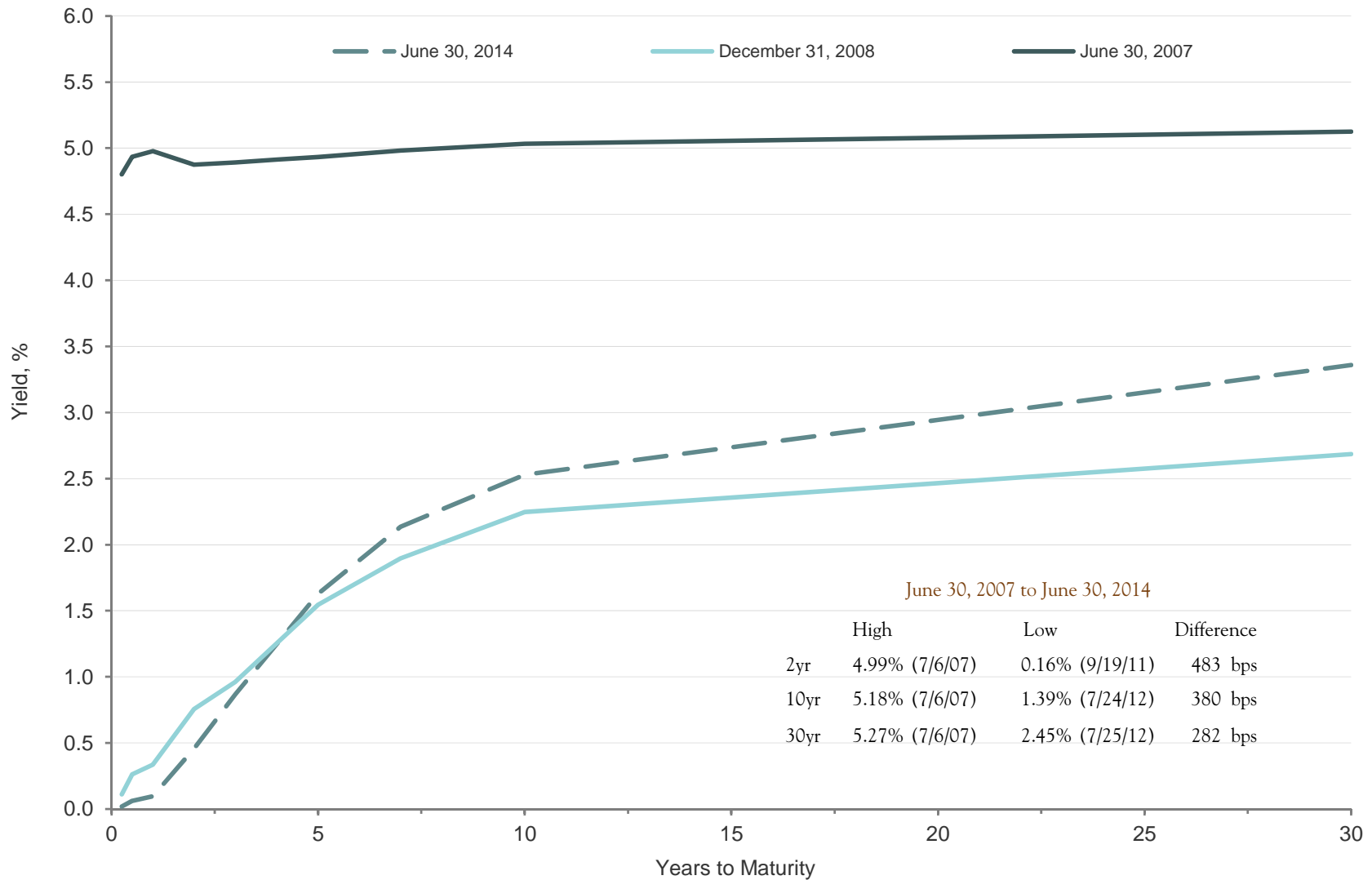
| <u>Account Summary</u> | 1 Month | 3 Months | Year-to- Date | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception 12/31/83 |
|--------------------------------------|--------------|--------------|------------------|--------------|--------------|--------------|--------------|--------------------------------|
| Fixed Income Securities | 1.01% | 1.21% | 5.84% | 7.89% | 5.43% | 6.52% | 6.05% | 9.12% |
| Total Portfolio * | 0.97 | 1.17 | 5.73 | 7.73 | 5.30 | 6.39 | 5.95 | 9.07 |
| Total Portfolio (Net of Fees) | 0.96 | 1.15 | 5.67 | 7.64 | 5.22 | 6.30 | 5.86 | 8.96 |
| <u>Comparative Indices</u> | | | | | | | | |
| Barclays U.S. Aggregate Bond Index | 1.10 | 0.90 | 4.80 | 5.66 | 2.92 | 4.49 | 4.73 | 7.73 |

NOTE: Performance returns do not reflect the deduction of investment management fees and are annualized for periods greater than one year, unless otherwise noted.

* Before 4/1/01, Account No. 1607 did not include cash equivalents.

U.S. Treasury Yield Curves

June 30, 2014



Source: Bloomberg LP. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and management fees and other expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

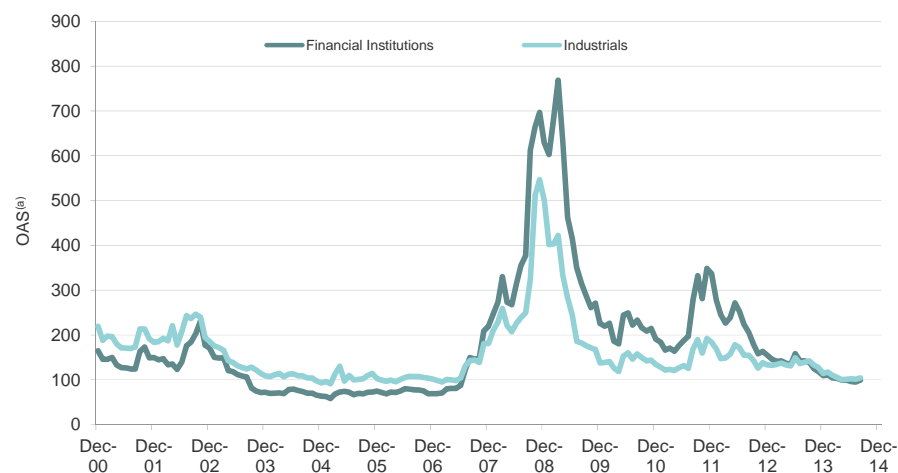
U.S. Corporate and MBS Bond Market Conditions

August 31, 2014

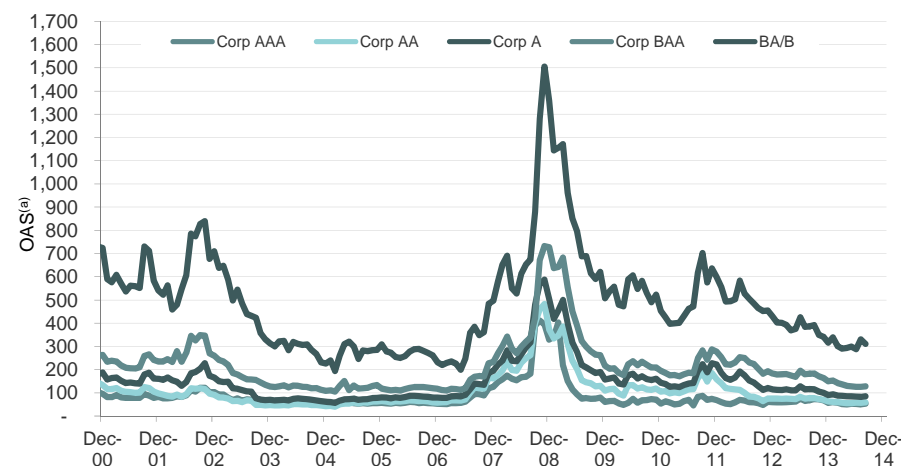
Barclays U.S. MBS Index



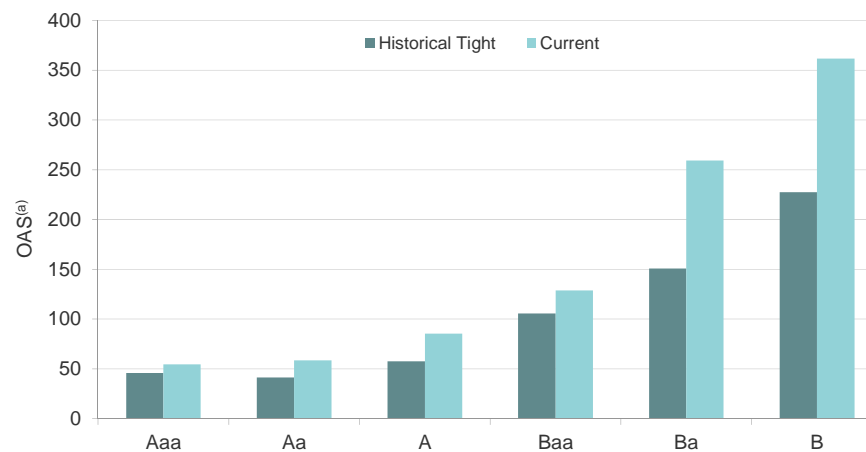
Barclays U.S. Financial Institutions and Industrials indices



Corporate OAS^(a) Over Time



Barclays Corporate Indices by Rating^(b)



^(a)OAS (option-adjusted spread) is the option-adjusted yield differential between stated index and comparable U.S. Treasuries. OAS does not translate into a return. ^(b)OAS data between 1/31/2000-8/31/2014.

Source: Barclays, Bloomberg. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Performance Attribution

One Year Ending June 30, 2014

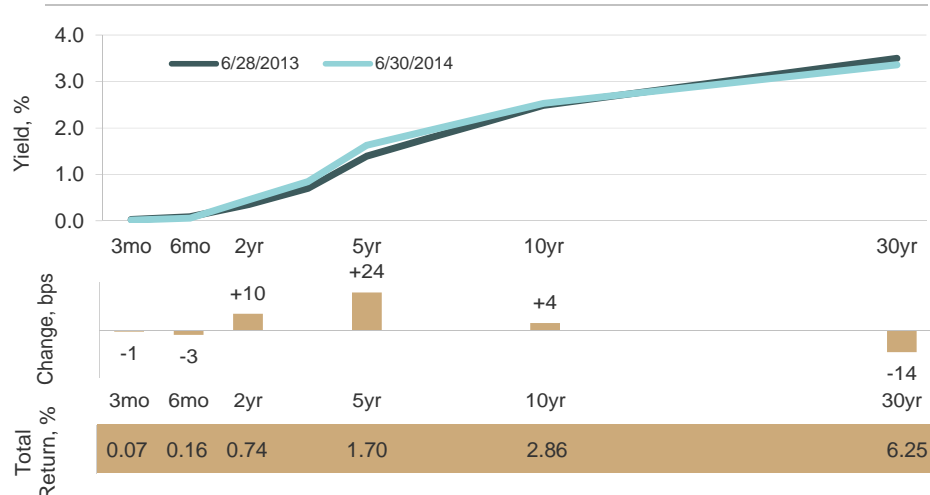
Stanislaus County Employees Retirement Association-Bond Acct

Portfolio (gross of fees): 6.97%

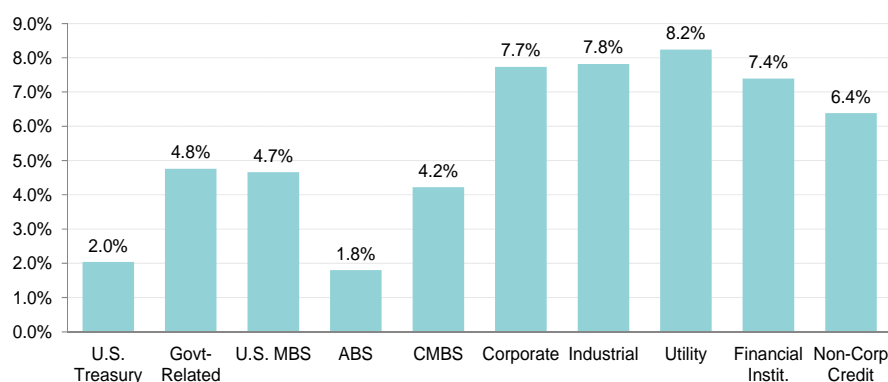
Barclays U.S. Aggregate Bond Index: 4.38%

Difference: 2.59%

Treasury Yield Changes



Barclays U.S. Aggregate Index Sector Returns



Sources: Bloomberg LP, Barclays POINT.

The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings. Performance figures do not reflect the deduction of investment advisory fees and other expenses. Returns will be reduced by advisory fees and other expenses incurred in the management of your account. For example, if an annual management fee of .60% were deducted quarterly from your account, a ten-year annualized cumulative composite return of 10.00% would be reduced by .64% to 9.36%. Information on Dodge & Cox investment advisory fees can be found in its Form ADV Part 2A.

Relative Contributors

- The portfolio's **higher weighting in corporate bonds** added to relative returns.
- **Security selection** was positive as many of the portfolio's corporate bond holdings performed well, including Enel, HSBC, Macy's, Royal Bank of Scotland, Time Warner, Twenty-First Century Fox, and Verizon.
- The portfolio's **taxable municipal holdings** performed well, particularly State of California general obligation bonds.
- The portfolio's **nominal yield advantage** was a positive factor.

Relative Detractors

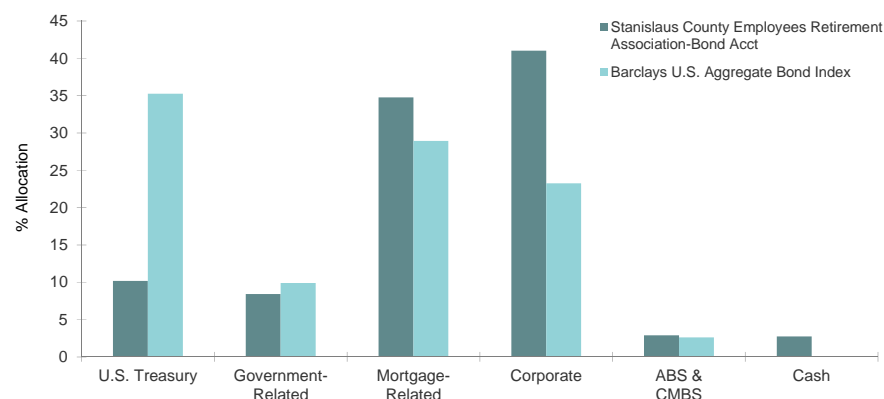
- The portfolio's **Agency MBS holdings** lagged longer-duration alternatives such as the MBS in the Barclays U.S. Agg due to compositional differences, although they outperformed similar short-duration Treasuries.

Portfolio Structure

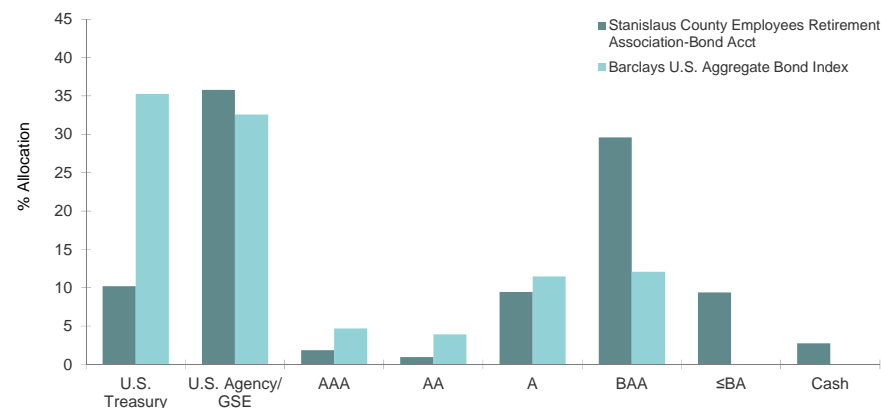
June 30, 2014

Stanislaus County Employees Retirement Association-Bond Acct

Sector Composition



Quality Composition



Weighted-Average Summary Characteristics

| | Stanislaus County Employees Retirement Association-Bond Acct | Barclays U.S. Aggregate Bond Index |
|-------------------------------|--|------------------------------------|
| Yield-to-Worst ^(a) | 2.35% | 2.22% |
| Quality ^(b) | A+ | AA |
| Effective Maturity | 6.8 Years | 7.7 Years |
| Effective Duration | 4.3 Years | 5.6 Years |

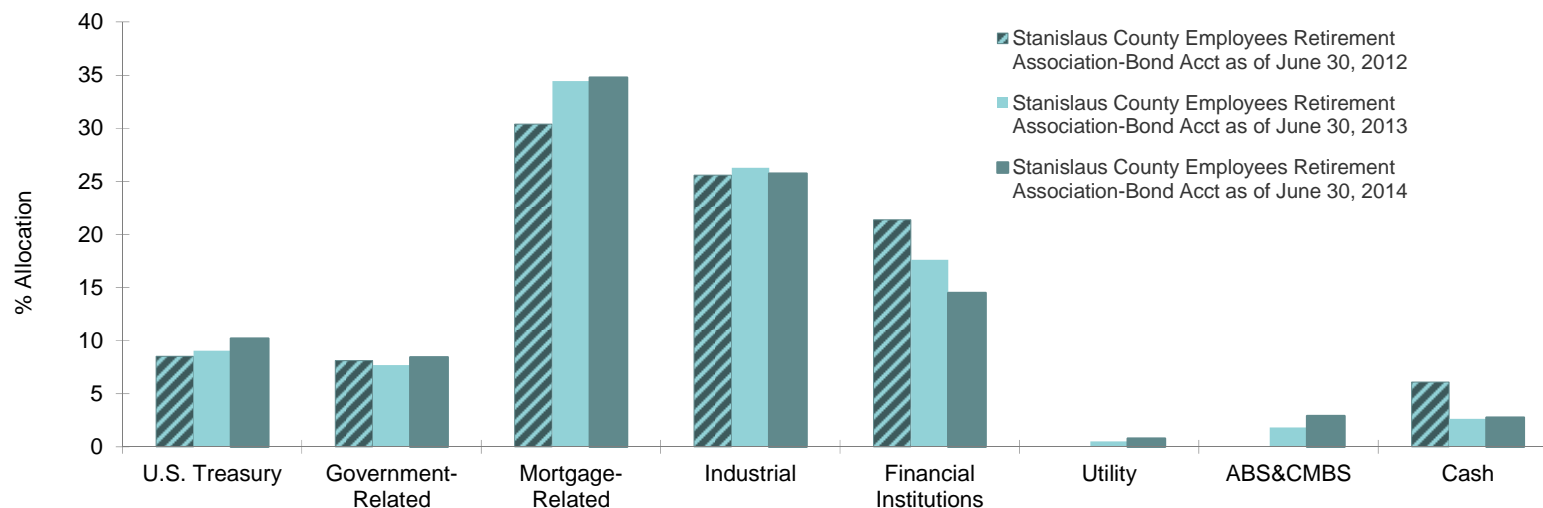
^(a)Yield and principal value fluctuate with market conditions. ^(b)In calculating a portfolio's weighted average quality, Dodge & Cox translates each security's rating from an alpha value to a numerical value (if a security is unrated, Dodge & Cox assigns a rating in accordance with our internal policy), calculates a weighted average numerical rating, and then translates the resulting number back into an alpha value based on the same scale. All cash and portfolio holdings are included in this calculation. Both Dodge & Cox and the Barclays Index apply a methodology using a linear numerical scoring system. Other methodologies could produce a lower weighted-average quality. The portfolio's weighted average quality is not a rating of the portfolio by an independent rating agency and should not be considered an assessment of the stability or safety of the portfolio.

Source: The YieldBook, Inc., Bloomberg LP, Interactive Data's BondEdge, Barclays POINT. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice.

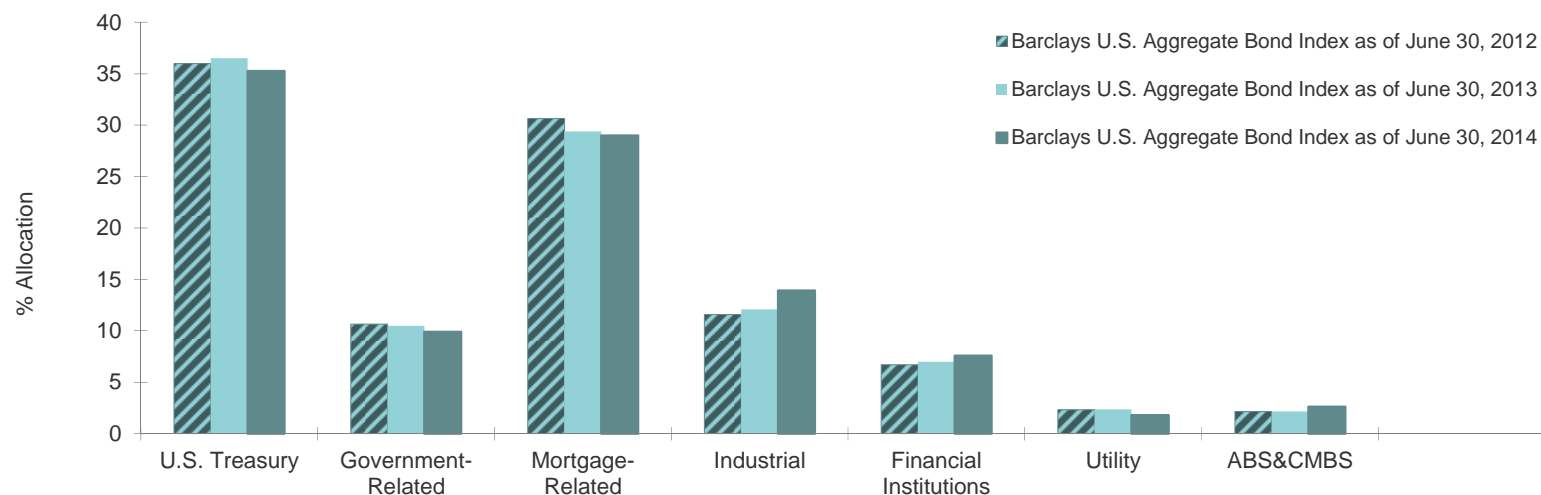
Changes in the Portfolio

June 30, 2014

Stanislaus County Employees Retirement Association-Bond Acct



Barclays U.S. Aggregate Bond Index

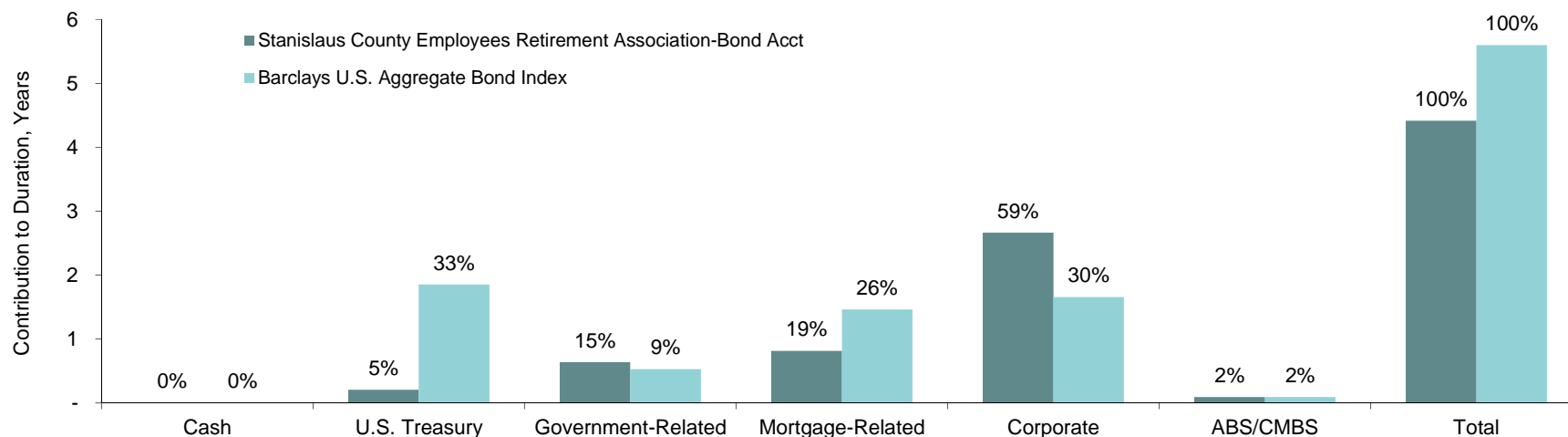


Source: The YieldBook, Inc., Bloomberg LP, and Interactive Data's BondEdge, Barclays POINT. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The mention of specific securities is not a recommendation to buy, sell, or hold any particular security and is not indicative of Dodge & Cox's current or future trading activity.

Contribution to Duration (by Sector)

June 30, 2014

Stanislaus County Employees Retirement Association-Bond Acct



| | | | | | | | | | | | | | | |
|---|------|------|-------|-------|------|------|-------|-------|-------|-------|------|------|--------|--------|
| Weight (%) | 2.75 | 0.00 | 10.19 | 35.26 | 8.42 | 9.93 | 34.75 | 28.98 | 40.99 | 23.27 | 2.89 | 2.61 | 100.00 | 100.00 |
| Duration (Years) | 0.00 | 0.00 | 2.03 | 5.26 | 7.58 | 5.38 | 2.34 | 5.06 | 6.28 | 7.12 | 3.21 | 3.63 | 4.33 | 5.60 |
| Contribution to Duration ^(a) | 0.00 | 0.00 | 0.21 | 1.85 | 0.64 | 0.53 | 0.81 | 1.47 | 2.57 | 1.66 | 0.09 | 0.09 | 4.33 | 5.60 |

^(a)Contribution to Duration = Portfolio weightings (%) x Duration (Years).

Source: The YieldBook, Inc., Bloomberg LP, Interactive Data's BondEdge, Barclays POINT. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Opinions expressed are subject to change without notice.

Portfolio Credit Holdings by Sector^(a)

June 30, 2014

Stanislaus County Employees Retirement Association-Bond Acct Barclays U.S. Aggregate Bond Index (Benchmark)

| Corporate: Financial Institutions | | Corporate: Industrial | | Corporate: Utility | | Government-Related | | | |
|--------------------------------------|------------|--|------------|---|-------------|--------------------|------------|-------------------------------------|------------|
| Banking | 8.0 5.0 | Basic Industry | 1.5 1.3 | Technology | 2.4 1.3 | Electric | 0.8 1.7 | Agencies | 3.1 5.4 |
| Bank of America Corp. | | Dow Chemical Co. | | Hewlett-Packard Co. | | Enel SPA | | Petroleo Brasileiro SA | |
| Capital One Financial Corp. | | | | Xerox Corp. | | | | Petroleos Mexicanos | |
| Citigroup, Inc. | | Capital Goods | 2.2 | | | Natural Gas | 0.0 0.1 | Small Business Admin. - 504 Program | |
| HSBC Holdings PLC | | | 1.1 | Transportation | 2.6 0.5 | | | | |
| JPMorgan Chase & Co. | | Cemex SAB de CV | | Burlington Northern Santa Fe LLC ^(b) | | | | Local Authorities | 4.7 1.3 |
| Royal Bank of Scotland Group PLC | | Eaton Corp. PLC | | CSX Corp. | | Other Utility | 0.0 0.0 | L.A. Unified School District GO | |
| | | Lafarge SA | | Norfolk Southern Corp. | | | | New Jersey Turnpike Authority RB | |
| Brokerage | 0.6 0.2 | Vulcan Materials Co. | | Union Pacific Corp. | | | | State of California GO | |
| Legg Mason, Inc. | | Consumer Cyclical | 3.3 1.4 | | | | | State of Illinois GO | |
| Finance Companies | 2.4 0.6 | Dillard's, Inc. | | Communications | 12.6 2.5 | | | Sovereign | 0.6 1.5 |
| | | Ford Motor Credit Co. LLC ^(b) | | AT&T, Inc. | | | | | |
| General Electric Co. | | Macy's, Inc. | | Comcast Corp. | | | | Spain Government International | |
| Navient Corp. | | Nordstrom, Inc. | | Cox Enterprises, Inc. | | | | | |
| | | | | Liberty Interactive Corp. | | | | Supranational | 0.0 1.6 |
| Insurance | 2.0 1.2 | Consumer Non-Cyclical | 1.1 3.2 | Naspers, Ltd. | | | | | |
| | | | | Reed Elsevier PLC | | | | | |
| Cigna Corp. | | Boston Scientific Corp. | | Sprint Corp. | | | | | |
| Health Net, Inc. | | | | Telecom Italia SPA | | | | | |
| Unum Group | | Energy | 0.0 2.5 | Time Warner Cable, Inc. | | | | | |
| WellPoint, Inc. | | | | Time Warner, Inc. | | | | | |
| | | | | Twenty-First Century Fox, Inc. | | | | | |
| REITS | 1.6 0.6 | | | Verizon Communications, Inc. | | | | | |
| | | | | | | | | | |
| Boston Properties, Inc. | | | | Other Industrial | 0.0 0.1 | | | | |
| Equity Residential | | | | | | | | | |
| Other Financial | 0.0 0.0 | | | | | | | | |
| | | | | | | | | | |
| Portfolio Total | 14.5 | | | 25.7 | | 0.8 | | 8.4 | |
| Benchmark Total | 7.6 | | | 13.9 | | 1.8 | | 9.9 | |

^(a)Except as noted, investments grouped by parent company. Actual securities may be issued by the listed parent company or one of its subsidiaries. ^(b)Subsidiary.

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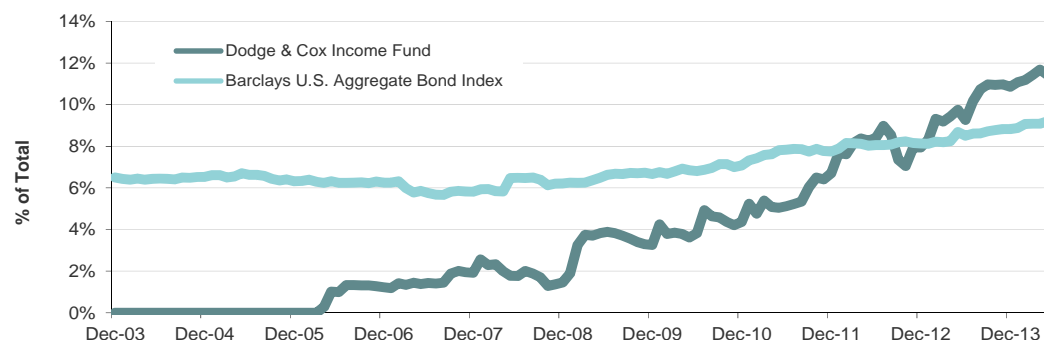
Non-U.S. Exposure in a U.S. Portfolio

June 30, 2014

Dodge & Cox Income Fund

In recent years, Dodge & Cox has increasingly invested in global corporations, quasi-sovereigns, and sovereigns. Our global research capabilities, increased market opportunities, and attractive valuations have all contributed to this trend.

Non-U.S. credit holdings in Income Fund vs. Barclays U.S. Aggregate Bond Index



Non-U.S. domiciled credit holdings are geographically diversified

| Issuer | OAS ^(a) | Country of HQ | % Non-U.S. Revenue ^(b) | Fund Weight |
|--------------------------------------|--------------------|---------------|-----------------------------------|---------------|
| Enel SPA | 253 | Italy | 100% | 0.77% |
| Petroleo Brasileiro SA | 270 | Brazil | 100% | 1.55% |
| Telecom Italia SPA | 243 | Italy | 100% | 1.44% |
| Kingdom of Spain | 93 | Spain | 100% | 0.55% |
| Export-Import Bank of Korea | 63 | South Korea | 100% | 0.57% |
| Naspers, Ltd. | 226 | South Africa | 100% | 0.50% |
| Rio Oil Finance Trust ^(c) | 340 | Brazil | 100% | 0.99% |
| HSBC Holdings PLC | 175 | UK | 86% | 1.17% |
| Lafarge SA | 128 | France | 80% | 1.08% |
| Cemex SAB de CV | 316 | Mexico | 78% | 0.71% |
| Royal Bank of Scotland PLC | 257 | UK | 71% | 1.22% |
| Petroleos Mexicanos | 228 | Mexico | 65% | 0.50% |
| Eaton Corp. PLC | 80 | Ireland | 50% | 0.30% |
| Reed Elsevier PLC | 105 | UK | 48% | 0.57% |
| | | | | 11.91% |

Many U.S. domiciled credit holdings have significant non-U.S. sales

| Issuer | OAS ^(a) | % Non-U.S. Revenue ^(b) | Fund Weight |
|--------------------------------|--------------------|-----------------------------------|--------------|
| Dow Chemical Co. | 158 | 65% | 1.46% |
| Hewlett-Packard Co. | 49 | 64% | 0.35% |
| Citigroup, Inc. | 82 | 59% | 1.58% |
| General Electric Co. | 72 | 52% | 1.19% |
| Boston Scientific Corp. | 67 | 48% | 0.56% |
| Twenty-First Century Fox, Inc. | 177 | 42% | 0.53% |
| | | | 5.66% |

^(a)OAS (option-adjusted spread) is the option-adjusted yield differential between stated index and comparable U.S. Treasuries. OAS does not translate into a return. ^(b)Revenues based on year end filings.

^(c)Asset-backed security.

Source: Bloomberg LP, FactSet. All holdings are U.S. dollar denominated. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and management fees and other expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Ten Largest Credit Holdings^(a)

June 30, 2014

Stanislaus County Employees Retirement Association-Bond Acct

| Issuer ^(b) | % of Portfolio | Duration | Yield-to-Worst (%) ^(c) | Ratings | | |
|--|----------------|----------|-----------------------------------|---------|------|-------|
| | | | | Moody's | S&P | Fitch |
| Bank of America Corp. | 2.03 | 8.1 | 3.94 | Baa3 | BBB | BBB |
| State of Illinois GO | 1.87 | 2.6 | 1.81 | A3 | A- | A- |
| Cox Enterprises, Inc. | 1.73 | 3.8 | 2.12 | Baa2 | BBB | BBB+ |
| Macy's, Inc. | 1.70 | 8.7 | 4.15 | Baa2 | BBB+ | BBB |
| Verizon Communications, Inc. | 1.67 | 8.2 | 3.73 | Baa1 | BBB+ | A- |
| Time Warner, Inc. | 1.62 | 10.9 | 4.49 | Baa2 | BBB | BBB+ |
| Telecom Italia SPA | 1.57 | 5.9 | 4.13 | Ba1 | BB+ | BBB- |
| Xerox Corp. | 1.55 | 3.3 | 1.85 | Baa2 | BBB | BBB |
| State of California GO | 1.55 | 13.0 | 4.31 | Aa3 | A | A |
| Citigroup, Inc. | 1.48 | 1.4 | 1.18 | Baa3 | BBB | BBB+ |
| Portfolio Weight of Ten Largest Credit Holdings | 16.77 | | | | | |

^(a)Weighted average statistics. ^(b)Except as noted, Corporate investments grouped by parent company. Actual securities maybe issued by the listed parent company or one of its subsidiaries. ^(c)Yield and principal value fluctuate with market conditions.

Source: The YieldBook, Inc., Bloomberg LP, Interactive Data's BondEdge. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings.

Equity Portfolio Review

Stanislaus County Employees Retirement Association - Equity**Account # 827****June 30, 2014 Portfolio Summary**

| | Market Value 6/30/14 | % | Estimated Annual Income | Current Yield |
|-------------------------------|-------------------------|---------------|----------------------------|------------------|
| Equity Securities | \$185,263,214 | 97.4% | \$3,445,752 | 1.9 % |
| Cash | 4,975,640 | 2.6 | 995 | - |
| Total Under Management | \$190,238,854 | 100.0% | \$3,446,747 | 1.8% |

Stanislaus County Employees Retirement Association - Equity

Account # 827

June 30, 2014 Time Weighted Total Rates of Return

| <u>Account Summary *</u> | 3 Months | Year-to- Date | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception 12/31/72 |
|--------------------------------------|-------------|------------------|--------------|--------------|--------------|-------------|--------------------------------|
| Equity Securities | 4.7% | 7.2% | 27.9% | 18.9% | 20.9% | 8.7% | 12.2% |
| Total Portfolio ** | 4.5 | 7.0 | 27.3 | 18.5 | 20.2 | 8.7 | 12.2 |
| Total Portfolio (Net of Fees) | 4.5 | 6.9 | 27.1 | 18.2 | 20.0 | 8.5 | 12.0 |
| <u>Comparative Indices</u> | | | | | | | |
| Standard & Poor's 500 Composite | 5.2 | 7.1 | 24.6 | 16.6 | 18.8 | 7.8 | 10.3 |
| Russell 1000 Value Index | 5.1 | 8.3 | 23.8 | 16.9 | 19.2 | 8.0 | N.A. |

NOTE: Performance returns do not reflect the deduction of investment management fees and are annualized for periods greater than one year, unless otherwise noted.

* Account established 6/14/68; performance prior to 12/31/72 is not available.

** Before 4/1/01, Account No. 827 did not include cash equivalents.

Stanislaus County Employees Retirement Association - Equity

Account # 827

August 31, 2014 Time Weighted Total Rates of Return

| <u>Account Summary *</u> | 1 Month | 3 Months | Year-to- Date | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception 12/31/72 |
|--------------------------------------|-------------|-------------|------------------|--------------|--------------|--------------|-------------|--------------------------------|
| Equity Securities | 3.1% | 5.2% | 9.4% | 27.4% | 24.5% | 18.1% | 9.3% | 12.2% |
| Total Portfolio ** | 3.0 | 5.1 | 9.2 | 26.7 | 23.9 | 17.6 | 9.3 | 12.2 |
| Total Portfolio (Net of Fees) | 3.0 | 5.1 | 9.1 | 26.5 | 23.7 | 17.4 | 9.1 | 12.0 |
| <u>Comparative Indices</u> | | | | | | | | |
| Standard & Poor's 500 Composite | 4.0 | 4.7 | 9.9 | 25.3 | 20.6 | 16.9 | 8.4 | 10.3 |
| Russell 1000 Value Index | 3.7 | 4.6 | 10.4 | 24.4 | 21.6 | 16.6 | 8.2 | N.A. |

NOTE: Performance returns do not reflect the deduction of investment management fees and are annualized for periods greater than one year, unless otherwise noted.

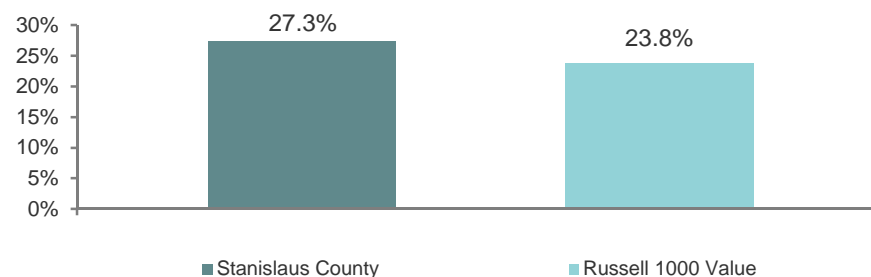
* Account established 6/14/68; performance prior to 12/31/72 is not available.

** Before 4/1/01, Account No. 827 did not include cash equivalents.

Comparative Investment Results

One Year Ending June 30, 2014

Stanislaus County Employees Retirement Association – Equity vs. Russell 1000 Value (Twelve-Month Equity Total Return, Gross of Fees)



| Key Contributors to Relative Results | Average Weight | | Performance | |
|--------------------------------------|----------------|-------|-------------|-------|
| | Account | Index | Account | Index |
| Financials | 24% | 29% | +27% | +18% |
| Energy | 8% | 15% | +46% | +25% |
| Telecommunication Services | 1% | 3% | +35% | +9% |

Strongest performing holdings: Forest Labs (+118% to date of sale), Nokia (+111%), Weatherford International plc (+68%), Schlumberger (+67%), and Dow Chemical Company (+65%)

Key Detractors from Relative Results

| | | | | |
|------------------|-----|-----|------|------|
| Health Care | 18% | 13% | +21% | +27% |
| Industrials | 8% | 10% | +28% | +30% |
| Consumer Staples | 2% | 6% | +6% | +18% |

Weakest performing holdings: Coach (-38%), ADT (-11%), eBay (-3%), Target Corporation (-3% from date of purchase), and NetApp (-2%)

Source: FactSet. Holding period performance is shown for each security and may be shorter than the performance period shown for the account due to the timing of purchases and sales. Sectors are ranked by total relative effect from attribution analysis. Individual holdings are ranked by holding period total return. FactSet returns can vary from other sources due to methodology differences. Performance figures do not reflect the deduction of investment advisory fees and other expenses. Returns will be reduced by advisory fees and other expenses incurred in the management of your account. For example, if an annual management fee of .60% were deducted quarterly from your account, a ten-year annualized cumulative composite return of 10.00% would be reduced by .64% to 9.36%. Information on Dodge & Cox investment advisory fees can be found in its Form ADV Part 2A.

Performance Attribution: Sectors

One Year Ending June 30, 2014

Stanislaus County Employees Retirement Association – Equity (+27.3%) vs. Russell 1000 Value (+23.8%)
Twelve-Month Equity Total Return, Gross of Fees

| | Account | | Index | | Total Impact on Return vs. Index |
|----------------------------|-------------------|-----------------|-------------------|-----------------|--|
| | Average Weight | Total Return | Average Weight | Total Return | |
| Financials | 23.8% | +27.2% | 29.0% | +18.2% | +2.3% |
| Energy | 8.3% | +46.4% | 14.9% | +25.4% | +1.5% |
| Telecommunication Services | 1.0% | +35.2% | 2.5% | +8.9% | +0.6% |
| Materials | 2.8% | +52.0% | 2.9% | +35.7% | +0.4% |
| Utilities | - | - | 6.1% | +21.3% | +0.2% |
| Consumer Discretionary | 14.8% | +25.0% | 6.4% | +24.9% | +0.2% |
| Information Technology | 21.1% | +28.5% | 9.0% | +35.0% | +0.0% |
| Consumer Staples | 2.3% | +6.4% | 5.9% | +17.9% | -0.1% |
| Industrials | 7.8% | +27.7% | 10.2% | +29.8% | -0.2% |
| Health Care | 18.2% | +20.8% | 13.2% | +27.1% | -0.9% |

Source: FactSet. Sectors are ranked by total relative effect from attribution analysis. FactSet returns can vary from other sources due to methodology differences. Performance figures do not reflect the deduction of investment advisory fees and other expenses. Returns will be reduced by advisory fees and other expenses incurred in the management of your account. For example, if an annual management fee of .60% were deducted quarterly from your account, a ten-year annualized cumulative composite return of 10.00% would be reduced by .64% to 9.36%. Information on Dodge & Cox investment advisory fees can be found in its Form ADV Part 2A.

Performance Attribution: Holdings

One Year Ending June 30, 2014

Stanislaus County Employees Retirement Association – Equity

Top Five Contributors

| | Average Weight | Total Return | Contribution to Return |
|-----------------|----------------|--------------|------------------------|
| Schlumberger | 2.8% | +67.2% | +1.57% |
| Hewlett-Packard | 3.7% | +38.7% | +1.31% |
| Capital One | 3.8% | +33.7% | +1.26% |
| FedEx | 2.5% | +54.3% | +1.26% |
| Wells Fargo | 4.1% | +30.9% | +1.19% |

Bottom Five Detractors

| | | | |
|---------------------------------|------|--------|--------|
| Coach | 0.8% | -38.4% | -0.36% |
| ADT | 0.8% | -10.7% | -0.12% |
| eBay | 1.0% | -3.2% | -0.06% |
| Express Scripts Holding Company | 0.4% | +5.2% | -0.05% |
| Target Corporation | 0.1% | -2.6% | -0.02% |

Ten Largest Holdings

| | Average Weight | Total Return | Contribution to Return |
|-----------------|----------------|--------------|------------------------|
| Wells Fargo | 4.1% | +30.9% | +1.19% |
| Capital One | 3.8% | +33.7% | +1.26% |
| Hewlett-Packard | 3.7% | +38.7% | +1.31% |
| Microsoft | 3.6% | +24.3% | +0.85% |
| Comcast | 3.5% | +31.4% | +1.12% |
| Merck | 3.1% | +28.8% | +0.92% |
| Novartis | 3.0% | +31.7% | +0.92% |
| Time Warner | 3.0% | +29.0% | +0.89% |
| Sanofi | 2.9% | +5.8% | +0.14% |
| GlaxoSmithKline | 2.9% | +12.2% | +0.38% |

Source: FactSet. Holding period performance is shown for each security and may be shorter than the performance period shown for the account, due to the timing of purchases and sales. FactSet returns can vary from other sources due to methodology differences. Performance figures do not reflect the deduction of investment advisory fees and other expenses. Returns will be reduced by advisory fees and other expenses incurred in the management of your account. For example, if an annual management fee of .60% were deducted quarterly from your account, a ten-year annualized cumulative composite return of 10.00% would be reduced by .64% to 9.36%. Information on Dodge & Cox investment advisory fees can be found in its Form ADV Part 2A.

Dodge & Cox Equity Investment Process

Deliberate and Focused Team Approach to Investing

Investment Research by Global Industry Analysts

Idea Generation:

Identify investment action items within area of industry expertise

- Meet management teams, customers, and suppliers
- Monitor company financial reports
- Attend industry conferences and field trips
- Monitor industry news
- Review valuation screens

Due Diligence:

Develop 360-degree assessment of company and prospects

- Interview management, competitors, and industry experts
- Analyze financial statements, filings, and news
- Evaluate governance
- Develop financial model with three-to-five year forecasts of downside, base case, and upside scenarios
- Collaborate with other members of research staff

Investment Advocacy



Written report
and oral
presentation

Investment Decision-Making by Appropriate Policy Committee

Portfolio Construction:

Construct a diversified portfolio on a bottom-up basis

- Review and discuss investment recommendations by analysts
- Approve buy/sell list with target weightings
- Review industry and geographic weightings
- Maintain appropriate diversification by sector and geography
- Develop agenda for review

Sell Discipline

- We continually monitor the valuation and fundamentals of individual holdings. We consider the sale of the security when:
 - The price of a company's stock reflects more optimistic expectations regarding the company's future prospects than our own expectations;
 - In our assessment, a company's long-term fundamentals have deteriorated, even if valuation has not changed significantly; or
 - We see more attractive opportunities elsewhere.
- "All-cash portfolio" exercise: In this exercise, with a focus on our three- to five-year investment horizon, our portfolio managers and research analysts build a portfolio from the ground up, literally starting with a blank sheet. We then gather to compare and discuss our results. This exercise typically generates both purchase and sale candidates, which are then subject to further analysis.

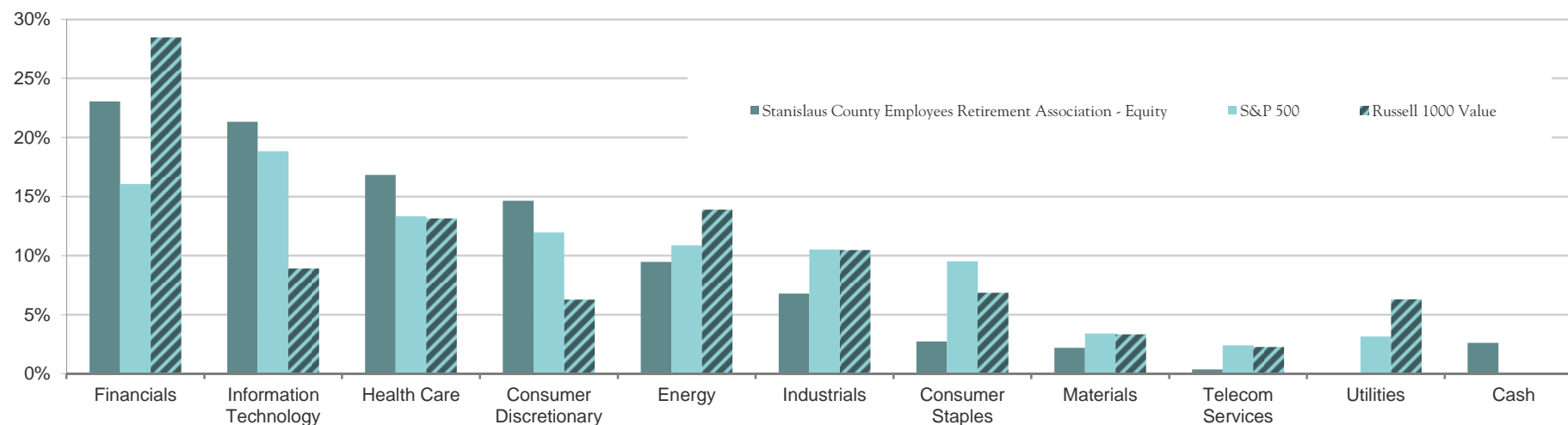
Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Portfolio Structure

June 30, 2014

Stanislaus County Employees Retirement Association – Equity

Sector Analysis



Representative Portfolio Characteristics^(d)

| | Dodge & Cox | S&P 500 | Russell Value |
|--|-------------|---------|---------------|
| Number of holdings | 71 | 501 | 685 |
| Price/earnings (forward) ^(a) | 14.3x | 15.6x | 15.3x |
| Price/cash flow ^(b) | 10.4x | 12.5x | 10.8x |
| Price/sales ^(b) | 1.5x | 1.9x | 1.5x |
| Price/book value | 2.1x | 2.7x | 1.9x |
| Weighted average market cap. | \$114B | \$125B | \$110B |
| Median market cap. | \$36B | \$18B | \$7B |
| Dividend yield (trailing) ^(c) | 1.8% | 2.0% | 2.3% |

StanCERA – Equity Ten Largest Equity Holdings^(e)

| | |
|-----------------------------------|--------------|
| Hewlett-Packard Company | 4.2% |
| Wells Fargo & Company | 4.1% |
| Capital One Financial Corporation | 4.1% |
| Microsoft Corporation | 3.8% |
| Novartis AG Sponsored ADR | 3.4% |
| Comcast Corporation Class A | 3.2% |
| Time Warner | 3.0% |
| Schlumberger NV | 2.8% |
| Sanofi Sponsored ADR | 2.8% |
| GlaxoSmithKline plc Sponsored ADR | 2.7% |
| Total Weight | 34.2% |

^(a)Portfolio estimate excludes negative earners. S&P 500 estimate is top-down. ^(b)Portfolio calculation excludes Financials and Utilities. ^(c)Dodge & Cox portfolio indicated dividend yield is 1.8%. ^(d)The representative portfolio characteristics are based on one of the largest and oldest fully discretionary tax-exempt equity accounts that has not experienced recent material cash flow events or investment guideline changes. Representative account holdings are subject to change and new accounts may have different holdings. ^(e)Weighting excludes cash and mutual funds.

Source: Bank of New York Mellon, Bloomberg LP, FactSet, Standard & Poor's. This information was prepared at the client's request in connection with a review of the client's account.

Portfolio Holdings

June 30, 2014

Stanislaus County Employees Retirement Association – Equity

| Technology, Media, and Telecommunications | | Health Care | | Finance | | Industrials, Energy, and Utilities | | Consumer | |
|---|-------|---|-------|---|-------|--|-------|--|-------|
| ELECTRONIC MEDIA | 11.6% | HEALTH CARE SERVICES | 3.1% | BANKS | 9.7% | ENERGY | 9.7% | CONSUMER DURABLES | 0.2% |
| Comcast Corporation Class A DISH Network Corporation Class A News Corporation Class A Time Warner Cable Inc. Time Warner Inc. Twenty-First Century Fox, Inc. Class A | | Cigna Corporation Express Scripts Holding Company UnitedHealth Group Incorporated | | Bank of America Corporation BB&T Corporation HSBC Holdings plc Sponsored ADR JPMorgan Chase & Co. SunTrust Banks, Inc. Wells Fargo & Company | | Apache Corporation Baker Hughes Incorporated Chevron Corporation National Oilwell Varco, Inc. Schlumberger NV Weatherford International plc | | NVR, Inc. | |
| TECHNOLOGY | 21.9% | MEDICAL DEVICES | 1.5% | | | | | CONSUMER PRODUCTS | 1.2% |
| | | Boston Scientific Corporation Medtronic, Inc. | | SunTrust Banks, Inc. Wells Fargo & Company | | | | Coach, Inc. Unilever PLC Sponsored ADR | |
| | | | | FINANCIAL SERVICES | 11.3% | GENERAL INDUSTRIAL | 2.6% | PUB/LEISURE | 0.2% |
| Adobe Systems Incorporated AOL Inc. Cadence Design Systems, Inc. Computer Sciences Corporation Corning Incorporated eBay Inc. EMC Corporation Google Inc. Class A Google Inc. Class C Hewlett-Packard Company Maxim Integrated Products, Inc. Microsoft Corporation NetApp, Inc. Nokia Oyj Sponsored ADR Symantec Corporation Synopsys, Inc. TE Connectivity Ltd. | | PHARMACEUTICALS | 12.7% | Bank of New York Mellon Corporation Capital One Financial Corporation Goldman Sachs Group, Inc. Charles Schwab Corporation | | General Electric Company Royal Philips NV Sponsored ADR | | Time Inc | |
| | | | | | | INDUSTRIAL COMMODITIES | 2.3% | RETAIL & DISTRIBUTION | 4.6% |
| | | | | INSURANCE | 1.9% | Celanese Corporation Class A Dow Chemical Company Vulcan Materials Company | | CarMax, Inc. Liberty Interactive Corporation Class A Target Corporation Wal-Mart Stores, Inc. | |
| | | | | AEGON N.V. ADR MetLife, Inc. | | | | | |
| | | | | | | NON TECH BUSINESS SERVICES | 2.5% | | |
| | | | | | | ADT Corporation McGraw Hill Financial, Inc. Tyco International Ltd. | | | |
| | | | | | | TRADING COMPANIES & DISTRI | 0.1% | | |
| | | | | | | NOW Inc | | | |
| TELECOM | 0.4% | | | | | TRANSPORTATION | 2.5% | | |
| Sprint Corp. | | | | | | FedEx Corporation | | | |
| Portfolio Total | 33.9% | | 17.3% | | 22.9% | | 19.7% | | 6.2% |
| S&P 500 Index | 24.9% | | 13.3% | | 16.1% | | 28.0% | | 17.7% |
| Russell 1000 Value | 13.0% | | 13.1% | | 28.5% | | 34.0% | | 11.3% |

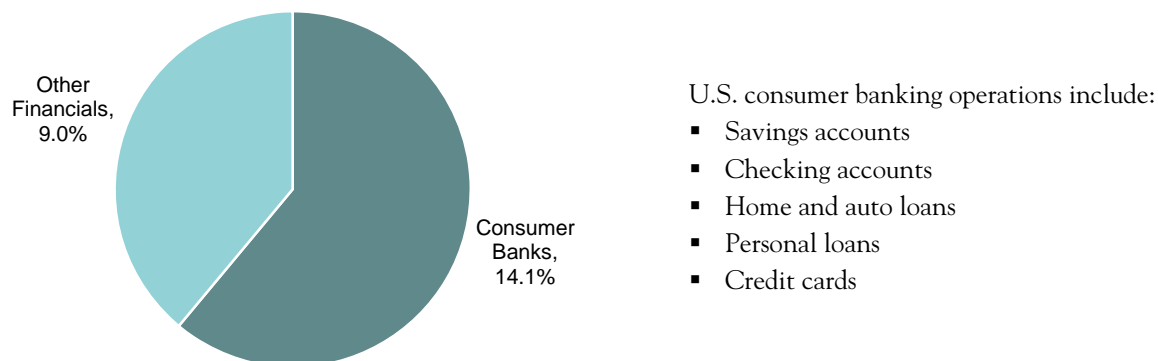
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U.S. Consumer-Oriented Banks

June 30, 2014

Dodge & Cox Stock Fund

U.S. Consumer-Oriented Banks Account For More Than Half of the Fund's Weighting in Financials



Common Investment Drivers: Economic Growth, Housing Prices, Rising Interest Rates, and Lending Growth

| Capital One Financial (4.0% weighing in Fund): | Wells Fargo (4.0%): | Charles Schwab (2.5%): | Bank of America (2.2%): | BB&T (0.7%): | SunTrust Banks (0.7%): |
|---|--|---|---|---|---|
| <ul style="list-style-type: none">▪ Sixth largest bank and fourth largest credit card company in the United States▪ Focuses primarily on consumer and commercial lending and deposit origination utilizing few bank branches | <ul style="list-style-type: none">▪ Second largest bank in the United States by deposits▪ Focuses on providing banking, brokerage, insurance, and retirement services to individuals and corporations | <ul style="list-style-type: none">▪ Provides brokerage and banking services to retail investors▪ Other operations include custodial, trading, and support services to independent investment advisors, and corporate and retirement services | <ul style="list-style-type: none">▪ Largest U.S. bank by deposits▪ Operations are roughly half retail and half commercial, and include a full range of banking, investing, asset management, and risk management products and services | <ul style="list-style-type: none">▪ Operates more than 1,800 branches located primarily in the Southeast and Mid-Atlantic▪ Key operations include retail banking, insurance services, residential mortgage banking, brokerage and trust, and card services | <ul style="list-style-type: none">▪ Ninth largest bank in the United States by assets, focused on Southeast region▪ Provides banking services to retail and commercial clients |

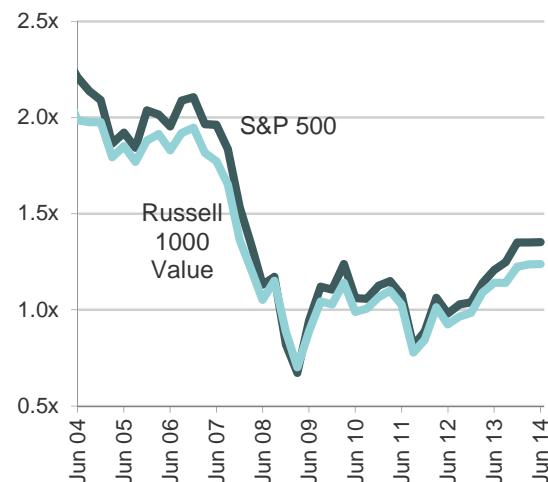
Source: FactSet. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and management fees and other expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Financial Services

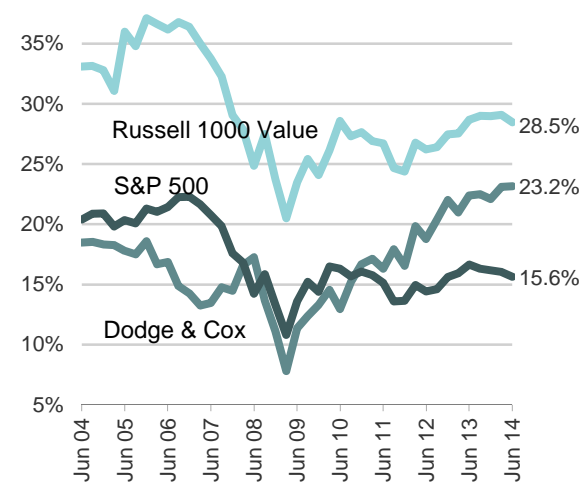
June 30, 2014

Dodge & Cox Representative Equity Portfolio – Supplemental Information

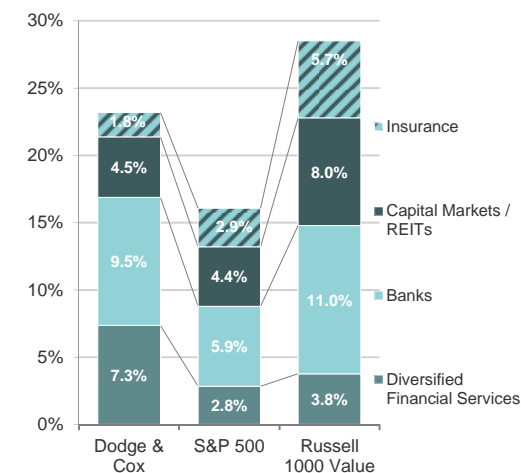
Modest Valuations: Financials Sector Price-to-Book Ratio



Financials Weighting: Dodge & Cox vs. Indexes



Industries Within Financials: Comparative Weighting



Opportunities

- Leverage to improving economy, lower expenses, better loan and revenue growth, higher margins
- Increasing market share
- Industry-leading technology platforms

Industry Risks

- Impact of regulatory reform
- Extended low interest rate environment
- Weaker than expected economy

Holdings

- Diversified Financial Services: Bank of New York Mellon, Capital One, McGraw Hill
- Banks: Bank of America, BB&T, HSBC, JPMorgan Chase, SunTrust, Wells Fargo
- Capital Markets / REITs: Charles Schwab, Goldman Sachs
- Insurance: Aegon, MetLife

Source: FactSet. The representative portfolio characteristics are based on one of the largest and oldest fully discretionary tax-exempt equity accounts that has not experienced recent material cash flow events or investment guideline changes. Representative account holdings are subject to change and new accounts may have different holdings. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings.

Foreign Exposure in a Domestic Portfolio

June 30, 2014

Dodge & Cox Stock Fund

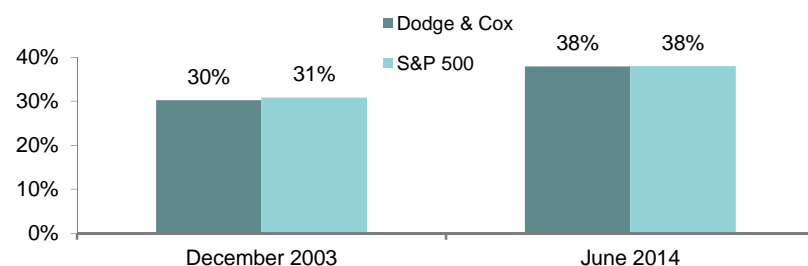
Foreign Holdings Not in the S&P 500 Index (15.4% of Fund)

| | Non-U.S. Sales (%) | Fund Weight (%) |
|---|--------------------|-----------------|
| Europe | | 15.0% |
| Novartis (Switzerland) | 67% | 3.4% |
| Sanofi (France) | 67% | 2.5% |
| Roche (Switzerland) | 62% | 2.3% |
| GlaxoSmithKline (UK) | 67% | 2.2% |
| Nokia (Finland) | 87% | 1.3% |
| Aegon (Netherlands) | 57% | 1.0% |
| Weatherford International (Switzerland) | 58% | 1.0% |
| HSBC (UK) | 86% | 0.5% |
| Philips (Netherlands) | 72% | 0.4% |
| Unilever (UK) | 67% | 0.4% |
| Asia | | 0.4% |
| Panasonic (Japan) | 85% | 0.4% |

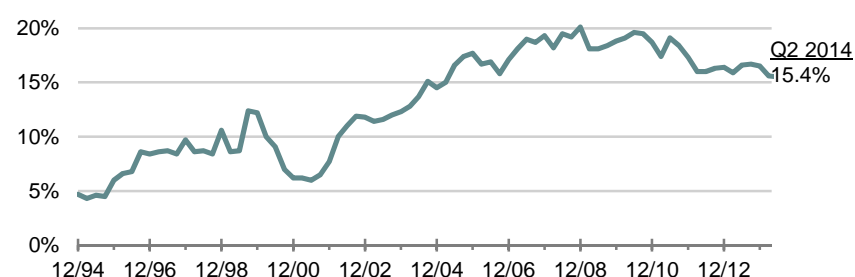
U.S. Holdings With Non-U.S. Sales > 50% (28.5% of Fund)

| | Non-U.S. Sales (%) | Fund Weight (%) |
|---------------------------------|--------------------|-----------------|
| Hewlett-Packard Company | 64% | 4.2% |
| Merck & Co., Inc. | 58% | 2.2% |
| Symantec Corporation | 52% | 2.0% |
| General Electric Company | 54% | 1.9% |
| Apache Corporation | 58% | 1.8% |
| Pfizer Inc. | 61% | 1.5% |
| Google Inc. Class C | 55% | 1.5% |
| Chevron Corporation | 58% | 1.5% |
| TE Connectivity Ltd. | 72% | 1.4% |
| Baker Hughes Incorporated | 55% | 1.3% |
| Corning Incorporated | 74% | 1.3% |
| eBay Inc. | 52% | 1.2% |
| National Oilwell Varco, Inc. | 65% | 1.2% |
| Celanese Corporation Class A | 72% | 1.0% |
| Synopsys, Inc. | 52% | 0.9% |
| Tyco International Ltd. | 51% | 0.8% |
| Google Inc. Class A | 55% | 0.8% |
| Maxim Integrated Products, Inc. | 88% | 0.7% |
| Adobe Systems Incorporated | 52% | 0.5% |
| Cadence Design Systems, Inc. | 56% | 0.3% |
| News Corporation Class A | 57% | 0.2% |

Percentage of Company Sales from Outside the United States



Fund Assets in Foreign Holdings Not in the S&P 500 Index



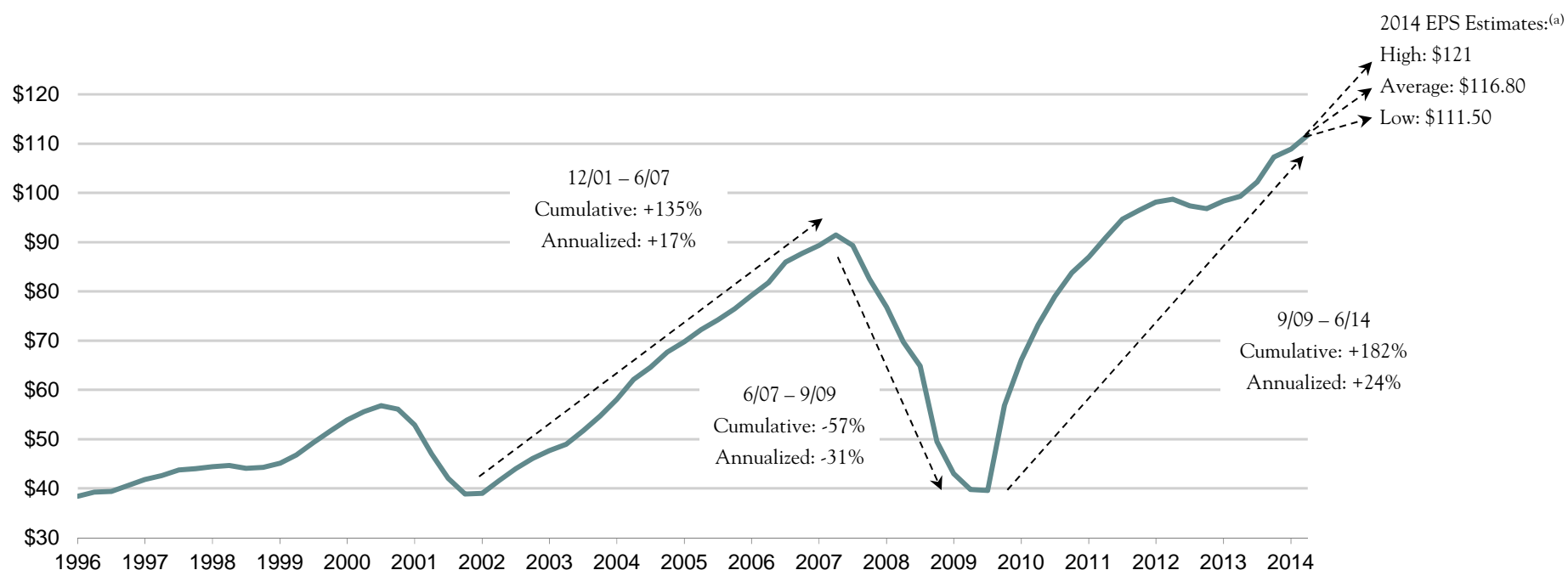
Source: Bloomberg LP, FactSet. Foreign holdings are non-U.S. incorporated but U.S. dollar-denominated. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and management fees and other expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Corporate Earnings Continue to Grow

June 30, 2014

Corporate earnings have rebounded and growth expectations are more moderate. The estimates for 2014 earnings range from +4% to +11% growth, reflecting uncertainty. Dodge & Cox's outlook for corporate earnings growth, based on bottom-up analysis, remains midway between the estimates.

Q1 1996 – Q2 2014E: S&P 500 Operating Earnings per Share, Trailing 4 Quarters



^(a)Estimates from brokerage firm strategists, compiled by Bloomberg.

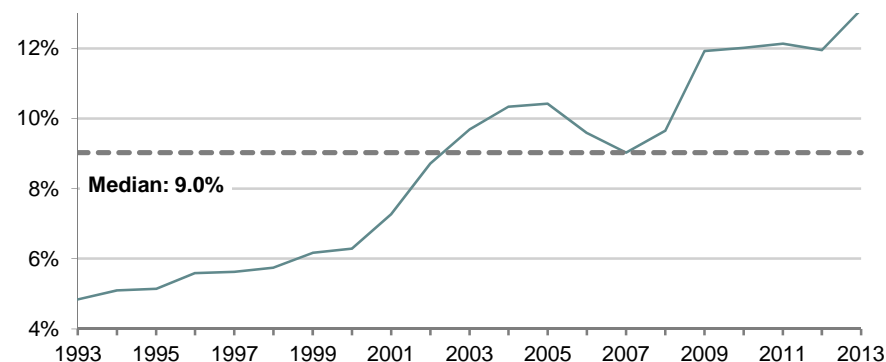
Source: Bloomberg, Standard & Poor's. Operating earnings estimates are bottom-up, which include estimates of each firm in the index. The final quarter includes estimated earnings, which may be higher than actual earnings. 2014 operating earnings are estimated to be \$117 (S&P consensus). The above is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and management fees and other expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Corporate Balance Sheets Are Strong

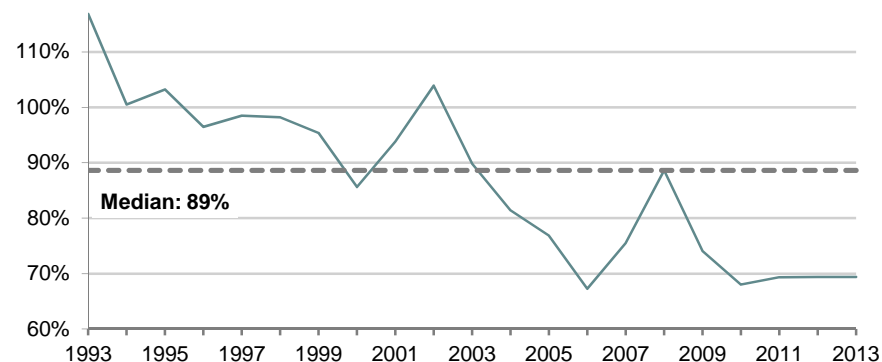
June 30, 2014

S&P Industrials: 1993 – 2013

Cash / Assets



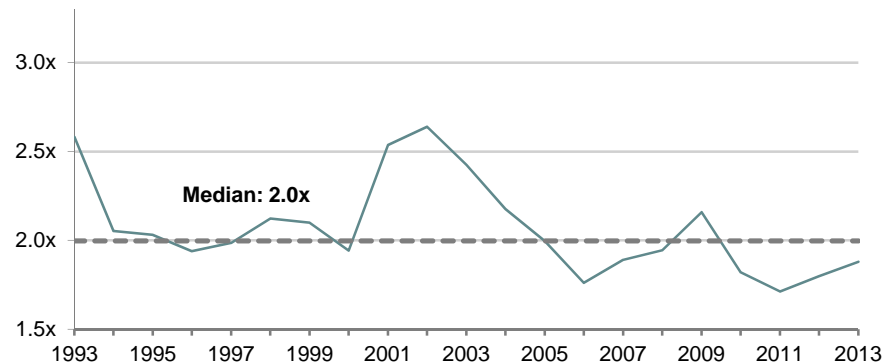
Total Debt / Total Equity



Short-Term Debt / Long-Term Debt



Total Debt / EBITDA



Source: Standard & Poor's. Reflects data published 6/2014. EBITDA is Earnings Before Interest, Taxes, Depreciation, and Amortization. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and management fees and other expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Current Valuations are Reasonable

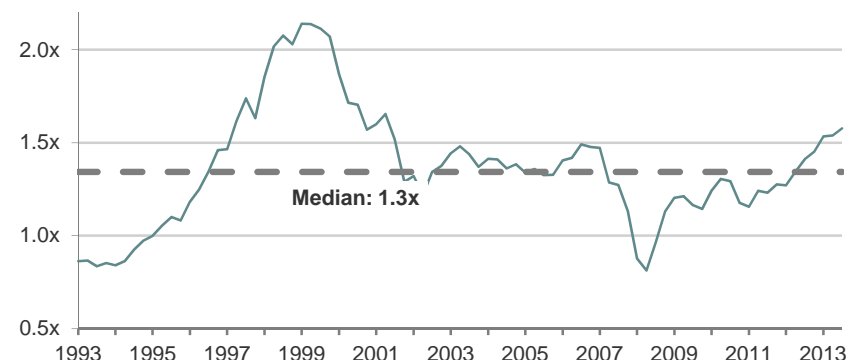
June 30, 2014

S&P 500 Forward Price-to-Earnings: Dec 93 – Jun 14



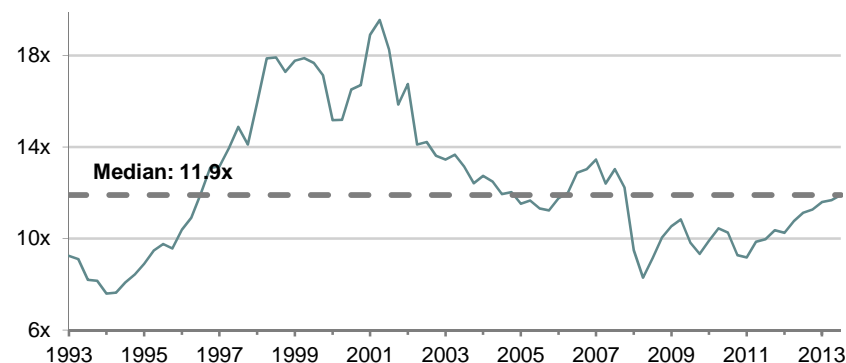
Source: Morgan Stanley. Morgan Stanley may have a different earnings estimate than consensus.

S&P Industrials Price-to-Sales: Dec 93 – Jun 14



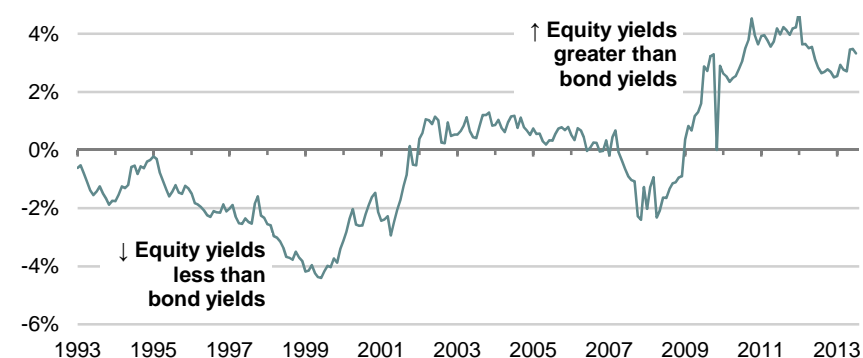
Source: The Leuthold Group.

S&P Industrials Price-to-Cash Flow: Dec 93 – Jun 14



Source: The Leuthold Group.

S&P 500 Earnings Yield – Corp. Bond Yield: Dec 93 – Jun 14



Source: S&P operating earnings / price, Barclays U.S. Corporate Investment Grade Index.

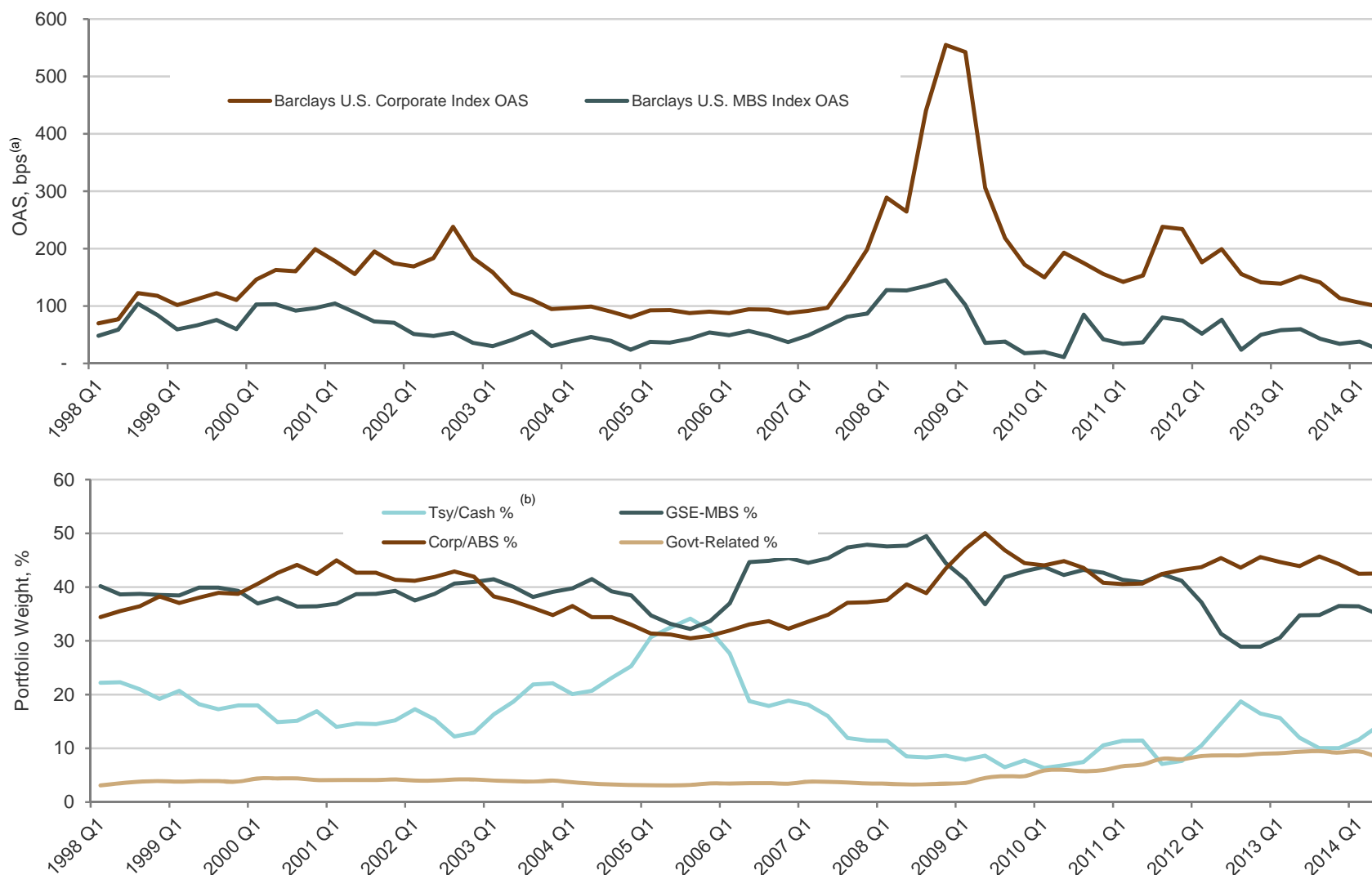
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Supplemental Exhibits

Sector Weightings Over Time

June 30, 2014

Fixed Income Tax-Exempt Composite – Supplemental Exhibit



^(a)OAS (option-adjusted spread) is the option-adjusted yield differential between stated index and comparable U.S. Treasuries. OAS does not translate into a return. ^(b) 2010 and later data as presented includes the effect of a short position in 10-year Treasury futures contracts.

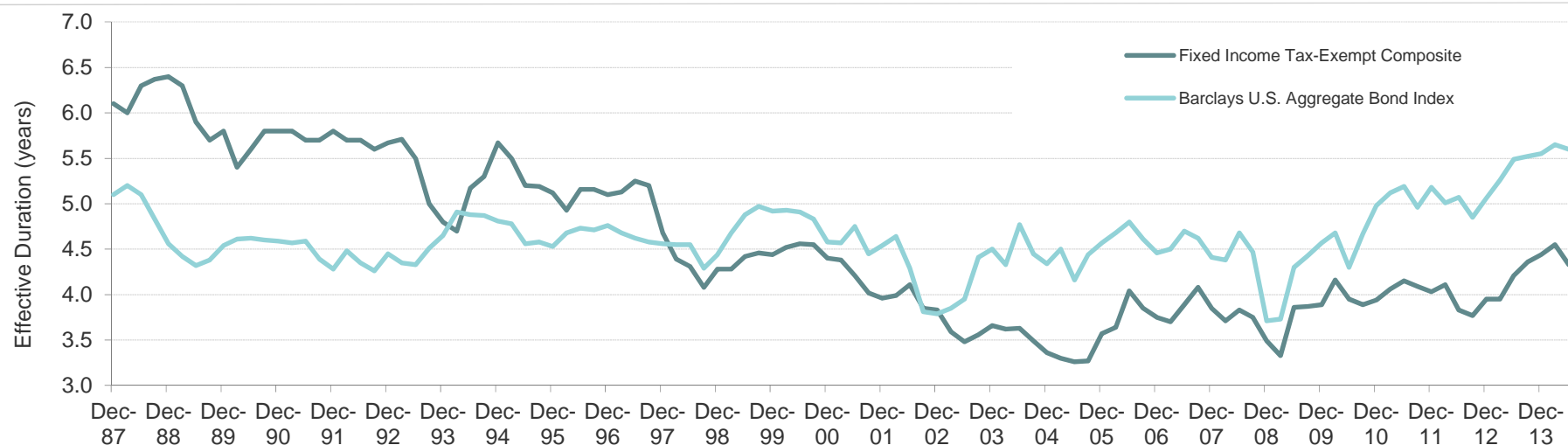
Sources: Barclays, AS400 portfolio system. This exhibit supplements and must be accompanied or preceded by Dodge & Cox's Fixed Income Tax-Exempt Composite. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice.

Duration Positioning

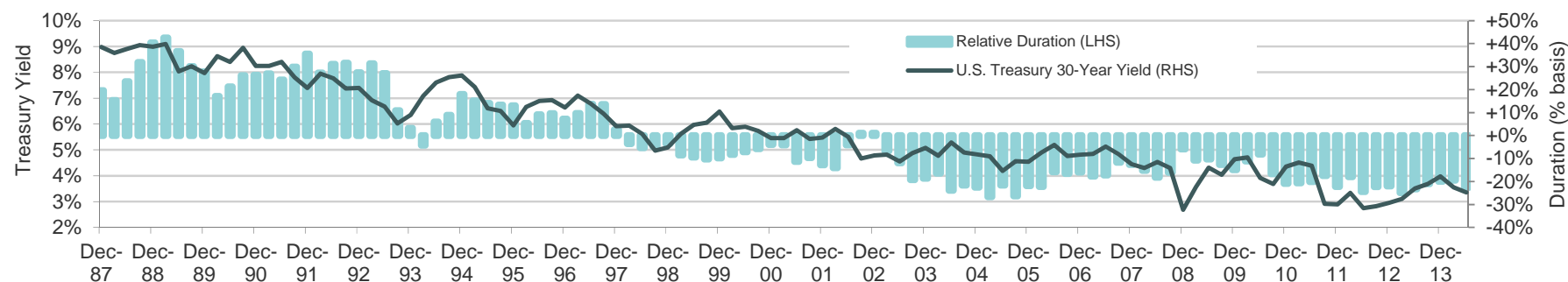
June 30, 2014

Fixed Income Tax-Exempt Composite – Supplemental Exhibit

Effective Duration – Quarterly Data December 1987 – June 2014



Relative Effective Duration vs. 30- Year U.S. Treasury Yield



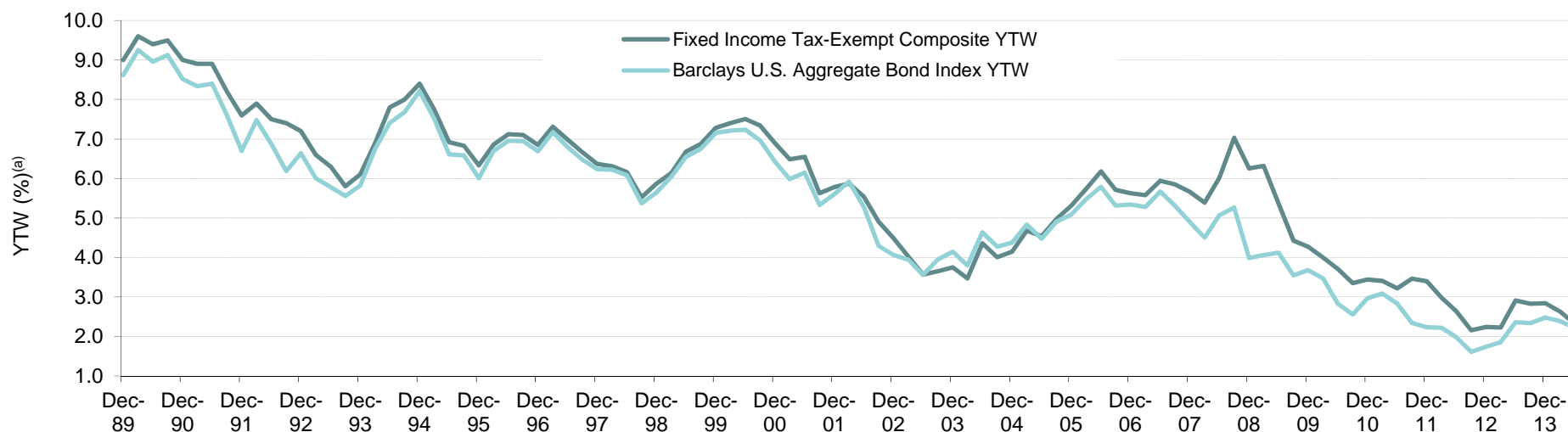
Source: Barclays POINT and Bloomberg LP. This exhibit supplements and must be accompanied or preceded by Dodge & Cox's Fixed Income Tax-Exempt Composite. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice.

Yield Advantage

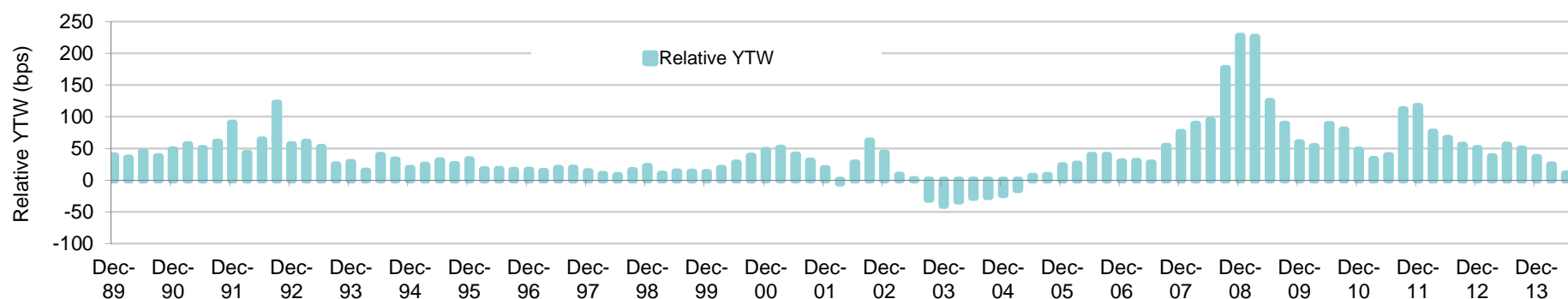
June 30, 2014

Fixed Income Tax-Exempt Composite – Supplemental Exhibit

Yield-to-Worst (YTW) – Quarterly Data March 1989 – June 2014



Relative YTW



^(a)Yield and Principal value fluctuate with market conditions

Source: Interactive Data's BondEdge, Barclays POINT and Bloomberg LP. This exhibit supplements and must be accompanied or preceded by Dodge & Cox's Fixed Income Tax-Exempt Composite. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice.

Below Investment Grade Holdings^(a)

June 30, 2014

Stanislaus County Employees Retirement Association-Bond Acct

| Issuer ^(b) | Ratings | | | % of Portfolio | Duration | Yield-to-Worst (%) ^(c) |
|--|---------|-----|-------|----------------|----------|-----------------------------------|
| | Moody's | S&P | Fitch | | | |
| Liberty Interactive Corp. | B2 | BB | BB | 0.32 | 8.7 | 7.22 |
| Dillard's, Inc. | Ba2 | BB+ | BBB- | 0.33 | 8.4 | 6.69 |
| Enel SPA | Ba1 | BB+ | BBB- | 0.16 | 6.5 | 6.19 |
| Bank of America capital securities | Ba1 | BB+ | BB+ | 1.03 | 12.3 | 5.59 |
| Cemex SAB de CV | NR | B+ | BB- | 0.80 | 5.3 | 5.48 |
| Royal Bank of Scotland Group sub group | Ba3 | BB+ | BBB- | 1.29 | 6.9 | 4.80 |
| Vulcan Materials Co. | Ba3 | BB | NR | 0.49 | 5.5 | 4.29 |
| Telecom Italia SPA | Ba1 | BB+ | BBB- | 1.57 | 5.9 | 4.13 |
| Health Net, Inc. | Ba3 | BB | BB | 0.35 | 2.7 | 2.82 |
| Navient Corp. | Ba3 | BB | BB | 1.01 | 2.1 | 2.48 |
| Sprint Corp. | B1 | BB- | B+ | 0.55 | 2.3 | 2.21 |
| Lafarge SA | Ba1 | BB+ | BB+ | 0.61 | 1.9 | 1.74 |
| Citigroup capital securities | Ba1 | BB+ | BBB- | 0.87 | 1.3 | 0.95 |
| Total Weighted Average | | | | | 5.4 | 3.95 |

Total Portfolio Weightings (%)

| | |
|-----------------------------|------|
| Highest (Moody's/S&P/Fitch) | 5.16 |
| Middle (Moody's/S&P/Fitch) | 9.39 |
| Lowest (Moody's/S&P/Fitch) | 9.39 |

^(a)Weighted average statistics. ^(b)Except as noted, investments grouped by parent company. Actual securities may be issued by the listed parent company or one of its subsidiaries. ^(c)Yield and principal value fluctuate with market conditions.

Source: The YieldBook, Inc., Bloomberg LP, Interactive Data's BondEdge. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings.

Summary of Transactions

One Year Ending June 30, 2014

Stanislaus County Employees Retirement Association – Equity

| | New Purchases | Significant Additions | Sales | Significant Trims |
|----------------------------|---|------------------------|---|---|
| Energy | NATIONAL OILWELL VARCO INC | APACHE CORP | | BAKER HUGHES INC SCHLUMBERGER LTD |
| Materials | | | DOMTAR CORP | DOW CHEMICAL CO/THE |
| Industrials | | | PITNEY BOWES INC | FEDEX CORP GENERAL ELECTRIC CO |
| Consumer Discretionary | TARGET CORP TIME INC | COACH INC | | COMCAST CORP-CLASS A |
| Consumer Staples | | WAL-MART STORES INC | | |
| Health Care | EXPRESS SCRIPTS HOLDING CO FOREST LABORATORIES INC | UNITEDHEALTH GROUP INC | FOREST LABORATORIES INC | MERCK & CO. INC. PFIZER INC |
| Finance | | | GENWORTH FINANCIAL INC-CL A | |
| Information Technology | EMC CORP/MA GOOGLE INC-CL C | | COMPUWARE CORP AMDOCS LTD MOLEX INC -CL A XEROX CORP | ADOBE SYSTEMS INC COMPUTER SCIENCES CORP |
| Telecommunication Services | | | VODAFONE GROUP PLC-SP ADR VERIZON COMMUNICATIONS INC SPRINT NEXTEL CORP | |

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Our Approach to Portfolio Construction and Risk Control

June 30, 2014

Key Message:

Our risk control strategy is a function of: bottom-up fundamental research, valuation analysis, diversification, process, and culture.

Typical Approach

Risk Assessment based on Benchmark:

- Define risk as volatility relative to benchmark
- Minimize tracking error and portfolio beta
- Benchmark-based sector limits
- Backward-looking measurements
- One year horizon

Quantitative Rules

- Strict concentration limits
- Stop loss rules
- Frequent rebalancing
- Tail hedges

Portfolio Manager

- Worldwide investment staff
- Macro view and forecasts used as key inputs to security selection
- Portfolio Manager chooses from a list of approved stocks

Dodge & Cox Approach

Risk Assessment based on Capital Preservation:

- Define risk as potential for permanent loss of capital
- Diversify portfolio across:
 - Industry Sector
 - Investment Thesis
 - Primary Risk
- Forward looking based on fundamental outlook and valuation
- Three-to five-year horizon
- Avoid highly concentrated positions

Collective Judgment

- Experience from past cycles
- Education—thorough analysis of individual holdings
- Non-formulaic
- Persistence, patience, and psychological preparation

Policy Committee

- Investment team based in San Francisco
- Bottom-up approach based on individual company analysis
- Group decision-making process

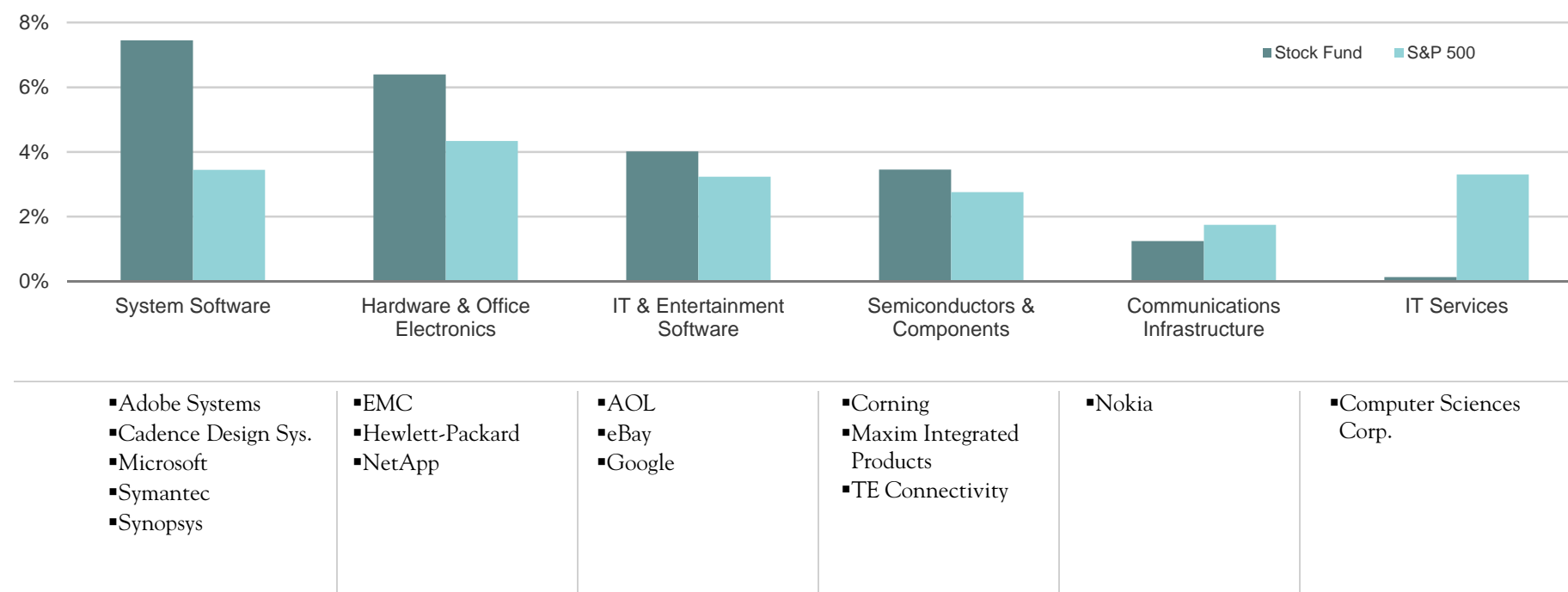
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Technology: Diversification Within the Sector

June 30, 2014

Dodge & Cox Stock Fund

Stock Fund Technology Holdings (22.7%) vs. the S&P 500 Index (18.8%)



More Than One-Fifth of the Fund's Holdings Are in Technology – with Representation in Six Subsectors

- Sixteen holdings with diversified revenue streams.
- Overweight in Software and Hardware.
- Underweight in IT Services.

Source: FactSet. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and management fees and other expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Technology: Strong Franchises, Reasonable Valuations

June 30, 2014

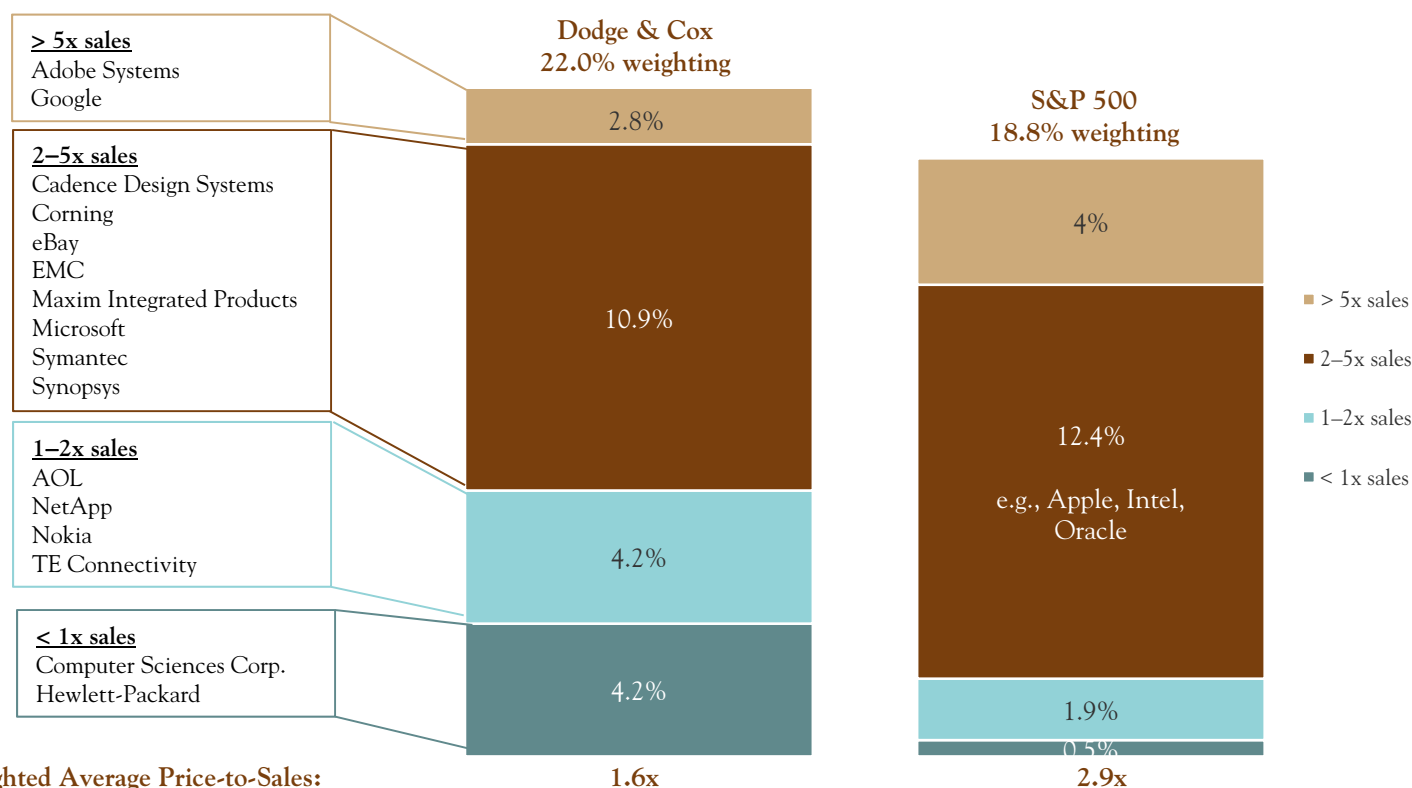
Dodge & Cox Representative Equity Portfolio – Supplemental Information

In general, investors have limited visibility of future earnings:

- Growth generally driven by innovation and disruption
- Intense competition, short product cycles, and product obsolescence
- Significant investments in R&D with uncertain outcomes

As a result, we look for:

- Reasonable valuations which incorporate modest expectations
- Industry leadership (brand, distribution, and market share) and focus
- Sustained R&D effort and strong intellectual property portfolio
- Financial stability



Source: FactSet. The representative portfolio characteristics are based on one of the largest and oldest fully discretionary tax-exempt equity accounts that has not experienced recent material cash flow events or investment guideline changes. Representative account holdings are subject to change and new accounts may have different holdings. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings. This exhibit supplements and must be accompanied or preceded by Dodge & Cox's Tax-Exempt Equity Composite.

Dodge & Cox Equity Tax-Exempt Composite[†]

June 30, 2014

Total Rates of Return (%) (Gross of Fees)

| | Annual Returns for Years Ended June 30, | | | | | | | | | |
|----------------------------|---|-------|-------|--------|--------|-------|-------|-------|-------|-------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Total Composite | 13.19 | 15.51 | 20.45 | -20.80 | -28.23 | 16.19 | 31.04 | -0.02 | 30.46 | 27.89 |
| S & P 500 Index † | 6.29 | 8.63 | 20.60 | -13.10 | -26.22 | 14.42 | 30.70 | 5.45 | 20.60 | 24.62 |
| Russell 1000 Value Index † | 14.05 | 12.10 | 21.84 | -18.79 | -29.02 | 16.93 | 28.94 | 3.00 | 25.32 | 23.81 |

| | Annualized Cumulative Returns for Periods Ended June 30, 2014 | | | | | | | | | |
|----------------------------|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 10 YRS | 9 YRS | 8 YRS | 7 YRS | 6 YRS | 5 YRS | 4 YRS | 3 YRS | 2 YRS | 1 YR |
| Total Composite | 8.56 | 8.06 | 7.16 | 5.39 | 10.52 | 20.49 | 21.59 | 18.60 | 29.17 | 27.89 |
| S & P 500 Index † | 7.78 | 7.95 | 7.87 | 6.16 | 9.76 | 18.84 | 19.97 | 16.59 | 22.59 | 24.62 |
| Russell 1000 Value Index † | 8.02 | 7.37 | 6.80 | 4.81 | 9.36 | 19.23 | 19.81 | 16.92 | 24.57 | 23.81 |

| | Statistics (\$ millions) at June 30, | | | | | | | | | |
|----------------------------|--------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Number of Accounts | 182 | 187 | 192 | 184 | 159 | 157 | 147 | 134 | 123 | 128 |
| Ending Market Value (\$) | 21,586 | 23,749 | 26,869 | 19,277 | 12,502 | 13,392 | 15,444 | 13,764 | 14,614 | 17,753 |
| Average Account Size (\$) | 119 | 127 | 140 | 105 | 79 | 85 | 105 | 103 | 119 | 139 |
| Median Account Size (\$) | 55 | 53 | 59 | 44 | 34 | 37 | 47 | 45 | 55 | 56 |
| Standard Deviation (%) | 0.4 | 0.4 | 0.5 | 0.6 | 1.0 | 0.6 | 0.6 | 0.5 | 0.5 | 0.4 |
| Total Firm Assets (\$) | 152,095 | 183,483 | 239,113 | 209,506 | 145,138 | 166,688 | 199,230 | 180,584 | 201,270 | 248,518 |
| % of Total Firm Assets (%) | 14.2 | 12.9 | 11.2 | 9.2 | 8.6 | 8.0 | 7.8 | 7.6 | 7.3 | 7.1 |

[†] This information is not covered by the report of independent accountants.

Dodge & Cox claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Dodge & Cox has been independently verified for annual periods since 12/31/1991. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Equity Tax-Exempt Composite has been examined for annual periods since 12/31/1991. The verification and performance examination reports are available upon request.

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Dodge & Cox Equity Tax-Exempt Composite

June 30, 2014

Notes to the Composite

1. The Equity Tax-Exempt Composite is comprised of equity accounts that are managed free of tax constraints. The accounts are invested in diversified portfolios of common and preferred stocks. The accounts' objectives are to seek long-term growth of principal and income.
2. This composite was created on January 1, 1993.
3. Dodge & Cox, an independent investment adviser registered under the Investment Advisers Act of 1940, is an autonomous investment firm for purposes of determining the Total Firm Assets under management and firmwide compliance.
4. Cash reserves and equivalents are included in the Total Composite returns. Segments of multiple-asset portfolios are not included in this composite.
5. Valuations and performance are computed in U.S. dollars.
6. Performance is generally reported gross of withholding tax on dividends, interest income and capital gains.
7. Performance figures do not reflect the deduction of investment advisory fees and other expenses. Returns will be reduced by the advisory fees and other expenses incurred in the management of the accounts. For example, if an annual management fee of 0.60% were deducted quarterly from each account, a ten year annualized cumulative composite return of 10.00% would be reduced by 0.64% to 9.36%. Information on Dodge & Cox investment advisory fees can be found in its Form ADV, Part 2A.
8. Unmanaged indices shown for comparative purposes do not reflect the deduction of any fees.
The S&P 500 Index is a market capitalization-weighted index of 500 large-capitalization stocks commonly used to represent the U.S. equity market.
The Russell 1000 Value Index is a broad-based, unmanaged equity market index composed of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.
9. This report may only be presented to prospective clients on a one-on-one basis.
10. The performance data represents past performance; the results shown should not be considered as a representation of gain/loss which may be realized from an investment made today.
11. A complete list and description of all Dodge & Cox composites, as well as additional information regarding policies for valuing portfolios, calculating and reporting returns, is available upon request.
12. Accounts with asset size below \$4,000,000 prior to October 1, 2001 and \$5,000,000 thereafter are excluded from the composite.
13. The Annualized Cumulative Rate of Return is equivalent to the annual rate of return which, if earned in each year of the indicated multi-year period, would produce the actual cumulative rate of return over the entire period.
14. Total Firm Assets are calculated at a point in time. Internal dispersion is calculated by using the asset-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year.
15. Results include accounts present for the entire measurement period, except for accounts subject to material client restrictions. The measurement period is defined as a full quarter prior to January 1, 2000 and as a full month thereafter.
16. Before January 1, 2005, trade date accounting was utilized except for a maximum of 10% or less of accounts which used settlement date accounting, at the client's request.
17. Current annual fees for Equity Accounts are:
0.60% on the first \$25 million
0.40% thereafter

| | | | | |
|---|-----------|-----------|-----------|-----------|
| 18. 3 year annualized standard deviation at | 6/30/2014 | 6/30/2013 | 6/30/2012 | 6/30/2011 |
| Total Composite: | 14.0 | 15.8 | 18.6 | 24.9 |
| S & P 500 Index: | 12.3 † | 13.6 † | 16.1 † | 21.2 † |
| Russell 1000 Value Index: | 13.0 † | 14.1 † | 16.8 † | 22.6 † |

Source Citations

Barclays

Barclays U.S. Aggregate Index: The Barclays U.S. Aggregate Bond Index is a widely recognized, unmanaged index of U.S. dollar-denominated, investment-grade, taxable fixed income securities.

Barclays Global Aggregate Index: The Barclays Global Aggregate Bond Index is a widely recognized, unmanaged index of multi-currency, investment-grade fixed income securities.

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GICS

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Russell

Russell 1000 Value Index: The Russell 1000 Value Index is a broad-based, unmanaged equity market index composed of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

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Standard & Poor’s

S&P 500: The S&P 500 Index is a market capitalization-weighted index of 500 large-capitalization stocks commonly used to represent the U.S. equity market.

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MSCI

MSCI EAFE: The MSCI EAFE (Europe, Australasia, Far East) Index is a broad-based, unmanaged equity market index aggregated from 22 developed market country indices, excluding the United States.

MSCI World: The MSCI World Index is a broad-based, unmanaged equity market index aggregated from 24 developed market country indices, including the United States.

MSCI ACWI: The MSCI ACWI (All Country World Index) Index is a broad-based, unmanaged equity market index aggregated from 45 developed and emerging market country indices.

MSCI ACWI ex US: The MSCI ACWI (All Country World Index) ex US Index is a broad-based, unmanaged equity market index aggregated from 44 developed and emerging market country indices, excluding the United States.

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Presenters:

Deirdre A. Curry – Ms. Curry graduated from Fordham University in 1989 with a B.A. in Economics. Her prior experience includes nine years at BlackRock, Inc. as a director and senior relationship manager responsible for new business development and client service for institutional clients. She also previously held positions in marketing and consultant relations with Lazard Asset Management, UBS Asset Management, and Salomon Brothers Asset Management. Ms. Curry joined Dodge & Cox in 2010.

Robert B. Thompson (F) – *Vice President*. Mr. Thompson received his A.B. degree from Stanford in 1971, served as a U.S. Navy submarine officer, and then returned to Stanford to obtain his M.B.A. in 1977. He worked in the fixed income departments of three major securities firms and as a principal of a small San Francisco-based investment management firm. He joined Dodge & Cox in 1992. He is a shareholder of the firm, a CFA charterholder, a Chartered Investment Counselor, and a past president of the CFA Society of San Francisco.

Wendell W. Birkhofer (I,P) – *Vice President*. Mr. Birkhofer received his B.A. degree from Stanford University in 1978 and his M.B.A. from the Stanford Graduate School of Business in 1987. Prior to entering the M.B.A. program, he worked for six years with Wen Birkhofer & Co., an investment broker dealer firm in Los Angeles. He joined Dodge & Cox in 1987. Mr. Birkhofer is a former member of the Board of Governors of the Investment Adviser Association. He is a shareholder of the firm, a CFA charterholder, and a Chartered Investment Counselor.

*I = Member of Investment Policy Committee F = Member of Fixed Income Investment Policy Committee IP = Member of International Investment Policy Committee
G = Member of Global Stock Investment Policy Committee GB = Member of Global Bond Investment Policy Committee P = Private Client Group Policy Committee*

Investment Policy Committee

John A. Gunn (I,IP,G) – *Former Chairman*. Mr. Gunn graduated from Stanford University in 1966 and received his M.B.A. from the Stanford Graduate School of Business in 1972. He joined Dodge & Cox in 1972. He is a former Trustee of the Dodge & Cox Funds. Mr. Gunn is a former member of the Board of Governors of the CFA Institute, a CFA charterholder, and a Chartered Investment Counselor.

Charles F. Pohl (I,IP,G,F) – *Chairman and Chief Investment Officer*. Mr. Pohl received his B.A. degree in 1980 and his M.B.A. degree in 1981 from the University of Chicago. He was with Wells Fargo Investment Advisors from 1981 until joining Dodge & Cox in 1984. Mr. Pohl is Chairman and a Trustee of the Dodge & Cox Funds. He is a Director and shareholder of the firm and a CFA charterholder.

Bryan Cameron (I,IP,P) – *Senior Vice President and Director of Research*. Mr. Cameron received his B.A. degree in Economics from the University of California, Davis in 1980 and his M.B.A. from the Stanford Graduate School of Business in 1983. Mr. Cameron worked for Dodge & Cox for one year before entering the M.B.A. program and rejoined the firm in 1983. He is a shareholder of the firm and a CFA charterholder.

Diana S. Strandberg (I,IP,G,GB) – *Senior Vice President and Director of International Equity*. Ms. Strandberg graduated from the University of California, Berkeley (Phi Beta Kappa) in 1981 and received her M.B.A. degree from the Harvard Business School in 1986. After two years as a securities analyst at the First Boston Corporation, she joined Dodge & Cox in 1988. Ms. Strandberg is a Senior Vice President of the Dodge & Cox Funds. She is a Director and shareholder of the firm and a CFA charterholder.

David C. Hoeft (I) – *Senior Vice President and Associate Director of Research*. Mr. Hoeft received his B.A. degree (Phi Beta Kappa) from the University of Chicago in 1989 and his M.B.A. from the Harvard Business School in 1993. Prior to entering graduate school, he worked for two years as a consultant to the energy industry. He joined Dodge & Cox in 1993. He is a Director and shareholder of the firm and a CFA charterholder.

Gregory R. Serrurier (I,IP,P) – *Senior Vice President*. Mr. Serrurier received his B.S. degree in 1979 from Oregon State University and his M.B.A. from the Stanford Graduate School of Business in 1984. He joined Dodge & Cox in 1984. He is a shareholder of the firm, a CFA charterholder, and a Chartered Investment Counselor.

Wendell W. Birkhofer (I,P) – *Vice President*. Mr. Birkhofer received his B.A. degree from Stanford University in 1978 and his M.B.A. from the Stanford Graduate School of Business in 1987. Prior to entering the M.B.A. program, he worked for six years with Wen Birkhofer & Co., an investment broker dealer firm in Los Angeles. He joined Dodge & Cox in 1987. Mr. Birkhofer is a former member of the Board of Governors of the Investment Adviser Association. He is a shareholder of the firm, a CFA charterholder, and a Chartered Investment Counselor.

Steven C. Voorhis (I,G) – *Vice President*. Mr. Voorhis received his B.A. and M.A. degrees from Stanford University in 1992 and his M.B.A. from the Harvard Business School in 1996. Prior to graduate school, he worked at Goldman Sachs as a financial analyst. He joined Dodge & Cox in 1996. Mr. Voorhis is a shareholder of the firm and a CFA charterholder.

Philippe Barret, Jr. (I) – *Vice President*. Mr. Barret received his B.A. degree (magna cum laude) from Washington and Lee University in 1998 and his M.B.A. degree from the Stanford Graduate School of Business in 2004. Between degrees, he worked as a financial analyst at JP Morgan and American Securities Capital Partners, LLC. Mr. Barret joined Dodge & Cox in 2004. He is a shareholder of the firm and a CFA charterholder.

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Fixed Income Investment Policy Committee

Dana M. Emery (F,GB) – *Chief Executive Officer, President, and Director of Fixed Income*. Ms. Emery received her B.A. degree from Stanford University in 1983. She joined Dodge & Cox in 1983. Ms. Emery is President and a Trustee of the Dodge & Cox Funds. She is a Director and shareholder of the firm, a CFA charterholder, and a Chartered Investment Counselor.

Charles F. Pohl (I,IP,G,F) – *Chairman and Chief Investment Officer*. Mr. Pohl received his B.A. degree in 1980 and his M.B.A. degree in 1981 from the University of Chicago. He was with Wells Fargo Investment Advisors from 1981 until joining Dodge & Cox in 1984. Mr. Pohl is Chairman and a Trustee of the Dodge & Cox Funds. He is a Director and shareholder of the firm and a CFA charterholder.

Thomas S. Dugan (F,GB) – *Senior Vice President and Associate Director of Fixed Income*. Mr. Dugan received his B.A. from Brown University in 1987 and his M.B.A. from the University of California, Berkeley in 1992. Before graduate school he worked as a fixed income securities trader for J.P. Morgan Securities. Prior to joining Dodge & Cox in 1993, he worked in the Czech Republic as an advisor to a Czech investment fund. Mr. Dugan is a Director and shareholder of the firm and a CFA charterholder.

Kent E. Radspinner (F) – *Vice President*. Mr. Radspinner received his B.S. degree from the University of Minnesota in 1988 and his M.P.P.M. from the Yale School of Management in 1996. Between degrees, he served in the U.S. Navy. He joined Dodge & Cox in 1996. Mr. Radspinner is a shareholder of the firm and a CFA charterholder.

Larissa K. Roesch (F) – *Vice President*. Ms. Roesch received her A.B. degree (cum laude) in music and mathematics from Dartmouth College in 1988. She received her M.B.A. from the Haas School of Business at the University of California, Berkeley in 1997. Prior to graduate school, she worked for seven years in the performing arts industry. She joined Dodge & Cox in 1997. Ms. Roesch is a shareholder of the firm and a CFA charterholder.

James H. Dignan (F,GB) – *Vice President*. Mr. Dignan received his A.B. from Columbia University in 1991 in Philosophy / Economics. He received an M.A. in Economics from New York University in 1994 and his M.B.A. from Northwestern's J.L. Kellogg Graduate School of Management in 1996. Prior to joining Dodge & Cox in 1999, he worked in portfolio management for Fannie Mae. Mr. Dignan is a shareholder of the firm and a CFA charterholder.

Anthony J. Brekke (F) – *Vice President*. Mr. Brekke received his B.A. degree from the University of Iowa in 1997 and his M.B.A. degree from the Haas School of Business at the University of California, Berkeley in 2003. Prior to entering the Haas School, he worked for four years as an auditor with the National Futures Association. He joined Dodge & Cox in 2003. Mr. Brekke is a shareholder of the firm and a CFA charterholder.

Adam S. Robinson (F,GB) – *Vice President*. Mr. Robinson received his B.A. degree (summa cum laude) from Columbia College in 1988 and his J.D. degree from the Stanford Law School in 1991. From 1991 to 1997 he practiced corporate law at Sullivan & Cromwell. Prior to joining Dodge & Cox in 2002, he worked in the fixed income and investment banking divisions of Goldman Sachs. Mr. Robinson is a shareholder of the firm and a CFA charterholder.

Lucinda I. Johns (F,GB) – *Vice President*. Ms. Johns received her B.A. degree (magna cum laude) from Williams College in 1996 and her M.B.A. degree from the UCLA Anderson School of Management in 2004. Prior to graduate school, she worked for approximately two years each at Merrill Lynch as a financial analyst, Dodge & Cox as a research assistant, and NBC Internet as a Senior Product Manager. Ms. Johns rejoined Dodge & Cox in 2004. She is a shareholder of the firm and a CFA charterholder.

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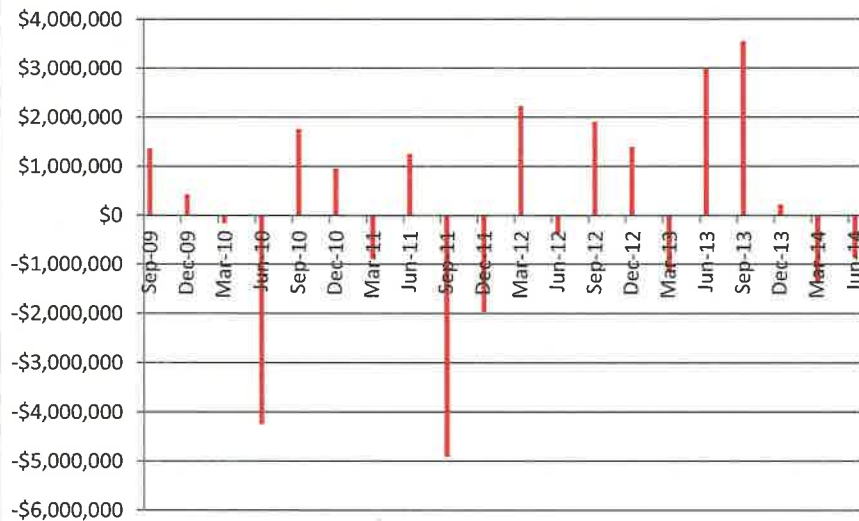
P = Private Client Group Policy Committee

DODGE & COX - LARGE CAP VALUE Quarterly Value Added

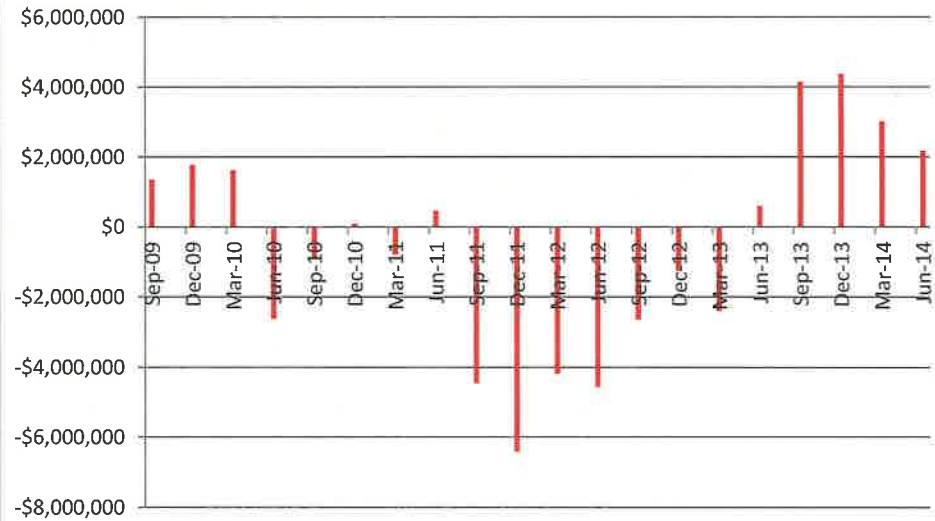
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| Quarter | Begin Date | End Date | Alpha | Fees | | Value Added |
|---------|------------|------------|--------------|------------|-----------|--------------|
| | | | | Managerial | Custodial | |
| 1 | 6/30/2009 | 9/30/2009 | \$1,446,821 | \$85,652 | \$3,814 | \$1,357,354 |
| 2 | 9/30/2009 | 12/31/2009 | \$515,303 | \$88,756 | \$4,122 | \$422,425 |
| 3 | 12/31/2009 | 3/31/2010 | -\$57,048 | \$92,709 | \$4,312 | -\$154,069 |
| 4 | 3/31/2010 | 6/30/2010 | -\$4,161,579 | \$74,563 | \$4,009 | -\$4,240,151 |
| 5 | 6/30/2010 | 9/30/2010 | \$1,841,032 | \$79,904 | \$3,653 | \$1,757,475 |
| 6 | 9/30/2010 | 12/31/2010 | \$1,043,825 | \$86,729 | \$3,997 | \$953,099 |
| 7 | 12/31/2010 | 3/31/2011 | -\$785,178 | \$90,267 | \$4,388 | -\$879,833 |
| 8 | 3/31/2011 | 6/30/2011 | \$1,340,497 | \$88,927 | \$4,499 | \$1,247,071 |
| 9 | 6/30/2011 | 9/30/2011 | -\$4,824,229 | \$72,824 | \$3,136 | -\$4,900,189 |
| 10 | 9/30/2011 | 12/31/2011 | -\$1,888,926 | \$75,694 | \$2,344 | -\$1,966,964 |
| 11 | 12/31/2011 | 3/31/2012 | \$2,303,140 | \$68,984 | \$1,476 | \$2,232,680 |
| 12 | 3/31/2012 | 6/30/2012 | -\$301,101 | \$67,711 | \$2,236 | -\$371,048 |
| 13 | 6/30/2012 | 9/30/2012 | \$1,983,489 | \$71,825 | \$1,072 | \$1,910,592 |
| 14 | 9/30/2012 | 12/31/2012 | \$1,467,208 | \$73,225 | \$2,092 | \$1,391,891 |
| 15 | 12/31/2012 | 3/31/2013 | -\$1,072,291 | \$79,186 | \$4,665 | -\$1,156,142 |
| 16 | 3/31/2013 | 6/30/2013 | \$3,074,425 | \$80,061 | \$6,119 | \$2,988,245 |
| 17 | 6/30/2013 | 9/30/2013 | \$3,641,556 | \$81,796 | \$6,026 | \$3,553,733 |
| 18 | 9/30/2013 | 12/31/2013 | \$313,275 | \$87,811 | \$5,815 | \$219,650 |
| 19 | 12/31/2013 | 3/31/2014 | -\$1,247,256 | \$88,200 | \$5,993 | -\$1,341,450 |
| 20 | 3/31/2014 | 6/30/2014 | -\$759,263 | \$88,840 | \$6,566 | -\$854,669 |

DODGE & COX - LARGE CAP VALUE
Quarterly Value Added



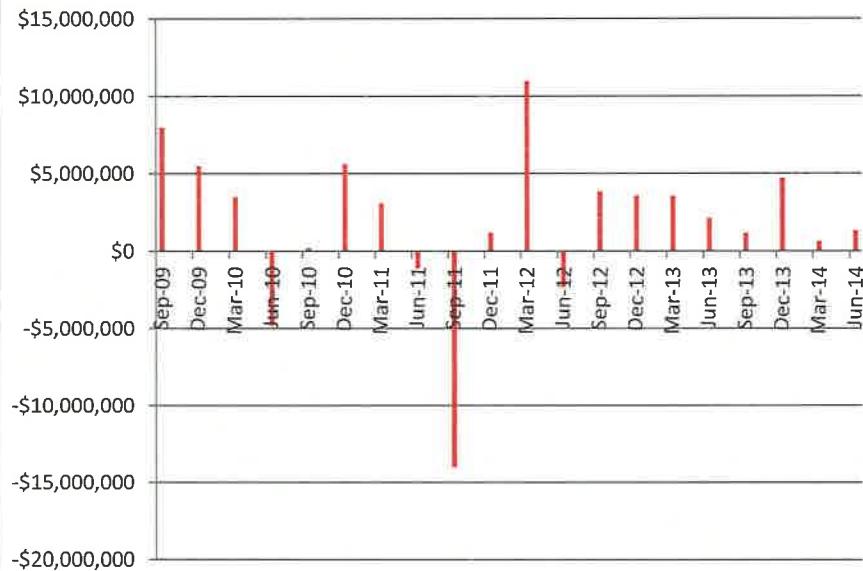
DODGE & COX - LARGE CAP VALUE
Quarterly Cumulative Value Added



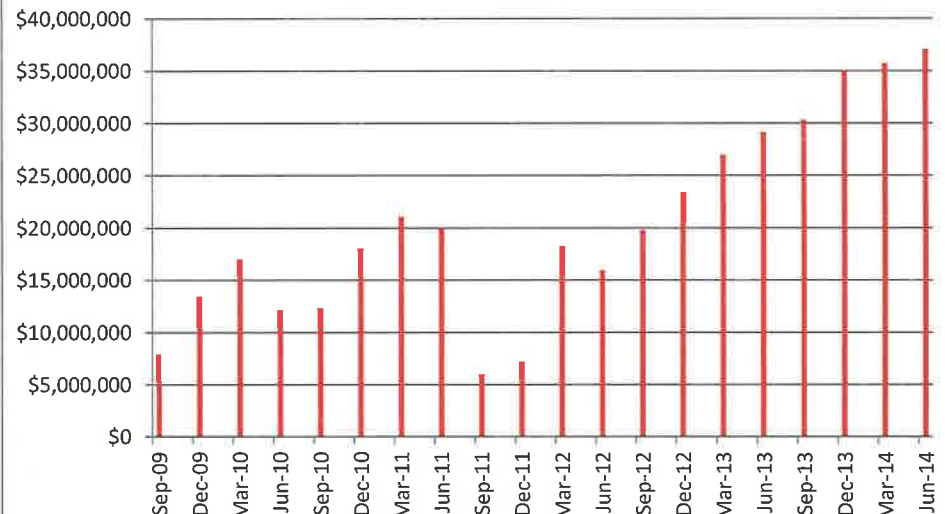
DODGE & COX FI Quarterly Value Added

| Quarter | Begin Date | End Date | Alpha | Fees | | Value Added |
|---------|------------|------------|---------------|------------|-----------|----------------------|
| | | | | Managerial | Custodial | |
| 1 | 6/30/2009 | 9/30/2009 | \$8,095,535 | \$96,022 | \$4,765 | \$7,994,748 |
| 2 | 9/30/2009 | 12/31/2009 | \$5,598,814 | \$94,950 | \$4,729 | \$5,499,134 |
| 3 | 12/31/2009 | 3/31/2010 | \$3,610,418 | \$96,543 | \$4,719 | \$3,509,156 |
| 4 | 3/31/2010 | 6/30/2010 | -\$4,695,333 | \$98,358 | \$4,807 | -\$4,798,498 |
| 5 | 6/30/2010 | 9/30/2010 | \$304,813 | \$100,758 | \$4,940 | \$199,115 |
| 6 | 9/30/2010 | 12/31/2010 | \$5,724,549 | \$100,934 | \$5,014 | \$5,618,601 |
| 7 | 12/31/2010 | 3/31/2011 | \$3,197,808 | \$102,236 | \$5,036 | \$3,090,536 |
| 8 | 3/31/2011 | 6/30/2011 | -\$969,737 | \$107,254 | \$5,260 | -\$1,082,251 |
| 9 | 6/30/2011 | 9/30/2011 | -\$13,865,344 | \$116,701 | \$1,899 | -\$13,983,943 |
| 10 | 9/30/2011 | 12/31/2011 | \$1,326,142 | \$115,860 | \$1,433 | \$1,208,849 |
| 11 | 12/31/2011 | 3/31/2012 | \$11,121,304 | \$113,310 | \$1,364 | \$11,006,630 |
| 12 | 3/31/2012 | 6/30/2012 | -\$2,191,044 | \$113,009 | \$1,363 | -\$2,305,417 |
| 13 | 6/30/2012 | 9/30/2012 | \$3,967,160 | \$113,951 | \$1,395 | \$3,851,813 |
| 14 | 9/30/2012 | 12/31/2012 | \$3,730,794 | \$113,934 | \$1,355 | \$3,615,505 |
| 15 | 12/31/2012 | 3/31/2013 | \$3,702,213 | \$114,526 | \$11,741 | \$3,575,946 |
| 16 | 3/31/2013 | 6/30/2013 | \$2,279,219 | \$110,496 | \$11,520 | \$2,157,204 |
| 17 | 6/30/2013 | 9/30/2013 | \$1,298,298 | \$108,799 | \$11,616 | \$1,177,882 |
| 18 | 9/30/2013 | 12/31/2013 | \$4,842,996 | \$106,646 | \$11,529 | \$4,724,821 |
| 19 | 12/31/2013 | 3/31/2014 | \$789,086 | \$106,850 | \$12,264 | \$669,972 |
| 20 | 3/31/2014 | 6/30/2014 | \$1,467,846 | \$107,964 | \$12,280 | \$1,347,602 |

DODGE & COX FI Quarterly Value Added



DODGE & COX FI Quarterly Cumulative Value Added



MARKET UPDATE

FOR AUGUST 2014

U.S. EQUITY

August was a strong month for U.S. equities with across-the-board gains, more than making up for July.

In the U.S., Growth outperformed Value and Small Caps outperformed Large Caps. For the month, the Russell 1000 Growth Index was up by +4.6% and the Russell 1000 Value Index up by +3.7%. The Russell 2000 Growth was up by +5.6% and the Russell 2000 Value Indices gained +4.4%. The S&P 500 Index ended the month higher by +4.0%.

The S&P 500 Index has a trailing P/E ratio of 19.2, a forward 12-month estimate P/E ratio of 16.8 and dividend yield of 1.9%.

Of the companies that have posted results so far this earnings season, 76% beat earnings estimates and 65% exceeded sales projections.

Corporate merger highlights for the month included: Scientific Games will pay about \$3.3 billion to buy Bally Technologies in a deal that will combine makers of gambling equipment; Gannett will buy the 73% interest it doesn't already own in Classified Ventures, the parent company of Cars.com, for \$1.8 billion; Telefonica offered to buy Vivendi's Brazilian internet-provider unit GVT for \$9 billion; Walgreen will buy the remaining 55% of Alliance Boots, Europe's largest pharmaceutical chain, for \$15 billion; Cerner will buy Siemens's health information technology unit for \$1.3 billion; Fannie Mae earned \$3.7 billion in the 2nd quarter and will pay a dividend of \$3.7 billion to the U.S. Treasury in September; U.S. buyout firm TPG Capital offered \$3.2 billion for Treasury Wine Estates, matching a takeover bid by KKR and Rhone Capital; Sanofi will pay MannKind as much as \$925 million for global rights to the world's only available inhaled insulin; FleetCor Technologies will buy payments business Comdata from Ceridian for about \$3.45 billion; General Electric is in talks to sell its home appliance business to Electrolux AB, the sale could bring up to \$2 billion; A Chinese group offered to buy U.S. digital imaging chipmaker OmniVision Technologies for \$1.7 billion; Royal Dutch Shell is selling shale formations in Louisiana and Wyoming for \$2.1 billion; Coca-Cola is buying a 16.7% stake in Monster Beverage for \$2.15 billion; Roche is in talks to buy the almost 40% stake in Japan's Chugai Pharmaceuticals that it does not already own for about \$10 billion; Dollar General upped the bidding war for Family Dollar to \$8.95 billion; Allergan has approached

Salix Pharmaceutical and at least one other company in a bid to avert a \$53 billion hostile takeover from Valeant; PetSmart announced it is considering putting itself up for sale; German chipmaker Infineon will buy Silicon Valley-based International Rectifier for about \$3 billion; Houston power producer Dynegy will spend \$6.25 billion to buy coal and gas power generation plants from Duke Energy and Energy Capital Partners; Swiss pharmaceutical company Roche will buy InterMune, a developer of treatments for lung diseases, for \$8.5 billion; Amazon is buying Twitch, a service that lets users watch and broadcast video game play, for more than \$1 billion; and, Burger King Worldwide will buy Canadian coffee and doughnut chain Tim Hortons for \$11.5 billion and move its headquarters to Canada, the new company will have 18,000 restaurants in 100 countries.

FIXED INCOME

The Congressional Budget Office forecast that the U.S. economy will grow by just 1.5% in 2014, undermined by a poor performance during the first three months of the year. After a bleak start to the year, the U.S. economy grew at a brisk annual rate of 4.2% in the second quarter according to an upwardly revised estimate by the government.

According to August released Federal Reserve minutes, most Fed policymakers weren't ready to signal an earlier-than-anticipated increase in short-term interest rates despite the improving economy and labor market. Fed chair Janet Yellen repeated language the Fed used that record-low interest rates will likely remain appropriate for a considerable time. The majority of economists foresee The Federal Reserve to move slowly when it starts to raise borrowing costs from record lows and that it won't do so until the 2nd quarter of 2015.

The yield on the bellwether 10-year Treasury note rose to 2.35% at the close of August from its July close at 2.58%. At month-end, the 30-year bond yield was 3.09% with the 3-month T-bill at 0.03%. The Barclays Capital US Aggregate Index was up a strong +1.1% in August.

Foreign buyers of U.S. Treasury securities increased their holdings in June, topping \$6 trillion for the first time.

A third of people (36%) in the U.S. have nothing saved for retirement, according to new Bankrate.com survey.

On the economic front, the following key data was released in August that was predominantly positive:

THE GOOD

- * U.S. manufacturing expanded for the 14th straight month in July.
- *The Global Business Travel Association predicts that worldwide business travel will grow 6.9% this year to a record \$1.18 trillion.
- *The Commerce Dept. reported that factory orders in June climbed a seasonally adjusted 1.1%, the fourth gain in five months and the level of \$503.2 billion is the highest on record.
- *The Institute for Supply Management reported that its services index rose to 58.7, the highest level since December 2005.
- *The Commerce Dept. reported that orders for durable goods rose a sturdy 1.7% in June.
- *The U.S. trade gap shrank -7.0% to \$41.5 billion, the lowest level since January.
- *The national average price of regular gasoline is \$3.48 a gallon, a four-year low for August.
- *The Labor Dept. reported that 2nd quarter productivity increased +2.5% at a seasonally adjusted annual rate, after plummeting -4.5% in the first quarter.
- *The National Federation of Independent Business reported that it's Small Business Optimism Index increased by 0.7 points to 95.7 last month.
- *The median price for existing single-family homes increased 4.4% from a year earlier to \$212,400.
- *The Home Builders/Wells Fargo builder sentiment index rose this month to 55; readings above 50 indicate more builders view sales conditions as good.
- *U.S. consumer prices rose 0.1% in July, the slowest pace in five months, held back by a drop in gasoline prices. Consumer inflation is up 2.0% over the past twelve months.
- *U.S. home construction rebounded 15.7% in July to a seasonally adjusted annual rate of 1.09 million homes; an eight-month high.
- *Sales of existing U.S. homes rose for the fourth straight month in July to their highest level in nearly a year.
- *The Conference Board's index of leading indicators rose 0.9% last month, the sixth straight increase.
- *Durable goods orders rose a record 22.6% in July after an upwardly revised 2.7% increase in June.

The Conference Board reported that its index of consumer attitudes rose to 92.4 in August, the highest level since October 2007.

THE NOT SO GOOD

- *The Commerce Dept. reported that retail sales were virtually unchanged from June, ending five months of increases.
- *Large employers expect to see increases in health benefit costs next year of about 6.5%.
- *Consumers took out \$101 billion in new auto loans in the 2nd quarter, the most in eight years. Outstanding auto loans rank third behind mortgages and student loans.

NON-U.S. MARKETS

GDP in the U.K. rose a solid 0.8% in the second quarter, unchanged from the initial release. This left GDP up 3.2% year-over-year.

After four quarters of meager growth, the fragile economic recovery in the 18-country Eurozone screeched to a halt in the second quarter as growth was zero. GDP year-over-year now stands at +0.7%. German investor confidence has eroded sharply over the first eight months of the year. The headline Zew index of expectations plunged -18.5 points to 8.6 in August. Eurozone inflation is dangerously low as massive slack persists in the labor market. The overall Eurozone unemployment rate remained unchanged at 11.5% in July.

The VAT hike in Japan on April 1st has sent the economy into a tailspin. GDP plunged -1.7% in the second quarter, wiping out the 1.5% gain in the first quarter. Not surprisingly, private domestic demand was quite weak. Industrial production rose by only 0.2% in July in Japan following the severe -3.4% drop in June.

China's buoyant exports pushed its trade surplus to an all-time high of \$47 billion in July.

Non-U.S. equities were mixed in August. The MSCI ACWI Ex-U.S. was up +0.6% (US dollars) for the month. International Developed stocks (EAFE) were down -0.2% while Emerging Markets gained +2.3% for the month.

CONCLUSION

There were a number of positive economic statistics released in the U.S. in the month of August. Conversely, Europe and Japan seemed to be at the opposite end of the spectrum with a plethora of negative economic releases. U.S. equities followed the path of economic releases posting strong returns for the month of August as the S&P 500 Index and Dow Jones Industrial Index reached all-time highs.

The U.S. economy appears to be expanding at a pace that is about as fast as any point subsequent to the Financial Crisis of 2008. Growth appears to be broad based and running at a 3.0%-3.5% level. The strength in the economy does not appear to correspond to immediate concerns of the Federal Reserve raising short-term rates anytime soon.

The growth of the economy also seems to be causing an inflection point being reached in the credit markets, where credit growth has resumed for the first time since 2008.

The themes of 2014 have been of rising equity prices, declining rates, declining volatility, with a favorable environment for risk assets overall. Deflation risk is also on the increase particularly in Europe and Japan (again).

Monthly Market Update

US Equity Indices Trailing Performance

| Annualized Performance to Date: Ending Aug-14 | 1 Month | 3 Months | YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years |
|--|------------|-------------|-------|-----------|------------|------------|------------|------------|-------------|
| Russell 3000 Index | 4.20 | 4.70 | 9.23 | 24.74 ✓ | 22.51 ✓ | 20.65 ✓ | 17.22 ✓ | 7.11 | 8.83 |
| Russell TOP 200 Index | 3.82 | 4.65 | 9.60 | 25.37 | 21.50 | 20.68 | 16.42 | 6.55 | 7.90 |
| Russell TOP 200 Growth Index | 4.21 | 4.78 | 9.74 | 27.53 | 20.32 | 20.12 | 17.41 | 8.48 | 8.67 |
| Russell TOP 200 Value Index | 3.43 | 4.52 | 9.47 | 23.30 | 22.70 | 21.23 | 15.41 | 4.59 | 7.11 |
| S&P 500 Index | 4.00 | 4.69 | 9.89 | 25.25 | 21.93 | 20.61 | 16.88 | 6.79 | 8.38 |
| Russell 1000 Index | 4.13 | 4.78 | 9.90 | 25.36 ✓ | 22.57 ✓ | 20.80 ✓ | 17.24 ✓ | 7.10 | 8.78 |
| Russell 1000 Growth Index | 4.58 | 4.99 | 9.48 | 26.29 | 21.26 | 19.95 | 17.82 | 8.43 | 9.20 |
| Russell 1000 Value Index | 3.68 | 4.57 | 10.35 | 24.43 | 23.76 | 21.57 | 16.62 | 5.63 | 8.23 |
| Russell Mid-Cap Index | 4.83 | 5.08 | 10.56 | 25.32 | 25.11 | 21.04 | 19.29 | 8.49 | 11.07 |
| Russell Mid-Cap Growth Index | 5.39 | 5.43 | 8.89 | 23.67 | 23.82 | 19.65 | 19.14 | 8.50 | 10.97 |
| Russell Mid-Cap Value Index | 4.24 | 4.71 | 12.48 | 27.20 | 26.29 | 22.33 | 19.45 | 8.25 | 10.92 |
| Russell 2000 Index | 4.96 | 3.85 | 1.75 | 17.68 | 21.90 ✓ | 19.00 ✓ | 17.03 ✓ | 7.25 | 9.36 |
| Russell 2000 Value Index | 4.35 | 2.37 | 2.16 | 18.10 | 21.20 | 18.78 | 15.74 | 6.20 | 8.43 |
| Russell 2000 Growth Index | 5.58 | 5.34 | 1.38 | 17.30 | 22.60 | 19.21 | 18.29 | 8.21 | 10.22 |
| DJ US REIT Index | 2.79 | 3.89 | 21.78 | 24.30 | 11.19 | 13.93 | 18.76 | 5.12 | 8.81 |
| DJ-UBS US Commodity Index TR | -1.46 | -5.42 | 0.68 | -2.92 | -6.84 | -8.30 | 0.22 | -3.31 | 0.26 |
| DJ-UBS US Gold Index TR | -0.73 | 3.22 | 6.89 | -8.01 | -13.02 | -11.59 | 5.57 | 8.74 | 11.17 |

US
Equities
Strong in
Aug.
Small Caps
lead the
way...

Non-US Indices Trailing Performance

| Annualized Performance to Date: Ending Aug-14 | 1 Month | 3 Months | YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years |
|--|------------|-------------|-------|-----------|------------|------------|------------|------------|-------------|
| MSCI AC World Index ex USA | 0.57 | 1.31 | 5.46 | 18.25 | 15.84 | 9.76 | 8.64 | 1.94 | 8.41 |
| MSCI AC World Index | 2.25 | 2.99 | 7.61 | 21.61 | 18.83 | 14.68 | 12.38 | 4.21 | 8.41 |
| MSCI EAFE Index | -0.15 | -1.13 | 2.93 | 16.92 | 18.04 | 11.87 | 8.69 | 1.59 | 7.50 |
| MSCI Emerging Markets index | 2.29 | 7.18 | 10.95 | 20.40 | 10.20 | 4.70 | 8.24 | 2.77 | 12.52 |
| ML Global Government Bond Ex. U.S. Index | 0.11 | -0.10 | 4.31 | 3.25 | -4.47 | -2.97 | 2.07 | 4.66 | 4.29 |
| Euro | -1.56 | -3.47 | -4.41 | -0.11 | 2.22 | -2.92 | -1.70 | -0.49 | 0.81 |
| Japanese Yen | -1.01 | -2.06 | 1.17 | -5.55 | -13.18 | -9.71 | -2.24 | 1.58 | 0.55 |
| UK Pound Sterling | -1.63 | -0.99 | 0.27 | 7.36 | 2.25 | 0.66 | 0.38 | -2.74 | -0.80 |

Non-US
Developed
flat
EM ↑ strength

US Fixed Income Indices Trailing Performance

| Annualized Performance to Date: Ending Aug-14 | 1 Month | 3 Months | YTD | 1 Year | 2 Years | 3 Years | 5 Years | 7 Years | 10 Years |
|--|------------|-------------|------|-----------|------------|------------|------------|------------|-------------|
| ML 3-month T-bill Total Return Index | 0.00 | 0.01 | 0.03 | 0.05 | 0.08 | 0.07 | 0.10 | 0.59 | 1.61 |
| BarCap Aggregate Bond Index | 1.10 | 0.90 | 4.81 | 5.66 | 1.51 | 2.91 | 4.48 | 5.16 | 4.72 |
| ML U.S. Corp/Govt Master Index | 1.26 | 1.09 | 5.39 | 6.07 | 1.53 | 3.22 | 4.78 | 5.22 | 4.74 |
| ML U.S. Corporate Master Index | 1.43 | 1.48 | 7.33 | 9.32 | 3.85 | 5.87 | 7.25 | 6.68 | 5.70 |
| BarCap Mortgage Backed Securities Index | 0.94 | 0.61 | 4.39 | 5.42 | 1.45 | 2.18 | 3.68 | 5.01 | 4.73 |
| ML U.S. High Yield Master Index | 1.53 | 1.02 | 5.74 | 10.53 | 8.97 | 10.31 | 12.07 | 9.13 | 8.50 |
| JPM EMBI Global | 0.66 | 1.38 | 9.94 | 13.91 | 3.78 | 7.03 | 9.52 | 8.53 | 8.82 |

yield
down
in Aug

A

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING AUG. 31, 2014
PRELIMINARY BASIS

SUMMARY OF INVESTMENTS

| ASSET CLASS | MARKET VALUE | PERCENT | CURRENT POLICY ALLOCATION | RANGE | TARGET POLICY ALLOCATION | RANGE |
|---------------------------------|--------------|---------|------------------------------|---------------|-----------------------------|---------------|
| DOMESTIC EQUITIES | 854,672,314 | 47.6% | ✓ 46.7% | 41.7% - 51.7% | 38.2% | 32.2% - 44.2% |
| INTERNATIONAL EQUITIES | 322,865,087 | 18.0% | ✓ 18.0% | 15.0% - 21.0% | 18.0% | 15.0% - 21.0% |
| FIXED INCOME | 502,557,026 | 28.0% | ✓ 29.8% | 26.0% - 33.6% | 29.8% | 26.0% - 33.6% |
| ALTERNATIVES: | 100,653,815 | 5.6% | ✓ 5.5% | | 14.0% | |
| DIRECT LENDING | 74,598,846 | 4.2% | ✓ 4.0% | 2.0% - 6.0% | 7.5% | 2.5% - 9.0% |
| REAL ESTATE | 26,054,969 | 1.5% | ✓ 1.5% | 1.0% - 2.0% | 3.5% | 1.0% - 4.5% |
| INFRASTRUCTURE | 0 | 0.0% | 0.0% | 0.0% - 0.0% | 3.0% | 0.0% - 4.0% |
| CASH (NT +equity managers only) | 14,339,106 | 0.8% | 0.0% | 0.0% - 3.0% | 0.0% | 0.0% - 3.0% |

| | | | | | |
|-----------------|---------------|--------|--------|--|--------|
| TOTAL PORTFOLIO | 1,795,087,349 | 100.0% | 100.0% | | 100.0% |
|-----------------|---------------|--------|--------|--|--------|

| | ACTUAL | CURRENT ALLOCATION | TARGET ALLOCATION |
|---|--------|-----------------------|----------------------|
| DODGE & COX - LARGE CAP VALUE | 10.8% | 9.7% | 8.9% |
| BlackRock - R1000 VALUE INDEX | 6.7% | 6.5% | 5.5% |
| JACKSON SQUARE - LARGE CAP GROWTH | 8.8% | 8.5% | 6.7% |
| BlackRock - R1000 GROWTH INDEX | 5.8% | 5.5% | 4.6% |
| CAPITAL PROSPECTS | 5.4% | 5.5% | 4.0% |
| LEGATO CAPITAL | 4.8% | 5.5% | 3.7% |
| BNY - S&P 500 INDEX | 5.8% | 5.5% | 4.8% |
| LSV ASSET MGMT - INTL EQ | 9.2% | 9.0% | 9.0% |
| PYRAMIS - INTL EQ | 9.1% | 9.0% | 9.0% |
| DODGE & COX FIXED INCOME | 21.9% | 23.8% | 23.8% |
| PIMCO | 6.1% | 6.0% | 6.0% |
| MEDLEY | 1.6% | 1.0% | 2.1% |
| RAVEN | 1.5% | 1.5% | 2.7% |
| WHITE OAK | 1.1% | 1.5% | 2.7% |
| BlackRock - US REAL ESTATE SECURITIES INDEX | 1.3% | 1.5% | 0.0% |
| Greenfield GAP VII | 0.2% | 0.0% | 1.0% |
| Unallocated Private Real Estate | 0.0% | 0.0% | 2.5% |
| Infrastructure | 0.0% | 0.0% | 3.0% |
| TOTALS | 100.0% | 100.0% | 100.0% |

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PERIOD ENDING AUG. 31, 2014
PRELIMINARY BASIS

| ASSET CLASS | CURRENT MONTH | PRIOR MONTH | % CHANGE * | PRIOR YEAR | % CHANGE * |
|----------------------------------|---------------|---------------|------------|---------------|------------|
| MARKET VALUE | | | | | |
| DOMESTIC EQUITIES | 854,672,314 | 822,476,231 | 3.91% | 718,039,701 | 19.03% |
| INTERNATIONAL EQUITIES | 322,865,087 | 321,113,923 | 0.55% | 273,194,544 | 18.18% |
| FIXED INCOME | 502,557,026 | 501,700,639 | 0.17% | 509,388,647 | -1.34% |
| DIRECT LENDING | 74,598,846 | 74,326,991 | 0.37% | 27,727,127 | 169.05% |
| REAL ESTATE | 26,054,969 | 25,400,321 | 2.58% | 21,008,368 | 24.02% |
| SECURITIES LENDING | 0 | 0 | 0.00% | (705,164) | 100.00% |
| CASH (NT +equity managers only) | 14,339,106 | 14,988,414 | -4.33% | 15,227,294 | -5.83% |
| TOTAL PORTFOLIO | 1,795,087,349 | 1,760,006,519 | 1.99% | 1,563,880,517 | 14.78% |
| ASSET ALLOCATION (ACTUAL) | | | | | |
| DOMESTIC EQUITIES | 47.61% | 46.73% | 0.9% | 45.91% | 1.7% |
| INTERNATIONAL EQUITIES | 17.99% | 18.25% | -0.3% | 17.47% | 0.5% |
| FIXED INCOME | 28.00% | 28.51% | -0.5% | 32.57% | -4.6% |
| DIRECT LENDING | 4.16% | 4.22% | -0.1% | 1.77% | 2.4% |
| REAL ESTATE SECURITIES | 1.45% | 1.44% | 0.0% | 1.34% | 0.1% |
| SECURITY LENDING | 0.00% | 0.00% | 0.0% | -0.05% | 0.0% |
| CASH (equity managers only) | 0.80% | 0.85% | -0.1% | 0.97% | -0.2% |
| TOTAL PORTFOLIO | 100.0% | 100.0% | 0.0% | 100.0% | 0.0% |

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

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STANCERA
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PERIOD ENDING AUG. 31, 2014
PRELIMINARY BASIS

| ASSET CLASS | MARKET VALUE | PERCENT | CURRENT POLICY TARGET | RANGE |
|-------------------------------------|----------------------|---------------|--------------------------|---------------|
| DOMESTIC EQUITIES: | | | | |
| DODGE & COX - LARGE CAP VALUE | 194,434,781 | 10.8% | 9.7% | 7.7% - 11.7% |
| BLACKROCK - R1000 VALUE INDEX | 120,837,139 | 6.7% | 6.5% | 5.5% - 6.5% |
| JACKSON SQUARE - LARGE CAP GROWTH | 157,509,473 | 8.8% | 8.5% | 7.0% - 10.0% |
| BLACKROCK - R1000 GROWTH INDEX | 103,766,974 | 5.8% | 5.5% | 4.0% - 6.0% |
| CAPITAL PROSPECTS - SMALL CAP VALUE | 97,387,126 | 5.4% | 5.5% | 4.0% - 6.0% |
| LEGATO CAPITAL - SMALL CAP GROWTH | 85,942,761 | 4.8% | 5.5% | 4.0% - 6.0% |
| BNY - S&P 500 INDEX | 104,320,707 | 5.8% | 5.5% | 4.0% - 6.0% |
| TOTAL DOMESTIC EQUITIES | 864,198,963 | 48.1% | ✓ 46.7% | |
| FIXED INCOME: | | | | |
| DODGE & COX | 393,185,444 | 21.9% | 23.8% | 20.8% - 26.8% |
| PIMCO | 109,371,582 | 6.1% | 6.0% | 5.0% - 7.0% |
| TOTAL FIXED INCOME | 502,557,026 | 28.0% | 29.8% | |
| DIRECT LENDING: | | | | |
| MEDLEY CAPITAL | 28,379,499 | 1.6% | 1.0% | 1.0% - 3.0% |
| RAVEN CAPITAL | 26,859,923 | 1.5% | 1.5% | 1.0% - 3.0% |
| WHITE OAK | 19,359,424 | 1.1% | 1.5% | 1.0% - 3.0% |
| TOTAL DIRECT LENDING | 74,598,846 | 4.2% | ✓ 4.0% | |
| INTERNATIONAL INVESTMENTS: | | | | |
| LSV ASSET MGMT. | 164,460,363 | 9.2% | 9.0% | 7.5% - 10.5% |
| PYRAMIS | 163,214,105 | 9.1% | 9.0% | 7.5% - 10.5% |
| TOTAL INTERNATIONAL EQUITIES | 327,674,468 | 18.3% | ✓ 18.0% | |
| REAL ESTATE: | | | | |
| BlackRock - US RE SECURITIES INDEX | 22,719,485 | 1.3% | 1.5% | 0.0% - 2.0% |
| Greenfield - GAP VII | 3,335,484 | 0.2% | 0.0% | 0.0% - 1.5% |
| TOTAL REAL ESTATE | 26,054,969 | 1.5% | ✓ 1.5% | 1.0% - 2.0% |
| CASH - NORTHERN TRUST | 3,077 | 0.0% | 0.0% | |
| TOTAL STANCERA PORTFOLIO: | 1,795,087,349 | 100.0% | 100.0% | |

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MONTHLY PERFORMANCE REVIEW
PERIOD ENDING AUG. 31, 2014
PRELIMINARY

| | CASH | BONDS | EQUITIES | TOTAL |
|---|------------|-------------|---------------|---------------|
| DOMESTIC EQUITIES | | | | |
| DODGE & COX - LARGE CAP VALUE | 4,374,126 | | 190,060,655 | 194,434,781 |
| BLACKROCK - R1000 VALUE INDEX | 0 | | 120,837,139 | 120,837,139 |
| JACKSON SQ. - LARGE CAP GROWTH | 1,193,782 | | 156,315,692 | 157,509,473 |
| BLACKROCK - R1000 GROWTH INDEX | 0 | | 103,766,974 | 103,766,974 |
| CAPITAL PROSPECTS - SMALL CAP VALUE | 2,761,264 | | 94,625,862 | 97,387,126 |
| LEGATO CAPITAL - SMALL CAP GROWTH | 1,197,246 | | 84,745,515 | 85,942,761 |
| BNY - S&P 500 INDEX | 230 | | 104,320,477 | 104,320,707 |
| TOTAL DOMESTIC EQUITIES | 9,526,548 | | 854,672,314 | 864,198,963 |
| FIXED INCOME | | | | |
| DODGE & COX | 11,903,026 | 381,282,418 | | 393,185,444 |
| PIMCO | 1,513,532 | 107,858,050 | | 109,371,582 |
| TOTAL FIXED INCOME | 13,416,558 | 489,140,467 | | 502,557,026 |
| DIRECT LENDING | | | | |
| MEDLEY | 0 | 28,379,499 | | 28,379,499 |
| RAVEN | 3,139,829 | 23,720,094 | | 26,859,923 |
| WHITE OAK | 0 | 19,359,424 | | 19,359,424 |
| TOTAL DIRECT LENDING | 3,139,829 | 71,459,017 | | 74,598,846 |
| INTERNATIONAL INVESTMENTS | | | | |
| LSV ASSET MGMT. | 3,189,540 | | 161,270,823 | 164,460,363 |
| PYRAMIS | 1,619,841 | | 161,594,264 | 163,214,105 |
| TOTAL INTERNATIONAL EQUITIES | 4,809,381 | | 322,865,087 | 327,674,468 |
| REAL ESTATE | | | | |
| BLACKROCK - US REAL ESTATE SECURITIES INDEX | 1 | | 22,719,485 | 22,719,485 |
| GREENFIELD GAP VII | 0 | | 3,335,484 | 3,335,484 |
| TOTAL REAL ESTATE | 1 | | 26,054,969 | 26,054,969 |
| NORTHERN TRUST CASH | 3,077 | | | 3,077 |
| TOTAL STANCERA PORTFOLIO | 30,895,464 | 560,599,484 | 1,203,592,370 | 1,795,087,349 |
| | 1.7% | 31.2% | 67.0% | 100.0% |

*Raven distributions
+ income*

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STANCERA
MONTHLY PERFORMANCE REVIEW
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PRELIMINARY BASIS

| | MARKET VALUE | AUGUST | ALPHA | JULY | ALPHA | FISCAL YTD | ALPHA |
|--|---------------|--------|--------|--------|--------|------------|--------|
| DOMESTIC EQUITIES | | | | | | | |
| DODGE & COX - LARGE CAP VALUE | 190,060,655 | 3.08% | -0.50% | -0.98% | 0.72% | 2.06% | 0.14% |
| RUSSELL 1000 VALUE | | 3.68% | | -1.70% | | 1.92% | |
| BLACKROCK - R1000 VALUE INDEX | 120,837,139 | 3.68% | 0.00% | -1.70% | 0.00% | 1.92% | 0.00% |
| RUSSELL 1000 VALUE | | 3.68% | | -1.70% | | 1.92% | |
| JACKSON SQ. - LARGE CAP GROWTH | 156,315,692 | 2.47% | -2.11% | -0.82% | 0.71% | 1.63% | -1.35% |
| RUSSELL 1000 GROWTH | | 4.58% | | -1.53% | | 2.98% | |
| BLACKROCK - R1000 GROWTH INDEX | 103,766,974 | 4.58% | 0.00% | -1.52% | 0.01% | 2.99% | 0.01% |
| RUSSELL 1000 GROWTH | | 4.58% | | -1.53% | | 2.98% | |
| CAPITAL PROSPECTS | 94,625,862 | 4.60% | 0.25% | -4.88% | 1.19% | -0.49% | 1.47% |
| RUSSELL 2000 VALUE | | 4.35% | | -6.05% | | -1.96% | |
| LEGATO CAPITAL | 84,745,515 | 4.45% | -1.13% | -5.44% | 0.62% | -1.24% | -0.42% |
| RUSSELL 2000 GROWTH | | 5.58% | | -6.06% | | -0.82% | |
| BNY - S&P 500 INDEX | 104,320,477 | 4.00% | 0.00% | -1.38% | 0.00% | 2.57% | 0.01% |
| S&P 500 | | 4.00% | | -1.38% | | 2.56% | |
| TOTAL DOMESTIC EQUITY | 854,672,314 | 3.65% | -0.55% | -2.03% | -0.06% | 1.50% | -0.65% |
| Russell 3000 Index | | 4.20% | | -1.97% | | 2.15% | |
| FIXED INCOME | | | | | | | |
| DODGE & COX | 393,185,444 | 0.97% | -0.13% | -0.16% | 0.09% | 0.81% | -0.04% |
| BARCLAYS US AGGREGATE BOND | | 1.10% | | -0.25% | | 0.85% | |
| PIMCO | 109,371,582 | 0.97% | -0.13% | -0.33% | -0.08% | 0.64% | -0.21% |
| BARCLAYS US AGGREGATE BOND | | 1.10% | | -0.25% | | 0.85% | |
| TOTAL FIXED INCOME | 502,557,026 | 0.97% | -0.13% | -0.20% | 0.05% | 0.77% | -0.08% |
| BARCLAYS US AGGREGATE BOND | | 1.10% | | -0.25% | | 0.85% | |
| DIRECT LENDING | | | | | | | |
| MEDLEY CAPITAL | 28,379,499 | 0.00% | -0.75% | 1.91% | 1.16% | 1.91% | 0.41% |
| CUSTOM 9% ANNUAL | | 0.75% | | 0.75% | | 1.50% | |
| RAVEN CAPITAL | 26,859,923 | 1.02% | 0.27% | 0.69% | -0.06% | 1.72% | 0.22% |
| CUSTOM 9% ANNUAL | | 0.75% | | 0.75% | | 1.50% | |
| WHITE OAK | 19,359,424 | 0.00% | -0.75% | 0.58% | -0.17% | 0.58% | -0.92% |
| CUSTOM 9% ANNUAL | | 0.75% | | 0.75% | | 1.50% | |
| TOTAL DIRECT LENDING | 74,598,846 | 0.37% | -0.38% | 1.13% | 0.38% | 1.50% | 0.00% |
| CUSTOM 9% ANNUAL | | 0.75% | | 0.75% | | 1.50% | |
| INTERNATIONAL EQUITY | | | | | | | |
| LSV ASSET MGMT | 161,270,823 | 1.08% | 0.53% | -0.54% | 0.45% | 0.53% | 0.98% |
| MSCI ACWI ex-US | | 0.55% | | -0.99% | | -0.45% | |
| PYRAMIS | 161,594,264 | 0.71% | 0.16% | -1.36% | -0.37% | -0.67% | -0.22% |
| MSCI ACWI ex-US | | 0.55% | | -0.99% | | -0.45% | |
| TOTAL INTERNATIONAL EQUITY | 322,865,087 | 0.89% | 0.34% | -0.95% | 0.04% | -0.06% | 0.39% |
| MSCI ACWI ex-US | | 0.55% | | -0.99% | | -0.45% | |
| REAL ESTATE | | | | | | | |
| BlackRock US RE Index | 22,719,485 | 2.82% | 0.00% | 0.18% | 0.00% | 3.01% | 0.00% |
| DOW JONES US SELECT RE INDEX | | 2.82% | | 0.18% | | 3.01% | |
| Greenfield GAP VII | 3,335,484 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| NCREIF ODCE + 100 bps | | 0.00% | | 0.00% | | 0.00% | |
| TOTAL REAL ESTATE | 26,054,969 | 2.58% | -0.24% | 0.16% | -0.02% | 2.74% | -0.27% |
| DOW JONES US SELECT RE INDEX | | 2.82% | | 0.18% | | 3.01% | |
| CASH AND SHORT-TERM INVESTMENTS | | | | | | | |
| CASH (NT + MANAGERS) | 14,339,105 | 0.01% | 0.00% | 0.01% | 0.00% | 0.02% | 0.00% |
| 90-day US Treasury Bill | | 0.01% | | 0.01% | | 0.02% | |
| Total StanCERA Fund | 1,795,087,349 | 2.22% | -0.29% | -1.21% | 0.18% | 0.96% | -0.11% |
| Current Policy Index* | | 2.51% | | -1.39% | | 1.09% | |
| Actuary Rate of Assumption (7.75%) | | 0.64% | 1.58% | 0.64% | -1.85% | 1.28% | -0.30% |
| Actuary Rate of Inflation (3.25%) | | 0.27% | 1.95% | 0.27% | -1.48% | 0.54% | 0.44% |

*Policy Index represents Current Policy Index that will be built up over time to reach the Target Policy Index.

Jackson Sq.
lags in August

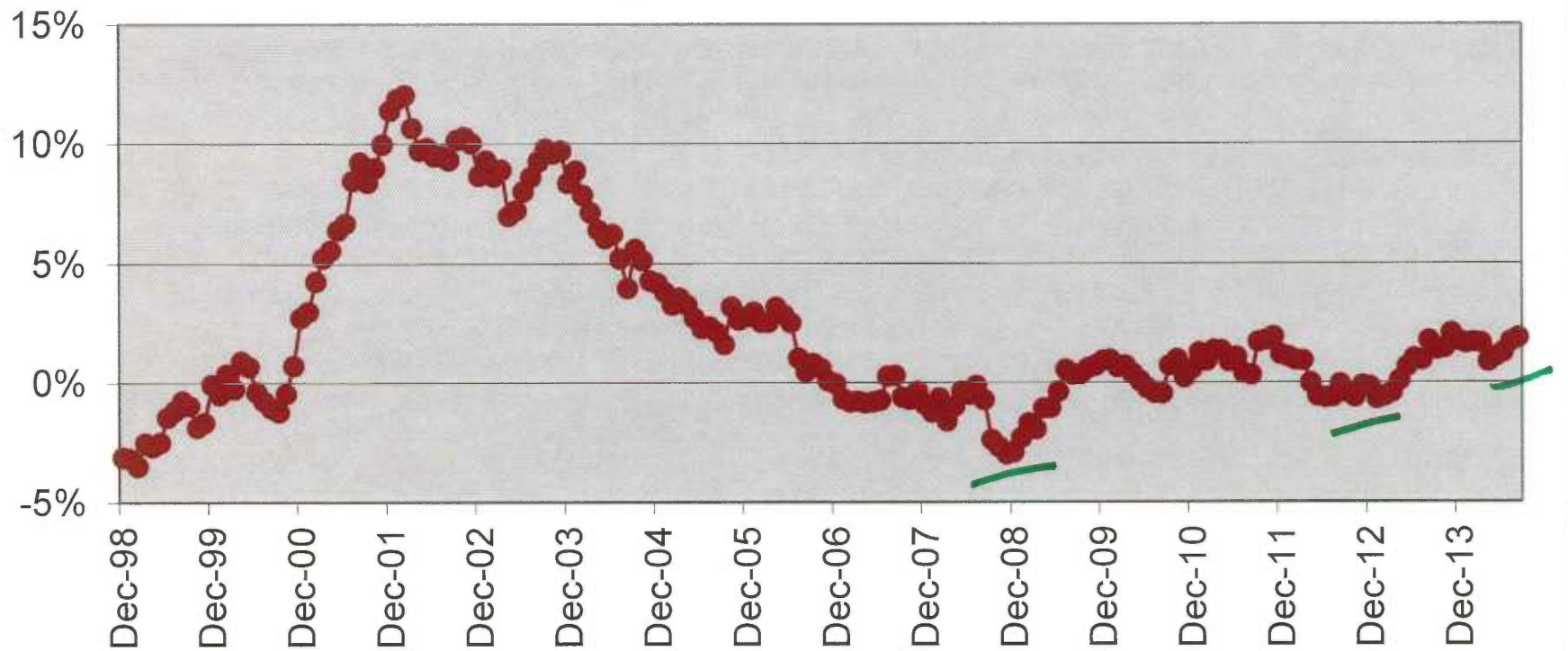
medley + White Oak
yet to report

LSV strong!

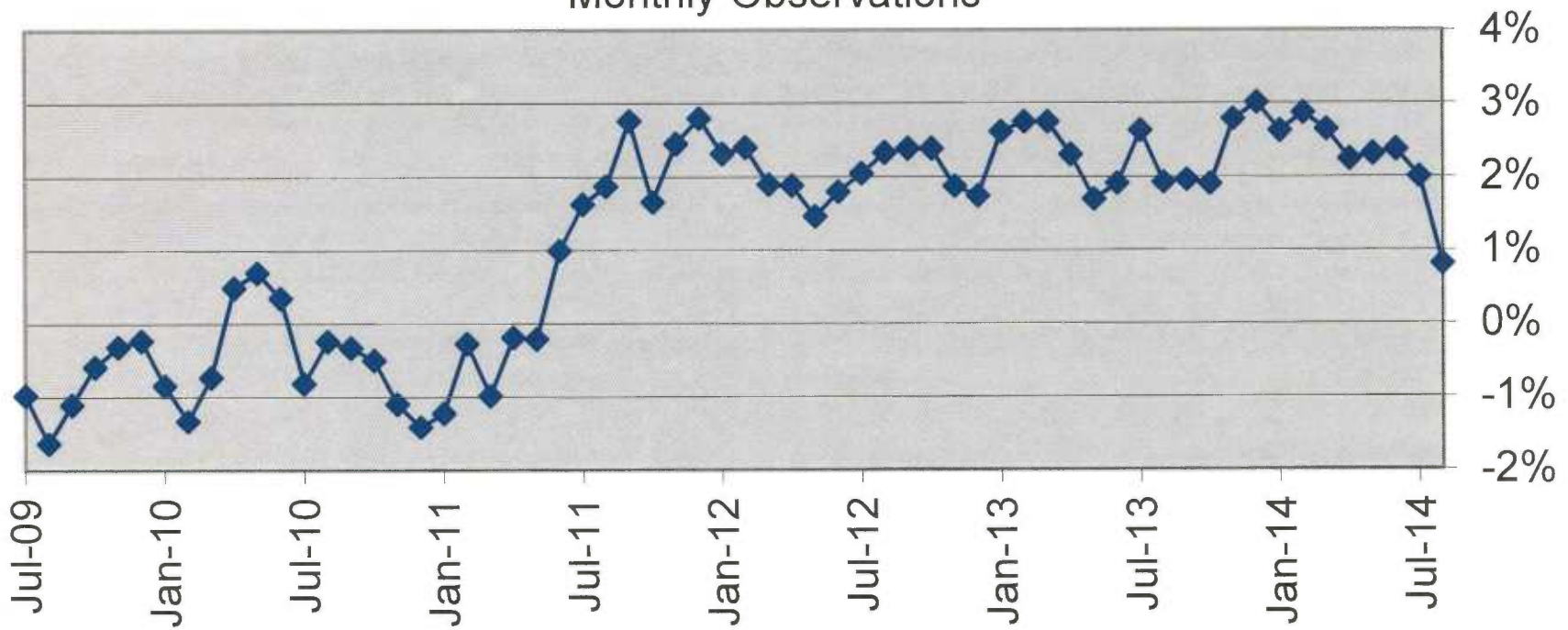
Aug + 2.22% vs +2.51%

5

Dodge & Cox Equity
Rolling 3-Years Annualized Alpha
Monthly Observations



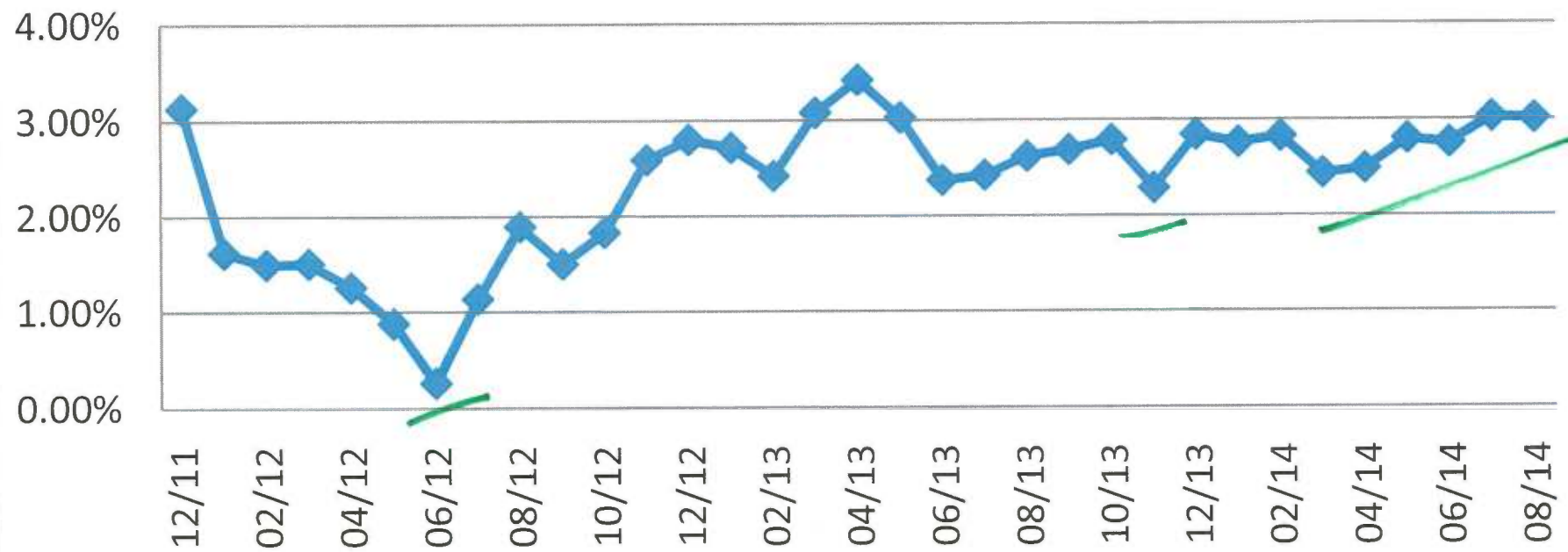
Jackson Square
Rolling 3-Years Annualized Alpha
Monthly Observations



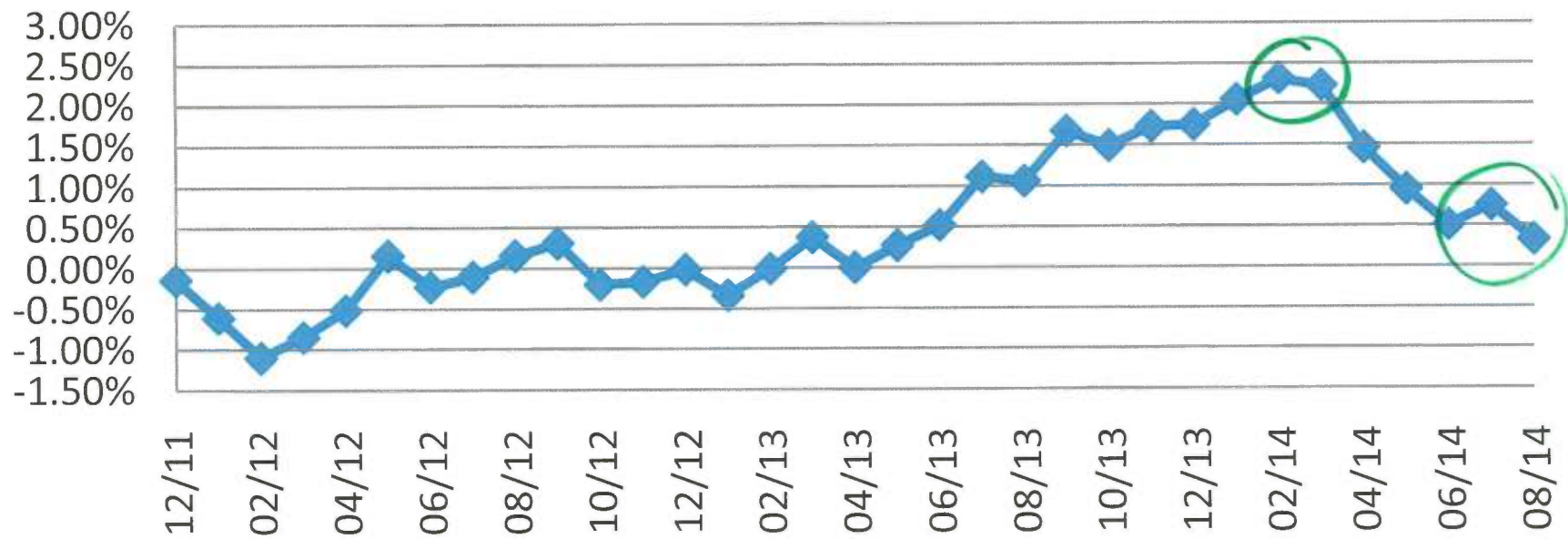
poor August
had an effect

7

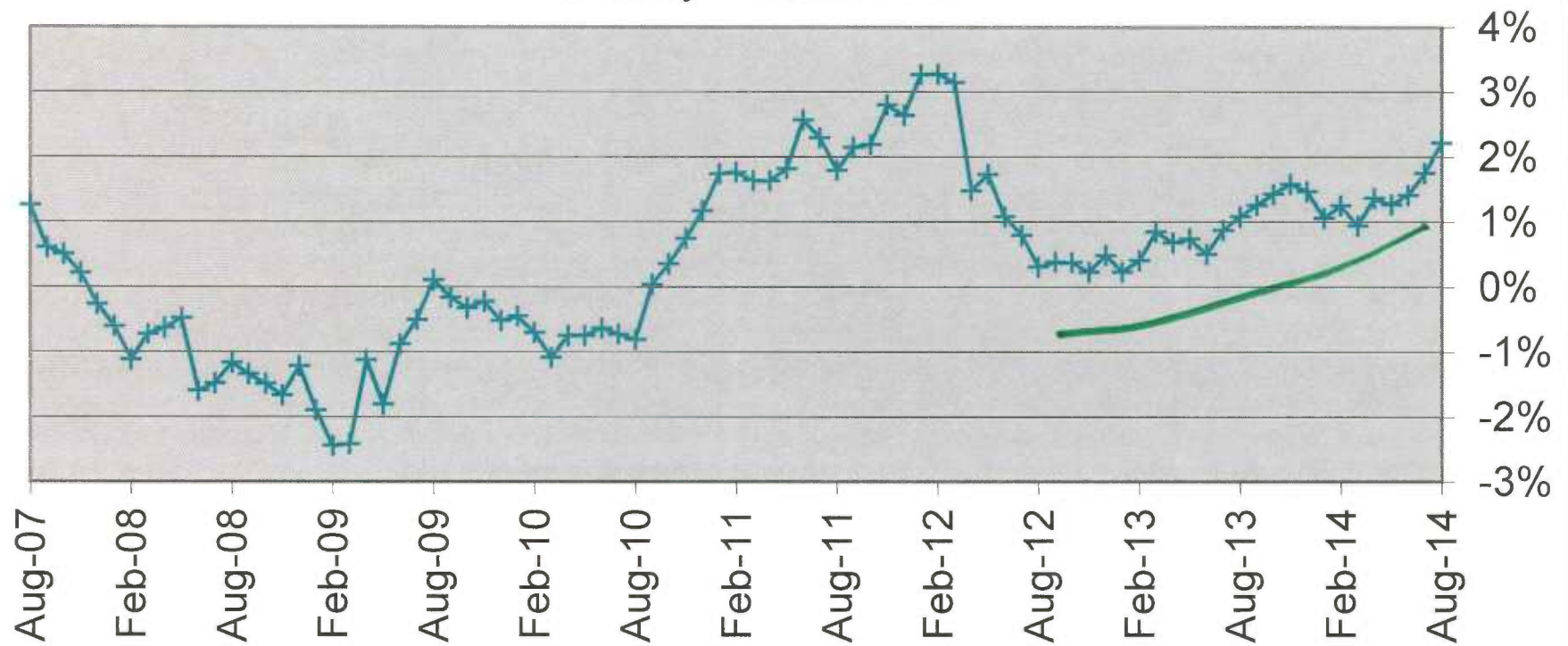
Capital Prospects
Rolling 3-Year
Alphas
Monthly Observations



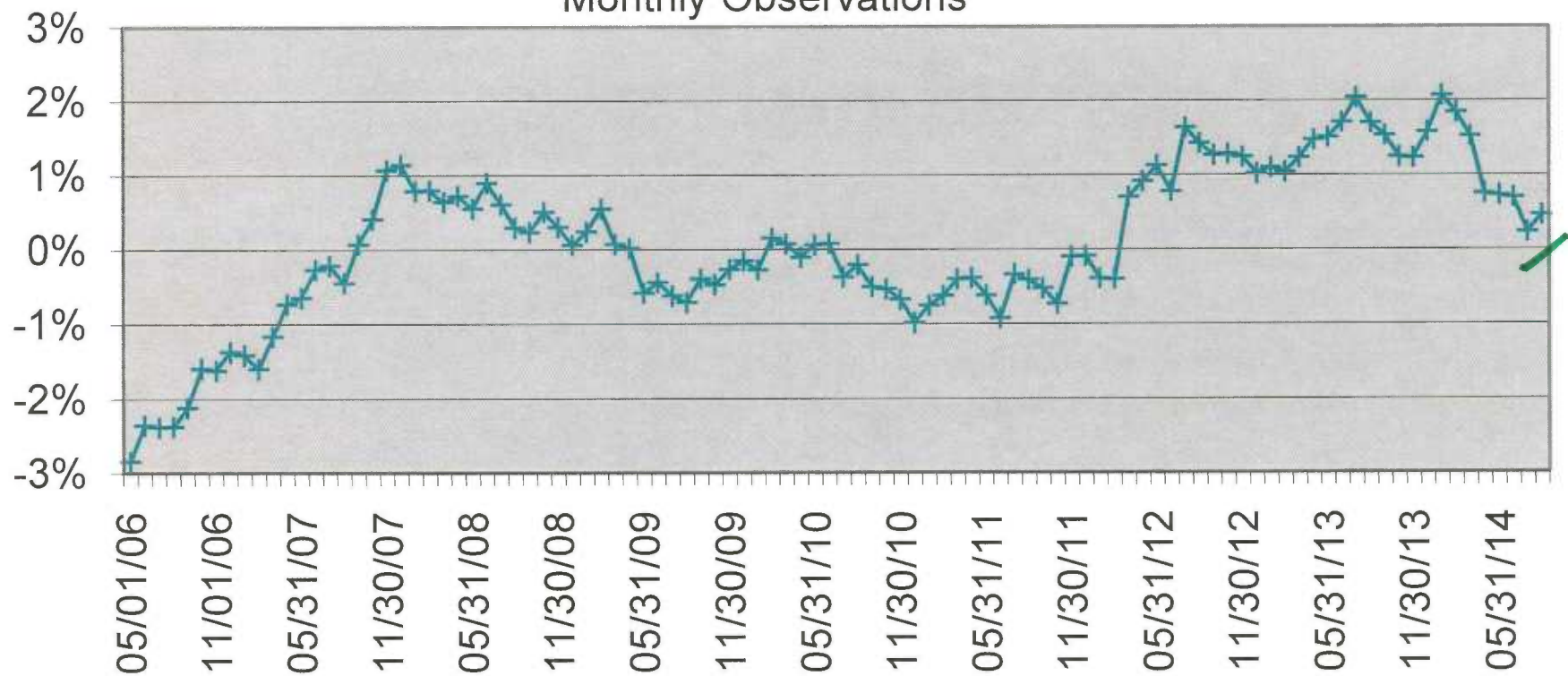
Legato Rolling
3-Year Alphas
Annualized
Monthly Observations



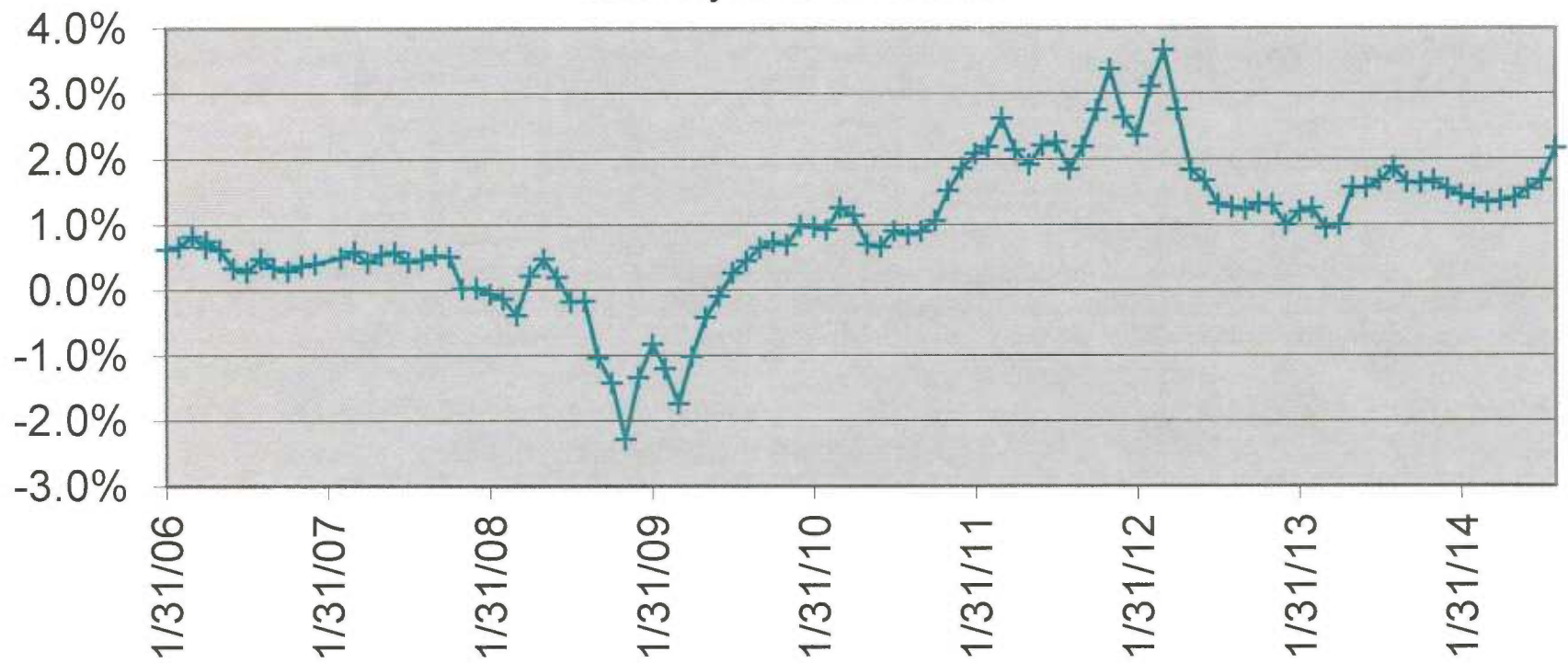
LSV
Rolling 3-Years Annualized Alpha
Monthly Observations



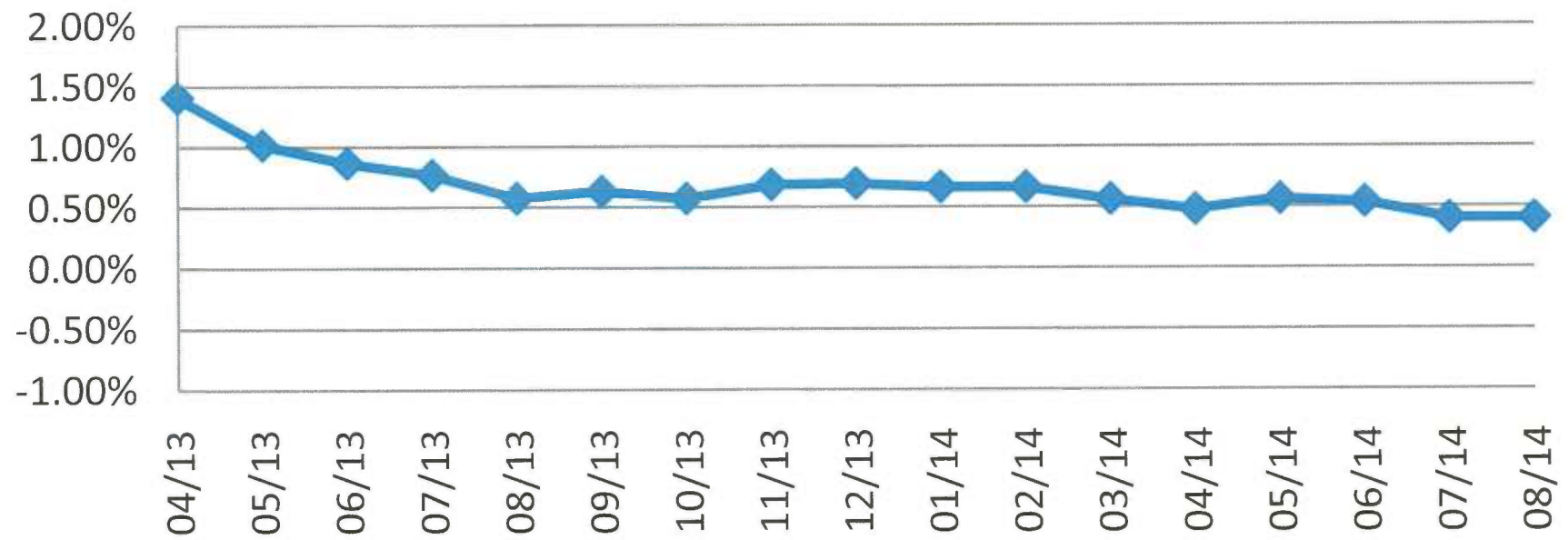
Pyramis (May 2006)
Rolling 3-Years Annualized Alpha
Monthly Observations



Dodge & Cox Fixed Income
Rolling 3-Year Alphas Annualized
Monthly Observations



PIMCO Rolling
3-Year Alphas
Annualized
Monthly Observations



9/23/14
Item# 7.b

STANCERA
Price Monitor Position Report

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

| Company | Symbol | # Shares | \$ Value Position | Weight Manager | Weight StanCERA | 8/31/2014 \$ PX | 9/15/2014 \$ PX | Position % Change | Relative % Change |
|------------------------|--------|----------|----------------------|-------------------|--------------------|----------------------|--------------------|----------------------|----------------------|
| Apple Inc. | AAPL | 60,033 | \$6,153,382 | 5.93% | 0.34% | 102.50 | 101.66 | -0.82% | -0.10% |
| Microsoft Corp. | MSFT | 55,047 | \$2,500,784 | 2.41% | 0.14% | 45.43 | 46.70 | 2.80% | 3.51% |
| Verizon Communications | VZ | 40,407 | \$2,013,079 | 1.94% | 0.11% | 49.82 | 48.40 | -2.85% | -2.13% |
| INTL Business Machines | IBM | 9,443 | \$1,815,922 | 1.75% | 0.10% | 192.30 | 191.28 | -0.53% | 0.19% |
| Coca-Cola Co. | KO | 39,547 | \$1,649,895 | 1.59% | 0.09% | 41.72 | 41.46 | -0.62% | 0.10% |
| Google Inc. - Class A | GOOG | 2,886 | \$1,649,895 | 1.59% | 0.09% | 571.60 | 575.62 | 0.70% | 1.42% |
| Google Inc. - Class C | GOOGL | 2,815 | \$1,639,518 | 1.58% | 0.09% | 582.36 | 584.90 | 0.44% | 1.15% |
| Gilead Sciences | SLB | 14,575 | \$1,598,011 | 1.54% | 0.09% | 109.64 | 102.22 | -6.77% | -6.05% |
| Facebook Inc. | FB | 20,526 | \$1,535,751 | 1.48% | 0.09% | 74.82 | 77.48 | 3.56% | 4.27% |
| Pepscio | PEP | 14,922 | \$1,380,101 | 1.33% | 0.08% | 92.49 | 90.87 | -1.75% | -1.03% |
| TOP TEN HOLDINGS | | | \$21,936,338 | 21.14% | 1.22% | Russell 1000 Growth: | | -0.72% | |

Total Portfolio Value
Total StanCERA Value

\$103,766,974
\$1,795,087,349

STANCERA
Price Monitor Position Report

BlackRock
Passive Large Cap Value Manager
Positions as of August 31, 2014

| Company | Symbol | # Shares | \$ Value Position | Weight Manager | Weight StanCERA | 8/31/2014 \$ PX | 9/15/2014 \$ PX | Position % Change | Relative % Change |
|------------------------|--------|----------|----------------------|-------------------|--------------------|--------------------|--------------------|----------------------|----------------------|
| EXXON MOBIL CORP | XOM | 51,999 | \$5,171,830 | 4.28% | 0.29% | 99.46 | 95.78 | -3.70% | -2.89% |
| GENERAL ELECTRIC CO | GE | 120,465 | \$3,129,682 | 2.59% | 0.17% | 25.98 | 25.87 | -0.42% | 0.39% |
| BERKSHIRE HATHAWAY INC | BRK-B | 21,746 | \$2,984,677 | 2.47% | 0.17% | 137.25 | 137.09 | -0.12% | 0.69% |
| JOHNSON & JOHNSON | JNJ | 28,308 | \$2,936,342 | 2.43% | 0.16% | 103.73 | 104.58 | 0.82% | 1.63% |
| WELLS FARGO & CO | WFC | 56,848 | \$2,924,259 | 2.42% | 0.16% | 51.44 | 51.70 | 0.51% | 1.31% |
| CHEVRON CORP | CVX | 22,497 | \$2,912,175 | 2.41% | 0.16% | 129.45 | 122.66 | -5.25% | -4.44% |
| JPMORGAN CHASE & CO | JPM | 43,904 | \$2,610,082 | 2.16% | 0.15% | 59.45 | 60.03 | 0.98% | 1.78% |
| PROCTER & GAMBLE CO | PG | 30,533 | \$2,537,580 | 2.10% | 0.14% | 83.11 | 83.26 | 0.18% | 0.99% |
| PFIZER INC | PFE | 75,652 | \$2,223,403 | 1.84% | 0.12% | 29.39 | 29.43 | 0.14% | 0.94% |
| AT&T CORP | T | 62,562 | \$2,187,152 | 1.81% | 0.12% | 34.96 | 34.50 | -1.32% | -0.51% |
| TOP TEN HOLDINGS | | | \$29,617,183 | 24.51% | 1.65% | Russell 1000 Value | | -0.81% | |

Total Portfolio Value
Total StanCERA Value

\$120,837,139
\$1,795,087,349

STANCERA
Price Monitor Position Report

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

| Company | Symbol | # Shares | \$ Value Position | Weight Manager | Weight StanCERA | 8/31/2014 \$ PX | 9/15/2014 \$ PX | Position % Change | Relative % Change |
|-------------------------|--------|----------|----------------------|-------------------|--------------------|--------------------|--------------------|----------------------|----------------------|
| Apple Inc. | AAPL | 34,604 | \$3,546,904 | 3.40% | 0.20% | 102.50 | 101.66 | -0.82% | -0.09% |
| Exxon Mobil Corp | XOM | 25,697 | \$2,555,857 | 2.45% | 0.14% | 99.46 | 95.78 | -3.70% | -2.97% |
| Microsoft | MSFT | 44,548 | \$2,023,822 | 1.94% | 0.11% | 45.43 | 46.70 | 2.80% | 3.53% |
| Johnson & Johnson | JNJ | 16,594 | \$1,721,292 | 1.65% | 0.10% | 103.73 | 104.58 | 0.82% | 1.55% |
| General Electric Co | GE | 59,428 | \$1,543,946 | 1.48% | 0.09% | 25.98 | 25.87 | -0.42% | 0.31% |
| Berkshire Hathaway Inc. | BRK-B | 10,565 | \$1,450,058 | 1.39% | 0.08% | 137.25 | 137.09 | -0.12% | 0.62% |
| Wells Fargo & Co. | WFC | 27,987 | \$1,439,626 | 1.38% | 0.08% | 51.44 | 51.70 | 0.51% | 1.24% |
| Chevron Corp | CVX | 11,121 | \$1,439,626 | 1.38% | 0.08% | 129.45 | 122.66 | -5.25% | -4.51% |
| JPMorgan Chase & Co. | JPM | 22,286 | \$1,324,873 | 1.27% | 0.07% | 59.45 | 60.03 | 0.98% | 1.71% |
| Procter & Gamble | PG | 15,565 | \$1,293,577 | 1.24% | 0.07% | 83.11 | 83.26 | 0.18% | 0.91% |
| TOP TEN HOLDINGS | | | \$18,339,580 | 17.58% | 1.02% | S&P 500 Index: | | -0.73% | |

Total Portfolio Value
Total StanCERA Value

| |
|----------------------|
| \$104,320,707 |
|----------------------|

\$1,795,087,349

STANCERA
Price Monitor Position Report

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

| Company | Symbol | # Shares | \$ Value Position | Weight Manager | Weight StanCERA | Weight R1000G | 8/31/2014 \$ PX | 9/15/2014 \$ PX | Position % Change | Relative % Change |
|----------------------------|--------|----------|----------------------|-------------------|--------------------|------------------|----------------------|--------------------|----------------------|----------------------|
| HEWLETT-PACKARD CO | HPQ | 232,705 | \$8,842,790 | 4.23% | 0.49% | 0.70% | 38.00 | 36.56 | -3.79% | -3.07% |
| MICROSOFT CORP | MSFT | 170,000 | \$7,723,100 | 4.14% | 0.43% | 1.30% | 45.43 | 46.70 | 2.80% | 3.51% |
| CAPITAL ONE FINANCIAL CORP | COF | 92,500 | \$7,590,550 | 4.12% | 0.42% | 0.50% | 82.06 | 80.94 | -1.36% | -0.65% |
| WELLS FARGO & CO | WFC | 146,072 | \$7,513,943 | 3.82% | 0.42% | 2.40% | 51.44 | 51.70 | 0.51% | 1.22% |
| NOVARTIS AG-ADR | NVS | 68,600 | \$6,163,024 | 3.35% | 0.34% | 0.00% | 89.84 | 93.76 | 4.36% | 5.08% |
| COMCAST CORP-CLASS A | CMCSA | 110,363 | \$6,040,166 | 3.19% | 0.34% | 0.10% | 54.72 | 57.08 | 4.31% | 5.03% |
| TIME WARNER INC | TWX | 78,232 | \$6,026,210 | 2.96% | 0.34% | 0.70% | 77.03 | 76.81 | -0.29% | 0.43% |
| SANOFI-ADR | SNY | 98,255 | \$5,374,548 | 2.82% | 0.30% | 0.00% | 54.70 | 56.43 | 3.16% | 3.88% |
| SCHWAB (CHARLES) CORP | SCHW | 180,000 | \$5,131,800 | 2.81% | 0.29% | 0.30% | 28.51 | 29.52 | 3.54% | 4.26% |
| SCHLUMBERGER LTD | SLB | 44,300 | \$4,857,052 | 2.74% | 0.27% | 0.00% | 109.64 | 102.22 | -6.77% | -6.05% |
| TOP TEN HOLDINGS | | | \$65,263,183 | 34.18% | 3.64% | 6.00% | Russell 1000 Growth: | | -0.72% | |

Total Portfolio Value
Total StanCERA Value

\$194,434,781
\$1,795,087,349

STANCERA
Price Monitor Position Report

Jackson Square Partners
Active Large Cap Growth Portfolio
Positions as of August 31, 2014

| Company | Symbol | # Shares | \$ Value Position | Weight Manager | Weight StanCERA | Weight R1000G | 8/31/2014 \$ PX | 9/15/2014 \$ PX | Position % Change | Relative % Change |
|----------------------------------|--------|----------|----------------------|-------------------|--------------------|------------------|----------------------|--------------------|----------------------|----------------------|
| Celgene Corporation | CELG | 104,200 | \$9,901,084 | 6.29% | 0.55% | 0.73% | 95.02 | 91.52 | -3.68% | -2.96% |
| Microsoft Corporation | MSFT | 206,525 | \$9,382,431 | 5.96% | 0.52% | 2.34% | 45.43 | 46.70 | 2.80% | 3.51% |
| Allergan, Inc. | AGN | 47,750 | \$7,815,720 | 4.96% | 0.44% | 0.47% | 163.68 | 169.25 | 3.40% | 4.12% |
| Visa Inc. Class A | V | 36,600 | \$7,778,232 | 4.94% | 0.43% | 1.02% | 212.52 | 214.04 | 0.72% | 1.43% |
| QUALCOMM Incorporated | QCOM | 100,050 | \$7,613,805 | 4.83% | 0.42% | 1.24% | 76.10 | 75.33 | -1.01% | -0.29% |
| EOG Resources, Inc. | EOG | 69,150 | \$7,598,202 | 4.82% | 0.42% | 0.58% | 109.88 | 101.32 | -7.79% | -7.07% |
| MasterCard Incorporated Class A | MA | 97,350 | \$7,380,104 | 4.69% | 0.41% | 0.73% | 75.81 | 75.47 | -0.45% | 0.27% |
| Crown Castle International Corp. | CCI | 88,250 | \$7,016,758 | 4.45% | 0.39% | 0.26% | 79.51 | 78.79 | -0.91% | -0.19% |
| Walgreen Co. | WAG | 112,950 | \$6,835,734 | 4.34% | 0.38% | 0.42% | 60.52 | 62.82 | 3.80% | 4.52% |
| eBay Inc. | EBAY | 121,450 | \$6,740,475 | 4.28% | 0.38% | 0.68% | 55.50 | 52.19 | -5.96% | -5.25% |
| TOP TEN HOLDINGS | | | \$78,062,544 | 49.56% | 4.35% | 8.46% | Russell 1000 Growth: | | -0.72% | |

Total Portfolio Value
Total StanCERA Value

\$157,509,573
\$1,795,087,349

STANCERA
Price Monitor Position Report

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

| Company | Symbol | # Shares | \$ Value Position | Weight Manager | Weight StanCERA | Weight R2000V | 8/31/2014 \$ PX | 9/15/2014 \$ PX | Position % Change | Relative % Change |
|-------------------------------|--------|----------|----------------------|-------------------|--------------------|------------------|---------------------|--------------------|----------------------|----------------------|
| HILLENBRAND INC | HI | 44,267 | \$1,480,284 | 1.52% | 0.08% | 0.00% | 33.44 | 32.22 | -3.65% | -2.41% |
| LITTELFUSE INC | LFUS | 12,079 | \$1,110,213 | 1.14% | 0.06% | 0.00% | 91.91 | 94.03 | 2.31% | 3.55% |
| REGAL BELOIT CORP | RBC | 15,073 | \$1,071,258 | 1.10% | 0.06% | 0.00% | 71.07 | 69.59 | -2.08% | -0.84% |
| ASBURY AUTOMOTIVE GROUP INC | ABG | 13,278 | \$925,178 | 0.95% | 0.05% | 0.00% | 69.68 | 65.67 | -5.75% | -4.51% |
| FIRST AMERICAN FINANCIAL CORP | FAF | 32,634 | \$925,178 | 0.95% | 0.05% | 0.35% | 28.35 | 27.97 | -1.34% | -0.10% |
| DELUXE CORP | DLX | 15,536 | \$925,178 | 0.95% | 0.05% | 0.17% | 59.55 | 57.69 | -3.12% | -1.88% |
| MB FINANCIAL INC | MBFI | 31,326 | \$886,223 | 0.91% | 0.05% | 0.22% | 28.29 | 28.90 | 2.16% | 3.40% |
| IBERIABANK CORP | IBKC | 13,582 | \$886,223 | 0.91% | 0.05% | 0.24% | 65.25 | 68.00 | 4.21% | 5.46% |
| CINEMARK HOLDINGS INC | CNK | 24,837 | \$876,484 | 0.90% | 0.05% | 0.00% | 35.29 | 35.14 | -0.43% | 0.82% |
| BARRETT BUSINESS SERVICES INC | BBSI | 14,643 | \$866,745 | 0.89% | 0.05% | 0.13% | 59.19 | 57.64 | -2.62% | -1.38% |
| TOP TEN HOLDINGS | | | \$9,952,964 | 10.22% | 0.55% | 1.11% | Russell 2000 Value: | | -1.24% | |

Total Portfolio Value
Total StanCERA Value

\$97,387,126
\$1,795,087,349

STANCERA
Price Monitor Position Report

Legato Capital Management
Active US Small Cap Growth Manager
Positions as of August 31, 2014

| Company | Symbol | # Shares | \$ Value Position | Weight Manager | Weight StanCERA | Weight R2000G | 8/31/2014 \$ PX | 9/15/2014 \$ PX | Position % Change | Relative % Change |
|-------------------------------------|--------|----------|----------------------|-------------------|--------------------|------------------|----------------------|--------------------|----------------------|----------------------|
| MAXIMUS, Inc. | MMS | 34,073 | \$1,403,808 | 1.63% | 0.08% | 0.32% | 41.36 | 41.34 | -0.05% | 0.73% |
| Ultimate Software Group, Inc. | ULTI | 7,231 | \$1,062,885 | 1.24% | 0.06% | 0.48% | 134.96 | 148.50 | 10.03% | 10.81% |
| Synchronoss Technologies, Inc. | SNCR | 23,435 | \$1,035,124 | 1.20% | 0.06% | 0.18% | 143.73 | 44.40 | -69.11% | -68.33% |
| Dealertrack Technologies, Inc. | TRAK | 22,830 | \$1,021,871 | 1.19% | 0.06% | 0.23% | 53.56 | 46.55 | -13.09% | -12.31% |
| Advisory Board Company | ABCO | 20,456 | \$1,014,618 | 1.18% | 0.06% | 0.21% | 37.64 | 50.04 | 32.94% | 33.72% |
| athenahealth, Inc. | ATHN | 6,668 | \$963,126 | 1.12% | 0.05% | 0.00% | 58.96 | 134.98 | 128.93% | 129.72% |
| Cepheid | CPHD | 23,109 | \$925,053 | 1.08% | 0.05% | 0.32% | 40.41 | 43.40 | 7.40% | 8.18% |
| CoStar Group, Inc. | CSGP | 6,189 | \$895,858 | 1.04% | 0.05% | 0.00% | 37.57 | 159.49 | 324.51% | 325.30% |
| PAREXEL International Corporation | PRXL | 15,834 | \$893,671 | 1.04% | 0.05% | 0.37% | 7.21 | 60.87 | 744.24% | 745.03% |
| Portfolio Recovery Associates, Inc. | PRAA | 14,859 | \$844,437 | 0.98% | 0.05% | 0.33% | 38.56 | 57.49 | 49.09% | 49.87% |
| TOP TEN HOLDINGS | | | \$10,060,450 | 11.71% | 0.56% | 2.44% | Russell 2000 Growth: | | -0.78% | |

Total Portfolio Value
Total StanCERA Value

| |
|---------------------|
| \$85,942,761 |
|---------------------|

\$1,795,087,349

STANCERA
Price Monitor Position Report

LSV Asset Management
International Large Cap Value
Positions as of August 31, 2014

| Company | Symbol | Market | # Shares | \$ Value Position | Weight Manager | Weight StanCERA | Weight ACWI xUS | 8/31/2014 \$ PX* | 9/15/2014 \$ PX* | Position % Change | Relative % Change |
|------------------------------|--------|-----------|----------|----------------------|-------------------|--------------------|--------------------|---------------------|---------------------|----------------------|----------------------|
| MAGNA INTERNATIONAL INC | MGA | Canada | 27,538 | \$3,124,747 | 1.90% | 0.17% | 0.13% | 113.47 | 110.65 | -2.49% | -0.98% |
| ROYAL DUTCH SHELL | RDS-A | London | 33,310 | \$2,697,150 | 1.64% | 0.15% | 1.39% | 80.97 | 77.69 | -4.05% | -2.54% |
| ASTRAZENECA PLC | AZN | London | 35,051 | \$2,664,258 | 1.62% | 0.15% | 0.51% | 76.01 | 73.30 | -3.57% | -2.06% |
| ALLIANZ SE | ALV.DE | Germany | 18,499 | \$2,401,121 | 1.46% | 0.13% | 0.41% | 129.80 | 133.05 | 2.50% | 4.01% |
| CHINA PETROLEUM & CHEMICAL-H | SNP | Hong Kong | 22,959 | \$2,318,891 | 1.41% | 0.13% | 0.14% | 101.00 | 99.24 | -1.74% | -0.24% |
| SANOFI S.A. | SNY | London | 40,589 | \$2,220,215 | 1.35% | 0.12% | 0.69% | 54.70 | 56.43 | 3.16% | 4.67% |
| BASF SE | BASFY | Germany | 19,659 | \$2,022,862 | 1.23% | 0.11% | 0.50% | 102.90 | 99.50 | -3.30% | -1.80% |
| OLD MUTUAL PLC | OML.L | London | 9,922 | \$1,973,524 | 1.20% | 0.11% | 0.09% | 198.90 | 191.50 | -3.72% | -2.21% |
| DAIMLER AG | DAI.DE | Germany | 31,444 | \$1,957,078 | 1.19% | 0.11% | 0.41% | 62.24 | 62.95 | 1.14% | 2.65% |
| CANADIAN IMPERIAL BANK | CM.TO | Toronto | 18,518 | \$1,924,186 | 1.17% | 0.11% | 0.20% | 103.91 | 106.86 | 2.84% | 4.35% |
| TOP TEN HOLDINGS | | | | \$23,304,033 | 14.17% | 1.30% | 4.47% | MSCI ACWI ex-U.S. | | -1.51% | |

Total Portfolio Value
Total StanCERA Value

| |
|----------------------|
| \$164,460,363 |
|----------------------|

\$1,795,087,349

*Company quotes are provided directly in USD

STANCERA
Price Monitor Position Report

Pyramis Global Advisors
Active Non-US Growth Manager
Positions as of August 31, 2014

| Company | Symbol | Market | # Shares | \$ Value Position | Weight Manager | Weight StanCERA | Weight ACWI xUS | 8/31/2014 PX* | 9/15/2014 PX* | Position % Change | Relative % Change |
|--------------------------------|---------|-------------|-----------|----------------------|-------------------|--------------------|--------------------|------------------|------------------|----------------------|----------------------|
| ROYAL DUTCH SHELL PLC CL A(NL) | B09CBL4 | Amsterdam | 73,771 | \$3,040,132 | 1.83% | 0.17% | 1.36% | 30.74 | 29.97 | -2.50% | -1.00% |
| NESTLE SA (REG) | 7123870 | Switzerland | 34,365 | \$2,552,904 | 1.60% | 0.14% | 1.31% | 71.15 | 70.90 | -0.35% | 1.16% |
| HSBC HOLDINGS PLC (UK REG) | 540528 | London | 200,332 | \$2,152,435 | 1.33% | 0.12% | 1.07% | 10.76 | 10.66 | -0.93% | 0.58% |
| SANOFI | 5671735 | Paris | 19,280 | \$2,028,132 | 1.30% | 0.11% | 0.69% | 54.70 | 56.43 | 3.16% | 4.67% |
| ROCHE HLDGS AG (GENUSSCHEINE) | 7110388 | Germany | 6,916 | \$2,013,269 | 1.24% | 0.11% | 1.07% | 36.51 | 36.70 | 0.52% | 2.03% |
| BAYER AG | 5069211 | Germany | 1,394,874 | \$1,748,562 | 1.11% | 0.10% | 0.58% | 36.51 | 36.70 | 0.52% | 2.03% |
| LLOYDS BANKING GROUP PLC | 870612 | London | 13,193 | \$1,746,159 | 1.08% | 0.10% | 0.38% | 1.27 | 1.20 | -5.51% | -4.00% |
| NOVARTIS AG (REG) | 7103065 | Germany | 28,600 | \$1,706,794 | 1.05% | 0.10% | 1.08% | 89.84 | 93.76 | 4.36% | 5.87% |
| ALLIANZ SE (REGD) | 5231485 | Germany | 19,136 | \$1,674,111 | 1.02% | 0.09% | 0.41% | 129.80 | 133.05 | 2.50% | 4.01% |
| TOYOTA MOTOR CORP | 6900643 | Tokyo | 9,757 | \$1,630,553 | 1.00% | 0.09% | 0.82% | 114.32 | 117.11 | 2.44% | 3.95% |
| TOP TEN HOLDINGS | | | | \$20,293,051 | 12.56% | 1.13% | 8.77% | MSCI ACWI ex-US: | | -1.51% | |

Total Portfolio Value
Total StanCERA Value

\$163,214,105
\$1,795,087,349

*Company quotes are provided in foreign currency and then converted to USD



**STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION**
832 12th Street, Suite 600
Modesto, CA 95354
P.O. Box 3150 Modesto, CA 95353-3150

Phone (209) 525-6393
Fax (209) 558-4976
www.stancera.org
e-mail: retirement@stancera.org

**For the Board of Retirement meeting
Held on September 23, 2014**

TO: The Board of Retirement

FROM: Rick Santos, Executive Director


- I. SUBJECT: Allocation of StanCERA Assets to the Infrastructure Asset Class
- II. ITEM NUMBER: #8.a
- III. ITEM TYPE: Discussion and Action
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS: In November of 2012, the StanCERA Board, at its asset liability workshop, voted to dedicate 3% of its portfolio to the global infrastructure space. Currently, 3% of the StanCERA portfolio represents approximately \$50 million. This agenda item seeks direction from the Board regarding how to allocate these funds across 2 prospective Infrastructure managers.

Today, the Board will hear presentations from 2 prospective Infrastructure managers, Kohlberg Kravis Roberts (KKR) and Morgan Stanley. After the presentations, the Board will convene in closed session and decide whether to commit some, all or none of the potential allocation of \$50 million to either or both of the prospective managers. It is not the case that the Board commit to either candidate. If the Board chooses not to allocate the full amount across the prospective managers, then staff will bring forward other candidates for consideration at a later date.

If the Board does choose to allocate at least some of the \$50 million, the Board should agree to commit the desired allocation to the appropriate manager(s) pending the legal due diligence and negotiation process with StanCERA special counsel, Hanson & Bridgett. Throughout the diligence and negotiation process, staff will bring status updates to the Board.

- VI. RISK: None
- VII. STRATEGIC PLAN: Invest StanCERA assets in such a way that efficiently maximizes the ability to meet current and future benefit obligations while balancing the need for contribution stability and sustainability
- VIII. ADMINISTRATIVE BUDGET IMPACT: None administratively. Legal fees related to investment activities are derived from investment earnings


Rick Santos, Executive Director


Kathy Herman, Operations Manager



Morgan Stanley Presents

The Morgan Stanley Infrastructure Partners II Fund

To the Stanislaus County Employees' Retirement Association

September 23, 2014

The information in this presentation (the "Presentation") is being provided solely for informational purposes to institutional investors only and is not for distribution to the general public. An investment in the Fund will involve significant risks, including the risk that an investor may lose its entire investment. Other significant risks associated with investing in the Fund are described in "Certain Risk Factors" at the end of this Presentation.

Table of Contents

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|-------------------|--------------------------------------|
| Section 1 | Firm Overview |
| Section 2 | Investment Team |
| Section 3 | Philosophy, Process and Risk Control |
| Section 4 | MSIP II - Summary of Fund Terms |
| Section 5 | Why Morgan Stanley? |
| Appendix A | Additional Information |

Section 1

Firm Overview

FIRM OVERVIEW

Morgan Stanley

- The broad capabilities of a global institution with the independence of a boutique

Merchant Banking & RE Investing (MBREI)

- Founded in 1975
- 100% owned by Morgan Stanley
- Direct investing in private assets globally
 - Private Equity
 - Infrastructure
 - Real Estate
 - Credit
- 400 professionals
- \$36Bn of AUM - 536 investments held across 36 funds

Morgan Stanley Infrastructure

- Founded in 2006
- A division of MBREI
- Sole focus on infrastructure investing
- 37 dedicated professionals
- \$4Bn of AUM – MSIP I
- Now in market raising MSIP II (target \$4Bn)

FIRM OVERVIEW

Morgan Stanley

- Global resources create an information edge that differentiates

- Founded in 1935
- 57,000+ professionals in 43 countries
- Investment management, research, trading, and banking
- A culture of thought leadership



Section 2

Investment Team

Experienced Senior Team

- **MSI Partners have 16–30 years each of related investment experience**
 - Majority of team has worked together with respect to MSIP I investments
- **Backed by one of the largest dedicated teams in the infrastructure investment business (37 professionals) and by Morgan Stanley's support teams (40 employees)**
- **MSI's Senior Advisory Board contributes additional resources for deal sourcing and operational improvement**

Partners



Markus Hottenrott
Chief Investment
Officer,
Managing Director
16 years' experience



Chris Koski
Global Head of
Investment Strategy,
Managing Director
21 years' experience



Mark McLean
Head of
Asia-Pacific,
Managing Director
19 years' experience



John Veech
Head of Americas,
Managing Director
25 years' experience



Jim Wilmott
Head of Europe,
Managing Director
26 years' experience

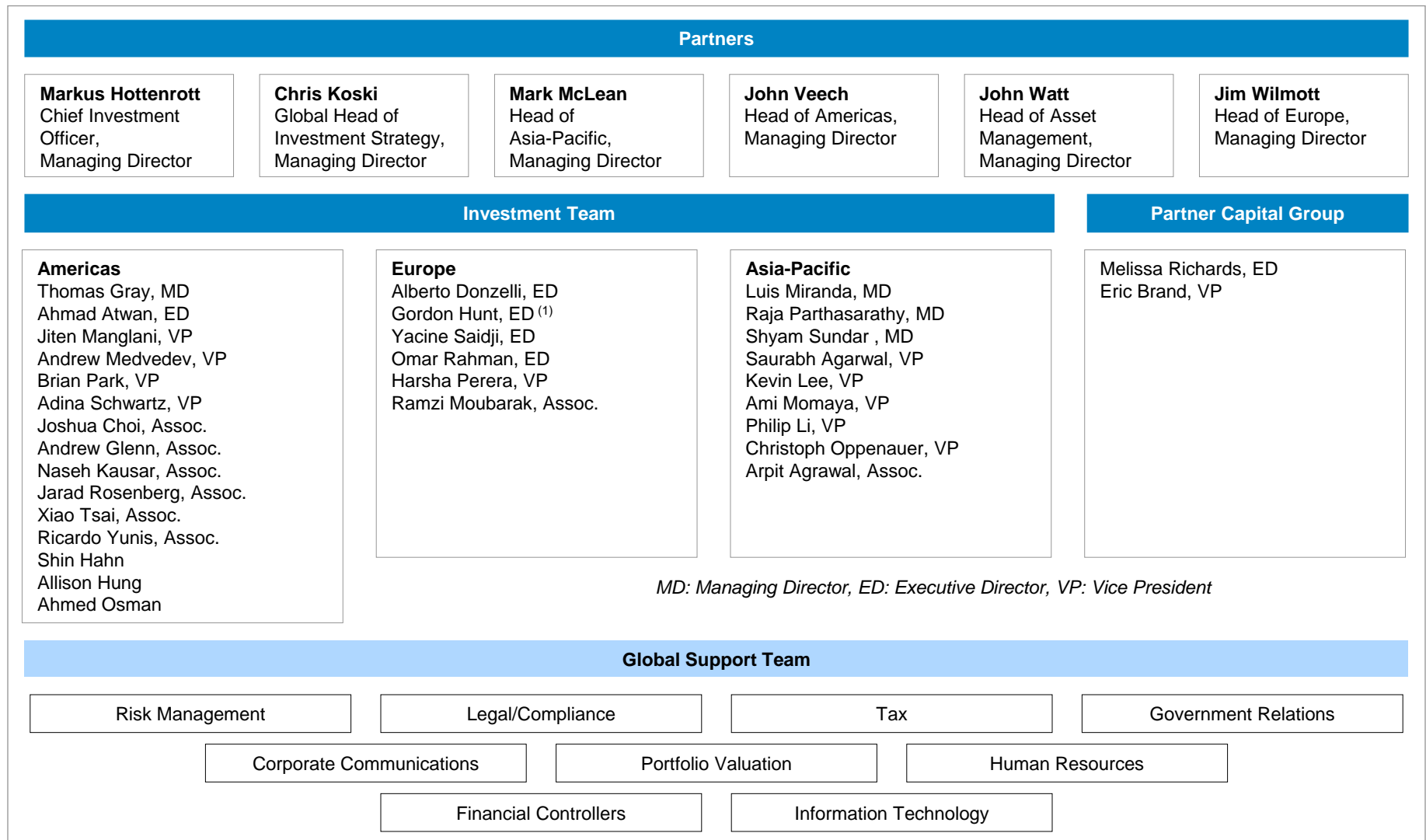


John Watt
Head of Asset
Management,
Managing Director
31 years' experience

INVESTMENT TEAM

Experienced Team, Global Platform

37 dedicated and full-time infrastructure investment professionals, and 38 Global Support Team professionals



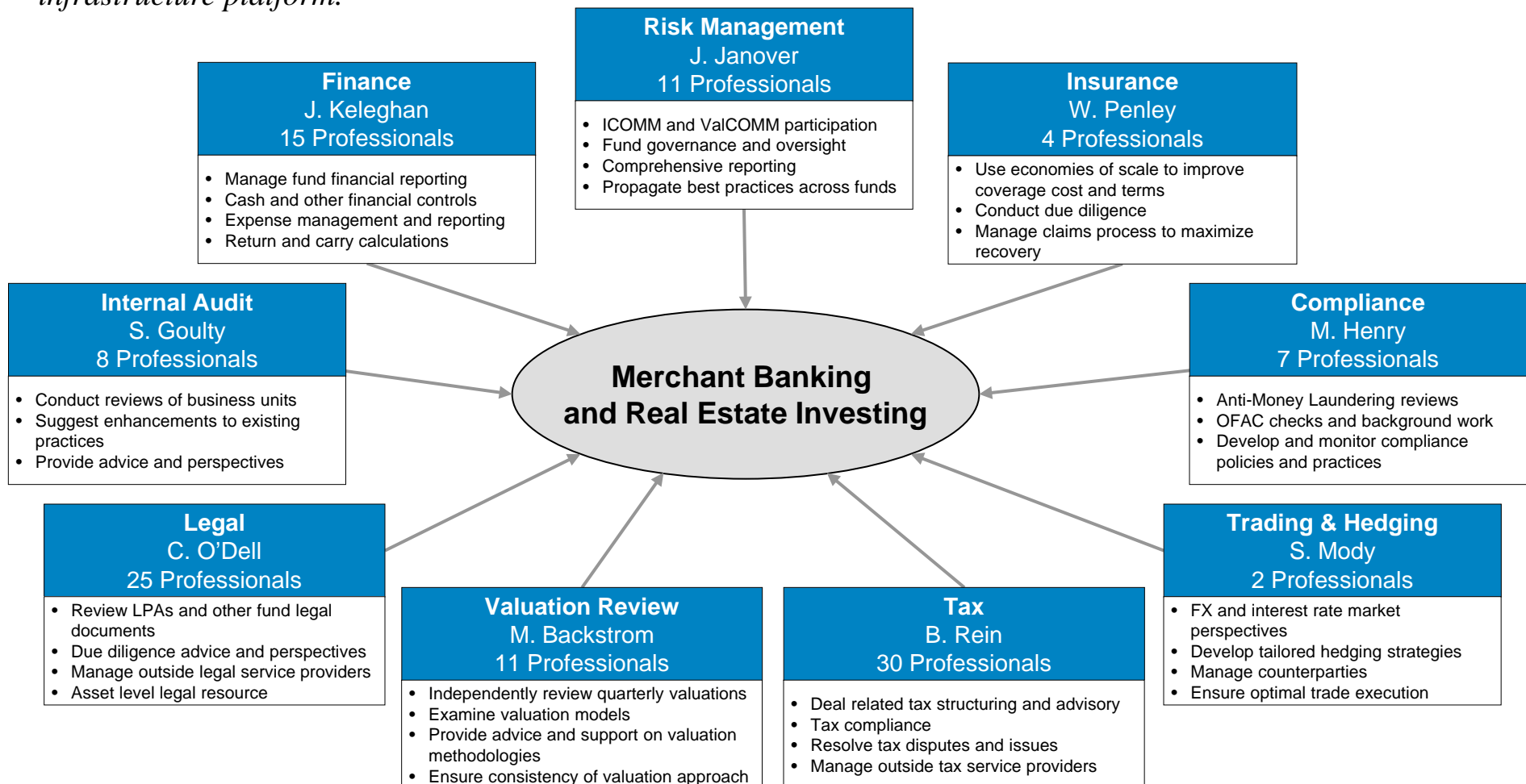
Notes

1. Executive Director of the Dutch platform. Mr. Hunt is not an employee of Morgan Stanley, and his compensation will be borne by MSIP I and MSIP II.

Global Support Team

Key support functions and resources devoted

100+ Firm and Investment Management functional specialists provide services and support to MB & REI funds to help assess and achieve optimal risk / return objectives and ensure effective oversight. ⁽¹⁾ 38 support the infrastructure platform.



Section 3

Philosophy, Process and Risk Control

MSIP II Opportunity

Operational value-add strategy applied to infrastructure assets

- The Investment Team works closely with portfolio company management to identify and implement operational efficiency improvements and value creation initiatives that have the potential to generate long-term, stable and predictable cash flows

Experienced team, global network

- Team of 75+ professionals, including 37 dedicated infrastructure professionals, based in six primary locations globally
- Morgan Stanley Infrastructure's ("MSI") Partners have 16–30 years each of related investment experience

Proven Track Record

- \$4.3 billion of gross capital invested worldwide, distributions of \$2.1 billion since inception ⁽¹⁾
- Gross IRR of 12.8%, ⁽²⁾ LTM cash yield of 6.2% ⁽³⁾

Compelling developed market opportunities

- Opportunities exist in the Americas, Europe and OECD Asia-Pacific driven primarily by the changing landscape in mid-stream energy and power generation, privatizations, and corporate deleveraging/disposition of assets

Notes

1. Morgan Stanley Infrastructure Partners ("MSIP I"). Figures as of June 30, 2014 are preliminary and subject to change.
2. MSIP I gross IRR is calculated based on actual dates of investor capital contributions for investments and investor distributions as of June 30, 2014. Calculation does not reflect deduction of management fees, organizational and other indirect expenses, and deduction of the general partner's carried interest. Past performance is not indicative of future results. Please see page entitled "MSIP I Portfolio" for net performance.
3. MSIP I yield calculated as income distributions received through LTM ending June 30, 2014 over weighted average capital contributed for assets held by MSIP I; excludes returns of capital and distributions related to realized assets.

Developed Markets Value-Add Opportunities

Strong current pipeline of opportunities

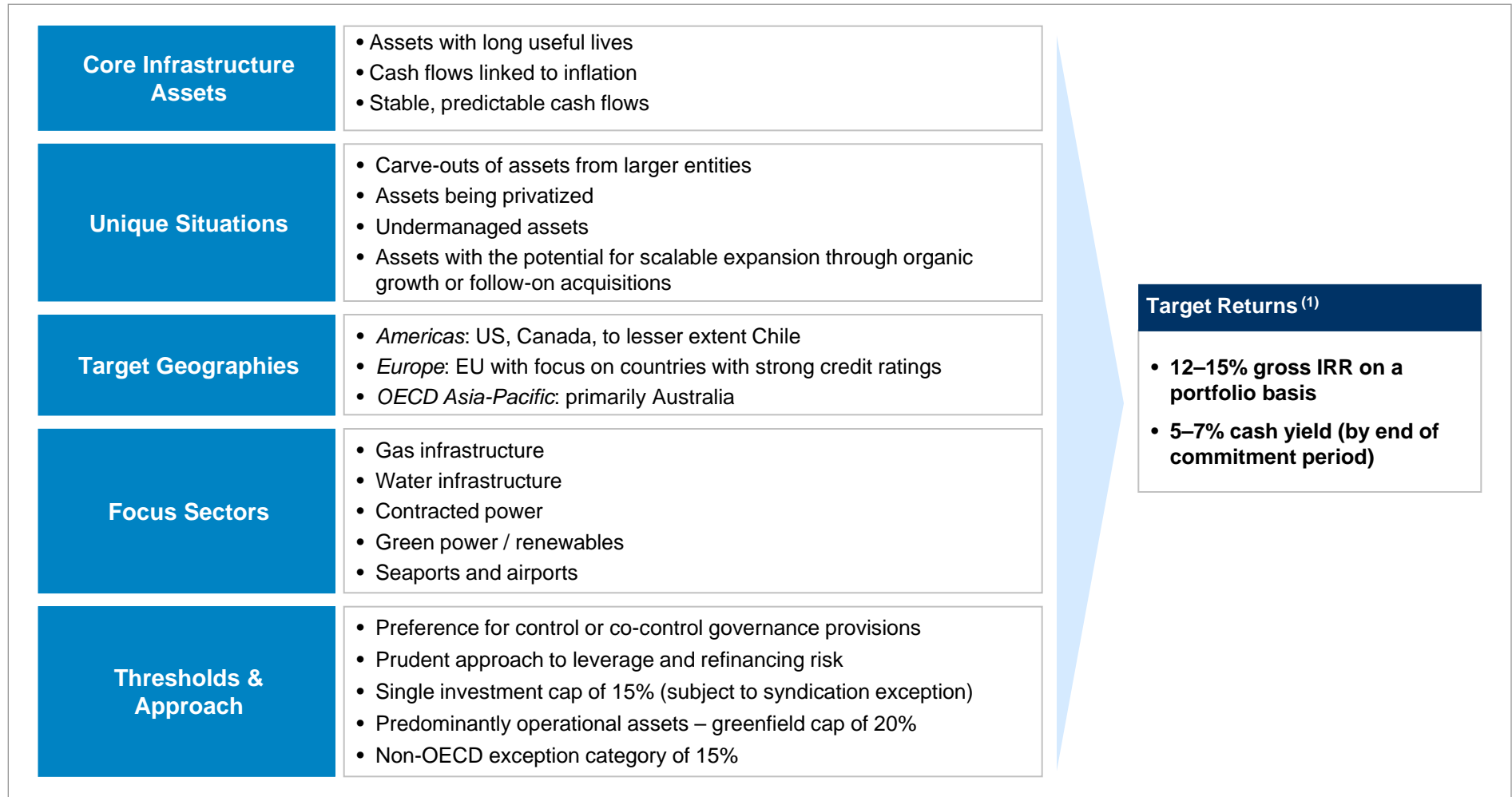
| Americas | Europe | OECD Asia-Pacific |
|---|--|---|
| Geographic Focus | | |
| <ul style="list-style-type: none"> Primarily US, secondary markets include Canada and Chile | <ul style="list-style-type: none"> Countries with strong credit profiles | <ul style="list-style-type: none"> Primarily Australia, secondary markets include Japan, New Zealand and South Korea |
| Drivers | | |
| <ul style="list-style-type: none"> Shale gas and oil build-out in North America could require up to \$641 billion in associated infrastructure investment by 2035⁽¹⁾ Non-hydro renewables are expected to grow by over 140% by 2040⁽²⁾. Gas-fired generation needed to "backstop" renewables and replace retiring coal plants State and local entities are looking for external solutions to deliver necessary services and develop new infrastructure | <ul style="list-style-type: none"> Utilities companies still deleveraging, leading to disposal of assets Continental European gas and electric grids are estimated to require an additional €200 billion in capital expenditures by 2020⁽³⁾ Fuel mix changes: binding country-level targets for Europe to achieve "20-20-20" i.e. 20% renewable energy consumption and 20% increase in energy efficiency by 2020 | <ul style="list-style-type: none"> Privatization due to investment requirements and budget pressures e.g. Infrastructure Australia suggests Australian state governments can recycle assets worth up to \$100 billion⁽⁴⁾ Natural resource infrastructure driven by commodity demand from Asia Deleveraging leading to disposal of assets and re-capitalization of distressed assets |

Notes

1. INGAA, March 2014.
2. EIA Annual Energy Outlook 2014.
3. European Commission, June 2011.
4. National Infrastructure Plan, June 2013.

Our Investment Mandate

Infrastructure assets with underlying core characteristics and operational value-add potential



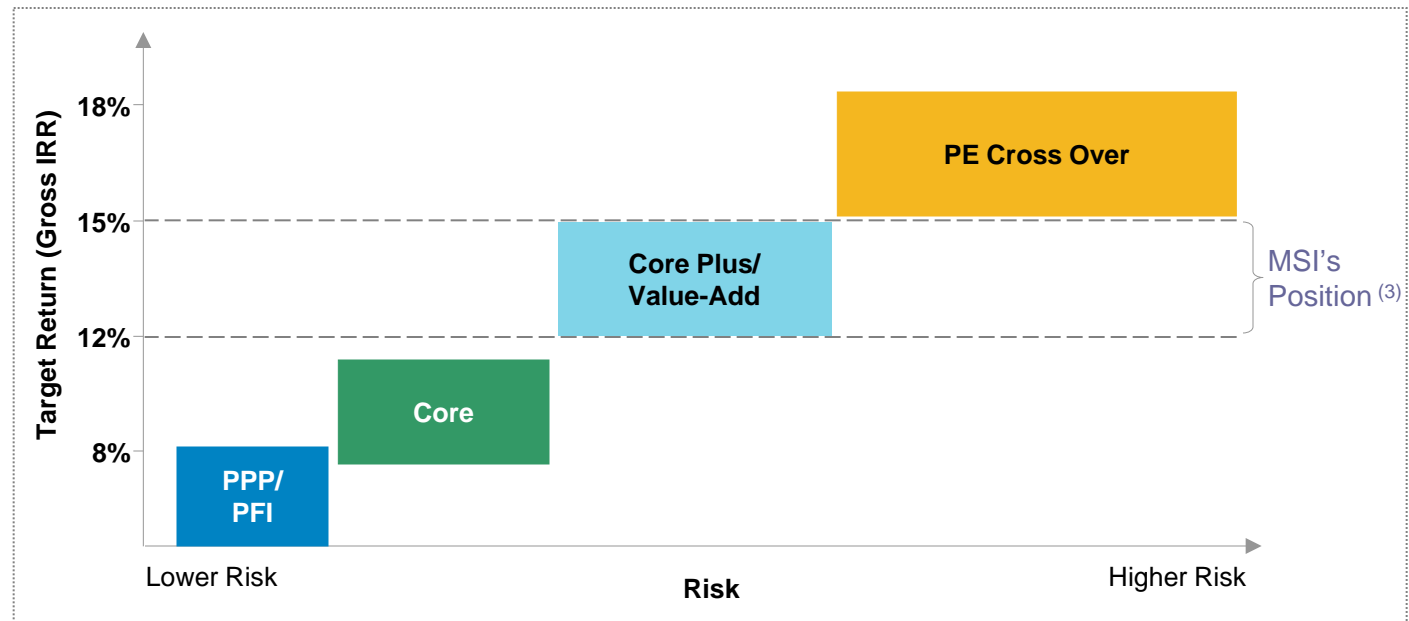
Notes

1. In setting target return and target annual yields, the GP of MSIP II considered forecasted cash flows, forecasted valuations at future dates, market conditions for relevant assets, and anticipated contingencies, among other matters. The gross target IRR is before any carried interest, fees & expenses, which will reduce returns and in the aggregate are expected to be substantial. These targets were prepared based on MSI's understanding of the intended future operations of MSIP II and its view of future events and various estimations and assumptions made by MSI; therefore, such targets are subject to uncertainties, changes and other risks. No assurance, representation or warranty is made by any person that target will be achieved.

MSI's Position on Infrastructure Risk Spectrum

Infrastructure space is divided into four major segments ⁽¹⁾

- Depending on one's definition of infrastructure and the associated risk profile, target IRRs typically range from 7% to 20%+ ⁽²⁾
- Morgan Stanley Infrastructure has a disciplined, core-plus investment strategy



| PPP/PFI (Secondary) | Core | Core Plus/Value-Add | Private Equity Cross Over |
|---|--|---|--|
| <ul style="list-style-type: none"> Implicit government guarantees offer returns with a premium over government bonds | <ul style="list-style-type: none"> Often in regulated environments or under concession agreements Mature businesses with long-term performance history | <ul style="list-style-type: none"> Regulated or unregulated assets Lesser performance or volume history for new or existing assets (brownfield) Assumes some operational and development risks | <ul style="list-style-type: none"> More often unregulated assets More limited visibility into future cash flows as either greenfield project or exposed to additional risks influencing performance such as commodities, competitive alternatives, macro and micro economy dynamics Developing country investments with less regulatory, political, legal history |

Notes

- The chart is being provided for illustrative purposes only; there can be no assurance that any investment will achieve high returns.
- The target IRRs are not intended to reflect, and do not reflect, a target return for MSIP I or any other security. There can be no assurance that any target IRR will be achieved.
- In setting the target return, the general partner will consider forecasted cash flows, forecasted valuations at future dates, market conditions for relevant assets, and anticipated contingencies, among other matters.

Proven and Proactive Sourcing

Leveraging MSIP's industry-built relationships and Morgan Stanley's global network

- **Globally exclusive deals sourced through our network provide competitive advantages vs. those deals sourced through auction process**
- **Benefits can include:**
 - Lower entry price
 - Enhanced buyer terms (better terms for sale & purchase agreements)
 - More in-depth diligence
 - Enhanced structuring

MSI's Global Platform

- **MSI regional teams** in six primary global locations
- **MSI high-level relationships** with world's leading operators, strategic players, and governmental and regulatory entities
- **Morgan Stanley Global Franchise**
 - 57,000 employees in 43 countries
 - Top-tier Investment Banking Division, producing superior information flow ⁽¹⁾
 - Over 400 professionals involved in infrastructure across the firm
- **MSI has “right of first offer”** for all infrastructure opportunities from the Morgan Stanley network

Team Sourced 14 Exclusive Investments Out of 20

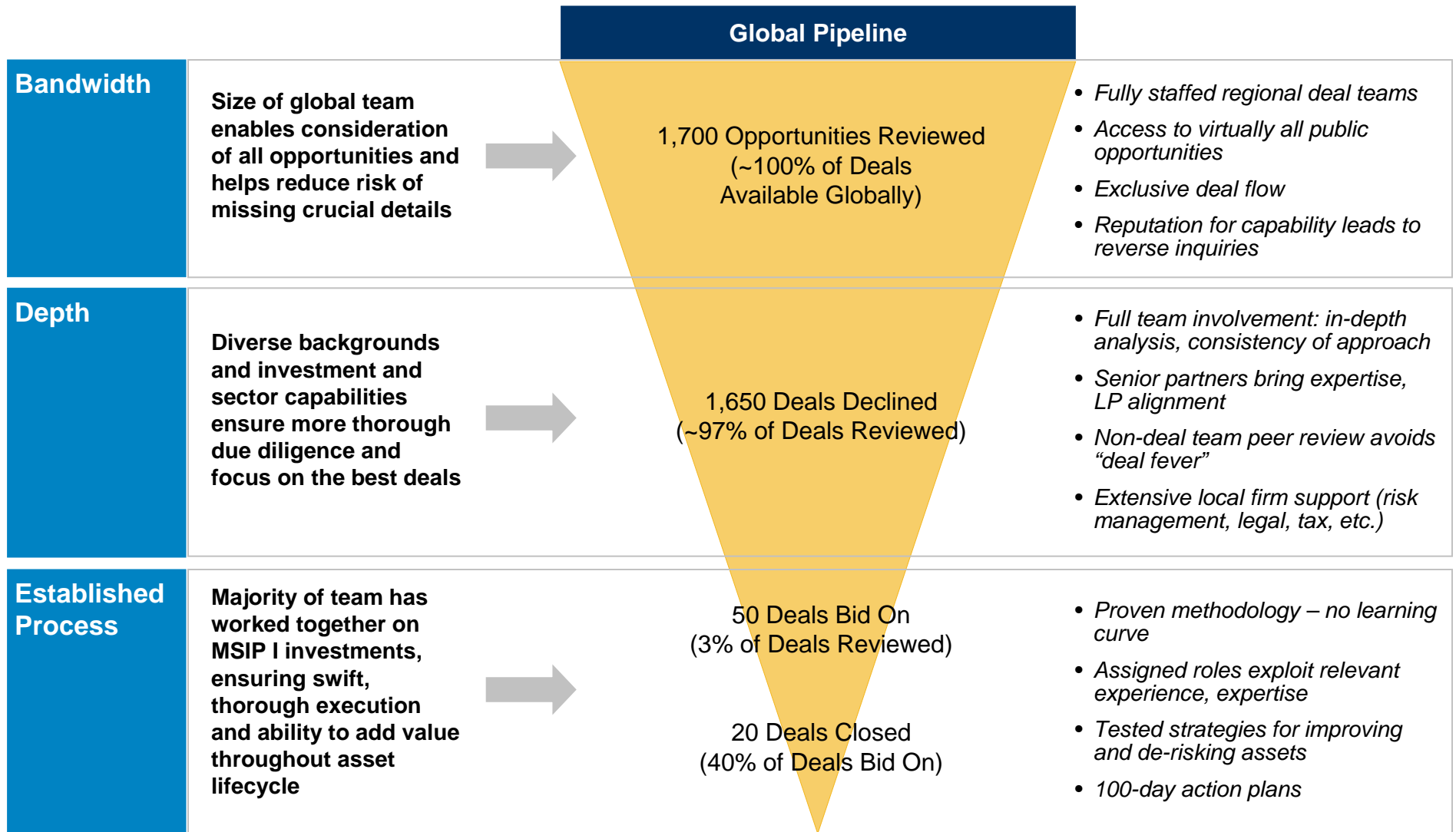
| Investment | Date | Location | Description |
|--|--------|--------------|---------------------------------------|
| Montreal Gateway Terminals – Follow-on | Dec-13 | Canada | Container Port Operator |
| Agorà Investimenti – Follow-on | Oct-13 | Italy | Airport/Airport Services Company |
| Southern Star Central Gas Pipeline – Follow-on | Sep-12 | Midwest U.S. | Gas Transmission and Storage Facility |
| Continuum Wind Energy | Jun-12 | India | Wind Power Generation |
| Madrileña Red de Gas – Bolt-on | Jun-11 | Spain | Natural Gas Distributor |
| Indus Concessions | May-11 | India | Toll Roadway Construction Company |
| Eversholt Rail Group | Dec-10 | U.K. | Rolling Stock Company |
| Zhaoheng Hydropower | Nov-10 | China | Hydropower Developer |
| Medical Area Total Energy Plant | Jun-10 | Boston, U.S. | Power Tri-Generation Facility |
| Southern Star Central Gas Pipeline – Initial | Mar-10 | Midwest U.S. | Gas Transmission and Storage Facility |
| Asian Genco | Mar-10 | India | Clean Power Asset Developer |
| PASGIC | Oct-09 | India | Toll Roadway Construction Company |
| Agorà Investimenti | Feb-08 | Italy | Airport/Airport Services Company |
| Montreal Gateway Terminals | Mar-07 | Canada | Container Port Operator |

Notes

1. Top-three rankings globally in Mergers & Acquisitions, Global Equities, and Global IPOs; source: Thomson Reuters 2012 and Thomson Reuters 2013 as of January 2, 2014.

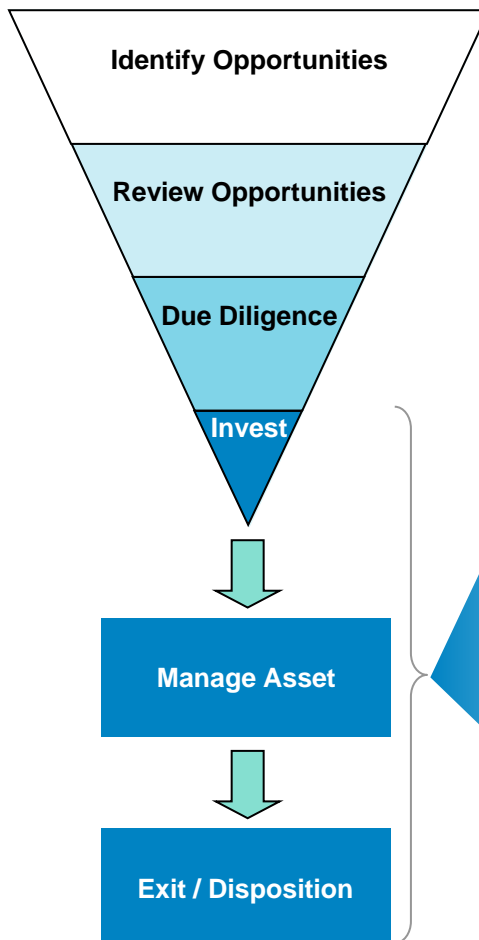
Bandwidth, Depth, Established Process

Large team of experienced infrastructure investors with shared history executing deals leads to more opportunities and better execution



Investment Committee

Investment Life Cycle



Investment Committee Overview

Composition:

- Voting members are comprised of MSI Partners as well as broader Morgan Stanley professionals including:

| | |
|----------------|--|
| Kenneth Abbott | Chief Operating Officer for Market, Credit and Operational Risk (Morgan Stanley) |
| James Janover | Head of Global Risk & Analysis (Morgan Stanley Investment Management) |
| Alan Jones | Head of Private Equity (Merchant Banking and Real Estate Investing) |
| Philip Lader | Senior Advisor (Morgan Stanley) |
| Toby Norris | Head of Risk (Merchant Banking and Real Estate Investing) |

Roles and Responsibilities:

- Discuss and debate investment thesis and expected returns
- Identify and review potential investment, market, regulatory, tax, legal and other risks
- Provide robust controls over fund investments and distributions
- Thoroughly document business rationale and diligence performed
- Review portfolio on a regular basis
- Exits / dispositions subject to approval

MSIP I Investment Committee Overview

| Membership | |
|-------------------------|----|
| Voting Members | 11 |
| Investment Team Members | 6 |

MSI Senior Advisory Board

Delivers deep expertise and relationships across MSI target sectors

- Cross-industry operational, commercial, and regulatory/public policy expertise
- Enhances deal sourcing through strong networks of relationships
- Assists in due diligence through preliminary evaluation and proprietary resources
- Supports operations and enhancement at portfolio asset companies through valuable insight and advice



Tom Nides

*Advisory Board Chair
Regulatory affairs*

- Morgan Stanley Vice Chairman, member of Operating and Management Committees, former COO
- Former U.S. Deputy Secretary of State
- Former Chief of Staff to U.S. Trade Representative
- Former Chief Administrative Officer of Credit Suisse USA
- Chairman of Board of Wilson Center for International Scholars, Board Member of Asia Society and Member of Council on Foreign Relations



Nora Mead Brownell

*Advisory Partner
Pipelines and utilities
Regulatory affairs*

- Board Director of National Grid PLC
- Board Director of Spectra Energy Partners GP
- Former U.S. Federal Energy Regulatory Commission member
- Former Pennsylvania Public Utility Commission commissioner
- Former President of National Association of Regulatory Utility Commissioners



Lawrence Coben

*Advisory Partner
Power generation*

- Founder and top executive of numerous energy firms – in the U.S. and internationally
- Chairman and CEO, Tremis Energy
- Board Director of NRG Energy
- U.S. Department of Homeland Security Sustainability and Efficiency Task Force member
- Former Board member of Grupo SAESA



Pierre Graff

*Advisory Partner
Transportation
Regulatory affairs*

- Former Chairman and CEO, Aeroports de Paris
- Former General Director, Civil Aviation Authority of France
- Former Principal Private Secretary to French Minister of Infrastructure, Transport, Housing, Tourism and Marine Affairs



Kevin Meyers

*Advisory Partner
Oil and gas*

- Former SVP of Exploration and Production Americas for ConocoPhillips
- Former President of ConocoPhillips Canada, ConocoPhillips Russia and Caspian Region, and ConocoPhillips Alaska
- Board Director of Hess Energy, Precision Drilling, Denbury Resources, Hornbeck Offshore Services, and Bill Barrett Corporation
- Former Board Director of the World Energy Council, U.S. Energy Association, and Lukoil

Operational Added Value Toolkit

Long-term strategic management of portfolio companies

- We seek to add value by improving the operations of the infrastructure assets in which we invest

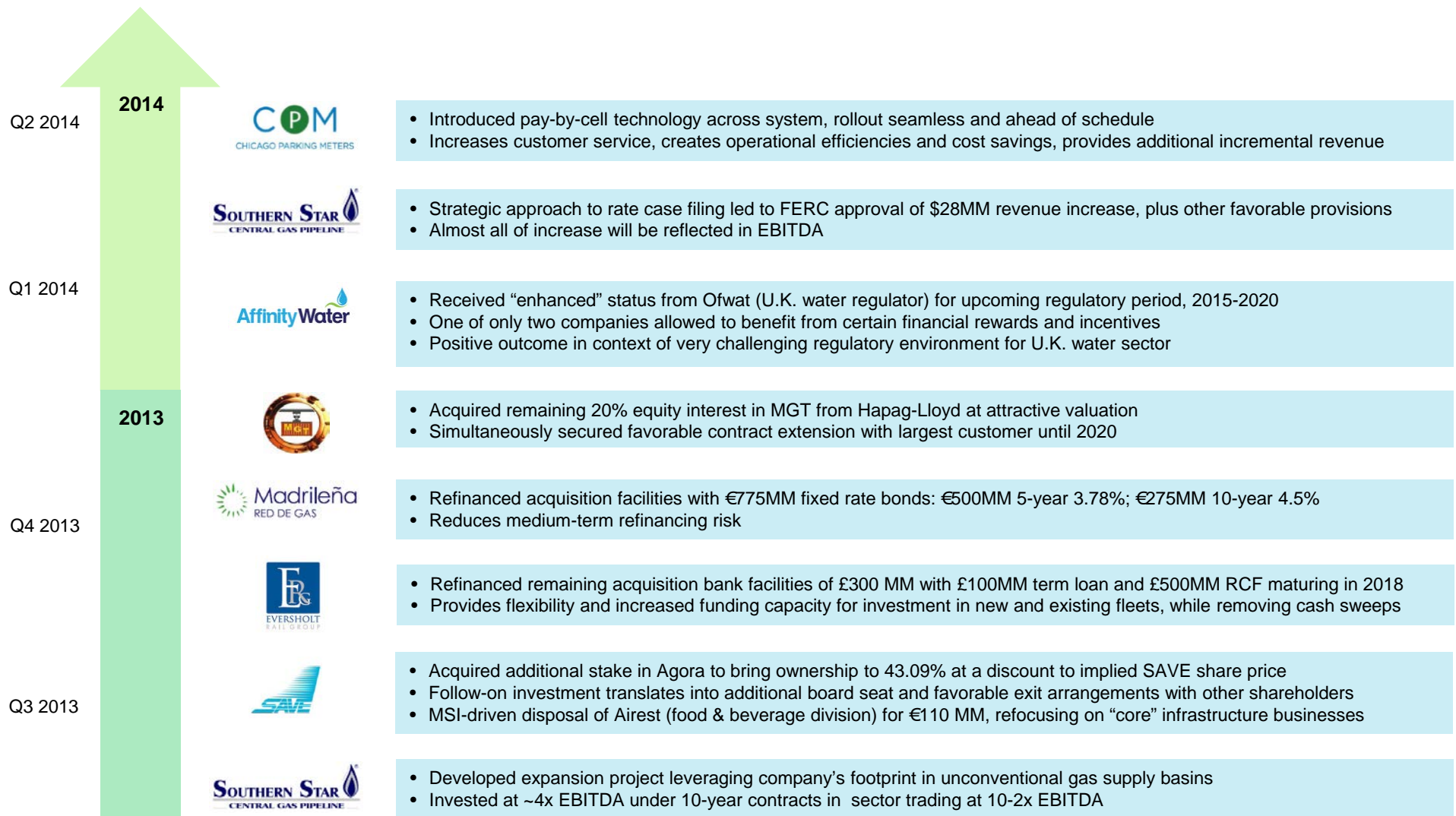
| | | | |
|---|---|--|--|
| Management of “Carve Outs” | Synergistic Bolt-On Acquisitions | Restructuring of Operations | Changed CAPEX Investment Philosophy |
| Creation of New Management Teams | Incentive Structures | Regulatory Management | Technological Improvements |

Notes

1. Reflects fiscal year ended June 30, 2014.
The examples are being provided for informational purposes only. There is no guarantee that any of the fund's other investments will have similar results. Past performance is not indicative of future results.

MSI Recent Value Creation Initiatives

Execution of operational strategy across the portfolio

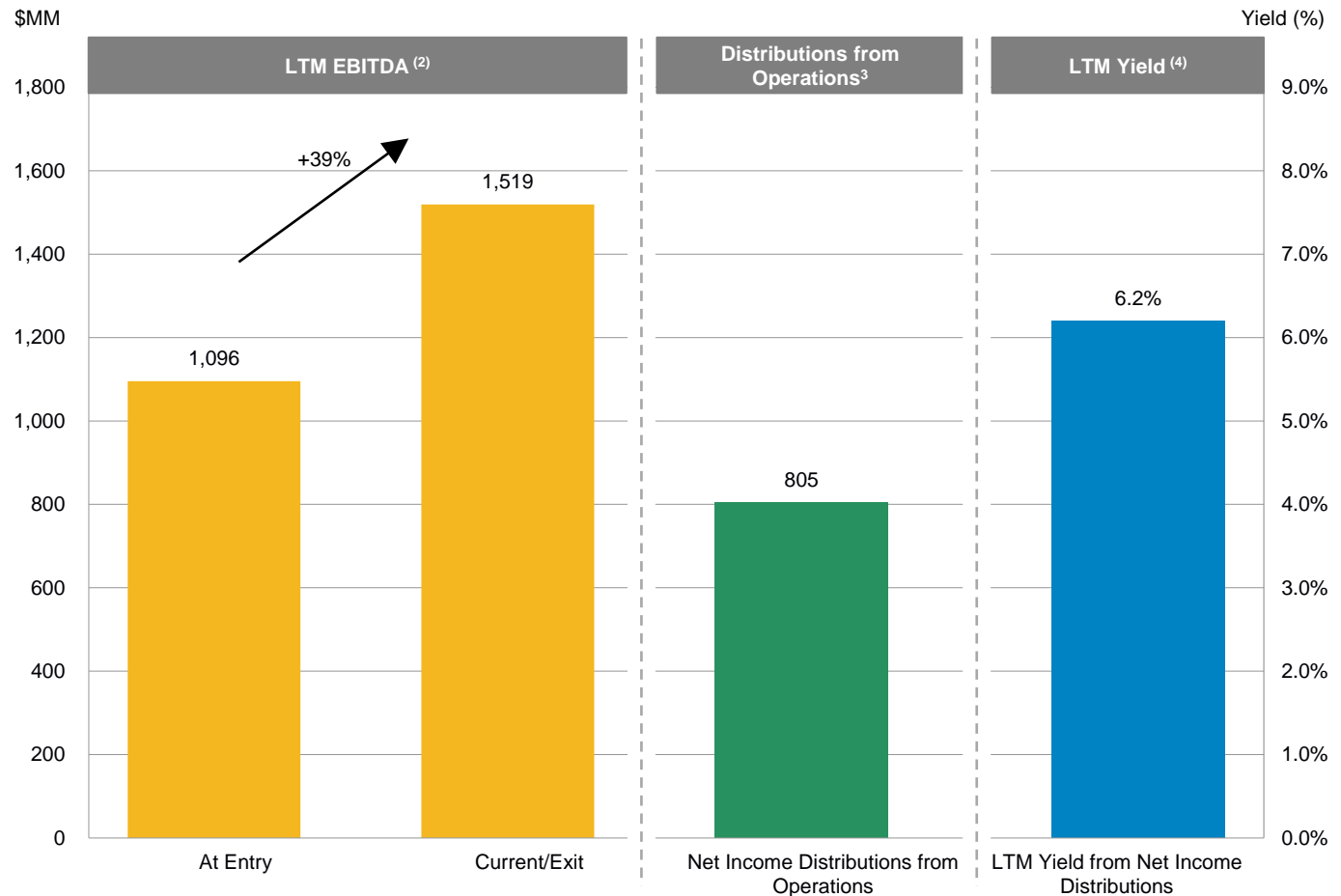


Returns Driven by EBITDA Growth and Distributions

Through June 30, 2014

- MSIP I returns have been driven primarily by EBITDA growth and distributions from operations
- Aggregate LTM EBITDA for unrealized assets in the portfolio has increased by 39% since inception
- Net income distributions of \$805MM since inception ⁽³⁾
- Last twelve months yield from operations of 6.2% ⁽⁴⁾

EBITDA Growth & Distributions from Operations ⁽¹⁾



Notes

1. All aggregate EBITDA-related data reflects pro-forma LTM EBITDA for Southern Star Central Gas Pipeline, assuming the effect of the recent rate case settlement was applied to the entire twelve month period ended June 30, 2014.
2. Reflects aggregate EBITDA for unrealized assets in the MSIP I portfolio.
3. Cash distributions of income to LPs since inception exclude \$7.0 MM of net losses resulting from expiration and close-out of hedging derivative contracts related to investments held as of June 30, 2014.
4. Yield calculated as income distributions received over the last twelve months ending June 30, 2014 over the weighted average capital contributed for assets held by MSIP I; excludes returns of capital and distributions related to realized assets.

Prudent Approach to Leverage

Weighted average portfolio leverage of 48%

- No debt at the fund level
- Fund does not employ leverage as a tool to add value

Strategy

Use long-term debt financing to leverage anticipated stable cash flow generation from investments when appropriate to do so

- Structure debt capital to investment grade standards
- Match debt duration profiles to assets' cash flows
- Avoid floating interest rate exposure by swapping to fixed-rate debt or using interest rate hedging derivatives
- Non-recourse financing leverage at asset-level only
- Prohibit use of Fund-level guarantees

MSIP I Portfolio Investments Debt Summary ⁽¹⁾

As of Jun. 30, 2014 ⁽²⁾

| | |
|---|--------------------------|
| Forward Twelve Month EBITDA / Interest Expense | 3.6x |
| Net Debt / Forward Twelve Month EBITDA | 4.7x |
| Total Proportional Net Debt Outstanding in US\$MM | \$3,746.6 ⁽²⁾ |
| Weighted Average Interest Rate | 5.5% |
| % of Fixed Interest Exposure | 77% |
| Weighted Average Life | 9.1 years |
| Weighted Average Portfolio Leverage | 48% |

Notes

1. Each asset has its own unique debt profile and the terms reflected here are qualified in their entirety by the specific terms of each financing. These figures do not reflect the risks related to any specific investment's debt financing.
2. Total proportional net debt outstanding represents the sum of all of MSIP I's investments, whereby each investment's proportional net debt outstanding equals total net debt outstanding (local currency), converted back to USD based on the prevailing foreign exchange rate, multiplied by MSIP I's equity ownership percentage in the respective asset.

Risk Management Framework

A well defined management framework helps ensure that the analysis of risk is comprehensive

| Governance / Legal / Franchise Risks | Investment / Valuation Risks | Operational / Enterprise Risks |
|--|--|--|
| Governance Risks <ul style="list-style-type: none"> • Risk of loss due to the lack of an appropriate governance framework, written policies and escalation procedures | Investment / Market Risks <p><u>Investment Risk</u></p> <ul style="list-style-type: none"> • The risk of returns deviating from an expected outcome <p><u>Liquidity Risk</u></p> <ul style="list-style-type: none"> • Risk of loss due to lack of fund liquidity to meet capital needs <p><u>Hedging</u></p> <ul style="list-style-type: none"> • Utilizing various hedging strategies to mitigate investment / market risk | Operational Risks <ul style="list-style-type: none"> • Risk of loss resulting from inadequate internal processes, systems, human error or external events |
| Legal / Compliance Risks <ul style="list-style-type: none"> • Risk of loss due to the failure to comply with various applicable laws and regulations or contractual agreements | | Counterparty Risks <ul style="list-style-type: none"> • Risk of loss arising from the default or inability of a counterparty to meet its financial obligations |
| Franchise / Reputation Risks <ul style="list-style-type: none"> • Risk of loss due to headline risk or damage to the fund's reputation | Valuation Risks <ul style="list-style-type: none"> • The risk of loss due to the failure to properly value fund assets | Model Risks <ul style="list-style-type: none"> • The risk of loss as a result of the use of valuation or other models that do not perform their intended purpose |



Transaction Overview

| | |
|--------------------------|-------------------|
| Initial Acquisition Date | Feb-2009 |
| Asset | On-Street Parking |
| Sector | Transport |
| Location | United States |
| MSIP I Ownership | 50.1% |

Investment Performance Summary

| | |
|--|--------------------|
| Invested Capital | \$601.3MM |
| Cash Distributions ⁽¹⁾ | \$418.1MM |
| Unrealized Value ⁽²⁾ | \$660.0MM |
| Cash Distributions + Unrealized Value | \$1,078.1MM |
| Gross IRR ⁽³⁾ | 16.3% |
| Multiple of Invested Capital | 1.8x |



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PHILOSOPHY, PROCESS AND RISK CONTROL

Case Study: Chicago Parking Meters (“CPM”)

Investment Summary:

- 75-year concession of Chicago's 36,000-space on-street metered parking system purchased for \$1.15 billion
- Privatization of the asset and value creation through transition, modernization, and optimization of the business
- Scheduled rate increases and 100% explicit inflation linkage thereafter, supported by highly inelastic demand

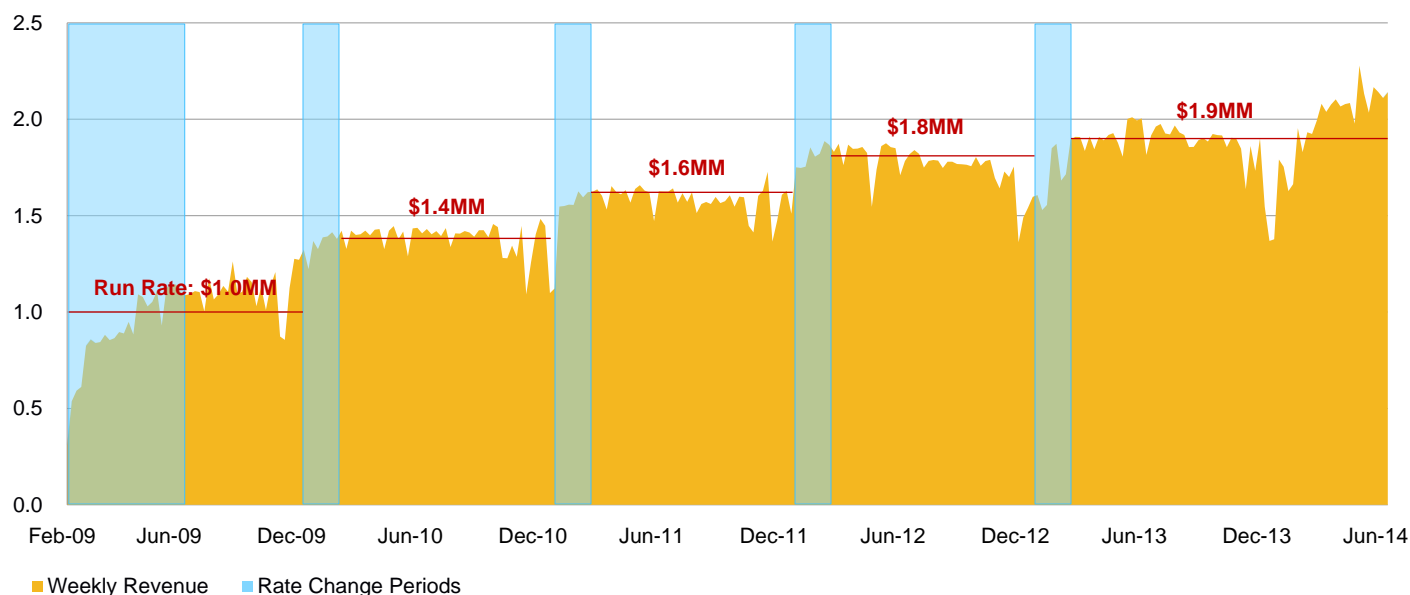
Value-Add Initiatives:

- System Modernization:** \$40MM invested to replace 36,000 single-space meters with 4,700 electronic meters; implemented pay-by-cell technology as an alternative form of payment
- Efficiency Improvements:** Reduced maintenance staffing from 60 to 20, while maintaining a system uptime of 99.9%
- Management of Capital Structure:** All-equity investment with subsequent refinancing when credit markets normalized

Key Results:

- Chicago ranked #1 for on-street parking out of the 20 largest cities worldwide in a global parking survey ⁽⁴⁾
- Revenues have grown from \$23MM to \$124MM (2008-2013) and EBITDA has grown to \$103MM (2013) ⁽⁵⁾

Weekly Revenue in \$MM:



This case study is being provided for informational purposes only. It is not intended to predict the performance of any investment. There is no guarantee that any of the fund's other investments will have similar results.

Notes

- Cash Distributions includes: Return of Capital, Realizations and Income Distributions.
- The fair value of unrealized investments is determined in good faith by the General Partner in accordance with FAS 157 (also known as FASB Accounting Standards Codifications (ASC) 820) under U.S. GAAP. There can be no assurance that investments will ultimately be realized at or above such value.
- Gross IRR is based on a hypothetical liquidation of the portfolio on June 30, 2014, and does not reflect deduction of management fees, organizational and other indirect expenses, and deduction for the General Partner's carried interest.
- IBM 2011 Global Parking Survey.
- 2008 EBITDA not available; the City did not operate the asset as a standalone system.



Transaction Overview

| | |
|--------------------------|--------------------|
| Initial Acquisition Date | Apr-2010 |
| Asset | Gas Distribution |
| Sector | Energy & Utilities |
| Location | Spain |
| MSIP I Ownership | 61.2% |

Investment Performance Summary

| | |
|--|--------------------|
| Invested Capital | \$622.9MM |
| Cash Distributions ⁽¹⁾ | \$467.4MM |
| Unrealized Value ⁽²⁾ | \$600.4MM |
| Cash Distributions + Unrealized Value | \$1,067.8MM |
| Gross IRR ⁽³⁾ | 22.9% |
| Multiple of Invested Capital | 1.7 x |



PHILOSOPHY, PROCESS AND RISK CONTROL

Case Study: Madrileña Red de Gas (“MRG”)

Investment Summary:

- Acquired regulated gas distribution infrastructure assets covering 500,000 connection points in Madrid for €800 MM from Gas Natural
- Value creation through the complex carve-out of acquired assets and separation of the non-infrastructure supply business from the core-infrastructure distribution business
- Further growth from consolidation and future gas market penetration (additional 300,000 adjacent connection points purchased for €470 MM)

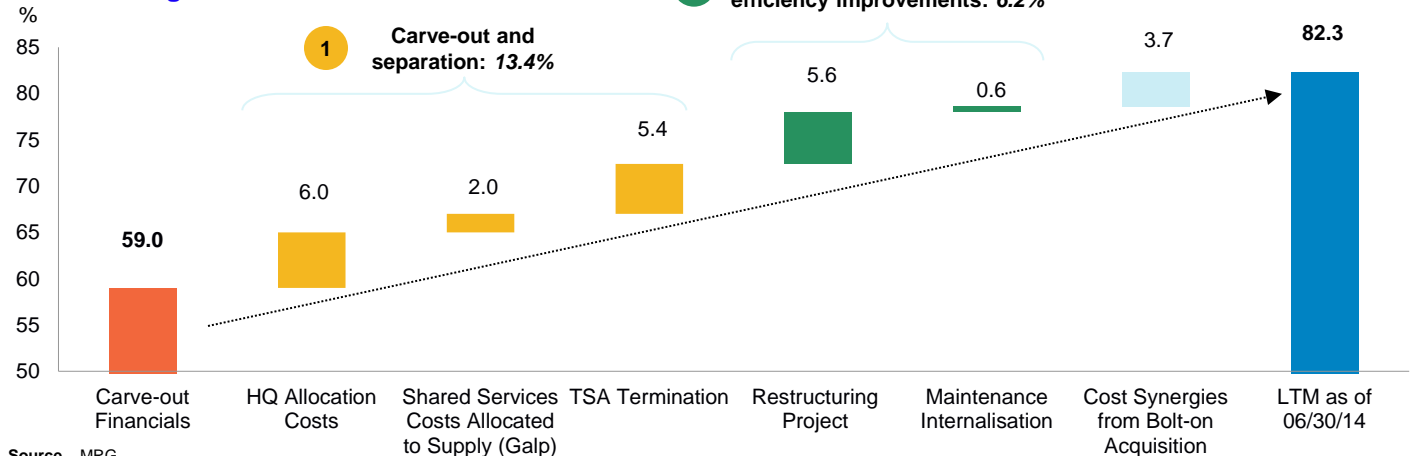
Value-Add Initiatives:

- **Operational Streamlining:** Consolidation of three offices and significant headcount reduction
- **Processes/System:** Implemented new IT and financial reporting systems and organizational/management reporting structure
- **Business Strategy:** Strengthened regulator relationships and implemented multi-channel marketing and growth strategy
- **Bolt-on Acquisition:** Additional 300,000 adjacent connection points lead to significant cost synergies
- **Capital Structure:** Completed a €775 MM refinancing of two acquisition bank debt facilities

Key Results:

- Sold a 28% stake in the combined MRG platform to three third-party investors (retaining a 61% control position) at a 73% premium resulting in a gross IRR of 48%
- EBITDA margin increased from below 60% to over 80% within 18 months

EBITDA Margin



Source MRG

This case study is being provided for informational purposes only. It is not intended to predict the performance of any investment. There is no guarantee that any of the fund's other investments will have similar results.

Notes

1. Cash Distributions includes: Return of Capital, Realizations and Income Distributions.
2. The fair value of unrealized investments is determined in good faith by the General Partner in accordance with FAS 157 (also known as FASB Accounting Standards Codifications (ASC) 820) under U.S. GAAP. There can be no assurance that investments will ultimately be realized at or above such value.
3. Gross IRR is based on a hypothetical liquidation of the portfolio on June 30, 2014, and does not reflect deduction of management fees, organizational and other indirect expenses, and deduction for the General Partner's carried interest.

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Morgan Stanley Infrastructure

PHILOSOPHY, PROCESS AND RISK CONTROL

MSIP I Portfolio

As of June 30, 2014

| | Date of Initial Investment | Region | Sector | Gross Invested Capital & Committed ⁽¹⁾ | Current Invested Capital ⁽²⁾ | Unrealized Value ⁽³⁾ | Total Cash Distributions ⁽⁴⁾ | Gross IRR ⁽⁵⁾ | Gross Multiple of Investment |
|---|----------------------------------|--------|--------------------|---|---|------------------------------------|---|-----------------------------|------------------------------------|
| Current Investments | | | | | | | | | |
| Southern Star Central Corp. | Mar-9-10 | NA | Energy & Utilities | \$435.2 | \$382.5 | \$580.0 | \$150.5 | 20.4% | 1.7x |
| Madrilena Red de Gas | Apr-30-10 | EU | Energy & Utilities | \$622.9 | \$396.7 | \$600.4 | \$467.4 | 22.9% | 1.7x |
| Chicago Parking Meters, LLC | Feb-13-09 | NA | Transport | \$601.3 | \$324.7 | \$660.0 | \$418.1 | 16.3% | 1.8x |
| Medical Area Total Energy Plant | May-31-10 | NA | Energy & Utilities | \$317.9 | \$307.3 | \$310.0 | \$87.2 | 6.1% | 1.2x |
| Affinity Water | Jun-28-12 | EU | Energy & Utilities | \$353.4 | \$305.2 | \$317.2 | \$52.9 | 8.3% | 1.2x |
| Eversholt Rail Group | Dec-3-10 | EU | Transport | \$240.1 | \$200.3 | \$285.0 | \$192.4 | 29.9% | 2.0x |
| Montreal Gateway Terminals Partnership | Mar-9-07 | NA | Transport | \$172.8 | \$167.7 | \$279.7 | \$66.7 | 17.0% | 2.0x |
| Zhaoheng Hydropower Holdings Limited | Nov-25-10 | Asia | Energy & Utilities | \$141.0 | \$139.7 | \$210.7 | - | 17.4% | 1.5x |
| Agorà Investimenti S.r.l. | Feb-4-08 | EU | Transport | \$109.2 | \$109.2 | \$160.6 | \$29.7 | 17.8% | 1.7x |
| Continuum Wind Energy Pte Ltd. | Jun-19-12 | Asia | Energy & Utilities | \$143.9 | \$142.9 | \$169.7 | - | 13.7% | 1.1x |
| Pacific Alliance Stradec Group Infrastructure Company | Oct-26-09 | Asia | Transport | \$107.1 | \$104.9 | \$186.5 | \$4.3 | 13.3% | 1.7x |
| Asian Genco Pte. Ltd. | Mar-8-10 | Asia | Energy & Utilities | \$121.5 | \$104.7 | \$85.7 | \$2.8 | (6.4%) | 0.8x |
| Indus Concessions India Private Ltd. | May-20-11 | Asia | Transport | \$125.8 | \$63.4 | \$67.1 | - | 0.7% | 1.0x |
| AMI Group, LLC | Apr-16-09 | NA | Transport | - | - | \$2.9 | - | - | - |
| Fully Disposed Investments | | | | | | | | | |
| Sapphire Holdings B.V. | Mar-Apr 2008 | EU | Transport | \$49.9 | - | - | \$59.4 | 22.7% | 1.2x |
| SAESA Group | Jul-24-08 | SA | Energy & Utilities | \$378.9 | - | - | \$563.7 | 14.2% | 1.5x |
| Current and Fully Disposed Investments - Sub-Total | | | | \$3,920.9 | \$2,749.1 | \$3,915.5 | \$2,095.1 | | |
| Notional Loss | | | | | | | | | |
| Chicago Loop Parking, LLC ⁽⁶⁾ | Dec-15-06 | NA | Transport | \$305.6 | - | - | \$13.2 | - | - |
| Total - MSIP I | | | | \$4,250.4 | \$2,749.1 | \$3,915.5 | \$2,132.2 | 12.8% | 1.5x |
| | | | | | | | Total - MSIP I (Net)⁽⁷⁾ | | |
| | | | | | | | 7.4% | | |
| | | | | | | | 1.2x | | |

Notes

1. Includes capital invested, \$111.1 million committed to be invested and \$23.9 million in other capital temporarily funded in connection with anticipated investments.
2. Reflects investment cost as of June 30, 2014, net of capital returned from refinancing, full and/or partial dispositions and other events. Amount has been reduced for the notional loss of \$297.3 million on Chicago Loop Parking, LLC and excludes \$111.1 million committed to be invested. A notional loss is defined as a clear and permanent impairment in value, as determined by the General Partner.
3. The fair value of unrealized investments is determined in good faith by the General Partner in accordance with FAS 157 (also known as FASB Accounting Standards Codifications (ASC) 820) under U.S. GAAP. There can be no assurance that investments will ultimately be realized at or above such value.
4. Reflects capital returned to investors for each portfolio asset as a result of full and/or partial dispositions, refinancings, other events and \$23.9 million in other capital temporarily funded in connection with anticipated investments. Includes net cash gains from full and partial realizations as well as syndications of investments. Excludes the notional loss of \$297.3 million on Chicago Loop Parking, LLC. Includes cash proceeds attributable to dividends, interest, net hedging gains or other ordinary income. Excludes proceeds from dispositions and net losses resulting from the expiration and close-out of hedging derivative contracts related to investments held as of June 30, 2014.
5. Gross IRR is based on a hypothetical liquidation of the portfolio on June 30, 2014, and does not reflect deduction of management fees, organizational and other indirect expenses, and deduction for the General Partner's carried interest.
6. As Chicago Loop Parking, LLC was a notional loss, the Gross IRR and MOIC are not meaningful. Please see note 2 for more detail.
7. Net IRR is calculated based on actual dates of investor capital contributions for investments, fees, and expenses and investor distributions net of allocations to the General Partner of carried interest from the inception of the MSIP Partnerships to the date noted, as of June 30, 2014.

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Morgan Stanley Infrastructure







PHILOSOPHY, PROCESS AND RISK CONTROL

Diversified Portfolio Across Geographies and Sectors ⁽¹⁾

\$4.3 billion of gross capital invested ⁽²⁾, ⁽³⁾






Americas

Gross Capital Invested: \$2,212MM

| | | |
|--|---|--------------------------|
|  | Mid-West Southern Star <i>Gas transmission and storage facility provider for Midwestern U.S.</i> | \$435MM |
|  | Chicago Chicago Parking Meters <i>Third-largest metered parking system in the U.S.</i> | \$601MM |
|  | Boston MATEP <i>Tri-generation facility providing heating, cooling, and electricity</i> | \$318MM |
|  | Montreal Montreal Gateway Terminals <i>Largest operator at Port of Montreal, third-largest container port on northeast coast</i> | \$173MM |
|  | Chicago Chicago Loop Parking <i>Largest underground parking system in the U.S</i> | \$306MM Notional Loss |
|  | Chile SAESA Group <i>Third-largest electricity distributor in Chile; realized Nov '11</i> | \$379MM Realized |






Europe

Gross Capital Invested: \$1,376MM

| | | |
|---|--|--------------------|
|  | Spain Madrileña Red de Gas <i>First stand-alone natural gas distribution company in Spain</i> | \$623MM |
|  | United Kingdom Affinity Water <i>Largest regulated water-only company in the U.K., providing water to over 3.5 million people</i> | \$353MM |
|  | United Kingdom Eversholt Rail Group <i>Leading rolling stock company in U.K.</i> | \$240MM |
|  | Italy Agorà Investimenti S.r.l. <i>Shareholder in Venice and Treviso airports</i> | \$109MM |
|  | United Kingdom Sapphire Holdings BV <i>Purchase of BAA subordinated debt; realized Nov '09</i> | \$50MM Realized |

Asia

Gross Capital Invested: \$639MM

| | | |
|---|--|---------|
|  | India Indus Concessions <i>Toll Roadway developer, constructing three highway projects in India</i> | \$126MM |
|  | China Zhaoheng Hydropower Ltd. <i>Leading operator of small-and medium-sized hydropower plants in China</i> | \$141MM |
|  | India Asian Genco <i>Developer of clean power generation assets, with majority interests in a 3,000MW portfolio</i> | \$122MM |
|  | India PASGIC/SVB <i>India's largest Build-Operate-Transfer bridge project</i> | \$107MM |
|  | India Continuum Wind Energy <i>Wind power generation asset operator and developer</i> | \$144MM |

Notes

Figures for each asset represent gross capital invested.

1. MSIP I portfolio.

2. As of June 30, 2014.

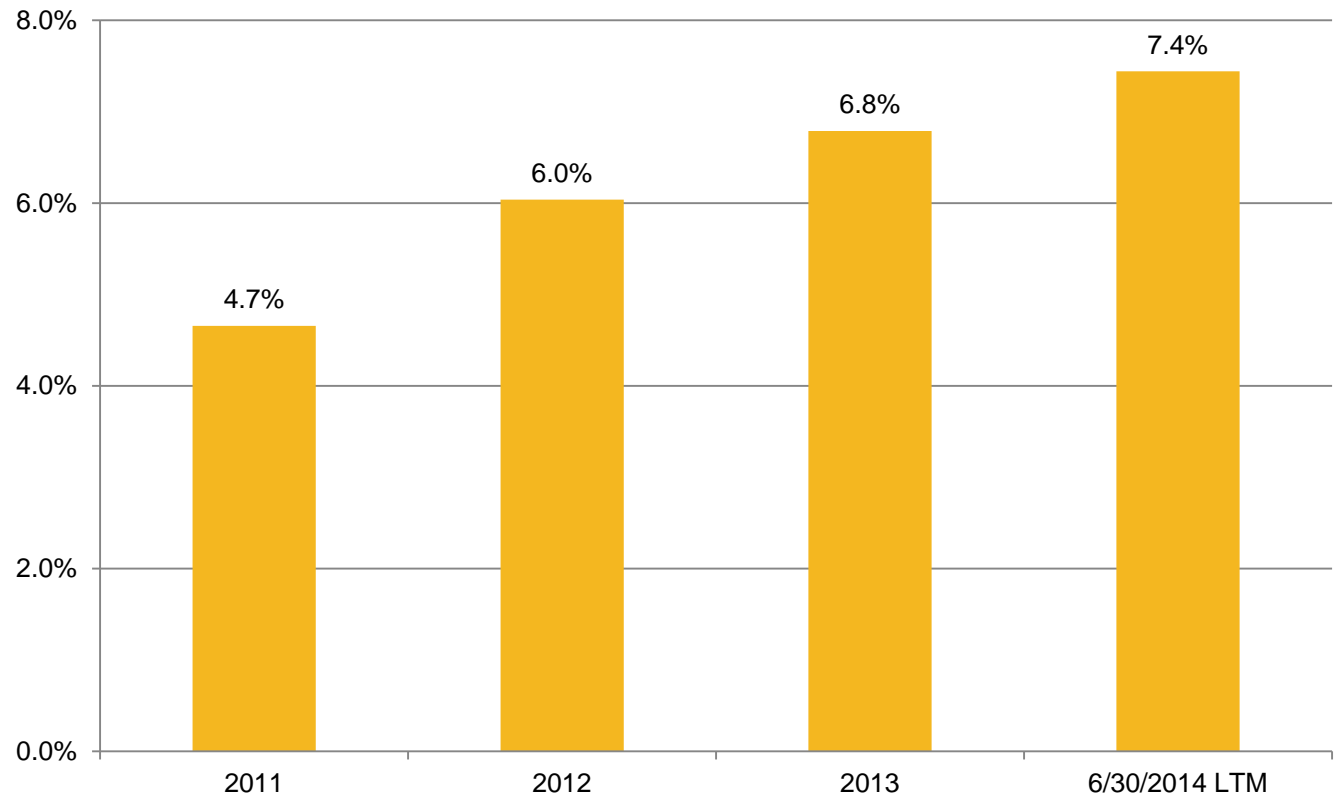
3. Reflects \$2.8 billion of net capital currently invested & committed, \$297.3MM previously invested in CLP, and \$1.0 billion of previously invested capital that has been returned to investors as a result of realizations and refinancings and \$111.1 million committed to be invested. Excludes \$23.9 million in other capital temporarily funded in connection with anticipated investments.

MSIP I Yield Progression

- Focus on buying cash generative assets
- During the commitment period, capital calls are reduced by distributions of income, if any
- Post-commitment period, we seek to distribute cash income generated
- We seek to make operational improvements that will drive increased cash flow from operations

Rolling 3-year Average Annual Yield ⁽¹⁾

Yield (%)



Notes

1. Yield calculated as income distributions received over the last 3 years ending June 30, 2014 over the weighted average capital contributed for assets held by MSIP I; excludes returns of capital and distributions related to realized assets.

Section 4

MSIP II - Summary of Fund Terms

MSIP II Indicative Terms⁽¹⁾

| | | |
|--|--|-----------------------|
| The Partnership | Morgan Stanley Infrastructure Partners II LP (a Cayman Islands exempted limited partnership) | |
| Structure | Unlisted, closed-end fund | |
| Fund Currency | USD | |
| Target Capital | \$4.0 billion, with a \$5.0 billion hard-cap | |
| Minimum Commitment | \$5.0 million, subject to waiver at General Partner's discretion | |
| Morgan Stanley Commitment | Up to 3% of the Fund's total capital commitments, including fund team commitments | |
| Commitment Period | 5 years from First Closing Date, subject to a one-year extension at the discretion of the Limited Partner Advisory Committee | |
| Term | 12 years, plus two one-year extensions at the discretion of the Limited Partner Advisory Committee | |
| Investment Objective | The Fund intends to invest opportunistically in Infrastructure Assets on a global basis in order to assemble an investment portfolio with a gross internal rate of return of approximately 12-15% ² . The Fund's target rate of return is before any carried interest, fees, and expenses. There can be no assurance that the Fund will achieve its investment objective or target returns. | |
| Preferred Return | 8% per annum | |
| Carried Interest | 20%, subject to achieving the Preferred Return; European-style carried interest waterfall, with clawback | |
| Clawback Guarantee | Guaranteed by Morgan Stanley as permitted by law | |
| Transaction Fee Offset | 100% | |
| Management Fee | <u>Capital Commitments</u> | <u>Management Fee</u> |
| | Less than \$50MM | 1.50% |
| | \$50MM to less than \$100MM | 1.35% |
| | \$100MM to less than \$175MM | 1.25% |
| | \$175MM to less than \$250MM | 1.10% |
| | \$250MM or greater | 0.95% |
| Note: During the Commitment Period, the Management Fee will be charged on Limited Partners' committed capital. After the Commitment Period has ended, the Management Fee will be charged on Limited Partners' net invested capital | | |

Notes

1. Subject to change. Please refer to important disclosure relating to the nature of information provided herein.
2. In setting the target return, the General Partner has considered forecasted cash flows, forecasted valuations at future dates, market conditions for relevant assets, and anticipated contingencies, among other matters.

Alignment of Interest

Clear alignment is necessary for successful investing, regardless of sponsor model

Alignment Achieved via Carried Interest & Co-investment

- Strong alignment of interest between MSI team and Limited Partners
 - Substantial majority of carried interest allocated to team
 - Senior team members expect to receive majority of compensation over time through carried interest awards
 - MSI officers will have an investment of \$25 million in MSIP II

Independent Fund Management Platform

- Team identifies, pursues, and executes investments with the independence of a boutique platform
- Sits within Morgan Stanley Investment Management, Morgan Stanley's fiduciary business
- Supplemented by Morgan Stanley oversight in areas such as risk management, valuation, legal, and compliance
 - Part of Fed and SEC regulated bank holding company

Arm's Length Relationship

- Complete flexibility with respect to appointing advisors
 - Right of first offer to review Morgan Stanley sourced deals
 - Ability to appoint external banks/advisors if better qualified
 - Since inception, MSIP I has paid over 82% of fees to firms other than Morgan Stanley

Section 5

Why Morgan Stanley?

WHY MORGAN STANLEY?

Why Morgan Stanley Infrastructure?

Proven and experienced value-add investment team

Dedicated team and established process

- Proven results from team's breadth and depth with 75+ professionals around the world

Global network for sourcing and investing

- Differentiated sourcing – Morgan Stanley franchise and senior-level team relationships generate exclusive opportunities

Leading infrastructure investment track record

- Long-term record of successfully raising, investing, and returning capital

History of adding value to portfolio companies

- Methodical and intensive approach to asset management has generated value for investors

Strong alignment of interest between MSI team and Limited Partners

- A substantial majority of team compensation is from carried interest

Additional Information

MSIP I – Diversification Measures

MSIP I – Asset Realizations

MSIP I – Debt Maturity Schedule

Defining Infrastructure

Examples of Infrastructure Assets

Biographies

Disclosures

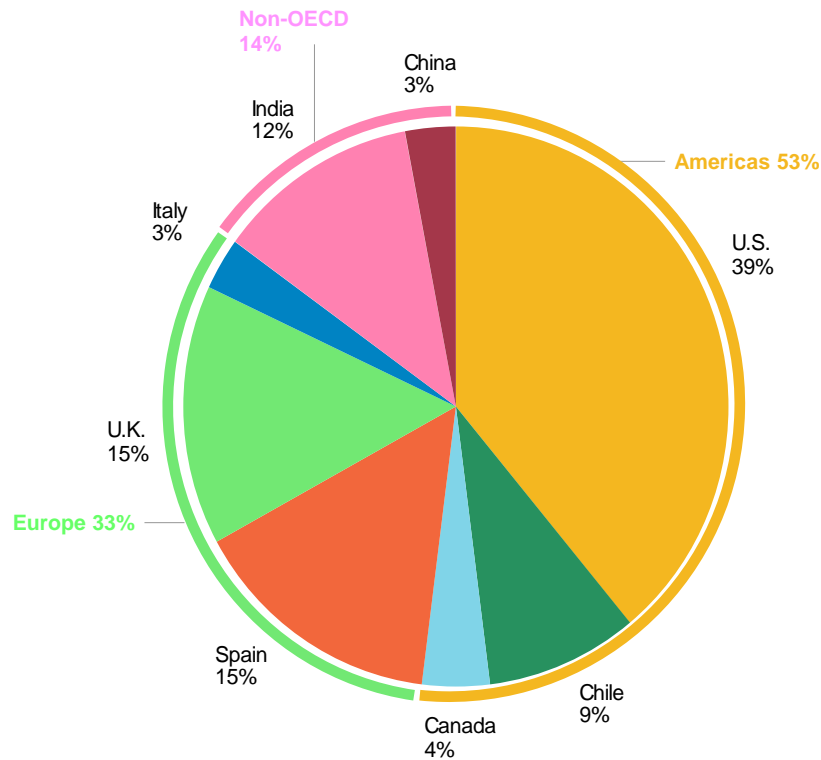
ADDITIONAL INFORMATION

MSIP I - Invested Capital Since Inception ⁽¹⁾

\$4.3 billion of gross capital invested in eight countries and four continents since inception ⁽²⁾

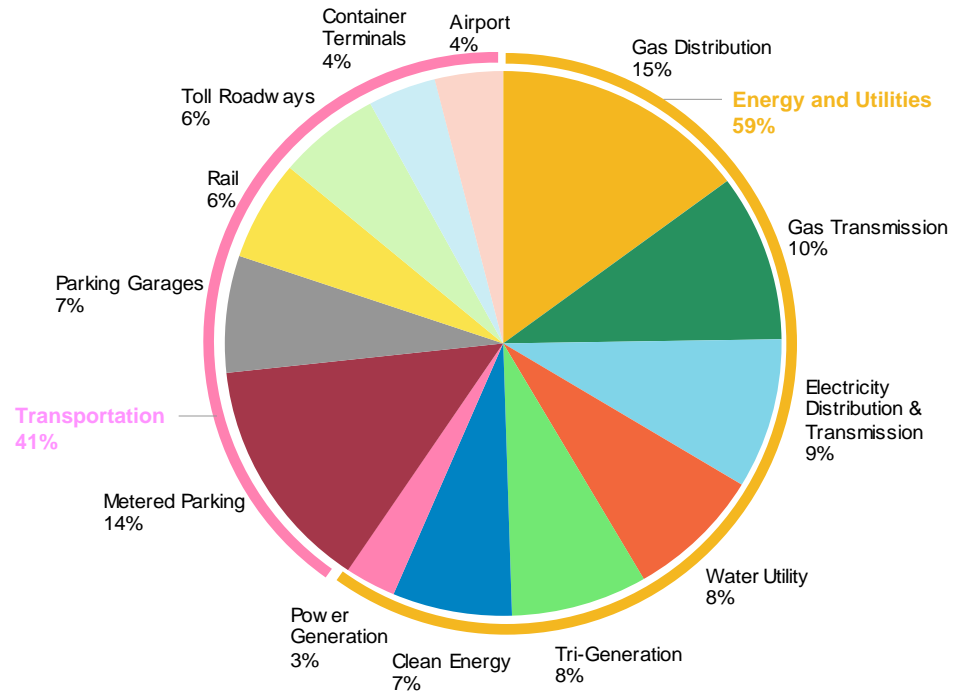
Country Breakdown

As % of Gross Capital Invested



Sub-sector Breakdown

As % of Gross Capital Invested



Notes

1. MSIP I portfolio.
2. Reflects \$2.8Bn of net capital currently invested & committed, \$297.3MM previously invested in CLP, and \$1.0Bn of previously invested capital that has been returned to LPs as a result of sales and syndications and refinancings, \$111.1MM committed to be invested, and excludes \$23.9 MM in other capital temporarily funded in connection with anticipated investments.

ADDITIONAL INFORMATION

MSIP I - Sales and Syndications ⁽¹⁾

18% Combined IRR for Sales and Syndications ⁽²⁾

Full Realization: SAESA Group, Chile

Operating 1,072km of transmission lines, SAESA is the second-largest electricity distributor in Chile, serving more than 15% of the country's population (~2.7MM people)



| | |
|--------------------------------|--------------------|
| Realization Date | Nov-11 |
| Hold Period | ~39 months |
| Cost Basis / Return of Capital | \$379MM |
| Total Income and Gains | \$185MM |
| Premium to Book Value | 15.0% |
| Aggregate Value / LTM EBITDA | 17.0x |
| Gross IRR | 14% ⁽⁴⁾ |
| Multiple on Invested Capital | 1.5x |

Partial Realization: Madrileña Red de Gas, Spain

First stand-alone natural gas distribution company in Spain, with a 5,100km network of medium-and low-pressure pipelines that serves over half a million residents of Madrid and the surrounding regions



| | |
|--|--------------------|
| Realization Date | Jul-11 |
| Hold Period (until partial realization) | ~15 months |
| Cost Basis / Return of Capital (incl. bolt-on) | \$180MM |
| Percent of MSIP I Interest Sold-down | 31% |
| Net Realized Gains | \$90MM |
| Gross IRR | 48% ⁽⁴⁾ |
| Multiple on Invested Capital | 1.5x |

Full Realization: Sapphire Holdings, U.K.

Sapphire Holdings purchased subordinated-debt from BAA, which, at the time, owned a number of British airports, including Heathrow, Gatwick, Stansted, Glasgow, Edinburgh, and Aberdeen



| | |
|--------------------------------|---------------------------|
| Realization Date | Nov-09 |
| Hold Period | ~20 months ⁽³⁾ |
| Cost Basis / Return of Capital | \$50MM |
| Total Income and Gains | \$9.6MM |
| Gross IRR | 23% ⁽⁴⁾ |
| Multiple on Invested Capital | 1.2x |

Notes

1. The current portfolio includes investments that have not been realized and there is no assurance that all the realizations in the portfolio (including remaining realizations of these deals) will be successful. Past performance is not indicative of future results.
2. Combined IRR for sales and syndications reflects partial sale of interest in MRG and liquidation of interest in BAA debt securities and SAESA Group. Please see page entitled "Forward-Looking Forecasts" for additional detail on assumptions.
3. Initial tranche of debt acquired in March 2008, while investor capital contributed at the end of October 2008.
4. IRR is calculated on a cash-on-cash basis from the initial funding by Limited Partners to the distribution of the proceeds from the liquidation or partial sale of the investment, including associated hedges and expenses. The calculation does not reflect deduction of the GP's carried interest. IRRs are expressed in U.S. dollar terms.

ADDITIONAL INFORMATION

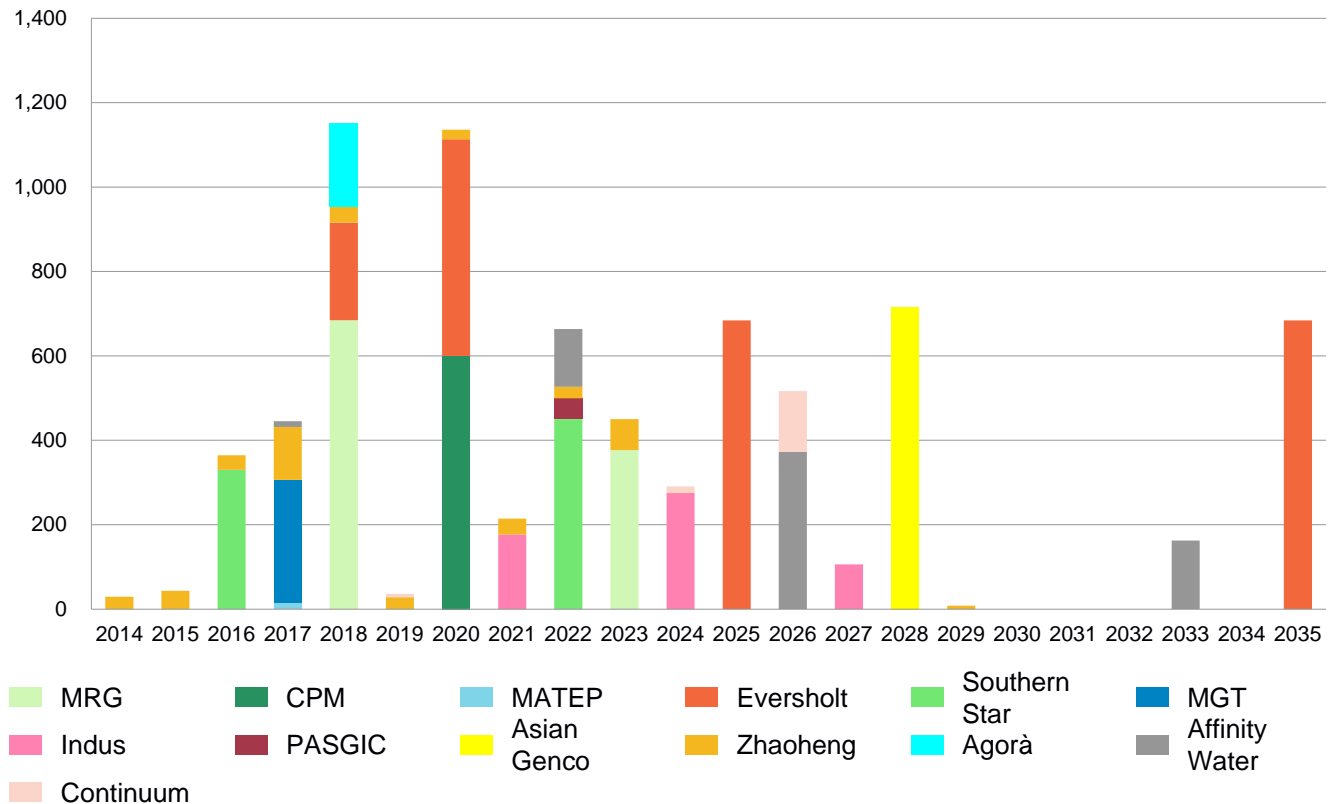
MSIP I - Debt Maturity by Holding

Weighted average life of 9.1 years

Asset Debt Maturity Profile

As of Jun. 30, 2014 ⁽³⁾
\$MM

- No debt at the fund level
- Fund does not employ leverage as a tool to add value



Notes

1. Reflects third-party debt only (i.e., not shareholder loans).

ADDITIONAL INFORMATION

Defining Infrastructure

Increased attractiveness of infrastructure in a low yield and uncertain environment

- Attractiveness of infrastructure as an asset class has increased in recent times:
 - Attractive risk-adjusted returns in a low yield and uncertain environment
 - Long-term assets often linked to inflation match long-term, inflation-indexed liabilities

Defining Infrastructure

Infrastructure assets typically display the following characteristics:

- Essential to society or the economy
- Long, useful lives
- Monopoly/quasi-monopoly market positions
- Significant degree of stability and predictability in cash flows derived from:
 - Regulated environments and/or
 - Long-term contracts and/or
 - High barriers to entry and/or low competition
- Cash flows often indexed to inflation
- Resilient to business cyclicity

Benefits of Infrastructure

Key benefits of infrastructure include:

- Portfolio diversification
- Low correlation with public capital markets, well suited in a volatile environment
- Long-term assets match long-term liabilities
- Inflation indexation, well suited to match inflation-indexed liabilities
- Cash-generative assets paying current yield
- Attractive risk-adjusted returns potential relative to other asset classes, with narrower distribution of outcomes

Notes

1. Past performance is not indicative of future results.

Examples of Infrastructure Assets

Transportation Assets

- Airports
- Ports
- On/off street municipal parking facilities
- Toll roads
- Tunnels
- Bridges
- Rail and mass transit networks



Energy and Utilities Assets

- Regulated electricity assets
- Transmission and distribution systems
- Water distribution and treatment facilities
- Oil and gas pipelines



Other

Communications

- Cable networks
- Communication towers
- Satellite systems

Social Infrastructure

- Education facilities
- Healthcare facilities



ADDITIONAL INFORMATION

Team Member Biographies



Markus Hottenrott

Chief Investment Officer, Managing Director

Markus Hottenrott is a Managing Director and Chief Investment Officer of MSI. Throughout his 16-year career at Morgan Stanley, Markus has developed an in-depth understanding of the global nature of the infrastructure industry. Since joining MSI, he originated and led the execution of an investment in Agorà Investimenti, the acquisition of Madrileña Red de Gas (“MRG”) and its subsequent bolt-on acquisition, and co-led MSI’s execution of the Montreal Gateway Terminals transaction as well as the investment in the debt of British Airport Authority and the subsequent exit from the position. In his role as CIO, he was involved in the acquisitions of Continuum Wind, Affinity Water and General Electric’s stake in Southern Star. He currently serves on the board of directors of several MSIP I assets, including Montreal Gateway Terminals, Agorà Investimenti and MRG.

Prior to joining MSI, Markus co-headed Morgan Stanley’s European transportation and infrastructure industry group in the Investment Banking Division, where he specialized in privatizations and structured finance transactions in Europe and the Middle East. Before that, in the Firm’s German office, Markus concentrated on the public transportation and infrastructure sectors.

Markus has a legal background and studied at the universities of Heidelberg, Dresden and Munich. He wrote his doctoral dissertation in law at Humboldt University in Berlin.

ADDITIONAL INFORMATION

Team Member Biographies (cont'd)

**Chris Koski***Global Head of Investment Strategy, Managing Director*

Chris Koski is a Managing Director and Global Head of Investment Strategy for MSI. Chris works with the MSI regional heads to provide a global perspective with respect to both new investments and the existing portfolio. He is responsible for the investment processes leading up to the Investment Committee process. Chris has over 21 years of experience, the last 10 years focused on infrastructure investing, including involvement in some of the most notable transactions in the industry such as an investment alongside MSIP I in Chicago Parking Meters.

Prior to joining MSI, Chris was Global Head of Infrastructure at the Abu Dhabi Investment Authority (“ADIA”). He joined ADIA in 2007 to set up its infrastructure investment capability, building an experienced team of people and a substantial portfolio of investments around the world, including Gatwick Airport in the U.K., Port of Brisbane in Australia and Intoll (Highway 407 in Canada). Prior to this, Chris was a senior member of the infrastructure team at the Canada Pension Plan Investment Board, where he also helped to build a large-scale infrastructure program from inception (notable investments included Anglian Water Group in the U.K.). He worked previously in investment banking at RBC Capital Markets and in investment management at the Toronto Dominion Bank.

Chris holds an M.B.A. with high honors from the University of Chicago and a Bachelor of Commerce with distinction from the University of Toronto. He is also a Chartered Financial Analyst.

ADDITIONAL INFORMATION

Team Member Biographies (cont'd)



Mark McLean

Head of Asia Pacific, Managing Director

Mark McLean is a Managing Director and Head of Asia-Pacific for MSI. He has over 19 years of experience in investment management and investment banking, including extensive experience in Australia in the investment and management of infrastructure opportunities. Mark is focused on generating opportunities for MSI in OECD countries in the Asia-Pacific region and is based in Melbourne.

Prior to joining MSI, Mark was a Managing Director at Credit Suisse Australia, where he originated and executed M&A, equity and debt transactions. He previously worked at Deutsche Bank's Infrastructure Investment Group, where he oversaw several notable investments and he held board positions at portfolio companies Porterbrook Leasing Company Limited and Angel Trains International Limited. Mark also worked at Macquarie, where he was involved in several successful principal investments and a wide range of investment banking transactions including corporate finance, mergers, acquisitions and private equity.

Mark holds a Bachelor of Commerce and Bachelor of Laws with First Class Honors from the University of Melbourne.

ADDITIONAL INFORMATION

Team Member Biographies (cont'd)

**John Veech***Head of Americas, Managing Director*

John V. Veech is a Managing Director and Head of Americas for MSI. With over 25 years of principal investing, advisory, and project finance experience, John has extensive knowledge in acquisitions, financings and management of infrastructure assets. Since joining MSI, he has had responsibility for all of the Americas team's investment activities, including the investment of \$2.2 billion in equity across several industry verticals, and led the Southern Star Central Gas Pipeline investment. John is a member of the Investment Committee and Valuation Committee for MSIP I, and he serves on the boards of Southern Star Central Corp., Chicago Parking Meters, LLC, and MATEP.

Prior to joining MSI, John was a Managing Director in Lehman Brothers' Private Equity Division and, previously, Global Head of Lehman Brothers' Global Project Finance. There, his team underwrote or placed in excess of \$35 billion of capital markets project debt, and received numerous Deal of the Year awards. Prior to this, John was a Vice President at Salomon Brothers and an attorney with Skadden, Arps, Slate, Meagher & Flom LLP and with the U.S. Securities and Exchange Commission.

John holds a J.D., *cum laude*, from Boston University School of Law, where he was an editor of the *Annual Review of Banking Law*, as well as a B.S. in Accounting, *magna cum laude*, from Lehigh University, College of Business and Economics.

ADDITIONAL INFORMATION

Team Member Biographies (cont'd)



John Watt

Head of Asset Management, Managing Director

John Watt is a Managing Director and Head of Asset Management for MSI. John brings more than 31 years of experience in infrastructure acquisition and asset management to his role at MSI, addressing operating issues that include finance, regulatory and technical challenges. In addition to working with company management on strategic and operational issues, he also heads risk management activities, ensuring that assets are appropriately hedged and insured. He provides leadership and direction on the boards of MSIP I's portfolio companies, typically as either Chairman or lead director.

Before joining MSI, John was Director of the Infrastructure Group for Ontario Teachers Pension Plan, where he executed more than \$5 billion of transactions in the energy & utilities space. He also served as Co-Chairman of the boards of both Northern Star Generation and InterGen NV. Prior to this, he held senior management roles at Ontario Power Generation, the government owned power utility, and operating roles at TransAlta and Amoco, and has experience with the oil, gas and power sectors both as an investor and as an operator.

John holds an M.B.A. from the University of Western Ontario as well as a B.A.Sc. in Chemical Engineering from the University of Toronto.

ADDITIONAL INFORMATION

Team Member Biographies (cont'd)



Jim Wilmott

Head of Europe, Managing Director

Jim Wilmott is a Managing Director and Head of Europe for MSI. A 26-year veteran of Morgan Stanley, Jim has been investing in principal transactions since 1996 across a range of asset classes and geographies. Since joining MSI, Jim has taken significant roles in numerous transactions, including leading an MSIP I consortium in acquiring Eversholt Rail Group. Jim also serves on the boards of Eversholt and Affinity.

Prior to joining MSI, Jim was responsible for establishing Morgan Stanley's Principal Investing business in Europe, a special situations, on-balance sheet investment platform. Prior to this, he was Deputy Head of the Principal Investment Department that oversaw Princes Gate Investors, a series of global special situations equity funds that focused on growth and bridge equity, minority investments and structured equity investments. In this role, he spent over six years originating, structuring, managing and exiting investments across a wide variety of sectors and regions. Jim was also a founding member of the Morgan Stanley Bridge Fund, where he originated and managed high-yield bridge loans for four institutional investors, including Morgan Stanley.

Jim holds an M.B.A. from Harvard Business School where he graduated with distinction. In addition, he received his A.B. in Economics from the University of North Carolina at Chapel Hill, where he was a Morehead Scholar.

Forward-Looking Forecasts

Throughout this presentation, Morgan Stanley Infrastructure (“MSI”) has included a number of forward-looking forecasted portfolio and individual metrics of the assets owned by Morgan Stanley Infrastructure Partners (“MSIP”) such as forecasted EBITDA and forecasted hold-to-life returns. These forecasts are as of June 30, 2014 and have been formulated using separate long-term financial forecast models for each asset in the portfolio. The forecast models underlying the assumptions herein have been formulated based on a variety of inputs and assumptions that are relative to each asset and are annual forecasts. They forecast distributable free cash, revenues, cost of goods sold, operating expenses, debt service requirements, capital expenditures and taxes. The inputs for these assumptions are derived from assumptions made by MSI, operating company management teams and third-party consultants. MSI maintains the long term forecasts and they are also utilized by MSI in the determination of the fair market carrying values of each of the assets, pursuant to US GAAP FAS 157, each quarter. For macroeconomic assumptions such as inflation, GDP growth rates, per capita income and risk-free interest rates MSI utilizes various economic research reports provided by major investment banks, such as Morgan Stanley, JP Morgan, Barclays Capital and Bank of America Merrill Lynch. In addition, MSI utilizes other sources such as Global Insight. MSI utilizes long-term averages of the various macroeconomic factors provided by these various sources in its long-term forecasts. Inflation forecasts for the Americas and European assets range from 2.0% to 2.5% over the life of the long-term forecasts. For developing economies such as China and India, inflation estimates range from 3.0% to 5.0%. MSI forecasts revenues for each of the assets based on assumptions made by MSI, third-party consultants and operating asset management teams. Revenues for MSIP’s assets are forecasted based upon the nature of the asset or the contractual or concession agreements that exist at the respective asset. For transportation assets, revenue is generally forecasted using forecasted volumes or system utilization multiplied by price. In most cases price is determined pursuant to concession or contractual agreements and, in nearly all situations, has a form of inflation pass through. For energy and utility related assets, forecasted revenues are determined either through forecasts of volume usage and price or pursuant to an authorized regulatory return such as tariffs. To forecast costs of goods sold, which is primarily related to MSIP’s energy and utility assets and mainly correlated to items such as fuel costs, MSI relies on either third-party consultants or forward commodity pricing curves. Forecasts for operating expenses are determined by MSI in conjunction with operating company management teams. Operating expense forecasts are broken in variable costs, fixed costs and major maintenance requirements. MSI forecasts all contractual obligations of the assets based on each asset’s respective contractual obligations, and debt service forecasts are based on each asset’s respective financing arrangement. Forecast assumptions regarding re-financings are based on discussions with debt capital providers and ultimately based on determinations made by MSI. MSI seeks input from operating company management for capital expenditure forecasts and such forecasts typically either reflect Board of Director approved capital expenditure budgets or are based on useful asset life estimates. MSI forecasts CAPEX in three main categories, maintenance, growth and replacement. In addition, MSI seeks input from third party engineering consultants in the preparation of CAPEX forecasts. Assumptions underlying the tax forecasts are from third-party tax advisors, operating company management and internal MSI tax professionals. Taxes are forecasted individually for each asset based on its structure and its jurisdiction. Each asset’s long-term model forecast is modeled for the life of the asset. In situations where the asset is subject to a long-term concession or lease, such forecast model is prepared to the end of the concession or lease. In situations where the asset is perpetual, such forecast model is prepared on average for thirty years. The portfolio forecast metrics forecasts are provided for illustrative purposes only and are not intended to serve as, and should not be relied upon as, a guarantee, an assurance, a prediction or a definitive statement of fact or probability. While MSI believes the assumptions described above to be reasonable, there is no guarantee that the conditions on which such assumptions are based will materialize as anticipated and will be applicable to MSIP’s investments; actual conditions may differ and such differences could be material. Moreover, certain of the information obtained from third parties may be based on underlying assumptions that, if known to MSI, would result in MSI disregarding such information as being inaccurate or based on unreasonable or flawed assumptions. This is necessarily an incomplete description of the assumptions and information upon which these forecasts have been based.

Confidentiality and Disclaimers

The information in this presentation (the “Presentation”) is being provided solely for informational purposes to institutional investors only and is not for distribution to the general public.

The information provided in this Presentation, including regarding Morgan Stanley Infrastructure Partners LP (“MSIP I”) and Morgan Stanley Infrastructure Partners II (“MSIP II”), is strictly confidential and may not be disclosed to any third party and shall not be used for any other purpose without the express written consent of Morgan Stanley Infrastructure, Inc. (“MSI”), except as required by law or regulatory requirements.

If you are requested or required by law (for example, pursuant to a Freedom of Information Act request) to disclose any of the information contained in this Presentation, please contact MSI as soon as possible after you receive notice of such request or requirement.

This Presentation is intended for discussion purposes only. All time sensitive representations and warranties in this Presentation are made as of December 2013 and unless stated otherwise, are subject to change, and will not be updated or otherwise revised to reflect information that subsequently becomes available or circumstances existing or changes occurring after such date.

This Presentation does not constitute an offer to sell or a solicitation of an offer to buy any securities. An offer may be made only through a confidential private placement memorandum of the Fund (as supplemented, the “Memorandum”) and the Fund’s subscription documents, which will be furnished to qualified investors on a confidential basis at their request for their consideration in connection with such offering. The information contained herein will be superseded by, and is qualified in its entirety by reference to, the Memorandum, which will contain information about the investment objectives, terms and conditions of an investment in the Fund and will also contain certain tax information, conflicts of interest and risk disclosures that are important to any investment decision regarding the Fund. No person has been authorized to make any statement concerning the Fund other than as is set forth in the Memorandum and any statements made that are not contained therein may not be relied upon. This Presentation is only being provided to “qualified purchasers” (within the meaning of the U.S. Investment Company Act of 1940, as amended). This Presentation is not a recommendation or commitment on the part of MSI and should be read in conjunction with the Memorandum prior to making an investment in the Fund.

Investors should not construe the contents of this Presentation as legal, tax, accounting, investment or other advice. Each investor should make its own inquiries and consult its advisors as to the Fund and as to legal, tax, financial, and other relevant matters concerning an investment in the Fund.

An investment in the Fund will involve significant risks, including the risk that an investor may lose its entire investment. Other significant risks associated with investing in the Fund are described in “Certain Risk Factors” at the end of this Presentation. Prospective investors should read the Memorandum and pay particular attention to the description of certain risk factors and potential conflicts of interest that will be contained therein. Investors should have the financial ability and willingness to accept the risk of loss of their entire investment in the Fund and the characteristics of the Fund’s investments.

As a diversified global financial services firm, Morgan Stanley engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication and other activities. In the ordinary course of its business, Morgan Stanley therefore engages in activities where Morgan Stanley’s interests or the interests of its clients may conflict with the interests of the Fund. Morgan Stanley can give no assurance that conflicts of interest will be resolved in favor of the Fund.

Morgan Stanley sponsors and will sponsor other alternative investment funds and investment programs or businesses (collectively, the “Affiliated Investment Funds”) with a wide variety of investment objectives that in some instances may overlap with the investment objectives of the Fund and present conflicts of interest. Some of Morgan Stanley’s Affiliated Investment Funds are permitted to make similar types of investments to those that the Fund is expected to make. To the extent the Fund holds securities that are different (including with respect to their relative seniority) than those held by such Affiliated Investment Funds, Morgan Stanley and its affiliates may be presented with decisions where the interests of the two funds are in conflict.

Historical information is not indicative of future results, and any historical information in this Presentation should not be viewed as an indicator of any future performance that may be achieved as a result of implementing an investment strategy substantially identical or similar to that described in this Presentation.

Statements contained herein (including those relating to current and future market conditions and trends in respect thereof) that are not historical facts are based on current expectations, estimates, forecasts, opinions and beliefs, and may constitute “forward-looking statements,” which can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “target,” “estimate,” “intend,” “continue,” or “believe,” or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance may differ materially from those reflected or contemplated in such forward-looking statements. Prospective investors should pay close attention to the assumptions underlying the analyses and forecasts contained in this presentation. Although such assumptions are believed to be reasonable in light of the information presently available, they (and the resulting analyses and forecasts) may require modification as additional information becomes available and as economic and market developments warrant. Any such modification could be either favorable or adverse.

Confidentiality and Disclaimers (cont'd)

Any forecasts contained herein have been prepared and are set out for illustrative purposes only, and no assurances can be made that they will materialize. They have been prepared based on MSI's current understanding of the intended future operations of the Fund, its current view in relation to future events and various estimations and assumptions made by it, including estimations and assumptions about events that have not occurred, any of which may prove to be incorrect. Therefore, the forecasts are subject to uncertainties, changes (including changes in economic, operational, political or other circumstances) and other risks, including, but not limited to, broad trends in business and finance, legislation and regulation, monetary and fiscal policies, interest rates, inflation, currency values, market conditions, the availability and cost of short-term or long-term funding and capital, all of which are beyond MSI's control and any of which may cause the relevant actual, financial and other results to be materially different from the results expressed or implied by such forecasts. Industry experts may disagree with the forecasts, the estimations and assumptions used in preparing the forecasts. No assurance, representation or warranty is made by any person that any forecasts will be achieved and no prospective investor should rely on such forecasts.

Nothing contained in this document may be relied upon as a guarantee, promise, assurance or a representation as to the future.

Certain information contained herein may have been obtained from published and non-published sources prepared by other parties, which in certain cases have not been updated through the date hereof. While such information is believed to be reliable for the purpose used herein, neither MSI, Morgan Stanley, nor any of their affiliates assumes any responsibility for the accuracy or completeness of such information and such information has not been independently verified by the MSI, Morgan Stanley or their affiliates.

Notwithstanding anything herein to the contrary, each investor and prospective investor (and each employee, representative or other agent thereof) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the Fund and its investments and all materials of any kind (including opinions or other tax analyses) that are provided to such investor or prospective investor relating to such tax treatment and tax structure, provided that (a) in any event, investors and prospective investors may not disclose the name of, or any other identifying information in relation to, the Fund or its investments, except to their tax advisors or to a regulatory authority as required by law, and (b) none of the foregoing shall be construed to include the name or performance data of any investment (other than the purchase or sale price of any investment) including the existence, amount or nature of any unrealized loss or portfolio reserve.

None of the information contained herein has been filed with the U.S. Securities and Exchange Commission, any securities administrator under any state securities laws or any other governmental or self-regulatory authority. No governmental authority has passed on the merits of the offering of interests in the Fund or the adequacy of the information contained herein. Any representation to the contrary is unlawful.

This communication is only intended for and will be only distributed to persons resident in jurisdictions where such distribution or availability would not be contrary to local laws or regulations.

By accepting delivery of this Presentation, each prospective investor agrees to the foregoing and agrees to return this presentation to MSI promptly upon request.

Since its first investment in Europe (Agorà Investimenti S.r.l.), MSIP I has set up a Netherlands-based structure with employees and office space, through which it owns and controls most of its non-U.S. investments ("Dutch platform"). The Dutch platform owns and controls the investments it holds through various additional operating and management subsidiaries and joint venture entities where appropriate. For purposes of simplicity, only MSIP I is referenced in the updates of each asset throughout the report, whereas in fact, these assets are acquired, held, or sold by the Dutch platform and the operating and management subsidiaries

Certain Risk Factors

Any investment in the Fund involves significant risks and potential conflicts of interests. There can be no assurance that the Fund will achieve its investment objectives or forecasted returns stated herein. The following summary of various risks and conflicts is not a complete enumeration or explanation of the risks involved in an investment in the Fund. Current or prospective investors should refer to the Memorandum, which describes such risks and conflicts, and consult with their own advisors before deciding whether to invest in the Fund.

Limitations on Withdrawal and Transfer and No Public Market. Interests in the Fund are highly illiquid investments and investors generally are not permitted to withdraw their investment or transfer their interests. No public market currently exists for the interests.

No Assurance of Investment Return. There can be no assurance that the Fund will be able to fully invest the committed capital and there is no guarantee that investments will result in profits to the investors. Investors should invest only if they are able to withstand the loss of their entire investment. The applicable securities are not, and are not expected to become, publicly traded and therefore may require a substantial length of time to realize a return or fully liquidate.

No Right to Control the Fund's Operations. The Fund is managed exclusively by its general partner and the Fund's manager. Limited partners do not make decisions with respect to the management, disposition or other realization of any investment, the day-to-day operations of the Fund, or any other decisions regarding the Fund's business and affairs, except for limited circumstances set forth in the governing documents of the Fund. Limited partners should expect to rely solely on the ability of the Fund's general partner and manager with respect to the Fund's operations.

Absence of Regulatory Oversight. The Fund is not registered as an investment company and, accordingly, the provisions of the Investment Company Act are not applicable to an investment in the Fund.

Infrastructure Investments. Most infrastructure assets have unique locational and market characteristics, which could make them highly illiquid or appealing only to a narrow group of investors. Political and regulatory considerations and popular sentiments could also affect the ability of the Fund to buy or sell investments on favorable terms. Infrastructure assets can have a narrow customer base. Should any of the customers or counterparties fail to pay their contractual obligations, significant revenues could cease and become irreplaceable. This would affect the profitability of the infrastructure assets and the value of any securities or other instruments issued in connection with such assets. Infrastructure projects are generally heavily dependent on the operator of the assets. There are a limited number of operators with the expertise necessary to successfully maintain and operate infrastructure projects. The insolvency of the lead contractor, a major subcontractor and/or a key equipment supplier could result in material delays, disruptions and costs that could significantly impair the financial viability of an infrastructure investment project and result in a material adverse effect on the Fund's investment.

Regulatory Risks. Many of the Fund's targeted infrastructure investments may be subject to substantial regulation by governmental agencies at multiple levels of government. Failure to obtain or a delay in the receipt of relevant governmental permits or approvals, including regulatory approvals and ongoing compliance with regulatory requirements, could hinder operation of an investment and result in fines or additional costs. Where the Fund's ability to operate an infrastructure investment is subject to a concession or lease from the government, the concession or lease may restrict the Fund's ability to operate the investment in a way that maximizes cash flows and profitability. The leases or concessions may also contain clauses more favorable to the government counterparty than a typical commercial contract. In addition, government counterparties also may have the discretion to change or increase regulation of an investment's operations, or implement laws or regulations affecting an investment's operations, separate from any contractual rights they may have.

SIS's Questionnaire for Morgan Stanley

1. The key characteristics of your organization, including the ownership structure and succession plan for senior management, key portfolio management and research professionals. In addition, review recent personnel changes (departures or arrivals) broadly and for the target mandate.

- The sole focus of MSI is infrastructure investing.
- MSI was founded in 2006 as part of the natural evolution of Morgan Stanley's private equity and real estate investing activities, which formally began in 1975.
- MSI is comprised of 37 investment professionals, dedicated only to infrastructure investing.
- The team's investment professionals are supported by more than 40 professionals who handle legal, tax, audit, compliance and IT. These professionals provide support across Morgan Stanley private asset investment activities.
- MSI has physical office locations in New York, London, Melbourne, Amsterdam, Hong Kong, Mumbai, and Houston.
- MSI raised its first fund, MSIP I, in 2006. MSIP I has now fully deployed its \$4Bn in capital raised and with this, the MSI team is now working on its second infrastructure fund offering, MSIP II.

Succession Planning:

- MSI investment activity is led by a six member team of Partners.
- The Partnership team operates on a collaborative basis, meeting formally on at least a weekly basis to discuss investment opportunities and review portfolio investments.
- With this, the full Partnership team maintains in depth knowledge across the infrastructure investing platform. This serves to mitigate the impact of any turnover.
- Senior team members have been identified as successors for each Partner.
- Morgan Stanley has a history of being able to attract top investment talent, due among other factors to our culture of excellence in thought leadership.

Additions and Departures:

The below table charts the tenure of the MSI leadership team:

- MSI's senior partners have worked together throughout the investment period of MSIP I (with the exception of Mark McLean) and possess considerable knowledge and experience investing in and managing infrastructure assets.

| First | Last | Title | Role | Industry Experience | Morgan Stanley Tenure | MSI Tenure (Years) |
|--------|------------|-------------------|------------------------------------|---------------------|-----------------------|---------------------|
| Markus | Hottenrott | Managing Director | Chief Investment Officer | 16 | 16 | 8 (Since Inception) |
| John | Watt | Managing Director | Head of Asset Management | 31 | 7 | 7 (Since ramp-up) |
| James | Wilmott | Managing Director | Head of Europe | 26 | 26 | 6 |
| John | Veech | Managing Director | Head of Americas | 25 | 5 | 5 |
| Chris | Koski | Managing Director | Global Head of Investment Strategy | 21 | 1 | 1 |
| Mark | McLean | Managing Director | Head of Asia-Pacific | 19 | 1 | 1 |

- The team is led by Markus Hottenrott, who has been with MSI since inception and with Morgan Stanley for 16 years.
- Chris Koski and Mark McLean were added to the leadership team during 2013, reflecting investment to support growth in our business.

- Mr. Hottenrott replaced former CIO S. Wahba, who departed in 2011. Other senior investor departures post crisis include: J. Meyers and G. Bhandari (non-OCED Asia) in 2012; and A.V. Andrews (Inv. Relations) in 2013.
- From inception in 2006, investment resources have been added in controlled and disciplined fashion to now total 37 dedicated professionals at 6/30/14.

2. Discuss your Infrastructure business plan, focusing on product capacity and competitive advantages. Describe what % of firm revenues Infrastructure at Morgan Stanley contributes. Is Infrastructure a primary or secondary source of revenue at your firm?

Business Plan: Over the coming 3 to 5 years our business plan is to:

- Continue to solidify our position as a leading global infrastructure investor
- Continue to seek to add value to portfolio holdings through a focus on operational improvements
- Continue to grow in a controlled and disciplined fashioned

Product capacity:

- We have set a target of \$4Bn (max. \$5 Bn) for MSIP II.
- This fund size is consistent with our first fund MSIP I; with our desire to invest for control in “medium” sized infrastructure opportunities (\$200 MM—\$500 MM); and to create a diversified portfolio of 10-12 holdings.

Competitive Advantages:

- Differentiated Sourcing Strategy
- Leading Infrastructure Investment Track Record, History of Adding Value to Portfolio Companies
- Experienced Investment Team

Revenue – primary/secondary source:

- Infrastructure investing is the sole source of revenue for our dedicated team.
- Infrastructure investing is one of five primary sources of revenue for Morgan Stanley’s private asset investing activity.
- Morgan Stanley fiduciary businesses (investment management & wealth management) comprised 55% of total company revenue for the 12 months ending 6/30/14.

3. The history of your key investment professionals. Who is responsible for implementing the process?

- Please see pages 40-45 of the StanCERA Due Diligence Presentation for further biographical information.

4. Describe your investment process for this assignment. What are your preferred geographic exposures and your preferred sector exposures? Do you prefer Greenfield or Brownfield assets?

- Discipline is a key element of our investment process. Since 2006, Morgan Stanley Infrastructure has reviewed 1,700 potential investments, declining 1,650 (or approximately 97% of those), with pricing and seller valuation expectations playing a significant role in many of the declines.
- The Fund will target investments in assets that provide essential public goods or services and are expected to generate long-term, stable and predictable cash flows, typically linked to inflation (“Infrastructure Assets”). In particular, MSIP II will focus on opportunities in the energy & utilities and transportation sector which, through operational improvements, generate a gross IRR between 12%-15%, on a portfolio basis, and an annual dividend yield of 5-7%.
- MSI intends to pursue primarily brownfield assets in MSIP II, and no more than 20% of the fund’s capital will be invested in greenfield assets. Within our expected energy and utilities allocation of 60% and

transportation allocation of 40% target sectors include: gas infrastructure, water/wastewater, renewable energy, contracted power, airports, and seaports.

- MSIP II will target assets in developed market countries the OECD in the following geographies/regions:
 - Americas (primarily United States and Canada) - 50% target allocation
 - Europe (with a focus on economies with strong credit profiles) - 40% target allocation
 - Asia-Pacific (in particular, Australia) - 10% target allocation
 - Non-OECD category-15% cap (only where, in the view of the Team, the risk profile is similar to an OECD investment)

5. Please discuss vintage year diversification. How long is your investment period? Are investments anticipated to be equally spread out over this investment period? How much do you anticipate results for all infrastructure (as opposed to your partnership) to vary by year of origination?

- MSIP II has a 5-year investment period which offers vintage year diversification.
- Our desire is to deploy capital at an even pace, though we will act as opportunities present themselves.
- As with all private investing, vintage year does matter, however our strategy is to achieve returns throughout the cycle through differentiated sourcing and adding value to our investments at an operating level.

6. Describe your approach to research; how insights are gained and disseminated to the appropriate decision points?

- MSI approaches research through in-depth bottoms-up analysis of each individual investment opportunity.
- In addition to our panel of industry experts on our Senior Advisory Board, MSI draws on its proprietary network of senior-level relationships with leading operators, strategic players, governmental entities around the world, as well as Morgan Stanley's global franchise, to provide access to proprietary information flows that can lead to investment opportunities not generally available in the public domain.
- The team applies a rigorous selection process in order to single out the subset of opportunities worth pursuing further. This process is collaborative in nature and involves the participation of team members at the regional level as well as the global group of Partners.
- MSI employs a multi-layered investment process that is led and coordinated by dedicated investment professionals throughout the transaction lifecycle. The four established channels of due diligence are:
 - **Deal Team:** Identify and take preliminary review of an opportunity, develop thesis and execute the asset acquisition
 - **Review Team:** Investments to be submitted to the Investment Committee for consideration are first evaluated by the Review Team to perform an independent and parallel analysis.
 - **Partners:** MSI Partners meet at least weekly and as necessary, to review prospective deal opportunities in a group discussion. The group assesses each deal for its fit in the scope of the Fund's investment mandate and strategy, as well as how it will affect overall portfolio construction targets.
 - **Investment Committee:** The Investment Committee, comprised of MSI's Partners and Morgan Stanley Managing Directors from Investment Management and Risk Management and one Senior Advisor, is involved throughout the investment process, including in the form of an initial review and in the evaluation of potential investments, consideration of applicable industry dynamics, and approval of Fund investments, and is responsible for making final investment and divestment decisions.

7. Please cover how you source and structure portfolio investments. Please also cover how you create value via operational engagement and/or operational improvements?

Morgan Stanley Infrastructure's sourcing strategy is based on four pillars:

- **Extensive reach:** Team benefits from the informational flow and expertise of over 400 professionals across Morgan Stanley's offices in 43 countries who work in infrastructure-related fields, including professionals in the Municipal and Public Finance, Investment Banking, Project Finance, Structured Finance, Global Capital Markets, Commodities, and Research divisions.
- **Deep industry knowledge:** The Partners have each between 16 to 30 years of relevant industry experience and engage with industry decision makers, reinforcing the quality of the dialog around potential investment opportunities. The Team's deep industry knowledge also enables it to identify relevant trends and dynamics and in particular to exploit market inefficiencies to generate the most attractive risk adjusted returns.
- **Proprietary sourcing:** 70% of investments made by MSIP I have been exclusively negotiated transactions. Morgan Stanley Infrastructure, as a "boutique" embedded within a global organization, has the benefit of pursuing proprietary investment opportunities through multiple channels both with third party providers and Morgan Stanley.
- **Rigorous selection process:** Only those opportunities that fit MSIP I's key target characteristics and have a potential for attractive risk-adjusted returns are selected for further evaluation. Careful consideration is given to the contribution of each potential investment to the portfolio in terms of diversification.

Approach to adding value

- **Unique Situations:** The team seeks value creation opportunities across several identified situations: (i) carve-outs of assets from larger entities, (ii) assets being privatized, (iii) undermanaged assets or (iv) assets with the potential for scalable expansion through organic growth or follow-on acquisitions.
- **Deal structure:** MSI prefers to take majority equity stakes, as they afford the opportunity to implement operational and strategic improvements. In particular, the team will structure investments with control or co-control in order to ensure sufficient influence to execute planned operational improvements and to determine exit strategy and timing. The team takes a prudent approach to leverage, which would not constrain the generation of a substantial annual cash yield, as operational improvements are the focus driver of value. We look to create stand-alone entities that can be transitioned to new buyers with no discount to value as a result of separation from the MSI platform.
- **Operational Improvements Toolkit:** MSI's pursues a strategy of transforming assets with an underlying core-plus risk profile into core infrastructure assets through hands-on asset management. The team employs long-term strategic initiatives that include: Management of carve-out, synergistic bolt-on acquisitions, restructuring of operations, changed CAPEX investment philosophy, creation of new management teams, incentive structures, regulatory management, and technological improvements.
- Please see section 3 of the StanCERA Due Diligence Presentation.

8. What is your preferred benchmark to be measured against? Why do you believe your process will produce superior results relative to the benchmark and competitors?

- Infrastructure investing is absolute return oriented. MSIP II is seeking to generate a gross 12-15% IRR. While presently there is not a market accepted benchmark for private infrastructure investments, MSI is working with market participants on the development of a benchmark.
- MSI's proprietary sourcing and value-add strategy

- We believe that negotiated investments generally lead to better risk-adjusted returns for clients. We look to avoid competitive auction processes where cost of capital is the primary driver.
- We capture value through operational improvements by transforming assets into core infrastructure.
- Benefit from pricing premiums from an increasing pool of capital seeking core infrastructure

9. What is your expected return on a gross and net basis? Of that expected return what percentage is expected to come from income and what percentage from value-added?

| | |
|-------------------------------------|------------|
| Gross IRR on All Investments | |
| Target for Fund Life ¹ | 12.0-15.0% |
| Net IRR on All Investments | |
| Target for Fund Life ² | 8.0-11.0% |

- The above gross to net spread analysis includes carried interest, management fees, and other fees and expenses. Approximately 25-40% of the estimated gross to net spread is attributed to the manager incentive fee (carried interest) should the target 12-15% returns be achieved. Carried interest is only earned by MSI team members once the following capital flows are returned to the Limited Partner:
 - All contributed capital
 - 8% preferred return
 - Management fees
 - Other expenses (including 8% preferred return the those expenses)
- MSIP II will target a yield of 5-7% with the remaining return attributed to operational value add and organic EBITDA growth.

10. Describe your risk control techniques. How important is this in the process? Has it helped limit drawdowns?

While each infrastructure investment opportunity presents its own unique set of risks, we assess and evaluate risks both initially in connection with the investment process and then over time in connection with monitoring and managing our portfolio companies. MSI evaluates, manages, and monitors risk at multiple levels:

- **Investment:** Risk assessment is a key element to due diligence. The investment team will identify and evaluate portfolio company risks and build a business plan toward risk mitigation and arrive at an informed view on risk-adjusted value.
- **Portfolio:** On an ongoing basis, MSI requires its portfolio companies to provide standardized data regarding results of operations, and has regular updates and meetings on strategy, operational issues, business developments, regulatory developments and other material risks. The MSI Team continuously evaluates the portfolio companies, in respect of insurance coverage, foreign exchange risks, refinancing risks, regulatory developments, tax developments and other key areas and works proactively with management to evaluate and manage such risks.
- **MBREI Platform and Firm:** MSI is supported by Morgan Stanley's strong risk management policies and processes and is assisted by over 38 specialist professionals from Morgan Stanley MBREI's global support groups.
- Please see page 23 of the StanCERA Due Diligence Presentation.

¹ In setting target return and target annual yields, the GP of MSIP II considered forecasted cash flows, forecasted valuations at future dates, market conditions for relevant assets, and anticipated contingencies, among other matters. The gross target IRR is before any carried interest, fees & expenses, which will reduce returns and in the aggregate are expected to be substantial. These targets were prepared based on MSI's understanding of the intended future operations of MSIP II and its view of future events and various estimations and assumptions made by MSI; therefore, such targets are subject to uncertainties, changes and other risks. No assurance, representation or warranty is made by any person that target will be achieved. Reflects valuation of portfolio as of Sept. 30, 2012, incorporating forecasts which have been formulated using separate long-term financial forecast models based on a variety of inputs & assumptions relative to each asset, including future operating initiatives, budgeted expenses, sales volume and pricing, & historic performance. The target return and target yields are not a projection of actual performance, and there can be no assurance that the Fund will achieve its investment objective or target return or target yields.

² The Net IRR Target is designed to illustrate the impact of expenses on the Fund's target IRR. It is subject to the same limitations and uncertainties as the Target Gross IRR.

11. Describe the anticipated level of financial leveraging that will be utilized. Please distinguish whether there may be multiple leverage levels of the structure combined (at both the fund level and also at the individual asset level). What is your source of borrowed capital and the anticipated rates that you will be charged?
- No fund level leverage. All debt is held at the portfolio company level
 - Use of financial leverage is not a focus of driving returns; this is primarily achieved through operational improvements to assets. MSI takes a moderate approach to leverage and seeks to reduce refinancing risk.
 - MSI is focused on debt financing arrangements which would not constrain the generation of a substantial annual cash yield. Representative of this approach, the weighted average portfolio leverage for MSIP I was 48% as of June 30, 2014.
 - MSI's financing strategy focuses on structuring attractive debt arrangements for portfolio assets through the project finance, bank, and/or capital markets and aims to structure to investment-grade credit standards.
 - Please see page 22 of the StanCERA Due Diligence Presentation for a more comprehensive overview of our leverage policy.
12. What environment is most likely to lead to poor relative performance (i.e. high or low volatility, economic decline, rising/falling interest rates, increasing correlations, geopolitical turmoil, etc.)? Similarly, in what environment do you expect to thrive?
- Infrastructure assets are characterized by businesses with high barriers to entry and/or low competition and are providers of essential services. As a result, infrastructure assets tend to demonstrate less sensitivity to business cycles and exhibit low correlation with public capital markets making them well suited in a volatile environment.
 - Infrastructure investing may be challenged during periods of significant economic decline and/or during geopolitical turmoil impacting a given region in which a specific portfolio asset operates.
 - Attractiveness of infrastructure as an asset class has increased in recent times given favorable risk-adjusted returns generated in a low yield and uncertain environment. Inflation linkage and long-duration make infrastructure, as an asset class, particularly suitable for investors mandated with funding long-dated liabilities measured in real (versus nominal) terms. MSI focuses on assets with inflation sensitive cash flows, significant degree of stability and predictability in cash flows, and long, useful lives to serve as defensive portfolio investments in diverse market environments.
 - Please see Appendix A for additional characteristics and portfolio benefits of Infrastructure.
13. Provide a net/net performance history along with relevant analysis (detail and discuss the sources of value added) for MSIP Fund I.
- MSIP I net IRR of 7.4% as of June 30, 2014
 - Please see page 7 of the StanCERA Due Diligence Presentation.
14. Provide the key terms for MSIP Fund II.
- Please see page 30 of the StanCERA Due Diligence Presentation for key terms.
15. Please discuss any nuances in how you would manage the StanCERA assignment. Describe the best vehicle for StanCERA to invest in. Discuss terms, any lock-up provisions and liquidity constraints.
- MSIP II is a commingled fund offering. All clients are treated equally.
 - Morgan Stanley Infrastructure Partners II L.P. is a Cayman Exempted Limited Partnership and is structured with parallel funds to accommodate a diversified global investor base. Morgan Stanley Infrastructure Partners II L.P. (Cayman Master) is intended for US tax exempt entities.

- The fund maturity is 12 years, plus two one-year extensions at the discretion of the Limited Partner Advisory Committee.
 - Limited Partners can transfer their Interests with the consent of the General Partner subject to certain restrictions.
16. Please describe the expected cash flows. Would capital calls most likely be a high frequency of modest amounts, or a limited number of more substantial amounts?
- MSIP II will target quarterly distributions, however timing of distributions is dependent upon the asset acquired and its individual yield properties. During the commitment period, distributions will be netted against capital drawdowns.
17. Please describe the expected pattern of income distributions. What are your expectations for the return of principal plus gains to look like? At what point in time are expectations that the original commitment level will be returned to LP's? Are there expectations for quarterly distributions? If so, at what point in time would these distributions start?
- MSIP II will target an annual dividend yield of 5-7%.
 - MSIP I has made cash distributions of \$2.1 billion since inception.
 - MSIP II will target quarterly distributions which will be will be netted against capital drawdowns during the commitment period.
 - The Fund is estimating a 5-year capital deployment phase with a 5 to 7 year hold period for a given investment. We expect to return invested capital by year-8 of the fund life and by year-10 invested capital with the preferred return.
 - Please see page 28 of the StanCERA Due Diligence Presentation for key terms.
18. Is there/will there be an advisory Committee and if so, who does/will comprise the Committee. What level of decision making capabilities does/will that Committee possess?
- Yes. The LP Advisory Committee provides important risk management and business advisory services to MSI in its management of the fund. An LP Advisory Committee meeting is held at least twice a year for the committee to consult with, and advise, MSI on certain matters relating to the Fund. The committee has approval rights with regards to the investment guidelines as well as other provisions to include:
 - Approval of any proposed deviations from investment thresholds and/or diversification limits
 - Approval of any proposed extension of the 5-year Commitment Period (1-year extension option) and the 12-year fund maturity (2 one-year extension options)
 - Approval of a new and/or replacement Key Person
 - In addition, MSI may in certain situations choose to seek the approval of the committee in respect of certain conflicts of interest situations, which approval will be binding on all fund Investors.

19. Please be prepared to present your best fee for an assignment of \$25 and \$50 million (USD).

Fees:

Our proposed fee schedule for an investment in the MSIP II fund is as follows:

Management Fee:

| <u>Capital Commitments</u> | <u>Management Fee</u> |
|------------------------------|-----------------------|
| Less than \$50MM | 1.50% |
| \$50MM to less than \$100MM | 1.35% |
| \$100MM to less than \$175MM | 1.25% |
| \$175MM to less than \$250MM | 1.10% |
| \$250MM or greater | 0.95% |

Note: During the Commitment Period, the Management Fee will be charged on Limited Partners' committed capital. After the Commitment Period has ended, the Management Fee will be charged on Limited Partners' net invested capital.

Preferred Return:

8% per annum

Carried Interest (Incentive Fee):

20%*

Important Note: "European style" carried interest structure: All contributed capital, and the 8% preferred return on that capital (as well as all fees and expenses, including the management fee, and the 8% preferred return on those fees and expenses) must be paid to LP investors before any carried interest may be paid to the Morgan Stanley Infrastructure team.

- Please see page 30 of the StanCERA Due Diligence Presentation

KKR Global Infrastructure Investors Fund II L.P.

September 23, 2014

Presentation to Stanislaus County Employees' Retirement Association

9/23/14
Item#8.a.ii

Important Information

The information contained herein is provided for informational and discussion purposes only and is not an offer to sell or a solicitation of an offer to buy an interest in KKR Global Infrastructure Investors Fund II L.P. ("**Fund II**") or any other investment fund, vehicle or product sponsored or managed by Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates, "**KKR**" or the "**Firm**"). A private offering of limited partner interests ("**Interests**") in the Fund will only be made pursuant to the confidential private placement memorandum issued with respect to Fund II (as amended and/or supplemented, the "Offering Memorandum"), describing among other things, the risks associated with the Fund II, the limited partnership agreement of Fund II and its subscription documents, which will be furnished to qualified investors on a confidential basis at their request for their consideration in connection with such offering.

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Certain information contained herein constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "**expect**," "anticipate," "target," "project," "estimate," "intend," "continue," "**plan**" or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, including those described in the Offering Memorandum, actual events or results or the actual performance of Fund II may differ materially from those reflected or contemplated in such forward-looking statements.

Important Information (continued)

References to “**assets under management**” or “**AUM**” represent the assets as to which KKR is entitled to receive a fee or carried interest. **KKR’s** calculation of AUM may differ from the calculations of other asset managers and, as a result, **KKR’s** measurements of its AUM may not be comparable to similar measures presented by other asset managers. KKR’s definition of AUM is not based on the definitions of AUM that may be set forth in agreements governing the investment funds, vehicles or accounts that it manages and is not calculated pursuant to any regulatory definitions.

General discussions contained within this document regarding the market or market conditions represent the view of either the source cited or KKR. Historic market trends are not reliable indicators of actual future market behavior or future performance of any particular investment which may differ materially, and should not be relied upon as such. Nothing contained herein is intended to predict the performance of any investment. There can be no assurance that actual outcomes will match the assumptions or that actual returns will match any expected returns.

There can be no assurance that investors in any account, or fund or other vehicle, including Fund II, will receive a return of capital.

All information contained herein is qualified in its entirety by information contained in the Offering Memorandum for Fund II. An investor should consider Fund **II’s** investment objectives, risks, conflicts of interest, fees, carried interest terms and other charges and expenses carefully before investing. This and other important information about Fund II can be found in Fund **II’s** Offering Memorandum. Please read the Offering Memorandum carefully before investing.

References in this document to “**Gross IRR**” or “**gross return**” and references to “**Gross Multiple**” or “**gross multiple**” are to the internal rate of return or multiple of invested capital, respectively, calculated at investment level, and thus do not take into consideration the effects of inflation, management fees, carried interest, transaction costs, and other expenses to be borne by Fund II which will reduce returns and, in the aggregate, are expected to be substantial (see the Offering Memorandum and Form ADV Part 2 maintained by KKR, a copy of which will be furnished to each investor prior to its admission to Fund II, for more information on fees and expenses applicable to Fund II. A hypothetical illustration of the effect of such fees, expenses and other charges on such returns is available on request). In the case of unrealized investments, gross returns are based on internal valuations by KKR of unrealized investments as of the applicable date. The actual realized returns on such unrealized investments will depend on, among other factors, future operating results, the value of the assets, and market conditions at the time of disposition, any related transaction costs, and the timing and manner of sale, all of which may differ from the assumptions on which the valuations used in the prior performance data contained herein are based. Accordingly, the actual realized return of these unrealized investments may differ materially from the returns indicated herein.

Unless otherwise indicated, references in this document to “**Net IRR**” or “**net return**” are to the internal rate of return calculated at fund level, after payment of applicable management fees and carried interest and other applicable expenses; however, where net returns are shown at the investment level, net returns are before management fees, as management fees are applied only at the fund or separate account level. In addition, references to “**Net Multiple**” or “**net multiple**” at the investment level and fund level are to the multiple of invested capital calculated after payment of applicable carried interest and other applicable expenses, but before management fees are taken into account. Therefore, after payment of management fees at the fund or account level, the actual return to investors with respect to individual investments and multiple of invested capital at the investment and fund level was less than indicated herein. Internal rates of return are computed on a “**dollar-weighted**” basis, which takes into account the timing of cash flows, the amounts invested at any given time, and unrealized values as of the relevant valuation date. Multiples of invested capital referred to in this document have been calculated based on figures for the cost and total value of KKR fund investments that have been rounded to the nearest \$100,000. References to the “**Annualized Yield**” are to cash distributions of investment proceeds to investors, including cash distributions of current income and disposition proceeds and, if any, cash deemed distributed to such investors and redeployed during the relevant period relative to the weighted average of invested capital in the relevant investments during such period. “**Annualized Yield**” does not take into account capital contributions by investors for management fees, organizational costs or other fees and expenses not relating to the investments generating the relevant proceeds.

Past performance is no guarantee of future results.

Related Performance. The performance shown herein is not the performance of Fund II and is not an indication of how Fund II would have performed in the past or will perform in the future. Fund II’s performance in the future will be different from the performance shown due to factors including, but not limited to, differences in management fee and carried interest terms, cash flows, expenses, performance calculation methods, and portfolio sizes and composition. The performance presented reflects the performance of all investments made or committed to under the KKR Global Infrastructure Strategy, as defined herein, utilizing a strategy substantially similar to that which will be utilized for Fund II.

Important Information (continued)

Characteristics and other information regarding the KKR Global Infrastructure Strategy are not characteristics of Fund II and are not an indication of how Fund II would have performed in the past or will perform in the future. While Fund II will utilize a strategy substantially similar to the KKR Global Infrastructure Strategy, Fund II's characteristics may be different from the characteristics of KKR Global Infrastructure Strategy due to factors including, but not limited to, portfolio size and composition. KKR believes, however, such characteristics to be relevant to investors considering an investment in Fund II to show the portfolio **managers'** experience implementing, and historical characteristics of, the **Fund's** anticipated investment strategy.

Target Returns. Targeted returns referred to in this document are hypothetical in nature and are referred to for illustrative informational purposes only. Such targeted returns are not intended to forecast or predict future events, but rather to indicate the returns for infrastructure investments that KKR expects to seek to achieve on Fund II's overall portfolio of investments. Targeted returns have been determined by KKR on the basis of estimates and assumptions about performance believed to be reasonable in light of current market conditions, **KKR's** investment experience, and **KKR's** views on future market conditions. In evaluating potential returns of an investment of Fund II, KKR will consider a number of factors, including, for example, projected cash flows, availability of financing, projected future valuations of target assets and businesses, other relevant market dynamics (including of interest rate and currency markets), anticipated contingencies, and regulatory issues.

Actual results and events may, however, differ materially from the assumptions underlying such analysis. Such returns are subject to significant economic, market, and other uncertainties that may adversely affect the performance of Fund II or its individual investments, including those discussed in Offering Memorandum. Individual investments may be acquired that have an anticipated internal rate of return below or above Fund II's targeted return. Such targets are neither guarantees nor predictions or projections of Fund II's future performance, and are not to be relied upon as such. There can be no assurance that Fund II will achieve such returns or that investors will receive a return of capital. Fund II's target returns may change over time and may go down as well as up. The timing of the realization of an asset (which may be required, for example, at the end of the life of Fund II) may materially impact the returns generated by such investment. Prospective investors should note that targeted gross returns do not account for the effects of inflation and do not reflect the management fees, carried interest, taxes, transaction costs and other expenses that will be borne by investors in Fund II which will reduce returns and, in the aggregate, are expected to be substantial. The targeted net returns presented herein are calculated net of estimated taxes (other than taxes or withholding borne or to be borne by investors directly, including taxes associated with investments made through entities taxed as U.S. corporations), Fund expenses and, with respect to consummated transactions, estimated carried interest and management fees and are gross of transaction costs, and, with respect to unconsummated investments, carried interest and management fees.

The investment program of Fund I is speculative and entails substantial risks. There can be no assurance that the investment objective of Fund I will be achieved and that investors will not incur losses. Investors in Fund I should consider, among others, the following risks as well as those described elsewhere in this document and in the Offering Memorandum:

General. An investment in Fund II involves a high degree of risk. There can be no assurance that Fund II's investment objectives will be achieved, or that an investor will receive a return of its capital. In addition, there may be occasions when the general partner of Fund II, and its affiliates, including KKR, will encounter potential conflicts of interest in connection with Fund II, as described more fully in the Offering Memorandum.

Illiquid and long-term investment. An investment in Fund II will be illiquid requiring a long-term commitment, with no certainty of return. Interests may not be transferred without prior consent. There will be no liquid market for the Interests. Investors may not withdraw capital. Investors must be prepared to bear the risks of owning the investment for an extended period of time.

Fees and carried interest. Management fees and carried interest terms of Fund II will reduce any profits generated by its investments and may create an incentive for KKR to make investments that are riskier or more speculative that would be the case if such compensation arrangements were not in effect.

Overseas investment considerations. Fund II may invest a substantial portion of its assets outside the U.S. and other developed nations. Investments in overseas securities and assets may involve certain risks not typically associated with investing in the U.S. or other developed countries, including risks relating to: (i) potential price volatility in and relative illiquidity of some overseas securities markets; (ii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation; (iii) fewer investor protections, less stringent fiduciary duties, less developed bankruptcy laws and difficulty in enforcing contractual obligations; (iv) potential economic, political or social instability, exchange control regulations, restrictions on foreign investment and repatriation of capital, expropriation or confiscatory taxation; and (v) the possible imposition of local taxes on income and gains recognized with respect to securities and assets. Where Fund II invests in emerging markets, these risks will be heightened.

Important Information (continued)

Availability of suitable investments; limited number of investments; track record; geographical or sector concentration. Fund II is a recently formed entity and has no operating histories upon which investors can evaluate the anticipated performance of Fund II. There can be no assurance that Fund II will be able to locate and complete suitable investments, or that such investments will be successful. Fund II may make a limited number of investments and, as a consequence, the aggregate return of Fund II may be adversely affected by the unfavorable performance of even a single investment. Its diversification by geographical region or infrastructure sector may be limited which may adversely affect the performance of Fund II if these regions or sectors experience an economic slowdown.

Market and economic risks. Investments made by Fund II may be materially affected by market, economic and political conditions globally and in the jurisdictions and sectors in which it invests or operates, including factors affecting interest rates, the availability of credit, currency exchange rates and trade barriers. These factors are outside the control of Fund II and could affect the liquidity and value of its investments and reduce its ability to make new investments.

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General Risks of Infrastructure Investments

The following risks, as well as those listed in Fund II's Confidential Private Placement Memorandum, should be carefully evaluated before making an investment in the Fund:

Government & Agency Risk – Government agencies may have considerable discretion to change or increase regulation of infrastructure investments or to otherwise implement laws affecting operations (including with retroactive effect), in each case in ways that can materially and adversely affect the business and profitability of portfolio companies or assets. Infrastructure investments may be subject to rate regulation by government agencies, and therefore may be subject to unfavorable regulatory determinations that could materially and negatively impact profits and the ability to meet return expectations for the relevant investments.

Concessions, Leases and Public Ways – An infrastructure **investment's** operations may rely on government licenses, concessions, leases, or contracts the maintenance of which may be essential to the ability of a portfolio company to function, but which are generally very complex and may result in a dispute over interpretation or enforceability or be subject to challenge or termination by government bodies (including through exercise of sovereign rights).

Public Demand and Usage – Certain infrastructure assets may derive substantially all of their revenues from tolls, tariffs, or other usage or throughput-related fees. Users of the applicable service provided may react negatively to any adjustments to the applicable rates, or public pressure may cause a government or agency to challenge such rates.

Environmental Matters – The operation of or accidents with respect to infrastructure assets can cause major environmental damage, which may result in significant liabilities. In addition, new environmental regulations and/or failure to comply with such requirements could adversely affect assets. Some of the most onerous environmental requirements regulate air emissions of pollutants and greenhouse gases, which may particularly affect certain infrastructure assets (e.g., power and energy assets).

Operators and Subcontractors – The operations of infrastructure assets may be contracted to third-party management companies unaffiliated with the Fund II General Partner, and infrastructure investments may involve the subcontracting of various activities (including construction activities) in respect of projects. The failure of such an operator or sub-contractor to adequately perform its duties, or a breach of applicable agreements or laws, could have an adverse effect on an infrastructure **asset's** financial condition or results of operations.

Interest Rates and Inflation – Infrastructure assets may be highly leveraged, and interest rate changes therefore may affect returns from these assets more significantly than other assets. Infrastructure assets may have long-term rights to income linked to some extent to inflation. While these provisions may protect against certain risks, they do not protect against the risk of a rise in real interest rates, which is likely to create higher financing costs for infrastructure businesses and a reduction in the amount of cash available for distribution to Partners.

Projections and Third Party Reports – The General Partner will generally establish the capital structure of investments and targeted returns on the basis of financial, macroeconomic and other applicable projections, each of which is subject to numerous uncertainties, including general economic, natural and other conditions, which are not predictable, and can have an adverse impact on the reliability of such projections.

Technology – Any technology change that occurs over the medium term could threaten the demand for and the profitability of infrastructure assets, which assets typically would have very few alternative uses should they become obsolete.

Note: For a more comprehensive list of risks associated with infrastructure investments, please see the Fund's Confidential Private Placement Memorandum.

Agenda

- I. Introduction**
- II. A Differentiated Investment Strategy**
- III. Experienced and Well Resourced Infrastructure Team**
- IV. Conclusion**
- V. Appendix – Senior Infrastructure Team Biographies**

I. Introduction

Executive Summary

- We are establishing KKR Global Infrastructure Investors II L.P. ("**Fund II**") to pursue infrastructure investment opportunities primarily in North America and Western Europe⁽¹⁾
- The scale of global infrastructure investment demand is expected to be enormous⁽²⁾ and we believe that infrastructure assets can provide valuable portfolio diversification benefits through stability of cash flows, inflation protection, yield, long duration and reduced volatility
 - KKR has been one of the more active infrastructure investors globally over the course of the last three years through its first dedicated infrastructure fund, KKR Global Infrastructure Investors L.P. ("**Fund I**"), which held its final closing in May 2012 with aggregate commitments of \$1.04 billion
- Consistent with **KKR's** risk-based, rather than sector-based approach to infrastructure investing, Fund II will seek to generate attractive risk-adjusted returns by focusing on investments with a "**core**" profile to which KKR believes it can add value through its sourcing, execution and operational capabilities
- As of June 30, 2014, investments made within the KKR Global Infrastructure Strategy had a Net IRR and Annualized Yield of 10.3% and 4.9%, respectively⁽³⁾
- **KKR's** Infrastructure Team is comprised of 16 investment professionals with investment experience and backgrounds that span the **Fund's** targeted sectors
- We are our own largest investor with ~\$4.6 billion of our own capital at work in all of our deals
 - KKR will commit at least 5% of the aggregate capital commitments to the Fund

Note: Past performance is no guarantee of future results. Please refer to Risks of Investing in Global Infrastructure Funds on slide 6 and see "**Important Information**" at the beginning of this presentation for how our performance is calculated.

(1) The Fund primarily seeks investments in the member countries of the OECD (Organization for Economic Co-operation and Development) which are Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, The Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States.

(2) "**Infrastructure Productivity**," McKinsey Global Institute report, published January 2013.

(3) **KKR's** Global Infrastructure Strategy includes all Fund I investments made through June 30, 2014 and **KKR's** Colonial Pipeline investment, which is the only infrastructure strategy investment made by KKR pre-Fund I. Past performance of any KKR-sponsored fund, account or investment, including, but not limited to Fund I and the Colonial Pipeline investment is not indicative of future results of Fund II. See "**Important Information**" on slides 2 to 5 for important disclosure regarding the calculation of Net IRR and Annualized Yield.

KKR — A Global Investment Firm

Established in 1976, Kohlberg Kravis Roberts & Co. L.P. (“KKR”) is a leading global investment firm with industry-leading investment experience, in-depth industry knowledge, sophisticated processes for growing and improving businesses, and a strong culture committed to teamwork

Leading investment firm

- Private Equity, Infrastructure, Natural Resources, Energy Income & Growth, Real Estate, Credit Strategies, Alternative Credit, Hedge Funds

Global presence

- Offices in 21 cities in 15 countries across 5 continents

“One-firm” culture that evolves, learns, and innovates

- Adaptive to change

Relationship-driven approach

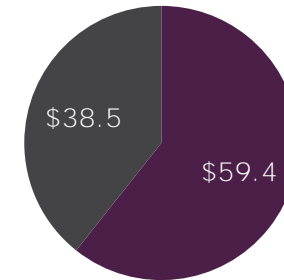
- Sourcing investment opportunities
- Partnering with clients

Aligned with our partners

- “Eat our own cooking”
- Economic incentives driven by results
- Focused on managing stakeholder interests

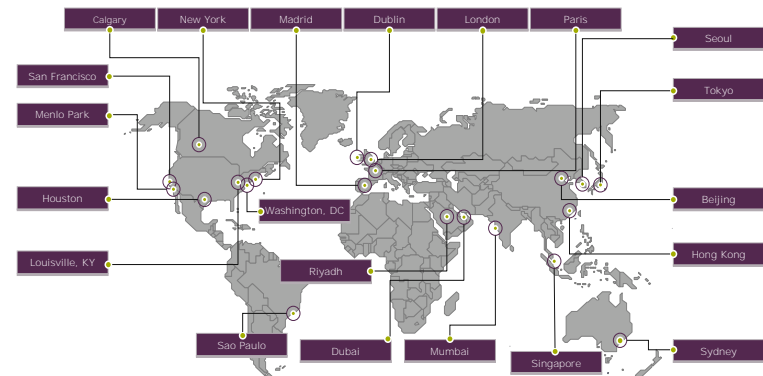
**Total Assets Under Management:
\$98.0 billion**

As of June 30, 2014 (\$ in billions)



■ Private Markets ■ Public Markets

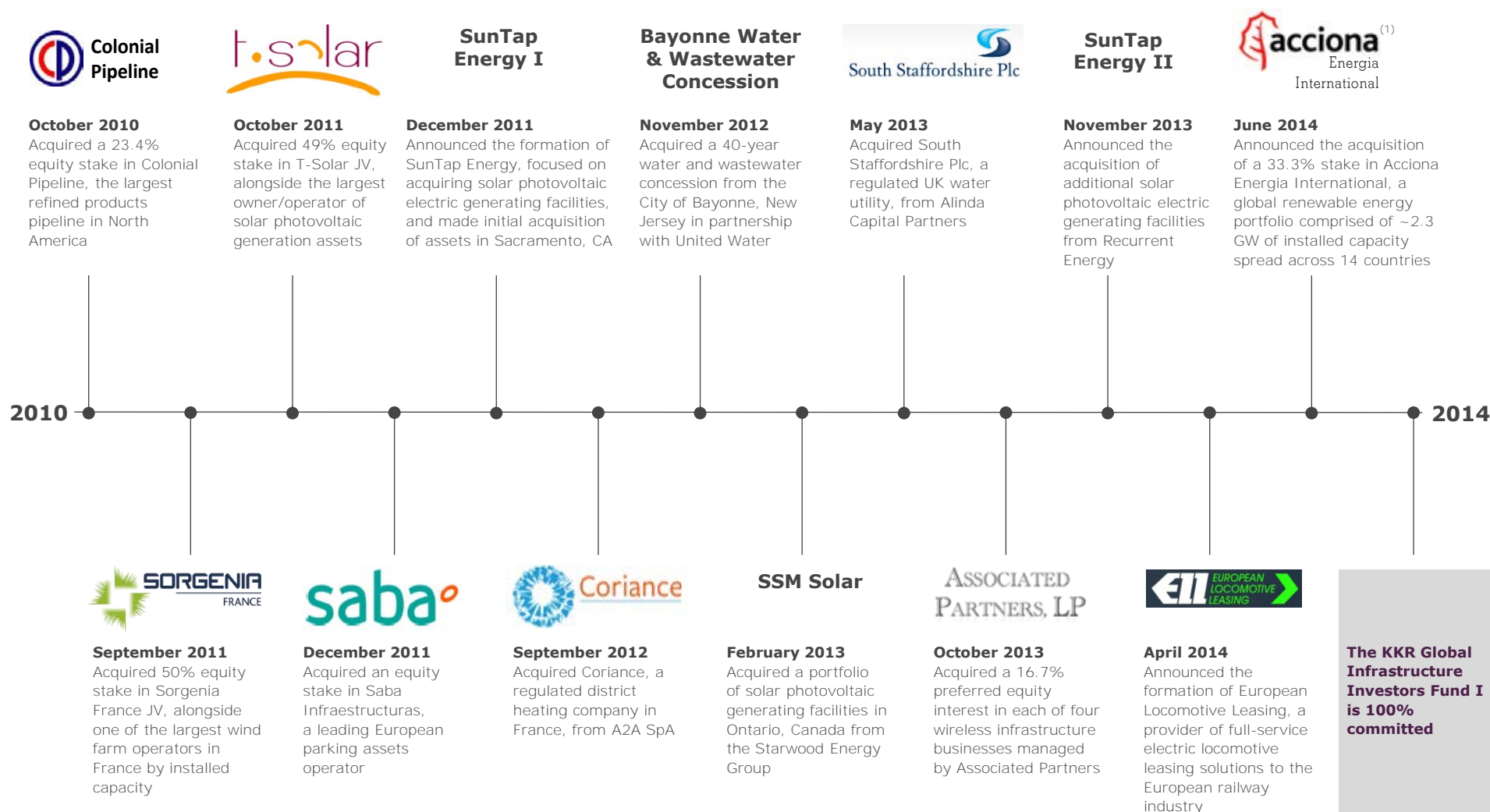
**Experienced Team:
Over 600 executives around the globe**



Note: Please see “Important Information” on slides 2 to 5 for a description of Assets Under Management calculation.

KKR

KKR Global Infrastructure Strategy Timeline



KKR currently manages over \$2.9 billion in Infrastructure assets

Note: As of June 30, 2014. This timeline reflects all KKR Global Infrastructure Strategy investments from 2010 through June 30, 2014. Timeline is not drawn to scale.

(1) Subject to investment close.

KKR

II. A Differentiated Investment Strategy

The KKR Approach: A Value-Added Investment Strategy

Our strategy is to seek infrastructure investments with limited downside risk and to drive value creation through distinctive sourcing, deep operational engagement and active stakeholder **management...**

...which we believe leads to a strategy that offers core risk with value-added returns

The KKR Approach: A Value-Added Investment Strategy

1 Disciplined Investment Selection

A risk-based, not sector-based, approach to filter investment selection

| Essential Criteria | |
|--|---|
| 1. Physical assets | 4. Long-term visibility of cash flows |
| 2. Central to the functioning of the local economy | 5. Limited sensitivity to economic cycles |
| 3. Irreplaceable assets | 6. Inflation hedged |

2 Distinctive Sourcing and Structuring

Focus on securing a high proportion of proprietary investment opportunities, developing strong strategic partnership arrangements and structuring to enhance downside protection

3 Deep Operational Engagement

Well-honed institutionalized processes and dedicated resources focused on value creation

4 Active Stakeholder Management














Significant stakeholder relations expertise through our long-standing experience with complex transactions involving highly regulated, public-facing assets

5 Portfolio Diversification

Focus on creating a broadly diversified portfolio across markets, sectors, risks and geographies

Note: KKR may use some or all or all off the techniques described herein.

1 Disciplined Investment Selection

| Essential Criteria | Asset Type | Highlights | Infrastructure Investments |
|--|----------------------------------|---|---|
| Physical assets | 1. Regulated Assets | <ul style="list-style-type: none"> Rate of return regulation Regulated tariffs |     |
| Central to the functioning of the local economy | | |   |
| Irreplaceable assets | | | |
| Long-term visibility of cash flows | 2. Contracted Assets | <ul style="list-style-type: none"> Typically 10+ year contracts High quality counterparties |    |
| Limited sensitivity to economic cycles | | |    |
| Inflation-hedged | 3. Assets with Market Protection | Irreplaceable assets |   |
| All three asset types provide long-term visibility of cash flows | | | |

Note: This table reflects all KKR Global Infrastructure Strategy investments made from 2010 through June 30, 2014. KKR may use some or all of the techniques described herein.

1 Disciplined Investment Selection: Global Oversight

The Infrastructure Investment Committee works in an integrated fashion with the Infrastructure Investment Team and serves as the decision-making group for Infrastructure Fund II investments, including input on the direction of due diligence and the engagement of outside advisors

Rigorous Screening Process

- Weekly team review of early-stage opportunities
- Peer review ensures transmission of learning and application of diverse perspectives







Robust Committee Process

- Opportunities typically presented to the Infrastructure Investment Committee multiple times before execution
- Iterative, interactive, and open dialogue focused on key issues

Highly Experienced Infrastructure Investment Committee

- Private capital investment experience drives robust dialogue
- Deep experience in valuation, structuring, deal tactics and execution
- Benefits from KKR's experience investing across private markets over the firm's 38 year history

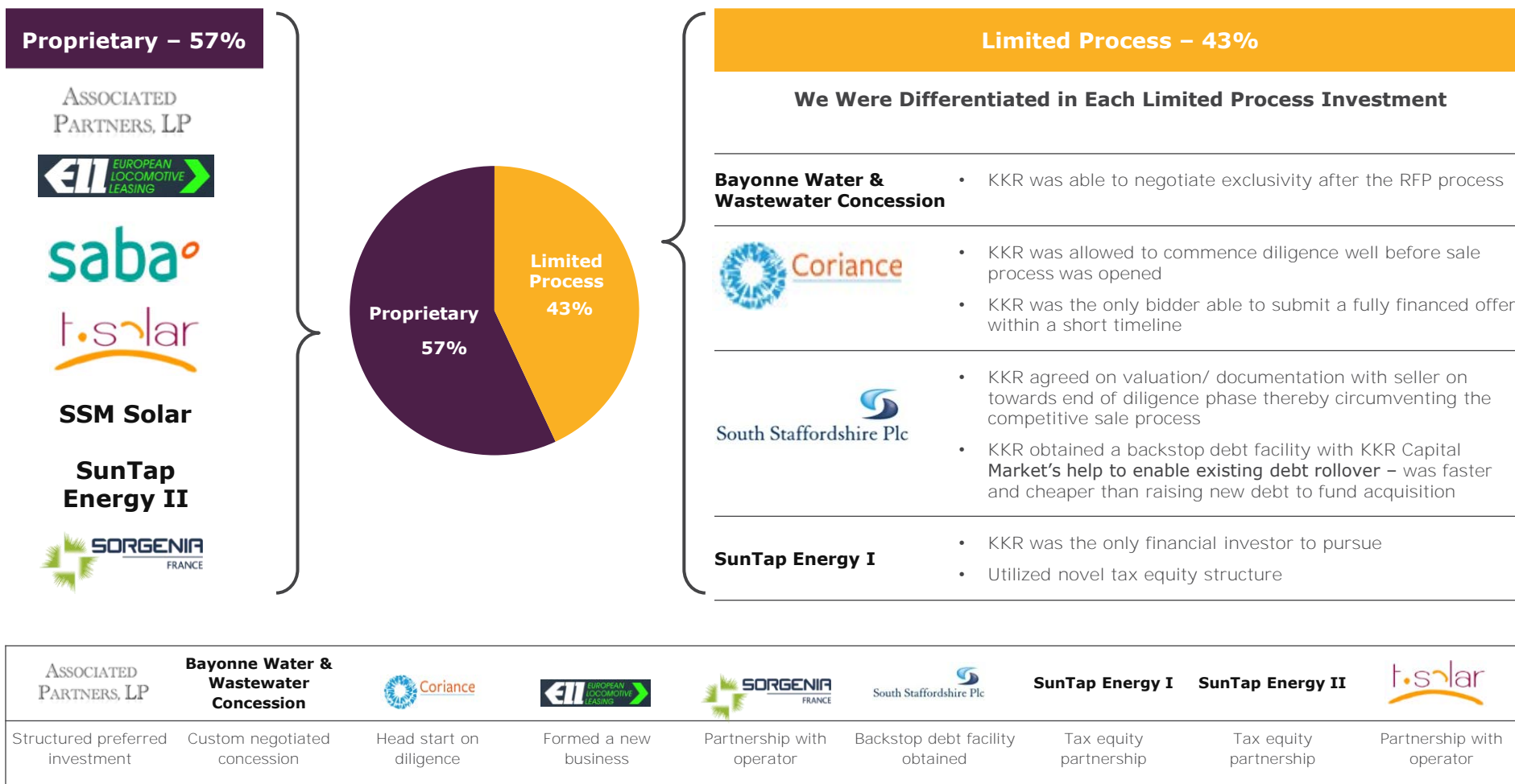
Infrastructure Investment Committee Members

| | | Years at KKR | Years Investing Experience |
|---|---|--------------|----------------------------|
|  | Henry R. Kravis Co-Chairman and Co-CEO | 38 | 44 |
|  | George R. Roberts Co-Chairman and Co-CEO | 38 | 44 |
|  | Marc S. Lipschultz Member, Global Head of Energy & Infrastructure | 19 | 21 |
|  | Johannes P. Huth Member, Head of KKR Europe | 15 | 28 |
|  | Raj K. Agrawal Member, Head of North American Infrastructure | 8 | 14 |
|  | Jesús Olmos Member, Head of European Infrastructure | 5 | 23 |

Note: As of July 2014.

2 Distinctive Sourcing and Structuring

Proactive outreach, strong reputation and relationships, focused local networks, and resources valued by management teams and entrepreneurs have the potential to yield investments not available to others



Note: The above chart reflects all Fund I investments made through June 30, 2014 (and excludes Colonial Pipeline). Percentages are based off capital invested as of June 30, 2014. Limited process is defined as a sourcing process involving three or fewer interested parties, including KKR. Sourcing allocation for Fund II may differ. It should not be assumed that an investment in the companies identified was or will be profitable. There can be no assurance that KKR will be able to source appropriate investments for Fund II, including through a proprietary or limited process, or that any such investments will be profitable.

3 Deep Operational Engagement

Capstone executives are operational consultants focused on improving KKR-owned portfolio companies through targeted projects

| A Structured Approach to Operational Improvements | |
|---|--|
| 100-Day Plan | Portfolio Management Committee |
| <ul style="list-style-type: none"> Disciplined and structured approach to value creation Delineates operational issues to be addressed immediately after acquisition | <ul style="list-style-type: none"> Allows KKR portfolio companies to benefit from accumulated experience of committee members |
| KKR Capstone ⁽¹⁾ | Strategy Development |
| <ul style="list-style-type: none"> Exclusive relationship with KKR, its portfolio companies and designees Experienced team of senior operators Focused on results-oriented execution | <ul style="list-style-type: none"> Product/market strategies Regional strategies Partnership strategies Acquisition strategies Positioning for exit |
| Operational Strength | Optimize Organization |
| <ul style="list-style-type: none"> Top line improvement (e.g., sales force, pricing) Cost reduction Working/operational capital reduction IT master plan R&D master plan | <ul style="list-style-type: none"> Secure, retain and incentivize top and middle management Optimize organizational structure Train and motivate broad employee base |



**High Quality Resources and Processes
Focused on Value Creation**

Note: The portfolio company represented is shown as an example of KKR Capstone's value creation impact and is an example of a significant KKR Capstone engagement. This example would not necessarily correlate with the performance of any KKR fund, including Fund II. Past performance is no guarantee of future results. KKR may use some or all of the techniques described herein.

(1) KKR Capstone is not a subsidiary or affiliate of KKR. Please see Important Information at the beginning of this presentation for additional disclosure regarding KKR Capstone.

| Saba Exemplifies KKR's Operationally Focused Approach | |
|--|---|
|  |  |
| <ul style="list-style-type: none"> KKR Capstone was selected independently by both our partners and Saba management to implement a company-wide revenue enhancement and cost savings program Bottom-up plan for each business unit with 36 initiatives created As of December 2013, ~75% of measures are in the advanced stage of completion KKR Capstone's mandate has been extended in two consecutive occasions by Saba management due to the solid progress | |

KKR

4 Active Stakeholder Management

KKR has developed significant stakeholder relations expertise through its long-standing experience with complex transactions involving highly regulated, public-facing assets

Bayonne Water & Wastewater Concession Exemplifies KKR's Stakeholder Engagement Approach

Bayonne Water & Wastewater Concession

- KKR's stakeholder relations expertise played a fundamental role in our acquisition of a 40-year water and wastewater concession from the City of Bayonne, New Jersey
- We believe the transaction is one of only two long-term concessions to a private entity of a municipal water utility asset in the U.S.
- The investment is the result of months of collaboration with City officials to create a flexible model that addresses the needs of all stakeholders
- KKR's Infrastructure and Global Public Affairs teams created a concession model that balanced economic and stakeholder considerations to create a sustainable long-term solution for the City
- The Global Public Affairs Team played a critical role in managing key regulatory and stakeholder relationships as we engaged with various regulatory, municipal and state bodies

KKR has developed a network of global high quality external advisors to enhance our management of critical issues

Labor & Human Rights



- Partnership with Gephardt Group to manage complex labor union relationships (U.S. specific)
- Responsible Sourcing Initiative for Asia-based supply chains (partnership with BSR)

Environment



- KKR Green Portfolio Program approach to improving operations and the environment simultaneously
- Partnership with Environmental Defense Fund

Engagement & Transparency









- Signatory of the UN-backed Principles for Responsible Investment since 2009
- Committed to communicating environmental, human rights efforts publicly in annual ESG reports

Note: The Environmental Defense Fund ("EDF") accepts no funding from its corporate partners.

4 Active Stakeholder Management: Commitment to Responsible Investing

KKR's investment behind environmental, social, and governance (ESG) themes helps to differentiate the firm as a trusted and thoughtful partner. Our ESG approach also helps us to create additional value and better engage with stakeholders during our investment in a company. We work with communities, policymakers, investors, NGOs, and others to understand the key issues for our investments and the best approaches to managing them

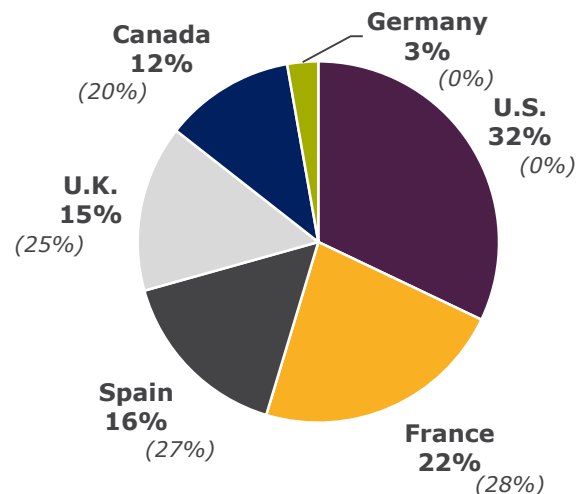
| Portfolio Company | Sector | Solution |
|---|--------------------|--|
|  Colonial Pipeline | Midstream | Enlists best in class safety practices along energy pipeline supplying the Eastern U.S. |
|  SORGENIA FRANCE | Renewables | Provides wind power in France via 16 wind farms |
|  t.solar | Renewables | Provides solar energy in Spain and Italy via 42 solar photovoltaic plants |
| SunTap Energy I | Renewables | Provides solar energy to the Sacramento Municipal Utility District; partnership with Google and Recurrent Energy |
|  Coriance | District Heating | Addresses changing energy needs in France through its innovative operations in biomass, geo-thermal sources, and waste-to-energy plants |
| Bayonne Water & Wastewater Concession | Water & Wastewater | Improves system efficiency and addresses water infrastructure needs for the City of Bayonne, New Jersey; joint venture with United Water |
| SSM Solar | Renewables | Provides power to more than 7,000 households via photovoltaic facilities in Canada |
|  South Staffordshire Plc | Water & Wastewater | Serves a population of more than 1.6 million people via two regulated water concessions |
| SunTap Energy II | Renewables | Provides solar energy in southern California and Arizona; partnership with Google and Recurrent Energy |
|  acciona Energia International | Renewables | One of the largest global operating renewable energy portfolios comprising of ~2.3 GW of installed capacity |

Note: The above portfolio companies represent all KKR Global Infrastructure Strategy investments where ESG themes were a key factor in the investment. The portfolio companies identified are not representative of all investments made by KKR Funds, and it should not be assumed that the investment in the companies identified were or will be profitable.

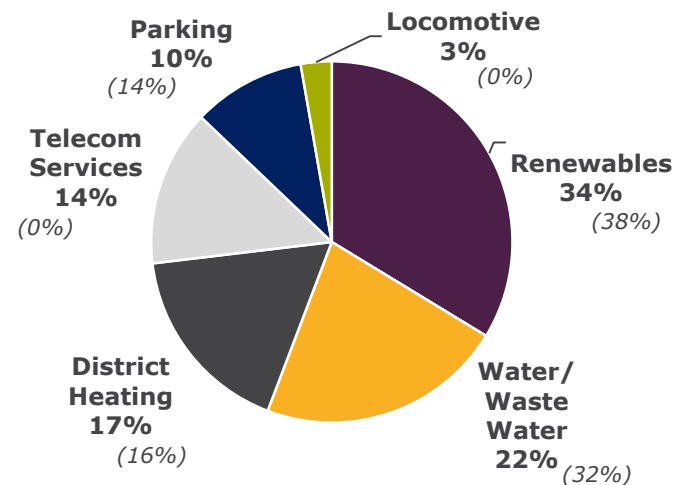
5 Portfolio Diversification of Fund I – by Capital Invested

As of 6/30/14; figures in parentheses as of 6/30/13

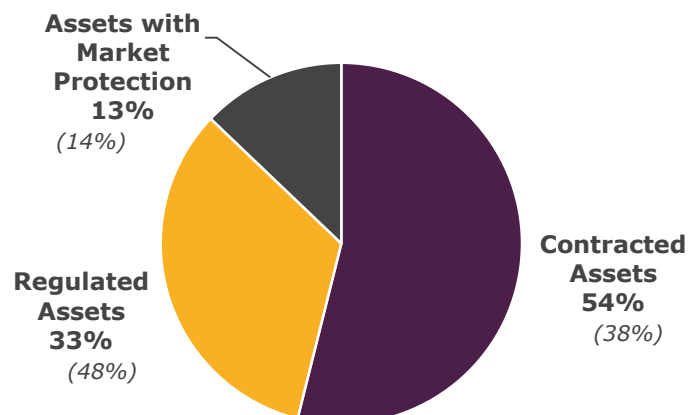
Geographic Exposure



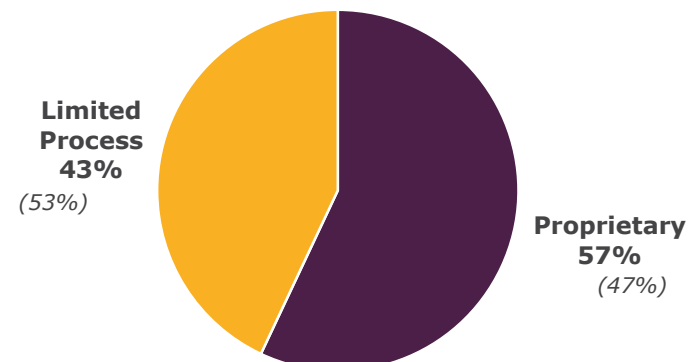
Sector Exposure



Asset Type Exposure



Strong Sourcing Platform



Note: The above charts reflect all Fund I investments made through June 30, 2014 (and excludes Colonial Pipeline). Percentages are based off capital invested as of June 30, 2014. Portfolio diversification of the Fund may differ from the above charts.

KKR Value Add Summary

| Investment | Date | Capital Invested (\$mm) | Contracted/Regulated | Sourced on a Proprietary Basis | Distinctive Structuring/Execution | Operational/Stakeholder Value Add | Leverage of Other KKR Investment Teams |
|---|----------|-------------------------|----------------------|--------------------------------|-----------------------------------|-----------------------------------|--|
|  Colonial Pipeline | 10/08/10 | \$1,104.5 | ✓ | | | ✓ | ✓ |
|  SORGENIA FRANCE | 09/02/11 | \$41.1 | ✓ | ✓ | ✓ | ✓ | |
|  t.solar | 10/04/11 | 46.2 | ✓ | ✓ | ✓ | | |
|  saba | 12/05/11 | 79.0 | | ✓ | | ✓ | |
| SunTap Energy I | 12/28/11 | 28.5 | ✓ | | ✓ | ✓ | ✓ |
|  Coriance | 09/24/12 | 135.6 | ✓ | | ✓ | ✓ | |
| Bayonne Water & Wastewater Concession | 11/09/12 | 56.0 | ✓ | | ✓ | ✓ | |
| SSM Solar | 12/26/12 | 91.2 | ✓ | ✓ | | | |
|  South Staffordshire Plc | 07/25/13 | 116.7 | ✓ | | ✓ | ✓ | ✓ |
| ASSOCIATED PARTNERS, LP | 10/16/13 | 109.7 | ✓ | ✓ | ✓ | | ✓ |
| SunTap Energy II | 1/14/14 | 56.7 | ✓ | ✓ | ✓ | | ✓ |
|  EIL EUROPEAN LOCOMOTIVE LEASING | 4/22/14 | 21.6 | | ✓ | ✓ | ✓ | |
|  acciona Energia International | 6/24/14 | -- | ✓ | | ✓ | ✓ | ✓ |

Note: The above tables reflects investments made within the KKR Global Infrastructure Strategy through June 30, 2014.

III. Experienced and Well Resourced Infrastructure Team

Market Leading and Well Resourced Infrastructure Team

| Senior Infrastructure Team | | | | | | |
|---|---|--|---|--|--|---|
| Raj Agrawal Head of North American Infrastructure Menlo Park Joined in 2006 | | | Marc Lipschultz Global Head of Energy and Infrastructure New York Joined in 1995 | | Jesús Olmos Head of European Infrastructure London/Madrid Joined in 2009 | |
| Ravi Gupta Director New York Joined in 2005 | Brandon Freiman Director Calgary Joined in 2007 | Cedric Lucas Principal Menlo Park Joined in 2014 | Tony Schultz Managing Director Sydney Joined in 2014 | Ram Kumar Director London Joined in 2009 | Vincent Policard Director London Joined in 2012 | Guido Mitrani Principal London Joined in 2010 |

| Additional junior Infrastructure team resources as well as additional significant dedicated Infrastructure experience that spans across private equity, operations, and consulting/advisory sectors | | | | | | |
|--|--|---|--|---|---|---|
| KKR Capstone | KKR Senior Advisors | KKR Public Affairs | KKR Global Institute | KKR Global Macro & Asset Allocation | KKR Capital Markets ⁽¹⁾ | KKR Client & Partner Group |
| <ul style="list-style-type: none"> Global team of ~50 executives Drive trajectory-changing results at portfolio companies Operations management and consulting background | <ul style="list-style-type: none"> Leigh Clifford, Chairman of Qantas Airways and former CEO of Rio Tinto Lewis Eisenberg, former Chairman of the Port Authority of NY and NJ Clint Johnstone, Jr., former CFO of Bechtel Group Sir Roger Carr, Chairman of Centrica | <ul style="list-style-type: none"> Global team of ~10 executives Incorporate relevant environmental, social, governance (ESG) and regulatory considerations into our business processes | <ul style="list-style-type: none"> Chaired by General (Ret.) David Petraeus Provides analysis of geopolitical, technological, demographic, and macroeconomic developments that inform global investing | <ul style="list-style-type: none"> Works in partnership with investment teams Firm-wide and KKR portfolio companies to assist in better decision-making and enhanced performance regarding current and potential investments | <ul style="list-style-type: none"> Global team of over 40 executives Add value by providing insight and direct access to financing sources that helps improve the capital structures of KKR portfolio companies | <ul style="list-style-type: none"> Global team of over 70 executives Chiefly responsible for developing, structuring and maintaining collaborative partnerships with our limited partners |

(1) Participation of KKR Capital Markets personnel in Fund II's investment activities is subject to applicable law and inside information barrier policies and procedures, which may limit the involvement of such personnel in certain circumstances and the ability of Fund II's investment team to leverage such integration with KKR. Discussions with Senior Advisors and employees of KKR's managed portfolio companies are also subject to inside information barrier policies and procedures, which may restrict or limit discussions and/or collaborations with the Infrastructure Team.

IV. Conclusion

Conclusion — Why KKR?

1. Disciplined Investment Selection

2. Distinctive Sourcing and Structuring Complemented by Deep Operational Engagement and Active Stakeholder Management

3. Talented and Experienced Global Infrastructure Team

4. KKR's Global Resources and Capabilities

We Believe Fund II is an Attractive Investment Opportunity

Appendix – Senior Infrastructure Team Biographies

Senior Infrastructure Team Biographies



Marc S. Lipschultz, Member and Global Head of Energy and Infrastructure

Marc Lipschultz (New York) joined KKR in 1995 and is the Global Head of KKR's Energy and Infrastructure business. Mr. Lipschultz currently serves as a member of KKR's Infrastructure Investment Committee and the Energy Investment Committee. Prior to joining KKR, Mr. Lipschultz was with Goldman, Sachs & Co., where he was involved in a broad array of mergers and acquisitions as well as the firm's principal investment activities. He received an A.B. with honors and distinction, Phi Beta Kappa, from Stanford University and an M.B.A. with high distinction, Baker Scholar, from Harvard Business School. Mr. Lipschultz is actively involved in a variety of non-profit organizations, serving as a trustee or board member of the American Enterprise Institute for Public Policy Research, Bard College, Center for Curatorial Studies, Michael J. Fox Foundation, Mount Sinai Medical Center, Riverdale Country School and 92nd Street Y.



Raj K. Agrawal, Member and Head of North American Infrastructure

Raj Agrawal (Menlo Park) joined KKR in 2006 and is the North American head of KKR's Infrastructure business. Mr. Agrawal currently serves as a member of KKR's Infrastructure Investment Committee and the Energy Investment Committee. He is a member of the boards of directors of the Colonial Pipeline Company, Bayonne Water joint venture and Torq Energy logistics. Prior to joining KKR, he was a Vice President with Warburg Pincus, where he was involved in the execution and oversight of a number of investments in the energy and infrastructure sector. Mr. Agrawal's prior experience also includes Thayer Capital Partners, where he played a role in the Firm's business and manufacturing services investments, and McKinsey & Company, where he provided strategic merger and acquisition counsel to clients in a variety of industries. He holds a B.A. with honors and distinction, Phi Beta Kappa, from Stanford University and an M.B.A., Arjay Miller Scholar, from the Stanford University Graduate School of Business.



Jesús Olmos Clavijo, Member and Head of European Infrastructure

Jesús Olmos Clavijo (London/Madrid) joined KKR in 2009 and is the European head of KKR's Infrastructure business. Mr. Olmos currently serves as a member of KKR's Infrastructure Investment Committee. Prior to joining KKR, Mr. Olmos was a Member of the Executive Board at Endesa, S.A., Spain's leading electric utility and largest private electric utility in Latin America, where he reported to the Chairman and CEO, and was a Managing Director for Corporate Development. Previously, Mr. Olmos was also CEO of Endesa Europa and Endesa Italia. During his time at Endesa, Mr. Olmos led the expansion of Endesa into Europe and in particular its investment of approximately €1.45 billion of equity in infrastructure assets in Portugal, Italy, France, Greece, Ireland, Poland, Turkey and the Netherlands, and the increase of the EBITDA of its European operations from €295 million in 2002 to €1.157 billion in 2008. He subsequently led the exit of Endesa Europe, which was sold in June 2008 for a total enterprise value of over €11 billion (including approximately €7.5 billion of equity) representing value creation of more than €6 billion in seven years. He holds a degree in Industrial Engineering from the Escuela Técnica Superior de Ingenieros Industriales and an M.B.A. from Instituto de Empresa, as well as a degree in Executive Management from IESE.

Senior Infrastructure Team Biographies (continued)



Tony Schultz, Managing Director

Tony Schultz (Sydney) joined KKR in 2014 and is a member of the Energy and Infrastructure team. Mr. Schultz has held roles in engineering, project management, project and structured finance, mergers and acquisitions and funds management in Australia and the U.S. with firms such as EIG Global Energy Partners, Westpac Banking Corporation, Halliburton and Duke Energy. Mr. Schultz was formerly a Managing Director and member of the executive committee at EIG and the Co-Head of Principal Transactions at Westpac. Mr. Schultz holds an MBA from the University of Adelaide and a Bachelor of Building with first class honours from the University of South Australia.



Brandon A. Freiman, Director

Brandon A. Freiman (Calgary) joined KKR in 2007 and is a member of the Energy & Infrastructure team. He currently sits on the boards of Energy Future Holdings, Accelerated Oil Technologies, Fortune Creek Midstream, Westbrick Energy and Bayonne Water JV. During his time at the Firm, he has also been involved in the Firm's investment in El Paso Midstream Investment Company, and has had portfolio company responsibilities for Rockwood Holdings. Prior to joining KKR, he was with Credit Suisse Securities in its energy investment banking group, where he was involved in a number of merger, acquisition, and other corporate advisory transactions. He holds a Bachelor of Commerce, with a Joint Honors in Economics and Finance, from McGill University. Mr. Freiman also sits on the board of directors of the Achievement First Apollo Elementary School.



Ravi Gupta, Director

Ravi Gupta (New York) joined KKR in 2005 and is a member of the Energy & Infrastructure team. He has been actively involved in a number of investments including SunTap Energy I, SSM Solar, Associated Partners, and SunTap Energy II. He is a member of the board of directors at Associated Partners and an officer at SunTap Energy I, SunTap Energy II, and SSM Solar. Earlier in his career, Mr. Gupta was with KKR Capstone. Prior to joining KKR, he was with McKinsey & Company where he provided strategic merger and acquisition advice to companies across a variety of industries. He holds a B.S. in Economics from Duke University.

Senior Infrastructure Team Biographies (continued)



Ram Kumar, Director

Ram Kumar (London) joined KKR in 2009 and is a member of the Energy & Infrastructure team. He has been actively involved in a number of investments including Sorgenia France Production, T-Solar Global Operating Assets, Saba Infraestructuras, Coriance Groupe and South Staffordshire. Prior to joining KKR, he worked at Goldman Sachs for close to seven years across mergers & acquisitions, leveraged/structured finance and infrastructure investments. Mr. Kumar is currently on the board of directors of Sorgenia France Production and South Staffordshire. He holds B.E. (Mechanical) and M.Sc. (Economics) degrees from BITS, Pilani (India), and an M.B.A. from the Indian Institute of Management, Ahmedabad (India).



Vincent Policard, Director

Vincent Policard (London) joined KKR in 2012 and is a member of the Energy & Infrastructure team. Prior to joining KKR, Mr. Policard spent over a decade at Morgan Stanley in the Frankfurt and London offices. Most recently, Mr. Policard spent three years as an Executive Director in the Morgan Stanley's infrastructure fund team (MSI). In this role, he was responsible for originating and executing transactions in the European infrastructure sector, most notably playing a leading role in MSI's investments in Madrilena Red de Gas, the Spanish gas distributor, and Eversholt Rail Group, the UK rolling stock leasing company. Previously, Mr. Policard spent three years at BNP Paribas in their investment banking division in Frankfurt. Mr. Policard holds an M.B.A. from HEC Paris, a Masters in Political Science from Sciences Po Paris and a Masters of Law from Assas University (Paris).



Guido Mitrani, Principal

Guido Mitrani (London) joined KKR in 2010 and is a member of the Energy & Infrastructure team. Mr. Mitrani has been actively involved in a number of investments including Sorgenia France Production, T-Solar Global Operating Assets, Saba Infraestructuras and South Staffordshire. Prior to joining KKR, Mr. Mitrani was an Associate at Goldman Sachs where he was involved in a broad range of mergers, acquisitions, and financings across various industries based in London, New York and Buenos Aires. He holds a B.A., magna cum laude, in Business Administration, from Universidad de San Andres in Buenos Aires, Argentina.

Senior Infrastructure Team Biographies (continued)



Cedric Lucas, Principal

Cedric Lucas (Menlo Park) joined KKR in 2014 and is a member of the Energy & Infrastructure team. Prior to joining KKR, Mr. Lucas was a Senior Vice President with Macquarie Infrastructure and Real Assets in New York. At Macquarie Infrastructure, he was responsible for sourcing, executing and overseeing investments in energy and utilities and served as a member of the board of directors of Aquarion Water Company and Leaf River Energy Center. Previously, Mr. Lucas was with Morgan Stanley in their Global Energy investment banking division in Houston. Prior to Morgan Stanley, Mr. Lucas worked for Locus Technologies in the San Francisco Bay Area where he managed civil and environmental engineering projects for U.S. and European clients. Mr. Lucas holds an M.B.A. with high distinction, Baker Scholar, from Harvard Business School, a Masters in Civil and Environmental Engineering from Stanford University, a Masters in Engineering from Ecole Centrale Paris and is a registered Professional Engineer in California.