

**CITY OF POMPANO BEACH  
GENERAL EMPLOYEES' RETIREMENT SYSTEM  
INVESTMENT PERFORMANCE ANALYSIS  
FOURTH QUARTER 2008  
MEETING DATE: FEBRUARY 12, 2009**

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**CITY OF POMPANO BEACH  
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

**INVESTMENT PERFORMANCE ANALYSIS**

**DECEMBER 31, 2008**

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## Executive Summary

# CITY OF POMPANO BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

Quarter Ending December 31, 2008

### I. MARKET ENVIRONMENT

Index	Fourth Quarter	1 Year	3 Year
Standard & Poor's 500 Index	-21.9%	-37.0%	-8.3%
MSCI EAFE Index (Net)	-20.0%	-43.4%	-7.4%
NCREIF Index	-8.3%	-6.5%	8.1%
CSFB Hedge Index	-10.2%	-19.1%	1.2%
Barclays U.S. Aggregate	4.6%	5.2%	5.5%
91 Day Treasury Bills	0.2%	2.0%	4.0%
Consumer Price Index	-3.9%	0.1%	2.2%

The fourth quarter of 2008 capped off a year of significant, historic milestones, mostly bad. US Real GDP shrank at an annual rate of -0.3% in the fourth quarter; this marked the second quarter of economic contraction in the last twelve-month period. The US unemployment rate rose to 6.7% by year-end as the economy gave up more jobs as the recession worsened. Commodities prices plummeted worldwide as the global slowdown slashed demand; crude oil futures closed the year at \$44.60, a loss of -55.7% for the quarter and -53.5% for the year. Consumer prices, as measured by the Consumer Price Index (All Urban Consumers), fell -3.9% in the fourth quarter.

**Equities:** The tale of the tape was indeed grim for fourth quarter 2008. The S&P 500 index's -21.9% return underscored the lack of safe havens for stock investors. In a typical pattern for severe market downturns, large cap company stocks outperformed smaller company issues, especially in the more illiquid microcap segment (DJW Large Cap, -22.2%; DJW Small Cap, -27.0%; DJW Microcap, -30.5%). Despite the continued turmoil in financial company stocks, value-oriented stocks also outperformed growth-oriented issues (DJW Large Value, -21.2%; DJW Large Growth, -23.2%; DJW Small Value, -25.5%; DJW Small Growth, -28.6%). Turning to economic sectors of the S&P 500, the quarter was broadly dismal with one exception; although all sectors saw negative performance, the Telecomm Services sector lost a relatively small -1.3%. Utilities were a distant second-"best" performer at -10.9%. The worst-performing sector, unsurprisingly, was Financials at -36.9%.

**Fixed Income:** US Treasury bond yields took precipitous tumbles over the fourth quarter, benefiting investors holding highest-quality fixed income; low-quality corporate paper, on the other hand, saw spreads widen - in the case of low-grade high-yield debt, historically-high spreads. Looking at the US Treasury yield curve in detail, two-year yields dropped 1.3% over the quarter to an almost-unprecedented 0.6%; thirty-year yields fell even further, sinking 1.7% to 2.6%. Long-term Treasuries, unsurprisingly, sprinted well ahead of shorter-term Treasury issuance (Barclays Capital 1-3 Year Treasury, 2.8%; Barclays Long Treasury, 18.7%).

**Alternatives:** Indiscriminant selling across financial assets caused most alternative strategies to also post deep declines. Many strategies with sound fundamentals also saw losses due to a dramatic move in the US dollar. The hedge fund community was rocked by a series of scandals, highlighted by the \$50B Bernard Madoff ponzi scheme. Fraud in this area has put many investment consultants' diligence procedures under scrutiny. The hedge fund industry now faces increased regulation and significant consolidation.



## II. Live Universe Comparisons and Reporting

### Wilshire Public Plan Sponsor Universe



Number of Plans	208
Median Size	\$109.1 Million
Total Assets	\$529.9 Billion
Total Plans over \$1 Billion	35
Total Plans between \$100 - \$1,000 Million	71
Total Plans between \$20 Million - \$100 Million	74
Total Plans under \$20 Million	28

### About Wilshire Associates

The Wilshire Cooperative is collaboration between Wilshire Associates and more than 60 independent investment consulting firms. Wilshire provides advanced performance measurement and attribution reporting systems to participating firms while Cooperative members provide asset and performance data for their sponsor clients. These are then pooled into peer groups for comparative purposes. Today, the Wilshire Cooperative is the standard utilized by over 1900 plan sponsors with assets over \$875 billion dollars.

### Our Universe Comparisons

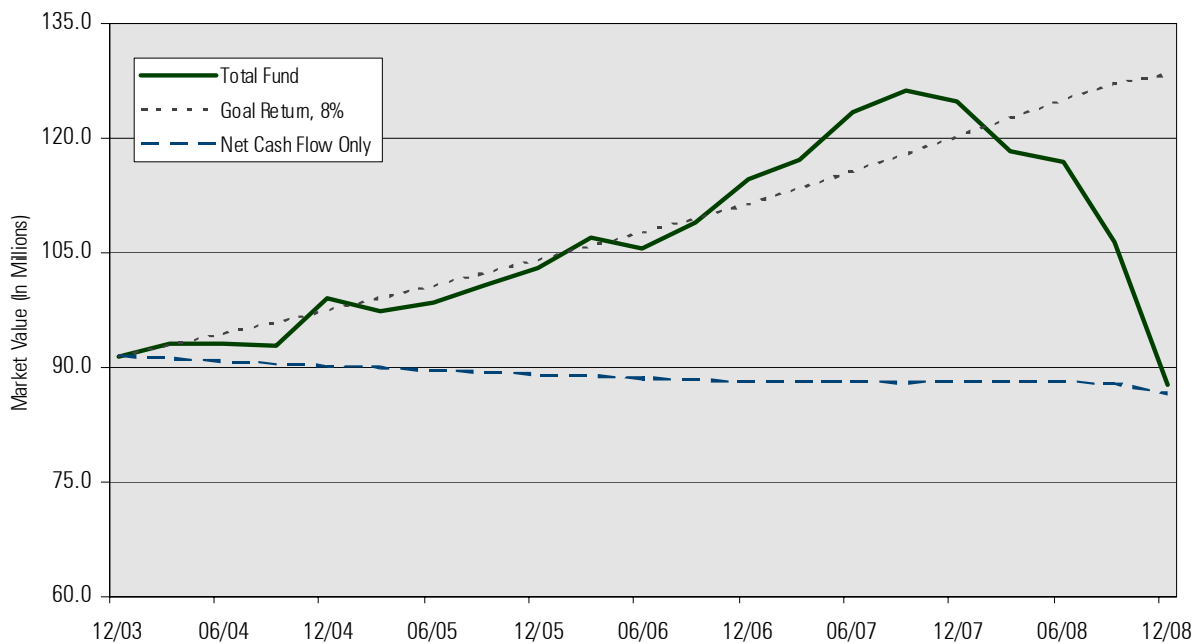
As a Wilshire affiliate, we are granted access to large and diverse peer comparisons, including total fund, portfolio-level, and style-based universes. The Wilshire Public Fund Universe (above) includes the actual, live results of over 200 public pension systems across the country. These are real public funds who face similar investment restrictions and guidelines to your own. These peer-to-peer performance comparisons are critical to the evaluation process.

### Our Reporting

Unique to Southeastern Advisory Services is our customized reporting platform. We have the ability to accurately calculate performance against virtually any benchmark, comparison or metric. These industry-leading tools include sophisticated attribution analyses and holdings-based style and characteristic analysis. Our goal is to deliver a clear, easily-understood picture of performance that fairly assesses the effectiveness of your investment policy, strategy and managers. Each performance report is fully-customized based on your input. We welcome your requests and suggestions.



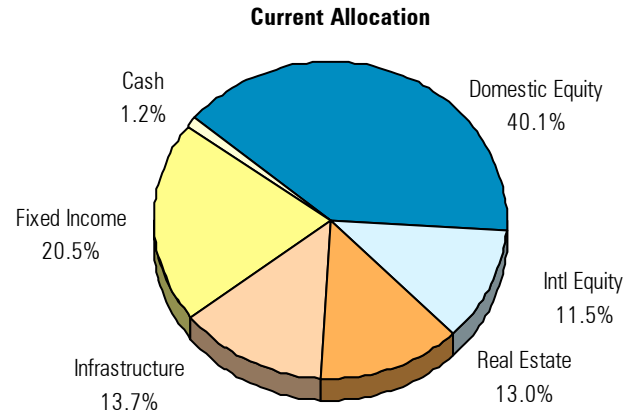
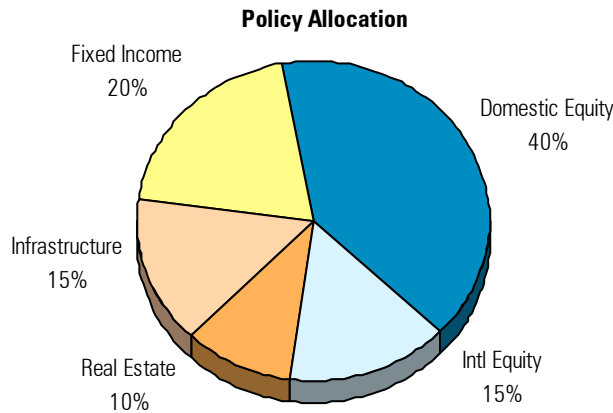
**III. PORTFOLIO GROWTH- PERIOD ENDED DECEMBER 31, 2008**



Period Ending	Beginning Value \$(000)	Net Cash Flow	Net Gain/Loss	Ending Value \$(000)	Quarterly Return	Fiscal Yr Return
Mar-04	91,348	-317	2,083	93,115	2.3%	
Jun-04	93,115	-316	277	93,076	0.3%	
Sep-04	93,076	-338	-59	92,679	-0.1%	9.3%
Dec-04	92,679	-273	6,453	98,860	7.0%	
Mar-05	98,860	-237	-1,377	97,246	-1.4%	
Jun-05	97,246	-385	1,431	98,291	1.5%	
Sep-05	98,291	-228	2,526	100,589	2.6%	9.8%
Dec-05	100,589	-254	2,428	102,763	2.4%	
Mar-06	102,763	-213	4,248	106,798	4.1%	
Jun-06	106,798	-319	-965	105,513	-0.9%	
Sep-06	105,513	-222	3,590	108,882	3.4%	9.3%
Dec-06	108,882	-288	5,811	114,405	5.3%	
Mar-07	114,405	-2	2,669	117,072	2.3%	
Jun-07	117,072	-39	6,351	123,385	5.4%	
Sep-07	123,385	-32	2,874	126,227	2.4%	16.3%
Dec-07	126,227	104	-1,534	124,797	-1.2%	
Mar-08	124,797	1	-6,647	118,150	-5.3%	
Jun-08	118,150	-12	-1,468	116,671	-1.2%	
Sep-08	116,671	-210	-10,276	106,185	-8.8%	-15.8%
Dec-08	106,185	-1,328	-17,143	87,713	-16.3%	-16.3%
<b>Total</b>	<b>91,348</b>	<b>-4,908</b>	<b>1,273</b>	<b>87,713</b>	<b>0.9%</b>	
<b>Absolute Return Objective:</b>						<b>8.0%</b>

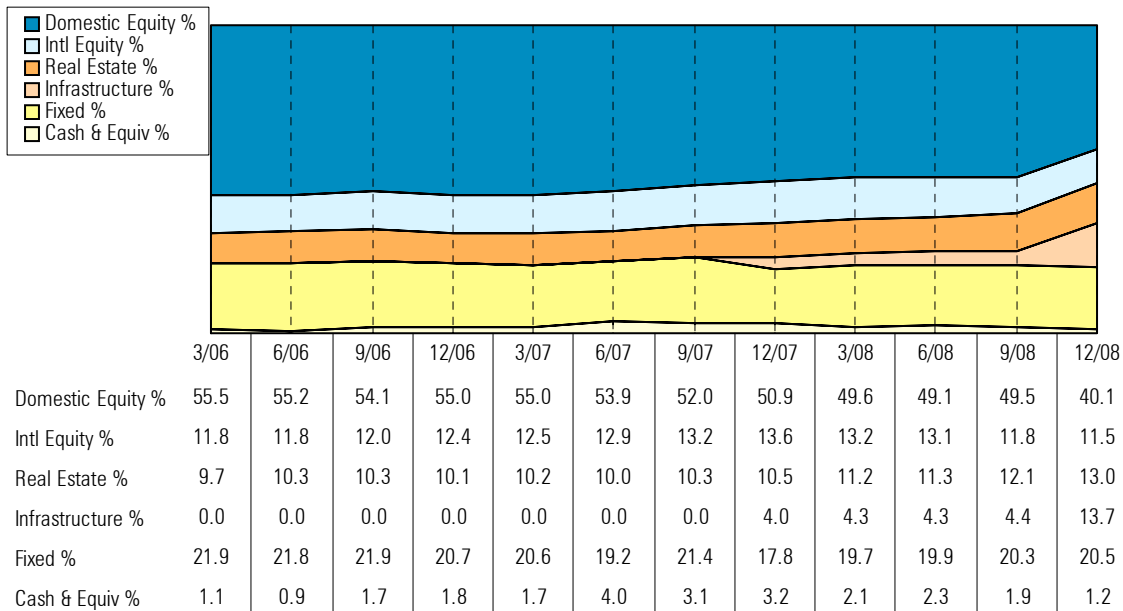


#### IV. ALLOCATION OF ASSETS



Asset Class	Target Range	Quarter End Allocation	Median Public Plan
Domestic Equity Securities	35%-65%	40.1%	39.1%
Intl Equity Securities	10%-25%	11.5%	10.2%
Real Estate	5%-15%	13.0%	2.0%
Fixed Income Securities	15%-30%	20.5%	37.2%
Infrastructure	10%-20%	13.7%	0.0%
Cash Equivalents	N/A	1.2%	11.5%

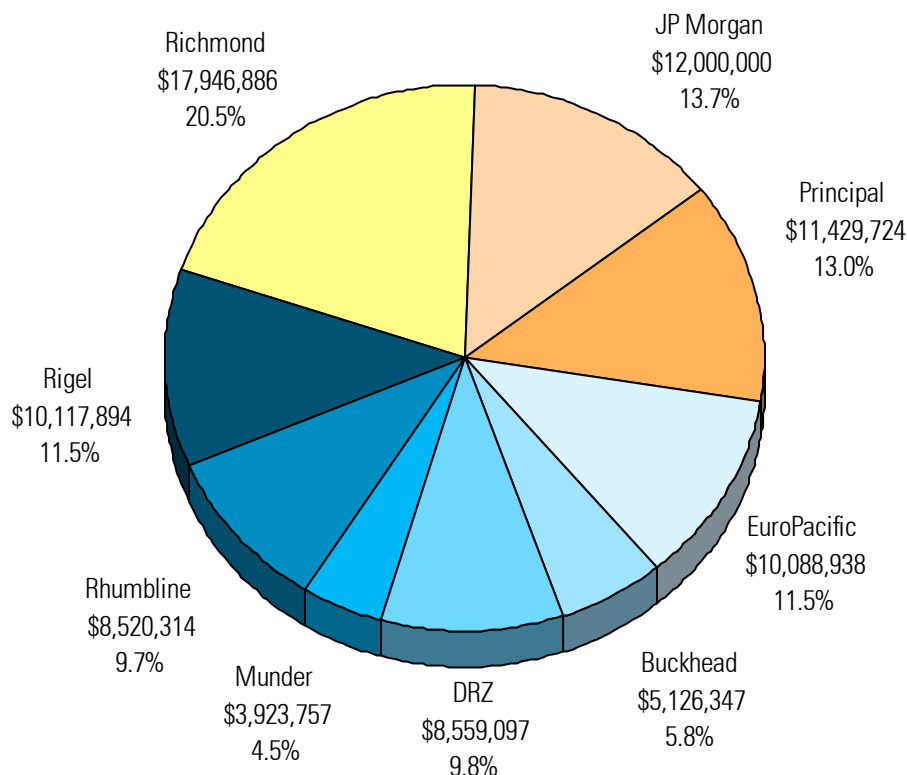
#### Historical Asset Allocation



Manager	Dom. Equity	Intl Equity	Real Estate	Infrastructure	Fixed Inc	Cash
DePrince, Race, and Zollo	97.6%	0.0%	0.0%	0.0%	0.0%	2.4%
Rhumblin	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Rigel Capital	94.6%	0.0%	0.0%	0.0%	0.0%	5.4%
Munder Capital	97.4%	0.0%	0.0%	0.0%	0.0%	2.6%
Buckhead Capital	96.5%	0.0%	0.0%	0.0%	0.0%	3.5%
EuroPacific Growth	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%
Principal U.S. Property	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
JP Morgan Infrastructure	0.0%	0.0%	0.0%	100.0%	100.0%	0.0%
Richmond Capital	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%
<b>Total Fund</b>	<b>40.1%</b>	<b>11.5%</b>	<b>13.0%</b>	<b>13.7%</b>	<b>20.5%</b>	<b>1.2%</b>



**V. MANAGER ALLOCATION AND CASH FLOWS- Quarter ending December 31, 2008**



Manager	Beginning Value	% Alloc	Cash In	Cash Out	Gain/Loss	Ending Value	% Alloc
DePrince, Race, and Zollo	\$14,612,067	13.8%	\$0	(\$2,000,000)	(\$4,052,970)	\$8,559,097	9.8%
Rhumblin	\$10,939,077	10.3%	\$0	\$0	(\$2,418,763)	\$8,520,314	9.7%
Rigel Capital	\$16,291,855	15.3%	\$0	(\$2,000,000)	(\$4,173,961)	\$10,117,894	11.5%
Munder Capital	\$5,309,535	5.0%	\$0	\$0	(\$1,385,778)	\$3,923,757	4.5%
Buckhead Capital	\$6,916,202	6.5%	\$0	\$0	(\$1,789,855)	\$5,126,347	5.8%
EuroPacific Growth Fund R5	\$12,493,382	11.8%	\$0	\$0	(\$2,404,444)	\$10,088,938	11.5%
Principal U.S. Property	\$12,841,578	12.1%	\$0	\$0	(\$1,411,854)	\$11,429,724	13.0%
PIMCO All Asset	\$4,631,750	4.4%	\$0	(\$4,015,543)	(\$616,207)	\$0	0.0%
JP Morgan Infrastructure	\$0	0.0%	\$12,000,000	\$0	\$0	\$12,000,000	13.7%
Richmond Capital Fixed	\$22,149,139	20.9%	\$0	(\$5,312,702)	\$1,110,449	\$17,946,886	20.5%
<b>Total Fund</b>	<b>\$106,184,585</b>	<b>100%</b>	<b>\$12,000,000</b>	<b>(\$13,328,245)</b>	<b>(\$17,143,383)</b>	<b>\$87,712,957</b>	<b>100%</b>
<i>Receipts &amp; Disbursements Acct.</i>	<i>\$119,130</i>		<i>\$15,019,491</i>	<i>(\$13,861,928)</i>	<i>\$672</i>	<i>\$1,277,365</i>	
<b>Total Fund + R&amp;D Acct.</b>	<b>\$106,303,715</b>		<b>\$27,019,491</b>	<b>(\$27,190,173)</b>	<b>(\$17,142,711)</b>	<b>\$88,990,322</b>	

For this report, all performance and asset allocation information for the Total Fund does not include the Receipts & Disbursements Account. The inception date for the JP Morgan account was November 20, 2008.



## VI. TOTAL FUND PERFORMANCE COMPARISONS

Manager/Index/Universe	Quarter	1 Year	3 Year	5 Year
<b>Total Fund - Gross of Fees</b>	<b>-16.3%</b>	<b>-28.6%</b>	<b>-4.3%</b>	<b>0.2%</b>
<b>Total Fund - Net of Fees</b>	<b>-16.3%</b>	<b>-28.8%</b>	<b>-4.5%</b>	<b>0.1%</b>
Target Index	-12.7%	-22.9%	-2.2%	2.2%
vs. Total Public Fund Sponsors	93	86	81	88
<b>Total Domestic Equities</b>	<b>-26.4%</b>	<b>-40.7%</b>	<b>-10.3%</b>	<b>-3.1%</b>
80% Russell 1000/ 20% Russell 2000	-23.2%	-36.8%	-8.5%	-1.8%
vs. Equity Returns of Public Funds	93	84	79	79
<b>Total International Equities</b>	<b>-19.2%</b>	<b>-40.4%</b>	<b>-4.9%</b>	<b>3.4%</b>
MSCI EAFE Index (Net)	-20.0%	-43.4%	-7.4%	1.7%
vs. Intl Equity Returns of Public Funds	30	20	41	n/a
<b>Total Real Estate</b>	<b>-11.0%</b>	<b>-13.8%</b>	<b>4.4%</b>	<b>n/a</b>
NCREIF	-8.3%	-6.5%	8.1%	n/a
vs. Real Estate Returns of Total Funds	49	55	59	n/a
<b>Total Infrastructure</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
CPI + 4.0%	-2.9%	4.1%	n/a	n/a
<b>Total Fixed Income</b>	<b>6.6%</b>	<b>2.3%</b>	<b>4.4%</b>	<b>3.9%</b>
Barclays U.S. Aggregate	4.6%	5.2%	5.5%	4.7%
vs. Fixed Inc Returns of Public Funds	8	65	68	66

Current Target Index: 30% Russell 1000 /10% Russell 2000/20% Barclays US Aggregate/15% MSCI EAFE (Net)/10% NCREIF/15% CPI+4%. Prior to 4Q08, the Target Index was comprised of 40% Russell 1000 /10% Russell 2000/30% Barclays US Aggregate/10% MSCI EAFE (Net)/10% NCREIF. Prior to September 2007 the Target Index was comprised of 40% Russell 1000/10% Russell 2000/30% ML Govt/Corp Master/10% MSCI EAFE (Net)/10% NCREIF.

## VII. EQUITY MANAGER COMPARISON

Manager/Index/Universe	Quarter	1 Year	3 Year	5 Year
<b>DePrince, Race, and Zollo</b>	<b>-28.1%</b>	<b>-38.9%</b>	<b>-10.4%</b>	<b>-3.0%</b>
Russell 1000 Value	-22.2%	-36.9%	-8.3%	-0.8%
vs. Large Value Equity Portfolios	97	70	85	89
<b>Rhumblin</b>	<b>-22.1%</b>	<b>-37.2%</b>	<b>-8.5%</b>	<b>-1.9%</b>
Russell 1000	-22.5%	-37.6%	-8.7%	-2.0%
vs. Large Neutral Equity Portfolios	59	65	63	43
<b>Rigel Capital</b>	<b>-25.9%</b>	<b>-44.0%</b>	<b>n/a</b>	<b>n/a</b>
Russell 1000 Growth	-22.8%	-38.4%	n/a	n/a
vs. Large Growth Equity Portfolios	80	83	n/a	n/a
<b>Munder Capital</b>	<b>-26.1%</b>	<b>-44.7%</b>	<b>n/a</b>	<b>n/a</b>
Russell MidCap Growth	-27.4%	-44.3%	n/a	n/a
vs. Midcap Growth Equity Portfolios	51	65	n/a	n/a
<b>Buckhead Capital</b>	<b>-25.9%</b>	<b>-26.7%</b>	<b>-7.8%</b>	<b>0.4%</b>
Russell 2000 Value	-24.9%	-28.9%	-7.5%	0.3%
vs. Small Value Equity Portfolios	66	23	47	35





**Equity Portfolio Summary: Total Fund\***

	<b>Portfolio</b>	<b>80% R1000/20% R2000</b>
Total Number Of Securities	248	2,919
Equity Market Value	35,213,346	
Average Capitalization \$(000)	23,730,290	58,242,802
Median Capitalization \$(000)	3,441,518	
Equity Segment Yield	2.7	2.7
Equity Segment P/E - Average	13.7	13.3
Equity Segment P/E - Median	12.7	
Equity Segment Beta	1.1	1.1
Price/Book Ratio	1.5	1.6
Debt/Equity Ratio	42.7	38.6
Five Year Earnings Growth	12.7	14.2

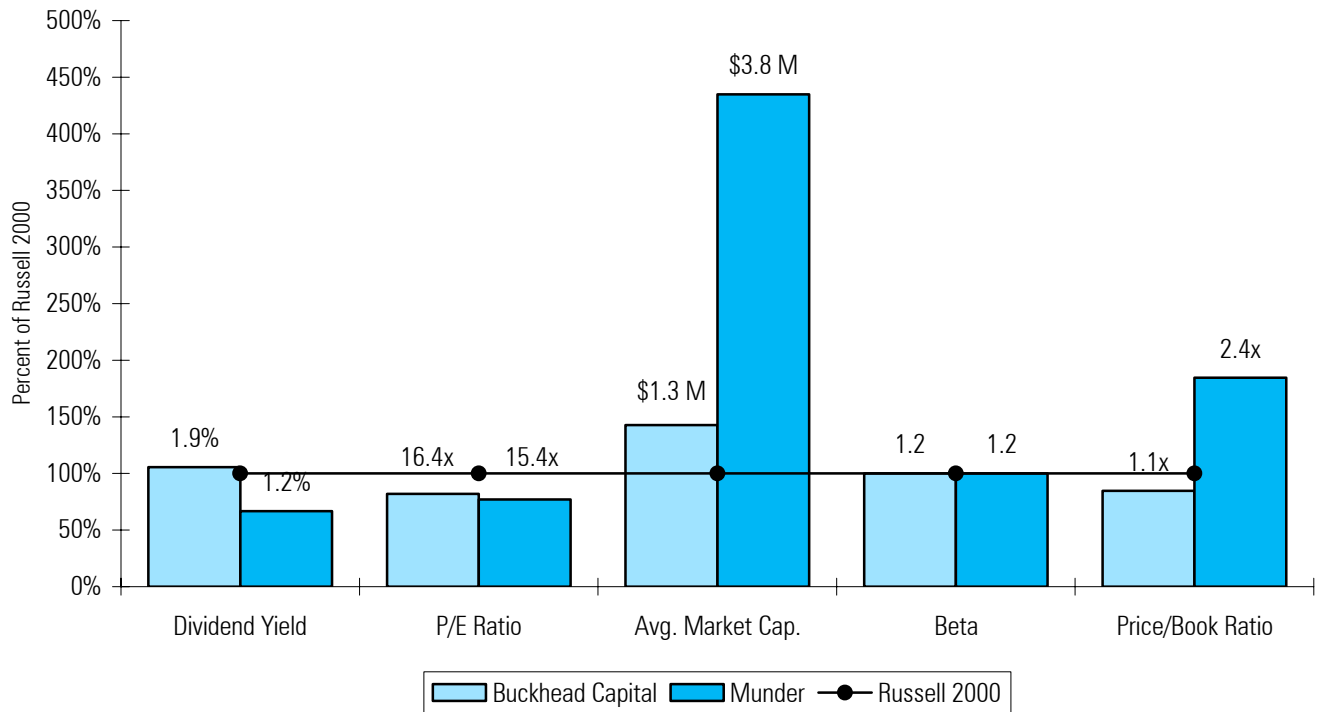
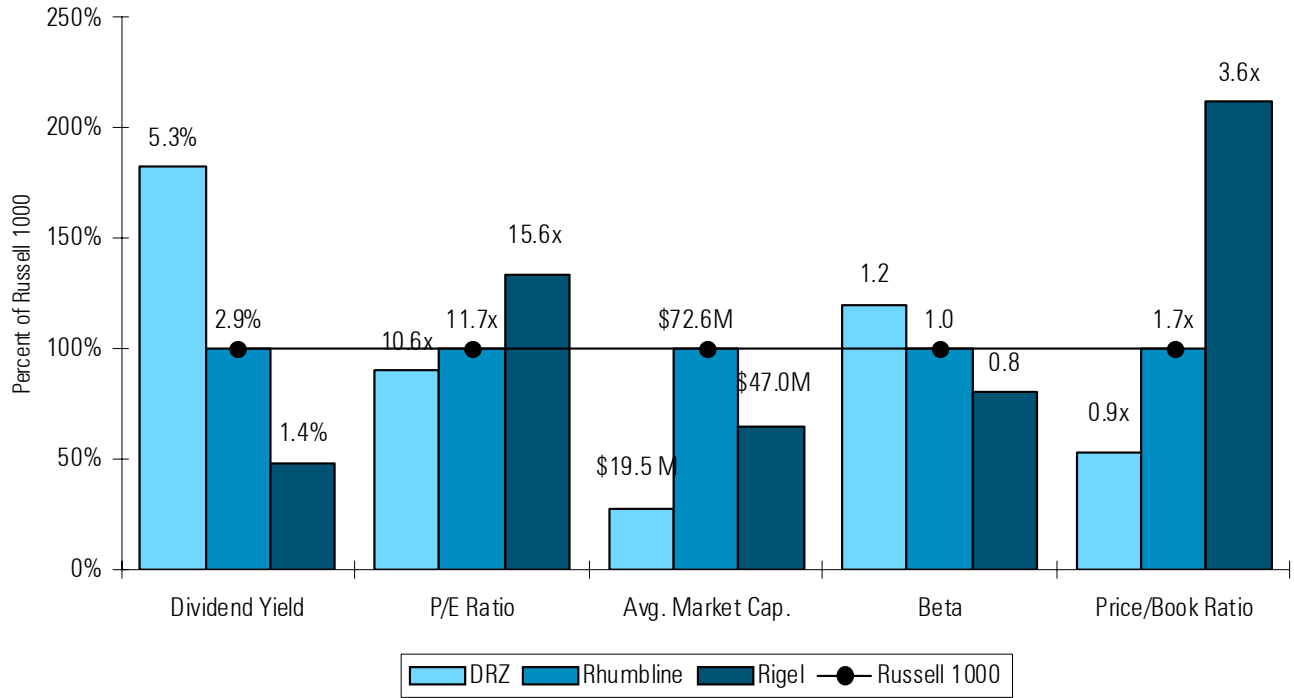
<b>Ten Largest Holdings</b>	<b>Market Value</b>	<b>% of Portfolio</b>	<b>Quarterly Return</b>
Occidental Pete Corp	393,114	1.5%	-14.3%
Intl Business Mch	370,304	1.4%	-27.6%
Wal Mart Stores Inc	367,137	1.4%	-6.0%
Bristol Myers Squibb	349,773	1.3%	14.7%
McDonalds Corp	347,393	1.3%	1.7%
Hewlett Packard Co	319,679	1.2%	-21.3%
C H Robinson Worldwi	308,993	1.2%	8.5%
Celgene Corp	297,738	1.1%	-12.6%
RPM Inc Ohio	294,706	1.1%	-30.4%
Oracle Systems Corp	292,527	1.1%	-12.7%

<b>Ten Best Performers</b>	<b>Quarterly Return</b>	<b>Ten Worst Performers</b>	<b>Quarterly Return</b>
Archer Daniels Midla	32.2%	Xyratex Ltd	-73.5%
Apollo Group Inc	29.2%	Citigroup Inc	-66.9%
Sunoco Inc	23.4%	Casella Waste Sys In	-65.2%
Annaly Mtg Mgmt Inc	21.7%	Greenbrier Cos Inc	-64.4%
First Horizon Natl C	15.0%	Ashland Inc New	-63.8%
O Reilly Automotive	14.8%	Sonic Solutions	-60.0%
Bristol Myers Squibb	14.7%	Interface Flooring	-59.0%
Autozone Inc	13.1%	Bank Amer Corp	-58.9%
Compass Minerals Int	12.6%	Kansas City Southn	-57.1%
Gilead Sciences Inc	12.2%	Central European Dis	-56.6%

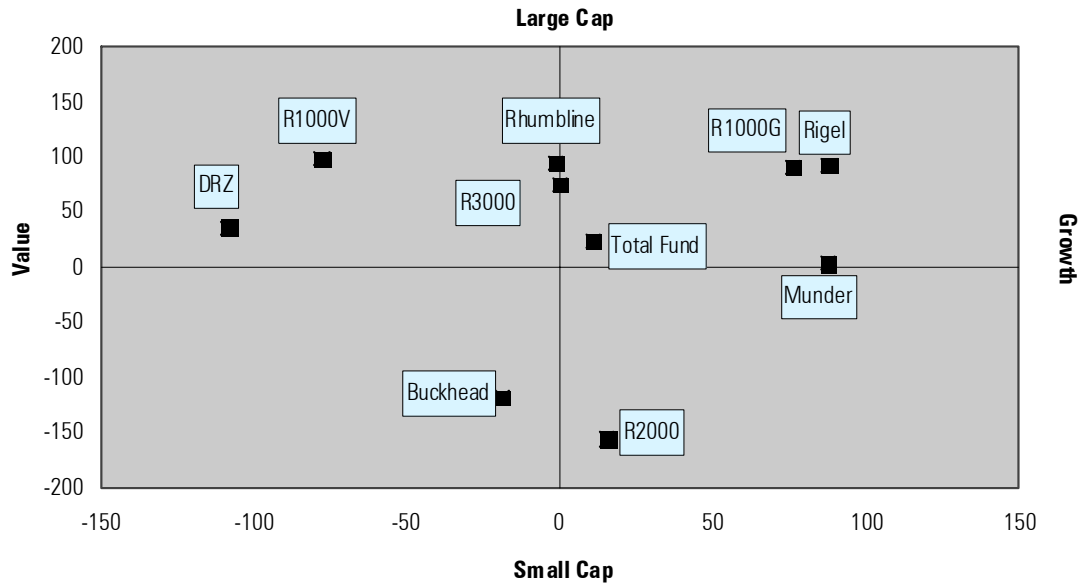
\*Does not include Rhumblin which is held in a commingled fund.



**Equity Portfolio Characteristics**



## Equity Style Map (Current Quarter)



	Growth-Value	Size		Growth-Value	Size
Buckhead Capital	-18.6	-117.9	Total Fund	11.0	23.4
DePrince Race Zollo	-92.7	36.2	Russell 2000	15.6	-156.2
Munder Capital	87.8	3.5	Russell 3000	0.0	75.0
Rhumblin	-1.3	94.4	Russell 1000 Growth	75.8	90.8
Rigel Capital	88.0	92.6	Russell 1000 Value	-77.7	97.9

### VIII. INTERNATIONAL EQUITY PERFORMANCE COMPARISONS

Manager/Index/Universe	Quarter	1 Year	3 Year	5 Year
<b>EuroPacific Growth R5</b>	<b>-19.2%</b>	<b>-40.4%</b>	<b>-4.8%</b>	<b>4.6%</b>
MSCI EAFE (Net)	-20.0%	-43.4%	-7.4%	1.7%
vs. International Equity Mutual Funds	28	16	23	30



# Amer Funds EuroPac R5

**Overall Morningstar Rtg™** ★★★★★  
 570 Foreign Large Blend (MF)  
**Incept** 05-15-02 **Type** MF **Total Assets** \$12,982 mil **Morningstar Cat** Foreign Large Blend (MF)

Performance 12-31-2008					
Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2006	7.62	-0.61	5.05	8.73	22.17
2007	2.99	8.49	5.29	1.35	19.22
2008	-7.88	-2.26	-17.99	-19.25	-40.38
Trailing Returns					
	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Std Monthly	-40.38	—	4.81	—	5.46
Std Quarterly	-40.38	—	4.81	—	5.46
Total Return	-40.38	-4.59	4.81	5.15	5.46
+/- MSCI Eafe	3.00	2.76	3.15	4.35	—
+/- MSCI AC W	5.15	2.39	2.25	—	—
% Rank Cat	11	10	5	5	—
No. in Cat	778	570	452	238	—
7-day Yield	—				

**Performance Disclosure**  
 The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and ten-year (if applicable) Morningstar metrics.  
 The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate thus an investor's shares, when redeemed, may be worth more or less than their original cost.

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-421-0180 or visit [www.americanfunds.com](http://www.americanfunds.com).

## Fees and Expenses

Sales Charges	
Front-End Load %	NA
Deferred Load %	NA
Fund Expenses	
Management Fees %	0.42
12b1 Expense %	NA
Prospectus Gross Exp Ratio %	0.55

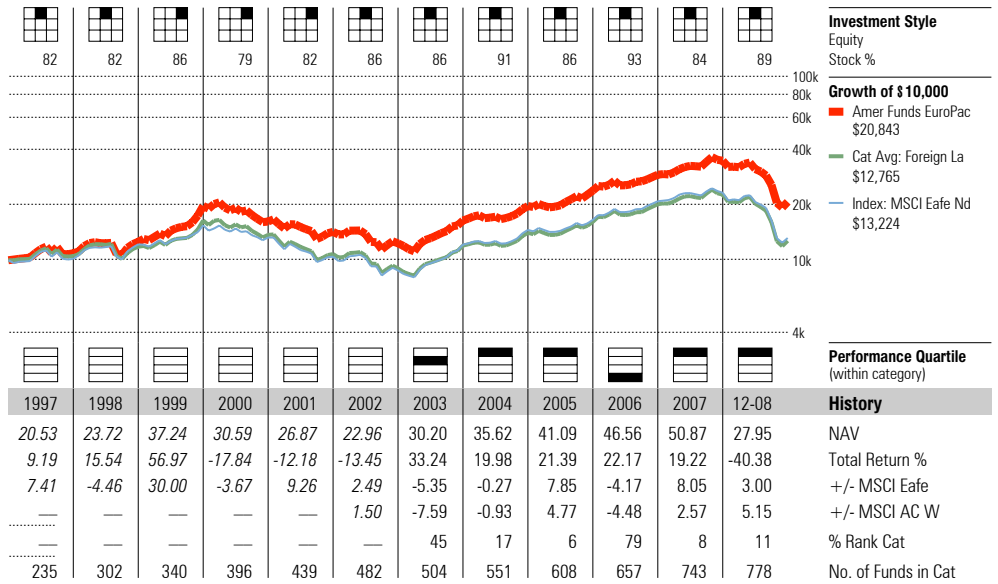
## Risk and Return Profile

	3 Yr	5 Yr	10 Yr
MorningstarRating™	4★	5★	5★
Morningstar Risk	-Avg	-Avg	-Avg
Morningstar Return	+Avg	High	High
	3 Yr	5 Yr	10 Yr
Standard Deviation	19.09	16.22	16.42
Mean	-4.59	4.81	5.15
Sharpe Ratio	-0.34	0.18	0.19
MPT Statistics			
	Standard Index	Best Fit Index	
	MSCI Eafe Ndt	MSCI Wd x USN	
Alpha	2.45	2.20	
Beta	0.96	0.95	
R-Squared	96.00	96.00	

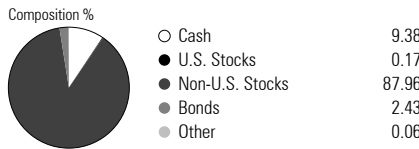
12-Month Yield	
30-day SEC Yield	—
Potential Cap Gains Exp	-28.00% Assets

## Operations

Family:	American Funds	Objective:	Foreign Stock
Manager:	Knowles/Lee/Grace/Bepler/Denning	Ticker:	RERFX
Tenure:	11.5 Years	Minimum Initial Purchase:	\$250



## Portfolio Analysis 09-30-2008



Equity Style	Portfolio Statistics	Port Avg	Rel Index	Rel Cat
Value Blend Growth	P/E Ratio TTM	11.0	2.24	1.16
	P/C Ratio TTM	6.9	1.33	1.10
	P/B Ratio TTM	2.3	1.53	1.21
	Geo Avg Mkt Cap \$mil	30505	1.39	1.28

Fixed-Income Style	Short Int	Long	Avg Eff Duration	Avg Eff Maturity	Avg Credit Quality	Avg Wtd Coupon	Avg Wtd Price
			—	—	—	—	—

Credit Analysis 12-31-2008	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR/NA	—

Regional Exposure	Stocks %	Rel MSCI Eafe
Americas	10.5	—
Greater Europe	65.5	1.00
Greater Asia	24.0	0.70

Share Chg since 12-31-2007	Share Amount	297 Total Stocks	34 Total Fixed-Income	38% Turnover Ratio	% Net Assets
+	18 mil	Roche Holding Ltd			3.18
+	35 mil	Bayer			2.65
+	31 mil	Novo-Nordisk A S			1.98
+	88 mil	Banco Santander			1.64
+	34 mil	Gazprom OAO (EDR)			1.61
+	27 mil	America Mobile ADR			1.58
+	256 mil	Hon Hai Precision Industry			1.37
+	40 mil	AXA			1.36
+	3 mil	Nestle			1.35
+	427 mil	Vodafone Grp			1.19
+	21 mil	Inditex Grp			1.10
+	23 mil	Novartis			1.09
+	11 mil	Brazilian Petroleum Corporati			1.06
+	2 mil	Samsung Electronics			1.03
+	8 mil	Schneider Electric			0.92

Sector Weightings	Stocks %	Rel MSCI Eafe
<b>Information Economy</b>	<b>20.1</b>	<b>1.70</b>
Software	1.5	2.14
Hardware	5.6	2.15
Media	1.1	0.79
Telecommunication	11.9	1.70
<b>Service Economy</b>	<b>35.9</b>	<b>0.86</b>
Healthcare Services	10.6	1.15
Consumer Services	4.7	1.02
Business Services	3.4	0.63
Financial Services	17.2	0.76
<b>Manufacturing Economy</b>	<b>44.0</b>	<b>0.95</b>
Consumer Goods	14.0	1.01
Industrial Goods	18.2	1.09
Energy	6.7	0.75
Utilities	5.1	0.74

**IX. REAL ESTATE PERFORMANCE COMPARISONS**

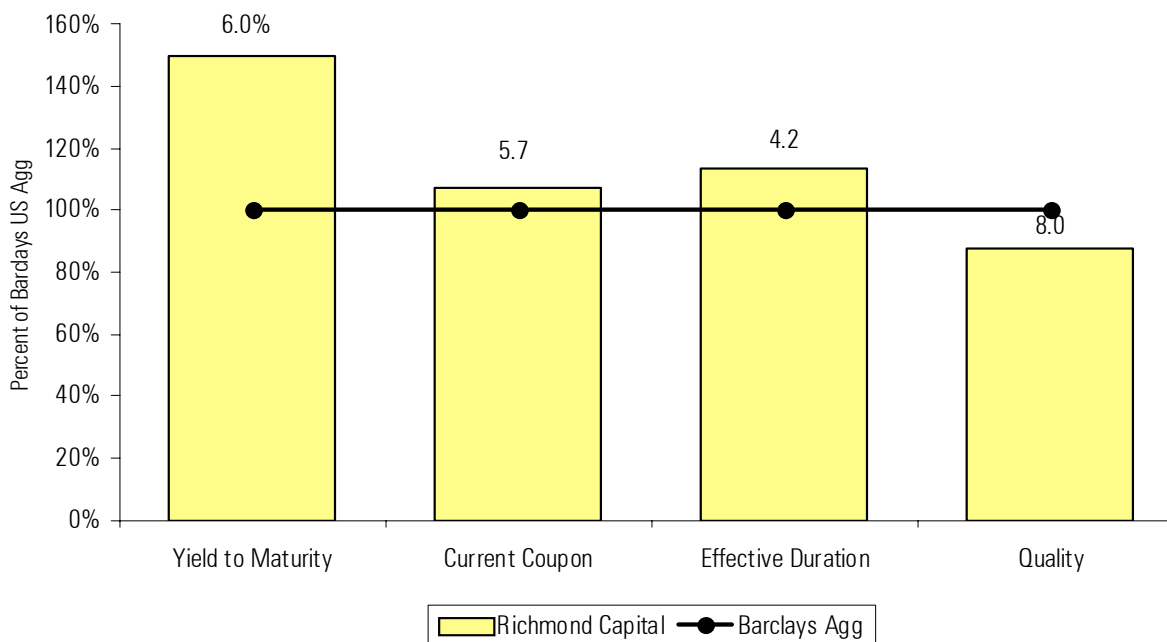
Manager/Index/Universe	Quarter	1 Year	3 Year	5 Year
<b>Principal U.S. Property</b>	<b>-11.0%</b>	<b>-13.1%</b>	<b>4.4%</b>	<b>n/a</b>
NCREIF	-8.3%	-6.5%	8.1%	n/a
vs. Real Estate Portfolios	80	66	63	n/a

**X. FIXED INCOME/ABSOLUTE RETURN PERFORMANCE COMPARISONS**

Manager/Index/Universe	Quarter	1 Year	3 Year	5 Year
<b>Richmond Capital</b>	<b>6.5%</b>	<b>2.2%</b>	<b>4.3%</b>	<b>3.8%</b>
Barclays US Aggregate	4.6%	5.2%	5.5%	4.7%
vs. Core Fixed Income Portfolios	18	68	72	78
<b>JP Morgan Infrastructure</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
CPI + 4.0%	-2.9%	4.1%	n/a	n/a
vs. Intermediate Fixed Income Funds	n/a	n/a	n/a	n/a

The inception date for the JP Morgan Infrastructure account was November 20, 2008.

**Fixed Income Portfolio Characteristics**



## **XI. POLICY COMPLIANCE - For Discussion Only**

### **A. Investment Guidelines: Total Fund**

<b>Goal</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>
Exceed Target Index	x	x	x
Rank Above 50 <sup>th</sup> Percentile in Public Fund Universe	86 <sup>th</sup>	81 <sup>st</sup>	88 <sup>th</sup>
Earn Average Annual Return of 8.0%	x	x	x
Standard Deviation Relative to Target Index	N/A	>	>

<b>Guideline</b>	<b>Total Fund</b>
Equity securities limited to less than 70% of Total Fund market value	51.6%
Investment in foreign company stock limited to 25% of value of Total Fund	11.5%
Investment in real estate limited to 15% of value of Total Fund	13.0%
Equity securities with Market Cap of less than \$5 billion limited to 25% of market value of Total Fund	✓
Fixed Income portfolio average credit quality of "A" or better	✓
Fixed Income portfolio duration should be < 135% of the market index duration	✓
< 5% of fixed income portfolio (at cost) shall be invested in single corp. issuer	✓

### **B. Investment Guidelines: DePrince, Race, and Zollo (DRZ)**

<b>DePrince, Race, and Zollo Goal</b>	<b>3 Years</b>	<b>5 Years</b>
Exceed Russell 1000 Value performance	x	x
Rank Above 50 <sup>th</sup> Percentile in Large Cap Value Portfolio Universe	85 <sup>th</sup>	89 <sup>th</sup>
Standard Deviation Relative to Russell 1000 Value	>	>

<b>Guideline</b>	<b>Total Fund</b>
Equity securities: <5% equity portfolio cost/market value per single issuer	✓
Cash securities may not exceed 25% (at market) of portfolio	✓

### **C. Investment Guidelines: Rhumblin**

<b>Rhumblin Goal</b>	<b>3 Years</b>	<b>5 Years</b>
Match Russell 1000 performance	✓	✓
Rank Above 50 <sup>th</sup> Percentile in Large Cap Neutral Universe	63 <sup>rd</sup>	✓
Standard Deviation Relative to Russell 1000	<	<



**D. Investment Guidelines: Rigel Capital**

<b>Rigel Capital Goal</b>	<b>3 Years</b>	<b>5 Years</b>
Exceed Russell 1000 Growth performance	N/A	N/A
Rank Above 50 <sup>th</sup> Percentile in Large Cap Growth Universe	N/A	N/A
Standard Deviation Relative to Russell 1000 Growth	N/A	N/A

<b>Guideline</b>	<b>Total Fund</b>
Equity securities: <5% equity portfolio cost/market value per single issuer	✓
Cash securities may not exceed 25% (at market) of portfolio	✓

**E. Investment Guidelines: Munder Capital**

<b>Munder Capital Goal</b>	<b>3 Years</b>	<b>5 Years</b>
Exceed Russell Midcap Growth performance	N/A	N/A
Rank Above 50 <sup>th</sup> Percentile in Mid Cap Growth Universe	N/A	N/A
Standard Deviation Relative to Russell Midcap Growth	N/A	N/A

<b>Guideline</b>	<b>Total Fund</b>
Equity securities: <5% equity portfolio cost/market value per single issuer	✓
Cash securities may not exceed 25% (at market) of portfolio	✓

**F. Investment Guidelines: Buckhead Capital**

<b>Buckhead Capital Goal</b>	<b>3 Years</b>	<b>5 Years</b>
Exceed Russell 2000 Value performance	✗	✓
Rank Above 50 <sup>th</sup> Percentile in Small Cap Value Universe	✓	✓
Standard Deviation Relative to Russell 2000 Value	>	>

<b>Guideline</b>	<b>Total Fund</b>
Equity securities: <5% equity portfolio cost value per single issuer	✓
Cash securities may not exceed 25% (at market) of portfolio	✓



### G. Investment Guidelines: EuroPacific Growth

<b>EuroPacific Growth Goal</b>	<b>3 Years</b>	<b>5 Years</b>
Exceed MSCI EAFE (Net) performance	✓	✓
Rank Above 50 <sup>th</sup> Percentile in Intl Equity Fund Universe	✓	✓
Standard Deviation Relative to MSCI EAFE (Net)	<	<

<b>Guideline</b>	<b>Total Fund</b>
International Equity securities: <15% of Total Fund	11.5%

### H. Investment Guidelines: Principal U.S. Property Separate Account

<b>Principal U.S. Property Goal</b>	<b>3 Years</b>	<b>5 Years</b>
Exceed NCRIEF Index performance	✘	N/A
Rank Above 50 <sup>th</sup> Percentile in Real Estate Portfolio Universe	63 <sup>rd</sup>	N/A
Standard Deviation Relative to NCRIEF Index	>	N/A

<b>Guideline</b>	<b>Total Fund</b>
Real Estate securities: <15% of Total Fund	13.0%

### I. Investment Guidelines: Richmond Capital

<b>Richmond Capital Goal</b>	<b>3 Years</b>	<b>5 Years</b>
Exceed LB Aggregate Index performance	✘	✘
Rank Above 50 <sup>th</sup> Percentile in Core Fixed Income Universe	72 <sup>nd</sup>	78 <sup>th</sup>
Standard Deviation Relative to LB Aggregate Index	>	>

<b>Guideline</b>	<b>Total Fund</b>
Fixed Income portfolio average credit quality of "A" or better	✓
Fixed Inc. portfolio duration should be <135% of the index duration	✓
< 5% of fixed income portfolio (at cost) shall be invested in single corp issuer	✓





## J. Manager Status

Manager	Status	Effective Date
DePrince, Race, and Zollo	Good Standing	
Rhumblin	Good Standing	
Rigel Capital	Good Standing	
Munder Capital	Good Standing	
Buckhead Capital	Good Standing	
EuroPacific Growth	Good Standing	
Principal U.S. Property	Under Review	3Q2008
Richmond Capital	Under Review	3Q2007
JP Morgan Infrastructure	Good Standing	

## XII. COMMISSION RECAPTURE SUMMARY

Period	Commissions Paid	Commissions Received through Recapture/Rebates
4Q2008	\$25,164	\$657
1Q2009		
2Q2009		
3Q2009		
Fiscal YTD 2009	\$25,164	\$657

Source for commissions paid: Salem Trust custodial statements

## XIII. NOTES

- 1) The prior investment consultant, Merrill Lynch Consulting Services, provided all performance and market value data for periods prior to December 31, 2006.
- 2) Performance data for The Plan is based on market value and transaction information provided in the Salem Trust accounting statements. The statements currently provided by Salem Trust are trade date statements.

