



LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

Portfolio Performance Review

Quarter Ending June 30, 2012

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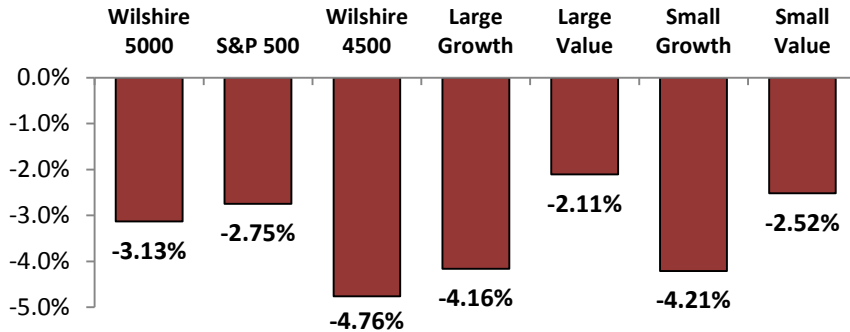
LACERS

LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

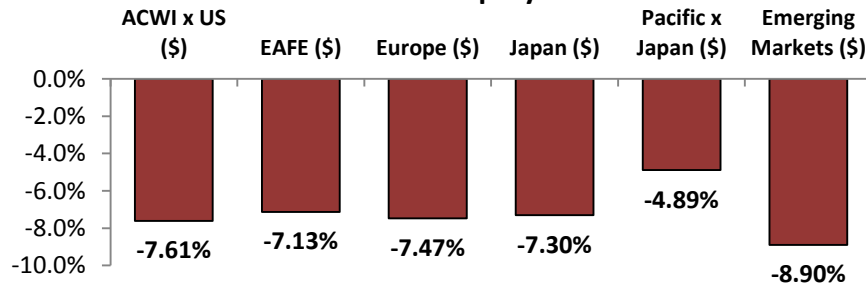
Executive Summary

Market and Economic Review

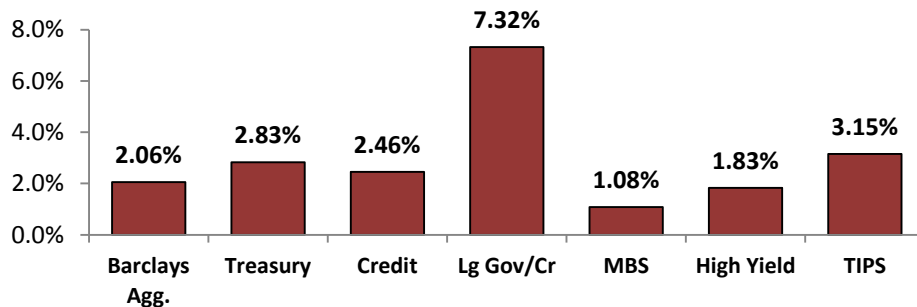
U.S. Equity



Non U.S. Equity



Fixed Income



- Optimism that fueled the global stock market rally in the first quarter of 2012 hit a wall of bad economic news during the second quarter.
- Real GDP grew at 1.9%, showing signs of lackluster U.S. jobs growth and overall economic malaise.
- The Federal Reserve announced they would continue “Operation Twist” through 2012 as the Fed Funds rate target remained unchanged.
- Economic volatility in Europe continued to dominate headlines as Greece and Spain battle fiscal problems.
- Developed non-U.S. stock markets were broadly lower in the second quarter of 2012 due to economic turmoil worldwide.
- The U.S. dollar strengthened relative to European currencies while weakening somewhat relative to Asia-Pacific region currencies.
- The volatility of global stock markets fueled safe-haven rotation into U.S. Treasuries, sending yields for this sector mostly lower over the quarter.
- Option-adjusted spreads on high yield paper widened over the quarter, allowing investment-grade debt to outperform lower quality bonds.

Performance Overview

- *LACERS investment portfolio ended the 2nd quarter with a market value of \$10.6 billion, down \$0.3 billion from the previous quarter. The Fund's net of fee return was -1.4% for the quarter and 0.9% for the one-year period.*
- *The Total Fund outperformed its policy benchmark by 0.7% for the quarter, but underperformed the policy benchmark by -1.3% for the one-year period.*
- *In a comparison to other public funds with market values greater than \$1 billion in TUCS (Trust Universe Comparison Service), LACERS ranged in the 39th percentile for the quarter and in the 51st percentile for the one-year period.*
- *All asset classes, except for U.S. Equity and Non-U.S. Equity, produced positive returns for the 2nd quarter of 2012.*
- *Publicly-traded portfolios generated a mixed result for the quarter.*
- *Alternative Investments outperformed its benchmark by 8.5%, while Real Estate was in line with its benchmark.*

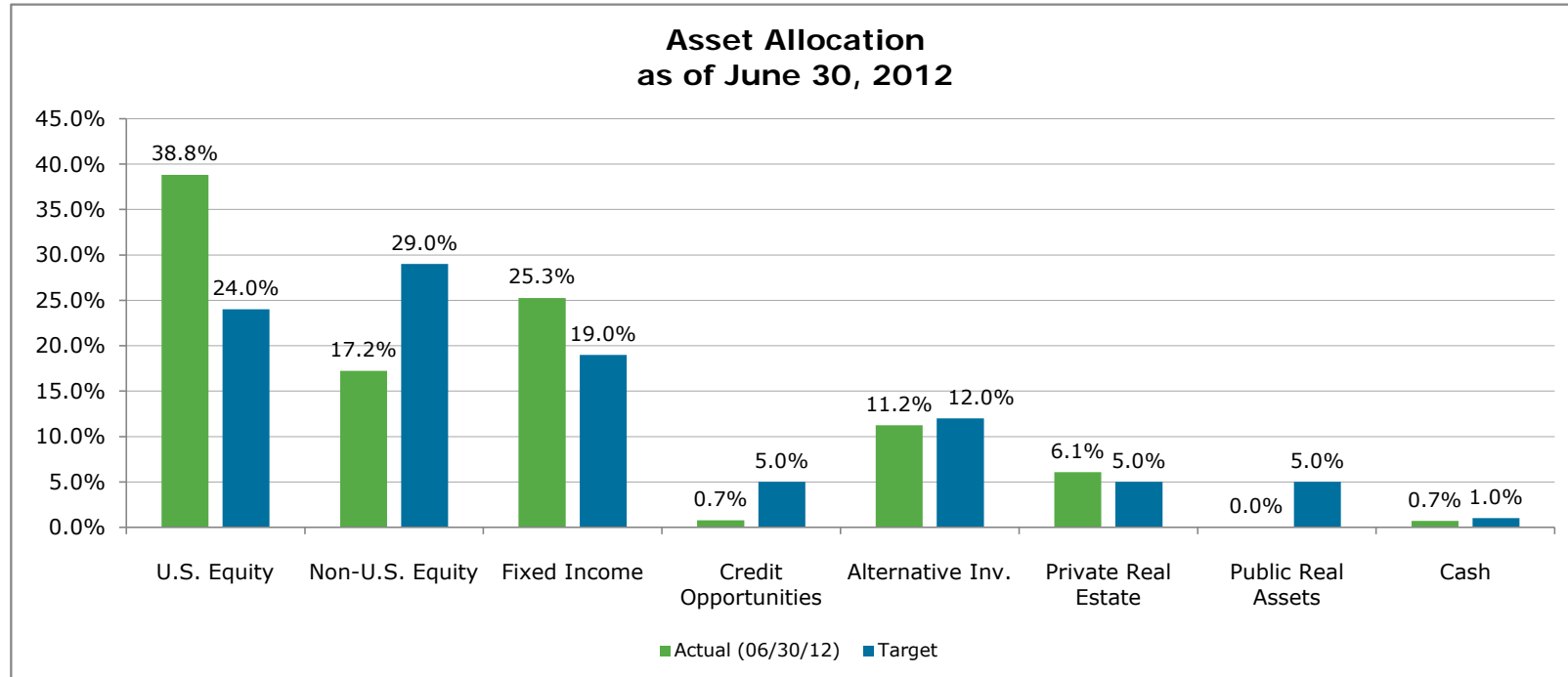
Note: Due to the J-curve effect in early stages of a dun's life, returns may lag prior to realization of proceeds in later years.



LACERS

LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

Fund Overview



	Actual	Target*	Min.	Max
U.S. Equity	38.8%	24.0%	19.0%	29.0%
Non-U.S. Equity	17.2%	29.0%	24.0%	34.0%
Fixed Income	25.3%	19.0%	15.0%	22.0%
Credit Opportunities	0.7%	5.0%	0.0%	10.0%
Alternative Inv.	11.2%	12.0%	n/a	n/a
Private Real Estate	6.1%	5.0%	n/a	n/a
Public Real Assets	0.0%	5.0%	2.0%	8.0%
Cash	0.7%	1.0%	0.0%	2.0%

* Revised 1st Qtr 2012: decrease U.S. Equity from 37% to 24%; increase Non-U.S. Equity from 20% to 29%; decrease Fixed Income from 26% to 19%; allocate 5% in Credit Opportunities; increase Alternative Inv. From 9% to 12%; decrease Private Real Estate from 7% to 5%; allocate 5% in Public Real Assets. The implementation of the new Asset Allocation will be in stages over a period of 18 months.

LACERS Total Fund

(Returns are Net of Fees)

	Market Value (\$million)	% to Total Fund	Current Quarter	One Year	Three Years	Five Years	Ten Years	Fifteen Years ¹	Since Inception ¹	5 Year Tracking Error
LACERS Master Trust	\$ 10,624	100.0%	-1.4	0.9	11.6	1.0	6.7	5.9	7.9	2.5
<i>Policy Benchmark</i>			-2.1	2.2	12.3	1.6	6.7	6.2	7.9	
Excess Return			0.7	-1.3	-0.7	-0.6	0.0	-0.3	0.0	
U.S. Equity	\$ 4,126	38.8%	-3.3	1.5	16.3	-0.2	5.7	5.7	9.2	1.4
<i>Russell 3000</i>			-3.1	3.8	16.7	0.4	5.8	4.6	7.7	
Excess Return			-0.2	-2.3	-0.4	-0.6	-0.1	1.1	1.5	
Non-U.S. Equity	\$ 1,829	17.2%	-7.5	-14.4	7.2	-4.6	6.6	2.9	4.2	1.7
<i>MSCI ACWI ex U.S.*</i>			-7.6	-14.6	7.0	-4.6	6.7	4.0	4.8	
Excess Return			0.1	0.2	0.2	0.0	-0.1	-1.1	-0.6	
Total Fixed Income	\$ 2,758	26.0%	2.0	6.6	9.7	7.5	6.9	7.1	7.5	2.7
<i>BC U.S. Universal</i>			2.0	7.4	7.6	6.8	6.0	6.1	6.5	
Excess Return			0.0	-0.8	2.1	0.7	0.9	1.0	1.0	
Real Estate **	\$ 642	6.1%	2.6	8.8	-3.0	-7.3	2.9	5.1	5.8	10.3
<i>NCREIF Property (Lagged)</i>			2.6	13.4	6.0	2.9	8.2	9.4	9.4	
Excess Return			0.0	-4.6	-9.0	-10.2	-5.3	-4.3	-3.6	
Alternative Investments **	\$ 1,195	11.2%	6.4	9.4	16.7	6.8	11.8	10.6	9.9	20.4
<i>Russell 3000 + 400 bps</i>			-2.1	7.8	20.7	4.4	9.8	8.6	11.7	
Excess Return			8.5	1.6	-4.0	2.4	2.0	2.0	-1.8	

¹ Indicates gross returns

* Both the MS ACWI ex US and Barclays US Universal indices are historically blended with other indices.

** Due to the J-Curve effect in early stages of a fund's life, returns may lag prior to realization of proceeds in later years.

Total Fund Performance Attribution

(based on net-of-fee returns)

	Portfolio		Policy**		Impact on Return			
	Allocation*	Return	Allocation*	Return	Weighting	Selection	Interaction	Total
U.S. Equity	39.5	-3.3	37.0	-3.2	0.0	-0.1	0.0	-0.1
Non-U.S. Equity	17.6	-7.5	20.0	-7.6	0.1	0.0	0.0	0.1
Fixed Income	25.5	2.0	26.0	2.0	-0.1	0.0	0.0	-0.1
Real Estate	5.9	2.6	7.0	2.6	-0.1	0.0	0.0	-0.1
Alternative Investments	10.9	6.4	9.0	-2.3	0.0	0.9	0.0	0.9
Cash	0.7	2.1	1.0	0.0	0.0	0.0	0.0	0.0
Total	100.0%	-1.4	100.0%	-2.1	-0.1	0.9	0.0	0.8

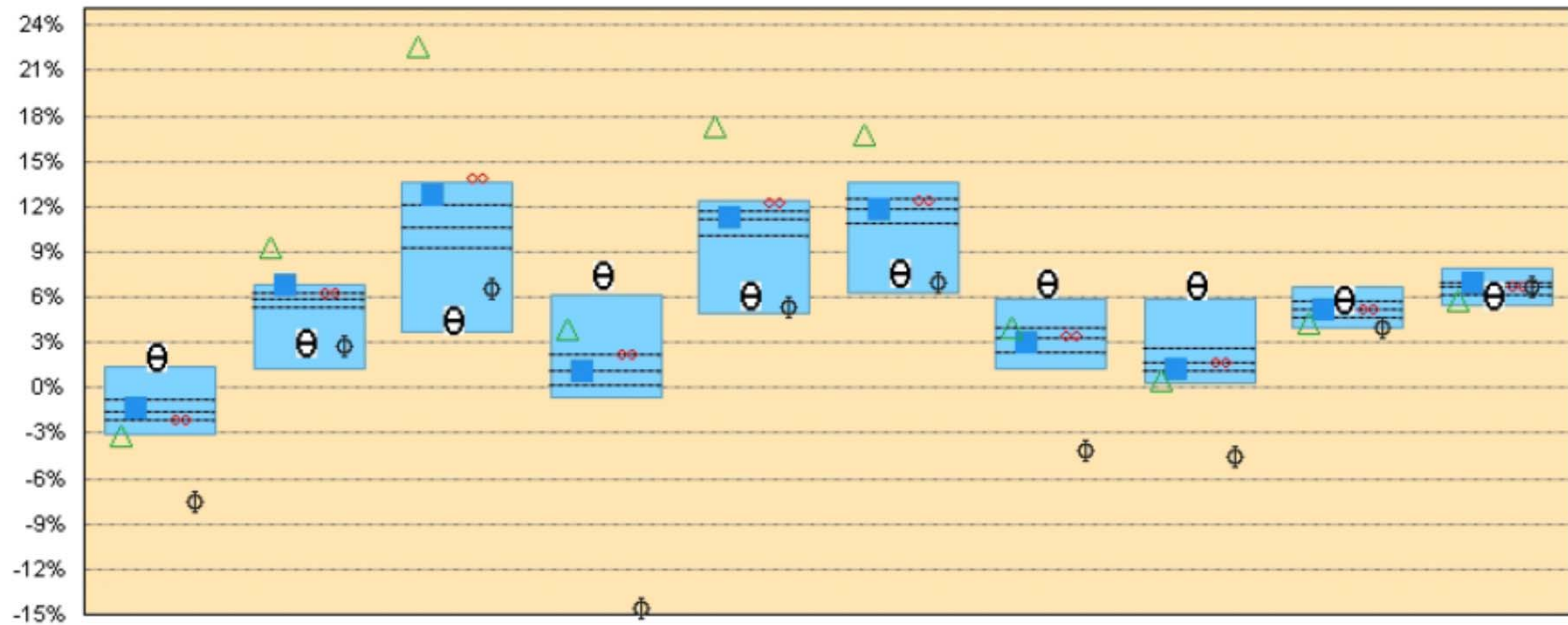
* Attribution method utilizes all cash flows during the period. Allocation displayed is average period market values.

** Policy Benchmark composition: U.S. Equity – Russell 3000; Non-U.S. Equity – MSCI ACWI ex-US; Fixed Income – BC Universal; Real Estate – NCREIF Lagged; Alternative Investments – Russell 3000 + 4%; Cash – 90 Day T-Bill.

- Public market portfolios generated a mixed result.
- Real Estate portfolio matched its benchmark.
- Alternative Investments significantly outperformed its benchmark, primarily due to selection effect and reflected lag effects between the private equity portfolio and publicly-traded portfolio.

Trust Universe Comparison Service Performance Comparison

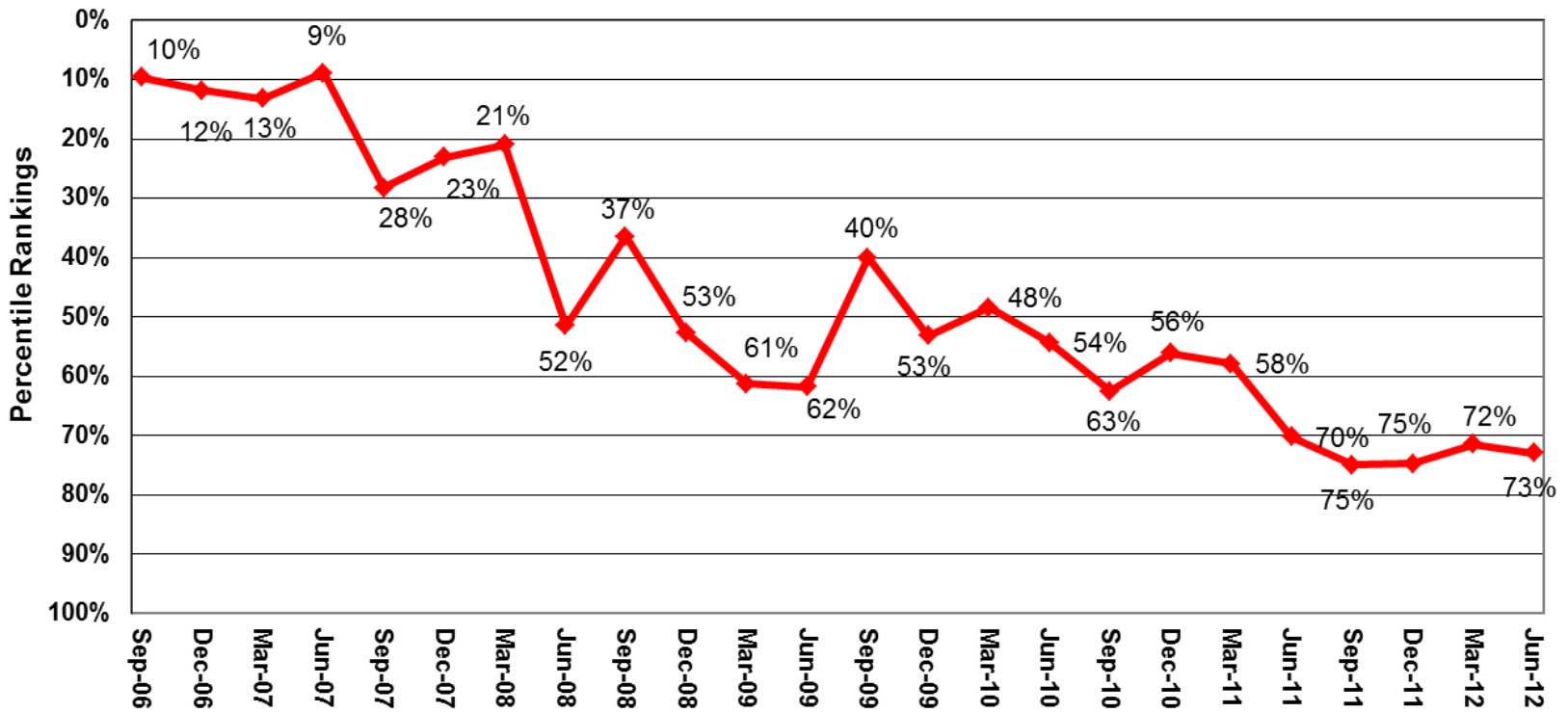
Total Returns of Master Trusts - Public : Plans > \$1 Billion
Cumulative Periods Ending : June 30, 2012

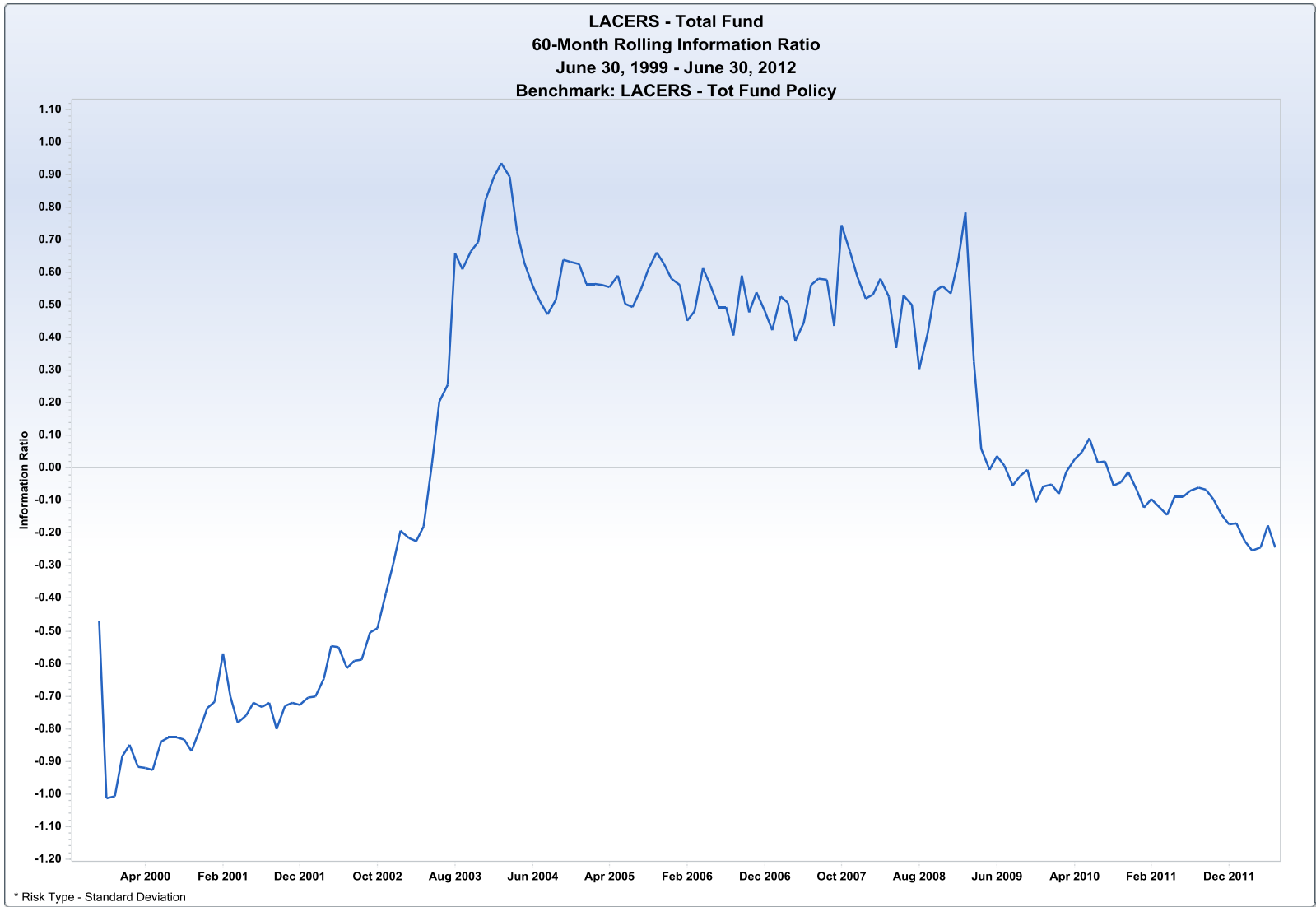


Percentile Rankings	1 Qtr	2 Qtrs	3 Qtrs	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th	1.46	6.77	13.65	6.18	12.40	13.59	5.90	5.84	6.69	7.90
25th	-0.83	6.32	12.13	2.18	11.66	12.58	4.03	2.66	5.79	7.00
50th	-1.58	5.83	10.57	1.12	11.11	11.85	3.33	1.74	5.17	6.63
75th	-2.07	5.35	9.30	0.12	10.06	10.85	2.40	1.16	4.71	6.10
95th	-3.09	1.28	3.68	-0.66	4.98	6.31	1.22	0.28	3.99	5.51
No. Of Obs	64	64	64	63	61	61	61	61	60	57
Los Angeles City	-1.31 (39)	6.77 (7)	12.82 (13)	1.11 (51)	11.33 (40)	11.85 (50)	3.03 (58)	1.24 (70)	5.22 (45)	6.90 (35)
Policy Index LACERS	-2.13 (76)	6.32 (25)	13.82 (4)	2.22 (20)	12.29 (10)	12.35 (28)	3.45 (48)	1.64 (53)	5.17 (50)	6.66 (44)
Russell 3000	-3.15 (95)	9.32 (1)	22.57 (1)	3.84 (5)	17.23 (1)	16.73 (1)	3.95 (28)	0.39 (92)	4.29 (90)	5.81 (84)
MSCI World Ex US (N)	-7.61 (100)	2.77 (92)	6.59 (91)	-14.56 (100)	5.28 (93)	6.97 (93)	-4.11 (100)	-4.62 (100)	3.92 (99)	6.74 (41)
Barclays US Univ Indx	2.00 (1)	2.87 (92)	4.35 (94)	7.35 (2)	6.06 (93)	7.55 (93)	6.89 (4)	6.76 (2)	5.71 (25)	5.96 (78)

5-Year Rolling Return/Risk Rankings

TUCS Public Funds > \$1 billion







LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

U.S. Equity Managers

U.S. Equity Managers

(Returns are Net of Fees)

	Inception Date	Market Value (\$million)	% to Total U.S. Equity	Current Quarter	One Year	Three Years	Five Years	Ten Years	Since Inception ¹	5 Year Tracking Error
U.S. Equity	Oct-94	\$ 4,126	100.0%	-3.3	1.5	16.3	-0.2	5.7	9.2	1.4
<i>Russell 3000</i>				-3.1	3.8	16.7	0.4	5.8	7.7	
Excess Return				-0.2	-2.3	-0.4	-0.6	-0.1	1.5	
Aronson, Johnson & Ortiz	Oct-01	\$ 454	11.0%	-3.8	2.7	15.7	-1.8	6.1	6.4	3.3
<i>Russell 1000 Value</i>				-2.2	3.0	15.8	-2.2	5.3	5.2	
Excess Return				-1.6	-0.3	-0.1	0.4	0.8	1.2	
Blackrock Russell 1000 Value	Dec-98	\$ 463	11.2%	-2.2	3.0	15.9	-2.1	5.4	4.2	0.1
<i>Russell 1000 Value</i>				-2.2	3.0	15.8	-2.2	5.3	4.1	
Excess Return				0.0	0.0	0.1	0.1	0.1	0.1	
Thomson Horstmann	Oct-95	\$ 234	5.7%	-2.2	-9.0	18.2	0.1	7.1	9.8	6.6
<i>Russell 2000</i>				-3.5	-2.1	17.8	0.5	7.0	7.5	
Excess Return				1.3	-6.9	0.4	-0.4	0.1	2.3	
Franklin Advisers	Sep-94	\$ 238	5.8%	-4.7	-3.3	20.6	2.1	6.9	8.3	5.0
<i>Russell 2000 Growth</i>				-3.9	-2.7	18.1	2.0	7.4	6.0	
Excess Return				-0.8	-0.6	2.5	0.1	-0.5	2.3	
Sit Investments	Jan-01	\$ 187	4.5%	-5.7	0.7	19.7	2.2	8.2	3.3	6.3
<i>Russell 2000 Growth</i>				-3.9	-2.7	18.1	2.0	7.4	3.1	
Excess Return				-1.8	3.4	1.6	0.2	0.8	0.2	
Donald Smith & Co.	Feb-06	\$ 89	2.2%	-4.9	-7.2	15.1	-1.5	--	3.5	9.8
<i>Russell 2000 Value</i>				-3.0	-1.4	17.4	-1.0	--	1.8	
Excess Return				-1.9	-5.8	-2.3	-0.5	--	1.7	
PanAgora Asset Management ²	Feb-06	\$ 159	3.9%	-4.3	1.4	20.9	-1.8	--	1.1	3.5
<i>Russell 2000 Value</i>				-3.0	-1.4	17.4	-1.0	--	1.8	
Excess Return				-1.3	2.8	3.5	-0.8	--	-0.7	

¹ Indicates gross returns

² Indicates manager "On Watch"

U.S. Equity Managers

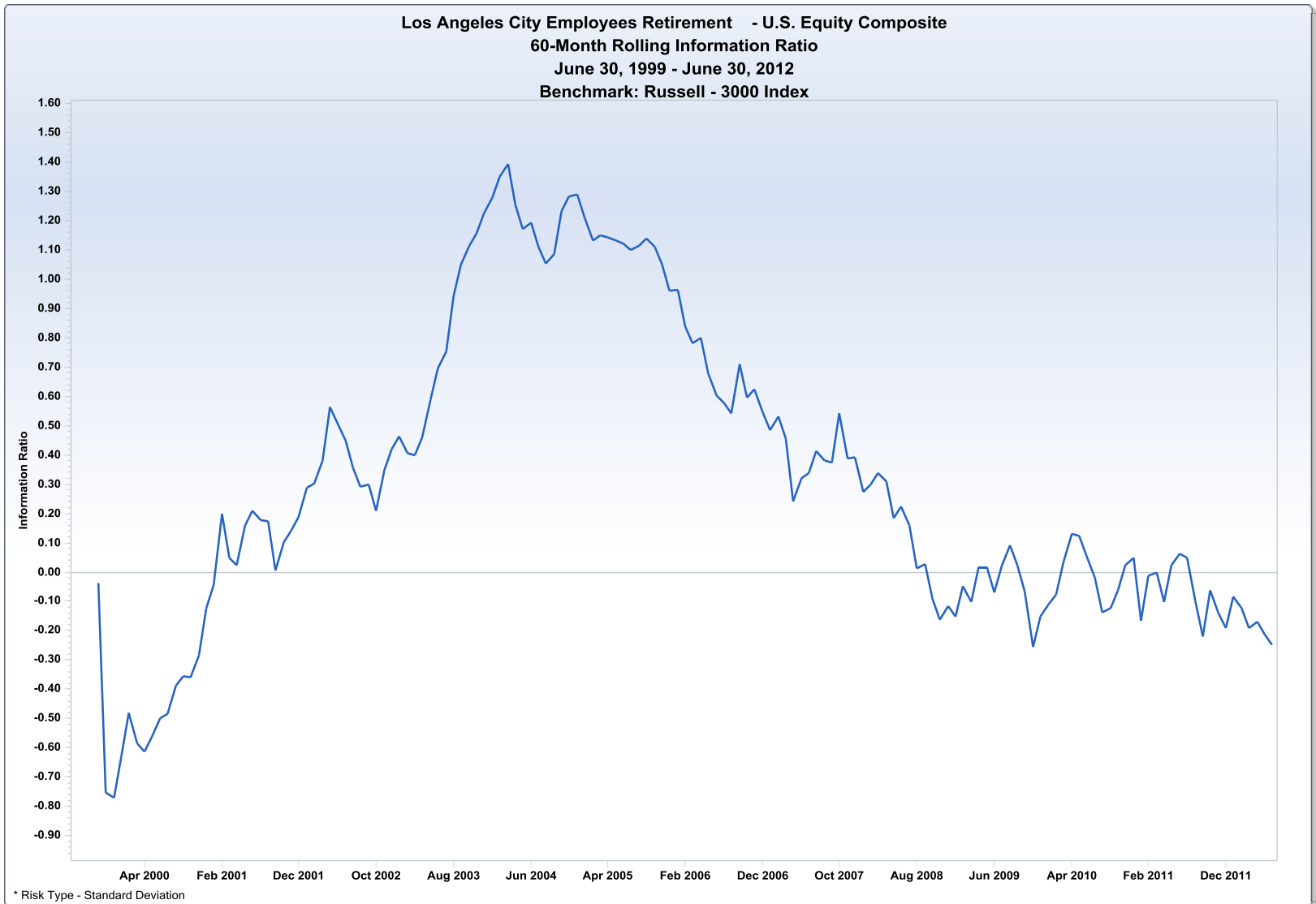
(Returns are Net of Fees)

	Inception Date	Market Value (\$million)	% to Total U.S. Equity	Current Quarter	One Year	Three Years	Five Years	Ten Years	Since Inception ¹	5 Year Tracking Error
Blum Stinson <i>Russell 2000</i>	Sep-08	\$ 49	1.2%	-8.2	-22.3	-2.0	--	--	1.6	--
Excess Return				-3.5	-2.1	17.8	--	--	5.9	
				-4.7	-20.2	-19.8	--	--	-4.3	
New Mountain Cap Group <i>Russell Midcap Blend</i>	Mar-08	\$ 57	1.4%	0.3	-4.2	10.0	--	--	3.1	--
Excess Return				-4.4	-1.7	13.7	--	--	0.2	
				4.7	-2.5	-3.7	--	--	2.9	
Rhumblin Advisors <i>S&P 500</i>	Mar-93	\$ 697	16.9%	-2.7	5.4	16.6	0.5	5.5	8.1	0.3
Excess Return				-2.8	5.4	16.4	0.2	5.3	8.0	
				0.1	0.0	0.2	0.3	0.2	0.1	
Blackrock S&P 500 Index Plus <i>S&P 500</i>	Feb-10	\$ 1,388	33.6%	-2.8	5.5	--	--	--	11.8	--
Excess Return				-2.8	5.4	--	--	--	11.5	
				0.0	0.1	--	--	--	0.3	

	Inception Date	Market Value (\$million)	% to Total U.S. Equity	Current Quarter	One Year	Three Years	Five Years	Ten Years	Since Inception ¹	5 Year Tracking Error
Manager-of-Manager Programs			2.7%							
Attucks ² <i>Russell 2000</i>	Nov-05	\$ 31	0.8%	-4.4	-4.5	17.9	-0.4	--	3.7	3.5
Excess Return				-3.5	-2.1	17.8	0.5	--	3.9	
				-0.9	-2.4	0.1	-0.9	--	-0.2	
Capital Prospects ² <i>Russell 3000</i>	Dec-05	\$ 30	0.7%	-4.4	0.8	15.9	-0.7	--	3.1	2.7
Excess Return				-3.1	3.8	16.7	0.4	--	3.7	
				-1.3	-3.0	-0.8	-1.1	--	-0.6	
Progress Investment ² <i>Russell 3000</i>	Oct-06	\$ 49	1.2%	-5.6	-1.5	13.7	-1.8	--	0.8	2.5
Excess Return				-3.1	3.8	16.7	0.4	--	2.2	
				-2.5	-5.3	-3.0	-2.2	--	-1.4	

¹ Indicates gross returns

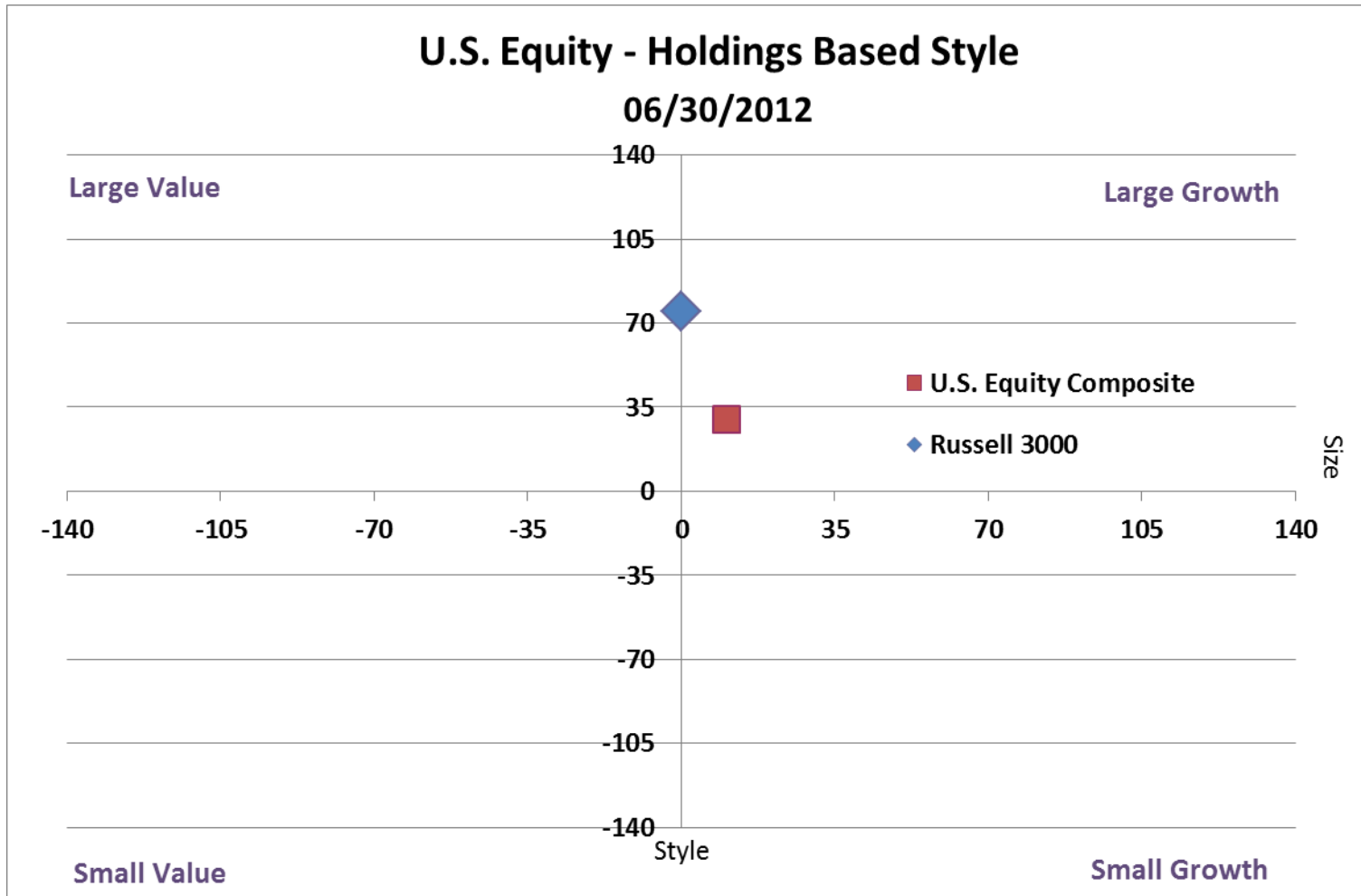
² Indicates manager "On Watch"



**U.S. Equity
 Holdings Based Performance Attribution*
 03/31/2012 - 06/30/2012**

Manager	Index	Variance		
		Stock Selection	Sector Weight	Total
BlackRock	S&P 500	0.00	0.00	0.00
Rhumblin	S&P 500	0.00	0.00	0.00
Aronson+Johnson+Ortiz	Russell 1000 Value	-1.42	-0.13	-1.56
BlackRock	Russell 1000 Value	0.00	0.00	0.00
Franklin Advisers	Russell 2000 Growth	0.41	-1.12	-0.71
Sit Investment	Russell 2000 Growth	-1.33	-0.52	-1.85
Thomson Horstmann & Bryant	Russell 2000	1.74	-0.47	1.27
Donald Smith	Russell 2000 Value	-1.75	0.17	-1.58
PanAgora	Russell 2000 Value	-0.93	-0.36	-1.29
Blum Stinson	Russell 2000	-4.40	0.23	-4.16
New Mountain	Russell MidCap	3.97	1.37	5.34
Attucks	Russell 2000	-0.31	-0.40	-0.71
Capital Prospects	Russell 3000	0.14	-0.78	-0.64
Progress	Russell 3000	-0.45	-1.78	-2.23
U.S. Equity Composite	Russell 3000	0.17	-0.26	-0.09

**Attribution values exclude impact of trading within the quarter.*



MANAGER REPORT CARD¹

U.S. Managers	Inception Date	Mandate	Current Quarter		One Year		Three Years		Five Years		Since Inception	Comments ²
			I	U	I	U	I	U	I	U	I	
➤ Aronson, Johnson & Ortiz	Oct-01	Large Cap Value	✗	✓	✗	✓	✗	✓	✓	✗	✓	Performance mixed. Monitoring manager.
➤ Thomson Horstmann	Oct-95	Small Cap	✓	✓	✗	✗	✓	✗	✗	✗	✓	Performance mixed. Monitoring manager.
➤ Franklin Advisers	Sep-94	Small Cap Growth	✗	✗	✗	✗	✓	✓	✓	✓	✓	Performance mixed. Monitoring manager.
➤ Sit Investments	Jan-01	Small Cap Growth	✗	✗	✓	✓	✓	✓	✓	✓	✓	Performance mixed. Monitoring manager.
➤ Donald Smith	Feb-06	Small Cap Value	✗	✗	✗	✗	✗	✗	✗	✗	✓	Performance lagging. Monitoring manager.
➤ Panagora	Feb-06	Small Cap Value	✗	✓	✓	✓	✓	✓	✗	✗	✗	"On Watch" since 10/11 - organization.
➤ Blum Stinson	Sep-08	Corp Gov	✗	n/a	✗	n/a	✗	n/a	n/a	n/a	✗	Performance lagging. Withdrawing from manager.
➤ New Mountain Cap Grp	Mar-08	Corp Gov	✓	n/a	✗	n/a	✗	n/a	n/a	n/a	✓	Limited track record.
➤ Attucks	Nov-05	Fund of Funds	✗	n/a	✗	n/a	✓	n/a	✗	n/a	✗	"On Watch" since 6/11 - performance.
➤ Capital Prospects	Dec-05	Fund of Funds	✗	n/a	✗	n/a	✗	n/a	✗	n/a	✗	"On Watch" since 6/11 - performance.
➤ Progress	Oct-06	Fund of Funds	✗	n/a	✗	n/a	✗	n/a	✗	n/a	✗	"On Watch" since 10/09 - performance.
➤ BlackRock R1000 Value	Dec-98	R1000 Value Index	=	✓	=	✓	✓	✓	✓	✗	✓	Performance satisfactory.
➤ BlackRock S&P 500 Index Plus	Feb-10	S&P 500 Index	=	✓	✓	✓	n/a	n/a	n/a	n/a	✓	Limited track record.
➤ Rhumblin Advisors	Mar-93	S&P 500 Index	✓	✓	=	✓	✓	✓	✓	✗	✓	Performance satisfactory.

¹Current Quarter, 1-Yr, 3-Yrs, and 5-Yrs returns are net of fees. Since Inception returns are gross of fee.

²Managers are placed on the Watch List for concerns with organization, process, and performance. Managers are normally on the Watch List for 6 months though can be longer if manager issues still remain but not severe enough to warrant contract termination recommendation.

LEGEND	
✓	outperformed index
✗	underperformed index
=	equal to index
I	index
U	universe median

Aronson, Johnson & Ortiz

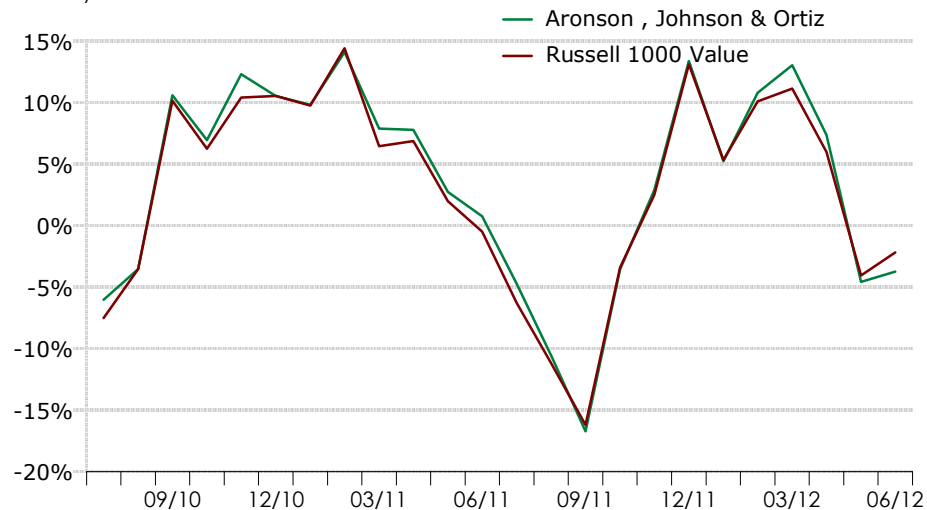
Mandate: Large Cap Value
Benchmark: Russell 1000 Value

Strategy

Aronson invests in US stocks with large market caps, low P/E ratios and lower historical earnings per share that are expected to increase.

Performance

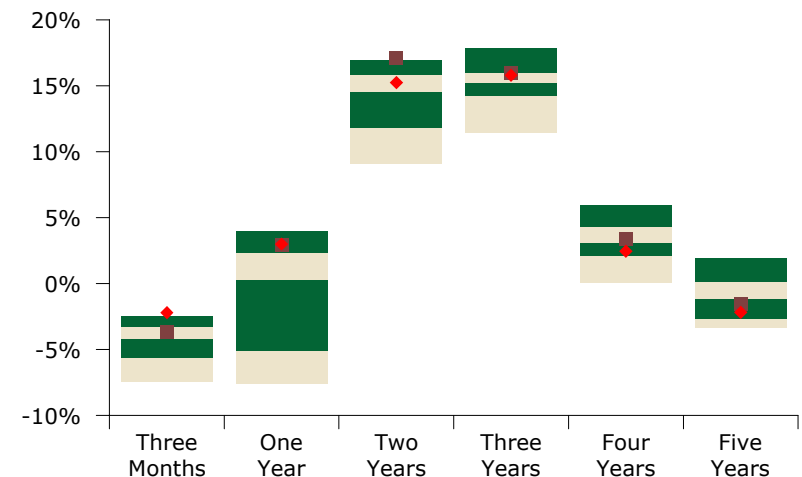
Quarterly Rate of Return Vs Benchmark



Net Returns %	LCQ	1 Yr.	2 Yrs.	3 Yrs.	5 Yrs.	Gross ITD Return	Inception Date
Aronson, Johnson &	(3.8)	2.7	16.8	15.7	(1.8)	6.4	Oct-2001
Russell 1000 Value	(2.2)	3.0	15.3	15.8	(2.2)	5.2	
<i>Excess Return</i>	<i>(1.6)</i>	<i>(0.3)</i>	<i>1.6</i>	<i>(0.1)</i>	<i>0.4</i>	<i>1.2</i>	

Objective: Outperform the benchmark by 200 bps , annualized over a full market cycle (normally 3-5 years).

Quartile Rankings



	QTD	1 Yr.	2 Yrs.	3 Yrs.	4 Yrs.	5 Yrs.
■ Aronson, Johnson & Ortiz	(3.7)	3.0	17.1	16.0	3.4	(1.5)
Rank	43	20	9	26	45	56
◆ Russell 1000 Value	(2.2)	3.0	15.3	15.8	2.5	(2.2)
Rank	8	19	35	28	69	61

10th Percentile	(2.5)	4.0	16.9	17.9	6.0	1.9
1st Quartile	(3.3)	2.3	15.8	16.0	4.3	0.1
Median	(4.2)	0.3	14.6	15.2	3.1	(1.2)
3rd Quartile	(5.7)	(5.1)	11.8	14.3	2.1	(2.7)
90th Percentile	(7.4)	(7.6)	9.1	11.5	0.1	(3.4)

Number Of Observations	207	193	164	139	123	105
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Thomson, Horstmann & Bryant

Mandate: Small Cap

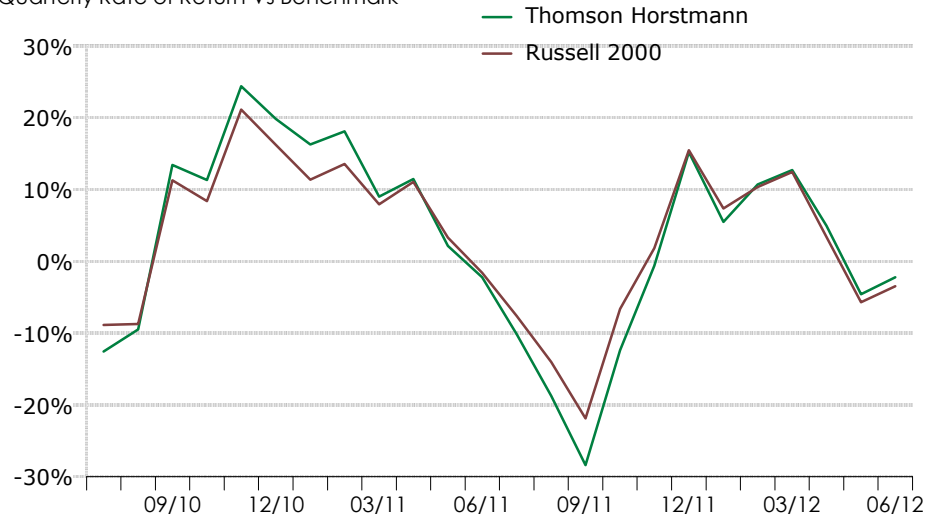
Benchmark: Russell 2000

Strategy

Thomson invests in US stocks with small market caps and low P/E ratios.

Performance

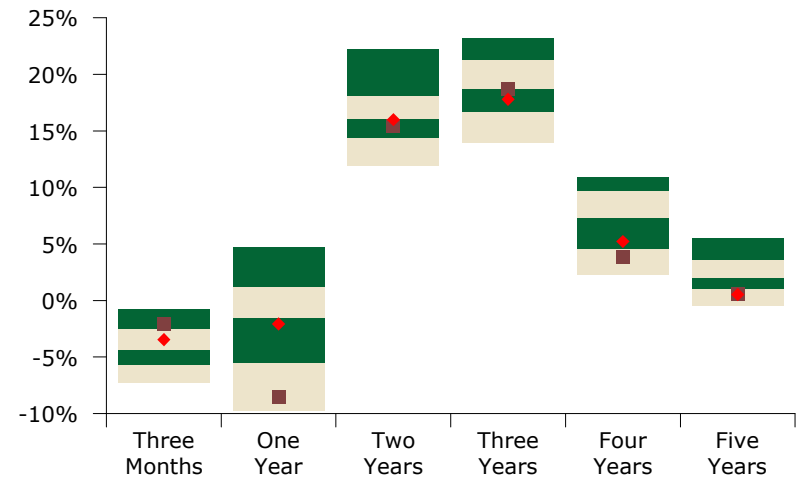
Quarterly Rate of Return Vs Benchmark



Net Returns %	LCQ	1 Yr.	2 Yrs.	3 Yrs.	5 Yrs.	Gross ITD Return	Inception Date
Thomson Horstmann	(2.2)	(9.0)	14.8	18.2	0.1	9.8	Oct-1995
Russell 2000	(3.5)	(2.1)	16.0	17.8	0.5	7.5	
<i>Excess Return</i>	1.3	(6.9)	(1.2)	0.4	(0.4)	2.3	

Objective: Outperform the benchmark by 250 bps, annualized over a full market cycle (normally 3-5 years).

Quartile Rankings



	QTD	1 Yr.	2 Yrs.	3 Yrs.	4 Yrs.	5 Yrs.
■ Thomson Horstmann	(2.1)	(8.5)	15.4	18.7	3.8	0.6
◆ Russell 2000	(3.5)	(2.1)	16.0	17.8	5.2	0.5
Rank	18	88	61	50	86	81
Rank	29	55	53	60	70	81
10th Percentile	(0.8)	4.7	22.2	23.2	10.9	5.5
1st Quartile	(2.6)	1.2	18.1	21.3	9.7	3.6
Median	(4.4)	(1.5)	16.1	18.7	7.3	2.0
3rd Quartile	(5.8)	(5.6)	14.4	16.7	4.6	1.1
90th Percentile	(7.3)	(9.8)	11.9	14.0	2.2	(0.4)
Number Of Observations	166	169	133	121	110	93

Franklin Advisers

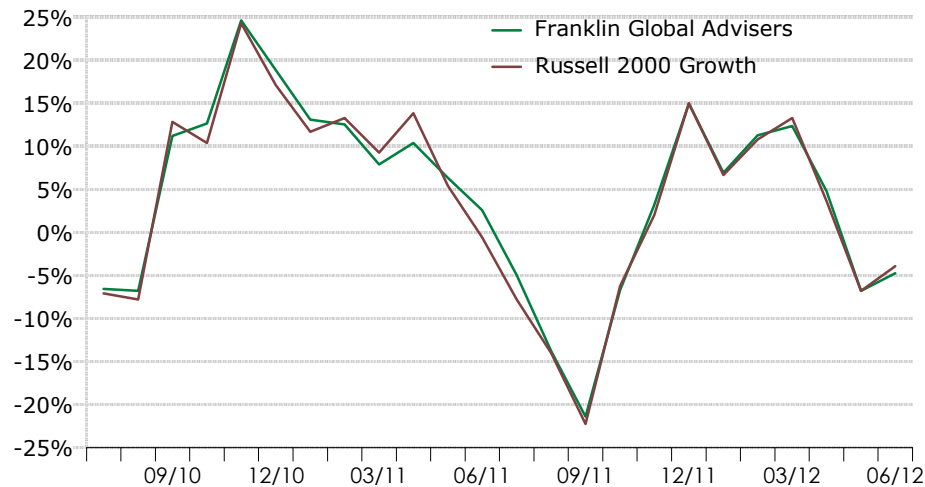
Mandate: Small Cap Growth
Benchmark: Russell 2000 Growth

Strategy

Franklin invests in US stocks with small market caps, low P/E ratios and earnings per share that are expected to increase at rates much greater than the overall market.

Performance

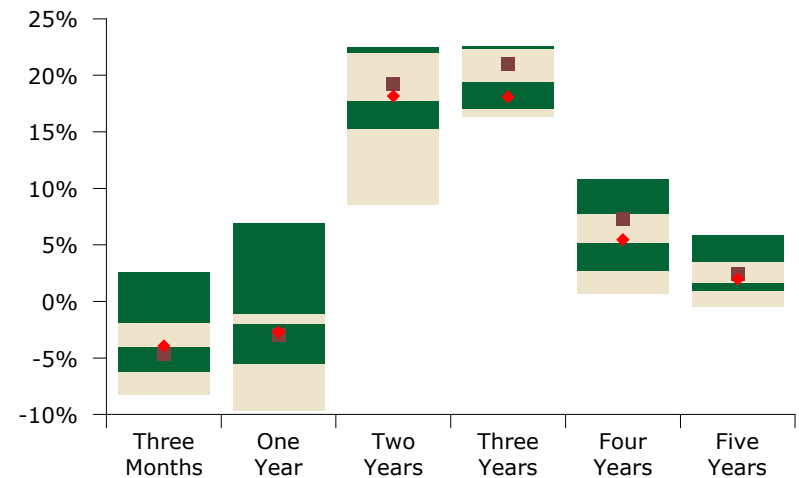
Quarterly Rate of Return Vs Benchmark



Net Returns %	LCQ	1 Yr.	2 Yrs.	3 Yrs.	5 Yrs.	Gross ITD Return	Inception Date
Franklin Advisers	(4.7)	(3.3)	18.9	20.6	2.1	8.3	Sep-1994
Russell 2000 Growth	(3.9)	(2.7)	18.2	18.1	2.0	6.0	
<i>Excess Return</i>	<i>(0.8)</i>	<i>(0.6)</i>	<i>0.7</i>	<i>2.5</i>	<i>0.1</i>	<i>2.3</i>	

Objective: Outperform the benchmark by 200 bps , annualized over a full market cycle (normally 3-5 years).

Quartile Rankings



	QTD	1 Yr.	2 Yrs.	3 Yrs.	4 Yrs.	5 Yrs.
■ Franklin Advisers	(4.7)	(3.0)	19.3	21.0	7.3	2.4
◆ Russell 2000 Growth	(3.9)	(2.7)	18.2	18.1	5.5	2.0
Rank	58	60	46	37	28	35
Rank	35	58	49	59	49	40
10th Percentile	2.6	6.9	22.5	22.6	10.9	5.8
1st Quartile	(1.9)	(1.1)	22.0	22.3	7.8	3.5
Median	(4.1)	(2.0)	17.7	19.4	5.2	1.6
3rd Quartile	(6.2)	(5.5)	15.3	17.1	2.7	0.9
90th Percentile	(8.2)	(9.7)	8.5	16.4	0.7	(0.5)
Number Of Observations	65	61	44	36	43	34

Sit Investments

Mandate: Small Cap Growth

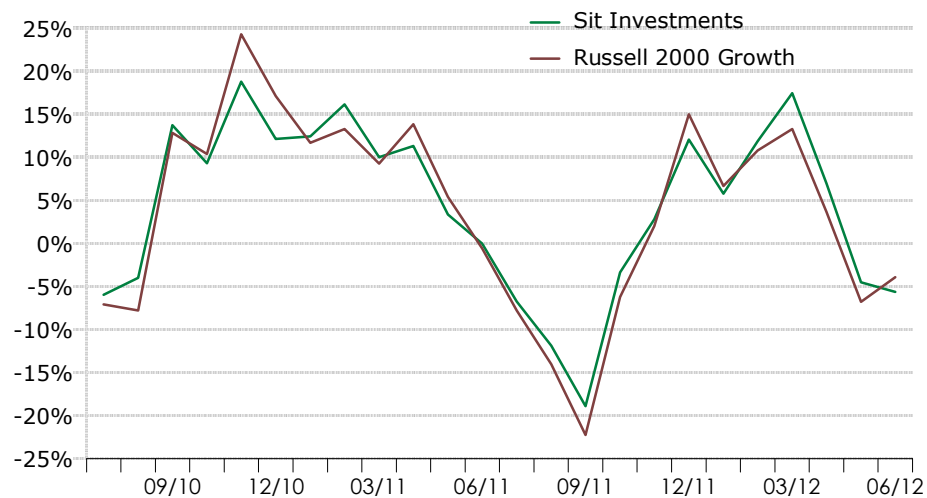
Benchmark: Russell 2000 Growth

Strategy

SIT invests in US stocks with small market caps, low P/E ratios and earnings per share that are expected to increase at rates much greater than the overall market.

Performance

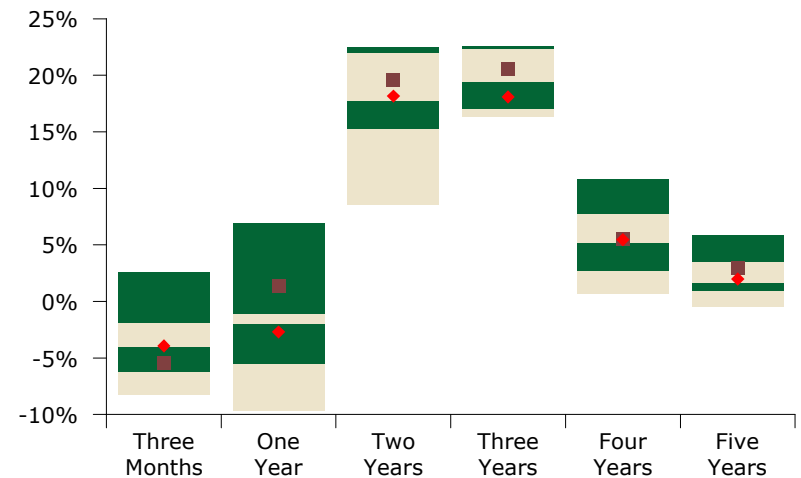
Quarterly Rate of Return Vs Benchmark



Net Returns %	LCQ	1 Yr.	2 Yrs.	3 Yrs.	5 Yrs.	Gross ITD Return	Inception Date
Sit Investments	(5.7)	0.7	18.8	19.7	2.2	3.3	Jan-2001
Russell 2000 Growth	(3.9)	(2.7)	18.2	18.1	2.0	3.1	
<i>Excess Return</i>	<i>(1.8)</i>	<i>3.4</i>	<i>0.6</i>	<i>1.6</i>	<i>0.2</i>	<i>0.2</i>	

Objective: Outperform the benchmark by 300-450 bps, annualized over a full market cycle (normally 3-5 years).

Quartile Rankings



	QTD	1 Yr.	2 Yrs.	3 Yrs.	4 Yrs.	5 Yrs.
■ Sit Investments	(5.5)	1.3	19.6	20.5	5.5	2.9
Rank	69	19	45	42	48	29
◆ Russell 2000 Growth	(3.9)	(2.7)	18.2	18.1	5.5	2.0
Rank	35	58	49	59	49	40
10th Percentile	2.6	6.9	22.5	22.6	10.9	5.8
1st Quartile	(1.9)	(1.1)	22.0	22.3	7.8	3.5
Median	(4.1)	(2.0)	17.7	19.4	5.2	1.6
3rd Quartile	(6.2)	(5.5)	15.3	17.1	2.7	0.9
90th Percentile	(8.2)	(9.7)	8.5	16.4	0.7	(0.5)
Number Of Observations	65	61	44	36	43	34

Donald Smith & Co.

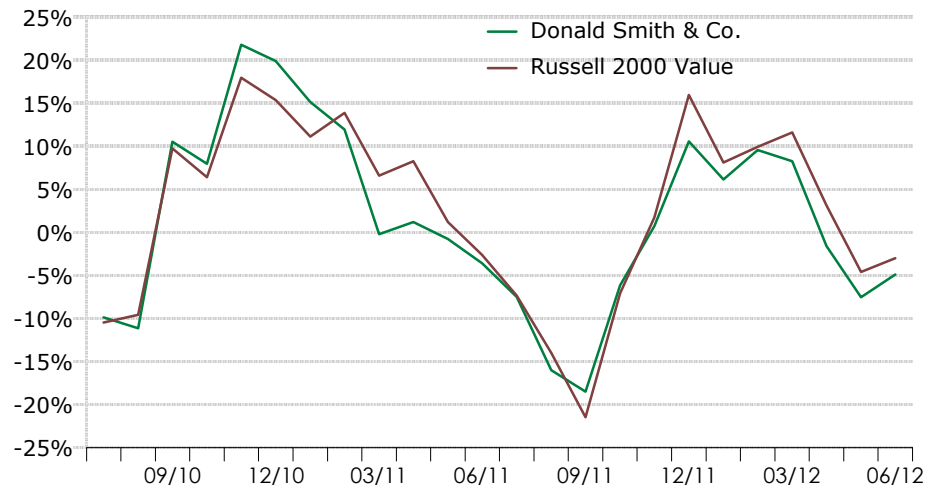
Mandate: Small Cap Value
Benchmark: Russell 2000 Value

Strategy

Donald Smith invests in US stocks with small market caps, low P/E ratios and lower historical earnings per share that are expected to increase.

Performance

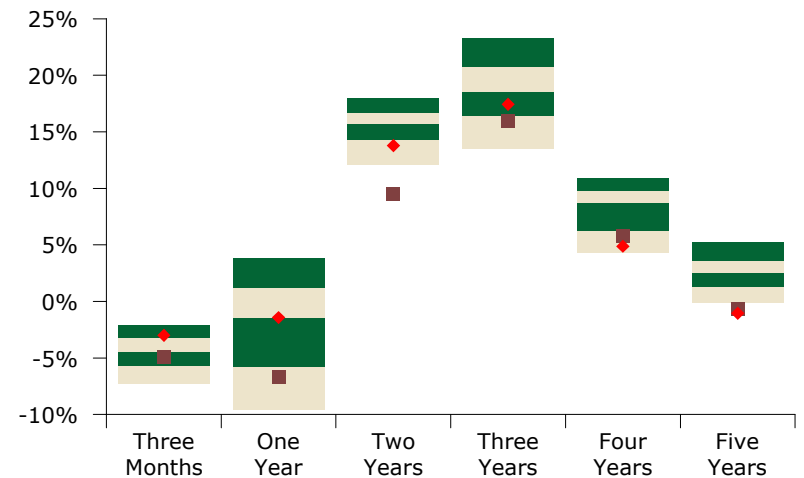
Quarterly Rate of Return Vs Benchmark



Net Returns %	LCQ	1 Yr.	2 Yrs.	3 Yrs.	5 Yrs.	Gross ITD Return	Inception Date
Donald Smith & Co.	(4.9)	(7.2)	8.7	15.1	(1.5)	3.5	Feb-2006
Russell 2000 Value	(3.0)	(1.4)	13.8	17.4	(1.0)	1.8	
<i>Excess Return</i>	<i>(1.9)</i>	<i>(5.8)</i>	<i>(5.1)</i>	<i>(2.3)</i>	<i>(0.5)</i>	<i>1.7</i>	

Objective: Outperform the benchmark by 300 bps, annualized over a full market cycle (normally 3-5 years).

Quartile Rankings



	QTD	1 Yr.	2 Yrs.	3 Yrs.	4 Yrs.	5 Yrs.
■ Donald Smith & Co.	(4.9)	(6.7)	9.5	16.0	5.8	(0.7)
◆ Russell 2000 Value	(3.0)	(1.4)	13.8	17.4	4.9	(1.0)
Rank	63	81	98	81	80	96
Rank	25	50	81	64	84	97
10th Percentile	(2.1)	3.8	17.9	23.3	10.9	5.3
1st Quartile	(3.3)	1.2	16.7	20.8	9.8	3.6
Median	(4.5)	(1.4)	15.7	18.6	8.8	2.6
3rd Quartile	(5.7)	(5.9)	14.3	16.4	6.3	1.3
90th Percentile	(7.3)	(9.6)	12.1	13.5	4.3	(0.2)
Number Of Observations	94	94	77	84	67	60

PanAgora Asset Management

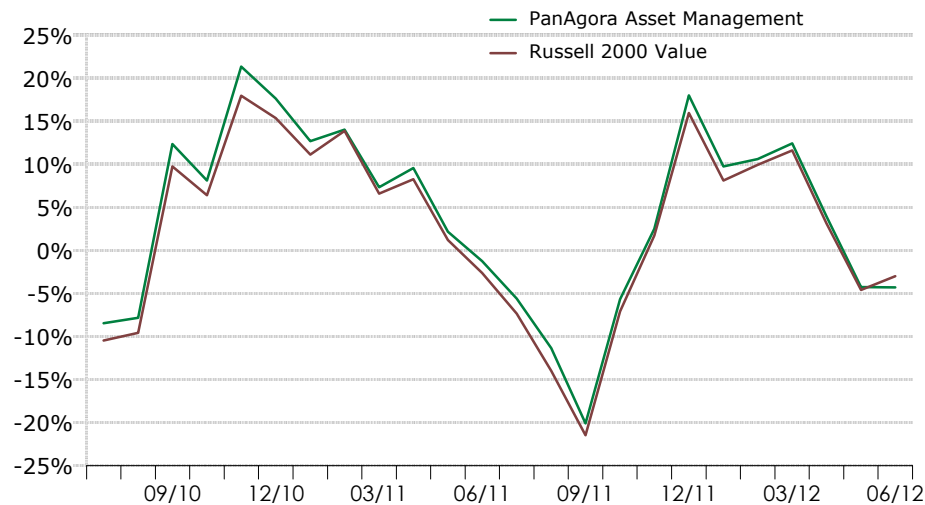
Mandate: Small Cap Value
Benchmark: Russell 2000 Value

Strategy

PanAgora invests in US stocks with small market caps, low P/E ratios and lower historical earnings per share that are expected to increase.

Performance

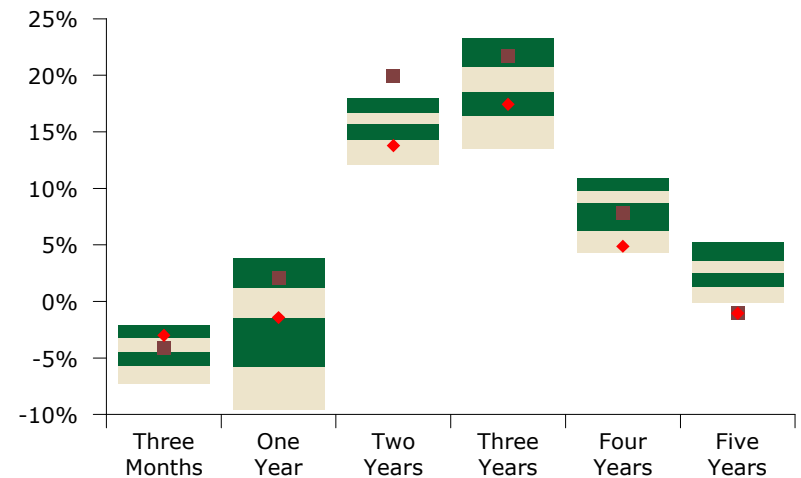
Quarterly Rate of Return Vs Benchmark



Net Returns %	LCQ	1 Yr.	2 Yrs.	3 Yrs.	5 Yrs.	Gross ITD Return	Inception Date
PanAgora Asset Mgmt	(4.3)	1.4	19.1	20.9	(1.8)	1.1	Feb-2006
Russell 2000 Value	(3.0)	(1.4)	13.8	17.4	(1.0)	1.8	
<i>Excess Return</i>	<i>(1.3)</i>	<i>2.8</i>	<i>5.3</i>	<i>3.5</i>	<i>(0.8)</i>	<i>(0.7)</i>	

Objective: Outperform the benchmark by 200 bps , annualized over a full market cycle (normally 3-5 years).

Quartile Rankings



	QTD	1 Yr.	2 Yrs.	3 Yrs.	4 Yrs.	5 Yrs.
■ PanAgora Asset Mgmt	(4.1)	2.1	19.9	21.7	7.8	(1.0)
Rank	39	22	3	17	61	97
◆ Russell 2000 Value	(3.0)	(1.4)	13.8	17.4	4.9	(1.0)
Rank	25	50	81	64	84	97
10th Percentile	(2.1)	3.8	17.9	23.3	10.9	5.3
1st Quartile	(3.3)	1.2	16.7	20.8	9.8	3.6
Median	(4.5)	(1.4)	15.7	18.6	8.8	2.6
3rd Quartile	(5.7)	(5.9)	14.3	16.4	6.3	1.3
90th Percentile	(7.3)	(9.6)	12.1	13.5	4.3	(0.2)
Number Of Observations	94	94	77	84	67	60



LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

Non-U.S. Equity Managers

Non-U.S. Equity Managers

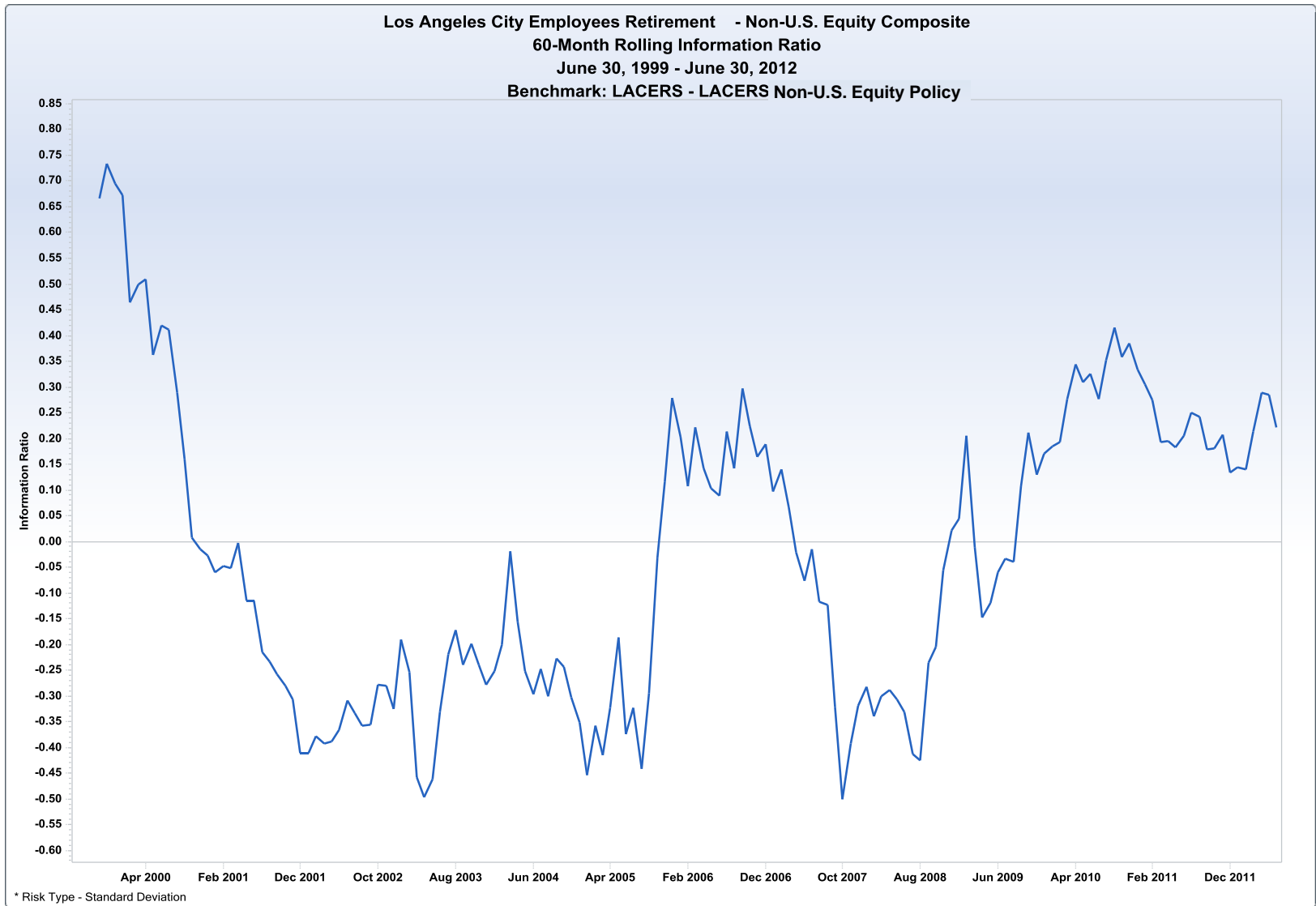
(Returns are Net of Fees)

	Inception Date	Market Value (\$million)	% to Total Non-U.S. Equity	Current Quarter	One Year	Three Years	Five Years	Ten Years	Since Inception ¹	5 Year Tracking Error
Non-U.S. Equity	Oct-94	\$ 1,829	100.0%	-7.5	-14.4	7.2	-4.6	6.6	4.2	1.7
<i>MSCI ACWI ex U.S.*</i>				-7.6	-14.6	7.0	-4.6	6.7	4.8	
Excess Return				0.1	0.2	0.2	0.0	-0.1	-0.6	
Capital Guardian ²	May-96	\$ 386	21.1%	-6.7	-12.7	7.4	-6.3	5.3	7.9	2.9
<i>MSCI Europe</i>				-7.5	-16.5	6.3	-7.0	5.1	5.7	
Excess Return				0.8	3.8	1.1	0.7	0.2	2.2	
Daiwa ²	Dec-95	\$ 182	10.0%	-7.4	-12.6	4.0	-4.8	5.7	3.4	2.3
<i>MSCI Pacific*</i>				-6.4	-8.3	5.7	-4.1	5.3	0.1	
Excess Return				-1.0	-4.3	-1.7	-0.7	0.4	3.3	
Franklin Templeton	Nov-91	\$ 209	11.4%	-4.5	-2.5	15.1	1.0	10.3	7.5	5.6
<i>MS AC Asia Pacific*</i>				-6.7	-10.7	7.0	-2.9	6.8	2.8	
Excess Return				2.2	8.2	8.1	3.9	3.5	4.7	
State Street Equity	Aug-93	\$ 619	33.8%	-7.2	-13.9	7.0	-5.1	5.9	5.0	0.6
<i>MSCI World ex U.S.</i>				-7.4	-14.3	6.6	-5.4	5.5	4.3	
Excess Return				0.2	0.4	0.4	0.3	0.4	0.7	
TT International ²	May-01	\$ 118	6.5%	-7.9	-17.1	5.3	-7.7	4.5	2.8	4.3
<i>MSCI World ex U.S.</i>				-7.2	-14.1	6.2	-5.7	5.4	3.5	
Excess Return				-0.7	-3.0	-0.9	-2.0	-0.9	-0.7	
Batterymarch	Sep-08	\$ 101	5.5%	-10.0	-21.4	7.9	--	--	6.5	--
<i>MSCI EMF (Emg Mkts Free)</i>				-8.9	-16.0	9.8	--	--	7.7	
Excess Return				-1.1	-5.4	-1.9	--	--	-1.2	
Boston Company ²	Jan-03	\$ 173	9.5%	-9.8	-20.0	6.7	-0.7	--	15.9	5.5
<i>MSCI EMF (Emg Mkts Free)</i>				-8.9	-16.0	9.8	-0.1	--	16.1	
Excess Return				-0.9	-4.0	-3.1	-0.6	--	-0.2	
Knight Vinke Asset ²	Apr-06	\$ 41	2.3%	-16.8	-36.6	-12.6	-14.9	--	-11.6	30.7
<i>Knight Vinke 10%</i>				2.4	10.0	10.0	10.0	--	10.0	
Excess Return				-19.2	-46.6	-22.6	-24.9	--	-21.6	

¹ Indicates gross returns

² Indicates manager "On Watch"

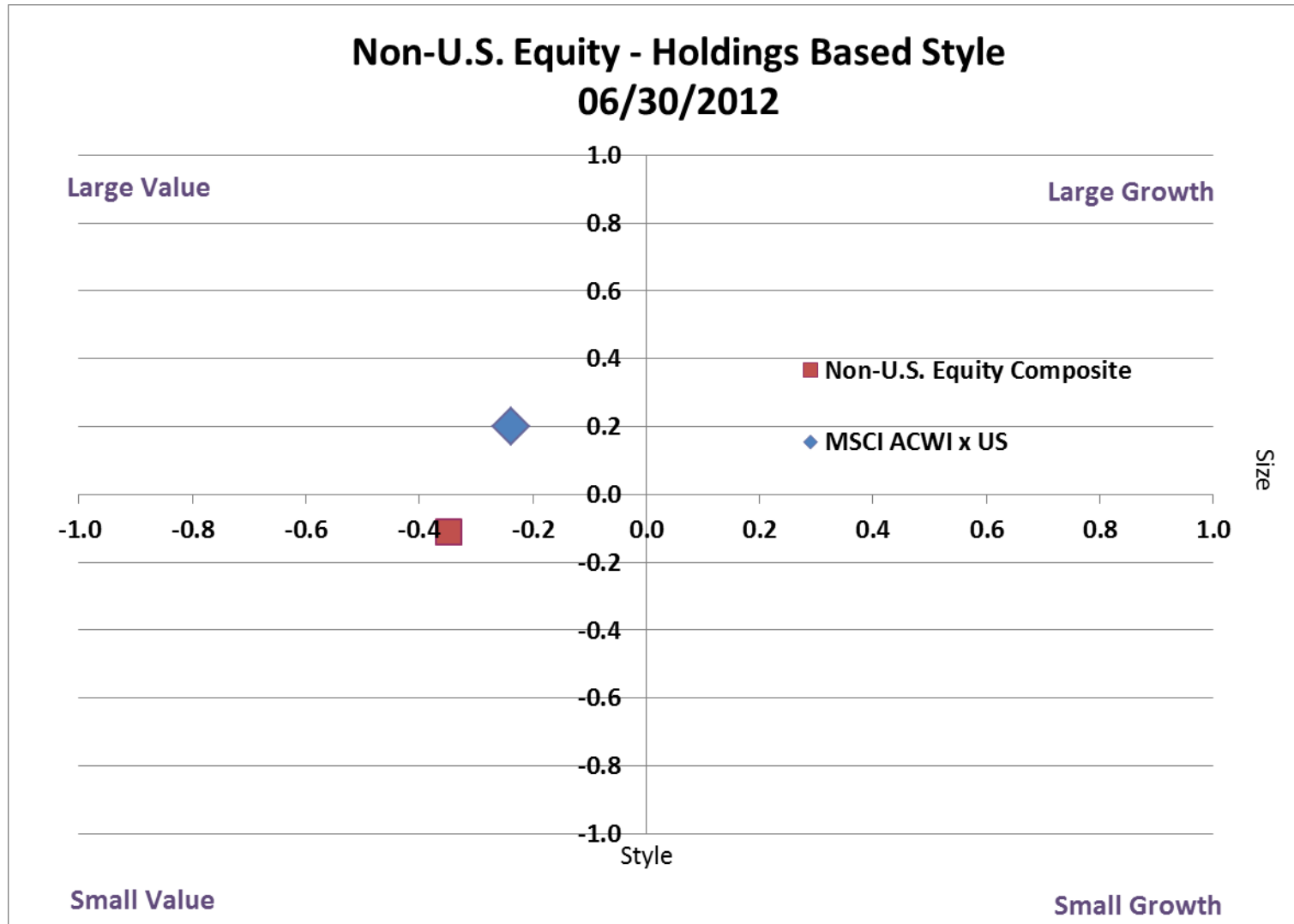
* The MS ACWI ex U.S., MSCI Pacific, and MSCI AC Asia Pacific indices are historically blended with other indices.



**Non-U.S. Equity
Holdings Based Performance Attribution*
03/31/2012 - 06/30/2012**

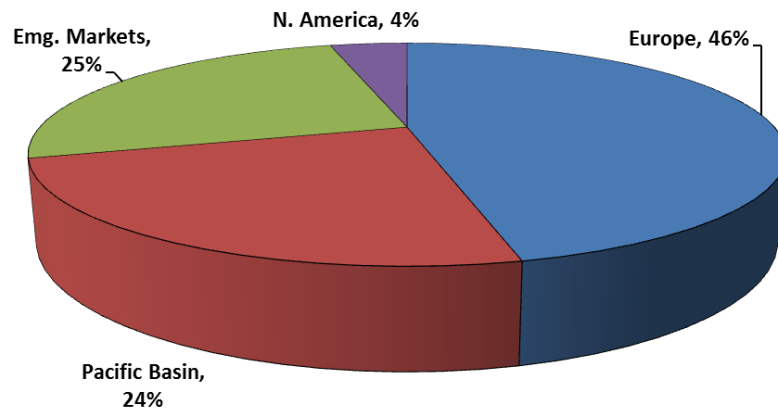
Manager	Index	Variance			
		Currency Weight	Country Weight	Stock Selection	Total
Batterymarch	MSCI Emg	1.75	-0.59	-2.11	-0.95
Capital Guardian	MSCI Europe	-0.03	-0.20	0.61	0.39
Daiwa	MSCI Pacific	-0.24	-0.26	-0.71	-1.21
Franklin Templeton	MSCI AC Asia Pacific	-0.89	0.33	3.23	2.67
State Street	MSCI World x US	-0.04	0.05	0.17	0.18
The Boston Compony	MSCI Emg	1.51	-0.40	-2.05	-0.93
TT International	MSCI World x US	0.72	-0.08	-1.30	-0.67
Non-U.S. Equity Composite	MSCI ACWI x US	0.49	-0.02	-0.42	0.05

**Attribution values exclude impact of trading within the quarter.*

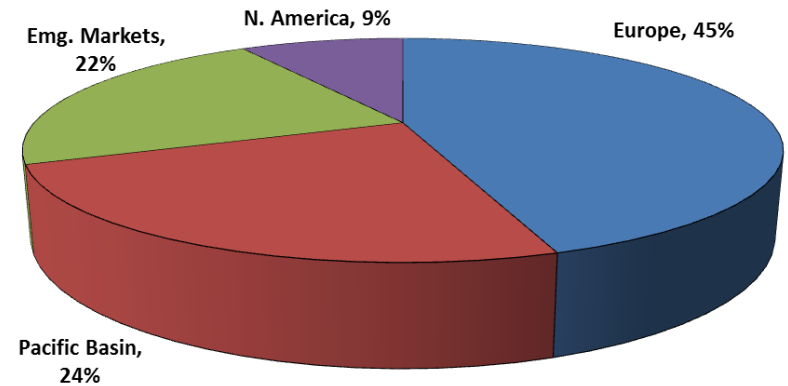


Country Allocation

Benchmark – MSCI ACWI x U.S. Index



Non-U.S. Equity Composite



MANAGER REPORT CARD¹

Non-U.S. Managers	Inception Date	Mandate	Current Quarter		One Year		Three Years		Five Years		Since Inception	Comments ²
			I	U	I	U	I	U	I	U	I	
➤ Batterymarch	Sep-08	Emerging Markets	✗	✗	✗	✗	✗	✗	n/a	n/a	✗	Performance lagging. Monitoring manager.
➤ Boston Company	Jan-03	Emerging Markets	✗	✗	✗	✗	✗	✗	✗	✗	✗	"On Watch" since 02/12 - performance lagging.
➤ Capital Guardian	May-96	Europe	✓	✓	✓	✓	✓	=	✓	✗	✓	"On Watch" since 02/10 - performance improving.
➤ Daiwa	Dec-95	Asia Pacific	✗	✗	✗	✗	✗	✗	✗	n/a	✓	"On Watch" since 10/11 - organization. Performance lagging. Monitoring manager.
➤ Franklin Templeton	Nov-91	Asia Pacific	✓	✓	✓	✓	✓	✓	✓	n/a	✓	Performance satisfactory.
➤ TT International	May-01	Non US Developed	✗	✗	✗	✗	✗	✗	✗	✗	✗	"On Watch" since 1/09 - performance.
➤ State Street	Aug-93	Non US Developed	✓	✗	✓	✗	✓	✗	✓	✗	✓	Performance satisfactory.
➤ Knight Vinke	Apr-06	Corp Gov - Europe	✗	n/a	✗	n/a	✗	n/a	✗	n/a	✗	"On Watch" since 06/11 - performance.

¹ Current Quarter, 1-Yr, 3-Yrs, and 5-Yrs returns are net of fees. Since Inception returns are gross of fee.

² Managers are placed on the Watch List for concerns with organization, process, and performance. Managers are normally on the Watch List for 6 months though can be longer if manager issues still remain but not severe enough to warrant contract termination recommendation.

LEGEND		
✓	outperformed index	I index
✗	underperformed index	U universe median
=	equal to index	

Batterymarch

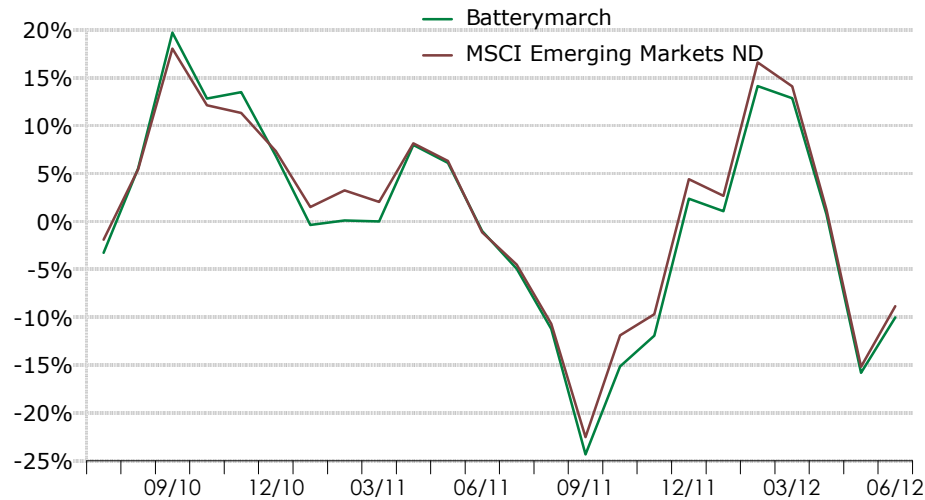
Mandate: Emerging Markets Equity
Benchmark: MSCI Emerging Markets ND

Strategy

Batterymarch invests in Non-US stocks in emerging countries that are part of the MSCI Emerging Markets index.

Performance

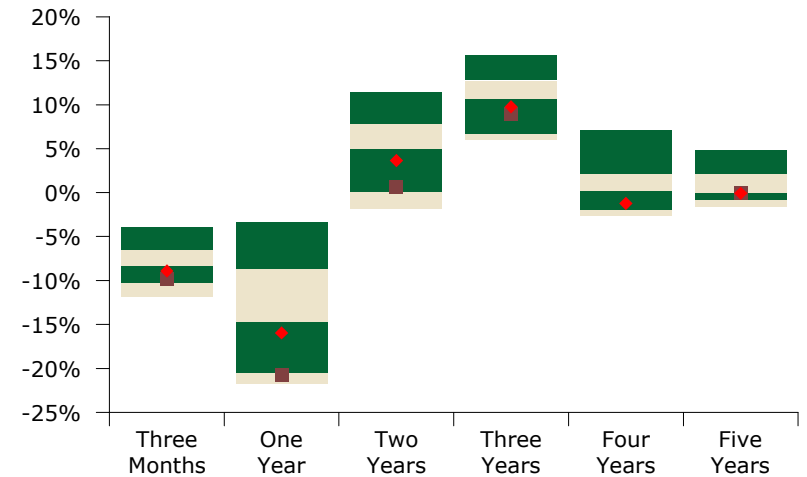
Quarterly Rate of Return Vs Benchmark



Net Returns %	LCQ	1 Yr.	2 Yrs.	3 Yrs.	5 Yrs.	Gross ITD Return	Inception Date
Batterymarch	(10.0)	(21.4)	(0.3)	7.9	--	6.5	Sep-2008
MSCI Emerging Mkt	(8.9)	(16.0)	3.6	9.8	--	7.7	
<i>Excess Return</i>	<i>(1.1)</i>	<i>(5.4)</i>	<i>(3.9)</i>	<i>(1.9)</i>	<i>--</i>	<i>(1.2)</i>	

Objective: Outperform the benchmark by 300 bps , annualized over a full market cycle (normally 3-5 years).

Quartile Rankings



	QTD	1 Yr.	2 Yrs.	3 Yrs.	4 Yrs.	5 Yrs.
■ Batterymarch	(9.8)	(20.7)	0.7	8.9	--	--
Rank	72	77	74	62		
◆ MSCI Emerging Markets	(8.9)	(16.0)	3.6	9.8	(1.2)	(0.1)
Rank	57	57	60	58	60	52
10th Percentile	(3.9)	(3.4)	11.5	15.6	7.2	4.9
1st Quartile	(6.5)	(8.7)	7.9	12.8	2.2	2.2
Median	(8.4)	(14.8)	5.0	10.7	0.2	0.1
3rd Quartile	(10.3)	(20.5)	0.1	6.7	(2.0)	(0.9)
90th Percentile	(11.8)	(21.8)	(1.8)	6.1	(2.6)	(1.6)
Number Of Observations	71	68	64	58	54	50

Boston Company

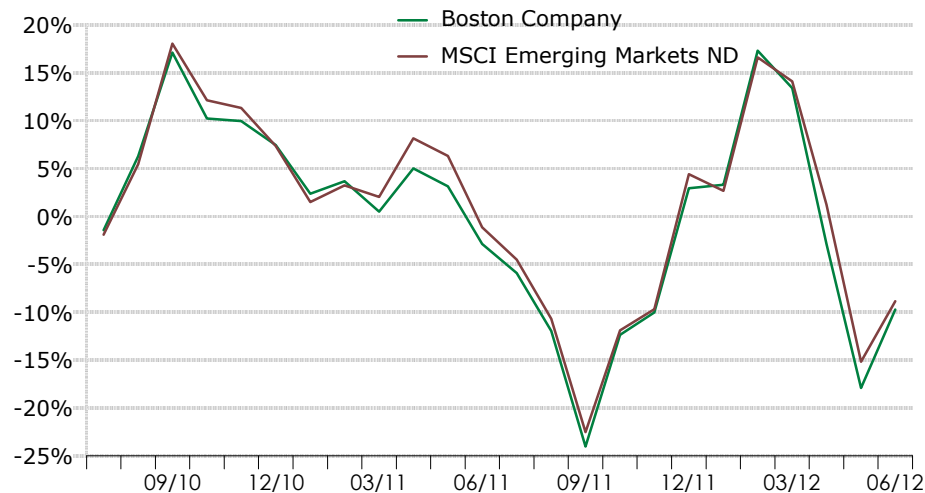
Mandate: Emerging Markets Equity
Benchmark: MSCI Emerging Markets ND

Strategy

Boston Co. invests in Non-US stocks in emerging countries that are part of the MSCI Emerging Markets index.

Performance

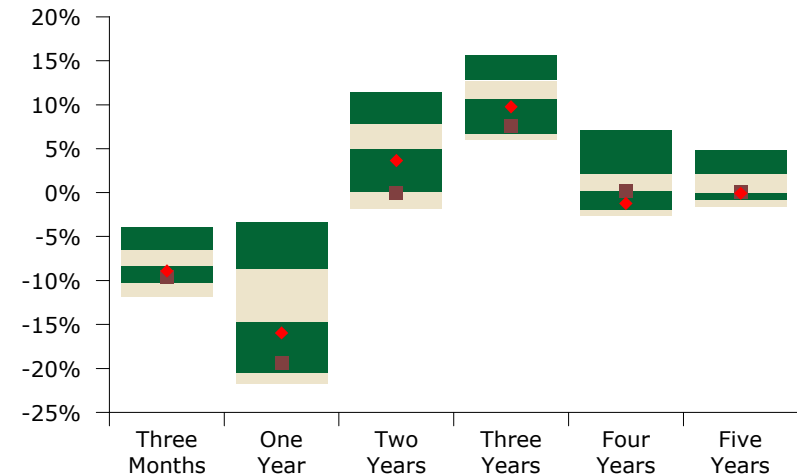
Quarterly Rate of Return Vs Benchmark



Net Returns %	LCQ	1 Yr.	2 Yrs.	3 Yrs.	5 Yrs.	Gross ITD Return	Inception Date
Boston Company	(9.8)	(20.0)	(0.9)	6.7	(0.7)	15.9	Jan-2003
MSCI Emerging Mark	(8.9)	(16.0)	3.6	9.8	(0.1)	16.1	
<i>Excess Return</i>	(0.9)	(4.0)	(4.5)	(3.1)	(0.6)	(0.2)	

Objective: Outperform the benchmark by 200-300 bps , annualized over a full market cycle (normally 3-5 years).

Quartile Rankings



	QTD	1 Yr.	2 Yrs.	3 Yrs.	4 Yrs.	5 Yrs.
■ Boston Company	(9.6)	(19.4)	(0.1)	7.6	0.2	0.1
Rank	63	69	77	72	50	45
◆ MSCI Emerging Marke	(8.9)	(16.0)	3.6	9.8	(1.2)	(0.1)
Rank	57	57	60	58	60	52
10th Percentile	(3.9)	(3.4)	11.5	15.6	7.2	4.9
1st Quartile	(6.5)	(8.7)	7.9	12.8	2.2	2.2
Median	(8.4)	(14.8)	5.0	10.7	0.2	0.1
3rd Quartile	(10.3)	(20.5)	0.1	6.7	(2.0)	(0.9)
90th Percentile	(11.8)	(21.8)	(1.8)	6.1	(2.6)	(1.6)
Number Of Observations	71	68	64	58	54	50

Capital Guardian

Mandate: Europe Region Equity Manager

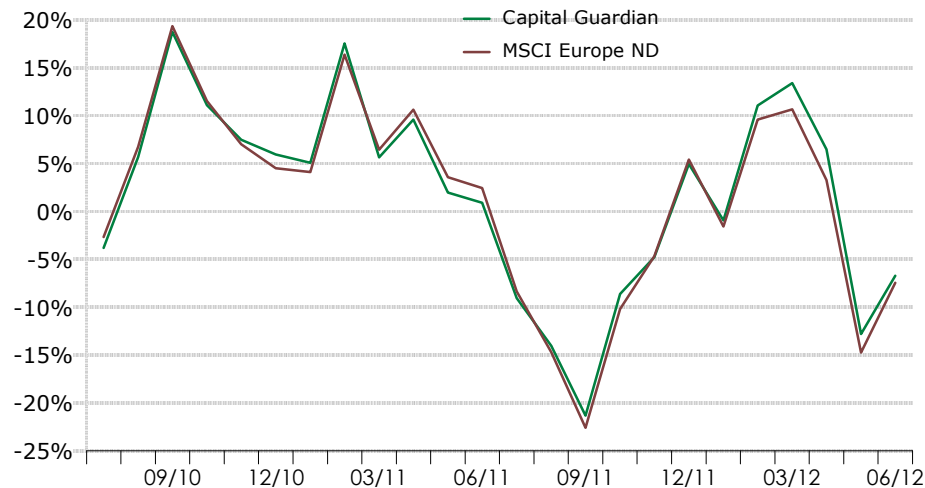
Benchmark: MSCI Europe ND

Strategy

Capital Guardian invests in Non-US stocks across all developed European countries.

Performance

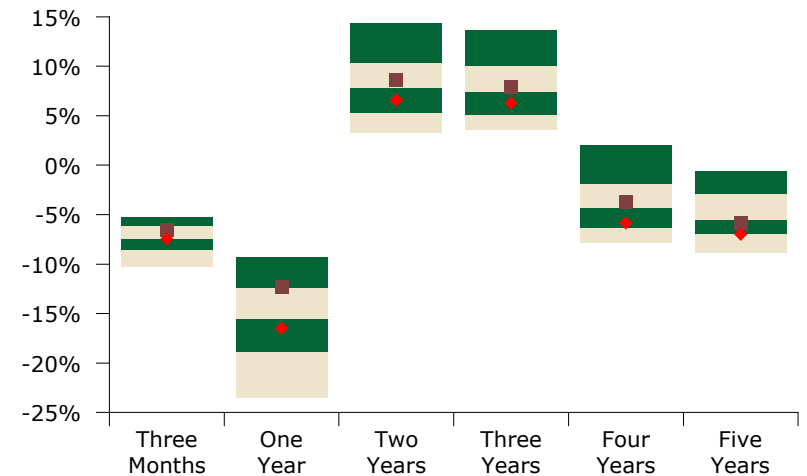
Quarterly Rate of Return Vs Benchmark



Net Returns %	LCQ	1 Yr.	2 Yrs.	3 Yrs.	5 Yrs.	Gross ITD Return	Inception Date
Capital Guardian	(6.7)	(12.7)	8.2	7.4	(6.3)	7.9	May-1996
MSCI Europe ND	(7.5)	(16.5)	6.6	6.3	(7.0)	5.7	
<i>Excess Return</i>	0.8	3.8	1.6	1.1	0.7	2.2	

Objective: Outperform the benchmark by 200 bps, annualized over a full market cycle (normally 3-5 years).

Quartile Rankings



	QTD	1 Yr.	2 Yrs.	3 Yrs.	4 Yrs.	5 Yrs.
■ Capital Guardian	(6.5)	(12.3)	8.6	7.9	(3.8)	(5.9)
◆ MSCI Europe ND	(7.5)	(16.5)	6.6	6.3	(5.8)	(7.0)
Rank	35	25	45	45	45	60
10th Percentile	(5.2)	(9.3)	14.4	13.6	1.9	(0.6)
1st Quartile	(6.1)	(12.5)	10.4	10.0	(1.9)	(3.0)
Median	(7.5)	(15.5)	7.8	7.4	(4.4)	(5.6)
3rd Quartile	(8.6)	(18.9)	5.3	5.1	(6.4)	(7.0)
90th Percentile	(10.3)	(23.5)	3.3	3.6	(7.8)	(8.9)
Number Of Observations	127	123	121	118	112	99

Daiwa

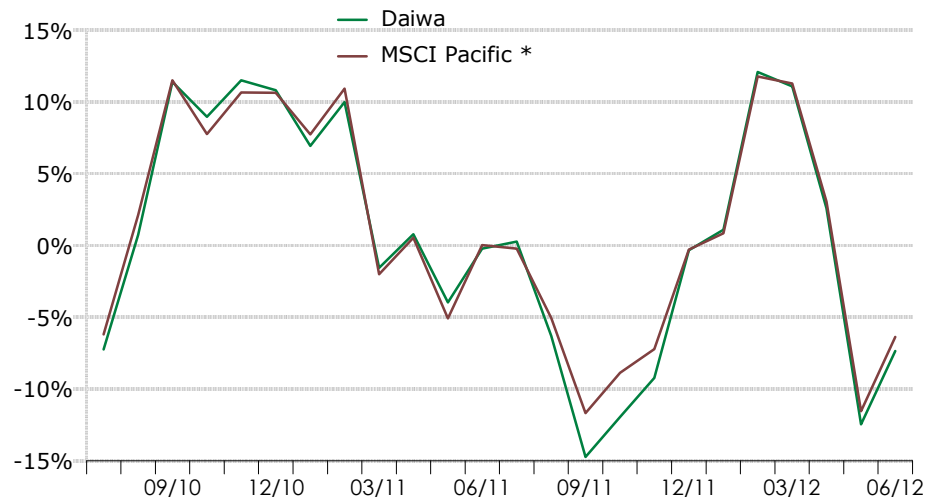
Mandate: Pacific Basin Manager
Benchmark: MSCI Pacific

Strategy

DAIWA invests in Non-US stocks primarily in Japan and Australia. Investment opportunities in other Asian countries are also pursued.

Performance

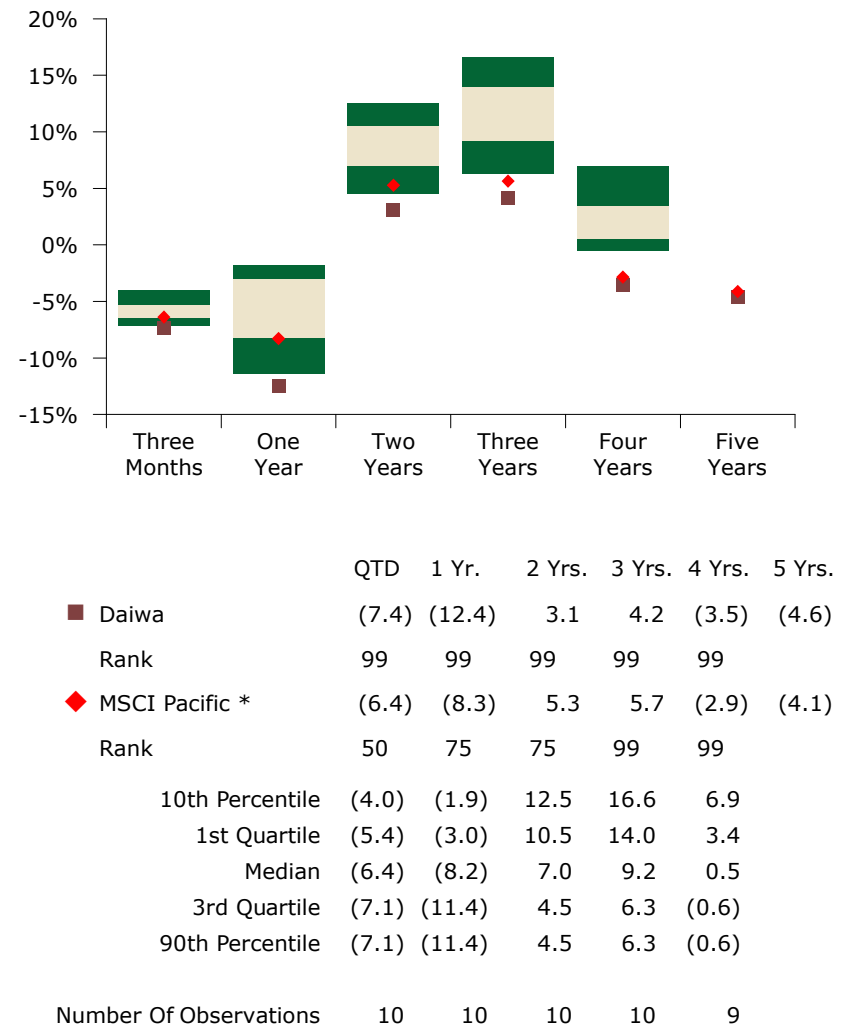
Quarterly Rate of Return Vs Benchmark



Net Returns %	LCQ	1 Yr.	2 Yrs.	3 Yrs.	5 Yrs.	Gross ITD Return	Inception Date
Daiwa	(7.4)	(12.6)	2.9	4.0	(4.8)	3.4	Dec-1995
MSCI Pacific *	(6.4)	(8.3)	5.3	5.7	(4.1)	0.1	
<i>Excess Return</i>	(1.0)	(4.3)	(2.4)	(1.7)	(0.7)	3.3	

Objective: Outperform the benchmark by 200 bps , annualized over a full market cycle (normally 3-5 years).

Quartile Rankings



Franklin Templeton

Mandate: Pacific Basin Manager

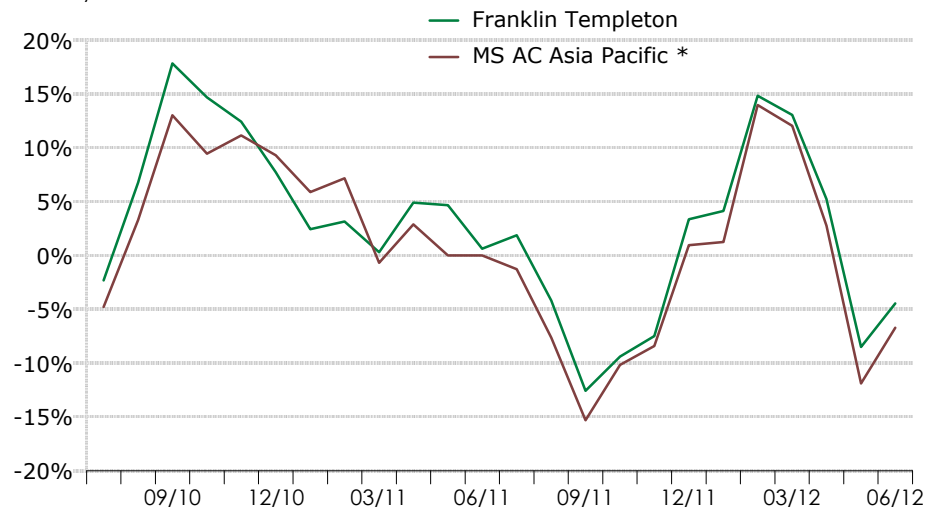
Benchmark: MS AC Asia Pacific *

Strategy

Franklin invests in Non-US stocks in the Asia/Pacific region. Investments are in both developed and emerging countries.

Performance

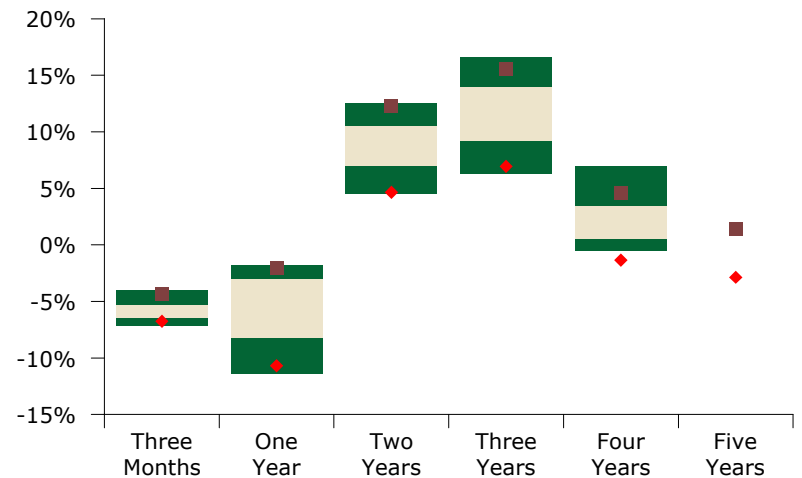
Quarterly Rate of Return Vs Benchmark



Net Returns %	LCQ	1 Yr.	2 Yrs.	3 Yrs.	5 Yrs.	Gross ITD Return	Inception Date
Franklin Templeton	(4.5)	(2.5)	11.8	15.1	1.0	7.5	Nov-1991
MS AC Asia Pacific *	(6.7)	(10.7)	4.7	7.0	(2.9)	2.8	
<i>Excess Return</i>	2.2	8.2	7.1	8.1	3.9	4.7	

Objective: Outperform the benchmark by 200 bps , annualized over a full market cycle (normally 3-5 years).

Quartile Rankings



	QTD	1 Yr.	2 Yrs.	3 Yrs.	4 Yrs.	5 Yrs.
■ Franklin Templeton	(4.4)	(2.1)	12.3	15.6	4.6	1.4
Rank	25	25	25	25	25	
◆ MS AC Asia Pacific *	(6.7)	(10.7)	4.7	7.0	(1.3)	(2.9)
Rank	75	75	75	75	99	
10th Percentile	(4.0)	(1.9)	12.5	16.6	6.9	
1st Quartile	(5.4)	(3.0)	10.5	14.0	3.4	
Median	(6.4)	(8.2)	7.0	9.2	0.5	
3rd Quartile	(7.1)	(11.4)	4.5	6.3	(0.6)	
90th Percentile	(7.1)	(11.4)	4.5	6.3	(0.6)	
Number Of Observations	10	10	10	10	9	

TT International

Mandate: Non-US Developed Equity Mgrs.
Benchmark: MSCI World ex US

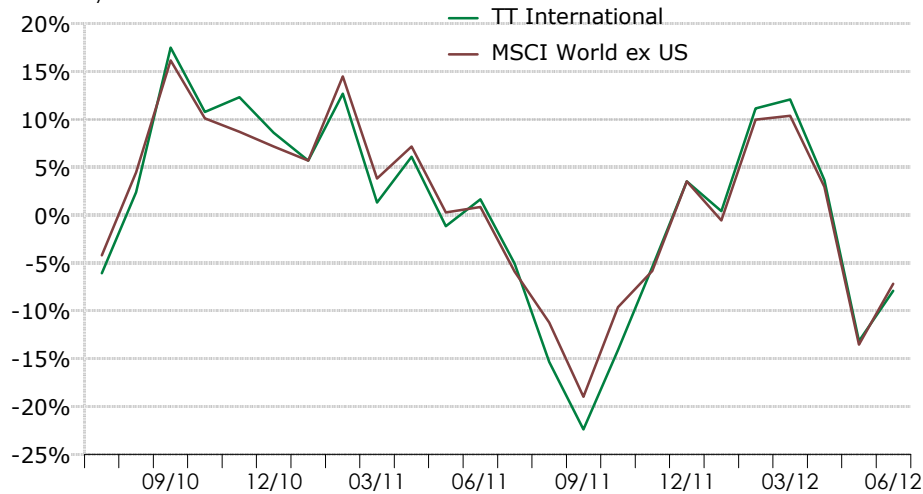
Objective: Outperformed the benchmark in U.S.\$ by 3% per annum, net-of-fees, over a full market cycle (normally 3-5 years).

Strategy

TT Intl invests in Non-US stocks primarily in developed countries. There is no regional focus. Potential investment opportunities are pursued in all countries within the MSCI World ex US index.

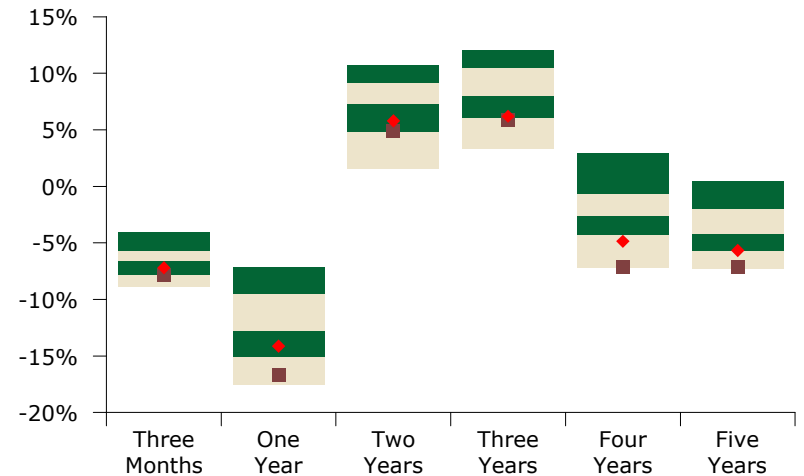
Performance

Quarterly Rate of Return Vs Benchmark



Net Returns %	LCQ	1 Yr.	2 Yrs.	3 Yrs.	5 Yrs.	Gross ITD Return	Inception Date
TT International	(7.9)	(17.1)	4.4	5.3	(7.7)	2.8	May-2001
MSCI World ex US	(7.2)	(14.1)	5.8	6.2	(5.7)	3.5	
<i>Excess Return</i>	(0.7)	(3.0)	(1.4)	(0.9)	(2.0)	(0.7)	

Quartile Rankings



	QTD	1 Yr.	2 Yrs.	3 Yrs.	4 Yrs.	5 Yrs.
■ TT International	(7.8)	(16.7)	4.9	5.8	(7.1)	(7.2)
Rank	75	88	75	77	90	90
◆ MSCI World ex US	(7.2)	(14.1)	5.8	6.2	(4.9)	(5.7)
Rank	66	66	68	75	80	73

10th Percentile	(4.0)	(7.2)	10.7	12.0	3.0	0.5
1st Quartile	(5.7)	(9.6)	9.1	10.5	(0.7)	(2.0)
Median	(6.6)	(12.8)	7.3	8.0	(2.6)	(4.2)
3rd Quartile	(7.9)	(15.1)	4.9	6.1	(4.4)	(5.7)
90th Percentile	(8.9)	(17.5)	1.6	3.3	(7.2)	(7.3)

Number Of Observations	226	215	207	182	166	139
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RETIREMENT SYSTEM

Fixed Income Managers

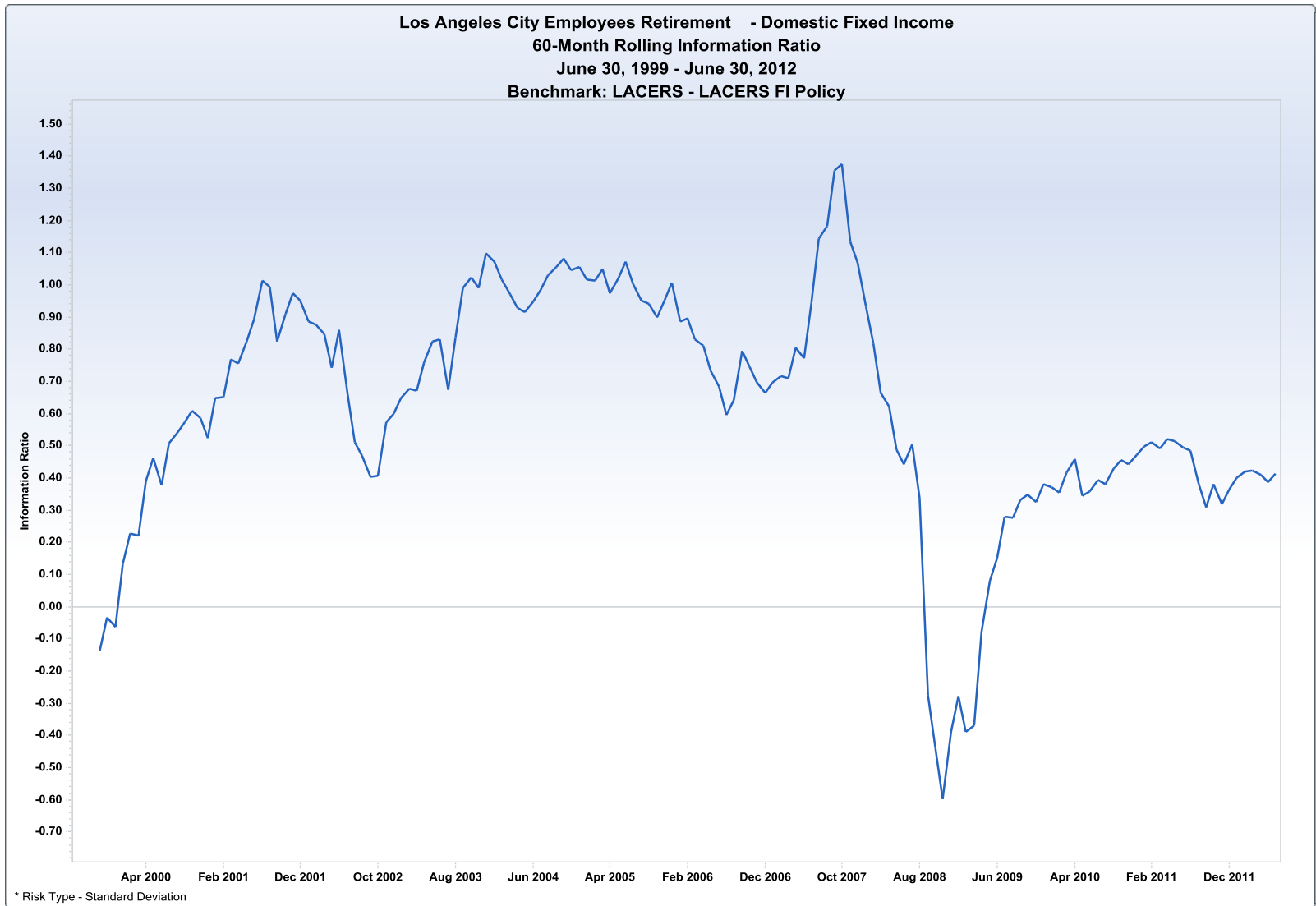
Fixed Income Managers

(Returns are Net of Fees)

	Inception Date	Market Value (\$million)	% to Total Fixed Income	Current Quarter	One Year	Three Years	Five Years	Ten Years	Since Inception ¹	5 Year Tracking Error
Total Fixed Income	Oct-94	\$ 2,758	100.0%	2.0	6.6	9.7	7.5	6.9	7.5	2.7
<i>BC U.S. Universal*</i>				2.0	7.4	7.6	6.8	6.0	6.5	
Excess Return				0.0	-0.8	2.1	0.7	0.9	1.0	
Domestic Fixed Income		\$ 2,679	97.1%	1.8	6.9	9.7	7.9	7.1	7.5	2.9
<i>BC U.S. Universal*</i>				2.0	7.4	7.6	6.8	6.0	6.9	
Excess Return				-0.2	-0.5	2.1	1.1	1.1	0.6	
Loomis Sayles	Jun-80	\$ 1,074	39.0%	2.0	7.2	9.4	7.5	7.5	10.1	4.2
<i>BC U.S. Universal*</i>				2.0	7.4	7.6	6.8	6.0	8.6	
Excess Return				0.0	-0.2	1.8	0.7	1.5	1.5	
Neuberger Berman	Nov-90	\$ 1,096	39.7%	1.7	7.0	11.0	8.6	7.4	7.8	3.4
<i>BC U.S. Universal*</i>				2.0	7.4	7.6	6.8	6.0	7.0	
Excess Return				-0.3	-0.4	3.4	1.8	1.4	0.8	
Baird Advisors	Mar-05	\$ 244	8.8%	1.7	6.3	7.7	6.4	--	5.8	1.5
<i>BC U.S. Agg Govt/Credit Intermed</i>				1.5	5.4	5.8	6.0	--	5.2	
Excess Return				0.2	0.9	1.9	0.4	--	0.6	
LM Capital Group	Mar-05	\$ 264	9.6%	1.6	6.0	7.8	6.6	--	6.1	3.0
<i>BC U.S. Universal*</i>				2.0	6.9	6.3	6.3	--	5.4	
Excess Return				-0.4	-0.9	1.5	0.3	--	0.7	
Opportunistic Fixed Income		\$ 79	2.9%	9.9	5.3	10.4	--	--	1.1	--
<i>CG High Yield Bond</i>				1.8	7.6	16.0	--	--	8.8	
Excess Return				8.1	-2.3	-5.6	--	--	-7.7	
Highbridge	Nov-10	\$ 40	1.4%	3.8	6.9	--	--	--	3.3	--
<i>S&P LSTA Leveraged Loan B</i>				0.6	4.6	--	--	--	6.0	
Excess Return				3.2	2.4	--	--	--	-2.7	
Torchlight Investors	Oct-07	\$ 36	1.3%	2.7	5.2	18.9	--	--	-15.0	--
<i>BC US Aggregate CMBS</i>				0.9	6.7	15.7	--	--	7.3	
Excess Return				1.8	-1.5	3.2	--	--	-22.3	
Whippoorwill	Jul-05	\$ 3	0.1%	-46.7	-60.8	-21.7	-16.2	--	-9.9	24.5
<i>CG High Yield Bond</i>				1.8	7.6	16.0	8.1	--	7.9	
Excess Return				-48.5	-68.4	-37.7	-24.3	--	-18.0	

¹ Indicates gross returns

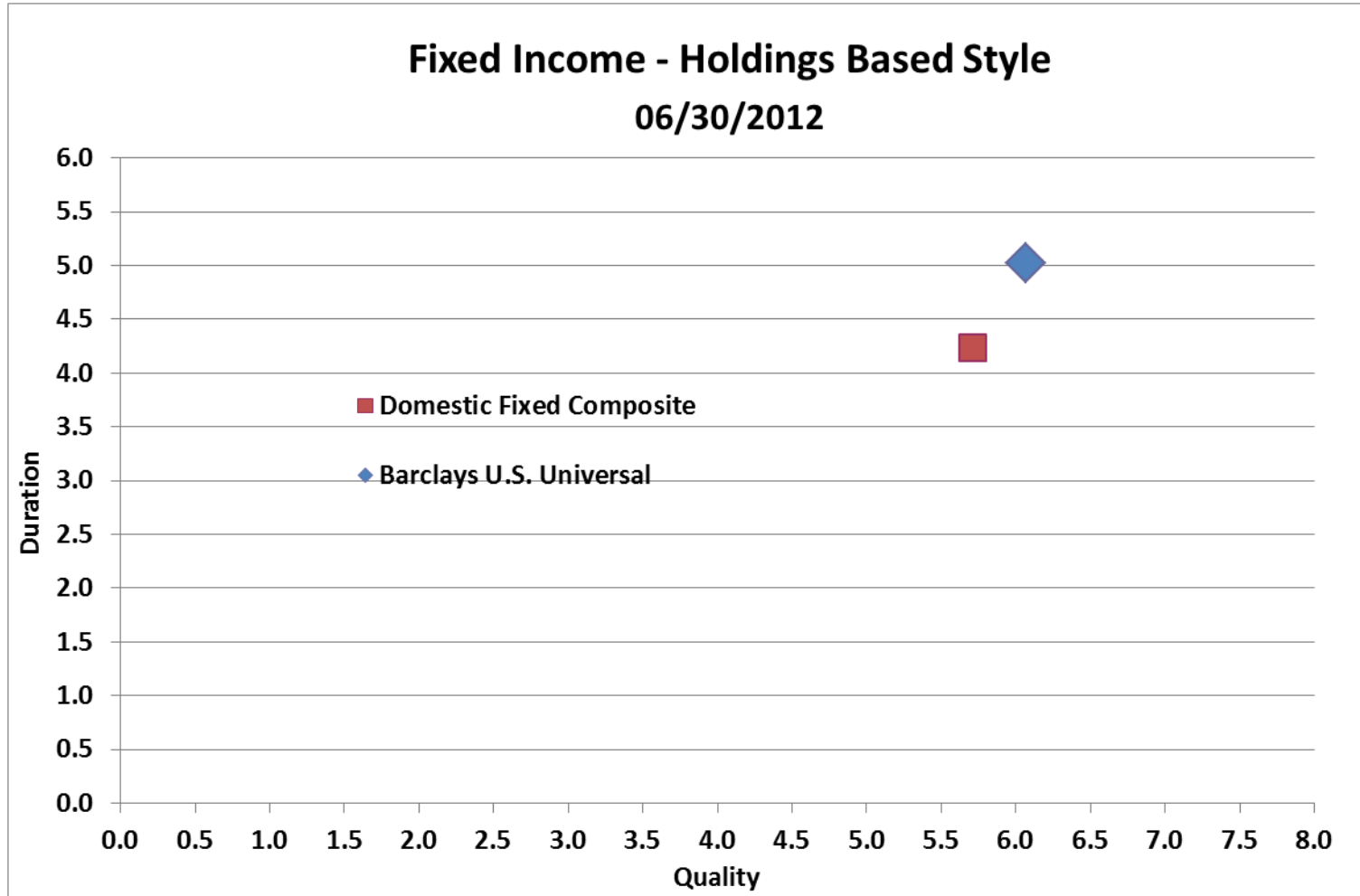
* The BC U.S. Universal index has historical data blended with other indices.



**Fixed Income
 Holdings Based Performance Attribution*
 3/31/2012 to 6/30/2012**

	Index	Yield	Duration	Sector	Quality	Selection	Total
Baird Advisors	Barclays US Gov/Cr Inter	0.31	-0.01	0.02	-0.13	0.24	0.43
LM Capital Group	Barclays Universal	-0.12	0.13	-0.15	0.14	-0.18	-0.18
Loomis Sayles	Barclays Universal	0.19	-0.09	0.43	-0.65	0.09	-0.03
Neuberger Berman	Barclays Universal	0.10	0.13	-0.09	0.18	-0.65	-0.33
Fixed Income Composite	Barclays Universal	0.24	0.01	0.25	0.10	-0.82	-0.22

**Attribution values exclude impact of trading within the quarter.*



MANAGER REPORT CARD¹

Domestic Fixed Income	Inception Date	Mandate	Current Quarter		One Year		Three Years		Five Years		Since Inception	Comments ²
			I	U	I	U	I	U	I	U	I	
➤ Neuberger Berman	Nov-90	Core - Plus	✗	=	✗	✗	✓	✓	✓	✓	✓	Performance mixed. Monitoring manager.
➤ Loomis Sayles	Jun-80	Core - Plus	=	✓	✗	=	✓	✓	✓	✓	✓	Performance mixed. Monitoring manager.
➤ Baird Advisors	Mar-05	Intermediate	✓	✓	✓	✓	✓	✓	✓	✓	✓	Performance satisfactory.
➤ LM Capital Group	Feb-05	Intermediate	✗	✓	✗	✓	✓	✓	✓	✓	✓	Performance mixed. Monitoring manager.
➤ Highbridge	Nov-10	Distressed Debt	✓	✓	✓	✗	n/a	n/a	n/a	n/a	✗	Limited track record.
➤ Torchlight	Oct-07	Distressed Debt	✓	✓	✗	✗	✓	✓	n/a	n/a	✗	Performance improving. Monitoring manager.
➤ Whipoorwill	Jul-05	Distressed Debt	✗	✗	✗	✗	✗	✗	✗	✗	✗	Redeemed 6/11. In redemption process.

¹ Current Quarter, 1-Yr, 3-Yrs, and 5-Yrs returns are net of fees. Since Inception returns are gross of fee.

² Managers are placed on the Watch List for concerns with organization, process, and performance. Managers are normally on the Watch List for 6 months though can be longer if manager issues still remain but not severe enough to warrant contract termination recommendation.

LEGEND	
✓	outperformed index
✗	underperformed index
=	equal to index
I	index
U	universe median

Neuberger Berman

Mandate: US Fixed Income Manager

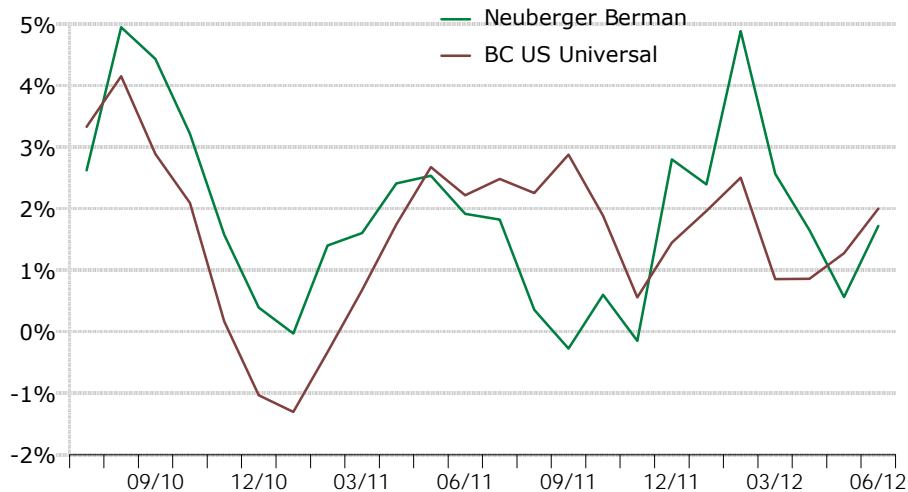
Benchmark: BC US Universal

Strategy

Neuberger invests in investment-grade bonds rated BBB- or higher by Moodys.

Performance

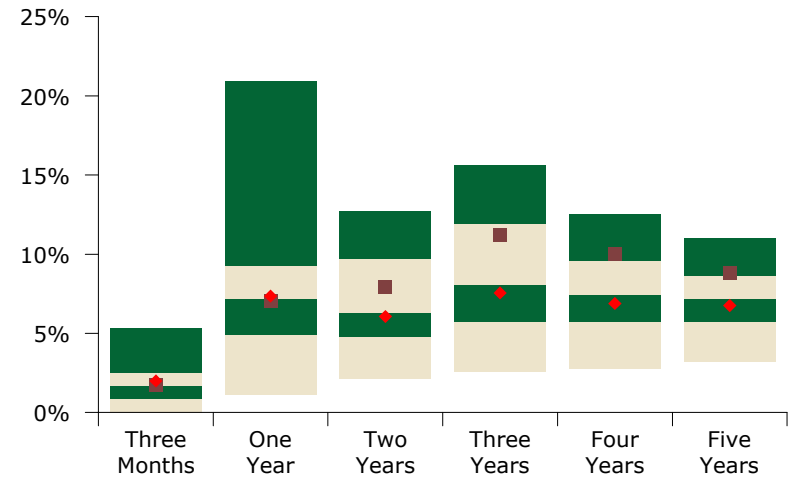
Quarterly Rate of Return Vs Benchmark



Net Returns %	LCQ	1 Yr.	2 Yrs.	3 Yrs.	5 Yrs.	Gross ITD Return	Inception Date
Neuberger Berman	1.7	7.0	7.8	11.0	8.7	7.9	Nov-1990
BC US Universal	2.0	7.4	6.1	7.6	6.8	7.0	
<i>Excess Return</i>	<i>(0.3)</i>	<i>(0.4)</i>	<i>1.7</i>	<i>3.4</i>	<i>1.9</i>	<i>0.9</i>	

Objective: Outperform the benchmark by 100 bps , annualized over a full market cycle (normally 3-5 years).

Quartile Rankings



	QTD	1 Yr.	2 Yrs.	3 Yrs.	4 Yrs.	5 Yrs.
■ Neuberger Berman	1.7	7.1	8.0	11.2	10.0	8.8
Rank	49	51	33	27	24	23
◆ BC US Universal	2.0	7.4	6.1	7.6	6.9	6.8
Rank	44	49	56	58	58	61
10th Percentile	5.3	20.9	12.7	15.6	12.5	11.0
1st Quartile	2.5	9.2	9.7	11.9	9.6	8.6
Median	1.7	7.2	6.3	8.1	7.4	7.2
3rd Quartile	0.9	4.9	4.8	5.7	5.8	5.7
90th Percentile	0.0	1.1	2.1	2.6	2.8	3.2
Number Of Observations	468	450	410	360	302	268

Loomis Sayles

Mandate: US Fixed Income Manager

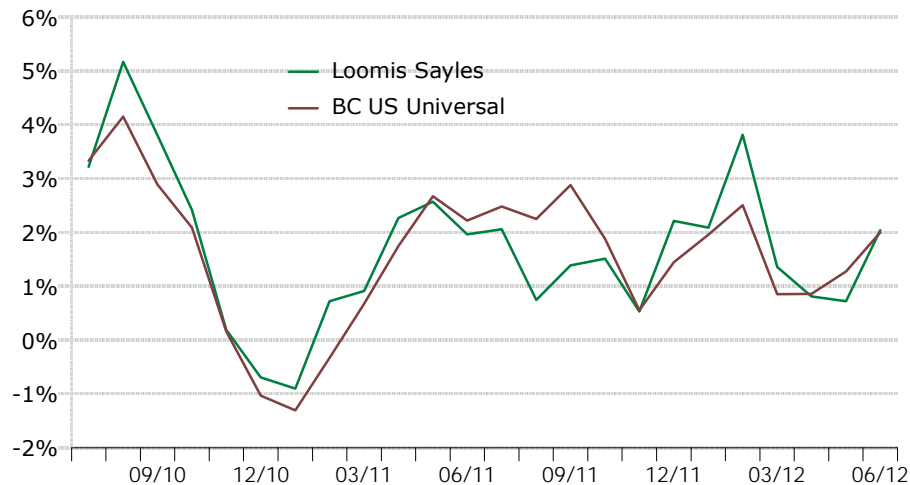
Benchmark: BC US Universal

Strategy

Loomis invests primarily in US investment-grade bonds rated BBB- or higher by Moodys.

Performance

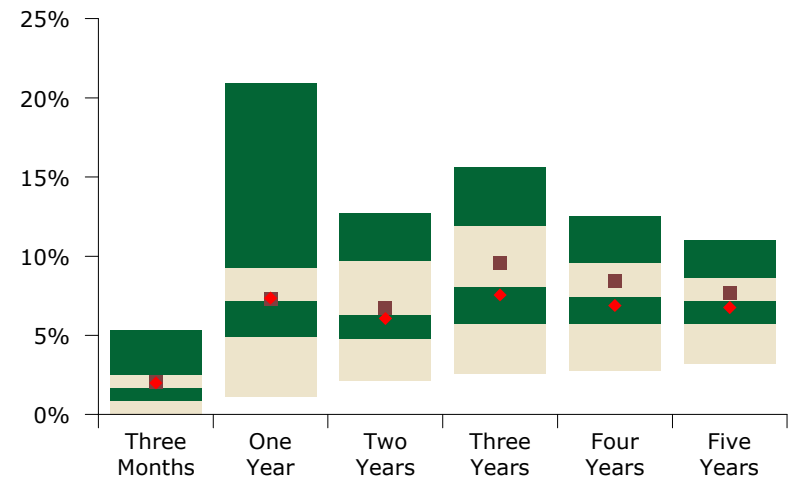
Quarterly Rate of Return Vs Benchmark



Net Returns %	LCQ	1 Yr.	2 Yrs.	3 Yrs.	5 Yrs.	Gross ITD Return	Inception Date
Loomis Sayles	2.0	7.2	6.6	9.4	7.5	10.2	Jun-1980
BC US Universal	2.0	7.4	6.1	7.6	6.8	8.6	
<i>Excess Return</i>	0.0	(0.2)	0.5	1.8	0.7	1.6	

Objective: Outperform the benchmark by 50 bps , annualized over a full market cycle (normally 3-5 years).

Quartile Rankings



	QTD	1 Yr.	2 Yrs.	3 Yrs.	4 Yrs.	5 Yrs.
■ Loomis Sayles	2.1	7.3	6.8	9.6	8.4	7.7
Rank	40	50	42	35	36	41
◆ BC US Universal	2.0	7.4	6.1	7.6	6.9	6.8
Rank	44	49	56	58	58	61
10th Percentile	5.3	20.9	12.7	15.6	12.5	11.0
1st Quartile	2.5	9.2	9.7	11.9	9.6	8.6
Median	1.7	7.2	6.3	8.1	7.4	7.2
3rd Quartile	0.9	4.9	4.8	5.7	5.8	5.7
90th Percentile	0.0	1.1	2.1	2.6	2.8	3.2
Number Of Observations	468	450	410	360	302	268

Baird Advisors

Mandate: Intermediate Fixed Income

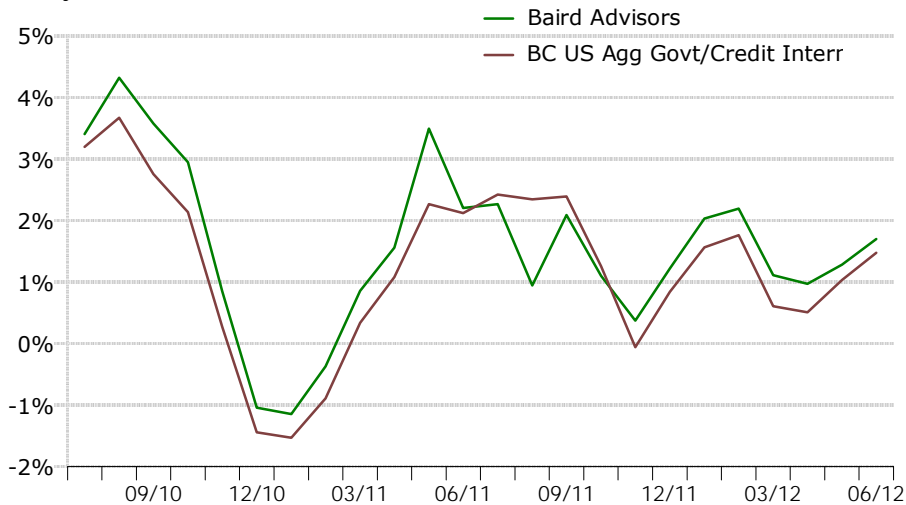
Benchmark: BC US Agg Govt/Credit Intermed

Strategy

Baird invests primarily in US investment-grade bonds in the government and credit sectors with 3-5 year maturities.

Performance

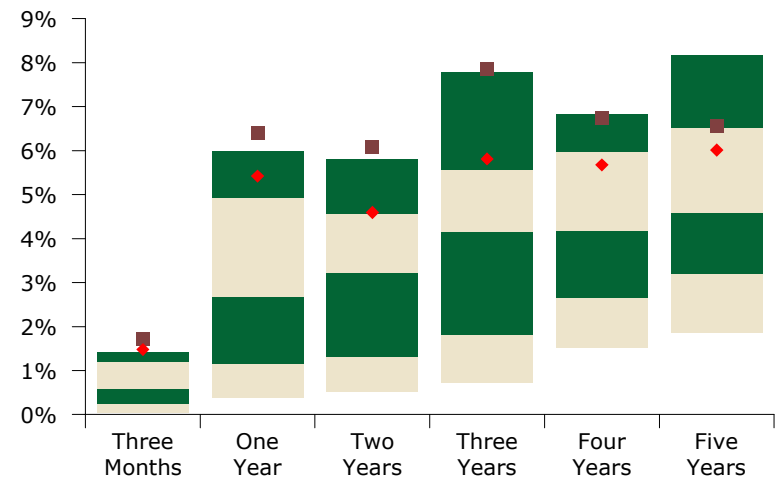
Quarterly Rate of Return Vs Benchmark



Net Returns %	LCQ	1 Yr.	2 Yrs.	3 Yrs.	5 Yrs.	Gross ITD Return	Inception Date
Baird Advisors	1.7	6.3	6.0	7.7	6.4	5.8	Mar-2005
BC US Agg Govt/Cred	1.5	5.4	4.6	5.8	6.0	5.3	
<i>Excess Return</i>	0.2	0.9	1.4	1.9	0.4	0.5	

Objective: Outperform the benchmark by 15-40 bps, annualized over a full market cycle (normally 3-5 years).

Quartile Rankings



	QTD	1 Yr.	2 Yrs.	3 Yrs.	4 Yrs.	5 Yrs.
■ Baird Advisors	1.7	6.4	6.1	7.9	6.7	6.6
Rank	6	9	8	10	11	25
◆ BC US Agg Govt/Cred	1.5	5.4	4.6	5.8	5.7	6.0
Rank	9	18	25	22	29	30
10th Percentile	1.4	6.0	5.8	7.8	6.8	8.2
1st Quartile	1.2	4.9	4.6	5.6	6.0	6.5
Median	0.6	2.7	3.2	4.2	4.2	4.6
3rd Quartile	0.2	1.1	1.3	1.8	2.7	3.2
90th Percentile	0.0	0.4	0.5	0.7	1.5	1.9
Number Of Observations	64	64	62	52	39	41

LM Capital Group

Mandate: Intermediate Fixed Income

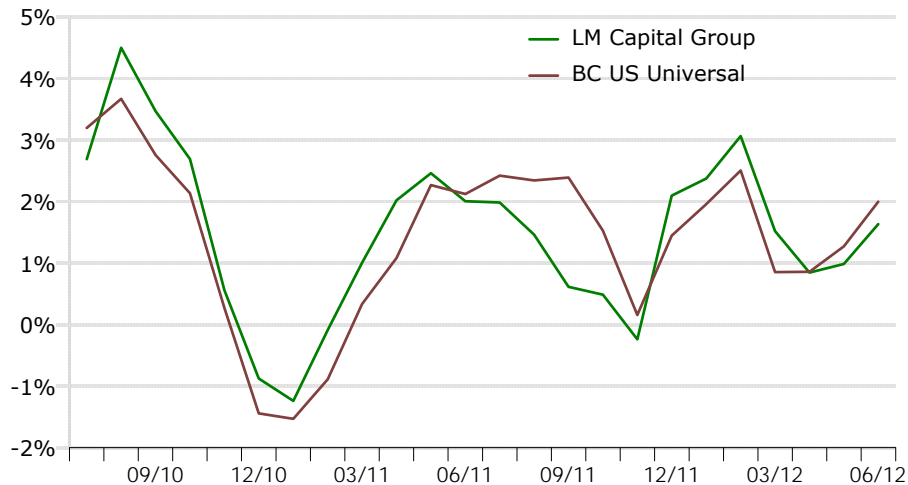
Benchmark: BC US Universal

Strategy

LM Capital invests primarily in US investment-grade bonds in the government and credit sectors with 3-5 year maturities.

Performance

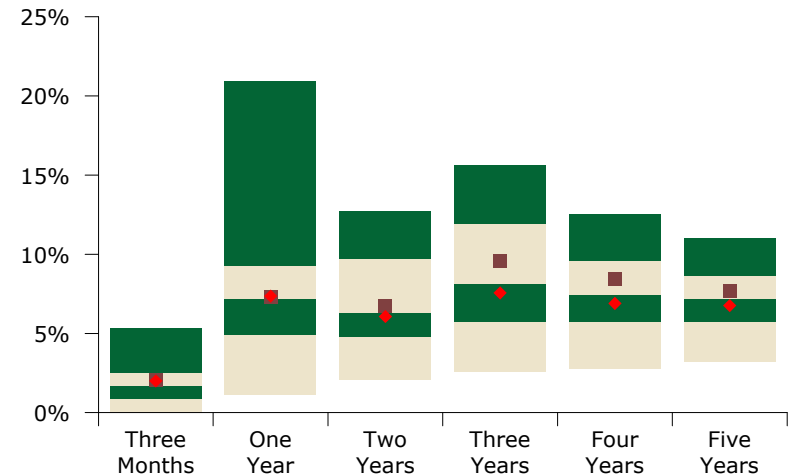
Quarterly Rate of Return Vs Benchmark



Net Returns %	LCQ	1 Yr.	2 Yrs.	3 Yrs.	5 Yrs.	Gross ITD Return	Inception Date
LM Capital Group	1.6	6.0	5.8	7.8	6.6	6.1	Mar-2005
BC US Universal	2.0	6.9	5.3	6.3	6.3	5.4	
<i>Excess Return</i>	<i>(0.4)</i>	<i>(0.9)</i>	<i>0.5</i>	<i>1.5</i>	<i>0.3</i>	<i>0.7</i>	

Objective: Outperform the benchmark by 30-80 bps, annualized over a full market cycle (normally 3-5 years).

Quartile Rankings



	QTD	1 Yr.	2 Yrs.	3 Yrs.	4 Yrs.	5 Yrs.
■ LM Capital Group	1.7	6.2	6.0	7.9	7.0	6.8
Rank	7	10	9	9	8	23
◆ BC US Universal	2.0	6.9	5.3	6.3	6.0	6.3
Rank	5	7	16	18	25	27
10th Percentile	1.4	6.0	5.8	7.8	6.8	8.2
1st Quartile	1.2	4.9	4.6	5.6	6.0	6.5
Median	0.6	2.7	3.2	4.2	4.2	4.6
3rd Quartile	0.2	1.1	1.3	1.8	2.7	3.2
90th Percentile	0.0	0.4	0.5	0.7	1.5	1.9
Number Of Observations	64	64	62	52	39	41

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RETIREMENT SYSTEM

Definitions

I. Asset Allocation

- Market %: market value as a percent of the total fund's market value.
- Target %: investment policy on target allocation for each asset classes.
- Minimum and Maximum %: range of allocation for each asset classes.

II. Policy Benchmarks -- Current

- US Equity: 37% Russell 3000
- Non-US Equity: 20% MS ACWI ex US Net Div
- Core Fixed Income: 26% Barclays Capital (BC) US Universal
- Real Estate: 7% NCREIF
- Alternative Investments: 9% Russell 3000 plus 400 bps annually. Calculated on a dollar-weighted basis, and holding cash flows at 0% return for the first 36 months.
- Cash: 1% 90-day Treasury Bill
- **Total:** 37% US Equity; 20% Non-US Equity; 26% Core Fixed Income; 7% Real Estate; 9% Alternative Investments; 1% Cash

III. Indices

• Cash

Salomon Brothers 3-Month Treasury Bills: an average of the last three 3-month treasury bill issues' monthly return equivalents of yield averages, which are not marked to market. Month-end discount yields are converted to bond-equivalent yields, then a simple average is taken, and that number is decomposed to a monthly return using the actual number of days in the month and a 365-day year.

• Equity

- ◆ **Dow Jones Industrial Average:** This index is the price-weighted average of 30 actively traded blue chip stocks.
- ◆ **NASDAQ:** A market value weighted index that measures all domestic and non-US based securities, more than 4700 companies listed on the NASDAQ stock market.
- ◆ **Russell Midcap Value:** contains Russell Midcap stocks having less-than-average growth orientation and are included in the Russell 1000 Value Index.

- ◆ **Russell 1000:** consists of the 1000 largest securities in the Russell 3000 Index. The Russell 1000 is capitalization-weighted.
- ◆ **Russell 1000 Growth:** contains Russell 1000 stocks having greater-than-average growth orientation. Stocks tend to exhibit lower dividend yields and higher price-to-book ratios, price-earnings ratios and forecast growth values than the Value universe. The index is capitalization-weighted (as opposed to equal-weighted).
- ◆ **Russell 1000 Value:** contains those Russell 1000 securities with a less-than-average growth orientation. Securities in this index tend to exhibit lower price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values than the Growth universe. Russell 1000 Value is capitalization-weighted.
- ◆ **Russell 2000:** contains the smallest 2,000 stocks in the Russell 3000 Index, representing approximately 11% of the Russell 3000 total market capitalization. The index is capitalization-weighted (as opposed to equal-weighted).
- ◆ **Russell 2000 Growth:** contains those Russell 2000 securities with a greater-than-average growth orientation. Securities in this index tend to exhibit higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values than the Value universe.
- ◆ **Russell 2000 Value:** contains those Russell 2000 securities with a less-than-average growth orientation. Securities in this index tend to exhibit lower price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values than the Growth universe.
- ◆ **Russell 3000:** measures performance of the 3000 largest US companies based on total market capitalization. This index represents approximately 98% of the investable US equity market. The Russell 3000 is capitalization-weighted.
- ◆ **Standard and Poor 500:** the S&P, which represents approximately 75% of NYSE market capitalization and 30% of NYSE issues, contains 500 industrial, utility, transportation and financial companies in the U.S. markets (mostly NYSE issues). The S&P is capitalization-weighted (as opposed to equal-weighted), calculated on a total return basis with dividends reinvested.
- ◆ **FTSE All Share:** an arithmetic, market value-weighted average of approx. 680 securities representing 98-99% of the UK market capitalization, FTSE All-Share is the aggregation of the FTSE 100, FTSE 250 and FTSE Small Cap Indices.
- ◆ **Morgan Stanley All Country World ex USA:** an arithmetic, market value-weighted average of approx. 1800 securities from outside the United States. The index is calculated on a total return basis, including reinvestment of gross dividends before deduction of withholding taxes.
- ◆ **Morgan Stanley Capital International Emerging Markets Free:** contains securities of the following countries which are available to all investors regardless of local status: Argentina, Brazil, Chile, Colombia, Greece, India, Indonesia, Israel, Jordan, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Portugal, South Africa, Sri Lanka, Thailand, Turkey and Venezuela.

- ◆ **Morgan Stanley Capital International EAFE:** an arithmetic, market value-weighted average of over 900 securities from Europe, Australia, and the Far East. The index is calculated on a total return basis, including reinvestment of gross dividends before deduction of withholding taxes. The following countries are represented: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland and the United Kingdom.
- ◆ **Morgan Stanley Capital International Europe:** includes companies representing 15 European countries: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.
- ◆ **Morgan Stanley Capital International Pacific:** includes companies representing 5 countries: Australia, Hong Kong, Japan, New Zealand and Singapore.
- ◆ **Morgan Stanley Capital International Pacific ex Japan:** includes companies representing 4 countries: Australia, Hong Kong, New Zealand and Singapore.
- ◆ **Morgan Stanley All Country Asia Pacific:** includes companies representing 14 countries: Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, Pakistan, Philippines, Korea, New Zealand, Singapore, Thailand, and Taiwan. It is calculated on a total return basis with dividends reinvested.
- **Fixed Income**
 - ◆ **Barclays Capital Aggregate:** an aggregate of the Government/Corporate Bond Index, the Mortgage-Backed Securities Index, and the Asset-Backed Securities Index. The index contains fixed rate debt issues with at least one-year maturity, \$100 million par value outstanding, and investment grade ratings by Moody's, S&P or Fitch (in that order). Returns are market-value weighted inclusive of accrued interest.
 - ◆ **Barclays Capital Universal:** This index contains the Barclays Capital Aggregate index bonds plus approximately 10% of the remaining index includes US High Yield, Eurodollar, Emerging Markets, 144A Private Placements, and CMBS bonds.
 - ◆ **Barclays Capital US Govt/Credit Intermediate:** This index is a sub-component of the Lehman Aggregate index. Bonds consist of the US Treasury, US Agency (non-MBS), and US Investment-grade credit holdings with a maturity range of 1 to 10 years.

- ◆ **Bond Rating Methodology:** Bond ratings are intended to characterize the risk associated with holding a particular bond or categories of bonds. These ratings are the risk assessed by the market and that the bond issuer must pay to attract purchasers to the bond. These ratings are expressed as a series of letters and sequences.

Rating Categories in descending order:

- ◇ **AAA:** The best quality rating, stable cash flows, very protective bond covenants, very low probability of default.
- ◇ **Aa:** The second best rating. Stable cash flows, less protective bond covenants, very low probability of default.
- ◇ **A:** Stable cash flows, less protective bond covenants, long-term probability of default is higher than AAA or Aa.
- ◇ **Baa:** Medium quality rating, reliable cash flows short term, less-reliable cash flows long term, bond covenants offer limited protection. Moderate probability of default. Downgrade to a lower rating is also possible. Baa bonds are the lowest rating still considered 'investment grade.
- ◇ **Ba thru B:** Highly speculative. Long-term assurance of cash flows and protective elements are low. Purchasers of these bonds generally specialize in assessing credit risk of specific bond issues. Much higher spreads versus investment grade bonds provide the incentive for purchasers. High default or downgrade risk.
- ◇ **Caa thru C:** Poor standing. Either close to default or in default. Highly probable loss of principal.
- ◇ **D:** Coupon payments were not paid on the due date which puts the bond in default. Unless both protective covenants and issuer assets are adequate (not likely), holder loses all likelihood of recovering principal.

- **Real Estate**

NCREIF Property Index: the NPI contains investment-grade, non-agricultural, income-producing properties which may be financed in excess of 5% gross market value; were acquired on behalf of tax exempt institutions; and are held in a fiduciary environment. Data is collected quarterly from a membership of investment managers and plan sponsors. Returns are gross of fees; include income, realized gains/losses, and appreciation/depreciation; and are market-value weighted. Property values are determined by consistent appraisal methodology and sold properties are removed in the quarter of the sale (the historical data remains). Current quarter performance is preliminary.

IV. Universe Comparison

All Northern Trust Universes are gross of fees. Universe breaks are at 10, 25, 50, 75 and 90 percentiles.

- **TUCS Plan Universes**

Published on a quarterly basis using monthly observations. Over time, the plan population members will change due to new plans being introduced and other plans closing or leaving the universe.

Public Funds

Includes the range of performance of all Public Funds greater than 1 billion dollars. Monitored by the Wilshire's Trust Universe Comparison Services Group. Plans include state and municipal plans and systems.

- **Manager Universes**

Created using the performance of managers used by sponsor subscribers to the Risk & Performance Services Group (RPS). Each occurrence of a manager is considered as an observation. The manager universes are used to describe the actual experience of plan sponsors use of the managers; no manager supplied representative portfolios or composites are used in the creation of the universes. All occurrences of a manager are included in the magnitudes they are used by the sponsors; no stratification or judgments are introduced by RPS to alter a manager's representation. Manager portfolios are used from all market segments (ERISA, Public, Foundation & Endowments, and Wealth) since managers are hired to fulfill a specific policy objective that is not unique by plan type. Inclusion in a universe is based upon quantitative screening using the criteria described; an RPS analyst determines the comparison of a manager to this style background for reporting purposes. The portfolio criteria are applied as the average of the values over the time period being observed and not simply the current point in time value.

- ◆ **US Equity - Large Cap Core**

Includes portfolios with a portfolio average market capitalization greater than \$10 billion but not displaying any significant growth or value bias. The Barra Growth and Barra Book to Price risk factors are used to determine style orientation. Most of the portfolios also display a market-like beta.

- ◆ **US Equity - Large Cap Growth**

Includes portfolios with a portfolio average market capitalization greater than \$10 billion. Portfolios will also display a significant growth bias as represented by a Barra Growth Risk Factor in the top 40% of all US equity portfolios and a Barra Price/Book score in the bottom 70% of all US equity portfolios monitored by RPS. Most growth portfolios display an above market beta.

◆ **US Equity - Large Cap Value**

Includes portfolios with a portfolio average market capitalization greater than \$10 billion. Portfolios will also display a significant value bias as represented by a Barra Price/Book score in the top 30% of all US equity portfolios monitored by RPS. Most value portfolios display a below market beta and above market dividend yield.

◆ **US Equity - Small Cap Growth**

Includes portfolios with a portfolio average market capitalization of less than \$2 billion. Small Cap Growth portfolios will also display a growth bias as represented by a Barra Growth Risk Factor in the top 31% of all US equity portfolios monitored by RPS.

◆ **US Equity - Small Cap Value**

Includes portfolios with a portfolio average market capitalization of less than \$2 billion. Small Cap Value portfolios will also display a value bias as represented by a Barra Price/Book score in the top 27% and a Barra Growth factor score in the bottom 31% of all US equity portfolios monitored by RPS.

◆ **Non-US Equity - Developed Markets**

Includes all managers investing in developed markets outside of North America. The majority of the portfolios in this universe are EAFE-oriented but may contain an opportunistic allocation to emerging markets equity (extended EAFE). There are a few regional non-US equity managers (Europe & Pacific Basin) also represented.

◆ **Non-US Equity - Emerging Markets**

Includes all managers investing in emerging markets. The universe includes emerging markets managers that are diversified across all emerging markets as well as specialists in regional emerging markets.

◆ **US Fixed Income**

Includes all managers, active and passive, investing in US Fixed Income, including high yield fixed income managers.

◆ **Non-US Fixed Income**

Includes all managers investing in non-US Fixed Income.

V. Investment Performance

- Time: the internal rate of return (accounting for daily cash flows) monthly based on trade-date, full accrual accounting, and using market values. For periods of greater than one month, a time series of linked monthly returns is maintained, introducing a time weighted effect.
- The Real Estate and the Alternative Investments returns are lagged one quarter.
- The LACERS Total Fund return is dollar-weighted to include Alternative investments.

VI. Performance Attribution

- **Returns-Based Attribution.**

Total Fund Performance Attribution table is a Returns-based. It attributes the difference between the Total Portfolio performance and the Policy performance to each of the underlying asset classes. The table details three attribution subcategories of the return impact: weighting, selection, and interaction. Combined, these three subcategories equal the total impact on return attribution of each asset class. The weighting column identifies what impact the asset class allocation of the portfolio had on the asset class policy return vs. the total policy return. The selection column indicates how much active management returns impacted the total portfolio vs. the benchmark. Please note the weighting and impact column may not add exactly to the total column due to rounding error and to include an interaction factor, which is included to ensure the total formula adds to 1.00 and identifies the impact that the interaction between the difference in the allocation and the difference in returns had on the total portfolio return vs. the benchmark return. The interaction factor is typically insignificant and near 0.0.

- **Holdings-Based Attribution.**

US Equity, Non-US Equity, and Fixed Income tables are Holdings-based. The table details various attribution subcategories which impacted each manager's performance such as: selection, weighting, duration, yield, quality, etc.

VII. Terminology

- **Duration:** A measure of the sensitivity of the price (the value of principal) of a fixed-income portfolio given a 1% change in the US Treasury yield curve (interest rates). A portfolio with a duration of 4 would be expected to lose 4% of its value when interest rates rise 1%. Duration is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.
- **Information ratio:** A ratio of portfolio returns above the returns of a benchmark (usually an index) to the volatility of those returns. The information ratio (IR) measures a portfolio manager's ability to generate excess returns relative to a benchmark, but also attempts to identify the consistency of the investor. This ratio will identify if a manager has beaten the benchmark by a lot in a few months or a little every month. The higher the IR the more consistent a manager is and consistency is an ideal trait.
- **Standard deviation:** A statistical measure of volatility or the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution. A manager with a one-year return of 5% and a standard deviation of 5, indicates the range of returns for this manager will likely fall between 0% and 10% during most annual time periods.
- **Tracking error:** A measure of the difference between returns of the portfolio and that of the benchmark it was attempting to imitate; reported as a "standard deviation percentage" difference.