PORTSMOUTH
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Sean Higman & Jon Prime • Consultants
Brian Basiliere • Investment Analyst
Colin Kelley • Performance Analyst

pbaTPBH@primebuchholz.com

Town of Palm Beach
Health Insurance Trust

Investment Performance Analysis
Period Ended December 31, 2012

Index

Tab I

Global Economic Highlights

- According to data released by the Bureau of Economic Analysis in December, the domestic economy grew at an annual rate of 3.1% in the third quarter of 2012. Increases in private inventory investment, federal, state, and local government spending, residential fixed investment and a decline in import activity contributed to the acceleration in the rate of real U.S. GDP growth over the second quarter (+1.3% annualized). While personal consumption expenditures were a positive in the quarter, nonresidential fixed investment continued to weigh on real GDP growth. The euro area slipped into recession with real GDP declining at an annualized rate of 0.3% in the third quarter—following a contraction of 0.7% in the second quarter. While France and Germany posted modest growth in the three-month period ended September 30th, the economies of Spain, Italy, and Austria were among those posting declines. Conversely, the United Kingdom reported a reacceleration in the third quarter with annualized growth of 3.8%. While economies across the Pacific Rim generally posted gains in the quarter, Japan's economy stalled in the third quarter with real GDP falling 3.5% (annualized) in that period. China, which had posted below-expectation growth of 7.4% in the second quarter, saw growth return to 9.1% (annualized) in the third quarter. Real GDP growth was also evident across Latin America and the Middle East with some pockets of economic weakness.
- Many developed market global central banks maintained historically low policy rates through the end of 2012, with many committing to accommodative rate policies for the foreseeable future. Central banks remained committed to quantitative easing measures that have been previously introduced to stem systemic risk and support economic growth. Fiscal policies were actively debated in the U.S. ahead of the year end fiscal cliff, with a limited compromise pushing off decisions on taxation and spending into 2013. European countries have largely adopted policies of austerity—primarily through spending cuts—in an effort to address unsustainable levels of debt even as several regional economies weaken. China's government recommitted to proactive fiscal policy at year-end with a continued emphasis on urbanization and economic restructuring.
- Inflation continues to be moderate globally with consumer prices across the Organisation for Economic Co-operation and Development (OECD) countries up 1.8% over the trailing 12-month period ended November 30th. Excluding food and energy prices, consumer prices were 1.6% higher over the trailing period. Headline CPI (including energy and food) in the U.S. similarly increased by 1.8% in the year ended November 30th. However, given declines in domestic energy prices over the trailing period, U.S. CPI (excluding energy and food) was higher at 1.9%.
- Unemployment across OECD countries ticked up to 8.0% in October (from 7.9% in the previous month). Unemployment hit a new high within the euro area at 11.7%, driven in large measure by Spain (26.2%), Greece (25.4%), Portugal (16.3%), Italy (11.1%), and France (10.7%). At 7.8%, U.S. unemployment was largely unchanged from the previous quarter. Though the U.S. economy added an average of 153,000 jobs per month in 2012, 12.2 million people remained unemployed at year-end, with an additional 7.9 million underemployed (involuntary part-time workers). Of those currently unemployed, 39.1% (or 4.8 million Americans) have been jobless for 27 weeks or more.
- The U.S. housing market has been a source of economic strength through much of 2012, and the sector demonstrated continued improvement in the third quarter with the Federal Housing Finance Agency's (FHFA) seasonally adjusted, purchase-only house price index increasing 1.1%. Housing prices were 4.0% higher than in the third quarter of 2011. However, the FHFA noted in its November release that several factors, including ongoing economic uncertainty, have tempered the housing recovery. Outside of the U.S., and particularly in Europe, housing prices softened in 2012. A recent analysis by The Economist showed Spain, the Netherlands, and Ireland experiencing price declines of between 5.7% and 9.3% over the previous year. Conversely, Hong Kong's real estate market continued to pace higher with a gain of 21.8% in the trailing period, prompting sustained government efforts to restrain further price appreciation.
- The price per barrel of West Texas Intermediate (WTI) closed the quarter (-0.4%) and the calendar year (-7.1%) lower at $91.82/bbl. Brent crude, however, finished the quarter and year higher at $111.11/bbl., further exacerbating the differential between oil levered to supply and demand conditions inside and outside of the U.S.

Sources: Bureau of Economic Analysis, Bloomberg, Board of Governors of the Federal Reserve System, Bureau of Labor Statistics, OECD, Federal Housing Finance Agency

Historical Returns

Equity Index Returns	Qtr	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr
S&P 500	-0.4	16.0	8.8	10.9	1.7	7.1
Russell 3000 (Broad Market)	0.3	16.4	8.4	11.2	2.0	7.7
Russell 1000 (Large Cap)	0.1	16.4	8.7	11.1	1.9	7.5
Russell Midcap	2.9	17.3	7.5	13.2	3.6	10.6
Russell 2000 (Small Cap)	1.9	16.4	5.6	12.2	3.6	9.7
MSCI ACWI (USD)	2.9	16.1	3.7	6.6	-1.2	8.1
MSCI ACWI (Local)	3.2	15.9	4.1	6.2	-1.3	6.7
MSCI ACWI ex-U.S. (USD)	5.9	16.8	0.4	3.9	-2.9	9.7
MSCI ACWI ex-U.S. (Local)	6.5	16.3	1.1	3.2	-3.1	7.0
MSCI EAFE (USD)	6.6	17.3	1.5	3.6	-3.7	8.2
MSCI EAFE (Local)	7.5	17.3	1.5	2.6	-4.3	5.4
MSCI EM (USD)	5.6	18.2	-1.8	4.7	-0.9	16.5
MSCI EM (Local)	5.3	17.0	1.0	5.2	0.4	14.9
S&P Developed ex-U.S. (Small Cap)	5.2	18.6	0.7	7.3	-1.3	12.2
London - FTSE 100*	3.5	10.6	4.3	7.1	2.5	8.4
Japan - Nikkei 225*	17.3	25.5	2.9	1.5	-5.7	3.4
Hong Kong - Hang Seng*	9.0	27.4	2.6	4.6	-0.8	13.1
China - Shanghai Composite*	8.8	5.8	-5.7	-9.7	-13.9	7.1
40% R 3000/40% EAFE/20% EM	3.8	17.3	3.7	6.9	-0.6	9.8

Fixed Income Index Returns	Qtr	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr
LIBOR US 3m	0.1	0.4	0.4	0.4	0.9	2.1
Citigroup 3m T-Bill	0.0	0.1	0.1	0.1	0.4	1.7
BOA ML 1-3 Yr Treasury	0.1	0.4	1.0	1.5	2.3	2.7
Barclays 3-10 Yr Treasury	0.0	2.7	6.4	6.7	6.2	5.1
Barclays 5-10 Yr Treasury	-0.1	3.6	8.3	8.4	7.2	5.7
Barclays Long-Term Treasury	-0.8	3.6	16.0	13.7	9.7	7.6
Barclays Credit	1.0	9.4	8.9	8.7	7.7	6.2
Barclays Gov't/Credit	0.4	4.8	6.8	6.7	6.1	5.2
Barclays Aggregate	0.2	4.2	6.0	6.2	5.9	5.2
Barclays Municipal	0.7	6.8	8.7	6.6	5.9	5.1
Barclays High Yield	3.3	15.8	10.3	11.9	10.3	10.6
JPM Global Bond	-1.8	1.3	4.2	4.9	5.7	6.2
JPM Non-U.S. Bond	-1.9	1.7	3.8	4.8	5.9	6.7
JPM Global Bond-Hedged	0.7	4.2	5.2	4.9	4.9	4.6
JPM Non-U.S. Bond-Hedged	1.1	5.3	4.9	4.4	4.7	4.4
JPM EMBI+	3.2	18.0	13.5	13.0	10.4	12.0
JPM GBI-EM Global Div Bond	4.1	16.8	7.1	9.9	8.9	12.3
JPM GBI-EM Global Div Bond-Hedged	2.8	8.9	6.7	7.3	6.5	-

Illiquid Partnerships	Qtr	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr
Private Real Assets (as of 12/31/2012)						
NCREIF Property Index	2.5	10.5	12.4	12.6	2.1	8.4
Apartment	2.8	11.2	13.3	14.9	3.0	8.3
Industrial	2.4	10.7	12.6	11.5	1.4	7.7
Office	2.2	9.5	11.6	11.6	0.9	7.8
Retail	3.0	11.6	12.7	12.7	4.1	10.5
NCREIF Timber Index	5.9	7.8	4.6	3.0	2.7	8.2
Private Equity (as of 09/30/2012)						
U.S. Private Equity	3.7	14.3	9.0	9.0	2.9	8.8
Venture Capital	0.6	7.1	4.2	4.2	0.8	3.7
Early/Seed Stage	1.8	16.2	2.0	2.0	-0.8	1.0
Later Stage	-2.7	3.0	8.6	8.6	4.4	6.6
Buyouts	4.5	15.1	10.2	10.2	2.8	10.3
Small	0.7	18.7	3.4	3.4	2.7	10.2
Medium	3.9	23.1	6.7	6.7	3.0	10.1
Large	4.5	17.4	9.1	9.1	4.5	10.7

MSCI ACWI Sector	Qtr	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr
Consumer Discretionary	6.3	24.1	8.6	14.0	4.5	9.2
Consumer Staples	1.4	15.5	12.1	13.0	6.6	11.0
Energy	-1.7	3.1	0.4	4.2	-2.6	12.0
Financials	8.8	28.9	1.9	3.5	-7.1	4.3
Healthcare	0.8	18.1	13.9	10.3	5.0	7.5
Industrials	6.1	16.6	2.5	9.4	-1.2	9.8
Information Technology	-2.0	15.7	5.3	7.4	1.7	8.3
Materials	5.0	12.1	-5.8	2.6	-2.4	12.5
Telecom	-3.7	8.6	4.4	7.1	-1.1	8.8
Utilities	-0.5	3.1	-0.3	0.1	-4.9	9.8

Hedge Fund Index Returns	Qtr	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr
HFRI Fund Weighted Composite	1.3	6.2	0.3	3.5	1.5	6.7
Absolute Return						
HFRI Event Driven (Total)	3.1	8.5	2.5	5.5	2.8	8.1
HFRI Relative Value (Total)	1.9	10.0	5.0	7.1	4.8	6.7
HFRI RV: FI-Convertible Arbitrage	1.6	8.3	1.4	5.2	4.3	4.8
HFRI EH: Equity Market Neutral	1.2	3.3	0.5	1.3	-0.2	2.4
Directional Hedge						
HFRI Equity Hedge (Total)	1.8	7.4	-0.8	2.8	-0.1	5.8
HFRI Macro (Total)	-1.0	-0.2	-2.2	1.1	2.5	6.3
HFRI Emerging Markets (Total)	4.9	10.3	-2.6	1.9	-1.4	11.2
HFRI EH: Short Bias	-4.6	-17.5	-9.0	-12.1	-7.9	-5.9
Fund of Funds						
HFRI FOF Strategic	1.9	6.1	-0.8	1.5	-2.4	4.5
HFRI FOF Diversified	1.9	5.4	0.0	1.8	-1.4	3.8

Real Assets and Inflation	Qtr	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr
REITs						
FTSE EPRA/NAREIT GL	5.8	28.7	10.1	13.4	1.1	12.1
Commodities						
DJ-UBS Commodity	-6.3	-1.1	-7.4	0.1	-5.2	4.1
Goldman Sachs Commodity	-3.3	0.1	-0.6	2.5	-8.1	2.7
Natural Resources						
SP GSSI Natural Resources	-3.1	2.2	-1.5	5.5	-1.5	12.8
Inflation-Protected Bonds						
Barclays U.S. TIPS	0.7	7.0	10.2	8.9	7.0	6.7
Inflation						
U.S. CPI	-0.8	1.8	2.4	2.1	1.8	2.4
U.S. CPI Plus 5%	0.5	6.8	7.5	7.2	6.9	7.5

Note: All returns as of 12/31/2012, unless otherwise noted. *Returns in local currency.

Key Metrics

Option-Adjusted Spreads	Current QTR	1 Year Ago
U.S. High Yield	511	699
U.S. Corporate	141	234
U.S. IG Financials	155	337
CDX IG 5-Yr	94	120
CDX HY 5-Yr	484	681
Agency MBS	50	75
CMBS	124	308
ABS - Fixed Rate	43	99
ABS - Floating Rate	100	146
TED[1]	27	57
Emerging Markets (External)	293	464

[1] 3 month US LIBOR minus 3 Month US T Bills

U.S. Economy	Current QTR	1 Year Ago
Unemployment Rate	7.80%	8.50%
Quarterly GDP[2]	3.10%	1.80%
Current Account Deficit[2]	$107.50	$110.30
Annualized Current Account Deficit/GDP[2]	2.72%	2.91%

[2] Statistics as of one quarter prior

Central Bank Activity	Current QTR	1 Year Ago
Fed Funds Rate	0-0.25%	0-0.25%
Bank of Japan Target Rate	0.10%	0.10%
European Central Bank Rate	0.75%	1.00%
Bank of England Official Bank Rate	0.50%	0.50%

Inflation Forecast	Current QTR	1 Year Ago
10-Year Treasury Yield	1.76%	1.88%
10-Year Breakeven[4]	2.45%	1.95%
5-Year Treasury Yield	0.72%	0.83%
5-Year Breakeven[4]	2.07%	1.55%

[4] Breakeven rates calculated by Bloomberg

Equity Market Valuations	Current QTR			1-Year Ago		
	Trailing P/E	Forward P/E	Div. Yield	Trailing P/E	Forward P/E	Div. Yield
S&P 500 Index	14.1x	13.7x	2.2%	13.0x	12.6x	2.1%
Russell 1000 Index	14.5x	13.9x	2.2%	13.1x	12.8x	2.1%
Russell Midcap Index	16.4x	15.7x	2.0%	14.8x	14.5x	1.8%
Russell 2000 Index	16.1x	16.2x	2.1%	16.1x	15.5x	1.5%
Russell 3000 Index	14.5x	14.0x	2.2%	13.3x	13.0x	2.0%
Russell 3000 Growth Index	16.9x	15.9x	1.8%	15.5x	14.4x	1.5%
Russell 3000 Value Index	12.9x	12.7x	2.6%	11.6x	11.7x	2.5%
MSCI ACWI Index	13.7x	13.1x	2.8%	11.7x	10.9x	2.9%
MSCI ACWI ex-U.S. Index	13.2x	12.6x	3.3%	10.7x	10.1x	3.5%
MSCI EAFE Index	13.7x	12.8x	3.5%	10.7x	10.3x	3.8%
MSCI EM Index	11.7x	11.7x	2.7%	10.1x	9.2x	2.9%
London - FTSE 100[3]	13.7x	11.9x	3.9%	9.8x	10.2x	3.8%
Japan - Nikkei 225[3]	18.3x	17.5x	1.9%	13.9x	14.4x	2.2%
Hong Kong - Hang Seng[3]	11.9x	11.3x	3.0%	8.5x	9.5x	3.6%
China - Shanghai Composite[3]	11.4x	10.8x	2.5%	11.2x	10.5x	2.2%

[3] Returns in local currency

P/E excludes companies with negative earnings

U.S. Treasury Yields							Curve Steepness
Date	3-Mo T-Bill	6-Mo T-Bill	2-Year Note	5-Year Note	10-Year Note	30-Year Note	10-Year - 2-Year
1 Year Ago	0.01%	0.06%	0.24%	0.83%	1.88%	2.89%	1.64%
Current Quarter	0.04%	0.11%	0.25%	0.72%	1.76%	2.95%	1.51%

Currency Rates (per U.S. Dollar) (%)	MTD	QTD	YTD	1 Year	2 Year*	3 Year*	5 Year*	Current Spot Rate
U.S. Dollar Spot (DXY)**	-0.5%	-0.2%	-0.6%	-0.6%	0.4%	0.8%	0.8%	79.769
Canadian Dollar	0.1%	-1.0%	2.8%	2.8%	0.2%	1.9%	0.1%	0.992
Japanese Yen	-4.9%	-10.1%	-11.3%	-11.3%	-3.3%	2.4%	5.2%	86.750
British Pound	1.5%	0.5%	4.5%	4.5%	2.0%	0.2%	-3.9%	0.615
Euro	1.7%	2.7%	1.9%	1.9%	-0.7%	-2.7%	-2.0%	0.758
Australian Dollar	-0.3%	0.2%	1.8%	1.8%	0.8%	5.0%	3.5%	0.962
Brazil	4.1%	-1.2%	-9.1%	-9.1%	-10.0%	-5.3%	-2.9%	2.052
China	-0.1%	0.9%	1.1%	1.1%	2.9%	3.1%	3.2%	6.231
GBP/Euro	-0.1%	-2.1%	2.7%	2.7%	2.8%	3.0%	-2.0%	0.812
Yen/Euro	-6.4%	-12.4%	-12.9%	-12.9%	-2.6%	5.2%	7.3%	114.460

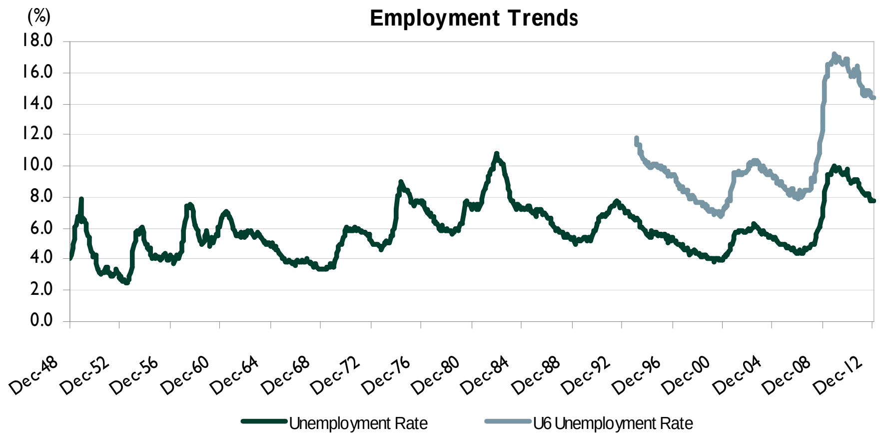
*Annualized Price Change

**Index measures value of USD relative to basket of foreign currencies.

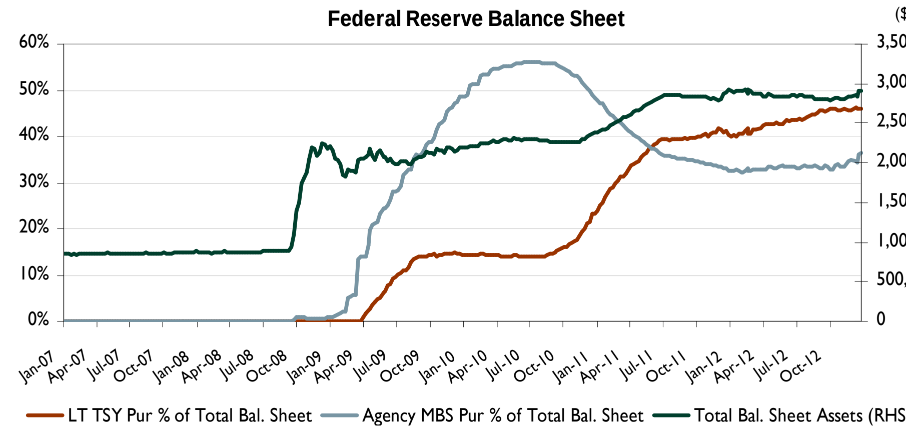
Prime BUCHHOLZ

Sources: U.S. Bureau of Labor Statistics, Bureau of Economic Analysis, Bloomberg

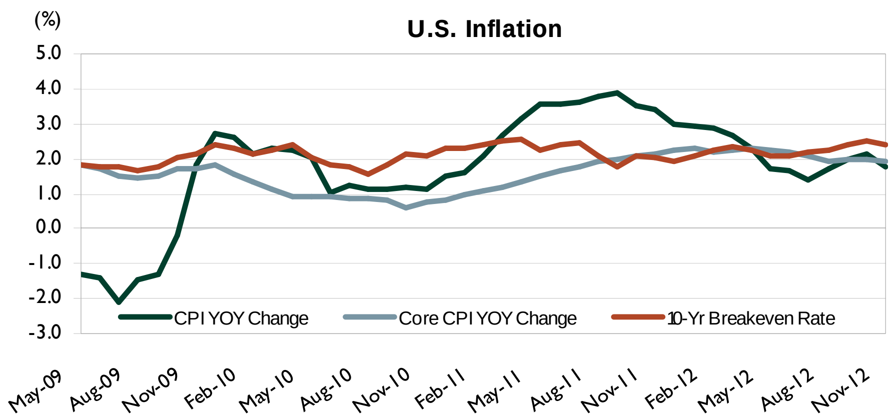
Macroeconomic Trends



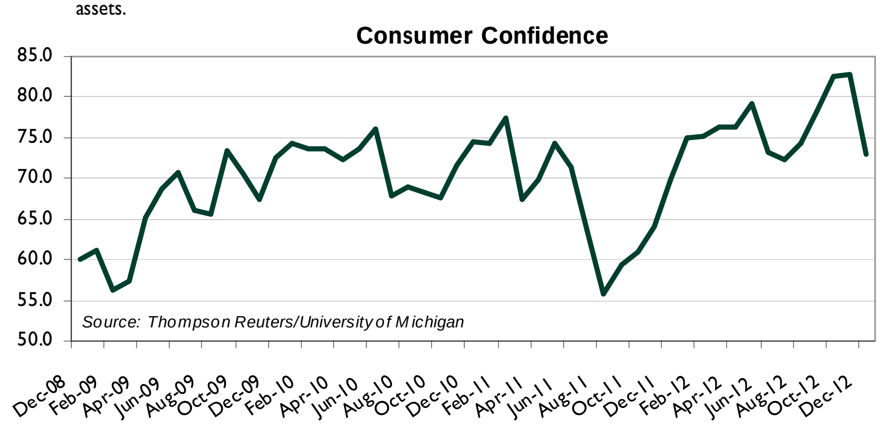
The 7.8% unemployment rate at the end of 2012 was consistent with the end of the previous quarter. However, the broader U6 rate remains elevated. The FOMC remains concerned about unemployment and stated at its December meeting that rates should remain within 0-25 bps range as long as unemployment is above 6.5%, a level which has not occured since October 2008.



The Fed's balance sheet is approximately $2.9 trillion at year-end. In December, the FOMC stated it will continue to purchase $40B of Agency MBS per month and continue to purchase $45B of US TSYs initially per month after the completion of Operation Twist at year-end. Goldman Sachs reported that purchases next year will be financed through reserve creation as opposed to selling shorter-dated assets.



Year-over-year core CPI (1.9%) and year-over-year CPI (1.8%) ended November roughly equal. However, inflation expectations rose during the quarter as the market exhibited concern that expansionary policy would drive prices higher. In addition to tying monetary policy to the unemployment rate, the FOMC also stated that rates will remain exceptionally low if short and long term inflation expectations remain contained.

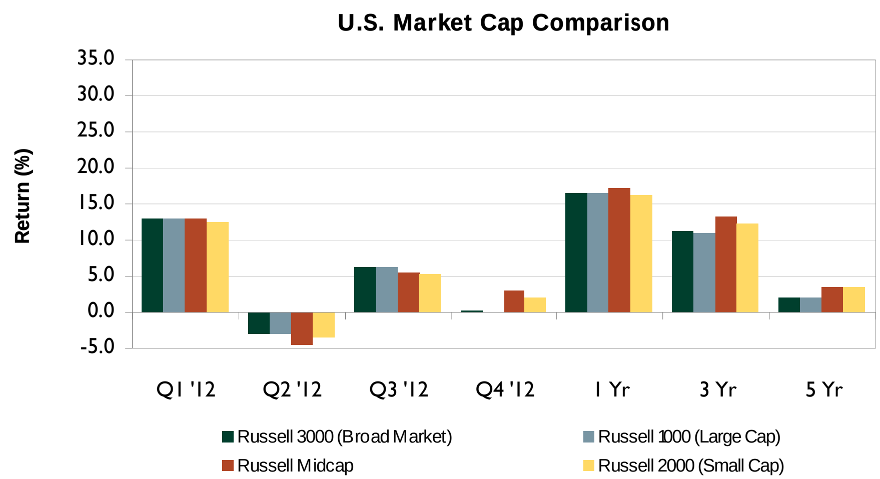


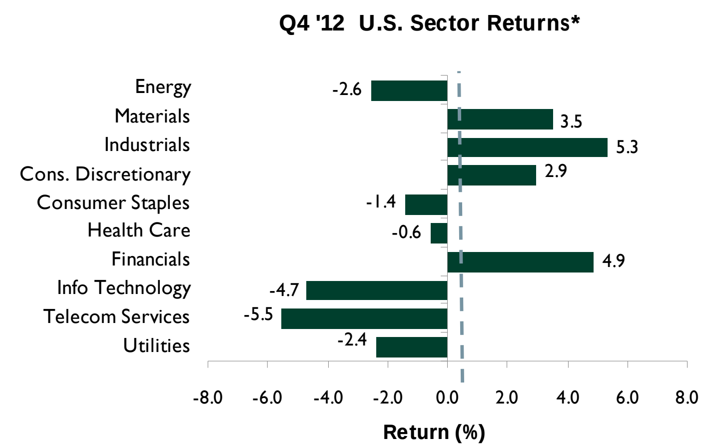
During the fourth quarter, consumer confidence fell significantly—to levels not seen since December 2011. Consumers reportedly became increasingly concerned about political gridlock permeating the fiscal debates in Washington and its potential impact on unemployment and the economy.

Sources: Bloomberg,

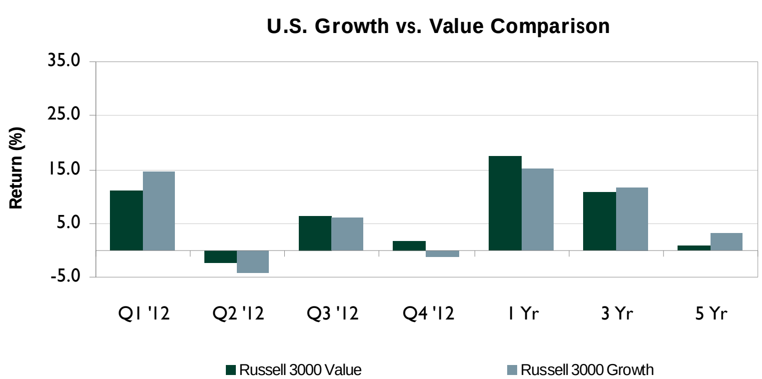
U.S. Equity

- Domestic equities, as represented by the Russell 3000 Index, posted gains in 2012 for the fourth consecutive calendar year, with the Index gaining 16.4%. For the quarter, the Index was up 0.3%. Generally flat, the market was down early in the period prior to the Presidential and Congressional elections, but regained ground on the last day of the year, bolstered by the announcement of the deal on the tax aspects of the "fiscal cliff." The Russell 3000 Index was up 0.3% for the quarter.
- Technology (-4.7%), one of the largest sectors in the index, detracted the most from market performance during the quarter. Notably, Apple was down more than 20%. The stock remains the largest component of the Russell 3000 Index with a weight more than double that of all stocks except ExxonMobil. Performance across other sectors was mixed, with industrials (+5.3%) and consumer discretionary (+2.9) among the better performers, while energy (-2.6%) and consumer staples (-1.4) among the more meaningful detractors.
- Smaller cap equities outperformed their larger cap counterparts during the quarter, with a slight gain for the Russell 1000 Index (+0.1%) versus more meaningful gains for the Russell Midcap Index (+2.9%) and the Russell 2000 Index (+1.9%). Calendar year 2012 performance across the market capitalization spectrum was fairly uniform, with each of the indices generating returns in the high teens.
- Value stocks (+1.7%) meaningfully outperformed growth stocks (-1.2%) in the quarter, a function both of weakness in the technology sector as well as gains, particularly in bank stocks, within financials. Financials was the top performing sector in 2012, which helped drive the outperformance for value relative to growth on the year.





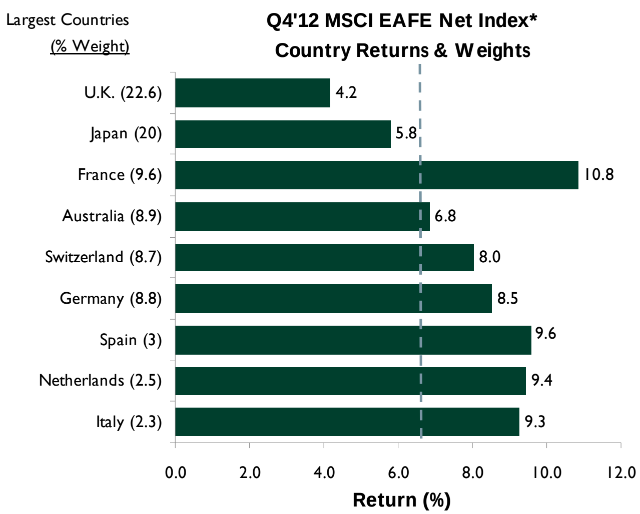
*Dotted line indicates total Russell 3000 Index return



Sources: InvestMetrics, Bloomberg

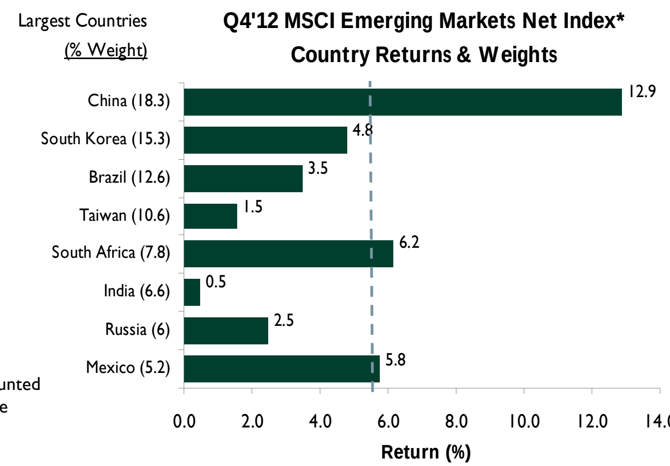
International Equity

- Foreign equities closed the year on a strong note, with the MSCI EAFE Index advancing 6.6% in U.S. dollar (USD) terms for the quarter. Though concerns over growth and high levels of government debt persisted, investor sentiment in the euro zone was generally more positive, aided in large part by the ECB's continued support of the region. Currency movements served as a headwind, with the Index up 7.5% for the period in local terms. Although most major currencies appreciated modestly against the USD, the yen saw significant depreciation as the Japanese government adopted policy aimed at accommodating growth and reflation.
  - Within Europe, the more troubled nations within the euro area—i.e., Portugal (+10.4% USD, +7.8% local) and Greece (+28.1% USD, +25.0% local)—generated strong returns amidst improved investor sentiment.
  - Japan (+5.8% USD, +17.6% local) was one the stronger performing developed countries on a local basis, as a change in government leadership was largely embraced by investors. USD returns, however, were meaningfully hindered by a weaker yen during the quarter.
  - Most economic sectors yielded positive returns, paced by the continued strength of the financials sector. Energy and telecommunication services were the only sectors to post losses during the quarter.



* Note: Other countries accounted for 13.7% of the Index weight

- Emerging markets (EM), as measured by the MSCI Emerging Markets Index, posted a quarterly gain of 5.6% (USD). EM benefited from an increase in investor risk tolerance, driven in large part by an improving macro outlook in the developed world and more favorable growth figures in China. Currency impacts were relatively benign, with the benchmark appreciating 5.3% locally.
  - China (+12.9% USD, +12.8% local) proved to be one of the stronger performing nations within the benchmark, benefiting from improving economic data, most notably GDP and PMI figures.
  - Latin America as a whole lagged the broad index, due primarily to weaker returns in Brazil (+3.5% USD, +4.4% local). With an economy relying heavily on commodities exports, Brazil faced headwinds propelled by declining oil prices.
  - Within Emerging Europe, Turkey (+18.4% USD, +17.7% local) was one the region's and broad index's best performers, aided by the strength of its banking sector. Russia (+2.5% USD, +0.7% local) yielded mixed results as gains within domestically focused industries were offset by weak returns within its energy sector.
  - All economic sectors within the EM generated positive returns. Similar to developed foreign equity markets, financials produced the strongest gains within the broad index.

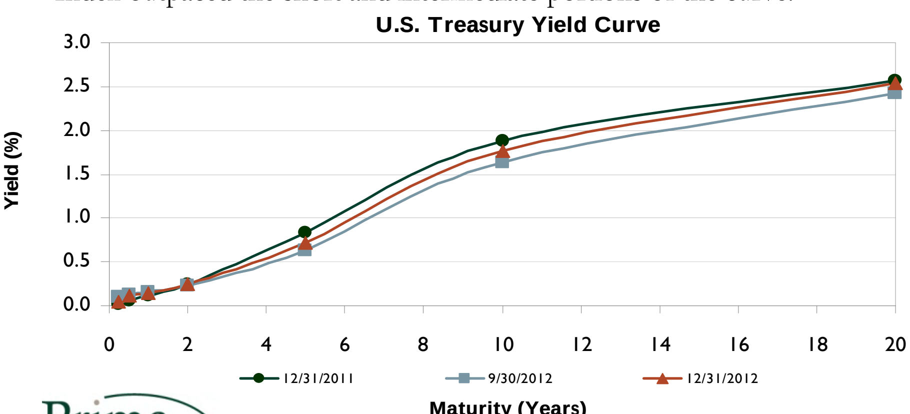


* Note: Other countries accounted for 17.6% of the Index weight

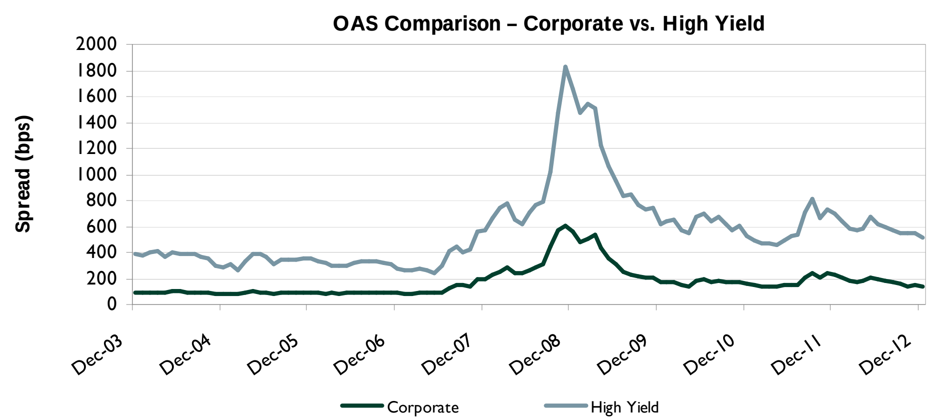
Sources: MSCI/Barra, Wall Street Journal, Financial Times. Note: All returns quoted in USD terms, unless otherwise noted. *Dotted line indicates total index return

U.S. Fixed Income

- U.S. Treasury yield changes were modest for the entire quarter, with yields moving slightly higher along the intermediate to long ends of the curve. The 30-year U.S. Treasury yield rose by only 4 bps to end the quarter at 2.9%, while the two year yield was essentially flat. U.S. Treasury markets continued to grapple with competing forces, including rising inflation expectations, positive announcements from Europe, continued Treasury purchases by the Federal Reserve, and uncertainty surrounding the fiscal cliff debates. The 10- and 2-year yield differential, which ended the quarter at 151 bps, continues to exhibit steepness relative to its historical monthly average (approximately 88 bps).
- The Fed announced a new round of open-ended quantitative easing to foster economic growth and improve labor market conditions. The latest program includes plans to increase monthly residential agency mortgage backed securities (MBS) purchases by $40 bil and continue to purchase $45 bil in Treasuries per month into 2013 after the completion of Operation Twist at year end. The FOMC also pledged to keep rates exceptionally low for as long as unemployment remains above 6.5% and inflation expectations over the shorter- and intermediate-term horizons remain contained.
- The Barclays Aggregate Index posted a modest 0.2% gain for the quarter; corporate bonds outperformed the broad market and the major sectors within the benchmark on a total return basis. BBB-rated index bonds once again bested higher-rated bonds; AAA-rated bonds were the only quality segment of the Index to post negative absolute returns. Longer maturity securities generally outperformed as the seven to ten and ten-year plus maturity segments of the Index outpaced the short and intermediate portions of the curve.



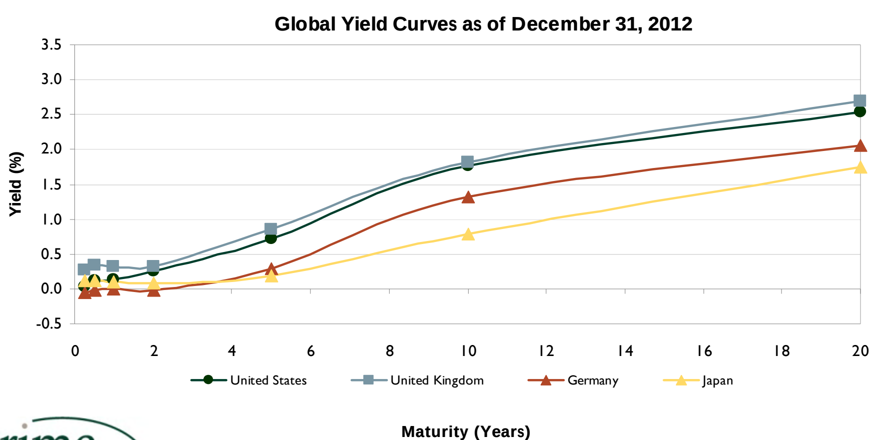
- Corporate OAS tightened by 14 bps during the quarter and the corporate portion of the Index gained 1.1%. Attractive spreads, solid corporate fundamentals, and ongoing investor demand for yield continued to support the corporate bond market. Corporate returns were led by a 1.9% gain in financial issues, while industrials and utilities returned 0.7% and 0.6%, respectively. Overall, lower quality continued to outperform higher-rated bonds and intermediate maturity issues slightly outperformed longer-term issues.
- Securitized sector returns lagged the government and corporate sectors, driven primarily by poor U.S. MBS returns. The U.S. MBS fixed rate portion of the Index lost 0.2% as spreads widened 26 bps, ending the year at 52 bps. Within the sector, the 7–8% portion of the coupon stack posted positive results while all other portions of the stack generated flat-to-negative performance. Commercial mortgage backed securities posted slight gains as spreads tightened during the quarter.
- High yield bonds experienced another strong quarter as a 45 bps decline in spreads and the positive impact from coupon returns combined for a total return of 3.3%. Gains were broad-based, as all major industries in the Index posted quarterly increases. Within financials, banks and insurance companies were key drivers of sector performance, climbing 4.7% and 5.3%, respectively. The metals and mining sector was a standout within industrials, appreciating 5.7%.

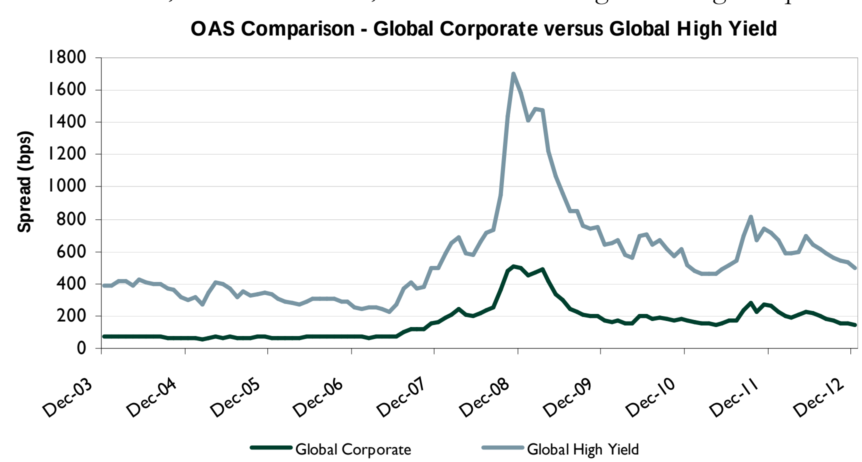


Sources: Bloomberg, Barclays, Federal Reserve

Currencies & Global Bonds

- Although several countries—notably Serbia, Uruguay, and Iceland—raised rates, the vast majority of central bank activity during the quarter centered on fostering accommodative monetary policy. Both Australia and South Korea eased as investor concern regarding economic activity in the Asia-Pacific region, in light of China's leadership transition as well as mixed economic signals in developed regions, remained in place. Europe slipped back into a recession and major trading partners, including Sweden, Poland, and Hungary, also reduced rates. Of the four major central banks, only the Federal Reserve Bank took further action during the quarter. In December, the Fed followed up on its September QE III announcement with a new program that replaces the expiring Operation Twist with a similar strategy of purchasing long Treasuries and mortgage-backed securities, but unlike Operation Twist, will do so by printing money and further expanding the Fed's balance sheet.
- The Dollar Spot Index (DXY), a weighted-average of six major currencies (euro, Japanese yen, British pound, Canadian dollar, Swedish krona, Swiss franc), declined 0.2%. Significant weakness in the yen (-10.1%) and moderate declines in the Canadian dollar (-1.0%) were not large enough to compensate for gains in the remaining components. Out of 47 developed and emerging markets currencies tracked, the USD underperformed all but nine, with notable strength against the Japanese yen, Brazilian real, Indonesian rupiah, and Egyptian pound.
- While a weak USD against the majority of developed market currencies served as a tailwind, the dollar's significant appreciation versus the yen skewed performance comparisons between unhedged and hedged returns by approximately 440 bps. The Barclays Global Treasury ex-U.S. fell 2.4% on an unhedged basis, but gained 1.1% when the impact of currency is removed. While the ECB has not purchased bonds via its outright monetary transactions (OMT) program, positive sentiment regarding the euro area led to significant outperformance in peripheral European markets. In local terms, Spain (+5.5%), Italy (+5.0%), and Ireland (+3.6%) were key areas of strength. Dissipating fears regarding the euro area helped other European markets such as Poland (+4.5%) and Denmark (+1.5%). Remaining markets were generally weak with Canada (-0.1%), Australia (-0.6%), Sweden (-0.3%), the U.K. (-0.4%), and Japan (-0.1%) declining in local terms.
- Despite the USD increasing against the currency of key EM countries like Brazil, Indonesia, Chile, and Egypt, the weak dollar contributed to returns. The Barclays EM Local Currency GBI rose 4.0% in unhedged terms, roughly 200 bps higher than returns measured in local currencies. In unhedged USD terms, EM EMEA (+6.0%) was once again the strongest region—notably Russia (+8.5%), Poland (+9.3%), and Israel (+8.5%). EM Asia (+3.6%), driven by gains in Indonesia (+5.2%) and the Philippines (+5.0%), was the next strongest region. Despite gains in Peru (+6.7%) and Colombia (+5.7%), EM Americas, which rose 2.4%, was the weakest region during the quarter.





Sources: Bloomberg, Barclays

Flexible Capital

- The HFRI Fund Weighted Composite Index's 1.3% return generally outpaced broad equity and credit markets for the quarter. However, flexible capital results continue to disappoint as the Index's 6.2% return for 2012 fell well short of the S&P 500 Index's 16.0% gain. One of the best performing strategies in the quarter was event-driven (+3.1%), while macro (-1.0%) and short bias (-4.6%) strategies continued to struggle. For the calendar year, event-driven (+8.5%) and relative value (+10.0%) were amongst the top performers and, not surprisingly, the short bias (-17.5%) strategy was challenged by the strong equity market.
- There was great dispersion among the results of long/short equity funds for the quarter, though many finished in positive territory, albeit less positive than the broader market indices. The difficult stock selection environment on the short side caused many portfolios to drag as they fought a rising market. Companies in the technology and media sectors, such as AIG, Equinix, News Corp, Liberty Media, and Google, continued to be widely held. Many managers significantly reduced positions in Apple throughout the year before the stock tumbled nearly 20% in the fourth quarter. In addition, equity valuations remained attractive compared to other asset classes. As a result, many managers increased both gross and net exposure in the last half of 2012, entering 2013 with fully invested portfolios.
- Event-driven managers continued to struggle as merger activity remained low and many managers believed spreads on announced deals did not properly compensate investors for the risks involved. However, the quarter produced a number of events in the form of special dividends and increased share buyback programs. While managers are hopeful M&A volume picks up, they recognize CEO confidence remains low and there is still a level of uncertainty regarding the fiscal situations in the U.S. and Europe.
- The quarter was largely an extension of the previous three for credit-focused managers. High yield and bank loan issuance remained robust and there was little in the way of new distressed opportunities. However, many hedge fund managers believe the current issuance cycle will lead to another round of distress in the coming years, as the quality of new issues has been suspect—highlighted by the record high levels of covenant-lite loan issuance in December.
- Managers continued to dedicate resources to potential opportunities in Europe; however, the bank deleveraging cycle has been slow to develop. While new distressed opportunities have been difficult to source, particularly for larger multi-strategy managers, idiosyncratic opportunities continued to emerge for dedicated distressed managers. Credit managers generally performed well as liquidations such as Lehman Brothers and MF Global continued to progress, and legacy distressed positions that include structured credit and restructured equity in pre-IPO companies performed well due to improved underlying fundamentals. Managers with larger post-reorganized equity allocations also did well, with GM (+27%) and Delphi (+23%) among the top contributors. Both companies have posted strong returns since re-emerging from bankruptcy, and GM announced in December that the U.S. government was planning to sell its stake in the company, providing a future catalyst that was a large part of the investment thesis for many hedge funds.
- Mortgage-related credit continued to show strength. The non-agency residential mortgage-backed securities (RMBS) market experienced a tremendous rally in 2012 due to both technical and fundamental factors. The momentum of the rally caused many managers to reduce their allocations to non-agency RMBS as return expectations have been reduced. Return expectations for other forms of structured credit, specifically commercial mortgage-backed securities and older vintage collateralized loan obligations, are believed to offer greater return potential.
- Despite a modest gain in December, implied volatility fell sharply in 2012, creating a headwind for hedging strategies and managers that implement through the options market. While government and central bank efforts in the U.S. and Europe have reduced the likelihood of a left tail event, many managers continue to carry a modest amount of tail-risk protection as the cost of carry has been significantly reduced and the asymmetry remains if volatility were to spike.

Goldman Sachs Hedge Fund VIP Basket*

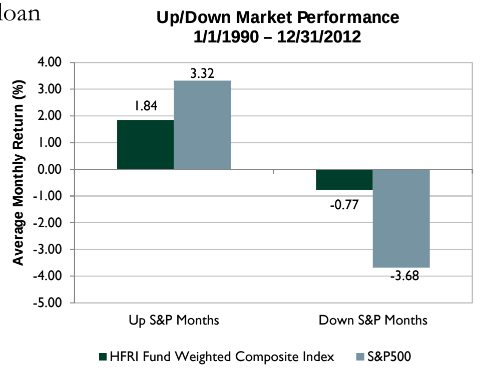
Top 5 Q4 Performers

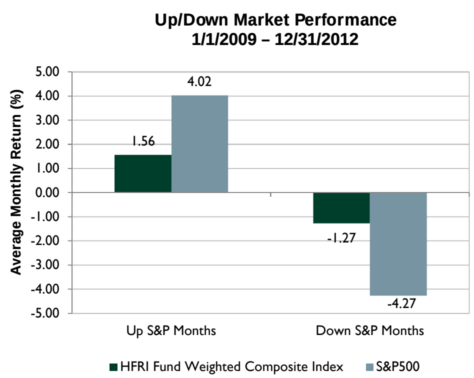
Company	Q4	YTD
Bank of America	31.5%	109.7%
General Motors	26.7%	42.2%
Yahoo!	24.6%	23.4%
Delphi Automotive	23.4%	77.6%
Visteon	21.1%	7.8%
S&P 500 Index	-0.4%	16.0%

Bottom 5 Q4 Performers

Company	Q4	YTD
Apple	-19.7%	32.8%
Barrick Gold	-15.7%	-21.1%
Dollar General	-14.5%	7.2%
Express Scripts	-13.8%	20.8%
Freeport-McMoRan Copper & Gold	-12.9%	-4.0%
S&P 500 Index	-0.4%	16.0%

* 50 companies that "matter most" to hedge funds; positions that appear most frequently as top ten holdings of hedge funds with 10–200 total holdings. Performance based on price change.



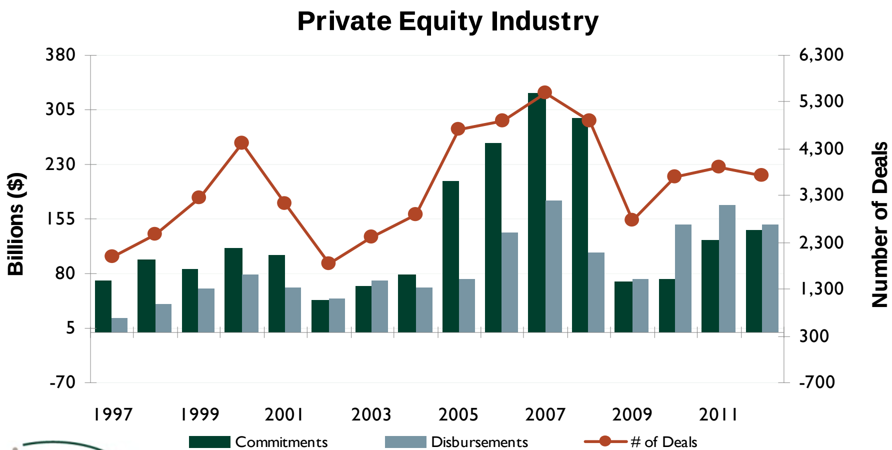


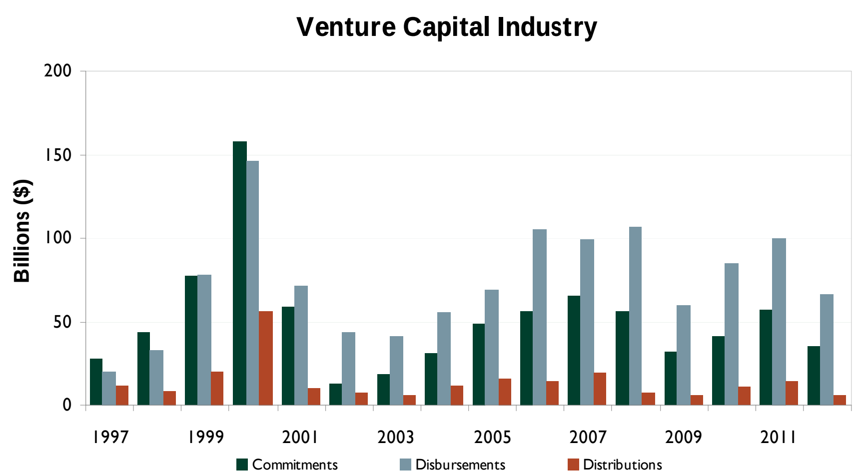
Prime BUCHHOLZ

Sources: Bloomberg, Hedge Fund Research, Goldman Sachs, Morgan Stanley

Private Equity (As of September 30, 2012)

- U.S. private equity raised $38.1 billion from 55 funds during the third quarter of 2012, a modest increase from the $34.8 billion raised in the second quarter. According to Preqin, the average time taken for private equity funds to close has increased slightly, from 16.2 months in 2011 to 16.8, suggesting that, while select managers have closed quickly, many continue to have difficulty attracting institutional capital.
- Leverage buyout deal volume rose 17% to $46 billion, while the average size rose to its highest level since the second quarter of 2007.
- Through the first three quarters, global M&A metrics remained behind the pace of 2011 with a 4.3% drop in total transactions. The U.S. credit markets saw greater activity in the quarter. Overall corporate bond issuance is now on track for a record year, while corporate yields dropped to an all-time low. The high yield segment has been a key driver of the credit markets, with record issuance in September reflecting corporations taking advantage of attractive terms as investors pursue yield. In the leveraged loan market, new issue supply jumped to more than twice the trailing 12-month average in September.
- Middle-market acquisition multiples, as measured by enterprise value-to-EBITDA, have plateaued and are on par with the immediate pre-recession averages. Private equity-related activity declined by 22.5% from the prior year, to 382 announced transactions.
- Private equity funds continued to target high growth industries such as computers and electronics, health care, and professional services, which represent 21.4%, 9.0%, and 16.0% of acquisitions, respectively. Additionally, capital-intensive industries like aerospace and auto/truck have experienced the largest deal value increases in 2012 at third quarter-end. Based on disclosed dollar volume, the computer and electronics sector continued to dominate activity for 2012, at $19.0 billion.
- Fifty-three U.S. venture capital funds raised $5.0 billion during the quarter, a 17% decrease in dollar commitments and a 23% increase by number of funds compared to the previous quarter. The top five venture capital funds accounted for 55% of total fundraising, compared to 80% during the second quarter. Venture capital fundraising as of third quarter-end totaled $16.2 billion for the year, a 31% increase compared to the first nine months of 2011, despite a 13% decline by number of funds.
- Venture-backed IPOs raised $1.1 billion from ten offerings, representing a slight decline in volume from the previous quarter, while the total number of deals fell 9%. Of the ten IPOs, six were related to IT, three were life sciences, and one was energy. Venture funds invested $6.5 billion in 890 deals during the quarter, representing an 11% decline in investment activity in terms of dollars and 5% in the number of deals.

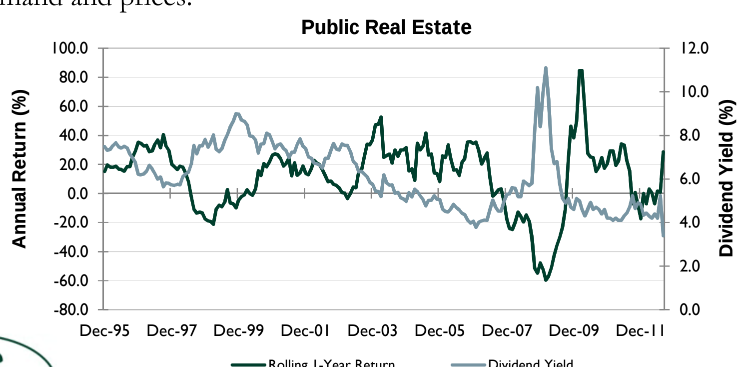




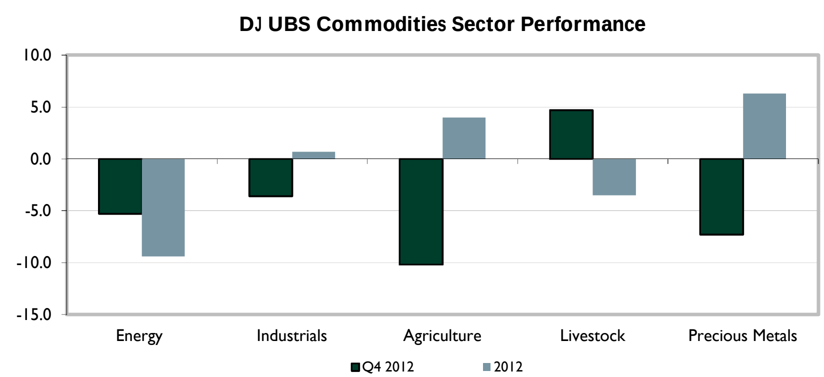
Sources: Dow Jones Private Equity Analyst, National Venture Capital Association, Thomson Financial, S&P LCD, Emerging Markets Private Equity Association, Dealogic, Preqin, Pitchbook.

Inflation Hedging

- Global real estate securities gained 5.8% in the fourth quarter. The continued positive performance reflected easing concerns regarding tail risk related to the European debt crisis, favorable reactions to the smooth transition in Chinese leadership, investor appetite for yield, and slowly improving real estate fundamentals. Europe and Asia significantly outperformed the U.S. market for the second straight quarter. European securities returned 10.0% on the heels of a 7.3% increase in the third quarter, with the double-digit advance reflecting decreased tail risk concern with respect to the European debt crisis and the improved valuations of higher quality assets in prime markets. Asian securities gained 9.7% as fundamentals in Hong Kong, Singapore, and Tokyo generally improved. Higher prices were also supported by the market's view that Asian REITs are relatively undervalued and an improved outlook for the Chinese economy. The U.S. ended the quarter up 2.6% as easing fears around European and modestly improving fundamentals offset the looming fiscal cliff.
- Commodities retreated 6.3%, as measured by the DJ UBS Commodities Index, with the European recession, weak corporate sales data, and the U.S. fiscal cliff weighing on the asset class. All Index sectors, with the exception of livestock (+4.7%), delivered negative returns during the period. Agriculture experienced the largest decline (-10.2%) due to lower export demand from the U.S., indications of a strong crop in South America, and expectations of increased planting in the United States. Precious metals pulled back (-7.3%) as U.S. GDP data was revised higher and demand fell. All energy sector components declined; natural gas prices fell due to an unusually warm start to the winter heating season. Lastly, low business confidence in China reduced industrial metal demand and prices.



- During the fourth quarter, the NCREIF Property Index, a measure of core real estate property pricing in the U.S., returned 2.5%. Property markets continued to stabilize and demonstrate improving fundamentals in most sectors. Office, industrial, apartment, hotel, and retail vacancies all declined during the period. Technology, software, and energy-driven markets such as San Francisco, Houston, and Boston, have experienced the most robust recovery in fundamentals. With the three-year new supply forecast below the 20-year average in all sectors, we believe the supply/demand picture for real estate remains promising, even in a muted recovery. Overall sale volume remained well below peaks of 2007. However, more than $60 billion of assets transacted in the third quarter compared to less than $20 million during the trough of the market in the second quarter of 2009.
- During the fourth quarter, the Barclays U.S. TIPS Index rose 0.7%. While the spread between the two-year and ten-year real yield increased by 11 bps and the curve steepened, longer-term inflation expectations increased by a greater magnitude than near-term prospects. The five-year breakeven inflation rate increased 5 bps to 2.2%, while the ten-year breakeven inflation rate rose 8 bps to 2.5%. As a result, TIPS maturing in ten years or more, on average, outperformed their near-term and intermediate-term TIPS by a factor of two or more. Furthermore, as inflation expectations rose, TIPS across the maturity spectrum outperformed their nominal Treasury counterparts.



Sources: Dow Jones AIG, National Council of Real Estate Investment Fiduciaries, National Association of Real Estate Investment Trusts, Barclays, Bloomberg

Tab II

Total Fund Highlights

- During the fourth quarter of 2012, the Town of Palm Beach Health Insurance Trust gained 1.9%, outperforming the 1.1% return of the Target Index. For the calendar year 2012, the Total Fund returned 11.5% against the Target Index return of 9.9%. During the quarter, the overall global equity (+3.3%) segment contributed positively towards absolute performance. The domestic equity segment gained 0.9%, outperforming the 0.2% return of its benchmark Russell 300 Index, while the international equity segment (+7.3%) outperformed its benchmark MSCI EAFE Index (+6.6%) by 60 bps. The total flexible capital segment contributed positively towards relative performance, outpacing its benchmark HFRI FOF Composite (+1.8%) by 30 bps. The total fixed income segment also posted positive relative returns, outperforming its benchmark Fixed Income Composite (+0.1%) by 30 bps. The total inflation hedging segment performed poorly from an absolute standpoint, down 1.8%, but did manage to outperform its benchmark Inflation Hedging Composite (-3.1%) by 130 bps. At year-end, Total Fund assets were valued at approximately $20.6 million.
- At year-end, all asset class segments are within their designated target ranges, however, the domestic and international equity segments are approaching their upper range at the expense of the inflation hedging segment. Included in Tab V of the report is a search for a potential real estate manager to include within the inflation hedging segment which is currently 4.0% under target. A rebalance schedule to adjust the weights in all segments approximately back to targets is included in Tab VI.

Segment Performance

Segment Level Performance (% Rate of Return)

Benchmark Dependent Metrics vs. S&P 500 Index

As of December 31, 2012

	1 Quarter Return	1 Year Return	2 Years Return	3 Years Return	5 Years Return	Since Inception Return	Since Inception Standard Deviation	Since Inception Beta	Since Inception Actual Correlation	Inception Date
Total Fund	**1.9**	**11.5**	**4.2**	**6.8**	**0.7**	**0.9**	**11.2**	**0.6**	**0.9**	**Jul-07**
Target Index	1.1	9.9	4.3	6.8	1.5	1.7	10.6	0.6	1.0	Jul-07
Actual Index	1.3	9.7	4.0	6.6	1.4	1.6	9.8	0.5	0.9	Jul-07
Consumer Price Index	-0.8	1.7	2.3	2.1	1.8	1.8	1.6	0.0	0.2	Jul-07
Domestic Equity	**0.9**	**16.3**	**6.3**	**9.8**	**-0.6**	**-0.8**	**19.5**	**1.1**	**1.0**	**Jul-07**
Russell 3000 Index	0.2	16.4	8.4	11.2	2.0	1.5	18.9	1.0	1.0	Jul-07
International Equity	**7.3**	**23.5**	**3.4**	**5.8**	**-1.9**	**-1.5**	**23.5**	**1.2**	**0.9**	**Jul-07**
MSCI EAFE (Net)	6.6	17.3	1.5	3.6	-3.7	-3.3	22.5	1.1	0.9	Jul-07
Total Flexible Capital	**2.1**	**9.0**	**3.1**	**4.2**	**2.0**	**2.5**	**6.0**	**0.2**	**0.7**	**Jul-07**
HFRI Fund of Funds Composite Index	1.8	5.2	-0.4	1.6	-1.7	-1.1	6.4	0.2	0.7	Jul-07
Total Fixed Income	**0.4**	**4.9**	**3.9**	**4.9**	**4.2**	**4.2**	**6.6**	**0.3**	**0.8**	**Jul-07**
Fixed Income Composite Index	0.1	2.5	2.6	4.1	4.5	4.9	5.4	0.2	0.7	Jul-07
Total Inflation Hedging	**-1.8**	**3.0**	**2.2**	**8.0**	**-5.7**	**-5.0**	**16.5**	**0.2**	**0.2**	**Jul-07**
Inflation Hedging Composite Index	-3.1	2.4	2.2	8.1	0.9	1.4	12.6	0.1	0.2	Jul-07

Executive Summary

Town of Palm Beach

Health Insurance Trust

Preliminary Executive Summary as of December 31, 2012

Market Value	% of Portfolio		QTR Ended Mar-12	QTR Ended Jun-12	QTR Ended Sep-12	QTR Ended Dec-12	Calendar YTD	1 YR	2 YRS	3 YRS	5 YRS	Return Since	Inception Date
$20,631,990	**100.0**	**Total Fund**	**7.5**	**-2.8**	**4.8**	**1.9**	**11.5**	**11.5**	**4.2**	**6.8**	**0.7**	**0.9**	**Jul-07**
		Target Index	6.5	-2.8	5.0	1.1	9.9	9.9	4.3	6.8	1.5	1.7	Jul-07
		Actual Index	6.3	-2.8	4.8	1.3	9.7	9.7	4.0	6.6	1.4	1.6	Jul-07
		Consumer Price Index	1.6	0.0	0.8	-0.8	1.7	1.7	2.3	2.1	1.8	1.8	Jul-07
$10,226,757	**49.6**	**Global Equity**	**13.6**	**-4.5**	**6.1**	**3.3**	**18.9**	**18.9**	**5.2**	**8.3**	**-1.0**	**-1.0**	**Jul-07**
$6,238,422	**30.2**	**Domestic Equity**	**13.3**	**-3.4**	**5.3**	**0.9**	**16.3**	**16.3**	**6.3**	**9.8**	**-0.6**	**-0.8**	**Jul-07**
		Russell 3000 Index	**12.9**	**-3.1**	**6.2**	**0.2**	**16.4**	**16.4**	**8.4**	**11.2**	**2.0**	**1.5**	
$4,882,928	23.7	Fidelity Spartan Total Market Index Adv Fund	12.9	-3.1	6.2	0.2	16.4	16.4	8.4	11.3	2.2	1.6	Jul-07
		Wilshire 5000 Index	**12.8**	**-3.2**	**6.1**	**0.3**	**16.1**	**16.1**	**8.1**	**11.3**	**2.3**	**1.7**	
$899,198	4.4	FMI Common Stock Fund	NA	-5.1	1.2	4.3	NA	NA	NA	NA	NA	0.1	Apr-12
		Russell 2500 Index	**13.0**	**-4.1**	**5.6**	**3.1**	**17.9**	**17.9**	**7.2**	**13.3**	**4.3**	**4.3**	
$456,296	2.2	FPA Crescent Fund	NA	-2.9	4.5	1.9	NA	NA	NA	NA	NA	3.4	Apr-12
		S&P 500 Index	**12.6**	**-2.8**	**6.4**	**-0.4**	**16.0**	**16.0**	**8.8**	**10.9**	**1.7**	**3.0**	
		60% Russell 2500 / 40% BC Global Credit	**9.4**	**-2.3**	**5.3**	**2.8**	**15.6**	**15.6**	**7.8**	**11.4**	**5.7**	**5.7**	
		HFRI Equity Hedge (Total) Index	**6.9**	**-4.6**	**3.5**	**1.8**	**7.4**	**7.4**	**-0.8**	**2.8**	**-0.1**	**0.5**	
$3,988,335	**19.3**	**International Equity**	**14.3**	**-6.3**	**7.5**	**7.3**	**23.5**	**23.5**	**3.4**	**5.8**	**-1.9**	**-1.5**	**Jul-07**
		MSCI EAFE (Net)	**10.9**	**-7.1**	**6.9**	**6.6**	**17.3**	**17.3**	**1.5**	**3.6**	**-3.7**	**-3.3**	
$1,957,697	9.5	Dodge & Cox Intl Stock Fund	12.7	-8.3	7.4	9.1	21.0	21.0	0.8	5.0	-1.9	-1.8	Jul-07
		MSCI EAFE (Net)	**10.9**	**-7.1**	**6.9**	**6.6**	**17.3**	**17.3**	**1.5**	**3.6**	**-3.7**	**-3.3**	
$2,030,638	9.8	Artisan International Instl Fd	15.6	-4.4	7.6	5.7	25.6	25.6	NA	NA	NA	6.4	Jul-11
		MSCI EAFE (Net)	**10.9**	**-7.1**	**6.9**	**6.6**	**17.3**	**17.3**	**1.5**	**3.6**	**-3.7**	**-1.2**	

Executive Summary

Town of Palm Beach

Health Insurance Trust

Preliminary Executive Summary as of December 31, 2012

Market Value	% of Portfolio		QTR Ended Mar-12	QTR Ended Jun-12	QTR Ended Sep-12	QTR Ended Dec-12	Calendar YTD	1 YR	2 YRS	3 YRS	5 YRS	Return Since	Inception Date
$3,888,514	**18.8**	**Total Flexible Capital**	**5.4**	**-1.1**	**2.5**	**2.1**	**9.0**	**9.0**	**3.1**	**4.2**	**2.0**	**2.5**	**Jul-07**
		HFRI Fund of Funds Composite Index	**3.4**	**-2.3**	**2.4**	**1.8**	**5.2**	**5.2**	**-0.4**	**1.6**	**-1.7**	**-1.1**	
$1,741,784	8.4	Forester Offshore A2, Ltd.	6.4	-1.3	2.1	2.0	9.3	9.3	3.2	3.9	2.2	3.5	Jul-07
		HFRI FOF: Strategic Index	**4.4**	**-3.1**	**3.0**	**1.8**	**6.1**	**6.1**	**-0.8**	**1.5**	**-2.4**	**-1.6**	
$2,146,730	10.4	Archstone Absolute Return Strategies Fund, Ltd.	4.6	-0.9	2.8	2.2	8.8	8.8	3.1	4.8	1.8	1.5	Jul-07
		HFRI FOF: Conservative Index	**2.5**	**-1.7**	**1.8**	**1.3**	**3.9**	**3.9**	**0.1**	**1.7**	**-1.5**	**-1.2**	
$4,085,652	**19.8**	**Total Fixed Income**	**1.2**	**1.5**	**1.7**	**0.4**	**4.9**	**4.9**	**3.9**	**4.9**	**4.2**	**4.2**	**Jul-07**
		Fixed Income Composite Index	**0.1**	**1.3**	**1.0**	**0.1**	**2.5**	**2.5**	**2.6**	**4.1**	**4.5**	**4.9**	
$2,297,185	11.1	PIMCO Total Ret II Instl Fund	2.1	2.5	2.7	0.6	8.2	8.2	6.3	6.8	NA	8.8	Feb-09
		Barclays U.S. Aggregate	**0.3**	**2.1**	**1.6**	**0.2**	**4.2**	**4.2**	**6.0**	**6.2**	**5.9**	**6.5**	
$1,788,467	8.7	Vanguard Short Term US Treas Adm Fd	0.0	0.3	0.5	0.1	0.8	0.8	NA	NA	NA	0.9	Dec-11
		Barclays U.S. Treasury: 1-5 Year	**-0.2**	**0.6**	**0.4**	**0.0**	**0.9**	**0.9**	**2.1**	**2.7**	**3.4**	**1.0**	
$2,266,462	**11.0**	**Total Inflation Hedging**	**2.2**	**-5.9**	**9.1**	**-1.8**	**3.0**	**3.0**	**2.2**	**8.0**	**-5.7**	**-5.0**	**Jul-07**
		Inflation Hedging Composite Index	**2.3**	**-4.7**	**8.4**	**-3.1**	**2.4**	**2.4**	**2.2**	**8.1**	**0.9**	**1.4**	
$647,458	3.1	Vanguard Inflation-Protected Securities Adm Fund	0.7	3.3	2.1	0.6	6.9	6.9	10.0	8.8	NA	9.3	Jan-09
		Barclays U.S. Treasury: U.S. TIPS	**0.9**	**3.2**	**2.1**	**0.7**	**7.0**	**7.0**	**10.2**	**8.9**	**7.0**	**9.5**	
$693,594	3.4	PIMCO Commodity Real Ret Str Instl Fund	3.2	-3.4	12.1	-5.8	5.3	5.3	-1.3	NA	NA	10.7	Jul-10
		Dow Jones-UBS Commodity Index	**0.9**	**-4.5**	**9.7**	**-6.3**	**-1.1**	**-1.1**	**-7.4**	**0.1**	**-5.2**	**4.2**	
$925,409	4.5	Van Eck Global Hard Assets I Fund	NA	-13.5	11.9	-0.3	NA	NA	NA	NA	NA	-3.5	Apr-12
		S&P North American Natural Resources Sector	**4.2**	**-9.7**	**12.1**	**-3.1**	**2.2**	**2.2**	**-2.7**	**5.5**	**-1.5**	**-2.0**	

Executive Summary

Town of Palm Beach

Health Insurance Trust

Preliminary Executive Summary as of December 31, 2012

Market Value	% of Portfolio		QTR Ended Mar-12	QTR Ended Jun-12	QTR Ended Sep-12	QTR Ended Dec-12	Calendar YTD	1 YR	2 YRS	3 YRS	5 YRS	Return Since	Inception Date
$164,606	**0.8**	**Total Liquid Capital**	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**	**0.1**	**0.1**	**0.1**	**0.4**	**0.8**	**Jul-07**
$164,606	0.8	Government Stif 15	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.4	0.8	Jul-07
		Citigroup 3 Month T-Bill	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**	**0.1**	**0.1**	**0.1**	**0.4**	**0.8**	

Please Note:

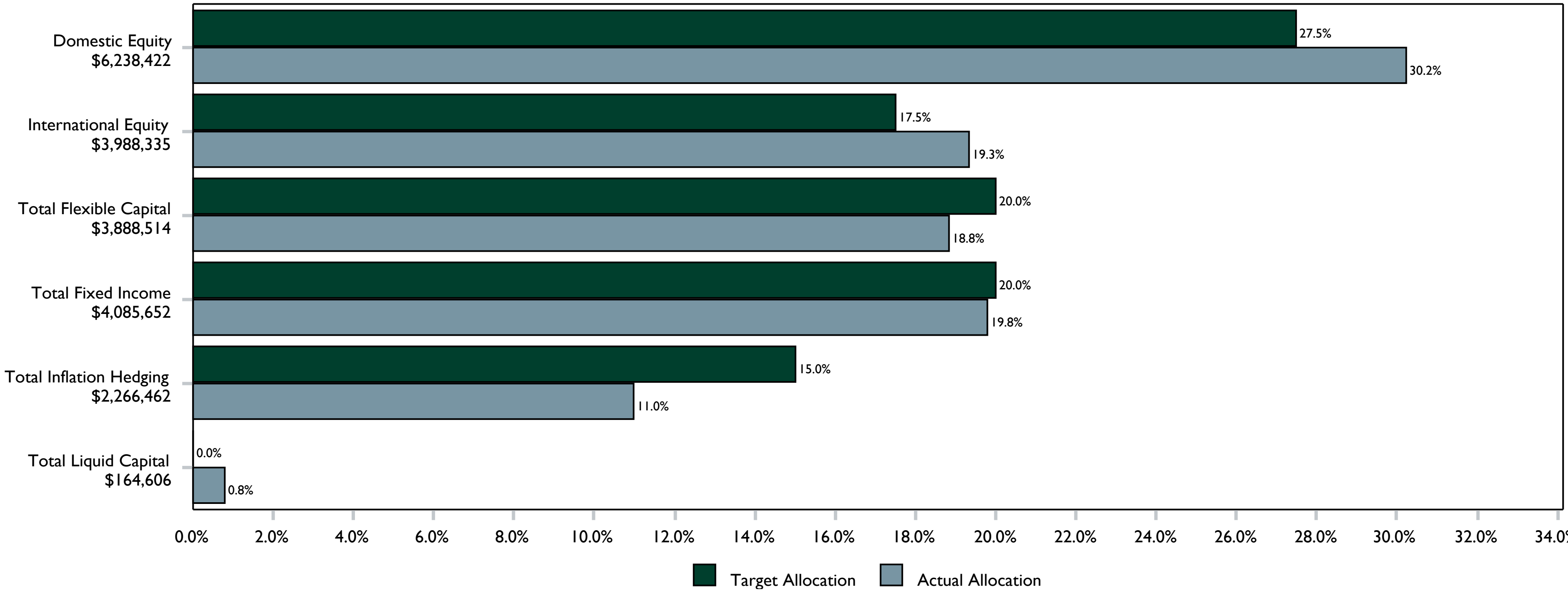
- Periods greater than one year are annualized
- Since inception returns are calculated from the first full month
- Actual Index calculated using manager allocations and index returns
- Performance and market values are subject to change based on statement availability from the investment manager/custodian
- Target Index: 27.5% Russell 3000 Index/ 17.5% MSCI EAFE Net Index/ 20% HFRI FOF Index/ 20% Barclays U.S. Aggregate Index/15% Inflation Hedging Composite Index
- Target Index reflects the policy limitations regarding international constraints
- Inflation Hedging Composite Index reflects manager allocations and index returns. Components have changed over time.
- Fixed Income Composite Index effective 12/01/2011: 50% Barclays U.S. Aggregate Index / 50% Barclays US Treasury: 1-5 Year Index
- Fixed Income Composite Index (prior to 11/30/2011): 50% Barclays Aggregate Index / 50% BOA Conv. Bond US Inv. Gr. Index
- Domestic Equity, Fixed Income, Inflation Hedging: Performance includes terminated managers
- Forester Offshore A2, Ltd.: Market value estimated using manager-reported preliminary performance
- Government Stif 15: Client specific cash performance not available. Citigroup Treasury Bill 3 Month Index is being reported.

Asset Allocation - Current

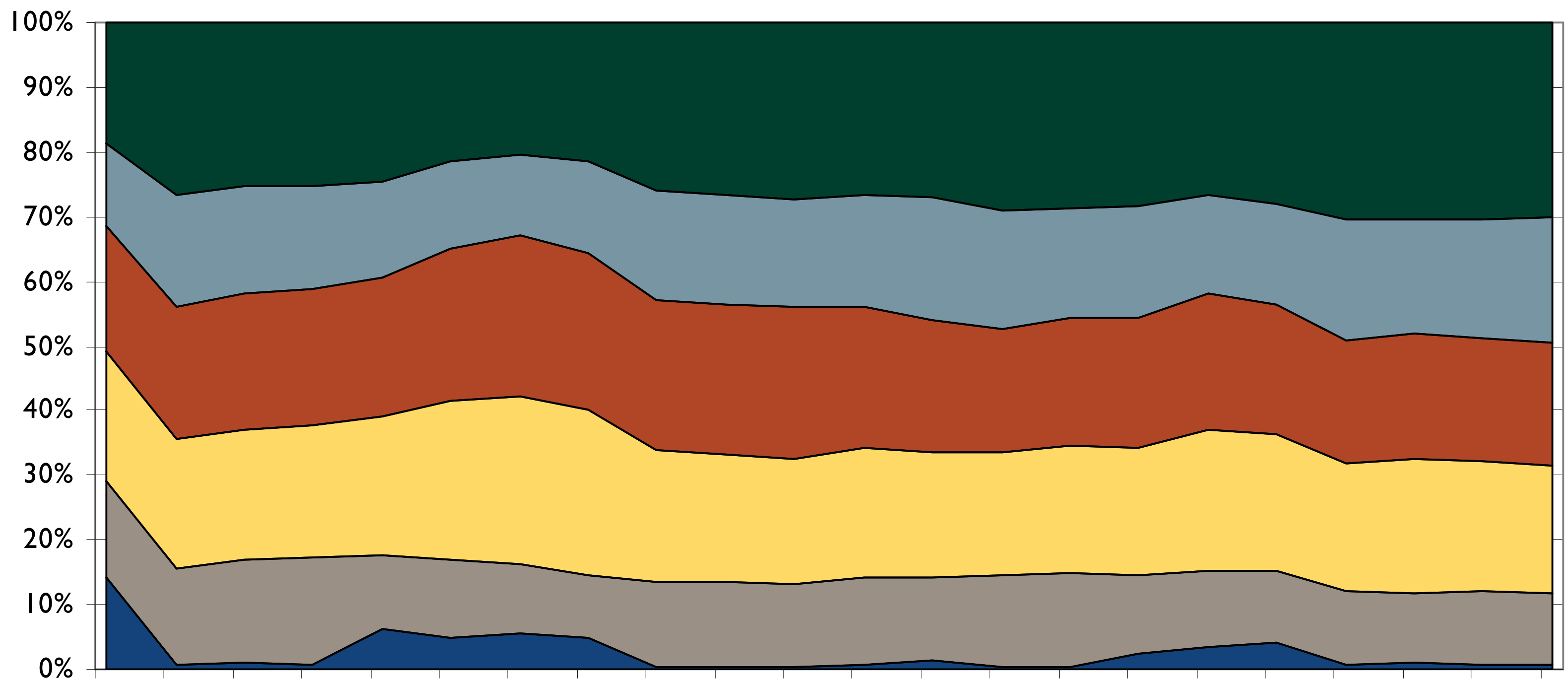
Asset Allocation Policy Ranges

As of December 31, 2012

	Asset Allocation (%)	Lower (%)	Target (%)	Upper (%)	Difference (%)
Total Fund	100.0	-	100.0	-	0.0
Domestic Equity	30.2	22.5	27.5	32.5	2.7
International Equity	19.3	15.0	17.5	20.0	1.8
Total Flexible Capital	18.8	15.0	20.0	25.0	-1.2
Total Fixed Income	19.8	15.0	20.0	25.0	-0.2
Total Inflation Hedging	11.0	10.0	15.0	20.0	-4.0
Total Liquid Capital	0.8	0.0	0.0	1.0	0.8



Asset Allocation – Historical



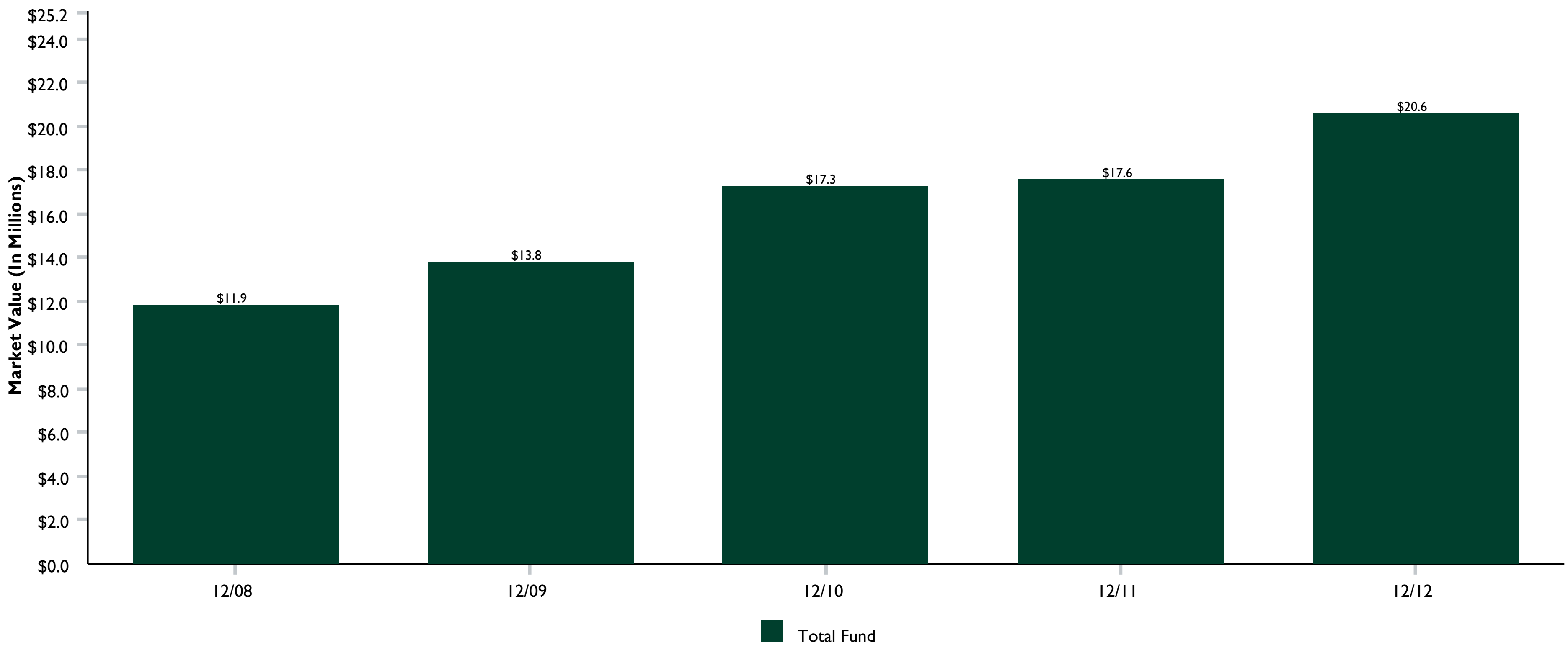
	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
Domestic Equity	19	27	25	25	25	22	21	21	26	27	27	27	27	29	29	29	27	28	31	30	31	30
International Equity	13	17	17	16	15	14	12	14	17	17	17	18	19	18	17	17	15	16	19	18	18	19
Flexible Capital	20	20	21	21	22	23	25	24	23	23	23	22	21	19	20	20	21	20	19	19	19	19
Fixed Income	20	20	20	20	22	24	26	25	20	20	19	20	19	19	20	20	22	21	20	21	20	20
Inflation Hedging	15	15	16	17	11	12	11	10	13	13	13	13	13	14	15	12	12	11	11	11	11	11
Cash	14	1	1	1	6	5	5	5	0	0	0	1	1	0	0	2	3	4	1	1	1	1

Schedule of Investable Assets

Total Fund

January 1, 2008 To December 31, 2012

Periods Ending	Beginning Market Value	Net Cash Flow	Investment Performance	Ending Market Value
2008	$16,305,625	$8,989	-$4,447,739	$11,866,875
2009	$11,866,875	$0	$1,976,750	$13,843,625
2010	$13,843,625	$1,506,198	$1,904,937	$17,254,761
2011	$17,254,761	$792,031	-$489,399	$17,557,392
2012	$17,557,392	$999,098	$2,075,500	$20,631,990
	$16,305,625	**$3,306,315**	**$1,020,050**	**$20,631,990**



Liquidity Schedule

As of December 31, 2012

Investments	Inception	Subscriptions	Market Value	Daily	Semi-Annually	Annually	Notes
Global Equity							
Fidelity Spartan Total Market Index Adv Fund	Jun-07	Daily	$4,882,928	$4,882,928			
FMI Common Stock Fund	Mar-12	Daily	$899,198	$899,198			
FPA Crescent Fund	Mar-12	Daily	$456,296	$456,296			
Artisan International Instl Fd	Jun-11	Daily	$2,030,638	$2,030,638			
Dodge & Cox Intl Stock Fund	Jun-07	Daily	$1,957,697	$1,957,697			
Flexible Capital							
Forester Offshore A2, Ltd.	Jun-07	Quarterly	$1,741,784			$1,741,784	Reds: 60 days notice required.
Archstone Absolute Return Strategies Fund, Ltd.	Jun-07	Monthly	$2,146,730		$2,146,730		Reds: On 12/31 and 6/30 with 90 days notice.
Fixed Income							
PIMCO Total Ret II Instl Fund	Jan-09	Daily	$2,297,185	$2,297,185			
Vanguard Short Term US Treas Adm Fd	Nov-11	Daily	$1,788,467	$1,788,467			
Inflation Hedging							
Vanguard Inflation-Protected Securities Adm Fund	Dec-08	Daily	$647,458	$647,458			
PIMCO Commodity Real Ret Str Instl Fund	Jun-10	Daily	$693,594	$693,594			
Van Eck Global Hard Assets I Fund	Mar-12	Daily	$925,409	$925,409			
Liquid Capital							
Government Stif 15	Jun-07	Daily	$164,606	$164,606			
Total ($)			**$20,631,990**	**$16,743,477**	**$2,146,730**	**$1,741,784**	
Total (%)			**100.0**	**81.2**	**10.4**	**8.4**	

Redemption Terms		
Daily	$16,743,477	81.2
Semi-Annually	$2,146,730	10.4
Annually	$1,741,784	8.4
Total	**$20,631,990**	**100.0**

Footnotes:

Liquidity schedule based on managers' general redemption terms. Please contact your client service team for specific redemption information.

Operational Detail

Manager	Vehicle Type	Latest Audited Financials	Auditor/Accountant	Legal Counsel	Custodian	Administrator	Holdings Transparency
Fidelity Spartan Total Market Index Adv Fund	Pooled	Feb-12	PricewaterhouseCoopers	Fidelity Legal Department	The Bank of New York Mellon	Fidelity Management & Research Co.	High
FMI Common Stock Fund	Pooled	Sep-12	PricewaterhouseCoopers	Foley & Lardner LLP	U.S. Bank, N.A.	U.S. Bancorp Fund Services, LLC	
FPA Crescent	Pooled	Dec-11	Deloitte & Touche LLP	K&L Gates LLP	State Street Bank & Trust	First Pacific Advisors, LLP	High
Dodge & Cox Intl Stock Fund	Pooled	Dec-11	PricewaterhouseCoopers	Dechert LLP	State Street Bank & Trust	Dodge & Cox	High
Artisan International Fund	Pooled	Sep-12	Ernst & Young LLP	Ropes & Gray LLP	State Street Bank and Trust Company	Artisan Partners Limited Parnership	High
Forester Offshore B, Ltd.	Pooled	Jun-12	Ernst & Young LLP	Ogier (Cayman)	BNY Mellon, Citco Bank and Trust Company Limited, JPMorgan Asset Management	Citco Fund Services	High
Archstone Absolute Return Strategies Fund, Ltd.	Pooled	Dec-11	Ernst & Young LLP	Willkie Farr & Gallagher LLP (US), Walkers (Cayman)	The Bank of New York Mellon.	SS&C Technologies, Inc.	High
PIMCO Total Ret II Instl Fund	Pooled	Mar-12	PricewaterhouseCoopers	Dechert LLP	State Street Bank and Trust Company	Pacific Investment Management Co. LLC	High
Vanguard Short Term U.S. Treasury Fund	Pooled	Jan-12	PricewaterhouseCoopers	Vanguard Legal Department	Bank of New York Mellon	Vanguard Group	High
Van Eck Global Hard Assets I Fund	Pooled	Dec-11	Ernst & Young LLP	Goodwin Procter LLP	State Street Bank & Trust	Van Eck Securities Corp.	High
Vanguard Inflation-Protected Securities Adm Fund	Pooled	Dec-11	PricewaterhouseCoopers	Vanguard Legal Department	JPMorgan Chase & Co.	Vanguard Group	High
PIMCO Commodity Real Ret Str Instl Fund	Pooled	Mar-12	PricewaterhouseCoopers	Dechert LLP	State Street Bank and Trust Company	Pacific Investment Management Co. LLC	High

N/A: information not applicable. N/P: information not provided at the time of report creation.

Low Transparency: limited disclosure of underlying portfolio holdings/components.

Medium Transparency: partial disclosure of underlying holdings/components.

High Transparency: access to underlying portfolio holdings/components.

Transparency assessments may not be comparable across asset classes or vehicles, given the existence of differing industry practices and implementation methods.

Auditor, latest audited financials, and legal counsel data provided for separate accounts is that of the management firm and provided for informational purposes only. Separate accounts typically are not audited.

Information obtained from third party sources is believed to be reliable, however, the accuracy of the information is not guaranteed and is not subject to independent verification.

Data is as of the most recent calendar year end and updated annually.

Fee Schedule

Fee Schedule as of December 31, 2012

Health Insurance Trust

	Fee Schedule	Assets Market Value	Projected Annual Fee ($)	Projected Annual Fee (%)
Fidelity Spartan Total Market Index Adv Fund	0.06% of NAV	$4,882,928	$2,930	0.06%
FMI Common Stock Fund	1.21% of NAV	$899,198	$10,880	1.21%
FPA Crescent Fund	1.25% of NAV	$456,296	$5,704	1.25%
Dodge & Cox Intl Stock Fund	0.64% of NAV	$1,957,697	$12,529	0.64%
Artisan International Instl Fund	0.99% of NAV	$2,030,638	$20,103	0.99%
Forester Offshore A2, Ltd.	1.00% on assets managed	$1,741,784	$17,418	1.00% *
Archstone Absolute Return Strategies Fund, Ltd.	1.50% on assets managed	$2,146,730	$32,201	1.50% *
PIMCO Total Ret II Instl Fund	0.50% of NAV	$2,297,185	$11,486	0.50%
Vanguard Short Term US Treas Adm Fund	0.10% of NAV	$1,788,467	$1,788	0.10%
Vanguard Inflation-Protected Securities Adm Fund	0.11% of NAV	$647,458	$712	0.11%
PIMCO Commodity Real Ret Str Instl Fund	0.74% of NAV	$693,594	$5,133	0.74%
Van Eck Global Hard Assets I Fund	1.01% of NAV	$925,409	$9,347	1.01%
Total Liquid Capital		$164,606		
Total Investment Management Fees		**$20,631,990**	**$130,231**	**0.63%**

Fee Schedule

Fee Schedule as of December 31, 2012

Health Insurance Trust

	Fee Schedule	Assets Market Value	Projected Annual Fee ($)	Projected Annual Fee (%)
State Street Bank & Trust Co.				
-Custody Fees	0.015% on assets custodied	$20,631,990	$3,095	0.015%
-Accounting Fees				
Separate Domestic Eq. Accts	$4,000 each			
Separate Fixed Income Accts	$2,500 each		$2,500	
Multiple Line Item	$1,500 each		$1,500	
Commingled/Mutual Funds	$500 each		$5,000	
-Accounting Fees				
Depository Trades	$15.00 each		$180	
Paydowns	$10.00 each			
Physicals	$35.00 each			
Options or Futures	$55.00 each			
Outgoing Wires	$7.50 each			
Expense Checks	$15.00 each			
Estimated Total SSB&T Fee:		$20,631,990	$12,275	0.06%
PBA Fees	0.25% on first $20 million	$20,631,990	$60,000	0.29%
	0.10% on next $50 million			
	0.05% over $70 million			
	$60,000 minimum			
Total Fees		**$20,631,990**	**$202,506**	**0.98%**

Please Note: *Base Fee Only; Underlying Manager Fees not included

Peer Performance Comparison

As of December 31, 2012

	1 Year Return	3 Years Return	5 Years Return	5 Years Standard Deviation	5 Years Beta	5 Years Actual Correlation	2012 Return	2011 Return	2010 Return	2009 Return	2008 Return
Fidelity Spartan Total Market Index Adv Fund	16.4 (32)	11.3 (21)	2.2 (28)	22.0	1.0	1.0	16.4 (32)	1.0 (21)	17.4 (30)	28.4 (64)	-37.2 (31)
Wilshire 5000 Total Market Index (full-cap)	**16.1 (36)**	**11.3 (22)**	**2.3 (26)**	**22.0**	**1.0**	**1.0**	**16.1 (36)**	**0.6 (25)**	**18.1 (28)**	**29.4 (59)**	**-37.3 (33)**
IM U.S. Multi-Cap Core Equity (MF) Median	***15.0***	***9.1***	***1.0***	***22.3***	***1.0***	***1.0***	***15.0***	***-1.9***	***15.1***	***30.6***	***-39.1***
FMI Common Stock Fund	10.2 (90)	12.0 (22)	8.4 (1)	21.6	0.8	1.0	10.2 (90)	4.5 (4)	22.2 (62)	33.9 (49)	-20.4 (1)
Russell 2500 Index	**17.9 (32)**	**13.3 (10)**	**4.3 (8)**	**25.5**	**1.0**	**1.0**	**17.9 (32)**	**-2.5 (36)**	**26.7 (11)**	**34.4 (46)**	**-36.8 (27)**
IM U.S. Mid Cap Core Equity (MF) Median	***16.0***	***10.8***	***1.4***	***24.4***	***0.9***	***1.0***	***16.0***	***-4.8***	***23.0***	***33.6***	***-39.5***
FPA Crescent Fund	10.3 (50)	8.4 (46)	5.4 (34)	14.4	0.6	0.9	10.3 (50)	3.0 (19)	12.0 (61)	28.4 (45)	-20.6 (24)
S&P 500 Index	**16.0 (15)**	**10.9 (18)**	**1.7 (59)**	**21.3**	**1.0**	**1.0**	**16.0 (15)**	**2.1 (28)**	**15.1 (27)**	**26.5 (49)**	**-37.0 (90)**
60% Russell 2500 / 40% BC Global Credit	**15.6 (16)**	**11.4 (16)**	**5.7 (32)**	**18.0**	**0.8**	**1.0**	**15.6 (16)**	**0.5 (44)**	**18.9 (6)**	**29.6 (40)**	**-26.5 (46)**
HFRI Equity Hedge (Total) Index	**7.4 (68)**	**2.8 (89)**	**-0.1 (85)**	**13.5**	**0.6**	**0.9**	**7.4 (68)**	**-8.4 (95)**	**10.5 (72)**	**24.6 (54)**	**-26.7 (46)**
IM Flexible Portfolio (MF) Median	***10.2***	***7.9***	***2.5***	***16.5***	***0.7***	***0.9***	***10.2***	***-0.2***	***12.7***	***25.2***	***-27.6***
Dodge & Cox Intl Stock Fund	21.0 (14)	5.0 (17)	-1.9 (14)	29.9	1.2	1.0	21.0 (14)	-16.0 (93)	13.7 (2)	47.5 (1)	-46.7 (86)
MSCI EAFE Index	**17.3 (62)**	**3.6 (51)**	**-3.7 (59)**	**25.6**	**1.0**	**1.0**	**17.3 (62)**	**-12.1 (42)**	**7.8 (40)**	**31.8 (29)**	**-43.4 (62)**
IM International Large Cap Core Equity (MF) Median	***18.3***	***3.6***	***-3.5***	***25.9***	***1.0***	***1.0***	***18.3***	***-12.4***	***7.4***	***29.7***	***-42.7***
Artisan International Instl Fund	25.6 (1)	8.5 (2)	-1.0 (9)	26.8	1.0	1.0	25.6 (1)	-4.1 (2)	6.2 (75)	40.0 (11)	-46.8 (76)
MSCI EAFE (Net)	**17.3 (64)**	**3.6 (55)**	**-3.7 (55)**	**25.6**	**1.0**	**1.0**	**17.3 (64)**	**-12.1 (36)**	**7.8 (55)**	**31.8 (43)**	**-43.4 (51)**
IM International Large Cap Equity (MF) Median	***18.2***	***3.7***	***-3.5***	***25.9***	***1.0***	***1.0***	***18.2***	***-13.0***	***8.3***	***30.5***	***-43.2***
PIMCO Total Ret II Instl Fund	8.2 (25)	6.8 (57)	7.8 (9)	4.2	0.9	0.7	8.2 (25)	4.5 (88)	7.7 (44)	13.7 (48)	5.2 (10)
Barclays U.S. Aggregate	**4.2 (87)**	**6.2 (76)**	**5.9 (53)**	**3.2**	**1.0**	**1.0**	**4.2 (87)**	**7.8 (10)**	**6.5 (76)**	**5.9 (92)**	**5.2 (9)**
IM U.S. Broad Market Core Fixed Income (MF) Median	***6.9***	***7.0***	***6.0***	***4.5***	***0.7***	***0.5***	***6.9***	***6.5***	***7.5***	***13.3***	***-3.7***

Peer Performance Comparison

As of December 31, 2012

	1 Year Return	3 Years Return	5 Years Return	5 Years Standard Deviation	5 Years Beta	5 Years Actual Correlation	2012 Return	2011 Return	2010 Return	2009 Return	2008 Return
PIMCO Commodity Real Ret Str Instl Fund	5.3 (1)	6.5 (1)	-0.9 (1)	28.5	1.1	1.0	5.3 (1)	-7.6 (43)	24.1 (2)	39.9 (3)	-43.3 (22)
Dow Jones-UBS Commodity Index	**-1.1 (44)**	**0.1 (70)**	**-5.2 (29)**	**24.8**	**1.0**	**1.0**	**-1.1 (44)**	**-13.3 (85)**	**16.8 (32)**	**18.9 (49)**	**-35.6 (7)**
IM Commodities General (MF) Median	***-1.6***	***1.3***	***-6.4***	***29.5***	***1.1***	***1.0***	***-1.6***	***-7.9***	***15.5***	***18.6***	***-45.9***
Van Eck Global Hard Assets I Fund	2.9 (44)	3.5 (22)	-1.2 (8)	33.6	1.1	1.0	2.9 (44)	-16.3 (50)	28.9 (8)	53.2 (37)	-44.5 (17)
S&P North American Natural Resources Sector	**2.2 (49)**	**5.5 (13)**	**-1.5 (9)**	**31.0**	**1.0**	**1.0**	**2.2 (49)**	**-7.4 (13)**	**23.9 (22)**	**37.5 (64)**	**-42.6 (11)**
IM Global Natural Resources (MF) Median	***1.9***	***1.3***	***-4.5***	***34.0***	***1.1***	***1.0***	***1.9***	***-16.4***	***16.6***	***45.7***	***-51.1***

Please Note:

-Standard Deviation, Beta and Correlation are relative to the primary benchmark for the strategy

-Manager and benchmark universe rankings are listed in parenthesis next to manager and benchmark returns

-Peer Universe rankings range from 1 to 100. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100.

Tab III

Portfolio Comparison

As of December 31, 2012

	Fidelity Spartan	FMI Common Stock	FPA Crescent Fund	Domestic Equity	Russell 3000
Composition					
# of Holdings	3,257	40	45	3,271	2,969
% Top 15 Holdings	21.4	51.4	54.9	17.6	21.2
% Top 25 Holdings	29.0	75.7	75.8	24.7	28.7
Characteristics					
Wtd Avg Mkt Cap ($B)	87.0	3.4	56.6	72.7	86.6
Forecast P/E	13.1	13.4	10.8	13.0	13.2
Price/Book ratio	2.5	1.9	2.0	2.3	2.5
Historical EPS Growth - 5 Year	6.6	2.9	5.7	6.0	6.7
Forecast EPS Growth - Long-Term	11.2	10.0	10.8	11.0	11.1
Current Yield	2.1	1.6	2.0	2.0	2.1
GICS Sectors (%)					
Energy	10.2	10.0	7.1	9.9	9.9
Materials	4.0	12.2	2.0	5.0	4.1
Industrials	10.9	22.2	4.6	12.1	11.2
Consumer Discretionary	12.3	6.4	9.9	11.2	12.5
Consumer Staples	9.2	0.0	17.2	8.5	9.3
Health Care	11.8	16.6	15.4	12.8	11.8
Financials	16.8	12.6	18.9	16.4	16.9
Information Technology	18.3	20.0	20.4	18.7	18.2
Telecommunication Services	2.7	0.0	0.0	2.1	2.7
Utilities	3.4	0.0	0.0	2.7	3.4
Cash	0.4	0.0	0.0	0.3	0.0
Other	0.0	0.0	4.5	0.3	0.0
Market Capitalization (%)					
Large ($15.0B-Above)	68.0	0.0	67.9	58.2	68.3
Mid/Large ($7.0-15.0B)	12.5	3.8	16.6	11.5	12.5
Mid ($1.0-7.0B)	15.9	93.6	11.0	26.7	16.1
Small/Mid ($0.5-1.0B)	1.9	2.7	0.0	1.9	1.8
Small ($0.0-0.5B)	1.3	0.0	0.0	1.0	1.3
Cash	0.4	0.0	0.0	0.3	0.0
Other	0.0	0.0	4.5	0.3	0.0

Portfolio Comparison

As of December 31, 2012

	Dodge & Cox	Artisan	International Equity	MSCI EAFE	Global Equity	MSCI AC World
Composition						
# of Holdings	97	83	169	909	3,430	2,431
% Top 15 Holdings	42.0	45.8	29.7	17.8	13.6	11.6
% Top 25 Holdings	58.2	63.7	42.8	25.0	20.2	16.3
Characteristics						
Wtd Avg Mkt Cap ($B)	59.6	55.1	57.3	56.0	66.7	73.3
Forecast P/E	11.7	11.9	11.8	12.0	12.5	12.4
Price/Book ratio	1.9	2.3	2.1	1.9	2.2	2.2
Historical EPS Growth - 5 Year	-3.2	9.1	3.4	-0.8	5.2	4.6
Forecast EPS Growth - Long-Term	11.1	15.0	13.1	11.9	11.8	11.5
Current Yield	2.8	2.4	2.6	3.4	2.3	2.7
GICS Sectors (%)						
Energy	5.5	2.4	3.9	7.7	7.6	10.6
Materials	8.3	7.8	8.1	9.8	6.2	7.6
Industrials	9.1	13.9	11.5	12.6	11.9	10.4
Consumer Discretionary	13.2	13.0	13.1	10.7	12.0	10.7
Consumer Staples	2.5	27.5	15.2	11.6	11.1	10.4
Health Care	15.7	6.1	10.8	9.8	12.0	9.3
Financials	25.2	19.2	22.1	24.7	18.6	21.1
Information Technology	11.7	4.9	8.2	4.3	14.6	12.1
Telecommunication Services	8.6	3.4	6.0	4.9	3.6	4.3
Utilities	0.0	0.0	0.0	3.9	1.6	3.5
Cash	0.1	1.8	1.0	0.0	0.6	0.0
Other	0.0	0.0	0.0	0.0	0.2	0.0
Market Capitalization (%)						
Large ($15.0B-Above)	76.4	80.5	78.5	72.6	66.1	72.9
Mid/Large ($7.0-15.0B)	18.1	11.6	14.8	15.8	12.8	16.6
Mid ($1.0-7.0B)	5.2	6.1	5.6	11.7	18.5	10.5
Small/Mid ($0.5-1.0B)	0.2	0.0	0.1	0.0	1.2	0.0
Small ($0.0-0.5B)	0.0	0.0	0.0	0.0	0.6	0.0
Cash	0.1	1.8	1.0	0.0	0.6	0.0
Other	0.0	0.0	0.0	0.0	0.2	0.0

Regional Exposure

As of December 31, 2012

Regional Allocation (%)

	Global Equity	MSCI AC World	Dodge & Cox	Artisan	International Equity	MSCI EAFE
Canada	1.0	4.3	0.0	4.5	2.3	0.0
United States	60.1	44.9	5.1	2.7	3.9	0.0
Pacific ex Japan	3.5	6.1	1.6	15.8	8.8	14.1
Japan	4.5	7.4	11.9	11.2	11.6	20.0
Europe ex UK	19.5	16.4	47.3	45.4	46.3	42.8
United Kingdom	5.8	8.4	16.8	11.3	14.0	22.6
Middle East	0.0	0.2	0.0	0.0	0.0	0.5
Developed Markets	**94.5**	**87.7**	**82.7**	**90.9**	**86.8**	**100.0**
EM Asia	1.8	7.1	2.4	6.3	4.4	0.0
EM Europe	0.5	1.3	2.7	0.0	1.3	0.0
EM Latin America	1.0	2.8	4.9	0.1	2.5	0.0
EM Mid East+Africa	1.3	1.1	7.0	0.0	3.4	0.0
Emerging Markets	**4.6**	**12.3**	**17.0**	**6.5**	**11.7**	**0.0**
Frontier Markets	**0.2**	**0.0**	**0.2**	**0.8**	**0.5**	**0.0**
Cash	0.6	0.0	0.1	1.8	1.0	0.0
Other	0.2	0.0	0.0	0.0	0.0	0.0

Regional Allocation (%)

	Global Equity	MSCI AC World
United States	60.1	44.9
Non-US Developed	**34.3**	**42.8**
Emerging Markets	**4.6**	**12.3**
Frontier Markets	**0.2**	**0.0**
Cash	0.6	0.0
Other	0.2	0.0

Flexible Capital

As of December 31, 2012

	Forester Offshore Fund, Ltd.	Archstone Absolute Return Strategies Fund, Ltd.	Total Flexible Capital	FPA Crescent Fund	Total Leveraged Portfolio
Market Value	$1,742	$2,147	$3,889	$456	$4,345
% of Total Managed Portfolio ($20,632)	8.4	10.4	18.8	2.2	21.1
Market Exposure (%)					
Gross Long %	103.0	100.4	101.6	68.4	98.1
Gross Short %	62.0	57.8	59.7	2.6	53.7
Net %	41.0	42.6	41.9	65.8	44.4
Total Gross	165.0	158.2	161.2	71.0	151.8
Strategy Weights (%)					
L/S Equity	100.0	14.6	52.9	66.2	54.3
L/S Credit	0.0	23.4	12.9	3.6	11.9
Event-Driven	0.0	3.7	2.0	0.0	1.8
Distressed	0.0	18.6	10.3	0.0	9.2
Special Situations	0.0	1.7	0.9	0.0	0.8
Relative Value	0.0	9.0	5.0	0.0	4.4
Macro	0.0	0.0	0.0	0.0	0.0
Other/Cash	0.0	29.0	16.0	30.2	17.5
Geography (%)					
U.S. & Canada	64.9	57.0	60.5	66.2	61.1
Dev Europe	21.2	27.7	24.8	31.2	25.4
Asia	11.5	12.0	11.8	0.0	10.5
Emerging Mkts	2.4	0.0	1.1	0.0	1.0
Other	0.0	3.3	1.8	2.6	1.9

Top 10 Long Holdings/Managers

Forester Offshore Fund, Ltd.		Archstone Absolute Return Strategies Fund, Ltd.		FPA Crescent Fund	
Company	**%**	**Company**	**%**	**Company**	**%**
KENSICO	NA	FIR TREE	10.7	AON	3.6
VIKING	NA	YORK CREDIT	10.1	CVS CAREMARK	3.3
PENNANT CAPITAL	NA	OZ OVERSEAS	9.7	MICROSOFT	3.0
SAMLYN CAPITAL	NA	KING STREET	9.7	COVIDIEN	2.8
TIGER GLOBAL	NA	ELLIOTT INT'L	9.5	THERMO FISHER	2.3
COATUE MANAGEMENT	NA	DAVIDSON KEMPNER	9.3	CISCO	2.2
JOHO CAPITAL	NA	FARALLON	8.7	OMNICARE	2.1
WELLINGTON MANAGEMENT	NA	MASON	8.4	ORACLE	2.0
ABRAMS BISON	NA	SILVER POINT	7.9	ORKLA	1.9
CASTINE CAPITAL	NA	TACONIC OFFSHORE	6.0	ANHEUSER-BUSCH	1.9

- Forester Offshore top holdings represent ten of the Fund's top fifteen managers.

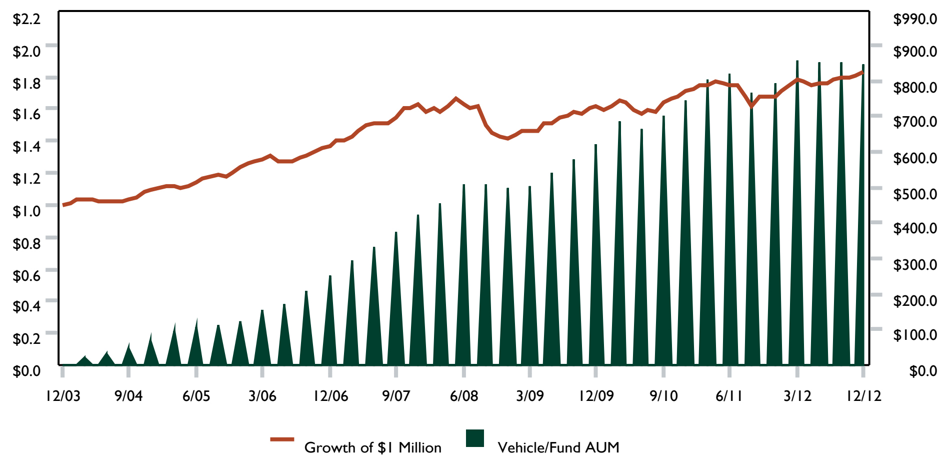
- Archstone Absolute Return Strategies Fund statistics as of 9/30/2012. Totals may not equal 100% due to rounding.
- FPA Crescent Fund market and geographic exposure exclude cash.

Flexible Capital Strategies

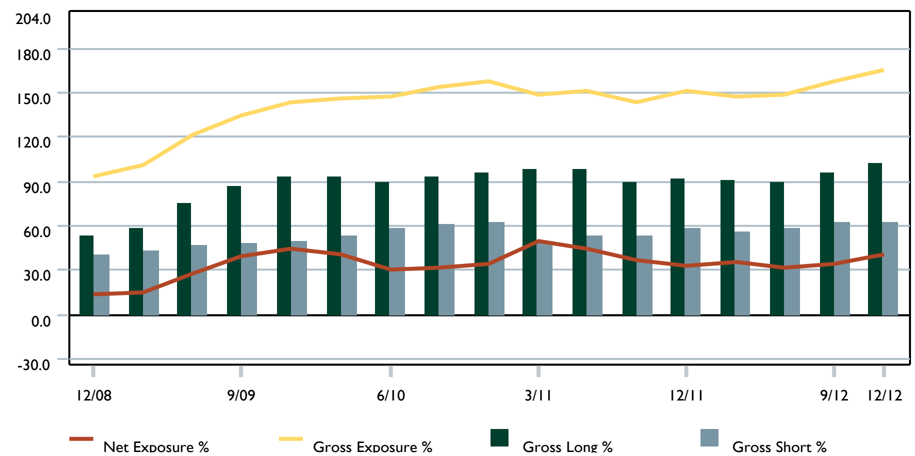
Forester Offshore, Ltd.

As of December 31, 2012

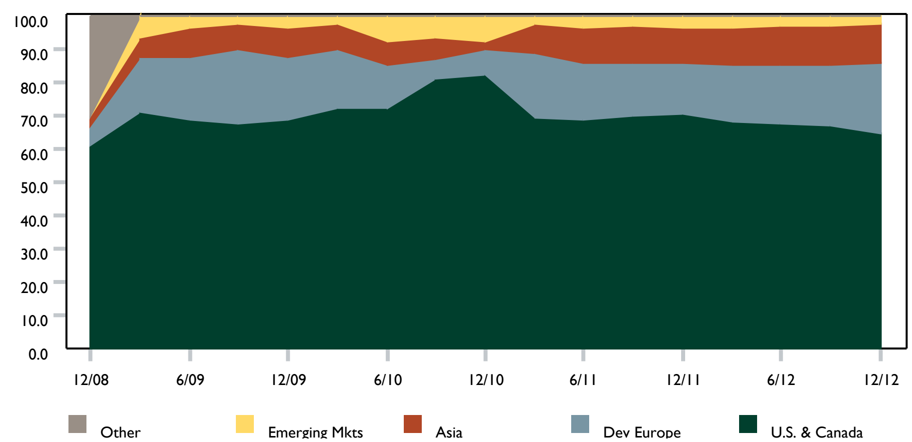
Asset Growth



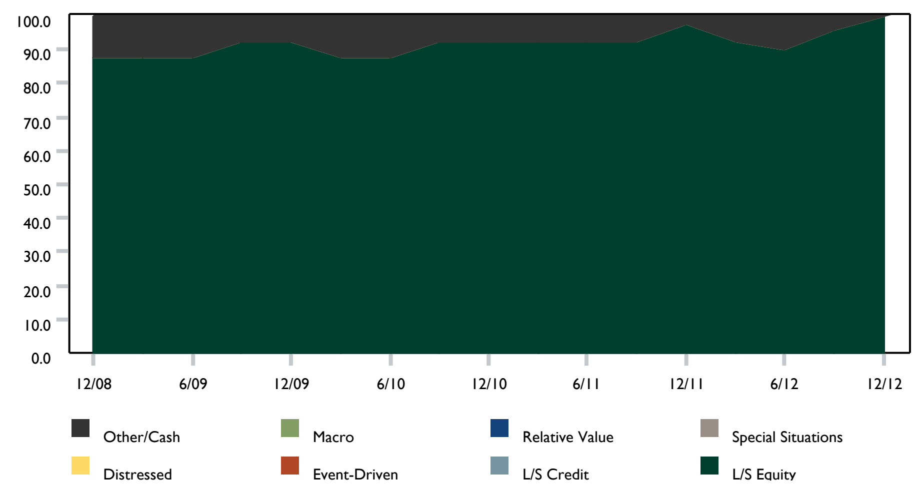
Market Exposure



Geographic Exposure



Strategy Weights



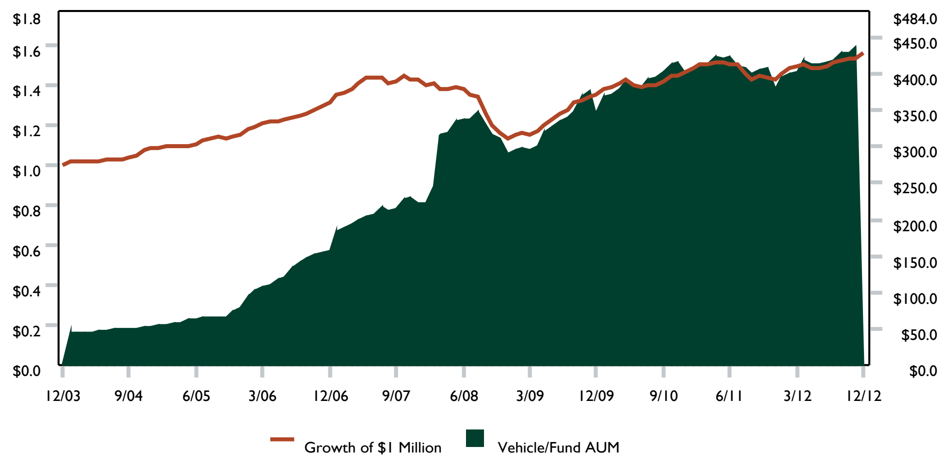
Prime BUCHHOLZ

Flexible Capital Strategies

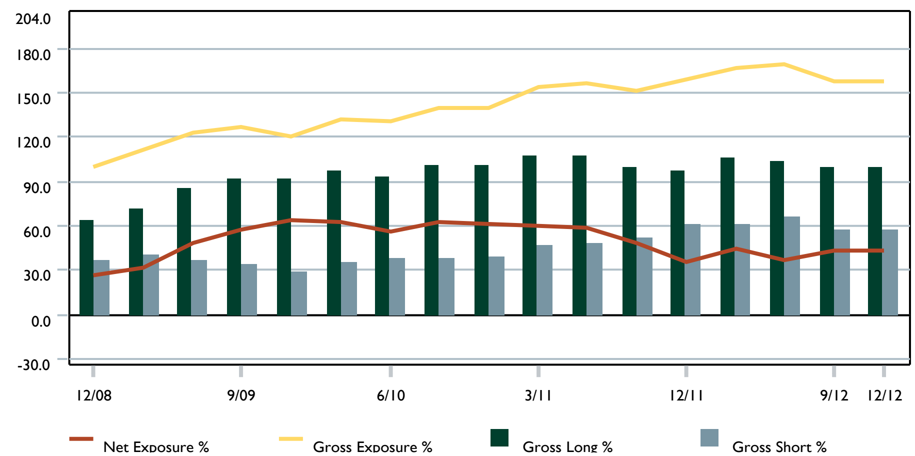
Archstone Absolute Return Strategies Fund, Ltd.

As of December 31, 2012

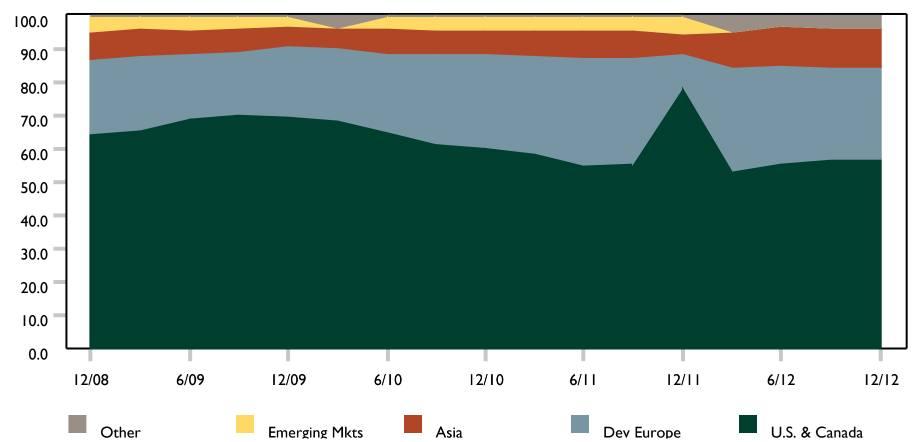
Asset Growth



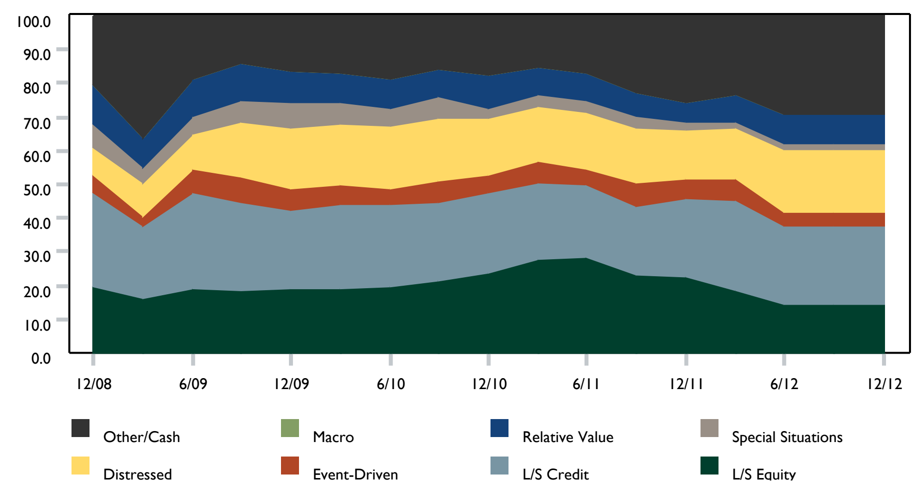
Market Exposure



Geographic Exposure



Strategy Weights



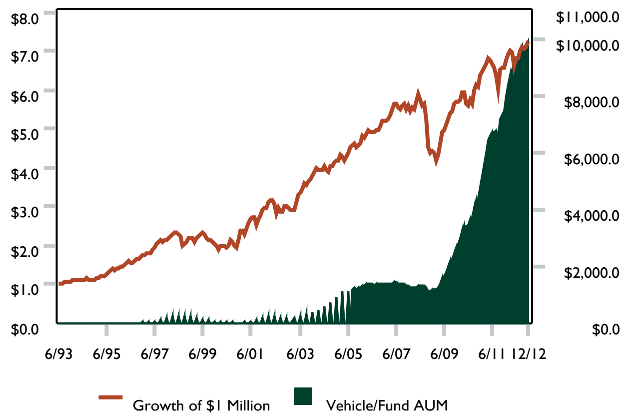
12/31/2012 statistics are based on 9/30/2012.

Flexible Capital Strategies

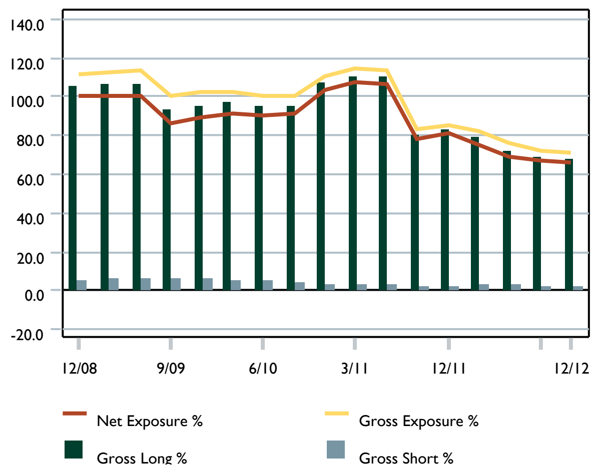
FPA Crescent Fund

As of December 31, 2012

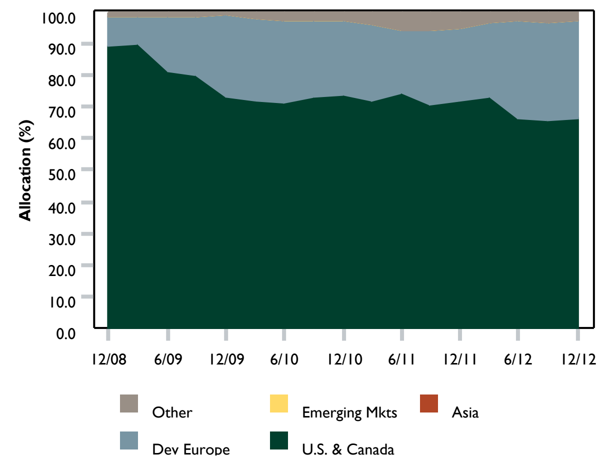
Asset Growth



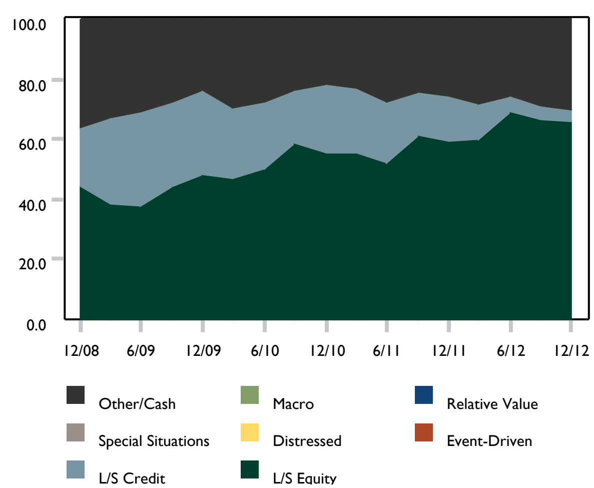
Market Exposure



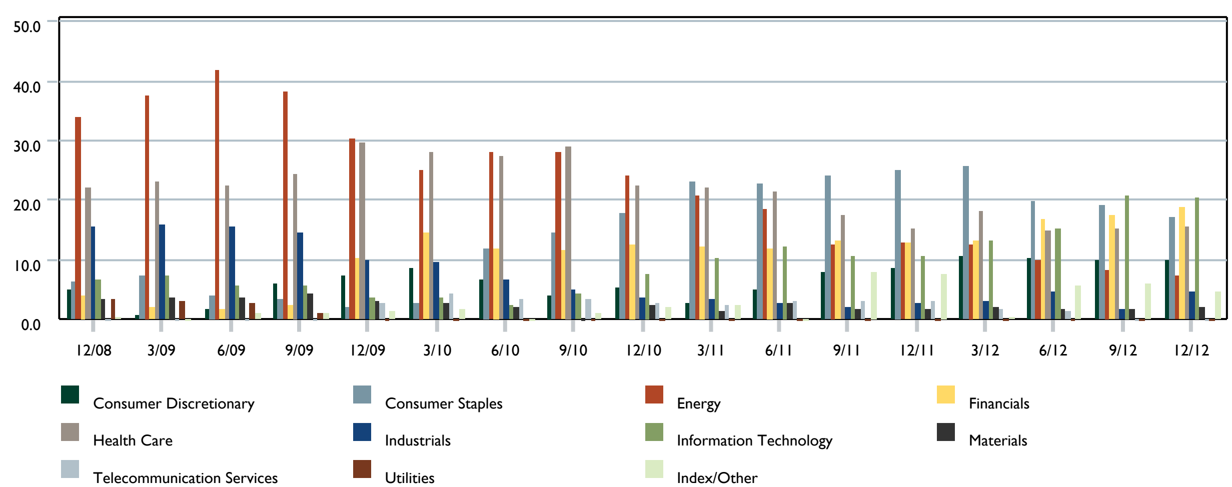
Geographic Exposure



Strategy Weights



Sector Breakdown



Market and geographic exposure exclude cash.

Prime BUCHHOLZ

Fixed Income

As of December 31, 2012

	PIMCO Total Return II	Barclays U.S. Aggregate
Portfolio Characteristics		
Yield	1.4	1.7
Average Maturity	5.4	7.0
Duration	4.1	5.1
Quality Breakdown		
U.S. Treasury	12.0	36.4
U.S. Govt/Agency	1.0	4.8
Agency MBS	0.0	29.6
Non-U.S. Sov/Agency	0.0	4.1
AAA	59.0	2.9
AA	14.0	2.2
A	17.0	10.5
BBB	-4.0	9.5
BB and Below	1.0	0.0
NR/Other	0.0	0.0
Sector Breakdown		
U.S. Treasury	12.0	36.4
U.S. Government Related	1.0	4.8
Non-U.S. Sovereign/Agency	0.0	4.1
Investment Grade Corporate	16.0	21.6
Industrials	1.0	12.2
Utility	0.0	2.4
Financials	15.0	7.0
High Yield	0.0	0.0
Non-U.S. Dollar	0.0	0.0
Emerging Market Debt	0.0	0.0
MBS	44.0	29.6
MBS-Agency	42.0	29.6
MBS-NonAgency	2.0	0.0
CMBS	5.0	1.8
ABS	1.0	0.3
Municipals	7.0	0.0
Cash	8.0	0.0
Other	6.0	1.4

- PIMCO statistics as of 9/30/2012. U.S Treasury includes 9% TIPS. U.S. Government/Agency is 3% U.S. Agency and -2% Swaps and Liquid Rates. Sector Breakdown Other includes 3% Other Investment Grade Credit, 2% Convertibles, and 1% Preferred Stock. Cash includes: 13% CP/STIF, 6% Govt Related, 4% Mortgage, -8% Credit, 19% US MM Futures/Options, 7% Other, and -33% Liabilities. The Agency/non-Agency breakout pertains only to the mortgages held in the MBS sector allocation and does not account for any non-Agency MBS held within the ST Mortgage allocation within the Cash Equivalents sector. PIMCO defines cash equivalents as any security with a duration under 1 year. Sector and Sub-Sector Breakdown based on net asset value. Yield is 30-day SEC yield.

- Barclays U.S. Aggregate Duration represents Modified Adjusted Duration. Sector Breakdown Other is Supranationals.

Fixed Income

As of December 31, 2012

	Vanguard Short Term US Treasury	Barclays U.S. Treasury: 1-5 Year
Portfolio Characteristics		
Yield	0.3	0.4
Average Maturity	2.3	2.8
Duration	2.3	2.7
Quality Breakdown		
U.S. Treasury	99.7	100.0
U.S. Govt/Agency	0.0	0.0
Agency MBS	0.0	0.0
Non-U.S. Sov/Agency	0.0	0.0
AAA	0.0	0.0
AA	0.0	0.0
A	0.0	0.0
BBB	0.0	0.0
BB and Below	0.0	0.0
NR/Other	0.3	0.0
Sector Breakdown		
U.S. Treasury	99.7	100.0
U.S. Government Related	0.0	0.0
Non-U.S. Sovereign/Agency	0.0	0.0
Investment Grade Corporate	0.0	0.0
Industrials	0.0	0.0
Utility	0.0	0.0
Financials	0.0	0.0
High Yield	0.0	0.0
Non-U.S. Dollar	0.0	0.0
Emerging Market Debt	0.0	0.0
MBS	0.0	0.0
MBS-Agency	0.0	0.0
MBS-NonAgency	0.0	0.0
CMBS	0.0	0.0
ABS	0.0	0.0
Municipals	0.0	0.0
Cash	0.3	0.0
Other	0.0	0.0

- Vanguard Short-Term Treasury. Duration represents Average Duration.

- Barclays U.S. Treasury 1-5 Year.. Duration represents Modified Adjusted Duration.

Inflation Hedging

As of December 31, 2012

	Vanguard Inflation-Protected Securities	Barclays U.S. Treasury: U.S. TIPS
Portfolio Characteristics		
Yield	1.6	-0.9
Average Maturity	9.3	8.9
Duration	8.5	5.6
Quality Breakdown		
U.S. Treasury	98.8	100.0
U.S. Govt/Agency	0.0	0.0
Agency MBS	0.0	0.0
Non-U.S. Sov/Agency	0.0	0.0
AAA	0.0	0.0
AA	0.0	0.0
A	0.0	0.0
BBB	0.0	0.0
BB and Below	0.0	0.0
NR/Other	1.2	0.0
Sector Breakdown		
U.S. Treasury	98.8	100.0
U.S. Government Related	0.0	0.0
Non-U.S. Sovereign/Agency	0.0	0.0
Investment Grade Corporate	0.0	0.0
Industrials	0.0	0.0
Utility	0.0	0.0
Financials	0.0	0.0
High Yield	0.0	0.0
Non-U.S. Dollar	0.0	0.0
Emerging Market Debt	0.0	0.0
MBS	0.0	0.0
MBS-Agency	0.0	0.0
MBS-NonAgency	0.0	0.0
CMBS	0.0	0.0
ABS	0.0	0.0
Municipals	0.0	0.0
Cash	1.2	0.0
Other	0.0	0.0

- Vanguard. Yield to maturity is calculated by Vanguard by adding the trailing 12-month inflation adjustment to the real YTM of the fund. Duration represents Average Duration. 1.2% Cash represents Short-Term Reserves.

- Barclays U.S. TIPS Duration represents Real Option Adjusted Duration. Yield shown is Real Yield.

Inflation Hedging

As of December 31, 2012

	PIMCO Commodity Real Return	Van Eck Global Hard Assets	Dow Jones-UBS Commodity Index
Sector Breakdown			
Energy	32.0	58.8	31.7
Industrial Metals	19.0	15.4	18.8
Precious Metals	13.0	13.4	12.8
Agriculture/Livestock	36.0	1.2	36.7
Other	0.0	11.2	0.0

- PIMCO Commodity. Agriculture/Livestock includes Grains, Softs (sugar & flour) and Vegetable Oil. The collateral portfolio will be mainly invested in inflation-linked bonds (ILBs). Per the prospectus, the Fund will seek to gain exposure to the commodity markets primarily through investments in leveraged or unleveraged commodity index-linked notes, which are derivative debt instruments with principal and/or coupon payments linked to the performance of commodity indices and through investments in the PIMCO Cayman Commodity Fund I Ltd.

- Van Eck. Other includes 7.2% Cash, and 2.2% Forest Products.

Tab IV

Performance Highlights

Equity

- FPA Crescent gained 1.9% in the fourth quarter, finishing the year with a gain of 10.3%. This compares favorably to the HFRI Equity Hedge Index, which returned 1.8% and 7.4%, respectively. FPA maintained net equity exposure of roughly 60% for much of the year and the Fund essentially matched the 10.3% return of the S&P 500 Index after adjusting for net exposure. FPA reduced its corporate credit exposure during the quarter to roughly 2% and mortgages stayed relatively consistent at 1.4%. FPA continues to be bearish on corporate credit as absolute yields are at record lows and the potential upside in the asset class does not account for the risks of a downside correction. FPA's equity portfolio continues to be skewed toward large cap names as the Firm is finding the best values among dominant brands with strong management teams. Among the top contributors to returns during the quarter were Thermo-Fisher Scientific, which gained more than 8% in the fourth quarter after reporting strong earnings and increasing guidance for the year. Similarly, Omincare gained more than 6% after announcing strong results and increasing its dividend rate and planned share buyback program. AIG, a name that fits more in line with FPA's contrarian value style, was also a top contributor. It gained more than 7.5% as the company has executed its turnaround plan well and announced that the U.S. Treasury had completed its divestment in the company. FPA's hedged longs produced mixed results during the quarter. CVS Caremark was essentially flat during the quarter; however, the position is partially hedged by a short in ExpressScripts that declined more than 13%. Conversely, FPA's long position in Renault gained more than 11%, but the offsetting short in Nissan gained more than 20%. FPA has built a small short position in the Japanese yen using put options that would pay off if the yen weakens as part of the nation's attempts to re-inflate its economy and spur export growth.

Performance Highlights

Equity (cont'd)

- FMI's Small/Mid Cap Equity strategy gained 4.3% in the final three months of 2012, outperforming the Russell 2500 Index (+3.1%). However, for the calendar year, FMI's 10.2% return fell well short of the Russell 2500 Index's 17.9% gain. FMI gained substantial ground relative to the Index in October and November, but gave up approximately 140 bps in December as the markets rebounded into year-end. FMI's results in the quarter were largely driven by positive stock selection across the health care, industrials, and IT sectors. Within health care, strong performance from Covance and VCA Antech offset the impact of an over allocation to the underperforming sector. FMI is also overweight industrials, in which some of the portfolio's more cyclical exposures—Ryder System, Carlisle, and Robert Half International—drove relative results. It should be noted that FMI's portfolio is, at the margin, more cyclically exposed than typical given relative valuations. FMI seeks to offset the greater economic sensitivity with high quality companies that have strong balance sheets. Arrow Electronics and JDA Software, a newer name, figured among the contributors within the IT sector. Conversely, FMI's elevated cash balance of upwards of 12% in the quarter weighed on relative results in the quarter and year. In addition to a lack of exposure to commodity-oriented materials stocks, AptarGroup declined in the quarter, hindering performance within the materials sector. FMI's financials also posted middling results, with Cullen/Frost Bankers and Arthur J. Gallagher & Co. detracting from relative performance. The team remains cautious in its short-term outlook despite the resolution of the fiscal cliff given expected challenges facing firms to generate top-line growth. Long-term FMI continues to be constructive on equities. FMI's small/mid cap equity remains effectively closed to new investors.

Performance Highlights

Equity (cont'd)

- Dodge & Cox's International Stock Fund posted another strong quarter, returning 9.1% in the fourth quarter versus a 6.6% gain for the MSCI EAFE Index. Performance for calendar-year 2012 was equally strong. The strategy appreciated 21% again well ahead of the 17.3% return of the broad benchmark. Relative outperformance during the recent quarter was primarily driven by positive stock selection. The investment team was particularly successful adding value within the financials and materials sectors, in which key contributors included Cemex , a Mexican building materials company; Lafrage, a French building materials company; as well as emerging markets domiciled financial services firms such as Yapi Kredi and Sabanci Holding. Sector positioning, particularly overweights to the more cyclical consumer discretionary and financials sectors, also aided relative returns. Portfolio positioning went relatively unchanged during the quarter. Health care, IT, and consumer discretionary all remained overweight relative to the Index. The portfolio remained underweight materials and energy—the latter of which served as a modest tailwind as oil prices declined over the quarter. Regionally, Dodge & Cox continued to favor continental Europe at the expense of Japan. Exposure within Europe was focused on northern countries, such as Switzerland, with little exposure to the troubled PIIGS nations. The portfolio's direct emerging markets allocation declined slightly, standing at just less than 20%.

- There will be several changes to Dodge & Cox's senior management team taking effect May 14, 2013, all of which are part of the Firm's longer-term succession planning. Dana M. Emery will assume the position of CEO and President. Emery, currently co-President, will continue her role as Director of Fixed Income. Charles F. Pohl will assume the position of Chairman. Pohl will continue to serve as CIO and a member of various committees. Kenneth E. Olivier, who currently serves as Chairman and CEO will assume the role of Chairman Emeritus, while continuing as Chairman and Trustee of the Dodge & Cox Funds and as a member of the Dodge & Cox Board of Directors. Olivier will be relinquishing his membership on the Investment Policy Committee, replaced by Philippe Barret, Jr., who will join the Committee effective February 1, 2013. We remain comfortable with the Firm and believe it has appropriately planned for these events. We will be monitoring the transition of responsibilities across the Firm closely.

Performance Highlights

Equity (cont'd)

- Artisan's International Fund gained 5.7% during the quarter, trailing the 6.6% return of the MSCI EAFE Index. Despite this recent underperformance, the strategy remained well ahead of the benchmark for the full calendar year, up 25.6% versus the benchmark's 17.3%. Specific to the fourth quarter, stock selection was mixed within the portfolio. While Artisan added value within the health care and industrials sectors, this was offset by losses in other major economic sectors, specifically IT. Internet service names Baidu and Tencent posted losses during the quarter, as did telecom companies Softbank and Vodafone. All four of these key detractors held sizeable positions within the portfolio. Portfolio activity, both over the quarter and year to date, was done on the margin, primarily due to the investment team's conviction in its current positioning. Financials exposure ticked up throughout the year, with additions to select European names, such as Munich Re, UBS, and HSBC. This served as a benefit to the portfolio as financials names, particularly those in Europe, rallied to close the year. Regionally, the Fund's allocation to continental Europe climbed to a modest overweight, with exposure focused in core nations such as Germany, France, and Switzerland. The strategy's direct emerging markets allocation decreased slightly to approximately 10%, with much of the exposure coming from names domiciled in Asia.

- In February 2012, Andrew Euretig and Charles-Henri Hamker were added Associate Portfolio Managers on the strategy. Euretig served as an Analyst with Artisan since 2005, while Hamker has been with the Firm since 2000. Mark Yockey, who has managed the International Fund since its inception, remains the lead Portfolio Manager. All three Portfolio Managers will be taking on additional responsibilities within the Firm in 2013. Euretig and Hamker will join Yockey as Portfolio Managers of Artisan's Global Equity strategy, replacing Portfolio Manager Barry Dargan, who has since left the Firm. Yockey and Hamker will also be responsible for the management of Artisan's new Global Small Cap strategy, which will be launched in March 2013.

- On November 1, 2012 Artisan Partners Asset Management Inc. submitted a Form S-1 Registration Statement detailing their plans for a limited initial public offering (IPO) to the Securities and Exchange Commission. Artisan previously submitted an S-1 in April of 2011 and subsequently withdrew the registration in response to elevated market volatility. Artisan anticipates that the IPO is likely to take place in the first half of 2013. We continue to discuss the pending IPO with Artisan in an effort to address concerns around employee retention, accelerated liquidity for Hellman & Friedman and Firm Founder Andy Ziegler, as well as the potential for the transition to impact the Firm's investment strategies.

Performance Highlights

Alternative Strategies

- Forester Partners appreciated 2.0% in the quarter and finished the year with a gain of 9.3%. Over the same periods, the HFRI FOF: Strategic Index returned 1.8% and 6.1%, respectively. There was great dispersion among the results of long/short equity funds for the quarter; however, many finished the year in positive territory, albeit less positive than the broader market indices. The difficult environment for stock selection on the short side caused a drag for many managers' portfolios as they fought a rising market. Companies in the technology and media sectors continue to be widely held in names such as AIG, Equinix, News Corp, Liberty Media, and Google. Many managers significantly reduced their position in Apple throughout the year before the stock tumbled 20% in the fourth quarter. Technology, media, and telecom (TMT) manager Coatue finished the year as one of the top performers, gaining more than 18%. However, the manager struggled in the fourth quarter, posting a loss of nearly 2%, due in part to losses from Apple. Wellington's financials fund Bay Pond was also a top performer on the year, generating 20% after a modest 1.3% fourth quarter return. Managers with larger allocations to the energy sector lagged during the year, with Merchants Gate up 6.6% and Kensico up approximately 5%. Forester's hedge-related managers were a modest drag on returns for the year as both the equity markets appreciated, and there was minimal volatility to trade around throughout the year. Outside of equities, mortgage-focused manager Premium Point returned more than 25% for the year.

- Archstone Absolute Return gained 2.2% in the quarter, bringing full year returns to 8.8%. Archstone performed well in 2012 as the credit market rally persisted throughout the year and included corporate, structured, and asset-backed securities. Managers focused exclusively on credit outperformed those with broader mandates, as well as those focused more heavily on event-driven investments. The top performing manager on the year and quarter was Silver Point, which gained more than 7% in the quarter and 21% on the year. Silver Point profited from investments in Lehman Brothers and Delphi Automotive, as well as more recent liquidations such as Madoff and MF Global. Fir Tree was also a top contributor as the manager was exposed to both distressed corporate credit and mortgage-related debt. The RMBS sector was one of the top performing asset classes on the year as investor demand was robust and housing prices and borrower behavior have improved. King Street (+12% on year) maintained a large cash position, but the invested portion of its portfolio was concentrated in complex structured credit that performed very well, as the underlying collateral did well and investor appetite for distressed securities bid up pricing. Multi-strategy managers such as Farallon, Davidson Kempner, and Och-Ziff produced full year returns in the r8-10%, range, aided by gains in the credit and equity space, while merger-arbitrage remained a smaller piece of portfolios given the low levels of activity. On the negative side, Mason was the only manager that was a drag on returns, declining more than 6%. Mason struggled in the current low event environment and was also hurt by sizable credit shorts maintained for much of the year.

Performance Highlights

Fixed Income

- The PIMCO Total Return Fund II rose by 0.6% during the quarter, outperforming the 0.2% return of the Barclays Aggregate Index. For 2012, the Fund exhibited strong performance relative to the Index, producing excess returns of roughly 4.0%. During the quarter, the team's decision to overweight the agency mortgage-backed securities (MBS) market hurt as spreads widened. However, this was offset by security selection within the MBS sector as lower coupon holdings performed relatively well. The duration underweight relative to the Barclays Aggregate Index proved beneficial as rates rose along much of the curve during the quarter. The decision to underweight the investment grade corporate sector detracted from quarterly results, but this was offset by the positive impact of the team's decision to emphasize domestic financials given that the industry continued to perform well amid lower contagion risk from Europe, relatively strong balance sheets, and heightened demand from investors seeking yield.

- The team continues to focus on high quality segments of the market because it believes risk assets are not attractive given current valuations. During the quarter the team added to duration exposure, but the strategy remains underweight relative to the Index. The November U.S. elections, as well as the uncertainty surrounding the fiscal cliff, led PIMCO to want to increase duration as a hedge against increased volatility. This was achieved through adding to five- to ten-year nominal Treasury exposure, which the team continues to favor given the relatively steep Treasury curve and potential for the portfolio to benefit from these maturities rolling down the curve. The team also lowered exposure to pay fixed interest rate swaps at the long end of the curve, which it had been using as a hedge against the threat of long-term rates rising. Due to the potential for rising volatility and increased uncertainty, PIMCO decided to trim this exposure. The team also lowered exposure to agency MBS during the quarter; however, the allocation remains meaningful at 35% of portfolio assets.

- PIMCO announced that Scott Simon (head of the Securitized team) will be retiring from the Firm in May 2013 and is in the process of transition his responsibilities. Simon was not a full member of the Investment Committee, but he had previously served in a rotating capacity. The Firm noted that Dan Hyman and Michael Cudzil will be promoted to serve as co-heads of PIMCO's agency MBS desk, which was Simon's primary area of investment focus. Hyman and Cudzil will be overseen by Dan Ivascyn, who will continue to lead other areas of PIMCO's mortgage investment activities and who will take over responsibility of the entire team from Simon. We will continue to monitor this transition and its potential impacts.

Performance Highlights

Fixed Income

- The Vanguard Short-Term Treasury Fund gained 0.1% in the quarter, slightly outperforming the 0.0% return of the Barclays 1-5 Year Treasury Index. For the full year, the Fund's 0.8% return trailed the 0.9% gain in the Index. The Fund's below-benchmark duration served as a tailwind in the quarter, but similar to other Vanguard Treasury strategies, a modest out-of-benchmark allocation to agency mortgage-backed securities (MBS), particularly in coupon stacks that underperformed, muted returns. Entering 2013, duration, at 2.4 years, was shorter than the 2.7 year Index duration. In addition, Treasury/agency debt represented 99% of assets with the remainder held in agency MBS.

Inflation Hedging

- Vanguard Inflation-Protected Securities Fund rose 0.6% for the quarter, slightly trailing the 0.7% gain in the Barclays Capital U.S. Treasury Inflation Protected Securities. For the calendar year, the Fund returned 6.9%, roughly 10 bps below the 7.0% return of the Index. A modest tilt to the 10- to 20-year maturity range contributed positively to performance, but was somewhat offset by an underweight in the 20-year or greater maturity range. The real yield curve flattened during the quarter and longer-dated TIPS outperformed their shorter-maturity counterparts. In addition to TIPS positioning, cash dragged on performance. Entering 2013, the Fund was invested solely in TIPS and maintained duration and yield characteristics that matched the benchmark.

Performance Highlights

Inflation Hedging (cont'd)

- The PIMCO Commodity Real Return Strategy Fund declined 5.8% during the fourth quarter, outperforming the DJ UBS Commodity Index Total Return benchmark, which declined 6.3%. Longer-dated commodity future strategies contributed to outperformance as many commodity curves steepened during the quarter. Selling gold volatility also contributed to performance as realized volatility came in below market expectations. Lastly, performance was aided by an underweight to short-maturity TIPS as TIPS sold off in the front end of the curve during the period. The strategy also held Brazilian debt and non-agency mortgages in the collateral pool, both of which contributed value. The main detractor to performance during the period was long platinum versus gold bet, as platinum declined more steeply than gold in the period. Overall, the DJ UBS commodity exposure drove declines in the absolute performance. All four commodity categories—energy, industrial metals, precious metals, and agriculture—dropped in value as year-end fiscal cliff worries in the United States and the deepening recession in Europe weighed on the global growth outlook.

- Van Eck Global Hard Assets seeks long-term capital appreciation through investment across various hard asset sector equities and commodities. The Fund uses a flexible approach to investing in commodity-related equities, but also has the ability to invest in commodities by using derivatives. Van Eck uses a combination of internal and external research to refine the universe and develop the portfolio. The initial universe of 500 stocks is screened for value and potential growth catalysts. The team creates a focused list and then refines that list through fundamental company research and by creating a view of the supply-and-demand dynamics of the commodity markets.

- The Fund returned -0.3% during the fourth quarter, outperforming the S&P North American Natural Resources Index, which returned -3.1%. Outperformance was driven by sector allocation and stock selection. Positive contributors to performance included the base metals, mining, and coal sectors. Security selection within the energy-related allocation also added to outperformance during the period. The most significant detractor to performance in the fourth quarter can be attributed to the Fund's allocation in gold. Management plans to continue to maintain the Fund's significant energy exposure with a focus on unconventional resources. The team also will seek to find opportunities in the exploration and production space through names with exposures to low-cost, high-reward basins. Lastly, the team will continue to seek compelling opportunities to invest in deep-water drilling and international exploration companies. The team's outlook on China continues to be optimistic moving into 2013.

Manager Profiles

FPA Crescent Fd — December 31, 2012

Firm Details: First Pacific Advisors

Total Assets ($ mil.):	$21,400
Style:	Long/Short Equity
Assets in Style ($ mil.):	$10,400
Year Founded:	1953
Location:	Los Angeles, CA
Ownership:	- Founded in 1953 - 100% Employee Owned
Registration:	SEC (2006)
GP Capital:	N/A

Key Investment Professionals:

Steve Romick, CFA joined FPA in 1993 and currently serves as portfolio manager of the FPA Crescent fundand separate accounts in the Contrarian Value style, as well as the FPA Hawkeye Fund and FPA Multi-Advisor Fund. Romick was previously Chairman of Crescent Management and a consulting security analyst for Kaplan, Nathan, and Company. He earned a BS in education from Northwestern University.

Dennis M. Bryan, CFA joined FPA in 1993 and is a portfolio manager and research analyst for FPA Capital Fund, FPA Crescent Fund, and FPA Hawkeye Fund. Before joining the firm he was with the Kemper Securities Group as an Investment Analyst. Mr. Bryan earned a BS in Finance from California Polytechnic University in Pomona, and an MBA from the University of Southern California.

Investment Objective and Philosophy/Process

Portfolio manager Steve Romick seeks to take an opportunistic approach to investing, looking for value in all parts of a company's capital structure, including common and preferred stocks as well as corporate, mortgage backed and convertible bonds. The focus is on value, emphasizing low price-to-earnings ratios as well as discounts to private market value. The contrarian style may lead to a focus on absolute rather than relative return. As such, Romick has the flexibility to hold meaningful levels of cash during periods when he is not identifying compelling opportunities. The portfolios is constructed without regard to asset class as each investment must pass the same return/risk hurdle. The most commonly held equity positions are intended to be what Romick classifies as 3:1s. Expected return is targeted to be at least the rate of return they expect from the equity market over the long term, and, the 12-month downside potential cannot be greater than one-third of the upside potential over the next 24 months. Romick directs his attention to companies that he believes offer the best combination of quality criteria including, but not limited to, strong market share, good management, and high normalized return on capital. Sales will generally occur when a company reaches its price target. For stocks that meaningfully decline in value, the thesis for ownership is revisited such that the position may be increased if the case for investment still holds, or sold if there is substantive negative change. Short equity investments, which are limited to 10% of assets by the Fund's Board of Directors, are often initiated in deteriorating businesses or companies with balance sheet issues. Romick will allocate to high yield debt when he believes yields are attractive and will also look for distressed debt situations in both the corporate and structured asset classes.

Assessment

FPA has historically generated attractive risk-adjusted returns following a contrarian value strategy in a mutual fund format. Portfolio manager Steve Romick is more than content owning high levels of cash or fixed income if he does not see what he describes as 'fat pitches' in the equity market and cash has reached as high as 55%. Romick's fixed income holdings are typically high yield offerings while his stock investments are value-oriented names, more recently emphasizing large caps but historically tilted to small and midcap stocks. This contrarian approach has done very well in down markets such as 2001, 2002,and 2008. Given the potential heavy allocation to cash, the strategy is likely to underperform in rising markets even during periods when stock selection is strong. Assets for this strategy have increased considerably over the last several years and thismay limit FPA's ability to meaningfully invest in smaller companies going forward. However, we believe the highly flexible mandate employed by FPA and the contrarian nature of the strategy make this an attractive option for clients seeking a more liquid absolute return oriented strategy.

Vehicle Information:

Inception:	1993	**3c1/3c7:**	N/A
Assets ($ mil.):	$9,900	**Subscriptions:**	Daily
Minimum Account Size:	$1,500	**Redemptions (notice):**	Daily (2% redemption fee < 90 days)
Management Fee:	1.28%, 2.0% redemption < 90 days	**Lock-up:**	None
Profit Allocation:	None	**ERISA Capacity:**	N/A
Highwater Mark:	None	**Prime Broker:**	N/A
Hurdle Rate:	None	**Administrator:**	First Pacific Advisors, LLC
UBTI:	N/A	**Auditor:**	Deloitte & Touche LLP
Additional Expenses:	Short sale dividend expense, other (0.19% at March 31, 2011)	**Legal Counsel:**	K&L Gates LLP
Additional Vehicles:			

Forester Offshore, Ltd. — December 31, 2012

Firm Details: Forester Capital

Total Assets ($ mil.):	$3,555
Style:	Directional Hedge FOF
Assets in Style ($ mil.):	$1,685
Year Founded:	1999
Location:	Greenwich, CT
Ownership:	100% Trent Carmichael and family.
Registration:	SEC
GP Capital:	$28.5 million across funds (as of 9/30/2010)

Key Investment Professionals:

Trent Carmichael - Prior to founding Forester Capital, Mr. Carmichael was with Tiger Management from 1996 to 1999, Nelson Capital Management from 1991-1994 and Donaldson, Lufkin and Jenrette from 1988-1990. Mr. Carmichael has a Master's degree in Management from the Kellogg School and a BA in Economics from Duke University. He has obtained the Chartered Financial Analyst designation.

Fritz Fortmiller - Mr. Fortmiller joined Forester in 2006. Prior to Forester, he worked at Cambridge Associates from 1999-2005 as a Specialist Consultant, Research Consultant and Associate. Prior to that, he founded Turnbuckle Records and worked as a Paralegal Specialist in the U.S. Attorney's Office. BA in Philosophy from Yale University. He has obtained the Chartered Financial Analyst designation.

Investment Objective, Philosophy/Process, and Assessment

The fund seeks to achieve medium to long-term returns that are superior to the broad market averages while assuming less risk.

Diversification will be achieved through investment in managers that have different expertise in industry sectors, cap sizes, or geographical areas. Forester looks for managers who have a demonstrated track record, and a past ability to generate both long and short ideas, as well as have a significant amount of their own net worth in their fund. Individual managers are limited to 25% of overall portfolio. Forester may invest up to 10% in an affiliated fund. The fund does not invest in managers who specialize in currencies, bonds or commodities.

Based on our research of hedge funds, we believe the Fund consists of high quality underlying hedge funds and is offered at a reasonable fee. This Fund may be more diversified than some other fund-of-funds as Forester tends to weight highest conviction ideas in the range of 4.5%-6.5%. Forester has been able to leverage long-standing relationships in the hedge fund industry that can often lead to early access to new managers. Forester provides a high degree of transparency, including manager names and allocation ranges, market and regional exposures, and quarterly letters.

The offshore fund was rolled out in January of 2004. The fund is identical in strategy and process to the Forester Partners, LP. Forester Partners II, LP was created to accommodate 3c1 investors when Forester Partners LP converted to a 3c7 vehicle in January 2008. There is substantial overlap between managers in Forester Partners, LP, Forester Partners II, LP and Forester Offshore, Ltd.

*A partial list of the Fund's largest manager allocations appears to the right. Prime, Buchholz receives full transparency from Forester and clients may receive a full manager list by signing a separate non-disclosure agreement with Forester.

*Forester prefers offshore investors under the $2 million minimum to choose the 3yr liquidity, B share class.

*Allocations to 3c-1 products are subject to slot availability.

Sample Portfolio Characteristics

Underlying Funds	Alloc %	Strategy
Kensico Capital Management Corp.		U.S. Long/Short
Viking Global Investors LP		Global Long/Short
Pennant Capital Management, L.L.C.		U.S. Long/Short
Samlyn Capital, LLC		Global Long/Short
Tiger Global Management, L.L.C.		Global Long/Short
Coatue Management, L.L.C.		Global TMT
Joho Capital, L.L.C.		Asia Long/Short
Wellington Management Company, LLC		Global Long/Short Sector
Abrams Bison Investments, L.L.C.		U.S. Long Biased
Castine Capital Management, LLC		U.S. Low Net Sector
Lansdowne Partners Limited Partnership		Global Long/Short
Merchants' Gate Capital LP		Global Long/Short
Polar Capital LLP		Europe Long/Short
Steadfast Capital Management LP		U.S. Long/Short
Premium Point Investments, LLC		Asset-Backed Securities

Vehicle Information:

Inception:	January 2004	**3c1/3c7:**	3c7
Assets ($ mil.):	$845	**Subscriptions:**	Quarterly
Minimum Account Size:	$2,000,000	**Redemptions (notice):**	A: Annual (anniversary) B: Three-year liquidity
Management Fee:	1.0%, underlying manager fees	**Lock-up:**	A: Two years B: Three years
Profit Allocation:	A: 3%, B: None	**ERISA Capacity:**	None as of 4/11/2011
Highwater Mark:	Yes	**Prime Broker:**	N/A
Hurdle Rate:	NA	**Administrator:**	International Fund Services
UBTI:	No	**Auditor:**	Ernst & Young LLP
Additional Expenses:	Accounting, legal, filing (approx. 18 bps)(0.06% in 2011)	**Legal Counsel:**	Ogier (Cayman)
Additional Vehicles:	Onshore 3c1 and 3c7		

Manager Profiles

Archstone Absolute Return Strategies Fund, Ltd. — September 30, 2012

Firm Details: Archstone Partners

Total Assets ($ mil.):	$4,035
Style:	Absolute Return - Market Neutral
Assets in Style ($ mil.):	$428
Year Founded:	1991
Location:	New York, NY
Ownership:	Alfred Shuman 80%; Balance in declining order: Stanley Shuman; Richard Nye; Steven Kotler; Stephanie Shuman; Joseph Pignatelli; David Parker; John Marshall
Registration:	SEC
GP Capital:	$5.1 Million

Key Investment Professionals:

- Alfred Shuman - Founder. BA from Harvard ('61) and MBA from Harvard Business School ('63). Serves as Trustee of various non-profit and educational organizations.

- Joe Pignatelli - President of Archstone Funds. Over 15 years experience in investment management. Oversees all manager analysis, asset allocation, and coordination of legal/financial issues. Bachelors from Pace University and Masters from Baruch College.

-David Parker - COO and Chief Compliance Officer. BS from University of Texas and MBA from Harvard Business School. Duties include all management-related issues, strategy, planning, and governance.

Other investment professionals include Mark Smith, Barbara Barlick, Kevin Jornlin & Edgar Smith.

Investment Objective, Philosophy/Process, and Assessment

The Fund's primary objective is to consistently earn positive returns regardless of the direction of the market.

The Fund seeks to achieve its objective by employing a diversified group of managers and strategies that have a low correlation to traditional broad markets. The Fund's volatility seeks to approximate that of the U.S. fixed income markets. Hedge funds that have relatively conservative investment strategies are generally preferred. Relative value and non-directional strategies are emphasized, along with event driven and distressed investing. Specific strategies employed by the underlying managers (ten to twenty) include convertible arbitrage, merger arbitrage, statistical arbitrage, event driven, and fixed income arbitrage (allocations are listed to the right). Archstone requires that its underlying managers have at least $5 million invested in the Fund and that the invested amount represents at least 50% of the managers' net worth. Leverage may be employed by the underlying managers, but is for the most part used rarely and for operational purposes at the fund level.

We believe Archstone has a strong and experienced team. Based on our research of hedge funds, we believe the Fund consists of high quality underlying hedge funds. This Fund may be more concentrated than some other fund-of-funds and Archstone is willing to size up their high conviction managers. The firm has been able to leverage long-standing relationships in the hedge fund industry that can often lead to early access to new managers. Archstone provides full transparency, including manager names and allocations, exposures, and detailed quarterly letters. Archstone passes through a greater percentage of operating expenses to fund investors than many of their peers and these increased fees should be taken into consideration when investing with Archstone.

Sample Portfolio Characteristics

Underlying Funds	Alloc %	Strategy
Fir Tree Capital Opportunity Fund II, Ltd.	11	Absolute Return
York Credit Opportunities Unit Trust	10	Absolute Return
Och Ziff Overseas Fund, Ltd.	10	Absolute Return
King Street Capital Ltd.	10	Absolute Return
Elliott International, Ltd	10	Absolute Return
Davidson Kempner International, Ltd.	9	Absolute Return
Farallon Capital Offshore Investors, Inc.	9	Absolute Return
Mason Capital, Ltd.	8	Absolute Return
Silver Point Capital Offshore Fund, Ltd.	8	Absolute Return
Taconic Offshore Fund 1.5, Ltd.	6	Absolute Return
Eton Park Fund, LP	5	Absolute Return

Vehicle Information:

Inception:	January 2002	**3c1/3c7:**	3c7
Assets ($ mil.):	$428	**Subscriptions:**	Monthly (1mm min for PBA)
Minimum Account Size:	$2,500,000	**Redemptions (notice):**	Semiannual (6/30, 12/31) with 90 days notice
Management Fee:	1.5% flat/1% + incentive; Underlying Manager Fees	**Lock-up:**	One year
Profit Allocation:	0% for flat fee/5% for incentive fee structure	**ERISA Capacity:**	Yes
Highwater Mark:	Yes, for incentive fee structure	**Prime Broker:**	N/A
Hurdle Rate:	NA	**Administrator:**	SS&C Technologies, Inc.
UBTI:	No	**Auditor:**	Ernst & Young LLP
Additional Expenses:	Payroll and all operating expenses (0.54% in 2011, capped at 0.60% excl. interest expense)	**Legal Counsel:**	Willkie Farr & Gallagher LLP (US), Walkers (Cayman)
Additional Vehicles:	NA		

Vanguard Inflation Protected Securities — December 31, 2012

Firm Details: The Vanguard Group

Total Assets ($ mil.):	$2,027,620
Style:	Infl Protected Securities
Assets in Style ($mil.):	$44,600
Year Founded:	1975
Product Inception:	2000
Location:	Valley Forge, PA
Ownership:	-The firm is owned by fund shareholders.

Key Investment Professionals:

- John Hollyer, CFA - Hollyer joined Vanguard in 1989 as a Fixed Income Portfolio Manager. B.S. University of Pennsylvania. He has co-managed the Fund since its inception.
- Gemma Wright-Casparius. Wright-Casparius joined Vanguard in 2011 from GIC, Singapore's SWF. She has more than 30 years experience and obtained a B.B.A. degree in Economics and Finance and an M.B.A. degree from Bernard M. Baruch College of The City University of New York.

Investment Objective and Philosophy/Process

Investment Objective: The Fund seeks to provide inflation protection and income consistent with investment in inflation-indexed securities.

Philosophy/Process: Vanguard Inflation-Protected Securities Fund offers investors exposure to a wide range of inflation-adjusted bonds and other securities. At least 80% of the Fund will be comprised of inflation indexed bonds issues by the U.S. government or its agencies, but the remaining assets can be invested in other Treasuries, corporates, or agency bonds that may or may not be adjusted for inflation. The Fund managers actively manage exposure along the yield curve and will adjust duration based on interest rate expectations. The Fixed Income Group uses a hub and satellite decision-making framework. The hub consists of senior investment professionals that are tasked with developing a macroeconomic outlook, making strategic duration and yield curve positioning decisions, and making broad sector and quality allocation decisions. The satellites implement the macro decisions from the hub level. Specifically, they are responsible for issuer selection, subsector allocations, tactical duration/yield curve positioning, etc. Research responsibilities are assigned by sector and industries. The analysts are tasked with performing deep fundamental research on their respective sectors and, after forming an independent opinion, outlining the investment rationale and assigning the issue a rating (outperform, market-perform, or underperform.) The satellite teams meet regularly and discuss new ideas. Traders participate in these meetings in order to offer a view on liquidity. If an idea is accepted, the PM directs the trading desk to implement the idea.

Assessment

Vanguard has a deep and well-regarded team of investment professionals. One of the key strengths of the Fixed Income Group is the hub and satellite structure which leverages key abilities across all strategies and results in more consistent positioning and views across strategies. The Vanguard Inflation-Protected Securities Fund will typically invest only in U.S. TIPS resulting in benchmark-like performance. However, it is important to note that the Fund is actively managed and Vanguard can purchase a constrained amount of non-inflation linked, non-government related bonds. Like many Vanguard products, fees are extremely competitive. Some considerations include Vanguard's preference for longer-term commitments and securities lending. While the Fund offers daily liquidity, Vanguard prefers longer-term commitments and requests advance notice for redemptions of a large dollar amount.

In August 2011, Vanguard announced that the Firm will no longer engage in securities lending in fixed income funds. Please note that TIPS pay semi-annual interest based on the inflation-adjusted principal amount of the bond. Inflation adjustments are determined by the index ratio of the bond, which measures the change in CPI since the bond's issuance. At maturity, investors receive either the adjusted principal or original principal amount (par value), whichever is greater. However, during periods of deflation, the adjusted principal may decrease, leading to lower coupon payments. While investors are guaranteed the par value of the bond at maturity, bonds purchased at inflation adjusted levels, those with higher index ratios, may suffer a loss if a bond matures following a prolonged period of deflation.

Vehicle Information:

Vehicle Name	Minimum	Assets ($ mil.)	Fee
Vanguard Infl Prot Sec A Fd	$0	$16,000.0	0.11%
Vanguard Inflation-Prot I Fd	$5,000,000	$12,500.0	0.07%
Vanguard Infl Prot Sec Fd	$3,000	$16,100.0	0.20%

Sample Operational Detail	
Vanguard Inflation-Prot I Fd	
Last Audited Financial	12/31/2011
Accountant/Auditor	PricewaterhouseCoopers
Custodian	JPMorgan Chase & Co.
Administrator	Vanguard
Securities Lending	Yes

Quality/Avg. Quality:	AAA-AA/AAA
Duration:	3-9 Years
% Non-Investment Grade:	0%
% Foreign:	Typically 0%
Security Constraints:	N/A
Sector Constraints:	N/A
Avg # of Securities:	~30
Turnover:	29%
Assets in Composite:	NA
GIPS Compliant:	No

Manager Profiles

PIMCO Commodity Real Return Strategy — December 31, 2012

Firm Details: Pacific Investment Management Co.

Total Assets ($ mil.):	$2,003,818
Style:	Natural Resources
Assets in Style ($mil.):	$19,514
Year Founded:	1971
Product Inception:	June 2002
Location:	Newport Beach, CA
Ownership:	Allianz owns 98% of AGI, formerly known as PIMCO Advisors.

Key Investment Professionals:

- Mihir Worah, Portfolio Manager - He joined PIMCO in 2001 and has over 5 years of investment experience. He is Managing Director, a portfolio manager, and head of the Real Return portfolio management team. He has earned a Ph.D. in theoretical physics from the University of Chicago.
- Rahul Seksaria, SVP, TIPS Portfolio Manager - He joined PIMCO in 2002 and has over 5 years of investment experience. Prior to PIMCO, he was employed by Enron and traded energy and other commodities. He earned an undergraduate degree from University of Texas at Austin.
- Nicholas Johnson, SVP, Commodities Portfolio Manager - He joined PIMCO in 2004 and has over 5 years of investment experience. He is an SVP and portfolio manager at PIMCO. He holds a financial mathematics degree from the University of Chicago and a undergraduate degree from California Polytech.

Investment Objective and Philosophy/Process

PIMCO Commodity Real Return seeks to provide passive commodity exposure to the Dow Jones UBS Commodity Index while adding alpha over the index through active collateral pool management. The Fund invests in commodity-linked derivatives such as swap agreements, commodity options, futures, options on futures, and commodity-linked notes to gain exposure to the commodities market. The strategy also purchases units of a special purpose vehicle whose assets are commodity swap contracts. A majority of exposure is gained through swap agreements, which allows the Fund to receive price appreciation (or depreciation) of a commodity index, partial index, or single commodity in exchange for paying the counterparty an agreed-upon fee. Investments in common or preferred stock and convertible securities of issuers in commodity-related industries are also permitted and are capped at 10% of assets. Derivative investments are backed by the assets of the Fund. PIMCO invests collateral pool assets in TIPS, Treasuries and other fixed income securities, including Agency and non-Agency MBS, ABS, corporates, foreign, emerging markets, CMBS, municipal, high yield, derivatives (including interest rate, total return and CDS contracts) and other fixed income instruments. The collateral pool is actively managed using a combination of top-down and bottom-up strategies. The top-down strategy starts with an annual secular forum at which three- to five-year outlooks are developed for the global economy and interest rates. This long-term outlook determines the basic portfolio parameters. Bottom-up strategies are in place for security selection and the identification of undervalued securities. From a risk control perspective, there are no formal restrictions put in place on sector exposures or securities. The Fund may invest up to 10% in high yield securities and up to 30% of assets in securities denominated in foreign currencies. The Fund may also invest up to 10% in emerging markets. Historically, PIMCO has hedged a significant portion of currency risk.

Assessment

Assessment: The strategy provides passive exposure to commodities with active collateral management that has performed well over the long term. For investors looking for beta exposure to commodities, there are additional risks to be aware of. Unlike pure index products, the vehicle contains active collateral management risk. Given the strategy's past successful value add through collateral management, and the inflationary hedging benefits of TIPS, we feel it is an appropriate vehicle for investors seeking commodities exposure, who are comfortable with the additional risks embedded in the collateral pool.

In this strategy, the cash component of the portfolio represents a significant level of portfolio assets and contains a variety of investment grade credit, high yield, international, emerging market, rate, and currency investments; these cash investments are actively managed in an effort to generate returns as well as collateralize derivative positions in the portfolio. PIMCO has a deep team of portfolio managers and specialists in the short term/cash sector.

Vehicle Information:

Vehicle Name	Minimum	Assets ($ mil.)	Fee
PIMCO Commodity Real Return Strategy Fund Instl	$1,000,000	$13,382.9	0.74%

Sample Operational Detail	
PIMCO Commodity Real Return Strategy Fund Instl	
Last Audited Financial	3/31/2012
Accountant/Auditor	PricewaterhouseCoopers
Custodian	State Street Bank and Trust Company
Administrator	NA
Securities Lending	N/A

Security Constraints:	Collateral portfolio will mainly invest in inflation-linked bonds
Sector Constraints:	Collateral portfolio will mainly invest in inflation-linked bonds
Avg # of Securities:	~1,000
Turnover:	177%
Assets in Composite:	100%
GIPS Compliant:	Yes (since 1987)

Manager Profiles

Van Eck Global Hard Assets — December 31, 2012

Firm Details: Van Eck

Total Assets ($ mil.):	$37,700
Style:	Natural Resources
Assets in Style ($mil.):	$6,191
Year Founded:	1955
Product Inception:	11/02/1994
Location:	New York
Ownership:	Private

Key Investment Professionals:

Charles Cameron - He has over 20 years of experience in international and financial markets. He joined Van Eck in 1995 as Director of Trading and oversees all trade execution and specializes in constructing commodity spread and directional trades. He has earned a B.A. from Boston University and an M.B.A. from NYU.

Shawn Reynolds - He has over 15 years of experience and was previously employed by Goldman Sachs, Lehman Brothers, and C.S. First Boston prior to joining Van Eck in 2005. He has earned an engineering degree from Cornell, a masters from University of Texas, and an M.B.A. from Columbia Business School.

Investment Objective and Philosophy/Process

Van Eck Global Hard Assets seeks long term capital appreciation through investment across various hard asset sector equities and commodities. The Fund uses a flexible approach to investing in commodity related equities, but also has the ability to invest in commodities by using derivatives. The investment process begins with a universe of 500 companies. Van Eck uses a combination of internal and external research to refine the universe and develop the portfolio. The initial universe of 500 stocks is screened for value and potential growth catalysts. The team creates a focused list and then refines the focus list through fundamental company research and by creating a view of the supply and demand dynamics of the commodity markets. Internal research is conducted through proprietary models by checking valuations and conducting technical analysis. In addition, the team visits companies and conducts on-site meetings with management teams. Van Eck then complements their internal research with external research by using sell side reports, attending conferences, reading trade publications, and speaking with industry consultants. Supply and demand views are developed by analyzing macroeconomic factors, geopolitical risks, and contacting competitors. The final step of the process includes portfolio construction and implementing risk controls. The portfolio is created by diversification across sectors and utilizing position limits for each holding. Van Eck seeks to own about 60 -100 positions at all times. The top ten holdings of the fund usually make up about 30-35% of total assets. Typical sector exposure is as follows; 30% - 65% energy, 0% - 25% precious metals, 0% - 25% base metals, and 0% - 25% agriculture/timber. These ranges are guidelines for the portfolio and management can deviate from these ranges depending on their view of the current market. Individual positions are capped at 5% of the portfolio and typical exposure is about 2.5%. Commodity positions generally fall within a range of 0% - 5% of the portfolio. Van Eck implements their commodity trades through primarily ETFs, but does have the flexibility to use derivatives to gain market exposure.

In August 2010, Van Eck announced that Derek Van Eck had a health condition that was neurological in nature. On September 30, we learned that he unfortunately passed away as a result of complications from his health condition. Subsequent to September 30, 2010, Charles Cameron and Shawn Reynolds were named co-portfolio managers on the strategy.

Assessment

Van Eck is an investment manager with a long term track record of successful investing. The firm has an evolved research process that provides insights into the relative value of resource assets, as well as thoughtful stock analysis, portfolio construction, and diversification. Global Hard Assets maintains diversified natural resource sector exposures and is actively managed in a risk controlled manner relative to its benchmark. Despite the passing of the lead portfolio manager in September 2010, we are comfortable with the remaining team, their experience, and the natural resources investing platform at the firm. Given these characteristics, we recommend Global Hard Assets for appropriate client investment.

Vehicle Information:

Vehicle Name	Minimum	Assets ($ mil.)	Fee
Van Eck Global Hard Assets A	$1,222	$1,301.0	1.39%
Van Eck Global Hard Assets I	$1,000,000	$1,941.0	1.01%

Sample Operational Detail	
Van Eck Global Hard Assets I	
Last Audited Financial	12/31/2011
Accountant/Auditor	Ernst & Young LLP
Custodian	State Street Bank & Trust
Administrator	N/A
Securities Lending	N/A

Security Constraints:	5% cap
Sector Constraints:	Energy between 30% - 65%, the remaining between 0% - 25%
Avg # of Securities:	~70
Turnover:	40%
Assets in Composite:	N/A
GIPS Compliant:	No

Historical Performance

Return and Risk Summary

As of December 31, 2012

	1 Quarter Return	Previous Quarter Return	1 Year Return	1 Year Standard Deviation	3 Years Return	3 Years Standard Deviation	5 Years Return	5 Years Standard Deviation	7 Years Return	7 Years Standard Deviation	10 Years Return	10 Years Standard Deviation
Fidelity Spartan Total Market Index Adv Fund	0.2	6.2	16.4	12.2	11.3	17.8	2.2	22.0	4.5	19.0	NA	NA
Wilshire 5000 Total Market Index (full-cap)	**0.3**	**6.1**	**16.1**	**12.1**	**11.3**	**17.7**	**2.3**	**22.0**	**4.6**	**19.0**	**8.0**	**17.3**
FMI Common Stock Fund	4.3	1.2	10.2	10.9	12.0	17.9	8.4	21.6	8.1	19.4	10.8	17.4
Russell 2500 Index	**3.1**	**5.6**	**17.9**	**12.2**	**13.3**	**21.2**	**4.3**	**25.5**	**5.5**	**22.3**	**10.5**	**20.7**
FPA Crescent Fund	1.9	4.5	10.3	7.1	8.4	10.9	5.4	14.4	6.6	12.5	9.2	11.5
S&P 500 Index	**-0.4**	**6.4**	**16.0**	**12.0**	**10.9**	**17.0**	**1.7**	**21.3**	**4.1**	**18.4**	**7.1**	**16.7**
60% Russell 2500 / 40% BC Global Credit	**2.8**	**5.3**	**15.6**	**8.5**	**11.4**	**14.1**	**5.7**	**18.0**	**6.4**	**15.6**	**9.5**	**14.4**
HFRI Equity Hedge (Total) Index	**1.8**	**3.5**	**7.4**	**8.4**	**2.8**	**10.2**	**-0.1**	**13.5**	**2.9**	**11.9**	**5.8**	**10.7**
Dodge & Cox Intl Stock Fund	9.1	7.4	21.0	16.1	5.0	21.8	-1.9	29.9	3.8	25.9	11.6	24.5
MSCI EAFE (Net)	**6.6**	**6.9**	**17.3**	**13.6**	**3.6**	**19.4**	**-3.7**	**25.6**	**2.2**	**22.4**	**8.2**	**21.2**
Artisan International Instl Fund	5.7	7.6	25.6	14.2	8.5	20.8	-1.0	26.8	5.3	23.3	9.9	22.4
MSCI EAFE (Net)	**6.6**	**6.9**	**17.3**	**13.6**	**3.6**	**19.4**	**-3.7**	**25.6**	**2.2**	**22.4**	**8.2**	**21.2**
Forester Offshore A2, Ltd.	2.0	2.1	9.3	5.5	3.9	7.8	2.2	8.4	5.7	7.9	7.1	7.0
HFRI FOF: Strategic Index	**1.8**	**3.0**	**6.1**	**5.7**	**1.5**	**6.7**	**-2.4**	**10.0**	**1.6**	**9.6**	**4.5**	**8.7**
Archstone Absolute Return Strategies Fund, Ltd.	2.2	2.8	8.8	3.9	4.8	5.1	1.8	8.7	4.3	7.9	5.9	6.9
HFRI FOF: Conservative Index	**1.3**	**1.8**	**3.9**	**3.2**	**1.7**	**3.9**	**-1.5**	**7.6**	**1.2**	**7.0**	**2.8**	**6.1**
PIMCO Total Ret II Instl Fund	0.6	2.7	8.2	1.7	6.8	2.5	7.8	4.2	7.3	4.2	6.2	4.1
Barclays U.S. Aggregate	**0.2**	**1.6**	**4.2**	**1.6**	**6.2**	**2.8**	**5.9**	**3.2**	**5.9**	**3.2**	**5.2**	**3.3**
Vanguard Short Term US Treas Adm Fd	0.1	0.5	0.8	0.4	2.0	1.1	2.8	2.1	3.7	2.2	3.2	2.0
Barclays U.S. Treasury: 1-5 Year	**0.0**	**0.4**	**0.9**	**0.6**	**2.7**	**1.6**	**3.4**	**2.9**	**4.1**	**2.8**	**3.3**	**2.6**
Vanguard Inflation-Protected Securities Adm Fund	0.6	2.1	6.9	2.2	8.8	3.1	6.8	5.0	6.6	5.1	NA	NA
Barclays U.S. Treasury: U.S. TIPS	**0.7**	**2.1**	**7.0**	**2.0**	**8.9**	**3.0**	**7.0**	**4.8**	**6.7**	**5.0**	**6.7**	**4.8**
PIMCO Commodity Real Ret Str Instl Fund	-5.8	12.1	5.3	13.9	6.5	16.7	-0.9	28.5	2.0	24.9	7.7	22.9
Dow Jones-UBS Commodity Index	**-6.3**	**9.7**	**-1.1**	**12.5**	**0.1**	**16.1**	**-5.2**	**24.8**	**-1.3**	**21.6**	**4.1**	**20.2**
Van Eck Global Hard Assets I Fund	-0.3	11.9	2.9	19.0	3.5	27.3	-1.2	33.6	NA	NA	NA	NA
S&P North American Natural Resources Sector	**-3.1**	**12.1**	**2.2**	**16.3**	**5.5**	**24.9**	**-1.5**	**31.0**	**5.5**	**27.3**	**12.8**	**24.6**

Historical Performance

Return Summary

As of December 31, 2012

	2012 Return	2011 Return	2010 Return	2009 Return	2008 Return	2007 Return	2006 Return	2005 Return	2004 Return	2003 Return	2002 Return
Fidelity Spartan Total Market Index Adv Fund	16.4	1.0	17.4	28.4	-37.2	5.6	15.8	NA	NA	NA	NA
Wilshire 5000 Total Market Index (full-cap)	**16.1**	**0.6**	**18.1**	**29.4**	**-37.3**	**5.7**	**15.9**	**6.3**	**12.6**	**31.6**	**-20.9**
FMI Common Stock Fund	10.2	4.5	22.2	33.9	-20.4	-2.0	17.1	9.5	18.8	24.1	-5.7
Russell 2500 Index	**17.9**	**-2.5**	**26.7**	**34.4**	**-36.8**	**1.4**	**16.2**	**8.1**	**18.3**	**45.5**	**-17.8**
FPA Crescent Fund	10.3	3.0	12.0	28.4	-20.6	6.8	12.4	10.8	10.2	26.1	3.7
S&P 500 Index	**16.0**	**2.1**	**15.1**	**26.5**	**-37.0**	**5.5**	**15.8**	**4.9**	**10.9**	**28.7**	**-22.1**
60% Russell 2500 / 40% BC Global Credit	**15.6**	**0.5**	**18.9**	**29.6**	**-26.5**	**3.6**	**13.1**	**4.2**	**15.0**	**33.6**	**-5.9**
HFRI Equity Hedge (Total) Index	**7.4**	**-8.4**	**10.5**	**24.6**	**-26.7**	**10.5**	**11.7**	**10.6**	**7.7**	**20.5**	**-4.7**
Dodge & Cox Intl Stock Fund	21.0	-16.0	13.7	47.5	-46.7	11.7	28.0	16.7	32.5	49.4	-13.1
MSCI EAFE (Net)	**17.3**	**-12.1**	**7.8**	**31.8**	**-43.4**	**11.2**	**26.3**	**13.5**	**20.2**	**38.6**	**-15.9**
Artisan International Instl Fund	25.6	-4.1	6.2	40.0	-46.8	20.0	25.9	16.5	18.0	29.4	-18.7
MSCI EAFE (Net)	**17.3**	**-12.1**	**7.8**	**31.8**	**-43.4**	**11.2**	**26.3**	**13.5**	**20.2**	**38.6**	**-15.9**
Forester Offshore A2, Ltd.	9.3	-2.5	5.2	14.6	-13.0	18.5	11.5	12.0	10.0	9.0	5.6
HFRI FOF: Strategic Index	**6.1**	**-7.3**	**6.3**	**13.2**	**-25.2**	**12.8**	**11.8**	**10.3**	**8.3**	**15.8**	**-4.0**
Archstone Absolute Return Strategies Fund, Ltd.	8.8	-2.3	8.1	19.4	-20.5	8.3	13.8	6.2	8.5	14.3	-1.5
HFRI FOF: Conservative Index	**3.9**	**-3.6**	**5.1**	**9.6**	**-19.9**	**7.7**	**9.2**	**5.1**	**5.8**	**9.0**	**3.6**
PIMCO Total Ret II Instl Fund	8.2	4.5	7.7	13.7	5.2	8.4	3.8	2.1	4.2	4.9	9.9
Barclays U.S. Aggregate	**4.2**	**7.8**	**6.5**	**5.9**	**5.2**	**7.0**	**4.3**	**2.4**	**4.3**	**4.1**	**10.3**
Vanguard Short Term US Treas Adm Fd	0.8	2.4	2.8	1.5	6.8	8.0	3.9	1.9	1.2	2.5	8.2
Barclays U.S. Treasury: 1-5 Year	**0.9**	**3.4**	**3.7**	**0.2**	**8.8**	**8.2**	**3.8**	**1.3**	**1.3**	**2.1**	**7.6**
Vanguard Inflation-Protected Securities Adm Fund	6.9	13.3	6.3	11.0	-2.8	11.7	0.5	NA	NA	NA	NA
Barclays U.S. Treasury: U.S. TIPS	**7.0**	**13.6**	**6.3**	**11.4**	**-2.4**	**11.6**	**0.5**	**2.8**	**8.5**	**8.4**	**16.6**
PIMCO Commodity Real Ret Str Instl Fund	5.3	-7.6	24.1	39.9	-43.3	23.8	-3.0	20.5	16.4	29.8	NA
Dow Jones-UBS Commodity Index	**-1.1**	**-13.3**	**16.8**	**18.9**	**-35.6**	**16.2**	**2.1**	**21.4**	**9.1**	**23.9**	**25.9**
Van Eck Global Hard Assets I Fund	2.9	-16.3	28.9	53.2	-44.5	43.2	NA	NA	NA	NA	NA
S&P North American Natural Resources Sector	**2.2**	**-7.4**	**23.9**	**37.5**	**-42.6**	**34.4**	**16.8**	**36.7**	**24.6**	**34.3**	**-13.0**

Index Descriptions

Barclays Aggregate Index comprises government securities, mortgage-backed securities, asset-backed securities and corporate securities to simulate the universe of bonds in the market. The maturities of the bonds in the index are over one year.

Barclays Aggregate Float Adjusted Index is a benchmark of the dollar-denominated investment grade bond market that excludes Treasuries, agencies, and mortgage-backed securities held in Federal Reserve accounts.

Barclays Corporate Bond Index includes investment-grade, SEC-registered publicly issued U.S. corporate debentures and secured notes. The corporate sectors are industrial, utility, and finance. All securities must have at least one year to final maturity and at least $250 million of par outstanding.

Barclays High Yield Index covers the universe of fixed rate, non-investment grade debt. Pay-in-kind (PIK) bonds, Eurobonds, and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC-registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, and 144-As are also included.

Barclays Global Emerging Markets Index represents the union of the USD-denominated U.S. Emerging Markets Index and the predominately EUR-denominated Pan Euro Emerging Markets Index, covering emerging markets in the following regions: Americas, Europe, Middle East, Africa, and Asia. Countries must have a maximum sovereign rating of Baa1/BBB+/BBB+.

Barclays Global Treasury Ex-US Capped Index includes government bonds issued by investment-grade countries outside the United States, in local currencies, that have a remaining maturity of one year or more and are rated investment grade.

Barclays Global Treasury Index tracks fixed-rate local currency sovereign debt of investment-grade countries. The Index represents the Treasury sector of the Global Aggregate Index and currently contains issues from more than 30 countries denominated in over 20 currencies. The three major components are the U.S. Treasury Index, the Pan-European Treasury Index, and the Asian-Pacific Treasury Index, in addition to Canadian, Chilean, Mexican, and South-African government bonds.

Barclays GNMA Index is comprised of 30-year GNMA pass-throughs, 15-year GNMA pass-throughs, and GNMA Graduated Payment Mortgages.

Barclays Intermediate U.S. Treasury Index includes all publicly issued U.S. Treasury securities that have a remaining maturity of greater than or equal to 1 year and less than 10 years, are rated investment grade, and have $250 million or more of outstanding face value.

Barclays Long U.S. Treasury Index includes all publicly issued, U.S. Treasury securities that have a remaining maturity of 10 or more years, are rated investment grade, and have $250 million or more of outstanding face value.

Barclays U.S. Credit Index includes publicly issued U.S. corporates, specified foreign debentures, and secured notes denominated in U.S. dollars. The Index is a subset of the U.S. Government/Credit Index and the U.S. Aggregate Index.

Barclays U.S. Mortgage Backed Securities (MBS) Index covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid adjustable rate mortgages) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

Barclays U.S. Treasury Index is comprised of public obligations of the U.S. Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index.

Barclays U.S. TIPS Index is a rules-based, market value-weighted index that tracks inflation protected securities issued by the U.S. Treasury.

Barclays Mortgage Index contains 15- and 30-year fixed-rate securities. These securities are pools of mortgage loans issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The Index holds approximately 600 securities.

Citigroup 3-Month T-Bill Index consists of equal dollar amounts of three-month Treasury bills that are purchased at the beginning of each of three consecutive months. As each bill matures, all proceeds are rolled over or reinvested in a new three-month bill.

Citigroup World Government Bond Index is a market capitalization weighted index consisting of the government bond markets of the following countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Netherlands, Spain, Sweden, Switzerland, United Kingdom, and United States. It includes all fixed-rate bonds with a remaining maturity of one year or longer and with amounts outstanding of at least the equivalent of U.S. $25 million.

Index Descriptions

Consumer Price Index (CPI) is an inflationary indicator that measures the change in the cost of a fixed basket of products and services, including housing, electricity, food, and transportation.

CRSP US Total Stock Market Index includes around 4,000 U.S. companies that pass a set of investability screens and is represented by all securities that are members of an index in the CRSP Market Capitalization index family. The Index includes securities traded on NYSE, AMEX, NASDAQ, and ARCA exchanges and is reconstituted quarterly on the third Friday of March, June, September, and December.

CRSP US Large Cap Index includes the U.S. companies that make up the Mega and Mid Cap Indexes, or roughly 85% of investable market capitalization. The Index includes securities traded on NYSE, AMEX, NASDAQ, and ARCA exchanges and is reconstituted quarterly on the third Friday of March, June, September, and December.

CRSP US Large Cap Growth Index includes the U.S. companies that make up the Mega and Mid Cap Indexes, or roughly 85% of investable market capitalization, which are then made eligible for assignment to a growth index using CRSP's multifactor model. CRSP classifies growth securities using the following factors: future long-term growth in earnings per share (EPS), future short-term growth in EPS, three-year historical growth in EPS, three-year historical growth in sales per share, current investment-to-assets ratio, and return on assets.

CRSP US Large Cap Value Index includes the U.S. companies that make up the Mega and Mid Cap Indexes, or roughly 85% of investable market capitalization, which are then made eligible for assignment to a value index using CRSP's multifactor model. CRSP classifies value securities using the following factors: book to price, forward earnings to price, historical earnings to price, dividend-to-price ratio, and sales-to-price ratio.

CRSP US Mid Cap Index includes U.S. companies that make up nearly 15% of investable market capitalization. The Index includes securities traded on NYSE, AMEX, NASDAQ, and ARCA exchanges and is reconstituted quarterly on the third Friday of March, June, September, and December.

CRSP US Mid Cap Growth Index includes U.S. companies that make up nearly 15% of investable market capitalization, which are then made eligible for assignment to a growth index using CRSP's multifactor model. CRSP classifies growth securities using the following factors: future long-term growth in earnings per share (EPS), future short-term growth in EPS, three-year historical growth in EPS, three-year historical growth in sales per share, current investment-to-assets ratio, and return on assets.

CRSP US Mid Cap Value Index includes U.S. companies that make up nearly 15% of investable market capitalization, which are then made eligible for assignment to a value index using CRSP's multifactor model. CRSP classifies value securities using the following factors: book to price, forward earnings to price, historical earnings to price, dividend-to-price ratio, and sales-to-price ratio.

Benchmark analytics and performance are based upon data from Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business.

DJ-AIG Commodity Index is composed of futures contracts on physical commodities. It is composed of commodities traded on U.S. exchanges, with the exception of aluminum, nickel, and zinc, which trade on the London Metal Exchange (LME).

FTSE EPRA/NAREIT Global Real Estate Index is designed to represent general trends in eligible real estate equities worldwide. Relevant real estate activities are defined as the ownership, disposure and development of income-producing real estate. The Index series includes a range of regional and country indices.

HFRI Distressed Securities Index is an equally weighted index that represents strategies that invest in, and may sell short the securities of companies where the security's price has been, or is expected to be, affected by a distressed situation as reported by the hedge fund managers listed within the Hedge Fund Research (HFR) database.

HFRI Equity Hedge Index is designed to represent the overall composition of the equity hedge (also known as long/short equity) universe. The Index is constructed with equally weighted composites of constituents as reported by the hedge fund managers listed within the Hedge Fund Research (HFR) database.

HFRI ED: Distressed Restructuring Index is designed to represent strategies which employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings.

Index Descriptions

HFRI Event Driven Index is an equally weighted index that represents constituents investing in opportunities created by significant transactional events as reported by the hedge fund managers listed within the Hedge Fund Research (HFR) database.

HFRI FOF Composite Index includes over 800 constituent fund of funds, both domestic and offshore. Fund of Funds invest with multiple managers through funds or managed accounts. The strategy designs a diversified portfolio of managers with the objective of significantly lowering the risk (volatility) of investing with an individual manager. The Fund of Funds manager has discretion in choosing which strategies to invest in for the portfolio. A manager may allocate funds to numerous managers within a single strategy, or with numerous managers in multiple strategies.

HFRI FOF Conservative Index includes constituents that exhibit one or more of the following characteristics: seeks consistent returns by primarily investing in funds that generally engage in more "conservative" strategies such as Equity Market Neutral, Fixed Income Arbitrage, and Convertible Arbitrage; exhibits a lower historical annual standard deviation than the HFRI Fund of Funds Composite Index. A fund in the Index shows generally consistent performance regardless of market conditions.

HFRI FOF Diversified Index includes constituents that exhibit one or more of the following characteristics: invests in a variety of strategies among multiple managers; historical annual return and/or a standard deviation generally similar to the HFRI Fund of Fund Composite index; demonstrates generally close performance and returns distribution correlation to the HFRI Fund of Fund Composite Index. A fund in the Diversified Index tends to show minimal loss in down markets while achieving superior returns in up markets.

HFRI FOF Strategic Index includes FoFs that exhibit one or more of the following characteristics: seeks superior returns by primarily investing in funds that generally engage in more opportunistic strategies such as Emerging Markets, Sector specific, and Equity Hedge; exhibits a greater dispersion of returns and higher volatility compared to the HFRI Fund of Funds Composite Index.

HFRI Fund Weighted Composite Index is designed to represent the performance of domestic and offshore hedge funds across all strategies with the exception of fund of funds. Comprised of over 2000 hedge funds, it is a fund weighted index in that all funds, regardless of assets under management or other factors, are given an equal weighting.

HFRI Merger Arbitrage Index is designed to represent managers who utilize a merger or risk arbitrage investment strategy by investing in securities of companies that are the subject of some form of extraordinary corporate transaction, including acquisition or merger proposals, exchange offers, cash tender offers and leveraged buy-outs.

HFRX Convertible Arbitrage Index is designed to represent managers who utilize convertible arbitrage strategies where, in an effort to capitalize on relative pricing inefficiencies, managers will purchase long positions in convertible securities, generally convertible bonds, convertible preferred stock or warrants, and hedge a portion of the equity risk by selling short the underlying common stock.

HFRX Distressed Securities Index is designed to represent the overall composition of the distressed strategy hedge fund universe. The Index is asset weighted based on the distribution of assets in the hedge fund industry.

HFRX Equity Hedge Index is designed to represent managers who utilize a long/short equity approach to investing with portfolio exposures anywhere from net long to net short depending on market conditions. Equity hedge managers' source of return is similar to that of traditional stock pickers on the upside, but they use short selling and hedging to attempt to outperform the market on the downside. Stock index put options are also often used as a hedge against market risk.

HFRX Equity Market Neutral Index is designed to reflect the performance of Equity Market Neutral strategies which employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities and select securities for purchase and sale. These can include both Factor-based and Statistical Arbitrage/Trading strategies. Equity Market Neutral Strategies typically maintain net equity market exposure no greater than 10% long or short.

HFRX Event Driven Index is designed to represent hedge fun managers who seek investment opportunities created by significant transactional events, such as spin-offs, mergers and acquisitions, industry consolidations, liquidations, reorganizations, bankruptcies, recapitalizations and share buybacks and other extraordinary corporate transactions.

HFRX Global Hedge Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of eight strategies: convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The Index is asset weighted based on the distribution of assets in the hedge fund industry.

HFRX Macro Index is designed to represent hedge investment strategies that generally employ a top-down global approach that concentrates on forecasting how global macroeconomic and political events affect the valuations of financial instruments. Macro strategies attempt to identify extreme price valuations in stock markets, interest rates, foreign exchange rates and physical commodities, and make leveraged bets on the anticipated price movements in these markets.

Index Descriptions

HFRX Merger Arbitrage Index is designed to reflect the performance of Merger Arbitrage strategies which employ an investment process primarily focused on opportunities in equity and equity related instruments of companies which are currently engaged in a corporate transaction.

HFRX Relative Value Arbitrage Index is designed to represent investment managers who maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types range broadly across equity, fixed income, derivative or other security types.

JPMorgan EMBI+ Index is a market capitalization-weighted index that tracks returns for actively traded external debt instruments in emerging markets.

JPMorgan Global Government Bond Index is a total return, market capitalization-weighted index that is rebalanced monthly. The Index currently comprises the local currency, fixed rate coupon issues of 13 markets greater than 1-year in maturity.

Merrill Lynch 1-3 Year Treasury Index is an unmanaged index consisting of all public U.S. Treasury obligations having maturities from 1 to 2.99 years and reflects total return.

Merrill Lynch High-Yield Bond Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

MSCI ACWI (All Country World Index) Index (net) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The Index consists of 48 country indices comprising 23 developed and 25 emerging market country indices.

MSCI ACWI ex-U.S. Index (net) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets, excluding the U.S.

MSCI EAFE Index (net) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada.

MSCI EAFE Small Cap Index (net) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of small companies within developed markets, excluding the U.S. & Canada, and includes companies that are in the Investable Market Index with a market capitalization below that of the companies in the Standard Index in a particular market.

MSCI EM (Emerging Markets) Index (net) is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets

MSCI U.S. Investable Market Energy Index represents the investable universe of energy companies in the U.S. equity market.

MSCI World Index (net) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The Index consists of 23 developed market country indices.

MSCI Indexes calculated on a **net** basis reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

NAREIT Equity Index is an unmanaged index of all tax-qualified REITs listed on the NYSE, AMEX, and NASDAQ which have 75% or more of their gross invested book assets invested directly or indirectly in the equity ownership of real estate. Total return calculation for the NAREIT Equity Index include reinvestment of distributions.

NCREIF Property Index provides returns for institutional grade real estate held in a fiduciary environment in the United States. Client performance is generally reported one quarter in arrears unless otherwise noted.

NCREIF Timberland Index is a property-based index reporting returns for three regions of the U.S.: the South, Northeast and Pacific Northwest. In addition to total returns, the Index reports income and appreciation returns. Client performance is generally reported one quarter in arrears unless otherwise noted.

Russell 1000 Growth Index measures the performance of the large cap growth segment of the U.S. equity universe. The Index includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market.

Index Descriptions

Russell 1000 Value Index measures the performance of the large cap value segment of the U.S. equity universe. The Index includes those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 Growth Index measures the performance of the small cap growth segment of the U.S. equity universe. The Index includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values.

Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index, representing approximately 10% of the total market capitalization of that Index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

Russell 2000 Value Index measures the performance of small cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2500 Index measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as "smid" cap. The Russell 2500 Index is a subset of the Russell 3000® Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership.

Russell 2500 Value Index measures the performance of the small to mid cap value segment of the U.S. equity universe. It includes those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 3000 Growth Index measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 3000 Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

Russell 3000 Value Index measures the performance of the broad value segment of U.S. equity value universe. It includes those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell Microcap® Index measures the performance of the micro cap segment of the U.S. equity market. It includes 1,000 of the smallest securities in the small cap Russell 2000® Index based on a combination of their market cap and current index membership, and includes the next 1,000 smallest stocks.

Russell Midcap® Growth Index measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell Midcap® Value Index measures the performance of the mid-cap value segment of the U.S. equity universe. The Index includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values.

S&P 500 Index is a gauge of the U.S. equities market and includes 500 leading companies in leading industries of the U.S. economy.

S&P GSCI is a world-production weighted index composed of 24 commodity futures contracts. It is a composite index of commodity sector returns and represents an unleveraged investment through broadly diversified long positions in commodity futures.

S&P Midcap 400 Index tracks a diverse basket of medium-sized U.S. firms whose market capitalization usually range from approximately $2 billion to $10 billion.

ThomsonOne Analytics Cumulative Vintage Year Performance is an index comprised of pooled cash flows of private capital partnerships (Buyout, Venture and Mezzanine). Client performance is generally reported one quarter in arrears unless otherwise noted.

Wilshire 5000 Index represents the broadest index for the U.S. equity market, measuring the performance of all U.S. equity securities with readily available price data.

Index Descriptions

Policy Index – A custom benchmark consisting of a number of indices which are weighted based on the asset allocation targets within a client investment policy. The index measures the return of the asset allocation strategy if it were implemented using passive (index) portfolios.

Actual Index – A custom benchmark consisting of a number of indices which are weighted based on the allocation of each asset class within a client's overall structure at the beginning of each quarter. The index measures the return of the current asset allocation if it were implemented using passive (index) portfolios.

The difference between the Actual Index and the Policy Index measures the impact of the decision to allocate assets differently than the client's policy mandates (allocation effect). The difference between the Total Fund Return and the Actual Index measures how the management team performed versus a passive strategy (manager selection effect). The difference between Total Fund Return and the Policy Index measures both the allocation effect and the manager selection effect.

INDEX COMPOSITE COMPONENTS

Spliced Total Stock Mkt Composite Index: Wilshire 5000 Index from 6/82 through 4/05. MSCI US Broad Market Index thereafter. **Spliced Total International Stock Mkt Composite Index:** Total International Composite Index through August 31, 2006; the MSCI EAFE + Emerging Markets Index through December 15, 2010; and the MSCI ACWI ex USA IMI Index thereafter. **Spliced Energy Index:** S&P 500 Index through November 30, 2000; S&P Energy Sector Index through May 31, 2010; MSCI All Country World Energy Index thereafter. **Barclays Aggregate Flt Adjusted Composite Index:** BC Aggregate Index through 12/31/2009; BC Aggregate Flt Adjusted Index thereafter. **Barclays Govt 1-3 Year Flt Adjusted Composite Index:** Prior to 1/1/2010, this index is BC Govt 1-3 Year Index. **Barclays 1-5 Year G/C Flt Adjusted Composite Index:** Prior to 1/1/2010, this index is BC 1-5 Year G/C Index. **Barclays LT G/C Flt Adjusted Composite Index:** Prior to 1/1/2010, this index is BC LT G/C Index. **BC LT Govt Flt Adjusted Composite Index:** Prior to 1/1/2010, this index is BC Long term Government Index. **Barclays LT Govt Flt Adjusted Composite Index:** Prior to 1/1/2010, this index is BC Long term Government Index. **Barclays LT Govt Flt Adjusted Composite Index:** Prior to 1/1/2010, this index is BC Long term Government Index. **Global Sustainability Spliced Index:** FTSE KLD Global Sustainability Index prior to 9/1/2010; MSCI World ESG Index thereafter. **SSgA Real Asset Composite Index:** 30% Dow Jones US Select REIT Index, 25% Goldman Sachs Commodities Index, 25% MSCI World Natural Resources Index, and 20% Barclays US TIPS Index. **Wellington DIH Composite:** 25% MSCI World Energy >$3 Bil/ 10% MSCI World Metals & Mining >$3 Bil/ 10% Agriculture, Forest Products & Livestock/3% HSBC Global Climate Change/ 3.5% MSCI IMI Gold & Precious Metal/ 1.5% S&P GSCI Precious Metals Total Return / 25% equal sector-weighted S&P Goldman Sachs Commodity/ 20% Barclays US TIPS 1-10 Year / 2% Barclays Emerging Markets Tradable Government Inflation-Linked Bond. **Wellington SRA Composite:** 40% MSCI Energy $3 B and above/15% MSCI Metals and Mining $3 B and above/25% Equal Sector Weighted S&P GSCI Commodities Index/ and 20% Barclays TIPS. **S&P Completion Index:** Prior to 6/30/2005 this index is DJ Wilshire 4500 Index. **MSCI U.S. Mid Cap 450 Index:** History prior to May 16, 2003, reflects the S&P Midcap 400 Index.

Prime BUCHHOLZ

Disclosures

EXPOSURES AND CHARACTERISTICS

Flexible Capital – Portfolios with incomplete data are excluded from the total leveraged portfolio calculations. Top holdings are reflected as of current quarter-end when provided by the manager. Otherwise, holdings are based on 13Fs with a quarter lag, when applicable. The 13F reflects top equity holdings as a percentage of total equity holdings at the Firm level. Market values are in '000s.
Fixed Income –Yield represents yield to maturity and duration represents effective duration unless otherwise noted.

Periods greater than one year are annualized.

Peer groups, performance, risk and equity analytics are provided by InvestmentMetrics, 2013. All rights reserved. Calculations are based on quarterly periods unless noted otherwise.

MPT (Modern Portfolio Theory) statistics are based on monthly data. Quarterly observations are utilized only when monthly data points are not available. Examples include: beta/correlation/standard deviation calculations.

Indices referenced in this report are unmanaged and cannot be invested in directly. Index returns do not reflect any investment management fees or transaction expenses. Index descriptions listed are representative and not all inclusive.

This report is not an offer, nor does it invite anyone to make an offer, to buy or sell securities. Information obtained from third parties is believed to be reliable; however, accuracy of the data is not guaranteed and may not have been independently verified. Unless otherwise noted, content is current as of the date indicated and subject to change without notice.

Commentary within includes the opinion of Prime Buchholz, is intended solely for our clients, and is not meant to provide tax or legal advice. Clients should consult a tax or legal professional for advice regarding their particular situation.

For modeling output: Prime Buchholz proprietary reporting is compiled utilizing analytics provided by InvestmentMetrics.

Clients may, at times, invest in managers or products that are not recommended by Prime Buchholz. Due diligence and monitoring of managers that are not Prime Buchholz recommended is less rigorous than the level applied to recommended managers. Reports provided to clients regarding managers that have not been recommended by us are for informational purposes only and do not necessarily constitute our endorsement of the manager.

Returns are provided by third-party sources and are net of investment management fees and gross of consulting fees unless otherwise stated. Performance may or may not reflect reinvestment of dividends and other earnings. Performance and market values are subject to change based on statement availability from the investment manager/custodian.

The Prime Buchholz asset allocation model is a tool provided to clients to assist in the evaluation and development of long-term investment and spending policies for their investment programs. No asset allocation model can replicate the same experience for any given investor and clients' results may differ materially from the results portrayed. Therefore, the Prime Buchholz asset allocation model results should be only used as a guide—rather than a specific investment program simulation—as a part of a broader discussion to establish the client's policies. Prime Buchholz relies on the client to provide complete and accurate information regarding the client's specific risk/return/spending profile for the model. The model's factors are derived from historical asset class returns and data in combination with forward-looking estimates. These estimates cannot predict the impact of future market conditions that could have a significant negative impact on the reliability of the hypothetical performance presented. Prime Buchholz does not guarantee the accuracy of the data used. Model performance is based on assumptions about asset class investment returns and risk characteristics. It does not represent actual performance, nor does it reflect actual trading in a client portfolio or the management of a model portfolio on a current basis. Model results are based upon total return and reflect the reinvestment of dividends and distributions. They are also gross of management and consulting fees and other expenses an investor would pay, which would lower results.

Hypothetical performance, as well as past performance, is not an indication of future results.

Tab V

ING Clarion Global Real Estate Securities — December 31, 2012

Firm Details: *ING Clarion Partners*

Total Assets ($ mil.):	$23,648
Style:	REIT-Long
Assets in Style ($mil.):	$13,480
Year Founded:	1982
Product Inception:	May 2001
Location:	New York, NY
Ownership:	CB Richard Ellis

Key Investment Professionals:

T. Ritson Ferguson, CFA, MD - He oversees the day to day management of the Clarion Real Estate Securities portfolios. He joined Clarion Real Estate Securities in 1991 and has over 20 years of real estate experience.
Steven Burton, CFA, MD - He is the lead manager responsible for global and international real estate strategies. He joined Clarion Real Estate Securities in 1995 and has over 20 years of real estate experience.
Joseph Smith, CFA, MD - He is the lead manager responsible for the Americas and U.S. real estate strategies. He joined Clarion Real Estate Securities in 1997 and has over 15 years of real estate experience.

Investment Objective and Philosophy/Process

Clarion Real Estate Securities regional teams utilize the resources of public real estate market research in an effort to capture performance. Clarion's universe contains both REITs and Real Estate Operating Companies (REOCs). This universe combines all the companies within the S&P Citigroup World Property Index and EPRA NAREIT Indexes, with the addition of any companies identified as having a majority of their income or business in real estate. Companies must have at least a $100 million market cap. The Clarion Real Estate Securities team is enhanced by direct real estate research professionals that coordinate local analysis for a comprehensive world view. They also leverage the C.B. Richard Ellis (CBRE) organization for assistance with vetting issues related to regions and property types. Sector level and country/region allocation decisions are made with reference to macroeconomic and capital market analysis, as well as appraisal of listed, direct and unlisted real estate markets.

On July 1, 2011, CB Richard Ellis (CBRE) completed the purchase of Clarion Real Estate Securities. The sale has been expected for some time, as the Dutch bank had been mandated to evaluate the sale of its real estate management unit after receiving a state bailout. Overall, we believe this is a positive event for Clarion Real Estate Securities. As part of the transaction, Clarion Real Estate Securities takes a 25% equity stake in ownership of the firm. Previously, ING owned 100% of the firm. Clarion Real Estate Securities has maintained stability in its senior management over the years, and equity ownership should strengthen this stability. Clarion Real Estate Securities has used ING's Real Estate platform for property and market research resources historically. CB Richard Ellis has a global real estate focused direct investment, services, and research platform that is likely an improvement to the ING resources. It is also important to note that the ING Clarion Global Real Estate Mutual Funds will continue to be sub-advised by Clarion and administered by ING. CB Richard Ellis does have an existing global public securities group which manages approximately $2 billion in assets. As part of the transaction, some senior members of that group will join the Clarion group, including an office in Sydney, Australia. Going forward, Clarion will manage CBRE's real estate securities portfolios.

Assessment

Assessment: There are several real estate securities investment firms with strong track records of investment in the U.S. and stable senior management teams. There are fewer of these desirable firms investing in global real estate securities, and fewer still with lengthy track records and true international presence. Clarion Real Estate Securities has all of these attributes, offering a global real estate securities vehicle since 2001, utilizing offices around the world and maintaining its entire senior management group over that period. Since inception, the strategy has supported the thesis that experienced, stable management and international presence are keys to a successful platform and has outperformed most global benchmarks and peers. For these reasons we recommend the ING Clarion Global Real Estate Securities vehicle for investment in global real estate securities.

Vehicle Information:

Vehicle Name	Minimum	Assets ($ mil.)	Fee
ING Global Real Estate C Fd	$1,000	$217.0	2.14%
ING Global Real Estate A Fd	$1,000	$1,467.0	1.31%
ING Global Real Estate I Fd	$250,000	$2,600.0	0.99%

Sample Operational Detail

ING Global Real Estate I Fd

Last Audited Financial	10/31/2012
Accountant/Auditor	KPMG LLP
Custodian	BNY Mellon
Administrator	N/A
Securities Lending?	N/A

Security Constraints:	+/- 5% from benchmark weight
Sector Constraints:	+/- 10% from benchmark weight for Non U.S. and +/-20% from U.S.
Avg # of Securities:	+/- 100
Turnover:	37%
Assets in Composite:	N/A
GIPS Compliant:	N/A

Morgan Stanley Global Real Estate Portfolio — December 31, 2012

Firm Details: *Morgan Stanley Investment Management*

Total Assets ($ mil.):	$281,522
Style:	REIT-Long
Assets in Style ($mil.):	$7,500
Year Founded:	1975
Product Inception:	April 8, 2003
Location:	New York, NY
Ownership:	-The firm which is an asset management division of Morgan Stanley is 15% Employee Owned.

Key Investment Professionals:

Theodore Bigman - Managing Director. Head of Global Real Estate. Joined Morgan Stanley in 1995, and has over 20 years of investment experience.

Michiel te Paske - Managing Director. Portfolio Manager for European real estate securities.

Sven Van Kemenade - Managing Director. Portfolio Manager for European real estate securities.

Angeline Ho - Executive Director. Portfolio Manager for Asian real estate securities.

Investment Objective and Philosophy/Process

The Morgan Stanley Global Real Estate Portfolio seeks to provide both current income and capital appreciation by investing primarily in equity securities of companies in the real estate industry. The Fund will invest in companies throughout the world including REITs, real estate operating companies (REOCs) and similar entities outside the U.S. The Find will focus primarily on companies located in developed countries throughout North America, Europe and Asia but may also invest in emerging markets. Allocations will be made across three regional portfolios with most of the outperformance expected to be driven primarily by security selection within each portfolio rather than large regional bets.

The Global Real Estate Portfolio is actively managed and the portfolio is constructed utilizing a combination of both top-down and bottom-up analysis. The top-down analysis determines the regional asset allocation based on such factors as relative valuation, underlying real estate fundamentals, and macroeconomic indicators such as employment and job growth. Bottom-up security selection is value driven as management emphasizes underlying asset value, value per square foot, and property yields. Seeking the optimal regional and property type balance, Morgan Stanley also focuses on broad real estate drivers such as space demand, new supply and rental patterns. Holdings are evaluated for sale when it is determined the position is less attractive based on factors that include share price, earnings projections, and relative valuation. Typically at least 80% of the portfolio will be invested in equity securities of companies in the real estate industry. Foreign investments will generally be held in the local currency although management does have the right to hedge currency exposure if deemed appropriate.

Assessment

Assessment: Morgan Stanley has a successful track record of investing in global real estate securities. Their experienced portfolio management team has produced consistently positive absolute and relative performance since the inception of the strategy in 2003 through regional allocation and fundamental security selection. The Fund offers investors the diversification benefits of a global portfolio and the potential for strong returns.

Vehicle Information:

Vehicle Name	Minimum	Assets ($ mil.)	Fee
MS Global Real Estate Instl	$5,000,000	$1,883.0	1.01%

Sample Operational Detail

Morgan Stanley Global Real Estate Instl

Last Audited Financial	12/31/2011
Accountant/Auditor	Ernst & Young LLP
Custodian	JPMorgan Chase & Co.
Administrator	N/A
Securities Lending?	NA

Security Constraints:	limit our position in any company to 10% of the total portfolio
Sector Constraints:	Our allocation to any sector is limited to 50% of the portfolio
Avg # of Securities:	~150
Turnover:	18%
Assets in Composite:	N/A
GIPS Compliant:	Yes

Inflation Hedging

As of December 31, 2012

	ING Clarion	Morgan Stanley
Geographic Breakdown		
U.S.	42.9	43.1
Other North America	1.7	1.6
South America	0.0	0.5
United Kingdom	5.3	6.0
Europe	6.3	7.3
Japan	15.5	10.5
Asia (excluding Japan)	9.7	29.6
Emerging Markets	16.4	0.1
Other	2.2	1.3
Sector Breakdown		
Diversified	26.2	37.4
Healthcare	4.7	4.9
Self-Storage	1.7	2.0
Industrial	5.2	3.7
Office	15.5	11.8
Residential	12.6	9.6
Retail	28.7	23.9
Lodging/Resort	3.1	4.6
Specialty	0.0	0.0
Mortgage	0.0	0.0
Other	2.3	2.1

- Morgan Stanley Portfolio Sector Other Allocation includes 1.3% Cash.

Historical Performance

Return and Risk Summary

As of December 31, 2012

	1 Quarter Return	Previous Quarter Return	1 Year Return	1 Year Standard Deviation	3 Years Return	3 Years Standard Deviation	5 Years Return	5 Years Standard Deviation	7 Years Return	7 Years Standard Deviation	10 Years Return	10 Years Standard Deviation
ING Global Real Estate Fd	6.5	4.1	25.3	8.0	10.7	17.4	1.1	28.7	4.8	26.0	11.8	23.7
MS Global Real Estate Fd	6.9	5.3	30.2	9.2	12.2	19.3	1.9	31.2	NA	NA	NA	NA
FTSE EPRA NAREIT Gl Index	**6.3**	**6.1**	**29.8**	**8.6**	**13.5**	**17.5**	**1.1**	**30.7**	**4.9**	**27.6**	**12.1**	**24.8**

Historical Performance

Return Summary

As of December 31, 2012

	2012 Return	2011 Return	2010 Return	2009 Return	2008 Return	2007 Return	2006 Return	2005 Return	2004 Return	2003 Return	2002 Return
ING Global Real Estate A Fd	25.3	-5.6	14.8	33.4	-41.5	-6.9	40.4	14.1	36.2	41.3	4.1
MS Global Real Estate Instl	30.2	-9.7	20.2	41.0	-45.0	-7.9	NA	NA	NA	NA	NA
FTSE EPRA NAREIT Gl Index	**29.8**	**-6.3**	**20.4**	**38.3**	**-47.7**	**-7.0**	**42.4**	**15.4**	**38.0**	**40.7**	**2.8**

MPT Stats

ING Global Real Estate

As of December 31, 2012

	3 Years	5 Years	7 Years	10 Years
Return	10.72	1.14	4.75	11.76
Standard Deviation	17.40	28.69	26.03	23.67
Downside Risk	11.33	19.26	16.95	14.37
vs. FTSE EPRA NAREIT Gl Index				
Beta	0.99	0.93	0.94	0.95
Up Market Capture	90.75	92.11	94.73	95.60
Down Market Capture	105.99	92.88	95.61	95.37
Alpha	-2.41	-0.21	-0.09	0.14
Tracking Error	1.88	3.36	3.02	2.96
Information Ratio	-1.40	-0.19	-0.20	-0.21
R-Squared	0.99	0.99	0.99	0.99
Actual Correlation	0.99	1.00	1.00	0.99
vs. Citigroup 3 Month T-Bill				
Sharpe Ratio	0.68	0.17	0.25	0.53
Excess Return	11.78	4.88	6.47	12.44
Excess Risk	17.40	28.81	26.06	23.69

MPT Stats

MS Global Real Estate Instl

As of December 31, 2012

	3 Years	5 Years	7 Years	10 Years
Return	12.24	1.86	NA	NA
Standard Deviation	19.33	31.16	NA	NA
Downside Risk	12.81	20.09	NA	NA
vs. FTSE EPRA/NAREIT Global Index				
Beta	1.10	1.01	NA	NA
Up Market Capture	102.02	101.55	NA	NA
Down Market Capture	115.29	98.45	NA	NA
Alpha	-2.26	0.69	NA	NA
Tracking Error	2.18	3.11	NA	NA
Information Ratio	-0.38	0.24	NA	NA
R-Squared	1.00	0.99	NA	NA
Actual Correlation	1.00	1.00	NA	NA
vs. Citigroup 3 Month T-Bill				
Sharpe Ratio	0.70	0.20	NA	NA
Excess Return	13.57	6.25	NA	NA
Excess Risk	19.32	31.28	NA	NA

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Indices referenced are unmanaged and cannot be invested in directly. Index returns do not reflect any investment management fees or transaction expenses.

Performance returns are provided by investment manager or third party data sources and are net of fees unless otherwise stated. Performance data may or may not reflect the reinvestment of dividends and other earnings. For gross of fee performance, returns will be lower after management fees and other expenses are deducted. Investment management fees are described in this report or the manager's Form ADV Part 2A. ***Past performance is not an indication of future results.***

Peer group performance comparisons for funds or products will vary by third-party ranking entity based upon each entity's definitions of its category classifications and the sample size and/or composition of the data included by each ranking entity in its peer group comparisons. Therefore, a fund's past performance, which may be deemed strong relative to its peers by one ranking entity, may be considered weak relative to its peers by a different ranking entity. Also, since terminated poor performing funds or accounts are excluded from current peer groups, the peer group comparison results of surviving funds or products may be overstated. In addition, recent over- or underperformance of a fund may have a significant impact on a fund's long-term ranking versus its peer group.

In addition to the examination of raw data such as returns, portfolio characteristics, and other fund attributes, clients should consider other important criteria in the manager selection process. These may include, but not necessarily be limited to, stability and consistency of investment process, appropriateness of manager's investment philosophy, portfolio investment guidelines, risk management policies and procedures, depth and breadth of investment team, client references, personnel turnover, history, growth of business, and firm ownership and structure.

Peer groups, performance, and risk analytics are provided by InvestmentMetrics, 2013. All rights reserved. Calculations are based on quarterly periods unless noted otherwise.

**Indicates performance is gross of fees.*

Universe descriptions: SA=Separate Account; CF=Commingled Fund; MF=Mutual Fund

Clients may, at times, request the inclusion of specific managers or products in their search that are not Prime Buchholz recommended. Due diligence and monitoring of managers that are not Prime Buchholz recommended is less rigorous than the level applied to recommended managers and products. Reports provided to clients regarding managers or products that have not been recommended by Prime Buchholz are for informational purposes only and do not necessarily constitute our endorsement of the manager. Prime Buchholz employees may have relatives that are employed by investment managers that are recommended by the firm.

For use in one-on-one presentations only.

Tab VI

Town of Palm Beach
Rebalance Schedule

Estimated Investment (as of January 31, 2013)	Current Market Value	Current % of Total	Target Market Value	Target % of Total	Recommended Activity	Post Rebalance Market Value	Post Rebalance % of Total
Domestic Equity	**$ 6,571,732**	**30.9%**	**$ 5,847,787**	**27.5%**	**$ (700,000)**	**$ 5,871,732**	**27.6%**
Fidelity Spartan Total Market Index Adv Fund	$ 5,136,840	24.2%			$ (700,000)	$ 4,436,840	20.9%
FMI Common Stock	$ 960,343	4.5%				$ 960,343	4.5%
FPA Crescent Fund	$ 474,548	2.2%				$ 474,548	2.2%
International Equity	**$ 4,199,717**	**19.7%**	**$ 3,721,319**	**17.5%**	**$ (450,000)**	**$ 3,749,717**	**17.6%**
Dodge & Cox Intl Stock Fund	$ 2,061,455	9.7%			$ (200,000)	$ 1,861,455	8.8%
Artisan International Instl Fund	$ 2,138,262	10.1%			$ (250,000)	$ 1,888,262	8.9%
Flexible Capital	**$ 3,966,284**	**18.7%**	**$ 4,252,936**	**20.0%**	**$ 350,000**	**$ 4,316,284**	**20.3%**
Forester Offshore A2, Ltd.	$ 1,776,620	8.4%			$ 350,000	$ 2,126,620	10.0%
Archstone Absolute Return Strategies Fund, Ltd.	$ 2,189,665	10.3%				$ 2,189,665	10.3%
Fixed Income	**$ 4,060,629**	**19.1%**	**$ 4,252,936**	**20.0%**	**$ 100,000**	**$ 4,160,629**	**19.6%**
PIMCO Total Ret II Fund	$ 2,281,105	10.7%				$ 2,281,105	10.7%
Vanguard Short Term US Treas Fund	$ 1,779,525	8.4%			$ 100,000	$ 1,879,525	8.8%
Inflation Hedging	**$ 2,301,710**	**10.8%**	**$ 3,189,702**	**15.0%**	**$ 800,000**	**$ 3,101,710**	**14.6%**
Vanguard Inflation-Protected Securities Adm Fund	$ 642,926	3.0%				$ 642,926	3.0%
PIMCO Commodity Real Ret Str Instl Fund	$ 710,240	3.3%				$ 710,240	3.3%
Van Eck Global Hard Assets	$ 948,544	4.5%				$ 948,544	4.5%
New - Real Estate Manager TBD	**$ -**	**0.0%**			**$ 800,000**	**$ 800,000**	**3.8%**
Liquid Capital	**$ 164,606**	**0.8%**	**$ -**	**0.0%**	**$ (100,000)**	**$ 64,606**	**0.3%**
Government Stif 15	$ 164,606	0.8%	$ -	0.0%	$ (100,000)	$ 64,606	0.3%
Total Fund	**$ 21,264,678**	**100.0%**	**$ 21,264,678**	**100.0%**	**$ -**	**$ 21,264,678**	**100.0%**

Recommended Activity illustrates what transactions to consider in order to move your asset allocation in line with your Policy targets. Please consult your client service team before rebalancing.