

# FUND EVALUATION REPORT

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## Town of Lexington Retirement System

Quarterly Review  
September 30, 2012

With November 30, 2012 Interim Report



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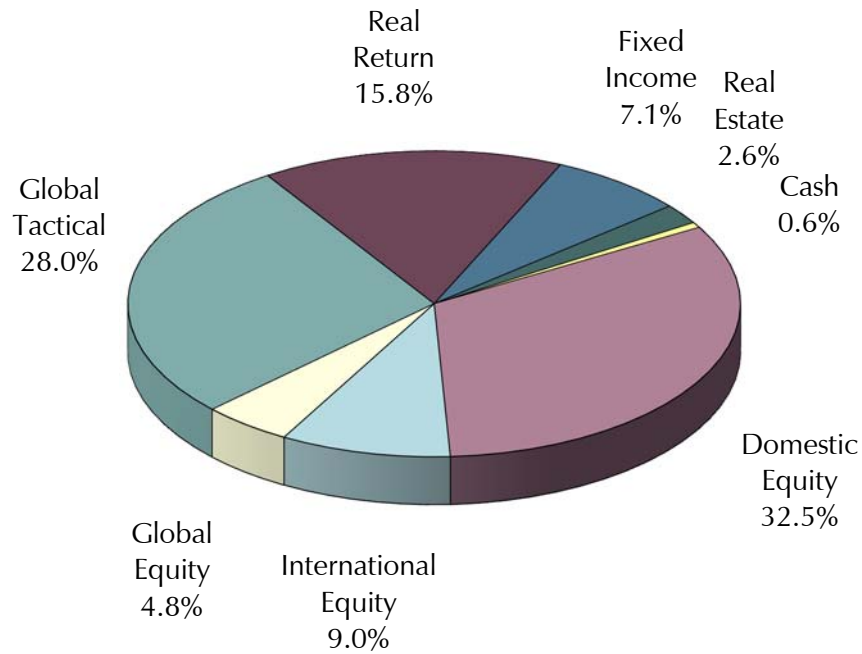
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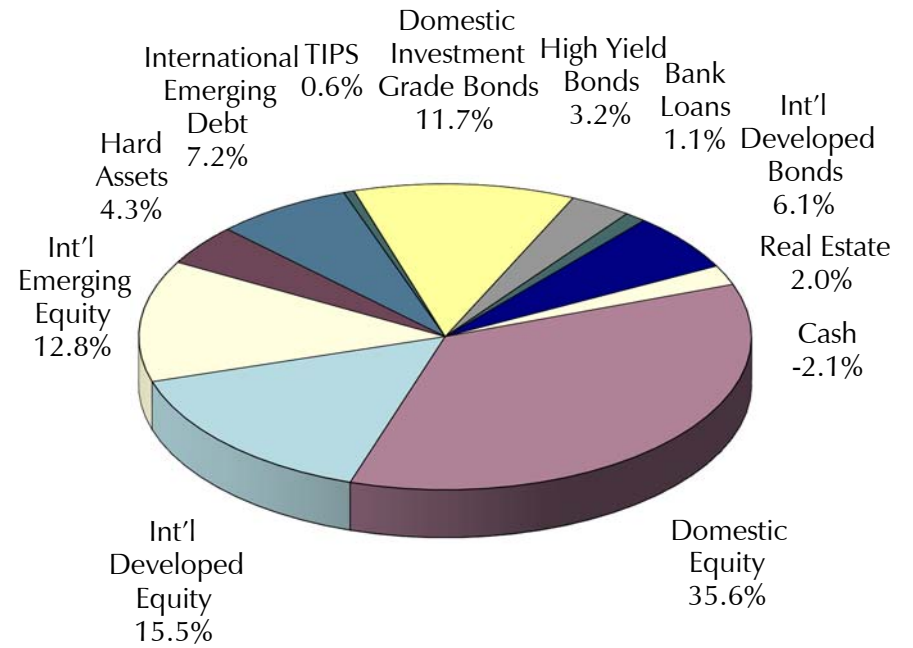
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**Interim Update**  
**November 30, 2012**

Allocation by Manager



Allocation by Security<sup>1</sup>



<sup>1</sup> Allocation by Security is calculated using November market values and manager allocations as of September 30. The negative cash position, at the Security level, is due to the PIMCO Global Multi Asset Fund's negative net cash position that includes equivalents, tail risk hedges, and alpha trades.

**Town of Lexington  
Retirement System**

**Aggregate Assets  
Asset Summary (Security Level) as of 11/30/12**

	<b>Actual Asset Allocation (%)</b>	<b>Target Allocation<sup>1</sup> (%)</b>	<b>Target Range (%)</b>	<b>PRIT Asset<sup>2</sup> Allocation (%)</b>
<b>Total Retirement System</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<i>Equity Assets</i>	65	59	49-69	44
Domestic Equity Assets	36	38	33-43	-
International Developed Equity Assets	16	21	16-26	-
International Emerging Equity Assets	13	NA	NA	-
<i>Fixed Income Assets</i>	30	31	26-36	21
Domestic Investment Grade Assets	12	NA	NA	-
International Emerging Bond Assets	7	NA	NA	-
International Developed Bond Assets	6	NA	NA	-
High Yield Bond Assets	3	NA	NA	-
Bank Loan Assets	1	NA	NA	-
TIPS Assets	1	NA	NA	-
<i>Absolute Return Assets</i>	0	5	3-7	10
<i>Real Estate Assets</i>	2	5	3-7	10
<i>Private Equity</i>	NA	NA	NA	12
<i>Timber/Natural Resources</i>	NA	NA	NA	4
<i>Hard Assets</i>	4	NA	NA	-
<i>Cash</i>	-2	0	< 5	-

<sup>1</sup> Target Allocation incorporates the global tactical asset allocation managers' long-term benchmarks. Wellington Opportunistic Investment (12.5%) is allocated 65% to domestic equity and 35% to fixed income; PIMCO Global Multi-Asset (12.5%) is allocated 30% to domestic equity, 30% to foreign developed, and 40% to fixed income; PIMCO All Asset (16%) is allocation 90% to fixed income, 5% to domestic equity, and 5% to developed international.

<sup>2</sup> PRIT Allocation is as of October 31, 2012.



**Town of Lexington  
Retirement System**

**Aggregate Assets  
Asset Summary (Manager Level) as of 11/30/12**

	<b>Market Value 11/30/12 (\$ mm)</b>	<b>% of Retirement System</b>	<b>Market Value 10/31/12 (\$ mm)</b>
<b>Total Retirement System</b>	<b>113.9</b>	<b>100</b>	<b>113.2</b>
Domestic Equity Assets	37.0	32	36.3
International Equity Assets	10.2	9	10.0
Global Equity Assets	5.4	5	5.4
Global Tactical Asset Allocation Assets	31.9	28	31.7
Real Return Assets	18.2	16	18.0
Fixed Income Assets	8.2	7	8.2
Real Estate Assets	2.4	2	2.9
Cash	0.7	< 1	0.7



**Town of Lexington  
Retirement System**

**Aggregate Assets  
Portfolio Roster as of 11/30/12**

	<b>Market Value 11/30/12 (\$ mm)</b>	<b>% of Asset Class</b>	<b>% of Retirement System</b>	<b>Market Value 10/31/12 (\$ mm)</b>
<b>Total Retirement System</b>	<b>113.9</b>	<b>NA</b>	<b>100</b>	<b>113.2</b>
<b>Domestic Equity Assets</b>	<b>37.0</b>	<b>100</b>	<b>32</b>	<b>36.3</b>
Fidelity Contrafund	18.4	50	16	18.0
Hartford Capital Appreciation	12.3	33	11	12.0
Fiduciary Large Cap	6.4	17	6	6.3
<b>International Equity Assets</b>	<b>10.2</b>	<b>100</b>	<b>9</b>	<b>10.0</b>
Matthews Pacific Tiger	7.9	77	7	7.7
Acadian Non-U.S. All-Cap Equity	2.4	23	2	2.3
<b>Global Equity Assets</b>	<b>5.4</b>	<b>100</b>	<b>5</b>	<b>5.4</b>
Wellington Enduring Assets	5.4	100	5	5.4
<b>Global Tactical Asset Allocation Assets</b>	<b>31.9</b>	<b>100</b>	<b>28</b>	<b>31.7</b>
PIMCO Global Multi-Asset	17.7	56	16	17.6
Wellington Opportunistic Investment Allocation	14.2	44	12	14.1



**Town of Lexington  
Retirement System**

**Aggregate Assets  
Portfolio Roster as of 11/30/12**

	<b>Market Value 11/30/12 (\$ mm)</b>	<b>% of Asset Class</b>	<b>% of Retirement System</b>	<b>Market Value 10/31/12 (\$ mm)</b>
<b>Real Return Assets</b>	<b>18.2</b>	<b>100</b>	<b>16</b>	<b>18.0</b>
PIMCO All Asset	18.2	100	16	18.0
<b>Fixed Income Assets</b>	<b>8.2</b>	<b>100</b>	<b>7</b>	<b>8.2</b>
Loomis Sayles Credit Asset	5.5	68	5	5.5
SSgA Bond Market Index-NL	2.6	32	2	2.6
<b>Real Estate Assets</b>	<b>2.4</b>	<b>100</b>	<b>2</b>	<b>2.9</b>
Beacon Capital Strategic Partners V	2.4	100	2	2.9
<b>Cash</b>	<b>0.7</b>	<b>100</b>	<b>&lt; 1</b>	<b>0.7</b>
Cash STIF	0.7	100	< 1	0.7



**Town of Lexington  
Retirement System**

**Aggregate Assets  
Performance as of 11/30/12**

	November (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
<b>Total Retirement System</b>	<b>1.2</b>	<b>12.3</b>	<b>11.2</b>	<b>6.8</b>	<b>0.2</b>	<b>6.7</b>	<b>1/1/99</b>	<b>4.8</b>
<i>CPI (inflation)</i>	-0.5	2.0	1.8	2.1	1.8	2.4		2.5
<i>60% MSCI World/40% Barclays Universal</i>	0.9	10.5	10.9	6.8	1.9	7.1		4.7
<i>Actuarial Target<sup>1</sup></i>	0.7	7.3	8.0	8.0	8.0	8.0		8.0
<i>PRIT Core Fund</i>	NA	NA	NA	NA	NA	NA		NA
Domestic Equity	2.0	16.7	15.9	8.4	0.0	7.3	1/1/01	3.8
<i>Russell 3000</i>	0.8	15.0	16.0	11.8	1.7	6.9		3.1
<i>S&amp;P 500</i>	0.6	15.0	16.1	11.2	1.3	6.4		2.6
<i>PRIT Domestic Equity</i>	NA	NA	NA	NA	NA	NA		NA
International Equity	1.9	16.8	14.6	6.1	-4.3	8.4	1/1/01	4.2
<i>MSCI ACWI (ex. U.S.) IMI</i>	1.8	13.0	11.7	3.7	-3.6	9.4		4.9
<i>PRIT International Equity</i>	NA	NA	NA	NA	NA	NA		NA
Total Global Equity	0.5	NA	NA	NA	NA	NA	6/1/12	7.4
<i>MSCI ACWI IMI</i>	1.3	13.7	13.3	7.0	-1.4	7.8		12.6
Global Tactical Asset Allocation	0.6	9.3	7.4	5.1	3.0	NA	12/1/04	7.4
<i>Custom Benchmark<sup>2</sup></i>	0.9	10.5	10.8	6.7	1.5	NA		4.0
<i>PRIT Hedge Funds</i>	NA	NA	NA	NA	NA	NA		NA

<sup>1</sup> Long-term target rate of return.

<sup>2</sup> 65% S&P 500 / 35% Barclays Aggregate from 12/1/04 to 12/31/07; 65% MSCI All Country World / 35% Barclays Aggregate from 1/1/08 to present.



**Town of Lexington  
Retirement System**

**Aggregate Assets  
Performance as of 11/30/12**

	<b>November (%)</b>	<b>YTD (%)</b>	<b>1 YR (%)</b>	<b>3 YR (%)</b>	<b>5 YR (%)</b>	<b>10 YR (%)</b>	<b>Inception Date</b>	<b>Since Inception (%)</b>
<b>Retirement System (continued)</b>								
Real Return	0.9	13.4	14.1	9.3	6.6	NA	11/1/04	6.9
<i>Barclays U.S. TIPS 1-10 Year</i>	0.5	5.4	5.2	6.0	5.7	6.0		5.4
<i>CPI (inflation) + 5%</i>	-0.1	6.7	6.8	7.2	6.9	7.6		7.5
Fixed Income	0.2	10.1	12.0	9.2	7.6	6.6	1/1/01	6.9
<i>Barclays Universal</i>	0.2	5.5	6.7	6.2	6.3	5.8		6.2
<i>PRIT Fixed Income</i>	NA	NA	NA	NA	NA	NA		NA



**Town of Lexington  
Retirement System**

**Aggregate Assets  
Performance as of 11/30/12**

	November (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
<b>Total Retirement System</b>	<b>1.2</b>	<b>12.3</b>	<b>11.2</b>	<b>6.8</b>	<b>0.2</b>	<b>6.7</b>	<b>1/1/99</b>	<b>4.8</b>
<i>CPI (inflation)</i>	-0.5	2.0	1.8	2.1	1.8	2.4		2.5
<i>60% MSCI World/40% Barclays Universal</i>	0.9	10.5	10.9	6.8	1.9	7.1		4.7
<i>PRIT Core Fund</i>	NA	NA	NA	NA	NA	NA		NA
<b>Domestic Equity</b>	<b>2.0</b>	<b>16.7</b>	<b>15.9</b>	<b>8.4</b>	<b>0.0</b>	<b>7.3</b>	<b>1/1/01</b>	<b>3.8</b>
Fidelity Contrafund (net)	1.9	16.0	14.8	11.7	2.0	9.6	5/1/94	10.3
<i>Russell 1000</i>	0.8	15.2	16.2	11.6	1.6	6.8		8.6
<i>S&amp;P 500</i>	0.6	15.0	16.1	11.2	1.3	6.4		8.4
Hartford Capital Appreciation (net)	2.5	16.6	16.4	5.0	-2.7	NA	12/1/05	3.2
<i>S&amp;P 500</i>	0.6	15.0	16.1	11.2	1.3	6.4		4.0
Fiduciary Large Cap (net)	1.3	NA	NA	NA	NA	NA	6/1/12	8.6
<i>S&amp;P 500</i>	0.6	15.0	16.1	11.2	1.3	6.4		9.3
<b>International Equity</b>	<b>1.9</b>	<b>16.8</b>	<b>14.6</b>	<b>6.1</b>	<b>-4.3</b>	<b>8.4</b>	<b>1/1/01</b>	<b>4.2</b>
Matthews Pacific Tiger (net)	1.9	18.1	15.9	10.0	NA	NA	9/1/09	13.5
<i>MSCI AC Asia Pacific (ex. Japan)</i>	3.0	18.0	17.8	5.9	-1.2	13.6		9.2
Acadian Asset Management (net)	1.8	13.8	13.2	5.0	-8.3	NA	8/1/05	0.9
<i>MSCI EAFE</i>	2.4	13.7	12.6	3.0	-4.7	7.5		3.2



**Town of Lexington  
Retirement System**

**Aggregate Assets  
Performance as of 11/30/12**

	November (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
<b>Global Equity</b>	<b>0.5</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>6/1/12</b>	<b>7.4</b>
Wellington Enduring Assets	0.5	NA	NA	NA	NA	NA	6/1/12	7.4
<i>MSCI ACWI IMI</i>	1.3	13.7	13.3	7.0	-1.4	7.8		12.6
<b>Global Tactical Asset Allocation</b>	<b>0.6</b>	<b>9.3</b>	<b>7.4</b>	<b>5.1</b>	<b>3.0</b>	<b>NA</b>	<b>12/1/04</b>	<b>7.4</b>
PIMCO Global Multi-Asset (net)	0.5	7.4	5.5	5.5	NA	NA	12/1/09	5.5
<i>Custom Benchmark<sup>1</sup></i>	0.8	10.1	10.6	6.8	NA	NA		6.8
Wellington Opportunistic Investment Allocation	0.7	12.1	10.0	4.9	2.9	NA	12/1/04	7.4
<i>Custom Benchmark<sup>2</sup></i>	0.9	10.5	10.8	6.7	1.5	NA		4.0
<b>Real Return</b>	<b>0.9</b>	<b>13.4</b>	<b>14.1</b>	<b>9.3</b>	<b>6.6</b>	<b>NA</b>	<b>11/1/04</b>	<b>6.9</b>
PIMCO All Asset (net)	0.9	13.4	14.1	9.3	6.6	NA	11/1/04	6.9
<i>PIMCO All Asset Benchmark</i>	0.6	9.6	10.6	9.2	5.2	7.6		6.4
<i>Barclays U.S. TIPS 1-10 Year</i>	0.5	5.4	5.2	6.0	5.7	6.0		5.4
<i>CPI (inflation) + 5%</i>	-0.1	6.7	6.8	7.2	6.9	7.6		7.5
<b>Fixed Income</b>	<b>0.3</b>	<b>10.1</b>	<b>12.0</b>	<b>9.2</b>	<b>7.6</b>	<b>6.6</b>	<b>1/1/01</b>	<b>6.9</b>
Loomis Sayles Credit Asset	0.4	13.1	15.3	10.9	NA	NA	11/1/09	10.7
<i>Custom Benchmark<sup>3</sup></i>	0.2	10.6	12.7	9.4	NA	NA		9.5
SSgA Bond Market Index-NL	0.2	4.4	5.5	5.7	NA	NA	9/1/08	6.6
<i>Barclays Aggregate</i>	0.2	4.4	5.5	5.7	6.0	5.4		6.6

<sup>1</sup> 60% MSCI World/ 40% Barclays Aggregate.

<sup>2</sup> 65% S&P 500 / 35% Barclays Aggregate from 12/1/04 to 12/31/07; 65% MSCI All Country World / 35% Barclays Aggregate from 1/1/08 to present.

<sup>3</sup> 50% Barclays Corporate/ 25% Barclays High Yield/25% Credit Suisse Leveraged Loan.



# Hartford Capital Appreciation Fund Update

**Wellington Management Company has announced changes to the Hartford Capital Appreciation Fund beginning March 1, 2013. Portfolio manager, Kent Stahl will begin managing 10% of the fund as part of succession planning for Saul Pannell's retirement. Mr. Pannell is not currently retiring; however, Wellington is planning for his eventual retirement sometime over the next one to five years.**

- Mr. Stahl currently oversees the Strategic Solutions Group at Wellington Management Company. This group oversees several manager of managers funds, including risk management, correlation, and overlap analysis across different portfolios (managed by other portfolio managers within Wellington) that make up the respective funds.
- One of the funds Mr. Stahl currently manages is the Capital Appreciation II Fund. It is made up of nine underlying funds. The following pages compare the characteristics and performance of the Capital Appreciation Fund to that of the Capital Appreciation II Fund. Currently, the Capital Appreciation Fund makes up 10% of the Capital Appreciation II Fund as Mr. Pannell's portfolio is one of the nine sleeves.
- At time of Mr. Pannell's retirement, the Capital Appreciation Fund would be a clone of the Capital Appreciation II Fund.

**Characteristics**  
As of October 31, 2012

	Capital Appreciation		Capital Appreciation II	
	Current	Range	Current	Range
Active Share	84%	77-86%	73%	72-82%
Tracking Risk (5 yr)	7.1%	6.7-7.5%	5.5%	5.4-6.1%
Beta (5 yr)	1.13	1.10-1.14	1.12	1.09-1.13
Projected Beta	1.21	1.20-1.23	1.18	1.16-1.19
Up Capture	131%	-	120%	-
Down Capture	109%	-	112%	-
Large Cap (> \$10 Billion)	73%	67-94%	59%	51-71%
MidCap (\$2-\$10 Billion)	25%	5-25%	32%	22-33%
Small Cap (< \$2 Billion)	2%	0-3%	9%	4-14%
No. of Holdings	84	91-140	300+	-
Turnover	67%	-	138%	-
% International	21%	Up to 35%	15%	Up to 35%
Top Ten Holdings	JPMorgan Teva Ford Citigroup Microsoft United Continental American Intl EnSCO Gilead Mitsubishi		Anadarko Petroleum Merck Well Fargo Western Union Cisco Medtronic JPMorgan Gilead Time Warner Apple	



**Sector Weightings**  
As of September 30, 2012

	<b>Capital Appreciation</b>	<b>Capital Appreciation II</b>	<b>S&amp;P 500</b>
Consumer Discretionary	21%	17%	11%
Industrials	17%	12%	10%
Financials	19%	14%	15%
Materials	4%	5%	3%
Health	11%	17%	12%
Telecom	1%	0%	3%
Energy	8%	12%	11%
Utilities	0%	1%	4%
Technology	15%	18%	20%
Consumer Staples	3%	4%	11%

**Performance**  
As of September 30, 2012

	<b>Capital Appreciation</b>	<b>Capital Appreciation II<sup>1</sup></b>	<b>S&amp;P 500</b>	<b>Russell 3000</b>
3Q	5.1%	4.8%	6.4%	6.2%
YTD	13.2%	14.5%	16.4%	16.1%
1 Year	22.6%	24.4%	30.2%	30.2%
3 Years	5.3%	8.7%	13.2%	13.3%
5 Years	-3.2%	-0.8%	1.1%	1.3%
10 Years	9.2%	NA	8.0%	8.5%

<sup>1</sup> Inception date is 4/29/2005.



**Executive Summary  
As of September 30, 2012**

As of September 30, the Retirement System was valued at \$113.7 million, an increase of \$5.8 million from June 30. The increase was the result of investment performance, which offset net cash outflows of approximately \$0.3 million during the quarter.

The Retirement System returned 5.6% for the quarter, as all asset classes produced positive returns. Year-to-date, the System is up 11.9%.

- Global equities rebounded strongly in the third quarter from an announcement of further quantitative easing from the Federal Reserve and positive developments in Europe.
- International equities were the best performer, up 7.9%, followed by domestic equities up 5.8% during the quarter. Real return assets were up 6.4%, while global tactical asset allocation assets were up 5.4%.
- Aggregate fixed income investments returned 3.6%.

The System's underlying asset allocation (i.e., allocation at the look through level) differed from the actual asset allocation for the following asset classes:

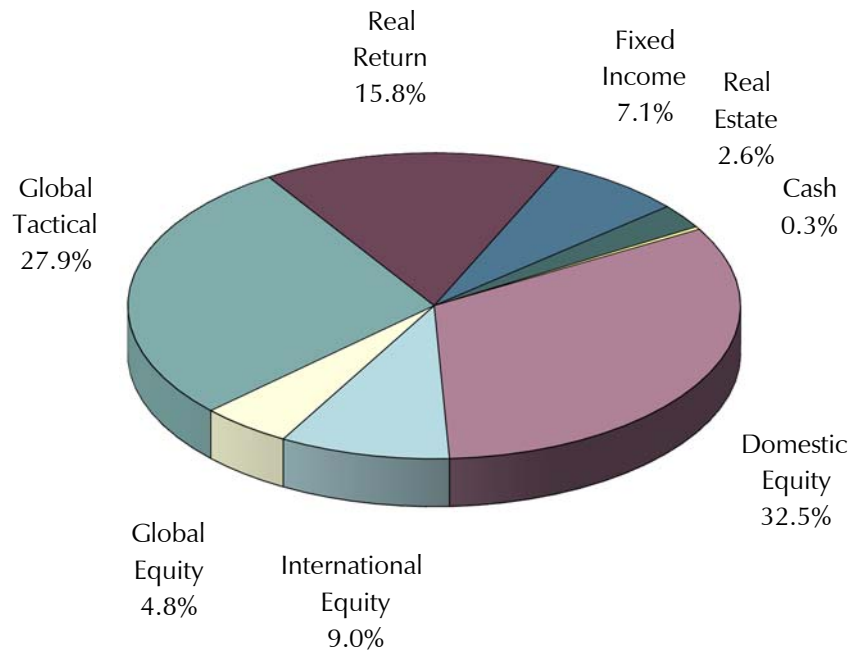
- At the asset class level, the System's total domestic investment grade bond exposure approximated 7%; however, at the underlying investment level, the System's total investment grade bond exposure was approximately 12%.
- Non-U.S. equities accounted for 9% of the System at the asset class level, and 29% at the underlying investment level (of which 13% was emerging markets).
- Additionally, at the underlying investment level, the Retirement System is further diversified with two fixed income exposures: high yield bonds (3%) and foreign bonds (14%).

**The Artio International Equity Fund was terminated in August and approximately \$1.0 million in assets was transferred to the Fiduciary Large Cap Equity Fund.**

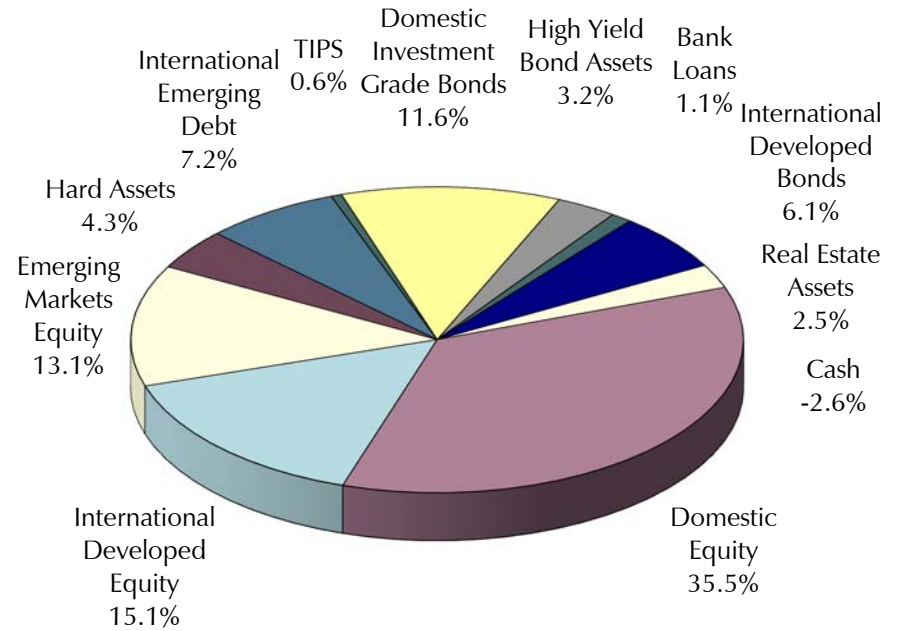
**The RFP for Private Debt Search is ready to be posted with PERAC in January 2013.**

**Retirement System Summary  
As of September 30, 2012**

Allocation by Manager



Allocation by Security<sup>1</sup>



<sup>1</sup> Allocation by Security is calculated using September market values and manager allocations as of September 30. The negative cash position, at the Security level, is due to the PIMCO Global Multi Asset Fund's negative net cash position that includes equivalents, tail risk hedges, and alpha trades.

**Town of Lexington  
Retirement System**

**Aggregate Assets  
Asset Summary (Security Level) as of 9/30/12**

	<b>Actual Asset Allocation (%)</b>	<b>Target Allocation<sup>1</sup> (%)</b>	<b>Target Range (%)</b>	<b>PRIT Asset Allocation (%)</b>
<b>Total Retirement System</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<i>Equity Assets</i>	64	59	49-69	44
Domestic Equity Assets	36	38	33-43	-
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International Emerging Equity Assets	13	NA	NA	-
<i>Fixed Income Assets</i>	30	31	26-36	21
Domestic Investment Grade Assets	12	NA	NA	-
High Yield Bond Assets	3	NA	NA	-
Bank Loans	1	NA	NA	-
International Developed Bond Assets	6	NA	NA	-
International Emerging Bond Assets	7	NA	NA	-
<i>Absolute Return Assets</i>	0	5	3-7	10
<i>Real Estate Assets</i>	3	5	3-7	10
<i>Private Equity</i>	NA	NA	NA	11
<i>Timber/Natural Resources</i>	NA	NA	NA	4
<i>Hard Assets</i>	4	NA	NA	-
<i>Cash</i>	-3	0	< 5	-

<sup>1</sup> Target Allocation incorporates the global tactical asset allocation managers' long-term benchmarks. Wellington Opportunistic Investment (12.5%) is allocated 65% to domestic equity and 35% to fixed income; PIMCO Global Multi-Asset (12.5%) is allocated 30% to domestic equity, 30% to foreign developed, and 40% to fixed income; PIMCO All Asset (16%) is allocation 90% to fixed income, 5% to domestic equity, and 5% to developed international.





**Town of Lexington  
Retirement System**

**Aggregate Assets  
Asset Summary (Manager Level) as of 9/30/12**

	<b>Market Value 9/30/12 (\$ mm)</b>	<b>% of Retirement System</b>	<b>Market Value 6/30/12 (\$ mm)</b>
<b>Total Retirement System</b>	<b>113.7</b>	<b>100</b>	<b>107.9</b>
Domestic Equity Assets	37.1	33	34.5
International Equity Assets	10.2	9	10.4
Global Equity Assets	5.4	5	5.2
Global Tactical Asset Allocation Assets	31.9	28	30.2
Real Return Assets	18.0	16	16.9
Fixed Income Assets	8.1	7	7.8
Real Estate Assets	2.9	3	2.9
Cash	< 0.1	< 1	0.1

**Town of Lexington  
Retirement System**

**Aggregate Assets  
Portfolio Roster as of 9/30/12**

	Market Value 9/30/12 (\$ mm)	% of Asset Class	% of Retirement System	Market Value 6/30/12 (\$ mm)
<b>Total Retirement System</b>	<b>113.7</b>	<b>NA</b>	<b>100</b>	<b>107.9</b>
<b>Domestic Equity Assets</b>	<b>37.1</b>	<b>100</b>	<b>33</b>	<b>34.5</b>
Fidelity Contrafund	18.7	50	16	18.0
Hartford Capital Appreciation	12.0	32	11	11.4
Fiduciary Large Cap	6.4	17	6	5.1
<b>International Equity Assets</b>	<b>10.2</b>	<b>100</b>	<b>9</b>	<b>10.4<sup>1</sup></b>
Matthews Pacific Tiger	7.9	77	7	7.3
Acadian Non-U.S. All-Cap Equity	2.3	23	2	2.2
<b>Global Equity Assets</b>	<b>5.4</b>	<b>100</b>	<b>5</b>	<b>5.2</b>
Wellington Enduring Assets	5.4	100	5	5.2
<b>Global Tactical Asset Allocation Assets</b>	<b>31.9</b>	<b>100</b>	<b>28</b>	<b>30.2</b>
PIMCO Global Multi-Asset	17.8	56	16	16.9
Wellington Opportunistic Investment Allocation	14.1	44	12	13.3

<sup>1</sup> Artio was terminated in August and \$1.0 million transferred to Fiduciary.



**Town of Lexington  
Retirement System**

**Aggregate Assets  
Portfolio Roster as of 9/30/12**

	<b>Market Value 9/30/12 (\$ mm)</b>	<b>% of Asset Class</b>	<b>% of Retirement System</b>	<b>Market Value 6/30/12 (\$ mm)</b>
<b>Real Return Assets</b>	<b>18.0</b>	<b>100</b>	<b>16</b>	<b>16.9</b>
PIMCO All Asset	18.0	100	16	16.9
<b>Fixed Income Assets</b>	<b>8.1</b>	<b>100</b>	<b>7</b>	<b>7.8</b>
Loomis Sayles Credit Asset	5.5	67	5	5.2
SSgA Bond Market Index-NL	2.6	33	2	2.6
<b>Real Estate Assets</b>	<b>2.9</b>	<b>100</b>	<b>3</b>	<b>2.9</b>
Beacon Capital Strategic Partners V	2.9	100	3	2.9
<b>Cash</b>	<b>0.1</b>	<b>100</b>	<b>&lt; 1</b>	<b>0.1</b>
Cash STIF	0.1	100	< 1	0.1

**Town of Lexington  
Retirement System**

**Aggregate Assets  
Performance as of 9/30/12**

	3Q12 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
<b>Total Retirement System</b>	<b>5.6</b>	<b>11.9</b>	<b>16.5</b>	<b>7.8</b>	<b>0.2</b>	<b>7.1</b>	<b>1/1/99</b>	<b>4.8</b>
<i>CPI (inflation)</i>	0.8	2.5	2.0	2.3	2.1	2.5		2.5
<i>60% MSCI World/40% Barclays Universal</i>	4.9	9.9	15.3	7.4	1.9	7.8		4.8
<i>PRIT Core Fund</i>	4.4	10.5	14.6	9.0	0.9	8.8		6.4
Domestic Equity	5.8	16.6	26.3	9.9	-0.1	8.2	1/1/01	3.9
<i>Russell 3000</i>	6.2	16.1	30.2	13.3	1.3	8.5		3.2
<i>S&amp;P 500</i>	6.4	16.4	30.2	13.2	1.1	8.0		2.7
<i>PRIT Domestic Equity</i>	6.4	16.3	30.0	13.1	-0.9	7.4		2.8
International Equity	7.9	14.1	17.9	5.7	-4.8	9.4	1/1/01	4.1
<i>MSCI ACWI (ex. U.S.) IMI</i>	7.5	10.7	14.4	3.5	-3.8	10.2		4.8
<i>PRIT International Equity</i>	7.5	11.8	15.0	4.5	-3.7	9.2		4.0
Total Global Equity	3.8	NA	NA	NA	NA	NA	6/1/12	7.6
<i>MSCI ACWI IMI</i>	6.8	13.0	21.1	7.6	-1.7	9.0		11.9
Global Tactical Asset Allocation	5.4	9.3	12.2	7.1	3.0	NA	12/1/04	7.6
<i>Custom Benchmark<sup>1</sup></i>	5.0	9.9	15.6	7.3	1.2	NA		4.0
Real Return	6.4	12.3	17.1	10.1	6.7	NA	11/1/04	6.9
<i>Barclays U.S. TIPS 1-10 Year</i>	1.7	4.6	6.3	7.0	6.6	5.7		5.4
<i>CPI (inflation) + 5%</i>	2.1	6.4	7.1	7.4	7.2	7.6		7.6
Fixed Income	3.6	8.9	12.0	9.0	7.8	6.5	1/1/01	6.9
<i>Barclays Universal</i>	2.0	4.9	6.4	6.7	6.6	5.7		6.2
<i>PRIT Fixed Income</i>	2.1	5.4	7.3	7.3	6.2	5.6		6.2

<sup>1</sup> 65% S&P 500 / 35% Barclays Aggregate from 12/1/04 to 12/31/07; 65% MSCI All Country World / 35% Barclays Aggregate from 1/1/08 to present.



**Town of Lexington  
Retirement System**

**Aggregate Assets  
Performance as of 9/30/12**

	3Q12 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
<b>Total Retirement System</b>	<b>5.6</b>	<b>11.9</b>	<b>16.5</b>	<b>7.8</b>	<b>0.2</b>	<b>7.1</b>	<b>1/1/99</b>	<b>4.8</b>
<i>CPI (inflation)</i>	0.8	2.5	2.0	2.3	2.1	2.5		2.5
<i>60% MSCI World/40% Barclays Universal</i>	4.9	9.9	15.3	7.4	1.9	7.8		4.8
<i>PRIT Core Fund</i>	4.4	10.5	14.6	9.0	0.9	8.8		6.4
<b>Domestic Equity</b>	<b>5.8</b>	<b>16.6</b>	<b>26.3</b>	<b>9.9</b>	<b>-0.1</b>	<b>8.2</b>	<b>1/1/01</b>	<b>3.9</b>
Fidelity Contrafund (net)	6.5	18.1	27.9	14.0	2.8	10.0	5/1/94	10.5
<i>Russell 1000</i>	6.3	16.3	30.1	13.3	1.2	8.4		8.7
<i>S&amp;P 500</i>	6.4	16.4	30.2	13.2	1.1	8.0		8.6
Hartford Capital Appreciation (net)	5.1	13.2	22.6	5.3	-3.1	NA	12/1/05	2.8
<i>S&amp;P 500</i>	6.4	16.4	30.2	13.2	1.1	8.0		4.3
Fiduciary Large Cap	4.8	NA	NA	NA	NA	NA	6/1/12	8.8
<i>S&amp;P 500</i>	6.4	16.4	30.2	13.2	1.1	8.0		10.7
<b>International Equity</b>	<b>7.9</b>	<b>14.1</b>	<b>17.9</b>	<b>5.7</b>	<b>-4.8</b>	<b>9.4</b>	<b>1/1/01</b>	<b>4.1</b>
Matthews Pacific Tiger (net)	8.1	15.3	19.5	10.4	NA	NA	9/1/09	13.4
<i>MSCI AC Asia Pacific (ex. Japan)</i>	9.6	14.0	18.4	5.5	-1.7	14.2		8.5
Acadian Asset Management (net)	7.1	11.1	14.1	3.5	-9.3	NA	8/1/05	0.6
<i>MSCI EAFE</i>	6.9	10.1	13.8	2.1	-5.2	8.2		2.8



**Town of Lexington  
Retirement System**

**Aggregate Assets  
Performance as of 9/30/12**

	3Q12 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
<b>Total Global Equity</b>	<b>3.8</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>6/1/12</b>	<b>7.6</b>
Wellington Enduring Assets	3.8	NA	NA	NA	NA	NA	6/1/12	7.6
<i>MSCI ACWI IMI</i>	6.8	13.0	21.1	7.6	-1.7	9.0		11.9
<b>Global Tactical Asset Allocation</b>	<b>5.4</b>	<b>9.3</b>	<b>12.2</b>	<b>7.1</b>	<b>3.0</b>	<b>NA</b>	<b>12/1/04</b>	<b>7.6</b>
PIMCO Global Multi-Asset (net)	5.4	8.0	10.4	NA	NA	NA	12/1/09	6.1
<i>Custom Benchmark<sup>1</sup></i>	4.6	9.6	15.1	NA	NA	NA		7.1
Wellington Opportunistic Investment Allocation	5.4	11.3	14.3	6.6	2.7	NA	12/1/04	7.4
<i>Custom Benchmark<sup>2</sup></i>	5.0	9.9	15.6	7.3	1.2	NA		4.0
<b>Real Return</b>	<b>6.4</b>	<b>12.3</b>	<b>17.1</b>	<b>10.1</b>	<b>6.7</b>	<b>NA</b>	<b>11/1/04</b>	<b>6.9</b>
PIMCO All Asset (net)	6.4	12.3	17.1	10.1	6.7	NA	11/1/04	6.9
<i>PIMCO All Asset Benchmark<sup>3</sup></i>	3.7	9.1	14.6	10.0	5.4	7.8		6.5
<i>Barclays U.S. TIPS 1-10 Year</i>	1.7	4.6	6.3	7.0	6.6	5.7		5.4
<i>CPI (inflation) + 5%</i>	2.1	6.4	7.1	7.4	7.2	7.6		7.6
<b>Fixed Income</b>	<b>3.6</b>	<b>8.9</b>	<b>12.0</b>	<b>9.0</b>	<b>7.8</b>	<b>6.5</b>	<b>1/1/01</b>	<b>6.9</b>
Loomis Sayles Credit Asset	4.6	11.4	15.6	NA	NA	NA	11/1/09	10.8
<i>Custom Benchmark<sup>4</sup></i>	3.9	9.4	13.0	NA	NA	NA		9.6
SSgA Bond Market Index-NL	1.6	4.0	5.1	6.2	NA	NA	9/1/08	6.8
<i>Barclays Aggregate</i>	1.6	4.0	5.2	6.2	6.5	5.3		6.8

<sup>1</sup> Custom benchmark consists of 60% MSCI World / 40% Barclays Aggregate indexes.

<sup>2</sup> 65% S&P 500 / 35% Barclays Aggregate from 12/1/04 to 12/31/07; 65% MSCI All Country World / 35% Barclays Aggregate from 1/1/08 to present.

<sup>3</sup> The PIMCO All Asset Benchmark is a composite index comprised of the average (non-weighted) return of the index benchmarks used by the fourteen "core funds" in which the PIMCO All Asset Fund invests. Two funds use the S&P 500 index, so it is weighted twice as heavily as the other benchmark indexes. Prior to 10/31/2003 this index contained twelve indices. It is not possible to invest directly in such an unmanaged index.

<sup>4</sup> 50% Barclays Corporate/ 25% Barclays High Yield/ 25% Credit Suisse Leveraged Loan.



## Town of Lexington Retirement System

## Aggregate Assets Calendar Year Performance

	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)
<b>Total Retirement System</b>	<b>-6.0</b>	<b>14.3</b>	<b>25.1</b>	<b>-32.9</b>	<b>13.2</b>	<b>14.4</b>	<b>10.1</b>	<b>13.0</b>	<b>18.1</b>	<b>-6.5</b>
<i>CPI (inflation)</i>	3.0	1.5	2.7	0.1	4.1	2.5	3.4	3.3	1.9	2.4
<i>60% MSCI World/40% Barclays Universal</i>	-1.3	11.0	24.2	-26.7	9.7	14.4	7.6	11.1	22.2	-8.2
<i>PRIT Core Fund</i>	0.1	13.6	17.7	-29.5	11.9	16.7	12.7	14.4	26.4	-9.0
<b>Domestic Equity</b>	<b>-7.9</b>	<b>15.2</b>	<b>37.8</b>	<b>-41.5</b>	<b>13.8</b>	<b>13.0</b>	<b>10.6</b>	<b>15.5</b>	<b>27.0</b>	<b>-17.3</b>
Fidelity Contrafund (net)	-0.1	16.9	29.2	-37.2	19.8	11.5	16.2	15.1	28.0	-9.6
<i>Russell 1000</i>	1.5	16.1	28.4	-37.6	5.8	15.5	6.3	11.4	29.9	-21.7
<i>S&amp;P 500</i>	2.1	15.1	26.5	-37.0	5.5	15.8	4.9	10.9	28.7	-22.1
Hartford Capital Appreciation (net)	-14.9	13.4	43.6	-45.7	18.2	17.4	NA	NA	NA	NA
<i>S&amp;P 500</i>	2.1	15.1	26.5	-37.0	5.5	15.8	4.9	10.9	28.7	-22.1
Fiduciary Large Cap	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>S&amp;P 500</i>	2.1	15.1	26.5	-37.0	5.5	15.8	4.9	10.9	28.7	-22.1
<b>International Equity</b>	<b>-13.7</b>	<b>15.6</b>	<b>32.0</b>	<b>-46.9</b>	<b>15.6</b>	<b>28.8</b>	<b>16.9</b>	<b>18.9</b>	<b>35.7</b>	<b>-13.1</b>
Matthews Pacific Tiger (net)	-11.4	22.3	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI AC Asia Pacific (ex. Japan)</i>	-18.5	19.1	73.2	-51.9	36.5	32.4	20.1	22.2	47.7	-5.6
Acadian Asset Management (net)	-12.1	13.1	23.2	-52.0	7.0	30.8	NA	NA	NA	NA
<i>MSCI EAFE</i>	-12.1	7.7	31.8	-43.4	11.2	26.3	13.5	20.2	38.6	-15.9



## Town of Lexington Retirement System

## Aggregate Assets Calendar Year Performance

	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)
<b>Global Tactical Asset Allocation</b>	<b>-8.2</b>	<b>15.3</b>	<b>35.3</b>	<b>-26.6</b>	<b>18.2</b>	<b>12.7</b>	<b>13.1</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
PIMCO Global Multi-Asset (net)	-1.5	11.8	NA	NA	NA	NA	NA	NA	NA	NA
<i>Custom Benchmark<sup>1</sup></i>	0.0	10.2	NA	NA	NA	NA	NA	NA	NA	NA
Wellington Opportunistic Investment Allocation	-13.5	18.0	36.1	-26.6	18.2	12.7	13.1	NA	NA	NA
<i>Custom Benchmark<sup>2</sup></i>	-1.9	11.0	24.5	-28.0	6.1	11.7	4.1	NA	NA	NA
<b>Real Return</b>	<b>2.4</b>	<b>13.7</b>	<b>23.0</b>	<b>-15.5</b>	<b>8.7</b>	<b>5.3</b>	<b>6.5</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
PIMCO All Asset (net)	2.4	13.7	23.0	-15.5	8.7	5.3	6.5	NA	NA	NA
<i>PIMCO All Asset Benchmark<sup>3</sup></i>	6.2	11.7	17.0	-2.4	11.4	1.6	1.9	7.1	7.1	7.3
<i>Barclays U.S. TIPS 1-10 Year</i>	8.9	5.2	12.0	-2.4	11.4	1.6	1.9	7.1	7.1	14.9
<i>CPI (inflation) + 5%</i>	8.1	6.6	7.8	5.1	9.3	7.7	8.6	8.4	7.0	7.5
<b>Fixed Income</b>	<b>4.5</b>	<b>11.5</b>	<b>7.9</b>	<b>4.3</b>	<b>6.0</b>	<b>6.3</b>	<b>2.2</b>	<b>6.1</b>	<b>5.4</b>	<b>9.3</b>
Loomis Sayles Credit Asset	3.3	13.9	NA	NA	NA	NA	NA	NA	NA	NA
<i>Custom Benchmark<sup>4</sup></i>	5.7	10.5	NA	NA	NA	NA	NA	NA	NA	NA
SSgA Bond Market Index-NL	7.8	6.6	6.0	NA	NA	NA	NA	NA	NA	NA
<i>Barclays Aggregate</i>	7.8	6.5	5.9	5.2	7.0	4.3	2.4	4.3	4.1	10.3

<sup>1</sup> Custom benchmark consists of 60% MSCI World / 40% Barclays Aggregate indexes.

<sup>2</sup> 65% S&P 500 / 35% Barclays Aggregate from 12/1/04 to 12/31/07; 65% MSCI All Country World / 35% Barclays Aggregate from 1/1/08 to present.

<sup>3</sup> The PIMCO All Asset Benchmark is a composite index comprised of the average (non-weighted) return of the index benchmarks used by the fourteen "core funds" in which the PIMCO All Asset Fund invests. Two funds use the S&P 500 index, so it is weighted twice as heavily as the other benchmark indexes. Prior to 10/31/2003 this index contained twelve indices. It is not possible to invest directly in such an unmanaged index.

<sup>4</sup> Custom benchmark consists of 50% Barclays Corporate/25% Barclays High Yield / 25% Credit Suisse Leveraged Loan indexes.





**Retirement System Detail  
As of September 30, 2012**

**Retirement System Aggregate  
Country & Region Breakdown  
As of September 30, 2012**

Equity Investments<sup>1</sup>

	9/30/12	6/30/12
<b>North America</b>	<b>58.6%</b>	<b>56.8%</b>
<b>Europe</b>	<b>13.2%</b>	<b>12.6%</b>
U.K.	4.5	4.0
Germany	2.2	0.9
France	0.8	1.2
Switzerland	0.7	0.9
Netherlands	0.3	0.5
<b>Pacific Rim / Asia</b>	<b>8.4%</b>	<b>10.0%</b>
Japan	3.6	4.0
Hong Kong	1.8	5.3
Australia	0.7	0.5
<b>Asia (emerging)</b>	<b>16.1%</b>	<b>15.7%</b>
China	3.9	2.3
India	1.9	2.5
Taiwan	0.2	1.3
<b>Latin America (emerging)</b>	<b>2.5%</b>	<b>3.3%</b>
Brazil	0.8	1.6
<b>Europe/MidEast/Africa (emerging)</b>	<b>1.2%</b>	<b>1.6%</b>
South Africa	0.1	0.2
Russia	0.0	0.1

<sup>1</sup> Data for PIMCO Global Multi-Asset and PIMCO All Asset is based on estimated country exposure. Does not include the System's exposure to Beacon or cash.

**Fixed Income Investments<sup>1</sup>**

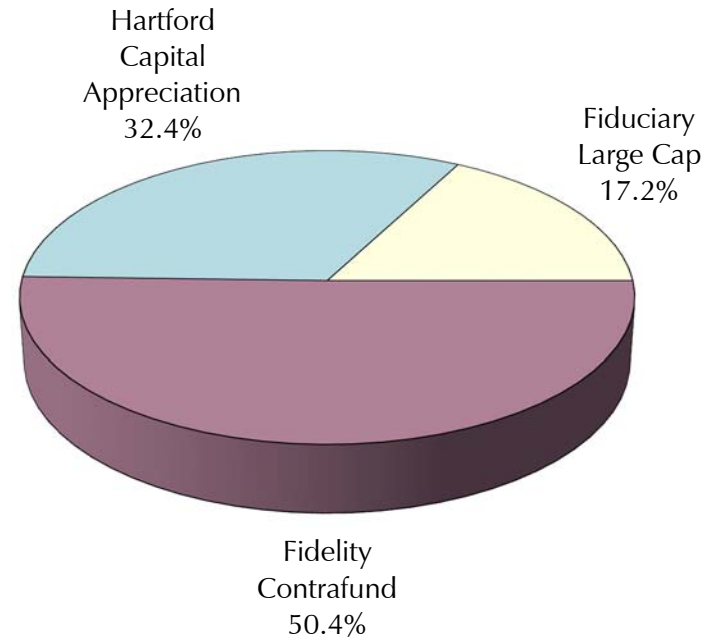
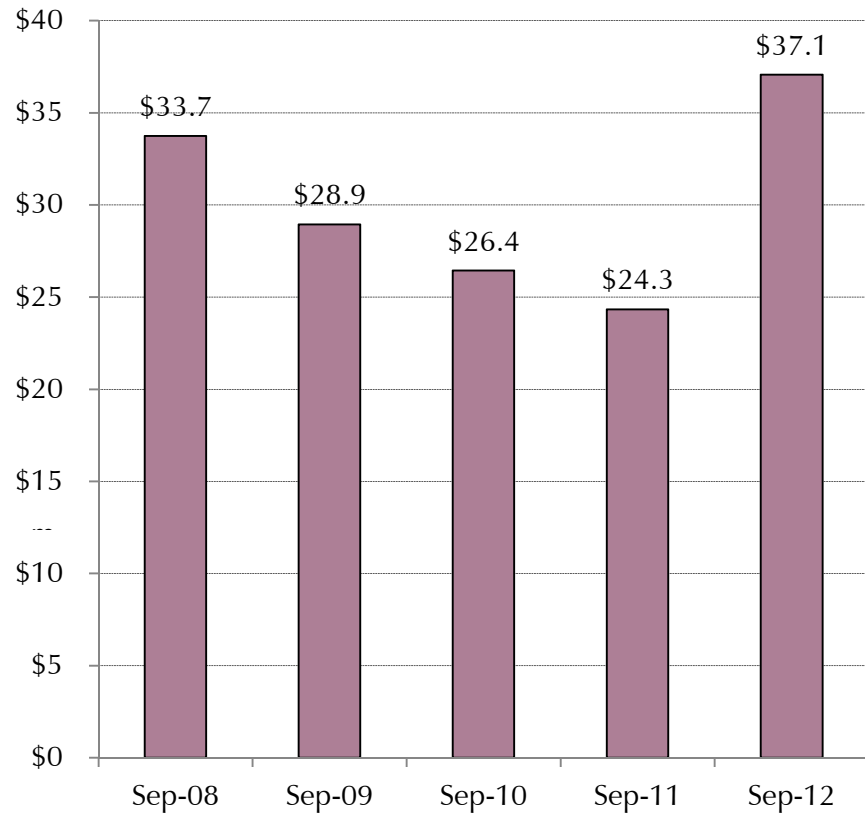
	9/30/12	6/30/12
North America (U.S.)	66.5%	71.4%
Europe	11.2%	9.3%
Pacific Rim/Asia	6.8%	5.3%
Asia (emerging)	6.2%	5.2%
Latin America (emerging)	4.9%	4.5%
Europe/MidEast/Africa (emerging)	4.4%	4.3%

<sup>1</sup> Data for PIMCO Global Multi-Asset, and PIMCO All Asset, and Wellington Opportunistic Investment is based on estimated regional exposures only. Does not include System's exposure to Beacon or cash.

**Domestic Equity Assets  
As of September 30, 2012**

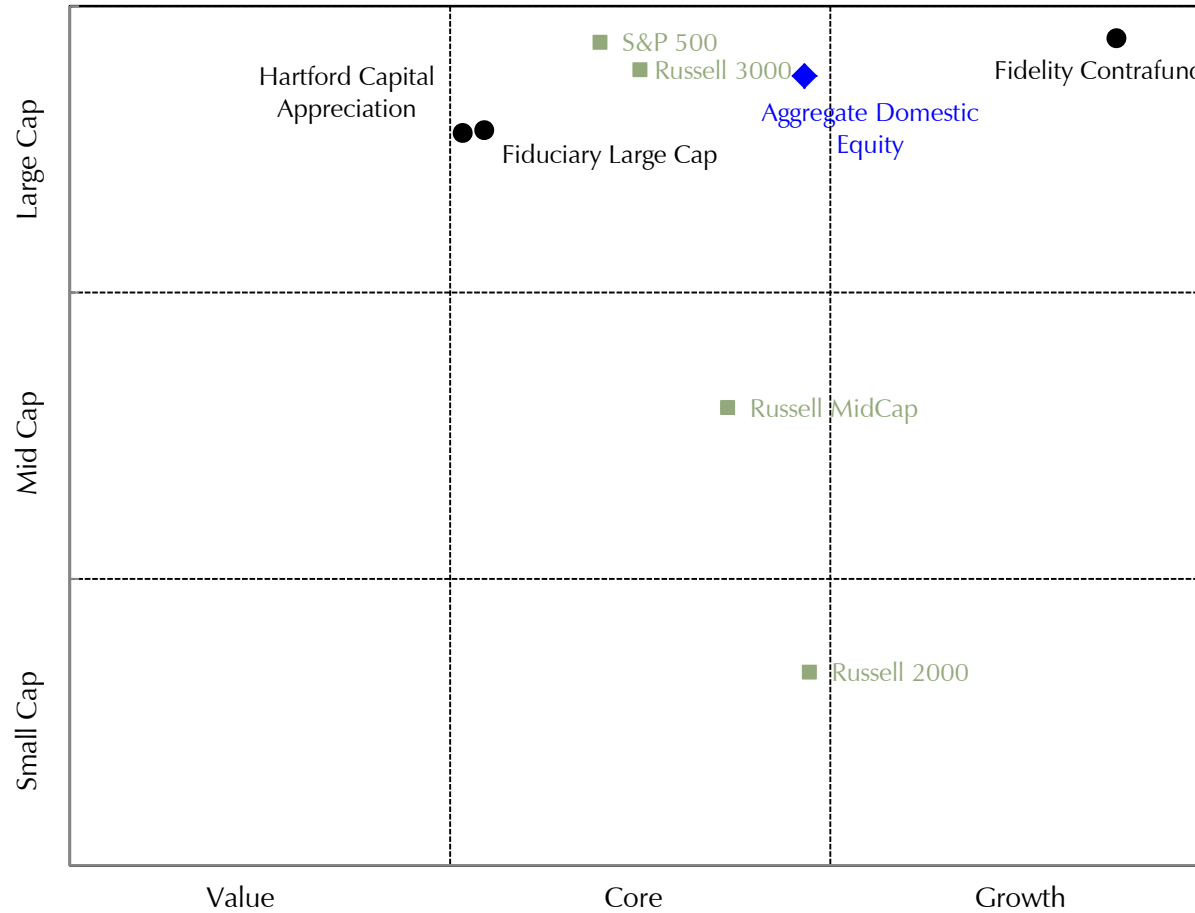
## Town of Lexington Retirement System

## Domestic Equity Assets as of 9/30/12



<b>Risk: (sixty months)</b>	<b>Aggregate Domestic Equity 9/30/12</b>	<b>Russell 3000 9/30/12</b>
Annualized Return (%)	-0.1	1.3
Standard Deviation (%)	21.5	20.7
Best Monthly Return (%)	11.4	11.5
Worst Monthly Return (%)	-20.4	-17.7
Beta	1.02	1.00
Correlation (R <sup>2</sup> ) to Index	0.98	1.00
Correlation to Total Fund Return	0.98	NA
Sharpe Measure (risk-adjusted return) <sup>1</sup>	Neg.	0.03
Information Ratio	Neg.	NA

<sup>1</sup> A negative Sharpe ratio indicates that the portfolio underperformed the risk-free rate during the sample period.





	<b>Aggregate Domestic Equity 9/30/12</b>	<b>Russell 3000 9/30/12</b>	<b>Aggregate Domestic Equity 6/30/12</b>
<b>Capitalization Structure:</b>			
Weighted Average Market Cap. (US\$ billion)	94.5	99.9	90.4
Median Market Cap. (US\$ billion)	10.9	1.0	9.5
Large (% over US\$10 billion)	82	75	84
Medium (% US\$2 billion to US\$10 billion)	17	18	15
Small (% under US\$2 billion)	1	7	1
<b>Fundamental Structure:</b>			
Price-Earnings Ratio	21	21	19
Price-Book Value Ratio	3.8	3.4	3.7
Dividend Yield (%)	1.2	1.8	1.2
Historical Earnings Growth Rate (%)	15	9	17
Projected Earnings Growth Rate (%)	14	11	14

<b>Diversification:</b>	<b>Aggregate Domestic Equity 9/30/12</b>	<b>Russell 3000 9/30/12</b>	<b>Aggregate Domestic Equity 6/30/12</b>
Number of Holdings	409	2,961	452
% in 5 largest holdings	13	11	15
% in 10 largest holdings	20	17	22

**Largest Five Holdings:**

Apple  
Google  
Walt Disney  
Berkshire Hathaway  
JPMorgan

**% of Portfolio**

5.6  
2.8  
1.8  
1.7  
1.5

**Economic Sector**

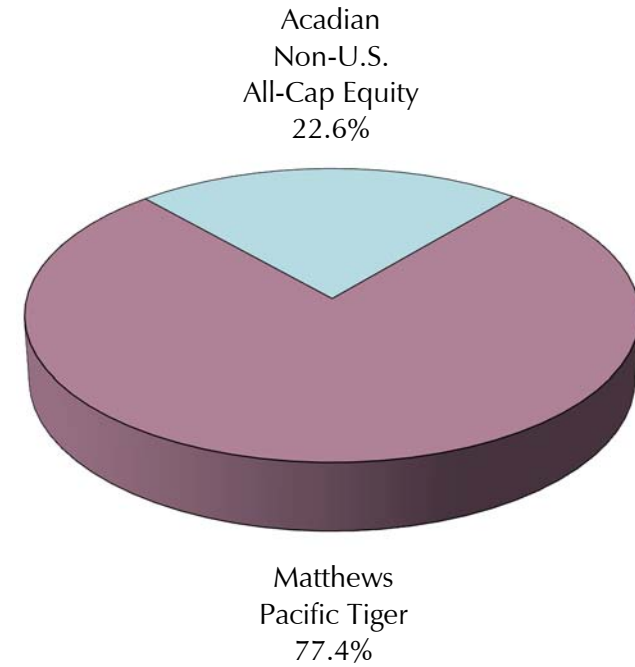
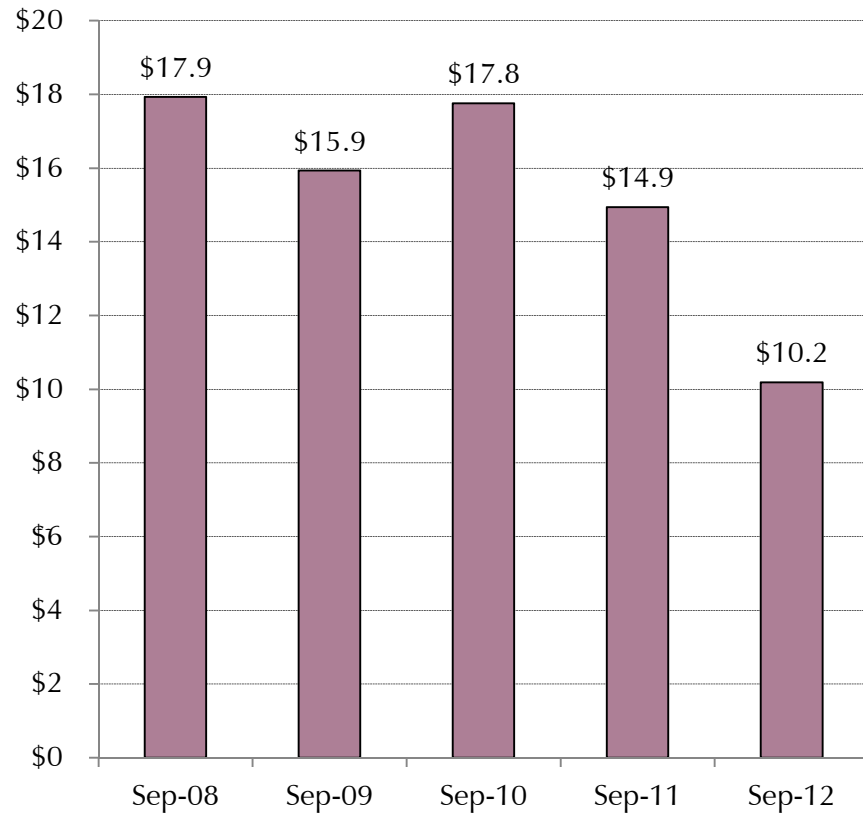
Technology Hardware  
Software & Services  
Media  
Capital Goods  
Diversified Financials

<b>Sector Allocation (%):</b>	<b>Aggregate Domestic Equity 9/30/12</b>	<b>Russell 3000 9/30/12</b>	<b>Aggregate Domestic Equity 6/30/12</b>
Consumer Discretionary	19	12	17
Information Technology	23	19	24
Industrials	13	11	12
Materials	4	4	5
Health Care	11	12	11
Consumer Staples	9	9	8
Financials	14	16	15
Telecom	0	3	0
Energy	7	10	8
Utilities	0	4	0

**International Equity Assets  
As of September 30, 2012**

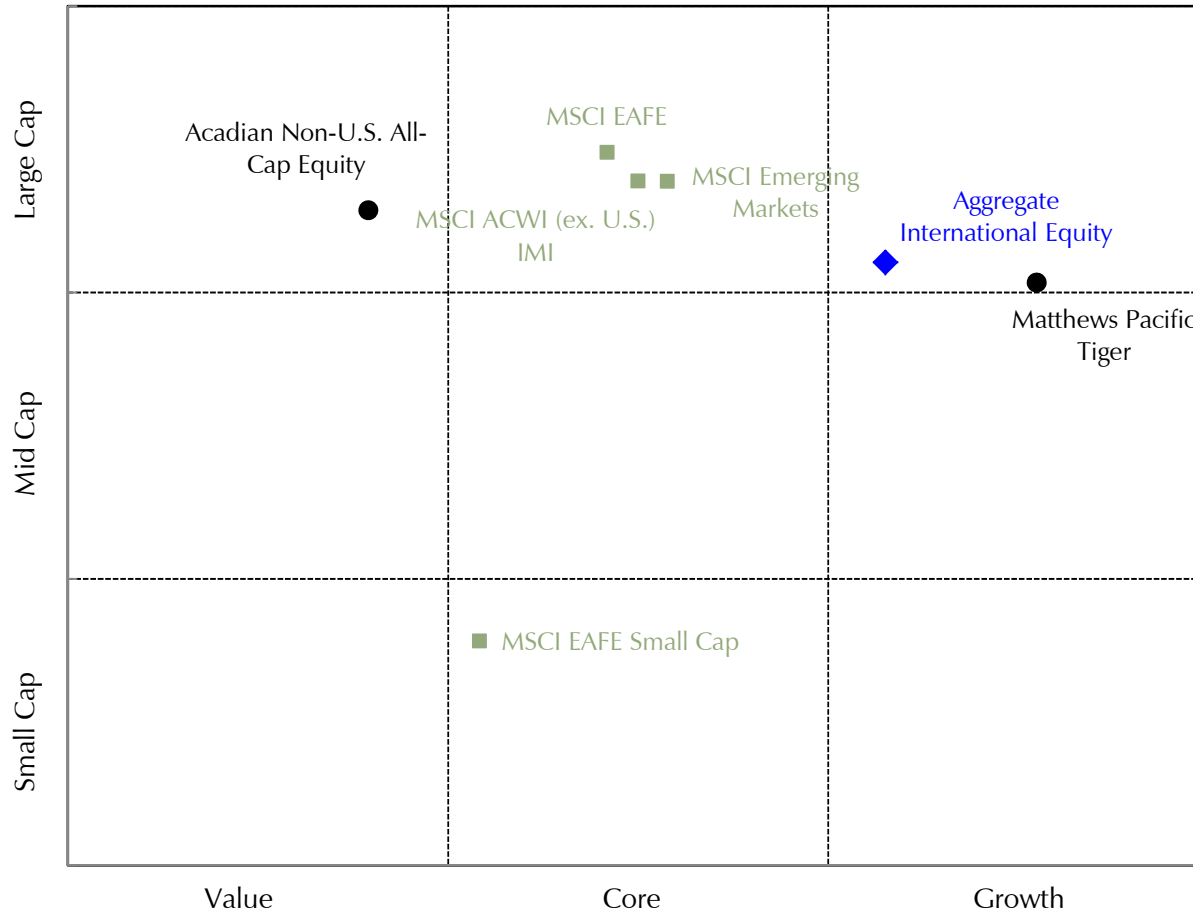
## Town of Lexington Retirement System

## International Equity Assets as of 9/30/12



Risk: (sixty months)	Aggregate International Equity 9/30/12	MSCI ACWI (ex. U.S.) IMI 9/30/12
Annualized Return (%)	-4.8	-3.8
Standard Deviation (%)	23.7	24.8
Best Monthly Return (%)	12.8	14.0
Worst Monthly Return (%)	-21.7	-22.4
Beta	0.95	1.00
Correlation (R <sup>2</sup> ) to Index	0.98	1.00
Correlation to Total Fund Return	0.98	NA
Sharpe Measure (risk-adjusted return) <sup>1</sup>	Neg.	Neg.
Information Ratio	Neg.	NA

<sup>1</sup> A negative Sharpe ratio indicates that the portfolio underperformed the risk-free rate during the sample period.



	Aggregate International Equity 9/30/12	MSCI ACWI (ex. U.S.) IMI 9/30/12	Aggregate International Equity 6/30/12
<b>Capitalization Structure:</b>			
Weighted Average Market Cap. (US\$ billion)	24.8	44.7	26.4
Median Market Cap. (US\$ billion)	1.2	0.9	1.9
Large (% over US\$10 billion)	48	67	50
Medium (% US\$2 billion to US\$10 billion)	41	23	39
Small (% under US\$2 billion)	11	10	11
<b>Fundamental Structure:</b>			
Price-Earnings Ratio	18	17	18
Price-Book Value Ratio	3.3	2.5	3.1
Dividend Yield (%)	2.3	3.4	2.5
Historical Earnings Growth Rate (%)	17	6	17
Projected Earnings Growth Rate (%)	15	13	14



	Aggregate International Equity 9/30/12	MSCI ACWI (ex. U.S.) IMI 9/30/12	Aggregate International Equity 6/30/12
<b>Diversification:</b>			
Number of Holdings	493	6,134	606
% in 5 largest holdings	11	5	10
% in 10 largest holdings	20	8	18
<b>Largest Five Holdings:</b>		<b>% of Portfolio</b>	<b>Economic Sector</b>
Delta Electronic	2.5	Technology Hardware	
Samsung	2.2	Semiconductors	
Tata Power	2.2	Utilities	
SM Prime	2.0	Real Estate	
Perusahaan Gas Negara	2.0	Utilities	

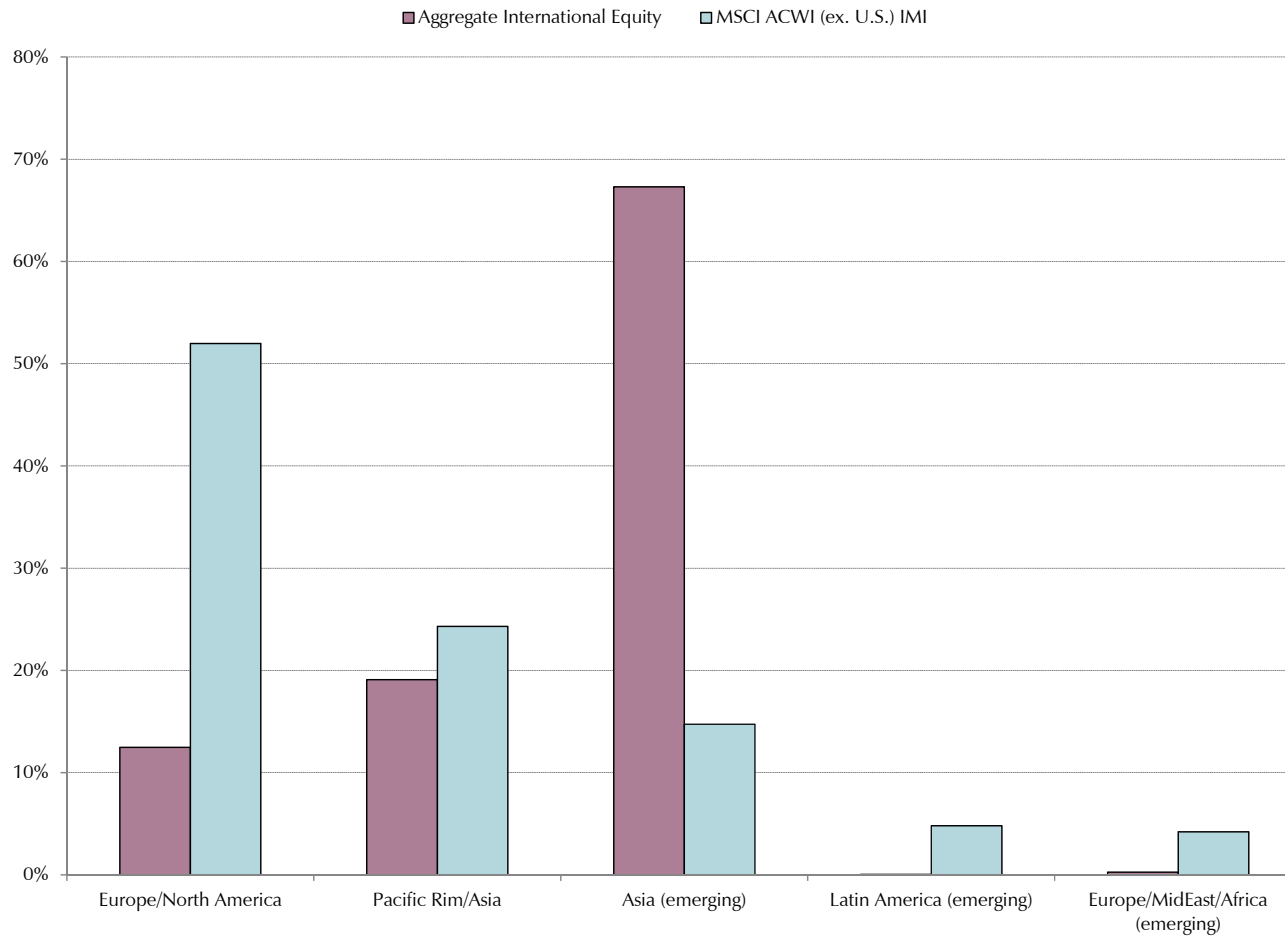
<b>Sector Allocation (%):</b>	<b>Aggregate International Equity 9/30/12</b>	<b>MSCI ACWI (ex. U.S.) IMI 9/30/12</b>	<b>Aggregate International Equity 6/30/12</b>
Information Technology	14	7	13
Financials	28	24	27
Consumer Staples	13	10	13
Utilities	7	4	5
Consumer Discretionary	13	10	15
Health Care	8	7	9
Telecom	4	5	4
Energy	4	10	5
Industrials	5	11	6
Materials	4	11	4

Town of Lexington  
Retirement System

International Equity Assets  
Country & Region Breakdown as of 9/30/12

	Aggregate International Equity 9/30/12 (%)	MSCI ACWI (ex. U.S.) IMI 9/30/12 (%)		Aggregate International Equity 9/30/12 (%)	MSCI ACWI (ex. U.S.) IMI 9/30/12 (%)
<b>Europe/North America</b>	<b>12.5</b>	<b>52.0</b>	<b>Asia (emerging)</b>	<b>67.3</b>	<b>14.7</b>
Germany	2.7	5.6	India	14.1	1.7
Switzerland	1.0	5.4	China	14.5	4.0
France	1.3	5.8	South Korea	13.2	3.7
United Kingdom	4.3	15.6	Indonesia	7.0	0.7
Other	3.2	19.6	Thailand	5.9	0.6
<b>Pacific Rim/Asia</b>	<b>19.1</b>	<b>24.3</b>	Taiwan	6.9	2.9
Hong Kong	8.8	2.1	Malaysia	3.7	0.9
Singapore	3.2	1.4	Philippines	2.0	0.2
Australia	1.4	6.1	Other	0.0	0.0
Japan	5.6	14.2	<b>Latin America (emerging)</b>	<b>0.0</b>	<b>4.8</b>
Other	0.1	0.5	<b>Europe/MidEast/Africa (emerging)</b>	<b>0.3</b>	<b>4.2</b>

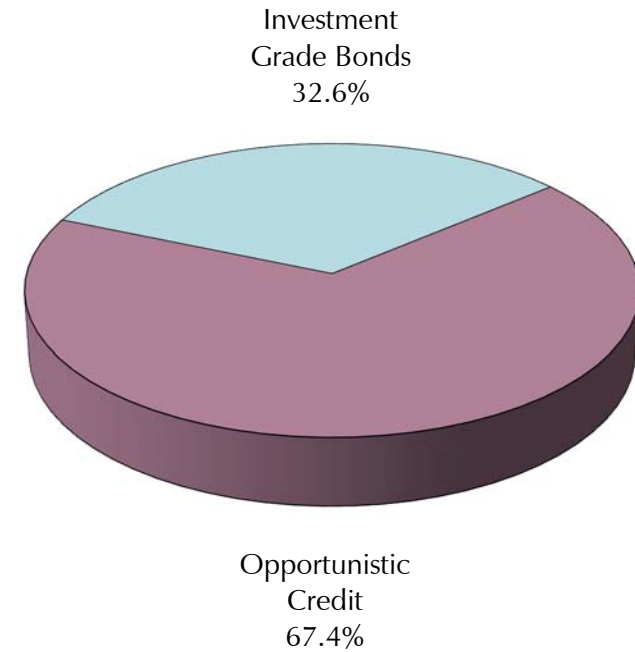
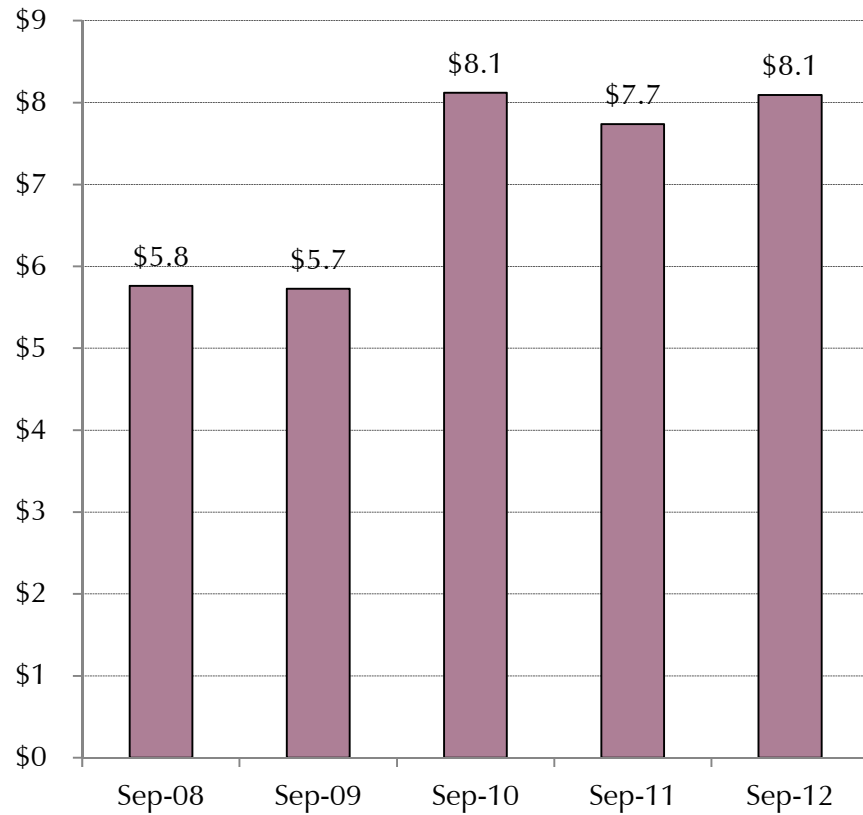




**Fixed Income Assets  
As of September 30, 2012**

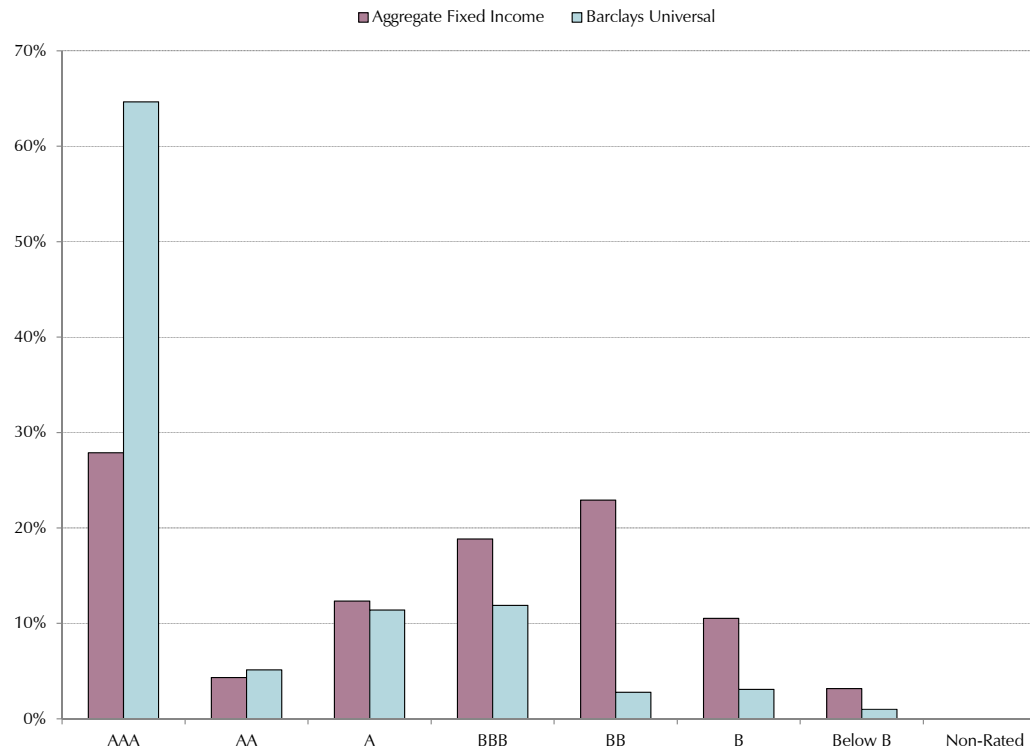
## Town of Lexington Retirement System

## Fixed Income Assets as of 9/30/12



<b>Risk: (sixty months)</b>	<b>Aggregate Fixed Income 9/30/12</b>	<b>Barclays Universal 9/30/12</b>
Annualized Return (%)	7.8	6.6
Standard Deviation (%)	4.4	4.0
Best Monthly Return (%)	3.7	3.8
Worst Monthly Return (%)	-2.5	-3.6
Beta	0.78	1.00
Correlation (R <sup>2</sup> ) to Index	0.71	1.00
Correlation to Total Fund Return	0.55	NA
Sharpe Measure (risk-adjusted return)	1.62	1.50
Information Ratio	0.38	NA

Duration & Yield:	Aggregate Fixed Income 9/30/12	Barclays Universal 9/30/12	Aggregate Fixed Income 6/30/12
Average Effective Duration (years)	4.4	4.8	4.3
Yield to Maturity (%)	3.6	2.0	4.9





**Town of Lexington  
Retirement System**

**Fixed Income Assets  
Diversification as of 9/30/12**

	<b>Aggregate Fixed Income 9/30/12</b>	<b>Barclays Universal 9/30/12</b>	<b>Aggregate Fixed Income 6/30/12</b>
<b>Market Allocation (%):</b>			
United States	92	84	97
Foreign (developed markets)	7	10	3
Foreign (emerging markets)	1	6	0
<b>Currency Allocation (%):</b>			
Non-U.S. Dollar Exposure	0	0	0
<b>Sector Allocation (%):</b>			
U.S. Treasury-Nominal	12	31	12
U.S. Treasury-TIPS	0	0	0
U.S. Agency	2	8	2
Mortgage Backed	12	26	13
Corporate	47	28	50
Bank Loans	3	0	14
Local & Provincial Government	1	1	0
Sovereign & Supranational	1	4	2
Commercial Mortgage Backed	3	2	3
Asset Backed	16	0	2
Cash Equivalent	1	0	2
Other	1	0	0

**Portfolio Reviews  
As of September 30, 2012**

**Domestic Equity Portfolio Reviews  
As of September 30, 2012**

## Town of Lexington Retirement System

## Fidelity Contrafund Portfolio Detail as of 9/30/12

**Mandate:** Domestic Equities  
**Active/Passive:** Active  
**Market Value:** \$18.7 million  
**Portfolio Manager:** William Danoff  
**Location:** Boston, Massachusetts  
**Inception Date:** 5/1/1994  
**Account Type:** Mutual Fund (FCNTX)

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**  
0.81% on all assets

**Liquidity Constraints:**  
Daily

**Strategy:**

The Contrafund invests primarily in the common stock of companies whose value Fidelity believes has not been fully recognized by the public. The types of companies in which the fund may invest include companies experiencing positive fundamental change such as a new management team or product launch or companies that are undervalued in relation to securities of other companies in the same industry. The Contrafund is comprised of companies that cross the market capitalization and style spectrum.

Performance (%):	3Q12	YTD	1 YR	3 YR	5 YR	Since 5/1/94
<b>Fidelity Contrafund (net)</b>	<b>6.5</b>	<b>18.1</b>	<b>27.9</b>	<b>14.0</b>	<b>2.8</b>	<b>10.5</b>
Russell 1000	6.3	16.3	30.1	13.3	1.2	8.7
S&P 500	6.4	16.4	30.2	13.2	1.1	8.6
Peer Large Cap Core	6.2	15.0	28.4	11.8	0.5	8.2
Peer Ranking (percentile)	38	9	55	6	8	6

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
<b>Fidelity Contrafund (net)</b>	<b>18.5%</b>	<b>0.87</b>	<b>0.11</b>	<b>0.28</b>	<b>0.96</b>
Russell 1000	20.3	1.00	0.03	NA	1.00

Capitalization Structure:	9/30/12		6/30/12	
	Fidelity	Russell 1000	Fidelity	Russell 1000
Weighted Average Market Cap. (US\$ billion)	128.5	108.0	111.8	97.8
Median Market Cap. (US\$ billion)	10.2	5.6	8.3	5.3
Large (% over US\$10 billion)	85	82	84	81
Medium (% US\$2 billion to US\$10 billion)	14	18	14	18
Small (% under US\$2 billion)	1	1	2	1

Fundamental Structure:				
Price-Earnings Ratio	25	21	23	20
Price-Book Value Ratio	4.7	3.4	4.8	3.5
Dividend Yield (%)	0.9	1.8	0.8	1.9
Historical Earnings Growth Rate (%)	22	9	23	9
Projected Earnings Growth Rate (%)	16	11	16	11

Sector Allocation (%):				
Information Technology	30	19	32	19
Consumer Discretionary	22	12	22	12
Materials	4	4	4	4
Consumer Staples	9	10	9	10
Health Care	11	12	10	12
Industrials	8	10	5	11
Telecom	0	3	0	3
Utilities	0	4	0	4
Energy	5	11	7	10
Financials	9	16	12	15

Diversification:				
Number of Holdings	335	986	370	991
% in 5 largest holdings	24	12	24	12
% in 10 largest holdings	34	19	34	18

Region Allocation (%):				
U.S.	90	100	89	100
Foreign (Developed)	8	0	8	0
Foreign (Emerging)	2	0	3	0

Largest Five Holdings:		Industry
Apple Computer	9.9	Technology Hardware
Google	5.5	Software & Services
Berkshire Hathaway	3.5	Capital Goods
Coca-Cola	2.6	Food Beverage & Tobacco
Wells Fargo	2.5	Banks



## Town of Lexington Retirement System

**Mandate:** Domestic Equities  
**Active/Passive:** Active  
**Market Value:** \$12.0 million  
**Portfolio Manager:** Saul J. Pannell  
**Location:** Simsbury, Connecticut  
**Inception Date:** 12/1/2005  
**Account Type:** Mutual Fund (HCAYX)

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**  
0.70% on all assets

**Liquidity Constraints:**  
Daily

**Strategy:**

The fund, sub-advised by Wellington, invests primarily in stocks selected on the basis of their potential for capital appreciation. The fund normally invests at least 65% of its total assets in common stocks of small, medium, and large companies. The fund may invest up to 35% of its total assets in securities of foreign issuers and non-dollar securities, including emerging market securities. Due to its current size, the fund will generally not invest in securities of issuers with market capitalizations less than \$2 billion. Companies are selected primarily on the basis of dynamic earnings growth potential and/or the expectation of a significant event that Wellington Management believes will trigger an increase in the stock price.

Performance (%):	3Q12	YTD	1 YR	3 YR	5 YR	Since 12/1/05
<b>Hartford Capital Appreciation (net)</b>	<b>5.1</b>	<b>13.2</b>	<b>22.6</b>	<b>5.3</b>	<b>-3.1</b>	<b>2.8</b>
S&P 500	6.4	16.4	30.2	13.2	1.1	4.3
Peer Large Cap Core	6.2	15.0	28.4	11.8	0.5	3.8
Peer Ranking (percentile)	71	65	86	98	93	74

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure <sup>1</sup>	Info. Ratio	Correlation to Index
<b>Hartford Capital Appreciation (net)</b>	<b>23.7%</b>	<b>1.17</b>	<b>Neg.</b>	<b>Neg.</b>	<b>0.95</b>
S&P 500	19.8	1.00	0.02	NA	1.00

## Hartford Capital Appreciation Portfolio Detail as of 9/30/12

Capitalization Structure:	9/30/12		6/30/12	
	Hartford	S&P 500	Hartford	S&P 500
Weighted Average Market Cap. (US\$ billion)	63.3	122.0	70.1	110.4
Median Market Cap. (US\$ billion)	16.1	12.4	24.6	12.0
Large (% over US\$10 billion)	75	91	83	90
Medium (% US\$2 billion to US\$10 billion)	24	9	16	10
Small (% under US\$2 billion)	2	0	1	0

Fundamental Structure:	Hartford	S&P 500	Hartford	S&P 500
Price-Earnings Ratio	16	20	13	19
Price-Book Value Ratio	2.4	3.5	2.4	3.5
Dividend Yield (%)	1.3	1.9	1.5	1.9
Historical Earnings Growth Rate (%)	11	9	13	9
Projected Earnings Growth Rate (%)	13	11	14	11

Sector Allocation (%):	Hartford	S&P 500	Hartford	S&P 500
Consumer Discretionary	20	11	13	11
Industrials	18	10	19	10
Financials	19	15	19	14
Materials	4	4	7	3
Health Care	11	12	13	12
Telecom	1	3	0	3
Energy	9	11	10	11
Utilities	0	4	0	4
Information Technology	15	20	17	20
Consumer Staples	3	11	3	11

Diversification:	Hartford	S&P 500	Hartford	S&P 500
Number of Holdings	84	500	86	500
% in 5 largest holdings	18	14	20	13
% in 10 largest holdings	31	21	35	21

Region Allocation (%):	Hartford	S&P 500	Hartford	S&P 500
U.S.	78	100	69	100
Foreign (Developed)	20	0	22	0
Foreign (Emerging)	1	0	9	0

Largest Five Holdings:	Value	Industry
JPMorgan	4.5	Diversified Financials
Ford Motor	4.0	Automobiles & Components
Teva Pharmaceuticals	4.0	Pharmaceuticals & Biotech
Citigroup	3.0	Diversified Financials
Microsoft	2.8	Software & Services

<sup>1</sup> A negative Sharpe ratio indicates that the portfolio underperformed the risk-free rate during the sample period.



## Town of Lexington Retirement System

## Fiduciary Large Cap Portfolio Detail as of 9/30/12

**Mandate:** Domestic Equities  
**Active/Passive:** Passive  
**Market Value:** \$6.4 million  
**Portfolio Manager:** Team  
**Location:** Milwaukee, Wisconsin  
**Inception Date:** 6/1/2012  
**Account Type:** Mutual Fund (FMIHX)

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

0.97% on first \$25 mm; 0.55% on next \$25 mm; 0.45% on next \$50 mm; 0.40% on next \$0 mm

### Liquidity Constraints:

Daily

### Strategy:

The Fiduciary Large Cap fund seeks long-term capital appreciation through the purchase of a limited number of large capitalization value stocks. A strong orientation to low absolute or relative valuation is key to the execution of the investment strategy. As a non-diversified fund, the fund tends to concentrate its investment on fewer companies than a diversified mutual fund. The fund holds approximately 20 to 30 stocks, with most major industry groups represented.

Performance (%):	3Q12	YTD	Since 6/1/12
<b>Fiduciary Large Cap</b>	<b>4.8</b>	<b>NA</b>	<b>8.8</b>
S&P 500	6.4	16.4	10.7
Peer Large Cap Core	6.2	15.0	10.0
Peer Ranking (percentile)	79	NA	74

Capitalization Structure:	9/30/12		6/30/12	
	Fiduciary	S&P 500	Fiduciary	S&P 500
Weighted Average Market Cap. (US\$ billion)	64.4	122.0	64.0	110.4
Median Market Cap. (US\$ billion)	28.4	12.4	25.9	12.0
Large (% over US\$10 billion)	85	91	85	90
Medium (% US\$2 billion to US\$10 billion)	15	9	15	10
Small (% under US\$2 billion)	0	0	0	0
Fundamental Structure:				
Price-Earnings Ratio	17	20	15	19
Price-Book Value Ratio	3.4	3.5	3.4	3.5
Dividend Yield (%)	2.0	1.9	2.1	1.9
Historical Earnings Growth Rate (%)	2	9	3	9
Projected Earnings Growth Rate (%)	10	11	10	11
Sector Allocation (%):				
Industrials	19	10	18	10
Consumer Staples	16	11	20	11
Financials	20	15	18	14
Health Care	11	12	11	12
Materials	2	4	2	3
Consumer Discretionary	10	11	11	11
Telecom	0	3	0	3
Utilities	0	4	0	4
Energy	7	11	7	11
Information Technology	14	20	14	20
Diversification:				
Number of Holdings	27	500	29	500
% in 5 largest holdings	26	14	25	13
% in 10 largest holdings	47	21	44	21
Largest Ten Holdings:		Industry		
3M	5.8	Capital Goods		
Berkshire Hathaway	5.5	Insurance		
Bank of New York Mellon	5.4	Diversified Financials		
Sysco	4.8	Food & Staples Retailing		
Accenture	4.5	Software & Services		
Devon Energy	4.5	Energy		
Illinois Tool Works	4.4	Capital Goods		
Wal-Mart	4.2	Food & Staples Retailing		
Covidien	4.2	Health Equipment & Services		
Kimberly-Clark	4.1	Household/Personal Products		



**Global Equity Portfolio Review  
As of September 30, 2012**

## Town of Lexington Retirement System

**Mandate:** Global Equities  
**Active/Passive:** Active  
**Market Value:** \$5.4 million  
**Portfolio Manager:** G. Thomas Levering  
**Location:** Boston, Massachusetts  
**Inception Date:** 6/1/2012  
**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

0.60% on all assets, 0.10% Participation Rate and 0.08% Hurdle Rate.

### Liquidity Constraints:

Monthly (first of month)

### Strategy:

Wellington seeks to provide attractive risk-adjusted returns by investing globally in companies with long-lived physical assets that possess an advantaged competitive position and exhibit low levels of earnings volatility. Wellington also looks for companies that balance investment returns between capital appreciation and dividend yields. The portfolio will typically hold 20 to 50 securities, including a maximum of 25% of assets in cash and 20% in fixed income. The strategy is non-benchmark, total return oriented.

Performance (%):	3Q12	YTD	Since 6/1/12
<b>Wellington Enduring Assets</b>	<b>3.8</b>	<b>NA</b>	<b>7.6</b>
MSCI ACWI IMI	6.8	13.0	11.9
Peer Global Equity	6.7	13.2	11.5
Peer Ranking (percentile)	97	NA	96

## Wellington Enduring Assets Portfolio Detail as of 9/30/12

Capitalization Structure:	9/30/12		6/30/12	
	Wellington	MSCI ACWI IMI	Wellington	MSCI ACWI IMI
Weighted Average Market Cap. (US\$ billion)	28.1	71.3	26.5	65.7
Median Market Cap. (US\$ billion)	13.4	1.0	12.2	0.9
Large (% over US\$10 billion)	58	71	59	70
Medium (% US\$2 billion to US\$10 billion)	41	20	40	21
Small (% under US\$2 billion)	1	8	1	9
Fundamental Structure:				
Price-Earnings Ratio	22	19	22	18
Price-Book Value Ratio	2.4	2.9	2.4	2.8
Dividend Yield (%)	3.6	2.7	3.7	2.8
Historical Earnings Growth Rate (%)	6	7	6	8
Projected Earnings Growth Rate (%)	3	12	2	11
Sector Allocation (%):				
Utilities	59	4	59	4
Energy	21	11	21	10
Telecom	11	4	11	4
Industrials	7	11	7	11
Materials	0	8	0	8
Health Care	0	9	0	9
Consumer Staples	0	10	0	10
Consumer Discretionary	0	11	0	11
Information Technology	0	13	0	13
Financials	2	20	2	20
Diversification:				
Number of Holdings	33	8,611	33	8,672
% in 5 largest holdings	22	5	22	5
% in 10 largest holdings	41	8	40	8
Region Allocation (%):				
Americas	34	52	35	52
Europe	30	23	27	22
Pacific Rim	11	13	11	13
Other	26	12	27	12
Largest Five Holdings:				
		Industry		
National Grid	4.8	Utilities		
Enbridge	4.2	Energy		
NextEra Energy	4.2	Utilities		
Cheung Kong Infrastructure	4.2	Utilities		
UGI	4.1	Utilities		





**International Equity Portfolio Reviews  
As of September 30, 2012**

## Town of Lexington Retirement System

## Matthews Pacific Tiger Portfolio Detail as of 9/30/12

**Mandate:** International Equities  
**Active/Passive:** Active  
**Market Value:** \$7.9 million  
**Portfolio Manager:** Richard Gao  
 Sharat Shroff  
**Location:** San Francisco, California  
**Inception Date:** 9/1/2009  
**Account Type:** Mutual Fund (MAPTX)

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**  
 1.11% on all assets

**Liquidity Constraints:**  
 Daily

**Strategy:**

The Matthews Pacific Tiger fund combines top down sector and country analysis with bottom up company analysis. Matthews will invest across the size spectrum, looking for growing companies selling at a reasonable price (GARP). Specifically, Matthews looks for companies with long-term growth potential, strong management teams, strong business models, and attractive valuations.

Performance (%):	3Q12	YTD	1 YR	3 YR	Since 9/1/09
<b>Matthews Pacific Tiger</b>	<b>8.1</b>	<b>15.3</b>	<b>19.5</b>	<b>10.4</b>	<b>13.4</b>
MSCI AC Asia Pacific (ex. Japan)	9.6	14.0	18.4	5.5	8.5
Peer International Core	6.9	11.3	16.8	2.9	4.3
Peer Ranking (percentile)	12	5	16	1	1
	<b>Standard Deviation</b>	<b>Beta</b>	<b>Sharpe Measure</b>	<b>Info. Ratio</b>	<b>Correlation to Index</b>
<b>Risk:</b> (thirty-seven months)					
<b>Matthews Pacific Tiger</b>	<b>22.0%</b>	<b>0.80</b>	<b>0.60</b>	<b>0.60</b>	<b>0.94</b>
MSCI AC Asia Pacific (ex. Japan)	25.1	1.00	0.34	NA	1.00

	9/30/12		6/30/12	
<b>Capitalization Structure:</b>	Matthews	MSCI AC AP (ex. Japan)	Matthews	MSCI AC AP (ex. Japan)
Weighted Average Market Cap. (US\$ billion)	21.4	46.5	20.9	43.3
Median Market Cap. (US\$ billion)	9.7	5.0	9.3	4.6
Large (% over US\$10 billion)	49	69	47	66
Medium (% US\$2 billion to US\$10 billion)	43	29	44	31
Small (% under US\$2 billion)	8	2	9	3
<b>Fundamental Structure:</b>				
Price-Earnings Ratio	20	17	19	15
Price-Book Value Ratio	3.7	2.5	3.6	2.3
Dividend Yield (%)	2.0	3.2	2.1	3.4
Historical Earnings Growth Rate (%)	20	13	21	13
Projected Earnings Growth Rate (%)	16	11	15	11
<b>Sector Allocation (%):</b>				
Consumer Staples	15	6	15	6
Health Care	8	2	7	2
Consumer Discretionary	13	7	14	8
Utilities	8	3	6	3
Information Technology	16	14	16	14
Telecom	3	6	4	6
Financials	31	35	32	35
Energy	2	7	3	7
Industrials	2	8	2	9
Materials	3	11	1	11
<b>Diversification:</b>				
Number of Holdings	69	690	71	690
% in 5 largest holdings	14	14	14	13
% in 10 largest holdings	25	21	26	21
<b>Region Allocation (%):</b>				
Pacific Rim (Developed)	23	40	14	40
Pacific Rim (Emerging)	77	60	85	60
<b>Largest Five Holdings:</b>	<b>Industry</b>			
Delta Electronic	3.2	Technology Hardware		
Tata Power	2.8	Utilities		
Sm Prime	2.6	Real Estate		
Perusahaan Gas	2.6	Utilities		
Hang Lung	2.5	Real Estate		



## Town of Lexington Retirement System

## Acadian Non-U.S. All-Cap Equity Portfolio Detail as of 9/30/12

**Mandate:** International Equities  
**Active/Passive:** Active  
**Market Value:** \$2.3 million  
**Portfolio Manager:** Team  
**Location:** Boston, Massachusetts  
**Inception Date:** 8/1/2005  
**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

0.75% on all assets

### Liquidity Constraints:

Daily

### Strategy:

Acadian's Non-U.S. All-Cap Equity strategy employs a multi-factor quantitative model that combines top-down country forecasts with bottom-up, value-oriented stock selection. The combination leads to an explicit return forecast for each stock in Acadian's universe. Securities are ranked in order of expected return based on price trends and earnings information, and the portfolio is constructed using an optimizer that manages risk relative to the benchmark. Acadian can invest up to 10% of the portfolio in emerging markets companies.

Performance (%):	3Q12	YTD	1 YR	3 YR	5 YR	Since 8/1/05
<b>Acadian Asset Management (net)</b>	<b>7.1</b>	<b>11.1</b>	<b>14.1</b>	<b>3.5</b>	<b>-9.3</b>	<b>0.6</b>
MSCI EAFE	6.9	10.1	13.8	2.1	-5.2	2.8
Peer International Core	6.9	11.3	16.8	2.9	-4.9	3.3
Peer Ranking (percentile)	38	51	80	38	97	91

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure <sup>1</sup>	Info. Ratio	Correlation to Index
<b>Acadian Asset Management (net)</b>	<b>24.2%</b>	<b>1.05</b>	<b>Neg.</b>	<b>Neg.</b>	<b>0.98</b>
MSCI EAFE	23.3	1.00	Neg.	NA	1.00

Capitalization Structure:	9/30/12		6/30/12	
	Acadian	MSCI EAFE	Acadian	MSCI EAFE
Weighted Average Market Cap. (US\$ billion)	36.1	55.0	34.0	51.9
Median Market Cap. (US\$ million)	913.0	6,877.1	786.6	6,455.5
Large (% over US\$10 billion)	48	79	47	78
Medium (% US\$2 billion to US\$10 billion)	31	20	31	22
Small (% under US\$2 billion)	22	1	22	1

### Fundamental Structure:

Price-Earnings Ratio	13	17	13	16
Price-Book Value Ratio	1.9	2.5	1.8	2.3
Dividend Yield (%)	3.3	3.7	3.6	4.0
Historical Earnings Growth Rate (%)	5	3	6	3
Projected Earnings Growth Rate (%)	11	12	10	10

### Sector Allocation (%):

Energy	12	8	11	8
Information Technology	7	4	7	5
Industrials	15	12	16	12
Consumer Discretionary	12	10	13	11
Materials	10	10	10	10
Health Care	11	10	11	10
Telecom	5	5	4	6
Utilities	3	4	3	4
Consumer Staples	8	12	9	12
Financials	17	24	16	23

### Diversification:

Number of Holdings	426	920	418	919
% in 5 largest holdings	12	8	12	8
% in 10 largest holdings	21	13	21	14

### Region Allocation (%):

Americas	4	0	4	0
Europe	51	65	50	64
Pacific Rim	38	35	39	36
Other <sup>2</sup>	7	0	7	0

### Largest Five Holdings:

		Industry
Royal Dutch Shell	3.4	Energy
AstraZeneca	2.2	Pharmaceuticals & Biotech
Imperial Tobacco	2.1	Food Beverage & Tobacco
Bayer	2.0	Pharmaceuticals & Biotech
Anheuser-Busch	1.9	Food Beverage & Tobacco

<sup>1</sup> A negative Sharpe ratio indicates that the portfolio underperformed the risk-free rate during the sample period.

<sup>2</sup> Other includes emerging markets.



**Global Tactical Asset Allocation  
Portfolio Reviews  
As of September 30, 2012**

## Town of Lexington Retirement System

## PIMCO Global Multi-Asset Portfolio Detail as of 9/30/12

**Mandate:** Global Tactical  
**Scope:** Global  
**Market Value:** \$17.8 million  
**Portfolio Manager:** Mohammed El-Erian  
**Location:** Newport Beach, California  
**Inception Date:** 12/1/2009  
**Account Type:** Mutual Fund (PGMAX)

**Fee Schedule:**  
1.59% on all assets

**Liquidity Constraints:**  
Daily

**Strategy:**  
The PIMCO Global Multi-Asset fund seeks to outperform its custom benchmark (60% world equity / 40% fixed income), while maintaining a similar level of volatility. PIMCO focuses on forward-looking views, seeking to enhance returns by adding "alpha strategies", while attempting to hedge fat tail events. Portfolios are constructed using PIMCO funds, ETFs, individual securities, and derivatives (return swaps, options, and index futures).

Performance (%):	3Q12	YTD	1 YR	Since 12/1/09
<b>PIMCO Global Multi-Asset</b>	<b>5.4</b>	<b>8.0</b>	<b>10.4</b>	<b>6.1</b>
Custom Benchmark <sup>1</sup>	4.6	9.6	15.1	7.1

Positioning	9/30/12	6/30/12
Developed Market Equities	32%	28%
Emerging Market Equities	21%	19%
Commodities	20%	15%
Real Estate	<1%	<1%
Developed Market Bonds	41%	35%
Emerging Market Bonds	13%	14%
Inflation Linked Bonds	3%	1%
Alternative Strategies	7%	0%
Net Cash & Other <sup>2</sup>	-37%	-13%

<sup>1</sup> The PIMCO All Asset Benchmark is a composite index comprised of the average (non-weighted) return of the index benchmarks used by the fourteen "core funds" in which the PIMCO All Asset Fund invests. Two funds use the S&P 500 index, so it is weighted twice as heavily as the other benchmark indexes. Prior to 10/31/2003 this index contained twelve indices. It is not possible to invest directly in such an unmanaged index.

<sup>2</sup> Other includes exposure to cash equivalents, tail risk hedges, and alpha trades.



## Town of Lexington Retirement System

## Wellington Opportunistic Investment Portfolio Detail as of 9/30/12

**Mandate:** Global Tactical  
**Scope:** Global  
**Market Value:** \$14.1 million  
**Portfolio Manager:** Scott Elliot  
**Location:** Boston, Massachusetts  
**Inception Date:** 12/1/2004  
**Account Type:** Commingled Fund

**Fee Schedule:**  
0.85% on all assets

**Liquidity Constraints:**  
Monthly (first day of the month; 45 days notice)

**Strategy:**  
Wellington's Opportunistic Investment is a tactical asset allocation strategy that selectively invests in approximately twenty commingled funds offered by the firm. Wellington seeks to gain timely exposure to attractively valued segments of the market that they expect will benefit from the cyclical environment and structural changes they expect. The strategy seeks to beat a 65% MSCI AC World/35% Barclays Aggregate benchmark.

Performance (%):	3Q12	YTD	1 YR	3 YR	5 YR	Since 12/1/04
<b>Wellington Opportunistic Investment</b>	<b>5.4</b>	<b>11.3</b>	<b>14.3</b>	<b>6.6</b>	<b>2.7</b>	<b>7.4</b>
Custom Benchmark <sup>1</sup>	5.0	9.9	15.6	7.3	1.2	4.0

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure <sup>2</sup>	Info. Ratio	Correlation to Index
<b>Wellington Opportunistic Investment</b>	<b>17.4%</b>	<b>1.11</b>	<b>0.12</b>	<b>0.29</b>	<b>0.96</b>
Custom Benchmark	14.7	1.00	0.03	NA	1.00

Equity Positioning	9/30/12	6/30/12
<b>Europe:</b>	<b>13%</b>	<b>12%</b>
<b>Natural Resources:</b>	<b>6%</b>	<b>7%</b>
Energy	3%	3%
Global Agriculture	3%	4%
<b>Enduring Assets:</b>	<b>6%</b>	<b>7%</b>
<b>Global Industrials:</b>	<b>2%</b>	<b>2%</b>
<b>Precious Metals</b>	<b>2%</b>	<b>0%</b>
<b>Alpha Opportunities:</b>	<b>25%</b>	<b>26%</b>
Select Asia Contrarian	11%	11%
Select Intrinsic Value	12%	13%
Global Financial Assets	2%	2%
<b>Asset Allocation Overlays:</b>	<b>9%</b>	<b>12%</b>

Fixed Income Positioning	9/30/12	6/30/12
<b>Sectors:</b>	<b>18%</b>	<b>18%</b>
Credit Opportunities	3%	4%
Emerging Market Debt	9%	10%
Mortgage-Backed Securities	3%	3%
Global Inflation-Linked Bonds	1%	1%
Bank Loans	2%	0%
High Yield	1%	0%
<b>Alpha Opportunities:</b>	<b>6%</b>	<b>6%</b>
Government Relative Value	3%	3%
Structured Absolute Return	3%	3%
<b>Asset Allocation Overlays:</b>	<b>8%</b>	<b>4%</b>
<b>Cash:</b>	<b>6%</b>	<b>7%</b>

<sup>1</sup> 65% S&P 500 / 35% Barclays Aggregate from 12/1/04 to 12/31/07; 65% MSCI All Country World / 35% Barclays Aggregate from 1/1/08 to present.

<sup>2</sup> A negative Sharpe Measure indicates underperformance relative to the risk free rate.



**Real Return Portfolio Review  
As of September 30, 2012**

# Town of Lexington Retirement System

# PIMCO All Asset Portfolio Detail as of 9/30/12

**Mandate:** Real Return  
Global

**Market Value:** \$18.0 million

**Portfolio Manager:** Robert Arnott  
John Brynjolfsson

**Location:** Newport Beach, California

**Inception Date:** 11/1/2004

**Account Type:** Mutual Fund (PAAIX)

**Fee Schedule:**  
0.90% on all assets

**Liquidity Constraints:**  
Daily

**Strategy:**

The PIMCO All Asset strategy strives to maximize real returns consistent with preservation of capital and prudent investment management. The strategy invests tactically among multiple PIMCO strategies, including both conventional and alternative market sectors.

Performance (%):	3Q12	YTD	1 YR	3 YR	5 YR	Since 11/1/04
<b>PIMCO All Asset (net)</b>	<b>6.4</b>	<b>12.3</b>	<b>17.1</b>	<b>10.1</b>	<b>6.7</b>	<b>6.9</b>
PIMCO All Asset Benchmark	3.7	9.1	14.6	10.0	5.4	6.5
Barclays U.S. TIPS 1-10 Year	1.7	4.6	6.3	7.0	6.6	5.4

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
<b>PIMCO All Asset (net)</b>	<b>12.5%</b>	<b>1.13</b>	<b>0.47</b>	<b>0.31</b>	<b>0.94</b>
PIMCO All Asset Benchmark	10.3	1.00	0.45	NA	1.00

Current Positioning	9/30/12	6/30/12
<b>U.S. Government and IGB Bond Strategies:</b>	<b>6.2%</b>	<b>6.4%</b>
Investment Grade Corporate Bond Fund		3.7
Long-Term Credit Fund		2.7
<b>EM and Global Bond Strategies:</b>	<b>30.2%</b>	<b>30.0%</b>
Developing Local Markets Fund		7.7
Diversified Income Fund		4.1
Emerging Local Bond Fund		7.8
Emerging Markets Bond Fund		4.3
Foreign Bond Fund (Unhedged)		2.7
Global Advantage Strategy Fund		3.4
<b>Credit Strategies:</b>	<b>30.5%</b>	<b>30.7%</b>
Convertible Fund		2.9
Floating Income Fund		6.2
High Yield Fund		7.8
High Yield Spectrum Fund		4.2
Income Fund		8.5
Senior Floating Rate Fund		1.0
<b>Inflation Related Strategies:</b>	<b>11.2%</b>	<b>12.3%</b>
CommoditiesPLUS Strategy Fund		4.2
CommodityRealReturn Strategy Fund		3.8
Real Return Asset Fund		1.2
Real Return Fund		0.1
RealEstateRealReturn Strategy Fund		3.1
<b>U.S. Equity Strategies</b>	<b>1.1%</b>	<b>1.2%</b>
Fundamental IndexPLUS TR Fund		0.2
Small Cap StocksPLUS TR Fund		0.1
Small Company Fundamental IndexPLUS Strategy Fund		0.7
StockPLUS Total Return Fund		0.2
<b>Global Equity Strategies</b>	<b>15.1%</b>	<b>15.5%</b>
EM Fundamental IndexPLUS TR Strategy Fund		8.4
EqS Dividend Fund		0.2
EqS Pathfinder Fund		2.1
Int'l Fundamental IndexPLUS TR Strategy Fund		4.2
Int'l StocksPLUS TR Strategy Fund (U.S. Dollar Hedged)		0.4
Int'l StocksPLUS TR Strategy Fund (Unhedged)		0.1
<b>Alternative Strategies:</b>	<b>5.6%</b>	<b>3.8%</b>
Fundamental Advantage Total Return Strategy Fund		1.4
Unconstrained Bond Fund		1.5
Credit Absolute Return Fund		0.5
EqS Long/Short Fund		0.5





**Fixed Income Portfolio Reviews  
As of September 30, 2012**

## Town of Lexington Retirement System

## Loomis Sayles Credit Asset Fund Portfolio Detail as of 9/30/12

**Mandate:** Fixed Income  
**Active/Passive:** Active  
**Market Value:** \$5.5 million  
**Portfolio Manager:** Team  
**Location:** Boston, Massachusetts  
**Inception Date:** 11/1/2009  
**Account Type:** Commingled Fund

	Short	Int.	Long
High			
Medium			
Low			

**Fee Schedule:**  
0.45% on all assets

**Liquidity Constraints:**  
Semi-Monthly

**Strategy:**  
The Loomis Credit Asset fund seeks to exploit dislocations in credit sectors such as corporate bonds, bank loans, and securitized assets. Each sector has its own team that will perform due diligence and analysis on the securities in their universe. The three sector leaders act as portfolio managers for the aggregate fund and drive the allocation decisions by incorporating their macroeconomic view and assessing relative value between industries, securities, and sectors.

Performance (%):	3Q12	YTD	1 YR	Since 11/1/09
<b>Loomis Sayles Credit Asset Fund</b>	<b>4.6</b>	<b>11.4</b>	<b>15.6</b>	<b>10.8</b>
Custom Benchmark	3.9	9.4	13.0	9.6
Peer Core Plus	2.5	6.3	7.9	7.7
Peer Ranking (percentile)	1	1	1	1

Duration & Yield:	9/30/12		6/30/12	
	Loomis	Custom <sup>1</sup> Benchmark	Loomis	Custom <sup>1</sup> Benchmark
Average Effective Duration (years)	4.2	9.0	4.0	8.8
Yield to Maturity (%)	4.6	5.5	6.4	6.1
Quality Structure (%):				
Average Quality	BB+	A	BB+	A
AAA (includes Treasuries and Agencies)	6	1	8	1
AA	4	3	4	4
A	13	23	12	23
BBB	23	23	22	23
BB	34	19	35	20
B	16	22	15	22
Below B	5	9	0	8
Non-Rated	0	0	3	0
Sector Allocation (%):				
U.S. Treasury-Nominal	1	0	0	0
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	0	0	0	0
Mortgage Backed	4	0	4	0
Corporate	59	100	64	100
Bank Loans	4	0	21	0
Local & Provincial Government	1	0	0	0
Sovereign & Supranational	0	0	0	0
Commercial Mortgage Backed	4	0	4	0
Asset Backed	24	0	3	0
Cash Equivalent	2	0	4	0
Other	2	0	0	0
Market Allocation (%):				
United States	92	93	100	93
Foreign (developed markets)	7	6	0	6
Foreign (emerging markets)	1	1	0	2
Currency Allocation (%):				
Non-U.S. Dollar Exposure	0	0	0	0

<sup>1</sup> Custom benchmark for characteristics is 50% Barclays Corporate index and 50% Barclays High Yield index.



## Town of Lexington Retirement System

## SSgA Bond Market Index-NL Portfolio Detail as of 9/30/12

**Mandate:** Fixed Income  
**Active/Passive:** Passive  
**Market Value:** \$2.6 million  
**Portfolio Manager:** Team  
**Location:** Boston, Massachusetts  
**Inception Date:** 9/1/2008  
**Account Type:** Commingled Fund

	Short	Int.	Long
High			
Medium			
Low			

**Fee Schedule:**  
0.06% on all assets

**Liquidity Constraints:**  
Daily

**Strategy:**  
The SSgA Bond Market Index strategy seeks to replicate the returns of the Barclays Aggregate index, an index comprised of investment-grade bonds. Investments include U.S. Treasury, agency, corporate, mortgage-backed, commercial mortgage backed securities, and asset-backed securities. It is managed duration neutral to the index at all times. Overall sector and quality weightings are also matched to the index, with individual security selection based upon criteria generated by State Street's credit and research group, security availability, and analysis of each security's impact on the portfolio's weightings.

Performance (%):	3Q12	YTD	1 YR	3 YR	Since 9/1/08
<b>SSgA Bond Market Index-NL</b>	<b>1.6</b>	<b>4.0</b>	<b>5.1</b>	<b>6.2</b>	<b>6.8</b>
Barclays Aggregate	1.6	4.0	5.2	6.2	6.8
Peer Core Fixed Income	1.9	4.6	6.0	6.3	7.2
Peer Ranking (percentile)	82	78	78	63	69

Risk: (forty-nine months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
<b>SSgA Bond Market Index-NL</b>	<b>4.0%</b>	<b>1.00</b>	<b>1.64</b>	<b>NA</b>	<b>1.00</b>
Barclays Aggregate	4.0	1.00	1.64	NA	1.00

Duration & Yield:	9/30/12		6/30/12	
	SSgA	Barclays Aggregate	SSgA	Barclays Aggregate
Average Effective Duration (years)	4.9	4.9	5.1	5.1
Yield to Maturity (%)	1.6	1.6	2.0	2.0

Quality Structure (%):				
Average Quality	AA+	AA+	AA+	AA+
AAA (includes Treasuries and Agencies)	74	74	74	74
AA	5	5	4	4
A	11	11	12	11
BBB	10	10	10	10
BB	0	0	0	0
B	0	0	0	0
Below B	0	0	0	0
Non-Rated	0	0	0	0

Sector Allocation (%):				
U.S. Treasury-Nominal	36	36	36	36
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	6	6	5	7
Mortgage Backed	30	30	30	31
Corporate	21	21	21	21
Bank Loans	0	0	0	0
Local & Provincial Government	1	1	0	1
Sovereign & Supranational	3	3	5	3
Commercial Mortgage Backed	2	2	2	2
Asset Backed	0	0	0	0
Cash Equivalent	0	0	0	0
Other	0	0	0	0

Market Allocation (%):				
United States	92	92	92	92
Foreign (developed markets)	6	6	8	6
Foreign (emerging markets)	2	2	0	2

Currency Allocation (%):				
Non-U.S. Dollar Exposure	0	0	0	0



**Real Estate Portfolio Review  
As of September 30, 2012**

# Town of Lexington Retirement System

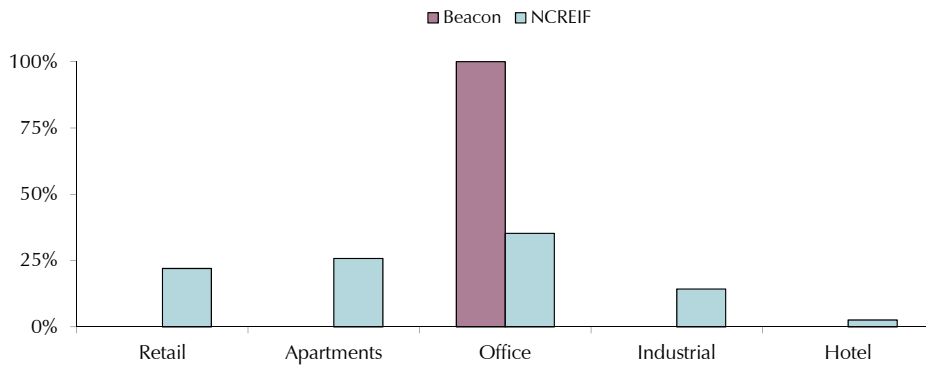
# Beacon Capital Strategic Partners V Portfolio Detail as of 9/30/12

**Strategy:** Real Estate  
 Private Market  
 Value-Added  
**Market Value:** \$2.9 million  
**Senior Professionals:** Team  
**Location:** Boston, Massachusetts  
**Vintage Year:** 2007  
**Account Type:** Ltd. Partnership  
**# of Investments:** 31  
**Liquidity Constraints:** No interim liquidity  
**Fee Schedule:** 1.5% of commitments during the investment period; 1.5% of unreturned capital contributions thereafter, less write-offs and write-downs

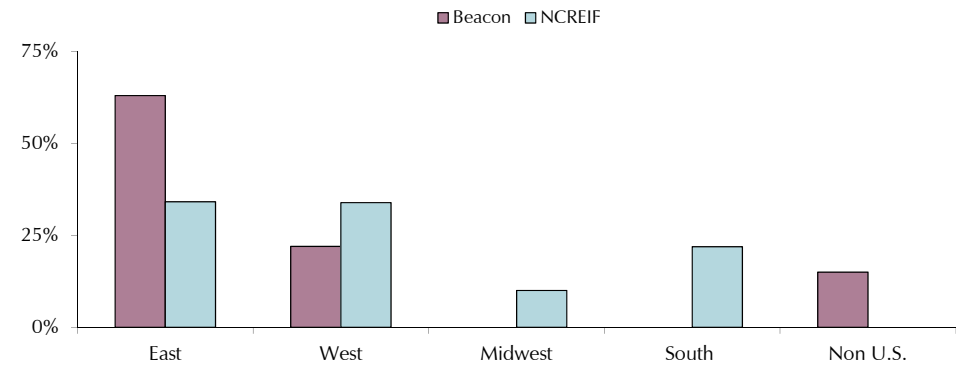
Portfolio Size:



Property Type:



Geographic Region:



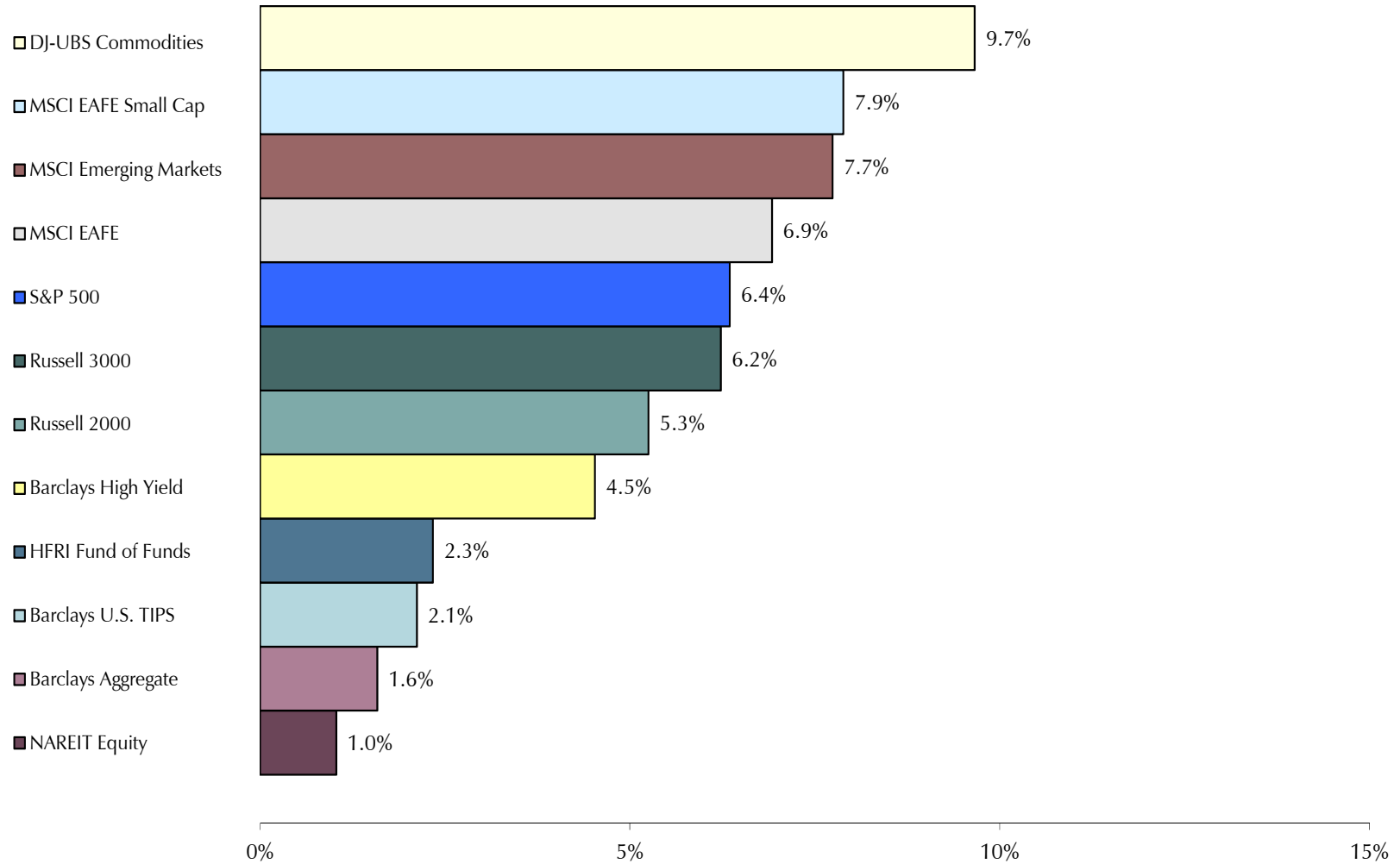
**Investment Strategy:** Beacon's Fund V is a value-added closed end real estate fund. The fund will invest a portfolio of primarily office properties in a limited set of markets. Fund V may invest up to 35% in non-U.S. markets and will use up to 65% leverage at the portfolio level.



# Appendices

**The World Markets  
Third Quarter of 2012**

The World Markets  
Third Quarter of 2012

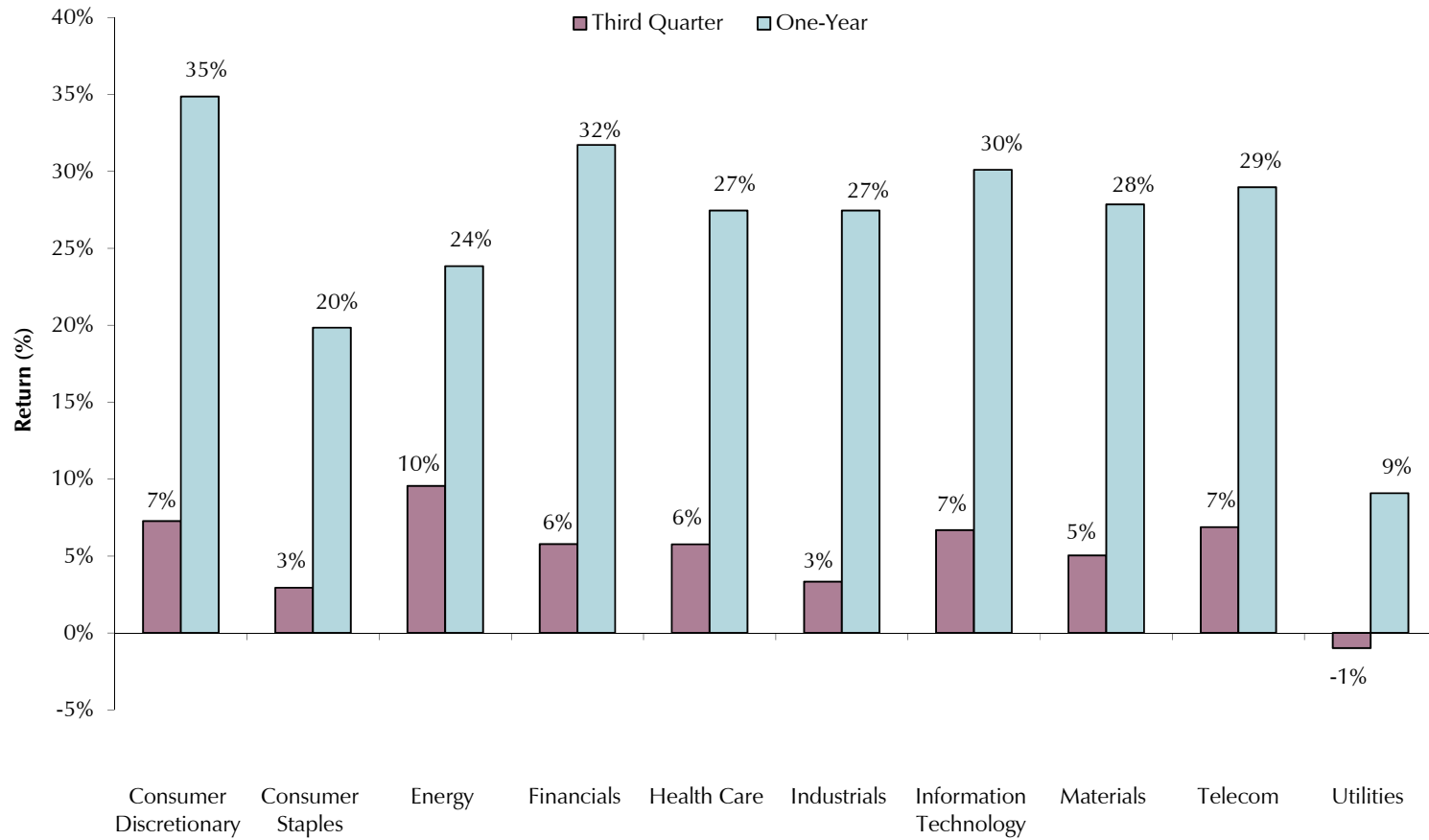




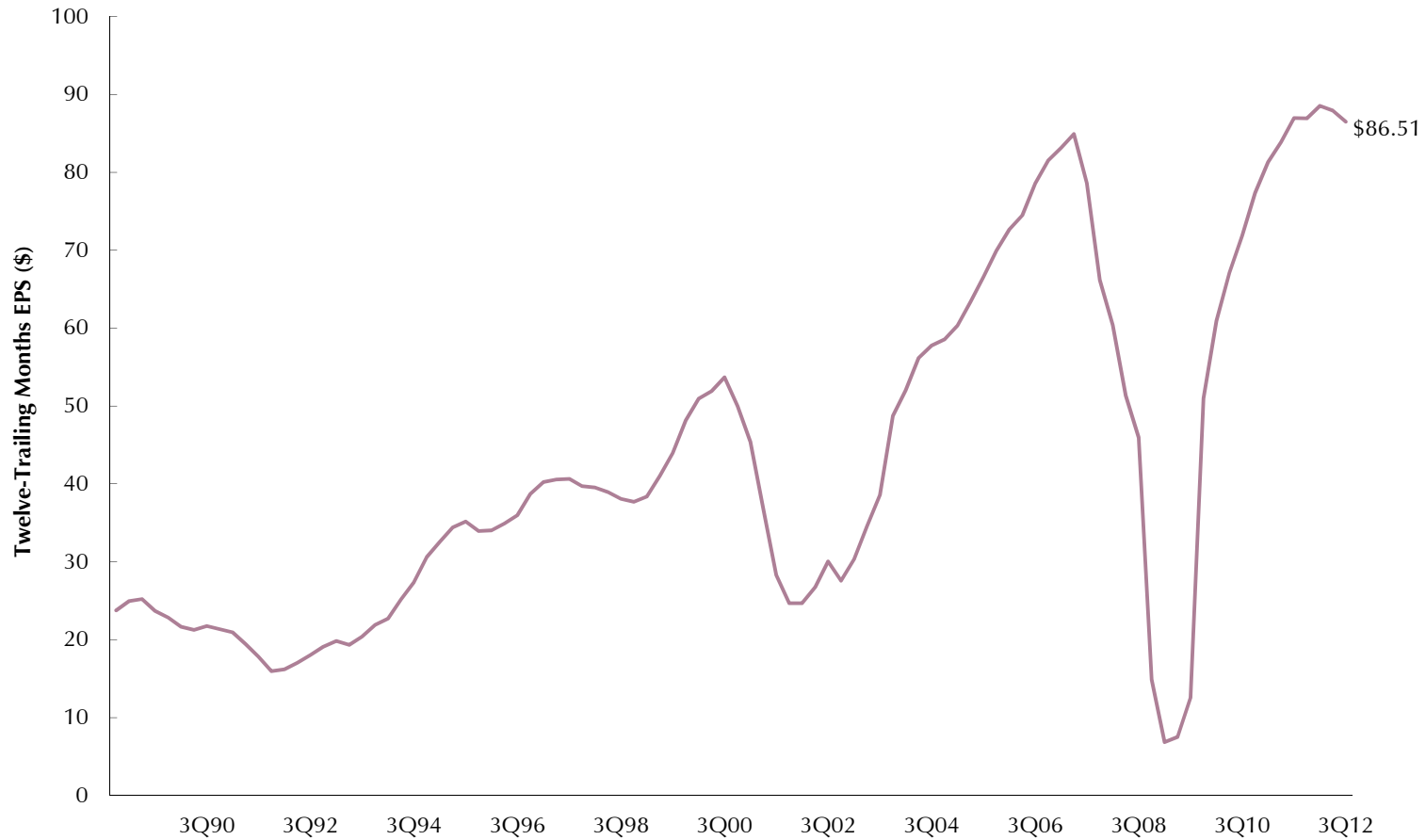
### Index Returns

	3Q12 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
<b>Domestic Equity</b>						
Russell 3000	6.2	16.1	30.2	13.3	1.3	8.5
Russell 1000	6.3	16.3	30.1	13.3	1.2	8.4
Russell 1000 Growth	6.1	16.8	29.2	14.7	3.2	8.4
Russell 1000 Value	6.5	15.7	30.9	11.8	-0.9	8.2
Russell MidCap	5.6	14.0	28.0	14.3	2.2	11.2
Russell MidCap Growth	5.3	13.9	26.7	14.7	2.5	11.1
Russell MidCap Value	5.8	14.0	29.3	13.9	1.7	11.0
Russell 2000	5.3	14.2	31.9	13.0	2.2	10.2
Russell 2000 Growth	4.8	14.1	31.2	14.2	3.0	10.5
Russell 2000 Value	5.7	14.4	32.6	11.7	1.3	9.7
<b>Foreign Equity</b>						
MSCI ACWI (ex. U.S.)	7.4	10.4	14.5	3.2	-4.1	9.8
MSCI EAFE	6.9	10.1	13.8	2.1	-5.2	8.2
MSCI EAFE (local currency)	4.7	9.1	13.5	1.3	-6.2	4.9
MSCI EAFE Small Cap	7.9	13.2	12.6	4.7	-3.0	11.2
MSCI Emerging Markets	7.7	12.0	16.9	5.6	-1.3	17.0
MSCI Emerging Markets (local currency)	5.9	11.1	16.4	5.8	0.0	14.9
<b>Fixed Income</b>						
Barclays Universal	2.0	4.9	6.4	6.7	6.6	5.7
Barclays Aggregate	1.6	4.0	5.2	6.2	6.5	5.3
Barclays U.S. TIPS	2.1	6.2	9.1	9.3	7.9	6.6
Barclays High Yield	4.5	12.1	19.4	12.9	9.3	11.0
JPMorgan GBI-EM Global Diversified	4.8	12.1	12.7	9.4	8.7	NA
<b>Other</b>						
NAREIT Equity	1.0	16.1	33.8	20.7	2.3	11.5
DJ-UBS Commodities	9.7	5.6	5.9	5.2	-3.6	4.0
HFRI Fund of Funds	2.3	3.3	2.9	1.5	-1.6	3.6

S&P Sector Returns



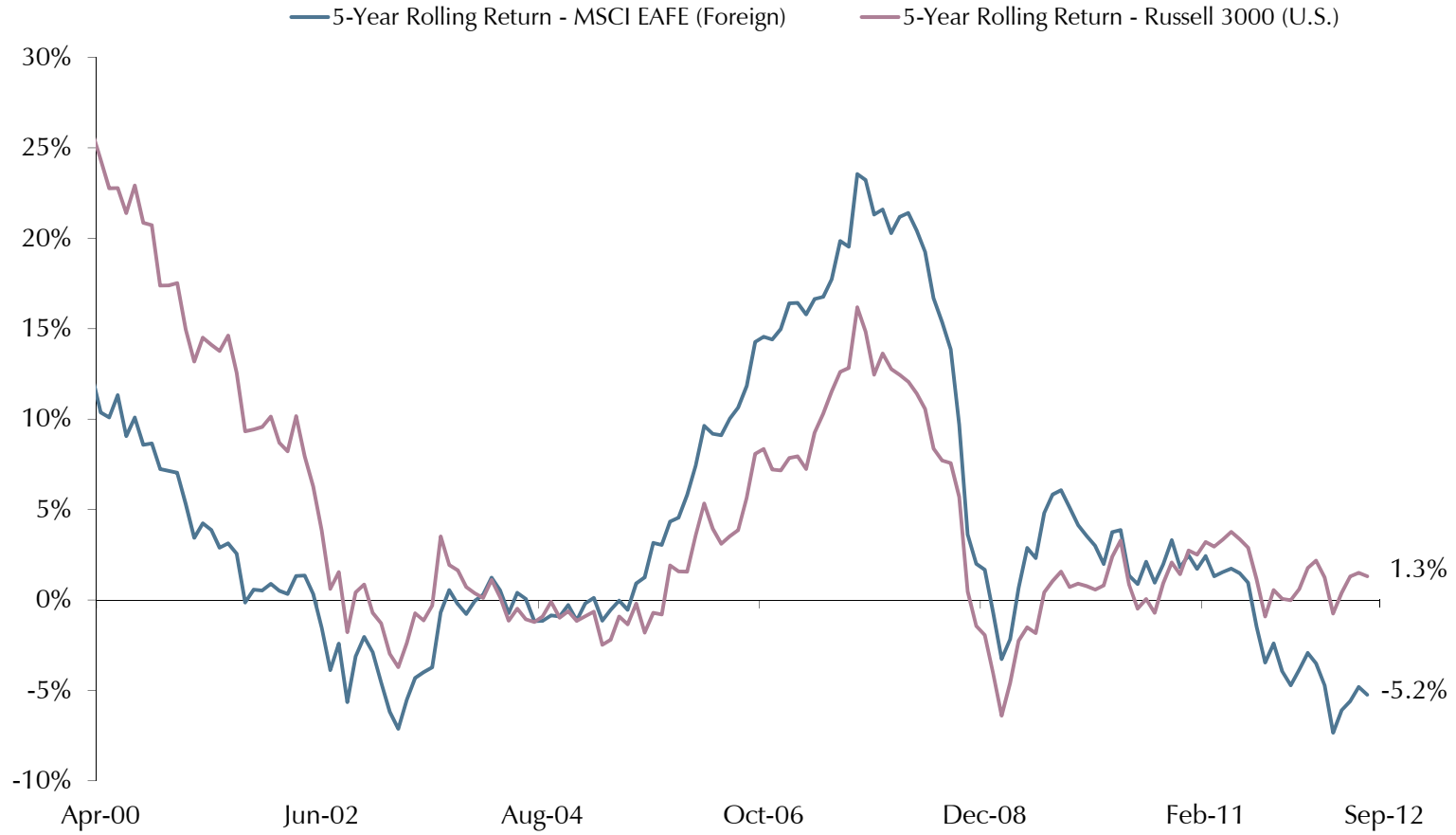
### S&P 500 Earnings Per Share<sup>1</sup>



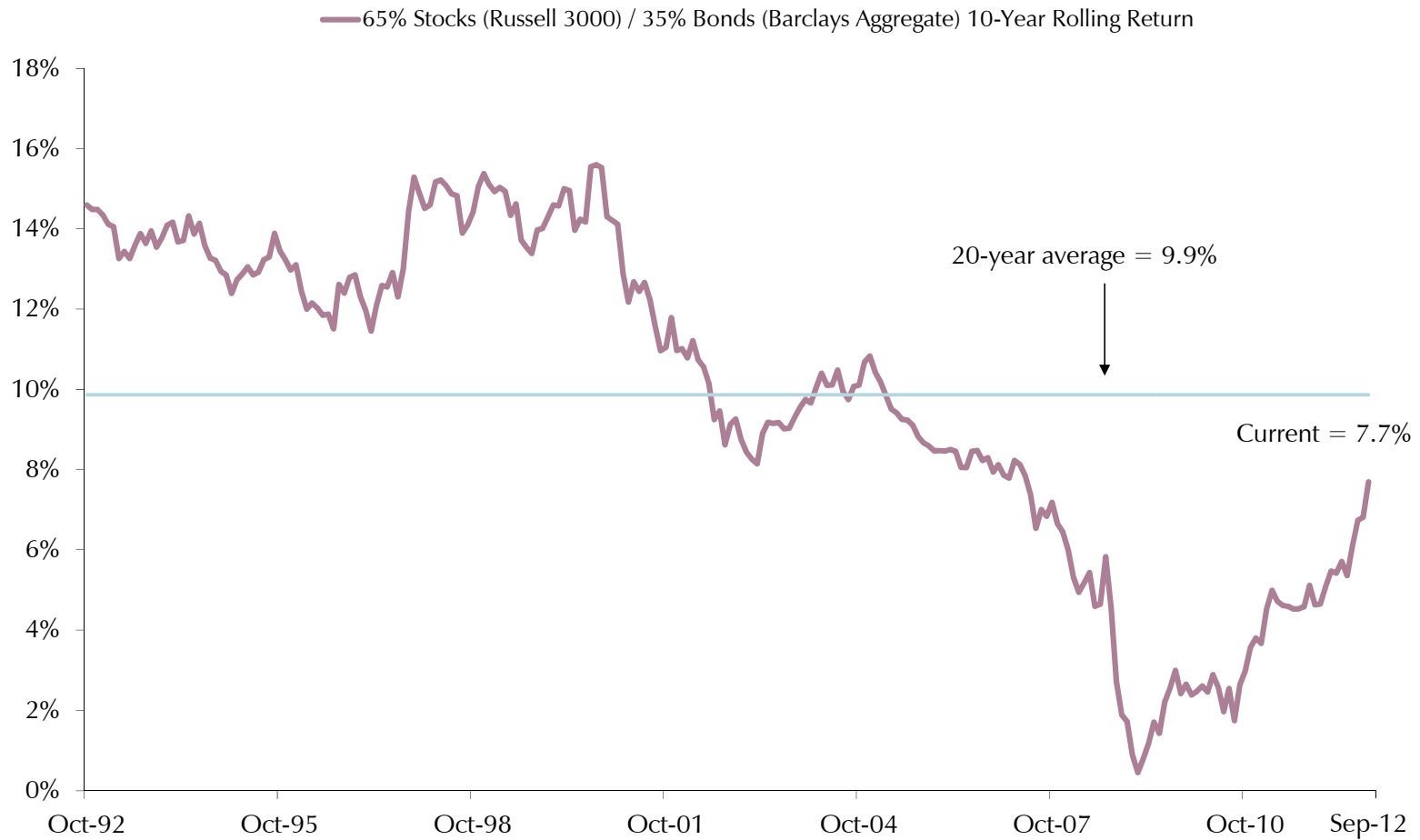
<sup>1</sup> The September 30, 2012 number is based on the approximately 98% of S&P 500 companies that reported earnings to date.



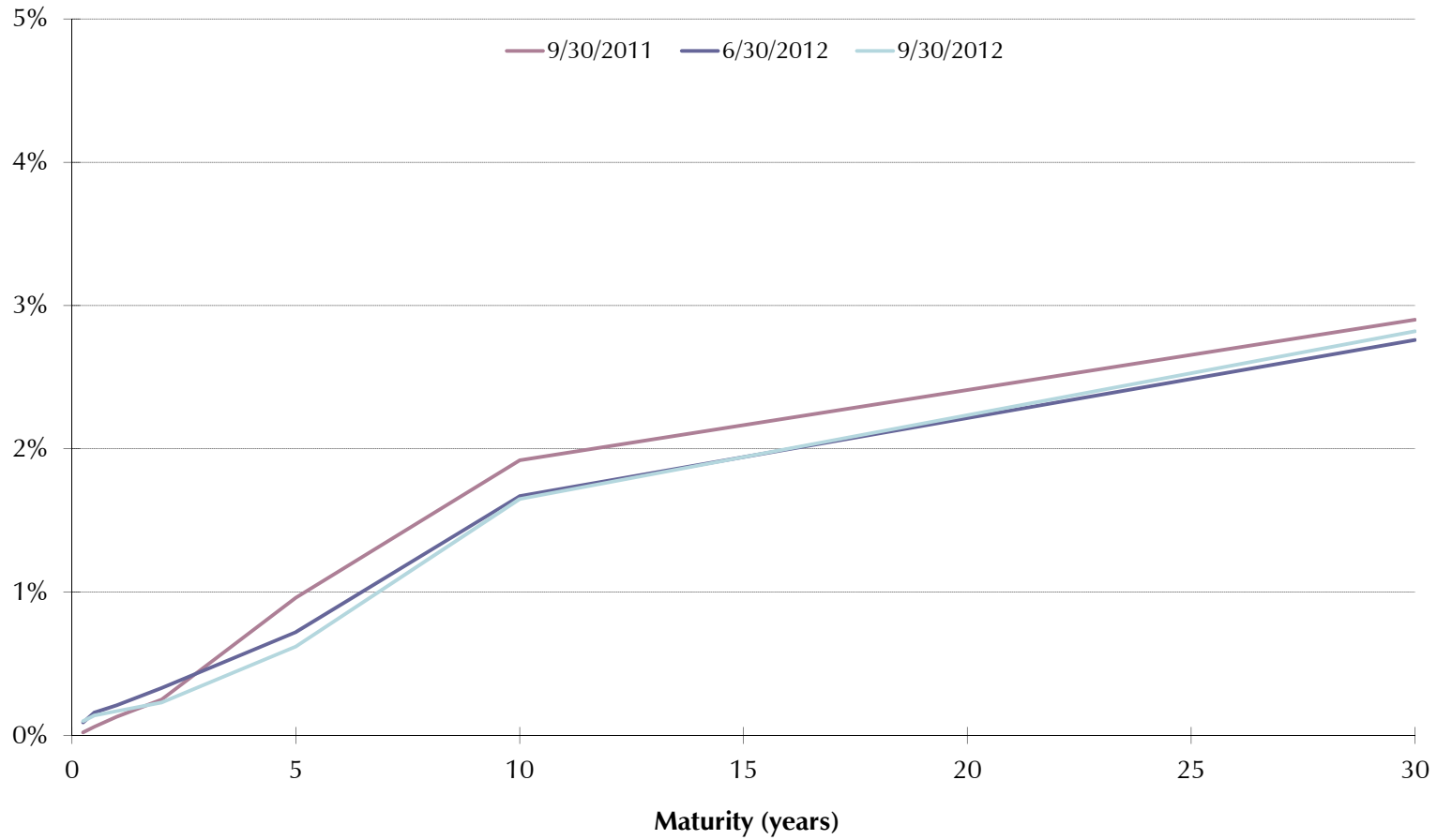
### Equity Markets



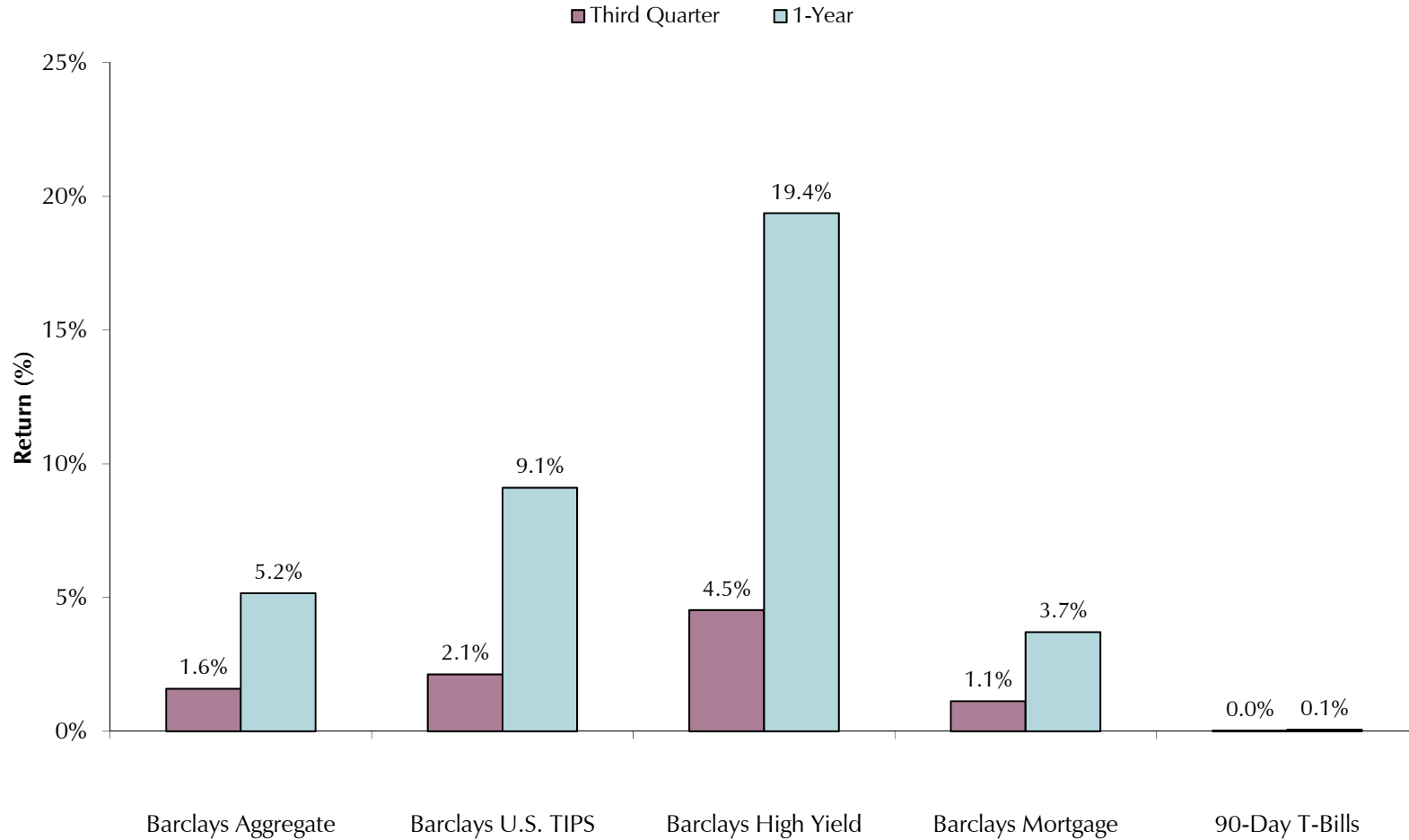
### Rolling Ten-Year Returns: 65% Stocks and 35% Bonds



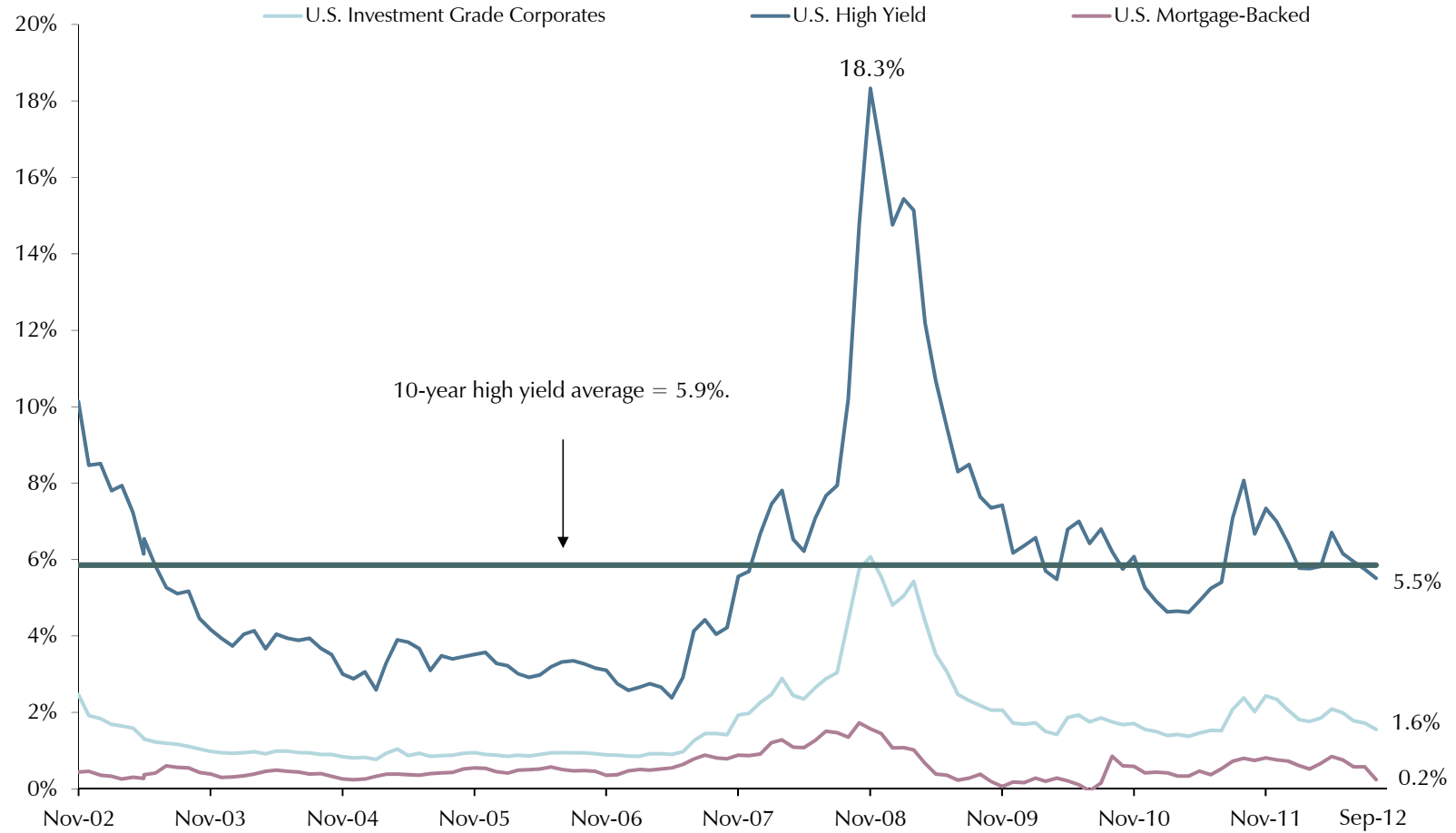
### Treasury Yields



U.S. Fixed Income Markets

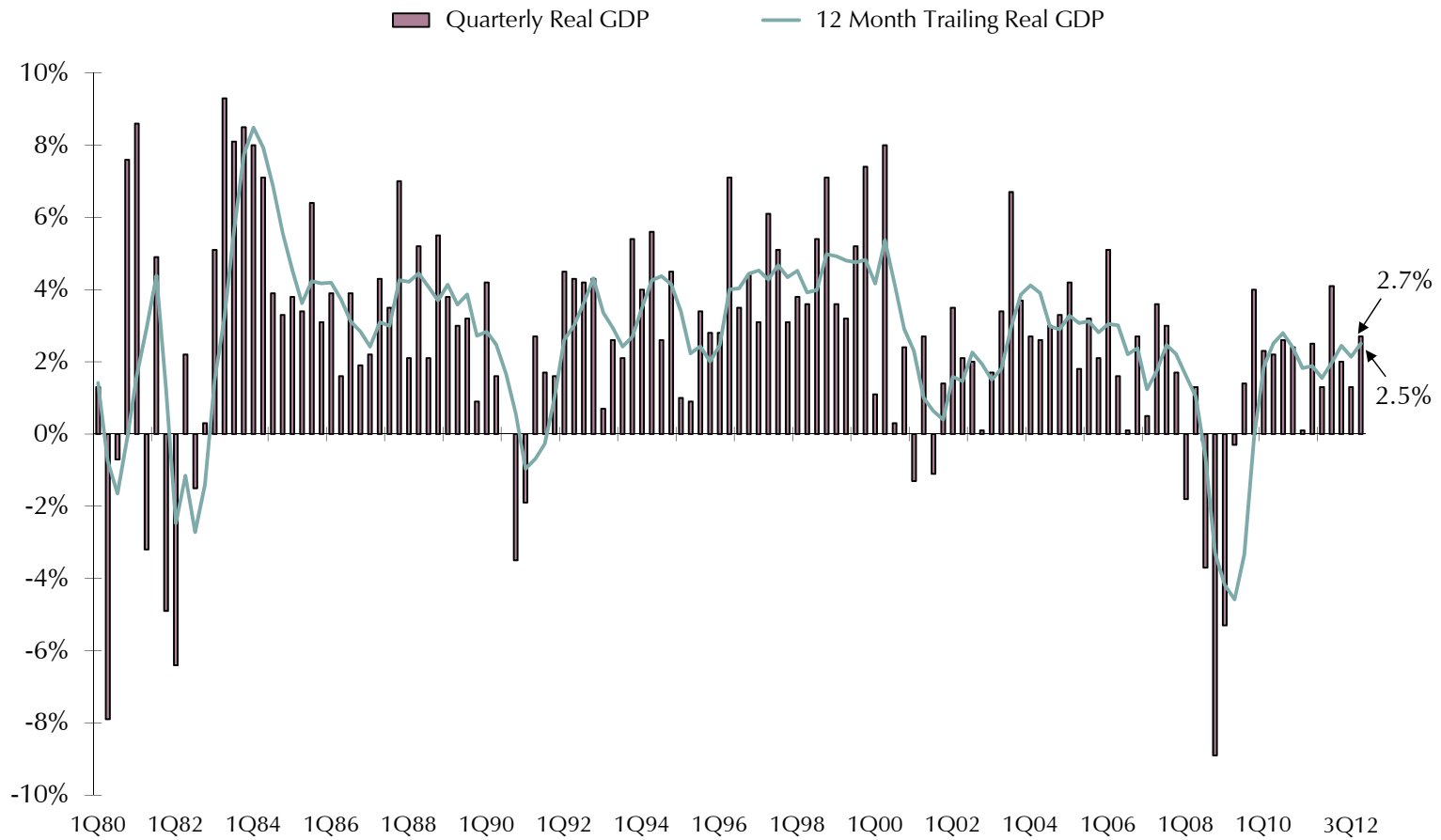


Credit Spreads vs. U.S. Treasury Bonds

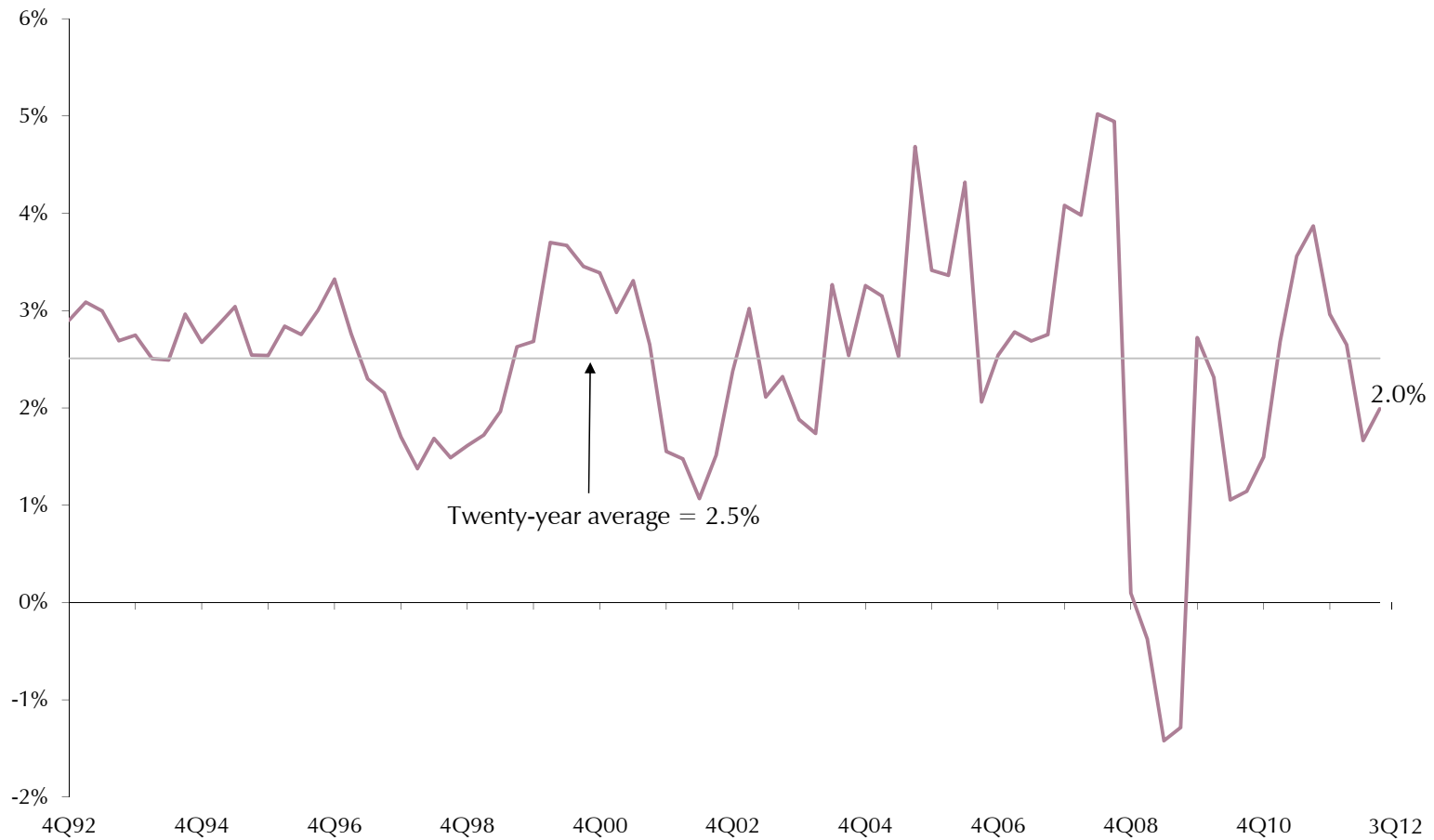




### Real Gross Domestic Product (GDP) Growth



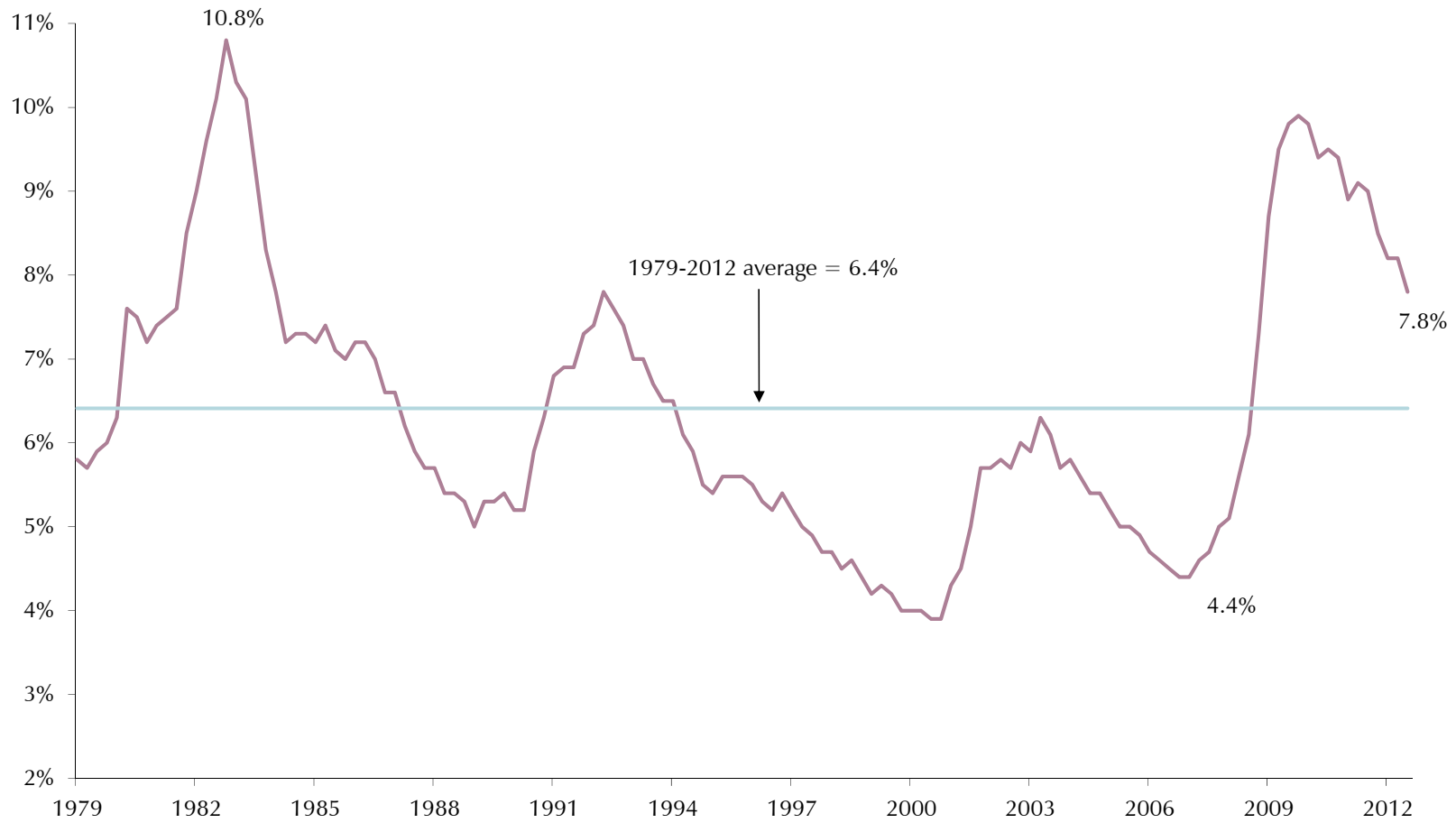
**U.S. Inflation (CPI)  
Trailing Twelve Months<sup>1</sup>**



<sup>1</sup> Data is non-seasonally adjusted CPI, which may be volatile in the short-term.



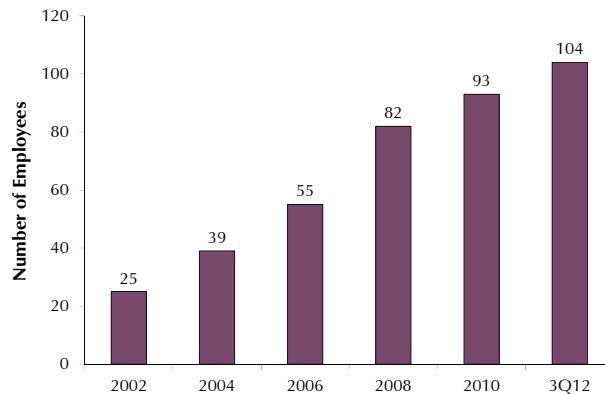
### U.S. Unemployment



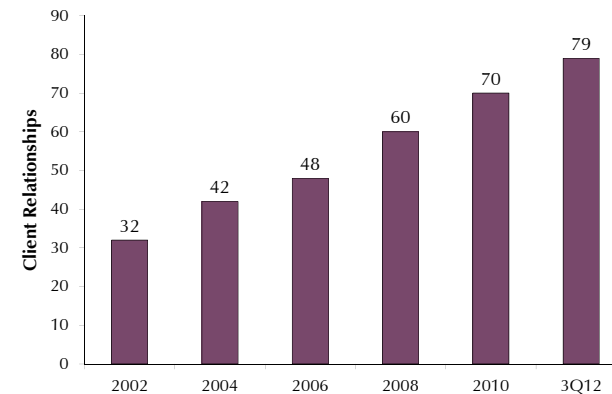
**Meketa Investment Group  
Corporate Update**

- Staff of 104, including 61 investment professionals and 19 CFA charterholders
- 79 clients, with over 160 funds throughout the United States
- Significant investment in staff and resources
- Offices in Boston, Miami, and San Diego
- Clients have aggregate assets of approximately \$470 billion
  - Over \$20 billion in assets committed to alternative investments
    - Private Equity
    - Real Estate
    - Infrastructure
    - Hedge Funds
    - Natural Resources
    - Commodities

Employee Growth



Client Growth



**Meketa Investment Group is proud to work for 3.2 million American families everyday**



**Asset Classes Followed Intensively by Meketa Investment Group**

Domestic Equities	International Equities	Private Equity	Real Assets	Fixed Income	Hedge Funds
<ul style="list-style-type: none"> <li>- Passive</li> <li>- Enhanced Index</li> <li>- Large Cap</li> <li>- Midcap</li> <li>- Small Cap</li> <li>- Microcap</li> <li>- 130/30</li> </ul>	<ul style="list-style-type: none"> <li>- Large Cap Developed</li> <li>- Small Cap Developed</li> <li>- Emerging Markets</li> <li>- Frontier Markets</li> </ul>	<ul style="list-style-type: none"> <li>- Buyouts</li> <li>- Venture Capital</li> <li>- Private Debt</li> <li>- Special Situations</li> <li>- Secondaries</li> <li>- Fund of Funds</li> </ul>	<ul style="list-style-type: none"> <li>- Public REITs</li> <li>- Core Real Estate</li> <li>- Value Added Real Estate</li> <li>- Opportunistic Real Estate</li> <li>- Infrastructure</li> <li>- Timber</li> <li>- Natural Resources</li> <li>- Commodities</li> </ul>	<ul style="list-style-type: none"> <li>- Short-Term</li> <li>- Core</li> <li>- Core Plus</li> <li>- TIPS</li> <li>- High Yield</li> <li>- Bank Loans</li> <li>- Distressed</li> <li>- Global</li> <li>- Emerging Markets</li> </ul>	<ul style="list-style-type: none"> <li>- Long/Short Equity</li> <li>- Event Driven</li> <li>- Relative Value</li> <li>- Fixed Income Arbitrage</li> <li>- Multi Strategy</li> <li>- Market Neutral</li> <li>- Global Macro</li> <li>- Fund of Funds</li> <li>- Portable Alpha</li> </ul>

## Disclaimer, Glossary, and Notes

The material contained in this report is confidential and may not be reproduced, disclosed, or distributed, in whole or in part, to any person or entity other than the intended recipient. The data are provided for informational purposes only, may not be complete, and cannot be relied upon for any purpose other than for discussion.

Meketa Investment Group has prepared this report on the basis of sources believed to be reliable. The data are based on matters as they are known as of the date of preparation of the report, and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available.

In general, the valuation numbers presented in this report are prepared by the custodian bank for listed securities, and by the fund manager or appropriate General Partner in the case of unlisted securities. The data used in the market comparison sections of this report are sourced from various databases. These data are continuously updated and are subject to change.

This report does not contain all the information necessary to fully evaluate the potential risks of any of the investments described herein. Because of inherent uncertainties involved in the valuations of investments that are not publicly traded, any estimated fair values shown in this report may differ significantly from the values that would have been used had a ready market for the underlying securities existed, and the differences could be material. Note that for unlisted securities the valuations may be lagged by one or more calendar quarters, or may reflect original cost.

This document may contain certain forward-looking statements, forecasts, estimates, projections, and opinions (“Forward Statements”). No representation is made or will be made that any Forward Statements will be achieved or will prove to be correct. A number of factors, in addition to any risk factors stated in this material, could cause actual future results to vary materially from the Forward Statements. No representation is given that the assumptions disclosed in this document upon which Forward Statements may be based are reasonable. There can be no assurance that the investment strategy or objective of any fund or investment will be achieved, or that the Retirement System will receive a return of the amount invested.

In some cases Meketa Investment Group assists the Retirement Board in handling capital calls or asset transfers among investment managers. In these cases we do not make any representations as to the managers’ use of the funds, but do confirm that the capital called or transferred is within the amounts authorized by the Retirement Board.



**Credit Risk:** Refers to the risk that the issuer of a fixed income security may default (i.e., the issuer will be unable to make timely principal and/or interest payments on the security.)

**Duration:** Measure of the sensitivity of the price of a bond to a change in its yield to maturity. Duration summarizes, in a single number, the characteristics that cause bond prices to change in response to a change in interest rates. For example, the price of a bond with a duration of three years will rise by approximately 3% for each 1% decrease in its yield to maturity. Conversely, the price will decrease 3% for each 1% increase in the bond's yield. Price changes for two different bonds can be compared using duration. A bond with a duration of six years will exhibit twice the percentage price change of a bond with a three-year duration. The actual calculation of a bond's duration is somewhat complicated, but the idea behind the calculation is straightforward. The first step is to measure the time interval until receipt for each cash flow (coupon and principal payments) from a bond. The second step is to compute a weighted average of these time intervals. Each time interval is measured by the present value of that cash flow. This weighted average is the duration of the bond measured in years.

**Information Ratio:** This statistic is a measure of the consistency of a portfolio's performance relative to a benchmark. It is calculated by subtracting the benchmark return from the portfolio return (excess return), and dividing the resulting excess return by the standard deviation (volatility) of this excess return. A positive information ratio indicates outperformance versus the benchmark, and the higher the information ratio, the more consistent the outperformance.

**Market Capitalization:** For a firm, market capitalization is the total market value of outstanding common stock. For a portfolio, market capitalization is the sum of the capitalization of each company weighted by the ratio of holdings in that company to total portfolio holdings; thus it is a weighted-average capitalization. Meketa Investment Group considers the largest 65% of the broad domestic equity market as large capitalization, the next 25% of the market as medium capitalization, and the smallest 10% of stocks as small capitalization.

**Market Weighted:** Stocks in many indices are weighted based on the total market capitalization of the issue. Thus, the individual returns of higher market-capitalization issues will more heavily influence an index's return than the returns of the smaller market-capitalization issues in the index.

**Maturity:** The date on which a loan, bond, mortgage or other debt/security becomes due and is to be paid off.

**Prepayment Risk:** The risk that prepayments will increase (homeowners will prepay all or part of their mortgage) when mortgage interest rates decline; hence, investors' monies will be returned to them in a lower interest rate environment. Also, the risk that prepayments will slow down when mortgage interest rates rise; hence, investors will not have as much money as previously anticipated in a higher interest rate environment. A prepayment is any payment in excess of the scheduled mortgage payment.

**Price-Book Value (P/B) Ratio:** The current market price of a stock divided by its book value per share. Meketa Investment Group calculates P/B as the current price divided by Compustat's quarterly common equity. Common equity includes common stock, capital surplus, retained earnings, and treasury stock adjusted for both common and nonredeemable preferred stock. Similar to high P/E stocks, stocks with high P/B's tend to be riskier investments.

**Price-Earnings (P/E) Ratio:** A stock's market price divided by its current or estimated future earnings. Lower P/E ratios often characterize stocks in low growth or mature industries, stocks in groups that have fallen out of favor, or stocks of established blue chip companies with long records of stable earnings and regular dividends. Sometimes a company that has good fundamentals may be viewed unfavorably by the market if it is an industry that is temporarily out of favor. Or a business may have experienced financial problems causing investors to be skeptical about its future. Either of these situations would result in lower relative P/E ratios. Some stocks exhibit

above-average sales and earnings growth or expectations for above average growth. Consequently, investors are willing to pay more for these companies' earnings, which results in elevated P/E ratios. In other words, investors will pay more for shares of companies whose profits, in their opinion, are expected to increase faster than average. Because future events are in no way assured, high P/E stocks tend to be riskier and more volatile investments. Meketa Investment Group calculates P/E as the current price divided by the I/B/E/S consensus of twelve-month forecast earnings per share.

**Quality Rating:** The rank assigned a security by such rating services as Fitch, Moody's, and Standard & Poor's. The rating may be determined by such factors as (1) the likelihood of fulfillment of dividend, income, and principal payment of obligations; (2) the nature and provisions of the issue; and (3) the security's relative position in the event of liquidation of the company. Bonds assigned the top four grades (AAA, AA, A, BBB) are considered investment grade because they are eligible bank investments as determined by the controller of the currency.

**Sharpe Ratio:** A commonly used measure of risk-adjusted return. It is calculated by subtracting the risk free return (usually three-month Treasury bill) from the portfolio return and dividing the resulting excess return by the portfolio's total risk level (standard deviation). The result is a measure of return per unit of total risk taken. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

**Standard Deviation:** A measure of the total risk of an asset or a portfolio. Standard deviation measures the dispersion of a set of numbers around a central point (e.g., the average return). If the standard deviation is small, the distribution is concentrated within a narrow range of values. For a normal distribution, about two thirds of the observations will fall within one standard deviation of the mean, and 95% of the observations will fall within two standard deviations of the mean.

**STIF Account:** Short-term investment fund at a custodian bank that invests in cash-equivalent instruments. It is generally used to safely invest the excess cash held by portfolio managers.

**Style:** The description of the type of approach and strategy utilized by an investment manager to manage funds. For example, the style for equities is determined by portfolio characteristics such as price-to-book value, price-to-earnings ratio, and dividend yield. Equity styles include growth, value, and core.

**Yield to Maturity:** The yield, or return, provided by a bond to its maturity date; determined by a mathematical process, usually requiring the use of a "basis book." For example, a 5% bond pays \$5 a year interest on each \$100 par value. To figure its current yield, divide \$5 by \$95—the market price of the bond—and you get 5.26%. Assume that the same bond is due to mature in five years. On the maturity date, the issuer is pledged to pay \$100 for the bond that can be bought now for \$95. In other words, the bond is selling at a discount of 5% below par value. To figure yield to maturity, a simple and approximate method is to divide 5% by the five years to maturity, which equals 1% pro rata yearly. Add that 1% to the 5.26% current yield, and the yield to maturity is roughly 6.26%.

$$\frac{5\% \text{ (discount)}}{5 \text{ (yrs. to maturity)}} = 1\% \text{ pro rata, plus } 5.26\% \text{ (current yield)} = 6.26\% \text{ (yield to maturity)}$$

Sources: [Investment Terminology](#), International Foundation of Employee Benefit Plans, 1999.  
[The Handbook of Fixed Income Securities](#), Fabozzi, Frank J., 1991.

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Throughout this report, numbers may not sum due to rounding.

Returns for periods greater than one year are annualized throughout this report.

Values shown are in millions of dollars, unless noted otherwise.