Oregon Investment Council

September 28, 2011 - 9:00 AM

PERS Headquarters
11410 S.W. 68th Parkway
Tigard, OR 97223

Oregon Investment Council

Harry Demorest
Chair

Office of The State Treasurer
Ted Wheeler
State Treasurer

Ronald Schmitz
Chief Investment Officer

OREGON INVESTMENT COUNCIL

2011 Meeting Schedule

Meetings Begin at 9:00 am
at
PERS Headquarters Building
11410 SW 68th Parkway
Tigard, OR 97223

January 7, 2011
(Special Meeting)

January 26, 2011

February 23, 2011

April 27, 2011

June 1, 2011

July 27, 2011

September 28, 2011

November 2, 2011

December 7, 2011

OREGON INVESTMENT COUNCIL

Agenda

September 28, 2011
9:00 AM

PERS Headquarters
11410 S.W. 68th Parkway
Tigard, Oregon

Time	A. Action Items	Presenter	Tab
9:00-9:05	**1. Review & Approval of Minutes** July 27, 2011 Regular Meeting	**Ron Schmitz** *Chief Investment Officer*	**1**
9:05-9:45	**2. Global Infrastructure Partners II** *OPERF Alternatives Portfolio*	**John Hershey** *Investment Officer* **Bayo Ogunlesi** *Managing Partner* **Tom Martin** *Pacific Corporate Group*	**2**
9:45-10:25	**3. AQR Delta Fund** *OPERF Alternatives Portfolio*	**John Hershey** **Gregor Andrade** *Principal* **Adam Berger** *Vice President* **John Meier** *Strategic Investment Solutions*	**3**
10:25-10:40	**---------------------BREAK----------------------**		
10:40-11:15	**4. Emerging Markets Mandate—William Blair** *OPERF Public Equity*	**Mike Viteri** *Senior Investment Officer* **Ben Mahon** *Investment Officer* **Jeffrey Urbina** *Portfolio Manager/Principal* **Wally Fikri** *Principal* **John Meier**	**4**

11:15-11:20	**5.**	**2012 OIC Meeting Calendar Adoption**	**Ron Schmitz**	**5**

B. Information Items

11:20-11:35	**6.**	**Annual Common School Fund Review**	**Mike Mueller** *Deputy CIO* **John Meier**	**6**
	7.	**Asset Allocations & NAV Updates** a. Oregon Public Employees Retirement Fund b. SAIF Corporation c. Common School Fund d. HIED Pooled Endowment Fund	**Ron Schmitz**	**7**
	8.	**Calendar—Future Agenda Items**	**Ron Schmitz**	**8**
	9.	**Other Items**	**Council** **Staff** **Consultants**	

C. Public Comment Invited

15 Minutes

TAB 1 – REVIEW & APPROVAL OF MINUTES

July 27, 2011 Regular Meeting

Ronald D. Schmitz
Chief Investment Officer
Investment Division

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State of Oregon
Office of the State Treasurer
350 Winter Street NE, Suite 100
Salem, Oregon 97301-3896

OREGON INVESTMENT COUNCIL
July 27, 2011
Meeting Minutes

Members Present:	Paul Cleary, Harry Demorest, Katy Durant, Keith Larson, Dick Solomon
Member on Phone:	Treasurer Ted Wheeler (left meeting at noon)
Staff Present:	Andrea Belz, Darren Bond, Tony Breault, Brad Child, Jay Fewel, Sam Green, Andy Hayes, John Hershey, Julie Jackson, Riley Kinser, Tom Lofton, Ben Mahon, Tom Rinehart, Ron Schmitz, James Sinks, Michael Viteri, Byron Williams, Sally Wood
Consultants Present:	Allan Emkin (PCA), Nori Gerardo Lietz (Arete Capital) John Meier and Deborah Gallegos (SIS), David Fann, Ken Lee and Tom Martin (PCG)
Legal Counsel Present:	Dee Carlson, Oregon Department of Justice Deena Bothello, Oregon Department of Justice

The OIC meeting was called to order at 9:00 am by Harry Demorest, Chair.

I. 9:00 a.m.: Review and Approval of Minutes

MOTION: Mr. Demorest brought approval of the June 1, 2011 minutes to the table. Ms. Durant moved approval of the minutes. The motion was seconded by Mr. Larson and passed by a vote of 4/0. Treasurer Wheeler was not present for the vote.

Ron Schmitz, Chief Investment Officer gave an update on the most recent funds approved by the Private Equity and Real Estate Committees:

Private Equity Actions
6/21/2011 – VantagePoint CleanTech Partners III, L.P. - $50 million
6/21/2011 – Vestar Capital Partners VI, L.P. - $75 million
6/21/2011 – Rhone Partners IV, L.P. - $75 million
7/19/2011 – Parthenon Investors IV- $75 million
7/19/2011 – Oaktree European Principal Fund III- $50 million
7/19/2011 – Oakhill Advisors European Strategic Credit Fund, L.P. - $50 million

Real Estate Actions
6/6/ 2011 - Alpha Asia Macro Trends Fund II, L.P. - $200 million

II. 9:01 a.m.: Prologis Global Strategic Venture – *OPERF Real Estate*

Staff recommended the OIC authorize a $500 million commitment to the Prologis-OPERF Global Industrial Venture ("The Venture"), including $75 million to the AMB European Logistics Fund. Brad Child, Senior Real Estate Investment Officer and Tony Breault, Investment Officer introduced Hamid Moghadam, Chairman and Co-CEO and Guy Jaquier, CEO from Prologis. The Venture, via a feeder vehicle formed by Prologis and OPERF, will invest in various Prologis investments globally and serve as a single access point for investing and reinvesting capital in Prologis Funds, potential co-investment opportunities, joint ventures, and publicly traded shares of Prologis. AMB Property Corporation and ProLogis combined in a merger of equals to form Prologis, Inc. on June 3, 2011.

Prologis (new combined company) is a leading owner, operator and developer of industrial real estate, focused on global and regional markets across the Americas, Europe and Asia. As of March 31, 2011, on a pro forma basis giving effect to the merger, Prologis owned or had investments in, on a consolidated basis or through unconsolidated joint ventures, properties and development projects expected to total more than 600 million square feet (55.7 million square meters) in 22 countries. The company leases modern distribution facilities to more than 4,500 tenants, including manufacturers, retailers, transportation companies, third-party logistics providers and other enterprises. As of March 31, 2011, after giving effect to the merger, the assets under management of Prologis' 22 co-investment vehicles totaled US$25.7 billion, reflecting gross fair market value of co-investment ventures / funds and estimated investment capacity.

There was a question and answer period following the presentation.

MOTION: Ms. Durant moved approval of the staff recommendation subject to the satisfactory negotiation of terms and conditions, and completion of the requisite legal documents by DOJ legal counsel working in concert with OST staff. Treasurer Wheeler seconded the motion. The motion was passed by a vote of 5/0.

III. 9:50 a.m.: TPG Growth Fund II, L.P. – *OPERF Private Equity*

Staff recommended that the OIC authorize a $75 million commitment to TPG Growth II, L.P. Jay Fewel, Senior Private Equity Investment Officer introduced Bill McGlashan and Scott Gilbertson (Managing Partner and Managing Director of TPG, respectively). This request was originally slated to go to the Private Equity Committee, but it was requested that it be presented at a regularly scheduled OIC meeting. The Fund is being formed and sponsored by TPG Capital, and will continue the successful thematic, stage-agnostic strategy employed in the prior fund, TPG STAR (Acronym for Smaller Transactions, Allied-Resources. The Firm has since renamed the effort TPG Growth). The Firm launched TPG STAR in 2007 to target the type of smaller, high-growth transactions that TPG had focused on in its earlier, smaller private equity funds, but which over time, had been abandoned as the "main" TPG series of funds had grown substantially in both fund size, and targeted investment size, and evolved to become more buyout focused. The thesis behind STAR was that a fund managed by a dedicated investment team, focusing on smaller transactions, and allied with the deep resources of a large, global asset management firm such as TPG, would have a competitive advantage over smaller, stand-alone firms targeting similar transaction sizes. These "allied resources" include TPG Capital's operations group, sector teams, investment banking relationships, executive networks, and the experience of TPG's founders, who serve on the Fund's Investment Committee.

Fund II is targeting commitments of $2 billion, TPG expects Fund II will make 25 to 30 investments of less than $100 million per transaction, approximately equally split between North America and China/Southeast Asia, with a few opportunistic transactions coming from other regions. Small buyouts, minority growth investments, and late-stage venture capital deals, primarily within the retail, financial services, business services, healthcare, consumer, and clean technology sectors will be targeted. Investment themes on which the team will focus may change according to technology and market developments, but are currently: the internet and "cloud" derivatives; multi-channel consumer products; vertical marketing software; renewable energy; and infrastructure in emerging markets. Generation of deal flow will be multi-channel, and include: the TPG Growth Investment Team; current and former portfolio company executives; TPG Capital's global platform (affiliate referrals); and financial intermediaries. In general, transactions requiring an investment of less than $100 million in

North America, and less than $65 million in Asia, will be first offered to the Fund. Larger investments will first be offered to TPG's flagship buyout fund, or TPG Asia focused funds, respectively.

There was a question and answer period following the presentation.

MOTION: Mr. Solomon moved approval of the staff recommendation subject to the satisfactory negotiation of the requisite legal documents by legal counsel working in concert with OST Staff. Treasurer Wheeler seconded the motion. The motion was passed by a vote of 5/0.

IV. 10:33 a.m.: Highstar Capital IV – *OPERF Alternatives Portfolio*

Staff recommended that the OIC authorize a $100 million commitment to Highstar Capital IV, L.P. This new fund will be a part of the new OPERF Alternatives Portfolio. John Hershey, Investment Officer introduced Christopher Lee Managing Partner of Highstar Capital. Highstar will focus on higher return value added and opportunistic strategies to build out a portfolio of contracted assets and GDP-related businesses in the energy, environmental services and transportation sectors, principally in North America and Europe. Examples include: airports, natural gas transportation, distribution and storage, the provision of water and wastewater services, and marine terminals (ports). Infrastructure assets tend to exhibit lower volatility relative to other asset classes and returns that are less correlated to capital market assets such as equities and fixed income instruments.

While Highstar focuses on long duration, core infrastructure assets, it will pursue a typical private equity style strategy of buying and holding for three to seven years before exit. As such, it will seek opportunities that allow for value-add operational improvement and growth opportunities to grow EBITDA and position the assets for longer hold acquirers.

Highstar offers one of the few independent and experienced managers with a realized track record of successful investing as a principal in the infrastructure sector.

MOTION: Ms. Durant moved approval of the staff recommendation with the condition that 100% of transaction fees be offset against management fees and subject to the satisfactory negotiation of terms and conditions, and completion of the requisite legal documents by DOJ legal counsel working in concert with OST staff. Mr. Larson seconded the motion. The motion was passed by a vote of 4/1 with Treasurer Wheeler voting no.

V. 11:00 a.m.: NGP Natural Resources X -– *OPERF Alternatives Portfolio*

Staff recommended that the OIC authorize a $100 million commitment to NGP Natural Resources X. John Hershey introduced Kenneth Hersh, CEO of NGP. NGP was formed in 1988 and has since raised nine core-funds, as well as several other related products that total $9.5 billion of assets raised. The Fund has a target capitalization of $4.0 billion and hard cap of $4.75 billion. The Fund will target a gross IRR in excess of 25 percent and net IRR greater than 18 percent.

The Fund will continue the same investment approach employed by NGP over the past 22 years, focusing on backing high-quality management teams and acquiring interests in businesses in the oil and natural gas production, energy midstream and oilfield service industries. In addition, the Fund may also invest in the food and agriculture industry and the water resources and services industry; however, non-Energy investment is restricted to 10 percent of the Fund. The Fund will be focused on North America, but will have the ability to invest up to 25 percent outside of North America. The Fund will continue NGP's disciplined approach to risk management through the use of conservative asset-based leverage and commodity price assumptions as well as prudent hedging.

MOTION: Mr. Solomon moved approval of the staff recommendation subject to the satisfactory negotiation of terms and conditions, and completion of the requisite legal documents by DOJ legal counsel working in concert with OST staff. Mr. Larson seconded the motion. The motion was passed by a vote of 4/1 with Ms. Durant voting no.

VI. 11:25 a.m.: OPERF Real Estate Review

Brad Child and Nori Lietz provided the OIC with a review of the current OPERF Real Estate portfolio, portfolio results for 2010 and a tentative plan for remainder of 2011. Ms. Lietz shared that she has stepped down from Partners Group and started her own firm called Areté Capital.

Mr. Child and Ms. Lietz began the presentation with the market update for the second half of 2011. The key questions included:

- **The pendulum swung out faster and farther than expected.**
- **What caused the swing?**
- **Has the pendulum swung out too far?**
- **What are likely triggers of a core market correction?**

The presentation moved on to the 2011 review. Some of the highlights and conclusions from this portion of the presentation:

- 2010 marked the "turn of the corner" for OPERF's real estate portfolio – total return for the calendar year 2010 was 18.9 percent.
- Across the board improvements seen, especially in the Core, REITs, and Opportunistic segments.
- Real estate presently near target at 9.7 percent (Target is 11%).
- However, $2 billion in unfunded commitments.
- General Partners anticipate calling $1 billion by year end 2011.
- General Partners project distributing $900 million by year end; however, materially below projections at 6/30/11.
- Even if all $2 billion in unfunded commitments are called, would still be below the top of the range of 14 percent.
- Opportunity component is above policy target (38 percent versus 30percent) but below the upper end of the range at 40 percent.
- OPERF staff are aware of over allocation.

**Treasurer Wheeler left the meeting at 12:00.

VII. 12:33 p.m.: Emerging Markets Mandates

Michael Viteri, Senior Investment Officer and Ben Mahon, Investment Officer presented to the OIC. Staff and SIS recommend the following:

- Termination of the Pictet mandates utilized for OPERF and CSF.
- Hiring Axiom International Investors Emerging Markets product for OPERF portfolio, and hiring Arrowstreet Capital Emerging Markets product for the CSF portfolio, subject to the successful negotiation of terms.
- Amend OIC Policy 04-05-01 accordingly.

MOTION: Ms. Durant moved approval of the staff recommendations. Mr. Larson seconded the motion. The motion was passed by a vote of 4/0.

VIII. 12:40 p.m.: Internal Equity RAFI Fundamental Index

Mr. Viteri and John Meier with SIS made the presentation. Staff and SIS recommended the following:

- Initial funding of $500 million (2% of the Public Equity portfolio) for an internally managed Russell/RAFI Fundamental Large Cap Index with 50/50 Active/Passive strategy, including approval to increase the mandate to $1 billion in the future as an upside allocation provision.
- Approve staff recommendations as outlined above and reflected in attached policies.
    - 4.05.01 Strategic Role of Public Equity Securities within OPERF: Codifies OIC authorization to implement a Russell/RAFI Fundamental Large Cap Index strategy.
    - 4.05.03 Internal Equity – Portfolio Objectives & Strategies: Clarifies the objectives and strategies of the Russell/RAFI Fundamental Large Cap Index strategy.

MOTION: Mr. Solomon moved approval of the staff recommendations. Ms. Durant seconded the motion. The motion was passed by a vote of 4/0.

<u>IX. 12:45 p.m.: Annual Internal Audit Update</u>
Andrea Belz and Byron Williams of the OST Audits Division made a presentation to the OIC. Staff recommended approval of the proposed amendment to policy 04.01.12 to allow internal audit services to take the lead on operational reviews.

MOTION: Mr. Larson moved approval of the staff recommendation. Ms. Durant seconded the motion. The motion was passed by a vote of 4/0.

<u>X. 1:00 p.m.: Asset Allocations and NAV Updates</u>
Mr. Schmitz reviewed the Asset Allocations and NAV's for the period ending June 30, 2011.

<u>XI. 1:02 p.m.: Calendar – Future Agenda Items</u>
Mr. Schmitz highlighted future agenda topics.

<u>XII. 1:03 p.m.: Other Business</u>
Darren Bond gave an update on the Ethics Commission investigation.

Paul Cleary shared about an upcoming meeting with the PERS Board Friday and handed out a copy of their presentation.

<u>Public Comments:</u>
There were no public comments.

The meeting adjourned at 1:13 p.m.

Respectfully submitted,

Julie Jackson

Julie Jackson
Executive Support Specialist

TAB 2 – GLOBAL INFRASTRUCTURE PARTNERS II

Global Infrastructure Partners II L.P.

Purpose

Staff recommends approval of a commitment to the Global Infrastructure Partners II L.P. (GIP) in the amount of $150 million for the OPERF Alternatives Portfolio.

Background

The founding partners established GIP 2006 with strategic sponsorship and investment from Credit Suisse and GE. Their first fund was a $5.6 billion fund. The investment firm is currently seeking to close its second fund with approximately $5.0 billion of capital commitments.

<u>Strategy:</u>
GIP will target control positions in core and core plus infrastructure assets in the energy, transport, and water/waste water sectors, which mirrors the same target sectors as Fund I. Within the energy sector, the Fund will evaluate opportunities in regulated utilities, natural gas and liquids gathering, processing, transport, and storage as well as power subsectors such as contracted generation, transmission and distribution and renewable energy infrastructure. Within the broader transport sector, GIP will focus on airports, marine ports, and freight rail. Within the water sector, the Fund will consider opportunities in water distribution, waste water treatment and integrated waste management and recycling infrastructure.

While the fund will invest globally, its focus will be on Organisation for Economic Co-operation and Development (OECD) markets, primarily in North America, Europe and Australia.

GIP II will target a gross IRR of 15-20% with a current cash yield to be built out over a 2-3 years, which is in-line with their Fund I experience to date.

<u>Pros:</u>

- *Deep team.* GIP has built a deep team for an investment management firm at this stage of development. The team consists of a complement of financial and operational backgrounds, many of whom came from the original sponsoring partners (Credit Suisse, including the former head of all of investment banking, and GE, including the former CEO and President of GE Infrastructure).
- *Strong operational orientation.* GIP has built out a 22 member operations team, including a number of former GE executives who apply the GE six sigma model to the GIP assets. This operational focus seeks measurable gains in areas such as customer service, pricing, operating efficiency, process improvements, capital spending, working capital management and cost control. The operational improvements, in turn, drive incremental EBITDA growth, which in turn drives returns without requiring multiple expansion to fuel acceptable returns.
- *Attractive investment performance.* GIP's existing portfolio has generated approximately 6% cash yields over the past two years as well as total gross returns of approximately 17% during a difficult economic environment, which are strong returns for value-add infrastructure.

- *Global and Large cap focus complements Oregon program.* For portfolio construction reasons, Oregon is seeking a global large cap focused fund to complement the existing middle market and North American focused managers within the OPERF portfolio. To execute on its global strategy, GIP has offices in NYC, Stamford, London, and Sydney. Moreover, GIP focuses on leading large scale and large capitalization transactions which tend to be more complex and less competitive than the middle market segment of the market.
- *Independent team.* GIP is a best of breed manager with a traditional alignment of interests with its LPs. Many other large cap, global funds are affiliated with either an investment bank or a strategic investors, whose interests may not be as tightly aligned with its LPs. Including the second fund, GIP management will have committed over $120 million to its two funds, thereby providing significant "skin in the game."

Cons:

- *Large build out of team in short period of time.* With over seventy employees before raising Fund II, GIP has grown significantly larger than most firms at the same stage of development. [Mitigant: the senior partners of GIP have built and managed larger investment organizations at previous firms (Credit Suisse and GE), and ought to be able to manage firm growth.]
- *More auctions in large cap space.* While there are fewer investors able to compete in the large cap space, many of the assets tend to be sold via an auction process. [Mitigant: Half of GIP's Fund I portfolio was sourced on a proprietary basis and furthermore, on occasion, it has demonstrated the ability to win at auction without bidding the highest price.]
- *Currency risk volatility.* Given the global nature of the strategy, some of the assets will be purchased and managed in non-dollar denominated currencies, thereby introducing currency price fluctuations to the Fund's cash flows. [Mitigant: GIP has an active hedging policy to hedge currency, commodity and interest rate risk to reduce the overall risk profile for dollar denominated investors.]

Terms:
There is a standard management fee on committed capital with a standard carry and preferred return. There is a five-year investment period and a ten-year term with two one-year optional GP extensions. To the best of our knowledge, GIP has not retained a placement agent.

Conclusion:
GIP offers one of the few independent and experienced managers with a high alignment of interests with its investors. Infrastructure, as an asset class, offers expected returns between equity and fixed income, but with expectations of lower volatility and less correlated returns. Furthermore, as an asset class, it may be a valuable hedge against inflation with long-lived real assets to match nicely with a pension plan's liabilities.

Recommendation
Staff and PCG recommend a commitment of $150 million to Global Infrastructure Partners II L.P., subject to the negotiation of the requisite legal documents with staff working in concert with the Department of Justice.

MEMORANDUM

TO: Oregon Public Employees Retirement Fund ("OPERF")

FROM: PCG Asset Management LLC ("PCG AM")

DATE: September 12, 2011

RE: Global Infrastructure Partners II, L.P.

Strategy:

Global Infrastructure Partners II, L.P., a Delaware Limited Partnership (the "Fund", "GIP II" or "Fund II") is being formed by Global Infrastructure GP II, L.P., a Guernsey Limited Partnership (the "General Partner") and Global Infrastructure Management, LLC, a Delaware limited liability company ("GIM" or the "Manager"), collectively referred to herein as Global Infrastructure Partners ("GIP" or the "Firm").

Founded in 2006, GIP is an independent, specialist infrastructure fund manager whose investment approach is based on combining industry expertise with industrial best practices operational management. The Firm focuses on investing in high-quality infrastructure assets in the energy, transport, and waste/water industries. GIP held a final close in March of 2008 on $5.64 billion of capital commitments for its first fund, Global Infrastructure Partners I, L.P. ("Fund I").

The Fund will continue the same investment strategy pursued by Fund I, targeting high quality infrastructure assets in the target sectors that offer strong downside protection with the potential for outperformance through growth and operational improvements. The Fund will primarily target large control (or joint control) oriented transactions in OECD countries that utilize prudent leverage. The Fund will target gross returns of 15-20%.

GIP operates from offices in New York, Stamford, London and Sydney. The firm employs 70 investment, operational, and administrative professionals and has 15 senior advisors.

Conclusion:

The Fund offers OPERF an opportunity to participate in a differentiated portfolio of private equity investments with relatively attractive overall terms. PCG AM's review of the General Partner and the proposed Fund indicates that the potential returns available justify the risks associated with an investment in the Fund. PCG AM recommends that OPERF consider a commitment of $150 million to the Fund. PCG AM's recommendation is contingent upon the following:

(1) Satisfactory negotiation or clarification of certain terms of the investment;

(2) Satisfactory completion of legal documents;

(3) Satisfactory continuation and finalization of due diligence;

(4) No material changes to the investment opportunity as presented; and

(5) Confidentiality maintained regarding the commitment of OPERF to the Partnership until such time as all the preceding conditions are met.

TAB 3 – AQR DELTA FUND

AQR Delta Fund

Purpose

Staff recommends approval of a commitment to the AQR Delta Fund (AQR) in the amount of $100 million for the OPERF Alternatives Portfolio.

Background

In January 2011, the OIC approved the creation of an Alternatives Portfolio comprised of approximately 80% real assets (infrastructure, natural resources, etc.) and 20% real return (hedge fund) strategies. This proposed investment would become the first anchor investment for the real return (hedge fund) portion of the Alternatives Portfolio.

<u>Strategy:</u>
The AQR Delta Fund is a multi-strategy portfolio of various hedge fund strategies. The Fund seeks exposure to a roughly equal risk weighted portfolio of hedge fund risk premia captured by strategies such as: global macro, convertible and merger arbitrage, event driven, equity market neutral and equity long/short, emerging markets, managed futures and fixed income relative value.

By combining a diverse set of strategies, AQR seeks to build a portfolio that is largely uncorrelated to both the equity and bond markets, which makes it a valuable diversifier to a portfolio with large existing exposures to the equity and bond markets, such as OPERF's portfolio.

<u>Pros:</u>

- *Trusted partner*. As an existing manager of approximately $1 billion of AUM for OPERF's public equity portfolio, AQR provides OPERF with the opportunity to access hedge fund strategies via a partner well known to Staff and the OIC.
- *Attractive performance.* Since inception in the fall of 2008, the Delta Fund has increased by 43.2% versus a 21.3% (bond) and 20.4% (equity) returns over the same time period. On an annualized basis, returns (net of fees) since inception have been around 13.9%, which is significantly above the Alternative Portfolio's hurdle of CPI + 4%.
- *Uncorrelated returns*. While often difficult to find, uncorrelated returns to an existing portfolio's returns (which are largely driven by capital market returns) provide valuation diversification benefits. As such, contributions from uncorrelated strategies tend to make a portfolio more robust and expand the efficient frontier resulting in a higher risk adjusted portfolio return. AQR seeks to achieve a 0.1x correlation to global equity markets over time. Since inception, its realized weekly correlation has been 0.0x to the equity markets (MSCI World) and 0.2x to the bond markets (Barclay's Ag), making it a valuable diversifier to institutional portfolios such as OPERF's.
- *Attractive terms and conditions.* As a result of its significant partnership to date, AQR has provided OPERF with enhanced "relationship" based terms that benefit OPERF.
- *Excellent transparency and liquidity.* Unlike many hedge fund managers, AQR provides OPERF and its other investors complete position level transparency into the Delta Fund portfolio. In

addition, there is excellent liquidity as OPERF can redeem its investment monthly, upon two months notice.

<u>Cons:</u>

- *Significant assets under management.* AQR' assets under management have grown significantly since late 2007. Currently, AQR manages approximately $41 billion of assets, including $17 billion of hedge fund strategies which has the potential to put strain on the existing investment team and internal infrastructure. [Mitigant: As an existing manager, Staff has the visibility to track AQR's growth and level of resources and has been satisfied that the investment process and management is robust.]
- *Uncertain regulatory environment.* During acute crises, the regulatory environment is susceptible to temporary changes to existing regulations. For example, recently the European regulators sought to limit certain shorting of financial (bank) stocks in Europe, which might impact some hedge fund strategies. [Mitigant: AQR has been able to weather previous regulatory changes with minimal impact on its overall portfolio as position levels can be readily adjusted.]

<u>Terms:</u>
There is a favorable "relationship-based" management fee on NAV with a preferable incentive fee on profits above a Treasury bill return (also favorable to the market). There is excellent liquidity on sixty days notice.

<u>Conclusion:</u>
Hedge fund strategies can offer an excellent source of diversification to a heavily weighted equity and bond portfolio. AQR is a significant partner to OPERF and provides an attractive way for OPERF to access a diverse set of hedge fund strategies in a liquid and cost effective investment vehicle.

Recommendation
Staff and PCG recommend a commitment of $100 million to AQR Delta Fund, subject to the negotiation of the requisite legal documents with staff working in concert with the Department of Justice.

STRATEGIC INVESTMENT SOLUTIONS, INC.

333 BUSH STREET, STE. 2000
SAN FRANCISCO, CALIFORNIA 94104

TEL 415/362-3484 ■ FAX 415/362-2752

MEMORANDUM

To: Oregon Investment Council
From: Strategic Investment Solutions, Inc.
Date: September 19, 2011
Subject: AQR Delta Fund

AQR Capital Management ("AQR") was founded in January 1998 by Cliff Asness, David Kabiller, Robert Krail and John Liew, along with several other members of Goldman Sachs Asset Management ("GSAM"). Prior to their departure Asness, Krail and Liew held senior management roles within the Quantitative Research Group at GSAM, which managed a range of traditional and absolute-return strategies on behalf of external clients and proprietary capital. AQR currently manages two long only equity strategies, international equity and US small cap value, for the OIC and also managed a successful opportunistic convertible arbitrage strategy that was recently liquidated.

AQR DELTA (**D**ynamic **E**conomically-intuitive **L**iquid **T**ransparent **A**lternative) is a unique multi-strategy absolute return fund that seeks to provide systematic exposure to a diversified set of over 60 hedge fund risk premia, or betas. Although individual hedge funds can differ greatly, AQR believes that funds pursuing the same first-order strategy (e.g., convertible arbitrage or global macro) generally provide exposure to common, identifiable risk factors that explain a good portion of their returns. In addition, these hedge fund betas capture much of the fundamental insights underlying each strategy, i.e., they do a reasonable job of explaining, from a bottom-up standpoint, how the manager seeks to make money through exposure to various risk premia or market inefficiencies. In terms of specific performance objectives, DELTA aims to provide a Sharpe ratio of 0.8 with 12% annualized volatility and low realized correlation to traditional asset classes over a reasonably long timeframe (e.g., 3 to 5 years).

DELTA is managed by Ronen Israel and Lasse Pedersen, Ph.D., with Israel serving as the primary day-to-day PM and Pedersen focusing more on long-term research projects. All major decisions are made by the 12-member DELTA Investment Committee, which meets every two weeks and includes senior staff such as Cliff Asness, David Kabiller, John Liew and Mark Mitchell (as well as co-PM Ronen Israel). In addition to the two PMs and the Investment Committee, several other groups within AQR contribute to DELTA from a research standpoint.

SIS supports the staff recommendation to invest $100 million in the AQR DELTA full volatility strategy.

TAB 4 – EMERGING MARKETS MANDATE

WILLIAM BLAIR

Public Equities
International Equities - Emerging Markets
STAFF RECOMENDATION

Purpose
Staff and SIS are recommending the hire of William Blair for an emerging markets mandate in the OPERF portfolio. This mandate represents a replacement for the legacy Pictet Asset Management portfolio.

Background
At the July 27, 2011, OIC meeting, staff and SIS recommended, and the board approved, the hire of Axiom International Investors as a replacement for Pictet Asset Management. In the days following the meeting, but prior to initiating funding, staff received notification that Axiom's lead portfolio manager, Luis Soares, would be leaving the firm.

The news of Mr. Soares's departure came as a complete surprise. It was believed Axiom's partnership structure and equity participation promoted organizational stability. Elements such as comprehensive employment contracts and personal investment in firm strategies also supported this viewpoint. Mr. Soares's departure appears to be an anomaly resulting from very high demand for talented and experienced emerging market professionals. Unfortunately for us, when the call came, Mr. Soares accepted the "once in a lifetime" offer.

While staff still has a high opinion of Axiom and of their investment philosophy and process, we believe the departure compels a change to our prior recommendation. Our favorable view of the strategy was attributable to a combination of Mr. Soares, the supporting professionals, the firm, and the investment process. As a general rule, staff takes a cautious stance in the face of personnel changes. Without undermining the firm's investment philosophy, Mr. Soares put his personal stamp on the portfolio, and we believe he had a material impact on the performance of the product. While a search is underway to replace him, Mr. Soares's departure creates meaningful uncertainty in the Axiom Emerging Markets strategy.

Staff is proposing William Blair as a compelling alternate for the vacated emerging markets mandate. William Blair was finalist in the last two emerging markets searches and was also a finalist in recently performed International Growth and International Small Cap searches. Staff has a very high regard for William Blair and the international capabilities of its investment professionals.

Discussion
William Blair was one of three firms selected as a finalist in the search process and shares several desirable characteristics with Axiom. Both firms are independent, employee-owned, performance-orientated, and have a long history of investing in emerging markets. Both products are growth-orientated, and represent an attractive complement to the portfolio's existing emerging markets exposure.

With two solid candidates for managing the mandate, the original recommendation was driven by the marginal differences between the two teams. The primary driver behind recommending Axiom was the relative stage of the product in its lifecycle. As articulated in June's annual review, part of our belief structure involves the continual search for new and underfollowed investment managers. We believed Axiom was still in the developmental stage of their lifecycle which tilted the odds in their favor.

By contrast, William Blair represents a deeper and more established emerging markets team. Lead portfolio manager Jeff Urbina has managed William Blair's emerging markets offerings since 1996. The strength and continuity of the team is impressive, with the dozen research analysts averaging 11 years of industry experience, and six years on the team (and with no departures in this time period). Even though William Blair represents a more "mature" offering, any concerns regarding "drive" of the team are assuaged by the incentive structure and performance-oriented culture at the firm. Most importantly, we believe William Blair represents an opportunity to invest in a high conviction manager. In an asset class like emerging markets, where the alpha opportunities are comparatively greater (and the opportunity costs of retaining a lower conviction manager are more apparent), staff feels William Blair represents an upgrade to Pictet in the space.

Process

As described in the previous communication, three firms were invited to make formal presentations to the selection team, which consisted of staff members Michael Viteri and Ben Mahon, and SIS consultants John Meier and Deborah Gallegos. The selection team, along with Ron Schmitz, reviewed all analysis and written materials and participated in a post-interview discussion to debate the relative merits of the firms.

William Blair was founded in 1935 and is based in Chicago, Illinois. The firm is independent, 100 percent active-employee owned, with approximately $46 billion in assets under management. Slightly more than half of firm assets are managed by the International Growth team, which is lead by George Greig. Mr. Greig joined William Blair in 1996 as leader for the team, establishing the general investment approach employed across the international product set.

Mr. Greig, Mr. Urbina and Todd McClone are key members of the Emerging Markets team. As team leader, Mr. Greig is responsible for setting the research agenda and managing the research universe. The emerging markets portfolio is constructed and led by Mr. Urbina, who has more than twenty years investment experience and has managed William Blair's emerging markets offerings since 1996. He is supported by a co-manager, Mr. McClone. The team is supported by twelve research analysts as well as the broader organizational resources.

The investment philosophy for the emerging markets product is in-line with the firm's approach to investing in developed markets. The team focuses on companies with consistent and high rates of growth, are highly profitable, have conservative finances, and posses high quality management that make the growth rates sustainable. William Blair describes the approach as "quality growth," falling in-between GARP and aggressive growth. This strategy has an all-cap mandate, investing actively across the capitalization spectrum.

The team uses a bottom-up, research-intensive, fundamental approach to selecting stocks. All companies must meet strict qualitative criteria before a stock will be considered. Research includes on-site visits with management, suppliers and customers. During the due diligence process, they also asses the market's expectation for the company, and evaluate how their earnings, valuation, and risk outlook differs from the market. The strategy seeks to identify companies with good, long-term growth prospects for a longer period of time than the market expects, for companies experiencing near-term earnings accelerations.

Staff has access to the Russell research platform and spoke with the Russell analyst that covers Emerging Markets manager research. Russell ranks the William Blair product with their highest ranking and has exposure to the team across their client base and multi-managed mutual funds. Staff also spoke with the research team at Northern Trust, who also provides investment management services using multi-manager platforms. Staff is very familiar with the Northern Trust research team as they have managed the emerging manager product for OPERF since 1996, and has a high opinion of their manager research. They also have exposure to the team through their multi-managed mutual fund line-up.

Staff views the pros and cons of hiring William Blair as follows:

Pros:

- Lead portfolio manager Jeff Urbina has shown that he is adept at managing emerging markets equities and is supported by a seasoned team of investment professionals.
- William Blair is employee-owned, with ownership spread among over 170 active partners. Senior investors, which include Mr. Urbina, Mr. McClone, and Mr. Greig and some analysts, have ownership stakes in the firm. The team has a substantial investment in their own strategies.
- The current level of assets under management is reasonable ($4 billion as of June 30, 2011) and is in the process of closing. The firm has a history of closing its strategies well before liquidity and execution become an issue.
- The investment process adds diversification benefits and is complementary with the other emerging markets managers in the portfolio, introducing a true growth component that should be expected to perform well when “growth” is rewarded.
- Both Russell Investments and Northern Trust have high regard for this team, and use the team in their multi-manager programs.
- Management fees were the lowest among the finalist pool.

Cons:

- Lead portfolio manager Jeff Urbina is responsible for multiple products. While the team is adequately resourced, the concern is that the multiple products could spread team member’s time thinly. While there is no direct evidence of this having an impact on product performance, we are cognizant of this as a potential risk.
- The firm's asset management business is tilted to the non-U.S. strategies under the direction of Mr. Greig. As a result, the firm is more dependent on the success of the non-U.S. strategies and Mr. Greig's satisfaction with William Blair. While we have received no indication that Mr. Greig is dissatisfied with William Blair, it remains a risk to the firm.
- Although cognizant of the strategy's benchmark, the team actively shifts the portfolio's geographic exposure, capitalization, sector weightings, and relative growth and valuation factors to adapt to market conditions. The portfolio typically exhibits higher growth and valuation characteristics relative to the benchmark, and we expect the product to struggle when value stocks or conservative growth stocks are in favor.
- The portfolio takes meaningful bets away from the benchmark and should be expected to experience elevated tracking error at times. However, we are comfortable with that role on a portfolio-wide basis.

Staff performed a variety of other due diligence in determining the appropriateness of William Blair, including:

- Separate on-site due diligence visits by Michael Viteri and John Meier. No significant concerns were noted.
- Reviewed manager ADV filings looking for potential conflicts of interest and other items of concern. No concerns were noted.
- Discussed trading issues including soft dollar usage, FX capabilities, and commission recapture. Managers will adhere to OPERF guidelines.
- Staff checked references from peers. References were all very favorable.
- Reviewed and discussed the fee schedules.

Recommendation
Staff and SIS recommend hiring William Blair's Emerging Markets product for the OPERF portfolio, subject to the successful negotiation of terms. Fund the mandate with the liquidated Pictet assets (approximately $200 million). Amend OIC policy 04-05-01 accordingly.

Emerging Markets Equity Search

Oregon Investment Council

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STRATEGIC INVESTMENT SOLUTIONS, INC.

333 Bush Street, Suite 2000
San Francisco, CA 94104
(415) 362-3484

Section 1

Firm/Product Summaries

Oregon Investment Council

Emerging Markets Equity

Inception Date: October 1999
Preferred Benchmark: MSCI-EM IMI

INVESTMENT PREMISE

The Oregon Treasury Staff and SIS have been conducting due diligence on emerging markets equity managers to recommend as a replacement for Pictet Asset Management. At the July 2011 meeting, the OIC approved hiring Axiom International Investors as a replacement for Pictet. Less than two weeks after that approval, the lead portfolio manager on the product, Luis Soares, announced to Axiom that he was leaving the firm to lead an Emerging Markets equity team with another firm. Since assets had not yet been transitioned from Pictet to Axiom, SIS and staff conducted a thorough investigation of the alternatives and the outcome of that effort is a recommendation to move on from Axiom and invest the subject assets with another firm identified in the same search, William Blair & Company.

ORGANIZATION

William Blair is a multi-product line investment services firm founded in 1935 structured as a private partnership. The firm has four major lines of business; Investment Banking, Asset Management, Equity Research, and Institutional & Private Brokerage. Asset Management is the largest, generating about 45% of the firm's revenue. The International Growth Team, which manages the Emerging Markets product, was started by George Greig in 1996 and manages over half of the firm's assets under management. The International Growth Team manages International All-Cap, Large Cap, Small Cap, Global and Emerging Markets products all using the same investment process. William Blair is 100% employee owned, with equity broadly distributed across 165 active employees. The firm does not disclose the percentage ownership held by individual employees. However, it is clear that the substantial economic contribution of the senior members of the international equity team is reflected in their percentage of equity ownership. The equity structure involves employees buying and selling at book value, and being paid out annually on the basis of their percentage ownership and firm profitability. The structure of the employee ownership is designed to be self-perpetuating and discourage attempts to sell the firm to an outside buyer. The firm is located in Chicago Illinois.

INVESTMENT PROFESSIONALS

The lead portfolio manager for the strategy, responsible for portfolio construction, is Jeff Urbina who also is the lead portfolio manager on the William Blair International Small Cap product. Jeff joined William Blair in 1996 as George Greig's first hire on the International Growth Team. Jeff is currently a principal of the firm. Todd McClone is also serves as a co-portfolio manager. The two portfolio managers are supported by 11 international sector analysts organized by market cap, two non-US generalists and a team of global research associates. Ideas originate from the analysts.

INVESTMENT STRATEGY

William Blair characterizes their approach as "quality growth." They are looking to invest in companies that will be able to maintain a higher growth rate, and for a longer period of time, than their peers. The approach places a great deal of emphasis on quality management. Their view is that while all the standard types of competitive advantages are important, growth is often driven by skilled, experienced, management teams. From within this universe of high quality growth companies, they seek to buy those that are exhibiting shorter term business and earnings momentum.

The process begins with a quantitative screening to winnow down the broader universe. The model screens for long-term factors indicating historical earnings and revenue growth, consistency of growth, and projected growth. The top ranked stocks form the basis of William Blair's "eligibility list." Some stocks rank well but are not included on the eligibility list because the team is already familiar with them and they do not regard them as suitable candidates. Other names do not rank well but are included by an analyst or the PM because they have reason to believe the company's future growth rate will be improving, e.g. with the introduction of a superior management team. A subset of the eligibility list becomes the weekly research agenda or focus list. These are stocks that appear to be currently actionable: either they are higher probability buys, because they are exhibiting strong current fundamentals, or higher probability sales, because they are exhibiting weaker current fundamentals. Each stock on the research agenda is assigned to a team member.

The analysts are tasked with researching each of the stocks assigned to them on the research agenda in order to determine whether they are candidates to be recommended (as buys or sells) to the group. The analysts are expected to conduct whatever research is necessary to make this determination. Sometimes ideas can be discarded relatively quickly. Normally before an idea is proposed for investment, the analyst will have conducted conference calls with competitors, suppliers, industry analysts, and met with management. Analysts spend a substantial amount of their time traveling internationally to meet with managements and conduct site visits.

Stocks are sold typically because they begin to show deterioration in their earnings trends, in their fundamentals, or excessive valuation.

Analysts produce research reports for the stocks they are recommending. These ideas are presented and vetted in group meetings. Once the idea has been vetted by the group, if there are no outstanding issues, it is up to portfolio manager Jeff Urbina, to decide whether a stock is bought or sold and at what weight.

Portfolio construction is relatively insensitive to the benchmark. Positions are conviction weighted with consideration given to market cap and liquidity.

EVALUATION

SIS has conducted significant due diligence on William Blair, including on-site visits and we believe it presents an attractive alternative to the both Axiom and Pictet emerging markets strategies. The team has performed well generating an information ratio of 0.75 since the inception of the product. William Blair presents a solid organization with a consistent investment philosophy and process. The team is solid with a broad based perspective that should be advantageous to long term performance. The firm's ownership structure should engender a long term commitment to the firm and alignment of interest with clients. The International Growth team at William Blair is stable with very experienced leadership

FEES AND CAPACITY

William Blair currently manages $3.9 billion in the Emerging Markets strategy. The product is effectively closed to new business at this point. William Blair's fees are in line with the median Emerging Markets equity manager. We do not expect them to negotiate fees because William Blair is limiting assets and has already closed the product. With a $200 million assignment, the fee charged by William Blair would be 70.75 bp.

Displayed in: US Dollar (USD)

Firm Headquarters:	222 West Adams Street Chicago, Illinois 60606, United States
Phone/Fax:	312.236.1600 / 312.364.5100
Registered Investment Advisor:	Yes
Year Firm Founded:	1935
Firm Website:	www.williamblair.com

Key Facts	
Total Assets Under Management ($ Million):	$45,838.5
Total Number of Accounts:	4,638
Number of Portfolio Managers:	39
Number of Analysts:	28
% Employee Owned:	100.00 %

Contact Information

Marketing Contact:	Chester Wierciak	Database Contact:	Chester Wierciak
Title:	Database Analyst	Title:	Database Analyst
Address:	222 W. Adams Street, 13th Floor	Address:	222 W. Adams Street, 13th Floor
City, State, Zip Code:	Chicago, Illinois 60606	City, State, Zip Code:	Chicago, Illinois 60606
Phone/Fax:	312.364.8270 / 312.803.2280	Phone/Fax:	312.364.8270 / 312.803.2280
Email Address:	cwierciak@williamblair.com	Email Address:	cwierciak@williamblair.com

Asset & Account Information

Current Totals	Assets ($ Mil)	Accounts
Total in Firm	$45,838.5	4,638
Total Taxable	$27,015.3	3,345
Total Tax-Exempt	$18,823.2	1,293
Total Institutional	$34,981.8	381

Accts Gained	Number	($ Million)	% Firm Assets
Current Quarter	20	$348.5	0.8 %
2010	546	$3,327.9	9.1 %
2009	1191	$2,622.1	9.9 %

Accts Lost	Number	($ Million)	% Firm Assets
Current Quarter	14	$343.8	0.8 %
2010	315	$988.8	2.7 %
2009	728	$1,209.8	4.6 %

Assets By Type	Equity	Fixed Inc.	Balanced	Alts	Other
United States	$14,126.9	$1,587.5	$3,315.6	$12.5	$0.0
Canada	$0.0	$0.0	$0.0	$0.0	$0.0
United Kingdom	$0.0	$0.0	$0.0	$0.0	$0.0
Europe ex-UK	$0.0	$0.0	$0.0	$0.0	$0.0
Australia	$0.0	$0.0	$0.0	$0.0	$0.0
Japan	$0.0	$0.0	$0.0	$0.0	$0.0
Hong Kong	$0.0	$0.0	$0.0	$0.0	$0.0
Singapore	$0.0	$0.0	$0.0	$0.0	$0.0
Other Asia ex-Japan	$0.0	$0.0	$0.0	$0.0	$0.0
China	$0.0	$0.0	$0.0	$0.0	$0.0
Latin America	$0.0	$0.0	$0.0	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$0.0	$0.0	$0.0	$0.0	$0.0
Global	$1,387.8	$0.0	$0.0	$0.0	$0.0
Emerging Markets	$4,127.2	$0.0	$0.0	$0.0	$0.0
Other	$21,281.0	$0.0	$0.0	$0.0	$0.0

Historical Assets($ Million)	Prior QTR	YE 2010	YE 2009
Total Firmwide	$46,039.2	$44,174.2	$36,643.8
Total Taxable	$27,200.7	$27,409.1	$23,728.2
Total Tax-Exempt	$18,838.5	$16,765.1	$12,915.6
Total Institutional	$35,050.8	$33,738.4	$26,288.3

Assets By Geographic Region & Client Domicile	Assets ($ Million)
United States	$42,023.2
Canada	$928.0
United Kingdom	$676.4
Continental Europe	$2,008.1
Japan	$0.0
Australia	$0.0
Hong Kong	$0.0
Singapore	$0.0
Other Asia ex-Japan	$0.0
Africa/Middle East	$0.0
Latin America	$0.0
Other	$202.8

5 Largest Accounts	Aggregate ($ Mil)
1) Sub-Advised	$1,195.7
2) Public Fund	$1,050.5
3) Sub-Advised	$972.3
4) Sub-Advised	$909.9
5) Public Fund	$788.8

Ownership Information

% Employee Owned	100.0%
% Parent Owned	0.0%
% Publicly Held	0.0%
Parent Company Name	
Total % Minority/Female Owned	---

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	Yes	Effective Date	1/1/1993
Performance Audited:	Yes	Effective Date	1/1/1993
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	$25.00
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	$40.00
Firm Bonded:	Yes	Coverage ($ Mil)	$40.00

Firm Background Narratives

William Blair & Company, L.L.C. is an independent, 100% active-employee owned firm founded in 1935. Our philosophy is to serve our clients' interests first and foremost. With that foundation, our company has a history of maintaining long-term client relationships.
Our asset management business represents the predominant portion of the firm's revenues. As of June 30, 2011, the Investment Management division oversees $45 billion in discretionary client assets. Investment Management has 302 employees of which 99 are investment professionals. The firm was registered under the Investment Advisors Act of 1940 in 1947.

William McCormick Blair founded the firm in 1935 as a conservatively financed company that stood for honest dealings, sound corporate financial advice, unbiased investment
More...

Asset Class:	Diversified Emg Mkts-Equity
eA Primary Universe:	
Marketing Contact:	Chester F Wierciak
Title:	Database Analyst
Phone/Fax:	312.364.8270 / 312.803.2280
Email Address:	cwierciak@williamblair.com

Key Facts	
Primary Capitalization:	All Cap
Primary Style Emphasis:	Growth
Preferred Benchmark:	MSCI EM IMI-ND
Total Product Assets:	$3,942.8
Total Product Accounts:	10
Product Offered As:	SA,CF
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$3,942.8	10
Total Taxable	$1,448.9	4
Total Tax-Exempt	$2,493.9	6
Total Institutional	$3,913.0	8

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$1,983.0
Pooled/Commingled Assets	$705.3
Mutual Fund/Institutional Assets	$1,224.7
Mutual Fund/Retail Assets	$29.7

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	2	$321.3	12.8 %
2009	0	$0.0	0.0 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	1	$105.0	4.2 %
2009	1	$53.3	4.5 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	MSCI EM IMI-ND
Primary Capitalization:	All Cap
Primary Style Emphasis:	Growth
Current Cash Position:	1.4 %
Number of Countries in Portfolio:	19
Approach Towards Currency Hedging:	Defensive
% Hedged Back to Local Currency:	---
Maximum Country Limits:	---

Fundamental Characteristics	
Current Number Of Holdings:	126
Annual Turnover (LTM):	110 %
Current Dividend Yield:	2.01 %
Current P/E (12-mo Trailing):	16.61x
Current P/B (12-mo Trailing):	3.55x
Earnings Growth (Past 5 Yrs):	22.39 %
Weighted Avg. Mkt Cap (Mil):	$18,172
Median Market Cap (Mil):	$3,929

Key Country Allocations	
Brazil	17.03 %
China Free	15.67 %
Korea	11.36 %
Mexico	6.54 %
Russia	1.91 %
South Africa	9.00 %
Taiwan	7.89 %
Developing Markets	---

Performance Information

Performance For:	SA - Composite - Gross of Fees	Risk Index:	MSCI EM-GD
Frequency:	Quarterly	Risk-Free Index:	Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	Product	Benchmark	Excess	Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio
1 Year	28.66	28.17	0.49	---	---	---	---	---	---
2 Year	28.29	25.80	2.49	---	---	---	---	---	---
3 Year	1.21	4.53	-3.32	39.23	-2.67	1.08	5.34	-0.62	0.02
4 Year	1.20	4.62	-3.43	35.26	-2.88	1.08	5.61	-0.61	0.00
5 Year	10.21	11.75	-1.54	32.90	-1.59	1.08	5.78	-0.27	0.25
6 Year	14.68	15.46	-0.78	31.16	-1.28	1.09	5.49	-0.14	0.40
7 Year	19.85	18.05	1.80	29.89	0.55	1.10	6.24	0.29	0.59
8 Year	21.91	19.88	2.03	28.91	0.75	1.09	6.08	0.33	0.69
9 Year	19.54	18.37	1.17	29.38	0.17	1.08	5.86	0.20	0.60
10 Year	18.81	16.54	2.27	29.84	1.72	1.05	5.82	0.39	0.56
Since Inception (12/1996)	14.34	8.75	5.59	30.92	5.29	1.05	7.49	0.75	0.37

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	0.95	-0.07	24.73	79.08	-60.55	40.26	39.28	49.09	37.91
Benchmark Returns:	-1.04	1.03	19.20	79.02	-53.18	39.78	32.58	34.54	25.95
Excess Returns:	1.99	-1.10	5.53	0.06	-7.37	0.48	6.69	14.55	11.96

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Closed	$20	$200,000
Pooled/Commingled	Closed	$20	$220,000
Institutional MFs	Closed	$5	$59,000

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	$240,000	$440,000	$615,000	$790,000
	96 bps	88 bps	82 bps	79 bps
Pooled/Commingled	$267,500	$505,000	$730,000	$955,000
	107 bps	101 bps	97 bps	96 bps
Institutional MFs	$295,000	$590,000	$885,000	$1,180,000
	118 bps	118 bps	118 bps	118 bps

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	4	24	13
Research Analysts:	12	11	6
Traders:	5	10	4

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	0
	2010	0	0
	2009	0	2
Professionals Lost	MRQ	0	0
	2010	0	0
	2009	0	0

Investment Professionals Managing This Strategy

George Greig

Current Position / Ownership Details

Title:	Principal
Primary Role:	Portfolio Manager
Start Year Industry:	1979
Start Year Firm:	1996
Equity Owner:	Yes
Equity Ownership:	

Educational History

Undergraduate:		
Massachusetts Institute of Technolgy	B.S.	1972
Post Graduate:		
University of Pennsylvania	M.B.A.	1978

Prior Experience

Firm	Title	Start Year	End Year
Provident Capital Management	Vice President		
Akamai International	Managing Partner		
Framlington Group	Investment Director		

Biography:

George Greig joined William Blair & Company in 1996 as International Growth Team leader. In addition to this role, George is the portfolio manager for the William Blair International Growth and Concentrated strategies and co-portfolio manager of the Global Growth strategy. He also serves as the global strategist for William Blair & Companyâ€™s Investment Management Group and is on the firmâ€™s Executive Committee. Prior to joining the firm, George headed international equities for PNC Bank in Philadelphia and previously served as Investment Director with London-based Framlington Group PLC, where he also managed global and emerging markets funds. George has over 25 years of experience in domestic and international investment research and portfolio management. Education: B.S., Massachusetts Institute of Technology; M.B.A., Wharton School of the University of Pennsylvania.

Kenneth McAtamney

Current Position / Ownership Details

Title:	Principal
Primary Role:	Portfolio Manager
Start Year Industry:	1990
Start Year Firm:	2005
Equity Owner:	Yes
Equity Ownership:	

Educational History

Undergraduate:		
Michigan State University	B.A.	
Post Graduate:		
Indiana University	M.B.A.	

Prior Experience

Firm	Title	Start Year	End Year
Goldman Sachs & Co	Vice President		
NBD Bank	Corporate Banking Officer		

Biography:

Ken McAtamney joined William Blair & Company in 2005 as part of the International Growth Team. He is a co-portfolio manager for the William Blair Global strategy and Co-Director of Research. He is also responsible for research in the Industrials sector. Previously, Ken was a Vice President for Goldman Sachs and Co., responsible for institutional equity research coverage for both international and domestic equity. Prior to joining Goldman Sachs, Ken was a Corporate Banking Officer with NBD Bank. Education: B.A., Michigan State University; M.B.A. Indiana University.

Todd McClone

Current Position / Ownership Details

Title:	CFA, Principal
Primary Role:	Portfolio Manager
Start Year Industry:	1992
Start Year Firm:	2000
Equity Owner:	Yes
Equity Ownership:	

Educational History

Undergraduate:

University of Wisconsin B.B.A.

Post Graduate:

Prior Experience

Firm	Title	Start Year	End Year
Strong Capital Management	Sr. Research Analyst		
Piper, Jaffray	Corp. Finance Research Analyst		

Biography:

Todd McClone joined William Blair & Company in 2000 as part of the International Growth Team. He is the lead portfolio manager for the William Blair Emerging Leaders strategy and is a portfolio manager for the Emerging Markets strategy. Previously, he was a senior research analyst specializing in international equity for Strong Capital Management. Prior to joining Strong Capital Management, he was a Corporate Finance Research Analyst with Piper Jaffrey. At Piper Jaffray, he worked with the corporate banking financials team on a variety of transactions including initial public offerings, mergers and acquisitions and subordinated debt offerings as well as issued fairness opinions and conducted private company valuations. Education: B.B.A. and B.A. University of Wisconsin â€" Madison.

Jeffrey Urbina

Current Position / Ownership Details

Title:	CFA, Principal
Primary Role:	Portfolio Manager
Start Year Industry:	1985
Start Year Firm:	1996
Equity Owner:	Yes
Equity Ownership:	

Educational History

Undergraduate:

Northwestern University B.A.

Post Graduate:

Northwestern University M.B.A.

Prior Experience

Firm	Title	Start Year	End Year
Van Kampen American Capital	Sr. Vice President	1991	1996
Citibank	Vice President		
Harris Bank - Chicago	International Banking		

Biography:

Jeff Urbina joined William Blair & Company in 1996 as part of the International Growth Team. He oversees international small cap and emerging markets strategy and research and is the lead portfolio manager for the William Blair International Small Cap Growth and Emerging Markets Growth Strategies and is a portfolio manager for the Emerging Leaders strategy. Previously, he was a Senior Vice President and Portfolio Manager of the Van Kampen American Capital Navigator Fund, an emerging market equity fund listed on the Luxembourg exchange. While at Van Kampen, he also served as the Director of Research and was a member of the Investment Policy Committee for the firm. Prior to joining Van Kampen in 1991, Jeff spent almost 15 years in the commercial banking business with Citibank where he was a Vice President and Senior Relationship Manager in the bankâ€™s real estate group, and with Harris Bank in Chicago where he was an International Banking Officer. Education: B.A., Northwestern University; M.M., Northwestern University Kellogg Graduate School of Management.

David Merjan

Current Position / Ownership Details

Title:	CFA, Principal
Primary Role:	Portfolio Manager
Start Year Industry:	1987
Start Year Firm:	1998
Equity Owner:	Yes
Equity Ownership:	

Educational History

Undergraduate:

Dickenson College B.A.

Post Graduate:

American Graduate School of International Management M.I.M.

Prior Experience

Firm	Title	Start Year	End Year
Hughes Electronics	Cash and Corporate Risk Manager	1987	1998

Biography:

David Merjan joined William Blairâ€™s International Growth Team in 1998. He serves as a portfolio manager for the International Core Growth and ADR strategies. Prior to joining William Blair, David was with Hughes Electronics in Los Angeles in various capacities, including the Corporate Treasury department where he focused on international mergers and acquisitions and managed corporate currency and interest rate portfolios as well as in the pension management subsidiary of Hughes where he managed an international equity fund. Education: B.A., Dickinson College; M.I.M., American Graduate School of International Management. David has the Chartered Financial Analyst designation and is a member of the CFA Institute.

Proposed Public Equity Structure

	Target Wgts	Current Wgts	Target $	Current $
BR R1000G	3.75%	4.1%	$ 854	$ 933
BR R1000V	3.75%	4.2%	$ 854	$ 949
PIMCO: StocksPLUS	1.90%	2.1%	$ 433	$ 478
Pyramis: Large Cap	1.40%	1.6%	$ 319	$ 371
NT US	3.15%	3.4%	$ 717	$ 772
Delaware	1.60%	1.9%	$ 364	$ 435
Aletheia	1.40%	1.6%	$ 319	$ 361
WellsCap	2.15%	3.4%	$ 490	$ 785
AJO	2.80%	3.5%	$ 638	$ 808
MFS	2.80%	3.4%	$ 638	$ 785
Next CenturySG	0.50%	0.5%	$ 114	$ 123
Next Century Ultra	0.50%	0.5%	$ 114	$ 121
Eudamonia	0.25%	0.4%	$ 57	$ 99
AQR SV	0.70%	0.8%	$ 159	$ 173
Boston Co	0.70%	0.8%	$ 159	$ 176
Wanger	3.25%	3.4%	$ 740	$ 771
Wellington	1.50%	1.6%	$ 342	$ 355
OIC 500	5.00%	3.6%	$ 1,139	$ 827
OIC 400	1.00%	0.7%	$ 228	$ 168
OIC 2000	1.00%	0.6%	$ 228	$ 126
RAFI	2.00%	0.0%	$ 455	$ -
SSGA Intl Indx	10.00%	8.3%	$ 2,277	$ 1,891
Arrowst Intl	5.00%	5.0%	$ 1,139	$ 1,147
Lazard	3.00%	3.6%	$ 683	$ 819
Pyramis Intl	5.00%	4.5%	$ 1,139	$ 1,015
AQR Intl	4.00%	4.1%	$ 911	$ 929
Acadian	3.25%	3.4%	$ 740	$ 772
Brandes	3.25%	3.2%	$ 740	$ 724
TT	2.75%	3.0%	$ 626	$ 678
Walter Scott	3.00%	3.3%	$ 683	$ 744
UBS	2.75%	2.5%	$ 626	$ 563
DFA Intl SC	1.00%	0.9%	$ 228	$ 202
Harris SC	1.00%	0.9%	$ 228	$ 214
Pyramis SC	1.50%	1.3%	$ 342	$ 307
Victory SC	0.80%	0.8%	$ 182	$ 192
Genesis	2.70%	2.8%	$ 615	$ 629
Arrowstreet EM	1.90%	2.0%	$ 433	$ 449
Pictet	0.00%	1.0%	$ -	$ 218
Westwood'	0.50%	0.5%	$ 114	$ 118
BR Tiered EM	1.00%	1.0%	$ 228	$ 238
DFA EM	0.50%	0.6%	$ 114	$ 128
W Blair EM	1.00%	0.0%	$ 228	$ -
NT Intl	1.00%	1.0%	$ 228	$ 237
AB Global	4.00%	4.1%	$ 911	$ 944
Total	100.0%	100.0%	$ 22,772	$ 22,772

	Target	Current	Benchmark/Policy
% Active	23.5%	20.9%	25.0%
% Value	50.6%	49.5%	50.0%
% US	42.9%	44.1%	43.8%
% Intl Dev	44.4%	43.0%	43.0%
% Emerging	12.7%	12.9%	13.3%

Section 2

Performance Exhibits

Oregon Investment Council

Emerging Markets Equity

	William Blair: Intl Emerging Mkts		Pictet: GEM		MSCI EM Index		MSCI EM Growth		eA EM Median	eA EM Size
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank		
Total Return										
3 Mos.	0.9	13	-1.9	79	-1.0	61	-0.1	34	-0.7	*180*
1 Yr.	28.7	47	29.8	37	28.2	51	29.4	43	28.3	*180*
3 Yrs.	1.2	77	1.6	74	4.5	45	3.1	61	4.0	*168*
5 Yrs.	10.2	77	10.1	79	11.8	47	10.1	78	11.5	*129*
7 Yrs.	19.8	31	17.0	74	18.1	52	16.3	85	18.3	*103*
10 Yrs.	18.8	31	18.3	35	16.5	68	14.5	96	17.0	*87*
Excess Return										
3 Mos.	1.0		-1.8		-0.9				-0.6	*180*
1 Yr.	-0.7		0.4		-1.2				-1.1	*180*
3 Yrs.	-1.9		-1.6		1.4				0.9	*168*
5 Yrs.	0.1		0.0		1.6				1.4	*129*
7 Yrs.	3.5		0.7		1.7				2.0	*103*
10 Yrs.	4.3		3.7		2.0				2.5	*87*
Excess Return vs. Universe Median										
3 Mos.	1.6		-1.2		-0.4		0.6			*180*
1 Yr.	0.4		1.5		-0.1		1.1			*180*
3 Yrs.	-2.8		-2.4		0.5		-0.9			*168*
5 Yrs.	-1.3		-1.4		0.2		-1.4			*129*
7 Yrs.	1.6		-1.3		-0.2		-2.0			*103*
10 Yrs.	1.8		1.3		-0.4		-2.5			*87*
Standard Deviation										
3 Yrs.	32.8	75	31.4	49	31.1	44	31.2	45	31.4	*168*
5 Yrs.	28.7	76	27.4	48	27.4	48	27.8	59	27.5	*129*
7 Yrs.	26.6	79	25.4	46	25.3	45	25.7	54	25.6	*103*
10 Yrs.	24.8	74	24.4	57	24.1	42	24.5	61	24.3	*87*
Tracking Error										
3 Yrs.	5.6	65	3.3	17	1.8	1			4.9	*168*
5 Yrs.	5.8	60	3.7	12	2.2	1			5.2	*129*
7 Yrs.	5.7	66	3.5	11	2.1	1			4.5	*103*
10 Yrs.	5.7	60	5.5	59	2.5	1			5.1	*87*
Information Ratio										
3 Yrs.	-0.3	77	-0.5	80	0.8	27			0.3	*168*
5 Yrs.	0.0	77	0.0	79	0.8	21			0.3	*129*
7 Yrs.	0.6	37	0.2	70	0.8	17			0.4	*103*
10 Yrs.	0.7	35	0.7	40	0.8	29			0.5	*87*

Universe: eA EM

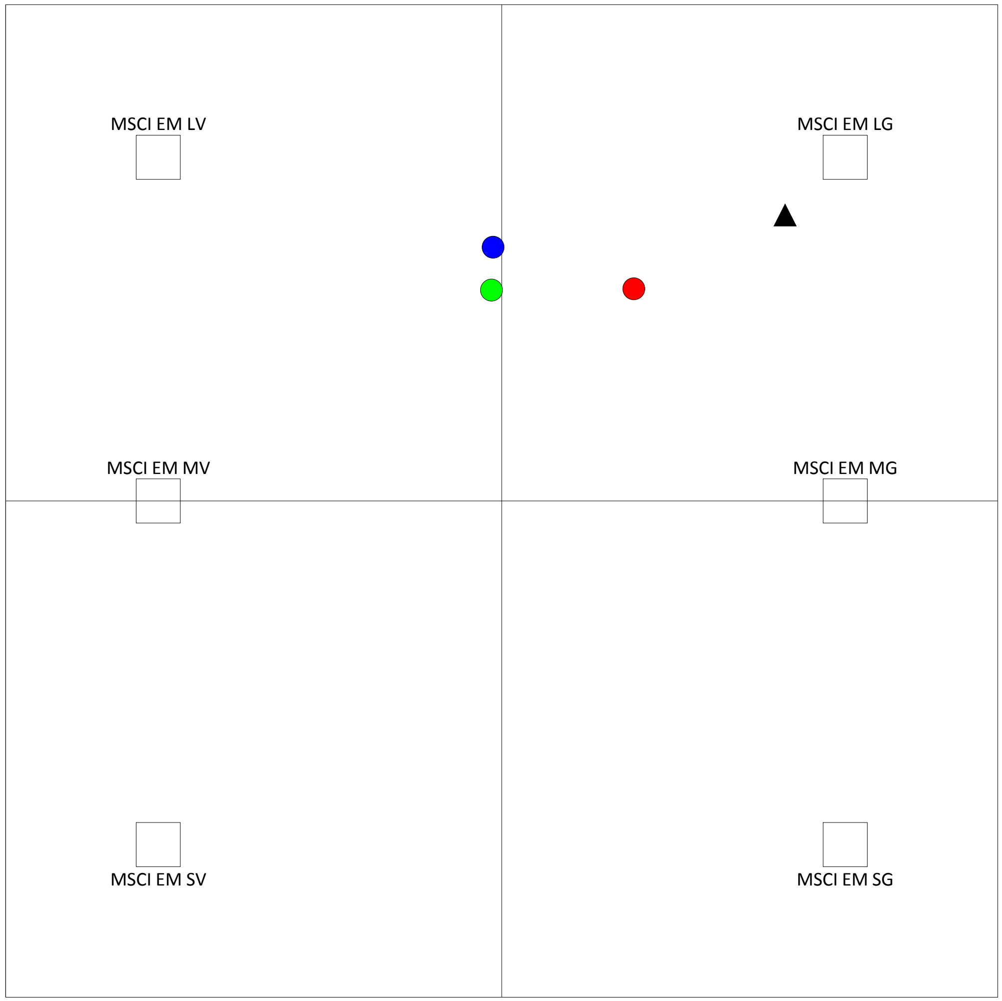
Universe Rank: Green = Top Quartile Red = Bottom Quartile

	William Blair: Intl Emerging Mkts		Pictet: GEM		MSCI EM Index		MSCI EM Growth		eA EM Median	eA EM Size
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank		
Beta										
3 Yrs.	1.0	27	1.0	49	1.0	55			1.0	*168*
5 Yrs.	1.0	29	1.0	52	1.0	49			1.0	*129*
7 Yrs.	1.0	24	1.0	51	1.0	50			1.0	*103*
10 Yrs.	1.0	34	1.0	53	1.0	44			1.0	*87*
Alpha (CAPM)										
3 Yrs.	-2.0	79	-1.5	74	1.4	45			0.9	*168*
5 Yrs.	0.0	79	0.2	75	1.8	48			1.6	*129*
7 Yrs.	3.3	37	1.0	75	2.0	54			2.3	*103*
10 Yrs.	4.4	34	4.1	39	2.3	67			3.3	*87*
Sharpe Ratio										
3 Yrs.	0.0	78	0.0	74	0.1	45	0.1	61	0.1	*168*
5 Yrs.	0.3	79	0.3	75	0.4	48	0.3	77	0.4	*129*
7 Yrs.	0.7	41	0.6	74	0.6	53	0.6	85	0.6	*103*
10 Yrs.	0.7	35	0.7	40	0.6	63	0.5	94	0.6	*87*
Upside Capture Ratio										
3 Yrs.	98.9	62	97.6	69	100.3	52			100.5	*168*
5 Yrs.	101.2	43	98.2	61	99.5	52			99.6	*129*
7 Yrs.	107.1	16	100.3	58	100.6	56			101.4	*103*
10 Yrs.	106.4	14	104.5	28	100.8	61			101.6	*87*
Downside Capture Ratio										
3 Yrs.	103.2	74	101.4	69	97.4	45			97.9	*168*
5 Yrs.	100.9	79	98.4	66	95.6	52			95.0	*129*
7 Yrs.	98.2	62	98.4	64	96.0	48			96.5	*103*
10 Yrs.	95.0	57	94.5	52	95.2	58			94.5	*87*

Universe: eA EM

Universe Rank: Green = Top Quartile Red = Bottom Quartile

Style Map (Jul 01 - Jun 11)

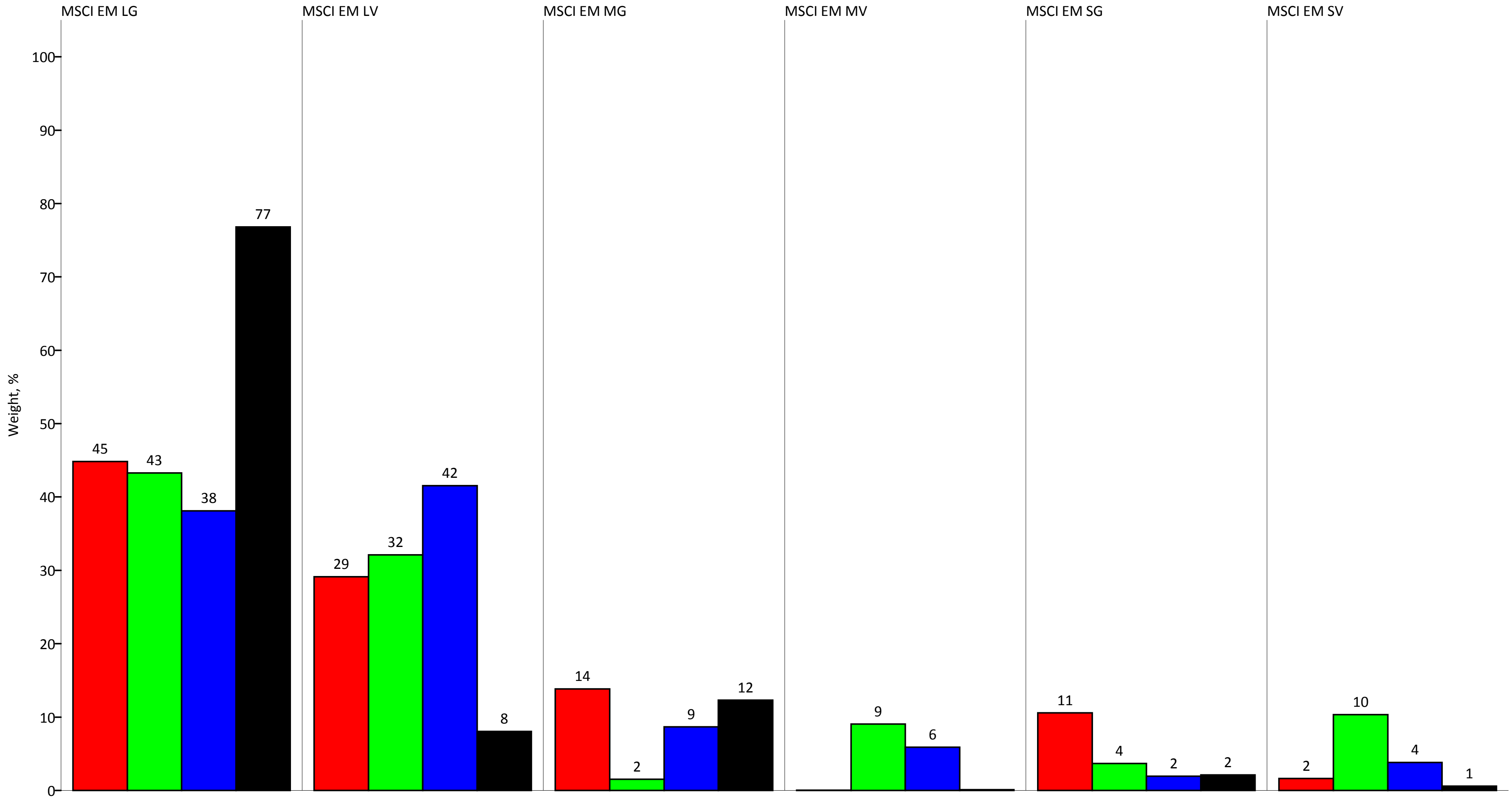


Legend

● William Blair: Intl Emerging Mkts ● Pictet: GEM ● MSCI EM Index ▲ MSCI EM Growth

Note: The date range displayed in style analysis charts will not match those in other charts because the system requires a certain number of returns (18 months in this study) before it can perform the first style calculation.

Style Weights (Jul 01 - Jun 11)

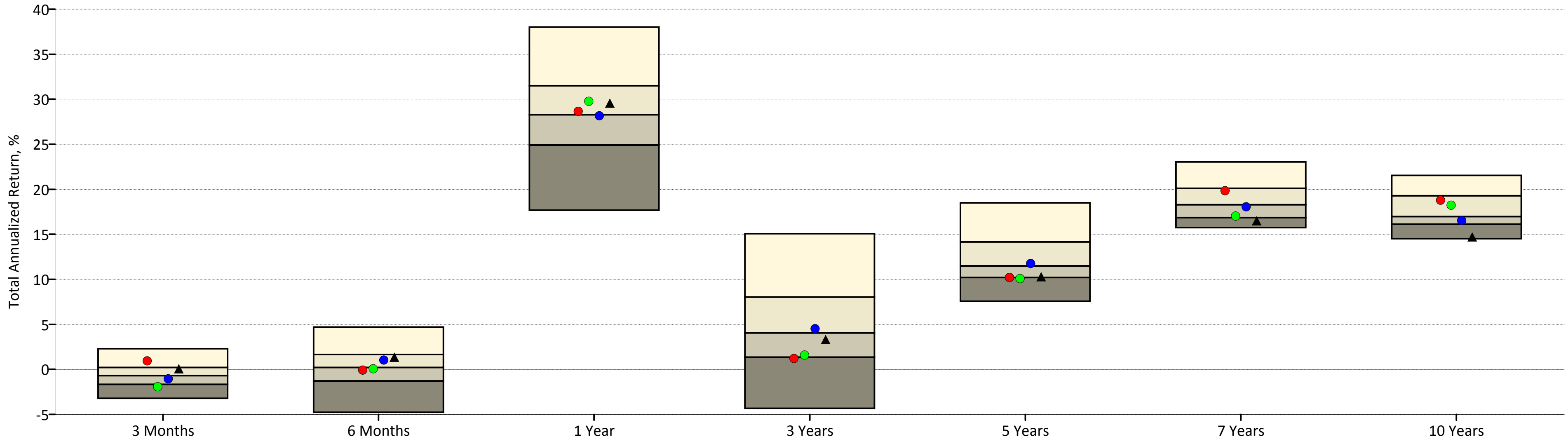


Legend

William Blair: Intl Emerging Mkts | Pictet: GEM | MSCI EM Index | MSCI EM Growth

Note: The date range displayed in style analysis charts will not match those in other charts because the system requires a certain number of returns (18 months in this study) before it can perform the first style calculation.

Total Return: Trailing Periods



	Total Return													
	3 Months		6 Months		1 Year		3 Years		5 Years		7 Years		10 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
William Blair: Intl Emerging Mkts	0.9	13	-0.1	56	28.7	47	1.2	77	10.2	77	19.8	31	18.8	31
Pictet: GEM	-1.9	79	0.1	54	29.8	37	1.6	74	10.1	79	17.0	74	18.3	35
MSCI EM Index	-1.0	61	1.0	36	28.2	51	4.5	45	11.8	47	18.1	52	16.5	68
MSCI EM Growth	-0.1	34	1.2	33	29.4	43	3.1	61	10.1	78	16.3	85	14.5	96
eA EM Median	-0.7		0.2		28.3		4.0		11.5		18.3		17.0	
eA EM Size		*180*		*180*		*180*		*168*		*129*		*103*		*87*

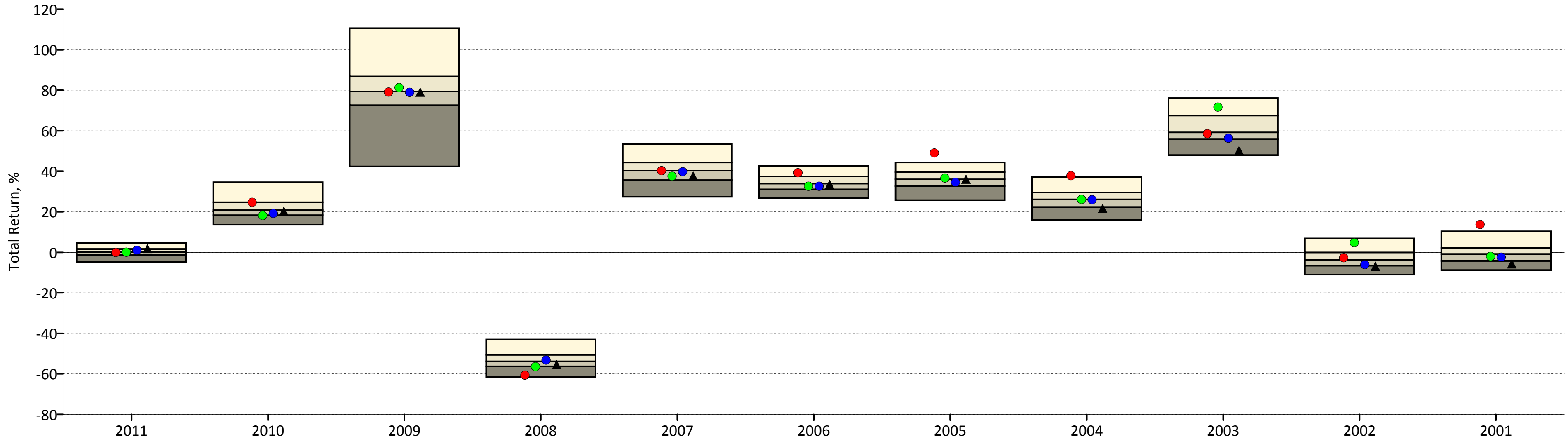
Legend

- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- William Blair: Intl Emerging Mkts
- Pictet: GEM
- MSCI EM Index
- MSCI EM Growth

Universe:
eA EM

Universe Rank:
Green = Top Quartile Red = Bottom Quartile

Total Return: Calendar Years



	2011 Stat	2011 Rank	2010 Stat	2010 Rank	2009 Stat	2009 Rank	2008 Stat	2008 Rank	2007 Stat	2007 Rank	2006 Stat	2006 Rank	2005 Stat	2005 Rank	2004 Stat	2004 Rank	2003 Stat	2003 Rank	2002 Stat	2002 Rank	2001 Stat	2001 Rank
William Blair: Intl Emerging Mkts	-0.1	56	24.7	25	79.1	52	-60.6	92	40.3	51	39.3	15	49.0	2	37.9	4	58.6	53	-2.7	41	13.8	3
Pictet: GEM	0.1	54	18.2	76	81.3	43	-56.5	76	37.5	68	32.7	59	36.7	46	26.2	50	71.7	15	4.7	11	-2.1	60
MSCI EM Index	1.0	36	19.2	65	79.0	52	-53.2	42	39.8	54	32.6	59	34.5	63	26.0	54	56.3	74	-6.0	73	-2.4	64
MSCI EM Growth	1.2	33	19.6	63	78.4	55	-56.2	75	37.0	71	32.8	58	35.4	57	20.9	84	49.6	92	-7.6	86	-6.5	90
eA EM Median	0.2		20.8		79.4		-53.9		40.3		33.9		36.1		26.2		59.3		-3.9		-0.9	
eA EM Size		*180*		*184*		*184*		*176*		*162*		*150*		*133*		*129*		*124*		*115*		*112*

Total Return

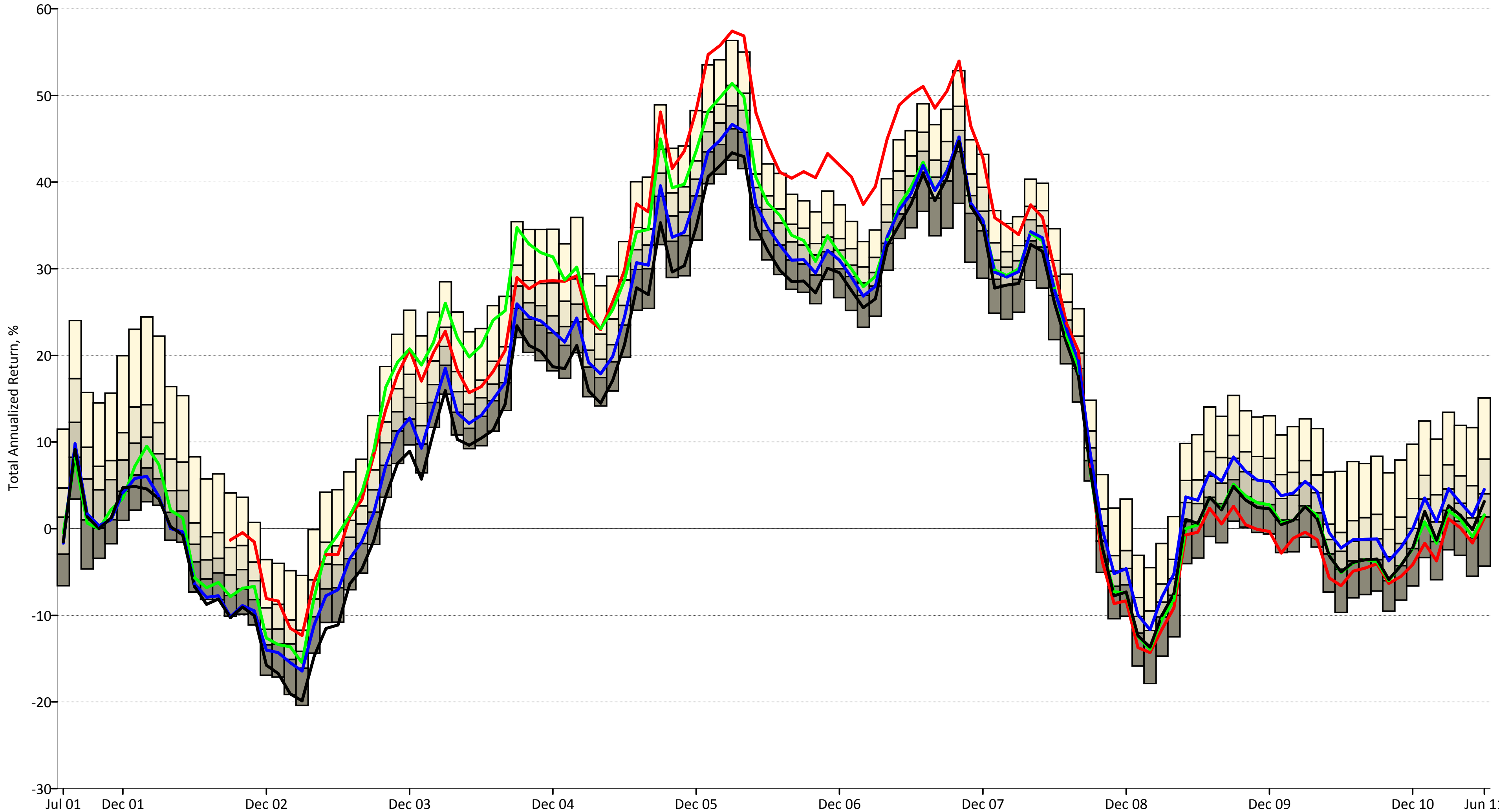
Legend

- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- William Blair: Intl Emerging Mkts
- Pictet: GEM
- MSCI EM Index
- MSCI EM Growth

Universe:
eA EM

Universe Rank:
Green = Top Quartile Red = Bottom Quartile

Total Return: Rolling 36-month Periods (Jul 01 - Jun 11)

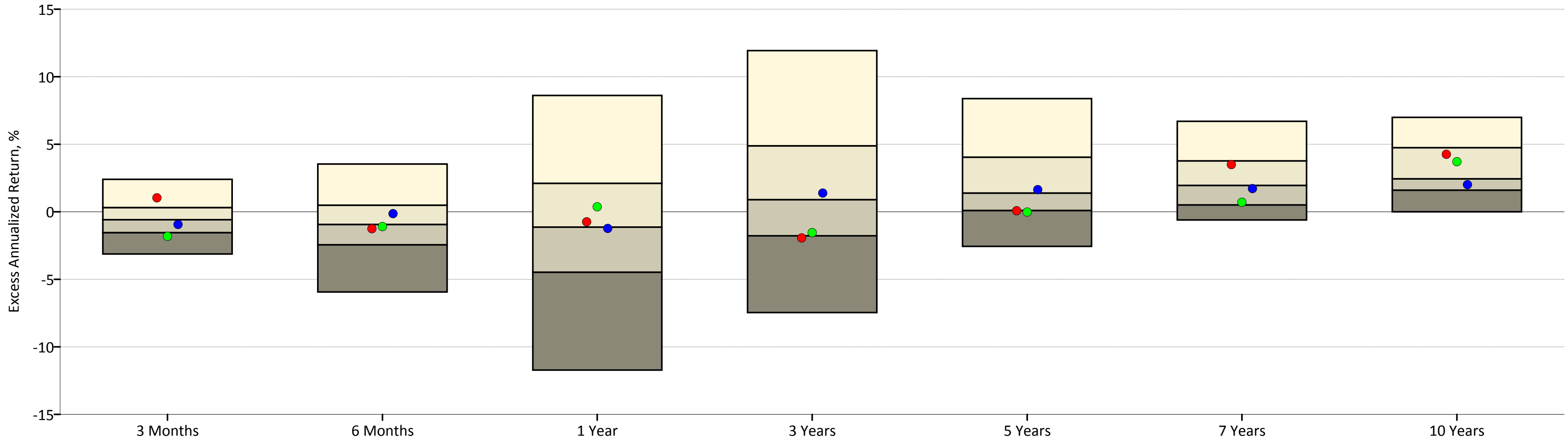


Legend

- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- William Blair: Intl Emerging Mkts
- Pictet: GEM
- MSCI EM Index
- MSCI EM Growth

Universe:
eA EM

Excess Return: Trailing Periods



	Excess Return													
	3 Months		6 Months		1 Year		3 Years		5 Years		7 Years		10 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
William Blair: Intl Emerging Mkts	1.0	13	-1.2	56	-0.7	47	-1.9	77	0.1	77	3.5	31	4.3	31
Pictet: GEM	-1.8	79	-1.1	54	0.4	37	-1.6	74	0.0	79	0.7	74	3.7	35
MSCI EM Index	-0.9	61	-0.1	36	-1.2	51	1.4	45	1.6	47	1.7	52	2.0	68
eA EM Median	-0.6		-0.9		-1.1		0.9		1.4		2.0		2.5	
eA EM Size		*180*		*180*		*180*		*168*		*129*		*103*		*87*

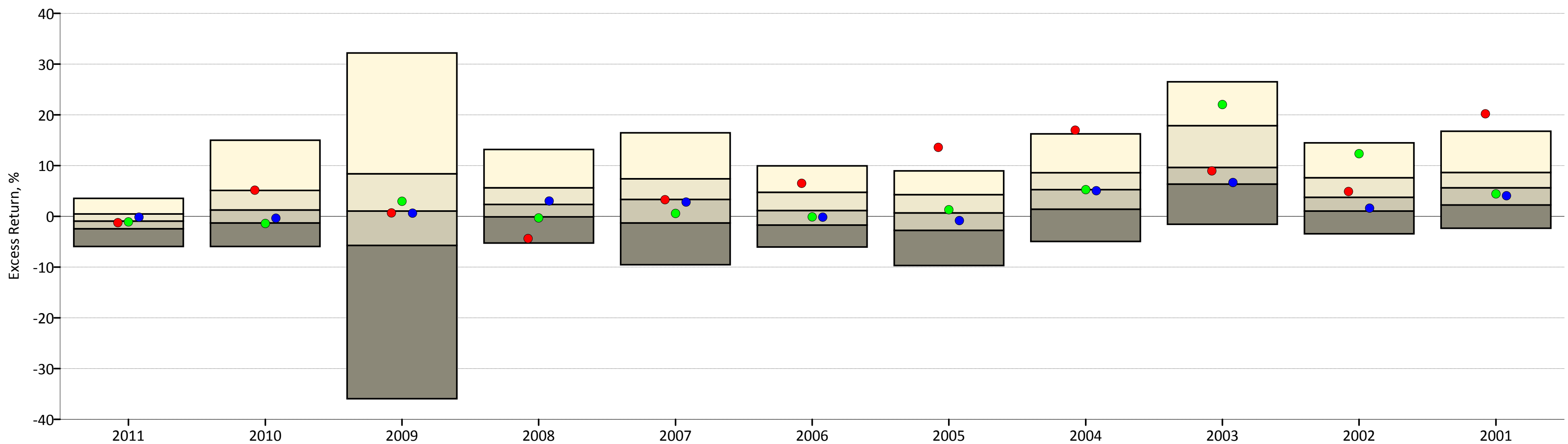
Legend

- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- William Blair: Intl Emerging Mkts
- Pictet: GEM
- MSCI EM Index

Universe:
eA EM

Universe Rank:
Green = Top Quartile Red = Bottom Quartile

Excess Return: Calendar Years



	Excess Return																					
	2011		2010		2009		2008		2007		2006		2005		2004		2003		2002		2001	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
William Blair: Intl Emerging Mkts	-1.2	56	5.2	25	0.7	52	-4.4	92	3.3	51	6.5	15	13.6	2	17.0	4	9.0	53	4.9	41	20.2	3
Pictet: GEM	-1.1	54	-1.4	76	3.0	43	-0.3	76	0.6	68	-0.1	59	1.3	46	5.2	50	22.1	15	12.3	11	4.4	60
MSCI EM Index	-0.1	36	-0.4	65	0.6	52	3.0	42	2.8	54	-0.2	59	-0.9	63	5.1	54	6.7	74	1.6	73	4.1	64
eA EM Median	-0.9		1.2		1.1		2.3		3.3		1.1		0.7		5.2		9.6		3.7		5.6	
eA EM Size		*180*		*184*		*184*		*176*		*162*		*150*		*133*		*129*		*124*		*115*		*112*

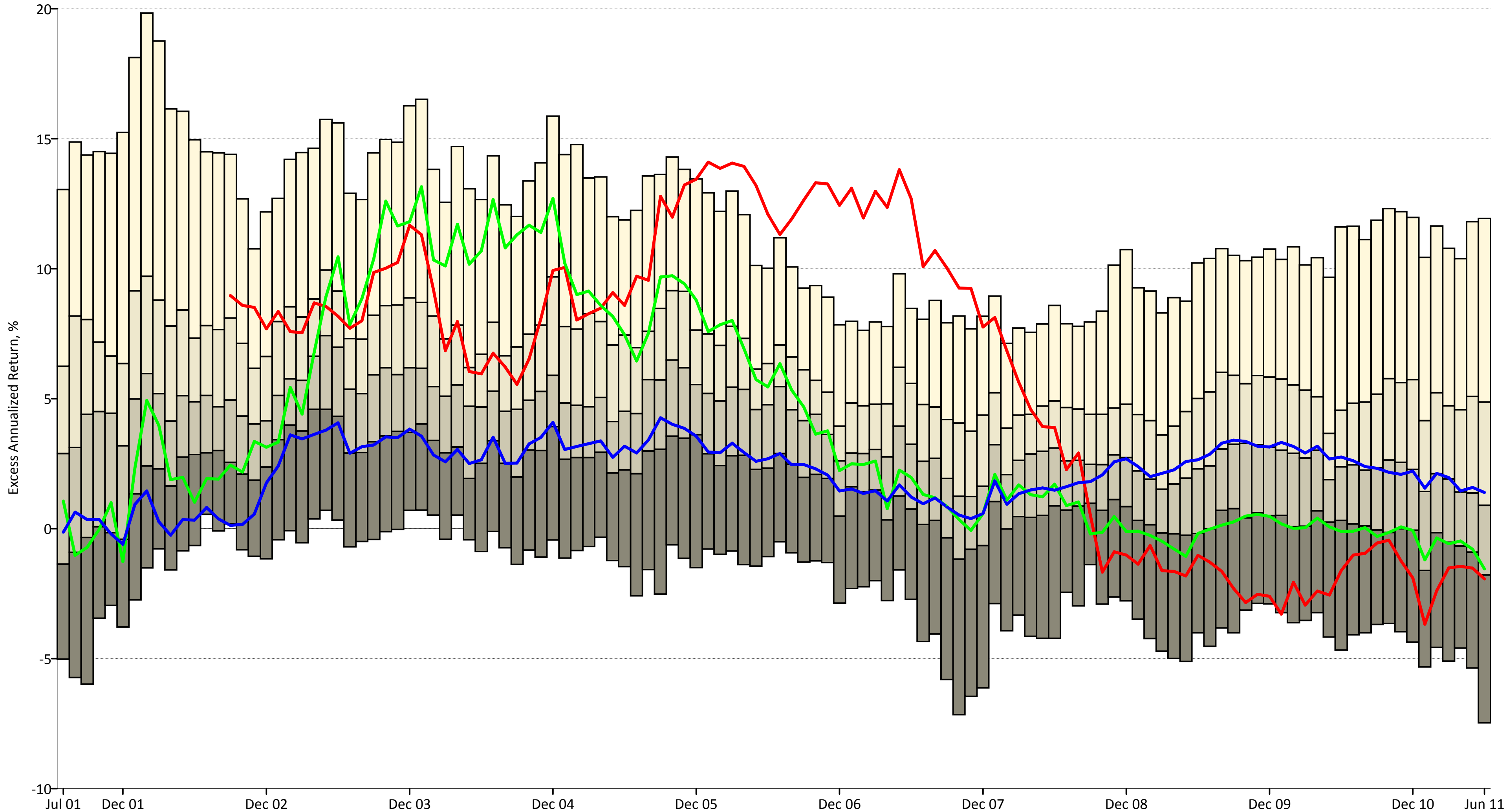
Legend

- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- William Blair: Intl Emerging Mkts
- Pictet: GEM
- MSCI EM Index

Universe:
eA EM

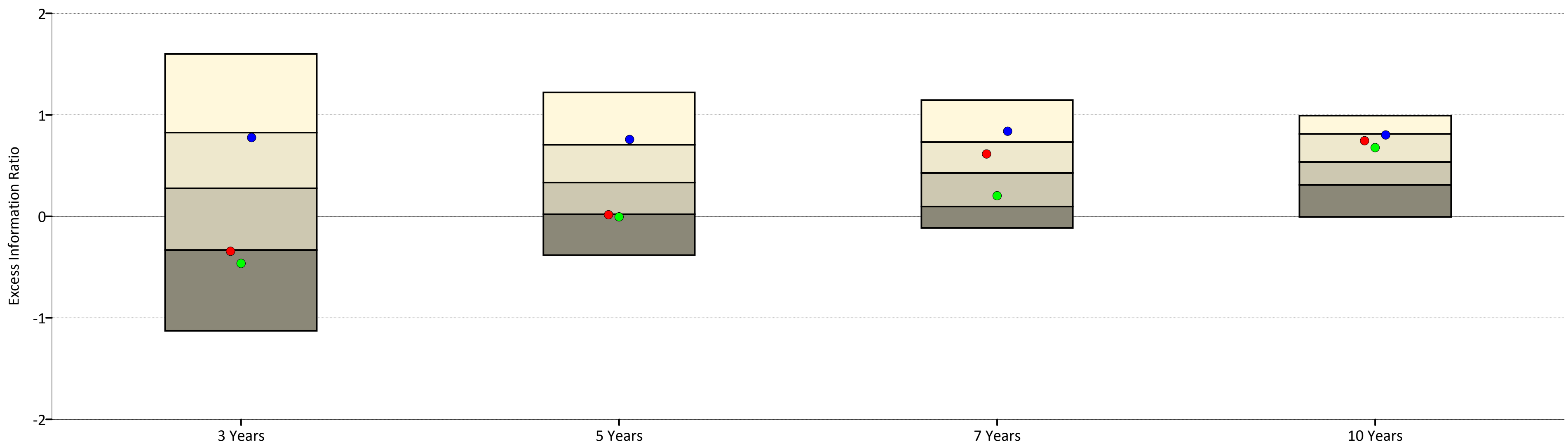
Universe Rank:
Green = Top Quartile Red = Bottom Quartile

Excess Return: Rolling 36-month Periods (Jul 01 - Jun 11)



Legend

Information Ratio: Trailing Periods



	Information Ratio							
	3 Years		5 Years		7 Years		10 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
William Blair: Intl Emerging Mkts	-0.3	77	0.0	77	0.6	37	0.7	35
Pictet: GEM	-0.5	80	0.0	79	0.2	70	0.7	40
MSCI EM Index	0.8	27	0.8	21	0.8	17	0.8	29
eA EM Median	0.3		0.3		0.4		0.5	
eA EM Size		*168*		*129*		*103*		*87*

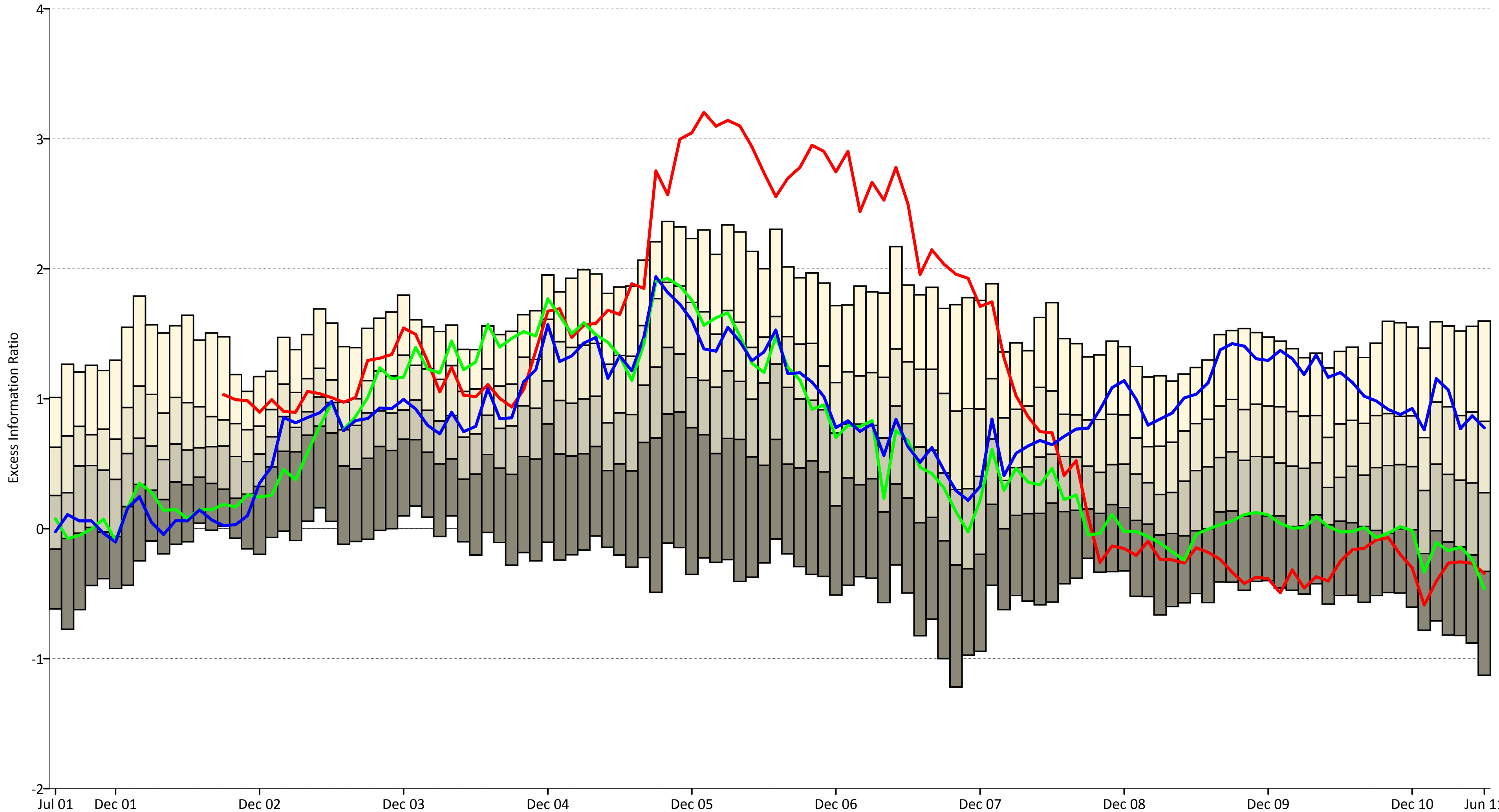
Legend

5th to 25th Percentile
25th Percentile to Median
Median to 75th Percentile
75th to 95th Percentile
William Blair: Intl Emerging Mkts
Pictet: GEM
MSCI EM Index

Universe:
eA EM

Universe Rank:
Green = Top Quartile Red = Bottom Quartile

Information Ratio: Rolling 36-month Periods (Jul 01 - Jun 11)

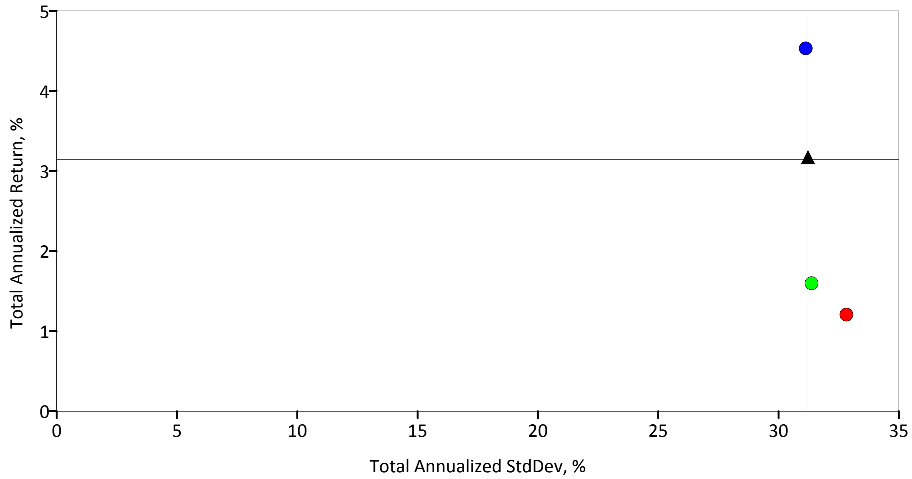


Legend

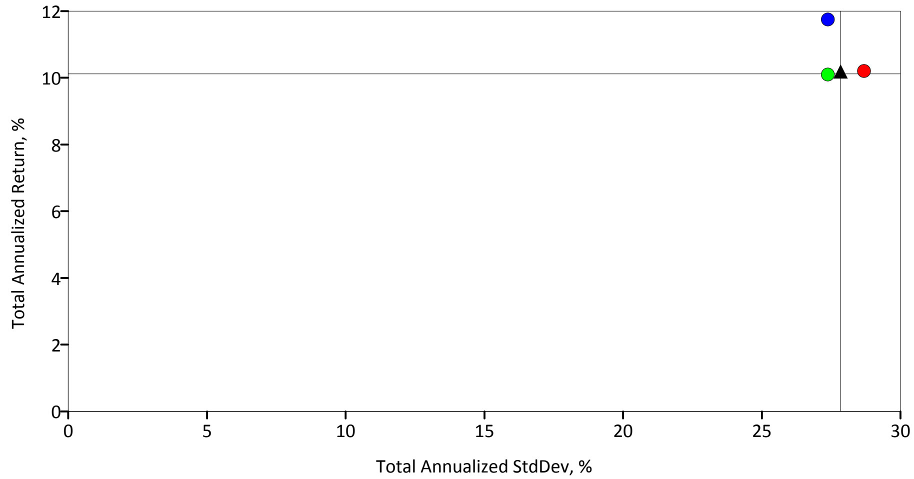
- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- William Blair: Intl Emerging Mkts
- Pictet: GEM
- MSCI EM Index

Universe:
eA EM

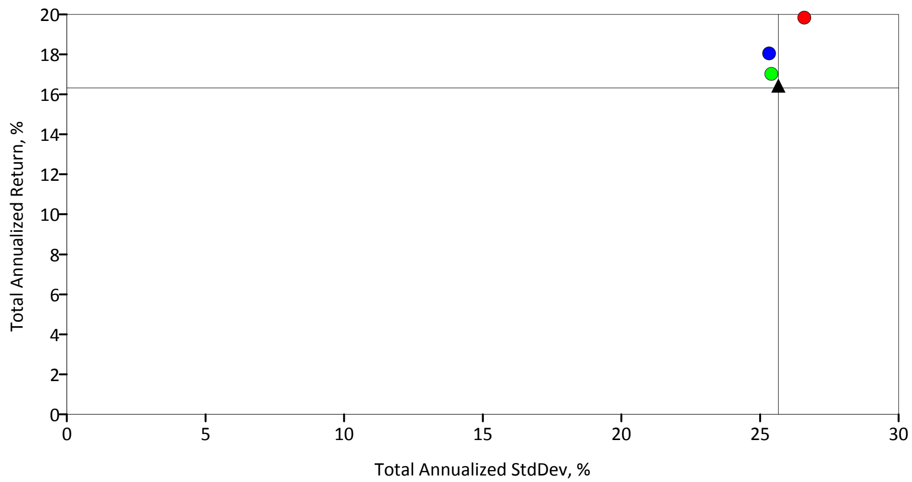
Total Return vs. Standard Deviation: Trailing 3 Years (Jul 08 - Jun 11)



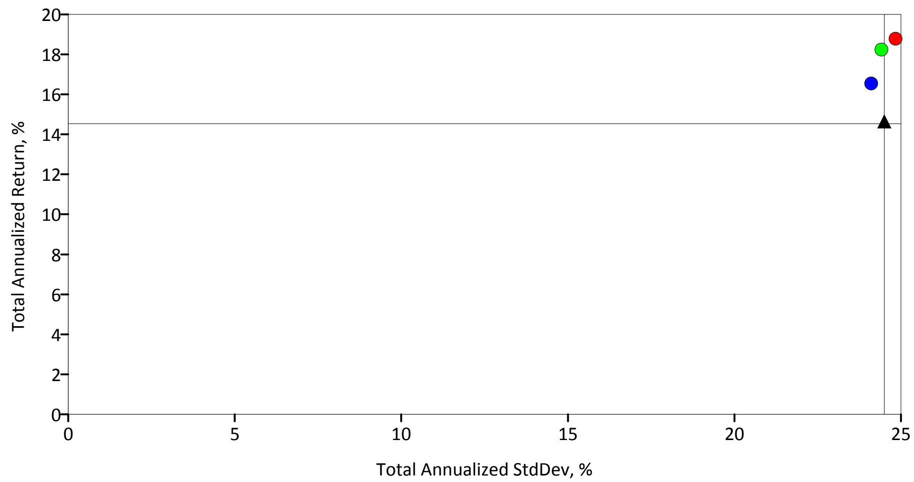
Total Return vs. Standard Deviation: Trailing 5 Years (Jul 06 - Jun 11)



Total Return vs. Standard Deviation: Trailing 7 Years (Jul 04 - Jun 11)



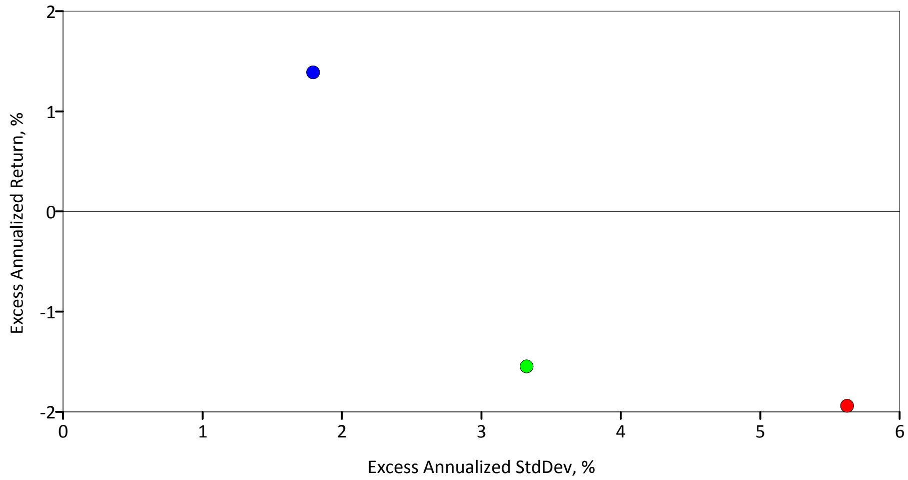
Total Return vs. Standard Deviation: Trailing 10 Years (Jul 01 - Jun 11)



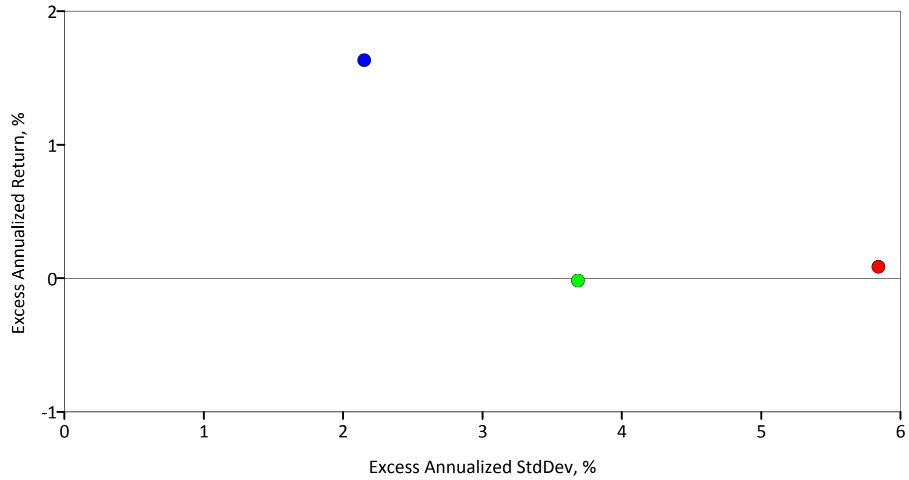
Legend

● William Blair: Intl Emerging Mkts ● Pictet: GEM ● MSCI EM Index ▲ MSCI EM Growth

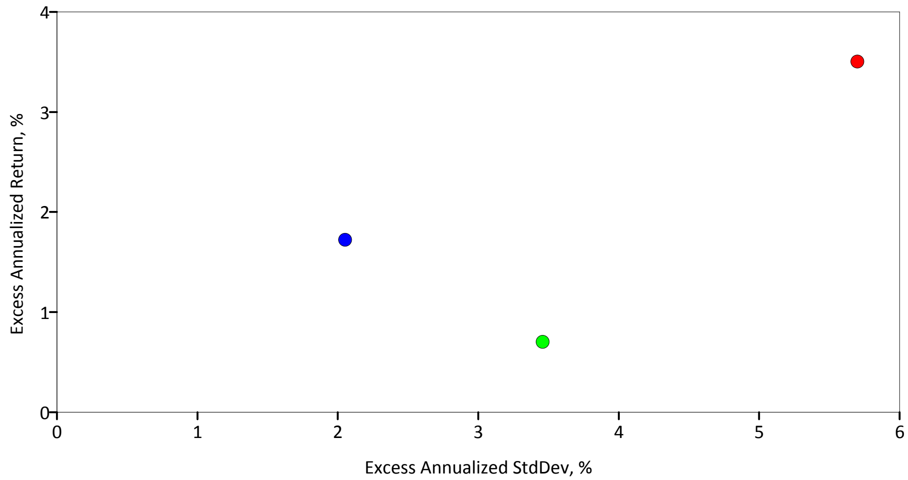
Excess Return vs. Tracking Error: Trailing 3 Years (Jul 08 - Jun 11)



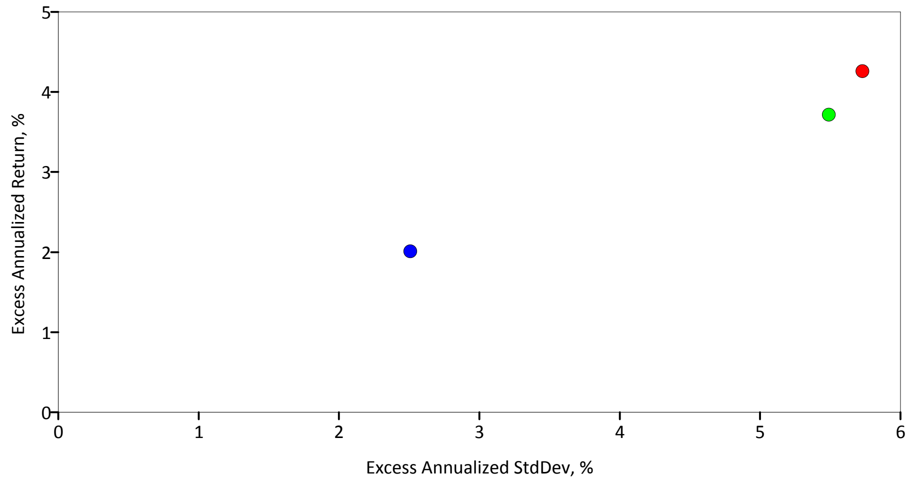
Excess Return vs. Tracking Error: Trailing 5 Years (Jul 06 - Jun 11)



Excess Return vs. Tracking Error: Trailing 7 Years (Jul 04 - Jun 11)



Excess Return vs. Tracking Error: Trailing 10 Years (Jul 01 - Jun 11)



Legend

- William Blair: Intl Emerging Mkts
- Pictet: GEM
- MSCI EM Index

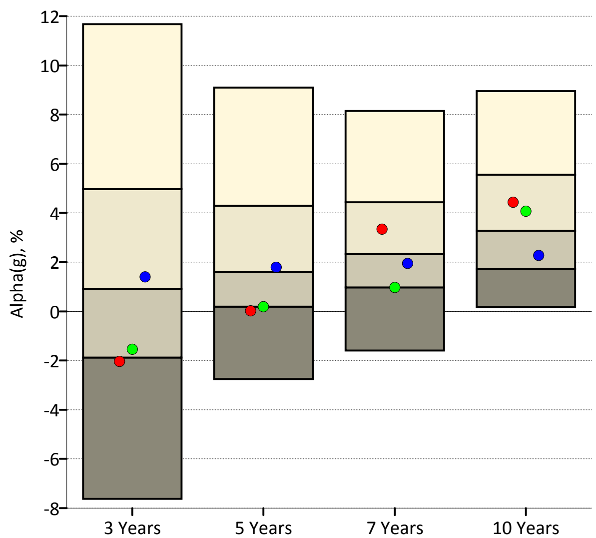
Oregon Investment Council - Emerging Markets Equity

Periods ending June 30, 2011

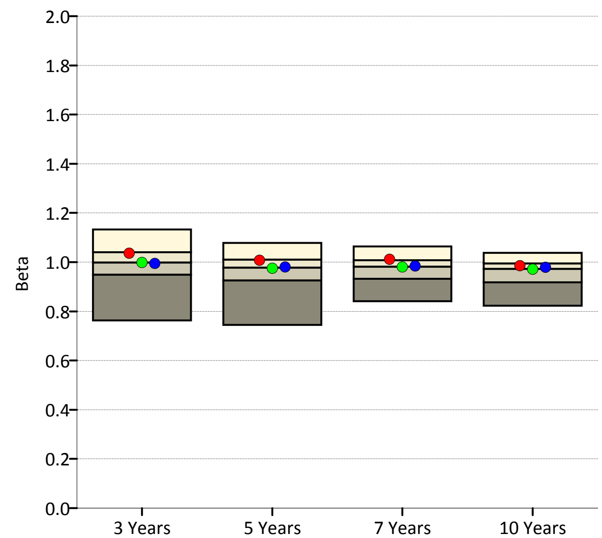
MPT Statistics

All Strategies

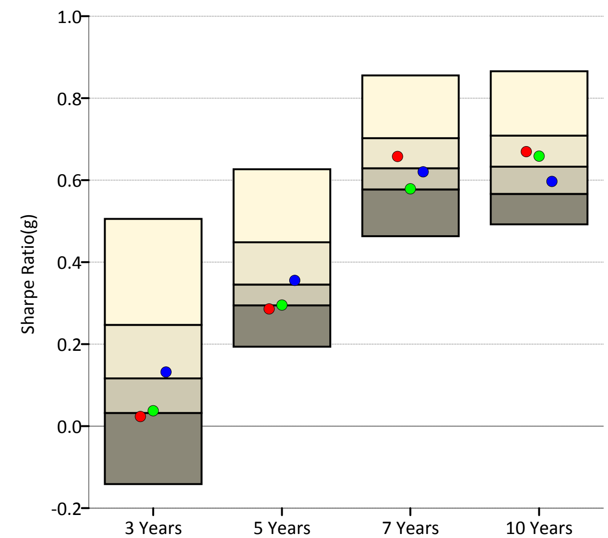
Alpha: Trailing Periods (Jul 01 - Jun 11)



Beta: Trailing Periods (Jul 01 - Jun 11)



Sharpe Ratio: Trailing Periods (Jul 01 - Jun 11)



	3 Yrs			5 Yrs			7 Yrs.			10 Yrs.		
	Alpha [Rank]	Beta [Rank]	Sharpe [Rank]	Alpha [Rank]	Beta [Rank]	Sharpe [Rank]	Alpha [Rank]	Beta [Rank]	Sharpe [Rank]	Alpha [Rank]	Beta [Rank]	Sharpe [Rank]
William Blair: Intl Emerging Mkts	-2.0 [79]	1.0 [27]	0.0 [78]	0.0 [79]	1.0 [29]	0.3 [79]	3.3 [37]	1.0 [24]	0.7 [41]	4.4 [34]	1.0 [34]	0.7 [35]
Pictet: GEM	-1.5 [74]	1.0 [49]	0.0 [74]	0.2 [75]	1.0 [52]	0.3 [75]	1.0 [75]	1.0 [51]	0.6 [74]	4.1 [39]	1.0 [53]	0.7 [40]
MSCI EM Index	1.4 [45]	1.0 [55]	0.1 [45]	1.8 [48]	1.0 [49]	0.4 [48]	2.0 [54]	1.0 [50]	0.6 [53]	2.3 [67]	1.0 [44]	0.6 [63]
eA EM Median	0.9	1.0	0.1	1.6	1.0	0.4	2.3	1.0	0.6	3.3	1.0	0.6
eA EM Size		*168*			*129*			*103*			*87*	

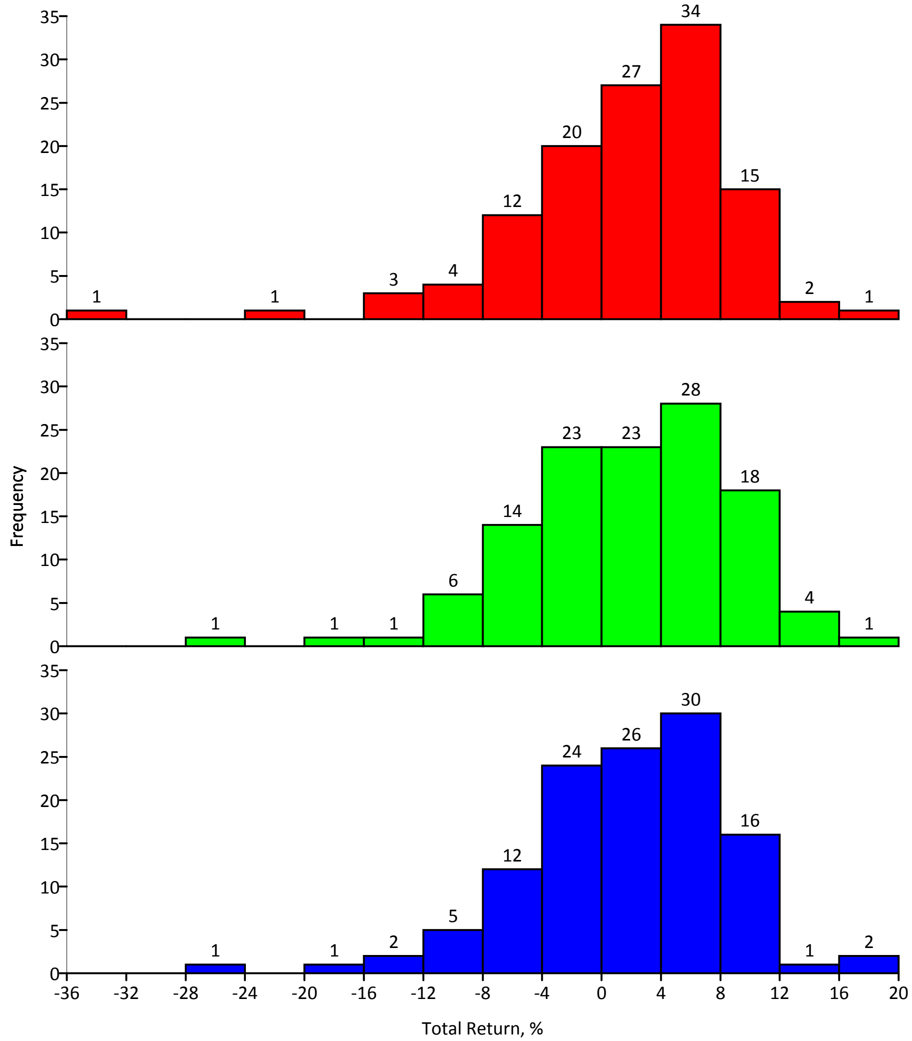
Legend

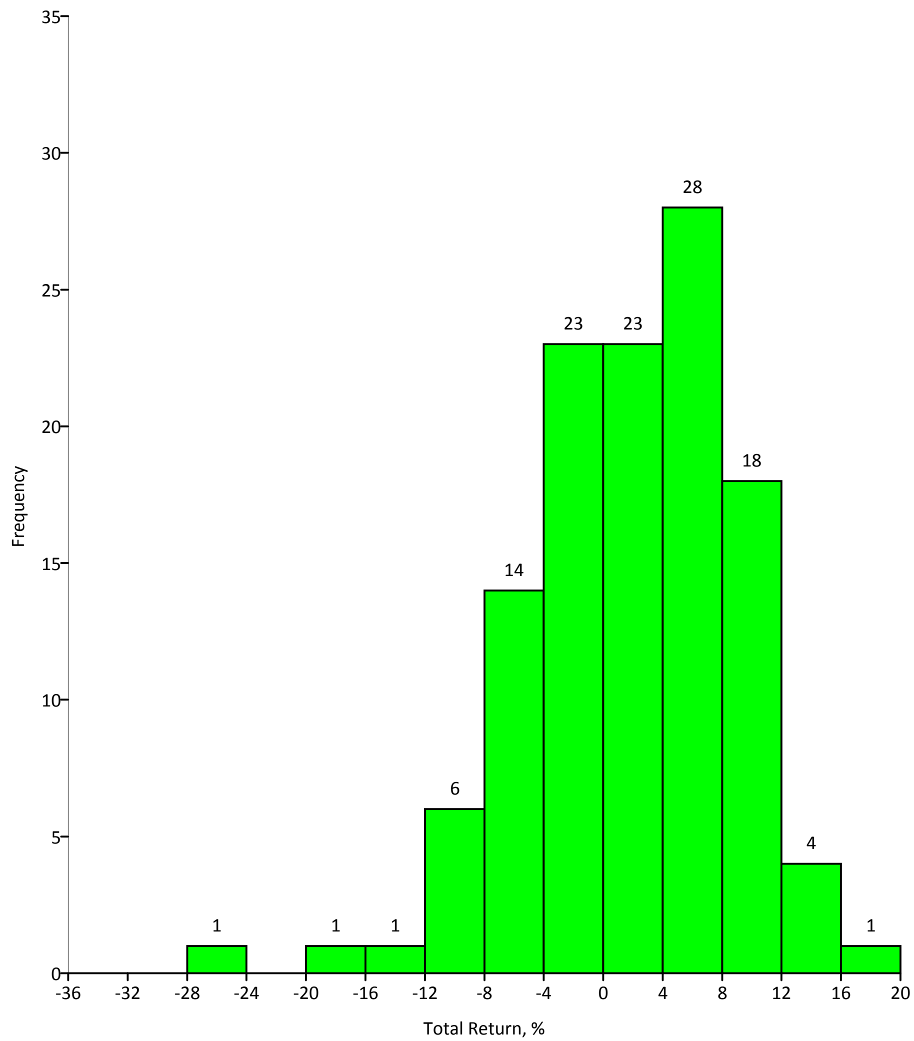
- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- William Blair: Intl Emerging Mkts
- Pictet: GEM
- MSCI EM Index

Universe:
eA EM

Universe Rank:
Green = Top Quartile Red = Bottom Quartile

Distribution of Total Returns: Common Period (Jul 01 - Jun 11)

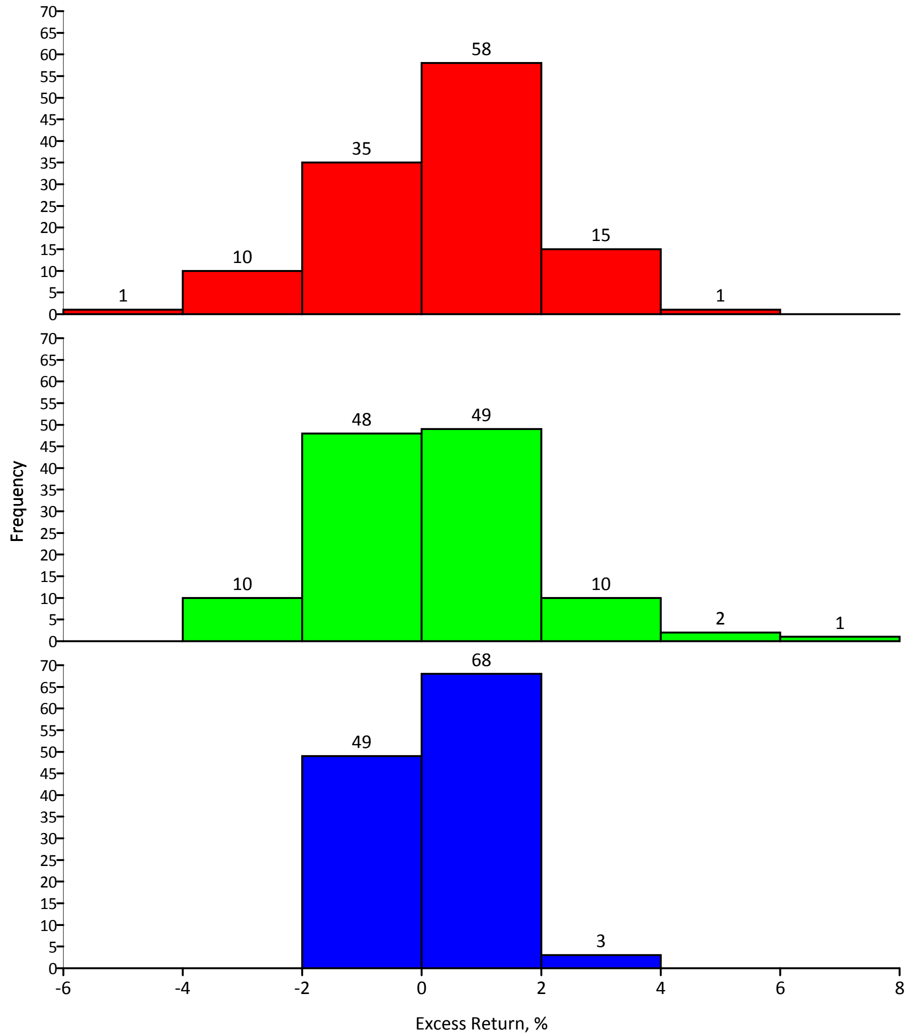


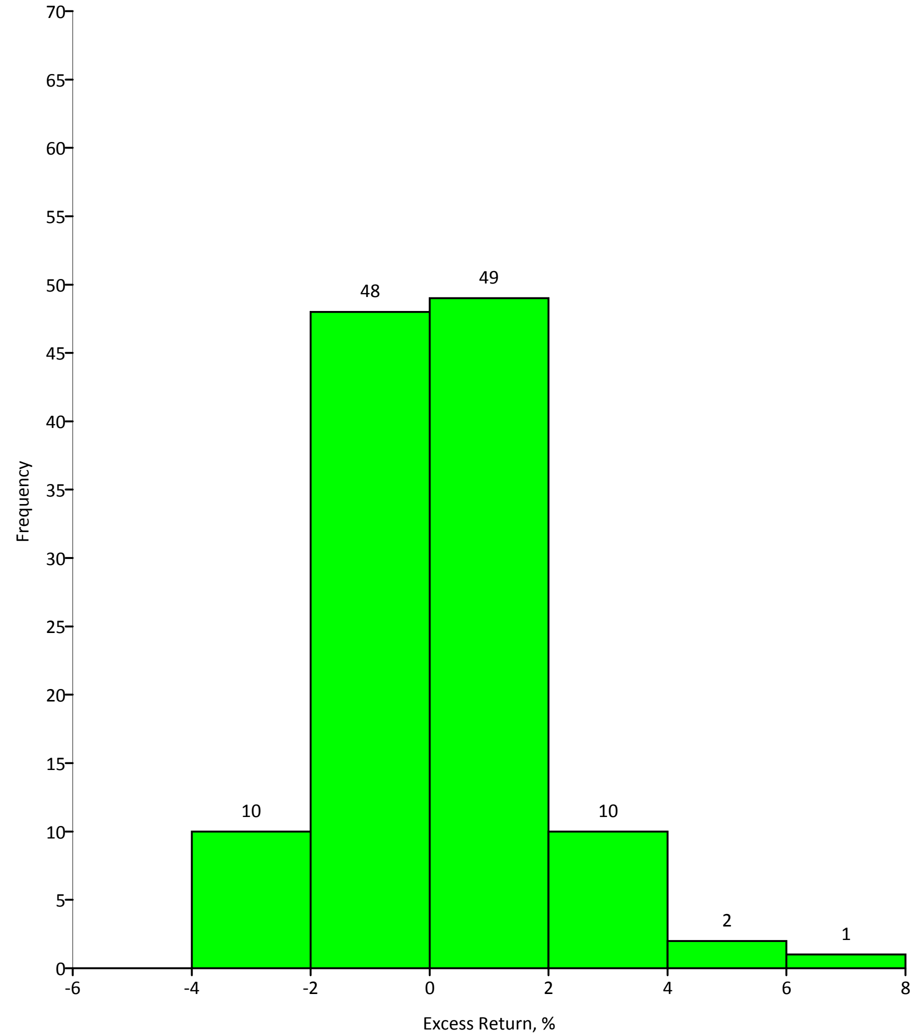


Legend

William Blair: Intl Emerging Mkts
Pictet: GEM
MSCI EM Index

Distribution of Excess Returns: Common Period (Jul 01 - Jun 11)





Legend

- William Blair: Intl Emerging Mkts
- Pictet: GEM
- MSCI EM Index

Alpha (Jenson's Alpha) – a manager's *Total Return* in excess of that which can be explained by its systematic risk, or *Beta*. Alpha is calculated by regressing a manager's *Total Returns* against those of the benchmark (taken to represent the "market"). Alpha is the intercept term in this regression, also known as a Capital Asset Pricing Model (CAPM) regression. A positive Alpha implies that a manager has added value relative to the benchmark on a *Beta*- or risk-adjusted basis.

Batting Average – the percentage frequency a manager's periodic *Total Return* exceeds the benchmark. A manager that outperforms the benchmark in 15 out of 20 months will have a *Batting Average* of 0.75.

Benchmark R-Squared – a statistical measure that represents the percentage of volatility in a manger's returns which can be explained by the volatility of the benchmark. Benchmark R-Squared can range from 0-100%. See also *R-Squared*.

Best/Worst Quarter – the maximum/minimum *Total Return* or *Excess Return* over any rolling 3-month period (when monthly returns are used). Note that the term "quarter" in this calculation does not refer to calendar quarters (unless the periodicity is quarterly), but rather 3-month windows.

Best/Worst Year – the maximum/minimum *Total Return* or *Excess Return* over any rolling 12-month period (when monthly returns are used). Note that the term "year" in this calculation does not refer to calendar years, but rather 12-month (or 4-quarter) windows.

Beta – a measure of a manager's sensitivity to systematic, or market risk. Beta is calculated by regressing a manager's *Total Returns* against those of the benchmark (taken to represent the "market"). Beta is the slope coefficient in this regression, also known as a Capital Asset Pricing Model (CAPM) regression. A manager with a Beta of 1 has a systematic volatility equal to that of the benchmark, while a Beta less than 1 implies lower systematic volatility than the benchmark and a Beta greater than 1 indicates that a manager exhibits more systematic volatility than the benchmark.

Calmar Ratio – a risk/return measure that is calculated by dividing a manager's *Total Return* or *Excess Return* by the respective *Maximum Drawdown*. A higher Calmar Ratio implies greater manager efficiency in generating *Total Returns* or *Excess Returns* without experiencing correspondingly high *Maximum Drawdowns*.

Capture Ratio – the ratio of a manager's average *Total Return* to the benchmark's average *Total Return*. Up Market Capture Ratio refers to relative performance in periods where the benchmark *Total Return* is greater than 0 (i.e., positive) and Down Market Capture Ratio is calculated over those periods where the benchmark *Total Return* is less than 0 (i.e., negative).

Correlation – a standardized measure of *Covariance* scaled to a range of -1 to 1. Correlations close to 1 suggest that two *Return Series* move together very closely while Correlations close to -1 indicate that two *Return Series* tend to move opposite of one another.

Covariance – a measure of the co-movement of two variables, *Return Series* for these purposes. When two *Return Series* tend to deviate in the same direction they will exhibit positive Covariance and if they tend to deviate in opposite directions they will exhibit negative Covariance.

Excess Correlation – the *Correlation* between two sets of *Excess Return Series*.

Excess Information Ratio – a measure of a manager's active return per unit of active risk. Excess Information Ratio (commonly referred to as *Information Ratio*) is calculated by dividing a manager's *Excess Return* by the *Tracking Error*. A higher Excess Information Ratio implies greater manager efficiency in terms of the active risk taken versus the benchmark.

Excess Loss Ratio – a measure of a manager's active return per unit of downside active risk. Excess Loss Ratio is calculated by dividing a manager's *Excess Return* by the *Semi-Standard Deviation* of *Excess Returns*. A higher Excess Loss Ratio implies greater manager efficiency.

Excess Omega Ratio – a measure of a manager's active return versus active risk that uses the cumulative probability distribution function (CDF) of *Excess Returns* and assigns a return threshold (0 in this case), with part of the distribution on each side. Excess Omega Ratio is calculated by dividing the area above the CDF curve to the right of the threshold by the area below the CDF curve to the left of the threshold. Excess Omega Ratio is useful in that it incorporates the full distribution of *Excess Returns*, not just the mean and standard deviation (i.e., tracking error), and does not rely on a normally-distributed return series as many other risk-adjusted measures such as the *Sharpe Ratio* and *Information Ratio* implicitly do. As with other risk-adjusted measures, a higher Excess Omega Ratio implies greater manager efficiency in terms of active risk and return.

Excess Return – a manager's return in excess of the benchmark's *Total Return*.

Excess Style Weights – a manager's style weights in excess of the benchmark's style weights for a given period. This measures a manager's style deviations, or bets, versus the benchmark.

Information Ratio – a measure of a manager's return per unit of risk. Information Ratio is calculated by dividing a manager's *Total Return* by the *Standard Deviation*. A higher Information Ratio implies greater manager efficiency. To avoid confusion and conform to industry standards, the term “Information Ratio” is used throughout the study when referencing the *Excess Information Ratio* statistic.

Maximum Drawdown – a drawdown is any losing period during a *Return Series* (either *Total Return* or Excess *Return*) and the Maximum Drawdown measures the cumulative return during the worst “peak to trough” period for the *Return Series*. The Maximum Drawdown does not necessarily occur over consecutive months (or quarters) of negative performance and can be interrupted by periods of positive performance as long as this does not cause full recovery of the initial value prior to the drawdown.

Recovery Duration – the number of months (or quarters) from trough to full recovery after the *Maximum Drawdown*. If the full amount of the initial value has not been recovered, Recovery Duration will display “N/A”.

Recovery Percent – where the full amount of the initial value has not been recovered after the *Maximum Drawdown*, Recovery Percent represents the partial percent of peak to trough loss that has been regained to date. If the initial value has been re-achieved, Recovery Percent will display “100%”.

Recovery Period – the range of months (or quarters) to regain the value before the *Maximum Drawdown* occurred, starting from the first month (or quarter) after a trough. When the full amount of the initial value has not been recovered the date range shown is from the trough to the highest subsequent cumulative value.

Return Series – a set of *Returns* over a range of time periods.

Risk – see *Standard Deviation*.

R-Squared – within the context of regression analysis, R-Squared represents the portion of the variation of a dependent variable (e.g., a manager's *Return Series*) that can be explained by the variation of the independent variable(s) (e.g., a benchmark index or set of *Style Indices*). R-squared values range from 0 to 100. An R-squared of 100 indicates that all movements of the dependent variable are completely explained by movements of the independent variable(s). In addition, R-Squared provides a measure of the goodness of fit, or validity, of the regression model.

Selection Return – a manager's *Total Return* in excess of the *Style Return*. A positive Selection Return implies that a manager has added value relative to the *Style Benchmark* through security selection.

Semi-Standard Deviation – a measure of downside risk similar to Standard Deviation, except that it is calculated using only the variance of returns below a target rate (0 by default, but can also be set to a Minimum Accepted Return or MAR, the risk-free rate or the benchmark's return). A high Semi-Standard Deviation represents a wide range of returns below the target rate and therefore implies a higher level of downside risk. Semi-Standard Deviation is useful in that it penalizes managers only for volatile returns below the target rate, unlike the full Standard Deviation calculation which does not distinguish between upside (good) and downside (bad) volatility.

Sharpe Ratio – a manager's *Excess Return* over the risk-free rate divided by the *Standard Deviation*. Sharpe Ratio measures a manager's return per unit of risk. A higher Sharpe Ratio implies greater manager efficiency.

Standard Deviation – a measure of the extent to which observations in a series vary from the arithmetic mean of the series. Standard Deviation (also referred to ask *Volatility* or *Risk*) provides an indication of the dispersion of periodic returns. A high Standard Deviation represents a wide range of returns and therefore implies a higher level of risk.

Style Benchmark – a blended index of *Style Indices* combined at the corresponding *Style Weights*. The *Style Return* represents the *Total Return* of the Style Benchmark.

Style Indices – independent (or explanatory) variables used in the *Style Regression*. Style Indices can also be interpreted as the manager's *Betas* or risk factors within the context of the *Style Regression*.

Style Map – a specialized form of scatter plot used to show where a manager lies in relation to a set of *Style Indices* on a two-dimensional plane. A Style Map is simply a different way of viewing the *Style Weights*. The x and y co-ordinates are calculated by rescaling the *Style Weights* to a range of -1 to 1 on each axis.

Style Regression – a constrained quadratic regression of a manager or benchmark return series against a set of *Style Indices*. Style Regression calculates a series of *Betas* that collectively seek to explain as much of a return series as possible.

Style Return – calculated by multiplying a manager's (or benchmark's) Style Weights by the corresponding returns of the Style Indices and summing the resulting weighted component returns.

Style R-Squared – a statistical measure that represents the percentage of volatility in a manager's returns which can be explained by the volatility of the *Style Indices* (or collectively, the *Style Benchmark*). Style R-Squared can range from 0-100%. See also *R-Squared*.

Style Weights – represent the periodic exposure of a manager (or benchmark) to various explanatory variables, also referred to as *Style Indices*. Style Weights are returns-based, i.e. they are calculated through the *Style Regression*.

Timing Return – a manager's *Style Return* in excess of the benchmark's *Style Return*'. A positive Timing Return implies that a manager has added value relative to the benchmark through asset allocation decisions, i.e., over/underweight "positions" in the *Style Indices* versus those of the benchmark.

1) If the market benchmark used in the study is not also one of the *Style Indices* then it too will have *Style Weights*, a *Style Return* and a *Style Benchmark*. If the benchmark is one of the *Style Indices*, its *Style Return* will equal the benchmark's *Total Return*.

Total Return – a measure of the appreciation or depreciation in the price of an investment over a given time period.

Tracking Error – the *Standard Deviation* of a manager's *Excess Return* series. Tracking Error measures the extent to which a manager's returns diverge from the benchmark's returns. A low Tracking Error indicates that the manager closely tracks the benchmark.

Volatility – see *Standard Deviation*.

Note: All calculations use geometrically annualized returns except for cumulative returns and those that cover periods less than one year.

TAB 5 – 2012 OIC MEETING CALENDAR ADOPTION

OREGON INVESTMENT COUNCIL

2012 Meeting Schedule

Meetings Begin at 9:00 am
at
PERS Headquarters Building
11410 SW 68th Parkway
Tigard, OR 97223

January 25, 2012

February 29, 2012

April 25, 2012

May 30, 2012

July 25, 2012

October 3, 2012

November 7, 2012

December 5, 2012

TAB 6 – ANNUAL COMMON SCHOOL FUND REVIEW

Oregon Investment Council
Common School Fund
2011 Annual Portfolio Review

Purpose
To provide the Oregon Investment Council an update on the performance, structure, and asset allocation of the Common School Fund for the one year period ended August 31, in accordance with OIC Policy 4.08.07. Periodically, the Director of the Division of State Lands may provide an update to the OIC as well.

CSF Performance
The significant manager line-up changes that were approved by the OIC, have now been in place three years. For the three-year period ended August 2011, the fund returned 3.55 percent, which was 72 basis points better than the 2.83 percent policy benchmark. For the 12 months ended August 31, the CSF returned just under 13 percent.

Five of the eight active equity managers have exceeded their benchmarks over the past three years. Over the past 12 months, four of the eight exceeded their benchmarks. The preceding counts include Pictet, which underperformed over both periods, and will be replaced by Arrowstreet in an emerging markets only mandate. All the managers are part of the ongoing due diligence performed by the Treasury equities section.

The two CSF fixed income managers employ an active investment strategy that seeks to take advantage of the historical advantage given to market participants taking spread risk. The strategy generally involves underweighting treasury securities, relative to the index, and overweighting corporate debt. Over the past three, five, seven, and ten year periods each manager has exceeded the BC Universal index, with the exception of Western Asset over the five-years ended August 2011.

As reflected in the most recent flash report, the four through seven year performance numbers continue to be hampered by the 2007 and 2008 relative performance, as shown below.

PERIOD	CSF Net Return	Policy Benchmark	Alpha
Calendar Year 2000	(3.63)	(4.07)	0.44
Calendar Year 2001	(7.08)	(7.59)	0.51
Calendar Year 2002	(11.15)	(11.27)	0.12
Calendar Year 2003	24.72	24.09	0.63
Calendar Year 2004	11.73	11.38	0.35
Calendar Year 2005	7.14	6.72	0.42
Calendar Year 2006	15.32	14.45	0.87
Calendar Year 2007	2.77	7.21	(4.44)
Calendar Year 2008	(32.39)	(30.31)	(2.08)
Calendar Year 2009	30.42	27.01	3.41
Calendar Year 2010	12.98	11.37	1.61
August 2011 YTD	(0.67)	(0.16)	(0.51)

Private Equity
CSF will continue to build out its private equity program, with key OPERF general partners. Total commitments to date are $170 million, with $87.3 million contributed, through June 30. Performance is too early to be meaningful, but the TVM is currently 1.1. General partners represented: Apollo, Oak Hill, TPG, Warburg Pincus, JP Morgan, and Oaktree. Earlier this year a $25 million commitment was made to the KKR North American Fund, but capital has yet to drawn

Asset Allocation

CSF	Policy	Target	$ Thousands	Actual
Domestic Equities	25-35%	30%	$330,976	31.4%
International Equities	25-35%	30%	319,494	30.3%
Private Equity	0-12%	10%	81,218	7.7%
Total Equity	**65-75%**	**70%**	**731,688**	**69.3%**
Fixed Income	**25-35%**	**30%**	**318,193**	**30.1%**
Cash	**0-3%**	**0%**	**5,527**	**0.5%**
TOTAL CSF			**$1,055,408**	**100.0%**

See additional background on the CSF, including distributions made to schools, on the following pages. **Importantly, nearly $400 million has been distributed to schools over the past 10 years, while the corpus has recovered to approximately $1 billion.**

Additional Background on the Common School Fund

(courtesy of the Department of State Lands)

The act of Congress admitting Oregon to the Union in 1859 granted sections 16 and 36 in every township "for the use of schools." The provision of land for educational purposes was a practical solution for the developing nation that was "land rich, but cash poor."

In Oregon, Congress granted roughly six percent of the new state´s land-nearly 3.4 million acres-for the support of schools. Due to various circumstances, about 700,000 acres remain in state ownership today.

These lands and their mineral and timber resources, as well as other resources under the State Land Board´s jurisdiction (including the submerged and submersible lands underlying the state´s tidal and navigable waterways) are managed "with the object of obtaining the greatest benefit for the people of this state, consistent with the conservation of this resource under sound techniques of land management."

- **Rangelands** are leased to ranchers for grazing sheep and cattle.
- **Forestlands** are managed for timber production.
- **Waterways** are leased for uses such as sand and gravel extraction, houseboats, marinas and log rafts. The rents and royalties received from these activities are deposited in the Common School Fund, a trust fund for the benefit of Oregon´s K-12 public schools.

Other sources of money contributing to the Common School Fund include:

- **Escheats** -- property reverting to the state on an individual´s death because no heir or will exists or can be found;
- **Unclaimed property**, while the agency searches for the rightful owner;
- **Gifts** to the state not designated for some other purpose;
- **Tax revenues** from the production, storage, use, sale or distribution of oil and natural gas; and
- **5% of the proceeds** from the sale of federal lands.

The State Treasurer and the Oregon Investment Council invest the Common School Fund. In recent years, fund values have ranged from $600 million-$1 billion, depending on market conditions.

In addition, the Land Board must consider the issue of "intergenerational equity" in its distribution policies. Fund distributions cannot benefit current students at the disadvantage of future students, or vice-versa.

In early 2005, the State Land Board announced a record $45.6 million distribution of earnings from the Common School Fund to all K-12 public schools and voted to modify the future distribution policy for the fund. The turnaround in the stock market during 2004 created a significant increase in the value of the Common School Fund which reached $1 billion in February 2006.

Changes to Oregon law and the investment policies of the State Land Board beginning in the late 1980s significantly boosted earnings flowing to schools.

A 1988 Constitutional Amendment allowed investment of the Common School Fund in the stock market, subject to a legislatively-established investment cap of 50 percent. The 1997 Legislature increased the cap to 65 percent. That timely shift in strategy has nearly quadrupled the fund value due to growth of the stock market and revenues generated from land management.

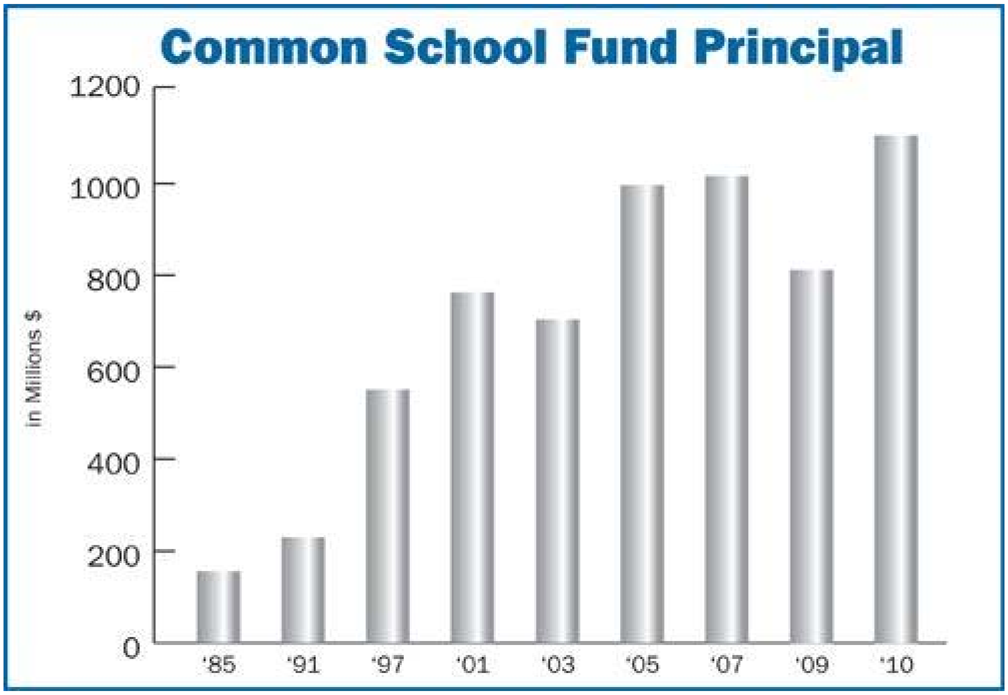
In October 1999, the Land Board adopted a revised investment earning distribution policy with long-term growth and not a specific budget target as the objective. The policy establishes a sliding scale for annual distributions between two percent and five percent of the Common School Fund market value as of December 31 each year, depending on increases or decreases in the value of the fund. To prevent large variations in distributions from year to year, in 2005 the board voted to switch to a three-year rolling average for calculating the fund's value change after January 1, 2006.

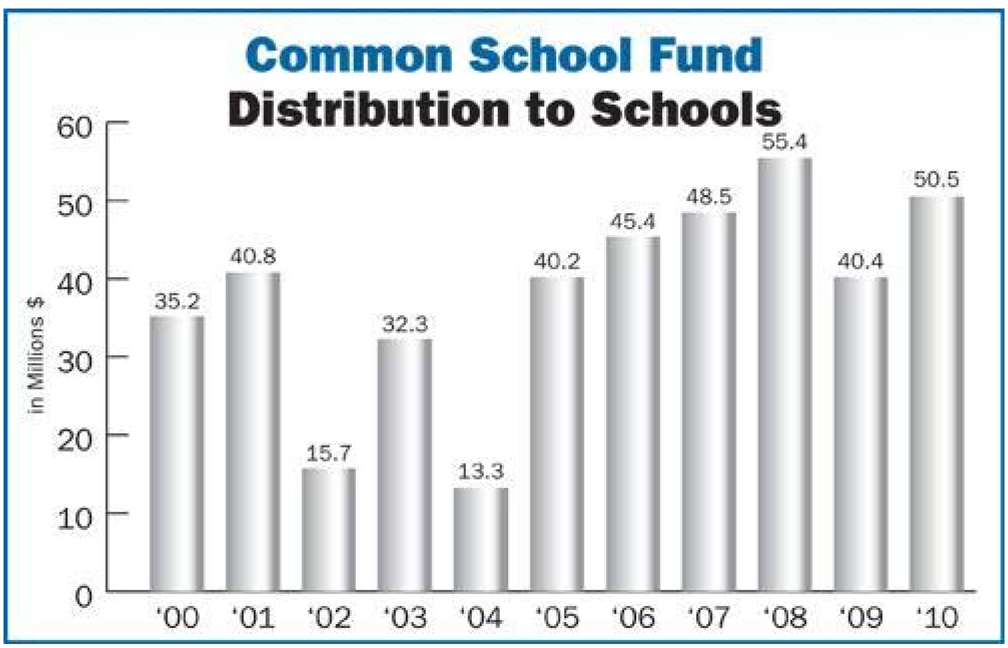
Legislation passed in 2005 directed the Oregon Department of Education to send CSF revenues directly to Oregon's 197 K-12 public school districts.

Recent distributions:

2000 - $35.2 million
2001 - $40.8 million
2002 - $15.7 million
2003 - $32.3 million*
2004 - $13.3 million
2005 - $40.2 million
2006 - $45.4 million
2007 - $48.5 million
2008 - $55.4 million
2009 - $40.4 million
2010 - $50.5 million
2011 - $48.8 million

* Includes a special distribution of $17.7 million comprised of the entire statutory portion of the corpus of the CSF accumulated over 50 years (requested during a special legislative session).


Common School Fund Principal
1200
1000
800
600
400
200
0
in Millions $
'85
'91
'97
'01
'03
'05
'07
'09
'10


Common School Fund
Distribution to Schools
60
50
40
30
20
10
0
in Millions $
35.2
40.8
15.7
32.3
13.3
40.2
45.4
48.5
55.4
40.4
50.5
'00
'01
'02
'03
'04
'05
'06
'07
'08
'09
'10

COMMON SCHOOL FUND

ANNUAL REVIEW

SEPTEMBER 28, 2011

STRATEGIC INVESTMENT SOLUTIONS, INC.

333 Bush Street, Suite 2000
San Francisco, CA 94104
(415) 362-3484

John P. Meier, CFA
Managing Director

Investment Policy

- Asset Classes
  - US Equity – publicly listed US companies (Russell 3000 Index)
  - International Equity – publicly listed non US companies (MSCI ACWI EX US Net Index)
  - Private Equity – equity securities in operating companies that are not publicly traded (benchmark is Russell 3000 Index + 300 bps)
  - Nominal Fixed Income – investments which obligate the borrower/issuer to make payments on a fixed schedule (Barclays Capital Universal Index)
- Implementation
  - US Equity – Large Cap Core (passive), Large Cap Growth, Large Cap Value, Small/Mid Cap, Small Cap Value, Global (passive)
  - International Equity – Developed Markets All Cap and Large Cap, Emerging Markets All Cap and Large Cap, Global (passive)
  - Private Equity – well diversified by strategy (Global Leveraged Buyouts, Venture Capital, Distressed Investments) and investment stage
  - Nominal Fixed Income – multiple managers with exposure to Investment Grade Fixed Income, High Yield Debt, and Emerging Market Debt

Asset Allocation

	Current Target	Actual	Difference
US Equity	30.0%	31.4%	1.4%
International Equity	30.0%	30.3%	0.3%
Private Equity	10.0%	7.7%	-2.3%
Nominal Fixed Income	30.0%	30.1%	0.1%
Cash	0.0%	0.5%	0.5%
Expected Return	7.71%	7.61%	
Expected Std Dev	12.3%	12.3%	
Sharpe Ratio	0.382	0.376	

Activities over the Past Year

- Global Equity mandate converted to passive.
- Upgraded Emerging Markets Equity manager – Arrowstreet from Pictet.
- Working towards 10% Private Equity allocation with selected commitments.
- $25 million commitment to KKR North America Fund.

Current Public Equity Implementation

	Mkt Val (M)	Weight	MER (M)	% Total MER
BLACKROCK S&P 500 INDEX	$ 89.6	12.7%	$ -	0.0%
WELLS CAPITAL MGMT LG	$ 87.8	12.4%	$ 10.7	22.2%
MFS ADVISORS LV	$ 80.4	11.4%	$ 11.9	24.6%
COLUMBIA WANGER SMID	$ 28.3	4.0%	$ 1.7	3.5%
BOSTON COMPANY SV	$ 12.2	1.7%	$ 1.1	2.3%
ARROWSTREET INTL	$ 110.3	15.6%	$ 8.5	17.6%
PYRAMIS SELECT INTL LC	$ 104.9	14.9%	$ 6.3	13.0%
GENESIS ASSET MANAGEMENT EM	$ 33.5	4.7%	$ 4.5	9.3%
ARROWSTREET EM	$ 30.4	4.3%	$ 3.6	7.5%
BLACKROCK ACWI IMI INDEX	$ 128.8	18.2%	$ -	0.0%
Total	$ 706.2	100.0%	$ 48.3	100.0%

	Portfolio	Target
US LARGE GROWTH	15.6%	16.1%
US LARGE VALUE	14.4%	16.1%
US MID GROWTH	10.2%	6.9%
US MID VALUE	5.8%	6.9%
US SMALL GROWTH	1.8%	2.0%
US SMALL VALUE	2.4%	2.0%
INTL LARGE GROWTH	14.2%	13.8%
INTL LARGE VALUE	14.2%	13.8%
INTL MID GROWTH	3.5%	3.0%
INTL MID VALUE	3.5%	3.0%
INTL SMALL GROWTH	1.4%	2.5%
INTL SMALL VALUE	1.4%	2.5%
EMERGING MARKET	11.5%	11.5%
Total	100.0%	100.0%

Style Risk	0.50%
Active Risk	1.30%
Risk to Bench	1.40%
Alpha	1.02%
IR	0.73

Private Equity Summary

- $170 million commitments to 8 partnerships and fund of funds.
- ~$98 million in unfunded commitments.
- Continue selective commitments to recommended OPERF partnerships.

Review of Current Portfolios

- Since Restructuring of the Public Equity Portfolio in 2008, the strategy has worked well.
  - Disappointing managers/strategy have been AllianceBerstein Global Equity (recently terminated and replaced with BlackRock Global Equity Index Fund) and Wells Capital.
  - In aggregate, the equity portfolio has performed well despite the drag of the underperforming managers.
- Long and short term results of the Fixed Income managers are good despite difficulties during the credit crisis.
- Private Equity has been a drag on relative performance due to J-Curve effects and benchmark specification.
  - Private Equity has been additive as it has outperformed Public Equity.

TAB 7 – ASSET ALLOCATIONS & NAV UPDATES

Asset Allocations at August 31, 2011

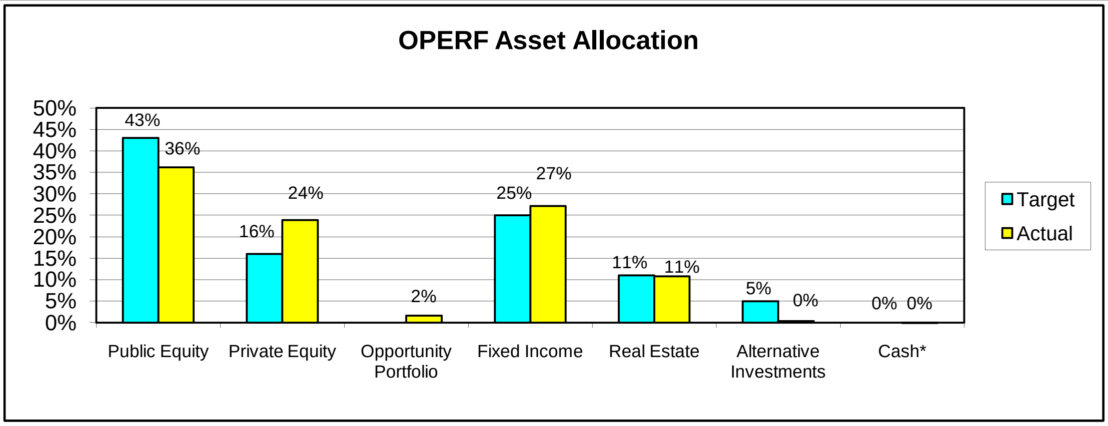
OPERF	Policy	Target	Regular Account $ Thousands	Regular Account Pre-Overlay	Regular Account Overlay	Regular Account Net Position	Regular Account Actual	Variable Fund $ Thousands	Total Fund $ Thousands
Public Equity	38-48%	43%	20,993,449	37.4%	(727,430)	20,266,019	36.1%	845,711	21,111,730
Private Equity	12-20%	16%	13,398,684	23.9%		13,398,684	23.9%		13,398,684
Total Equity	**54-64%**	**59%**	**34,392,133**	**61.3%**	**(727,430)**	**33,664,703**	**60.0%**		**34,510,414**
Opportunity Portfolio			916,720	1.6%		916,720	1.6%		916,720
Fixed Income	**20-30%**	**25%**	**13,984,790**	**24.9%**	**1,252,403**	**15,237,193**	27.2%		**15,237,193**
Real Estate	**8-14%**	**11%**	**6,042,950**	**10.8%**	**(7,900)**	**6,035,050**	10.8%		**6,035,050**
Alternative Investments	**0-8%**	**5%**	**210,528**	**0.4%**		**210,528**	0.4%		**210,528**
Cash*	**0-3%**	**0%**	**519,134**	**0.9%**	**(517,073)**	**2,061**	0.0%	6,148	**8,209**
TOTAL OPERF		**100%**	**$ 56,066,255**	**100.0%**	**$ -**	**$ 56,066,255**	**100.0%**	**$ 851,859**	**$ 56,918,114**

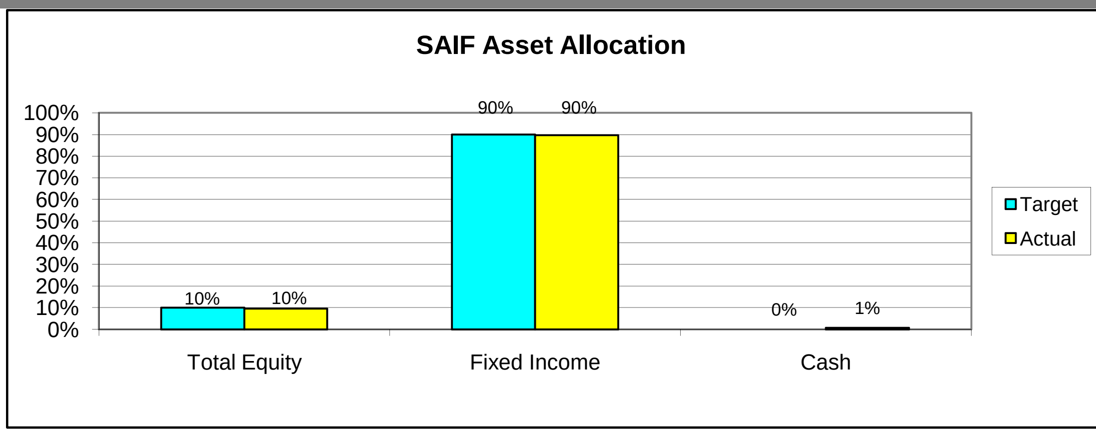
*Includes cash held in the policy implementation overlay program.

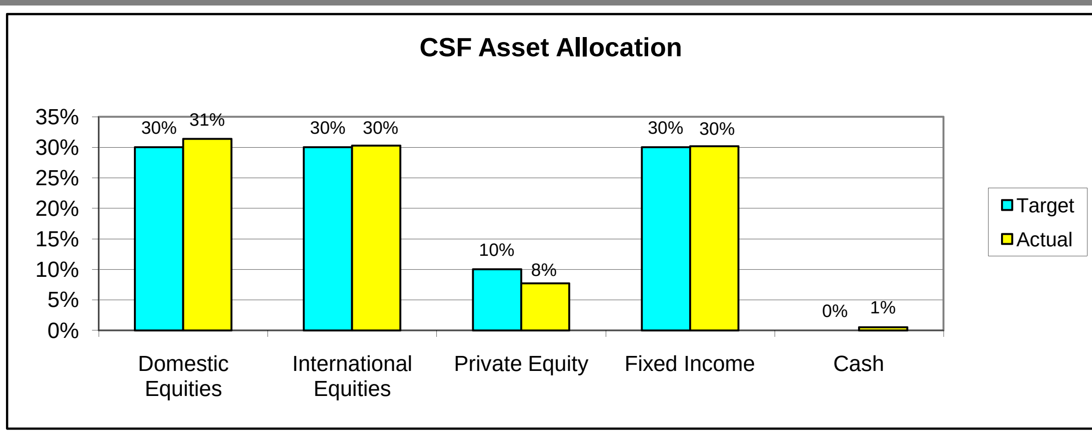
SAIF	Policy	Target	$ Thousands	Actual
Total Equity	**7-13%**	**10.0%**	**391,508**	**9.5%**
Fixed Income	**87-93%**	**90.0%**	**3,683,436**	**89.7%**
Cash	**0-3%**	**0%**	**30,175**	**0.7%**
TOTAL SAIF		**100%**	**$4,105,119**	**100.0%**

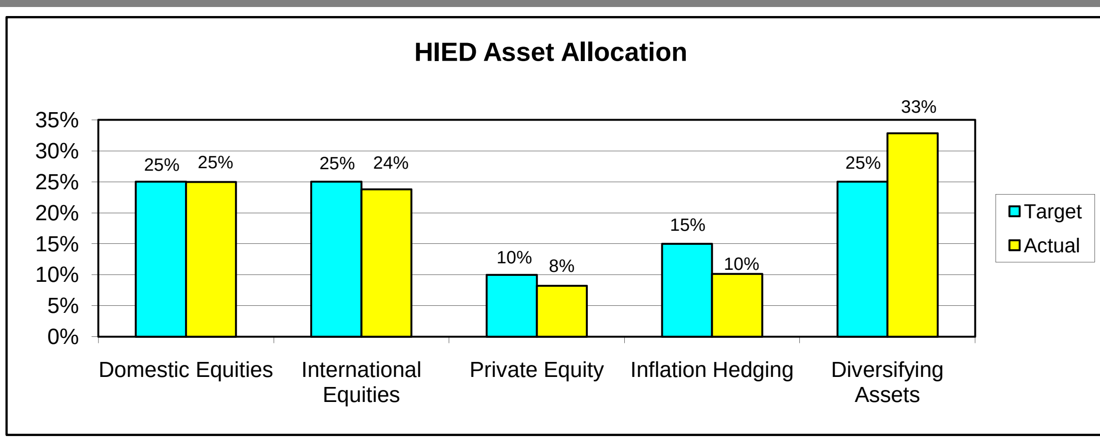
CSF	Policy	Target	$ Thousands	Actual
Domestic Equities	25-35%	30%	$330,976	31.4%
International Equities	25-35%	30%	319,494	30.3%
Private Equity	0-12%	10%	81,218	7.7%
Total Equity	**65-75%**	**70%**	**731,688**	**69.3%**
Fixed Income	**25-35%**	**30%**	**318,193**	**30.1%**
Cash	**0-3%**	**0%**	**5,527**	**0.5%**
TOTAL CSF			**$1,055,408**	**100.0%**

HIED	Policy	Target	$ Thousands	Actual
Domestic Equities	20-30%	25%	$15,703	25.0%
International Equities	20-30%	25%	14,954	23.8%
Private Equity	0-15%	10%	5,177	8.2%
Growth Assets	**50-75%**	**60%**	**35,834**	**57.0%**
Real Estate	0-10%	7.5%	1,544	2.5%
TIPS	0-10%	7.5%	4,833	7.7%
Inflation Hedging	**7-20%**	**15%**	**6,377**	**10.1%**
Fixed Income	20-30%	25%	17,137	27.3%
Cash	0-3%	0%	3,506	5.6%
Diversifying Assets	**20-30`%**	**25%**	**20,643**	**32.8%**
TOTAL HIED			**$62,854**	**100.0%**

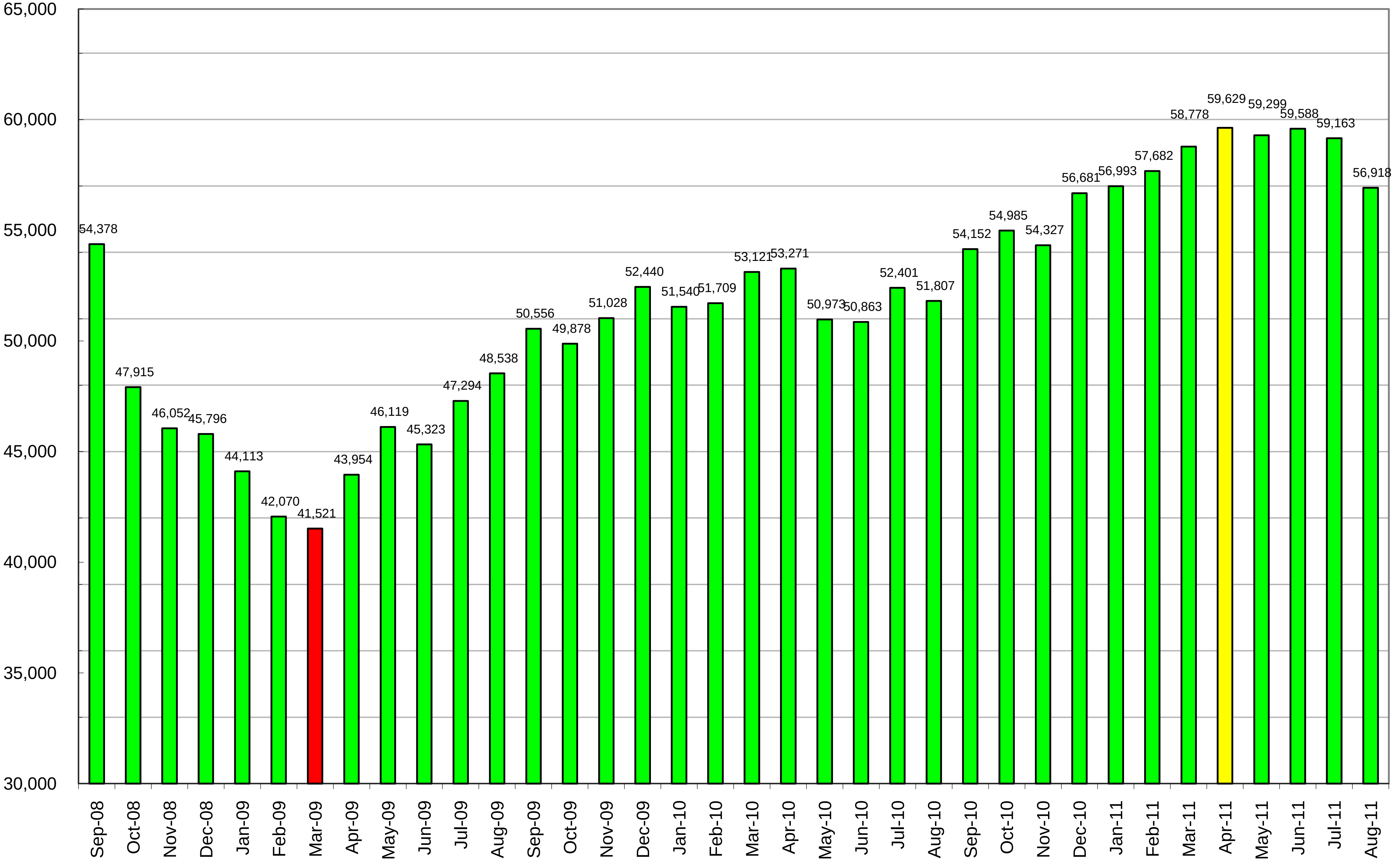

OPERF Asset Allocation
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
43%
36%
16%
24%
2%
25%
27%
11%
11%
5%
0%
0%
0%
Public Equity
Private Equity
Opportunity Portfolio
Fixed Income
Real Estate
Alternative Investments
Cash*
Target
Actual


SAIF Asset Allocation
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
10%
10%
90%
90%
0%
1%
Total Equity
Fixed Income
Cash
Target
Actual

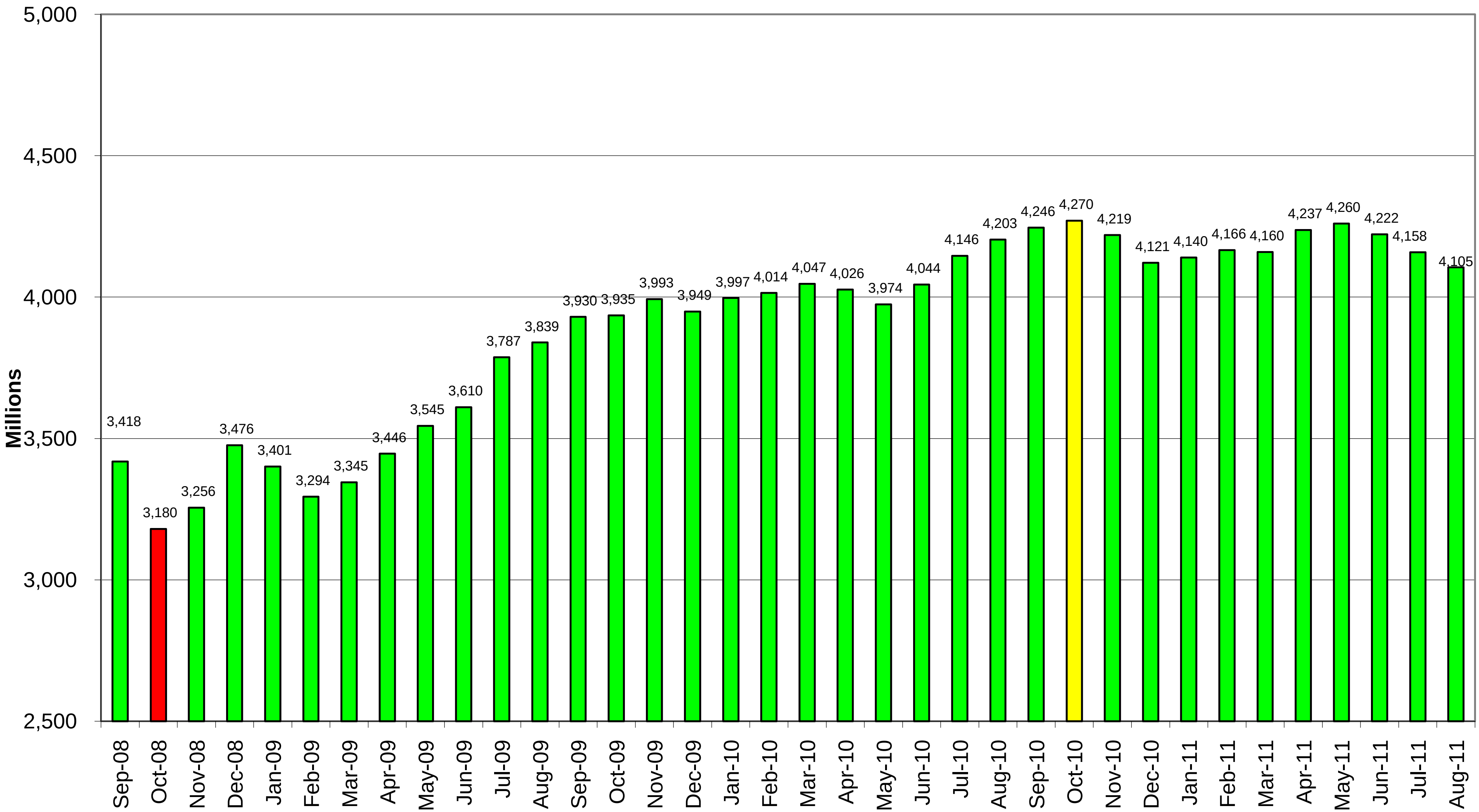

CSF Asset Allocation
35%
30%
25%
20%
15%
10%
5%
0%
30%
31%
30%
30%
10%
8%
30%
30%
0%
1%
Domestic Equities
International Equities
Private Equity
Fixed Income
Cash
Target
Actual

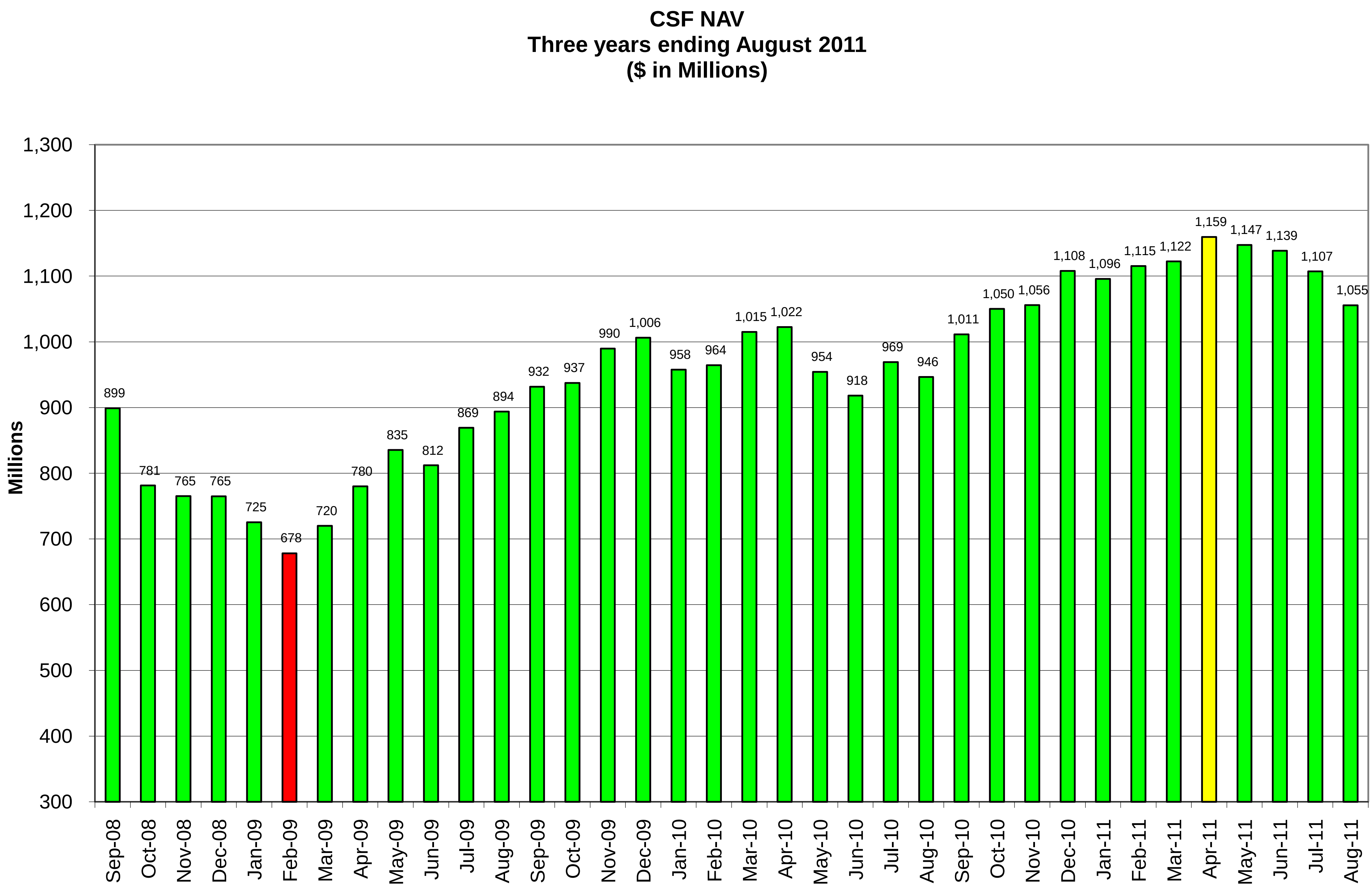

HIED Asset Allocation
35%
30%
25%
20%
15%
10%
5%
0%
25%
25%
25%
24%
10%
8%
15%
10%
25%
33%
Domestic Equities
International Equities
Private Equity
Inflation Hedging
Diversifying Assets
Target
Actual

OPERF NAV
Three years ending August 2011
($ in Millions)



SAIF NAV
Three years ending August 2011
($ in Millions)




CSF NAV
Three years ending August 2011
($ in Millions)
Millions
1,300
1,200
1,100
1,000
900
800
700
600
500
400
300
899
781
765
765
725
678
720
780
835
812
869
894
932
937
990
1,006
958
964
1,015
1,022
954
918
969
946
1,011
1,050
1,056
1,108
1,096
1,115
1,122
1,159
1,147
1,139
1,107
1,055
Sep-08
Oct-08
Nov-08
Dec-08
Jan-09
Feb-09
Mar-09
Apr-09
May-09
Jun-09
Jul-09
Aug-09
Sep-09
Oct-09
Nov-09
Dec-09
Jan-10
Feb-10
Mar-10
Apr-10
May-10
Jun-10
Jul-10
Aug-10
Sep-10
Oct-10
Nov-10
Dec-10
Jan-11
Feb-11
Mar-11
Apr-11
May-11
Jun-11
Jul-11
Aug-11

TAB 8 – CALENDAR – FUTURE AGENDA ITEMS

2011 OIC Forward Agenda Topics

November 2:	Woody Brock Presentation OSTF Portfolio Rules Update CEM Benchmarking Annual Review Opportunity Fund
December 7:	OPERF 3rd Quarter Performance Review OPERF Opportunity Portfolio Review OITP Annual Review HIED Annual Review
January 2012:	OIC Election of Officers