

# Fresno County Employees' Retirement Association IQ 2012 Compliance Evaluation Report

WURTS  ASSOCIATES

SEATTLE | 206.622.3700  
LOS ANGELES | 310.297.1777  
[www.wurts.com](http://www.wurts.com)

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## **Executive Summary**

### **1st Quarter 2012**

This report covers Wurts & Associates' evaluation of the investments within the portfolios relative to the Fresno County Employees' Retirement Association's (Association) Investment Policy and Guidelines (Guidelines). It contains a compliance worksheet summary of the investments evaluated, the private and public managers' representations regarding compliance, and a detailed compliance worksheet specifying the scope of each evaluation.

The Association's portfolio is comprised of both commingled vehicles and separate accounts. All of the separate account managers employed by the Association have specific language within the Guidelines for Wurts & Associates to evaluate. Please refer to Exhibit A which is a table summarizing the managers employed by the Association, the type of investment vehicle used by each, the general asset class of the investment, and whether or not the Guidelines contain specific language.

Investments made by managers using a commingled vehicle are typically governed by a partnership agreement or prospectus. The reason for this is that since commingled investment vehicles are designed to accommodate many different investors, only one common document may govern the investment strategy.

#### **Public Market Managers**

All managers employed by the Association that manage publicly traded securities have specific language in the Guidelines. Wurts & Associates has evaluated each manager's compliance relative to these guidelines and they are contained in this report. Mondrian Investment Partners Limited, Standish Mellon, Blackrock Inc., and State Street Global Advisors are employed through the usage of a commingled fund. The investment policies of these managers shall be governed by their prospectuses.

#### **Private Market Managers**

Private Market Investment Managers are given full discretion within the scope of their assigned segment, governed by their Limited Partnership Agreements. All private equity managers employed by the Association are made through commingled vehicles and none of them has specific language in the Guidelines to evaluate. All have warranted that they have complied with the appropriate governing authority over their investment strategy. Wurts & Associates is unable to verify this compliance.

#### **Real Estate Managers**

The Real Estate Investment Managers employed are given full discretion within the scope of the relevant language that governs the investment strategy. None of them has specific language in the Guidelines to evaluate. All have warranted that they have complied with the appropriate governing authority over their investment strategy. Wurts & Associates is unable to verify this compliance.

## Summary of Findings

Of the managers employed by the Association that have specific guidelines, Wurts & Associates has determined the following:

Manager	In Compliance	Out of Compliance
Aronson + Johnson + Ortiz	✓	
Kalmar Investments Inc.	✓	
Wellington Capital Management	✓	
Systematic Financial Management	✓	
Research Affiliates	✓	
State Street Global Advisors	✓	
Mondrian Investment Partners (Int'l. Small Cap)	✓	
Mondrian Investment Partners (Emerging Mkts)	✓	
Oechsle International	✓	
Waddell & Reed Inc.	✓	
Winslow Capital Management	✓	
BlackRock, Inc. (Core Plus Fixed Income)	✓	
Western Asset Management Company	✓	
Loomis Sayles	✓	
Loomis Sayles Opportunistic	✓	
Standish Mellon Opportunistic	✓	

We are pleased to report this quarter that there were no material breaches of any consequence by any of the managers we audit.



Jeffrey MacLean  
President & Chief Operating Officer

### Disclaimer

Wurts & Associates, Inc. has exercised all reasonable professional care in the evaluation of each investment manager's compliance to the Investment Policy and Guidelines of the Fresno County Employees' Retirement Association as of March 31, 2012. This report is provided to the Board of Trustees in conjunction with our responsibilities under the investment consulting agreement. Our professionals necessarily relied on data provided by third parties to perform our evaluation. Wurts & Associates makes no claims as to the accuracy of the data used in this evaluation and shall not be held liable for damages caused by errors or omissions in content, except to the extent arising from our sole gross negligence.

## Exhibit A

Investment Manager	Investment Vehicle	General Asset Class	Enforcable Guidelines
Aronson + Johnston + Ortiz	Separate Account	Public Market (Equity)	Yes
Kalmar Investments Inc.	Separate Account	Public Market (Equity)	Yes
Wellington Capital Management	Separate Account	Public Market (Equity)	Yes
Waddell & Reed	Separate Account	Public Market (Equity)	Yes
Winslow Capital Management	Separate Account	Public Market (Equity)	Yes
State Street Global Advisors	Commingled Fund	Public Market (Equity)	No
Systematic Financial Management	Separate Account	Public Market (Equity)	Yes
Mondrian Investment Partners Limited	Commingled Fund	Public Market (Equity)	No
Oechsle International	Separate Account	Public Market (Equity)	Yes
Research Affiliates	Commingled Fund	Public Market (Equity)	No
BlackRock, Inc.	Separate Account	Public Market (Fixed Income)	Yes
Standish Mellon Opportunistic	Commingled Fund	Public Market (Fixed Income)	No
Loomis Sayles	Separate Account	Public Market (Fixed Income)	Yes
Loomis Sayles Opportunistic	Separate Account	Public Market (Fixed Income)	Yes
Western Asset Management Company	Separate Account	Public Market (Fixed Income)	Yes
PIMCO Distressed Credit Fund	Commingled Fund	Private Market	No
Metropolitan West	Commingled Fund	TALF (Fixed Income)	No
Blackrock Inc.	Commingled Fund	Commodities	No
Heitman / JMB Group Trust V	Commingled Fund	Real Estate	No
Sentinel Real Estate Corp.	Commingled Fund	Real Estate	No
TA Associates V & IX	Commingled Fund	Real Estate	No
JER Fund I & II	Commingled Fund	Real Estate	No
INVESCO	Commingled Fund	Real Estate	No
Colony Capital Partners	Commingled Fund	Real Estate	No
BCI Fund V	Commingled Fund	Private Market	No
The Blackstone Group III & IV	Commingled Fund	Private Market	No
Angelo Gordon	Commingled Fund	Private Market	No
Landmark	Commingled Fund	Private Market	No
Lonestar	Commingled Fund	Private Market	No
New Mountain I & II	Commingled Fund	Private Market	No
TCW Fund III & IV	Commingled Fund	Private Market	No
Warburg Pincus I, VIII, & X	Commingled Fund	Private Market	No
Common Sense Partners (Hedge Fund of Funds)	Commingled Fund	Private Market	No
Grosvenor Institutional Partners (Hedge Fund of Funds)	Commingled Fund	Private Market	No
Hamilton Lane	Commingled Fund	Private Market	No
KKR	Commingled Fund	Private Market	No

Client: **Fresno County Employees Retirement Association**  
 Analysis Date: **March 31, 2012**

Asset Class: Domestic Equity

Manager	Style	Market Cap Weighting	Diversification: at Market	Commercial Paper Rating	Weighted Avg Market Cap	Allowable Securities
Aronson + Johnson + Ortiz	M/LV					
Kalmar Investments Inc.	SG					
Waddell & Reed	LG					
Winslow Capital Management	LG					
Wellington Management Co.	LV					
Systematic Financial Management	SV					
State Street Global Advisors - S&P 500	LC					

Asset Class: International Equity

Manager		Market Cap Weighting	Diversification: at Market	Commercial Paper Rating	Weighted Avg Market Cap	Allowable Securities
Oechsle International	INT					
Research Affiliates	INT					
Mondrian Investment Partners Limited -SC	INT					
Mondrian Investment Partners Limited - EM	EM					

Asset Class: Domestic Fixed Income

Manager		Bond Quality	Diversification: at Market	Duration	Commercial Paper Rating	Derivatives Restricted	Prohibited Securities
BlackRock, Inc.	CP						
Loomis, Sayles & Co.	CP						
Western Asset Management Company	CP						
Loomis Sayles & Co. Opportunistic	CPP						
Standish Mellon Opportunistic	CPP						
State Street Global Advisors	TIPS						

#### Legend

	No Violation - In Compliance with Policy Guidelines
	Potential Violation - Currently Being Researched
	Confirmed Violation - Out of Compliance with Policy Guidelines
	Not Applicable - Commingled Vehicle

## Domestic Equity

### Domestic Equity Accounts

3/31/2012

<b>Aronson + Johnson + Ortiz</b>	
<b>Guideline</b>	<b>In Compliance</b>
No single equity position > 5% of company's total market cap	Yes
≤ 7% per issue at <b>market</b>	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Weighted average market cap should not fall below \$5B	Yes
No derivatives, non-AD foreign stocks without consent of Association	Yes

<b>Kalmar Investments Inc.</b>	
<b>Guideline</b>	<b>In Compliance</b>
No single equity position > 5% of that company's total market cap	Yes
≤ 8% per issue at <b>market</b>	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Initial position caps shall be between \$100M and \$2.5B	Yes
No derivatives, non-ADR foreign stocks, non-U.S. jurisdictional	Yes

<b>Waddell &amp; Reed Inc.</b>	
<b>Guideline</b>	<b>In Compliance</b>
No single equity position > 5% of that company's total market cap	Yes
≤ 7% per issue at <b>market</b>	Yes
Weighted average market cap should not fall below \$10B	Yes
No derivatives, non-ADR foreign stocks, non-U.S. jurisdictional	Yes

<b>Winslow Capital Management</b>	
<b>Guideline</b>	<b>In Compliance</b>
No single equity position > 5% of that company's total market cap	Yes
≤ 7% per issue at <b>market</b>	Yes
Weighted average market cap should not fall below \$10B	Yes
No derivatives, non-ADR foreign stocks, non-U.S. jurisdictional	Yes

## Domestic Equity 2

### Domestic Equity Accounts

3/31/2012

Systematic Financial Management	
Guideline	In Compliance
No single equity position > 5% of that company's total market cap	Yes
≤ 8% per issue at <b>market</b>	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Initial position caps shall be between \$100M and \$2B	Yes
No derivatives, non-ADR foreign stocks without consent of Association	Yes

Wellington Capital Management	
Guideline	In Compliance
No single equity position > 5% of company's total market cap	Yes
≤ 7% per issue at <b>market</b>	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Weighted average market cap should not fall below \$5B	Yes
No derivatives, non-ADR foreign stocks without consent of Association	Yes <sup>1</sup>

State Street Global Advisors	
Guideline	In Compliance
The investment policies of State Street shall be governed by the State Street's Fund Declaration.	Yes <sup>2</sup>

<sup>1</sup>Wellington's guidelines were revised during 3Q07 to allow for ADR's to be purchased in the over-the-counter markets as well.

<sup>2</sup>The Association's investment in State Street is made through a commingled vehicle. Therefore, the Association's investment guidelines do not govern the investment processes of the fund.



## International Equity

### International Equity Accounts

3/31/2012

Oechsle International	
Guideline	In Compliance
No single equity position > 5% of company's total market cap	Yes
≤ 5% per issue at <b>market</b>	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Weighted average market cap should not fall below \$1B	Yes
No securities outside of the MSCI EAFE Index as well as Bermuda, Canada, and Cayman Islands	Yes
No derivatives without consent of Association	Yes

Research Affiliates	
Guideline	In Compliance
The investment policies of Research Affiliates shall be governed by the enhanced RAFI Index Fund's Offering Memorandum.	Yes <sup>3</sup>

Mondrian Investment Partners Limited	
Guideline	In Compliance
The investment policies of Mondrian shall be governed by the Mondrian Emerging Markets Equity Fund, L.P.'s Offering Memorandum.	Yes <sup>3</sup>

Mondrian Investment Partners Limited	
Guideline	In Compliance
The investment policies of Mondrian shall be governed by the Mondrian International Small Cap, L.P.'s Offering Memorandum.	Yes <sup>3</sup>

<sup>3</sup>The Association's investment in Mondrian and Research Affiliates are made through commingled vehicles. Therefore, the Association's investment guidelines do not govern the investment processes of the fund.

## Domestic Fixed Income

### Domestic Fixed Income Accounts

3/31/2012

<b>BlackRock, Inc.</b>	
<b>Guideline</b>	<b>In Compliance</b>
80% of portfolio to be comprised of investment grade (BBB or higher)	Yes
≤ 5% per issue at <b>market</b> except U.S. Govt. Bonds	Yes
Duration shall not exceed Lehman aggregate Bond Index by +/- 30%	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Use of derivatives to be disclosed quarterly to Association. No derivatives outside of benchmark duration	Yes
No use of stock options, margins, letter stocks, emer. mkt. securities, Z-Bonds, etc.	Yes

<b>Loomis Sayles</b>	
<b>Guideline</b>	<b>In Compliance</b>
80% of portfolio to be comprised of investment grade (BBB or higher) (inform Board)	Yes
≤ 5% per issue at <b>market</b> except U.S. Govt. Bonds	Yes
Duration shall not exceed Lehman aggregate Bond Index by more than 30%	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Use of derivatives to be disclosed quarterly to Association. No derivatives outside of benchmark duration	Yes
No use of stock options, margins, letter stocks, emer. mkt. securities, Z-Bonds, etc.	Yes

## Domestic Fixed Income 2

### Domestic Fixed Income Accounts

3/31/2012

Western Asset Management Company	
Guideline	In Compliance
80% of portfolio to be comprised of securities rated BBB- or higher	Yes
≤ 5% per issue at <b>market</b> except U.S. Govt. Bonds	Yes
Duration shall not exceed Lehman aggregate Bond Index by more than 30%	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
No use of stock options, margins, letter stocks, emer. mkt. securities, Z-Bonds, etc.	Yes

Loomis Sayles Opportunistic	
Guideline	In Compliance
65% of portfolio to be comprised of investment grade (BBB or higher) (inform Board)	Yes
≤ 5% per issue at <b>market</b> except U.S. Govt. Bonds	Yes
Duration shall not exceed Lehman aggregate Bond Index by more than 3 years	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Use of derivatives to be disclosed quarterly to Association. No derivatives outside of benchmark duration	Yes
No use of stock options, margins, letter stocks, emer. mkt. securities, Z-Bonds, etc.	Yes

Standish Mellon Opportunistic	
Guideline	In Compliance
The investment policies of Standish Mellon shall be governed by the Fund's Declaration.	Yes <sup>4</sup>

<sup>4</sup>The Association's investment in Standish Mellon is made through a commingled vehicle. Therefore, the Association's investment guidelines do not govern the investment processes of the fund.

# BLACKROCK

April 20, 2012

## COMPLIANCE CERTIFICATION

BlackRock performs compliance checks daily on the Fresno County Employees' Retirement Association, FCERA ("Client") account and, if necessary, BlackRock rebalances or otherwise takes such action for the account to ensure compliance with the relevant investment policies and guidelines applicable to the account that have been previously communicated to us and are currently in effect for the account ("Guidelines"). Therefore, and on that basis, for the period from January 1, 2012 to March 31, 2012, the Client's account has been in compliance, in all material respects, with its Guidelines, with the following exception:

During the period, the portfolio held the following downgraded securities that were below the minimum allowable ratings constraint:

CUSIP	Description	Ratings (M/S/F)
12544MAA7	CWHL_07-16	NR/CCC/C
22942MAC0*	CSMC_06-8	NR/D/D
46630RAB7	JPMMT_07-S1	NR/CCC/C
46628YBB5	JPMMT_06-S2	Caa1/NR/C
45661SAD5	INDA_06-AR2 4A1	NR/D/D
933634AJ6	WAMU_07-HY3 4A1	NR/CCC/CC
023771R67*	AMERICAN AIRLINES	NR/NR/NR
466247E74	JPMMT_06-A1 2A2	NR/CC/C
41162GAA0	HVMLT_06-11 A1A	Caa3/CCC/NR
41161XAC0*	HVMLT_06-9 2A1A	Caa3/CCC/NR
126694M96	CWHL_06-OA5 2A1	Caa3/CCC/NR
25150QAA5	DBALT_06-OA1 A1	Caa3/CCC/NR
23245QAA7	CWALT_06-OA21 A1	Caa3/CCC/NR
02146QAA1	CWALT_06-OA10 1A1	Ca/CCC/NR
008684AA0*	AHMA_06-6 A1A	Caa3/CCC/NR
93364CAA6*	WAMU_07-OA4 1A	Caa3/CCC/NR

Resolved during current period\*

BlackRock will provide periodic updates on their rating status. The securities were within the ratings constraint at time of purchase.

BLACKROCK

By:



Andrew Novak  
Managing Director



April 17, 2012

Mr. Michael Kamell  
Wurts & Associates Inc.  
2321 Rosecrans Avenue  
Suite 2250  
El Segundo, California 90245

Re: **FRESNO COMPLIANCE**

Dear Michael:

We're pleased to certify:

The portfolio managed for the Fresno County Employees' Retirement Association remained in compliance with all investment guidelines from January 1, 2012, to March 31, 2012.

We welcome your questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Dietrick', with a long horizontal stroke extending to the left.

Joseph F. Dietrick  
dietrick@ajopartners.com

srl (FX)

cc: Becky Van Wyk  
Conor Hinds



**Fresno County Employees Retirement Association  
Investment Guidelines Certification Statement**

**Certification of Investment Manager**

To the best of our knowledge, the undersigned investment manager certifies that its investment decisions have stayed within the restrictions outlined in accordance with the provisions of the Board's Investments Policy Statement and Investment Guidelines agreed upon on May 27, 2004.

Signature: Nancy Romito

By: Nancy Romito

Title: Client Services Director

Firm: Kalmar Investments Inc.

Date: April 26, 2012

Reporting Period: First Quarter 2012

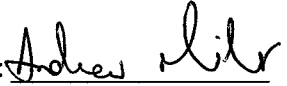
**Mondrian Emerging Markets Equity Fund, L.P. (the "Fund")**

**Certification of Compliance with Investment Strategy**


**for the period from January 1, 2012 to March 31, 2012**

The Fund has been in compliance with its Investment Strategy, as fully set forth in the Confidential Information Memorandum of the Fund, during the period described above. Each item of the Investment Strategy is described in the Appendix and initialed as being in compliance.

Mondrian Investment Partners Limited  
(as Investment Manager to the Fund)

By:   
Name: ANDREW MILLER  
Title: Senior Portfolio Manager  
Date: 2/4/12

## Mondrian Focused Emerging Markets Equity Fund, L.P.

Investment Strategy Detail	Initial
<p><u>Securities, Approach and Markets</u></p> <p>The Fund pursues its investment objective primarily by investing in equity securities of emerging market companies, as described below, that, in the Investment Manager's opinion, are undervalued at the time of purchase based on fundamental value analysis employed by the Investment Manager. Equity securities in which the Fund may invest include, but are not limited to, common stocks, preferred stocks, convertible securities, index related securities, certain non-traditional equity securities, 144A securities and warrants. The Fund may purchase securities of non-U.S. issuers directly or indirectly in the form of American, European or Global depository receipts or other securities representing underlying shares of non-U.S. issuers. The Fund may also purchase other investment funds, including, but not limited to registered funds, unregistered funds and REIT's. Under normal circumstances, the Fund invests at least 80% of its assets in investments of large cap emerging market issuers. For purposes of investments to be made by the Fund, large cap emerging markets issuers will be defined to mean issuers that have a market capitalization of more than approximately \$3.5 billion (\$5.0 billion from January 1, 2009 to March 16, 2009) at the time of initial purchase. This level is subject to market movements and is regularly reviewed by the Investment Manager. The Fund will hold approximately 35-45 securities (this number was changed from 30-40 securities in January 2011) at any given time.</p> <p>The Investment Manager's approach in selecting investments for the Fund is primarily oriented to individual stock selection and is value driven. In selecting stocks for the Fund, the Investment Manager identifies those stocks that it believes will provide capital appreciation over a market cycle, taking into consideration movements in the price of the individual security and the impact of currency fluctuation on a United States domiciled, dollar-based investor. The Investment Manager conducts fundamental research on a global basis in order to identify securities that, in the Investment Manager's opinion, have the potential for long-term capital appreciation. This research effort generally centers on a value-oriented dividend discount methodology with respect to individual securities and market analysis that isolates value across country boundaries. The approach focuses on future anticipated dividends and discounts the value of those dividends back to what they would be worth if they were being received today. In addition, the analysis typically includes a comparison of the values and current market prices of different possible investments. The Investment Manager's general management strategy emphasizes long-term holding of securities, although securities may be sold in the Investment Manager's discretion without regard to the length of time they have been held.</p>	



Emerging Markets Company

The Fund considers an emerging country to be any country that is included in the International Finance Corporation Free Index or the Morgan Stanley Capital International Emerging Markets Index. In addition, any country which is generally recognized to be an emerging or developing country by the international financial community, including the World Bank and the International Finance Corporation, as well as any country that is classified by the United Nations or otherwise regarded by its authorities as developing will be considered an emerging country.

There are more than 130 countries that are generally considered to be emerging or developing countries by the international financial community, approximately 40 of which currently have stock markets. Almost every nation in the world is included within this group of developing or emerging countries except the United States, Canada, and those in the Morgan Stanley Capital International EAFE Index.

In considering possible emerging countries in which the Fund may invest, the Investment Manager places particular emphasis on certain factors, such as economic conditions (including growth trends, inflation rates and trade balances), regulatory and currency controls, accounting standards and political and social conditions.

Although this is not an exclusive list, the Investment Manager considers an emerging country equity security to be one that is issued by a company that exhibits one or more of the following characteristics: (1) its principal securities trading market is in an emerging country, as defined above; (2) while traded in any market, alone or on a consolidated basis, the company derives 50% or more of its annual revenues or annual profits from either goods produced, sales made or services performed in emerging countries; (3) the company has 50% or more of its assets located in an emerging country; or (4) it is organized under the laws of, and has a principal office in, an emerging country. The Investment Manager determines eligibility based on publicly available information and inquiries made of the companies.

Currently, investing in many emerging countries is not feasible, or may, in the Investment Manager's opinion, involve unacceptable political or governance risks. The Fund focuses its investments in those emerging countries where the Investment Manager considers the economies to be developing and where the markets are becoming more sophisticated.



Currency, Debt Securities and Cash

Currency considerations carry a special risk for a portfolio of international securities. The Fund may invest in securities issued in any currency and may hold foreign currency. Securities of issuers within a given country may be denominated in the currency of another country or in multinational currency units, including the euro. The Investment Manager primarily uses a purchasing power parity approach to evaluate currency risk. In this regard, the Fund may carry out hedging activities, and may invest in forward foreign currency contracts to hedge currency risks associated with the purchase of individual securities denominated in a particular currency. Under normal circumstances, hedging is undertaken defensively back into the base currency of the Fund.

Under normal circumstances, no more than 10% of the Fund's assets will be invested in debt securities issued by governments or by their agencies, instrumentalities or political subdivisions, or by corporate entities, all of which may be high-yield, high-risk fixed income securities rated lower than BBB by S&P and Baa by Moody's or, if unrated, considered to be of equivalent



quality. In addition, for temporary defensive purposes, the Fund may invest in high-quality debt instruments.	
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To facilitate investment activities, the Fund will generally hold a small portion of its assets in cash or cash equivalent instruments.	
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*The Investment Manager manages the Fund's assets in accordance with the investment objective and guidelines described in the Confidential Information Memorandum and not in accordance with the individual guidelines of any one investor.*

**Mondrian International Small Cap Equity Fund, L.P. (the “Fund”)**

**Certification of Compliance with Investment Strategy**

**for the period from January 1, 2012 to March 31, 2012**

The Fund has been in compliance with its Investment Strategy, as fully set forth in the Confidential Information Memorandum of the Fund, during the period described above. Each item of the Investment Strategy is described in the Appendix and initialed as being in compliance.

Mondrian Investment Partners Limited  
(as Investment Manager to the Fund)



By: \_\_\_\_\_

Name: Ormala Krishnan

Title: Senior Portfolio Manager

Date: 2<sup>nd</sup> April 2012

## Mondrian International Small Cap Equity Fund, L.P.

Investment Strategy Detail	Initial
<p><u>Securities, Approach and Markets</u></p> <p>The Fund pursues its investment objective primarily by investing in equity securities of non-U.S. small capitalization companies that, in the Investment Manager's opinion, are undervalued at the time of purchase based on fundamental value analysis employed by the Investment Manager. Equity securities in which the Fund may invest include, but are not limited to, common stocks, preferred stocks, convertible securities, index related securities, certain non-traditional equity securities, 144A securities and warrants. The Fund may purchase securities of non-U.S. issuers directly or indirectly in the form of American, European or Global depository receipts or other securities representing underlying shares of non-U.S. issuers. The Fund may also purchase other investment funds, including, but not limited to registered funds, unregistered funds and REIT's.</p> <p>For purposes of investments to be made by the Fund, small capitalization companies will be defined to mean issuers that have a market capitalization of less than approximately \$3 billion (\$2.75 billion from March 17, 2009 to December 31, 2010) at the time of initial purchase. This level is subject to market movements and is regularly reviewed by the Investment Manager. Under normal circumstances, the Fund will invest at least 50% of its assets in equity securities of small capitalization companies.</p> <p>The Investment Manager's approach in selecting investments for the Fund is primarily oriented to individual stock selection and is value driven. In selecting stocks for the Fund, the Investment Manager identifies those stocks that it believes will provide capital appreciation over a market cycle, taking into consideration movements in the price of the individual security and the impact of currency fluctuation on a United States domiciled, dollar-based investor. The Investment Manager conducts fundamental research on a global basis in order to identify securities that, in the Investment Manager's opinion, have the potential for long-term capital appreciation. This research effort generally centers on a value-oriented dividend discount methodology with respect to individual securities and market analysis that isolates value across country boundaries. The approach focuses on future anticipated dividends and discounts the value of those dividends back to what they would be worth if they were being received today. In addition, the analysis typically includes a comparison of the values and current market prices of different possible investments. The Investment Manager's general management strategy emphasizes long-term holding of securities, although securities may be sold in the Investment Manager's discretion without regard to the length of time they have been held.</p> <p>Investments will be made mainly in marketable securities of companies located in developed countries which may include but are not limited to Australia, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland and the United Kingdom.</p> <p>The Fund may hold up to 20% of its assets measured at the time of purchase in securities of emerging market companies.</p>	<p>OK .</p>

<p><u>Emerging Markets Company</u></p> <p>The Fund considers an emerging country to be any country that is included in the International Finance Corporation Free Index or the Morgan Stanley Capital International Emerging Markets Index. In addition, any country which is generally recognized to be an emerging or developing country by the international financial community, including the World Bank and the International Finance Corporation, as well as any country that is classified by the United Nations or otherwise regarded by its authorities as developing will be considered an emerging country.</p> <p>There are more than 130 countries that are generally considered to be emerging or developing countries by the international financial community, approximately 40 of which currently have stock markets. Almost every nation in the world is included within this group of developing or emerging countries except the United States, Canada, and those in the Morgan Stanley Capital International EAFE Index.</p> <p>In considering possible emerging countries in which the Fund may invest, the Investment Manager places particular emphasis on certain factors, such as economic conditions (including growth trends, inflation rates and trade balances), regulatory and currency controls, accounting standards and political and social conditions.</p>	<p>OK</p>
<p><u>Currency, Debt Securities and Cash</u></p> <p>Currency considerations carry a special risk for a portfolio of international securities. The Fund may invest in securities issued in any currency and may hold foreign currency. Securities of issuers within a given country may be denominated in the currency of another country or in multinational currency units, including the euro. The Investment Manager primarily uses a purchasing power parity approach to evaluate currency risk. In this regard, the Fund may carry out hedging activities, and may invest in forward foreign currency contracts to hedge currency risks associated with the purchase of individual securities denominated in a particular currency. Under normal circumstances, hedging is undertaken defensively back into the base currency of the Fund.</p> <p>Under normal circumstances, no more than 10% of the Fund's assets will be invested in debt securities issued by governments or by their agencies, instrumentalities or political subdivisions, or by corporate entities, all of which may be high-yield, high-risk fixed income securities rated lower than BBB by S&amp;P and Baa by Moody's or, if unrated, considered to be of equivalent quality. In addition, for temporary defensive purposes, the Fund may invest in high-quality debt instruments.</p> <p>To facilitate investment activities, the Fund will generally hold a small portion of its assets in cash or cash equivalent instruments.</p>	<p>OK</p>

*The Investment Manager manages the Fund's assets in accordance with the investment objective and guidelines described in the Confidential Information Memorandum and not in accordance with the individual guidelines of any one investor.*

Wurts & Associates  
999 Third Avenue  
Seattle, WA 98104

April 2, 2012

Re: Compliance with Investment Guidelines for Fresno County

This statement is to confirm that the assets invested by Oechsle International Advisors, LLC ("Oechsle") were managed in accordance with the Account's Investment Guidelines for the first quarter January 1, 2012 through March 31, 2012.

Oechsle agrees and acknowledges that the Account will continue to be managed according to the Investment Guidelines. If you have any questions, please do not hesitate to contact me at 617-330-8979.

Best regards,  
Christopher Gelinas  
Director of Compliance



DANIEL M. HARKINS  
*Chief Legal and Compliance Officer*  
DIRECT: (949) 325-8731  
FAX: (949) 325-8931  
E-MAIL: [harkins@rallc.com](mailto:harkins@rallc.com)

April 24, 2012

Mr. Michael Kamell  
Consulting Associate  
Wurts & Associates  
2321 Rosecrans Avenue, Suite 2250  
El Segundo, CA 90245

Dear Mr. Kamell:

As requested, Research Affiliates, LLC ("RA") hereby certifies that the investment portfolio managed on behalf of the Fresno County Employees Retirement Association ("FCERA") complied with all investment guidelines in place as of March 31, 2012.

In addition, RA will continue to provide notification of any compliance exceptions in the management of the FCERA investment portfolio as they occur.

If you have any questions, please contact me directly at (949) 325-8721 or [harkins@rallc.com](mailto:harkins@rallc.com).

Sincerely,

Daniel M. Harkins  
*Chief Legal & Compliance Officer*

April 27, 2012

Mr. Michael Kamell  
Wurts & Associates  
2321 Rosecrans, Suite 2250  
El Segundo, CA 90245

Dear Mr. Kamell:

The U.S. TIPS Index Non Lending Fund and the S&P 500 Flagship Securities Lending Fund, in which the Fresno County Employees' Retirement Association is invested, have been managed in accordance with applicable fund investment guidelines and restrictions outlined in their respective Fund Declarations, for the quarter ending March 31, 2012.

Should you have any questions or require additional information, please feel free to contact Sonya Park of Relationship Management at (415) 8369854

Sincerely,

A handwritten signature in black ink, appearing to read 'T. Shors', with a stylized, flowing script.

Tom Shors  
Vice President  
SSgA Compliance

cc: Sonya Park





300 FRANK W. BURR BLVD. 7TH FLOOR TEANECK, NJ 07666  
201-928-1982 FAX 201-928-1401  
www.sfmlp.com

April 04, 2012

Michael Kamell, CPA  
Counsulting Associate  
Wurts and Associates  
2321 Rosecrans Avenue, Suite 2250  
Los Angeles, CA 90245

Re: Fresno County Employees Retirement System (Account)

Dear Mr. Kamell:

We are writing in fulfillment of our responsibility to certify compliance with the Investment Guidelines (Guidelines) for the investment account managed by Systematic Financial Management referenced above.

Systematic Financial Management is pleased to confirm that for this Account, we have maintained compliance with the Guidelines during this past calendar quarter. Should you effect any changes to the Guidelines in the coming months, please forward a copy of the revisions at your earliest convenience.

We would like to thank you again for the opportunity to provide investment management services to the Fresno County Employees Retirement System.

Yours very truly,

Systematic Financial Management

Cc: Scott Garrett - SFM  
Jeffrey MacLean - Wurts

**WADDELL & REED**  
**ASSET MANAGEMENT GROUP**

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LYNNE GOODWIN  
VICE PRESIDENT  
INSTITUTIONAL CLIENT SERVICE

6300 LAMAR AVENUE  
POST OFFICE BOX 29223  
SHAWNEE MISSION, KS 66201-9223  
913/236-3731 FAX 913/236-1888  
877/887-0867  
EMAIL LGOODWIN@WADDELL.COM

April 11, 2012

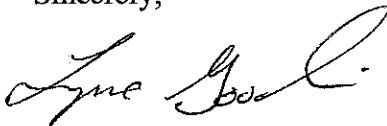
Michael Kamell, CPA  
Wurts & Associates  
2321 Rosecrans Avenue, Suite 2250  
El Segundo, CA 90245

RE: Fresno County Employees' Retirement Association

Dear Mike:

Pursuant to the Agreement between Fresno County Employees' Retirement Association and Waddell & Reed Investment Management Company, Waddell & Reed stands in compliance with mutually agreed upon guidelines as of the first quarter 2012.

Sincerely,



Lynne Goodwin  
Vice President  
Institutional Client Service

Cc: Becky Van Wyk



April 3, 2012

Mr. Michael Kamell  
2321 Rosecrans Ave.  
Suite 2250  
El Segundo, CA 90245-4977

***Re: Fresno CERA***

Dear Mr. Kamell:

This letter is to certify that, to the best of our knowledge, the investment portfolio managed on behalf of the Fresno County Employees' Retirement Association was in compliance with the stated investment objectives, policies and guidelines during the first quarter of 2012.

Please contact Western Asset should you have any questions.

Sincerely,

Nazanin Ho  
Compliance Officer



April 3, 2012

Mr. Michael Kamell  
2321 Rosecrans Ave.  
Suite 2250  
El Segundo, CA 90245-4977

***Re: Fresno CERA***

Dear Mr. Kamell:

This letter is to certify that, to the best of our knowledge, the investment portfolio managed on behalf of the Fresno County Employees' Retirement Association was in compliance with the stated investment objectives, policies and guidelines during the first quarter of 2012.

Please contact Western Asset should you have any questions.


Sincerely,

Nazanin Ho  
Compliance Officer

Fresno County Employees' Retirement Association  
Certification of Compliance Statement  
First Quarter, 2012

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This statement is to verify that to the best of our knowledge and based upon Wellington Management's systems, all transactions and positions in Fresno County Employees' Retirement Association's Research Value Portfolio for the period of January 1, 2012 – March 31, 2012, has been reviewed and is in compliance with the investment management agreement and Wellington Management's internal policies.



Sue Bonfeld  
Vice President  
Wellington Management

March 31, 2012

Date

Winslow Capital Management, Inc.  
4720 IDS Tower  
80 South Eighth Street  
Minneapolis, MN 55402  
612.376.9100



**Delivered Via E-Mail**

Date: April 9, 2012

TO: Ms. Becky Van Wyk  
Fresno County Employees' Retirement Association  
1111 H Street  
Fresno, CA 93721  
[bvanwyk@co.fresno.ca.us](mailto:bvanwyk@co.fresno.ca.us)

FROM: Laura J. Hawkins, CCO  
Winslow Capital Management, Inc.  
4720 IDS Tower  
80 South Eighth Street  
Minneapolis, MN 55402

RE: Compliance Certification

For the period January 1, 2012 through March 31, 2012, Winslow Capital Management, Inc. certifies that the portfolio managed for the Fresno County Employees' Retirement Association was in compliance with the Fresno County Employees' Retirement Association Investment Guidelines.

Winslow Capital Management, Inc.



Laura J. Hawkins, Chief Compliance Officer

Cc: Michael Kamell, CPA  
Wurts & Associates  
[mkamell@wurts.com](mailto:mkamell@wurts.com)

Conor Hinds  
Fresno County Employees' Retirement Association  
[cohinds@co.fresno.ca.us](mailto:cohinds@co.fresno.ca.us)