Fresno County Employees' Retirement Association

October 2, 2013

Frances L. Coombes Donald H. Plotsky

Western Asset

Western Asset Management

Western Asset is a global investment management firm committed to
understanding the needs of each client,
identifying investment solutions and
delivering superior long-term investment results

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Western Asset

Organizational Update

We Believe in Value

Investment Philosophy

Long-term, fundamental value discipline

- Bottom-up
- Top-down

Diversified strategies

- Depth of resources
- Global

Integrated analytics and risk management

- Relative value analysis
- Transparency and communication

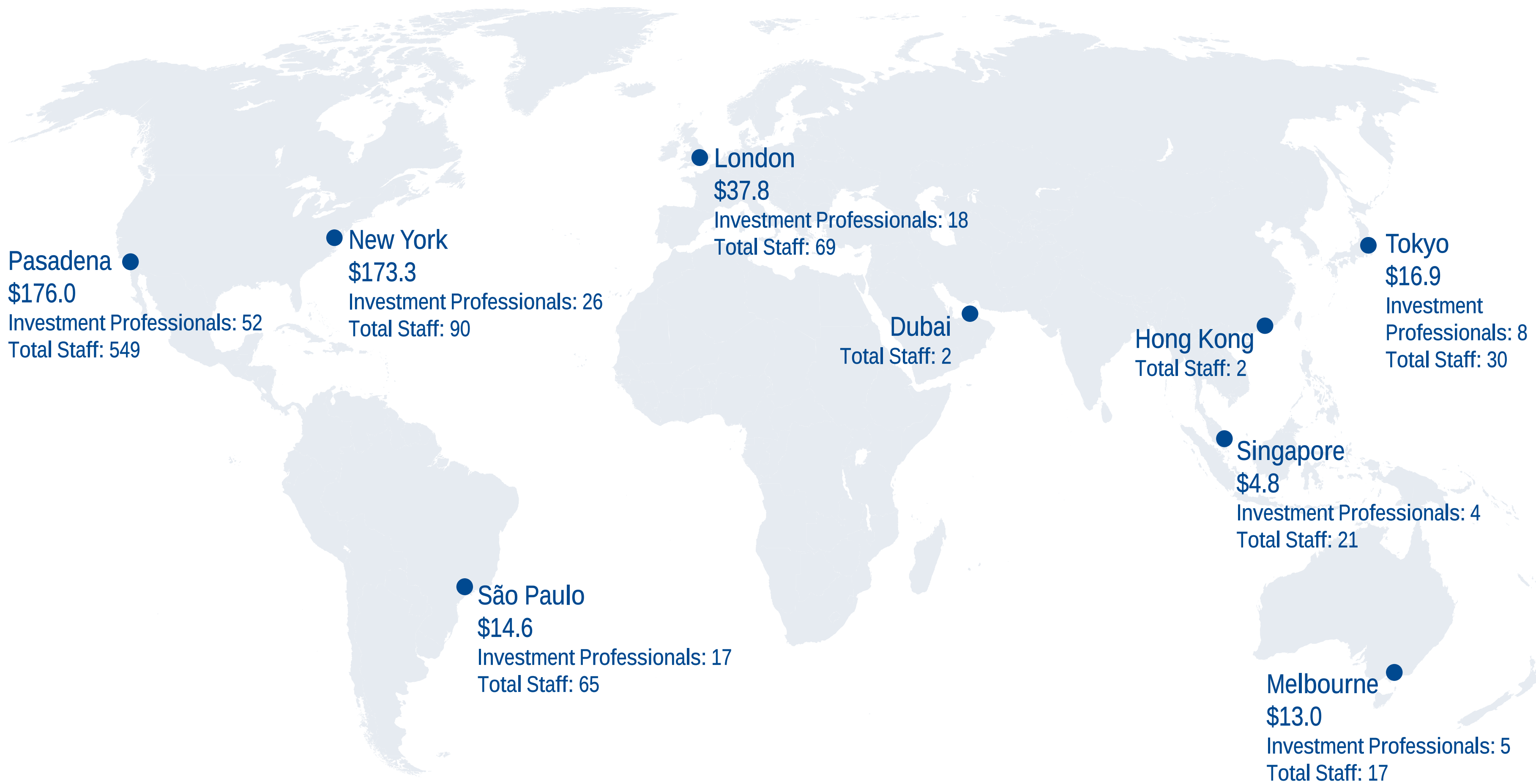
Global Breadth and Local Depth

June 30, 2013

Total AUM: $436.4 billion

8 Countries

Total Staff: 845



Assets under management in USD (billions)

Investment Solutions

Objective-Driven Investing

Preservation of Principal

Money Markets
Limited Duration
GNMA
Agency MBS

Diversify Globally

Global Sovereign
Infrastructure Debt
Global Core/Core Full Discretion
Global Credit
Global Sovereign Total Return

Enhance Income

Short Duration High Income
Emerging Markets
High-Yield
Diversified High Income
Structured Products/REIT/CLO

Rising Rate Protection

Adjustable Rate
Bank Loans

Core Fixed-Income

Intermediate
Core
Core Full Discretion
Investment-Grade Credit

Increase Alpha

Global Credit Absolute Return
Macro Opportunities

Inflation Protection

US TIPS
Global Inflation-Linked
Currencies

Generate Total Return

Total Return Unconstrained
Global Multi-Sector
Dynamic Fixed-Income

Hedge Liabilities

Long Duration
Long Credit
LDI
Tail Risk Protection

Team-Based Investment Management*

S. Kenneth Leech
Co-Chief Investment Officer

Stephen A. Walsh
Co-Chief Investment Officer

Gavin L. James
Director of Global Portfolio Operations

Europe

London

Andrew J. Belshaw
Europe Portfolios
UK Portfolios

Gordon S. Brown
Global Portfolios

Paul Shuttleworth
Non-US Credit

Americas

New York / Pasadena

Dennis J. McNamara
Insurance
Liquidity
Limited Duration
Long Duration
Municipals
TIPS

Carl L. Eichstaedt
Broad Market Portfolios
Canadian Dollar

Christopher Orndorff
Multi-Sector Portfolios
& Derivatives

Michael C. Buchanan
Global Credit

Keith J. Gardner
Emerging Markets

Stephen P. Fulton
Agency Mortgages

Anup Agarwal
Structured Products

Rajiv Sachdeva
Quantitative Analysis

São Paulo

Paulo E. Clini
Brazil Fixed-Income
Brazil Equities

Asia-Pacific

Tokyo

Kazuto Doi
Japan Portfolios

Singapore

Chia-Liang Lian
Asia Portfolios

Melbourne

Anthony C. Kirkham
Australia Portfolios
New Zealand Portfolios

As of 31 Aug 13
**Illustrates direct-reporting only and does not represent the entire investment management team.*

Committed to Excellence in Client Service

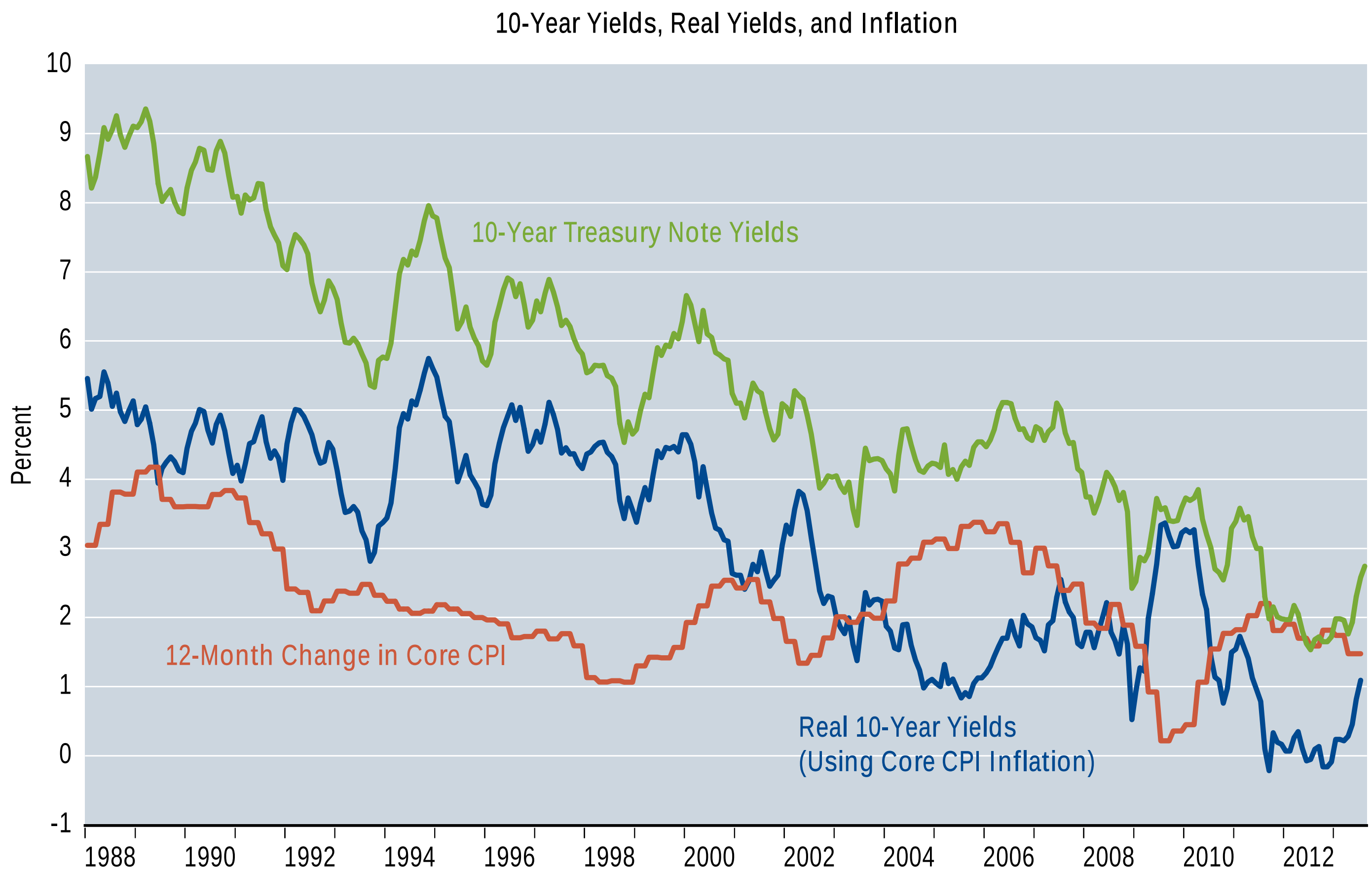
Representative Client List

Corporate	Public	Multi-Employer / Union	Insurance
Alcoa Inc.	Arkansas Local Police and Fire Retirement System	1199 SEIU National Benefit Fund	AXA
Allied Domecq Pension Fund	Arkansas Teacher Retirement System	Alaska Electrical Trust Funds	Blue Cross Blue Shield of Massachusetts
American Cast Iron Pipe Company	Baltimore County (MD) Employees Retirement System	Bert Bell / Pete Rozelle NFL Player Retirement Plan	Catalina Holdings (Bermuda) Ltd
ArcelorMittal USA Inc.	California State Teachers' Retirement System	Boilermaker Blacksmith National Pension Trust	Great-West Life & Annuity Insurance Company
AT&T Investment Management Corporation	City of Grand Rapids	Directors Guild of America-Producer Pension and Health Plans	Health Care Service Corporation
BASF Corporation	City of Orlando	Graphic Communications International Union, Inter-Local Pension Fund	Highmark Health Services
Bayer Corporation	Employees' Retirement System of the State of Rhode Island	IUOE Employers Construction Industry Retirement Plan, Locals 302 and 612	Maryland Automobile Insurance Fund
Bristol-Myers Squibb Company	Fife Council Pension Fund	Line Construction Benefit Fund	Oil Investment Corporation Ltd.
Campbell Soup Company	Fonds de compensation AVS	Major League Baseball Players Benefit Plan	Reliance Standard Life Insurance Company
Cathay Securities Investment Trust	Fresno County Employees' Retirement Association	National Education Association of the United States	United Services Automobile Association
Chrysler LLC	Gloucestershire County Council	New England Healthcare Employees Union, District 1199, AFL-CIO	WellPoint, Inc.
CNH Global N.V.	Government of Bermuda Public Funds	UAU Local No. 290 Plumber, Steamfitter & Shipfitter Industry Pension Trust	**Healthcare**
Consolidated Edison Company Of New York, Inc.	Hampshire County Council	United Food and Commercial Workers Union Local 919	Baptist Healthcare System, Inc.
Consolidated Rail Corporation	Indiana State Treasurer's Office	Western States Office & Professional Employees Pension Trust	Baylor Health Care System
Crown Cork & Seal Company, Inc.	Iowa Public Employees' Retirement System	**Eleemosynary**	Bethesda Hospital
Delta Air Lines, Inc.	Kansas Public Employees Retirement System	Abilene Christian University	Catholic Health Initiatives
Electronic Data Systems Ltd	Korea Investment Corporation	Abington Memorial Hospital	Catholic Health Investment Management Company
Energy Transfer Partners LP (formerly Sunoco, Inc.)	Los Angeles County Employees Retirement Association	Baha'i' World Centre	Children's Hospital of New Orleans
Galileo & Worldspan U.S. Legacy Pension Plan Trust	Marin County Employees' Retirement Association	Battelle Memorial Institute	CHRISTUS Health
Graphic Packaging International Incorporated	Minnesota State Board of Investment	Bill & Melinda Gates Foundation Trust	Lehigh Valley Hospital
International Paper Company	Nevada Public Employees Retirement System	Board of Trustees of Southern Illinois University	Medica
Investeringsforeningen Gudme Raaschou	New Jersey Transit	Commonfund	NorthShore University HealthSystem
John Lewis Partnership Pensions Trust	North Dakota State Investment Board	Creighton University	OhioHealth Corporation
LSI Logic Corporation	Ohio Police & Fire Pension Fund	Domestic & Foreign Missionary Society ECUSA	Providence Health and Services
Macy's, Inc.	Orange County Transportation Authority	E. Rhodes & Leona B. Carpenter Foundation	St. George Corporation
National Grid USA	Oregon Investment Council	Indiana University	**Sub-Advisory**
Nestle USA, Inc.	Public Employee Retirement System of Idaho	Saint Louis University	DIAM Co., Ltd.
Nisource, Inc.	Public School Teachers' Pension and Retirement Fund of Chicago	Salk Institute for Biological Studies	Fondaco LUX S.A.
PCS Administration (USA), Inc	Salt River Project Agricultural Improvement and Power District	The Rotary Foundation of Rotary International	GuideStone Capital Management
Pensioenfonds Horeca & Catering	School Employees Retirement System of Ohio	United Negro College Fund	Highbury Pacific Capital Corp.
PPG Industries	Seattle City Employees Retirement System	University of Colorado	KOKUSAI Asset Management Co., Ltd.
Southern California Edison	Sonoma County Employees' Retirement Association	University of Illinois	Legg Mason, Inc.
Stichting Pensioenfonds DSM-Nederland	Surrey County Council	University of Miami	LyonRoss Capital Management LLC
Sumitomo Mitsui Asset Management Company, Limited	Tennessee Valley Authority	University of Southern California	Morgan Stanley Consulting Group
The Dun & Bradstreet Corporation	Ventura County Employees' Retirement Association	University of Wisconsin Foundation	Quaestio Investments S.A.
Unilever United States, Inc.	Virginia Retirement System	Voelcker Foundation	Russell Investment Group
Unisys Corporation	Wiltshire Council	Washington College	SEI Investments Management Corporation
YMCA Retirement Fund	Wyoming Retirement System	Washington State University	Shinko Asset Management Co., Ltd.

As of 31 Aug 13. Please see the Representative Client List Disclosure in the Appendix for more information. All have authorized the use of their names by Western Asset for marketing purposes. Such authorization does not imply approval, recommendation or otherwise of Western Asset or the advisory services provided.

Market Review

Market Risks – Real Yields and Inflation



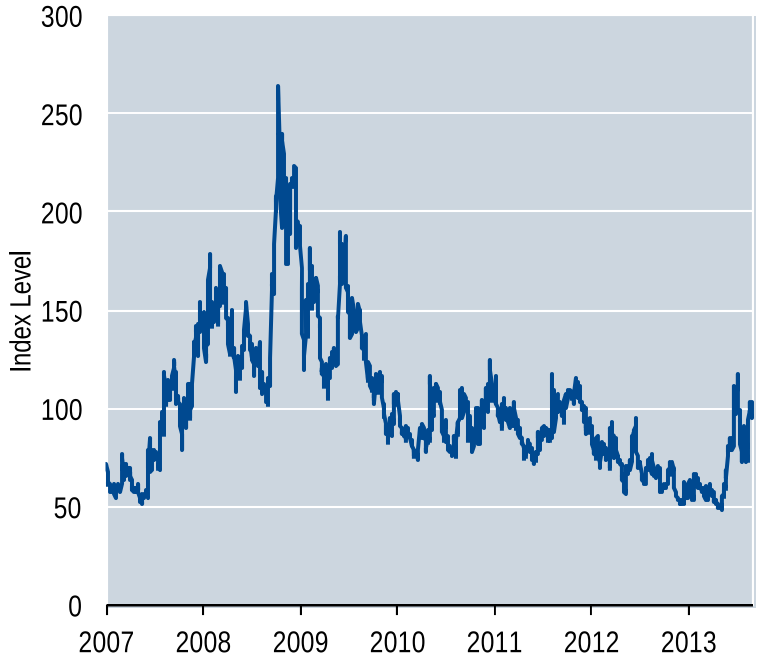
Source: Federal Reserve Board, Bureau of Labor Statistics. As of 31 Aug 13

Market Risks - Volatility

Bond volatility has increased meaningfully

MOVE Volatility Index

2007–2013



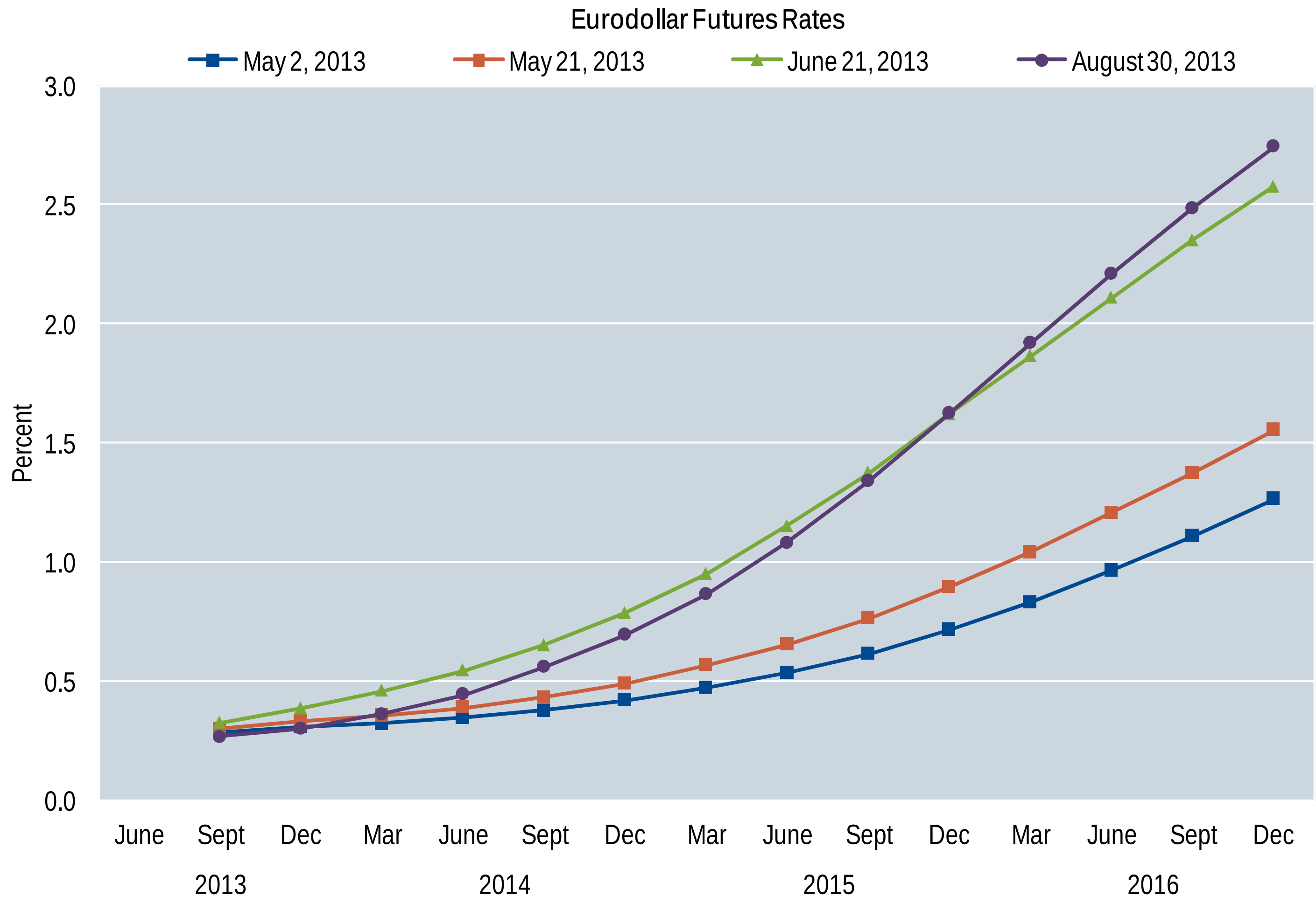
Source: Bloomberg, Morgan Stanley. As of 31 Aug 13

January 2012–August 2013

Source: Bloomberg, Morgan Stanley. As of 31 Aug 13

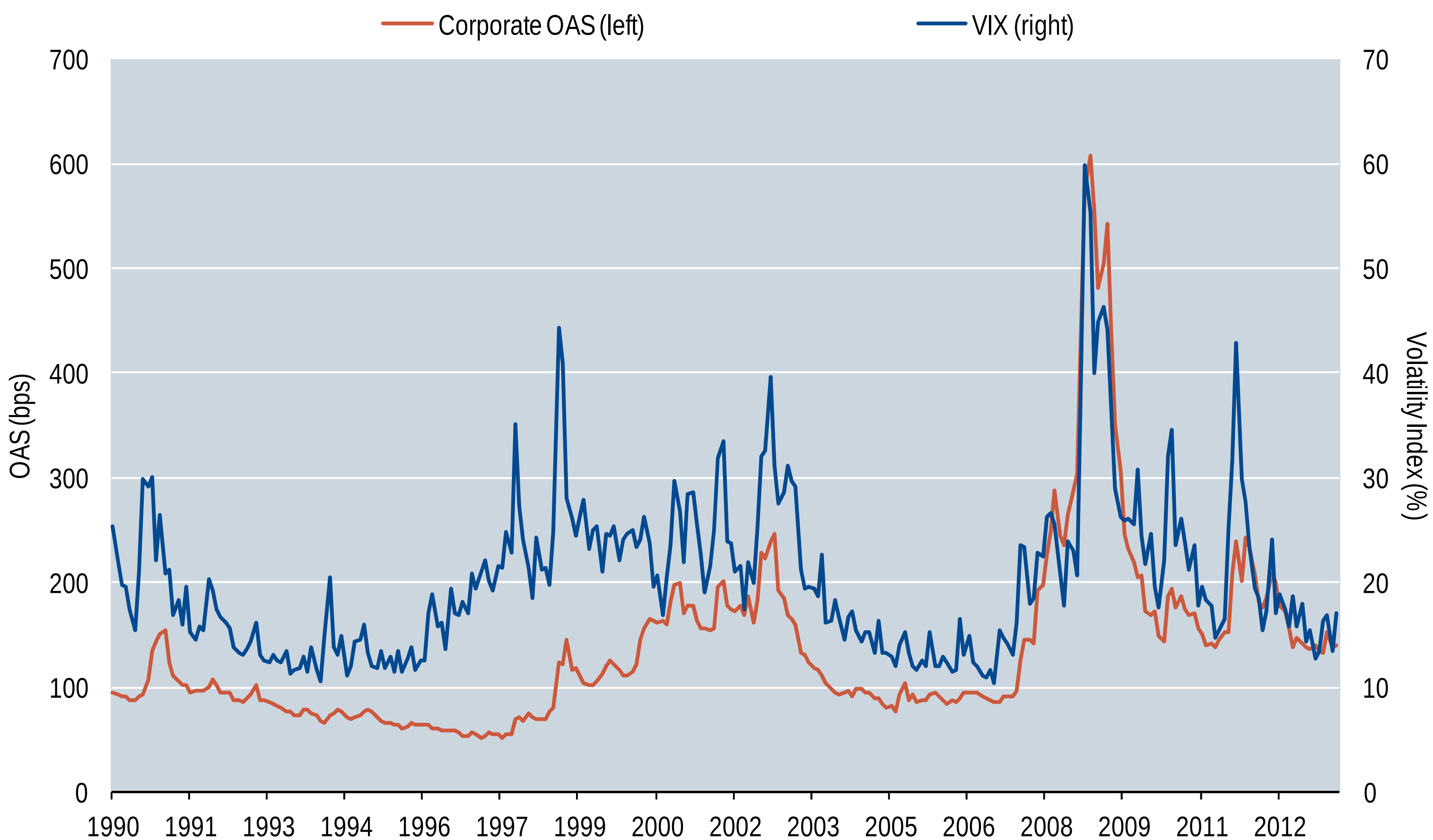
Future Rate Expectations

Eurodollar futures indicate tightening expectations have been pulled forward



Source: Bloomberg. As of 30 Aug 13

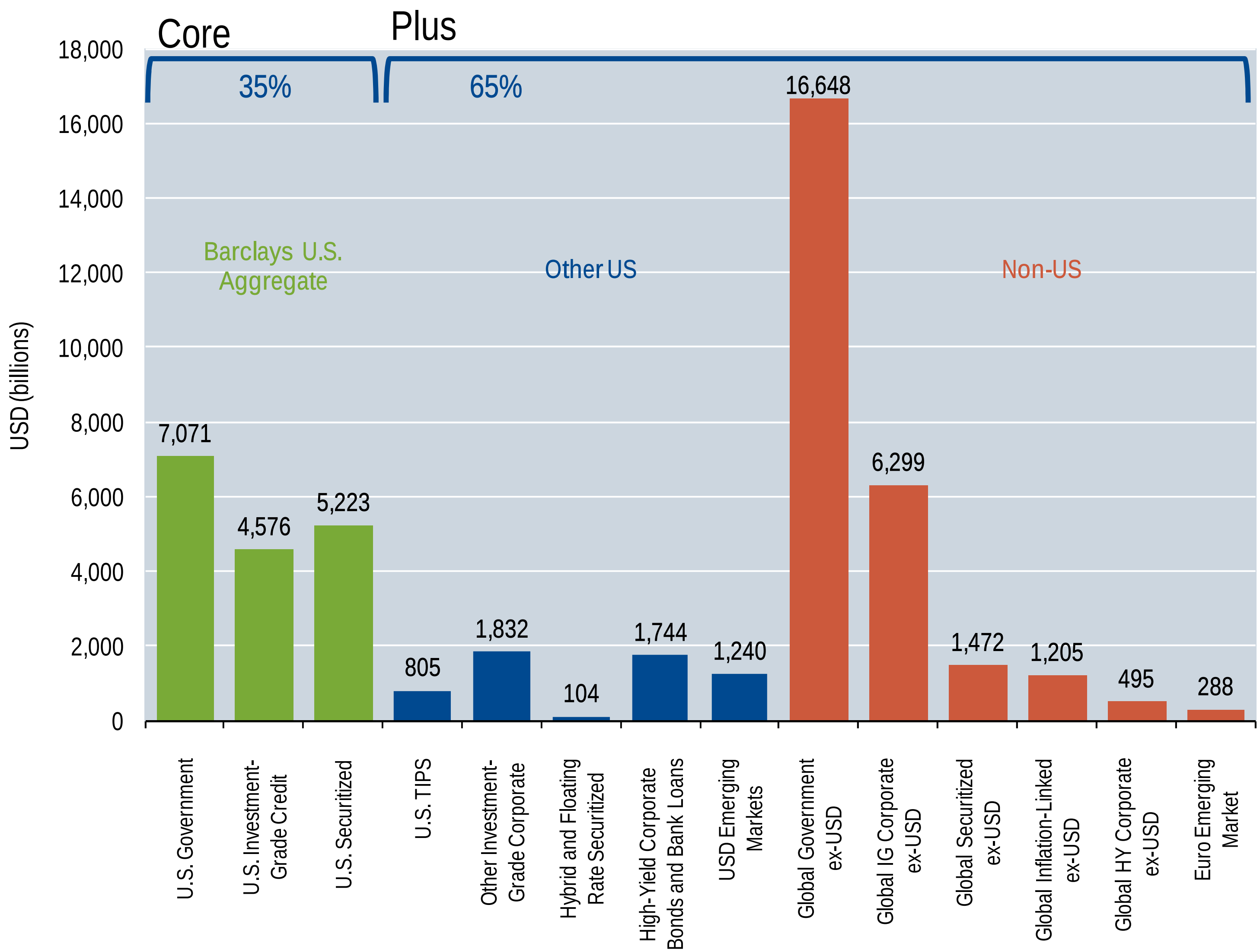
Market Risks - Volatility



Source: Bloomberg, Barclays. As of 30 Aug 13

WESTERN ASSET

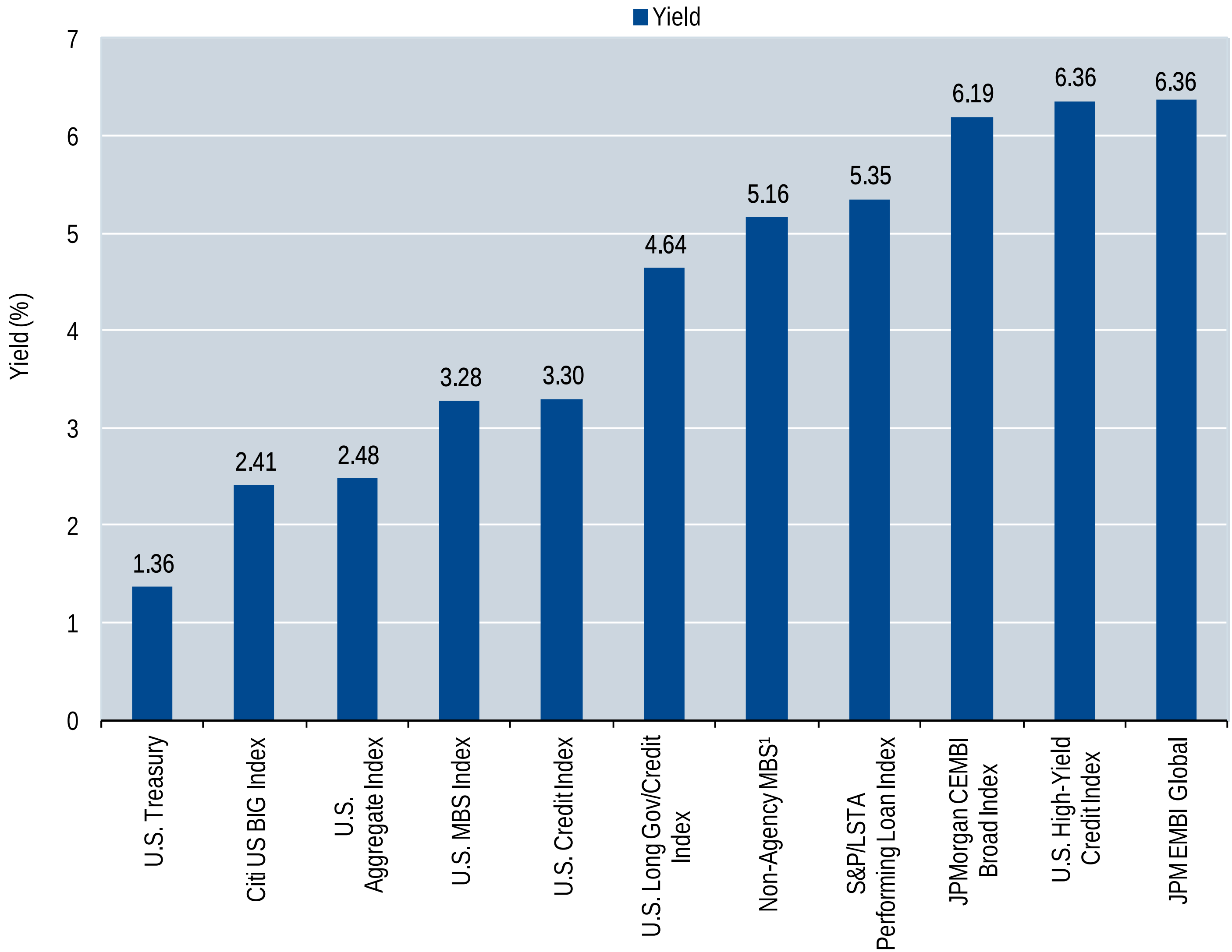
Fixed-Income Opportunities – Investing Beyond the Aggregate



Source: Barclays. As of 31 Jul 13

WESTERN ASSET

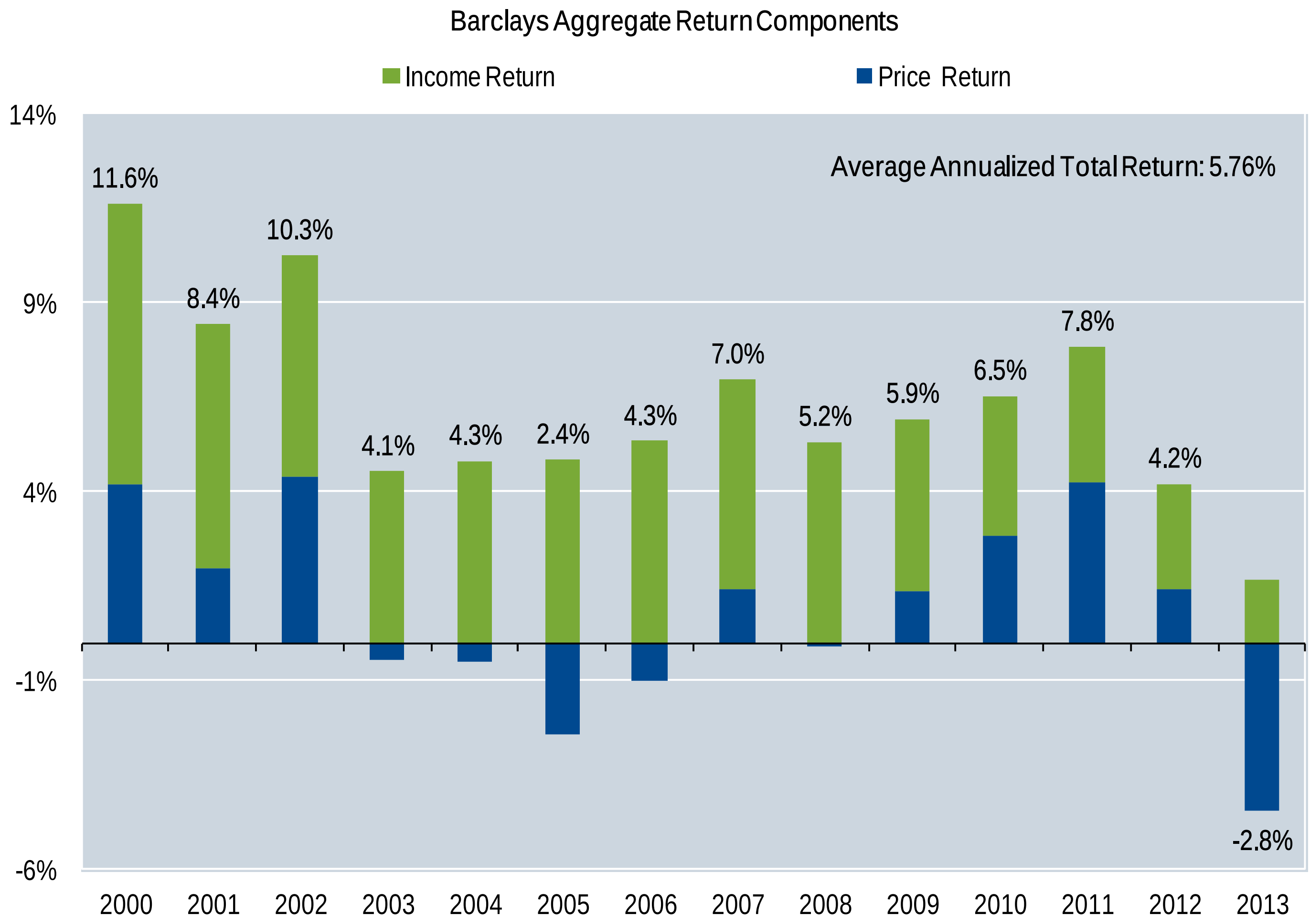
Fixed-Income Opportunities



Source: Barclays, Citigroup, JPMorgan, S&P/LSTA, Western Asset. As of 31 Aug 13
Indices are Barclays unless otherwise noted.
[1]Internal estimate of the non-agency universe. There is no official benchmark. Non-Agency yelds are loss adjusted.

Western Asset

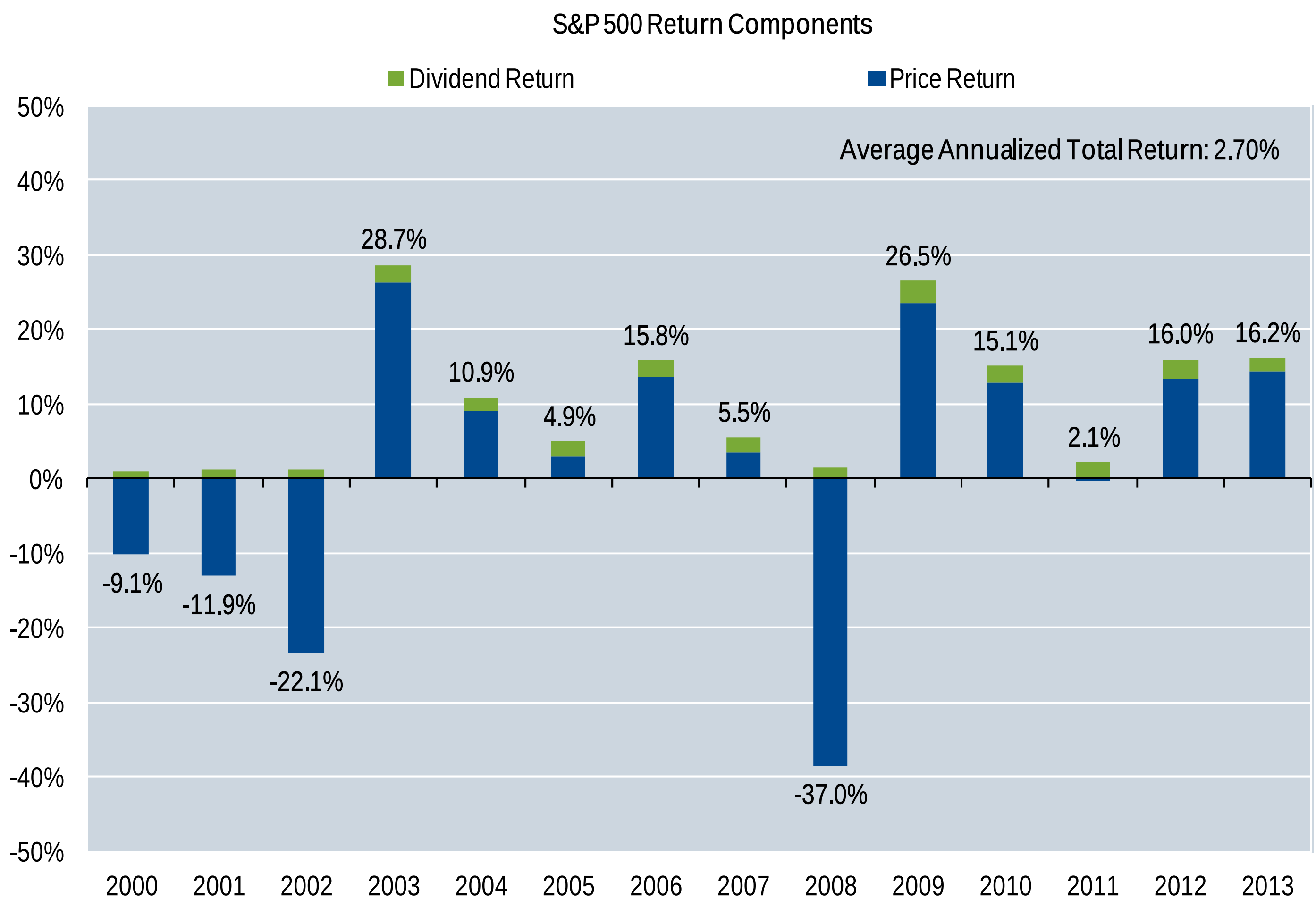
Barclays U.S. Aggregate Return Components



Source: Barclays. As of 31 Aug 13

WESTERN ASSET

S&P 500 Return Components



Source: Bloomberg
**As of 31 Aug 13*

WESTERN ASSET

Global Investment Themes

Outlook

- Developed economies continue to recover
- 2%–3% GDP growth in the US
- A mild recession in Europe, structural reforms continue
- China GDP growth slowing, with potentially negative impacts on other emerging market countries
- Secular headwinds remain in developed countries
  - Fiscal constraint
  - Deleveraging
- Near-term inflation outlook stable, longer-term monetary policy concerns
- Globally, central bank policy to remain extraordinarily accommodative, slow exit in the US

Primary risks

- Ongoing European concerns
- Geopolitical tensions and policy uncertainty
- US fiscal policy process
- Excess global liquidity causes valuation bubbles
- Slowing or removal of extraordinary monetary policies causes exaggerated investor response and volatility

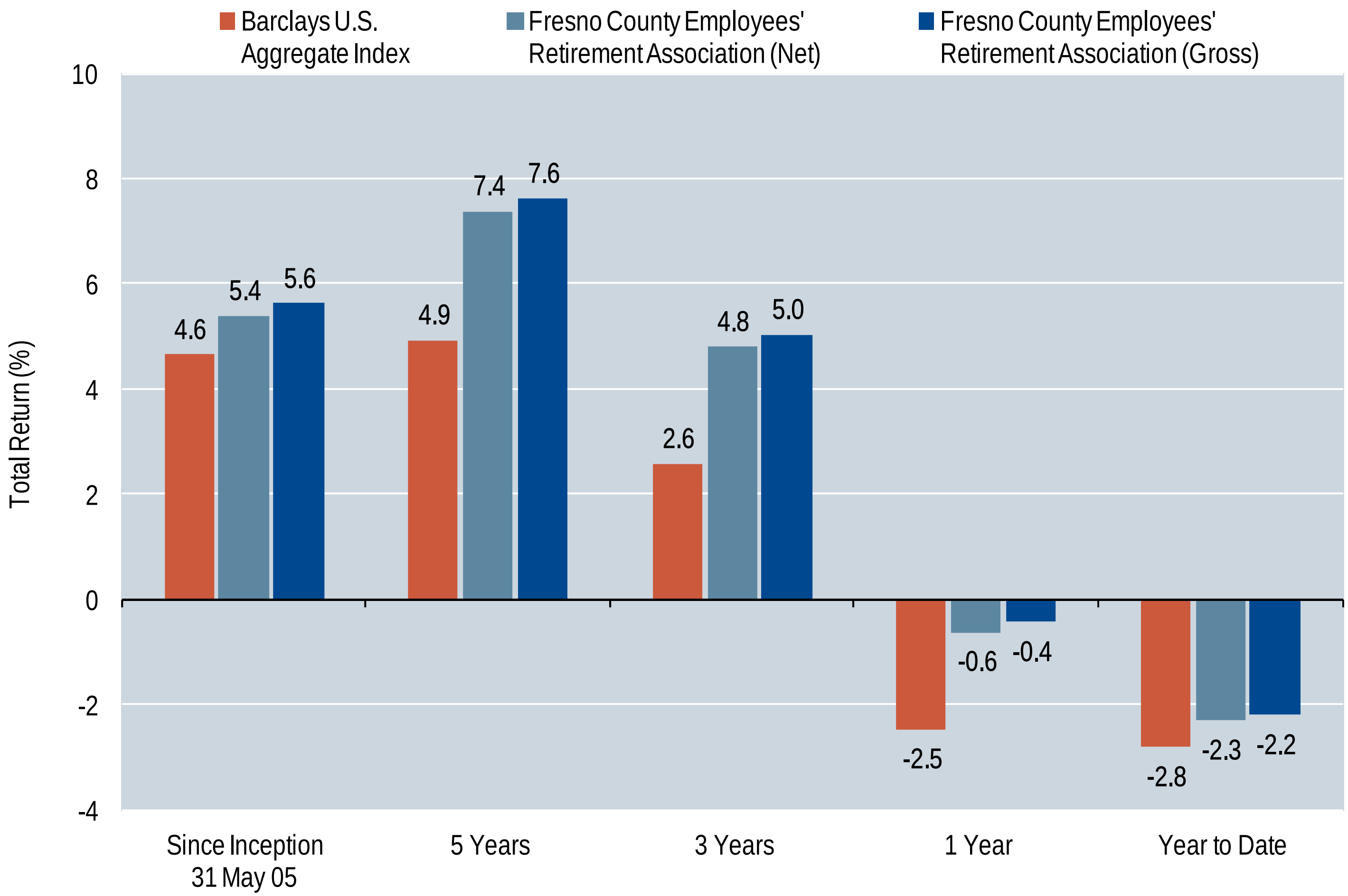
Strategy considerations

- Select investment-grade financials, high-yield credit, and bank loans
- Emerging markets provide value and diversification, focus on USD corporates and local markets
- Non-agency residential mortgage-backed securities loss-adjusted yields favorable, fundamentals improving
- Overweight agency mortgages, favor production coupons and pools with better prepayment profiles
- Neutral to long duration versus benchmarks
- Long duration US Treasury securities as a risk-sector diversifier
- Short Euro to hedge ongoing European concerns
- Short yen in anticipation of aggressive BoJ monetary policies

The above reflects the opinions of Western Asset as of 30 Jun 13

Portfolio Review

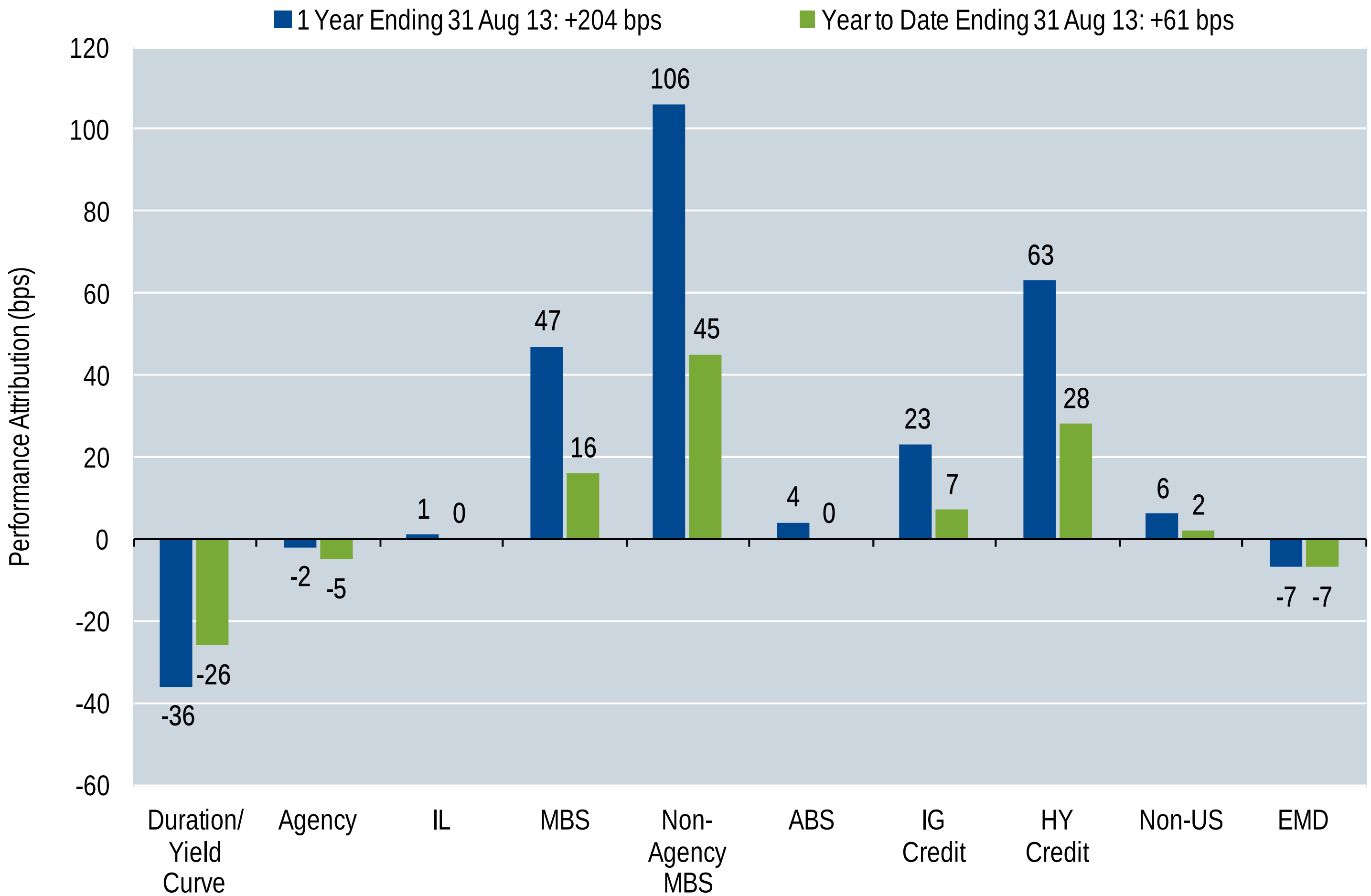
Investment Results



As of 31 Aug 13. Returns for periods greater than one year are annualized. Returns since inception are as of the indicated close of business day.

Attribution Analysis

Fresno County Employees' Retirement Association vs. Barclays U.S. Aggregate Index



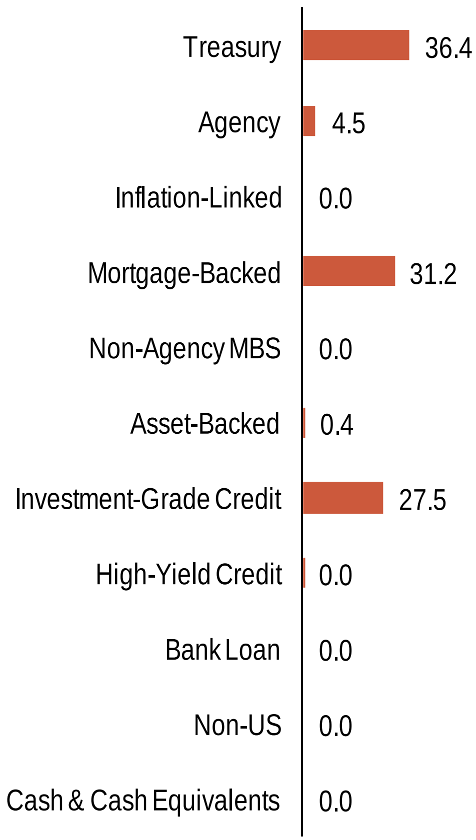
Western Asset believes that attribution is not a hard science, but rather a means of evaluating strategies to determine their relative impact on overall portfolio performance. The intent of the manager, therefore, is critical in the evaluation of different strategies, and the return attribution for any sector or strategy could be over or understated due to its inclusion in another component. Data may not sum to total due to rounding.

WESTERN ASSET

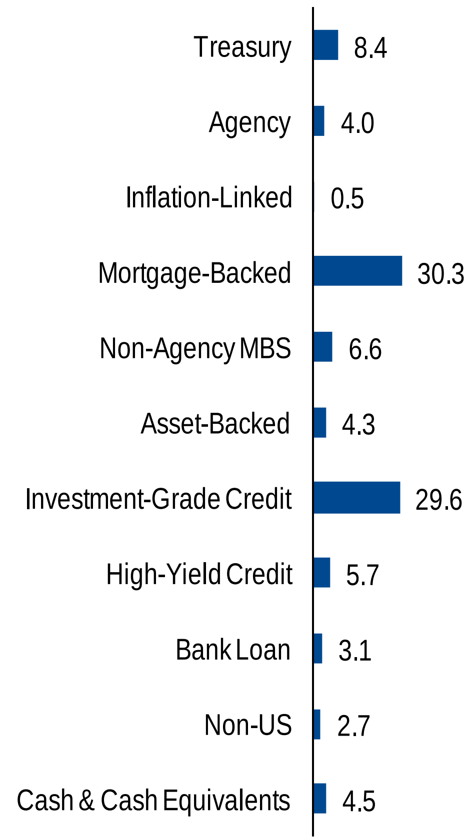
Sector Exposure

August 31, 2013

Barclays U.S. Aggregate Index (%)
Yield: 2.48



Fresno County Employees' Retirement Association(%)
Yield: 4.44



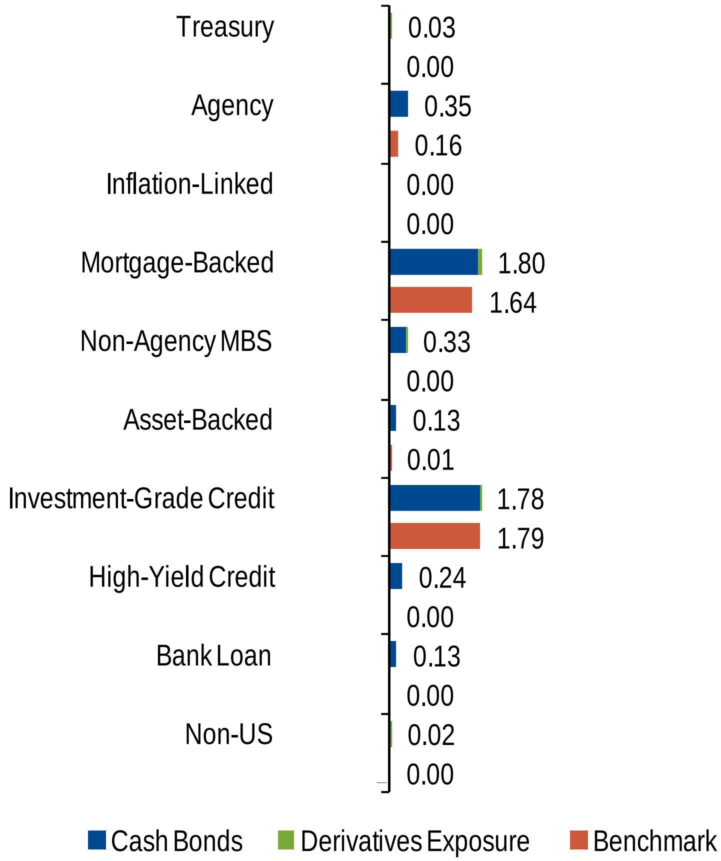
Note: Sector exposure includes look-through to any underlying commingled vehicles if held. All weightings are a percentage of total market value. A negative cash position may be reported, which is primarily due to the portfolio's unsettled trade activity. Data may not sum to 100% due to rounding.

Sector Exposure

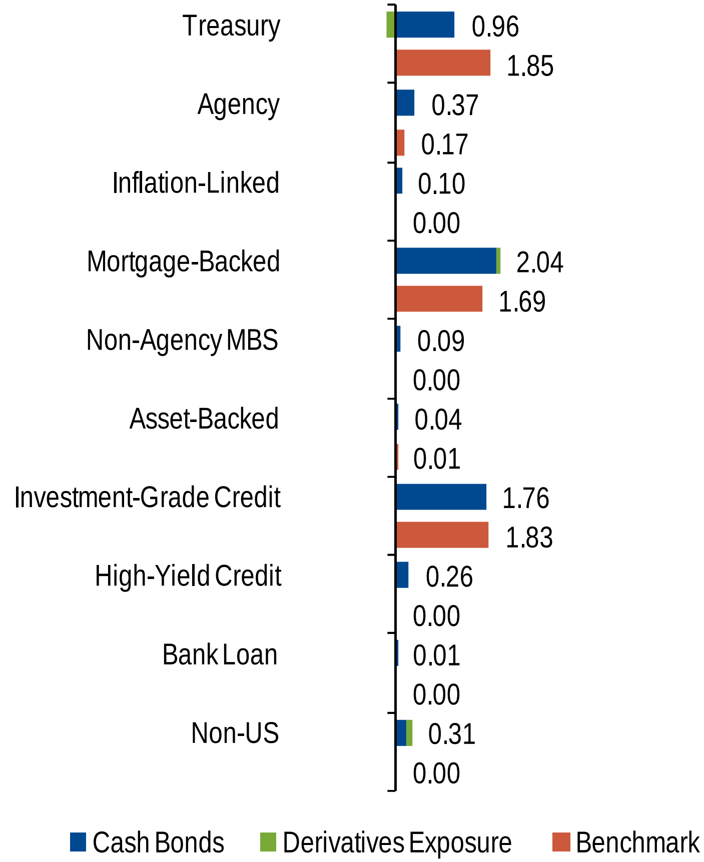
Fresno County Employees' Retirement Association vs. Barclays U.S. Aggregate Index

August 31, 2013

Spread Duration Contribution (yrs)



Duration Contribution (yrs)



Total Spread Duration	
Portfolio:	4.83
Benchmark:	3.60

Total Duration	
Portfolio:	5.94
Benchmark:	5.55

Note: Sector exposure includes look-through to any underlying commingled vehicles if held. Data may not sum to total due to rounding.

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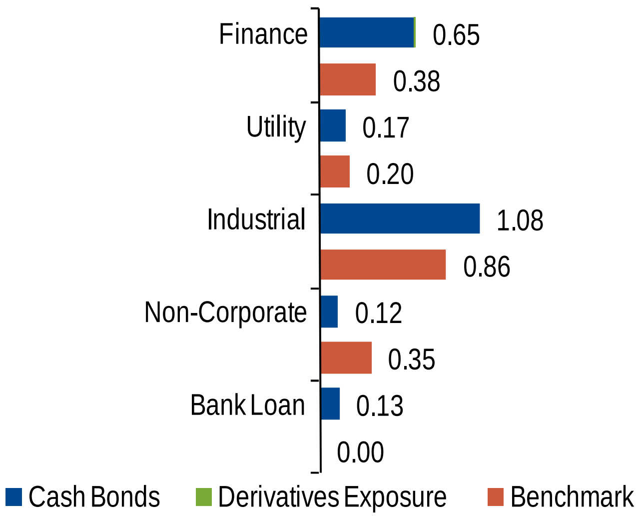
Credit Sector Exposure

Fresno County Employees’ Retirement Association vs. Barclays U.S. Aggregate Index

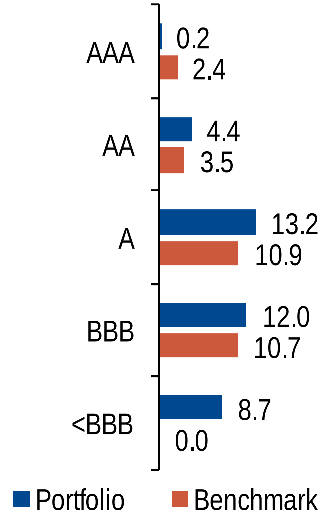
August 31, 2013

Spread Duration Contribution (yrs)



Credit Spread Duration
Portfolio: 2.16
Benchmark: 1.79

Quality Exposure (%)[1]



38.4% of Portfolio

Barclays U.S. Credit Index Excess Returns

	2012	2013*
Finance	12.52%	1.51%
Utility	4.67%	1.31%
Industrial	4.92%	0.20%
Non-Corporate	5.39%	-1.66%

**As of 31 Aug 13*

	2012	2013*
AAA	1.96%	0.08%
AA	4.15%	0.05%
A	7.40%	0.56%
BBB	8.56%	0.02%
<BBB**	13.94%	4.67%

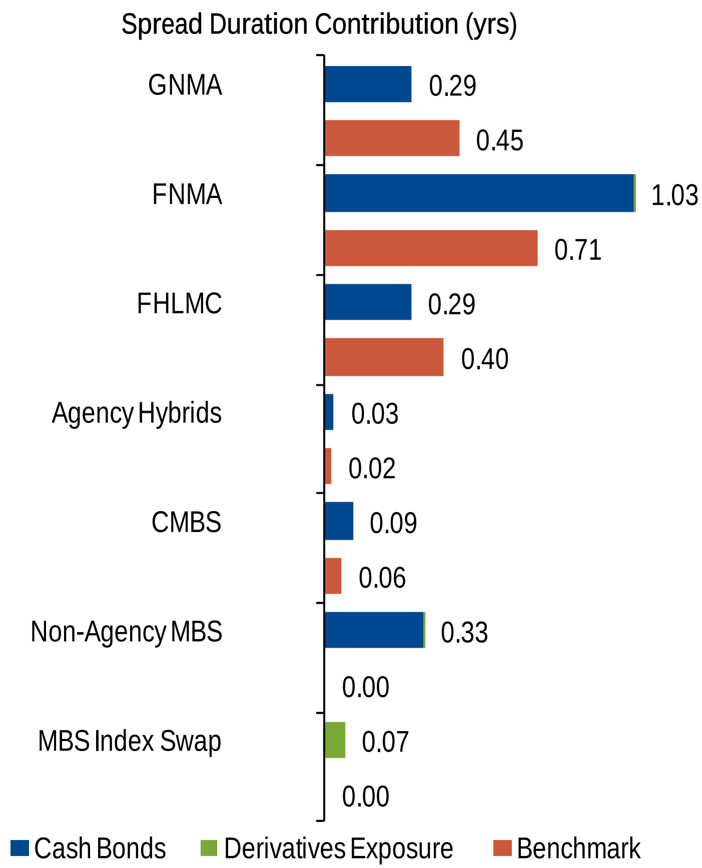
**As of 31 Aug 13; **Barclays U.S. High-Yield Index*

Note: Sector exposure includes look-through to any underlying commingled vehicles if held. Data may not sum to total due to rounding.
[1]All weightings are a percentage of total market value.

Mortgage-Backed Sector Exposure

Fresno County Employees' Retirement Association vs. Barclays U.S. Aggregate Index

August 31, 2013



MBS Spread Duration

Portfolio:	2.13
Benchmark:	1.64

Note: Sector exposure includes look-through to any underlying commingled vehicles if held. Data may not sum to total due to rounding.

Non-Agency Mortgage-Backed Exposure

Fresno County Employees' Retirement Association

August 31, 2013

Classification	% Portfolio
Prime	1.56%
Alt-A	1.43%
Subprime	1.12%
Option ARM	2.60%
Total	6.71%

Capital Structure	% Portfolio
Super Senior	1.63%
Senior	4.31%
Senior Support	0.02%
Subordinated	0.68%
Other - Swap	0.07%
Total	6.71%

Vintage	% Portfolio
<=2003	0.94%
2004	1.53%
2005	2.41%
2006	1.20%
2007	0.64%
Total	6.71%

Current Ratings	% Portfolio
AAA	1.82%
AA	1.72%
A	0.64%
BBB	0.65%
<BBB	1.87%
Total	6.71%

Weighted Average Yield (%)[1]	Weighted Average Life (yrs)
5.71	6.41

Note: Sector exposure includes look-through to any underlying commingled vehicles if held. All weightings are a percentage of total market value. Data may not sum to total due to rounding.
Includes home equity asset-backed securities and notional value of ABX where held.
Source: Western Asset / Intex
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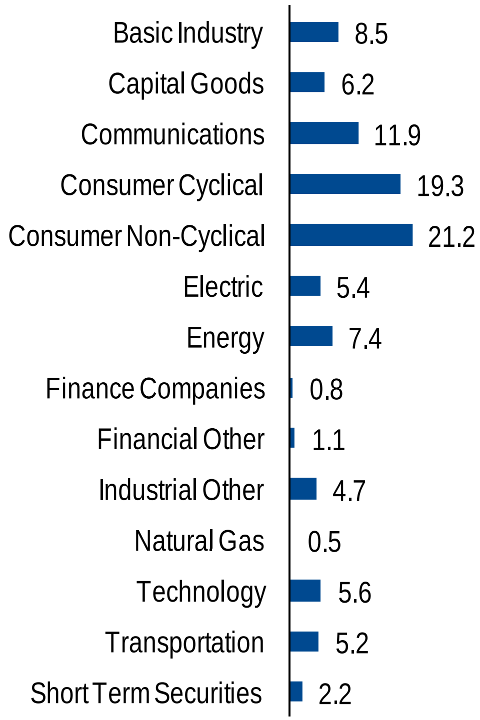
[1] Weighted average yield is loss adjusted

Opportunistic Non-Benchmark Sector Allocation

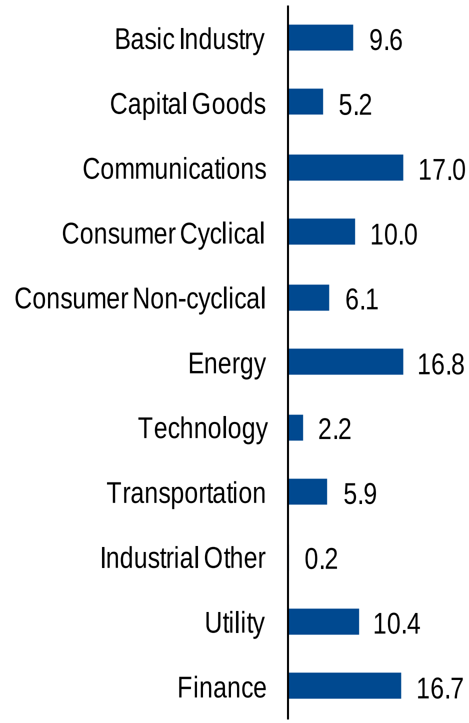
High-Yield

August 31, 2013

Opportunistic Bank Loan Allocation (%)



Opportunistic High-Yield Allocation (%)



Bank Loan Allocation

- Capital preservation
- Diversified approach
- Research-driven
- BB and B Focus

High-Yield Process

- Diversified approach
- Research-driven
- Large, liquid deals

Note: Sector exposure includes look-through to any underlying commingled vehicles if held. All weightings are a percentage of total market value. Data may not sum to total due to rounding.

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Opportunistic Non-Benchmark Sector Allocation

Non-US

August 31, 2013

Non-US
Allocation

- Positive exposure to German and UK rates
- Long Canadian dollar and Swedish kronor
- Short Australian dollar, Euro and Japanese yen

Non-US Process

- Opportunistic allocation
- Primarily sovereign credits

Note: Sector exposure includes look-through to any underlying commingled vehicles if held. All weightings are a percentage of total market value. Data may not sum to total due to rounding.

Appendix

Biography

FRANCES L. COOMBES

15 Years Experience

– Western Asset Management Company – Client Service Executive, 1998–
– *Columbia University, School of International and Public Affairs, M.P.P.*
– *University of California, Berkeley, B.A.*

DONALD H. PLOTSKY

28 Years Experience

– Western Asset Management Company – Head of Product Group, 2002-
– CDC Investment Management Corp. – Director of Sales and Client Service, 1997-2002
– Advisers Capital Management, Inc. – Managing Director/Senior Portfolio Manager, 1991-1996
– Equitable Capital Management Corp. – Vice President/Portfolio Manager, 1988-1991
– Hutton Risk Management, Inc. – Assistant Vice President/Portfolio Manager, 1985-1988
– *New York University, Stern School of Business, M.B.A.*
– *State University of New York, B.S.*

Western Asset experience reflects current position title and hire date.

Representative Client List Disclosure

The clients listed in the Corporate company type are in all mandates, located in all countries and all regions of the United States, and with portfolios with an AUM of $77(M) or greater.
The clients listed in the Public company type are in all mandates, located in all countries and all regions of the United States, and with portfolios with an AUM of $99(M) or greater.
The clients listed in the Multi-Employer / Union company type are in all mandates, located in all countries and all regions of the United States, and with portfolios with an AUM of $19(M) or greater.
The clients listed in the Eleemosynary company type are in all mandates, located in all countries and all regions of the United States, and with portfolios with an AUM of $6(M) or greater.
The clients listed in the Insurance company type are in all mandates, located in all countries and all regions of the United States, and with portfolios with an AUM of $39(M) or greater.
The clients listed in the Healthcare company type are in all mandates, located in all countries and all regions of the United States, and with portfolios with an AUM of $47(M) or greater.
The clients listed in the Sub-Advisory company type are in all mandates, located in all countries and all regions of the United States, and with portfolios with an AUM of $13(M) or greater.

Clients that have advised Western Asset of account terminations have been excluded from the lists.

As of 31 Aug 13

Risk Disclosure

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