

Fresno County Employees' Retirement System

2Q 2009 Commodity Search

Scott Whalen
Senior Consultant



WURTS & ASSOCIATES

SEATTLE

999 Third Avenue
Suite 4200
Seattle, Washington 98104
206.622.3700 *telephone*
206.622.0548 *facsimile*

LOS ANGELES

2321 Rosecrans Avenue
Suite 2250
El Segundo, California 90245
310.297.1777 *telephone*
310.297.0878 *facsimile*

Introduction

[A Reminder of What We Are Trying to Accomplish:](#)

- Our research has concluded that unexpected inflation and rising inflation should be viewed as a material consideration for investors over the next 5 to 10 year period.
- We have identified commodities as an asset class that should act as a hedge against and benefit from rising and unexpected changes in inflation.
- Therefore, the primary impetus for this commodity search is to help achieve the objective of inflation protection.
- In terms of implementation, our research has indicated that passive commodity exposure is the best method to accomplish this.
- Members of the Board of Trustees have also asked to incorporate active commodity management into the search process in order to provide a relative comparison to passive options.

In order to accomplish our objectives, we have included the following in the search book that is being presented to you today:

- Passive exposure
- Active exposure

We do recognize the benefit of active management within the commodity space; however, it involves a different goal than inflation protection. As a result, we believe it is a sub-optimal choice given our objective and/or feel it may be better suited in other areas of the portfolio (e.g., liquid alternatives).

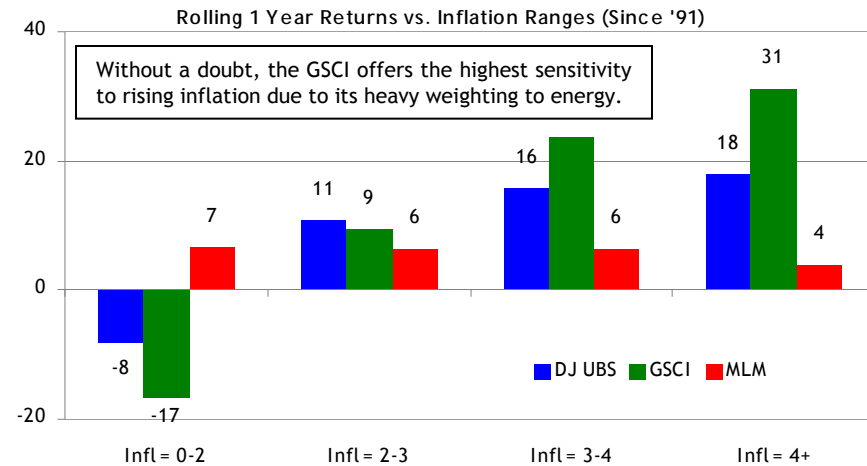
Ultimately, we recommend that Fresno County Employees' Retirement System consider three managers with passive-oriented implementation approaches that have been pre-approved by Wurts & Associates in this asset class*.

* PIMCO is one of the pre-approved managers. It is important to note while their implementation is passive, their strategy does have a high degree of tracking error due to active collateral management in TIPS. As a result, it has been classified as "active" in this report.

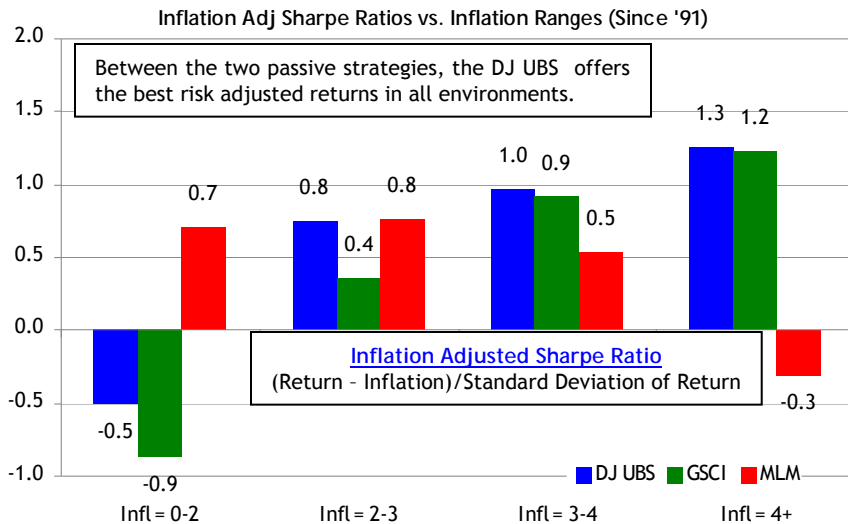


Efficiently Utilizing Futures to Protect Against Inflation

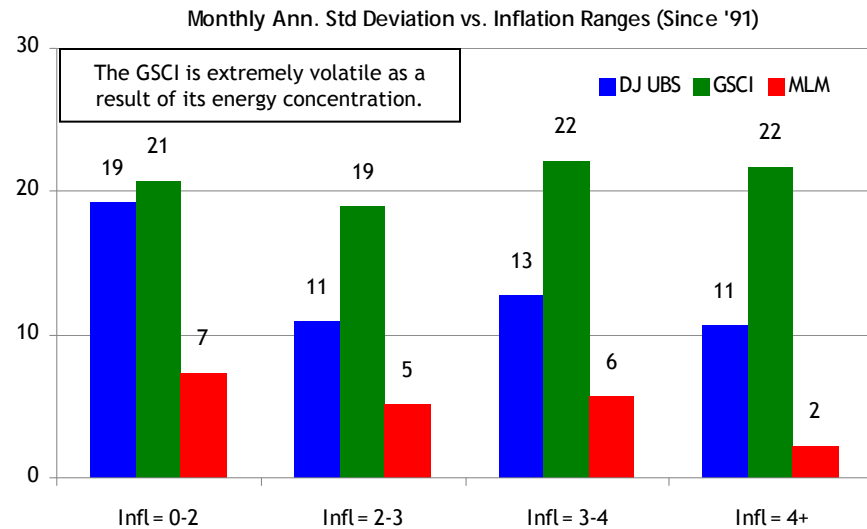
- The analysis reveals a passive exposure provides not only the best sensitivity to rising (or higher than normal) inflation, but also a far more efficient risk/return profile.
- While the S&P GSCI offers the highest sensitivity to rising inflation, it comes at the expense of significantly more volatility.
- On an inflation-adjusted basis, the DJ UBS offers the best risk adjusted return profile (or inflation adjusted Sharpe ratio).
- After all, it is only logical to see the risk adjusted benefits of a diversified vs. a concentrated investment.



Source: Ibbotson, MLM, Wurts & Associates



Source: Ibbotson, MLM, Wurts & Associates



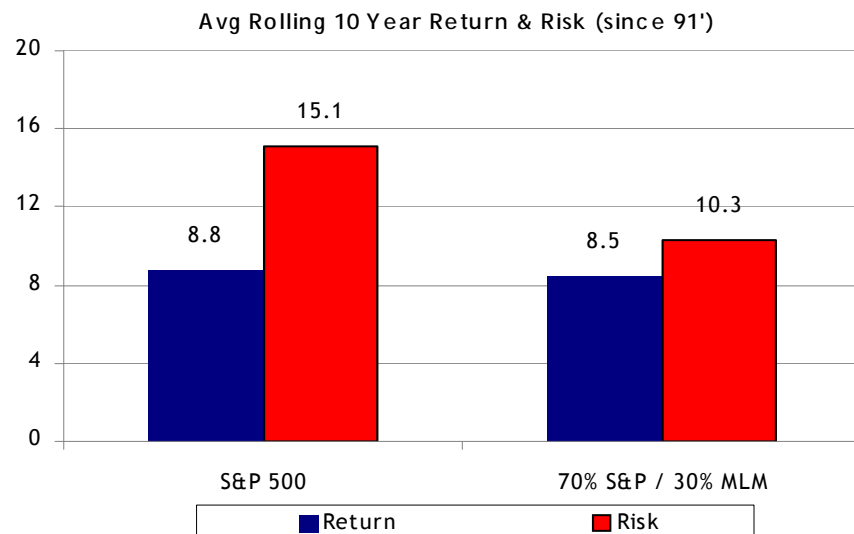
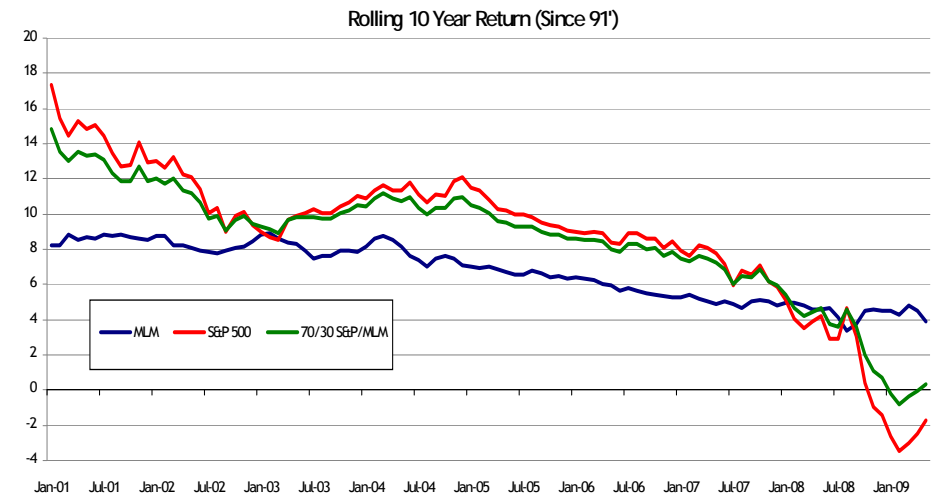
Source: Ibbotson, MLM, Wurts & Associates

* The MLM Index is a mathematically derived futures trading strategy incorporating virtually all liquid futures contracts. This index was chosen to be representative of an actively managed futures strategy using both long and short positions.

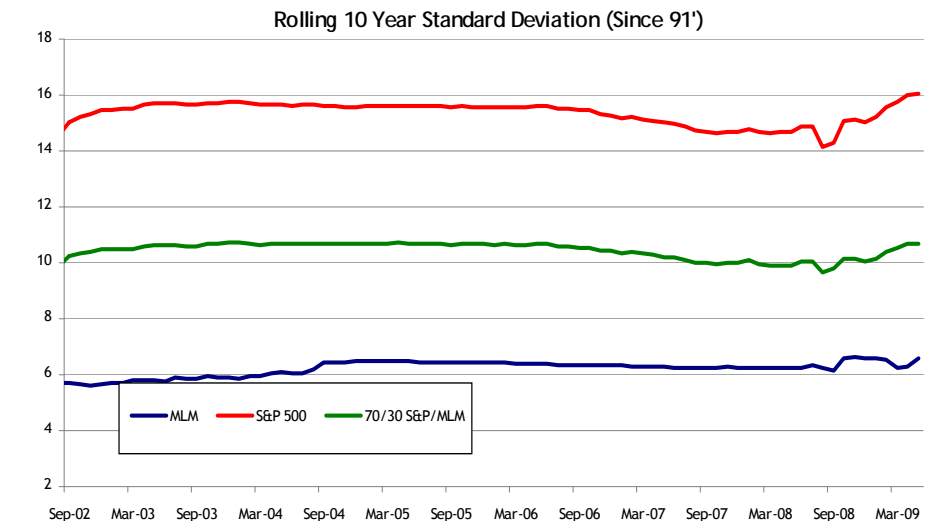


We Are Not Knocking Active. However ...

- We do recognize that there is significant opportunity to add value via an unconstrained actively managed futures approach.
- The analysis shows that there are potential diversification benefits and opportunities to dampen volatility by introducing these strategies into your portfolio.
- However, we have demonstrated that these strategies do not offer the best sensitivity to changes in inflation which is one of the primary roles for commodities in the portfolio.
- Consequently, we believe this return source belongs in another part of the portfolio (e.g. liquid alternatives etc.)



Source: Ibbotson, MLM



Source: Ibbotson, MLM



Source: Ibbotson, MLM

* The MLM Index is a mathematically derived futures trading strategy incorporating virtually all liquid futures contracts. This index was chosen to be representative of an actively managed futures strategy using both long and short positions.

General Commodity Search Process Overview

The objective of Wurts & Associates' Manager Research process is to provide clients with relevant, in-depth due diligence on a broad cross section of highly regarded investment advisors to enable you to select a firm with the best available information that most appropriately suits your particular requirements. Our Manager Research Group ("MRG") utilizes both quantitative and qualitative approaches to evaluate investment managers with the goal of finding stable, consistent investment organizations that we believe have the best likelihood of future success for clients.

Our on-going research process for commodities, which is summarized on the next slide, begins with dimensioning the universe of managers and strategies into categories based on investment type. This initial step allows us to apply unique screening criteria to each type of commodity product to conform with our philosophical views and any custom client criteria. Examples of general screening criteria include preferred benchmarks (e.g., Dow Jones UBS Total Return Index) for replication strategies and vehicle structure (e.g., fund-of-funds) for fully unconstrained active strategies. The ultimate goal of this process is to narrow down the universe of investment strategies to a more manageable list to conduct due diligence on. At this stage, we also take steps to survey the landscape of managers to ensure we have the most robust dataset available.

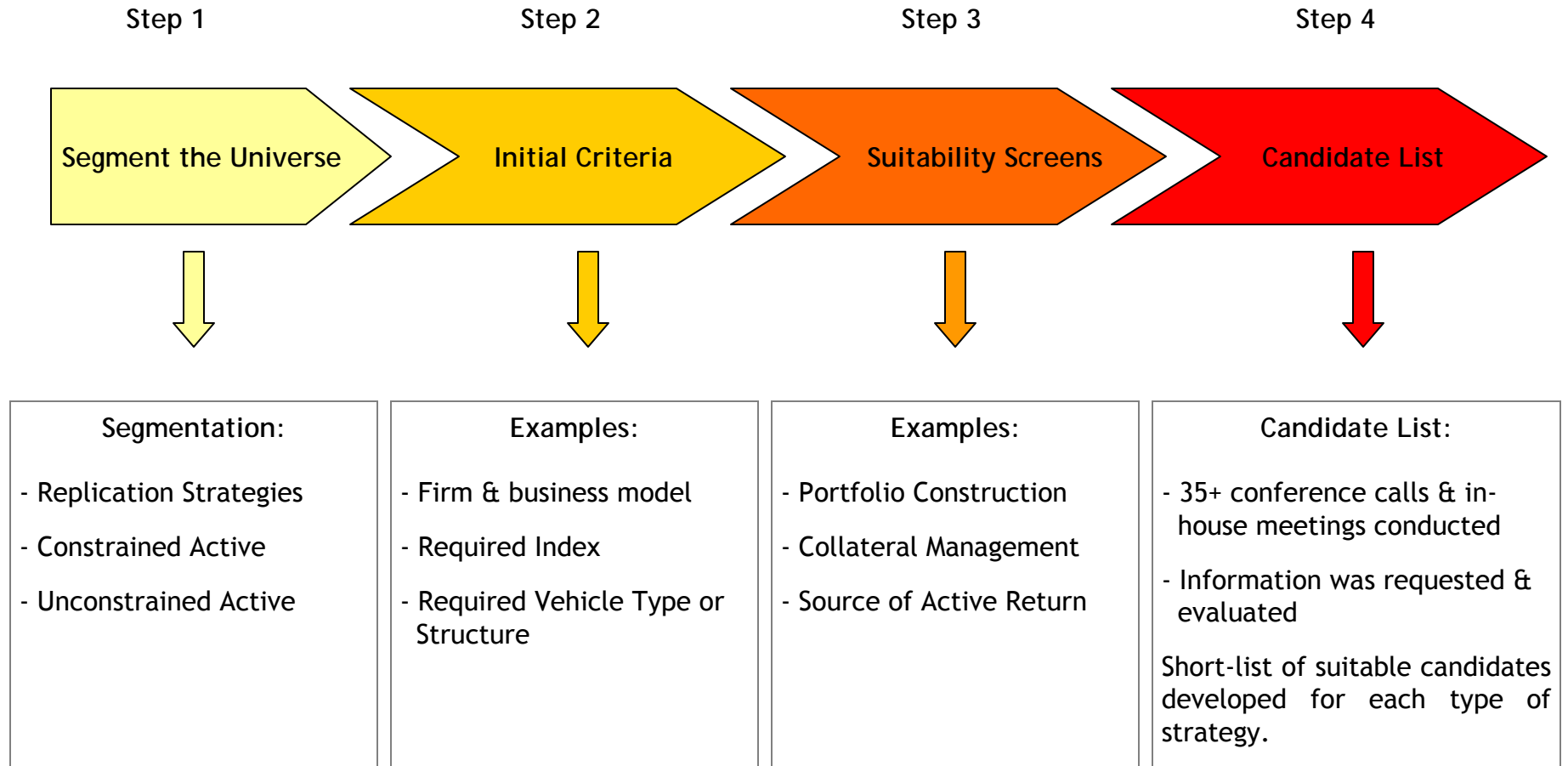
Once the initial "research lists" are developed, we then evaluate firm and fund-specific factors in addition to the availability of products. By evaluating these qualitative data points, we are able to find and rule out managers for a variety of reasons. Examples of some factors we look for at this point are:

- Lack of institutional & US client focus
- Lack of commodity market presence
- Investment professional turnover
- Inappropriate source of active return
- Reliance on equity or financial derivatives

This process typically results in a much more focused list of managers that we can then spend time conducting further quantitative and qualitative analysis on. We analyze the managers' track records using a wide variety of performance measures, many of which are presented in this search report. We spend a substantial amount of time researching the qualitative factors of the organizations and investment strategies through a series of meetings and conference calls*. The end result is a dynamic list of managers that we are confident recommending to our clients.



General Commodity Search Process Overview



Dimensioning the Commodity Universe

Commodity Universe

Replication (Universe ≈ 20+ firms)	Constrained Active (Universe = 35+firms)	Fully Unconstrained (Universe = 4,000+ firms)
<p><i>Purpose:</i> Gain diversified commodity factor exposure.</p> <p><i>Objective:</i> Hedge inflation factor, diversification, replicate return & risk characteristics of a benchmark.</p>	<p><i>Purpose:</i> Gain diversified commodity factor exposure.</p> <p><i>Objective:</i> Hedge inflation factor, diversification, add incremental value relative to a benchmark.</p>	<p><i>Purpose:</i> Add diversifying, skill-based absolute return source.</p> <p><i>Objective:</i> Incorporate a non-correlated skill-based absolute return source.</p>
<p style="text-align: center;">Characteristics</p> <ul style="list-style-type: none"> - Long-only - Benchmark commodity exposure only - Benchmark weight constrained - No natural resource equity exposure - No physical investment - No leverage - Do see varying degrees of active implementation - Do see varying degrees of active collateral management. 	<p style="text-align: center;">Characteristics</p> <ul style="list-style-type: none"> - Tend to be long-only - Can be commodity unconstrained - Often “loose” commodity weighting - Often natural resource equity exposure - Little physical investment - No or little leverage - Active implementation - Do see varying degrees of active collateral management 	<p style="text-align: center;">Characteristics</p> <ul style="list-style-type: none"> - Long / short - Commodity unconstrained - Commodity weight unconstrained - Often natural resource equity exposure - Do see physical investment - Can often see leverage - Active implementation - Do see varying degrees of active collateral management



Screening Criteria & Candidates

General Criteria	Replication (Universe ≈ 20+ firms)	Constrained Active (Universe ≈ 35+ firms)	Fully Unconstrained (Universe ≈ 4,000+ firms)
<ul style="list-style-type: none"> - Established institutionally-oriented firms - Established commodity market presence - Demonstrated track record - Well resourced investment & operations infrastructure - Experienced investment professionals 	<ul style="list-style-type: none"> - Dow Jones UBS Index only - Conservative collateral management - “Enhancements” not dependent on credit risk - Low fees - Must offer commingled fund or separate account 	<ul style="list-style-type: none"> - Strategy not dependent on equities - Conservative collateral management - Active return not dependent on credit risk - Established base of clients invested in the strategy - Established track record to evaluate for the strategy - Must offer commingled fund or separate account 	<ul style="list-style-type: none"> - Only fund-of-funds considered - Underlying funds must focus on commodity market - Minimal return source from financial derivatives (e.g., interest rate and currency trades) - No leverage at the fund-of-fund level - No active trading at the fund-of-fund level
Candidates	↓	↓	↓
	Barclays Global Investors	Gresham Inv Mgmt	Pinnacle
	Credit Suisse	Schroders Inv Mgmt	
The Clifton Group	PIMCO*		



* While PIMCO's implementation is passive, their strategy does have a high degree of tracking error due to active collateral management via TIPS. As a result, it has been classified as "active" in this report.

Key Challenges in Manager Selection

Replication (Universe ≈ 20+ firms)	Constrained Active (Universe ≈ 35+ firms)	Fully Unconstrained (Universe ≈ 4,000+ firms)
<ul style="list-style-type: none">- A large portion of the universe is benchmarked to GSCI indices.- The number and length of track records for DJ UBS-based strategies tend to be lower and shorter.- We have seen a significant shift in collateral management to more conservative, low credit risk exposures. This has made historical track records less representative.- We have seen several new DJ UBS strategies launched.	<ul style="list-style-type: none">-The universe of institutional quality managers is very narrow.- 40+% of this universe is oriented towards natural resource equity.- Track records are often short.- Strategy AUM are often very low.	<ul style="list-style-type: none">- The majority of this universe is managed futures or CTA managers that trade in financial and commodity derivatives.- There are 50+ commodity focused fund-of-funds in our universe.- Fund-of-fund track records are short with over half of the relevant universe formed during or after 2006.- Strategy AUM are often very low.



Investment Options: Summary

Investment Spectrum



	Replication			Constrained Active			Fully Unconstrained
	BGI	Clifton	Credit Suisse	Gresham	PIMCO*	Schroders	Pinnacle (FoF)
Firm AUM	\$1,684 b	\$22 b	\$377 b	\$5 b	\$842 b	\$26 b	\$2 b
Total Commodity AUM	\$10 b	\$742 m	\$3.4 b	\$5 b	\$20 b	\$4 b	\$2 b
Strategy AUM	< \$ 20 m	\$246 m	\$2 b	\$732 m	\$12.8 b	\$4 b	\$1.8 b
Strategy Inception	2009	2005	2004	2004	2002	2005	2003
Team Size (PM / Analyst)	2 / 3	5 / 6	2 / 5	4 / 10	2 / 1	3 / 2	4 / 5
Experience	8 yrs	10 yrs	9 yrs	15 yrs	9 yrs	15 yrs	12 yrs



* While PIMCO's implementation is passive, their strategy does have a high degree of tracking error due to active collateral management via TIPS. As a result, it has been classified as "active" in this report.

Investment Options: Characteristics

Investment Spectrum



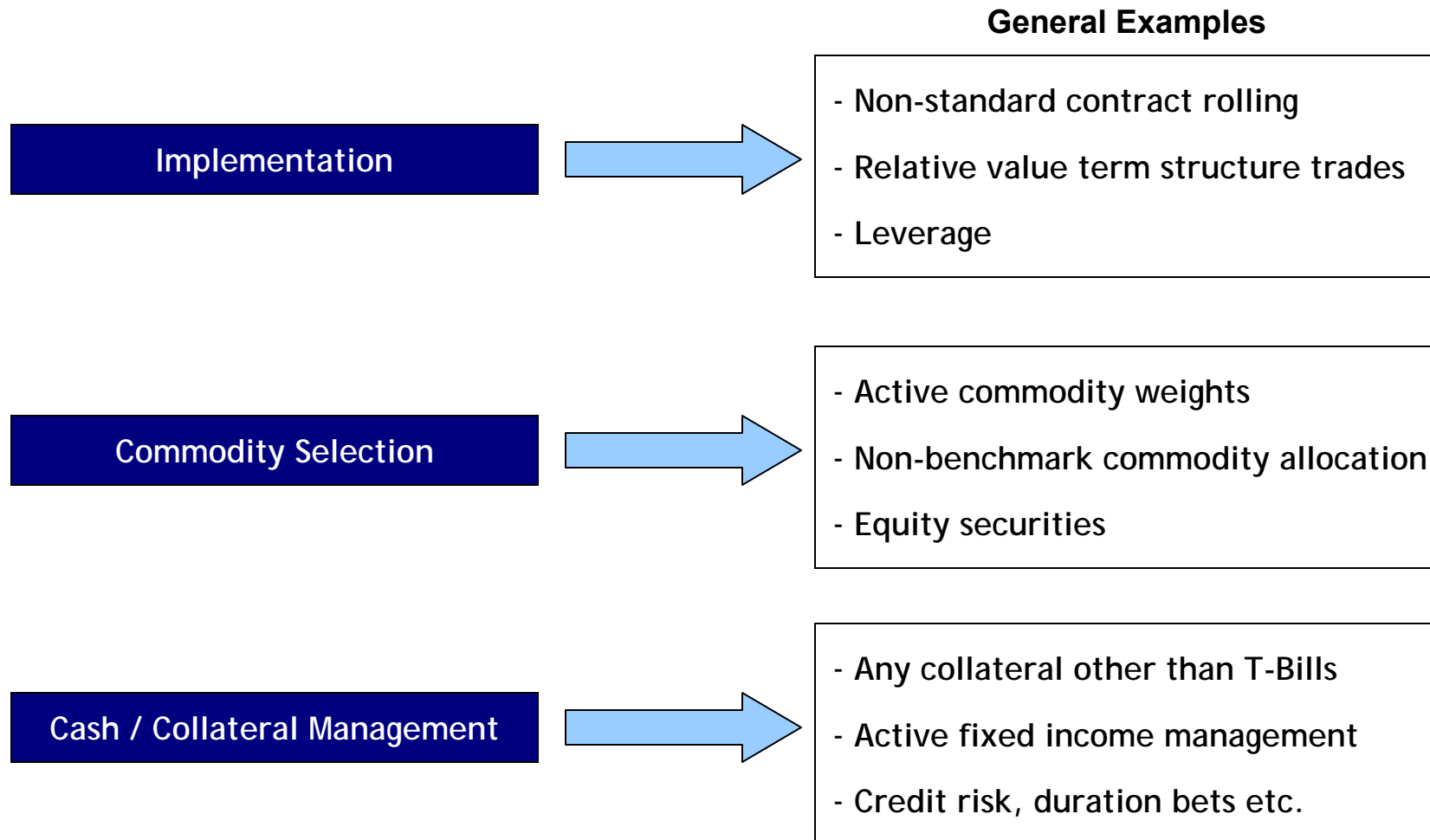
	Replication			Constrained Active			Fully Unconstrained
	BGI	Clifton	Credit Suisse	Gresham	PIMCO*	Schroders	Pinnacle (FoF)
Style	Replication	Replication	Replication	Active Long-Only	Replication w/ Active Collateral	Active Long-Only	Active Long / Short
Implementation	Futures	Futures	Futures	Futures	Swaps	Futures	Multi-Derivative
Collateral	Money Market	T-Bills	Money Market	T-Bills	TIPS	T-Bills	Mostly T-Bills
Enhancements	Implementation	Implementation	Implementation	Implementation	Collateral	Commodity Choice / Implementation	Fully Unconstrained
Tracking Error	≈ 30 bps	≈ 50 - 80 bps	≈ 50 - 100 bps	≈ 300 - 500 bps	≈ 200 - 800 bps	≈ 600 - 800 bps	NA Absolute Return
Fees	30 bps	20 bps	40 bps	25 bps + 30% carry	45 bps	75 bps	2% + 10% carry

Noteworthy



* While PIMCO's implementation is passive, their strategy does have a high degree of tracking error due to active collateral management via TIPS. As a result, it has been classified as "active" in this report.

Summary of General Active Commodity Sources



Investment Options: Active Elements

Investment Spectrum



General Category	Example	BGI	Clifton	Credit Suisse	Gresham	PIMCO	Schroders	Pinnacle
Implementation	Non-Standard Rolling	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Term Structure Trades	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Leverage	No	No	No	No	No	No	Yes
Commodity Selection	Active Commodity Weights	No	No	No	No	No	Yes	Yes
	Commodity "Picker"	No	No	No	No	No	Yes	Yes
	Non-Benchmark Commodities	No	No	No	No	No	Yes	Yes
	Equity Securities	No	No	No	No	No	Yes	Yes
	Long & Short	No	No	No	No	No	No	Yes
Cash / Collateral Management	Anything Other than T-Bills	Yes	No	Yes	No	Yes	No	Varies
	Credit risk, duration bets	No	No	No	No	Yes	No	Varies
	Description	Largely US Gov't & Agency debt	T-Bills	Money market fund	T-Bills	At least 80% TIPS	T-Bills	Mostly T-Bills
Active Risk Budget		~ 30 bps	~ 50 - 80 bps	~ 50 - 100 bps	~ 300 - 500 bps	~ 200 - 800 bps	~ 600 - 800 bps	NA Absolute Return

Noteworthy



Investment Options: Risk Controls

Investment Spectrum



General Category	Example	BGI	Clifton	Credit Suisse	Gresham	PIMCO	Schroders	Pinnacle
Implementation	Primary Contract	Futures	Futures	Futures	Futures	Swaps	Futures	Varies
Commodity Selection	Selection Universe	DJ UBS	DJ UBS	DJ UBS	DJ UBS	DJ UBS	Global	Global
	Sector Weights	Benchmark	Benchmark	Benchmark	Benchmark	+/- 5%	20% min / 60% max	No formal limits
	Individual Commodity	Benchmark	Benchmark	Benchmark	Benchmark	Benchmark	Tiered by liquidity*	No formal limits
	Equity Security Limits	NA	NA	NA	NA	NA	25% max	No formal limits
	Gross Exposure Limits	NA	NA	NA	NA	NA	NA	No formal limits
Cash / Collateral Management	Anything Other than T-Bills	Yes	No	Yes	No	Yes	No	Yes
	Duration Constraints	< 90 day	< 90 day	< 12 months	< 12 months	< 10 years	< 12 months	Varies
	Quality Limits	AAA	AAA	AA	AAA	10% sub-BBB	AAA	Varies

Noteworthy



Recommendation Page

[A Reminder \(Again\) of What We Are Trying to Accomplish:](#)

- Our research has concluded that unexpected inflation and rising inflation should be viewed as a material consideration for investors over the next 5 to 10 year period.
- We have identified commodities as an asset class that should act as a hedge against and benefit from rising and unexpected changes in inflation.
- Therefore, the primary impetus for this commodity search is to help achieve the objective of inflation protection.
- In terms of implementation, our prior research has indicated that passive commodity exposure is the best method to accomplish this.

[Recommendation:](#)

Wurts & Associates recommends that FCERA consider one of three pre-approved passive-oriented managers*:

- Barclays Global Investors: BGI Dow Jones UBS Commodity Strategy
- Credit Suisse Asset Management: Credit Suisse Commodity Return Strategy
- Pacific Investment Management Co (PIMCO): PIMCO Commodity Real Return

While the remaining firms included in this search each carry distinctive and attractive features, we believe that the aforementioned candidates align the closest with the objectives of this search.



Appendix Section



Fresno County Employees' Retirement Association

Firm Background

Period Ending: June 30, 2009

Barclays Global Investors

Location : San Francisco, California

Founded : 1922

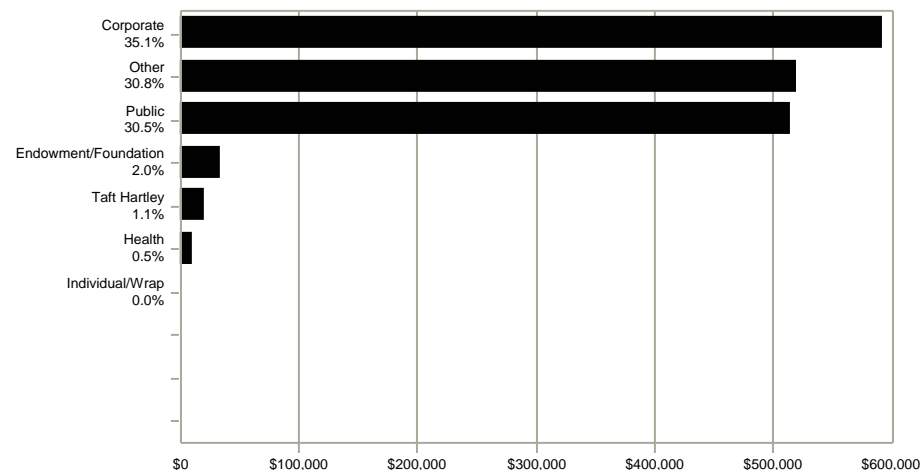
Firm Background:

BGI was founded in 1922 when its predecessor organizations, Wells Fargo Investment Advisors and Wells Fargo Bank, began managing the assets of institutional investors in the United States. In 1971, BGI created the industry's first US index fund, pioneering an investment philosophy based on the deliberate and structured balancing of risk, return and cost. From these roots, BGI began managing funds across virtually every investable market to become the largest index manager in the world and one of the largest managers of domestic equity strategies in the industry. BGI was formed in 1995 from the merger of Barclays de Zoete Wedd Investment Management and Wells Fargo Nikko Investment Advisors. BGI is one of the world's largest providers of structured investments, including risk-controlled active, index and asset allocation strategies, and manages more than 2,000 funds globally. BGI also provides investment capabilities such as securities lending, transition management and intermediary services.

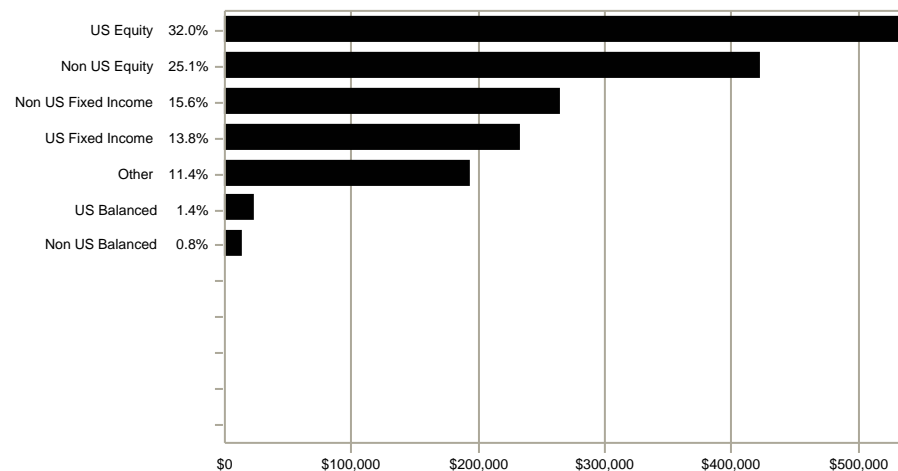
Firm Ownership:

Barclays PLC, a publicly listed holding company based in London, England, owns the parent, Barclays Bank PLC. BGI has been a majority-owned indirect subsidiary of Barclays Bank PLC since April 2000, when shareholders of Barclays PLC approved the implementation of a BGI stock option plan that would enable equity in BGI UK Holdings Ltd. to be granted to senior management of BGI in the form of stock options. Under the terms of the plan Barclays PLC will remain the majority shareholder, with at least 80% ownership of BGI UK Holdings Ltd. While BGI is the asset management arm of Barclays PLC, Barclays Capital is the investment banking arm.

Assets by Client Type
(Total: \$1,684,683 Million)



Assets by Asset Class
(Total: \$1,684,683 Million)



"Other" Assets by Client Type includes other institutional assets as well as other taxable assets. "Other" by asset class includes cash, commodities, currency, derivatives and real estate.

Fresno County Employees' Retirement Association

Firm Background

Period Ending: June 30, 2009

Credit Suisse Asset Management

Location : New York, New York

Founded : 1935

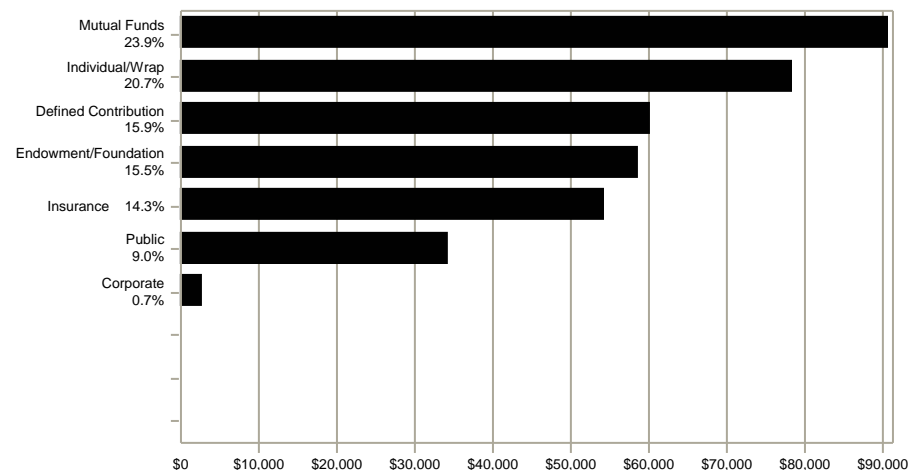
Firm Background:

Credit Suisse Asset Management ("CSAM"), is the investment management division of Credit Suisse Group, one of the world's largest financial organizations. Since creating an asset management arm in 1935, Credit Suisse's strategy has been to establish and build operations on a regional level. The worldwide division was renamed Credit Suisse Asset Management in 1995, and the U.S. operation (formerly known as BEA Associates), assumed this name in January 1999. Since January 1999, CSAM's U.S. operation has substantially broadened its product capabilities and increased assets under management. On July 6, 1999, Credit Suisse Group, the parent company of CSAM, acquired Warburg Pincus Asset Management Holdings, Inc., the parent company of Warburg Pincus Asset Management, Inc. ("WPAM"), a registered investment adviser with the Securities and Exchange Commission. At the time of acquisition, WPAM was a leading U.S. asset manager with 260 employees and \$22 billion in assets under management.

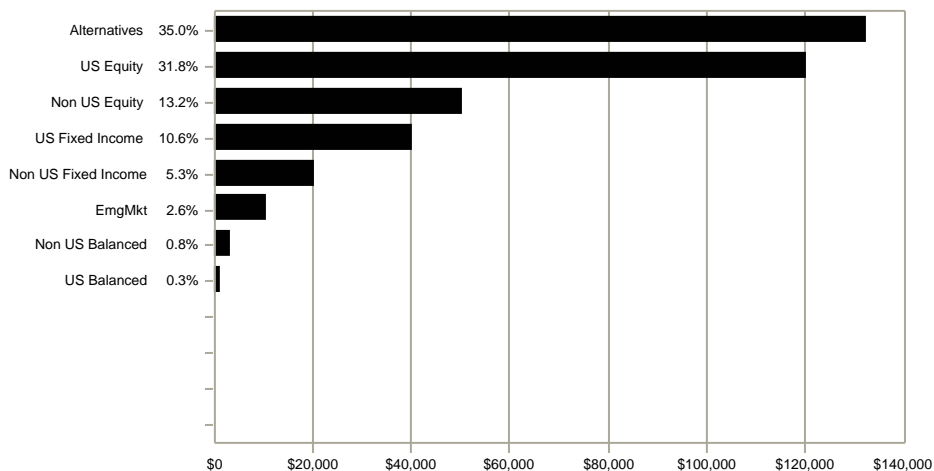
Firm Ownership:

Credit Suisse Group, the parent company of Credit Suisse Asset Management, is 100% publicly held company. Its shares are listed in Switzerland, London, Frankfurt, Tokyo, and on the New York Stock Exchange (symbol "CSR").

Assets by Client Type
(Total: \$377,630 Million)



Assets by Asset Class
(Total: \$377,630 Million)



"Other" assets by asset class includes insurance, religious, and unclassified.

Fresno County Employees' Retirement Association

Firm Background

Period Ending: June 30, 2009

Gresham Investment Management LLC

Location : New York, New York

Founded : 1992

Firm Background:

Gresham's history dates back to the commodity trading activities of Mocatta Metals Corporation, Brody White & Company, and other trading companies Dr. Henry Jarecki, Gresham's founder, established over the past 35 years. Gresham and its affiliates have been managing diversified commodity portfolios since 1976.

Gresham's senior team has an aggregate of over 160 years investment experience trading commodities, and has worked with Gresham or one of its affiliates on average for more than 17 years. Gresham believes that their expertise in commodity investment management and trading allows them to provide superior customized investment products, tailor-made for the unique needs of each investor.

Gresham was incorporated in 1992 as a Delaware limited liability company. From 1987 to 1992, Henry Jarecki and Jonathan Spencer directed the active trading of Gresham's Tangible Asset Program through a separate account managed by the Falconwood Corporation, which was originally formed by Dr. Jarecki in the 1960's as a gold and silver bullion dealing enterprise. Gresham's Tangible Asset Program pre-dates both the GSCI, which was introduced in January 1991, and the DJ-AIGCI, which started trading in August of 1998.

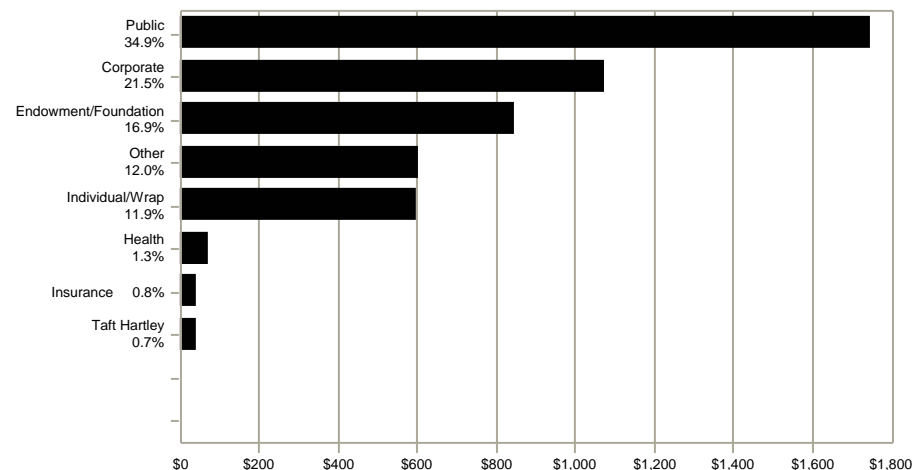
Firm Ownership:

Gresham is fully owned by employees and the two trusts, Commodity Investment Fund LLC ("CIF") and GIMI Trust II. These trusts were established by founder Henry Jarecki, Gresham's Chairman. Employees, collectively, and the two trusts, each, own more than 20% of the firm. CIF is a limited liability company whose beneficial members are two family trusts: The Timber Falls Trust and The Jarecki Extended Family Trust. The trusts differ in terms of the ultimate beneficiaries but both trusts exist for the benefit of various Jarecki Family Members. GIMI Trust II is another trust for the benefit of various Jarecki family members. The trusts were created for estate purposes and business continuity.

Prior to 2005, Gresham was incorporated as a Delaware S corporation (Gresham Investment Management, Inc.) and entirely owned by the aforementioned trusts. In 2006, following Gresham's reincorporation as a Delaware LLC, 15% of the trusts' interest in Gresham was redistributed to employees as Restricted Profit Units, giving employees an equity interest in the firm. Additional equity transfers, also in the form of Restricted Profit Units, were made to employees from the trusts in each of the last three years.

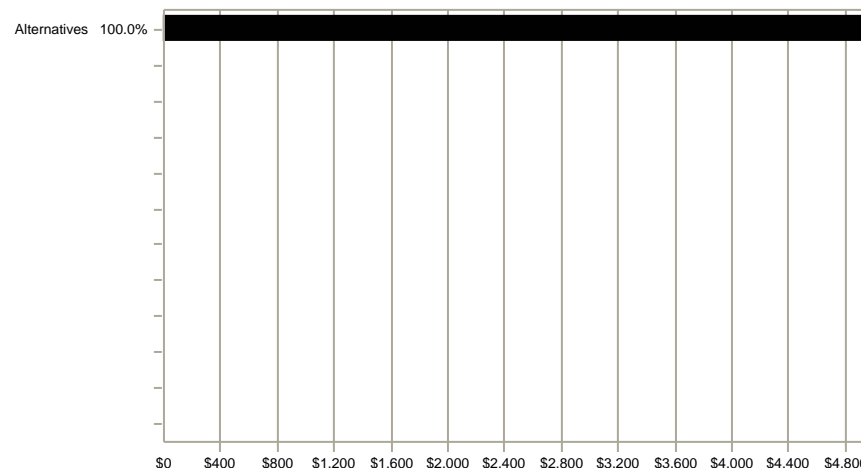
Assets by Client Type

(Total: \$4,990 Million)



Assets by Asset Class

(Total: \$4,990 Million)



"Other" assets by client type include sovereign wealth funds, third party asset managers and unclassified client accounts.

Fresno County Employees' Retirement Association

Firm Background

Period Ending: June 30, 2009

Pacific Investment Mgmt. Co.

Location : Newport Beach, California

Founded : 1971

Firm Background:

Pacific Investment Management Company LLC (PIMCO) is an institutional money manager specializing in fixed income management, headquartered in Newport Beach, California. PIMCO was founded in 1971 as a subsidiary of Pacific Mutual Insurance Company (now known as Pacific Life) to expand the services of its parent to include separate account management of employee benefit plans, foundations and endowments. By 1982, PIMCO was operating completely independent from Pacific Mutual and located in separate premises.

PIMCO's parent company Allianz completed an acquisition of Dresdner Bank in July 2001, creating one of Europe's leading financial services firms. PIMCO heads the combined group's fixed income asset management business, having integrated most of Dresdner's London-based fixed income team as well as its German-based retail and institutional fixed income units.

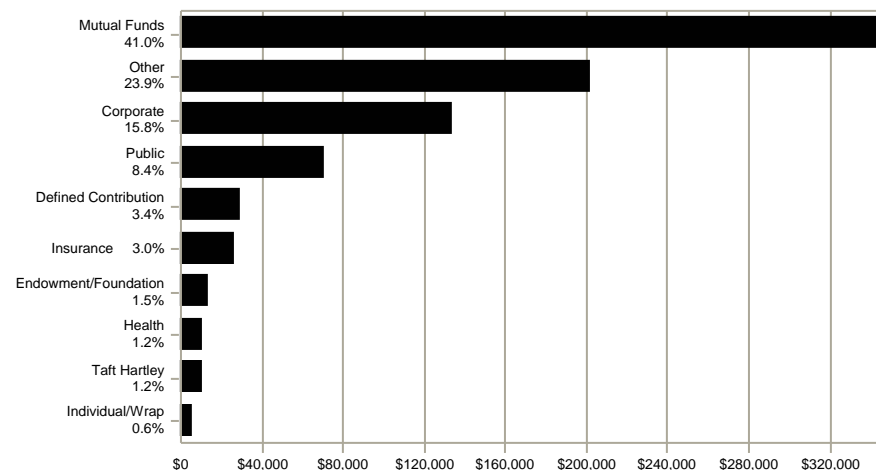
PIMCO has enjoyed a stable organization throughout its history by offering strong financial incentives to retain professionals, including profit sharing established in the early 1980's. Under Allianz ownership, the profit sharing or phantom equity pool totals 30% of after tax profits. Many of the professionals who were instrumental in PIMCO's founding and subsequent growth are still active in its management, including the three founders.

Firm Ownership:

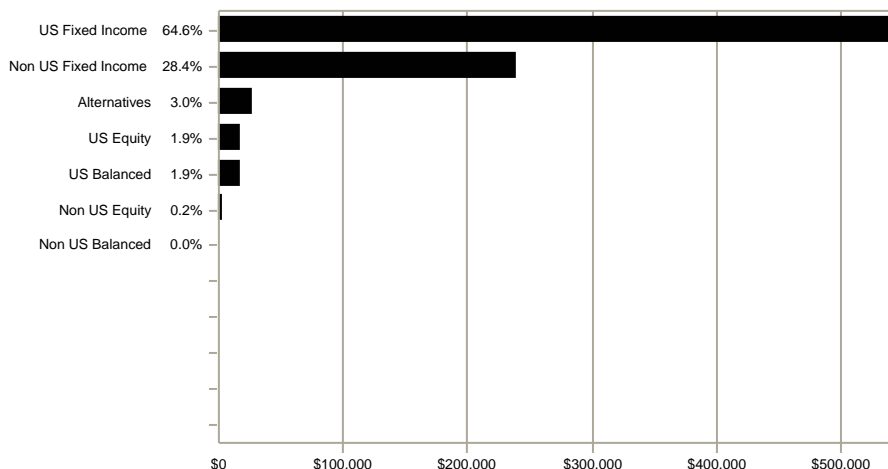
On May 5, 2000, Allianz AG (Allianz) of Munich, Germany purchased a majority stake in PIMCO's parent, PIMCO Advisors L.P., today known as Allianz Global Investors of America L.P. ("AGI", previously known as Allianz Dresdner Asset Management of America L.P.), leaving Pacific Life with a minority interest. As of 2004, Allianz owned approximately 90% of AGI, leaving Pacific Life with approximately 10%. Under the terms of the 2000 purchase, Pacific Life can 'put' its interest in AGI to a subsidiary of Allianz AG. With the closing of the Allianz transaction in 2000, PIMCO became the global fixed income management leader for Allianz, though PIMCO operates as a separate, autonomous subsidiary.

Pacific Investment Management Company LLC (PIMCO) is a majority owned subsidiary of AGI. As of March 31, 2007, Allianz Global Investors of America L.P. (AGI) is approximately 98% owned by Allianz AG, with Pacific Life Insurance Company owning the remaining 2%.

Assets by Client Type
(Total: \$841,815 Million)



Assets by Asset Class
(Total: \$841,815 Million)



PIMCO's "Other" Assets by Client Type includes: Subadvised, Central Bank, European UCIT, Non-US Fund, Industry Trade Organization, Limited Liability Company, Nuclear Decommissioning Trust, Non-Profit, Other, Pooled Fund, Partnership, and Special Corporation.

Fresno County Employees' Retirement Association

Firm Background

Period Ending: June 30, 2009

Pinnacle Asset Management, L.P.

Location : New York City, New York

Founded : 2003

Firm Background:

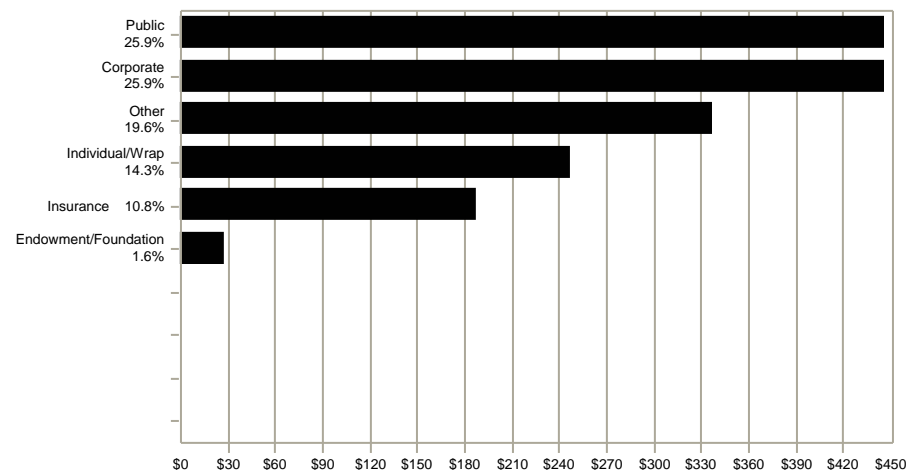
Founded in 2003, Pinnacle Asset Management, L.P. ("Pinnacle" or the "Firm") is a private New York based alternative asset management firm serving institutional investors globally. The firm is unique in that the business model is focused on providing fund-of-fund solutions specifically within the commodity investment space. A trademark of the underlying funds the firm invests with include those that do not pursue long-only, passive or systematic trend-following strategies. They typically have low exposure to equity long/short strategies and physical assets as well. Furthermore, unlike many managed futures and CTA approaches, the underlying managers have low exposure to financial derivatives (e.g., trading currencies, interest rates and asset classes).

Firm Ownership:

Pinnacle, a Delaware limited partnership, is owned by Donnell A. Segalas, CEO and Managing Partner; Jason M. Kellman, CIO and Managing Partner; Scott L. Kellman, Managing Partner; and Marcel N. Massimb, Ph.D., Managing Director, Research and Risk Management ("Management"). Approximately 20% of the partnership is owned by passive investors. Pinnacle Natural Resources, L.P. (the "Fund") is a Delaware limited partnership. Pinnacle Natural Resources Offshore Ltd. (the "Offshore Fund") is a Cayman Islands exempted company that makes its investments.

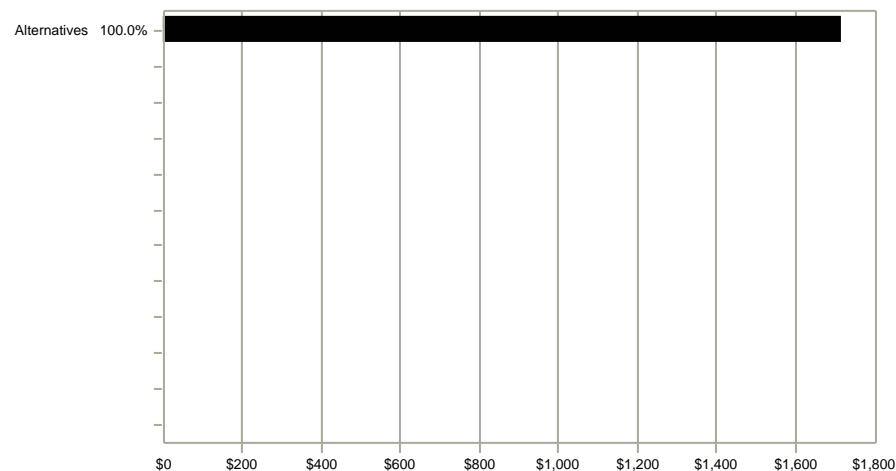
Assets by Client Type

(Total: \$1,716 Million)



Assets by Asset Class

(Total: \$1,716 Million)



Pinnacle's "other" assets by client type include banks and fund-of-funds.

Fresno County Employees' Retirement Association

Firm Background

Period Ending: June 30, 2009

Schroder Investment Management North America

Location : New York, New York

Founded : 1980

Firm Background:

Schroder Investment Management North America ("SIM NA") is an indirect, wholly owned subsidiary of Schroders plc, which was founded in 1804 and has been managing assets for many years. Schroders plc was listed on the London Stock Exchange in 1959 and established its U.S. presence in the early 1960s.

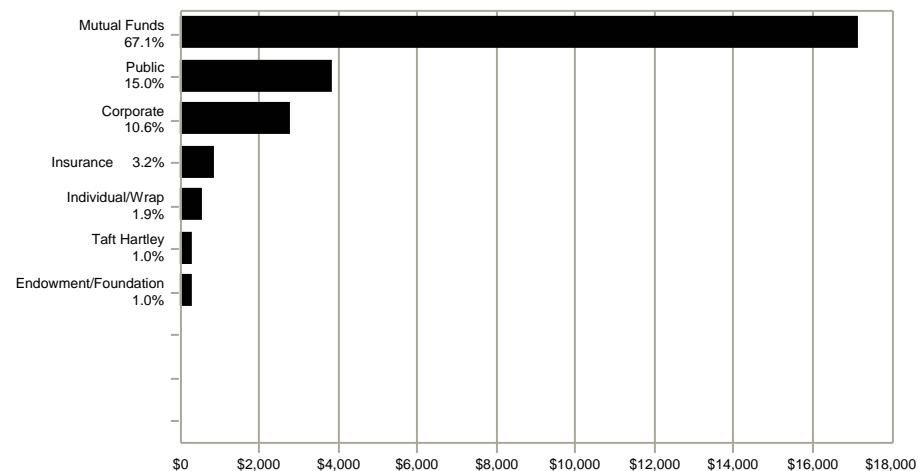
In 1986, Schroders plc acquired a 50% equity interest in Wertheim & Co., Inc., a U.S. investment banking and money management firm. In 1994, Schroders plc acquired all of the remaining shares in the firm, which was renamed Schroder & Co. Inc. Schroder Capital Management Inc. ("SCM") was the investment management subsidiary of Schroder & Co that managed domestic portfolios for North American clients.

Schroder Capital Management International ("SCMI") was created in 1980 to manage international and domestic products, respectively, for North American clients. Both firms merged on July 1, 1999 to do business as Schroder Investment Management North America ("SIM NA"). There are two SEC-registered Investment Advisers: SIM NA Inc., headquartered in New York City and SIM NA Ltd., located in London. Portfolio managers are based in London, New York and Boston, with client liaison and marketing teams located in New York and Toronto. On May 1, 2000, Schroders sold its investment banking subsidiary to Salomon Smith Barney. As a result, Schroders plc is comprised of five major asset management companies, a private bank (Schroder & Co.) and a retail business.

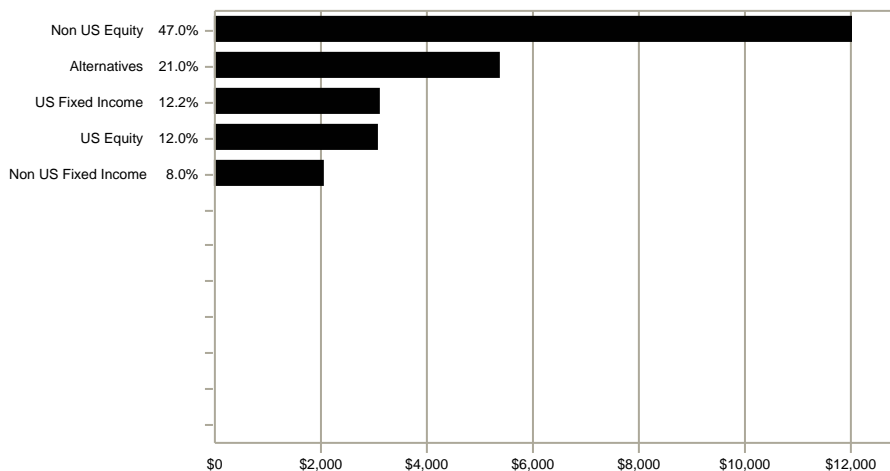
Firm Ownership:

Schroder Investment Management North America is 100% directly owned by SUSHI (Schroder U.S. Holdings Inc.), which is an indirect, wholly owned subsidiary of Schroders plc. Schroders' employees own 8%, including rights, of Schroders plc total capital (non voting and voting shares); the Schroder family owns 40% of Schroders plc total capital (including approximately 47.75% of the voting capital).

Assets by Client Type
(Total: \$25,541 Million)



Assets by Asset Class
(Total: \$25,541 Million)



Fresno County Employees' Retirement Association

Firm Background

Period Ending: June 30, 2009

The Clifton Group Investment Management Company

Location : Edina, Minnesota

Founded : 1972

Firm Background:

The Clifton Group is a Minnesota corporation founded in 1972 under the name Kiene Wooters and Associates. The firm has been registered as an Investment Advisor since inception. Registration as a Commodity Trading Advisor was granted in 1975. In 1987, the offices were moved and the name of the company was changed to The Clifton Group. At the same time, a process began which transferred ownership from the founding partners to Rosemary Janousek, Richard Ballsrud, and Jack Hansen.

Clifton's focus over the past two decades has been in managing systematic risk exposures ("Beta") through derivative instruments. The concept of a centralized Beta management program was developed by Clifton in 1986. The brand name of this centralized Beta management program is called Policy Implementation Overlay Service (PIOS®). PIOS® originally served as an efficient means to implement asset allocation shifts as directed by an outside tactical asset allocation vendor. PIOS® evolved over time to include additional value-added strategies including all types of Beta exposures under different collateral pools, both funded and unfunded. Today, Clifton manages PIOS® strategies for over 100 institutional clients of all fund types. Clifton manages two additional derivatives-based product strategies: Enhanced Index Strategies and Protection Plus. These products have been offered since 1990 and are not a focus of business development efforts.

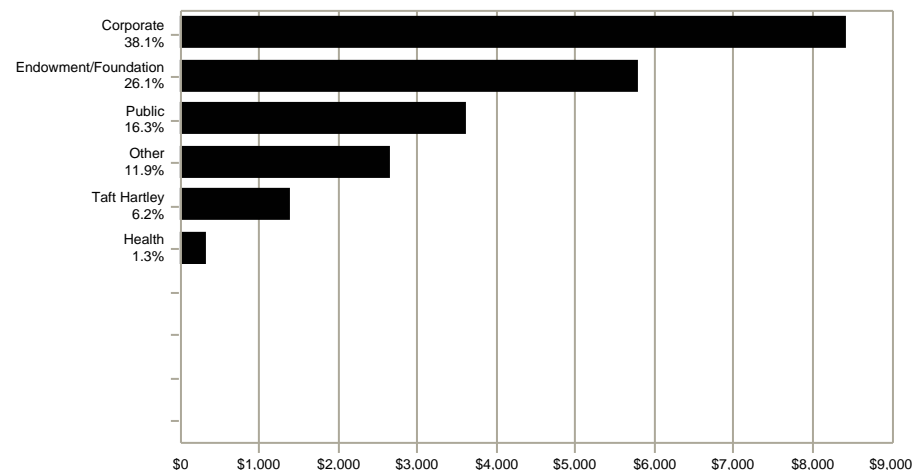
In 1996, The Clifton Group accepted an offer to sell 80% of its equity to DFG Holdings, LLC, a Minneapolis based holding company with equity interests in two other money management firms. In 1998, Thomas Lee purchased a 2% ownership interest from a Clifton employee partner. In 2003, he purchased an additional 4% ownership interest from DFG Holdings, LLC, raising employee principal ownership to 24% divided equally among the four Principals.

Firm Ownership:

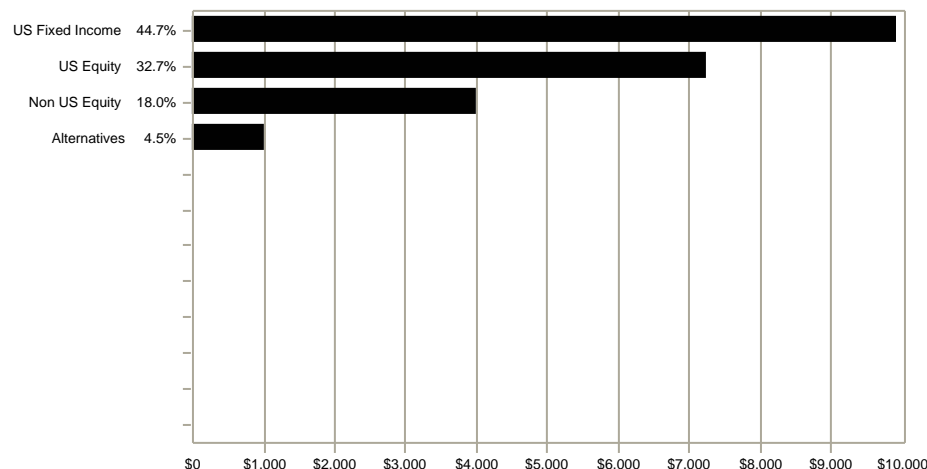
In 1996, The Clifton Group accepted an offer to sell 80% of its equity to DFG Holdings, LLC, a Minneapolis based holding company with equity interests in two other money management firms. In 1998, Thomas Lee purchased a 2% ownership interest from a Clifton employee partner. In 2003, he purchased an additional 4% ownership interest from DFG Holdings, LLC, raising employee principal ownership to 24% divided equally among the four Principals of the firm. In 2008, Clifton hired Orison "Kip" Chaffee as a Managing Principal. The company issued 5% equity to Mr. Chaffee, adjusting the employee shareholders' ownership accordingly. In 2009, Rick Ballsrud, who held ownership since 1989, retired from the firm and his shares were purchased by existing shareholders, which resulted in employee shareholders' ownership of 25% and DFG ownership interest of 75%.

As an affiliate of Dougherty Financial Group, LLC, Clifton maintains a Board of Directors with Thomas Abood (Chairman of the Board, DFG), Michelle Sandberg (Director, DFG) and Jack Hansen (Director, Clifton) serving on the Board.

Assets by Client Type
(Total: \$22,091 Million)



Assets by Asset Class
(Total: \$22,091 Million)



Fresno County Employees Retirement System

Performance Review: Cumulative Returns

Period Ending: June 30, 2009

	Annualized Returns									
	10 Years	9 Years	8 Years	7 Years	6 Years	5 Years	4 Years	3 Years	2 Years	1 Year
Benchmarks										
DJ UBS	7.2	4.6	4.9	5.6	3.7	-0.2	-2.3	-8.3	-13.5	-47.1
GSCI Light Energy (BGI)	8.1	3.6	4.6	6.5	3.9	-0.1	-4.8	-10.6	-14.2	-50.8
S&P 500	-2.2	-3.2	-1.7	0.9	1.0	-2.2	-4.3	-8.2	-19.9	-26.2
BC Aggregate	5.8	5.9	5.3	4.8	3.9	4.6	4.1	5.8	5.6	4.1
90-Day T-Bills	3.1	2.9	2.5	2.5	2.7	3.1	3.4	3.2	2.2	1.0
Commodity Candidates										
Passive Oriented										
Barclays Global (GSCI-Light) ¹								-11.5	-15.6	-50.4
Clifton								-8.3	-13.3	-47.4
Credit Suisse ²							-2.5	-8.4	-13.6	-46.8
Constrained Active Oriented										
PIMCO ³				8.4	4.3	0.2	-3.4	-7.8	-11.7	-50.4
Gresham							-0.3	-6.7	-11.4	-45.5
Schroders								3.4	-1.4	-39.0
Unconstrained Active Oriented										
Pinnacle						18.7	19.1	11.8	14.7	3.0

* All returns are net of investment management fees and are calculated by the investment manager.

¹ BGI's Dow Jones UBS Strategy was recently launched. The firm's GSCI Light Energy Strategy has been included for comparison purposes only.

² Credit Suisse's Dow Jones UBS commingled fund was recently launched. The firm's Dow Jones UBS mutual fund vehicle has been included for comparison purposes only.

³ While PIMCO's implementation is passive oriented, the strategy does have a high degree of tracking error due to active collateral management via TIPS. As a result, the strategy has been classified as constrained active.

Fresno County Employees Retirement System

Performance Review: Fiscal-Year Returns

Period Ending: June 30, 2009

	12-Month Periods Ending June 30th...									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Benchmarks										
DJ UBS	33.8	2.2	0.2	17.9	25.6	8.6	18.1	2.9	41.5	-47.1
GSCI Light Energy (BGI)	59.6	-4.0	-8.3	24.1	26.2	21.2	14.8	-2.9	49.5	-50.8
S&P 500	7.3	-14.8	-18.0	0.2	19.1	6.3	8.6	20.6	-13.1	-26.2
BC Aggregate	4.6	11.2	8.6	10.4	0.3	6.8	-0.8	6.1	7.1	4.1
90-Day T-Bills	5.3	5.6	2.4	1.4	1.0	2.0	3.9	5.1	3.5	1.0
Commodity Candidates										
Passive Oriented										
Barclays Global (GSCI-Light) ¹								-2.8	43.7	-50.4
Clifton								2.7	43.0	-47.4
Credit Suisse ²							17.6	2.8	40.2	-46.8
Constrained Active Oriented										
PIMCO ³				36.7	27.8	16.1	11.0	0.5	57.1	-50.4
Gresham							21.3	3.5	44.2	-45.5
Schroders								13.6	59.4	-39.0
Unconstrained Active Oriented										
Pinnacle						16.7	44.1	6.3	27.7	3.0

* All returns are net of investment management fees and are calculated by the investment manager.

¹ BGI's Dow Jones UBS Strategy was recently launched. The firm's GSCI Light Energy Strategy has been included for comparison purposes only.

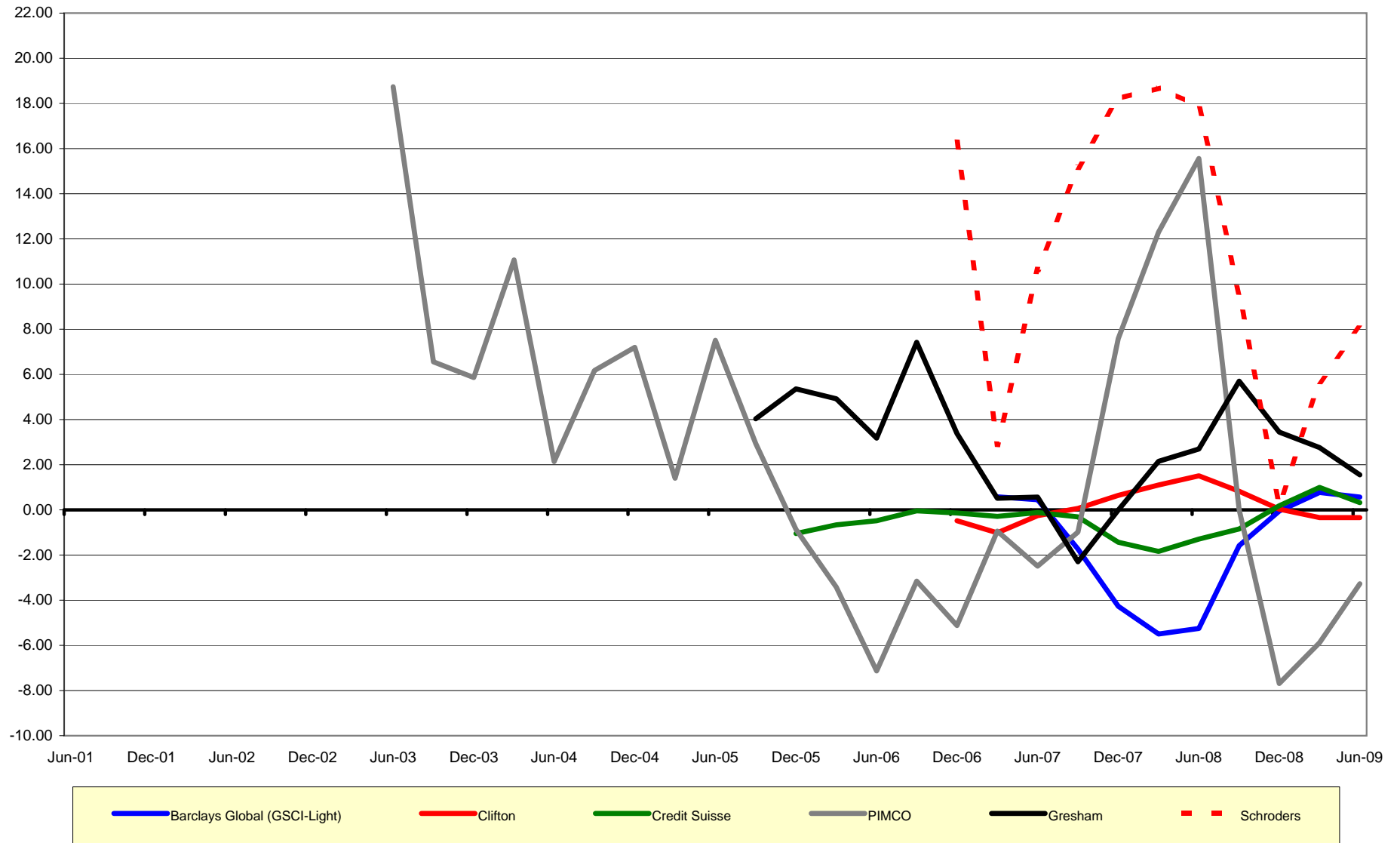
² Credit Suisse's Dow Jones UBS commingled fund was recently launched. The firm's Dow Jones UBS mutual fund vehicle has been included for comparison purposes only.

³ While PIMCO's implementation is passive oriented, the strategy does have a high degree of tracking error due to active collateral management via TIPS. As a result, the strategy has been classified as constrained active.

Fresno County Employees Retirement System

Rolling One Year Excess Returns vs DJ UBS Index* (Excludes Pinnacle)

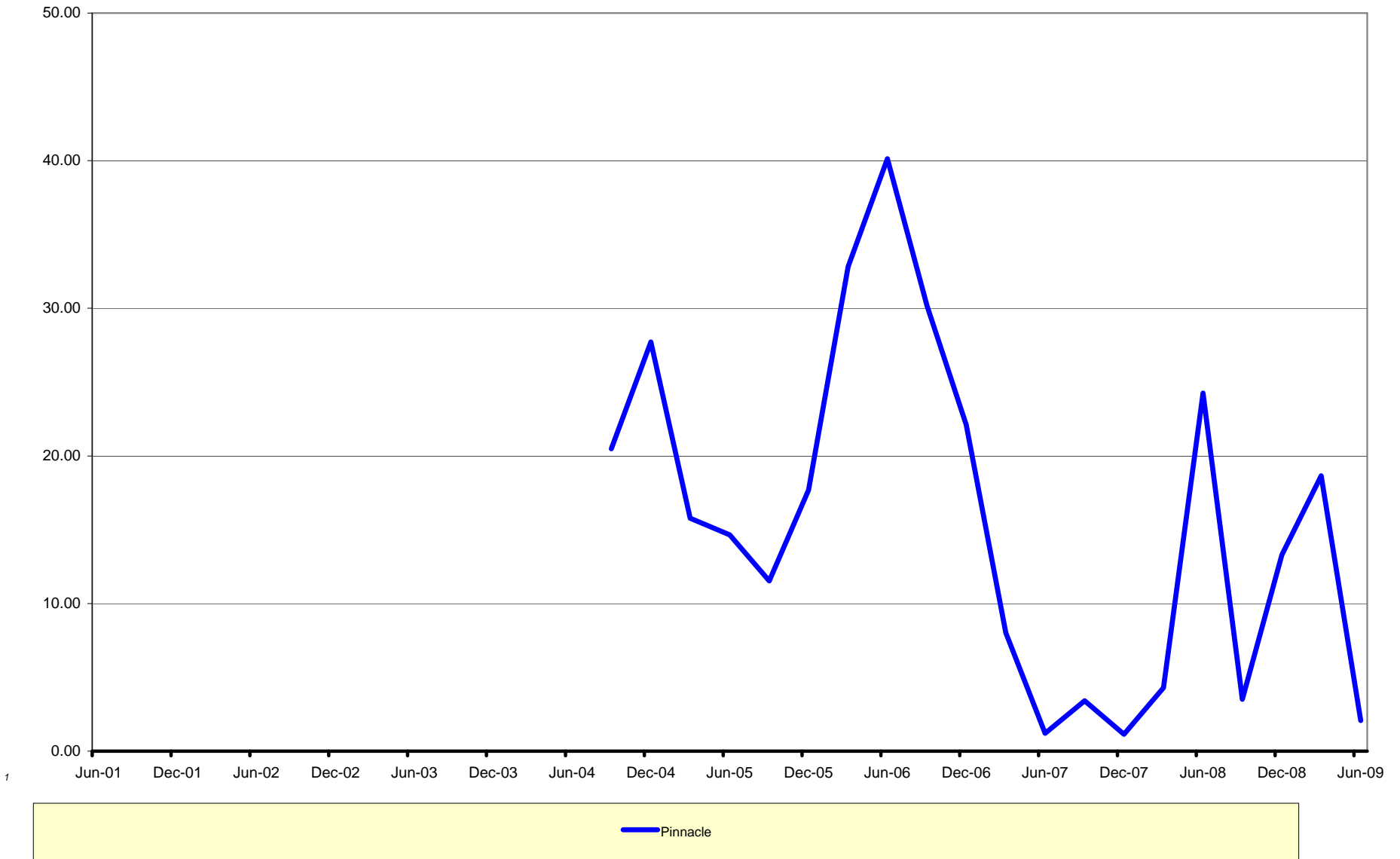
Period Ending: June 30, 2009



* BGI's excess return is relative to the GSCI Light Energy Index for comparative purposes. The remaining candidates excess returns are relative to the DJ UBS Index.

Fresno County Employees Retirement System
Rolling One Year Excess Returns versus 90 Day T-Bills

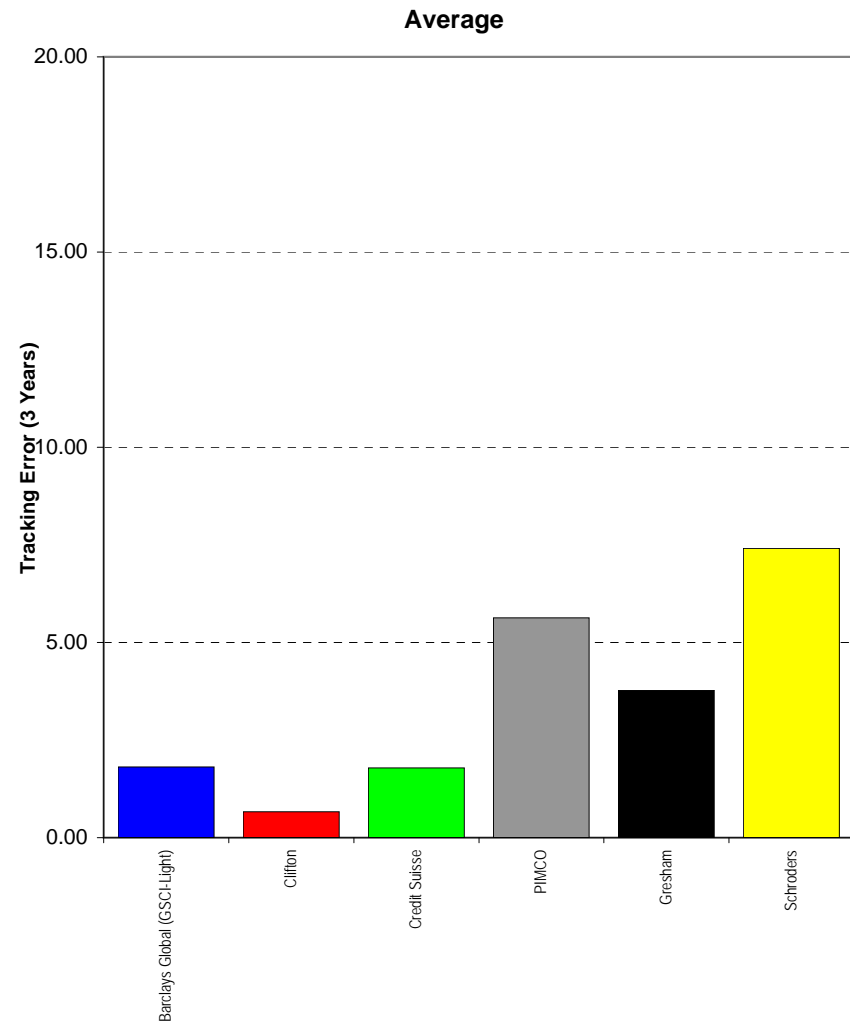
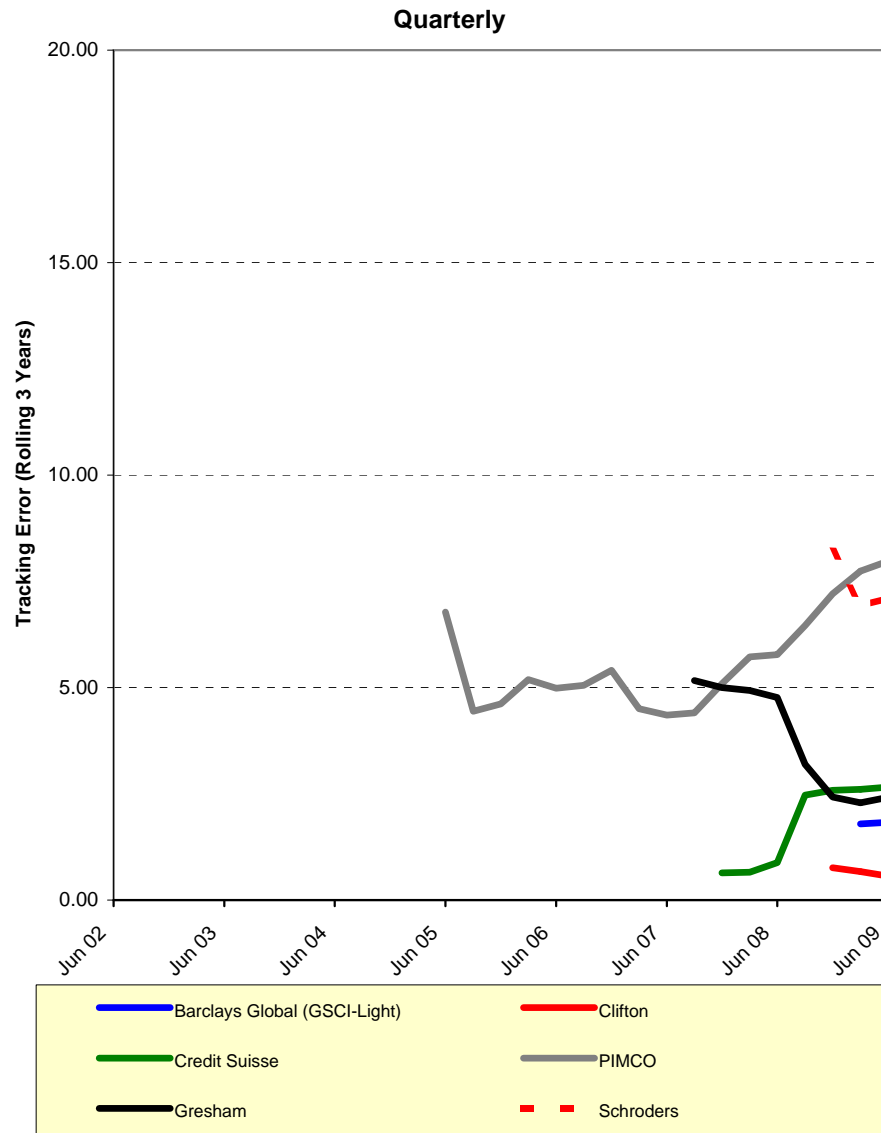
Period Ending: June 30, 2009



Fresno County Employees Retirement System

Rolling Three Year Tracking Error versus DJ UBS Index*

Period Ending: June 30, 2009

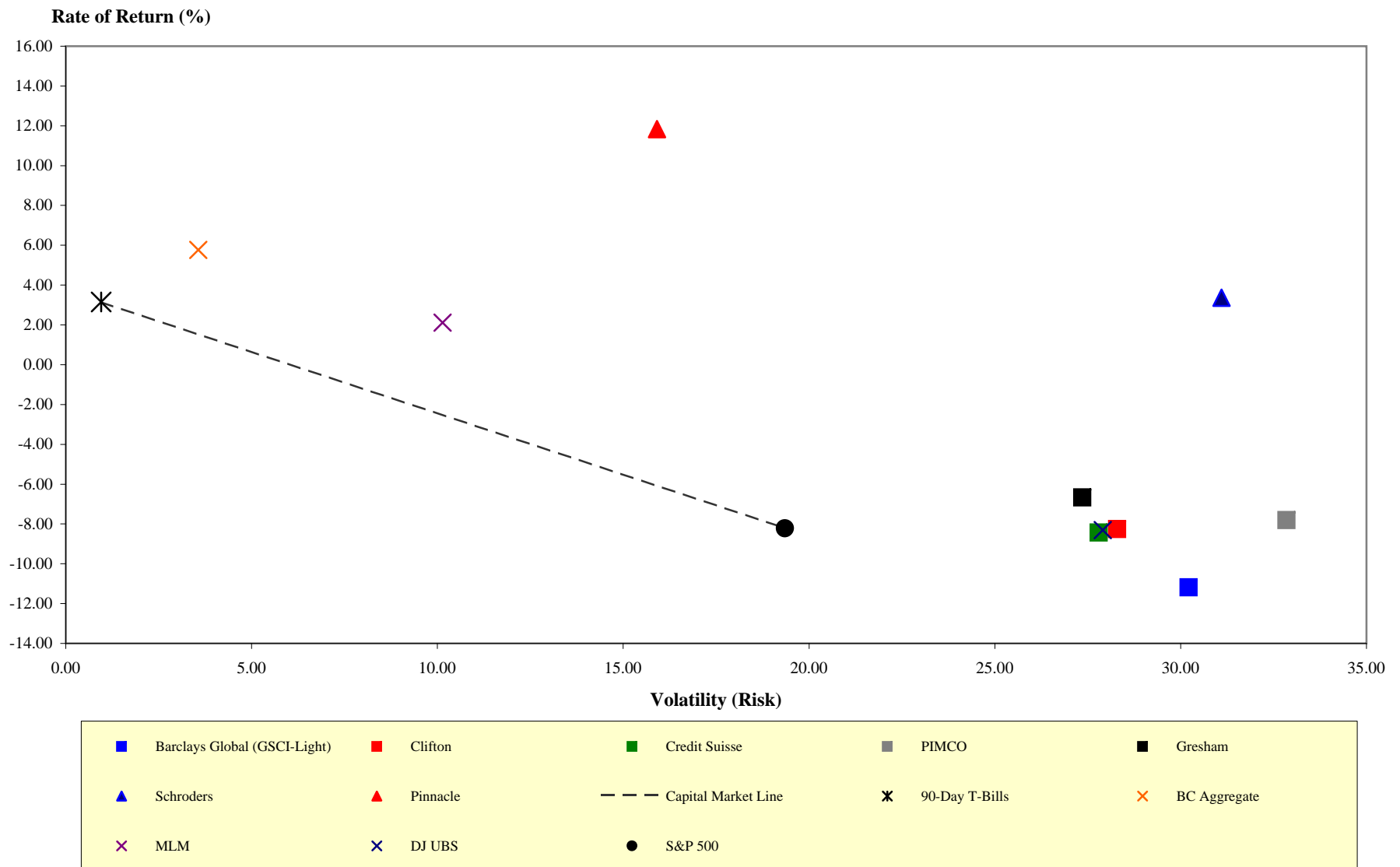


* BGI's tracking error is calculated relative to the GSCI Light Energy Index for comparative purposes only.

Fresno County Employees Retirement System

3 - Year Risk vs. Return -- Portfolios versus Indices

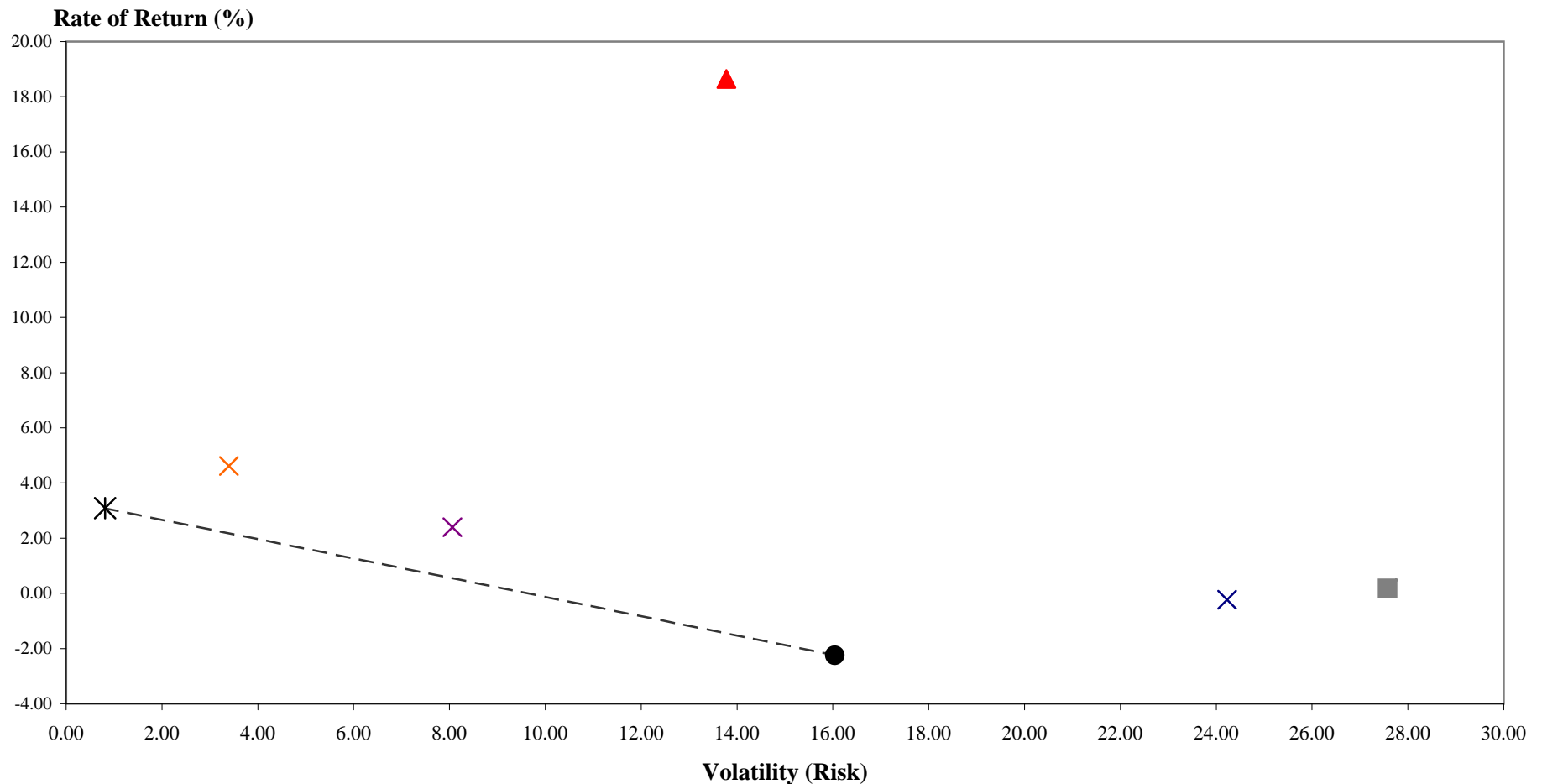
Period Ending: June 30, 2009



Fresno County Employees Retirement System

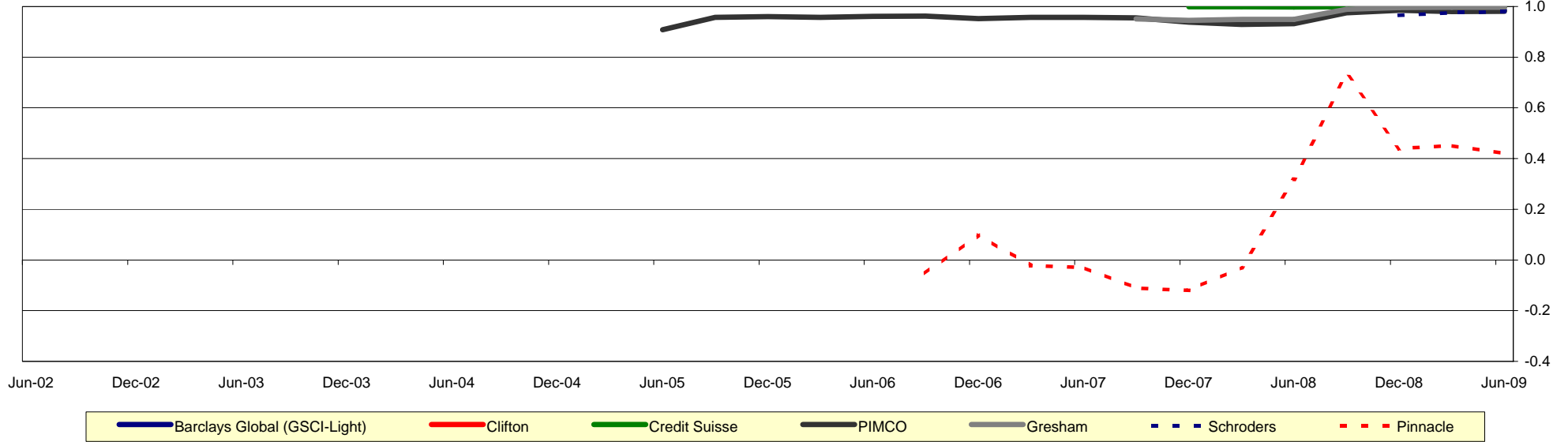
5 - Year Risk vs. Return -- Portfolios versus Indices

Period Ending: June 30, 2009

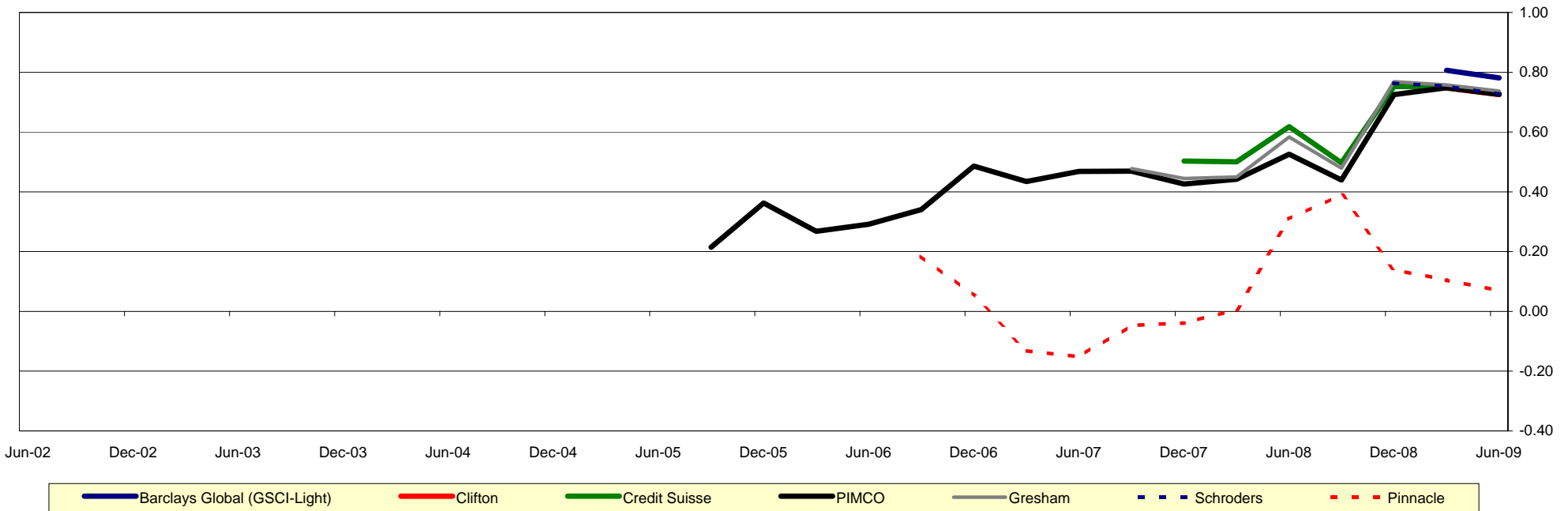


■ Barclays Global (GSCI-Light)	■ Clifton	■ Credit Suisse	■ PIMCO	■ Gresham
▲ Schrodgers	▲ Pinnacle	--- Capital Market Line	* 90-Day T-Bills	× BC Aggregate
× MLM	× DJ UBS	● S&P 500		

Rolling 3-Year Correlation vs DJ UBS Index



Rolling 3-Year Correlation vs CPI (Inflation)



Fresno County Employees Retirement System

Fund Expenses

Period Ending: June 30, 2009

Firm / Strategy	Vehicle Type	Minimum Investment	Wtd Management Fee / Expense Ratio	Performance Fee	Asset Amount (\$ mm)	Fee Breakpoint	Estimated Fee
<i>Passive Oriented</i>							
Barclays Global Investors BGI DJ-UBS Commodity Strategy	Commingled Fund	NA ¹	0.35%	NA	\$80,000,000	0.35%	\$280,000
Credit Suisse Asset Management Credit Suisse Commodity Return	Commingled Fund	\$5,000,000	0.40% ²	NA	\$80,000,000	0.40%	\$320,000
<u>Management Fee</u>							
The Clifton Group Dow Jones UBS Commodity	Separate Account	NA	0.30%	NA	\$25,000,000	0.15%	\$37,500
					\$55,000,000	0.10%	\$55,000
					<u>\$80,000,000</u>		<u>\$92,500</u>
<u>Estim. Transaction Costs</u>							
					\$80,000,000	0.20%	\$160,000
						<u>Total</u>	<u>\$252,500</u>
<i>Constrained Active</i>							
Gresham Investment Management Gresham A+ Strategy	Separate Account	\$50,000,000	1.15%	30%	\$80,000,000	0.25%	\$200,000
(Fee structure is 0.25% management & 30% net performance fee: 1.15% weighted ratio assumption above includes performance fee impact at 3% excess return)						\$80 m x 300 bps x 30% =	\$720,000
						<u>Total</u>	<u>\$920,000</u>
Pacific Inv Mgmt Company (PIMCO) PIMCO Commodity Real Return	Separate Account	\$75,000,000	0.48%	NA	\$50,000,000	0.49%	\$245,000
					\$30,000,000	0.45%	\$135,000
					<u>\$80,000,000</u>		<u>\$380,000</u>
Schroders Inv Management Schroders Commodity	Commingled Fund	\$1,000,000	1.35% ³	20%	\$80,000,000	0.75%	\$600,000
(Fee structure is 0.75% management & 20% net performance fee: 1.35% weighted ratio assumption above includes performance fee impact at 3% excess return)						\$80 m x 300 bps x 20% =	\$480,000
						<u>Total</u>	<u>\$1,080,000</u>
<i>Fully Unconstrained Active</i>							
Pinnacle Asset Management Pinnacle Natural Resources Ltd.	Offshore Ltd. ⁴	\$1,000,000	2.00%	10.0%	\$80,000,000	2.00%	\$1,600,000
(Fee structure is 2% management & 10% net performance fee: 2% expense ratio above does not include the impact of performance fees. Fees are subject to a high water mark)							

¹ BGI has a \$25,000 minimum annual fee

² Credit Suisse will discount the fee from June 2009 to June 2010 by 10 basis points. After 6/30/2010, the fee schedule will revert back to the standard schedule listed above.

³ Weighted expense ratio does not include a maximum commingled vehicle administration charge of 0.25% (currently 0.15%)

⁴ Liquidity terms for the vehicle include a one year initial lock-up with annual liquidity upon 180 days written notice after.

Fresno County Employees' Retirement Association

Product Background

Period Ending: June 30, 2009

Gresham Investment Management LLC

Gresham A+

Product Type: NA
Product Style: Other

Current Holdings :
Historical Range :

Investment Strategy Description :

Gresham believes that a diversified portfolio of long-only commodity futures contracts is the purest exposure to commodities as an asset class and the most efficient way to ensure a successful hedge against inflation. Gresham also believes that active implementation is essential in commodity investing. This is largely because commodity indexes are highly "implementation-oriented" in that they call for an investment manager to regularly purchase and subsequently sell (e.g., "roll") individual commodity contracts throughout the year. While an S&P equity index may typically experience a 5% turnover rate in its holdings per year, a commodity index is turned over, on average, 600%-800% each year. Since the roll process can be an independent source of "roll yield" and positive or negative alpha, they recognize that implementation is a significant determinant in the overall performance of a commodities investment. Gresham's A+ strategy subsequently combines replicating the Dow Jones UBS Commodity Index exposure with an active strategy designed to take advantage of opportunities in the term structures of commodity futures markets. The strategy attempts to generate alpha through market-driven "roll" optimization and contract selection while keeping actual commodity weightings based on the standard index. Therefore, Gresham believes the A+ strategy "owns" (i.e. implements) DJ-UBS commodity exposure more intelligently than a purely passive approach by investing in future contracts along the term structure that are undervalued relative to others for each commodity. The ultimate goal is to add meaningful excess return in addition to delivering the desired DJ UBS beta with less overall risk.

Historically, tracking error has ranged between 200 and 500 basis points.

Investment Process :

Gresham A+ starts with the commodities and weightings of the DJ-UBS Commodity Index to deliver the beta of the benchmark. Therefore, the commodities and weighting methodology directly follow the DJ-UBS Index. Gresham A+ portfolios rebalance monthly to the current weights of the DJ-UBS benchmark to constrain tracking error. Gresham does not actively overweight/underweight sectors or individual commodities in the portfolio. The A+ strategy does not utilize leverage (e.g., the notional exposure to commodity futures will match the amount of cash invested). Gresham only gains exposure to commodities markets through exchange-traded futures and forwards. Gresham believes that this model of portfolio management based on the exchange clearinghouse and segregated funds affords significant credit risk and portfolio management benefits compared to programs that depend on counterparty exposure, in the form of swaps and/or notes. Cash collateral for tax-exempt investors is invested in laddered U.S. Treasury bills with an average duration of 90 days so as not to introduce fixed income credit or duration risk into the commodity investment program.

In terms of implementation, Gresham applies what they call Term Structure Monetization (TSM) to add value. This approach rolls futures contracts forwards and backwards to maximize risk-adjusted returns. This process compares the attractiveness of current holdings to other-dated contract months on a daily basis, factoring in market conditions, seasonality, fungibility and prevailing interest rates. Gresham monitors and adjusts implementation windows based on exogenous events and market price action. Gresham's only passive trades are the portfolio rebalancing. All other trading is the result of active investment decisions. All trades are actively worked by Gresham's traders/portfolio managers to maximize execution. Traders look for the following:

i. Relative value assessment of various contract months – which contracts seem expensive/cheap?

ii. Fundamental confirmation of market conditions in the underlying

commodity and futures markets including feedstock arbitrage, seasonality, manufacturers cover, substitution rates, etc.

iii. Trading assessment (money flows, technical triggers and chokepoints, price action and liquidity conditions) and implementation.

Gresham utilizes a combination of relative-value and roll-timing trading strategies in the TSM programs. The amount of the portfolio traded according to each strategy will vary at any given time. The primary focus is on relative-value trading. However, when Gresham believes for a given commodity that the best relative value (or that attractive rolling trades are available) is in the front portion of the curve, the use of roll-timing may increase. Gresham implements its portfolios with outright trades for initial positions and limit order spread trades thereafter for rolling positions along the commodities futures curve. All trades are executed using liquid commodity futures contracts.

Michael Magers, as the portfolio manager/trader for Gresham's TSM programs, has discretion to trade Gresham A+, ETAP and Gresham G+ within clients' investment guidelines and additional parameters agreed with Jonathan Spencer, Gresham's president and lead portfolio manager. Trades are often discussed openly with Gresham's other traders, Randy Migdal, Susan Wager and Michael Miller. Jonathan Berland, managing director, and Douglas Hepworth, head of research, may also be involved in active risk decisions.

Fresno County Employees' Retirement Association

Product Background

Period Ending: June 30, 2009

Pinnacle Asset Management, L.P.

Natural Resources L.P.

Product Type: Alternative Investments

Current Holdings :

Product Style: Other

Historical Range :

Investment Strategy Description :

Pinnacle Natural Resources is a multi-strategy, multi-manager fund that pursues active, fundamental, discretionary investment strategies in the global commodity markets. Pinnacle believes that a dynamic strategy of asset allocation among proven money managers is the optimal method for enhancing returns for an assumed level of risk within the commodity space. As a result, the fund has a single focus: investing in actively managed commodity strategies. Pinnacle's approach attempts to overcome the typical limitations experienced by other fund-of-funds managers who limit themselves to allocating to long/short natural resources equity managers and traditional systematic CTAs who fit the framework of analysis of traditional hedge fund styles. A hallmark of Pinnacle's approach is to identify sectors/strategies/managers that are typically not on the radar of other fund-of-funds. This may include sectors such as energy, where they believe they have a due diligence edge, or smaller managers whose size precludes larger investors from investing. One additional unique feature is that the fund currently has over 75% of assets in managed accounts versus partnerships to allow full and daily transparency into underlying portfolios.

Overall, Pinnacle attempts to invest in fundamental-oriented managers who can perform in both rising and falling global commodity markets. The managers themselves will invest directly in underlying commodity derivatives contracts and de-emphasize equities/fixed income securities of natural resource intensive companies. The Fund currently has its largest exposure to the energy, metals and agricultural commodities sectors; specifically natural gas, crude oil/refined products, electricity, corn, soybeans, wheat, copper and aluminum. Other strategy exposures include allocations to the soft/fiber commodities (coffee, cocoa, sugar, cotton) complex, livestock (hogs, cattle) complex, and natural resource equities and fixed income securities (water, forest products, oil and gas, power).

Investment Process :

Active commodity trading can be segmented into three general categories of investment: directional (longer-term, macro-oriented), systematic (trend following, algorithmic, mean reversion etc.) and relative value (fundamental-oriented etc.). Within this context, Pinnacle's investment process begins with a universe of well over 500 to 600 discretionary commodity managers out of a universe of over 4,000 managed futures and CTA strategies. Pinnacle's funds of funds are managed by a four-member Investment Committee,

which includes Jason M. Kellman, Donnell A. Segalas, Scott L. Kellman, and Marcel N. Massimb, Ph.D. The Investment Committee is responsible for all investment decisions. All decisions regarding the portfolio must be unanimous; each committee member has the power to veto a decision. The Investment Committee meets formally on a monthly basis.

As with all effective portfolio construction, each investment is evaluated based on:

- Its risk-adjusted return potential, and
- Its relationship to the portfolio as a whole.

The manager's return potential is a function of the manager's capabilities and the opportunity set for a particular strategy. Pinnacle evaluates the return potential for a particular strategy using their top-down analysis of market trends that influence the supply (opportunity set) of and demand (investor competition) for investments.

Further analysis includes but is not limited to: monitoring of sectors and markets, credit spreads, interest rates, macroeconomic statistics, regulatory changes, commodity and factor price movements. Pinnacle frequently reassesses these views based on feedback from their proprietary network which in turn provides crucial insight into investment opportunities.

They seek to optimize the overall portfolio by maximizing the potential for return while minimizing the downside correlation. They accomplish this by diversifying according to fund size, strategy specificity, fund, industry or sector focus, market bias and other factors. When they have overlapping investments, they determine the appropriate weightings in light of the overall portfolio objectives.

Pinnacle assesses the attractiveness of a strategy based on a set of factors, such as the ratio of speculators to commercials in the space, its scalability, barriers to entry, and the extent to which the space is crowded. Energy markets, such as natural gas, electricity and to a lesser degree crude and products, are regional in nature with a multitude of delivery points, uneven infrastructure, varying state regulations and high sensitivity to weather and geopolitical events, etc. This lack of uniformity provides managers with various opportunities for directional trading, arbitrage and relative value trading. Pinnacle's allocation and portfolio construction process will therefore reflect areas where opportunities are prevalent and globally in line with the liquidity and volatility of the various commodity markets.

In addition, to help determine the optimal mix of strategies, Pinnacle takes into account both the portfolio managers' correlations within the overall portfolio and their correlations within each specific sector/strategy. Given that fat tails characterize many return distributions, Pinnacle does not use the standard mean-variance tools for its analysis as they are likely to lead to misleading portfolio mixes. Rather, Pinnacle uses scenario analysis and simulations in order to achieve its objectives.

Fresno County Employees' Retirement Association

Product Background

Period Ending: June 30, 2009

Schroder Investment Management North America

Schroders Commodity Fund

Product Type: NA

Current Holdings :

Product Style: Other

Historical Range :

Investment Strategy Description :

Schroders believes that an actively managed commodity portfolio based on fundamental bottom-up views on individual commodities will outperform a passively managed approach with the same or comparably lower volatility. The key feature of this approach is looking at individual commodities on a case-by-case basis and investing where there is a positive fundamental view. As a result, being in the right commodity (e.g., commodity selection & weighting) is the most important lever of this approach. The team does employ the ability to add value in the commodity term structure or optimizing roll yield; however, this is a secondary consideration for the strategy.

Schroders strategy is an active, long-only, benchmark unconstrained approach that can trade commodities on a global basis. The approach is largely implemented via futures contracts fully collateralized with Treasury Bills of less than one year maturity (e.g., unleveraged). The approach does allow some equity investment; however, it is undertaken to gain exposure to commodities that do not have derivative contracts. The objective of the strategy is to outperform a simple average of the four major commodity indices (GSCI, DJ-UBS, Rogers RMI, RJ-CRB) with a lower level of volatility.

The genesis for Schroder's commodity strategy arose out of the firm's significant emerging market debt operations. Part of the country analysis on the EMD side often required a view on commodities (e.g., Russia and oil). Over time the EMD team began identifying opportunities that could not be expressed in the EMD portfolios. Schroder's subsequently added resources to develop a pure commodity strategy and formally launched the product in 2005. Today, the Commodities Team consists of five key senior investment professionals. Included in this number is Geoff Blanning, the Head of Emerging Market Debt and Commodities. Robert Howell, the lead portfolio manager of the diversified Commodity strategy, has the ultimate responsibility for the strategy's performance and asset allocation. Rodolphe Roche, the lead fund manager for the Agriculture strategy, is responsible for managing the Agriculture section of the Schroder Alternative Solutions Commodity Fund. Also included in this number is Paula Bujia, the Commodities Equity Analyst, and Simon Hodges, the Commodities Trader. They are also supported by three Product Managers/Specialists; including Eric Nelson who is based in the US. All members of the team (excluding Eric Nelson) are located in London.

Investment Process :

The investment process begins with a broad assessment of commodities within a global economic framework. Quarterly, the Commodities Team meets formally with the Schroders Economics Team and the Schroders Emerging Market Debt Team in order to place overall supply and demand for commodities within the context of global economic activity and supply and demand for other asset classes. For example, what affect will the slow down in US home building have on demand for copper and will any potential drop in demand be off-set by the building boom in economically robust China?

However, the key driver to individual commodity selection is a bottom-up process of fundamental analysis undertaken on the 64 commodities in the Schroders investment universe. The focus of this analysis is the determination of supply and demand and supply/demand balances and most importantly, how these balances may change in the future. Furthermore, quantitative, technical and sentiment analyses are used to support the fundamental view, especially as regards to the timing and sizing of investment positions. However, it is important to stress that the Commodities Team must have a positive fundamental view on a commodity before it will be considered for inclusion in the portfolio. As the strategy is index unconstrained and long-only, the team only selects commodities that it believes will appreciate in price. In addition, a robust risk framework is used to ensure prudent diversification by sector, individual commodity and asset type.

The framework also ensures that the portfolio will, at all times, maintain meaningful exposure to each of the three major commodity sectors (energy, metals, agriculture). Thus, clients will be assured that they will have positive exposure to the overall benefits of commodity investing, namely diversification and protection against rising inflation. Once constructed, the portfolio is continuously monitored and adjusted as commodities with superior risk/return profiles are added to the portfolio, replacing those whose profiles have become less favorable.

Schorder's investment process makes a distinction between market analysis which encompasses identification of trends and resulting opportunities, and portfolio construction. Commodity analysis forms the core of their investment process. Major commodities are reviewed 2-3 times a year, minor ones at least once a year. The investment team meets on a weekly basis to review the global commodity markets. Any potential changes to strategy and allocation will be discussed at these meetings. At each meeting an individual commodity is discussed in depth using fundamental, quantitative, sentiment and technical analysis.

While the strategy is index unconstrained, portfolio construction rules are used to ensure that the portfolio is prudently diversified. For example, on a sector basis, the portfolio is constrained from holding less than 20% and more than 60% in each of the three commodity sectors (energy, metals, agriculture). The 60% max threshold is there to ensure that sector exposure does not get to concentrated while the 20% limit ensures adequate diversification. Additionally, commodities are tiered based on liquidity considerations with maximum exposure limits in place. For example, up to 30% of the portfolio can be exposed to oil while only 5% of the portfolio can be exposed to flaxseed. Finally, 50 – 100% of the portfolio can be held in futures (with no restriction as to term structure), up to 25% in equities and up to 33% in allocated cash.

Fresno County Employees' Retirement Association

Product Background

Period Ending: June 30, 2009

The Clifton Group Investment Management Company

Dow Jones UBS Commodity

Product Type: NA
Product Style: Passive Index

Current Holdings :
Historical Range :

Investment Strategy Description :

Clifton is a custom synthetic index provider that offers a broad array of services for commodity implementation. Clifton's goal is the efficient delivery of commodity returns as determined by client objectives. The commodity exposure held in Clifton's portfolio can be benchmarked to a standard index (e.g., Dow Jones UBS Total Return Index) or customized based upon client direction. The client may have Clifton's portfolio overlay other collateral positions held in the fund. At the highest level, the client can determine if they want the funded program and have Clifton purchase the collateral, or have the unfunded program and leave collateral with another manager. As a collateral base beyond money market holdings, Clifton can purchase Treasuries or TIPS. Clifton has nearly 10 years of experience in providing commodity exposure for institutional investors looking for a low cost means to implement a custom strategy. If desired by the client, Clifton's approach does allow the client maximum flexibility in the mandate to choose to actively rebalance or adjust positions, hedge, and implement tactical views utilizing both long and short positions as desired. The client can choose to adjust exposures at any time during the month as well.

Investment Process :

The process for establishing a commodity index program with Clifton begins with the creation of detailed Investment Management Guidelines. Clifton will assist in editing the commodity Investment Management Guidelines template to reflect specific objectives desired by the client for their commodity exposure. Items to be determined include: funded versus non funded, roll period, "forward" or non forward version of the index, target allocations, commodity benchmarks, and reporting needs. This document is posted to Clifton's secure web site for the client and Wurts viewing and is used to determine how overlay positions are updated as markets and cash balances change.

Clifton will maintain futures exposure which closely tracks the specified commodity index weights. The futures contract held for each commodity generally matches the index contract. At the beginning of the relationship, the client and Wurts directs notional value of desired exposure and target benchmark. Clifton will either manage the collateral or the collateral will sit with the custodial bank in a money market vehicle.

When replicating the DJ-UBS index, Clifton will generally hold all 19 contracts and approximately match the weights of the index. The DJ-UBS benchmark is rebalanced annually during the January roll period. Around this time, Clifton will rebalance the weights as well. Historically, contracts are rolled 50% on the fourth business day and tenth business day of the month. This process seeks to avoid the cost associated with mechanical roll which occurs on day 5-9, while not introducing material tracking error.

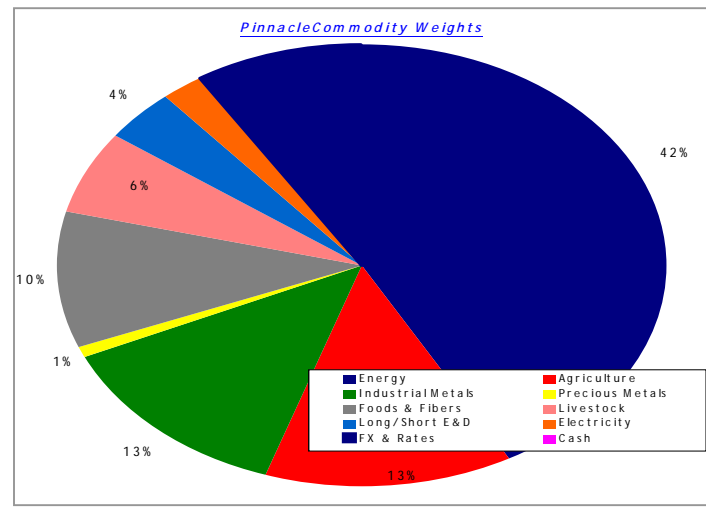
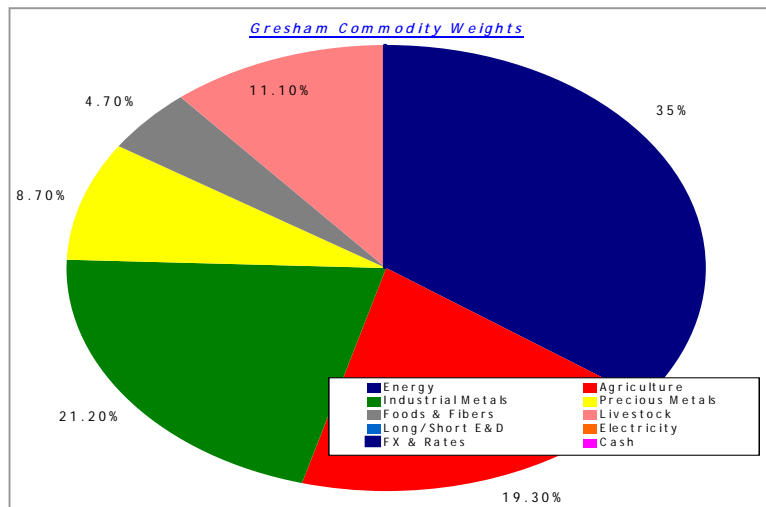
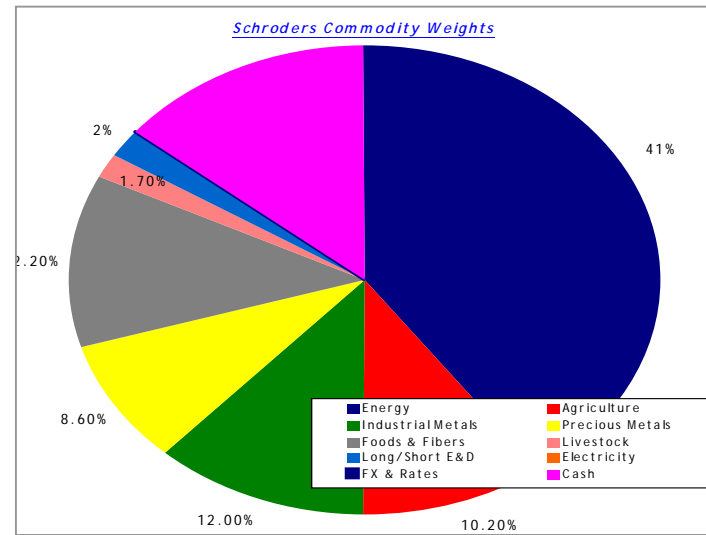
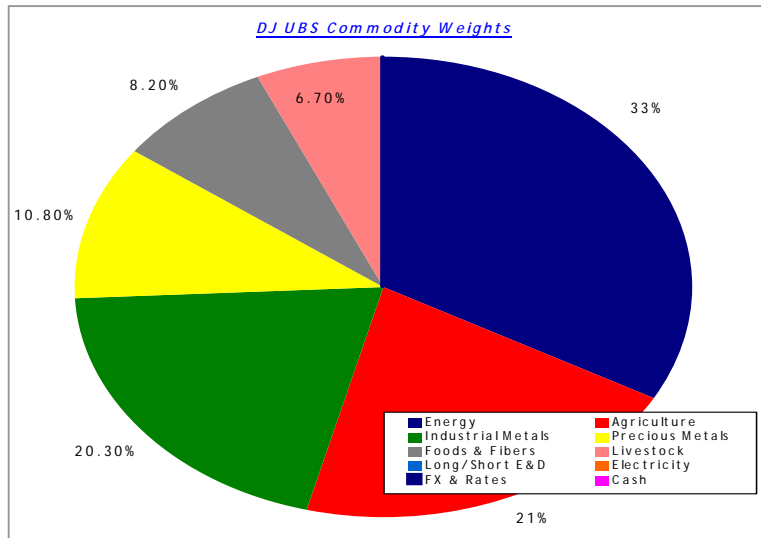
Clifton utilizes a Daily Tracking Report ("DTR") to track the status of client's commodity portfolio and required overlay positions. Investment Guideline parameters are coded into an internal system during account set-up. These parameters are utilized to calculate the asset allocation, initial overlay positions, required daily trades, cash flows, fund rebalancing thresholds, margin, and other required variables.

Each day, a new DTR is generated and reviewed by Analysts for accuracy and completeness. Analysts verify changes between target and actual commodity exposure based on market and cash flow data, and calculate the required trades to maintain the account in compliance with guidelines. The Portfolio Management Team ("PMT") will establish a process for communicating information regarding anticipated cash inflows and outflows. This cash flow management system enables Clifton to efficiently implement the client's pre-determined guidelines and anticipate any margin requirement changes. Portfolio Managers review and confirm required trades prior to market open and execute policy-driven trades at market opening. Trades are reviewed by PMT members to verify that necessary transactions have been completed. The Operations department at Clifton independently reconciles all trades electronically throughout the day.

Fresno County Employees Retirement System

Commodity Sector Exposures

Period Ending: June 30, 2009



Manager Evaluation: Barclays Global Investors
Barclays Global Dow Jones UBS Commodity Strategy

Strategy Basics

Asset Class:	Commodities
Firm Inception:	1922
Firm Assets:	\$1.44 trillion
Strategy Inception:	Launching
Strategy Assets:	\$141*
Approach:	Enhanced Index
Implementation:	Futures
Min. Acct. Size, Mutual Fund:	NA**
Min. Acct. Size, Com. Fund:	\$25,000 min fee
Min. Acct. Size, Sep. Acct:	NA
Fee, Mutual Fund/ETN:	0.75%
Fee, Commingled Fund:	0.35%
Fee, Separate Account:	NA

* Includes total strategy assets passively managed to the DJ UBS Index. The commingled fund offered is being launched and remains unfunded.

** A passive exchange traded note (ETN) is available (see "other vehicle" section)

Firm Background and History

Barclays Global Investors (BGI) is an investment management subsidiary of London-based Barclays PLC. It has a presence in most major countries and is headquartered in San Francisco. BGI is the result of a merger between Wells Fargo Nikko's and Barclays Bank's investment management units in 1996. The unit has existed in some form for over 30 years. It is widely credited with creating the first passive index investing strategy and also pioneered the ETF investment vehicle. BGI has over \$1.4 trillion in assets as of December 2008 with over 2/3rds involving passively managed investment mandates.

BGI has been managing commodities since January 1999 and currently manages \$10 billion in commodity assets. Approximately \$8 billion is managed via Barclay's iShare exchange traded platform. The remaining assets are evenly spread across passive commingled and separate account mandates. The commodities team is overseen by Amy Schioldager, Head of Equity Indexing, and headed by Senior Portfolio Manager Robert Shimell. The commodity team consists of two portfolio managers, three research analysts, and two dedicated commodity traders. BGI recently consolidated their commodity business in London. As a result of this process, US portfolio manager Stanley Kiang, who had been with BGI for five years, is no longer actively involved with the strategy as of early 2009.

Strategy Background

The BGI Dow Jones UBS Commodity Strategy seeks to replicate the total return performance of the Dow Jones UBS Commodity Index while attempting to generate incremental return to cover the cost of implementation.

BGI attempts to add value through active management of the futures roll return (excess roll yield) and to a lesser extent collateral management (excess cash yield). An overwhelming majority of the active risk budget is expected to be absorbed by the excess roll yield. The cash collateral backing the futures is invested in a high quality money market fund. This fund does attempt to deliver a marginal yield advantage to Treasury Bills through duration management as well as credit and maturity extension. However, the fund's primary objective is to preserve principal and provide high liquidity and current income.

Key Investment Professionals

Robert Shimell, Sr. Portfolio Manager/Strategist

Mr. Shimell is a fund manager within the Index Equity Portfolio Management Group specializing in commodities. Robert joined BGI in 2004 after graduating from the ISMA Business School for Financial Markets with an MSc (Distinction) in International Securities, Investment and Banking. Prior to joining BGI, Robert spent four years working for Perpetual Investment Management Services Ltd. and Invesco. He graduated from University College London in 1999 with a First Class honours degree. He is a holder of the Investment Management Certificate.

Process

BGI's investment process begins with the selection of futures contracts to mirror the composition of the DJ UBS Commodity Index. BGI believes futures contracts are the most reliable and efficient means to gain commodity exposure. The actual construction of the portfolio is then guided by the commodity and sector weightings of the index and rebalanced according to the rules of the index.

The second stage of the investment process involves return enhancement via excess roll yield. Since the

strategy has to roll futures contracts to maintain continuous commodity exposure, BGI allocates a portion of their active risk budget to generate return from the futures roll process. They estimate that approximately 95% of the futures implementation follows the mechanical rules of the index with the remaining balance allocated to fundamental and technical alpha capture strategies. These strategies include term structure relative value and seasonality trades as well as exploiting speculative liquidity and index volume pressure. The group is able to leverage BGI's three-member Trading & Research Team to help quantify and systematically exploit these opportunities.

The third stage of their investment approach involves management of the underlying futures collateral. This function is outsourced to BGI's 16 member cash management team who invest the collateral in a high quality money market fund. Historically, BGI has managed all collateral backing derivatives contracts in a combination of money market and enhanced cash funds. Depending on the risk budget, the collateral had typically been split 45% to each with the balance invested in Treasury Bills or Agency securities as required margin for the futures. BGI decided to significantly reduce the amount of credit exposure in their collateral management approach. As a result, the collateral for the new DJ UBS commingled fund will only be invested in the money market fund. The fund allocates to high quality securities (A1P1+), with a 90 day maximum duration and three year weighted average life. The fund does attempt to deliver a marginal yield advantage to Treasury Bills through duration tilts as well as sector and security selection.

The estimated explicit costs for implementation are less than 15 basis points to achieve futures exposure with an additional 20 to 25 basis points expected in order to maintain exposure via rolling contracts annually (approximately 35 basis points total).

Risk Management

BGI's approach is designed to mirror the market volatility of the Dow Jones UBS Commodity Index. In order to control risk, the fund seeks to replicate the index weights and does not allow any active sector under or overweighting. Rebalancing guidelines are guided by the mechanistic rebalancing rules of the index. BGI does allow a small rebalancing threshold of 10 basis points to ensure the flexibility to mirror the index on a cost efficient basis.

Active risk is taken to generate excess roll yield and marginal return enhancement via the underlying cash collateral. Historically, with the inclusion of the enhanced cash fund, the overall tracking error budget for this type of strategy was 40 basis points. However, with the inclusion of only the money market fund in the collateral mix and the subsequent decrease in risk, the tracking error budget is expected to run closer to 25 basis points. A majority of this budget will be absorbed by the excess roll yield.

The futures collateral will be invested in BGI's high quality cash sweep money market fund. The fund allocates to high quality securities (A1P1+), with a 90 day maximum duration and three year weighted average life. The fund's investment guidelines do allow exposure to corporate debt obligations, asset backed securities, repurchase agreements, loan participations and synthetic cash transactions that have similar characteristics to money market instruments. It is expected that a majority of the exposure will be concentrated in US Government & Agency securities and repurchase agreements.

Potential Red Flags

As part of our ongoing due diligence, we will regularly review this product for potential "red flags" that could warrant a material reexamination of our recommendation.

The red flags include changes in any of the following: portfolio management team, investment philosophy, investment guidelines/objectives, risk control parameters and ownership structure of Barclays Global. Additionally, we will monitor for benchmark relative tracking error that is outside of expected or historic norms.

As the Dow Jones UBS commingled fund is new and remains unfunded, our largest concern surrounds the lack of track record for this fund. These concerns are offset by established track records in other commodity vehicles with similar investment objectives. These mandates are managed versus a different benchmark (Goldman Sachs Commodity Index); however, BGI has the systems, resources and experience to be able to replicate the Dow Jones UBS Commodity Index. Furthermore, attribution data is available to validate the team's ability to consistently add implementation value (excess roll yield etc.) which subdues concern as well.

On June 16, 2009, Barclays PLC, the parent company of Barclays Global Investors (BGI) announced the acceptance of BlackRock Inc.'s offer to acquire BGI. This offer includes BGI's exchange-traded fund business iShares. The combined firm, to be known as BlackRock Global Investors, is expected to be the largest global investment manager with over \$2.8 trillion in assets. If approved by shareholders, the transaction is expected to be finalized in early 2010. While we will be watching the integration process carefully, we believe there is good synergy between the two firm's complementary business lines and view the potential merger positively.

An additional area we are monitoring is the consolidation of the commodity team in London. Prior to the team consolidation, the group's \$2 billion in commingled assets were split between San Francisco and London. The consolidation effort was motivated by a desire to increase efficiency, create economies of scale and reduce costs in the commodity group. As a result of this process, UK-based portfolio manager, Robert Schimmel will be in charge of all commodity portfolios including the DJ UBS strategy. The former US portfolio manager, Stanley Kiang will no longer be involved with the strategy.

Performance

* Due to the lack of an available track record for this mandate, BGI's GSCI Light Energy representative account has been included for comparison purposes only. This approach is managed with a similar futures-based approach and with similar investment objectives.

BGI GSCI Light Energy Strategy (Inc: April 06)

The strategy has underperformed the GSCI Light Energy Commodity Index by approximately 2 basis points net of fees since inception (expense ratio: 35 bps). The strategy was formed during a difficult period of time in the cash and credit markets as liquidity diminished and significant credit challenges hit the asset-backed, mortgage-backed and commercial paper markets. The source of an overwhelming majority of the tracking error was due to the underlying collateral which offset any excess return generation from the implementation and excess roll yield (see attribution on page 4).

The investment approach for the new (unfunded) commingled fund is expected to be much more conservative than what is represented in the composite as well. The underlying cash collateral will not have exposure to the enhanced cash fund. This should serve to reduce tracking error and any unintended fixed income and credit risk exposure in

the portfolio. As a result, any value-add will be focused on implementation which is an area that the team has been able to achieve success with a high degree of consistency.

Other Vehicles

BGI iPath DJ UBS Exchange Traded Note (DJP)

For investment mandates that are unable to satisfy the commingled fund's \$25,000 fee minimum, BGI does offer an exchange traded note (ETN). Barclays' ETN's are a pure passive option and structured very differently than the commingled DJ UBS strategy. An ETN is essentially a structured note or fixed income security with a reference rate tied to the total return of the Dow Jones UBS Commodity Index. Since BGI issues the structured note, the ability to receive the return on the index is determined by BGI's ability to pay the reference rate. As a result, non-diversified counterparty risk is introduced in this approach. Some of the benefits of this structure include minimal benchmark tracking error; daily liquidity; and low investment minimums. The drawbacks include non-diversified exposure to counterparty risk, high management fees (0.75%) for a passive option, and higher transaction costs (broker commissions etc.).

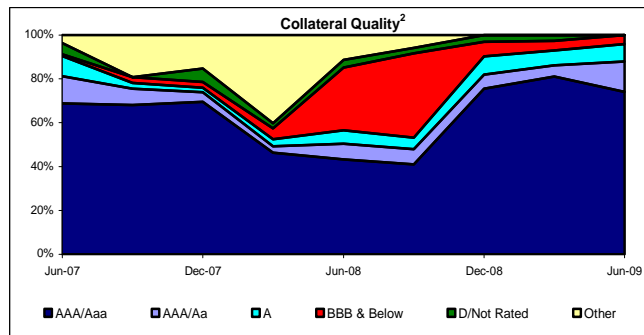
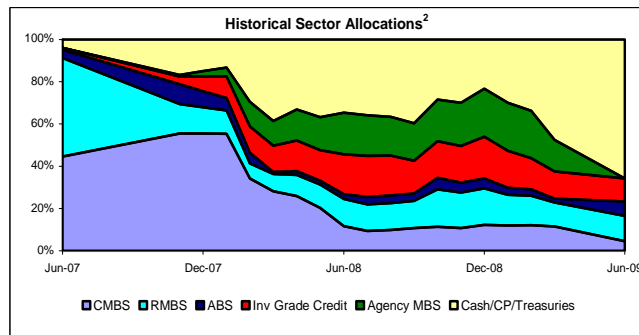
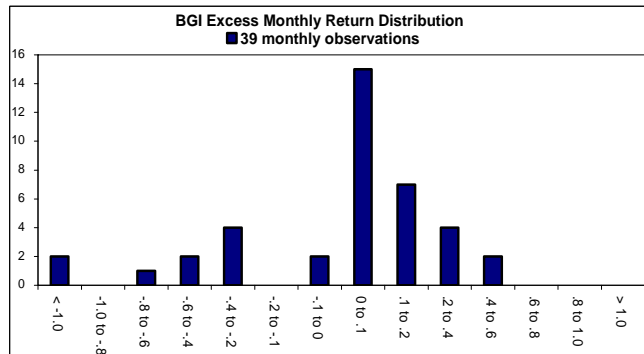
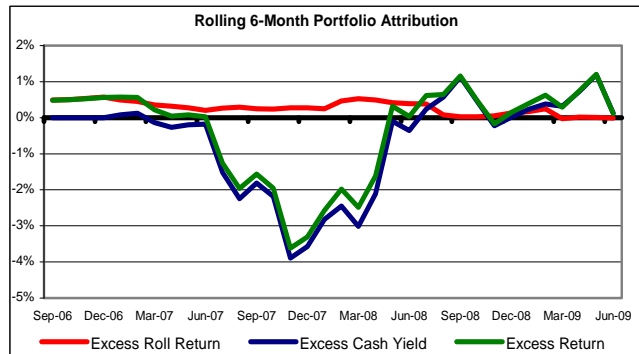
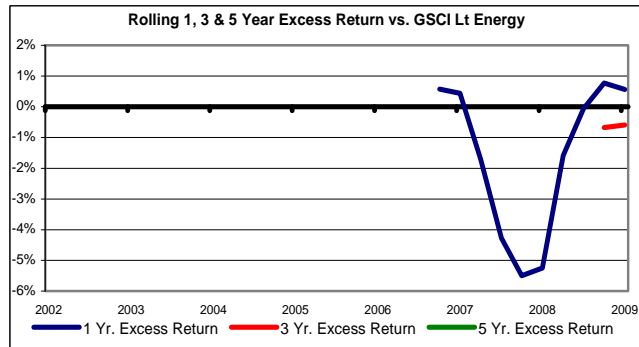
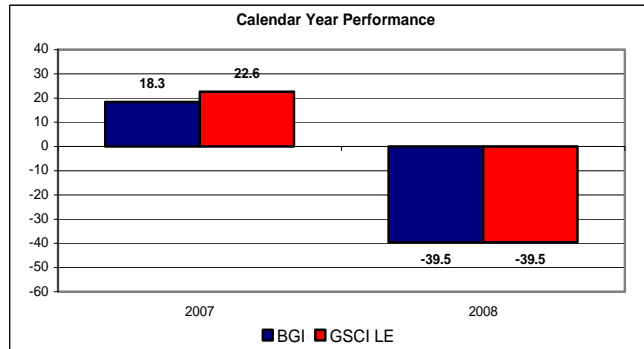
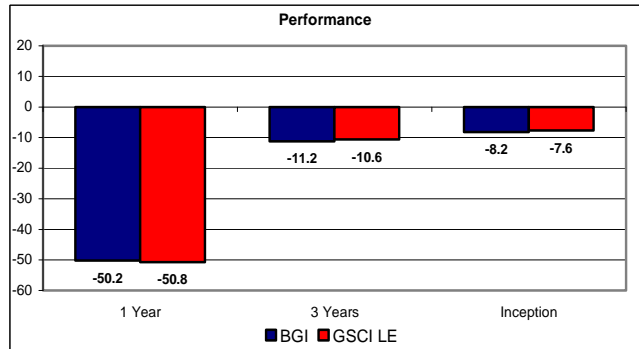
Recommendation

Wurts & Associates believes the BGI commingled fund strategy will meet the needs of our clients looking to gain exposure to commodities. The approach provides a conservative, low cost and low tracking error option coupled with the ability to generate incremental return to cover the costs of implementation. The team has demonstrated the ability to generate consistent value-add through the implementation of the commodity exposure. Furthermore, a very conservative cash management program should focus the strategy on spot replication, offsetting implementation costs and minimizing unintended fixed income risk in the portfolio.

M. Wade Millen
Senior Research Associate

May 2009

Data Overview As Of 6/2009¹



Performance Characteristics				
	3 Yrs	5 Yrs	7 Yrs	Incept.
Standard Deviation	31.6	NA	NA	30.7
Tracking Error	1.8	NA	NA	1.8
R-Squared	1.00	NA	NA	1.00
Information Ratio	-0.3	NA	NA	-0.3
Treynor Ratio	-14.3	NA	NA	-11.4
Sharpe Ratio	-0.5	NA	NA	-0.4
Downside Deviation	26.8	NA	NA	25.8

Batting Average				
	3 Yrs	5 Yrs	10 Yrs	Incep.
Quarterly	58%	NA	NA	62%
Annually	33%	NA	NA	40%

Excess Performance vs. GSCI Light Energy Commodity Index							
Best				Worst			
Qtr.	1 Yr	3 Yrs	5 Yrs	Qtr.	1 Yr	3 Yrs	5 Yrs
0.9	0.8	-0.6	NA	-1.9	-5.5	-0.7	NA



Disclosure Notes

(1) Since Barclays Dow Jones UBS Commodity Strategy was recently launched, a representative account with similar investment objectives utilizing futures contracts to replicate the S&P GSCI Light Energy benchmark was used for comparative purposes. According to BGI, the only material difference in the management of the representative account versus the DJ UBS commingled fund involves rebalancing. The representative account is rebalanced monthly while the commingled fund will be rebalanced weekly. The representative account was launched in April 2006 and currently has \$20 million in assets.

(2) The underlying cash collateral will not have exposure to the enhanced cash fund. Therefore, the historical sector and quality allocation charts included on the data page are not representative of the cash management approach on a go-forward basis. The commingled fund will be allocated to the money market fund which is managed much more conservatively. The data has been included for comparative purposes only.

Glossary of Terms

Active Expense Ratio: A measure of the true cost of active management which is derived by taking actual fees paid in relation to portfolio returns that are not explained by systematic risk exposures (i.e., the benchmark). A statistical derivation of manager R-Squared to the benchmark drives this analysis.

Actively Managed Share: The portion of portfolio behavior that is not explained by the underlying systematic risk exposures (i.e., the benchmark). A statistical derivation of manager R-Squared to the benchmark drives this analysis.

Annual Turnover: A measure of how quickly a portfolio replaces its securities during a given year. A highly active portfolio will have a high annual turnover.

Average Maturity: The weighted average time to maturity, in years, of fixed-income investments in a portfolio.

Batting Average: A measure of how often a manager has beaten the benchmark. Seen as a gauge of consistency, a batting average of 60% indicates that the manager has outperformed the portfolio benchmark six out of ten times.

Downside Deviation: A measure of the standard deviation of returns below a Minimum Acceptable Return (in our calculations, 3-Month T-Bills), or essentially the variations in negative portfolio returns. The higher the number, the more downside risk involved.

Effective Duration: A measure of a fixed income portfolio's sensitivity to interest rate changes. Effective duration includes the effects of embedded options by taking into account option-triggered cash flows caused will fluctuate as interest rates change.

Excess Return: The difference between a portfolio return and stated benchmark return.

Information Ratio: A measure of efficiency of a portfolio's excess returns. It is defined as excess return versus the benchmark divided by tracking error. The ratio measures the value added per unit of active management risk. A positive information ratio implies "efficient" use of risk by a manager.

R-Squared: Also known as the "coefficient of determination," R-Squared measures the degree to which a manager's return varies with changes in the market. An R-squared of 1.0 suggests that a manager's returns are completely due to returns of

the market, whereas an R-squared of 0.00 suggests that the performance of the manager is completely independent of the market.

Rolling Performance: The annualized average return over a specified period ending with the listed date. By looking at various quarter-ending points as opposed to a single point in time, rolling performance attempts quantify long-term performance consistency along with shifting the focus from current period-ending performance.

Sharpe Ratio: A measure of how efficiently a manager utilizes risk. It measures the returns earned in excess of the risk-free investment (3-Month T-Bills) per unit of risk assumed (as measured by the standard deviation of the portfolio).

Standard Deviation: A measure of the dispersion of a portfolio's returns around its expected return (mean). A higher standard deviation indicates greater dispersion, and therefore lower predictability of future returns. A lower standard deviation suggests less volatile portfolio returns.

Tracking Error: A measure of how closely a portfolio follows the index to which it is benchmarked. Calculated by taking the standard deviation of the excess returns of a portfolio versus its benchmark, it is used to measure a manager's variability versus stated objectives. A lower tracking error indicates a manager performs in line with the benchmark without large swings.

Treynor Ratio: Sometimes called "reward-to-risk" ratio, it measures the returns earned in excess of the risk-free investment (3-Month T-Bills) per unit of market risk assumed (as measured by beta).

Weighted Average Coupon: The average coupon (interest payment) for a fixed income portfolio. The outstanding market value of each fixed income security is used as the weighting factor.

Yield to Maturity: The return anticipated on a fixed income portfolio if it is held until maturity. It assumes that all coupon and principal payments will be made, and that coupon payments are reinvested at the bond's promised yield.

Manager Evaluation: Credit Suisse

Credit Suisse Commodity Return Strategy Fund

Strategy Basics

Asset Class:	Commodities
Firm Inception:	1856
Firm Assets:	\$356 Billion
Strategy Inception:	2005
Strategy Assets:	\$ 2.68 billion*
Approach:	Enhanced Index
Implementation:	Futures
Min. Acct. Size, Mutual Fund:	\$0
Min. Acct. Size, Com. Fund:	\$2,500 min fee
Min. Acct. Size, Sep. Acct:	NA
Fee, Mutual Fund:	0.70%
Fee, Commingled Fund:	0.40-0.50% ¹
Fee, Separate Account:	NA

* Consists of \$1.62 billion in the mutual fund vehicle, \$12.3 million in the commingled fund and \$937 million in other separate accounts. The commingled fund was launched July 1, 2009.

Firm Background and History

Credit Suisse Asset Management (formerly BEA Associates in the U.S.), is the investment management division of Zurich Switzerland-based Credit Suisse Group. Credit Suisse built their asset management presence in the U.S. through the acquisition of BEA Associates in 1990. BEA was founded in 1934 and operated as an employee-owned independent investment counseling firm pre-acquisition. By 1999, the entire worldwide asset management network had been consolidated and renamed Credit Suisse Asset Management. Today the firm manages over \$350 billion in assets with 30% of their clients domiciled in the United States.

Credit Suisse's indexed commodities group was launched in 1994 and currently manages over \$2 billion in assets. The group was founded by Nelson Louie who left the firm at the end of 2005. The group currently consists of portfolio managers Andrew Karsh and Christopher Burton who joined in 1999 and 2005 respectively. Since the inception of the investment approach in 1994, the commodity strategy has never been managed by more than two senior professionals. Today, the group is supported by two dedicated commodity associates and three cash management specialists. In addition, the team is able to leverage the extensive research, trading, back-office, technology and compliance resources available from Credit Suisse.

Strategy Background

The Credit Suisse Commodity Return fund seeks to replicate the total return performance of the Dow Jones UBS Commodity Index while producing incremental excess return.

Credit Suisse attempts to add value in this strategy through two methods: actively managing the roll return (excess roll yield) and enhancements in the cash collateral (excess cash yield). The investment objective is to produce a stable and consistent gross excess return of 1%. A majority of the active risk budget is expected to be absorbed by the excess roll yield with a marginal amount generated via conservative short duration cash management. The cash management exposure is focused primarily on US Government & Agency securities with value enhancements through duration decisions and yield curve positioning.

Key Investment Professionals

Christopher Burton, CFA, Director

Mr. Burton is a Portfolio Manager and Trader for the Derivatives Team, and Co-Lead Portfolio Manager for the Total Commodity Return strategy. In this role Mr. Burton is responsible for analyzing and implementing the team's hedging strategies, indexing strategies, and excess return strategies. Prior to joining Credit Suisse in 2005, he served as an Analyst and Derivatives Strategist with Putnam Investments, where he developed the team's analytical tools and managed their options-based yield enhancement strategies, as well as exposure management strategies. Mr. Burton earned a BS in Economics with concentrations in Finance and Accounting from the University of Pennsylvania's Wharton School of Business. Additionally, Mr. Burton holds the Chartered Financial Analyst designation and has achieved Financial Risk Manager certification.

Andrew B. Karsh, Director

Mr. Karsh is a Portfolio Manager and Trader for the Derivatives Team, and Co-Lead Portfolio Manager for the Commodity Return strategy. In this role Mr. Karsh is responsible for analyzing and implementing the team's hedging strategies, indexing strategies, and excess return strategies. Prior to his current role, he served as a Director in the Fixed Income Structuring Group within Credit Suisse's Investment Banking

division where he had extensive experience structuring and executing complex transactions involving derivatives and cash securities. Prior to joining Credit Suisse in 1999, Mr. Karsh worked in Fixed Income and Derivatives trading at Santander Financial Products, and focused on U.S. Government & Mortgage Backed Securities at Bear Stearns and Co. Mr. Karsh earned a BS/BA in Finance from American University's Kogod College of Business and holds FINRA Series 3, 7 and Series 63 certifications

Process

The investment process begins with the selection of futures contracts to mirror the composition of the DJ UBS Commodity Index. The team prefers futures versus other derivatives because they believe these provide the lowest cost solution, highest degree of investment flexibility and minimize counterparty risk. The construction of the portfolio is then guided by the commodity and sector weightings of the index and rebalanced throughout the year according to the rules of the index.

The second stage of the investment process involves return enhancement via excess roll yield and management of the underlying futures collateral. To generate excess roll yield, the team has developed proprietary analytical tools that enable them to identify optimal roll periods for each of the underlying contracts. They attempt to exploit inefficiencies that develop in the roll process of individual sector and/or index futures contracts. These inefficiencies include technical opportunities, seasonal patterns, and mean reverting relationships.

In terms of the management of the underlying cash collateral, Credit Suisse has integrated the cash management function into the commodity team. This change is intended to allow the group to have more control over the investment process and to run the cash more efficiently. This will be a departure from the past as the firm's Short Duration fixed income team currently manages it. One dedicated cash specialist has already been hired and an increase in investment professionals to aid in trading and monitoring is expected.

Credit Suisse determined the optimal strategy involved significantly reducing the amount of credit exposure across the cash management program. As a result, the commingled fund will largely invest in US Government and Agency securities as well as

sovereign and supranational debt. It is expected that yield enhancement will be driven primarily by duration decisions and yield curve positioning.

The only explicit costs at the implementation level are commissions on futures contracts. The estimated commission cost associated with this strategy is approximately 30 basis points per annum. There are no additional internal fees for the cash management function.

Risk Management

This strategy is designed to mirror the market volatility of the Dow Jones UBS Commodity Index. In order to help control the volatility of the portfolio, they remain sector neutral and do not actively over and/or underweight benchmark sectors. Rebalancing thresholds are guided by the mechanistic rebalancing rules of the index. Active risk is taken to generate excess roll yield and marginal return enhancement via the underlying cash collateral. The overall tracking error budget is 100 basis points with excess roll yield expected to account for over 70% of this risk budget in the commingled fund.

The futures collateral is invested in high quality short duration fixed income securities. While the commingled fund's investment guidelines do allow for exposure to investment grade corporate debt and up to 10% in private placements/144A's, the fund is restricted from investing in mortgage backed securities (MBS), asset backed securities (ABS), mortgage derivatives (CMOs etc.) and any foreign currency.

Additional investment constraints include a maximum net commodity exposure of 110%, average portfolio credit quality of AA or higher, minimum credit rating at purchase of AA or higher and a duration target of less than one year.

Potential Red Flags

As part of our ongoing due diligence, we will regularly review this product for potential "red flags" that could warrant a material reexamination of our recommendation.

The red flags include changes in any of the following: portfolio management team, investment philosophy, investment guidelines/objectives, risk control parameters and ownership structure of Credit Suisse Asset Management. Additionally, we will monitor for benchmark relative tracking error that is outside of expected or historic norms.

As the commingled fund is new and remains unfunded, our largest concern surrounds the lack of track record. These concerns are offset by established track records in other vehicles with similar investment objectives including the CS Commodity Return mutual fund (CRSOX). The fact that attribution data is available to validate the team's ability to consistently add implementation value (excess roll yield etc.) subdues concern as well.

An additional area we will be monitoring closely is the evolving nature of the commodity team. This includes the transition of the cash management function (once exclusively handled by the Short Duration cash team) into the group. A residual of this process, is that the enhanced cash portion of the strategy is expected to become more conservative with less credit exposure. This should serve to focus the team's value generation on commodity implementation and reduce any unintended credit risk or correlation with the beta exposure. We will be monitoring their expansion of the team during this process as well and any potential investment guideline changes.

Performance

CS Commodity Return Composite (Inc: Feb-07)

The composite has underperformed the DJ UBS Commodity Index by 269 basis points net of fees (expense ratio: 35 bps) since inception. The composite was formed during a difficult period of time in the cash and credit markets as liquidity diminished and significant credit challenges hit the asset-backed, mortgage-backed and commercial paper markets. The source of an overwhelming majority of the tracking error was due to the underlying collateral which offset any excess return generation from implementation and excess roll yield.

The investment guidelines for the new (unfunded) commingled fund will have much more conservative policies than what is represented in the composite as well. Value-add will be focused on implementation which is an area where the team has been able to achieve success with a high degree of consistency. As a result, a demonstrated track record of adding implementation value paired with conservative cash management and low fees make the commingled option a strong candidate in this space.

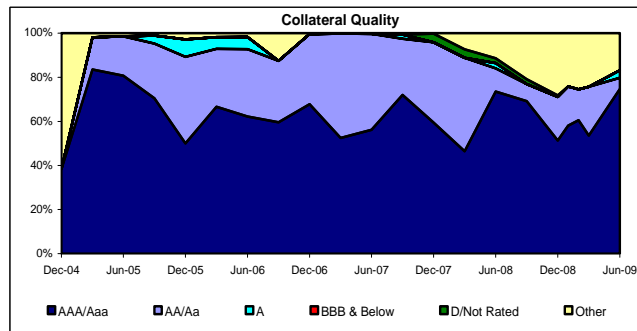
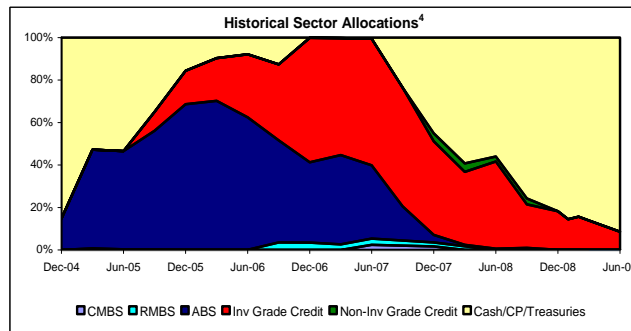
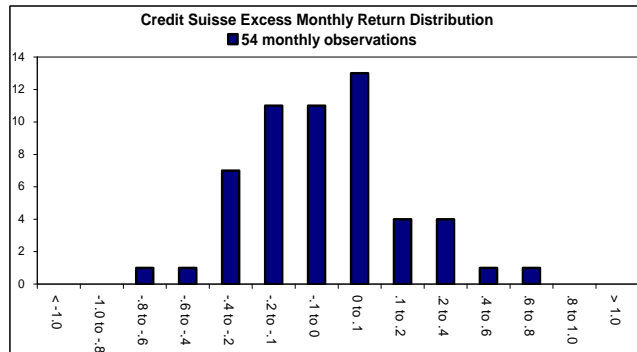
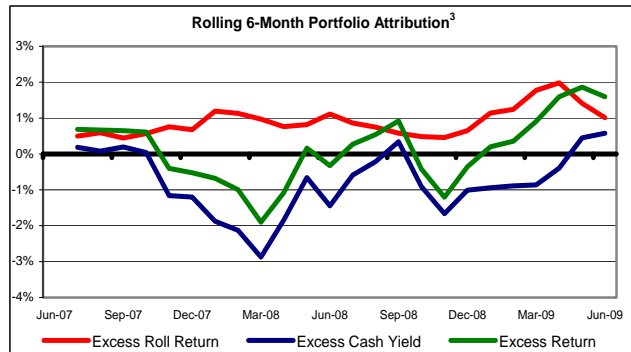
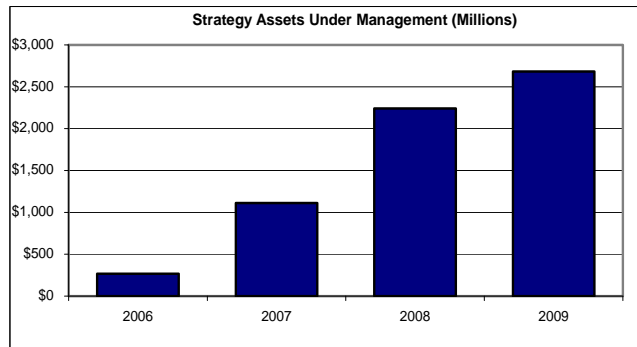
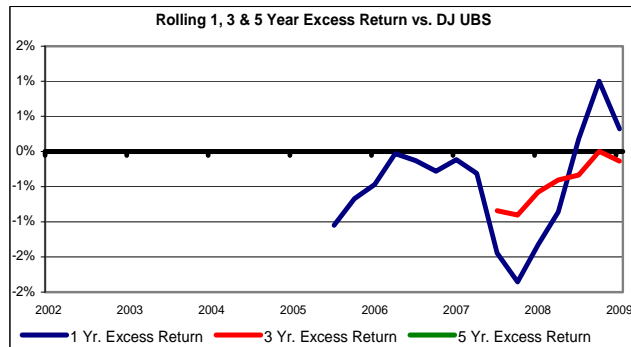
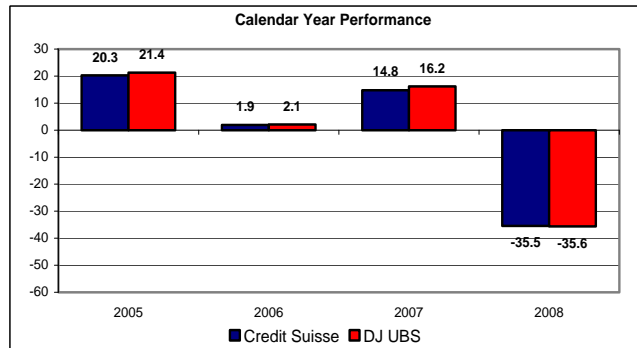
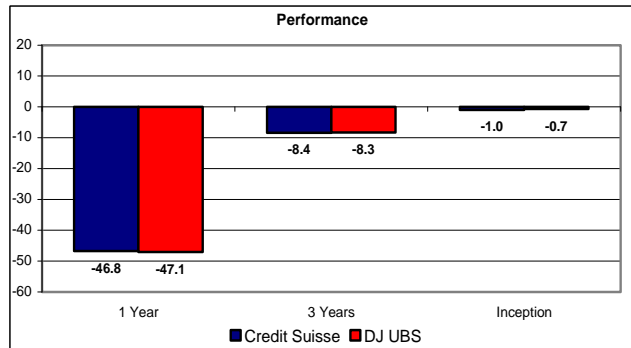
Recommendation

Wurts & Associates believes the Credit Suisse strategy will meet the needs of our clients looking to gain exposure to commodities. The approach provides a conservative, low cost and low tracking error option coupled with the ability to generate incremental return. The team has been able to produce a consistent track record of adding value through the commodity implementation. Furthermore, a very conservative cash management program should focus the strategy on spot replication, offsetting implementation costs and minimizing unintended fixed income risk in the portfolio.

M. Wade Millen

*Senior Research Associate
May 2009*

Data Overview As Of 6/2009



Performance Characteristics				
	3 Yrs	5 Yrs	7 Yrs	Incept.
Standard Deviation	29.0	NA	NA	25.8
Tracking Error	1.1	NA	NA	0.9
R-Squared	1.00	NA	NA	1.00
Information Ratio	-0.1	NA	NA	-0.3
Treynor Ratio	-11.5	NA	NA	-4.2
Sharpe Ratio	-0.4	NA	NA	-0.2
Downside Deviation	24.5	NA	NA	20.3

Batting Average				
	3 Yrs	5 Yrs	10 Yrs	Incept.
Quarterly	33%	NA	NA	33%
Annually	33%	NA	NA	20%

Excess Performance vs. DJ UBS Commodity Index							
Best				Worst			
Qtr.	1 Yr	3 Yrs	5 Yrs	Qtr.	1 Yr	3 Yrs	5 Yrs
1.1	1.0	0.0	NA	-1.1	-1.9	-0.9	NA

Disclosure Notes

(1) Commingled fund fee schedule: \$0 - \$25 million placement is 50 basis points; \$25 - \$75 million placement is 45 basis points; \$75 million + is 40 basis points. NOTE: Credit Suisse will discount the fee for the first 12 months (June 2009 to June 2010). As an example, an investor who funds an account with \$20 million as of 12/31/2009 will pay 40 basis points for the next nine months. After June 30, 2010, the fee schedule will revert back to the stated fee schedule above.

(2) The mutual fund vehicle and the commingled fund are managed with the same investment objective. The mutual fund primarily uses swaps to gain exposure to the DJ UBS Commodity Index while the commingled fund utilizes futures contracts.

(3) The portfolio performance attribution included in the graph on the data page has been calculated for the Credit Suisse Commodity Return Composite for comparative purposes. Credit Suisse does not provide this format for their mutual fund due to the mixture of futures, swaps and structured notes used to gain commodity exposure.

(4) In 2009, Credit Suisse determined the optimal strategy involved significantly reducing the amount of credit exposure across the cash management program. According to Credit Suisse, this will result in the strategy largely investing in US Government and Agency securities as well as sovereign and supranational debt. Therefore, the historical quality allocation chart included on the data page is not representative of the cash management approach on a go-forward basis.

Glossary of Terms

Active Expense Ratio: A measure of the true cost of active management which is derived by taking actual fees paid in relation to portfolio returns that are not explained by systematic risk exposures (i.e., the benchmark). A statistical derivation of manager R-Squared to the benchmark drives this analysis.

Actively Managed Share: The portion of portfolio behavior that is not explained by the underlying systematic risk exposures (i.e., the benchmark). A statistical derivation of manager R-Squared to the benchmark drives this analysis.

Annual Turnover: A measure of how quickly a portfolio replaces its securities during a given year. A highly active portfolio will have a high annual turnover.

Average Maturity: The weighted average time to maturity, in years, of fixed-income investments in a portfolio.

Batting Average: A measure of how often a manager has beaten the benchmark. Seen as a gauge of consistency, a batting average of 60% indicates that the manager has outperformed the portfolio benchmark six out of ten times.

Downside Deviation: A measure of the standard deviation of returns below a Minimum Acceptable Return (in our calculations, 3-Month T-Bills), or essentially the variations in negative portfolio returns. The higher the number, the more downside risk involved.

Effective Duration: A measure of a fixed income portfolio's sensitivity to interest rate changes. Effective duration includes the effects of embedded options by taking into account option-triggered cash flows caused will fluctuate as interest rates change.

Excess Return: The difference between a portfolio return and stated benchmark return.

Information Ratio: A measure of efficiency of a portfolio's excess returns. It is defined as excess return versus the benchmark divided by tracking error. The ratio measures the value added per unit of active management risk. A positive information ratio implies "efficient" use of risk by a manager.

R-Squared: Also known as the "coefficient of determination," R-Squared measures the degree to which a manager's return varies with changes in the market. An R-squared of 1.0 suggests that a manager's returns are completely due to returns of

the market, whereas an R-squared of 0.00 suggests that the performance of the manager is completely independent of the market.

Rolling Performance: The annualized average return over a specified period ending with the listed date. By looking at various quarter-ending points as opposed to a single point in time, rolling performance attempts quantify long-term performance consistency along with shifting the focus from current period-ending performance.

Sharpe Ratio: A measure of how efficiently a manager utilizes risk. It measures the returns earned in excess of the risk-free investment (3-Month T-Bills) per unit of risk assumed (as measured by the standard deviation of the portfolio).

Standard Deviation: A measure of the dispersion of a portfolio's returns around its expected return (mean). A higher standard deviation indicates greater dispersion, and therefore lower predictability of future returns. A lower standard deviation suggests less volatile portfolio returns.

Tracking Error: A measure of how closely a portfolio follows the index to which it is benchmarked. Calculated by taking the standard deviation of the excess returns of a portfolio versus its benchmark, it is used to measure a manager's variability versus stated objectives. A lower tracking error indicates a manager performs in line with the benchmark without large swings.

Treynor Ratio: Sometimes called "reward-to-risk" ratio, it measures the returns earned in excess of the risk-free investment (3-Month T-Bills) per unit of market risk assumed (as measured by beta).

Weighted Average Coupon: The average coupon (interest payment) for a fixed income portfolio. The outstanding market value of each fixed income security is used as the weighting factor.

Yield to Maturity: The return anticipated on a fixed income portfolio if it is held until maturity. It assumes that all coupon and principal payments will be made, and that coupon payments are reinvested at the bond's promised yield.

Manager Evaluation: Pacific Investment Management Company (PIMCO)

PIMCO Commodity Real Return Fund

Strategy Basics

Asset Class:	Commodities
Firm Inception:	1971
Firm Assets:	\$841 billion
Strategy Inception:	2002
Strategy Assets:	\$12.8 billion
Approach:	Enhanced Index
Implementation:	Swaps
Min. Acct. Size, Mutual Fund:	\$5 Million
Min. Acct. Size, Com. Fund:	NA
Min. Acct. Size, Sep. Acct:	\$75 Million
Fee, Mutual Fund:	0.75%
Fee, Commingled Fund:	NA
Fee, Separate Account:	0.49%

Firm Background and History

Pacific Investment Management Company (PIMCO) was founded in Newport Beach, California in 1971 as a subsidiary of Pacific Life Insurance Company. The firm was acquired by Allianz in 2000 and operates as an autonomous subsidiary of Allianz Global Investors of America. The firm has over 1,200 employees located in offices across New York, Singapore, Tokyo, London, Sydney, Munich and Hong Kong. With over \$800 billion under management, PIMCO is the world's largest asset manager specializing exclusively in fixed income-related investment strategies. The firm's investment effort is guided by co-Chief Investment Officers, Bill Gross and Mohamed El-Erian, two leading and highly respected fixed income market practitioners.

PIMCO's Real Return team currently consists of portfolio managers Mihir P. Worah and Gang Hu, who joined the firm in 2001 and 2008 respectively. The group has one additional dedicated commodity analyst. They are able to leverage all of the top-down macroeconomic and bottom-up fundamental research generated across PIMCO's 119 portfolio managers and 60+ research professionals worldwide

As Head of the Real Return team, Mr. Worah is responsible for the group's strategic portfolio decisions. Mr. Worah was promoted to portfolio manager after the former Head of the Real Return group, John Brynjolfsson stepped down and subsequently left the firm in mid-2008.

Strategy Background

The PIMCO Commodity Real Return strategy seeks to replicate the total return performance of the Dow Jones UBS Commodity Index while attempting to generate incremental return.

PIMCO attempts to add value through active collateral management and to a lesser degree commodity implementation. The differentiating feature of PIMCO's approach is the active management of the underlying derivative collateral in inflation-linked securities (TIPS etc.). Alongside the commodity exposure, PIMCO believes this feature provides a double layer of protection from unexpected changes in inflation.

The tradeoff of combing inflation protected securities in the portfolio is higher tracking error. Tracking error for the fund has ranged between 2 and 10% versus the DJ UBS Commodity Index since inception. The source of this tracking error is concentrated in active duration and yield curve positioning along with sector and credit decisions.

Key Investment Professionals

Mihir Worah, PhD, Head of Real Return

Mr. Worah is a managing director in the Newport Beach office, a portfolio manager, and head of the Real Return portfolio management team. He was previously a member of the analytics team and worked on real and nominal term structure modeling and options pricing. Prior to joining PIMCO in 2001, he was a post doctoral research associate at the University of California, Berkeley, and the Stanford Linear Accelerator Center, where he built models to explain the difference between matter and anti-matter. He has seven years of investment experience and holds a Ph.D. in theoretical physics from the University of Chicago. He is the author of numerous scientific papers.

Gang Hu, Portfolio Manager

Mr. Hu is a senior vice president in the Newport Beach office and a portfolio manager focusing on Treasury Inflation Protected Securities (TIPS). Prior to joining PIMCO in 2008, he was responsible for trading U.S. inflation products, including TIPS and inflation swaps, at Deutsche Bank in New York. He has eight years of investment experience and holds a

Ph.D. in applied mathematics from the California Institute of Technology and an undergraduate degree from Tsinghua University in Beijing.

Nicholas Johnson, Commodity Analyst

Mr. Johnson is a senior vice president and commodity analyst in the Newport Beach office. He joined PIMCO in 2004 and previously managed the portfolio analyst group. Prior to joining PIMCO, he worked at NASA's Jet Propulsion Laboratory developing Mars missions and new methods of autonomous navigation. He has five years of investment experience and holds a master's degree in financial mathematics from the University of Chicago and an undergraduate degree from California Polytechnic State University.

Process

There are three general layers involved in PIMCO's Real Return investment approach: Commodity implementation, top-down/bottom-up secular views, and actively managed collateral.

In terms of commodity implementation, PIMCO replicates the Dow Jones UBS Commodity index using commodity-linked derivative instruments with a preference for swap agreements. PIMCO believes their experience, "buying power" and global resources allow them to utilize swaps the most cost effectively and efficiently to gain commodity exposure. The strategy does have the flexibility to combine swaps with other derivatives such as commodity options, futures, swaptions and commodity-structured notes.

In addition to replicating the commodity beta exposure, the team attempts to add value during implementation by capitalizing on structural aspects of the commodity futures markets or what PIMCO calls "structural alpha." These incremental return opportunities include nonstandard roll strategies, seasonality trades, product substitution, and volatility sales. PIMCO estimates these strategies have historically contributed less than 50 basis points of tracking error.

PIMCO then utilizes their core expertise in fixed income management to actively manage the cash collateral underlying the derivative contracts. From an investment strategy perspective, the team's investment approach is anchored by the secular "top down" and "bottom up" firm-wide views that are a residual of PIMCO's secular and economic forums. Once their forecasting process is complete, the Real

Return team is responsible for investment strategy, asset allocation, security selection and trading. This decision making structure is synonymous with a "hub-and-spoke" system where the Real Return team is at the hub and then draws support from the firm's 7-member Investment Committee and 150+ investment professionals.

Real Return portfolios will generally hold at least 80% of collateral in inflation-linked bonds. The team does have discretion to make modest non-inflation linked strategic and tactical exposures to corporate credit, mortgage backed securities, asset-backed securities, foreign bonds and currency exposure. PIMCO estimates that approximately 40-60% of value is driven via curve and duration management; 15-20% to relative value trades such as inflation-linked versus nominal Treasury trades; and 10-20% on cash backing strategies such as buying forward securities and investing in cash equivalents that yield a higher return than the embedded financing rate of the security.

PIMCO believes that as one of the largest bond managers in the U.S., they are able to leverage their scale and efficiency to drive down explicit costs. They also believe they are able to achieve advantageous swap pricing due to the buyer power achieved from managing over \$8 billion in commodity-linked derivative instruments across PIMCO's platform.

Risk Management

PIMCO's Real Return implementation approach is designed to mirror the market volatility of the Dow Jones UBS Commodity Index. Per prospectus, the fund is allowed to under and overweight index sectors within a band of +/-5%. However, PIMCO does strive to maintain the notional amount of derivatives exposure relative to the index at a target of 100% and minimize the amount of sector "misweights." Rebalancing guidelines are guided by the mechanistic rebalancing rules of the index.

Active risk is taken to generate excess roll yield; however, a majority of the risk budget is expected to be absorbed by the active management of the cash collateral. Historical tracking error has ranged between 2% and 10% with the inflation-linked collateral contributing over 90% of the tracking risk.

Per prospectus, the mutual fund's risk control parameters for cash management are fairly broad. Investment guidelines include an allowable credit

quality range between B and AAA with a maximum 10% allowed below Baa. In addition, duration can range up to 10 years. The fund may invest up to 30% of total assets in securities denominated in foreign currencies and up to 10% in securities economically tied to emerging markets. There is a 10% limit on exposure to preferred stocks as well.

Potential Red Flags

As part of our ongoing due diligence, we will regularly review this product for potential “red flags” that could warrant a material reexamination of our recommendation.

The red flags include changes in any of the following: portfolio management team, investment philosophy, investment guidelines/objectives, risk control parameters and ownership structure of PIMCO. Additionally, we will monitor for benchmark relative tracking error that is outside of expected or historic norms.

In 2008, John Brynjolfsson, the primary architect of the Commodity Real Return strategy, left the firm. Mr. Brynjolfsson had been with PIMCO since 1989 and was widely considered one of the industry’s leading experts on inflation-indexed bonds. He stepped down from his portfolio management role at the end of 2007 and was replaced by Mihir Worah who has been with PIMCO since 2001.

Performance

PIMCO Commodity RR Fund (Inc: June 2002)

The mutual fund has outperformed the Dow Jones UBS Commodity Index by approximately 280 basis points net of fees since inception (expense ratio: 75 bps). Prior to the significant drawdown in commodity prices after June 2008 and the rally of nominal Treasuries versus TIPS during the second half of the year, the fund had outperformed the index by over 600 basis points since inception. This performance snapshot highlights how this strategy will underperform the index when TIPS underperform Treasuries. As a result, this approach will tend to exhibit high degrees of tracking error.

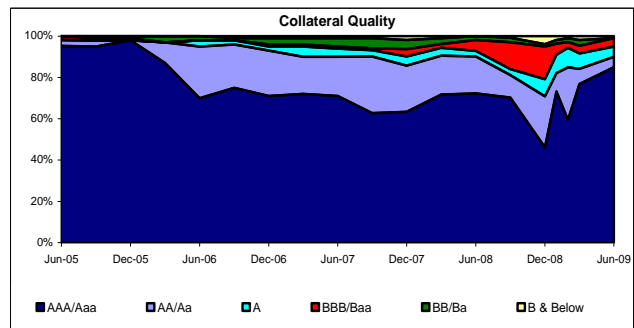
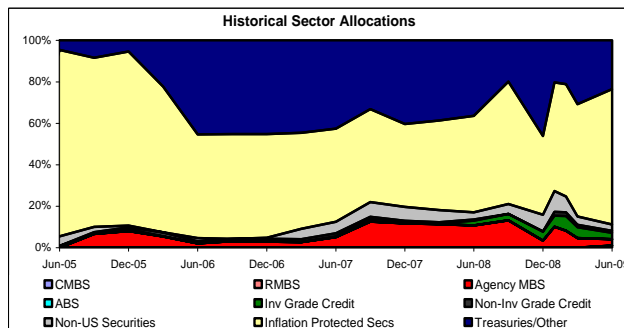
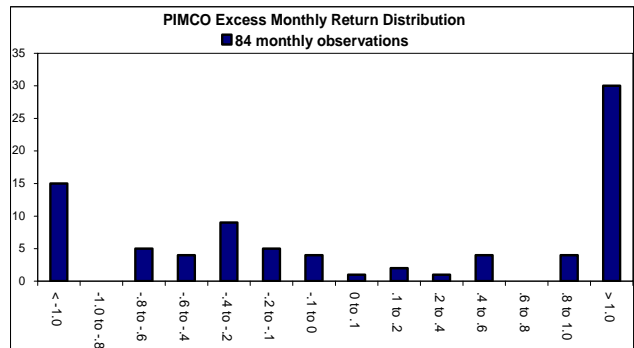
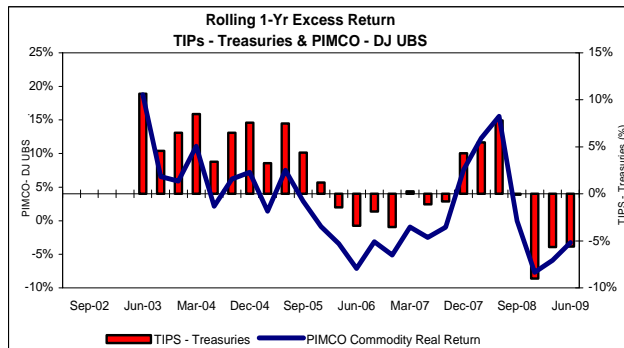
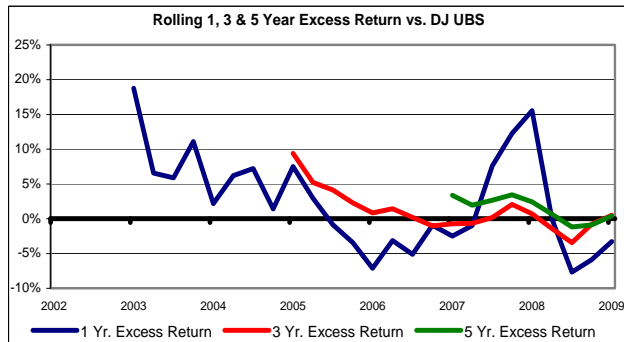
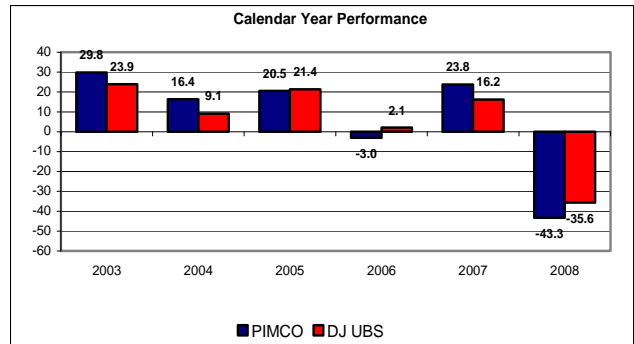
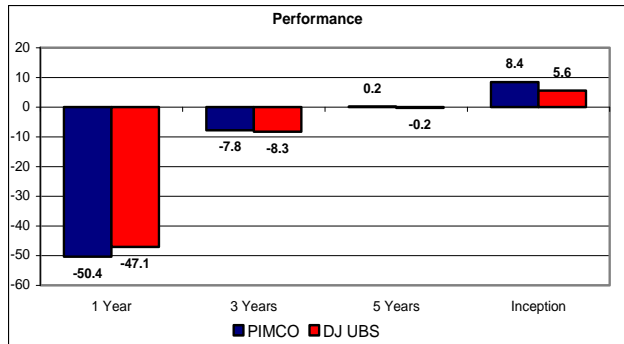
Recommendation

Wurts & Associates believes the PIMCO strategy will meet the needs of our clients looking to gain exposure to commodities. The combination of PIMCO’s expertise in derivatives implementation and core competency in active fixed income management make this strategy a compelling option. A differentiating characteristic of this approach relative to peers is the collateral exposure to actively managed inflation-linked securities. While we do believe this does provide additional protection against unexpected changes in inflation, it does also introduce tracking error. Investors should be aware that anytime TIPS or other inflation-linked securities underperform Treasuries, this strategy will exhibit higher levels of negative tracking error.

M. Wade Millen
Senior Research Associate

May 2009

Data Overview As Of 6/2009



Performance Characteristics				
	3 Yrs	5 Yrs	7 Yrs	Incept.
Standard Deviation	34.3	28.3	25.8	25.8
Tracking Error	8.0	6.7	7.2	7.2
R-Squared	0.96	0.95	1.0	0.94
Information Ratio	0.1	0.1	0.0	0.4
Treynor Ratio	-9.4	-2.6	-2.4	5.2
Sharpe Ratio	-0.3	-0.1	-0.1	0.2
Downside Deviation	28.5	22.5	19.2	19.2

Batting Average				
	3 Yrs	5 Yrs	10 Yrs	Incep.
Quarterly	58%	50%	NA	61%
Annually	33%	29%	NA	52%

Excess Performance vs. DJ UBS Commodity Index							
Best				Worst			
Qtr.	1 Yr	3 Yrs	5 Yrs	Qtr.	1 Yr	3 Yrs	5 Yrs
10.6	18.8	9.4	3.4	-5.6	-7.7	-3.5	-1.2



Glossary of Terms

Active Expense Ratio: A measure of the true cost of active management which is derived by taking actual fees paid in relation to portfolio returns that are not explained by systematic risk exposures (i.e., the benchmark). A statistical derivation of manager R-Squared to the benchmark drives this analysis.

Actively Managed Share: The portion of portfolio behavior that is not explained by the underlying systematic risk exposures (i.e., the benchmark). A statistical derivation of manager R-Squared to the benchmark drives this analysis.

Annual Turnover: A measure of how quickly a portfolio replaces its securities during a given year. A highly active portfolio will have a high annual turnover.

Average Maturity: The weighted average time to maturity, in years, of fixed-income investments in a portfolio.

Batting Average: A measure of how often a manager has beaten the benchmark. Seen as a gauge of consistency, a batting average of 60% indicates that the manager has outperformed the portfolio benchmark six out of ten times.

Downside Deviation: A measure of the standard deviation of returns below a Minimum Acceptable Return (in our calculations, 3-Month T-Bills), or essentially the variations in negative portfolio returns. The higher the number, the more downside risk involved.

Effective Duration: A measure of a fixed income portfolio's sensitivity to interest rate changes. Effective duration includes the effects of embedded options by taking into account option-triggered cash flows caused will fluctuate as interest rates change.

Excess Return: The difference between a portfolio return and stated benchmark return.

Information Ratio: A measure of efficiency of a portfolio's excess returns. It is defined as excess return versus the benchmark divided by tracking error. The ratio measures the value added per unit of active management risk. A positive information ratio implies "efficient" use of risk by a manager.

R-Squared: Also known as the "coefficient of determination," R-Squared measures the degree to which a manager's return varies with changes in the market. An R-squared of 1.0 suggests that a manager's returns are completely due to returns of

the market, whereas an R-squared of 0.00 suggests that the performance of the manager is completely independent of the market.

Rolling Performance: The annualized average return over a specified period ending with the listed date. By looking at various quarter-ending points as opposed to a single point in time, rolling performance attempts quantify long-term performance consistency along with shifting the focus from current period-ending performance.

Sharpe Ratio: A measure of how efficiently a manager utilizes risk. It measures the returns earned in excess of the risk-free investment (3-Month T-Bills) per unit of risk assumed (as measured by the standard deviation of the portfolio).

Standard Deviation: A measure of the dispersion of a portfolio's returns around its expected return (mean). A higher standard deviation indicates greater dispersion, and therefore lower predictability of future returns. A lower standard deviation suggests less volatile portfolio returns.

Tracking Error: A measure of how closely a portfolio follows the index to which it is benchmarked. Calculated by taking the standard deviation of the excess returns of a portfolio versus its benchmark, it is used to measure a manager's variability versus stated objectives. A lower tracking error indicates a manager performs in line with the benchmark without large swings.

Treynor Ratio: Sometimes called "reward-to-risk" ratio, it measures the returns earned in excess of the risk-free investment (3-Month T-Bills) per unit of market risk assumed (as measured by beta).

Weighted Average Coupon: The average coupon (interest payment) for a fixed income portfolio. The outstanding market value of each fixed income security is used as the weighting factor.

Yield to Maturity: The return anticipated on a fixed income portfolio if it is held until maturity. It assumes that all coupon and principal payments will be made, and that coupon payments are reinvested at the bond's promised yield.