CITY OF ATLANTIC BEACH

PENSION BOARD OF TRUSTEES

PUBLIC NOTICE

NOTICE IS HEREBY GIVEN THAT THE ATLANTIC BEACH GENERAL EMPLOYEES' AND ATLANTIC BEACH POLICE OFFICERS PENSION BOARD OF TRUSTEES WILL MEET AS FOLLOWS:

PLACE: COMMISSION CHAMBERS
800 Seminole Road
Atlantic Beach, FL 32233

DATE: May 17, 2012

TIME: 6:30 P.M.

THE ABOVE MEETING IS OPEN TO THE PUBLIC.

In accordance with the Americans with Disabilities Act, persons needing a special accommodation to participate in this proceeding should contact Finance Department, Nelson Van Liere at 247-5807 or at City Hall, 800 Seminole Road.

FOR ADDITIONAL INFORMATION OR QUESTIONS CONTACT:

CITY OF ATLANTIC BEACH
FINANCE DEPARTMENT
PHONE 247-5807

Notice Posted: May 9, 2012
Posted by: Nelson Van Liere

CITY OF ATLANTIC BEACH
BOARD OF TRUSTEES OF THE ATLANTIC BEACH PENSION FUNDS
BOARD MEETING AGENDA FOR
May 17, 2012 at 6:30 P.M.

1. Call to Order both boards
2. Approval of the Minutes for February 16, 2012, Police Officers' board meeting (I)
3. Approval of the Minutes for February 17, 2012, Police Officers' special board meeting (II)
4. Approval of the Minutes for March 7, 2012, General Employees' board meeting (III)
5. Confirm election of Vic Gualillo for Police Officers' pension Board of Trustees
6. To be discussed by Michael O'Shields, Morgan Stanley Smith Barney :
   i. Quarterly Investment Performance Report for the Police Officers' for the quarter ended 03/31/12 (IV)
   ii. Quarterly Investment Performance Reports for the General Employees' for the quarter ended 03/31/12 (V)
   iii. Morgan Stanley Smith Barney Global Investment Committee's 2012 Strategic Asset Allocation (VI)
7. Discuss Schedule of Police Officers' Pension Changes (VII)
8. Discuss Schedule of General Employees Pension Changes (VIII)
9. Financial Expenditures through March 31, 2012 – Police Officers' Pension Fund (IX)
10. Financial Expenditures through March 31, 2012 – General Employees' Pension Fund (X)
11. Discuss Portfolio Insurance – Alan Gleit (XI)
12. Discuss Matters of Interest to the General Employees' & Police Officers' Pension Board – Pension Board Attorney Scott Christiansen of Christiansen & Dehner, P.A
13. Any New Business
14. Adjournment – Police
15. Discuss selection of General Employees' Board of Trustees Resident Selected By Board, Confirmed by Commission
16. Adjournment – General

CITY OF ATLANTIC BEACH
BOARD OF TRUSTEES OF THE ATLANTIC BEACH PENSION FUND
POLICE OFFICERS' PENSION BOARD MEETING
MEETING MINUTES
February 16, 2012

1. **The City of Atlantic Beach Police Officers' Pension Board meeting was called to order at 6:37 P.M.** The members in attendance were trustees: John Wolfel, Brannon Hicks, Vic Gualillo and Harry McNally. Bob Sternfeld was not present. Nelson Van Liere, Pension Plan Administrator; & Michael O'Shields, Senior Vice President & Institutional Consultant, Morgan Stanley Smith Barney were also in attendance. Pension Board Attorney Scott Christiansen of Christiansen & Dehner, P.A. arrived at 7:27 P.M.
2. **The Minutes for November 17, 2011, Police Officers' Pension Board meeting were approved:** the motion was made by Harry McNally, seconded by Brannon Hicks & unanimously approved.
3. **The following was presented by Michael O'Shields of Morgan Stanley Smith Barney:** the Quarterly Investment Performance Report for the quarter ended 12/31/11 had a 5.15% increase for fiscal year to date.
4. **The Financial Expenditures through December 31, 2011 for the Police Officers' Pension Plan were approved:** the motion was made by Vic Gualillo, seconded by Brannon Hicks & unanimously approved.
5. **The Addendum to the Actuarial Services Agreement for Gabriel, Roeder Smith & Company for Police Officers' was executed:** the motion was made by Harry McNally, seconded by John Wolfel & unanimously approved.
6. **The following was discussed by Pension Board Attorney Scott Christiansen of Christiansen & Dehner, P.A.**:
   i. Status of the Ordinance – has not been reviewed by the City Manager
   ii. The upcoming legislation was reviewed.
   iii. The ADR or foreign tax paid through Morgan Stanley Smith Barney can be recouped through tax recovery. Nelson Van Liere, Finance Director & Pension Plan Administrator agreed to pursue the refunds.
   iv. A new trustee needs to be nominated & selected as Vic Gualillo's term expired 02/09/12.
   v. Mr. Christiansen requested copies of the summary plan descriptions.
7. **New Business: Requests for Proposals were discussed for new actuary services.**
8. **Adjournment** – the meeting was adjourned at 8:17 PM.

Vic Gualillo	**Harry McNally**
Chair	**Secretary**

CITY OF ATLANTIC BEACH
BOARD OF TRUSTEES OF THE ATLANTIC BEACH PENSION FUND
POLICE OFFICERS' PENSION BOARD SPECIAL MEETING
MEETING MINUTES
February 17, 2012

1. **The City of Atlantic Beach Police Officers' Pension Board Special meeting was called to order at 9:01 A.M.** The members in attendance were trustees: John Wolfel, Brannon Hicks, Vic Gualillo and Harry McNally. Bob Sternfeld was not present. Nelson Van Liere, Pension Plan Administrator; Scott Christiansen of Christiansen & Dehner, P.A., Pension Board Attorney; Tad Delegal, Attorney for the Disability Claimant; & Lawana Renee Jackson, Claimant; were also present.
2. **Scott Christiansen of Christiansen & Dehner, P.A., Pension Board Attorney reviewed the procedures & actions to date.**
3. **The City's former Human Resources Manager, George Foster was questioned by Tad Delegal, Attorney for the Disability Claimant, & testified regarding the claim.**
4. **Lawana Renee Jackson testified & was questioned by Board Members Brannon Hicks & Vic Gualillo.**
5. **Scott Christiansen of Christiansen & Dehner, P.A., Pension Board Attorney discussed the testimony exhibit presented by Tad Delegal, Attorney for the Disability Claimant.**
6. **A short recess was granted for the Board Members to read the exhibit.**
7. **Tad Delegal, Attorney for the Disability Claimant, stated Lawana Renee Jackson was entitled to a Line of Duty Disability because the City's Worker's Compensation doctor has stated she is permanently disabled for the police officer's job requirements & has reached maximum medical improvement.**
8. **Scott Christiansen of Christiansen & Dehner, P.A., Pension Board Attorney opened the floor for discussion.** Ms. Jackson was questioned by Brannon Hicks & Vic Gualillo. Mr. Christiansen advised the Board Members that Ms. Jackson was terminated by the City for not being able to do her job & the Board has to determine if the disability is permanent. This permanence is established by a preponderance of evidence.
9. **A motion was made to approve a Line of Duty Disability Pension:** the motion was made by Harry McNally & seconded by Brannon Hicks. All were in favor with the exception of Vic Gualillo.
10. **Adjournment** – the meeting was adjourned at 10:20 A.M.

Vic Gualillo	**Harry McNally**
Chair	**Secretary**

CITY OF ATLANTIC BEACH
BOARD OF TRUSTEES OF THE ATLANTIC BEACH PENSION FUND
GENERAL EMPLOYEES' PENSION BOARD MEETING
MEETING MINUTES
March 7, 2012

1. **The City of Atlantic Beach General Employees' Pension Board meeting was called to order at 9:10 A.M.** The members in attendance were trustees: Alan Gleit, Harry McNally, Dennis Roberts and Tim Townsend. Bob Sternfeld was not present. Nelson Van Liere, Pension Plan Administrator; was also in attendance. Michael O'Shields, Senior Vice President & Institutional Consultant, Morgan Stanley Smith Barney arrived at 9:29 A.M.

2. **Harry McNally's Resignation from the General Employees' Pension Trustees' Board was discussed.** The Board members will talk to the candidates individually & will select the Resident position at the next quarterly meeting.

3. **The Minutes for November 17, 2011, General Employees' Pension Board meeting were approved:** the motion was made by Tim Townsend, seconded by Dennis Roberts & unanimously approved.

4. **The following was presented by Michael O'Shields of Morgan Stanley Smith Barney:**
   i. The Quarterly Investment Performance Report for the quarter ended 12/31/11 had a 6.74% increase for fiscal year to date as of December 31, 2011.
   ii. After the Quarterly Investment Performance Report was received and discussed, the board discussed the topic of the portfolio composition and the possibility of changing the asset allocations to position the portfolio for the market conditions predicted to come by Morgan Stanley. They discussed alternative allocations to the set 60/40 split and perhaps having three investment allocation schemes to go to depending on market conditions. The discussion also related to a change from relative performance to absolute return measurement and risk management. Michael O'Shields explained the differences in relation to the legislation being passed that is focused on the short term results and the funded ratios. Michael is to report back at the next meeting with some proposed changes to the current asset allocation.

5. **The Schedule of General Employees' Benefit Status was discussed.** The motion to approve the statuses was made by Tim Townsend, seconded by Alan Gleit & unanimously approved.

6. **The Financial Expenditures through December 31, 2011 for the General Employees' Pension Plan were approved:** the motion was made by Tim Townsend, seconded by Dennis Roberts & unanimously approved.

7. **The Addendum to the Actuarial Services Agreement for Gabriel, Roeder Smith & Company for General Employees' Pension was executed:** the motion was made by Tim Townsend, seconded by Alan Gleit & unanimously approved.

8. **No new business.**

9. **Adjournment** – the meeting was adjourned at 11:31 A.M. by Tim Townsend.

Tim Townsend	**Alan Gleit**
Chair	**Secretary**

MorganStanley
SmithBarney

The City of Atlantic Beach Police Officers Pension Plan

Quarterly Review
Period Ending March 31, 2012

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MorganStanley
SmithBarney

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Section 1: Capital Markets Overview

- U.S. Economy
- U.S. Equity Markets
- Global Equity Markets
- U.S. Bond Market

Q1
2012

Capital Markets Overview

Introduction

- In the first quarter, equities continued their fourth quarter 2011 advances, buoyed by central bank easing around the globe, the perception of a less-than-catastrophic outcome in Europe and a stronger than expected U.S. economy.
- The Dow Jones Industrial Average was up 8.8% for the first quarter, posting its best first-quarter performance since 1998. The NASDAQ Composite was up 18.7% for the quarter, while the S&P 500 rose 12.6% in the same period.
- Nine out of the 10 sectors of the S&P 500 rose in the first quarter. Financials fared the best, with a 22.1% uptick. Information Technology and Consumer Discretionary rose 21.5% and 16.0%, respectively. Telecommunication Services and Utilities were the laggards, rising 2.1% and falling 1.6%, respectively.
- Still, with Europe in a recession and slowing economic growth in China and the U.S., fiscal concerns weighed on global growth expectations.
- Both Morgan Stanley and Citi economists reduced global growth expectations for 2012 to 3.5% and 3.1%, respectively, with nearly 80% of growth coming from emerging market economies.
- U.S. economic growth is expected by both firms to be around 2.1% in 2012.
- For the first quarter, the Dow Jones-UBS Commodity index advanced only 0.9%, reflecting a growing belief that global growth is facing a stiff headwind.
- Mergers-and-acquisitions activity got off to a slow start in the first quarter. Global M&A volume for the quarter totaled $393.2 billion, down 14.6% from the fourth quarter. This represents the weakest M&A start to a year since the first quarter of 2003.

Please refer to important information, disclosures and qualifications at the end of this material.

The U.S. Economy

- In its March 29 update, the Department of Commerce estimated that Gross Domestic Product grew at an annual rate of 3.0% in the fourth quarter of 2011, in comparison with 1.8% in the third quarter of 2011. Both Morgan Stanley and Citi economists forecast that U.S. GDP will grow about 2.1% in 2012.
- For the quarter, the seasonally adjusted unemployment rate fell from 8.3% for January to 8.2% for March. Job gains in the quarter took place in health care, manufacturing, and food services and drinking places. However, employment fell in retail trade. The unemployment rate (8.2%) and the number of unemployed persons (12.7 million) changed little in March. The number of long-term unemployed has dropped by 1.4 million since April 2010.
- According to the most recent estimate from the Commerce Department, corporate profits rose 0.9% between the third quarter of 2011 and the fourth quarter of 2011, and rose 7.0% between the fourth quarter of 2010 and the fourth quarter of 2011.
- Inflation remained low in the U.S. According to the Bureau of Labor Statistics, the seasonally adjusted Consumer Price Index fell 0.1% in December 2011 and rose 0.2% in January 2012. Morgan Stanley economists expect a 2.3% inflation rate for 2012, while Citi economists are forecasting a 1.8% rate for 2012.
- The Census Bureau reported that privately owned housing starts in February 2012 were at a seasonally adjusted annual rate of 698,000—1.1% below the revised January estimate but 34.7% above February 2011 housing starts. Despite the one-year rise in housing starts, demand for new homes in 2012 remains weak.
- The Census Bureau also reported that seasonally adjusted retail and food services sales increased 1.1% between January and February 2012, and increased 6.5% between February 2011 and February 2012.
- In March, the Institute for Supply Management's manufacturing-sector index ("PMI") was 53.4, up 1.0 from February, but down from January's 54.1. PMI has been above 50 for 32 consecutive months and above 42 for 34 consecutive months.
- The ISM Nonmanufacturing Index ("NMI") rose 0.5 points to 57.3 between January and February of 2012 but fell 1.3 between February and March of 2012. The index has now been above 50 for 27 consecutive months.
- Generally speaking, a PMI or NMI over 50 indicates that the sector is expanding and a PMI over 42 indicates that the overall economy is expanding.

The U.S. Equity Markets

- The Dow Jones Industrial Average was up 8.8% for the first quarter, posting its best first-quarter performance since 1998. The NASDAQ Composite was up 18.7% for the quarter, while the S&P 500 rose 12.6% in the same period.
- Nine out of the 10 sectors of the S&P 500 rose in the first quarter. Financials fared the best, with a 22.1% uptick. Information Technology and Consumer Discretionary rose 21.5% and 16.0%, respectively. Telecommunication Services and Utilities were the laggards, rising 2.1% and falling 1.6%, respectively.
- Although both value- and growth-style stocks performed well during the first quarter, growth stocks fared slightly better, especially those of large- and mid-cap companies. Accordingly, the Russell 1000 Growth index, a large-cap index, rose 14.7%, with the best quarterly showing of the Russell indexes. In midcaps, the Russell Midcap Growth index also recorded strong gains, rising 14.5% for the quarter. The Russell Midcap index rose 12.9% for the quarter. The Russell 1000 index, a large-cap index, also rose 12.9% for the quarter.
- Returns for the large-cap Russell 1000 Value index, while rising 11.1% for the quarter, had the weakest showing of the quarter compared to other Russell indexes. Similarly, the Russell Midcap Value index rose 11.4% for the quarter. In small caps, the Russell 2000 index rose 12.4% for the quarter. The Russell 2000 Growth index rose 13.3% for the quarter, while the Russell 2000 Value index rose 11.6%.
- Concerns about the global economy and the European sovereign debt crisis drove the CBOE VIX volatility index, the so-called "fear index," to its largest quarterly increase in history in the third quarter of 2011. The same concerns also agitated equity investors at the start of the fourth quarter. However, as equities rallied and apprehensions about the European debt crisis subsided in the first quarter of 2012, the VIX declined. The VIX ended the first quarter at 15.5, which is a distinct contrast from its August 8, 2011 high of 48. The first-quarter 2012 market recovery makes the case that, historically, rallies in U.S. stocks have occurred following sharp VIX declines off of extreme highs.

Key U.S. Stock Market Index Returns (%) for the Period Ending 3/30/12

	Quarter	12 Months	Five Years (Annualized)	Seven Years (Annualized)
S&P 500	12.6	8.5	2.0	4.7
Dow Jones	8.8	10.2	4.2	6.1
Russell 2000	12.4	(0.2)	2.1	5.8
Russell Midcap	12.9	3.3	3.0	6.7
Russell 1000	12.9	7.9	2.2	5.0

Source: Vestek

Past performance is not a guarantee of future results. Investors cannot invest directly in an index. The performance of unmanaged indices reflects no deductions for fees, expenses or taxes that would affect the performance of actively managed assets.

Global Equity Markets

- In the first quarter, emerging markets (EM) and global equities rose. The MSCI EAFE index (a benchmark for developed markets) rose 10.9% for U.S.-currency investors and rose 10.3% for local-currency investors, as the U.S. dollar depreciated in relation to the currencies of many nations on the index. In contrast, in the fourth quarter of 2011, the MSCI EAFE index was up 3.4% in U.S. dollars and rose 4.1% in local currency.
- For the first quarter, the MSCI Emerging Markets index was up 14.1% for U.S.-currency investors and rose 10.8% for local-currency investors, as the U.S. dollar depreciated in relation to many emerging-market currencies. This contrasts with the previous quarter, when the MSCI Emerging Markets index was up 4.5% for U.S.-dollar based investors and rose 4.9% for local-currency investors.
- The MSCI Europe index rose 10.7% for U.S.-currency investors and rose 7.7% for local-currency investors during the first quarter. In comparison, the MSCI Far East index rose 12.0% for the quarter in terms of the dollar and rose 18.1% in terms of local currencies.
- More-specific emerging-economy equity market indices also rose in the first quarter. The MSCI BRIC (Brazil, Russia, India and China) index rose 13.8% for the quarter in terms of the dollar. The MSCI BRIC rose 11.1% for the quarter in local terms. In comparison, for the first quarter, the MSCI EM Asia index rose 13.7% in U.S.-dollar terms and rose 11.6% in local terms.

Key Global Equity Market Indices Based on the U.S. Dollar (%) for the Period Ending 3/30/12

	Quarter	12 Months	Five Years (Annualized)	Seven Years (Annualized)
MSCI EAFE	10.9	(5.4)	(3.1)	3.7
MSCI EAFE Growth	12.0	(3.4)	(1.6)	4.6
MSCI EAFE Value	9.8	(7.3)	(4.6)	2.8
MSCI Europe	10.7	(7.0)	(3.4)	3.6
MSCI Japan	11.3	0.4	(5.1)	1.3
MSCI Emerging Markets	14.1	(8.5)	5.0	12.5

Source: Vestek

Past performance is not a guarantee of future results. Investors cannot invest directly in an index. The performance of unmanaged indices reflects no deductions for fees, expenses or taxes that would affect the performance of actively managed assets.

The U.S. Bond Market

- Last year's flight to safety that fueled the year-long Treasurys rally came to an end in the first quarter of 2012 as investors opted to buy riskier assets, including lower-quality debt, such as high-yield corporate bonds.
- The benchmark 10-year Treasury note yields steadily rose during the first quarter, ending the quarter at 2.2%.
- The Barclays Capital U.S. Aggregate Bond index, a general measure of the fixed-income market, rose 0.3% for the first quarter.
- In contrast, the Barclays Capital High Yield index, a measure of lower-rated corporate bonds, rose 5.3% for the quarter.
- Investor wariness of mortgage-backed securities returned in the first quarter. As a result, the Barclays Capital Mortgage Backed Securities index was up just 0.6% for the quarter.
- During the first quarter, investors overlooked the ongoing negative headlines about state and local government finances, which was a continued boon to the municipal-bond market. However, as the powerful rally in U.S. Treasurys fizzled, municipal bond price gains also diminished. As a result, the Barclays Capital Muni index was up 1.8% for the quarter, in contrast with a 2.1% rise in the fourth quarter of 2011.

U.S. Bond Market Index Returns (%) for the Period Ending 3/30/12

	Quarter	12 Months	Five Years (Annualized)	Seven Years (Annualized)
Barclays Capital U.S. Aggregate	0.3	7.7	6.3	5.7
Barclays Capital High Yield	5.3	6.5	8.1	8.5
Barclays Capital Govt/Credit	0.1	8.5	6.3	5.7
Barclays Capital Government	(1.1)	7.9	6.0	5.4
Barclays Capital Intermediate Govt/Credit	0.6	6.1	5.7	5.2
Barclays Capital Long Govt/Credit	(2.1)	19.9	9.0	7.7
Barclays Capital Mortgage Backed Securities	0.6	6.2	6.3	5.9
Barclays Capital Muni	1.8	12.1	5.4	5.2

Source: Vestek

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INDEX DESCRIPTIONS:

DOW JONES INDUSTRIAL AVERAGE: The most widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue-chip stocks, primarily industrials. The 30 stocks are chosen by the editors of the *Wall Street Journal* (WSJ) (which is published by Dow Jones & Company), a practice that dates back to the beginning of the century. Charles Dow officially started the Dow in 1896, at which time it consisted of only 11 stocks. The Dow is computed using a price-weighted indexing system, rather than the more common market cap-weighted indexing system. Simply put, the editors at WSJ add up the prices of all the stocks and then divide by the number of stocks in the index. (In actuality, the divisor is much higher today in order to account for stock splits that have occurred in the past.) **DOW JONES-UBS COMMODITY INDEX:** Composed of futures contracts on physical commodities which are traded on U.S. exchanges, with the exception of aluminum, nickel and zinc, which trade on the London Metal Exchange (LME). **NASDAQ COMPOSITE INDEX:** Covers 4,500 stocks traded over the counter. It represents many small company stocks but is heavily influenced by about 100 of the largest NASDAQ stocks. It is a value-weighted index calculated on price change only and does not include income. **S&P 500 INDEX:** Covers 400 industrial, 40 utility, 20 transportation and 40 financial companies in the U.S. markets (mostly NYSE issues). The index represents about 75% of NYSE market cap and 30% of NYSE issues. It is a capitalization-weighted index calculated on a total-return basis with dividends reinvested. **RUSSELL 1000 INDEX:** Measures the performance of the 1,000 largest companies in the Russell 3000 index, which represents approximately 89% of the total market capitalization of the Russell 3000 index. As of the latest reconstitution, the average market capitalization was approximately $9.9 billion; the median market capitalization was approximately $3.7 billion. The smallest company in the index had an approximate market capitalization of $1,404.7 million. **RUSSELL 1000 GROWTH INDEX:** Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. **RUSSELL 1000 VALUE INDEX:** Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. **RUSSELL 2000 INDEX:** Measures the performance of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 11% of the total market capitalization of the Russell 3000 index. As of the latest reconstitution, the average market capitalization was approximately $592.0 million; the median market capitalization was approximately $500.0 million. The largest company in the index had an approximate market capitalization of $1,402.7 million. **RUSSELL 2000 GROWTH INDEX:** Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. **RUSSELL 2000 VALUE INDEX:** Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. **RUSSELL 3000 INDEX:** Measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. **RUSSELL MIDCAP INDEX:** Measures the performance of the 800 smallest companies in the Russell 1000 index, which represent approximately 35% of the total market capitalization of the Russell 1000 index. As of the latest reconstitution, the average market capitalization was approximately $3.7 billion; the median market capitalization was approximately $2.9 billion. The largest company in the index had an approximate market capitalization of $10.3 billion. **RUSSELL MIDCAP GROWTH INDEX:** Russell Midcap Growth index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth index. An investment cannot be made directly in a market index. **RUSSELL MIDCAP VALUE INDEX:** Measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index. An investment cannot be made directly in a market index. **VIX INDEX:** (Chicago Board Options Exchange Volatility Index) Estimates volatility in the S&P 500 index for the next 30 days using a weighted blend of prices for various options on the S&P 500 index.

THE BARCLAYS CAPITAL U.S. AGGREGATE BOND INDEX: A broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS and CMBS. **BARCLAYS CAPITAL GOVERNMENT INDEX:** Barclays Capital Treasury bond and agency bond indices (all publicly issued debt of agencies of the U.S. government, quasi-federal corporations and corporate debt guaranteed by the U.S. government, but no mortgage-backed securities) are combined to form the government bond index. **BARCLAYS CAPITAL U.S. INTERMEDIATE GOVERNMENT/CREDIT BOND INDEX:** The Barclays Capital U.S. Intermediate Government/Credit Bond index is a total return index consisting of investment-grade corporate debt issues as well as debt issues of U.S. government agencies and the U.S. Treasury. The debt issues all maintain maturities within a range of one to 10 years. An investment cannot be made directly in a market index. **BARCLAYS CAPITAL HIGH YIELD INDEX:** The Barclays Capital U.S. High Yield index covers the universe of fixed rate, noninvestment-grade debt. Pay-in-kind (PIK) bonds, Eurobonds and debt issues from countries designated as emerging markets (e.g., Argentina, Mexico, Venezuela, etc.) are excluded, but Yankee and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes and step-up coupon structures are also included. Liquidity Rules: All bonds included in the High Yield index must be dollar-denominated and nonconvertible and have at least one year remaining to maturity and an outstanding par value of at least $150 million. Quality Rating Rules: Securities in the index must be rated Ba1 or lower. If both Moody's and S&P provide a rating for a security, the lower of the two ratings is used. A small number of unrated bonds are included in the index; to be eligible they must have previously held a high yield rating or have been associated with a high yield issuer, and must trade accordingly. Components: The index has several subcomponents. Intermediate indices include bonds with remaining maturities of less than 10 years; long indices include bonds with remaining maturities of 10 years or more. The index also has subdivisions by credit quality, and subindices are available that exclude securities in default. **BARCLAYS CAPITAL MUNI INDEX:** The composite measure of the total return performance of the muni-bond market. The muni market contains over two million bond issues. The market is divided into seven major sectors: state G.O. debt (31%), prerefunded bonds (7.7%); electric-utility revenue bonds (7.79%); hospital revenue bonds (3.4%); state-housing revenue bonds (3.4%); industrial-development and pollution-control revenue bonds (1.8%); and transportation revenue bonds (7.1%). These weightings are reviewed annually. **BARCLAYS CAPITAL GOVT/CREDIT INDEX:** The U.S. Government/Credit index is the nonsecuritized component of the U.S. Aggregate index and was the first macro index launched by Barclays Capital. The U.S. Government/Credit index includes Treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year), government-related issues (i.e., agency, sovereign, supranational and local-authority debt) and U.S. dollar corporates. In order to qualify for inclusion in the U.S. Government/Credit index, a bond or security must have at least one year to maturity; at least $250 million par amount outstanding; must be rated Baa3 by Moody's, BBB- by Standard & Poor's, and BBB- by Fitch Investor Service; must be fixed rate, although it can carry a coupon that steps up; and it must be U.S.-dollar denominated. **BARCLAYS CAPITAL LONG GOVERNMENT/CREDIT INDEX:** Composed of all bonds covered by BARCLAYS CAPITAL GCB index with maturities of 10 years or greater. Total return comprises price appreciation/depreciation and income as a percent of the original investment. Indices are rebalanced monthly by market capitalization. **BARCLAYS CAPITAL MORTGAGE BACKED SECURITIES INDEX:** Includes all fixed securities issued and backed by mortgage pools of Ginnie Mae (GNMA), Fannie Mae (FNMA), Freddie Mac (FHLMC) and half-coupon securities. The index excludes buydowns, graduated equity mortgages (GEM), project loans, Nonagency (whole loans),

Please refer to important information, disclosures and qualifications at the end of this material.

jumbos, collateralized mortgage obligations ("CMOs"), graduated payment mortgages ("GPMs"), adjustable rate mortgages ("ARMs"), manufactured home mortgages, prepayment-penalty collateral. Formed by grouping the universes of over one million individual fixed-rate MBS pools into approximately 5,500 generic aggregates. Pool aggregates must be U.S. dollar-denominated, have at least $250 million current outstanding and average-weighted life of at least one year.

MSCI EUROPE, AUSTRALASIA AND THE FAR EAST ("EAFE") INDEX: A free-float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. and Canada. As of May 27, 2010, the index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. **MSCI EUROPE INDEX:** A free-float-adjusted market capitalization-weighted index that is designed to measure developed market equity performance in Europe. As of June 2007, the index consisted of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom. This series approximates the maximum possible dividend reinvestment. The amount reinvested is the dividend distributed to individuals resident in the country of the company, but does not include tax credits. **MSCI JAPAN INDEX:** A free-float-adjusted market capitalization index that is designed to measure equity market performance in Japan. **MSCI EAFE GROWTH INDEX:** A free-float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. and Canada. As of May 27, 2010, the index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. The MSCI Global Value and Growth Indices cover the full range of developed, emerging and All Country MSCI International Equity Indices across all size segmentations. MSCI Barra uses a two dimensional framework for style segmentation in which value and growth securities are categorized using a multifactor approach, which uses three variables to define the value investment-style characteristics and five variables to define the growth investment-style characteristics, including forward-looking variables. The objective of the index design is to divide constituents of an underlying MSCI Equity index into respective value and growth indices, each targeting 50% of the free float-adjusted market capitalization of the underlying market index. **MSCI EAFE VALUE INDEX:** A free-float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. and Canada. As of May 27, 2010, the index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. The MSCI Value and Growth Indices cover the full range of developed, emerging and All Country MSCI Equity Indices. The MSCI Value and Growth Indices cover the full range of developed, emerging and All Country MSCI Equity Indices. As of the close of May 30, 2003, MSCI implemented an enhanced methodology for the MSCI Global Value and Growth Indices, adopting a two dimensional framework for style segmentation in which value and growth securities are categorized using different attributes: three for value and five for growth including forward-looking variables. The objective of the index design is to divide constituents of an underlying MSCI Standard Country index into a value index and a growth index, each targeting 50% of the free float-adjusted market capitalization of the underlying country index. Country Value/Growth indices are then aggregated into regional value/growth indices. Prior to May 30, 2003, the indices used price/book value (P/BV) ratios to divide the standard MSCI country indices into value and growth indices. All securities were classified as either "value" securities (low P/BV securities) or "growth" securities (high P/BV securities), relative to each MSCI country index. **MSCI FAR EAST INDEX:** A free-float-adjusted market capitalization weighted index that is designed to measure developed market equity performance in the Far East. As of March 2010, the index consists of the following three developed country indices: Japan, Hong Kong and Singapore. **MSCI EMERGING MARKETS INDEX:** A free-float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of May 27, 2010, the index consisted of the following 21 emerging-market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey. **MSCI BRIC INDEX:** A free-float-adjusted market capitalization index that measures equity market performance in larger emerging markets. The index consists of the following emerging-market country indices: Brazil, Russia, India and China. **MSCI EM ASIA INDEX:** A free-float-adjusted market capitalization index that measures equity market performance in emerging markets in Asia. The index consists of the following emerging-market country indices: China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan and Thailand.

DISCLOSURES

Although the statements of fact and data in this report have been obtained from, and are based upon, sources the firm believes reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed. All opinions included in this report constitute the firm's judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. This report may contain forward-looking statements, and there can be no guarantee that they will come to pass. Past performance is not a guarantee of future results.

The indices are unmanaged, and an investor cannot invest directly in an index. The indices are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns consist of income and capital appreciation (or depreciation) and do not take into account fees, taxes or other charges. Such fees and charges would reduce performance. Index performance is calculated on a total return basis and assumes that dividends and distributions were reinvested.

To the extent the investments depicted herein represent **international securities**, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes and differences in financial and accounting standards. These risks may be magnified in **emerging markets**. International investing may not be for everyone. **Value investing** involves the risk that the market may not recognize that securities are undervalued and they may not appreciate as anticipated. **Growth investing** does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations. **Small- and mid-capitalization companies** may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of small-capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies. **Bonds** are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which allows the issuer to retain the right to redeem the debt, fully or partially, before the scheduled maturity date. Proceeds from sales prior to maturity may be more or less than originally invested due to changes in market conditions or changes in the credit quality of the issuer. With respect to fixed income securities, please note that, in general, as prevailing interest rates rise, fixed income securities prices will fall. **High yield bonds** are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues.

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2012-PS-589
(4/2012)

Section 2: Portfolio Overview

- Total Fund
  - » Asset Allocation Analysis
  - » Investment Policy
  - » Monthly Rates of Return
  - » Investment Performance Summary
- Manager Return & Executive Summary
- Current & Historical Performance
- Compliance Checklist

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TOTAL FUND

CITY OF ATLANTIC BEACH #400000004180

AS OF 03/31/2012

Portfolio Performance (%)

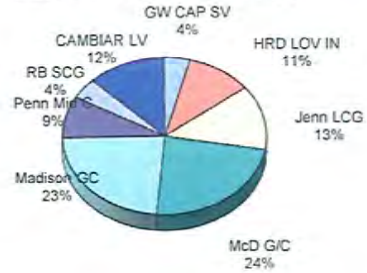
Investment Returns (%) Since:	Qtr 12/31/11	YTD 12/31/11	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/10	Inception 03/12/10
Total Fund	**6.67**	**6.67**	**4.07**	N/A	N/A	**8.17**	**8.07**
Composite	6.53	6.53	5.99			9.12	N/A
COAB POLICE TARGET INDEX	7.48	7.48	4.82			9.03	N/A
454-109627 03/2010 Jenn LCG	20.09	20.09	14.92	N/A	N/A	15.20	15.53
454-109628 03/2010 Penn Mid C	13.02	13.02	-6.08	N/A	N/A	7.54	8.64
454-109629 03/2010 RB SCG	9.54	9.54	4.01	N/A	N/A	16.02	14.85
454-109630 03/2010 Madison GC	0.47	0.47	3.95	N/A	N/A	3.64	3.23
454-109631 03/2010 McD G/C	0.45	0.45	9.57	N/A	N/A	7.48	7.17
454-109632 03/2010 CAMBIAR LV	9.44	9.44	-5.92	N/A	N/A	6.24	6.53
454-109633 03/2010 GW CAP SV	7.98	7.98	-8.49	N/A	N/A	9.67	9.57
454-109634 03/2010 HRD LOV IN	11.51	11.51	-4.29	N/A	N/A	6.13	5.95

Asset Growth ($000)							
Beginning Market Value	6,466	6,466	6,576	N/A	N/A	5,860	5,146
Net Contributions & Withdrawals	0	0	50	N/A	N/A	36	738
Gain/Loss + Income	431	431	271	N/A	N/A	1,001	1,013
Ending Market Value	6,897	6,897	6,897	N/A	N/A	6,897	6,897

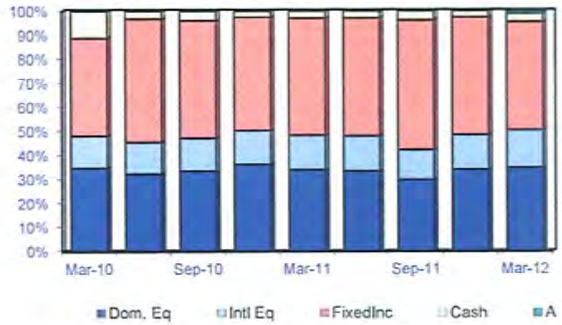
Asset Allocation ($000)

Dom. Eq	Intl Eq	FixedInc	Cash	A	Total
2,412	1,074	3,099	238	76	6,897

Asset Allocation By Manager



Allocation Over Time



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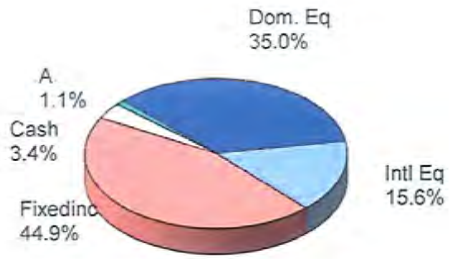
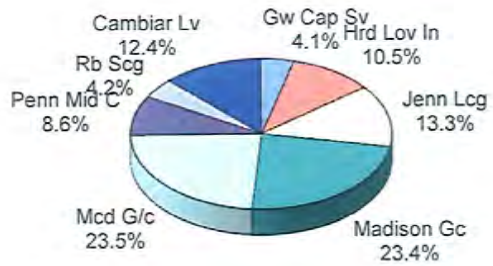
ASSET ALLOCATION ANALYSIS

CITY OF ATLANTIC BEACH #400000004180 AS OF 03/31/2012

ALLOCATION by ASSET CLASS



ALLOCATION by MANAGER & STYLE



Asset Allocation	Lower Limit	Upper Limit	Strategic Allocation	Total Fund	Percentage Difference	Strategic Allocation($000)	Total Fund Allocation($000)	Difference($000)
Total Equities - Domestic & Intl			**50.0%**	**51.6%**	**1.6%**	**$3,449**	**$3,561**	**$112**
Equity Investments			**40.0%**	**41.4%**	**1.4%**	**$2,759**	**$2,856**	**$97**
Us Large Growth Equity - Jenn Lcg	10.0%	13.0%	12.0%	13.0%	1.0%	$828	$896	$68
Us Large Value Equity - Cambiar Lv	10.0%	13.0%	12.0%	11.9%	-0.1%	$828	$824	-$4
Us Mid Cap Core Equity - Penn Mid C	7.0%	9.0%	8.0%	8.3%	0.3%	$552	$574	$23
Us Small Growth Equity - Rb Scg	4.0%	5.0%	4.0%	4.1%	0.1%	$276	$285	$9
Us Small Value Equity - Gw Cap Sv	4.0%	5.0%	4.0%	4.0%	0.0%	$276	$277	$1
International Equity								
International Equity - Hrd Lov In	5.0%	15.0%	10.0%	10.2%	0.2%	$690	$705	$16
Fixed Income Investments			**50.0%**	**44.9%**	**-5.1%**	**$3,449**	**$3,099**	**-$350**
Fixed Income - Mcd G/c	25.0%	30.0%	25.0%	22.7%	-2.3%	$1,724	$1,567	-$157
Intermediate Bonds - Madison Gc	25.0%	30.0%	25.0%	22.2%	-2.8%	$1,724	$1,532	-$193

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ASSET ALLOCATION ANALYSIS

CITY OF ATLANTIC BEACH #400000004180

AS OF 03/31/2012

Asset Allocation	Lower Limit	Upper Limit	Strategic Allocation	Total Fund	Percentage Difference	Strategic Allocation($000)	Total Fund Allocation($000)	Difference($000)
Cash & Equivalents								
Combined Allocation - All Managers	0.0%	0.0%	0.0%	3.4%	3.4%	$0	$238	$238
TOTAL ALLOCATION			**100.0%**	**100.0%**		**$6,898**	**$6,898**	

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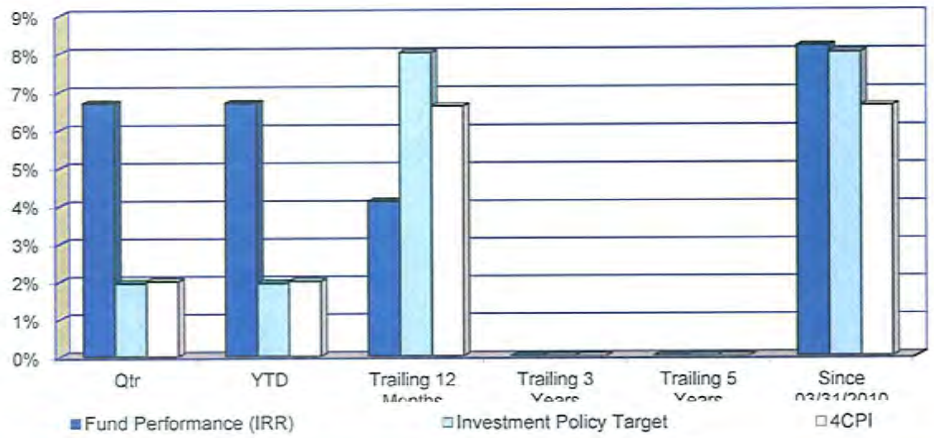
INVESTMENT POLICY (Dollar-Weighted)

CITY OF ATLANTIC BEACH #400000004180

AS OF 03/31/2012



Asset Class Investment Manager	Qtr	YTD	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/2010
Fund Performance (IRR)	**6.69%**	**6.69%**	**4.10%**	N/A	N/A	**8.17%**
Investment Policy Objectives						
Investment Policy Target	1.94%	1.94%	8.00%	N/A	N/A	8.00%
4CPI	1.99%	1.99%	6.61%	N/A	N/A	6.61%

To provide an absolute annualized rate of return over the long-term, which is equal to or exceeds the actuarial assumption rate of 8.00%.

To earn an average annual rate of return over the long-term which exceeds the Consumer Price Index (CPI) by 4.0%.

Dollar–Weighted Returns

(Internal Rate of Return)

The investment policy monitor is calculated on a dollar-weighted basis, accounting for deposits and cash flows upon receipt. The dollar-weighted or "internal rate of return - IRR" is the actual rate earned by the Fund. The dollar–weighted return is the appropriate measurement to evaluate the fund's performance in relation to the statement of investment policy and guidelines.

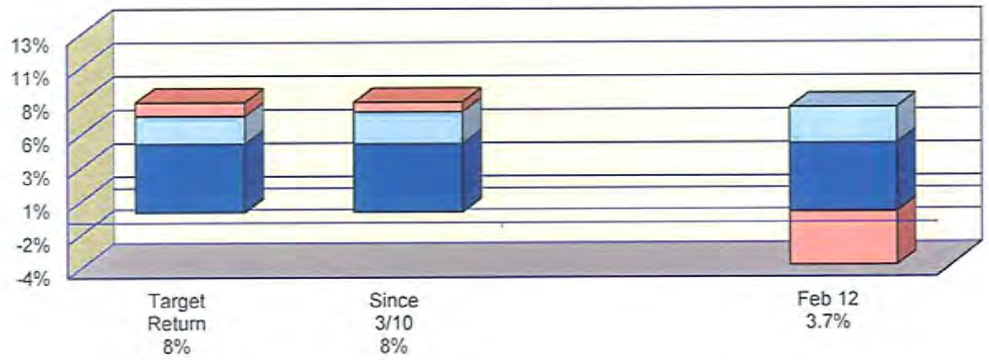
Trailing 1 Year Rolling Period Returns

Target Return 8%

Growth 1%

CPI 2%

Annual Distribution 5%



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MONTHLY RATES OF RETURN

CITY OF ATLANTIC BEACH #400000004180

As Of 03/31/2012

	Total	DYNAMIC
04/2010	1.56%	1.65%
05/2010	-3.70%	-3.71%
06/2010	-1.61%	-1.65%
07/2010	3.80%	4.10%
08/2010	-1.69%	-1.38%
09/2010	5.37%	5.01%
10/2010	2.24%	2.00%
11/2010	-0.22%	-0.26%
12/2010	3.01%	3.02%
01/2011	0.58%	0.96%
02/2011	2.33%	1.93%
03/2011	0.46%	0.36%
04/2011	2.22%	2.28%
05/2011	-0.23%	-0.09%
06/2011	-0.90%	-1.07%
07/2011	-0.25%	-0.34%
08/2011	-3.28%	-2.59%
09/2011	-4.83%	-3.87%
10/2011	5.66%	5.57%
11/2011	-0.48%	-0.74%
12/2011	-0.01%	0.65%
01/2012	3.58%	3.46%
02/2012	2.12%	2.18%
03/2012	0.84%	0.77%

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INVESTMENT PERFORMANCE SUMMARY (TIME WEIGHTED)

CITY OF ATLANTIC BEACH #400000004180

AS OF 03/31/2012

Investment Returns are Annualized and Time Weighted (%)	Qtr	YTD	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/2010	Since Inc Period End	Account Number
TOTAL FUND	***+6.67***	***+6.67***	***+4.07***	***N/A***	***N/A***	***+8.17***	***03/31/2010***	
Composite	+6.53	+6.53	+5.99			+9.12		
EQUITY INVESTMENTS								
Jennison Assoc - Large Cap Growth	20.09	20.09	14.92	N/A	N/A	15.20	03/31/2010	454-10962
Russell 1000 Growth Index	14.69	14.69	11.03			14.58		
Penn Capital - Mid Cap Core	13.02	13.02	-6.08	N/A	N/A	7.54	03/31/2010	454-10962
Russell Mid Cap Index	12.94	12.94	3.31			13.31		
Riverbridge Partners - Small Cap Growth FS	9.54	9.54	4.01	N/A	N/A	16.02	03/31/2010	454-10962
Russell 2000 Growth Index	13.27	13.27	0.68			14.86		
Cambiar Investors - Large Cap Value	9.44	9.44	-5.92	N/A	N/A	6.24	03/31/2010	454-10963
Russell 1000 Value Index	11.12	11.12	4.79			9.85		
G.W. Capital - Small Cap Value Equity FS	7.98	7.98	-8.49	N/A	N/A	9.67	03/31/2010	454-10963
Russell 2000 Value Index	11.59	11.59	-1.07			9.24		
INTERNATIONAL EQUITY								
Harding Loevner - International ADR	11.51	11.51	-4.29	N/A	N/A	6.13	03/31/2010	454-10963
MSCI AC World Ex-US NET I	11.23	11.23	-7.18			2.48		
FIXED INCOME INVESTMENTS								
Madison - Intermediate Govt/Corp FS	0.47	0.47	3.95	N/A	N/A	3.64	03/31/2010	454-10963
BC Int Gov't/Credit Bond	0.61	0.61	6.09			5.36		
McDonnell - G/C Bond FS	0.45	0.45	9.57	N/A	N/A	7.48	03/31/2010	454-10963
BC Gov't./Credit Index	0.09	0.09	8.53			6.88		

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ACCOUNT - EXECUTIVE SUMMARY

CITY OF ATLANTIC BEACH #454-109627 Jennison Assoc - Large Cap Growth

AS OF 03/31/2012

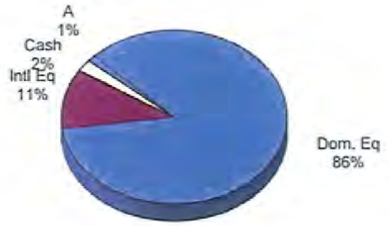
Portfolio Performance (%)

Investment Returns (%) Since:	Qtr 12/31/11	YTD 12/31/11	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/10	Inception 03/15/10
Jennison Assoc - Large Cap Growth	***20.09***	***20.09***	***14.92***	N/A	N/A	***15.20***	***15.53***
Russell 1000 Growth Index	14.69	14.69	11.03			14.58	N/A

Asset Growth ($000)							
Beginning Market Value	763	763	777	N/A	N/A	710	702
Net Contributions & Withdrawals	0	0	18	N/A	N/A	-25	-25
Gain/Loss + Income	153	153	121	N/A	N/A	231	239
Ending Market Value	916	916	916	N/A	N/A	916	916

Asset Allocation ($000)

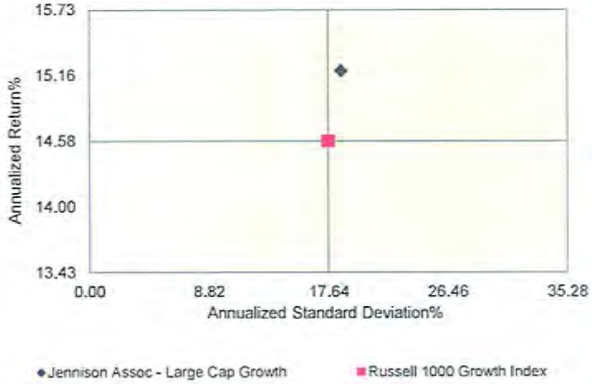
Dom. Eq	Intl Eq	Cash	A	Total
782	102	20	11	916



Portfolio Characteristics

Yield	0.67%	Account Sharpe Ratio	0.81
Beta	1.03	Index Sharpe Ratio	0.82
Alpha	0.22%	# Equity Positions	67
R^2	96%		

Risk / Return Analysis Since 03/31/2010



Annualized %	Return	Std. Dev.
Jennison Assoc - Large Cap Growth	***15.20***	***18.60***
Russell 1000 Growth Index	14.58	17.64

Top Equity Holdings

Stock	Sector	% Port
Apple Inc	Information Technolo	6.9
Baidu Inc Ads	Information Technolo	3.6
Mastercard Inc Cl A	Information Technolo	3.2
Goldman Sachs Grp Inc	Financials	2.4
Amazon Com Inc	Consumer Discretiona	2.4
Emc Corp Mass	Information Technolo	2.3
Google Inc-cl A	Information Technolo	2.2
Starbucks Corp Washington	Consumer Discretiona	2.1
Vmware Inc Class A	Information Technolo	2.1
Allergan Inc	Health Care	2.0

Economic Sector Allocation

	% Port
Information Technolo	35.7
Consumer Discretiona	22.8
Health Care	14.6
Industrials	6.2
Consumer Staples	5.3
Financials	5.2
Energy	4.1
Other	3.7
Materials	1.5
Telecommunication Se	0.8

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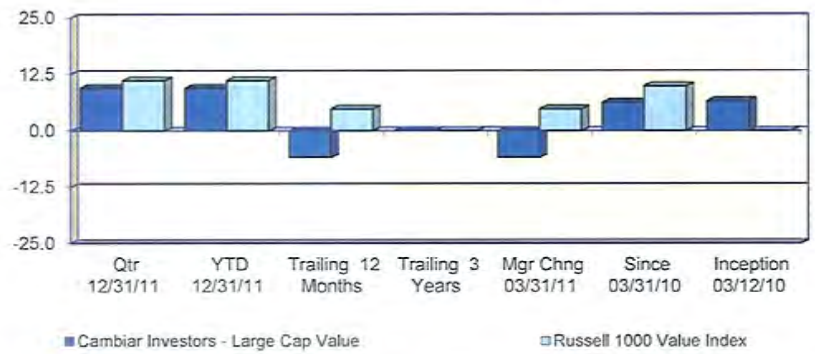
ACCOUNT - EXECUTIVE SUMMARY

CITY OF ATLANTIC BEACH #454-109632 Cambiar Investors - Large Cap Value — AS OF 03/31/2012

Portfolio Performance (%)



Investment Returns (%) Since:	Qtr 12/31/11	YTD 12/31/11	Trailing 12 Months	Trailing 3 Years	Mgr Chng 03/31/11	Since 03/31/10	Inception 03/12/10
Cambiar Investors - Large Cap Value	***9.44***	***9.44***	***-5.92***	N/A	***-5.92***	***6.24***	***6.53***
Russell 1000 Value Index	11.12	11.12	4.79		4.79	9.85	N/A
Asset Growth ($000)							
Beginning Market Value	781	781	786	N/A	786	708	702
Net Contributions & Withdrawals	0	0	98	N/A	98	35	35
Gain/Loss + Income	73	73	-30	N/A	-30	111	117
Ending Market Value	854	854	854	N/A	854	854	854

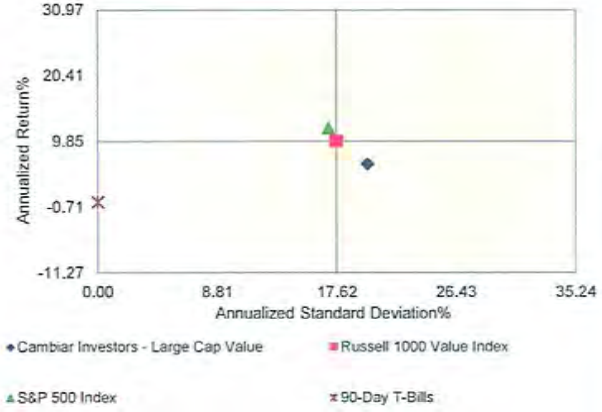
Asset Allocation ($000)

Dom. Eq	Intl Eq	Cash	Total
613	211	31	854

Portfolio Characteristics

Yield	1.91%	Account Sharpe Ratio	0.31
Beta	1.09	Index Sharpe Ratio	0.55
Alpha	-3.89%	# Equity Positions	41
R^2	94%		

Risk / Return Analysis Since 03/31/2010



Annualized %	Return	Std. Dev.
Cambiar Investors - Large Cap Value	***6.24***	***19.91***
Russell 1000 Value Index	9.85	17.62
S&P 500 Index	12.03	17.06
90-Day T-Bills	0.10	0.02

Top Equity Holdings

Stock	Sector	% Port
Flextronics Intl Ltd	Information Technolo	3.4
Metlife Incorporated	Financials	3.4
Target Corporation	Consumer Discretiona	3.3
Honeywell International Inc	Industrials	3.1
Cvs Caremark Corp	Consumer Staples	3.1
Medtronic Inc	Health Care	3.0
The Mosaic Co (hldg Co) New	Materials	3.0
Halliburton Co	Energy	2.9
Western Un Co	Information Technolo	2.9
Archer Daniels Midland	Consumer Staples	2.9

Economic Sector Allocation

	% Port
Energy	17.8
Industrials	17.5
Financials	14.6
Health Care	13.3
Information Technolo	12.1
Consumer Staples	8.0
Consumer Discretiona	7.3
Other	3.6
Materials	3.0
Telecommunication Se	2.8

Report Created: 4/11/2012

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INVESTMENT PRODUCTS: NOT FDIC INSURED · NO BANK GUARANTEE · MAY LOSE VALUE

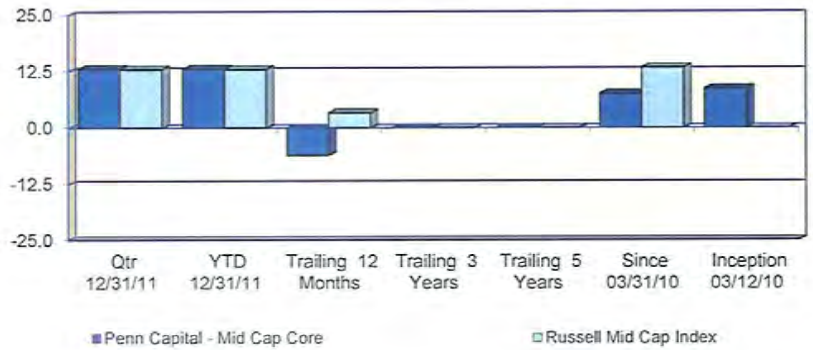
MorganStanley SmithBarney

ACCOUNT - EXECUTIVE SUMMARY

CITY OF ATLANTIC BEACH #454-109628 Penn Capital - Mid Cap Core

AS OF 03/31/2012

Portfolio Performance (%)



Investment Returns (%) Since:	Qtr 12/31/11	YTD 12/31/11	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/10	Inception 03/12/10
Penn Capital - Mid Cap Core	***13.02***	***13.02***	***-6.08***	N/A	N/A	***7.54***	***8.64***
Russell Mid Cap Index	12.94	12.94	3.31			13.31	N/A

Asset Growth ($000)							
Beginning Market Value	525	525	530	N/A	N/A	480	468
Net Contributions & Withdrawals	0	0	80	N/A	N/A	21	21
Gain/Loss + Income	69	69	-16	N/A	N/A	93	105
Ending Market Value	594	594	594	N/A	N/A	594	594

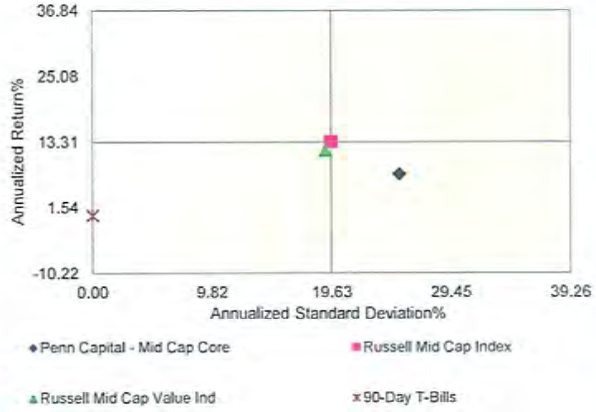
Asset Allocation ($000)

Dom. Eq	Intl Eq	Cash	A	Total
494	55	19	26	594

Portfolio Characteristics

Yield	0.86%	Account Sharpe Ratio	0.29
Beta	1.27	Index Sharpe Ratio	0.67
Alpha	-7.56%	# Equity Positions	73
R^2	97%		

Risk / Return Analysis Since 03/31/2010



Annualized %	Return	Std. Dev.
Penn Capital - Mid Cap Core	***7.54***	***25.26***
Russell Mid Cap Index	13.31	19.63
Russell Mid Cap Value Ind	11.82	19.18
90-Day T-Bills	0.10	0.02

Top Equity Holdings

Stock	Sector	% Port
Cbs Corp New Cl B Shrs	Consumer Discretiona	2.3
Hologic Inc	Health Care	2.2
Tiffany & Company New	Consumer Discretiona	2.1
Interpublic Group Of Cos Inc	Consumer Discretiona	2.0
Jds Uniphase Cp New	Information Technolo	2.0
Crown Castle Intl	Telecommunication Se	2.0
Whiting Petroleum Corp	Energy	1.9
Marvell Tech Group Ltd	Information Technolo	1.9
Hertz Global Holdings, Inc	Industrials	1.9
Comerica Inc	Financials	1.8

Economic Sector Allocation

	% Port
Consumer Discretiona	18.6
Information Technolo	17.7
Industrials	12.9
Financials	11.9
Materials	9.4
Energy	8.9
Health Care	8.7
Consumer Staples	4.5
Other	3.3
Telecommunication Se	2.8
Utilities	1.3

Report Created: 4/11/2012

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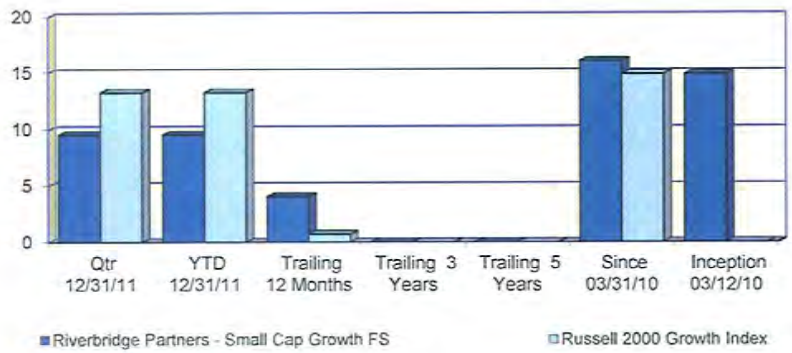
MorganStanley SmithBarney

ACCOUNT - EXECUTIVE SUMMARY

CITY OF ATLANTIC BEACH #454-109629 Riverbridge Partners - Small Cap Growth FS

AS OF 03/31/2012

Portfolio Performance (%)



Investment Returns (%) Since:	Qtr 12/31/11	YTD 12/31/11	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/10	Inception 03/12/10
Riverbridge Partners - Small Cap Grc	***9.54***	***9.54***	***4.01***	N/A	N/A	***16.02***	***14.85***
Russell 2000 Growth Index	13.27	13.27	0.68			14.86	N/A

Asset Growth ($000)							
Beginning Market Value	265	265	272	N/A	N/A	231	234
Net Contributions & Withdrawals	0	0	7	N/A	N/A	-19	-19
Gain/Loss + Income	26	26	12	N/A	N/A	79	76
Ending Market Value	291	291	291	N/A	N/A	291	291

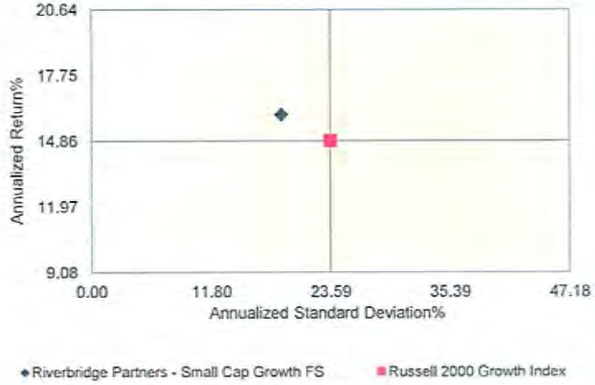
Asset Allocation ($000)

Dom. Eq	Intl Eq	Cash	Total
278	7	5	291

Portfolio Characteristics

Yield	0.42%	Account Sharpe Ratio	0.85
Beta	0.78	Index Sharpe Ratio	0.63
Alpha	3.81%	# Equity Positions	52
R^2	95%		

Risk / Return Analysis Since 03/31/2010



Annualized %	Return	Std. Dev.
Riverbridge Partners - Small Cap Growth	***16.02***	***18.77***
Russell 2000 Growth Index	14.86	23.59

Top Equity Holdings

Stock	Sector	% Port
Ultimate Software Gp Inc	Information Technolo	4.5
Cepheid Inc	Health Care	3.8
Rollins Inc	Industrials	3.7
Natl Instrums Cp	Information Technolo	3.4
Chemed Corporation	Health Care	3.1
Semtech Corp	Information Technolo	3.1
Lkq Corporation	Consumer Discretiona	3.0
United Natural Foods Inc	Consumer Staples	2.9
Mednax Inc	Health Care	2.8
Ritchie Brothers Auctioneers	Industrials	2.5

Economic Sector Allocation

	% Port
Information Technolo	39.4
Health Care	25.8
Industrials	17.3
Consumer Discretiona	9.5
Consumer Staples	4.8
Other	1.9
Financials	1.4

Report Created: 4/11/2012

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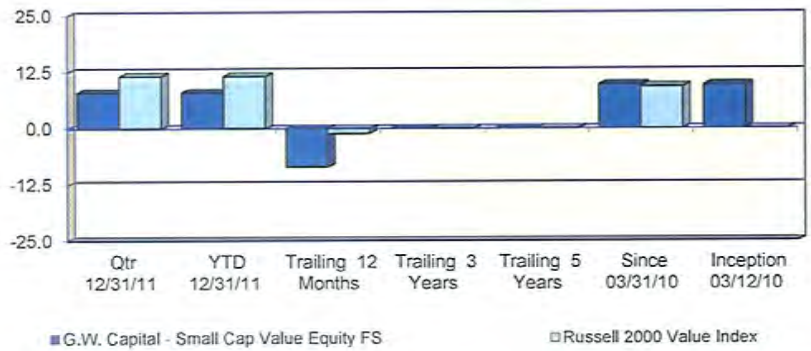
ACCOUNT - EXECUTIVE SUMMARY

CITY OF ATLANTIC BEACH #454-109633 G.W. Capital - Small Cap Value Equity FS

AS OF 03/31/2012

Portfolio Performance (%)



Investment Returns (%) Since:	Qtr 12/31/11	YTD 12/31/11	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/10	Inception 03/12/10
G.W. Capital - Small Cap Value Equit	***7.98***	***7.98***	***-8.49***	N/A	N/A	***9.67***	***9.57***
Russell 2000 Value Index	11.59	11.59	-1.07			9.24	N/A

Asset Growth ($000)							
Beginning Market Value	264	264	273	N/A	N/A	235	234
Net Contributions & Withdrawals	0	0	31	N/A	N/A	-3	-3
Gain/Loss + Income	21	21	-19	N/A	N/A	53	54
Ending Market Value	285	285	285	N/A	N/A	285	285

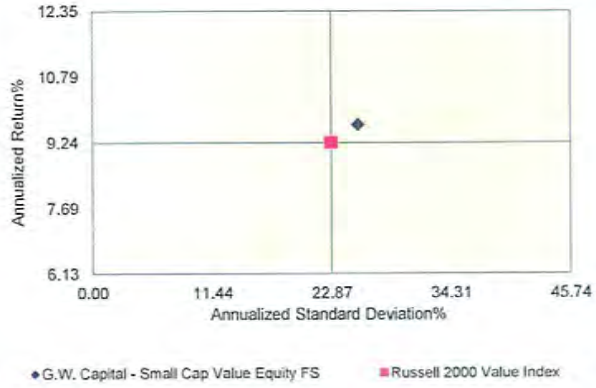
Asset Allocation ($000)

Dom. Eq	Intl Eq	Cash	A	Total
228	10	8	38	285

Portfolio Characteristics

Yield	1.16%	Account Sharpe Ratio	0.38
Beta	1.09	Index Sharpe Ratio	0.40
Alpha	0.03%	# Equity Positions	34
R^2	96%		

Risk / Return Analysis Since 03/31/2010



Annualized %	Return	Std. Dev.
G.W. Capital - Small Cap Value Equity FS	***9.67***	***25.46***
Russell 2000 Value Index	9.24	22.87

Top Equity Holdings

Stock	Sector	% Port
Darling International Inc	Consumer Staples	4.4
A O Smith Corp	Industrials	4.1
Esterline Technologies Cp	Industrials	3.9
Avis Budget Group Com	Industrials	3.8
Cno Finl Group Inc Com	Financials	3.7
Oneok Inc New	Utilities	3.6
Brookdale Senior Living Inc	Health Care	3.4
Owens Illinois Com New	Materials	3.4
Sensient Tech Corp	Materials	3.3
Simpson Manufacturing Co Inc	Industrials	3.2

Economic Sector Allocation

	% Port
Industrials	24.7
Financials	24.3
Consumer Staples	14.4
Energy	11.0
Materials	9.1
Utilities	8.3
Health Care	5.1
Other	2.9

Report Created: 4/11/2012

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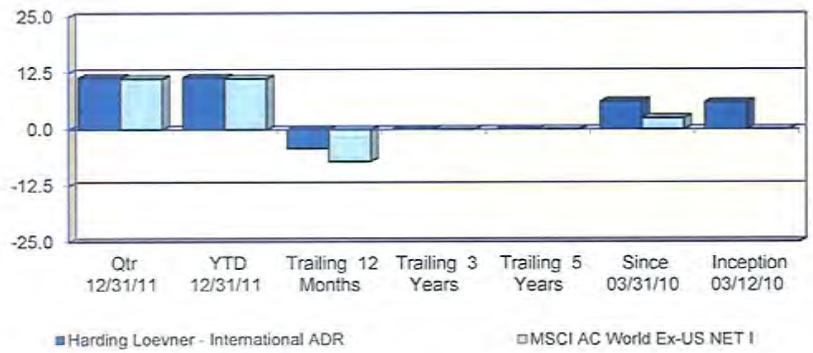
MorganStanley SmithBarney

ACCOUNT - EXECUTIVE SUMMARY

CITY OF ATLANTIC BEACH #454-109634 Harding Loevner - International ADR

AS OF 03/31/2012

Portfolio Performance (%)



Investment Returns (%) Since:	Qtr 12/31/11	YTD 12/31/11	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/10	Inception 03/12/10
Harding Loevner - International ADR	**11.51**	**11.51**	**-4.29**	N/A	N/A	**6.13**	**5.95**
MSCI AC World Ex-US NET I	11.23	11.23	-7.18			2.48	N/A

Asset Growth ($000)							
Beginning Market Value	647	647	658	N/A	N/A	585	585
Net Contributions & Withdrawals	0	0	77	N/A	N/A	48	48
Gain/Loss + Income	75	75	-13	N/A	N/A	89	89
Ending Market Value	722	722	722	N/A	N/A	722	722

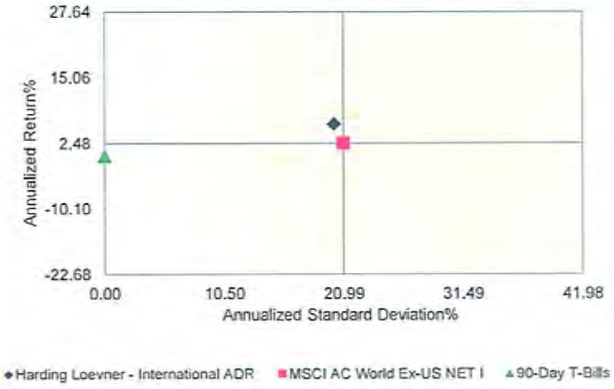
Asset Allocation ($000)

Dom. Eq	Intl Eq	Cash	Total
16	689	16	722

Portfolio Characteristics

Yield	1.97%	Account Sharpe Ratio	0.30
Beta	0.95	Index Sharpe Ratio	0.11
Alpha	3.64%	# Equity Positions	50
R^2	97%		

Risk / Return Analysis Since 03/31/2010



Annualized %	Return	Std. Dev.
Harding Loevner - International ADR	**6.13**	**20.18**
MSCI AC World Ex-US NET I	2.48	20.99
90-Day T-Bills	0.10	0.02

Top Equity Holdings

Stock	Sector	% Port
Nestle Spon Adr Rep Reg Shr	Consumer Staples	4.0
Li & Fung Ltd Unspon Adr	Other	3.9
Air Liquide Adr	Materials	3.8
Sap Ag	Information Technolo	3.5
Fanuc Corporation Unsp Adr	Industrials	3.3
Arm Holdings Plc Ads	Information Technolo	3.2
Dassault Systems Sa Ads	Information Technolo	3.1
Fresenius Medical Care Ag&co	Health Care	2.7
Wpp Plc Adr	Consumer Discretiona	2.6
Unicharm Corp Adr	Other	2.5

Economic Sector Allocation

	% Port
Other	27.3
Information Technolo	15.2
Consumer Staples	12.0
Energy	9.9
Health Care	8.6
Financials	8.3
Industrials	8.1
Consumer Discretiona	4.8
Materials	3.8
Telecommunication Se	2.0

Report Created: 4/11/2012

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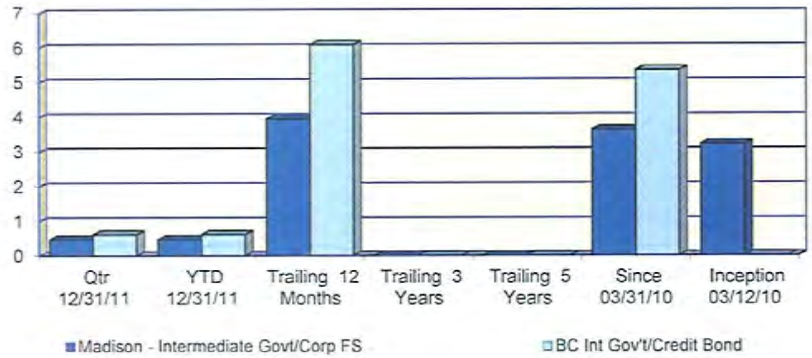
ACCOUNT - EXECUTIVE SUMMARY

CITY OF ATLANTIC BEACH #454-109630 Madison - Intermediate Govt/Corp FS AS OF 03/31/2012

Portfolio Performance (%)

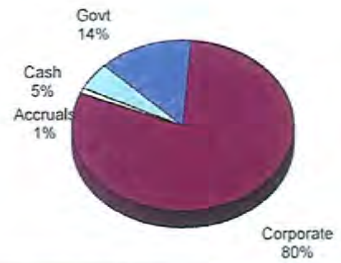


Investment Returns (%) Since:	Qtr 12/31/11	YTD 12/31/11	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/10	Inception 03/12/10
Madison - Intermediate Govt/Corp FS	**0.47**	**0.47**	**3.95**	N/A	N/A	**3.64**	**3.23**
BC Int Gov't/Credit Bond	0.61	0.61	6.09			5.36	N/A

Asset Growth ($000)							
Beginning Market Value	1,608	1,608	1,635	N/A	N/A	1,453	1,462
Net Contributions & Withdrawals	0	0	-83	N/A	N/A	51	51
Gain/Loss + Income	7	7	63	N/A	N/A	111	102
Ending Market Value	1,615	1,615	1,615	N/A	N/A	1,615	1,615

Asset Allocation ($000)

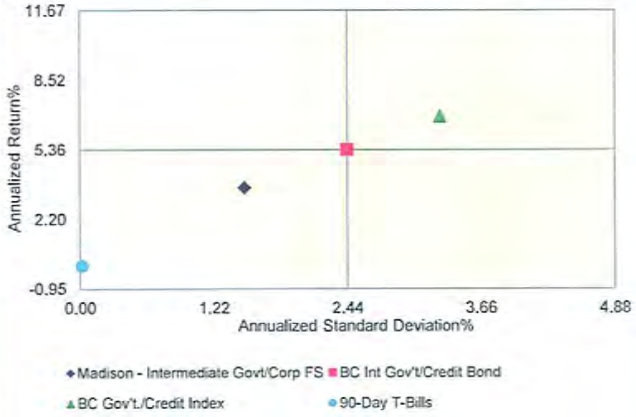
Govt	Corporate	Accruals	Cash	Total
222	1,295	15	84	1,616



Portfolio Characteristics

Current Yield	3.45%	Avg. Maturity	3.42 yrs
Yield to Mat.	0.00%	Duration	3.06 yrs
Avg. Coupon	3.91%	Avg. Yrs. to Call	3.42 yrs
# of Bonds	24		

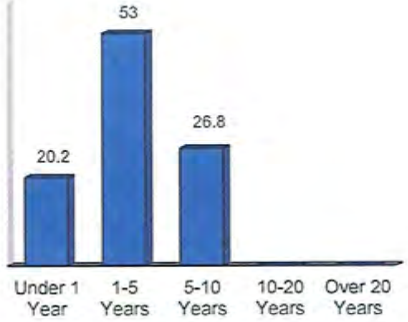
Risk / Return Analysis Since 03/31/2010



Annualized %	Return	Std. Dev.
Madison - Intermediate Govt/Corp FS	**3.64**	**1.50**
BC Int Gov't/Credit Bond	5.36	2.44
BC Gov't./Credit Index	6.88	3.29
90-Day T-Bills	0.10	0.02

Bond Quality

Bond Maturity Distribution



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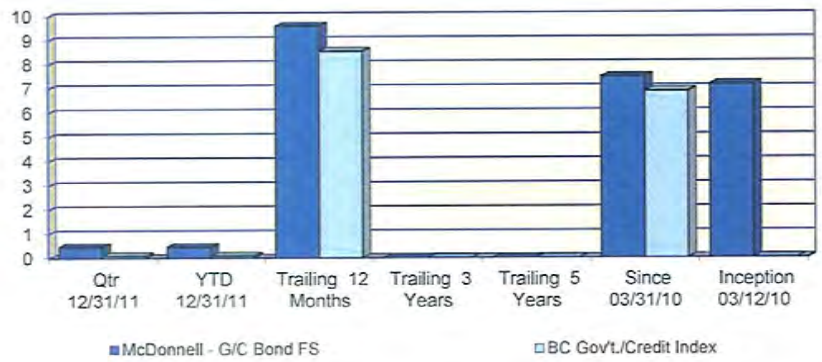
ACCOUNT - EXECUTIVE SUMMARY

CITY OF ATLANTIC BEACH #454-109631 McDonnell - G/C Bond FS

AS OF 03/31/2012

Portfolio Performance (%)



Investment Returns (%) Since:	Qtr 12/31/11	YTD 12/31/11	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/10	Inception 03/12/10
McDonnell - G/C Bond FS	***0.45***	***0.45***	***9.57***	N/A	N/A	***7.48***	***7.17***
BC Gov't./Credit Index	0.09	0.09	8.53			6.88	N/A

Asset Growth ($000)							
Beginning Market Value	1,613	1,613	1,644	N/A	N/A	1,459	1,462
Net Contributions & Withdrawals	0	0	-178	N/A	N/A	-71	-71
Gain/Loss + Income	8	8	155	N/A	N/A	233	230
Ending Market Value	1,621	1,621	1,621	N/A	N/A	1,621	1,621

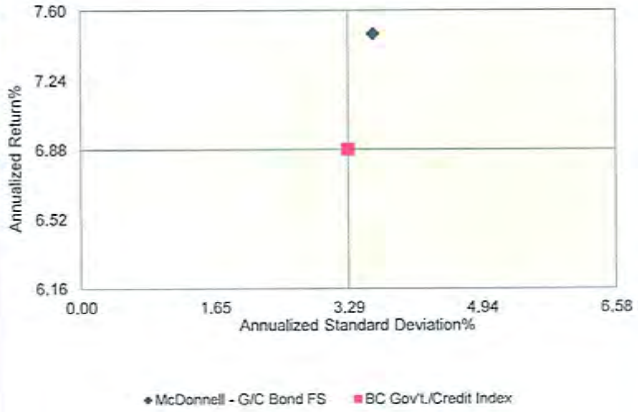
Asset Allocation ($000)

Govt	Corporate	Accruals	Cash	Total
304	1,253	10	53	1,620

Portfolio Characteristics

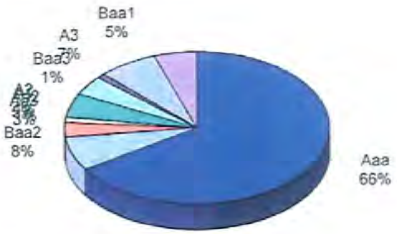
Current Yield	2.91%	Avg. Maturity	7.27 yrs
Yield to Mat.	0.18%	Duration	5.85 yrs
Avg. Coupon	3.24%	Avg. Yrs. to Call	7.12 yrs
# of Bonds	47		

Risk / Return Analysis Since 03/31/2010

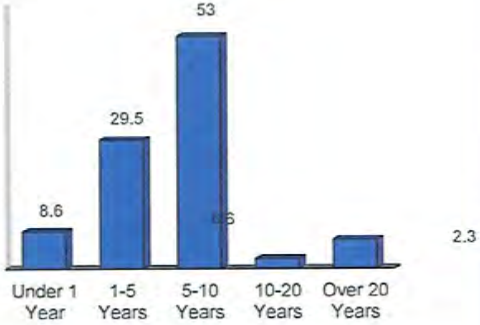


Annualized %	Return	Std. Dev.
McDonnell - G/C Bond FS	***7.48***	***3.60***
BC Gov't./Credit Index	6.88	3.29

Bond Quality



Bond Maturity Distribution



Report Created: 4/11/2012

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Information Disclosures

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For a copy of the applicable Form ADV Disclosure Document for Morgan Stanley Smith Barney LLC, or for any Investment Adviser with whom we contract to manage your investment advisory account, please contact your Financial Advisor. These Disclosure Documents contain important information about advisory programs.

Sources and Intent

This investment evaluation is directed only to the client for whom the evaluation was performed. The underlying data has been obtained from sources the Firm believes to be reliable but we do not guarantee their accuracy, and any such information may be incomplete or condensed. This evaluation is for informational purposes only and is not intended to be an offer, solicitation, or recommendation with respect to the purchase or sale of any security or a recommendation of the services supplied by any money management organization. Past performance is not a guarantee of future results. Performance for periods greater than one year is annualized. The information contained herein was prepared by your Financial Advisor and does not represent an official statement of your account at the Firm (or other outside custodians, if applicable.) Please refer to your monthly statement for a complete record of your transactions, holdings and balances.

This Performance Report may show the consolidated performance of some, but not necessarily all, of your Morgan Stanley Smith Barney accounts. In addition, it may show the full performance history of your accounts or just the performance of your accounts since inception in their current Morgan Stanley Smith Barney programs. In some cases, it may show the combined performance of brokerage accounts and advisory accounts. It is important that you understand the combination of accounts and account histories that are included in this Performance Report. Upon your request, performance information can be obtained for other accounts you may have with us, but which are not shown here.

Accounts included in this Performance Report may have had different investment objectives, been subject to different rules and restrictions, and incurred different types of fees, mark-ups, commissions, and other charges. Accordingly, the performance results for this portfolio may blend the performance of assets and strategies that may not have been available in all of your accounts at all times during the reporting period. Please consult your Financial Advisor for more information about the fees and expenses applicable to the accounts included in this Performance Report.

Net Rates of Return

The investment results depicted herein represent historical Net performance after the deduction of investment management fees and Select Retirement fees (if applicable). Valuation for periods prior to July 2004 is calculated based on settlement date accounting methods. The return is reduced by the account fee paid directly from your account for services. Fees paid outside Morgan Stanley Smith Barney are not recognized and therefore will not impact this return. The client is referred to the Consulting Group Descriptive Brochure or Part II of the Firm's Form ADV and any applicable Select Retirement Prospectus and Contract. Returns in excess of one year are annualized.

Advisory Notice

The Fiduciary Services-Affiliated Program and the Fiduciary Services-Unaffiliated Manager Program are separate and distinct advisory programs. Absent your written authorization, assets may only be transferred among managers within the particular program.

List of Composite Accounts

The Composite account presentation includes the following accounts: Total Fund, 454-109627, 454-109628, 454-109629, 454-109630, 454-109631, 454-109632, 454-109633, 454-109634.

Composite Index Definition

The Composite account's benchmark comprises the Russell 1000 Growth Index, Russell Mid Cap Index, Russell 2000 Growth Index, BC Int. Gov't./Credit Bond Index, BC Gov't./Credit Index, Russell 1000 Value Index, Russell 2000 Value Index, MSCI AC World Ex-US NET Index, indices in the same asset mix as your portfolio. The mix is adjusted monthly based on changes in your portfolio.

International History:

Until 4th quarter 1997, International equities were included within the Domestic equity category for performance presentation. For asset allocation purposes, they are reflected beginning Jan.1, 1998.

Bond Average

Please note that all averages calculated are weighted averages meaning that the calculation takes into account the par value of each position. CMO's and Asset Backed securities are excluded from the calculation. Any bonds that are non-rated by both Moody's and S&P are excluded from the average rating calculation.

Fiscal Year

Total Fund's fiscal year ends on 2012/09
Acct# 454-109627's fiscal year ends on 2012/09
Acct# 454-109628's fiscal year ends on 2012/12
Acct# 454-109629's fiscal year ends on 2012/12
Acct# 454-109630's fiscal year ends on 2012/12
Acct# 454-109631's fiscal year ends on 2012/12
Acct# 454-109632's fiscal year ends on 2012/12
Acct# 454-109633's fiscal year ends on 2012/12
Acct# 454-109634's fiscal year ends on 2012/12

International and Small Capitalization Securities

To the extent the investments depicted herein represent international securities, you should be aware that there may be additional risks associated with international investing involving foreign, economic, political, and/or legal factors. International investing may not be for everyone. In addition, small capitalization securities may be more volatile than those of larger companies, but these companies may present greater growth potential.

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Daily Performance

Beginning January 1, 2005 (former Smith Barney accounts) and July 1, 2011 (former Morgan Stanley accounts), portfolio performance is calculated using a daily valuation methodology, with contributions and withdrawals to the portfolio reflected as of days they were actually made. Portfolio performance for earlier periods reflects various methodologies. Different calculation methods may result in portfolio performance figures that vary from those shown above.

Alpha

Alpha is the value added by active management of the portfolio's assets, given the risk of that portfolio. In other words, alpha is equal to the incremental return earned by the manager when the market is flat or stationary. An alpha of zero indicates that the manager earned the exact return dictated by the level of market risk (i.e., beta) of the portfolio. A positive alpha indicates that the manager has earned, on average, more than the portfolio's level of market risk would have dictated. A negative alpha indicates that the manager has earned, on average, less than the portfolio's level of market risk would have dictated. Alpha is the Y-intercept of the least squares regression line.

Beta

Beta is the systematic risk of the portfolio. Measured by the slope of the least squares regression, beta is the measure of portfolio risk which cannot be removed through diversification. Beta is also known as market risk. Beta is a statistical estimate of the average change in the portfolio's performance with a corresponding 1.0 percent change in the risk index. A beta of 1.0 indicates that the portfolio moves, on average, lock step with the risk index. A beta in excess of 1.0 indicates that the portfolio is highly sensitive to movements in the risk index. A beta of 1.5, for example, indicates that the portfolio tends to move 1.5 percent with every 1.0 percent movement in the risk index. A beta of less than 1.0 indicates that the portfolio is not as sensitive to movements in the risk index. A beta of 0.5, for example, indicates that the portfolio moves only 0.5 percent for every 1.0 percent movement in the risk index.

R-Squared

R-squared, or the coefficient of determination, measures the strength of the least squares regression relationship between the portfolio (the dependent variable) and the risk index (the independent variable). The statistic reveals the extent to which the variability in the dependent variable is due to the variability in the independent variable. As such, R-squared measures how well the portfolio returns move in tandem with the returns of the risk benchmark. Though it is true that the higher the R-squared the better, an R-squared of less than 0.9 (i.e., 90 percent), indicates that the total fund does not track closely with the risk benchmark. The strength of the R-squared statistic will reflect on the strength of alpha and beta. A weak R-squared, for example, would indicate that alpha and beta cannot be strictly interpreted.

Brokerage Account

In a brokerage relationship, your Financial Advisor will work with you to facilitate the execution of securities transactions on your behalf. Your Financial Advisor also provides investor education and professional, personalized information about financial products and services in connection with these brokerage services. You can choose how you want to pay for these services and you will receive the same services regardless of which pricing option you choose. There are important differences in your relationship with your Financial Advisor and Morgan Stanley Smith Barney in brokerage accounts and in advisory accounts.

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Compliance Checklist

Investment Objectives	Yes	No	N/A
Exceed CPI + 4% over the long-term (3-5 year period)			✓
Equal or exceed the actuarial assumption of 8% over the long-term (3-5 year period)			✓
Exceed the Plan's Target Index over the long-term (3-5 year period)			✓

Investment Guidelines	Yes	No	N/A
The total market value < upper limit and > lower limit		✓	
No direct investments in interest only or principal only CMOs, precious metals, limited partnerships or trusts (does not include REITs), real estate, venture capital, futures contracts or options contracts. No Trading on margin or short selling.	✓		
No investments in scrutinized companies	✓		
Equity Portfolio:			
Traded on major stock exchange or NASDAQ	✓		
No more than 15% (at cost) of total assets invested in foreign securities	✓		
No more than 5% (at cost) of total value in shares of a single corporate issuer	✓		
No one equity holding > 5% of the outstanding common stock of any one company	✓		
Fixed Income Portfolio:			
At a minimum, 85% of total fixed income portfolio rated "A" or higher	✓		
No more than 10% (at cost) of total value in securities of any single corporate issuer	✓		
Structured notes are not held in the fixed income portfolio	✓		

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The City of Atlantic Beach General Employees Pension Plan

Quarterly Review
Period Ending March 31, 2012

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Q1 2012

Capital Markets Overview

Introduction

- In the first quarter, equities continued their fourth quarter 2011 advances, buoyed by central bank easing around the globe, the perception of a less-than-catastrophic outcome in Europe and a stronger than expected U.S. economy.
- The Dow Jones Industrial Average was up 8.8% for the first quarter, posting its best first-quarter performance since 1998. The NASDAQ Composite was up 18.7% for the quarter, while the S&P 500 rose 12.6% in the same period.
- Nine out of the 10 sectors of the S&P 500 rose in the first quarter. Financials fared the best, with a 22.1% uptick. Information Technology and Consumer Discretionary rose 21.5% and 16.0%, respectively. Telecommunication Services and Utilities were the laggards, rising 2.1% and falling 1.6%, respectively.
- Still, with Europe in a recession and slowing economic growth in China and the U.S., fiscal concerns weighed on global growth expectations.
- Both Morgan Stanley and Citi economists reduced global growth expectations for 2012 to 3.5% and 3.1%, respectively, with nearly 80% of growth coming from emerging market economies.
- U.S. economic growth is expected by both firms to be around 2.1% in 2012.
- For the first quarter, the Dow Jones-UBS Commodity index advanced only 0.9%, reflecting a growing belief that global growth is facing a stiff headwind.
- Mergers-and-acquisitions activity got off to a slow start in the first quarter. Global M&A volume for the quarter totaled $393.2 billion, down 14.6% from the fourth quarter. This represents the weakest M&A start to a year since the first quarter of 2003.

Please refer to important information, disclosures and qualifications at the end of this material.

The U.S. Economy

- In its March 29 update, the Department of Commerce estimated that Gross Domestic Product grew at an annual rate of 3.0% in the fourth quarter of 2011, in comparison with 1.8% in the third quarter of 2011. Both Morgan Stanley and Citi economists forecast that U.S. GDP will grow about 2.1% in 2012.
- For the quarter, the seasonally adjusted unemployment rate fell from 8.3% for January to 8.2% for March. Job gains in the quarter took place in health care, manufacturing, and food services and drinking places. However, employment fell in retail trade. The unemployment rate (8.2%) and the number of unemployed persons (12.7 million) changed little in March. The number of long-term unemployed has dropped by 1.4 million since April 2010.
- According to the most recent estimate from the Commerce Department, corporate profits rose 0.9% between the third quarter of 2011 and the fourth quarter of 2011, and rose 7.0% between the fourth quarter of 2010 and the fourth quarter of 2011.
- Inflation remained low in the U.S. According to the Bureau of Labor Statistics, the seasonally adjusted Consumer Price Index fell 0.1% in December 2011 and rose 0.2% in January 2012. Morgan Stanley economists expect a 2.3% inflation rate for 2012, while Citi economists are forecasting a 1.8% rate for 2012.
- The Census Bureau reported that privately owned housing starts in February 2012 were at a seasonally adjusted annual rate of 698,000—1.1% below the revised January estimate but 34.7% above February 2011 housing starts. Despite the one-year rise in housing starts, demand for new homes in 2012 remains weak.
- The Census Bureau also reported that seasonally adjusted retail and food services sales increased 1.1% between January and February 2012, and increased 6.5% between February 2011 and February 2012.
- In March, the Institute for Supply Management's manufacturing-sector index ("PMI") was 53.4, up 1.0 from February, but down from January's 54.1. PMI has been above 50 for 32 consecutive months and above 42 for 34 consecutive months.
- The ISM Nonmanufacturing Index ("NMI") rose 0.5 points to 57.3 between January and February of 2012 but fell 1.3 between February and March of 2012. The index has now been above 50 for 27 consecutive months.
- Generally speaking, a PMI or NMI over 50 indicates that the sector is expanding and a PMI over 42 indicates that the overall economy is expanding.

The U.S. Equity Markets

- The Dow Jones Industrial Average was up 8.8% for the first quarter, posting its best first-quarter performance since 1998. The NASDAQ Composite was up 18.7% for the quarter, while the S&P 500 rose 12.6% in the same period.
- Nine out of the 10 sectors of the S&P 500 rose in the first quarter. Financials fared the best, with a 22.1% uptick. Information Technology and Consumer Discretionary rose 21.5% and 16.0%, respectively. Telecommunication Services and Utilities were the laggards, rising 2.1% and falling 1.6%, respectively.
- Although both value- and growth-style stocks performed well during the first quarter, growth stocks fared slightly better, especially those of large- and mid-cap companies. Accordingly, the Russell 1000 Growth index, a large-cap index, rose 14.7%, with the best quarterly showing of the Russell indexes. In midcaps, the Russell Midcap Growth index also recorded strong gains, rising 14.5% for the quarter. The Russell Midcap index rose 12.9% for the quarter. The Russell 1000 index, a large-cap index, also rose 12.9% for the quarter.
- Returns for the large-cap Russell 1000 Value index, while rising 11.1% for the quarter, had the weakest showing of the quarter compared to other Russell indexes. Similarly, the Russell Midcap Value index rose 11.4% for the quarter. In small caps, the Russell 2000 index rose 12.4% for the quarter. The Russell 2000 Growth index rose 13.3% for the quarter, while the Russell 2000 Value index rose 11.6%.
- Concerns about the global economy and the European sovereign debt crisis drove the CBOE VIX volatility index, the so-called "fear index," to its largest quarterly increase in history in the third quarter of 2011. The same concerns also agitated equity investors at the start of the fourth quarter. However, as equities rallied and apprehensions about the European debt crisis subsided in the first quarter of 2012, the VIX declined. The VIX ended the first quarter at 15.5, which is a distinct contrast from its August 8, 2011 high of 48. The first-quarter 2012 market recovery makes the case that, historically, rallies in U.S. stocks have occurred following sharp VIX declines off of extreme highs.

Key U.S. Stock Market Index Returns (%) for the Period Ending 3/30/12

	Quarter	12 Months	Five Years (Annualized)	Seven Years (Annualized)
S&P 500	12.6	8.5	2.0	4.7
Dow Jones	8.8	10.2	4.2	6.1
Russell 2000	12.4	(0.2)	2.1	5.8
Russell Midcap	12.9	3.3	3.0	6.7
Russell 1000	12.9	7.9	2.2	5.0

Source: Vestek

Past performance is not a guarantee of future results. Investors cannot invest directly in an index. The performance of unmanaged indices reflects no deductions for fees, expenses or taxes that would affect the performance of actively managed assets.

Global Equity Markets

- In the first quarter, emerging markets (EM) and global equities rose. The MSCI EAFE index (a benchmark for developed markets) rose 10.9% for U.S.-currency investors and rose 10.3% for local-currency investors, as the U.S. dollar depreciated in relation to the currencies of many nations on the index. In contrast, in the fourth quarter of 2011, the MSCI EAFE index was up 3.4% in U.S. dollars and rose 4.1% in local currency.
- For the first quarter, the MSCI Emerging Markets index was up 14.1% for U.S.-currency investors and rose 10.8% for local-currency investors, as the U.S. dollar depreciated in relation to many emerging-market currencies. This contrasts with the previous quarter, when the MSCI Emerging Markets index was up 4.5% for U.S.-dollar based investors and rose 4.9% for local-currency investors.
- The MSCI Europe index rose 10.7% for U.S.-currency investors and rose 7.7% for local-currency investors during the first quarter. In comparison, the MSCI Far East index rose 12.0% for the quarter in terms of the dollar and rose 18.1% in terms of local currencies.
- More-specific emerging-economy equity market indices also rose in the first quarter. The MSCI BRIC (Brazil, Russia, India and China) index rose 13.8% for the quarter in terms of the dollar. The MSCI BRIC rose 11.1% for the quarter in local terms. In comparison, for the first quarter, the MSCI EM Asia index rose 13.7% in U.S.-dollar terms and rose 11.6% in local terms.

Key Global Equity Market Indices Based on the U.S. Dollar (%) for the Period Ending 3/30/12

	Quarter	12 Months	Five Years (Annualized)	Seven Years (Annualized)
MSCI EAFE	10.9	(5.4)	(3.1)	3.7
MSCI EAFE Growth	12.0	(3.4)	(1.6)	4.6
MSCI EAFE Value	9.8	(7.3)	(4.6)	2.8
MSCI Europe	10.7	(7.0)	(3.4)	3.6
MSCI Japan	11.3	0.4	(5.1)	1.3
MSCI Emerging Markets	14.1	(8.5)	5.0	12.5

Source: Vestek

Past performance is not a guarantee of future results. Investors cannot invest directly in an index. The performance of unmanaged indices reflects no deductions for fees, expenses or taxes that would affect the performance of actively managed assets.

The U.S. Bond Market

- Last year's flight to safety that fueled the year-long Treasurys rally came to an end in the first quarter of 2012 as investors opted to buy riskier assets, including lower-quality debt, such as high-yield corporate bonds.
- The benchmark 10-year Treasury note yields steadily rose during the first quarter, ending the quarter at 2.2%.
- The Barclays Capital U.S. Aggregate Bond index, a general measure of the fixed-income market, rose 0.3% for the first quarter.
- In contrast, the Barclays Capital High Yield index, a measure of lower-rated corporate bonds, rose 5.3% for the quarter.
- Investor wariness of mortgage-backed securities returned in the first quarter. As a result, the Barclays Capital Mortgage Backed Securities index was up just 0.6% for the quarter.
- During the first quarter, investors overlooked the ongoing negative headlines about state and local government finances, which was a continued boon to the municipal-bond market. However, as the powerful rally in U.S. Treasurys fizzled, municipal bond price gains also diminished. As a result, the Barclays Capital Muni index was up 1.8% for the quarter, in contrast with a 2.1% rise in the fourth quarter of 2011.

U.S. Bond Market Index Returns (%) for the Period Ending 3/30/12

	Quarter	12 Months	Five Years (Annualized)	Seven Years (Annualized)
Barclays Capital U.S. Aggregate	0.3	7.7	6.3	5.7
Barclays Capital High Yield	5.3	6.5	8.1	8.5
Barclays Capital Govt/Credit	0.1	8.5	6.3	5.7
Barclays Capital Government	(1.1)	7.9	6.0	5.4
Barclays Capital Intermediate Govt/Credit	0.6	6.1	5.7	5.2
Barclays Capital Long Govt/Credit	(2.1)	19.9	9.0	7.7
Barclays Capital Mortgage Backed Securities	0.6	6.2	6.3	5.9
Barclays Capital Muni	1.8	12.1	5.4	5.2

Source: Vestek

Past performance is not a guarantee of future results. Investors cannot invest directly in an index. The performance of unmanaged indices reflects no deductions for fees, expenses or taxes that would affect the performance of actively managed assets.

INDEX DESCRIPTIONS:

DOW JONES INDUSTRIAL AVERAGE: The most widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue-chip stocks, primarily industrials. The 30 stocks are chosen by the editors of the *Wall Street Journal* (WSJ) (which is published by Dow Jones & Company), a practice that dates back to the beginning of the century. Charles Dow officially started the Dow in 1896, at which time it consisted of only 11 stocks. The Dow is computed using a price-weighted indexing system, rather than the more common market cap-weighted indexing system. Simply put, the editors at WSJ add up the prices of all the stocks and then divide by the number of stocks in the index. (In actuality, the divisor is much higher today in order to account for stock splits that have occurred in the past.) **DOW JONES-UBS COMMODITY INDEX:** Composed of futures contracts on physical commodities which are traded on U.S. exchanges, with the exception of aluminum, nickel and zinc, which trade on the London Metal Exchange (LME). **NASDAQ COMPOSITE INDEX:** Covers 4,500 stocks traded over the counter. It represents many small company stocks but is heavily influenced by about 100 of the largest NASDAQ stocks. It is a value-weighted index calculated on price change only and does not include income. **S&P 500 INDEX:** Covers 400 industrial, 40 utility, 20 transportation and 40 financial companies in the U.S. markets (mostly NYSE issues). The index represents about 75% of NYSE market cap and 30% of NYSE issues. It is a capitalization-weighted index calculated on a total-return basis with dividends reinvested. **RUSSELL 1000 INDEX:** Measures the performance of the 1,000 largest companies in the Russell 3000 index, which represents approximately 89% of the total market capitalization of the Russell 3000 index. As of the latest reconstitution, the average market capitalization was approximately $9.9 billion; the median market capitalization was approximately $3.7 billion. The smallest company in the index had an approximate market capitalization of $1,404.7 million. **RUSSELL 1000 GROWTH INDEX:** Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. **RUSSELL 1000 VALUE INDEX:** Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. **RUSSELL 2000 INDEX:** Measures the performance of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 11% of the total market capitalization of the Russell 3000 index. As of the latest reconstitution, the average market capitalization was approximately $592.0 million; the median market capitalization was approximately $500.0 million. The largest company in the index had an approximate market capitalization of $1,402.7 million. **RUSSELL 2000 GROWTH INDEX:** Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. **RUSSELL 2000 VALUE INDEX:** Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. **RUSSELL 3000 INDEX:** Measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. **RUSSELL MIDCAP INDEX:** Measures the performance of the 800 smallest companies in the Russell 1000 index, which represent approximately 35% of the total market capitalization of the Russell 1000 index. As of the latest reconstitution, the average market capitalization was approximately $3.7 billion; the median market capitalization was approximately $2.9 billion. The largest company in the index had an approximate market capitalization of $10.3 billion. **RUSSELL MIDCAP GROWTH INDEX:** Russell Midcap Growth index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth index. An investment cannot be made directly in a market index. **RUSSELL MIDCAP VALUE INDEX:** Measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index. An investment cannot be made directly in a market index. **VIX INDEX:** (Chicago Board Options Exchange Volatility Index) Estimates volatility in the S&P 500 index for the next 30 days using a weighted blend of prices for various options on the S&P 500 index.

THE BARCLAYS CAPITAL U.S. AGGREGATE BOND INDEX: A broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS and CMBS. **BARCLAYS CAPITAL GOVERNMENT INDEX:** Barclays Capital Treasury bond and agency bond indices (all publicly issued debt of agencies of the U.S. government, quasi-federal corporations and corporate debt guaranteed by the U.S. government, but no mortgage-backed securities) are combined to form the government bond index. **BARCLAYS CAPITAL U.S. INTERMEDIATE GOVERNMENT/CREDIT BOND INDEX:** The Barclays Capital U.S. Intermediate Government/Credit Bond index is a total return index consisting of investment-grade corporate debt issues as well as debt issues of U.S. government agencies and the U.S. Treasury. The debt issues all maintain maturities within a range of one to 10 years. An investment cannot be made directly in a market index. **BARCLAYS CAPITAL HIGH YIELD INDEX:** The Barclays Capital U.S. High Yield index covers the universe of fixed rate, noninvestment-grade debt. Pay-in-kind (PIK) bonds, Eurobonds and debt issues from countries designated as emerging markets (e.g., Argentina, Mexico, Venezuela, etc.) are excluded, but Yankee and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes and step-up coupon structures are also included. Liquidity Rules: All bonds included in the High Yield index must be dollar-denominated and nonconvertible and have at least one year remaining to maturity and an outstanding par value of at least $150 million. Quality Rating Rules: Securities in the index must be rated Ba1 or lower. If both Moody's and S&P provide a rating for a security, the lower of the two ratings is used. A small number of unrated bonds are included in the index; to be eligible they must have previously held a high yield rating or have been associated with a high yield issuer, and must trade accordingly. Components: The index has several subcomponents. Intermediate indices include bonds with remaining maturities of less than 10 years; long indices include bonds with remaining maturities of 10 years or more. The index also has subdivisions by credit quality, and subindices are available that exclude securities in default. **BARCLAYS CAPITAL MUNI INDEX:** The composite measure of the total return performance of the muni-bond market. The muni market contains over two million bond issues. The market is divided into seven major sectors: state G.O. debt (31%), prerefunded bonds (7.7%); electric-utility revenue bonds (7.79%); hospital revenue bonds (3.4%); state-housing revenue bonds (3.4%); industrial-development and pollution-control revenue bonds (1.8%); and transportation revenue bonds (7.1%). These weightings are reviewed annually. **BARCLAYS CAPITAL GOVT/CREDIT INDEX:** The U.S. Government/Credit index is the nonsecuritized component of the U.S. Aggregate index and was the first macro index launched by Barclays Capital. The U.S. Government/Credit index includes Treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year), government-related issues (i.e., agency, sovereign, supranational and local-authority debt) and U.S. dollar corporates. In order to qualify for inclusion in the U.S. Government/Credit index, a bond or security must have at least one year to maturity; at least $250 million par amount outstanding; must be rated Baa3 by Moody's, BBB- by Standard & Poor's, and BBB- by Fitch Investor Service; must be fixed rate, although it can carry a coupon that steps up; and it must be U.S.-dollar denominated. **BARCLAYS CAPITAL LONG GOVERNMENT/CREDIT INDEX:** Composed of all bonds covered by BARCLAYS CAPITAL GCB index with maturities of 10 years or greater. Total return comprises price appreciation/depreciation and income as a percent of the original investment. Indices are rebalanced monthly by market capitalization. **BARCLAYS CAPITAL MORTGAGE BACKED SECURITIES INDEX:** Includes all fixed securities issued and backed by mortgage pools of Ginnie Mae (GNMA), Fannie Mae (FNMA), Freddie Mac (FHLMC) and half-coupon securities. The index excludes buydowns, graduated equity mortgages (GEM), project loans, Nonagency (whole loans),

jumbos, collateralized mortgage obligations ("CMOs"), graduated payment mortgages ("GPMs"), adjustable rate mortgages ("ARMs"), manufactured home mortgages, prepayment-penalty collateral. Formed by grouping the universes of over one million individual fixed-rate MBS pools into approximately 5,500 generic aggregates. Pool aggregates must be U.S. dollar-denominated, have at least $250 million current outstanding and average-weighted life of at least one year.

MSCI EUROPE, AUSTRALASIA AND THE FAR EAST ("EAFE") INDEX: A free-float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. and Canada. As of May 27, 2010, the index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. **MSCI EUROPE INDEX:** A free-float-adjusted market capitalization-weighted index that is designed to measure developed market equity performance in Europe. As of June 2007, the index consisted of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom. This series approximates the maximum possible dividend reinvestment. The amount reinvested is the dividend distributed to individuals resident in the country of the company, but does not include tax credits. **MSCI JAPAN INDEX:** A free-float-adjusted market capitalization index that is designed to measure equity market performance in Japan. **MSCI EAFE GROWTH INDEX:** A free-float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. and Canada. As of May 27, 2010, the index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. The MSCI Global Value and Growth Indices cover the full range of developed, emerging and All Country MSCI International Equity Indices across all size segmentations. MSCI Barra uses a two dimensional framework for style segmentation in which value and growth securities are categorized using a multifactor approach, which uses three variables to define the value investment-style characteristics and five variables to define the growth investment-style characteristics, including forward-looking variables. The objective of the index design is to divide constituents of an underlying MSCI Equity index into respective value and growth indices, each targeting 50% of the free float-adjusted market capitalization of the underlying market index. **MSCI EAFE VALUE INDEX:** A free-float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. and Canada. As of May 27, 2010, the index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. The MSCI Value and Growth Indices cover the full range of developed, emerging and All Country MSCI Equity Indices. The MSCI Value and Growth Indices cover the full range of developed, emerging and All Country MSCI Equity Indices. As of the close of May 30, 2003, MSCI implemented an enhanced methodology for the MSCI Global Value and Growth Indices, adopting a two dimensional framework for style segmentation in which value and growth securities are categorized using different attributes: three for value and five for growth including forward-looking variables. The objective of the index design is to divide constituents of an underlying MSCI Standard Country index into a value index and a growth index, each targeting 50% of the free float-adjusted market capitalization of the underlying country index. Country Value/Growth indices are then aggregated into regional value/growth indices. Prior to May 30, 2003, the indices used price/book value (P/BV) ratios to divide the standard MSCI country indices into value and growth indices. All securities were classified as either "value" securities (low P/BV securities) or "growth" securities (high P/BV securities), relative to each MSCI country index. **MSCI FAR EAST INDEX:** A free-float-adjusted market capitalization weighted index that is designed to measure developed market equity performance in the Far East. As of March 2010, the index consists of the following three developed country indices: Japan, Hong Kong and Singapore. **MSCI EMERGING MARKETS INDEX:** A free-float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of May 27, 2010, the index consisted of the following 21 emerging-market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey. **MSCI BRIC INDEX:** A free-float-adjusted market capitalization index that measures equity market performance in larger emerging markets. The index consists of the following emerging-market country indices: Brazil, Russia, India and China. **MSCI EM ASIA INDEX:** A free-float-adjusted market capitalization index that measures equity market performance in emerging markets in Asia. The index consists of the following emerging-market country indices: China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan and Thailand.

DISCLOSURES

Although the statements of fact and data in this report have been obtained from, and are based upon, sources the firm believes reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed. All opinions included in this report constitute the firm's judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. This report may contain forward-looking statements, and there can be no guarantee that they will come to pass. Past performance is not a guarantee of future results.

The indices are unmanaged, and an investor cannot invest directly in an index. The indices are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns consist of income and capital appreciation (or depreciation) and do not take into account fees, taxes or other charges. Such fees and charges would reduce performance. Index performance is calculated on a total return basis and assumes that dividends and distributions were reinvested.

To the extent the investments depicted herein represent **international securities**, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes and differences in financial and accounting standards. These risks may be magnified in **emerging markets.** International investing may not be for everyone. **Value investing** involves the risk that the market may not recognize that securities are undervalued and they may not appreciate as anticipated. **Growth investing** does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations. **Small- and mid-capitalization companies** may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of small-capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies. **Bonds** are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which allows the issuer to retain the right to redeem the debt, fully or partially, before the scheduled maturity date. Proceeds from sales prior to maturity may be more or less than originally invested due to changes in market conditions or changes in the credit quality of the issuer. With respect to fixed income securities, please note that, in general, as prevailing interest rates rise, fixed income securities prices will fall. **High yield bonds** are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues.

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Section 2: Portfolio Overview

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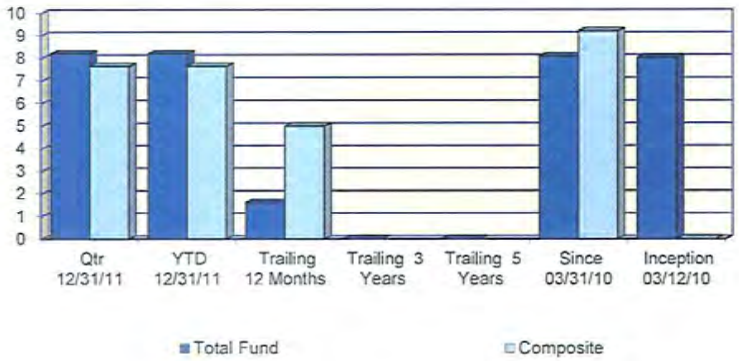
- Current & Historical Performance
- Compliance Checklist

MorganStanley SmithBarney

TOTAL FUND

CITY OF ATLANTIC BEACH #400000004256 AS OF 03/31/2012

Portfolio Performance (%)



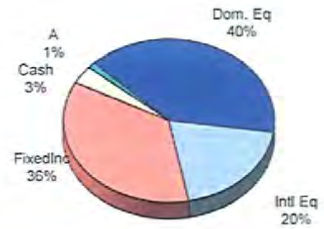
Investment Returns (%) Since:	Qtr 12/31/11	YTD 12/31/11	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/10	Inception 03/12/10
Total Fund	**8.20**	**8.20**	**1.61**	N/A	N/A	**8.08**	**8.02**
Composite	7.65	7.65	5.01			9.19	N/A
COAB GENERAL TARGET INDEX	6.32	6.32	5.51			8.78	N/A
454-109635 03/2010 Wnsl Green	17.57	17.57	8.77	N/A	N/A	14.98	15.08
454-109636 03/2010 CAMBIAR LV	9.59	9.59	-5.43	N/A	N/A	6.29	6.58
454-109637 03/2010 Penn Mid C	13.04	13.04	-5.77	N/A	N/A	7.59	8.70
454-109638 03/2010 RB SCG	9.48	9.48	4.57	N/A	N/A	16.28	15.08
454-109639 03/2010 GW CAP SV	7.89	7.89	-7.54	N/A	N/A	10.18	10.07
454-109640 03/2010 HRD LOV IN	11.71	11.71	-4.45	N/A	N/A	5.81	5.65
454-109641 03/2010 PIM TT	1.94	1.94	5.93	N/A	N/A	5.75	5.42

Asset Growth ($000)							
Beginning Market Value	11,138	11,138	11,700	N/A	N/A	9,911	9,882
Net Contributions & Withdrawals	150	150	300	N/A	N/A	587	587
Gain/Loss + Income	919	919	207	N/A	N/A	1,709	1,738
Ending Market Value	12,207	12,207	12,207	N/A	N/A	12,207	12,207

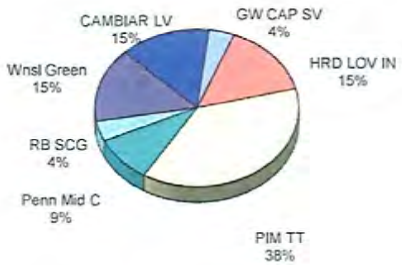
Asset Allocation ($000)

Dom. Eq	Intl Eq	FixedInc	Cash	A
4,857	2,402	4,369	433	147

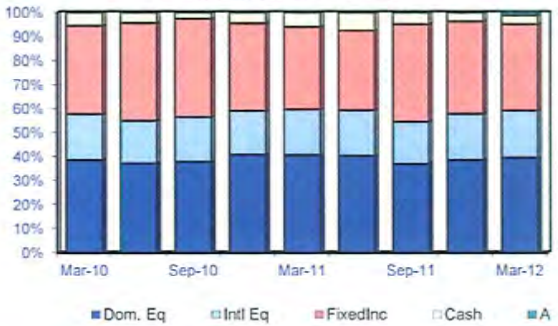
Total
12 207



Asset Allocation By Manager



Allocation Over Time



Report Created: 4/11/2012

Please refer to the attached Disclosures for important information.

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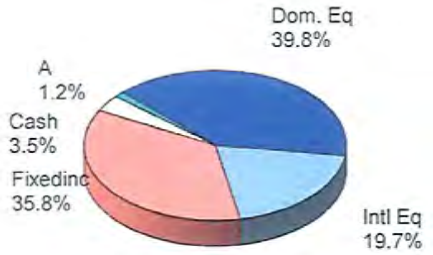
ASSET ALLOCATION ANALYSIS

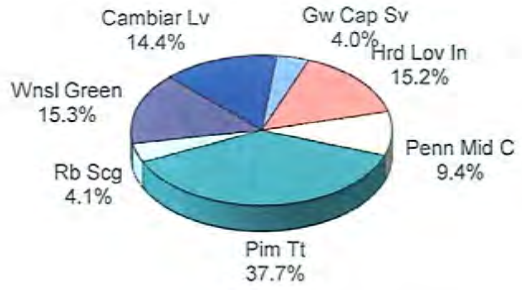
CITY OF ATLANTIC BEACH #400000004256

AS OF 03/31/2012

ALLOCATION by ASSET CLASS



ALLOCATION by MANAGER & STYLE



Asset Allocation	Lower Limit	Upper Limit	Strategic Allocation	Total Fund	Percentage Difference	Strategic Allocation($000)	Total Fund Allocation($000)	Difference($000)
Total Equities - Domestic & Intl			**60.0%**	**60.7%**	**0.7%**	**$7,324**	**$7,405**	**$81**
Equity Investments			**45.0%**	**45.8%**	**0.8%**	**$5,493**	**$5,594**	**$101**
Us Large Growth Equity - Wnsl Green	12.0%	15.0%	14.0%	14.9%	0.9%	$1,709	$1,822	$113
Us Large Value Equity - Cambiar Lv	12.0%	15.0%	14.0%	13.9%	-0.1%	$1,709	$1,696	-$13
Us Mid Cap Core Equity - Penn Mid C	8.0%	10.0%	9.0%	9.1%	0.1%	$1,099	$1,108	$10
Us Small Growth Equity - Rb Scg	4.0%	5.0%	4.0%	4.0%	0.0%	$488	$488	-$1
Us Small Value Equity - Gw Cap Sv	4.0%	5.0%	4.0%	3.9%	-0.1%	$488	$480	-$8
International Equity								
International Equity - Hrd Lov In	10.0%	20.0%	15.0%	14.8%	-0.2%	$1,831	$1,811	-$20
Fixed Income Investments								
Total Return - Pim Tt	35.0%	45.0%	40.0%	35.8%	-4.2%	$4,883	$4,369	-$514

Report Created: 4/11/2012

INVESTMENT PRODUCTS: NOT FDIC INSURED · NO BANK GUARANTEE · MAY LOSE VALUE

MorganStanley SmithBarney

ASSET ALLOCATION ANALYSIS

CITY OF ATLANTIC BEACH #400000004256 AS OF 03/31/2012

Asset Allocation	Lower Limit	Upper Limit	Strategic Allocation	Total Fund	Percentage Difference	Strategic Allocation($000)	Total Fund Allocation($000)	Difference($000)
Cash & Equivalents								
Combined Allocation - All Managers	0.0%	0.0%	0.0%	3.5%	3.5%	$0	$433	$433
TOTAL ALLOCATION			**100.0%**	**100.0%**		**$12,207**	**$12,207**	

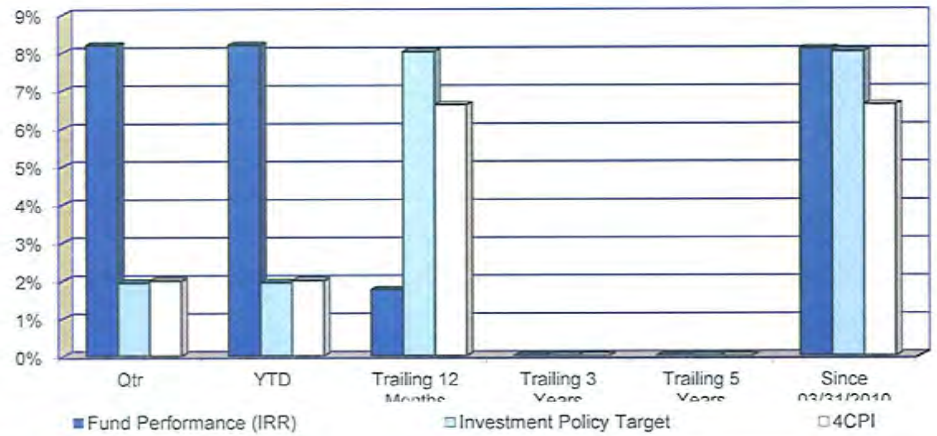
Report Created: 4/11/2012

INVESTMENT PRODUCTS: NOT FDIC INSURED · NO BANK GUARANTEE · MAY LOSE VALUE

INVESTMENT POLICY (Dollar-Weighted)

CITY OF ATLANTIC BEACH #400000004256

AS OF 03/31/2012



Asset Class Investment Manager	*Qtr*	*YTD*	*Trailing 12 Months*	*Trailing 3 Years*	*Trailing 5 Years*	*Since 03/31/2010*
Fund Performance (IRR)	**8.18%**	**8.18%**	**1.75%**	N/A	N/A	**8.08%**
Investment Policy Objectives						
Investment Policy Target	1.94%	1.94%	8.00%	N/A	N/A	8.00%
4CPI	1.99%	1.99%	6.61%	N/A	N/A	6.61%

To provide an absolute annualized rate of return over the long-term, which is equal to or exceeds the actuarial assumption rate of 8.00%.

To earn an average annual rate of return over the long-term which exceeds the Consumer Price Index (CPI) by 4.0%.

Dollar–Weighted Returns

(Internal Rate of Return)

The investment policy monitor is calculated on a dollar-weighted basis, accounting for deposits and cash flows upon receipt. The dollar-weighted or "internal rate of return - IRR" is the actual rate earned by the Fund. The dollar–weighted return is the appropriate measurement to evaluate the fund's performance in relation to the statement of investment policy and guidelines.

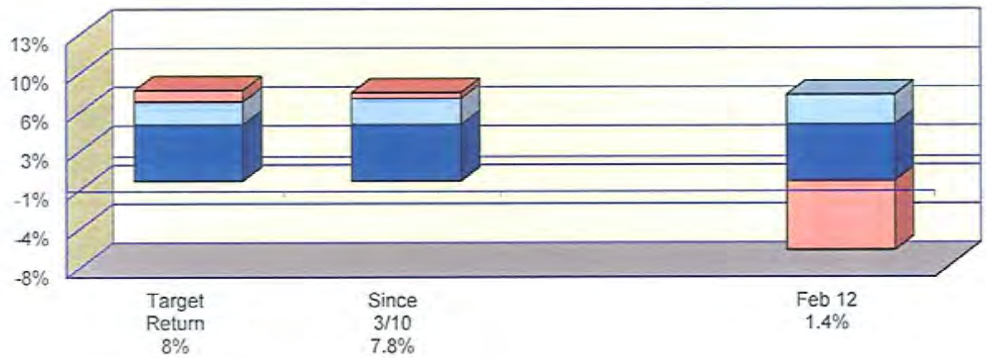
Trailing 1 Year Rolling Period Returns

Target Return 8%

Growth 1%

CPI 2%

Annual Distribution 5%



Real Growth

Inflation

Annual Distribution

Report Created: 4/11/2012

MONTHLY RATES OF RETURN

CITY OF ATLANTIC BEACH #400000004256

As Of 03/31/2012

	Total	DYNAMIC
04/2010	1.55%	1.65%
05/2010	-5.12%	-4.66%
06/2010	-1.69%	-2.20%
07/2010	4.62%	4.77%
08/2010	-2.12%	-2.03%
09/2010	6.60%	5.85%
10/2010	2.60%	2.38%
11/2010	-0.45%	-0.26%
12/2010	4.27%	3.92%
01/2011	0.76%	1.03%
02/2011	2.82%	2.35%
03/2011	0.76%	0.45%
04/2011	2.62%	2.59%
05/2011	-0.82%	-0.46%
06/2011	-1.14%	-1.23%
07/2011	-0.91%	-0.84%
08/2011	-5.04%	-3.62%
09/2011	-7.09%	-5.02%
10/2011	7.84%	6.95%
11/2011	-0.87%	-0.93%
12/2011	-0.15%	0.55%
01/2012	4.39%	3.87%
02/2012	2.60%	2.69%
03/2012	1.03%	0.92%

INVESTMENT PRODUCTS: NOT FDIC INSURED · NO BANK GUARANTEE · MAY LOSE VALUE

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INVESTMENT PERFORMANCE SUMMARY (TIME WEIGHTED)

CITY OF ATLANTIC BEACH #400000004256

AS OF 03/31/2012

Investment Returns are Annualized and Time Weighted (%)	Qtr	YTD	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/2010	Since Inc Period End	Account Number
TOTAL FUND	***+8.20***	***+8.20***	***+1.61***	***N/A***	***N/A***	***+8.08***	***03/31/2010***	
Composite	+7.65	+7.65	+5.01			+9.19		
EQUITY INVESTMENTS								
Winslow Capital - Large Cap Growth FS	17.57	17.57	8.77	N/A	N/A	14.98	03/31/2010	454-10963
Russell 1000 Growth Index	14.69	14.69	11.03			14.58		
Cambiar Investors - Large Cap Value	9.59	9.59	-5.43	N/A	N/A	6.29	03/31/2010	454-10963
Russell 1000 Value Index	11.12	11.12	4.79			9.85		
Penn Capital - Mid Cap Core	13.04	13.04	-5.77	N/A	N/A	7.59	03/31/2010	454-10963
Russell Mid Cap Index	12.94	12.94	3.31			13.31		
Riverbridge Partners - Small Cap Growth FS	9.48	9.48	4.57	N/A	N/A	16.28	03/31/2010	454-10963
Russell 2000 Growth Index	13.27	13.27	0.68			14.86		
G.W. Capital - Small Cap Value Equity FS	7.89	7.89	-7.54	N/A	N/A	10.18	03/31/2010	454-10963
Russell 2000 Value Index	11.59	11.59	-1.07			9.24		
INTERNATIONAL EQUITY								
Harding Loevner - International ADR	11.71	11.71	-4.45	N/A	N/A	5.81	03/31/2010	454-10964
MSCI AC World Ex-US NET I	11.23	11.23	-7.18			2.48		
FIXED INCOME INVESTMENTS								
PIMCO - Total Return for Managed Accounts	1.94	1.94	5.93	N/A	N/A	5.75	03/31/2010	454-10964
BC Aggregate Bond Index	0.30	0.30	7.72			6.41		

Report Created: 4/11/2012

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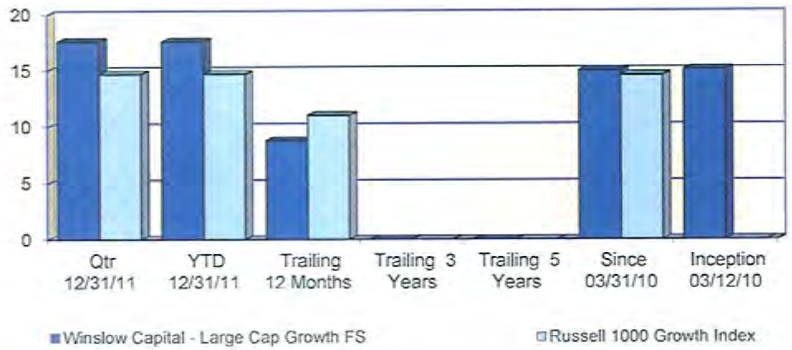
ACCOUNT - EXECUTIVE SUMMARY

CITY OF ATLANTIC BEACH #454-109635 Winslow Capital - Large Cap Growth FS

AS OF 03/31/2012

Portfolio Performance (%)



Investment Returns (%) Since:	Qtr 12/31/11	YTD 12/31/11	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/10	Inception 03/12/10
Winslow Capital - Large Cap Growth	***17.57***	***17.57***	***8.77***	N/A	N/A	***14.98***	***15.08***
Russell 1000 Growth Index	14.69	14.69	11.03			14.58	N/A
Asset Growth ($000)							
Beginning Market Value	1,547	1,547	1,637	N/A	N/A	1,347	1,334
Net Contributions & Withdrawals	45	45	76	N/A	N/A	76	76
Gain/Loss + Income	276	276	155	N/A	N/A	445	458
Ending Market Value	1,868	1,868	1,868	N/A	N/A	1,868	1,868

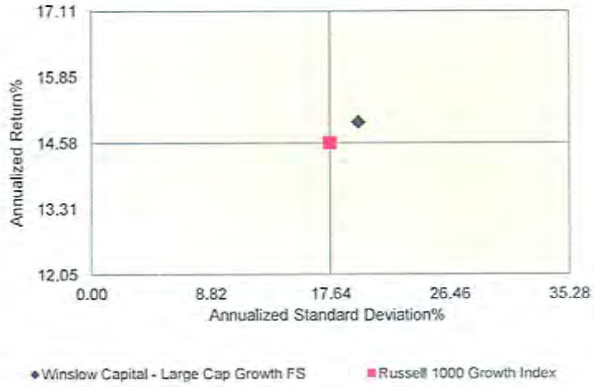
Asset Allocation ($000)

Dom. Eq	Intl Eq	Cash	A	Total
1,728	63	46	31	1,868

Portfolio Characteristics

Yield	0.72%	Account Sharpe Ratio	0.75
Beta	1.11	Index Sharpe Ratio	0.82
Alpha	-0.89%	# Equity Positions	63
R^2	98%		

Risk / Return Analysis Since 03/31/2010



Annualized %	Return	Std. Dev.
Winslow Capital - Large Cap Growth FS	***14.98***	***19.75***
Russell 1000 Growth Index	14.58	17.64

Top Equity Holdings

Stock	Sector	% Port
Apple Inc	Information Technolo	6.0
Qualcomm Inc	Information Technolo	3.5
Visa Inc Cl A	Information Technolo	3.4
Union Pacific Corp	Industrials	3.2
Unitedhealth Gp Inc	Health Care	3.2
Danaher Corporation	Industrials	3.2
Priceline.com Inc New	Consumer Discretiona	3.2
Emc Corp Mass	Information Technolo	3.0
Cognizant Tech Solutions Cl A	Information Technolo	2.8
Google Inc-cl A	Information Technolo	2.3

Economic Sector Allocation

	% Port
Information Technolo	34.9
Consumer Discretiona	16.2
Industrials	13.5
Health Care	12.7
Financials	6.9
Energy	6.0
Materials	4.4
Consumer Staples	3.0
Other	2.5

Report Created: 4/11/2012

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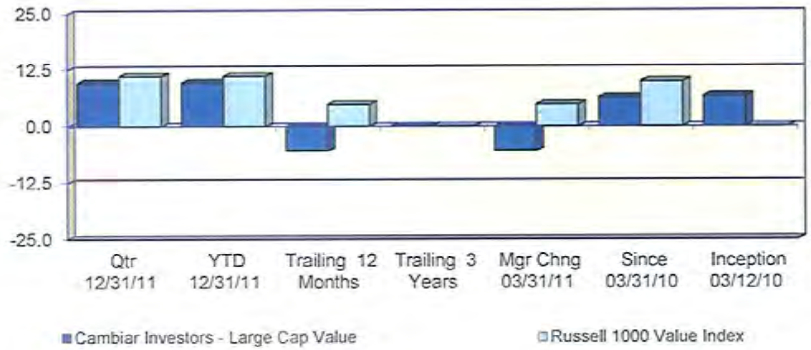
ACCOUNT - EXECUTIVE SUMMARY

CITY OF ATLANTIC BEACH #454-109636 Cambiar Investors - Large Cap Value

AS OF 03/31/2012

Portfolio Performance (%)



Investment Returns (%) Since:	Qtr 12/31/11	YTD 12/31/11	Trailing 12 Months	Trailing 3 Years	Mgr Chng 03/31/11	Since 03/31/10	Inception 03/12/10
Cambiar Investors - Large Cap Value	***9.59***	***9.59***	***-5.43***	N/A	***-5.43***	***6.29***	***6.58***
Russell 1000 Value Index	11.12	11.12	4.79		4.79	9.85	N/A
Asset Growth ($000)							
Beginning Market Value	1,559	1,559	1,608	N/A	1,608	1,346	1,334
Net Contributions & Withdrawals	45	45	212	N/A	212	212	212
Gain/Loss + Income	151	151	-65	N/A	-65	197	209
Ending Market Value	1,755	1,755	1,755	N/A	1,755	1,755	1,755

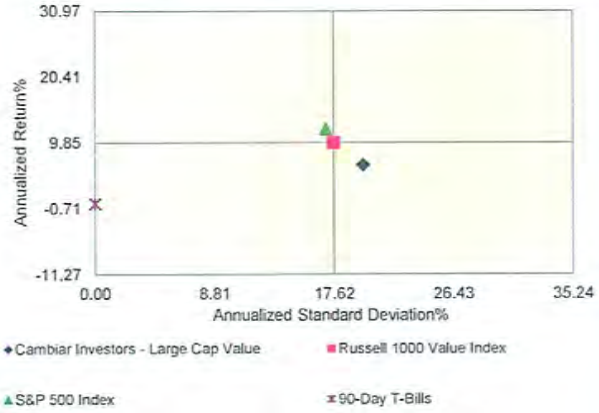
Asset Allocation ($000)

Dom. Eq	Intl Eq	Cash	Total
1,261	435	58	1,755

Portfolio Characteristics

Yield	1.93%	Account Sharpe Ratio	0.31
Beta	1.09	Index Sharpe Ratio	0.55
Alpha	-3.82%	# Equity Positions	41
R^2	94%		

Risk / Return Analysis Since 03/31/2010



Annualized %	Return	Std. Dev.
Cambiar Investors - Large Cap Value	***6.29***	***19.80***
Russell 1000 Value Index	9.85	17.62
S&P 500 Index	12.03	17.06
90-Day T-Bills	0.10	0.02

Top Equity Holdings

Stock	Sector	% Port
Target Corporation	Consumer Discretiona	3.3
Flextronics Intl Ltd	Information Technolo	3.3
Metlife Incorporated	Financials	3.2
Cvs Caremark Corp	Consumer Staples	3.1
Honeywell International Inc	Industrials	3.0
Archer Daniels Midland	Consumer Staples	3.0
Apache Corp	Energy	3.0
The Mosaic Co (hldg Co) New	Materials	2.9
Halliburton Co	Energy	2.9
Western Un Co	Information Technolo	2.9

Economic Sector Allocation

	% Port
Energy	18.0
Industrials	17.2
Financials	14.8
Health Care	13.1
Information Technolo	12.2
Consumer Staples	8.0
Consumer Discretiona	7.5
Other	3.3
Materials	2.9
Telecommunication Se	2.9

Report Created: 4/11/2012

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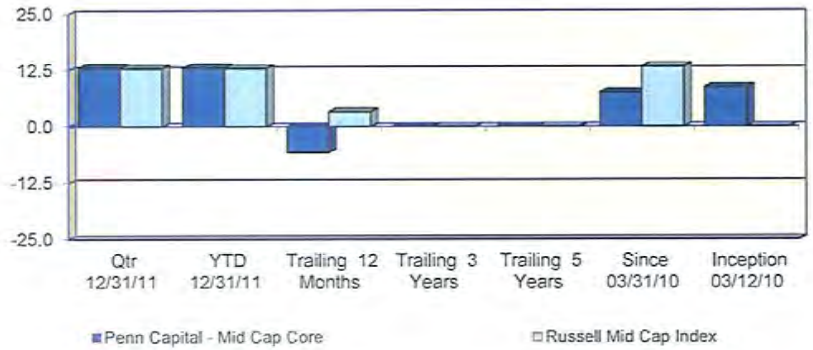
ACCOUNT - EXECUTIVE SUMMARY

CITY OF ATLANTIC BEACH #454-109637 Penn Capital - Mid Cap Core

AS OF 03/31/2012

Portfolio Performance (%)



Investment Returns (%) Since:	Qtr 12/31/11	YTD 12/31/11	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/10	Inception 03/12/10
Penn Capital - Mid Cap Core	***13.04***	***13.04***	***-5.77***	N/A	N/A	***7.59***	***8.70***
Russell Mid Cap Index	12.94	12.94	3.31			13.31	N/A
Asset Growth ($000)							
Beginning Market Value	1,013	1,013	1,120	N/A	N/A	912	889
Net Contributions & Withdrawals	0	0	75	N/A	N/A	75	75
Gain/Loss + Income	132	132	-50	N/A	N/A	158	181
Ending Market Value	1,145	1,145	1,145	N/A	N/A	1,145	1,145

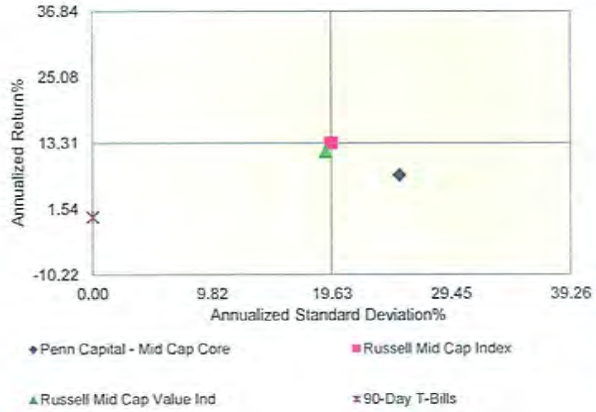
Asset Allocation ($000)

Dom. Eq	Intl Eq	Cash	A	Total
953	105	36	50	1,145

Portfolio Characteristics

Yield	0.86%	Account Sharpe Ratio	0.30
Beta	1.26	Index Sharpe Ratio	0.67
Alpha	-7.50%	# Equity Positions	73
R^2	97%		

Risk / Return Analysis Since 03/31/2010



Annualized %	Return	Std. Dev.
Penn Capital - Mid Cap Core	***7.59***	***25.24***
Russell Mid Cap Index	13.31	19.63
Russell Mid Cap Value Ind	11.82	19.18
90-Day T-Bills	0.10	0.02

Top Equity Holdings

Stock	Sector	% Port
Cbs Corp New Cl B Shrs	Consumer Discretiona	2.3
Hologic Inc	Health Care	2.2
Tiffany & Company New	Consumer Discretiona	2.1
Interpublic Group Of Cos Inc	Consumer Discretiona	2.0
Jds Uniphase Cp New	Information Technolo	2.0
Crown Castle Intl	Telecommunication Se	2.0
Whiting Petroleum Corp	Energy	1.9
Marvell Tech Group Ltd	Information Technolo	1.9
Hertz Global Holdings, Inc	Industrials	1.9
Comerica Inc	Financials	1.8

Economic Sector Allocation

	% Port
Consumer Discretiona	18.6
Information Technolo	17.7
Industrials	12.9
Financials	11.9
Materials	9.4
Energy	8.9
Health Care	8.7
Consumer Staples	4.5
Other	3.2
Telecommunication Se	2.8
Utilities	1.3

Report Created: 4/11/2012

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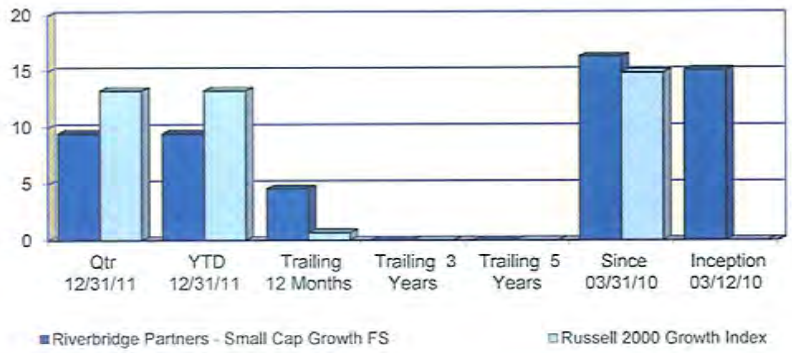
MorganStanley SmithBarney

ACCOUNT - EXECUTIVE SUMMARY

CITY OF ATLANTIC BEACH #454-109638 Riverbridge Partners - Small Cap Growth FS

AS OF 03/31/2012

Portfolio Performance (%)



Investment Returns (%) Since:	Qtr 12/31/11	YTD 12/31/11	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/10	Inception 03/12/10
Riverbridge Partners - Small Cap Grc	***9.48***	***9.48***	***4.57***	N/A	N/A	***16.28***	***15.08***
Russell 2000 Growth Index	13.27	13.27	0.68			14.86	N/A

Asset Growth ($000)							
Beginning Market Value	453	453	567	N/A	N/A	439	445
Net Contributions & Withdrawals	0	0	-80	N/A	N/A	-80	-80
Gain/Loss + Income	43	43	9	N/A	N/A	137	131
Ending Market Value	496	496	496	N/A	N/A	496	496

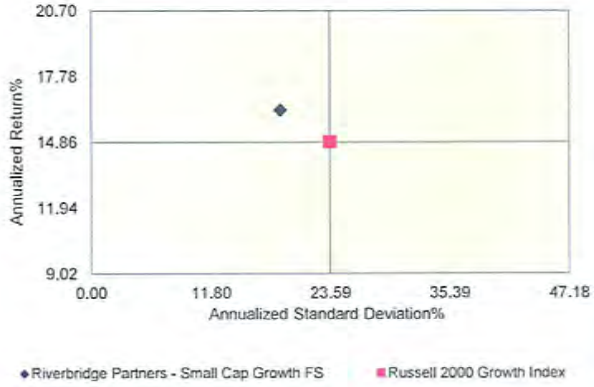
Asset Allocation ($000)

Dom. Eq	Intl Eq	Cash	Total
475	12	8	496

Portfolio Characteristics

Yield	0.42%	Account Sharpe Ratio	0.86
Beta	0.77	Index Sharpe Ratio	0.63
Alpha	4.08%	# Equity Positions	52
R^2	95%		

Risk / Return Analysis Since 03/31/2010



Annualized %	Return	Std. Dev.
Riverbridge Partners - Small Cap Growth	***16.28***	***18.72***
Russell 2000 Growth Index	14.86	23.59

Top Equity Holdings

Stock	Sector	% Port
Ultimate Software Gp Inc	Information Technolo	4.6
Cepheid Inc	Health Care	3.9
Rollins Inc	Industrials	3.8
Natl Instrums Cp	Information Technolo	3.4
Chemed Corporation	Health Care	3.2
Semtech Corp	Information Technolo	3.1
Lkq Corporation	Consumer Discretiona	3.1
United Natural Foods Inc	Consumer Staples	2.9
Mednax Inc	Health Care	2.8
Ritchie Brothers Auctioneers	Industrials	2.5

Economic Sector Allocation

	% Port
Information Technolo	39.4
Health Care	25.8
Industrials	17.4
Consumer Discretiona	9.6
Consumer Staples	4.7
Other	1.7
Financials	1.3

Report Created: 4/11/2012

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INVESTMENT PRODUCTS: NOT FDIC INSURED · NO BANK GUARANTEE · MAY LOSE VALUE

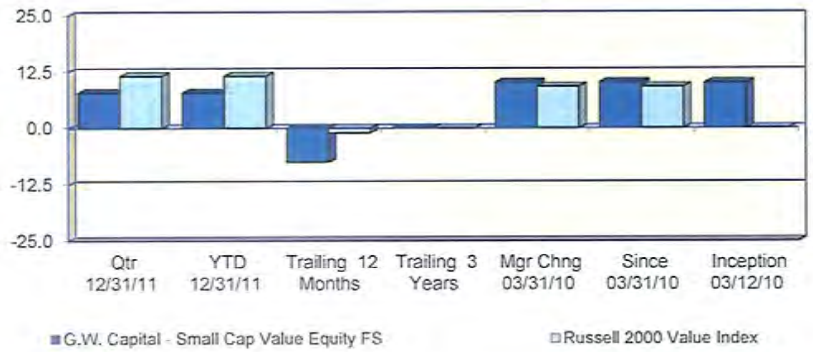
MorganStanley SmithBarney

ACCOUNT - EXECUTIVE SUMMARY

CITY OF ATLANTIC BEACH #454-109639 G.W. Capital - Small Cap Value Equity FS

AS OF 03/31/2012

Portfolio Performance (%)



Investment Returns (%) Since:	Qtr 12/31/11	YTD 12/31/11	Trailing 12 Months	Trailing 3 Years	Mgr Chng 03/31/10	Since 03/31/10	Inception 03/12/10
G.W. Capital - Small Cap Value Equit	***7.89***	***7.89***	***-7.54***	N/A	***10.18***	***10.18***	***10.07***
Russell 2000 Value Index	11.59	11.59	-1.07		9.24	9.24	N/A

Asset Growth ($000)							
Beginning Market Value	453	453	586	N/A	446	446	445
Net Contributions & Withdrawals	0	0	-45	N/A	-45	-45	-45
Gain/Loss + Income	35	35	-53	N/A	87	87	88
Ending Market Value	488	488	488	N/A	488	488	488

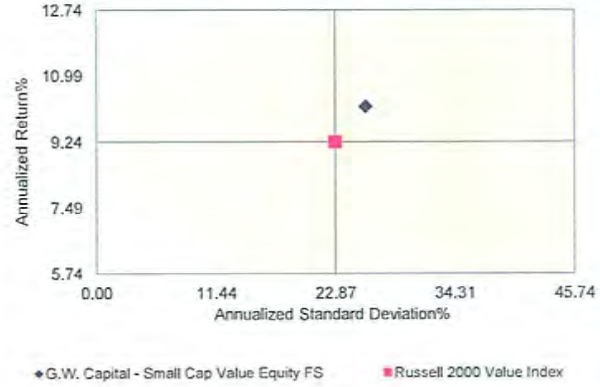
Asset Allocation ($000)

Dom. Eq	Intl Eq	Cash	A	Total
396	19	8	66	488

Portfolio Characteristics

Yield	1.16%	Account Sharpe Ratio	0.39
Beta	1.10	Index Sharpe Ratio	0.40
Alpha	0.45%	# Equity Positions	34
R^2	95%		

Risk / Return Analysis Since 03/31/2010



Annualized %	Return	Std. Dev.
G.W. Capital - Small Cap Value Equity FS	***10.18***	***25.79***
Russell 2000 Value Index	9.24	22.87

Top Equity Holdings

Stock	Sector	% Port
A O Smith Corp	Industrials	4.4
Esterline Technologies Cp	Industrials	4.4
Darling International Inc	Consumer Staples	4.0
Avis Budget Group Com	Industrials	3.8
Cno Finl Group Inc Com	Financials	3.6
Oneok Inc New	Utilities	3.6
Simpson Manufacturing Co Inc	Industrials	3.5
Brookdale Senior Living Inc	Health Care	3.4
Albany Intl A New	Industrials	3.4
Owens Illinois Com New	Materials	3.4

Economic Sector Allocation

	% Port
Industrials	26.5
Financials	24.0
Consumer Staples	13.8
Energy	11.3
Utilities	8.7
Materials	8.6
Health Care	5.1
Other	1.7

Report Created: 4/11/2012

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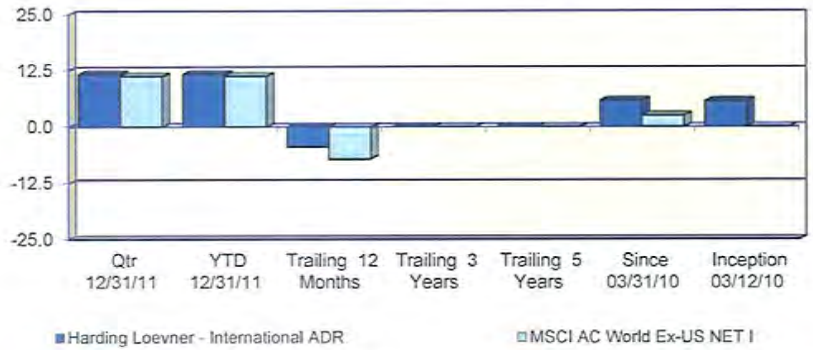
ACCOUNT - EXECUTIVE SUMMARY

CITY OF ATLANTIC BEACH #454-109640 Harding Loevner - International ADR

AS OF 03/31/2012

Portfolio Performance (%)



Investment Returns (%) Since:	Qtr 12/31/11	YTD 12/31/11	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/10	Inception 03/12/10
Harding Loevner - International ADR	***11.71***	***11.71***	***-4.45***	N/A	N/A	***5.81***	***5.65***
MSCI AC World Ex-US NET I	11.23	11.23	-7.18			2.48	N/A

Asset Growth ($000)							
Beginning Market Value	1,663	1,663	1,737	N/A	N/A	1,482	1,482
Net Contributions & Withdrawals	0	0	168	N/A	N/A	168	168
Gain/Loss + Income	195	195	-47	N/A	N/A	208	208
Ending Market Value	1,858	1,858	1,858	N/A	N/A	1,858	1,858

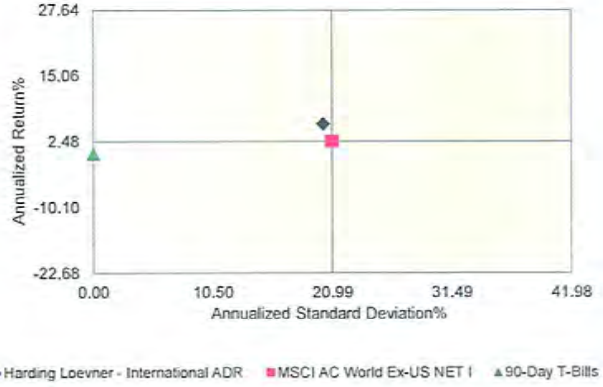
Asset Allocation ($000)

Dom. Eq	Intl Eq	Cash	Total
44	1,767	47	1,858

Portfolio Characteristics

Yield	1.95%	Account Sharpe Ratio	0.28
Beta	0.95	Index Sharpe Ratio	0.11
Alpha	3.33%	# Equity Positions	51
R^2	97%		

Risk / Return Analysis Since 03/31/2010



Annualized %	Return	Std. Dev.
Harding Loevner - International ADR	***5.81***	***20.23***
MSCI AC World Ex-US NET I	2.48	20.99
90-Day T-Bills	0.10	0.02

Top Equity Holdings

Stock	Sector	% Port
Nestle Spon Adr Rep Reg Shr	Consumer Staples	4.1
Air Liquide Adr	Materials	4.0
Li & Fung Ltd Unspon Adr	Other	3.9
Sap Ag	Information Technolo	3.7
Fanuc Corporation Unsp Adr	Industrials	3.4
Arm Holdings Plc Ads	Information Technolo	3.3
Dassault Systems Sa Ads	Information Technolo	3.1
Fresenius Medical Care Ag&co	Health Care	2.9
Wpp Plc Adr	Consumer Discretiona	2.7
Unicharm Corp Adr	Other	2.6

Economic Sector Allocation

	% Port
Other	27.6
Information Technolo	15.4
Consumer Staples	12.0
Energy	9.7
Health Care	8.5
Financials	8.0
Industrials	8.0
Consumer Discretiona	4.7
Materials	4.0
Telecommunication Se	2.1

Report Created: 4/11/2012

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MorganStanley SmithBarney

ACCOUNT - EXECUTIVE SUMMARY

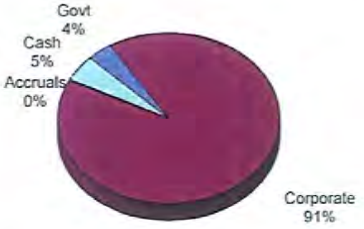
CITY OF ATLANTIC BEACH #454-109641 PIMCO - Total Return for Managed Accounts AS OF 03/31/2012

Portfolio Performance (%)

Investment Returns (%) Since:	Qtr 12/31/11	YTD 12/31/11	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/10	Inception 03/12/10
PIMCO - Total Return for Managed Ac	***1.94***	***1.94***	***5.93***	N/A	N/A	***5.75***	***5.42***
BC Aggregate Bond Index	0.30	0.30	7.72			6.41	N/A
Asset Growth ($000)							
Beginning Market Value	4,451	4,451	4,446	N/A	N/A	3,940	3,953
Net Contributions & Withdrawals	60	60	-106	N/A	N/A	181	181
Gain/Loss + Income	87	87	258	N/A	N/A	477	464
Ending Market Value	4,598	4,598	4,598	N/A	N/A	4,598	4,598

Asset Allocation ($000)

Govt	Corporate	Accruals	Cash	Total
168	4,192	9	229	4,598



Portfolio Characteristics

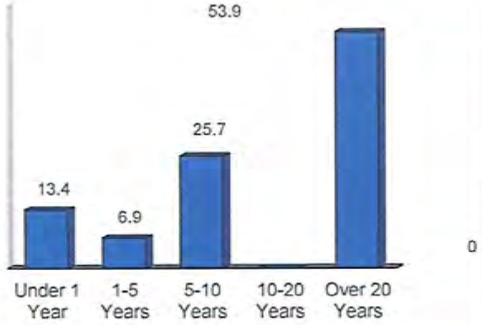
Current Yield	1.76%	Avg. Maturity	21.23 yrs
Yield to Mat.	0.00%	Duration	3.49 yrs
Avg. Coupon	4.27%	Avg. Yrs. to Call	21.23 yrs
# of Bonds	37		

Risk / Return Analysis Since 03/31/2010

Annualized %	Return	Std. Dev.
PIMCO - Total Return for Managed Accou	***5.75***	***3.08***
BC Aggregate Bond Index	6.41	2.61
Citigroup Broad Invt Grad	6.42	2.69
90-Day T-Bills	0.10	0.02

Bond Quality

Bond Maturity Distribution



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Information Disclosures

Please notify your Financial Advisor if there have been any changes in your financial situation or investment objectives, or if you wish to impose any reasonable restrictions on the management of your Investment Advisory accounts, or to reasonably modify existing restrictions.

For a copy of the applicable Form ADV Disclosure Document for Morgan Stanley Smith Barney LLC, or for any Investment Adviser with whom we contract to manage your investment advisory account, please contact your Financial Advisor. These Disclosure Documents contain important information about advisory programs.

Sources and Intent

This investment evaluation is directed only to the client for whom the evaluation was performed. The underlying data has been obtained from sources the Firm believes to be reliable but we do not guarantee their accuracy, and any such information may be incomplete or condensed. This evaluation is for informational purposes only and is not intended to be an offer, solicitation, or recommendation with respect to the purchase or sale of any security or a recommendation of the services supplied by any money management organization. Past performance is not a guarantee of future results. Performance for periods greater than one year is annualized. The information contained herein was prepared by your Financial Advisor and does not represent an official statement of your account at the Firm (or other outside custodians, if applicable.) Please refer to your monthly statement for a complete record of your transactions, holdings and balances.

This Performance Report may show the consolidated performance of some, but not necessarily all, of your Morgan Stanley Smith Barney accounts. In addition, it may show the full performance history of your accounts or just the performance of your accounts since inception in their current Morgan Stanley Smith Barney programs. In some cases, it may show the combined performance of brokerage accounts and advisory accounts. It is important that you understand the combination of accounts and account histories that are included in this Performance Report. Upon your request, performance information can be obtained for other accounts you may have with us, but which are not shown here.

Accounts included in this Performance Report may have had different investment objectives, been subject to different rules and restrictions, and incurred different types of fees, mark-ups, commissions, and other charges. Accordingly, the performance results for this portfolio may blend the performance of assets and strategies that may not have been available in all of your accounts at all times during the reporting period. Please consult your Financial Advisor for more information about the fees and expenses applicable to the accounts included in this Performance Report.

Net Rates of Return

The investment results depicted herein represent historical Net performance after the deduction of investment management fees and Select Retirement fees (if applicable). Valuation for periods prior to July 2004 is calculated based on settlement date accounting methods. The return is reduced by the account fee paid directly from your account for services. Fees paid outside Morgan Stanley Smith Barney are not recognized and therefore will not impact this return. The client is referred to the Consulting Group Descriptive Brochure or Part II of the Firm's Form ADV and any applicable Select Retirement Prospectus and Contract. Returns in excess of one year are annualized.

Advisory Notice

The Fiduciary Services-Affiliated Program and the Fiduciary Services-Unaffiliated Manager Program are separate and distinct advisory programs. Absent your written authorization, assets may only be transferred among managers within the particular program.

List of Composite Accounts

The Composite account presentation includes the following accounts: Total Fund, 454-109635, 454-109636, 454-109637, 454-109638, 454-109639, 454-109640, 454-109641.

Composite Index Definition
The Composite account's benchmark comprises the Russell 1000 Growth Index, Russell 1000 Value Index, Russell Mid Cap Index, Russell 2000 Growth Index, Russell 2000 Value Index. MSCI AC World Ex-US NET Index. BC Aggregate Bond Index, indices in the same asset mix as your portfolio. The mix is adjusted monthly based on changes in your portfolio.

International History:
Until 4th quarter 1997. International equities were included within the Domestic equity category for performance presentation. For asset allocation purposes, they are reflected beginning Jan.1. 1998.

Bond Average
Please note that all averages calculated are weighted averages meaning that the calculation takes into account the par value of each position. CMO's and Asset Backed securities are excluded from the calculation. Any bonds that are non-rated by both Moody's and S&P are excluded from the average rating calculation.

Fiscal Year
Total Fund's fiscal year ends on 2012/12
Acct# 454-109635's fiscal year ends on 2012/12
Acct# 454-109636's fiscal year ends on 2012/12
Acct# 454-109637's fiscal year ends on 2012/12
Acct# 454-109638's fiscal year ends on 2012/12
Acct# 454-109639's fiscal year ends on 2012/12
Acct# 454-109640's fiscal year ends on 2012/12
Acct# 454-109641's fiscal year ends on 2012/12

International and Small Capitalization Securities
To the extent the investments depicted herein represent international securities, you should be aware that there may be additional risks associated with international investing involving foreign, economic, political, and/or legal factors. International investing may not be for everyone. In addition, small capitalization securities may be more volatile than those of larger companies, but these companies may present greater growth potential.

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Daily Performance
Beginning January 1, 2005 (former Smith Barney accounts) and July 1, 2011 (former Morgan Stanley accounts), portfolio performance is calculated using a daily valuation methodology, with contributions and withdrawals to the portfolio reflected as of days they were actually made. Portfolio performance for earlier periods reflects various methodologies. Different calculation methods may result in portfolio performance figures that vary from those shown above.

Alpha

Alpha is the value added by active management of the portfolio's assets, given the risk of that portfolio. In other words, alpha is equal to the incremental return earned by the manager when the market is flat or stationary. An alpha of zero indicates that the manager earned the exact return dictated by the level of market risk (i.e., beta) of the portfolio. A positive alpha indicates that the manager has earned, on average, more than the portfolio's level of market risk would have dictated. A negative alpha indicates that the manager has earned, on average, less than the portfolio's level of market risk would have dictated. Alpha is the Y-intercept of the least squares regression line.

Beta

Beta is the systematic risk of the portfolio. Measured by the slope of the least squares regression, beta is the measure of portfolio risk which cannot be removed through diversification. Beta is also known as market risk. Beta is a statistical estimate of the average change in the portfolio's performance with a corresponding 1.0 percent change in the risk index. A beta of 1.0 indicates that the portfolio moves, on average, lock step with the risk index. A beta in excess of 1.0 indicates that the portfolio is highly sensitive to movements in the risk index. A beta of 1.5, for example, indicates that the portfolio tends to move 1.5 percent with every 1.0 percent movement in the risk index. A beta of less than 1.0 indicates that the portfolio is not as sensitive to movements in the risk index. A beta of 0.5, for example, indicates that the portfolio moves only 0.5 percent for every 1.0 percent movement in the risk index.

R-Squared

R-squared, or the coefficient of determination, measures the strength of the least squares regression relationship between the portfolio (the dependent variable) and the risk index (the independent variable). The statistic reveals the extent to which the variability in the dependent variable is due to the variability in the independent variable. As such, R-squared measures how well the portfolio returns move in tandem with the returns of the risk benchmark. Though it is true that the higher the R-squared the better, an R-squared of less than 0.9 (i.e., 90 percent), indicates that the total fund does not track closely with the risk benchmark. The strength of the R-squared statistic will reflect on the strength of alpha and beta. A weak R-squared, for example, would indicate that alpha and beta cannot be strictly interpreted.

Brokerage Account

In a brokerage relationship, your Financial Advisor will work with you to facilitate the execution of securities transactions on your behalf. Your Financial Advisor also provides investor education and professional, personalized information about financial products and services in connection with these brokerage services. You can choose how you want to pay for these services and you will receive the same services regardless of which pricing option you choose. There are important differences in your relationship with your Financial Advisor and Morgan Stanley Smith Barney in brokerage accounts and in advisory accounts.

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Compliance Checklist

Investment Objectives	Yes	No	N/A
Exceed CPI + 4% over the long-term (3-5 year period)			✓
Equal or exceed the actuarial assumption of 8% over the long-term (3-5 year period)			✓
Exceed the Plan's Target Index over the long-term (3-5 year period)			✓

Investment Guidelines	Yes	No	N/A
The total market value < upper limit and > lower limit	✓		
No direct investments in interest only or principal only CMOs, precious metals, limited partnerships or trusts (does not include REITs), real estate, venture capital, futures contracts or options contracts. No Trading on margin or short selling.	✓		
Equity Portfolio:			
Traded on major stock exchange or NASDAQ	✓		
No more than 15% (at cost) of total assets invested in foreign securities	✓		
No more than 5% (at cost) of total value in shares of a single corporate issuer	✓		
No one equity holding > 5% of the outstanding common stock of any one company	✓		
Fixed Income Portfolio:			
At a minimum, 80% of total fixed income portfolio "investment grade" or higher	✓		
No more than 10% (at cost) of total value in securities of any single corporate issuer	✓		
Structured notes are not held in the fixed income portfolio	✓		

Global Investment Committee Strategic Asset Allocation

ANALYSIS

Annual Update of Return, Risk and Correlation Estimates

This report contains the latest estimates of strategic, long-term (20-year-plus) performance characteristics for various asset classes—including a brief description of the methodology used to derive these estimates—from the Global Investment Committee's asset allocation team. We also provide updated intermediate-term (seven-year) return estimates.

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Strategic Return Estimates

To establish long-term strategic return estimates for the major asset classes (cash, sovereign bonds and stocks), we employ a building-block approach that draws on the various theoretical tenets of economics and finance.

CASH. The starting point for the first building block—the real (inflation-adjusted) return on cash—is an estimate of an economy's potential growth rate, which is derived from estimates of the long-term trends in productivity growth and labor-force growth for each market. This potential growth rate provides an approximation of the real cash rate. For developed economies, we use the latest estimates of trend potential GDP growth provided by the Organisation for Economic Cooperation and Development (OECD). We then apply an adjustment to correct for historical overestimation, using a process that gives greater weight to more recent years.

For the US, assuming a potential growth rate of 2.2% and applying our empirically derived adjustment of -0.6%, our first approximation of the long-term real cash return is 1.6%. This figure relates to the global benchmark three-month London Interbank Offered Rate (LIBOR). For most US investors, the more relevant proxy for cash is three-month Treasury bills. We derive our estimate for three-month Treasury bills by applying the historical average spread between LIBOR and Treasury bills of -0.6%. Thus, our estimate of the long-term real cash return is 1.0%. Incorporating a long-term inflation assumption of 2.0%—also sourced to the OECD—our estimate of the long-term nominal cash return is 3.0%. All estimates in this paper are in US dollars.

SOVEREIGN BONDS. The next step is to derive long-term return estimates for sovereign bonds by adding country-specific term premiums to our cash estimates. We estimate these term premiums using a regression model with two variables: short-term interest rates and credit ratings.

For the US, our estimate of the long-term bond term premium over cash (LIBOR) is 140 basis points. Applying this premium to the real cash return estimate, our estimate of the long-term, real return on US Treasury bonds is 3.0%. Incorporating our inflation assumption, our estimate of the long-term nominal return on US Treasury bonds is 5.0%.

In light of recent unprecedented developments that have altered perceptions of the creditworthiness of developed-country sovereign debt, we incorporated additional analyses into our estimates this year related to potential credit-rating downgrades and the risk of defaults. We based our term-premium estimates, as well as our estimates of the effect on returns from default and recovery rates, on the assumption that many developed countries—particularly in Europe—are likely to have their credit rating downgraded by at least one notch over the next few years. We note that only downgrades of several notches would imply a material risk of default. Indeed, based on empirical data, the probability of default within the next 20 years for a sovereign bond rated A (four notches below Aaa on the Moody's scale) is negligible, at about 1.5%.

EQUITIES. The final step in our building-block process is to derive long-term return estimates for equities, which requires an estimate of the equity risk premium (ERP). We consider two approaches in setting an estimate for the ERP. In the first, we estimate the forward-looking equity risk premium implied through a dividend discount model. We formulate expected earnings growth by combining short- and long-term consensus expectations, as well as historical real return on equity, for a composite of developed markets (made up of the G-7 nations except Japan, plus Australia). In the second, we estimate real retained earnings growth and dividend yields through analysis of historical data. Together, these approaches yield an estimate of 450 basis points for the ERP, which we add to our country-level estimates of the strategic return on sovereign bonds.

For the US, combining this equity risk premium with our strategic return estimate for bonds, our estimate of the long-term nominal return on stocks is 9.5%.

Key Sub-Asset Classes

US SHORT-TERM GOVERNMENT BONDS. We add a small term premium (40 basis points) over cash (LIBOR), which is consistent with a gradual upwardly sloped yield curve and considerably shorter duration than long-term bonds.

CORPORATE BONDS. We derive long-term estimates for the risk premiums of various credit-related fixed income securities over sovereign bonds based on historical spreads, credit ratings and the net effect on returns of expected default and recovery rates based on historical experience, using data provided by Moody's. This approach results in estimated risk premiums of 60 basis points for US investment-grade corporate bonds and 340 basis points for US high yield corporate bonds.

US LARGE-CAP, MID-CAP AND SMALL-CAP STOCKS. In order to refine our US all-cap equity estimate into the three standard capitalization categories, we examine the expected volatility and correlation of these sub-asset classes and set premiums for mid caps and small caps over large caps that are commensurate with their higher risk. As such, our strategic return estimates for mid caps and small caps are 50 basis points and 100 basis points over large caps, respectively. The 9.5% return estimate for US all caps represents the weighted average of the three size categories, with percentage allocations to each based on their share of the capitalization of the MSCI USA Index—72% large cap, 14% mid cap and 14% small cap.

US EQUITY STYLES. Given the long-term horizon of our strategic return estimates, we do not differentiate between growth and value in our forecasts. That is, growth and value return estimates are the same within each of the three capitalization categories.

EMERGING MARKET BONDS AND STOCKS. Our methodology for emerging markets mirrors the building-block approach we use for developed markets. That is, we derive strategic cash, bond and equity return estimates in local currencies, using the same fundamental inputs. For emerging economies, we develop long-term productivity growth estimates based

Please refer to important information, disclosures and qualifications at the end of this material

on an assumption of convergence to the level of the US over a period of several decades. We then couple these productivity growth estimates with estimates of long-term population growth provided by the United Nations. The adjustment we apply to our real cash return estimates to correct for historical overestimation is 2.8% for emerging markets. For country-level inflation estimates, we use the latest survey results from Consensus Economics, an independent forecasting firm.

Our aggregated emerging market return assumptions are weighted averages of our country-level assumptions. Country weights can vary considerably depending on whether they reflect share of GDP (used for aggregated cash return estimates), share of the benchmark bond index (used for aggregated bond return estimates) or share of the benchmark equity index (used for aggregated equity return estimates). For local-currency-denominated emerging market bonds, we estimate a risk premium of 170 basis points over US Treasury bonds; this includes a return premium of 50 basis points over US-dollar-denominated emerging market bonds, reflecting the effect of anticipated currency appreciation over time. For emerging market stocks, the combination of somewhat higher estimated cash returns, inflation, bond term premiums and volatility suggests a higher strategic equity return than for developed markets. Our estimate of the long-term nominal return on emerging market stocks is 11.1%, compared with 9.3% for developed-market stocks.

ALTERNATIVE INVESTMENTS. We compute return estimates using forecasting models for real estate investment trusts (REITs), commodities, inflation-linked securities, hedged strategies, managed futures, private equity and private real estate. Many of the models we use were developed by, or in coordination with, our colleagues at Alternative Investment Partners at Morgan Stanley Investment Management. The outputs from all models utilize our traditional asset-class return estimates, capturing the relationships between traditional and alternative asset classes.

GLOBAL REITS. Our return estimates for real estate investment trusts are driven by our global equity market estimate, but we make adjustments that account for REITs' lower market-capitalization bias and generally lower volatility relative to that of small-cap stocks.

COMMODITIES. We set commodity return estimates primarily based on the analysis of historical data from a number of index providers across a wide range of market and economic cycles.

INFLATION-LINKED SECURITIES. Given our long-term horizon, we assume that markets do not display systematic biases in setting inflation expectations through the pricing of inflation-linked securities relative to standard sovereign debt. As such, we expect comparable returns over time between standard and inflation-linked government securities.

HEDGED STRATEGIES AND MANAGED FUTURES. We decompose historical returns into skill-based returns, or alpha, and traditional market-related components, such as equity market volatility, credit spreads and the returns of various equity and fixed income markets. Our strategy-specific return estimates are thus derived by combining the estimates we assign to such traditional drivers of returns with our expectations for skill-based returns over our strategic horizon.

We subdivide hedged strategies into four groups based on their return characteristics. The categories are relative value, event driven, equity long-short and global macro. Typically, strategies within each category can play a different role within a multistrategy hedge fund or within a diversified portfolio. For example, strategies within the relative-value category typically display relatively low volatility and correlation to traditional assets. While the category's return estimate is lower, in risk-adjusted terms it tends to compare favorably with bonds. As such, this category is a particularly attractive complement to lower-risk portfolios. With regard to equity long-short strategies, although the correlation with equities is typically high, such strategies can complement stock-rich portfolios by reducing overall volatility without giving up potential returns.

PRIVATE EQUITY AND PRIVATE REAL ESTATE. We use a similar approach in deriving return estimates for private real estate and the two major components of private equity: leveraged buyouts (LBOs) and venture capital (VC). We estimate returns using models that recognize the relationships between stocks, bonds and private equity and real estate. For the purpose of asset allocation, we typically combine LBOs and VC into one broad category—private equity. For private real estate, return estimates are sensitive to our assumption for potential GDP growth; the generally lower estimates for GDP growth used in this forecast update are the primary cause of the lower return estimates for private real estate.

Nevertheless, we would expect private equity and real estate to provide important benefits to a well diversified portfolio—the former primarily through attractive returns, and the latter primarily through low correlation with traditional assets. Additionally, we believe that investors who do not require ready access to their capital can benefit from an "illiquidity premium" offered by investments such as private equity and real estate and, to a lesser extent, hedge funds, as compensation for locking up funds over extended periods.

However, it must be noted that, for a variety of reasons, the performance of many alternative investments is difficult to forecast and, especially in the case of hedge funds, typically presents risks beyond what volatility estimates would suggest. For example, alternative assets generally have not demonstrated a normal distribution of returns, displaying more downside risks than most traditional assets. In addition, investments that lock up capital for extended periods can limit investors' ability to rebalance portfolios and inhibit their ability to capitalize on the dislocations that periodically occur, especially during periods of stress in the financial markets.

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Using Strategic Return Estimates

Our latest strategic return estimates are shown in Table 1 (page 7). For those using our inputs to run their own portfolio optimization, we note that our estimates represent annualized (geometric) returns, as this is conceptually consistent with the long-term holding period associated with strategic allocations. However, most vendor optimization tools assume that the return inputs represent arithmetic averages and apply a downward adjustment (sometimes referred to as "variance drain") to account for the fact that annualized returns (geometric averages) are typically lower than average annual returns (arithmetic averages) because of the effects of compounding. This can affect optimization results. Therefore, in Table 1, we also provide the approximate annual average return estimates that correspond to our annualized return estimates.

Although these strategic returns represent our best estimate of performance for each asset class over an extended period (20-plus years), they do not provide much guidance as to the likely performance over a short time horizon. For instance, even for those assets that approximate a normal distribution of returns, such as cash, investment-grade bonds and US equities, a one-year return is likely to fall within a range defined by its strategic return estimate plus and minus two standard deviations (i.e., units of volatility). For many asset classes, given their inherent volatility, this implies a wide range of potential outcomes. Moreover, approximately 5% of the time, one can expect the one-year return to be outside even this range. Furthermore, the one-year return patterns for most alternative assets suggest an asymmetric rather than normal distribution, with fat tails.

VOLATILITY. We use standard deviation—a statistical measure of the variability of returns around the long-term average—to help quantify the volatility, or risk, associated with each of the traditional asset classes. We base our projections on historical data, judging this to be the best predictor of future outcomes. As shown in Chart 1, underlying trends of asset-class volatility tend to be relatively stable. In choosing an appropriate historical time frame to use for setting our volatility estimates, a short period is subject to high variability and can reflect temporary "noise" in the performance data, whereas a very long period can be slow to reflect changing trends. We use the period from January 1990 through December 2011, the latest available data, which seems to strike a reasonable balance between the factors noted above. (The exception is managed futures, for which we include data since 1980 in an attempt to offset its unstable variance across time.) This time frame also facilitates consistency in assessing the volatility of various hedge fund strategies, as performance data since 1990 are available from Hedge Fund Research, Inc. Our volatility estimates are in Table 1.

CORRELATION. Constructing efficient asset-class blends using portfolio optimization requires estimates of the degree to which returns among various asset classes tend to move together. The effectiveness

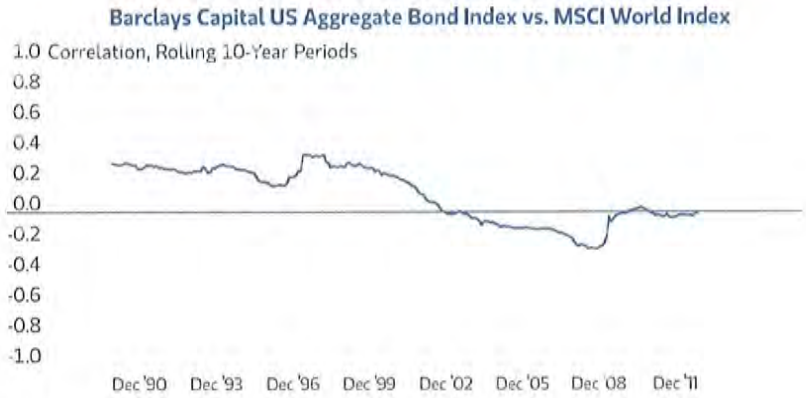
Chart 1: Asset-Class Volatility Since 1990

In short periods, various asset classes such as developed-market stocks, emerging market stocks and bonds can experience bursts of volatility. Over long time periods, such as 10 years, the volatility tends to be relatively stable.

Note: All indexes are unhedged.
Source: FactSet as of Dec. 30, 2011

Chart 2: Bonds and Stocks Show Low Correlation

At the basic level, the correlation between investment-grade bonds and equities is low—and often negative—reinforcing the wisdom of maintaining a balanced approach to investing.



Note: All indexes are unhedged.
Source: FactSet as of Dec. 30, 2011

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Chart 3: US and Non-US Developed Markets Become More Correlated

During the past two decades, the correlation between US equities and developed-market non-US equities has increased significantly.

Note: All indexes are unhedged.
Source: FactSet as of Dec. 30, 2011

Chart 4: Correlation Between Developed and Emerging Markets Increases

During the last 15 years, developed-market equities and emerging market equities have become increasingly correlated.

Note: All indexes are unhedged.
Source: FactSet as of Dec. 30, 2011

of portfolio diversification largely hinges on combining asset classes that have a low or negative correlation with each other over time. Although challenging financial market conditions in the past decade have caused many investors to question the benefits of portfolio diversification, Chart 2 (page 4) illustrates that, at the basic level, the correlation between investment-grade bonds and equities is low—and often negative—reinforcing the wisdom of maintaining a balanced approach to investing. To be sure, at the sub-asset-class level, certain correlations have significantly increased over the course of the past two decades. For example, note the stronger correlation between US stocks and developed-market non-US stocks and between developed-market stocks and emerging market stocks (see Chart 3 and Chart 4). Consistent with our time frame for measuring asset-class volatility, we derive correlation coefficients reflecting performance during the period from January 1990 to the present. The correlation matrix is shown in Table 3 (page 11).

Because of generally high correlations among traditional equity sub-asset classes, investors should carefully consider alternative investments when constructing long-term investment portfolios. Correlations between these alternative and traditional asset classes generally are lower over time. In setting our volatility and correlation estimates for alternative investments, we apply significant statistical adjustments to correct for distortions typically associated with the indexes of returns for hedge funds, private equity and private real estate.

For example, a private-equity fund may invest in infrequently priced securities and rely on book value, appraisals or other estimates to value them and to measure the fund's performance over a given month or quarter. Consequently, price estimates tend to understate the true volatility of funds, as well as overestimate the diversification benefits in combining them with traditional asset classes. Our adjustments to offset the effect of price staleness while correcting for outliers typically lead to higher volatility and correlation estimates.

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Intermediate-Term Return Estimates

Unlike strategic return estimates, our intermediate-term estimates take into account current market levels and valuations (see Table 2, page 9). In deriving these estimates, we generally assume that current market conditions will gradually converge to equilibrium conditions (i.e., our strategic assumptions) over a period of seven years. However, in setting our latest intermediate-term return estimates for cash in several developed markets, we have assumed that money-market rates will remain exceptionally low for the next few years and then gradually increase to the strategic level during the remainder of the intermediate-term horizon. This is consistent with the guidance from central banks, reflecting the challenges facing monetary policymakers in most developed economies in the wake of the financial crisis and with fiscal policy mainly focused on deficit reduction. For other countries, we assume that cash rates converge to their strategic levels over seven years.

Similarly, our intermediate-term bond return estimates assume that yields and credit spreads (over which central banks have less control) move from current levels to their strategic levels linearly over seven years. The assumed increase in yields from generally low current levels, especially for US government bonds, exerts a drag on performance, resulting in intermediate-term return estimates that are below their strategic return estimates for many markets.

For equities, we apply our dividend discount model to assess whether a particular market is overvalued or undervalued. Following generally weak performance during 2011, equity markets appear undervalued to varying degrees. We amortize the "return to fair value" process over the seven-year intermediate-term horizon for countries that are not confronting structural headwinds. For countries facing structural headwinds, we assume only a partial return to fair value over the intermediate-term horizon. Still, for most countries, the intermediate-term return estimates are above their strategic return estimates.

Given the fluidity of market conditions—the starting point for our intermediate-term return assumptions—these estimates are inherently more volatile than our strategic return assumptions. We do not derive separate volatility and correlation assumptions for the intermediate-term horizon. Our research suggests that our strategic estimates for volatility and correlation are appropriate to apply over intermediate- or long-term time horizons.

Distinct Time Horizons

The Global Investment Committee (GIC) provides asset allocation advice for three time horizons. The GIC's strategic estimates represent its long-term view on asset-class performance characteristics without regard for current market conditions; the intermediate-term asset-class performance estimates take current market levels and valuations into account and assume a gradual return to fair value over several years; finally, the GIC derives tactical asset allocation recommendations designed to capitalize on perceived opportunities in the capital markets during the next year or so. At times, these distinct time horizons may result in seemingly contradictory views and positions. As a general guide, for those seeking portfolio optimization or simulation results with a time horizon of 10 years or less, the intermediate-term estimates probably would be appropriate inputs; for a time horizon of more than 10 years, the strategic inputs generally are more appropriate. ■

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Table 1: Strategic Return and Volatility Estimates, 20+ Years*

	Annualized Return Estimate (%)*	Average Return Estimate (%) **	Annualized Volatility Estimate (%)†
Cash (US$ 90-day Treasury bill)	3.0	3.0	0.6
Cash (US$ three-month LIBOR)	3.6	3.6	0.6
Global Investment-Grade Bonds (hedged to US$)	5.3	5.3	3.1
Global Government/Government-Related Bonds (hedged to US$)	5.2	5.2	3.1
Global Corporate/Securitized Bonds (hedged to US$)	5.6	5.7	3.3
Global Short-Term Government Bonds (hedged to US$)	4.0	4.0	1.3
US Short-Term Government Bonds	4.0	4.0	1.7
US Investment-Grade Bonds	5.3	5.4	3.8
US Municipal Bonds	3.9	4.0	4.4
Non-US Government Bonds (hedged to US$)	5.2	5.2	3.0
Global High Yield Bonds (hedged to US$)	8.4	8.9	10.2
US High Yield Bonds	8.4	8.9	9.5
Global Emerging Market Debt (US$)	6.2	6.6	9.1
Global Emerging Market Local Debt (unhedged)	6.7	7.4	11.9
Global Equities (unhedged)	9.5	10.7	16.1
Developed-Market Large-/Mid-Cap Stocks (unhedged)	9.1	10.2	15.7
US All-Cap Stocks	9.5	10.6	15.5
US Large-Cap Core Stocks	9.3	10.4	15.4
US Large-Cap Value Stocks	9.3	10.3	15.0
US Large-Cap Growth Stocks	9.3	10.7	17.5
US Mid-Cap Core Stocks	9.9	11.2	17.1
US Mid-Cap Value Stocks	9.9	11.1	16.3
US Mid-Cap Growth Stocks	9.9	11.9	21.3
US Small-Cap Core Stocks	10.3	12.0	19.9
US Small-Cap Value Stocks	10.3	11.7	17.7
US Small-Cap Growth Stocks	10.3	12.7	23.5
Developed-Market ex US Large-/Mid-Cap Stocks (unhedged)	8.9	10.3	17.7
Developed-Market ex US Small-Cap Stocks (unhedged)	9.7	11.2	18.6
Europe Large-/Mid-Cap Stocks (unhedged)	8.8	10.2	18.0
Europe ex UK Large-/Mid-Cap Stocks (unhedged)	8.8	10.5	19.4
UK Large-/Mid-Cap Stocks (unhedged)	8.8	10.1	16.8
Japan Large-/Mid-Cap Stocks (unhedged)	8.2	10.3	21.9
Canada Large-/Mid-Cap Stocks (unhedged)	8.8	10.6	20.1
Developed Asia Pacific ex Japan Large-/Mid-Cap Stocks (unhedged)	9.9	11.9	21.7
Global Emerging Market Stocks (unhedged)	11.1	13.6	24.3

Source: Morgan Stanley Smith Barney Investment Strategy as of Dec. 30, 2011
Annualized return, average return and annualized volatility estimates are long-term estimates with a 20-year-plus time horizon. Annualized volatility estimates are based on data from January 1990 through December 2011.

*Strategic estimates are for illustrative purposes only, are based on proprietary models and are not indicative of the future performance of any specific investment, index or asset class. Actual performance may be more or less than the estimates shown in this table. Estimates of future performance are based on assumptions that may not be realized.

**The figures in this column represent the approximate arithmetic average equivalent of our annualized (geometric) return estimates. Certain optimization tools assume that the return inputs represent arithmetic averages.

†We apply significant statistical adjustments to correct for distortions typically associated with indexes of returns for hedge funds, private equity and private real estate.

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Table 1: Strategic Return and Volatility Estimates, 20+ Years* (continued)

	Annualized Return Estimate (%)	Average Return Estimate (%) **	Annualized Volatility Estimate (%)†
Global REITs (unhedged)	8.8	10.4	19.2
US REITs	8.6	10.2	18.8
World ex US REITs (unhedged)	8.9	10.7	20.3
Commodities	8.2	9.2	15.0
Global Inflation-Linked Securities (unhedged)	4.6	4.9	8.0
US Inflation-Linked Securities	5.0	5.1	5.1
Non-US Inflation-Linked Securities (unhedged)	4.4	4.9	10.2
Broad Fund of Hedge Funds	9.0	9.3	8.4
Hedge Funds – Relative Value	7.1	7.3	5.9
Hedge Funds – Event Driven	9.3	9.7	9.2
Hedge Funds – Global Macro	10.2	10.6	9.3
Hedge Funds – Equity Long-Short	10.9	11.4	11.0
Managed Futures	8.4	9.3	14.2
US Private Equity	13.3	15.4	22.5
US Private Equity – Leveraged Buyout	12.8	15.0	22.7
US Private Equity – Venture Capital	15.5	19.7	32.5
Global Private Real Estate	7.6	8.2	11.3
US Private Real Estate	6.4	7.3	13.8
US Private Real Estate Funds	9.8	10.9	16.0
US Private Real Estate Funds – Core	8.3	9.5	16.5
US Private Real Estate Funds – Value-Added	9.6	11.0	17.6
US Private Real Estate Funds – Opportunistic	11.4	13.8	24.0

Source: Morgan Stanley Smith Barney Investment Strategy as of Dec. 30, 2011
Annualized return, average return and annualized volatility estimates are long-term estimates with a 20-year-plus time horizon. Annualized volatility estimates are based on data from January 1990 through December 2011.

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Table 2: Intermediate-Term Return and Volatility Estimates, Seven Years*

	Annualized Return Estimate (%)*	Average Return Estimate (%) **	Annualized Volatility Estimate (%)†
Cash (US$ 90-day Treasury bill)	0.7	0.7	0.6
Cash (US$ three-month LIBOR)	1.4	1.4	0.6
Global Investment-Grade Bonds (hedged to US$)	3.1	3.1	3.1
Global Government/Government-Related Bonds (hedged to US$)	2.3	2.3	3.1
Global Corporate/Securitized Bonds (hedged to US$)	4.8	4.9	3.3
Global Short-Term Government Bonds (hedged to US$)	1.7	1.7	1.3
US Short-Term Government Bonds	1.1	1.1	1.7
US Investment-Grade Bonds	2.6	2.7	3.8
US Municipal Bonds	1.2	1.3	4.4
Non-US Government Bonds (hedged to US$)	2.7	2.7	3.0
Global High Yield Bonds (hedged to US$)	6.7	7.2	10.2
US High Yield Bonds	6.3	6.7	9.5
Global Emerging Market Debt (US$)	6.6	7.0	9.1
Global Emerging Market Local Debt (unhedged)	7.1	7.8	11.9
Global Equities (unhedged)	10.6	11.7	16.1
Developed-Market Large-/Mid-Cap Stocks (unhedged)	9.8	10.9	15.7
US All-Cap Stocks	10.5	11.6	15.5
US Large-Cap Core Stocks	10.3	11.3	15.4
US Large-Cap Value Stocks	10.3	11.3	15.0
US Large-Cap Growth Stocks	10.3	11.6	17.5
US Mid-Cap Core Stocks	10.8	12.1	17.1
US Mid-Cap Value Stocks	10.8	12.0	16.3
US Mid-Cap Growth Stocks	10.8	12.8	21.3
US Small-Cap Core Stocks	11.3	13.0	19.9
US Small-Cap Value Stocks	11.3	12.7	17.7
US Small-Cap Growth Stocks	11.3	13.7	23.5
Developed-Market ex US Large-/Mid-Cap Stocks (unhedged)	9.8	11.2	17.7
Developed-Market ex US Small-Cap Stocks (unhedged)	10.4	11.9	18.6
Europe Large-/Mid-Cap Stocks (unhedged)	8.8	10.2	18.0
Europe ex UK Large-/Mid-Cap Stocks (unhedged)	9.0	10.7	19.4
UK Large-/Mid-Cap Stocks (unhedged)	8.3	9.6	16.8
Japan Large-/Mid-Cap Stocks (unhedged)	9.0	11.1	21.9
Canada Large-/Mid-Cap Stocks (unhedged)	10.7	12.5	20.1
Developed Asia Pacific ex Japan Large-/Mid-Cap Stocks (unhedged)	12.2	14.2	21.7
Global Emerging Market Stocks (unhedged)	15.0	17.4	24.3

Source: Morgan Stanley Smith Barney Investment Strategy as of Dec. 30, 2011.

Annualized return, average return and annualized volatility estimates are intermediate-term estimates with a time horizon of seven years. Annualized volatility estimates are based on data from January 1990 through December 2011. We do not derive new volatility assumptions for the intermediate-term horizon. Our research suggests that strategic estimates for volatility are more stable than return estimates, and are appropriate to apply over a seven-year horizon as well as a 20-year-plus horizon.

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Table 2: Intermediate-Term Return and Volatility Estimates, Seven Years* (continued)

	Annualized Return Estimate (%)	Average Return Estimate (%) **	Annualized Volatility Estimate (%)†
Global REITs (unhedged)	8.8	10.4	19.2
US REITs	8.7	10.3	18.8
World ex US REITs (unhedged)	8.9	10.7	20.3
Commodities	5.4	6.4	15.0
Global Inflation-Linked Securities (unhedged)	3.2	3.5	8.0
US Inflation-Linked Securities	1.6	1.7	5.1
Non-US Inflation-Linked Securities (unhedged)	3.9	4.4	10.2
Broad Fund of Hedge Funds	8.7	9.0	8.4
Hedge Funds – Relative Value	6.7	6.9	5.9
Hedge Funds – Event Driven	8.6	9.0	9.2
Hedge Funds – Global Macro	10.2	10.6	9.3
Hedge Funds – Equity Long-Short	10.8	11.3	11.0
Managed Futures	8.4	9.3	14.2
US Private Equity	15.4	17.5	22.5
US Private Equity – Leveraged Buyout	14.8	16.9	22.7
US Private Equity – Venture Capital	17.6	21.7	32.5
Global Private Real Estate	7.4	8.0	11.3
US Private Real Estate	5.6	6.5	13.8
US Private Real Estate Funds	10.2	11.3	16.0
US Private Real Estate Funds – Core	8.4	9.6	16.5
US Private Real Estate Funds – Value-Added	9.8	11.2	17.6
US Private Real Estate Funds – Opportunistic	12.2	14.6	24.0

Source: Morgan Stanley Smith Barney Investment Strategy as of Dec. 30, 2011.

Annualized return, average return and annualized volatility estimates are intermediate-term estimates with a time horizon of seven years. Annualized volatility estimates are based on data from January 1990 through December 2011. We do not derive new volatility assumptions for the intermediate-term horizon. Our research suggests that strategic estimates for volatility are more stable than return estimates, and are appropriate to apply over a seven-year horizon as well as a 20-year-plus horizon.

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Table 3: Correlation Matrix

		1	2	3	4	5	6	7	8	9	10	11	12
1	Cash (US$ 90-day Treasury bill)	1.00	0.99	0.13	0.12	-0.01	0.43	0.32	0.07	0.04	0.14	-0.04	-0.06
2	Cash (US$ three-month LIBOR)	0.99	1.00	0.13	0.12	-0.07	0.46	0.34	0.06	0.01	0.15	-0.09	-0.11
3	Global Investment-Grade Bonds (hedged to US$)	0.13	0.13	1.00	0.98	0.89	0.80	0.77	0.94	0.69	0.86	0.20	0.17
4	Global Government/Government-Related Bonds (hedged to US$)	0.12	0.12	0.98	1.00	0.78	0.82	0.77	0.89	0.64	0.92	0.10	0.06
5	Global Corporate/Securitized Bonds (hedged to US$)	-0.01	-0.07	0.89	0.78	1.00	0.45	0.48	0.91	0.67	0.64	0.47	0.41
6	Global Short-Term Government Bonds (hedged to US$)	0.43	0.46	0.80	0.82	0.45	1.00	0.89	0.70	0.48	0.77	-0.02	-0.05
7	US Short-Term Government Bonds	0.32	0.34	0.77	0.77	0.48	0.89	1.00	0.78	0.47	0.58	-0.07	-0.10
8	US Investment-Grade Bonds	0.07	0.06	0.94	0.89	0.91	0.70	0.78	1.00	0.72	0.67	0.24	0.23
9	US Municipal Bonds	0.04	0.01	0.69	0.64	0.67	0.48	0.47	0.72	1.00	0.50	0.28	0.29
10	Non-US Government Bonds (hedged to US$)	0.14	0.15	0.86	0.92	0.64	0.77	0.58	0.67	0.50	1.00	0.08	0.03
11	Global High Yield Bonds (hedged to US$)	-0.04	-0.09	0.20	0.10	0.47	-0.02	-0.07	0.24	0.28	0.08	1.00	0.92
12	US High Yield Bonds	-0.06	-0.11	0.17	0.06	0.41	-0.05	-0.10	0.23	0.29	0.03	0.92	1.00
13	Global Emerging Market Debt (US$)	0.01	-0.02	0.32	0.24	0.62	0.12	0.08	0.34	0.28	0.22	0.81	0.52
14	Global Emerging Market Local Debt (unhedged)	0.05	-0.02	0.33	0.22	0.55	0.00	0.05	0.39	0.22	0.12	0.70	0.65
15	Global Equities (unhedged)	-0.01	-0.05	0.08	0.01	0.18	-0.07	-0.13	0.10	0.11	0.02	0.67	0.62
16	Developed-Market Large-/Mid-Cap Stocks (unhedged)	0.01	-0.03	0.10	0.03	0.17	-0.05	-0.11	0.11	0.12	0.05	0.65	0.60
17	US All-Cap Stocks	0.05	0.02	0.10	0.03	0.10	-0.04	-0.10	0.12	0.14	0.04	0.67	0.62
18	US Large-Cap Core Stocks	0.06	0.02	0.11	0.04	0.11	-0.03	-0.08	0.13	0.14	0.05	0.66	0.61
19	US Large-Cap Value Stocks	0.06	0.01	0.14	0.07	0.16	-0.01	-0.07	0.15	0.16	0.08	0.64	0.59
20	US Large-Cap Growth Stocks	0.06	0.03	0.07	0.01	0.05	-0.05	-0.09	0.10	0.11	0.01	0.61	0.57
21	US Mid-Cap Core Stocks	0.02	-0.03	0.07	0.01	0.14	-0.09	-0.14	0.11	0.16	0.01	0.70	0.66
22	US Mid-Cap Value Stocks	0.01	-0.04	0.12	0.06	0.19	-0.06	-0.11	0.14	0.19	0.06	0.67	0.65
23	US Mid-Cap Growth Stocks	0.02	-0.01	0.01	-0.05	0.05	-0.11	-0.16	0.05	0.10	-0.04	0.62	0.59
24	US Small-Cap Core Stocks	-0.01	-0.04	0.00	-0.06	0.07	-0.12	-0.19	0.02	0.07	-0.03	0.66	0.63
25	US Small-Cap Value Stocks	-0.01	-0.05	0.04	-0.02	0.11	-0.10	-0.16	0.06	0.10	0.00	0.66	0.64
26	US Small-Cap Growth Stocks	-0.01	-0.03	-0.03	-0.08	0.02	-0.13	-0.20	-0.01	0.04	-0.05	0.62	0.59
27	Developed-Market ex US Large-/Mid-Cap Stocks (unhedged)	-0.02	-0.06	0.08	0.02	0.23	-0.06	-0.11	0.10	0.11	0.03	0.60	0.56
28	Developed-Market ex US Small-Cap Stocks (unhedged)	-0.04	-0.11	-0.06	-0.17	0.28	-0.28	-0.28	0.01	0.05	-0.19	0.70	0.66
29	Europe Large-/Mid-Cap Stocks (unhedged)	0.05	0.01	0.09	0.02	0.21	-0.05	-0.10	0.10	0.11	0.04	0.61	0.58
30	Europe ex UK Large-/Mid-Cap Stocks (unhedged)	0.04	0.00	0.07	0.00	0.19	-0.07	-0.12	0.08	0.08	0.02	0.60	0.58
31	UK Large-/Mid-Cap Stocks (unhedged)	0.06	0.01	0.14	0.06	0.22	0.00	-0.04	0.14	0.17	0.05	0.56	0.53
32	Japan Large-/Mid-Cap Stocks (unhedged)	-0.08	-0.09	0.07	0.03	0.22	-0.03	-0.06	0.09	0.06	0.02	0.35	0.31
33	Canada Large-/Mid-Cap Stocks (unhedged)	0.00	-0.04	0.05	-0.02	0.19	-0.09	-0.13	0.10	0.14	-0.03	0.65	0.58
34	Developed Asia Pacific ex Japan Large-/Mid-Cap Stocks (unhedged)	-0.04	-0.08	0.10	0.03	0.28	-0.06	-0.10	0.11	0.17	0.04	0.67	0.58
35	Global Emerging Market Stocks (unhedged)	-0.05	-0.10	-0.01	-0.08	0.21	-0.15	-0.19	0.00	0.04	-0.05	0.71	0.60
36	Global REITs (unhedged)	-0.05	-0.10	0.19	0.13	0.37	0.01	-0.05	0.19	0.24	0.14	0.65	0.60
37	US REITs	-0.04	-0.09	0.13	0.08	0.30	-0.05	-0.07	0.16	0.19	0.06	0.59	0.62
38	World ex US REITs (unhedged)	-0.05	-0.10	0.18	0.13	0.37	0.02	-0.02	0.19	0.23	0.14	0.60	0.52
39	Commodities	0.05	0.00	-0.02	-0.07	0.16	-0.11	-0.06	0.03	-0.03	-0.12	0.34	0.31
40	Global Inflation-Linked Securities (unhedged)	-0.03	-0.09	0.51	0.43	0.67	0.18	0.27	0.59	0.40	0.29	0.43	0.45
41	US Inflation-Linked Securities	-0.01	-0.04	0.59	0.55	0.72	0.33	0.45	0.67	0.49	0.38	0.28	0.25
42	Non-US Inflation-Linked Securities (unhedged)	-0.05	-0.10	0.42	0.36	0.57	0.15	0.22	0.49	0.32	0.26	0.37	0.40
43	Broad Fund of Hedge Funds	0.16	0.11	0.08	0.02	0.22	0.01	-0.06	0.09	0.14	0.01	0.54	0.44
44	Hedge Funds – Relative Value	0.15	0.08	0.08	-0.01	0.38	-0.05	-0.11	0.10	0.18	-0.01	0.71	0.68
45	Hedge Funds – Event Driven	0.12	0.06	0.09	0.00	0.25	-0.04	-0.12	0.09	0.16	0.01	0.78	0.73
46	Hedge Funds – Global Macro	0.11	0.07	0.28	0.25	0.40	0.21	0.18	0.28	0.24	0.23	0.32	0.23
47	Hedge Funds – Equity Long-Short	0.19	0.14	0.07	-0.01	0.17	0.00	-0.07	0.08	0.10	0.00	0.61	0.55
48	Managed Futures	0.06	0.06	0.23	0.26	0.16	0.27	0.27	0.21	0.16	0.19	-0.12	-0.14
49	US Private Equity	0.09	0.05	-0.07	-0.11	-0.08	-0.11	-0.22	-0.11	-0.01	-0.03	0.52	0.50
50	US Private Equity – Leveraged Buyout	0.11	0.06	-0.06	-0.10	-0.06	-0.10	-0.20	-0.10	0.01	-0.04	0.52	0.50
51	US Private Equity – Venture Capital	0.04	0.02	-0.08	-0.11	-0.13	-0.12	-0.23	-0.14	-0.05	-0.03	0.48	0.45
52	Global Private Real Estate	-0.03	-0.11	-0.16	-0.20	0.03	-0.29	-0.26	-0.14	0.00	-0.19	0.35	0.38
53	US Private Real Estate	-0.03	-0.11	-0.16	-0.20	0.03	-0.29	-0.26	-0.14	0.00	-0.19	0.35	0.38
54	US Private Real Estate Funds	-0.05	-0.09	-0.10	-0.09	-0.01	-0.20	-0.23	-0.09	-0.10	-0.07	0.06	0.05
55	US Private Real Estate Funds – Core	-0.11	-0.14	-0.07	-0.07	0.00	-0.18	-0.18	-0.05	-0.08	-0.06	-0.02	0.01
56	US Private Real Estate Funds – Value-Added	0.02	-0.01	-0.06	-0.05	-0.07	-0.12	-0.15	-0.05	-0.02	-0.03	0.10	0.09
57	US Private Real Estate Funds – Opportunistic	-0.02	-0.04	-0.09	-0.09	0.01	-0.17	-0.21	-0.09	-0.10	-0.07	0.08	0.04

Source: Morgan Stanley Smith Barney Investment Strategy as of Dec. 30, 2011. Based on data from January 1990 through December 2011.
Correlation is a statistical method of measuring the strength of a linear relationship between two variables. The correlation between two variables can assume any value from -1.00 to +1.00, inclusive. Past performance is not indicative of future results. We apply significant statistical adjustments to correct for distortions typically associated with index returns for hedge funds, private equity and private real estate. Correlation assumptions are the same for the strategic and intermediate-term horizons.

Please refer to important information, disclosures and qualifications at the end of this material.

Table 3: Correlation Matrix (continued)

		13	14	15	16	17	18	19	20	21	22	23	24
1	Cash (US$ 90-day Treasury bill)	0.01	0.05	-0.01	0.01	0.05	0.06	0.06	0.06	0.02	0.01	0.02	-0.01
2	Cash (US$ three-month LIBOR)	-0.02	-0.02	-0.05	-0.03	0.02	0.02	0.01	0.03	-0.03	-0.04	-0.01	-0.04
3	Global Investment-Grade Bonds (hedged to US$)	0.32	0.33	0.08	0.10	0.10	0.11	0.14	0.07	0.07	0.12	0.01	0.00
4	Global Government/Government-Related Bonds (hedged to US$)	0.24	0.22	0.01	0.03	0.03	0.04	0.07	0.01	0.01	0.06	-0.05	-0.06
5	Global Corporate/Securitized Bonds (hedged to US$)	0.62	0.55	0.18	0.17	0.10	0.11	0.16	0.05	0.14	0.19	0.05	0.07
6	Global Short-Term Government Bonds (hedged to US$)	0.12	0.00	-0.07	-0.05	-0.04	-0.03	-0.01	-0.05	-0.09	-0.06	-0.11	-0.12
7	US Short-Term Government Bonds	0.08	0.05	-0.13	-0.11	-0.10	-0.08	-0.07	-0.09	-0.14	-0.11	-0.16	-0.19
8	US Investment-Grade Bonds	0.34	0.39	0.10	0.11	0.12	0.13	0.15	0.10	0.11	0.14	0.05	0.02
9	US Municipal Bonds	0.28	0.22	0.11	0.12	0.14	0.14	0.16	0.11	0.16	0.19	0.10	0.07
10	Non-US Government Bonds (hedged to US$)	0.22	0.12	0.02	0.05	0.04	0.05	0.08	0.01	0.01	0.06	-0.04	-0.03
11	Global High Yield Bonds (hedged to US$)	0.81	0.70	0.67	0.65	0.67	0.66	0.64	0.61	0.70	0.67	0.62	0.66
12	US High Yield Bonds	0.52	0.65	0.62	0.60	0.62	0.61	0.59	0.57	0.66	0.65	0.59	0.63
13	Global Emerging Market Debt (US$)	1.00	0.79	0.56	0.53	0.54	0.54	0.52	0.50	0.54	0.51	0.49	0.50
14	Global Emerging Market Local Debt (unhedged)	0.79	1.00	0.77	0.76	0.69	0.69	0.70	0.65	0.68	0.69	0.65	0.65
15	Global Equities (unhedged)	0.56	0.77	1.00	0.99	0.90	0.89	0.83	0.86	0.88	0.81	0.83	0.80
16	Developed-Market Large-/Mid-Cap Stocks (unhedged)	0.53	0.76	0.99	1.00	0.90	0.90	0.85	0.86	0.86	0.82	0.80	0.76
17	US All-Cap Stocks	0.54	0.69	0.90	0.90	1.00	1.00	0.93	0.96	0.96	0.90	0.90	0.86
18	US Large-Cap Core Stocks	0.54	0.69	0.89	0.90	1.00	1.00	0.94	0.96	0.95	0.90	0.89	0.84
19	US Large-Cap Value Stocks	0.52	0.70	0.83	0.85	0.93	0.94	1.00	0.80	0.90	0.96	0.73	0.77
20	US Large-Cap Growth Stocks	0.50	0.65	0.86	0.86	0.96	0.96	0.80	1.00	0.90	0.76	0.93	0.81
21	US Mid-Cap Core Stocks	0.54	0.68	0.88	0.86	0.96	0.95	0.90	0.90	1.00	0.94	0.93	0.93
22	US Mid-Cap Value Stocks	0.51	0.69	0.81	0.82	0.90	0.90	0.96	0.76	0.94	1.00	0.76	0.83
23	US Mid-Cap Growth Stocks	0.49	0.65	0.83	0.80	0.90	0.89	0.73	0.93	0.93	0.76	1.00	0.90
24	US Small-Cap Core Stocks	0.50	0.65	0.80	0.76	0.86	0.84	0.77	0.81	0.93	0.83	0.90	1.00
25	US Small-Cap Value Stocks	0.47	0.64	0.75	0.74	0.83	0.81	0.84	0.70	0.90	0.91	0.77	0.94
26	US Small-Cap Growth Stocks	0.48	0.63	0.79	0.74	0.84	0.81	0.68	0.84	0.90	0.74	0.95	0.97
27	Developed-Market ex US Large-/Mid-Cap Stocks (unhedged)	0.51	0.79	0.96	0.96	0.76	0.76	0.72	0.71	0.75	0.70	0.69	0.67
28	Developed-Market ex US Small-Cap Stocks (unhedged)	0.51	0.76	0.88	0.84	0.73	0.72	0.69	0.67	0.77	0.73	0.71	0.73
29	Europe Large-/Mid-Cap Stocks (unhedged)	0.46	0.77	0.92	0.92	0.81	0.80	0.78	0.75	0.79	0.75	0.72	0.71
30	Europe ex UK Large-/Mid-Cap Stocks (unhedged)	0.45	0.77	0.90	0.90	0.79	0.79	0.75	0.73	0.77	0.73	0.72	0.71
31	UK Large-/Mid-Cap Stocks (unhedged)	0.44	0.72	0.86	0.87	0.75	0.76	0.75	0.69	0.73	0.73	0.64	0.61
32	Japan Large-/Mid-Cap Stocks (unhedged)	0.36	0.55	0.70	0.70	0.44	0.43	0.40	0.42	0.42	0.38	0.42	0.39
33	Canada Large-/Mid-Cap Stocks (unhedged)	0.57	0.69	0.82	0.80	0.79	0.79	0.72	0.76	0.80	0.72	0.78	0.73
34	Developed Asia Pacific ex Japan Large-/Mid-Cap Stocks (unhedged)	0.60	0.82	0.81	0.78	0.71	0.71	0.68	0.66	0.73	0.68	0.67	0.67
35	Global Emerging Market Stocks (unhedged)	0.64	0.79	0.80	0.76	0.70	0.69	0.65	0.67	0.72	0.66	0.69	0.69
36	Global REITs (unhedged)	0.57	0.78	0.81	0.79	0.69	0.68	0.71	0.58	0.72	0.75	0.59	0.66
37	US REITs	0.40	0.64	0.57	0.56	0.60	0.58	0.66	0.46	0.67	0.75	0.49	0.66
38	World ex US REITs (unhedged)	0.59	0.76	0.79	0.77	0.65	0.64	0.66	0.56	0.66	0.67	0.57	0.59
39	Commodities	0.27	0.52	0.43	0.40	0.32	0.31	0.32	0.27	0.38	0.36	0.33	0.32
40	Global Inflation-Linked Securities (unhedged)	0.35	0.79	0.41	0.40	0.31	0.31	0.33	0.25	0.34	0.37	0.25	0.27
41	US Inflation-Linked Securities	0.34	0.45	0.10	0.10	0.08	0.09	0.10	0.06	0.10	0.14	0.05	0.02
42	Non-US Inflation-Linked Securities (unhedged)	0.28	0.76	0.41	0.40	0.29	0.29	0.31	0.23	0.32	0.34	0.24	0.27
43	Broad Fund of Hedge Funds	0.54	0.57	0.62	0.57	0.57	0.56	0.47	0.57	0.60	0.47	0.64	0.58
44	Hedge Funds – Relative Value	0.53	0.63	0.60	0.58	0.57	0.56	0.56	0.52	0.61	0.58	0.54	0.58
45	Hedge Funds – Event Driven	0.59	0.68	0.78	0.75	0.79	0.78	0.73	0.74	0.83	0.75	0.79	0.83
46	Hedge Funds – Global Macro	0.38	0.48	0.24	0.23	0.24	0.24	0.23	0.23	0.26	0.23	0.24	0.21
47	Hedge Funds – Equity Long-Short	0.51	0.69	0.78	0.74	0.78	0.76	0.65	0.78	0.82	0.67	0.85	0.83
48	Managed Futures	-0.02	0.15	-0.08	-0.08	-0.12	-0.12	-0.09	-0.14	-0.12	-0.09	-0.15	-0.15
49	US Private Equity	0.39	0.56	0.73	0.74	0.78	0.79	0.70	0.77	0.74	0.66	0.74	0.70
50	US Private Equity – Leveraged Buyout	0.39	0.56	0.73	0.74	0.78	0.79	0.73	0.75	0.74	0.69	0.71	0.70
51	US Private Equity – Venture Capital	0.37	0.56	0.68	0.67	0.73	0.73	0.58	0.77	0.69	0.54	0.77	0.66
52	Global Private Real Estate	0.15	0.37	0.31	0.31	0.31	0.30	0.36	0.23	0.35	0.41	0.24	0.35
53	US Private Real Estate	0.15	0.37	0.31	0.31	0.31	0.30	0.36	0.23	0.35	0.41	0.24	0.35
54	US Private Real Estate Funds	0.07	0.10	0.16	0.17	0.17	0.16	0.20	0.12	0.18	0.20	0.14	0.18
55	US Private Real Estate Funds – Core	-0.07	0.00	0.05	0.06	0.04	0.04	0.06	0.02	0.05	0.07	0.04	0.05
56	US Private Real Estate Funds – Value-Added	0.13	0.15	0.17	0.18	0.15	0.15	0.17	0.12	0.16	0.16	0.13	0.16
57	US Private Real Estate Funds – Opportunistic	0.14	0.14	0.17	0.18	0.20	0.19	0.23	0.15	0.20	0.23	0.16	0.21

Source: Morgan Stanley Smith Barney Investment Strategy as of Dec. 31, 2011. Based on data from January 1990 through December 2011.
Correlation is a statistical method of measuring the strength of a linear relationship between two variables. The correlation between two variables can assume any value from -1.00 to +1.00, inclusive. Past performance is not indicative of future results. We apply significant statistical adjustments to correct for distortions typically associated with index returns for hedge funds, private equity and private real estate. Correlation assumptions are the same for the strategic and intermediate-term horizons.

Please refer to Important Information, disclosures and qualifications at the end of this material.

Table 3: Correlation Matrix (continued)

		25	26	27	28	29	30	31	32	33	34	35	36
1	Cash (US$ 90-day Treasury bill)	-0.01	-0.01	-0.02	-0.04	0.05	0.04	0.06	-0.08	0.00	-0.04	-0.05	-0.05
2	Cash (US$ three-month LIBOR)	-0.05	-0.03	-0.06	-0.11	0.01	0.00	0.01	-0.09	-0.04	-0.08	-0.10	-0.10
3	Global Investment-Grade Bonds (hedged to US$)	0.04	-0.03	0.08	-0.06	0.09	0.07	0.14	0.07	0.05	0.10	-0.01	0.19
4	Global Government/Government-Related Bonds (hedged to US$)	-0.02	-0.08	0.02	-0.17	0.02	0.00	0.06	0.03	-0.02	0.03	-0.08	0.13
5	Global Corporate/Securitized Bonds (hedged to US$)	0.11	0.02	0.23	0.28	0.21	0.19	0.22	0.22	0.19	0.28	0.21	0.37
6	Global Short-Term Government Bonds (hedged to US$)	-0.10	-0.13	-0.06	-0.28	-0.05	-0.07	0.00	-0.03	-0.09	-0.06	-0.15	0.01
7	US Short-Term Government Bonds	-0.16	-0.20	-0.11	-0.28	-0.10	-0.12	-0.04	-0.06	-0.13	-0.10	-0.19	-0.05
8	US Investment-Grade Bonds	0.06	-0.01	0.10	0.01	0.10	0.08	0.14	0.09	0.10	0.11	0.00	0.19
9	US Municipal Bonds	0.10	0.04	0.11	0.05	0.11	0.08	0.17	0.06	0.14	0.17	0.04	0.24
10	Non-US Government Bonds (hedged to US$)	0.00	-0.05	0.03	-0.19	0.04	0.02	0.05	0.02	-0.03	0.04	-0.05	0.14
11	Global High Yield Bonds (hedged to US$)	0.66	0.62	0.60	0.70	0.61	0.60	0.56	0.35	0.65	0.67	0.71	0.65
12	US High Yield Bonds	0.64	0.59	0.56	0.66	0.58	0.58	0.53	0.31	0.58	0.58	0.60	0.60
13	Global Emerging Market Debt (US$)	0.47	0.48	0.51	0.51	0.46	0.45	0.44	0.36	0.57	0.60	0.64	0.57
14	Global Emerging Market Local Debt (unhedged)	0.64	0.63	0.79	0.76	0.77	0.77	0.72	0.55	0.69	0.82	0.79	0.78
15	Global Equities (unhedged)	0.75	0.79	0.96	0.88	0.92	0.90	0.86	0.70	0.82	0.81	0.80	0.81
16	Developed-Market Large-/Mid-Cap Stocks (unhedged)	0.74	0.74	0.96	0.84	0.92	0.90	0.87	0.70	0.80	0.78	0.76	0.79
17	US All-Cap Stocks	0.83	0.84	0.76	0.73	0.81	0.79	0.75	0.44	0.79	0.71	0.70	0.69
18	US Large-Cap Core Stocks	0.81	0.81	0.76	0.72	0.80	0.79	0.76	0.43	0.79	0.71	0.69	0.68
19	US Large-Cap Value Stocks	0.84	0.68	0.72	0.69	0.78	0.75	0.75	0.40	0.72	0.68	0.65	0.71
20	US Large-Cap Growth Stocks	0.70	0.84	0.71	0.67	0.75	0.73	0.69	0.42	0.76	0.66	0.67	0.58
21	US Mid-Cap Core Stocks	0.90	0.90	0.75	0.77	0.79	0.77	0.73	0.42	0.80	0.73	0.72	0.72
22	US Mid-Cap Value Stocks	0.91	0.74	0.70	0.73	0.75	0.73	0.73	0.38	0.72	0.68	0.66	0.75
23	US Mid-Cap Growth Stocks	0.77	0.95	0.69	0.71	0.72	0.72	0.64	0.42	0.78	0.67	0.69	0.59
24	US Small-Cap Core Stocks	0.94	0.97	0.67	0.73	0.71	0.71	0.61	0.39	0.73	0.67	0.69	0.66
25	US Small-Cap Value Stocks	1.00	0.84	0.65	0.70	0.69	0.70	0.61	0.34	0.67	0.64	0.64	0.71
26	US Small-Cap Growth Stocks	0.84	1.00	0.65	0.70	0.67	0.68	0.58	0.40	0.73	0.65	0.68	0.58
27	Developed-Market ex US Large-/Mid-Cap Stocks (unhedged)	0.65	0.65	1.00	0.90	0.92	0.90	0.86	0.79	0.74	0.77	0.74	0.80
28	Developed-Market ex US Small-Cap Stocks (unhedged)	0.70	0.70	0.90	1.00	0.82	0.81	0.78	0.75	0.78	0.82	0.82	0.78
29	Europe Large-/Mid-Cap Stocks (unhedged)	0.69	0.67	0.92	0.82	1.00	0.99	0.92	0.52	0.72	0.75	0.72	0.75
30	Europe ex UK Large-/Mid-Cap Stocks (unhedged)	0.70	0.68	0.90	0.81	0.99	1.00	0.84	0.50	0.71	0.73	0.71	0.72
31	UK Large-/Mid-Cap Stocks (unhedged)	0.61	0.58	0.86	0.78	0.92	0.84	1.00	0.51	0.68	0.72	0.65	0.73
32	Japan Large-/Mid-Cap Stocks (unhedged)	0.34	0.40	0.79	0.75	0.52	0.50	0.51	1.00	0.46	0.48	0.48	0.58
33	Canada Large-/Mid-Cap Stocks (unhedged)	0.67	0.73	0.74	0.78	0.72	0.71	0.68	0.46	1.00	0.77	0.74	0.69
34	Developed Asia Pacific ex Japan Large-/Mid-Cap Stocks (unhedged)	0.64	0.65	0.77	0.82	0.75	0.73	0.72	0.48	0.77	1.00	0.85	0.82
35	Global Emerging Market Stocks (unhedged)	0.64	0.68	0.74	0.82	0.72	0.71	0.65	0.48	0.74	0.85	1.00	0.72
36	Global REITs (unhedged)	0.71	0.58	0.80	0.78	0.75	0.72	0.73	0.58	0.69	0.82	0.72	1.00
37	US REITs	0.78	0.54	0.51	0.54	0.55	0.54	0.49	0.27	0.50	0.50	0.47	0.76
38	World ex US REITs (unhedged)	0.61	0.55	0.80	0.80	0.73	0.70	0.72	0.61	0.67	0.85	0.71	0.93
39	Commodities	0.31	0.30	0.45	0.53	0.39	0.37	0.41	0.33	0.54	0.44	0.42	0.41
40	Global Inflation-Linked Securities (unhedged)	0.30	0.23	0.47	0.48	0.46	0.44	0.47	0.31	0.41	0.43	0.36	0.51
41	US Inflation-Linked Securities	0.05	0.00	0.11	0.16	0.08	0.07	0.09	0.11	0.17	0.15	0.10	0.23
42	Non-US Inflation-Linked Securities (unhedged)	0.30	0.23	0.49	0.47	0.49	0.47	0.49	0.32	0.38	0.42	0.33	0.49
43	Broad Fund of Hedge Funds	0.48	0.61	0.55	0.67	0.57	0.56	0.51	0.31	0.66	0.62	0.67	0.48
44	Hedge Funds – Relative Value	0.57	0.55	0.55	0.69	0.56	0.54	0.55	0.33	0.61	0.56	0.58	0.55
45	Hedge Funds – Event Driven	0.78	0.81	0.68	0.78	0.72	0.72	0.64	0.40	0.75	0.70	0.73	0.62
46	Hedge Funds – Global Macro	0.20	0.20	0.21	0.18	0.23	0.23	0.22	0.01	0.31	0.19	0.28	0.19
47	Hedge Funds – Equity Long-Short	0.71	0.85	0.68	0.74	0.69	0.69	0.62	0.42	0.75	0.68	0.70	0.57
48	Managed Futures	-0.12	-0.17	-0.04	-0.01	-0.07	-0.07	-0.08	-0.01	-0.03	-0.01	-0.07	-0.01
49	US Private Equity	0.59	0.72	0.66	0.57	0.67	0.66	0.63	0.44	0.65	0.55	0.54	0.51
50	US Private Equity – Leveraged Buyout	0.61	0.70	0.67	0.58	0.69	0.68	0.65	0.43	0.64	0.55	0.52	0.54
51	US Private Equity – Venture Capital	0.49	0.73	0.60	0.49	0.59	0.59	0.54	0.42	0.62	0.51	0.54	0.41
52	Global Private Real Estate	0.41	0.28	0.30	0.38	0.31	0.30	0.31	0.19	0.32	0.31	0.26	0.43
53	US Private Real Estate	0.41	0.28	0.30	0.38	0.31	0.30	0.31	0.19	0.32	0.31	0.26	0.43
54	US Private Real Estate Funds	0.20	0.15	0.16	0.09	0.17	0.18	0.12	0.10	0.13	0.07	0.05	0.15
55	US Private Real Estate Funds – Core	0.06	0.04	0.06	0.01	0.04	0.07	-0.02	0.09	0.02	-0.07	-0.06	0.05
56	US Private Real Estate Funds – Value-Added	0.17	0.14	0.18	0.11	0.17	0.17	0.16	0.13	0.15	0.13	0.14	0.15
57	US Private Real Estate Funds – Opportunistic	0.24	0.18	0.16	0.12	0.20	0.20	0.17	0.07	0.15	0.12	0.07	0.16

Source: Morgan Stanley Smith Barney Investment Strategy as of Dec. 30, 2011. Based on data from January 1990 through December 2011.
Correlation is a statistical method of measuring the strength of a linear relationship between two variables. The correlation between two variables can assume any value from -1.00 to +1.00, inclusive. Past performance is not indicative of future results. We apply significant statistical adjustments to correct for distortions typically associated with index returns for hedge funds, private equity and private real estate. Correlation assumptions are the same for the strategic and intermediate-term horizons.

Please refer to important information, disclosures and qualifications at the end of this material.

Table 3: Correlation Matrix (continued)

		37	38	39	40	41	42	43	44	45	46	47	48
1	Cash (US$ 90-day Treasury bill)	-0.04	-0.05	0.05	-0.03	-0.01	-0.05	0.16	0.15	0.12	0.11	0.19	0.06
2	Cash (US$ three-month LIBOR)	-0.09	-0.10	0.00	-0.09	-0.04	-0.10	0.11	0.08	0.06	0.07	0.14	0.06
3	Global Investment-Grade Bonds (hedged to US$)	0.13	0.18	-0.02	0.51	0.59	0.42	0.08	0.08	0.09	0.28	0.07	0.23
4	Global Government/Government-Related Bonds (hedged to US$)	0.08	0.13	-0.07	0.43	0.55	0.36	0.02	-0.01	0.00	0.25	-0.01	0.26
5	Global Corporate/Securitized Bonds (hedged to US$)	0.30	0.37	0.16	0.67	0.72	0.57	0.22	0.38	0.25	0.40	0.17	0.16
6	Global Short-Term Government Bonds (hedged to US$)	-0.05	0.02	-0.11	0.18	0.33	0.15	0.01	-0.05	-0.04	0.21	0.00	0.27
7	US Short-Term Government Bonds	-0.07	-0.02	-0.06	0.27	0.45	0.22	-0.06	-0.11	-0.12	0.18	-0.07	0.27
8	US Investment-Grade Bonds	0.16	0.19	0.03	0.59	0.67	0.49	0.09	0.10	0.09	0.28	0.08	0.21
9	US Municipal Bonds	0.19	0.23	-0.03	0.40	0.49	0.32	0.14	0.18	0.16	0.24	0.10	0.16
10	Non-US Government Bonds (hedged to US$)	0.06	0.14	-0.12	0.29	0.38	0.26	0.01	-0.01	0.01	0.23	0.00	0.19
11	Global High Yield Bonds (hedged to US$)	0.59	0.60	0.34	0.43	0.28	0.37	0.54	0.71	0.78	0.32	0.61	-0.12
12	US High Yield Bonds	0.62	0.52	0.31	0.45	0.25	0.40	0.44	0.68	0.73	0.23	0.55	-0.14
13	Global Emerging Market Debt (US$)	0.40	0.59	0.27	0.35	0.34	0.28	0.54	0.53	0.59	0.38	0.51	-0.02
14	Global Emerging Market Local Debt (unhedged)	0.64	0.76	0.52	0.79	0.45	0.76	0.57	0.63	0.68	0.48	0.69	0.15
15	Global Equities (unhedged)	0.57	0.79	0.43	0.41	0.10	0.41	0.62	0.60	0.78	0.24	0.78	-0.08
16	Developed-Market Large-/Mid-Cap Stocks (unhedged)	0.56	0.77	0.40	0.40	0.10	0.40	0.57	0.58	0.75	0.23	0.74	-0.08
17	US All-Cap Stocks	0.60	0.65	0.32	0.31	0.08	0.29	0.57	0.57	0.79	0.24	0.78	-0.12
18	US Large-Cap Core Stocks	0.58	0.64	0.31	0.31	0.09	0.29	0.56	0.56	0.78	0.24	0.76	-0.12
19	US Large-Cap Value Stocks	0.66	0.66	0.32	0.33	0.10	0.31	0.47	0.56	0.73	0.23	0.65	-0.09
20	US Large-Cap Growth Stocks	0.46	0.56	0.27	0.25	0.06	0.23	0.57	0.52	0.74	0.23	0.78	-0.14
21	US Mid-Cap Core Stocks	0.67	0.66	0.38	0.34	0.10	0.32	0.60	0.61	0.83	0.26	0.82	-0.12
22	US Mid-Cap Value Stocks	0.75	0.67	0.36	0.37	0.14	0.34	0.47	0.58	0.75	0.23	0.67	-0.09
23	US Mid-Cap Growth Stocks	0.49	0.57	0.33	0.25	0.05	0.24	0.64	0.54	0.79	0.24	0.85	-0.15
24	US Small-Cap Core Stocks	0.66	0.59	0.32	0.27	0.02	0.27	0.58	0.58	0.83	0.21	0.83	-0.15
25	US Small-Cap Value Stocks	0.78	0.61	0.31	0.30	0.05	0.30	0.48	0.57	0.78	0.20	0.71	-0.12
26	US Small-Cap Growth Stocks	0.54	0.55	0.30	0.23	0.00	0.23	0.61	0.55	0.81	0.20	0.85	-0.17
27	Developed-Market ex US Large-/Mid-Cap Stocks (unhedged)	0.51	0.80	0.45	0.47	0.11	0.49	0.55	0.55	0.68	0.21	0.68	-0.04
28	Developed-Market ex US Small-Cap Stocks (unhedged)	0.54	0.80	0.53	0.48	0.16	0.47	0.67	0.69	0.78	0.18	0.74	-0.01
29	Europe Large-/Mid-Cap Stocks (unhedged)	0.55	0.73	0.39	0.46	0.08	0.49	0.57	0.56	0.72	0.23	0.69	-0.07
30	Europe ex UK Large-/Mid-Cap Stocks (unhedged)	0.54	0.70	0.37	0.44	0.07	0.47	0.56	0.54	0.72	0.23	0.69	-0.07
31	UK Large-/Mid-Cap Stocks (unhedged)	0.49	0.72	0.41	0.47	0.09	0.49	0.51	0.55	0.64	0.22	0.62	-0.08
32	Japan Large-/Mid-Cap Stocks (unhedged)	0.27	0.61	0.33	0.31	0.11	0.32	0.31	0.33	0.40	0.01	0.42	-0.01
33	Canada Large-/Mid-Cap Stocks (unhedged)	0.50	0.67	0.54	0.41	0.17	0.38	0.66	0.61	0.75	0.31	0.75	-0.03
34	Developed Asia Pacific ex Japan Large-/Mid-Cap Stocks (unhedged)	0.50	0.85	0.44	0.43	0.15	0.42	0.62	0.56	0.70	0.19	0.68	-0.01
35	Global Emerging Market Stocks (unhedged)	0.47	0.71	0.42	0.36	0.10	0.33	0.67	0.58	0.73	0.28	0.70	-0.07
36	Global REITs (unhedged)	0.76	0.93	0.41	0.51	0.23	0.49	0.48	0.55	0.62	0.19	0.57	-0.01
37	US REITs	1.00	0.55	0.28	0.42	0.21	0.41	0.29	0.49	0.53	0.12	0.44	-0.05
38	World ex US REITs (unhedged)	0.55	1.00	0.41	0.48	0.22	0.47	0.49	0.50	0.60	0.18	0.55	0.02
39	Commodities	0.28	0.41	1.00	0.50	0.28	0.44	0.41	0.43	0.40	0.24	0.43	0.16
40	Global Inflation-Linked Securities (unhedged)	0.42	0.48	0.50	1.00	0.76	0.96	0.30	0.42	0.36	0.30	0.35	0.23
41	US Inflation-Linked Securities	0.21	0.22	0.28	0.76	1.00	0.56	0.11	0.20	0.11	0.24	0.07	0.19
42	Non-US Inflation-Linked Securities (unhedged)	0.41	0.47	0.44	0.96	0.56	1.00	0.24	0.34	0.33	0.20	0.32	0.21
43	Broad Fund of Hedge Funds	0.29	0.49	0.41	0.30	0.11	0.24	1.00	0.59	0.73	0.61	0.82	0.22
44	Hedge Funds – Relative Value	0.49	0.50	0.43	0.42	0.20	0.34	0.59	1.00	0.75	0.31	0.67	-0.14
45	Hedge Funds – Event Driven	0.53	0.60	0.40	0.36	0.11	0.33	0.73	0.75	1.00	0.36	0.84	-0.07
46	Hedge Funds – Global Macro	0.12	0.18	0.24	0.30	0.24	0.20	0.61	0.31	0.36	1.00	0.36	0.35
47	Hedge Funds – Equity Long-Short	0.44	0.55	0.43	0.35	0.07	0.32	0.82	0.67	0.84	0.36	1.00	-0.01
48	Managed Futures	-0.05	0.02	0.16	0.23	0.19	0.21	0.22	-0.14	-0.07	0.35	-0.01	1.00
49	US Private Equity	0.44	0.52	0.17	0.19	-0.17	0.24	0.52	0.43	0.64	0.18	0.66	-0.20
50	US Private Equity – Leveraged Buyout	0.47	0.54	0.20	0.21	-0.15	0.25	0.51	0.45	0.65	0.20	0.64	-0.17
51	US Private Equity – Venture Capital	0.31	0.43	0.09	0.12	-0.19	0.18	0.49	0.37	0.58	0.13	0.66	-0.26
52	Global Private Real Estate	0.53	0.38	0.39	0.25	0.03	0.21	0.25	0.37	0.38	0.14	0.28	-0.11
53	US Private Real Estate	0.53	0.38	0.39	0.25	0.03	0.21	0.25	0.37	0.38	0.14	0.28	-0.11
54	US Private Real Estate Funds	0.18	0.14	0.02	0.06	-0.11	0.11	0.06	0.05	0.12	0.11	0.11	-0.03
55	US Private Real Estate Funds – Core	0.10	0.03	-0.04	-0.01	-0.07	0.01	-0.09	-0.02	0.01	0.00	-0.04	-0.12
56	US Private Real Estate Funds – Value-Added	0.14	0.16	0.14	0.11	-0.01	0.13	0.17	0.16	0.17	0.21	0.15	0.05
57	US Private Real Estate Funds – Opportunistic	0.18	0.15	0.02	0.08	-0.14	0.15	0.10	0.04	0.14	0.12	0.16	0.02

Source: Morgan Stanley Smith Barney Investment Strategy as of Dec. 30, 2011. Based on data from January 1990 through December 2011.
Correlation is a statistical method of measuring the strength of a linear relationship between two variables. The correlation between two variables can assume any value from -1.00 to +1.00, inclusive. Past performance is not indicative of future results. We apply significant statistical adjustments to correct for distortions typically associated with index returns for hedge funds, private equity and private real estate. Correlation assumptions are the same for the strategic and intermediate-term horizons.

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Table 3: Correlation Matrix (continued)

		49	50	51	52	53	54	55	56	57
1	Cash (US$ 90-day Treasury bill)	0.09	0.11	0.04	-0.03	-0.03	-0.05	-0.11	0.02	-0.02
2	Cash (US$ three-month LIBOR)	0.05	0.06	0.02	-0.11	-0.11	-0.09	-0.14	-0.01	-0.04
3	Global Investment-Grade Bonds (hedged to US$)	-0.07	-0.06	-0.08	-0.16	-0.16	-0.10	-0.07	-0.06	-0.09
4	Global Government/Government-Related Bonds (hedged to US$)	-0.11	-0.10	-0.11	-0.20	-0.20	-0.09	-0.07	-0.05	-0.09
5	Global Corporate/Securitized Bonds (hedged to US$)	-0.08	-0.06	-0.13	0.03	0.03	-0.01	0.00	-0.07	0.01
6	Global Short-Term Government Bonds (hedged to US$)	-0.11	-0.10	-0.12	-0.29	-0.29	-0.20	-0.18	-0.12	-0.17
7	US Short-Term Government Bonds	-0.22	-0.20	-0.23	-0.26	-0.26	-0.23	-0.18	-0.15	-0.21
8	US Investment-Grade Bonds	-0.11	-0.10	-0.14	-0.14	-0.14	-0.09	-0.05	-0.05	-0.09
9	US Municipal Bonds	-0.01	0.01	-0.05	0.00	0.00	-0.10	-0.08	-0.02	-0.10
10	Non-US Government Bonds (hedged to US$)	-0.03	-0.04	-0.03	-0.19	-0.19	-0.07	-0.06	-0.03	-0.07
11	Global High Yield Bonds (hedged to US$)	0.52	0.52	0.48	0.35	0.35	0.06	-0.02	0.10	0.08
12	US High Yield Bonds	0.50	0.50	0.45	0.38	0.38	0.05	0.01	0.09	0.04
13	Global Emerging Market Debt (US$)	0.39	0.39	0.37	0.15	0.15	0.07	-0.07	0.13	0.14
14	Global Emerging Market Local Debt (unhedged)	0.56	0.56	0.56	0.37	0.37	0.10	0.00	0.15	0.14
15	Global Equities (unhedged)	0.73	0.73	0.68	0.31	0.31	0.16	0.05	0.17	0.17
16	Developed-Market Large-/Mid-Cap Stocks (unhedged)	0.74	0.74	0.67	0.31	0.31	0.17	0.06	0.18	0.18
17	US All-Cap Stocks	0.78	0.78	0.73	0.31	0.31	0.17	0.04	0.15	0.20
18	US Large-Cap Core Stocks	0.79	0.79	0.73	0.30	0.30	0.16	0.04	0.15	0.19
19	US Large-Cap Value Stocks	0.70	0.73	0.58	0.36	0.36	0.20	0.06	0.17	0.23
20	US Large-Cap Growth Stocks	0.77	0.75	0.77	0.23	0.23	0.12	0.02	0.12	0.15
21	US Mid-Cap Core Stocks	0.74	0.74	0.69	0.35	0.35	0.18	0.05	0.16	0.20
22	US Mid-Cap Value Stocks	0.66	0.69	0.54	0.41	0.41	0.20	0.07	0.16	0.23
23	US Mid-Cap Growth Stocks	0.74	0.71	0.77	0.24	0.24	0.14	0.04	0.13	0.16
24	US Small-Cap Core Stocks	0.70	0.70	0.66	0.35	0.35	0.18	0.05	0.16	0.21
25	US Small-Cap Value Stocks	0.59	0.61	0.49	0.41	0.41	0.20	0.06	0.17	0.24
26	US Small-Cap Growth Stocks	0.72	0.70	0.73	0.28	0.28	0.15	0.04	0.14	0.18
27	Developed-Market ex US Large-/Mid-Cap Stocks (unhedged)	0.66	0.67	0.60	0.30	0.30	0.16	0.06	0.18	0.16
28	Developed-Market ex US Small-Cap Stocks (unhedged)	0.57	0.58	0.49	0.38	0.38	0.09	0.01	0.11	0.12
29	Europe Large-/Mid-Cap Stocks (unhedged)	0.67	0.69	0.59	0.31	0.31	0.17	0.04	0.17	0.20
30	Europe ex UK Large-/Mid-Cap Stocks (unhedged)	0.66	0.68	0.59	0.30	0.30	0.18	0.07	0.17	0.20
31	UK Large-/Mid-Cap Stocks (unhedged)	0.63	0.65	0.54	0.31	0.31	0.12	-0.02	0.16	0.17
32	Japan Large-/Mid-Cap Stocks (unhedged)	0.44	0.43	0.42	0.19	0.19	0.10	0.09	0.13	0.07
33	Canada Large-/Mid-Cap Stocks (unhedged)	0.65	0.64	0.62	0.32	0.32	0.13	0.02	0.15	0.15
34	Developed Asia Pacific ex Japan Large-/Mid-Cap Stocks (unhedged)	0.55	0.55	0.51	0.31	0.31	0.07	-0.07	0.13	0.12
35	Global Emerging Market Stocks (unhedged)	0.54	0.52	0.54	0.26	0.26	0.05	-0.06	0.14	0.07
36	Global REITs (unhedged)	0.51	0.54	0.41	0.43	0.43	0.15	0.05	0.15	0.16
37	US REITs	0.44	0.47	0.31	0.53	0.53	0.18	0.10	0.14	0.18
38	World ex US REITs (unhedged)	0.52	0.54	0.43	0.38	0.38	0.14	0.03	0.16	0.15
39	Commodities	0.17	0.20	0.09	0.39	0.39	0.02	-0.04	0.14	0.02
40	Global Inflation-Linked Securities (unhedged)	0.19	0.21	0.12	0.25	0.25	0.06	-0.01	0.11	0.08
41	US Inflation-Linked Securities	-0.17	-0.15	-0.19	0.03	0.03	-0.11	-0.07	-0.01	-0.14
42	Non-US Inflation-Linked Securities (unhedged)	0.24	0.25	0.18	0.21	0.21	0.11	0.01	0.13	0.15
43	Broad Fund of Hedge Funds	0.52	0.51	0.49	0.25	0.25	0.06	-0.09	0.17	0.10
44	Hedge Funds – Relative Value	0.43	0.45	0.37	0.37	0.37	0.05	-0.02	0.16	0.04
45	Hedge Funds – Event Driven	0.64	0.65	0.58	0.38	0.38	0.12	0.01	0.17	0.14
46	Hedge Funds – Global Macro	0.18	0.20	0.13	0.14	0.14	0.11	0.00	0.21	0.12
47	Hedge Funds – Equity Long-Short	0.66	0.64	0.66	0.28	0.28	0.11	-0.04	0.15	0.16
48	Managed Futures	-0.20	-0.17	-0.26	-0.11	-0.11	-0.03	-0.12	0.05	0.02
49	US Private Equity	1.00	0.63	0.61	0.28	0.28	0.14	0.05	0.14	0.16
50	US Private Equity – Leveraged Buyout	0.63	1.00	0.58	0.31	0.31	0.16	0.06	0.15	0.17
51	US Private Equity – Venture Capital	0.61	0.58	1.00	0.18	0.18	0.10	0.03	0.10	0.12
52	Global Private Real Estate	0.28	0.31	0.18	1.00	0.64	0.26	0.21	0.24	0.20
53	US Private Real Estate	0.28	0.31	0.18	0.64	1.00	0.33	0.26	0.30	0.25
54	US Private Real Estate Funds	0.14	0.16	0.10	0.26	0.33	1.00	0.60	0.57	0.72
55	US Private Real Estate Funds – Core	0.05	0.06	0.03	0.21	0.26	0.60	1.00	0.26	0.34
56	US Private Real Estate Funds – Value-Added	0.14	0.15	0.10	0.24	0.30	0.57	0.26	1.00	0.48
57	US Private Real Estate Funds – Opportunistic	0.16	0.17	0.12	0.20	0.25	0.72	0.34	0.48	1.00

Source: Morgan Stanley Smith Barney Investment Strategy as of Dec. 30, 2011. Based on data from January 1990 through December 2011.
Correlation is a statistical method of measuring the strength of a linear relationship between two variables. The correlation between two variables can assume any value from -1.00 to +1.00, inclusive. Past performance is not indicative of future results. We apply significant statistical adjustments to correct for distortions typically associated with index returns for hedge funds, private equity and private real estate. Correlation assumptions are the same for the strategic and intermediate-term horizons.

Please refer to important information, disclosures and qualifications at the end of this material.

Index Definitions

MSCI WORLD INDEX This free-float-adjusted market-capitalization index is designed to measure equity market performance in the developed markets.

MSCI EMERGING MARKETS INDEX This is a free-float-adjusted, market-capitalization-weighted index designed to measure equity market performance in the global emerging markets.

BARCLAYS CAPITAL US AGGREGATE INDEX This is a broad-based benchmark that measures the investment grade, US-dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities and various mortgage-backed and asset-backed securities.

MSCI USA INDEX This is a free-float-adjusted, market-capitalization-weighted index that is designed to measure large- and mid-cap US equity market performance.

MSCI EAFE INDEX The MSCI EAFE Index (Europe, Australasia, Far East) is a free-float-adjusted, market-capitalization index that is designed to measure developed-market equity performance, excluding the US and Canada.

Disclosures

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Standard deviation is a measure of an investment's volatility. For example, a volatile portfolio will have a high standard deviation while the deviation of a stable portfolio will be lower. The standard deviation value can indicate a degree to which the return on a portfolio is deviating from the expected returns of that portfolio.

International investing entails greater risk, as well as greater potential rewards compared to U.S. investing. These risks include political and economic uncertainties of foreign countries as well as the risk of currency fluctuations. These risks are magnified in countries with emerging markets, since these countries may have relatively unstable governments and less established markets and economies.

Alternative investments which may be referenced in this report, including private equity funds, real estate funds, hedge funds, managed futures funds, and funds of hedge funds, private equity, and managed futures funds, are speculative and entail significant risks that can include losses due to leveraging or other speculative investment practices, lack of liquidity, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification, absence and/or delay of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than mutual funds and risks associated with the operations, personnel and processes of the advisor.

Investing in commodities entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention.

REITs investing risks are similar to those associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as interest rate changes and market recessions.

Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer. Bonds are subject to the credit risk of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bonds are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment may be reinvested at a lower interest rate.

Bonds rated below investment grade may have speculative characteristics and present significant risks beyond those of other securities, including greater credit risk and price volatility in the secondary market. Investors should be careful to consider these risks alongside their individual circumstances, objectives and risk tolerance before investing in high-yield bonds. High yield bonds should comprise only a limited portion of a balanced portfolio.

Investing in foreign emerging markets entails greater risks than those normally associated with domestic markets, such as political, currency, economic and market risks.

Value investing does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected.

Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations.

Interest on municipal bonds is generally exempt from federal income tax; however, some bonds may be subject to the alternative minimum tax (AMT). Typically, state tax-exemption applies if securities are issued within one's state of residence and, if applicable, local tax-exemption applies if securities are issued within one's city of residence.

Rebalancing does not protect against a loss in declining financial markets. There may be a potential tax implication with a rebalancing strategy. Investors should consult with their tax advisor before implementing such a strategy.

Treasury Inflation Protection Securities' (TIPS) coupon payments and underlying principal are automatically increased to compensate for inflation by tracking the consumer price index (CPI). While the real rate of return is guaranteed, TIPS tend to offer a low return. Because the return of TIPS is linked to inflation, TIPS may significantly underperform versus conventional U.S. Treasuries in times of low inflation.

Interest income from taxable zero coupon bonds is subject to annual taxation as ordinary income even though no interest payments will be received by the investor if held in a taxable account. Zero coupon bonds may also experience greater price volatility than interest bearing fixed income securities because of their comparatively longer duration.

Equity securities may fluctuate in response to news on companies, industries, market conditions and general economic environment.

Investing in smaller companies involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity.

Asset allocation and diversification do not assure a profit or protect against loss in declining financial markets.

The indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment.

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05/03/12

City of Atlantic Beach
Schedule of Police Officers' Benefit Status

Name	Status	Date
Jackson, Lawana	Disability retirement (as of 6/23/10)	04/02/12

05/03/12

City of Atlantic Beach
Schedule of General Employees' Benefit Status

Name	Status	Date
Foster, George	retired	02/03/12
Dermody, Thomas	DROP/retired	03/09/12
Kosoy, Robert	From vested to retired	04/27/12

City of Atlantic Beach
Pension Expense Analysis
Police Officers
FY 2011/2012
2nd Quarter

G/L Account #	Vendor Name	Transaction Type	Transaction Date	Check or Transaction #	Amount	Description of Services
601-8010-513.31-02	MorganStanley SmithBarney	AJ	03/31/12	2043	19.66	ADR Fees
	MorganStanley SmithBarney	AJ	02/29/12	1735	12.05	ADR Fees
	MorganStanley SmithBarney	AJ	01/31/12	1397	9,254.99	Consulting fees for 04/01/11 - 06/30/11
					9,286.70	
601-8010-513.31-03	Christiansen & Dehner, P.A.	AP	02/29/12	104542	626.84	Preparation & attendance at Pension Board quarterly meeting, travel time & expense
	Christiansen & Dehner, P.A.	AP	02/29/12	104542	67.60	Phone conference with Nelson Van Liere
	Christiansen & Dehner, P.A.	AP	02/29/12	104542	1,385.80	Phone conference with T. Delegal, preparation & attendance at Pension Board special meeting,travel time & expense
	Gabriel, Roeder Smith & Company	AP	02/13/12	104382	950.00	Annual Employee Benefit Statements
	Gabriel, Roeder Smith & Company	AP	02/13/12	104382	750.00	Calculation using 7.75% dicount rate
	Christiansen & Dehner, P.A.	AP	01/31/12	103960	69.09	Preparation of remaining form letters
	Christiansen & Dehner, P.A.	AP	01/31/12	103960	236.60	Receipt & review of deposition & witness list for L. Jackson claim, prearation of Notice of Full Hearing & tarnsmittal to Board & claimant
	Gabriel, Roeder Smith & Company	AP	01/09/12	104068	7,794.00	Actuarial Valuation as of 09/30/11 & attendance at City Commission meeting
					11,879.93	
603-8030-513.55-00	Harry McNally	CR	02/16/12	1464	(12.87)	Refund from FPPTA Trustees School Travel Advance from H. McNally
601-8010-513.56-00	City Internal Service Allocations	AJ	03/01/12	1755	427.67	
	City Internal Service Allocations	AJ	02/01/12	1531	427.67	
	City Internal Service Allocations	AJ	01/01/12	1096	427.67	
				Sub-Total	1,283.01	
601-8010-518.36-07	Pension Benefits	AJ	03/01/12	1578	33,850.53	Service Retired Pay
	Pension Benefits	AJ	02/01/12	1253	33,850.53	Service Retired Pay
	Pension Benefits	AJ	01/03/12	912	33,850.53	Service Retired Pay
				Sub-Total	101,551.59	
601-8010-518.36-08	Pension Benefits	AJ	03/01/12	1578	8,350.32	Disablity Retired Pay
	Pension Benefits	AJ	02/01/12	1253	8,350.32	Disablity Retired Pay
	Pension Benefits	AJ	01/03/12	912	8,350.32	Disablity Retired Pay
				Sub-Total	25,050.96	
601-8010-518.36-10	Pension Benefits	AJ	03/01/12	1578	3,620.23	DROP Pay
	Pension Benefits	AJ	02/01/12	1253	3,620.23	DROP Pay
	Pension Benefits	AJ	01/03/12	912	3,620.23	DROP Pay
				Sub-Total	10,860.69	
				Total	159,900.01	

05/09/12

City of Atlantic Beach
Pension Expense Analysis
General Employees
FY 2011/2012
2nd Quarter

G/L Account #	Vendor Name	Transaction Type	Transaction Date	Check or Transaction #	Amount	Description of Services
603-8030-513.31-02	MorganStanley Smith Barney	AJ	03/31/12	2044	45.65	ADR Fees
		AJ	02/29/12	1736	16.86	ADR Fees
		AJ	01/31/12	1398	16,507.37	Consulting fees for 04/01/11 - 06/30/11
					16,569.88	
603-8030-513.31-03	Gabriel, Roeder Smith & Company	AP	03/12/12	104554	600.00	Pension Benefit Calculation: Lanier (2 beneficiaries)
	Christiansen & Dehner, P.A.	AP	02/29/12	104542	67.60	Phone conference with Nelson Van Liere
	Gabriel, Roeder Smith & Company	AP	02/13/12	104382	950.00	Annual Employee Benefit Statements
	Gabriel, Roeder Smith & Company	AP	02/13/12	104382	750.00	Calculation using 7.75% dicount rate
	Christiansen & Dehner, P.A.	AP	01/31/12	103960	407.09	Phone conference with Nelson Van Liere, respond to e-mail, review issues regarding actuarial equivalents & preparation of pension form letters
	Gabriel, Roeder Smith & Company	AP	01/09/12	104068	8,418.00	Actuarial Valuation as of 09/30/11 & attendance at City Commission meeting
	Gabriel, Roeder Smith & Company	AP	01/09/12	104068	900.00	Pension Benefit Calculation: Gorman, Foster & Kosoy
					12,092.69	
603-8030-513.54-00	Florida Public Pension Trustees Association	AP	01/10/12	103517	30.00	CPPT Re-certification fee
603-8030-513.55-00	Florida Public Pension Trustees Association	AP	02/06/12	104166	17.13	Travel expense FPPTA Trustees School for T. Townsend
603-8030-513.56-00	City Internal Service Allocations	AJ	03/01/12	1755	832.08	
	City Internal Service Allocations	AJ	02/01/12	1531	832.08	
	City Internal Service Allocations	AJ	01/01/12	1096	832.08	
				Sub-Total	2,496.24	
603-8030-518.36-07	Pension Benefits	AJ	03/01/12	1578	40,185.56	Service Retired Pay
	Pension Benefits	AJ	02/01/12	1253	36,714.70	Service Retired Pay
	Pension Benefits	AJ	01/03/12	912	36,714.70	Service Retired Pay
				Sub-Total	113,614.96	
603-8030-518.36-08	Pension Benefits	AJ	03/01/12	1578	4,697.93	Disablity Retired Pay
	Pension Benefits	AJ	02/01/12	1253	4,697.93	Disablity Retired Pay
	Pension Benefits	AJ	01/03/12	912	4,697.93	Disablity Retired Pay
				Sub-Total	14,093.79	

X

05/09/12

City of Atlantic Beach
Pension Expense Analysis
General Employees
FY 2011/2012
2nd Quarter

G/L Account #	Vendor Name	Transaction Type	Transaction Date	Check or Transaction #	Amount	Description of Services
603-8030-518.36-09	Pension Benefits	AJ	03/01/12	1578	7,367.33	Beneficiary Pay
	Pension Benefits	AJ	02/01/12	1253	7,367.33	Beneficiary Pay
	Pension Benefits	AJ	01/03/12	912	7,367.33	Beneficiary Pay
				Sub-Total	22,101.99	
603-8030-518.36-10	Pension Benefits	AJ	03/01/12	1578	1,998.98	DROP Pay
	Pension Benefits	AJ	02/01/12	1253	1,998.98	DROP Pay
	Pension Benefits	AJ	01/03/12	912	1,998.98	DROP Pay
				Sub-Total	5,996.94	
603-8030-518.38-00	Pension Benefits	AP	02/07/12	103861	2,889.44	Pension Refund - D. Zagari
				Total	189,903.06	

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Ramsay, Debra

From: Van Liere, Nelson
Sent: Wednesday, March 14, 2012 10:10 AM
To: Ramsay, Debra
Subject: FW: pension investments

Save this e-mail for discussion at next meeting please..

From: Alan Gleit [mailto:agleit@hotmail.com]
Sent: Wednesday, March 14, 2012 9:52 AM
To: Townsend, Tim; bobsternfeld@comcast.net; Roberts, Dennis
Cc: michael.oshields@mssb.com; Van Liere, Nelson
Subject: RE: pension investments

Dennis, Bob, and Tim,

To give you some idea at the cost of 'portfolio insurance' I priced a one-year put option on the S&P500 index [exchange traded but very thin so prices are more indicative than real]

for an option at the money the price is 10.0% of the value of the position
for an option 5% below market price the cost is 8.3% of the value of the position
for an option 10% below market price the cost is 6.4% of the value of the position

If prices remain the same [and they are very sensitive to volatility estimates], that would mean that on OCT1 2012 for a stock position of $8million we could 'guarantee' that it is still worth at least $8million on OCT1 2013 would cost us $800,000 up-front.

A put is a contract that expires on OCT1 2013 and on that date:
-- if the 'portfolio' is worth less than $8million, the exchange would give us the monies to replace the entire loss
--- if the 'portfolio' is worth $8million or more, we get nothing [we bought peace of mind for the $800,000]

The ' ' refer to the possible difference between performance of our portfolio and a portfolio of only the S&Pindex fund [it would be exact if all we bought were the S&P index fund SPY with our monies].

Alan

From: Scott Christiansen [mailto:scott@cdpension.com]
Sent: Thursday, March 08, 2012 5:06 PM
To: Townsend, Tim
Cc: michael.oshields@MSSB.com
Subject: RE: pension investments

Tim--
The current ordinance would appear to allow any investment that the Board would deem to be prudent. The new proposed document would clearly allow the Board to invest in any prudent investment. Put options and hedge funds, if deemed prudent for your plan, would not be prohibited under either document. The state law does not limit investments for our plan, only the local ordinance applies. See you soon.

Scott Christiansen
Christiansen & Dehner, P. A.
63 Sarasota Center Blvd., Ste 107

Sarasota, Florida 34240
941-377-2200
scott@cdpension.com

Original message
From: "Townsend, Tim"
To: scott@cdpension.com
Received: 3/8/2012 9:17:11 AM
Subject: pension investments

Mr. Christiansen,

Didn't want this to sound so formal but I had a question about the law that underpins our pension investment policy. Are there any restrictions on put options for our stock portfolio ? They are defined as a derivative financial investment and I didn't know if derivatives and hedge funds and such were verboten for public pension funds ? The General Employees Board discussed the use of a put based on the Dow Jones Industrial Average (DJA) if and when our annual investment return assumption (8%) has been met during the calendar year. I thought I would get legal information on our range of choices in financial instruments. See you at our next meeting in May. Tim Townsend, 904-247-5838; 904-502-5142 (cell).