



Summit Strategies Group

8182 Maryland Avenue, 6th Floor

St. Louis, Missouri 63105

314.727.7211

Core Plus/International Fixed Income

**City of Jacksonville Police
and Fire Pension Fund**

February 2014

EXECUTIVE SUMMARY

- The target allocation calls for diversifying fixed income exposure using Core Plus and Non-Dollar/Emerging Market Debt mandates.
 - Core Plus includes domestic investment grade bonds and opportunistic exposure to high yield, Non-Dollar, emerging market debt, and bank debt.
 - Non-Dollar/EMD is primarily an international bond exposure.
- The Board previously asked Summit to look for a possible candidate already in place at the City of Jacksonville Retirement System, to enable a shortened search process and potential fee savings.
 - Franklin Templeton Global Bond Plus met the requirements (shown in Appendix).
 - Summit was asked to review their below investment grade credit exposure.
 - Upon review, the Board determined the level of investment grade exposure was permissible, but because the manager was unable to provide a side letter agreeing not to purchase D level securities, the Board terminated the consideration.
 - Commingled vehicle prevented manager from providing such a side letter.
- Summit was asked to research other alternatives to be reviewed by Summit, Joey Greive and John Keane for recommendation to the Board.
- Summit has recommended six managers for consideration:

Core Plus

- Dodge & Cox
- LM Capital
- Western Asset Management

International

- Colchester Global Investors
- Franklin Templeton
- Rogge Global Partners

- Each brings a different and distinct level of diversification to the portfolio. Detailed review of investment processes and exposure will be necessary.
 - LM Capital is a minority manager and is currently on Summit's Top Tier List.
- As previously directed by the Board, Summit will review the manager candidates with Joey Greive and John Keane in order to make a recommendation to the Board.

CORE PLUS FIXED INCOME

TOP TIER SUMMARY

	Firm	Product Name	Separate Account Minimum	Commingled Fund Minimum	Mutual Fund Information	Comments
Top Tier	Dodge & Cox	Core Fixed Income	\$75 million	n/a	DODIX; \$2,500 min; 0.43%	100% employee-owned firm with stable and very seasoned fixed income team that emphasizes fundamental analysis and credit quality; Allows up to 20% high quality, high yield; Core "Lite" strategy; Credit-biased toward "large cap" bonds.
	LM Capital Group	Opportunistic Core	\$20 million	n/a	n/a*	Minority, 100% employee-owned fixed income manager; Top-down philosophy/process with emphasis on hard currency emerging market corporates; Limits high yield to fallen angels.
	Western Asset Management	US Core Full	\$75 min; (\$225,000 min annual fee)	\$1 million; (\$225,000 min annual fee)	WACPX; \$1 million min; 0.46%	Spread sector manager who has historically seen little reward in Treasuries; Deep and experienced team added several senior professionals in 2009-2011 following difficult performance period; Has recovered very well and enhanced both client service and risk management.

■ Recently Upgraded
 ■ Recently Downgraded

Mutual Fund Information is obtained from eVestment Alliance and additional expenses may apply; refer to firm's prospectus for exact fees.

*Fund is setup with SEI but has not received funding. Firm requires \$40M before it will launch it publicly. Ticker is LMCOX and has a \$1 million minimum and 0.45% fee.

DODGE & COX – CORE FIXED INCOME

FIRM DETAILS

Address: 555 California Street
San Francisco, CA 94104
Phone: 415.981.1710
Asset Class: Core Plus Fixed Income
Benchmark: Barclays Universal
Founded: 1930
Ownership: 100% employee owned
Assets Under Management: \$211.2 billion

PRODUCT DETAILS

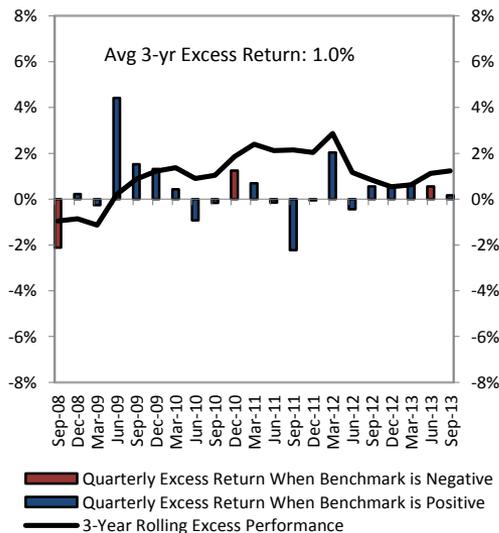
Inception: January 1978
Assets Under Management: \$53.3 billion
Vehicles Offered: SA, MF
Separate Account Minimum: \$75 million
Portfolio Managers/Dual Role PMs: 7
Avg. Yrs of Experience: 25
Avg. Yrs at Firm: 20
Research Analysts: 17
Avg. Yrs of Experience: 12
Avg. Yrs at Firm: 9
Fee Schedule (SA): 0.40% on first \$10 million
0.30% on next \$25 million
0.20% on next \$25 million
0.15% on next \$65 million
0.12% on next \$575 million
0.10% on balance
(Performance-based fees are not available)

CHARACTERISTICS

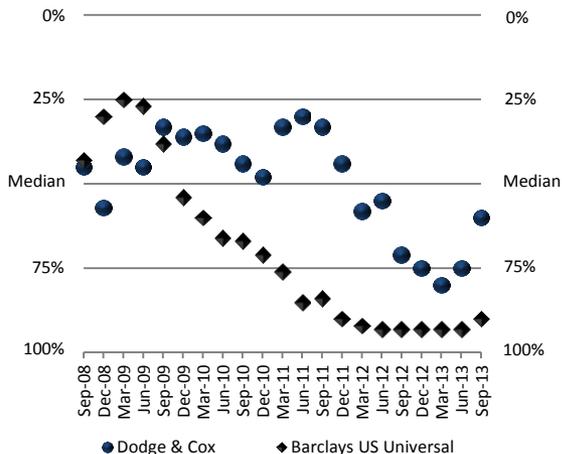
	Portfolio	Benchmark
# of Bonds:	253	13,329
Portfolio Turnover:	41%	N/A
Avg Credit Quality:	A	N/A
Min Credit Quality:	B*	NR
Duration:	4.4 yrs	5.3 yrs
<u>Last 3 Years:</u>		
Information Ratio:	0.6	N/A
Sharpe Ratio:	1.9	1.1

ROLLING PERFORMANCE AND RANKINGS

Three-Year Rolling/Quarterly Excess Performance vs. Barclays Universal Index



Manager vs. Core Plus Universe Rolling Three-Year Periods



QUALITATIVE OVERVIEW

- Dodge & Cox, a veteran firm which began its operations in 1930, initially focused on individuals before branching out to institutional clients. The firm is owned exclusively by 77 employees. The firm offers a limited set of equity and fixed income strategies, with the latter totaling over \$75 billion in assets.
- Led by firm veterans, Charles Pohl and Dana Emery, the team consists of seven portfolio managers and 17 PMs/analysts. The Fixed Income Investment Policy Committee (FIIPC) is the main decision-making body consisting of seasoned professionals with 25 years average experience and 20 years at the firm. The 17 dedicated fixed income analysts average 12 years experience and nine years at Dodge & Cox.
- Dodge & Cox applies a bottom-up, fundamental approach to portfolio construction. The firm believes that a long-term investment horizon combined with risk-controlled fundamental research will generate attractive excess returns. They are inclined to focus on spread sectors versus government-related securities and will hold well-known corporate issuers.
- The FIIPC is responsible for setting the investment strategy, overseeing research, and setting duration/sector targets. Investment ideas are generated by the entire team and any idea must come before the FIIPC to be vetted and approved before being included in the portfolio. Due diligence on purchase candidates includes informal discussions, talks with company management, extensive fundamental analysis, structural characteristics of the issue, review of indenture agreements, etc. The goal is to determine the company's creditworthiness over the team's long-term investment horizon.

QUALITATIVE RANKING

FIRM	-2	-1	0	1	2
Empl Ownership					●
Mgmt Consistency					●
Focus				●	
Cost				●	
Litigation				●	
Responsiveness				●	
TOTAL					+8

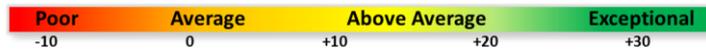
PERSONNEL	-3	-2	-1	0	1	2	3
Staff Depth							●
Experience							●
Stability							●
Support							●
TOTAL							+9

PRODUCT	-2	-1	0	1	2
History					●
Size				●	
Growth				●	
Asset Split				●	
TOTAL					+2

PHILOSOPHY	-3	-2	-1	0	1	2	3
Philosophy							●
Duration Mgmt							●
Curve Mgmt							●
Sector Mgmt							●
Issue Selection							●
Derivatives							●
Risk Mgmt							●
TOTAL							+9

TOTAL QUALITATIVE SCORE:

+28



DODGE & COX – INCOME FUND

Key Differentiator: A core plus “lite” approach managed by a veteran, employee-owned firm focused on sound fundamental research.

- **Investment Thesis:**

- **Firm/Ownership Structure** – The firm promotes broad ownership among its employees – 77 shareholders or 30% of employees. Retiring partners are required to sell their ownership back to current employees within five years of leaving the firm. This helps to recycle the ownership back to younger professionals and provides ample reason to remain at Dodge & Cox. Dodge & Cox continues to provide the necessary incentives for long-term retention of its talented employees.
- **Stable and Experienced Team** – Dodge & Cox is truly one of the old kids on the block having set up shop in 1930. The ten members of its Fixed Income Investment Policy Committee average 20 years at Dodge & Cox; turnover has been very low, which is directly related to the broad ownership shared among investment professionals. A majority of the members of the fixed income staff have their CFA charter. Educational backgrounds are heavily weighted toward some of the nation’s more prestigious universities.
- **Limited Plus Sector Exposure** – This strategy allows for an investor to “dip their toes” into core plus as it allows for up to 20% in US high yield corporate bonds, B-/B3, or better. The strategy generally averages about a 15% exposure to below investment grade issues.

- **Risks/Concerns:**

- **Capacity** – At \$53 billion, the strategy ranks as one of the top five core plus strategies on an asset basis, which prompts questions on capacity. However, Dodge & Cox has closed products in the past when it believed taking on more assets would be detrimental to existing clients. In addition, the strategy generally invests in larger issuers instead of smaller, less liquid issuers thereby enabling a higher capacity.
- **Business Building** – With a limited set of products, Dodge & Cox has shown restraint in branching out to different investment strategies even with its record of successful money management. While expectations are they will show restraint in expanding their product line, the firm has recently launched a Global Bond strategy.

- **Performance Review and Expectations:**

- The strategy has outperformed by 136 bps year-to-date versus the Barclays Universal. Main drivers of outperformance during the quarter were the strategy’s significant overweight to corporates, underweight to Treasuries and security selection. The shorter duration posture was additive as rates rose slightly. Looking forward, Dodge & Cox will maintain its short duration posture with rates at historic lows and belief that the current macro-economic backdrop is favorable for longer-term economic growth. While they will seek to sell risk when the risk-reward of positions are not in their favor, the fund will seek to maintain a higher yield advantage over the index.
- Alpha expectations are 50-75 basis points over the next market cycle given the slightly opportunistic nature of the strategy; if rates continue to trend higher, the strategy should continue to benefit from their shorter duration position.

LM CAPITAL GROUP, LLC – OPPORTUNISTIC CORE

FIRM DETAILS

Address: 401 B Street, Suite 950
San Diego, CA 92101

Phone: 619.814.1404

Asset Class: Core Plus Fixed Income

Benchmark: Barclays Universal

Founded: 1989

Ownership: 100% employee owned

Assets Under Management: \$4.9 billion

PRODUCT DETAILS

Inception: January 1993

Assets Under Management: \$3.1 billion

Vehicles Offered: SA, MF**

Separate Account Minimum: \$20 million

Portfolio Managers/Dual Role PMs: 4

Avg. Yrs of Experience: 26

Avg. Yrs at Firm: 20

Research Analysts: 2

Avg. Yrs of Experience: 12

Avg. Yrs at Firm: 6

Fee Schedule (SA)*: 0.30% on first \$25 million
0.25% on next \$25 million
0.20% on next \$50 million
0.15% on balance

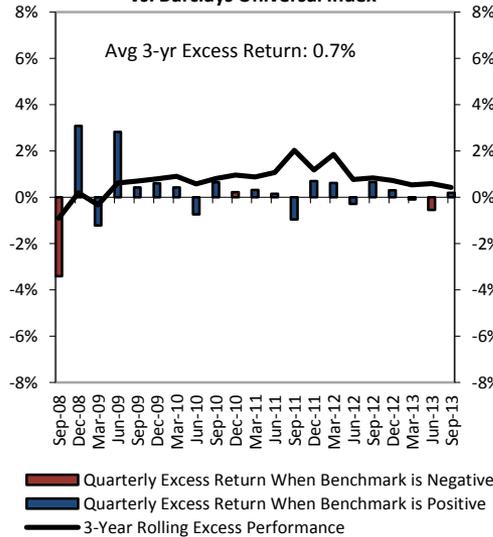
(Performance-based fees are not available)

CHARACTERISTICS

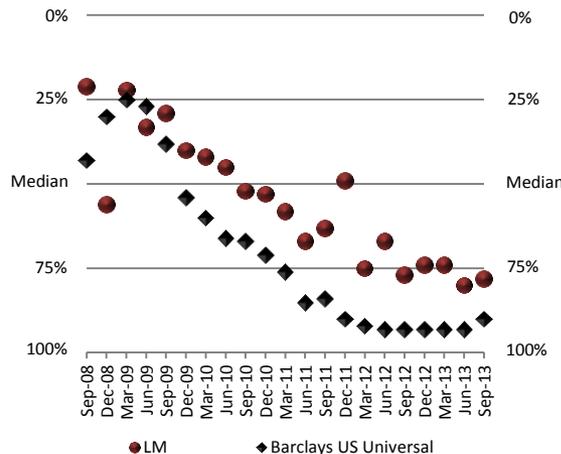
	Portfolio	Benchmark
# of Bonds:	68	13,329
Portfolio Turnover:	35%	N/A
Avg Credit Quality:	A	N/A
Min Credit Quality:	B	NR
Duration:	5.0 yrs	5.3 yrs
Last 3 Years:		
Information Ratio:	0.4	N/A
Sharpe Ratio:	1.2	1.1

ROLLING PERFORMANCE AND RANKINGS

Three-Year Rolling/Quarterly Excess Performance vs. Barclays Universal Index



Manager vs. Core Plus Universe Rolling Three-Year Periods



QUALITATIVE OVERVIEW

- LM Capital Group, LLC is a boutique investment firm managing \$4.9B in fixed income assets for institutional investors. Core plus assets make up the majority of their AUM but they offer short-term, intermediate, and core strategies as well. The firm was founded in 1989 by Luis Maizel and John Chalker. The firm participated in CalPERS Management Development Program for nine years but the firm bought back CalPERS' 35% stake and is now 100% employee owned.
- Senior PMs, Maizel and Chalker, oversee a team of four portfolio managers and two research analysts. The four PMs have 26 years of investment experience while the research analysts average 12. The team has been relatively stable over time with the entire team averaging 15 years largely due to the tenure of senior professionals.
- LM Capital's philosophy is grounded in macro-economic analysis first and foremost. Their belief is that economic fundamentals drive the performance of each sector. This concentrated, low turnover strategy will see sector rotation and duration management contribute the most to excess performance as opposed to bottom-up security selection.
- The investment process begins with fundamental economic analysis; driving this analysis is the firm's proprietary Macroeconomic Matrix, which helps to identify markets with favorable or unfavorable trends. The team utilizes the subsequent scoring to determine country and sector allocations. Security selection seeks to identify the issues that best fit the proposed portfolio. Investment grade corporates purchased are usually large, liquid issuers while high yield is typically of the fallen angel variety. Non-dollar focuses on large developed nations and emerging market debt uses hard currency.

QUALITATIVE RANKING

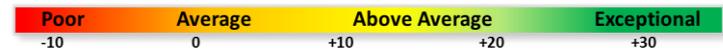
FIRM	-2	-1	0	1	2
Empl Ownership					●
Mgmt Consistency					●
Focus					●
Cost					●
Litigation					●
Responsiveness					●
TOTAL					+9

PERSONNEL	-3	-2	-1	0	1	2	3
Staff Depth							●
Experience							●
Stability							●
Support							●
TOTAL							+1

PRODUCT	-2	-1	0	1	2
History					●
Size					●
Growth					●
Asset Split					●
TOTAL					+5

PHILOSOPHY	-3	-2	-1	0	1	2	3
Philosophy							●
Duration Mgmt							●
Curve Mgmt							●
Sector Mgmt							●
Issue Selection							●
Derivatives							●
Risk Mgmt							●
TOTAL							+8

TOTAL QUALITATIVE SCORE: +23



*Verbalized fee schedule from LM Capital. ***Fund is setup with SEI but has not received funding. Firm requires \$40M before it will launch it publicly. Ticker is

LM CAPITAL GROUP, LLC – OPPORTUNISTIC CORE

Key Differentiator: Minority-owned boutique firm with unique top-down philosophy/process and emphasis on emerging market corporates.

- **Investment Thesis:**

- **Top-Down Emphasis** – Developed during his time at Harvard, Luis Maizel’s global scenario process brings a systematized way to analyzing economic and interest rate trends around the globe, which aids in implementing positioning and sector views in the portfolio. Most strategies in the core plus universe are more reliant on bottom-up, credit-oriented strategies.
- **Portfolio Diversifier** – The strategy has shown a propensity to work well as a portfolio diversifier against most of its peers. Long-term correlations to core and core plus strategies in the market average .30 and .51, respectively.
- **PM Access** – LM Capital prides itself on providing clients with direct access to the decision makers of the firm. Client-to-PM ratios are capped at 12-to-1 in order to facilitate the “high touch” service. With 29 clients currently, LM has the capacity to maintain this level of service.
- **Alignment of Interests** – The firm repurchased the CalPERS’ minority stake in their firm to bring it back to 100% employee ownership. While Maizel and John Chalker are the primary owners, ownership is expanding and currently includes four other employees, helping to align interests of team members with investors.

- **Risks/Concerns:**

- **Leadership Succession** – With each in their early 60s, Maizel and Chalker have been the lead stewards of the firm and have moved up in age over the length of the firm’s history. Their loss would prove difficult for the firm even if an investment process has been established.
- **Ownership** – Ownership is largely concentrated in the hands of the two founders, but it is expected to broaden over time. Maizel and Chalker are adamant in their desire to remain independent.
- **Style** – Given their emphasis on hard currency emerging market corporates, flights-to-quality can see the portfolio underperform; in addition, given their propensity to limit their high yield exposure, lower quality credit rallies can also impact their upside capture.

- **Performance Review and Expectations:**

- The strategy has underperformed the Barclays Universal by -46 bps year-to-date even after generating a 20 bps excess return in the third quarter. A shorter duration posture and overweight to spread sectors was additive. The team has reduced its EMD corporate exposure in the wake of the persistent volatility in the sector. Plus sectors remain overweight though albeit at more cautious levels given the lower level of spreads. The team believes the economy will go through fits and starts throughout the year but still contends the deleveraging process will continue to constrain growth.
- Excess return expectations are 40-60 basis points over the next market cycle with key drivers likely their duration positioning and emerging market corporate allocation.

WESTERN ASSET MANAGEMENT COMPANY – US CORE FULL

FIRM DETAILS

Address: 385 E. Colorado Boulevard
Pasadena, CA 91101

Phone: 626.844.9400

Asset Class: Core Plus Fixed Income

Benchmark: Barclays Universal

Founded: 1971

Ownership: 100% owned by Legg Mason

Assets Under Management: \$442.7 billion

PRODUCT DETAILS

Inception: February 1993

Assets Under Management: \$53.8 billion

Vehicles Offered: SA, CF, MF

Separate Account Minimum: \$75 million

Portfolio Managers/Dual Role PMs: 65

Avg. Yrs of Experience: 21

Avg. Yrs at Firm: 10

Research Analysts: 45

Avg. Yrs of Experience: 19

Avg. Yrs at Firm: 7

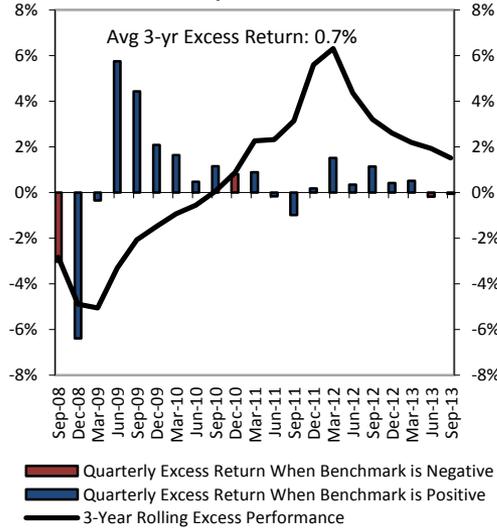
Fee Schedule (SA): 0.30% on first \$100 million
0.20% on balance
(Performance-based fees are available)

CHARACTERISTICS

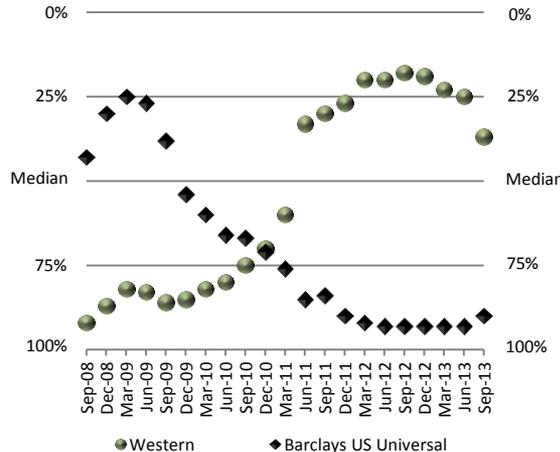
	Portfolio	Benchmark
# of Bonds:	1,038	13,329
Portfolio Turnover:	57%	N/A
Avg Credit Quality:	A	N/A
Min Credit Quality:	CCC	NR
Duration:	6.3 yrs	5.3 yrs
Last 3 Years:		
Information Ratio:	1.1	N/A
Sharpe Ratio:	1.6	1.1

ROLLING PERFORMANCE AND RANKINGS

Three-Year Rolling/Quarterly Excess Performance vs. Barclays Universal Index



Manager vs. Core Plus Universe Rolling Three-Year Periods



QUALITATIVE OVERVIEW

- Western Asset Management (WAMCO), a dedicated fixed income manager, was founded in 1971 and was purchased by Legg Mason in 1986. In 2005, WAMCO expanded its capabilities, offices, and strategies through Legg Mason's acquisition of a substantial part of Citigroup Asset Management. WAMCO is focused exclusively on fixed income management and offers a diverse fixed income product line ranging from enhanced cash mandates to unconstrained mandates.
- Carl Eichstaedt and Mark Lindbloom oversee the Core Plus strategy and its team of over 100 investment professionals. Steve Walsh, co-CIO, has relinquished day-to-day oversight of the portfolios and will be retiring in early 2014, passing the baton back to former CIO, Ken Leech. Portfolio managers average 21 years of investment experience while research analysts average 19 years of experience.
- Philosophically, WAMCO believes in utilizing a diverse range of strategies within a risk-controlled environment to generate excess returns. The firm primarily relies on its sector rotation skills and emphasizes spread sectors, such as corporates and structured product, due to the inherent yield advantage. Treasuries are deemed a poor store of value over the long term.
- The US Broad Market Committee is responsible for setting allocation and duration targets for all the major sectors. These decisions are based on the firm's economic outlook and its potential impact on factors that drive yield spreads (value). Sector teams are tasked with achieving these targets utilizing their own sector outlook and strategy to guide how they implement. The sector teams are responsible for issue selection within their area of expertise; the teams strive to uncover undervalued/mispriced securities within the sector.

QUALITATIVE RANKING

FIRM	-2	-1	0	1	2
Empl Ownership				●	
Mgmt Consistency				●	
Focus				●	
Cost				●	
Litigation				●	
Responsiveness				●	
TOTAL					+4

PERSONNEL	-3	-2	-1	0	1	2	3
Staff Depth							●
Experience							●
Stability							●
Support							●
TOTAL							+7

PRODUCT	-2	-1	0	1	2
History					●
Size					●
Growth					●
Asset Split					●
TOTAL					+2

PHILOSOPHY	-3	-2	-1	0	1	2	3
Philosophy							●
Duration Mgmt							●
Curve Mgmt							●
Sector Mgmt							●
Issue Selection							●
Derivatives							●
Risk Mgmt							●
TOTAL							+10

TOTAL QUALITATIVE SCORE: +23



WESTERN ASSET MANAGEMENT COMPANY – CORE FULL

Key Differentiator: Spread sector-focused manager who brings an extensive history of bond management and seasoned professionals to the table.

- **Investment Thesis:**

- **Fixed Income Focus** – Western (WAMCO) has built its reputation solely on its successful management of fixed income portfolios. It remains dedicated to this asset class and has a well-diversified lineup of strategies encompassing domestic and global mandates.
- **Spread Sector Philosophy** – Western is first and foremost a spread sector manager and has not shied away from its fundamental belief in yield despite the challenging environment five years ago. The product has shown the ability to rebound from tough years multiple times throughout its history and repeated this following deep underperformance in 2008. This product will be volatile given the spread-sector bias, but the team has been able to remain steadfast in tough periods and more than make up for short-term underperformance.
- **Deep/Seasoned Team** – Led by co-CIOs, Stephen Walsh and Ken Leech, the Western senior professionals are supported by one of the larger fixed income teams in the industry consisting of 65 portfolio managers and 45 research analysts with 21 and 19 years average experience, respectively. Even in the midst of its worst hours, WAMCO was able to attract experienced, senior level professionals to help the firm outperform and regain its status as a top tier fixed income manager.

- **Risks/Concerns:**

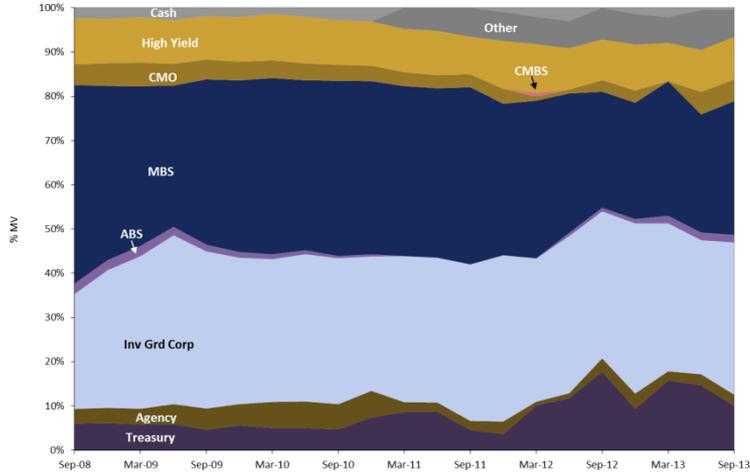
- **Investment Style** – WAMCO's adherence to its spread philosophy has to be respected during volatile market periods and will rise at some point in every credit cycle. Balancing one's exposure to WAMCO with a more stable fixed income strategy is prudent.
- **Asset Loss** – Asset withdrawal has continued despite the recovery in performance, however, a critical mass of assets (\$54B) and clients does remain. With long-term performance recovered and attractive, new investors may begin to once again look to fund this strategy.
- **Leadership Transition** – Co-CIO, Steve Walsh, will be retiring in early 2014 and handing back the reigns to Ken Leech, co-CIO. Walsh led WAMCO through one of its trying times and will be missed for his energy and belief in the firm. Leech brings a familiar face back to lead the firm but this transition will need to be monitored.

- **Performance Review and Expectations:**

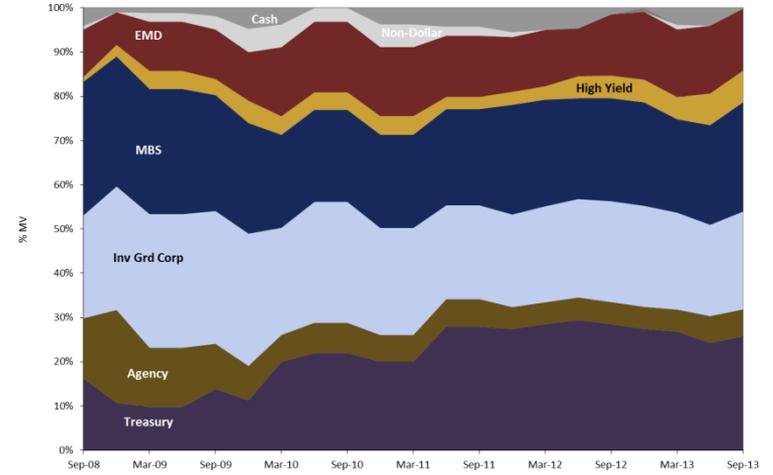
- While trailing the Barclays Universal by -9 bps in the third quarter, WAMCO has outperformed the index by 26 bps year-to-date. Most positions were additive for the quarter and included non-agency MBS exposure, high yield, and an overweight to investment grade and high yield corporates. An overweight to the long end of the yield curve detracted. While valuations are somewhat high, WAMCO believes current fundamentals are favorable for most sectors. A modest overweight to high yield, financials, and EMD will be maintained with the latter added to selectively. A neutral duration stance will be utilized with the 10 year Treasury hovering around 2.75%.
- Excess return expectations are 50-75 basis points over the next market cycle, certainly under the typical 100 bps target given the tighter spread conditions and risk of rising rates.

HISTORICAL SECTOR ALLOCATION

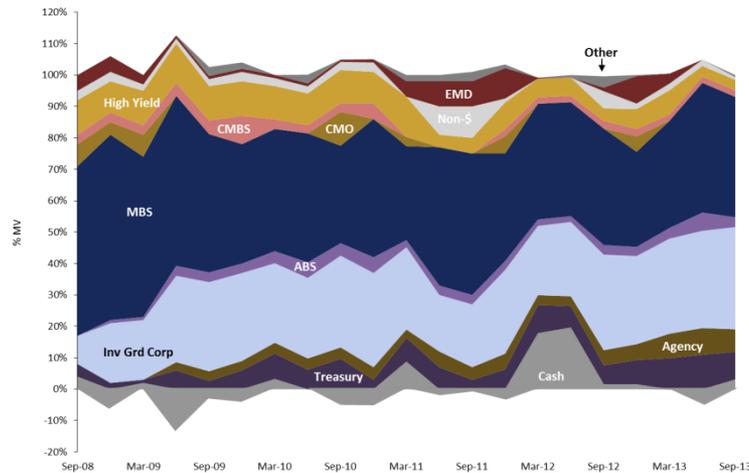
Dodge & Cox



LM Capital



Western



SIDE BY SIDE COMPARISON

Core Plus Fixed Income				
As of 9/30/2013		Dodge & Cox	LM Capital	WAMCO
Firm	Headquarters Location	San Francisco, CA	San Diego, CA	Pasadena, CA
	Firm Assets	\$211.2B	\$4.9B	\$442.7B
	Ownership	100% employee owned	100% employee owned	100% owned by Legg Mason, Inc.
	Product Inception Date	January 1978	January 1993	February 1993
Product	Product Assets	\$53.3B	\$3.1B	\$53.8B
	Vehicle(s) Available	SA, MF	SA, MF*	SA, CF, MF
	Separate Account Minimum	\$75M	\$20M	\$75M
	Commingled Fund Minimum	N/A	N/A	\$1M
	Mutual Fund Minimum	\$2,500	N/A	\$1M
Characteristics	Security Screening Approach	Bottom-Up	Top-Down	Combined
	No. of Securities	253	68	1,038
	Portfolio Turnover	41%	35%	57%
	Average Quality	A	A	A
	Yield to Maturity	2.83%	3.24%	3.99%
	Duration Band Around Index	± 25%	± 20%	± 20%

*Fund is setup with SEI but has not received funding. Firm requires \$40M before it will launch it publicly. Ticker is LMCOX and has a \$1 million minimum and 0.45% fee.

PERFORMANCE RETURNS

Manager vs Benchmark										
As of 9/30/2013	1 year	3 years		5 years		7 years		10 years		
Dodge & Cox	0.88%	4.59%		8.03%		6.32%		5.62%		
LM Capital	-1.16%	3.79%		7.44%		5.95%		5.38%		
WAMCO	-0.32%	4.87%		8.59%		5.87%		5.75%		
Barclays US Universal	-1.00%	3.36%		5.93%		5.32%		4.91%		
Calendar Year Return										
	YTD	2012	2011	2010	2009	2008	2007	2006	2005	2004
Dodge & Cox	-0.20%	8.33%	5.59%	7.83%	16.11%	0.25%	5.28%	5.80%	2.58%	4.30%
LM Capital	-2.02%	6.89%	7.64%	7.76%	11.36%	2.01%	6.63%	5.84%	2.04%	5.28%
WAMCO	-1.30%	9.12%	7.32%	11.51%	21.60%	-9.94%	3.66%	6.22%	3.11%	7.32%
Barclays US Universal	-1.56%	5.53%	7.40%	7.16%	8.60%	2.38%	6.50%	4.97%	2.71%	4.97%

STATISTICAL SUMMARY

As of 9/30/2013	Dodge & Cox	LM Capital	WAMCO	Barclays US Universal
3 Year Performance:				
Annualized Return	4.6%	3.8%	4.9%	3.4%
Annualized St. Dev	2.4%	3.1%	3.0%	2.9%
Sharpe Ratio	1.85	1.18	1.60	1.12
Tracking Error	2.1%	1.0%	1.4%	0.0%
Info Ratio	0.60	0.43	1.12	0.00
Batting Average	66.7%	66.7%	66.7%	0.0%
Up Market Capture	113.3%	112.3%	128.9%	100.0%
Down Market Capture	47.9%	109.6%	82.4%	100.0%
5 Year Performance:				
Annualized Return	8.0%	7.4%	8.6%	5.9%
Annualized St. Dev	4.0%	4.3%	6.0%	3.2%
Sharpe Ratio	1.98	1.69	1.41	1.81
Tracking Error	2.6%	2.1%	4.6%	0.0%
Info Ratio	0.80	0.72	0.58	0.00
Batting Average	65.0%	70.0%	70.0%	0.0%
Up Market Capture	125.9%	124.0%	138.3%	100.0%
Down Market Capture	47.9%	109.6%	82.4%	100.0%
7 Year Performance:				
Annualized Return	6.3%	5.9%	5.9%	5.3%
Annualized St. Dev	4.0%	4.6%	5.9%	3.1%
Sharpe Ratio	1.29	1.05	0.80	1.32
Tracking Error	2.5%	2.3%	4.4%	0.0%
Info Ratio	0.40	0.28	0.13	0.00
Batting Average	57.1%	67.9%	53.6%	0.0%
Up Market Capture	114.6%	120.2%	117.3%	100.0%
Down Market Capture	87.2%	164.8%	154.8%	100.0%
10 Year Performance:				
Annualized Return	5.6%	5.4%	5.8%	4.9%
Annualized St. Dev	3.7%	4.4%	5.4%	3.3%
Sharpe Ratio	1.07	0.85	0.77	0.99
Tracking Error	2.2%	2.0%	3.7%	0.0%
Info Ratio	0.33	0.24	0.23	0.00
Batting Average	55.0%	67.5%	65.0%	0.0%
Up Market Capture	107.2%	116.0%	118.4%	100.0%
Down Market Capture	72.2%	142.4%	121.3%	100.0%

INTERNATIONAL FIXED INCOME

TOP TIER SUMMARY

	Firm	Product Name	Separate Account Minimum	Commingled Fund Minimum	Mutual Fund Information	Comments
Top Tier	Colchester Global Investors	International Fixed Income Unhedged	\$75 million	\$1 million	n/a	<i>Process focuses on real yield and is 70% model driven; Willingness to invest a portion of the portfolio in non-OECD countries and/or distressed situations; Concentrated portfolio; Small investment team managing six+ global, international, and EMD sovereign strategies.</i>
	Franklin Resources, Inc.	International Bond Plus	\$100 million	n/a	FIBZX; \$1 million; 0.75%	<i>Absolute return approach; Fundamental process w/ risk budget changing w/ market cycles; Large allocation to EMD and low portfolio turnover; Willingness to invest in weaker credits, short currencies, and implement significant relative duration tilts.</i>
	Rogge Global Partners	International Aggregate Unhedged	\$50 million	\$1 million	n/a	<i>Conservative approach focused on financial health and receiving money back from the issuer; Excess returns modest; Senior management team is stable and is responsible for country and asset allocations.</i>

■ Recently Upgraded
 ■ Recently Downgraded

Mutual Fund Information is obtained from eVestment Alliance and additional expenses may apply; refer to firm's prospectus for exact fees.

COLCHESTER GLOBAL INVESTORS – INTERNATIONAL FIXED INCOME (UNHEDGED)

FIRM DETAILS

Address: 20 Saville Row
London W15 3PR, UK

Phone: 646.472.1800

Asset Class: International Fixed Income

Benchmark: Citigroup Non-US WGBI Unhedged

Founded: 1999

Ownership: 51% employee owned; 49% owned by Silchester International Investors

Assets Under Management: \$21.9 billion

PRODUCT DETAILS

Inception: October 2010

Assets Under Management: \$1.3 billion

Vehicles Offered: SA, CF

Commingled Fund Minimum: \$1 million

Portfolio Managers/Dual Role PMs: 7

Research Analysts: 1

Fee Schedule (CF)*: 0.60% on first \$25 million
0.50% on next \$25million
0.35% on next \$100 million
0.30% on balance

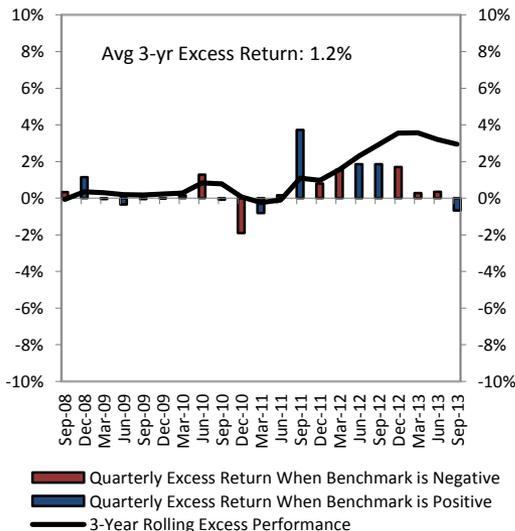
(Performance-based fees are not available)

CHARACTERISTICS

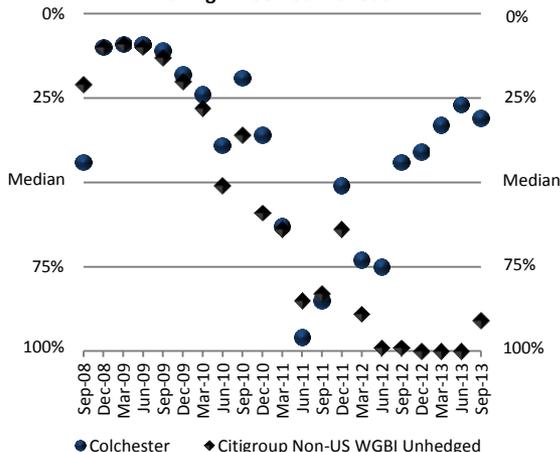
	Portfolio	Benchmark
# of Bonds:	66	723
Portfolio Turnover:	44%***	N/A
Avg Credit Quality:	AA	AA-
Min Credit Quality:	BBB	BBB-
Duration:	6.4 yrs	7.4 yrs
Last 3 Years:		
Information Ratio:	1.0	N/A
Sharpe Ratio:	0.5	0.1

ROLLING PERFORMANCE AND RANKINGS

Three-Year Rolling/Quarterly Excess Performance** vs. Citigroup Non-US WGBI Unhedged Index



Manager** vs. International Fixed Unhedged Universe Rolling Three-Year Periods



QUALITATIVE OVERVIEW

- Colchester opened its doors in 1999 to focus solely on global bond investing. Silchester International Investors is a minority owner at 49% while the Colchester investment professionals own the balance. Ian Sims, CIO, retains 50% of the employee ownership. Colchester manages over 60 standard and customized composites in global, international, TIPS, emerging markets local, and hedged/unhedged debt mandates.
- All products are managed by the same investment team, which is headed by Ian Sims. He has over 30 years of investment experience and is supported by Keith Lloyd, Deputy CIO, and Kathryn Elsby, PM, who have been with the firm since 2000. Paul Grice, Investment Officer, joined in November 2011 and supports the fundamental research effort.
- Colchester's philosophy rests on the belief that bonds should be evaluated on the inflation-adjusted income they generate. They believe that countries with high real yields and strong fundamentals can produce superior returns. Their opportunity set is limited to local sovereign or quasi-sovereign issues. Colchester seeks to build concentrated, high quality portfolios with average ratings of AA.
- The process begins with a forecast of various countries' (Classic and Non-Classic) future inflation based on money supply, exchange rates, capacity utilization, and commodity pricing. They overlay their real yield conclusions with an assessment of the overall health of the countries. Once real yields are calculated, model portfolios for each investable country are created to determine the allocations to nominals, inflation-linkers, or quasi-sovereigns. A mean-variance optimizer and a qualitative review then helps to determine final allocations to each country, currency, and various sectors.

QUALITATIVE RANKING

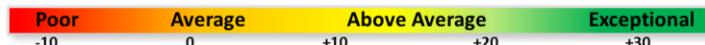
FIRM	-2	-1	0	1	2
Empl Ownership					●
Mgmt Consistency					●
Focus					●
Cost				●	
Litigation					●
Responsiveness					●
TOTAL					+6

PERSONNEL	-3	-2	-1	0	1	2	3
Staff Depth							●
Experience							●
Stability							●
Support							●
TOTAL							+6

PRODUCT	-2	-1	0	1	2
History					●
Size					●
Growth					●
Asset Split					●
TOTAL					+6

PHILOSOPHY	-3	-2	-1	0	1	2	3
Philosophy							●
Country/Currency							●
Duration/Curve Management							●
Sector Mgmt							●
Issue Selection							●
Derivatives							●
Risk Mgmt							●
TOTAL							+8

TOTAL QUALITATIVE SCORE: +26



*Includes admin/custody fees

**Returns from July 2010 through September 2010 supplemented with benchmark performance due to break in the composite.

*** As of 6/30/2013

COLCHESTER GLOBAL INVESTORS – INTERNATIONAL FIXED (UNHEDGED)

Key Differentiator: Boutique firm dedicated to investing in sovereign bonds through an inflation-forecasting process.

- **Investment Thesis:**

- **Global Sovereign Focus** – As a true boutique manager, Colchester packs a punch with its very experienced team and fundamental focus on global bond investments. They firmly believe the sovereign bond market provides ample opportunity for alpha generation and do not venture into non-sovereigns.
- **Stable and Seasoned Senior Team** – The senior team has a long history in the international fixed income market dating back to their days at Hill Samuel and Delaware International Investors. Ian Sims, CIO, and his two other senior portfolio managers average 30 years in the investment industry, a bulk of that within global fixed income.
- **Real Yield Emphasis** – Colchester follows a philosophy highlighted by its concentration on identifying and investing in higher real yield countries with healthy fiscal situations, which they believe can produce superior returns.
- **Respected Partner Firm** – They have a good partner in Silchester International Investors, a well-respected player in the international equity market. The ownership structure remains stable with Silchester a minority owner at 49% while the Colchester investment professionals own the balance.

- **Risks/Concerns:**

- **Concentrated Portfolio** – The strategy’s relatively concentrated portfolio can lead to bouts of higher tracking error.
- **Cost** – Compared to the industry average of about 34 bps on a \$100M portfolio, Colchester charges a higher fee than most of its competitors.

- **Performance Review and Expectations:**

- Colchester underperformed the index by -67 bps in the third quarter. Most of the detraction arose from bond selection versus currency positioning. Overweight positions to New Zealand nominals and Brazilian inflation-linked bonds and an underweight to Japanese nominals were the leading drags on returns. Colchester’s medium-term outlook is positive due to their assessment that the global recovery is continuing to strengthen and inflation risks remain contained. The pace of recoveries is not equal across countries and will depend on individual countries’ monetary policy actions, when actions started, and how the economies are adjusting.
- Excess return expectations are 100-150 basis points over the next market cycle; currency hedging back to the dollar could provide a level of protection given the volatility in non-US currencies currently.

FRANKLIN TEMPLETON INVESTMENTS – INTERNATIONAL BOND PLUS (UNHEDGED)

FIRM DETAILS

Address: One Franklin Parkway
San Mateo, CA 94403
Phone: 650.312.2000
Asset Class: International Fixed Income
Benchmark: Citigroup Non-US WGBI Unhedged
Founded: 1947
Ownership: 36% employee owned; 64% owned by outside investors
Assets Under Management: \$844.7 billion

PRODUCT DETAILS

Inception: December 2007
Assets Under Management: \$1.8 billion
Vehicles Offered: SA, MF
Mutual Fund Minimum: \$1M (flexible)
Portfolio Managers/Dual Role PMs: 3
Avg. Yrs of Experience: 19
Avg. Yrs at Firm: 13
Research Analysts: 51
Avg. Yrs of Experience: 13
Avg. Yrs at Firm: 6
Fee Schedule (MF): 0.75% on all assets

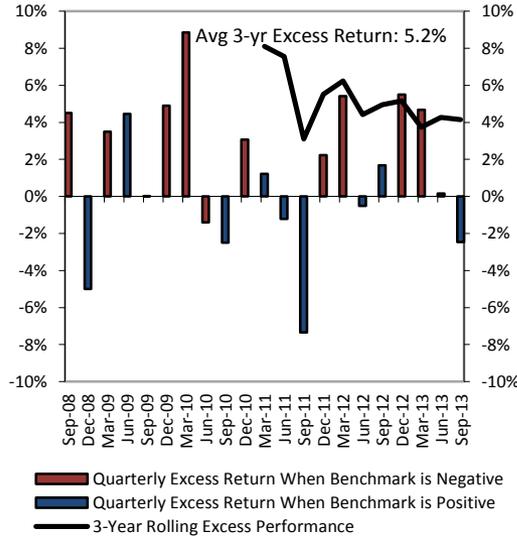
CHARACTERISTICS

	Portfolio	Benchmark
# of Bonds:	245	723
Portfolio Turnover:	42%	N/A
Avg Credit Quality:	A*	AA-
Min Credit Quality:	BB*	BBB-
Duration:	1.9 yrs	7.4 yrs
Last 3 Years:		
Information Ratio:	0.6	N/A
Sharpe Ratio:	0.7	0.1

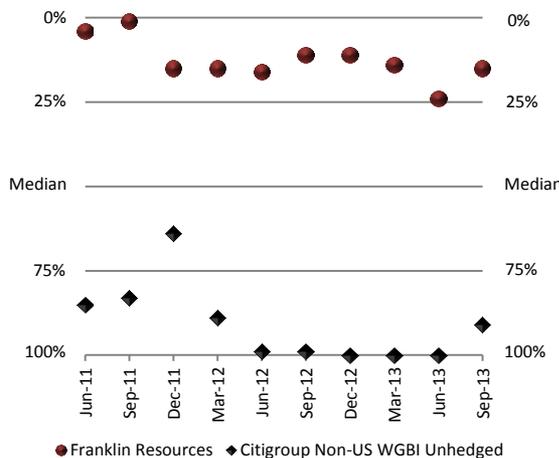
*As of 6/30/2013

ROLLING PERFORMANCE AND RANKINGS

Three-Year Rolling/Quarterly Excess Performance vs. Citigroup Non-US WGBI Unhedged Index



Manager vs. International Fixed Unhedged Universe Rolling Three-Year Periods



QUALITATIVE OVERVIEW

- Franklin Templeton has a global presence in 24 countries with investment resources in several local markets. With over \$150 billion in assets, the global team is a significant part of Templeton's fixed income effort.
- Dr. Michael Hasenstab, lead PM and member of the Investment Policy Committee, Canyon Chan, Sonal Desai, and nine dedicated global analysts are located in San Mateo and have educational background in economics. They are supported by senior professionals in New York, London, Singapore, Shanghai, and other offices.
- Franklin follows a fundamental, research-driven approach in identifying opportunities to deliver total return. Macro analysis of global factors and individual country fundamentals determine duration and FX positioning. This flexible strategy is allowed to utilize the whole fixed income country universe and seeks to implement only the best ideas available. Below investment grade exposure is limited to 35% of total assets.
- The Fixed Income Policy Committee meets regularly to establish long-term themes that the portfolios will be constructed around. PMs are aided by the research teams' analysis to create the overall macro view. Based on strategy guidelines, senior portfolio managers emphasize the most attractive segments of the market. Country weights, duration, and currency exposure can vary significantly from the benchmark. Short-term volatility is not managed as positioning is based on long-term strategic view. Portfolio holds 200+ cash bonds and derivative positions in currency forwards.

QUALITATIVE RANKING

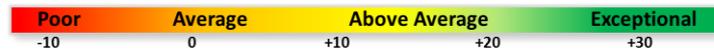
FIRM	-2	-1	0	1	2
Empl Ownership				●	
Mgmt Consistency					●
Focus					●
Cost				●	
Litigation					●
Responsiveness				●	
TOTAL					+3

PERSONNEL	-3	-2	-1	0	1	2	3
Staff Depth							●
Experience							●
Stability							●
Support							●
TOTAL							+5

PRODUCT	-2	-1	0	1	2
History					●
Size					●
Growth					●
Asset Split					●
TOTAL					+5

PHILOSOPHY	-3	-2	-1	0	1	2	3
Philosophy							●
Country/Currency							●
Duration/Curve Management							●
Sector Mgmt							●
Issue Selection							●
Derivatives							●
Risk Mgmt							●
TOTAL							+13

TOTAL QUALITATIVE SCORE: +26



FRANKLIN TEMPLETON INVESTMENTS – INTERNATIONAL BOND PLUS (UNHEDGED)

Key Differentiator: Benchmark-agnostic manager with long history in international debt markets.

- **Investment Thesis:**

- **Talented PM and Senior Staff** – Dr. Hasenstab holds a Ph.D. in economics and has won numerous awards. Since becoming the lead PM, he has hired key individuals with macroeconomic research expertise and grown the global fixed income business. His philosophy encompasses analyzing the broad universe for most attractive opportunities, allocating a large portion of the portfolio to a high conviction theme, balancing risk across positions, and creating a best ideas portfolio.
- **Strategic, Low Turnover Approach** – The strategy employs a long-term, total return philosophy with portfolios constructed based on fundamental research. Risk is diversified across multiple macro views and short-term volatility is ignored.
- **Seasoned Global Investors** – The team is experienced in managing global portfolios with the research staff averaging 13 years in the business. As global markets have changed over the last decade, Templeton has successfully adapted to different environments.
- **Deep Pool of Analysts** – The dedicated global team has access to over 100 fixed income professionals around the globe. Support of local teams and sector specialists broadens the investment universe and allows timely decision making.

- **Risks/Concerns:**

- **Key Man** – Dr. Hasenstab is the architect of the process and has been responsible for the successful positioning of the portfolio over the past five years. There is substantial key man risk in the form of his role and employment.
- **Allocation to Emerging Markets** – Templeton currently has invested a critical mass of the portfolio in emerging markets bonds and currencies. Volatility of returns can increase substantially during periods when portfolio tilts are misaligned with market themes.
- **Asset Constraints** – Total assets across different global products is over \$150B. Although Templeton has invested in both larger and smaller countries in the past, there is a possibility that the high assets will restrict investments in some countries with limited liquidity.

- **Performance Review and Expectations:**

- Franklin trailed the Citigroup Non-US WGBI Index by a wide margin in the third quarter but remains ahead by 246 bps for the year. Detracting from excess returns were current positions (underweight to Yen and Euro) and duration positioning (underweight duration in Europe and Japan). Given their concerns over the unprecedented nature of central bank actions to stimulate the global economy, Franklin is limiting their interest rate risk through a reduced duration position. However, the strategy will take advantage of opportunities in the currency markets given recent volatility and dollar strength.
- Excess return expectations are 100-150 basis points over the next market cycle; the strategy's elevated allocation to emerging markets could prove to be a headwind to excess returns over the near-term if poor technicals do not reverse course for the sector.

ROGGE GLOBAL PARTNERS – INTERNATIONAL AGGREGATE (UNHEDGED)

FIRM DETAILS

Address: 56 Victoria Embankment
London, England EC4Y 0DZ
United Kingdom

Phone: +44 20 7842 8420

Asset Class: International Fixed Income

Benchmark: Citigroup Non-US WGBI Unhedged

Founded: 1984

Ownership: 17% employee owned;
83% owned by Old Mutual Plc

Assets Under Management: \$57.3 billion

PRODUCT DETAILS

Inception: March 2003

Assets Under Management: \$9.9 billion

Vehicles Offered: SA, CF

Commingled Fund Minimum: \$1 million

Portfolio Managers/Dual Role PMs: 18

Avg. Yrs of Experience: 20

Avg. Yrs at Firm: 9

Research Analysts: 9

Avg. Yrs of Experience: 14

Avg. Yrs at Firm: 5

Fee Schedule (CF*): 0.685% on all assets
(Performance-based fees are available)

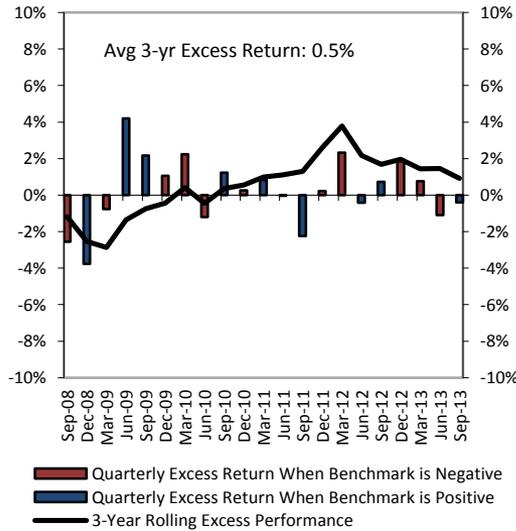
CHARACTERISTICS

	Portfolio	Benchmark
# of Bonds:	177	723
Portfolio Turnover:	70%	N/A
Avg Credit Quality:	A-	AA-
Min Credit Quality:	B**	BBB-
Duration:	6.3 yrs	7.4 yrs
<u>Last 3 Years:</u>		
Information Ratio:	0.4	N/A
Sharpe Ratio:	0.3	0.1

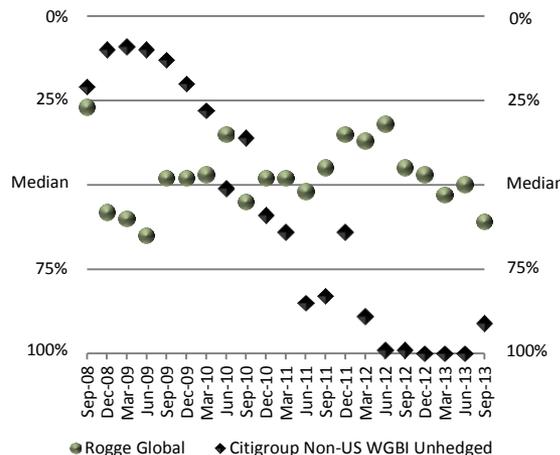
*Includes admin/custody fees.
20 ** As of 6/30/2013

ROLLING PERFORMANCE AND RANKINGS

Three-Year Rolling/Quarterly Excess Performance vs. Citigroup Non-US WGBI Unhedged Index



Manager vs. International Fixed Unhedged Universe Rolling Three-Year Periods



QUALITATIVE OVERVIEW

- Rogge Global Partners, founded by Olaf Rogge in 1984, is known as one of the longest and well-established global bond specialist managers in the world. More than 70% of the total assets are in global and investment grade credit products. The institutionally-based firm has offices globally with headquarters in London.
- Olaf Rogge and Adrian James serve as co-CIOs of the investment team. There are four other senior partners on the management team and their combined industry experience is over 100 years. The large contingent of portfolio managers are split between generalist PMs and specialist PMs. Specialized teams include investment grade credit, high yield, emerging markets, macro research, and risk management.
- Rogge's global fixed income philosophy is focused on two items: the health of a country and the overall debt level. They believe a "home run" is simply receiving their money back and they operate from a lender's perspective. Rogge uses a top-down investment process, which is supported by quantitative models.
- Relative value rankings for countries are determined based on monetary and fiscal policies, inflation and employment outlook, leading indicators, and spreads. This analysis determines which countries to overweight and which to underweight in the portfolio. From there, the team works to create a model portfolio utilizing a mean-variance optimizer to balance allocations along return and tracking error expectation parameters. Sector/security selection is then completed after analysis of the direction of rates, shape of yield curve, inflation, credit quality trends, demand, liquidity, and the volatility of spreads within the countries.

QUALITATIVE RANKING

FIRM	-2	-1	0	1	2
Empl Ownership				●	
Mgmt Consistency				●	
Focus				●	
Cost				●	
Litigation				●	
Responsiveness				●	
TOTAL					+7

PERSONNEL	-3	-2	-1	0	1	2	3
Staff Depth							●
Experience							●
Stability							●
Support							●
TOTAL							+4

PRODUCT

PRODUCT	-2	-1	0	1	2
History					●
Size					●
Growth					●
Asset Split					●
TOTAL					+6

PHILOSOPHY

PHILOSOPHY	-3	-2	-1	0	1	2	3
Philosophy							●
Country/Currency							●
Duration/Curve Management							●
Sector Mgmt							●
Issue Selection							●
Derivatives							●
Risk Mgmt							●
TOTAL							+11

TOTAL QUALITATIVE SCORE: +28



ROGGE GLOBAL PARTNERS – INTERNATIONAL AGGREGATE (UNHEDGED)

Key Differentiator: Conservative approach to international fixed income by respected veteran in the global fixed income space.

- **Investment Thesis:**

- **Common Sense Philosophy** – Rogge's global fixed income philosophy is focused on two items: the health of a country and the overall debt level. Their conservative nature leads them to believe a "home run" in investing is simply receiving their money back. This is a top-down driven philosophy, which utilizes quantitative models to provide an objective overlay.
- **Global Fixed Income Focus** – Unlike many other large investment shops with a variety of strategies, Rogge is focused on the global fixed income markets; their flagship strategy - Global Aggregate - was inceptioned in 1984. Rogge is diverse in their offerings and has the ability to manage sovereign or credit portfolios.
- **Well-seasoned Team** – Olaf Rogge has led the firm for over two decades. The large contingent of portfolio managers are split between generalist PMs and specialist PMs; the average experience is 20 years providing a healthy level of perspective on the global bond markets.

- **Risks/Concerns:**

- **Product Offerings** – Rogge has expanded its product offering through M&A. Although the team size is large, one must be cognizant of the threat of too many specialized strategies or portfolios, which could inhibit the team's ability to manage all portfolios effectively.
- **Team Stability** – Rogge has experienced a higher level of turnover the last few years with the most recent being Richard Bell's (Co-CIO), decision to retire in August 2013 due to personal reasons. Senior members of the high yield and EMD team have also departed in the recent past. To be sure, Rogge has been able to hire qualified replacements, with the most recent a new head of emerging markets, but a run of stability would be welcomed.

- **Performance Review and Expectations:**

- The strategy underperformed the index by -41 bps in the third quarter as country selection and currency allocations dragged on absolute returns. Primary detractors were an overweight to Canada, New Zealand, and Norway and underweight to the US, UK, and Japan. On the currency side, underweights to the British Pound, Japanese Yen, and Russian Ruble hurt performance. Rogge believes relative value strategies in place will perform well when volatility in the markets subsides. In addition, Rogge remains constructive on emerging market debt even with the increases in local rates.
- Excess return expectations are 75-125 basis points over the next market cycle although continued real rate pressures in the UK and further technical pressures on emerging market debt markets could reduce near-term alpha expectations.

SIDE BY SIDE COMPARISON

International Fixed Income				
As of 9/30/2013		Colchester	Franklin Resources	Rogge Global
Firm	Headquarters Location	New York, NY	San Mateo, CA	London, England
	Firm Assets	\$21.9B	\$844.7B	\$57.3B
	Ownership	51% employee owned; 49% owned by Silchester International Investors	36% employee owned; 64% owned by outside investors	17% employee owned; 83% owned by Old Mutual Plc
	Product Inception Date	October 2010	December 2007	March 2003
Product	Product Assets	\$1.3B	\$1.8B	\$9.9B
	Vehicle(s) Available	SA, CF	SA, MF	SA, CF
	Separate Account Minimum	\$75M	\$100M	\$50M
	Commingled Fund Minimum	\$1M	N/A	\$1M
	Mutual Fund Minimum	N/A	\$1M	N/A
Characteristics	Security Screening Approach	Bottom-Up	Bottom-Up	Combined Approach
	No. of Securities	66	245	177
	Portfolio Turnover	44%*	42%	70%
	Average Quality	AA	A*	A-
	Yield to Maturity	3.23%	4.01%	2.80%
	Duration Band Around Index	-20% to +25%	N/A	-50% to +150%

*As of 6/30/2013

ANNUALIZED RETURNS

Manager vs Benchmark										
As of 9/30/2013	1 year	3 years			5 years		7 years		10 years	
Colchester*	-4.01%	3.50%			6.52%		6.72%		6.02%	
Franklin Resources	2.20%	4.69%			9.63%		N/A		N/A	
Rogge Global	-4.57%	1.47%			5.85%		5.72%		5.54%	
Citigroup Non-US WGBI Unhedged	-5.65%	0.55%			4.27%		5.13%		4.91%	
Calendar Year Return										
	YTD	2012	2011	2010	2009	2008	2007	2006	2005	2004
Colchester*	-3.37%	8.71%	9.20%	4.62%	3.94%	11.41%	11.30%	6.85%	-9.23%	12.03%
Franklin Resources	-0.91%	14.28%	-0.27%	13.98%	18.52%	N/A	N/A	N/A	N/A	N/A
Rogge Global	-4.08%	6.13%	3.87%	7.77%	11.04%	2.64%	11.04%	7.33%	-8.11%	12.25%
Citigroup Non-US WGBI Unhedged	-3.37%	1.51%	5.17%	5.21%	4.39%	10.11%	11.45%	6.94%	-9.20%	12.14%

*Colchester returns from July 2010 through September 2010 supplemented with benchmark performance due to break in the composite.

STATISTICAL SUMMARY

As of 9/30/2013	Colchester*	Franklin Resources	Rogge Global	Citigroup Non-US WGBI Unhedged
3 Year Performance:				
Annualized Return	3.5%	4.7%	1.5%	0.6%
Annualized St. Dev	6.4%	6.7%	5.7%	5.5%
Sharpe Ratio	0.54	0.69	0.25	0.09
Tracking Error	3.0%	7.4%	2.5%	0.0%
Info Ratio	0.98	0.56	0.37	0.00
Batting Average	75.0%	66.7%	58.3%	0.0%
Up Market Capture	146.5%	34.1%	87.9%	100.0%
Down Market Capture	77.7%	-80.7%	64.8%	100.0%
5 Year Performance:				
Annualized Return	6.5%	9.6%	5.9%	4.3%
Annualized St. Dev	9.1%	8.2%	9.6%	8.8%
Sharpe Ratio	0.70	1.16	0.60	0.47
Tracking Error	2.5%	7.9%	3.6%	0.0%
Info Ratio	0.92	0.68	0.44	0.00
Batting Average	60.0%	65.0%	60.0%	0.0%
Up Market Capture	116.3%	72.0%	104.7%	100.0%
Down Market Capture	83.0%	-61.0%	76.9%	100.0%
7 Year Performance:				
Annualized Return	6.7%	N/A	5.7%	5.1%
Annualized St. Dev	9.6%	N/A	9.9%	9.4%
Sharpe Ratio	0.58	N/A	0.46	0.42
Tracking Error	2.1%	N/A	3.3%	0.0%
Info Ratio	0.74	N/A	0.18	0.00
Batting Average	60.7%	N/A	50.0%	0.0%
Up Market Capture	110.4%	N/A	100.1%	100.0%
Down Market Capture	89.0%	N/A	89.4%	100.0%
10 Year Performance:				
Annualized Return	6.0%	N/A	5.5%	4.9%
Annualized St. Dev	9.2%	N/A	9.5%	9.1%
Sharpe Ratio	0.48	N/A	0.41	0.36
Tracking Error	1.8%	N/A	2.8%	0.0%
Info Ratio	0.61	N/A	0.23	0.00
Batting Average	60.0%	N/A	52.5%	0.0%
Up Market Capture	107.5%	N/A	101.2%	100.0%
Down Market Capture	92.1%	N/A	90.3%	100.0%

*Colchester returns from July 2010 through September 2010 supplemented with benchmark performance due to break in the composite.

POOLED VEHICLE REVIEW

	Colchester	Franklin	Rogge
Type of Fund	3c7	Mutual Fund	LLC
Assets	\$89 million	\$435 million	\$856 million
Fee	60 bps on first \$25M 50 bps on next \$25M 35 bps on next \$100M 30 bps thereafter <i>(includes admin/custody)</i>	75 bps	68.5 bps <i>(includes admin/custody)</i>
Allowable Clients	ERISA and Non-ERISA	ERISA and Non-ERISA	ERISA and Non-ERISA
Liquidity	Monthly <i>(10 business days)</i>	Daily <i>(30 days notice)</i>	Daily <i>(30 days notice)</i>
Lock-Ups	None	None	None
Entry/Exit Fees	Yes; 12.5 bps*	None	None
Gate on Redemptions	None	None	None

* The 12.5 bps Anti-Dilution Levy has never been imposed by Colchester.

APPENDIX

FRANKLIN RESOURCES – GLOBAL BOND PLUS

FIRM DETAILS

Address: One Franklin Parkway
San Mateo, CA 94403
Phone: 650.312.2000
Asset Class: International Fixed Income
Benchmark: Citigroup WGBI ex-US Unhedged
Founded: 1947
Ownership: 36% owned by directors and officers; 64% owned by outside investors
Assets Under Management: \$844.7 billion

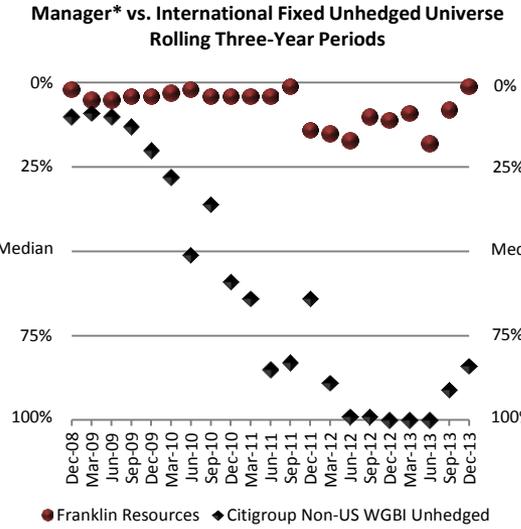
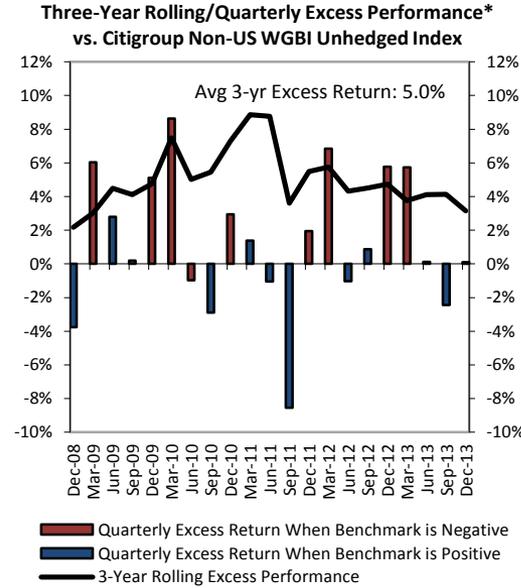
PRODUCT

Inception: September 1986
Assets Under Management: \$131.2 billion
Vehicles Offered: SA, CF, MF
Mutual Fund Account Minimum: \$1mm (flexible)
Portfolio Managers/Dual Role PMs: 3
Avg. Yrs of Experience: 20
Avg. Yrs at Firm: 13
Research Analysts: 15
Avg. Yrs of Experience: 13
Avg. Yrs at Firm: 6
Fee Schedule (MF): 0.65% on all assets

CHARACTERISTICS

	Portfolio	Benchmark
# of Bonds:	291	723
Portfolio Turnover:	42%	N/A
Avg Credit Quality:	A	AA-
Min Credit Quality:	None	BBB-
Duration:	1.8 yrs	7.4 yrs
<u>Last 3 Years:</u>		
Information Ratio:	0.4	N/A
Sharpe Ratio:	0.5	0.1

ROLLING PERFORMANCE AND RANKINGS



QUALITATIVE OVERVIEW

- Franklin Resources has a global presence in 24 countries with investment resources in several local markets. With over \$130 billion in assets, the global team is a significant part of Templeton's fixed income effort.
- Over 100 fixed income professionals in six teams support the strategy. The teams include global sovereign/EMD, credit, and local asset management. Dr. Michael Hasenstab, lead PM and member of the Investment Policy Committee, Canyon Chan, Sonal Desai, and nine dedicated global analysts are located in San Mateo and have educational background in economics. They are supported by senior professionals in New York, London, Singapore, Shanghai, and other offices.
- Franklin follows a fundamental, research-driven approach to identify opportunities to deliver total return. The unconstrained strategy has the ability to invest in any country and is diversified across 25 macro themes. The risk budget changes with the business cycle and below investment grade exposure is limited to 25% of total assets.
- The Fixed Income Policy Committee meets regularly to establish long-term themes and is aided by the sovereign research teams' analysis, which is based on meetings with government officials and reviews of primary data from IMF, OECD, etc. The impact of interest and exchange rate outlooks on yield curves and expected returns is developed to determine country allocation and duration target. Based on strategy guidelines, senior portfolio managers emphasize the most attractive segments of the market. Country weights, duration, and currency exposure can vary significantly from the benchmark.

QUALITATIVE RANKING

FIRM	-2	-1	0	1	2
Empl Ownership				●	
Mgmt Consistency					●
Focus					●
Cost					●
Litigation					●
Responsiveness					●
TOTAL					+3

PERSONNEL	-3	-2	-1	0	1	2	3
Staff Depth							●
Experience							●
Stability							●
Support							●
TOTAL							+5

PRODUCT	-2	-1	0	1	2
History					●
Size					●
Growth					●
Asset Split					●
TOTAL					+5

PHILOSOPHY	-3	-2	-1	0	1	2	3
Philosophy							●
Duration Mgmt							●
Curve Mgmt							●
Sector Mgmt							●
Issue Selection							●
Derivatives							●
Risk Mgmt							●
TOTAL							+13

TOTAL QUALITATIVE SCORE: +26



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