

Gwinnett County, Georgia
Retirement Plans Management Committee
May 23, 2013 Regular Meeting

8:00 AM

Gwinnett Justice and Administrative Center, Conference Room C

Agenda

1. Call to Order * Kenneth Poe
2. Adoption of Agenda * Kenneth Poe
3. Approval of Minutes * Kenneth Poe
February 28, 2013 Meeting
4. Audit Committee Report *
 - a. Financial Statement Joel Black, Mauldin & Jenkins
 - b. DB Valuation Todd Green,
Cavanaugh Macdonald
 - c. OPEB Valuation Alisa Bennett,
Cavanaugh Macdonald
- 5.. Performance Reports – Fund Reports *** UBS
 - a. 1st Quarter DB Plan
 1. Investment Strategy Guide
 2. Investment Performance Report
 3. Manager Watch List
 4. Fee Schedule –1st Quarter
 5. Downgraded Bonds
 - b. 1st Quarter DC Plans *** Great West
 1. Staff Update
 2. Fund Performance Review – AAG
 3. Executive Summary
 4. Plan Review
 5. Managed Accounts
6. Investment Committee Reports * Mike Ludwiczak

Page 2
RPMC Regular Meeting, May 23, 2013

- a. Update on Securities Litigation Monitoring
 - b. Recommendations on failing funds
-
- 7. Past Quarter Participation and Education ***
 - a. Participation Numbers Debbi Davidson
 - b. Education Update Fred Minot
-
- 8. Legal Services update and recommendation * Kenneth Poe
-
- 9. Update on 2013 Workplan *** Kenneth Poe
-
- 10. Next Meeting – August 22, 2013 ***
-
- 11. Public Comments (Limited to 30 minutes) **
-
- 12. Adjournment *

***Action Items**

****Speakers wishing to address the RPMC must report to the Clerk of the Committee prior to the meeting being called to order. Speakers are limited to 3 minutes or less.**

*****Information items requiring no action.**

Gwinnett County, Georgia
Retirement Plans Management Committee
February 28, 2013 Regular Meeting Minutes
8:00 AM

Gwinnett Justice and Administrative Center, Conference Room C

Members Present: Jim Underwood, Aaron Bovos, Glenn Stephens, Kenneth Poe, David Crews, Ashley Stinson, Joy Parish

Chairman Kenneth Poe called the meeting to order at 8:09 AM.

Adoption of Agenda

David Crews made the motion to approve the Agenda and Jim Underwood seconded. (Vote 7 – 0)
Poe – Yes; Underwood – Yes; Bovos –Yes; Stephens – Yes; Crews – Yes; Stinson – Yes; Parish – Yes.

Approval of Minutes

Jim Underwood made the motion to approve the Minutes for the November 15, 2012 Regular meeting and Glenn Stephens seconded. (Vote 6 – 0)
Poe – Yes; Underwood – Yes; Bovos –Yes; Stephens – Yes; Crews – Yes; Stinson – Yes; Parish – **new member no vote**

Introduction of New Member – Joy Parish

Kenneth Poe introduced Joy Parish as the new RPMC member serving in the public safety area as appointed by Glenn Stephens, County Administrator.

Performance Reports Executive Summaries

- Fourth Quarter DB Plan Investment Performance Report-
The report for the fourth quarter of 2012 was presented by Ray Vuichich and Allen Wright of UBS Institutional Consulting. US policy makers averted the fiscal cliff and agreed on tax increases. This is a step in the right direction and UBS expects fiscal uncertainty to remain high for a few months. Washington is still seen as the biggest risk but spending behavior is showing a turnaround within an improving macro environment. Gwinnett County’s portfolio continues to do well.

The Market Value of the DB Plan as of 12/31/2012 was \$805,589,121. This amount is invested in the following accounts (Gross of Fees).

Large Cap Growth	\$93,890,617
Large Cap Value	\$95,929,972
Mid Cap Core	\$27,378,522
Mid Cap Growth	\$26,079,616
Mid Cap Value	\$26,969,363
Small Cap Blend	\$61,962,372
REITS	\$40,206,626
Foreign Developed Blend	\$117,029,714
Fixed Income Taxable Intermediate	\$268,892,187
Emerging Markets	\$47,250,131
Total	\$805,589,120

WE SHOULD ADD SUMMARY INFORMATION ABOUT RETURNS (GROSS AND NET OF FEES) AND TRUST RANKING AS A COMPARSION TO OTHER TRUSTS IN THE UNIVERSE (LESS THAN \$1 B)

- Fourth Quarter DC and 457 Plans Fund Performance-

The reports on the funds in these plans were presented by Michael Baker and Donald Erwin of Great-West.

Donald Erwin presented the Plan Review for January 1, 2012 through December 31, 2012. Plan assets were at \$220.09 million as of December 31, 2012. Plan assets grew by \$24.50 million (12.5%) from January 1, 2012 to December 31, 2012. Contributions were \$20.80 million from January 1, 2012 to December 31, 2012. The average account balance per participant was \$32,647 for the 401(a) Plan and \$23,545 for the 457(b) Plan. The County is doing very well compared to other governments on contributions by assets class.

Donald Erwin reviewed the fee disclosure document that Great-West developed for the Gwinnett County plans. Revenue Sharing has made the document complex. The amount for Payments to Others and Plan Account is overstated due to the portion of the Plan Account that is used to pay for the Great-West annual recordkeeping fee. An addendum was added to the fee disclosure document.

DO WE NEED TO ADD INFO ABOUT DB CHECK ADMINISTRATION AS REPORTED?

Investment Committee Recommendations and Reports-

- Large Cap Manager-Approval of contracts with TCW and Columbia-Aaron Bovos made the motion to approve the contacts for TCW and Columbia, liquidating our position with Rainier, moving assets to two new managers including using any transition managers as needed and David Crews seconded it. (Vote 7 - 0) Poe – Yes; Bovos – Yes; Crews – Yes; Parish – Yes; Stephens – Yes; Stinson – Yes; Underwood – Yes.
- Recommendation on Revenue Sharing-Glenn Stephens made the motion to allow the Investment Committee to begin discussion of how to allocate Revenue Sharing to participants and Ashley Stinson seconded it. (Vote 7 - 0) Poe – Yes; Bovos – Yes; Crews – Yes; Parish – Yes; Stephens – Yes; Stinson – Yes; Underwood – Yes.
- Recommendation on OPEB Funding – Cavanaugh Macdonald Report – Aaron Bovos made the motion to approve Cavanaugh Macdonald's recommendation to change the assumptions used in completing the actuarial report and Jim Underwood seconded it. (Vote 7 – 0) Poe – Yes; Bovos – Yes; Crews – Yes; Parish – Yes; Stephens – Yes; Stinson – Yes; Underwood – Yes.

Past Quarter Education and Participation Information-

- Participation Information – Current Active Participants

DB Plan	1,983
DC Plan	2,392
Deferred Comp	2,964
- Retirees

Retirees Receiving DB Pensions	1,864
Retirees with Health Insurance	1,468
- Fourth Quarter Education Update
There were a total of 513 Group/Onsite and One on One Meetings and Seminars/Lunch and Learns.

Vendor Renewals-

Cavanaugh Macdonald's contract is an annual renewal. There will be no increase in fees. This item was presented as informational only; no vote needed.

IRS Determination Letter-

Ed Emerson discussed the need to update the County's plan documents and to complete a filing with the IRS.

Ashley Stinson made a motion to recommend restatement of pension documents and Jim Underwood seconded it. (Vote 7 – 0) Poe – Yes; Underwood – Yes; Bovos – Yes; Stephens – Yes; Crews – Yes; Stinson – Yes; Parish – Yes.

Ethics Training-

Kenneth Poe gave a brief summary of the requirements of all boards and authorities to have the Ethics Training. Jim Underwood and David Crews confirmed they completed the Ethics Training. Debbi Davidson will run reports to ensure all employee members have also completed the training. Vendors are also required to review the Ethics Policies.

2013 Goals -

Kenneth Poe reviewed the goals for 2013. The Large Cap Manager Search has been completed and the rest will be worked on throughout the year.

Next Meeting May 23, 2013, Gwinnett Justice and Administration Center, Conference Room C at 8:00 a.m.

Public Comments (Limited to 30 minutes)-

There were no public comments.

Jim Underwood made the motion to adjourn and David Crews seconded. (Vote 7 – 0)
Poe – Yes; Underwood – Yes; Bovos –Yes; Stephens – Yes; Crews – Yes; Stinson – Yes; Parish – Yes.

The meeting adjourned at 11:10 a.m.



Presentation of 2012 Audit Results

Gwinnett County Pension & OPEB Reports

May 15, 2013



Agenda

- Engagement Team
- Results of the 2012 Audit
- Financial Ratios
- Comments, Recommendations, and Other Issues
- Questions & Comments



Engagement Team

■ Mauldin & Jenkins, LLC; General Information

- Founded in 1920.
- Large regional firm serving the Southeastern United States.
- Offices located in Macon, Atlanta, Albany, Bradenton, FL and Birmingham, AL with firm governmental leadership positioned in the Atlanta (and Macon) office(s) employing approximately 240 personnel.
- In addition to our governmental practice, we have large banking, healthcare, not-for-profit, benefit plan and tax practices.

■ Mauldin & Jenkins, LLC; Governmental Sector

- Largest specific industry niche served by the Firm representing 27% of Firm practice.
- Serve more governmental entities in Georgia than any other certified public accounting firm requiring over 60,000 hours of service on an annual basis.
- Approximately 65 professional staff persons with current governmental experience.
- Current auditor for over 185 total governments in the Southeast, including approximately:
 - 50 cities;
 - 30 counties;
 - 35 school systems;
 - 15 state entities; and,
 - 55 special purpose entities (stand-alone business type entities, libraries, etc).

■ Engagement team leaders for Gwinnett County

- Joel Black, Engagement Partner
- Miller Edwards/Meredith Lipson, Quality Review Partner



Results of 2012 Audit

- **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America (GAAS) and Government Auditing Standards (GAS)**
 - We considered the internal control structure for the purpose of expressing our opinion on the Pension and OPEB Fund's basic financial statements and not providing assurance on the internal control structure.
 - Our audit was performed in accordance with GAAS and GAS.
 - Our objective is to provide reasonable—not absolute—assurance that the basic financial statements are free of material misstatement.
 - The basic financial statements are the responsibility of the County's management.

- **Report on 2012 Basic Financial Statements**
 - Unmodified ("clean") opinion on basic financial statements.
 - Presented fairly in accordance with accounting principles generally accepted in the United States of America.
 - Our responsibility does not extend beyond financial information contained in our report.



Results of 2012 Audit (continued)

■ Significant Accounting Policies

- The significant accounting policies used by the Pension and OPEB Fund are described in Note 1 to the basic financial statements.
- Implemented GASB 63 and early implemented GASB 65 during the current year. The main result was new terminology for net assets which are now called net position.
- The policies used by the Pension and OPEB Fund are in accordance with generally accepted accounting principles and similar government organizations.
- In considering the qualitative aspects of its policies, the Pension and OPEB Fund is not involved in any controversial or emerging issues for which guidance is not available.

■ Management Judgment/Accounting Estimates

- The Pension and OPEB Fund uses various estimates as part of its financial reporting process – including the actuarial assumptions.
- Management's estimates used in preparation of financial statements were deemed reasonable in relation to the financial statements taken as a whole. We considered this information and the qualitative aspects of management's calculations in evaluating the Pension and OPEB Fund's significant accounting estimates.



Results of 2012 Audit (continued)

■ Financial Statement Disclosures

- The footnote disclosures to the financial statements are also an integral part of the financial statements and the process used by management to accumulate the information included in the disclosures was the same process used in accumulating the statements. The overall neutrality, consistency, and clarity of the disclosures was considered as part our audit.

■ Relationship with Management

- We received full cooperation from the County, Pension and OPEB Fund's management and staff.
- There were no disagreements with management on accounting issues or financial reporting matters.

■ Audit Adjustments

- There were no passed or posted adjustments as a result of the audit.

■ Management Representation

- We requested, and received, written representations from management relating to the accuracy of information included in the financial statements and the completeness and accuracy of various information requested by us.



Results of 2012 Audit (continued)

■ Consultation with Other Accountants

- To the best of our knowledge, management has not consulted with, or obtained opinions from, other independent accountants during the year, nor did we face any issues requiring outside consultation.

■ Significant Issues Discussed with Management

- There were no significant issues discussed with management related to business conditions, plans, or strategies that may have affected the risk of material misstatement of the financial statements.

■ Information in Documents Containing Audited Financial Statements

- Our responsibility for other information in documents containing the Pension and OPEB Fund's annual financial report and our report thereon does not extend beyond the information identified in our report.

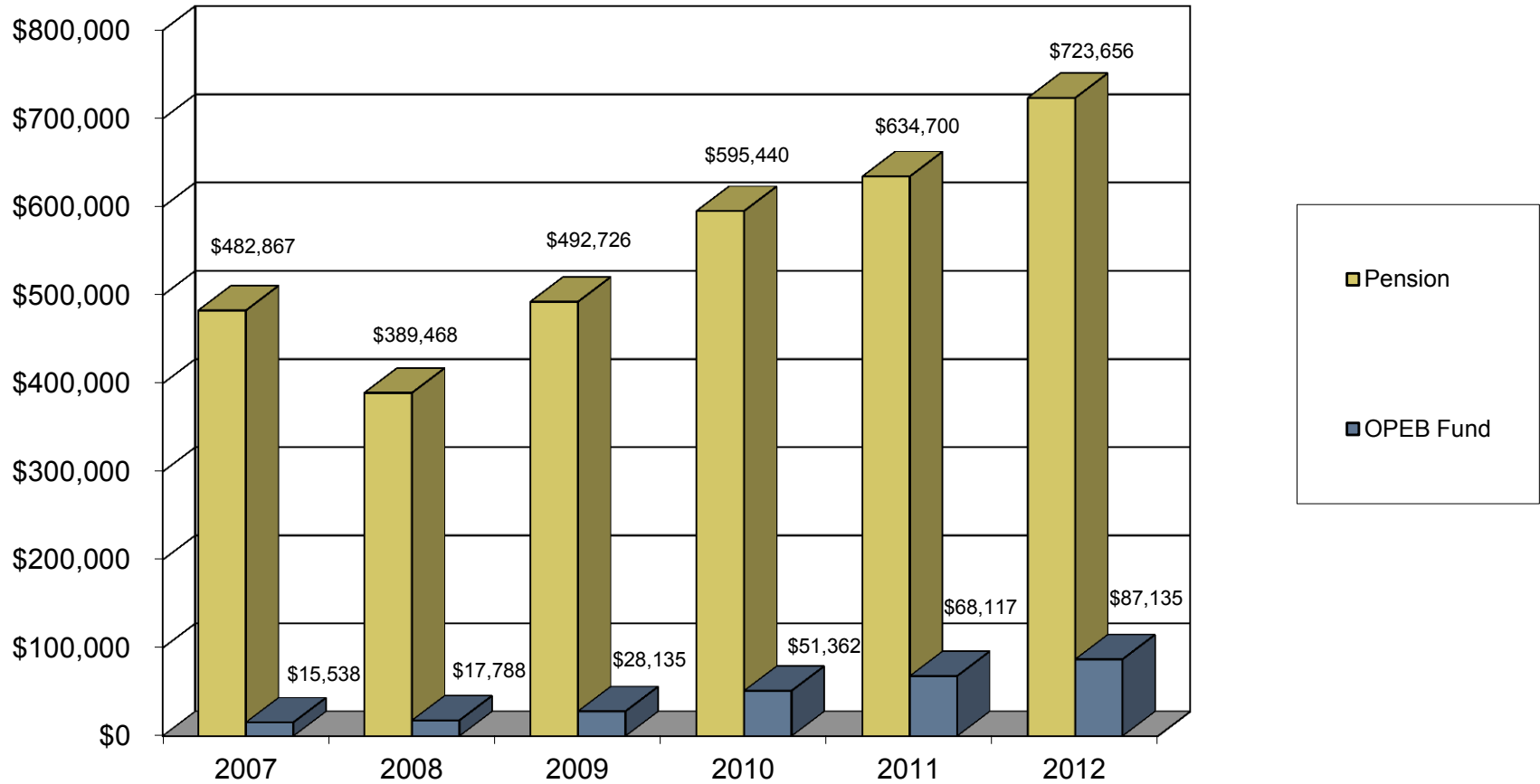
■ Auditor Independence

- In accordance with AICPA professional standards, M&J is independent with regard to the County, the Pension and OPEB Funds and the related financial reporting process.
- There were no fees paid to M&J for management advisory services during fiscal year 2012 that might effect our independence as auditors.



Gwinnett Pension and OPEB Funds

Trend Analysis of Net Position (000s)

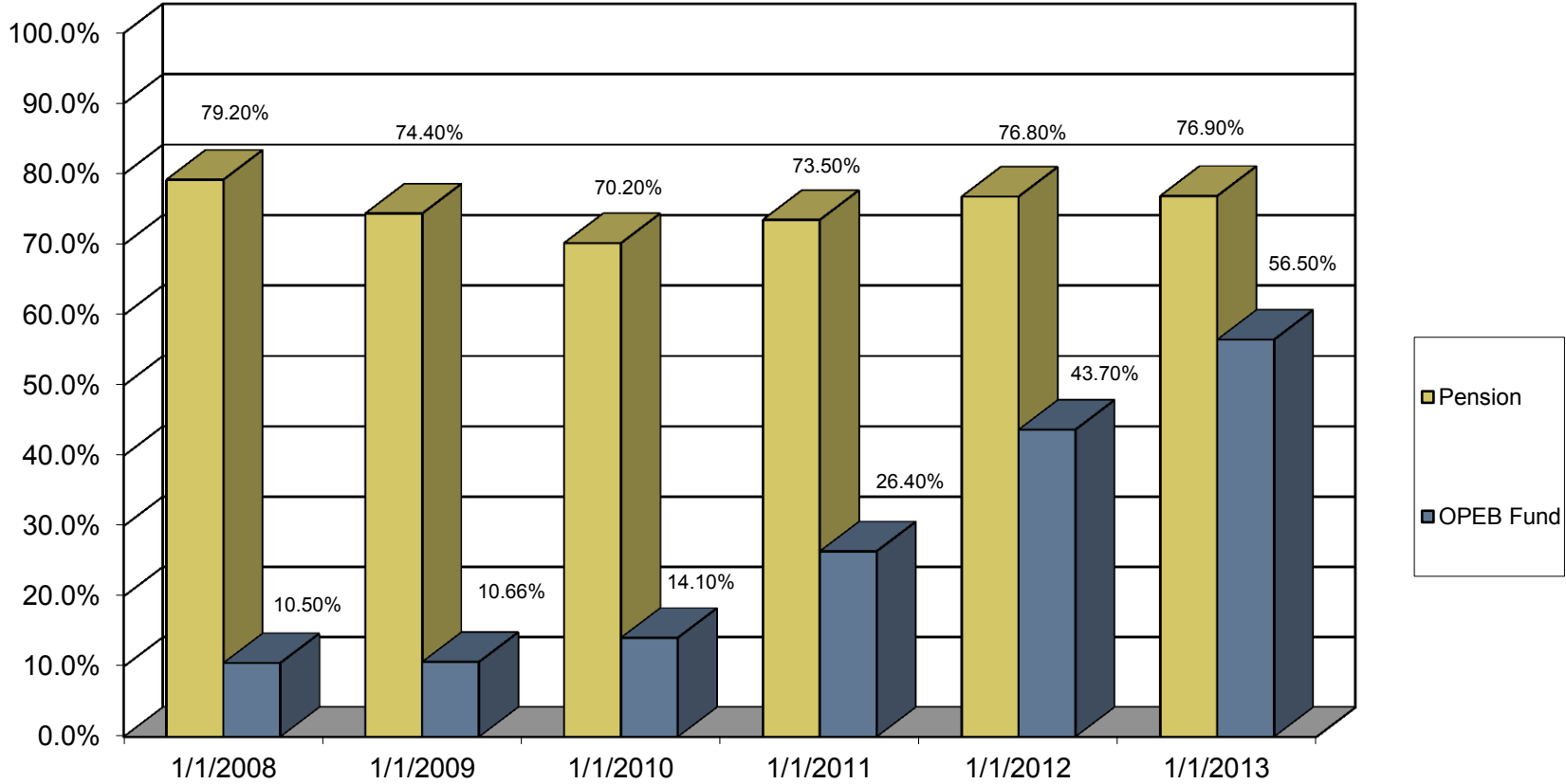


Source: The Annual Financial Reports



Gwinnett Pension and OPEB Funds

Funding Progress – Actuarial Valuation Date



Source: The Annual Financial Reports



Comments, Recommendations, and Other Issues

■ Review of Census Data Need

- We noted 14 errors in demographic census data provided to the actuaries for use in their determination of pension liability and contribution amounts. These 14 errors would not materially impact the actuaries calculations and no erroneous payments were made, but we recommend the census data be reviewed and be as clean as possible.



Comments, Recommendations, and Other Issues (continued)

■ New GASB Pronouncements

- Statement No. 63, *Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides a slightly new format to the full accrual basis financial statements. Implemented in 2012.
- Statement No. 67, *Financial Reporting for Pension Plans*, enhances note disclosures and RSI for pension plan financial statements. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes and in 10-year RSI schedules. Applicable for December 31, 2014.
- Statement No. 68, *Accounting and Reporting for Pension Plans*, requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Applicable for December 31, 2015.



Questions & Comments





Cavanaugh Macdonald
CONSULTING, LLC

The experience and dedication you deserve

Gwinnett County Defined Benefit Plan Annual Valuation as of January 1, 2013

Presented by Todd Green ASA, FCA, MAAA



Benefit Financing



➤ Basic Retirement Funding Equation

$$C + I = B + E$$

C = Contributions

I = Investment Income

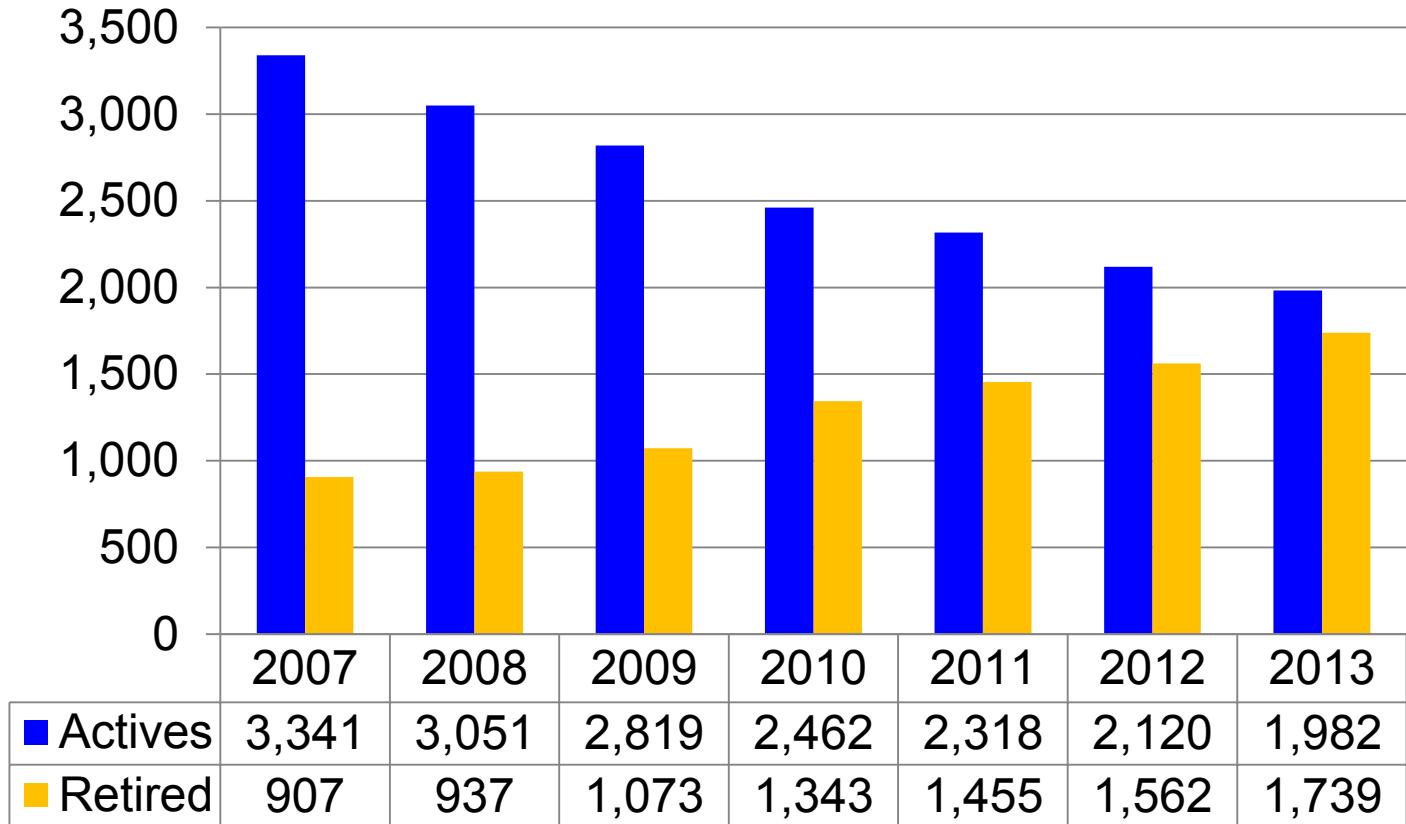
B = Benefits Paid

E = Expenses (administration)



Valuation Results

Active and Retired Membership



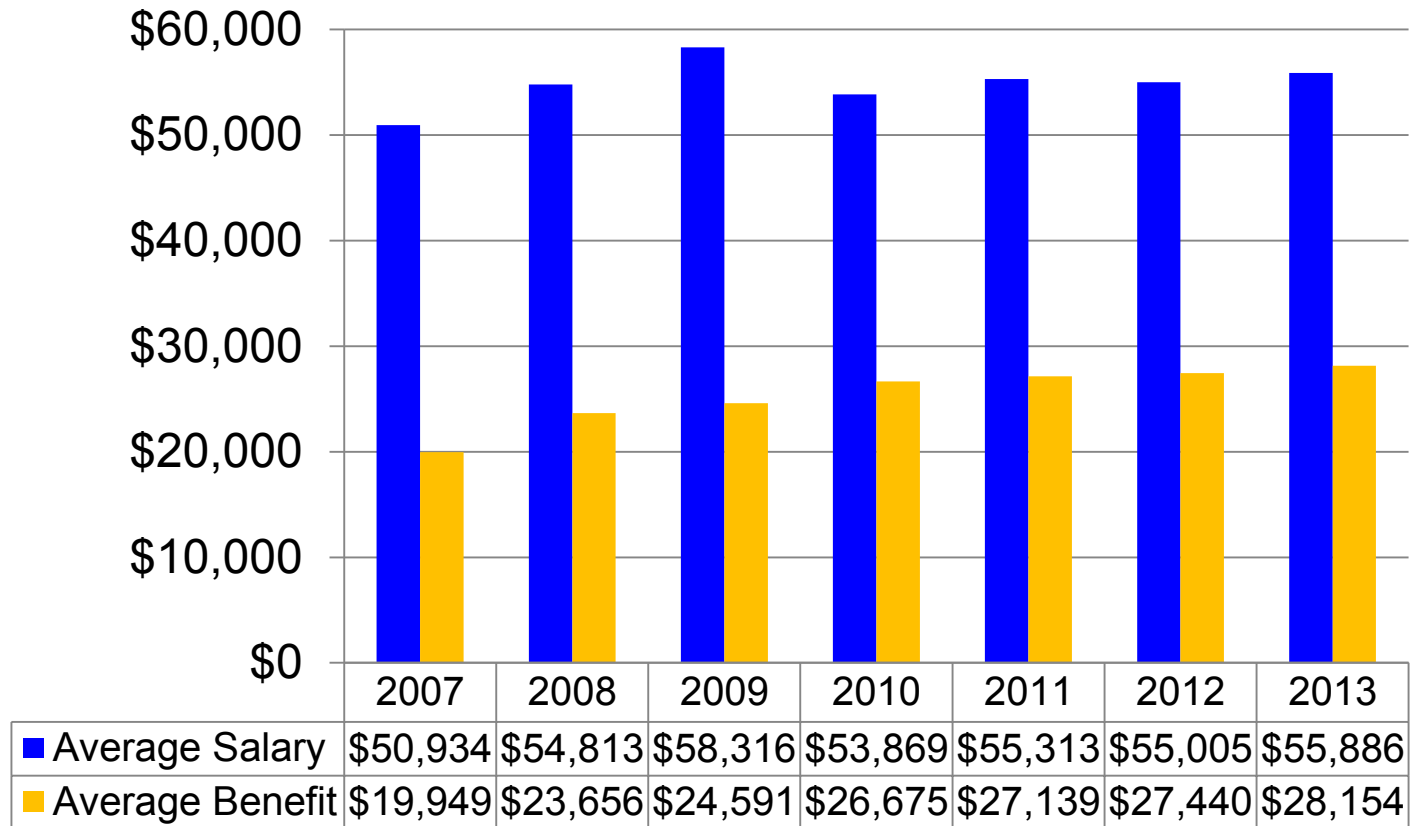
8.33% annual decrease for active members since 2007; 6.51% decrease for 2013.

11.46% annual increase for retired members since 2007; 11.33% increase for 2013.

0.3 retirees per active in 2007; 0.9 retirees per active in 2013.



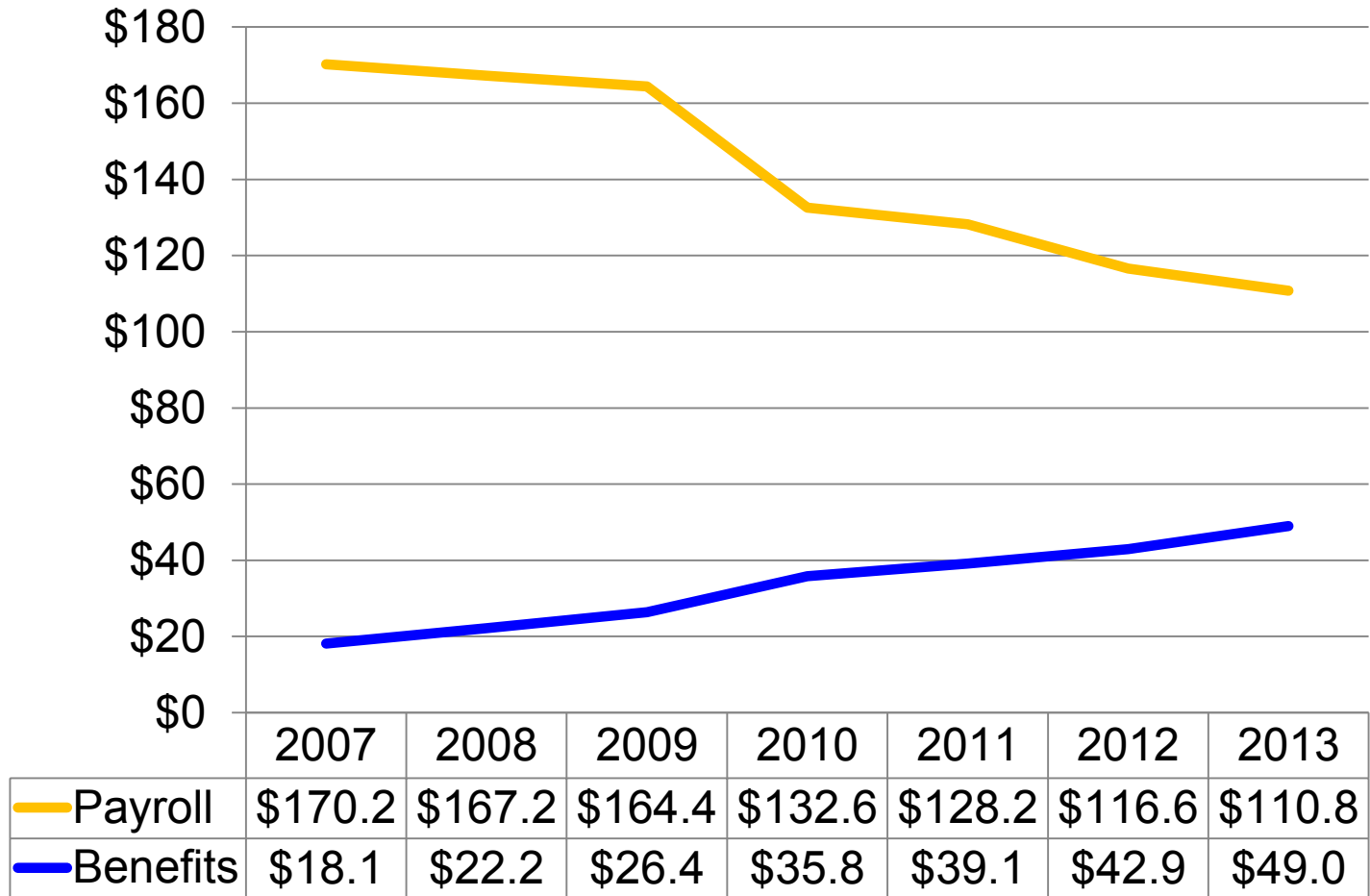
Average Salary and Benefits



1.56% annual increase for average salary since 2007; 1.60% decrease for 2013.

5.91% annual increase for average benefits since 2007; 2.60% increase for 2013.

Payroll & Benefits (\$ Millions)

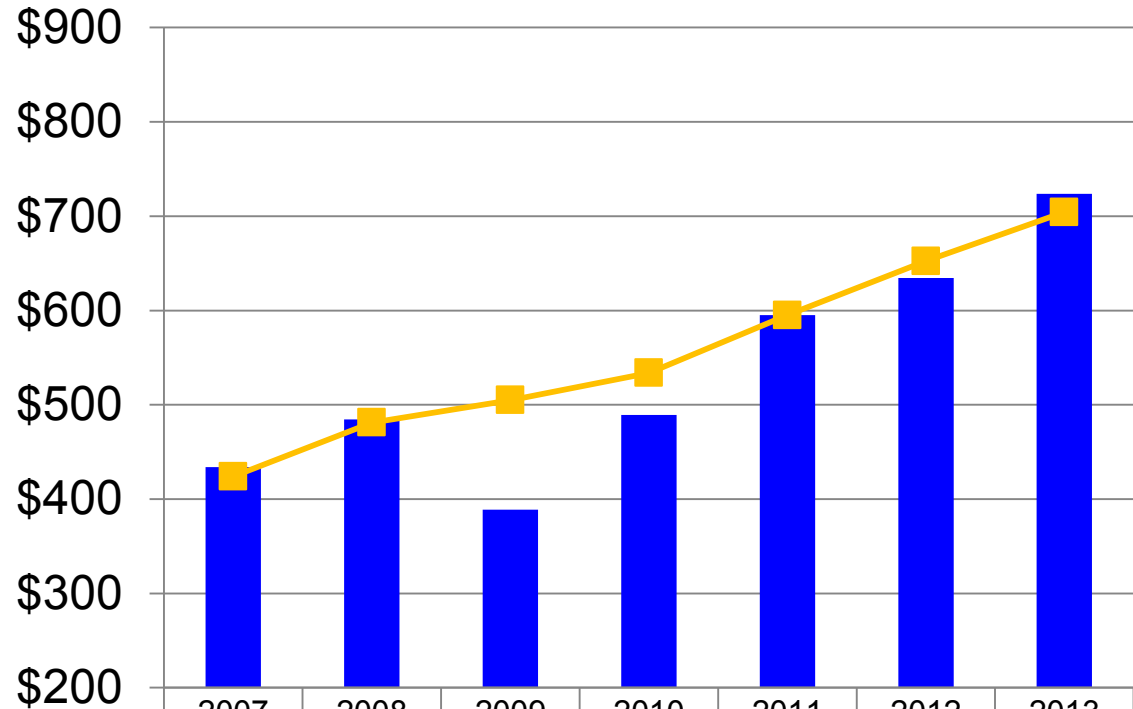




Market and Actuarial Value of Assets



Assets (\$ Millions)



Market Value of Assets	\$434.0	\$484.3	\$388.9	\$489.1	\$595.1	\$634.5	\$723.7
Actuarial Value of Assets	\$424.0	\$481.2	\$504.9	\$533.8	\$595.0	\$652.4	\$704.2

	2007	2008	2009	2010	2011	2012	2013
Market Return	11.3%	6.2%	(21.7)%	21.6%	14.8%	1.50%	11.60%
Actuarial Return	8.7%	8.4%	2.2%	2.8%	5.4%	4.4%	5.5%

Assets ('000's)



	January 1, 2009	January 1, 2010	January 1, 2011	January 1, 2012	January 1, 2013
Market Value of Assets	\$388,910	\$489,060	\$595,059	\$634,497	\$723,656
Actuarial Value of Assets	\$504,918	\$533,811	\$594,981	\$652,425	\$704,197
Market Value Rate of Return	(21.72)%	21.60%	14.80%	1.50%	11.60%
Actuarial Value Rate of Return	2.24%	2.80%	5.44%	4.42%	5.46%
Gain or (Loss)	(\$145,230)	\$53,886	\$34,323	(\$38,786)	\$22,783
Remaining Amount to be recognized	\$0	\$10,777	\$13,728	(\$23,272)	\$18,226
Remaining Recognition Period	0 Years	1 Years	2 Years	3 Years	4 Years



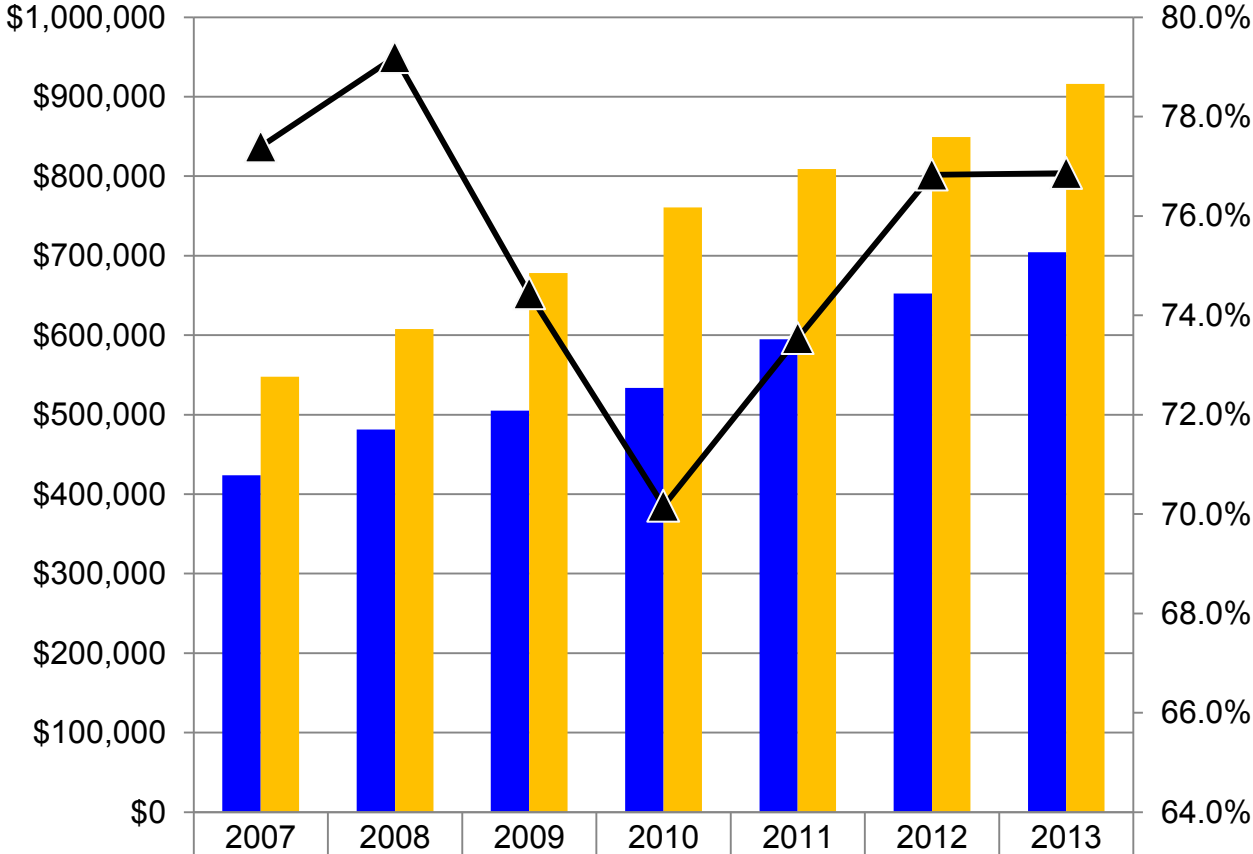
Funding Results

Results of Valuation



	January 1, 2013 Valuation	January 1, 2012 Valuation
Total Normal Cost Rate	15.29%	14.79%
Less Expected Member Rate	<u>6.95%</u>	<u>6.99%</u>
Employer Normal Cost Rate	8.34%	7.80%
Rate to Amortize UAL	<u>27.31%</u>	<u>23.50%</u>
Annual Required Contribution Rate	35.65%	31.30%
UAL Funding Period	14 Years	15 Years
Total Actuarial Accrued Liability	\$916,191,889	\$849,164,503
Actuarial Value of Assets	\$704,197,000	\$652,425,000
Unfunded Accrued Liability	\$211,994,889	\$196,739,503
Funded Ratio	76.9%	76.8%

Historical Accrued Liability and Funded Ratio ('000's)



■ Actuarial Value of Assets	\$423,952	\$481,198	\$504,918	\$533,811	\$594,981	\$652,425	\$704,197
■ Actuarial Accrued Liability	\$547,759	\$607,599	\$678,299	\$760,822	\$809,083	\$849,165	\$916,192
▲ Funded Ratio	77.4%	79.2%	74.4%	70.2%	73.5%	76.8%	76.9%

Gain/Loss Analysis

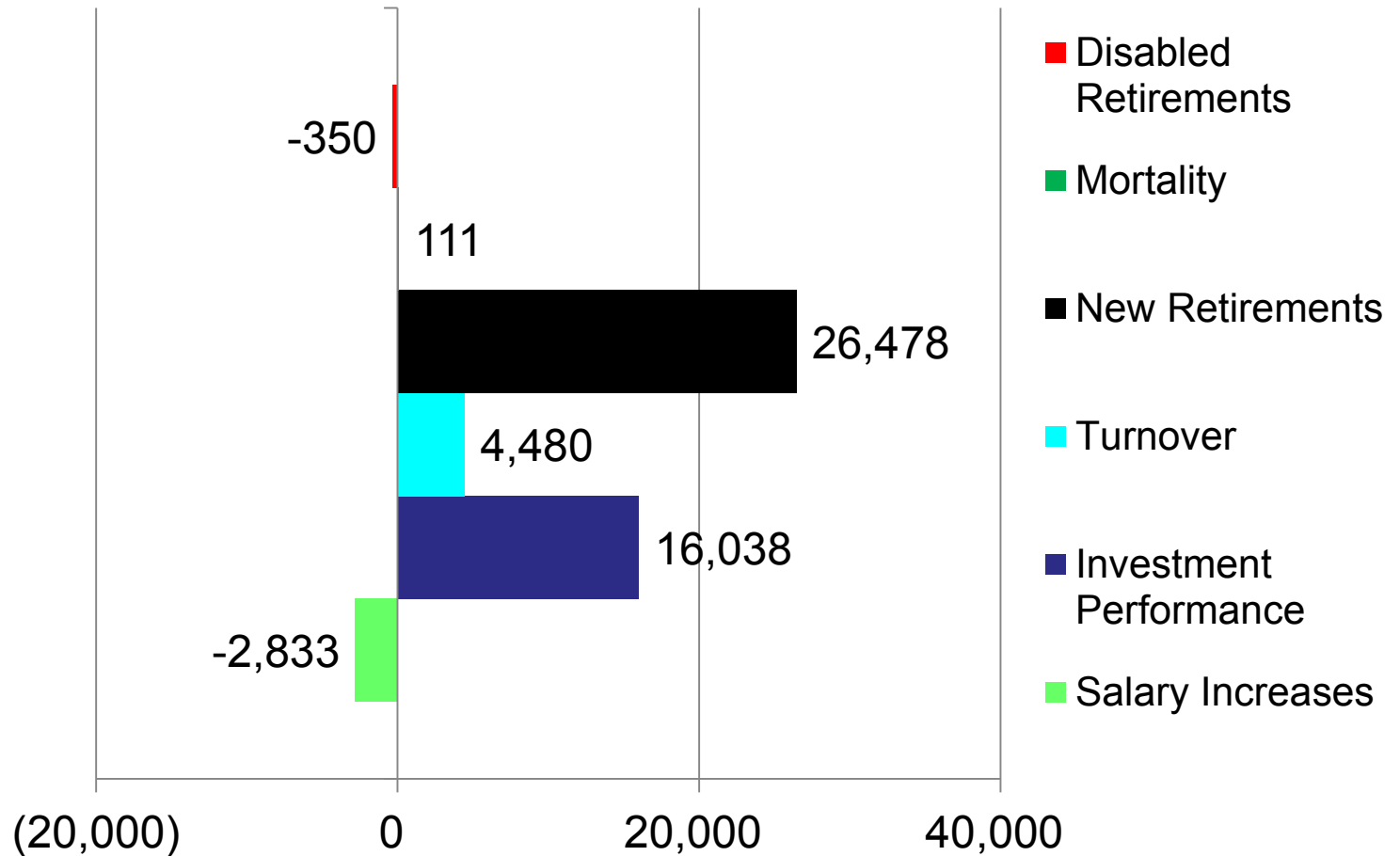
Comments on Valuation



- County contribution increase from 31.30% to 35.65% of covered payroll.

- Plan Experience (Highlights)
 - Experience gain resulting from less than expected pay increases (1.9% actual vs. 5.0% expected)
 - Experience loss resulting from less than expected investment return on actuarial value of assets (5.5% vs. 8.00%).
 - Experience loss resulting from the occurrence of more retirements than were expected.

Change in Accrued Liability ('000's)





Gwinnett County Retirement System Health Insurance Plan 2013 Actuarial Valuation Results

May 15, 2013



Table of Contents



- Key Findings
- Funded Status
- Benefit Financing
- Comments on Other Post-Employment Benefits (OPEB) Valuation
- Health Insurance Plan Results



Key Findings

- Funded status has improved from 43.74% funded to 56.54% funded.
- Annual Required Contribution (ARC) including expenses has decreased from \$11.1 million to \$9.4 million.
- Employer costs are still under the hard cap.
- Employer contributions have been made in excess of the ARC.
- Since the previous valuation, assumed rates of DC pension plan participant termination and retirement have changed, resulting in a health plan savings.



Funded Status



<u>1/1/2008</u>	<u>1/1/2009</u>	<u>1/1/2010</u>	<u>1/1/2011</u>	<u>1/1/2012</u>	<u>1/1/2013</u>
10.46%	10.66%	14.06%	26.43%	43.74%	56.54%



Benefit Financing



➤ Basic Retirement Funding Equation

$$C + I = B + E$$

C = Contributions

I = Investment Income

B = Benefits Paid

E = Expenses (administration)



Benefit Financing



$$C + I = B + E$$

B depends on

- Plan Provisions
- Experience

C depends on

- Short Term: Actuarial Assumptions
Actuarial Cost Method
- Long Term: I, B, E



Comments on OPEB Valuation



- UAL amortization period remains 30 years.
- UAL amortized as a level percentage of pay. Total payroll assumed to increase by 3% per year.
- Market value of assets used for valuation purposes. As assets accumulate, may consider change to a smoothing method.
- Discount rate used is 7.0%.
- Medical trend applied before reaching the hard cap.



Health Insurance Plan Results



Health Insurance Plan		
	1/1/2013	1/1/2012
Number Active*	4,413	4,405
Number Retired	1,157	1,120
Number Spouses of Retired	<u>675</u>	<u>669</u>
Total	6,245	6,194
Annual Salaries (\$ million)	\$210.7	\$211.6

* Before participation assumption is applied.



Health Insurance Plan Results



January 1, 2013 Valuation	
Total Normal Cost Rate	2.71%
Less Member Rate	<u>0.00%</u>
Employer Normal Cost Rate	2.71%
Rate to Amortize UAL	<u>1.75%</u>
Total Employer Contribution Rate	4.46%
Unfunded Accrued Liability*	\$67.0
Amortization Period	30 years
January 1, 2012 Valuation	
Total Employer Contribution Rate	5.26%
Unfunded Accrued Liability*	\$87.6
Amortization Period	30 years

* \$ millions



2013 Health Care Experience Gain/Loss (\$ Millions)



(1) Unfunded Actuarial Accrued Liability (UAAL) as of 1/1/2012	\$87.6
(2) Normal Cost from last valuation (with admin fees)	6.3
(3) Expected employer contributions	11.1
(4) Interest accrual	<u>6.2</u>
(5) Expected UAAL as of 1/1/2013: (1)+(2)-(3)+(4)	\$89.0
(6) Actual UAAL as of 1/1/2013	67.0
(7) Total gain or (loss) = (5)-(6)	<u>\$ 22.0</u>
(a) Asset gain or (loss)	9.2
(b) Gain due to decrement assumption changes	3.2
(b) Loss due to claims/contribution experience	(3.0)
(c) Liability gain or (loss)	12.6

Investment Strategy Guide

CIO Wealth Management Research
Second Quarter 2013

Quarterly



The global *tricycle*

US still driving positive economic and market outlook

Europe and China wobbly but set to improve

Maintain procyclical investment stance

Publication details

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Contents

Letter to readers	2
Summary & Highlights	3
Feature: <i>The global tricycle</i>	4
Focus: <i>More a gradual migration than a great rotation</i>	11
Washington Watch	14
Market Scenarios	17
Economic Outlook	18
Financial Market Performance	21
Foreign Exchange	22
International Markets	23
US Equities	27
US Fixed Income	32
Commodities	38
Alternative Investments	39
Investment Committee	41
Disclaimers/Disclosures	42

Letter to readers



Mike Ryan

Dear reader,

Spring is finally here – and not a moment too soon for those of us throughout much of the US who have had to endure an especially cold and snowy winter. This vernal equinox marks the beginning of a welcome season of renewal. Daylight hours increase, temperatures warm, and flora and fauna – not seen since autumn – resurface once again.

It is also a season of increased activity as we rotate our clocks forward an hour and the more industrious among us clean the house, rotate our wardrobes and turn the earth in our gardens. In short, spring is a time for both renewal and rotation.

Both of these themes are woven throughout this edition of the *Investment Strategy Guide*. In the “Feature” article, our global CIO Alex Friedman reflects upon the state of the global economy and health of financial markets against a backdrop of economic renewal. While challenges clearly remain, what we find is a global economy that continues to recover – led mostly by the United States. This ongoing process of renewal creates a favorable setting for risk assets in general, and continues to support our tactical preferences for both equities and credit.

In the “Focus” article, we dive a bit deeper into the debate over whether a “Great Rotation” out of bonds and into stocks is finally upon us. In our view, while investors have grown more comfortable with increasing their exposure to risk assets, several factors will likely prevent a dramatic or rapid allocation shift. We therefore look for less of a *great rotation* and more of a *gradual migration* as investors rebalance portfolios.

Enjoy the change of seasons!



Mike Ryan, CFA

Regional CIO, Wealth Management US
Head, CIO Wealth Management Research Americas

Summary & Highlights

- Outlook** We believe the global outlook, though not without risks, is relatively benign and ultimately supportive of a procyclical investment stance.
- **The global tricycle:** We view the US as the front wheel of a global tricycle, powering the markets, while China and the eurozone provide somewhat wobbly traction on the sides.
 - **US as economic and market driver:** In the US, while the sequester and higher taxes are likely to weigh on the US economy this year, private demand is holding up, well-supported in particular by the housing market recovery. Key leading indicators point to moderate GDP growth of 2.5-3.0% over the coming quarters, enough to support profit growth, but not quite enough to lead the Fed to end monetary easing soon.
 - **Eurozone structural problems remain:** The poor economic performance, political uncertainty in Italy and the situation in Cyprus remind us that most of the structural problems in the eurozone remain unsolved.
 - **Faster growth ahead in China:** Recent Chinese industrial production and retail sales data missed consensus estimates. However, we expect to see stronger growth from the Chinese economy in the months ahead.

Investment recommendations

- While we don't believe that a great rotation from bonds into stocks is imminent, we are likely to see the beginning of a gradual migration this year. Overall, we remain comfortable with a "pro risk" portfolio stance and emphasize the following:
- **Moderate overweight tactical allocation to global equities:** This position is split between US and emerging market (EM) stocks, while we maintain a neutral stance on international developed equity markets. We continue to prefer the US for its defensive characteristics and resilient earnings, and EM for deep value and growth potential.
 - **Prefer growth, small- and mid-cap and cyclical stocks:** Within US equities, we continue to prefer growth to value stocks, small- and mid-cap stocks to large-caps and procyclical over defensive sectors. Our preferred sectors remain Tech, Industrials and Materials.
 - **Favor US corporate credit, as well as emerging market corporate bonds:** Corporate balance sheet fundamentals have begun to turn but still remain very supportive of investment-grade and high-yield corporate bonds. We believe the yield pickup these segments offer provides more than enough buffer for the credit risks incurred. However, we recommend that in well-diversified fixed income accounts, investors consider adding exposure to preferred securities, while trimming somewhat the overweight in investment-grade corporates. We see opportunities in EM debt, but mainly on the corporate side, while sovereign paper appears fully valued.
 - **Limit exposure to government bonds:** Our overweights in risk assets are offset by a significant underweight in government bonds and related securities, where we fail to see any value and which we believe will be vulnerable to signs of economic normalization.



Feature: The global *tricycle*

Alexander S. Friedman, Global CIO UBS WM

As I write this letter, the newspaper headlines are full of alarming stories about Cyprus and the structural problems of the eurozone. It is tempting to analyze the state of the global economy through this lens.

But that would be a mistake.

Although Europe remains of concern, overall the global economy is recovering, led by the United States. Today, instead of a three-legged stool, the current market dynamics appear more akin to a tricycle. In case you have forgotten how a tricycle works, the child pedals the front wheel only, while the other wheels provide balance. As I see it, the US is the front wheel, powering the market, and China and the eurozone provide somewhat wobbly traction on the sides.

This then requires us to carefully assess whether the front wheel, akin to the engine, is dependable. Whether you're sitting in Zurich, Hong Kong or Sao Paulo, the US will likely be the main determinant (direct or indirect) of your investment returns.

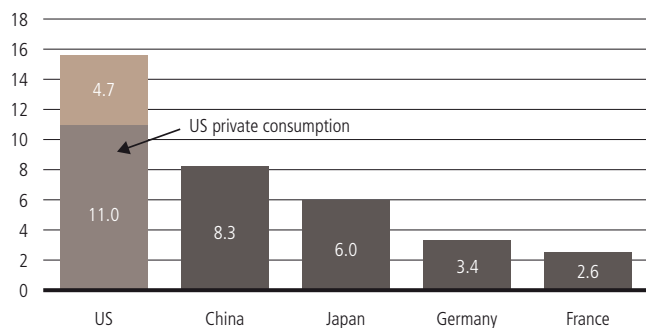
Let's look at the tread of our front wheel. The US is the world's largest economy and every year its consumers spend more than the entire GDP of France and China combined (see Fig. 1). US equities comprise around half of the MSCI World's investable market capitalization, and US corporate bond markets are about six times the size of the eurozone's. The US dollar is by far the world's main reserve currency, and is used for 70 percent of international trade. Thanks to explicit and de facto currency pegs, Federal Reserve policy changes are transmitted instantly around the world.

So how is the front wheel of the tricycle performing in early 2013?

While the sequester and higher taxes are likely to weigh on the US economy this year, key leading indicators point to moderate GDP growth of 2.5 - 3.0% over the coming quarters. This means that growth should be strong enough for corporate profits to rise at a mid-to-high single digit pace, but not robust enough for the Fed to reverse its accommodative stance, even if it seems increasingly likely they will taper off asset purchases later in the year.

Fig. 1: US private consumption bigger than China and France combined

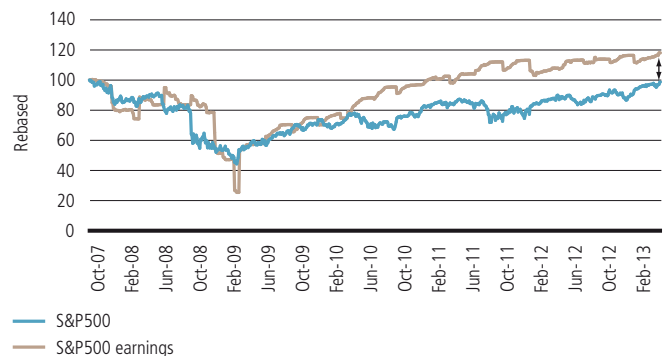
Gross Domestic Product, in USD trn



Source: IMF, as of 20 March 2013

Fig. 2: S&P500 earnings higher than at the 2007 market peak

S&P500 and company earnings, base October 2007



Source: Bloomberg, as of 20 March 2013

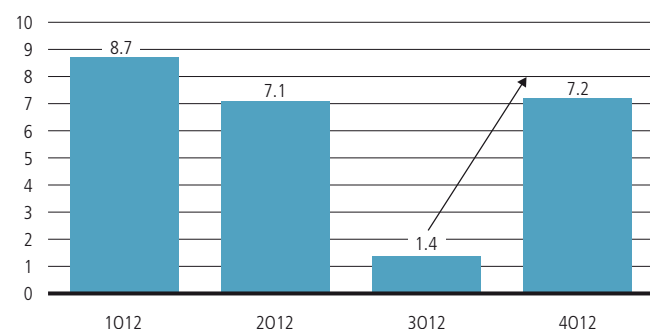
But riding a tricycle is not possible if even one of the wheels falls off, so it also remains crucial to monitor the eurozone and China.

In recent days, both global equity markets and the euro fell after Cyprus announced it would tax all bank deposits. While it was well known that Cyprus would need a bail-out, the surprise was that the proposal would tax everyone with a bank account, even the “little guy.” This spooked the market by potentially setting an unwelcome precedent that violates the spirit of deposit insurance schemes across the eurozone. This is a fluid situation and after the Cyprus parliament rejected the proposal it is uncertain how events will play out. Broad contagion is unlikely, however. The Cyprus situation has enough unique elements, including the huge size of its banking sector relative to GDP and its high proportion of foreign deposits, that we believe the immediate relevance to other eurozone sovereigns is low. Still, it is a troubling reminder that the structural problems in the eurozone remain.

Meanwhile, in China, the most recent inflation, industrial production and retail sales reports have all disappointed expectations. But inflation is likely to ease in March, the most recent HSBC PMI was good, and acceleration in credit growth in January and February should translate into stronger economic growth in the months ahead.

Fig. 3: S&P500 earnings recovering in the fourth quarter

Quarterly earnings, year over year change, in %



Source: UBS CIO WMR, as of 20 March 2013

“As I see it, the US is the front wheel, powering the market, and China and the Eurozone provide somewhat wobbly traction on the sides.”

So overall, our view is that this tricycle is safe to ride. And since the recovery in the US continues, we remain comfortable with our overall “pro risk” portfolio stance, and in particular with our overweight positions in US high yield bonds and US equities.

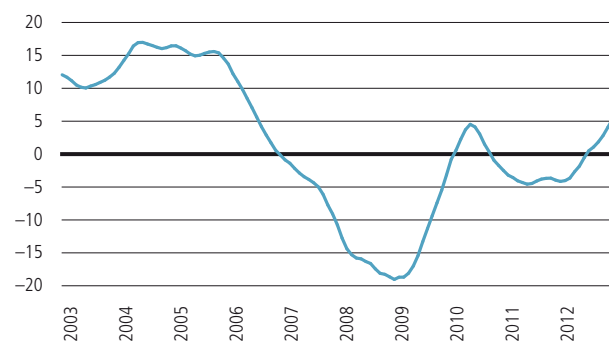
The remainder of this letter delves more deeply into the US market, considers Cyprus and its implications for the eurozone, analyzes China’s recent spate of economic data, and, as always, ends with our asset allocation.

US: “New highs” are misleading

Today, broad US equity indices are close to record nominal highs, and the Dow Jones Industrial Average recently posted its longest daily winning streak in 16 years. The market’s rapid gains are making some investors nervous, and it is logical to ask if the US market is overdue for a near-term correction.

Fig. 4: US house price recovering

Case-Shiller 20-City Home Price Index, year over year change, in %



Source: Bloomberg, as of 20 March 2013

Feature

A US pullback can't be ruled out, but in our view it is important to look through any short-term volatility and stay focused on the fundamentals, which are encouraging.

We believe there are good reasons to remain overweight US equities. Despite being near all-time highs in nominal terms, in inflation-adjusted terms they are still below recent peaks. In any case, it is more important to look at valuation.

Consider the following. Trailing 12-month S&P 500 earnings per share (EPS) are 15% higher today at USD 104 when compared to USD 90 in late 2007 (see Fig. 2), and nearly double the USD 53 earned in 2000. This means that the trailing 12-month price to earnings ratio stands at just 15x today, compared to 17x at the peak.

Further, the quality of earnings also appears better; today, financial stocks account for 17% of corporate profits versus approximately 27% in 2007. And today, corporate balance sheets today are in much better shape. Companies have almost halved their leverage: net debt/EBITDA (a measure of debt relative to operational profitability) stands at 1.7x today vs 3.5x in 2007.

Positioning is also supportive. Despite a spike in equity inflows early in the year, many institutional investors still have allocations to equities that are well below the average levels of recent decades. A rebalancing toward

// The Cyprus situation has enough unique elements, including the huge size of its banking sector relative to GDP and its high proportion of foreign deposits, that we believe the immediate relevance to other Eurozone sovereigns is low. //

historical norms could provide an additional tailwind to equities. It is also worth noting that flow data indicates that new money coming into equities this year has largely come from money market funds, not from the famed "great rotation" out of fixed income.

Finally, we believe further equity market upside will depend on improving corporate earnings. And on this front, 4Q results are encouraging. With almost all companies having now reported, S&P 500 operating EPS has risen at a year-on-year pace of 7.3%, a sharp improvement from the weak growth of 1.4% in the third quarter (see Fig. 3). We see this positive trend continuing, and expect EPS growth of 6% or above in 2013 and 2014, underpinned by a number of positive factors outlined below.

Fig. 5: US entrepreneurial activity has returned

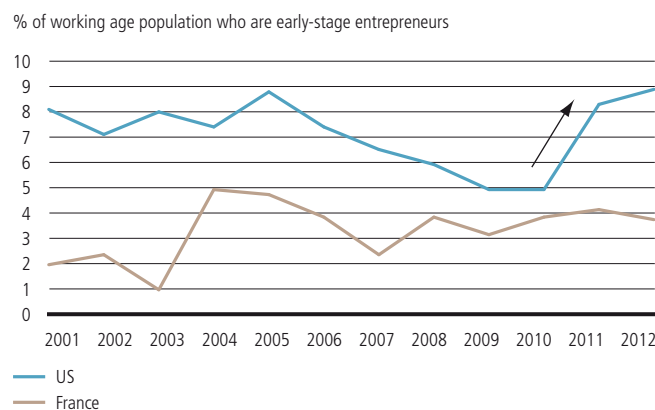
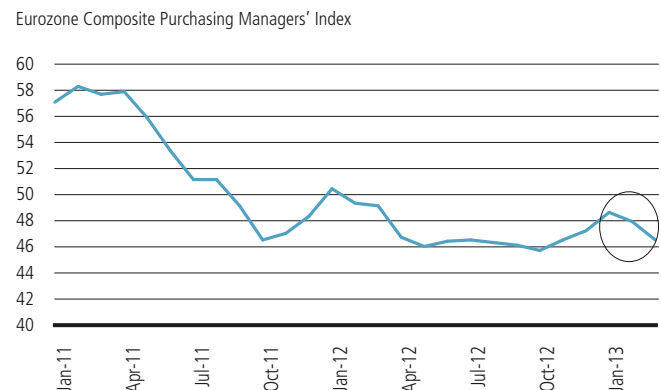


Fig. 6: Weakening eurozone economic data



Virtuous circle?

A key support for equities is a new mergers and acquisitions (M&A) wave led by US corporations. This year, we have seen USD 190bn in deals in the US alone – roughly twice the 2012 run rate. High-profile deals include Berkshire Hathaway and 3G’s USD 28bn bid for Heinz, and the USD 17.7bn bid for Dell. Not surprisingly, this activity has boosted the share prices of the acquirees, as well as some prospective buyout targets. And it’s not just M&A that companies are spending their money on. US companies authorized a record USD 118bn of share buy-back programs in February. Share buybacks are boosting EPS by reducing the denominator in the “earnings per share” calculation.

If this behavior proves indicative of a wider move toward companies becoming more active in utilizing their cash, we could begin to see the virtuous circle investors have been longing for. Companies executing capital expenditure and hiring new staff would boost investment and consumption, and, in turn, overall US economic growth after years of weakness.

Housing market to provide a rising tide?

A recovering housing market provides a supportive backdrop to the US market. US house prices rose around 7% in 2012 according to the Case-Shiller 20-City Home Price Index (see Fig. 4). And the recovery is still in a very early stage. Housing starts remain significantly below trend

levels and have not kept pace with population growth.

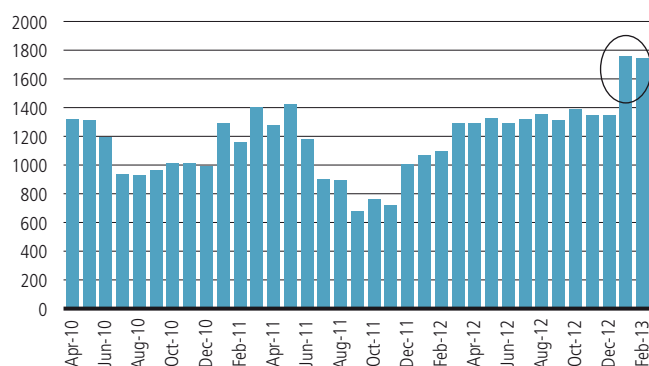
The primary effect of a housing recovery is on construction. We expect multi-family housing starts to rise at a pace of 18% annually over the coming few years, which should add roughly 0.5% annually to real GDP growth from the construction impact alone. February’s strong nonfarm payrolls report (+236,000 vs consensus +165,000) showed that the construction sector is now a major driver of jobs growth: the sector generated 48,000 new jobs over the month.

Thanks to rising prices and low interest rates, the number of “underwater” homeowners in 4Q 2012 declined by 1.7 million, year-over-year. This is important because it means that 1.7 million US families have regained positive home equity and are likely to feel more optimistic about their wealth and spend money on other goods and services. Additionally, families with home equity can refinance their mortgages at lower interest rates, in turn freeing up additional funds.

This chain reaction is particularly dramatic in the US given that home ownership is so high (roughly 65%), and the consumer is so important to the overall economy. Our research suggests that for every 1 USD increase in housing wealth, consumers spend 1.6 cents more. For more on the recent improvement in US economic prospects, please see the recent report *Dare we say Goldilocks?* published by my colleagues in research.

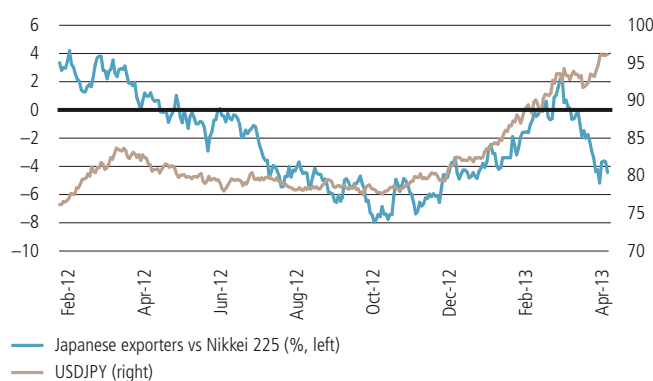
Fig. 7: Rapid credit growth in China

Total social financing, 3m rolling average, in RMB bn



Source: Bloomberg, as of 20 March 2013

Fig. 8: Japanese exporters have underperformed recently



Source: Bloomberg, UBS, as of 20 March 2013

Feature

Longer-term challenges, but not all gloomy

Discussions of the United States' longer term prospects typically focus on alarming fiscal deficit projections, rising pension obligations, and declining productivity. These concerns are valid. The US has not run a budget surplus since 2000, and when the present value of future Medicare and social security obligations are taken into account, the debt-to-GDP ratio soars to some 300%. As I have written before, worsening demographics threaten to exacerbate the fiscal crunch. Many states face pressing financial concerns. For example Detroit, once America's third-largest city, was recently declared by Michigan's governor to be in a "financial emergency." The city is burdened with USD 14.9bn in long-term debt and pension obligations, yet has not posted a general fund surplus since 2004.

However, we shouldn't be too gloomy.

First, although the US population is getting older, US demographics are far more favorable than those of Japan and Europe, where the labor force is already contracting. The Fed estimates that the annual drag of aging on US real GDP growth through 2030 will be just 0.2%.

Second, the shale gas revolution is reducing the price of domestic energy. In November 2012, the US became the world's biggest fuel producer, and some projections suggest that within half a decade combined US and Canadian oil output could be in surplus of domestic needs. This new-found energy independence will have a number of implications. Lower energy prices would mean that households have more left over to buy other products, and would help lower the costs of manufacturing. The energy revolution is already having a significant impact on regional employment. Drilling in the Bakken formation boosted North Dakota's GDP by 7.6% in 2011, and its unemployment rate has dropped to just 3.2%, the lowest of any state. Of course, the US faces tough decisions in balancing the desire for energy security against environmental and other concerns. For example, the proposed Keystone XL pipeline from the Alberta tar sands to Texas is awaiting approval and faces opposition from powerful environmental groups. But cheaper, readily available energy would be positive for longer-term US growth prospects.

// Until we are past the German elections in the fall, it is doubtful that Chancellor Angela Merkel will champion major new initiatives to address deposit insurance or further fiscal integration... //

Third, much has been made of the "decline of US dynamism," but the US economy is still very good at creating new businesses and re-inventing itself. In 2012, 8.9% of the working age population was actively involved in setting up a new business – the highest rate of entrepreneurship in more than a decade (see Fig. 5), and in sharp contrast to rates of 5.3% in the UK, and just 3.5% in Germany.

The other wheels

The eurozone's most immediate challenge is in Cyprus, which has banking assets about eight times the size of its GDP. The proposed bail-in of depositors is not a good solution; in particular the taxation of deposits below EUR 100,000 would violate the spirit of deposit insurance schemes across the monetary union, and raises the risk of bank runs in future troubled sovereigns.

There are also concerns of ripple effects into Russia. The most obvious channel of contagion to Russia is that approximately 31% of the deposits in the Cypriot banking system are owed to non-EU foreign residents. The bulk of this is linked to Russia, and primarily Russian corporations and banks. These depositors will suffer from the levy, but the Russian government remains cash-rich and able to support any systemically important institution that encounters difficulties. A second potential channel of contagion is that Moody's estimates Russian banks and companies have credit exposure of up to USD 40bn to businesses based in Cyprus as of the end of 2012. However, these exposures are only likely to prove problematic if long lasting capital controls are imposed, which is not our base case.

At the time of writing, the outcome in Cyprus is uncertain. However, the key issue is whether investors should fear broader contagion to other eurozone countries. At this point, we believe this is unlikely. It is important to note that some kind of bail-in of Cypriot deposit holders was unavoidable given that there are only EUR 200 million of senior bonds outstanding on Cypriot banks, relative to the EUR 5.8bn the country needs to find. And while eurozone officials have said “unique” before, with respect to the Greek private sector involvement deal, there is good reason to believe that the Cypriot banking situation is truly unique. Luxembourg aside, nowhere else in the eurozone has banking sector assets worth 8x GDP and deposits worth more than 4x GDP. For more, my CIO colleagues have provided a detailed analysis of the Cyprus situation in *The debt crisis – Cyprus bailed out with its depositors being bailed in*.

Elsewhere, growth remains weak, as highlighted by this week’s purchasing managers indices (PMI, see Fig. 6). We expect growth in France to remain close to zero for the remainder of the year. The country remains uncompetitive relative to Germany, and investment is likely to be further constrained by the government’s fiscal adjustment program. France is seeking to cut its budget deficit by 1.5% of GDP, although this will not prevent debt to GDP rising above 90% by the second half, potentially increasing credit rating pressure. In Italy, political uncertainty prevails, but with new elections not in the interests of the leading parties, we expect an albeit-unstable government to be formed in the coming weeks.

The poor economic performance, political uncertainty in Italy, and situation in Cyprus remind us that many of the structural problems in the eurozone remain unsolved. And until we are past the German elections in the fall, it is doubtful that Chancellor Angela Merkel will champion major new initiatives to address deposit insurance or further fiscal integration, so flare-ups like in Cyprus are to be expected. It is part of the reason we remain underweight the euro, which fell by more than 1% in the immediate aftermath of the Cyprus announcement, whereas “safer havens” such as the British pound and Swiss franc benefited.

Meanwhile, in China, recent industrial production and retail sales data missed consensus estimates, reportedly due to the government crackdown on corruption. However, we expect to see stronger growth from the Chinese economy in the months ahead. The most recent HSBC PMI bounced to 51.7 from 50.4 in February, with both new orders and new exports showing particular strength. And credit growth in the first two months of the year was almost 80% higher than in the same period last year (see Fig. 7), and this strong credit impulse should drive economic growth.

Some worry that this dramatic increase in credit could induce financial instability. It is true that current rates of growth in total social financing are not sustainable. But we should not forget that a move toward direct financing and away from bank loans is positive for China’s economic development in the longer term. We have already begun to see signs of the PBOC more actively seeking to stabilize new credit growth, and we expect total credit growth of

// We have an overweight position in US equities... We also remain overweight US high yield bonds, which continue to offer an attractive premium of 475 basis points over US Treasuries. //

17% in 2013. For now, policy tightening remains incremental and is unlikely to damage economic prospects. However, it will remain critical to monitor inflation, given that sharply rising prices could lead the authorities to take a more aggressive stance. Consumer price inflation did rise to +3.2% in February on the back of rising vegetable prices, but is likely to fall back in March, and we expect it to rise only gradually through the second quarter.

Feature

Asset allocation

Overall, growth in Europe and China should remain stable enough to “keep the wheels on,” while US growth is likely to be the primary driver of our tricycle and of asset prices. Within our asset allocation and investment recommendations we have a range of US-related positions.

We have an overweight position in US equities. Within US equities, we believe the best opportunity lies in small and mid-cap companies, given their more cyclical sector makeup and greater leverage to the US economy.

To benefit from the US housing recovery, our investment theme, *US housing: the long grind higher*, highlights a number of stocks in the banking, household product, and home improvement sectors with attractive valuations that stand to benefit from increasing demand.

We also remain overweight US high yield bonds, which continue to offer an attractive premium of 475 basis points over US Treasuries. Although we have reduced the size of this overweight in favor of equities in recent months, we expect low corporate default rates, a strong appetite for yield from investors, and the Federal Reserve’s commitment to keep rates low to all offer strong support for the asset class.

Elsewhere, we maintain our overweight position in emerging market (EM) equities. They have underperformed developed markets by close to 10% year-to-date primarily due to country specific factors, notably in Korea, China, and Brazil. However, we do not believe the fundamental case for investment in EM has changed and yet

valuations have become more appealing. The emerging markets index now trades on 11.7x trailing 12m earnings, and 10.4x forward 12m earnings, the largest discount to developed markets since 2009.

In fixed income, government bonds remain our least preferred asset class. While we don’t foresee a sharp rise in benchmark interest rates in the months ahead, we still think the risk-reward outlook of government bonds is very unfavorable, with expected returns below the inflation rate.

In currencies, we initiated a long position in the British pound, offset by a short in the euro in mid February. After months of disappointing economic data, we expect the UK to return to positive growth over the coming six months, outperforming the eurozone. We estimate that the pound is around 10% undervalued against the euro on a purchasing power parity (PPP) basis. As illustrated after the recent Cyprus bailout, our short euro position also acts as a useful portfolio diversifier as the euro tends to decline during periods of heightened market volatility.

In commodities, we have a favorable view of platinum. The metal is currently trading below our estimated total production costs of USD 1,600/oz, keeping a lid on supply. Accelerating global growth will likely increase demand for platinum, which is mainly used in car catalysts (46% of demand) and jewelry (31%).

Alexander S. Friedman, Global CIO UBS WM

Focus: More a *gradual migration* than a *great rotation*

A great deal of ink has been spilled in recent weeks over the prospects for a “Great Rotation” into equity markets. The thinking goes that a combination of historically low interest rates and an elevated equity risk premium will compel investors to shift out of bonds and into stocks as the cyclical backdrop continues to improve and policy-related tail risks gradually abate. This in turn could contribute to a back-up in rates, a potential widening of credit spreads and a material rerating of stock prices higher. On the surface at least, such a straightforward narrative has appeal, given the heavy flows into bond funds over the past four years and recent evidence suggesting that a re-allocation into equity markets may have already begun.

But as is so often the case, the investment decision-making process – and associated asset allocation shifts – are both more nuanced and complex than this simple narrative alone would imply. Keep in mind that while rates are low and risk premiums remain elevated by historical standards, structural headwinds from balance sheet deleveraging and political dysfunction continue to present a challenging backdrop. This suggests that investors will still retain a certain level of caution – even as they continue

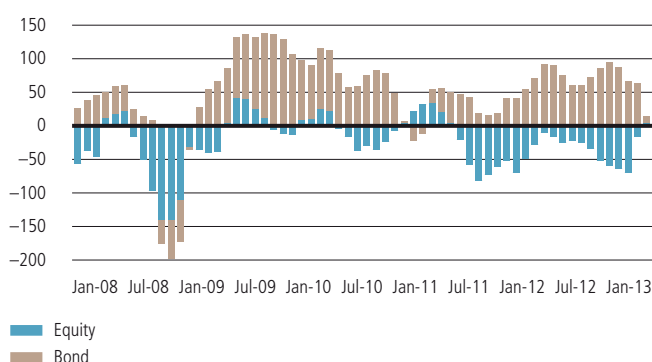
the process of reengagement. What’s more, with policymakers likely to continue the extraordinary measures employed in the aftermath of the financial crisis and certain types of institutional investors constrained in their latitude to swap bonds for stocks, the prospects for a sharp surge in bond yields and/or widening of spreads appear limited. We therefore look for less of an immediate *great rotation* out of bonds and into stocks and more of an extended *gradual migration* as investors rebalance portfolios to reflect improving equity market fundamentals and less bond-friendly interest rates trends.

Start of something big?

As Fig. 1 illustrates, investors shifted funds out of equities and into both fixed income investments and cash at a record pace in the immediate aftermath of the global financial crisis. But even as the most acute phase of the crisis drew to a conclusion and markets began to stabilize, equity funds still suffered net outflows, fixed income fund inflows continued at a healthy clip and money market fund assets remained at an elevated level. More recently however, there is evidence to suggest that investors – first on the institutional side and only more recently

Fig. 1: Equity mutual fund flows mostly negative since crisis hit

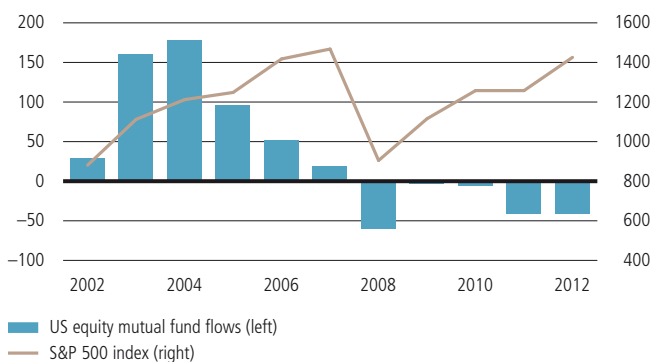
ICI mutual fund flows, 3 month rolling, in USD mn



Source: Investment Company Institute, as of February 2013

Fig. 2: Equities have rallied despite mutual fund outflows

US equity mutual fund flows in USD bn, and S&P 500 index



Source: Strategic Insight, Bloomberg, as of end-2012

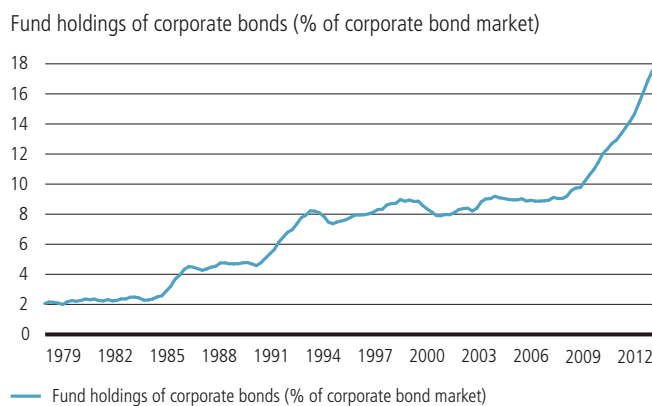
Feature

on the individual side – have begun to recommit to equities. Exchange-traded fund flows (which are more closely aligned with institutional investors) have shown positive net inflows since the middle of 2012, mutual fund flows (often viewed as a proxy for individual investor demand) only just turned positive in January and money market fund balances have returned to pre-crisis levels.

As we've already noted, some have pointed to this recent flow data as evidence that a great rotation has indeed begun. It does appear that investors have become more comfortable with positioning in risk assets amid an improving cyclical backdrop and easing of political and policy-driven tail risks. However, we are not convinced that near-term economic growth dynamics will be either strong or immediate enough to trigger a material near-term rerating of stocks and a sharp surge in bond yields – potentially amplified by a significant allocation shift. Consider the following:

- The level of risk aversion has gradually ratcheted down as the most acute phase of the global financial crisis has passed. That's not to say that all investors have fully recovered from the trauma associated with either the crisis or the ensuing recession. Keep in mind that the 2008 credit crisis was less than a decade removed from the 2000-2001 tech/telecom meltdown. Ongoing concerns over balance sheet deleveraging and political dysfunction will therefore periodically weigh upon

Fig. 3: Fixed income inflows mainly targeted corporate bonds



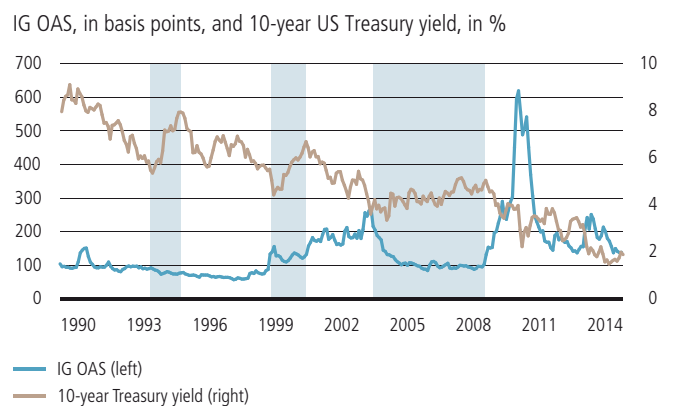
Source: Federal Reserve, UBS CIO WMR, as of 4Q12

“We are not convinced that near-term economic growth dynamics will be either strong or immediate enough to trigger a material near-term rerating of stocks and a sharp surge in bond yields.”

risk assets – as evidenced by the tendency for markets to alternate between “risk on” and “risk off.” So while investors will continue to reengage as conditions normalize, the process is still likely to be an extended and measured one.

- Those looking for a near-term windfall from a sudden surge into equity funds are apt to be disappointed. While we remain constructive on the outlook for equity markets in general (and the US in particular), this is driven more by our views on steadily improving fundamentals and still attractive valuations. There is little historical evidence to support the notion that mutual fund flows by themselves are a critical driver of equity market performance (keep in mind that the stock of equities is relatively static, so that inflows from one type of investor are,

Fig. 4: Credit spreads usually tighten when Treasury yields rise



Note: IG OAS = investment grade option adjusted spread
Source: Yield Book, UBS CIO WMR, as of 28 February 2013

by definition, balanced by outflows from others). In fact, mutual fund flows typically follow performance rather than the other way around. Keep in mind that the S&P 500 has already risen nearly 130% over the past four years – despite cumulative net outflows of \$90 billion for US equity mutual funds during this period (see Fig. 2).

- Just as hopes for a sharp jump in equity prices on equity inflows are unlikely to be realized, fears over an acute sell-off in bond prices likewise appear misplaced. Monetary policymakers have made it clear that they will retain an accommodative policy stance for as long as they feel it is necessary. While this has triggered a vigorous debate over the potential time frame for a winding down of QE3 and normalization of key rates, it suggests that policy will remain supportive and market rates will reset only gradually. With investors still clamoring for income, this should continue to favor the credit sectors. Overall, the prospects for a wholesale liquidation of bonds and corresponding shift into stocks appear remote.
- Keep in mind, of course, that to focus exclusively on the allocation shifts of individual investors would be a mistake. Even if individual investors were to begin shifting out of bonds and into stocks, there are certain classes of institutional investors who have less latitude for similar wholesale allocation shifts. Pension funds and insurance companies, for example, have certain limitations (either explicit via policy statements or implicit through regulatory capital guidelines) on the types of investments they can hold against liabilities. But to the extent that rates do indeed rise and create a demand for certain types of products such as annuities, insurance companies could actually wind up increasing their purchases of bonds.
- Given that much of the inflows into fixed income funds have been targeted to corporate bonds, there is understandable concern that any back-up in rates prompted by fixed income outflows could weigh disproportionately upon credit (see Fig. 3). But here too, there is little historical precedent for a rise in rates to be accompanied by a material widening of credit spreads (see Fig. 4). The few instances when this did happen took place during periods of rising inflation and stagnant growth prospects

“While investors will continue to reengage as conditions normalize, the process is still likely to be an extended and measured one.”

– an environment that would hardly be conducive for a rotation into equities. While some have argued that historically low rates make bonds more vulnerable to losses this time around, this would simply seem to argue in favor of taking credit risk over rate risk within fixed income portfolios.

Gradual and deliberate

We’re hardly dismissive of the impact that an improvement in risk appetite can have on portfolio reallocation. We recognize that there are differences between the current environment and prior cycles (e.g., historically low interest rates, elevated risk premiums and reduced credit market liquidity) that might make such shifts more appealing. What’s more, after an extended period of net outflows, investors finally appear to have grown comfortable once again with increasing their exposure to equity investments. But this doesn’t mean that investors are now poised to indiscriminately purchase stocks – or arbitrarily liquidate their bond holdings. The process will instead likely be a progressive and deliberate one. Bottom line: Look more for a *gradual migration* rather than a *great rotation*.

Mike Ryan, CFA

Regional CIO, Wealth Management US
Head, CIO Wealth Management Research Americas

Watch the debt ceiling

As fiscal issues continue to occupy Washington DC, Senior Policy Analyst Katie Klingensmith sits down with John Savercool, Head of the UBS US Office of Public Policy, in our Q2 edition of Washington Watch.

Katherine Klingensmith (KK): Even with the fiscal cliff behind us, Washington still seems focused on fiscal issues. Do you expect that the legislative agenda will be broadened, or will 2013 be another year focused on taxation and spending?

John Savercool (JS): 2013 will be another year that is dominated by fiscal policy issues. The fiscal cliff, this year's sequester, a threatened (but soon-to-be-averted) government shutdown and dueling Republican-Democratic budget proposals have dictated the first quarter of the year. Further debate over the budgets and a potential debt ceiling increase will hold sway over the second and third quarters. If policymakers can make any progress on a "grand bargain" to reduce the budget deficit, this will take shape in July or August. After summer vacations, Congress has next year's planned sequester staring it in the face to somehow resolve. Fiscal policy issues and the predictably acrimonious debates that accompany them will be the primary news coming from Washington for the rest of the year. We could have a brief respite from all of this in the last quarter of the year if Congress is able to strike a grand bargain.

KK: The administration has advocated for immigration and gun control reform. Are these likely? What other legislative areas are likely in the next year?

JS: Both gun control and immigration reform legislation are high priorities and will be voted on this year in some form. Momentum has slipped for both with all the focus on fiscal policy issues, but they are too important to keep on the sidelines for long. I expect a modest gun control bill to pass in the Senate in April or May. Consensus on an immigration bill will be more difficult to reach, given the contentious issues surrounding how to address the illegal immigration population in the US now, the various labor-management concerns related to new worker programs for immigrants, the determination as to whether to prioritize family or skilled workers (or both) for those granted

legal status in the US, and other challenging matters. The political dynamics behind a bill will push it along to some degree, but it is too early to know whether comprehensive legislation will pass at this time. As the year evolves, I believe Congress will also pass a bill dealing with cyber attacks, which is a growing threat to companies, individuals, our defense systems and the power grid. Bigger bills also in play that could see significant attention include tax reform, a bill to reauthorize farm programs, legislation maintaining current interest rate levels on government-issued student loans and perhaps some energy legislation in view of challenges (higher gas prices) and opportunities (expanded natural gas and oil production in the US) the sector faces.

KK: A recent report from the New York Fed highlighted the growing problem of student debt. Do you think this is an issue Washington will address?

JS: Congress will address the issue in July, when the interest rate paid by borrowers with government-insured student loans is scheduled to double. I believe it will prevent the rate from increasing, just as it did last year. Beyond that, though, I don't see Congress stepping up to directly help students with their debt challenges. The difficult budget deficit environment in Washington probably will preclude any direct taxpayer assistance to help in this area.

KK: On a different topic, Keystone XL, the pipeline slated to bring Canadian oil to the Gulf Coast refineries, is once again being discussed. Do you expect it will get approved? How does this reflect the White House's views on energy and infrastructure during Obama's second term?

JS: Yes, I think the Keystone project will be approved. The president has organized labor allies urging him to support the project, while many environmental groups are against it. Opponents of the project seem to be running out of arguments as the project has been revised several times to accommodate their concerns, and I suspect the project will be approved before the summer driving season as the public focuses on higher gas prices. Look for the president to reinforce his alternative energy bona fides before and after his announcement at public events as a way to placate the disappointed groups opposed to the project.

KK: The White House broadcasted that the sequester was going to be pretty devastating. So far, its fallout seems limited. Can you help us understand the politics here?

JS: The White House very publicly emphasized drastic results of the sequester as a way to build public support against it. That tactic didn't appear to work as the public realized the cut for this year was a very small part of overall government spending and likely wasn't as dire as the administration predicted. President Obama has been effective in the past in taking his public policy preferences to voters directly in an effort to build support for them in Congress, and his efforts on the sequester were consistent with that approach. It is still very possible that the public's attitude on the sequester will turn sour later this year if its cuts result in layoffs and other activities voters rely on. For now, though, the president is walking a political tightrope between a majority of voters who support spending cuts as a way of reducing the deficit and the same majority that wants government programs that apply to them to be protected from those cuts.

KK: What are the chances that the sequester gets turned off or adjusted?

JS: The sequester as it relates to fiscal year 2013 is now the law and will not be reversed, in my view. It will be adjusted only to give the affected federal agencies more flexibility in how they implement their spending cuts, which will help in general and the Defense Department in particular. However, the overall amount to be sequestered this year – \$85 billion – will remain and be used to offset a small part of the annual budget deficit. Remember that the sequester is a nine-year endeavor: The next sequester is just around the corner (October 1) and will cut \$110 billion unless Congress acts to reverse it. Absent a grand bargain, a debate over the sequester will be the norm for a long time.

KK: The Senate looks prepared to pass a version of the bill the House approved, which funds the government through the end of September. Do you expect additional changes to this bill? How likely is it to pass?

“Further debate over the budgets and a potential debt ceiling increase will hold sway over the second and third quarters.”

JS: Yes, a final funding bill for the federal government for the rest of the current fiscal year has passed, averting a government shutdown beyond March 27, when government funds were scheduled to lapse. This is a positive development and shows that a divided Congress and White House can agree on something. The bill's funding levels reflect the reduction embodied in the sequester for this year but give many of the agencies, including the Defense Department, more flexibility in how the cuts are carried out. Overall, this is a very good development and perhaps one that Congress can build on to work toward a grand bargain.

KK: It seems Republicans and Democrats have found some common ground. Do you expect this more cooperative tone to continue?

JS: Maybe. The volume of the harsh partisan tone that we have seen over the last year has been lowered a bit, but the underlying disagreements remain. The gridlock that we have seen is not simply a petty partisan fight in Washington. Rather, it is a deep philosophical divide between the two parties over the role of government. Should government be bigger or smaller? Should it try to do more or fewer things for its citizens, and at what costs? Both sides feel very strongly that their positions are right for the country, and the issues involved cut too deeply into their beliefs to make compromise easy. As long as both sides think they can win on the issues, they will be loathe to compromise. This is where we are today as both sides are not compromising enough (or at all) to make bipartisan legislation possible. There are some signs that this dynamic is thawing, but we are not close to bipartisan deals on fiscal policy issues at this time.

Washington Watch

KK: Do you see any chance that such negotiations could give rise to a grand bargain resulting in meaningful long-term deficit reduction?

JS: Not in the next couple of months. A grand bargain will be more seriously considered in July or August as an increase in the debt ceiling must be resolved in some way. There will be more at stake in this debate than in the recent debates over the sequester and the potential government shutdown, and the pathway to a resolution is much less clear. I think there is a decent chance that a grand bargain could be achieved then, but both parties are going to have to take some tough medicine to get there. Republicans will have to agree to the use of some tax increases to offset the deficit, while Democrats will have to agree to substantive entitlement program reforms. Neither side is close to those positions at this time, but developments over the next three months could change that.

KK: The debt ceiling was increased in February, but only through the middle of May. This should give Treasury the ability to borrow through July, after which it will again exhaust the “extraordinary measures” to avoid breaching this ceiling. Do you think the debt ceiling debate will be contentious this summer? What is the most likely result?

JS: The debt ceiling will be increased this summer. It has to be, and the vast majority of Congress knows that. The big unknown is whether a grand bargain will accompany the debt ceiling increase. If so, the debt ceiling will be increased into 2014 or 2015. If not, the debt ceiling increase debate will be contentious again and likely result in a shorter-term increase, probably later this year or early next year. This latter scenario would revive much of the contention we have seen between Democrats and Republicans over fiscal policy and possibly affect the financial markets. The recent fights over the sequester, funding for the government this year (through the continuing resolution) and dueling budget proposals have been mellow compared to this summer’s fight over the debt ceiling if no grand bargain is possible.

KK: Even after the fiscal cliff deal permanently changed income and investment tax rates, there is still talk about

“It is still very possible that the public’s attitude on the sequester will turn sour later this year if its cuts result in layoffs and other activities voters rely on.”

reform of the tax code. Do you think tax reform is likely, and what do you think it would involve?

JS: The House and Senate tax-writing committees seem to be committed to seriously considering a tax reform bill this year, with the House more likely to act sooner and with a specific bill. Again, the status of a tax reform bill will in large part depend on the progress of a grand bargain. A grand bargain would likely instruct these committees to produce legislation that will bring about new revenues to be used for deficit reduction. Such an effort would likely result in a broader bill that would affect many corporate and individual taxpayer issues. Absent a grand bargain, momentum for a tax reform bill may stall in the Senate.

KK: Any parting words about what to expect from Washington this year?

JS: Anyone watching Washington and looking for market impacts from gridlock should pay special attention to the debate over the debt ceiling. This will likely dwarf other debates in importance and impact on markets. The debate is more philosophical than political and is therefore much more difficult to resolve.

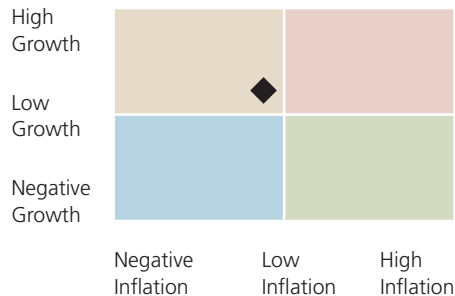
Market Scenarios (next 12 months)

Global economic data have shown moderate improvement, but remain compatible with our sluggish expansion base case. US economic momentum has improved further, however, and reduced fiscal uncertainty should provide support to the global economy. Monetary policy remains extremely loose. Headwinds from tighter fiscal policy and deleveraging in developed markets will continue in 2013, making a strong global recovery difficult to achieve. For the next 12 months, we distinguish the following four scenarios for global growth and inflation.

Sluggish Expansion

65%

(previously 70%)

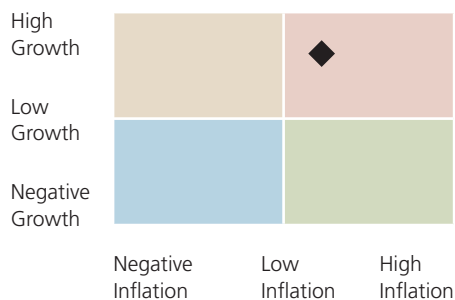


- The global economy remains on a fragile expansion course with government policies achieving low but positive growth.
- Deleveraging pressures keep growth below historical trends in most developed countries, with unemployment rates remaining far above their pre-financial crisis levels.
- Growth in emerging markets continues to outpace developed markets, though their growth has slowed as well.

Strong Expansion

20%

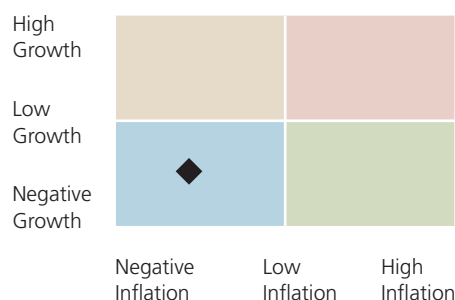
(previously 15%)



- Loose monetary policy, as well as greater fiscal policy clarity in the US and Europe, encourages a surge in hiring and investment spending, overcoming the fiscal austerity drag.
- Improvement in the labor and housing markets sets the stage for a more dynamic consumer recovery.

Renewed Recession

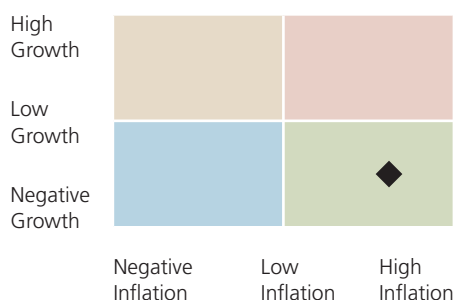
10%



- The global economy slides back into recession due to a significant escalation of the eurozone sovereign debt crisis and protracted US fiscal negotiations, or a hard landing in China. This leads to a reemergence of deflationary pressures.

Stagflation

5%



- A less likely but possible negative scenario is that the public loses faith in monetary policymakers or energy and/or food prices rise abruptly, leading to a pickup in inflation expectations. This in turn would lead to a combination of weak growth and inflation (stagflation).

The year of global growth acceleration

Global growth momentum has improved visibly in the US and Japan, and to a lesser extent, in China and the eurozone. Backed by improving fundamentals, we expect private sector growth to accelerate further in the US, while Japan and the eurozone should emerge from recession. The cyclical upswing will likely overshadow the risks still inherent in an overly indebted system. Fiscal consolidation and policy uncertainty in the developed world prevent us from becoming more optimistic. Therefore we expect global growth to accelerate moderately over the course of 2013.

Improving economic growth momentum

Key US economic growth indicators have improved on balance over the past few months. Our UBS Current Activity Index (CAI), a composite of 25 growth indicators that correlates strongly with real GDP growth, points to annualized real GDP growth of 2.1% in February – the highest implied growth rate since September 2012 (see Fig. 6). Part of the acceleration stems from a rebound in production and inventory accumulation, after the severe summer drought and Hurricane Sandy impaired production and depleted inventories. Moreover, federal defense spending is poised to recover after plummeting in 4Q12 ahead of the fiscal cliff. A more solid foundation is being built on the back of a sharp rebound in capital expenditures and,

despite higher taxes, remarkably resilient consumer spending. We are on track to reach our annualized 3.0% real GDP growth forecast in 1Q13.

Going forward, we expect the US economy’s performance to stay solid, but we don’t expect further growth acceleration. While private sector demand growth will likely improve further, federal spending cuts will eat into overall demand starting in 2Q13. We expect spending cuts resulting from the sequester to stay in place, with Congress simply allowing for more flexibility in their implementation. They will likely subtract 0.5% from economic growth in 2013, with the brunt of the impact materializing in 2Q13 and 3Q13. Furthermore, fiscal policy uncertainty will probably flare up again in mid-summer when the Treasury runs out of funds and the debt ceiling will have to be raised again. We therefore expect growth to decelerate to annualized 2.9% in 2Q13 and 2.6% in 3Q13, with the forecast risk skewed to the downside.

After a deepening recession in 4Q12, we expect the eurozone to contract at a less pronounced pace in 1Q13 and to emerge from recession in 2Q13; a very moderate recovery should follow. The key drivers for this improvement are the European Central Bank’s more resolute commitment to intervene in government bond markets in times of stress, the recapitalization of Spanish banks and a less

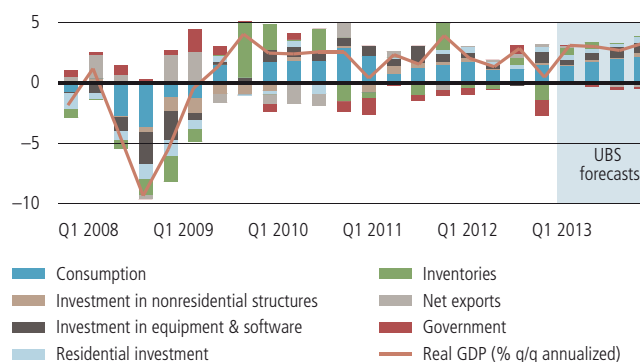
Fig. 1: Growth and inflation forecasts

in %	GDP Growth			Inflation		
	'12	'13F	'13F	'12	'13F	'14F
World	2.7	3.0	3.4	2.9	2.8	3.2
US	2.2	2.3	3.0	2.1	1.7	2.3
Canada	2.0	2.0	2.9	1.6	1.9	2.5
Japan	2.0	1.0	1.6	0.0	0.1	1.8
Eurozone	-0.4	0.1	0.9	2.5	1.9	1.6
UK	0.0	0.8	1.2	2.8	2.9	2.8
China	7.8	8.0	8.0	2.7	3.5	4.0
India	5.0	6.5	7.0	8.5	7.4	7.0
Russia	3.4	3.5	4.0	5.1	6.8	5.6
Brazil	0.9	4.0	3.6	5.8	6.2	6.5

Note: For full explanation of this table, please see appendix. F: forecast
Source: CIO WMR, UBS Investment Research, as of 19 March 2013

Fig. 2: US growth to accelerate in early 2013

US real GDP growth, quarter-on-quarter annualized in %



Source: Thomson Datastream, CIO WMR, UBS Investment Research, as of 4Q12

acute aggregate fiscal drag. The manufacturing sector in the key economies has healed further, with the exception of France.

China will likely remain on a moderate recovery path, after rebounding in 4Q12. We expect real GDP growth of close to 8.0% year-on-year for all four quarters of 2013. Monetary and fiscal policy will likely continue to be expansive, but not provide additional stimulus relative to 2012. The fiscal deficit target is set at 2.0% after 1.6% in 2012, and given that property prices increases have accelerated recently, the People’s Bank of China will likely be biased toward monetary tightening. But even without further growth acceleration, given China’s weight in global GDP – about 15%, adjusted for purchasing power – a steady growth rate of around 8.0% will likely go a long way in supporting the global economic cycle.

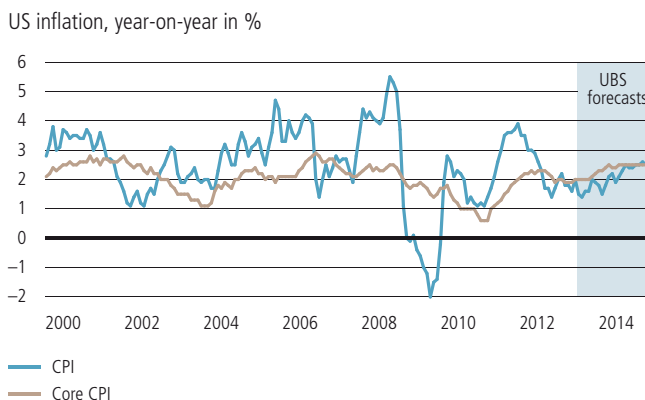
Japan will likely show a decisive rebound in economic activity, as the government plans to implement a sizable fiscal package of 2.2% of GDP, and the newly appointed leaders of the Bank of Japan are likely to adopt much more aggressive deflation-fighting measures. We expect real GDP growth to accelerate to 0.6% quarter-on-quarter in 1Q13, followed by 0.5% in both 2Q13 and 3Q13.

Risks are dormant but remain elevated

The cyclical upswing has the power to temporarily overshadow the risks inherent in the system, most prominently the elevated government deficits and debt in most of the developed world. The growth acceleration can even help alleviate the debt burden as sturdier private sector growth leads to stronger tax collections and thus helps lower the deficits without the need for additional fiscal measures. But businesses and consumers will likely not spend prof- ligately, even against the background of their improv- ing fundamentals, when faced with an unresolved fiscal imbalance. The proposed bail-in of depositors in Cyprus is a timely reminder that over-indebted governments will not spare anyone in order to plug their country’s finan- cial holes. Therefore, we forecast “only” moderate global growth acceleration, with global real GDP accelerating from 2.4% year-on-year in 4Q12 to a cyclical peak of 3.5% in 1Q14 – in years before the Great Recession global growth hovered closer to 5%.

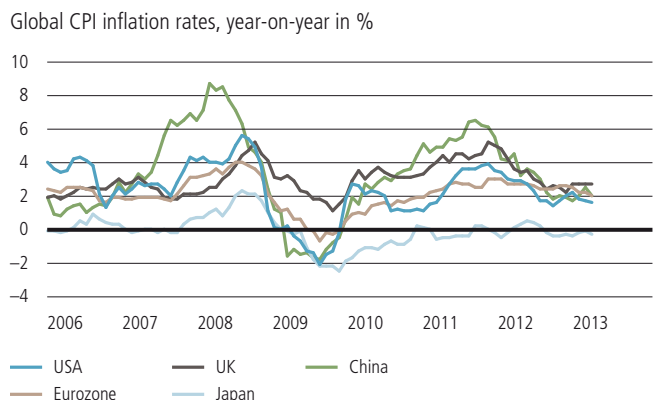
Thomas Berner, CFA, Analyst

Fig. 3: US core CPI inflation to drift slightly higher



Source: Thomson Datastream, CIO WMR, UBS Investment Research, as of 4Q12

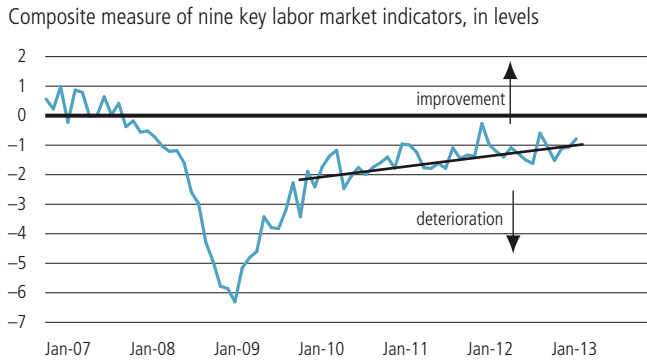
Fig. 4: Global inflation pressure is absent



Source: Bloomberg, UBS WMR as of February 2013

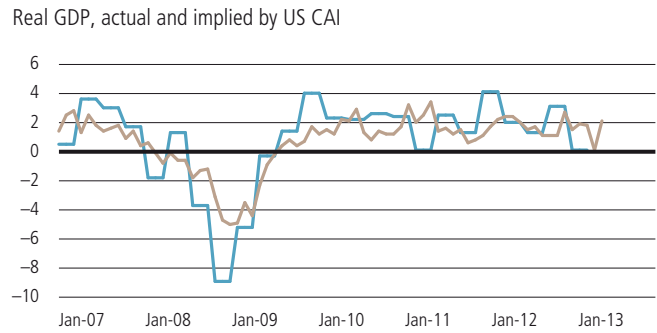
Economic Outlook: Chartbook

Fig. 5: Improvement in US labor market has yet to resume



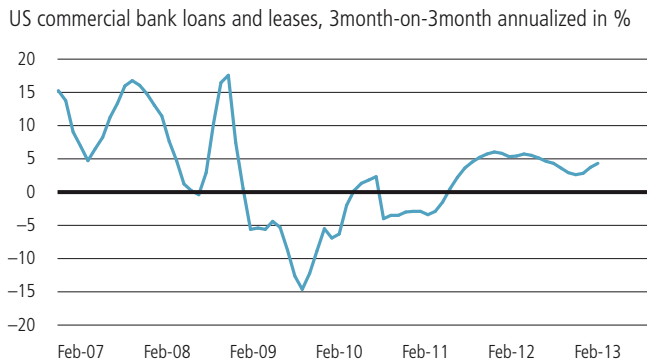
Source: Thomson Datastream, UBS WMR as of February 2013

Fig. 6: US Current Activity Index signals growth rebound



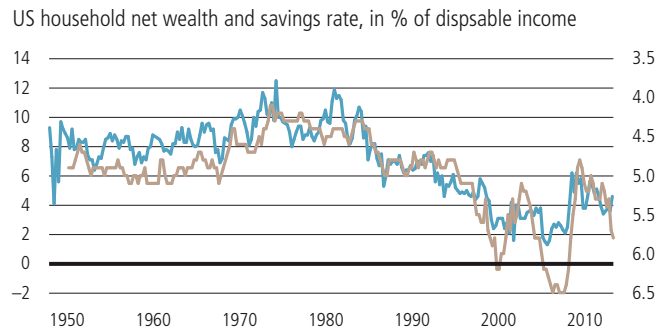
Note: US CAI is a composite measure of 25 growth indicators to closely correlate contemporaneously with real GDP growth
Source: Bloomberg, UBS WMR as of February 2013

Fig. 7: US commercial bank lending growth is firmly positive



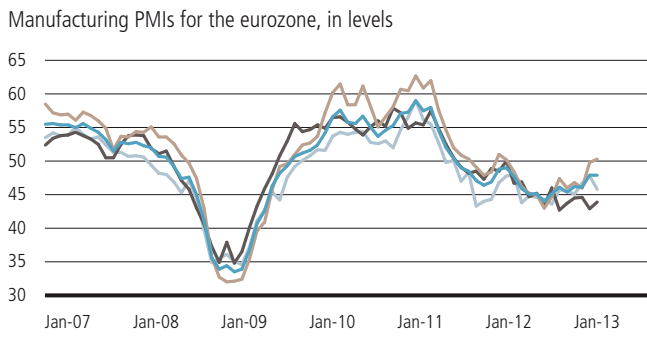
Source: Bloomberg, UBS WMR as of February 2013

Fig. 8: US net wealth has improved noticeably



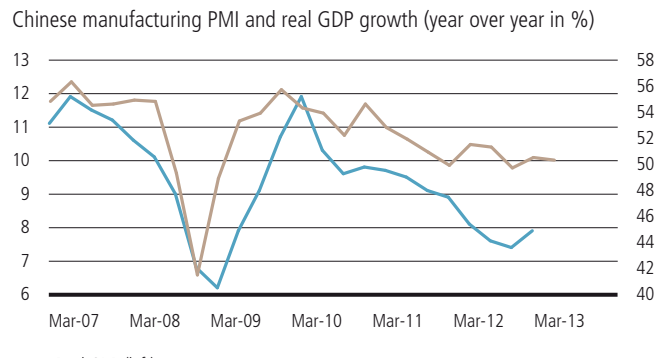
Note: Right scale is inverted
Source: Thomson Datastream, UBS WMR as of 4Q12

Fig. 9: Eurozone growth picture is improving



Note: PMI = Purchasing Managers' Index
Source: Thomson Datastream, UBS WMR as of February 2013

Fig. 10: Chinese PMI has stabilized

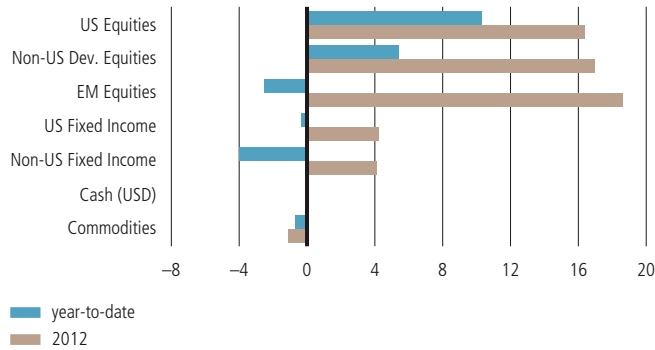


Note: PMI = Purchasing Managers' Index
Source: Bloomberg, UBS WMR as of February 2013

Financial Market Performance

Fig. 1: Asset Classes

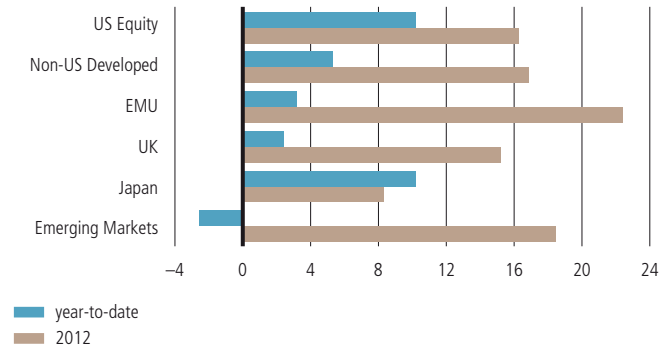
Total return in USD and %



Source: Bloomberg, UBS WMR, as of 20 March 2013

Fig. 2: International Equity

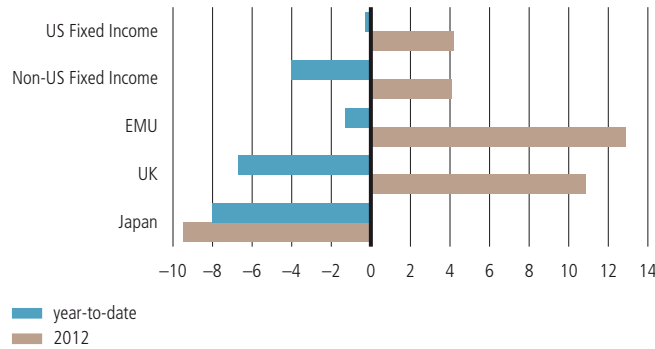
Total return in USD and %



Source: Bloomberg, UBS WMR, as of 20 March 2013

Fig. 3: International Fixed Income

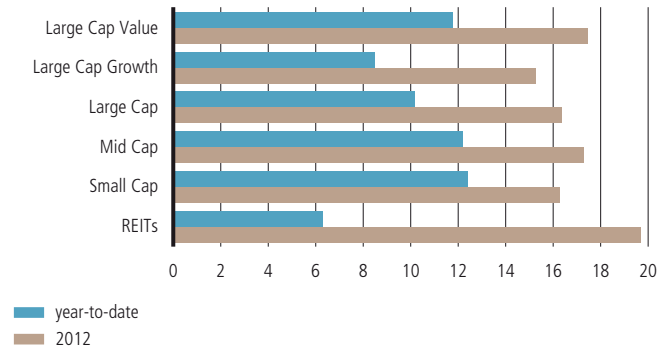
Total return in USD and %



Source: Bloomberg, UBS WMR, as of 20 March 2013

Fig. 4: US Equity

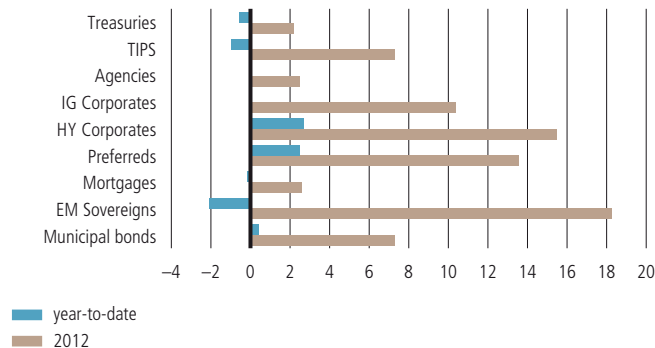
Total return in USD and %



Source: Bloomberg, UBS WMR, as of 20 March 2013

Fig. 5: US Fixed Income

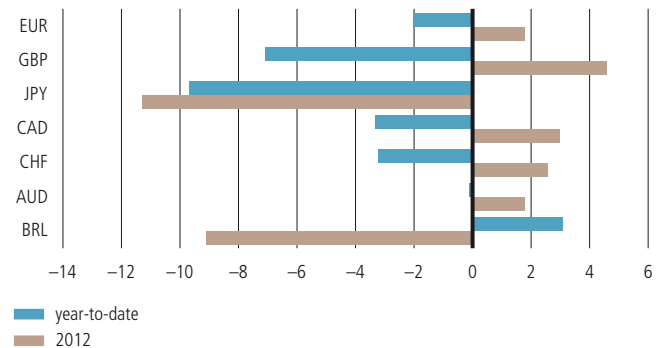
Total return in USD and %



Source: BoAML, UBS WMR, as of 20 March 2013

Fig. 6: Currencies

Appreciation vs. USD in %



Source: Bloomberg, UBS WMR, as of 20 March 2013

The dollar emerges from the doldrums

We controversially – and so far correctly – insisted that we would not see the euro collapse in the face of tremendous uncertainty regarding the integrity of the eurozone. Now, however, we think the USD may actually continue its recent rally, as economic and corporate growth in the US gains momentum, and Europe continues to face economic and political challenges.

Despite political dysfunction in the US and Europe, EURUSD has been remarkably stable, trading very close to its long-term fair value of 1.30. While we do not expect that it will break out of the 1.20-1.36 range without a substantial surprise, the situation in Cyprus could ignite another political conflagration, testing the European Central Bank’s (ECB) ability to contain bond spreads and limit contagion. Beyond the concern about the safety of bank deposits stemming from the “bail in” proposal in Cyprus, Italy’s unstable government – coupled with German elections and a poor economic outlook in Spain, France and other large countries – will push EURUSD down to 1.26 this summer, in our view. Ultimately we expect the euro to recoup its losses within this range as it reflects a superior overall debt dynamic and the potential for higher economic growth next year, assuming European authorities once again can contain the political fallout.

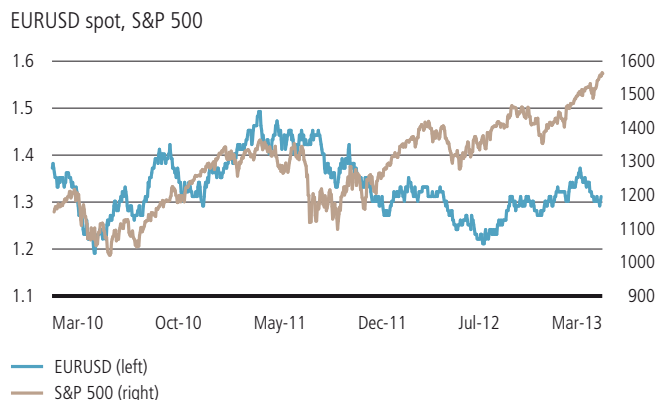
The USD has recently gained against a variety of other currencies even when stock markets are doing well,

demonstrating that the negative correlation between the currency and risk-taking is fading. However, fiscal brinkmanship in the US may actually drive international investors toward the safety of the dollar, supporting it in the short term. This situation favors the USD versus the Japanese yen, even after the currency pair moved from USDJPY 78 in September to its current spot of 95. While the Governor of the Bank of Japan Haruhiko Kuroda just assumed his post, markets are still guessing how aggressive he will be. We expect USDJPY to fluctuate in a 95 to 100 range.

While the USD may be well-positioned versus many currencies, we expect that some will outpace it, especially in emerging markets, on the back of superior growth dynamics, higher interest rates and good valuations. Our favorites are the Korean won, Singaporean dollar and Chinese renminbi in Asia, the Mexican peso, Brazilian real and Canadian dollar in the Americas, and the Polish zloty, Russian ruble and even the volatile South African rand. We find the British pound well-valued, especially relative to the euro, after a strong losing streak following the sovereign ratings downgrade and suggestions that the Bank of England may be much more aggressive. Our base case here is that aggressive easing is unlikely to happen. We expect austerity to continue, inflation expectations to remain stable and growth to begin picking up in the UK.

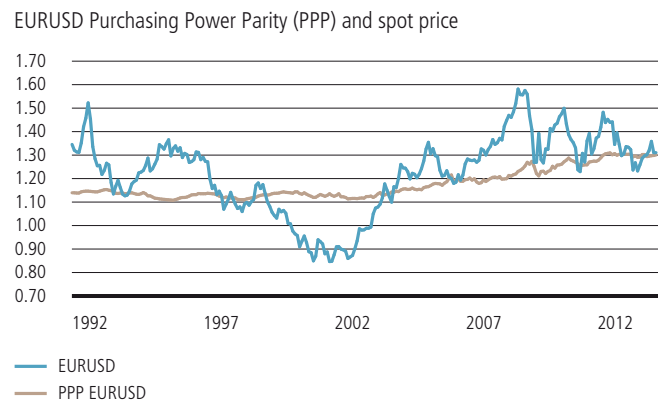
Katie Klingensmith, Analyst

Fig. 1: USD not just following equities



Source: UBS CIO WMR, Factset as of 18 March 2013

Fig. 2: EURUSD near fair value



Source: UBS CIO WMR, Thomson Reuters, as of 18 March 2013

International Equities

Keeping the faith on emerging markets

Within international equities we continue to favor emerging markets over non-US developed markets. Emerging markets have lagged significantly so far in 2013, but we look for a rebound as valuations are attractive. Our favored markets within EM remain Brazil, China, Korea and Russia. Within non-US developed markets, we favor the UK over the eurozone. We retain our overweight on the US as earnings growth and economic conditions remain solid.

US dollar strength has hurt returns from international equities

As noted in the foreign exchange section, the US dollar has been strengthening recently against many currencies. This trend has hurt returns on international equities when measured in dollars. As shown in Fig. 4, the impact has been especially great for Japan, where the market performance does not look nearly as impressive after accounting for the decline of the yen against the dollar. Year-to-date, non-US developed equities have performed roughly in line with the US when measured in their respective local currencies, but have trailed by around 4% in dollar terms.

Keeping emerging market equities overweight

Emerging market (EM) equities have lagged significantly so far in 2013 (see Fig. 5) as a variety of worries weigh on market sentiment. In addition to weak earnings growth, some of the EM central banks may need to tighten policy, in contrast to the extremely loose monetary policy settings

in most developed markets. We have decided to maintain our overweight on EM as investor fears are overblown in our view, and the valuation gap with developed markets has widened. As shown in Fig. 6, after adjusting for sector composition, EM looks cheap relative to the major developed markets. Within EM, we maintain our preference for Brazil, China, Korea and Russia.

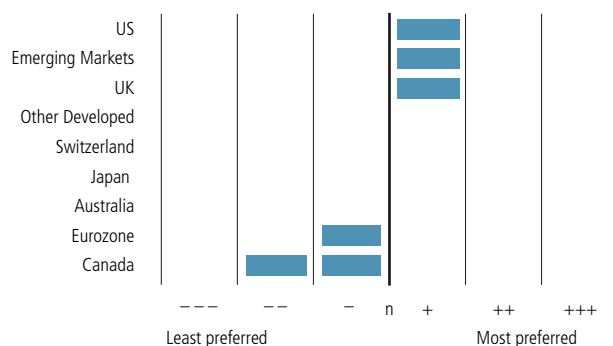
The Brazilian market is one of the few where the local currency has gained against the dollar, helping to boost returns for US dollar-based investors. Earnings should rebound strongly as the economy recovers from last year's dismal performance.

Chinese equities have lost more than 5% year-to-date, a poor performance even relative to the rest of EM. Property prices have started rising again, and many investors fear that credit provided by the shadow banking system is growing too rapidly. This feeds into the long-standing fears of a possible bubble burst in real estate markets. In our view, the markets are getting overly pessimistic on growth prospects. With the market trading just over 9 times forward earnings, valuations are attractive even if earnings do not grow at all.

Korea has been one of the worst-performing markets this year. The sharp drop in the Japanese yen is a negative as it reduces the competitive advantage of Korean exporters. The market looks inexpensive trading at 8.3 times forward

Fig. 3: Equity regions

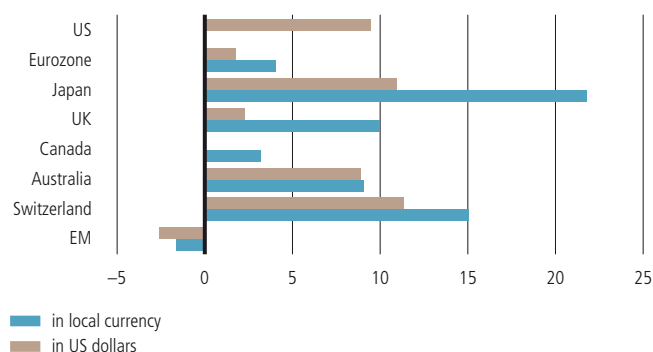
Preference ranking, incl. view on currency



Source: UBS CIO WMR, as of 21 March 2013. Scale explained in Appendix.

Fig. 4: Dollar strength a drag on ex-US returns

Total return year-to-date, in %



Source: Bloomberg, UBS CIO WMR, as of 19 March 2013

International Equities

earnings, although consensus earnings forecasts would be vulnerable if the yen depreciates further.

Russia offers extremely cheap valuations, trading around 5 times forward earnings, half the EM average. With the Russian economy growing at a solid pace and many risky assets attracting investor funds recently, we believe that funds are likely to flow into Russian equities in the months ahead, allowing it to outperform.

Favor UK over eurozone

Within non-US developed equities, we maintain an overweight position on the UK with an offsetting underweight on the eurozone. Valuations on UK and eurozone equities are similar, and both markets are among the cheapest developed markets. Our main argument in favor of the UK is that the pound looks undervalued against the other major currencies, including the euro. We expect the pound to strengthen in the months ahead, helping to boost returns on UK equities for US dollar-based investors. The UK should offer better economic growth than the eurozone, and the recent events in Cyprus provide a stark reminder that downside risks remain in the eurozone.

Japan: outsized gains unlikely in US dollar terms

As noted above, Japanese equities have been a strong performer this year, but only when measured in yen terms. We see little hope for the market to extend its gains unless the yen weakens further, resulting in at best mediocre

returns for dollar-based investors. New leadership has been appointed to the Bank of Japan (BoJ), and we expect them to waste no time in adopting new easing measures. In our view this prospect is already priced into markets, and disappointment could set in should the BoJ fail to deliver at its policy board meeting in early April.

Swiss market powers ahead

The Swiss market has risen steadily over the past nine months and is one of the few to outperform the US year-to-date. While fundamentals remain strong, the market now looks expensive and we maintain our neutral stance.

Canada lagging, stay underweight

Canada has been one of the worst-performing developed markets year-to-date. Worries over the housing market and household debt levels are in stark contrast to improving conditions in the US. Relative valuations do not look as expensive as they used to, but most of the risks remain on the downside and we remain underweight Canada within international equities.

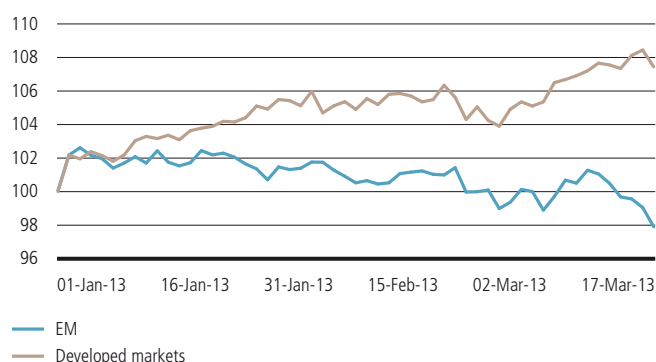
Australia looks expensive for US investors

Australia offers solid fundamentals, and a huge jump in its February employment numbers shows that the economy still has some momentum. However, valuations look expensive, and in our view the Aussie dollar is also overvalued.

Brian Rose, PhD, Strategist

Fig. 5: EM left out of the rally so far in 2013

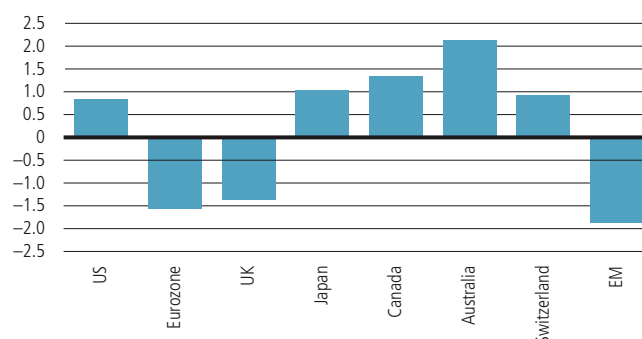
Equity market performance in USD, end-2012 indexed to 100



Source: Bloomberg, UBS CIO WMR, as of 18 March 2013

Fig. 6: EM, eurozone, UK look cheap

Sector-adjusted valuation premium, in P/E points



Source: Datastream, IBES, UBS WMR, as of 18 March 2013

Favor UK sovereign and EM corporate debt

With most developed bond markets trading in a fairly narrow range, we see exchange rates as the most likely driver of relative performance. We look for the British pound to be the best performer among the major currencies, and we therefore maintain an overweight on UK fixed income. We think emerging market bonds, in particular corporate bonds, are attractive in view of solid fundamentals and an interesting yield pickup.

Favor UK over eurozone

Excluding the crisis-stricken countries in the eurozone, the bond yields across the main developed markets are near historical lows and within a tight range of one another. There is therefore limited room for significant performance differences among markets. Currency movements are usually the main performance driver for international bond investors that do not hedge currency fluctuations. We believe the US dollar will likely weaken against the British pound over the next 12 months, and therefore recommend an overweight allocation to UK fixed income. We offset this with an underweight on the eurozone, leaving our overall allocation to non-US developed fixed income at neutral.

EM debt: We maintain our preference for corporate bonds

Price action over the past month has been supportive of our preference for USD-denominated emerging markets

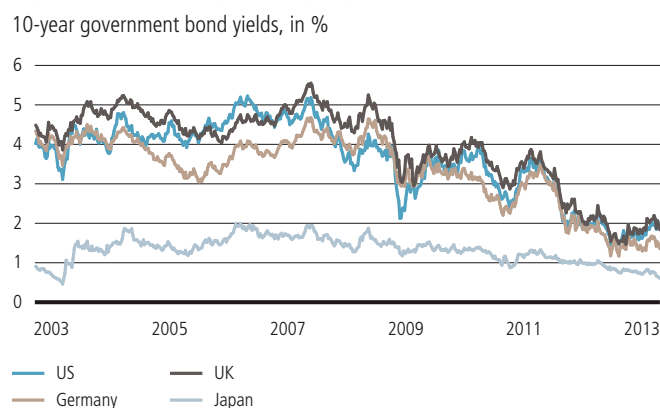
(EM) corporate debt. EM corporate and sovereign spreads, as measured by BofAML family of indexes, moved in opposite directions – EM corporate bonds tightened from 317 basis points (bps) to 311bps, while EM sovereign bonds widened from 268bps to 273bps.

Although a wider spread in EM sovereign debt arguably offers investors a better entry point, we still see that segment of the market as close to fair value. Shorter-duration EM corporate bonds offer investors better protection in an environment where benchmark US Treasury yields are likely to rise. In addition, EM corporate bonds tend to outperform their respective underlying sovereign in times when growth accelerates, which is in line with our expectations for the global economy. We therefore maintain our preference for corporate bonds.

Over the medium term, EM should continue to benefit from better fundamentals, more so than the developed world. Despite a deceleration in the pace of EM fixed income mutual fund inflows, market technicals remain in positive territory. According to market data, year-to-date inflows to dedicated EM fixed income funds through March 13 total \$18.5 billion, an increase of \$5 billion since February 13. Furthermore, demand for primary offerings remains strong. According to Debtwire, recent deals have been oversubscribed by as much as 10 times.

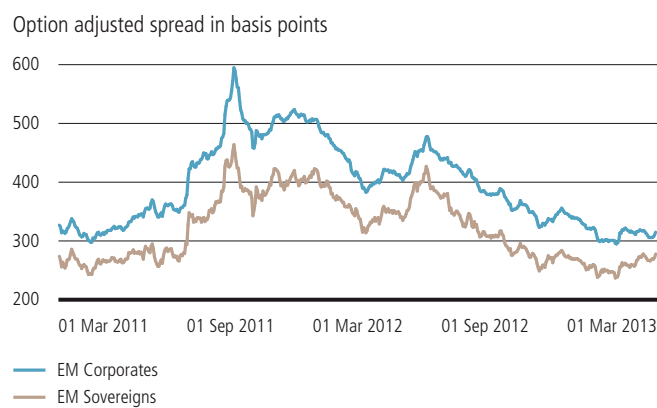
Brian Rose, PhD, Strategist
Donald McLaughlan, Strategist

Fig. 7: Global bond yields tightly bunched



Source: Bloomberg, as of 19 March 2013

Fig. 8: Emerging market corporate versus sovereign spreads

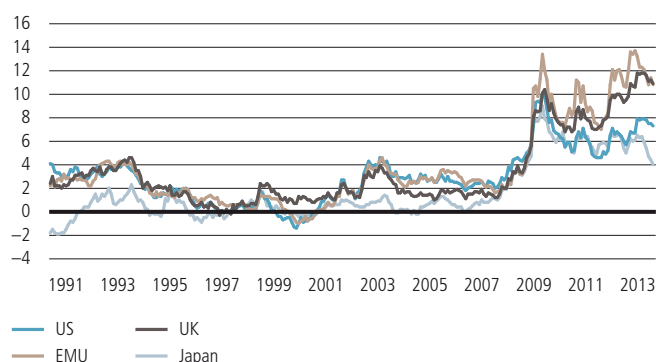


Source: Bank of America Merrill Lynch, as of 19 March 2013

International markets: Chartbook

Fig. 9: Equity risk premiums still higher than usual

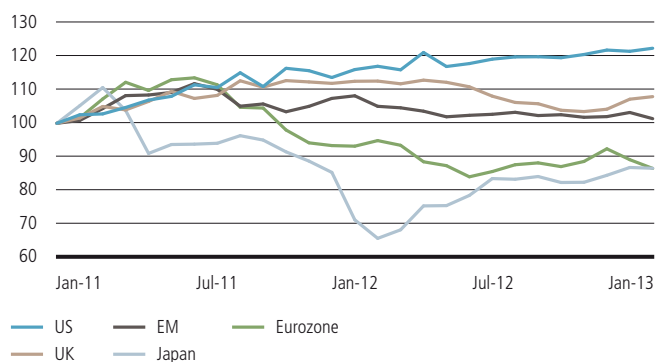
Earnings yield minus 10-year bond yield, in %



Source: Bloomberg, UBS CIO WMR, as of 18 March 2013

Fig. 10: Profit growth weak outside of US

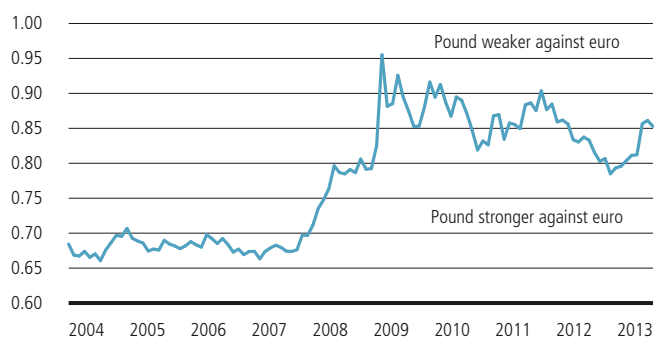
12-month trailing earnings per share, January 2011 indexed to 100



Source: Datastream, UBS CIO WMR, as of 18 March 2013

Fig. 11: Pound has room to gain against the euro

Euro versus British pound exchange rate



Source: Bloomberg, as of 19 March 2013

Fig. 12: EM currencies mixed against the dollar

Exchange rate versus US dollar, indexed end-2010 = 100



Source: Bloomberg, UBS CIO WMR, as of 19 March 2013

Fig. 13: Risk premiums normalizing in eurozone

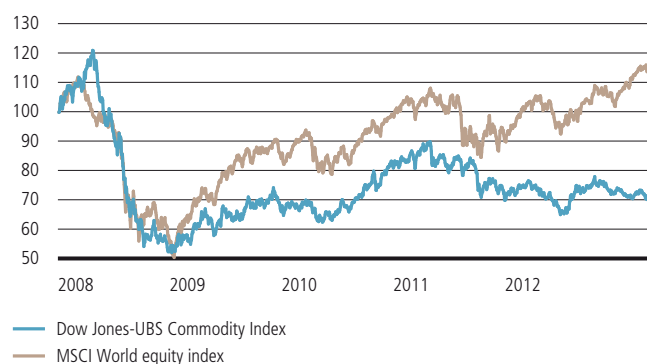
3 month spread between Euribor and Overnight Indexed Swap



Source: Bloomberg, as of 19 March 2013

Fig. 14: Commodities trailing equities since 2009

Total return in US dollars, 20 March 2008 indexed to 100



Source: Bloomberg, UBS CIO WMR, as of 19 March 2013

The gradual unwind

While not nearly as catchy as the “great rotation,” we expect that a steadily improving economic outlook will drive a “gradual unwind” of the large current valuation gap between cheap cyclical and expensive defensive equity market sectors. Given low expectations and stronger earnings trends, Technology, Industrials and Materials are the most likely beneficiaries of the gradual unwind.

Despite the economic drag from fiscal consolidation (higher taxes, reduced government spending), domestic economic activity is actually accelerating due to a resilient private sector. US consumer spending has been boosted by solid labor market gains and the positive wealth effects from rising home prices and equity markets. Business sentiment also appears healthier as corporate profits have rebounded, fiscal policy uncertainty has moderately eased, global growth has steadied and financing costs remain low. Our economists expect real US GDP growth to improve from just 0.1% in 4Q 2012 to 3.0% in 1Q and remain in the 2.6%-3.2% range throughout 2013.

Taking a step back, in the aftermath of the 2008-09 financial crisis, investors have bid up prices for perceived safe haven assets. This search for both stability and yield has lifted the valuations of high-yielding but low-growth equity market segments to very expensive levels that remain today. For example, the Telecommunications sector

currently trades at a 32% valuation premium to the S&P 500, or nearly two standard deviations above its long-term average. Despite the recent market gains and more visible economic and policy improvements, cyclical sectors continue to carry valuations that are historically very low relative to defensive sectors. As the economic recovery gains traction, we expect that bond yields will gradually rise and that the valuation premium embedded in defensive, high-yielding equity market segments will slowly but steadily erode.

Information Technology (overweight) – low valuation, improving cyclical trends

The Technology sector has lagged the S&P 500 thus far in 2013, largely the result of the decline in Apple’s shares and its outsized weight within the sector. More broadly, however, tech trends appear to be improving. As business spending picks up, large-cap technology companies should benefit from upgrades to software and hardware platforms. After two quarters of moderate contraction, the 15% surge in the GDP account tracking real spending on information processing equipment and software provides a solid signal that a recovery is already taking shape. While individual company product cycles may at times disappoint investor expectations, the secular growth in mobility, cloud computing, data management services and e-commerce should continue to power aggregate Tech sector earnings. Given its P/E valuation of just 10 times forward earnings,

Fig. 1: Tactically trimming, but still pro-cyclical

Tactical deviations from benchmark

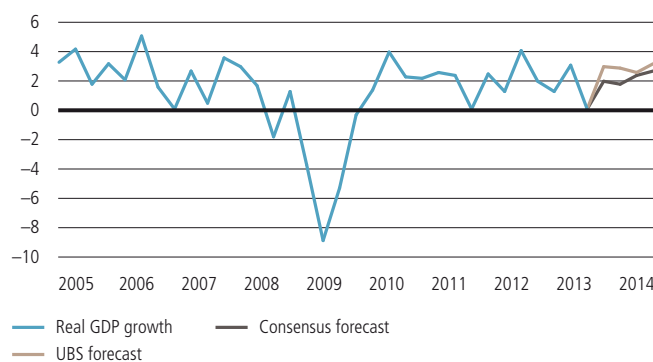


Source: UBS CIO WMR, as of 21 March 2013

Note: See explanations in the Appendix regarding the interpretation of the suggested tactical deviations from benchmark. Arrows indicate changes relative to prior publication.

Fig. 2: Solid economic momentum warrants cyclical sector bias

Real GDP growth, quarter-over-quarter annualized, in %



Source: Bloomberg, UBS Investment Research, UBS CIO WMR, as of 19 March 2013

US Equities: Sectors

we continue to favor the Technology hardware sub-sector. But we trim our overweight to both hardware and semi-conductors to raise the enterprise-exposed software and services group to overweight.

Industrials (moderate overweight) – earnings upside, but trimming transports

We remain positive on the Industrials sector. Year-to-date, Industrials have outperformed the S&P 500, largely due to strong gains in the transportation sub-sector. Improving leading indicators, such as the ISM Manufacturing Index (and new orders subcomponent) and the Architectural Billings Index, signal rising construction activity and sustained outperformance over the next few months, in our view. End-market demand trends are healthy and improving in the oil and gas, residential construction, utilities and select machinery segments. We remain more cautious on companies exposed to defense budgets cuts or to softer demand for mining equipment. While we remain positive on US transportation stocks, we trim our overweight after the industry group's solid year-to-date outperformance.

Materials (moderate overweight) – competitive advantages for US chemicals

While US equities are off to a strong start in 2013, commodity prices have lagged thus far this year. Declining commodity prices, select tighter policy measures in China and sluggish below-consensus earnings guidance delivered by US Materials companies during 4Q earnings season all

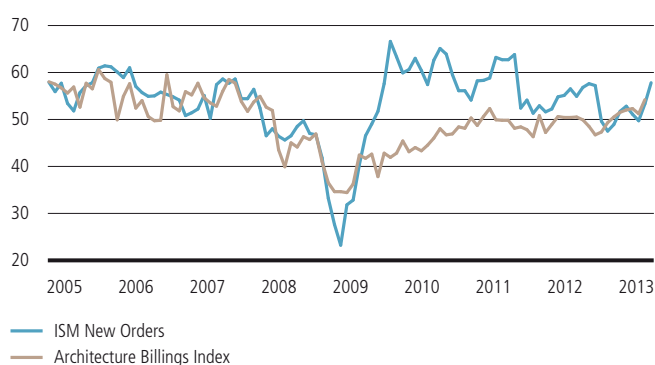
have contributed to the sector's year-to-date underperformance. But improved global growth momentum, particularly in China, should support demand for base metals and US chemical manufacturers. In particular, US chemical producers are best positioned relative to global peers due to the domestic shale gas boom. Ethane and other natural gas derivatives are key feedstock costs for chemical producers, providing US producers with significant cost advantages. A sustained domestic recovery coupled with a cyclical rebound in the Chinese economy should support commodity prices near term and boost the outlook for US materials companies.

Consumer Discretionary (neutral) – media well-positioned, cautious on autos

Despite a weaker-than-normal economic recovery following the financial crisis, the Consumer Discretionary sector has outperformed the S&P 500 for each of the past five calendar years. Following such strong performance, the sector has become the most expensive cyclical sector and currently trades at a 20% premium to the market. While we are neutral at a sector level, we favor the media industry which is benefiting from the ongoing expansion in advertising growth and continued strong pricing power in the cable providers' broadband business. Offsetting our media overweight, we underweight autos based on poor auto demand trends in Europe and concerns over potential market share losses to Japanese manufacturers as a result of the weaker yen. We also underweight the

Fig. 3: Leading indicators improving for Industrials

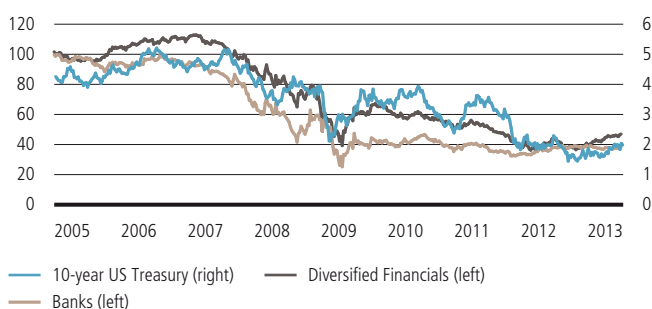
ISM Manufacturing Business New Orders and US Architecture Firms Billings Index



Source: Bloomberg, UBS CIO WMR, as of 21 March 2013

Fig. 4: Rising bond yields would support Diversified Financials, Banks

Relative total return performance of Banks and Diversified Financials vs. 10-year US Treasury yield, in %



Source: Bloomberg, UBS CIO WMR, as of 19 March 2013

US Equities: Sectors

retailing sub-sector, primarily based on high valuations and aggressive earnings growth expectations.

Financials (neutral) – overweight capital markets, underweight real estate

Continuing its strong performance from last year, the Financials sector is once again outpacing the broader market in 2013. We are neutral at the sector level, but overweight diversified financials and underweight real estate. Diversifieds should benefit from a pickup in capital markets activity, cost cutting from restructuring programs and an improving US housing market. Despite their recent strong performance, valuations are still below-average. While banks and diversifieds should benefit from rising interest rates and a steepening yield curve, real estate investment trusts (REITs) should lag in such an environment.

Consumer Staples (neutral) – improving fundamentals, fully valued

Consumer Staples are modestly outperforming the S&P 500 year-to-date, buoyed by mergers and acquisitions activity, better volume trends and softening commodity input costs. With the sector trading at an 18% P/E premium to the market (modestly above its long-term average), we believe valuations are fair. Our neutral relative view is largely driven by our preference for more cyclical segments of the equity market, but also by risks posed by the recent payroll tax increase and higher gasoline prices.

Energy (neutral) – oil markets well supplied in the near term

Year-to-date, oil prices have been flat and the Energy sector has performed in line with the market. With relative valuations in line with long-run averages and oil prices expected to be range-bound near current levels throughout 2013, we remain neutral. The Energy sector usually performs best in the latter stages of an economic expansion when the oil supply/demand balance gets to its tightest point. But while the economic expansion is gaining momentum in the US, Europe is still struggling and GDP growth in China is likely to be structurally lower than its 20-year pre-crisis average of nearly 10%.

Healthcare (moderate underweight) – prefer equipment and services to pharma

Surprising to us, Healthcare has been one of the best-performing sectors so far in 2013, but the outperformance has largely been driven by sharp gains in biotechnology stocks. Healthcare's equipment and services industry group has recently lagged and we use this opportunity to close our underweight stance. This industry group is a more economically sensitive segment within Healthcare and should benefit as labor market gains translate to higher enrollments in commercial healthcare insurance plans. We also like the pharmacy benefit managers and drug distributors since both should benefit from greater generic drug utilization and the pending expansion of healthcare coverage starting in 2014.

Utilities (moderate underweight) – expensive and exposed to rising rates

Despite the strong market gains in 2013, the low-beta Utilities sector has kept up with the broad market. This is likely due to rising natural gas prices (up nearly 20% year-to-date) driving higher power prices and boosting earnings for non-regulated segments of the sector. Over the course of the year, however, gains in power prices are likely to slow, limiting further upside. More worrisome for the sector is the impact of rising interest rates. Utilities sector valuations, which have benefited from falling interest rates over the past few years, are likely to suffer as rates rise.

Telecom (underweight) – very expensive, competitive environment remains tough

Telecom is our least-preferred sector and has lagged the market in 2013. We believe continued underperformance is likely. Similar to Utilities, Telecom stocks are expensive compared to history and relative valuations should suffer in a rising interest rate environment. Additionally, the wireless segment remains very competitive. The smaller national wireless operators have recently received cash infusions and are rapidly deploying high-speed networks which threaten to undermine the advantages currently enjoyed by Verizon and AT&T. This means competitive pressures are likely to intensify. Stay underweight.

Jeremy Zirin, CFA; David Lefkowitz, CFA, Strategists

US Equities: Size & Style

Smaller size, larger returns

We continue to favor small- and mid-cap US stocks, as we have since August 2012. In our view, most fundamental drivers of the relative performance between US size segments – such as positively trending market direction, improving mergers and acquisitions activity, and declining high yield credit spreads – remain solidly in favor of smaller stock indexes. Within style segments, below-average valuation and resilient earnings favor growth over value.

Big returns from smaller stocks

In late August 2012, we upgraded small- and mid-caps to overweight and have held that position for the last seven months. At that time, we noted that despite the improvements in several traditional coincident indicators favoring smaller-sized segments – rising equity markets, declining equity market volatility and positive economic surprises – small- and mid-cap stocks had lagged behind the major large-cap indexes. Over the past seven months, smaller-sized segments have subsequently outperformed, with the Russell 2000 rising 16% and the Russell Midcap Index up 15% compared to the 11% gain in the Russell 1000 (through March 18).

Going forward, we continue to expect further outperformance from smaller-sized segments. To be sure, relative valuations do not currently provide a strong signal; small- and mid-caps trade slightly above long-run average relative valuations versus large-caps. But these smaller segments

should outperform in a rising market, particularly as mergers and acquisitions (M&A) activity increases. Furthermore, small- and mid-cap stocks derive a much higher percentage of earnings from domestic sources. With the US housing market recovery proving to be durable, the stronger US economic data flow “decoupling” from softer global trends, small- and mid-cap revenue and earnings growth should outpace the mid- to high-single-digit earnings growth rate that we expect from large-caps this year. In fact, small-cap earnings growth during the fourth quarter of 2012 outpaced large-caps by 4% (11% vs. 7%).

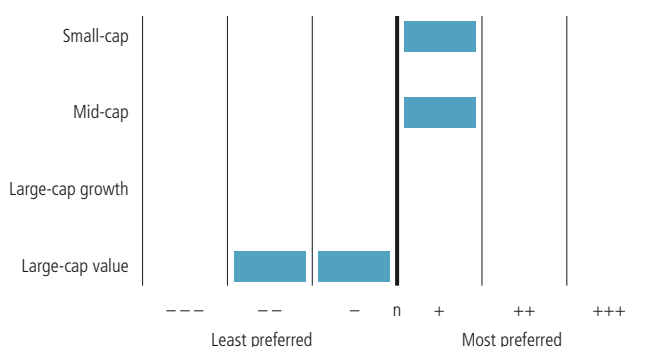
Growth shouldn't remain out of style

We maintain our preference for growth over value stocks. From a long-term perspective, growth and value stocks have had six alternating long-term outperformance cycles over the past three decades. The most recent cycle favoring growth stocks began in mid-2006, but has weakened over the past 10 months. At this point, we do not believe that we are in the early stages of a new outperformance cycle for value stocks, but rather a temporary setback for growth. Valuation continues to favor growth; growth stocks are trading at a 23% premium to value stocks, well below the long-term average premium of 45% (or 38%, excluding the late 1990s valuation bubble). History suggests durable outperformance cycles favoring value stocks typically begin when growth stocks are much more expensive.

Jeremy Zirin, CFA; David Lefkowitz, CFA, Dan Kenny, Strategists

Fig. 5: Favor growth over value; small / mid over large

Size, style, and REITs recommended allocation, deviation from benchmark

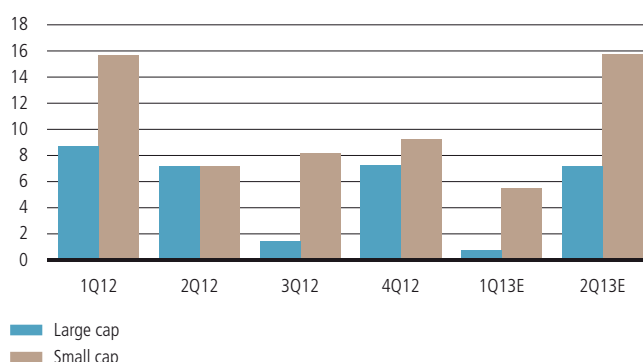


Source: UBS CIO WMR, as of 21 March 2013

Note: See the appendix for a detailed asset allocation illustration

Fig. 6: Small cap growth set to continue to outpace large cap

EPS growth rate, year-over-year, in %



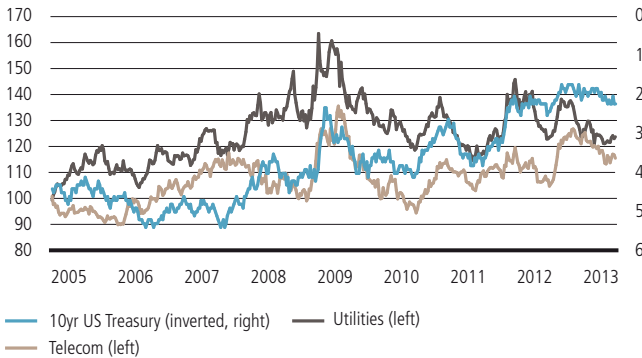
Note: Large cap = S&P 500, small cap = S&P 600

Source: FirstCall, FactSet, UBS CIO WMR, as of 19 March 2013

US Equities: Chartbook

Fig. 7: Rising yields would hurt Telecom and Utilities

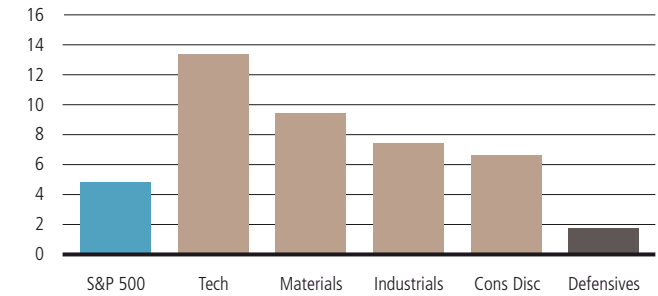
Relative total return performance of Telecom and Utilities vs. 10-year UST yield, in %



Source: Bloomberg, UBS CIO WMR, as of 19 March 2013

Fig. 8: Stronger valuation expansion for cyclicals expected

Change in sector valuation when S&P 500 valuations are low and GDP accelerating, in %

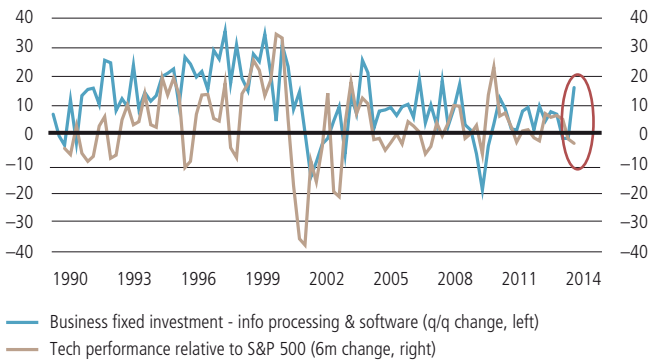


Note: Annual average since 1995. Tan indicates cyclical sectors.

Source: FactSet, UBS CIO WMR, as of 19 March 2013

Fig 9: Signs of a pickup in technology spending

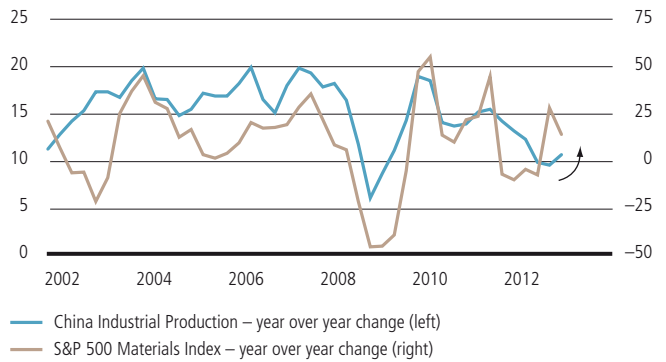
Info Processing & Software spending vs. Tech performance relative to S&P 500, in %



Source: Bloomberg, UBS CIO WMR, as of 19 March 2013

Fig. 10: US Materials linked to a rebound in China

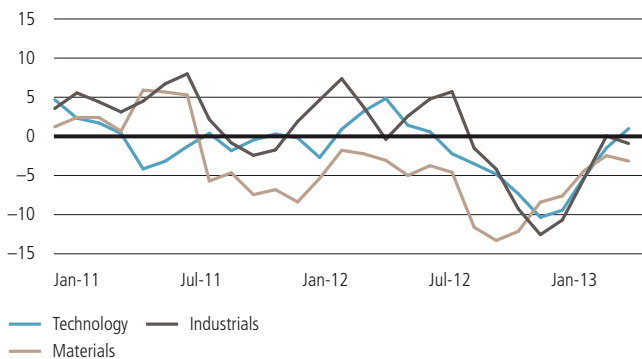
Materials sector performance vs. Chinese industrial production, %



Source: Bloomberg, UBS CIO WMR, as of 19 March 2013

Fig. 11: Improving earnings momentum for global cyclicals

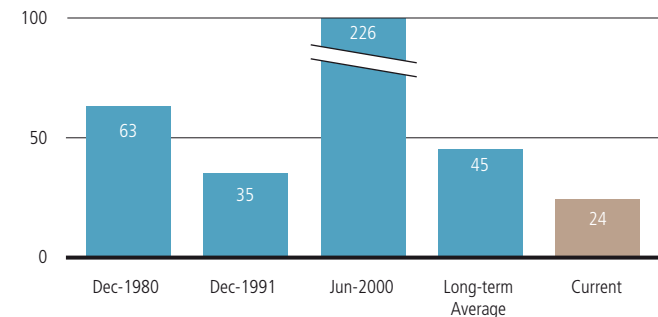
Consensus EPS revisions, 3-month moving average, in %



Source: Thomson Datastream, UBS CIO WMR, as of 19 March 2013

Fig. 12: Sustained Value outperformance cycle unlikely at current valuations

P/E premium - Growth versus Value, in %



Note: The three dates shown in the chart represent the beginning of sustained outperformance cycles by Value

Source: Bloomberg, UBS CIO WMR, as of 19 March 2013

Credit cycle not over yet

With Treasury yields biased gradually higher, we look for spread product to outperform government bonds. In the rates market, we see value in callable agencies and high coupon mortgage pass-throughs. Within credit, although corporate leverage is picking up, the starting position is very robust for most companies. Total returns of investment-grade bonds will likely be modest but we believe US high-yield corporates and preferred securities will provide attractive returns on both a relative and absolute basis.

On track to gradually higher Treasury yields

We rolled over our Treasury yield forecasts from our last update on February 22 as yields have traded in a fairly tight range since then and our economic outlook hasn't changed materially. The main economic forces pushing yields higher are a strengthening global cyclical recovery, somewhat firmer global inflation and less US fiscal uncertainty in the near term. We expect better growth performance to persist throughout 2013 as further gains in private sector growth will be offset by weaker inventory accumulation and the federal spending contraction starting in 2Q13.

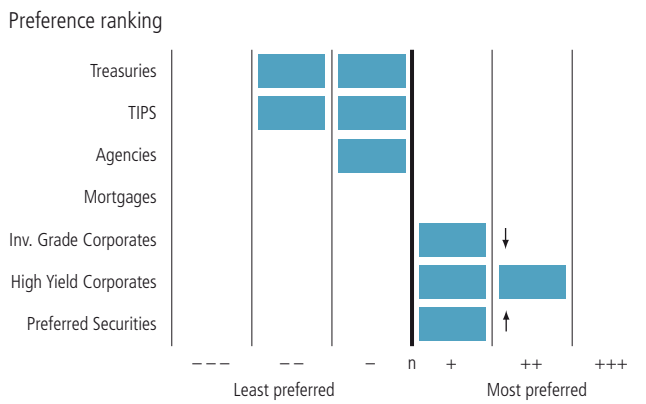
Since our last update we adjusted our outlook to reflect a budget deal without a brief government shutdown. Congress came together to pass a bill to fund the

government for the remainder of the fiscal year ending in September. We kept our 3-month target at 2.0% for the 10-year Treasury since we expect the budget fight to continue, this time to fund the government for fiscal year 2014 and later, presumably in July, to raise the debt ceiling. Our higher 6-month forecast of 2.2%, however, reflects the passage of these disrupting budget negotiations and the presumably less uncertain fiscal policy environment. The key forces opposing higher yields are the risk of eurozone crisis flare-ups and the Fed's QE3 program. In our view, the Fed will keep on buying agency MBS and Treasuries at a combined pace of \$85 billion per month, then taper off these purchases toward the end of the year and halt the program at year-end. Both Bernanke and Yellen confirmed their rather dovish stance in recent speeches.

Prefer callable agencies and higher coupon MBS

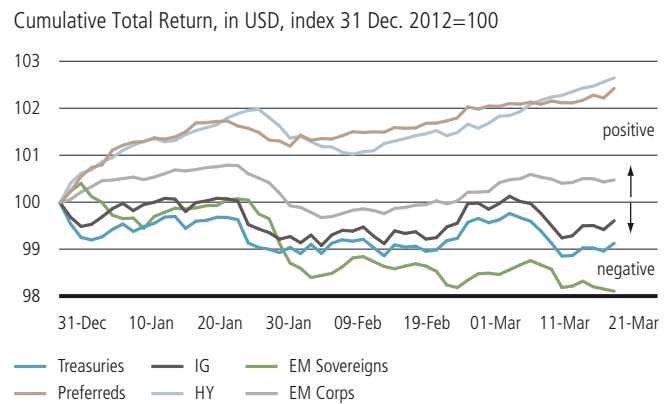
The agency debt market continues to trade as a surrogate for Treasuries, with relatively tight spreads versus matched maturity Treasury notes and low volatility, even in the face of several unfriendly headlines out of the conservator Federal Housing Finance Agency (FHFA). The best value in the agency bullet market, in our opinion, is in the 4-7 year sector, where the annual carry & roll-down implied by the forward curve is greatest at 44 basis points (bps) per year. However, we continue to prefer owning callable agency

Fig. 1: US Taxable fixed income (TFI) strategy



Note: See the appendix for a detailed asset allocation illustration in the context of a moderate-risk taxable US dollar fixed income portfolio and explanations regarding the interpretation of the suggested tactical deviations from benchmark.
Source: UBS CIO WMR, as of 21 March 2013

Fig. 2: Year-to-date returns



Source: BofAML, UBS CIO WMR, as of 15 March 2013

debt versus comparable duration bullets (i.e., non-callable debt), in order to pick up incremental yield and position for total return outperformance in range-bound rate markets with a moderate bearish bias. Likewise, mortgage backed securities (MBS) pick up yield versus Treasuries and are expected to outperform under our base case rate scenario. We prefer high coupon pass-throughs to par or discount coupons because higher coupons should be expected to be better protected from duration extension risk when rates eventually rise.

Credit returns varied among bond sectors and maturities

Credit returns have been lower and more differentiated in 2013 than in the recent past. Within investment-grade (IG) corporate bonds, there’s a clear disparity among industry sectors, as well as among various bond maturity segments. At the overall IG index level, spreads are only 9bps tighter this year and total returns are slightly negative as prices have edged lower along with government bonds. On an industry sector basis, financial bonds have outperformed non-financial bonds by a wide margin. Financial credit spreads have tightened by 22bps year-to-date (YTD) and have returned 80bps, compared to Industrials that have tightened 2bps and lost 100bps. The outperformance of Financials can be attributed to the ongoing improvement in bank asset quality and capital levels, as well as the lower duration that Financials exhibit relative to Industrials and Utilities. It’s been more difficult for non-financial credit spreads to tighten this year as mergers and acquisitions (M&A) and leveraged buyout (LBO) activity has increased. While such actions have largely been very company-specific, other peer bonds in the sector can also be affected. In addition to these sector trends, duration has played a key role in IG bond performance as the returns of IG bonds with maturities of 1-7 years have been positive, while those maturing 7 years or longer have been negative.

Fundamentals turning, but not alarming

Fundamental trends for non-financial issuers show that sales and earnings growth have slowed in recent quarters, while debt growth has reaccelerated. The combination of robust new debt issuance and slowing earnings growth led to increasing leverage for both the aggregate

Fig. 3: US interest rate forecasts

in %

	20-Mar	in 3 months	in 6 months	in 12 months
3-month Libor	0.3	0.4	0.4	0.4
2-year Treasury	0.2	0.4	0.5	0.6
5-year Treasury	0.8	0.9	1.0	1.3
10-year Treasury	1.9	2.0	2.2	2.5
30-Year Treasury	3.2	3.2	3.4	3.7

Source: Bloomberg, UBS CIO WMR, as of 20 March 2013

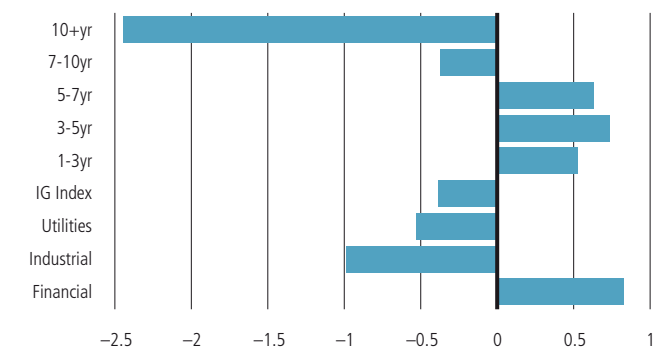
Fig. 4: Duration and yield curve positioning

Duration	Neutral
Corporate bond maturity range	3 to 7 years
TIPS maturity range	5 to 10 years
Municipal maturity range	7 to 10 years

Source: UBS CIO WMR, as of 21 March 2013

Fig. 5: IG corporate returns led by Financials

Year to date total return, in %



Source: BofAML, UBS CIO WMR, as of 15 March 2013

US Fixed Income

IG and US high yield (HY) market. Despite the rise, we're not overly concerned by these trends since credit metrics are deteriorating from such strong starting levels and company balance sheets are still very healthy. Also, while leverage has ticked up, other metrics such as interest coverage and cash to total debt remain strong from a historical perspective.

Other signs of a maturing credit cycle include increased instances of shareholder-friendly activity in the form of common share buybacks and dividend increases, as well as an uptick in event risk, in the form of M&A and LBOs. These events can be negative to bondholders if increased leverage is used to fund the acquisition. Despite the resurgence of these credit cycle triggers, we believe we remain at the middle stages of the cycle where credit markets on the whole are unlikely to be negatively affected, and on the flip side, can respond positively to the extent that such events help boost sentiment for risk assets. The slow growth nature of the economy may prevent companies from becoming overly aggressive in pursuit of shareholder-friendly activities and history shows that credit spreads can still move in a tighter-to-range-bound way even after fundamentals begin to deteriorate. Nonetheless, we will be watching these triggers closely for signs that the credit cycle has run its course.

Within IG, we see opportunities in insurers

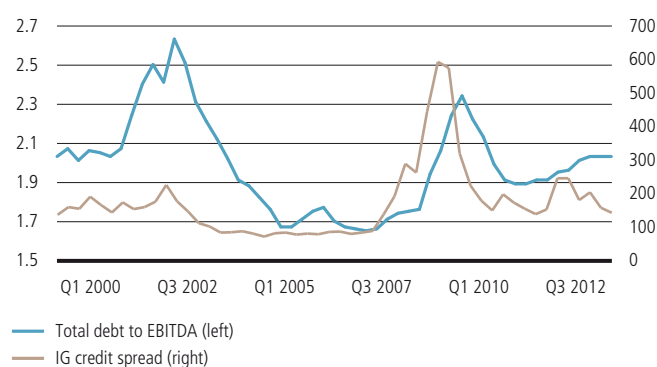
We are still positive on the financial sector and view the incremental spread over non-financials favorably, but see additional credit compression as limited. We are comfortable with the US banking sector's fundamentals and recommend senior and subordinated debt of money center and large regional banks, with a bias toward subordinated operating bank issues where relative value opportunities exist. Outside of banks, we see room for further compression in insurance spreads relative to other financials. The higher yields of the larger diversified and P&C insurers are attractive at present, while we are comfortable with the capital, liquidity and operating metrics of this group.

High yield and preferred: coupon clip with higher risk

HY corporate bonds have returned 2.7% YTD as prices have benefited from the asset classes' shorter duration and wide credit spreads, which has acted as a cushion

Fig. 6: Leverage has been gradually rising

Debt/EBITDA and IG credit spread, in basis points



Source: Bloomberg, UBS CIO WMR, as of 31 December 2012

Fig. 7: Banks now trade only 5bps above Industrials

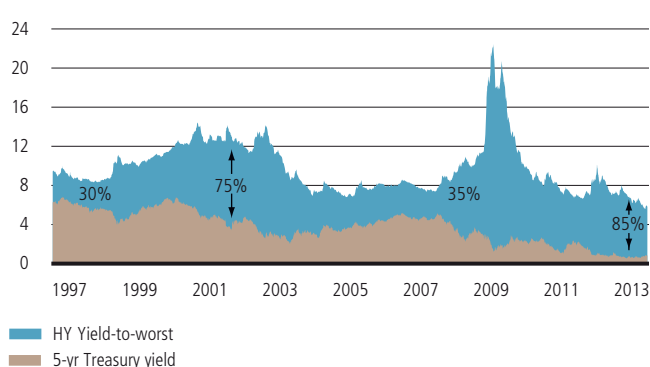
Option-adjusted spread, in bps



Source: BofAML, UBS CIO WMR, 15 March 2013

Fig. 8: HY spreads are a large component of yield

Yield, in %



Source: BofA ML, UBS CIO WMR, as of 28 February 2013

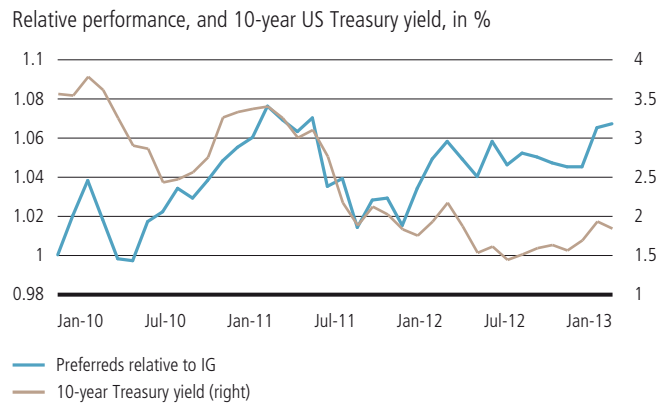
against modestly higher UST rates. Meanwhile, the low default rate environment has subtracted little from the coupon income. The main risks that we see to HY credit include limited room for additional price appreciation and the potential for the strong liquidity conditions to dry up. However, our constructive view of HY is based on its coupon-driven return, as credit spreads remain wide enough to cushion the move in Treasuries that we expect over the next 6 to 12 months. Furthermore, conditions that could cause liquidity gaps to occur would likely be macro-based and not specific to HY bonds. The market's benign response to the Cyprus bailout helps reinforce our view that systemic risks should remain contained and we remain overweight HY credit.

Similar to our view on HY, we believe the potential for additional price appreciation will be limited for preferred securities but the large coupon return should allow the asset class to produce mid- single-digit returns. The preferred and HY asset classes contain some similarities such as providing outsized coupon income in exchange for higher credit risk, exhibiting call constraints and both being dependent on strong liquidity conditions. However, the preferred index that we track is an IG index with a large industry sector concentration in Financials. Preferreds also have the potential for duration extension risk as their final maturities are either very long or perpetual. This makes preferred prices vulnerable in the event that rates move high enough to cause security prices to move below par and trade to their long maturity. However, we don't believe that rates are likely to rise substantially enough over the next 6 to 12 months to result in significant extension risk. In addition, we believe subordinated parts of US bank capital structures should continue to perform well as investors reach for yield in lower-ranking securities.

Seasonal factors boost muni yields

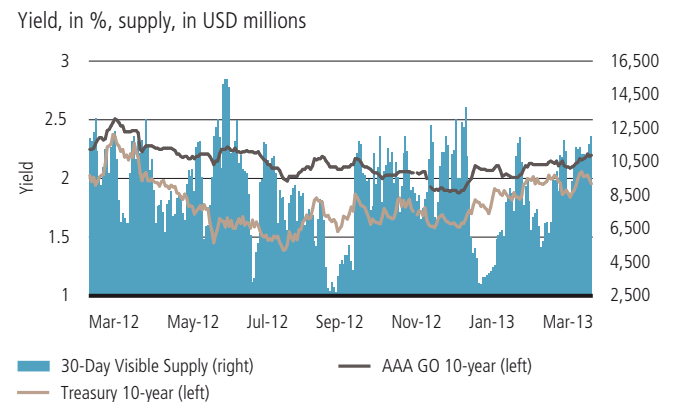
Technicals have been weakening in the muni market. As we wrote in last month's *Investment Strategy Guide*, we expected municipal bond redemptions to soften in March and April, eroding some of the strong technical support the broad muni market has experienced earlier this year. At the same time new issuance has increased and the 30-day visible supply now stands at \$12.043bn, the highest reading since mid-December 2012 (\$13.768bn). We note net

Fig. 9: Preferreds relative to IG, since 2010



Source: BofA ML, UBS CIO WMR, as of 28 February 2013

Fig. 10: Muni visible supply and yields



Source: Bloomberg, UBS WMR as of 19 March 2013

Fig. 11: AAA muni-to-Treasury yield ratios



Source: MMD, UBS WMR as of 19 March 2013

US Fixed Income

cash flows into municipal bond mutual funds turned negative this month. According to Lipper, municipal bond funds reported net weekly outflows of USD 112.5 mn during the week ending 13 March, following outflows of USD 96.9 mn in the previous week. By comparison, muni fund flows were positive for two months before reversing course. Also, investors often need to raise funds in order to meet income tax payments due by the April 15 tax filing deadline, which often contributes to price weakness at this time of the year.

Since March 1, benchmark AAA General Obligation yields on 10-year bonds increased by 22bps to reach 2.00% on 15 March from 1.78%. At the same time, yields on longer-dated 30-year AAA bonds climbed by roughly the same magnitude lifting yields to 3.14% from 2.90%, while Treasury yields increased but at a slower pace. At the 10-year and 30-year spots, the yield on Treasury securities increased by 14bps and 16bps lifting levels to 1.99% and 3.22% from 1.85% and 3.06%, respectively. This movement caused muni-to-Treasury (M/T) yield ratios to climb toward the 100% mark. By comparison, ratios were in the low 90% area in mid-February. We expect the technical outlook for the muni market to show improvement in about 3 to 4 weeks time once the tax filing deadline is complete. We remind our readers that the topic of tax reform and its impact on muni tax exemption will continue to be an important factor in the months ahead.

Thomas Berner, CFA, Strategist

James Rhodes, CFA, Strategist

Barry McAlinden, CFA, Strategist

Kathleen McNamara, CFA, CFP, Strategist

US Fixed Income: Chartbook

Fig. 1: Treasury yields to rise gradually

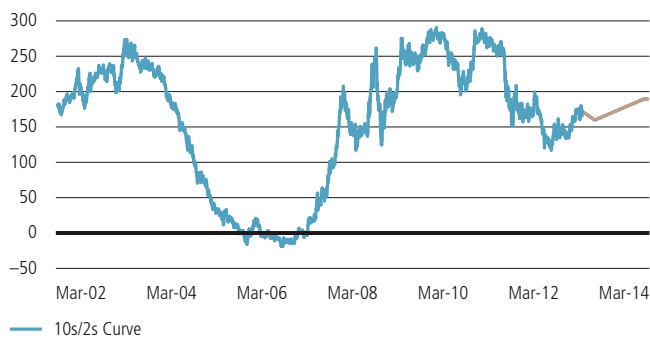
Rate development and UBS CIO WMR forecast, in %



Source: Bloomberg, UBS CIO WMR, as of 19 March 2013

Fig. 2: The yield curve should remain steep

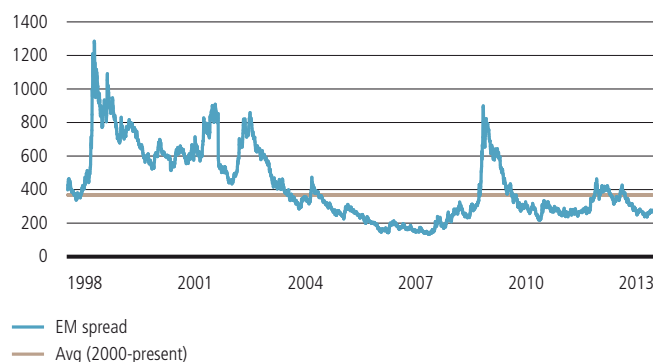
10-year Treasury yield minus 2-year Treasury yield, and UBS CIO WMR forecast, in basis points



Source: Bloomberg, UBS CIO WMR, as of 19 March 2013

Fig. 3: Emerging Market sovereign bond spread

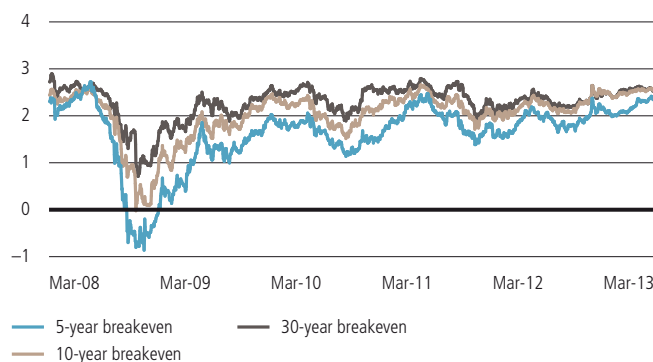
Index option-adjusted spreads, in basis points



Source: Bank of America Merrill Lynch, as of 19 March 2013

Fig. 4: TIPS breakeven inflation rates have slightly risen

Breakeven inflation rate, in %



Source: Bloomberg, UBS CIO WMR, as of 19 March 2013

Fig. 5: BABs versus Industrial Corporate spreads

In basis points



Source: BAML, UBS CIO WMR as of 19 March 2013

Fig. 6: US fixed-income yields

Yields, in %

Maturity	Treasury	TIPS	Agencies	IG Corp. Single-A	HY Corp. Double B	Muni AAA	Muni TEY 35%
2-year	0.2	-1.9	0.3	0.6	1.9	0.3	0.4
5-year	0.8	-1.7	0.9	1.7	3.1	0.9	1.4
10-year	1.9	-0.6	2.0	3.1	4.7	2.2	3.3
20-year	2.7	0.1	3.1	4.4	6.2	3.2	4.9
30-year	3.1	0.6	3.2	4.4	7.9	3.2	5.0

Note: TEY = tax equivalent yield

Source: Bloomberg, UBS CIO WMR, as of 19 March 2013

Commodities

No need to rush into commodities

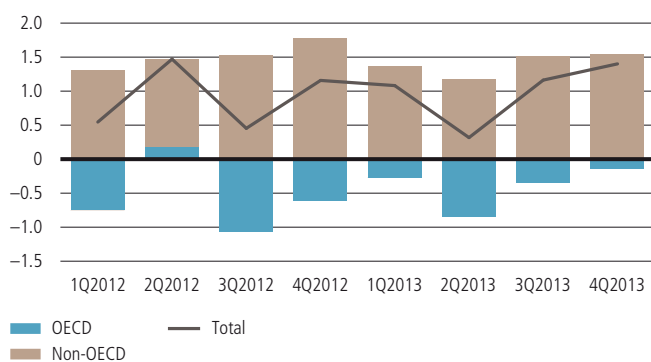
Commodities are unlikely to deliver strong investment returns over the next three months. Our bottom-up forecasts for broadly diversified commodity indexes suggest a meager expected return of 1.5% or less.

The root cause behind this rather subdued performance expectation relates to our energy and agricultural commodity outlook. We expect Brent crude oil prices to decline to \$105-\$100 per barrel (bbl) from \$110/bbl, with a similar decline visible in West Texas Intermediate. Ample supply outside OPEC and mediocre global demand growth of only 0.8 million barrels per day year-over-year in 1H13 tilts the bias toward positive inventory surprises. Moreover, we expect US natural gas production to pick up after the recent price increase and demand growth to stall. A sideways move in US natural gas prices is insufficient to compensate for the inherent roll yield costs.

Contributing negatively to performance as well is our expected 15 to 20% decline in grain prices over the coming three to nine months. A 26% year-over-year increase in South American soybean production and our expectations of a double-digit year-over-year increase in US corn and soybean output for 2013-14 means considerable price downside risks. Although markets are already eyeing sharply lower prices, investors exposed to short-dated futures contracts are still confronted with investment losses in the coming months.

Fig. 1: Muted oil demand growth in 1H13 with strength in 2H13

Incremental demand, year over year, in %



Note: CIO WMR forecasts from 1Q2013 forward
Source: IEA, UBS CIO WMR, as of 18 March 2013

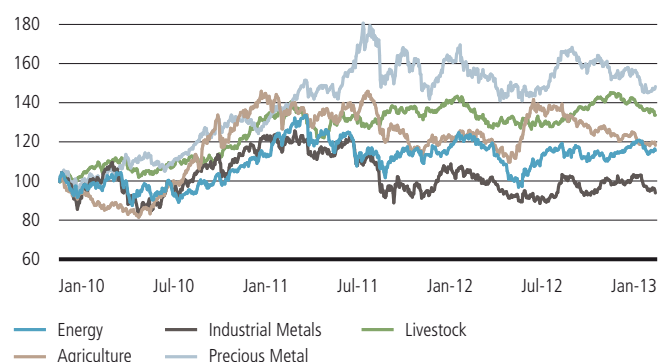
The nearly 10% drop in base metal prices from this year's high looks overdone and does not match our view of accelerating economic activity in emerging market countries in the quarters ahead. Firmer Chinese credit activity and a return to higher profits by industrial companies pave the ground for Chinese commodity demand to accelerate and prices to advance by around 15%. However, since the supply side is in a good shape to meet incremental demand, price advances should only be cyclical in nature. A move in the price of copper toward \$9000/metric ton (\$4.08/lb) should therefore be used to exit some longs.

Weakness in precious metal prices should come to a halt, with precious metals sensitive to industrial demand, like platinum, palladium and silver leading the double-digit price rise. In contrast, gold's performance is likely to lag in the near term. As central banks are reluctant to jeopardize the economic recovery by hiking interest rates too soon, there is room in 2H13 for real interest rates to go deeper into negative territory, with inflation expectations likely to rise and motivate investment demand to return. Thus, the gold price is likely to trade sideways in 2Q13 (buy at \$1525/oz lows), with price support from central bank purchases and physical demand out of Asia.

Dominic Schnider, Giovanni Staunovo, Strategists, UBS AG

Fig. 2: Performance of different commodity sectors

UBS Bloomberg CMCI spot indices, standardized to 100



Source: Bloomberg, UBS CIO WMR, as of 18 March 2013

Tailwinds for directional strategies

Global equity markets started the year strong following the resolution of certain fiscal milestones. Positive US economic data releases and large mergers/buyouts pushed equity markets to all-time highs, but fears that the US Federal Reserve would end its bond-buying program tempered optimism toward the end of February. Eurozone markets were subject to increased uncertainty due to the UK's loss of its AAA rating, the inconclusive Italian elections and the Cyprus bailout. Despite persistent economic and fiscal challenges, there was little follow-through from the pullbacks and risk assets have rallied thus far in March.

Most hedge fund strategies benefited from these gains – particularly equity-oriented strategies like event-driven and equity hedge (also known as long/short equity). Relative value funds also saw gains particularly from non-agency residential mortgage-backed securities, which improved as a result of positive housing fundamentals.

Total hedge fund assets remain well above \$2 trillion, an all-time high, as a result of strong performance and investor capital inflow. In 2012, relative value saw the greatest inflow followed by macro, while equity hedge and event-driven strategies saw assets decline. With volatility falling to 2007 levels, gross leverage has increased. Equity hedge funds continue to decrease short market exposure, moving net exposures moderately higher. The VIX volatility index has declined on the back of better economic data, and equity correlations within the S&P 500 also declined, possibly signaling a return to a market driven more by fundamentals than technicals.

Equity hedge is up +3.84% year-to-date, according to the HFRI Equity Hedge Index. Managers benefited from security selection, lower volatility and lower inter-stock correlation. While 2012 was a challenging year for equity hedge funds, with many underperforming their respective benchmarks, managers are now more confident as certain macro events have passed. They have found opportunities across all sectors, particularly Consumer Staples, Healthcare and Financials. Longer-biased managers benefited the most from the recent rally, but market-neutral funds have also produced strong returns.

Event-driven is up +2.38% year-to-date, according to the HFRI Event Driven Index. The index was only slightly positive in February amid large merger announcements, distressed activity and more active balance sheets. Low borrowing costs and high levels of cash on corporate balance sheets may persist in driving deal flow this year. Managers continue to make money in liquidating enterprises, particularly Lehman and MF Global claims.

Macro is up +0.98% year-to-date, according to the HFRI Macro index. Both discretionary and systematic-oriented strategies have been positive, benefiting from short JPY, long Nikkei and long US equities. After positive performance in January, systematic managers pulled back as markets reversed on concerns regarding the Fed QE3 program and results of the Italian election. Discretionary traders with long USD and short JPY exposures posted gains as most currencies sold off against USD. Short GBP/USD has become a popular trade following the UK downgrade. Managers have a renewed appetite for risk after sitting on the sidelines for most of 2012.

Relative value is up +2.4% year-to-date, according to the HFRI Relative Value Index. Gains were driven by the outperformance of equities versus credit. Corporate credit spreads continued to tighten as investors searched for yield. Structured credit has garnered more interest from institutional investors and the non-agency mortgage market has continued to outperform broader credit markets as fundamental housing indicators remain positive. RMBS and CMBS issuance is expected to be the highest since the financial crisis and may provide new opportunities for structured credit managers. A few managers have mentioned trimming out of credit positions after strong performance in 2012.

Andrew Yongvanich, UBS Alternative Investments

Andrew Yongvanich is an employee of the UBS Alternative Investments team within UBS Wealth Management Solutions and is not a part of Wealth Management Research (WMR). WMR may have views that differ or are contrary to the views expressed herein.

Positive fundraising environment

The private equity (PE) environment is showing signs of life, evidenced by limited partner (LP) investor behavior and an increase in leveraged buyout (LBO) activity. Alternative asset advisory firm Duff & Phelps believes that LP's are generally positive on PE and looking to increase their allocations over the course of 2013. In its report, "Alternative Investments Outlook 2013: Limited Partner Survey," 95% of respondents reported that they will increase their allocations to PE this year and almost 20% plan to "significantly" increase their allocations. Aside from growth capital PE funds, respondents are excited about LBO, sector/regional funds and distressed, in order of importance. LPs are especially excited about opportunities in Europe, secondaries and direct lending.

Last year, the trend toward fewer fund vehicles continued but actual fundraising increased by 13% to approximately \$113 billion. Over the course of 2012, four mega funds closed after a period in 2010 and 2011 in which there was only one mega fund per year. There were 32 funds above \$1 billion raised in 2012 which was almost as much as the \$33 billion raised in 2010 and 2011 combined. PE fund sizes are trending higher. While average size was just over \$400 million in 2010, it grew to over \$1 billion in 2012 for the first time since 2009. It is taking less time to close PE funds, with average fundraising time decreasing from about 19 months in 2010 to fewer than 12 months last year. Uncalled capital commitments have decreased to under \$350 billion across vintages after peaking over \$500 billion in 2008. There are currently well more than 10 funds in the market targeting \$1-\$10 billion raises and we believe these are likely to be successful.

Deal exits picking up

In 2012 and into 2013, we have seen an acceleration of deal exits off of the 2009 lows. This trend should bring some equilibrium back into the PE deal space. In 2012, there was \$128 billion in exits across 587 transactions, up from the prior four years. There was a race to exit transactions in 4Q2012 so we would not be surprised to see some big exits but slightly less activity in 2013.

Deal-making prospects improving in 2013

Deal-making has improved dramatically on a year-over-year and quarter-over-quarter basis. Through March 2013,

there has been \$89 billion worth of overall transactions and \$6 billion worth of private equity transactions, compared to \$36.4 billion in Q4 and \$22.8 billion, respectively, through the end of Q1 2012. The US targets and acquirers have seen the bulk of the transaction flow; \$70 billion in overall deal flow has been directed toward US-based target companies. Two key highlights for the quarter were the news that HJ Heinz Company entered into an agreement to be purchased by a consortium comprising Berkshire Hathaway and 3G Capital in a \$28 billion all-cash transaction. We also saw the planned \$23 billion buyout of computer company Dell by CEO Michael Dell and Silverlake Partners, with funding from Microsoft and four banks. Partly as a result of these two mega-deal announcements, deal statistics have perked up over the course of this year. Similar to the fundraising environment, we are seeing greater deal sizes and fewer actual transactions. In the first quarter, average deal sizes were \$114 million and they have been in the \$80-\$90 million range for the last few quarters, spread across a lower number of transactions (1,000 year-to-date versus 1,600 in 1Q2012).

Matthew Walsh, UBS Alternative Investments

Matthew Walsh is an employee of the UBS Alternative Investments team within UBS Wealth Management Solutions and is not a part of Wealth Management Research (WMR). WMR may have views that differ or are contrary to the views expressed herein.

Appendix

Investment Committee

Global Investment Process and Committee

Description

The UBS investment process is designed to achieve replicable, high quality results through applying intellectual rigor, strong process governance, clear responsibility and a culture of challenge.

Based on the analyses and assessments conducted and vetted throughout the investment process, the Chief Investment Officer (CIO) formulates the UBS Wealth Management Investment House View (e.g., overweight, neutral, underweight stance for asset classes and market segments relative to their benchmark allocation) at the Global Investment Committee (GIC). Senior investment professionals from across UBS, complemented by selected external experts, debate and rigorously challenge the investment strategy to ensure consistency and risk control.

Global Investment Committee Composition

The GIC is comprised of fourteen members, representing top market and investment expertise from across all divisions of UBS:

- Alex Friedman (Chair)
- Mark Andersen
- Mark Haefele
- Andreas Höfert
- Jorge Mariscal
- Mads Pedersen
- Mike Ryan
- Simon Smiles
- Larry Hathaway (*)
- Bruno Marxer (*)
- Curt Custard (*)
- Andreas Koester (*)
- Tom Daula (*)
- Andrew Williamson (*)

(*) Business areas distinct from Chief Investment Office/
Wealth Management Research

WMA Asset Allocation Committee Description

We recognize that a globally derived house view is most effective when complemented by local perspective and application. As such, UBS has formed a Wealth Management Americas Asset Allocation Committee (WMA AAC). WMA AAC is responsible for the development and monitoring of UBS WMA's strategic asset allocation models and capital market assumptions. The WMA AAC sets parameters for the Wealth Management Research Americas Investment Strategy Group to follow during the translation process of the GIC's House Views and the incorporation of US-specific asset class views WMR-A into the US-specific tactical asset allocation models.

WMA Asset Allocation Committee Composition

The WMA Asset Allocation Committee is comprised of six members:

- Mike Ryan
- Michael Crook
- Stephen Freedman
- Richard Hollmann (*)
- Brian Nick
- Jeremy Zirin

(*) Business areas distinct from Chief Investment Office/
Wealth Management Research

Appendix

Emerging Market Investments

Investors should be aware that Emerging Market assets are subject to, among others, potential risks linked to currency volatility, abrupt changes in the cost of capital and the economic growth outlook, as well as regulatory and sociopolitical risk, interest rate risk and higher credit risk. Assets can sometimes be very illiquid and liquidity conditions can abruptly worsen. WMR generally recommends only those securities it believes have been registered under Federal U.S. registration rules (Section 12 of the Securities Exchange Act of 1934) and individual State registration rules (commonly known as “Blue Sky” laws). Prospective investors should be aware that to the extent permitted under US law, WMR may from time to time recommend bonds that are not registered under US or State securities laws. These bonds may be issued in jurisdictions where the level of required disclosures to be made by issuers is not as frequent or complete as that required by US laws.

For more background on emerging markets generally, see the WMR Education Notes “Investing in Emerging Markets (Part 1): Equities,” 27 August 2007, “Emerging Market Bonds: Understanding Emerging Market Bonds,” 12 August 2009 and “Emerging Markets Bonds: Understanding Sovereign Risk,” 17 December 2009.

Investors interested in holding bonds for a longer period are advised to select the bonds of those sovereigns with the highest credit ratings (in the investment grade band). Such an approach should decrease the risk that an investor could end up holding bonds on which the sovereign has defaulted. Sub-investment grade bonds are recommended only for clients with a higher risk tolerance and who seek to hold higher yielding bonds for shorter periods only.

Nontraditional Assets

Non-traditional asset classes are alternative investments that include hedge funds, private equity, real estate, and managed futures (collectively, alternative investments). Interests of alternative investment funds are sold only to qualified investors, and only by means of offering documents that include information about the risks, performance and expenses of alternative investment funds, and which clients are urged to read carefully before subscribing and retain. An investment in an alternative investment fund is speculative and involves significant risks. Specifically, these investments (1) are not mutual funds and are not subject to the same regulatory requirements as mutual funds; (2) may have performance that is volatile, and investors may lose all or a substantial amount of their investment; (3) may engage in leverage and other speculative investment practices that may increase the risk of investment loss; (4) are long-term, illiquid investments, there is generally no secondary market for the interests of a fund, and none is expected to develop; (5) interests of alternative investment funds typically will be illiquid and subject to restrictions on transfer; (6) may not be required to provide periodic pricing or valuation information to investors; (7) generally involve complex tax strategies and there may be delays in distributing tax information to investors; (8) are subject to high fees, including management fees and other fees and expenses, all of which will reduce profits.

Interests in alternative investment funds are not deposits or obligations of, or guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other governmental agency. Prospective investors should understand these risks and have the financial ability and willingness to accept them for an extended period of time before making an investment in an alternative investment fund and should consider an alternative investment fund as a supplement to an overall investment program.

In addition to the risks that apply to alternative investments generally, the following

are additional risks related to an investment in these strategies:

- **Hedge Fund Risk:** There are risks specifically associated with investing in hedge funds, which may include risks associated with investing in short sales, options, small-cap stocks, “junk bonds,” derivatives, distressed securities, non-U.S. securities and illiquid investments.
- **Managed Futures:** There are risks specifically associated with investing in managed futures programs. For example, not all managers focus on all strategies at all times, and managed futures strategies may have material directional elements.
- **Real Estate:** There are risks specifically associated with investing in real estate products and real estate investment trusts. They involve risks associated with debt, adverse changes in general economic or local market conditions, changes in governmental, tax, real estate and zoning laws or regulations, risks associated with capital calls and, for some real estate products, the risks associated with the ability to qualify for favorable treatment under the federal tax laws.
- **Private Equity:** There are risks specifically associated with investing in private equity. Capital calls can be made on short notice, and the failure to meet capital calls can result in significant adverse consequences including, but not limited to, a total loss of investment.
- **Foreign Exchange/Currency Risk:** Investors in securities of issuers located outside of the United States should be aware that even for securities denominated in U.S. dollars, changes in the exchange rate between the U.S. dollar and the issuer’s “home” currency can have unexpected effects on the market value and liquidity of those securities. Those securities may also be affected by other risks (such as political, economic or regulatory changes) that may not be readily known to a U.S. investor

Appendix

Explanations about Asset Classes

Sources of strategic asset allocations and investor risk profiles

Strategic asset allocations represent the longer-term allocation of assets that is deemed suitable for a particular investor. The strategic asset allocation models discussed in this publication, and the capital market assumptions used for the strategic asset allocations, were developed and approved by the WMA AAC.

The strategic asset allocations are provided for illustrative purposes only and were designed by the WMA AAC for hypothetical US investors with a total return objective under five different Investor Risk Profiles ranging from conservative to aggressive. In general, strategic asset allocations will differ among investors according to their individual circumstances, risk tolerance, return objectives and time horizon. Therefore, the strategic asset allocations in this publication may not be suitable for all investors or investment goals and should not be used as the sole basis of any investment decision. Minimum net worth requirements may apply to allocations to non-traditional assets. As always, please consult your UBS Financial Advisor to see how these weightings should be applied or modified according to your individual profile and investment goals.

The process by which the strategic asset allocations were derived is described in detail in the publication entitled "UBS WMA's Capital Markets Model: Explained, Part II: Methodology," published on 22 January 2013. Your Financial Advisor can provide you with a copy.

Deviations from strategic asset allocation or benchmark allocation

The recommended tactical deviations from the strategic asset allocation or benchmark allocation are provided by the Global Investment Committee and the Investment Strategy Group within Wealth Management Research Americas. They reflect the short- to medium-term assessment of market opportunities and risks in the respective asset classes and market segments. Positive / zero / negative tactical deviations correspond to an overweight / neutral / underweight stance for each respective asset class and market segment relative to their strategic allocation. The current allocation is the sum of the strategic asset allocation and the tactical deviation.

Note that the regional allocations on the International Equities page are provided on an unhedged basis (i.e., it is assumed that investors carry the underlying currency risk of such investments). Thus, the deviations from the strategic asset allocation reflect the views of the underlying equity and bond markets in combination with the assessment of the associated currencies. The two bar charts ("Equity regions" and "Bond regions") represent the relative attractiveness of countries (including the currency outlook) within a pure equity and pure fixed income portfolio, respectively. In contrast, the detailed asset allocation tables integrate the country preferences within each asset class with the asset class preferences stated earlier in the report.

Scale for tactical deviation charts

Symbol	Description/Definition	Symbol	Description/Definition	Symbol	Description/Definition
+	moderate overweight vs. benchmark	-	moderate underweight vs. benchmark	n	neutral, i.e., on benchmark
++	overweight vs. benchmark	--	underweight vs. benchmark	n/a	not applicable
+++	strong overweight vs. benchmark	---	strong underweight vs. benchmark		

Source: CIO WM Research

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Investment Performance

Period Ending March 31, 2013

Prepared For:
Gwinnett County Employees Retirement System
May 2, 2013

Prepared by:
Allen Wright, Earle Dodd, Scott Olsen, Ray Vuicich

Gwinnett County Composite

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Annualized Performance Summary	1
Net Annualized Performance Summary	3
Executive Summary	5
Investment Earnings Report	6
3 Year Capital Market Line	7
5 Year Capital Market Line Chart	8
Capital Market Line Chart	9
Universe Comparisons	10
Benchmark Comparisons Used In This Report	11

Managed Account Performance

Rainier	12
Barrow Hanley	16
Fairpointe Capital	20
William Blair	24
Vaughan Nelson	28
Atlanta Capital	32
Invesco REIT	36
1607 Capital Partners	40
ING	44
Ryan Labs	48
Templeton Global Bond	52
Dreyfus International	56
Performance Report Disclosures	60

**Gross of Fees
Summary Statement
Gwinnett County Employees Retirement System**

Account	Inception Date	03/31/2013 Market Value	Latest QTR	%tile Ranking	Year to Date	%tile Ranking	1 Year	%tile Ranking	3 Year	%tile Ranking	5 Year	%tile Ranking	Inception	%tile Ranking
Consolidated Portfolio*	12/31/2006	\$851,839,166	5.60%	41	5.60%	41	10.06%	52	10.09%	12	7.01%	1	6.07%	1
Policy Index			5.26%	50	5.26%	50	9.63%	64	9.47%	34	6.02%	16	5.05%	21
Dynamic Index			5.47%	41	5.47%	41	9.70%	61	9.07%	62	5.62%	25		
Large Cap Growth														
Rainier	10/22/2007	\$102,095,898	7.32%	86	7.32%	86	6.95%	73	11.05%	76	4.40%	90	1.78%	80
Russell 1000 Growth			9.54%	39	9.54%	39	10.09%	39	13.06%	30	7.30%	36	4.48%	38
Large Cap Value														
Barrow Hanley	1/3/2007	\$106,247,225	10.75%	68	10.75%	68	14.91%	67	11.89%	56	6.19%	41	3.48%	56
Russell 1000 Value			12.31%	26	12.31%	26	18.77%	14	12.74%	41	4.85%	74	2.37%	86
Mid Cap Core														
Fairpointe Capital	3/30/2012	\$31,667,074	15.66%	1	15.66%	1	21.44%	4					21.61%	4
Russell Midcap			12.96%	51	12.96%	51	17.30%	34					17.25%	34
Mid Cap Growth														
William Blair	3/30/2012	\$29,102,958	11.28%	43	11.28%	43	10.41%	52					10.38%	52
Russell Midcap Grwth			11.51%	35	11.51%	35	12.76%	28					12.72%	28
Mid Cap Value														
Vaughan Nelson	3/30/2012	\$30,884,578	14.52%	18	14.52%	18	17.70%	58					17.65%	58
Russell Midcap Value			14.21%	30	14.21%	30	21.49%	17					21.42%	17
Small Cap Blend														
Atlanta Capital	1/31/2007	\$69,278,134	11.81%	57	11.81%	57	15.37%	59	17.45%	22	13.25%	4	10.82%	1
Russell 2000			12.39%	44	12.39%	44	16.30%	49	13.45%	78	8.24%	70	4.29%	74
REITS														
Invesco REIT	1/5/2007	\$42,860,870	6.78%	43	6.78%	43	14.17%	28	16.65%	83	7.69%	53	3.78%	50
NAREIT Equity			8.10%	12	8.10%	12	17.13%	12	17.67%	51	7.10%	66		73
Foreign Developed Blend														
1607 Capital Partners	6/30/2008	\$123,209,273	5.17%	18	5.17%	18	11.86%	18	9.41%	4			3.65%	6
MSCI ACWI ex US Net			3.17%	63	3.17%	63	8.37%	65	4.41%	62			-0.17%	45
Fixed Income Taxable Intermediate														
ING	12/10/2007	\$163,918,295	0.13%	63	0.13%	63	4.42%	48	6.02%	40	6.47%	28	6.66%	19
Barclays Aggregate			-0.12%	91	-0.12%	91	3.77%	76	5.52%	59	5.47%	68	5.80%	70
Ryan Labs	4/3/2012	\$105,458,147	0.36%	23	0.36%	23							6.02%	10
Barclays Aggregate			-0.12%	91	-0.12%	91							4.03%	80

*Under \$1 Billion Public Funds Universe

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**Gross of Fees
Summary Statement
Gwinnett County Employees Retirement System**

Account	Inception Date	03/31/2013 Market Value	Latest QTR	%tile Ranking	Year to Date	%tile Ranking	1 Year	%tile Ranking	3 Year	%tile Ranking	5 Year	%tile Ranking	Inception	%tile Ranking
Emerging Markets														
Templeton Global Bond	12/8/2011	\$24,264,658	1.41%	30	1.41%	30	9.96%	19					12.88%	11
<i>CG World Gov't</i>			-2.77%	99	-2.77%	99	-0.67%	99						99
Dreyfus International	12/8/2011	\$22,852,055	-2.02%	91	-2.02%	91	5.11%	53					6.32%	46
<i>CG World Gov't</i>			-2.77%	99	-2.77%	99	-0.67%	99						99

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**Net of Fees
Summary Statement
Gwinnett County Employees Retirement System**

Account	Inception Date	03/31/2013 Market Value	Latest QTR	%tile Ranking	Year to Date	%tile Ranking	1 Year	%tile Ranking	3 Year	%tile Ranking	5 Year	%tile Ranking	Inception	%tile Ranking
Consolidated Portfolio*	12/31/2006	\$851,839,166	5.63%	38	5.63%	38	9.82%	61	9.70%	21	6.58%	3	5.63%	3
Policy Index			5.26%	50	5.26%	50	9.63%	64	9.47%	34	6.02%	16	5.05%	21
Dynamic Index			5.47%	41	5.47%	41	9.70%	61	9.07%	62	5.62%	25		
Large Cap Growth														
Rainier	10/22/2007	\$102,095,898	7.28%	84	7.28%	84	6.63%	71	10.61%	69	3.89%	89	1.32%	81
Russell 1000 Growth			9.54%	34	9.54%	34	10.09%	33	13.06%	20	7.30%	22	4.48%	33
Large Cap Value														
Barrow Hanley	1/3/2007	\$106,247,225	10.67%	66	10.67%	66	14.52%	60	11.48%	54	5.80%	38	3.10%	50
Russell 1000 Value			12.31%	22	12.31%	22	18.77%	9	12.74%	29	4.85%	57	2.37%	67
Mid Cap Core														
Fairpointe Capital	3/30/2012	\$31,667,074	15.48%	1	15.48%	1	20.69%	6					20.86%	6
Russell Midcap			12.96%	43	12.96%	43	17.30%	26					17.25%	26
Mid Cap Growth														
William Blair	3/30/2012	\$29,102,958	11.07%	46	11.07%	46	9.71%	55					9.69%	55
Russell Midcap Grwth			11.51%	29	11.51%	29	12.76%	26					12.72%	26
Mid Cap Value														
Vaughan Nelson	3/30/2012	\$30,884,578	14.31%	20	14.31%	20	16.72%	57					16.68%	57
Russell Midcap Value			14.21%	21	14.21%	21	21.49%	9					21.42%	9
Small Cap Blend														
Atlanta Capital	1/31/2007	\$69,278,134	11.61%	55	11.61%	55	14.63%	52	16.59%	19	12.40%	1	9.98%	1
Russell 2000			12.39%	32	12.39%	32	16.30%	34	13.45%	55	8.24%	54	4.29%	62
REITS														
Invesco REIT	1/5/2007	\$42,860,870	6.60%	57	6.60%	57	13.38%	28	15.80%	75	6.90%	70	3.02%	55
NAREIT Equity			8.10%	9	8.10%	9	17.13%	9	17.67%	10	7.10%	65		50
Foreign Developed Blend														
1607 Capital Partners	6/30/2008	\$123,209,273	5.00%	20	5.00%	20	11.32%	22	8.57%	9			2.87%	11
MSCI ACWI ex US Net			3.17%	63	3.17%	63	8.37%	65	4.41%	62			-0.17%	45
Fixed Income Taxable Intermediate														
ING	12/10/2007	\$163,918,295	0.00%	75	0.00%	75	4.18%	52	5.76%	41	6.23%	28	6.42%	21
Barclays Aggregate			-0.12%	87	-0.12%	87	3.77%	67	5.52%	51	5.47%	57	5.80%	59
Ryan Labs	4/3/2012	\$105,458,147	0.31%	25	0.31%	25							5.88%	14
Barclays Aggregate			-0.12%	87	-0.12%	87							4.03%	81

*Under \$1 Billion Public Funds Universe

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**Net of Fees
Summary Statement
Gwinnett County Employees Retirement System**

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Emerging Markets														
Templeton Global Bond	12/8/2011	\$24,264,658	1.41%	33	1.41%	33	9.96%	23					12.88%	16
<i>CG World Gov't</i>			-2.77%	99	-2.77%	99	-0.67%	99						99
Dreyfus International	12/8/2011	\$22,852,055	-2.02%	95	-2.02%	95	5.11%	57					6.32%	53
<i>CG World Gov't</i>			-2.77%	99	-2.77%	99	-0.67%	99						99

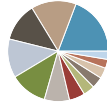
*Under \$1 Billion Public Funds Universe

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Executive Summary as of March 31, 2013
Gwinnett County Composite

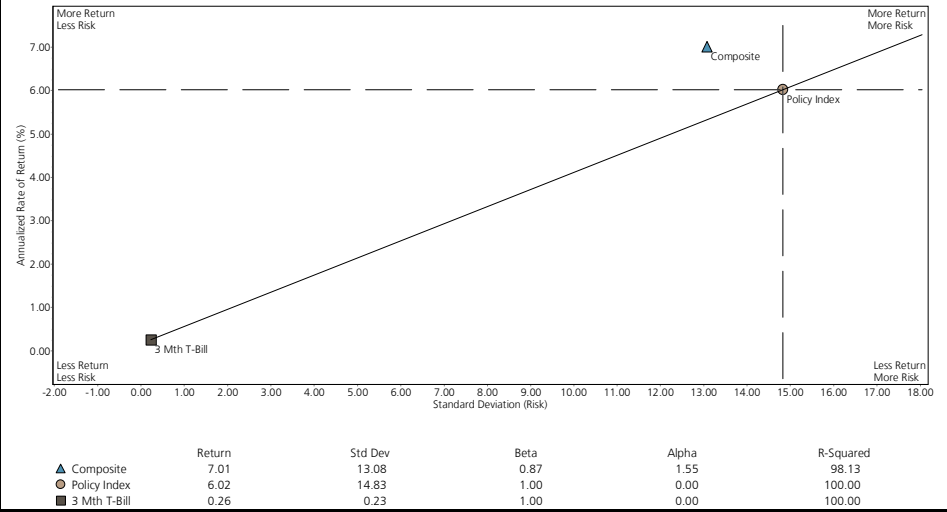
Allocation - by Manager

Total Market Value
 As of March 31, 2013
 \$ 851,839,166



	Value	Percent
ING	163,918,295	19.24
1607 Capital Partners	123,209,273	14.46
Barrow Hanley	106,247,225	12.47
Ryan Labs	105,458,147	12.38
Rainier	102,095,898	11.99
Atlanta Capital	69,278,134	8.13
Invesco REIT	42,860,870	5.03
Fairpointe Capital	31,667,074	3.72
Vaughan Nelson	30,884,578	3.63
William Blair	29,102,958	3.42
Templeton Global Bond	24,264,658	2.85
Dreyfus International	22,852,055	2.68

5 Year Risk vs Reward



Investment Returns (%)	Latest Quarter	Year to Date	One Year	Three Years	Five Years	Since Inception
Rainier	7.32	7.32	6.95	11.05	4.40	2.03
Barrow Hanley	10.75	10.75	14.91	11.89	6.19	3.36
Fairpointe Capital	15.66	15.66	21.44	---	---	21.44
William Blair	11.28	11.28	10.41	---	---	10.41
Vaughan Nelson	14.52	14.52	17.70	---	---	17.70
Atlanta Capital	11.81	11.81	15.37	17.45	13.25	10.60
Invesco REIT	6.78	6.78	14.17	16.65	7.69	2.41
1607 Capital Partners	5.17	5.17	11.86	9.41	---	3.65
ING	0.13	0.13	4.42	6.02	6.47	6.73
Ryan Labs	0.36	0.36	---	---	---	4.82
Templeton Global Bond	1.41	1.41	9.96	---	---	14.05
Dreyfus International	-2.02	-2.02	5.11	---	---	6.27
Policy Index	5.26	5.26	9.63	9.47	6.02	5.05

	Latest Quarter	Year to Date
Beginning Mkt Value	805,661,810	805,661,810
Net Contributions	820,043	820,043
Interest And Dividend Income	3,305,915	3,305,915
Net Capital Appreciation	42,942,912	42,942,912
Fees	891,514	891,514
Ending Mkt Value	851,839,166	851,839,166

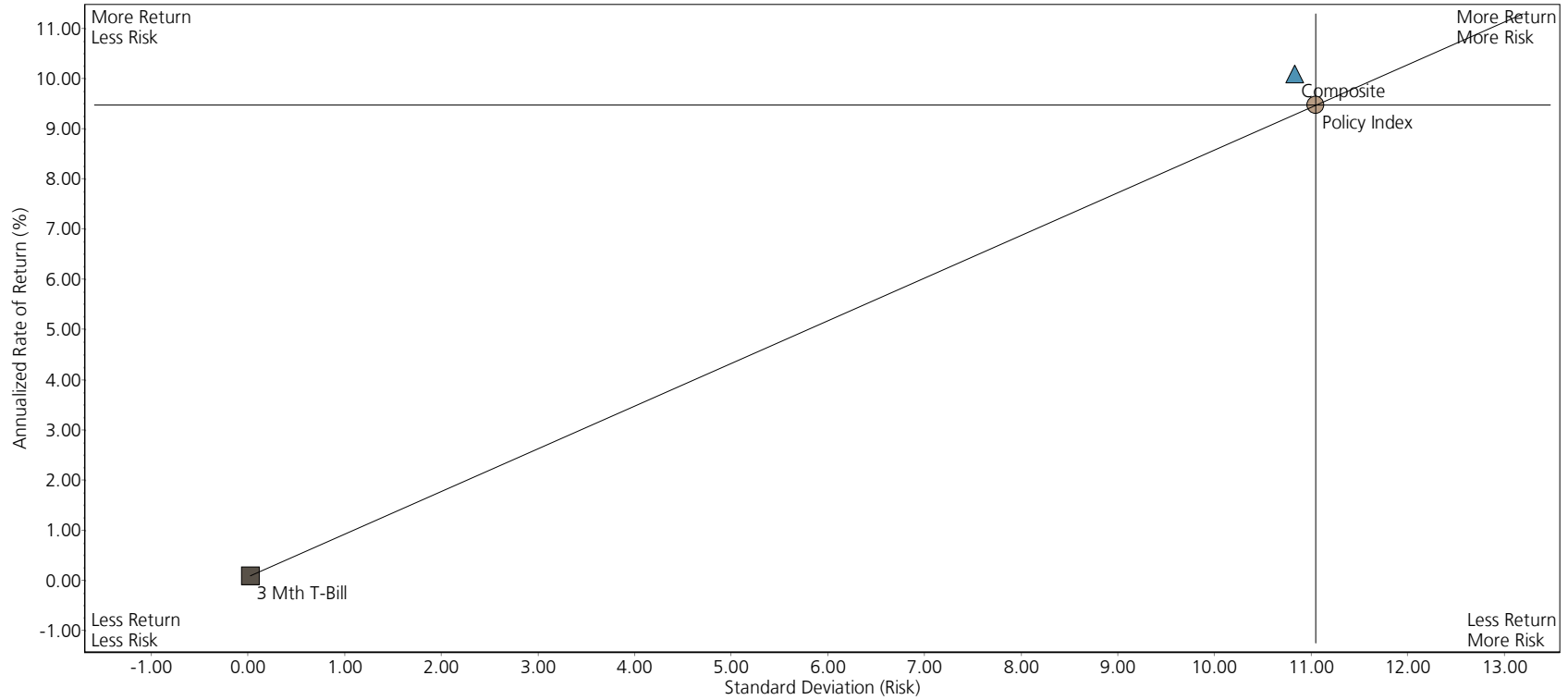
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Investment Earnings
December 31, 2012 Through March 31, 2013

Manager And Asset Class	Beginning Market Value	New Money	Interest And Dividends	Net Capital Appreciation	Ending Market Value	Total Investment Earnings	Rate Of Return
Rainier	93,890,617	124,289	196,852	7,884,140	102,095,898	8,080,992	7.32
Barrow Hanley	95,929,972	81,831	696,992	9,538,430	106,247,225	10,235,422	10.75
Fairpointe Capital	27,378,522	44,489	84,927	4,159,136	31,667,074	4,244,063	15.66
William Blair	26,152,305	52,786	26,531	2,871,336	29,102,958	2,897,867	11.28
Vaughan Nelson	26,969,363	52,554	94,736	3,767,925	30,884,578	3,862,662	14.52
Atlanta Capital	61,962,372	114,958	121,052	7,079,752	69,278,134	7,200,804	11.81
Invesco REIT	40,206,626	0	2	2,654,242	42,860,870	2,654,244	6.78
1607 Capital	117,029,714	195,904	86,784	5,896,871	123,209,273	5,983,655	5.17
ING	163,811,822	102,877	1,122,815	-1,119,219	163,918,295	3,596	0.13
Ryan Labs	105,080,365	50,356	644,370	-316,944	105,458,147	327,426	0.36
Templeton Global	23,926,760	0	230,854	107,044	24,264,658	337,898	1.41
Dreyfus Intl	23,323,371	0	0	-471,315	22,852,055	-471,315	-2.02
Gwinnett County	805,661,810	820,043	3,305,915	42,051,398	851,839,166	45,357,314	5.60

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Risk versus Reward Analysis
March 31, 2010 Through March 31, 2013

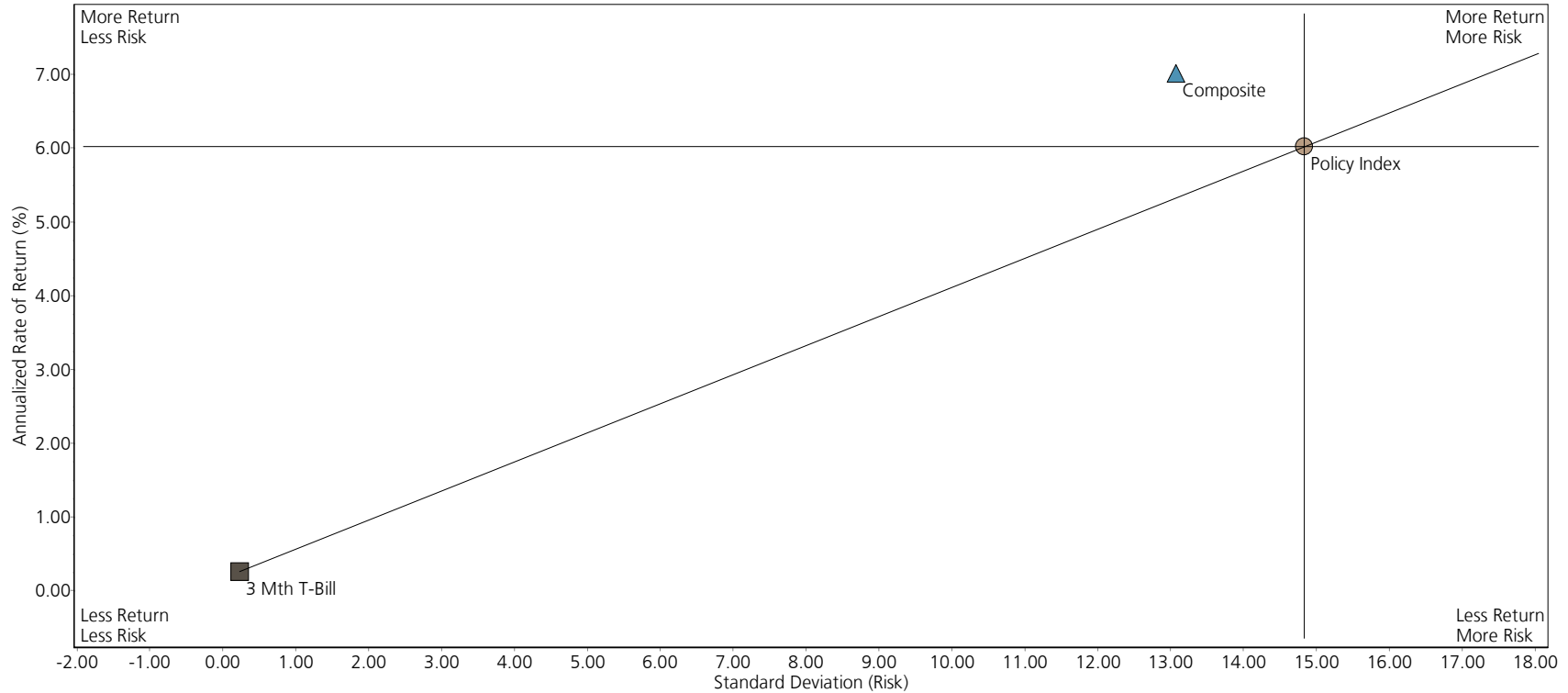


	Return	Std Dev	Beta	Alpha	R-Squared
▲ Composite	10.09	10.83	0.98	0.78	99.41
● Policy Index	9.47	11.05	1.00	0.00	100.00
■ 3 Mth T-Bill	0.09	0.02	1.00	0.00	100.00

The comparative benchmark used in this analysis is the Policy Index.

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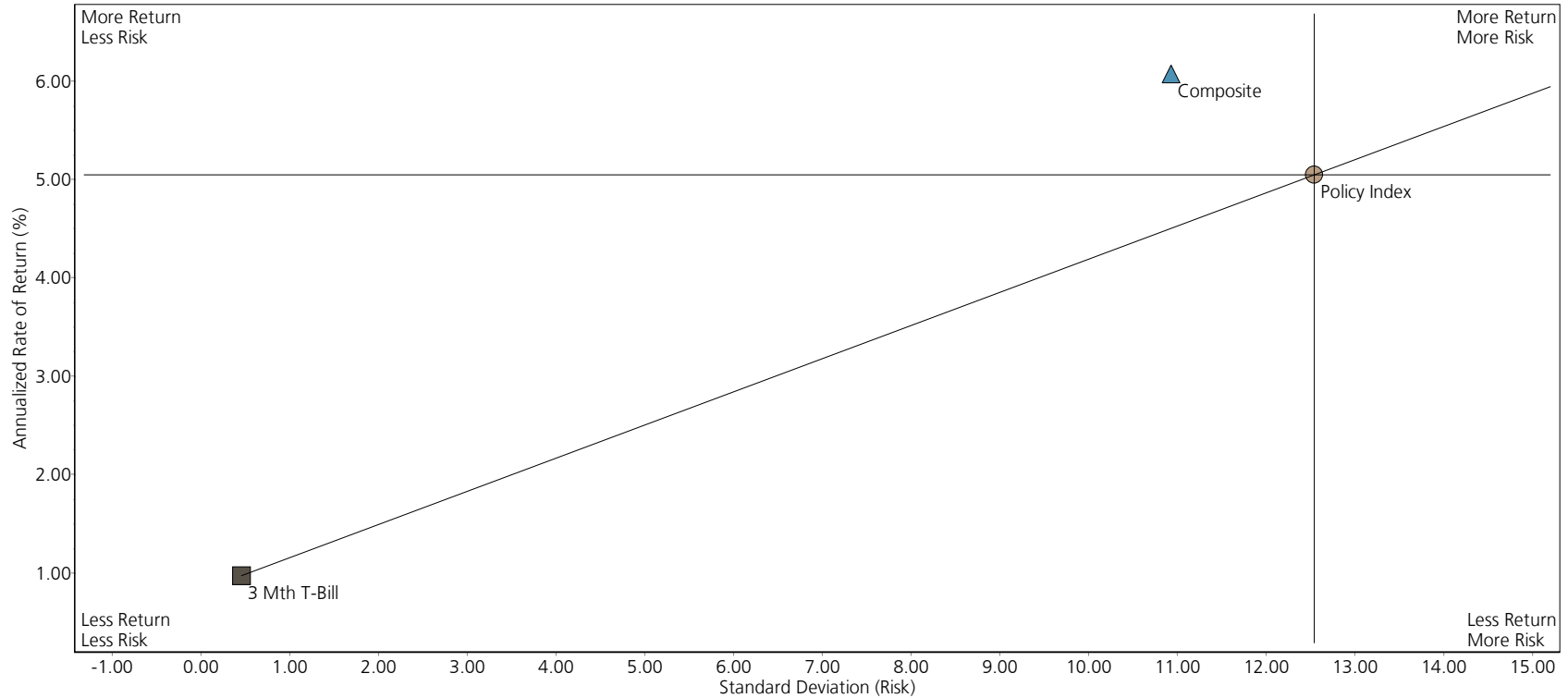
Risk versus Reward Analysis
March 31, 2008 Through March 31, 2013



	Return	Std Dev	Beta	Alpha	R-Squared
▲ Composite	7.01	13.08	0.87	1.55	98.13
● Policy Index	6.02	14.83	1.00	0.00	100.00
■ 3 Mth T-Bill	0.26	0.23	1.00	0.00	100.00

The comparative benchmark used in this analysis is the Policy Index.
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Risk versus Reward Analysis
December 31, 2006 Through March 31, 2013



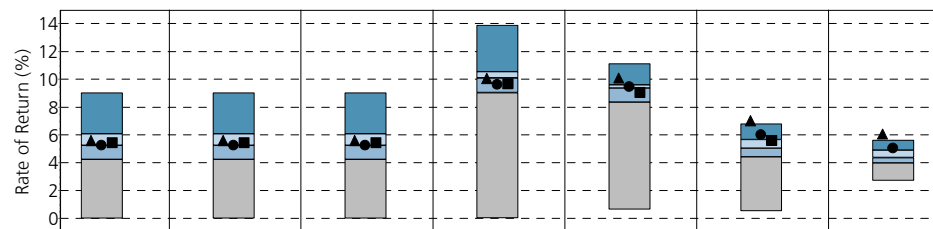
	Return	Std Dev	Beta	Alpha	R-Squared
▲ Composite	6.07	10.93	0.86	1.43	98.16
● Policy Index	5.05	12.54	1.00	0.00	100.00
■ 3 Mth T-Bill	0.97	0.46	1.00	0.00	100.00

The comparative benchmark used in this analysis is the Policy Index.

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Composite Peer Universe Comparison versus BNY Mellon Public Funds Less Than \$1 Billion Managers

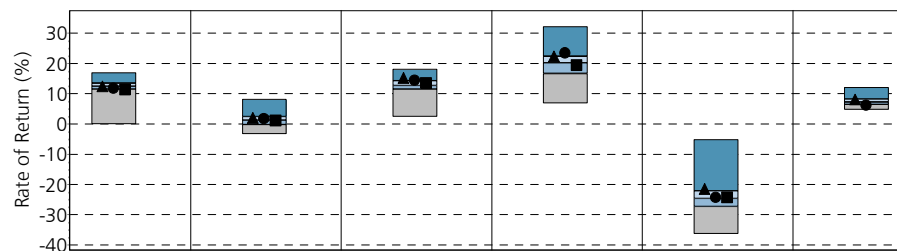
Trailing Periods



	Quarter	Fiscal YTD	Calendar YTD	One Year	Three Years	Five Years	12/2006-3/2013
Highest Value	9.04	9.04	9.04	13.91	11.16	6.81	5.65
First Quartile	6.08	6.08	6.08	10.54	9.63	5.68	4.93
Median Value	5.27	5.27	5.27	10.11	9.38	5.05	4.38
Third Quartile	4.25	4.25	4.25	9.05	8.39	4.43	3.99
Lowest Value	0.01	0.01	0.01	0.05	0.67	0.54	2.73
Mean	4.95	4.95	4.95	9.47	8.66	4.99	4.39

	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
▲ Gwinnett County	5.60	41	5.60	41	5.60	41	10.06	52	10.09	12	7.01	1
● Policy Index	5.26	50	5.26	50	5.26	50	9.63	64	9.47	34	6.02	16
■ Dynamic Index	5.47	41	5.47	41	5.47	41	9.70	61	9.07	62	5.62	25
											N/A	N/A

Annual Periods



	2012	2011	2010	2009	2008	2007
Highest Value	16.98	8.26	18.14	32.18	-5.13	12.17
First Quartile	13.47	2.48	14.23	22.44	-22.01	8.38
Median Value	12.46	1.40	12.78	20.26	-24.52	7.32
Third Quartile	11.58	-0.21	11.67	16.71	-27.11	6.61
Lowest Value	0.04	-3.21	2.46	6.88	-36.14	4.74
Mean	11.86	1.20	12.22	19.69	-24.15	7.36

	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
▲ Gwinnett County	12.34	52	2.01	27	15.18	6	22.23	25	-21.51	20	8.08	32
● Policy Index	11.79	58	1.71	45	14.38	21	23.40	22	-24.20	43	6.23	82
■ Dynamic Index	11.46	76	1.17	57	13.65	37	19.45	51	-24.15	43	N/A	N/A

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Benchmark Comparisons Used In This Report

The primary index comparison for your portfolio and each of its asset classes is listed below.

COMPOSITE BENCHMARK

11/30/2011 - Present

35.00%	Barclays Aggregate
15.00%	MSCI ACWI ex US Net
12.50%	Russell 1000 Growth
12.50%	Russell 1000 Value
7.50%	Russell 2000
7.50%	Russell Midcap
5.00%	Citigroup World Gov't Bond
5.00%	NAREIT Equity

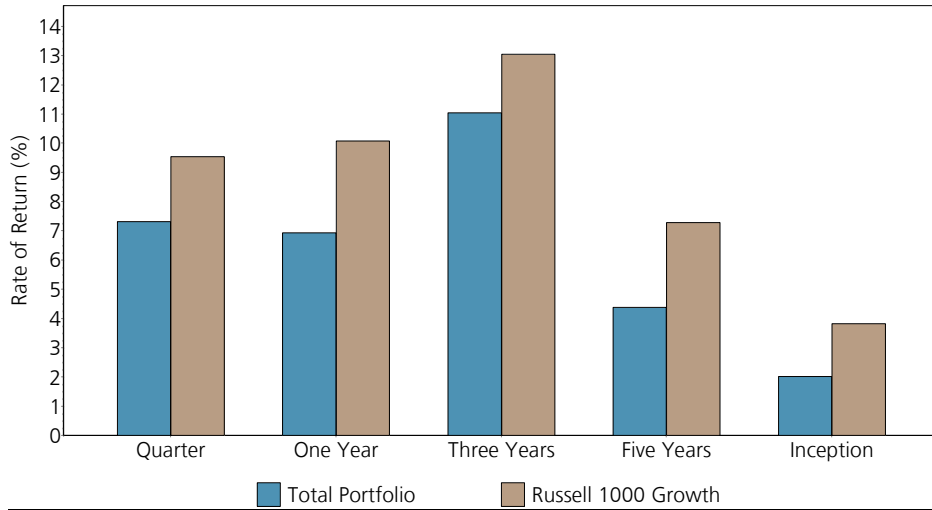
06/30/2005 - 11/30/2011

35.00%	Barclays Aggregate
15.00%	MSCI ACWI ex US Net
12.50%	Russell 1000 Growth
12.50%	Russell 1000 Value
7.50%	Russell 2000
7.50%	Russell Midcap
5.00%	JP Morgan Emerging Mkt Bnd + Index
5.00%	NAREIT Equity

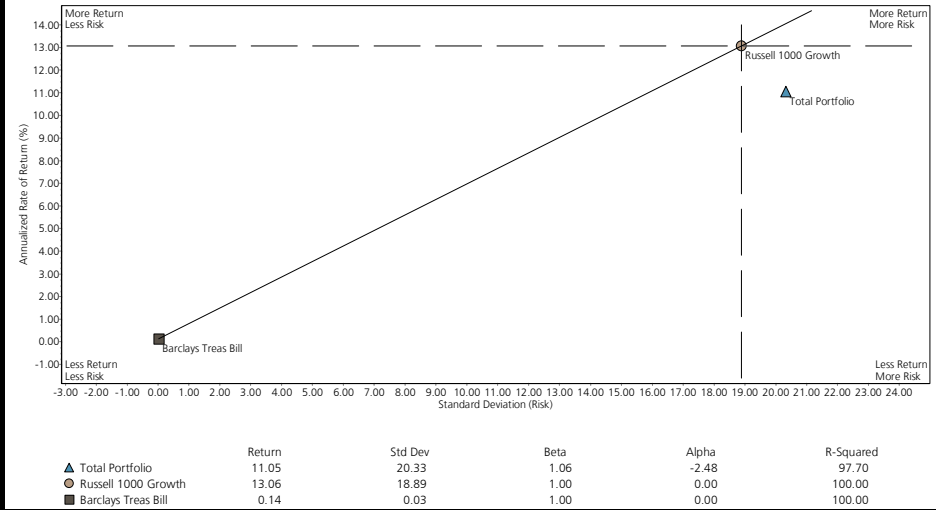
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Executive Summary as of March 31, 2013
Rainier

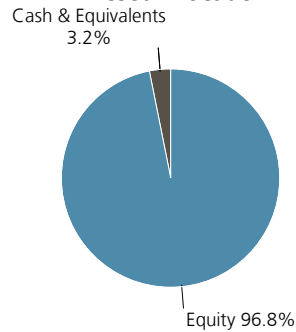
Portfolio Performance



Risk vs Reward



Asset Allocation



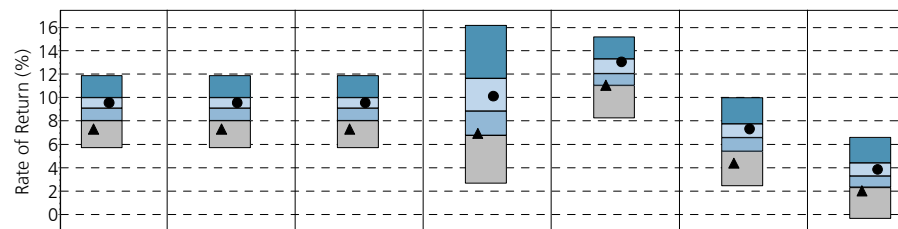
Change in Financial Position

	<u>Latest Quarter</u>	<u>Year to Date</u>
Beginning Mkt Value	93,890,617	93,890,617
Net Contributions	124,289	124,289
Interest And Dividend Income	196,852	196,852
Net Capital Appreciation	8,008,428	8,008,428
Fees	124,289	124,289
Ending Mkt Value	102,095,898	102,095,898

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Total Portfolio Peer Universe Comparison versus Large Cap Growth Managers

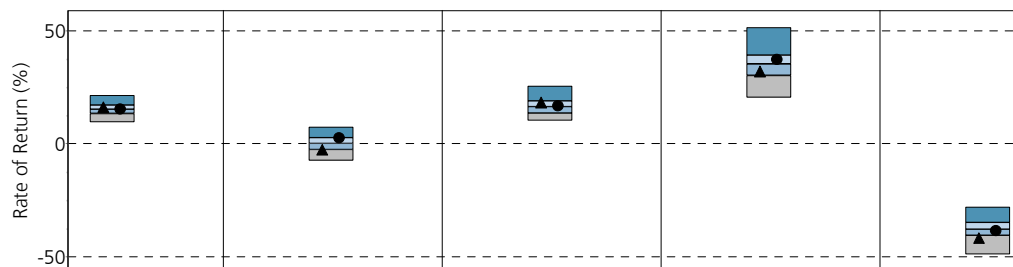
Trailing Periods



	<u>Quarter</u>	<u>Fiscal YTD</u>	<u>Calendar YTD</u>	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>10/2007-3/2013</u>
Highest Value	11.92	11.92	11.92	16.22	15.24	10.02	6.64
First Quartile	10.00	10.00	10.00	11.67	13.33	7.78	4.41
Median Value	9.12	9.12	9.12	8.88	12.07	6.61	3.32
Third Quartile	8.03	8.03	8.03	6.79	11.06	5.41	2.33
Lowest Value	5.72	5.72	5.72	2.66	8.26	2.47	-0.33
Mean	9.01	9.01	9.01	9.11	12.06	6.57	3.35

	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
▲ Rainier	7.32	86	7.32	86	7.32	86	6.95	73	11.05	76	4.40	90	2.03	80
● Russell 1000 Growth	9.54	39	9.54	39	9.54	39	10.09	39	13.06	30	7.30	36	3.83	38

Annual Periods



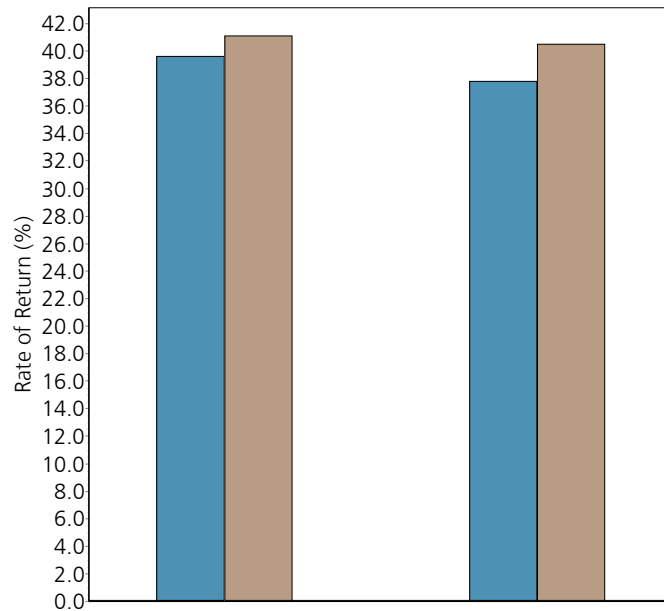
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Highest Value	21.34	7.46	25.41	51.36	-27.93
First Quartile	17.12	2.81	19.08	39.24	-34.82
Median Value	15.32	0.11	16.40	35.25	-37.73
Third Quartile	13.49	-2.58	13.61	30.20	-40.34
Lowest Value	9.63	-7.25	10.39	20.54	-48.70
Mean	15.46	0.14	16.60	35.13	-37.67

	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
▲ Rainier	16.10	39	-2.69	76	18.21	31	32.00	69	-41.80	84
● Russell 1000 Growth	15.26	51	2.64	26	16.71	47	37.21	35	-38.44	56

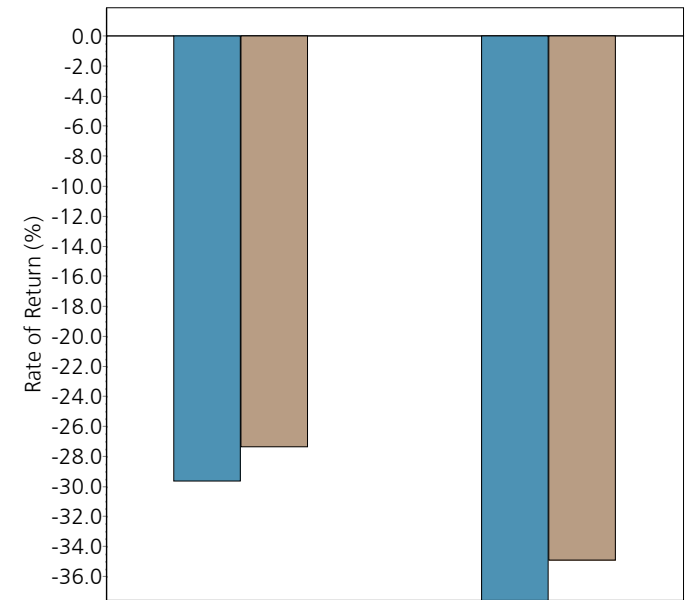
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Performance in Rising and Declining Markets
March 31, 2008 Through March 31, 2013

Up Market Performance



Down Market Performance



	Three Years	Five Years
Total Portfolio	39.59	37.79
Russell 1000 Growth	41.09	40.48
Difference	-1.50	-2.69
Ratio	0.96	0.93
Up Periods	8	13

	Three Years	Five Years
Total Portfolio	-29.72	-37.64
Russell 1000 Growth	-27.39	-34.94
Difference	-2.32	-2.70
Ratio	1.08	1.08
Down Periods	4	7

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**Market Timing And Security Selection
December 31, 2012 Through March 31, 2013**

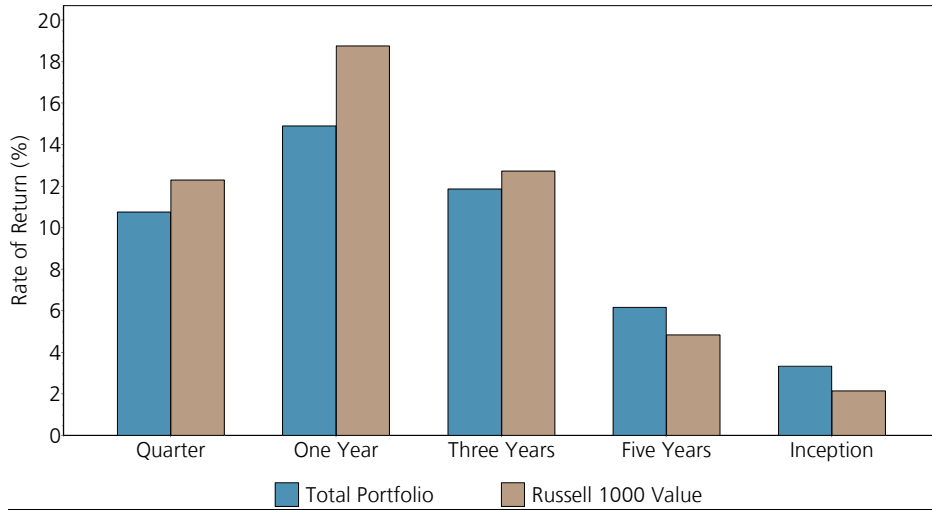
Fund's Average Investment Exposure and Market Index Returns

	Quarter
Asset Class	
Cash & Equivalents	2.28
Equity	97.72
International Equity	0.00
Asset Class Index Performance	
Barclays Treas Bill	0.02
Russell 1000 Growth	9.54
Total Portfolio and Benchmark Performance	
Dynamic Index	9.30
Policy Index	9.54
Portfolio Return	7.32
Value Added By Manager	
Market Timing	-0.24
Security Selection	-1.99
Total Value Added	-2.23

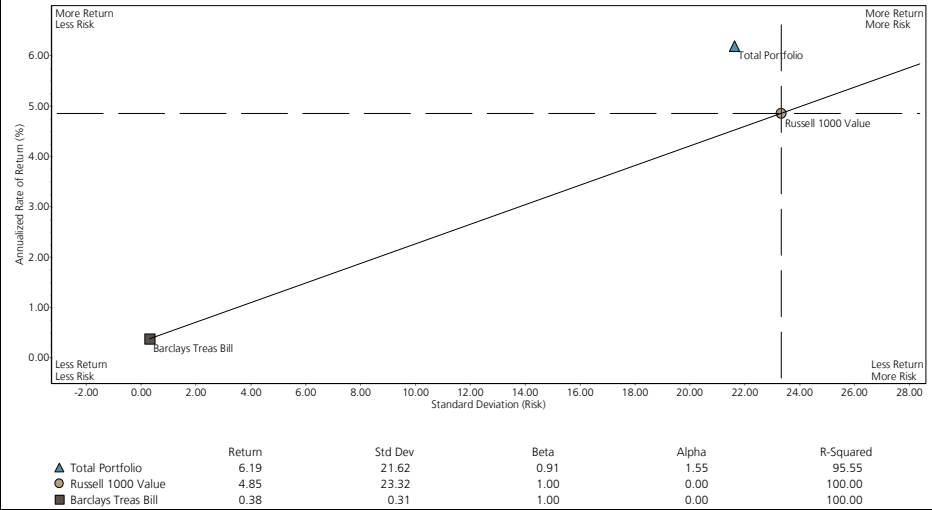
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Executive Summary as of March 31, 2013
Barrow Hanley

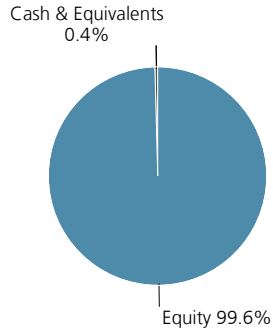
Portfolio Performance



Risk vs Reward



Asset Allocation



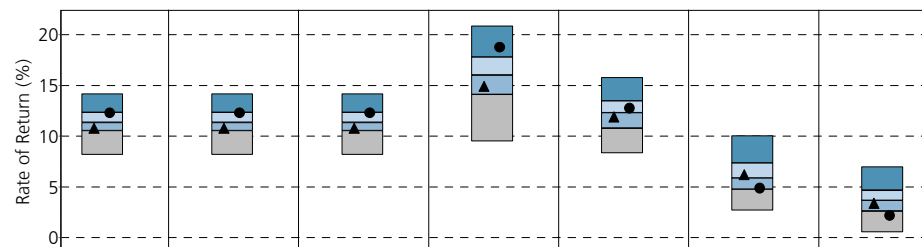
Change in Financial Position

	<u>Latest Quarter</u>	<u>Year to Date</u>
Beginning Mkt Value	95,929,972	95,929,972
Net Contributions	81,831	81,831
Interest And Dividend Income	696,992	696,992
Net Capital Appreciation	9,620,261	9,620,261
Fees	81,831	81,831
Ending Mkt Value	106,247,225	106,247,225

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Total Portfolio Peer Universe Comparison versus Large Cap Value Managers

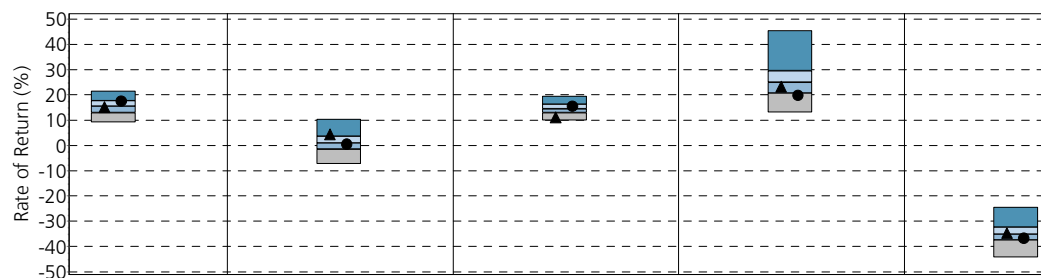
Trailing Periods



	Quarter	Fiscal YTD	Calendar YTD	One Year	Three Years	Five Years	1/2007-3/2013
Highest Value	14.20	14.20	14.20	20.88	15.82	10.05	7.03
First Quartile	12.37	12.37	12.37	17.83	13.48	7.38	4.67
Median Value	11.37	11.37	11.37	16.05	12.33	5.87	3.68
Third Quartile	10.56	10.56	10.56	14.13	10.81	4.79	2.62
Lowest Value	8.17	8.17	8.17	9.54	8.36	2.71	0.57
Mean	11.42	11.42	11.42	15.93	12.18	6.09	3.72

	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
▲ Barrow Hanley	10.75	68	10.75	68	10.75	68	14.91	67	11.89	56	6.19	41
● Russell 1000 Value	12.31	26	12.31	26	12.31	26	18.77	14	12.74	41	4.85	74

Annual Periods



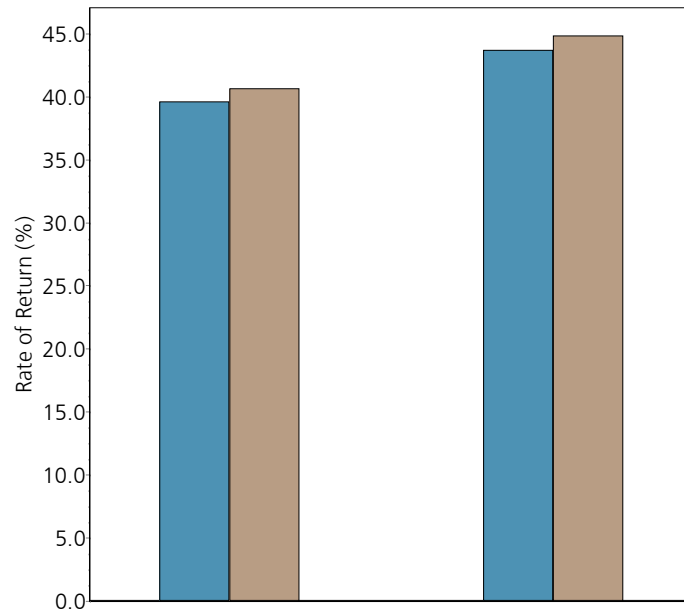
	2012	2011	2010	2009	2008
Highest Value	21.56	10.48	19.63	45.54	-24.36
First Quartile	17.77	3.76	16.44	29.58	-32.26
Median Value	15.68	1.03	14.62	25.01	-34.97
Third Quartile	13.01	-1.42	13.14	20.85	-37.30
Lowest Value	9.20	-7.14	10.06	13.27	-44.11
Mean	15.42	1.22	14.80	25.74	-34.70

	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
▲ Barrow Hanley	15.26	54	4.43	20	11.16	94	23.22	60	-34.66	45
● Russell 1000 Value	17.51	26	0.39	58	15.51	36	19.69	81	-36.85	71

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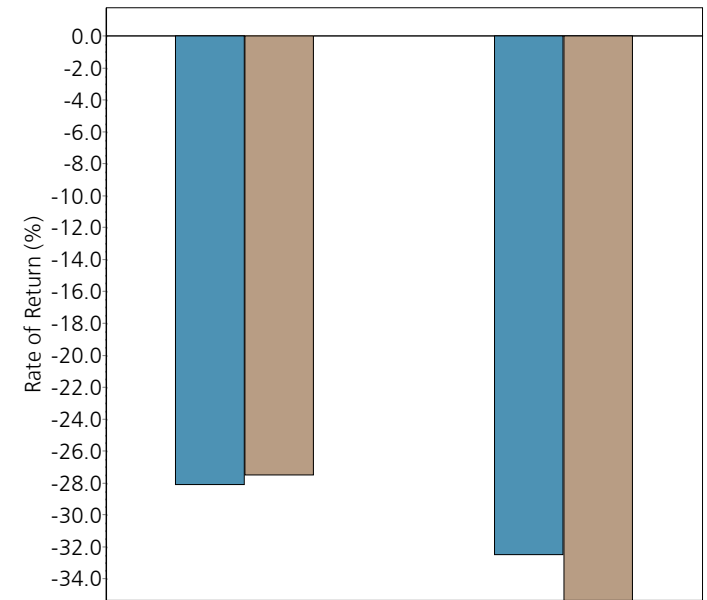
Performance in Rising and Declining Markets
March 31, 2008 Through March 31, 2013

Up Market Performance



	Three Years	Five Years
Total Portfolio	39.63	43.66
Russell 1000 Value	40.64	44.82
Difference	-1.01	-1.16
Ratio	0.98	0.97
Up Periods	8	12

Down Market Performance



	Three Years	Five Years
Total Portfolio	-28.15	-32.52
Russell 1000 Value	-27.54	-35.41
Difference	-0.61	2.89
Ratio	1.02	0.92
Down Periods	4	8

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**Market Timing And Security Selection
December 31, 2012 Through March 31, 2013**

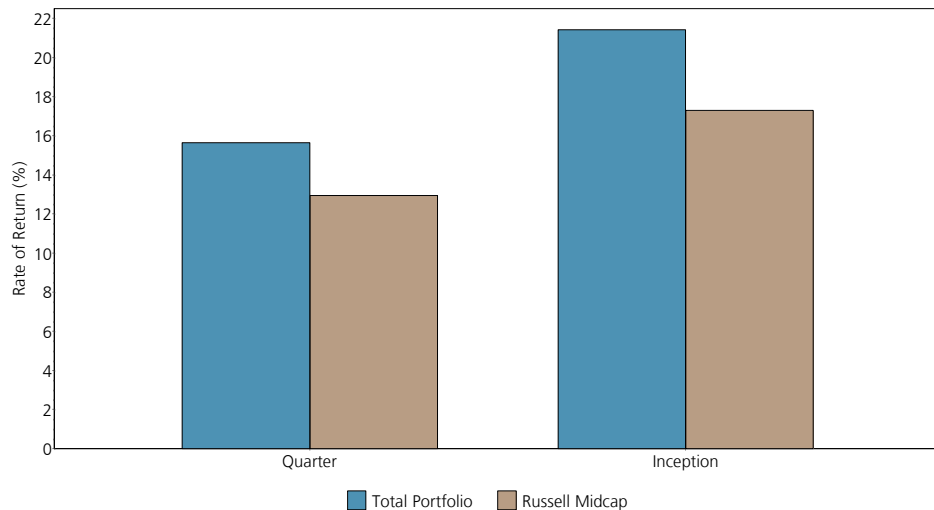
Fund's Average Investment Exposure and Market Index Returns

	Quarter
Asset Class	
Cash & Equivalents	0.83
Equity	99.17
International Equity	0.00
Asset Class Index Performance	
Barclays Treas Bill	0.02
Russell 1000 Value	12.31
Total Portfolio and Benchmark Performance	
Dynamic Index	12.18
Policy Index	12.31
Portfolio Return	10.75
Value Added By Manager	
Market Timing	-0.12
Security Selection	-1.43
Total Value Added	-1.55

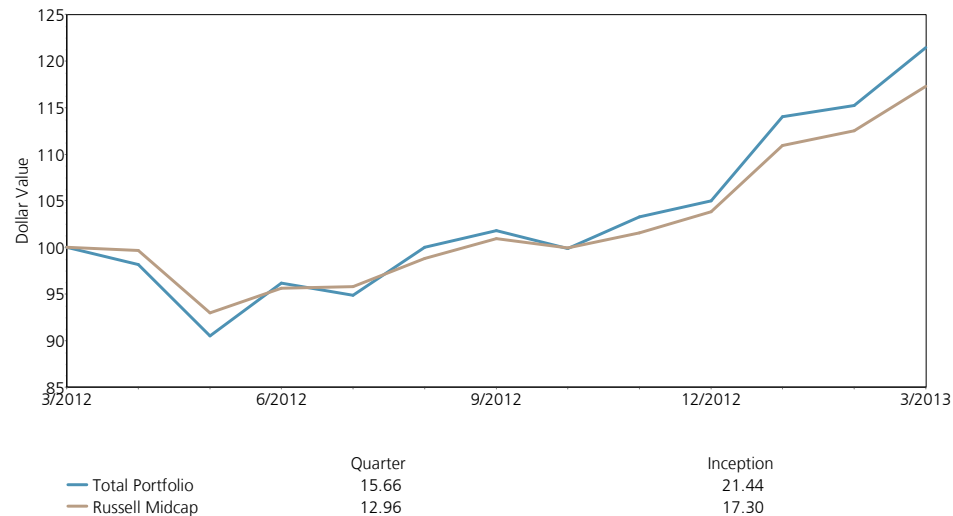
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Executive Summary as of March 31, 2013
Fairpointe Capital

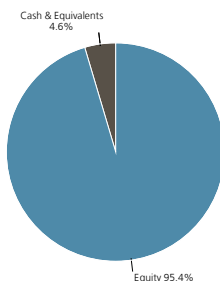
Portfolio Performance



Growth of a Dollar



Asset Allocation



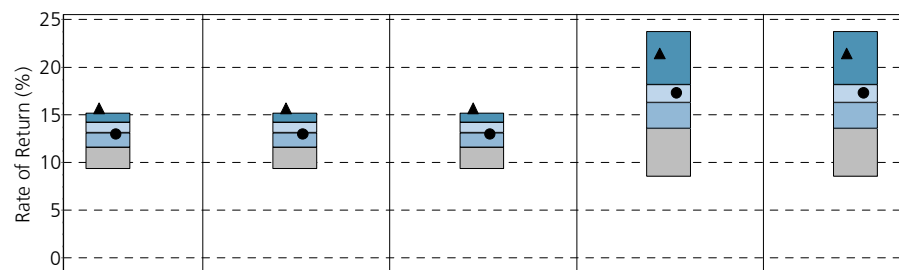
Change in Financial Position

	<u>Latest Quarter</u>	<u>Year to Date</u>
Beginning Mkt Value	27,378,522	27,378,522
Net Contributions	44,489	44,489
Interest And Dividend Income	84,927	84,927
Net Capital Appreciation	4,203,625	4,203,625
Fees	44,489	44,489
Ending Mkt Value	31,667,074	31,667,074

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Total Portfolio Peer Universe Comparison versus Mid Cap Core Managers

Trailing Periods



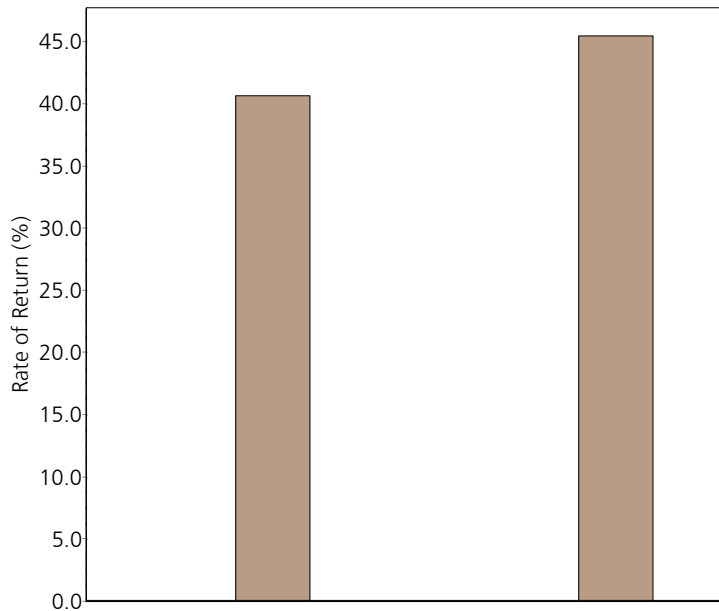
	<u>Quarter</u>	<u>YTD</u>	<u>Calendar YTD</u>	<u>One Year</u>	<u>3/2012-3/2013</u>
Highest Value	15.20	15.20	15.20	23.75	23.75
First Quartile	14.23	14.23	14.23	18.17	18.17
Median Value	13.15	13.15	13.15	16.33	16.33
Third Quartile	11.62	11.62	11.62	13.59	13.59
Lowest Value	9.35	9.35	9.35	8.54	8.54
Mean	12.89	12.89	12.89	15.80	15.80

	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
▲ Fairpointe Capital	15.66	1	15.66	1	15.66	1	21.44	4	21.44	4
● Russell Midcap	12.96	51	12.96	51	12.96	51	17.30	34	17.30	34

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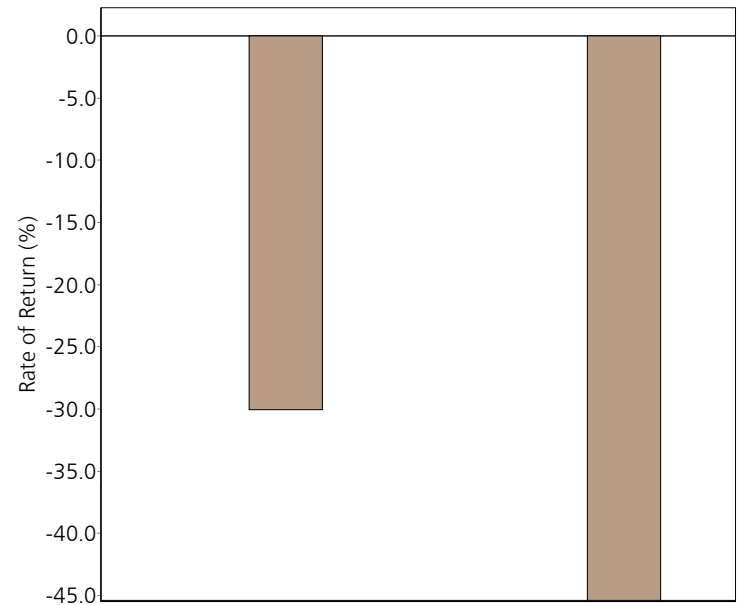
Performance in Rising and Declining Markets
March 31, 2008 Through March 31, 2013

Up Market Performance



	Three Years	Five Years
Total Portfolio	N/A	N/A
Russell Midcap	40.67	45.45
Difference	N/A	N/A
Ratio	N/A	N/A
Up Periods	9	14

Down Market Performance



	Three Years	Five Years
Total Portfolio	N/A	N/A
Russell Midcap	-30.12	-45.46
Difference	N/A	N/A
Ratio	N/A	N/A
Down Periods	3	6

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**Market Timing And Security Selection
December 31, 2012 Through March 31, 2013**

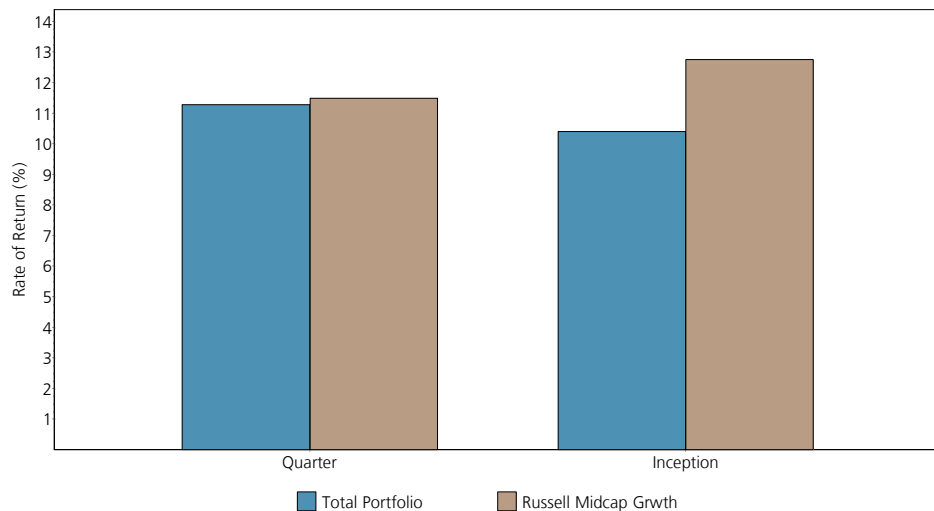
Fund's Average Investment Exposure and Market Index Returns

	Quarter
Asset Class	
Cash & Equivalents	4.79
Equity	95.19
International Equity	0.00
Asset Class Index Performance	
Barclays Treas Bill	0.02
Russell 2000	12.39
Total Portfolio and Benchmark Performance	
Dynamic Index	11.78
Policy Index	12.96
Portfolio Return	15.66
Value Added By Manager	
Market Timing	-1.18
Security Selection	3.89
Total Value Added	2.71

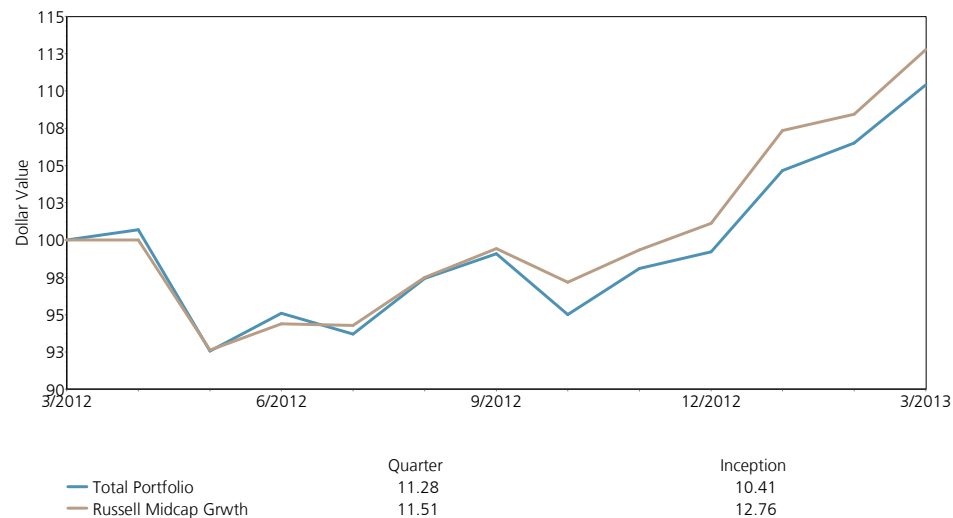
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Executive Summary as of March 31, 2013
William Blair

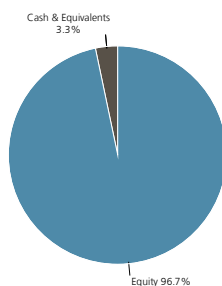
Portfolio Performance



Growth of a Dollar



Asset Allocation



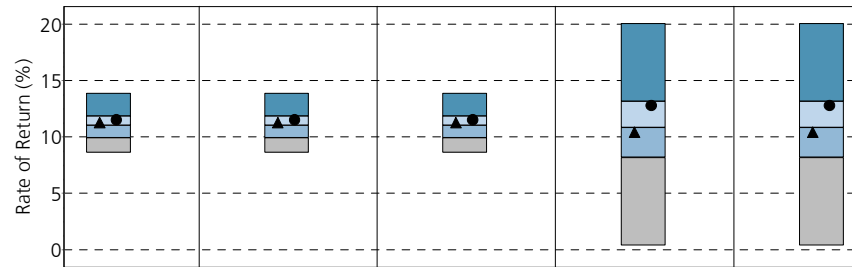
Change in Financial Position

	<u>Latest Quarter</u>	<u>Year to Date</u>
Beginning Mkt Value	26,152,305	26,152,305
Net Contributions	52,786	52,786
Interest And Dividend Income	26,531	26,531
Net Capital Appreciation	2,924,122	2,924,122
Fees	52,786	52,786
Ending Mkt Value	29,102,958	29,102,958

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Total Portfolio Peer Universe Comparison versus Mid Cap Growth Managers

Trailing Periods



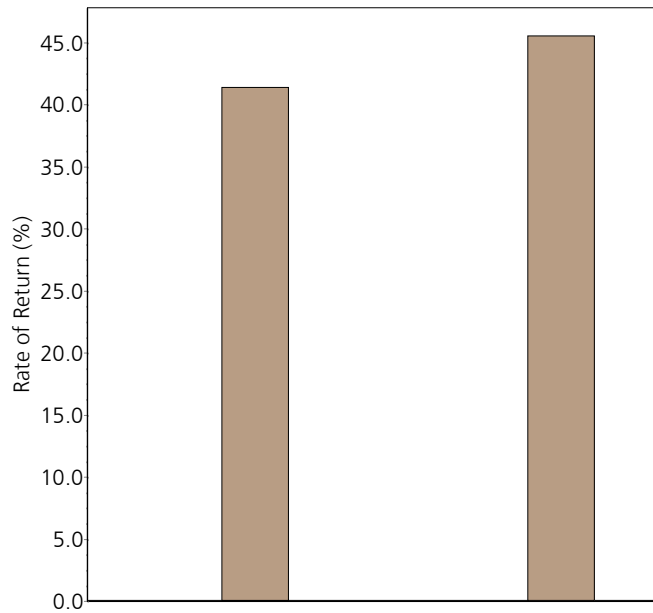
	<u>Quarter</u>	<u>YTD</u>	<u>Calendar YTD</u>	<u>One Year</u>	<u>3/2012-3/2013</u>
Highest Value	13.88	13.88	13.88	20.07	20.07
First Quartile	11.89	11.89	11.89	13.17	13.17
Median Value	11.08	11.08	11.08	10.85	10.85
Third Quartile	9.95	9.95	9.95	8.21	8.21
Lowest Value	8.65	8.65	8.65	0.40	0.40
Mean	11.06	11.06	11.06	10.78	10.78

	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
▲ William Blair	11.28	43	11.28	43	11.28	43	10.41	52	10.41	52
● Russell Midcap Grwth	11.51	35	11.51	35	11.51	35	12.76	28	12.76	28

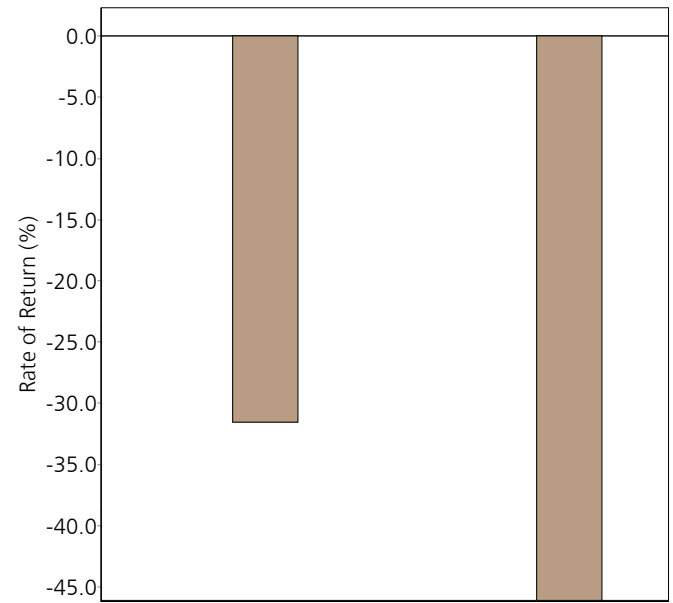
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Performance in Rising and Declining Markets
March 31, 2008 Through March 31, 2013

Up Market Performance



Down Market Performance



	Three Years	Five Years
Total Portfolio	N/A	N/A
Russell Midcap Grwth	41.39	45.53
Difference	N/A	N/A
Ratio	N/A	N/A
Up Periods	9	14

	Three Years	Five Years
Total Portfolio	N/A	N/A
Russell Midcap Grwth	-31.62	-46.18
Difference	N/A	N/A
Ratio	N/A	N/A
Down Periods	3	6

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**Market Timing And Security Selection
December 31, 2012 Through March 31, 2013**

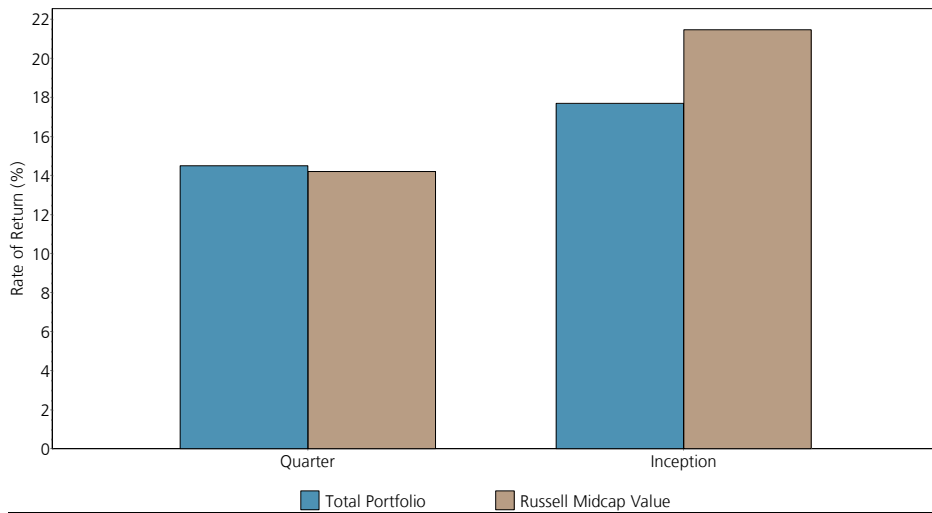
Fund's Average Investment Exposure and Market Index Returns

	Quarter
Asset Class	
Cash & Equivalents	4.23
Equity	95.77
Asset Class Index Performance	
Barclays Treas Bill	0.02
Russell Midcap Grwth	11.51
Total Portfolio and Benchmark Performance	
Dynamic Index	11.01
Policy Index	11.51
Portfolio Return	11.28
Value Added By Manager	
Market Timing	-0.50
Security Selection	0.27
Total Value Added	-0.22

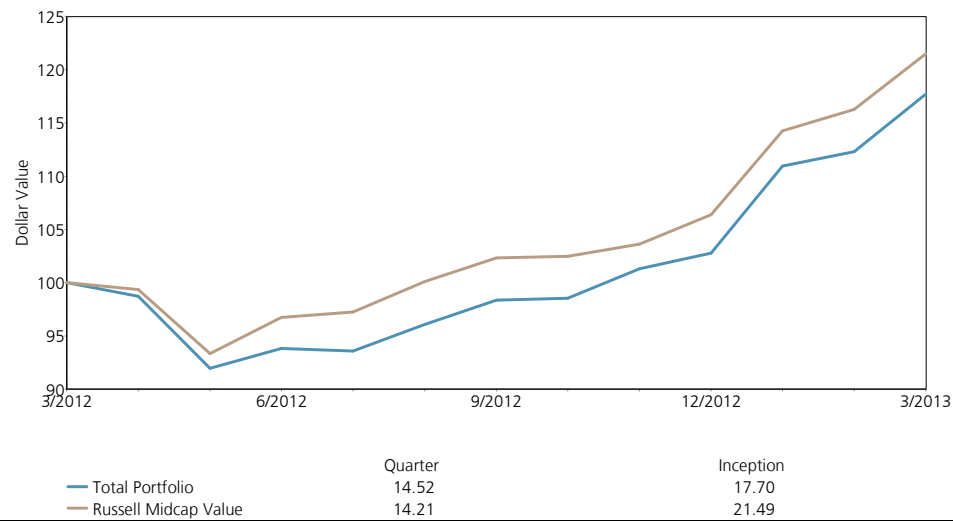
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Executive Summary as of March 31, 2013
Vaughan Nelson

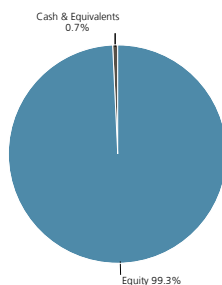
Portfolio Performance



Growth of a Dollar



Asset Allocation



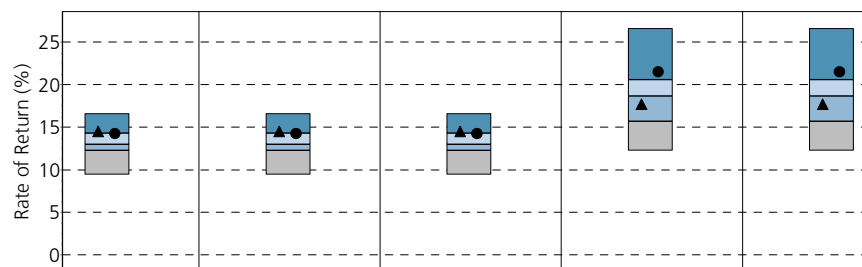
Change in Financial Position

	<u>Latest Quarter</u>	<u>Year to Date</u>
Beginning Mkt Value	26,969,363	26,969,363
Net Contributions	52,554	52,554
Interest And Dividend Income	94,736	94,736
Net Capital Appreciation	3,820,479	3,820,479
Fees	52,554	52,554
Ending Mkt Value	30,884,578	30,884,578

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Total Portfolio Peer Universe Comparison versus Mid Cap Value Managers

Trailing Periods



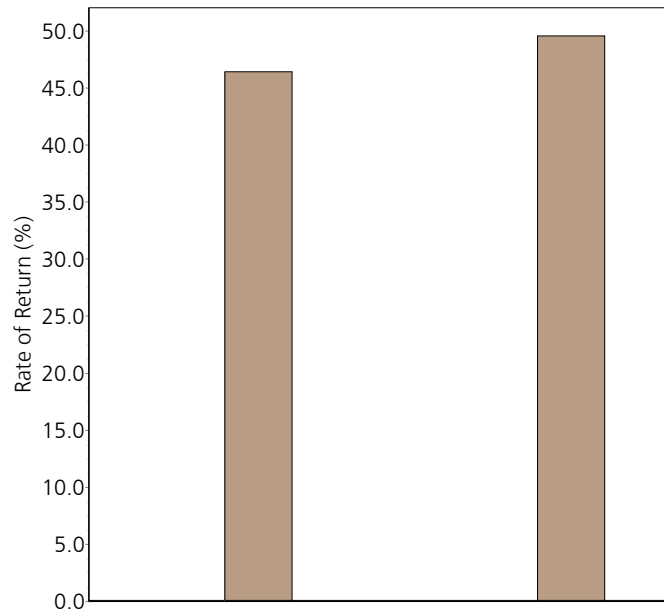
	<u>Quarter</u>	<u>YTD</u>	<u>Calendar YTD</u>	<u>One Year</u>	<u>3/2012-3/2013</u>
Highest Value	16.61	16.61	16.61	26.62	26.62
First Quartile	14.33	14.33	14.33	20.58	20.58
Median Value	13.00	13.00	13.00	18.71	18.71
Third Quartile	12.28	12.28	12.28	15.71	15.71
Lowest Value	9.50	9.50	9.50	12.30	12.30
Mean	13.23	13.23	13.23	18.38	18.38

	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
▲ Vaughan Nelson	14.52	18	14.52	18	14.52	18	17.70	58	17.70	58
● Russell Midcap Value	14.21	30	14.21	30	14.21	30	21.49	17	21.49	17

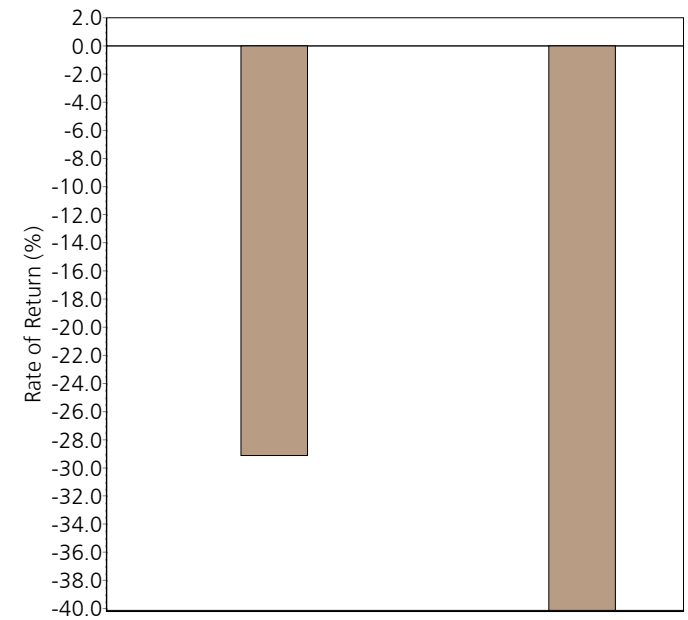
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Performance in Rising and Declining Markets
March 31, 2008 Through March 31, 2013

Up Market Performance



Down Market Performance



	Three Years	Five Years
Total Portfolio	N/A	N/A
Russell Midcap Value	46.44	49.56
Difference	N/A	N/A
Ratio	N/A	N/A
Up Periods	8	13

	Three Years	Five Years
Total Portfolio	N/A	N/A
Russell Midcap Value	-29.16	-40.17
Difference	N/A	N/A
Ratio	N/A	N/A
Down Periods	4	7

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**Market Timing And Security Selection
December 31, 2012 Through March 31, 2013**

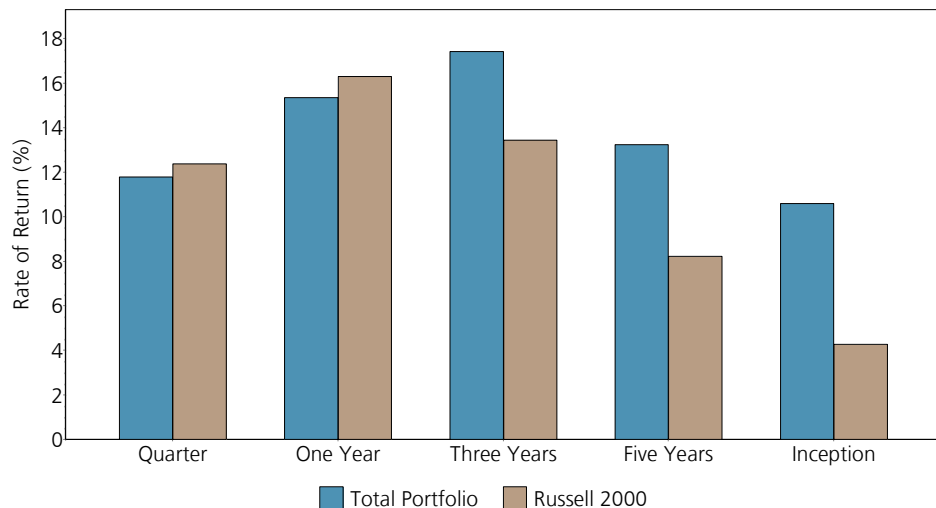
Fund's Average Investment Exposure and Market Index Returns

	Quarter
Asset Class	
Cash & Equivalents	1.44
Equity	98.56
International Equity	0.00
Asset Class Index Performance	
Barclays Treas Bill	0.02
Russell Midcap Value	14.21
	N/A
Total Portfolio and Benchmark Performance	
Dynamic Index	N/A
Policy Index	14.21
Portfolio Return	14.52
Value Added By Manager	
Market Timing	N/A
Security Selection	N/A
Total Value Added	0.31

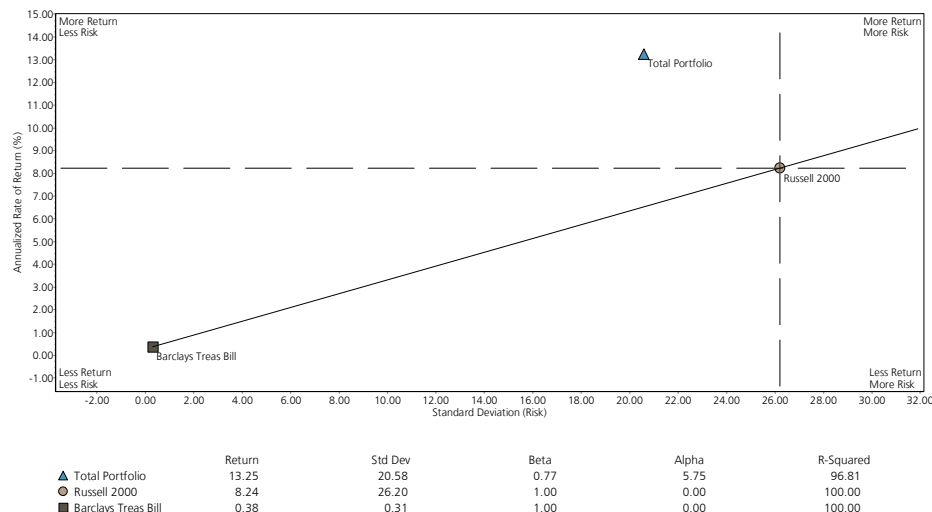
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Executive Summary as of March 31, 2013
Atlanta Capital

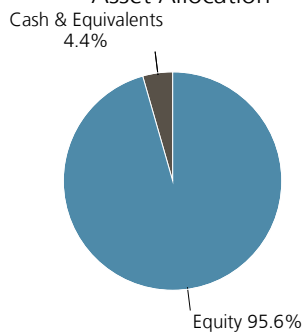
Portfolio Performance



Risk vs Reward



Asset Allocation



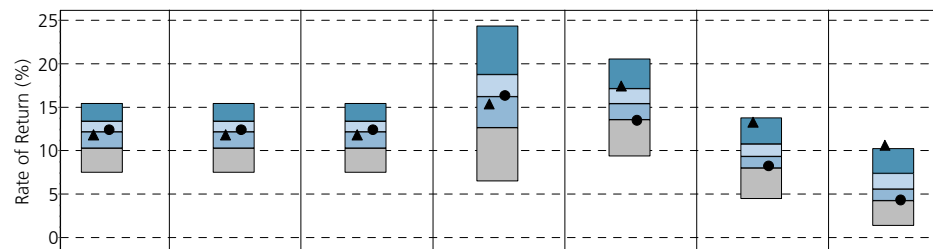
Change in Financial Position

	<u>Latest Quarter</u>	<u>Year to Date</u>
Beginning Mkt Value	61,962,372	61,962,372
Net Contributions	114,958	114,958
Interest And Dividend Income	121,052	121,052
Net Capital Appreciation	7,194,710	7,194,710
Fees	114,958	114,958
Ending Mkt Value	69,278,134	69,278,134

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Total Portfolio Peer Universe Comparison versus Small Cap Core Managers

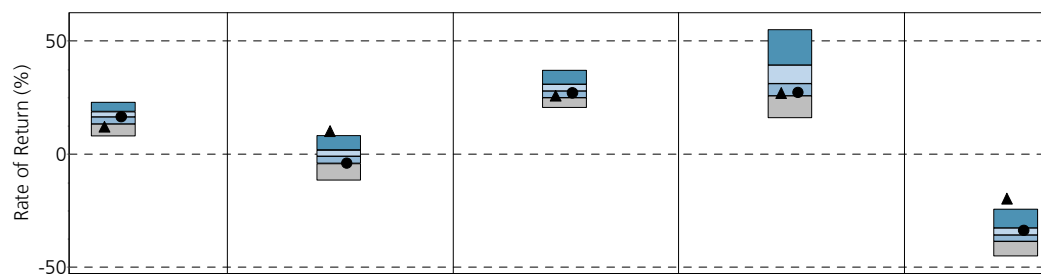
Trailing Periods



	Quarter	Fiscal YTD	Calendar YTD	One Year	Three Years	Five Years	1/2007-3/2013
Highest Value	15.47	15.47	15.47	24.35	20.57	13.81	10.22
First Quartile	13.39	13.39	13.39	18.76	17.13	10.79	7.40
Median Value	12.20	12.20	12.20	16.22	15.39	9.33	5.56
Third Quartile	10.29	10.29	10.29	12.64	13.60	8.01	4.26
Lowest Value	7.49	7.49	7.49	6.50	9.36	4.45	1.35
Mean	11.82	11.82	11.82	15.78	15.26	9.32	5.66

	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank		
▲ Atlanta Capital	11.81	57	11.81	57	11.81	57	15.37	59	17.45	22	13.25	4	10.60	1
● Russell 2000	12.39	44	12.39	44	12.39	44	16.30	49	13.45	78	8.24	70	4.29	74

Annual Periods



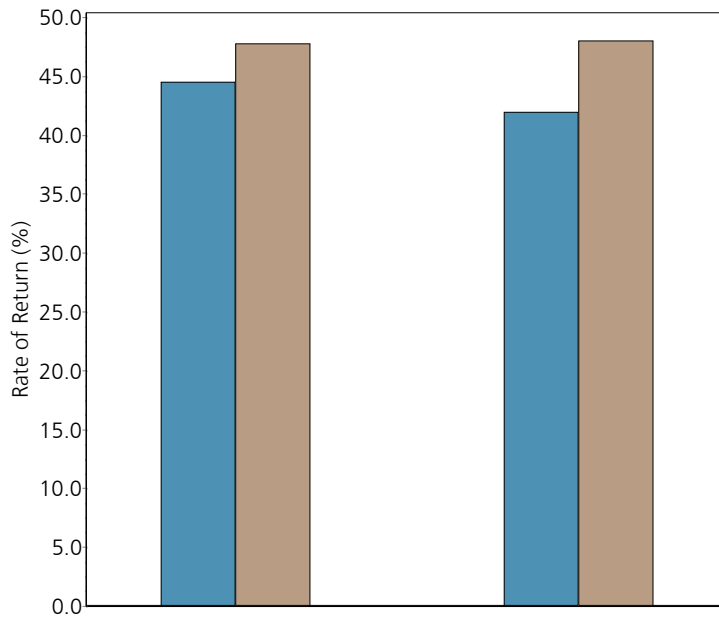
	2012	2011	2010	2009	2008
Highest Value	23.02	8.33	37.06	55.02	-24.39
First Quartile	18.84	1.90	30.80	39.37	-32.57
Median Value	16.47	-0.84	27.95	31.11	-35.65
Third Quartile	13.41	-4.05	24.86	25.70	-38.54
Lowest Value	7.86	-11.66	20.43	16.15	-45.02
Mean	16.20	-1.26	27.96	32.59	-35.39

	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
▲ Atlanta Capital	12.08	87	10.18	1	25.78	68	26.90	72	-19.69	1
● Russell 2000	16.35	52	-4.18	76	26.85	63	27.17	69	-33.79	36

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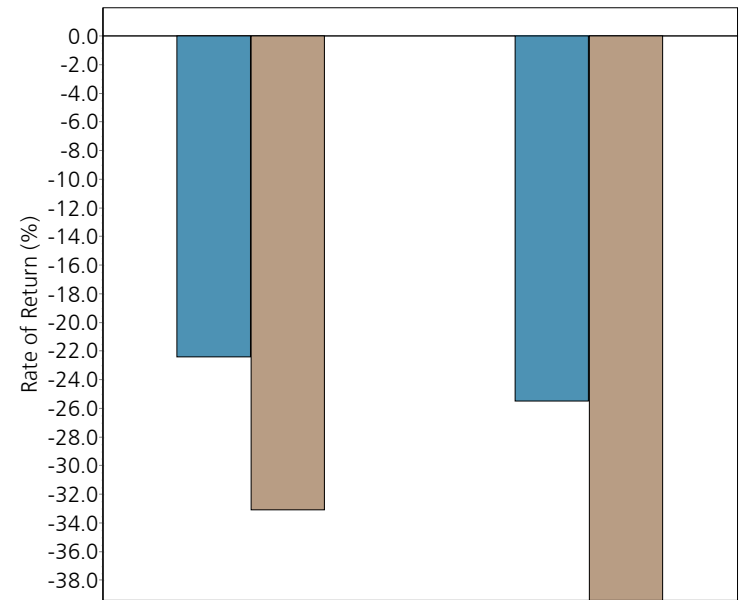
Performance in Rising and Declining Markets
March 31, 2008 Through March 31, 2013

Up Market Performance



	Three Years	Five Years
Total Portfolio	44.52	41.94
Russell 2000	47.80	48.01
Difference	-3.28	-6.07
Ratio	0.93	0.87
Up Periods	8	13

Down Market Performance



	Three Years	Five Years
Total Portfolio	-22.44	-25.54
Russell 2000	-33.15	-39.47
Difference	10.71	13.93
Ratio	0.68	0.65
Down Periods	4	7

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**Market Timing And Security Selection
December 31, 2012 Through March 31, 2013**

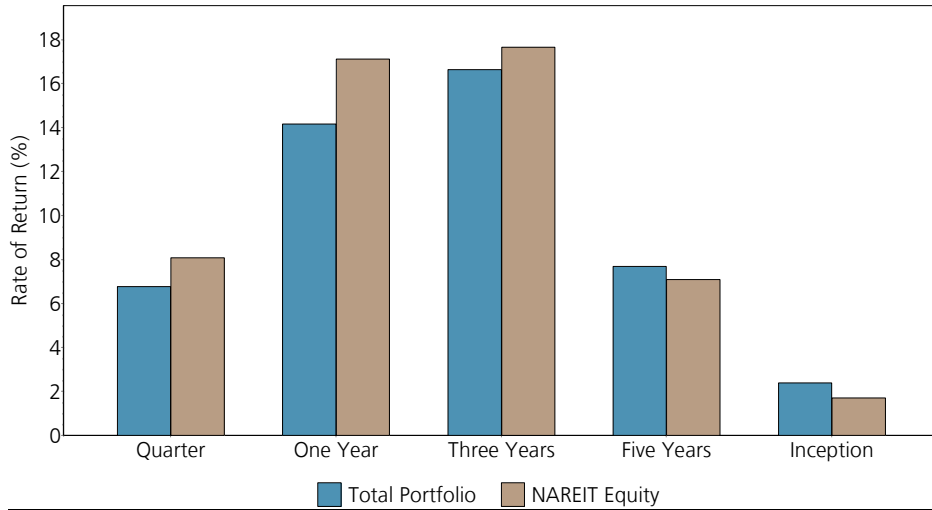
Fund's Average Investment Exposure and Market Index Returns

	Quarter
Asset Class	
Cash & Equivalents	5.32
Equity	94.62
Asset Class Index Performance	
Barclays Treas Bill	0.02
Russell 2000	12.39
Total Portfolio and Benchmark Performance	
Dynamic Index	11.73
Policy Index	12.39
Portfolio Return	11.81
Value Added By Manager	
Market Timing	-0.67
Security Selection	0.08
Total Value Added	-0.59

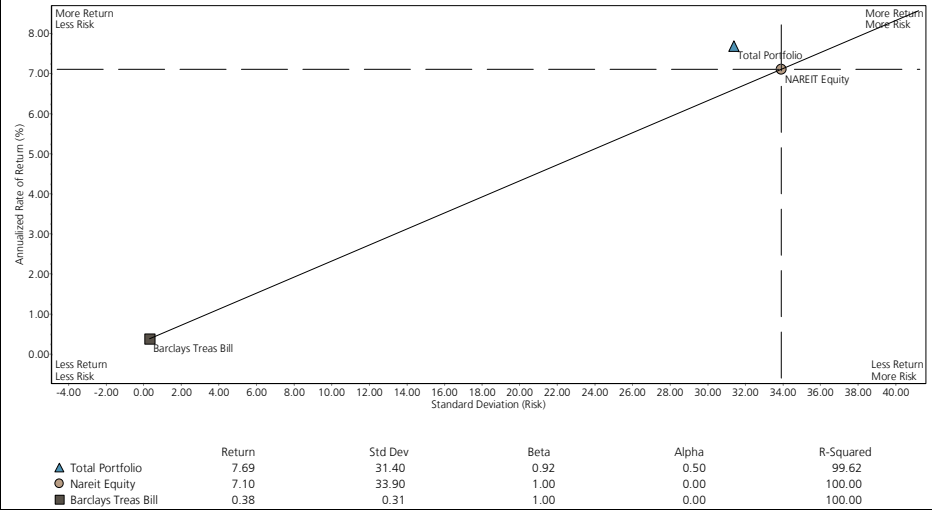
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Executive Summary as of March 31, 2013
Invesco REIT

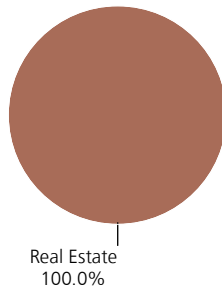
Portfolio Performance



Risk vs Reward



Asset Allocation



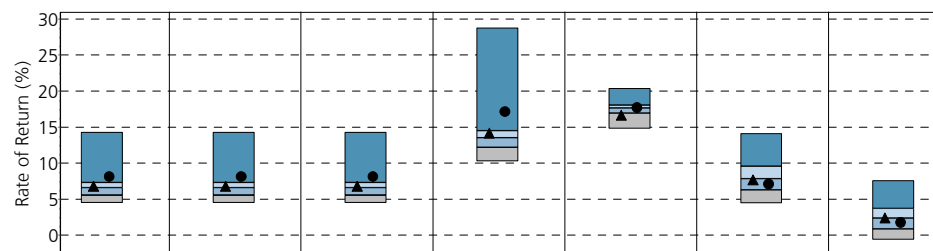
Change in Financial Position

	<u>Latest Quarter</u>	<u>Year to Date</u>
Beginning Mkt Value	40,206,626	40,206,626
Net Contributions	--	--
Interest And Dividend Income	2	2
Net Capital Appreciation	2,725,714	2,725,714
Fees	71,472	71,472
Ending Mkt Value	42,860,870	42,860,870

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Total Portfolio Peer Universe Comparison versus REIT/Real Estate Managers

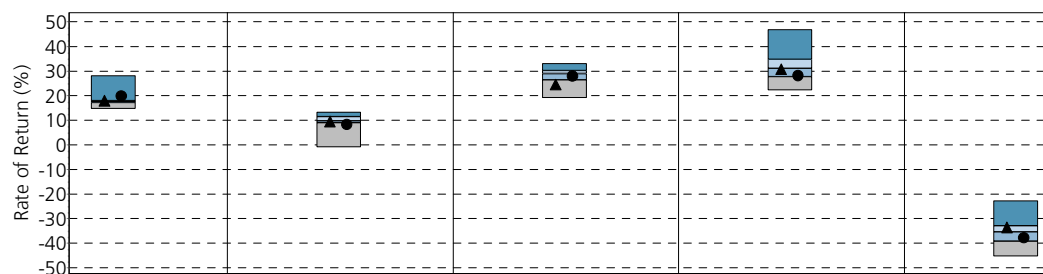
Trailing Periods



	Quarter	Fiscal YTD	Calendar YTD	One Year	Three Years	Five Years	1/2007-3/2013
Highest Value	14.32	14.32	14.32	28.79	20.37	14.16	7.64
First Quartile	7.32	7.32	7.32	14.55	18.11	9.62	3.72
Median Value	6.65	6.65	6.65	13.55	17.72	7.88	2.41
Third Quartile	5.58	5.58	5.58	12.19	17.01	6.35	0.89
Lowest Value	4.52	4.52	4.52	10.30	14.85	4.47	-0.60
Mean	6.78	6.78	6.78	14.09	17.65	8.11	2.69

	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
▲ Invesco REIT	6.78	43	6.78	43	6.78	43	14.17	28	16.65	83	7.69	53	2.41	50
● NAREIT Equity	8.10	12	8.10	12	8.10	12	17.13	12	17.67	51	7.10	66	1.72	73

Annual Periods



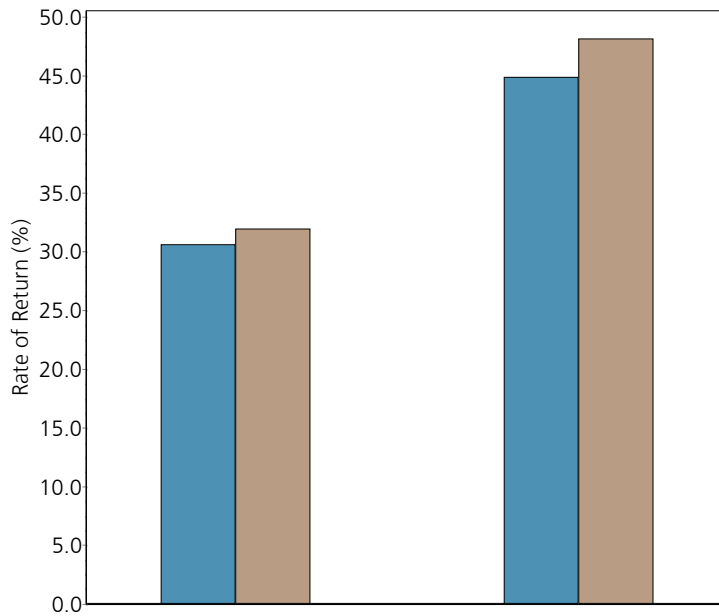
	2012	2011	2010	2009	2008
Highest Value	28.20	13.34	33.01	46.88	-22.73
First Quartile	18.15	11.50	30.18	34.77	-32.88
Median Value	17.75	9.87	29.02	31.24	-35.35
Third Quartile	17.29	8.99	26.55	27.70	-39.07
Lowest Value	14.80	-0.75	19.18	22.27	-45.15
Mean	18.49	9.51	28.33	31.89	-36.03

	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
▲ Invesco REIT	17.94	38	9.52	54	24.40	85	30.76	54	-33.61	27
● NAREIT Equity	19.72	10	8.27	78	27.94	64	28.01	73	-37.73	62

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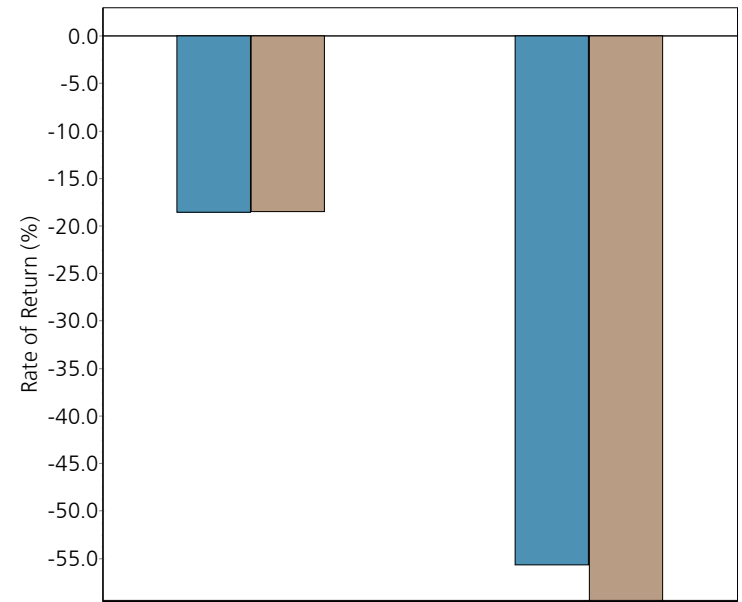
Performance in Rising and Declining Markets
March 31, 2008 Through March 31, 2013

Up Market Performance



	Three Years	Five Years
Total Portfolio	30.63	44.84
NAREIT Equity	31.95	48.12
Difference	-1.32	-3.28
Ratio	0.96	0.93
Up Periods	10	15

Down Market Performance



	Three Years	Five Years
Total Portfolio	-18.62	-55.74
NAREIT Equity	-18.53	-59.51
Difference	-0.10	3.77
Ratio	1.01	0.94
Down Periods	2	5

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**Market Timing And Security Selection
December 31, 2012 Through March 31, 2013**

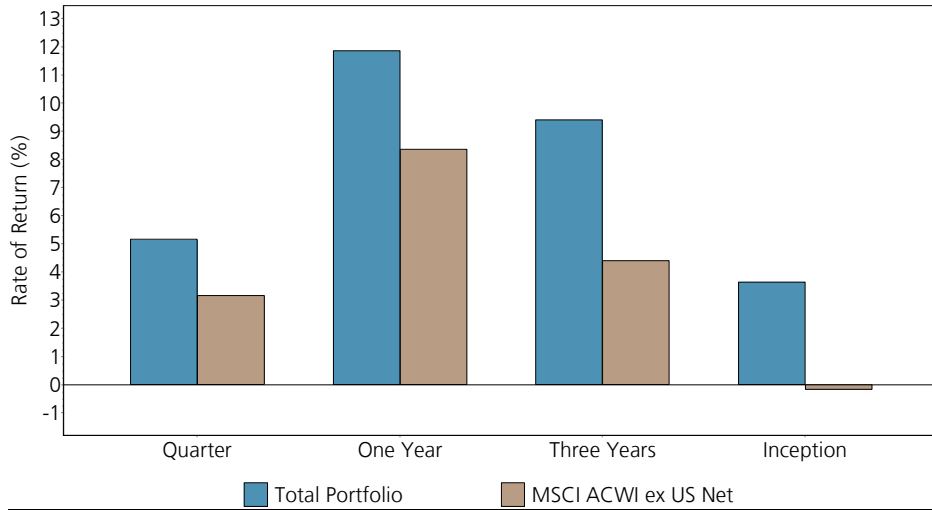
Fund's Average Investment Exposure and Market Index Returns

	Quarter
Asset Class	
Cash & Equivalents	0.03
Real Estate	99.96
Asset Class Index Performance	
Barclays Treas Bill	0.02
NAREIT Equity	8.10
Total Portfolio and Benchmark Performance	
Dynamic Index	-0.03
Policy Index	8.10
Portfolio Return	6.78
Value Added By Manager	
Market Timing	-8.13
Security Selection	6.81
Total Value Added	-1.32

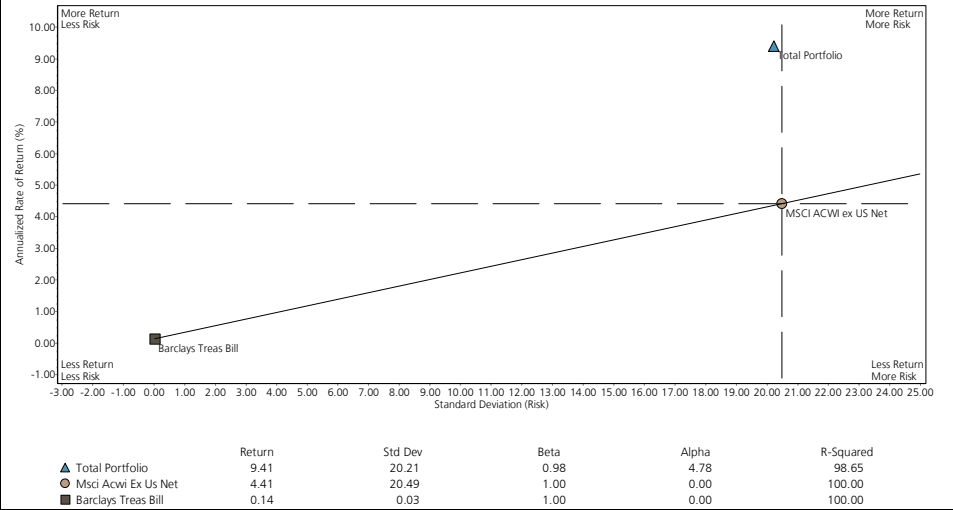
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Executive Summary as of March 31, 2013
1607 Capital Partners

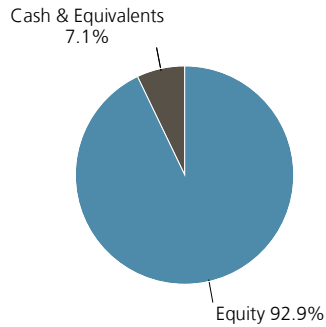
Portfolio Performance



Risk vs Reward



Asset Allocation



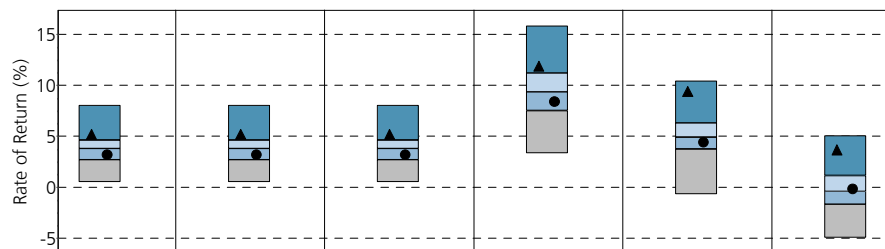
Change in Financial Position

	<u>Latest Quarter</u>	<u>Year to Date</u>
Beginning Mkt Value	117,029,714	117,029,714
Net Contributions	195,904	195,904
Interest And Dividend Income	86,784	86,784
Net Capital Appreciation	6,092,775	6,092,775
Fees	195,904	195,904
Ending Mkt Value	123,209,273	123,209,273

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Total Portfolio Peer Universe Comparison versus International Equity Managers

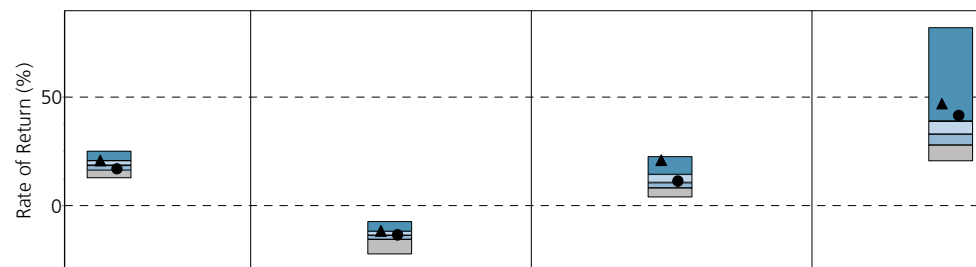
Trailing Periods



	<u>Quarter</u>	<u>Fiscal YTD</u>	<u>Calendar YTD</u>	<u>One Year</u>	<u>Three Years</u>	<u>6/2008-3/2013</u>
Highest Value	8.05	8.05	8.05	15.82	10.46	5.05
First Quartile	4.63	4.63	4.63	11.22	6.32	1.17
Median Value	3.78	3.78	3.78	9.34	4.94	-0.39
Third Quartile	2.69	2.69	2.69	7.51	3.76	-1.66
Lowest Value	0.56	0.56	0.56	3.37	-0.65	-4.94
Mean	3.83	3.83	3.83	9.49	5.02	-0.15

	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
▲ 1607 Capital	5.17	18	5.17	18	5.17	18	11.86	18	9.41	4	3.65	6
● MSCI ACWI ex US Net	3.17	63	3.17	63	3.17	63	8.37	65	4.41	62	-0.17	45

Annual Periods



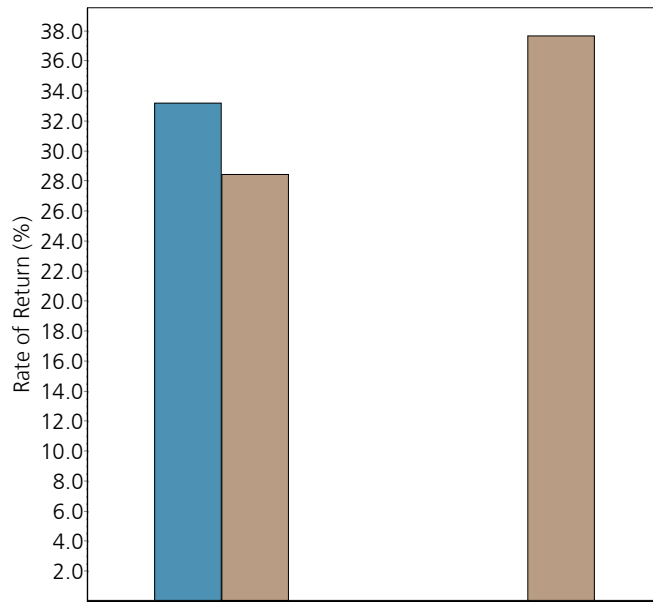
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Highest Value	25.04	-7.31	22.55	82.13
First Quartile	20.66	-11.90	14.22	38.96
Median Value	18.53	-13.70	10.62	32.95
Third Quartile	16.29	-15.60	8.13	28.01
Lowest Value	12.64	-22.43	3.87	20.52
Mean	18.40	-13.90	11.56	34.57

	Return	Rank	Return	Rank	Return	Rank	Return	Rank
▲ 1607 Capital	20.71	24	-11.72	23	20.87	5	46.88	10
● MSCI ACWI ex US Net	16.83	69	-13.71	50	11.15	43	41.47	15

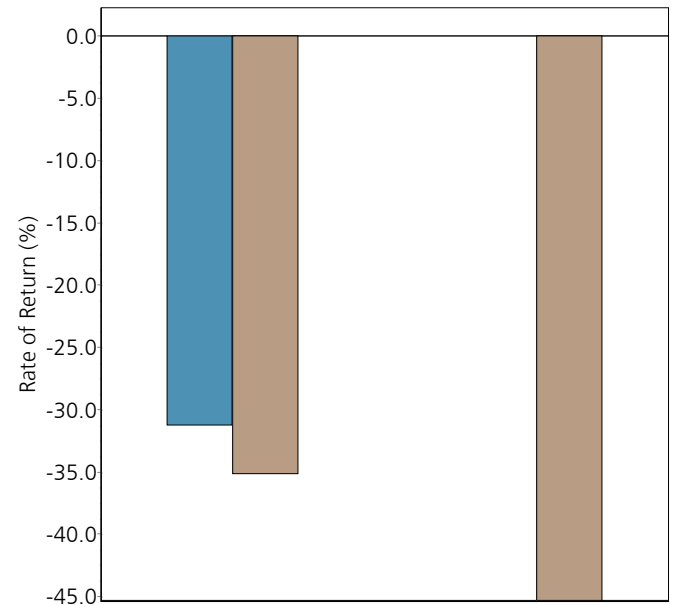
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Performance in Rising and Declining Markets
March 31, 2008 Through March 31, 2013

Up Market Performance



Down Market Performance



	Three Years	Five Years
Total Portfolio	33.19	N/A
MSCI ACWI ex US Net	28.42	37.65
Difference	4.77	N/A
Ratio	1.17	N/A
Up Periods	9	13

	Three Years	Five Years
Total Portfolio	-31.28	N/A
MSCI ACWI ex US Net	-35.17	-45.37
Difference	3.88	N/A
Ratio	0.89	N/A
Down Periods	3	7

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**Market Timing And Security Selection
December 31, 2012 Through March 31, 2013**

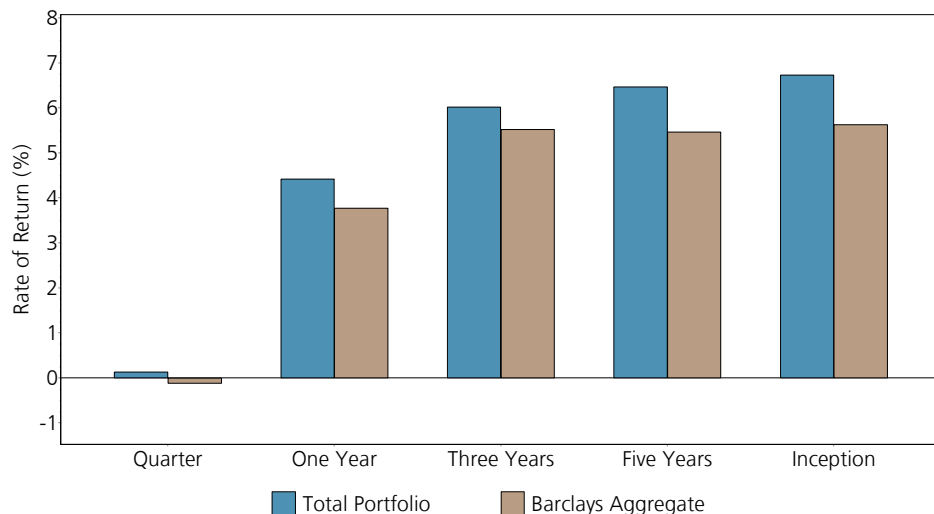
Fund's Average Investment Exposure and Market Index Returns

	Quarter
Asset Class	
Alt Equity	0.00
Cash & Equivalents	7.44
Equity	92.54
International Equity	0.00
Asset Class Index Performance	
	N/A
Barclays Treas Bill	0.02
MSCI ACWI ex US Net	3.17
Total Portfolio and Benchmark Performance	
Dynamic Index	N/A
Policy Index	3.17
Portfolio Return	5.17
Value Added By Manager	
Market Timing	N/A
Security Selection	N/A
Total Value Added	2.00

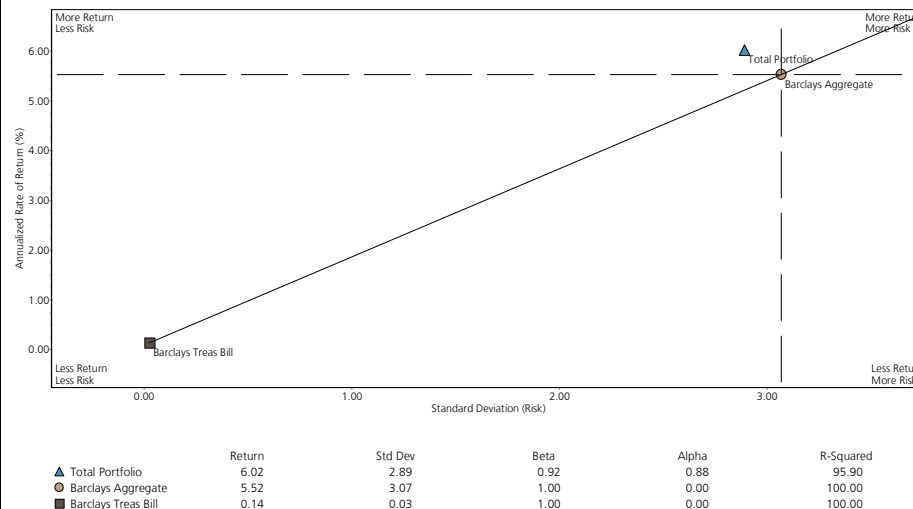
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Executive Summary as of March 31, 2013
ING

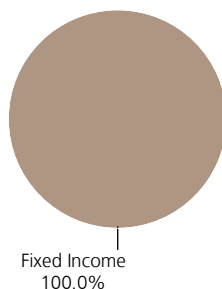
Portfolio Performance



Risk vs Reward



Asset Allocation



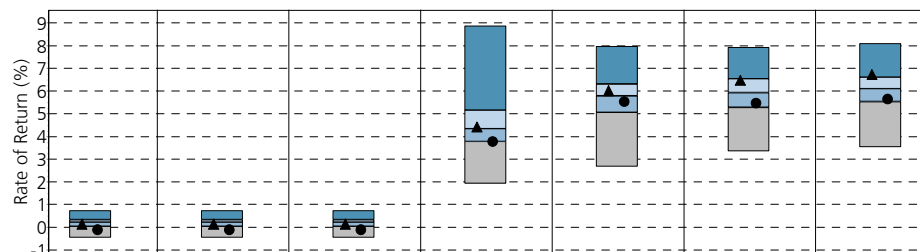
Change in Financial Position

	<u>Latest Quarter</u>	<u>Year to Date</u>
Beginning Mkt Value	163,811,822	163,811,822
Net Contributions	102,877	102,877
Interest And Dividend Income	1,122,815	1,122,815
Net Capital Appreciation	(1,016,342)	(1,016,342)
Fees	102,877	102,877
Ending Mkt Value	163,918,295	163,918,295

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Total Portfolio Peer Universe Comparison versus Core Fixed Income Managers

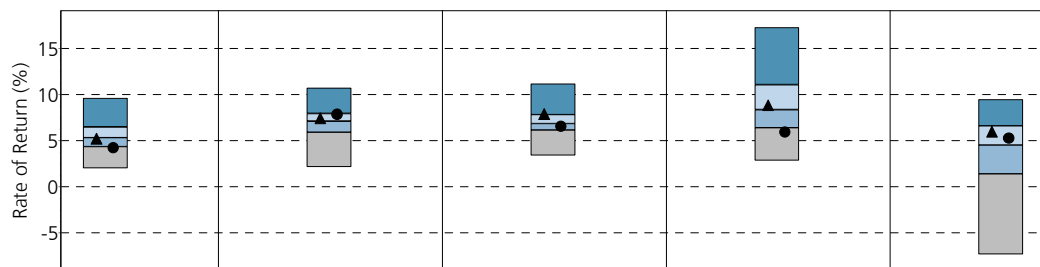
Trailing Periods



	<u>Quarter</u>	<u>Fiscal YTD</u>	<u>Calendar YTD</u>	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>12/2007-3/2013</u>
Highest Value	0.73	0.73	0.73	8.87	7.97	7.93	8.10
First Quartile	0.35	0.35	0.35	5.16	6.32	6.56	6.63
Median Value	0.23	0.23	0.23	4.36	5.79	5.93	6.11
Third Quartile	0.06	0.06	0.06	3.79	5.07	5.29	5.54
Lowest Value	-0.45	-0.45	-0.45	1.94	2.68	3.37	3.56
Mean	0.21	0.21	0.21	4.54	5.68	5.90	6.04

	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
▲ ING	0.13	63	0.13	63	0.13	63	4.42	48	6.02	40	6.47	28	6.73	19
● Barclays Aggregate	-0.12	91	-0.12	91	-0.12	91	3.77	76	5.52	59	5.47	68	5.63	70

Annual Periods



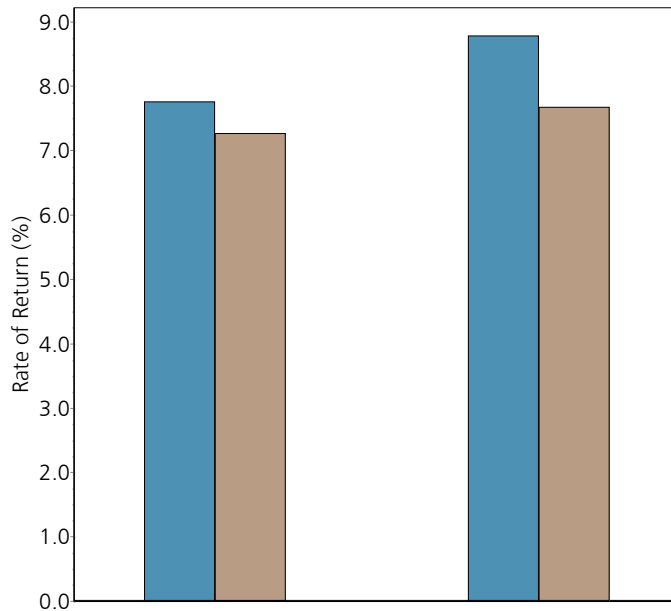
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Highest Value	9.61	10.71	11.18	17.28	9.44
First Quartile	6.50	7.98	7.85	11.10	6.63
Median Value	5.35	7.13	6.88	8.39	4.55
Third Quartile	4.37	5.92	6.16	6.40	1.42
Lowest Value	2.06	2.18	3.40	2.87	-7.30
Mean	5.51	6.78	6.99	8.86	3.60

	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
▲ ING	5.21	55	7.40	43	7.88	23	8.84	45	5.98	32
● Barclays Aggregate	4.21	78	7.84	30	6.54	61	5.93	79	5.24	42

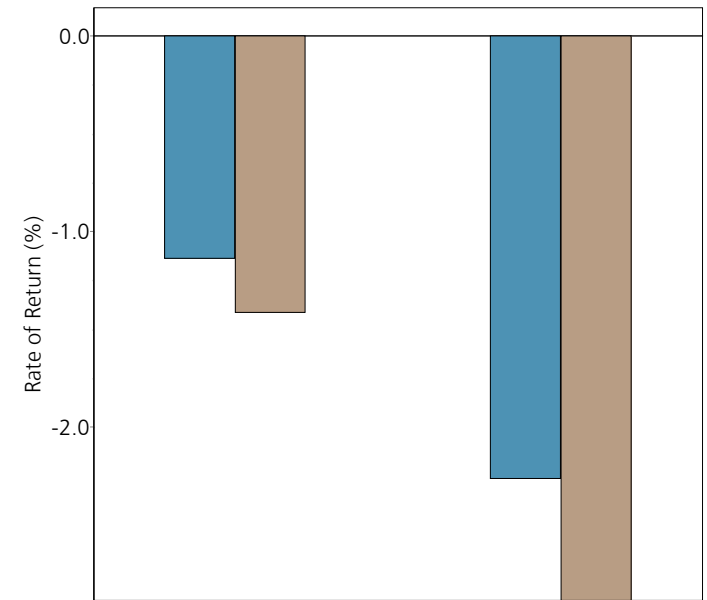
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Performance in Rising and Declining Markets
March 31, 2008 Through March 31, 2013

Up Market Performance



Down Market Performance



	Three Years	Five Years
Total Portfolio	7.75	8.78
Barclays Aggregate	7.27	7.67
Difference	0.48	1.11
Ratio	1.07	1.14
Up Periods	10	16

	Three Years	Five Years
Total Portfolio	-1.14	-2.27
Barclays Aggregate	-1.42	-2.89
Difference	0.28	0.62
Ratio	0.80	0.78
Down Periods	2	4

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**Market Timing And Security Selection
December 31, 2012 Through March 31, 2013**

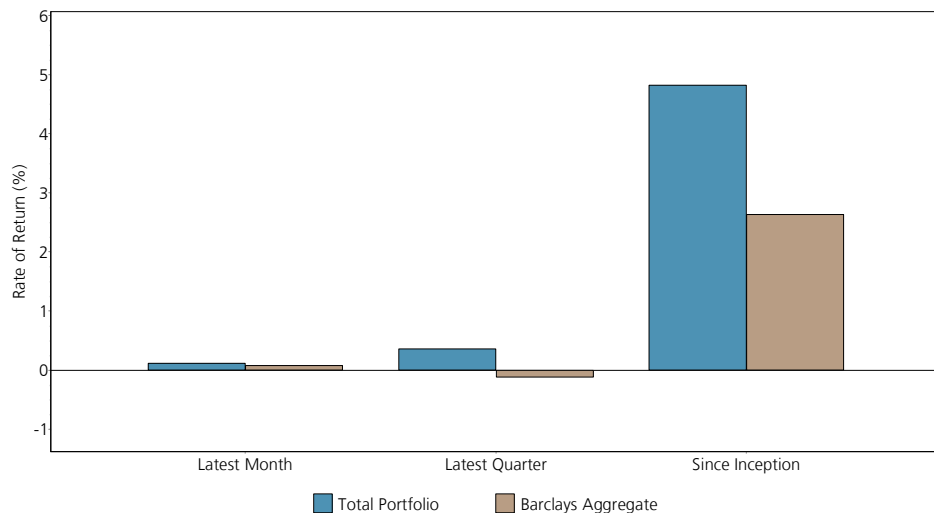
Fund's Average Investment Exposure and Market Index Returns

	Quarter
Asset Class	
Alt Equity	0.00
Cash & Equivalents	-5.81
US Treasury Bills	0.00
Fixed Income	105.79
Equity	0.00
Equity	0.00
Asset Class Index Performance	
	N/A
Barclays Treas Bill	0.02
Barclays Aggregate	-0.12
Total Portfolio and Benchmark Performance	
Dynamic Index	N/A
Policy Index	-0.12
Portfolio Return	0.13
Value Added By Manager	
Market Timing	N/A
Security Selection	N/A
Total Value Added	0.25

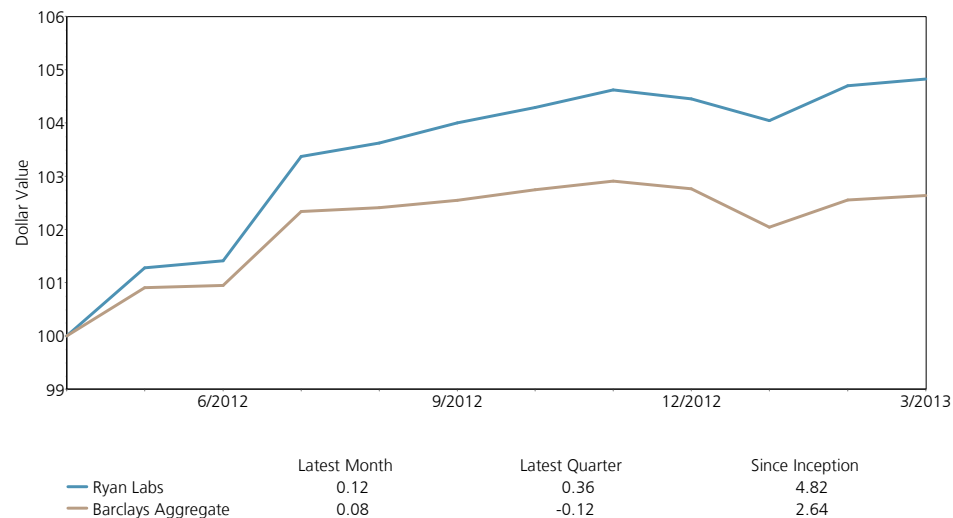
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Executive Summary as of March 31, 2013
Ryan Labs

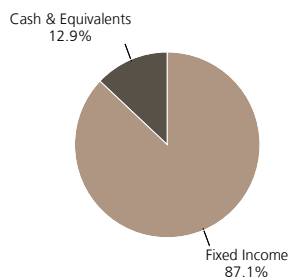
Portfolio Performance



Growth of a Dollar



Asset Allocation



Change in Financial Position

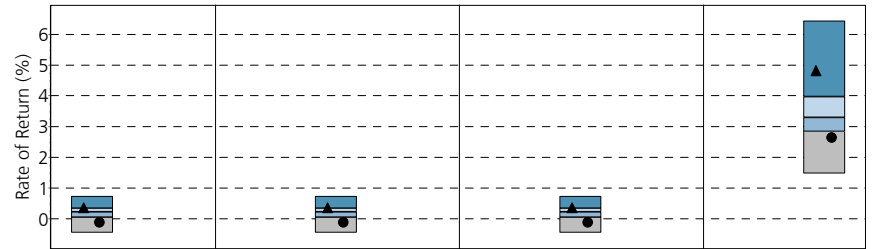
	Latest Quarter	Year to Date
Beginning Mkt Value	105,080,365	105,080,365
Net Contributions	50,356	50,356
Interest And Dividend Income	644,370	644,370
Net Capital Appreciation	(266,588)	(266,588)
Fees	50,356	50,356
Ending Mkt Value	105,458,147	105,458,147

	Distribution of Assets				Time Weighted Rates of Return	
	Market Value 03/31/2013	Allocation	Market Value 12/31/2012	Allocation	Latest Quarter	Since Inception
Ryan Labs						
Total Portfolio	\$105,458,147	100.00%	\$105,080,365	100.00%	0.36%	4.82%
Cash & Equivalents	\$13,636,025	12.93%	\$12,787,306	12.17%	0.00%	0.00%
Fixed Income	\$91,822,123	87.07%	\$92,293,059	87.83%	0.40%	5.58%
Equity						

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Total Portfolio Peer Universe Comparison versus Core Fixed Income Managers

Trailing Periods



	Quarter	Fiscal YTD	Calendar YTD	4/2012-3/2013
Highest Value	0.73	0.73	0.73	6.44
First Quartile	0.35	0.35	0.35	3.98
Median Value	0.23	0.23	0.23	3.31
Third Quartile	0.06	0.06	0.06	2.85
Lowest Value	-0.45	-0.45	-0.45	1.48
Mean	0.21	0.21	0.21	3.48

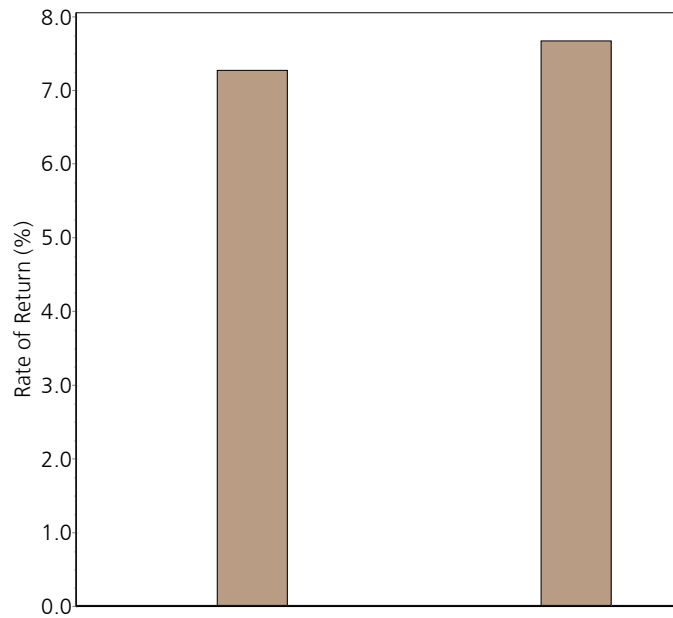
	Return	Rank	Return	Rank	Return	Rank	Return	Rank
▲ Ryan Labs	0.36	23	0.36	23	0.36	23	4.82	10
● Barclays Aggregate	-0.12	91	-0.12	91	-0.12	91	2.64	80

Annual Periods

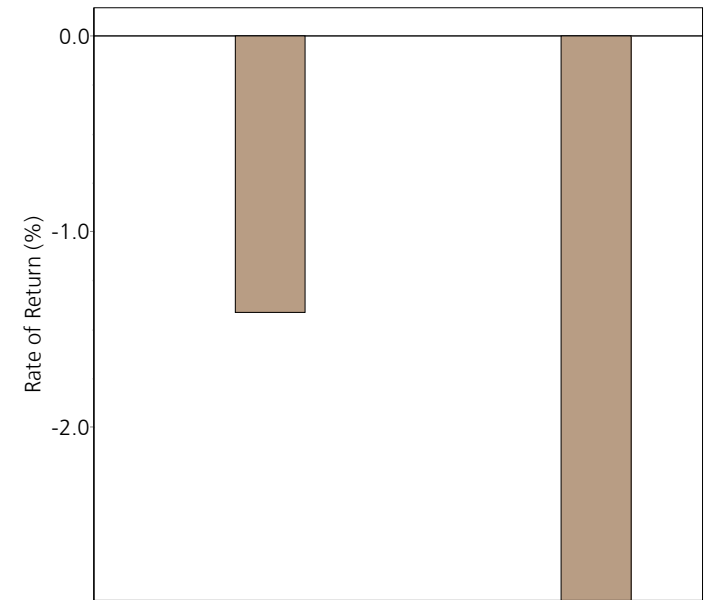
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Performance in Rising and Declining Markets
March 31, 2008 Through March 31, 2013

Up Market Performance



Down Market Performance



	Three Years	Five Years
Total Portfolio	N/A	N/A
Barclays Aggregate	7.27	7.67
Difference	N/A	N/A
Ratio	N/A	N/A
Up Periods	10	16

	Three Years	Five Years
Total Portfolio	N/A	N/A
Barclays Aggregate	-1.42	-2.89
Difference	N/A	N/A
Ratio	N/A	N/A
Down Periods	2	4

Please be sure to read the DISCLOSURE SECTION at the end of this report which contains important disclosures and disclaimers on the information provided to you in this report.

**Market Timing And Security Selection
December 31, 2012 Through March 31, 2013**

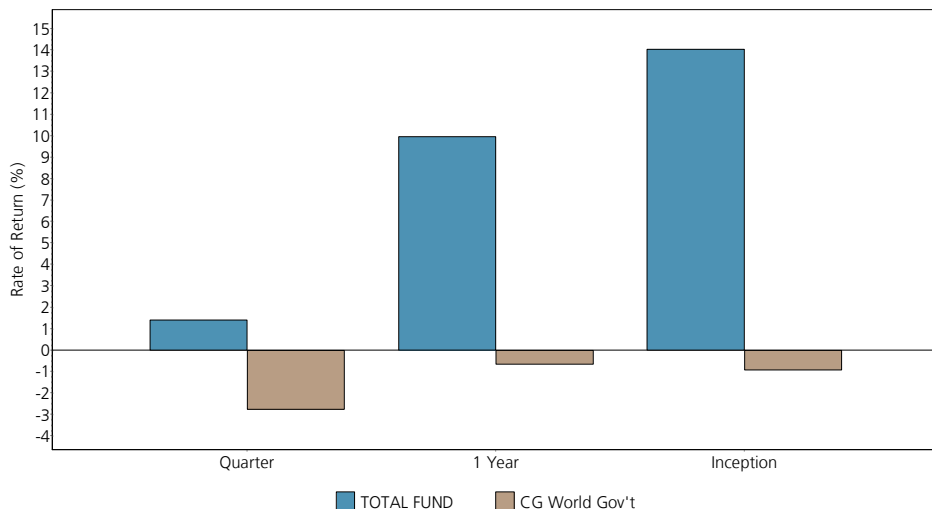
Fund's Average Investment Exposure and Market Index Returns

	Quarter
Asset Class	
Cash & Equivalents	12.11
Fixed Income	87.89
Equity	0.00
Asset Class Index Performance	
Barclays Treas Bill	0.02
Barclays Aggregate	-0.12
Total Portfolio and Benchmark Performance	
Dynamic Index	-0.10
Policy Index	-0.12
Portfolio Return	0.36
Value Added By Manager	
Market Timing	0.02
Security Selection	0.46
Total Value Added	0.48

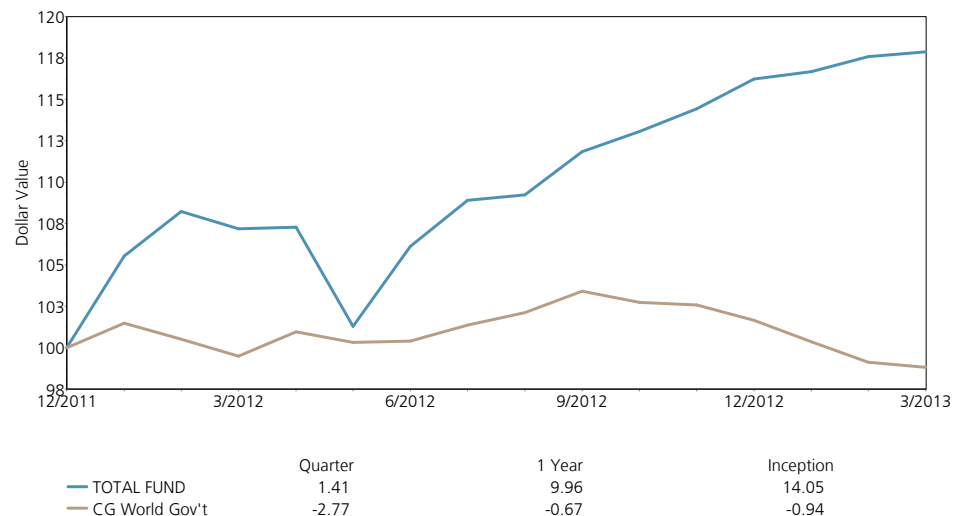
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Executive Summary as of March 31, 2013
Templeton Global Bond

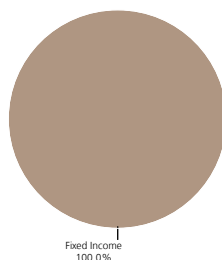
Portfolio Performance



Growth of a Dollar



Asset Allocation



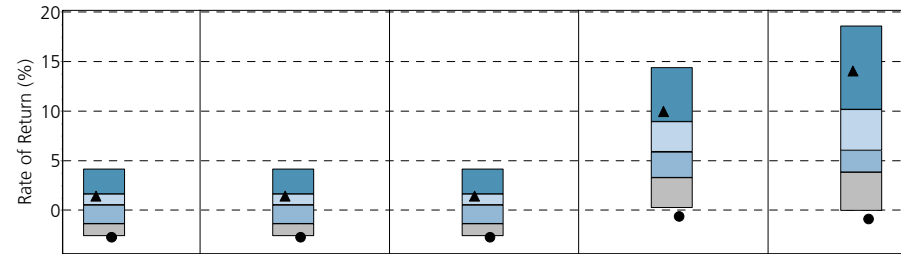
Change in Financial Position

	<u>Latest Quarter</u>	<u>Year to Date</u>
Beginning Mkt Value	23,926,760	23,926,760
Net Contributions	--	--
Interest And Dividend Income	230,854	230,854
Net Capital Appreciation	107,044	107,044
Fees	--	--
Ending Mkt Value	24,264,658	24,264,658

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TOTAL FUND Peer Universe Comparison versus Global Fixed Income Managers

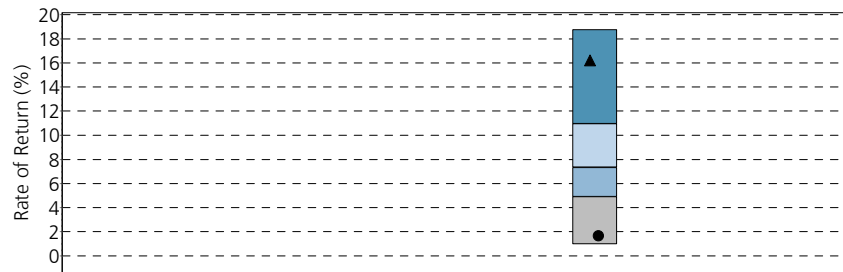
Trailing Periods



	<u>Quarter</u>	<u>Fiscal YTD</u>	<u>Calendar YTD</u>	<u>One Year</u>	<u>12/2011-3/2013</u>
Highest Value	4.15	4.15	4.15	14.42	18.61
First Quartile	1.65	1.65	1.65	8.96	10.18
Median Value	0.53	0.53	0.53	5.91	6.05
Third Quartile	-1.36	-1.36	-1.36	3.27	3.85
Lowest Value	-2.59	-2.59	-2.59	0.23	-0.04
Mean	0.35	0.35	0.35	6.31	7.22

	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
▲ Templeton Global	1.41	30	1.41	30	1.41	30	9.96	19	14.05	11
● CG World Gov't	-2.77	99	-2.77	99	-2.77	99	-0.67	99	-0.94	99

Annual Periods



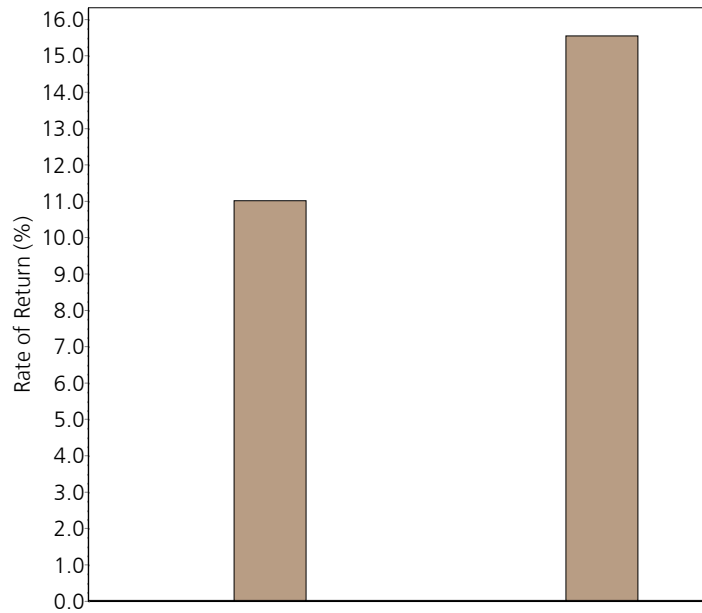
	<u>2012</u>
Highest Value	18.78
First Quartile	10.99
Median Value	7.36
Third Quartile	4.93
Lowest Value	0.99
Mean	8.41

	Return	Rank
▲ Templeton Global	16.22	9
● CG World Gov't	1.65	97

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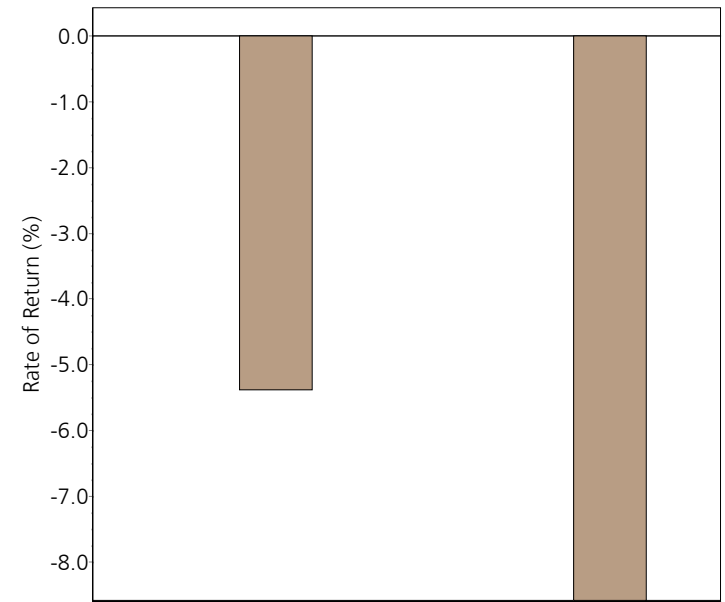
Performance in Rising and Declining Markets
March 31, 2008 Through March 31, 2013

Up Market Performance



	Three Years	Five Years
TOTAL FUND	N/A	N/A
CG World Gov't	11.02	15.55
Difference	N/A	N/A
Ratio	N/A	N/A
Up Periods	7	10

Down Market Performance



	Three Years	Five Years
TOTAL FUND	N/A	N/A
CG World Gov't	-5.39	-8.60
Difference	N/A	N/A
Ratio	N/A	N/A
Down Periods	5	10

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Market Timing And Security Selection
December 31, 2012 Through March 31, 2013

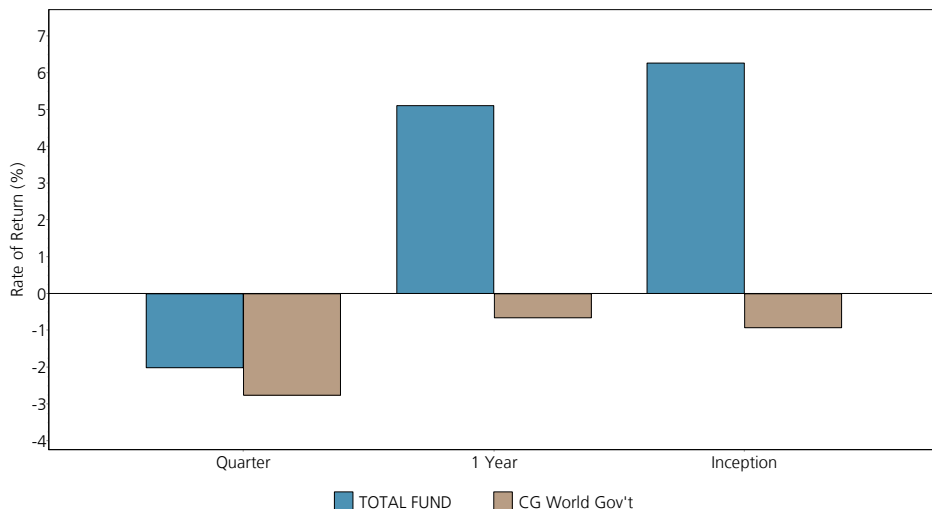
Fund's Average Investment Exposure and Market Index Returns

	Quarter
Asset Class	
Cash & Equivalents	0.00
Fixed Income	100.00
Asset Class Index Performance	
	N/A
CG World Gov't	-2.77
Total Portfolio and Benchmark Performance	
Dynamic Index	N/A
Policy Index	-2.77
Portfolio Return	1.41
Value Added By Manager	
Market Timing	N/A
Security Selection	N/A
Total Value Added	4.18

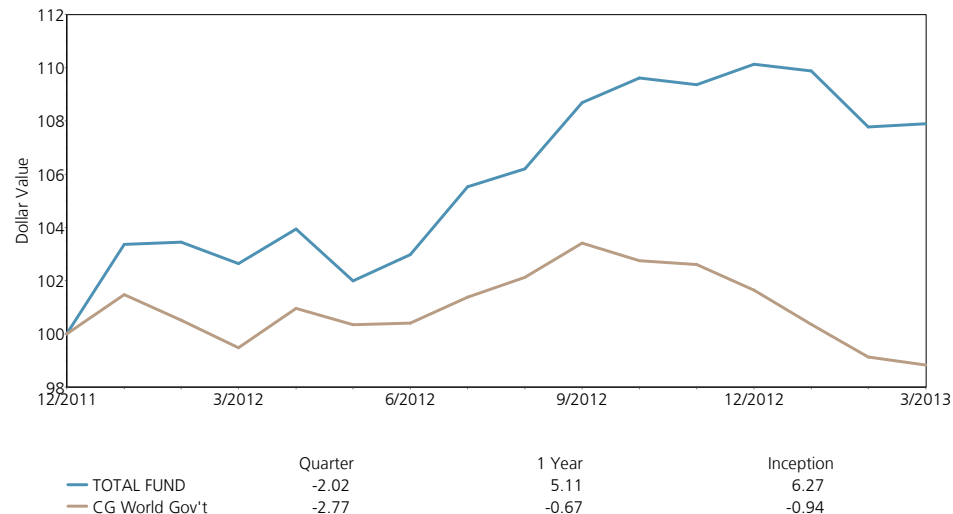
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Executive Summary as of March 31, 2013
Dreyfus International

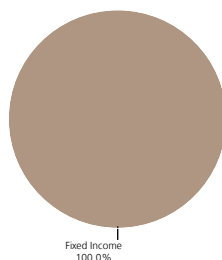
Portfolio Performance



Growth of a Dollar



Asset Allocation



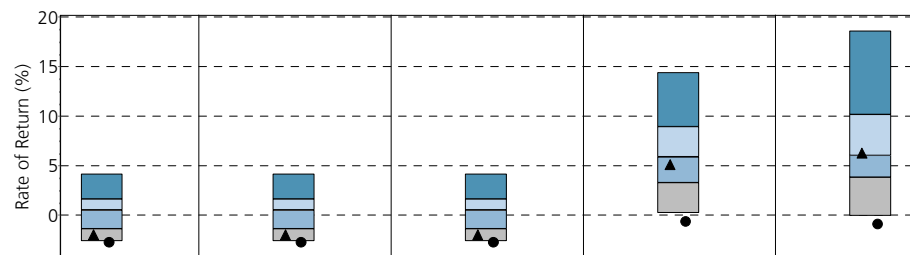
Change in Financial Position

	<u>Latest Quarter</u>	<u>Year to Date</u>
Beginning Mkt Value	23,323,371	23,323,371
Net Contributions	--	--
Interest And Dividend Income	--	--
Net Capital Appreciation	(471,315)	(471,315)
Fees	--	--
Ending Mkt Value	22,852,055	22,852,055

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TOTAL FUND Peer Universe Comparison versus Global Fixed Income Managers

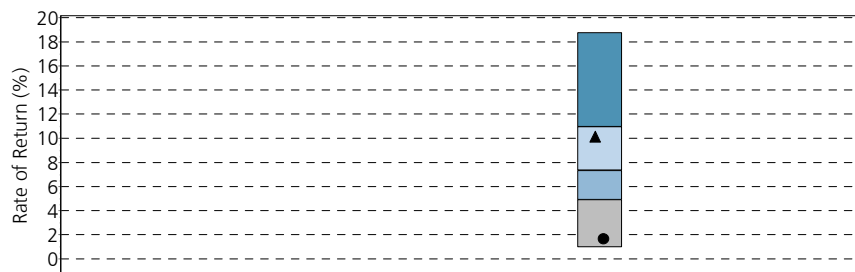
Trailing Periods



	<u>Quarter</u>	<u>Fiscal YTD</u>	<u>Calendar YTD</u>	<u>One Year</u>	<u>12/2011-3/2013</u>
Highest Value	4.15	4.15	4.15	14.42	18.61
First Quartile	1.65	1.65	1.65	8.96	10.18
Median Value	0.53	0.53	0.53	5.91	6.05
Third Quartile	-1.36	-1.36	-1.36	3.27	3.85
Lowest Value	-2.59	-2.59	-2.59	0.23	-0.04
Mean	0.35	0.35	0.35	6.31	7.22

	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
▲ Dreyfus Intl	-2.02	91	-2.02	91	-2.02	91	5.11	53	6.27	46
● CG World Gov't	-2.77	99	-2.77	99	-2.77	99	-0.67	99	-0.94	99

Annual Periods



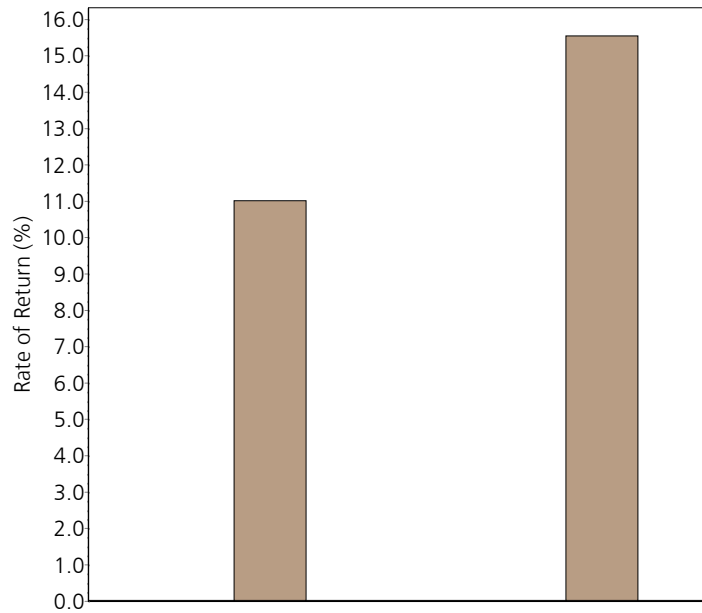
	<u>2012</u>
Highest Value	18.78
First Quartile	10.99
Median Value	7.36
Third Quartile	4.93
Lowest Value	0.99
Mean	8.41

	Return	Rank
▲ Dreyfus Intl	10.12	27
● CG World Gov't	1.65	97

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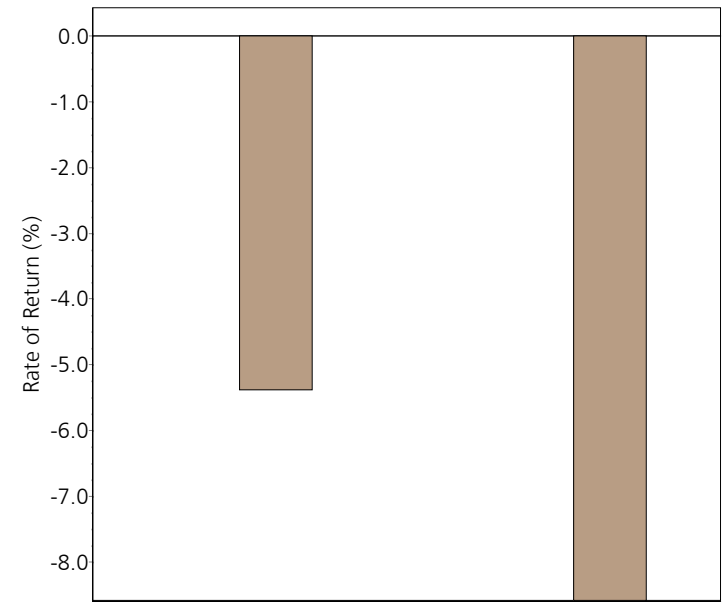
Performance in Rising and Declining Markets
March 31, 2008 Through March 31, 2013

Up Market Performance



	Three Years	Five Years
TOTAL FUND	N/A	N/A
CG World Gov't	11.02	15.55
Difference	N/A	N/A
Ratio	N/A	N/A
Up Periods	7	10

Down Market Performance



	Three Years	Five Years
TOTAL FUND	N/A	N/A
CG World Gov't	-5.39	-8.60
Difference	N/A	N/A
Ratio	N/A	N/A
Down Periods	5	10

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Market Timing And Security Selection
December 31, 2012 Through March 31, 2013

Fund's Average Investment Exposure and Market Index Returns

	Quarter
Asset Class	
Cash & Equivalents	0.00
Fixed Income	100.00
Asset Class Index Performance	
Barclays Treas Bill	0.02
CG World Gov't	-2.77
Total Portfolio and Benchmark Performance	
Dynamic Index	N/A
Policy Index	-2.77
Portfolio Return	-2.02
Value Added By Manager	
Market Timing	N/A
Security Selection	N/A
Total Value Added	0.75

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Performance Report Disclosures

General Information

This performance report represents information about your accounts in the UBS Institutional Consulting Group at UBS Financial Services.

This report is intended as a general guide to review the performance of your holdings across a variety of accounts including those accounts held at different financial institutions. This report is for your use only. Information contained in the report should not be used for tax reporting or preparation purposes or used as the basis of an investment or liquidation decision.

Please contact your Institutional Consultant if you have any questions regarding this performance report, if your financial situation, needs or investment objectives on any account have changed, or if you would like to impose or change any investment restrictions on any account.

No Tax or Legal Advice

Neither UBS Financial Services nor any of its employees provide tax or legal advice. You must consult with your legal or tax advisors regarding your personal circumstances.

Assets Held at Other Qualified Custodians

Depending on the accounts covered by your Institutional Consulting Services Agreement with us, this report may cover a number of your existing accounts, each with a potentially different investment objective and risk parameters. These accounts may be held at a variety of financial institutions and information reflected on this report is based on statements your custodians have provided to UBS Financial Services, at your request. Other than information included for accounts you hold at UBS Financial Services, we are not responsible for the accuracy or completeness of any information included in this report. UBS Financial Services does not provide advice with respect to your assets at other firms. This report includes information only as of the date of the account statements provided, which may differ by account or custodian. Your UBS Financial Services account statements are the only official record of your holdings with us and are not replaced, amended or superceded by any of the information presented in this Report.

This report does not constitute the solicitation to purchase or sell any specific security. This report may include a performance analysis of a variety of accounts, each with different investments, investment objectives and risk parameters. As a result, the overweighting or underweighting of an account in a particular sector or asset class should not be viewed as an isolated factor in making investment/liquidation decisions. Rather, such decisions should be assessed on an account by account basis and after an assessment of the overall impact of such decisions on a portfolio consisting of all your accounts.

Important Information About This Report

Market Values

Market values used or presented in this report are obtained from sources believed to be reliable. UBS Financial Services and its representatives make no representation or assurance that the market values presented in the report are true and accurate.

Estimates

Estimates of annual interest or dividend income should not be relied upon. The estimates are based either on past payout experience or scheduled interest payments. Past payouts are not an indication of future payouts and there can be no assurance that any fixed income security will meet its scheduled interest payments.

Policy Statements

Neither UBS Financial Services nor your Institutional Consultant is responsible for ensuring that your investment policy statement complies with all legal, actuarial or other requirements that may apply to you. That responsibility rests solely with you and you should consult your legal and tax advisors regarding those matters.

Performance Results

Gross performance

This report may illustrate net or gross of fee performance, but not both. While gross performance is valuable when reviewing a manager's performance relative to a particular index or peer group, note that such information does not reflect management fees, wrap fees, transaction costs or your Institutional consulting fees.

The payment of fees and expenses will reduce the performance of the account and the reduction in performance will have a cumulative effect over time. The net effect of the payment of fees on the annualized performance, and the compounded or cumulative effect over time, is dependent on the amount of the fee and the account's investment performance. For example, an account that experiences an annual gross performance of 10% but incurs a 2.8% annual fee that is deducted quarterly on a prorated basis, will experience net annual performance of 7.1%, a reduction of 2.9% per year.

Net of fees performance

If your assets are custodied at UBS Financial Services and you have selected one or more of our advisory programs as an investment option and pay the program fee directly from those accounts, you will receive separate performance reports for those accounts which illustrate the performance of your portfolio on a net of fee basis.

Index Information

This report presents the current and historical performance of certain market indexes. These indexes may represent a broad range of asset classes, market segments and investment styles. Depending upon the composition of your portfolio and your accounts and depending on your investment objectives, these indexes may not be an appropriate measure or benchmark against which to compare the performance of a particular account or all of your accounts. Consequently, the performance of the indexes is presented for illustration purposes only.

Although the performance of an index is often used as a benchmark against which to compare the performance of an actively managed separate account or actively managed mutual fund, actively managed accounts and mutual funds are not generally restricted to investing only in the securities that are included in the index. As a result, the securities held in your account will differ from the securities included in the index and the performance of the account may likewise differ from the performance of the index. The performance of an index reflects the passive performance of an unmanaged universe of securities. The performance of an index does not reflect advisory or transaction fees, all of which would reduce the overall return. Indexes are not available for direct investment. The past performance of an index is no guarantee of future results.

Benchmark Rebalancing

Comparative benchmarks comprising more than one index are constructed each month based on the return of the constituent indexes in the comparative benchmark and the respective weights assigned to each constituent index.

Target Asset Allocation

The target asset allocation is the percentage allocation of your total or composite investment fund among the asset classes in which you have decided to invest as set forth in your Investment Policy Statement.

Policy Index

For each separate account, the Policy Index is the passive index that you have selected to serve as a benchmark against which to compare the performance of the separate account. If the account is balanced, indexes may be a blend of indexes.

For the total or composite investment fund, the Policy Index is a composite of one or more passive indexes that you have selected and that are weighted according to the percentage weightings set forth in your Investment Policy Statement. The performance of your total or composite investment fund is compared against the performance of the Policy Index that you have selected for the composite.

For the purposes of calculating the performance of the Policy Index for the composite investment fund, the Policy Index is recalculated using the percentage weightings set forth in your Investment Policy Statement on a monthly or quarterly basis depending on the convention that you selected.

The Policy Index that you selected for your total or composite investment fund is shown below:
35.00% Barclays Aggregate, 15.00% MSCI ACWI ex US Net, 12.50% Russell 1000 Growth, 12.50% Russell 1000 Value, 7.50% Russell 2000, 7.50% Russell Midcap, 5.00% Citigroup World Gov't Bond, 5.00% NAREIT Equity.

Account Valuation

This report uses a time-weighted rate of return, a method that calculates portfolio value using the beginning and ending portfolio values for the month and weighs each contribution/withdrawal by the amount of time invested.

Performance Start Date

The inception date shown in the report may or may not be the date that the UBS Institutional Consulting Group began providing services or performance information to you and may not be the date that an account was first invested in securities. Contact your Institutional Consultant for more information regarding the actual inception date.

Manager Data

Data concerning various managers' portfolio performance is obtained from sources believed to be reliable. This data is provided for comparative purposes only. UBS Financial Services does not guarantee the accuracy or veracity of this information. Different performance calculation methods may be used to calculate each manager's portfolio performance. Investment objectives of similar style portfolios of other managers may not match exactly your investment objectives.

Brochure

Rule 204-3 of the Investment Advisers Act of 1940 requires that we make an annual offer to clients to send to them, without charge, a written disclosure statement. We will be glad to provide you with a copy of such statement upon your written request.

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www.ubs.com/financialservicesinc
050707-1138

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Manager Status and Watch List 1Q13

Manager	Compliance with Criteria						Watch List	
	1 Year Criteria		3/5 Year Criteria		Cumulative Criteria		YES	NO
	YES	NO	YES	NO	YES	NO		
U.S. Equity								
Rainier	√			√		√	√	
Barrow Hanley	√		√		√			√
Atlanta Capital	√		√		√			√
Invesco REIT	√			√	√			√
Fairpointe Capital	√		NA		NA		NA	
Vaughan Nelson	√		NA		NA		NA	
William Blair	√		NA		NA		NA	
International Equity								
1607 Capital Partners	√		√		√			√
Fixed Income								
ING	√		√		√			√
Ryan Labs	NA		NA		NA		NA	
Templeton Global Bond	√		NA		NA			√
Dreyfus International	√		NA		NA			√

Watch List

The Watch List is a mechanism used by the Investment Committee and the RPMC to express its general discomfort with or loss of confidence in an Investment Manager. Discomfort may be caused by deficiency in performance, departure of key personnel, material changes in managed assets and clients, financial instability, change in organizational or ownership structure, consultant downgrade, investment strategy or style deviation, contravention of any term or condition of the Investment Management Agreement or any other issue believed to undermine the RPMC's confidence in the Investment Manager.

Based on criteria that are indicators of legitimate relationship and investment performance problems, both qualitative and quantitative criteria of the Investment Manager shall be monitored on an ongoing basis.

Qualitative criteria include the Investment Manager's business, people, investment process and consultant downgrade in research rating. Non-compliance with qualitative criteria will trigger a due diligence review and may lead to a recommendation to place the Investment Manager on the Watch List or terminate the Investment Manager. Quantitative analysis of performance will focus on the following:

- One (1) year peer universe ranking in the ninetieth (90th) percentile or lower will trigger a due diligence review.
- Three (3) year and five (5) year peer universe ranking in the fiftieth (50th) percentile or lower will trigger a due diligence review and recommendation to the RPMC, which may lead to a Watch List or termination recommendation.
- Three (3) year annualized return less than ninety (90) percent of benchmark return will trigger a due diligence review.

Violations of any quantitative and qualitative criteria will trigger an automatic due diligence review, which may lead to placement on the Watch List or termination. A firm placed on the Watch List will remain on the Watch List for at least two (2) consecutive quarters. A firm may be removed from the Watch List at the discretion of the RPMC. The Watch List Policy does not limit the RPMC's ability to retain or terminate the Investment Manager. Any Investment Manager on the Watch List may be restricted from receiving additional funding by the RPMC. If the RPMC determines (with advice from the consultant) the Investment Manager is unlikely (without style drift) to meet the Investment Manager requirements, the Investment Manager may be terminated.



Gwinnett County Public Employees Retirement System - Q1 2013

As of March 31, 2013

Investment Management

Fee Analysis

Account	Fee Schedule	Market Value as of	% of Portfolio	Estimated Annual Fee (\$)	Estimated Annual Fee (%)
Ranier	0.75% of First \$10.0 Mil, 0.50% Remainder	\$102,095,898	11.99%	\$535,479	0.52%
Barrow Hanley	0.75% of First \$10.0 Mil, 0.50% of Next \$15.0 Mil, 0.25% of Next \$175.0 Mil	\$106,247,225	12.47%	\$353,118	0.33%
Atlanta Capital	0.80% of First \$50.0 Mil, 0.50% of Next \$50.0 Mil	\$69,278,134	8.13%	\$496,391	0.72%
Invesco Real Estate	0.75% of First \$10.0 Mil, 0.70% of Next \$10.0 Mil 0.65% Remainder	\$42,860,870	5.03%	\$293,596	0.68%
1607 Capital Partners	0.75% of First \$100.0 Mil, 0.65% of Next \$150.0 Mil, 0.50% on 250.0 Mil or >	\$123,209,273	14.46%	\$900,860	0.73%
Fairpointe Capital	0.65 Flat	\$31,667,074	3.72%	\$205,836	0.65%
Vaughan Nelson	0.85% of First \$10.0 Mil, 0.75% of Next \$15.0 Mil, 0.65% on 25.0 Mil or >	\$30,884,578	3.63%	\$241,634	0.78%



Gwinnett County Public Employees Retirement System - Q1 2013

As of March 31, 2013

Investment Management				Fee Analysis	
Account	Fee Schedule	Market Value as of	% of Portfolio	Estimated Annual Fee (\$)	Estimated Annual Fee (%)
William Blair	0.90 of First \$10.0 Mil, 0.75% of Next \$20.0 Mil, 0.65% of Next \$20.0 Mil, 0.60% of Next \$50.0 Mil	\$29,102,958	3.42%	\$233,272	0.80%
ING Asset Management	0.30% of First \$50.0 Mil, 0.25% of Next \$50.0 Mil, 0.18% of Next \$400.0 Mil	\$163,918,295	19.24%	\$390,053	0.24%
Templeton Global Bond	0.82% Expense Ratio	\$24,264,658	2.85%	\$198,970 Not Billed	0.82%
Dreyfus International	0.65% Expense Ratio	\$22,852,055	2.68%	\$148,538 Not Billed	0.65%
Ryan Labs	0.30% of First \$10.0 Mil, 0.28% of Next \$10.0 Mil, 0.25% of Next \$15.0 Mil, 0.20% of Next \$15.0 Mil, 0.145% of Next \$50.0 Mil, 0.10% of Next \$200.0 Mil	\$105,458,148	12.380%	\$203,458	0.19%
Total Plan		\$851,839,166	100%		





Q12013

Gwinnett County Public Employees Retirement System

Downgraded Bonds 1Q13

ING INVESTMENTS

Position Description	Coupon	Stated Maturity	CUSIP	Date of Downgrade	Moody's Rating	S&P Rating	Fitch Rating	Current Face (m)	Market Price	Market Value (m)
SOLD on 2/28/2013 BSCMS-2005	5.1340	2/13/2042	07383F5Q7	1/9/2013	Baa2		From BBB- to BB			\$100.098

Watch List Commentary

Hello Bill, we have been informed that yesterday, Fitch has downgraded BSCMS 5.134 coupon cusip 07383F5Q7 (PAR 250,000) from BBB- to BB. Moody's is currently rating this security as Baa2. We will look to sell this security within a reasonable time frame.

BOND WAS SOLD ON 02/28/2013.

Downgraded Bonds 1Q13

RYAN LABS

Position Description	Coupon	Stated Maturity	CUSIP	Date of Downgrade	Moody's Rating	S&P Rating	Fitch Rating	Current Face (m)	Market Price	Market Value (m)
SOLD on 3/15/2013 GECMC 2005-C4-AJ	5.3069	11/10/2045	36828QQH2	1/28/2013	From- Baa2 to- Ba3					\$98

Watch List Commentary

1/28/2013 GECMC 2005-C4 AJ is a CMBS position that was downgraded on 1/28/2013 to Ba3 from Baa2 by Moodys. We are actively looking for an optimal trading level as we write this, as liquidity in the space is currently better than at other times in the last year. Although we believe the fundamentals of the security are not materially different, the attractive level for credit risk make it a reasonable time to liquidate. Therefore, we anticipate liquidation well-within the 90 day period and the bond will most likely be sold over the next week. Please do not hesitate to contact us with any questions.

BOND WAS SOLD ON 3/15/13.

We have gathered the information contained in this report from sources we believe to be reliable; but we do not guarantee the accuracy or completeness of such information, and we assume no liability for damages resulting from or arising out of the use of such information.



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Gwinnett County Retirement Plans Fund Performance Review



March 31, 2013

RETIREMENT SERVICES

Section

I. Economic Review

II. Investment Analysis

- Efficient Frontier Map: Plan Diversification
- Performance Monitoring
- Manager Style and Manager Style Drift
- Compliance Report Card

III. Investment Policy Monitoring

IV. Glossary





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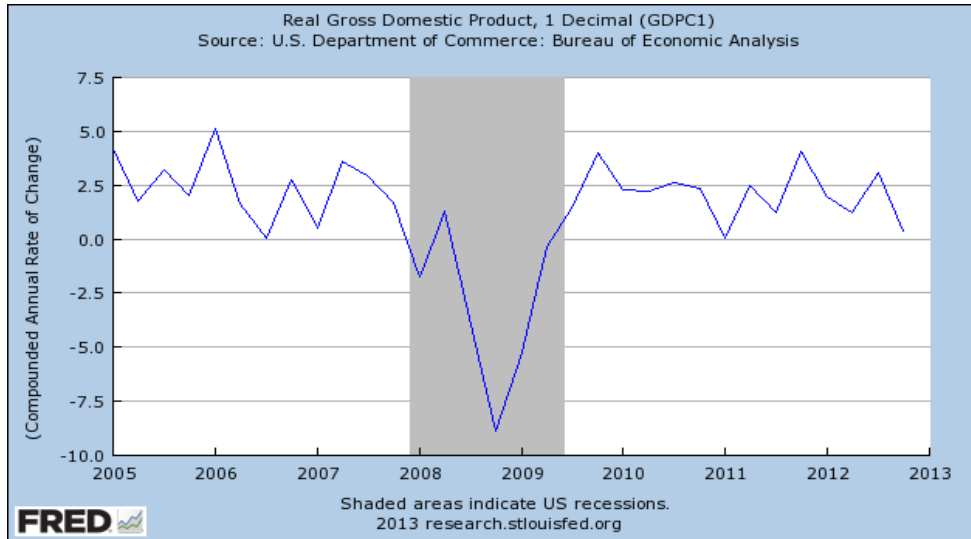
Economic and Capital Markets Review

First Quarter, 2013

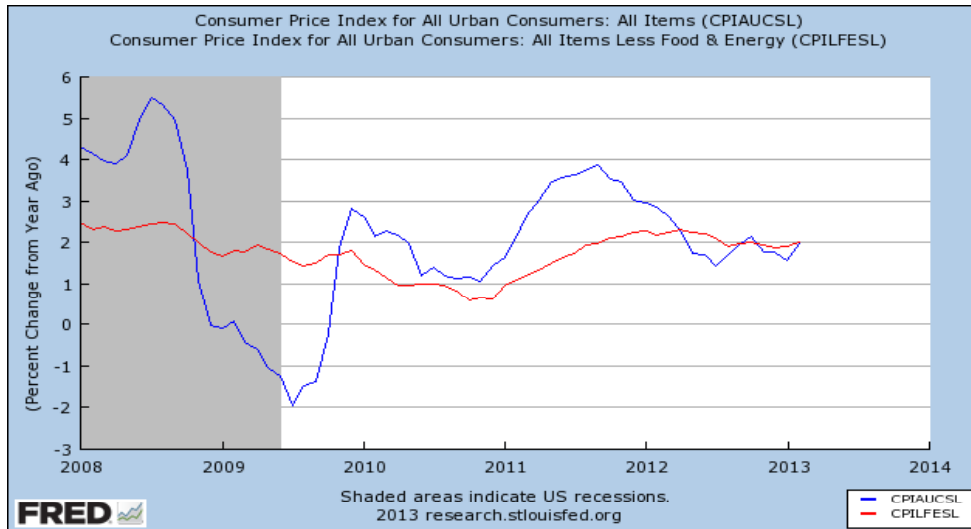


Advised Assets Group, LLC

Current Economic Conditions



Source: St. Louis Fed, <http://research.stlouisfed.org/fred2/graph/?id=GDPC1>



Source: St. Louis Fed, <http://research.stlouisfed.org/fred2/graph/?id=CPIAUCSL#>

GDP

- Real Gross Domestic Product increased at an annual rate of 0.4% in the fourth quarter of 2012.¹
 - The government’s first estimate suggested the economy contracted at an annual rate of 0.1%, a decline that was erased by revisions.
 - The downturn in private inventory investment and federal government spending and a deceleration in exports detracted from GDP in the quarter. Largest decrease in defense spending in 40 years.²
 - For all of 2012, the economy grew 2.2% after a 1.8% increase in 2011.

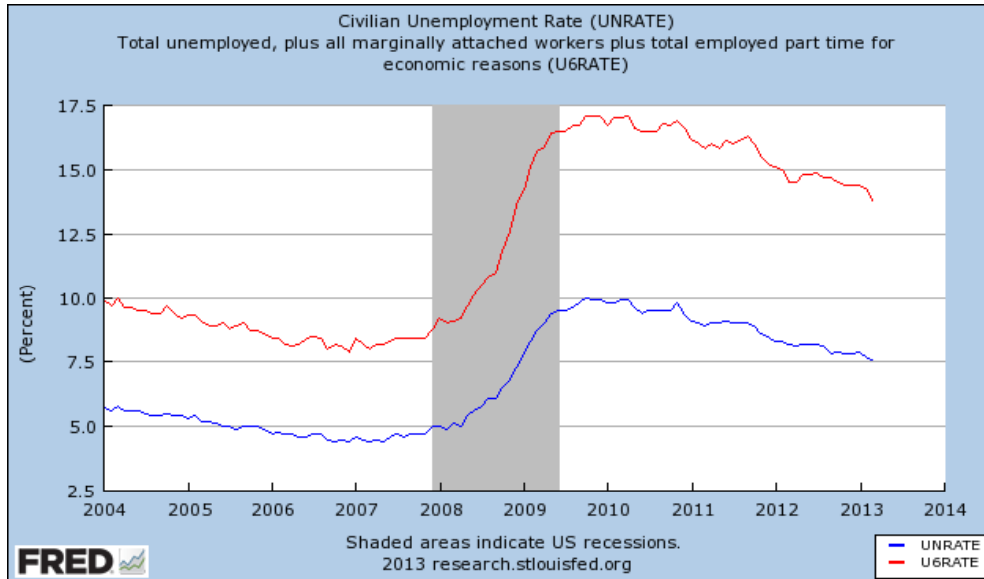
Inflation

- The Consumer Price Index (CPI) increased 2.0% for the 12 months ending in February.³
 - The 12 month change in Core CPI (CPI ex food & energy) was 2.0% over the previous 12 months.
 - The gasoline index rose 9.1% in February. The energy index rose 5.4% in the month.
 - Over the last 12 months, the energy index has risen 2.3% while the food index has risen 1.6%.

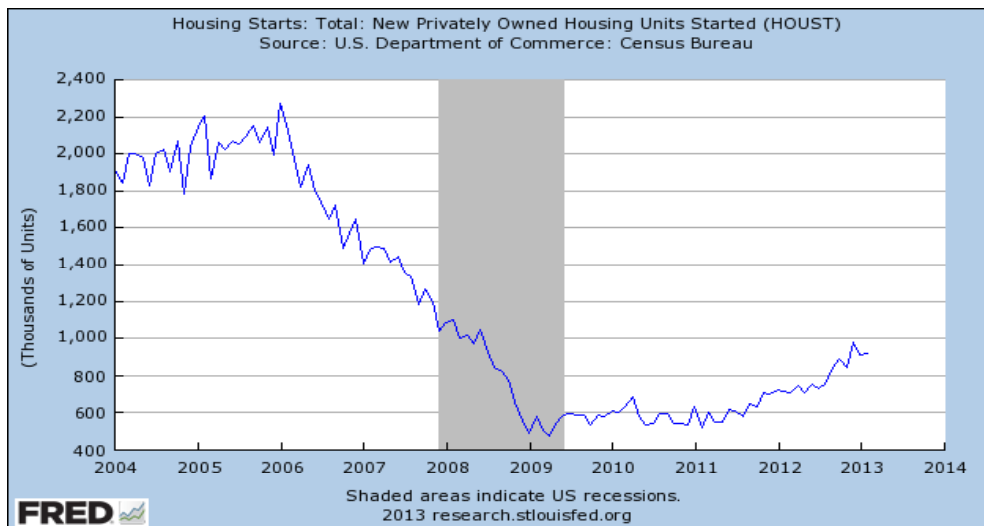




Current Economic Conditions



Source: St. Louis Fed, <http://research.stlouisfed.org/fred2/graph/?id=UNRATE>



Source: St. Louis Fed, <http://research.stlouisfed.org/fred2/graph/?id=HOUST#>

Employment Statistics

- The official unemployment rate (U-3) was unchanged at 7.6% at the end of March.⁴
 - Non-farm payrolls increased by 88,000 in March. For the month, employment increased in healthcare and professional and business services while declining in retail trade.
 - The "U-6 Rate", the most comprehensive measure of the nation's employment situation, fell to 13.8% in March from 14.3% the prior month.
 - The labor force participation rate continues to decline, falling to 63.3% in March.

Housing

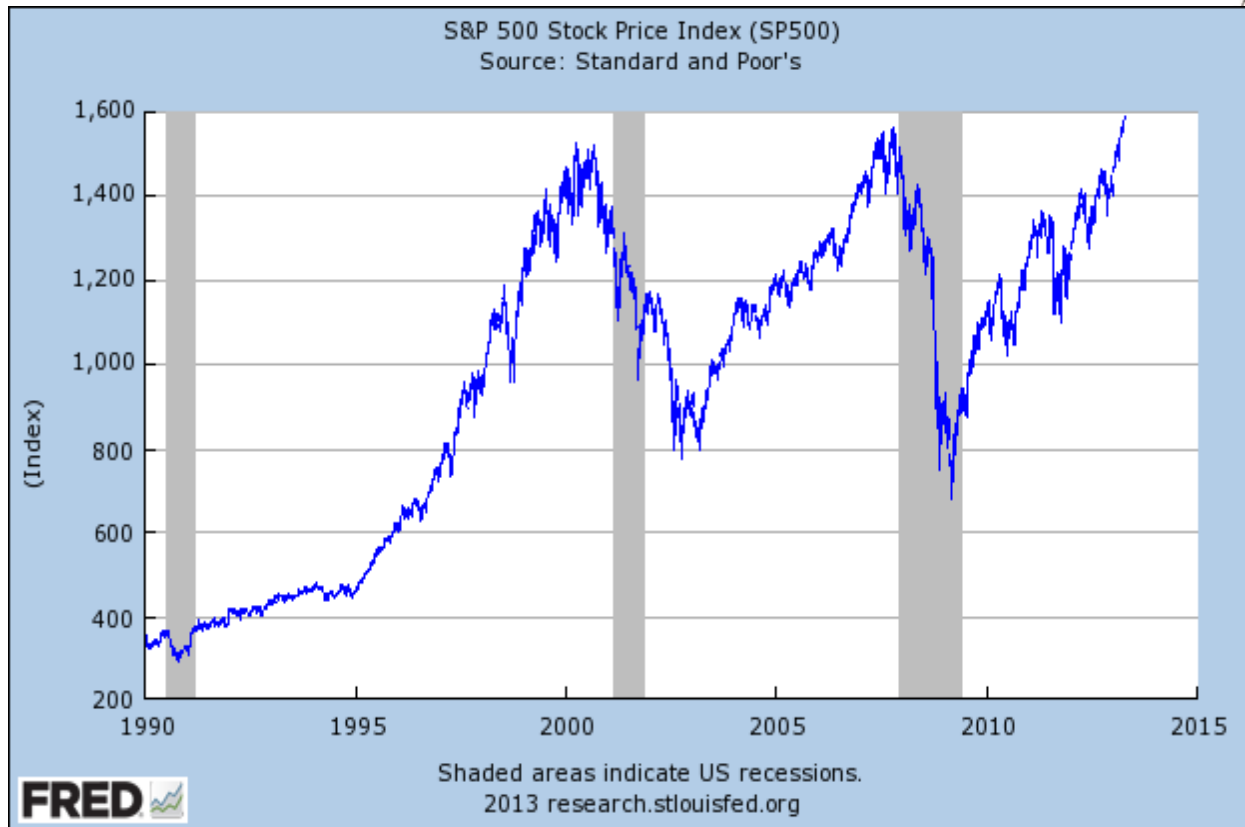
- November Housing Starts increased 0.8% from the January measure.⁵
 - This number represents a 27.7% increase from the February 2012 measure.
 - Building permits increased 4.6% from the revised January estimate. This represents a 33.8% increase over the previous 12 months.



Current Market Conditions



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GROUP



<http://research.stlouisfed.org/fred2/graph/?id=SP500,#>

Equity Markets

- The S & P 500® Index was up 10.6% in 1Q 2013.
- The index is up 13.96% over the last twelve months ending March 31, 2013.⁶
- Despite concerns about European austerity measures, a slowdown in China, threats from North Korea, and domestic fiscal policy, equity markets are reaching new highs.



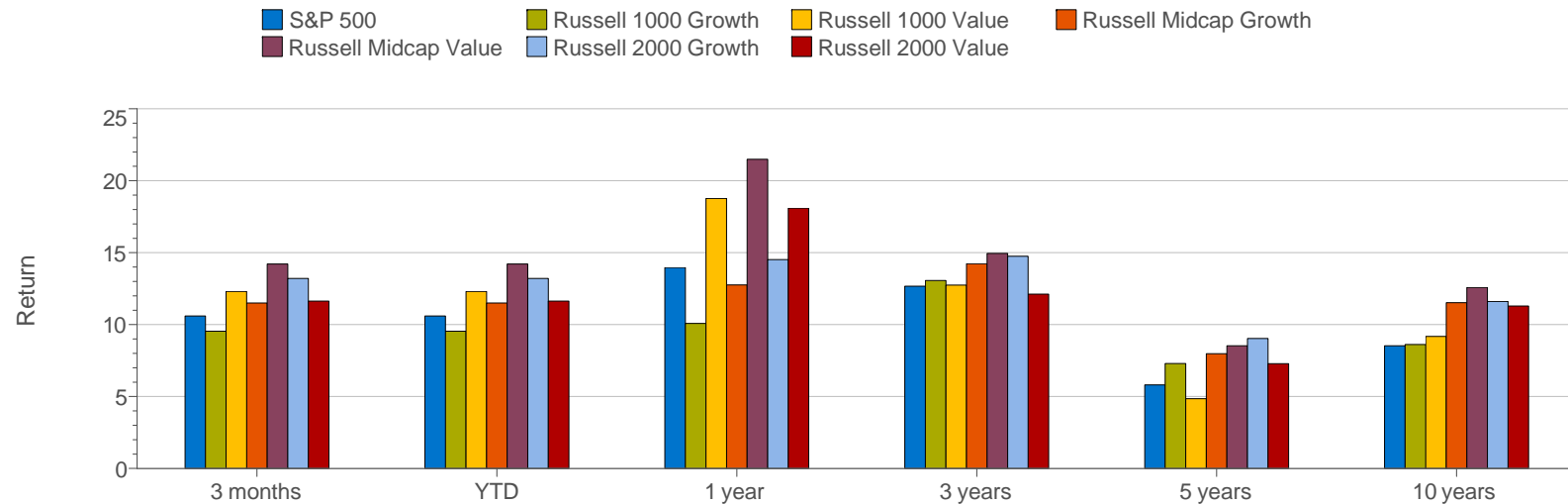
Market Update – Domestic Equity



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Zephyr StyleADVISOR

Domestic Equity Indices - Total Return as of March 2013



Domestic equity markets were strong starting off 2013.

- Large cap stocks underperformed versus mid and small caps in the first quarter.
- Value stocks continued the recent trend, outperforming growth stocks by a slight margin.
- 2012 was a good year for stocks, with most major categories generating returns in excess of 15%.



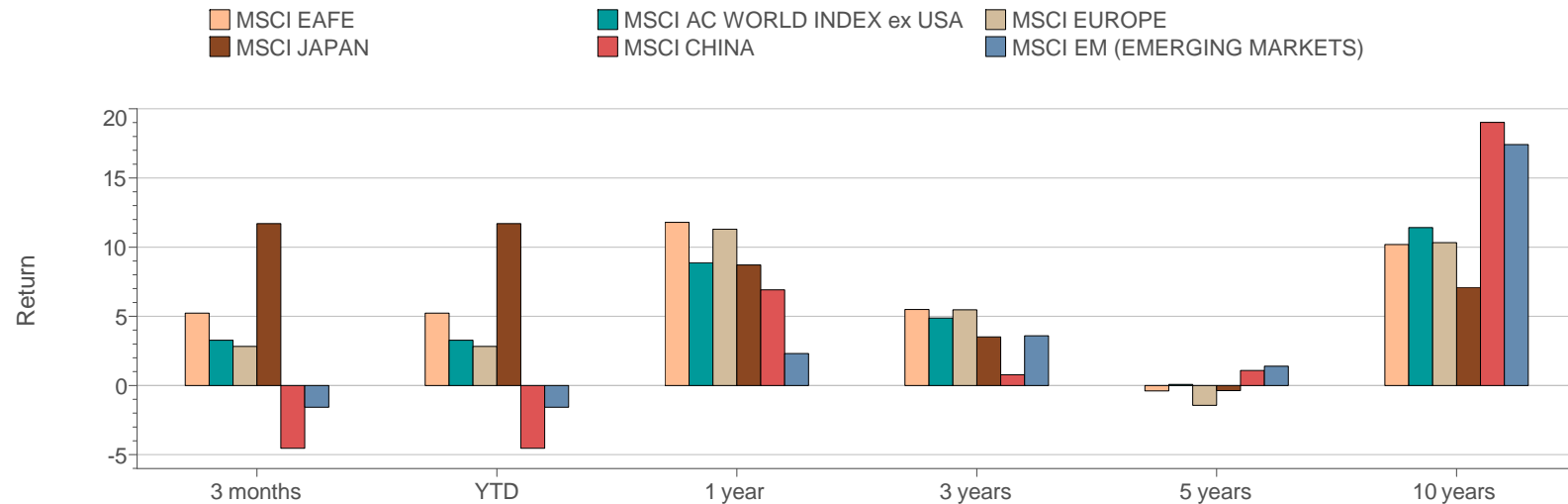
Market Update – International Equity



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Zephyr StyleADVISOR

International Equity Indices - Total Return as of March 2013

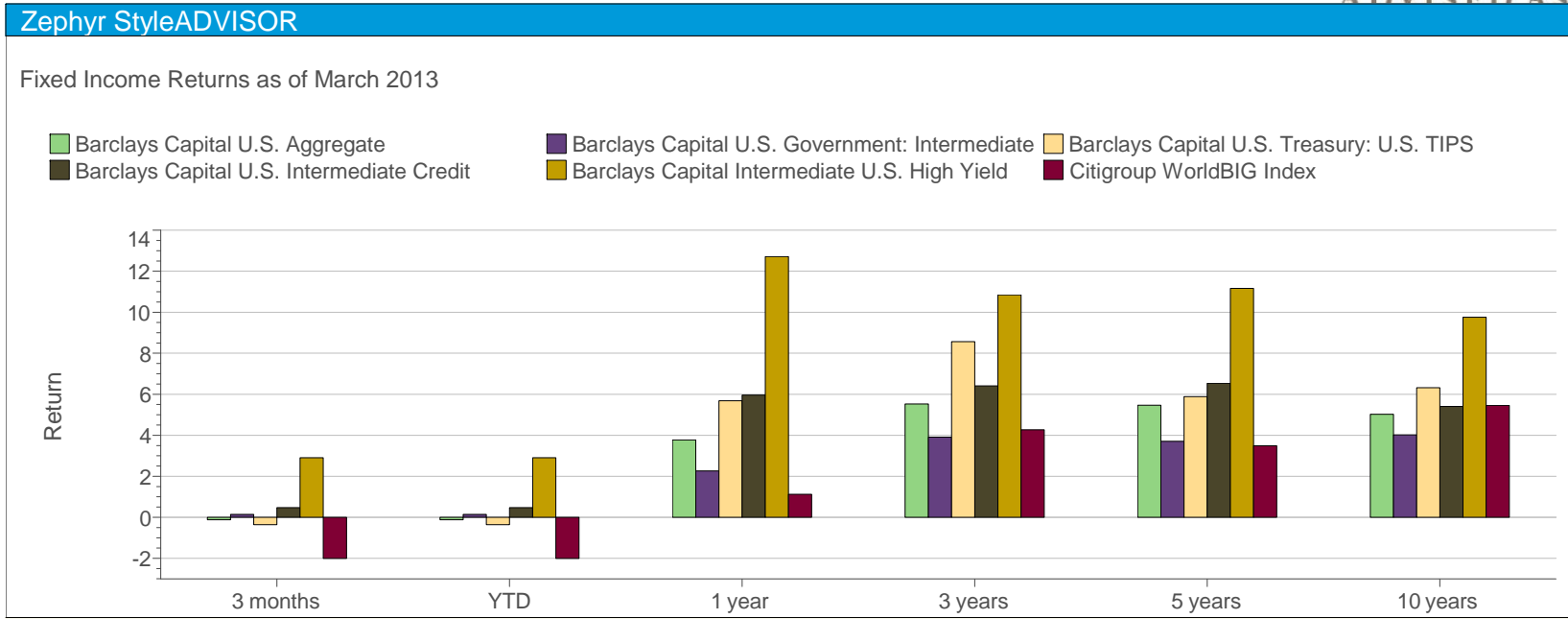


International stocks saw small gains for the first quarter.

- The Chinese stock market gave back some gains witnessed in the fourth quarter.
- Japanese stocks were the best performing group in the first quarter.
- China was the best performing market in 2012. Outside of Japan, most foreign economies generated solid +15% returns on stocks.



Market Update – Fixed Income

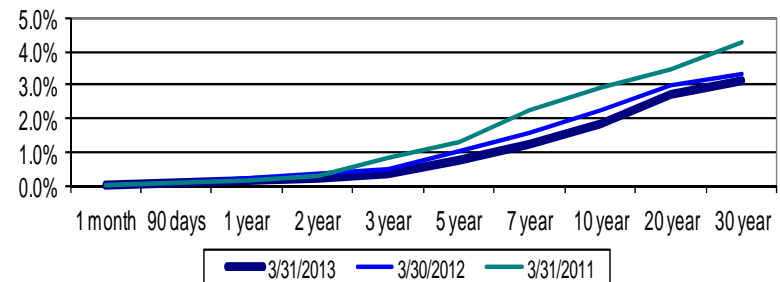


Fixed Income markets saw small gains for the quarter.

- Investors showed little interest in “safer” instruments, as government bonds lagged other categories.
- High Yield bonds have shown the best returns across all time periods over the past 10 years on a rolling basis.

Treasury Yield Curve⁷

www.treasury.gov



¹ Bureau of Economic Analysis, U.S. Department of Commerce, News Release, March 28, 2013

www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm

²<http://www.nytimes.com/2013/01/31/business/economy/us-economy-unexpectedly-contracted-in-fourth-quarter.html>

³ Bureau of Labor Statistics, U.S. Department of Labor, Economic News Release “Consumer Price Index – February 2013”, March 15, 2013, www.bls.gov/news.release/pdf/cpi.pdf

⁴ Bureau of Labor Statistics, U.S. Department of Labor, Economic News Release “Employment Situation Summary”, January 4, 2013. www.bls.gov/news.release/empsit.nr0.htm

⁵ U.S. Census Bureau, U.S. Department of Housing and Urban Development, Economic News Release “New Residential Construction in February, 2013”, March 19, 2013. <http://www.census.gov/construction/nrc/>

⁶<http://www.standardandpoors.com/indices/sp-500/en/us/?indexId=spusa-500-usduf--p-us-l-->

⁷U.S. Department of the Treasury, Data and Charts Center, <http://www.treasury.gov/resource-center/data-chart-center/Pages/index.aspx>





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NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY | MAY LOSE VALUE





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Executive Summary

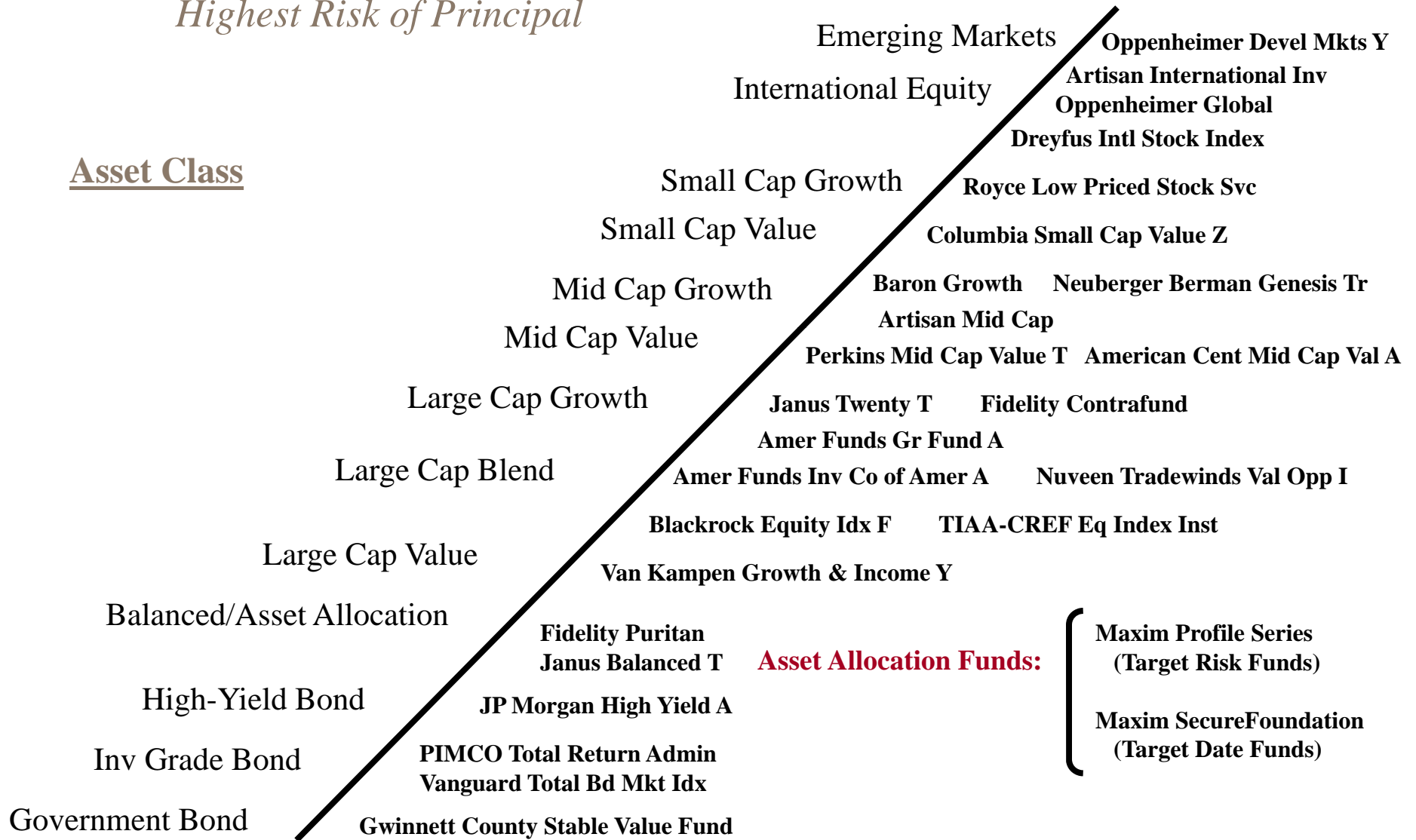


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Gwinnett County Plan Options

Highest Risk of Principal

Asset Class



Asset Allocation Funds:

Maxim Profile Series
(Target Risk Funds)

Maxim SecureFoundation
(Target Date Funds)

Lowest Risk of Principal

Performance Monitoring



Group/Investment	1/1/2013 3/31/2013		4/1/2012 3/31/2013		4/1/2010 3/31/2013		4/1/2008 3/31/2013		4/1/2003 3/31/2013	
	Return	% of Peer Group Beaten	Return	% of Peer Group Beaten	Return	% of Peer Group Beaten	Return	% of Peer Group Beaten	Return	% of Peer Group Beaten
US OE Diversified Emerging Mkts										
Oppenheimer Developing Markets Y	0.17	60	5.73	69	7.29	91	6.05	96	21.33	100
Benchmark 1: MSCI EM NR USD	-1.62		1.96		3.27		1.09		17.05	
Benchmark 2: US OE Diversified Emerg	-0.26		3.66		2.98		-0.11		15.60	
Number of investments ranked		660		593		407		323		219
US OE Foreign Large Blend										
Artisan International Inv	6.02	94	15.11	94	10.23	99	1.77	91	11.60	93
Dreyfus Intl Stock Index	4.08	61	10.70	68	4.51	43	-1.33	41	9.17	50
Benchmark 1: MSCI EAFE NR USD	5.13		11.25		5.00		-0.89		9.69	
Benchmark 2: US OE Foreign Large Ble	3.67		9.64		4.75		-1.24		8.98	
Number of investments ranked		838		802		771		702		497
US OE World Stock										
Oppenheimer Global Y	7.16	53	13.92	79	9.16	66	4.92	85	11.69	83
Nuveen Tradewinds Value Opportunities	6.59	43	4.29	10	6.73	28	7.03	96		
Benchmark 1: MSCI World NR USD	7.73		11.85		8.46		2.23		8.88	
Benchmark 2: US OE World Stock	6.86		10.51		7.71		2.13		9.38	
Number of investments ranked		1,065		949		792		681		425
US OE Small Growth										
Royce Low Priced Stock Svc	1.37	0	-5.04	0	4.42	2	4.31	6	10.78	39
Benchmark 1: Russell 2000 Growth TR	13.21		14.52		14.75		9.04		11.61	
Benchmark 2: US OE Small Growth	12.07		11.32		13.07		7.38		10.10	
Number of investments ranked		753		742		712		680		558
US OE Small Value										
Columbia Small Cap Value Fund II Z	13.95	84	16.92	56	14.05	84	7.64	38	12.62	77
Benchmark 1: Russell 2000 Value TR U:	11.63		18.09		12.12		7.29		11.29	
Benchmark 2: US OE Small Value	12.25		16.43		12.72		8.11		11.25	
Number of investments ranked		380		372		319		314		229
US OE Mid-Cap Growth										
Neuberger Berman Genesis Tr	11.27	64	14.47	84	13.86	69	6.51	46	12.44	84
Baron Growth Retail	13.38	93	21.09	98	15.84	89	8.58	77	11.66	68
Artisan Mid Cap Inv	8.71	8	7.53	25	16.28	91	10.06	89	12.27	79
Benchmark 1: Russell Mid Cap Growth	11.51		12.76		14.23		7.98		11.53	
Benchmark 2: US OE Mid-Cap Growth	10.72		10.12		12.22		6.10		9.69	
Number of investments ranked		732		729		701		674		594

For Plan Sponsor Use Only

DATA SOURCE: Morningstar 03/31/13



Performance Monitoring



Group/Investment	1/1/2013 3/31/2013		4/1/2012 3/31/2013		4/1/2010 3/31/2013		4/1/2008 3/31/2013		4/1/2003 3/31/2013	
	Return	% of Peer Group Beaten	Return	% of Peer Group Beaten	Return	% of Peer Group Beaten	Return	% of Peer Group Beaten	Return	% of Peer Group Beaten
US OE Mid-Cap Value										
Perkins Mid Cap Value T	11.15	16	11.47	9	9.11	13	6.34	34	11.68	62
American Century Mid Cap Value A	11.55	21	17.83	49	12.84	56	9.66	85		
Benchmark 1: Russell Mid Cap Value TF	14.21		21.49		14.96		8.53		12.57	
Benchmark 2: US OE Mid-Cap Value	12.89		17.16		12.51		7.33		10.64	
Number of investments ranked		443		437		402		380		282
US OE Large Growth										
Fidelity Contrafund	9.18	64	10.41	70	12.68	82	6.27	65	10.89	92
American Funds Growth Fund of Amer A	8.56	44	14.20	93	10.29	39	4.45	33	9.40	77
Janus Twenty T	5.06	1	7.03	36	6.72	4	2.22	7	10.59	90
Benchmark 1: Russell 1000 Growth TR	9.54		10.09		13.06		7.30		8.62	
Benchmark 2: US OE Large Growth	8.79		8.31		10.53		4.98		7.40	
Number of investments ranked		1,759		1,741		1,624		1,559		1,306
US OE Large Blend										
American Funds Invmt Co of Amer A	9.26	21	13.71	64	10.04	32	4.64	42	8.08	46
TIAA-CREF Equity Index Instl	11.02	69	14.45	76	12.91	88	6.30	81	9.10	75
Great-West Aggressive Profile I Init	9.31	22	13.00	48	10.09	33	4.31	35	9.41	81
Benchmark 1: S&P 500 NR USD	10.43		13.19		11.96		5.11		7.86	
Benchmark 2: US OE Large Blend	10.40		12.71		10.75		4.70		7.73	
Number of investments ranked		1,757		1,698		1,580		1,515		1,194
US OE Large Value										
Invesco Growth and Income Y	12.52	86	17.56	87	10.14	33	6.06	78	9.35	74
Benchmark 1: Russell 1000 Value TR U:	12.31		18.77		12.74		4.85		9.18	
Benchmark 2: US OE Large Value	11.21		14.70		10.76		4.28		8.00	
Number of investments ranked		1,293		1,233		1,151		1,108		913
US OE Aggressive Allocation										
Great-West Moderately Agg Profile I Ini	6.87	56	10.82	65	8.80	56	5.28	88	8.83	84
Benchmark 1: Morningstar Aggressive	8.12		12.45		10.53		5.00		10.48	
Benchmark 2: US OE Aggressive Allocat	6.81		10.19		8.47		4.09		7.62	
Number of investments ranked		453		418		351		332		192

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DATA SOURCE: Morningstar 03/31/13



Performance Monitoring



Group/Investment	1/1/2013 3/31/2013		4/1/2012 3/31/2013		4/1/2010 3/31/2013		4/1/2008 3/31/2013		4/1/2003 3/31/2013	
	Return	% of Peer Group Beaten	Return	% of Peer Group Beaten	Return	% of Peer Group Beaten	Return	% of Peer Group Beaten	Return	% of Peer Group Beaten
US OE Moderate Allocation										
Fidelity Puritan	5.77	53	9.07	45	9.79	82	6.04	79	8.11	77
Janus Balanced T	6.51	70	9.99	65	8.30	46	6.91	92	8.52	87
Great-West Moderate Profile I Init	5.66	51	9.48	56	7.88	33	5.54	64	8.17	79
Great-West Moderately Cnsvr Prfl I Init	4.45	18	8.18	28	7.06	17	5.67	71	7.43	55
Benchmark 1: Morningstar Moderately	6.82		10.91		9.78		5.36		9.79	
Benchmark 2: US OE Moderate Allocati	5.67		9.35		8.22		4.53		6.82	
Number of investments ranked		1,024		946		855		795		594
US OE Conservative Allocation										
Great-West Conservative Profile I Init	3.24	46	7.03	44	6.26	28	5.61	63	6.08	46
Benchmark 1: Morningstar Conservativ	1.35		4.80		6.24		4.84		5.95	
Benchmark 2: US OE Conservative Allo	3.28		7.34		7.03		4.91		5.46	
Number of investments ranked		793		725		633		561		295
US OE High Yield Bond										
JPMorgan High Yield A Load Waived	2.84	60	11.88	49	9.67	35	10.30	73	9.38	81
Benchmark 1: Barclays US HY Interm 1	2.90		12.72		10.85		11.17		9.75	
Benchmark 2: US OE High Yield Bond	2.77		11.76		9.86		8.78		8.07	
Number of investments ranked		686		648		579		555		478
US OE Intermediate-Term Bond										
PIMCO Total Return Admin	0.54	77	7.65	83	6.65	67	7.50	84	6.39	91
Vanguard Total Bond Market Index Sign	-0.06	24	3.81	20	5.49	30	5.43	32	4.99	50
Benchmark 1: Barclays US Govt/Credit	0.24		6.70		8.42		7.16		6.12	
Benchmark 2: US OE Intermediate-Ter.	0.32		5.51		6.04		5.56		4.59	
Number of investments ranked		1,259		1,214		1,122		1,061		946

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DATA SOURCE: Morningstar 03/31/13



Performance Monitoring



Group/Investment	1/1/2013 3/31/2013		4/1/2012 3/31/2013		4/1/2010 3/31/2013		4/1/2008 3/31/2013		4/1/2003 3/31/2013	
	Return	% of Peer Group Beaten	Return	% of Peer Group Beaten	Return	% of Peer Group Beaten	Return	% of Peer Group Beaten	Return	% of Peer Group Beaten
US OE Target Date 2011-2015										
Great-West SecureFoundation® LT 2015 G	5.06	99	9.10	85	7.87	58				
Benchmark 1: Morningstar Lifetime Moderate 2015	4.25		8.33		9.48		5.74		9.75	
Benchmark 2: US OE Target Date 2011-2015	3.58		7.70		7.36		3.72		5.89	
Number of investments ranked		180		163		145				
US OE Target Date 2016-2020										
Great-West SecureFoundation® LT 2020 G	5.10	75	9.23	71						
Benchmark 1: Morningstar Lifetime Moderate 2020	5.01		9.11		9.87		5.63		10.28	
Benchmark 2: US OE Target Date 2016-2020	4.14		8.10		7.99		4.05		7.08	
Number of investments ranked		223		217						
US OE Target Date 2021-2025										
Great-West SecureFoundation® LT 2025 G	5.60	64	9.80	63	7.77	21				
Benchmark 1: Morningstar Lifetime Moderate 2025	5.98		10.08		10.24		5.45		10.64	
Benchmark 2: US OE Target Date 2021-2025	5.13		9.36		8.36		3.84			
Number of investments ranked		183		165		132				
US OE Target Date 2026-2030										
Great-West SecureFoundation® LT 2030 G	6.53	74	10.67	75						
Benchmark 1: Morningstar Lifetime Moderate 2030	6.90		11.06		10.51		5.29		10.82	
Benchmark 2: US OE Target Date 2026-2030	5.51		9.35		8.47		3.66		7.29	
Number of investments ranked		223		217						
US OE Target Date 2031-2035										
Great-West SecureFoundation® LT 2035 G	7.16	79	11.38	77	8.62	27				
Benchmark 1: Morningstar Lifetime Moderate 2035	7.50		11.76		10.65		5.21		10.94	
Benchmark 2: US OE Target Date 2031-2035	6.38		10.49		8.98		3.92			
Number of investments ranked		183		165		132				

For Plan Sponsor Use Only

DATA SOURCE: Morningstar 03/31/13



Performance Monitoring



Group/Investment	1/1/2013 3/31/2013		4/1/2012 3/31/2013		4/1/2010 3/31/2013		4/1/2008 3/31/2013		4/1/2003 3/31/2013	
	Return	% of Peer Group Beaten	Return	% of Peer Group Beaten	Return	% of Peer Group Beaten	Return	% of Peer Group Beaten	Return	% of Peer Group Beaten
US OE Target Date 2036-2040										
Great-West SecureFoundation® LT 2040 G	7.42	76	11.65	76						
Benchmark 1: Morningstar Lifetime Moderate 2040	7.70		12.07		10.66		5.18		11.05	
Benchmark 2: US OE Target Date 2036-2040	6.42		10.01		8.83		3.65		7.77	
Number of investments ranked		220		214						
US OE Target Date 2041-2045										
Great-West SecureFoundation® LT 2045 G	7.32	66	11.61	69	8.71	22				
Benchmark 1: Morningstar Lifetime Moderate 2045	7.66		12.08		10.57		5.12		11.14	
Benchmark 2: US OE Target Date 2041-2045	6.88		10.91		9.22		3.88			
Number of investments ranked		182		164		131				
US OE Target Date 2046-2050										
Great-West SecureFoundation® LT 2050 G	7.20	61	11.55	70						
Benchmark 1: Morningstar Lifetime Moderate 2050	7.57		12.03		10.48		5.06		11.22	
Benchmark 2: US OE Target Date 2046-2050	6.74		10.35		8.99		3.79		8.05	
Number of investments ranked		204		196						
US OE Target Date 2051+										
Great-West SecureFoundation® LT 2055 G	7.15	50	11.47	61	8.49	23				
Benchmark 1: Morningstar Lifetime Moderate 2050	7.57		12.03		10.48		5.06		11.22	
Benchmark 2: US OE Target Date 2051+	7.25		11.15		9.22		3.82		8.09	
Number of investments ranked		130		112		45				

For Plan Sponsor Use Only

DATA SOURCE: Morningstar 03/31/13



Stable Asset Fund



Gwinnett County Stable Asset Fund

Performance *(as of March 31, 2013)*

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
Fund*	2.54%	3.10%	3.53%	3.73%
<i>Morningstar Taxable MM Funds</i>	0.03%	0.03%	0.31%	1.52%
<i>1-3 Year Treasuries</i>	0.64%	1.27%	1.76%	2.68%

Average Credit Quality: AAA (Moody's)

Average Duration: 3.36 years

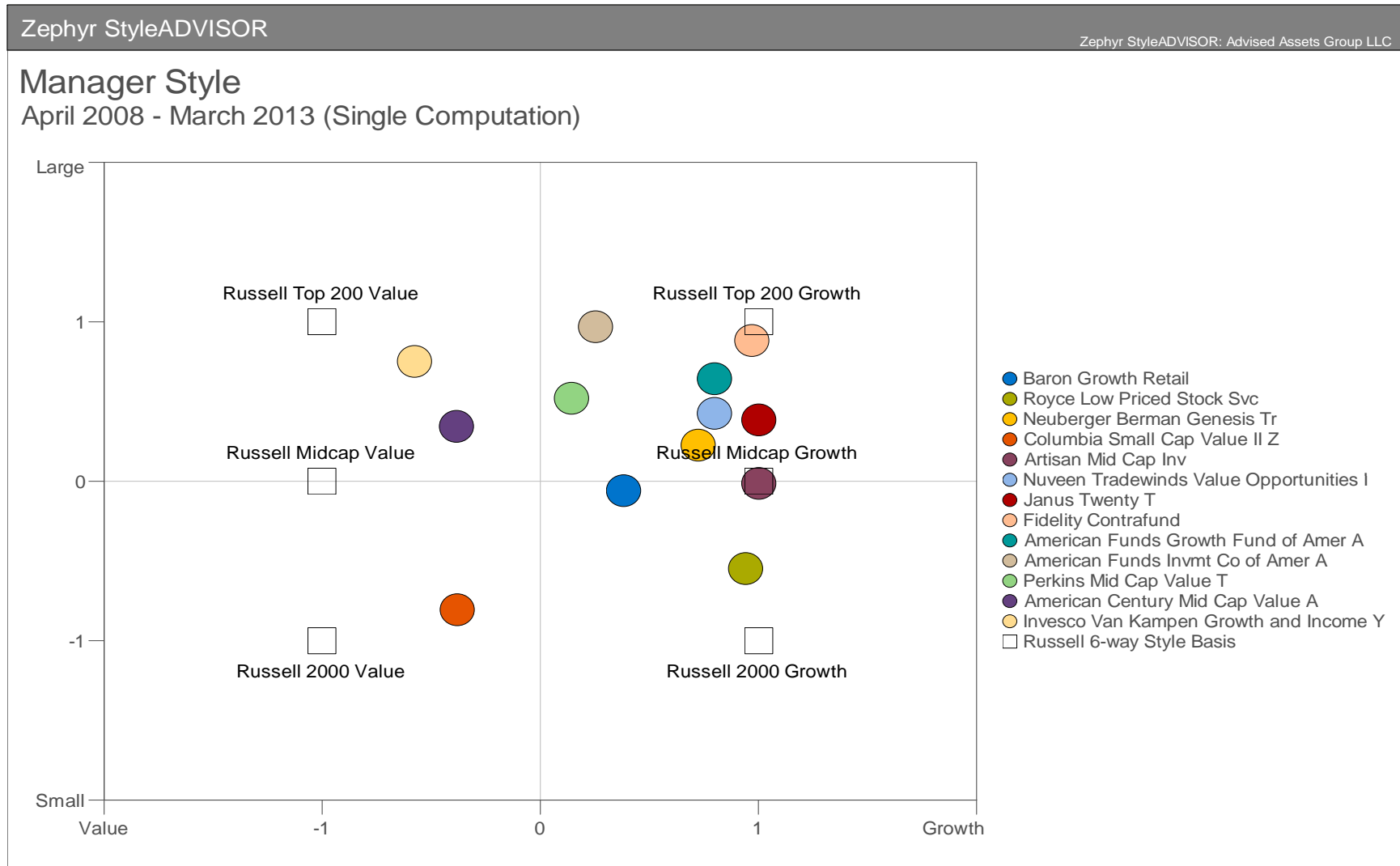
BV to MV: 102.9%

** Fund performance is Net of Fees.*



Manager Style

Manager Style Graph: Each quadrant of the graph represents one of the four major domestic equity components of the market. From top left working clockwise the quadrants include Large Value, Large Growth, Small Growth and Small Value.



Fund Compliance Report Card

Performance Summary: Gwinnett County Retirement Plans

period ended 03/31/2013

Morningstar Category	Fund Complex Rating	Ticker Symbol	Fund Name	Overall Rating ¹					Long-Term Rolling Analysis ²		
				Composite %s			Mstar Rating	Pass/Fail	Consecutive Quarters Below	# of Quarters Below out of trailing 12	Pass/Fail
				Overall	Return	Sharpe					
Int'l ³	Diversified Emerging Mkts	ODVYX	Oppenheimer Developing Markets Y	94.2	95.3	93.0	5	Above	0	0 out of 12	Pass
	Foreign Large Blend	ARTIX	Artisan International Inv	94.3	94.0	94.5	4	Above	0	0 out of 12	Pass
	World Stock	OGLYX	Oppenheimer Global Y	72.3	77.0	67.5	4	Above	0	0 out of 12	Pass
	World Stock	NVORX	Nuveen Tradewinds Value Opportunities I	64.3	61.5	67.0	4	Above	0	0 out of 12	Pass
Small-Cap ⁵	Small Growth	RYLPX	Royce Low Priced Stock Svc	10.4	16.3	4.5	1	Below	1	2 out of 12	Fail
	Small Value	NSVAX	Columbia Small Cap Value Fund II Z	60.5	67.0	54.0	4	Above	0	0 out of 12	Pass
Mid-Cap ⁸	Mid-Cap Growth	ARTMX	Artisan Mid Cap Inv	85.8	86.0	85.5	4	Above	0	0 out of 12	Pass
	Mid-Cap Growth	BGRFX	Baron Growth Retail	81.4	78.3	84.5	4	Above	0	0 out of 12	Pass
	Mid-Cap Growth	NBGEX	Neuberger Berman Genesis Tr	67.3	65.7	69.0	4	Above	0	0 out of 12	Pass
	Mid-Cap Value	ACLAX	American Century Mid Cap Value A	81.8	71.5	92.0	4	Above	0	0 out of 12	Pass
	Mid-Cap Value	JMCVX	Perkins Mid Cap Value T	33.9	35.3	32.5	3	Neutral	0	0 out of 12	Pass
Large-Cap	Large Growth	FCNTX	Fidelity Contrafund	82.4	79.3	85.5	5	Above	0	0 out of 12	Pass
	Large Growth	AGTHX	American Funds Growth Fund of Amer A	46.3	49.7	43.0	3	Neutral	0	0 out of 12	Pass
	Large Growth	JAVLX	Janus Twenty T	19.3	33.7	5.0	3	Below	1	1 out of 12	Fail
	Large Blend	AIVSX	American Funds Invmt Co of Amer A	41.5	40.0	43.0	3	Neutral	0	0 out of 12	Pass
	Large Blend	MXPPX	Great-West Aggressive Profile I Init	40.0	51.0	29.0	3	Neutral	0	1 out of 12	Pass
	Large Value	ACGMX	Invesco Growth and Income Y	59.3	62.0	56.5	4	Above	0	0 out of 12	Pass
Asst All/Other	Aggressive Allocation	MXRPX	Great-West Moderately Agg Profile I Init	75.3	74.7	76.0	4	Above	0	0 out of 12	Pass
	Moderate Allocation	FPURX	Fidelity Puritan	77.1	78.7	75.5	4	Above	0	0 out of 12	Pass
	Moderate Allocation	JABAX	Janus Balanced T	75.0	75.0	75.0	4	Above	0	0 out of 12	Pass
	Moderate Allocation	MXTPX	Great-West Moderately Cnsvr Prfl I Init	60.0	47.0	73.0	4	Above	0	0 out of 12	Pass
	Moderate Allocation	MXOPX	Great-West Moderate Profile I Init	53.6	58.7	48.5	4	Above	0	0 out of 12	Pass
Conservative Allocation	MXVPX	Great-West Conservative Profile I Init	50.6	45.7	55.5	3	Above	0	0 out of 12	Pass	
Bond ⁹	High Yield Bond	OHYAX	JPMorgan High Yield A Load Waived	60.3	62.0	58.5	4	Above	0	0 out of 12	Pass
	Intermediate-Term Bond	PTRAX	PIMCO Total Return Admin	70.8	80.7	61.0	5	Above	0	0 out of 12	Pass
Index Funds ⁶	Foreign Large Blend	DIISX	Dreyfus Intl Stock Index (idx)	42.1	44.7	39.5	3	N/A	N/A	N/A out of 12	Pass
	Large Blend	TIEIX	TIAA-CREF Equity Index Instl (idx)	81.7	82.3	81.0	4	N/A	N/A	N/A out of 12	Pass
	Intermediate-Term Bond	VBTSX	Vanguard Total Bond Market Index Signal (i	44.8	38.0	51.5	3	N/A	N/A	N/A out of 12	Pass

1.The Overall Rating is derived from the 3, 5 and 10 year net-of-fee performance figures, the 3 and 5 year Sharpe Ratios and the Morningstar Rating™.

2.The Long-Term Rolling Analysis accumulates the trailing 12 quarter Overall Ratings and determines a pass/fail designation accordingly.

Data Source: Morningstar Direct®

Please refer to the Appendix page for additional footnotes

Fund Compliance Report Card

Return Analysis: Gwinnett County Retirement Plans

period ended 03/31/2013

Fund Name	1st Qtr	1st Qtr	Performance vs. Benchmark (Annualized Returns and Return Percentiles %)								Incept. Date	
	2013 Return	2013 Percentile	1 Year Return	1 Year Percentile	3 Year Return	3 Year Percentile	5 Year Return	5 Year Percentile	10 Year Return	10 Year Percentile		
Intl³	Diversified Emerging Mkts Peer Group	-0.57	50	3.01	50	3.53	50	0.52	50	16.04	50	
	Oppenheimer Developing Markets Y	0.17	60	5.73	70	7.29	91	6.05	96	21.33	99	9/7/2005
	Foreign Large Blend Peer Group	3.76	50	9.32	50	4.78	50	-1.00	50	9.18	50	
	Artisan International Inv	6.02	94	15.11	94	10.23	99	1.77	91	11.60	92	12/28/1995
	World Stock Peer Group	7.01	50	11.67	50	8.31	50	2.82	50	10.04	50	
	Oppenheimer Global Y	7.16	53	13.92	76	9.16	66	4.92	84	11.69	81	11/17/1998
Nuveen Tradewinds Value Opportunities I	6.59	43	4.29	10	6.73	27	7.03	96	N/A	N/A	12/9/2004	
Small-Cap⁵	Small Growth Peer Group	12.27	50	12.10	50	13.81	50	8.33	50	11.23	50	
	Royce Low Priced Stock Svc	1.37	1	-5.04	1	4.42	3	4.31	6	10.78	40	12/15/1993
	Small Value Peer Group	12.50	50	16.54	50	12.35	50	8.29	50	11.87	50	
	Columbia Small Cap Value Fund II Z	13.95	84	16.92	56	14.05	84	7.64	39	12.62	78	5/1/2002
Mid-Cap⁵	Mid-Cap Growth Peer Group	10.75	50	10.10	50	12.54	50	6.77	50	10.59	50	
	Artisan Mid Cap Inv	8.71	8	7.53	26	16.28	91	10.06	89	12.27	78	6/27/1997
	Baron Growth Retail	13.38	94	21.09	97	15.84	89	8.58	77	11.66	69	12/30/1994
	Neuberger Berman Genesis Tr	11.27	63	14.47	84	13.86	69	6.51	45	12.44	83	8/26/1993
	Mid-Cap Value Peer Group	12.92	50	17.97	50	12.58	50	7.53	50	11.23	50	
	American Century Mid Cap Value A	11.55	19	17.83	47	12.84	57	9.66	86	N/A	N/A	1/13/2005
	Perkins Mid Cap Value T	11.15	16	11.47	9	9.11	12	6.34	32	11.68	62	8/12/1998
Large-Cap	Large Growth Peer Group	8.71	50	8.33	50	10.86	50	5.47	50	8.12	50	
	Fidelity Contrafund	9.18	64	10.41	70	12.68	81	6.27	65	10.89	92	5/17/1967
	American Funds Growth Fund of Amer A	8.56	45	14.20	92	10.29	39	4.45	32	9.40	78	11/30/1973
	Janus Twenty T	5.06	2	7.03	37	6.72	4	2.22	7	10.59	90	4/30/1985
	Large Blend Peer Group	10.48	50	13.10	50	11.05	50	5.04	50	8.17	50	
	American Funds Invmt Co of Amer A	9.26	21	13.71	65	10.04	32	4.64	42	8.08	46	1/2/1934
	Great-West Aggressive Profile I Init	9.31	22	13.00	48	10.09	34	4.31	36	9.41	83	9/11/1997
	Large Value Peer Group	11.21	50	15.05	50	11.21	50	4.74	50	8.53	50	
	Invesco Growth and Income Y	12.52	86	17.56	85	10.14	33	6.06	79	9.35	74	10/19/2004
Asst All/Other	Aggressive Allocation Peer Group	6.68	50	10.19	50	8.69	50	4.15	50	8.02	50	
	Great-West Moderately Agg Profile I Init	6.87	56	10.82	63	8.80	54	5.28	86	8.83	84	9/11/1997
	Moderate Allocation Peer Group	5.60	50	9.20	50	8.40	50	5.06	50	7.28	50	
	Fidelity Puritan	5.77	54	9.07	46	9.79	82	6.04	78	8.11	76	4/16/1947
	Janus Balanced T	6.51	71	9.99	66	8.30	46	6.91	92	8.52	87	9/1/1992
	Great-West Moderately Cnsv Prfl I Init	4.45	20	8.18	28	7.06	16	5.67	70	7.43	55	9/11/1997
	Great-West Moderate Profile I Init	5.66	52	9.48	57	7.88	34	5.54	64	8.17	78	9/11/1997
	Conservative Allocation Peer Group	3.32	50	7.31	50	7.20	50	5.14	50	6.13	50	
	Great-West Conservative Profile I Init	3.24	46	7.03	45	6.26	29	5.61	63	6.08	45	9/11/1997
Bond⁹	High Yield Bond Peer Group	2.65	50	11.92	50	10.14	50	9.52	50	8.62	50	
	JPMorgan High Yield A Load Waived	2.84	60	11.88	49	9.67	33	10.30	73	9.38	80	11/13/1998
	Intermediate-Term Bond Peer Group	0.19	50	5.40	50	6.08	50	5.97	50	4.98	50	
	PIMCO Total Return Admin	0.54	77	7.65	83	6.65	68	7.50	84	6.39	90	9/8/1994
	Dreyfus Intl Stock Index (idx)	4.08	61	10.70	69	4.51	43	-1.33	41	9.17	50	6/30/1997
Index Funds	TIAA-CREF Equity Index Instl (idx)	11.02	71	14.45	77	12.91	89	6.30	81	9.10	77	7/1/1999
	Vanguard Total Bond Market Index Signal	-0.06	25	3.81	22	5.49	30	5.43	33	4.99	51	9/1/2006

A Percentile Ranking of 100% represents the best in class performance whereas 0% represents the low est.

Investment options available in the plan may be through mutual funds and/or a group fixed annuity contract. Total return performance shown above represents that of the underlying fund and does not include a deduction for any applicable annuity contract of administrative fees/expenses. Performance numbers shown above would be less after applicable fee/expenses are deducted.

Fund Compliance Report Card

Sharpe Ratio and Expense Analysis: Gwinnett County Retirement Plans *period ended 03/31/2013*

Fund Name	Sharpe Ratios and Percentiles %				Standard Deviation		Expense	Expense	Manager	Fund Size	
	3 Yr Ratio	3 Yr %	5 Yr Ratio	5 Yr %	3 Yr	5 Yr	Ratio	Percentile %	Tenure (yrs)	\$MM	
Intl³	Diversified Emerging Mkts Peer Group	0.26	50	0.15	50	21.05	28.70	1.58	50		
	Oppenheimer Developing Markets Y	0.45	91	0.34	95	19.79	26.64	1.03	93	6	33,250
	Foreign Large Blend Peer Group	0.33	50	0.07	50	19.36	23.74	1.28	50		
	Artisan International Inv	0.58	97	0.19	92	19.93	24.89	1.19	58	17	10,458
	World Stock Peer Group	0.54	50	0.23	50	17.62	21.86	1.35	50		
	Oppenheimer Global Y	0.56	55	0.31	80	18.75	22.62	0.93	87	9	9,113
Nuveen Tradewinds Value Opportunities I	0.50	40	0.42	94	15.07	20.71	0.91	88	1	608	
Small-Cap⁵	Small Growth Peer Group	0.75	50	0.45	50	19.85	23.60	1.35	50		
	Royce Low Priced Stock Svc	0.30	3	0.28	6	21.84	26.35	1.51	36	11	2,447
	Small Value Peer Group	0.68	50	0.43	50	19.56	24.62	1.32	50		
	Columbia Small Cap Value Fund II Z	0.73	70	0.41	38	20.97	24.62	1.06	77	11	1,477
Mid-Cap⁸	Mid-Cap Growth Peer Group	0.73	50	0.40	50	18.26	22.56	1.23	50		
	Artisan Mid Cap Inv	0.93	86	0.52	85	17.94	23.24	1.33	40	16	6,708
	Baron Growth Retail	0.97	91	0.49	78	16.58	20.98	1.32	40	18	6,617
	Neuberger Berman Genesis Tr	0.91	82	0.41	56	15.58	19.32	1.11	61	19	12,391
	Mid-Cap Value Peer Group	0.75	50	0.43	50	17.57	22.40	1.23	50		
	American Century Mid Cap Value A	0.94	90	0.58	94	13.75	18.32	1.26	44	9	3,461
	Perkins Mid Cap Value T	0.66	21	0.41	44	14.81	18.23	0.84	87	15	12,571
Large-Cap	Large Growth Peer Group	0.69	50	0.35	50	16.73	20.06	1.13	50		
	Fidelity Contrafund	0.92	95	0.43	76	13.95	17.14	0.74	89	23	92,265
	American Funds Growth Fund of Amer A	0.70	52	0.31	34	15.62	19.08	0.71	91	27	116,758
	Janus Twenty T	0.44	3	0.20	7	18.41	22.61	0.81	83	5	8,360
	Large Blend Peer Group	0.75	50	0.34	50	15.56	19.24	1.08	50		
	American Funds Invmt Co of Amer A	0.71	40	0.33	46	14.90	17.60	0.62	84	21	59,533
	Great-West Aggressive Profile I Init	0.65	26	0.29	32	16.90	21.57	1.32	32	16	72
	Large Value Peer Group	0.75	50	0.32	50	15.85	19.71	1.08	50		
	Invesco Growth and Income Y	0.68	34	0.39	79	15.98	19.00	0.59	94	14	7,699
Asst All/Other	Aggressive Allocation Peer Group	0.67	50	0.31	50	13.35	17.31	1.27	50		
	Great-West Moderately Agg Profile I Init	0.72	66	0.38	86	12.77	16.61	1.19	60	16	144
	Moderate Allocation Peer Group	0.82	50	0.41	50	10.44	13.62	1.16	50		
	Fidelity Puritan	0.94	74	0.48	77	10.48	13.40	0.59	95	10	20,753
	Janus Balanced T	0.83	52	0.62	98	10.16	11.33	0.83	80	8	9,544
	Great-West Moderately Cnsv Prfl I Init	0.85	57	0.53	89	8.39	10.92	1.02	63	16	58
	Great-West Moderate Profile I Init	0.76	34	0.44	63	10.63	13.62	1.11	54	16	156
	Conservative Allocation Peer Group	1.07	50	0.55	50	6.79	9.66	1.15	50		
Great-West Conservative Profile I Init	1.01	40	0.66	71	6.13	8.33	0.96	69	16	37	
Bond⁹	High Yield Bond Peer Group	1.40	50	0.78	50	7.10	12.38	1.01	50		
	JPMorgan High Yield A Load Waived	1.33	36	0.90	81	7.08	11.38	1.11	37	14	11,198
	Intermediate-Term Bond Peer Group	2.24	50	1.27	50	2.50	4.29	0.82	50		
	PIMCO Total Return Admin	1.99	29	1.71	93	3.22	4.07	0.71	62	26	289,086
Index Funds	Dreyfus Intl Stock Index (idx)	0.32	41	0.05	38	19.57	23.50	0.60	92	6	500
	TIAA-CREF Equity Index Instl (idx)	0.85	82	0.40	80	15.64	19.63	0.07	99	8	6,169
	Vanguard Total Bond Market Index Signal (2.08	37	1.40	66	2.54	3.58	0.10	99	20	18,033

A Percentile Ranking of 100% represents the best in class performance whereas 0% represents the low est.

Expense refers to the Prospectus Net Expense Ratio

Fund Compliance Report Card

Annual Returns and Statistics: Gwinnett County Retirement Plans

period ended 03/31/2013

	Fund Name	Calendar Year Returns					MPT Statistics (3 year)			Portfolio Construction		
		2012	2011	2010	2009	2008	Alpha	Beta	R2	Turnover Ratio	Number of Holdings	% in top 10 holdings
Intl³	Diversified Emerging Mkts Peer Group	18.79	-19.15	18.48	73.92	-54.21						
	Oppenheimer Developing Markets Y	21.29	-17.85	27.39	82.10	-47.84	4.02	0.91	95	20	123	22%
	Foreign Large Blend Peer Group	18.14	-13.77	10.10	31.19	-43.45						
	Artisan International Inv	25.39	-7.26	5.91	39.77	-46.96	3.44	1.03	95	55	87	36%
	World Stock Peer Group	16.55	-7.68	12.66	33.62	-41.20						
	Oppenheimer Global Y	21.09	-8.46	16.06	39.77	-40.78	-0.04	1.11	97	12	88	23%
	Nuveen Tradewinds Value Opportunities I	2.28	-5.20	24.13	51.14	-31.85	1.59	0.60	83	97	68	31%
Small-Cap⁵	Small Growth Peer Group	13.58	-2.79	27.37	35.76	-40.25						
	Royce Low Priced Stock Svc	4.48	-14.58	31.49	53.58	-35.97	-10.63	1.17	91	8	154	18%
	Small Value Peer Group	15.87	-4.58	25.47	31.54	-31.77						
Mid-Cap⁵	Columbia Small Cap Value Fund II Z	14.57	-2.39	25.64	25.14	-33.63	1.27	1.05	98	41	130	11%
	Mid-Cap Growth Peer Group	14.36	-3.99	25.61	40.79	-42.45						
	Artisan Mid Cap Inv	19.52	-2.08	31.57	50.26	-44.13	2.36	0.97	93	46	73	28%
	Baron Growth Retail	16.43	1.24	24.01	34.24	-39.18	3.19	0.83	95	14	96	27%
	Neuberger Berman Genesis Tr	9.82	4.60	21.38	26.25	-32.85	2.15	0.77	94	15	152	20%
	Mid-Cap Value Peer Group	16.52	-4.28	22.04	35.94	-36.77						
	American Century Mid Cap Value A	16.11	-0.97	19.27	29.97	-24.68	0.64	0.81	97	82	123	21%
Perkins Mid Cap Value T	10.32	-2.55	14.81	30.37	-27.33	-3.18	0.85	98	54	136	14%	
Large-Cap	Large Growth Peer Group	15.28	-1.86	16.01	35.15	-40.27						
	Fidelity Contrafund	16.26	-0.14	16.93	29.23	-37.16	1.93	0.81	97	48	375	30%
	American Funds Growth Fund of Amer A	20.54	-4.89	12.28	34.48	-39.07	-0.87	1.17	97	18	414	23%
	Janus Twenty T	22.31	-8.19	6.97	43.27	-41.97	-5.64	1.07	96	12	33	60%
	Large Blend Peer Group	15.34	-0.49	14.19	27.07	-37.36						
	American Funds Invmt Co of Amer A	15.60	-1.76	10.86	27.18	-34.73	-2.11	1.00	99	21	243	25%
	Great-West Aggressive Profile I Init	16.45	-4.41	15.55	33.01	-40.06	-1.90	1.27	99	32	11	96%
	Large Value Peer Group	14.93	-0.48	13.37	23.86	-36.16						
Invesco Growth and Income Y	14.91	-1.89	12.92	24.55	-31.97	-2.03	1.03	98	25	76	26%	
Asst All/Other	Aggressive Allocation Peer Group	13.72	-3.14	13.92	28.89	-34.92						
	Great-West Moderately Agg Profile I Init	13.89	-2.17	13.15	28.57	-30.24	-0.58	0.96	99	28	16	77%
	Moderate Allocation Peer Group	11.98	-0.36	12.04	24.27	-27.25						
	Fidelity Puritan	13.79	0.67	14.04	26.69	-29.16	1.90	0.78	97	141	1259	15%
	Janus Balanced T	12.97	1.31	7.75	24.28	-15.22	-0.65	1.02	95	84	400	17%
	Great-West Moderately Cnsv Prfl I Init	10.59	-0.08	10.04	22.08	-18.11	0.70	0.63	99	30	15	70%
	Great-West Moderate Profile I Init	12.25	-1.26	11.54	24.43	-23.29	-0.04	0.80	99	24	16	71%
	Conservative Allocation Peer Group	9.55	1.68	10.31	21.10	-19.23						
	Great-West Conservative Profile I Init	9.02	1.06	8.73	20.39	-13.77	0.62	0.63	99	30	14	71%
Bond⁹	High Yield Bond Peer Group	14.72	3.46	14.11	46.99	-24.58						
	JPMorgan High Yield A Load Waived	14.48	2.26	14.46	48.04	-22.67	-2.20	1.11	98	41	1021	7%
	Intermediate-Term Bond Peer Group	6.71	6.35	7.59	13.50	-2.97						
	PIMCO Total Return Admin	10.08	3.91	8.56	13.55	4.55	1.14	0.70	67	584	19938	48%
Index Funds	Dreyfus Intl Stock Index (idx)	17.74	-12.51	7.31	30.15	-43.13	-0.33	1.03	99	11	918	13%
	TIAA-CREF Equity Index Instl (idx)	16.33	0.99	16.88	28.34	-37.23	-0.04	1.00	100	6	2944	15%
	Vanguard Total Bond Market Index Signal	4.15	7.69	6.54	6.04	5.15	-0.26	1.04	99	80	15385	7%

A Percentile Ranking of 100% represents the best in class performance whereas 0% represents the low est.

The Fund Performance Review is a proprietary high level analytical tool that is used to evaluate fund performance and is not intended as an offer or solicitation of securities, or as investment advice.

Investment options available in the plan may be through mutual funds and/or a group fixed annuity contract. Total return performance shown above represents that of the underlying fund and does not include a deduction for any applicable annuity contract of administrative fees/expenses. Performance numbers shown above would be less after applicable fee/expenses are deducted.

Fund Compliance Report Card

Index Performance

period ending 03/31/2013

Index		Total Return 1 Year	Total Return Annlzd 3 Year	Total Return Annlzd 5 Year	Total Return Annlzd 10 Year	Annual Return 2012	Annual Return 2011	Annual Return 2010	Annual Return 2009	Annual Return 2008
International³	MSCI EMF ID	-0.63	0.80	-1.29	14.29	15.15	-20.41	16.36	74.50	-54.47
	MSCI Eafe Ndr_D	11.25	5.00	-0.89	9.69	17.32	-12.14	7.75	31.78	-43.38
	MSCI World Ndr_D	11.85	8.46	2.23	8.88	15.83	-5.54	11.76	29.99	-40.71
Small-Cap⁵	Russell 2000 Growth	14.52	14.75	9.04	11.61	14.59	-2.91	29.09	34.47	-38.54
	Russell 2000	16.30	13.45	8.24	11.52	16.35	-4.18	26.85	27.17	-33.79
	Russell 2000 Value	18.09	12.12	7.29	11.29	18.05	-5.50	24.50	20.58	-28.92
Mid-Cap⁸	Russell Midcap Growth	12.76	14.23	7.98	11.53	15.81	-1.65	26.38	46.29	-44.32
	Standard & Poor's Midcap 400	17.83	15.12	9.85	12.45	17.88	-1.73	26.64	37.38	-36.23
	Russell Midcap Value	21.49	14.96	8.53	12.57	18.51	-1.38	24.75	34.21	-38.44
Large-Cap	Russell 1000 Growth	10.09	13.06	7.30	8.62	15.26	2.64	16.71	37.21	-38.44
	Standard & Poor's 500 TR	13.96	12.67	5.81	8.53	16.00	2.11	15.06	26.46	-37.00
	Russell 1000 Value	18.77	12.74	4.85	9.18	17.51	0.39	15.51	19.69	-36.85
Bond⁹	Barclays Capital Aggregate Bond	3.77	5.52	5.47	5.02	4.21	7.84	6.54	5.93	5.24
	Barclays Capital Credit	7.00	7.86	7.52	5.96	9.37	8.35	8.47	16.04	-3.08
	Barclays Capital Mortgage-Backed	1.97	4.17	5.15	4.98	2.59	6.23	5.37	5.89	8.34
	Barclays Capital Government Bond	3.01	5.04	4.36	4.53	2.02	9.02	5.52	-2.20	12.39
	Barclays Capital 1-3 Year Governm	0.66	1.29	1.91	2.78	0.51	1.56	2.40	1.41	6.66

MSCI EMF ID	A capitalization-weighted index of stocks from 26 emerging markets that only includes issues that may be traded by foreign investors. The reported returns reflect equities priced in US dollars and do not include the effects of reinvested dividends.
MSCI EAFE Ndr_D	Widely accepted as a benchmark for international stock performance, the EAFE Index is an aggregate of 21 individual country indexes that collectively represent many of the major markets of the world.
MSCI World Ndr_D	Includes all 23 MSCI developed market countries. Ndr_D indexes are calculated daily and take into account actual dividends reinvested daily before withholding taxes, but exclude special tax credits declared by companies.
Russell 2000 Growth	Market-weighted total return index that measures the performance of companies within the Russell 2000 Index having higher price-to-book ratios and higher forecasted growth values.
Russell 2000	Consists of the smallest 2000 companies in the Russell 3000 Index, representing approximately 7% of the Russell 3000 total market capitalization.
Russell 2000 Value	Market-weighted total return index that measures the performance of companies within the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values.
Russell Mid Cap Growth	Market-weighted total return index that measures the performance of companies within the Russell Midcap Index having higher price-to-book ratios and higher forecasted growth values.
Standard & Poor's Midcap 400	Includes approximately 10% of the capitalization of U.S. equity securities. These are comprised of stocks in the middle capitalization range.
Russell Mid Cap Value	Market-weighted total return index that measures the performance of companies within the Russell Midcap Index having lower price-to-book ratios and lower forecasted growth values.
Russell 1000 Growth	Market-weighted total return index that measures the performance of companies within the Russell 1000 Index having higher price-to-book ratios and higher forecasted growth values.
Standard & Poor's 500	A market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity and industry group representation.
Russell 1000 Value	Market-weighted total return index that measures the performance of companies within the Russell 1000 Index having lower price-to-book ratios and lower forecasted growth values.
BarCap US Aggregate Bond	Composed of the Barclays Capital Govt/Credit Index, the Mortgage-Backed Securities Index, and the Asset-Backed Securities Index.
BarCap US Credit	Listed for corporate bond-general and high-quality funds. This index tracks the returns of all publicly issued, fixed-rate, nonconvertible, dollar-denominated, SEC-registered, investment-grade corporate debt.
BarCap US MBS	Includes 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA).
BarCap US Government Bond	Listed for government-bond general and Treasury funds because it tracks the returns of U.S. Treasuries, agency bonds, and one- to three-year U.S. government obligations. This index is effective for tracking portfolios holding non-mortgage government securities.
BarCap US Govt 1-3 Yr	Comprised of both the Treasury Bond index (all public obligations of the U.S. Treasury, excluding flower bonds and foreign-targeted issues) and the Agency Bond Index (all publicly issued debt of U.S. Government agencies and quasi-federal corporations and corporate-debt guaranteed by the U.S. Government).

A benchmark index is not actively managed, does not have a defined investment objective, and does not incur fees or expenses. Therefore, performance of an Index Fund will generally be less than its benchmark index. You cannot invest directly in a benchmark index.



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Investment Policy Monitoring



Advised Assets Group, LLC

Investment Policy Monitoring

Name	Ticker	Style Change	Manager Change	Ownership Change	Style Drift	Regulatory Action	Notes:
Oppenheimer Developing Markets Y	ODVYX						<p>1. Dylan Yolles - Staying with the company but moving to a different division of Capital Management and Research. Dylan gave up his role on GFA to focus on other strategies. Martin Romo: Newly disclosed PC on the fund. Martin has been managing on the fund for 2 years. Barry Crosthwaite: Newly disclosed PC on the fund. Barry has been managing on the fund for 5 years. Gordy Crawford is still listed as a PC on the fund, however he will be retiring at the end of the month. (November, 2012)</p> <p>2. The style consistency of this fund slipped from medium to low. This fund does not have a market cap constraint and can be expected to be more of a multi-cap fund with some international exposure. (November, 2012)</p> <p>3. This fund shifted from the Morningstar Small Cap Blend Category to the Morningstar Small Cap Growth Category. (December, 2012)</p> <p>4. This fund shifted from the Morningstar Large Cap Blend Category to the Morningstar World Stock Category. International exposure is currently at 32% of the portfolio. (December 2012)</p> <p>5. Josh Barrickman replacing Gregory Davis as one of the managers on this fund. Kenneth Volpert will remain on the fund. Greg Davis is leaving the bond indexing group to be the CIO of the Asia Pacific Group. Josh Barrickman will assume his role and has over 10 years of bond indexing experience with Vanguard. (February, 2013)</p> <p>6. Previous management: Thomas J. Durante, Todd Rose, Richard A. Brown, Karen Q. Wong, Lynn A. Hutchison, Rebecca Gao, Danny Lai, Marlene Walker Smith Current management: Thomas J. Durante, Richard A. Brown, Karen Q. Wong. These changes are just clean-up after merging several boutiques within Dreyfus. The people removed are all junior PMs. (March, 2013)</p> <p>7. In a move to add additional resources to this fund, Kevin Preloger was added to the management team of this fund. (April, 2013)</p>
Artisan International Inv	ARTIX						
Columbia Small Cap Value Fund II Z	NSVAX						
Oppenheimer Global Y	OGLYX						
Royce Low Priced Stock Svc	RYLPX	3					
American Century Mid Cap Value A	ACLAX						
American Funds Growth Fund of Amer A	AGTHX		1				
Artisan Mid Cap Inv	ARTMX						
Baron Growth Retail	BGRFX						
Fidelity Contrafund	FCNTX						
Janus Twenty T	JAVLX						
Perkins Mid Cap Value T	JMCVX		7				
Neuberger Berman Genesis Tr	NBGEX						
Invesco Growth and Income Y	ACGMX						
American Funds Invmt Co of America A	AIVSX						
Dreyfus Intl Stock Index	DIISX		6				
Fidelity Puritan	FPURX						
Janus Balanced T	JABAX						
Great-West Moderate Profile I Init	MXOPX						
Great-West Aggressive Profile I Init	MXPPX						
Great-West Moderately Agg Profile I Init	MXRPX						
Great-West Moderately Cnsv Prfl I Init	MXTPX						
Great-West Conservative Profile I Init	MXVPX						
Nuveen Tradewinds Value Opportunities I	NVORX	4			2		
JPMorgan High Yield A Load Waived	OHYAX						
PIMCO Total Return Admin	PTRAX						
TIAA-CREF Equity Index Instl	TIEIX						
Vanguard Total Bond Market Index Signal	VBT SX		5				



ADVISED ASSETS
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Glossary



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Glossary

12b-1 Fee The maximum annual charge deducted from fund assets to pay for distribution and marketing costs. Although usually set on a percentage basis, this amount will occasionally be a flat figure.

Actively managed fund A fund manager buys and sells securities attempting to outperform the market as a whole.

Adjustable Bonds A bond whose coupon is reset periodically—usually every six months to three years. At the reset date, the coupon is set equal to some base index, such as the one-year constant Treasury rate, plus a spread (or margin). When interest rates are falling, these bonds do better than an in-year Treasury, but when interest rates rise, they can lag Treasury yields.

Aggressive Growth (Objective) Funds that seek rapid growth of capital and that may invest in emerging market growth companies without specifying a market capitalization range. They often invest in small or emerging growth companies and are more likely than other funds to invest in IPO's or in companies with high price/earnings and price/book ratios. They may use such investment techniques as heavy sector concentrations, leveraging, and short-selling.

Alpha A measure of the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta. A positive alpha figure indicates the fund has performed better than its beta would predict. In contrast, a negative alpha indicates the fund's underperformance, given the expectations established by the fund's beta.

Annual Returns Total returns calculated on a calendar-year basis. The annual return for a fund will be the same as its trailing 12-month total return only at year-end.

Annualized Returns Returns for periods longer than one year are expressed as "annualized returns." This is equivalent to the compound rate of return which, over a certain period of time, would produce a fund's total return over that same period.

Asset Allocation (Objective) Income and capital appreciation are dual goals for funds in this objective. Managers often use a flexible combination of stocks, bonds, and cash. Managers may shift assets based on analysis of business-cycle trends.

Average Credit Quality Gives a snapshot of the portfolio's overall credit quality. It is an average of each bond's credit rating, adjusted for its relative weighting in the portfolio.

Average Effective Duration A measure of a fund's interest-rate sensitivity--the longer a fund's duration, the more sensitive the fund is to shifts in interest rates. Duration is determined by a formula that includes coupon rates and bond maturities. Small coupons tend to increase duration, while shorter maturities and higher coupons shorten duration. The relationship between funds with different durations is straightforward: A fund with a duration of 10 years is twice as volatile as a fund with a five-year duration.

Average Effective Maturity Used for taxable fixed-income funds only, this figure takes into consideration all mortgage prepayments, puts, and adjustable coupons; it does not, however, account for call provisions. The number listed is a weighted average of all the maturities of the bonds in the portfolio, computed by weighing each maturity date (the date the security comes due) by the market value of the security.

Balanced (Objective) Funds that seek both income and capital appreciation by investing in a generally fixed combination of stocks and bonds. These funds generally hold a minimum of 25% of their assets in fixed-income securities at all times.

Basis Point One-hundredth of a percentage point. For example, 50 basis points equals .50%.

Beta A measure of a fund's sensitivity to market movements. The beta of the market is 1.00 by definition. Beta is calculated by comparing a fund's excess return over Treasury bills to the market's excess return over Treasury bills, so a beta of 1.10 shows that the fund has performed 10% better than its benchmark index in up markets and 10% worse in down markets, assuming all other factors remain constant. Conversely, a beta of 0.85 indicates that the fund's excess return is expected to perform 15% worse than the market's excess return during up markets and 15% better during down markets.

Bonds Interest-bearing certificates of indebtedness or IOUs. While bonds' rates of return remain fixed, bond prices change in relation to interest rates — when interest rates go up, bond prices go down, and vice versa. However, bond funds are variable funds and fluctuate with market conditions.

Bond funds Contrary to individual bonds, which offer a guaranteed rate of return, bond funds are variable funds and their returns may rise or fall depending on market conditions. Funds with 70% or more of their assets invested in bonds are classified as Bond Funds. Bond funds are divided into two main groups: Taxable Bond and Municipal Bond. Taxable Bond Fund categories include the following: Long-Term Government, Intermediate-Term Government, Short-Term Government, Long-Term Bond, Intermediate-Term Bond, Short-Term Bond, Ultrashort-Bond, International-Bond, High-Yield Bond, Emerging-Markets Bond and Multisector Bond.

Breakpoint The investment amount at which investors in a load fund qualify for a discount on the fund's sales charges.

Glossary

Broker A firm or individual that acts as an intermediary between a buyer and a seller of securities, thereby earning a commission on the transaction. Unlike a broker-dealer, a broker does not own the securities that he or she sells.

Callable Bond A bond that can be repaid early, at the issuer's discretion. A callable bond allows an issuer to refinance debt at a lower rate, should interest rates drop below the coupon rate on the bond. If interest rates have dropped significantly since the date of issue, a callable bond will trade as though its maturity were shortened to the call date, which is the earliest time at which the bond can be redeemed.

Capital Appreciation The taxable income generated when a security is sold. The amount of appreciation is measured by subtracting the purchase price from the sale price.

Capital Gains Taxable income generated only when a security is sold. This figure is calculated by subtracting the purchase price from the sale price. Under IRS regulations, funds must distribute 98% of their capital gains each year to avoid paying taxes on them. Shareholders pay taxes on these distributions, even if the gains are reinvested. Further capital gains can be generated by selling shares in a fund for more than the original purchase price.

Capitalization The total dollar value of all stock issued by a company. Small-cap stocks are issued by companies with market cap less than \$1 billion. Mid-cap stocks are issued by medium-sized companies with market cap anywhere from \$1 billion to \$5 billion. Large-cap stocks include companies with market cap greater than \$5 billion.

CMOs Collateralized mortgage obligations are derivative securities, created by chopping up mortgage pass-throughs or whole loans into various slices in order to redistribute the cash flows (both principal and interest payments) from the underlying bonds. The CMO group, except for adjustable-rate mortgage funds, includes PACs (planned amortization class bonds), floating- and inverse-floating-rate CMOs, and accrual or Z-tranche bonds, among other varieties.

Consumer Price Index (CPI) This index measures the changes in prices of goods and services purchased by urban households. Many pension and employment contracts are tied to changes in consumer prices, as protection against inflation and reduced purchasing power.

Corporate Bond--General (Objective) Funds that seek income by investing in fixed-income securities. Funds with this objective may hold a variety of issues, including but not limited to government bonds, high-quality corporates, mortgages, asset-backed, bank loans and junk bonds.

Corporate Bond--High Quality (Objective) Offerings that seek income by investing at least 65% of their assets in corporate debt securities rated A or higher. They generally maintain average ratings of AA or better.

Corporate Bond--High Yield (Objective) Funds that seek income by generally investing 65% or more of their assets in bonds rated below BBB. The price of these issues is generally affected more by the condition of the issuing company (similar to a stock) than by the interest-rate fluctuation that usually causes bond prices to move up and down.

Current income Results when a stock pays a dividend or a bond makes an interest payment. This is the value of your investment increased. With current income, you get a fairly stable pattern of income — which generally means reduced volatility. (Stock dividends must be declared, and are not predictable.)

Diversification Spreading your money over many different types of investments. Contrary to putting all your eggs in one basket, diversification can help protect your savings because when one investment is doing poorly, another may be doing well. This does not guarantee against loss of value in your investments.

Dividends The distribution of earnings to stockholders by a company. Dividends are usually paid out from current earnings.

Domestic equity funds are placed in a category based on the style and size of the stocks they typically own. The style and size parameters are based on the divisions used in the investment style box: Value, Blend, or Growth style and Small, Medium, or Large median market capitalization.

Domestic Hybrid Category Used for funds with stock holdings of greater than 20% but less than 70% of the portfolio.

Dow Jones Industrial Average Computed by summing the prices of the stocks of 30 companies and then dividing that total by an adjusted value--one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities.

Duration A time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flows accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flows consist of coupon payments and repayment of capital). A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.

Equity-Income (Objective) Funds that are expected to pursue current income by investing at least 65% of their assets in dividend-paying equity securities.

Glossary

Equity style box is a matrix that shows a fund's investment style. Nine boxes represent two variables: the size of the companies invested in (small-cap, mid-cap, large-cap), and whether a fund is growth, value, or blend oriented. Morningstar recalculates the style of each fund on a monthly basis. The equity style box is shown below (areas are shaded according to risk — the darker the area, the higher the risk associated with the investment).

Value	Blend	Growth	
1	2	3	Large
4	5	6	Medium
7	8	9	Small

Excess Returns A component found in Morningstar Return, Morningstar Risk, and the Morningstar Rating. This figure is calculated by subtracting the monthly returns of the three-month Treasury-bill from the monthly returns of the fund during the same time period.

Exchange-Traded Funds (ETFs) are not mutual funds in the traditional sense; rather, they are hybrid instruments combining aspects of common stocks and mutual funds and offering many the benefits of both. ETFs are products that trade like stocks. They mimic stock indexes and are passively managed just like an index fund. Because ETFs trade throughout the day just like a stock, investors have the ability to choose the timing and know the price of the transaction.

Expense Ratio The percentage of fund assets paid for operating expenses and management fees, including 12b-1 fees, administrative fees, and all other asset-based costs incurred by the fund, except brokerage costs. Fund expenses are reflected in the fund's NAV. Sales charges are not included in the expense ratio.

FHLMC mortgages The Federal Home Loan Mortgage Commission, a federally-sponsored corporation that packages huge pools of individual mortgages and carves these pools up as mortgage-backed securities. This provides diversification, and consequently lower risk for mortgage investors. Although FHLMC securities are not directly backed by the federal government, it is implicitly recognized that the government would step in were there a likelihood that they would default.

Fixed-income style box is similar to the equity style box. Fixed income style boxes represent a bond fund's investment style. A fixed-income style would be the intersection of its duration (short, intermediate, and long) and the quality of the bonds selected for the portfolio (high, medium, low). Listed below is the matrix using the fixed-income style groupings (again, the darker the shading, the higher the risk).

Short	Int.	Long	
1	2	3	High
4	5	6	Medium
7	8	9	Low

Flagship Fund Not to be confused with the Flagship Family of funds, a flagship fund is typically the oldest of a management company's funds, or one that boasts the largest number of assets. Such funds often bear the management company's name.

Foreign Stock Category An international fund having no more than 10% of stocks invested in the United States.

Fund of Funds A fund that specializes in buying shares in other mutual funds rather than individual securities. Quite often this type of fund is not discernible from its name alone, but rather through prospectus wording (i.e.: the fund's charter).

Geometric Mean Return A compounded and annualized rate of return.

GNMA mortgages These are mortgage pass-through securities issued by the Government National Mortgage Association. These bonds are backed by the full faith and credit of the U.S. government.

Government Bond--General (Objective) Offerings that pursue income by investing in a combination of mortgage-backed securities, Treasuries, and agency securities.

Glossary

Government Bond--Mortgage (Objective) Funds that seek income by generally investing at least 65% of their assets in securities backed by mortgages, such as securities issued by the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC).

Government Bond--Treasury (Objective) Treasury funds that seek income by generally investing at least 80% of their assets in U.S. Treasury securities.

Growth (Objective) Funds that pursue capital appreciation by investing primarily in equity securities. Current income, if considered at all, is a secondary concern.

Growth and Income (Objective) Growth of capital and current income are near-equal objectives for these funds. Investments are typically selected for both appreciation potential and dividend-paying ability.

Guaranteed Certificate Fund All money deposited into a certificate during a "deposit period" earns a guaranteed rate of return, credited daily until maturity. Backed by the general assets of the certificate issuer.

High-Yield Bond Category A fund with at least 65% or more of bond assets in bonds rated below BBB.

Index Fund A fund that tracks a particular index and attempts to match returns. While an index typically has a much larger portfolio than a mutual fund, the fund's management may study the index's movements to develop a representative sampling, and match sectors proportionately.

Individual Retirement Account (IRA) A personal retirement plan. Taxes on earnings are deferred until money from the account is withdrawn.

Industrial Cyclical Sector Includes aerospace and aerospace industries, building supplies, industrial-building products, business equipment, chemicals, machinery (both light and industrial), metals fabrication (iron, steel, coal, and rare metals), paper and packaging, and photo equipment. Some examples of companies in this sector include Boeing, Canon, Caterpillar, Eastman Kodak, Georgia Pacific, Potash, and Sherwin-Williams.

Information Ratio The information ratio is a measure of the consistency of excess return. This value is determined by taking the annualized excess return over a benchmark (style benchmark by default) and dividing it by the standard deviation of excess return.

Institutional Fund Any fund that meets one of the following qualifications:

a) has the word "institutional" in its name.

b) has a minimum initial purchase of \$100,000 or more.

c) states in its prospectus that it is designed for institutional investors or those purchasing on a fiduciary basis.

International Equity Funds with 40% or more of their equity holdings in foreign stocks (on average over three years) are placed in the international equity class. These categories include Europe, Japan, International Hybrid, Latin America, Diversified Pacific, Pacific ex. Japan, Specialty Precious Metals, Diversified Emerging Markets, World Stock, and Foreign Stock. Foreign investments involve special risks, including currency fluctuations and political developments.

Lehman Brothers 1-3 Year Government Bond Comprised of both the Treasury Bond index (all public obligations of the U.S. Treasury, excluding flower bonds and foreign-targeted issues) and the Agency Bond Index (all publicly issued debt of U.S. Government agencies and quasi-federal corporations and corporate-debt guaranteed by the U.S. Government). These bonds also must have maturities of one to three years. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Aggregate Index Composed of the Lehman Brothers Govt/Credit Index, the Mortgage-Backed Securities Index, and the Asset-Backed Securities Index. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Credit Listed for corporate bond-general and high-quality funds. This index tracks the returns of all publicly issued, fixed-rate, nonconvertible, dollar-denominated, SEC-registered, investment-grade corporate debt. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Government Bond Index Listed for government-bond general and Treasury funds. Because it tracks the returns of U.S. Treasuries, agency bonds, and one- to three-year U.S. government obligations, this index is effective for tracking portfolios holding non-mortgage government securities. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Govt/Credit Represents a combination of the Government and Corporate Bond indices. The returns published for the index are total returns, which include reinvestment of dividends. For more information, view the Lehman Brothers Web site or call 212-526-1000.

Glossary

Lehman Brothers Intermediate Government Index Includes those indexes found in the LB Government Index which have a maturity of one to three years. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Intermediate Government/Corporate Index Includes both corporate (publicly-issued, fixed-rate, nonconvertible, investment grade, dollar-denominated, SEC-registered, corporate dept.) and government (Treasury Bond index, Agency Bond index, 1-3 Year Government index, and the 20+-Year treasury) indexes, including bonds with maturities up to ten years. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Intermediate Treasury This index includes treasury bonds with maturates of at least one year and up to 10 years with an outstanding par value of at least 100 million. They include fixed-rate debt issues, rated investment grade or higher by Moody's Investor Services, Standard & Poor's Corporation, or Fitch Investor's Service (in that order). Treasuries include all public obligations of the U.S. Treasury, excluding flower bonds and foreign-targeted issues. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Long Credit Serves as a measure of all public-issued nonconvertible investment-grade corporate debts that have a maturity of 10 years or more. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Long Term Government Index Includes those indexes found in the LB Government index which have a maturity of 10 years or more. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Mortgage-Backed Securities Includes 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA). The returns published for the index are total returns, which include reinvestment of dividends.

Life Cycle These funds are geared toward investors of a certain age or with a specific time horizon for investing. Typically they are grouped together in sets (i.e. conservative, moderate, and aggressive portfolios).

Linear Scale Linear graphs are scaled so that equal vertical distances represent the same absolute dollar value change. A drop from \$10,000 to \$9,000, for example, is represented in the same way as a drop from \$100,000 to \$99,000.

Logarithmic Scale Used for graphs, a scale that reveals percentage changes. A given percentage move takes up the same amount of space as another move of equal percentage. A change from 100 to 200, for example, is presented in the same way as a change from 1000 to 2000.

Maturity Short-term bonds mature (or come due) in less than four years. Intermediate-term bonds mature in four to ten years. Long-term bonds mature more than ten years from the date of purchase. The longer the term, the higher the risk and the rate of potential return.

Management Fees The management fee is the percentage deducted from fund assets to pay an advisor or subadvisor. Often, as the fund's net assets grow, the percentage deducted for management fees decreases. For example, a particular fund may report a management fee of 0.40% on the first \$500 million in assets, 0.35% on all assets between \$500 million and \$1 billion, and 0.30% on assets in excess of \$1 billion. Thus, if the fund contains \$1.5 billion in total net assets, the advisor scales back its management fees accordingly. Alternatively, the fund may compute the fee as a flat percentage of average net assets. The management fee might also come in the form of a group fee (G), a performance fee (P), or a gross income fee (I). Note: The management fee is just one (albeit a major) component of a fund's costs. The overall expense ratio is the most useful number for investors. Actual fees are also noted in this section.

Market-Neutral Funds These are funds that attempt to eliminate the risks of the market by holding 50% of assets in long positions in stocks and 50% of assets in short positions. Funds in this group match the characteristics of their long and short portfolios, keeping factors such as price-to-earnings and industry exposure similar. Stock picking, rather than broad market moves, should drive a market-neutral fund's performance.

Median Market Capitalization The median market capitalization of a fund's equity portfolio gives you a measure of the size of the companies in which the fund invests. It is the trimmed mean of the market capitalizations of the stocks in the fund's portfolio.

Modern Portfolio Theory (MPT) Statistics Alpha, beta, and R-squared are modern-portfolio-theory measures of a fund's relative risk, based on least-squares regression of a fund's excess returns on the excess returns of a market index. Standard deviation is not considered an MPT statistic because it is not generated through the same formula or mathematical analysis as the other three statistics.

Money market funds Best described as short-term versions of bonds. These relatively low-risk variable funds hold very short-term securities such as U.S. government securities, certificates of deposit, cash and cash equivalents. Investments in Money Market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although they seek to preserve the value of your investment at \$1 per share, it is possible to lose money in Money Market funds.

Glossary

Morley Stable Value Index A hypothetical portfolio comprised of a weighted blend of 50% five-year stable value contracts, 30% three-year stable value contracts and 20% 30-day prime commercial paper. The five-year component consists of 60 hypothetical five-year stable value contracts, one purchased at the prior month end's illustrative rate at the beginning of each month for the prior 60 months. The three-year component consists of 36 hypothetical three-year stable value contracts, one purchased at the prior month end's illustrative rate at the beginning of each month for the prior 36 months.

Morningstar was founded in 1984 to provide investors with useful information for making intelligent, informed investment decisions. The company's first product, originally named the Mutual Fund Sourcebook, proved to be innovative in its ability to tap into an underserved market. Soon a demand grew for an even more in-depth and analytical publication, leading to the launch of Morningstar Mutual Funds in late 1986.

Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings (portfolio statistics and compositions over the past three years). If the fund is new and has no portfolio, we estimate where it will fall before assigning a more permanent category. When necessary, we may change a category assignment based on current information.

MSCI EAFE Ndrtr_D Listed for foreign stock funds (EAFE refers to Europe, Australasia, and Far East). Widely accepted as a benchmark for international stock performance, the EAFE Index is an aggregate of 21 individual country indexes that collectively represent many of the major markets of the world. Ndrtr_D indexes are calculated daily and take into account actual dividends reinvested daily before withholding taxes, but exclude special tax credits declared by companies. In addition, Ndrtr_D indexes subtract withholding taxes retained at the source, for foreigners who do not benefit from a double taxation treaty. The returns published for the index are total returns, which include reinvestment of dividends.

MSCI Europe Ndrtr_D Listed for Europe stock funds. This index measures the performance of stock markets in Austria, Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland, Ireland, Portugal, and the United Kingdom. Total returns date back to December 1981. Ndrtr_D indexes are calculated daily and take into account actual dividends reinvested daily before withholding taxes, but exclude special tax credits declared by companies. In addition, Ndrtr_D indexes subtract withholding taxes retained at the source, for foreigners who do not benefit from a double taxation treaty.

MSCI Pacific Ndrtr_D Formerly known as MS Pacific, this index is listed for Pacific stock funds and measures the performance of stock markets in Australia, Hong Kong, Japan, New Zealand, and Singapore, and Malaysia. Ndrtr_D indexes are calculated daily and take into account actual dividends reinvested daily before withholding taxes, but exclude special tax credits declared by companies. In addition, Ndrtr_D indexes subtract withholding taxes retained at the source, for foreigners who do not benefit from a double taxation treaty. The returns we publish for the index are total returns, which include reinvestment of dividends.

MSCI World Ndrtr_D Includes all 23 MSCI developed market countries. Ndrtr_D indexes are calculated daily and take into account actual dividends reinvested daily before withholding taxes, but exclude special tax credits declared by companies. In addition, Ndrtr_D indexes subtract withholding taxes retained at the source, for foreigners who do not benefit from a double taxation treaty.

Mutual fund An investment option that pools money from many shareholders and invests it in a group of stocks, bonds, or other securities. Also known as an open-end investment management company, mutual funds are securities required to be registered with the SEC.

NASD (National Association of Securities Dealers) A self-regulatory organization for the securities industry with jurisdiction over certain broker-dealers. The NASD enforces broker-dealers' compliance with securities regulations, including the requirement that they maintain sufficient levels of net operating capital. It also conducts market surveillance of the over-the-counter (OTC) securities market.

NAV Stands for net asset value, which is the fund's share price. Funds compute this value by dividing the total net assets by the total number of shares.

NASDAQ Composite Index Measures the performance of all issues listed in the NASDAQ Stock Market, except for rights, warrants, units, and convertible debentures.

Net Assets The month-end net assets of the mutual fund, recorded in millions of dollars. Net-asset figures are useful in gauging a fund's size, agility, and popularity. They help determine whether a small company fund, for example, can remain in its investment-objective category if its asset base reaches an ungainly size.

Ndrtr_D: Noted for various Morgan Stanley indexes, Ndrtr_D indicates that the index is listed in US dollars, with net dividends reinvested. Ndrtr_D indexes take into account actual dividends before withholding taxes, but excludes special tax credits declared by companies. In addition, Ndrtr_D indexes subtract withholding taxes retained at the source, for foreigners who do not benefit from a double taxation treaty.

NYSE (New York Stock Exchange Composite) Serves as a comprehensive measure of the market trend for the benefit of investors who are concerned with general stock market price movements. The index is a composite of all common stocks listed on the NYSE and four sub-groups--Industrial, Transportation, Utility, and Finance.

Options/Futures/Warrants Options and futures may be used speculatively, to leverage a portfolio, or cautiously, as a hedge against risk.

Glossary

OTC (over the counter) A name for a security that is not listed on an exchange. The OTC is the major trading market for all US bonds, as well as many small- and large-capitalization stocks. Whereas non-OTC stocks trade on the floor of actual stock exchanges, OTC issues are traded via telephone and computer networks connecting dealers in stocks and bonds. The dealer may or may not be a member of a securities exchange, but he or she must be a member of the NASD.

Price/Book Ratio The weighted average of the price/book ratios of all the stocks in a fund's portfolio. The P/B ratio of a company is calculated by dividing the market price of its stock by the company's per-share book value. Stocks with negative book values are excluded from this calculation. In theory, a high P/B ratio indicates that the price of the stock exceeds the actual worth of the company's assets, while a low P/B ratio indicates that the stock is a bargain.

Price/Earnings Ratio The weighted average of the price/earnings ratios of the stocks in a fund's portfolio. The P/E ratio of a stock is calculated by dividing the current price of the stock by its trailing 12 months' earnings per share. In computing the average, Morningstar weights each portfolio holding by the percentage of equity assets it represents, so that larger positions have proportionately greater influence on the fund's final P/E.

Price/Cash Flow This represents the weighted average of the price/cash-flow ratios of the stocks in a fund's portfolio. Price/cash-flow represents the amount an investor is willing to pay for a dollar generated from a particular company's operations. Price/cash-flow shows the ability of a business to generate cash and acts as a gauge of liquidity and solvency. Because accounting conventions differ among nations, reported earnings (and P/E ratios) may not be comparable across national boundaries. Price/cash-flow attempts to provide an internationally-standard measure of a firm's stock price relative to its financial performance.

Prospectus A fund's formal written statement, generally issued on an annual basis. In this statement the fund sets forth its proposed purposes and goals, and other facts (e.g.: history and investment objective) that an investor should know in order to make an informed decision.

Prospectus Objective Indicates a particular fund's investment goals, based on the wording in a fund's prospectus.

R-Squared Reflects the percentage of a fund's movements that can be explained by movements in its benchmark index. An R-squared of 100 indicates that all movements of a fund can be explained by movements in the index. Thus, index funds that invest only in S&P 500 stocks will have an R-squared very close to 100. Conversely, a low R-squared indicates that very few of the fund's movements can be explained by movements in its benchmark index. An R-squared measure of 35, for example, means that only 35% of the fund's movements can be explained by movements in the benchmark index.

Regression A mathematical tool used to study the way that two sets of numbers interact with each other. Regression measures how much of one number's changes might be caused by or linked to how much another number changes.

Returns Based Style Analysis In 1988, William F. Sharpe, Nobel Laureate and Professor of Finance at Stanford University, wrote an article for the Investment Analyst Review entitled "Determining a Fund's Effective Asset Mix". In this article, he demonstrated that a manager's style could be determined by analyzing portfolio returns, as opposed to holdings. This was done mathematically by comparing the manager's returns to the returns of a number of style indexes. This discovery revolutionized style and performance analysis and provided the basis for the StyleADVISOR suite of software.

Since its debut in 1993, StyleADVISOR has been the style analysis package of choice for the large institutional marketplace. Our client list has grown to include over 250 plan sponsors, consultants, and money managers. They use StyleADVISOR to determine, for themselves, using only monthly or quarterly returns, the style and consistency of managers and funds. They create custom style benchmarks, do performance, risk-return, upside downside market capture analyses, manager to peer universe comparisons, asset allocation, and much more. StyleADVISOR also enables them to perform manager searches, create custom universes, evaluate competitors, and monitor aggregate portfolios.

Risk Basically there are four types of risk: 1) inflation risk means your money may not earn enough in the long run because as prices go up the value of your money goes down; 2) market risk means you could lose money because the price of a stock may go down; 3) credit risk means a company or organization that borrowed your money may not be able to pay it back; and 4) interest rate risk means you could lose money because as interest rates go up the value of bond investments goes down.

Risk-Free Rate of Return Three-month T-bills are government-backed short-term investments considered to be risk-free and as good as cash because the maturity is only three months.

Risk/Return Graph The Manager Risk/Return Graph displays the risk/return characteristics of a manager and compares them to a benchmark, universe or other managers. It plots Return on the vertical axis and a Risk Statistic on the horizontal axis.

The chart has crosshairs that provide a basis for comparison by dividing the graph into four quadrants. The crosshairs are centered at either the Market Benchmark, the Style Benchmark or the median of the Universe, depending on the options you select. A relatively aggressive manager, for example, is likely to fall in the Northeast corner relative to the crosshairs centered at the universe median, with both more risk and more return.

Glossary

Russell 1000 Consists of the 1000 largest companies within the Russell 3000 index. Also known as the Market-Oriented Index, because it represents the group of stocks from which most active money managers choose. The returns published for the index are total returns, which include reinvestment of dividends.

Russell 1000 Growth Market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 includes the largest 1000 firms in the Russell 3000, which represents approximately 98% of the investable US equity market.

Russell 1000 Value Market-capitalization weighted index of those firms in the Russell 1000 with lower price-to-book ratios and lower forecasted growth values. The Russell 1000 includes the largest 1000 firms in the Russell 3000, which represents approximately 98% of the investable US equity market.

Russell 2000 Consists of the smallest 2000 companies in the Russell 3000 Index, representing approximately 7% of the Russell 3000 total market capitalization. The returns published for the index are total returns, which include reinvestment of dividends.

Russell 2000 Growth Market-weighted total return index that measures the performance of companies within the Russell 2000 Index having higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Index includes the 2000 firms from the Russell 3000 Index with the smallest market capitalizations. The Russell 3000 Index represents 98% of the of the investable US equity market.

Russell 2000 Value Market-weighted total return index that measures the performance of companies within the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Index includes the 2000 firms from the Russell 3000 Index with the smallest market capitalizations. The Russell 3000 Index represents 98% of the of the investable US equity market.

Russell 3000 Composed of the 3000 largest U.S. companies by market capitalization, representing approximately 98% of the U.S. equity market. The returns published for the index are total returns, which include reinvestment of dividends.

S&P 500/BARRA Growth Index A subset of the Standard & Poor's 500 Index®. Each year, all the stocks in the S&P 500® are classified as either growth or value. The stocks classified as growth make up the S&P 500/BARRA Growth Index. In general, growth companies tend to have high price-to-earnings (P/E) ratios, low dividend yields, and above-average earnings growth rates.

S&P 500/BARRA Value Index A subset of the Standard & Poor's 500 Index®. Each year, all the stocks in the S&P 500® are classified as either growth or value. The stocks classified as value make up the S&P 500/BARRA Value Index. In general, value companies tend to have low P/E ratios, high dividend yields, and below-average earnings growth rates.

S&P 400 MidCap Index The S&P 400 MidCap Index consists of 400 U.S. companies that have market capitalization from \$1 billion to \$5 billion. The index includes approximately 312 industrial companies, 10 transportation companies, 41 utilities, and 37 financial companies.

S&P 500 Index® Standard & Poor's 500 Index® is a benchmark for the United States stock market. It's a list of the 500 largest publicly traded companies, which include 400 industrial companies, 20 transportation companies, 40 utilities, and 40 financial companies.

S&P Small Cap 600 Index The Standard & Poor's SmallCap 600 Index consists of 600 U.S. companies that have market capitalization less than \$1 billion. The index includes approximately 499 industrial companies, 18 transportation companies, 27 utilities, and 56 financial companies. Equity securities of companies with small market capitalization may be more volatile than securities of larger, more established companies.

SEC Yield A calculation based on a 30-day period ending on the last of the previous month. It is computed by dividing the net investment income per share earned during the period by the maximum offering price per share on the last day of the period.

Share Classes Shares of the same fund that offer different shareholder rights and obligations, such as different fee and load charges. Common share classes are A (front-end load), B (deferred fees), C (no sales charge and a relatively high annual 12b-1 fee, such as 1.00%). Multi-class funds hold the same investment portfolio for all classes, and differ only in their surrounding fee structure.

Sharpe Ratio A risk-adjusted measure developed by Nobel Laureate William Sharpe. It is calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the fund's historical risk-adjusted performance. The Sharpe ratio is calculated for the past 36-month period by dividing a fund's annualized excess returns by its annualized standard deviation.

Glossary

Socially Conscious Any fund that invests according to non-economic guidelines. Such funds may make investments based on such issues as environmental responsibility, human rights, or religious views. A socially conscious fund may take a pro-active stance by selectively investing in, for example, environmentally-friendly companies, or firms with good employee relations. This group also includes funds that avoid investing in companies involved in promoting alcohol, tobacco, or gambling, or in the defense industry.

Standard Deviation A statistical measurement of dispersion about an average, which, for a mutual fund, depicts how widely the returns varied over a certain period of time. Investors use the standard deviation of historical performance to try to predict the range of returns that are most likely for a given fund. When a fund has a high standard deviation, the predicted range of performance is wide, implying greater volatility.

Stocks Ownership in a company. Stocks are sold by the company and then bought/sold among investors. Risks involved include the company not performing up to expectations or that the price of your stock will fall.

Style Benchmark The concept of the style benchmark was first introduced by Nobel Laureate William F. Sharpe in 1988 and referred to as the "Effective Asset Mix". A quadratic optimizer is used to find a combination of the selected indices that would best track (have the highest correlation to) a given return series. For example, if a domestic equity manager optimization found that a weighted composite of 20% Russell Large Value, 10% Russell Large Growth, 60% Russell Small Value, 5% Russell Small Growth, and 5% T-bills had a 92% R-squared to that manager's returns, it could be said that 92% of this manager's performance may be attributed to his "style". The remaining 8% is unexplained variance due to stock selection, etc.

Tax-deferred earnings You don't have to pay taxes on any earnings in your 401(k) until you withdraw your money. The money in a 401(k) can grow faster than with other types of savings plans, because the earnings you accumulate, if any, are also tax-deferred.

Treynor Ratio The Treynor Ratio is a measure of performance per unit of market risk. It is the portfolio's excess return over the risk-free rate divided by the portfolio's beta to the selected benchmark. Also known as the Reward to Volatility Ratio.

Turnover Ratio The turnover rate of a fund is a decent proxy for how frequently a manager trades his or her portfolio. The inverse of a fund's turnover ratio is the average holding period for a security in that fund. If a fund consistently showed a 20% turnover ratio, for example, it would suggest that--on average--that fund holds a security for five years before selling it. A fund with a 200% turnover ratio pretty much changes its portfolio wholesale every six months.

Upside / Downside Market Capture Graph StyleADVISOR's Upside / Downside Market Capture graph displays the percentage of benchmark movement captured by a manager in both up and down markets. The graph plots the manager's upside capture ratio (vertical axis) against the downside capture ratio (horizontal axis). The capture ratio is the manager's return divided by the benchmark's return, or the percentage of the benchmark's return that was "captured" by the manager. The Upside capture ratio is computed for periods when the market has a positive return. The Downside capture ratio is computed for periods when the market has a negative return.

Variable funds Investments that fluctuate with market conditions. Unlike guaranteed investments, such as bonds or CDs, variable funds don't guarantee a specific rate of return. They do offer potential for higher earnings in return for higher degree of market risk.

Wilshire 4500 Listed for small-company funds, measures the performance of all U.S. common equity securities excluding the stocks in the S&P 500. The returns published for the index are total returns, which include reinvestment of dividends.

Wilshire 5000 Measures the performance of all U.S. common equity securities, and so serves as an index of all stock trades in the United States. The returns published for the index are total returns, which include reinvestment of dividends.

World Stock Category An international fund having more than 10% of stocks invested in the US. Also known as global funds. Foreign Investments involve special risks, including currency fluctuations and political developments.

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Gwinnett County

April 1, 2012 to March 31, 2013 Executive Summary



May 2013

RETIREMENT SERVICES

Agenda...

- Outstanding from previous RPMC meeting (2/28/13)
 - Average Account Balances for Active Participants
 - Managed Accounts Overview (Fred Minot)
-
- Updates for current RPMC meeting (5/23/13)
 - March 31, 2013 Plan Review
 - Plan Sponsor Report Card (Summary Materials Attached)
 - Roth In Plan Conversion (Focus on 457)

Plan Overview (in millions)

March 31, 2013



Plan assets were \$231.94 million as of March 31, 2013

Plan assets grew by \$23.35 million (11.2%) since March 31, 2012

Contributions were \$21.45 million since March 31, 2012.

As of March 31, 2013, there were 8,173 participants

Assets at March 31, 2013	\$220.09
Less assets at March 31, 2012	\$208.59
Asset change for the year	\$23.35

Contributions for the year	\$21.45
Less distributions for the year	(\$15.78)
Net investment gain for the year	\$17.68
Asset change for the year	\$23.35

Assets



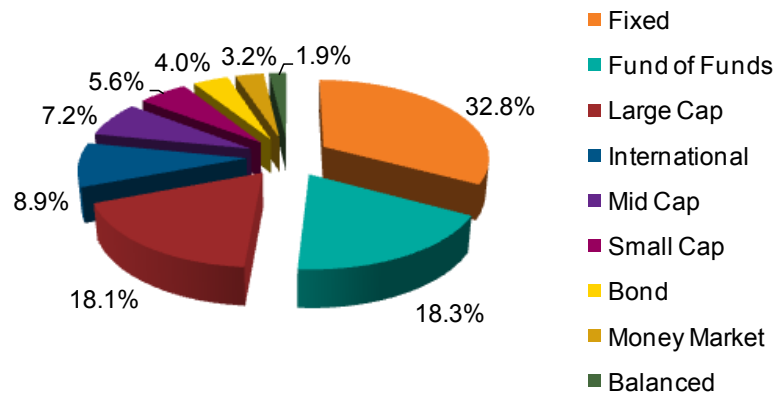
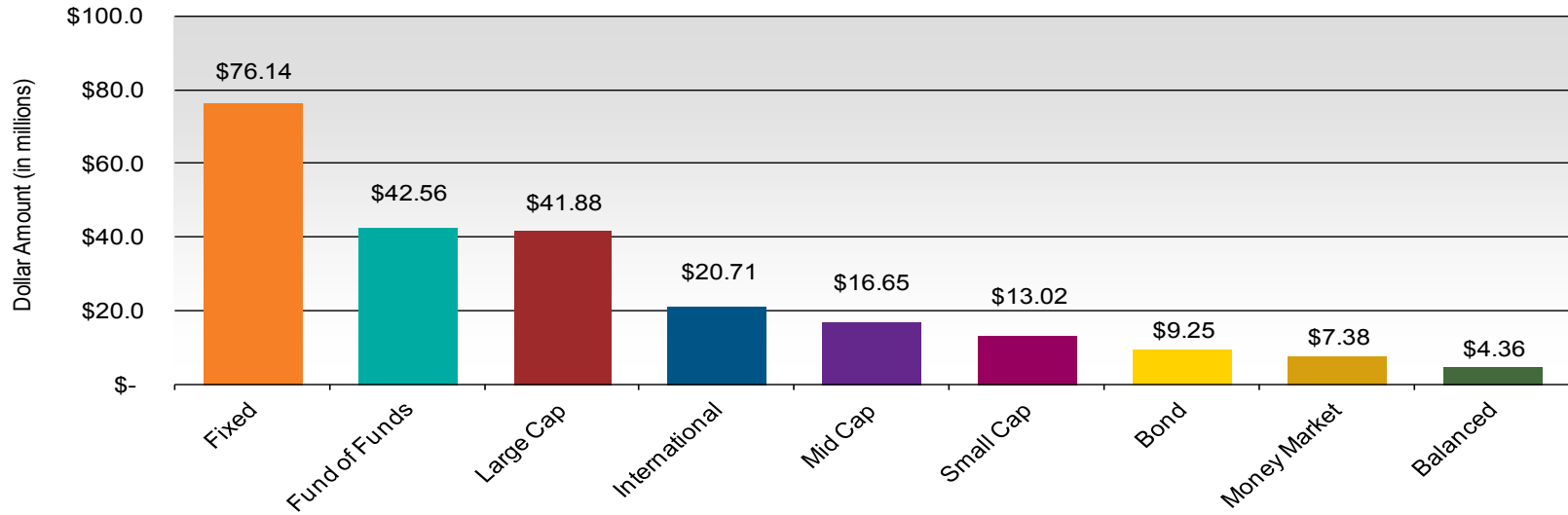
Asset Distribution by Plan

	401(a)	457(b)	Combined
Active Participants:			
3/31/2012	3,089	4,506	7,595
3/31/2013	3,383	4,790	8,173
Average Account Balance per Participant:			
3/31/2012	\$32,633	\$23,921	\$27,465
3/31/2013	\$33,830	\$24,529	\$28,379
Average Number of Investment Options per Participant:			
3/31/2012	5.3	4.6	4.9
3/31/2013	6.0	5.1	5.4

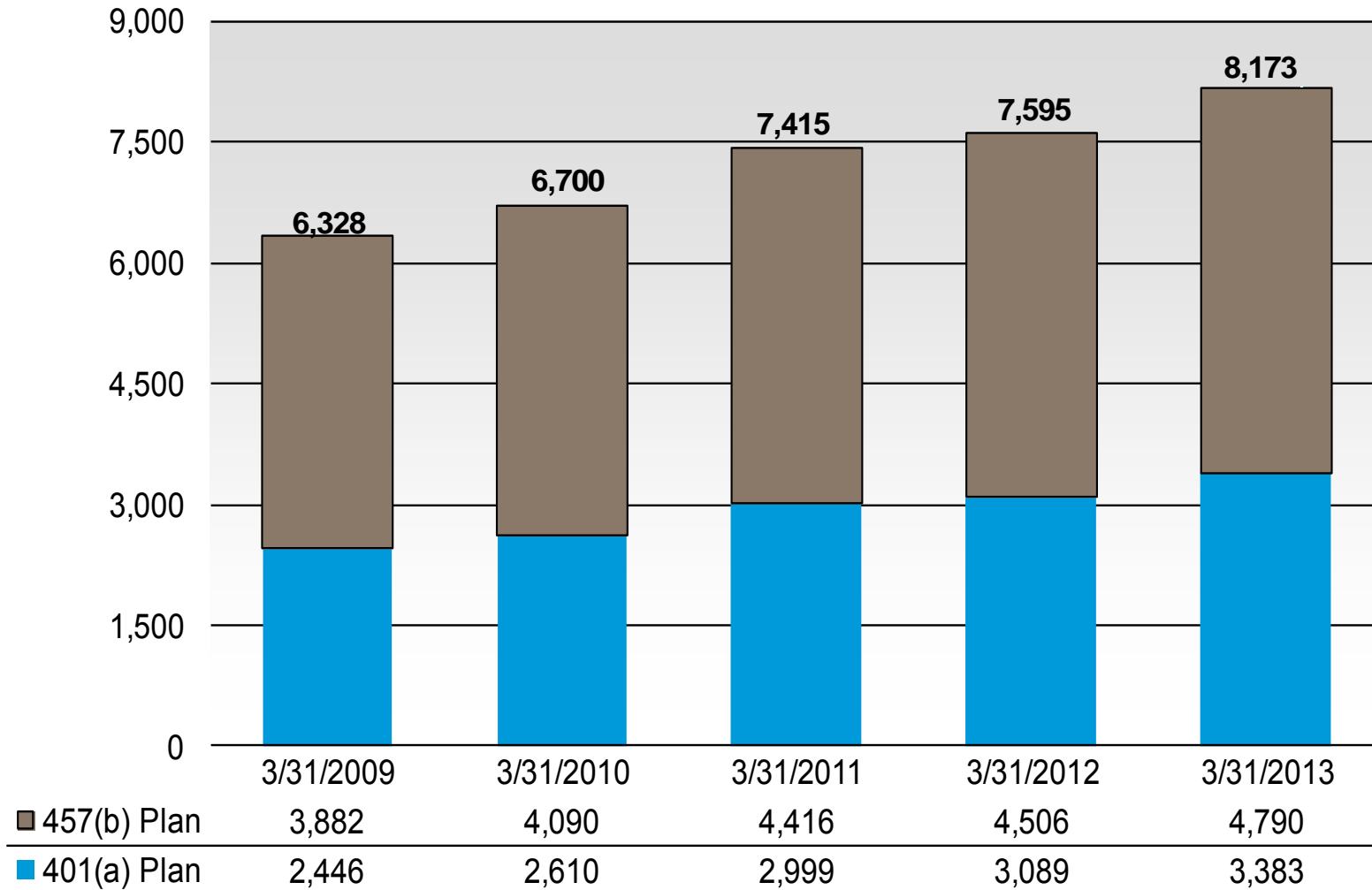
Asset Contribution by Plan

	401(a)	457(b)	Combined
Contributing Participants:			
3/31/2012	2,493	3,192	5,685
3/31/2013	2,717	3,387	6,104
Average Contributions per Participant:			
3/31/2012	5,155	\$2,419	\$3,619
3/31/2013	4,705	\$2,558	\$3,519
Average Number of Investment Options per Participant:			
3/31/2012	8.0	6.7	7.2
3/31/2013	8.1	6.8	7.4

Assets by Asset Class



Plan Participation



Pending Litigation





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PLAN REVIEW



Gwinnett County

For the Period From April 1, 2012 to March 31, 2013

Table of Contents



Executive Summary

Plan Assets

Contributions

Participation

Distributions

Participant Services

Great-West Update

Disclosures



Executive Summary (in Millions)



Total Assets

◆ Assets at March 31, 2013	\$231.94
◆ Less assets at March 31, 2012	<u>\$208.59</u>
◆ Asset change for the year	\$23.35

Asset Components

◆ Contributions for the year	\$21.45
◆ Less distributions for the year	-\$15.78
◆ Net investment gain for the year	<u>\$17.68</u>
◆ Asset change for the year	\$23.35

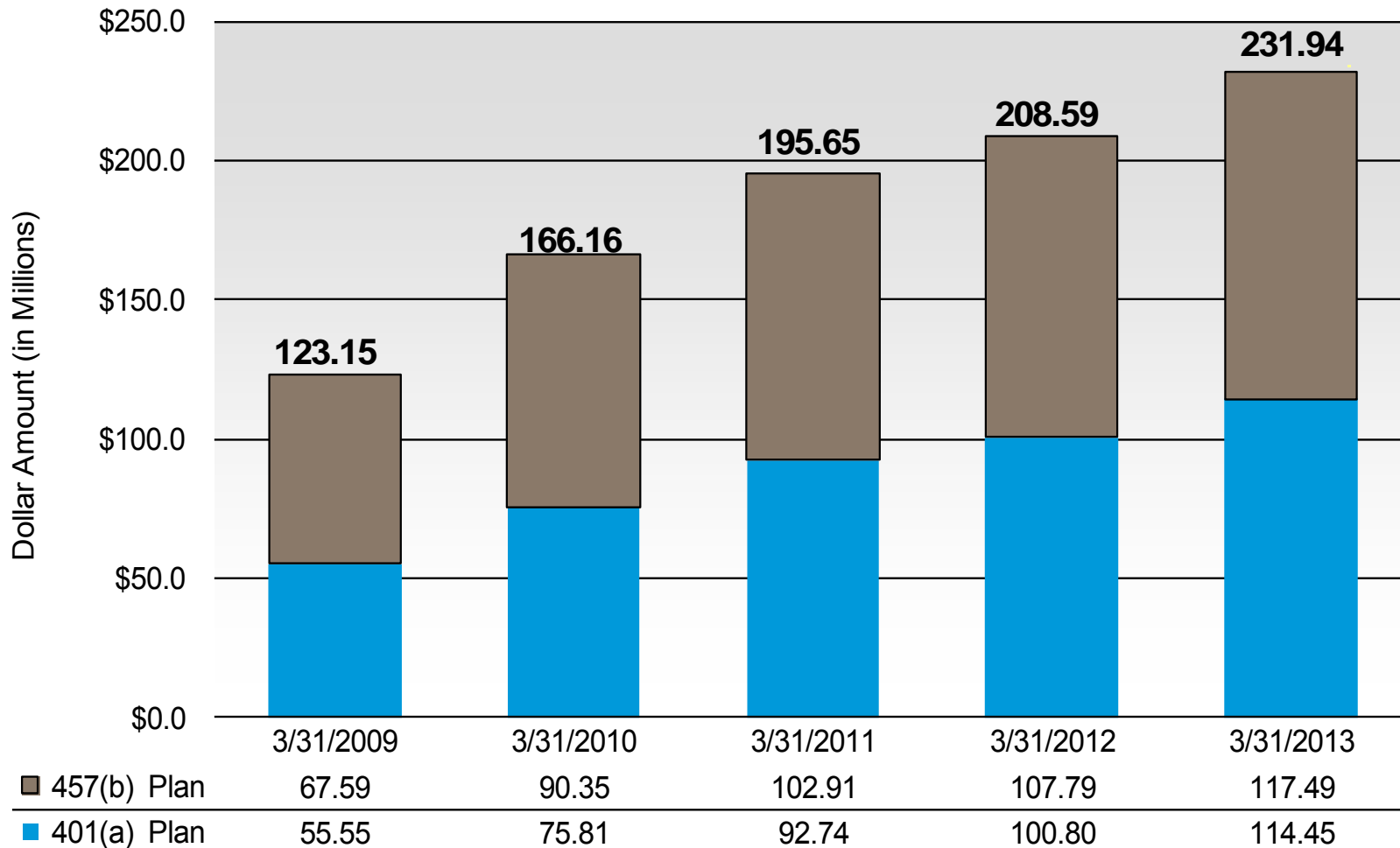
Executive Summary



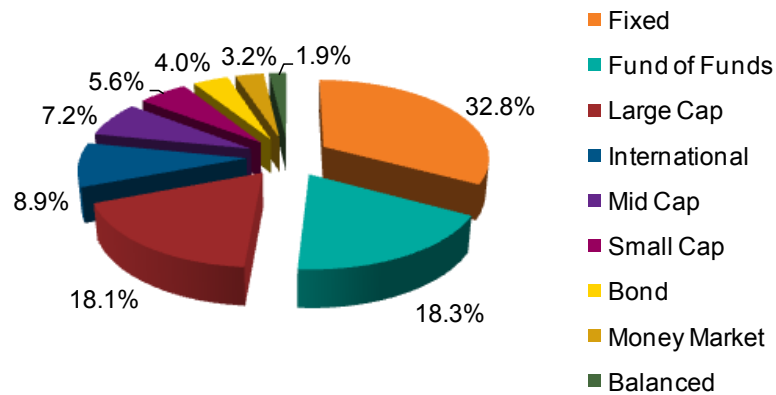
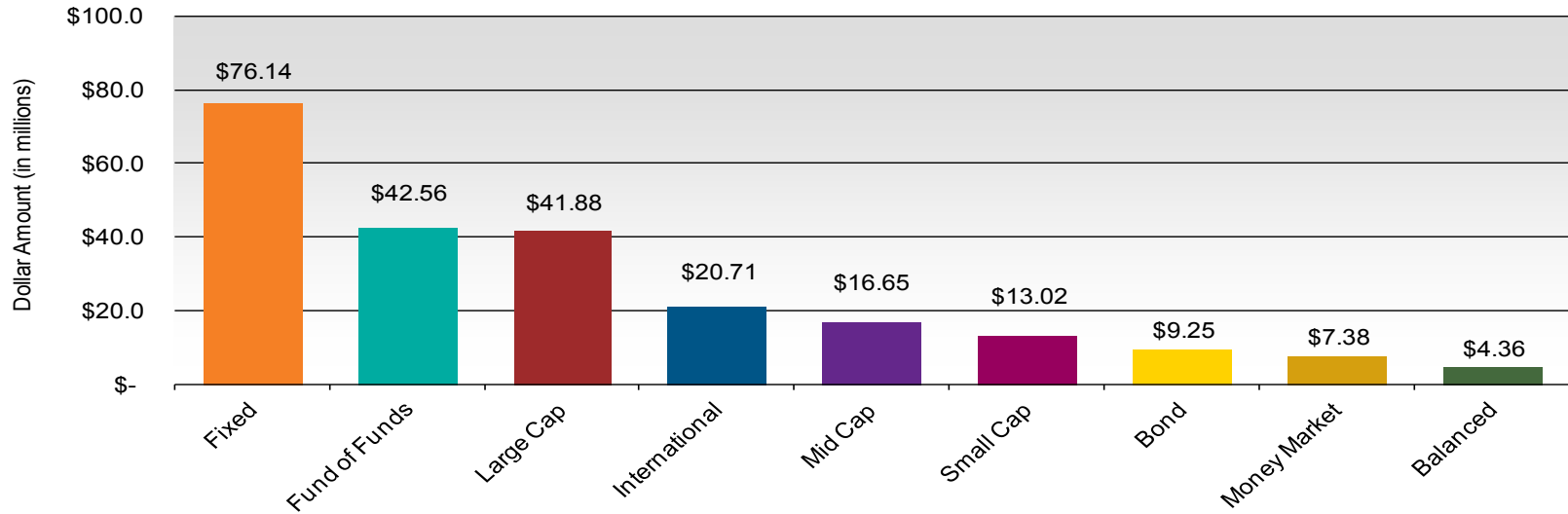
- ◆ Plan assets were at \$231.94 million as of March 31, 2013
- ◆ Plan assets grew by \$23.35 million (11.2%) from April 1, 2012 to March 31, 2013
- ◆ Contributions were \$21.45 million from April 1, 2012 to March 31, 2013
- ◆ From April 1, 2012 to March 31, 2013 there were 8,173 participants



Asset Growth



Assets by Asset Class



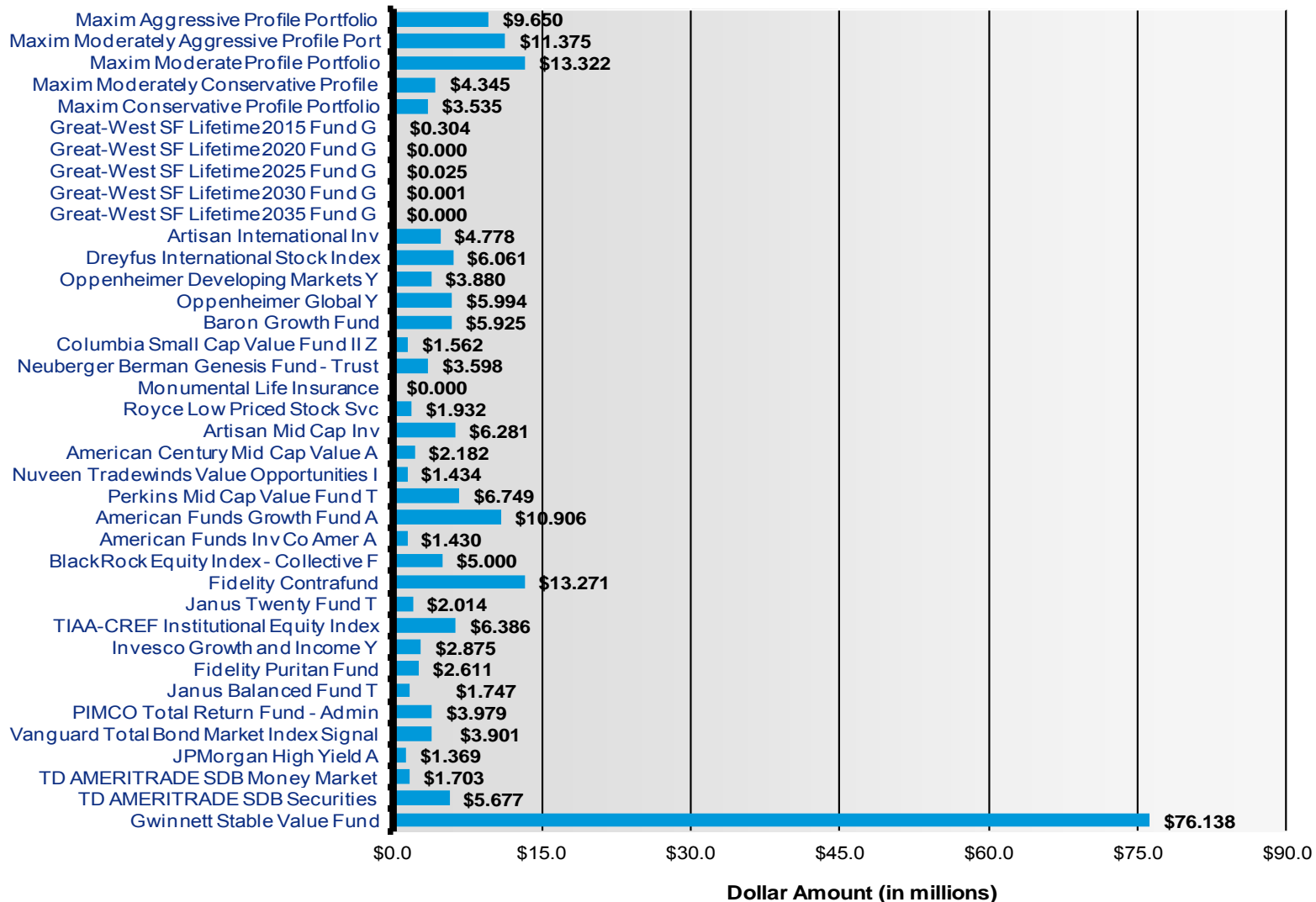
Percentage of Assets by Asset Class

401(a) Plan	Fund of Funds	Internat'l	Small Cap	Mid Cap	Large Cap	Balanced	Bond	Money Market	Fixed
4/1/2008 to 3/31/2009	17.8%	5.0%	3.5%	2.2%	8.0%	2.1%	2.9%	3.0%	55.4%
4/1/2009 to 3/31/2010	24.5%	7.2%	4.3%	3.8%	9.5%	2.2%	3.7%	3.2%	41.5%
4/1/2010 to 3/31/2011	25.3%	8.4%	5.0%	6.0%	9.6%	2.1%	3.5%	4.6%	35.4%
4/1/2011 to 3/31/2012	27.1%	9.0%	4.9%	6.3%	9.5%	2.0%	3.8%	5.3%	32.1%
4/1/2012 to 3/31/2013	26.5%	10.3%	5.1%	7.2%	11.1%	1.9%	4.1%	4.7%	28.9%

457(b) Plan	Funds of Funds	Internat'l	Small Cap	Mid Cap	Large Cap	Balanced	Bond	Money Market	Fixed
4/1/2008 to 3/31/2009	6.8%	5.1%	4.7%	4.1%	24.5%	2.0%	2.7%	1.7%	48.4%
4/1/2009 to 3/31/2010	8.9%	7.0%	5.7%	5.9%	26.0%	2.1%	3.2%	1.8%	39.4%
4/1/2010 to 3/31/2011	9.4%	7.2%	6.8%	7.2%	24.8%	1.9%	3.2%	2.1%	37.4%
4/1/2011 to 3/31/2012	9.7%	7.3%	6.1%	7.1%	24.1%	1.9%	3.0%	1.6%	39.3%
4/1/2012 to 3/31/2013	10.4%	7.6%	6.1%	7.2%	24.8%	1.8%	3.8%	1.7%	36.6%

Combined	Fund of Funds	Internat'l	Small Cap	Mid Cap	Large Cap	Balanced	Bond	Money Market	Fixed
4/1/2008 to 3/31/2009	11.8%	5.1%	4.1%	3.3%	17.1%	2.0%	2.8%	2.3%	51.6%
4/1/2009 to 3/31/2010	16.0%	7.1%	5.1%	4.9%	18.4%	2.2%	3.5%	2.4%	40.4%
4/1/2010 to 3/31/2011	17.0%	7.8%	6.0%	6.7%	17.6%	2.0%	3.3%	3.3%	36.4%
4/1/2011 to 3/31/2012	18.1%	8.1%	5.5%	6.7%	17.0%	2.0%	3.4%	3.4%	35.8%
4/1/2012 to 3/31/2013	18.3%	8.9%	5.6%	7.2%	18.1%	1.9%	4.0%	3.2%	32.8%

Assets by Investment Option



Asset Distribution – 401(a) 01 Plan



Active Participants:	
3/31/2009	2,446
3/31/2010	2,610
3/31/2011	2,999
3/31/2012	3,089
3/31/2013	3,383
Average Account Balance per Participant:	
3/31/2009	\$22,712
3/31/2010	\$29,045
3/31/2011	\$30,923
3/31/2012	\$32,633
3/31/2013	\$33,830
Average Number of Investment Options per Participant:	
3/31/2009	3.0
3/31/2010	3.8
3/31/2011	4.1
3/31/2012	5.3
3/31/2013	6.0

Asset Class/Fund Name	3/31/2012			3/31/2013		
	Amount	Pct	Accts	Amount	Pct	Accts
Fund of Funds						
Maxim Aggressive Profile Portfolio	5,190,248	5.1%	309	6,249,399	5.5%	302
Maxim Moderately Aggressive Profile Port	7,001,419	6.9%	343	8,083,590	7.1%	325
Maxim Moderate Profile Portfolio	9,823,875	9.7%	559	10,589,917	9.3%	521
Maxim Moderately Conservative Profile	3,346,433	3.3%	141	3,310,506	2.9%	133
Maxim Conservative Profile Portfolio	1,973,603	2.0%	113	2,095,833	1.8%	104
Great-West SF Lifetime 2015 Fund G	0	0.0%	-	36,346	0.0%	1
Great-West SF Lifetime 2030 Fund G	0	0.0%	-	538	0.0%	1
	27,335,578	27.1%		30,366,128	26.5%	
International						
Artisan International Inv	2,565,206	2.5%	1,186	2,178,700	1.9%	1,511
Dreyfus International Stock Index	1,933,330	1.9%	1,219	3,970,886	3.5%	1,569
Janus Global Select T	985,281	1.0%	401	0	0.0%	-
Oppenheimer Developing Markets Y	845,767	0.8%	1,155	2,260,348	2.0%	1,532
Oppenheimer Global Y	2,720,946	2.7%	757	3,384,683	3.0%	1,555
	9,050,529	9.0%		11,794,617	10.3%	
Small-Cap						
Baron Growth Fund	1,993,020	2.0%	702	3,102,252	2.7%	1,533
Columbia Small Cap Value Fund II Z	462,493	0.5%	626	847,418	0.7%	1,140
Neuberger Berman Genesis Fund - Trust	1,057,322	1.0%	121	1,153,783	1.0%	102
Royce Low Priced Stock Svc	1,395,766	1.4%	582	771,202	0.7%	90
	4,908,602	4.9%		5,874,655	5.1%	
Mid-Cap						
Artisan Mid Cap Inv	2,142,781	2.1%	945	2,268,208	2.0%	495
American Century Mid Cap Value A	1,343,829	1.3%	517	1,391,842	1.2%	777
Nuveen Tradewinds Value Opportunities I	701,855	0.7%	188	630,099	0.6%	259
Perkins Mid Cap Value Fund T	2,201,182	2.2%	688	3,946,663	3.4%	1,519
	6,389,647	6.3%		8,236,813	7.2%	
Large-Cap						
American Funds Growth Fund A	1,505,140	1.5%	575	1,602,602	1.4%	137
American Funds Inv Co Amer A	480,549	0.5%	56	499,393	0.4%	52
BlackRock Equity Index - Collective F	1,902,816	1.9%	301	1,844,499	1.6%	181
Fidelity Contrafund	2,160,487	2.1%	183	2,465,285	2.2%	171
Janus Twenty Fund T	744,219	0.7%	92	1,117,286	1.0%	524
TIAA-CREF Institutional Equity Index	2,108,090	2.1%	1,085	4,284,636	3.7%	1,470
Invesco Growth and Income Y	674,290	0.7%	77	913,075	0.8%	105
	9,575,591	9.5%		12,726,778	11.1%	
Balanced						
Fidelity Puritan Fund	927,019	0.9%	250	991,998	0.9%	162
Janus Balanced Fund T	1,091,125	1.1%	96	1,233,980	1.1%	94
	2,018,143	2.0%		2,225,979	1.9%	
Bond						
PIMCO Total Return Fund - Admin	1,453,900	1.4%	1,213	1,892,251	1.7%	1,554
Vanguard Total Bond Market Index Signal	1,829,703	1.8%	592	2,162,992	1.9%	751
JPMorgan High Yield A	578,280	0.6%	91	689,123	0.6%	85
	3,861,882	3.8%		4,744,366	4.1%	
Money Market						
TD AMERITRADE SDB Money Market	600,337	0.6%	33	1,211,792	1.1%	38
TD AMERITRADE SDB Securities	4,716,333	4.7%	30	4,144,562	3.6%	31
	5,316,670	5.3%		5,356,355	4.7%	
Fixed						
Gwinnett Stable Value Fund	32,347,403	32.1%	1,215	33,120,001	28.9%	1,311
	32,347,403	32.1%		33,120,001	28.9%	
	100,804,046	100.0%		114,445,690	100.0%	

Asset Distribution – 457(b) 03 Plan



Active Participants:	
3/31/2009	3,882
3/31/2010	4,090
3/31/2011	4,416
3/31/2012	4,506
3/31/2013	4,790
Average Account Balance per Participant:	
3/31/2009	\$17,412
3/31/2010	\$22,090
3/31/2011	\$23,303
3/31/2012	\$23,921
3/31/2013	\$24,529
Average Number of Investment Options per Participant:	
3/31/2009	3.2
3/31/2010	3.7
3/31/2011	3.8
3/31/2012	4.6
3/31/2013	5.1

Asset Class/Fund Name	3/31/2012			3/31/2013		
	Amount	Pct	Accts	Amount	Pct	Accts
Fund of Funds						
Maxim Aggressive Profile Portfolio	2,707,193	2.5%	450	3,400,405	2.9%	437
Maxim Moderately Aggressive Profile Port	2,854,200	2.6%	419	3,291,057	2.8%	398
Maxim Moderate Profile Portfolio	2,719,944	2.5%	399	2,732,157	2.3%	384
Maxim Moderately Conservative Profile	949,793	0.9%	149	1,034,468	0.9%	142
Maxim Conservative Profile Portfolio	1,179,363	1.1%	136	1,439,426	1.2%	132
Great-West SF Lifetime 2015 Fund G	0	0.0%	-	267,760	0.2%	2
Great-West SF Lifetime 2020 Fund G	0	0.0%	-	105	0.0%	1
Great-West SF Lifetime 2025 Fund G	0	0.0%	-	25,079	0.0%	2
Great-West SF Lifetime 2030 Fund G	0	0.0%	-	294	0.0%	1
Great-West SF Lifetime 2035 Fund G	0	0.0%	-	50	0.0%	1
	10,410,492	9.7%		12,190,802	10.4%	
International						
Artisan International Inv	2,452,286	2.3%	1,292	2,599,229	2.2%	1,613
Dreyfus International Stock Index	1,252,560	1.2%	1,239	2,089,667	1.8%	1,596
Janus Global Select T	829,450	0.8%	443	0	0.0%	-
Oppenheimer Developing Markets Y	1,103,277	1.0%	1,172	1,619,504	1.4%	1,564
Oppenheimer Global Y	2,177,577	2.0%	844	2,609,280	2.2%	1,651
	7,815,150	7.3%		8,917,680	7.6%	
Small-Cap						
Baron Growth Fund	2,120,028	2.0%	812	2,822,282	2.4%	1,606
Columbia Small Cap Value Fund II Z	451,343	0.4%	620	714,779	0.6%	1,081
Neuberger Berman Genesis Fund - Trust	2,271,396	2.1%	279	2,443,737	2.1%	251
Monumental Life Insurance	76	0.0%	3	76	0.0%	3
Royce Low Priced Stock Svc	1,715,292	1.6%	651	1,160,528	1.0%	186
	6,558,135	6.1%		7,141,403	6.1%	
Mid-Cap						
Artisan Mid Cap Inv	4,020,396	3.7%	1,202	4,012,444	3.4%	833
American Century Mid Cap Value A	428,442	0.4%	474	789,999	0.7%	779
Nuveen Tradewinds Value Opportunities I	814,057	0.8%	259	804,122	0.7%	338
Perkins Mid Cap Value Fund T	2,343,742	2.2%	832	2,802,470	2.4%	1,620
	7,606,638	7.1%		8,409,035	7.2%	
Large-Cap						
American Funds Growth Fund A	8,262,945	7.7%	1,254	9,303,183	7.9%	829
American Funds Inv Co Amer A	815,395	0.8%	138	930,381	0.8%	130
BlackRock Equity Index - Collective F	2,945,293	2.7%	550	3,155,349	2.7%	424
Fidelity Contrafund	10,278,123	9.5%	910	10,805,448	9.2%	861
Janus Twenty Fund T	808,130	0.7%	147	897,092	0.8%	552
TIAA-CREF Institutional Equity Index	1,160,952	1.1%	1,034	2,100,992	1.8%	1,441
Invesco Growth and Income Y	1,682,273	1.6%	292	1,962,391	1.7%	301
	25,953,111	24.1%		29,154,836	24.8%	
Balanced						
Fidelity Puritan Fund	1,527,587	1.4%	362	1,619,492	1.4%	277
Janus Balanced Fund T	536,829	0.5%	115	513,088	0.4%	114
	2,064,416	1.9%		2,132,580	1.8%	
Bond						
PIMCO Total Return Fund - Admin	1,499,748	1.4%	1,248	2,087,186	1.8%	1,598
Vanguard Total Bond Market Index Signal	1,232,069	1.1%	633	1,738,507	1.5%	823
JPMorgan High Yield A	484,125	0.4%	158	680,161	0.6%	156
	3,215,942	3.0%		4,505,854	3.8%	
Money Market						
TD AMERITRADE SDB Money Market	442,421	0.4%	32	491,464	0.4%	36
TD AMERITRADE SDB Securities	1,318,847	1.2%	30	1,532,798	1.3%	32
	1,761,268	1.6%		2,024,262	1.7%	
Fixed						
Gw innett Stable Value Fund	42,404,303	39.3%	2,021	43,018,155	36.6%	2,129
	42,404,303	39.3%		43,018,155	36.6%	
	107,789,455	100.0%		117,494,606	100.0%	

Asset Distribution – Combined

Total Active Accounts:

3/31/2009	6,328
3/31/2010	6,700
3/31/2011	7,415
3/31/2012	7,595
3/31/2013	8,173

Average Account

Balance per Account:

3/31/2009	\$19,461
3/31/2010	\$24,799
3/31/2011	\$26,385
3/31/2012	\$27,465
3/31/2013	\$28,379

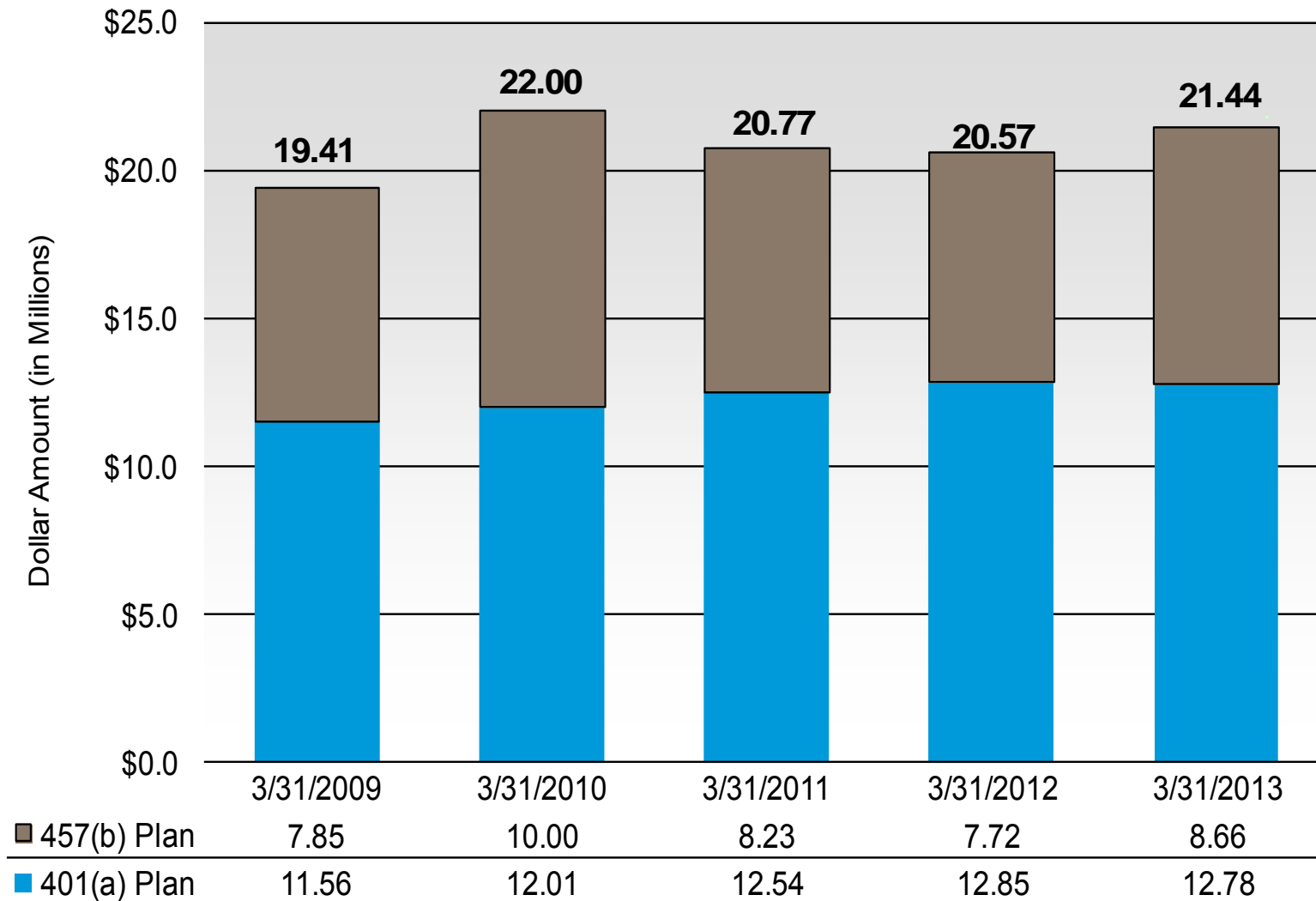
**Average Number of
Investment Options**

per Account:

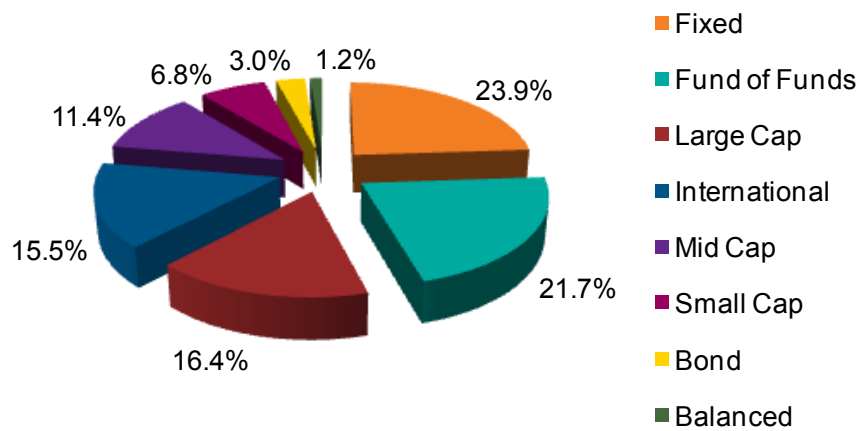
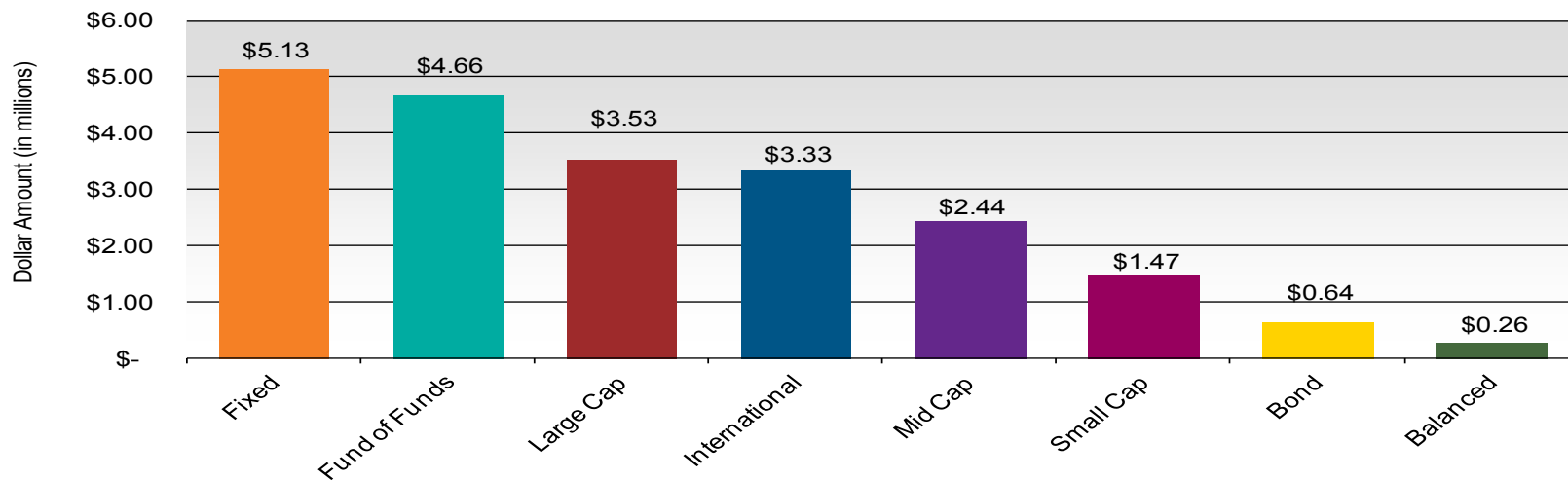
3/31/2009	3.1
3/31/2010	3.8
3/31/2011	4.0
3/31/2012	4.9
3/31/2013	5.4

Asset Class/Fund Name	3/31/2012			3/31/2013		
	Amount	Pct	Accts	Amount	Pct	Accts
Fund of Funds						
Maxim Aggressive Profile Portfolio	7,897,441	3.8%	759	9,649,803	4.2%	739
Maxim Moderately Aggressive Profile Port	9,855,619	4.7%	762	11,374,647	4.9%	723
Maxim Moderate Profile Portfolio	12,543,819	6.0%	958	13,322,074	5.7%	905
Maxim Moderately Conservative Profile	4,296,226	2.1%	290	4,344,974	1.9%	275
Maxim Conservative Profile Portfolio	3,152,965	1.5%	249	3,535,259	1.5%	236
Great-West SF Lifetime 2015 Fund G	0	0.0%	-	304,106	0.1%	3
Great-West SF Lifetime 2020 Fund G	0	0.0%	-	105	0.0%	1
Great-West SF Lifetime 2025 Fund G	0	0.0%	-	25,079	0.0%	2
Great-West SF Lifetime 2030 Fund G	0	0.0%	-	833	0.0%	2
Great-West SF Lifetime 2035 Fund G	0	0.0%	-	50	0.0%	1
	37,746,071	18.1%		42,556,930	18.3%	
International						
Artisan International Inv	5,017,493	2.4%	2,478	4,777,929	2.1%	3,124
Dreyfus International Stock Index	3,185,890	1.5%	2,458	6,060,553	2.6%	3,165
Janus Global Select T	1,814,730	0.9%	844	0	0.0%	-
Oppenheimer Developing Markets Y	1,949,044	0.9%	2,327	3,879,852	1.7%	3,096
Oppenheimer Global Y	4,898,523	2.3%	1,601	5,993,963	2.6%	3,206
	16,865,679	8.1%		20,712,297	8.9%	
Small-Cap						
Baron Growth Fund	4,113,048	2.0%	1,514	5,924,534	2.6%	3,139
Columbia Small Cap Value Fund II Z	913,837	0.4%	1,246	1,562,197	0.7%	2,221
Neuberger Berman Genesis Fund - Trust	3,328,718	1.6%	400	3,597,520	1.6%	353
Monumental Life Insurance	76	0.0%	3	76	0.0%	3
Royce Low Priced Stock Svc	3,111,058	1.5%	1,233	1,931,730	0.8%	276
	11,466,737	5.5%		13,016,057	5.6%	
Mid-Cap						
Artisan Mid Cap Inv	6,163,177	3.0%	2,147	6,280,652	2.7%	1,328
American Century Mid Cap Value A	1,772,271	0.8%	991	2,181,842	0.9%	1,556
Nuveen Tradewinds Value Opportunities I	1,515,912	0.7%	447	1,434,221	0.6%	597
Perkins Mid Cap Value Fund T	4,544,924	2.2%	1,520	6,749,133	2.9%	3,139
	13,996,284	6.7%		16,645,848	7.2%	
Large-Cap						
American Funds Growth Fund A	9,768,084	4.7%	1,829	10,905,785	4.7%	966
American Funds Inv Co Amer A	1,295,944	0.6%	194	1,429,775	0.6%	182
BlackRock Equity Index - Collective F	4,848,109	2.3%	851	4,999,848	2.2%	605
Fidelity Contrafund	12,438,610	6.0%	1,093	13,270,732	5.7%	1,032
Janus Twenty Fund T	1,552,350	0.7%	239	2,014,379	0.9%	1,076
TIAA-CREF Institutional Equity Index	3,269,042	1.6%	2,119	6,385,629	2.8%	2,911
Invesco Growth and Income Y	2,356,563	1.1%	369	2,875,466	1.2%	406
	35,528,702	17.0%		41,881,613	18.1%	
Balanced						
Fidelity Puritan Fund	2,454,606	1.2%	612	2,611,490	1.1%	439
Janus Balanced Fund T	1,627,953	0.8%	211	1,747,069	0.8%	208
	4,082,559	2.0%		4,358,559	1.9%	
Bond						
PIMCO Total Return Fund - Admin	2,953,647	1.4%	2,461	3,979,437	1.7%	3,152
Vanguard Total Bond Market Index Signal	3,061,772	1.5%	1,225	3,901,499	1.7%	1,574
JPMorgan High Yield A	1,062,405	0.5%	249	1,369,284	0.6%	241
	7,077,824	3.4%		9,250,220	4.0%	
Money Market						
TD AMERITRADE SDB Money Market	1,042,758	0.5%	65	1,703,256	0.7%	74
TD AMERITRADE SDB Securities	6,035,180	2.9%	60	5,677,360	2.4%	63
	7,077,939	3.4%		7,380,616	3.2%	
Fixed						
Gw innett Stable Value Fund	74,751,705	35.8%	3,236	76,138,156	32.8%	3,440
	74,751,705	35.8%		76,138,156	32.8%	
	208,593,501	100.0%		231,940,296	100.0%	

Contribution History



Contributions by Asset Class



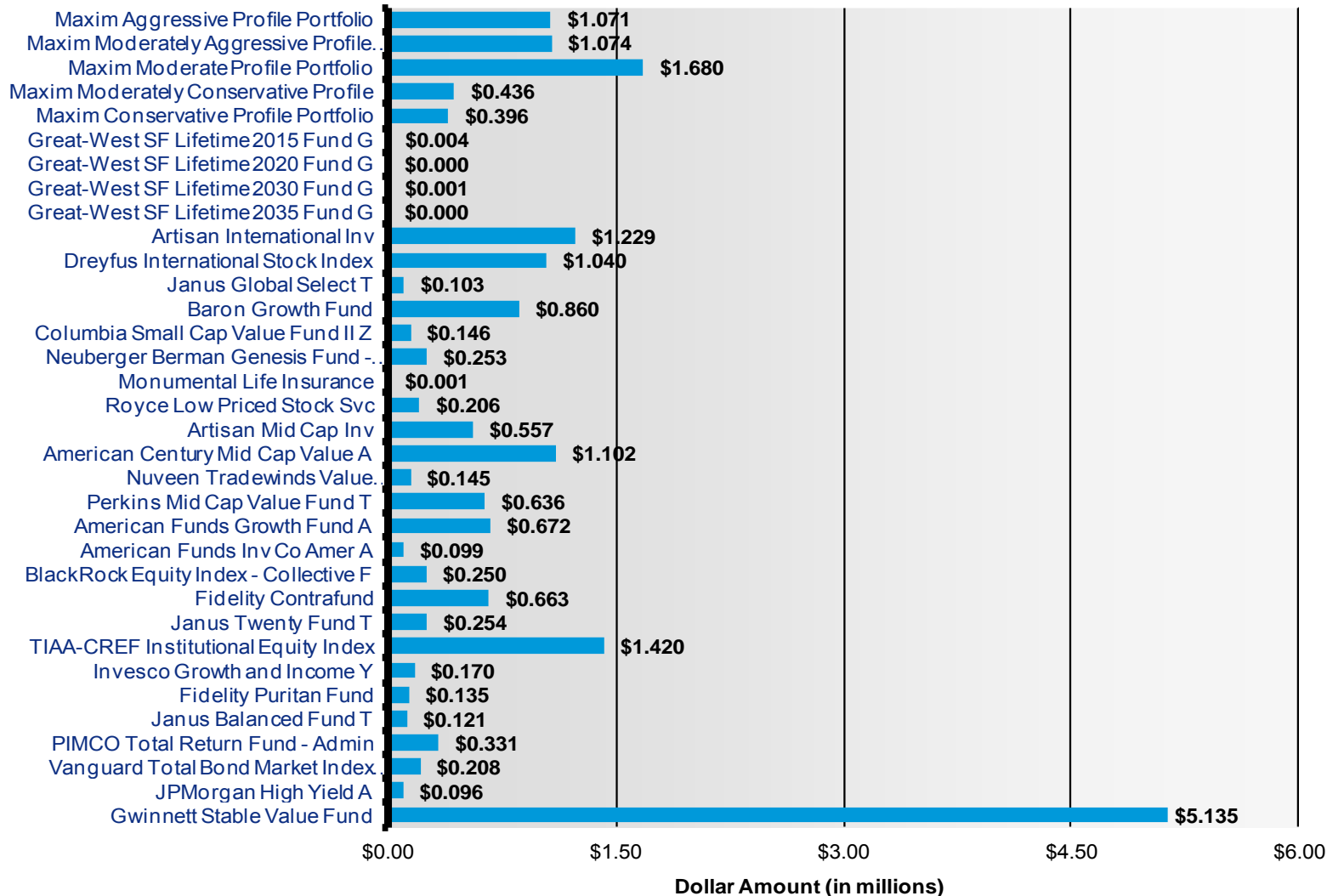
Percentage of Contributions by Asset Class

401(a) Plan	Fund of Funds	Internat'l	Small Cap	Mid Cap	Large Cap	Balanced	Bond	Fixed
4/1/2008 to 3/31/2009	34.2%	8.4%	4.3%	2.9%	11.4%	2.0%	2.7%	33.9%
4/1/2009 to 3/31/2010	33.6%	11.1%	3.9%	5.0%	12.7%	2.1%	3.4%	28.0%
4/1/2010 to 3/31/2011	29.9%	12.4%	6.3%	8.0%	14.1%	1.5%	3.6%	24.2%
4/1/2011 to 3/31/2012	27.5%	15.0%	6.6%	9.6%	11.2%	1.6%	3.4%	23.3%
4/1/2012 to 3/31/2013	25.7%	16.8%	6.7%	12.0%	14.3%	1.2%	2.7%	20.7%

457(b) Plan	Fund of Funds	Internat'l	Small Cap	Mid Cap	Large Cap	Balanced	Bond	Fixed
4/1/2008 to 3/31/2009	15.0%	9.4%	6.4%	5.8%	25.2%	1.9%	2.6%	33.6%
4/1/2009 to 3/31/2010	12.4%	9.1%	5.1%	6.0%	21.0%	1.8%	2.9%	41.7%
4/1/2010 to 3/31/2011	15.2%	10.2%	6.5%	7.5%	20.2%	1.4%	3.6%	35.3%
4/1/2011 to 3/31/2012	16.6%	13.2%	7.7%	9.5%	18.0%	1.7%	3.4%	29.9%
4/1/2012 to 3/31/2013	15.9%	13.7%	7.1%	10.5%	19.6%	1.2%	3.3%	28.7%

Combined	Fund of Funds	Internat'l	Small Cap	Mid Cap	Large Cap	Balanced	Bond	Fixed
4/1/2008 to 3/31/2009	26.5%	8.8%	5.2%	4.1%	17.0%	2.0%	2.7%	33.8%
4/1/2009 to 3/31/2010	24.0%	10.2%	4.5%	5.5%	16.5%	1.9%	3.2%	34.2%
4/1/2010 to 3/31/2011	24.1%	11.5%	6.4%	7.8%	16.5%	1.4%	3.6%	28.6%
4/1/2011 to 3/31/2012	23.4%	14.9%	7.0%	10.1%	13.7%	1.7%	3.4%	25.8%
4/1/2012 to 3/31/2013	21.7%	15.5%	6.8%	11.4%	16.4%	1.2%	3.0%	23.9%

Contributions by Investment Option



Contributions by Fund – 401(a) 01 Plan



Contributing Participants:

3/31/2009	2,060
3/31/2010	2,163
3/31/2011	2,479
3/31/2012	2,493
3/31/2013	2,717

Average Contribution per Participant:

3/31/2009	\$5,610
3/31/2010	\$5,550
3/31/2011	\$5,060
3/31/2012	\$5,155
3/31/2013	\$4,705

Average Number of Investment Options per Participant:

3/31/2009	4.0
3/31/2010	4.5
3/31/2011	5.9
3/31/2012	8.0
3/31/2013	8.1

Asset Class/Fund Name	4/1/2011 to 3/31/2012			4/1/2012 to 3/31/2013		
	Amount	Pct	Accts	Amount	Pct	Accts
Fund of Funds						
Maxim Aggressive Profile Portfolio	707,693	5.5%	253	682,500	5.3%	239
Maxim Moderately Aggressive Profile Port	842,596	6.6%	265	790,916	6.2%	253
Maxim Moderate Profile Portfolio	1,507,735	11.7%	439	1,376,852	10.8%	405
Maxim Moderately Conservative Profile	275,220	2.1%	106	241,320	1.9%	98
Maxim Conservative Profile Portfolio	196,542	1.5%	90	190,039	1.5%	87
Great-West SF Lifetime 2015 Fund G	0	0.0%	-	1,740	0.0%	1
Great-West SF Lifetime 2030 Fund G	0	0.0%	-	505	0.0%	1
	3,529,785	27.5%		3,283,872	25.7%	
International						
Artisan International Inv	351,432	2.7%	1,137	799,165	6.3%	1,493
Dreyfus International Stock Index	455,631	3.5%	1,143	699,104	5.5%	1,467
Oppenheimer Developing Markets A	189,347	1.5%	1,075	0	0.0%	-
Oppenheimer Global Fund A	786,780	6.1%	1,151	0	0.0%	-
Janus Global Select T	150,059	1.2%	841	70,015	0.5%	309
Oppenheimer Developing Markets Y	24,245	0.2%	978	363,069	2.8%	1,445
Oppenheimer Global Y	91,042	0.7%	1,044	212,415	1.7%	1,266
	2,048,536	15.0%		2,143,768	16.8%	
Small-Cap						
Baron Growth Fund	114,100	0.9%	541	550,002	4.3%	1,462
Columbia Small Cap Value Fund II Z	283,482	2.2%	1,079	91,743	0.7%	1,220
Neuberger Berman Genesis Fund - Trust	125,562	1.0%	104	111,787	0.9%	91
Royce Low Priced Stock Svc	329,348	2.6%	1,001	97,223	0.8%	402
	852,492	6.6%		850,754	6.7%	
Mid-Cap						
Artisan Mid Cap Inv	154,459	1.2%	735	305,179	2.4%	1,327
American Century Mid Cap Value A	15,011	0.1%	374	762,223	6.0%	1,372
Nuveen Tradewinds Value Opportunities I	91,410	0.7%	234	65,808	0.5%	302
Perkins Mid Cap Value S	974,693	7.6%	1,103	0	0.0%	-
Perkins Mid Cap Value Fund T	107,222	0.8%	1,004	396,384	3.1%	1,393
	1,342,796	9.6%		1,529,594	12.0%	
Large-Cap						
American Funds Growth Fund A	166,138	1.3%	420	204,157	1.6%	1,101
American Funds Inv Co Amer A	60,978	0.5%	46	48,313	0.4%	40
BlackRock Equity Index - Collective F	254,260	2.0%	616	106,203	0.8%	270
Fidelity Contrafund	218,427	1.7%	149	269,512	2.1%	190
Janus Twenty Fund T	99,378	0.8%	78	148,659	1.2%	1,245
Oppenheimer Capital Appreciation Fund	1,209	0.0%	29	0	0.0%	-
TIAA-CREF Institutional Equity Index	549,973	4.3%	1,074	975,466	7.6%	1,413
Invesco Growth and Income Y	9,369	0.1%	55	78,923	0.6%	79
Invesco Growth & Income A	74,153	0.6%	136	0	0.0%	-
	1,433,884	11.2%		1,831,233	14.3%	
Balanced						
Fidelity Puritan Fund	115,939	0.9%	305	67,598	0.5%	260
Janus Balanced Fund T	96,052	0.7%	67	85,428	0.7%	65
	211,991	1.6%		153,027	1.2%	
Bond						
PIMCO Total Return Fund - Admin	246,008	1.9%	1,063	182,527	1.4%	1,363
Vanguard Total Bond Market Index Signal	142,769	1.1%	183	113,112	0.9%	375
JPMorgan High Yield A	48,804	0.4%	43	50,035	0.4%	46
	437,581	3.4%		345,674	2.7%	
Fixed						
Gwinnett Stable Value Fund	2,993,830	23.3%	915	2,645,879	20.7%	902
	2,993,830	23.3%		2,645,879	20.7%	
	12,850,894	98.3%		12,783,799	100.0%	

Contributions by Fund – 457(b) 03 Plan

Asset Class/Fund Name	4/1/2011 to 3/31/2012			4/1/2012 to 3/31/2013		
	Amount	Pct	Accts	Amount	Pct	Accts
Fund of Funds						
Maxim Aggressive Profile Portfolio	375,130	4.9%	357	388,305	4.5%	337
Maxim Moderately Aggressive Profile Port	324,324	4.2%	323	282,671	3.3%	294
Maxim Moderate Profile Portfolio	408,305	5.3%	310	302,739	3.5%	298
Maxim Moderately Conservative Profile	96,237	1.2%	114	194,810	2.2%	98
Maxim Conservative Profile Portfolio	76,235	1.0%	99	205,783	2.4%	88
Great-West SF Lifetime 2015 Fund G	0	0.0%	-	1,871	0.0%	2
Great-West SF Lifetime 2020 Fund G	0	0.0%	-	104	0.0%	1
Great-West SF Lifetime 2030 Fund G	0	0.0%	-	273	0.0%	1
Great-West SF Lifetime 2035 Fund G	0	0.0%	-	50	0.0%	1
	1,280,231	16.6%		1,376,606	15.9%	
International						
Artisan International Inv	216,882	2.8%	1,129	430,101	5.0%	1,473
Dreyfus International Stock Index	191,633	2.5%	1,090	340,951	3.9%	1,406
Oppenheimer Developing Markets A	137,965	1.8%	1,057	0	0.0%	-
Oppenheimer Global Fund A	333,667	4.3%	1,141	0	0.0%	-
Janus Global Select T	85,569	1.1%	784	33,468	0.4%	307
Oppenheimer Developing Markets Y	24,055	0.3%	939	238,557	2.8%	1,428
Oppenheimer Global Y	32,716	0.4%	1,006	142,498	1.6%	1,452
	1,022,487	13.2%		1,185,574	13.7%	
Small-Cap						
Baron Growth Fund	120,203	1.6%	582	310,153	3.6%	1,447
Columbia Small Cap Value Fund II Z	143,956	1.9%	1,001	53,772	0.6%	1,138
Neuberger Berman Genesis Fund - Trust	144,259	1.9%	168	141,011	1.6%	155
Monumental Life Insurance	986	0.0%	3	986	0.0%	3
Royce Low Priced Stock Svc	185,855	2.4%	975	108,658	1.3%	422
	595,260	7.7%		614,580	7.1%	
Mid-Cap						
Artisan Mid Cap Inv	180,359	2.3%	851	251,693	2.9%	1,414
American Century Mid Cap Value A	4,107	0.1%	335	339,386	3.9%	1,282
Nuveen Tradewinds Value Opportunities I	89,638	1.2%	267	78,886	0.9%	347
Perkins Mid Cap Value S	424,482	5.5%	1,110	0	0.0%	-
Perkins Mid Cap Value Fund T	38,558	0.5%	981	239,914	2.8%	1,379
	737,145	9.5%		909,880	10.5%	
Large-Cap						
American Funds Growth Fund A	387,490	5.0%	747	467,441	5.4%	1,324
American Funds Inv Co Amer A	53,481	0.7%	92	51,126	0.6%	82
BlackRock Equity Index - Collective F	175,814	2.3%	704	143,957	1.7%	392
Fidelity Contrafund	399,474	5.2%	498	393,006	4.5%	504
Janus Twenty Fund T	63,281	0.8%	112	105,346	1.2%	1,192
Oppenheimer Capital Appreciation Fund	2,899	0.0%	125	0	0.0%	-
TIAA-CREF Institutional Equity Index	206,418	2.7%	990	444,305	5.1%	1,334
Invesco Growth and Income Y	10,688	0.1%	136	91,239	1.1%	162
Invesco Growth & Income A	87,341	1.1%	222	0	0.0%	-
	1,386,887	18.0%		1,696,420	19.6%	
Balanced						
Fidelity Puritan Fund	93,518	1.2%	344	67,424	0.8%	305
Janus Balanced Fund T	35,051	0.5%	75	35,824	0.4%	72
	128,569	1.7%		103,248	1.2%	
Bond						
PIMCO Total Return Fund - Admin	144,740	1.9%	987	148,516	1.7%	1,292
Vanguard Total Bond Market Index Signal	71,749	0.9%	214	95,347	1.1%	413
JPMorgan High Yield A	44,224	0.6%	76	45,850	0.5%	71
	260,713	3.4%		289,713	3.3%	
Fixed						
Gw innett Stable Value Fund	2,310,343	29.9%	1,295	2,488,686	28.7%	1,279
	2,310,343	29.9%		2,488,686	28.7%	
	7,721,636	100.0%		8,664,708	100.0%	

Contributing Participants:

3/31/2009	2,937
3/31/2010	3,047
3/31/2011	3,182
3/31/2012	3,192
3/31/2013	3,387

Average Annual Contributions per Participant:

3/31/2009	\$2,672
3/31/2010	\$3,281
3/31/2011	\$2,587
3/31/2012	\$2,419
3/31/2013	\$2,558

Average Number of Investment Options per Participant:

3/31/2009	3.8
3/31/2010	4.1
3/31/2011	5.1
3/31/2012	6.7
3/31/2013	6.8

Contributions by Fund – Combined

Total Accounts

Receiving Contributions:

3/31/2009	4,997
3/31/2010	5,210
3/31/2011	5,661
3/31/2012	5,685
3/31/2013	6,104

Average Contributions per Account:

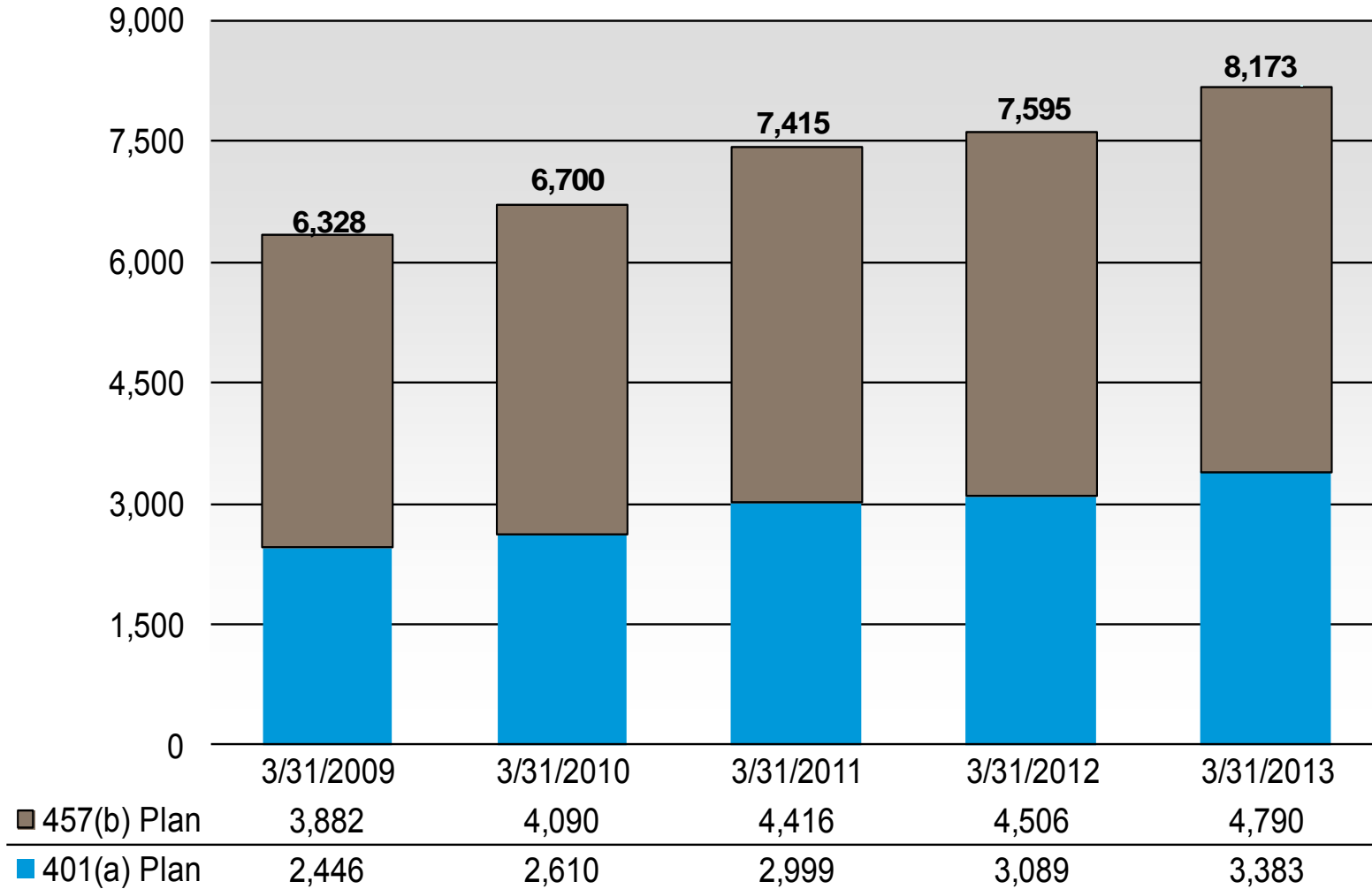
3/31/2009	\$3,884
3/31/2010	\$4,223
3/31/2011	\$3,670
3/31/2012	\$3,619
3/31/2013	\$3,514

Average Number of Investment Options per Account:

3/31/2009	3.9
3/31/2010	4.3
3/31/2011	5.5
3/31/2012	7.2
3/31/2013	7.4

Asset Class/Fund Name	4/1/2011 to 3/31/2012			4/1/2012 to 3/31/2013		
	Amount	Pct	Accts	Amount	Pct	Accts
Fund of Funds						
Maxim Aggressive Profile Portfolio	1,082,822	5.3%	610	1,070,805	5.0%	576
Maxim Moderately Aggressive Profile Port	1,166,920	5.7%	588	1,073,587	5.0%	547
Maxim Moderate Profile Portfolio	1,916,040	9.3%	749	1,679,591	7.8%	703
Maxim Moderately Conservative Profile	371,457	1.8%	220	436,130	2.0%	196
Maxim Conservative Profile Portfolio	272,777	1.3%	189	395,822	1.8%	175
Great-West SF Lifetime 2015 Fund G	0	0.0%	-	3,612	0.0%	3
Great-West SF Lifetime 2020 Fund G	0	0.0%	-	104	0.0%	1
Great-West SF Lifetime 2030 Fund G	0	0.0%	-	777	0.0%	2
Great-West SF Lifetime 2035 Fund G	0	0.0%	-	50	0.0%	1
	4,810,017	23.4%		4,660,477	21.7%	
International						
Artisan International Inv	568,313	2.8%	2,266	1,229,266	5.7%	2,966
Dreyfus International Stock Index	647,263	3.1%	2,233	1,040,055	4.8%	2,873
Oppenheimer Developing Markets A	327,313	1.6%	2,132	0	0.0%	-
Oppenheimer Global Fund A	1,120,447	5.4%	2,292	0	0.0%	-
Janus Global Select T	235,628	1.1%	1,625	103,483	0.5%	616
Oppenheimer Developing Markets Y	48,300	0.2%	1,917	601,625	2.8%	2,873
Oppenheimer Global Y	123,758	0.6%	2,050	354,913	1.7%	2,718
	3,071,023	14.9%		3,329,342	15.5%	
Small-Cap						
Baron Growth Fund	234,303	1.1%	1,123	860,155	4.0%	2,909
Columbia Small Cap Value Fund II Z	427,439	2.1%	2,080	145,515	0.7%	2,358
Neuberger Berman Genesis Fund - Trust	269,821	1.3%	272	252,798	1.2%	246
Monumental Life Insurance	986	0.0%	3	986	0.0%	3
Royce Low Priced Stock Svc	515,203	2.5%	1,976	205,881	1.0%	824
	1,447,752	7.0%		1,465,335	6.8%	
Mid-Cap						
Artisan Mid Cap Inv	334,818	1.6%	1,586	556,872	2.6%	2,741
American Century Mid Cap Value A	19,118	0.1%	709	1,101,609	5.1%	2,654
Nuveen Tradewinds Value Opportunities I	181,048	0.9%	501	144,695	0.7%	649
Perkins Mid Cap Value S	1,399,176	6.8%	2,213	0	0.0%	-
Perkins Mid Cap Value Fund T	145,780	0.7%	1,985	636,298	3.0%	2,772
	2,079,940	10.1%		2,439,474	11.4%	
Large-Cap						
American Funds Growth Fund A	553,628	2.7%	1,167	671,597	3.1%	2,425
American Funds Inv Co Amer A	114,459	0.6%	138	99,439	0.5%	122
BlackRock Equity Index - Collective F	430,074	2.1%	1,320	250,160	1.2%	662
Fidelity Contrafund	617,901	3.0%	647	662,518	3.1%	694
Janus Twenty Fund T	162,659	0.8%	190	254,005	1.2%	2,437
Oppenheimer Capital Appreciation Fund	4,108	0.0%	154	0	0.0%	-
TIAA-CREF Institutional Equity Index	756,392	3.7%	2,064	1,419,771	6.6%	2,747
Invesco Growth and Income Y	20,056	0.1%	191	170,162	0.8%	241
Invesco Growth & Income A	161,494	0.8%	358	0	0.0%	-
	2,820,771	13.7%		3,527,653	16.4%	
Balanced						
Fidelity Puritan Fund	209,457	1.0%	649	135,022	0.6%	565
Janus Balanced Fund T	131,103	0.6%	142	121,252	0.6%	137
	340,560	1.7%		256,275	1.2%	
Bond						
PIMCO Total Return Fund - Admin	390,748	1.9%	2,050	331,043	1.5%	2,655
Vanguard Total Bond Market Index Signal	214,517	1.0%	397	208,460	1.0%	788
JPMorgan High Yield A	93,029	0.5%	119	95,884	0.4%	117
	698,294	3.4%		635,387	3.0%	
Fixed						
Gw innett Stable Value Fund	5,304,173	25.8%	2,210	5,134,565	23.9%	2,181
	5,304,173	25.8%		5,134,565	23.9%	
	20,572,530	100.0%		21,448,507	100.0%	

Plan Participation



Benefit Payment Distribution – 401(a) 01 Plan



	4/1/2011 to 3/31/2012			4/1/2012 to 3/31/2013		
	Amount	Pct	Count	Amount	Pct	Count
<u>Full Withdrawals</u>						
Death	1,534,491	19.2%	1	50,565	0.7%	3
Disability	7,595	0.1%	1	55,165	0.8%	2
Retirement	1,301,006	16.3%	8	513,136	7.2%	15
Separation of Service	2,011,882	25.2%	135	3,627,520	51.0%	174
Total Full Withdrawals:	4,854,974	60.8%	145	4,246,385	59.7%	194
<u>Partial Withdrawals</u>						
Benefit Payment	0	0.0%	0	1,800	0.0%	1
Death	0	0.0%	0	42,236	0.6%	2
Disability	0	0.0%	0	12,519	0.2%	1
In Service	20,000	0.3%	1	77,594	1.1%	2
In Service - Retirement Age	10,038	0.1%	1	20,019	0.3%	1
Minimum Distribution	0	0.0%	0	5,229	0.1%	1
Retirement	1,960,101	24.5%	20	1,424,781	20.0%	18
Separation of Service	498,067	6.2%	18	725,494	10.2%	31
Total Partial Withdrawals:	2,488,205	31.1%	40	2,309,671	32.5%	57
<u>Periodic Payments</u>						
Benefit Payment	0	0.0%	0	4,200	0.1%	2
Minimum Distribution	4,180	0.1%	2	11,013	0.2%	4
Retirement	644,263	8.1%	18	541,456	7.6%	24
Total Periodic Payments:	648,442	8.1%	20	556,669	7.8%	30
	7,991,621	100.0%	205	7,112,725	100.0%	281

Benefit Payment Distribution – 457(b) 03 Plan



	4/1/2011 to 3/31/2012			4/1/2012 to 3/31/2013		
	Amount	Pct	Count	Amount	Pct	Count
<u>Full Withdrawals</u>						
Deminimus 457	0	0.0%	0	4,844	0.1%	1
Death	272,140	3.5%	6	330,720	3.8%	6
Disability	0	0.0%	0	13,997	0.2%	3
Retirement	1,826,770	23.5%	52	2,017,301	23.3%	61
Separation of Service	715,205	9.2%	112	702,755	8.1%	139
Total Full Withdrawals:	2,814,115	36.3%	170	3,069,617	35.4%	210
<u>Partial Withdrawals</u>						
INSERVROMT	107,352	1.4%	6	44,748	0.5%	7
Death	12,664	0.2%	3	2,850	0.0%	1
Disability	5,800	0.1%	1	0	0.0%	0
External Transfer	352	0.0%	1	0	0.0%	0
Hardship	63,427	0.8%	28	111,489	1.3%	25
Loan	1,889,618	24.3%	312	2,078,927	24.0%	332
Minimum Distribution	5,134	0.1%	4	45,356	0.5%	7
Retirement	1,840,342	23.7%	88	2,085,329	24.1%	105
Separation of Service	341,150	4.4%	29	338,248	3.9%	17
Service Credit	6,693	0.1%	3	75,752	0.9%	2
Total Partial Withdrawals:	4,272,532	55.1%	475	4,782,699	55.2%	496
<u>Periodic Payments</u>						
Benefit Payment	7,585	0.1%	2	24,585	0.3%	3
Minimum Distribution	52,048	0.7%	23	67,248	0.8%	34
Retirement	614,671	7.9%	74	720,976	8.3%	70
Total Periodic Payments:	674,304	8.7%	99	812,809	9.4%	107
	7,760,951	100.0%	744	8,665,125	100.0%	813

Benefit Payment Distribution – Combined



	4/1/2011 to 3/31/2012			4/1/2012 to 3/31/2013		
	Amount	Pct	Count	Amount	Pct	Count
<u>Full Withdrawals</u>						
Deminimus 457	0	0.0%	0	4,844	0.0%	1
Death	1,806,631	11.5%	7	381,284	2.4%	9
Disability	7,595	0.0%	1	69,162	0.4%	5
Retirement	3,127,776	19.9%	60	2,530,436	16.0%	76
Separation of Service	2,727,087	17.3%	247	4,330,275	27.4%	313
Total Full Withdrawals:	7,669,088	48.7%	315	7,316,002	46.4%	404
<u>Partial Withdrawals</u>						
INSERVROMT	107,352	0.7%	6	44,748	0.3%	7
Benefit Payment	0	0.0%	0	1,800	0.0%	1
Death	12,664	0.1%	3	45,086	0.3%	3
Disability	5,800	0.0%	1	12,519	0.1%	1
External Transfer	352	0.0%	1	0	0.0%	0
Hardship	63,427	0.4%	28	111,489	0.7%	25
In Service	20,000	0.1%	1	77,594	0.5%	2
In Service - Retirement Age	10,038	0.1%	1	20,019	0.1%	1
Loan	1,889,618	12.0%	312	2,078,927	13.2%	332
Minimum Distribution	5,134	0.0%	4	50,586	0.3%	8
Retirement	3,800,443	24.1%	108	3,510,110	22.2%	123
Separation of Service	839,217	5.3%	47	1,063,741	6.7%	48
Service Credit	6,693	0.0%	3	75,752	0.5%	2
Total Partial Withdrawals:	6,760,737	42.9%	515	7,092,370	45.0%	553
<u>Periodic Payments</u>						
Benefit Payment	7,585	0.0%	2	28,785	0.2%	5
Minimum Distribution	56,228	0.4%	25	78,262	0.5%	38
Retirement	1,258,933	8.0%	92	1,262,432	8.0%	94
Total Periodic Payments:	1,322,746	8.4%	119	1,369,478	8.7%	137
	15,752,572	100.0%	949	15,777,850	100.0%	1,094

KeyTalk® Statistics – 401(a) 01 Plan



Category	Plan Totals			
	4/1/2011 to 3/31/2012		4/1/2012 to 3/31/2013	
	Total	Pct	Total	Pct
Change Passcode	267	66.8%	358	81.2%
Inq Acct Bal	7	1.8%	11	2.5%
Inq Alloc	8	2.0%	8	1.8%
Inq DoI Avg	1	0.3%	-	0.0%
Inq Loan	78	19.5%	58	13.2%
Inq Tran Hist	7	1.8%	6	1.4%
Order Passcode	16	4.0%	-	0.0%
Req Pin	16	4.0%	-	0.0%
GRAND TOTAL	400	100.0%	441	100.0%

Total Calls	1,253	1,562
Rolled to Customer Service	957	1,134
Pct Transferred to CSR	76.4%	72.6%

KeyTalk® Statistics – 457(b) 03 Plan



Category	Plan Totals			
	4/1/2011 to 3/31/2012		4/1/2012 to 3/31/2013	
	Total	Pct	Total	Pct
Allocation	-	0.0%	1	0.1%
Change Passcode	433	61.7%	558	58.6%
Deferral	18	2.6%	29	3.0%
Inq Acct Bal	7	1.0%	7	0.7%
Inq Alloc	9	1.3%	4	0.4%
Inq Dol Avg	2	0.3%	-	0.0%
Inq Loan	133	18.9%	267	28.0%
Inq Rates	1	0.1%	1	0.1%
Inq Tran Hist	7	1.0%	5	0.5%
Loan Request	58	8.3%	80	8.4%
Order Passcode	20	2.8%	-	0.0%
Req Pin	14	2.0%	-	0.0%
GRAND TOTAL	702	100.0%	952	100.0%

Total Calls	1,889	1,788
Rolled to Customer Service	1,102	1,177
Pct Transferred to CSR	58.3%	65.8%

KeyTalk® Statistics – Combined



Category	Plan Totals			
	4/1/2011 to 3/31/2012		4/1/2012 to 3/31/2013	
	Total	Pct	Total	Pct
Allocation	-	0.0%	1	0.1%
Change Passcode	700	63.5%	916	65.8%
Deferral	18	1.6%	29	2.1%
Inq Acct Bal	14	1.3%	18	1.3%
Inq Alloc	17	1.5%	12	0.9%
Inq DoI Avg	3	0.3%	-	0.0%
Inq Loan	211	19.1%	325	23.3%
Inq Rates	1	0.1%	1	0.1%
Inq Tran Hist	14	1.3%	11	0.8%
Loan Request	58	5.3%	80	5.7%
Order Passcode	36	3.3%	-	0.0%
Req Pin	30	2.7%	-	0.0%
GRAND TOTAL	1,102	100.0%	1,393	100.0%

Total Calls	3,142	3,350
Rolled to Customer Service	2,059	2,311
Pct Transferred to CSR	65.5%	69.0%

Internet Statistics – 401(a) 01 Plan



Category	Plan Totals			
	4/1/2011 to 3/31/2012		4/1/2012 to 3/31/2013	
	Total	Pct	Total	Pct
Account And Certificates Overview	1,129	3.5%	7,898	14.4%
Allocation And Asset Allocation	135	0.4%	2,289	4.2%
Disbursement Summary	750	2.3%	1,383	2.5%
Fund Overview And Prospectus	130	0.4%	340	0.6%
Address Change	58	0.2%	34	0.1%
Allocation	213	0.7%	161	0.3%
Beneficiaries	197	0.6%	185	0.3%
Change Passcode	629	2.0%	571	1.0%
Disbursement Summary	750	2.3%	1,383	2.5%
Elec Filing Cabinet	54	0.2%	90	0.2%
Email Address	281	0.9%	397	0.7%
Fund To Fund Trf	276	0.9%	265	0.5%
Indic Data	95	0.3%	108	0.2%
Inq Acct Bal	3,188	9.9%	3,238	5.9%
Inq Acct Sum	1,318	4.1%	1,157	2.1%
Inq Alloc	644	2.0%	687	1.2%
Inq Asset Alloc	414	1.3%	439	0.8%
Inq Asset Alloc Comparison	323	1.0%	299	0.5%
Inq Bal Comparison	1,835	5.7%	1,413	2.6%
Inq Bal History	2,034	6.3%	1,976	3.6%
Inq Bene	1,033	3.2%	1,158	2.1%
Inq Dfml	91	0.3%	67	0.1%
Inq Elec Stmt	704	2.2%	668	1.2%
Inq Fund Overview	729	2.3%	662	1.2%
Inq Fund Prospectus	78	0.2%	100	0.2%
Inq Fund Returns	507	1.6%	512	0.9%
Inq Funds Trnd	341	1.1%	377	0.7%
Inq Loan Sum	29	0.1%	131	0.2%
Inq Managed Account-Ibbotson	35	0.1%	54	0.1%
Inq O/L Forms	562	1.8%	903	1.6%
Inq Online Prospectus	137	0.4%	112	0.2%
Inq Per Rate Return	5,820	18.2%	4,915	8.9%
Inq Rates	152	0.5%	117	0.2%
Inq Stmt On Demand	1,698	5.3%	1,486	2.7%
Inq Tran Hist	2,998	9.4%	12,967	23.6%
Inq Trfs - Comp/Pend/Perd	348	1.1%	392	0.7%
Inq Uval	804	2.5%	759	1.4%
Inquire Address	596	1.9%	696	1.3%
Order Passcode	136	0.4%	102	0.2%
Rebalancer	111	0.3%	60	0.1%
Registration	569	1.8%	578	1.1%
Transaction Downloads	65	0.2%	3,780	6.9%
Trf From Sda	10	0.0%	19	0.0%
Trf To Sda	58	0.2%	40	0.1%
GRAND TOTAL	32,064	100.0%	54,968	100.0%
Number of Successful log ins	17,198		23,779	

Internet Statistics – 457(b) 03 Plan



Category	Plan Totals			
	4/1/2011 to 3/31/2012		4/1/2012 to 3/31/2013	
	Total	Pct	Total	Pct
Account And Certificates Overview	1,158	1.4%	7,863	8.3%
Allocation And Asset Allocation	224	0.3%	901	1.0%
Disbursement Summary	1,741	2.2%	1,905	2.0%
Fund Overview And Prospectus	99	0.1%	357	0.4%
Address Change	22	0.0%	21	0.0%
Allocation	418	0.5%	368	0.4%
Beneficiaries	256	0.3%	256	0.3%
Change Passcode	1,136	1.4%	973	1.0%
Deferral	611	0.8%	650	0.7%
Disbursement Summary	1,741	2.2%	1,905	2.0%
Dollar Cost Avg	-	0.0%	3	0.0%
Elec Filing Cabinet	53	0.1%	72	0.1%
Email Address	222	0.3%	241	0.3%
Fund To Fund Trf	629	0.8%	517	0.5%
Indic Data	154	0.2%	153	0.2%
Inq Acct Bal	7,602	9.5%	6,605	7.0%
Inq Acct Sum	4,499	5.6%	3,321	3.5%
Inq Alloc	1,658	2.1%	1,732	1.8%
Inq Asset Alloc	1,097	1.4%	1,003	1.1%
Inq Asset Alloc Comparison	925	1.2%	824	0.9%
Inq Bal Comparison	5,408	6.8%	4,050	4.3%
Inq Bal History	5,288	6.6%	4,316	4.6%
Inq Bene	1,498	1.9%	1,860	2.0%
Inq Dfrl	2,089	2.6%	2,732	2.9%
Inq Elec Stmt	1,179	1.5%	1,325	1.4%
Inq Fund Overview	1,148	1.4%	1,074	1.1%
Inq Fund Prospectus	138	0.2%	208	0.2%
Inq Fund Returns	1,137	1.4%	1,060	1.1%
Inq Funds Trnd	1,046	1.3%	911	1.0%
Inq Loan Sum	5,124	6.4%	5,547	5.9%
Inq Managed Account-Ibbotson	143	0.2%	77	0.1%
Inq O/L Forms	1,295	1.6%	1,713	1.8%
Inq Online Prospectus	236	0.3%	228	0.2%
Inq Per Rate Return	13,424	16.8%	10,902	11.5%
Inq Rates	460	0.6%	371	0.4%
Inq Stmt On Demand	3,652	4.6%	2,884	3.1%
Inq Tran Hist	5,561	7.0%	15,865	16.8%
Inq Trfs - Comp/Pend/Perd	1,072	1.3%	956	1.0%
Inq Uval	2,086	2.6%	1,965	2.1%
Inquire Address	1,359	1.7%	1,321	1.4%
Loan Request	256	0.3%	257	0.3%
Online Enrollment	43	0.1%	41	0.0%
Order Passcode	94	0.1%	71	0.1%
Rebalancer	184	0.2%	162	0.2%
Registration	947	1.2%	881	0.9%
Transaction Downloads	776	1.0%	4,011	4.2%
Trf From Sda	18	0.0%	14	0.0%
Trf To Sda	26	0.0%	29	0.0%
GRAND TOTAL	79,932	100.0%	94,501	100.0%
Number of Successful log ins	38,934		41,340	

Internet Statistics – Combined

Category	Plan Totals			
	4/1/2011 to 3/31/2012		4/1/2012 to 3/31/2013	
	Total	Pct	Total	Pct
Account And Certificates Overview	2,287	2.0%	15,761	10.5%
Allocation And Asset Allocation	359	0.3%	3,190	2.1%
Disbursement Summary	2,491	2.2%	3,288	2.2%
Fund Overview And Prospectus	229	0.2%	697	0.5%
Address Change	80	0.1%	55	0.0%
Allocation	631	0.6%	529	0.4%
Beneficiaries	453	0.4%	441	0.3%
Change Passcode	1,765	1.6%	1,544	1.0%
Deferral	611	0.5%	650	0.4%
Disbursement Summary	2,491	2.2%	3,288	2.2%
Dollar Cost Avg	-	0.0%	3	0.0%
Elec Filing Cabinet	107	0.1%	162	0.1%
Email Address	503	0.4%	638	0.4%
Fund To Fund Trf	905	0.8%	782	0.5%
Indic Data	249	0.2%	261	0.2%
Inq Acct Bal	10,790	9.6%	9,843	6.6%
Inq Acct Sum	5,817	5.2%	4,478	3.0%
Inq Alloc	2,302	2.1%	2,419	1.6%
Inq Asset Alloc	1,511	1.3%	1,442	1.0%
Inq Asset Alloc Comparison	1,248	1.1%	1,123	0.8%
Inq Bal Comparison	7,243	6.5%	5,463	3.7%
Inq Bal History	7,322	6.5%	6,292	4.2%
Inq Bene	2,531	2.3%	3,018	2.0%
Inq Dfrl	2,180	1.9%	2,799	1.9%
Inq Elec Stmt	1,883	1.7%	1,993	1.3%
Inq Fund Overview	1,877	1.7%	1,736	1.2%
Inq Fund Prospectus	216	0.2%	308	0.2%
Inq Fund Returns	1,644	1.5%	1,572	1.1%
Inq Funds Trnd	1,387	1.2%	1,288	0.9%
Inq Loan Sum	5,153	4.6%	5,678	3.8%
Inq Managed Account-Ibbotson	178	0.2%	131	0.1%
Inq O/L Forms	1,857	1.7%	2,616	1.8%
Inq Online Prospectus	373	0.3%	340	0.2%
Inq Per Rate Return	19,244	17.2%	15,817	10.6%
Inq Rates	612	0.5%	488	0.3%
Inq Stmt On Demand	5,350	4.8%	4,370	2.9%
Inq Tran Hist	8,559	7.6%	28,832	19.3%
Inq Trfs - Comp/Pend/Perd	1,420	1.3%	1,348	0.9%
Inq Uval	2,890	2.6%	2,724	1.8%
Inquire Address	1,955	1.7%	2,017	1.3%
Loan Request	256	0.2%	257	0.2%
Online Enrollment	43	0.0%	41	0.0%
Order Passcode	230	0.2%	173	0.1%
Rebalancer	295	0.3%	222	0.1%
Registration	1,516	1.4%	1,459	1.0%
Transaction Downloads	841	0.8%	7,791	5.2%
Trf From Sda	28	0.0%	33	0.0%
Trf To Sda	84	0.1%	69	0.0%
GRAND TOTAL	111,996	100.0%	149,469	100.0%
Number of Successful log ins	56,132		65,119	

Recordkeeping - Participant History

Great-West continues to grow as a force in the Record keeping marketplace. We do record keeping in the 457(b), 401(a/k), 403(b), 408 markets as well as in the Institutional and Defined Benefit plan markets. The table below shows our participant growth as a record keeper in these markets

•12/31/2012	4,656,306
•12/31/2011	4,438,513
•12/31/2010	4,409,418
•12/31/2009	4,200,735
•12/31/2008	3,739,464
•12/31/2007	3,477,918
•12/31/2006	3,413,562
•12/31/2005	2,766,641
•12/31/2004	2,510,681
•12/31/2003	2,351,450
•12/31/2002	2,289,241



Recordkeeping Services

Flexible Recordkeeping Solutions

Great-West Retirement Services recognizes the power of delivering streamlined recordkeeping and administrative solutions to keep retirement plans running smoothly.⁴

Industry-Acclaimed Recordkeeping Expertise

Consistently positioned among the industry's top plan record keepers:

- Great-West Life & Annuity Insurance Company ranked as the nation's fourth-largest record keeper (based on number of participants) by *PLANSPONSOR* magazine survey.¹

Great-West Retirement Services also provides "private label" defined contribution plan services for banks, investment providers and other financial institutions.

Fully Integrated Proprietary System

Delivers streamlined services through one recordkeeping system:

- Rules-based functionality is programmed to each plan's needs.
- All data and processes are integrated, reducing the potential for inconsistencies, quality errors and out-of-balance scenarios that multiple trust accounting, trading, recordkeeping and payment platforms can cause.
- On average, an annual \$30 million is invested to maintain, enhance and evolve our system, which is dedicated to defined contribution retirement plans.

Paperless, Online Administration

Enables plans to administer data electronically:

- Plan Service Center (PSC), Great-West Retirement Services' gateway to data, helps your staff manage plan transactions and generate custom reports conveniently and quickly—24 hours a day, seven days a week.⁵
- Initial and ongoing training and online support are available.
- Automated vesting and year-end testing are available.



Government Relationships

Great-West has one of the strongest track records in the industry on renewing existing client relationships and adding new client relationships. Attached is a list of just a few of those recently renewed or new relationships we have formed.

Renewed Relationships:

- State of Oklahoma
- Commonwealth of Massachusetts
- State of Texas
- City of Los Angeles
- City of South San Francisco

New Relationships:

- West Palm Beach, FL
- City of Pasadena, CA
- City of Glendale, AZ



Great-West Current Ratings



- **A.M. Best Company, Inc.:** A+ (Superior; highest of 10 categories) for financial strength, operating performance, and business profile
- **Fitch Ratings:** AA (Very Strong; second highest of nine categories) for financial strength
- **Moody's Investors Service:** Aa3 (Excellent; second highest of nine categories) for financial strength
- **Standard & Poor's:** AA (Very Strong; second highest of nine categories) for financial strength



Five Year Financial Rating History



	Fitch	Moody's	S&P	A.M. Best
2012	AA	Aa3	AA	A+
2011	AA	Aa3	AA	A+
2010	AA+	Aa3	AA	A+
2009	AA+	Aa3	AA	A+
2008	AA+	Aa3	AA	A+

For Broker, TPA or Plan Sponsor Use Only



DISCLOSURES



Great-West FinancialSM refers to products and services provided by Great-West Life & Annuity Insurance Company (GWLA), Corporate Headquarters: Greenwood Village, CO, its subsidiaries and affiliates. Insurance products and related services are sold in New York exclusively by Great-West Life & Annuity Insurance Company of New York, Home Office: White Plains, NY, a subsidiary of GWLA. Great-West Retirement Services® refers to products and services of Great-West Financial Companies, as applicable, and FASCore, LLC (FASCore Administrators, LLC in California), subsidiaries of GWLA. The trademarks, logos, service marks, and design elements used are owned by GWLA.

Core securities, when offered, are offered through GWFS Equities, Inc. and/or other broker dealers.

GWFS Equities, Inc., Member FINRA/SIPC, is a wholly owned subsidiary of Great-West Life & Annuity Insurance Company and an affiliate of Great-West Life & Annuity Insurance Company of New York, White Plains, New York, and FASCore, LLC (FASCore Administrators, LLC in California).

Managed account, guidance and advice services are offered by Advised Assets Group, LLC (AAG), a federally registered investment adviser and wholly owned subsidiary of Great-West Life & Annuity Insurance Company and an affiliate of Great-West Life & Annuity Insurance Company of New York, Home Office White Plains, New York. More information can be found at www.adviserinfo.sec.gov.





GREAT-WEST[™]
FINANCIAL

Bright tomorrows begin todaySM

Reality Investing[®] Advisory Services Managed Account Service and the Opt-Out Enrollment Process



Month, xx, 201x

What Is a Managed Account?



- Who does it?
 - Advised Assets Group in partnership with Ibbotson Associates
- How does it work?
 - Determines what the participant has today
 - Determines what the participant will need
 - Determines an individualized strategy
 - Investment Allocation
 - Savings Rate
 - Retirement Age



The Managed Account Process



1. Help Me Pick My Investments

- The Welcome Kit
 - Clarifies participant goals
 - Assesses where the participant is today
 - Gets the ball rolling

Joe Participant
123 Main Street
Anywhere, TN 99999

Prepared On: xx-Month-xxxx

Making the Most of Your Plan Name Retirement Plan Managed Account

Dear Joe Participant:

Congratulations! Your Plan Name Retirement Plan Managed Account is now active, and you're on the road to a smarter retirement. Great-West Retirement Services and Advised Assets Group, LLC (AAG), a wholly owned subsidiary of Great-West Life & Annuity Insurance Company and registered investment advisor, work together to deliver to you the Managed Account advisory service, which includes assembling your custom portfolio, monitoring your account, and making adjustments to keep you on track to your goals. Throughout the year AAG has been monitoring, rebalancing and reallocating your portfolio based on your personal circumstances and retirement goals.

However, you still play a vital role in keeping your retirement plans on course. Your Managed Account works best when you stay informed of your account status and engaged with the process. This Welcome Kit – and the Annual Review you'll receive each year – will show your progress and point out any decisions you'll need to make. We call these decisions your "Retirement Planning To-Do List."

Your Annual Retirement Planning To-Do List

- 1 Review your Annual Income Projection.**
Are your retirement plans on track? We have included signs and charts on the following pages to show you. Included will be recommendations on changes you could make that may help you reach your retirement goals.
- 2 Review your Savings Strategy**
You may need to alter the amount you set aside from each paycheck in order to reach your retirement goals.
- 3 Update Your Personal Financial Profile**
The more you tell us about your finances, the better our recommendations. Please complete and return your **Personal Financial Profile** form using the enclosed prepaid envelope.

Watch for the Signs...

Managed account, guidance and advice services are offered by Advised Assets Group, LLC (AAG), a federally registered investment advisor. AAG is an affiliate of FASCO, LLC, and First Great-West Life & Annuity Insurance Company, White Plains, New York. Great-West Life & Annuity Insurance Company is not licensed to conduct business in New York. Insurance products and related services are sold in New York by its subsidiary, First Great-West Life & Annuity Insurance Company. Other products and services may be sold in New York by its subsidiary, FASCO, LLC. Put Our Power Behind You® is a registered service mark of Advised Assets Group, LLC. All rights reserved.

FormAGC6773 (08/09) XXXXXX-XX-XXXXXX

The Managed Account Process



2. Keep Me on Track for the Retirement I Want

- The Quarterly Account Review
 - Looks at the impact of recent trends on chosen investment options
 - Adjusts, reallocates and rebalances* the account to the assigned model portfolio, if necessary
 - Participant receives transaction confirmation on changes made to his/her account

* Rebalancing does not ensure a profit and does not protect against loss in declining markets.



The Managed Account Process



3. Keep Me Informed

- The Annual Review
 - Looks at the “big picture” to see how the participant’s life has changed
 - Reviews account progress in working toward participant goals
 - Offers the participant the chance to make adjustments and provide additional outside account information (pension, IRA, spousal information, etc.)
 - Adjusts, reallocates and rebalances the account, if necessary

Managed Account Portfolio Review

Your Annual Income Projection
 Your Annual Income Projection is based on estimations of future market performance. This chart compares the probability of achieving a desired post-tax retirement income level under different projected market conditions using your current investment mix and savings rate versus AAG's updated recommended savings rate and investment mix.

Probability and Annual Income Projection¹

Market Condition	Current Strategy	Proposed Recommended Strategy
Good Market	\$16,588	\$25,220
Fair Market	\$16,571	\$22,141
Poor Market	\$14,114	\$18,763

Target Retirement Income: \$20,991

WARNING!
 Your current retirement income projection doesn't match your total retirement income needs projections. Please carefully review the following recommended savings strategies.

Understanding the Difference in Projections
 What does it mean if the Current Strategy is lower than the Proposed Recommended Strategy, or if no Current Strategy is displayed? It may mean that your current retirement savings rate may not be enough to fund your planned retirement income at your Target Retirement Age.

Your Savings Strategy
 The following chart(s) show what you are currently saving and your target retirement age. The annual savings displayed include all accounts in your financial profile including employer match savings, outside accounts, etc.

Savings and Target Retirement Age

	Current Plan	Recommended Plan
Pre-tax Annual Savings	\$1,248	\$2,995
Post-tax Annual Savings	\$0	\$0
Roth Annual Savings	\$0	\$0
Total Annual Savings	\$1,248	\$2,995
After-tax Savings	\$0	\$0
Target Retirement Age	65	65

WARNING!
 We recommend changes to your savings strategy to improve the likelihood of meeting your retirement goals.

Based on our financial profile of you, our recommendation is to adjust your annual savings and/or target retirement age as indicated above to increase the likelihood of meeting your retirement goals. If you have any questions or would like assistance understanding your situation, please call us. We're here to help you with your retirement strategy.

Getting to Know You



Help Advised Assets Group Personalize Your Investments

- Personalize your retirement planning strategy by updating your account by:
 - Personal Financial Profile Form (included in Welcome Kit and Annual Kit)
 - Your plan website
 - Calling an Advised Assets Group Education Representative
- Advised Assets Group uses information for analysis of your Great-West Retirement Services® account only
- How and where you've invested your other assets outside of the Great-West Retirement Services account will not change
- Selections or recommendations made by Advised Assets Group apply only to your Great-West Retirement Services account

AdvisedAssetsGroup
For the Great-West Retirement Services

Personal Financial Profile Form

Participant ID: _____
Plan ID: _____

JOE PARTICIPANT

If you have had lifestyle changes or have additional financial information to share with us, please complete this form so we can further customize your investment portfolio by:

- Returning it in the enclosed postage-paid envelope
- Contacting an Advised Assets Group, LLC (AAG) representative at (xxx) xxx-xxxx
- Visiting your Plan's Web site at www.xxx.com

Personal Profile Review ¹	On File	Updated Information
Accumulated Account Balance	\$2,076.00	_____
Date of Birth	22-Jul-1973	_____
Your Annual Salary	\$25,000.00	_____
Gender:	Male	_____
State of Residence	TN	_____
Number of Dependents	1	_____
Marital Status	M	_____
Target Retirement Age	65	_____
Your Spouse's Information ²	On File	Updated Information
Name:	Jane	_____
Date of Birth:	14-Apr-1974	_____
Gender:	Female	_____
Annual Income:	\$25,000.00	_____

Outside Account Information³

The following is information that you have provided about other assets and/or investments outside of your Managed Account. AAG does not manage these assets, but we use this information to assemble your Managed Account Portfolio.

Social Security Benefit
Included in Analysis? Yes

Defined Benefit (Pension) Information	Start Age	Annual Amount
PENSION	65	\$10,000

Account	Owner	Account Type	Account Balance
Joe Participant IRA	Joe Participant	IRA	\$8,000
Jane Participant 401(k)	Jane Participant	401(k)	\$5,000

Advisory Services Fees



	Online Investment Guidance	Online Investment	Managed Accounts
Quarterly Cost	No Charge	\$6.25	<100k = 0.xx%
			Next 150k = 0.xx%
			Next 150k = 0.xx%
			Over 400k = 0.xx%

Examples			
\$10,000 Account	No Charge	\$6.25	\$xx*
\$20,000 Account	No Charge	\$6.25	\$xx*

* Fee scales for larger account balances.

There is no guarantee that participation in Reality Investing® Advisory Services will result in a profit or that your account will outperform a self-managed portfolio.



The Advisory Services Advantage



Advisory Services provides Plan participants with assistance

- Accumulation
 - Personal savings analysis and recommendations
 - Retirement income projections
 - Professional, personalized account management on custom glide paths
- Transition (within 10 years of the stated retirement age)
 - Pre-retirement preparation
 - Projection of wealth through life expectancy
 - Longevity protection through guaranteed retirement income option recommendations
- Retirement Income
 - Spend-Down Advice
 - Longevity protection through guaranteed retirement income option recommendations



Questions?



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Great-West Retirement Services® refers to products and services provided by Great-West Life & Annuity Insurance Company, FASCore, LLC (FASCore Administrators, LLC in California), Great-West Life & Annuity Insurance Company of New York, White Plains, New York, and their subsidiaries and affiliates. Great-West FinancialSM refers to products and services provided by Great-West Life & Annuity Insurance Company; Great-West Life & Annuity Insurance Company of New York, White Plains, New York; their subsidiaries and affiliates. Great-West Life & Annuity Insurance Company is not licensed to conduct business in New York. Insurance products and related services are sold in New York by its subsidiary, Great-West Life & Annuity Insurance Company of New York. Managed account, guidance and advice services are offered by Advised Assets Group, LLC (AAG), and a federally registered investment adviser. More information can be found at www.adviserinfo.sec.gov. Ibbotson Associates, Inc. is a registered investment adviser and is not affiliated with AAG, its parent company Great-West Life & Annuity Insurance Company, or any other affiliated companies and/or subsidiaries. Representatives of GWFS Equities, Inc. are not registered investment advisors, and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax advisor as needed. The trademarks, logos, service marks, and design elements used are owned by Great-West Life & Annuity Insurance Company. All rights reserved. ©2012 Great-West Life & Annuity Insurance Company. Form# S4008 (11/2012) PT 139228

Not a Deposit | Not FDIC Insured | Not Bank Guaranteed | Funds May Lose Value | Not Insured by Any Federal Government Agency



**GWINNETT COUNTY
RETIREMENT PLANS MANAGEMENT COMMITTEE
REQUEST FOR INFORMATION**

Securities Litigation Services

May 15, 2013

The Retirement Plans Management Committee (RPMC) of the Gwinnett County Public Employees Retirement System (GCPERS) is requesting information from Plaintiffs' Securities Litigation firms who can provide Securities Litigation Monitoring and Reporting and Litigation services for Gwinnett County's pension and retirement plans. Responses to this Request for Information (RFI) will be used to choose one or more firms.

Information provided by each responding firm will be compared to information and data collected from all respondents. This RFI is intended solely to gather information on available firms and to identify firms capable of providing this type of service. The information gathered through this RFI may be compiled and utilized to select one or more firms.

Requests for Information should be mailed or emailed by **June 15, 2013** to Gwinnett County Financial Services, Treasury Division, 2nd Floor, 75 Langley Drive, Lawrenceville, Georgia 30046, to the attention of Bill Rodenbeck, Investment Manager.

Any questions regarding the Request for Information should be directed to Bill Rodenbeck, Investment Manager at Bill.Rodenbeck@gwinnettcountry.com or by calling 770-822-7882, no later than June 5, 2013.

The successful legal firms will be required to meet certain insurance requirements. The Insurance Company for the successful firm should be authorized to do business in Georgia by the Georgia Insurance Department, and must have an A.M. Best rating of A-5 or higher.

Gwinnett County does not discriminate on the basis of disability in the admission or access to its programs or activities. Any requests for reasonable accommodations required by individuals to fully participate in any open meeting, program or activity of Gwinnett County Government should be directed to Michael Plonowski, Gwinnett County Justice and Administration Center, 770-822-8015.

The written proposal documents supersede any verbal or written prior communications between the parties. Selection criteria are outlined in the request for information. Gwinnett County reserves the right to reject any or all proposals, to waive technicalities, and to make an award deemed in its best interest.

Thank you for your interest and participation in this request for information and the RPMC appreciates your interest in Gwinnett County.

I. Background

The Gwinnett County Board of Commissioners (GCBC) has created the Gwinnett County Public Employees Retirement System (GCPERS) as the umbrella organization to govern and administer its local pension and retirement savings programs. The GCPERS is intended to meet the statutory requirements applicable to public retirement systems.

The Retirement Plans Management Committee (RPMC) acts as the Trustee of the Plan and Trust established by GCBC under the GCPERS in accordance with and subject to the terms, conditions and provisions set forth in this Plan and Trust. The plan is managed by the RPMC (the "Trustees" or "Committee") appointed by the Gwinnett County Board of Commissioners. The address of the Plan is 75 Langley Drive, Lawrenceville, Georgia 30046-6935.

Staff will review the information submitted and recommend a vendor or vendors to be selected for Securities Litigation to the RPMC.

II. Conflict of Interest Waiver

Each response should include a statement indicating whether the attorney/firm (or any individuals assigned to serve the RPMC) has a conflict of interest due to other business or personal relationships with the members of the RPMC, the County or county employees (spouse, child, etc.).

I do/do not have a conflict of interest? _____. Please describe conflict in detail:

III. Questions to Be Answered

Responses submitted for this RFI must contain certain information essential to understanding and evaluating the responses. The intent is not to limit the content of the responses; however, unnecessarily lengthy responses will not enhance the evaluation process. Therefore, respondents are encouraged to restrain from unnecessary boilerplate information. The emphasis should be on the attorney/firm's ability to satisfy the requirements of this RFI. Information submitted in the proposal must be current, complete and accurate.

Section A. Contact Information

Make certain to include your company name, complete address, phone and fax numbers, a contact person and an e-mail address.

What is the name, mailing address, e-mail address and telephone number of your firm?

Section B. General Questions about the Firm

How many attorneys are in your firm?

What is the availability of a senior attorney to County/RPMC?

Is your firm a multi-member law firm?

Do you have an office in Georgia or the Southeast?

Is your firm headquartered in another state? If so which state?

Do you represent any of the following: Fulton County, DeKalb County, Cobb County, other Georgia counties, or the State of Georgia? If yes, list applicable dates.

Fulton County _____
 DeKalb County _____
 Cobb County _____
 Other (name) _____
 State _____

What is your history of working with other out-of-state public fund clients?

Does your firm engagement letter permit the County to litigate with any firm it chooses?

Has your firm ever been subject to any professional sanctions or other litigation involving government agencies (SEC) or bar association?

Has your firm or its predecessors been subject to any civil or criminal investigations, penalties or fines?

Section D. Questions about Securities Litigation at your Firm

How many attorneys in your firm are devoted to Securities Litigation?

What percent of your firm's practice is devoted to Securities Litigation?

What is your firm's litigation history that demonstrates knowledge of the field?

Besides attorneys what kind of staff do you devote to Securities Litigation?

How many Securities Litigation cases do you handle a year?

In how many cases a year have your clients been designated a lead plaintiff? What percentage of clients are lead plaintiffs?

What has been the amount of legal settlements, in dollars, that you have won for your clients? Average per year? Total since inception?

How do you measure success with your settlements?

How do you compare with other firms in number of recoveries and aggregate recoveries?

What is your ranking per institutional shareholder services or any other rankings such as National Law Journal and SCAS?

On average how many hours do you devote to a case?

Does your firm ever advise your clients to opt-out of class action lawsuits? If so, under what circumstances?

Does your firm make recommendations as to whether or not a client should be a lead plaintiff or class member?

Does your engagement letter bind your client to engage in litigation?

What is your firm's ability to finance and handle large, complex and lengthy litigation?

How do you measure your success at trial?

Section F. Questions about your Clients

How many clients do you have in your Securities Litigation practice?

Of your client base, how many are government entities?

Describe your history and experience in working with public clients?

How do you ensure that the client's reputation is not adversely affected by being engaged in litigation as lead plaintiff?

Section G. Questions about your Monitoring Process

Please describe how your firm monitors each class action?

How do you identify securities class action settlements?

Is there any cost to your clients for monitoring?

How often are monitoring reports prepared for your clients? Please provide a sample.

Do you provide alerts or emails when activity takes place?

Whose responsibilities is it to see that claims are filed for settlement?

What is the role of the County Staff and the Board of Trustees in the monitoring process?

What is the role of the Custodian Bank in the monitoring process?

Do you provide claims notification to the Custodian Bank?

Describe how you use technology to establish alerts for new cases and settlements?

Do you utilize Lexis/Nexis? _____

If not, what is the name of the legal research system used? _____.

What is unique about this system? _____

What is your ability to provide loss calculations?

How do you track opt out and lead plaintiff deadlines?

How does the Client access the monitoring system?

Do you have an online portal?

Do you have written policies and procedures to collect all class action settlements? If yes, please provide a copy.

Do you provide your clients a Securities Litigation Policy Statement?

If yes, please provide an example.

Section H. Proof of Claim Process

What is the role of the Custodian Bank in proof of claim processing? Does this role change if your services are used?

What is the role of County staff and the RPMC in the proof of claim **process**?

Section I. About Your Fees

How are fees determined? Are they a percentage of recovery amount?

How are fees affected by your client being the lead plaintiff ?

What happens if the case is settled or adjudicated?

Is your litigation fee arrangement flexible?

Section J. Training and Development

For clients' members and staff personnel, please list the course titles and last date you provided Securities Litigation training by:

- a. Webinar? _____
- b. Classroom? _____
- c. Conference? _____
- d. Roundtable discussion? _____
- e. Other? _____

IV. List references, including entity name, size, and contact information:

1.
Entity name and address
Size of plan (active members, retirees, assets)
Contact name and title
Contact e-mail
Contact telephone and facsimile
How long have you serviced this account?
2.
Entity name and address
Size of plan (active members, retirees, assets)
Contact name and title
Contact e-mail
Contact telephone and facsimile
How long have you serviced this account?
3.
Entity name and address
Size of plan (active members, retirees, assets)
Contact name and title
Contact e-mail
Contact telephone and facsimile
How long have you serviced this account?

V. Code of Ethics

“Proposer/Bidder” shall disclose under oath the name of all elected officials whom it employs or who have a direct or indirect pecuniary interest in the business entity, its affiliates, or its subcontractors. The “Proposer/Bidder” shall execute a Code of Ethics affidavit. Failure to submit the affidavit during the bid or proposal process shall render the bid or proposal non-responsive.

The act of submitting false information or omitting material information shall be referred to the Purchasing Policy & Review Committee for action pursuant to the Purchasing Ordinance or to the District Attorney for possible criminal prosecution.

Any business entity holding a contract with Gwinnett County that subsequent to execution of the contract or issuance of the purchase order employs, subcontracts with, or transfers a direct or indirect pecuniary interest in the business entity to an elected official

shall within five (5) days disclose such fact in writing under oath to the Clerk of the Board of Commissioners. Failure to comply shall be referred to the Purchasing Policy & Review Committee for action pursuant to the Purchasing Ordinance or to the District Attorney for possible criminal prosecution.

Note: See Gwinnett County Code of Ethics Ordinance EO2011, Sec. 60-33. The ordinance will be available to view in its entirety at www.gwinnettcountry.com.

VI. AGREEMENT

A copy of your proposed letter of engagement, contract or agreement document should be included in your response.

* * * * *

Plan Participation – 2013

Plan	1 st Qtr Participation	2 nd Qtr Participation	3 rd Qtr Participation	4th Qtr Participation
DB Plan	1,962 – 45%			
DC Plans	2,437 – 55%			
Retiree Medical Savings Plan	596			
Deferred Compensation	2,976 – 68%			
Deferred Compensation - Roth	174 - 4%			
Deferred Compensation Match	1,364 - 57%			
Total Participants	4,399			
Retirees receiving DB pension	1,881			
Retirements - DB	8			
Retirements – DC	4			
Deferred Vested	18			
Retirees w/Health Insurance	1,207			

Great West Education Participation - 2013

Activity	1 st Qtr Participation	2 nd Qtr Participation	3 rd Qtr Participation	4th Qtr Participation
Group/Onsite Meetings	3			
Seminars/Lunch & Learns	63			
One on One Meetings	327			

Deferred Vested Audit Project

	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Total	976			
Number Completed	577			
% Complete	59.12%			

2013 Goals

- Conclude the Large Cap Growth Manager Search
- Discuss with UBS additional investment manager searches
- Develop a monthly report to monitor Investment Manager changes in Organization, Managers, Style Drift and Compliance Issues
- Review the Stable Value Asset Policy
- Review the DC Investment Policy
- Discuss Investment Strategies to improve the funding level for the DB plan
- Discuss Investment Strategies to improve the funding level for the OPEB plan
- Discuss Asset Allocation Strategies and Diversification of Asset Classes
- Perform a fee analysis for DC/457 funds
- Perform a fee analysis for DB Investment Managers
- Discuss LDI Strategy with Ryan Labs
- Develop a Policy on the use of Revenue Sharing and Forfeiture Funds
- Review Securities Litigation Monitoring
- Review Securities Lending
- Benchmarking Study for the DB and OPEB Plan
- Review Vesting Schedule for DC Plan

Next Meeting

August 22, 2013

- **2013 2nd Quarter Investment Reports**

- **Vendor Renewals**
 - **UBS**
 - **Great West**

- **Report and Review Great West Survey Results**