ALASKA RETIREMENT MANAGEMENT BOARD

BOARD OF TRUSTEES
AGENDA

February 12-13, 2013

Meeting in the
Anchorage Marriott Hotel
820 W. 7th St.
Anchorage, Alaska

Tuesday, February 12 2013

I. 9:00 am Call to Order

II. Roll Call

III. Public Meeting Notice

IV. Approval of Agenda

V. Communications, Public/Member Participation, and Appearances (Three Minute Limit)

VI. Approval of Minutes: December 6-7, 2012

VII. 9:10 Reports

1. Chair Report
2. Committee Reports
   - A. Audit Committee, *Martin Pihl, Chair*
3. Division of Retirement & Benefits Report
   - A. Membership Statistics/Buck Invoices/HRA Rates
   - B. Legislative Update

   Jim Puckett, Director, DRB
4. Treasury Division Report

   Angela Rodell, Deputy Commissioner
5. Chief Investment Officer Report, *Gary Bader*

9:30-9:45 6. Fund Financial Report
Pamela Leary, State Comptroller, DOR, Treasury
Jim Puckett, Director, DRB

9:45-9:50 7. Introduction to Infrastructure
Gary Bader, Chief Investment Officer

9:55-10:40 Infrastructure
JP Morgan Asset Management
Mark Weisdorf, Steve Weddle and Amy Cummings

.

10:40 – Break
10 Minutes

10:50-11:00 8. Absolute Return/Portfolio Structure Discussion

11:05-11:45 9. Crestline Investors, Inc.
Doug Bratton, Curt Futch and Keith Williams

Lunch – 11:45 – 1:15 pm

1:15-1:55 10. Prisma Capital Partners, LP
Eric Wolfe and Helenmarie Rodgers

2:00 – Break
5 Minutes

2:05-4:00 11. Capital Markets Assumptions
Michael O'Leary, Callan Associates Inc.

Leaving time for additional discussion/questions

End of Day

Wednesday February 13, 2013

9:00-9:30	12.	Mondrian Investment Partners (US) Inc. *Justin Richards and Dan Philps*
9:35-10:05	13.	ARMB Fixed Income Portfolio *Bob Mitchell, Senior Investment Officer*

10:05 – Break
10 Minutes

10:15-11:00 14. Investment Decisions
Gary Bader, Chief Investment Officer

A. Absolute Return Policy Change
Action: Resolution 2013-01
B. Asset Class Addition: Other Equity
C. Infrastructure Manager Search

VIII. 11:05 Unfinished Business
1. Disclosure Reports
2. Meeting Schedule
3. Legal Report – Executive Session
Chris Poag, Department of Law

IX. New Business
X. Other Matters to Properly Come Before the Board
XI. Public/Member Comments
XII. Investment Advisory Council Comments
XIII. Trustee Comments
XIV. Future Agenda Items
XV. Adjournment

(Times are approximate. Every attempt will be made to stay on schedule; however, adjustments may be made.)

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Meeting

Location
Anchorage Marriott Hotel
820 West Seventh Avenue
Anchorage, Alaska

MINUTES OF
December 6-7, 2012

Thursday, December 6, 2012

CALL TO ORDER

VICE CHAIR SAM TRIVETTE called the meeting of the Alaska Retirement Management Board (ARMB) to order at 9:00 a.m.

ROLL CALL

Seven ARMB Trustees were present at roll call to form a quorum.

Board Members Present
Gail Schubert, *Chair*
Sam Trivette, *Vice Chair*
Gayle Harbo, *Secretary*
Kristin Erchinger
Martin Pihl
Tom Brice
Sandi Ryan
Commissioner Butcher

Board Members Absent
Commissioner Becky Hultberg

Investment Advisory Council Members Present
Dr. William Jennings
Dr. Jerrold Mitchell
George Wilson

Department of Revenue Staff Present
Angela Rodell, Deputy Commissioner
Gary M. Bader, Chief Investment Officer
Pamela Leary, State Comptroller

Zach Hanna, State Investment Officer
Bob Mitchell, State Investment Officer
Scott Jones, Asst. State Comptroller
Judy Hall, Board Liaison

Department of Administration Staff Present
Jim Puckett, Director, Division of Retirement & Benefits

Consultants, Invited Participants, and Others Present
Robert Johnson, ARMB Legal Counsel
Michael O'Leary, Callan Associates, Inc.
Michael Hayhurst, KPMG
Melissa Beedle, KPMG
Gary Robertson, Callan Associates, Inc.
T.J. Duncan, Frontier Capital Management
Coleman Hubbard, Barrow Hanley Mewhinney & Strauss
Jim McClure, Barrow Hanley Mewhinney & Strauss
Peter Reinemann, Jennison Associates, LLC
Jason Swiatek, Jennison Associates, LLC
Kristin Shofner, Lord Abbett & Co, LLC
Mike Smith, Lord Abbett & Co, LLC
Mark Johnson, Luther King Capital Management
Steve Purvis, Luther King Capital Management
Don Frank, Victory Capital Management
Gary Miller, Victory Capital Management
Blair Thomas, EIG Energy
Rosalind Jacobsen, SSgA/State Street
Matt Philo, MacKay Shields
John Akkerman, MacKay Shields
Jeff Pantages, Alaska Permanent Capital Management

PUBLIC MEETING NOTICE

JUDY HALL confirmed that public meeting notice requirements had been met.

APPROVAL OF AGENDA

<u>A motion to approve the agenda was moved and seconded</u>.

Without objection, the agenda was approved.

PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES

JAY DULANY, President of the Retired Public Employees of Alaska (RPEA), reported the RPEA had a board meeting this week and expressed appreciation for managing trust funds.

MR. DULANY introduced RPEA board members SHARON HOFFBECK, Medical Information Director from Anchorage, CHARLIE GALLAGHER, Northern Region Vice President from Fairbanks, TED MONINSKI, Executive Vice President, LINDA DALTON, Membership Director, and GARY MILLER, Regional Southeast Vice President.

APPROVAL OF MINUTES

A motion to approve the minutes of the September 21-22, 2012 was made and seconded.

Without objection, the minutes were approved without changes.

ELECTION OF OFFICERS

VICE CHAIR TRIVETTE stated annual nominations were open for Chair, the Vice Chair, and the Secretary of the Board.

TRUSTEE BRICE nominated GAIL SCHUBERT for Chair, and the motion was seconded.

The motion nominating GAIL SCHUBERT for Chair was approved.

TRUSTEE HARBO nominated SAM TRIVETTE for Vice Chair, and the motion was seconded.

The motion nominating SAM TRIVETTE for Vice Chair was approved.

TRUSTEE PIHL nominated GAYLE HARBO for Secretary, and the motion was seconded.

The motion nominating GAYLE HARBO for Secretary was approved.

REPORTS

1. CHAIR REPORT

CHAIR SCHUBERT was not available to make the Chair Report.

2. COMMITTEE REPORTS

A. Audit Committee

Committee Chair MARTIN PIHL reported that the committee met on December 5, 2012, and received and discussed more fully the report from KPMG on completion of audits for the fiscal year ending June 30, 2012. The audit had gone very well. At today's meeting, KPMG will bring one audit finding on the SBS system to the Board regarding information from the wrong dates being put in drafts. It was caught by KPMG and has been fixed.

KPMG supplied the committee with an outline of the provisions and ramifications of GASB 67 and 68, which will be issues to follow and comply with over the next two to three years.

The most important issue will be disclosure requirements on the unfunded liability, both by the State and employers around the state. This was under study by staff, will be of interest and followed by many in the coming months.

B. Actuarial Audit RFP Evaluation Committee

Committee Chair GARY BADER reported the Actuarial Audit RFP Evaluation Committee met on December 5, 2012; committee members present were MR. PIHL, MS. HARBO, and MR. BADER. MR. BADER stated that as required by law and directed by the Board, an RFP for actuarial audit services was prepared and advertised in a national publication. He noted that there were three respondents to the RFP and of the three respondents, one was chosen as the superior bid. An action item is set on the agenda for tomorrow to take up the committee's recommendation.

3. RETIREMENT & BENEFITS DIVISION REPORT

A. Membership Statistics/Buck Invoices

DRB Director JIM PUCKETT provided the Retirement & Benefits Division Report. On the Membership Statistics, there was nothing more than normal shifting, with a slight increase in retirement for Tiers I, II, and III. There was a little increase in the population to Tier IV, but nothing of significance to point out.

MR. PUCKETT reported on the Buck invoices. There is one item on the invoice that would be paid with General Funds and not come out of the Retirement Fund and that is the project for GASB rules. VICE CHAIR TRIVETTE requested that where those items are listed on the invoices, to put an "X" by them, indicating federal money is going to be replacing that.

B. Other DRB News

MR. PUCKETT reported the release to the public of the TPA RFP. Responses will back by December 28th, and an evaluation of those proposals received will be given. DRB will put together a Division team of 11 people and give an update in February. VICE CHAIR TRIVETTE clarified the RFP is for the Retiree Medical Plan. MS. HARBO asked if there is a replacement for the Comptroller position; MR. PUCKETT replied no.

MR. PIHL, on behalf of the Audit Committee, requested that the Audit Committee receive copies of what Buck does with respect to GASB 67 and 68. CHAIR TRIVETTE indicated all Trustees should receive copies. MR. PIHL stated any board member that would like the KPMG outline of December 5, 2012, staff can provide copies to anybody that wants to follow that closely.

4. TREASURY DIVISION REPORT

DEPUTY COMMISSIONER RODELL gave the Treasury Division Report. MS. RODELL reported the Treasury Division has been working closely with the Department of Administration to finish up financials and also that the Revenue Sources book was released this week. It can be found on the Department of Revenue website at www.tax.alaska.gov. CHAIR TRIVETTE asked if it also lists the reserves the State has at this point in time. MS.

RODELL stated it has a forecast of both the State's investment earnings and the Permanent Fund Corporation's forecast.

5. CHIEF INVESTMENT OFFICER REPORT

Chief Investment Officer GARY BADER reviewed a list in the packet of investment staff actions and other items, including rebalancing assets in conformance with board policy, funding of the FAMCO and Tortoise MLP accounts, and the announcement from Brandes that CEO Glenn Carlson is reducing his workload at Brandes and Brent Woods will become the new CEO. This would be a watch list item, and this is a significant development; Brandes is already on the watch list.

VICE CHAIR TRIVETTE recessed the meeting for a brief at-ease from 9:16 a.m. to 9:17 a.m.

6. FUND FINANCIAL REPORT

State Comptroller PAMELA LEARY reviewed the September 30, 2012 Fund Financials for each retirement plan. The beginning invested assets at the start of the year were $19.8 billion and ended the three months at $21 billion: the ending invested assets for PERS: $12.285 billion; Teachers, $5.17 billion; Judicial, $134 million; and National Guard Naval Militia, $34 million. The SBS Plan was $2.754 billion, and the Deferred Compensation Plan was $634 million.

MS. LEARY stated that as of September 30th, the Non-Participant Directed funds were at $17.2 billion, and numbers for November 30th put the Non-Participant Directed at $17.183 billion, so a slight decrease from the end of September through the end of November due to net withdrawals, and it was offset somewhat by the investment income. On the monthly activity for all funds, there were net withdrawals for the month of September and positive income for the month.

MS. LEARY provided graphical depictions of the asset allocation and invested assets growth/loss for each retirement plan. Also contained in the report were the individual investment manager results and information for the participant-directed plans.

DRB Director JIM PUCKETT presented the supplemental financial report prepared by the Division. He reported that, in August, over $50 million was paid out in pension benefits in a single month. That amount is expected to double in the coming years. It's projected to peak about 25 years from now, with a milestone for paying out benefits in a single month of going over $50 million. The health benefits paid out by PERS, TRS, and JRS decreased about 1.7% compared to the same period last year, although it's still $100 million over for the three-month period.

MR. PUCKETT also reported that, while the overall health benefit expenses are well-controlled, the JRS retirement health care trust shows year-to-date entries of 45% compared to last year. The fund is small, volatile, and has about 70 retired members. MR. PUCKETT pointed out that a single member may have a catastrophic medical event, and it will be reflected in an increase in this fund.

MR. PUCKETT reported the PERS and TRS Participant Directed Retirement Funds are continuing to grow rapidly, with a combined year-to-date individual member contribution more than 21% higher than the same period as last year.

MR. PUCKETT also reported, in the PERS and TRS Health Reimbursement Account and Retirees Medical Plan (for Tiers IV in TRS and Tier III in TRS), all paid a portion of the KPMG audit expenses this year for the first time and that's reflected in the administrative fees column.

VICE CHAIR TRIVETTE asked if there was a catastrophic occurrence in Judicial that caused such an increase. MR. PUCKETT stated he has not inquired about what was driving the increase. MR. PIHL stated the annual contribution occurred in that period, $3,650,000.

MS. ERCHINGER asked for an explanation of where would those costs have been previously and if they were in the PERS Retirement Fund, allocated in TRS as opposed to specifically health. MR. PUCKETT stated the fees had not been allocated in the past.

MS. ERCHINGER asked if the retirement funds have been paying those costs as administrative fees in the past and if it's just a redistribution of the costs among the retirement plans, specifically to health, or if the retirement plans have not been getting assessed the costs of audit in the past. MR. PUCKETT stated he could find out.

VICE CHAIR TRIVETTE questioned that there was a significant increase in contributions coming in this year on the Participant Directed side. MR. PUCKETT stated yes, and it would be reflected in the increase in Tier IV and Tier III for PERS and TRS, respectively, as the populations are growing.

MS. HARBO asked for clarification that, under refunds under Defined Contribution for PERS, in the first three months, there was a little bit over $4 million withdrawn, and those funds were from people who completely left the system under PERS, and took their money. MR. PUCKETT confirmed that $4.3 million was correct. MS. HARBO asked if, under TRS Defined Contribution, it was $2.4 million in the first three months, and MR. PUCKETT stated that is correct.

7. PRIVATE EQUITY PORTFOLIO – REVIEW AND PERFORMANCE ANALYSIS

VICE CHAIR TRIVETTE stated the meeting is ahead of schedule, and the KPMG Audit Report would be pushed back on the agenda. VICE CHAIR TRIVETTE introduced GARY ROBERTSON and stated he has 45 minutes for his presentation on Private Equity Evaluation.

GARY ROBERTSON, Senior Vice President of Callan Associates Inc., presented an annual review of the retirement fund's private equity portfolio as of June 30, 2011. *[A copy of Callan's slides for this presentation is on file at the ARMB office.]*

MR. ROBERTSON stated this has been a good year for private equity and for the ARMB portfolio. Even though the economy is not doing well, this is a good environment for private equity. MR. O'LEARY stated this is for periods ended June 30, not September 30 for private equity; MR. ROBERTSON agreed.

MR. ROBERTSON talked about the development of the portfolio. ARMB started 14 years ago, in 1998, with a 3% allocation to Abbott Capital Management. Ten years ago, ARMB hired Pathway and increased its allocation to 6%. ARMB hired Blum in 2005, but they had an issue with security selection and have not done well. In 2006, ARMB increased the target to 7%, and began the in-house portfolio in 2007. The first few investments in that portfolio were in a pricy environment, and the recession hit. Since then, things have been pretty slow for the portfolio to develop. The portfolio is doing fine. Last year, ARMB increased the allocation to 8%.

MR. ROBERTSON reviewed the details of the program's funded position at June 30, 2012 compared to June 30, 2011: ARMB's total assets decreased $120 million (7%) during the period, which decreased the private equity target by $10 million. Total private equity NAV increased $109 million (7%), so the over funding to private equity increased by 7%. The portfolio is 1.9% over target, but well within its upper target range of 12%.

MR. ROBERTSON described the private equity market conditions, showing industry commitments to partnership, as well as providing observations on the fiscal year characterized by volatility and low growth. From a portfolio diversification perspective, ARMB has a very good structure. It reflects all key strategies, it reflects the market opportunities set with some adjustments, it has a little more venture than the market, which is good and brings more balance, and it has fewer buyouts than the market, which dampens volatility. Diversification by region is very well constructed: 30% of assets are in non-U.S., 20% in Europe, about 10% elsewhere, 3% in Asia.

MR. ROBERTSON reported on the ARMB performance: commitments went up this year to $240 million and $295 million was received in distributions. With a starting NAV at 1.4, this represents a 20% cash yield. If the distributed is netted against the paid in, the difference is $33 million back to ARMB – meaning that ARMB didn't fund this portfolio, it was self-funding this year.

MR. ROBERTSON reported on the management structure, style and composition of each of the private equity firms, Abbott Capital Management and Pathway Capital Management. Both managers are performing well relative to benchmarks and their strategies are complementary. He noted that the private equity portfolio is mature, has provided good performance, and is well diversified.

MR. WILSON asked if these numbers are net of all the managers' fees, the third-party manager fees as well as Abbott's fees, and MR. ROBERTSON replied they are net of all the partnership fees, but gross of the Manager of Managers fees. The database does not add in Manager of Managers fees because it's all partnerships. MR. WILSON asked how much the

Manager of Managers fees were; MR. ROBERTSON asked MR. HANNA to respond. MR. HANNA stated it's about 25 basis points. MR. WILSON asked if there is an incentive; MR. HANNA said no, Abbott's has an asset management fee of 25 to 30 basis points MR. WILSON asked about Pathway; MR. HANNA stated Pathway's fee is based on commitments, and it works out to 35 to 40 basis points currently on assets, but it's more of a Fund of Funds. MR. WILSON asked if there is any incentive for Pathway; MR. HANNA replied no. MR. WILSON asked if that was net of the third-party manager fees; MR. ROBERTSON said yes, net of the partnership fees.

MR. ROBERTSON reviewed the in-house portfolio which is fairly concentrated in five funds, with a good balance of strategies, except venture capital although there is some venture exposure from the Warburg Pincus Fund. The portfolio is 61% paid-in, up from 43% last year; uncalled capital declined 31% since no new commitments were made, and distributions were $16 million – an 18% cash yield – up from $1.7 million last year. The IRR is positive at 6%.

MR. ROBERTSON reviewed the Blum portfolio. There was a large hedge fund vehicle, open-ended. This particular fund has two private positions and is a closed end fund. It's a private equity structure. There are nine companies left. Seven are public. Two are private. Seventy-six percent of the assets are in three companies. It's a three-stock portfolio. There was a write down, little in distributions. The performance turned somewhat negative and that will payout over time.

MR. ROBERTSON stated the portfolio is beginning to mature, but will take three to five years to fully mature. DPI (Distributed to Paid In) is at 73 cents, with about 27 cents to go. Performance is good; the managers are doing their jobs. It is well-balanced by strategy, industry, geography. The two managers complement each other. Abbott does mezzanine debt, but they don't do distressed debt. Pathway does distressed debt, but not mezzanine debt. Blum has not lived up to expectations.

VICE CHAIR TRIVETTE asked, if ARMB didn't have Blum, where it would be right now with the other two managers; MR. ROBERTSON stated he would have to add those portfolios together specifically and then look at it.

DR. MITCHELL asked MR. ROBERTSON if Abbott and Pathway are conservative in everything or only in their international ventures; MR. ROBERTSON stated it's across-the-board. DR. MITCHELL asked if there is any movement downward in fees. MR. ROBERTSON stated there has been a little bit of give on terms, and at the margin, fees have come down just slightly, but they haven't really moved off a "Two and Twenty" model, waterfall distributions that are more favorable transaction fees going to the LPs instead of sharing with the GPs.

MR. WILSON asked if venture has influenced behavior and how they are approaching the venture business these days. MR. ROBERTSON stated the venture market is contracting. MS. ERCHINGER asked, as it relates to the in-house portfolio and benchmarking that portfolio, is that done exclusive of fees, and if not, if it's inclusive of fees, how the in-house fees are determined comparatively to benchmark it. MR. ROBERTSON stated the numbers are net of the partnership fees, but don't include the Manager of Managers fees. In this case, Manager of Managers is staff. VICE CHAIR TRIVETTE asked if there is anything that he would recommend that the Board consider doing this year with Blum. MR. ROBERTSON replied there is nothing that can be done, as it's a closed end fund.

VICE CHAIR TRIVETTE recessed for break from 10:13 a.m. to 10:27 a.m.

8. KPMG AUDIT REPORT

The KPMG Audit Report was presented by MIKE HAYHURST, Engagement Partner and Office Managing Partner, and MELISSA BEEDLE, Senior Manager, Engagement Manager. *[The 2012 audit results had been presented in more detail to the Audit Committee at its prior meetings, and the minutes of those committee meetings are on file at the ARMB office, along with the KPMG slide presentation.]*

MR. HAYHURST reported KPMG met with the Audit Committee on two occasions: in October, to specifically go through the required communication and audit status related to the reports issued on the assets under investment for the Division of Treasury, and on December 5, 2012, to specifically go over required communication and information related to the audits for the systems and reports issued under Retirement & Benefits. He identified one deficiency in internal control that rises to the level of a significant deficiency related to the financial statements for the Supplement Benefit System.

MR. HAYHURST stated that the key element is that management is responsible for financial statements and for implementing internal controls. They do that under the oversight of this Board and the Audit Committee of this Board, and KPMG is responsible for planning and performing an audit under generally accepted auditing standards, and ultimately at the end of that, issuing an opinion, and as indicated, it was a clean opinion on all of the financial statements issued.

MR. PIHL emphasized KPMG brought to bear a lot of additional audit review and price checks on the valuation of alternative investments. MS. ERCHINGER noted KPMG does a great job of having an open dialogue with the Audit Committee.

9. INVESTMENT PERFORMANCE MEASUREMENT – Periods Ended 9/30/2012

MICHAEL O'LEARY, Executive Vice President, and PAUL ERLENDSON, Senior Vice President from Callan Associates Inc., presented a performance review of the retirement fund portfolio and individual participant plans as of September 30, 2012. *[A copy of Callan's presentation is on file at the ARMB office.]* MR. O'LEARY pointed out corrections to the dates on Slides 30 and 43: should be as of September 30, 2012 rather than June 30, 2012.

MR. ERLENDSON provided a synopsis of an article published in *Foreign Affairs* magazine with a thesis that the kinds of GDP growth rates described in emerging markets in the brick countries are unsustainable. Emerging markets are looked at as huge growth stories which they continue to be, but returns from the recent decade should not be extrapolated into the future - we should be a little bit guarded and look at the sustainability of those growth rates.

MR. O'LEARY provided a backdrop to the market and economic conditions in domestic, international and emerging markets, noting that over seven and ten-year periods or longer, emerging markets have been superior to the developed markets. He touched briefly on real estate and hedge funds before turning to the PERS actual asset allocation relative to target on Slide 13. MR. O'LEARY noted that at the end of the quarter, international equity was underweight and domestic equity overweight relative to the target, with real assets being close to target. The private equity portfolio is at 9.2%, down from 10-10.5%. The distribution relative to other public funds is exactly as it has been for the last several years, with the biggest extreme variation, the low fixed income exposure.

MR. O'LEARY noted that performance for the quarter was 3.7% versus the target of 4.55%, with a return for the year at 14.37%, which is a very respectable absolute rate of return, and should please the actuaries, but it is below the target [Slide 15]. And it was below target for the full year because the target for private equity was 25%. He stated that real assets had an attractive return, fixed income continued to beat targets, and absolute return ended below its target.

MR. O'LEARY reported the three-year annualized relative attribution effects of each asset category in the ARMB portfolio: domestic equity in aggregate detracted slightly from target return; fixed income returns were positive; real assets were positive; international equity was very slightly ahead of target; private equity was the winner; and absolute return detracted. The three-year annualized return is 8.71%, which is good relative to earnings assumption discount rates, but not strong comparatively and that's shown on both TRS and PERS.

MR. O'LEARY next reviewed the performance of each asset category in the ARMB portfolio:

- The U.S. Treasury fixed income pool returns, managed internally, are ahead of the target benchmarks. The two and a quarter years shown reflect the time period that this current benchmark has existed. The Mondrian non-U.S. fixed income returns are ahead of the benchmark for the fiscal year to date and for all periods since inception. MacKay Shields high yield bond portfolio slightly underperformed in the last year, but outperformed peers over a two-year period.
- Total domestic equity underperformed the Russell 3000 Index for the quarter; the large and small cap domestic equity pools underperformed for the quarter and the last year. Large Cap Returns at 29.3% versus the benchmark of 30.06%, and the small cap returns at 30.29, behind the Russell 2000 at 31.91%.
- International Equity, compared to other public funds shows competitive returns across almost all time periods. A focus on comparing the international equity pool ex-emerging markets relative to the developed market index show numbers better than the benchmark; emerging markets over five years are at the benchmark, but below the benchmark for shorter periods. The Lazard Global portfolio has shown strong performance over 10 years.

- The real assets portfolio return of 11.87% beat the target of 10.37%; the internally managed REIT portfolio returns at 33.31% slightly lagged the 33.81% benchmark; total farmland was up 15.26%; and timber was up slightly better than benchmark.

PAUL ERLENDSON reported on the individual investment funds that retirement plan participants can invest in. He noted that Callan tracks over 80 plans with $100 billion in assets, and the behavior of participants in Alaska is broadly consistent with the population of these 80 plans, so in the third quarter there were net transfers out of equity-oriented strategies into target date and balanced funds,

DR. MITCHELL asked if there is an educational component in asset movements, or if its random or headline related. MR. BADER stated the biggest driving force is that the target date funds are the default options, and that most people are defaulting in that option. There are educational seminars put on by the Division of Retirement & Benefits, but the default option is driving most of the money.

MR. O'LEARY stated the greatest similarity amongst target date funds is the date, not the composition of the portfolios, although the composition has changed from five years ago. DR. JENNINGS stated the debate centers around a "to retirement or through retirement" mentality noting that a couple retiring around 65 has a 30-plus year investment horizon.

MR. ERLENDSON resumed his review noting that the color-coding scheme for the passive options listed on the stoplight report is somewhat different than the color-coding used for the active options. He stated that rather than color-code the options based on performance relative to their respective peer groups, the passively managed options are color-coded based on how closely the index fund is matching the returns of its index, but that the index benchmarks are still color-coded based on their performance relative to the broader peer group. He explained how an index fund may be green, since its performance closely matches its benchmark, but that the index benchmark may be red since its performance trails the peer group of active managers, which is not unusual for a period of recovery and not a source of concern.

MR. BADER asked why the Alaska Balanced Fund and the Alaska Long-Term Balanced Fund are both colored red in the stoplight report. MR. O'LEARY noted that both funds outperformed their passive benchmarks, and that the color-coding is a result of the funds' asset allocation. He explained that the Alaska Balanced Fund is a very conservative balanced fund, and so the red coloration is a result of its performance relative to the peer group of other balanced funds. MR. ERLENDSON stated that the Alaska Balanced Fund has a greater allocation to fixed income than many balanced funds, and the equity underweighting relative to the peer group explains the performance. MR. O'LEARY explained that the color-coding on the actively-managed Alaska Balanced Fund is relative to other balanced funds.

MR.ERLENDSON noted that a challenge of performance evaluation is evaluating a fund relative to its specific benchmark, and in this case the fund is meeting its target. He stated that you then look at performance relative to peer group and try to determine a cause in any difference, which in this case is explained by the recent period when stocks have been outperforming fixed income.

MR. O'LEARY recalled the history of the Alaska Balanced Fund and the addition of the Long-Term Balanced Fund, and the introduction of the Target Date Funds. MR. BADER explained that at one point the Alaska Balanced Fund was the only fund available to participants and was never intended to be a typical balanced fund, but many participants have remained invested in the fund over the years and that explains why it is so large even though it has always been a conservative balanced fund.

MR. ERLENDSON noted that the conservative allocation contributed to the Alaska Balanced Fund's good performance over periods that include market decline. He described performance of the remaining actively managed options on the stoplight report.

MR. O'LEARY stated the RCM return is a source of concern. MR. BADER asked for clarification on that statement. MR. O'LEARY replied it is compared to both the broad market and the Socially Responsible Index and the 400 Index. RCM has had a rough performance patch across their growth portfolios.

VICE CHAIR TRIVETTE recessed meeting from 11:59 a.m. to 1:14 p.m.

10. ECONOMIC ROUND TABLE

MR. BADER introduced guests of the round table: MR. GARY MILLER, CIO of Small Cap Value Strategy for Victory Capital Management; MR. T.J. DUNCAN, Frontier Capital Management, Small Cap Value Fund; MR. JASON SWIATEK, Jennison Associates, Small Cap Core; MR. MIKE SMITH, Lord Abbett, Small Cap Core; MR. STEVE PURVIS, Luther King Capital Management; and MR. JIM MCCLURE with Barrow, Hanley, Mewhinney & Strauss.

11. FRONTIER CAPITAL MANAGEMENT

GARY BADER introduced Thomas J. Duncan, Senior Vice President and Portfolio Manager, from Frontier Capital Management to report on the ARMB's small cap portfolio. *[A copy of this presentation is on file at the ARMB office.]*

MR. DUNCAN said Frontier has been in business since 1980 with about $9.6 billion in assets. This portfolio has around $450 million in assets. The portfolio typically has about 80 stocks. He stated that Frontier expects to get most of its returns from stock selection and spends the vast majority of its time researching the individual companies in the portfolio. MR. DUNCAN then reviewed the portfolio returns, portfolio construction, and the firm's process is stock selection and retention. Frontier's top ten holdings are usually about 19% to 25% of the portfolio.

12. BARROW HANLEY MEWHINNEY & STRAUSS

GARY BADER introduced JIM McCLURE, Managing Director and Portfolio Manager, and COLEMAN HUBBARD, Analyst, from Barrow, Hanley, Mewhinney & Strauss to report on the ARMB's small cap portfolio. *[A copy of this presentation is on file at the ARMB office.]*

MR. JIM MCCLURE introduced COLEMAN HUBBARD and stated that he will replace him on the investment team. He noted the year-to-date number centered on September is not a very long time period in terms of the way BHMS looks at things. MR. McCLURE further discussed the firm's focus on economically stressed or beneficial parts of the economy, the firm's process in stock selection and the contributors to performance and underperformance.

VICE CHAIR TRIVETTE recessed the meeting from 2:37 p.m. to 2:38 p.m.

13. JENNISON ASSOCIATES, LLC

MR. BADER introduced PETER REINEMANN, Managing Director and JASON SWIATEK, Managing Director and Portfolio Manager, both from Jennison Associates. *[A copy of this presentation is on file at the ARMB office.]*

MR. REINEMANN reported Jennison stands at about $156 billion in total assets, also providing additional details of the composition of the firm's investment strategies. MR. O'LEARY inquired about evolution in management. MR. REINEMANN noted that the CEO role has been assumed by Mehdi Mahmud.

MR. SWIATEK gave a performance update which lagged by about 400 basis points through the first three quarters, but year-to-date through November 14th, that gap closed very significantly to 40 basis points down. He noted that since inception, over the last seven-plus years, ARMB's portfolio has returned about 85% compared to 60% for the Russell 2000, so 25% of outperformance over that time period, which equates to about 210 basis points annually and that's right within the goal. He then described the firm's investment process: the first step is to identify great businesses, those that can grow between 10% and 25% on a sustainable basis, and the second step is being very patient in terms of when it invests in these businesses. VICE CHAIR TRIVETTE asked if there anything particular that drove the last year and the last part of this year in terms of returns; MR. SWIATEK replied where you set the calendar plays a role.

MR. REINEMANN confirmed that Prudential Financial is the parent company of Jennison Associates.

VICE CHAIR TRIVETTE recessed meeting for a break from 3:00 p.m. to 3:16 p.m.

14. LORD ABBETT & CO, LLC.

GARY BADER introduced KRISTIN SHOFNER, Director, Public Fund Marketing, and MIKE SMITH, Director and Partner, from Lord Abbett LLC. *[A copy of this presentation is on file at the ARMB office.]*

KRISTIN SHOFNER reported that Lord Abbett is a privately held investment firm with assets at about $128 billion and that investment management is Lord Abbett's only line of business. After providing additional information regarding the status of the firm, Ms. Shofner introduced her colleague.

MIKE SMITH gave an update and noted the Investment Team page is probably the most important page in the presentation book. Their product has been closed since 2006. From a performance standpoint, they missed a low quality rally that started in the spring of '09. Historically as a small cap manager, Lord Abbett spends most of its time focusing on identifying good companies with good management teams and good growth prospects.

MR. O'LEARY asked MR. SMITH to characterize Lord Abbett's relative sector weightings versus its historic pattern of weightings, that is, the magnitude of under or overweights; MR. SMITH stated, in summary, Lord Abbett has a philosophy and process that drives it to pockets of opportunities in the marketplace where the stock is mispriced, fundamentals are improving, but haven't fully been anticipated by investors. In terms of weight, Lord Abbett is generally less than ten percentage points, plus or minus the Russell 2000 Index weighting. Lord Abbett's ten largest holdings are generally about 18% to 21% of the portfolio.

15. LUTHER KING CAPITAL MANAGEMENT

MARK JOHNSON, Portfolio Manager for Luther King Capital Management, introduced himself and STEVE PURVIS, a principal of the firm as well as the manager of the Small Cap Strategy. *[A copy of this presentation is on file at the ARMB office.]*

MR. PURVIS stated that LUTHER KING has $10 billion of assets under management, with about $2 billion in small cap. He provided additional information regarding the investment staff, experience and portfolio construction. The firm focuses on high quality, best in class companies that have already proven their business model. The three things the firm thinks are important are idea generation, finding/identifying those best in class companies. Since 1994, on a fee-adjusted basis, the firm has been able to average over 11% per year annualized and outperform, on average, by over 277 basis points.

MR. PURVIS provided some background information on the firm's relationship with ARMB, and highlighted the ARMB portfolio's three-year return, which has averaged 18% per year versus the market up 13%. He noted the five-year has averaged just shy of four versus a little over two for the market. Since 2005, it has generated a couple of hundred basis points of outperformance relative to the benchmark.

MR. O'LEARY asked MR. PURVIS to give an update on capacity and refresh everybody's memory about how frequently the firm has closed. MR. PURVIS stated they have put on a soft close at the $2 billion mark and that means they're not taking on any new mandates into their small cap strategy.

VICE CHAIR TRIVETTE complimented MR. PURVIS on page 13 of the presentation and thanked them for their presentation.

16. VICTORY CAPITAL MANAGEMENT

MR. BADER introduced DON FRANK, Institutional Sales Director, and GARY MILLER, Chief Investment Officer, from Victory Capital Management. *[A copy of this presentation is on file at the ARMB office.]*

MR. FRANK stated that Victory has about $76 million under management for the Alaska Retirement Management Board, and is the newest small cap manager. He noted further that the account received funding in May and the strategy has had its challenges in that short timeframe. He stated that the presentation would outline what has occurred in the market, and what Victory sees going forward.

GARY MILLER focused on the inception-to-date rather than just the quarter since the time period had been so short. The fund is up just shy of 2.5% versus about 665 basis points for the benchmark, so over 400 basis points of relative underperformance. He discussed in detail the three primary issues for poor performance: style, overexposure to capital spending, and the portfolio was not defensively positioned. The quarter-to-quarter update is it has picked up over 100 basis points in the last few weeks, and most of that recovery came in November, over 130 basis points, up 160 versus 30, and it has gone from lagging in all nine sectors to outperforming in seven of the nine.

RECESS FOR THE DAY

VICE CHAIR TRIVETTE recessed meeting for the day at 4:33 p.m.

Friday, December 7, 2012

CALL BACK TO ORDER

VICE CHAIR TRIVETTE reconvened the meeting at 8:59 a.m., noting that a quorum was present.

REPORTS (continued)

17. EIG ENERGY

GARY BADER introduced BLAIR THOMAS, Chief Executive Officer for EIG Global Energy Partners, noting that ARMB has three active investments with EIG. *[A copy of this presentation is on file at the ARMB office.]*

BLAIR THOMAS provided a high level overview of the firm. He stated that EIG is a specialist investor in energy with a 30-year track record in the space. The value chain approach is a key part of EIG's style, and it's one of the ways they help dampen some of the inherent volatility in the sector. MR. THOMAS stated that EIG does not favor power, natural gas, or renewables but does favor oil versus gas, and midstream or infrastructure assets, particularly in the United States, and Brazil. The largest oil finds in the world in the last 40 years are offshore Brazil.

MR. THOMAS noted that EIG is an asset-based investor, and tends to invest in the middle of the capital structure, either hybrid debt instruments or structured equity instruments. The firm is a global business with a global platform and a 30-year track record. MR. THOMAS provided additional information on the state of the market, the volatility in the marketplace, and the market cycle that offers opportunities for additional investments.

MR. THOMAS reported on the state of the ARMB investments, noting that EIG starts paying distributions very early and that about 11% of what ARMB funded has already come back in the form of income. Fund XIV, a $2.6 billion fund, outperformed; the ARMB investment was $100 million. Fund X was a 2003 vintage fund with 22 investments, about 111% invested. ARMB committed $80 million, and distributions, to date, are just under $95 million.

MR. PIHL asked for MR. THOMAS' views on gas-to-liquids and also coal. MR. THOMAS stated EIG is fairly bullish on particular types of coal in particular geographies, but has no interest in Appalachian coal. Where EIG does see coal activity, thermal coal in particular, which is coal used for power generation, is Asia. Gas-to-liquids technology is nothing new; it's Fischer Tropsch technology. The issue is cost. In order for gas-to-liquids to be economic, you're going to have sustained low gas prices and sustained high oil prices. MR. BADER inquired where MR. THOMAS' next stop is; MR. THOMAS replied Asia.

18. STATE STREET GLOBAL ADVISORS (SSgA)

CHAIR SCHUBERT invited ROSALIND JACOBSEN of State Street Global Advisors (SSgA) to present to the trustees. *[A copy of this presentation is on file at the ARMB office.]*

MS. JACOBSEN of State Street Global Advisors (SSgA) provided context for the presentation noting that SSgA is a very significant component of ARMB allocations within the Defined Benefit and the Defined Contribution Plans. MS. JACOBSEN stated, in the Strategic Partnership that SSgA approaches in the relationship with the State of Alaska, they view the investment tool kit available from effective use of beta management as the underpinning for every investment strategy that ARMB currently uses. She defined beta as purely getting market exposure.

MS. JACOBSEN next provided an update on the statute of SSgA, stating that it now has over $2 trillion in assets under management; and 53% of the clients have two or more strategies with the firm. The percentage of new business from existing clients is over 84% and the defined contribution platform $240 billion in assets under management. SSgA's stated intent would be to have zero tracking error, meaning whatever the market is doing, SSgA is doing. She described the approach for defined contribution participants are to deliver a retirement outcome that the participants are relying on the investment manager to help provide.

MS. JACOBSEN reviewed the various strategies that SSgA manages on behalf of ARMB and provided the trustees additional background and context for the returns, as well as insight into the firm's approach to each investment strategy.

MR. O'LEARY asked how the currency elements are accommodated in transactions in emerging markets when about 50% of customer transactions don't involve actual sale and then reinvestment. MS. JACOBSEN replied that SSgA is always moving to the U.S. dollar to produce, unless otherwise instructed, and this is accomplished through an agency process, not using an affiliated broker.

In response to several questions from MR. O'LEARY, MS. JACOBSEN confirmed that none of the high profile lawsuits pertaining to currency involve any of the ARMB index funds, and the lawsuits stem from a custody relationship not from the investment management arm, and that for ERISA managed assets, State Street Global Markets is not used for any market trade, and this extends to public funds who aren't subject to ERISA; and lastly, that all funds utilized by ARMB are non-lending funds.

MR. BADER asked for clarification during rebalancing in emerging markets as to access, which would be important information since there are strict market requirements. MS. JACOBSEN replied that SSgA has a very robust compliance team that participates in the process on a pre-trade/post-trade basis and then after-the-fact compliance mechanism to make sure that someone cannot game the system. Notification is required two days prior to the twice-a-month transactions, which is locked in so you can participate in the buy/sells, but if that deadline is missed, it requires waiting for the next opening in two weeks.

MS. ERCHINGER thanked MS. JACOBSEN for her presentation, noting that the volume of information was presented concisely, with great material in the packet, including the GIPS presentation at the back.

19. MACKAY SHIELDS

CHAIR SCHUBERT introduced JOHN AKKERMAN and MATT PHILO from MacKay Shields to present to the trustees. [A copy of this presentation is on file at the ARMB office.]

MR. AKKERMAN provided a brief snapshot of the firm affirming to the trustees that the firm has not changed its business model and that the management of the ARMB portfolio remains with the same team. He provided a high level overview of the high yield market noting that the strategy has been very popular but that MacKay has been cautious given that certain segments of the market are riskier than others, but the in spite of a significant correction in the market, the ARMB portfolio did very well in 2011, with a 7.19% return versus the benchmark of 4.37%. MR. PHILO next reviewed the ARMB portfolio historical returns along with portfolio characteristics as of October 31, 2012, noting that the market value of the portfolio is $492 million with a current yield of 7.16%.

MR. ERLENDSON asked if MR. PHILO could provide a look for the intermediate; if interest rates start to rise, is there going to be a mass exit from high yield and what should a strategic investor, like ARMB, be expecting in that environment? MR. PHILO stated the duration of high yield is relatively short, well under 40 years, but if interest rates go up because the economy is booming, that could be offset by credit improvement, so high yield comes out well within fixed income and a rising rate environment. .

MR. O'LEARY asked MR. PHILO to comment on what types of environments MacKay Shields would expect its performance to be superior to the index and then tell ARMB when those environments are going to occur. MR. PHILO stated the underperformance is really 2009, and reflects our dedication to process. He noted that the modest correction last year in August/September led MacKay to the top decile in the asset class, outperforming most peers. He stated that when the market reflects bond math and intelligent pricing, and in periods of weakness, the portfolio outperforms the majority of peers.

MS. ERCHINGER inquired about MacKay Shields' fees. MR. PHILO stated he will report them immediately after the meeting.

CHAIR SCHUBERT recessed meeting for a break from 10:36 a.m. to 10:50 a.m.

20. REBALANCING THEORY

CHAIR SCHUBERT invited Investment Advisory Council member DR. WILLIAM JENNINGS to present on rebalancing. [A copy of this presentation is on file at the ARMB office.]

Dr. Jennings stated that his current research project focused on taxable rebalancing, which led to a review of the literature of rebalancing and various academic points of view, balanced with a practitioner perspective which will be useful. Dr. Jennings described the annual effort by the Board to set the asset mix, with a portfolio in notional balance, but with normal market action the portfolio will then be out of balance.

Dr. Jennings reviewed slides depicting the asset mix on the efficient frontier (as prepared by Callan Associates), and described the case for rebalancing as a risk story, with rebalancing as a risk control mechanism in keeping risk in the range originally set. He noted additional reasons to rebalance, including monetizing diversification, adding return, and making decisions before a crisis. Dr. Jennings stated that in a crisis, the tendency is to second-guess whether to rebalance or not, but the Board has the right structural set-up with rebalancing ranges in place and the responsibility to implement rebalancing in accordance with that policy is delegated to staff. He described the case against rebalancing, citing trading costs, oversight costs, and trending market conditions.

Dr. Jennings outlined the big picture questions on rebalancing: how often, how wide the range around an asset class, and how big a trade? He noted that most studies look at monthly, bi-monthly or quarterly. The longer period allows more drift, and a shorter period requires more trading, which is costly, but may be better from a risk control point of view. Dr. Jennings stated that the range question included a narrow range which encouraged risk control and captured a diversification return versus a wider range which has lower costs, fewer reversals and is less work. He described the choices in trading strategy as back to range edge, half-way back between the range edge and the target, and lastly back to the target, noting that the process is a cost benefit analysis. He also described the rebalancing premium – the idea that rebalancing enhances returns. The estimate for ARMB is 57-59 basis points which is already calculated in Callan's geometric estimates.

Dr. Jennings concluded with his assessment that the Board has a good program in place and rebalancing should continue.

Responding to a question from Deputy Commissioner Rodell, MR. BADER described the current rebalancing process, which he noted was illustrated at each meeting in his CIO Report, with most items showing the rebalancing between the funds.

21. IFS ACTIONS

MR. BADER stated this is the last presentation on IFS items, noting that many of these recommendations have improved the function of the Board and the way that the Board approaches certain issues. The IFS recommendation is that the ARMB Board should develop an investment policy statement (IPS) supplementing the individual asset class policies and addressing total fund elements. [A copy of this presentation is on file at the ARMB office.]

MR. BADER reminded the Board that it had adopted all policies put in place by the Alaska State Pension Investment Board (the predecessor board to ARMB). He said that staff and the consultant had reviewed investment policy statements from other public funds, but the variety was overwhelming, so the current document was drafted for the Board's consideration. He described this as a status quo document putting in place the way the Board does business, the way it intends to continue to do business and also cover the objectives, investment guidelines, security guidelines, selection of managers and other control procedures. A second recommendation to review investment policies annually has been included in the IPS.

<u>VICE CHAIR TRIVETTE moved to approve Resolution 2012-33; the motion was seconded by MR. BRICE</u>.

VICE CHAIR TRIVETTE asked for clarification, to include the Judicial Retirement System and National Guard Naval Militia in the first paragraph of the document; MR. BADER replied the omission was not intentional and he had no objection to the amendment. CHAIR SCHUBERT clarified the addition of the Judicial Retirement and National Guard to this Policy Statement.

MR. PIHL noted, under Comptroller and Accounting Staff duties, it says monthly reports and inquired about monthly reports. MR. BADER clarified that the Comptroller and Accounting Staff duties include monthly reports and they do compliance reports and have monthly meetings. MR. PIHL requested, under the Compliance function, to add a mention that the Audit Committee of the Board is provided those reports; MR. BADER replied that can be added. MR. PIHL also requested that the Board be provided the report as of June 30, which the Board doesn't see in a packet due to the scheduling of its meetings.

MR. JOHNSON inquired about the previous board's statement to achieve top quartile returns, which is not included in this investment policy statement; Mr. Bader affirmed that it was not included. DEPUTY COMMISSIONER RODELL stated the goal was to achieve the actuarial assumed rate of return to meet the requirement to pay benefits, so that it creates this sort of risk offset to the language.

CHAIR SCHUBERT requested an amendment this Policy Statement, under Comptroller and Accounting Staff, to change the word "monthly" in the first dot to "quarterly." MR. BADER stated he hasn't discussed that with Ms. Leary. SCOTT JONES, Assistant Comptroller, noted the financial reports by plan are published to the website monthly and also show asset allocation for each plan. Typically, the June reports are published about the third week in July, up to the website, and those are the unaudited reports. MR. JONES stated he would be happy to email them out. MR. PIHL requested a hard copy, and MR. JONES agreed.

CHAIR SCHUBERT stated the proposed addition would be, after the words Deputy Commissioner, "and the ARMB Audit Committee." MR. PIHL agreed. DEPUTY COMMISSIONER RODELL stated, once the compliance reports are finalized, Ms. Hall sends them to the Audit Committee currently, so that reflects actual practice. CHAIR SCHUBERT asked if there were any objections; VICE CHAIR TRIVETTE replied no. MR. BADER noted he is advised by Ms. Hall that the language for the top quartile performance is in the handbook, but it's not in the Investment Policy Statement, just for clarification.

CHAIR SCHUBERT called for a vote. <u>The motion passed unanimously</u>.

MR. BADER stated, for the record, the item where the staff will review the investment policies was also an IFS recommendation and that it's approved with that last motion.

BOB MITCHELL, Senior State Investment Officer, addressed IFS Recommendation B.1#5. This recommendation affects five investment guidelines: TIPS; convertible bonds; international, fixed income, high yield, and the intermediate treasury investment guidelines.

MR. MITCHELL addressed the first sentence of the recommendation: "Consider the addition of minimum portfolio characteristics." He reported that after review of the IFS report leading to the recommendation, three items needed to be addressed in all guidelines: benchmarks should be stated, return expectations should be identified, and limits in corporate exposure should be specified. He stated that the external managers had been involved in the process and all were comfortable with the changes outlined in the proposed resolutions.

MR. MITCHELL stated that staff recommends the adoption of five resolutions, which are 2012-20 through 2012-24, inclusive.

<u>VICE CHAIR TRIVETTE made a motion to adopt Resolutions 2012-20 to 2012-24, dealing with various fixed income investment guidelines</u>; <u>MS. HARBO seconded the motion</u>.

MR. O'LEARY inquired about the discussion regarding industry limitations as a reference to the Barclay's. MR. MITCHELL clarified that Barclay's methodology doesn't include corporate sectors, so the reference is to minimize misinterpretation.

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VICE CHAIR TRIVETTE expressed appreciation to DR. MITCHELL for his presentation and materials provided to the Board.

CHAIR SCHUBERT called for the vote; <u>the motion carried unanimously</u>.

MR. BADER noted the last recommendation:, "ARMB should request a discussion of the rebalancing theory from staff and/or the consultant to determine what their primary goals are and whether or not a more sophisticated approach could be called for," and he considered that Dr. Jennings presentation provided compliance, unless the Board requested further information from staff.

22. INVESTMENT ACTIONS

A. Manager Review Report

MR. BADER reported that the annual Manager Questionnaire had been sent to all of the investment managers, and responses are reviewed and discussed by staff, consultants and the IAC at a meeting in Denver. The primary purpose of the meeting was to review the manager responses and have some discussion as to whether any action needed to be taken with respect to a manager, but other topics were discussed as well.

GEORGE WILSON expressed his concern about the domestic equity pool, which is 27% of the assets here, that it has not beat the index, and has underperformed by a fairly significant period, a fairly significant amount.

MS. ERCHINGER asked MR. BADER to expound on the SSgA legal comment. MR. O'LEARY noted, on the currency issue, the legal action is not limited to State Street. MS. ERCHINGER expressed appreciation on the write up; VICE CHAIR TRIVETTE agreed.

B. RFP Evaluation Committee Recommendation

MR. BADER reported the statutes call for a review of the actuary every four years. An RFP was developed and advertised within the state and nationally, resulting in three firms submitting viable proposals. An evaluation team appointed by the Chair: MR. BADER, MR. PIHL, and MS. HARBO evaluated and scored the proposals independently. The Committee came together as a Review Committee on December 5, electing Mr. Bader as Chair. Cost proposals were calculated by staff, and verified by MR. PIHL.

MR. BADER asked for a motion from the Board to issue a Notice of Intent to Award a contract and subsequent to the expiration of a ten-day period of protest, negotiate a contract with the Segal Group to conduct the required actuarial audit.

MR. BADER stated he made the motion as Committee Chair; CHAIR SCHUBERT stated there was no need for a second. <u>The motion passed unanimously</u>.

CHAIR SCHUBERT noted MS. HARBO had a question as to whether MR. BADER could make the motion because he's not a trustee, but he was elected Chair of the Committee. CHAIR SCHUBERT stated she was accepting the motion on behalf of the Committee from MR. BADER. MR. JOHNSON replied that would be appropriate.

CHAIR SCHUBERT recessed the meeting for a break from 12:10 p.m. to 1:25 p.m.

22. TAXABLE MUNICIPAL BONDS

JEFF PANTAGES, the Chief Investment Officer of ALASKA PERMANENT CAPITAL, and JASON ROTH, Senior Vice President and a Portfolio Manager at APCM, gave their presentation. [A copy of this presentation is on file at the ARMB office.]

MR. PANTAGES noted APCM celebrated its 20th anniversary, and has about $3 billion of assets under management, and manages money for many Alaska institutions, including the Permanent Fund.

MR. PANTAGES discussed taxable municipal bonds, bonds issued by state and local governments which have been around since the 1986 Tax Act.

MR. ROTH discussed historical and practical perspective on taxable municipal bonds versus corporate bonds and looked at it on a yield basis/evaluation basis, looked at some of default statistics, and looked at it as a risk/reward return on taxable municipals versus corporates and how they might be a very good diversification tool for a portfolio.

CHAIR SCHUBERT noted the data appears to be almost three years old and inquired if it still holds true today; MR. ROTH replied it's the most recent data he had.

MR. BRICE asked what kind of research is done to determine whether or not a particular issuance of a municipal bond is, going to be a safe bet or a reasonable investment; MR. ROTH stated, each issue has to be underwritten independently, which means the perspectives and financial statements have to be reviewed and the individual financials of every single issuer in the market.

VICE CHAIR TRIVETTE asked if they have a list of municipal bonds that they currently hold and if they're all Alaska bonds, from the Alaska municipalities. MR. ROTH replied, no; they don't have a list, but in the Appendix, there is a list of the top 25 issuers. VICE CHAIR TRIVETTE inquired about Alaska municipal bonds; MR. ROTH stated, if there is a community in Alaska that's issued them, they probably own them in one or more of their portfolios.

DEPUTY COMMISSIONER RODELL stated, in answer to TRUSTEE TRIVETTE'S question, the bond bank actually negotiates directly with local government, so it's a little bit different, and then issues its own tax-exempt bonds.

DEPUTY COMMISSIONER RODELL asked if they would recommend that the ARMB Board invest in Alaska taxable municipal bonds; MR. ROTH stated they are looking at the entire universe of investments.

COMMISSIONER RODELL asked, what kind of supply they see, since the Build America bond program ended in December of 2010, and asked if they see a lot of secondary market supply that comes with these bonds or if they tend to be to buy and hold owners; MR. ROTH replied, these aren't very long-term bonds, so there is a fair amount that are buy and hold.

MR. ERLENDSON inquired, within the capital structure of an issuing entity, where the taxable munis fit within the seniority status; MR. ROTH stated it's a senior unsecured obligation, unless it's a revenue bond and it's tied to that specific revenue source.

UNFINISHED BUSINESS

1. Calendar

CHAIR SCHUBERT asked Trustees to consider moving the February meeting date from the 20th to 22nd to the 11th, 12th, or 13th or March 6th, 7th, and 8th and also whether the Trustees are committed to going to Juneau.

COMMISSIONER BUTCHER noted it's the first session in the Legislature. VICE CHAIR TRIVETTE noted he already has commitments in March, but open to February dates. Discussion was had regarding dates and locations.

CHAIR SCHUBERT stated the change in the meeting date to February 11, 12, and 13, the 12th and the 13th for the Trustees and the 11th for Committee meetings, and the location would be Anchorage. COMMISSIONER BUTCHER made a motion was made to adopt the 2013 meeting calendar; MS. RYAN seconded the motion. The motion was adopted.

2. Disclosure Report

MS. HALL stated the Disclosure Report was included in the packets, and there is nothing to report other than usual transactions.

3. Legal Report

MR. JOHNSON noted there was no specific legal report.

NEW BUSINESS

MR. BADER noted, at today's meeting, a report was made by EIG Energy Group, an investment that was made following an education conference. At this recent Education Conference, the trustees heard a presentation from Goldman Sachs on a defined contribution strategy described as a portfolio completion strategy that provides access to asset classes that defined contribution participants don't typically enjoy such as private equity, commodities and things of that nature. MR. BADER asked the Board to allow them to engage Callan to do a due diligence review of that product for possible inclusion in the defined contribution plan. VICE CHAIR TRIVETTE moved the motion; the motion was seconded; the motion carried.

VICE CHAIR TRIVETTE clarified, for the new Trustees, that means MR. BADER will sit down with Callan, and they'll do a research of the areas. Today, no decisions will be made.MR. BADER stated these are not commitments.

MR. BADER next described the Lazard emerging market debt fund and requested contingent authority to engage Callan for a review of this product. VICE CHAIR TRIVETTE made the motion; MR. PIHL seconded the motion; the motion carried.

MR. BADER asked the Board to authorize a search for a taxable municipal bond manager for possible inclusion in the ARMB portfolio. MS. RYAN moved the motion; MS. HARBO seconded and the motion carried.

OTHER MATTERS TO PROPERLY COME BEFORE THE BOARD

None.

PUBLIC/MEMBER COMMENTS

None.

INVESTMENT ADVISORY COUNCIL COMMENTS

DR. JENNINGS reiterated comments he would like to see: clustering like presentations, cross-sectional comparisons, and having the Panel, because we can ask the same question or hear different points of view.

TRUSTEE COMMENTS

COMMISSIONER BUTCHER echoed comments about the Panel. MR. BRICE noted the upcoming legislative session and addressed the unfunded liability issues. MS. ERCHINGER recommended the Legislative Committee have another meeting before the legislative session. MR. PIHL stated to keep in mind the implications of GASB disclosure requirements and recommended additional review of the earnings assumption.

CHAIR SCHUBERT thanked the Trustees for reelecting her as Chair.

FUTURE AGENDA ITEMS - None.

ADJOURNMENT

There being no objection and no further business to come before the Board, the meeting was adjourned at 2:17 p.m., on a motion by made MR. BRICE and seconded by MS. HARBO.

Chair of the Board of Trustees
Alaska Retirement Management Board

ATTEST:

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Corporate Secretary

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	Invoices & Summary of Billings - Buck Consultants, a Xerox Company	ACTION:	
DATE:	February 12, 2013	INFORMATION:	X

BACKGROUND:

AS 37.10.220(a)(8) prescribes that the Alaska Retirement Management Board (Board) "coordinate with the retirement system administrator to have an annual actuarial valuation of each retirement system prepared to determine system assets, accrued liabilities, and funding ratios and to certify to the appropriate budgetary authority of each employer in the system".

As part of the oversight process, the Board has requested that the Division of Retirement & Benefits (Division) provide monthly invoices to review billings and services provided.

STATUS:

Attached are monthly invoices to the Division for Fiscal Year 2012 for the months of October, November and December 2012.

Attached are the summary totals for the six months ended December 31, 2012.

Buck Consultants
Billing Summary
Through the Three Months Ended September 30, 2012

	PERS	TRS	JRS	NG	EPORS	AHF	RHF	GF	TOTAL
Actuarial Valuations	$ 26,289	18,814	-	-	-	-	-	-	$ 45,103
Salaries and normal costs shown separate pension and healthcare	1,592	601	-	-	-	-	-	-	2,193
GASB Rules, Moody's proposed measurements, and Fitch position discussion	4,784	2,844	-	-	-	-	-	-	7,628
DCR Healthcare Plan design modeling tool	18,042	6,213	-	-	-	-	-	-	24,255
Actuarial Study to determine cost for DCR Healthcare plan designs	4,864	3,946	-	-	-	-	-	-	8,810
Misc emails and phone calls	1,318	511	-	-	-	-	-	-	1,829
TOTAL	$ 56,889	32,929	-	-	-	-	-	-	$ 89,818

Buck Consultants
Billing Summary
Through the Three Months Ended December 31, 2012

	PERS	TRS	JRS	NGNMRS	EPORS	AHF	RHF	GF	TOTAL
Actuarial Valuations	$ 87,244	70,360	17,393	-	877	-	-	-	$ 175,874
DCR Healthcare Plan design modeling tool	5,848	2,014	-	-	-	-	-	-	7,862
GASB 67 & 68 Calc of estimated balance Muni. Of Anchorage	1,995	-	-	-	-	-	-	-	1,995
Design of Plan B Healthcare benefit design	1,713	1,713	-	-	-	-	-	-	3,426
Audit Request	1,015	797	-	-	-	-	-	-	1,812
Allocation of ER Contributions between Pension & Healthcare to include salaries by ER	1,234	1,052	675	-	-	-	-	-	2,961
Misc emails and phone calls	2,588	1,003	-	-	-	-	-	-	3,591
TOTAL	$ 101,637	76,939	18,068	-	877	-	-	-	$ 197,521

Buck Consultants
Billing Summary
Through the Six Months Ended December 31, 2012

	PERS	TRS	JRS	NGNMRS	EPORS	AHF	RHF	GF	TOTAL
Actuarial Valuations	$ 113,533	89,174	17,393	-	877	-	-	-	$ 220,977
Salaries and normal costs shown separate pension and healthcare	1,592	601	-	-	-	-	-	-	2,193
GASB Rules, Moody's proposed measurements, and Fitch position discussion	4,784	2,844	-	-	-	-	-	-	7,628
DCR Healthcare Plan design modeling tool	23,890	8,227	-	-	-	-	-	-	32,117
Actuarial Study to determine cost for DCR Healthcare plan designs	4,864	3,946	-	-	-	-	-	-	8,810
GASB 67 & 68 Calc of estimated balance Muni. Of Anchorage	1,995	-	-	-	-	-	-	-	1,995
Design of Plan B Healthcare benefit design	1,713	1,713	-	-	-	-	-	-	3,426
Audit Request	1,015	797	-	-	-	-	-	-	1,812
Allocation of ER Contributions between Pension & Healthcare to include salaries by ER	1,234	1,052	675	-	-	-	-	-	2,961
Misc emails and phone calls	3,906	1,514	-	-	-	-	-	-	5,420
TOTAL	$ 158,526	109,868	18,068	-	877	-	-	-	$ 287,339

buckconsultants

A Xerox Company

REMIT BY CHECK TO:
Buck Consultants, LLC
Dept. CH 14061
Palatine, IL 60055-4061

BY WIRE TO:
Buck Consultants, LLC
The Bank of New York Mellon, NA
A B A # 043000261
D D A # 0038720

November 30, 2012

Ms. Christina Maiquis
DRB Accounting Supervisor
State of Alaska PERS
333 Willoughby
6th Floor State Office Building
Juneau, AK 99811-0203

Terms: Payable upon receipt. Interest accrues after 30 days from the invoice date at 1% per month.

Actuarial Valuation and Consulting Contract
Agency Contract Number 2006-0200-5759

Direct Inquiries to:
Judy Daszkiewicz - Finance Dept.
Email: Judith.Daszkiewicz@acs-inc.com
Phone: (201) 902-2842

Client #: 00019732
Invoice #: 2129661

Services rendered from October 1 through October 31, 2012 (see attached): $38,115.00

cm ok to pay
12/3/12

Staff Member	October 2012 Hours*	Fiscal Year-to-Date July 2012 - June 2013 Hours*
- Chris Hulla	9.50	37.25
- Colin Wein	28.25	71.00
- Daniel Levin	0.00	2.00
- David Slishinsky	14.00	67.50
- Doug Fiddler	0.50	1.00
- Gail Warner-Brown	0.00	0.25
- Tianle Hu	4.50	17.25
- Karen Hancock	1.50	13.25
- Kathy Recchiuti	0.50	11.50
- Kyla Kaltenbach	35.25	74.50
- Lee James	0.00	0.00
- Marissa Melander	0.00	1.00
- Melissa Bissett	0.50	7.75
- Michelle Pritchard	28.00	102.25
- Monica DeGraff	3.50	11.25
- Nisha Doshi	0.00	2.75
- Patrick Kowalsky	0.00	0.00
- Peter Gold	0.00	0.00
- Reza Vahid	0.00	0.00
- Robert Besenhofer	0.00	0.00
- Robin Simon	0.00	0.25
- Ron Thompson	0.00	0.00
- Soon Kyu Son	0.00	0.00
- Steve Robb	0.00	0.00
- Tammy Ringel	0.00	2.00
- William Detweiler	0.00	0.00
Totals	126.00	422.75

* Excludes consulting project to consolidate Retirement and Health and Welfare Sections within DRB.

State of Alaska
October 2012 Invoice for Actuarial Services

	October 2012 Services	October 2012 Expenses	October 2012 Total	Fiscal Year to Date July 2012 - June 2013 Services	Fiscal Year to Date July 2012 - June 2013 Expenses	Fiscal Year to Date July 2012 - June 2013 Total
Regular Services Under Contract						
2012 Actuarial Valuations						
- PERS	$ 10,590	$ 0	$ 10,590			
- TRS	7,164	0	7,164			
- JRS	4,034	0	4,034			
- NGNMRS	0	0	0			
- EPORS	549	0	549			
Subtotal	$ 22,337	$ 0	$ 22,337	$ 67,440.00	$ 0.00	$ 67,440.00
Non-Regular Services						
Calculation of the estimated balance sheet impact of GASB No. 67 & 68 on the Municipality of Anchorage, submitted October 29th	$ 1,995	$ 0	$ 1,995			
Work in process on DCR Healthcare Plan design modeling tool, including discussions with GRS and DRB and hypothetic member eligibility situations	$ 7,862	$ 0	$ 7,862			
Completion of audit information requested by KPMG, submitted October 5th						
- PERS	$ 1,015	$ 0	$ 1,015			
- TRS	797	0	797			
Completion of the FY14 allocation of employer and state contributions between pension and healthcare, including salaries by employer, submitted October 2nd and 18th						
- PERS	$ 1,234	$ 0	$ 1,234			
- TRS	1,052	0	1,052			
- JRS	675	0	675			
Miscellaneous administration, emails and phone calls	$ 1,148	$ 0	$ 1,148			
Subtotal	$ 15,778	$ 0	$ 15,778	$ 60,493.00	$ 0.00	$ 60,493.00
Total Actuarial Services	$ 38,115	$ 0	$ 38,115	$ 127,933.00	$ 0.00	$ 127,933.00
Special Projects						
Consulting project to assist in the Consolidation of the Retirement and the Health and Welfare Sections within DRB	$ 0	$ 0	$ 0	$ 0.00	$ 0.00	$ 0.00
Grand Total	$ 38,115	$ 0	$ 38,115	$ 127,933.00	$ 0.00	$ 127,933.00

buckconsultants A Xerox Company

December 20, 2012

RECEIVED
DEC 26 2012
Ret. & Benefits

Ms. Christina Maiquis
DRB Accounting Supervisor
State of Alaska PERS
333 Willoughby
6th Floor State Office Building
Juneau, AK 99811-0208

Actuarial Valuation and Consulting Contract
Agency Contract Number 2006-0200-5759

Client #: 00019732
Invoice #: 2132168

REMIT BY CHECK TO:
Buck Consultants, LLC
Dept. CH 14061
Palatine, IL 60055-4061

BY WIRE TO:
Buck Consultants, LLC
The Bank of New York Mellon, NA
A B A # 043000261
D D A # 0038720

Terms: Payable upon receipt. Interest accrues after 30 days from the invoice date at 1% per month.

Direct Inquiries to:
Judy Daszkiewicz - Finance Dept.
Email: Judith.Daszkiewicz@acs-inc.com
Phone: (201) 902-2842

Services rendered from November 1 through November 30, 2012 (see attached): **$72,176.00**

ok to pay
CM 12/27/12

buckconsultants A Xerox Company

RECEIVED
DEC 26 2012

State of Alaska
November 2012 Invoice for Actuarial Services

	November 2012						Fiscal Year to Date July 2012 - June 2013					
		Services		Expenses		Total		Services		Expenses		Total
Regular Services Under Contract												
2012 Actuarial Valuations												
- PERS	$	29,842	$	0	$	29,842						
- TRS		26,763		0		26,763						
- JRS		4,768		0		4,768						
- NGNMRS		0		0		0						
- EPORS		0		0		0						
Subtotal	$	61,373	$	0	$	61,373	$	128,813.00	$	0.00	$	128,813.00
Non-Regular Services												
Work in process on 2012 Actuarial Valuations of DCR plans												
- PERS	$	5,267	$	0	$	5,267						
- TRS		4,607		0		4,607						
Miscellaneous administration, emails and phone calls	$	929	$	0	$	929						
Subtotal	$	10,803	$	0	$	10,803	$	71,296.00	$	0.00	$	71,296.00
Total Actuarial Services	$	72,176	$	0	$	72,176	$	200,109.00	$	0.00	$	200,109.00
Special Projects												
Consulting project to assist in the Consolidation of the Retirement and the Health and Welfare Sections within DRB	$	0	$	0	$	0	$	0.00	$	0.00	$	0.00
Grand Total	**$**	**72,176**	**$**	**0**	**$**	**72,176**	**$**	**200,109.00**	**$**	**0.00**	**$**	**200,109.00**

buckconsultants A Xerox Company

Staff Member	November 2012 Hours*	Fiscal Year-to-Date July 2012 - June 2013 Hours*
- Chris Hulla	3.00	40.25
- Colin Wein	69.50	140.50
- Daniel Levin	0.00	2.00
- David Slishinsky	5.25	72.75
- Dennis Do	12.50	12.50
- Doug Fiddler	0.00	1.00
- Gail Warner-Brown	0.00	0.25
- Tianle Hu	0.00	17.25
- Karen Hancock	0.25	13.50
- Kathy Recchiuti	0.00	11.50
- Kyla Kaltenbach	54.00	128.50
- Lee James	0.00	0.00
- Marissa Melander	0.00	1.00
- Martha Walker	0.50	0.50
- Melissa Bissett	37.00	44.75
- Michelle Pritchard	26.25	128.50
- Monica DeGraff	0.25	11.50
- Nisha Doshi	0.00	2.75
- Patrick Kowalsky	0.00	0.00
- Peter Gold	0.00	0.00
- Reza Vahid	0.00	0.00
- Robert Besenhofer	0.00	0.00
- Robin Simon	3.50	3.75
- Ron Thompson	0.00	0.00
- Soon Kyu Son	0.00	0.00
- Steve Robb	0.00	0.00
- Tammy Ringel	27.50	29.50
- William Detweiler	0.00	0.00
Totals	239.50	662.25

* Excludes consulting project to consolidate Retirement and Health and Welfare Sections within DRB.

buckconsultants A Xerox Company

REMIT BY CHECK TO:
Buck Consultants, LLC
Dept. CH 14061
Palatine, IL 60055-4061

BY WIRE TO:
Buck Consultants, LLC
The Bank of New York Mellon, NA
A B A # 043000261
D D A # 0038720

Terms: Payable upon receipt. Interest accrues after 30 days from the invoice date at 1% per month.

January 29, 2013

Ms. Christina Maiquis
DRB Accounting Supervisor
State of Alaska PERS
333 Willoughby, 6th Floor State Office Building
Juneau, AK 99811-0203

Actuarial Valuation and Consulting Contract
Agency Contract Number 2006-0200-5759

Client #: 00019732
Invoice #: 2135361

Services rendered from December 1 through December 31, 2012 (see attached): **$87,230.00**

ok to pay
CM 1/30/13

Actuarial Valuation and Consulting Contract
Agency Contract Number 2006-0200-5759

				State of Alaska								
				December 2012 Invoice for Actuarial Services								
									Fiscal Year to Date			
			December 2012						**July 2012 - June 2013**			
		Services		**Expenses**		**Total**		**Services**		**Expenses**		**Total**
Regular Services Under Contract												
2012 Actuarial Valuations												
- PERS	$	27,401	$	0	$	27,401						
- TRS		20,253		0		20,253						
- JRS		8,591		0		8,591						
- NGNMRS		0		0		0						
- EPORS		328		0		328						
Subtotal	$	56,573	$	0	$	56,573	$	185,386	$	0	$	185,386
Non-Regular Services												
Work in process on 2012 Actuarial Valuations of DCR plans												
- PERS	$	14,144	$	0	$	14,144						
- TRS		11,573		0		11,573						
Work in process on design of Plan B Healthcare benefit design												
- PERS	$	1,713	$	0	$	1,713						
- TRS		1,713		0		1,713						
Miscellaneous administration, emails and phone calls	$	1,514	$	0	$	1,514						
Subtotal	$	30,657	$	0	$	30,657	$	101,953	$	0	$	101,953
Total Actuarial Services	$	87,230	$	0	$	87,230	$	287,339	$	0	$	287,339
Special Projects												
Consulting project to assist in the Consolidation of the Retirement and the Health and Welfare Sections within DRB	$	0	$	0	$	0	$	0	$	0	$	0
Grand Total	**$**	**87,230**	**$**	**0**	**$**	**87,230**	**$**	**287,339**	**$**	**0**	**$**	**287,339**

			Fiscal Year-to-Date
		December 2012	July 2012 - June 2013
Staff Member		Hours*	Hours*
-	Chris Hulla	11.25	51.50
-	Colin Wein	68.25	208.75
-	Daniel Levin	0.00	2.00
-	David Slishinsky	3.50	76.25
-	Dennis Do	19.00	31.50
-	Doug Fiddler	0.00	1.00
-	Gail Warner-Brown	0.00	0.25
-	Tianle Hu	0.00	17.25
-	Karen Hancock	0.00	13.50
-	Kathy Recchiuti	0.00	11.50
-	Kyla Kaltenbach	52.25	180.75
-	Lee James	8.00	8.00
-	Marissa Melander	0.00	1.00
-	Martha Walker	0.00	0.50
-	Melissa Bissett	43.50	88.25
-	Michelle Pritchard	21.50	150.00
-	Monica DeGraff	1.50	13.00
-	Nisha Doshi	0.00	2.75
-	Patrick Kowalsky	0.00	0.00
-	Paula Andersen	1.00	1.00
-	Peter Gold	0.00	0.00
-	Reza Vahid	0.00	0.00
-	Robert Besenhofer	0.00	0.00
-	Robin Simon	1.25	5.00
-	Ron Thompson	0.00	0.00
-	Soon Kyu Son	0.00	0.00
-	Steve Robb	0.00	0.00
-	Tammy Ringel	46.25	75.75
-	William Detweiler	0.00	0.00
	Totals	277.25	939.50

* Excludes consulting project to consolidate Retirement and Health and Welfare Sections within DRB.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT: Retirement System Membership Activity as of December 31, 2012

ACTION: _________

DATE: Tuesday, February 12, 2013

INFORMATION: X

BACKGROUND:

Information related to PERS, TRS, JRS, NGNMRS, SBS and DCP membership activity as requested by the Board.

STATUS:

Membership information as of December 31, 2012.

MEMBERSHIP STATISTICS AS OF SEPTEMBER 30, 2012

	PERS					TRS				JRS	NG	SBS	DCP
	DB			DC		DB		DC		DB	DB	DC	DC
	Tier I	Tier II	Tier III	Tier IV	TOTAL	Tier I	Tier II	Tier III	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL
Active Members	3,689	6,149	12,753	13,557	36,148	1,277	5,788	3,820	10,885	71	n/a	27,939	7,564
Terminated Members	2,593	5,391	11,417	5,959	25,360	520	2,594	1,206	4,320	4	n/a	13,135	2,366
Retirees & Beneficiaries	21,990	4,422	1,127	1	27,540	10,079	853	-	10,932	102	554	n/a	n/a
Managed Accounts	n/a	n/a	n/a	7,070	7,070	n/a	n/a	1,826	1,826	n/a	n/a	819	672
Retirements - 1st QTR FY13	222	125	73	n/a	420	189	134	n/a	323	1	57	n/a	n/a
Full Disbursements - 1st QTR FY13	40	40	188	383	651	18	57	115	190	0	n/a	657	144
Partial Disbursements - 1st QTR FY13	n/a	n/a	n/a	11	11	n/a	n/a	2	2	n/a	n/a	418	432

MEMBERSHIP STATISTICS AS OF DECEMBER 31, 2012

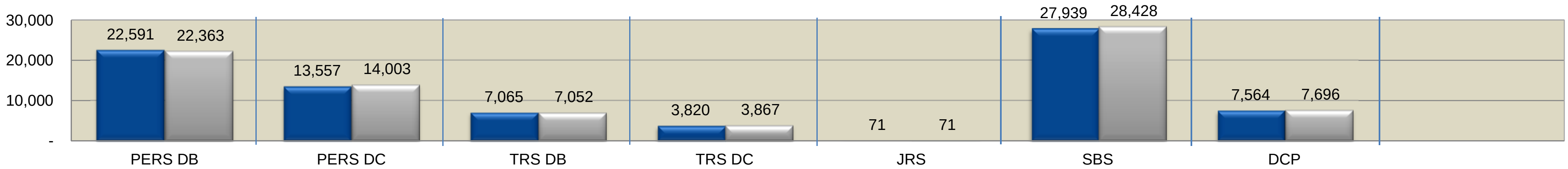
	PERS					TRS				JRS	NG	SBS	DCP
	DB			DC		DB		DC					
	Tier I	Tier II	Tier III	Tier IV	TOTAL	Tier I	Tier II	Tier III	TOTAL				
Active Members	3,627	6,097	12,639	14,003	36,366	1,275	5,777	3,867	10,919	71	n/a	28,428	7,696
Terminated Members	2,563	5,356	11,377	5,873	25,169	512	2,581	1,171	4,264	4	n/a	13,020	2,355
Retirees & Beneficiaries	21,909	4,412	1,121	1	27,443	10,054	852	-	10,906	100	549	n/a	n/a
Managed Accounts	n/a	n/a	n/a	6,966	6,966	n/a	n/a	1,809	1,809	n/a	n/a	844	722
Retirements - 2nd QTR FY13	143	103	69	n/a	315	10	31	n/a	41	2	24	n/a	n/a
Full Disbursements - 2nd QTR FY13	21	51	190	358	620	10	21	44	75	0	n/a	611	108
Partial Disbursements - 2nd QTR FY13	n/a	n/a	n/a	18	18	n/a	n/a	1	1	n/a	n/a	422	452

Alaska Division of Retirement and Benefits

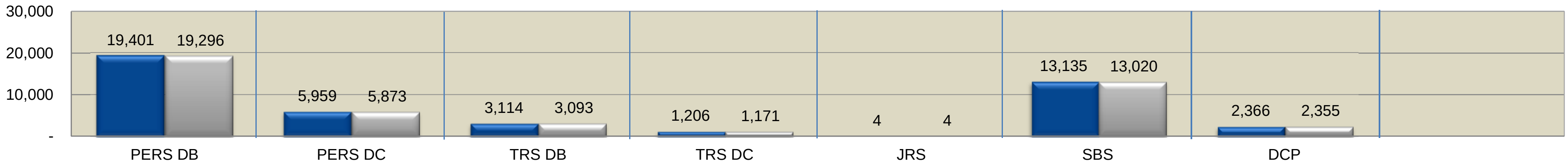
FY 2013 QUARTERLY REPORT OF MEMBERSHIP STATISTICS

as of December 31, 2012

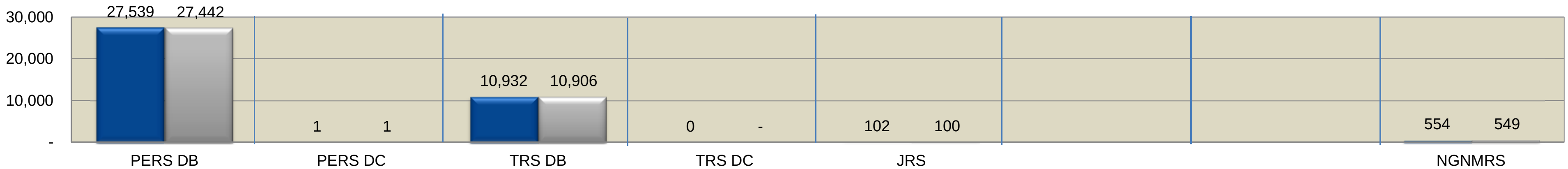
Active Members



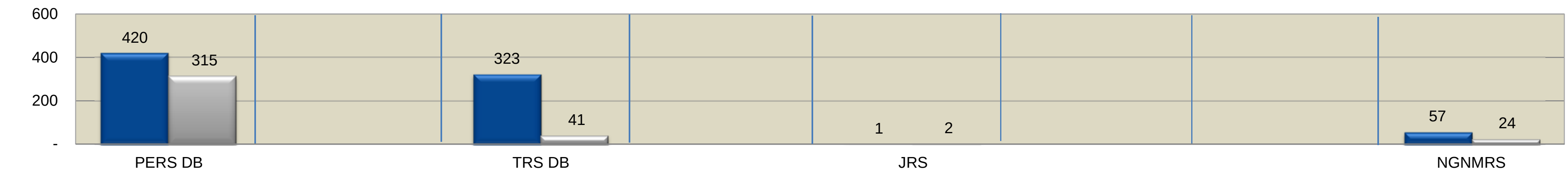
Terminated Members



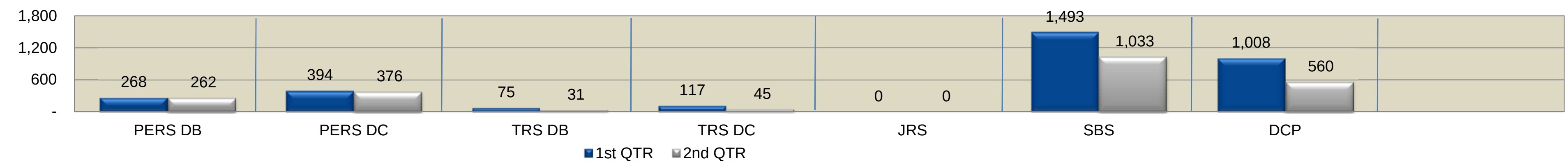
Retirees & Beneficiaries



Retirements



Disbursements



LEGEND

Active Members - All active members at the time of the data pull

Terminated Members - All members who have terminated without refunding their account.

Retirees & Beneficiaries - All members who have retired from the plans, including beneficiaries eligible for benefits.

Managed Accounts - Individuals who have elected to participate in the managed accounts option with Great West.

Retirements - The number of retirement applications processed.

Full Disbursements - All types of disbursements that leave the member balance at zero.

Partial Disbursements - All types of disbursements that leave the member balance above zero. If more than one partial disbursement is completed during the quarter for a member, they are counted only once for statistical purposes.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	Fiscal Year 2014 Health Reimbursement Arrangement amounts for employers	ACTION:	
DATE:	February 12, 2013	INFORMATION:	X

BACKGROUND:

AS 39.30.350 "Employer Contribution Fund" states that Teachers' and Public Employees' Retiree health reimbursement arrangement plan trust fund is an employer contribution fund. Employee contributions are not permitted.

AS 39.30.360 "Management and Investment of the Fund" states that "The Alaska Retirement Management Board is the fiduciary of the fund and has the same powers and duties under this section in regard to the fund as are provided under AS 37.10.220."

AS 39.30.370 "Contributions by Employers" states that "For each member of the plan, an employer shall contribute to the teachers' and public employees' retiree health reimbursement arrangement plan trust fund an amount equal to three percent of the average annual compensation of all employees of all employers in the TRS and PERS." The Division of Retirement & Benefits calculates the HRA amount annually and reports this to all affected employers for proper payroll reporting each fiscal year.

STATUS:

Attached is the memorandum from the Division of Retirement & Benefits for Fiscal Year 2014's Health Reimbursement Arrangement employer contribution per pay period. The amounts have been reported to employers.

Also attached is a summary spreadsheet for fiscal years 2008 - 2014.

MEMORANDUM

STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION
Division of Retirement and Benefits

To: Jim Puckett
Director

Date: December 18, 2012

From: Christina Maiquis
Accounting Supervisor

Subject: FY 2014 HRA Employer Contribution Amounts

Alaska Statute 39.30.370 "Contributions by Employers" relates to the employer contributions required to fund the Health Reimbursement Arrangement (HRA) Plan for Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS) Defined Contribution Retirement (DCR) Plan members. The statute states in part:

> *For each member of the plan, an employer shall contribute to the teachers' (TRS) and public employees' (PERS) retiree health reimbursement arrangement plan trust fund an amount equal to three percent of the average annual compensation of all employees of all employers in the teachers' retirement system and public employees' retirement system. The administrator shall maintain a record for each member to account for employer contributions on behalf of that member.*

In order to compute the dollar amount required to fund the PERS and TRS HRA Plan, a rate of 3.00% is applied to the average annual compensation of all employees of all employers in PERS and TRS. Contributions to a DCR members HRA account are required each pay period in which the employee is enrolled in the Defined Contribution Retirement (DCR) Plan, regardless of the compensation paid during the calendar year. By definition, the HRA employer contribution is a dollar amount.

The Fiscal Year 2014 HRA employer contribution amounts are shown below:

FY 2014 HRA Amounts					
Annual	**Quarterly**	**Semi-monthly**	**Bi-weekly**	**Monthly**	**Hourly**
$1,896.60	**$474.15**	**$79.03**	**$72.95**	**$158.05**	**$1.22**

The attached document shows a comparative of HRA rates since Fiscal Year 2008.

Approved: Jim Puckett

Jim Puckett, Director

12/18/12

Date

Attachment

Division of Retirement & Benefits
Health Reimbursement Arrangement (HRA)
Employer contribution amounts by fiscal year

Fiscal Year	Annual	Quarterly	Semi-monthly	Bi-weekly	Monthly	Hourly
2008	1,531.27	382.82	63.80	58.89	127.61	0.98
2009	1,616.81	404.20	67.37	62.18	134.73	1.04
2010	1,699.71	424.93	70.82	65.37	141.64	1.09
2011	1,720.70	430.17	71.70	66.18	143.39	1.10
2012	1,778.09	444.52	74.09	68.39	148.17	1.14
2013	1,848.43	462.11	77.02	71.09	154.04	1.18
2014	1,896.60	474.15	79.03	72.95	158.05	1.22

NOTE: For fiscal year 2007, HRA amounts were computed by employer rather than the HRA as a plan. Beginning fiscal year 2008, HRA amounts were computed and applied uniformly to all members and are reflected above.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	State Street Bank	ACTION:	X
	Custody Services Contract		
DATE:	February 1, 2013	INFORMATION:	

BACKGROUND:

The Alaska Retirement Management Board (Board) has a consulting contract with State Street Bank for custodial services.

STATUS:

The current consulting contract with State Street Bank runs through June 30, 2013, with three optional one-year extensions. Fees through June 30, 2013 are outlined in the contract. Staff has negotiated with State Street Bank a flat fee for the next 3 years for an amount that represents a 10 % increase over current annual flat fee levels, provided that all three optional extensions are exercised. Staff recommends exercising all three extensions.

RECOMMENDATION:

That the Board direct staff to exercise all three one-year contract extensions, extending the custodial contract with State Street Bank until June 30, 2016, using the new fee structure for the remainder of the contract.

CIO REPORT

- Rebalance retirement funds to bring closer to target asset allocations.
- Respond to defined contribution member question relating to precious metals and brokerage accounts.
- Respond to question relating to Money Market option.
- Rebalance retirement funds to bring closer to target asset allocations.
- Notice of EIG's support of TCW's acquisition by Carlyle Group.
- Fund BlackRock ACWI Ex-US index fund for $350 million.
- Reduce McKinley International $25 million.
- Rebalance retirement funds to bring closer to target asset allocations.
- ____________________
- ____________________

THE STATE
of ALASKA
GOVERNOR SEAN PARNELL

Department of Revenu
ALASKA RETIREMENT MANGEMENT BOARI
333 Willoughby Avenue, 11th Floc
PO Box 11040
Juneau, Alaska 99811-040
Main: 907.465.374
Fax: 907.465.238

December 14, 2012

Mr. Michael McElligott
State Street Corporation
Lafayette Corporate Center
2 Avenue de Lafayette—2nd Floor
Boston, MA 02111-2900

Dear Mr. McElligott:

Please make the following transactions on December 19, 2012 to bring the ARMB funds allocations closer to target.

		AY21	AY22	AY23	AY24	AYW2	AYW3	AYW4	AYX2	AYX3	AYY2	AYY3	AY6G	AY6H	AY6I	
Broad Domestic Equity	Asset ID															
EXTERNAL LG CAP DOMESTIC	30999T916	(316,168)	(2,383,180)	(3,355)	(150,448)	1,968,136	(112,387)	9,041	85,469	36,283	611,523	210,968	24,195	1,870	18,053	0
CONVERTIBLE BOND TRUST	939RUC909	(10,173)	(73,450)	(95)	(4,314)	61,050	(3,353)	277	2,604	1,101	18,603	6,404	739	59	548	0
EXTERNAL SM CAP DOM EQ POOL	321990921	(70,853)	(533,634)	(752)	(33,668)	440,746	(25,130)	2,024	19,134	8,122	136,903	47,228	5,418	420	4,042	0
Fixed Composite																
AY77 AK RET FXD INC POOL	001996933	(1,359)	(6,096)	(18)	1,133	4,374	(416)	20	205	85	1,463	504	58	5	42	0
AY1A US TREASURY FI POOL	959WQA902	(278,085)	(1,244,000)	(3,428)	228,965	895,691	(84,305)	4,116	41,633	17,571	297,889	102,506	11,771	895	8,781	0
INTERNATIONAL FIXED INC POOL	460994932	(22,482)	(100,685)	(280)	18,619	72,367	(6,858)	332	3,373	1,424	24,142	8,309	954	73	712	0
AK HIGH YIELD POOL	01199N902	(72,264)	(323,755)	(904)	60,049	232,449	(22,109)	1,071	10,855	4,585	77,688	26,744	3,068	233	2,290	0
EMERGING MARKETS DEBT POOL A	29099E910	(22,482)	(100,685)	(280)	18,619	72,367	(6,858)	332	3,373	1,424	24,142	8,309	954	73	712	0
Global Equity Ex-US																
INTERNATIONAL POOL	460181993	(245,673)	(1,654,595)	(2,574)	(41,225)	1,344,429	(82,025)	6,145	58,467	24,757	418,066	144,049	16,558	1,286	12,335	0
INTERNATIONAL EQUITY SM CAP	ACI006021	(22,322)	(149,074)	(228)	(3,613)	121,340	(7,329)	553	5,253	2,222	37,553	12,933	1,489	116	1,107	0
EMERGING MARKET EQUITY POOL	290990969	(50,565)	(340,581)	(530)	(8,479)	276,734	(16,894)	1,264	12,036	5,096	86,053	29,652	3,410	266	2,538	0
Private Equity																
ALASKA PRIVATE EQUITY POOL	011993995	(160,215)	(1,006,731)	(1,653)	-	809,871	(51,306)	3,684	35,195	14,873	251,542	86,587	9,964	772	7,417	0
Real Assets																
ALASKA REAL ESTATE POOL	011991916	1,580,294	181,467	28,726	-	(1,365,590)	(714,348)	(4,736)	23,908	10,082	184,643	64,484	5,981	(234)	5,323	0
REAL ESTATE POOL B	756072922	124,110	(126,560)	2,450	-	-	-	-	-	-	-	-	-	-	-	0
REIT POOL A	769488917	(18,271)	(116,124)	(199)	-	93,051	(6,010)	427	4,078	1,727	29,167	10,049	1,155	90	860	0
FARMLAND POOL A	311990988	(89,712)	(465,705)	645	-	388,636	36	1,720	14,291	6,035	101,679	34,958	4,074	340	3,003	0
FARMLAND WATER POOL	313548919	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
TIMBER POOL A	886995943	(22,948)	(143,464)	(232)	-	115,606	(7,260)	525	5,006	2,114	35,763	12,305	1,418	112	1,055	0
ENERGY POOL A	293188918	(11,751)	(73,473)	(119)	-	59,206	(3,719)	269	2,564	1,082	18,316	6,302	727	56	540	0
AK TIPS POOL	46599K949	(20,863)	(129,424)	(204)	-	104,569	(6,480)	473	4,501	1,899	32,149	11,055	1,277	99	949	0
AYWK ALASKA MLP POOL	ACI02NNY3	(48,669)	(166,599)	(690)	-	152,758	4,478	664	5,077	2,159	35,644	12,517	1,462	137	1,062	0
Absolute Return																
ALASKA ABSOLUTE RETURN POOL	857993901	(58,385)	(365,007)	(590)	-	294,131	(18,470)	1,335	12,735	5,378	90,989	31,310	3,609	281	2,684	0
Short-term Fixed Income																
AY70 SHORT TERM POOL	825990 9G1	(161,164)	9,321,355	(15,690)	(85,638)	(6,141,921)	1,170,743	(29,536)	(349,757)	(148,019)	(2,513,917)	(867,173)	(98,281)	(6,949)	(74,053)	0
Total		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

If you have any questions please call me: (907) 465-4399.

THE STATE of ALASKA
GOVERNOR SEAN PARNELL

Department of Revenue

ALASKA RETIREMENT MANAGEMENT BOARD

333 Willoughby Avenue, 11th Floor
PO Box 110405
Juneau, Alaska 99811-0405
Main: 907.465.3749
Fax: 907.465.2389

December 31, 2012

Dear Mr. Lehman,

This is in response to your question on December 6th, regarding precious metals and brokerage accounts within the State of Alaska Defined Contribution Retirement Plan (PERS Tier IV).

In general, the rationale for selecting investment options is based on whether adding an option would provide incremental benefit in meeting the investment goals of the beneficiary population as a whole.

In meeting its responsibilities, the Alaska Retirement Management Board (ARMB) and its predecessors have generally selected broad based investment strategies within cash, stocks, and bonds. These strategies offer participants the ability to select among domestic and international investments and select varying degrees of risk exposure within those categories. Additionally, the ARMB has established a menu of balanced funds and target date funds. These portfolios are managed based on target asset allocations across a broad mix of investments which enables a participant to select the overall desired level of risk and return exposure without having to select individual stock and bond investment options.

The process for selecting investment funds flows through the Defined Contribution Committee within the Alaska Retirement Management Board. This committee meets regularly to review the State's three defined contribution programs including whether new investment options should be added. The Commissioner of Administration is also involved in considering any new options both as a statutory requirement and as a member of the committee. The committee's consideration of new options would be aided by analysis from the Department of Revenue, Department of Administration, and consultants.

If the Defined Contribution Committee and Commissioner of Administration are supportive of making a change to the suite of defined contribution investment options the proposal would be brought before the ARMB for final approval.

At the February, 2012 ARMB Defined Contribution Committee meeting, the committee was presented with information regarding the inclusion of self-directed brokerage accounts in defined contribution plans, as well as information on precious metals investment options. The committee opted not to take action on either precious metals options or self-directed brokerage accounts.

Your comments will be shared with the board at the February, 2013 meeting.

Sincerely,

Gary M. Bader

Gary M. Bader
Chief Investment Officer

THE STATE of ALASKA
GOVERNOR SEAN PARNELL

Department of Revenue
ALASKA RETIREMENT MANAGEMENT BOARD
333 Willoughby Avenue, 11th Floor
PO Box 110405
Juneau, Alaska 99811-0405
Main: 907.465.3749
Fax: 907.465.2389

December 31, 2012

Dear Ms. Verrelli,

This is in response to your question on December 20th, regarding the procedures for requesting that the Alaska Retirement Management Board (ARMB) add a Money Market option to the State of Alaska SBS and Deferred Compensation plans.

Your request will be supplied to ARMB at the next scheduled meeting February 21 -22, 2013 and to ARMB's Defined Contribution Committee.

The process for selecting investment funds flows through the Defined Contribution Committee within the Alaska Retirement Management Board. This committee meets regularly to review the State's three defined contribution programs including whether new investment options should be added. The Commissioner of Administration is also involved in considering any new options both as a statutory requirement and as a member of the committee. The committee's consideration of new options would be aided by analysis from the Department of Revenue, Department of Administration, and consultants.

If the Defined Contribution Committee and Commissioner of Administration are supportive of making a change to the suite of defined contribution investment options the proposal would be brought before the ARMB for final approval.

Sincerely,

Gary M. Bader

Gary M. Bader
Chief Investment Officer

THE STATE of ALASKA
GOVERNOR SEAN PARNELL

Department of Revenue

ALASKA RETIREMENT MANGEMENT BOARD

333 Willoughby Avenue, 11th Floor
PO Box 110405
Juneau, Alaska 99811-0405
Main: 907.465.3749
Fax: 907.465.2389

January 9, 2013

Mr. Michael McElligott
State Street Corporation
Lafayette Corporate Center
2 Avenue de Lafayette—2nd Floor
Boston, MA 02111-2900

Dear Mr. McElligott:

Please make the following transactions on January 11, 2013 to bring the ARMB funds allocations closer to target.

		AY21	AY22	AY23	AY24	AYW2	AYW3	AYW4	AYX2	AYX3	AYY2	AYY3	AY6G	AY6H	AY6I
Broad Domestic Equity	Asset ID														
EXTERNAL LG CAP DOMESTIC	30999T916	(1,619,816)	(3,085,869)	(8,689)	139,806	3,180,362	605,480	17,299	69,519	27,798	484,492	155,224	20,574	2,078	11,742
CONVERTIBLE BOND TRUST	939RUC909	(47,660)	(90,125)	(255)	4,181	93,070	17,901	507	2,018	807	14,060	4,499	597	60	340
EXTERNAL SM CAP DOM EQ POOL	321990921	(374,779)	(717,131)	(2,013)	32,033	738,226	139,681	4,013	16,212	6,487	113,013	36,235	4,795	483	2,745
Fixed Composite															
AY77 AK RET FXD INC POOL	001996933	(12)	(27)	-	(4)	31	6	-	1	-	4	1	-	-	-
AY1A US TREASURY FI POOL	959WQA902	(650,168)	(1,357,848)	(2,272)	(195,091)	1,538,204	308,866	8,250	31,636	12,638	219,820	70,274	9,402	980	5,309
INTERNATIONAL FIXED INC POOL	460994932	(164,067)	(423,241)	(874)	(11,238)	417,014	51,640	2,154	11,400	4,668	80,255	26,541	3,313	304	2,131
AK HIGH YIELD POOL	01199N9D2	(171,614)	(359,008)	(602)	(51,213)	406,229	81,331	2,178	8,376	3,347	58,207	18,614	2,489	259	1,407
EMERGING MARKETS DEBT POOL A	29099E910	(53,176)	(111,173)	(186)	(15,898)	125,846	25,221	675	2,593	1,036	18,015	5,761	771	80	435
Global Equity Ex-US															
INTERNATIONAL POOL	460181993	(1,068,659)	(2,057,140)	(5,460)	37,859	2,151,794	414,433	11,684	46,483	18,580	323,768	103,657	13,768	1,398	7,835
INTERNATIONAL EQUITY SM CAP	ACI006021	(95,296)	(183,256)	(486)	3,385	191,749	36,984	1,041	4,137	1,654	28,817	9,224	1,225	124	698
EMERGING MARKET EQUITY POOL	290990969	(223,604)	(431,307)	(1,144)	7,885	450,864	86,581	2,448	9,762	3,903	68,001	21,779	2,891	293	1,648
Private Equity															
ALASKA PRIVATE EQUITY POOL	011993995	(602,523)	(1,166,928)	(2,970)	-	1,233,351	239,755	6,690	26,401	10,548	183,806	58,806	7,825	798	4,441
Real Assets															
ALASKA REAL ESTATE POOL	011991916	(390,439)	(771,201)	(1,772)	-	793,652	118,737	4,753	22,038	8,780	155,114	49,626	6,438	572	3,702
REAL ESTATE POOL B	756072922	115,210	(118,817)	3,607	-	-	-	-	-	-	-	-	-	-	-
REIT POOL A	769488917	(75,085)	(146,309)	(371)	-	154,309	29,731	836	3,326	1,330	23,166	7,420	985	100	562
FARMLAND POOL A	311990988	(180,648)	(315,043)	(4,297)	-	339,321	47,259	2,085	9,950	3,959	70,164	22,433	2,899	250	1,668
FARMLAND WATER POOL	313548919	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TIMBER POOL A	886995943	(94,876)	(183,232)	(467)	-	193,850	37,839	1,052	4,136	1,652	28,793	9,207	1,226	125	695
ENERGY POOL A	293188918	(44,228)	(85,412)	(217)	-	90,362	17,639	490	1,928	770	13,422	4,292	571	59	324
AK TIPS POOL	46599K949	(76,336)	(146,930)	(375)	-	155,625	30,528	845	3,308	1,320	23,021	7,358	981	101	554
AYWK ALASKA MLP POOL	ACI02NNY3	(79,422)	(154,543)	(398)	-	163,125	31,438	883	3,509	1,404	24,434	7,832	1,040	106	592
Absolute Return															
ALASKA ABSOLUTE RETURN POOL	857993901	(219,676)	(424,252)	(1,081)	-	448,840	87,611	2,435	9,577	3,825	66,665	21,318	2,840	290	1,608
Short-term Fixed Income															
AY70 SHORT TERM POOL	8259909G1	6,116,874	12,328,792	30,322	48,295	(12,865,824)	(2,408,661)	(70,318)	(286,310)	(114,506)	(1,997,037)	(640,101)	(84,630)	(8,460)	(48,436)
Total		0	0	0	0	0	0	0	0	0	0	0	0	0	0

If you have any questions please call me: (907) 465-4399.

Sincerely,

Gary M. Bader

Gary M. Bader
Chief Investment Officer

cc: Gail Schubert, Chair ARMB
Angela Rodell, Deputy Commissioner
Bob Mitchell, Manager of Fixed Income Investments
Steve Sikes, Manager of Real Assets Investments
Emily Peyton, Assistant Investment Officer
Pam Leary, State Comptroller
Scott Jones, Assistant State Comptroller
James McKnight, Senior Investment Compliance Officer
Paul Hackenmueller, Assistant Investment Officer

GMB/jnw

The Carlyle Group **EIG Global Energy Partners** **The TCW Group**

News Release

For Immediate Release
January 16, 2013

TCW, EIG, Carlyle Reach Agreement, Clearing Way for Closing of Transaction

EIG Fully Supports Carlyle and Management Acquisition of TCW and Will Assist in Securing Investor Consents

Los Angeles, CA, and Washington, D.C. –The TCW Group (TCW), an international asset management firm, EIG Global Energy Partners ("EIG"), a leading institutional investor to the global energy sector, and global alternative asset manager The Carlyle Group (NASDAQ: CG) today jointly announced an agreement under which EIG is now supportive of the acquisition of TCW by investment funds affiliated with Carlyle and TCW management.

Under terms of the agreement, EIG is publicly supporting – and will assist TCW in securing investor consents for – the transaction. TCW will maintain its economic interest in existing EIG-managed funds, while EIG will assume full management responsibility for the Funds as general partner and investment manager. EIG will acquire TCW's economic interest in future EIG-managed Funds, completing the consensual spin-off from TCW that was announced in January 2011. The TCW-Carlyle transaction remains on track to close in the near future.

"We are very pleased to have reached this agreement to move forward together with EIG in support of the Carlyle transaction," said David Lippman, TCW President and CEO. "The agreement protects the interests of investors in the Energy Funds, allows TCW to maintain its economic interest in the existing Funds, and guarantees that EIG's investment team will continue to manage the Funds as it has in the past."

Said EIG Founder Blair Thomas, "We are supportive of TCW's acquisition by Carlyle and TCW management and will assist in its completion. With this agreement, the interests of our Fund investors are fully protected and the same professionals will continue to manage the Funds. This completes our consensual spin-off from TCW, begun two years ago, and we are excited to move forward as a fully independent company."

Carlyle Managing Director Olivier Sarkozy said, "This agreement is a win for everyone involved and we are pleased to move forward to closing. TCW is a great company and we look forward to partnering with management in TCW's new chapter as an independent asset manager."

* * * * *

About TCW
Founded in 1971, The TCW Group, Inc. develops and manages a broad range of innovative, value-added investment products that strive to enhance and protect clients' wealth. The firm has approximately $138 billion in assets under management, including $50 billion in mutual funds under the MetWest and TCW Fund families. TCW clients include many of the largest corporate and public pension plans, financial institutions, endowments and foundations in the U.S., as well as a substantial number of foreign investors and high net worth individuals. For more information, please refer to www.tcw.com.

About EIG
EIG is a leading institutional investor to the global energy sector with $10.3 billion under management as of September 30, 2012. EIG specializes in private investments in energy, resources and related infrastructure and was formerly the Energy & Infrastructure Group of Trust Company of the West. During its 30-year history, EIG has invested over $14 billion in the sector through more than 290 projects or companies in 33 countries on 6 continents. EIG's clients include many of the leading pension plans, insurance companies, endowments, foundations and sovereign wealth funds in the U.S., Asia and Europe. EIG is headquartered in Washington, DC, with offices in Houston, London, Sydney, Hong Kong, Seoul and Rio de Janeiro.

About The Carlyle Group
The Carlyle Group (NASDAQ: CG) is a global alternative asset manager with $157 billion of assets under management across 101 funds and 64 fund of fund vehicles as of September 30, 2012. Carlyle's purpose is to invest wisely and create value on behalf of our investors, many of whom are public pensions. Carlyle invests across four segments – Corporate Private Equity, Real Assets, Global Market Strategies and Fund of Funds Solutions – in Africa, Asia, Australia, Europe, the Middle East, North America and South America. Carlyle has expertise in various industries, including: aerospace, defense & government services, consumer & retail, energy, financial services, healthcare, industrial, technology & business services, telecommunications & media and transportation. The Carlyle Group employs 1,300 people in 32 offices across six continents. www.carlyle.com www.youtube.com/onecarlyle www.twitter.com/onecarlyle

* * * * *

Contacts:
TCW – Peter Viles
(213) 244-0509
Peter.viles@tcw.com

EIG – APCO Worldwide
Kamilia Butler-Peres
(202) 478-3588
kperes@apcoworldwide.com

Client Memo Regarding: F. Barry Nelson's Retirement

Date: January 23, 2013

It is with deep appreciation that we announce that F. Barry Nelson will retire effective February 1, 2013 after nearly 17 years with Advent Capital Management. In his long tenure, Barry has been instrumental in helping to grow the firm from approximately $50 million to over $6.2 billion in assets, with 62 employees and offices in New York, London, and San Francisco.

As you may know, we have been preparing for Barry's retirement for several years, and have taken steps to ensure that the transition will be smooth. Notably, Barry has over the past couple of years been acting increasingly in an advisory capacity on the Phoenix Strategy, which he has co-managed for 16 years with Tracy Maitland, together with Paul Latronica for 14. Because our Phoenix portfolio management team has worked together for so long, we are confident that following Barry's retirement, your portfolio will continue to be managed with the same professionalism and discipline that have characterized Phoenix since its creation by Tracy Maitland in 1996.

Barry will remain a partner in the Firm, and thus will still be an advocate and resource for all of us at Advent following his retirement. We are grateful for his hard work and dedication over the years, and we wish him happy travels with his wife Kathy in the future.

Our entire team, including Barry, is available to discuss this transition.

Thank you for your continued confidence in the Firm. Advent, with Barry's help, has built one of the largest and most experienced global platforms focused on this asset class. We believe that with this team firmly in place, Advent will continue to be able to deliver superior risk adjusted returns as we have always done in the past.

THE STATE of ALASKA
GOVERNOR SEAN PARNELL

Department of Reven
ALASKA RETIREMENT MANGEMENT BOA
333 Willoughby Avenue, 11th Fl
PO Box 110
Juneau, Alaska 99811-0
Main: 907.465.3
Fax: 907.465.2

January 25, 2013

Michael McElligott
State Street Corporation
Lafayette Corporate Center
2 Avenue de Lafayette
LCC 3S
Boston, MA 02111-2900

Dear Mr. McElligott:

The Alaska Retirement Management Board (ARMB) requests the following changes to be made on **Thursday, January 31, 2013**:

Short Term Pool (AY70)	< $100,000,000 >
US Intermediate Treasury Fund (AY1A)	< $250,000,000 >
BlackRock ACWI Ex-US IMI (AY6U)	$350,000,000

Subsequent to the above transfer, ARMB directs State Street to wire $350,000,000 from AY6U to BlackRock on **Friday, February 1, 2013** using the following wire instructions:

[redacted]

[redacted]

If you have any questions, please do not hesitate to contact me at (907) 465-4399.

Sincerely,

Gary M. Bader

Gary M. Bader
Chief Investment Officer

THE STATE of ALASKA
GOVERNOR SEAN PARNELL

Department of Revenue

ALASKA RETIREMENT MANAGEMENT BOARD

333 Willoughby Avenue, 11th Floor
PO Box 110405
Juneau, Alaska 99811-0405
Main: 907.465.3749
Fax: 907.465.2389

January 25, 2013

Mr. Michael McElligott
State Street Corporation
Lafayette Corporate Center
2 Avenue de Lafayette
LCC 3S
Boston, MA 02111-2900

Dear Mr. McElligott:

The Alaska Retirement Management Board (ARMB) requests the following changes to be made on Thursday, January 31, 2013. Please process the following cash transfer as early as possible on that day:

McKinley International (AY69)	< $25,000,000 >
State of Alaska Short Term Pool (AY70)	$25,000,000

If you have any questions, please do not hesitate to contact me at (907) 465-4399.

Sincerely,

Gary M. Bader
Chief Investment Officer

cc: Gail Schubert, ARMB Chair
Angela Rodell, Deputy Commissioner
Pam Leary, State Comptroller
Scott Jones, Assistant State Comptroller
James McKnight, Senior Investment Compliance Officer
Bob Mitchell, State Investment Officer
Steve Sikes, State Investment Officer

GMB/pjh

ALASKA RETIREMENT MANAGEMENT BOARD

FINANCIAL REPORT

As of December 31, 2012

ALASKA RETIREMENT MANAGEMENT BOARD
Schedule of Investment Income and Changes in Invested Assets by Fund
For the Six Months Ending December 31, 2012

	Beginning Invested Assets	Investment Income (1)	Net Contributions (Withdrawals)	Ending Invested Assets	% Change in Invested Assets	% Change due to Investment Income (2)
Public Employees' Retirement System (PERS)						
Defined Benefit Plans:						
Retirement Trust	$ 6,105,946,336	$ 348,399,721	$ (9,878,051)	$ 6,444,468,006	5.54%	5.71%
Retirement Health Care Trust	5,193,885,276	295,122,252	83,062,519	5,572,070,047	7.28%	5.64%
Total Defined Benefit Plans	11,299,831,612	643,521,973	73,184,468	12,016,538,053	6.34%	5.68%
Defined Contribution Plans:						
Participant Directed Retirement	236,965,621	17,464,653	30,805,337	285,235,611	20.37%	6.92%
Health Reimbursement Arrangement	74,424,033	4,335,860	10,698,120	89,458,013	20.20%	5.44%
Retiree Medical Plan	15,337,965	881,054	1,510,017	17,729,036	15.59%	5.47%
Defined Benefit Occupational Death and Disability:						
Public Employees	6,387,143	362,960	414,728	7,164,831	12.18%	5.50%
Police and Firefighters	2,499,287	145,025	319,169	2,963,481	18.57%	5.45%
Total Defined Contribution Plans	335,614,049	23,189,552	43,747,371	402,550,972	19.94%	6.49%
Total PERS	**11,635,445,661**	**666,711,525**	**116,931,839**	**12,419,089,025**	6.73%	5.70%
Teachers' Retirement System (TRS)						
Defined Benefit Plans:						
Retirement Trust	3,005,557,437	177,160,393	31,134,456	3,213,852,286	6.93%	5.86%
Retirement Health Care Trust	1,644,357,499	96,650,650	63,770,436	1,804,778,585	9.76%	5.77%
Total Defined Benefit Plans	4,649,914,936	273,811,043	94,904,892	5,018,630,871	7.93%	5.83%
Defined Contribution Plans:						
Participant Directed Retirement	107,836,445	7,762,643	8,452,588	124,051,676	15.04%	6.93%
Health Reimbursement Arrangement	24,431,777	1,395,998	2,444,392	28,272,167	15.72%	5.44%
Retiree Medical Plan	6,744,806	381,271	406,501	7,532,578	11.68%	5.49%
Defined Benefit Occupational Death and Disability	2,310,906	127,937	(23)	2,438,820	5.54%	5.54%
Total Defined Contribution Plans	141,323,934	9,667,849	11,303,458	162,295,241	14.84%	6.58%
Total TRS	**4,791,238,870**	**283,478,892**	**106,208,350**	**5,180,926,112**	8.13%	5.85%
Judicial Retirement System (JRS)						
Defined Benefit Plan Retirement Trust	107,053,406	6,147,647	679,913	113,880,966	6.38%	5.72%
Defined Benefit Retirement Health Care Trust	20,482,507	1,133,801	(254,612)	21,361,696	4.29%	5.57%
Total JRS	**127,535,913**	**7,281,448**	**425,301**	**135,242,662**	6.04%	5.70%
National Guard/Naval Militia Retirement System (MRS)						
Defined Benefit Plan Retirement Trust	32,700,652	1,553,057	(183,710)	34,069,999	4.19%	4.76%
Other Participant Directed Plans						
Supplemental Annuity Plan	2,656,000,434	118,653,603	4,370,192	2,779,024,229	4.63%	4.46%
Deferred Compensation Plan	614,417,787	27,801,620	1,543,343	643,762,750	4.78%	4.52%
Total All Funds	**19,857,339,317**	**1,105,480,145**	**229,295,315**	**21,192,114,777**		
Total Non-Participant Directed	16,242,119,030	933,797,626	184,123,855	17,360,040,511	6.88%	5.72%
Total Participant Directed	3,615,220,287	171,682,519	45,171,460	3,832,074,266	6.00%	4.72%
Total All Funds	**$ 19,857,339,317**	**$ 1,105,480,145**	**$ 229,295,315**	**$ 21,192,114,777**	**6.72%**	**5.54%**

Notes:
(1) Includes interest, dividends, securities lending, expenses, realized and unrealized gains/losses
(2) Income divided by beginning assets plus half of net contributions/(withdrawals). Actual returns are calculated by Callan and Associates and can be found at: http://www.revenue.state.ak.us/treasury/programs/programs/other/armb/investmentresults.aspx

ALASKA RETIREMENT MANAGEMENT BOARD
Schedule of Investment Income and Changes in Invested Assets by Fund
For the Month Ended December 31, 2012

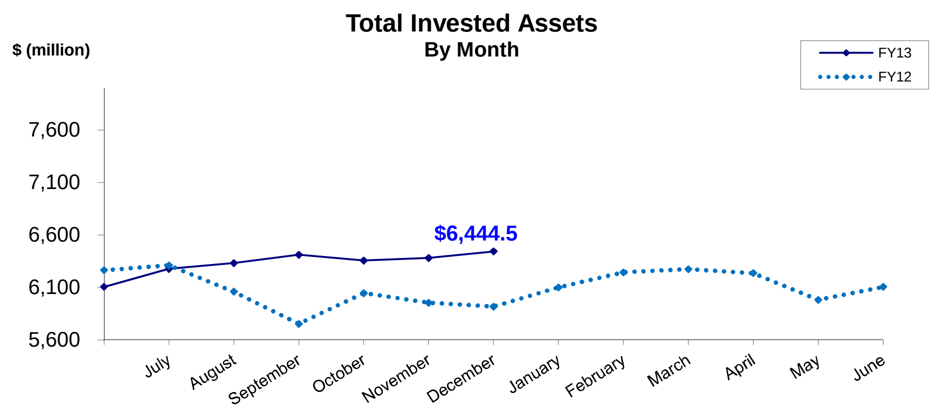
	Beginning Invested Assets	Investment Income (1)	Net Contributions (Withdrawals)	Ending Invested Assets	% Change in Invested Assets	% Change due to Investment Income (2)
Public Employees' Retirement System (PERS)						
Defined Benefit Plans:						
Retirement Trust	$ 6,382,269,041	$ 89,022,495	$ (26,823,530)	$ 6,444,468,006	0.97%	1.40%
Retirement Health Care Trust	5,504,521,339	76,716,091	(9,167,383)	5,572,070,047	1.23%	1.39%
Total Defined Benefit Plans	11,886,790,380	165,738,586	(35,990,913)	12,016,538,053	1.09%	1.40%
Defined Contribution Plans:						
Participant Directed Retirement	273,767,915	5,719,438	5,748,258	285,235,611	4.19%	2.07%
Health Reimbursement Arrangement	86,201,207	1,182,963	2,073,843	89,458,013	3.78%	1.36%
Retiree Medical Plan	17,218,977	237,452	272,607	17,729,036	2.96%	1.37%
Defined Benefit Occupational Death and Disability:						
Public Employees	6,996,408	96,818	71,605	7,164,831	2.41%	1.38%
Police and Firefighters	2,868,949	39,435	55,097	2,963,481	3.30%	1.36%
Total Defined Contribution Plans	387,053,456	7,276,106	8,221,410	402,550,972	4.00%	1.86%
Total PERS	**12,273,843,836**	**173,014,692**	**(27,769,503)**	**12,419,089,025**	1.18%	1.41%
Teachers' Retirement System (TRS)						
Defined Benefit Plans:						
Retirement Trust	3,192,169,041	44,626,622	(22,943,377)	3,213,852,286	0.68%	1.40%
Retirement Health Care Trust	1,786,079,325	24,900,175	(6,200,915)	1,804,778,585	1.05%	1.40%
Total Defined Benefit Plans	4,978,248,366	69,526,797	(29,144,292)	5,018,630,871	0.81%	1.40%
Defined Contribution Plans:						
Participant Directed Retirement	118,376,376	2,434,561	3,240,739	124,051,676	4.79%	2.03%
Health Reimbursement Arrangement	27,156,596	371,740	743,831	28,272,167	4.11%	1.35%
Retiree Medical Plan	7,312,421	100,777	119,380	7,532,578	3.01%	1.37%
Defined Benefit Occupational Death and Disability	2,405,334	33,486	-	2,438,820	1.39%	1.39%
Total Defined Contribution Plans	155,250,727	2,940,564	4,103,950	162,295,241	4.54%	1.87%
Total TRS	**5,133,499,093**	**72,467,361**	**(25,040,342)**	**5,180,926,112**	0.92%	1.42%
Judicial Retirement System (JRS)						
Defined Benefit Plan Retirement Trust	112,976,475	1,573,022	(668,531)	113,880,966	0.80%	1.40%
Defined Benefit Retirement Health Care Trust	21,123,769	293,981	(56,054)	21,361,696	1.13%	1.39%
Total JRS	**134,100,244**	**1,867,003**	**(724,585)**	**135,242,662**	0.85%	1.40%
National Guard/Naval Militia Retirement System (MRS)						
Defined Benefit Plan Retirement Trust	33,817,947	359,763	(107,711)	34,069,999	0.75%	1.07%
Other Participant Directed Plans						
Supplemental Annuity Plan	2,755,549,284	24,016,896	(541,951)	2,779,024,229	0.85%	0.87%
Deferred Compensation Plan	635,711,420	7,237,536	813,794	643,762,750	1.27%	1.14%
Total All Funds	**20,966,521,823**	**278,963,251**	**(53,370,298)**	**21,192,114,777**		
Total Non-Participant Directed	17,183,116,829	239,554,820	(62,631,138)	17,360,040,511	1.03%	1.40%
Total Participant Directed	3,783,404,994	39,408,431	9,260,840	3,832,074,266	1.29%	1.04%
Total All Funds	**$ 20,966,521,823**	**$ 278,963,251**	**$ (53,370,298)**	**$ 21,192,114,777**	**1.08%**	**1.33%**

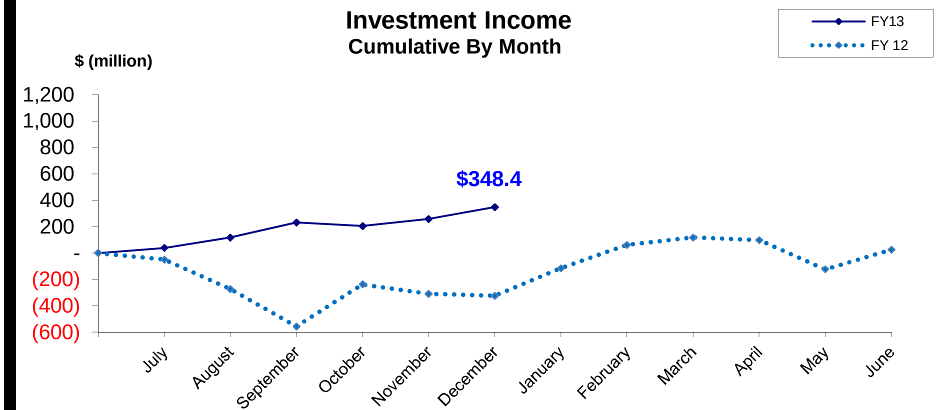
Notes:

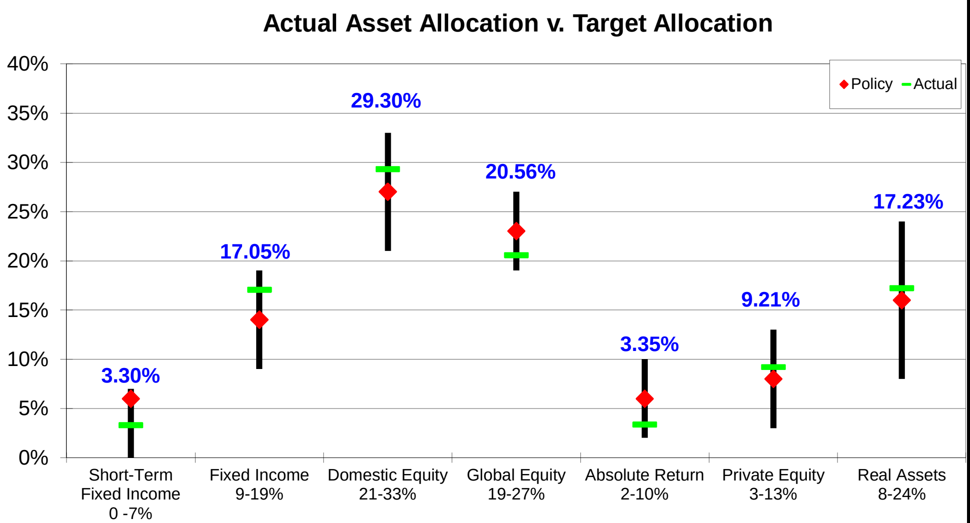
(1) Includes interest, dividends, securities lending, expenses, realized and unrealized gains/losses

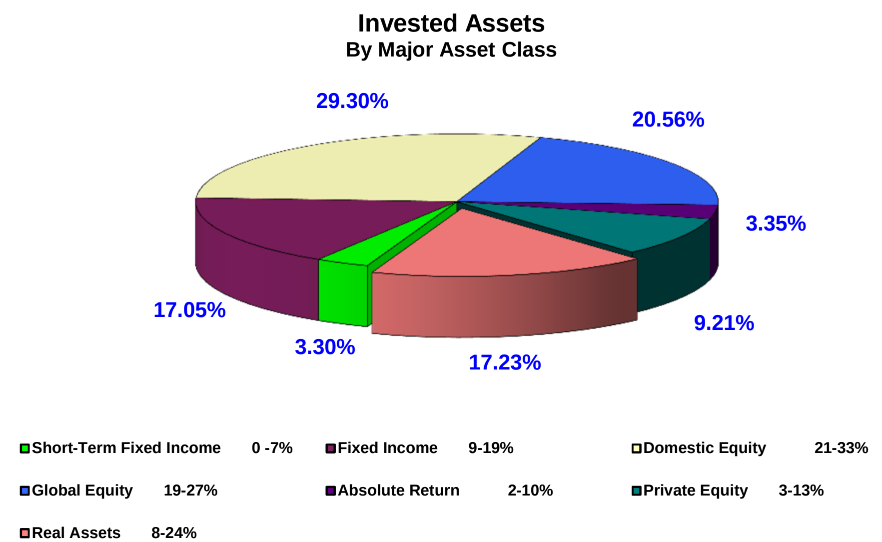
(2) Income divided by beginning assets plus half of net contributions/(withdrawals). Actual returns are calculated by Callan and Associates and can be found at: http://www.revenue.state.ak.us/treasury/programs/programs/other/armb/investmentresults.aspx

PUBLIC EMPLOYEES' RETIREMENT TRUST FUND
As of December 31, 2012

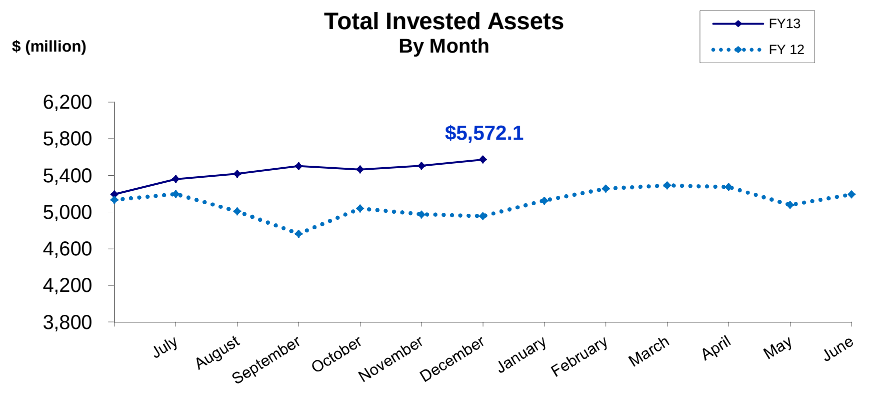


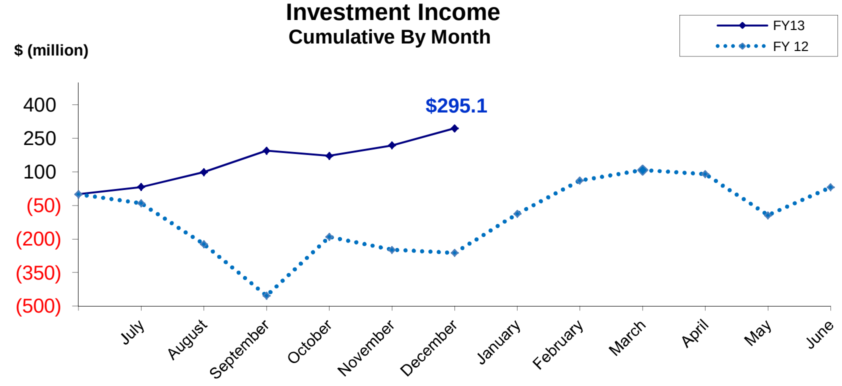


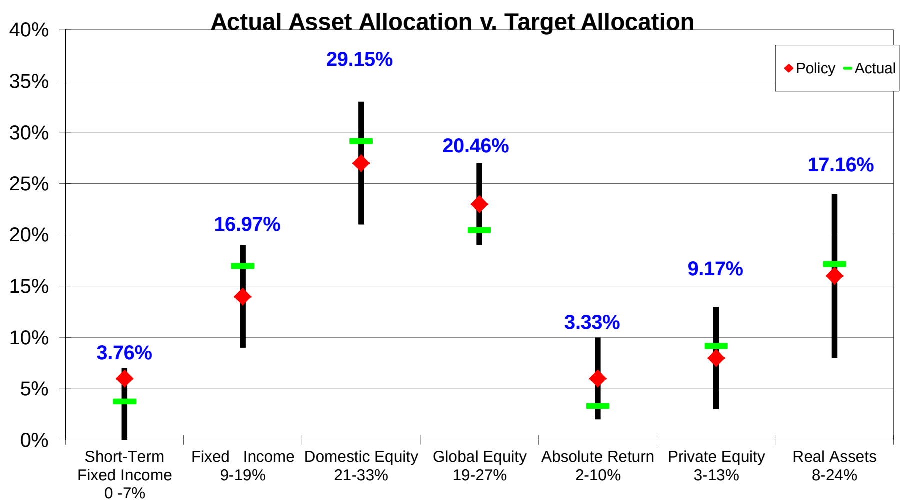


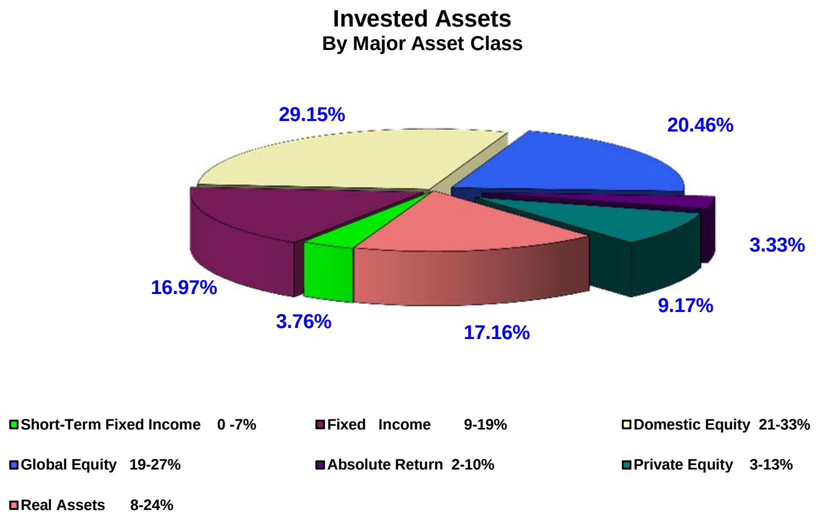


PUBLIC EMPLOYEES' RETIREE HEALTH CARE TRUST FUND
As of December 31, 2012

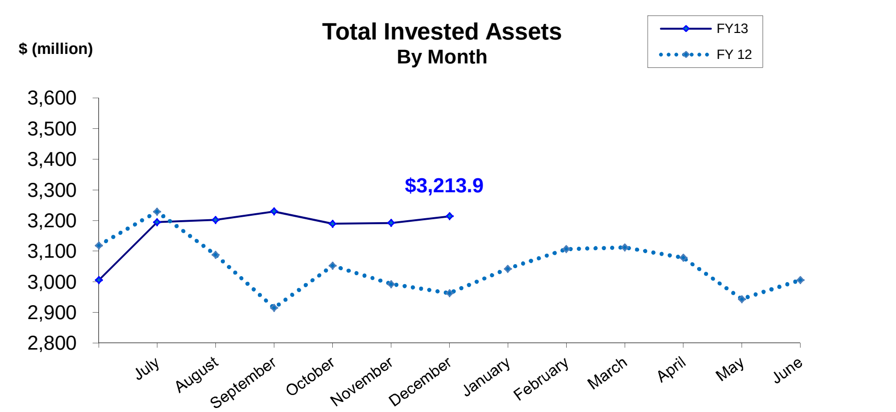


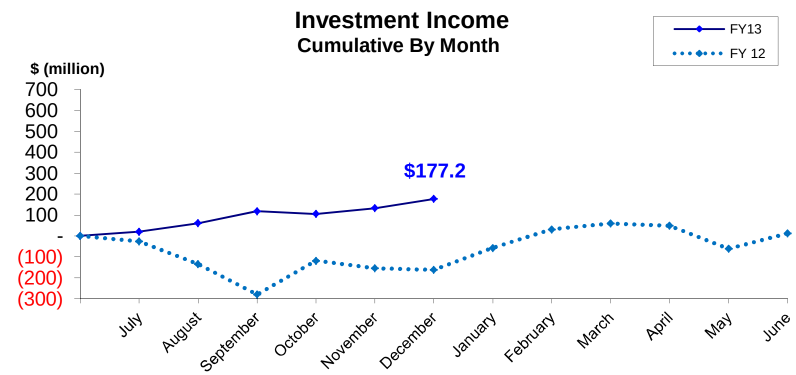


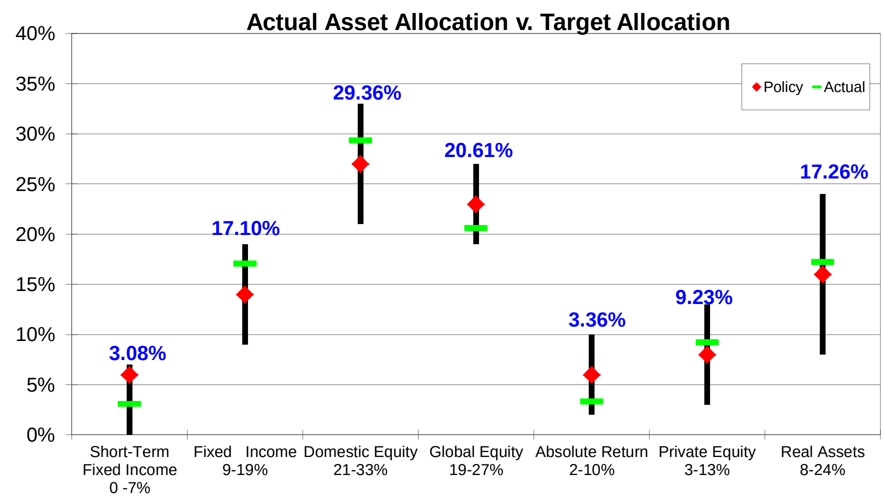


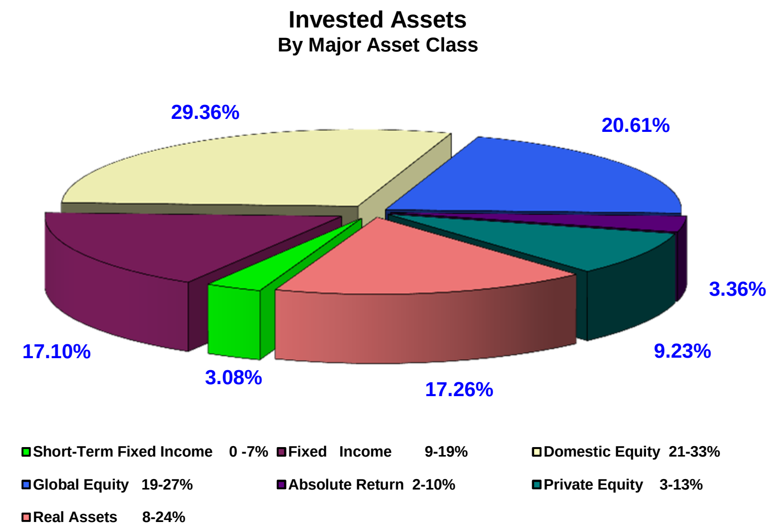


TEACHERS' RETIREMENT TRUST FUND
As of December 31, 2012

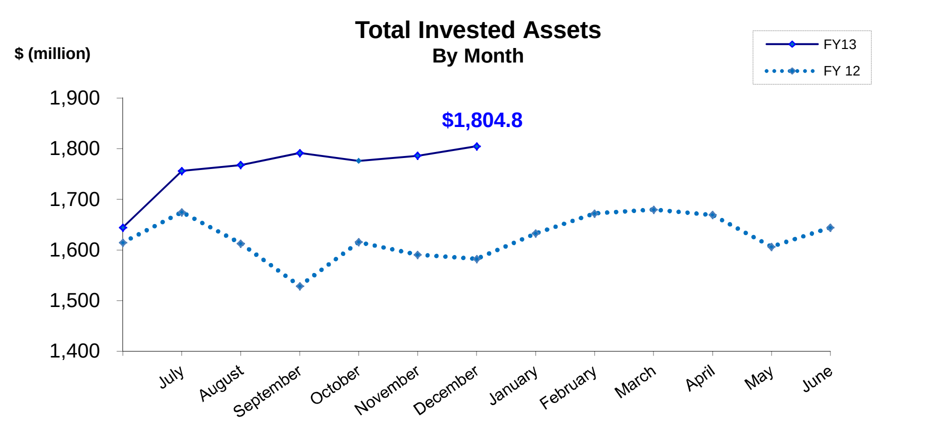


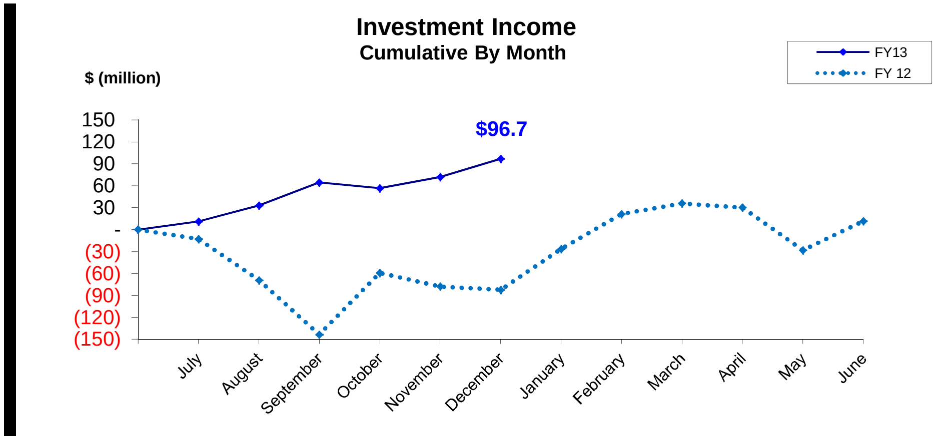


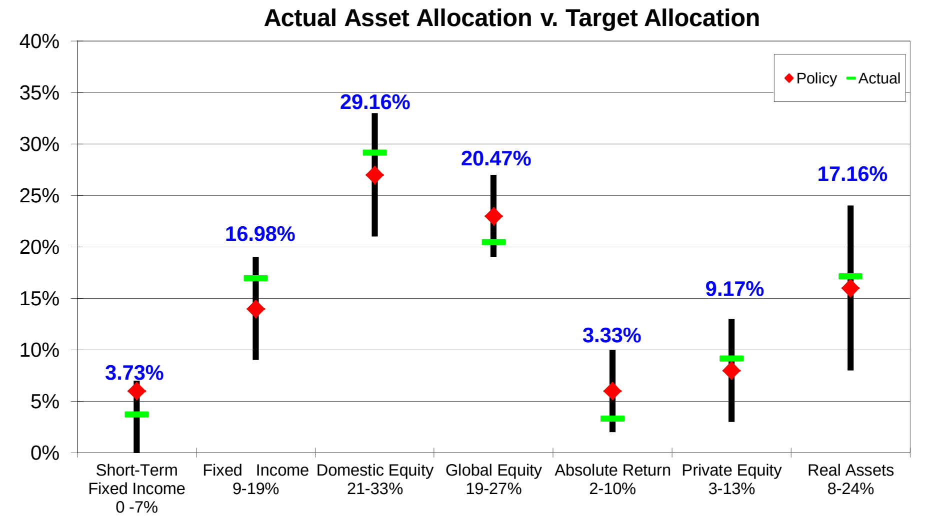


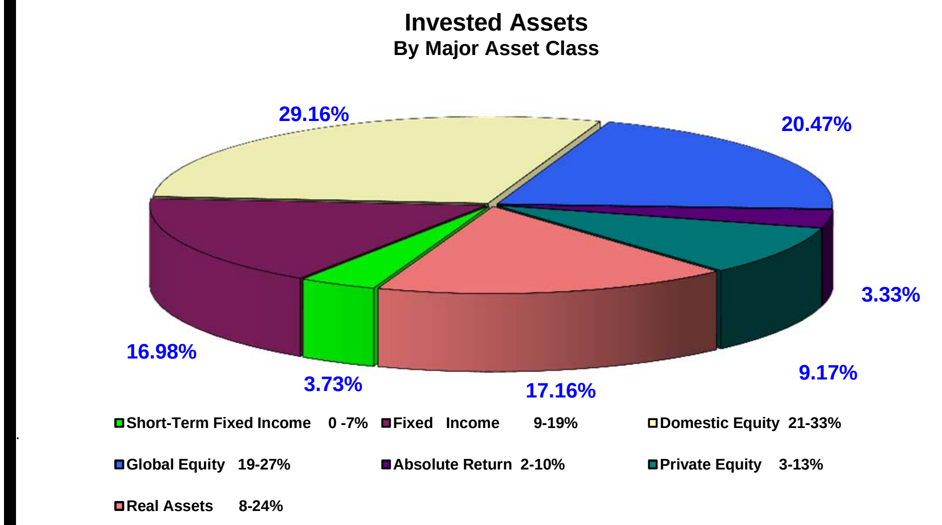


TEACHERS' RETIREE HEALTH CARE TRUST FUND
As of December 31, 2012

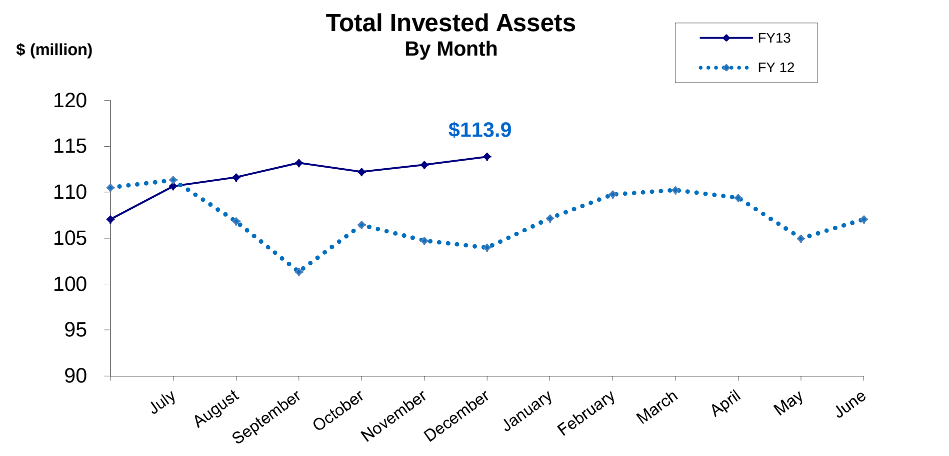


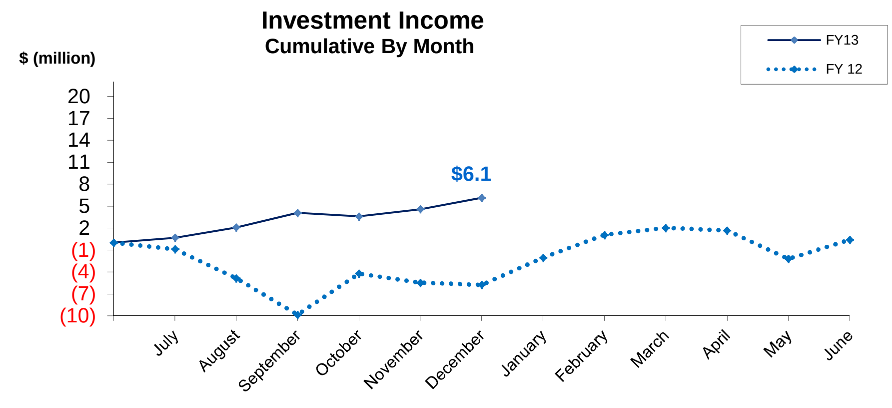


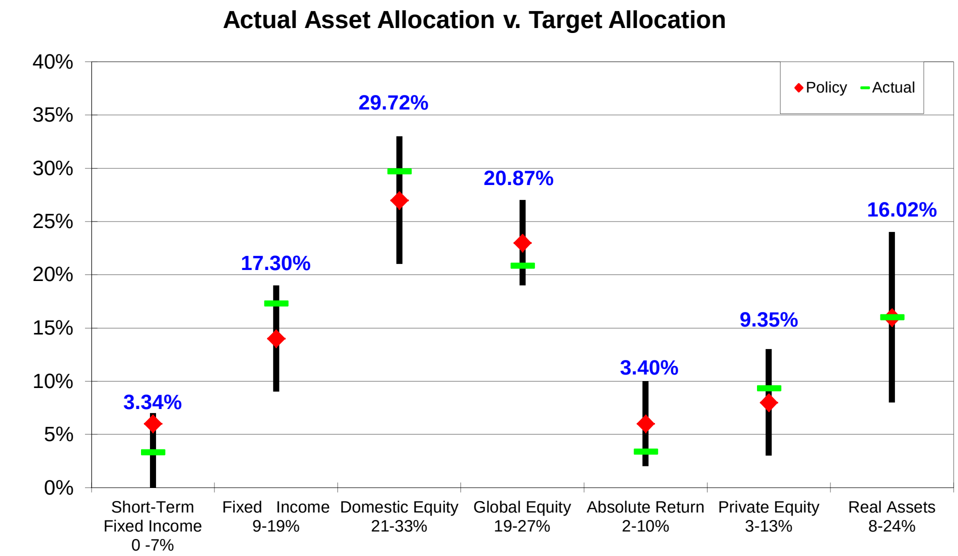


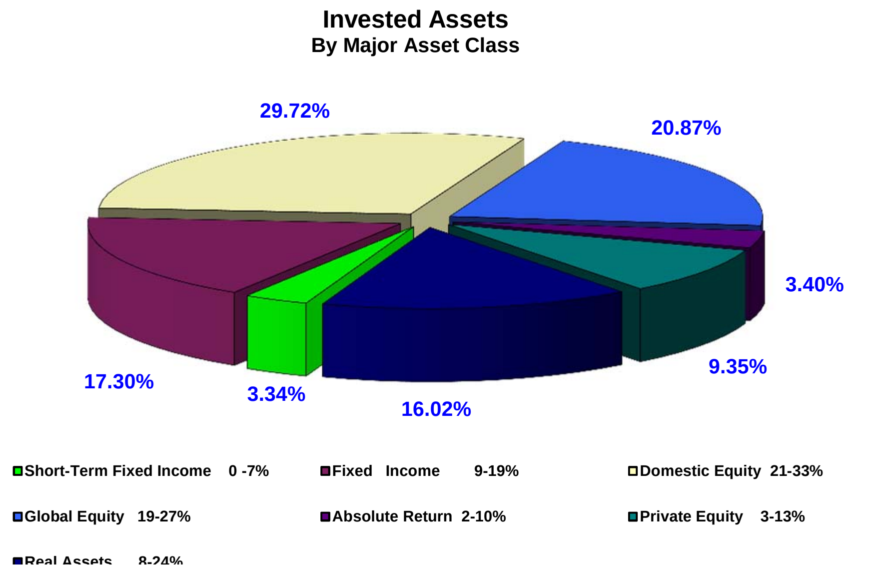


JUDICIAL RETIREMENT TRUST FUND
As of December 31, 2012

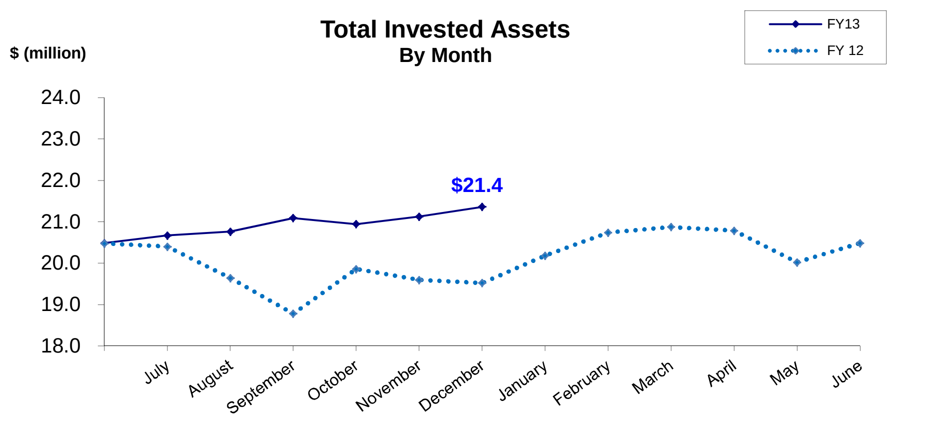


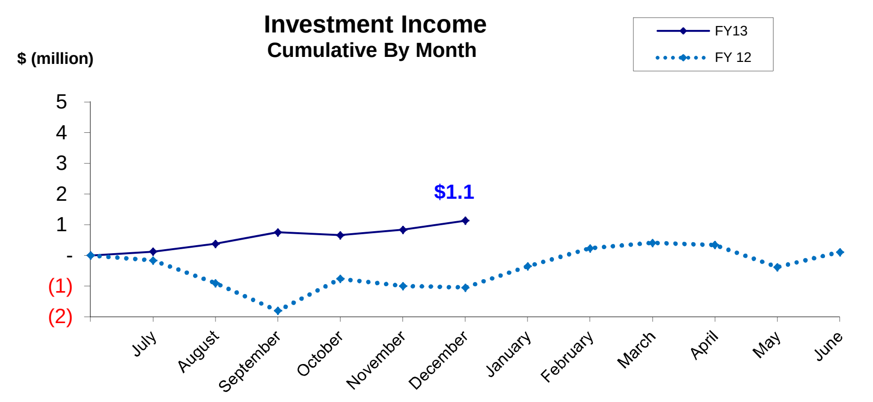


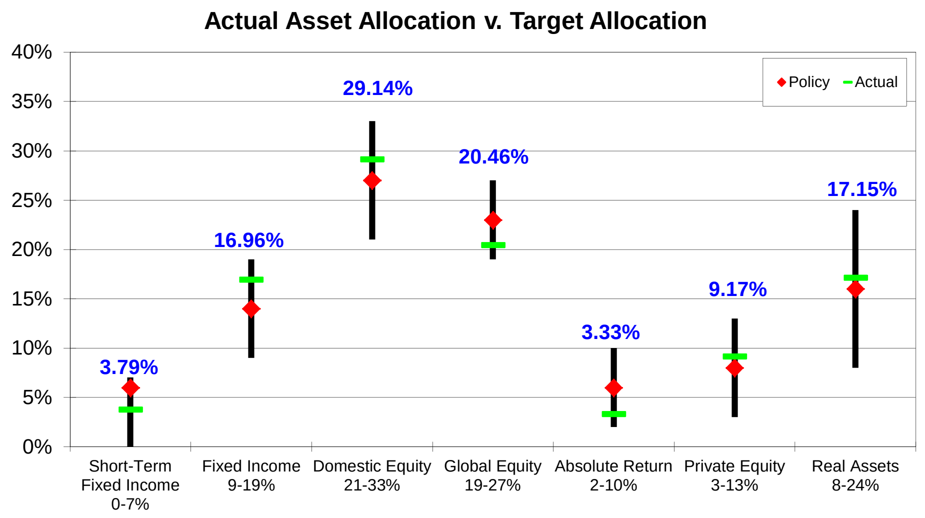


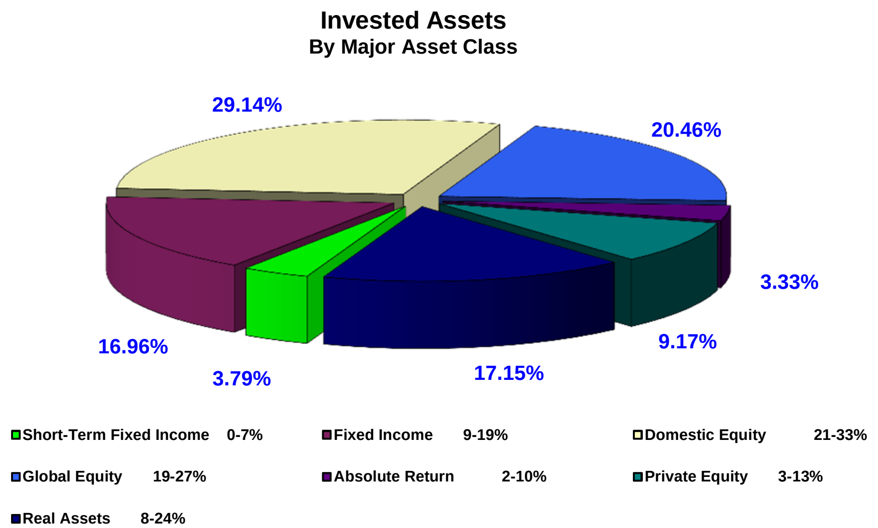


JUDICIAL RETIREE HEALTH CARE TRUST FUND
As of December 31, 2012

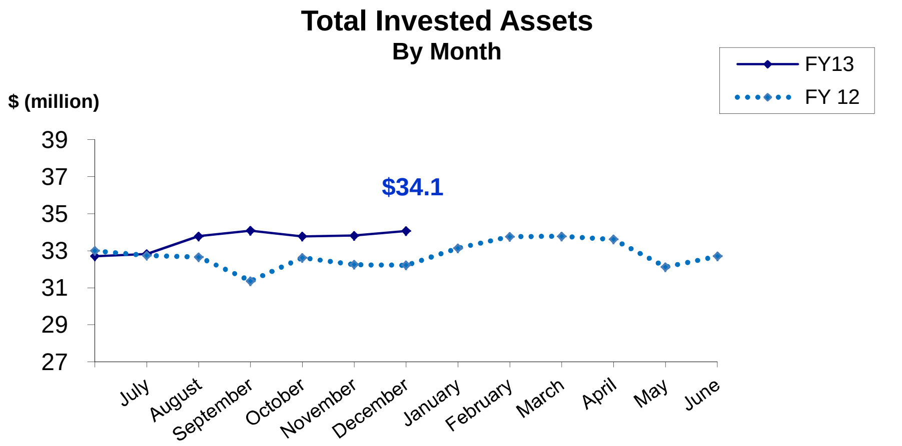


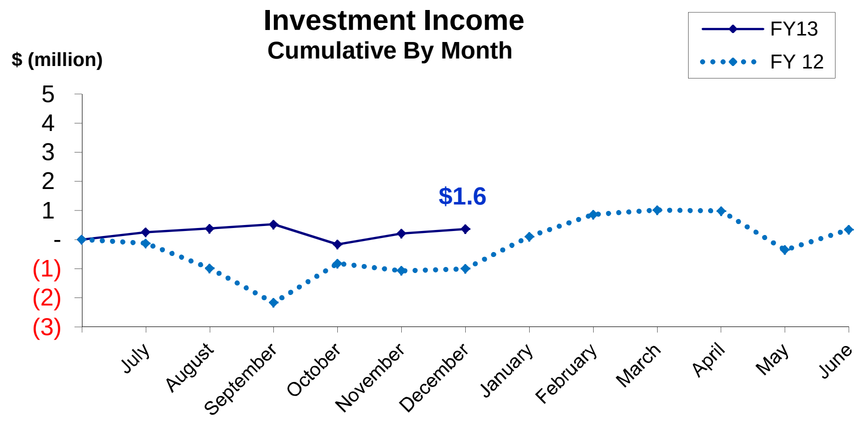


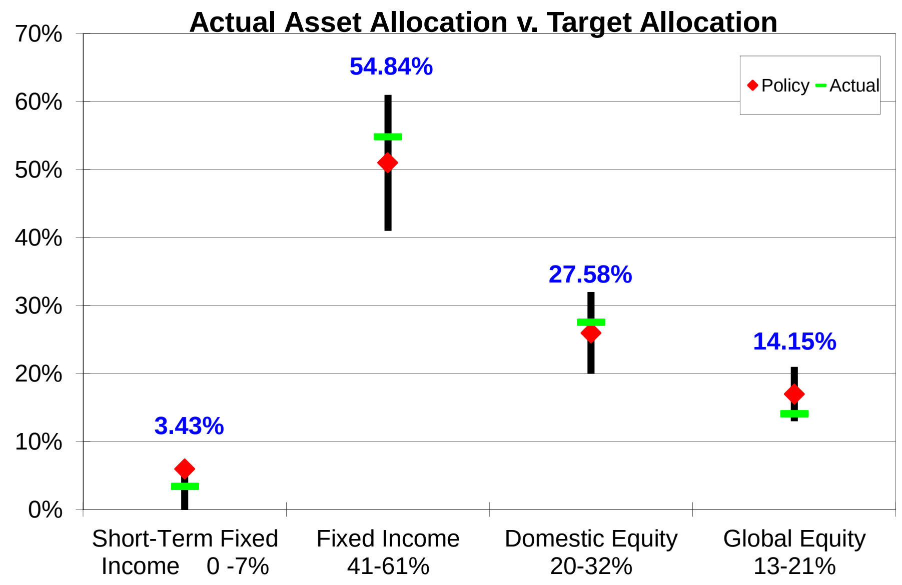


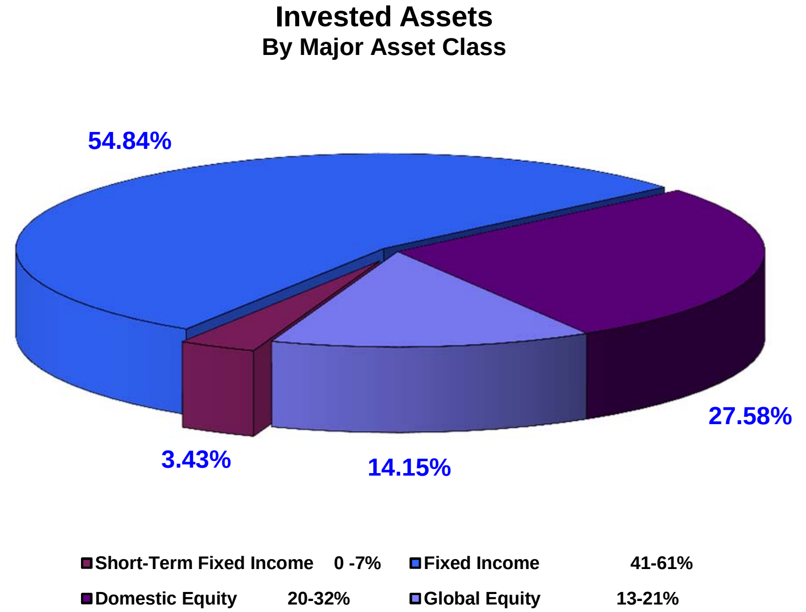


MILITARY RETIREMENT TRUST FUND
As of December 31, 2012









ALASKA RETIREMENT MANAGEMENT BOARD
Reporting of Funds by Manager

All Non-Participant Directed Plans

Alaska Retirement Management Board
All Non-Participant Directed Plans by Manager
Schedule of Investment Income and Changes in Invested Assets
For the Month Ended December 31, 2012

AY		Beginning Invested Assets	Total Investment Income	Net Contributions (Withdrawals) & Transfers In (Out)	Ending Invested Assets	% increase (decrease)
	Cash					
70	**Short-Term Fixed Income Pool**	**$ 624,411,164**	**$ 111,821**	**$ (22,228,386)**	**$ 602,294,599**	**-3.54%**
	Total Cash	**624,411,164**	**111,821**	**(22,228,386)**	**602,294,599**	**-3.54%**
	Fixed Income					
1A	**US Treasury Fixed Income**	**1,915,346,400**	**(3,074,061)**	**-**	**1,912,272,339**	**-0.16%**
77	**Internal Fixed Income Investment Pool**	**9,452,889**	**(29,824)**	**-**	**9,423,065**	**-0.32%**
	International Fixed Income Pool					
63	Mondrian Investment Partners	**387,932,776**	**164,961**	**-**	**388,097,737**	**0.04%**
	High Yield Pool					
9P	MacKay Shields, LLC	**495,657,398**	**6,254,286**	**-**	**501,911,684**	**1.26%**
	Total High Yield	**495,657,398**	**6,254,286**	**-**	**501,911,684**	**1.26%**
	Emerging Debt Pool					
5M	Lazard Emerging Income	**154,333,012**	**1,955,500**	**-**	**156,288,512**	**1.27%**
	Total Fixed Income	**2,962,722,475**	**5,270,862**	**-**	**2,967,993,337**	**0.18%**
	(cont.)					

Alaska Retirement Management Board
All Non-Participant Directed Plans by Manager
Schedule of Investment Income and Changes in Invested Assets
For the Month Ended December 31, 2012

		Beginning Invested Assets	Total Investment Income	Net Contributions (Withdrawals) & Transfers In (Out)	Ending Invested Assets	% increase (decrease)
	Domestic Equities					
	Small Cap Pool					
	Passively Managed					
4N	SSgA Russell 2000 Growth	**11,733,202**	**346,087**	**-**	**12,079,289**	**2.95%**
4P	SSgA Russell 2000 Value	**12,699,225**	**514,975**	**-**	**13,214,200**	**4.06%**
	Total Passive	**24,432,427**	**861,062**	**-**	**25,293,489**	**3.52%**
	Actively Managed					
43	Transition Account	-	-	-	-	
4E	DePrince, Race & Zollo Inc.- Micro Cap	**72,942,892**	**5,020,330**	**-**	**77,963,222**	**6.88%**
4F	Luther King Capital Management	**132,198,151**	**3,389,125**	**-**	**135,587,276**	**2.56%**
4G	Jennison Associates, LLC	**133,292,063**	**3,476,984**	**-**	**136,769,047**	**2.61%**
5G	Frontier Capital Mgmt Co.	**123,419,356**	**4,284,318**	**-**	**127,703,674**	**3.47%**
5H	Victory Capital Management	**74,564,734**	**2,948,241**	**-**	**77,512,975**	**3.95%**
6A	SSgA Futures Small Cap	**6,813,969**	**351,263**	**-**	**7,165,232**	**5.16%**
4H	Lord Abbett & Co.	**135,388,926**	**6,685,138**	**-**	**142,074,064**	**4.94%**
4Q	Barrow, Haney, Mewhinney & Strauss	**122,340,857**	**5,134,873**	**-**	**127,475,730**	**4.20%**
4Z	Lord Abbett & Co.- Micro Cap	**69,874,673**	**350,243**	**-**	**70,224,916**	**0.50%**
	Total Active	**870,835,621**	**31,640,515**	**-**	**902,476,136**	**3.63%**
	Total Small Cap	**895,268,048**	**32,501,577**	**-**	**927,769,625**	**3.63%**
	Large Cap Pool					
	Passively Managed					
4L	SSgA Russell 1000 Growth	**803,843,655**	**(70,301)**	**-**	**803,773,354**	**-0.01%**
4M	SSgA Russell 1000 Value	**1,005,280,609**	**20,664,809**	**-**	**1,025,945,418**	**2.06%**
4R	SSgA Russell 200	**414,073,350**	**2,251,211**	**-**	**416,324,561**	**0.54%**
	Total Passive	**2,223,197,614**	**22,845,719**	**-**	**2,246,043,333**	**1.03%**
	Actively Managed					
47	Lazard Freres	**317,757,025**	**4,720,930**	**-**	**322,477,955**	**1.49%**
48	McKinley Capital Mgmt.	**340,776,376**	**2,511,331**	**-**	**343,287,707**	**0.74%**
4U	Barrow, Haney, Mewhinney & Strauss	**155,700,646**	**2,299,955**	**-**	**158,000,601**	**1.48%**
4V	Quantitative Management Assoc.	**150,188,088**	**3,189,936**	**-**	**153,378,024**	**2.12%**
4W/4X	Analytic Buy Write Account	**113,080,625**	**1,249,477**	**-**	**114,330,102**	**1.10%**
4Y	RCM Buy Write Account	**77,770,367**	**1,155,422**	**-**	**78,925,789**	**1.49%**
38	RCM	**362,221,250**	**1,869,081**	**-**	**364,090,331**	**0.52%**
6B	SSgA Futures large cap	**9,470,796**	**82,808**	**-**	**9,553,604**	**0.87%**
4J	Relational Investors, LLC	**250,859,655**	**4,280,940**	**(17,589,666)**	**237,550,929**	**-5.31%**
	Total Active	**1,777,824,828**	**21,359,880**	**(17,589,666)**	**1,781,595,042**	**0.21%**
	Total Large Cap	**4,001,022,442**	**44,205,599**	**(17,589,666)**	**4,027,638,375**	**0.67%**

(cont.)

Alaska Retirement Management Board
All Non-Participant Directed Plans by Manager
Schedule of Investment Income and Changes in Invested Assets
For the Month Ended December 31, 2012

		Beginning Invested Assets	Total Investment Income	Net Contributions (Withdrawals) & Transfers In (Out)	Ending Invested Assets	% increase (decrease)
	Convertible Bond Pool					
52	Advent Capital	**118,820,210**	**1,237,045**	**-**	**120,057,255**	**1.04%**
	Total Convertible Bond Pool	**118,820,210**	**1,237,045**	**-**	**120,057,255**	**1.04%**
	Total Domestic Equity	**5,015,110,700**	**77,944,221**	**(17,589,666)**	**5,075,465,255**	**1.20%**
	Global Equities Ex US					
	Small Cap Pool					
5B	Mondrian Investment Partners	**125,401,023**	**3,880,080**	**-**	**129,281,103**	**3.09%**
5D	Schroder Investment Management	**112,373,553**	**3,571,094**	**-**	**115,944,647**	**3.18%**
	Total Small Cap	**237,774,576**	**7,451,174**	**-**	**245,225,750**	**3.13%**
	Large Cap Pool					
65	Brandes Investment Partners	**770,808,124**	**29,778,332**	**-**	**800,586,456**	**3.86%**
58	Lazard Freres	**397,903,030**	**16,400,760**	**-**	**414,303,790**	**4.12%**
67	Cap Guardian Trust Co	**634,752,015**	**15,303,008**	**-**	**650,055,023**	**2.41%**
68	State Street Global Advisors	**528,570,854**	**18,836,581**	**-**	**547,407,435**	**3.56%**
69	McKinley Capital Management	**323,222,543**	**7,431,163**	**-**	**330,653,706**	**2.30%**
	Total Large Cap	**2,655,256,566**	**87,749,844**	**-**	**2,743,006,410**	**3.30%**
	Emerging Markets Equity Pool A [(1)]					
6P	Lazard Asset Management	**331,531,367**	**23,795,441**	**-**	**355,326,808**	**7.18%**
6Q	Eaton Vance	**206,938,439**	**10,943,707**	**-**	**217,882,146**	**5.29%**
	Total Emerging Markets Pool A	**538,469,806**	**34,739,148**	**-**	**573,208,954**	**6.45%**
	Total Global Equities	**3,431,500,948**	**129,940,166**	**-**	**3,561,441,114**	**3.79%**
	Private Equity Pool					
7Z	Merit Capital Partners	**11,030,145**	**-**	**-**	**11,030,145**	**0.00%**
98	Pathway Capital Management LLC	**748,280,088**	**2,553,194**	**(10,209,962)**	**740,623,320**	**-1.02%**
85	Abbott Capital	**731,736,921**	**554,404**	**(9,651,538)**	**722,639,787**	**-1.24%**
8A	Blum Capital Partners-Strategic	**10,937,319**	**-**	**-**	**10,937,319**	**0.00%**
8P	Lexington Partners	**40,977,710**	**1,831,438**	**(1,229,687)**	**41,579,461**	**1.47%**
8Q	Onex Partnership III	**13,627,347**	**(13)**	**3,478,010**	**17,105,344**	**25.52%**
8W	Warburg Pincus X	**31,121,089**	**224,302**	**(2,084,070)**	**29,261,321**	**-5.98%**
8X	Angelo, Gordon & Co.	**21,344,436**	**0**	**(1,007,510)**	**20,336,926**	**-4.72%**
	Total Private Equity	**1,609,055,055**	**5,163,325**	**(20,704,757)**	**1,593,513,623**	**-0.97%**

(cont.)

Alaska Retirement Management Board
All Non-Participant Directed Plans by Manager
Schedule of Investment Income and Changes in Invested Assets
For the Month Ended December 31, 2012

		Beginning Invested Assets	Total Investment Income	Net Contributions (Withdrawals) & Transfers In (Out)	Ending Invested Assets	% increase (decrease)
	Absolute Return Pool (2)					
8M	Global Asset Management (USA) Inc.	**148,664,975**	**920,769**	**-**	**149,585,744**	**0.62%**
8N	Prisma Capital Partners	**150,527,910**	**1,195,315**	**-**	**151,723,225**	**0.79%**
9D	Mariner Investment Group, Inc.	**23,412,656**	**1,202**	**(2,500,000)**	**20,913,858**	**-10.67%**
9F	Crestline Investors, Inc.	**256,975,397**	**(139,741)**	**-**	**256,835,656**	**-0.05%**
	Total Absolute Return Investments	**579,580,938**	**1,977,545**	**(2,500,000)**	**579,058,483**	**-0.09%**
	Real Assets					
	Farmland Pool A					
9B	UBS Agrivest, LLC	**373,660,455**	**-**	**(749,164)**	**372,911,291**	**-0.20%**
9G	Hancock Agricultural Investment Group	**238,370,345**	**-**	**(4,000,000)**	**234,370,345**	**-1.68%**
	Total Farmland Pool A	**612,030,800**	**-**	**(4,749,164)**	**607,281,636**	**-0.78%**
	Farmland Water Pool					
8Y	Hancock Water PPTY	**9,000,401**	**-**	**-**	**9,000,401**	**0.00%**
8Z	UBS Argivest, LLC	**20,454,497**	**3**	**(700,000)**	**19,754,500**	**-3.42%**
	Total Farmland Water Pool	**29,454,898**	**3**	**(700,000)**	**28,754,901**	**-2.38%**
	Timber Pool A					
9Q	Timberland INVT Resource LLC	**147,643,039**	**1,742,909**	**20,675,000**	**170,060,948**	**15.18%**
9S	Hancock Natural Resourse Group	**80,158,598**	**(128,333)**	**-**	**80,030,265**	**-0.16%**
	Total Timber Pool A	**227,801,637**	**1,614,576**	**20,675,000**	**250,091,213**	**9.78%**
	Energy Pool A					
5A	EIG Energy Fund XV	**31,373,866**	**22,590**	**-**	**31,396,456**	**0.07%**
9A	EIG Energy Fund XD	**8,943,551**	**(12,642)**	**-**	**8,930,909**	**-0.14%**
9Z	EIG Energy Fund XIV-A	**76,347,762**	**(96,127)**	**-**	**76,251,635**	**-0.13%**
	Total Energy Pool A	**116,665,179**	**(86,179)**	**-**	**116,579,000**	**-0.07%**
	REIT Pool					
9H	REIT Holdings	**186,984,090**	**6,722,317**	**-**	**193,706,407**	**3.60%**
	Treasury Inflation Proof Securities					
6N	TIPS Internally Managed Account	**203,877,477**	**(1,405,108)**	**-**	**202,472,369**	**-0.69%**
	Master Limited Partnerships					
1P	FAMCO	**99,072,218**	**(1,686,234)**	**-**	**97,385,984**	**100.00%**
1Q	Tortoise Capital Advisors	**102,236,948**	**(2,691,207)**	**-**	**99,545,741**	**100.00%**
	Total Master Limited Partnerships	**201,309,166**	**(4,377,441)**	**-**	**196,931,725**	

(cont.)

Alaska Retirement Management Board
All Non-Participant Directed Plans by Manager
Schedule of Investment Income and Changes in Invested Assets
For the Month Ended December 31, 2012

		Beginning Invested Assets	Total Investment Income	Net Contributions (Withdrawals) & Transfers In (Out)	Ending Invested Assets	% increase (decrease)
	Real Estate					
	Core Commingled Accounts					
7A	JP Morgan	**181,348,262**	**1,847,061**	**-**	**183,195,323**	**1.02%**
7B	UBS Trumbull Property Fund	**77,483,107**	**-**	**-**	**77,483,107**	**0.00%**
	Total Core Commingled	**258,831,369**	**1,847,061**	**-**	**260,678,430**	**0.71%**
	Core Separate Accounts					
7D	Cornerstone Real Estate Advisers Inc.	**92,523,557**	**2,370,953**	**(339,606)**	**94,554,904**	**2.20%**
7E	LaSalle Investment Management	**207,362,735**	**2,945,534**	**(535,018)**	**209,773,251**	**1.16%**
7F	Sentinel Separate Account	**179,132,539**	**4,160,583**	**(577,669)**	**182,715,453**	**2.00%**
7G	UBS Realty	**259,828,778**	**4,457,593**	**(734,623)**	**263,551,748**	**1.43%**
	Total Core Separate	**738,847,609**	**13,934,663**	**(2,186,916)**	**750,595,356**	**1.59%**
	Non-Core Commingled Accounts					
7H	Coventry	**17,822,253**	**(376,528)**	**-**	**17,445,725**	**-2.11%**
7J	Lowe Hospitality Partners	**5,551,355**	**1,143,150**	**-**	**6,694,505**	**20.59%**
7N	ING Clarion Development Ventures II	**7,883,128**	**(73,690)**	**(2,125,000)**	**5,684,438**	**-27.89%**
7P	Silverpeak Legacy Pension Partners II, L.P. [3]	**73,230,608**	**(2,418,145)**	**(4,623,847)**	**66,188,616**	**-9.62%**
7Q	Almanac Realty Securities IV [5]	**38,595,299**	**1,462,717**	**-**	**40,058,016**	**3.79%**
7R	Tishman Speyer Real Estate Venture VI	**67,010,161**	**(340,095)**	**-**	**66,670,066**	**-0.51%**
7X	Tishman Speyer Real Estate Venture VII	**18,915,417**	**453,403**	**-**	**19,368,820**	**2.40%**
7S	Almanac Realty Securities V [6]	**23,015,133**	**393,768**	**2,566,715**	**25,975,616**	**12.86%**
7V	ING Clarion Development Ventures III	**21,579,913**	**113,877**	**-**	**21,693,790**	**0.53%**
7W	Silverpeak Legacy Pension Partners III, L.P. [4]	**9,311,533**	**(127,220)**	**-**	**9,184,313**	**-1.37%**
8R	BlackRock Diamond Property Fund	**25,543,416**	**-**	**-**	**25,543,416**	**0.00%**
8S	Colony Investors VIII, L.P.	**23,185,786**	**(379,970)**	**(1,581,784)**	**21,224,032**	**-8.46%**
8U	LaSalle Medical Office Fund II	**21,848,613**	**450,020**	**-**	**22,298,633**	**2.06%**
8V	Cornerstone Apartment Venture III	**31,440,711**	**595,700**	**(6,883,333)**	**25,153,078**	**-20.00%**
	Total Non-Core Commingled	**384,933,326**	**896,987**	**(12,647,249)**	**373,183,064**	**-3.05%**
	Total Real Estate	**1,382,612,304**	**16,678,711**	**(14,834,165)**	**1,384,456,850**	**0.13%**
	Total Real Assets	**2,960,735,550**	**19,146,879**	**391,671**	**2,980,274,101**	**0.66%**
	Totals	**$ 17,183,116,829**	**$ 239,554,820**	**$ (62,631,138)**	**$ 17,360,040,511**	**1.03%**

Notes

(1) Investment is represented by shares in (or as a percentage of) commingled equity investments which, at any given time, may be a combination of securities and cash.
(2) Investment is represented by shares in various hedge funds.
(3) Previously titled Lehman Brothers Real Estate Partners II
(4) Previously titled Lehman Brothers Real Estate Partners III
(5) Previously titled Rothschild Five Arrows Reality Securities V
(6) Previously titled Rothschild Five Arrows Reality Securities IV

ALASKA RETIREMENT MANAGEMENT BOARD

Participant Directed Plans

Supplemental Annuity Plan
Schedule of Investment Income and Changes in Invested Assets
for the Month Ended
December 31, 2012

Interim Transit Account	**Beginning Invested Assets**	**Investment Income**	**Net Contributions (Withdrawals)**	**Transfers in (out)**	**Ending Invested Assets**
Treasury Division [1]					
Cash and Cash Equivalents	$ 6,134,187	$ 637	$ (675,106)	$ -	$ 5,459,718
Participant Options [2]					
T. Rowe Price					
Stable Value Fund	324,716,409	753,079	(2,072,507)	10,120,342	333,517,323
Small-Cap Stock Fund	93,577,809	2,670,377	34,599	(2,627,303)	93,655,482
Alaska Balanced Fund	1,118,848,127	6,125,950	(1,542,248)	(3,576,605)	1,119,855,224
Long Term Balanced Fund	387,609,397	4,114,622	1,773,597	(586,858)	392,910,758
AK Target Date 2010 Trust	6,479,588	55,963	22,954	(49,589)	6,508,916
AK Target Date 2015 Trust	90,552,808	939,701	50,261	(669,774)	90,872,996
AK Target Date 2020 Trust	39,768,414	476,591	(12,267)	(372,719)	39,860,019
AK Target Date 2025 Trust	22,429,876	309,072	375,872	472,530	23,587,350
AK Target Date 2030 Trust	9,990,420	148,943	232,560	11,666	10,383,589
AK Target Date 2035 Trust	9,483,681	150,641	234,882	(66,263)	9,802,941
AK Target Date 2040 Trust	9,714,568	159,629	283,939	(13)	10,158,123
AK Target Date 2045 Trust	9,851,515	162,411	412,720	92,236	10,518,882
AK Target Date 2050 Trust	10,092,410	166,930	416,388	17,686	10,693,414
AK Target Date 2055 Trust	5,809,208	95,590	191,420	55,044	6,151,262
Total Investments with T. Rowe Price	2,138,924,230	16,329,499	402,170	2,820,380	2,158,476,279
State Street Global Advisors					
State Street Treasury Money Market Fund - Inst.	37,778,732	-	(483,523)	1,688,200	38,983,409
S&P 500 Stock Index Fund Series A	247,594,477	2,267,382	77,037	(4,045,509)	245,893,387
Russell 3000 Index	19,034,143	241,817	(30,957)	1,086,666	20,331,669
US Real Estate Investment Trust Index	32,090,131	1,229,219	102,905	34,319	33,456,574
World Equity Ex-US Index	15,959,435	719,790	76,664	1,681,662	18,437,551
Long US Treasury Bond Index	19,882,039	(387,137)	55,493	(1,368,042)	18,182,353
US Treasury Inflation Protected Securities Index	24,255,057	(160,834)	(130,900)	577,964	24,541,287
World Government Bond Ex-US Index	6,571,611	(75,610)	(6,171)	(309,571)	6,180,259
Global Balanced Fund	52,246,161	783,274	(30,358)	(208,606)	52,790,471
Total Investments with SSGA	455,411,786	4,617,901	(369,810)	(862,917)	458,796,960
BlackRock					
Government Bond Fund	51,423,336	(143,722)	8,677	368,357	51,656,648
Intermediate Bond Fund	15,156,807	(27,795)	43,961	54,517	15,227,490
Total Investments with BlackRock	66,580,143	(171,517)	52,638	422,874	66,884,138
Brandes Institutional					
International Equity Fund Fee	60,351,710	2,534,254	167,331	(1,834,267)	61,219,028
RCM					
Sustainable Opportunities Fund	28,147,228	706,122	(119,174)	(546,070)	28,188,106
Total Externally Managed Funds	2,749,415,097	24,016,259	133,155	-	2,773,564,511
Total All Funds	$ 2,755,549,284	$ 24,016,896	$ (541,951)	$ -	$ 2,779,024,229

Notes: (1) Represents net contributions in transit to/from the record keeper. (2) Source data provided by the record keeper, Great West Life.

Supplemental Annuity Plan
Schedule of Invested Assets with
Schedule of Investment Income and Changes in Invested Assets
By Month Through the Month Ended
December 31, 2012
$ (Thousands)

Invested Assets (At Fair Value)	**July**	**August**	**September**	**October**	**November**	**December**
Investments with Treasury Division						
Cash and cash equivalents	$ 5,603	$ 2,468	$ 7,824	$ 7,484	$ 6,134	$ 5,460
Investments with T. Rowe Price						
Stable Value Fund	326,006	325,005	325,378	324,563	324,716	333,517
Small-Cap Stock Fund	87,043	90,590	93,235	93,340	93,578	93,655
Alaska Balanced Fund	1,106,437	1,115,765	1,126,596	1,117,241	1,118,848	1,119,855
Long Term Balanced Fund	364,538	374,612	381,984	382,020	387,609	392,911
AK Target Date 2010 Trust	5,659	5,871	5,963	6,282	6,480	6,509
AK Target Date 2015 Trust	87,366	88,482	90,247	89,370	90,553	90,873
AK Target Date 2020 Trust	37,937	38,854	39,786	39,063	39,768	39,860
AK Target Date 2025 Trust	20,564	21,316	21,949	21,991	22,430	23,587
AK Target Date 2030 Trust	8,543	9,384	9,572	9,852	9,990	10,384
AK Target Date 2035 Trust	7,861	8,348	8,759	9,136	9,484	9,803
AK Target Date 2040 Trust	7,841	8,519	8,890	9,357	9,715	10,158
AK Target Date 2045 Trust	7,784	8,599	9,173	9,474	9,852	10,519
AK Target Date 2050 Trust	8,039	8,818	9,234	9,530	10,092	10,693
AK Target Date 2055 Trust	4,064	5,137	5,617	5,528	5,809	6,151
Investments with State Street Global Advisors						
State Street Treasury Money Market Fund - Inst.	37,162	36,772	37,329	36,292	37,779	38,983
S&P 500 Stock Index Fund Series A	235,676	240,696	245,455	244,525	247,594	245,893
Russell 3000 Index	17,468	18,438	18,459	18,713	19,034	20,332
US Real Estate Investment Trust Index	35,011	34,755	35,941	34,179	32,090	33,457
World Equity Ex-US Index	12,961	13,852	14,652	15,585	15,959	18,438
Long US Treasury Bond Index	26,693	26,056	22,102	19,655	19,882	18,182
US Treasury Inflation Protected Securities Index	22,194	22,038	22,740	23,313	24,255	24,541
World Govt Bond Ex-US Index	6,058	6,160	6,175	6,269	6,572	6,180
Global Balanced Fund	49,376	50,626	51,948	51,870	52,246	52,790
Investments with BlackRock						
Government Bond Fund	50,680	50,983	50,397	51,084	51,423	51,657
Intermediate Bond Fund	14,852	14,511	14,461	14,467	15,157	15,227
Investments with Brandes Investment Partners						
International Equity Fund Fee	59,070	61,181	61,389	60,678	60,352	61,219
Investments with RCM						
Sustainable Opportunities Fund	28,526	29,265	29,114	27,738	28,147	28,188
Total Invested Assets	**$ 2,681,012**	**$ 2,717,101**	**$ 2,754,369**	**$ 2,738,601**	**$ 2,755,549**	**$ 2,779,024**

Change in Invested Assets						
Beginning Assets	$ 2,656,000	$ 2,681,012	$ 2,717,101	$ 2,754,369	$ 2,738,601	$ 2,755,549
Investment Earnings	23,717	35,162	35,514	(16,264)	16,508	24,017
Net Contributions (Withdrawals)	1,295	927	1,754	496	440	(542)
Ending Invested Assets	**$ 2,681,012**	**$ 2,717,101**	**$ 2,754,369**	**$ 2,738,601**	**$ 2,755,549**	**$ 2,779,024**

Deferred Compensation Plan
Schedule of Invested Assets and Changes in Invested Assets
for the Month Ended
December 31, 2012

Participant Options	Beginning Invested Assets	Investment Income	Net Contributions (Withdrawals)	Transfers in (out)	Ending Invested Assets
T. Rowe Price					
Interest Income Fund	$ 176,331,687	$ 465,050	$ (552,443)	$ 1,434,389	$ 177,678,683
Small Cap Stock Fund	71,916,237	2,074,237	(111,888)	(736,796)	73,141,790
Long Term Balanced Fund	37,897,563	404,427	168,315	250,080	38,720,385
Alaska Balanced Trust	9,964,533	55,506	69,692	410,041	10,499,772
AK Target Date 2010 Trust	2,002,589	17,485	9,072	57,141	2,086,287
AK Target Date 2015 Trust	5,343,119	54,447	72,199	(113,658)	5,356,107
AK Target Date 2020 Trust	5,369,740	65,203	104,136	(98,683)	5,440,396
AK Target Date 2025 Trust	2,534,050	34,486	74,353	(741)	2,642,148
AK Target Date 2030 Trust	1,754,860	26,395	47,710	(631)	1,828,334
AK Target Date 2035 Trust	1,251,375	20,554	29,654	27,945	1,329,528
AK Target Date 2040 Trust	865,180	14,532	39,547	(1,813)	917,446
AK Target Date 2045 Trust	646,533	10,785	24,721	6,516	688,555
AK Target Date 2050 Trust	357,649	5,896	10,969	1,769	376,283
AK Target Date 2055 Trust	532,225	8,182	10,858	(107,821)	443,444
Total Investments with T. Rowe Price	316,767,340	3,257,185	(3,105)	1,127,738	321,149,158
State Street Global Advisors					
State Street Treasury Money Market Fund - Inst.	8,540,921	-	(60,313)	1,276,494	9,757,102
Russell 3000 Index	7,214,365	88,739	63,432	70,678	7,437,214
US Real Estate Investment Trust Index	10,758,260	410,387	64,171	(159,435)	11,073,383
World Equity Ex-US Index	5,594,984	252,491	45,036	448,151	6,340,662
Long US Treasury Bond Index	5,697,296	(115,091)	14,150	(105,378)	5,490,977
US Treasury Inflation Protected Securities Index	11,904,351	(82,258)	59,189	296,732	12,178,014
World Government Bond Ex-US Index	2,353,103	(28,407)	14,361	(75,855)	2,263,202
Global Balanced Fund	38,121,923	570,977	139,630	(478,703)	38,353,827
Total Investments with SSGA	90,185,203	1,096,838	339,656	1,272,684	92,894,381
BlackRock					
S&P 500 Index Fund	131,647,082	1,205,844	119,120	(1,904,294)	131,067,752
Government/Credit Bond Fund	33,741,335	(94,067)	48,908	249,591	33,945,767
Intermediate Bond Fund	16,490,610	(30,380)	19,431	67,049	16,546,710
Total Investments with Barclays Global Investors	181,879,027	1,081,397	187,459	(1,587,654)	181,560,229
Brandes Institutional					
International Equity Fund Fee	35,949,227	1,526,787	213,405	(617,001)	37,072,418
RCM					
Sustainable Core Opportunities Fund	10,930,623	275,329	76,379	(195,767)	11,086,564
Total All Funds	$ 635,711,420	$ 7,237,536	$ 813,794	$ -	$ 643,762,750

Source data provided by the record keeper, Great West Life.

Deferred Compensation Plan
Schedule of Invested Assets with
Schedule of Investment Income and Changes in Invested Assets
By Month Through the Month Ended
December 31, 2012
$ (Thousands)

Invested Assets (at fair value)	**July**	**August**	**September**	**October**	**November**	**December**
Investments with T. Rowe Price						
Interest Income Fund						
Cash and cash equivalents	$ 13,002	$ 11,754	$ 10,372	$ 9,848	$ 9,780	$ 10,944
Synthetic Investment Contracts	164,611	164,424	165,758	166,460	166,551	166,734
Small Cap Stock Fund	68,583	71,208	71,952	71,176	71,916	73,142
Long Term Balanced Fund	35,553	36,717	37,429	37,325	37,898	38,720
Alaska Balanced Trust	8,884	9,253	9,341	9,447	9,965	10,500
AK Target Date 2010 Trust	1,829	1,761	1,785	1,953	2,003	2,086
AK Target Date 2015 Trust	4,489	4,805	5,086	5,170	5,343	5,356
AK Target Date 2020 Trust	4,475	4,874	5,100	5,128	5,370	5,440
AK Target Date 2025 Trust	2,153	2,289	2,281	2,382	2,534	2,642
AK Target Date 2030 Trust	1,418	1,493	1,540	1,629	1,755	1,828
AK Target Date 2035 Trust	1,155	1,199	1,127	1,178	1,251	1,330
AK Target Date 2040 Trust	714	779	900	849	865	917
AK Target Date 2045 Trust	406	414	446	611	647	689
AK Target Date 2050 Trust	272	289	318	341	358	376
AK Target Date 2055 Trust	474	614	590	522	532	443
State Street Global Advisors						
State Street Treasury Money Market Fund - Inst.	9,166	9,180	9,378	8,791	8,541	9,757
Russell 3000 Index	6,615	7,179	7,034	7,175	7,214	7,437
US Real Estate Investment Trust Index	11,944	11,629	12,375	11,142	10,758	11,073
World Equity Ex-US Index	4,491	4,836	5,042	5,419	5,595	6,341
Long US Treasury Bond Index	6,397	6,507	6,147	6,282	5,697	5,491
US Treasury Inflation Protected Securities Index	11,326	11,299	11,515	11,716	11,904	12,178
World Government Bond Ex-US Index	2,144	2,159	2,250	2,259	2,353	2,263
Global Balanced Fund	36,799	37,513	38,458	38,196	38,122	38,354
Investments with BlackRock						
S&P 500 Index Fund	127,174	129,612	131,039	130,568	131,647	131,068
Government/Credit Bond Fund	33,320	33,301	33,485	33,672	33,741	33,946
Intermediate Bond Fund	16,352	16,501	16,394	16,419	16,491	16,547
Investments with Brandes Institutional						
International Equity Fund Fee	34,990	35,910	36,217	35,953	35,949	37,072
Investments with RCM						
Sustainable Opportunities Fund	10,796	11,037	11,105	10,767	10,931	11,087
Total Invested Assets	**$ 619,532**	**$ 628,536**	**$ 634,464**	**$ 632,377**	**$ 635,711**	**$ 643,763**
Change in Invested Assets						
Beginning Assets	$ 614,418	$ 619,532	$ 628,536	$ 634,464	$ 632,377	$ 635,711
Investment Earnings	3,798	9,053	8,545	(4,575)	3,743	7,238
Net Contributions (Withdrawals)	1,316	(49)	(2,617)	2,488	(409)	814
Ending Invested Assets	**$ 619,532**	**$ 628,536**	**$ 634,464**	**$ 632,377**	**$ 635,711**	**$ 643,763**

Source data provided by the record keeper, Great West Life.

Defined Contribution Retirement - Participant Directed PERS
Schedule of Investment Income and Changes in Invested Assets
for the Month Ended
December 31, 2012

Interim Transit Account	**Beginning Invested Assets**	**Investment Income**	**Net Contributions (Withdrawals)**	**Transfers in (out)**	**Ending Invested Assets**
Treasury Division [1]					
Cash and Cash Equivalents	$ 6,883,032	$ 1,238	$ (164,934)	$ -	$ 6,719,336
Participant Options [2]					
T. Rowe Price					
Alaska Money Market	2,984,831	179	37,644	167,708	3,190,362
Small-Cap Stock Fund	39,744,655	1,143,578	484,927	(1,074,890)	40,298,270
Long Term Balanced Fund	4,952,836	56,149	46,623	920,118	5,975,726
Alaska Balanced Fund	903,137	5,289	32,114	42,379	982,919
AK Target Date 2010 Trust	821,115	7,017	34,108	(5,261)	856,979
AK Target Date 2015 Trust	3,205,199	34,051	129,957	-	3,369,207
AK Target Date 2020 Trust	6,054,460	74,562	258,241	(15,764)	6,371,499
AK Target Date 2025 Trust	8,503,915	117,456	365,263	(1,355)	8,985,279
AK Target Date 2030 Trust	8,472,254	128,066	394,425	(1,849)	8,992,896
AK Target Date 2035 Trust	9,210,464	148,327	409,979	(18,788)	9,749,982
AK Target Date 2040 Trust	12,802,274	211,382	485,054	(21,023)	13,477,687
AK Target Date 2045 Trust	14,330,095	238,302	709,307	9,048	15,286,752
AK Target Date 2050 Trust	16,025,997	265,688	711,805	(11,567)	16,991,923
AK Target Date 2055 Trust	6,162,520	102,932	350,211	(2,598)	6,613,065
Total Investments with T. Rowe Price	134,173,752	2,532,978	4,449,658	(13,842)	141,142,546
State Street Global Advisors					
Money Market	961,365	-	(162,312)	75,499	874,552
S&P 500 Stock Index Fund Series A	38,975,830	353,588	498,054	(1,515,243)	38,312,229
Russell 3000 Index	3,892,130	56,997	71,416	2,298,770	6,319,313
US Real Estate Investment Trust Index	5,109,322	191,025	75,773	(64,558)	5,311,562
World Equity Ex-US Index	18,296,958	814,054	217,930	937,424	20,266,366
Long US Treasury Bond Index	601,898	(11,928)	10,606	(36,972)	563,604
US Treasury Inflation Protected Sec Index	1,251,046	(8,371)	1,329	73,377	1,317,381
World Government Bond Ex-US Index	1,652,827	(19,725)	10,861	85,500	1,729,463
Global Balanced Fund	6,241,208	93,980	50,638	31,009	6,416,835
Total Investments with SSGA	76,982,584	1,469,620	774,295	1,884,806	81,111,305
BlackRock					
Government Bond Fund	11,343,675	(31,743)	98,557	168,492	11,578,981
Intermediate Bond Fund	328,198	(614)	9,805	6,834	344,223
Total Investments with BlackRock	11,671,873	(32,357)	108,362	175,326	11,923,204
Brandes Institutional					
International Equity Fund Fee	37,717,888	1,588,798	488,026	(1,771,151)	38,023,561
RCM					
Sustainable Opportunities Fund	6,338,786	159,161	92,851	(275,139)	6,315,659
Total Externally Managed Funds	266,884,883	5,718,200	5,913,192	-	278,516,275
Total All Funds	$ 273,767,915	$ 5,719,438	$ 5,748,258	$ -	$ 285,235,611

Notes: (1) Represents net contributions in transit to/from the record keeper. (2) Source data provided by the record keeper, Great West Life.

Defined Contribution Retirement - Participant Directed PERS
Schedule of Invested Assets with
Schedule of Investment Income and Changes in Invested Assets
By Month Through the Month Ended
December 31, 2012
$ (Thousands)

Invested Assets (At Fair Value)	**July**	**August**	**September**	**October**	**November**	**December**
Investments with Treasury Division						
Cash and cash equivalents	$ 7,044	$ 7,083	$ 7,266	$ 7,170	$ 6,883	$ 6,719
Investments with T. Rowe Price						
Alaska Money Market	2,837	2,915	2,923	2,947	2,985	3,190
Small-Cap Stock Fund	35,862	37,861	38,924	38,827	39,745	40,299
Long Term Balanced Fund	4,530	4,643	4,811	4,803	4,953	5,976
Alaska Balanced Fund	692	733	776	859	903	983
AK Target Date 2010 Trust	670	703	740	776	821	857
AK Target Date 2015 Trust	2,703	2,862	2,992	3,095	3,205	3,369
AK Target Date 2020 Trust	5,001	5,300	5,540	5,761	6,054	6,371
AK Target Date 2025 Trust	6,857	7,381	7,764	8,073	8,504	8,985
AK Target Date 2030 Trust	6,955	7,437	7,766	8,030	8,472	8,993
AK Target Date 2035 Trust	7,477	8,061	8,451	8,724	9,210	9,750
AK Target Date 2040 Trust	10,594	11,431	11,958	12,261	12,802	13,478
AK Target Date 2045 Trust	11,567	12,582	13,180	13,676	14,330	15,287
AK Target Date 2050 Trust	12,904	13,946	14,668	15,210	16,026	16,992
AK Target Date 2055 Trust	4,667	5,180	5,474	5,768	6,163	6,613
Investments with State Street Global Advisors						
Money Market	590	649	887	882	961	875
S&P 500 Stock Index Fund Series A	29,959	33,231	36,327	38,256	38,976	38,312
Russell 3000 Index	4,171	4,147	4,003	3,824	3,892	6,319
US Real Estate Investment Trust Index	4,745	4,911	4,989	5,084	5,109	5,312
World Equity Ex-US Index	10,106	12,803	15,510	17,922	18,297	20,266
Long US Treasury Bond Index	720	518	494	538	602	564
US Treasury Inflation Protected Sec Index	1,046	1,085	1,216	1,165	1,251	1,317
World Government Bond Ex-US Index	1,449	1,516	1,593	1,614	1,653	1,729
Global Balanced Fund	5,280	5,547	5,921	6,060	6,241	6,417
Investments with BlackRock						
Government Bond Fund	10,162	10,453	10,825	11,140	11,344	11,579
Intermediate Bond Fund	328	338	319	321	328	344
Investments with Brandes Investment Partners						
International Equity Fund Fee	41,282	40,696	39,252	37,207	37,718	38,024
Investments with RCM						
Sustainable Opportunities Fund	11,830	10,130	8,354	6,163	6,339	6,316
Total Invested Assets	**$ 242,028**	**$ 254,142**	**$ 262,923**	**$ 266,157**	**$ 273,768**	**$ 285,236**
Change in Invested Assets						
Beginning Assets	$ 236,966	$ 242,028	$ 254,142	$ 262,923	$ 266,157	$ 273,768
Investment Earnings	855	5,831	5,379	(2,686)	2,366	5,720
Net Contributions (Withdrawals)	4,207	6,283	3,402	5,920	5,244	5,748
Ending Invested Assets	**$ 242,028**	**$ 254,142**	**$ 262,923**	**$ 266,157**	**$ 273,768**	**$ 285,236**

Source data provided by the record keeper, Great West Life.

Defined Contribution Retirement - Participant Directed TRS
Schedule of Investment Income and Changes in Invested Assets
for the Month Ended
December 31, 2012

Interim Transit Account	**Beginning Invested Assets**	**Investment Income**	**Net Contributions (Withdrawals)**	**Transfers in (out)**	**Ending Invested Assets**
Treasury Division [(1)]					
Cash and Cash Equivalents	$ 2,447,628	$ 465	$ 203,187	$ -	$ 2,651,280
Participant Options [(2)]					
T. Rowe Price					
Alaska Money Market	1,342,780	83	30,312	93,840	1,467,015
Small-Cap Stock Fund	16,586,617	475,701	228,857	(507,801)	16,783,374
Long Term Balanced Fund	2,647,524	30,270	22,847	614,567	3,315,208
Alaska Balanced Fund	140,531	780	6,078	-	147,389
AK Target Date 2010 Trust	318,690	2,740	11,875	-	333,305
AK Target Date 2015 Trust	1,107,228	11,753	46,305	-	1,165,286
AK Target Date 2020 Trust	2,140,937	26,274	90,828	-	2,258,039
AK Target Date 2025 Trust	2,751,893	38,030	108,227	(663)	2,897,487
AK Target Date 2030 Trust	2,789,852	42,149	154,790	-	2,986,791
AK Target Date 2035 Trust	4,478,442	71,804	259,693	-	4,809,939
AK Target Date 2040 Trust	4,949,649	81,778	233,459	-	5,264,886
AK Target Date 2045 Trust	8,971,986	148,312	425,893	43,204	9,589,395
AK Target Date 2050 Trust	11,697,528	193,182	601,486	(2,844)	12,489,352
AK Target Date 2055 Trust	1,094,702	18,626	123,931	-	1,237,259
Total Investments with T. Rowe Price	61,018,359	1,141,482	2,344,581	240,303	64,744,725
State Street Global Advisors					
Money Market	35,955	-	791	(2,262)	34,484
S&P 500 Stock Index Fund Series A	15,864,598	143,291	201,748	(744,776)	15,464,861
Russell 3000 Index	1,387,189	20,577	18,702	1,004,304	2,430,772
US Real Estate Investment Trust Index	1,879,480	70,704	25,632	(6,922)	1,968,894
World Equity Ex-US Index	7,662,097	341,224	106,507	474,786	8,584,614
Long US Treasury Bond Index	97,288	(1,913)	681	-	96,056
US Treasury Inflation Protected Sec Index	521,987	(3,420)	1,083	22,691	542,341
World Government Bond Ex-US Index	798,124	(9,568)	1,756	45,849	836,161
Global Balanced Fund	3,648,453	55,179	38,315	62,750	3,804,697
Total Investments with SSGA	31,895,171	616,074	395,215	856,420	33,762,880
BlackRock					
Government Bond Fund	5,394,765	(14,937)	37,959	(65,859)	5,351,928
Intermediate Bond Fund	102,013	(192)	(842)	-	100,979
Total Investments with BlackRock	5,496,778	(15,129)	37,117	(65,859)	5,452,907
Brandes Institutional					
International Equity Fund Fee	15,002,244	628,915	220,122	(844,218)	15,007,063
RCM					
Sustainable Opportunities Fund	2,516,196	62,754	40,517	(186,646)	2,432,821
Total Externally Managed Funds	115,928,748	2,434,096	3,037,552	-	121,400,396
Total All Funds	$ 118,376,376	$ 2,434,561	$ 3,240,739	$ -	$ 124,051,676

Notes: (1) Represents net contributions in transit to/from the record keeper. (2) Source data provided by the record keeper, Great West Life.

Defined Contribution Retirement - Participant Directed TRS
Schedule of Invested Assets with
Schedule of Investment Income and Changes in Invested Assets
By Month Through the Month Ended
December 31, 2012
$ (Thousands)

Invested Assets (At Fair Value)	**July**	**August**	**September**	**October**	**November**	**December**
Investments with Treasury Division						
Cash and cash equivalents	$ 2,513	$ 2,494	$ 2,515	$ 2,766	$ 2,448	$ 2,651
Investments with T. Rowe Price						
Alaska Money Market	1,365	1,366	1,376	1,375	1,343	1,467
Small-Cap Stock Fund	15,252	15,807	16,168	16,152	16,587	16,783
Long Term Balanced Fund	2,302	2,405	2,537	2,574	2,648	3,315
Alaska Balanced Fund	165	124	128	133	141	147
AK Target Date 2010 Trust	378	364	356	321	319	333
AK Target Date 2015 Trust	1,010	1,026	1,058	1,059	1,107	1,165
AK Target Date 2020 Trust	1,923	1,972	2,022	2,048	2,141	2,258
AK Target Date 2025 Trust	2,430	2,439	2,539	2,626	2,752	2,898
AK Target Date 2030 Trust	2,360	2,408	2,519	2,630	2,790	2,987
AK Target Date 2035 Trust	3,894	3,918	4,087	4,220	4,478	4,810
AK Target Date 2040 Trust	4,427	4,465	4,607	4,694	4,950	5,265
AK Target Date 2045 Trust	8,006	8,164	8,381	8,539	8,972	9,590
AK Target Date 2050 Trust	10,300	10,457	10,828	11,108	11,698	12,489
AK Target Date 2055 Trust	808	817	880	978	1,095	1,237
Investments with State Street Global Advisors						
Money Market	45	51	56	35	36	34
S&P 500 Stock Index Fund Series A	12,356	13,434	14,644	15,548	15,865	15,465
Russell 3000 Index	1,734	1,608	1,492	1,314	1,387	2,431
US Real Estate Investment Trust Index	1,857	1,829	1,803	1,846	1,879	1,969
World Equity Ex-US Index	4,329	5,333	6,416	7,484	7,662	8,585
Long US Treasury Bond Index	55	56	56	73	97	96
US Treasury Inflation Protected Sec Index	438	460	474	507	522	543
World Government Bond Ex-US Index	660	707	754	782	798	836
Global Balanced Fund	3,112	3,243	3,451	3,544	3,648	3,805
Investments with BlackRock						
Government Bond Fund	4,816	4,943	5,125	5,367	5,395	5,352
Intermediate Bond Fund	76	76	77	79	102	101
Investments with Brandes Investment Partners						
International Equity Fund Fee	17,157	16,560	15,767	14,756	15,002	15,007
Investments with RCM						
Sustainable Opportunities Fund	4,989	4,185	3,410	2,456	2,516	2,433
Total Invested Assets	**$ 108,757**	**$ 110,711**	**$ 113,526**	**$ 115,012**	**$ 118,376**	**$ 124,052**
Change in Invested Assets						
Beginning Assets	$ 107,836	$ 108,757	$ 110,711	$ 113,526	$ 115,012	$ 118,376
Investment Earnings	421	2,609	2,392	(1,146)	1,052	2,435
Net Contributions (Withdrawals)	500	(655)	423	2,632	2,312	3,241
Ending Invested Assets	**$ 108,757**	**$ 110,711**	**$ 113,526**	**$ 115,012**	**$ 118,376**	**$ 124,052**

Source data provided by the record keeper, Great West Life

ALASKA RETIREMENT MANAGEMENT BOARD

FINANCIAL REPORT
(Supplement to the Treasury Division Report)

As of December 31, 2012

Prepared by the Division of Retirement & Benefits

ALASKA RETIREMENT MANAGEMENT BOARD
SCHEDULE OF NON-INVESTMENT CHANGES BY FUND
(Supplement to the Treasury Division Report)
For the Six Months Ending December 31, 2011

		Contributions				**Expenditures**				**Net**
		Contributions EE and ER	State of Alaska	Other	Total Contributions	Benefits	Refunds	Admin-istrative	Total Expenditures	**Contributions/ (Withdrawals)**
Public Employees' Retirement System (PERS)										
Defined Benefit Plans:										
Retirement Trust		$ 144,617,051	$ 164,087,043	$ (19,378)	$ 308,684,716	$ (296,784,400)	$ (6,219,939)	$ (15,558,428)	$ (318,562,767)	$ (9,878,051)
Retirement Health Care Trust		112,350,749	143,215,349	5,909,666	261,475,764	(174,310,994)	-	(4,102,250)	(178,413,244)	83,062,520
Total Defined Benefit Plans		256,967,800	307,302,392	5,890,288	570,160,480	(471,095,394)	(6,219,939)	(19,660,678)	(496,976,011)	73,184,469
Defined Contribution Plans:										
Participant Directed Retirement		40,822,917	-	-	40,822,917	-	(8,525,279)	(1,492,302)	(10,017,581)	30,805,336
Health Reimbursement Arrangement	(a)	10,707,418	-	-	10,707,418	-	-	(9,297)	(9,297)	10,698,121
Retiree Medical Plan	(a)	1,519,314	-	-	1,519,314	-	-	(9,298)	(9,298)	1,510,016
Occupational Death and Disability:	(a)									
Public Employees		414,728	-	-	414,728	-	-	-	-	414,728
Police and Firefighters		342,853	-	-	342,853	(23,683)	-	-	(23,683)	319,170
Total Defined Contribution Plans		53,807,230	-	-	53,807,230	(23,683)	(8,525,279)	(1,510,897)	(10,059,859)	43,747,371
Total PERS		**310,775,030**	**307,302,392**	**5,890,288**	**623,967,710**	**(471,119,077)**	**(14,745,218)**	**(21,171,575)**	**(507,035,870)**	**116,931,840**
Teachers' Retirement System (TRS)										
Defined Benefit Plans:										
Retirement Trust		31,909,102	196,944,800	17,404	228,871,306	(190,397,196)	(1,329,813)	(6,009,843)	(197,736,852)	31,134,454
Retirement Health Care Trust		14,432,739	105,832,353	2,371,419	122,636,511	(57,264,636)	-	(1,601,439)	(58,866,075)	63,770,436
Total Defined Benefit Plans		46,341,841	302,777,153	2,388,823	351,507,817	(247,661,832)	(1,329,813)	(7,611,282)	(256,602,927)	94,904,890
Defined Contribution Plans:										
Participant Directed Retirement		12,375,054	-	-	12,375,054	-	(3,309,745)	(612,721)	(3,922,466)	8,452,588
Health Reimbursement Arrangement	(a)	2,447,594	-	-	2,447,594	-	-	(3,202)	(3,202)	2,444,392
Retiree Medical Plan	(a)	409,706	-	-	409,706	-	-	(3,204)	(3,204)	406,502
Occupational Death and Disability:	(a)	(23)	-	-	(23)	-	-	-	-	(23)
Total Defined Contribution Plans		15,232,331	-	-	15,232,331	-	(3,309,745)	(619,127)	(3,928,872)	11,303,459
Total TRS		**61,574,172**	**302,777,153**	**2,388,823**	**366,740,148**	**(247,661,832)**	**(4,639,558)**	**(8,230,409)**	**(260,531,799)**	**106,208,349**
Judicial Retirement System (JRS)										
Defined Benefit Plan Retirement Trust		2,277,725	3,650,650	(21)	5,928,354	(5,089,248)	-	(159,192)	(5,248,440)	679,914
Defined Benefit Retirement Health Care Trust		212,680	134,921	18,596	366,197	(608,668)	-	(12,141)	(620,809)	(254,612)
Total JRS		**2,490,405**	**3,785,571**	**18,575**	**6,294,551**	**(5,697,916)**	**-**	**(171,333)**	**(5,869,249)**	**425,302**
National Guard/Naval Militia Retirement System (NGNMRS)										
Defined Benefit Plan Retirement Trust	(a)	739,100	-	-	739,100	(837,623)	-	(85,188)	(922,811)	(183,711)
Other Participant Directed Plans										
Supplemental Annuity Plan		82,145,388	-	-	82,145,388	-	(75,039,770)	(2,735,424)	(77,775,194)	4,370,194
Deferred Compensation Plan		20,661,302	-	-	20,661,302	-	(18,553,658)	(564,299)	(19,117,957)	1,543,345
Total All Funds		**478,385,397**	**613,865,116**	**8,297,686**	**1,100,548,199**	**(725,316,448)**	**(112,978,204)**	**(32,958,228)**	**(871,252,880)**	**229,295,319**
Total Non-Participant Directed		322,380,736	613,865,116	8,297,686	944,543,538	(725,316,448)	(7,549,752)	(27,553,482)	(760,419,682)	184,123,856
Total Participant Directed		156,004,661	-	-	156,004,661	-	(105,428,452)	(5,404,746)	(110,833,198)	45,171,463
Total All Funds		**$ 478,385,397**	**$ 613,865,116**	**$ 8,297,686**	**$ 1,100,548,199**	**$ (725,316,448)**	**$ (112,978,204)**	**$ (32,958,228)**	**$ (871,252,880)**	**$ 229,295,319**

(a) Employer only contributions.

ALASKA RETIREMENT MANAGEMENT BOARD
SCHEDULE OF NON-INVESTMENT CHANGES BY FUND
(Supplement to the Treasury Division Report)
For the Month Ended December 31, 2012

		Contributions				**Expenditures**				**Net**
		Contributions EE and ER	State of Alaska	Other	Total Contributions	Benefits	Refunds	Admin-istrative	Total Expenditures	**Contributions/ (Withdrawals)**
Public Employees' Retirement System (PERS)										
Defined Benefit Plans:										
Retirement Trust		$ 25,268,630	$ -	$ 394	$ 25,269,024	$ (50,282,718)	$ (856,822)	$ (953,014)	$ (52,092,554)	$ (26,823,530)
Retirement Health Care Trust		21,567,629	-	193,651	21,761,280	(30,188,015)	-	(740,648)	(30,928,663)	(9,167,383)
Total Defined Benefit Plans		46,836,259	-	194,045	47,030,304	(80,470,733)	(856,822)	(1,693,662)	(83,021,217)	(35,990,913)
Defined Contribution Plans:										
Participant Directed Retirement		7,397,295	-	-	7,397,295	-	(1,346,652)	(302,385)	(1,649,037)	5,748,258
Health Reimbursement Arrangement	(a)	2,074,352	-	-	2,074,352	-	-	(509)	(509)	2,073,843
Retiree Medical Plan	(a)	273,115	-	-	273,115	-	-	(508)	(508)	272,607
Occupational Death and Disability:	(a)								-	
Public Employees		71,605	-	-	71,605	-	-	-	-	71,605
Police and Firefighters		59,044	-	-	59,044	(3,947)	-	-	(3,947)	55,097
Total Defined Contribution Plans		9,875,411	-	-	9,875,411	(3,947)	(1,346,652)	(303,402)	(1,654,001)	8,221,410
Total PERS		**56,711,670**	**-**	**194,045**	**56,905,715**	**(80,474,680)**	**(2,203,474)**	**(1,997,064)**	**(84,675,218)**	**(27,769,503)**
Teachers' Retirement System (TRS)										
Defined Benefit Plans:										
Retirement Trust		9,373,560	-	473	9,374,033	(31,804,816)	(55,256)	(457,338)	(32,317,410)	(22,943,377)
Retirement Health Care Trust		4,026,963	-	75,796	4,102,759	(10,015,778)	-	(287,896)	(10,303,674)	(6,200,915)
Total Defined Benefit Plans		13,400,523	-	76,269	13,476,792	(41,820,594)	(55,256)	(745,234)	(42,621,084)	(29,144,292)
Defined Contribution Plans:										
Participant Directed Retirement		3,671,527	-	-	3,671,527	-	(304,477)	(126,311)	(430,788)	3,240,739
Health Reimbursement Arrangement	(a)	744,006	-	-	744,006	-	-	(175)	(175)	743,831
Retiree Medical Plan	(a)	119,556	-	-	119,556	-	-	(176)	(176)	119,380
Occupational Death and Disability:	(a)	-	-	-	-	-	-	-	-	-
Total Defined Contribution Plans		4,535,089	-	-	4,535,089	-	(304,477)	(126,662)	(431,139)	4,103,950
Total TRS		**17,935,612**	**-**	**76,269**	**18,011,881**	**(41,820,594)**	**(359,733)**	**(871,896)**	**(43,052,223)**	**(25,040,342)**
Judicial Retirement System (JRS)										
Defined Benefit Plan Retirement Trust		215,703	-	-	215,703	(869,744)	-	(14,490)	(884,234)	(668,531)
Defined Benefit Retirement Health Care Trust		27,944	-	564	28,508	(82,446)		(2,116)	(84,562)	(56,054)
Total JRS		**243,647**	**-**	**564**	**244,211**	**(952,190)**	**-**	**(16,606)**	**(968,796)**	**(724,585)**
National Guard/Naval Militia Retirement System (NGNMRS)										
Defined Benefit Plan Retirement Trust	(a)	-	-	-	-	(97,770)	-	(9,941)	(107,711)	(107,711)
Other Participant Directed Plans										
Supplemental Annuity Plan		11,972,403	-	-	11,972,403	-	(11,937,003)	(577,351)	(12,514,354)	(541,951)
Deferred Compensation Plan		3,627,734	-	-	3,627,734	-	(2,707,553)	(106,387)	(2,813,940)	813,794
Total All Funds		**90,491,066**	**-**	**270,878**	**90,761,944**	**(123,345,234)**	**(17,207,763)**	**(3,579,245)**	**(144,132,242)**	**(53,370,298)**
Total Non-Participant Directed		63,822,107	-	270,878	64,092,985	(123,345,234)	(912,078)	(2,466,811)	(126,724,123)	(62,631,138)
Total Participant Directed		26,668,959	-	-	26,668,959	-	(16,295,685)	(1,112,434)	(17,408,119)	9,260,840
Total All Funds		**$ 90,491,066**	**$ -**	**$ 270,878**	**$ 90,761,944**	**$ (123,345,234)**	**$ (17,207,763)**	**$ (3,579,245)**	**$ (144,132,242)**	**$ (53,370,298)**

(a) Employer only contributions.

Introduction to Infrastructure

Gary Bader, Chief Investment Officer

February 12, 2013

Infrastructure Subsectors Investment Characteristics

	High Barriers to Entry[1]	Low Price Elasticity[2]	Long Duration Asset[3]	Inflation Hedge[4]
Midstream Energy (Pipelines)	Yes	Yes[5]	Yes	Yes
Renewable Energy	Yes	Yes[5]	Yes	Yes
Power Transmission Lines	Yes	Yes[5]	Yes	Yes
Utilities	Yes	Yes[5]	Yes	No
Water	Yes	Yes	Yes	Yes
Rail	Yes	No	Yes	No
Communications	Yes	Yes	No	No
On-Street Parking	Yes	Yes	Yes	Yes
Off-Street Parking	No	No	Yes	No
Ports	Yes	No	Yes	No
Airports	Yes	No	Yes	No
Roads	Yes	Yes[6]	Yes	Yes

Source: Segal Rogerscasey

Infrastructure Definition

- 1. Assets carry high barriers to entry if, through economic or regulatory conditions, new entrants to a given market are expected to experience material barriers.
- 2. Price elasticity is a measure of change in price for a given change in demand.
- 3. A long-duration asset refers to a capital asset, typically with a useful life exceeding 20 years.
- 4. An infrastructure asset provides inflation hedging if it includes contractual price-escalation clauses to offset inflation.
- 5. For fixed-charge of take-or-pay contracts, wherein the purchaser agrees to either accept delivery of power or pay a predetermined fee.
- 6. While historically displaying a low-demand elasticity, recent experience has challenged the business model.

- Source: Segal Rogerscasey.

This Information Booklet summarizes and is qualified in its entirety by information contained in the Confidential Private Placement Memorandum (the "Memorandum") for the JPMorgan Infrastructure Investments Fund (the "Fund"), and in the event of a conflict between this Booklet and such information, the information contained in the Memorandum shall supersede this Booklet. Investors should have the financial ability and willingness to accept the risk characteristics of the Fund's investments. Performance or estimated performance shown does not represent the Fund's investments and should not be used to predict the Fund's return. The Fund's performance may be volatile. Investors may lose all or a substantial amount of their investment in the Fund. J.P. Morgan's fees and organizational and other Fund expenses will offset the Fund's returns. The Fund may engage in leverage and other speculative investment practices that involve a substantial degree of risk. The Fund is subject to various other risk factors and conflicts of interest. For further information regarding risk factors and potential conflicts of interest, please refer to the "Risks and Disclosures" Appendix in this Booklet. This Booklet is for informational purposes only and is intended solely for the person to whom it is delivered by J.P. Morgan. This Booklet is confidential and may not be reproduced or distributed in any jurisdiction without the express prior written consent of J.P. Morgan. This document does not constitute an offer to sell or the solicitation of an offer to purchase any security or investment product. Any such offer or solicitation may only be made by means of delivery of the Memorandum.

Alaska Retirement Management Board Infrastructure Investing

February 12, 2013

STRICTLY PRIVATE/CONFIDENTIAL

J.P.Morgan Asset Management

Today’s Presenters

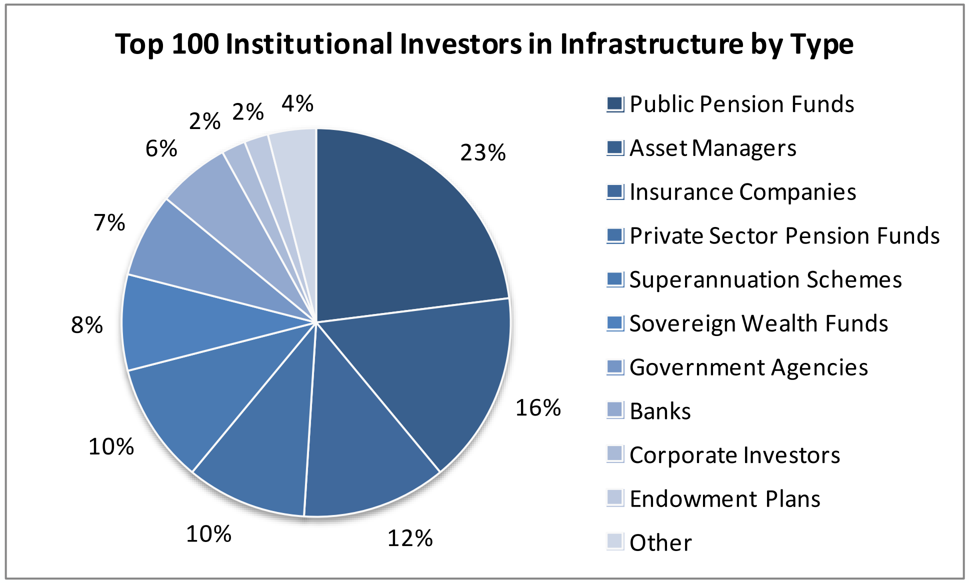
Mark Weisdorf is a managing director and the CEO for Infrastructure Investments at J.P. Morgan Asset Management – Global Real Assets, responsible for over $7 billion in assets under management. He joined the firm in 2005, and has over 30 years of investment experience. In addition to his role as Portfolio Manager and member of the Investment Committee for J.P. Morgan Asset Management’s OECD Infrastructure Investments strategy, Mark is a Member of the Global Real Assets Management Committee, the Investment Committee for J.P. Morgan Asset Management’s Asian Infrastructure strategy and the Portfolio Oversight Team for J.P. Morgan Asset Management’s Infrastructure Project Finance Loans strategy. From 2000 to 2003, he was Vice President of Private Market Investments at the Canada Pension Plan Investment Board (CPPIB), where he was responsible for the development and implementation of Real Estate, Private Equity and Infrastructure investment strategies. While at CPPIB, Mark was a member of the Board of Directors and chaired the Audit Committee of the parent company for Borealis Infrastructure, the entity which identifies, invests in and manages infrastructure assets on behalf of the Ontario Municipal Employees Retirement System (OMERS). Prior to the CPPIB, Mark held senior investment banking and equity capital markets positions with CIBC World Markets and HSBC Securities (Canada) where he was Deputy CEO. From 2001 to 2004, he served on the Board of the Institutional Limited Partners Association, and was founding Chairman of their Research, Benchmarking and Standards Committee. Mark is a Chartered Accountant (Deloitte & Touche), CFA and CBV (Chartered Business Valuator). He obtained his Bachelor of Commerce degree from the University of Toronto, where he is a past President of the University of Toronto Alumni Association.

Amy C. Cummings is an executive director and client portfolio manager in the Real Estate Investment Group. An employee since 1999, Amy is responsible for marketing all of the real estate capabilities. She has a broad-based real estate acquisition and management experience, in addition to client portfolio management. Prior to joining the firm, Amy worked with Lend Lease Real Estate Investments where she acted as a portfolio manager and marketer for net leased real estate. Prior to that, she ran and had a majority interest in Net Lease Partners, an institutional net lease advisory company. Amy attended Stanford University.

Infrastructure Overview

Institutional investors in infrastructure

- Currently, the 100 largest institutional investors in infrastructure have a total of $204 billion committed to the asset class through a combination of unlisted, listed, and direct investments.
- Public pension plans are the largest investor type accounting for 23%
- 72% of the top 100 institutional investors operate a separate infrastructure allocation with the remaining investors investing through allocations to alternatives, real assets or private equity
- During 2012, institutional investors in Florida, New Mexico, Oregon and Virginia made large first time commitments to Infrastructure, with investors in California and Washington state materially increasing their commitments to the asset class.



Largest Infrastructure Investors by Current Commitment to Infrastructure

Rank	Investor	Currently Committed to Infrastructure ($bn)	Investor Type	Investor Location
1	OMERS	14.3	Public Pension Fund	Canada
2	CPP Investment Board	9.1	Public Pension Fund	Canada
3	Corporacion Andina de Fomento	8.4	Government Agency	Venezuala
4	Ontario Teachers' Pension Plan	7.8	Public Pension Fund	Canada
5	APG - All Pensions Plans	7.5	Asset Manager	Netherlands
6	TIAA-CREF	6.5	Private Pension Fund	US
7	QIC	6.2	Asset Manager	Australia
8	CDP Capital - Private Equity Group	5.7	Asset Manager	Canada
9	Ping An Trust	5.5	Investment Company	China
10	AustralianSuper	5	Superannuation Scheme	Australia

Source: Preqin

What is infrastructure?

Regulated Assets

- Water and wastewater
- Electricity distribution/transmission
- Natural gas distribution

Social Infrastructure

- Hospitals
- Schools
- Prisons

Transportation

- Toll roads
- Airports
- Seaports

Communications

- Cell towers
- Cable networks
- Satellite systems

Contracted Power Generation

- Wind and solar power
- Natural gas fired power generation

J.P.Morgan Asset Management

Characteristics of core+ infrastructure

Income

Low volatility of returns

Diversification

Inflation protection

Long-term liability matching

Summary of risks and mitigating factors

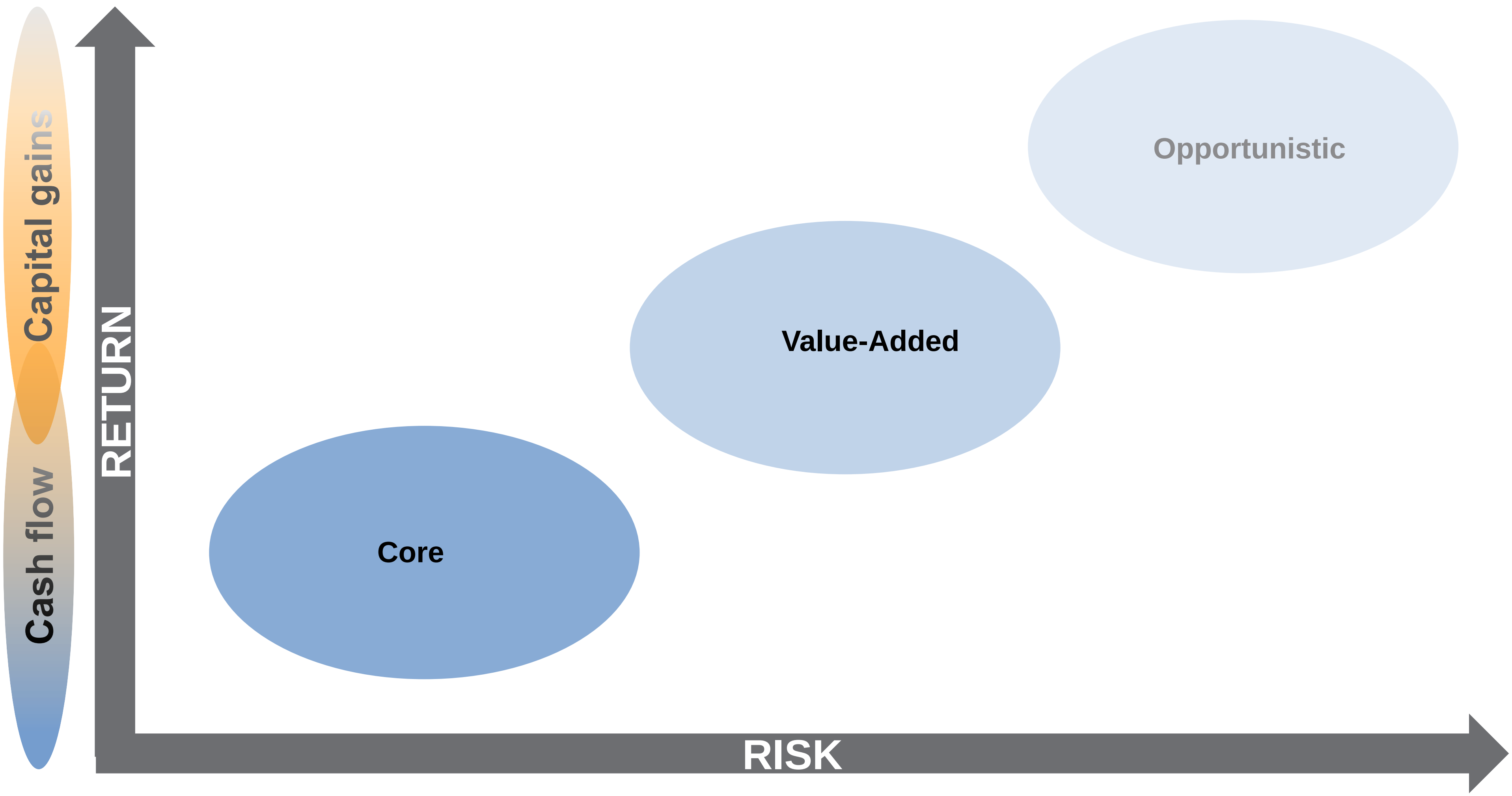
Potential Risks	Mitigating Factors
Regulatory risk	Invest in transparent regulatory environments, due diligence
Political risk	Enforceable contracts, strong judicial system
Asset liquidity	Premium for holding illiquid assets
An emerging investment strategy: inefficiencies, lack of robust data	Early investors may benefit from increasing efficiency/value increases
Varying sub-sector risks	Build a well diversified portfolio
Investor liquidity	Varies among fund structures (open vs. closed-end)
Development risks	Contract structure and partner selection
Corporate governance	Partners, oversight, strong management, active asset management

Infrastructure primary factors impacting risk/return

Relative Risk / Return: Lower → Higher

Factor	Drivers	Lower	Higher
Sub-sector	• Economic sensitivity • Demand drivers	Regulated Utilities	Telecom
Geography	• Regulatory • Political • Legal	Developed markets	Emerging markets
Stage of development	• Construction risks • Usage history	Existing (Brownfield)	New build (Greenfield)

The spectrum of infrastructure investing



Source: J.P. Morgan Asset Management

Low correlations provide material diversification benefits

20 year correlation matrix, US Dollar denominated returns

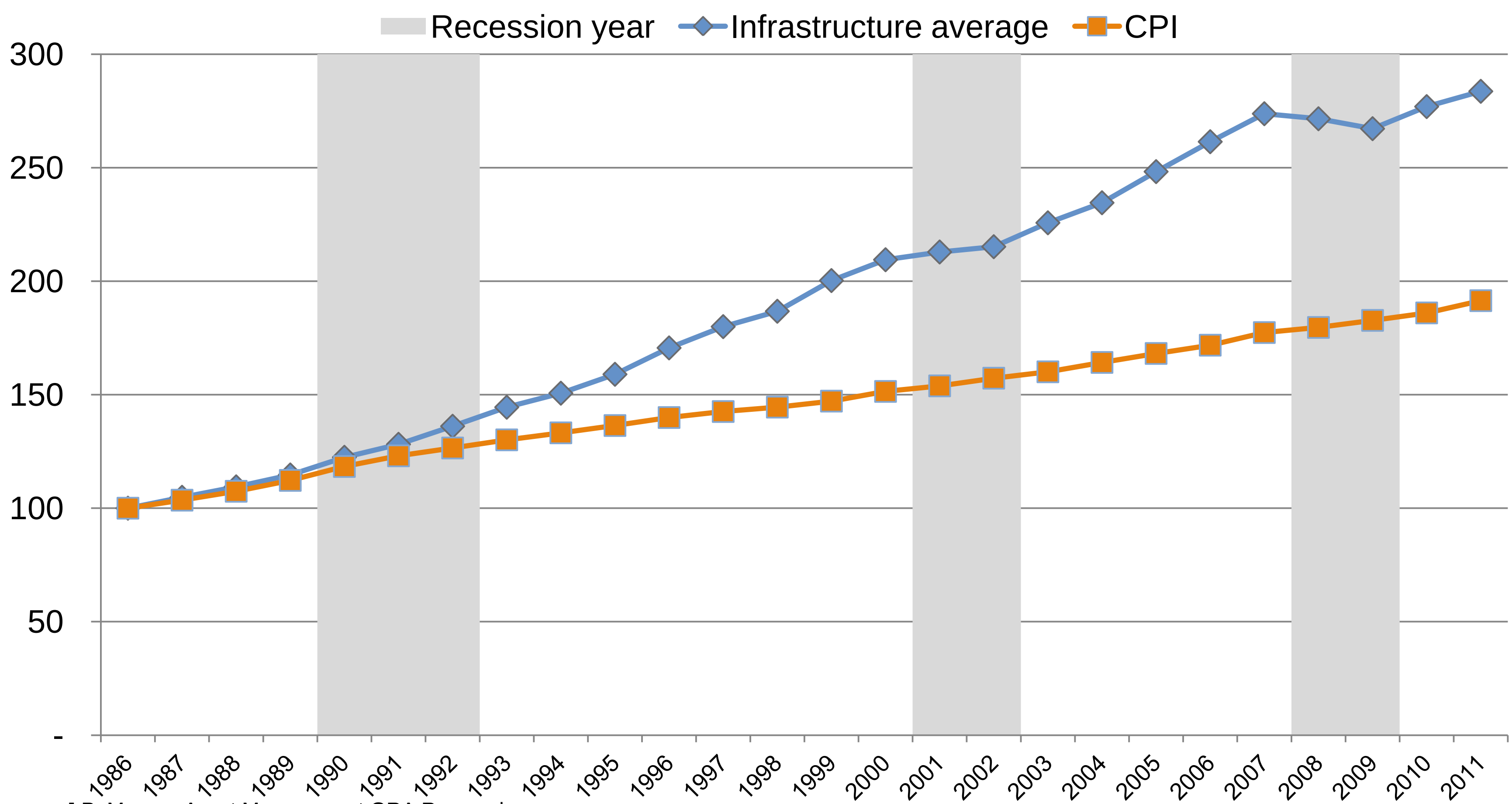
1992 - 2011	Global Equities	Global Fixed Income	US Core-plus RE	US Value-Added RE	US Opportunistic RE	Europe Opportunistic RE	India Real Estate	China Real Estate	Global REITs	Timberland	Farmland	OECD Infrastructure	Asian Infrastructure
Global Equities	1.0												
Global Fixed Income	0.1	1.0											
US Core-plus RE	0.1	-0.1	1.0										
US Value-Added RE	0.2	-0.1	1.0	1.0									
US Opportunistic RE	0.3	-0.1	0.9	0.9	1.0								
Europe Opportunistic RE	0.4	0.2	0.6	0.6	0.7	1.0							
India Real Estate	0.4	-0.1	0.3	0.4	0.4	0.3	1.0						
China Real Estate	0.1	-0.2	-0.1	0.0	0.0	-0.2	0.4	1.0					
Global REITs	0.7	0.2	0.0	0.1	0.2	0.3	0.3	0.4	1.0				
Timberland	0.1	-0.1	0.1	0.1	0.1	-0.2	0.4	0.4	0.0	1.0			
Farmland	0.0	-0.2	0.4	0.4	0.5	0.2	0.2	0.2	0.1	0.3	1.0		
OECD Infrastructure	0.1	0.6	0.3	0.3	0.2	0.3	-0.1	-0.4	0.2	-0.1	-0.3	1.0	
Asian Infrastructure	0.0	0.3	0.0	0.0	-0.1	-0.2	0.0	0.5	0.5	0.4	0.0	0.4	1.0

Low (Negative) **High (+1.0)**

Source: MSCI, Barclays Capital, NCREIF ODCE, NCREIF Townsend, NCREIF Timberland, NCREIF Farmland DTZ Research, FTSE/EPRA NAREIT, RBI, Propequity, Jones Lang LaSalle, , J.P. Morgan GRA Research estimates.
Data as of December 2011. Past performance is not indicative of future results. Diversification does not guarantee investment returns and does not eliminate the risk of loss. The above table is for illustrative and discussion purposes only.

A diversified infrastructure portfolio may provide an attractive long-term cash flow profile

A portfolio of assets with **monopolistic market positions** that provide **essential services** results in a **long-term stable cash-flow** profile, with relatively **low economic sensitivity**, and **inflation protection**



Source: J.P. Morgan Asset Management GRA Research

Source: J.P. Morgan, FactSet, FAA, FHWA, MARAD, Eurostat, OECD, IMF, and company websites as of December 31, 2011 The charts and/or graphs shown above and throughout the presentation are for illustration and discussion purposes only.
Diversification does not guarantee investment returns and does not eliminate the risk of loss. Indices include EBITDAs and are not available for actual investment.
Annual EBITDA of 229 U.S. and European infrastructure assets, compared to U.S. and EU-15 CPI averages, 1986–2010 (not adjusted for currency exchange rates)

Illustrative potential returns

Asset Segment	Risk	Avg. Leveraged IRR[1] (%)	Capital Appreciation Potential
PPPs/PFIs	Low-Medium	6-9[2]	Extremely Limited
Toll roads (Operating)	Low-Medium	8-12	Limited
Contracted power generation	Low-Medium	10-13	Limited
Regulated assets	Low-Medium	9-12	Limited
Rail	Medium	14-18	Yes
Airports/Seaports	Medium	12-18	Yes
Toll roads (Development)	Medium-High	12-18	Yes
Communications networks	Medium-High	15-20	Yes
Merchant power generation	High	15-25	Yes

Our research suggests that returns may begin to decline over the next 3-5 years

Source: J.P. Morgan Asset Management.
1 Assumes debt of 50% to 85% and investment periods of not less than five (5) to seven (7) years.
2 PPPs/PFIs generally finance social infrastructure or toll roads. New development of PPPs/PFIs may return as much as 10–12%, to compensate for greater risk.

Infrastructure sub-sectors provide additional diversification benefits

Correlation coefficients of annual cash flow growth rates in the US

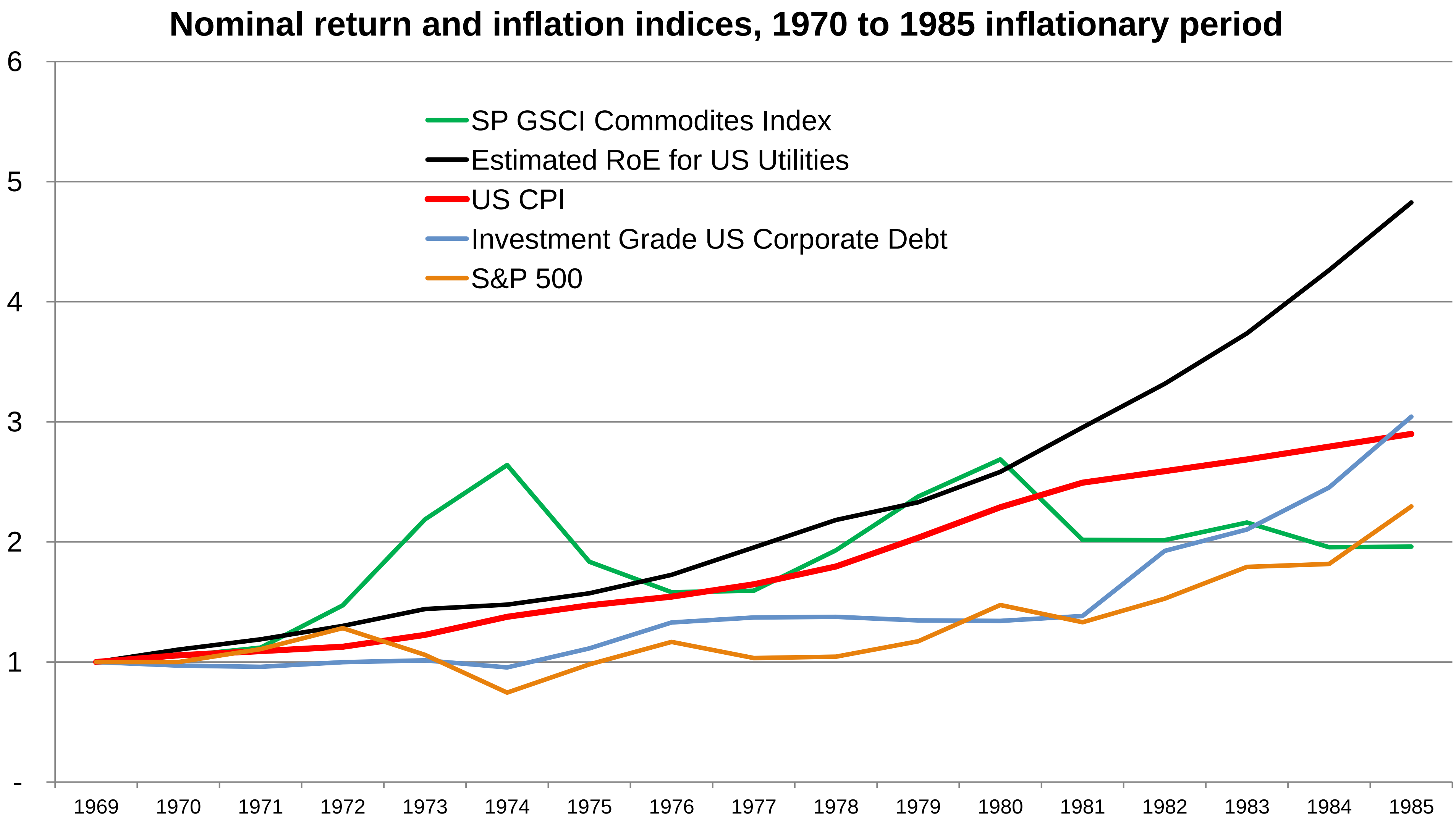
	Toll roads	Airports	Seaports	Electric companies	Gas companies	Water and sewer utilities
Toll roads	1.00	0.58	0.26	(0.30)	(0.21)	0.21
Airports		1.00	0.29	(0.25)	(0.14)	0.31
Seaports			1.00	(0.01)	0.09	(0.08)
Electric companies				1.00	0.41	(0.05)
Gas companies					1.00	0.19
Water and sewer utilities						1.00

CAGRs and Standard deviations

	Infrastructure portfolio	Toll roads	Airports	Seaports	Electric companies	Gas companies	Water and sewer utilities
CAGR	4.26%	4.10%	4.40%	4.50%	4.16%	4.36%	4.01%
STDEV	2.25%	3.58%	4.51%	6.93%	2.99%	4.04%	3.08%

Source: J.P. Morgan Asset Management GRA Research. Analyses are based on data from 1986 to 2011

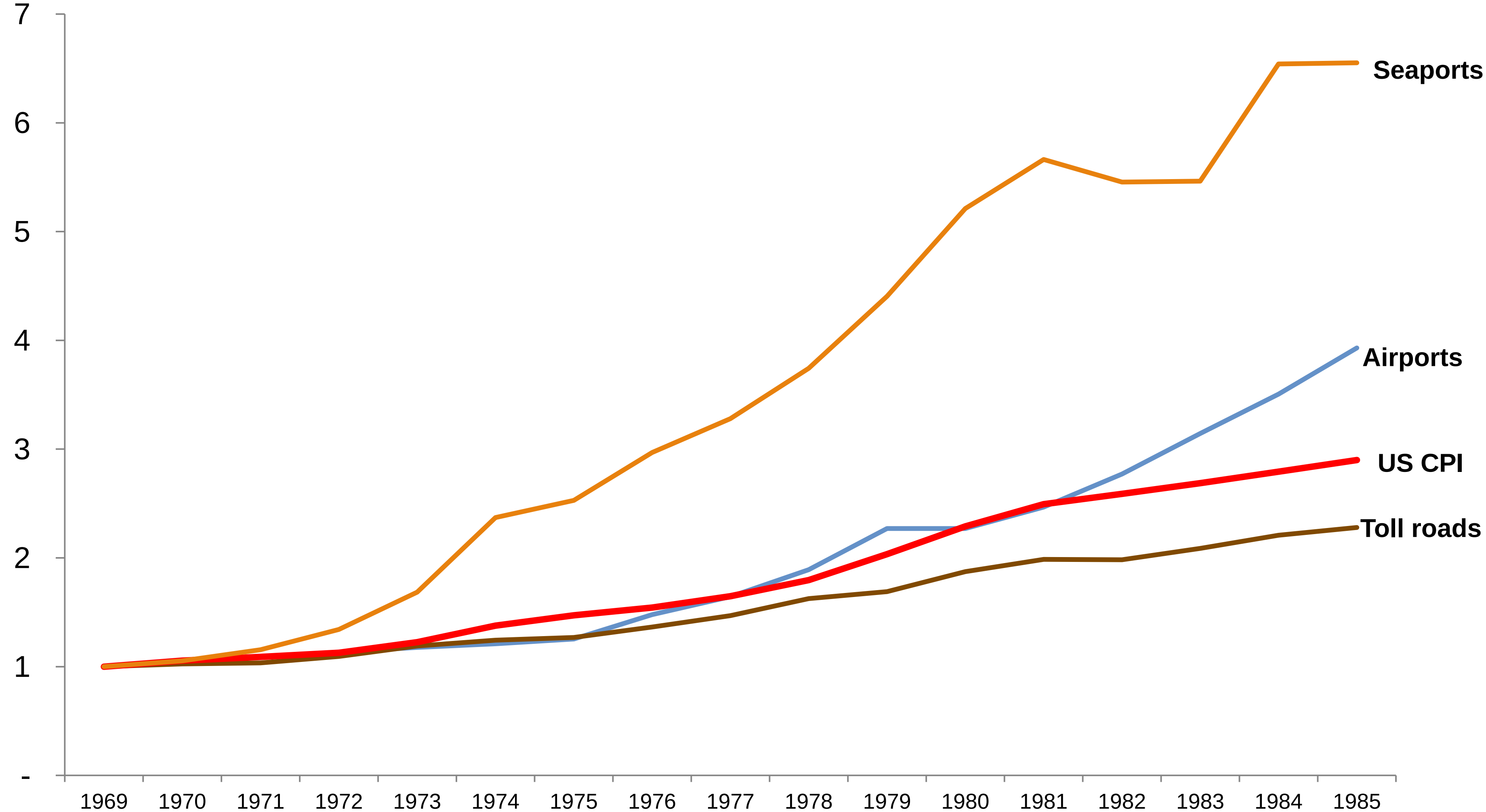
Infrastructure proved itself last time; 60/40 didn't deliver



Source: J.P. Morgan Asset Management GRA Research

... including the transportation infrastructure

Gross revenue estimates and inflation, 1970 to 1985 inflationary period

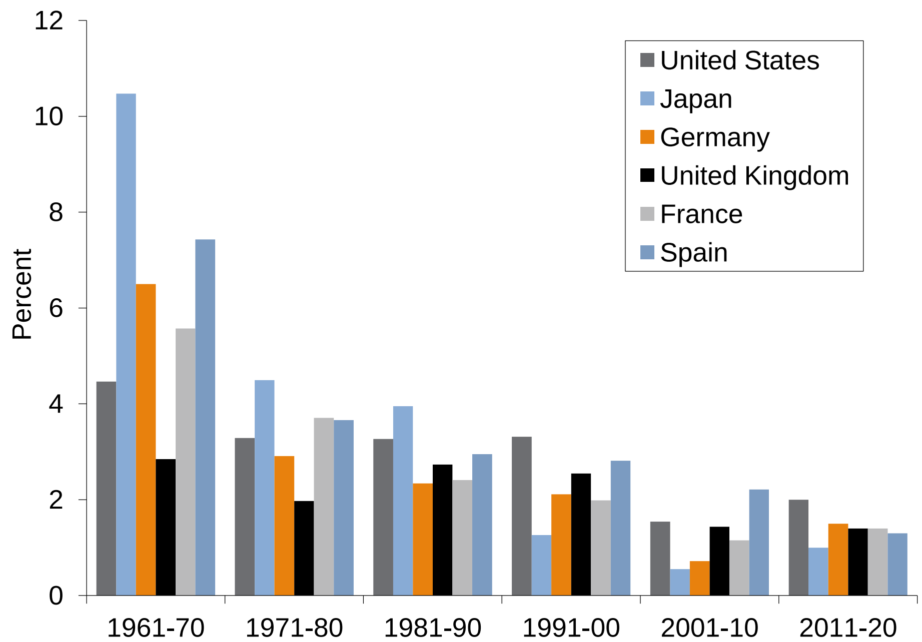


Source: J.P. Morgan Asset Management GRA Research

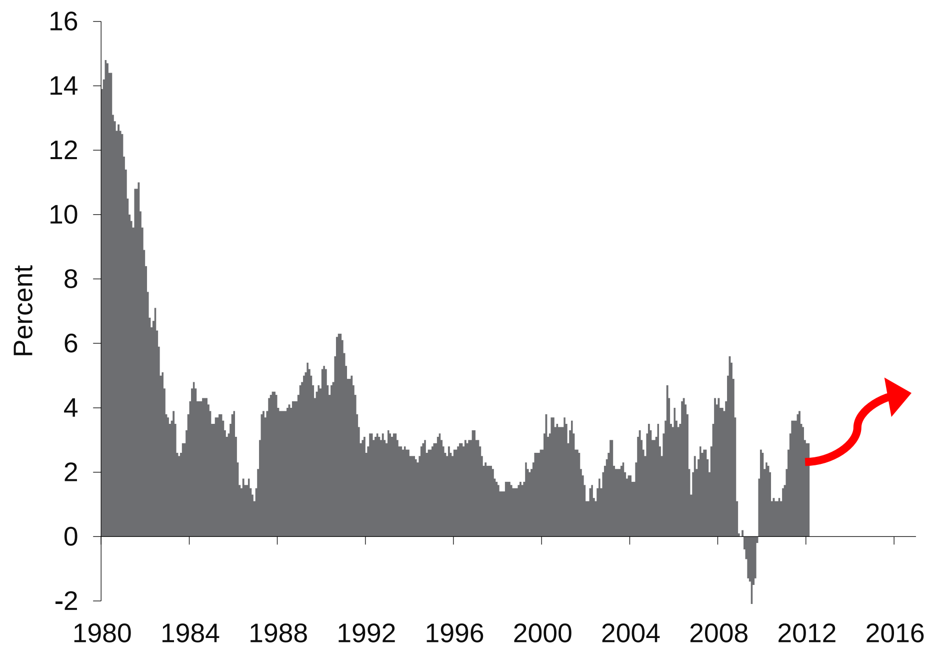
Market Overview and Outlook

Infrastructure performs relatively better in low GDP growth environment and is one of the best long-term inflation hedges

Real GDP growth rates, decade averages



U.S. inflation



Advantaged sectors

- Regulated utilities
- Long-term contracted assets
- Ports/airports/toll roads (with a focus on appropriate growth expectations)

Advantaged sectors

- Regulated utilities
- Toll roads/parking where rates are indexed to inflation
- Other inflation indexed assets

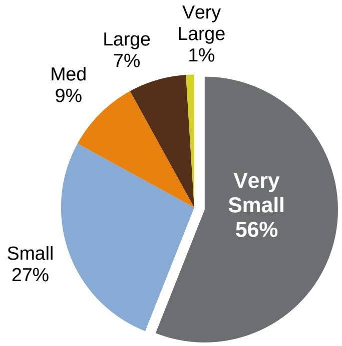
Source: Bloomberg and J.P. Morgan Asset Management Infrastructure Investments Group estimates.
Data as of March 31, 2011.

Source: Bloomberg and J.P. Morgan Asset Management.
Data as of February 29, 2012.

Market outlook and opportunities

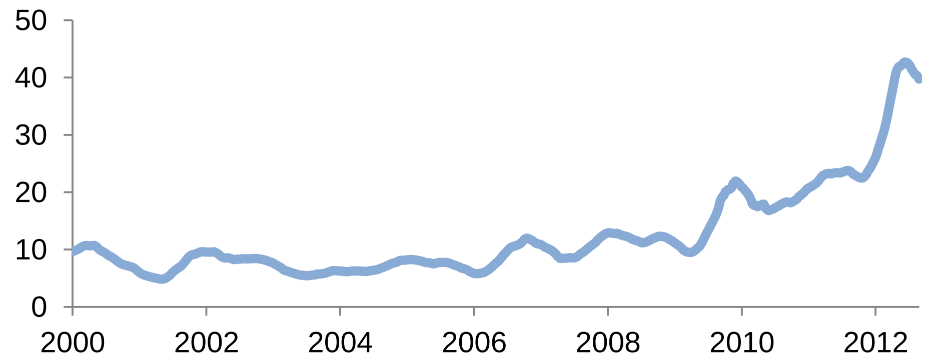
Highly fragmented water sector (50,000 independent systems) cannot cope with huge capex needs ($335 billion through 2026)

U.S. water utility systems by size (# of connections)[1]



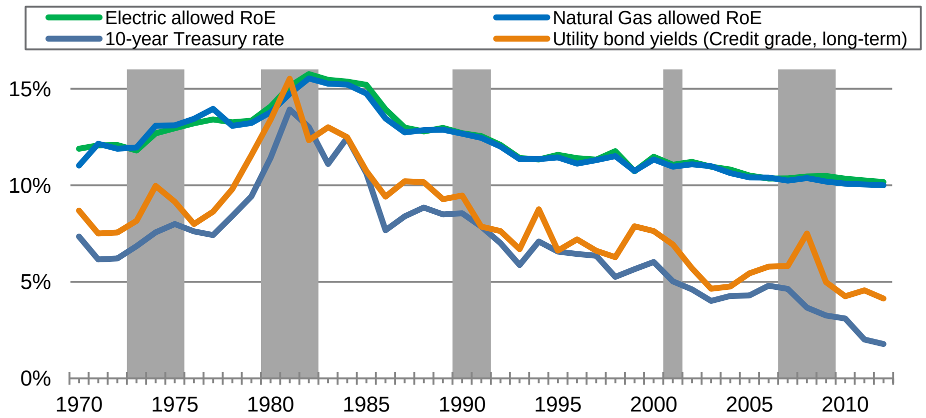
Stable and lower natural gas prices in the foreseeable future

Crude oil price (WTI) / natural gas price (Henry Hub) ratio[3]



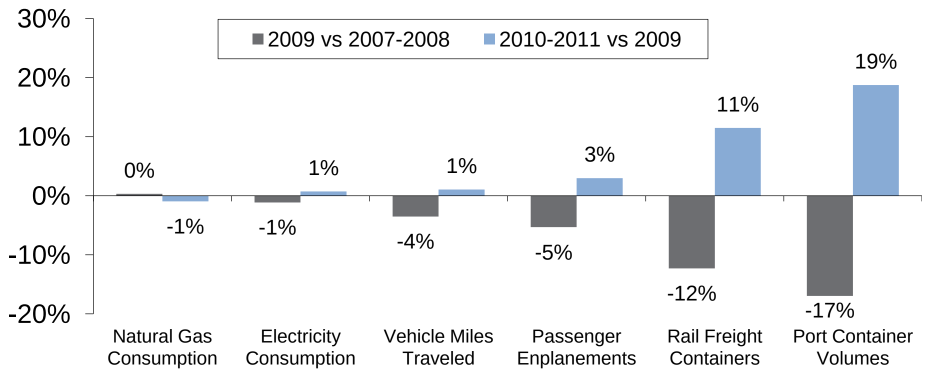
Allowed ROE for utilities should go up as interest rates rise

Average Allowed ROE for Electric and Natural Gas Utilities and Interest Rates in the US[2]



Improving economic activity suggests adding higher beta assets*

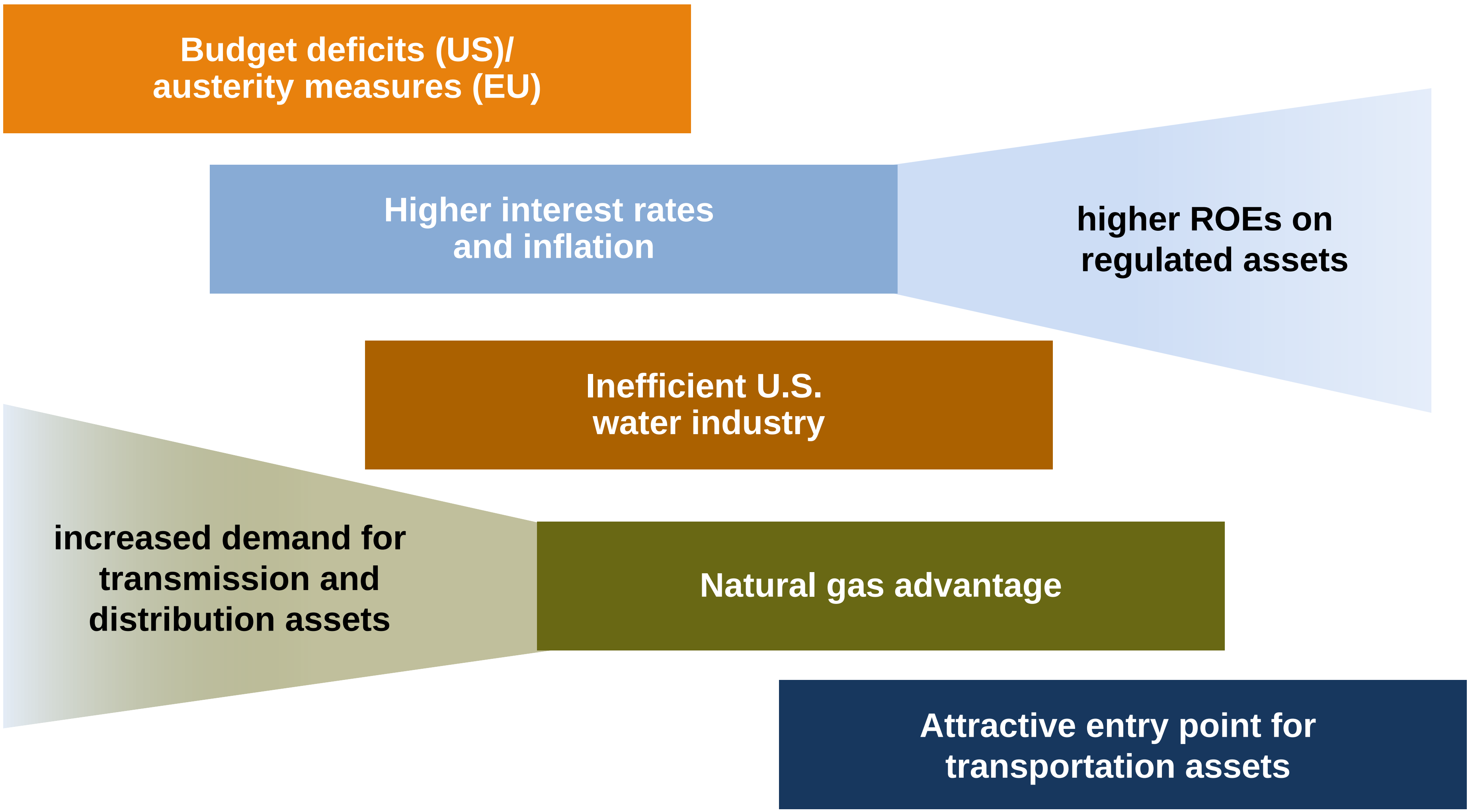
Infrastructure usage in the U.S.[4]



Sources: [1]Bloomberg and JPMAM, as of 2010; [2]Regulatory Research Associates, Barclays Capital and J.P. Morgan Asset Management as of 2012; [3]Bloomberg and JPMAM,as of August 2012; [4]Energy Information Administration (Electricity and Natural Gas consumption), Federal Highway Administration (VMT), Bureau of Transportation Statistics (Passenger enplanements), Ports of LA, Long Beach, NY-NJ, Oakland, Savannah, Seattle, Tacoma (collectively handling more than 70% of the container traffic in the U.S.), and JPMAM; * Natural gas and electricity consumption by residential and commercial consumers only.

Current opportunities in infrastructure

Major long-term trends and expected trend changes impacting both the supply and demand of services provided by infrastructure assets



Accessing infrastructure investing

J.P.Morgan
Asset Management

Terminology: ways to access infrastructure

FUNDS

- Commingled vehicles (Global/Regional/Sector)
- Limited or unlimited duration
- Ownership of fund units

CO-INVESTMENT

- Alongside a fund investment
- In-house execution capability
- Direct ownership of assets/shares

SEPARATE ACCOUNT (DIRECT)

- Leverage capabilities of strategic partners
- Customized to objectives
- Direct managed ownership of assets/shares

SELF DIRECTED

- Fully staffed in-house capabilities
- Self-sourced and managed
- Direct ownership and management of assets and liabilities

Other large pension systems have turned to infrastructure for solutions

Investor	AUM	Real Assets Allocation	Infrastructure Allocation	Infrastructure Target ($)	Infrastructure Inception Date	Infrastructure Execution
US Pension Systems						
CALPERS	$ 238 billion	12%	*3%*	$6.8 billion	2003	Funds, Direct
CalSTRS	$152 billion	15%	*2.5%*	$3.8 billion	2004	Funds, Direct
Florida State Board of Administration	$ 152 billion	9%	*2%*	$3 billion	2009	Funds
Washington State Investment Board	$68 billion	16%	*2.5%*	$1.7 billion	2007	Funds, Co-Investments
Canadian Pension Systems						
CPP Investment Board	$166 billion	17%	*8%*	$12.6 billion	2004	Funds, Direct
OMERS (Borealis Infrastructure)	$54 billion	53%	*30%*	$16.5 billion	1998	Direct
Australian Pension Systems						
Australia Super	$44 billion	25%	*14%*	$6.1 billion	1994	Funds, Direct
Retail Employees Superannuation Trust	$22.4 billion	24%	*10.4%*	$2.3 billion	1998	Funds, Direct
Health Employees Super	$19 billion	27%	*12%*	$2.3 billion	2001	Funds, Co-Investments
European Pension Systems						
APG - All Pensions Group	$385 billion	13%	*3%*	$11.6 billion	2004	Funds, Direct
National Pensions Reserve Fund of Ireland	$18 billion	18%	*5%*	$0.9 billion	2010	Funds, Co-Investments

The pension systems above have infrastructure strategies diversified by geographic region and sector

Source: Plan annual reports, Preqin 2011-2012. All percentages denote target allocations.

Large investors typically start with funds and evolve over time to co-investments and direct investments

	SBA (State Board of Administration – Investing for Florida's Future)	Washington State	apg	CalPERS	OMERS
	2009	2007	2004	2003	1998
Total AUM	$152 Billion	$68 Billion	$385 Billion	$238 Billion	$54 Billion
Infra Goal	$3 billion (2%)	$1.7 billion (2.5%)	$11.5 billion (3%)	$7 billion (3%)	$16 billion (30%)
Infra Actual	$100 million (0.07%)	$900 million (1.3%)	$7.7 billion (2%)	$1.7 billion (0.75%)	$14.4 billion (27%)
Approach	100% Funds	Funds + Co-Invest	Funds + Co-Invest + Direct	Funds + Direct	100% Direct

Source: Plan annual reports, Preqin

Open-end format: The preferred approach to core+ infrastructure investment

Transparency

- Specified portfolio of known assets and values

Immediate yield

- Distributions available beginning from quarter after initial funding
- Growing cash flow
- Long-term liability matching

Reinvestment capabilities

- Existing assets allow reinvestment, expansion and growth
- Opportunities for capital investment at lower risk

Leverage talent

- Ability to utilize existing management teams across portfolio companies

Liquidity

- Periodic investment and repurchase windows for rebalancing or other cash management

Thank you – Questions?

Appendix

Indicative infrastructure portfolio

Regulated Assets: Water

SouthWest Water Company

Locations: California, Texas, Alabama, Oklahoma and Mississippi

Southern Water Services

Location: southeast England

Regulated Assets: Energy

Summit Utilities

Locations: Colorado and Missouri

Electricity North West

Location: northwest England

Transportation

Noatum Ports

Location: Spain

North Queensland Airports

Location: North Queensland, Australia

Contracted Power Generation

Southwest Generation

Locations: California, Colorado, Nevada and New Mexico

Coastal Winds

Locations: Texas, Oregon and New York state

Zephyr Wind

Location: United Kingdom

Platform Investment Company

Opportunity for reinvestment, expansion, and growth

Aggregate Fund Overview

Total annualized Revenues	$2.6bn
Total annualized EBITDA	$1.5bn
Total number of employees	7,600

Summit Utilities

Key Facts

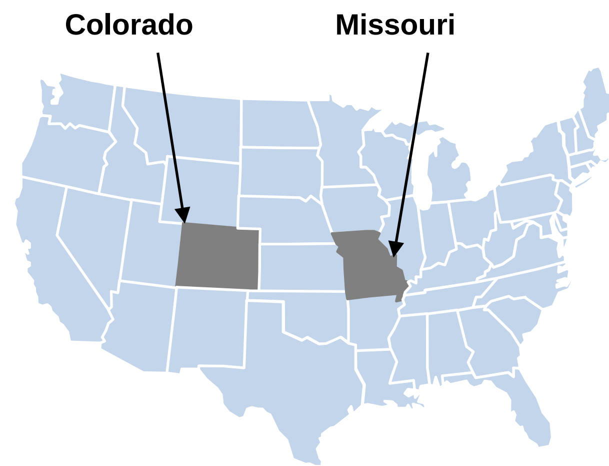
- Regulated natural gas distribution company with operations in Colorado and Missouri
- Serves and targets extra-urban customers

Investment Thesis

- Regulated company with exclusive rights to provide natural gas to a growing consumer base
- Effective growth platform and management team, to pursue organic growth and acquisitions
- Natural gas enjoys a price advantage over oil and propane

Current Initiatives

- Focus on continued execution of expansion initiatives
  - Delivery of Lake of the Ozarks (Missouri) and South Park (Colorado)
  - Continued sourcing and evaluation of new expansion/acquisition initiatives
  - Approved to begin operations in Maine in 2013



U.S.$ mm	2010	2011	2012(F)	2013(F)
Net Revenues	18	23	25	33
EBITDA	9	13	14	22

Financial metrics for the fiscal year ending December 31

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Summit Utilities – LDC Growth Platform

Select Completed Projects

Bailey, CO

Cripple Creek, CO

Gilpin County, CO

Homestead, CO

Teller County, CO

Conifer, CO

MGU North, MO

Pueblo County, CO

Blue River, CO

Warsaw, MO

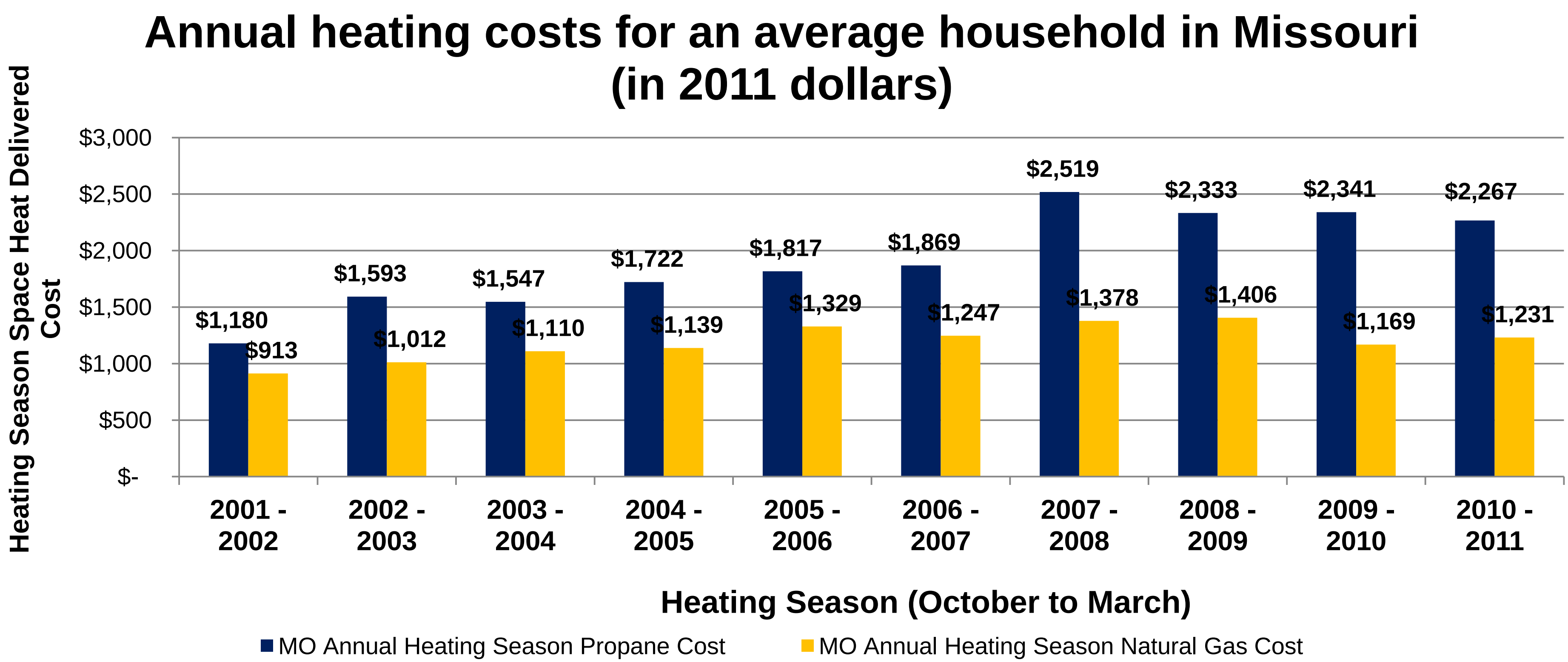
Branson, MO

SMNG Infill, MO

Total Installed Pipe: 1,900 miles
Invested Capital: $156 million

Summit Utilities – Natural Gas vs. Propane Price Advantage

- The keystone of the Summit growth LDC business model
- 30-40% cost advantage is the most significant differential in more than a decade.



Source: JPM IIF Analysis, Bloomberg, EIA, AGA, NYSERDA, NOAA

i) These are estimated costs of delivered fuel to residential customers in Missouri based on EIA residential end-user price data

ii) Average household is assumed to consume 1,000 gallons of propane or 85 mcf of natural gas in a normal year

iii) Adjusted for historical heating degree day differences from the 30-year normals

iii) Adjusted for US CPI inflation

Summit Utilities – Customer Growth Through Expansion and Acquisition

North Queensland Airports (NQA)

Key Facts

- Cairns is Australia’s seventh busiest airport; over 4 mm passengers in FY2012
- Mackay handled over 1 mm passengers in 2011 and 2012

Investment Thesis

- Core transportation infrastructure strategically located for Asian growth markets
- Long-term leases (99-years)
- Opportunities for significant growth through route development and commercial revenue enhancements

Recent Key Achievements

- Attracted a Chinese carrier to begin direct scheduled flights to mainland China from Cairns. Looking to attract additional Asian carriers to service another city
- Completed the construction of a walk-through Duty Free facility at the int’l terminal in Cairns
- Land use plans for Cairns and Mackay recently approved

Additional 2013 Initiatives

- Continue to grow passenger traffic at both airports
- Successfully tender, develop and lease an on airport hotel at Mackay Airport
- Position both airports to deliver on aviation and commercial property initiatives

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NORTH QUEENSLAND AIRPORTS

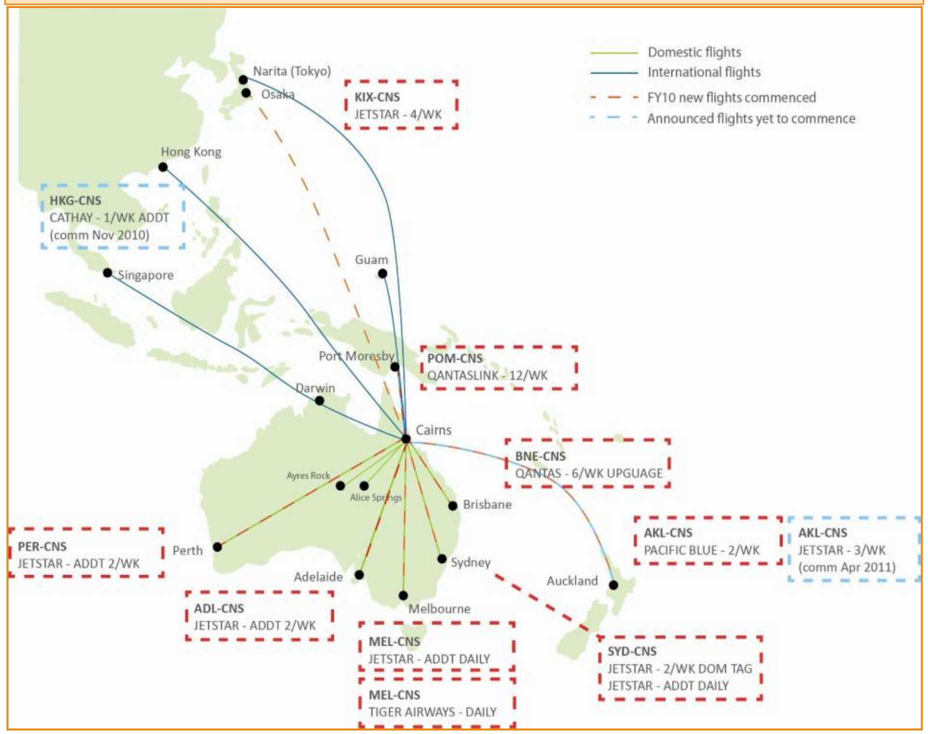
AUD mm	2010A	2011A	2012A	2013F
Revenues	87	103	112	121
EBITDA	45	60	71	79

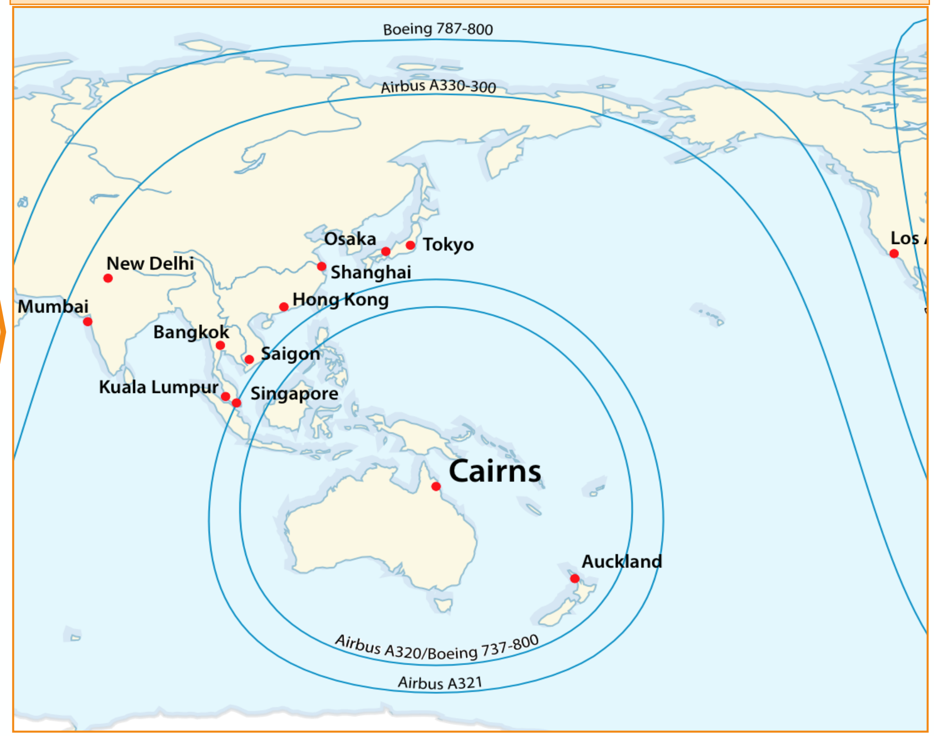
Financial metrics for the fiscal year ending June 30.

NQA – Route development

Focused effort by shareholders and management has resulted in ~900,000 additional seats flying to/from Cairns International Airport since acquisition.

Route development achieved	Potential route development





New route destinations are reviewed for on profitability, technical feasibility and market potential. Given Cairns proximity to the Great Barrier Reef, China, Indonesia, Malaysia and Japan are all growth opportunities.

NQA – Domestic Terminal Re-development

Pre redevelopment / at close	Post redevelopment / by Dec 2011
Terminal layout met airline specifications	Terminal layout common-use check-in (CUTE)
Terminal area was 18,400/m^2	Terminal area was more than doubled
Aeroservice agreements tariff was $7.87/pax	Tariff uplift 30% above underwrite assumptions
Commercial average $2.14/passenger	Commercial revenues average $2.60/passenger
Combined car rental and parking revenues of c.$9m/annum	Car rental and parking revenues increase by c.12%
Estimated construction cost of $202m, with cost uncertainties	Final construction cost domestic terminal $194m
Build project was behind schedule	Opened 3-months ahead of schedule

JPMAM IIG reviewed and agreed amendments to Design & Build contract

Considerations of investing in funds vs. co-investments vs. separate accounts

Considerations for infrastructure investors

More attractive ● Neutral ● Less attractive ●

	Fund Investing		Co-Investments and Direct Investing	
	Open-End Funds	**Closed-End Funds**	**Co-Invest Alongside Funds**	**Separate Account (Direct)**
Lead Time to Execute	More attractive	More attractive	Neutral	Less attractive
In-House Team Capabilities	More attractive	More attractive	Neutral	More attractive / Neutral / Less attractive
Immediate Diversification	More attractive	Less attractive	Less attractive	Less attractive
Transparency / Blind Pool	More attractive	Neutral	More attractive	More attractive
Immediate Income	More attractive	Neutral	More attractive	Neutral
Investor Liquidity	Neutral	Less attractive	Neutral	More attractive
Control	Less attractive	Less attractive	Neutral	More attractive

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Risks and disclosures

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ADDITIONAL INFORMATION ON SPECIFIC PRESENTATIONS

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General risk: There can be no assurance that the Fund will succeed in meeting its investment objective or Portfolio Target Return, or that there will be any return on capital or of the original capital invested. Investors will only have recourse to the assets of their particular Fund Investor Vehicle for any losses suffered.

Risks associated with infrastructure investments generally: Investing in infrastructure assets involves a variety of risks, not all of which can be foreseen or quantified, and which include, among others: the burdens of ownership of infrastructure; local, national and international economic conditions; the supply and demand for services from and access to infrastructure; the financial condition of users and suppliers of infrastructure assets; risks related to construction, regulatory requirements, labor actions, health and safety matters, government contracts, operating and technical needs, capital expenditures, demand and user conflicts, bypass attempts, strategic assets, changes in interest rates and the availability of funds which may render the purchase, sale or refinancing of infrastructure assets difficult or impracticable; changes in environmental laws and regulations, investments in other funds, troubled infrastructure assets and planning laws and other governmental rules; changes in energy prices; negative developments in the economy that may depress travel activity; force majeure acts, terrorist events, under-insured or uninsurable losses; and other factors which are beyond the reasonable control of the Fund or the Investment Adviser. Many of these factors could cause fluctuations in usage, expenses and revenues, causing the value of the Investments to decline and negatively affecting the Fund's returns.

Lack of liquidity of interests: The Interests are subject to restrictions on transferability and resale under various securities laws and may not be Transferred or resold except in compliance with those laws and with the prior written approval of the applicable General Partner or Board of Directors (which generally may be withheld or conditioned in its absolute discretion). There will be no public market for the Interests.

The portfolio target return is subject to market conditions: The Portfolio Target Return is based on current available investment opportunities and predictions of the infrastructure market and economic conditions generally. Because the Fund has an indefinite term and current estimates of market conditions are likely to change over time, prospective investors should note that the actual realized return over the term of the Fund may vary materially from the Portfolio Target Return. The Investment Adviser reserves the right to amend the Portfolio Target Return without the consent of Investors in the event the Investment Adviser determines, in its absolute discretion, that such amendment is warranted by a material change in circumstances.

Appraisals and valuations: Most of the Fund's Investments will be highly illiquid, and will most likely not be publicly traded or readily marketable. The Investment Adviser, therefore, will not have access to readily-ascertainable market prices when establishing valuations for the Investments, and the Investment Adviser and the Fund can provide no assurance that any given Investment will be valued or sold at a price equal to the value ascribed by the Investment Adviser to such Investment.

Regulatory and tax risks: The operation of the Fund and the tax consequences of an investment in the Fund are substantially affected by legal requirements, including those imposed by ERISA, the Code and regulations promulgated under these and other applicable U.S. laws, and by the laws, including tax laws, of the Cayman Islands, Canada, Germany and any other jurisdiction in which an Entity may be organized, formed or incorporated or in which an Investment may be made. To ensure compliance with such regulations and laws that may affect a group of Investors, the Investment Adviser may, acting reasonably and in good faith, take actions to ensure compliance with such regulations and laws. Such actions or omissions may have an adverse effect on certain Investors. J.P. Morgan does not provide tax or regulatory advice.

Distributions: Unless an Investor has elected to receive cash distributions of Distributable Cash, all Distributable Cash will be reinvested on that Investor's behalf to purchase additional Interests in the Fund Investor Vehicle in which that Investor is invested at the most recent NAV per Interest for that Fund Investor Vehicle. As a result, Investors may incur tax liabilities arising from the activities of the Fund without necessarily receiving cash distributions from the Fund to meet such tax liabilities.

Environmental risks: The Fund may become liable for substantial costs from remedying environmental problems associated with the properties it holds. The costs of any such remediation may exceed the value of the relevant property and/or the aggregate assets of the Fund. Environmental problems may also affect the use and operation of such properties.

Future investments; inability to invest committed capital: The Investments that will be acquired by the Fund have not yet been identified. The activity of identifying, completing and realizing attractive Investments is highly competitive and involves a high degree of uncertainty. The Fund will be competing for investments with other infrastructure investment vehicles, as well as financial institutions and other institutional investors. No assurance can be given that the Fund will be successful in obtaining suitable investments.

Risks associated with Non-U.S. investments: The Fund expects to invest a substantial portion of the Fund's assets outside of the U.S. Such investments involve certain risk factors not typically associated with investing in infrastructure in the U.S. including, but not limited to, risks relating to (i) currency exchange matters, (ii) differences between U.S. and non-U.S. infrastructure markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements, and differences in government supervision and regulation, (iii) certain economic and political risks, including potential exchange-control regulations and potential restrictions on non-U.S. investments, (iv) changes in tax legislation, treaties, administrative practices or understandings, and (v) certain geographically specific risks (such as weather).

Risks and disclosures (cont'd)

Hedging: While under no obligation to do so, the Fund may enter into transactions or investments in relation to any or all of currency exchange, interest rate, inflation rate, commodity or other risks in connection with Investments. It may not be practical or cost-effective to hedge such risks precisely, especially where the magnitude and timing of future cash flows are not known with certainty. Accordingly, there can be no assurance, in such cases, that (a) such hedges will (i) be available, (ii) be available at a reasonable cost, (iii) be sufficient to mitigate the relevant risk or (iv) actually eliminate the risk of fluctuation in rates being hedged or (b) counterparties to any hedging transaction would perform as expected. There is also no certainty that any hedging transaction will prove beneficial to the Fund.

Leverage: The Fund intends to leverage its investments with recourse and non-recourse debt and may also obtain credit facilities or subscription lines. Although the use of leverage can enhance returns and increase the number of Investments that can be made, it can also substantially increase the risk of loss for such leveraged investments.

Diversification: Given the concentration of the Fund's assets in the infrastructure industry, the Fund will be more susceptible to adverse economic or regulatory occurrences affecting that industry than a fund that is not concentrated in a single industry. Such possibly limited degree of diversification means the performance of the Fund may be more susceptible to a single economic, political or social event.

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ALASKA RETIREMENT MANAGEMENT BOARD

Absolute Return Program Changes

Absolute Return Program Changes

- The goal of the ARMB's absolute return program is to produce strong real returns with low volatility and low correlation to other asset classes.
- The program has realized its correlation and volatility objectives, but performance has been too low.
- Staff considered recommending termination of the program.
- In the current investment environment with lower expectations for traditional fixed income and other asset classes, having access to opportunistic and niche investment strategies to generate additional return is important.
- The ARMB has absolute return managers who have demonstrated the ability to generate higher returns in unconstrained opportunistic strategies.

Absolute Return Program Changes

- Staff recommends adopting a more opportunistic and less constrained approach to absolute return.
- The revised program would focus on producing higher returns, with the ability to take on additional risk and market correlation.
- Manager approaches would be individually tailored, but managers would generally be more opportunistic in selecting a concentrated portfolio of investment styles and underlying investments.
- The manager portfolios would have additional risk, most specifically increased volatility, illiquidity, and correlation to other asset classes.
- The revised program is expected to produce higher returns and provide the ARMB with access to investment strategies that reduce dependence on traditional asset classes in a challenging investment environment.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	Absolute Return/Portfolio Structure Discussion	ACTION:	
DATE:	February 12, 2013	INFORMATION:	**X**

BACKGROUND

Following the August 23, 2012 Manager Review Meeting in Denver with the general consultant and IAC members, a future meeting was scheduled to discuss in further detail changing asset class and allocations – particularly absolute return. This meeting occurred December 18, 2012 in New York City; participants were Gary Bader, Judy Hall, Michael O'Leary and Paul Erlendson of Callan Associates, Inc., and IAC members Dr. Jerrold Mitchell, Dr. William Jennings, and George Wilson.

MEETING NOTES:

Discussion: Potential Elimination of Absolute Return Asset Class. Gary Bader provided a summary of the status of the absolute return asset class based on previous group discussions, as well as return information provided by Callan. The absolute return asset class has not achieved the stated goal of Libor +5%, but the constraints imposed regarding volatility and liquidity may have contributed to the failure; the high fees commanded by hedge fund of funds are also an issue. Elimination of the asset class raises the question of where to put those assets that can provide greater returns to the trusts.

Mr. O'Leary agreed with the summary and added that there may be some benefit from some specific targeted funds. Dr. Mitchell questioned whether elimination of the asset class is based first on a sufficient time period, and second whether we are unhappy with the asset class, managers, the concept, or if the low interest rate environment prevents achieving the stated goal. Mr. Wilson stated that more equity risk is necessary in the portfolio to achieve 8% returns, and unless the asset class can achieve equity returns with low volatility, given the high fees, he favored elimination. Dr. Jennings advocated for a lower 5% constraint (which effectively becomes the target) in absolute return when the new asset allocation targets are developed. He highlighted that the proposed "way ahead" would mean more dollars allocated to fewer managers, but he supported that approach and did not support seeking an additional HFOF manager.

Mr. Bader stated that he and staff had looked at investment products that might be appropriate for moving assets from the absolute return class to a special opportunistic bucket looking for equity-like returns, but with less volatility. To that end, Crestline Investors, Inc., GAM USA Inc., and Prisma Capital Partners LP were invited to discuss new investment ideas, followed by a lengthy group discussion of each proposal. Dr. Jennings noted that since the Callan capital market assumptions presumed higher-risk, higher-return hedge fund of funds than those engaged by the board, then it is appropriate to allow Prisma and Crestline to pursue higher-return targets in accordance with their presentations. The group discussed revising the benchmark for the asset class.

Consensus: Absolute Return to remain in current asset mix, but with Crestline Investors and Prisma Capital Partners moving assets to new opportunistic funds. Presentations will be made by Crestline and Prisma at the February trustee meeting for the Board's consideration to modify those mandates. GAM will continue with current mandate, but will be invited to present an equity higher return proposal at a future date. The benchmark will be created to reflect the equity-like risk taken with new funds – a 70/30 ACWI/BC Aggregate blend.

Discussion: Active *versus* Passive Investment. Mr. Wilson stated that ARMB's public equity investments had lagged the benchmark over long periods of time. He expressed concern that the fund's performance was in the bottom quartile for all reporting periods in Callan's public fund data base, referring to page 18 of the Callan 9/30/12 Quarterly Review Report. Given ARMB's inability to beat the passive benchmarks, he recommended that the fund consider fully indexing the public equity portfolio. Mr. Wilson also stated his concern regarding the ability to meet the 8% earnings assumption in the Investment Policy Statement, noting that the fund's performance for all long term periods was less than 8%. Mr. Bader noted there had been different benchmarks in place over the years and that style bias, cap weightings, and the inclusion of strategies that don't have the same risk profile as equities in the equity pool distort the analysis. Dr. Jennings reiterated his preference for specific percentage passive-investment targets in large cap, small cap, and developed international markets. Dr. Mitchell agreed that beating the Russell 3000 is difficult, and if you don't want to try, then index; otherwise find the best managers and try. Mr. Bader stated his intention to prepare a presentation to the board on active management's impact on the fund, probably at the April meeting

Discussion: Portfolio Structure/Asset Allocation/"Other". Dr. Mitchell stated he was pleased to see the "Other" category for Relational, Buy-Write, etc. Dr. Jennings concurred. Mr. O'Leary noted that for asset allocation purposes, an "other" category needs to be broad and have a proxy. Dr. Jennings said he has been an advocate for broad asset allocation categories in the past – he noted that while ARMB's fixed income allocation was smaller than the average public plan, the overall risk level was such that there was room for more risk-taking in today's low bond return environment.

Crestline

Alaska Retirement Management Board

February 12, 2013

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Crestline Research Associates, Inc. · 375 Park Avenue, Suite 2505 · New York, New York 10152 · (212) 584-4140
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Topics to Be Addressed

Crestline

Crestline Blue Glacier Proposal

Crestline

- Crestline proposes to modify the Blue Glacier account to an opportunistic mandate
- Strategies pursued will primarily be long only vs. hedge funds
- Crestline has a long history of opportunistic investing with long-term track records, $1.9 billion of institutional assets and substantial firm infrastructure devoted to these strategies
- The Blue Glacier account will be a separately managed account of the Opportunity Fund II strategy which is the sixth opportunistic fund raised by Crestline
- Crestline will manage a seamless transition by internally funding capital calls for the opportunistic share class by liquidating existing hedge fund investments as needed

Crestline

Crestline Firm Overview

Organizational Highlights

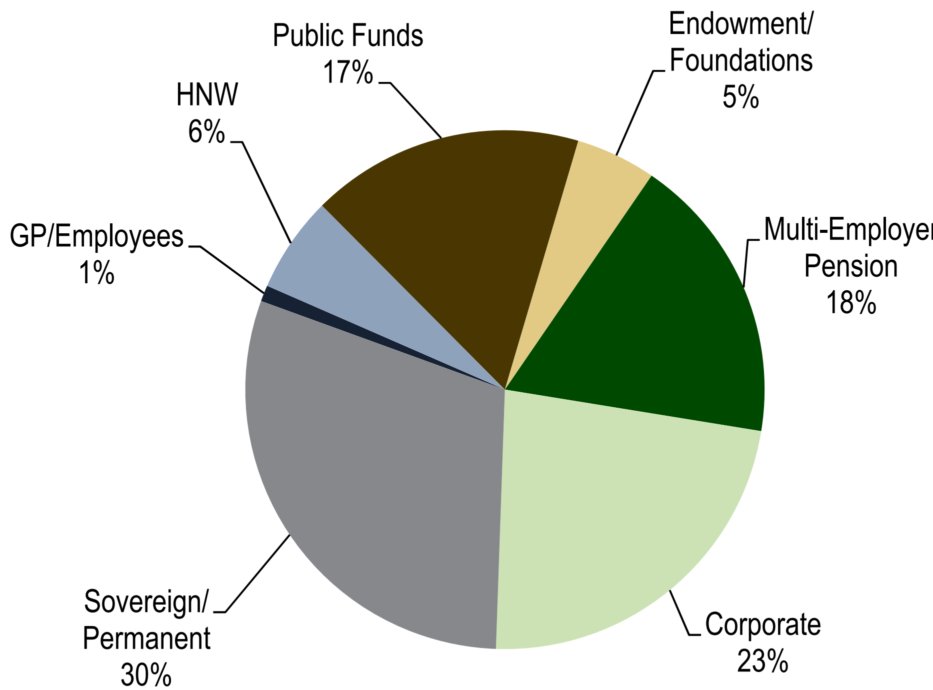
Crestline

Experienced Management Team	• Three partners have a combined 83 years industry experience in trading, direct investing, management and due diligence of alternative investment strategies • Eighteen senior investment professionals average 17 years investment experience
Strong Institutional Focus and Client Base	• Infrastructure built to meet demands of institutional clients • High quality client servicing with open book policy and knowledge transfer • 93% institutional investor base
Stable Organization	• Inception of Firm 1997 • Manage approximately $7.3 billion* in AUM • Crestline Management, L.P. has been a registered investment adviser with SEC since 2002 and is an ERISA Fiduciary • Employee owned firm with low turnover

*AUM estimated as of 1/1/2013 includes uncalled capital commitments and beta overlay notional amounts.
See Notes to Performance History & Comparisons.

Client Base

$7.3 billion of Firm
assets under management



93% of Crestline's assets
are from institutional investors

AUM estimated as of 1/1/2013 includes uncalled capital commitments and beta overlay notional amounts.

Institutional Product Array

A family of funds with complementary investment approaches

Core Diversified Strategies ($3.2 bn)[1]	Opportunistic Strategies ($1.1 bn)	Private Credit Strategies ($0.8 bn)[1]	Beta and Hedging Strategies ($2.2 bn)
Crestline Partners Launched 10/1997 Low volatility, absolute return Offered onshore, offshore and ERISA Target return: LIBOR + 400bp Target risk: < 4% standard dev.	**Crestline Opportunity Fund I** Launched 9/2005 Opportunistic, absolute return Offered onshore and offshore Target return: LIBOR + 800bp **Crestline Opportunity Fund II** Initial Close: 11/2012 Flexible and opportunistic mandate Target return: 12%-16% net	**Customized Credit Mandate** Launched 7/2011 Evergreen private credit mandate Benchmarked to global high-yield index Concentrated portfolio Draw-down structures focusing on private credit assets	**Customized Derivative Based** Launched 12/1998 Customized equity and bond overlays Tail-risk hedging Hedging of specific exposures Opportunistic trades Tactical rebalancing Liability-driven investing
	Crestline Recovery Fund I Launched 2/2009 Secondary fund interests and direct investments Target return: 20% net **Crestline Recovery Fund II** Launched 1/2011 Secondary fund interests and direct investments Target return: 18%-20% net **Crestline Recovery Fund III** Initial Close: 11/2012 Secondary fund interests and direct investments Target return: 15%-18% net		

Strategic Partnerships

AUM estimated as of 1/1/2013 includes uncalled capital commitments and beta overlay notional amounts.

[1] These strategies include other specialized portfolios in addition to the funds listed.

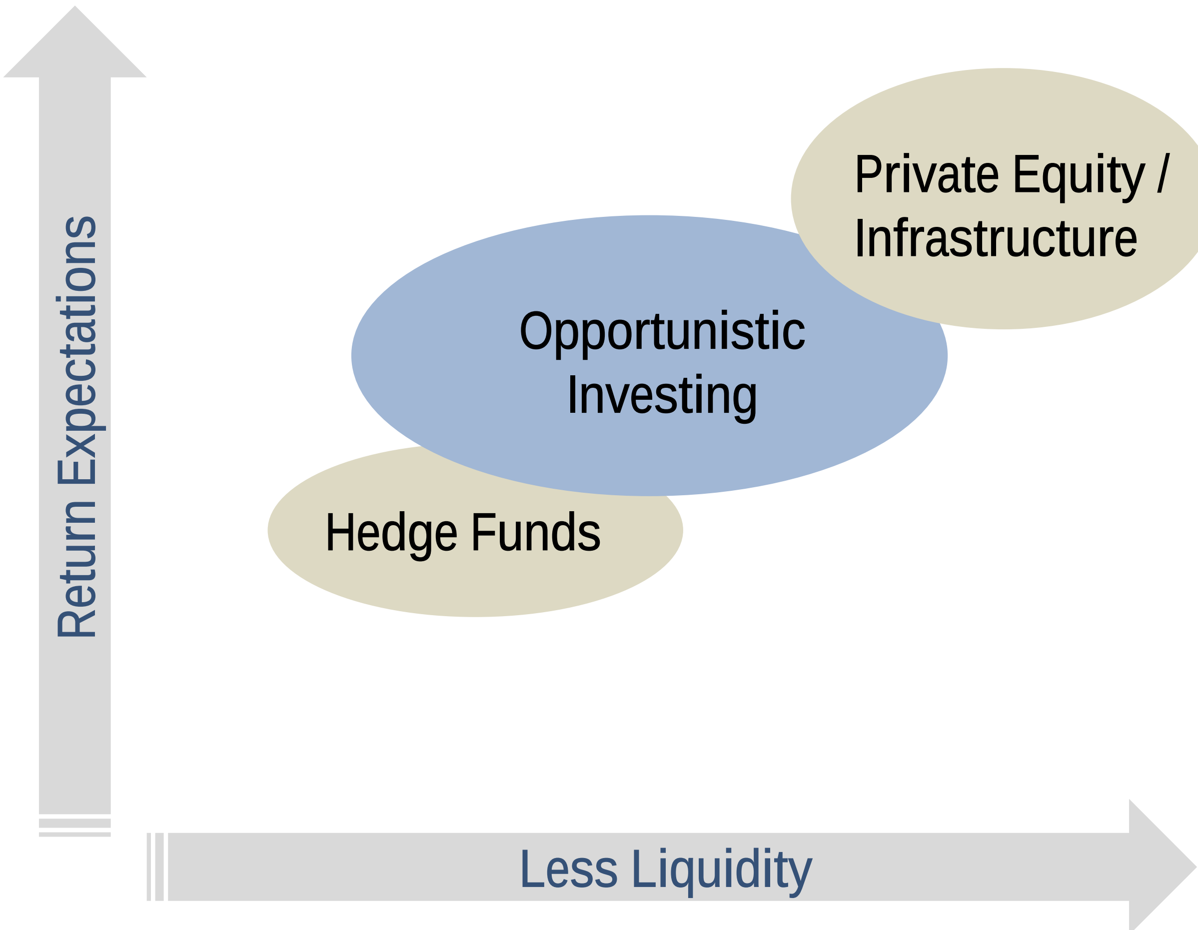
See Notes to Performance History & Comparisons.

Crestline

The Investment Opportunity

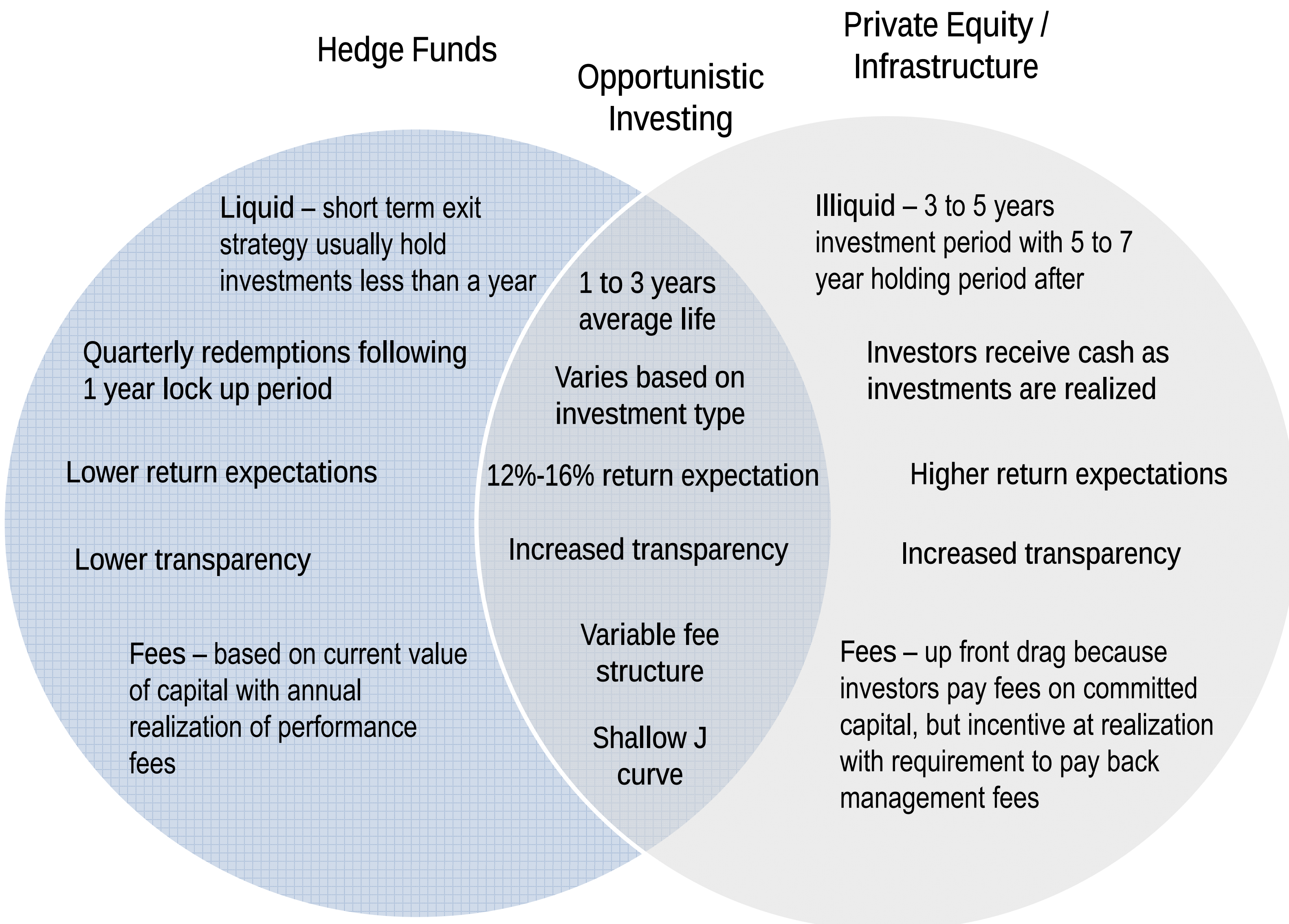
Overview of Alternative Assets

Generally investors in alternative assets are compensated for investing in less liquid assets



Space Between Hedge Funds and Private Equity

Crestline



The Investment Opportunity

Crestline

After the 2008/2009 financial crisis, several important market dynamics occurred that created a compelling environment for investors with liquidity and the ability to pursue an opportunistic mandate

- Proprietary capital available for opportunistic investments has decreased

- Many investors are demanding liquidity from their hedge fund investments with important consequences:

  - Managers are either unable to pursue illiquid opportunities, or
  - Managers must create specialized, niche-oriented vehicles for less liquid opportunities which are difficult for institutional investors to access and diligence

- Credit has become scarce. Banks, CLOs and other lenders have curtailed risk taking and are avoiding the illiquidity associated with lending and cash flow strategies

- Up to $60 billion of unmet hedge fund redemptions remain, providing an opportunity to purchase these interests in the secondary market at meaningful discounts to intrinsic value

Crestline Opportunistic Strategies History

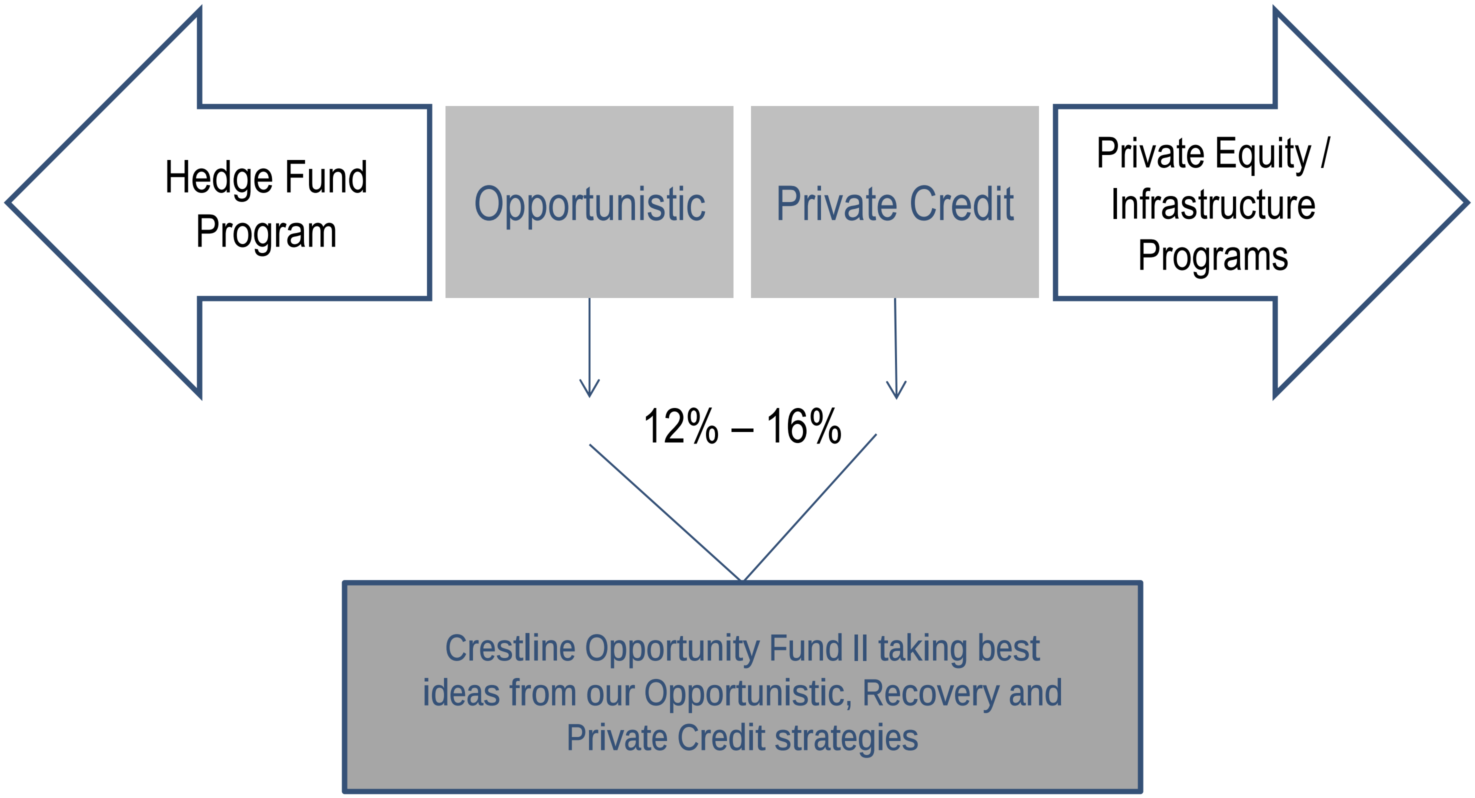
Crestline's Opportunistic Strategy Capabilities

Crestline

- Industry leading position in opportunistic and private credit strategies
- Exceptional long term track records and approximately $1.9 billion in assets under management in these strategies
- Dedicated teams devoted exclusively to these strategies
- Consistent, repeatable investment process that is fully supported by the Crestline platform

See Notes to Performance History & Comparisons.

Alternatives Universe



See Notes to Performance History & Comparisons.

Opportunistic Universe

Crestline

Opportunistic Strategies

HF Secondaries		"Niche" Alternatives				Private Credit		
Fund Interests	Direct Investments	Asset Based	Cash Flow Strategies	Structured Finance	Structured Credit	Opportunistic Credit	Performing Credit	Distressed
Sidepockets	Private Assets	Healthcare Royalty	Consumer Finance	Capital Relief	CDO/CLO	Performing and Non-Performing Loan Pools	Middle Market Secured Loans Direct or Club Deals	Control Debt and Equity
Liquidating Trusts	Private Credit	Entertainment Royalty	Film Finance	Litigation Finance	Mortgage Finance	Trade Claims	ABL Secured Lending	Non-Control Debt and Equity
Redemption Accounts	Structured Finance	Natural Resources	Other IP	Insurance Linked Products	Asset Backed	Distressed Municipal Credit	Mezzanine Finance/Structured Equity	Turnarounds

Crestline has experience across the opportunistic strategy spectrum

Gray shading represents Crestline's previous investment experience

Crestline's Opportunistic Investing History

Crestline

Crestline's history of opportunistic investing dating back 16 years

2000
First seeding investments

2005
Crestline Opportunity Fund I
- Launched $400 million Crestline Opportunity Fund
- Since inception has returned 109.19% versus HFRI FoF Diversified Index 14.60%[1,2]

2006
- Implemented a short subprime allocation as a hedge against real estate exposure.
- Realized return was over 630%[3]

2009
Crestline Recovery Fund I
- Launched $223 million Crestline Recovery Fund to invest in distressed interests in hedge fund liquidating trusts, side pockets and liquidating funds.
- The IRR since inception is 24.58% with a multiple of capital invested equal to 1.68x[4]

2011
Customized Credit Mandate
- Launched July 2011 as extension of custom distressed mandate
- $700 million evergreen fund

2012
Crestline Recovery Fund III
- Initial close November 1, 2012
- Will invest in secondary fund interests and direct investments

Opportunistic Investing

1986 – 1997
1986 – Caroline Cooley joins Bass

1989 – Doug Bratton joins Bass

Members of team responsible for managing Bass family assets using a flexible mandate and opportunistic investment models

2004
Started developing product dedicated to opportunistic investments:
- Increased institutionalization
- Convergence of traditional hedge fund and private equity markets
- Proliferation of new strategies
- Expansion of Crestline resources and capacity

2006
Customized LDI Mandate[5]

Implemented interest rate overlay mandate for large U.S. Corp. DB plan

2007
Customized Distressed Mandate
- Executed a $500 million Distressed investment mandate
- IRR since inception is 12.17% vs. its benchmark of 6.88%[6]

2011
Crestline Recovery Fund II
- Launched Crestline Recovery Fund II
- Closed with $405 million in commitments[7]

2012
Crestline Opportunity Fund II
- Initial close November 1, 2012
- Structured as a flexible and opportunistic mandate
- Will invest in niche strategies, private credit strategies and hedge fund secondaries

Gray shading represents Crestline's previous dedicated opportunistic funds

Refer to Endnotes in back of presentation.
See Notes to Performance History & Comparisons.

Crestline Opportunistic Strategy

Investment objective:
The funds in our Opportunistic Strategy seek absolute returns with a net return objective of LIBOR + 800 bps. The funds seek to capitalize on current market dislocations and inefficiencies by investing in unique strategies such as cash flow based investments, distressed assets and opportunistic credit. These funds also provide a vehicle for institutions to segregate less liquid hedge fund strategies and also eliminate co-investor risk by matching capital committed with the opportunity set.

Breakdown of current client type[1]:
Public 83%
HNW 16%
GP/Employees 1%

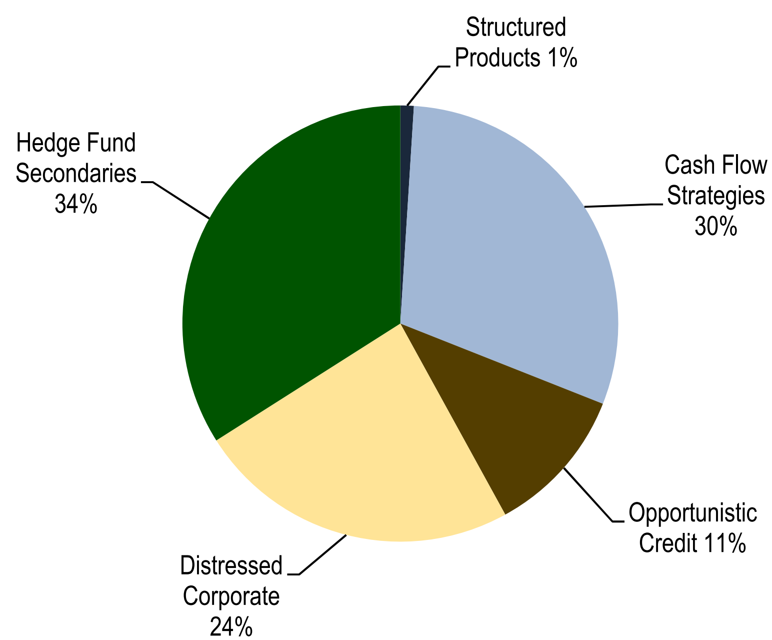
Target return:
LIBOR + 800 basis points

Legal structure:
Onshore: Delaware L.P. \ Offshore: Cayman Ltd.

Size:
Committed: $390 million[2]

Inception date:
September 2005

Allocation by Strategy[3]

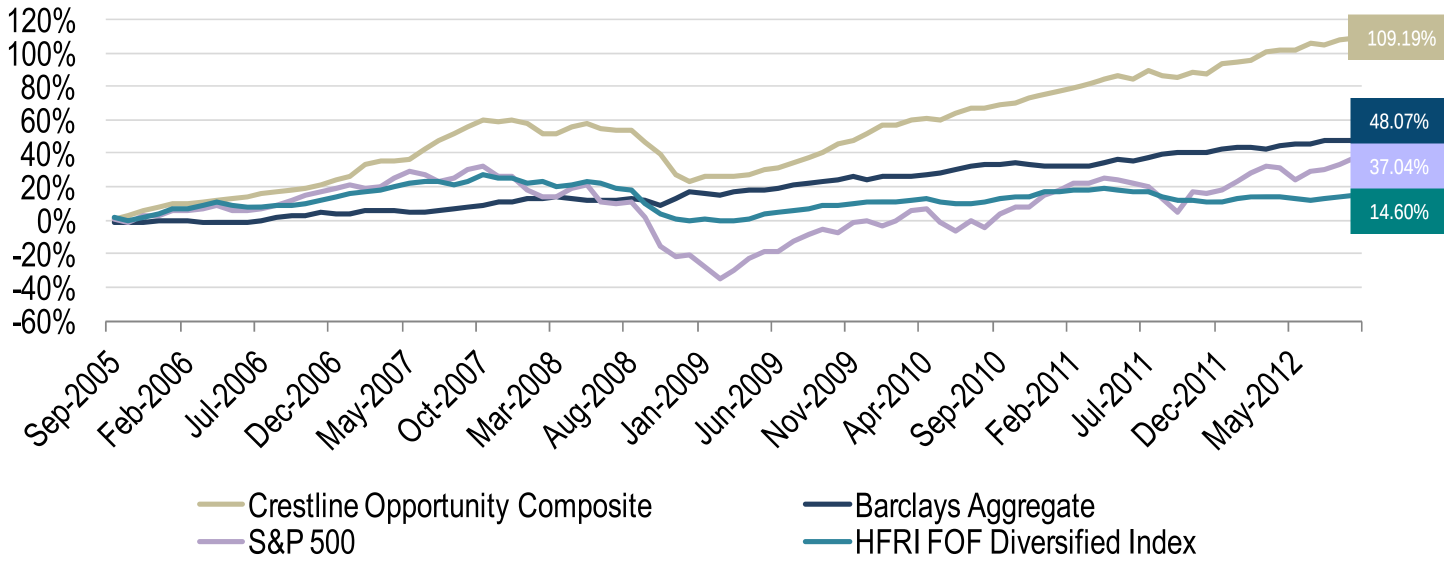


[1] As of November 2012.
[2] Represents the largest amount of capital committed and does not reflect current commitments.
[3] Chart represents Crestline Opportunity Composite as of September 2012. Chart excludes approximately $23 million in cash.
See Notes to Performance History & Comparisons.

Crestline Opportunity Strategy

Crestline

Cumulative Return (September 2005 to September 2012)



	Crestline Opportunity Composite	S&P 500	Barclays Aggregate Bond Index	HFRI FOF Diversified Index
Annualized ITD, net	10.98%	4.55%	5.70%	1.94%
Standard Deviation	7.03%	16.55%	3.34%	5.94%
Sharpe Ratio	1.25	0.24	1.11	0.04
% Positive Months	82%	65%	71%	64%
Beta to Capital Markets	-	0.19	-0.12	0.68
Correlation to Capital Markets	-	0.44	-0.06	0.58

Data represents Crestline Opportunity Composite.
For the period September 2005 to September 2012. RFR = ML 3-Month T-Bill.
See Notes to Performance History & Comparisons.

Crestline

Opportunity Fund II

Opportunity Fund II

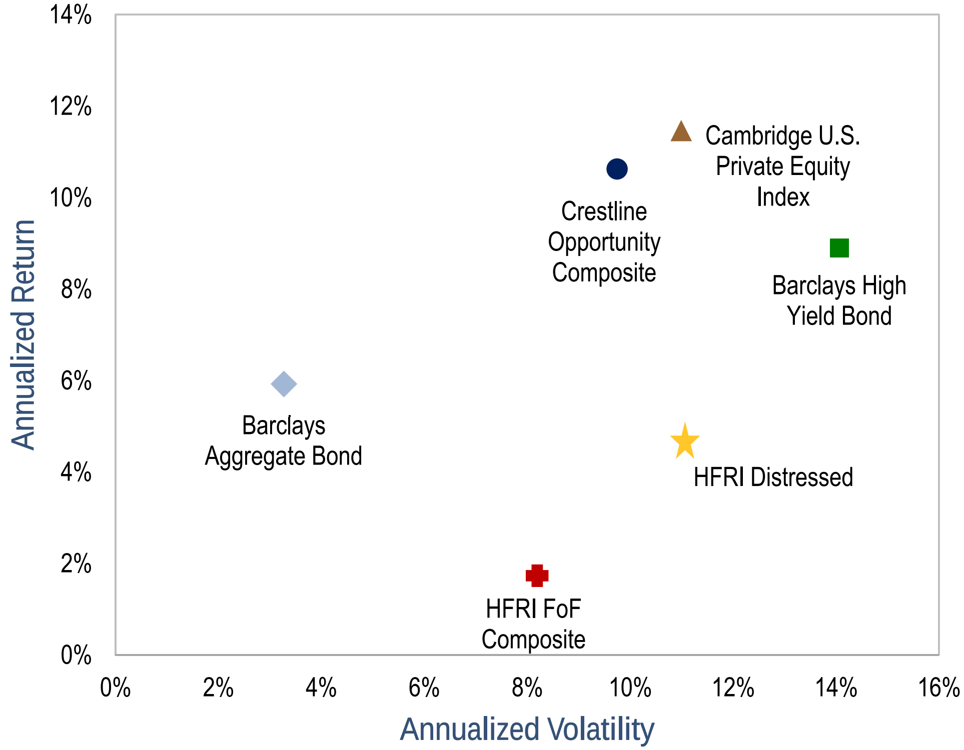
Crestline

- Sixth in a series of opportunistic funds Crestline has managed since 2005
- Structured with a *flexible and opportunistic mandate* that will tactically invest capital in order to take advantage of market dislocations and inefficiencies through investments in:
  - Niche strategies such as asset based royalty streams and other cash-flow strategies as well as structured finance and credit
  - Private Credit strategies such as loans (direct origination and trading), performing and non performing loan pools, trade claims, distressed, and structured credit
  - Hedge Fund Secondaries which include both fund interests and liquidating assets purchased at a discount to intrinsic value

Opportunity Funds vs. Relevant Market Indices

Crestline

October 2005 - September 2012[1]



	Annualized Return[2]	Standard Deviation[2]
Crestline Opportunity Composite	10.62%	9.74%
Barclays Aggregate Bond Index	5.92%	3.27%
HFRI Distressed	4.72%	11.02%
Barclays High Yield Bond	8.90%	14.06%
Cambridge U.S. Private Equity Index[3]	11.46%	10.99%
HFRI FoF Composite	1.68%	8.13%

[1] The data shown in this chart is calculated using quarterly returns starting in October 2005 for comparability with the Cambridge index which is based on quarterly returns.
[2] For the time period October 2005 – September 2012.
[3] Based on a preliminary Q3 2012 return.
See Notes to Performance History & Comparisons.

Opportunity Fund II Investment Objective

Crestline

- Allocate capital opportunistically outside of traditional “buckets”
- Focus on market dislocations and strategies with medium term (one to five years) liquidity
- Target IRR of 12%-16% with shallow J curve
- Receive appropriate compensation for illiquidity

Crestline

Investment Philosophy and Process

Crestline's Opportunistic Investing Philosophy

Crestline

We believe:

- Market dislocations create opportunities
- A unique background is required to properly identify, diligence and execute investments across the opportunistic strategy spectrum
- A flexible mandate allows us to take advantage of investment opportunities in volatile markets
- Opportunistic investments should be evaluated in the context of all available liquid market alternatives in order to ensure proper compensation for risk and illiquidity

Investment Process

Crestline

Top-down approach focused on market dislocations and niche strategies

Structural Flexibility

Fund Investments		Crossover Investments		Direct Investments	
Existing Manager / Platform	New Manager or Strategy	Manager Seeding	Manager Co-Investments	Manager Rescue / Re-structure	Direct

Deep, Asset-level Diligence

Evaluate specific opportunities in context of all available alternatives while performing extensive investment-level diligence

Investment Sourcing

Crestline

- Extensive deal flow from Crestline's focus on opportunistic strategies
  - Extensive strategy due diligence (across the opportunistic spectrum)
  - Over 500 opportunities reviewed in fund history
- Deal flow benefits from current market dislocations
  - Exodus of hedge funds and prop desks from less liquid strategies and dearth of capital available for investment from traditional sources (Example: direct lending and NPL's)
  - Opportunities generated from liquidating hedge funds and financial institutions (Example: hedge fund secondaries and sale of assets due to Dodd-Frank)
- New investors benefit from existing deal flow
  - Three separate sourcing pipelines maintained
  - Additional flow of "seeding" opportunities and direct investments

Investment Structuring

Crestline

- Negotiate features to preserve capital and add value
  - Secure value added options where possible – fee breaks, additional transparency, advisory board representation, non-promoted co-investment rights, veto rights, etc.
  - Seek increased compensation for illiquid / esoteric assets or extended investment horizons

- De-risk the portfolio
  - Build stable, current return investments as a substantial part of portfolio
  - Focus on structured downside – with the goal that investments should not be significantly impaired

- Seek investments with asymmetric return profiles
  - Current example: CLO mezzanine securities
  - Current example: Deeply discounted residential whole loans

Portfolio Construction

Crestline

- Strategy allocation
  - Allocate across three strategy buckets
  - Top down – strategy opportunities
  - Bottom up – individual investment opportunities
- Position sizing
  - Target 15-20 core positions
  - Diversified positions can be larger
- Public market knowledge
  - Take advantage of dislocations
  - Leverage public market knowledge to evaluate liquidity premiums
- Hedging
  - Use Crestline's imbedded knowledge
  - Incorporate asymmetric hedges when priced correctly

Risk Management

Crestline

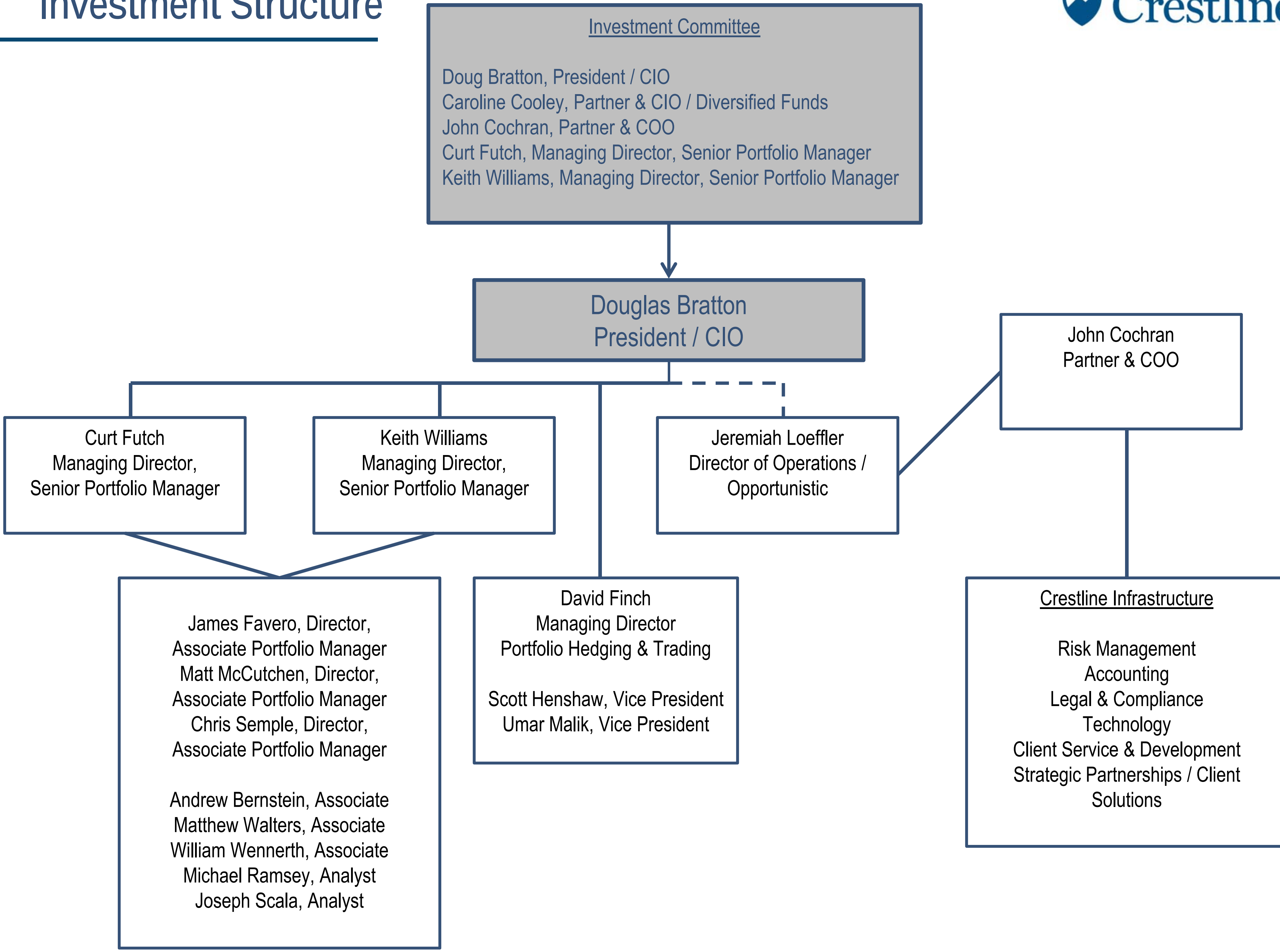
- Risk is evaluated primarily based on ability to mitigate investment impairment vs mark to market
- Primary control is position sizing
- Additional risk mitigation from structural features
  - Board and advisory committee positions
  - Veto rights
  - Negotiated structured investment features
- Risk measurement avoids unwanted risk concentration
- Hedging used to neutralize risk or protect against impairment at the deal and portfolio level

Crestline

Investment Team

Investment Structure

Crestline



Experience of Key Personnel

Crestline

- Three partners have a combined 83 years industry experience in alternative assets including hedge funds, private equity, venture capital and structured products. Experience includes trading, direct investing and manager seeding
- Opportunistic team has combined 69 years *opportunistic*, private equity, distressed and credit investing experience
- Firm wide experience diligencing both Funds and direct investments
- Deep experience in niche strategies that are less followed such as healthcare and entertainment royalties
- Crestline is one of four major players in the hedge fund secondary market

Experience of Key Personnel

Crestline

Opportunistic Strategies Team

Curt Futch - Managing Director, Senior Portfolio Manager
- 17 years hedge fund / private equity / investment banking experience evaluating and executing private transactions
- Expertise in leveraged lending, buyouts, strategic acquisitions and recapitalizations

Keith Williams - Managing Director, Senior Portfolio Manager
- 17 years credit / private equity / distressed investing and advisory experience
- Previous experience includes distressed and credit investing in the Special Situations Group at Goldman Sachs & Co., and founder of the restructuring advisory practice at McKinsey & Co.

James Favero - Director, Associate Portfolio Manager
- 12 years experience in private equity / investment banking focusing on deal diligence, execution and value creation
- Expertise in leveraged buyouts, strategic acquisitions, recapitalizations and operational improvement initiatives

Chris Semple - Director, Associate Portfolio Manager
- 12 years hedge fund / private equity / leveraged lending / structured products experience
- Previous experience includes middle market leveraged lending and buyouts for Goldman Sachs

Matt McCutchen - Director, Associate Portfolio Manager
- 11 years hedge fund / private equity / investment banking experience evaluating and executing private transactions
- Expertise in leveraged lending, buyouts, acquisitions and recapitalizations

William Wennerth - Associate
- 3 years investment banking experience
- Previous experience with Bank of America and Morgan Stanley Smith Barney

Matthew Walters, CFA, CPA - Associate
- 5 years investment banking and private equity experience
- Previously with Blackstreet Capital Management, LLC and Stephens Inc.

Andrew Bernstein - Associate
- 4 years of investment banking experience
- Previously with Berkshire Capital Securities LLC and Milestone Advisors LLC

Michael Ramsey - Analyst
- Received masters of finance degree from the Owen Graduate School of Management at Vanderbilt University
- Graduated summa cum laude from Auburn University with undergraduate degrees in civil engineering and finance

Joe Scala - Analyst
- Received masters of business administration degree from Seton Hall University
- Graduated from Amherst College with a undergraduate degree in economics

Crestline

Blue Glacier Modified Fund Terms

Blue Glacier Fund Term Modifications

Crestline

Transition:	[$250,000,000.00 or up to 100%] to be allocated from all existing hedge fund investments of the Partnership to the new opportunistic series within the same fund. The new series would have the terms and mandate described below. In order to fund capital calls for the new opportunistic series we would liquidate the existing hedge fund portfolio to meet those cash needs. We would recommend a Blue Glacier liquidity line from the ARMB to smooth the redemption/investment transition to maximize the use of cash.
Investment Strategy:	The fund is structured with a flexible and opportunistic mandate that will tactically invest capital in Niche strategies, Private Credit strategies and Hedge Fund Secondaries. The fund will seek to achieve superior returns relative to traditional high yield and credit hedge fund strategies by investing in a wide range of opportunistic investments.
Investment Period:	Two years, during which recycling will be permitted. Following the investment period, the fund will go into run-off.
Distributions:	Distributions following the investment period will, at the option of ARMB, be invested in a new opportunistic series or returned to ARMB.
Management Fee and Incentive Allocation:	Management fees on the series will be 0.75% annually. The General Partner will be entitled to an incentive allocation equal to ten percent (10%) of Partnership performance on the series above a preferred return equal to six percent (6%).
Limited Partnership Agreement:	Appropriate amendments will be made to the limited partnership agreement of the Partnership to reflect the foregoing.
Direct Investments:	Not included in the mandate.

Opportunity Strategy Client List

Crestline

Client	Plan Size
North American Pension Plan	$159 billion
North American Pension Plan	$117 billion
Forbes 400 Private Investor	NA
U.S. Permanent Fund	$15 billion
International Financial Institution	$25 billion
U.S. Corporate Pension Plan	$8.5 billion
Top 5 U.S. Non-Profit Health Plan	$42 billion
U.S. Permanent Fund	$42 billion

Appendix

Crestline Recovery Funds

Crestline

Investment objective:
The Crestline Recovery Funds have a flexible and opportunistic mandate, buying undervalued and illiquid assets — whether interests in investment funds, side-pocketed investments or assets directly from liquidating funds or institutions. There is a distressed orientation which focuses on applying illiquidity discounts to the interests of highly motivated or forced sellers. The funds have a private equity format with a set investment period.

Breakdown of current client type[1]:
Pension 48%
Corporate 17%
HNW 16%
F/E 16%
ERISA 3%

Legal structure:
Onshore: Delaware L.P. / Offshore: Cayman L.P.

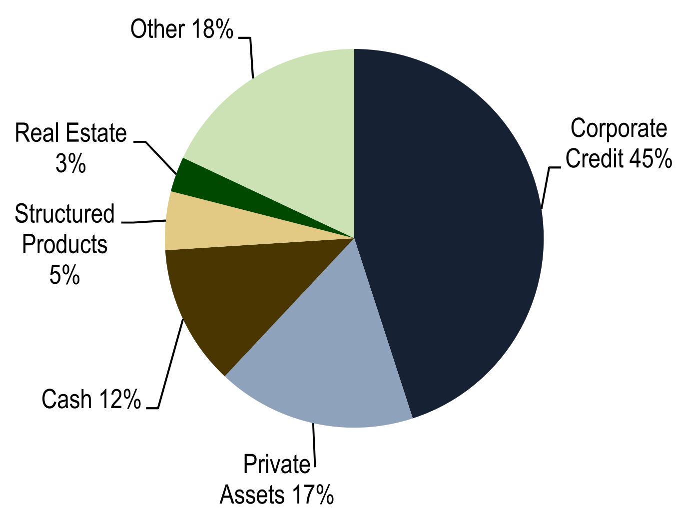
Current size[1]:
Crestline Recovery Funds Strategy: $641 million
Crestline Recovery Fund I: $223 million committed[2]
Crestline Recovery Fund II: $405 million committed[2]

Inception dates:
Recovery Fund I: February 2009
Recovery Fund II: February 2011

Recovery Fund I Statistics

Annualized Returns	Crestline Offshore Recovery Fund I [3,4]
ITD IRR, net	24.58%
Multiple of Capital Invested	1.68x
Realized	1.00x
Unrealized	0.69x

Asset Exposure[5]



[1] As of November 2012.
[2] Represents the largest amount of capital committed and does not reflect current commitments.
[3] Represents a specific investor's account in Crestline Offshore Recovery Fund for the period February 9, 2009 to September 30, 2012 and is based upon distributions made by the Fund to the investor. IRR number includes investor's remaining invested capital in the Fund which remains at risk. Final IRR when all Fund distributions are made could be materially different.
[4] As of September 2012, Inception date is February 2009.
[5] Chart represents Crestline Offshore Recovery Fund I cost basis as of September 30, 2012. Crestline Offshore Recovery Fund I is wholly invested in CL Recovery Trading Fund.
See Notes to Performance History & Comparisons.

Crestline Distressed Mandate

Crestline

Investment objective:
Portfolio managers and investment vehicles will be selected for the purpose of generating long term attractive returns from income and capital appreciation.

Target return:
LIBOR + 600 bps

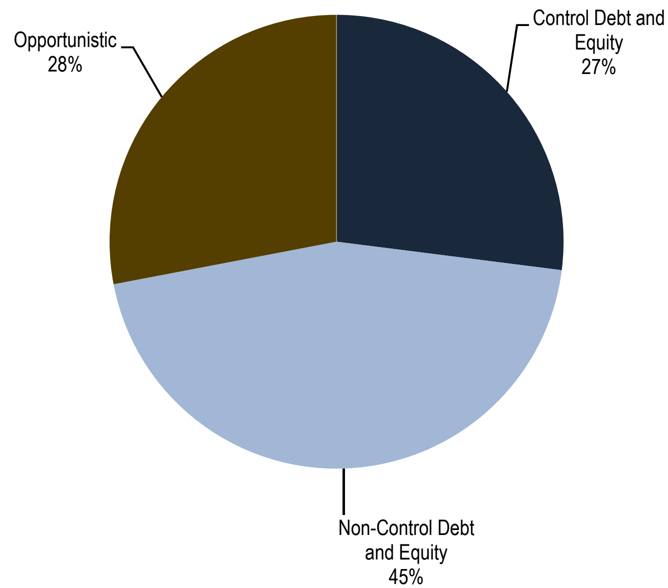
Inception date:
July 2007

Size:
$500 million[1]

End date:
June 30, 2011

	ITD IRR[2,3]
Crestline Distressed Mandate	12.17%
1 Month LIBOR + 600 bps	6.88%
HFRI ED Distressed/Restructuring Index	7.11%

Allocation by Strategy[4]



[1] Represents the largest amount of capital committed and does not reflect current commitments.
[2] For the period July 2007 to June 2011.
[3] The performance presented for the Crestline Distressed Mandate is not the actual return achieved by the Distressed Portfolio. Certain assumptions have been made: (1) to exclude the effect of certain investments transitioned to managed accounts at the client's request ("transitioned funds"); and (2) to allocate historical expenses to create "outflows" based on account activity to the underlying fund. The goal being to present a performance scenario as if the investments in the transitioned funds had never been held in the Crestline Distressed Portfolio. The performance of the Crestline Distressed Mandate would be different if such assumptions had not been made. Thus, such performance is hypothetical (it does not reflect trading in actual accounts) and is provided for informational purposes only. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown.
[4] Represents market value of the given strategy as a percent of the Fund's market value excluding cash, as of June 2011.
See Notes to Performance History & Comparisons.

Private Credit Mandate

Crestline

Performance Summary

	Private Credit Mandate Net Returns[1]	Barclays High Yield Corporate Index + 150 bps
Q3 2012	3.45%	5.56%
January - November 2012	10.56%	17.81%
ITD (July 2011 - November 2012), annualized	7.82%	11.68%

July 1, 2011 - November 30, 2012

	Gross IRR[1]
Private Credit Investments Made Since July 1, 2011	15.3%
Investments Made Prior to July 1, 2011[2]	6.0%
Liquid High Yield Market Exposure	14.7%

[1] Barclays High Yield Corporate Index returns have been used as estimates beginning with the November 2011 final return when underlying manager returns are unavailable due to timing.
[2] Represents investments made between July 2009 through June 2011 while previous mandate was in effect.
See Notes to Performance History & Comparisons.

Endnotes

Crestline's Opportunistic Investment History Timeline

[1] Correlations to the performance of the indices presented in this report (including, but not limited to the Barclays Capital Aggregate Index, S&P 500 Index, and HFR Fund of Fund Conservative Index) are shown for comparison purposes only. The securities included in those indices are not necessarily included in the portfolios of the investment funds in which Crestline funds invest and criteria for inclusion in those indices are different and not limited to particular investment strategies. In addition, investors may not invest directly in an index. Therefore, the returns of Crestline funds and the returns of such indices may not be comparable.

[2] Cumulative Crestline Opportunity composite returns for the period September 2005 through September 2012. HFRI FoF Diversified Index is also presented as a cumulative return.

[3] Cumulative return for the period September 2006 through December 2007.

[4] For the period February 2009 through September 2012. IRR and multiple of capital represents a specific investor's account in Crestline Offshore Recovery Fund, L.P. as of September 2012 and is based upon distributions made by the Fund to the investor. IRR number includes investor's remaining capital invested in the Fund which remains at risk. Final IRR when all Fund distributions are made could be materially different.

[5] Mandate was initiated at Northwater Capital Management.

[6] The performance presented for the Crestline Distressed Mandate is not the actual return achieved by the Distressed Portfolio. Certain assumptions have been made: (1) to exclude the effect of certain investments transitioned to managed accounts at the client's request ("transitioned funds"); and (2) to allocate historical expenses to create "outflows" based on account activity to the underlying fund. The goal being to present a performance scenario as if the investments in the transitioned funds had never been held in the Crestline Distressed Portfolio. The performance of the Crestline Distressed Mandate would be different if such assumptions had not been made. Thus, such performance is hypothetical (it does not reflect trading in actual accounts) and is provided for informational purposes only. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown.

[7] Includes Crestline Recovery Fund II, L.P., Crestline Offshore Recovery Fund II, LP and related funds in this offering.

The period 1986 – 1997 was prior to Crestline's inception. The inclusion of the Bass family name in this presentation is used exclusively to demonstrate the history of the Firm. It is not intended by the preparer, nor should it be construed by the reader, to be in any manner a client testimonial.

Performance History & Comparisons

Crestline

1. Past performance is not a guaranty of future results. Current and prospective investors should not assume that the future performance of any Crestline fund will equal its prior performance results, and investors risk loss of their entire investment. Each fund's performance results portrayed reflect the deduction of that fund's advisory fees, brokerage commissions and other expenses. The performance results also include the reinvestment of income and dividends. For each Crestline fund, an individual investor's returns will vary from the historical performance due to participation in new issues and due to the timing of subscriptions, withdrawals, and redemptions.

2. Within a particular strategy, Crestline may offer a domestic fund and an offshore fund ("Funds") that are managed *pari passu*. In such cases the Funds managed by Crestline will have investment objectives that are identical or substantially similar. It is not anticipated, however, that the Funds managed by Crestline having identical or substantially similar investment objectives will have identical or substantially similar investment portfolios. Differing investment portfolios can be expected to result from several factors, including, without limitation, the following:
    - regulatory constraints that apply to the Funds managed by Crestline;
    - investment constraints imposed by the Investment Managers of the underlying fund that the Funds may invest in;
    - the availability of underlying funds for investment at certain times but not at others; and
    - the amount of cash available for investment at certain time by the Funds.

    As a result of factors such as these, Funds that are managed *pari passu* may have a different investment portfolio (and, as a result, different performance results) even though the funds may have identical or substantially similar investment objectives.

3. Principal executive officers of Crestline are also associated with Bratton Capital Management, LP ("BCM") a firm that acts as the investment adviser and general partner to single family-office-related investments. Crestline and BCM are under common control.

4. This report may not be reproduced, distributed or transmitted in whole or in part in any media.

5. Some information contained in this document is based on data received from third parties that we consider reliable and is accurate to the best of Crestline's knowledge. However, Crestline has not independently verified the information and does not otherwise give any warranty as to the truth, accuracy, or completeness of such third party data, and it should not be relied upon as such. The material is not intended to be a formal research report and nothing in this presentation should be interpreted to state or imply that past results are an indication of future performance.

6. This document is a summary, is for informational purposes only and does not constitute an offer to sell or a solicitation of any offer to buy or sell securities of any entity, investment product or investment advisory service. Any offer will be made only pursuant to a confidential offering memorandum. There can be no guarantee that the Funds will achieve their investment objective. An investment in the Funds is speculative and involves a high degree of risk, and investors risk loss of their entire investment. Past performance is not indicative of future performance.

7. Any opinions expressed herein are our current opinions only. There can be no assurance or guarantee that Crestline's investment strategy will achieve its stated goal. All information provided in this presentation is for informational purposes only. In addition, it should not be assumed that any of the securities and/or strategies discussed herein were or will prove to be profitable. Crestline accepts no liability for loss arising from the use of this material.

8. The specialized investment program of the Crestline Recovery Funds (the "Funds") involves a number of risks including the risk of loss of the entire amount invested. Moreover an investment in the Funds is very illiquid since the Interests are not freely transferable and the investments the Funds makes are illiquid. Any information in this material regarding market or economic trends or the factors influencing Crestline's historical or future performance are statements of opinion as of the date this material was produced. There is no guarantee that any forecasted opinions will be realized. The Recovery Fund's investment program is by design an illiquid investment strategy since the Funds invest in generally illiquid fund interests on the secondary market generally at a discount due to the investments' illiquid nature. As a result, it is possible an investor may not receive a return of their capital for a considerable period of time. Therefore, an investment in the Funds is not suitable for an investor seeking periodic or routine liquidity.

9. Crestline Opportunity composite performance results are un-audited and do not represent the performance of any one specific account managed by Crestline. The Crestline Opportunity composite results are an aggregate presentation of the returns (after deduction of fees) of various portfolios managed by Crestline (Crestline Opportunity Partners LP, Crestline Offshore Opportunity Fund Ltd., Crestline Offshore Opportunity Partners, LP and Crestline OT Opportunity Fund, LP). An investor could not invest in one specific entity currently managed by Crestline that would give it the composite return achieved by the entities making up the composite performance results. The composite returns are for illustration purposes only; actual portfolio composition of any product offered by Crestline may differ from the portfolio composition of the various portfolios contributing to the composite performance returns indicated in this document. In addition, actual returns of any such portfolio would differ due to various factors; including but not limited to the following: fees, capacity limitations, allocation targets, market conditions, changing investment strategies and objectives, etc.

    These composite performance results include the reinvestment of all dividends, interest, and capital gains and are net of all fees at the level of the individual portfolios contributing to the composite performance results.

10. Prior to the commencement of Crestline Opportunity Partners, L.P.'s operations in February 2006, Crestline Investors, Inc. invested proprietary money through managed accounts among investments following the strategies to be pursued by Crestline Opportunity Partners, L.P. Upon commencement of Crestline Opportunity Partners' operations, the managed account portfolio of investments was transferred to Crestline Opportunity Partners, L.P. As such, the performance history of Crestline Opportunity Partners, L.P. prior to February 2006 represents the stand-alone performance of the managed account, net of management and incentive fees.

11. Performance returns shown for a particular Crestline fund may relate to a: (i) representative account, or (ii) the blended rate of return of the fund. Blended returns may include both investors who pay management and performance fees and investors who do not pay such fees. Representative accounts are used for illustrative purposes and the accounts presented will be those that pay the highest level of all fees for a particular fund and who are eligible to participate in new issues. The following is a schedule of the type of returns presented for the Crestline funds.

    Crestline Partners, LP

    Blended returns are presented for the period October 1997 – February 2003. Representative account returns are presented for the period March 2003 – present. Please refer to Note 6 for further information.

    Crestline Offshore Fund, Ltd. – US$ denominated shares

    Blended returns are presented for the period November 2001 – March 2003. Representative account returns reflect Class D performance and are presented for the period April 2003 – present.

    Crestline Opportunity Partners, LP

    Blended returns are presented for the period September 2005 – January 2006. Representative account returns are presented for the period February 2006 – present

    Crestline Offshore Opportunity Fund, Ltd ("COOF")

    Blended returns are presented for the period December 2005 – August 2007. Representative account returns reflect Class D performance and are presented for the period September 2007 – present.

    Crestline Offshore Opportunity Fund Partners, LP ("COOF-P")

    Blended returns are presented for the period July 2009 – present.

12. The ITD IRR for the distressed fund mandate is calculated since its inception and is based on the portfolio of underlying funds ("the Portfolio") that did not transfer in July 2009. As investor transactions cannot be directly assigned to specific underlying investments, the calculation is based on cash flows to / from the Portfolio and the Portfolio's total ending balance. Cash flows were considered to have occurred on the first day of the applicable accounting period. In order to calculate a Net IRR, the estimated distressed fund mandate's monthly expense load was applied pro-rata to the Portfolio's monthly beginning balance (after cash flows).

13. The inclusion of the Bass family name in this presentation is used exclusively to demonstrate the history of the Firm. It is not intended by the preparer, nor should it be construed by the reader, to be in any manner a client testimonial.

14. General Risks of Investing in the Crestline Funds

    An investment in the Funds is speculative and involves a high degree of risk. Crestline Management, L.P., is a federally registered investment adviser and serves as the investment manager to the domestic and offshore hedge fund of funds. Crestline Canada, Inc., an affiliate, provides portfolio overlay and hedging execution capabilities to client portfolios as well as Crestline's diversified fund of hedge funds. Crestline Investors, Inc., Crestline Management, L.P. and Crestline Canada, Inc. are individually and collectively referred to herein as "Crestline" or "the Firm." Crestline's investment funds (the "Funds") utilize a fund of funds investment approach whereby Fund assets are allocated among portfolio managers. As a result, the success of the Funds is dependent on the portfolio managers' ability to develop and implement investment strategies that achieve the Funds' investment strategies. The Funds are generally not subject to regulatory restrictions or oversight. The principals of Crestline Investors, Inc. are Douglas K. Bratton, John Cochran and Caroline Cooley (the "Principals"). The success of the Funds' investment program will also depend on the expertise of the Principals in choosing portfolio managers and executing on investment transactions. If the Principals were to cease to be associated with the Funds it is likely that the success of their investment program would be adversely affected. The Funds may employ leverage, which among other investment techniques, can make their investment performance volatile. Opportunities for redemptions and transferability of interests in the Funds are restricted so investors may not have access to their capital if and when it is needed. There is generally no secondary market for an investor's interest in the Funds and none is expected to develop. The Funds' management fees, incentive fees/allocations, and expenses, may offset their trading profits. An investor should not invest in the Funds unless it is prepared to lose all or a substantial portion of its investment.

Prisma Capital Partners LP

An Alternative Investment Specialist

Presentation Requested by:
Alaska Retirement Management Board

February 2013

PRISMA CAPITAL PARTNERS

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The interests in the Fund (the "Interests") have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "SEC") or by the securities regulatory authority of any state or of any other jurisdiction. The Interests have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), the securities laws of any other state or the securities laws of any other jurisdiction, nor is such registration contemplated. The Fund will not be registered as an investment company under the Investment Company Act of 1940, as amended (the "1940 Act"). Consequently, the Fund's limited partners are not afforded the protections of the 1940 Act.

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Prisma Capital Partners LP ("Prisma") serves as the Fund's investment adviser, and Prisma Capital Management LLC ("PCP LLC") serves as the Fund's general partner. Prisma and Prisma LLC became affiliates of KKR in October 2012 when KKR acquired 100% of the direct and indirect interests of Prisma and Prisma LLC. Prisma and Prisma LLC operate as a part of KKR's public markets business, which includes the asset management activities of KKR Asset Management LLC ("KAM"). Prisma does not currently intend to invest Fund assets in any investment fund sponsored or managed by KKR, including KAM and its subsidiaries.

Polar Bear Fund LP
The performance presented herein represents the actual performance of the Polar Bear Fund LP ("Polar Bear LP"). Performance data reflects Polar Bear Fund LP, is net of 0.85%. December 2012 performance is estimated. Performance is based on returns provided by the underlying managers, which Prisma believes to be reliable, but makes no representations or warranties as to their accuracy or completeness. Monthly performance is unaudited. Year-end performance for 2008 through 2011 is audited. Performance for 2012 is estimated. Allocations to underlying managers may change at any time in Prisma's discretion. In order to reflect strategy-specific performance, managers within Polar Bear LP are categorized according to methodology described above with respect to the Composite. The data presented with respect to each bucket reflects the dollar weighted average allocation to each strategy within the bucket rebalanced monthly. Strategy returns are gross of Prisma fees and expenses, and reflect reinvestment of all income and dividends.

Pro-forma Track Record* of an Existing Opportunistic SMA Mandate
The performance presented herein with respect to the Pro-forma Track Record* of an Existing Opportunistic SMA Mandate reflects the pro-forma net performance of the Funds' gross returns with pro-forma 0.85% management fees. Historical performance reflects actual performance of an opportunistic portfolio managed by Prisma calculated on a pro-forma basis net of 0.85% management fees. Performance is based on returns provided by the underlying managers, which Prisma believes to be reliable, but makes no representations or warranties as to their accuracy or completeness. Monthly performance is unaudited. Individual returns for each investor will vary because of, among other things, the timing of such individual's investment. Allocations to underlying managers may change at any time in Prisma's discretion.

The **Prisma Low Volatility Composite** (the "Composite") contains all fee paying, fully discretionary accounts under management during the period from June 2004 through December 2012, regardless of size. The accounts that comprise the Composite generally focus on long-term capital appreciation over a several year period with lower volatility than, and low correlation to, broad equity and fixed income indices. The Composite performance shown reflects the actual performance realized by Prisma advisory clients net of management and performance fees. Performance data is as of December 31, 2012 is estimated. Portfolio statistics are since Prisma's inception, June 2004. The returns are net of underlying manager fees and expenses. In calculating this performance, Prisma relies on the actual unaudited performance returns provided by the underlying managers, which

Prisma believes to be reliable, but makes no representations or warranties as to their accuracy or completeness. Allocations vary among underlying managers and strategies at any time, and investment vehicles have been and will be added or eliminated from time to time. **Past Performance Does Not Guarantee Future Results.**

Private funds, such as the Fund, are speculative investments and are not suitable for all investors, nor do they represent a complete investment program. Private funds are available only to qualified investors who are comfortable with the substantial risks associated with investing in private funds. An investment in a private fund includes the risks inherent in an investment in securities. There can be no assurance that an investment strategy will be successful.

Investors in a private fund, such as the Fund, may have no right to or a limited right to redeem or transfer their interests in a private fund. No Interests will be listed on an exchange and it is not expected that there will be a secondary market for any Interests.

The information in this presentation may contain projections or other forward-looking statements regarding future events, targets or expectations regarding the Fund or the strategies described herein, and is only current as of the date indicated. There is no assurance that such events or targets will be achieved, and may be significantly different from that shown here. The information in this Presentation, including statements concerning financial market trends, is based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons.

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KKR has adopted internal information-sharing policies and procedures which address both (i) the handling of confidential information; and (ii) the internal information barrier that exists between the public and private sides of KKR. Both Prisma and KKR's fixed income, mezzanine, special situations and public equity professionals are on the public side of KKR, while KKR's private equity professionals and other affiliated business activities are on the private side of KKR. KKR has compliance functions to administer KKR's internal information-sharing policies and procedures and monitor potential conflicts of interest. Although the Fund may leverage KKR's private side executives, KKR's internal information-sharing policies and procedures referenced above, as well as certain legal and contractual constraints, could significantly limit the Fund's ability to do so. Accordingly, as a result of such restrictions, the investment activities of KKR's other businesses may differ from, or be inconsistent with, the interests of and activities which are undertaken for the account of the Fund, and there can be no assurance that the Fund will be able to fully leverage the resources and industry expertise of KKR's other businesses. Additionally, there may be circumstances in which one or more individuals associated with KKR will be precluded from providing services to the Fund because of certain confidential information available to those individuals or to other parts of KKR or because of internal policies and procedures.

General discussions contained within this presentation regarding the market or market conditions represent the view of either the source cited or Prisma. Nothing contained herein is intended to predict the performance of any investment. There can be no assurance that actual outcomes will match the assumptions or that actual returns will match any expected returns. The information contained herein is as of January 25, 2013, unless otherwise indicated, is subject to change, and neither Prisma nor KKR assumes any obligation to update the information herein.

Prisma considers numerous factors in evaluating and selecting portfolio managers, and Prisma may use some or all of the processes described herein when conducting due diligence on a potential fund or portfolio manager. Prisma recognizes that a fund and/or portfolio manager may not meet all of its selection criteria, and Prisma may, in its sole discretion, balance these factors or waive any of its selection criteria or due diligence processes as it deems necessary or appropriate.

Contents

Firm Update

Highly Experienced Global Alternative Investment Provider	• Prisma, a division of leading global investment firm, KKR, is focused on providing hedge fund solutions for alternative investors • Prisma has a 60 person dedicated team and benefits from KKR's network of ~500 executives, including ~225 investment professionals and 30 senior advisors[1], globally • KKR has a global presence that includes offices in 10 countries across 4 continents
Prisma's Stable Asset and Client Base	• Prisma has approximately $8 billion in assets under management; over 90% managed on behalf of institutional clients • Investments from current and new clients have helped broaden and diversify Prisma's stable asset base • No gating or suspension of redemptions since Prisma's inception
Prisma's Strong Absolute and Relative Performance	• The Prisma Low Volatility Composite has consistently outperformed the HFRI Hedge Fund of Funds Index by 332 bps per year and US T-Bills by 422 bps per year since inception of the composite in June 2004

Note: [1] Represents a network of senior executives that work with KKR and KKR portfolio companies

Note: Data as of September 30, 2012. Performance data as of December 31, 2012. Please *see Important Information pages at the beginning of this presentation and Endnotes 1, 2, and 3 at the end of this presentation.*

Prisma/KKR Transaction Summary

Structure	• Prisma is a wholly owned subsidiary of KKR via the purchase of equity from both AEGON and Prisma employee partners • Prisma operates independently and is part of the Public Markets division at KKR • Prisma is an important business for KKR, representing approximately 12% of AUM • Seamless transition post the transaction closing date of October 1, 2012
Long Term Commitment by Shareholders	• Multi-year retention pool reserved for retaining employees • Employees with prior ownership interests in Prisma are committed for the long term with a 5 to 8 year non-compete • After tax cash proceeds received by employee partners have been invested in Prisma's own funds and locked up for 5 years • Transaction economics for employees with ownership interests are tied to 5 year goals, including performance of Prisma's funds • AEGON's investments in Prisma funds remain
Strong Cultural Fit	• Prisma founders have 20+ year relationships with key KKR managers • KKR employees own a majority of the firm and have a strong culture of co-investment • Culture of intelligence, team work, investment passion and client focus
Enhanced Value Proposition for Investment	• Prisma retains its investment autonomy while benefiting from KKR's global footprint and deep specialization across asset classes and sectors • KKR brings significant information network and information flow to benefit strategy allocation and manager sourcing • Client solutions can be expanded to span the liquidity spectrum within the alternative investment universe

Note: Please see Important Information pages at the beginning of this presentation and Endnote 3 at the end of this presentation.

Enhanced Value for ARMB: Investment Process

Culture of Performance	• KKR employees own a majority of the business and have invested significantly alongside clients • KKR has strong focus on investment performance across all products since inception in 1976 • Leverage KKR's expertise across public credit, public equities, economic research, industry sectors, government policy, and deal structuring
Strategy Allocation	• Increased resources in macro economic research as well as government policy globally
Manager Sourcing	• Prisma's hedge fund sourcing capabilities has been further enhanced through access to KKR's global network of financial and industry relationships • Process has benefited from access to 350 investment professionals with a global footprint including 14 offices that span 9 countries and all major regions • Independent references have been further enhanced by an expanded global network
Specialization	• Prisma's sector specialists have utilized direct access to KKR's industry-leading specialists adding to our expertise in identifying hedge fund opportunities at the strategy and sub-strategy levels • Deep expertise to evaluate and structure co-investment opportunities

Note: Please see Important Information pages at the beginning of this presentation and Endnote 3 at the end of this presentation.

Enhanced Value for ARMB: Business Structure

Business Stability	• Enhanced compliance and regulatory resources • Increased visibility of ownership structure going forward • Strong balance sheet is expected to enhance co-investment with our clients and the ability to launch new products
Team Stability and Alignment of Interests	• No employee changes have occurred as a result of the transaction • Retention packages and non-compete contracts are in place with key employees • All initial proceeds have been reinvested in Prisma funds, alongside our clients, for a minimum of five years • Payouts to equity holders heavily dependent on continuing to deliver strong performance for clients
Client Solutions Expanded	• Solutions can cut across a spectrum of liquidity and asset classes in the alternative space • Ability to expand risk infrastructure to include other alternative assets to give clients an integrated risk system • Access trading capabilities to potentially implement risk management strategies and increase options with respect to managers that are in liquidation

Note: Please see Important Information pages at the beginning of this presentation and Endnote 3 at the end of this presentation.

Strong Global Presence

- **Prisma is able to leverage KKR's strong global presence of ~500 executives(1) worldwide**

San Francisco
KAM
CPG

Menlo Park
PE
KKR Capstone

Houston
PE
KKR Capstone

Washington, DC
Public Affairs

New York
PE
KAM
KCM
KES
CPG
KKR Capstone
GMAA
Public Affairs
Prisma

Louisville, KY
Prisma

London
PE
KCM
KAM
CPG
KKR Capstone
Prisma

Paris
PE

Dubai
PE
CPG

Mumbai
PE
KCM

Singapore
PE

Seoul
PE

Tokyo
PE
CPG

Beijing
PE
CPG
KKR Capstone

Hong Kong
PE
KCM
CPG
KKR Capstone

Sydney
PE
KKR Capstone

Global Presence of:

- KKR Private Equity (PE)
- KKR Capital Markets (KCM)
- KKR Asset Management (KAM)
- KKR Equity Strategies (KES)
- Client & Partner Group (CPG)
- KKR Capstone
- Global Macro & Asset Allocation (GMAA)
- Public Affairs
- Prisma Capital Partners (Prisma)

Note: Please see Important Information page at the beginning of this presentation and Endnotes at the end of this presentation for important information regarding, among other things, the use of composites and indices, calculation of AUM, and further information on KKR's inside information barrier policies and procedures which may limit the involvement of KKR personnel in certain investment processes and circumstances.
(1) Includes certain other KKR executives working in legal, compliance, IT, IR financial, tax, and accounting functions, who are not represented in the above map.

Prisma Distinctions

Stable, Committed Team	• No Prisma investment professional departures in over six years • Prisma has added resources in all of the last seven years, encompassing all areas of the business
Adaptive to Change	• "One-firm" culture that evolves, learns, and innovates • Adaptive to a changing regulatory and legal environment • Global footprint with resources for sourcing and evaluating new investment opportunities
Aligned with our Partners	• Substantial co-investment in Prisma funds including personal employee investments, with a significant portion locked up until 2017 o "Eat our own cooking" • Economic incentives driven by results
Low Volatility Portfolios	• Over $5 billion of fund of funds assets are managed in Prisma's low volatility portfolios • Broadly diversified low volatility mandates are Prisma's core competency

Note: Data as of September 30, 2012.

The Prisma Team

Prisma Founding Partners

Gavyn Davies (33)	Girish V. Reddy, CFA (32) *Chairman of the Investment Committee*	Tom Healey, CFA (35)

Portfolio Management

William S. Cook, CFA (31)
Investment Committee Member
Eric Wolfe, CFA (20)
Investment Committee Member
Donna Heitzman, CFA, CPA (32)
Michael Rudzik (25)
Daniel Lawee, CFA (17)
Peter Zakowich (13)
James Welch, CFA (32)
Jonathan Rin, CFA (8)
Rahul Mehta (4)
Sameer Buch, CFA (4)
Ori Hollander (1)
Griffin Meyer (1)

Risk Management

Shankar Nagarajan, PhD (25)
Investment Committee Member
Emanuel Derman, PhD (27)
Arthur Richardson (16)
Kartik Patel, CFA (17)
Yury Kurchin (18)
Marcel Kei (9)
Maxim Kovalchuk (5)
Viviann Chan (2)

Operations and Legal

Francis J. Conroy, CPA (31)
Investment Committee Member
Mark DeGaetano (30)
John Brennan (30)
Anne Wynne, JD (13)
Queenie Chang, CPA, CFA (18)
Kenneth Eagle, CPA (13)
Sean Fang (9)
Kevin Kornobis, CPA (7)
Brandon Diez, CPA (5)
Natalie Giugliano, CPA (5)
Monica Tesi, CPA (4)
Brandon Beckstead (3)
RJ Tambellini (2)

Client Management

Paul Roberts (27)
Helenmarie Rodgers (26)
John Stimpson (19)
Elizabeth Saracco (11)
John Dierckson (8)
Emily Mason (4)
Katie Ko (2)

Technology

Mike Kerr (9)

Administration

Priscilla Gordon (15)
~12 Business Support

~165 investment professionals in private equity, infrastructure & real estate
~65 Investment Professionals in credit, mezzanine & equity strategies
~60 operational experts & ~30 senior advisors[(1)]

Client & Partner Group (CPG)
client service & relationship management

KKR Technology
Business & Administrative Support

Private Markets	Public Markets	Industry Expertise	Client & Partner Group	Infrastructure

GLOBAL KKR NETWORK

Note: [(1)] Represents a network of senior executives that work with KKR and KKR portfolio companies

Note: Numbers in parentheses represent the number of years of professional experience as of 12/1/2012. Please see Important Information page at the beginning of this presentation and Endnotes at the end of this presentation for important information regarding, among other things, the use of composites and indices, calculation of AUM, and further information on KKR's inside information barrier policies and procedures which may limit the involvement of KKR personnel in certain investment processes and circumstances.

Strategic Review of Hedge Funds

Prisma Capital Partners

Return Generator, Risk Diversifier

- ***Hedge funds refer to a large diverse class of asset managers who often seek absolute rates of return in all market environments by focusing on return generation and risk management***

Return Generator

- Returns of hedge funds are more asymmetrical than long-only managers
- Hedge funds focus on capital preservation, which can reduce magnitude and frequency of negative returns
- Hedge funds can offer higher long-term compounding rates of return per unit of risk taken

Flexibility

- Hedge funds generally have more flexibility than long-only investment managers to employ a wide variety of investment tools:
  - *Short selling* to hedge specific long positions
  - *Derivatives* to manage risk and reduce volatility
  - *Leverage* to amplify returns

Risk Diversifier

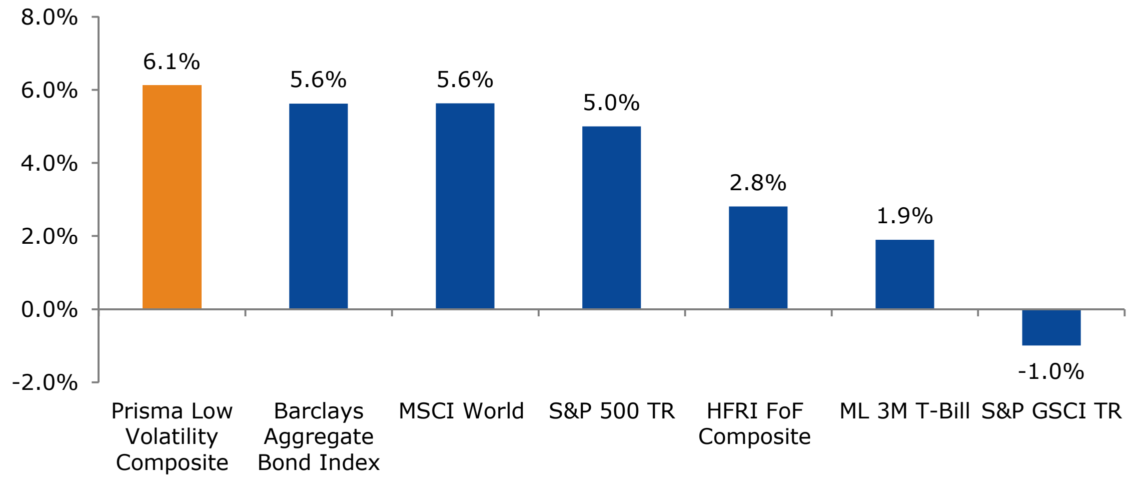
- Hedge funds employ a wide variety of investment strategies, (i.e., long/short equity, global macro, event driven, and relative value) that are less correlated to markets
- Adding less correlated strategies to an overall investment portfolio can reduce the total portfolio's volatility and drawdown profile

Strong Absolute and Relative Performance With Lower Volatility

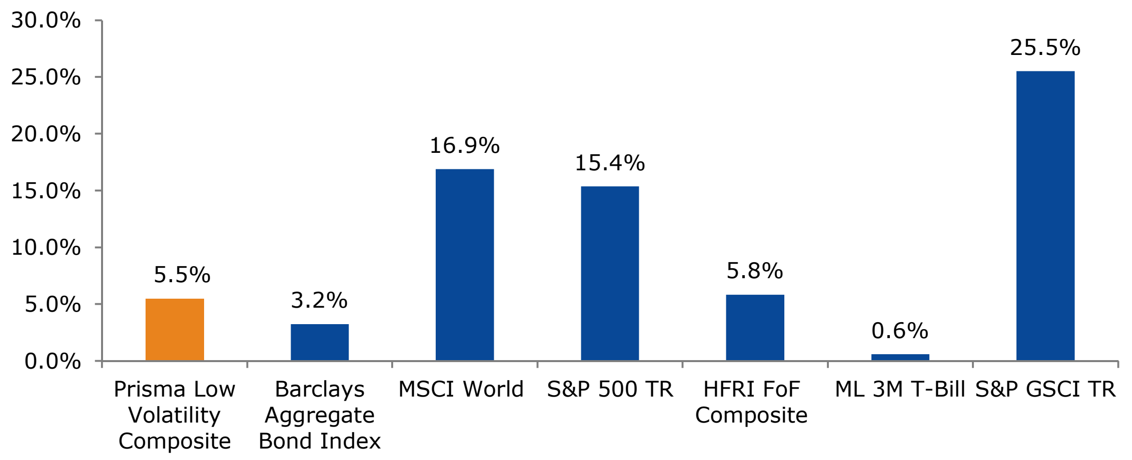
Outperformed HFRI Fund of Funds Composite Index by 332 bps annualized and US T-Bills (Cash) by 422 bps annualized since inception…

… with less volatility than most major asset classes

Prisma Low Volatility Composite Annualized Return (Net) (June 2004 – December 2012)



Prisma Low Volatility Composite Annualized Volatility (June 2004 – December 2012)



Note: The Low Volatility Composite performance shown above is calculated pro forma net of 1% management fee and 5% performance fee over hurdle rate of 13 Week US T-Bill. Past performance does not guarantee future results. Please see Important Information pages at the beginning of this presentation and Endnotes 1, 3, 4, 6 at the end of this presentation.

Polar Bear Fund LP: Performance Review

HISTORICAL MONTHLY NET PERFORMANCE THROUGH DECEMBER 2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2012	1.80%	1.65%	0.84%	-0.02%	-1.45%	-0.63%	0.93%	1.11%	1.25%	0.18%	0.79%	1.86%	8.57%
2011	0.61%	1.17%	0.24%	1.57%	-0.51%	-1.22%	0.20%	-2.33%	-2.47%	0.40%	-0.36%	-0.25%	-3.00%
2010	-0.04%	0.23%	1.84%	1.37%	-2.35%	-0.95%	0.72%	0.68%	2.25%	1.76%	0.45%	1.40%	7.51%

◇ ***Volatility and fear driven by policy activity have been particularly challenging for the portfolio***

Polar Bear's Return	Date	Details
-1.45%	May '12	▪ *Run up to and result from the Greek parliamentary elections caused heightened fear and volatility in global markets*
-2.47%	Sep '11	▪ *S&P downgraded U.S. credit rating*
-2.33%	Aug '11	▪ *U.S. Congress failed to agree on terms for increasing the debt ceiling*

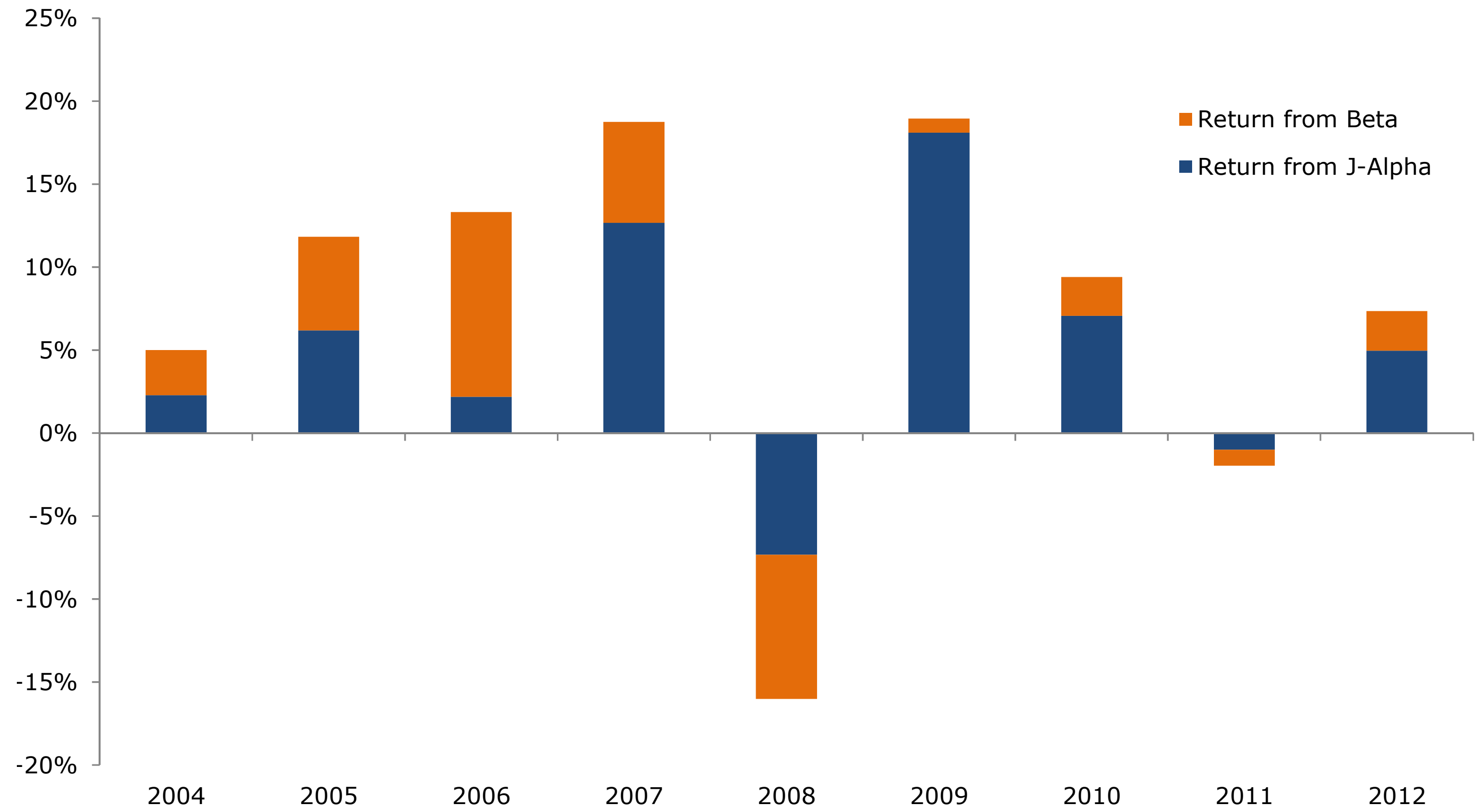
◇ ***Despite headwinds, Polar Bear Fund LP has outperformed the Fund's benchmark (Cash + 5%) in 2 out of 3 calendar years since the Fund's inception***

Source: Bloomberg and HFRI data through December 2012. Polar Bear Fund LP returns are net of 0.85% management fee. December 2012 returns are estimated. Please see the Important Information pages at the beginning of this presentation.

Prisma Low Volatility Composite: Alpha Has Been a Key Contributor to Performance

Historically, alpha has been a significant driver of Prisma's returns

Cumulative Returns From MSCI Equity Beta & J-Alpha (June 2004 – November 2012)



*Notes: The Low Volatility Composite performance shown above is calculated pro forma net of 1% management fee and 5% performance fee over hurdle rate of 13 Week US T-Bill. Equity beta refers to the individual strategy beta to MSCI World. Jensen's Alpha is calculated using the following formula: Strategy return – (Beta to MSCI World * MSCI World return)] – [(1-Beta to MSCI World) * ML 3 Month T-Bill returns]. "Return from beta" is equal to total manager's return less Jensen's alpha. Please note that the "return from beta" is different from the more common definition of: [index return x manager's beta to index]. The individual strategy return from Beta and Alpha is calculated using the historical monthly betas of the Prisma Low Volatility Composite strategy to the MSCI World Index multiplied by the average strategy allocation from June 2004 to November 2012. The analysis excludes the Fund's allocation to cash and niche strategies. Please see the Important Information pages at the beginning of this presentation and Endnotes at the end of this presentation regarding, among other things, the use of indices.*

Opportunistic Mandate & Portfolio Structuring Alternatives

Prisma Capital Partners

Prisma's Q1 2013 Strategy Allocation Views

STRATEGY ALLOCATION RATIONALE

Equity Strategies

- L/S Equity: We believe valuation opportunities in US, Europe and Asia will continue to offer compelling investment opportunities as market participants favor fundamental over technical investing.
- EMN: Prisma believes it is currently a low risk, low return strategy.

Fixed Income Arbitrage

- Prisma sees attractive technical and fundamental opportunities in the RMBS space.
- We continue to emphasize managers with exposure to RMBS, CMBS, and CLO strategies and may increase opportunities within fixed income relative value.

Global Macro & Managed Futures

- Discretionary managers with a nimble trading ability are well suited for the current market environment. Prisma will de-emphasize allocations to systematic global macro managers.
- Prisma expects managed futures managers to provide protection in the event of a market correction, but markets remain challenged for this strategy.

Credit-Distressed

- Prisma favors credit opportunities within Asia and the US.
- In Asia, we believe demand for capital exceeds supplied capital.
- In the US, we believe many opportunities across liquidations and bankruptcy proceedings are in the process of creating value which may result in significant alpha.

Event

- Prisma believes high corporate cash levels may increase corporate event activity in the US and Asia.
- Should European equity markets rebound, we expect to see resurgence in post-reorg equities and equity events, though we expect volume to remain below historical averages.

Q1 2013 STRATEGY OUTLOOK

STRATEGY	GEOGRAPHY		
	N. America	Europe	Asia
Convertible Arb	Negative Tilt	Negative Tilt	No Bias
Credit / Distressed	Positive Tilt	No Bias	Positive Tilt
Equity Market Neutral	Negative Tilt	Negative Tilt	Negative Tilt
Event	Positive Tilt	No Bias	Positive Tilt
Fixed Income Arb	Positive Tilt	No Bias	No Bias
Global Macro	No Bias	No Bias	No Bias
Long / Short Equity	Positive Tilt	Positive Tilt	Positive Tilt
Managed Futures	Negative Tilt	Negative Tilt	Negative Tilt
Short Bias	No Bias	No Bias	No Bias

Color Code: Positive Tilt | No Bias | Negative Tilt

Note: For illustrative purposes only.

Note: Strategy allocations and forward-looking views may change at any time in Prisma's discretion. Please see Important Information pages at the beginning of this presentation and Endnotes at the end of this presentation regarding, among other things, the use of "forward-looking statements."

Opportunity Set: Credit Markets

◇ ***Credit market behavior reflects lingering concerns regarding the economic recovery and the outlook for the global economy***

- Persistent global macroeconomic and political imbalances have resulted in market dislocations

Heightened and persistent volatility driven by a lack of conviction about the economic recovery	▪ Continuing volatility in equity and credit market has created shortened market cycles in credit ◆ 3-6 month credit cycles ◆ Shortened market cycles create opportunities for investors to navigate technical market swings and identify long-term fundamental relative value.
Credit spreads reflect concerns about Europe and the global economy	▪ High yield premiums to the 10-year treasury are at the highest levels since 2009 ▪ Deleveraging of (western) sovereigns and the consumer continues ▪ Interest rates will likely remain low ▪ Banks are not lending aggressively, particularly in the middle market ▪ Capital providers have pricing power

Note: Strategy allocations and forward-looking views may change at any time in Prisma's discretion. Please see Important Information page at the beginning of this presentation, among other things, the use of "forward-looking statements."

Pro-forma Track Record* of an Existing Opportunistic SMA Mandate

PRO-FORMA NET PERFORMANCE OF AN EXISTING PRISMA OPPORTUNISTIC SMA MANDATE*: Data as of December 2012

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2012	2.55%	1.79%	1.16%	0.42%	-0.86%	0.21%	0.71%	1.45%	1.57%	1.11%	0.40%	2.15%	**13.36%**
2011	1.69%	1.24%	-0.04%	0.74%	-0.32%	-1.41%	-0.26%	-2.91%	-2.50%	1.39%	-0.79%	0.17%	**-3.08%**
2010	1.80%	0.38%	1.72%	1.99%	-1.18%	-0.15%	1.55%	1.39%	2.25%	2.17%	0.91%	0.98%	**14.64%**
2009						3.13%	3.93%	2.03%	3.17%	2.73%	0.21%	1.95%	**18.41%**

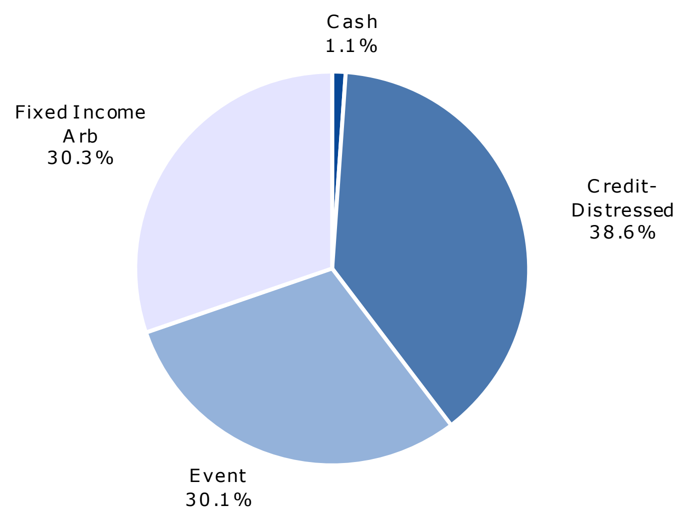
Annualized Statistics

Fund Return	11.80%
Standard Deviation	5.00%
Risk Free Rate (ML T-Bill Index)	0.12%
Sharpe Ratio	2.34

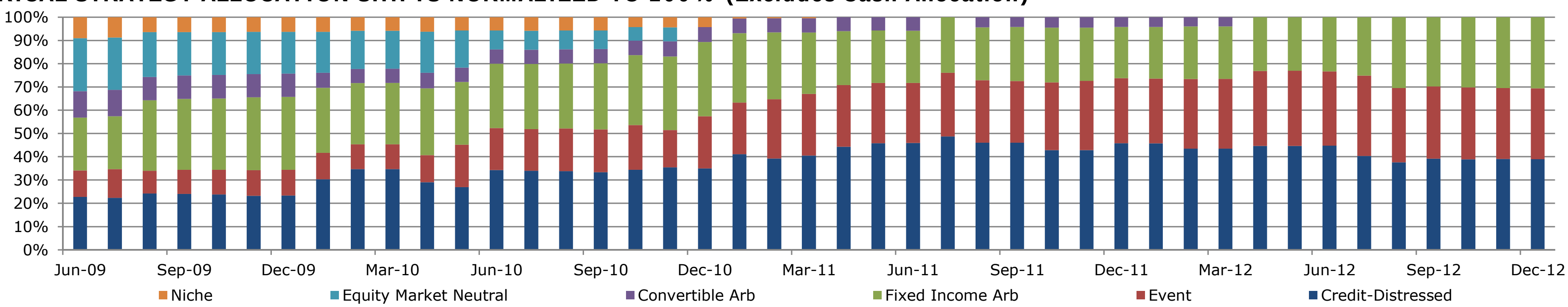
Largest Positions

Manager	
Fixed Income Arb	8.2%
Fixed Income Arb	8.1%
Fixed Income Arb	7.5%
Event	7.4%
Credit-Distressed	7.4%
Total	38.5%
Total number of funds	16

Allocation - Beginning of Period



HISTORICAL STRATEGY ALLOCATION SHIFTS NORMALIZED TO 100% (Excludes Cash Allocation)

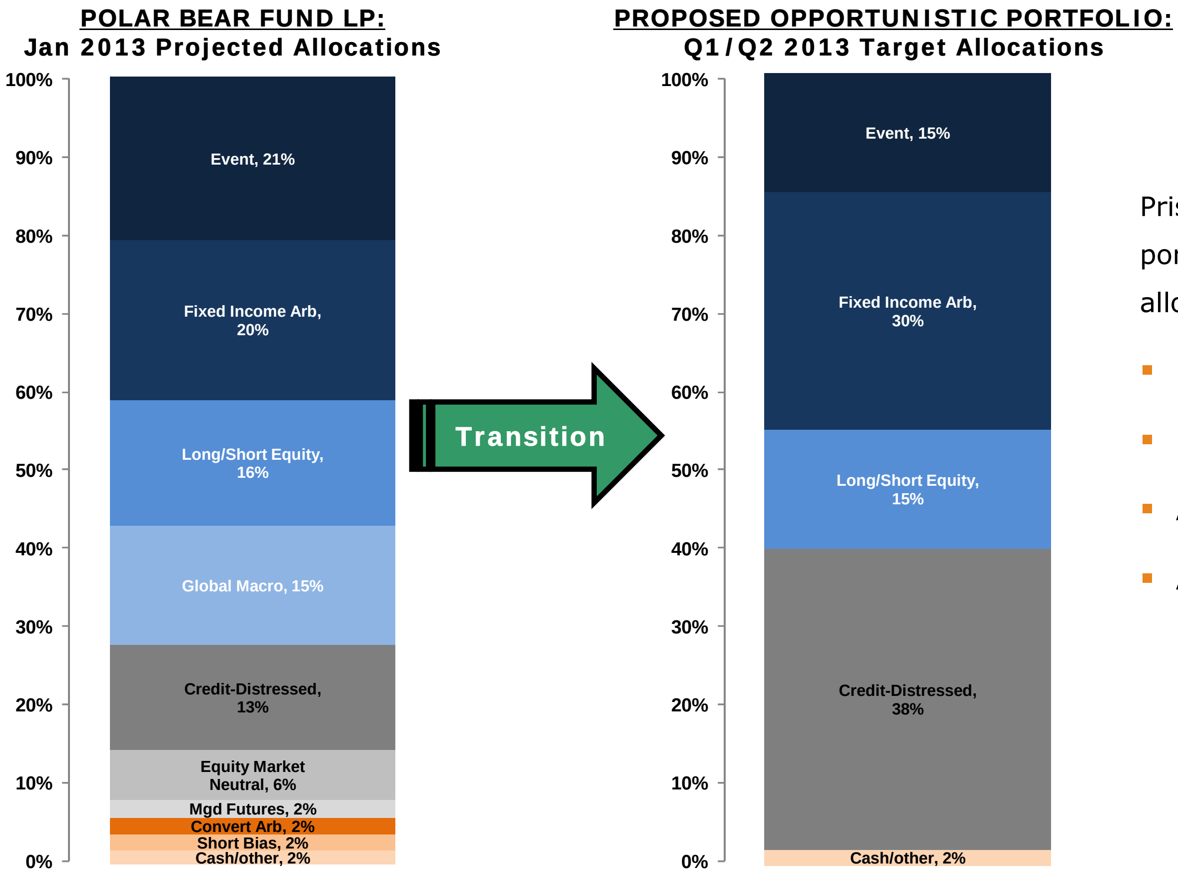


*Notes: Data as of December 2012. ^PROF stands for "Prisma Recovery Opportunity Fund". *Current month's pro-forma net return is estimated. Historical performance reflects actual performance of an opportunistic portfolio managed by Prisma calculated on a pro-forma basis net of 0.85% management fees. Performance is based on returns provided by the underlying managers, which Prisma believes to be reliable, but makes no representations or warranties as to their accuracy or completeness.* ***Past performance is not indicative of future results.***

Prisma Capital Partners

Polar Bear Fund LP: Portfolio Re-Structuring Proposal

- Prisma believes ARMB should continue capitalizing on tactical and structural opportunities which have the potential to offer optimal risk-adjusted returns in the current environment.
- Prisma proposes restructuring the existing Polar Bear Fund into an opportunistic, concentrated portfolio.



	Polar Bear Fund LP	Proposed Opportunistic Portfolio
# of Managers:	35	~15
# of Strategies:	9	4

Prisma believes transitioning the current portfolio into an opportunistic mandate may allow for:

- Higher returns and volatility targets
- Higher short-term beta
- A portfolio of concentrated ideas
- An extension of liquidity to capitalize on longer-term opportunities

Notes: The proposed portfolio allocations are subject to change in Prisma's discretion. The model portfolio described above represents the suggested portfolio as of November 28, 2012. It is based on current information and expectations. Any actual portfolio may be significantly different based on a number of factors including manager availability and market developments. Please see Important Information page at the beginning of this presentation, among other things, the use of "forward-looking statements" and Endnotes 5 at the end of this presentation.

Transitioning to an Opportunistic Portfolio: Projected Changes to Investment Guidelines

	Existing Portfolio	Proposed Opportunistic Portfolio
Target Return	Cash + 5%	Cash + 6%
Target Risk	4-6%	5-7%
Max Correlation to S&P 500	0.4	0.7
Max Correlation to Lehman Agg Bond Index	0.4	0.4
Minimum Number of Funds	20	10
Maximum Single Manager Allocation	10%	12%
Strategy Allocation Classifications:	Relative Value Event Driven Directional/Opportunistic/Tactical	Relative Value Event Driven Directional/Opportunistic/Tactical
Max Strategy Allocation Classification	40%	65%
Min Strategy Allocation Classification	20%	0%
Liquidity Restrictions:		
% of managers with atleast quarterly redemptions	25%	N/A
% of managers with atleast annual redemptions	60%	N/A
% of managers with atleast 2 year redemptions	15%	N/A
% NAV that may be liquided in 3 months or less	N/A	20%
% NAV that may be liquided in 1 year or less	N/A	30%
% NAV that may be liquided in 2 years or less	N/A	25%
% NAV that may be liquided in 3 years or less	N/A	10%
% NAV that may be liquided in 5 years or less	N/A	15%

Notes: The "proposed opportunistic portfolio" guidelines are for illustrative and discussion purposes only and are subject to change. Please see Important Information page at the beginning of this presentation, among other things, the use of "forward-looking statements" and Endnotes 5 at the end of this presentation.

Conclusions

- We believe the combined features of risk diversification and return generation continue to bode well for the hedge fund asset class
- Within the hedge fund universe specifically, reduced tail risk scenarios and continued concern over market dislocation present some unique investment opportunities, notably in the hedge fund sector
- Adapting the Polar Bear Fund to reflect a more opportunistic investment philosophy may help capture current and developing market opportunities and themes
- The Prisma team has a core competency and extensive expertise in identifying sector and sub-sector specialists in credit and other markets
- We believe the additional resources, flow of information, local ‘on the ground’ expertise and market knowledge of the KKR team is an added benefit for our clients

Notes: Please see Important Information page at the beginning of this presentation.

Appendix: Prisma's Experience Managing Opportunistic/Credit Portfolios

Prisma's Investment Team: Credit and Fixed Income Experience

William S. Cook	Eric Wolfe	Donna Heitzman	James Welch	Daniel Lawee
Senior Portfolio Manager	*Senior Portfolio Manager*	*Portfolio Manager*	*Portfolio Manager*	*Portfolio Manager*

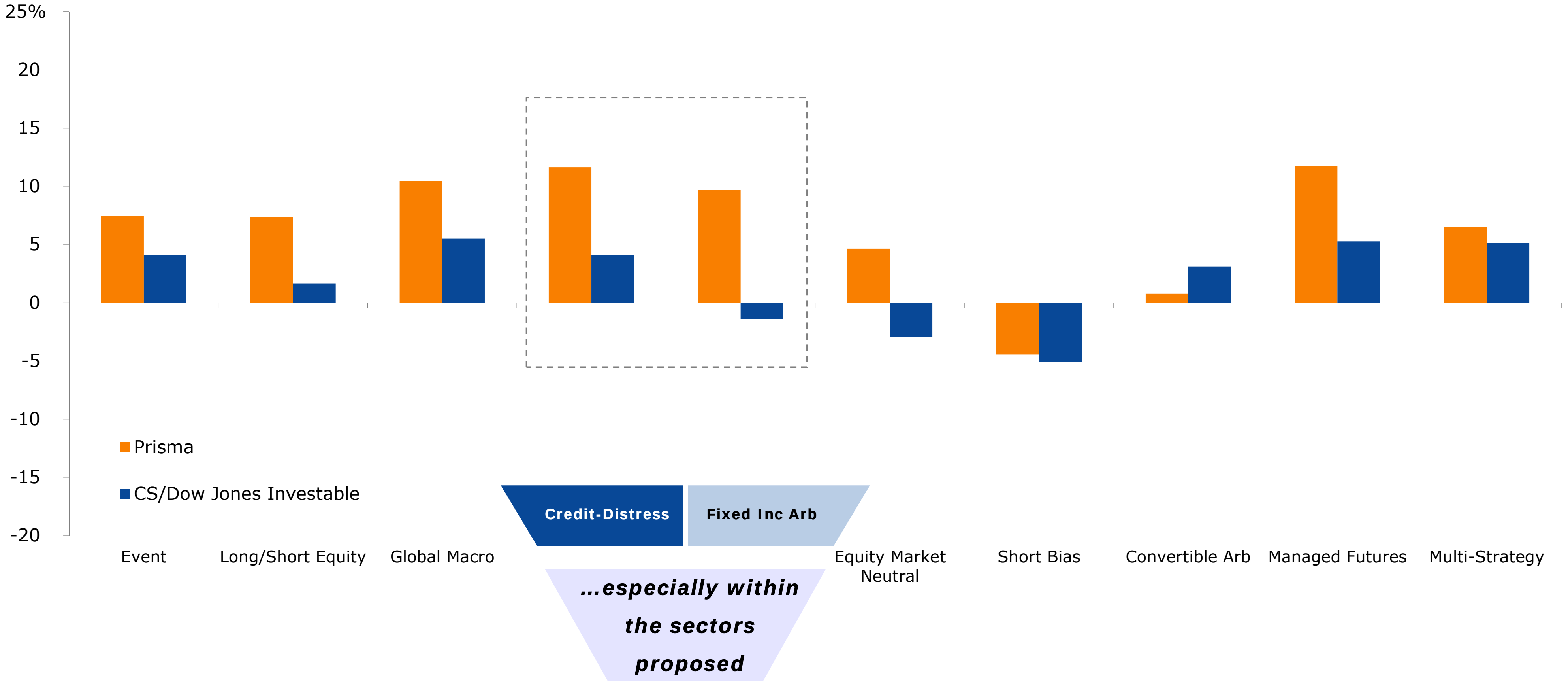
Investment team's prior fixed income related experience includes:

- First fixed income hedge fund manager invested in 1989
- Managing and trading corporate, RMBS, ABS, convertible and sovereign bonds
- Overseeing research on credit/distressed and fixed income strategies at large global financial institution
- Originating, pricing and distributing commercial bank loans to institutional investors
- High yield and investment grade credit research and analysis
- Managing more than $10+ billion in fixed income strategies at large global financial institution

Note: No representation is made that all of the individuals named above will provide services to the Fund.

Historical Gross Strategy Performance of Prisma Low Volatility Composite by Sector (June 2004 – December 2012)

Prisma has a history of allocating to managers that outperform within their sector…



Note: The top chart represents net annualized returns by strategy vs. CS/Dow Jones Hedge Fund Investable Index from June 2004 – December 2012. Strategy returns are inclusive of underlying managers across all Prisma low volatility products and are asset weighted returns net of Prisma's fees. CS/Dow Jones Investable does not provide Credit/Distressed strategy index and, therefore, Event Driven strategy index is used as a proxy. Please see Important Information page at the beginning of this presentation.

(1) **Limitations of Related Performance.** The performance of the Prisma Low Volatility Composite is not the performance of the Fund and is not an indication of how the Fund would have performed in the past or will perform in the future. The Fund's performance in the future will be different from the performance shown due to factors including, but not limited to, differences in cash flows, frees, expenses, performance calculation methods, and portfolio sizes and composition. The performance presented reflects the performance of accounts managed by Prisma utilizing a strategy substantially similar to that which will be utilized for the Fund. **Past performance is no guarantee of future results.**

(2) Prisma Capital Partners LP ("Prisma") serves as the Fund's investment adviser, and Prisma GP LLC ("Prisma GP"), serves as the Fund's general partner. Prisma and Prisma GP became affiliates of KKR in October 2012 when KKR acquired 100% of the direct and indirect interests of Prisma and Prisma GP. Prisma and Prisma GP operate as a part of KKR's public markets business, which includes the asset management activities of KKR Asset Management LLC ("KAM").

(3) Please see Important Information page at the beginning of this presentation and Endnotes at the end of this presentation for important information regarding, among other things, the use of composites and indices, calculation of AUM, and further information on KKR's inside information barrier policies and procedures which may limit the involvement of KKR personnel in certain investment processes and circumstances.

(4) Net of fees performance for the Fund reflects the deduction of the actual net performance of the Fund net of management and performance fees. Class B has a 1% management fee and incentive threshold of 13-week t-bills.

(5) **Target Returns:** Target returns are hypothetical in nature and are shown for illustrative, informational purposes only. This material is not intended to forecast or predict future events, but rather to indicate the returns that Prisma has observed in the market generally. It does not reflect the actual or expected returns of the Fund and does not guarantee future results. The target returns are not meant to predict the returns of the Fund, and are subject to the following assumptions: Prisma considers a number of factors, including, for example, observed and historical market returns relevant to the applicable asset class, projected cash flows, projected future valuations of target assets and businesses, relevant other market dynamics (including interest rate and currency markets), anticipated contingencies, and regulatory issues. Certain of the assumptions have been made for modeling purposes and are unlikely to be realized. No representation or warranty is made as to the reasonableness of the assumptions made or that all assumptions used in achieving the returns have been stated or fully considered. Changes in the assumptions may have a material impact on the projected returns presented. Target returns are shown before fees, transactions costs and taxes and do not account for the effects of inflation. Management fees, transaction costs, and potential expenses are not considered and would reduce returns. Actual results experienced by clients may vary significantly from the target returns shown. **Target Returns May Not Materialize.**

(6) The indices referenced herein are broad-based securities market indices and used for illustrative purposes only. They have been selected as they are well known and are easily recognizable. Broad-based securities indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly into an index. Past performance is no guarantee of future results. See following Endnotes page for additional information.

Indices

The statistical data regarding below indices has been obtained from sources believed to be reliable. The indices referenced herein are broad-based and used for illustrative purposes only. They have been selected as they are well known and are easily recognizable. However, the investment activities of any hedge fund or fund of fund may be considerably more volatile than the performance of any of the referenced indices. Unlike these indices, hedge funds and funds of funds are actively managed. Furthermore, hedge funds and funds of funds generally invest in substantially fewer securities and underlying funds, respectively, than the number of securities or hedge funds comprising each of these indices. It is not possible to invest directly in these indices. These indices are not subject to any of the fees or expenses to which hedge fund or funds of funds are subject. Index returns assume reinvestment of dividends and do not reflect any fees or expenses associated with a mutual fund. These indices are being presented for comparison purposes only and should not be relied upon.

The **S&P 500 TR Index ("S&P 500")** is comprised of a representative sample of 500 large-cap companies. The index is an unmanaged, float-weighted index with each stock's weight in the index in proportion to its float, as determined by Standard & Poors. The S&P 500 is one of the most widely used benchmarks of U.S. equity performance.

The **Barclays Capital U.S. Aggregate Index ("Barclays Aggregate Bond Index")** provides a measure of the U.S. investment grade bonds market, which includes investment grade U.S. Government bonds, investment grade corporate bonds, mortgage pass-through securities and asset-backed securities that are publicly offered for sale in the United States. The securities in the Index must have at least 1 year remaining to maturity. In addition, the securities must be denominated in US dollars and must be fixed rate, nonconvertible, and taxable.

The **Merrill Lynch 3-Month Treasury Bill Index ("ML 3-month T-bills")** tracks the performance of the 3-month U.S. treasury market. The index is unmanaged that tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. It is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month, that issue is sold and rolled into a newly selected issue. The issue selected at each month-end re-balancing is the outstanding Treasury Bill that matures closest to, but not beyond 3 months from the re-balancing date.

The **Dow Jones Credit Suisse Hedge Fund Index** is an asset-weighted hedge fund index that tracks more than 5,000 hedge funds across a number of style-based sectors representative of the hedge fund industry. Funds included in the index have a minimum of US $50 million under management, a minimum one-year track record, and current audited financial statements. Performance data in the index is net of all fees. The index is calculated and rebalanced monthly. Funds are reselected on a quarterly basis as necessary.

The **Dow Jones Credit Suisse Blue Chip Hedge Fund Index** is an asset-weighted hedge fund index derived from the Dow Jones Credit Suisse Hedge Fund Index. The index is comprised of the 60 largest funds across the ten style-based sectors in the broad index and is open for investment. It is rebalanced semi-annually and reflects performance net of all hedge fund component performance fees. The Dow Jones Credit Suisse Blue Chip Hedge Fund Index is a rules-based index fully reflects the performance of a diversified market barometer for the hedge fund industry.

The **HFRI Fund of Funds Composite Index** ("HFRI FoF Composite Index") invests with multiple managers through funds or managed accounts. The strategy designs a diversified portfolio of managers with the objective of significantly lowering the risk (volatility) of investing with an individual manager. The Fund of Funds manager has discretion in choosing which strategies to invest in for the portfolio. A manager may allocate funds to numerous managers within a single strategy, or with numerous managers in multiple strategies. The minimum investment in a Fund of Funds may be lower than an investment in an individual hedge fund or managed account. The investor has the advantage of diversification among managers and styles with significantly less capital than investing with separate managers. The HFRI Fund of Funds Index is not included in the HFRI Fund Weighted Composite Index.

The **MSCI Daily TR Net World USD** is a market capitalization weighted index composed of companies representative of the market structure of 22 developed market countries in North America, Europe, and the Asia/Pacific Region. The index is calculated without dividends, with net or with gross dividends reinvested, in both US dollars and local currencies.

The **S&P GSCI Total Return Index** is a composite index of commodity sector returns representing an unleveraged, long-only investment in commodity futures that is currently diversified across 24 commodities.

The **Merrill Lynch High Yield Index** is a statistical composite tracking the performance over time of the high-yield sector of the US corporate bond market, defined as bonds with credit ratings below investment grade (bonds rated BBB or below by Standard & Poor's or Baa or below by Moody's Investor Services).

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Callan

2013 Economic Environment and Capital Markets Review

January 2013

Michael J. O’Leary CFA
Executive Vice President

Paul Erlendson
Senior Vice President

Agenda

- Process Overview
  - How and why does Callan create capital market expectations?
- 2013 Expectations
  - What are our expectations and where have changes been made?
- Current Environment
  - Economic data and charts
- Detailed 2013 Expectations and Resulting Portfolio Mixes
- Implications for Investors
- Next Steps

Process Overview

Why Make Capital Market Projections?

Guiding Objectives

- Cornerstones of strategic planning – expectations and time horizon.
- Projections represent our best thinking regarding the long-term (5- to 10-year) outlook, recognizing our median projections represent the midpoint of a range, rather than a specific number.
- Develop results that are readily defensible both for individual asset classes and for total portfolios.
- Be conscious of the level of change suggested in strategic allocations for long-term investors.
- Reflect common sense and recent market developments.
- Balance conflicting goals and conflicting opinions.

How are Capital Market Projections Constructed?

- Annual Process to update 10 Year Projections
  - Evaluate current environment and economic outlook
  - Examine relations between economy and historical asset class performance
  - Create 10-year risk, return, & correlation projections
  - Test projections for reasonable results

- Cover Most Broad Asset Classes & Inflation
  - Broad Domestic Equity
    - Large Cap
    - Small Cap
  - International Equity
  - Domestic Fixed Income
  - International Fixed Income
  - Real Estate
  - Alternative Investments
  - Cash
  - Inflation

- Incorporates both advanced quantitative modeling as well as qualitative feedback and expertise of Callan consulting professionals.

2013 Expectations

Themes Explored in Setting the 2013 Expectations

- We are in uncharted waters. Not typical recession and recovery cycle.
- What are the prospects for global growth in the short and medium term?
- Has the long term trend for GDP growth changed? What does such a change imply for the capital markets?
- Has inflation disappeared as a risk?
- Bond market surprised yet again in 2012, with rates inching further down. Is THIS finally the end of the road for bonds? Negative real yields persist across wide stretches of the fixed income market.
- In many respects, most asset classes appear to be overvalued. Which is the best of a bad lot?
- Sharp contrast between a long term, strategic vision for an investor (10+ years), the short term (1-3 years) reality, and the path from the current conditions to the long term expectations.
- **Scenarios beyond the expected case:**
  – **Policy failure – monetary, fiscal, geopolitical.**
  – **Stagnation and deflation.**
  – **The recovery reignites and inflation takes hold.**

2013 Capital Market Expectations

Lower expected returns across asset classes

- **Bond returns reduced to 2.5%.**
  - We expect interest rates to rise resulting in capital loss before higher yields kick in. We expect cash yields to move toward 3.0% and 10-year Treasury yields to reach 5% over the ten-year projection – a reversion to mean.
  - Project an upward sloping yield curve, but a very slim risk premium for bonds over cash.
- **Domestic Equity reduced to 7.70%, Non-US Equity reduced to 7.85%**
  - Building equity returns from long-term fundamentals, we find it hard to get to 8%:
    - 2.0-2.5% real GDP growth, which means 4.5-5.5% nominal earnings growth,
    - 2% dividend yield,
    - Little expected from the "buyback yield",
    - Small premium for Non-US over Domestic, largely due to Emerging Markets.
- **Real Estate return reduced to 6.2% from 6.4%,**
  - Reflects income returns holding up at 4-5% but reduced expectations for appreciation.
  - Asset class increasingly eyed by those hungering for yield.
- **Absolute Return Oriented Hedge Fund return reduced to 5.1%**
  - expectations of T-bill plus 3% suggests a return of 5%.

Fallout of 2013 Capital Market Expectations

- **How to make long term investors very unhappy in 3 easy numbers:**
  – Bond yields in the low 2s, and interest rates are expected to rise,
  – Stocks below 8% (7%?), and we're coming off a strong recovery from the big bear market,
  – 60/40 < 7%...
- Our 2013 numbers reflect our ***optimism*** for the economy, for inflation, and for the capital markets.
- The challenge: to refrain from translating these expectations into a need to take on more risk in pursuit of return.
- How does one keep invested in fixed income – a prudent investor's anchor to windward -when most expect to lose money while interest rates rise?

Current Environment

Current Environment – January 2013

Economic Growth Continues In the Face of Policy Uncertainty

- 2012 began with confidence in the economy but was shaken by events in 2011.
  - Mid-year stall in economic reports – jobs, spending, housing.
  - Japan tsunami, nuclear disaster, and global technology and auto supply disruption.
  - European sovereign debt crisis.
  - Arab Spring.
  - Federal budget debacle, downgrade of U.S. sovereign debt.
- Concern over policy uncertainty remained center stage in 2012, and continues into 2013.
  - The Fiscal Cliff, the debt ceiling, and unsatisfactory resolutions all around
  - U.S. election – voters send the President and the Congress to the woodshed
  - Monetary policy - Quantitative Easing, now and forever?
  - European debt crisis lurches forward; is hope a strategy?
- Capital market sentiment played out inconsistently, split between worry over policy and reality of reasonable underlying economics.
  - Equity markets around the globe recovered from the weakness of 2011, posting double-digit gains…
  - While interest rates headed even lower as nervous investors continued to flood into bonds.
- Q3 and Q4 economic reports were encouraging, as the job market improved and housing seemed to find a floor. Consumer spending strengthened throughout 2012, contradicting sentiment.
- Economic growth in the U.S. continued through all four quarters of 2012, although the potential long-term growth for the U.S. and global economies is undergoing serious re-evaluation.

The Capital Markets at the Start of 2013

Fixed Income Surprises, Equity Markets Recover From Loss of Confidence

	2007	2008	2009	2010	2011	2012	Average Annual Return Five Years 2008-12	Ten Years 2003-12	Fifteen Yrs 1998-2012
Broad U.S. Stock Market									
Russell 3000	5.14	-37.31	28.34	16.93	1.03	16.42	2.04	7.68	4.81
S&P Super Composite 1500	5.47	-36.72	27.25	16.38	1.75	16.17	2.07	7.51	4.90
Large Cap U.S. Stocks									
Russell 1000	5.77	-37.60	28.43	16.10	1.50	16.42	1.92	7.52	4.75
S&P 500	5.49	-37.00	26.47	15.06	2.11	16.00	1.66	7.10	4.47
Small Cap U.S. Stocks									
Russell 2000	-1.57	-33.79	27.17	26.85	-4.18	16.35	3.56	9.72	5.89
S&P 600 Small Cap	-0.30	-31.07	25.57	26.31	1.02	16.33	5.14	10.45	7.71
Non-U.S. Stock Markets									
EAFE ($US)	11.17	-43.38	31.78	7.75	-12.14	17.32	-3.69	8.21	4.38
MSCI Emerging Markets	39.78	-53.18	79.02	19.20	-18.17	18.63	-0.61	16.88	9.24
Fixed Income Markets									
BC Aggregate	6.97	5.24	5.93	6.54	7.84	4.21	5.95	5.18	5.96
Citi Non-US Bonds	11.45	10.11	4.38	5.22	5.17	1.51	5.24	6.38	5.95
Hedge Funds									
DJCS Hedge Fund Index	12.56	-19.07	18.57	10.95	-2.52	7.67	2.25	6.91	6.86
Cash Market									
90-day T-bill	5.00	2.06	0.21	0.13	0.10	0.11	0.52	1.78	2.68
Inflation									
CPI-U*	4.08	0.09	2.72	1.50	2.96	1.74	1.8	2.41	2.38

* CPI-U data are measured as year-over-year change through 12/31/12.

- Results for 2012 showed a sharp jump in all equity segments, fueled by a strong third quarter. International markets staged a remarkable comeback from steep drop in 2011, although not enough to recoup their losses.
- Five-year equity returns through 2012 have crept above zero in the U.S., still underwater overseas. Ten-year returns are stronger, as the 2000-2002 downturn has rolled out of the calculations. Fifteen-year returns are still below long-run averages, and are largely below those of fixed income.

Stock Market Returns by Calendar Year

2012 Performance Perspective – History of the U.S. Stock Market

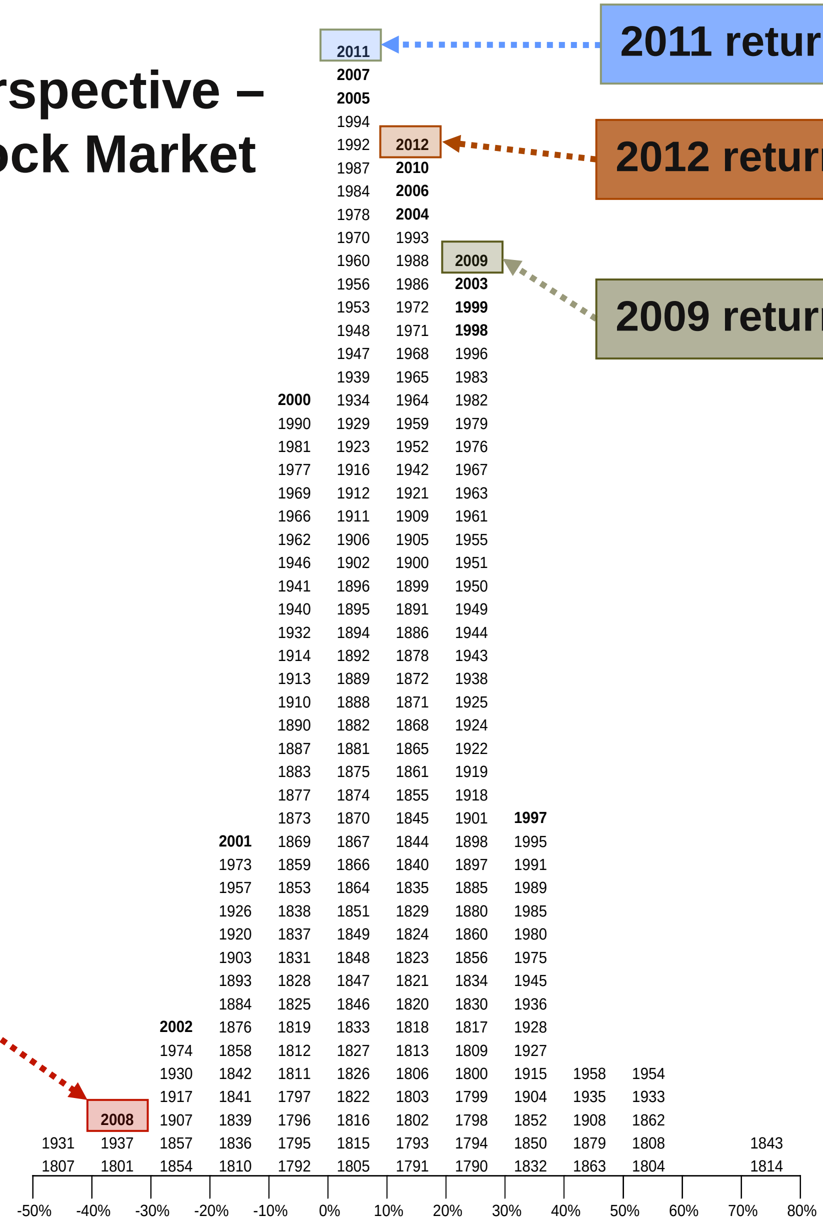
225 Years of Returns

2011 return: +2.1%

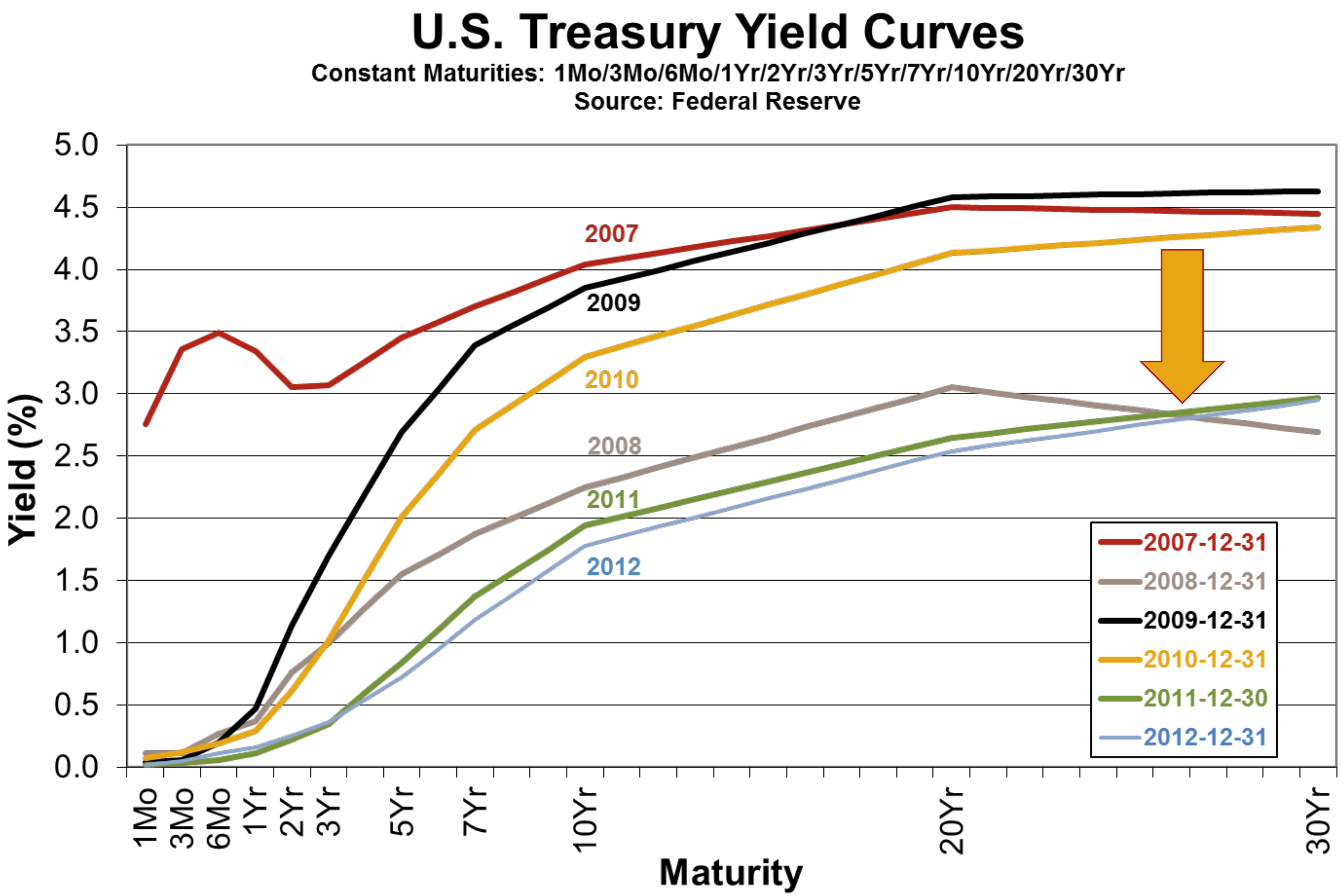
2012 return: +16.0%

2009 return: +26.5%

2008 return: -37.0%



Treasury Rates Fell With Fears of a Faltering Recovery



Source: Federal Reserve and Callan

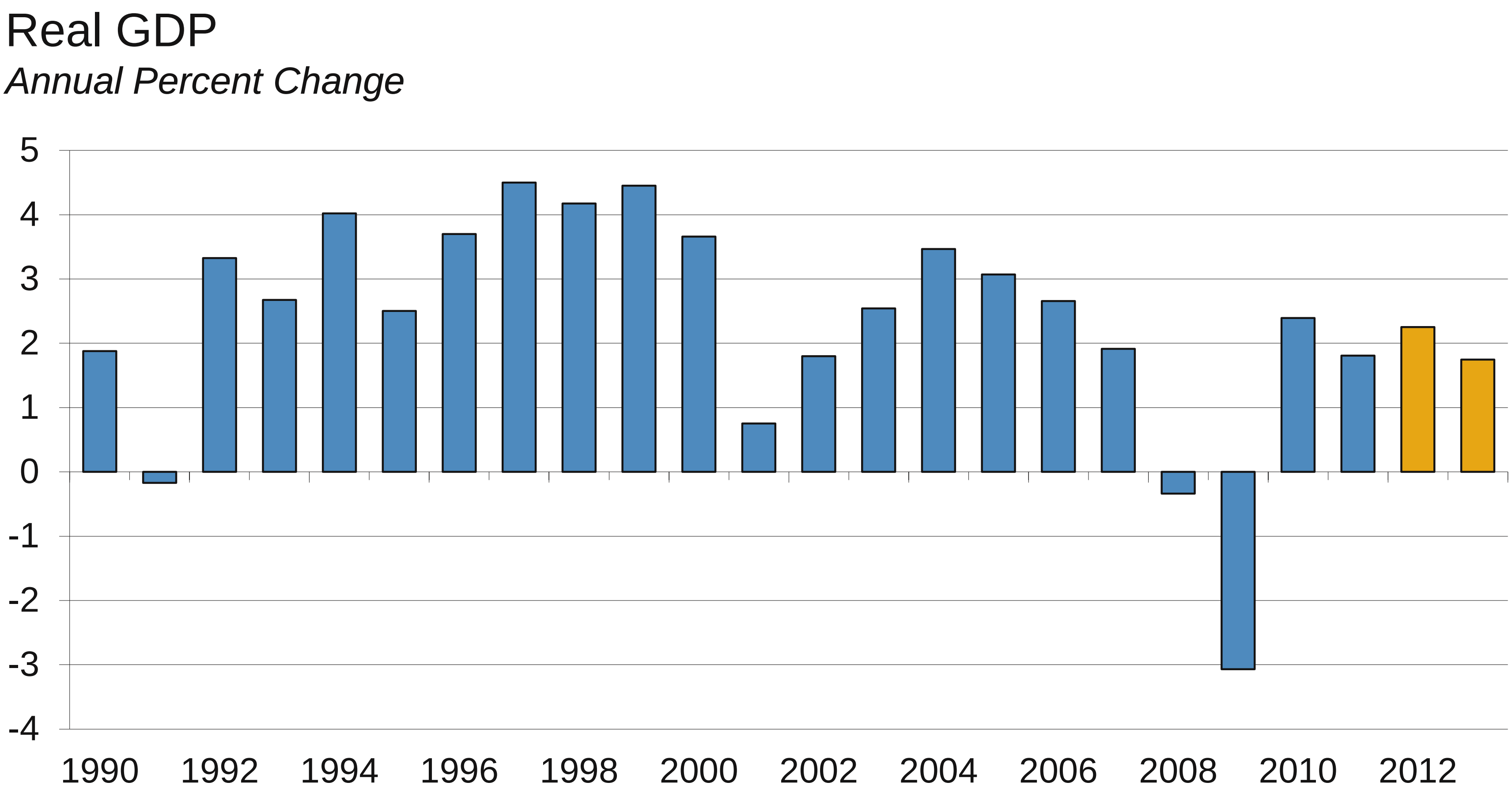
The U.S. Economic Outlook – Sanguine but Modest

- The Bad News:
  - Momentum is modest. Hiring, capital spending both cautious.
  - Weakness overseas has dampened export growth.
  - Fiscal cliff partially resolved, but the stimulus has been removed (payroll tax cut), the sequester only postponed, the debt ceiling has not been addressed, and the deficit only reduced by $700 billion (over ten years).
- The Good News:
  - Credit conditions and demand for credit is gradually improving.
  - Vehicle demand is rising – pent-up demand finally coming through.
  - Housing activity and prices are on the rise.
  - Unconventional sources for oil and gas enjoy a boost; U.S. oil dependency the declines.
- For 2013 and beyond, continued modest growth is the most likely outcome.

The Economy and the Capital Markets

- Callan's outlook:
  - Inflation will likely drift higher, but not immediately. Painfully low interest rates will persist, now that the Fed has "guaranteed" low rates through 2013 and "expects" rates to remain low through 2015. We believe interest rates may begin to rise in anticipation of Fed changes in 2014.
  - Historic nominal return averages will be hard to achieve over the short, medium and even the longer run.
  - Stocks rallied in the summer of 2012, generating double-digit gains around the globe. However, prospects for above-trend growth are weak; companies are strong enough to attain trend profit growth, but not a lot more.
  - The housing market looks more and more like it finally hit bottom, aided by mortgage rates at an all-time low. The "shadow inventory" of homes yet to foreclose still hangs over some segments of the market.
  - The chance that we could see another leg down on housing remains one of the greatest risks to the economy, and to a deflationary spiral.
  - The dollar should face substantial downward pressure as a result of U.S. policy. The problem, of course, is what other currency can take the dollar's place?
  - **The path to a rational set of long-term capital market outcomes is likely through an ugly shorter term period of rising interest rates, capital losses in fixed income, and volatile equity markets.**

Below-Par Recovery for the U.S. Economy

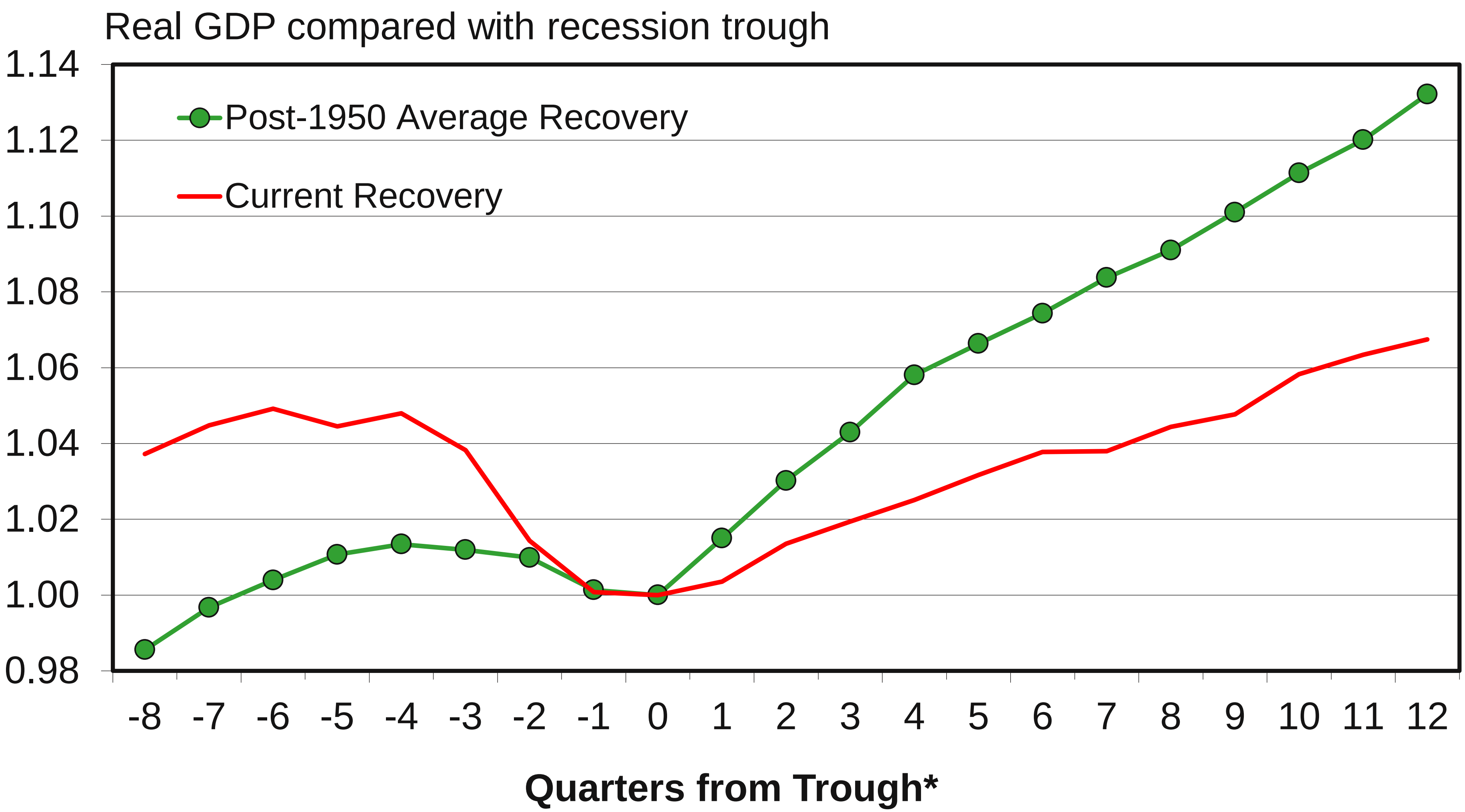


*** 2013 estimate - Global Insight**

Source: Global Insight

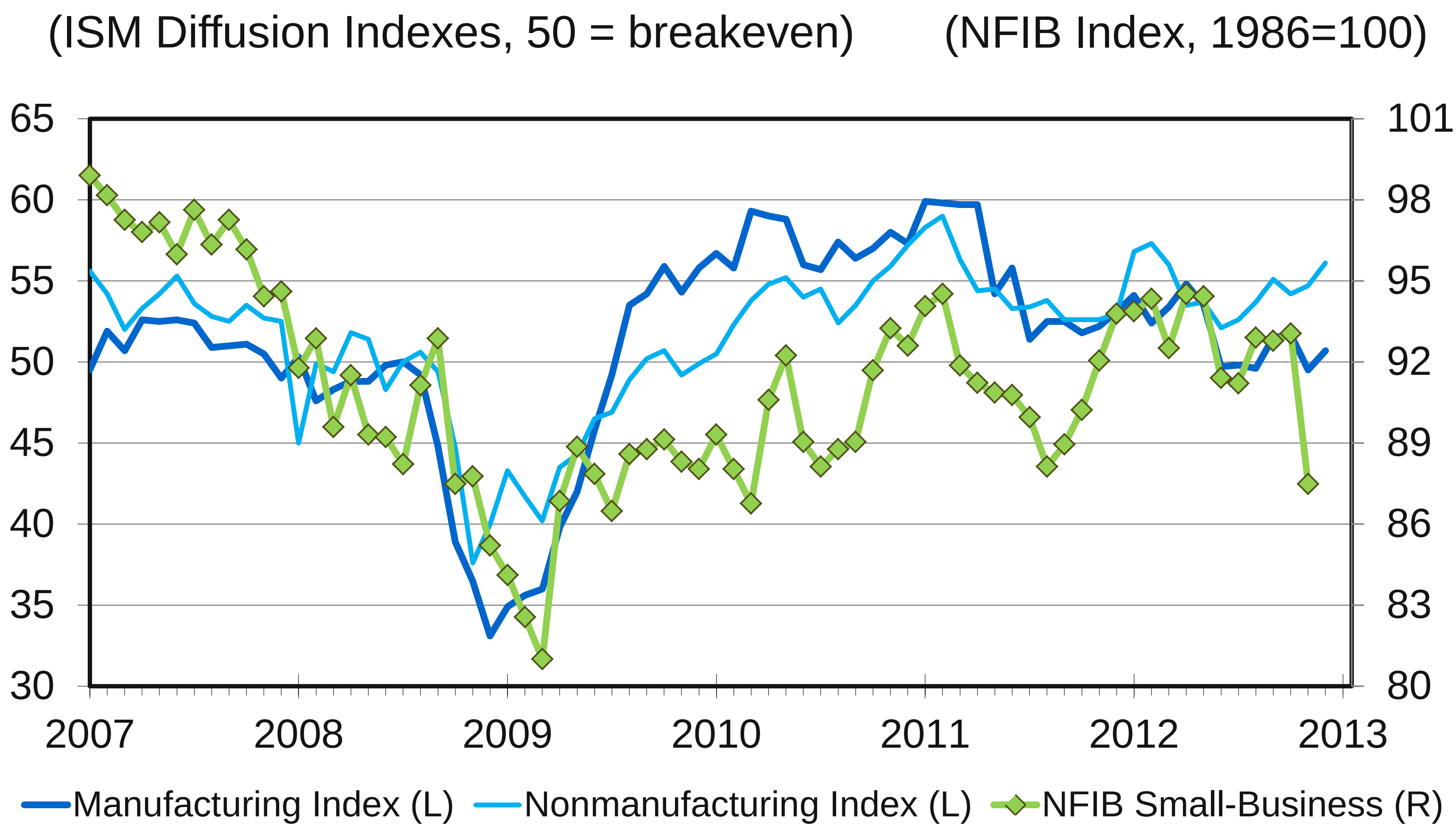
Deeper Recession, Slower Recovery

GDP Struggled to Regain Its Previous Peak



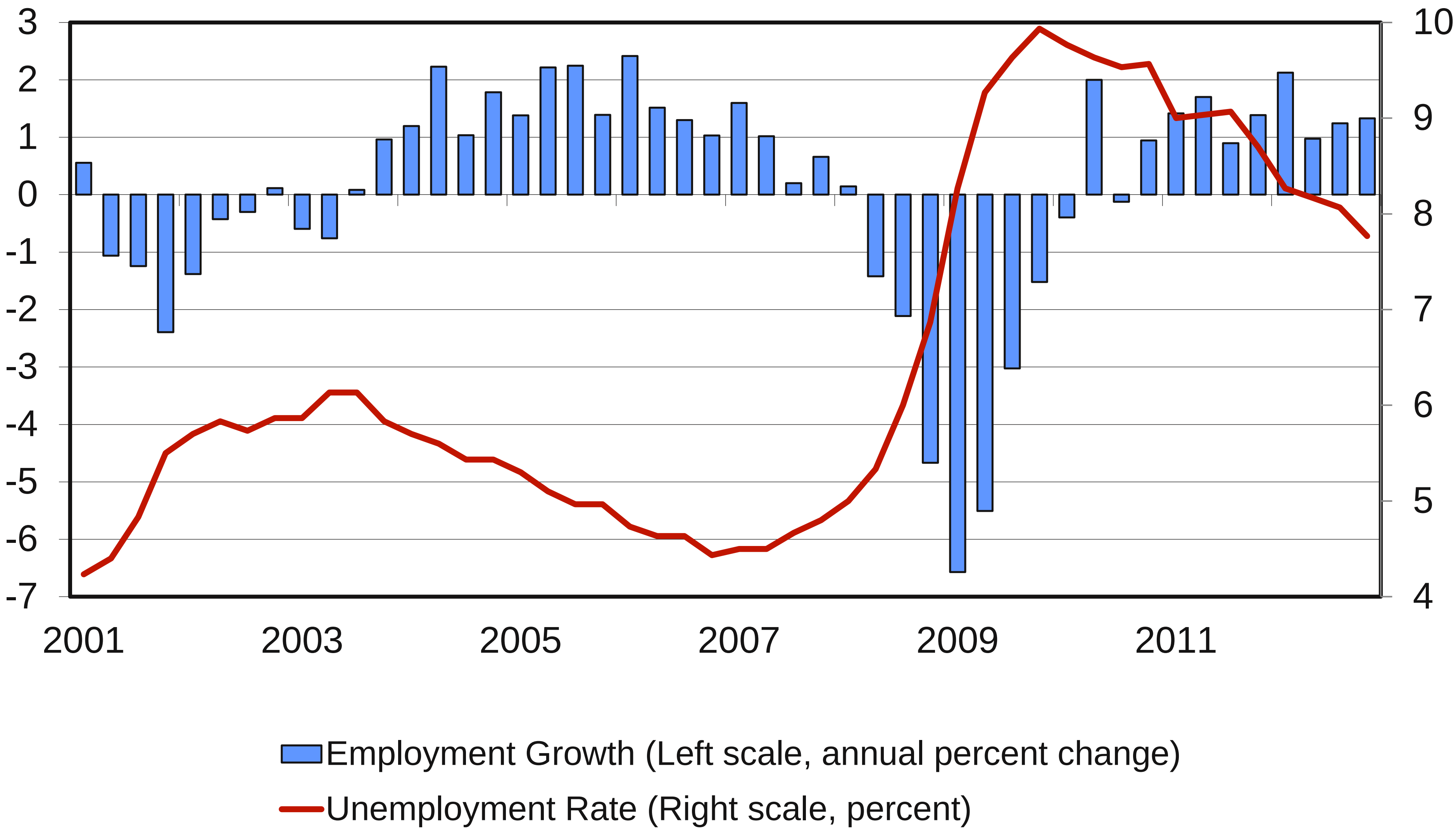
*Trough before current recovery was 2009 Q2. 2012Q2 is twelve quarters after the trough.

Small Business Sentiment Plunged With Fiscal Cliff Threat

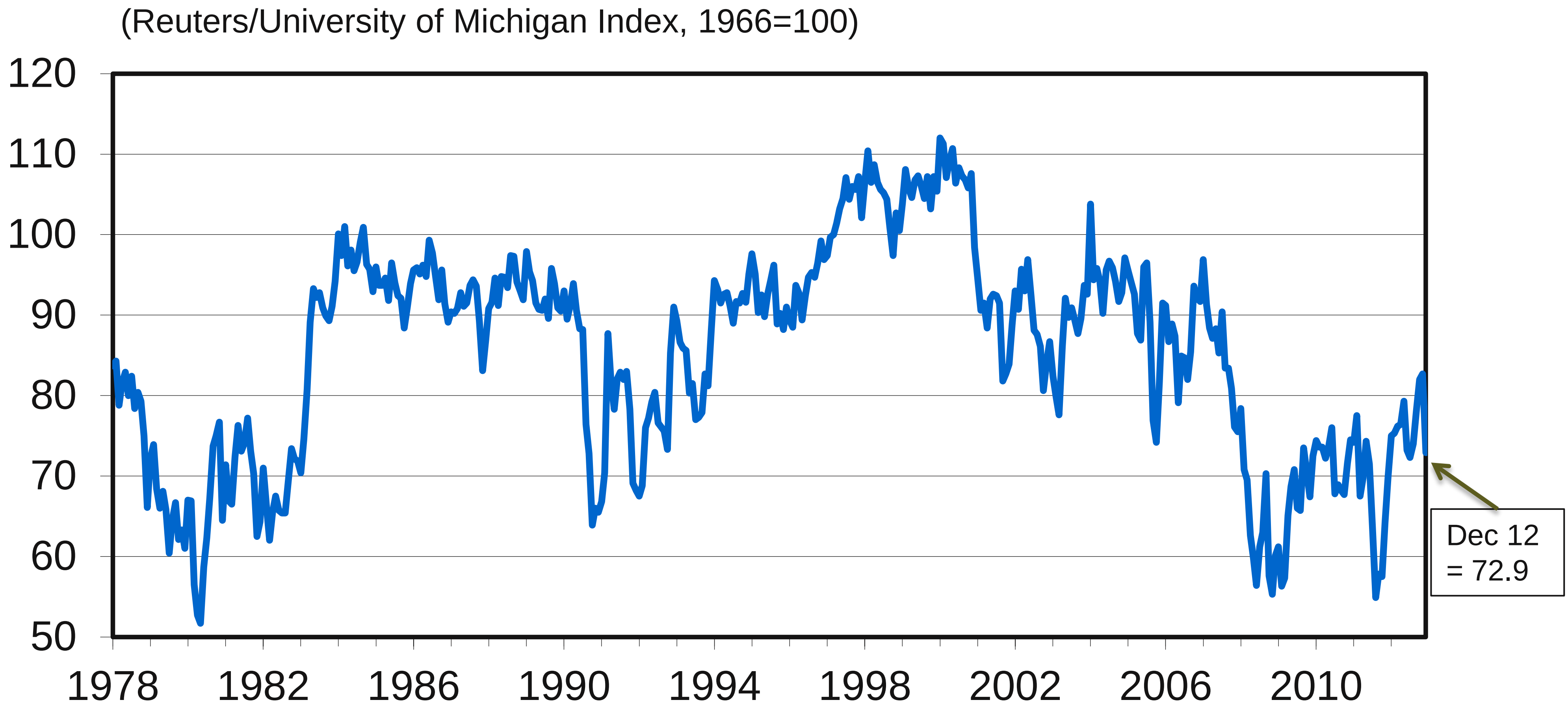


ISM = Institute for Supply Management; NFIB = National Federation of Independent Business

Sustained Employment Growth Finally Pushing Unemployment Down

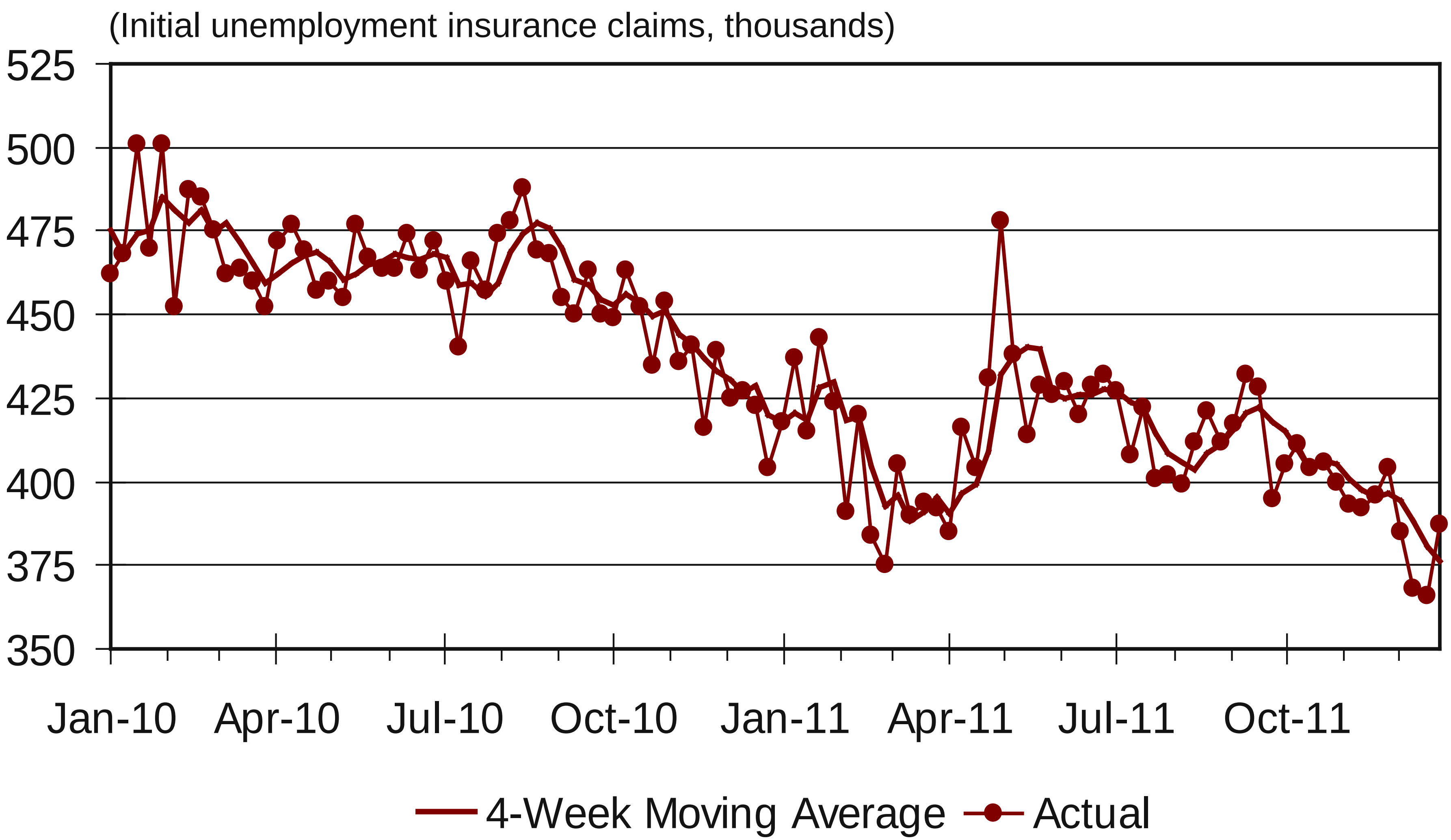


Consumer Sentiment Reached Its Lowest Since 1980 in Mid-2011; Fiscal Cliff Spoiled Recovery in Q4 2012



Source: Global Insight

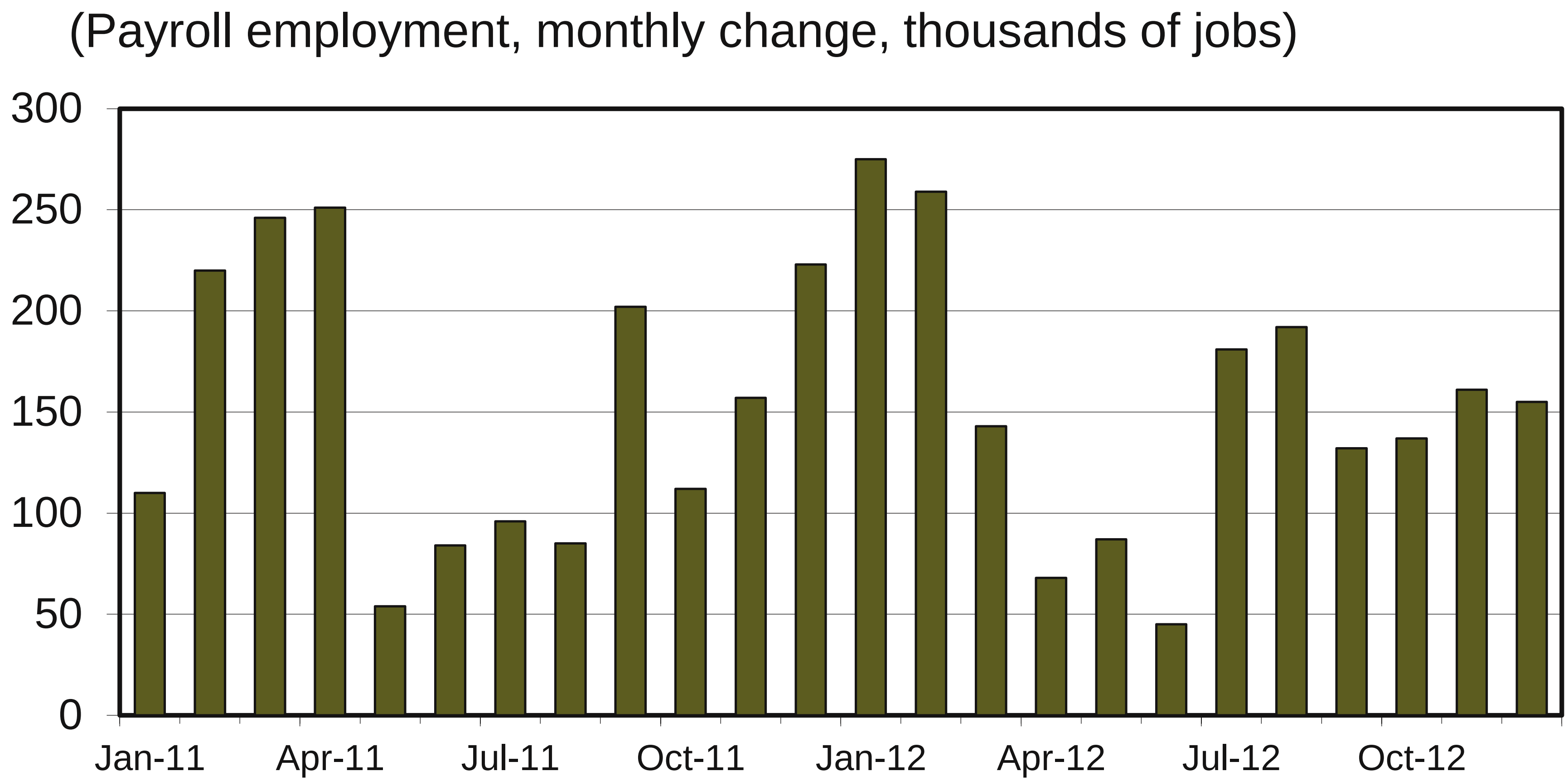
Good News: Initial Unemployment Insurance Claims Are Edging Down



- **400,000 = "magic number" below which the job market is typically expanding.**

Source: U.S. Department of Labor

Improvement in Employment Growth After Mid-Year Lull

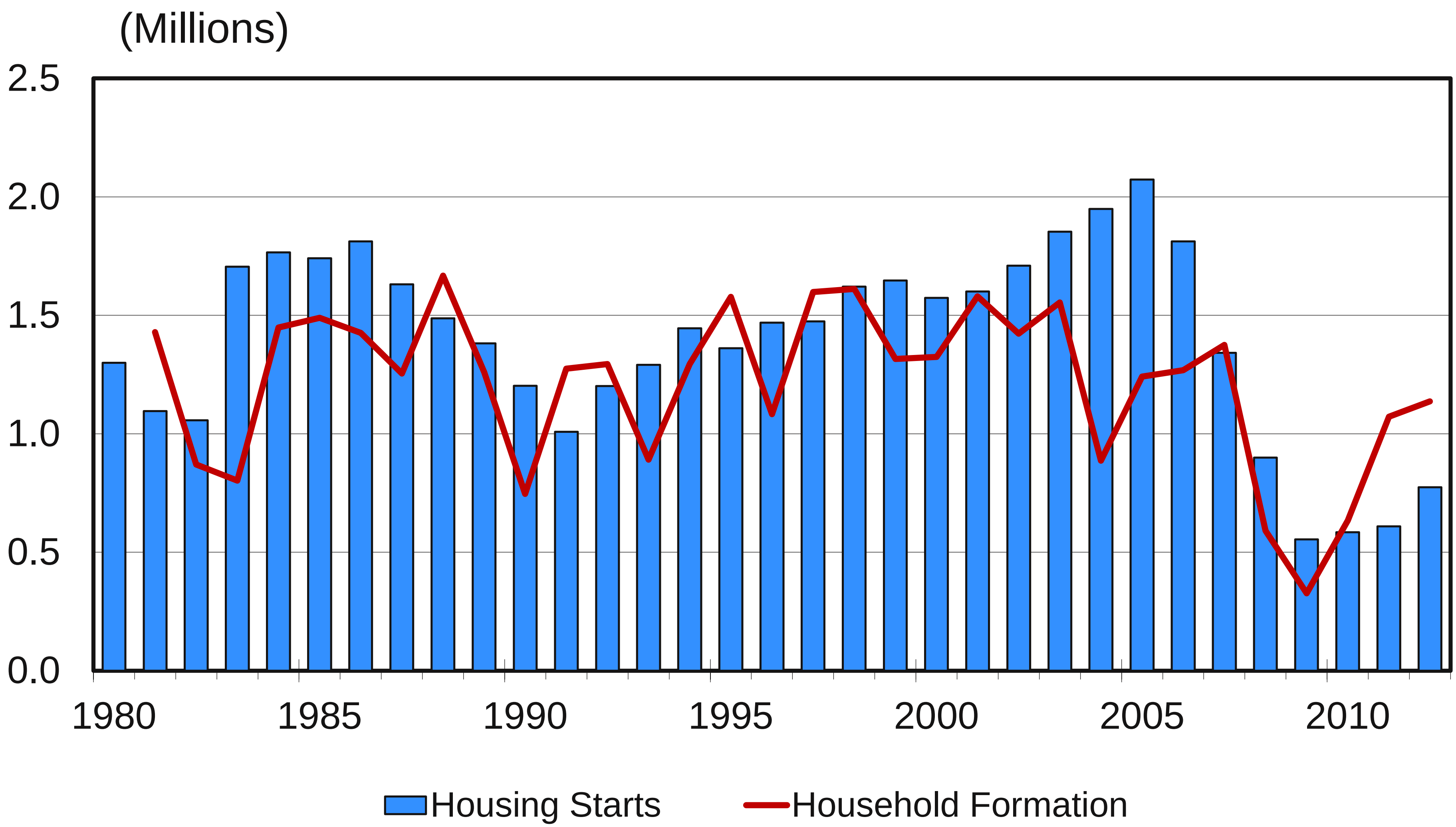


Source: Global Insight

A Much-Delayed Recovery in Housing Markets

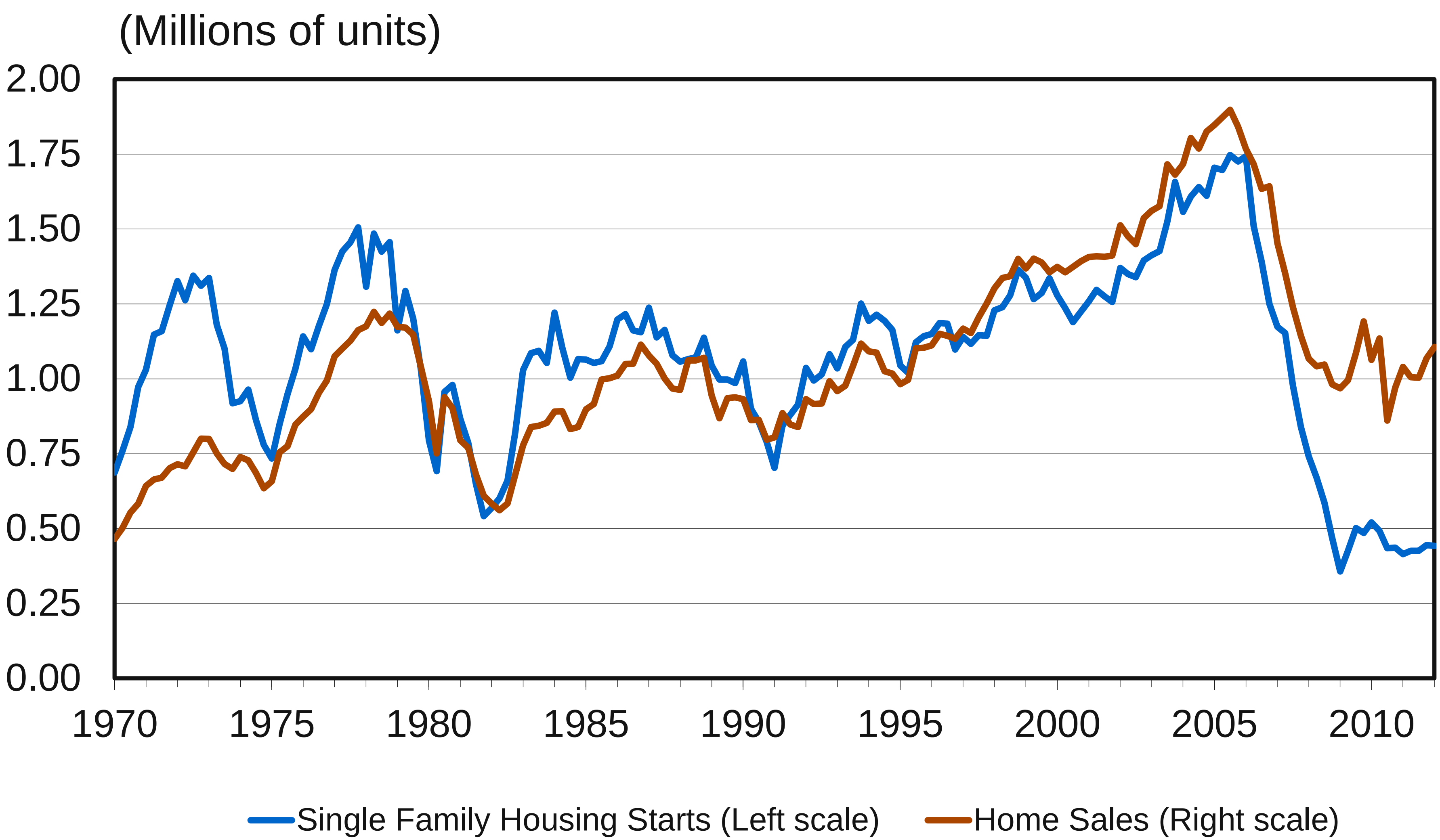
- The recession led to a drop-off in household formation.
- Sustained job growth is needed for revival.
- Record affordability of homes should boost demand.
- Credit conditions remain tight across regions.
- Mortgage foreclosures are adding to excess supply, depressing prices and holding back new construction.
- Multifamily home construction will lead the recovery, reflecting a shift from owner-occupied to rental housing.

A Rebound in Household Formation Required for Recovery in Housing Starts



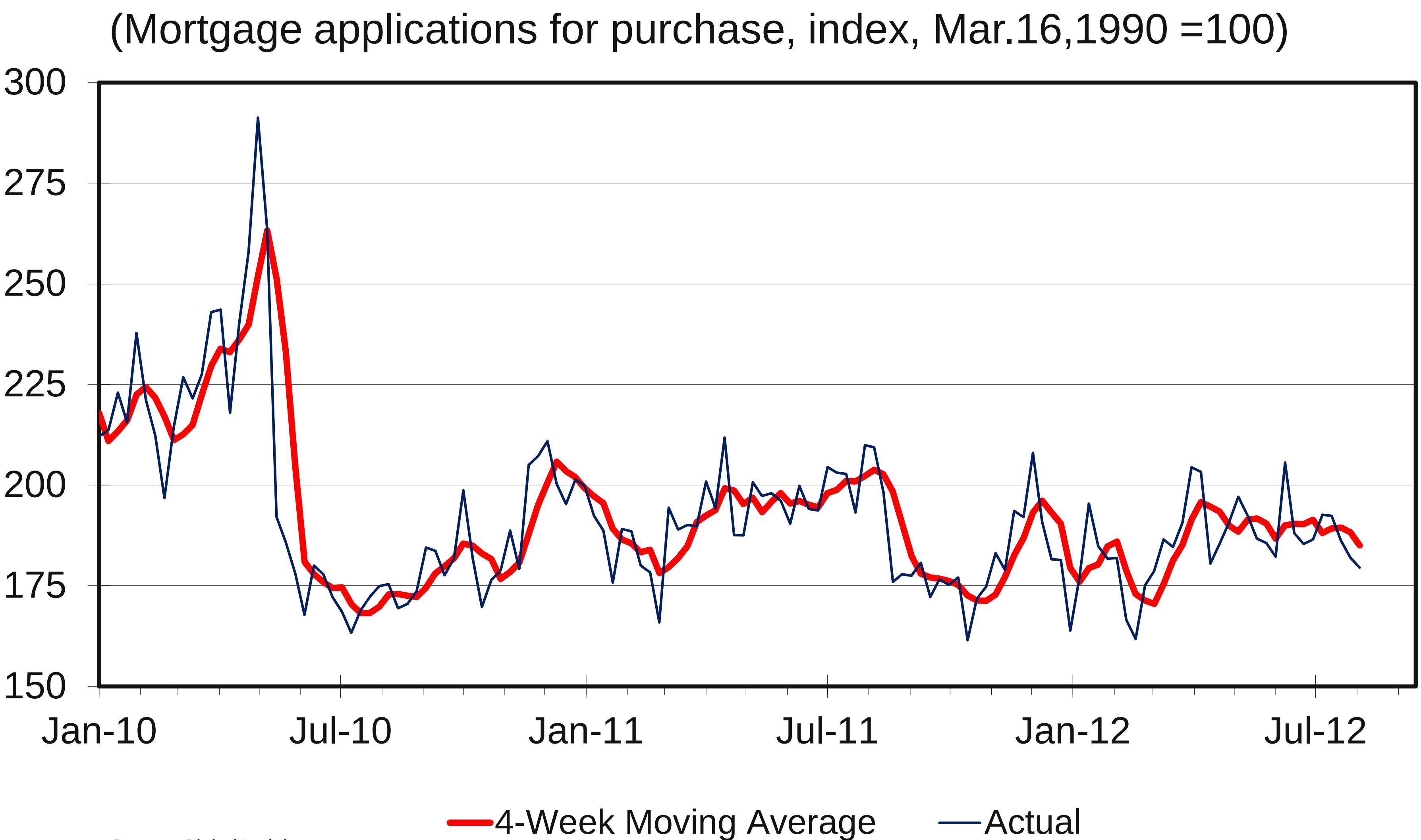
Source: Global Insight

Bottom Reached But Recovery Elusive in the Single-Family Housing Market



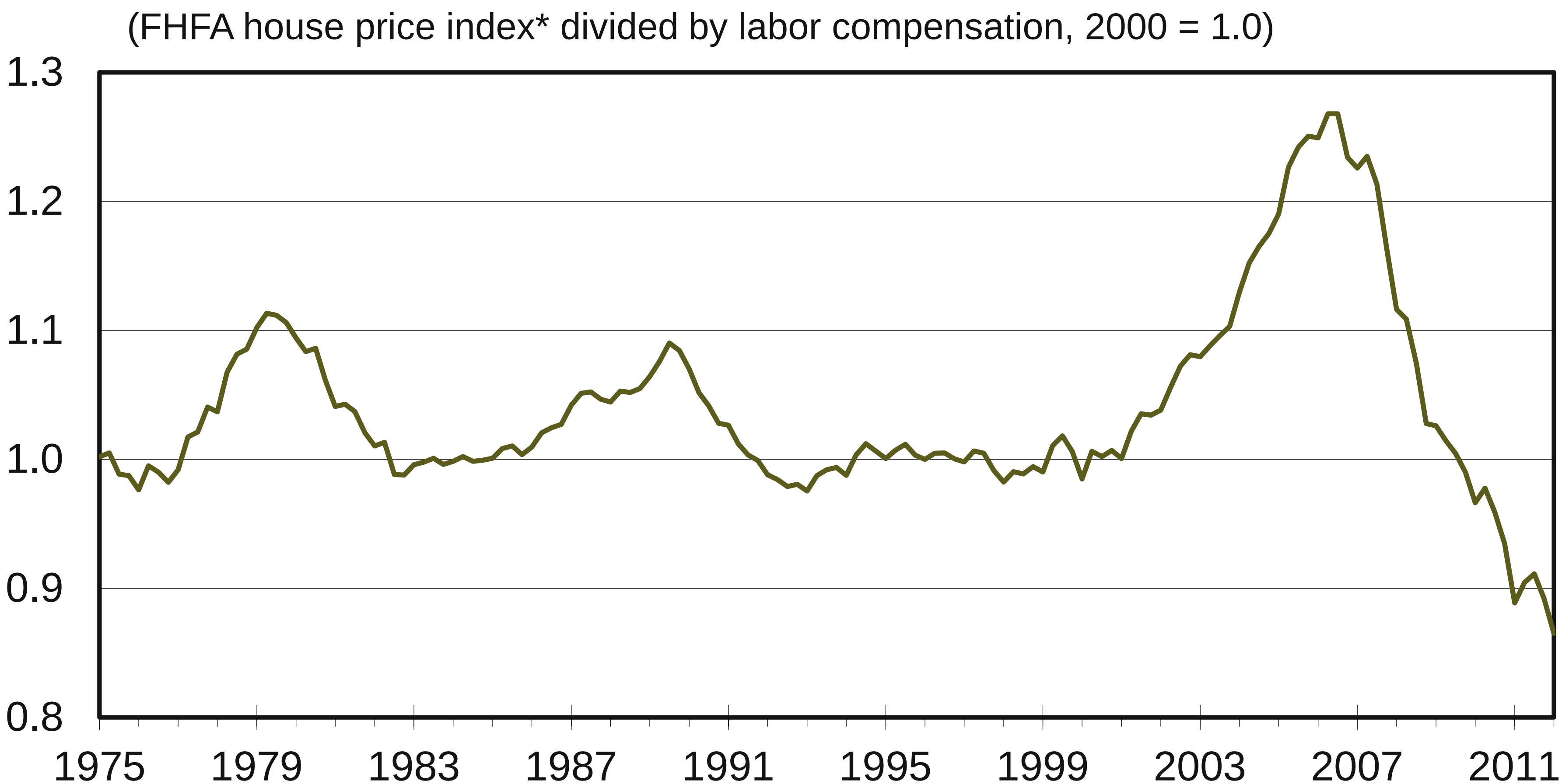
Source: Global Insight

Mortgage Applications for Home Purchase: Still No Signs of Life



Source: Global Insight

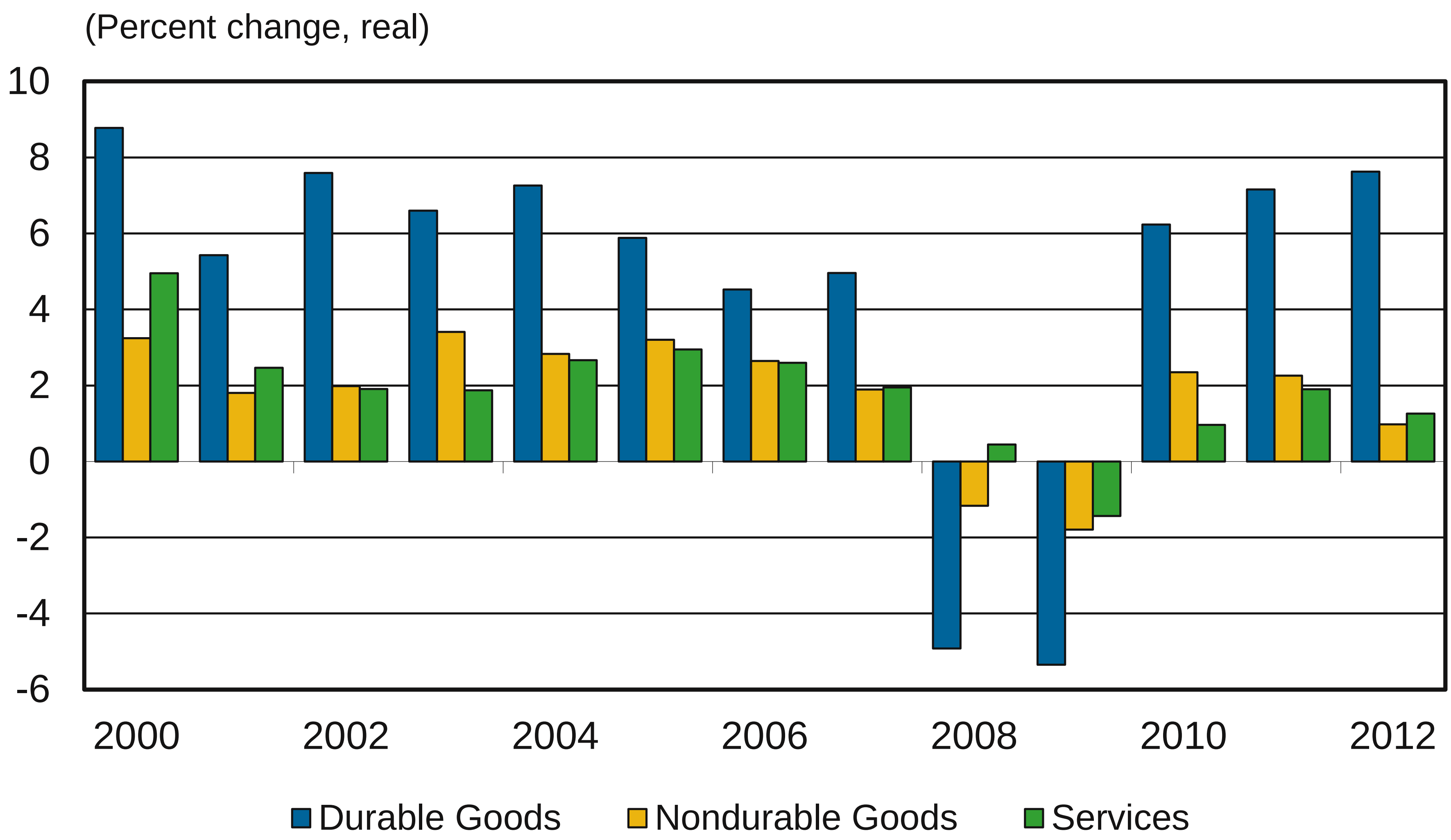
The House-Price Adjustment Has Come a Long Way, But Slide Still Not Over



* Purchase-only index from 1991 onwards

Source: Global Insight

Pent-up Demand for Durable Goods Drives Growth in Consumer Spending

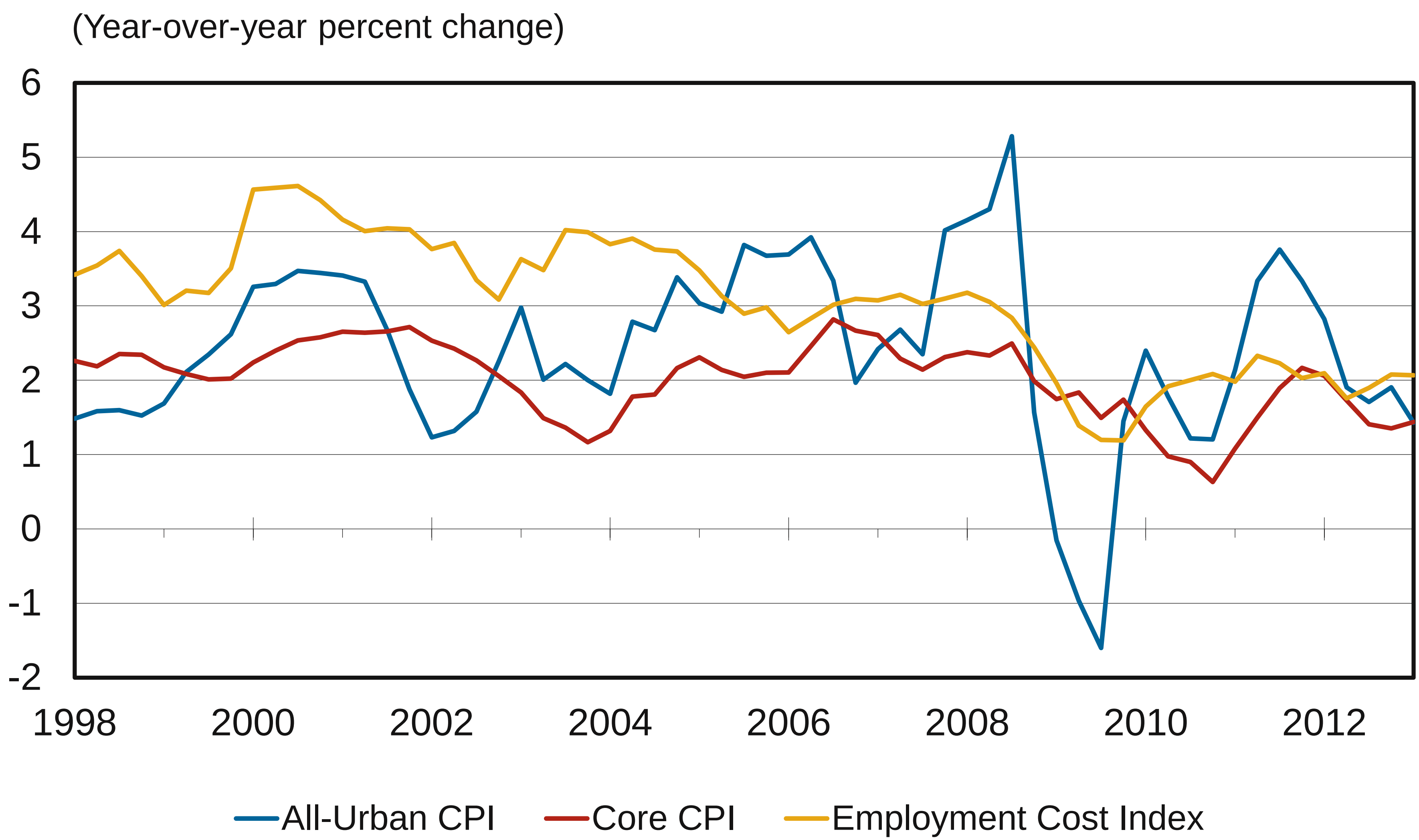


Source: Global Insight

So Is Rising Inflation an Emerging Threat?

- Economic theory says inflation HAS to take off:
  - Unprecedented, synchronized global monetary stimulus.
    - Interest rates at historic lows.
  - Unprecedented fiscal stimulus.
    - Corresponding unprecedented federal budget deficit.
    - Inflation beneficial to debtors—moral hazard?
  - Commodity prices itching to rise at the first sign of growth.
  - Dollar must weaken, furthering pressure on inflation.
- Practical reality:
  - The U.S. and the rest of the world face extended slow growth environment:
    - Fiscal and monetary stimulus kept us out of a longer, deeper recession, but
    - Aggregate demand is modest at best.
    - Capacity utilization plummeted in the U.S., and has been slow to recover; the world is awash in new capacity, and the U.S. is still importing deflationary pressure.
    - Solidifying job market, but no wage pressures.
  - Interest rates could rise eventually without a surge in inflation.
  - Inflation a very real threat, but it may be up to five years off.
  - Commodity prices represent a wildcard threat in the shorter term, particularly a supply-side disruption.
    - Commodity spike may be more likely to trigger another slowdown than a general price spiral.

Consumer Price Inflation Eases in 2012

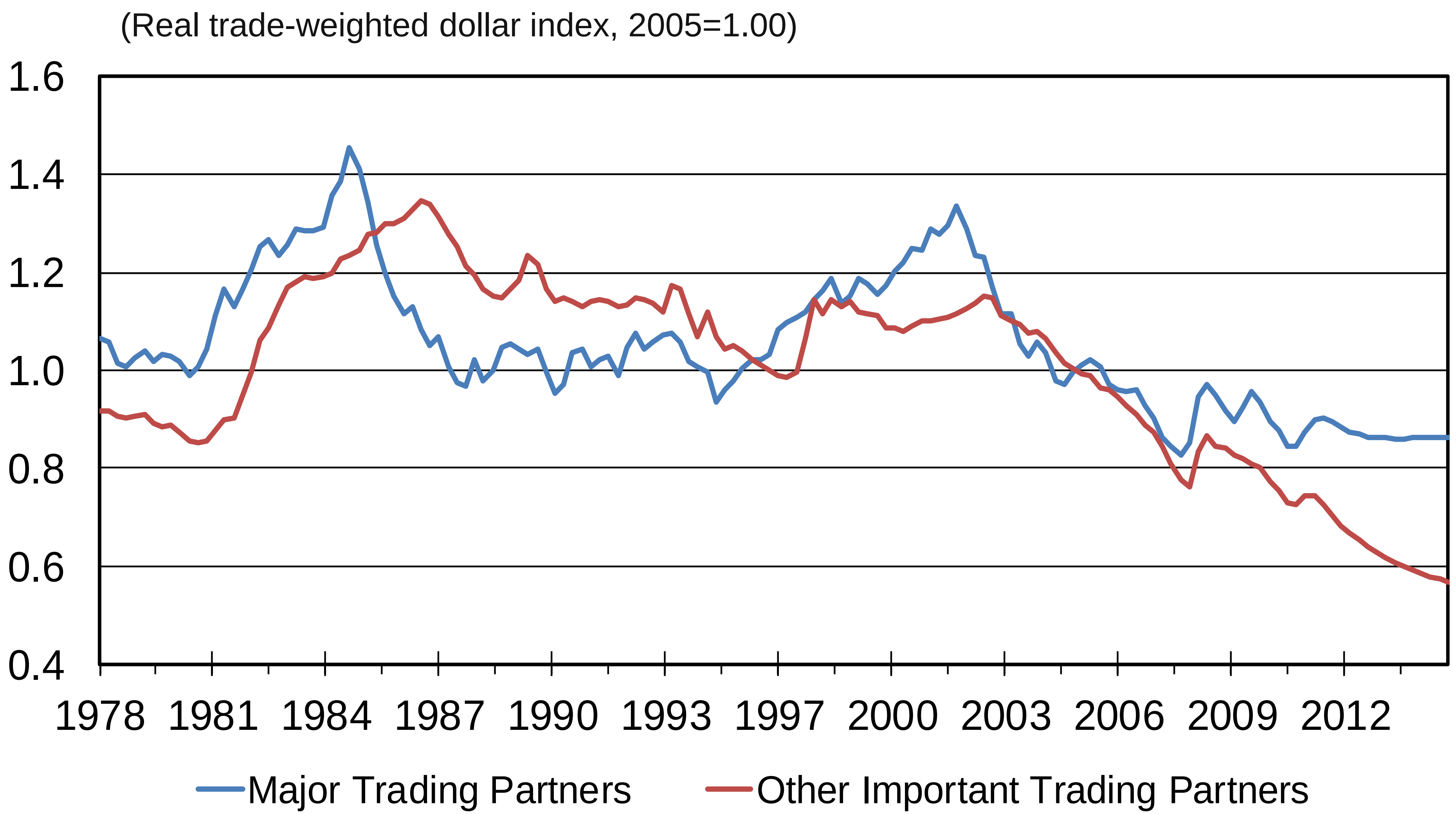


Source: Global Insight

Market Fundamentals Will Support Crude Oil Prices

- Sustained growth in emerging markets will support demand and prices.
- Concerns over Iran’s nuclear program and unrest in Egypt and Syria are refocusing attention on the risks of supply disruptions.
- Growth in non-OPEC supplies will be limited in 2013 and 2014.
- Spare capacity will remain relatively tight.
- Recovering Libyan output will be offset by reductions from Gulf Arab producers.
- Increased production from US tight oil fields and Canadian oil sands will have a moderating influence on prices in 2015-20.

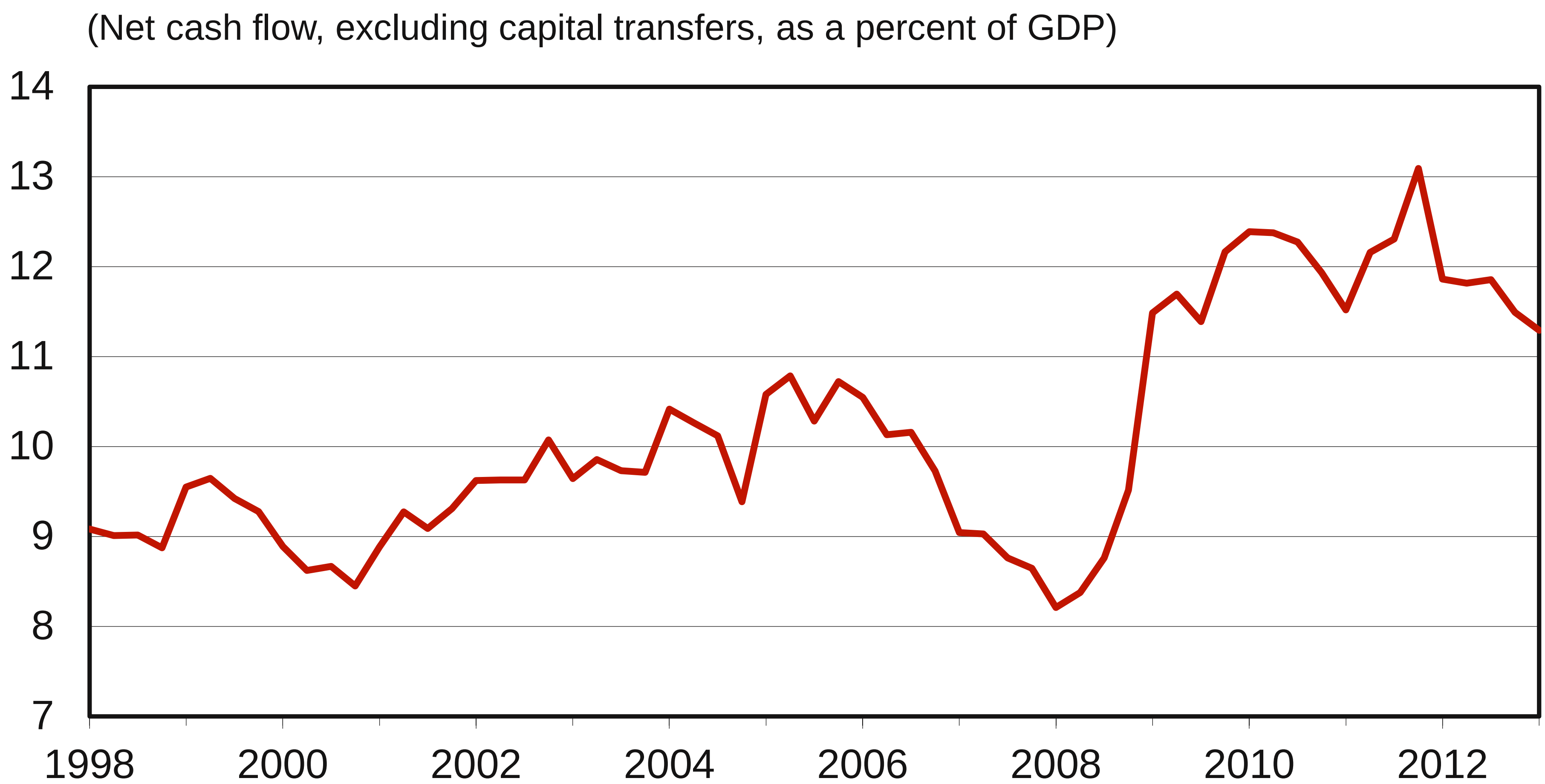
The Dollar Will Likely Depreciate Against Emerging Markets' Currencies



*** 2013-14 estimate - Global Insight**

Source: Global Insight

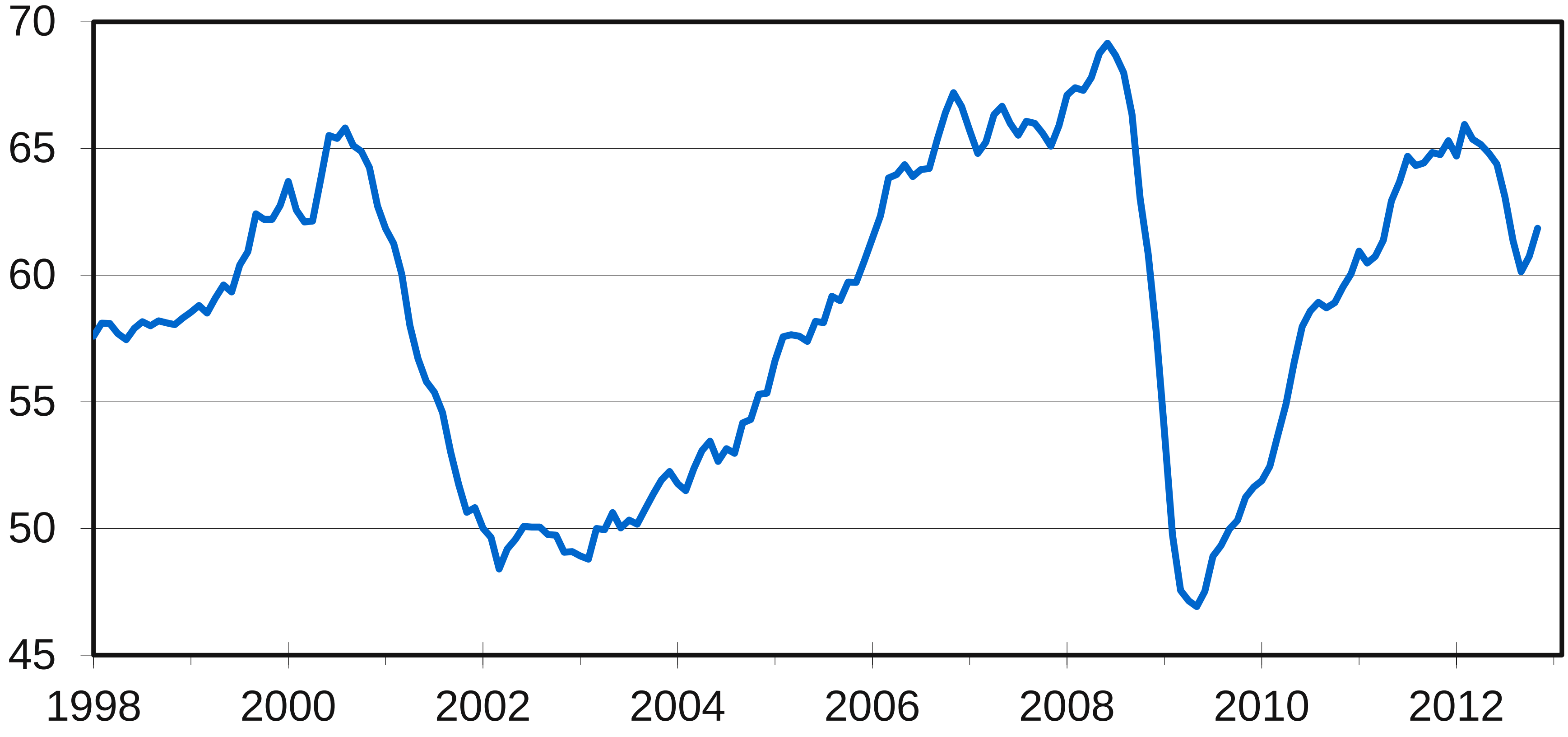
US Corporate Cash Flow Remains Strong



Source: Global Insight

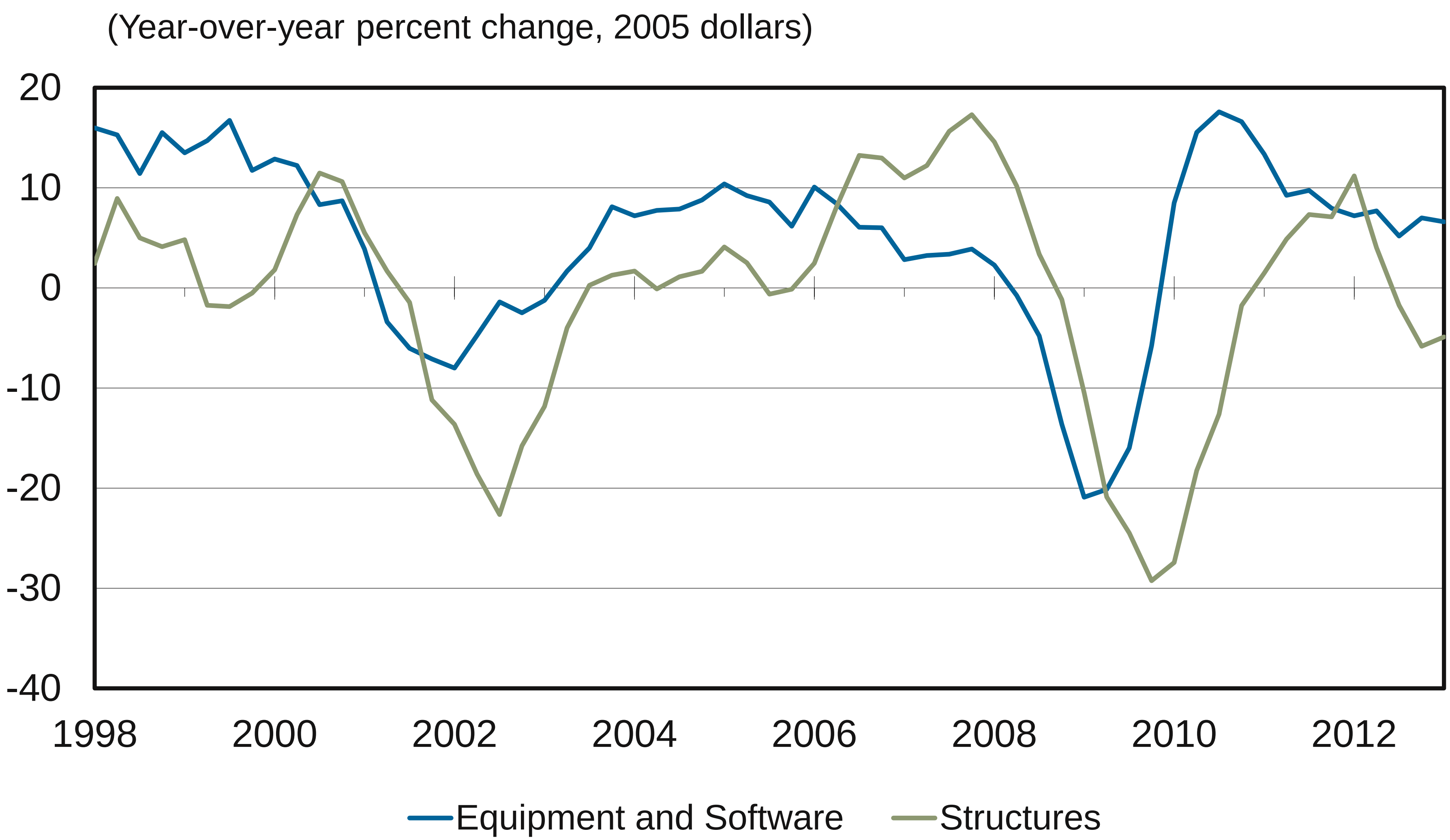
Business Equipment Demand: Is the 2012 Dip Over?

(Nondefense capital goods excl. aircraft, 3-month moving average, billions $)



Source: Global Insight

Equipment and Software Lead the Recovery in Business Fixed Investment



Source: Global Insight

U.S. Economic Growth by Sector

Annual Percentage Change

	12/31/2006 Share of GDP	12/31/2012 Share of GDP	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Direction of Change
Real GDP	100.0%	100.0%	2.5	3.5	3.1	2.7	1.9	-0.3	-3.1	2.4	1.8	2.3	Moderating above 2% (but below 3%)
Consumption	70.3%	70.6%	2.8	3.3	3.4	2.9	2.3	-0.6	-1.9	1.8	2.5	1.9	Back below GDP growth
Residential Investment	5.1%	2.7%	8.2	9.8	6.2	-7.3	-18.7	-23.9	-22.4	-3.7	-1.4	11.9	Light on the horizon?
Bus. Fixed Investment	11.3%	10.9%	1.4	6.2	6.7	8.0	6.5	-0.8	-18.1	0.7	8.6	7.5	Healthy growth
Federal Government	6.9%	7.6%	6.6	4.1	1.3	2.1	1.2	7.2	6.1	4.5	-2.8	-1.7	End of stimulus
State & Local Govt.	11.6%	10.8%	-0.1	-0.2	-0.2	0.9	1.4	0.0	2.2	-1.8	-3.4	-1.3	See "Federal Government"
Exports	11.3%	13.5%	1.6	9.5	6.8	9.0	9.3	6.1	-9.1	11.1	6.7	3.5	Faltering with global weakening
Imports	16.6%	16.5%	4.4	11.1	6.1	6.1	2.4	-2.7	-13.5	12.5	4.8	2.5	Consumption or energy prices?

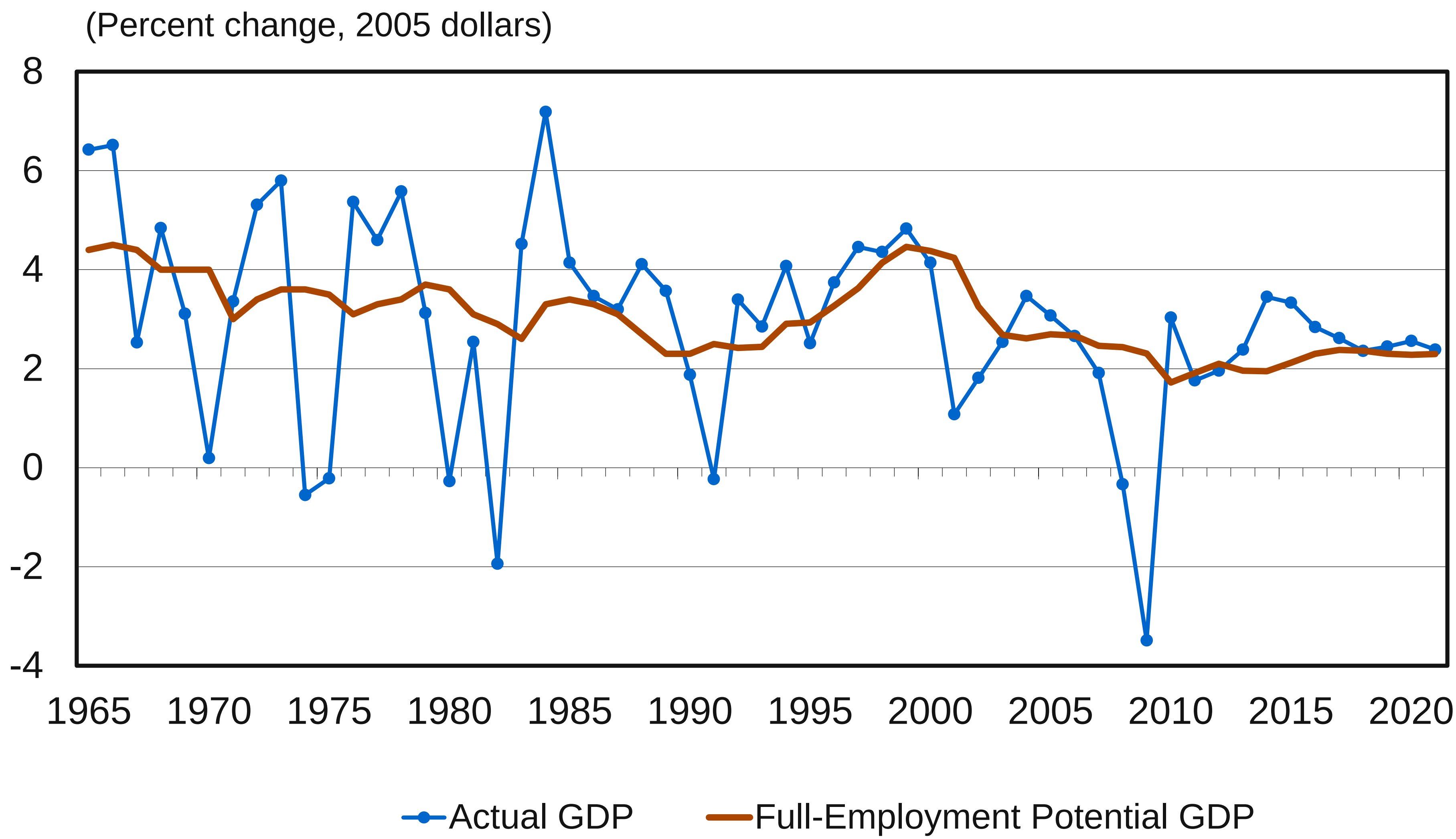
- GDP hit bottom in Q2 2009. After short burst of growth, economy slowed in second half of 2010 and through 2011. GDP revisions lowered growth in 2010 by more than half of one percent.
- Concerns rose for a return to recession in 2011, but faded as economy notched solid growth in the 3rd and 4th quarters of 2011.
- Growth continued into 2012, and in fact strengthened in the second half after a brief mid-year lull. Housing market appears to have found a bottom. Consumer spending slipped back below total GDP growth despite solid gains in job market and nascent recovery in housing.
- Government spending as a % of GDP peaked in 2011, receded in 2012 without further stimulus.
- Note: Imports are a negative number in the calculation of GDP.

Source: Global Insight

What Will The Fed Do?

- The Fed remains worried, and has adopted “whatever it takes” as its motto, in order to inspire confidence.
- QE II has evolved into QE-Infinity:
  - Announced $40 billion per month in MBS purchases, open-ended, in September 2012.
  - Added $45 billion per month in long-term Treasury purchases, open-ended, in December.
  - Interest rate effects on economic growth likely to be small.
- Policy clarification: no rate hike before unemployment hits 6.5%, as long as inflation cooperates.
- Based on consensus 2015 forecasts, no rate hike until at least 2015.
- Fed “believes” rates will remain very low until the end of 2015. (Futures market assumes no hike before end of 2014).
- Politicians and investors fret about this indefinite intervention in the debt markets and interest rates, yet the markets hang on every word uttered by Bernanke, and respond with rapture to each Fed maneuver to continue easing…

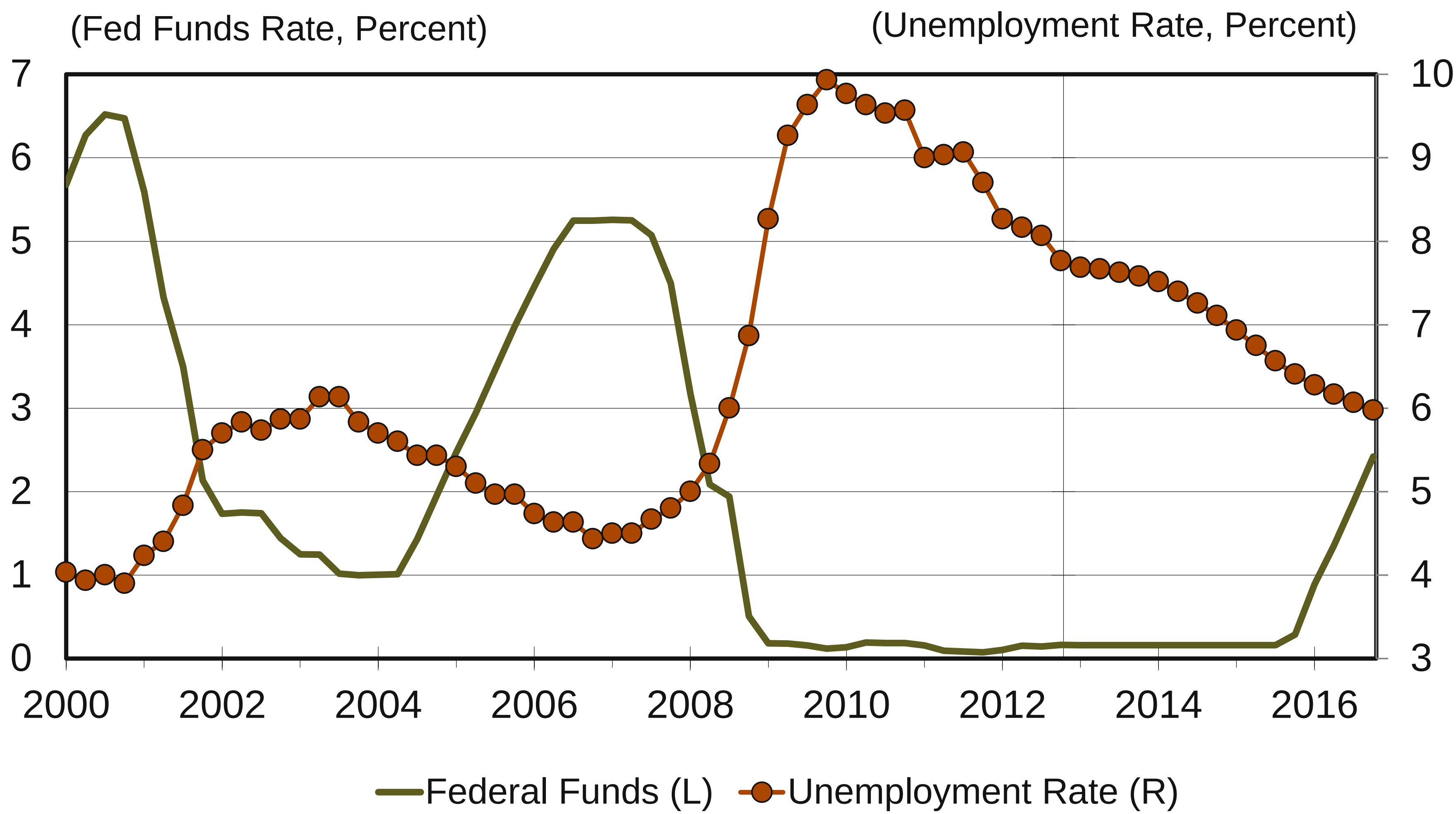
Many Believe Potential Real GDP Growth Has Diminished



*** 2013-20 estimate - Global Insight**

Federal Funds Rate Near Zero Until 2015?

Waiting for Unemployment to Drop Below 6.5%

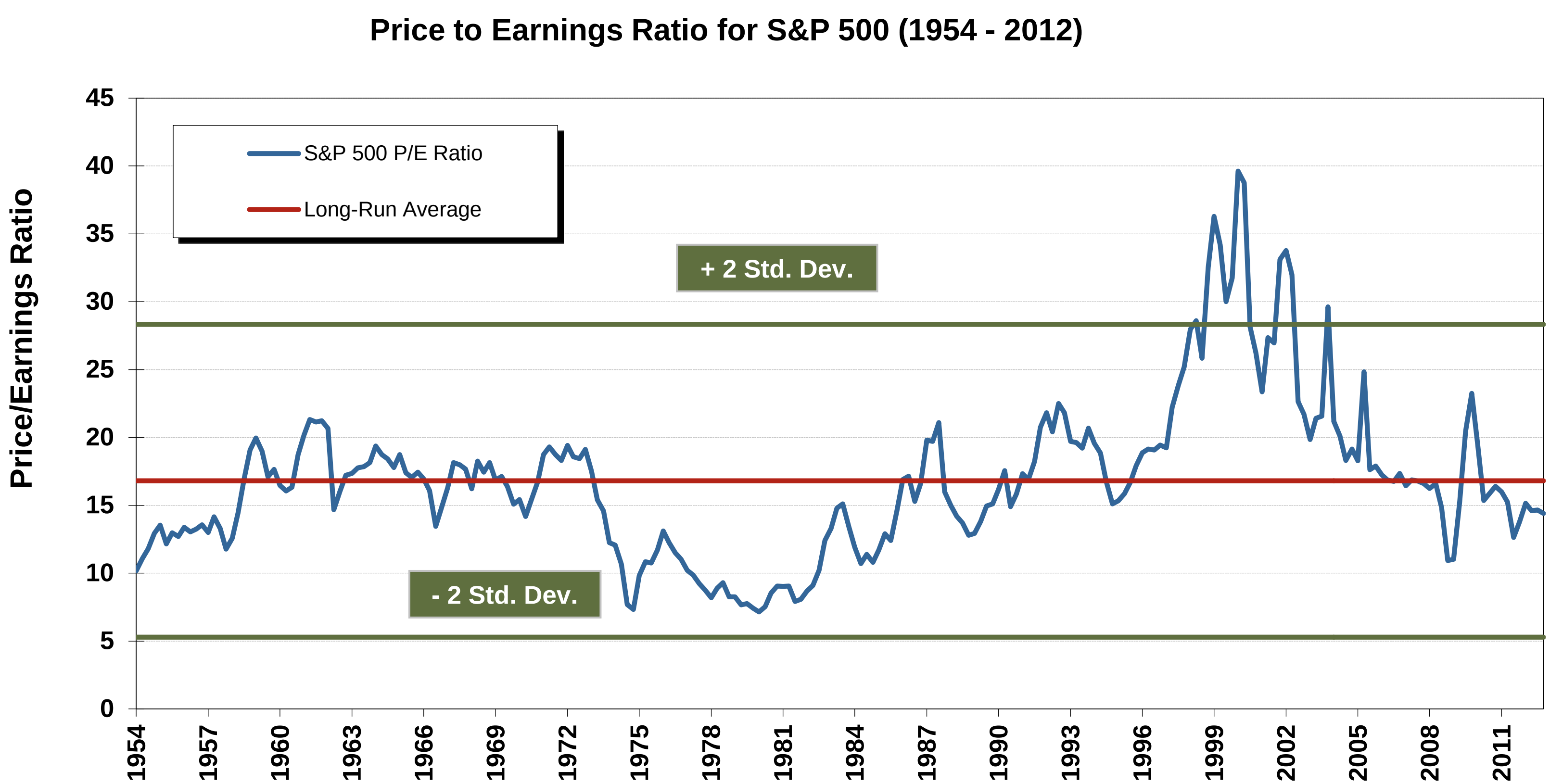


*** 2013-17 estimate - Global Insight**

Source: Global Insight

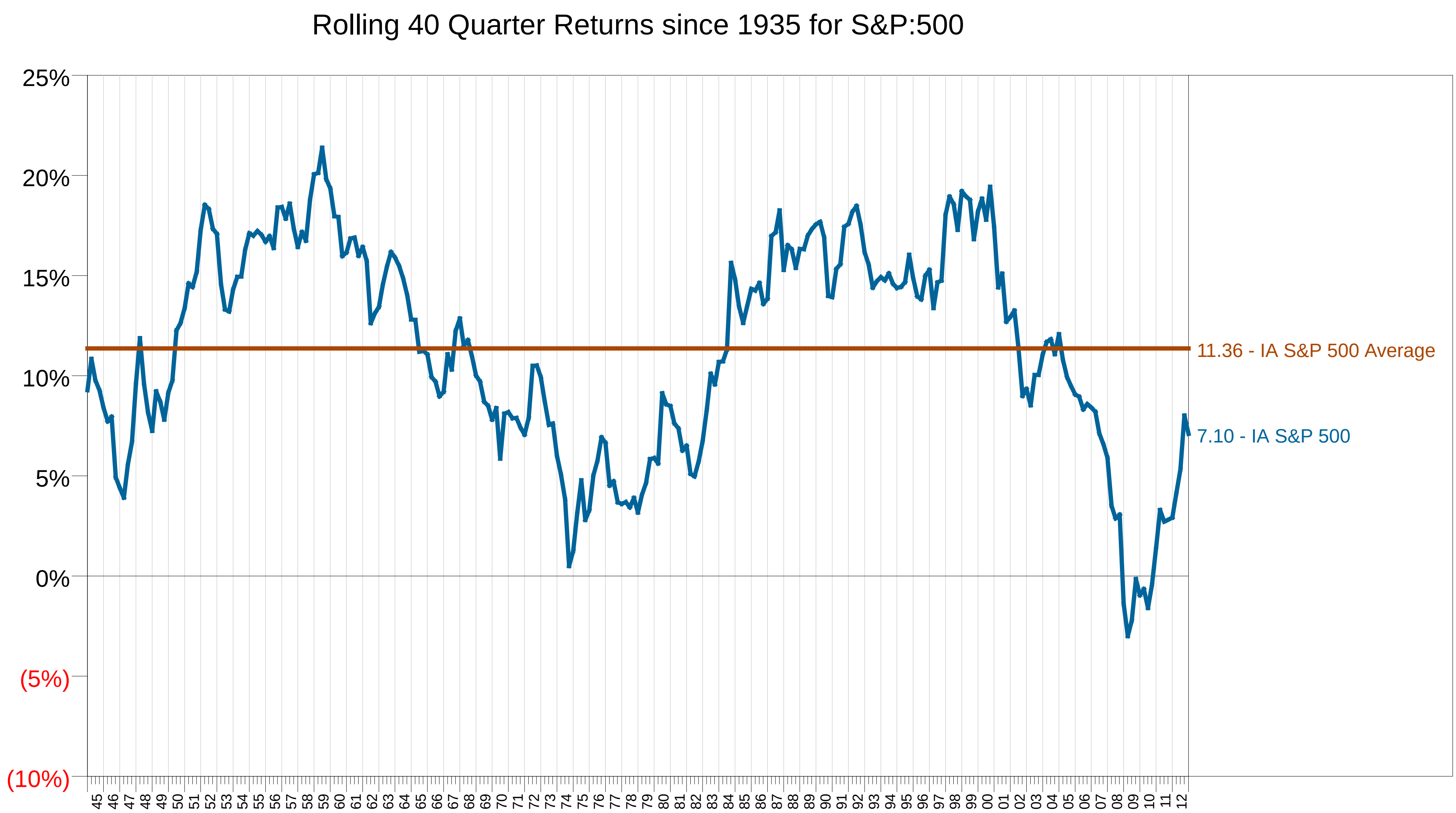
Equity Remains Reasonably Priced

Trailing P/E Below Its Long Run Average



Trailing earnings as reported for the fiscal year; includes negative earnings from 1998 onward.
Source: Standard & Poor's and Callan.

Does Reversion to the Mean Still Hold in a “New Normal”?



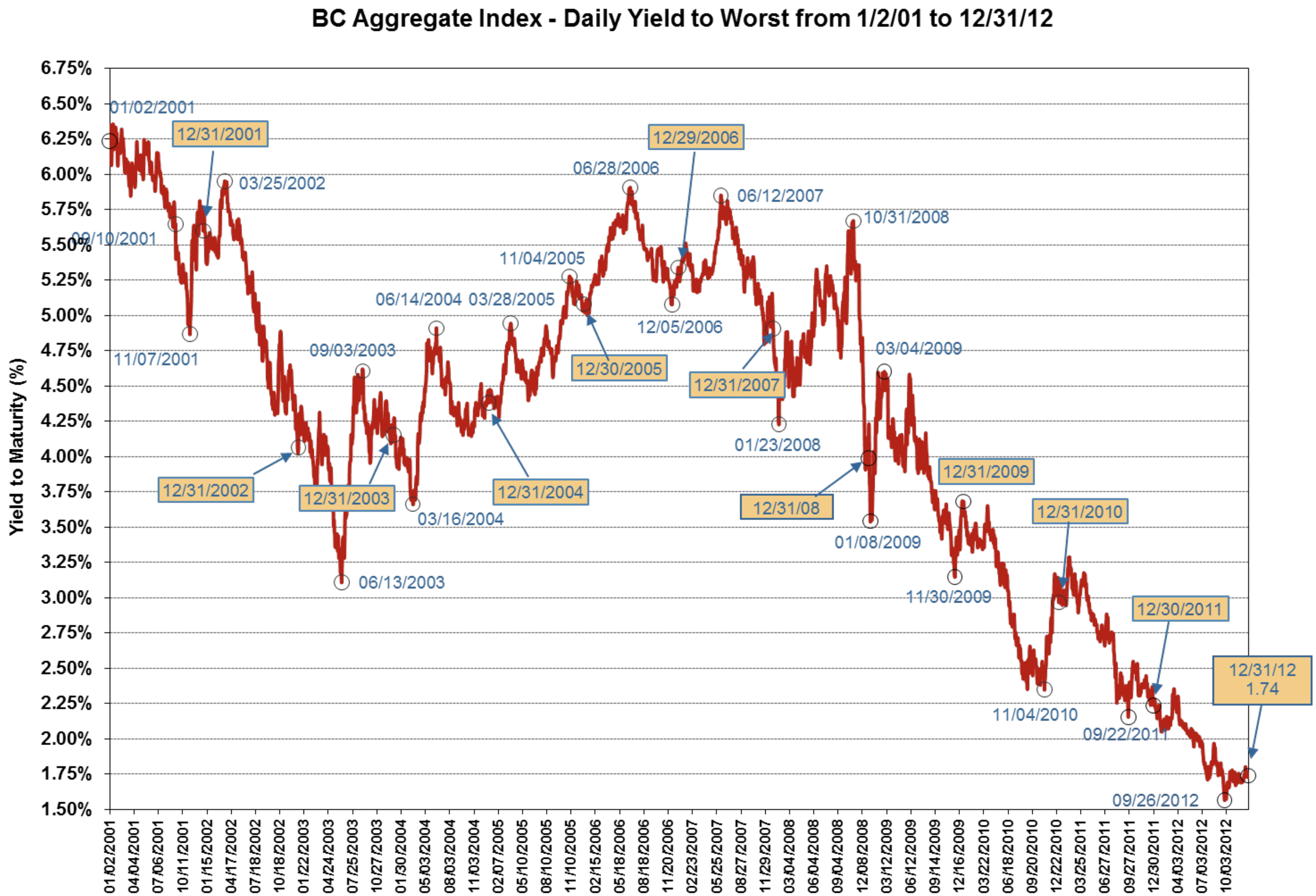
Source: Callan

Building US Equity Expectations

- Dividend yields likely to stay near current levels.
  – Financing uncertainty continues so cash unlikely to be returned to investors.
  – Fixed income yields expected to remain low.
- Equity valuations currently moderate to attractive even after market recovery in 2012.
- Corporate profits near long-term growth rate.
  – Companies may be able to sustain trend or above trend profit growth even in a modest growth environment.
- Company balance sheets are strong, but few are eager to spend. Large cash holdings a drag on ROE.
- Consumption will continue to dominate economic growth.
  – Unemployment high but finally declining,
  – Wealth depleted, yet to recover,
  – Deleveraging continues,
  – Savings replenished.
- Exports remain relatively strong, but are dependent on growth in trading partners.
- A new era of lower trend growth in GDP?

Current Yield is Exceptionally Low

We Can Go Lower; Uncharted Waters Going Forward



Source: Barclays Capital and Callan

Building Fixed Income Expectations

- 2012 results yet another surprise – interest rates fell, broad market generated 4.2% return with a yield staring at 2.25% (BC Aggregate).
  - Credit events of 2012: QE extended indefinitely, Presidential election, the Fiscal Cliff negotiations
- The path to future return matters:
  - Inflation
  - Composition of the market
  - Expected spreads and risk premiums
  - Current yields – level, slope of the yield curve.
- Hard to be enthusiastic about fixed income returns given current yields, environment and likely economic path to growth.
  - Calling the bottom of the "long term" interest rate cycle has been perilous. Nevertheless, the risk that rates will move higher is likely greater than the potential for rates to move lower.
- How low can we go? Current yield on the BC US Agg: 1.7%
  - We do believe interest rates will ultimately rise, but when?
  - The longer rates stay low, the lower the 10-year projection for bonds. It's the math, stupid…
  - Sideways for 10 years = 1.7%.
  - Real yields are negative almost across the yield curve. Sustainable?
- Inflation: 2.5% still looks reasonable. Implies 0% real yield on bonds.

2013 Capital Market Expectations
Return and Risk

Summary of Callan's Long-Term Capital Market Projections (2013 - 2022)

Asset Class	Index	PROJECTED RETURN 1-Year Arithmetic	10-Year Geometric*	Real	PROJECTED RISK Standard Deviation	Projected Yield	2012 - 2021 10-Year Geometric*	Standard Deviation
Equities								
Broad Domestic Equity	Russell 3000	9.15%	7.65%	5.15%	18.95%	2.00%	7.75%	18.70%
Large Cap	S&P 500	8.90%	7.55%	5.05%	18.30%	2.20%	7.60%	18.00%
Small/Mid Cap	Russell 2500	10.15%	7.85%	5.35%	22.90%	1.20%	7.90%	23.00%
International Equity	MSCI EAFE	9.25%	7.50%	5.00%	20.10%	2.00%	7.60%	20.00%
Emerging Markets Equity	MSCI EMF	11.45%	7.95%	5.45%	27.75%	0.00%	8.00%	27.75%
Global ex-US Equity	MSCI ACWI ex-US	9.80%	7.85%	5.35%	21.25%	1.50%	7.90%	21.15%
Fixed Income								
Defensive	BC Govt 1-3	2.25%	2.25%	-0.25%	2.40%	2.25%	3.00%	2.50%
Domestic Fixed	BC Aggregate	2.55%	2.50%	0.00%	3.75%	2.55%	3.25%	4.25%
TIPS	BC TIPS	2.40%	2.30%	-0.20%	5.00%	2.40%	3.00%	5.60%
Long Duration	BC Long Govt/Credit	3.40%	2.70%	0.20%	12.00%	3.40%	3.45%	11.80%
High Yield	BC High Yield	5.70%	5.00%	2.50%	12.60%	5.70%	5.35%	12.50%
Non-US Fixed	Citi Non-US Govt	2.65%	2.25%	-0.25%	9.40%	2.65%	2.85%	9.50%
Emerging Markets Debt	JPM EMBI Global Div	4.75%	4.25%	1.75%	10.60%	4.75%	4.80%	10.75%
Other								
Real Estate	Callan Real Estate	7.55%	6.20%	3.70%	17.50%	5.00%	6.40%	16.95%
Private Equity	VE Post Venture Cap	13.00%	8.65%	6.15%	30.90%	0.00%	8.80%	30.60%
Hedge Funds	Callan Hedge FoF	5.50%	5.10%	2.60%	10.20%	0.00%	5.55%	10.00%
Commodities	DJ-UBS Commodity	4.75%	3.25%	0.75%	17.90%	2.75%	3.25%	17.90%
Cash Equivalents	90-Day T-Bill	2.00%	2.00%	-0.50%	0.90%	2.00%	2.75%	0.90%
Inflation	CPI-U	2.50%	2.50%		1.50%		2.50%	1.40%

** Geometric returns are derived from arithmetic returns and the associated risk (standard deviation).*

Source: Callan

2013 Capital Market Expectations
Correlation Coefficient Matrix

Key to Constructing Efficient Portfolios

	Broad	Lg Cap	Sm/Mid	Int'l Eq	Emerge	GlobxUS	Defensive	Dom Fix	TIPS	Hi Yield	NUS Fix	EMD	Real Est	Pvt Eqt	Hedge Fd	Comm	Cash Eq	Inflation
Broad Domestic Equity	1.000																	
Large Cap	0.995	1.000																
Small/Mid Cap	0.953	0.920	1.000															
International Equity	0.852	0.850	0.805	1.000														
Emerging Markets Equity	0.836	0.830	0.805	0.840	1.000													
Global ex-US Equity	0.878	0.874	0.834	0.984	0.923	1.000												
Defensive	-0.109	-0.100	-0.130	-0.080	-0.120	-0.096	1.000											
Domestic Fixed	-0.106	-0.100	-0.120	-0.100	-0.140	-0.117	0.820	1.000										
TIPS	-0.166	-0.160	-0.175	-0.150	-0.175	-0.164	0.460	0.635	1.000									
High Yield	0.624	0.620	0.600	0.555	0.555	0.575	0.050	0.110	0.020	1.000								
Non-US Fixed	-0.071	-0.060	-0.100	0.050	-0.090	0.006	0.420	0.430	0.300	0.000	1.000							
Emerging Mkt Debt	0.499	0.490	0.500	0.490	0.530	0.521	0.000	0.120	0.000	0.740	0.000	1.000						
Real Estate	0.746	0.740	0.720	0.650	0.630	0.667	0.000	-0.010	-0.060	0.550	0.000	0.490	1.000					
Private Equity	0.910	0.905	0.870	0.860	0.840	0.885	-0.160	-0.150	-0.185	0.630	-0.070	0.550	0.730	1.000				
Hedge Funds	0.755	0.750	0.725	0.695	0.700	0.722	0.050	0.080	0.020	0.550	0.000	0.540	0.575	0.685	1.000			
Commodities	0.150	0.150	0.140	0.130	0.135	0.136	-0.150	0.090	0.280	0.100	-0.050	0.470	0.150	0.100	0.180	1.000		
Cash Equivalents	-0.043	-0.030	-0.080	-0.010	-0.100	-0.040	0.350	0.100	0.070	-0.110	0.000	-0.070	-0.060	0.000	-0.070	0.070	1.000	
Inflation	-0.073	-0.080	-0.060	0.010	-0.080	0.000	0.200	-0.200	0.100	-0.130	0.010	0.100	-0.130	-0.150	0.100	0.200	0.300	1.000

Source: Callan

2013 Capital Market Expectations
Asset Mix Return and Risk – Includes Absolute Return & Equity Subclasses

Asset Mix Alternatives
Optimization Set: 2013

Portfolio Component	Min	Max	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
Large Cap	0%	100%	12%	15%	17%	20%	22%
Small/Mid Cap	0%	100%	3%	4%	4%	5%	6%
International Equity	0%	100%	9%	11%	13%	15%	17%
Emerging Markets Equity	0%	100%	3%	4%	5%	5%	6%
Domestic Fixed	0%	100%	51%	43%	35%	27%	19%
TIPS	0%	100%	9%	7%	5%	3%	1%
Real Estate	0%	100%	4%	5%	7%	8%	10%
Private Equity	0%	100%	3%	4%	5%	7%	8%
Absolute Return	0%	100%	6%	7%	9%	10%	11%
Cash Equivalents	0%	100%	0%	0%	0%	0%	0%
Totals			100%	100%	100%	100%	100%
Projected Arithmetic Return			5.07%	5.74%	6.41%	7.08%	7.75%
10 Yr. Geometric Mean Return			4.91%	5.47%	5.99%	6.48%	6.92%
Projected Standard Deviation			7.16%	8.90%	10.71%	12.56%	14.43%

Source: Callan

Basic Building Blocks – Excluding Absolute Return

Asset Mix Alternatives
Optimization Set: 2013
Basic Building Blocks

Portfolio Component	Min	Max	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6
Broad Domestic Equity	0	100	19	23	26	29	33	36
Global (ex-US) Equity	0	100	15	18	20	23	26	29
Private Equity	0	100	4	4	6	7	8	9
Real Estate	0	100	5	6	7	9	10	11
Domestic Fixed	0	100	48	42	35	28	21	14
TIPS	0	100	9	7	6	4	2	1
Cash Equivalents	0	100	0	0	0	0	0	0
Totals			100	100	100	100	100	100
Projected Arithmetic Return			5.50%	6.10%	6.70%	7.30%	7.90%	8.50%
5 Yr. Geometric Mean Return			5.28%	5.76%	6.22%	6.65%	7.04%	7.41%
10 Yr. Geometric Mean Return			5.27%	5.75%	6.20%	6.62%	7.02%	7.38%
Projected Standard Deviation			8.27%	9.87%	11.51%	13.18%	14.86%	16.55%

Please note – we will distribute ARMB’s current policy statistics prior to the Feb. meeting once we complete sub-asset categories such as Timber/Farmland, EM debt etc. Current policy is close to Mix 5 in return & risk characteristics.

Long-Term Vision and Short-Term Reality

- Greatest danger – investors will take on additional risk to compensate for capital market returns that are likely to be well below historical averages. We do not believe investors are likely to be compensated for such risk taking in the shorter term.
- Fixed income is a conundrum for investors. No other investment offers the same anchor to windward and protection in a flight to quality. Yet low yields and the prospect for rising rates (eventually) spell dismal returns.
- Stocks appear to be the “best of a bad lot”, but are not without substantial risk.
- Other strategies to manage risk:
  - Active management in equity and fixed income to take advantage of opportunities and protect in a volatile environment.
  - Global opportunities in equity and debt; yields, currency.
  - Absolute return strategies to hedge market risk, both long-only and hedged.

Role of Asset Classes/Strategies

Colored strategies = illiquid investments

- Capital Accumulation
  - U.S. equity
  - Non-U.S. equity
  - Emerging markets
  - **Private equity**
  - High yield
  - **Public/private real estate**
- Diversification/Expand Opportunity Set
  - TIPS
  - High yield
  - Non-U.S. equity
  - Emerging markets
  - Global
  - Non-U.S. fixed income
  - Commodities
  - **Private equity**
  - **Private real estate**
  - **Hedge funds**
  - **Infrastructure**
  - **Timber**
- Lower Volatility
  - Stable value
  - Short duration fixed income
  - **Hedge funds**
- Flight to Quality
  - Treasury bonds
  - Cash equivalents
- Alpha Generation
  - Small/Mid Cap U.S. equity
  - Non-U.S. equity
  - Emerging markets
  - **Private equity**
  - **Private real estate**
  - **Hedge funds**
- Inflation hedge
  - TIPS
  - REITs
  - **Private real estate**
  - **Infrastructure**
  - Commodities
  - **Timber**
  - Equity
  - Other real assets

Asset Allocation Viewed Through Another Lens

Evaluate economic growth and inflation scenarios

- Investors seek economic diversification to a range of scenarios like inflation, deflation, stagflation and growth given the uncertainty.
- Allocations are based on key return drivers like inflation and growth:
  - There are other factors influencing returns, like leverage and liquidity.

Economic Growth

Inflation

Low (Falling) Growth, High (Rising) Inflation **Inflation Linked Bonds (TIPS)** **Commodities** **Infrastructure**	**High Growth, High Inflation** **Real Assets** **(e.g. Real Estate, Timberland, Farmland, Energy)**
Low Growth, Low Inflation (Deflation) **Cash** **Government Bonds**	**High Growth, Low Inflation** **Corporate Debt** **Equity**

Callan

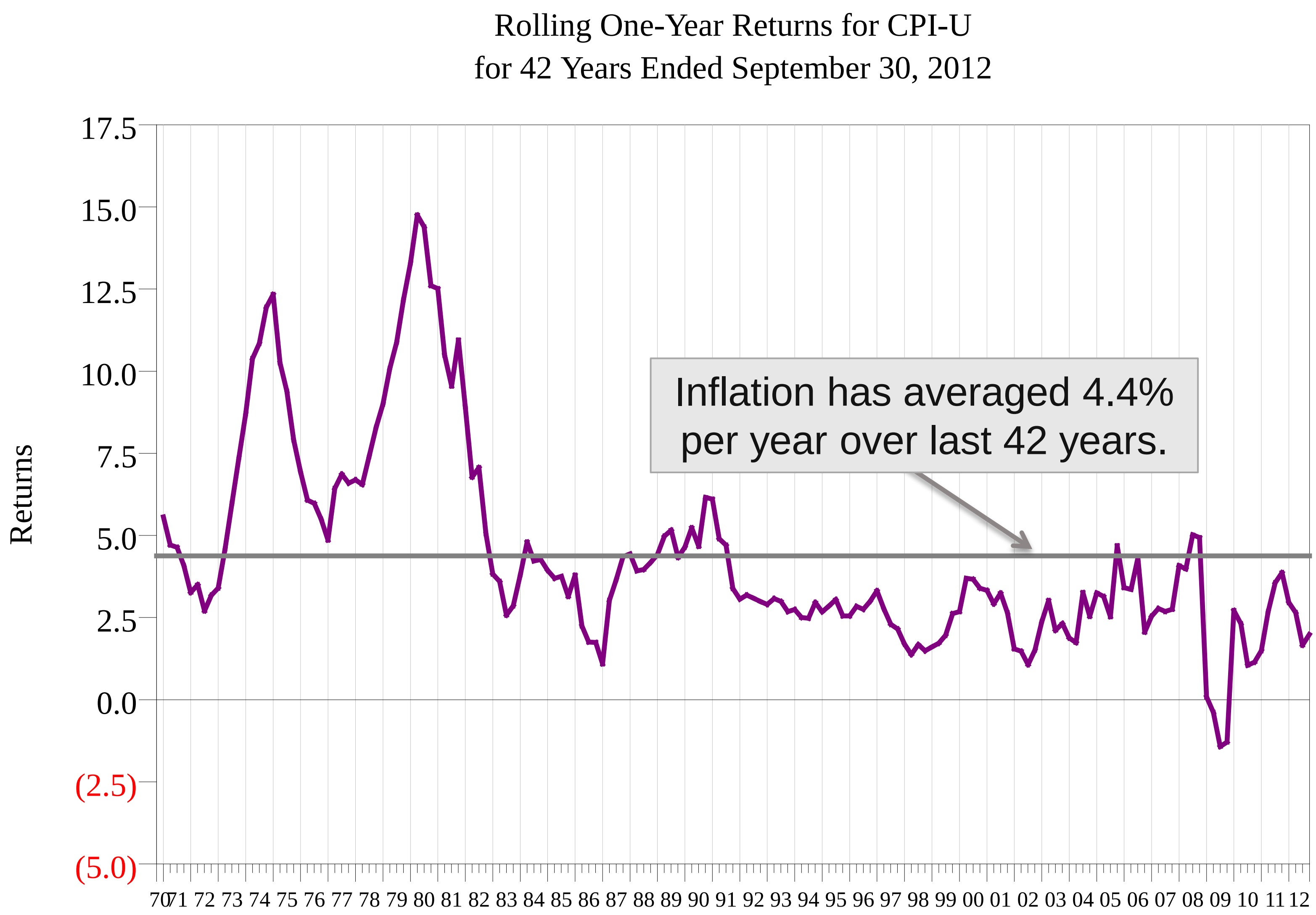
ARMB Board Meeting

Defined Contribution Trends:
Real Return Risks and Opportunities

Michael J. O'Leary, CFA
Executive Vice President

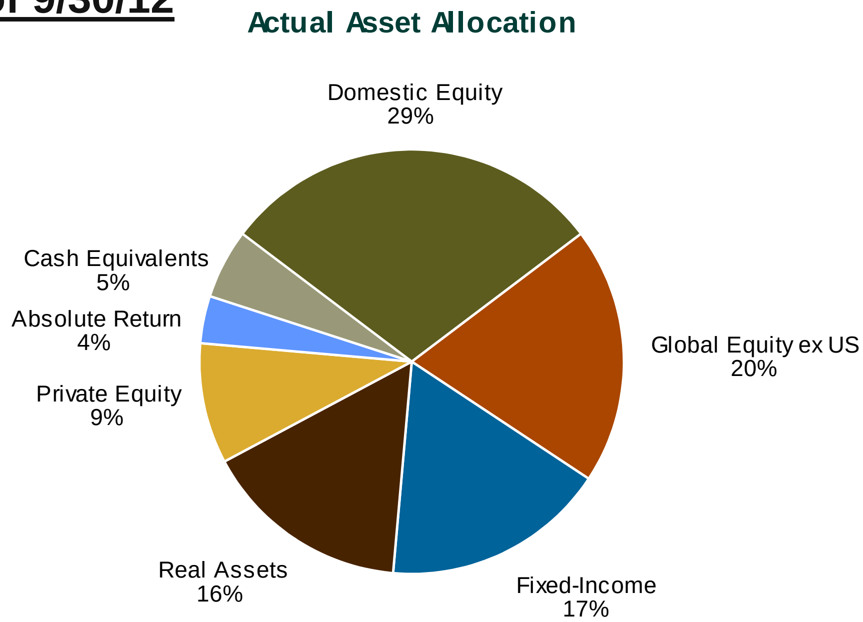
Paul Erlendson
Senior Vice President

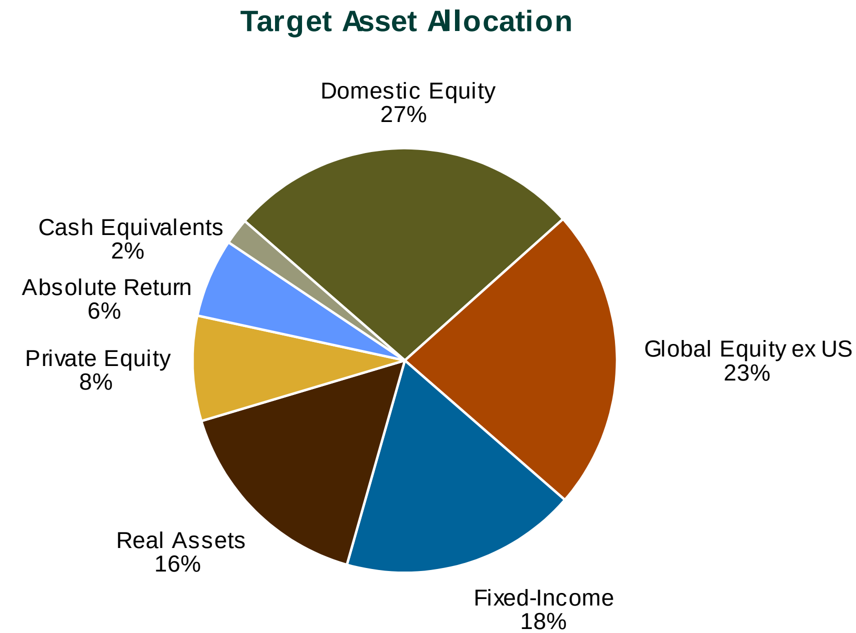
Inflation has been relatively benign over the last 20 years



ARMB’s Retirement Plan includes “real assets”

As of 9/30/12





Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Domestic Equity	1,892,756	29.5%	27.0%	2.5%	159,025
Global Equity ex US	1,259,520	19.6%	23.0%	(3.4%)	(217,362)
Fixed-Income	1,095,960	17.1%	18.0%	(0.9%)	(59,861)
Real Assets	1,011,972	15.8%	16.0%	(0.2%)	(15,424)
Private Equity	593,311	9.2%	8.0%	1.2%	79,625
Absolute Return	228,363	3.6%	6.0%	(2.4%)	(156,911)
Cash Equivalents	339,344	5.3%	2.0%	3.3%	210,920
Total	6,421,226	100.0%	100.0%		

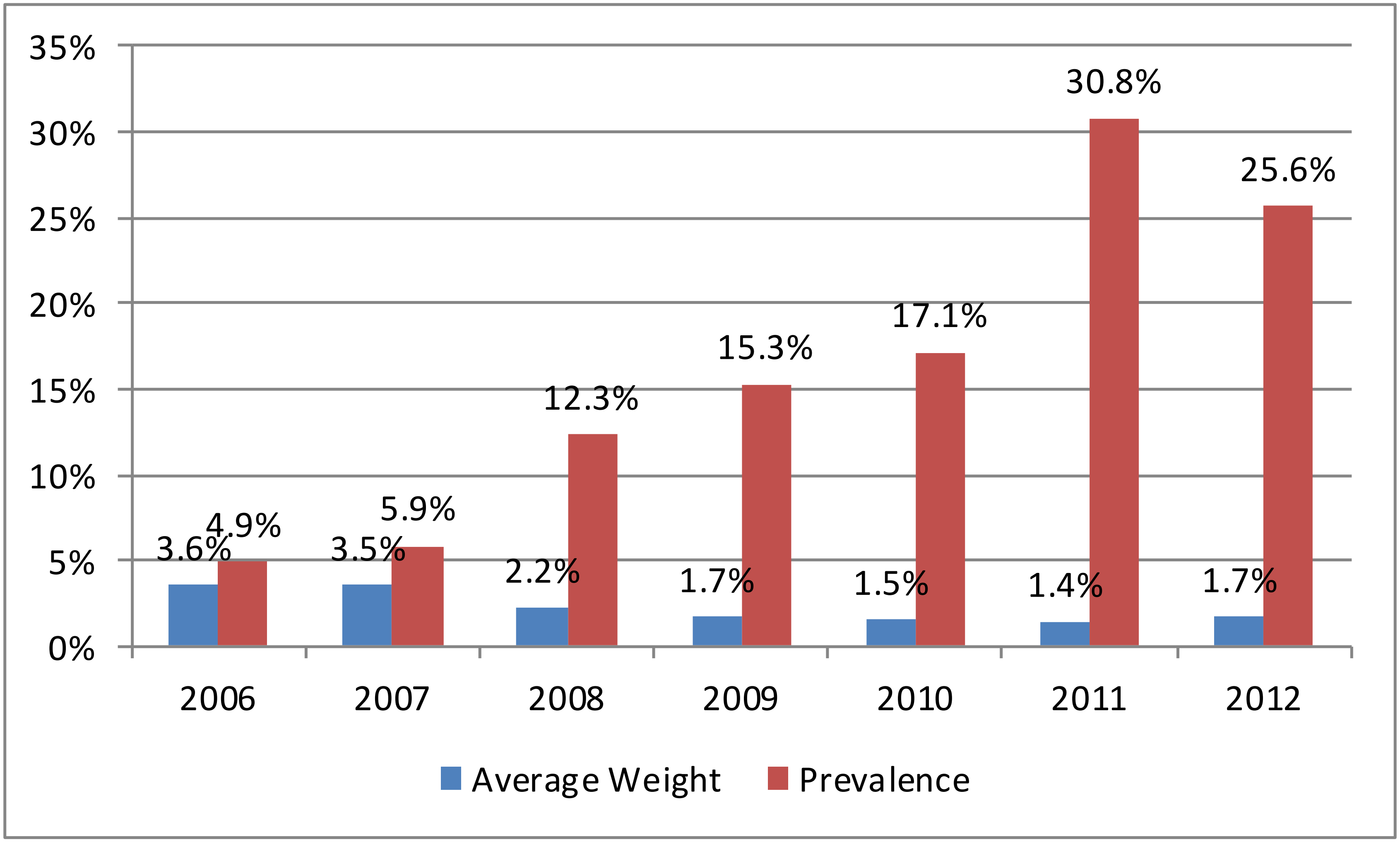
ARMB’s “Real Assets” includes private real estate, REITs, farmland, timber, TIPS, and energy.

"Real assets" pose some implementation issues for DC Plans

	Alternatives	Stand Alone Offering	Stand Alone Offering as part of Diversified Product	Target Date	Target Date within Diversified Product
Real Assets	Direct Real Estate	no	yes	yes	yes
	REITs	possibly	yes	yes	yes
	Timber	no	possibly	possibly	possibly
	Agriculture	no	possibly	possibly	possibly
	Commodities	no	yes	yes	yes
	Real Return	yes	yes	yes	yes

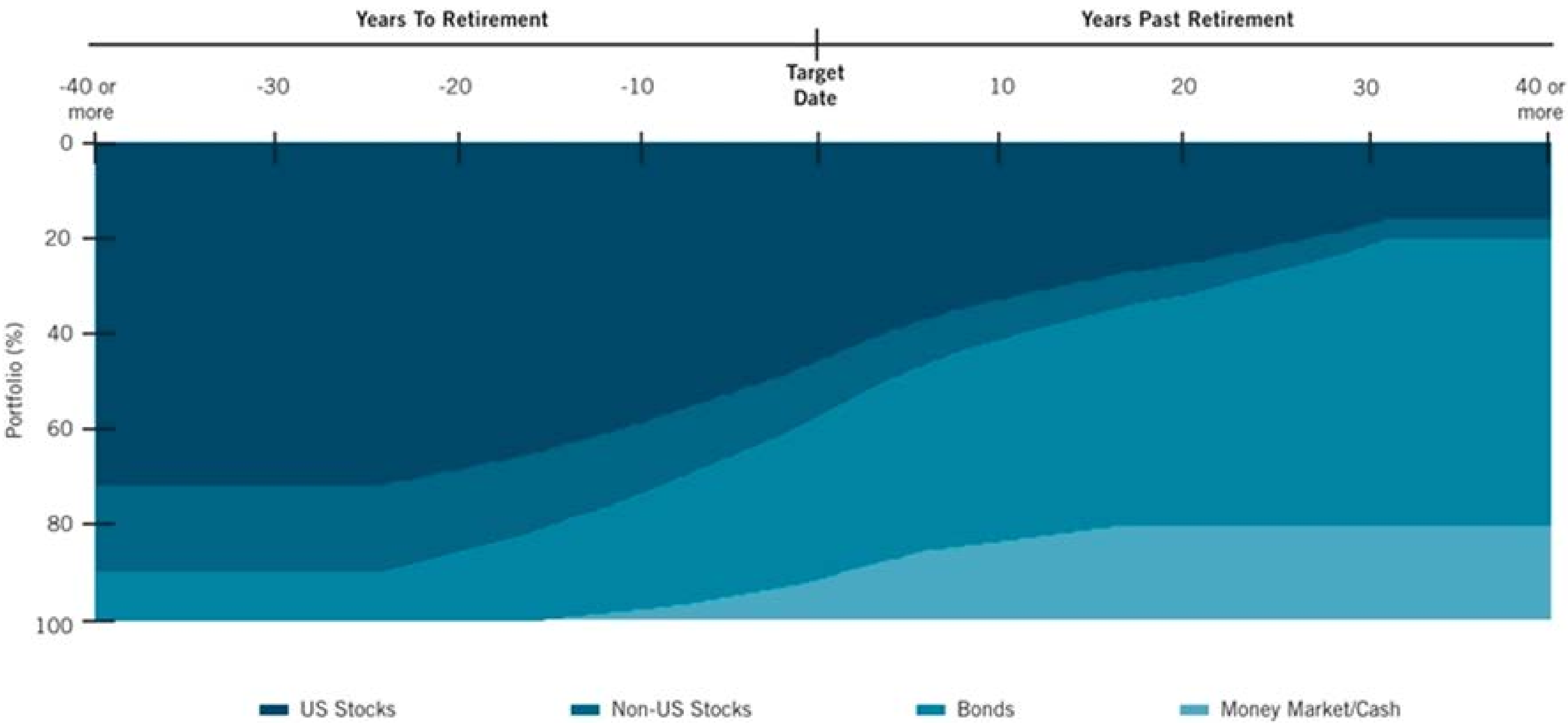
- One of the key eligibility requirements for an investment strategy to fit in a defined contribution plan is the need to post a daily net asset value.
- Daily values are generally readily available for most liquid public market assets – REITS, TIPS, natural resource companies' stock, commodities.
- Many "real asset" portfolios are composed of multiple asset classes within a single investment product.

DC Plan and Participant Utilization of 'Real Asset' strategies



- The majority of "real asset" strategies are made up of TIPS allocations.
- More recently, diversified 'real asset' strategies that are composed of multiple asset classes have begun appearing in defined contribution plans.

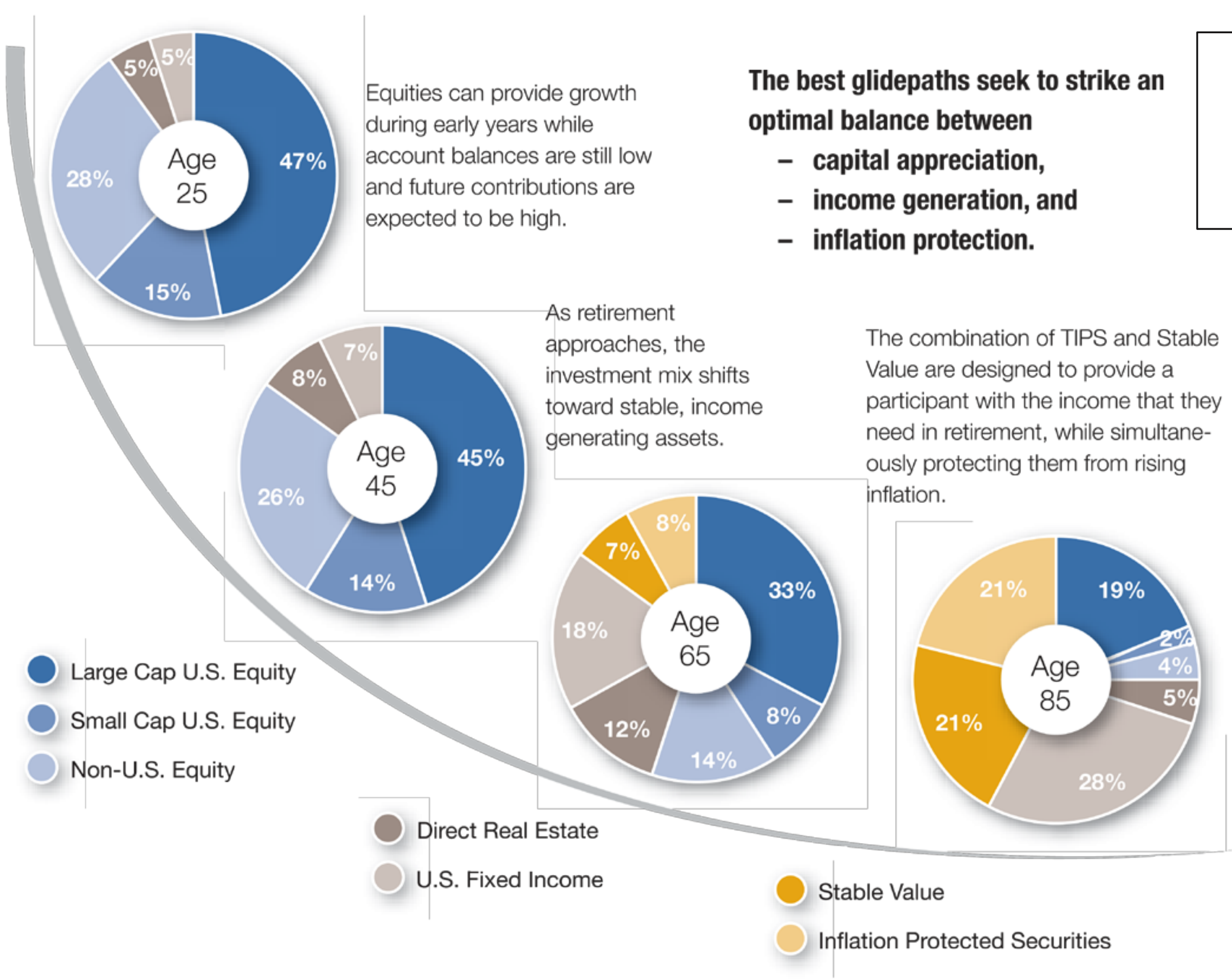
ARMB’s Target Date Trusts’ Glide Path



- ARMBs Retirement Trusts use low-cost enhanced index strategies.
- Investments include public markets asset classes: stocks, bonds and cash.
- The Glide Path does not include “real return” – oriented assets.

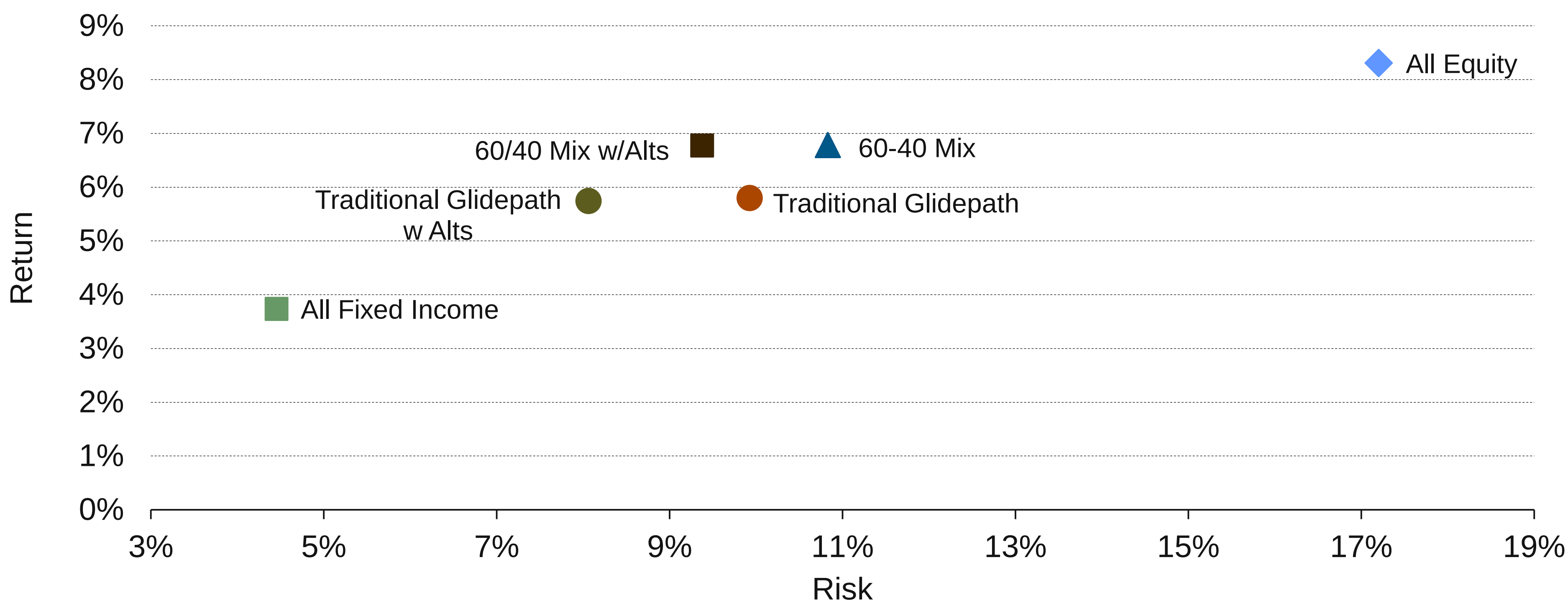
One way to mitigate “participant decision risk”

Asset Allocation Over a Participant’s Life



“Real asset” strategies can be added to target date fund glide paths.

A Potential Benefit of Real Assets: Improved Risk / Return



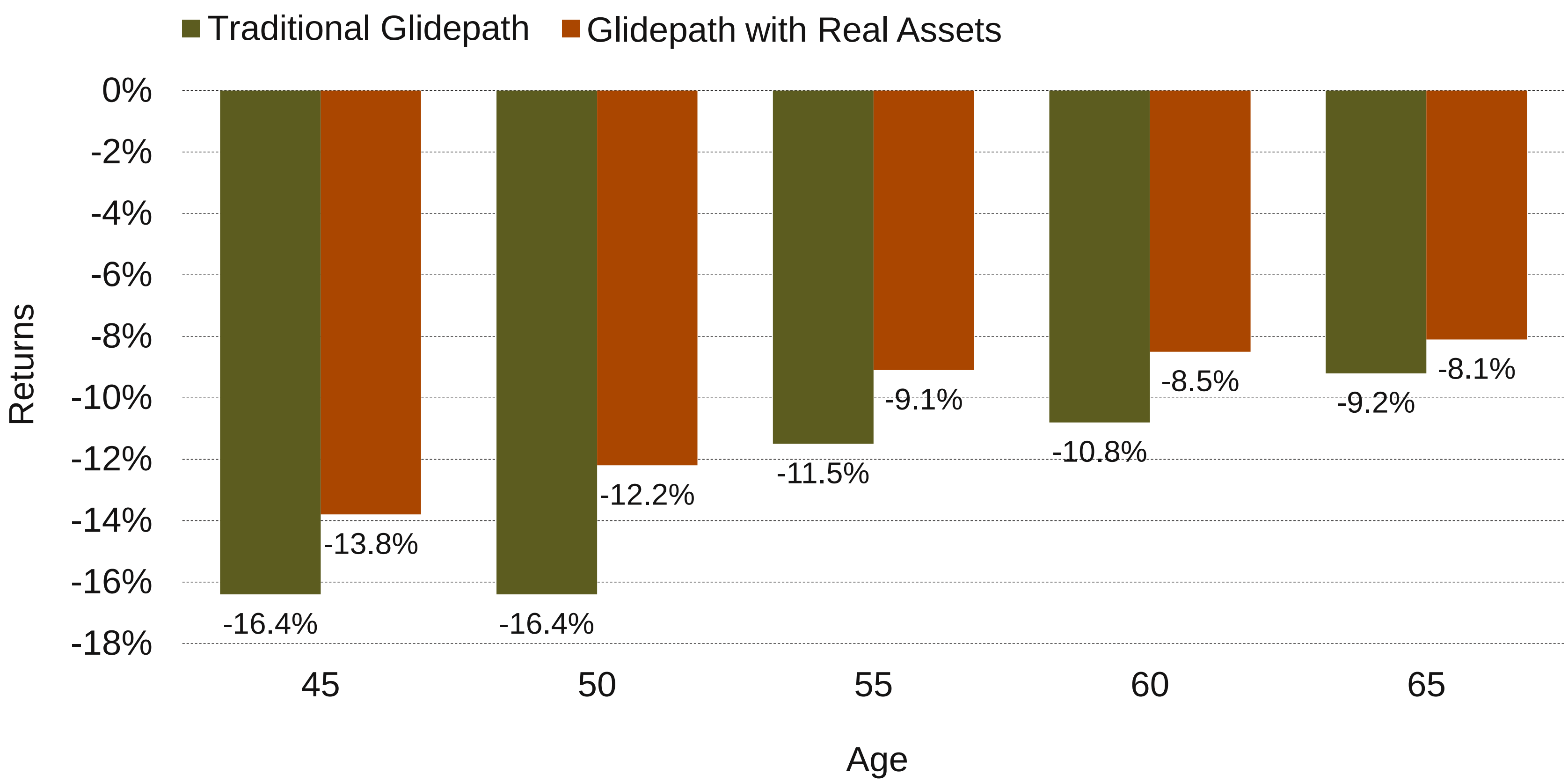
Expected Sharpe Ratios

Traditional Glidepath	.307
Glidepath with Alts	.371
60/40 Mix	.372
60/40 Mix with Alts	.429

Capital market projections suggest that the addition of "real asset" strategies may enhance the risk-adjusted return potential of a diversified Target Date fund series.

Potential Benefit of Real Asset strategies within a portfolio

Expected Worst Case Single Year Return



Various Methods of Implementing Real Asset Strategies

1. Standalone Option

– May potentially be misused (market timing) by participants.
– Examples of real asset and other alternatives as standalone options and their prevalence within DC market[1]:
  – *Real Estate, 14.1%*
  – *Real Asset/TIPS, 25.6%*
  – *Emerging Markets Equity, 8.9%*
  – *High Yield Fixed, 12.8%*
  – *Int'l/Global Fixed, 20.5%*

2. Fund-of-Funds

– The array of real asset product offerings has grown over the last several years.
– The composition of "real asset" products differ substantively, one from another.
– Large investors, like ARMB, can develop custom "real asset" strategies, or buy "off the shelf."

3. Part of a Target Date Fund

– 20% of target date funds have an allocation to one or more of the categories in item #1 above.
– Adding real assets inside the Target Date solution puts the Sponsor in control of allocation.
– Customized Glidepaths, like ARMB's, allow the Sponsor extensive design flexibility.

[1] Source: Callan 2013 DC Trends Survey

Challenges of Implementing Alternative Asset Classes

- Administration challenges:
  - Lack of liquidity in a daily-valuation environment.
  - Valuation and hiring of third parties responsible for valuing alternatives.
  - Support of performance-based fees.
  - Implementation within the T. Rowe Price platform
- Investment manager challenges:
  - Providing required liquidity.
  - Operating in daily valuation environment.
  - Providing necessary participant support.
- Investment committee challenges:
  - Lack of familiarity with alternatives within DC investment committees.
  - Added challenge of selection and monitoring of alternatives.
  - Benchmarking challenges, especially given new disclosure requirements.
  - Fiduciary concerns over investment “surprises.”
- Participant communication challenges include explaining:
  - Alternative investments to participants.
  - Differences in alternatives’ structures (e.g., lack of daily liquidity, performance based fees).

Mondrian Investment Partners Limited

Mandate: **International Fixed Income** **Hired:** **1997**

Firm Information	Investment Approach	Total ARMB Mandate
Mondrian Investment Partners Limited (Mondrian) is a 100% employee-owned business comprised of 54 investment professionals and 169 employees in London and Philadelphia. As of 9/30/12, the firm's total assets under management were $66 billion. Key Executives: Christopher A. Moth, CIO Global Fixed Income & Currency David Wakefield, Sr. Portfolio Manager Global Fixed Income & Currency Todd Rittenhouse, Sr. Vice President Client Services	Mondrian focuses on fixed income markets that offer high income in real (inflation adjusted) terms, measured by the market's Prospective Real Yield (PRY). The PRY for a country equals the country's 10 year government bond yield minus Mondrian's inflation forecast for that country. High PRY markets are over-weighted. The company's inflation forecast is the key to its process. The inflation forecast is determined by the firm's Global Fixed Income Investment Committee. The methodology relies on a quantitative framework that incorporates country-specific macro variables with a qualitative overlay. The company also hedges currency exposure when currency valuations reach extreme levels, based on its analysis of purchasing power parity (PPP). PPP fair value is the exchange rate at which a basket of goods and services costs the same in two different countries. **Benchmark:** Benchmark: Citi WGBI Non-US Index through 3/31/11; between 4/1/11 and 12/31/12, 70% Citi WGBI Non-US Index and 30% JP Morgan GBI Emerging Markets Broad Diversified Index; thereafter, 70% Citi WGBI Non-US Index and 30% JP Morgan GBI Emerging Markets Global Diversified Index.	**Assets Under Management:** 9/30/12 $ 392,279,940

Concerns: None

9/30/2012 Performance

	Last Quarter	1-Year	3-Years Annualized	5-Years Annualized
Manager (gross)	4.27%	6.72%	5.29%	8.42%
Fee	0.04%	0.19%	0.20%	0.21%
Manager (net)	4.23%	6.53%	5.09%	8.21%
Benchmark	4.23%	6.22%	3.97%	6.52%

February 13, 2013

MONDRIAN
INVESTMENT PARTNERS LIMITED

PRESENTATION TO:

ALASKA RETIREMENT MANAGEMENT BOARD

MONDRIAN INTERNATIONAL DEBT OPPORTUNITIES PORTFOLIO MANAGEMENT

Mondrian represented by:

Daniel Philps
Senior Portfolio Manager
Mondrian Investment Partners Limited

Justin A. Richards
Senior Vice President, Client Services
Mondrian Investment Partners (U.S.), Inc.

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Telephone (215) 825-4500

Mondrian Investment Group (U.S.), Inc.
1105 N. Market Street, Suite 1118
Wilmington, DE 19801
Telephone (302) 428-3839

Biographies

MONDRIAN INVESTMENT PARTNERS

Daniel Philps, CFA

SENIOR PORTFOLIO MANAGER
MONDRIAN INVESTMENT PARTNERS LIMITED LONDON

Mr. Philps joined Mondrian in 1998. He has a B.Sc. from London University (King's College). Before joining Mondrian, Mr. Philps was a consultant to the derivatives businesses of Dresdner KB, Bankers Trust and Barclays Capital where he specialized in building pricing, risk and value models. At Mondrian he is a Senior Portfolio Manager and had a lead role in building our in-house proprietary credit analysis system. As a member of the Global Fixed Income and Currency Committee Mr. Philps has primary responsibility for credit research. Mr. Philps is a CFA Charterholder and is a member of the CFA Institute and the CFA Society of the UK.

Justin A. Richards

SENIOR VICE PRESIDENT, CLIENT SERVICES
MONDRIAN INVESTMENT PARTNERS (U.S.), INC. PHILADELPHIA

Mr. Richards is a graduate of Temple University, where he earned an MBA with Honors, and a Cum Laude graduate of Gettysburg College, where he earned a Bachelor of Arts degree in Economics and Japanese Studies. Mr. Richards worked for the Japanese government as a participant in the Japan Exchange Teaching Programme, before joining Mondrian's former affiliate in 2000, where he worked in various client service and marketing roles. In his present position, Mr. Richards is responsible for client service, consultant relations, and marketing.

Organization

Our Organization

DECEMBER 31, 2012

MONDRIAN INVESTMENT PARTNERS

A Successful, Well-Managed Company

- Founded in 1990
- Over 20 years of stable, consistent leadership
- Over US$68 billion under management

An Independent, Employee-Owned Company

- Equity ownership plan designed to attract, retain and motivate highly skilled people
- Mondrian is 100% employee owned
- Approximately 85 employees are owners today, up from 60 in 2004

A Proven Investment Philosophy and Process

- All products utilize an income-oriented value discipline
- Successfully applied since the company's founding in 1990
- In-depth global fundamental research

A Well-Resourced Team

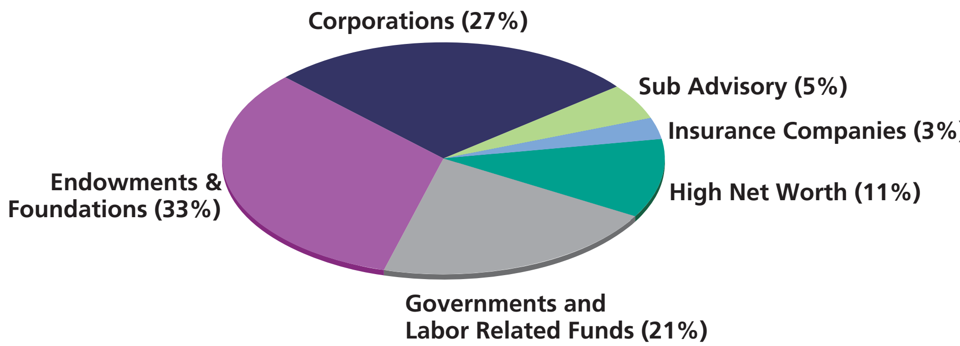
- Highly experienced team of 53 investment professionals in London
- Low turnover of professional staff
- Strong culture of client service and support

Business Profile

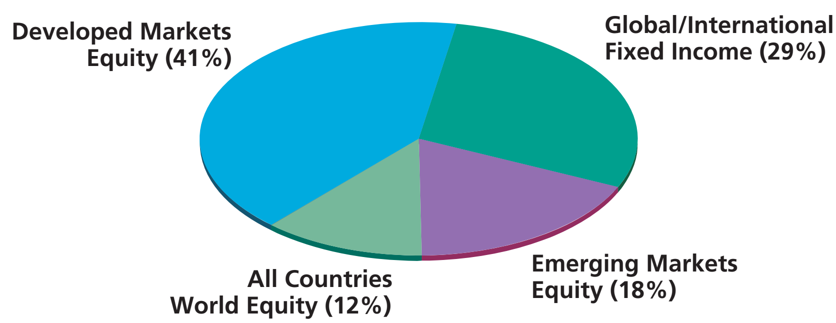
DECEMBER 31, 2012

MONDRIAN INVESTMENT PARTNERS

Type of Clients Served (Number of Relationships)



Type of Assets Managed (Assets Under Management)



Diverse Investment Products

Equity

- *Non-US Equity*
- *Focused Non-US Equity*
- *Global Equity*
- *All Countries World (ACW) Ex-US Equity*
- *Focused (ACW) Ex-US Equity*
- *Emerging Markets Equity*
- *Focused Emerging Markets Equity*
- *Non-US Small Cap Equity*
- *Emerging Markets Small Cap Equity*
- *Regional/Single Country Equity*

Fixed Income

- *Global Fixed Income*
- *Focused Global Fixed Income*
- *International Fixed Income*
- *Focused International Fixed Income*
- *European Fixed Income*
- *Emerging Markets Local Currency Debt*
- *Global Debt Opportunities*
- *Global Inflation-Linked Bonds*
- *US Aggregate Fixed Income*

A number of vehicles are available in each of the above product areas, including separate accounts, limited partnerships, and registered mutual funds. Please refer to additional information at the end of the book regarding available vehicles and minimum account sizes.

Representative Client List
North America

MONDRIAN INVESTMENT PARTNERS

Government and Labor

Alameda County Employees' Retirement Association
Alaska Permanent Fund Corporation
Alaska Retirement Management Board
Arapahoe County Retirement Plan
Baltimore County Employees' Retirement System
California State Teachers' Retirement System
Carpenters Trusts of Western Washington
City of Austin Employees' Retirement System
City of Baltimore Employees Retirement System
City of Charlotte Employee Benefit Trust
City of Cincinnati Retirement System
City of Phoenix Public Employees Retirement Plan
Colorado PERA
Cook County Annuity & Benefit Funds
Directors Guild of America
El Paso Firemen & Policemen's Pension Fund
Equity League Pension & Health Trust Fund
ERFC (Fairfax County)
Florida State Board of Administration
Fresno County Employees Retirement Association
GCIU Local 119B Pension and Welfare Funds
Howard County Government
Idaho Public Employee Retirement System
Illinois Municipal Retirement Fund
Indiana Public Retirement System
Inter-Local Pension Fund
Iron Workers District Council of New England
Kent County Employees Retirement System
LA County Metropolitan Transportation Authority
Louisiana School Employees' Retirement System
Louisiana State Employees' Retirement System
MassPRIM
Mendocino County Retirement Association
Montgomery County Employees' Retirement System
Municipal Fire & Police Retirement System of Iowa
National Railroad Retirement Investment Trust
Nebraska State Investment Council
New York City Deferred Compensation Plan
New York State Common Retirement Fund
Nova Scotia Association of Health Organizations
Oklahoma Law Enforcement Retirement System
Oklahoma Police Pension & Retirement System
Oklahoma Public Employees Retirement System
Oklahoma State Regents for Higher Education
Ontario Power Generation Inc.
Ontario Public Service Employees Union Pension Trust
Orange County Employees Retirement System
Parochial Employees' Retirement System of Louisiana
Pension Plan for Employees at ORNL
Prince George's County, Maryland
Public School Retirement System of Kansas City
Public School Retirement System of the City of St. Louis
Pueblo County Employees Retirement System
Sacramento County Employees Retirement System
San Bernardino County Employees' Retirement Association
San Francisco City and County Retirement System
San Mateo County E.R.A.
School Employees Retirement System of Ohio
South Carolina Retirement Systems
Southern California UFCW
St. Louis County Government
State of Georgia Employees' Retirement System
State of Georgia Teachers' Retirement System
State Universities Retirement System of Illinois
Teachers' Retirement System of the State of Illinois
The Louisiana Clerks of Court Association
UFCW Unions & Employers Pension Atlanta
United Parcel Service, Inc. Local 177 IBT
Vermont Pension Investment Committee
Washington State Investment Board
Western PA Teamsters & Employers Pension Fund
Wichita Retirement Systems

Insurance

American Assets Inc.
CIT Group Master Retirement Trust
Highmark Inc.
Nuclear Electric Insurance
Radian Asset Assurance
State Auto Insurance Companies

Corporations

AICPA
A.O. Smith Corporation
Air Canada Pension Investments
American College of Physicians, Inc.
American Hospital Association
Aon Hewitt Group Trust
Archdiocese of Los Angeles
Ascension Health
Ash Grove Cement Company
Axel Johnson, Inc.
Bank of America Corporation
Banner Health System
Bechtel Corporation
BSA-ILA Pension Trust Fund
Burke Rehabilitation Hospital Retirement Plan Trust
Care New England
Catholic Health Partners
Catholic Healthcare West
Children's Hospital of Central California
Children's Hospital of Los Angeles
Chrysler LLC
ConAgra Foods, Inc.
Cooperative Banks Employees Retirement Association
Dallas County Hospital District Retirement Income Plan
Dallas Museum of Art
Dartmouth-Hitchcock Medical Center
Daughters of Charity
Deere & Company
Dominion Resources, Inc.
Dow Chemical Company
Eastman Kodak Company
Energen Retirement Income Plan
Energizer Holdings, Inc.
Equifax, Inc.
Group Health Cooperative
Health Care Service Corporation
Henry Ford Health Systems
Herbert J. Thomas Memorial Hospital
Hoag Memorial Hospital Presbyterian
Honeywell International Inc.
IATSE National Pension Fund
Integrys Energy Group
International Paper Company
Les Schwab Tire Centers
LyondellBasell Industries
Martin's Point Health Care, Inc.
Memorial Sloan-Kettering Cancer Center
MERCK & Co., Inc.
Ministers and Missionaries Benefit Board
Montefiore Medical Center
National Grid Investment Management
Nemours Foundation Pension Plan
New Ships, Inc. Master Pension Trust

It is not known whether the listed clients approve or disapprove of the adviser or the advisory services provided. Please note, the above list includes separately managed accounts and participants in Mondrian commingled vehicles and is NOT a complete list of all Mondrian's clients.

Updated: January 2013

Representative Client List
North America

MONDRIAN INVESTMENT PARTNERS

Corporations (cont.)

Novant Health, Inc.
Northeast Utilities
OhioHealth Corporation
OhioHealth Corporation Cash Balance Retirement Plan
Old Dominion Electric Cooperative
Orlando Health, Inc.
Pfizer Inc.
Pinnacle Health System
Renown Health
Ricoh Americas Corporation
Savings Banks Employees Retirement Association
SECURA Insurance Companies
Sisters of Mercy Health System
Smith & Nephew, Inc.
Sonoco Products Company
Southern California Edison
Southern Company
St. Marys United Methodist Church
The Green-Wood Cemetery
The Green-Wood Cemetery Endowment
The Pension Boards - United Church of Christ, Inc.
The Scripps Research Institute
TI Group Automotive Systems
Tribune Company
Tufts Associated Health Maintenance Organization, Inc
University of Ottawa
Verizon Investment Management Corp.
Wal-Mart Stores, Inc.
Wells Fargo & Company Cash Balance Plan
Winifred Masterson Burke Rehabilitation Hospital

Sub-Advisory

Bessemer Trust Company
Brown Brothers Harriman
Charles Schwab Investment Management, Inc.
Columbia Management Investment Advisers, LLC
Delaware Investments
GuideStone Funds
ICMA Retirement Corporation
Lincoln Financial Group
Lincoln National Life Insurance Co.
LPL Financial
MD Physician Services Inc.
PACE Select Advisors Trust
The Investment Fund for Foundations

Endowments and Foundations

A.A.S.R. Supreme Council, NMJ
A.I. duPont Testamentary Trust
Alverno College
America for Bulgaria Foundation
American Academy of Ophthalmology
Amherst H. Wilder Foundation
Ancilla Domini Sisters
Augustana College
Baltimore Community Foundation
Baylor Oral Health Foundation
Berkshire Taconic Community Foundation
Carle Defined Benefit Pension Plan
Community Foundation for Southeast Michigan
Community Foundation for the Fox Valley Region, Inc.
Community Foundation of Greater Flint
Community Foundation of the Holland/Zeeland Area
Cornell University
Covenant Ministries of Benevolence
Detroit Province of the Society of Jesus
Donald B. & Dorothy L. Stabler Foundation
F.M. Kirby Foundation, Inc.
Father Flanagan's Girls' and Boys' Home
Frederik Meijer Gardens Foundation
Furman University
George I. Alden Trust
Goucher College
Greater Des Moines Community Foundation
Greater Worcester Community Foundation, Inc.
Harvey Mudd College
Home Health Foundation, Inc.
Indianapolis Symphony Orchestra
J. Bulow Campbell Foundation
Jessie Ball duPont Fund
Johnson & Wales University
Josephine and Louise Crane Foundation
Kansas State University Foundation
Le Moyne College
Lenoir-Rhyne University
Los Angeles County Museum of Art
Marin Community Foundation
Mashantucket Pequot Tribal Nation
Miss Porter's School
Missouri Botanical Garden
Morningside College
Nemours Foundation
Northwest Health Foundation
Open Space Conservancy, Inc.
Phi Beta Kappa Society
Ranken Technical College
Regent University
Richard King Mellon Foundation
Riverside Healthcare Foundation
Rollins College
Roswell Park Alliance Foundation
Seventh-Day Adventists
Siena College
Simpson College
Springfield Foundation
St. Louis Symphony Orchestra
Sunflower Foundation: Health Care for Kansans
Sunnyside Foundation
Tabor Academy
Texas Biomedical Research Institute
Texas Tech University System
The Annie E. Casey Foundation, Inc.
The Batchelor Foundation, Inc.
The Boston Foundation
The Butler Family Foundation
The Carle Foundation
The Catholic University of America
The Community Foundation for Greater New Haven
The Hyams Foundation, Inc.
The McKnight Foundation
The Medical College of Georgia Foundation
The Riverside Church
The Samuel Roberts Noble Foundation, Inc.
The Seattle Foundation
The Winthrop Rockefeller Foundation
University of Cincinnati
University of Houston System
University of Kentucky
University of Missouri System
University of New Orleans Foundation
University of North Carolina at Greensboro
University of Vermont
UNLV Foundation
W.K. Kellogg Foundation Trust
Washington State University Foundation
Wesleyan College
Western Illinois University
Westminster Canterbury Corporation
World Learning

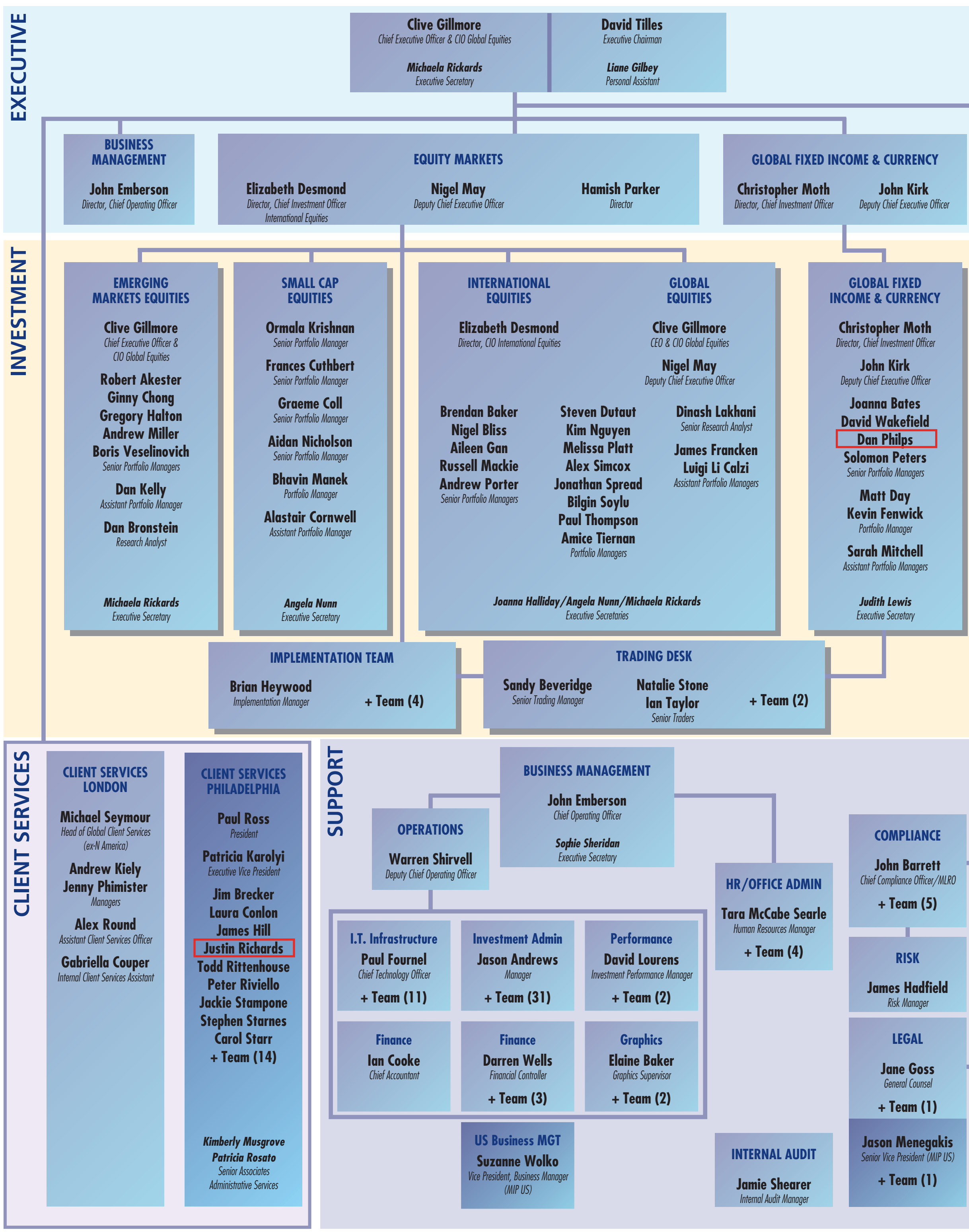
It is not known whether the listed clients approve or disapprove of the adviser or the advisory services provided. Please note, the above list includes separately managed accounts and participants in Mondrian commingled vehicles and is NOT a complete list of all Mondrian's clients.

Updated: January 2013

ORGANIZATION

JANUARY 1, 2013

MONDRIAN INVESTMENT PARTNERS



This chart is designed to indicate the staffing resources and management structure at Mondrian Investment Partners Limited, and Mondrian Investment Partners (U.S.), Inc. The chart does not attempt to show all functions nor reporting and delegation lines, details of which are maintained in separate records. Please note some people may appear on this chart more than once, reflecting various responsibilities.

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Global Fixed Income & Currency Committee

JANUARY 1, 2013

MONDRIAN INVESTMENT PARTNERS

Christopher Moth
Director,
Chief Investment Officer

John Kirk
Deputy Chief Executive Officer

Joanna Bates
Senior Portfolio Manager

David Wakefield
Senior Portfolio Manager

Dan Philps
Senior Portfolio Manager

Solomon Peters
Senior Portfolio Manager

Matt Day
Portfolio Manager

Kevin Fenwick
Portfolio Manager

Sarah Mitchell
Assistant Portfolio Manager

Corporate Analysis

Elizabeth Desmond
Director, Chief Investment Officer
International Equities

+ 22 Analysts

Emerging Equity Markets

Andrew Miller
Senior Portfolio Manager

+ 7 Analysts

Investment Risk

Clive Gillmore
Chief Executive Officer

+ 4 others

Trading

Sandy Beveridge
Senior Trading Manager

Natalie Stone
Ian Taylor
Senior Traders

+ 2 others

Compliance

John Barrett
Chief Compliance Officer/MLRO

+ 4 others

The Global Fixed Income & Currency Team

JANUARY 1, 2013

MONDRIAN INVESTMENT PARTNERS

Christopher A. Moth *Director, Chief Investment Officer Global Fixed Income & Currency*

Mr. Moth is an Actuarial graduate from The City University in London, and was later awarded the Certificate in Finance & Investment from the London Institute of Actuaries. He joined Mondrian in 1992, after working for the GRE insurance company where he was responsible for quantitative models and projections. He has made key contributions to the development of Mondrian's fixed income product, and was primarily responsible for the structure of the company's in-house systems to control and facilitate the investment process. Mr. Moth chairs the Global Fixed Income and Currency Committee meeting.

John Kirk *Deputy Chief Executive Officer*

Mr. Kirk is a Math graduate from the University of Wales and has an MA in operations research from Lancaster University. Before joining Mondrian in 1998, Mr. Kirk was at Royal Bank of Canada in London, where he was responsible for European and Asian Fixed Income. Mr. Kirk started his career at Ford Motor Company as a member of their operations research group. Mr. Kirk leads our credit research and heads the Global Credit Valuation Committee.

Joanna Bates *Senior Portfolio Manager*

Ms. Bates is a graduate of London University. She joined Mondrian's Fixed Income Team in 1997, before which she was Associate Director of Fixed Interest at Hill Samuel Investment Management. She has also worked for Fidelity International and Save & Prosper as a fund manager and analyst for global bond markets. At Mondrian, Ms. Bates is a Senior Portfolio Manager with many client relationships including those based in Japan. Her research specialities are emerging market currencies and debt. Ms. Bates holds the ASIP designation and is a member of the CFA Institute and the CFA Society of the UK.

David Wakefield *Senior Portfolio Manager*

Mr. Wakefield joined Mondrian in 2001. He took both a BSc and an MSc in Economics from the University of Warwick. Prior to joining Mondrian, Mr. Wakefield was an economic adviser to the Monetary Policy Committee of the Bank of England, and formerly an economic adviser to the UK Treasury Department, specializing in inflation forecasting in both positions. At Mondrian, he is a Senior Portfolio Manager and an active member of the Global Fixed Income and Currency Committee, where he utilizes his extensive inflation forecasting experience. Mr. Wakefield is a CFA Charterholder and is a member of the CFA Institute and the CFA Society of the UK.

Dan Philps *Senior Portfolio Manager*

Mr. Philps joined Mondrian in 1998. He has a BSc from London University (King's College). Before joining Mondrian, Mr. Philps was a consultant to the derivatives businesses of Dresdner KB, Bankers Trust and Barclays Capital where he specialized in building pricing, risk and value models. At Mondrian he is a Senior Portfolio Manager and had a lead role in building our in-house proprietary credit analysis system. As a member of the Global Fixed Income and Currency Committee Mr. Philps has primary responsibility for credit research. Mr. Philps is a CFA Charterholder and is a member of the CFA Institute and the CFA Society of the UK.

Solomon Peters *Senior Portfolio Manager*

Mr. Peters joined Mondrian's Fixed Income Team in 2000. He has a BA in Economics from King's College, Cambridge and an MSc in Economics and Econometrics from Southampton University. After a period with the UK Government Statistical Service, he moved to research consulting at the Centre for Economics and Business Research (CEBR), specializing in econometric forecasting. Mr. Peters has helped to further develop Mondrian's proprietary inflation forecasting models, and also supplies quantitative support to our credit research. Mr. Peters is a CFA Charterholder and is a member of the CFA Institute and the CFA Society of the UK.

Matt Day *Portfolio Manager*

Mr. Day joined the Mondrian Global Fixed Income & Currency Team in 2007. Prior to this, he worked at Buck Consultants in their investment and actuarial divisions, specialising in the development of stochastic asset and liability models for UK pension schemes. At Mondrian, Mr. Day is a quantitative analyst responsible for the continuing development of the company's proprietary inflation and mortgage backed securities models. Mr. Day has a BSc in Economics with Actuarial Studies from the University of Southampton and is a Fellow of the Institute of Actuaries.

Kevin Fenwick *Portfolio Manager*

Mr. Fenwick is an Economics graduate from the University of Cambridge and also holds a Masters degree in Computer Science from the University of Adelaide, Australia. He joined Mondrian in 2008, working in the Performance and Attribution Department, and became a member of the Global Fixed Income and Currency team in 2010. Directly before joining Mondrian, Mr. Fenwick worked for Wilshire Associates in their portfolio analytics division. He started his career at Touche Ross & Co as an auditor and forensic accountant and, for a number of years, was a Professor at the City University of New York, where he taught algorithms and logic. Mr. Fenwick is a CFA Charterholder and is a member of the CFA Institute and the CFA Society of the UK.

Sarah Mitchell *Assistant Portfolio Manager*

Ms. Mitchell joined the Mondrian Global Fixed Income & Currency team in 2011. She has a BSc in Management from UMIST, University of Manchester, and is a qualified Chartered Accountant. Ms. Mitchell started her career at PricewaterhouseCoopers where she was involved in analysing the financial statements of large industrial clients. Prior to joining Mondrian, she worked at the Royal Bank of Scotland as a senior credit analyst, covering mid and large cap UK corporates. Ms. Mitchell is a CFA Charterholder and is a member of the CFA Institute and the CFA Society of the UK.

Philosophy & Process

Global Fixed Income Philosophy

MONDRIAN INVESTMENT PARTNERS

Mondrian Investment Partners
is a value-oriented defensive manager.

We invest in global fixed income markets which offer high income in real (inflation adjusted) terms, measured by a market's Prospective Real Yield (PRY).

PRY=10 year gov't bond yield – Mondrian inflation forecast

- High PRY markets are overweighted
- Inflation forecasting is the key to our process

Key Points

- **DISCIPLINED** investment philosophy that has **CONSISTENTLY** produced strong long term results
- Client portfolios that seek to add value in **ALL MARKET ENVIRONMENTS**
- Process that seeks to efficiently utilize **RISK*** levels consistent with client **OBJECTIVES**
- Performance dependent on ability to **FORECAST INFLATION**

* Risk measured as tracking error relative to index or absolute return volatility

Framework for Decision Making

COUNTRY ALLOCATION

- Countries Prospective Real Yields (PRYs) entered into optimizer.
- Countries with highest PRYs are overweighted.

CURRENCY ANALYSIS

- Long-term purchasing power parity (PPP) analysis.
- PPP valuations are used when at extremes for hedging decisions.

CLIENT PORTFOLIO

SECURITY SELECTION

- Conservative, deep value approach emphasizing risk controls.
- Sophisticated, highly quantitative research process.
- Portfolio duration managed between 75% to 125% of index.

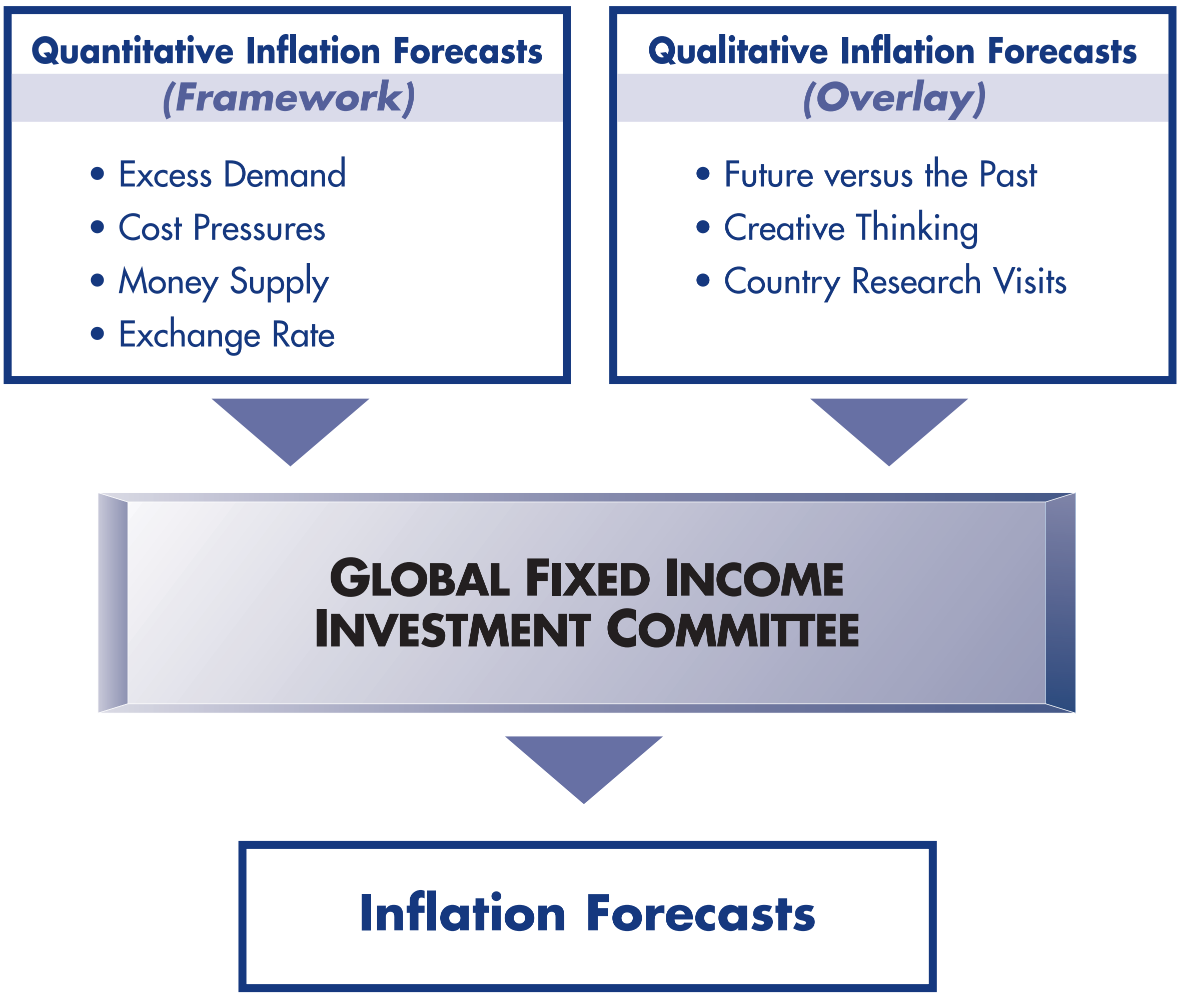
TOP DOWN

- 85% of value added historically
- Expected to continue to be main performance driver
- Efficient risk allocation

- Expected to become more significant over time
- Strong credit team in place
- Opportunities growing rapidly

BOTTOM UP

INFLATION FORECASTING METHODOLOGY



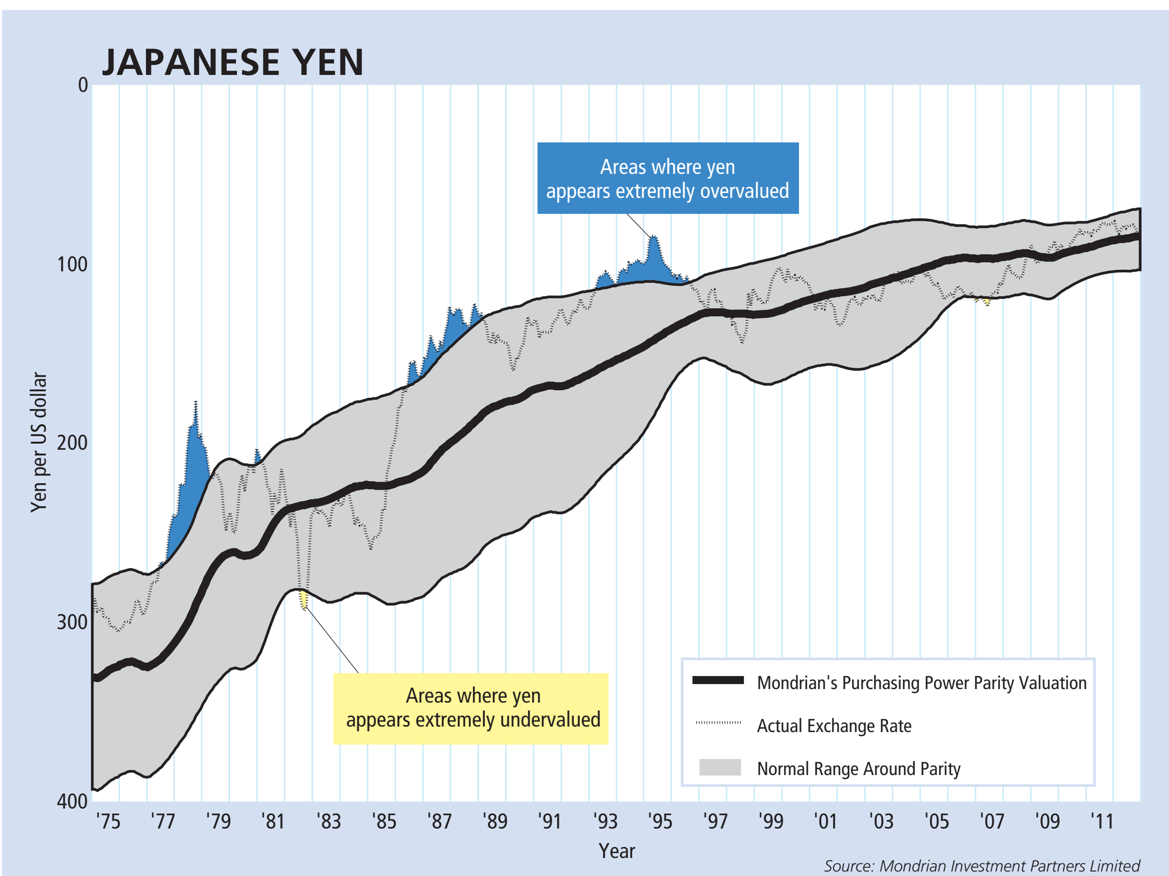
- Proprietary quantitative models drive process and provide structure
- Human element critical in assessing the future versus the past
- "Relative" inflation forecasts key for process

Currency Analysis
A Purchasing Power Parity (PPP) Approach

MONDRIAN INVESTMENT PARTNERS

- PPP fair value is the exchange rate at which a basket of goods and services costs the same in two different countries.
- Exchange rates normally trade within a 2 standard deviation band (grey area), offering little predictive power.
- PPP is utilized at extreme levels of valuation in our currency hedging decisions.

Mondrian's Currency Approach – A Defensive Strategy



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Sovereign Credit Risk

- Informs top down allocation decision
- Conservative value approach
- Preservation of capital

Global Credit Process

Mondrian's **VALUE APPROACH** to global investment grade credit is highly **DEFENSIVE** utilizing extensive proprietary **QUANTITATIVE** models.

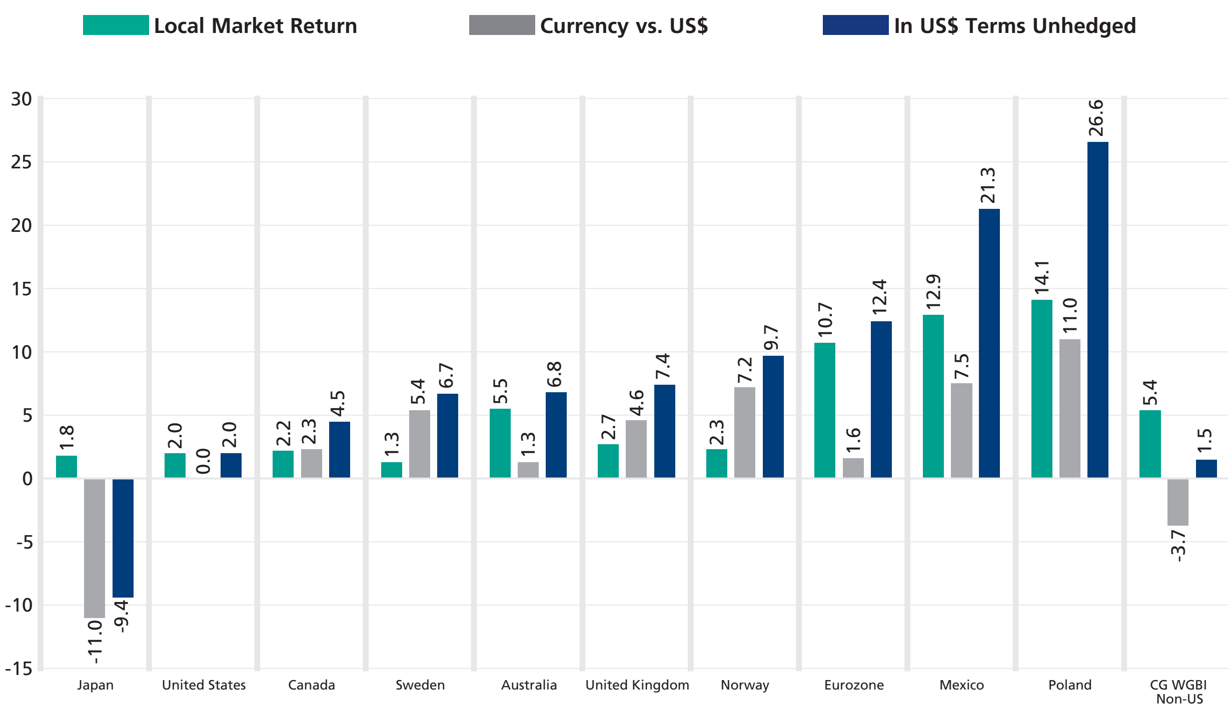
- Opportunistic approach extracting value from credit cycle
- Defensive style that concentrates on removing bad credits
- Experienced team of 30 analysts supporting credit research

Markets and Performance

Asset Allocation Relative to Index

12 MONTHS ENDING DECEMBER 31, 2012

MONDRIAN INVESTMENT PARTNERS



Source: Citigroup WGBI

Average Portfolio Exposure

Very Underweight	Underweight	Neutral	Overweight	Very Overweight
	Canada	UK sterling	Corporates	
	Duration		Japan	
	euro		Mexico	
	Eurozone		Poland	
	United Kingdom		South Africa	
			Sweden	

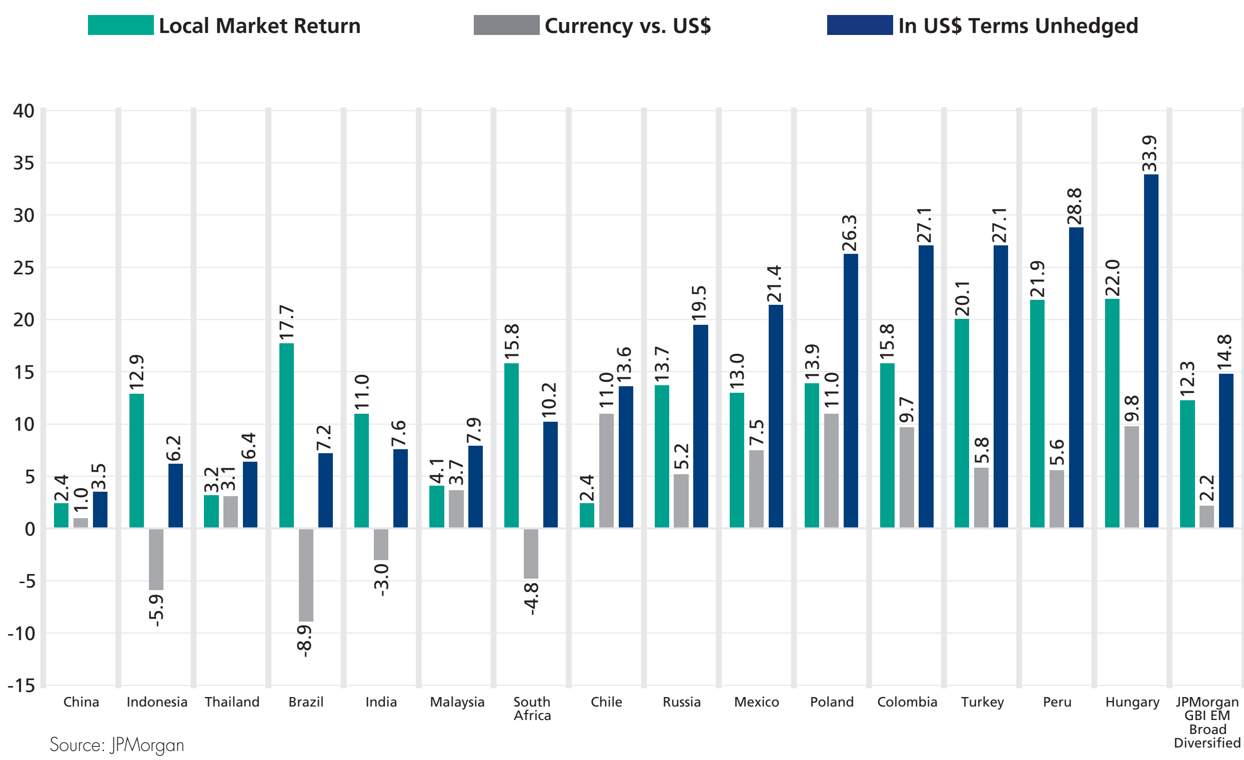
Source: Mondrian Investment Partners

The returns presented on this page are presented gross of advisory fees and other expenses associated with managing an investment advisory account. Actual returns will be reduced by such fees and expenses. Please carefully review the disclosure at the back of this book for more information concerning these gross performance results including an illustration of the negative effect of advisory fees on performance. Past performance is not a guarantee of future results.

EMERGING MARKETS
ASSET ALLOCATION RELATIVE TO INDEX

12 MONTHS ENDING DECEMBER 31, 2012

MONDRIAN INVESTMENT PARTNERS



Source: JPMorgan

AVERAGE PORTFOLIO EXPOSURE

VERY UNDERWEIGHT	UNDERWEIGHT	NEUTRAL	OVERWEIGHT	VERY OVERWEIGHT
China India	Indonesia Russia Thailand Colombia Turkey	Malaysia	Chile Israel Mexico Poland South Africa	Brazil Hungary

Source: Mondrian Investment Partners

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Performance

ALASKA RETIREMENT MANAGEMENT BOARD

DECEMBER 31, 2012

MONDRIAN INVESTMENT PARTNERS

Period	Portfolio %	Benchmark* %	Relative %	US Inflation %
Mar. 3 - Dec. 31, 1997	**2.3**	**1.2**	**1.1**	**1.1**
1998	**10.3**	**17.8**	**-6.4**	**1.6**
1999	**-5.1**	**-5.1**	**0.0**	**2.6**
2000	**0.1**	**-2.6**	**2.8**	**3.4**
2001	**-0.9**	**-3.5**	**2.8**	**1.6**
2002	**27.6**	**22.0**	**4.6**	**2.4**
2003	**22.6**	**18.5**	**3.4**	**1.8**
2004	**14.8**	**12.1**	**2.4**	**3.3**
2005	**-9.9**	**-9.2**	**-0.8**	**3.4**
2006	**7.0**	**6.9**	**0.0**	**2.5**
2007	**11.4**	**11.5**	**0.0**	**4.1**
2008	**11.1**	**10.1**	**0.9**	**0.1**
2009	**9.8**	**4.4**	**5.2**	**2.7**
2010	**8.1**	**5.2**	**2.8**	**1.5**
2011	**1.9**	**2.7**	**-0.8**	**3.0**
Quarter 1, 2012	2.7	2.1	0.6	1.6
Quarter 2, 2012	0.6	-0.2	0.8	0.0
Quarter 3, 2012	4.0	4.2	-0.3	0.9
Quarter 4, 2012	-1.1	-0.7	-0.3	N/A
1 Year	**6.2**	**5.4**	**0.8**	**2.4**
3 Years (cumulative)	**17.0**	**13.9**	**2.7**	**7.1**
5 Years (cumulative)	**42.7**	**30.9**	**9.0**	**10.1**
7 Years (cumulative)	**70.2**	**56.1**	**9.1**	**17.5**
10 Years (cumulative)	**115.7**	**88.3**	**14.6**	**27.8**
15 Years (cumulative)	**186.0**	**141.2**	**18.5**	**43.3**
Since Inception March 3, 1997 (cumulative)	**192.5**	**144.1**	**19.8**	**44.9**

Market Value: US$388,275,941

Source: Mondrian Investment Partners/Citigroup/JPMorgan

*From inception to March 31, 2011, the Portfolio's investment performance was measured against the Citigroup Non-US World Government Bond Index. Beginning April 1, 2011, performance has been measured against a blend of the Citigroup Non-US World Government Bond Index (70%) and the JPMorgan GBI-EM Broad Diversified Index (30%).

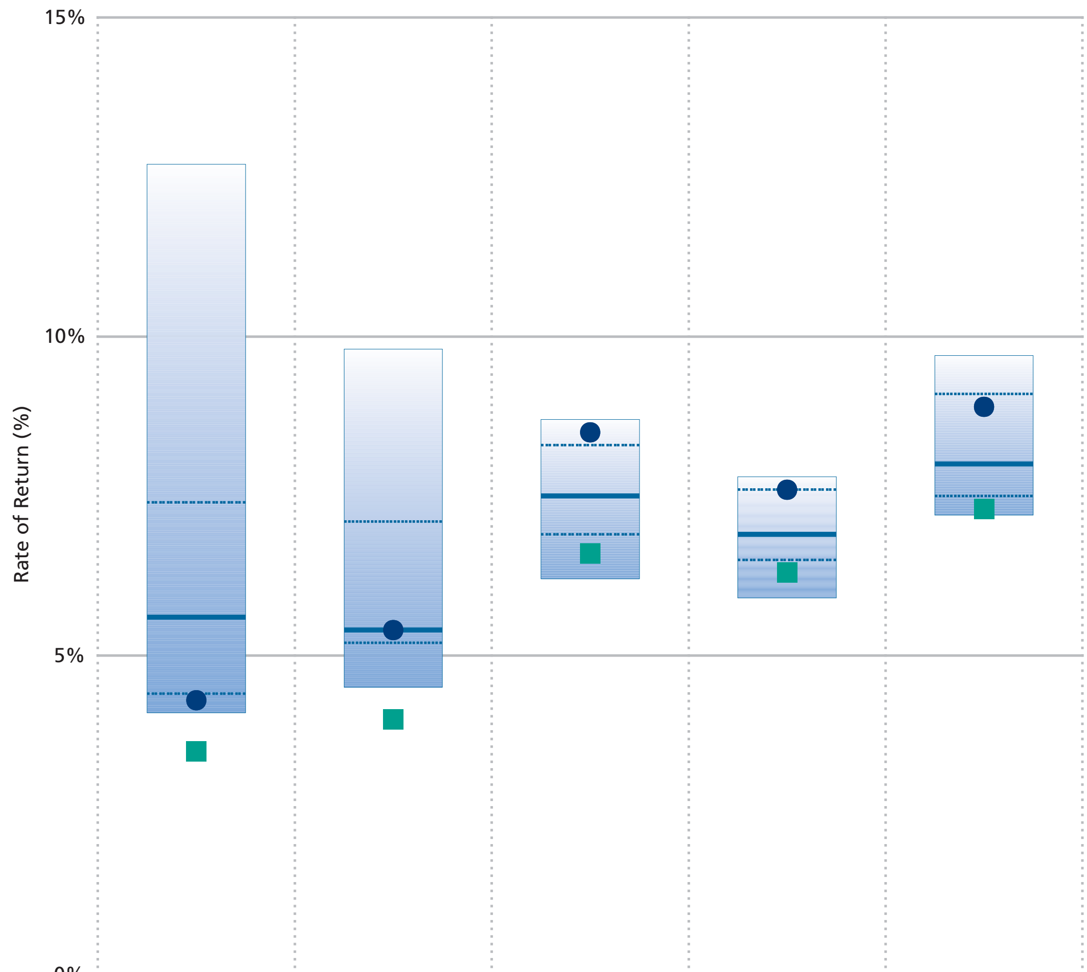
The returns presented on this page are presented gross of advisory fees and other expenses associated with managing an investment advisory account. Actual returns will be reduced by such fees and expenses. Please carefully review the disclosure at the back of this book for more information concerning these gross performance results including an illustration of the negative effect of advisory fees on performance. Past performance is not a guarantee of future results.

International Fixed Income

MONDRIAN INTERNATIONAL FIXED INCOME UNHEDGED COMPOSITE

SEPTEMBER 30, 2012

MONDRIAN INVESTMENT PARTNERS



	Last Year	Last 3 Years (Annualized)	Last 5 Years (Annualized)	Last 7 Years (Annualized)	Last 10 Years (Annualized)
10th Percentile	12.7	9.8	8.7	7.8	9.7
25th Percentile	7.4	7.1	8.3	7.6	9.1
Median	5.6	5.4	7.5	6.9	8.0
75th Percentile	4.4	5.2	6.9	6.5	7.5
90th Percentile	4.1	4.5	6.2	5.9	7.2
Member Count	18	18	18	18	15
Mondrian IFI Composite ●	**4.3**	**5.4**	**8.5**	**7.6**	**9.0**
Rank	*84*	*54*	*11*	*18*	*31*
Citigroup WGBI Non-US ■	**3.5**	**4.0**	**6.6**	**6.3**	**7.3**
Rank	*97*	*98*	*83*	*85*	*88*

Source: Recognized Financial and Statistical Reporting Service

The returns presented on this page are gross of advisory fees and other expenses associated with managing an investment advisory account. Please carefully review the disclosure and notes concerning performance calculation and GIPS compliance in the appendix. These provide more information concerning gross performance results including an illustration of the negative effect of advisory fees on performance. Past performance is not a guarantee of future results.

Strategy and Portfolio Positioning

Country Allocation

ALASKA RETIREMENT MANAGEMENT BOARD

DECEMBER 31, 2012

MONDRIAN INVESTMENT PARTNERS

		COUNTRY ALLOCATION WEIGHTINGS (%)			CURRENCY (%)	
	1	2	3	4	5	6
	PROSPECTIVE REAL YIELD (%)	MIN/MAX ALLOCATION	INDEX WEIGHT	MONDRIAN MARKET ALLOCATION	MONDRIAN CURRENCY HEDGE	MONDRIAN CURRENCY ALLOCATION
Pacific-Asia			**42**	**36**		**36**
Australia	0.9	0 – 20	1	0		0
Indonesia	-1.7	0 – 10	2	0		0
Japan	0.5	0 – 60	29	34		34
Malaysia	-0.1	0 – 10	2	2		2
Thailand	-0.9	0 – 10	1	0		0
Europe			**44**	**38**		**38**
Eurozone	-0.8	0 – 80	29	14		14
Hungary	0.7	0 – 10	1	3		3
Poland	0.3	0 – 15	3	11		11
Sweden	1.2	0 – 10	0	2		2
Turkey	-1.6	0 – 10	2	1		1
United Kingdom	-0.2	0 – 30	6	6		6
North America			**6**	**7**		**7**
Canada	0.0	0 – 25	2	0		0
Mexico	0.6	0 – 20	4	7		7
USA	-0.1		0	0		0
South America			**10**	**10**		**10**
Brazil	1.5	0 – 10	3	6		6
Chile	0.5	0 – 10	1	3		3
Columbia	-0.9	0 – 10	2	1		1
Middle East & Africa			**3**	**8**		**8**
Israel	1.0	0 – 10	0	2		2
South Africa	0.6	0 – 10	3	6		6
Cash		**0 – 5**	**0**	**1**		**1**

1 Mondrian's real income methodology seeks to isolate attractive markets. These estimated Prospective Real Yields are used solely as a basis for making judgements about country allocation weightings and are not intended to be indications of expected returns. Forecast real returns in US dollars are calculated as at December 31, 2012.

2 A minimum/maximum country allocation policy seeks to allow broad flexibility while guarding against over-or under concentration relative to the Index. If the governing documents for the account contain min/max guidelines, these guidelines are reflected above. If the governing documents for the account do not contain min/max guidelines, the min/max allocations above represent Mondrian's current internal policy and can be changed at any time in Mondrian's discretion.

3 Citigroup Non-US World Government Bond Index (70%) and the JPMorgan GBI-EM Broad Diversified Index (30%).

4 Absent client restrictions, current allocations are consistent across all client portfolios with the same type mandate.

5 Currency hedges are put into place if appropriate and permissible under client objectives.

6 Mondrian net currency exposure after hedging.

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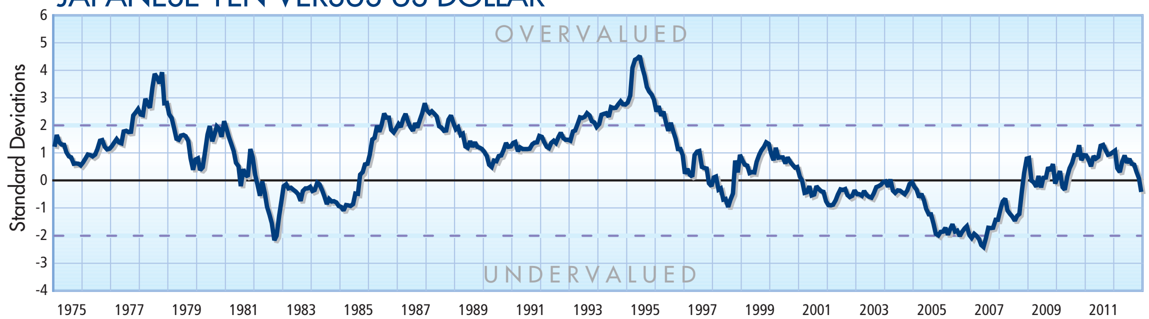
Source: Mondrian Investment Partners/Citigroup/JPMorgan

Purchasing Power Parity Valuations

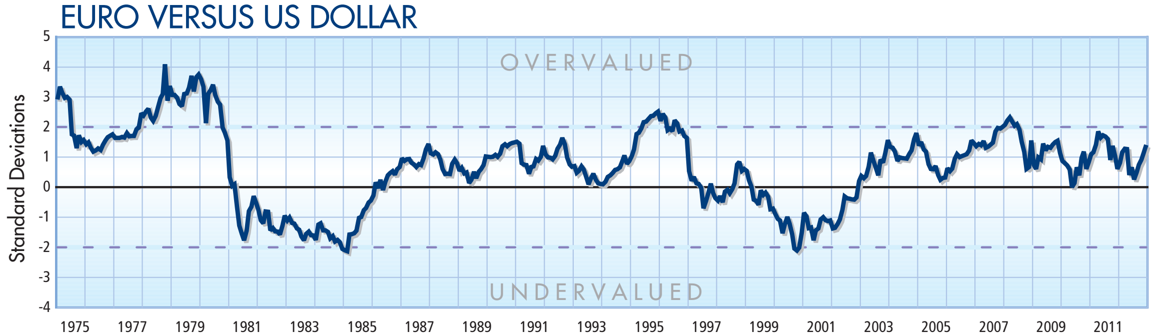
DECEMBER 31, 2012

MONDRIAN INVESTMENT PARTNERS

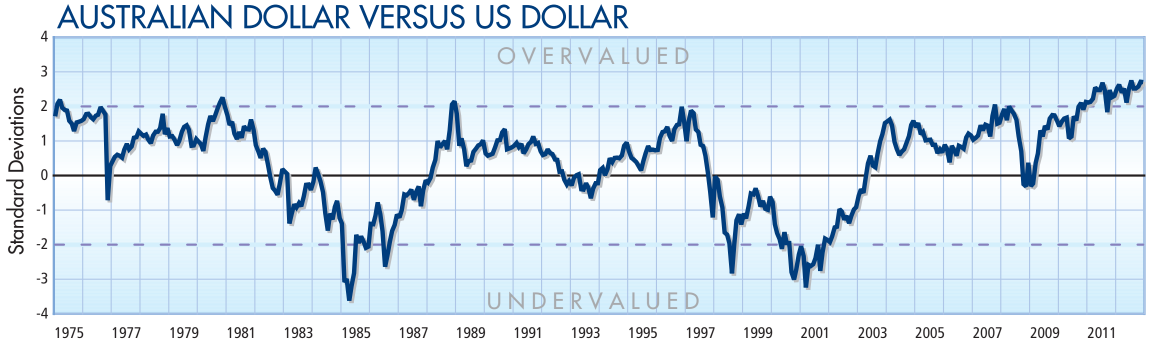
JAPANESE YEN VERSUS US DOLLAR



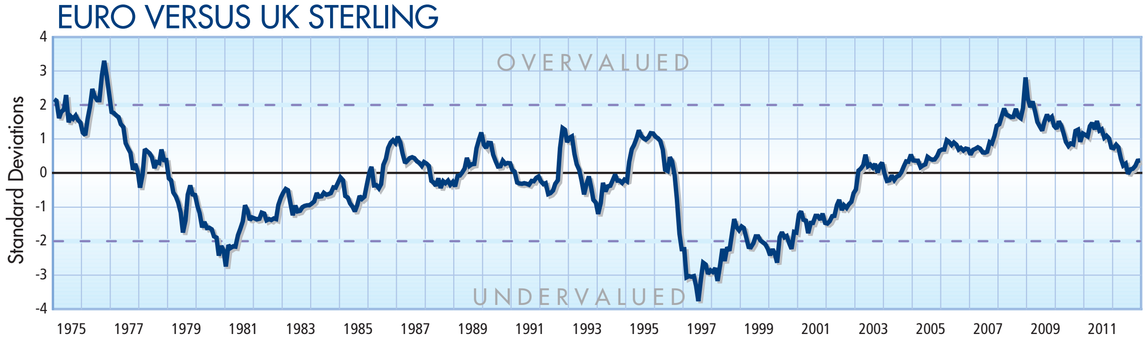
EURO VERSUS US DOLLAR



AUSTRALIAN DOLLAR VERSUS US DOLLAR



EURO VERSUS UK STERLING



Source: Mondrian Investment Partners

International Fixed Income Portfolio

ALASKA RETIREMENT MANAGEMENT BOARD

DECEMBER 31, 2012

MONDRIAN INVESTMENT PARTNERS

		Bond Exposure (%) Portfolio	Currency Exposure (%) Portfolio	Benchmark (%)
PACIFIC		**35.6**	**35.6**	**41.7**
JAPAN		33.8	33.8	29.0
Japan Gov't 5yr	0.300% / 2015	2.7		
Japan Gov't 5yr	0.400% / 2015	3.3		
Japan Gov't 10yr	0.800% / 2020	3.4		
Japan Gov't 10yr	1.000% / 2021	2.8		
Japan Gov't 10yr	1.100% / 2020	3.3		
Japan Gov't 10yr	1.300% / 2014	3.7		
Japan Gov't 10yr	1.400% / 2015	2.5		
Japan Gov't 10yr	1.400% / 2018	0.6		
Japan Gov't 10yr	1.700% / 2017	4.1		
Japan Gov't 20yr	1.900% / 2029	2.8		
Japan Gov't 20yr	2.100% / 2026	2.7		
Japan Fin Corp	1.350% / 2013	0.6		
Japan Fin Corp	2.000% / 2016	1.4		
MALAYSIA		1.9	1.9	2.4
Malaysia Gov't	3.314% / 2017	0.2		
Malaysia Gov't	3.418% / 2022	0.4		
Malaysia Gov't	3.741% / 2015	0.4		
Malaysia Gov't	4.240% / 2018	0.9		
EUROPE		**37.6**	**37.6**	**43.8**
EUROZONE		14.2	14.2	28.7
Bundesrepublik	2.250% / 2020	2.7		
Bundesobligation	2.500% / 2014	1.8		
Bundesobligation	2.750% / 2016	1.4		
Bundesrepublik	3.250% / 2015	2.1		
Bundesrepublik	3.250% / 2021	1.7		
Bundesrepublik	3.250% / 2042	0.9		
Bundesrepublik	3.750% / 2015	1.8		
Bundesrepublik	4.000% / 2037	0.7		
HSBC Holdings	6.250% / 2018	0.6		
ING Bank VAR	2023	0.6		
HUNGARY		3.4	3.4	1.0
Hungary Gov't	5.500% / 2016	0.6		
Hungary Gov't	6.000% / 2023	0.1		
Hungary Gov't	6.750% / 2017	1.4		
Hungary Gov't	7.500% / 2020	1.3		
POLAND		10.8	10.8	3.4
Poland Gov't	5.250% / 2013	0.5		
Poland Gov't	5.250% / 2017	2.0		
Poland Gov't	5.250% / 2020	0.6		
Poland Gov't	5.500% / 2015	1.4		
Poland Gov't	5.750% / 2021	2.3		
Poland Gov't	5.750% / 2022	3.8		
Poland Gov't	5.750% / 2029	0.2		
Poland Gov't	6.250% / 2015	0.2		
SWEDEN		2.2	2.2	0.4
Sweden Gov't	3.500% / 2022	0.8		
Sweden Gov't	3.750% / 2017	0.4		
Sweden Gov't	4.250% / 2019	0.7		
Sweden Gov't	4.500% / 2015	0.4		
TURKEY		1.4	1.4	1.8
Turkey Gov't	10.500% / 2020	0.7		
Turkey Gov't	9.500% / 2022	0.7		
UNITED KINGDOM		5.6	5.6	5.6
UK Treasury	4.000% / 2016	3.3		
UK Treasury	4.500% / 2019	2.3		

CONTINUED ON NEXT PAGE

Source: Mondrian Investment Partners/Citigroup/JPMorgan

Benchmark: Citigroup Non-US World Government Bond Index (70%) and the JPMorgan GBI-EM Broad Diversified Index (30%)

International Fixed Income Portfolio

ALASKA RETIREMENT MANAGEMENT BOARD

DECEMBER 31, 2012

MONDRIAN INVESTMENT PARTNERS

		Bond Exposure (%) Portfolio	Currency Exposure (%) Portfolio	Benchmark (%)
NORTH AMERICA		**7.4**	**7.4**	**5.6**
MEXICO		7.4	7.4	3.7
Mexico Bonos	6.500% / 2021	1.1		
Mexico Bonos	7.250% / 2016	0.2		
Mexico Bonos	7.500% / 2027	0.3		
Mexico Bonos	7.750% / 2017	1.3		
Mexico Bonos	8.000% / 2015	0.6		
Mexico Bonos	8.000% / 2023	1.7		
Mexico Bonos	8.500% / 2018	1.8		
Mexico Bonos	9.500% / 2014	0.3		
SOUTH AMERICA		**10.4**	**10.4**	**9.5**
BRAZIL		6.2	6.2	3.0
Brazil NTN-F	10.000% / 2014	0.8		
Brazil NTN-F	10.000% / 2017	2.5		
Brazil NTN-F	10.000% / 2021	2.9		
CHILE		2.9	2.9	0.5
Republic Of Chile	5.500% / 2020	2.9		
COLOMBIA		1.3	1.3	2.0
Rep of Colombia	4.375% / 2023	0.6		
Rep of Colombia	7.750% / 2021	0.6		
MIDDLE EAST & AFRICA		**7.8**	**7.8**	**3.0**
ISRAEL		1.6	1.6	0.0
Israel Gov't	4.250% / 2016	0.8		
Israel Gov't	5.500% / 2022	0.5		
Israel Gov't	6.000% / 2019	0.4		
SOUTH AFRICA		6.2	6.2	2.8
Rep of South Africa	10.500% / 2026	1.7		
Rep of South Africa	13.500% / 2015	1.4		
Rep of South Africa	6.750% / 2021	2.1		
Rep of South Africa	8.000% / 2018	0.4		
Rep of South Africa	8.250% / 2017	0.3		
Rep of South Africa	8.750% / 2014	0.3		
CASH		**1.3**	**1.3**	**0.0**
TOTAL		**100.0**	**100.0**	**100.0**

Source: Mondrian Investment Partners/Citigroup/JPMorgan

Benchmark: Citigroup Non-US World Government Bond Index (70%) and the JPMorgan GBI-EM Broad Diversified Index (30%)

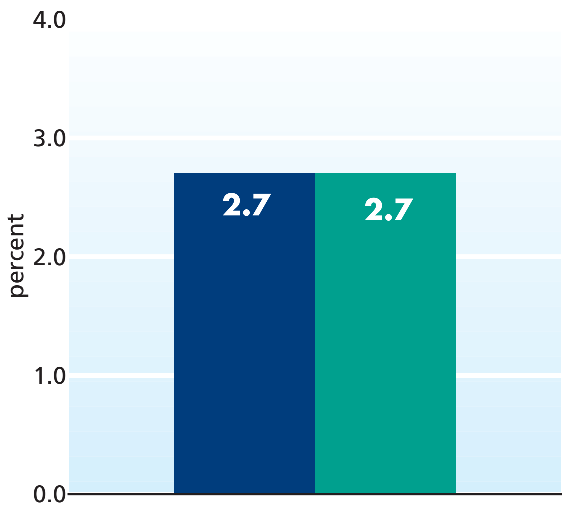
Summary Portfolio Characteristics

ALASKA RETIREMENT MANAGEMENT BOARD

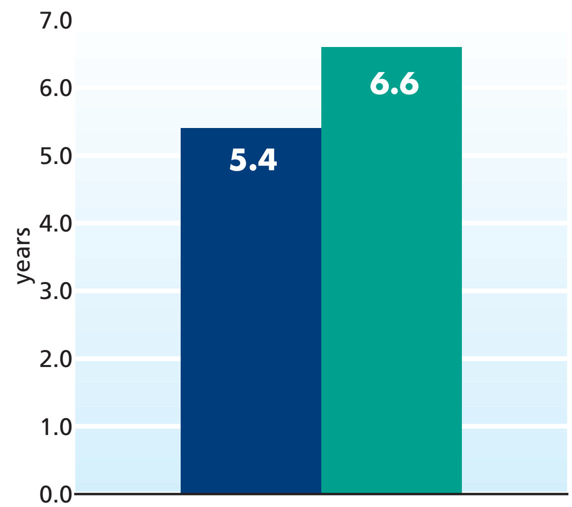
DECEMBER 31, 2012

MONDRIAN INVESTMENT PARTNERS

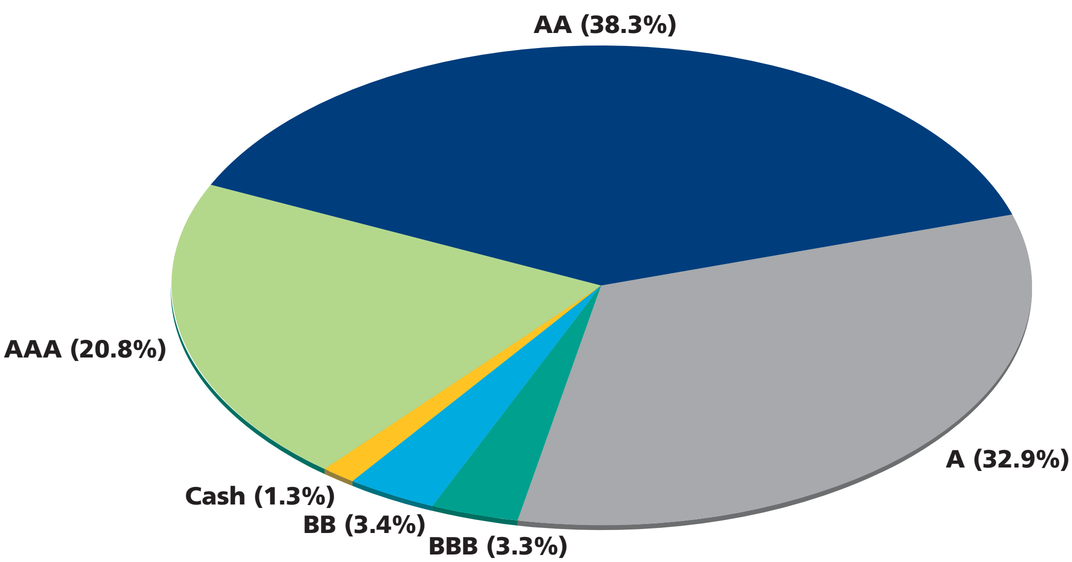
Yield to Maturity



Duration



Credit Rating Distribution



Average = AA

Corporate bond exposure = 1.1%

Source: Mondrian Investment Partners/Citigroup/JPMorgan

Benchmark: Citigroup Non-US World Government Bond Index (70%) and the JPMorgan GBI-EM Broad Diversified Index (30%)

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Appendix

Outlook: January 2013
Investment Outlook Summary

Mondrian Investment Partners

US

- Growth likely to be subpar at best
- Big overcapacity set to persist
- But US government bonds offer poor value

Japan

- Huge surplus capacity in economy
- Only consumption tax preventing deflation over next two years
- Government debt not an immediate concern

Europe

- Peripheral Eurozone government bond markets poor value
- Polish and Swedish government bonds attractive
- Sterling undervalued versus euro currency

Rest of the World

- Australian government bonds good value
- Australian dollar extremely overvalued
- Mexican and South African government bonds attractive

The opinions expressed here are Mondrian's views based on proprietary research.
Source: Mondrian Investment Partners.

Investment Outlook Summary

EMERGING MARKET DEBT

DECEMBER 2012

MONDRIAN INVESTMENT PARTNERS

Asia

- CNY close to fair value; F/X gains likely to be very modest.
- Chinese inflation to fall; economy weak and food price pressures moderating. Recent rises in offshore yields offer better value.
- Indonesian economy strong, driven by domestic demand. Inflation presently low but may be driven higher in 2013 by reduction in subsidies for fuel.
- Malaysian inflation low, economy well-balanced, but risk of hikes in fuel and energy prices in 2013 after election, as government seeks to rein in spending and contain escalating costs of subsidies.

Latin America

- Mexican economy recovering, headline inflation boosted by food recently but core inflation pressures muted due to slow nature of the recovery. Mexican peso undervalued.
- Brazilian economy weak due to external factors, personal consumption still strong. Inflation will be slow to fall due to tight labour market and wage pressures, but bond yields still high and hence offers a still high Prospective Real Yield (PRY).
- Chilean economy faring well, due to low unemployment and strong domestic demand, but cost pressures weak and inflation well behaved.
- Peruvian inflation may push higher as growth has been strong, and the output gap has closed.

Eastern Europe

- Hungarian inflation has jumped in 2012, due to a 2% rise in consumption tax in January, and excise duty changes in late 2011. The impact of this will fall away in 2013, and inflation should fall sharply as underlying economic weakness prevails.
- Polish economy well balanced; underlying inflation not an issue, although boosted in 2012 by higher fuel and food prices, impact to wane in 2013.
- Czech economy susceptible to slowdown in growth in EU, inflation likely to stay very low.
- Turkey's growth is slowing, but inflation likely to remain elevated until 2013 due to tax and excise changes in late 2012. Should fall sharply by H2 2013.
- Romania has large output gap, but inflation to rise from H2 2012 due to cost pressures and unfavourable base effects.

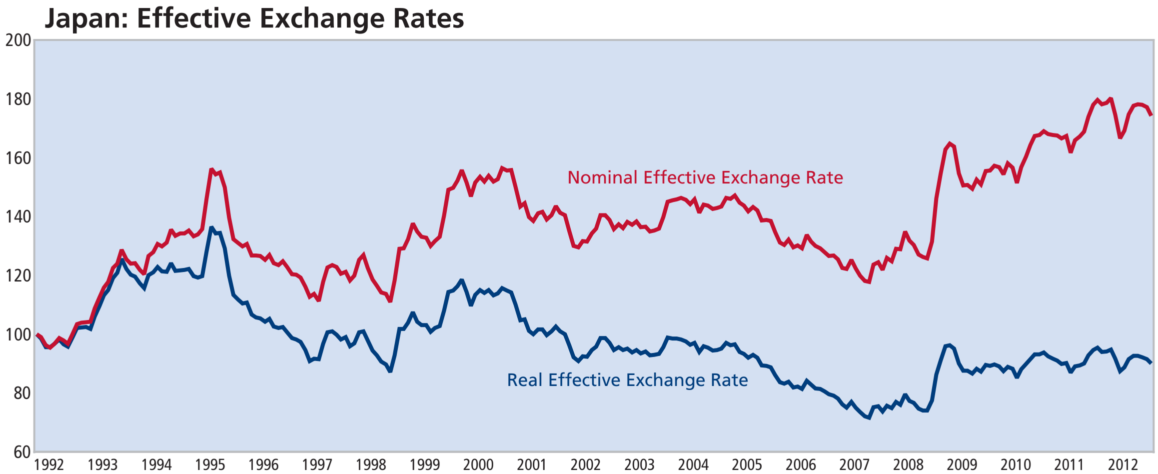
Africa & Middle East

- South African economy sluggish, but inflation pressures remain; high wage settlements, low productivity and currency weakness.
- Nigerian inflation high at 12%; yields close to that level mean poor value in PRY terms.
- Israel's open economy makes it vulnerable to global growth weakness; inflation to remain low.

The opinions expressed here are Mondrian's views based on proprietary research.

Outlook: December 2012
Japanese Government Debt Still Good Value

MONDRIAN INVESTMENT PARTNERS



Source: Bank of Japan, rebased January 1992 = 100

- Japan continues to exhibit value, with a comparatively high Prospective Real Yield (PRY).
- The economy is in recession and the outlook for inflation remains low over the next two years, even taking into account the possible consumption tax hike from 5% to 8% in April 2014.
- Although the new administration seems intent to lean on the Bank of Japan in an attempt to reflate the economy, asset purchases, whilst boosting narrow money have so far had little effect on broad money and inflationary expectations.
- Moreover, the yen is around fair value according to our Purchasing Power Parity (PPP) valuations.
- This is also borne out by the chart above. Although the nominal effective exchange rate (against a basket of currencies) has appreciated significantly over the past 20 years, the real effective exchange rate, that takes into account relative price changes between Japan and its trading partners, has actually declined.
- Although, Japan's net stock of public debt, at 126% of GDP, is the highest in the world, it is predominantly financed internally, sustained by domestic private savings and the country's current account surplus.
- In this regard, Japan's current account surplus continues to be supported by the strongest net international investment position in the world of over US$ 3 trillion.

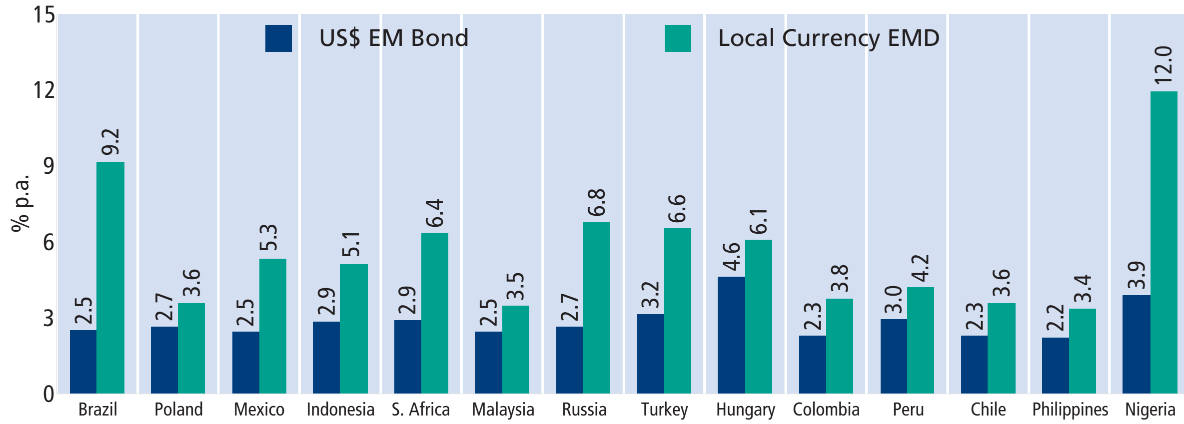
US$ EM Bonds: A Poor Alternative to Local Currency EMD

DECEMBER 2012

MONDRIAN INVESTMENT PARTNERS

10 year Sovereign Bond Yield

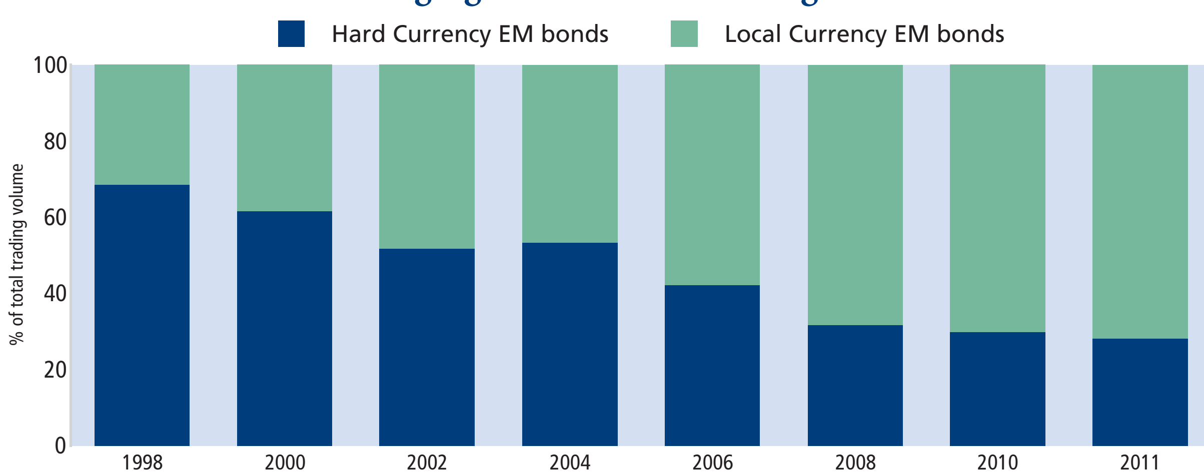
December 31, 2012



Source: JP Morgan

- Local currency EMD offer substantial yield pickup over US$ EM bonds in higher credit quality markets
- High yields in US$ EM bonds only available in lower credit quality 'frontier' markets, Argentina and Venezuela
- EM Corporate debt mainly issued in US$. Offer no substantial yield pickup over US$ Sovereign EM bonds

Emerging Market Debt Trading Volume



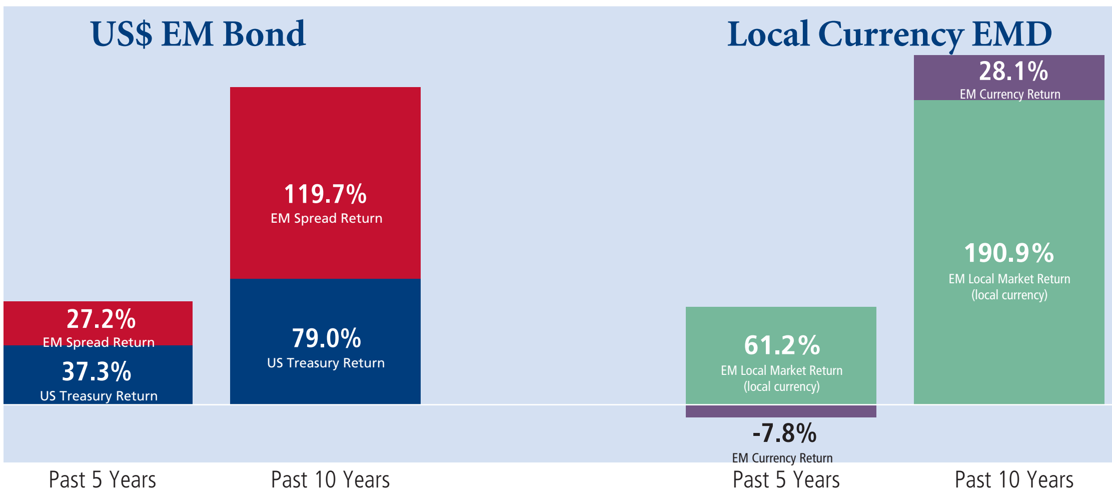
Source: Emerging Markets Trade Association

- Hard currency EM bonds are a declining proportion of total trading in emerging market debt
- Liquidity in local currency EM bonds much better than in hard currency debt
- Local currency EM markets continue to deepen

US$ EM Bonds: A Poor Alternative to Local Currency EMD

DECEMBER 2012

MONDRIAN INVESTMENT PARTNERS



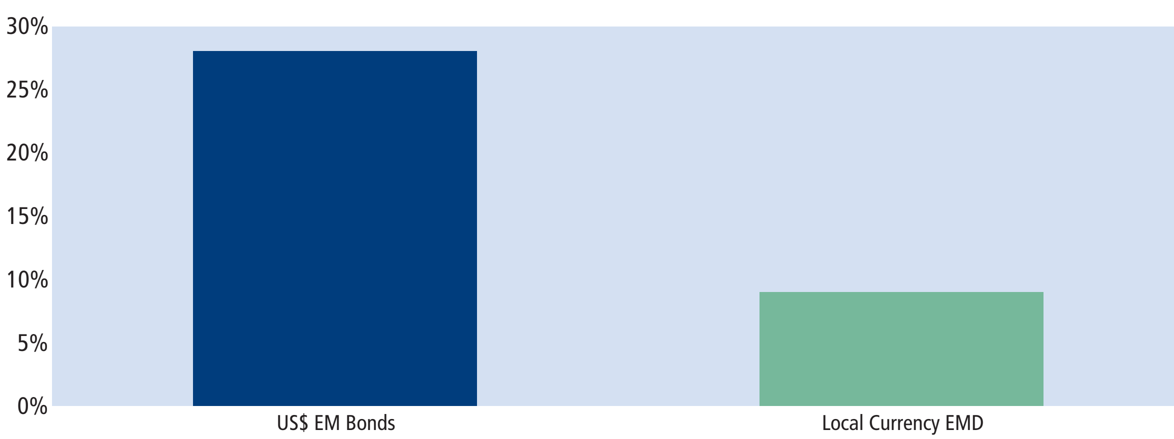
Returns shown based in unhedged US dollars

Source: JP Morgan GBI EM Global Diversified Index and Emerging Market Global Bond Index

- US Treasury market can no longer be relied upon to support performance of US$ EM bonds
- Limited upside given low US benchmark yields

Statistical Correlation with US Treasuries

January 2003 – December 2012



Returns shown based in unhedged US dollars

Source: JPMorgan/Mondrian calculations

- US$ EM bonds have poor diversification benefits. Local currency EMD has lower co-movement with US Treasuries
- Return potential from currency appreciation not available to US$ EM bonds
- Diversification from EM currencies not available to US$ EM bonds

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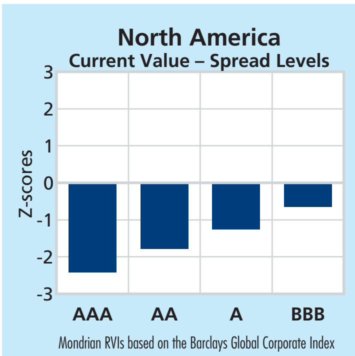
The opinions expressed here are Mondrian's views based on proprietary research.

Outlook: January 2013
Outlook for Corporate and Non-Corporate Credit

MONDRIAN INVESTMENT PARTNERS

Region

North America

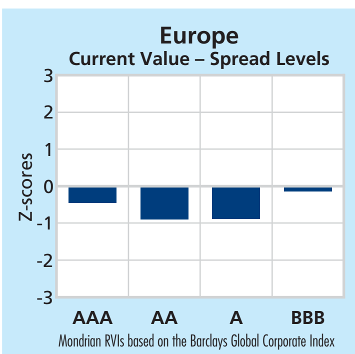


Looking for Value
- US domestic corporates are now overvalued
- Select value exists in the Yankee bond space

Business Outlook
- De-leveraging process will continue
- Profit margins have increased owing to asset repricing
- Bumpy global growth could see impairments rise again

Credit Quality
- De-leveraging will improve borrower fundamentals and bank liquidity
- Bank regulatory risk and negative growth surprises are a concern
- Elevated levels of unemployment remain bad for corporates

Europe

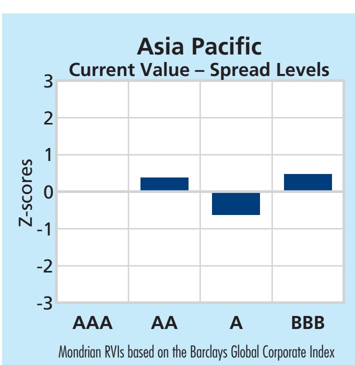


Looking for Value
- Select non-eurozone banks offer value
- Eurozone corporates are at risk from elevated unemployment and a tax/price squeeze

Business Outlook
- Government budget cuts will be very negative for growth
- Business likely to be squeezed by higher taxes and crowding out
- A depressed euro will continue to bolster exports

Credit Quality
- Eurozone banks have large cross border exposures
- Rising unemployment is likely to affect asset prices and loan losses
- Pressures on consumers will hold demand down

Asia Pacific



Looking for Value
- Spreads remain very tight across all sectors

Business Outlook
- Chinese credit expansion and US monetary policy has started inflating an asset price bubble
- Asian consumer demand is rising rapidly
- Singapore based banks exhibit good credit quality and strong fundamentals, being well capitalised and benefitting from a stable supply of local deposit funding

Credit Quality
- Consumer and corporate leverage is very low
- Profits have benefited from rising Chinese demand
- Protectionism and currency manipulation would cause problems for Asian corporates

Mondrian RVIs (or Relative Value Indicators) are a proprietary measure of value.
The opinions expressed here are Mondrian's views based on proprietary research
Source: Mondrian Investment Partners and Barclays Global Aggregate Index

DISCLOSURE – INTERNATIONAL DEBT OPPORTUNITIES COMPOSITE

MONDRIAN INVESTMENT PARTNERS

ANNUAL PERFORMANCE

Year	Total Gross US$ Return	Total Net of Fees US$ Return	Benchmark US$ Return	Composite Standard Deviation	Benchmark Standard Deviation	Number of Portfolios	Composite Dispersion	Total Composite Assets (US$ millions)	% of Firm Assets	Total Firm Assets (US$ millions)
2011	0.82%	0.46%	1.73%	N/A	N/A	1	N/A	365.5	0.55	65,891
2012	6.24%	5.75%	5.33%	N/A	N/A	1	N/A	388.2	0.57	68,248

ACCOMPANYING NOTES CONCERNING PERFORMANCE CALCULATION AND GIPS® COMPLIANCE

- *This composite was created in April 2011.*
- *Past performance is not a guarantee of future results.*
- *A complete list and description of all firm composites is available on request.*

Mondrian Investment Partners Limited ("Mondrian") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). Mondrian has been independently verified for the periods 1 January 1993 to 31 December 2011.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards.

The Firm is defined as all discretionary portfolios managed by Mondrian.

Mondrian is a value-oriented defensive manager seeking to achieve high real returns for its clients. Mondrian invests mainly in securities where rigorous dividend discount analysis identifies value in terms of the long-term flows of income. Mondrian's methodology is applied consistently to markets and individual securities, both bonds and equities.

The International Debt Opportunities Composite includes US dollar based discretionary fee paying portfolios, measured against a customised index consisting of the monthly US dollar returns of the Citigroup WGBI excluding US (70% weighting) and the JP Morgan GBI EM Broad Diversified Index (30% weighting). The portfolios are invested in international bonds and target a 30% exposure to emerging market debt.

Portfolios are valued on a trade date basis using accrual accounting. Returns are calculated using the modified Dietz method and then weighted by using beginning-of-period market values to calculate the monthly composite returns. Portfolio returns are calculated net of irrecoverable withholding tax on dividend income. New portfolios are included in the first full month of investment in the composite's strategy. Terminated portfolios remain in the composite through the last full month of investment. Additional information regarding policies for calculating and reporting returns is available on request.

Composite and benchmark standard deviation are measured as the rolling 3 year annualised standard deviation of monthly returns. The dispersion of annual returns of portfolios within the composite (Composite Dispersion), is measured by the standard deviation of the equal-weighted returns of portfolios represented within the composite for the full year. Composite Dispersion is not presented if there are less than five portfolios in the composite during the year.

Performance results marked "Gross" do not reflect deduction of investment advisory fees. Investment returns will be reduced accordingly. For example, if a 1.00% advisory fee were deducted quarterly (0.25% each quarter) and the three year gross annual returns were 10.00%, 3.00% and -2.00%, giving an annualized return of 3.55% before deduction of advisory fees, then the deduction of advisory fees would result in three year net annual returns of 8.91%, 1.98% and -2.97% giving an annualized net return of 2.52%.

Performance returns marked "Net" reflect deduction of investment advisory fees and are calculated by deducting a quarterly indicative fee from the quarterly composite return. The indicative fee is defined as being the effective fee rate (or average weighted fee) at the composite's minimum account size as set out below. Actual net composite performance would be higher than the indicative performance shown because some accounts have sliding fee scales and accordingly lower effective fee rates.

Mondrian's investment advisory fees are described in Part II of its Form ADV. A representative United States fee schedule for institutional accounts is provided below, although it is expected that from time to time the fee charged will differ from the below schedule depending on the country in which the client is located and the nature, circumstances and requirements of individual clients. The fees will be charged as follows: the first US$50m at 0.50%; the next US$50m at 0.44%, the next US$100m at 0.40% and amounts over US$200m at 0.36%. Minimum segregated portfolio size of currently US$100 million (or fees equivalent thereto).

Disclosure – International Fixed Income Unhedged Composite

MONDRIAN INVESTMENT PARTNERS

Annual Performance

Year	Total Gross US$ Return	Total Net of Fees US$ Return	Benchmark US$ Return	Composite Standard Deviation	Benchmark Standard Deviation	Number of Portfolios	Composite Dispersion	Total Composite Assets (US$ millions)	% of Firm Assets	Total Firm Assets (US$ millions)
2003	22.61%	22.09%	18.52%	9.63%	8.95%	4	N/A	698.9	3.34	20,899
2004	14.82%	14.33%	12.14%	9.08%	8.59%	5	0.06%	834.4	2.67	31,226
2005	-9.97%	-10.36%	-9.20%	9.15%	8.30%	6	0.10%	838.9	1.92	43,794
2006	7.20%	6.74%	6.94%	7.42%	6.97%	5	0.27%	523.7	0.99	53,102
2007	11.49%	11.02%	11.45%	6.56%	6.38%	7	0.10%	1,022.9	1.59	64,338
2008	11.95%	11.47%	10.11%	7.85%	8.44%	6	0.95%	1,086.0	2.25	48,233
2009	8.94%	8.47%	4.39%	9.61%	10.09%	19	0.52%	2,035.0	3.16	64,393
2010	7.45%	6.99%	5.21%	10.74%	11.06%	18	0.82%	2,865.7	4.19	68,386
2011	4.92%	4.47%	5.17%	9.79%	9.47%	16	0.67%	2,885.5	4.38	65,891
2012	1.50%	1.07%	1.51%	7.81%	7.36%	11	0.75%	2,642.1	3.87	68,248

Accompanying Notes Concerning Performance Calculation and GIPS® Compliance

- *This composite was created in October 1993.*
- *Past performance is not a guarantee of future results.*
- *A complete list and description of all firm composites is available on request.*

Mondrian Investment Partners Limited ("Mondrian") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). Mondrian has been independently verified for the periods 1 January 1993 to 31 December 2011.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Additional third party Performance Examination under GIPS of this composite's results has also been undertaken from 1 October 1993 to 31 December 2011. The verification and performance examination reports are available upon request.

The Firm is defined as all discretionary portfolios managed by Mondrian.

Mondrian is a value-oriented defensive manager seeking to achieve high real returns for its clients. Mondrian invests mainly in securities where rigorous dividend discount analysis identifies value in terms of the long-term flows of income. Mondrian's methodology is applied consistently to markets and individual securities, both bonds and equities.

The International Fixed Income Unhedged Composite includes US dollar based discretionary fee paying portfolios, measured against the Citigroup non-US World Government Bond Index gross of US withholding taxes. The portfolios are invested in international bonds and are allowed no more than 5% in emerging markets debt.

Portfolios are valued on a trade date basis using accrual accounting. Returns are calculated using the modified Dietz method and then weighted by using beginning-of-period market values to calculate the monthly composite returns. Portfolio returns are calculated net of irrecoverable withholding tax on dividend income. New portfolios are included in the first full month of investment in the composite's strategy. Terminated portfolios remain in the composite through the last full month of investment. Additional information regarding the valuing of portfolios, calculating performance, and preparing compliant presentations are available upon request.

Composite and benchmark standard deviation are measured as the rolling 3 year annualised standard deviation of monthly returns. The dispersion of annual returns of portfolios within the composite (Composite Dispersion), is measured by the standard deviation of the equal-weighted returns of portfolios represented within the composite for the full year. Composite Dispersion is not presented if there are less than five portfolios in the composite during the year.

Performance results marked "Gross" do not reflect deduction of investment advisory fees. Investment returns will be reduced accordingly. For example, if a 1.00% advisory fee were deducted quarterly (0.25% each quarter) and the three year gross annual returns were 10.00%, 3.00% and -2.00%, giving an annualized return of 3.55% before deduction of advisory fees, then the deduction of advisory fees would result in three year net annual returns of 8.91%, 1.98% and -2.97% giving an annualized net return of 2.52%.

Performance returns marked "Net" reflect deduction of investment advisory fees and are calculated by deducting a quarterly indicative fee from the quarterly composite return. The indicative fee is defined as being the effective fee rate (or average weighted fee) at the composite's minimum account size as set out below. Actual net composite performance would be higher than the indicative performance shown because some accounts have sliding fee scales and accordingly lower effective fee rates.

Mondrian's investment advisory fees are described in Part II of its Form ADV. A representative United States fee schedule for institutional accounts is provided below, although it is expected that from time to time the fee charged will differ from the below schedule depending on the country in which the client is located and the nature, circumstances and requirements of individual clients. The fees will be charged as follows: the first US$50m at 0.43% and amounts over US$50m at 0.30%.
Minimum segregated portfolio size of currently US$50 million (or fees equivalent thereto).

Important Information

MONDRIAN INVESTMENT PARTNERS

Term/Issue	Description/Disclosure
Benchmark:	From inception to March 31, 2011, the Portfolio's investment performance was measured against the Citigroup Non-US World Government Bond Index. Beginning April 1, 2011, performance has been measured against a blend of the Citigroup Non-US World Government Bond Index (70%) and the JPMorgan GBI-EM Broad Diversified Index (30%).
Confidentiality:	This document is confidential and only for the use of the party named on its cover and their advisers. It may not be redistributed or reproduced, in whole or in part.
Current Views:	Views expressed were current as of the date indicated, are subject to change, and may not reflect current views. Views should not be considered a recommendation to buy, hold or sell any security and should not be relied on as research or investment advice.
Estimated Prospective "Real" Yields:	These estimated prospective "real" yields are used solely as a basis for making judgments about country allocation weightings and are not intended to be indications of expected returns.
Forward-Looking Statements:	This document may include forward-looking statements. All statements other than statements of historical facts are forward-looking statements (including words such as "believe," "estimate," "anticipate," "may," "will," "should," "expect"). Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Various factors could cause actual results or performance to differ materially from those reflected in such forward-looking statements.
Fund Characteristics:	Yield to Maturity, Duration and Credit Rating Distribution are each based on generally accepted industry standards. All portfolio characteristics are derived by first calculating the characteristics for each security, and then calculating the weighted-average of these values for the portfolio. The details of exact calculations can be provided on request.
Performance Results:	Performance results do not reflect deduction of investment advisory and other fees and are net of transaction costs and withholding tax. Investment returns will be reduced accordingly. For example, if a 1.00% advisory fee were deducted quarterly (0.25% each quarter) and your annual return was 10% (approximately 2.411% each quarter) before deduction of advisory fees, the deduction of advisory fees would result in an annualized return of approximately 8.904%. Mondrian's investment advisory fees are described in Part II of its Form ADV. A representative US dollar fee schedule for institutional accounts is provided below, although it is expected that from time to time the fee charged will differ from the below schedule depending on the country in which the client is located and the nature, circumstances and requirements of individual clients. The fees will be charged as follows: the first US$200m at 0.43%, the next US$200m at 0.33% and thereafter at 0.28%. Unless otherwise noted, all returns are in US Dollar.
Purchasing Power Parity Valuations:	Using proprietary Mondrian models. Further information on these models can be provided on request.
Universe Information:	The information provided in Quartile charts is from Callan Associates.
US Consumer Price Index:	Data provided through Datastream; two months in arrears.

Mondrian Equity Products

DECEMBER 31, 2012

MONDRIAN INVESTMENT PARTNERS

MONDRIAN PRODUCT AND TYPICAL BENCHMARK	VEHICLE			
	SEPARATE ACCOUNT	COMMINGLED FUND US INVESTORS	REGISTERED MUTUAL FUND	COMMINGLED FUND NON-US INVESTORS
Non-US Equity *MSCI EAFE*	Closed	Open *Minimum: $5 million*		
Focused Non-US Equity *MSCI EAFE*	Open *Minimum: $100 million*	Open *Minimum: $5 million*	Laudus Mondrian[4]	Available
Global Equity *MSCI World*	Open *Minimum: $100 million*	Open *Minimum: $2 million*		
All Countries World Equity *MSCI ACW*	Open *Minimum: $300 million[1]* *Minimum: $100 million[2]*			
All Countries World Ex-US Equity *MSCI ACW ex-US*	Closed	Open *Minimum: $5 million*		
Focused All Countries World Ex-US Equity *MSCI ACW ex-US*	Open *Minimum: $300 million[1]* *Minimum: $100 million[2]*			
Emerging Markets Equity *MSCI EM*	Closed	Closed		
Focused Emerging Markets Equity *MSCI EM*	Open *Minimum: $100 million*	Open *Minimum: $3 million*	Laudus Mondrian[4]	Open
Non-US Small Cap Equity *MSCI World ex-US Small Cap*	Closed	Closed		
Emerging Markets Small Cap Equity *MSCI EM Small Cap*	Open *Minimum: $150 million*	Open *Minimum: $5 million*		
Regional/Single Country Equity[3]	Open Minimum: $100 million	Open		Available

1. Utilizing separate account only
2. Utilizing commingled fund for emerging markets exposure
3. Regional mandates include Japan, UK, Pacific, Europe and US Equity
4. Mondrian serves as sole sub-advisor to a range of registered mutual funds known as the Laudus Mondrian Funds. The Funds are advised by Charles Schwab Investment Management. For additional information on the Laudus Mondrian Funds, please contact your Mondrian client service representative or see www.laudus.com

Mondrian Fixed Income Products

DECEMBER 31, 2012

MONDRIAN INVESTMENT PARTNERS

MONDRIAN PRODUCT AND TYPICAL BENCHMARK	VEHICLE			
	SEPARATE ACCOUNT	COMMINGLED FUND US INVESTORS	REGISTERED MUTUAL FUND	COMMINGLED FUND NON-US INVESTORS
Global Fixed Income *Citigroup WGBI* *Barclays Global Aggregate Bond Index*	Open *Minimum: $50 million*	Open *Minimum: $1 million*		
International Fixed Income *Citigroup WGBI ex-US* *Barclays Global Aggregate ex-US Bond Index*	Open *Minimum: $50 million*	Open *Minimum: $1 million*	Laudus Mondrian[1]	
Focused Global Fixed Income *JPMorgan Global Government Bond Index* *Barclays Global Aggregate Bond Index*	Open *Minimum: $50 million*	Open *Minimum: $1 million*		
Focused International Fixed Income *JPMorgan Global Government Bond ex-US Index* *Barclays Global Aggregate ex-US Bond Index*	Open *Minimum: $50 million*	Open *Minimum: $1 million*		
Global Inflation-Linked Bonds *Barclays World Government Inflation-Linked Bond Index*	Open *Minimum: $50 million*	Open *Minimum: $1 million*		
US Aggregate Fixed Income *Barclays US Aggregate Bond Index*	Open *Minimum: $50 million*	Open *Minimum: $1 million*		
Global Debt Opportunities *80% JPM GGBI/20% JPM GBI-EM BD*	Open *Minimum: $100 million*	Open *Minimum: $1 million*	Laudus Mondrian[1]	
Emerging Markets Debt *JP Morgan GBI-EM BD*	Open *Minimum: $50 million*	Open *Minimum: $1 million*		Available

1. Mondrian serves as sole sub-advisor to a range of registered mutual funds known as the Laudus Mondrian Funds. The Funds are advised by Charles Schwab Investment Management. For additional information on the Laudus Mondrian Funds, please contact your Mondrian client service representative or see www.laudus.com

Alaska Retirement Management Board

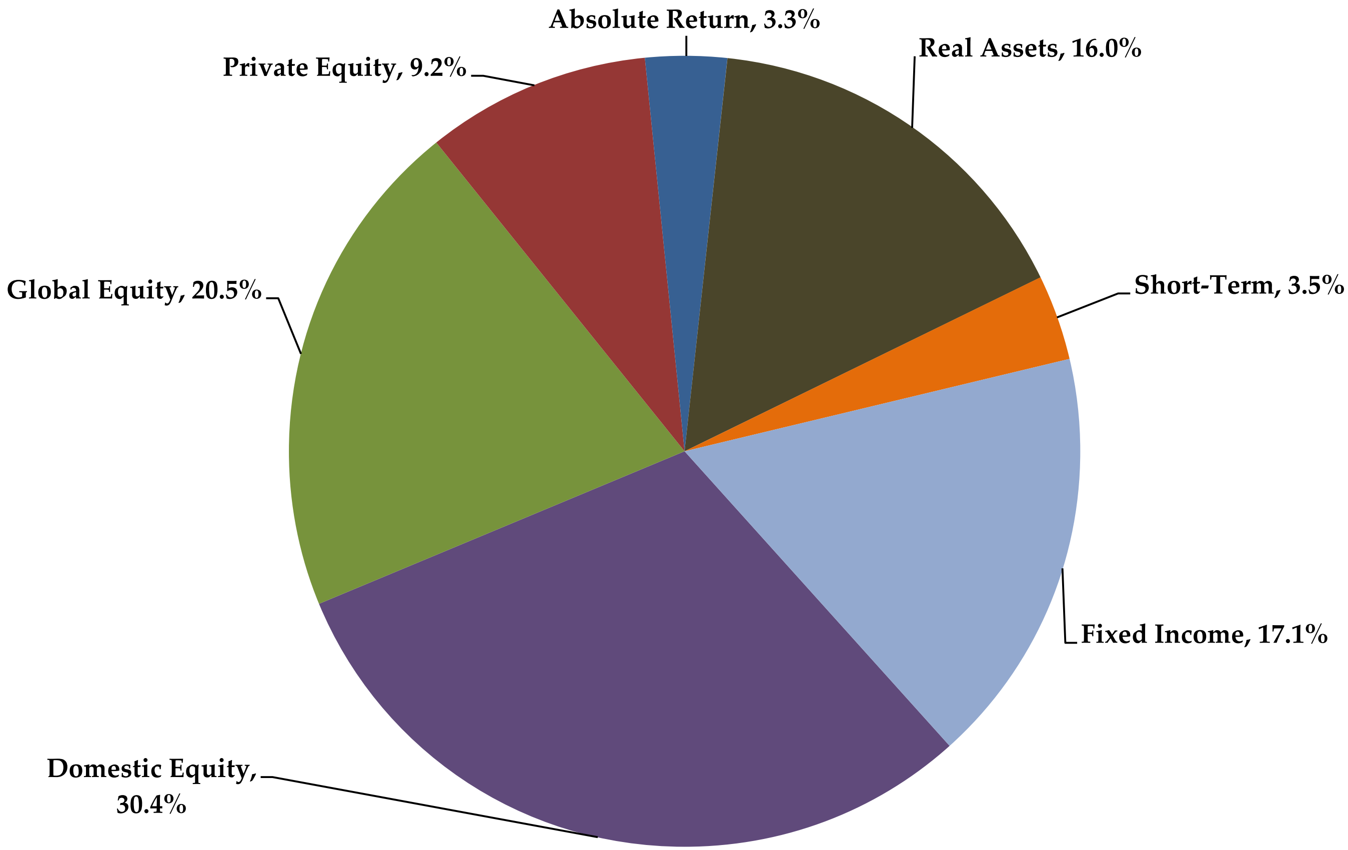
Domestic Fixed Income Presentation

Bob Mitchell, CFA

Anchorage, Alaska

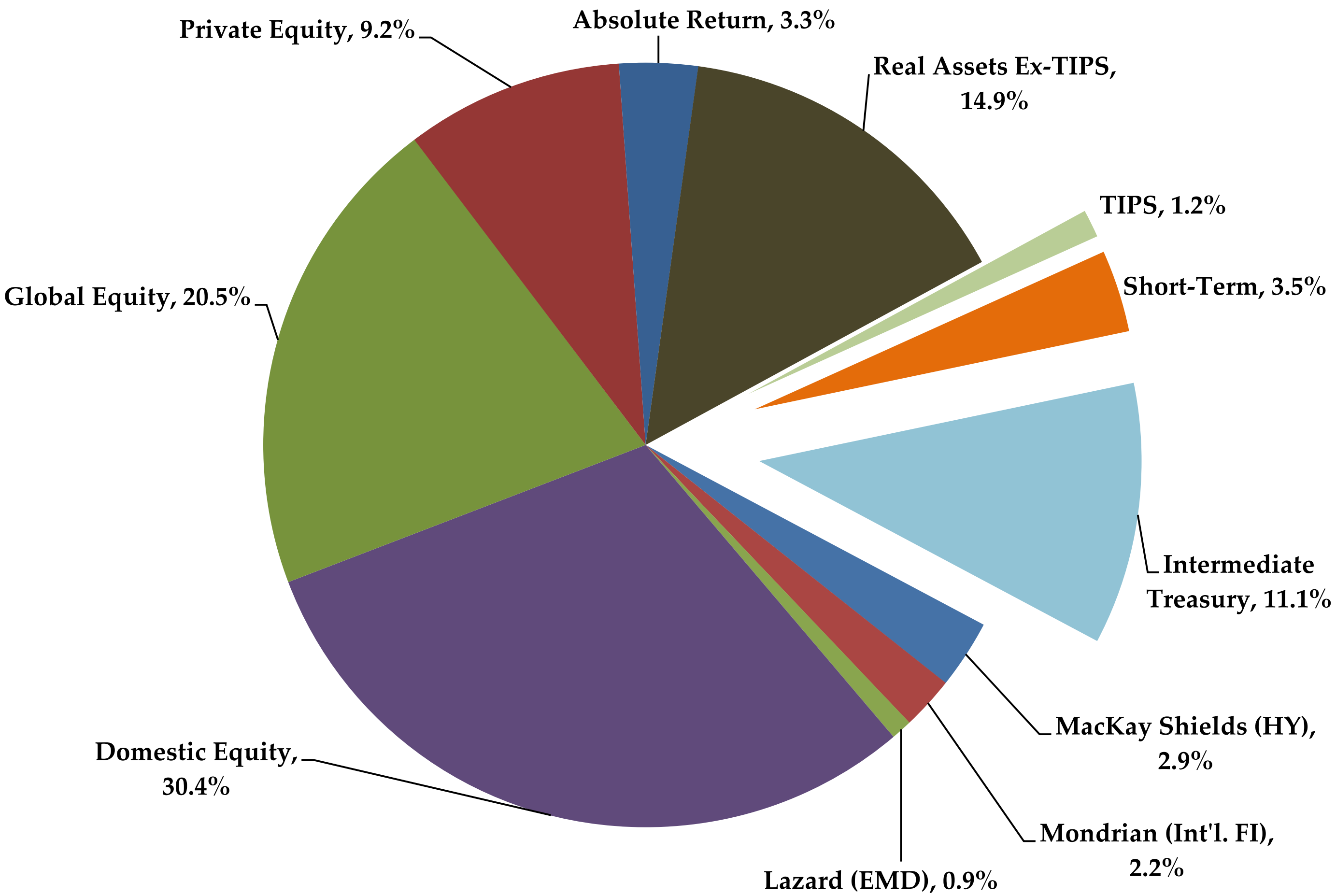
February 12-13, 2013

ARMB Asset Allocation



As of December 31, 2012

ARMB Asset Allocation – Internally Managed Bonds



As of December 31, 2012

Fixed Income Investment Team

Bob Mitchell, CFA
Portfolio Composition &Trading

- **Casey Colton, CFA**
  Structured Bond Trading
  TIPS
- **Nicholas Orr, CFA**
  Structured Product Trading
- **Victor Djajalie, CFA**
  Corporate Bond Trading
  Corporate Research
- **Emily Peyton**
  Operational Support

Investment Approach

- Identify a broad range of potential movements in the yield curve from one to three months into the future.

- Position portfolios to attempt to outperform modestly over the full set of scenarios.

- Manage trading costs and give liquidity sparingly.

- Seek yield in non-Treasury holdings:
  - Position portfolios in higher conviction securities.
  - Diversify positions.

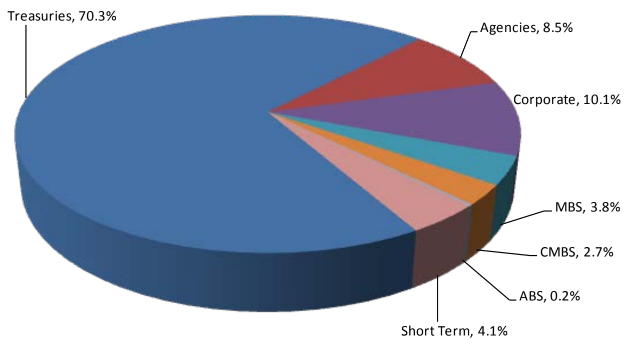
- Manage the basis between indexed and non-inflation-indexed Treasury holdings.

Risks to Investment Approach

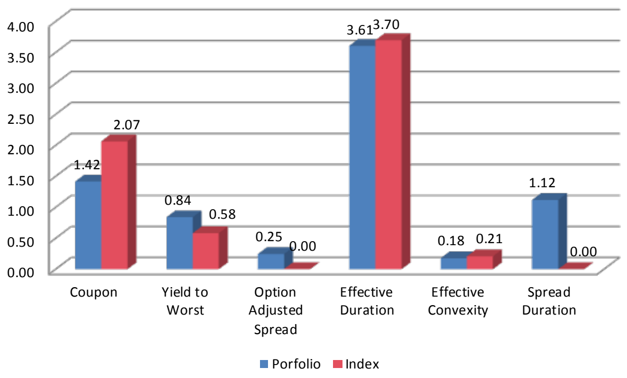
- Future yield curve movements may be other than what we forecast.
- Spread changes are not explicitly incorporated, so could detract from performance.
- Changes in inflation expectations may not mirror actual changes in inflation; carry differences could detract from performance.
- Idiosyncratic, bond-specific, credit and structural risk is present.

Intermediate Treasury Portfolio Dashboard

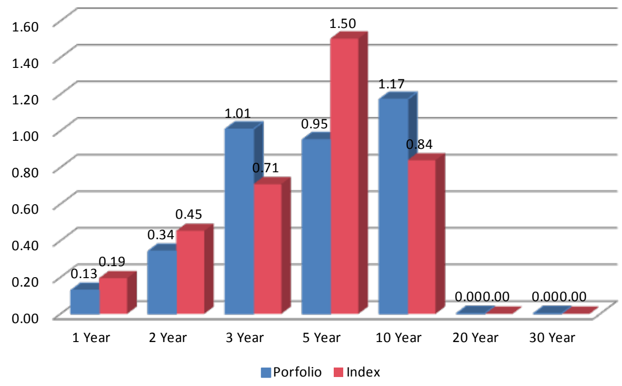
Sector Allocation



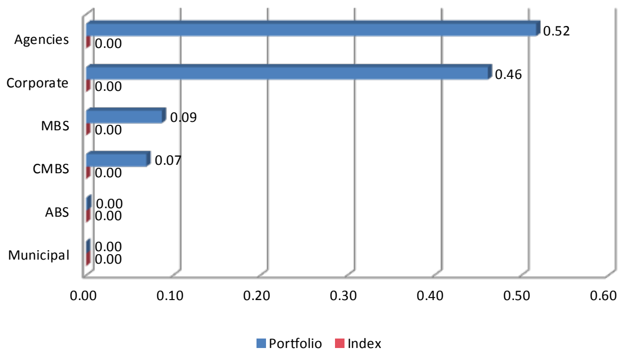
Portfolio Characteristics



Partial Durations



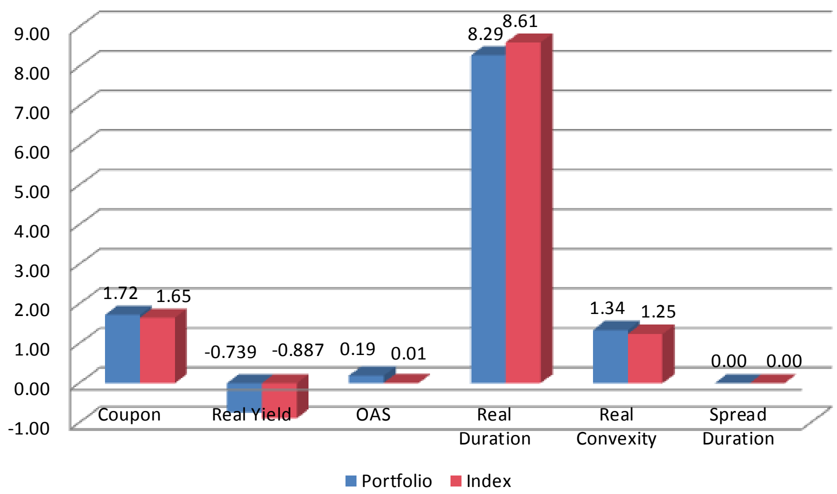
Contribution to Spread Duration



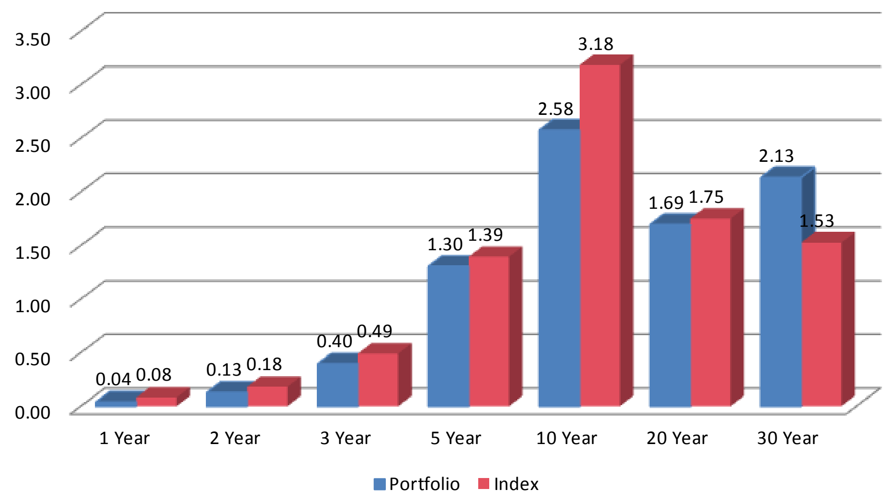
As of December 31, 2012

Treasury Inflation Protected Securities Portfolio Dashboard

Portfolio Characteristics



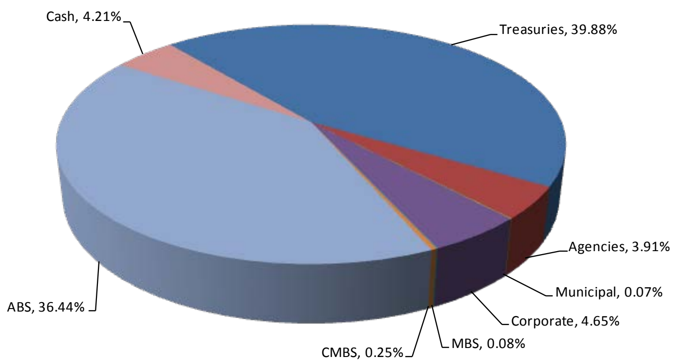
Real Partial Durations



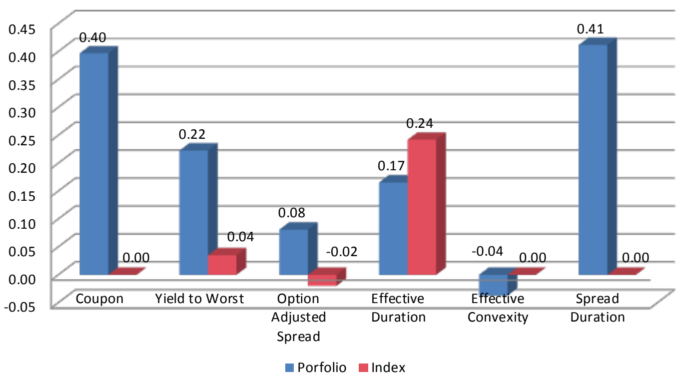
As of December 31, 2012

Short-Term Fixed Income Dashboard

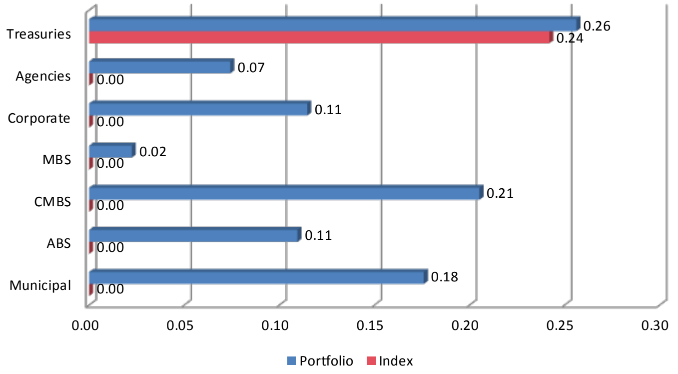
Sector Allocation



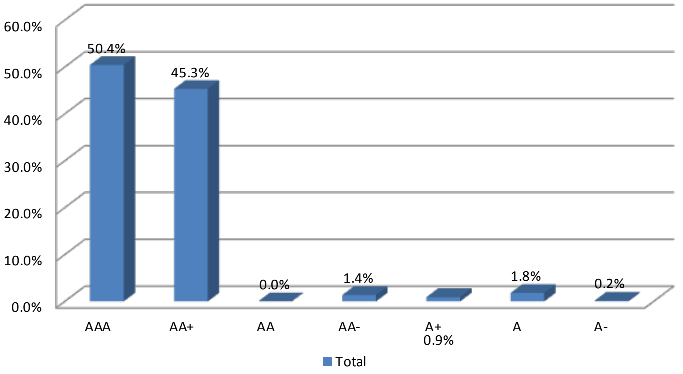
Portfolio Characteristics



Effective Duration



Ratings Distribution



As of December 31, 2012

Performance

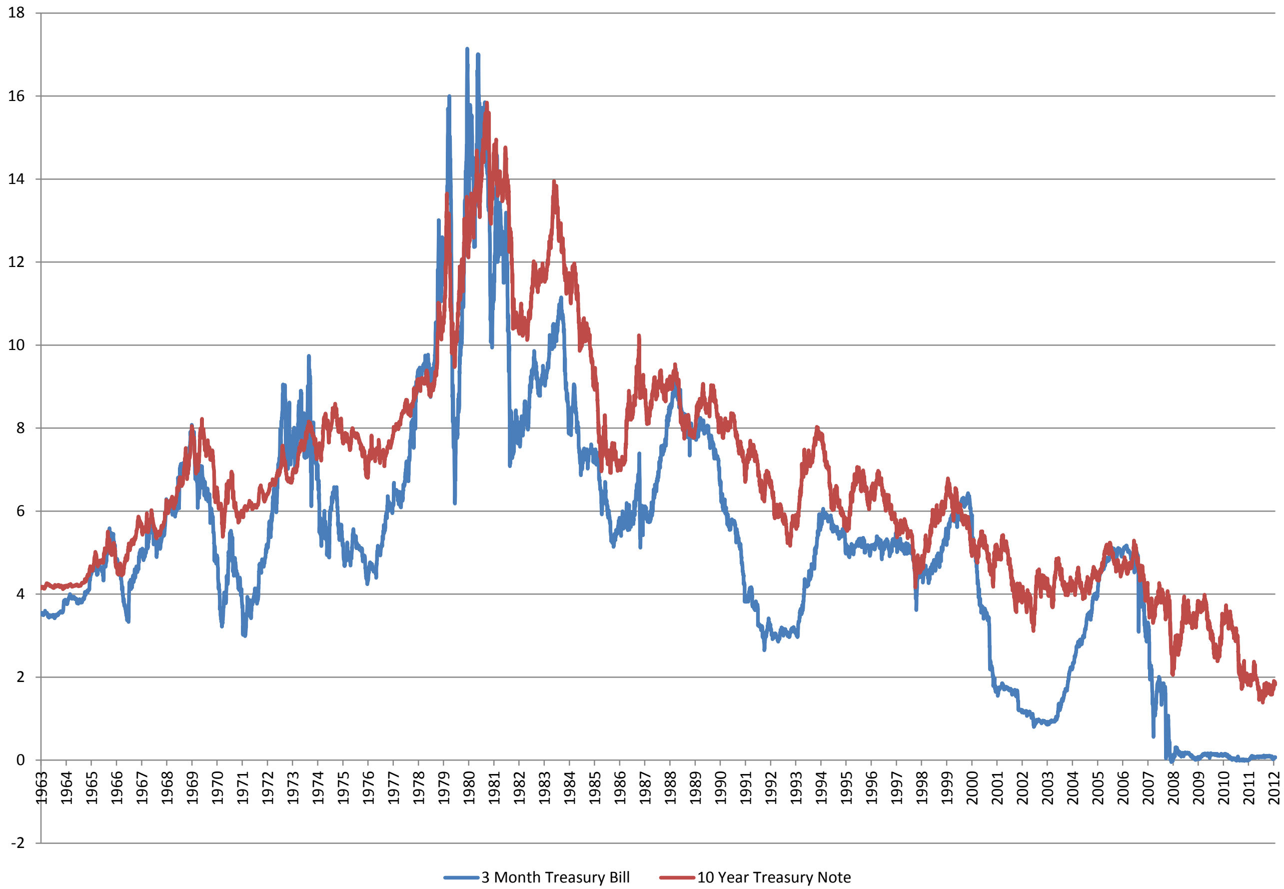
	3 Months	1 Year	3 Years	5 Years	Inception	Inception Date
Intermediate Treasury Portfolio	0.07%	2.14%	N/A	N/A	4.76%	April 2010
Index	0.01%	1.71%	N/A	N/A	4.62%	
Difference	0.06%	0.43%			0.14%	

	3 Months	1 Year	3 Years	5 Years	Inception	Inception Date
Treasury Inflation Protected Securities Portfolio	0.62%	7.01%	9.38%	7.37%	8.28%	July 2007
Index	0.69%	6.98%	8.90%	7.16%	8.13%	
Difference	-0.07%	0.03%	0.48%	0.21%	0.15%	

	3 Months	1 Year	3 Years	5 Years	Inception	Inception Date
Short Term Fixed Income	0.06%	0.50%	0.47%	0.90%	3.55%	July 1994
Index	0.04%	0.11%	0.11%	0.53%	3.26%	
Difference	0.02%	0.39%	0.36%	0.37%	0.29%	

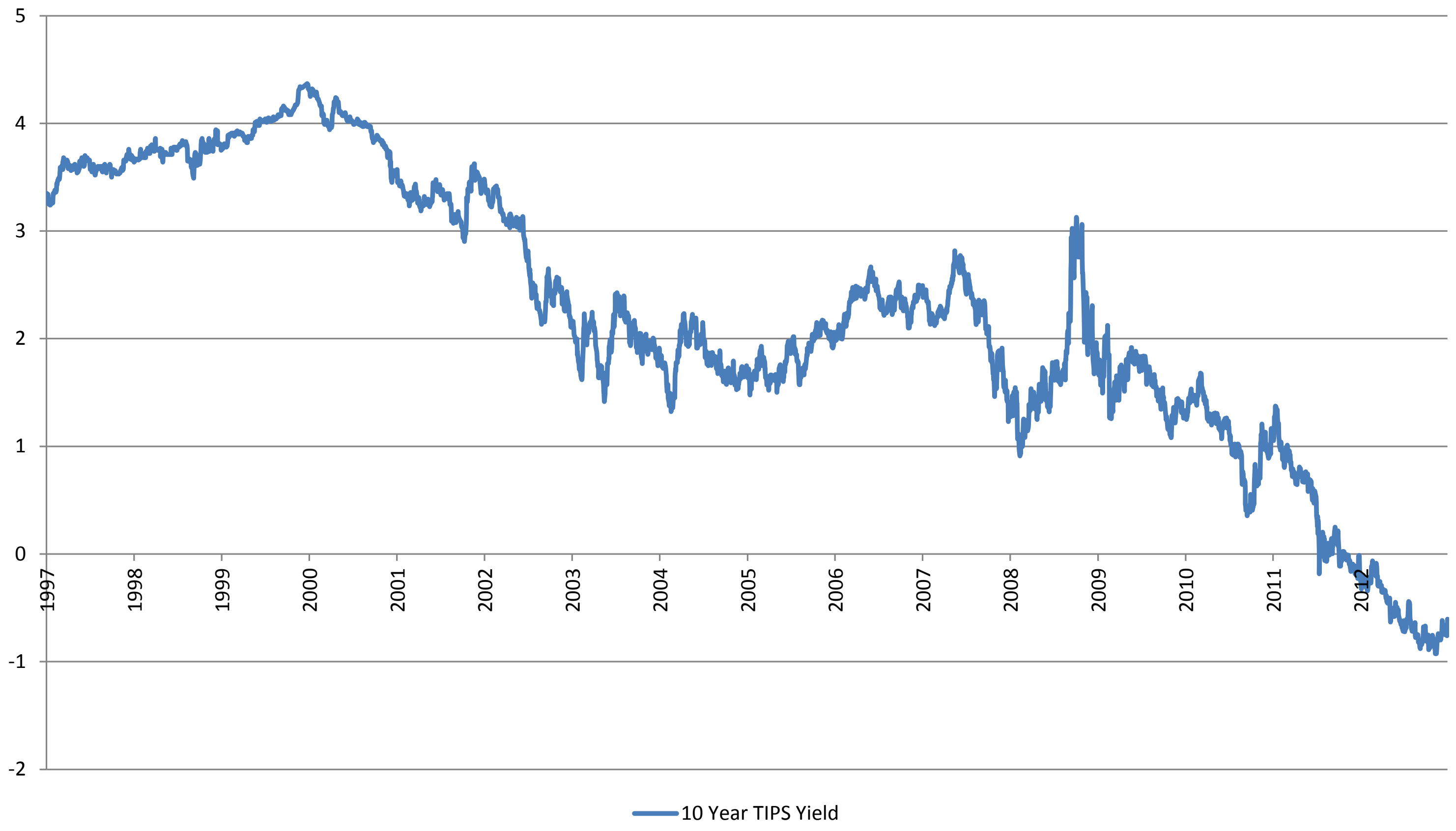
Source: State Street Analytics, as of December 31, 2012

Scanning the Environment: Treasury Yields are Low



Source: Bloomberg

Scanning the Environment: So are TIPS Yields



Source: Bloomberg

Strong Demand will Help Keep Yields Contained

	Estimated 2013 Supply ($billion)
IG Corporates	215
HY Corporates	118
EM Corporates	217
EM Sovereign	39
Municipals	14
Non-Agency MBS	-144
Agency MBS	-75
CMBS	-30
ABS	5
CLOs	20
Agency Debt	-150
Treasuries	893
Total	**1,122**

	Estimated 2013 Demand ($billion)
Mutual Funds	496
Foreigners	493
Insurance Companies	170
Pensions/Retirement Funds	34
Commercial Banks	130
Federal Reserve	1,020
Total	**2,343**

Source: J.P. Morgan

Alaska Retirement Management Board

Domestic Fixed Income Presentation

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	Absolute Return Policy Revision	ACTION:	X
DATE:	February 13, 2013	INFORMATION:	

BACKGROUND:

The Alaska Retirement Management Board started investing in Absolute Return investment strategies in November of 2004 through a custom fund-of-funds program. The goal of the ARMB's absolute return allocation is to produce strong real returns with low volatility and low correlation to other asset classes. The program has realized its correlation and volatility objectives, but performance has been too low.

STATUS:

In the current investment environment with lower expectations for traditional fixed income and other asset classes, having access to opportunistic and niche investment strategies to generate additional return is important. The ARMB has absolute return managers who have demonstrated the ability to generate higher returns in unconstrained opportunistic strategies.

Staff recommends adopting a more opportunistic and less constrained approach to absolute return. The revised program would focus on producing higher returns, with the ability to take on additional risk and market correlation. Manager approaches would be individually tailored, but managers would generally be more opportunistic in selecting a concentrated portfolio of investment styles and underlying investments. The manager portfolios would have additional risk, most specifically increased volatility, illiquidity, and correlation to other asset classes.

The revised program is expected to produce higher returns and provide the ARMB with access to investment strategies that reduce dependence on traditional asset classes in a challenging investment environment.

RECOMMENDATION:

That the Alaska Retirement Management Board adopt Resolution 2013-01 revising the Absolute Return Policies and Procedures to accommodate a more opportunistic and less constrained approach to absolute return.

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD

Relating to Absolute Return Investment Guidelines

Resolution 2013-01

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, the Board contracts an independent consultant to provide experience and expertise in asset allocation and other investment matters to come before the Board; and

WHEREAS, the Board has established an asset allocation for the funds that considers earnings and liabilities on a current as well as a future basis; and

WHEREAS the Board has authorized investment in absolute return strategies; and

WHEREAS the Board will establish and from time to time as necessary modify guidelines for absolute return strategies.

NOW THEREFORE BE IT RESOLVED THAT THE ALASKA RETIREMENT MANAGEMENT BOARD adopts the attached Absolute Return Investment Guidelines, regarding investment in absolute return strategies.

This resolution repeals and replaces Resolution 2011-08

DATED at Anchorage, Alaska this ______ day of February, 2013.

____
Chair

ATTEST:

____
Secretary

ALASKA RETIREMENT MANAGEMENT BOARD

ABSOLUTE RETURN

INVESTMENT POLICIES & PROCEDURES

REVISED FEBRUARY 2013

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ALASKA RETIREMENT MANAGEMENT BOARD

INTRODUCTION – ABSOLUTE RETURN CHARACTERISTICS

The Alaska Retirement Management Board (ARMB) has determined that an allocation to "absolute return strategies" should improve the return and risk characteristics of the defined benefit pension portfolios. ARMB has made an allocation to be invested in a diversified basket of such approaches and ARMB's absolute return program will be comprised of investments in underlying hedge funds. ARMB recognizes that absolute return strategies are not an asset class but rather a number of investment management strategies that when undertaken skillfully exhibit return patterns that are largely uncorrelated to traditional asset classes (stocks, bonds etc). The spectrum of absolute return strategies is broad. It includes approaches that have historically tended to exhibit risk characteristics, as measured by standard deviation of returns, similar to bond investments. At the other end of the spectrum are strategies that exhibit significant volatility of returns. ARMB's intent is to invest in some combination of strategies that, in aggregate, will exhibit a volatility pattern that is in between bonds and equities. The standard deviation of annual returns is expected to be in the 5-10% range. As a frame of reference, recent standard deviation statistics for domestic equities have ranged from 16-23% while investment grade bonds have exhibited standard deviations of 3.5-4.5%.

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Managers of absolute return portfolios frequently employ leverage, engage in short sales, utilize complex instruments (e.g. derivatives, swaps etc.) and complex strategies. Unlike investments in traditional stock and bond portfolios, absolute return strategies do not have an inherent "natural" return pattern that is augmented by manager skill. Instead, the return is almost entirely dependent upon manager skill. Many of the strategies used have long histories so that "typical" or reasonable expectations may be formulated. These expectations are not assured and in any case require skillful implementation by the manager. Many "absolute return" strategies are dependent upon market liquidity, the level and stability of interest rates and volatility of markets (volatility often enhances opportunities). The widely accepted universe of investment strategies utilized by absolute return managers includes event-driven (e.g., merger arbitrage, distressed securities, special situations), relative value (e.g., convertible arbitrage, fixed-income arbitrage, market neutral equity), and directional/opportunistic/tactical (e.g., long/short equity, global macro, and managed futures) "styles" that tend to have low correlations to traditional, long-only equity and fixed-income strategies.

Unlike long-only managers whose returns are substantially explained by capital market movements, absolute return managers achieve returns substantially independent of normal market cycles. With their highly discretionary use of risk capital, they seek to generate profits regardless of conditions in the equity or fixed-income markets. To control risk or enhance return, they will often use short-selling, derivatives, leverage, and, in certain cases, illiquid securities. While these strategies often seek to mitigate the impact of general market's directional movements, returns are still heavily influenced by market-related activity, such as trading volume, market volatility, mergers & acquisitions, bankruptcy, IPOs and other corporate issuance. Notwithstanding the effectiveness of a particular investment strategy, returns are dependent upon exceptional manager skill.

Absolute return managers typically utilize a limited partnership structure or other investment vehicles to limit investor liability and to accommodate a generous profit sharing structure that is typical to the arena. Hedge fund managers frequently receive performance-based fees typically 20% (or more) of net profits, plus 1% (or more) in management fees. Fund of hedge fund managers also typically employ a management and incentive fee structure, but at a lower level than the underlying funds. Helping to further reduce the agency risks found in most long-only manager relationships, hedge fund managers typically invest, and are usually expected to invest, a significant portion of their personal net worth alongside their investors. In addition, to the extent funds lose capital, a high watermark provision typically defers incentive fees until the losses have been recouped. Nevertheless, incentive fees on upside performance can, at the margin, adversely motivate hedge fund managers to consider riskier opportunities, thus warranting careful ongoing review of investments in funds of such managers.

I. INVESTMENT OBJECTIVES AND IMPLEMENTATION

A. INVESTMENT OBJECTIVES

ARMB's aggregate absolute return program seeks to achieve consistent positive real returns and to maximize long-term total return within prudent levels of risk through a well-diversified portfolio of absolute return strategies. This will be delivered through investments in underlying hedge funds that, in aggregate, do not materially rely upon the direction of the equity or fixed-income markets. This program's value-added return will be primarily derived from selection of the manager and, to a lesser degree, strategy allocation. However, for purposes of risk diversification, the Investment Manager is not expected to create concentrated exposures to individual investments or investment strategies, as defined below under Program Risk Management and Implementation.

B. IMPLEMENTATION APPROACH

The due diligence process of evaluating individual hedge funds is particularly challenging and requires significant experience and knowledge of this portion of the investment management universe. As such, it poses certain challenges to a potential investor with limited resources. Therefore, to invest in this area ARMB recognizes the need to delegate this fiduciary responsibility. Accordingly, ARMB will select, with assistance from its investment consultant, an investment adviser ("Investment Manager") who is qualified to properly assemble and manage a diversified portfolio of investments. The structure utilized may be:

1. A portfolio separately managed by an Investment Manager and comprised of limited liability interests in individual limited liability entities;
2. An investment with limited liability in a "fund of one" that invests exclusively in a diversified portfolio managed by the Investment Manager and comprised of limited liability entities;
3. Investments with limited liability in one or more "funds of funds" that are structured to invest in diversified portfolios of various limited liability entities. A key distinction between this approach and approach #2 is that there would be other investors participating with ARMB.

ARMB may use one, two or all three of these approaches. The determination of the ideal approach will be influenced by the willingness of qualified Investment Managers (or potential general partners) to enter into agreements and the effects on ARMB's ability to access the best underlying investments.

When conducting a search for an Investment Manager, ARMB shall apply the following guidelines for qualifying an Investment Manager:

1. The Investment Manager of a separate absolute return portfolio shall be a bank, insurance company, or a registered investment adviser under the Investment Advisers Act of 1940.
2. In the case of a fund of funds vehicle in which other investors may participate, ARMB prefers that its investment shall not represent more than 10% of the commingled vehicle's total market value, except if the vehicle has substantially the same managers and strategic allocations as another vehicle of the Investment Manager, in which case the investment shall not exceed 10% of the total market value of the combined vehicles. ARMB also prefers that no other investor, besides those affiliated with the Investment Manager, would hold more than 10% of assets in such commingled vehicle(s).
3. The Investment Manager must represent on an initial and recurring basis that its personnel responsible for carrying out services with ARMB have not, to the best knowledge of the Investment Manager, been convicted of any crime or found liable in a civil or administrative proceeding or pleaded no contest or agreed to any consent decree with respect to any matter involving breach of trust or fiduciary duty, fraud, securities law violations, violations of disclosure provisions in bankruptcy law regulations or any act or omission involving moral turpitude.

C. PORTFOLIO PERFORMANCE OBJECTIVES

Evaluation of quarterly performance is necessary to assess the program's progress toward its long-term investment goals. It is understood that there will likely be periods during which performance deviates from long-term return objectives. During such times, greater emphasis shall be placed on performance comparisons with fund-of-fund managers that employ similar styles or strategic allocations.

The performance objectives for the overall program are as follows and individual Investment Manager guidelines will be set in writing by the CIO:

1. To achieve a return in excess of a portfolio composed of 70% MSCI All Country World Index (ACWI) and 30% Barclays Capital Aggregate Bond Index based upon rolling 6-year periods, net of all fees.
2. To achieve the above return objective with an expected annual standard deviation of such returns in the 5-10% range based on rolling 3-year periods.
3. To achieve the above return and volatility objectives with lower exposure to the equity and the bond markets, beta should not consistently exceed either 0.50 to the S&P 500 Stock Index or 0.50 to the Barclays Aggregate Bond Index based upon rolling 3-year periods unless permitted in writing by the Chief Investment Officer.

Deleted: each individual Investment Manager

Deleted: minimum of 5.0% annualized excess return over 3-month Treasury bills

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Deleted: <#>To achieve an above-median ranking in a comparable style group of hedge fund-of-funds based upon rolling 3-year periods.¶

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Attaining these objectives does not guarantee continued investment by ARMB nor does failure to achieve these guidelines mandate termination of the investment.

D. PROGRAM RISK MANAGEMENT AND IMPLEMENTATION

The selection and management of assets in the absolute return portfolio will be guided to generate a high level of risk adjusted return and to maintain prudent diversification of assets and specific investments.

While specific investment guidelines for fund-of-funds vehicles are determined by the vehicle's governing legal documentation for each fund offering, ARMB shall apply the following measures of risk management and diversification for evaluating and reviewing an absolute return program based on a broadly diversified mandate involving one or more Investment Managers:

1. Institutional Quality

All underlying hedge fund investments must be of institutional investment quality. Institutional quality will be defined as being of a quality whereby the investment would be considered acceptable by other prudent institutional investors.

2. Leverage

The underlying hedge funds in ARMB's portfolio shall use leverage in a prudent manner that is consistent with leverage applied in similar hedge fund strategies and that when aggregated is consistent with fund-of-funds programs broadly diversified across both directional and non-directional strategies. ***ARMB does not permit financial leverage by the Investment Manager*** except in the case of a commingled fund where leverage is only used to facilitate the timing of purchases and redemptions.

3. Liquidity/Redemption

The underlying redemption schedules for the program shall be such that at least 25% of the funds under management have quarterly (or more frequent) redemption, up to an additional 30% may have less frequent, but up to annual redemption, 30% may have up to three year redemption, and 15% may have up to five year redemption. These redemption periods are subject to standard notice periods and holdbacks pending annual audits. Notwithstanding stated redemption schedules, ARMB recognizes that such timetables for liquidity may be suspended under certain circumstances, such as periods of unusual financial stress within markets or within underlying hedge funds. Managers may also make investments through closed-end funds or other structures that are not subject to these liquidity guidelines with approval from the Chief Investment Officer.

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4. Strategy

To be broadly diversified by strategic allocations, ARMB's program shall contain exposures to the three broad investment categories of underlying funds: relative value, event driven, and directional/opportunistic/tactical strategies. The targeted maximum exposure to any one underlying fund strategy, as defined by the Credit Suisse Hedge Fund Index shall be as follows:

Deleted: and the overall allocation to any one of these broad categories should be at least 20% of ARMB's absolute return assets

Long/Short Equity (including Market Neutral and Short Biased)	65%
Event Driven (including Distressed and Risk Arbitrage)	65%
Multi-Strategy/Other	40%
Fixed Income Arbitrage	30%
Global Macro	25%
Convertible Arbitrage	15%
Managed Futures	15%

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The above targeted exposures will be based on the combined allocations to fund-of-fund portfolios and individual separate portfolios, if any. Investment Manager's need to be aware of these program level strategy guidelines, but individual portfolios are not required to meet them. Investment Manager specific strategy guidelines may be implemented in individual contracts or through written direction by the Chief Investment Officer to tailor investment manager specific guidelines to particular mandates or styles.

5. Manager

To be broadly diversified by hedge fund manager, each of ARMB's absolute return portfolios shall contain exposure to a minimum of 10 individual funds, with the maximum exposure to any one underlying fund, or group of affiliated funds, limited to 10% of ARMB's aggregate fund program, unless otherwise specifically exempted by ARMB staff.

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6. Risk Management at the Portfolio Level

The ARMB's absolute return program shall permit the Investment Manager to hedge risk at the portfolio level (via index options, futures, CDS's, of through other means) with prior approval from the Chief Investment Officer.

E. REPORTING

1. Monthly Reporting

The Investment Manager is required to provide, or cause to be provided, at least the following information on a monthly basis.

a. Within 30 calendar days, the Investment Manager shall provide to ARMB and the Custodian a report of ARMB's account cash flows and valuations, and any other information reasonably requested. If an external administrator is used, this information should come directly from the administrator to ARMB and the Custodian.

2. Quarterly Reporting

The Investment Manager is required to provide, or cause to be provided, at least quarterly reports to ARMB that shall minimally include the following:

a. Calculation of estimated net asset value with a summary of discrepancies, if any, with ARMB's custodian bank outstanding more than 90 days. If an external administrator is used, this information should come directly from the administrator to ARMB.

b. Performance results and attribution on a strategy basis with results on a fund basis available on request.

c. Listing of strategic allocations (e.g., convertible arbitrage, market neutral equity, fixed-income arbitrage, multi-strategy relative value, distressed, merger arbitrage, multi-strategy event-driven, long-short equity, global macro, managed futures) as a percent of the Investment Manager's total fund assets as of quarter end.

d. Disclosure of any positions of financial or market leverage, on a strategy basis and an aggregate basis.

e. Identification of any underlying managers with a market value greater than 2% of total fund assets or fund of fund assets. For regular reporting pseudonyms may be used in the place of sensitive fund names, but more detailed information must be available on request per Section E.5 below.

f. Notice of changes in organizational structure, ownership, key personnel, and investment strategy of the firm. Material changes shall be reported in a timely manner by at least two means of communication (e.g., phone call, email, fax, and/or letter). Generally, timely reporting means reporting PRIOR to a material change.

3. Annual Reporting

The Investment Manager is required to provide, or cause to be provided, the following information on at least an annual basis.

a. Annual filing of Form ADV with the Securities and Exchange Commission.

b. Annual financial statements for ARMB's absolute return portfolio audited by an accounting firm acceptable to ARMB.

c. Ongoing annual report of compliance with the Investment Management Agreement representations with particular attention to the subsection regarding the ethical/legal conduct of personnel.

4. Meetings with ARMB

The Investment Manager is required to meet with ARMB and staff in Alaska as reasonably requested and at least annually. These meetings will provide the Investment Manager with the opportunity to discuss how its investment strategy has evolved since previous meetings. The written and oral presentations at these meetings should, at minimum, include the following:

a. *Performance for Past Period*: Standard time periods for each report should include at least: Last Quarter, Year to Date, Latest 12 Months, 3 Years and Since Inception. Returns should be annualized for periods over one year and calculated on a time-weighted basis for the total portfolio. All returns should be net of all management and incentive fees.

b. *Rationale for Performance Results*: Discussion of the rationale for performance results, relating specifically to strategic and manager allocations during the current review period.

c. *Specific Near-Term Strategy*: Discussion of the Investment Manager's strategy for the portfolio over the near-term period.

d. *Changes in the Investment Manager's Firm*: Discussion of any changes in the Investment Manager's firm including, but not limited to, organizational structure, ownership, key personnel, investment strategy and philosophy.

e. *Changes in the Fund's Requirements*: Discussion of any changes in the Investment Manager's fund objectives or guidelines, particularly in relation to ARMB's above stated objectives and guidelines.

5. Transparency

To meet fiduciary obligations ARMB may, at times, require 100% transparency with respect to underlying hedge fund investments. This transparency shall include at minimum information with respect to all underlying hedge fund names, hedge fund strategies, background information on hedge fund principals, and historical performance information. All information supplied shall be subject to the confidentiality provisions described in Section III and the legal agreements with the Investment Manager.

6. Other Information

The Investment Manager will also provide any other reasonable information requested by the Staff, or ARMB's Custodian Bank, or other agent of ARMB.

F. CONFLICTS OF INTEREST

1. Investment Manager Affiliated/Proprietary Products

In absolute return investing, there may be situations wherein the Investment Manager may recommend its proprietary investment product(s) or may have a financial interest in investment products recommended for investment. If considering placing ARMB in such product(s), an analysis of why competing products are not suitable must be presented for the Staff's review, and any investment must be approved by Staff.

2. Allocation of Investments/Redemptions Among Accounts

There may be instances where the Investment Manager will either need to allocate an investment opportunity or to redeem an investment opportunity from a number of clients or competing products (i.e., fund-of-funds). The Investment Manager must have suitable protective covenants or processes for resolving conflicts in allocation and redemption among accounts.

3. Personal Investments

The Investment Manager will provide ARMB with its policies for personal investments by employees and notify Staff of any changes. The Investment Manager's employees are permitted to invest personally or otherwise have beneficial interest in investments held on behalf of clients such as ARMB only after the Investment Manager makes sure that ARMB's portfolio has an opportunity to secure a full and appropriate allocation. Similarly, the Investment Manager's employees are permitted to sell an interest in investments that are also held by ARMB only after the Investment Manager makes sure that ARMB’s portfolio has an opportunity to first and fully liquidate the holding. This section shall not apply to employee investments in the Investment Manager’s commingled funds.

G. TAX CONSEQUENCES

The Investment Manager will endeavor (with best efforts attempts) to preclude federal and other taxation of ARMB (or its subsidiary entities as the case may be) including at the investment entity level, and to minimize UBIT incidence by ARMB. This may include investing in entities that do not intend to generate UBIT and when possible employing vehicles structured to shield the System from UBIT. It is required that any investments structured to avoid taxation be designed such that secondary sales or replacement of the Investment Manager are not impeded.

H. LINES OF RESPONSIBILITY

Well-defined lines of responsibility and accountability will be required of all participants in ARMB's absolute return investment program. Participants are identified as:

1. ***Board of Trustees*** - The fiduciaries elected by the Public Employees and Teachers Retirement Systems and appointed by the Governor to represent the beneficiaries’ interest.
2. ***Staff*** - Investment professionals on the staff of the Department of Revenue and assigned ARMB responsibilities who will assist in the absolute return investment program’s design, policy implementation and administration.
3. ***Investment Manager(s)*** - Qualified fiduciaries that provide institutional absolute return investment management services and maintain a discretionary relationship with ARMB in implementing the absolute return program. In separate account relationships the Investment Manager must be a bank, insurance company, or a Registered Investment Advisor under the Investment Company Act of 1940, registered with the Security and Exchange Commission.
4. ***Consultant*** - Professionals retained to support ARMB through the provision of expert absolute return and alternative investment program knowledge and technical support.

The responsibilities, with respect to the absolute return portfolio, of the parties cited above are outlined in Section II.A.1-4.

II. PROCEDURES FOR INVESTMENT

A. GENERAL ALLOCATION OF RESPONSIBILITIES

The absolute return program shall be implemented and monitored through the coordinated efforts of the Board of Trustees for the Alaska Retirement Management Board (the “Board”); ARMB’s Staff (the “Staff”); the qualified Investment Manager(s) (the “Manager”) and the Consultant (“Consultant”). Delegation of responsibilities for each participant is described in the following sections.

1. Board of Trustees

Board of Trustees shall approve the investment policies and objectives which the Trustees judge to be appropriate and prudent to implement its strategic plan for the investment of ARMB's assets; review the performance criteria and policy guidelines for the measurement and evaluation of the investment managers of ARMB's assets; review the Consultant and Staff's recommendations to retain a qualified investment manager(s) and set discretionary investment limits; supervise the investment of ARMB's assets to ensure that ARMB's investments remain in accordance with the Board's strategic planning and the ARMB's Objectives and Policies and the *Absolute Return Policies and Procedures* documents. The Board shall select and make ongoing retention decisions regarding all service providers including the investment manager.

The Board of Trustees will guide the execution of the program by review and approval of long term target ranges for absolute return strategies prepared by Staff, which will be updated and revised periodically as appropriate. The Board will monitor the program's progress and results through a performance measurement report prepared quarterly by the Consultant and reviewed by Staff, and as appropriate shall consult with the Investment Advisory Council.

2. Staff

The Staff will develop draft investment objectives and policy language for Board consideration. The Staff will guide the execution of the program by developing long-term target ranges for absolute return strategies, which will be updated and revised periodically as appropriate. The Staff will also review the Manager's quarterly portfolio reports and review the Manager's and the portfolio's performance in relation to assigned responsibilities.

The Staff will coordinate program compliance among all participants and communicate the investment policies, objectives and performance criteria to the Investment Manager(s). The Staff will coordinate the receipt and distribution of capital.

Staff and Consultant will identify qualified Investment Manager(s) for implementation of absolute return investment program, and will advise the Board of Trustees of any material changes in the manager organization(s).

3. Investment Manager(s)

The Investment Manager(s) shall acquire and manage, on a discretionary basis, absolute return investments on behalf of ARMB and in accordance with the Investment Objectives as described in Section I of ARMB's *Absolute Return Policy and Procedures* document and the Investment Policies as described in Section II.

The asset allocation executed by the Manager will be dictated by the target strategy ranges established in the *Absolute Return Policies and Procedures*.

4. Consultant

As approved by the Board, the Consultant shall advise on program development, conduct Investment Manager searches when requested; and provide independent, third party advice and information. The Consultant will also be available to be retained to conduct special project work when requested by ARMB.

B. INVESTMENT PROCEDURE

Absolute return investments in compliance with ARMB's Policies Procedures shall be acquired through the following process:

Eligible Investments and Target Ranges: The Investment Manager shall construct an absolute return portfolio designed to meet ARMB's criteria as discussed in the document with particular focus on the expected return and volatility parameters and the risk management guidelines in Section I.

Specific Investments: The Investment Manager will identify underlying hedge funds that are in compliance with ARMB investment guidelines. The Investment Manager will be responsible for all aspects of evaluation and closing.

C. SPECIFIC MANAGER RESPONSIBILITIES

1. Funding Procedures

The Investment Manager shall provide ARMB, on a best efforts basis, with five (5) days notice of capital additions. ARMB shall also be provided with documented wiring instructions in advance.

2. Investment Management

Investment Managers are directly accountable for the following investment management responsibilities. This section designates certain investment responsibilities that the Investment Manager will perform or cause to be performed.

a. The Investment Manager will be responsible for evaluating investment opportunities and selecting, on a discretionary basis with fiduciary responsibility, absolute return investments to be made on behalf of ARMB. The screening and selection will be made with a view to maximize ARMB's risk adjusted rate of return, within the parameters and allocations of each absolute return strategy as set by the Board of Trustees in the Policies and Procedures.

b. Conduct full and proper due diligence while fully documenting the process. Due diligence will be conducted to a standard of completeness attributable to a prudent expert. The Investment Manager will make available for review by ARMB, or its agents, the Investment Manager policies, procedures, and standards for conducting due diligence, and the due diligence documentation performed on any investment made on ARMB's behalf. On-site visits by the Investment Manager at the underlying hedge fund manager's main office will be a mandatory part of investment due diligence.

c. With respect to limited partnerships, funds or other entities in which the Investment

Manager invests, the Investment Manager shall require that each general partner, manager, or principal of such entity, as the case may be, provide written representation that each investment professional has not been convicted of any crime or found liable in a civil or administrative proceeding or pleaded no contest or agreed to any consent decree with respect to any matter involving breach of trust or fiduciary duty, fraud, securities law violations, violations of disclosure provisions in bankruptcy law regulations or any act or omission involving moral turpitude **OR** shall prior to entry into such investments inform ARMB that obtaining such representations is not possible or unnecessary under the circumstances presented.

d. Negotiate investment terms and conditions, partnership agreements and other closing documents on ARMB's behalf, with a view to maximize returns, minimize expenses, safeguard ARMB's assets, secure investor rights, and make investments on ARMB's behalf.

3. Ongoing Operations

The Investment Manager shall manage or cause to be managed by an external administrator acceptable to ARMB, each investment made such as to enhance ARMB's value in the investment. The Investment Manager shall be responsible for conducting or supervising the following services with respect to each investment:

a. Monitoring and Voting -- Maintaining close communication with the underlying hedge fund managers, maintaining an awareness of and documenting the progress and level of performance of each investment. As appropriate, this will include attendance at annual meetings and sitting on advisory boards. It will also involve voting on ARMB's behalf as the need arises.

b. Adding Value -- The Investment Manager shall take all necessary or appropriate steps consistent with applicable capital and operating budgets to assure ARMB's investment is managed to or above its anticipated performance level.

c. Disbursement, Receipt and Cash Management -- Develop procedures for funding commitments on a timely basis and coordinating the receipt of cash distribution from the investments, including a policy for the orderly liquidation of any in-kind distributions received.

d. Books and Records -- The Investment Manager and/or an external administrator shall maintain books of account with correct entries of all receipts and expenditures incident to the management of the investment. These books, together with all records, correspondence, files and other documents, shall at all times be open to the inspection of ARMB. The Investment Manager shall maintain complete and accurate records of all transactions related to the managed investment, including receipts and all correspondence relating thereto on such forms as ARMB's auditors may reasonably require and make such records available for inspection and copying by ARMB at all reasonable times. The Investment Manager shall bear the costs associated with the retention of such records and if ARMB shall request copies of such records, the Investment Manager shall bear the cost of duplicating and sending such records to

ARMB.

e. On-Going Review -- The Investment Manager shall keep itself informed of the overall market conditions relative to the managed investments and the managed investments' competitive position in the applicable investment strategies. The Investment Manager will also be responsible for ensuring compliance with hedge fund agreements, attending to amendments, resolutions, voting proxies, and other investment related matters. All such activities will be undertaken with a view toward maximizing value to ARMB.

f. Disposition Review -- The Investment Manager shall review the managed investments with respect to continued timely return of capital, income and gains. The Investment Manager will be responsible for managing to cash any in-kind distributions received from the investments.

g. Notice -- The Investment Manager shall notify the Staff as soon as practicable in writing of any investigation, examination or other proceeding involving the investments or investment sponsors commenced by any regulatory agency or of any action, suit or proceeding commenced against or by the Investment Manager or an investment sponsor.

4. Portfolio Accounting and Financial Control

The Investment Manager shall be responsible for accounting, reporting and financial control and administration systems that shall at least meet the following objectives:

a. Financial/Accounting Control -- The Investment Manager and/or an external administrator or custodian will provide control systems to protect assets, detect errors and insure the reliability of information generated by the accounting system.

b. Investments' Financial Statements -- On at least a quarterly basis, unless specifically exempted by Staff, the Investment Manager will require from underlying hedge funds unaudited financial statements or capital balance statements, and annually, audited financial statements.

D. SPECIFIC CONSULTANT RESPONSIBILITIES

The Consultant will provide consultation on the initial development and ongoing review and recommendation of revisions to ARMB's Policies and Objectives as well as *Absolute Return Policies and Procedures*, and assist with Investment Manager searches when requested by ARMB. The Consultant will provide ongoing quarterly Investment Manager performance evaluation, independent third party advice and information, and will also be available to be retained to perform special projects as requested by the Board.

III. CONFIDENTIALITY

Pursuant to 15 AAC 112.770, ARMB shall withhold from other persons all information furnished to it by Investment Manager(s) or Consultant(s) which is reasonably designated by Investment Manager(s) or Consultant(s) as being confidential or proprietary, within the meaning of Alaska Statutes regarding rights to public information, except to the extent that the information is needed by ARMB in order to adequately report on the status and performance of the portfolio, or to comply with a court subpoena or with an official criminal investigation.

Those portions of reports provided pursuant to Section I.E of this document shall be considered confidential pursuant to 15 AAC 112.770 to the extent that information is reasonably designated by Investment Manager(s) as being confidential or proprietary, or to the extent the disclosure of which would unfairly prejudice the ability of Investment Manager(s) or ARMB to invest in the absolute return investment space.

IV. REVISIONS

This document will be reviewed no less than annually and revised as appropriate.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT: Creation of "Other" Asset Class ACTION: X

DATE: February 13, 2013 INFORMATION:

BACKGROUND:

The Alaska Retirement Management Board (ARMB) currently has seven asset class buckets designed to group investments based on similar characteristics and performance patterns. Benchmarks are assigned to each asset class and performance is monitored on both an asset class and individual mandate level. ARMB's current asset class structure contains: Broad Domestic Equity, Global Equity Ex-US, Private Equity, Real Assets, Absolute Return, Fixed Composite, and Short-Term Fixed Income.

STATUS:

The creation of an additional asset class called "Other" for the purpose of aggregating investments that do not fit into ARMB's current asset class structure would allow for a cleaner performance and characteristic analysis within ARMB's existing asset classes and would isolate those investments with unique characteristics and benchmarks.

The "Other" Asset Class would include RCM Buy Write, SSgA/Analytic Buy Write, Advent Capital's Convertible Bond strategy, Relational Investors, and ARMB's internally-managed dividend strategy. Given the variety of investments, performance analysis for the "Other" Asset Class would be benchmarked against 50% S&P 500 Index, 30% CBOE Buy Write Index, and 20% Bank of America Yield Alternatives Index.

RECOMMENDATION:

Effective July 1, 2013, the Alaska Retirement Management Board create a new asset class called "Other" to house current and future investments that do not properly fit into ARMB's current asset class structure.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	Infrastructure Manager Search	ACTION:	X
DATE:	February 13, 2013	INFORMATION:	

BACKGROUND:

The Alaska Retirement Management Board (ARMB) has received several infrastructure presentations over the past few years. ARMB has established a Real Assets asset class which currently includes Real Estate, Farmland, Timberland, TIPS, MLPs, and Energy.

Infrastructure investments may help meet the objectives of the Real Assets asset class. These vehicles have grown and matured over the past five years and should be considered as a possible enhancement to ARMB's current Real Assets asset class.

STATUS:

Core infrastructure investments provide the following return characteristics:

- Predictable Income Return
- Diversification
- Lower Volatility
- Inflation Sensitivity

Infrastructure investments can be characterized by high barriers to entry with an inelastic demand as a result of natural monopolies, government regulation and/or contractual protections. Infrastructure investments tend to be long-term with low correlation to traditional investment asset classes, have a lower exposure to business cycles and a predictable cash yield. Combined, this makes infrastructure a potential inflation hedge and facilitates long-term pension liability matching. Some categorical examples of infrastructure investments include transport, utilities, communication, and conventional and renewable energy.

RECOMMENDATION:

The Alaska Retirement Management Board direct staff to engage Callan Associates to conduct a search for one or more Infrastructure investment manager(s). Both private and public investment strategies should be considered.

ALASKA RETIREMENT MANAGEMENT BOARD
M E M O R A N D U M

To: ARMB Trustees
From: Judy Hall
Date: February 4, 2013
Subject: Financial Disclosures

As required by AS 37.10.230 and Alaska Retirement Management Board policy relating to investment conduct and reporting, trustees and staff must disclose certain financial interests. We are hereby submitting to you a list of disclosures for individual transactions made by trustees and staff.

Name	Position Title	Disclosure Type	Disclosure Date
Victor Djajalie	Investment Officer	Equities	11/29/12 1/18/13
Gary Bader	Chief Investment Officer	Equities	1/17/13 1/18/13 1/25/13
Bob Mitchell	Investment Officer	Equities	11/5/12 11/28/12 12/19/12 1/14/13 1/23/13

Alaska Retirement Management Board
2013 Meeting Calendar

February 11 – 4:00 pm	Committee Meetings: Audit
February 12-13 Tuesday-Wednesday Anchorage	*Review Capital Market Assumptions *Manager Presentations *Actuarial Audit Report
April 18-19 Thursday-Friday Juneau	*Adopt Asset Allocation *Performance Measurement – 4th Quarter *Buck Consulting Actuary Report *GRS Actuary Certification *Review Private Equity Annual Plan Pathway Capital Management *Manager Presentations
June 19	Committee Meetings: Audit
June 20-21 Thursday-Friday Anchorage	*Final Actuary Report/Adopt Valuation/Contribution Rates *Performance Measurement – 1st Quarter *Manager Presentations
September 18	Committee Meetings: Audit Budget Defined Contribution Plan
September 19-20 Thursday-Friday Fairbanks	*Audit Results/Assets – KPMG *Approve Budget *Performance Measurement – 2nd Quarter *Real Estate Annual Plan *Real Estate Evaluation – Townsend Group *Manager Presentations
October 3-4 (proposed) New York City	Education Conference
December 4	Committee Meetings: Audit
December 5-6 Thursday-Friday Anchorage	Audit Report - KPMG Performance Measurement – 3rd Quarter Manager Review (Questionnaire) Private Equity Review Economic Round Table *Manager Presentations