

## **CITY OF MEMPHIS RETIREMENT SYSTEM**

**Analysis of Investment Performance Through  
September 30, 2010**



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November 2010



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November 5, 2010

Board of Trustees  
City of Memphis Retirement System  
125 North Main, Room 368  
Memphis, TN 38103-2017


Dear Board of Trustees:

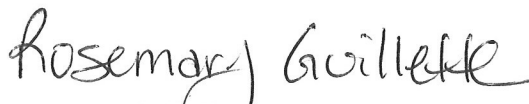
This report presents our analysis of the investment performance achieved by the Fund's investment managers through September 30, 2010. Our calculations are based on data provided by your custodians, The Bank of New York/Mellon and First Tennessee, and by the Fund's investment managers.

We believe this material will help you understand how your managers have carried out the Fund's investment policies and will aid in your evaluation of their strengths and weaknesses.

We look forward to reviewing this report with you and answering any questions or concerns.

Sincerely yours,

  
Lawrence H. Marino, CFA  
Senior Vice President

  
Rosemary E. Guillette  
Consultant

Investment Consultants BOSTON CHICAGO CLEVELAND LOS ANGELES NEW YORK PORTLAND SAN FRANCISCO TORONTO

\*Investment Consulting in Canada provided by The Segal Company, Ltd.

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This performance report ("Report") is based upon information obtained by Segal Advisors, Inc. ("SA") from third parties over which SA does not exercise any control. Although the information collected by SA is believed to be reliable, SA cannot verify or guarantee the accuracy or validity of such information or the uniformity of the manner in which such information was prepared. The rates of return reflected herein are time weighted and geometrically linked on a monthly basis using a modified Dietz method. Monthly valuations and returns are calculated based on the assumptions that all transactions and prices are accurate from the custodian and/or investment manager. The client to whom Segal Advisors delivers this Report ("Client") agrees and acknowledges that this Report has been prepared solely for the benefit of Client. SA disclaims any and all liability that may arise in connection with Client's conveyance (whether or not consented to by SA) of this Report (in whole or in part) to any third party. Client further agrees and acknowledges that SA shall have no liability, whatsoever, resulting from, or with respect to, errors in, or incompleteness of, the information obtained from third parties. Client understands that the prior performance of an investment and/or investment manager is not indicative of such investment's and/or investment manager's future performance. This Report does not constitute an offer or a solicitation of an offer for the purchase or sale of any security nor is it an endorsement of any custodian, investment and/or investment manager.

# Financial Market Conditions: Review of Third Quarter 2010

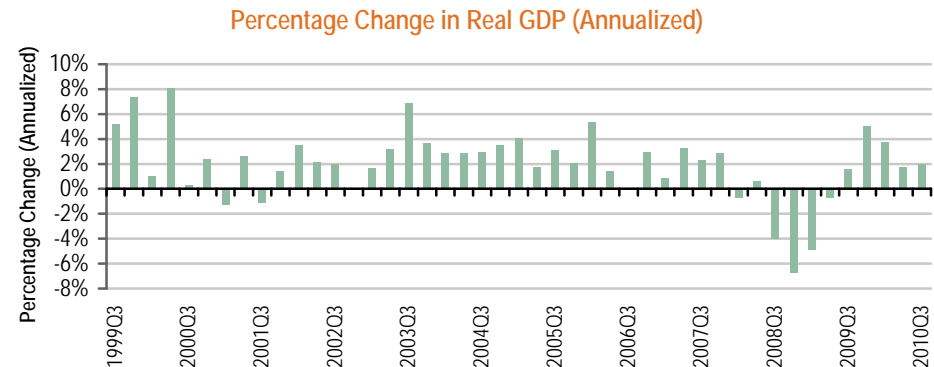
## The Economy: Key Indicators

Page 1 and page 2 focus on Segal Advisors' commentary on select economic indicators for third quarter (Q3) 2010.

### GDP Growth Positive

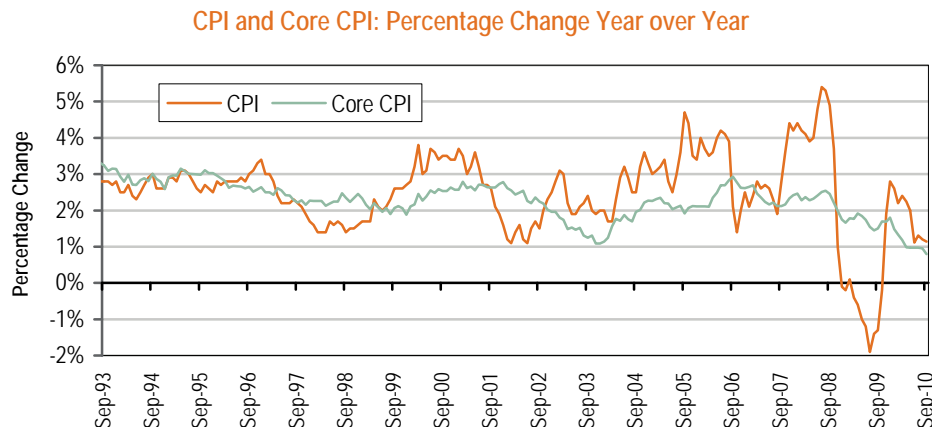
As shown in the adjacent graph, during Q3 2010, GDP increased at a 2.0 percent annualized rate, a slight improvement from the 1.7 percent pace experienced during Q2 2010. This marks the fifth consecutive quarter of GDP growth. The increase in real GDP during the third quarter was driven by growth in private inventories (1.4 percent) consumer spending (1.8 percent), and state and federal government spending (0.7 percent).

Trade deficit widening continued to have a negative impact on the growth rate, with imports becoming stronger in the third quarter, subtracting 2.6 percentage points from growth. Growth is expected to remain weak until fundamentals improve and the labor market shows signs of sustained progress.



Source: Bureau of Economic Analysis

### Inflation



Source: Bureau of Labor Statistics

During Q3 2010, headline Consumer Price Index (CPI)\* rose by 0.1 percent, and increased on a year-over-year basis by only 1.1 percent. The Food and Beverages Index rose 0.3 percent in September, which was a significant increase from the previous several months. In addition, this Index was up 1.4 percent from the Q3 2009 level. This increase was offset by much weaker energy prices, which were primarily driven by slower gasoline price inflation. The Energy Index increased by only 0.7 percent, compared to the 2.5 percent pace from the prior two months.

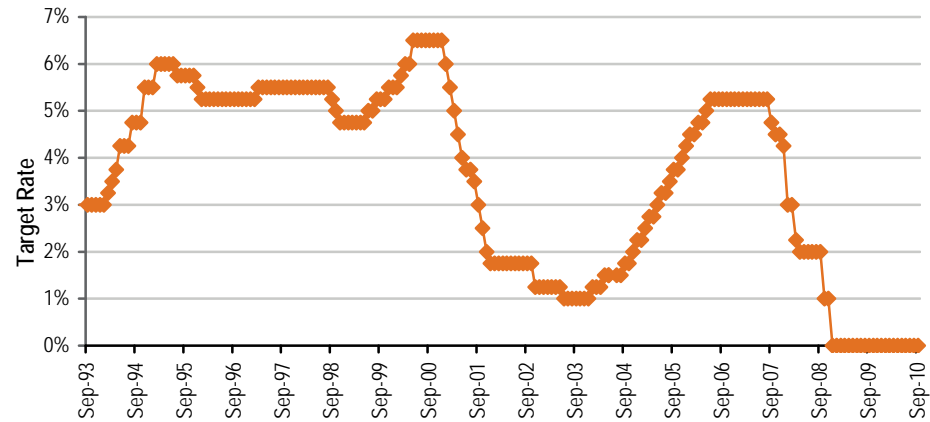
During Q3 2010, core CPI, which excludes both food and energy prices, was higher than the Q3 2009 level by only 0.8 percent. In addition, core CPI for September was unchanged from the previous month. Core producer prices, excluding food and energy, maintained their 0.1 percent increase, which have remained steady throughout the year. The adjacent graph shows CPI and core CPI since September 1993.

\* Headline CPI is the CPI-U, the CPI for all urban consumers.

## Fed Funds Target Rate

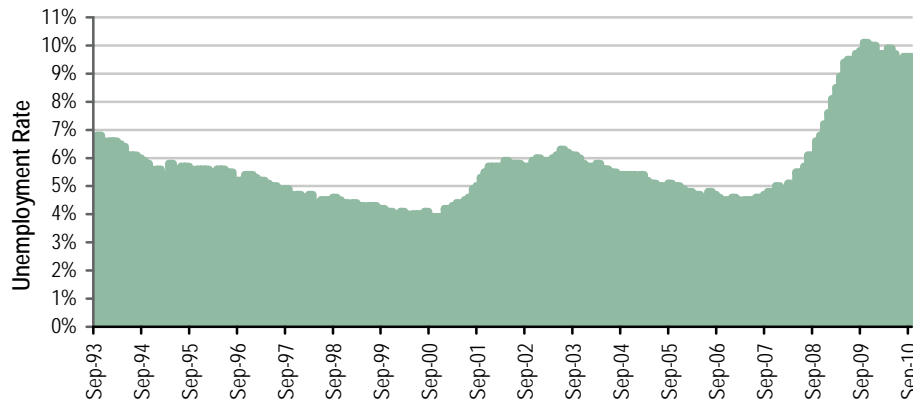
At the Federal Reserve's September 21 meeting, the Federal Open Market Committee (FOMC) kept the target range for the fed funds rate at 0 to 0.25 percent and expects to maintain this target range "for an extended period." The FOMC stated that the pace of economic recovery has slowed in recent months. Although household spending has gradually increased, bank lending continues to contract. Business spending on equipment and software has risen but investment in nonresidential structures continues to be weak. In addition, continuous high unemployment, modest income growth, lower housing wealth and tight credit remain a concern for future economic growth.

The FOMC stated that the measures of underlying inflation are currently at levels below those the FOMC judges most consistent, over the long run, with promoting maximum employment and price stability. The FOMC stated that it is prepared to take further steps, if needed, to support the economic recovery and return inflation, over time, to levels consistent with its mandate.



Source: Federal Reserve Board

## Labor Market and the Unemployment Rate



Source: Bureau of Labor Statistics

The unemployment rate ended Q3 2010 at 9.6 percent compared to 9.5 percent at the end of Q2 2010. Nonfarm payrolls declined by 95,000 in September. Private payrolls increased by 64,000, which was less than expected, and government payrolls decreased by 159,000 due to the winding down of census work and cutbacks in state and local governments.

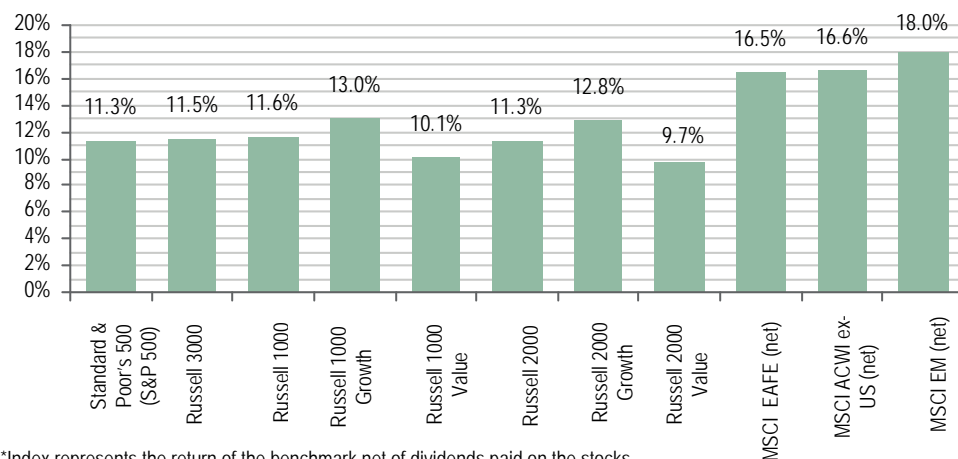
Average hourly earnings remained flat in September and rose 1.7 percent year over year. In addition, the average workweek remained unchanged at 34.2 hours. The number of long-term unemployed (jobless for 27 weeks and over) decreased by 640,000 to 6.1 million in Q3, which represents 41.7 percent of unemployed persons. The number of persons employed part time for economic reasons rose by 612,000 in September.

## Investment Performance: Selected Rates of Return

This page presents rates of return for selected equity, fixed-income, and other indices. The graphs illustrate returns for Q3 2010. The tables of data show returns for the latest quarter, year-to-date (YTD), one-, three-, five- and 10-year annualized timeframes. All data in the tables are percentages.

### Equity Index Returns

Equity Index Returns: Q3 2010

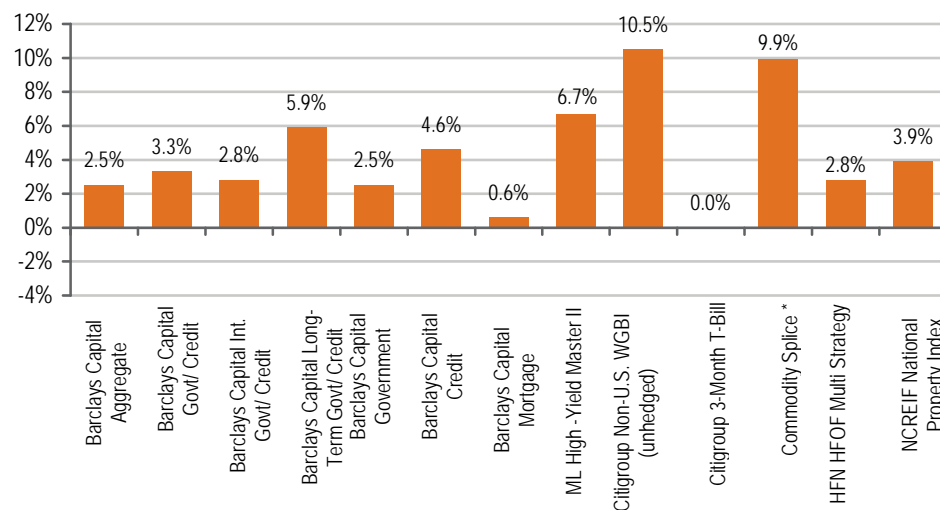


\*Index represents the return of the benchmark net of dividends paid on the stocks.

Equity Indices	Quarter	YTD	1-year	3-year	5-year	10-year
Standard & Poor's 500	11.3	3.9	10.2	-7.2	0.6	-0.4
Russell 3000	11.5	4.8	11.0	-6.6	0.9	0.1
Russell 1000	11.6	4.4	10.8	-6.8	0.9	-0.2
Russell 1000 Growth	13.0	4.4	12.7	-4.4	2.1	-3.4
Russell 1000 Value	10.1	4.5	8.9	-9.4	-0.5	2.6
Russell 2000	11.3	9.1	13.4	-4.3	1.6	4.0
Russell 2000 Growth	12.8	10.2	14.8	-3.8	2.4	-0.1
Russell 2000 Value	9.7	7.9	11.8	-5.0	0.7	7.7
MSCI EAFE (net)*	16.5	1.1	3.3	-9.5	2.0	2.6
MSCI ACWI ex-U.S. (net)*	16.6	3.7	7.6	-7.4	4.3	4.3
MSCI EM (net)*	18.0	10.8	20.2	-1.5	12.8	13.4

### Fixed-Income and Other Index Returns

Fixed-Income and Other Index Returns: Q3 2010



Fixed Income Indices	Quarter	YTD	1-year	3-year	5-year	10-year
Barclays Capital Aggregate	2.5	7.9	8.2	7.4	6.2	6.4
Barclays Capital Govt/Credit	3.3	9.0	8.7	7.5	6.2	6.5
Barclays Capital Intermediate Govt/Credit	2.8	7.4	7.8	6.9	6.0	6.1
Barclays Capital Long-Term Govt/Credit	5.9	16.7	13.6	10.2	7.3	8.4
Barclays Capital Government	2.5	8.1	7.0	7.2	6.1	6.2
Barclays Capital Credit	4.6	10.5	11.7	8.3	6.5	7.1
Barclays Capital Mortgage	0.6	5.1	5.7	7.5	6.4	6.3
ML High-Yield Master II	6.7	11.8	18.5	8.6	8.3	7.8
Citigroup Non-U.S. WGBI (unhedged)	10.5	6.8	4.5	8.4	7.3	8.0
Citigroup 3-Month T-Bill	0.0	0.1	0.1	1.0	2.5	2.4
<b>Other Indices</b>						
Commodity Splice*	9.9	-1.4	7.2	-9.7	-6.0	3.4
HFN HFOF Multi-Strategy	2.8	1.2	2.3	-3.4	1.7	4.3
NCREIF NPI	3.9	8.1	5.8	-4.6	3.7	7.3

\* Commodity Splice is a blended portfolio comprising the DJ UBS Commodity Index (50%) and the S&P GSCI Index (50%), rebalanced monthly.

## Investment Performance: Equity Sector and Yield Spread Analysis

This page presents data on sector and spread analysis for Q3 2010 alongside commentary from Segal Advisors.

### Equity Sector Analysis

During Q3 2010, every S&P sector experienced positive results. Telecom, Materials and Consumer Discretionary were among the best performing sectors of the ten S&P sectors. The three worst-performing sectors were Financials, Health Care and Consumer Staples. The adjacent chart shows the breakdown of each equity sector for Q3 2010.

### S&P 500 Sector Performance

	Third Quarter 2010		
	Ending Weight (%)	Return (%)	Contribution (%)
Consumer Discretionary	10.4	15.2	1.5
Consumer Staples	11.3	10.6	1.2
Energy	10.9	12.9	1.4
Financials	15.7	4.3	0.8
Health Care	11.6	8.9	1.0
Industrials	10.8	14.3	1.5
Information Technology	18.8	11.8	2.2
Materials	3.5	17.7	0.6
Telecom	3.2	21.0	0.6
Utilities	3.6	12.6	0.5

Source: Standard & Poor's

### Option-Adjusted Spreads

#### Option-Adjusted Spreads (OAS)\* in Basis Points\*\*

	Option Adjusted Spreads			
	12/31/09	6/30/10	9/30/10	10 Year Average OAS
U.S. Aggregate Index	61	57	76	73
U.S. Agency (Non-Mortgage) Sector	30	24	25	41
Mortgage and ABS Sectors:				
• Mortgage-Backed Securities	18	11	85	60
• Asset-Backed Securities	100	83	71	154
• CMBS	473	368	304	216
Credit Sectors:				
• U.S. Investment Grade	172	193	175	175
– Industrial	138	160	149	171
– Utility	161	177	167	177
– Financial Institutions	226	249	215	181
• U.S. High Yield	617	700	621	618

Source: Baird Advisors using Barclays Capital Data

\* OAS is the yield spread of bonds versus Treasury yields taking into consideration differing bond options.

\*\* As a reminder, 10 bps equals 0.1 percent.

Credit spreads on corporate bonds, asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS) narrowed during the quarter. CMBS narrowed the most, as signs of fundamental improvement and higher relative yields spurred investor demand. Corporate credit also experienced strong relative returns, which can be attributed to inflows into corporate credit and demand for new issuance. The Financial sector was the best performing sector during the quarter and benefited from the Federal Reserve's comments that it is prepared to provide additional support to the U.S. economy. Underperformance of mortgage-backed securities (MBS) was driven by the Federal Reserve's decision to reinvest mortgage paydowns into U.S. Treasuries.

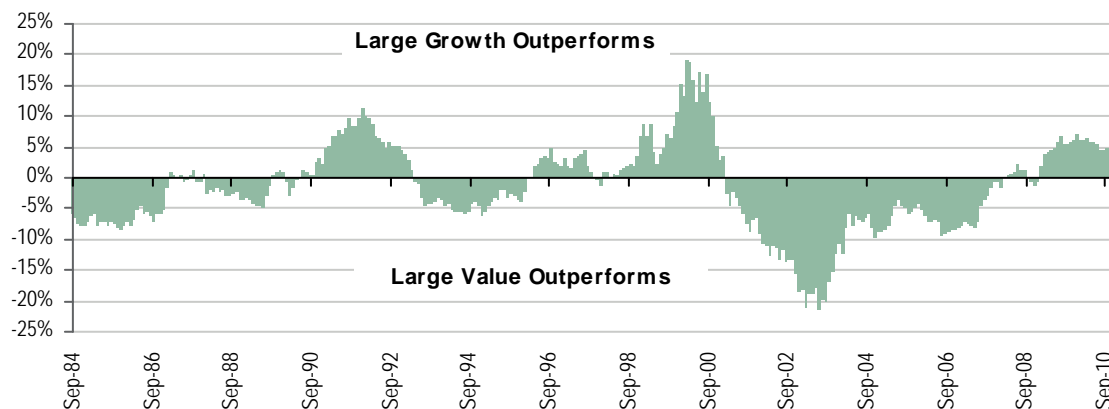
U.S. investment-grade spreads are in line with their 10-year average. While spreads in the Industrial and Utility sectors are below their 10-year average OAS, the spread in the Financial sector is still wider than the industry's 10-year average.

## Investment Performance: Long-Term Equity Trends

Segal Advisors observes the relative performance of selected indices. All of the graphs on this page show rolling three-year return deviations from September 1984 through September 2010. These graphs demonstrate the importance of diversification over the long term. Changes are expressed in terms of percentages and/or bps.

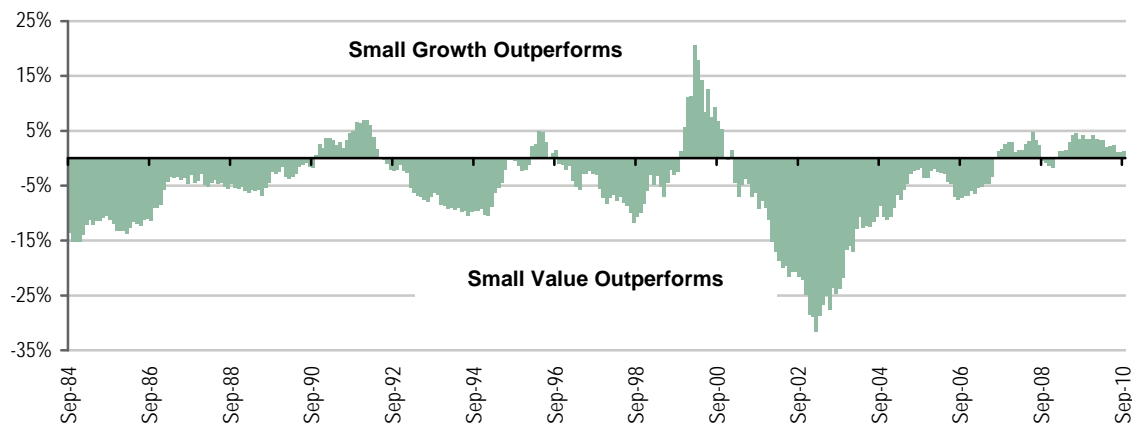
### Large Growth Stocks vs. Large Value Stocks

The Russell 1000 Growth (R1000G) has outpaced the Russell 1000 Value (R1000V) for each rolling three-year period over the last twenty-one months. Although the R1000V has outpaced the R1000G on a year-to-date basis (+10 bps), the R1000G has outpaced the R1000V on a trailing one-year (+380 bps), three-year (+500 bps) and five-year (+260 bps) basis. The adjacent graph compares the rolling three-year returns for both indices. Since the inception of these indices in January 1979, the R1000V has increased 11.9 percent and the R1000G has increased 10.4 percent, a difference of 1.5 percent.



Source: Russell Investments

### Small Growth Stocks vs. Small Value Stocks



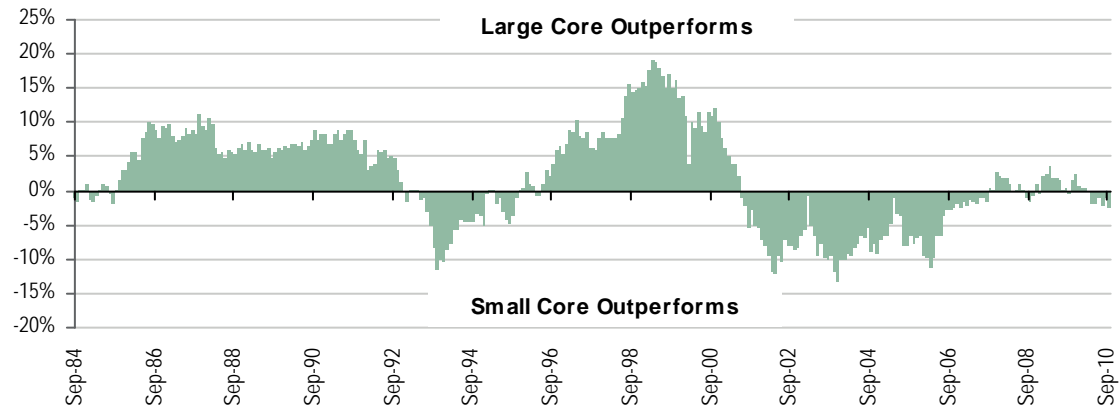
Source: Russell Investments

Similar to large cap stocks, the Russell 2000 Growth (R2000G) has outpaced the Russell 2000 Value (R2000V) for each rolling three-year period over the last twenty-one months. Although the R2000G has outperformed the R2000V on a trailing one-year (+300 bps), three-year (+120 bps), and five-year (+170 bps) basis, the R2000V continues to outperform the R2000G on a trailing ten-year (+780 bps) basis. The adjacent graph compares the rolling three-year returns for both indices. Since the inception of these indices in January 1979, the R2000V has increased 13.3 percent and the R2000G has increased 9.0 percent, a difference of 4.3 percent.



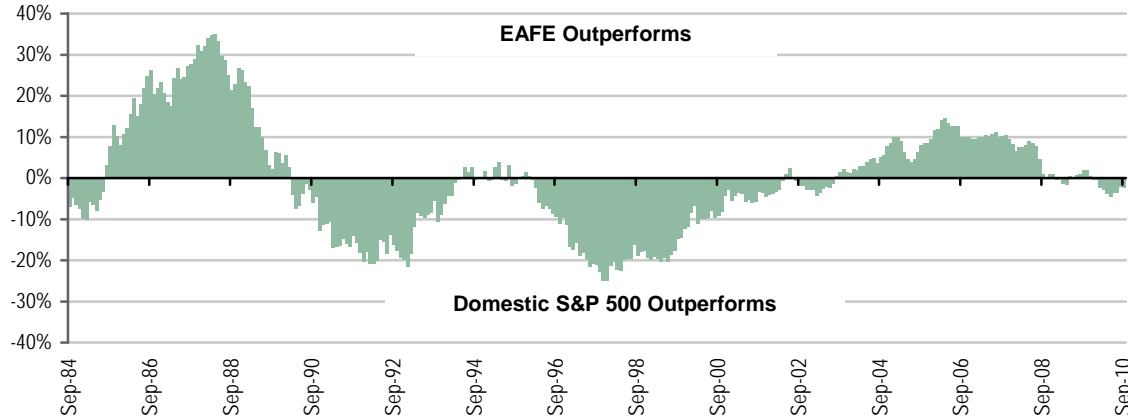
## Large Stocks vs. Small Stocks

Small cap stocks have outperformed large cap stocks on a rolling three-year basis for each of the last six months. Although large cap stocks outpaced small cap stocks for the quarter, the Russell 2000 (R2000) outpaced the Russell 1000 (R1000) on a trailing one-year (+260 bps), three-year (+250 bps), and five-year (+70 bps) basis. The adjacent graph compares the rolling three-year returns for both indices. Since the inception of these indices in January 1979, the R1000 increased 11.4 percent and the R2000 increased 11.3 percent, a difference of 0.1 percent.



Source: Russell Investments

## Foreign Stocks vs. U.S. Stocks



Sources: Morgan Stanley Capital International and Standard & Poor's

Domestic stocks have outperformed international stocks on a rolling three-year basis over the last ten months. Although the MSCI EAFE outperformed the S&P 500 for the quarter (+520 bps), the S&P 500 has outpaced the MSCI EAFE for the trailing one-year (+690 bps) and three-year (+230 bps) basis. Since January 1979, the S&P 500 increased 11.3 percent and the MSCI EAFE increased 9.4 percent, a difference of 1.9 percent. The adjacent graph compares the rolling three-year returns for both indices.

## Investment Performance: Fixed-Income and Alternative Asset Class Data

Page 7 and page 8 focus on selected fixed-income and alternative asset class data along with Segal Advisors' commentary.

### Yield Curve

During Q3 2010, the Treasury yield curve shifted downward slightly compared to Q2 2010. The yield curve remained relatively steep with the difference between the two- and 30-year Treasury yields increasing from 3.1 percent at the end of June 2010 to 3.3 percent at the end of September 2010.

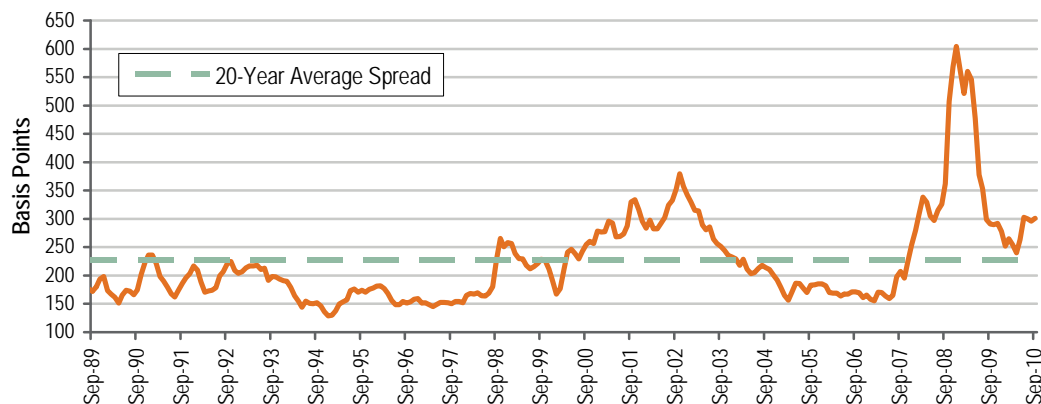
There had been little change in interest rates during the quarter; however, following the release of the Federal Reserve's statement, long-term rates fell as the Fed stated it was prepared to provide additional support for the economic recovery. The expectation of additional quantitative easing encouraged investors to continue to buy Treasuries.



Source: Treasury Department

### Credit Spreads Widen

#### Moody's Corporate-Treasury Bond Spread Baa 10-Yr Constant Maturities



Source: Moody's Economy.com

During Q3 2010, credit spreads narrowed slightly and ended the quarter 301 bps over Treasuries, as shown in the adjacent graph. Inflows contributed to strong relative returns within the corporate credit market. There was \$98 billion in corporate new issuance during the month of September, representing the most credit issued since May 2008. Corporations took advantage of low interest rates and the opportunity to extend maturities.

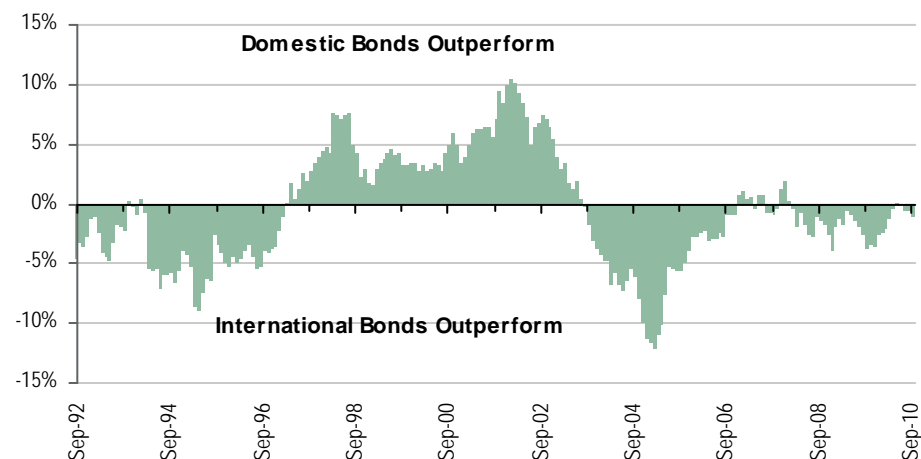
## International Bond and Domestic Bond Performance

International bonds have outperformed domestic bonds on a rolling three-year basis for the last four months. In addition, international bonds have outpaced domestic bonds for the quarter (+800 bps) and on a trailing three-year (+100 bps), five-year (+110 bps), and ten-year (+160 bps) basis.

Throughout the third quarter, bonds continued to serve as a safe haven for investors. Due to mixed economic data and signs of increased assistance from the Federal Reserve and other central banks, bond markets across the globe posted positive results for the third quarter.

(Barclays Aggregate -  
Citigroup Non-US WGBI)

Performance of U.S. Bonds vs. International Bonds: Rolling Three-Year Return Deviations  
September 1992 – September 2010



Source: Barclays Capital and Citigroup

## Private Real Estate Sector and Region Performance

### National Property Index Sector and Region Performance

	Returns as of the Third Quarter 2010		
	Ending Weight (%)	Quarter (%)	1-year (%)
<b>NCREIF NPI Total Return</b>	100.0	3.9	5.8
<b>Sector</b>			
Apartment	25.1	6.0	9.2
Hotel	1.9	3.1	1.6
Industrial	14.3	2.8	3.0
Office	34.8	3.1	4.6
Retail	23.9	3.4	6.5
<b>NCREIF Region</b>			
East	34.7	4.2	6.9
Midwest	10.6	3.5	4.8
South	21.8	3.6	5.6
West	32.9	3.8	5.2

Source: National Council of Real Estate Investment Fiduciaries

The NCREIF Property Index (NPI) produced a positive result of 3.9 percent for Q3 2010. This marks the third consecutive positive quarterly return, after the Index had experienced negative quarterly results since Q2 2008. The Index gained 5.8 percent for the trailing one-year period.

The Q3 2010 total return combined 1.63 percent of income with 2.23 percent of property level appreciation. This is the second consecutive quarter since Q2 2008 in which the Index had property level appreciation.

During Q3 2010, all sectors and regions had positive returns, with the Apartments leading the charge. The Apartment sector's performance has been the bright spot as transaction volume has been heightened by the availability of Government Sponsored Entity (GSE) debt and investors looking for income-yielding investments. The East region continued to be the best performing region for Q3 2010 and one-year periods, due to investors' desire to hold/acquire assets in markets such as Boston, New York City, and Washington, DC.

## Quarterly Highlights: Noteworthy Developments

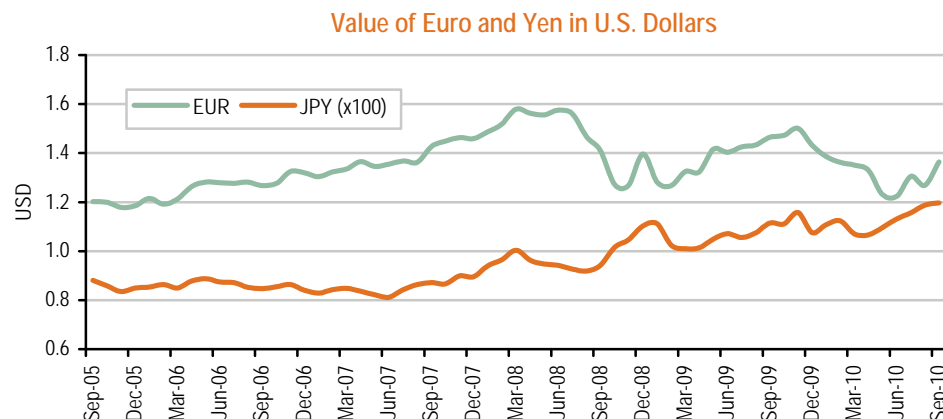
Segal Advisors finds the Q3 2010 developments discussed below to be noteworthy for institutional investors.

### Currency Comparison

The adjacent graph charts the value of two currencies against the U.S. dollar over the past five years.

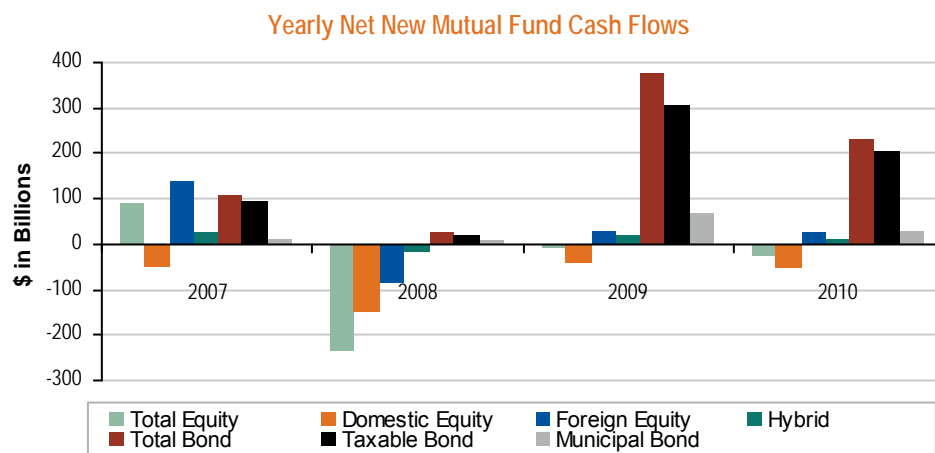
Although the dollar-value of the EUR fell sharply from its all-time high during the fall of 2008, it rallied throughout 2009. In the first half of 2010, the euro underwent a sharp correction due to concerns regarding the ability of some eurozone members to service their sovereign debt and the survival of the European Union. The euro has since reversed its downward trend due to the announcement of a €750 billion fund to stabilize the eurozone and weaker than expected growth in the U.S.

After a slight correction in Q1 2010, the yen has steadily gained on the dollar and is currently trading at levels last seen in the early 1990s, which prompted the Japanese authorities to intervene in the currency markets on September 15, 2010. The current upward trend in the yen can be attributed to weaker economic data in the U.S. and expectations of the additional quantitative easing by the Fed.



Source: Bloomberg

### Mutual Fund Flows



Source: Investment Company Institute

Dollar flows into and out of mutual funds are viewed as an indicator of investor sentiment. The total estimated inflows to long-term mutual funds were \$5.2 billion for the week ended September 15, according to the Investment Company Institute, the trade association for the mutual fund industry. As the adjacent graph shows, 2010 year-to-date, total equity mutual funds have experienced \$26.5 billion in outflows, compared to \$234.3 billion in total bond inflows. Since 2008, there have been \$269.2 billion in total equity outflows comprised of \$245.3 billion in domestic equity outflows and \$23.9 billion in foreign equity outflows. However, foreign equity mutual funds have seen inflows during 2009 and 2010. Over the same period, bond funds have experienced \$637.6 billion in inflows since 2008.

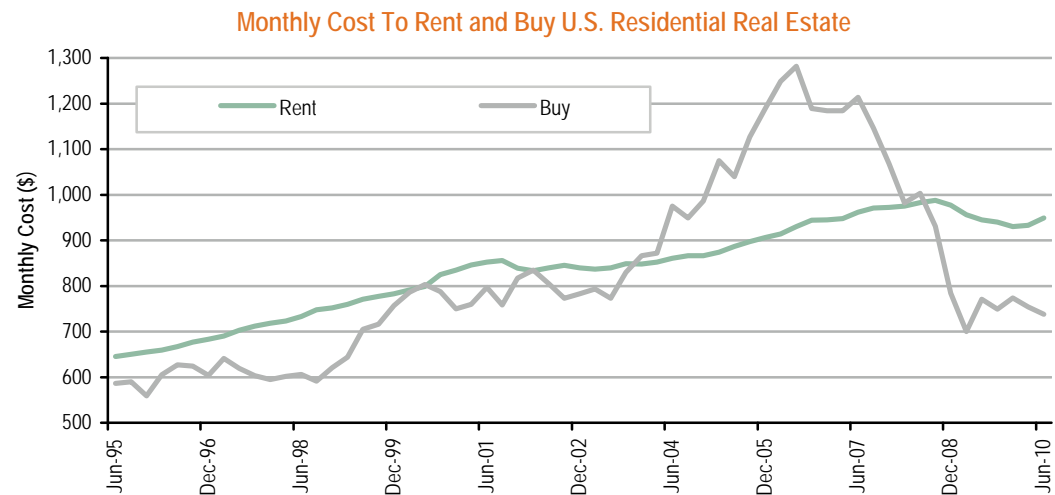
These statistics suggest that investors have been seeking a safe haven over the past few years and are generally becoming more risk averse.

Although mutual fund flows can serve as sentiment and contrarian indicators, they do not represent total market ownership, making it difficult to separate secular trends in fund ownership from month-to-month market-timing situations.

## Residential Rent vs. Buy

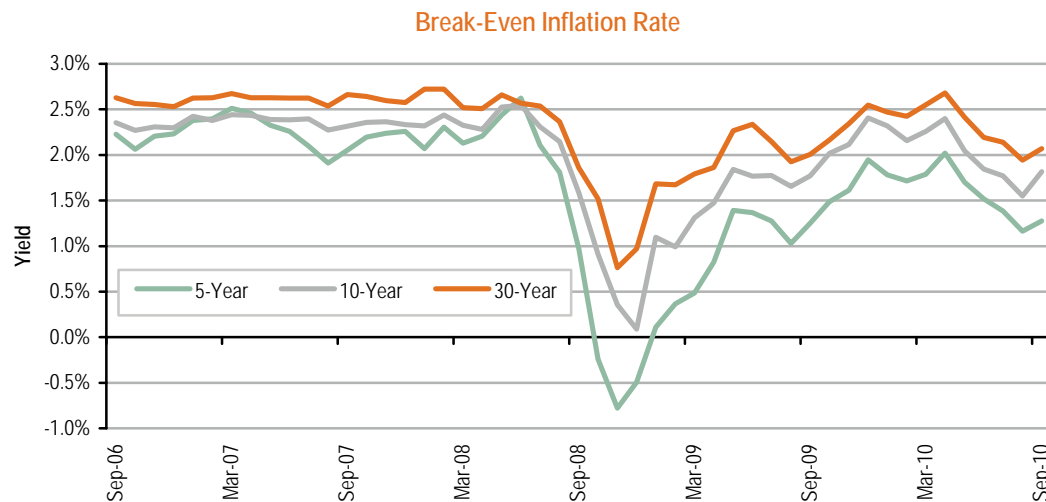
As of the end of Q2 2010 (the most recent data available), it was less expensive to buy a home than to rent a home. As seen in the adjacent graph, the average monthly cost to buy a home has been volatile. It spiked to \$1,282 in June 2008, fueled by inexpensive debt, lax underwriting standards, and investor speculation. Since June 2008, debt has remained cheap; however, underwriting standards have become more stringent, requiring higher credit scores and larger down payments.

The average monthly cost to rent a home steadily increased from \$645 on June 30, 1995 to \$949 on June 30, 2010.



Source: JPMorgan Asset Management

## Break-Even Inflation Rate



Source: Bloomberg

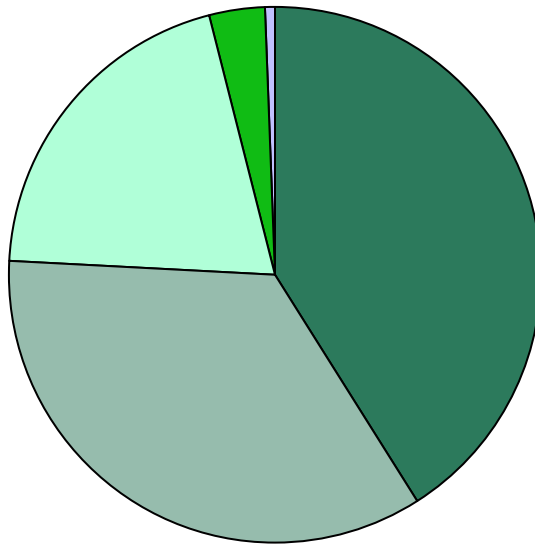
The break-even inflation rate, which measures the difference in yield between a nominal Treasury bond and a comparable Treasury inflation-protected security bond (TIPS), is an indicator of market inflation expectations over the horizon of the bonds.

During the financial crisis, break-even inflation rates plummeted as the U.S. five-year break-even rate dropped below zero. A similar pattern, albeit less pronounced, was observed for the U.S. 10- and 30-year break-even rates during the same period. Although falling inflation expectations contributed to the drop in break-even rates in 2008, the severity of the decline was possibly exacerbated by other factors, including liquidity and market technicals.

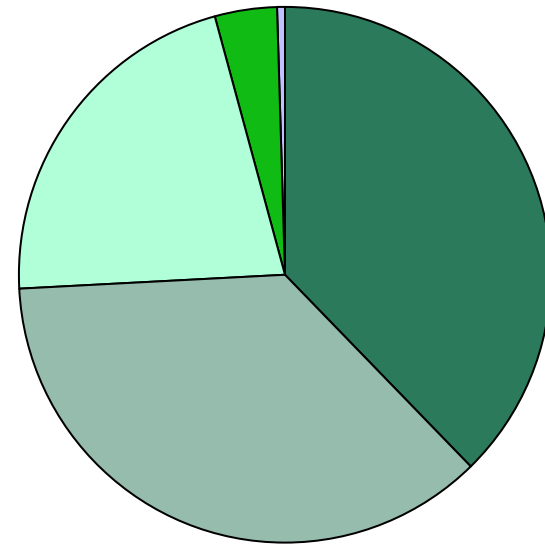
In 2009, as government stimulus packages were implemented to bolster recovery, break-even rates began to rise as the economy showed signs of growth. Inflation expectations have pulled back in 2010 due to weaker than expected growth.

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**June 30, 2010 : \$1,727,686,971**



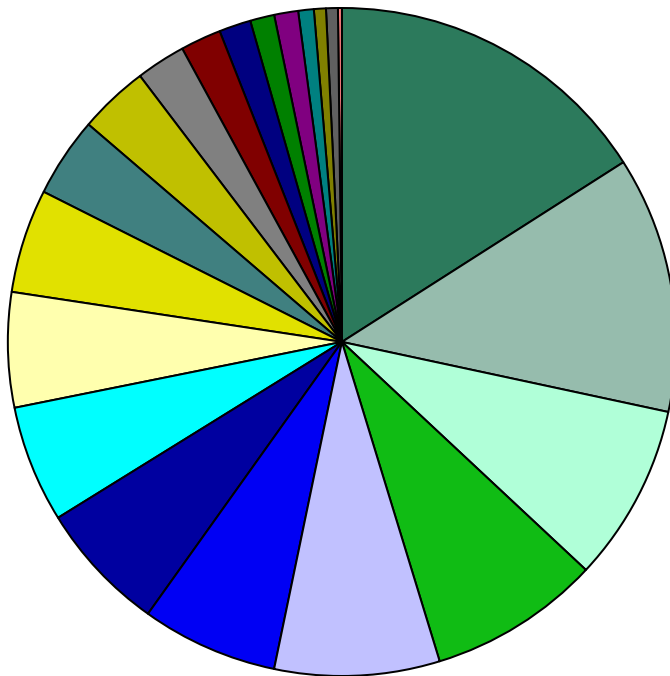
**September 30, 2010 : \$1,858,624,339**



	<b>Market Value (\$)</b>	<b>Allocation (%)</b>
Fixed Income Composite	709,000,389	41.04
Domestic Equity Composite	602,146,016	34.85
International Equity Composite	347,174,800	20.09
Real Estate Composite	59,869,986	3.47
In House Cash	9,495,780	0.55

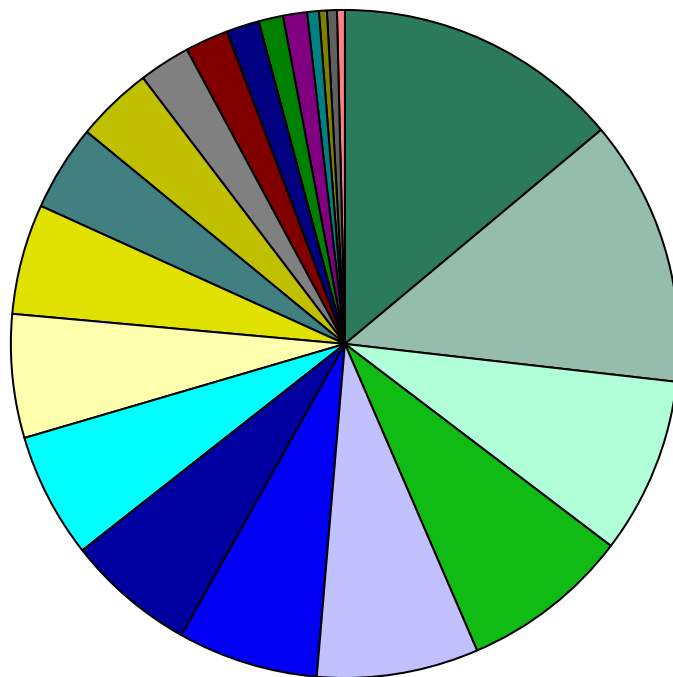
	<b>Market Value (\$)</b>	<b>Allocation (%)</b>
Fixed Income Composite	700,187,470	37.67
Domestic Equity Composite	678,693,549	36.52
International Equity Composite	401,894,652	21.62
Real Estate Composite	69,385,493	3.73
In House Cash	8,463,175	0.46

June 30, 2010 : \$1,727,686,971



	Market Value (\$)	Allocation (%)
PIMCO	275,057,825	15.92
Rhumblin S&P 500	215,650,836	12.48
Prudential Core Conserv Bond	147,418,906	8.53
Barrow, Hanley	143,792,427	8.32
Mackay Shields	138,271,793	8.00
Highland Capital Mgmt	113,962,579	6.60
Delaware	109,660,545	6.35
1607 Capital Partners	96,672,728	5.60
Marathon Asset Mgmt	96,509,253	5.59
Martin Currie Inc	86,225,239	4.99
Principal Global Investors	67,767,580	3.92
SouthernSun	57,554,232	3.33
Paradigm Small Cap	41,900,383	2.43
Paradigm Large Cap	33,587,593	1.94
RREEF Public REITs	26,810,217	1.55
Seix Investment Advisors	21,108,653	1.22
BlackRock Granite Property Fund	20,128,971	1.17
PIMCO Interim	13,180,632	0.76
In House Cash	9,495,780	0.55
RREEF REIT II	8,829,580	0.51
Fidelity R/E Growth III Fund	4,101,218	0.24

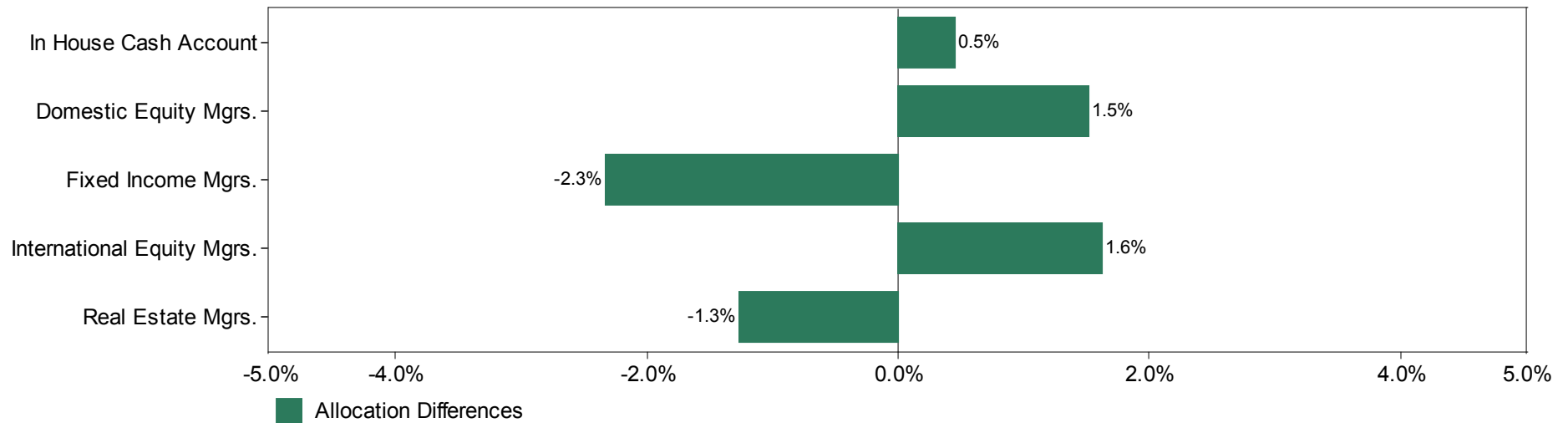
September 30, 2010 : \$1,858,624,339



	Market Value (\$)	Allocation (%)
PIMCO	258,105,356	13.89
Rhumblin S&P 500	239,932,477	12.91
Barrow, Hanley	159,495,624	8.58
Prudential Core Conserv Bond	151,181,272	8.13
Mackay Shields	145,607,838	7.83
Delaware	126,108,593	6.79
Highland Capital Mgmt	116,041,634	6.24
1607 Capital Partners	112,984,050	6.08
Marathon Asset Mgmt	110,347,385	5.94
Martin Currie Inc	100,074,367	5.38
Principal Global Investors	78,488,851	4.22
SouthernSun	67,738,569	3.64
Paradigm Small Cap	47,493,811	2.56
Paradigm Large Cap	37,924,475	2.04
RREEF Public REITs	30,329,403	1.63
Seix Investment Advisors	21,689,944	1.17
BlackRock Granite Property Fund	21,447,218	1.15
RREEF REIT II	9,761,239	0.53
In House Cash	8,463,175	0.46
Fidelity R/E Growth III Fund	7,847,633	0.42
PIMCO Interim	7,561,426	0.41



**Sep-2010**



**Sep-2010**

	Market Value (\$)	Allocation (%)	Target (%)
In House Cash Account	8,463,175	0.46	-
Domestic Equity Mgrs.	678,693,549	36.52	35.00
Fixed Income Mgrs.	700,187,470	37.67	40.00
International Equity Mgrs.	401,894,652	21.62	20.00
Real Estate Mgrs.	69,385,493	3.73	5.00
Total Fund	1,858,624,339	100.00	100.00

# City of Memphis

## Asset Allocation Comparison

Portfolio Value 9/30/10

\$1,858,624,339

<u>Target Allocations</u>			<u>Current Managers &amp; Allocations</u>			<u>Difference</u>	<u>Range</u>
<u>Equity</u>		(000)			(000)		
Domestic Equity	35.00%	\$650,519	Barrow, Hanley (large cap value)	8.58%	\$159,496		
			Delaware (large cap growth)	6.79%	\$126,109		
			Paradigm (large cap growth)	2.04%	\$37,924		
			Rhumblin S&P 500 (large cap core)	12.91%	\$239,932		
			SouthernSun (small cap value)	3.64%	\$67,739		
			Paradigm (small cap growth)	2.56%	\$47,494		
<b>Domestic Equity</b>	<b>35.00%</b>	<b>\$650,519</b>	<b>Domestic Equity</b>	<b>36.52%</b>	<b>\$678,694</b>	<b>1.52%</b>	<b>30%-40%</b>
International	20.00%	\$371,725	1607 Capital Partners	6.08%	\$112,984		
			Principal Global Investors	4.22%	\$78,489		
			Marathon Asset Mgmt	5.94%	\$110,347		
			Martin Currie Inc	5.38%	\$100,074		
<b>International</b>	<b>20.00%</b>	<b>\$371,725</b>	<b>International</b>	<b>21.62%</b>	<b>\$401,895</b>	<b>1.62%</b>	<b>18%-22%</b>
<b>Equity Total</b>	<b>55.00%</b>	<b>\$1,022,243</b>	<b>Equity Total</b>	<b>58.14%</b>	<b>\$1,080,588</b>	<b>3.14%</b>	
<u>Fixed Income</u>							
Fixed Income	40.00%	\$743,450	Highland Capital Mgmt	6.24%	\$116,042		
			PIMCO	13.89%	\$258,105		
			PIMCO Interim	0.41%	\$7,561		
			Seix Investment Advisors	1.17%	\$21,690		
			Prudential Core Conserv Bond	8.13%	\$151,181		
			Mackay Shields	7.83%	\$145,608		
<b>Fixed Income Total</b>	<b>40.00%</b>	<b>\$743,450</b>	<b>Fixed Income Total</b>	<b>37.67%</b>	<b>\$700,187</b>	<b>-2.33%</b>	<b>36%-44%</b>
<u>Real Estate</u>							
Equity	5.00%	\$92,931	BlackRock Granite Property Fund	1.15%	\$21,447		
			Fidelity R/E Growth III Fund	0.42%	\$7,848		(Total Commitment \$35M, Total Drawn \$13.6M, Total Distributed \$0)
			RREEF REIT II	0.53%	\$9,761		
			RREEF Public REITs	1.63%	\$30,329		
<b>Real Estate Total</b>	<b>5.00%</b>	<b>\$92,931</b>	<b>Real Estate Total</b>	<b>3.73%</b>	<b>\$69,385</b>	<b>-1.27%</b>	<b>0%-5%</b>
Internal Account	0.00%	\$0	Internal Account	0.46%	\$8,463		
<b>Cash</b>	<b>0.00%</b>	<b>\$0</b>	<b>Cash</b>	<b>0.46%</b>	<b>\$8,463</b>	<b>0.46%</b>	<b>0%-2%</b>
<b>Total</b>	<b>100%</b>	<b>\$1,858,624</b>	<b>Total</b>	<b>100%</b>	<b>\$1,858,624</b>		

	Allocation		Performance %						
	Market Values (\$)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Since Inception	Inception Date
<b>Total Fund Composite</b>	<b>1,858,624,339</b>	<b>100.00</b>	<b>9.42</b>	<b>7.04</b>	<b>11.08</b>	<b>-2.65</b>	<b>3.18</b>	<b>9.80</b>	<b>10/01/1982</b>
Policy Index			8.55	6.55	9.53	-0.20	4.43	10.53	10/01/1982
<b>Domestic Equity Composite</b>	<b>678,693,549</b>	<b>36.52</b>	<b>12.71</b>	<b>5.20</b>	<b>12.62</b>	<b>-6.78</b>	<b>1.19</b>	<b>11.55</b>	<b>10/01/1982</b>
<b>Fixed Income Composite</b>	<b>700,187,470</b>	<b>37.67</b>	<b>3.33</b>	<b>9.14</b>	<b>11.43</b>	<b>5.05</b>	<b>5.12</b>	<b>8.56</b>	<b>10/01/1982</b>
<b>Real Estate Composite</b>	<b>69,385,493</b>	<b>3.73</b>	<b>11.37</b>	<b>17.20</b>	<b>15.72</b>	<b>-11.77</b>	<b>0.05</b>	<b>8.74</b>	<b>07/01/1996</b>
<b>International Equity Composite</b>	<b>401,894,652</b>	<b>21.62</b>	<b>15.82</b>	<b>4.94</b>	<b>7.80</b>	<b>-8.22</b>	<b>1.42</b>	<b>4.53</b>	<b>01/01/1990</b>

	Allocation		Performance %						
	Market Values (\$)	%	2009	2008	2007	2006	2005	2004	2003
<b>Total Fund Composite</b>	<b>1,858,624,339</b>	<b>100.00</b>	<b>22.23</b>	<b>-28.95</b>	<b>8.34</b>	<b>13.62</b>	<b>8.45</b>	<b>11.93</b>	<b>22.56</b>
Policy Index			19.76	-22.15	8.69	12.80	6.96	10.48	20.41
<b>Domestic Equity Composite</b>	<b>678,693,549</b>	<b>36.52</b>	<b>28.67</b>	<b>-38.44</b>	<b>7.64</b>	<b>16.84</b>	<b>7.57</b>	<b>14.77</b>	<b>48.71</b>
<b>Fixed Income Composite</b>	<b>700,187,470</b>	<b>37.67</b>	<b>18.96</b>	<b>-12.34</b>	<b>5.92</b>	<b>5.55</b>	<b>3.59</b>	<b>6.08</b>	<b>9.47</b>
<b>Real Estate Composite</b>	<b>69,385,493</b>	<b>3.73</b>	<b>-25.03</b>	<b>-18.10</b>	<b>0.29</b>	<b>27.85</b>	<b>-5.11</b>	<b>4.36</b>	<b>-12.82</b>
<b>International Equity Composite</b>	<b>401,894,652</b>	<b>21.62</b>	<b>36.19</b>	<b>-44.94</b>	<b>14.29</b>	<b>22.04</b>	<b>10.28</b>	<b>22.31</b>	<b>1.88</b>

	Allocation		Performance %						
	Market Values (\$)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Since Inception	Inception Date
<b>Total Fund Composite</b>	<b>1,858,624,339</b>	<b>100.00</b>	<b>9.42</b>	<b>7.04</b>	<b>11.08</b>	<b>-2.65</b>	<b>3.18</b>	<b>9.80</b>	<b>10/01/1982</b>
Policy Index			8.55	6.55	9.53	-0.20	4.43	10.53	
<b>Barrow, Hanley</b>	<b>159,495,624</b>	<b>8.58</b>	<b>10.92</b>	<b>1.03</b>	<b>8.83</b>	<b>-7.96</b>	<b>-0.17</b>	<b>13.04</b>	<b>10/01/1982</b>
Russell 1000 Value Index			10.13	4.49	8.90	-9.39	-0.48	11.81	
US Value/Large Cap Equity (SA+CF) Median			10.62	3.54	8.81	-7.42	0.84	12.81	
Percentile Rank			41	89	49	61	71	40	
<b>Delaware</b>	<b>126,108,593</b>	<b>6.79</b>	<b>15.00</b>	<b>4.72</b>	<b>16.03</b>	<b>-4.86</b>	<b>N/A</b>	<b>0.10</b>	<b>01/01/2006</b>
Russell 1000 Growth Index			13.00	4.36	12.65	-4.36	2.06	1.54	
US Growth/Large Cap Equity (SA+CF) Median			12.28	3.87	11.27	-4.96	1.97	1.44	
Percentile Rank			16	37	11	50	N/A	75	
<b>Paradigm Large Cap</b>	<b>37,924,475</b>	<b>2.04</b>	<b>12.91</b>	<b>4.54</b>	<b>13.17</b>	<b>-6.60</b>	<b>0.03</b>	<b>2.55</b>	<b>10/01/2004</b>
Russell 1000 Growth Index			13.00	4.36	12.65	-4.36	2.06	3.59	
US Growth/Large Cap Equity (SA+CF) Median			12.28	3.87	11.27	-4.96	1.97	3.88	
Percentile Rank			39	39	28	77	86	81	
<b>Rhumblin S&amp;P 500</b>	<b>239,932,477</b>	<b>12.91</b>	<b>11.26</b>	<b>3.96</b>	<b>10.27</b>	<b>-6.90</b>	<b>0.82</b>	<b>2.57</b>	<b>01/01/2004</b>
S&P 500			11.29	3.89	10.16	-7.16	0.64	2.43	
US Core/Large Cap Equity (SA+CF) Median			11.11	3.58	9.81	-6.52	1.03	3.15	
Percentile Rank			44	40	38	58	60	72	
<b>SouthernSun</b>	<b>67,738,569</b>	<b>3.64</b>	<b>17.70</b>	<b>18.79</b>	<b>27.55</b>	<b>-1.09</b>	<b>4.41</b>	<b>6.48</b>	<b>04/01/2004</b>
Russell 2000 Value Index			9.72	7.92	11.84	-4.99	0.73	3.28	
US Value/Small Cap Equity (SA+CF) Median			10.49	9.93	14.98	-2.12	3.25	5.91	
Percentile Rank			2	4	2	44	34	41	

	Allocation		Performance %						
	Market Values (\$)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Since Inception	Inception Date
<b>Paradigm Small Cap</b>	<b>47,493,811</b>	<b>2.56</b>	<b>13.35</b>	<b>11.06</b>	<b>12.63</b>	<b>-9.95</b>	<b>-1.05</b>	<b>3.94</b>	<b>10/01/1996</b>
Russell 2000 Growth Index			12.83	10.23	14.79	-3.75	2.35	3.30	
US Growth/Small Cap Equity (SA+CF) Median			12.01	9.92	15.49	-4.89	2.63	7.66	
Percentile Rank			31	38	74	88	86	93	
<b>1607 Capital Partners</b>	<b>112,984,050</b>	<b>6.08</b>	<b>16.87</b>	<b>7.01</b>	<b>9.93</b>	<b>N/A</b>	<b>N/A</b>	<b>-6.70</b>	<b>06/01/2008</b>
MSCI EAFE (net)			16.48	1.07	3.27	-9.51	1.97	-10.22	
International Active Core Equity (SA+CF) Median			16.94	3.29	6.90	-8.13	4.01	-9.33	
Percentile Rank			51	11	19	N/A	N/A	21	
<b>Marathon Asset Mgmt</b>	<b>110,347,385</b>	<b>5.94</b>	<b>14.53</b>	<b>8.16</b>	<b>9.72</b>	<b>-3.97</b>	<b>6.85</b>	<b>9.70</b>	<b>04/01/2004</b>
MSCI AC World ex USA			16.66	4.06	8.00	-6.98	4.72	7.86	
International Active Core Equity (SA+CF) Median			16.94	3.29	6.90	-8.13	4.01	6.91	
Percentile Rank			87	8	20	8	10	11	
<b>Martin Currie Inc</b>	<b>100,074,367</b>	<b>5.38</b>	<b>16.06</b>	<b>0.40</b>	<b>2.57</b>	<b>-11.45</b>	<b>2.54</b>	<b>6.08</b>	<b>10/01/1996</b>
MSCI AC World ex USA			16.66	4.06	8.00	-6.98	4.72	5.80	
International Active Core Equity (SA+CF) Median			16.94	3.29	6.90	-8.13	4.01	7.19	
Percentile Rank			71	93	94	92	77	81	
<b>Principal Global Investors</b>	<b>78,488,851</b>	<b>4.22</b>	<b>15.82</b>	<b>3.67</b>	<b>9.32</b>	<b>-12.21</b>	<b>N/A</b>	<b>-10.08</b>	<b>07/01/2007</b>
MSCI EAFE (net)			16.48	1.07	3.27	-9.51	1.97	-8.21	
International Active Core Equity (SA+CF) Median			16.94	3.29	6.90	-8.13	4.01	-6.45	
Percentile Rank			73	45	22	93	N/A	91	
<b>Highland Capital Mgmt</b>	<b>116,041,634</b>	<b>6.24</b>	<b>1.82</b>	<b>6.28</b>	<b>6.46</b>	<b>7.65</b>	<b>6.41</b>	<b>8.60</b>	<b>10/01/1982</b>
Barclays Capital Aggregate			2.48	7.94	8.16	7.42	6.20	8.62	
US Broad Market Core Fixed Income (SA+CF) Median			2.86	8.57	9.14	8.10	6.67	9.10	
Percentile Rank			100	100	100	69	62	79	

	Allocation		Performance %						
	Market Values (\$)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Since Inception	Inception Date
<b>Mackay Shields</b>	<b>145,607,838</b>	<b>7.83</b>	<b>5.31</b>	<b>10.32</b>	<b>16.00</b>	<b>7.58</b>	<b>7.93</b>	<b>8.99</b>	<b>01/01/1999</b>
Credit Suisse High Yield			5.96	10.93	17.84	7.72	7.85	7.22	
US High Yield Bonds (SA+CF) Median			6.62	11.14	17.21	7.82	7.94	7.64	
Percentile Rank			92	75	72	56	51	9	
<b>PIMCO</b>	<b>258,105,356</b>	<b>13.89</b>	<b>3.19</b>	<b>8.86</b>	<b>9.77</b>	<b>N/A</b>	<b>N/A</b>	<b>11.17</b>	<b>04/01/2009</b>
Barclays Capital Aggregate			2.48	7.94	8.16	7.42	6.20	9.26	
US Broad Market Core Fixed Income (SA+CF) Median			2.86	8.57	9.14	8.10	6.67	11.77	
Percentile Rank			23	38	33	N/A	N/A	58	
<b>PIMCO Interim</b>	<b>7,561,426</b>	<b>0.41</b>	<b>7.78</b>	<b>22.18</b>	<b>36.80</b>	<b>N/A</b>	<b>N/A</b>	<b>36.47</b>	<b>09/01/2009</b>
<b>Seix Investment Advisors</b>	<b>21,689,944</b>	<b>1.17</b>	<b>2.75</b>	<b>8.18</b>	<b>8.40</b>	<b>N/A</b>	<b>N/A</b>	<b>7.78</b>	<b>09/01/2009</b>
Barclays Capital Aggregate			2.48	7.94	8.16	7.42	6.20	8.55	
US Broad Market Core Fixed Income (SA+CF) Median			2.86	8.57	9.14	8.10	6.67	9.71	
Percentile Rank			61	68	79	N/A	N/A	96	
<b>Prudential Core Conserv Bond</b>	<b>151,181,272</b>	<b>8.13</b>	<b>2.58</b>	<b>8.21</b>	<b>8.56</b>	<b>N/A</b>	<b>N/A</b>	<b>8.62</b>	<b>09/01/2009</b>
Barclays Capital Aggregate			2.48	7.94	8.16	7.42	6.20	8.55	
US Broad Market Core Fixed Income (SA+CF) Median			2.86	8.57	9.14	8.10	6.67	9.71	
Percentile Rank			79	68	72	N/A	N/A	86	

	Allocation		Performance %						
	Market Values (\$)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Since Inception	Inception Date
<b>BlackRock Granite Property Fund</b> NCREIF Property Index	<b>21,447,218</b>	<b>1.15</b>	<b>6.69</b> 3.86	<b>10.19</b> 8.12	<b>0.06</b> 5.84	<b>-18.45</b> -4.61	<b>N/A</b> 3.67	<b>-10.78</b> 0.45	<b>10/01/2006</b>
<b>Fidelity R/E Growth III Fund</b> NCREIF Property Index	<b>7,847,633</b>	<b>0.42</b>	<b>16.41</b> 3.86	<b>43.32</b> 8.12	<b>54.84</b> 5.84	<b>-25.52</b> -4.61	<b>N/A</b> 3.67	<b>-25.52</b> -4.61	<b>10/01/2007</b>
<b>RREEF Public REITs</b> Wilshire US REIT Index	<b>30,329,403</b>	<b>1.63</b>	<b>13.32</b> 13.35	<b>19.48</b> 19.21	<b>30.88</b> 30.12	<b>-6.16</b> -6.94	<b>2.93</b> 1.39	<b>6.62</b> 5.46	<b>04/01/2004</b>
<b>RREEF REIT II</b> NCREIF Property Index	<b>9,761,239</b>	<b>0.53</b>	<b>12.03</b> 3.86	<b>14.67</b> 8.12	<b>10.08</b> 5.84	<b>-11.34</b> -4.61	<b>-0.58</b> 3.67	<b>5.55</b> 7.74	<b>07/01/1999</b>



	Allocation		Performance %						
	Market Values (\$)	%	2009	2008	2007	2006	2005	2004	2003
<b>Total Fund Composite</b>	<b>1,858,624,339</b>	<b>100.00</b>	<b>22.23</b>	<b>-28.95</b>	<b>8.34</b>	<b>13.62</b>	<b>8.45</b>	<b>11.93</b>	<b>22.56</b>
Policy Index			19.76	-22.15	8.69	12.80	6.96	10.48	20.41
<b>Barrow, Hanley</b>	<b>159,495,624</b>	<b>8.58</b>	<b>25.81</b>	<b>-35.81</b>	<b>3.44</b>	<b>17.63</b>	<b>10.09</b>	<b>22.33</b>	<b>30.10</b>
Russell 1000 Value Index			19.69	-36.85	-0.17	22.25	7.05	16.49	30.03
US Value/Large Cap Equity (SA+CF) Median			25.17	-35.74	3.59	19.06	8.29	15.36	30.75
Percentile Rank			47	51	53	66	35	7	56
<b>Delaware</b>	<b>126,108,593</b>	<b>6.79</b>	<b>43.53</b>	<b>-42.81</b>	<b>13.59</b>	<b>2.92</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Russell 1000 Growth Index			37.21	-38.44	11.81	9.07	5.26	6.30	29.75
US Growth/Large Cap Equity (SA+CF) Median			33.98	-38.51	12.98	9.29	7.41	9.20	28.84
Percentile Rank			15	81	48	92	N/A	N/A	N/A
<b>Paradigm Large Cap</b>	<b>37,924,475</b>	<b>2.04</b>	<b>29.83</b>	<b>-39.13</b>	<b>9.02</b>	<b>8.37</b>	<b>9.16</b>	<b>N/A</b>	<b>N/A</b>
Russell 1000 Growth Index			37.21	-38.44	11.81	9.07	5.26	6.30	29.75
US Growth/Large Cap Equity (SA+CF) Median			33.98	-38.51	12.98	9.29	7.41	9.20	28.84
Percentile Rank			69	56	77	58	35	N/A	N/A
<b>Rhumblin S&amp;P 500</b>	<b>239,932,477</b>	<b>12.91</b>	<b>26.53</b>	<b>-36.57</b>	<b>5.56</b>	<b>15.86</b>	<b>4.92</b>	<b>10.86</b>	<b>N/A</b>
S&P 500			26.46	-37.00	5.49	15.79	4.91	10.88	28.68
US Core/Large Cap Equity (SA+CF) Median			26.36	-36.49	6.35	15.79	6.66	11.69	28.79
Percentile Rank			48	52	65	46	80	68	N/A
<b>SouthernSun</b>	<b>67,738,569</b>	<b>3.64</b>	<b>29.72</b>	<b>-35.01</b>	<b>10.76</b>	<b>13.49</b>	<b>3.27</b>	<b>N/A</b>	<b>N/A</b>
Russell 2000 Value Index			20.58	-28.92	-9.78	23.48	4.71	22.25	46.03
US Value/Small Cap Equity (SA+CF) Median			34.03	-32.91	-2.47	18.49	8.08	22.21	45.37
Percentile Rank			65	62	7	83	84	N/A	N/A

	Allocation		Performance %						
	Market Values (\$)	%	2009	2008	2007	2006	2005	2004	2003
<b>Paradigm Small Cap</b>	<b>47,493,811</b>	<b>2.56</b>	<b>19.78</b>	<b>-43.17</b>	<b>6.39</b>	<b>12.90</b>	<b>9.97</b>	<b>14.98</b>	<b>41.77</b>
Russell 2000 Growth Index			34.47	-38.54	7.05	13.35	4.15	14.31	48.54
US Growth/Small Cap Equity (SA+CF) Median			36.93	-41.42	10.89	12.37	7.60	13.64	47.95
Percentile Rank			91	64	67	47	35	43	72
<b>1607 Capital Partners</b>	<b>112,984,050</b>	<b>6.08</b>	<b>42.02</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
MSCI EAFE (net)			31.78	-43.38	11.17	26.34	13.54	20.25	38.59
International Active Core Equity (SA+CF) Median			33.07	-43.98	15.12	27.63	17.44	18.72	37.25
Percentile Rank			17	N/A	N/A	N/A	N/A	N/A	N/A
<b>Marathon Asset Mgmt</b>	<b>110,347,385</b>	<b>5.94</b>	<b>30.73</b>	<b>-37.48</b>	<b>16.82</b>	<b>28.55</b>	<b>16.61</b>	<b>N/A</b>	<b>N/A</b>
MSCI AC World ex USA			42.14	-45.24	17.12	27.16	17.11	21.36	41.41
International Active Core Equity (SA+CF) Median			33.07	-43.98	15.12	27.63	17.44	18.72	37.25
Percentile Rank			68	8	35	39	59	N/A	N/A
<b>Martin Currie Inc</b>	<b>100,074,367</b>	<b>5.38</b>	<b>37.62</b>	<b>-48.71</b>	<b>19.78</b>	<b>25.05</b>	<b>18.35</b>	<b>19.18</b>	<b>42.94</b>
MSCI AC World ex USA			42.14	-45.24	17.12	27.16	17.11	21.36	41.41
International Active Core Equity (SA+CF) Median			33.07	-43.98	15.12	27.63	17.44	18.72	37.25
Percentile Rank			32	94	16	78	39	44	16
<b>Principal Global Investors</b>	<b>78,488,851</b>	<b>4.22</b>	<b>26.19</b>	<b>-46.93</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
MSCI EAFE (net)			31.78	-43.38	11.17	26.34	13.54	20.25	38.59
International Active Core Equity (SA+CF) Median			33.07	-43.98	15.12	27.63	17.44	18.72	37.25
Percentile Rank			88	78	N/A	N/A	N/A	N/A	N/A
<b>Highland Capital Mgmt</b>	<b>116,041,634</b>	<b>6.24</b>	<b>6.10</b>	<b>7.76</b>	<b>6.59</b>	<b>4.68</b>	<b>2.88</b>	<b>4.45</b>	<b>4.44</b>
Barclays Capital Aggregate			5.93	5.24	6.97	4.34	2.43	4.34	4.11
US Broad Market Core Fixed Income (SA+CF) Median			9.62	3.36	6.95	4.48	2.72	4.51	4.54
Percentile Rank			84	11	64	28	33	59	56

	Allocation		Performance %						
	Market Values (\$)	%	2009	2008	2007	2006	2005	2004	2003
<b>Mackay Shields</b>	<b>145,607,838</b>	<b>7.83</b>	<b>45.72</b>	<b>-22.77</b>	<b>3.24</b>	<b>12.46</b>	<b>3.94</b>	<b>13.62</b>	<b>38.02</b>
Credit Suisse High Yield			54.22	-26.17	2.65	11.92	2.26	11.95	27.94
US High Yield Bonds (SA+CF) Median			44.96	-20.83	3.54	10.48	3.71	10.80	24.72
Percentile Rank			48	63	64	18	42	8	8
<b>PIMCO</b>	<b>258,105,356</b>	<b>13.89</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Barclays Capital Aggregate			5.93	5.24	6.97	4.34	2.43	4.34	4.11
US Broad Market Core Fixed Income (SA+CF) Median			9.62	3.36	6.95	4.48	2.72	4.51	4.54
Percentile Rank			N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>PIMCO Interim</b>	<b>7,561,426</b>	<b>0.41</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Seix Investment Advisors</b>	<b>21,689,944</b>	<b>1.17</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Barclays Capital Aggregate			5.93	5.24	6.97	4.34	2.43	4.34	4.11
US Broad Market Core Fixed Income (SA+CF) Median			9.62	3.36	6.95	4.48	2.72	4.51	4.54
Percentile Rank			N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Prudential Core Conserv Bond</b>	<b>151,181,272</b>	<b>8.13</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Barclays Capital Aggregate			5.93	5.24	6.97	4.34	2.43	4.34	4.11
US Broad Market Core Fixed Income (SA+CF) Median			9.62	3.36	6.95	4.48	2.72	4.51	4.54
Percentile Rank			N/A	N/A	N/A	N/A	N/A	N/A	N/A

	Allocation		Performance %						
	Market Values (\$)	%	2009	2008	2007	2006	2005	2004	2003
<b>BlackRock Granite Property Fund</b>	<b>21,447,218</b>	<b>1.15</b>	<b>-42.38</b>	<b>-17.01</b>	<b>15.33</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
NCREIF Property Index			-16.85	-6.46	15.85	16.60	20.06	14.48	8.99
<b>Fidelity R/E Growth III Fund</b>	<b>7,847,633</b>	<b>0.42</b>	<b>-70.94</b>	<b>-1.82</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
NCREIF Property Index			-16.85	-6.46	15.85	16.60	20.06	14.48	8.99
<b>RREEF Public REITs</b>	<b>30,329,403</b>	<b>1.63</b>	<b>31.49</b>	<b>-39.69</b>	<b>-15.69</b>	<b>40.81</b>	<b>11.58</b>	<b>N/A</b>	<b>N/A</b>
Wilshire US REIT Index			28.60	-39.20	-17.55	35.97	13.82	33.16	36.18
<b>RREEF REIT II</b>	<b>9,761,239</b>	<b>0.53</b>	<b>-29.14</b>	<b>-14.89</b>	<b>15.37</b>	<b>16.49</b>	<b>18.13</b>	<b>12.06</b>	<b>9.86</b>
NCREIF Property Index			-16.85	-6.46	15.85	16.60	20.06	14.48	8.99

	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Since Inception	Inception Date
<b>Total Fund Composite</b>	<b>9.32</b>	<b>6.74</b>	<b>10.70</b>	<b>-2.79</b>	<b>3.04</b>	<b>6.80</b>	<b>07/01/1996</b>
Policy Index	8.55	6.55	9.53	-0.20	4.43	6.85	
<b>Barrow, Hanley</b>	<b>10.84</b>	<b>0.80</b>	<b>8.50</b>	<b>-8.24</b>	<b>-0.46</b>	<b>12.86</b>	<b>10/01/1982</b>
Russell 1000 Value Index	10.13	4.49	8.90	-9.39	-0.48	11.81	
US Value/Large Cap Equity (SA+CF) Median	10.62	3.54	8.81	-7.42	0.84	12.81	
Percentile Rank	44	90	56	65	78	45	
<b>Delaware</b>	<b>14.87</b>	<b>4.37</b>	<b>15.50</b>	<b>-5.29</b>	<b>N/A</b>	<b>-0.35</b>	<b>01/01/2006</b>
Russell 1000 Growth Index	13.00	4.36	12.65	-4.36	2.06	1.54	
US Growth/Large Cap Equity (SA+CF) Median	12.28	3.87	11.27	-4.96	1.97	1.44	
Percentile Rank	17	43	13	59	N/A	83	
<b>Paradigm Large Cap</b>	<b>12.77</b>	<b>4.15</b>	<b>12.61</b>	<b>-7.03</b>	<b>-0.45</b>	<b>2.06</b>	<b>10/01/2004</b>
Russell 1000 Growth Index	13.00	4.36	12.65	-4.36	2.06	3.59	
US Growth/Large Cap Equity (SA+CF) Median	12.28	3.87	11.27	-4.96	1.97	3.88	
Percentile Rank	41	47	36	83	91	88	
<b>Rhumblin S&amp;P 500</b>	<b>11.25</b>	<b>3.94</b>	<b>10.24</b>	<b>-6.92</b>	<b>0.80</b>	<b>2.54</b>	<b>01/01/2004</b>
S&P 500	11.29	3.89	10.16	-7.16	0.64	2.43	
US Core/Large Cap Equity (SA+CF) Median	11.11	3.58	9.81	-6.52	1.03	3.15	
Percentile Rank	44	41	38	59	60	73	
<b>SouthernSun</b>	<b>17.50</b>	<b>18.19</b>	<b>26.68</b>	<b>-1.74</b>	<b>3.72</b>	<b>5.38</b>	<b>04/01/2004</b>
Russell 2000 Value Index	9.72	7.92	11.84	-4.99	0.73	3.28	
US Value/Small Cap Equity (SA+CF) Median	10.49	9.93	14.98	-2.12	3.25	5.91	
Percentile Rank	2	5	4	48	43	57	

	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Since Inception	Inception Date
<b>Paradigm Small Cap</b>	<b>13.15</b>	<b>10.47</b>	<b>11.85</b>	<b>-10.58</b>	<b>-1.70</b>	<b>3.41</b>	<b>10/01/1996</b>
Russell 2000 Growth Index	12.83	10.23	14.79	-3.75	2.35	3.30	
US Growth/Small Cap Equity (SA+CF) Median	12.01	9.92	15.49	-4.89	2.63	7.66	
Percentile Rank	34	44	79	90	90	99	
<b>1607 Capital Partners</b>	<b>16.67</b>	<b>6.45</b>	<b>9.16</b>	<b>N/A</b>	<b>N/A</b>	<b>-7.35</b>	<b>06/01/2008</b>
MSCI EAFE (net)	16.48	1.07	3.27	-9.51	1.97	-10.22	
International Active Core Equity (SA+CF) Median	16.94	3.29	6.90	-8.13	4.01	-9.33	
Percentile Rank	55	12	22	N/A	N/A	24	
<b>Marathon Asset Mgmt</b>	<b>14.34</b>	<b>7.61</b>	<b>8.97</b>	<b>-4.63</b>	<b>6.08</b>	<b>8.92</b>	<b>04/01/2004</b>
MSCI AC World ex USA	16.66	4.06	8.00	-6.98	4.72	7.86	
International Active Core Equity (SA+CF) Median	16.94	3.29	6.90	-8.13	4.01	6.91	
Percentile Rank	88	11	22	13	18	18	
<b>Martin Currie Inc</b>	<b>15.95</b>	<b>0.13</b>	<b>2.22</b>	<b>-11.75</b>	<b>2.21</b>	<b>5.87</b>	<b>10/01/1996</b>
MSCI AC World ex USA	16.66	4.06	8.00	-6.98	4.72	5.80	
International Active Core Equity (SA+CF) Median	16.94	3.29	6.90	-8.13	4.01	7.19	
Percentile Rank	72	94	96	92	82	86	
<b>Principal Global Investors</b>	<b>15.65</b>	<b>3.22</b>	<b>8.68</b>	<b>-12.72</b>	<b>N/A</b>	<b>-10.60</b>	<b>07/01/2007</b>
MSCI EAFE (net)	16.48	1.07	3.27	-9.51	1.97	-8.21	
International Active Core Equity (SA+CF) Median	16.94	3.29	6.90	-8.13	4.01	-6.45	
Percentile Rank	74	51	24	94	N/A	94	
<b>Highland Capital Mgmt</b>	<b>1.77</b>	<b>6.12</b>	<b>6.25</b>	<b>7.44</b>	<b>6.20</b>	<b>6.39</b>	<b>07/01/1996</b>
Barclays Capital Aggregate	2.48	7.94	8.16	7.42	6.20	6.56	
US Broad Market Core Fixed Income (SA+CF) Median	2.86	8.57	9.14	8.10	6.67	6.83	
Percentile Rank	100	100	100	75	74	94	

	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Since Inception	Inception Date
<b>Mackay Shields</b>	<b>5.18</b>	<b>9.93</b>	<b>15.45</b>	<b>7.10</b>	<b>7.53</b>	<b>8.52</b>	<b>01/01/1999</b>
Credit Suisse High Yield	5.96	10.93	17.84	7.72	7.85	7.22	
US High Yield Bonds (SA+CF) Median	6.62	11.14	17.21	7.82	7.94	7.64	
Percentile Rank	93	85	82	67	64	20	
<b>PIMCO</b>	<b>3.12</b>	<b>8.63</b>	<b>9.46</b>	<b>N/A</b>	<b>N/A</b>	<b>10.85</b>	<b>04/01/2009</b>
Barclays Capital Aggregate	2.48	7.94	8.16	7.42	6.20	9.26	
US Broad Market Core Fixed Income (SA+CF) Median	2.86	8.57	9.14	8.10	6.67	11.77	
Percentile Rank	26	46	40	N/A	N/A	62	
<b>PIMCO Interim</b>	<b>7.78</b>	<b>22.04</b>	<b>36.45</b>	<b>N/A</b>	<b>N/A</b>	<b>36.10</b>	<b>09/01/2009</b>
<b>Seix Investment Advisors</b>	<b>2.66</b>	<b>7.88</b>	<b>8.00</b>	<b>N/A</b>	<b>N/A</b>	<b>7.38</b>	<b>09/01/2009</b>
Barclays Capital Aggregate	2.48	7.94	8.16	7.42	6.20	8.55	
US Broad Market Core Fixed Income (SA+CF) Median	2.86	8.57	9.14	8.10	6.67	9.71	
Percentile Rank	70	83	92	N/A	N/A	100	
<b>Prudential Core Conserv Bond</b>	<b>2.55</b>	<b>8.10</b>	<b>8.41</b>	<b>N/A</b>	<b>N/A</b>	<b>8.47</b>	<b>09/01/2009</b>
Barclays Capital Aggregate	2.48	7.94	8.16	7.42	6.20	8.55	
US Broad Market Core Fixed Income (SA+CF) Median	2.86	8.57	9.14	8.10	6.67	9.71	
Percentile Rank	80	74	79	N/A	N/A	91	

	Allocation		Performance %						
	Market Values (\$)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Since Inception	Inception Date
<b>BlackRock Granite Property Fund</b>	<b>21,447,218</b>	<b>N/A</b>	<b>6.55</b>	<b>9.78</b>	<b>-0.57</b>	<b>-19.10</b>	<b>N/A</b>	<b>-11.52</b>	<b>10/01/2006</b>
NCREIF Property Index			3.86	8.12	5.84	-4.61	3.67	0.45	
<b>Fidelity R/E Growth III Fund</b>	<b>7,847,633</b>	<b>N/A</b>	<b>16.41</b>	<b>34.01</b>	<b>38.31</b>	<b>-39.77</b>	<b>N/A</b>	<b>N/A</b>	<b>07/01/2007</b>
NCREIF Property Index			3.86	8.12	5.84	-4.61	3.67	-3.23	
<b>RREEF Public REITs</b>	<b>30,329,403</b>	<b>N/A</b>	<b>13.13</b>	<b>18.86</b>	<b>29.98</b>	<b>-6.82</b>	<b>2.21</b>	<b>5.95</b>	<b>04/01/2004</b>
Wilshire US REIT Index			13.35	19.21	30.12	-6.94	1.39	5.46	
<b>RREEF REIT II</b>	<b>9,761,239</b>	<b>N/A</b>	<b>11.90</b>	<b>14.20</b>	<b>9.48</b>	<b>-11.75</b>	<b>-1.50</b>	<b>4.76</b>	<b>07/01/1999</b>
NCREIF Property Index			3.86	8.12	5.84	-4.61	3.67	7.74	



## Manager Profile

<b>Style:</b>	N/A
<b>Benchmark:</b>	Policy Index
<b>Peer Group:</b>	All Public Plans
<b>Inception Date:</b>	October 1, 1982

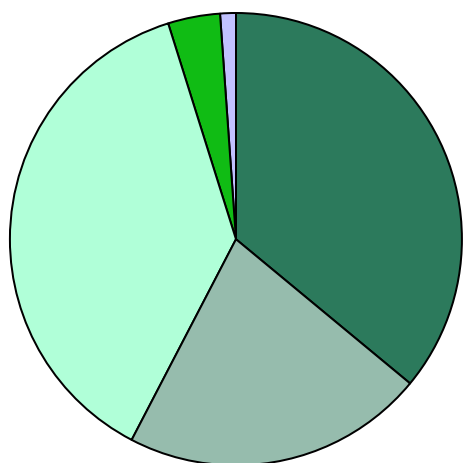
## Gain / Loss Summary

	1 Quarter	Year To Date	1 Year
<b>Total Fund Composite</b>			
Beginning Market Value	1,727,686,971	1,815,638,112	1,771,678,154
Net Contributions	-28,612,827	-75,689,567	-97,067,482
Fees/Expenses	-1,661,934	-5,070,582	-6,826,495
Income	125,522	24,505,316	37,308,497
Gain/Loss	161,086,607	99,241,060	153,531,665
Ending Market Value	1,858,624,339	1,858,624,339	1,858,624,339

Income includes income received and change in accrued income.

## Asset Allocation by Segment

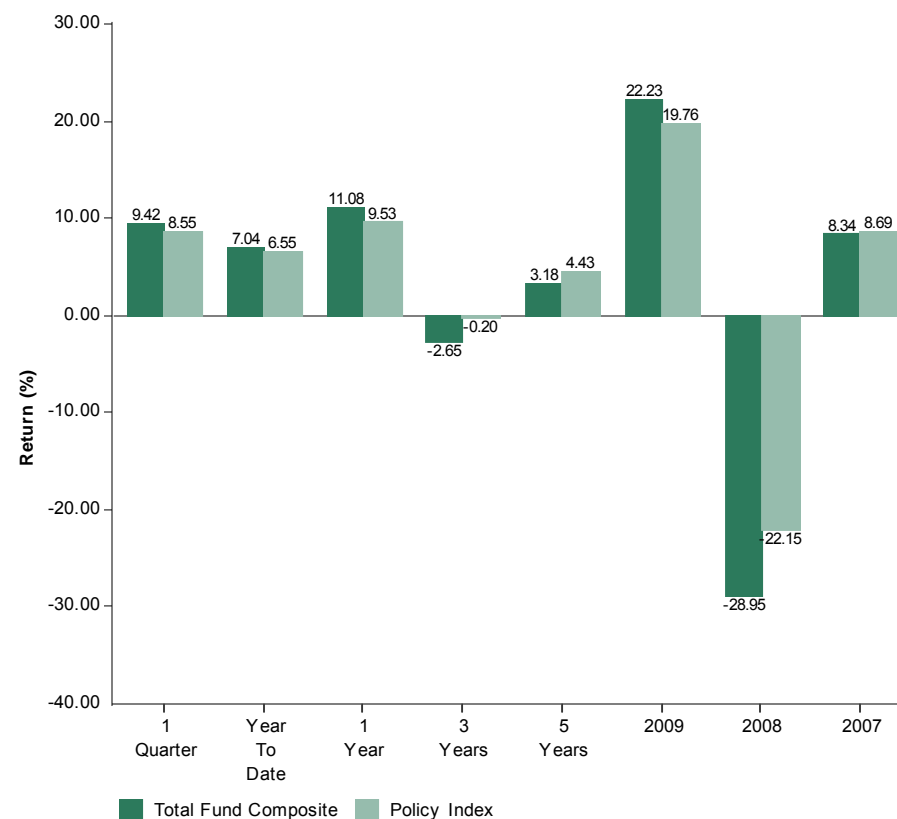
September 30, 2010 : \$1,858,624,339

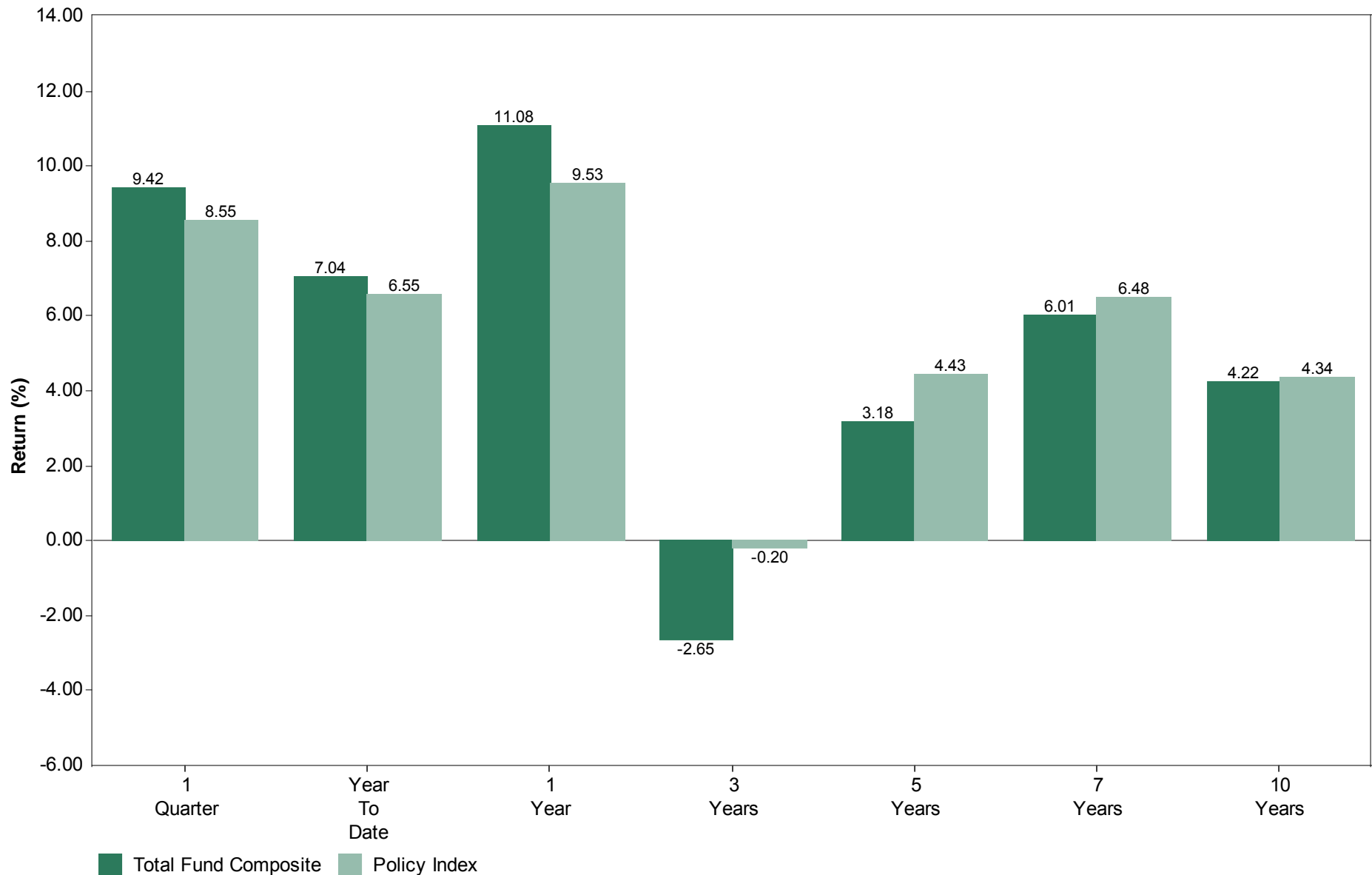


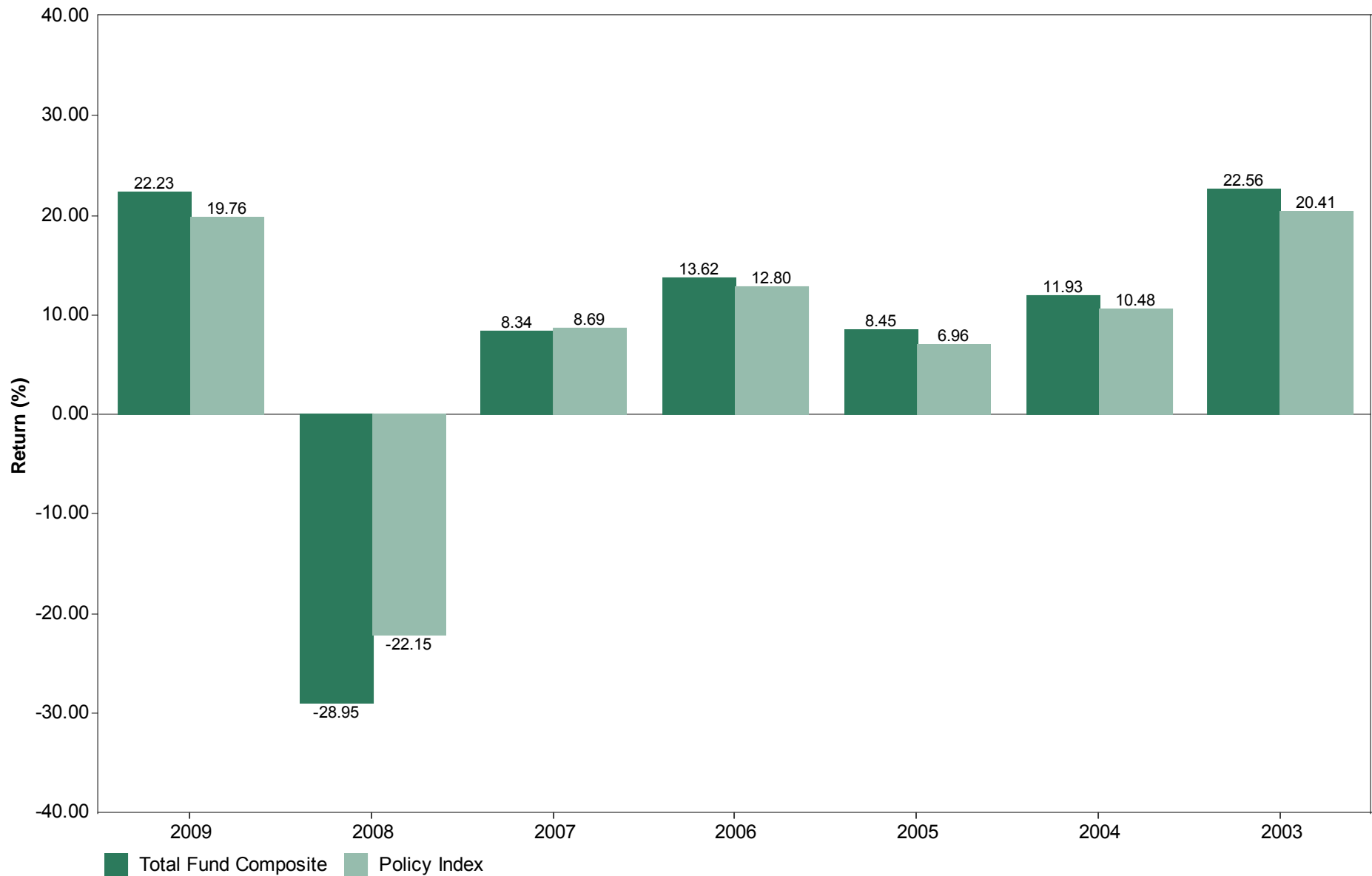
Segments	Market Value (\$)	Allocation (%)
Domestic Equity	670,150,989	36.06
International Equity	401,894,652	21.62
Domestic Fixed Income	695,503,207	37.42
Real Estate	69,385,493	3.73
Cash	21,689,998	1.17

Cash allocation includes accrued income for the entire portfolio.

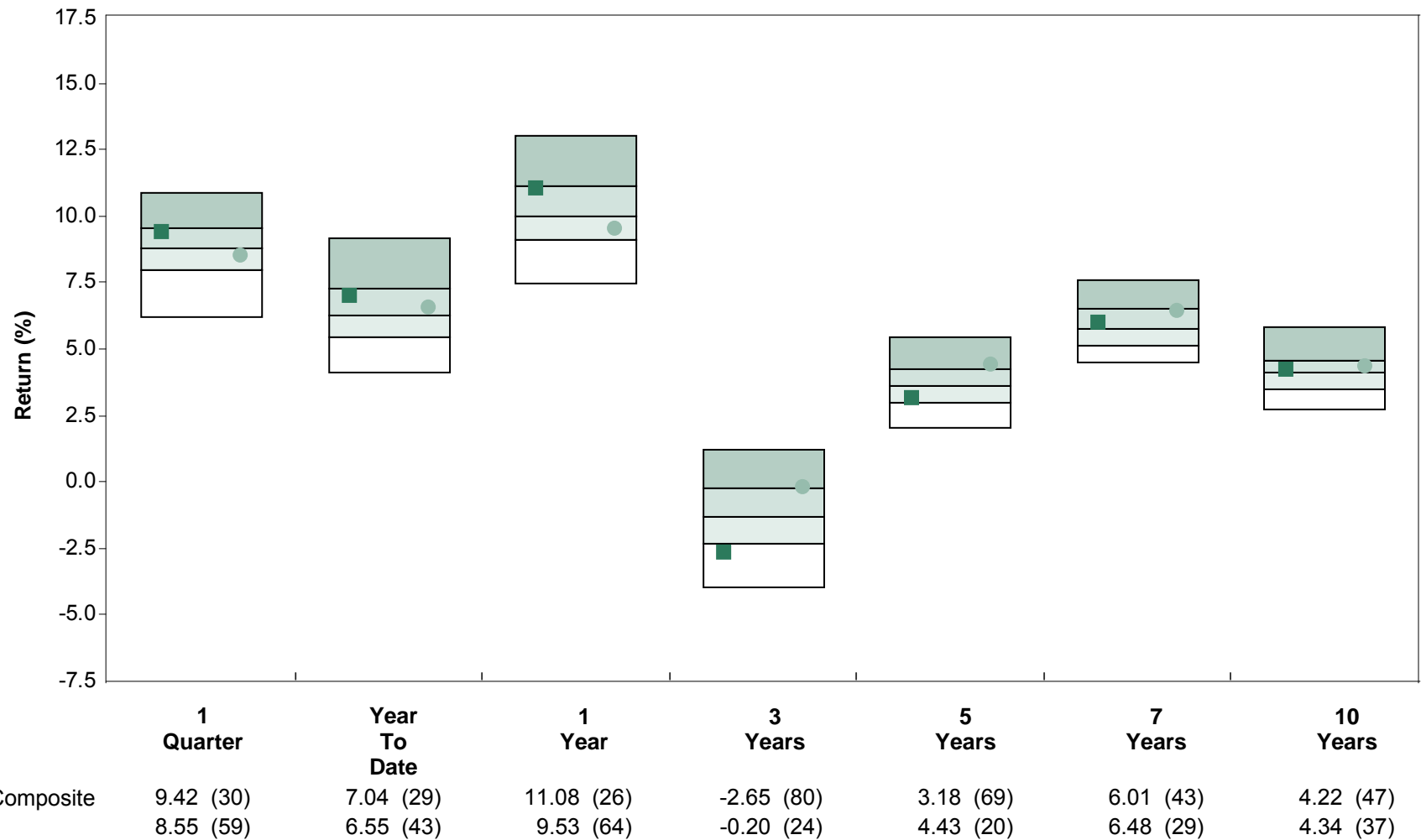
## Performance Bar Chart





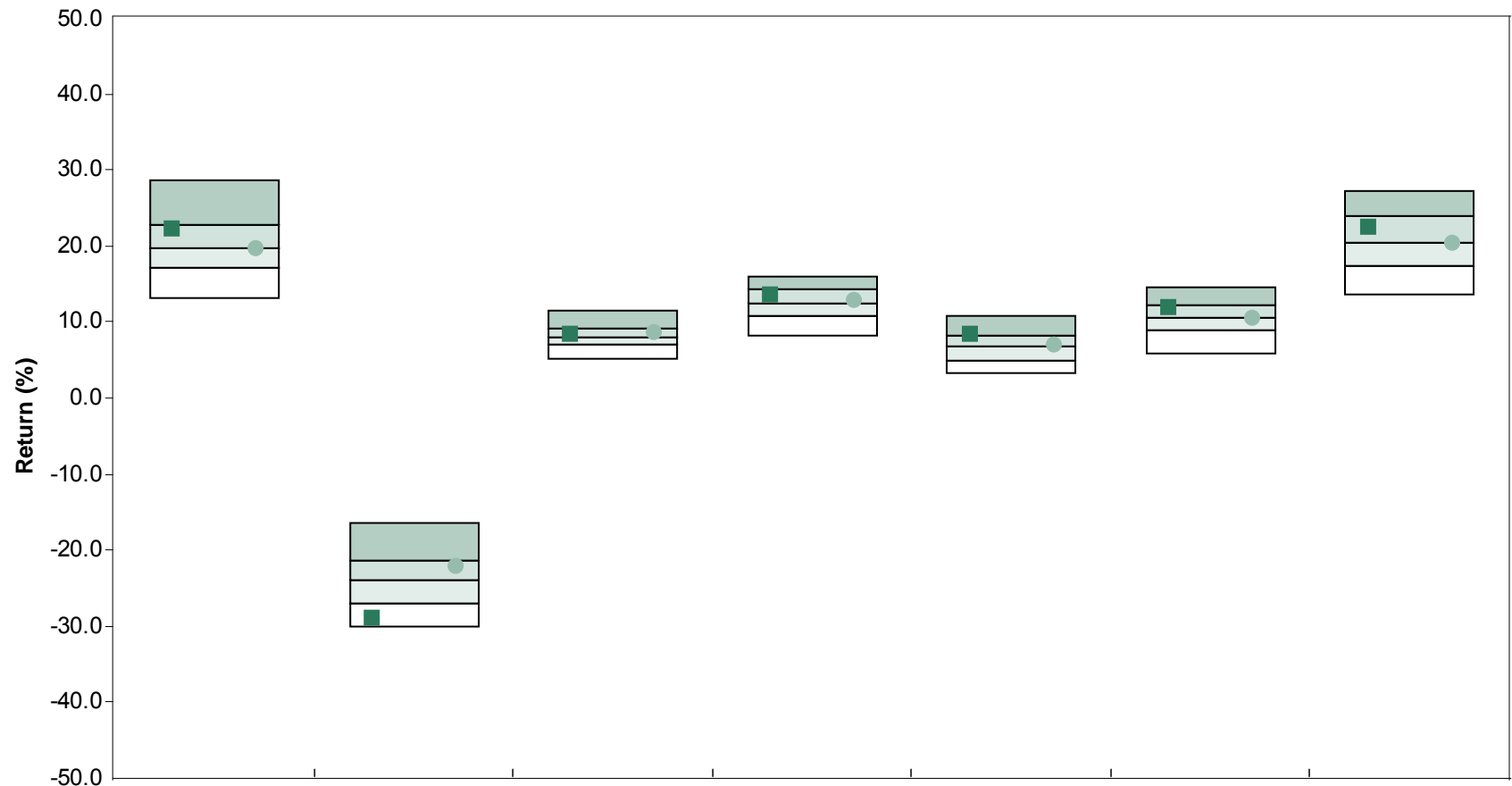


Allocation Mandate	Weight (%)
Effective Date: Oct-1982	
Russell 3000 Index	45.00
Barclays Capital Aggregate	40.00
MSCI EAFE (Net)	10.00
Wilshire REOC (discontinued)	5.00
Effective Date: Apr-1997	
Russell 3000 Index	40.00
Barclays Capital Aggregate	40.00
MSCI EAFE (Net)	15.00
Wilshire REOC (discontinued)	5.00
Effective Date: Oct-1999	
Russell 3000 Index	40.00
Barclays Capital Aggregate	40.00
MSCI AC World ex USA	15.00
Wilshire REOC (discontinued)	5.00
Effective Date: Jul-2001	
Russell 3000 Index	40.00
Barclays Capital Aggregate	40.00
MSCI AC World ex USA	15.00
NCREIF Property Index	5.00
Effective Date: Apr-2007	
Russell 3000 Index	35.00
Barclays Capital Aggregate	40.00
MSCI AC World ex USA	20.00
NCREIF Property Index	5.00



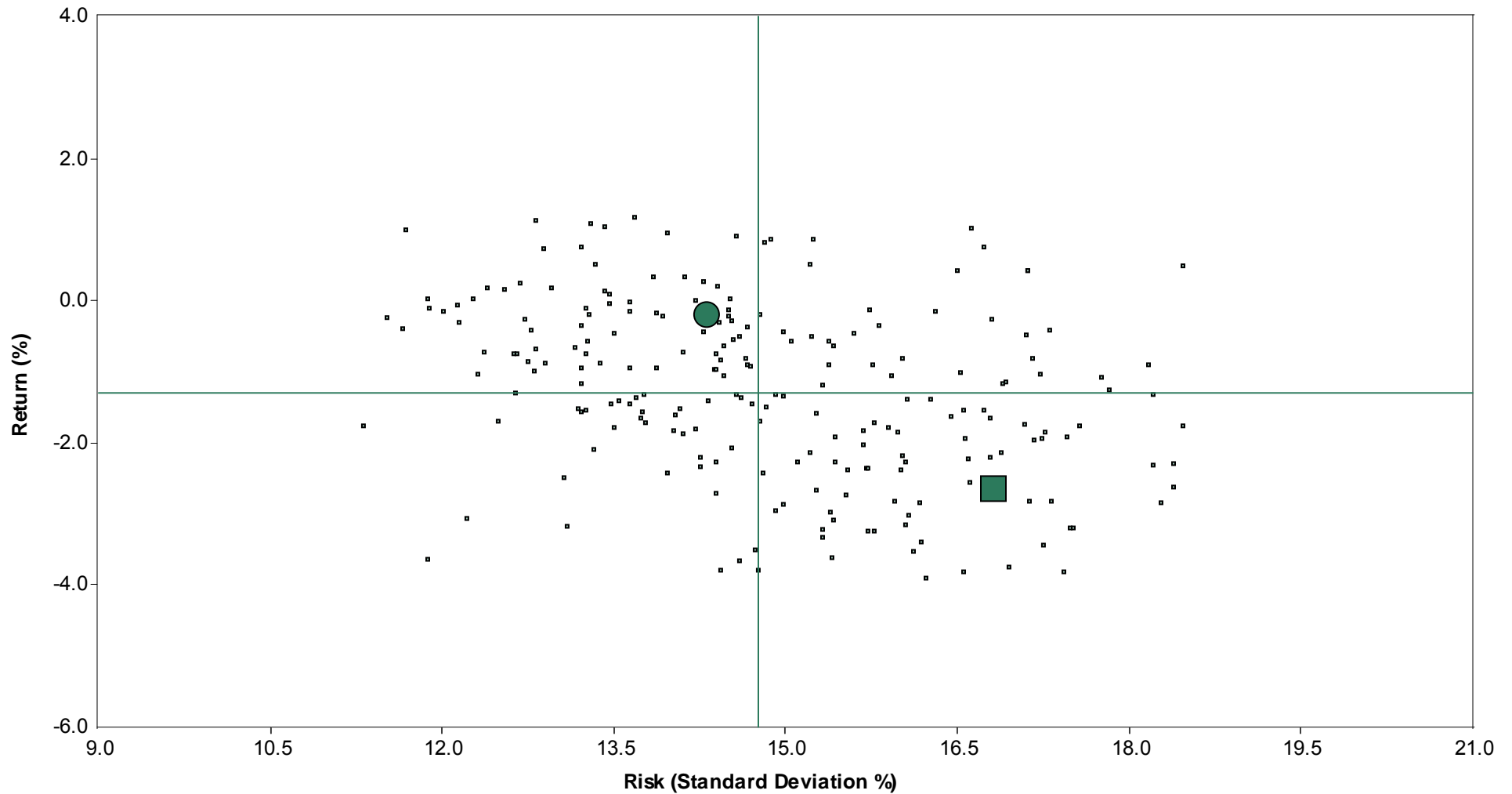
5th Percentile	10.88	9.14	13.02	1.19	5.44	7.61	5.85
1st Quartile	9.55	7.27	11.12	-0.23	4.24	6.54	4.57
Median	8.79	6.27	10.00	-1.29	3.63	5.73	4.12
3rd Quartile	7.97	5.47	9.12	-2.30	2.98	5.10	3.49
95th Percentile	6.19	4.15	7.45	-3.96	2.04	4.49	2.73

Parentheses contain percentile rankings.  
Calculation based on quarterly periodicity.



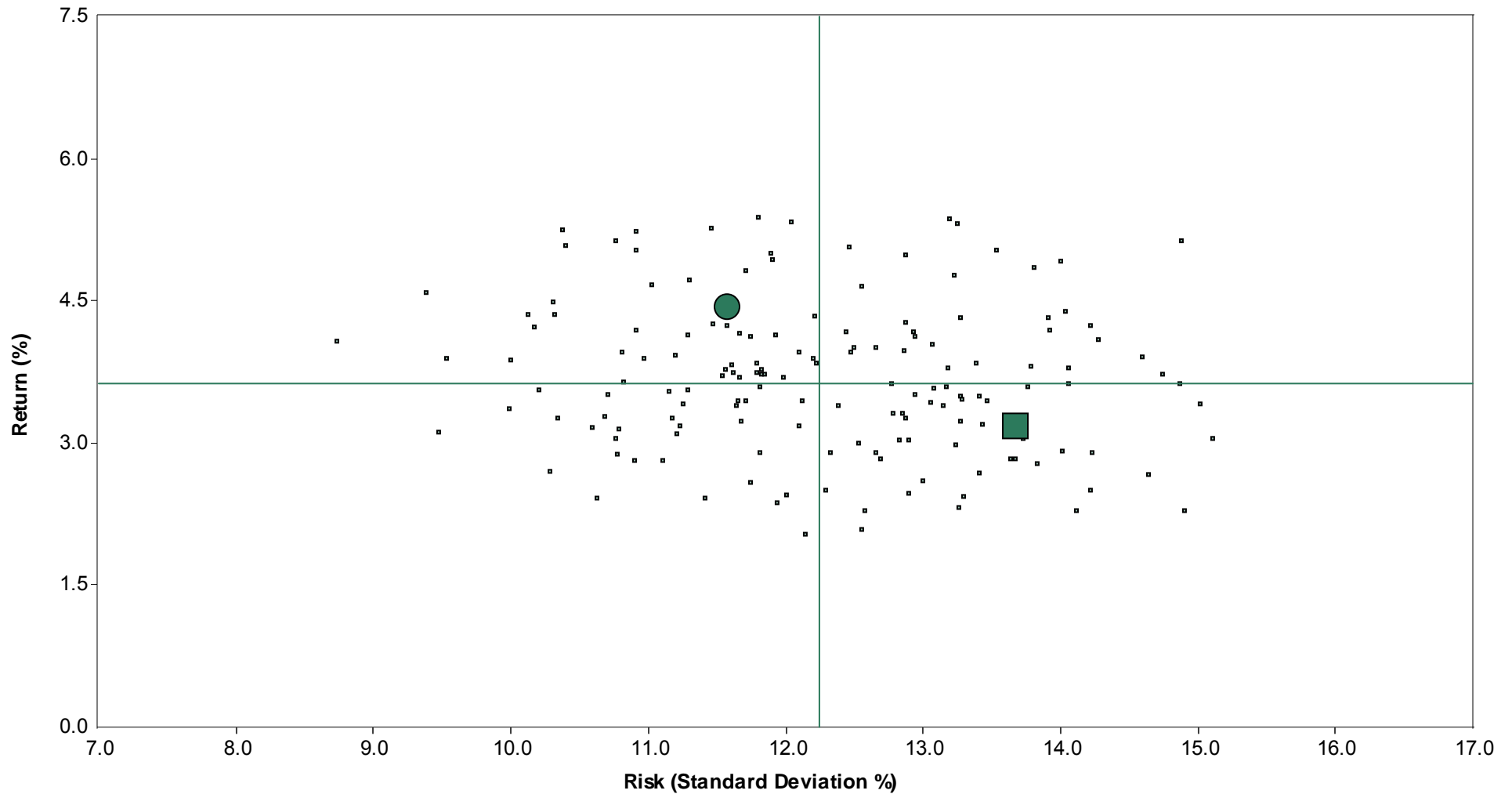
	2009	2008	2007	2006	2005	2004	2003
■ Total Fund Composite	22.23 (29)	-28.95 (90)	8.34 (43)	13.62 (37)	8.45 (25)	11.93 (31)	22.56 (34)
● Policy Index	19.76 (51)	-22.15 (33)	8.69 (34)	12.80 (48)	6.96 (49)	10.48 (51)	20.41 (52)
5th Percentile	28.59	-16.32	11.50	16.01	10.75	14.58	27.14
1st Quartile	22.85	-21.48	9.12	14.31	8.30	12.30	24.01
Median	19.77	-23.91	8.06	12.50	6.90	10.52	20.45
3rd Quartile	17.13	-27.08	7.08	10.84	4.99	9.01	17.36
95th Percentile	13.06	-29.98	5.24	8.30	3.37	5.77	13.58

Parentheses contain percentile rankings.  
Calculation based on quarterly periodicity.



	Return	Standard Deviation
■ Total Fund Composite	-2.65	16.82
● Policy Index	-0.20	14.31
— Median	-1.29	14.76

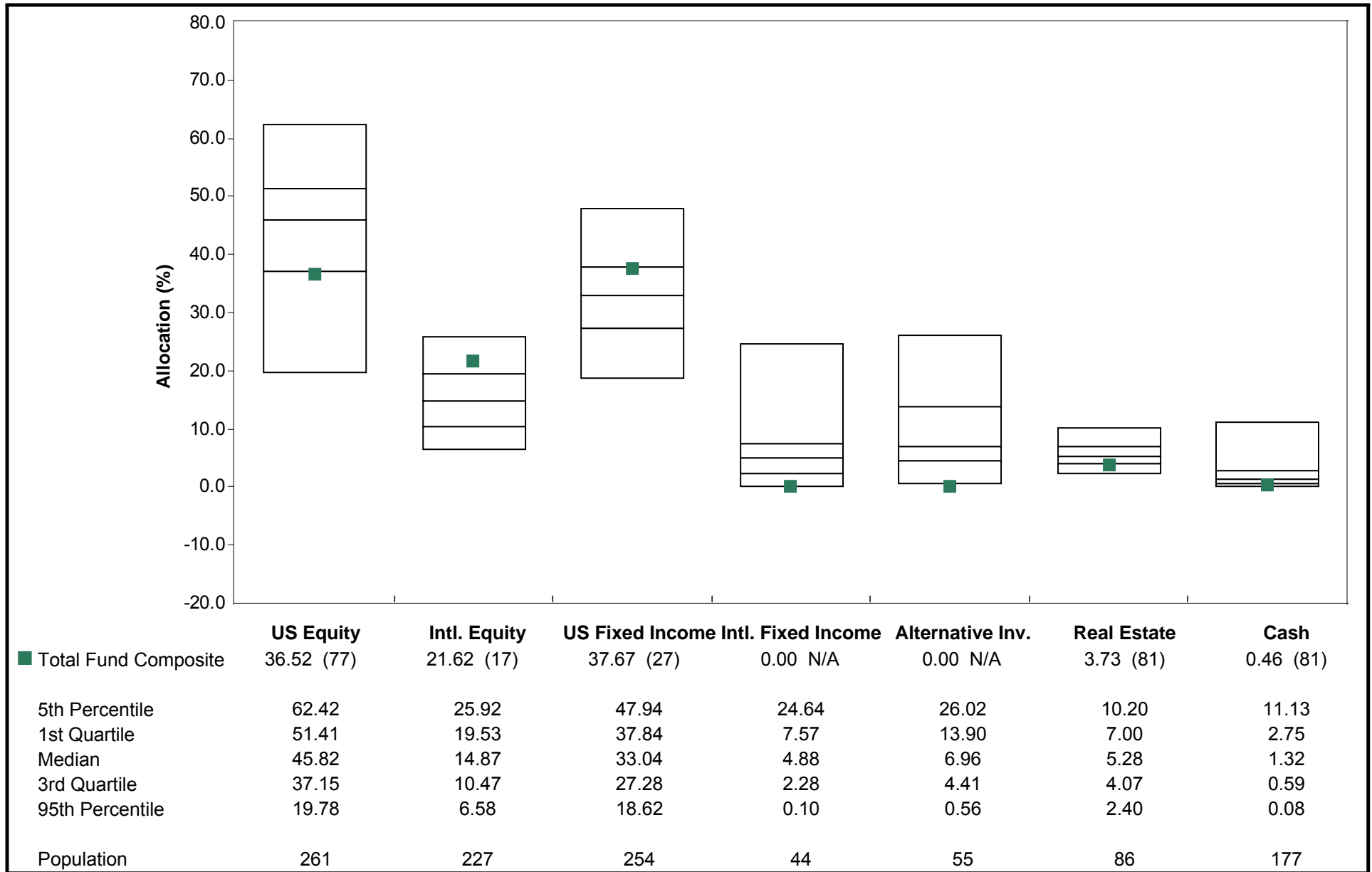
Calculation based on quarterly periodicity.



	Return	Standard Deviation
■ Total Fund Composite	3.18	13.67
● Policy Index	4.43	11.57
— Median	3.63	12.24

Calculation based on quarterly periodicity.





Parentheses contain percentile rankings.

# City of Memphis

Total Fund Composite

Since Inception Ending September 30, 2010

Calendar Years	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	%Return
1996	-	-	-	1,378,132,965	N/A
1997	1,378,132,965	-34,096,344	234,250,900	1,578,287,521	17.19
1998	1,578,287,521	-42,268,539	240,063,429	1,776,082,411	15.45
1999	1,776,082,411	-47,808,437	240,291,082	1,968,565,056	13.18
2000	1,968,565,056	-64,387,008	7,639,956	1,911,818,004	0.37
2001	1,911,818,004	-77,481,199	-14,124,868	1,820,211,937	-0.68
2002	1,820,211,937	-81,528,582	-150,191,752	1,588,491,603	-8.36
2003	1,588,491,603	-75,424,638	350,796,286	1,863,863,251	22.56
2004	1,863,863,251	-79,808,593	216,220,232	2,000,274,890	11.93
2005	2,000,274,890	-90,832,853	173,260,464	2,082,702,500	8.45
2006	2,082,702,500	-86,039,647	266,362,298	2,263,025,152	13.62
2007	2,263,025,152	-96,032,638	180,996,824	2,347,989,338	8.34
2008	2,347,989,338	-105,220,477	-662,432,769	1,580,336,092	-28.95
2009	1,580,336,092	-102,362,222	337,664,242	1,815,638,112	22.23
To 09/2010	1,815,638,112	-80,760,149	123,746,376	1,858,624,339	7.04

Gain/Loss includes income received and change in accrued income for the period.

City of Memphis Retirement System  
Investment Manager Roster 9/30/10

Manager	Date	Assets Under Management*	Assignment	Benchmark	Stated Style	Fee Structure	Annual Dollar Fee	Observed Style	Average Fee
Barrow, Hanely, Mewhinney	9/30/2010	\$159,495,624	Equity Only	Russell 1000 Value	LC Value Equities	75 bps on first \$10.0M, 50 bps on next \$15.0M, \$25 bps on next \$175M, 20 bps on next \$600M, 15 bps over \$800M	\$461,239	Value Equity	0.29%
Paradigm- Large Cap	9/30/2010	\$37,924,475	Equity Only	Russell 1000 Growth	LC Growth Equities	70 bps on first \$50.0M, 60 bps on next \$50.0M, 40 bps on next \$50.0M, 30 bps over \$150.0M	\$265,471	Growth Equity	0.70%
Delaware	9/30/2010	\$126,108,593	Equity Only	Russell 1000 Growth	LC Growth Equities	45 bps on all assets	\$567,489	Growth Equity	0.45%
Rhumblin- S&P 500 Index	9/30/2010	\$239,932,477	Equity Only	S&P 500	LC Core Equities	3 bps on first \$100.0M, 2bps on next \$200.0M	\$48,986	Core Equity	0.02%
Southern Sun	9/30/2010	\$67,738,569	Equity Only	Russell 2000 Value	Small Cap Value	100 bps on first \$50.0M, 95 bps on next \$50.0M, 90 bps on next \$100.0M, 85 bps thereafter	\$668,516	Value Equity	0.99%
Paradigm- Small Cap	9/30/2010	\$47,493,811	Equity Only	Russell 2000 Growth	Small Cap Growth	75 bps on first \$50.0M, 60 bps on next \$50.0M, 50 bps on next \$50.0M, 40 bps over \$150.0M	\$356,204	Small Cap Growth	0.75%
Martin Currie	9/30/2010	\$100,074,367	International Equity	MSCI ACWI	International Equity	70 bps on first \$50.0M, 50 bps on next \$50.0M, 40 bps on balance over \$100.0M	\$600,669	International Equity	0.60%
Marathon Asset Management	9/30/2010	\$110,347,385	International Equity	MSCI ACWI	International Equity	95 bps on the first \$25.0M, 75 bps on next \$25.0M, and 52.5 bps thereafter	\$741,824	International Equity	0.67%
1607 Capital Partners	9/30/2010	\$112,984,050	International Equity	MSCI EAFE	International Equity	70 bps on all assets	\$790,888	International Equity	0.70%
Principal	9/30/2010	\$78,488,851	International Equity	MSCI EAFE	International Equity	60 bps on first \$50.0M, 55 bps on next \$50.0M, \$50 bps over \$100.0M	\$456,689	International Equity	0.58%
Highland Capital	9/30/2010	\$116,041,634	Fixed Income	Barclays Aggregate Bond	Fixed Income	37.5 bps on first \$10.0M, and 25 bps on assets on all assets over \$10.0M	\$302,604	Fixed Income	0.26%
Prudential	9/30/2010	\$151,181,272	Fixed Income	Barclays Aggregate Bond	Fixed Income	12 bps on first \$200.0M, 8 bps on next \$200.0M, 5 bps thereafter	\$181,418	Fixed Income	0.12%
Seiz	9/30/2010	\$21,689,944	Fixed Income	Barclays Aggregate Bond	Fixed Income	40 bps on first \$10.0M, 35 bps on next \$10.0M, 30 bps on next \$30.0M, 25 bps on next \$30.0M, 20 bps on next \$120.0M	\$80,070	Fixed Income	0.37%
PIMCO	9/30/2010	\$258,105,356	Fixed Income	Barclays Aggregate Bond	Fixed Income	50 bps on first \$25.0M, 37.5 bps on next \$25.0M, 25 bps over \$50.0M: Separate Account min \$75M	\$739,013	Fixed Income	0.29%
PIMCO- Distressed	9/30/2010	\$7,561,426	Distressed Fixed Income	Barclays Aggregate Bond	Fixed Income	40 bps on all assets	\$30,246	Fixed Income	0.40%
MacKay Shields	9/30/2010	\$145,607,838	High Yield	CSFB High Yield	High Yield	50 bps on first \$100.0M, 40 bps over \$100.0M	\$682,431	High Yield	0.47%
BlackRock Granite Fund	9/30/2010	\$21,447,218	Real Estate	NCREIF	Real Estate	110 bps on weighted net asset value	\$235,919	Real Estate	1.10%
Fidelity RE Growth Fund III	9/30/2010	\$7,847,633	Real Estate	N/A	Real Estate	The annual management fee is equal to 1.0% on committed capital during the investment period and 1.0% on invested capital thereafter + a carried interest fee	\$350,000	Real Estate	1.00%
RREEF II	9/30/2010	\$9,761,239	Real Estate	N/A	Real Estate	50-55 bps on net asset value + performance fee	\$69,360	Real Estate	0.71%
RREEF Public REITs	9/30/2010	\$30,329,403	Real Estate	NAREIT	Public Real Estate	70 bps on all assets	\$212,306	Public Real Estate	0.70%
Total		\$1,850,161,165					\$7,841,343		0.42%

\* Does not include the in house cash account

\*\*Performance fees are estimated