**AUXILIARIES MULTIPLE EMPLOYER VEBA**
**TRUSTEES MEETING**

| | | | |
|---|---|---|---|
| PRESENTED TO: | | DATE: | 01/09/2012 |
| VEBA Trustees | | | |
| SUBJECT: | | ITEM #: | 2011/2012-018 |
| Approval of Agenda | | Enclosure: | Yes |
| | | Action Item | Yes |

Prepared by: Keenan Financial Services

Requested by: VEBA Trustees

**BACKGROUND:**

The VEBA Trustees are interested in creating an agenda that will fully disclose all activities of the Auxiliaries Multiple Employer VEBA.

**STATUS:**

The VEBA Trustees retain the right to add, delete and provide the order in which agenda items are to be disclosed.

**RECOMMENDATION:**

The VEBA Trustees will approve the agenda as a consent item.

**MEETING AGENDA**

**AUXILIARIES MULTIPLE EMPLOYER VEBA**
**VEBA TRUSTEES MEETING**

**JANUARY 9, 2012**
**7:30 AM – 8:45 AM**

**WESTIN SAN FRANCISCO MARKET STREET**
**OLYMPIC ROOM**
**50 THIRD STREET**
**SAN FRANCISCO, CA 94103**

## I. CALL TO ORDER

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## II. ROLL CALL

**VEBA TRUSTEES:**

| | |
|---|---|
| David F. Prenovost | Senior Managing Director/CFO – Cal Poly Pomona Foundation |
| Frank A. Mumford | Executive Director – Fullerton Auxiliary Services Corporation |
| Kim D. Clark | Executive Director, University Corporation |
| Dwayne Brummett | Director Business Services – Cal Poly San Luis Obispo Corporation |
| Robert deWit | Controller, Forty-Niner Shop Inc., California State University, Long Beach |
| Leslie Rohn | Interim Chief Operating Officer Tower Foundation San Jose State University |

**PROGRAM COORDINATOR:**

| | |
|---|---|
| Steve Gedestad | Executive Vice President, Keenan Financial Services |
| Roslyn Washington | Account Manager, Keenan Financial Services |

**CORPORATE TRUSTEE:**

| | |
|---|---|
| Scott Rankin | Senior Vice President, Benefit Trust Company |

**REGISTERED INVESTMENT ADVISOR**

| | |
|---|---|
| Cary Allison | Senior Vice President, Morgan Stanley Smith Barney |

**LEGAL COUNSEL**

| | |
|---|---|
| David Foster | Partner, Nixon Peabody LLP |

## III. APPROVAL OF AGENDA

**Action**
**2011/2012-018**

The VEBA Trustees retain the right to add, delete or change the order in which agenda items are discussed. Subject to review by the VEBA Trustees, the agenda is to be approved as a consent item.

## IV. APPROVAL OF MINUTES

**Action**
**2011/2012-019**

The VEBA Trustees will review the minutes from the previous meeting, August 9, 2011, for any adjustments and adoption. The minutes are to be approved as a consent item.

## V. INVESTMENTS

### PORTFOLIO REVIEW

**Action**
**2011/2012-020**

Morgan Stanley Smith Barney (MSSB) will review the overall performance of the portfolio.

### MARKET OVERVIEW

**Information**
**2011/2012-021**

Morgan Stanley Smith Barney (MSSB) will provide an update of the actions of the global capital markets since the last VEBA Trustees meeting.

## VI. ADMINISTRATION ITEMS

### ELECTION OF "NEW" VEBA TRUSTEE

**Information**
**2011/2012-022**

The VEBA Trustees will discuss the proposal of Intef Wessler, Executive Director, Associated Students Inc, California State University, Los Angeles and Dave Nakamura, Executive Director, Humboldt State University Center as a Trustee qualified to represent the VEBA as an authorized person.

### ADMINISTRATIVE COST RECOVERY POLICY

**Action**
**2011/2012-023**

The VEBA Trustees will discuss the Administrative Cost Recovery Policy #2 regarding changes to the policy with respect to the administrative cost recovery fee and payment procedures. Included, is a copy of the suggested tracked changes to the policy for your reference.

### ACCOUNTING SERVICES FOR VEBA

**Action**
**2011/2012-024**

The VEBA Trustees will discuss a proposal from SETECH, a division of Keenan & Associates, to provide accounting services with respect to the Auxiliaries Multiple Employer General VEBA Fund.

### ADDITIONAL PARTICIPATING AUXILIARIES (PROSPECTS)

**Information**
**2011/2012-025**

The VEBA Trustees will review the status of additional Auxiliaries joining the VEBA Trust.

**APPLICATION FOR RECOGNITION OF EXEMPTION UPDATE** **Information**
**2011/2012-026**

The VEBA Trustees will receive an update on the status of the Application for Recognition of Exemption under Section 501(a) from the Internal Revenue Service & California regarding the VEBA Trust.

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## VII. DISCUSSION ITEMS

**VEBA TRUSTEE COMMENTS** **Discussion**
**2011/2012-027**

Each Trustee may report about various matters involving the Auxiliaries Multiple Employer VEBA.

**PROGRAM COORDINATOR/CONSULTANT COMMENTS** **Discussion**
**2011/2012-028**

The Program Coordinator and Consultants will report to the VEBA Trustees regarding various matters involving the VEBA Trust.

**OTHER COMMENTS** **Discussion**
**2011/2012-029**

Others in attendance may address the VEBA Trustees on any matter pertaining to the Auxiliaries Multiple Employer VEBA

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## VIII. DATE, TIME AND AGENDA ITEMS NEXT MEETING

**Discussion**
**2011/2012-030**

The VEBA Trustees will discuss the date and time, and may suggest agenda items for consideration at the next Auxiliaries Multiple Employer VEBA meeting.

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## IX. ADJOURNMENT

**AUXILIARIES MULTIPLE EMPLOYER VEBA**
**TRUSTEES MEETING**

| | | | |
|---|---|---|---|
| PRESENTED TO: | | DATE: | 01/09/2012 |
| VEBA Trustees | | | |
| SUBJECT: | | ITEM #: | 2011/2012-019 |
| Approval of Minutes | | Enclosure: | Yes |
| | | Action Item | Yes |

Prepared by: Keenan Financial Services

Requested by: VEBA Trustees

## BACKGROUND:

As a matter of record, minutes of each VEBA Trustees meeting are recorded and kept.

## STATUS:

The Board will review the minutes from the previous VEBA Trustees Meeting on August 9, 2011.

## RECOMMENDATION:

The minutes are to be approved as a consent item.

**MEETING MINUTES**

**AUXILIARIES MULTIPLE EMPLOYER VEBA**

**VEBA TRUSTEES MEETING**
**AUGUST 9, 2011**
**2:00 PM – 4:00 PM**

**CAL STATE FULLERTON**
**COLLEGE PARK 250**
**2600 NUTWOOD AVE.**
**FULLERTON, CA 92831**
**CALL IN # (866) 434-7668 PASSCODE: 9908847**
**(657) 278- 2011**

## I. CALL TO ORDER

The meeting was called to order by VEBA Board of Trustees member David Prenovost at 2:00 PM.

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## II. ROLL CALL

**VEBA TRUSTEES:**

| | |
|---|---|
| David F. Prenovost | Senior Managing Director/CFO – Cal Poly Pomona Foundation |
| Frank A. Mumford | Executive Director – Fullerton Auxiliary Services Corporation |
| Kim D. Clark | Executive Director, University Corporation |
| Dwayne Brummett | Director Business Services – Cal Poly San Luis Obispo Corporation |

**PROGRAM COORDINATOR:**

| | |
|---|---|
| Steve Gedestad | Executive Vice President, Keenan Financial Services |
| Roslyn Washington | Account Manager, Keenan Financial Services |
| Yvette Jenkins | Senior Service Representative, Keenan & Associates |

**CORPORATE TRUSTEE:**

| | |
|---|---|
| Scott Rankin | Senior Vice President, Benefit Trust Company |

**REGISTERED INVESTMENT ADVISOR**

| | |
|---|---|
| Cary Allison | Senior Vice President, Morgan Stanley Smith Barney |

**LEGAL COUNSEL**

| | |
|---|---|
| David Foster | (Via phone) Partner, Nixon Peabody LLP |

## III. APPROVAL OF AGENDA

Roll call for the VEBA Board of Trustees members was made by Yvette Jenkins of Keenan & Associates. All VEBA Board members were present.

A motion was made by the VEBA Board of Trustees member Frank Mumford to approve the agenda, seconded by VEBA Board of Trustees member Dr. Kim Clark and unanimously carried by the VEBA Board.

## IV. APPROVAL OF MINUTES

In addition to approving the minutes from the February 9, 2011 meeting, the VEBA Board of Trustees also approved of the minutes from the September 22, 2010 meeting.

Approval of the meeting minutes as a consent action item was made by the VEBA Board of Trustees member David Prenovost.

Roll call for each VEBA Board member was made by Yvette Jenkins of Keenan & Associates. All VEBA Board members were present.

## V. INVESTMENTS

### PORTFOLIO REVIEW

### 1. CAL - POLY POMONA FOUNDATION CSU AUXILIARIES VEBA.

Cary Allison of Morgan Stanley Smith Barney (MSSB) provided an overview of the Cal-Poly Pomona Foundation CSU Auxiliaries VEBA Trust Change in Portfolio, Asset Allocation, and Time Weighted Return (Gross and Net of Fees) for period ending July 31, 2011. As of July 31, 2011 this portfolio had an allocation of 59.2% in fixed income funds and 40.8% in equity funds (equity funds comprised of 25.1% in domestic equity and 15.7% in international equity). The value of the portfolio as of December 31, 2010, was $1,006,760.31 and the value of the portfolio as of July 31, 2011 is $1,038,716.45. The July 31, 2011 portfolio value represents an inception to date net rate of return of 6.17% compared to the S&P/Barclays Blend of 7.09% and Barclays Aggregate of 3.25%.

### 2. ASSOCIATED STUDENTS INC.CAL-POLY SAN LUIS OBISPO

Cary Allison of Morgan Stanley Smith Barney (MSSB) provided an overview of the Associated Students Inc. Cal-Poly San Luis Obispo CSU Auxiliaries VEBA Trust Change in Portfolio, Asset Allocation, and Time Weighted Return (Gross and Net of Fees) for period ending July 31, 2011. As of July 31, 2011 this portfolio had an allocation of 59.2% in fixed income funds and 40.8% in equity funds (equity funds comprised of 25.1% in domestic equity and 15.7% in international equity). The value of the portfolio as of December 31, 2010 was $709,513.30 and the value of the portfolio as of July 31, 2011 is $731,823.56. The July 31, 2011 portfolio value represents an inception to date net rate of return of 3.34% compared to the S&P/Barclays Blend of 4.17% and Barclays Aggregate of 4.37%.

The VEBA Board of Trustees had a brief discussion as to the relevance of each participating member fund portfolio being reviewed separately. Scott Rankin of Benefit Trust Company indicated that each participating member is treated as a separate account at the Corporate Trustee level. VEBA Board member Dr. Kim Clark inquired as to whether a consolidated portfolio account could be done. Scott advised the VEBA Board members that a consolidated portfolio global account could not be done at this time, but he will check to see what type of summary account report can be created. He is not certain this can be accomplished.

VEBA Board member David Prenovost inquired as to why withdrawals are reflected on the Change in Portfolio section of the VEBA Portfolio Review. Scott Rankin advised that as Corporate Trustee, Benefit Trust Company is compensated at the account level. He also noted that the Portfolio Fee withdrawal represents compensation to Keenan Financial Services (KFS) and Morgan Stanley Smith Barney (MSSB) for services provided. Scott informed VEBA Board members that he had already sent an email to his office inquiring about the construction of a consolidated global report.

VEBA Board of Trustees member Frank Mumford inquired as to how this motion should proceed. VEBA Board of Trustees member David Prenovost advised that reviewing the VEBA Trust Portfolio and accepting Financial Reports is part of the due diligence required from VEBA plan fiduciaries. Furthermore, through these due diligence processes the VEBA Board of Trustees are maintaining oversight and ensuring that all the provisions of the Investment Policy Statement (IPS) are being followed. Legal Counsel, David Foster advised the VEBA Trustees that the provisions of the Investment Policy Statement (IPS) need not be changed to reflect the procedures or process being put in place.

A motion was made by VEBA Board of Trustees member Dr. Kim Clark to approve the Portfolio Review as presented, seconded by VEBA Board of Trustees member Frank Mumford and unanimously carried by the VEBA Board.

Roll call for each VEBA Board member was made by Yvette Jenkins of Keenan & Associates. All VEBA Board members were present.

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## VI. ADMINISTRATION

### ELECTION OF "NEW" VEBA TRUSTEE

New VEBA Board of Trustees member Robert deWit, Controller, Forty-Niner Shop, Inc., California State University, Long Beach was not in attendance. Roslyn Washington of Keenan Financial Services informed the VEBA Board that Robert had sent an email indicating he would not be calling into the meeting. VEBA Board of Trustees member David Prenovost noted that he went to the Forty-Niner Shop and made a presentation. Roslyn indicated that while a Forty-Niner Shop, Inc. account has been set-up there is currently no authorized signature on file.

A motion was made to elect Robert deWit as a VEBA Board of Trustees member by VEBA Board of Trustees member David Prenovost, seconded by VEBA Board of Trustees member Dwayne Brummett and unanimously carried by the VEBA Board.

Roll call for each Board member to include Robert deWit in absentia was made by Yvette Jenkins of Keenan & Associates. All Board members except Robert deWit were present.

## ADMINISTRATIVE COST RECOVERY FEE

VEBA Board of Trustees member David Prenovost initiated a discussion regarding the one-time administrative cost recovery fee of $5000.00 which facilitates the cost recovery of VEBA administration. There are eleven participating auxiliaries, seven of which have funded the one-time cost for VEBA administration. Currently, one auxiliary per month is joining the VEBA but they are not funding per the provisions of the Administrative Cost Recovery Policy #2. To incentivize participating groups to fund quickly, David wants to raise the administrative funding amount in the spring of 2012. David designated a season rather than structure a fixed date for a new administrative funding schedule. This would provide a framework to educate auxiliaries interested in participating.

VEBA Board of Trustees member Dr. Kim Clark noted that the one-time administrative cost recovery fee be paid at the time of membership. David suggested that the Board should comeback with a revised administration cost recovery policy. VEBA Board of Trustees member Dr. Kim Clark suggested they not wait until the next meeting to resolve the issue, but set-up a conference call to arrive at a solution.

The VEBA Board made changes to the Administrative Cost Recovery Fee Policy.

Steve Gedestad of Keenan Financial Services (KFS) advised a budget should be created. It was suggested that the budget process be added as an agenda item for the next meeting.

A motion was made by the VEBA Board of Trustees member Dr. Kim Clark to approve the amended Administrative Cost Recovery fee policy and discuss, seconded by VEBA Board of Trustees member Frank Mumford and unanimously carried by the VEBA Board.

Roll call for each Board member to include Robert deWit in absentia was made by Yvette Jenkins of Keenan & Associates. All Board members except Robert deWit were present.

## LOAN AGREEMENT AUXILIARY ORGANIZATION ASSOCIATION (AOA)

VEBA Board of Trustees member David Prenovost advised the Board as to how Auxiliary Organization Association (AOA) advances for VEBA formation expenses came to $60,500.00. David will submit a presentation to the AOA Board members next week.

## FINANCIAL AUDIT UPDATE

VEBA Board of Trustees member David Prenovost provided a brief historical background relative to their relationship with McGladrey & Pullen and how McGladrey & Pullen was accepted as the consulting team for VEBA audits and tax returns.

David noted that he does not want an audit compilation for plan year ending June 30, 2011.

A motion was made by VEBA Board of Trustees member Dwayne Brummett not to retain McGladrey & Pullen for VEBA audit compilation or review for year ending June 30, 2011, seconded by VEBA Board of Trustees member Dr. Kim Clark and unanimously carried by the Board.

Roll call for each VEBA Board member to include Robert deWit in absentia was made by Yvette Jenkins of

Keenan & Associates. All Board members except Robert deWit were present.

## ADDITIONAL PARTICIPATING AUXILIARIES (PROSPECTS)

The VEBA Board of Trustees reviewed the VEBA prospects list. VEBA Board of Trustees member Dr. Kim Clark suggested the creation of a tabulated worksheet of participating auxiliaries that have funded the VEBA. A summary sheet was also suggested.

## APPLICATION FOR RECOGNITION OF EXEMPTION UNDER SECTION 501(a) FORM 1024 UPDATE

As legal counsel David Foster left the meeting at 3:00 PM, this Agenda Item was reviewed before the Auxiliary Organization Association (AOA) loan agreement review.

David Foster advised approval of the Board for the exemption under IRC Section 501(a). He was informed that the approved "Determination Letter" would be received within 90 days of the IRS approval. However, it has been 108 days and he has not received the approved "Determination Letter" from the IRS.

David Foster continued by inquiring if McGladrey & Pullen were producing the 990T tax returns. VEBA Board of Trustees member David Prenovost stated that the tax return is due November 20. The 990T tax return is due 2 1/12 months after year ending September 15, 2011. David Foster suggested filing for an extension and David Prenovost indicated that he will follow-up on this request. David Foster also suggested an extension of the November dates as well. David Prenovost will communicate with the tax person at McGladrey & Pullen and get back with David Foster.

## DIRECTORS' AND OFFICERS' INSURANCE UPDATE

VEBA Board of Trustees member David Prenovost advised that fiduciary coverage has been obtained and he will be sending out a copy of the policy to VEBA Board members. The policy is designed to cover each Board member for one million dollars and is part of the Allianz Simple Income Rider (SIR) program.

## MARKET OVERVIEW

Carey Allison of Morgan Stanley Smith Barney MSSB) provided the VEBA Board of Trustees with the Asset Allocation and Portfolio Updates for the Futuris Portfolio Models as of June 30, 2011.

Cary also presented the "Capital Markets Overview" from Morgan Stanley Smith Barney (MSSB) for the quarter ending June 30, 2011. Highlights include the following financial parameters:

- In the second quarter, the global business and equity upswing flattened somewhat due to weaker than expected U.S. and Chinese economic data, continued softness in U.S. residential real estate, and sovereign debt in Greece that posed challenges for European policy makers.
- However, U.S. markets surged in the quarter's final week, indicating that investors are willing to give the economy the benefit of the doubt.
- The Federal Reserve's quantitative easing ended on June 30, yet central bank's long-anticipated exit from the Treasury bond market had negligible near-term effect on the markets.

- Despite the soft patch, both Morgan Stanley and Citi economists expect growth in excess of 6% in 2011 for emerging-market (EM) economies, while developed-market (DM) economies could gain approximately 2%.
- According to the Dow Jones-UBS Commodity index, commodity prices fell 6.7% in the second quarter, compared with a 4.4% first-quarter gain, which was fueled by rising oil prices.
- China is still growing rapidly, and many other emerging nations are getting wealthier, too, supporting the thesis that these nations will consume more raw materials, thereby potentially bolstering global demand for commodities.
- Mergers-and-acquisitions (M&A) activity declined in the second quarter, as market volatility discouraged large-scale commitments. Global M&A volume for the quarter totaled $741.3 billion, down 7% from the first quarter. Still, global deal volume for the second quarter was up 23% from a year ago.
- The Dow Jones Industrials were up 1.4% for the second quarter.
- The NASDAQ Composite lost 0.3% for the second quarter.
- The S&P gained 0.1% for the quarter.

Cary continued by reviewing a Special Bulletin from Morgan Stanley Smith Barney (MSSB) Global Investment Committee. The Committee views the entire stock market correction since the spring as being due to one primary fear: a growth scare. Whether it's been the concern about the degree of US cyclical slowdown, the European sovereign debt situation, or US fiscal worries, the Committee believes it all comes down to a growth scare. However, the Committee do not think that these events will combine to derail the US and global business cycle expansion. As this latest equity sell-off abates, the Committee expects the markets to refocus on the fundamentals: an intact global business-cycle expansion that should deliver double-digit profit-growth into 2012.

In this connection, Cary informed the VEBA Board of Trustees that there will not be much change in the VEBA portfolio other than periodic position rebalancing.

## EDUCATION

Cary Allison of Morgan Stanley Smith Barney (MSSB) provided the VEBA Board of Trustees members with an article entitled "States Begin to Address Long-Term Pension Obligations in Era of Fiscal Austerity", prepared by BlackRock, Inc.

This article presented a view that pension liabilities are a challenge to governments' long-term fiscal integrity, but maintains that the greatest risk to the municipal marketplace today is in the volatility sparked by headlines and not, as some project, in the likelihood of defaults.

This article provided multiple key perspectives as follows:

- While pension liabilities are cause for concern, they will not by themselves generate a rash of municipal defaults.
- Each state is unique in its funding status, as well as its political climate, fiscal condition and legal framework.
- Many states have already begun the process of addressing pension liabilities.

- Local governments have multiple tools available to them to address pension funding issues, although those few municipalities with extremely underfunded pension liabilities may be put under state supervision or seek bankruptcy protection.
- Initiatives to establish consistent methodology to calculate liabilities and to improve transparency will likely lead to additional corrective actions.

Cary briefly discussed the municipal bond market and pointed out that after a high-profile default prediction in late 2010, the market suffered a spike in rates that resulted in price weakness and a pronounced steepening of the municipal yield curve. This market volatility was exacerbated by the uncertain future of the Build America Bond (BAB) program, which had been bolstering market technicals since its introduction in 2009. This program was left to expire at the end of the year. As a result of these developments, the fourth quarter of 2010 represented the municipal market's worst quarterly performance since 1994.

Cary also noted that governmental pensions garnered broad attention when the Governmental Accounting Standards Board (GASB) proposed changes to the assumptions and methodology for calculating municipal pension funding status. In particular, GASB proposed that municipalities be required to both lower the discount rate and shorten the amortization period for unfunded liabilities. According to GASB, pension plans are assuming average investment returns of 8% which it considers too optimistic. GASB attributes the overstatement in many plans' funding statuses to these aggressive assumptions. In addition, most pension plans amortize unfunded liabilities over 30 years; GASB recommends an adjustment to 15-20 years to reflect the remaining employment period in specific plans.

An updated GASB proposal was promulgated on July 8, 2011 as GASB issued two exposure drafts of amended Statements Nos. 25 and 27. The exposure drafts largely reflect the positions taken in the Preliminary Views issued in June 2010. In the Preliminary Views, GASB proposed that the discount rate used in financial reporting calculations be set equal to the expected long-term rate of return on plan assets to the extent that projected benefits would be covered by current and projected future plan assets. To the extent current and expected future assets are projected to be insufficient to pay projected benefits, the Preliminary Views called for them to be discounted at "a high-quality municipal bond index rate". The exposure drafts have clarified that the municipal bond index rate to be used for this purpose is the index rate for a 30-year, tax-exempt municipal bond rated AA/Aa or higher. GASB will be accepting written comments until September 30, 2011 and will hold public hearings in October 2011. The GASB goal is to have final standards in place by June 2012.

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## VIII. DISCUSSION ITEM

An invoice to pay Nixon Peabody LLP $15,000.00 has been signed.

VEBA Board of Trustees member David Prenovost would like to leave $5,000.00 in the General Fund account. Scott Rankin of Benefit Trust Company (BTC) needs an invoice to pay for parking passes. David Prenovost will send hard copies of invoices to legal counsel David Foster.

## IX. INFORMATION REPORTS

### VEBA TRUSTEE COMMENTS

VEBA Board member David Prenovost is building a budget and attorney fees are $5,000.00

### PROGRAM COORDINATOR/CONSULTANT COMMENTS

Steve Gedestad of Keenan Financial Services noted that there is an Auxiliary Organization Association (AOA) meeting in January 2012 and that the VEBA Board of Trustees will have a booth.

Keenan Financial Services will cover the $1500.00 cost of maintaining the booth.

### OTHER COMMENTS

There were no other comments.

## X. DATE, TIME AND AGENDA ITEMS NEXT MEETING

- Create Budget as Agenda Item for the next VEBA Board of Trustees meeting

The next (annual) meeting is scheduled to take place as follows:

- At the annual Auxiliary Organization Association (AOA) conference on January 10, 2012 @ 7:30-9:30 AM

## XI. ADJOURNMENT

The meeting was adjourned by VEBA Board member David Prenovost at 4:20 PM.

**AUXILIARIES MULTIPLE EMPLOYER VEBA**
**TRUSTEES MEETING**

| | | | |
|---|---|---|---|
| PRESENTED TO: | | DATE: | 01/09/2012 |
| VEBA Trustees | | | |
| SUBJECT: | | ITEM #: | 2011/2012-020 |
| Portfolio Review | | Enclosure: | Yes |
| | | Action Item | Yes |

Prepared by: Morgan Stanley Smith Barney

Requested by: VEBA Trustees

**BACKGROUND:**

The VEBA Trust Performance Reports provide the recent status of account balances and the performance of the VEBA Trust.

**STATUS:**

Morgan Stanley Smith Barney (MSSB) will provide an overview of the VEBA Trust Performance Report. The VEBA Trustees will review the VEBA Trust portfolio.

**RECOMMENDATION:**

The VEBA Trustees shall review and accept the VEBA Trust Performance Report and file as appropriate.

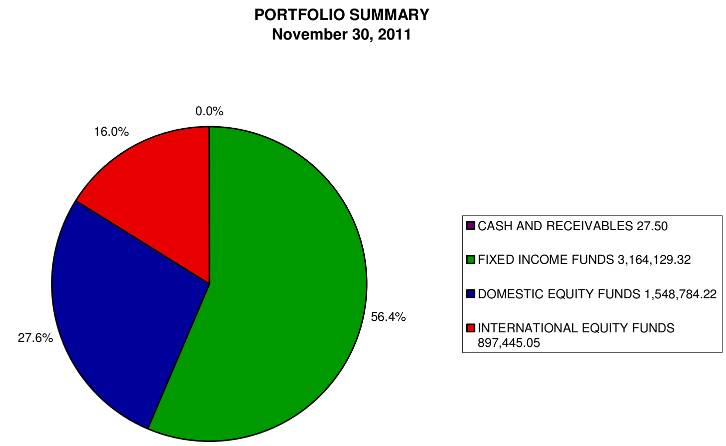
## *VEBA Consolidated Accounts*

*November 30, 2011*

## Change In Portfolio

| | |
|---|---|
| Portfolio Value on 12-31-10 | 1,716,273.61 |
| Contributions | 3,952,816.02 |
| Withdrawals | -34,491.44 |
| Change in Market Value | -81,403.75 |
| Income Received | 80,169.39 |
| Portfolio Fees | -24,210.58 |
| Portfolio Value on 11-30-11 | 5,609,153.25 |
| | 5,609,153.25 |

## Asset Allocation




## Time Weighted Return - Gross of Fees

| | Month To Date | Quarter To Date | Year To Date | Latest 1 Year | Annualized Latest 3 Year | Inception To Date |
|---|---|---|---|---|---|---|
| Account | -2.11 | 3.61 | -0.10 | 2.72 | - | 2.72 |
| S&P/Barclays Blend | -0.16 | 5.36 | 4.19 | 7.10 | 11.58 | 7.10 |
| Barclays Aggregate | -0.09 | 0.02 | 6.69 | 5.54 | 7.70 | 5.54 |
| S&P 500 Adj for Divs | -0.22 | 10.69 | 1.09 | 7.84 | 14.12 | 7.84 |
| NASDAQ | -2.39 | 8.48 | -1.23 | 4.89 | 19.50 | 4.89 |
| MSCI EAFE | -4.85 | 4.32 | -11.30 | -4.12 | 10.11 | -4.12 |

## Time Weighted Return - Net of Fees

| | Month To Date | Quarter To Date | Year To Date | Latest 1 Year | Annualized Latest 3 Year | Inception To Date |
|---|---|---|---|---|---|---|
| Account | -2.20 | 3.42 | -0.97 | 1.76 | - | 1.76 |
| S&P/Barclays Blend | -0.16 | 5.36 | 4.19 | 7.10 | 11.58 | 7.10 |
| Barclays Aggregate | -0.09 | 0.02 | 6.69 | 5.54 | 7.70 | 5.54 |
| S&P 500 Adj for Divs | -0.22 | 10.69 | 1.09 | 7.84 | 14.12 | 7.84 |
| NASDAQ | -2.39 | 8.48 | -1.23 | 4.89 | 19.50 | 4.89 |
| MSCI EAFE | -4.85 | 4.32 | -11.30 | -4.12 | 10.11 | -4.12 |

# PORTFOLIO APPRAISAL

*November 30, 2011*

| Quantity | Security | Security Symbol | Unit Cost | Total Cost | Price | Market Value | Pct. Assets | Cur. Yield |
|---|---|---|---|---|---|---|---|---|
| **CASH AND RECEIVABLES** | | | | | | | | |
| | CASH | CASH | | 27.50 | | 27.50 | 0.0 | 0.0 |
| **FIXED INC MUTUAL FUNDS** | | | | | | | | |
| Taxable Funds | | | | | | | | |
| 59,076.932 | DELAWARE DIVERSIFIED INCOME INSTL | DPFF.X | 9.40 | 555,618.09 | 9.28 | 548,233.93 | 9.8 | 4.5 |
| 19,815.663 | LEGG MASON BW GLOBAL OPPS BD IS | GOBS.X | 10.88 | 215,557.50 | 10.97 | 217,377.82 | 3.9 | 7.0 |
| 52,898.858 | METROPOLITAN WEST TOTAL RETURN BOND I | MWTI.X | 10.53 | 556,797.91 | 10.38 | 549,090.15 | 9.8 | 4.6 |
| 42,436.136 | OPPENHEIMER INTERNATIONAL BOND Y | OIBY.X | 6.53 | 277,191.77 | 6.29 | 266,923.30 | 4.8 | 4.3 |
| 38,855.925 | PRUDENTIAL TOTAL RETURN BOND Z | PDBZ.X | 14.04 | 545,728.16 | 14.16 | 550,199.90 | 9.8 | 4.0 |
| 37,935.510 | TEMPLETON GLOBAL BOND ADV | TGBA.X | 13.23 | 501,917.29 | 12.69 | 481,401.62 | 8.6 | 5.0 |
| 50,082.055 | WESTERN ASSET CORE PLUS BOND INSTL | WACP.X | 10.98 | 549,853.14 | 11.00 | 550,902.61 | 9.8 | 3.8 |
| | | | | 3,202,663.86 | | 3,164,129.32 | 56.4 | 4.6 |
| | | | | 3,202,663.86 | | 3,164,129.32 | 56.4 | 4.6 |
| **DOMESTIC EQUITY FUNDS** | | | | | | | | |
| Large Cap Funds | | | | | | | | |
| 13,450.690 | BLACKROCK EQUITY DIVIDEND INSTL | MADV.X | 17.07 | 229,562.95 | 17.99 | 241,977.91 | 4.3 | 2.0 |
| 9,162.874 | HARTFORD CAPITAL APPRECIATION Y | HCAY.X | 32.74 | 299,952.12 | 32.05 | 293,670.11 | 5.2 | 0.0 |
| 15,645.549 | JHANCOCK CLASSIC VALUE I | JCVI.X | 15.21 | 237,963.37 | 15.51 | 242,662.46 | 4.3 | 1.5 |
| 5,062.434 | NUVEEN TRADEWINDS VALUE OPPORTUNITIES I | NVOR.X | 33.62 | 170,220.12 | 34.42 | 174,248.98 | 3.1 | 0.0 |
| | | | | 937,698.57 | | 952,559.47 | 17.0 | 0.9 |
| Mid Cap Funds | | | | | | | | |
| 4,660.220 | COHEN & STEERS INSTL REALTY SHARES | CSRI.X | 36.73 | 171,168.16 | 38.12 | 177,647.59 | 3.2 | 2.1 |
| 6,177.429 | HARTFORD MIDCAP Y | HMDY.X | 21.45 | 132,527.46 | 19.83 | 122,498.42 | 2.2 | 0.0 |
| | | | | 303,695.62 | | 300,146.00 | 5.3 | 1.2 |
| Small Cap Funds | | | | | | | | |
| 6,027.819 | ROYCE SPECIAL EQUITY INSTL | RSEI.X | 19.96 | 120,331.00 | 20.90 | 125,981.42 | 2.2 | 0.6 |
| | | | | 1,361,725.20 | | 1,378,686.89 | 24.6 | 0.9 |
| **INTERNATIONAL FUNDS** | | | | | | | | |
| International | | | | | | | | |
| 16,529.614 | BRANDES INSTL INTERNATIONAL EQUITY | BIIE.X | 14.21 | 234,855.75 | 13.68 | 226,125.12 | 4.0 | 4.8 |

# PORTFOLIO APPRAISAL

*November 30, 2011*

| Quantity | Security | Security Symbol | Unit Cost | Total Cost | Price | Market Value | Pct. Assets | Cur. Yield |
|---|---|---|---|---|---|---|---|---|
| 6,169.695 | NUVEEN TRADEWINDS GLOBAL ALL-CAP I | NWGR.X | 27.64 | 170,539.79 | 27.51 | 169,728.31 | 3.0 | 0.0 |
| 3,255.717 | PRUDENTIAL GLOBAL REAL ESTATE Z | PURZ.X | 18.10 | 58,912.98 | 17.70 | 57,626.19 | 1.0 | 2.2 |
| 21,793.646 | ROYCE GLOBAL VALUE INVMT | RGVI.X | 13.47 | 293,659.91 | 12.51 | 272,638.51 | 4.9 | 0.9 |
| 6,790.603 | THORNBURG INTERNATIONAL VALUE I | TGVI.X | 26.12 | 177,345.67 | 25.23 | 171,326.91 | 3.1 | 1.5 |
| | | | | 935,314.09 | | 897,445.05 | 16.0 | 1.9 |
| | | | | 935,314.09 | | 897,445.05 | 16.0 | 1.9 |
| **BALANCED EQUITY FUNDS** | | | | | | | | |
| Balanced Funds | | | | | | | | |
| 9,465.628 | THORNBURG INVESTMENT INCOME BUILDER I | TIBI.X | 18.43 | 174,420.35 | 17.97 | 170,097.34 | 3.0 | 6.8 |
| | | | | 174,420.35 | | 170,097.34 | 3.0 | 6.8 |
| **TOTAL PORTFOLIO** | | | | **5,674,151.01** | | **5,610,386.09** | **100.0** | **3.3** |

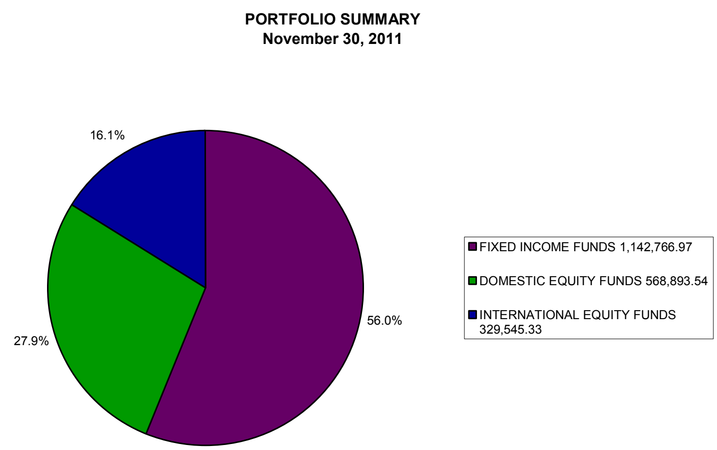
***CAL POLY POMONA FOUNDATION CSU AUXILIARIES VEBA***

*November 30, 2011*

## Change In Portfolio

| | |
|---|---|
| Portfolio Value on 12-31-10 | 1,006,760.31 |
| Contributions | 1,000,596.91 |
| Withdrawals | -1,970.86 |
| Change in Market Value | 12,545.89 |
| Income Received | 34,608.21 |
| Portfolio Fees | -11,334.62 |
| Portfolio Value on 11-30-11 | 2,041,205.85 |
| | 2,041,205.85 |

## Asset Allocation




## Time Weighted Return - Gross of Fees

| | Month To Date | Quarter To Date | Year To Date | Latest 1 Year | Annualized Latest 3 Year | Inception To Date |
|---|---|---|---|---|---|---|
| Account | -1.73 | 4.43 | 0.74 | 3.64 | - | 3.64 |
| S&P/Barclays Blend | -0.16 | 5.36 | 4.19 | 7.10 | 11.58 | 7.10 |
| Barclays Aggregate | -0.09 | 0.02 | 6.69 | 5.54 | 7.70 | 5.54 |
| S&P 500 Adj for Divs | -0.22 | 10.69 | 1.09 | 7.84 | 14.12 | 7.84 |
| NASDAQ | -2.39 | 8.48 | -1.23 | 4.89 | 19.50 | 4.89 |
| MSCI EAFE | -4.85 | 4.32 | -11.30 | -4.12 | 10.11 | -4.12 |

## Time Weighted Return - Net of Fees

| | Month To Date | Quarter To Date | Year To Date | Latest 1 Year | Annualized Latest 3 Year | Inception To Date |
|---|---|---|---|---|---|---|
| Account | -1.82 | 4.24 | -0.19 | 2.57 | - | 2.57 |
| S&P/Barclays Blend | -0.16 | 5.36 | 4.19 | 7.10 | 11.58 | 7.10 |
| Barclays Aggregate | -0.09 | 0.02 | 6.69 | 5.54 | 7.70 | 5.54 |
| S&P 500 Adj for Divs | -0.22 | 10.69 | 1.09 | 7.84 | 14.12 | 7.84 |
| NASDAQ | -2.39 | 8.48 | -1.23 | 4.89 | 19.50 | 4.89 |
| MSCI EAFE | -4.85 | 4.32 | -11.30 | -4.12 | 10.11 | -4.12 |

# PORTFOLIO APPRAISAL

*November 30, 2011*

| Quantity | Security | Security Symbol | Unit Cost | Total Cost | Price | Market Value | Pct. Assets | Cur. Yield |
|---|---|---|---|---|---|---|---|---|
| **FIXED INC MUTUAL FUNDS** | | | | | | | | |
| Taxable Funds | | | | | | | | |
| 21,329.834 | DELAWARE DIVERSIFIED INCOME INSTL | DPFF.X | 9.50 | 202,717.29 | 9.28 | 197,940.86 | 9.7 | 4.5 |
| 7,147.127 | LEGG MASON BW GLOBAL OPPS BD IS | GOBS.X | 10.85 | 77,533.90 | 10.97 | 78,403.98 | 3.8 | 7.0 |
| 19,083.487 | METROPOLITAN WEST TOTAL RETURN BOND I | MWTI.X | 10.60 | 202,190.97 | 10.38 | 198,086.60 | 9.7 | 4.6 |
| 15,389.347 | OPPENHEIMER INTERNATIONAL BOND Y | OIBY.X | 6.59 | 101,360.47 | 6.29 | 96,798.99 | 4.7 | 4.3 |
| 14,003.616 | PRUDENTIAL TOTAL RETURN BOND Z | PDBZ.X | 14.02 | 196,290.93 | 14.16 | 198,291.20 | 9.7 | 4.0 |
| 13,770.590 | TEMPLETON GLOBAL BOND ADV | TGBA.X | 13.14 | 180,984.91 | 12.69 | 174,748.79 | 8.6 | 5.0 |
| 18,045.141 | WESTERN ASSET CORE PLUS BOND INSTL | WACP.X | 11.01 | 198,720.68 | 11.00 | 198,496.55 | 9.7 | 3.8 |
| | | | | 1,159,799.14 | | 1,142,766.97 | 56.0 | 4.6 |
| | | | | 1,159,799.14 | | 1,142,766.97 | 56.0 | 4.6 |
| **DOMESTIC EQUITY FUNDS** | | | | | | | | |
| Large Cap Funds | | | | | | | | |
| 4,914.337 | BLACKROCK EQUITY DIVIDEND INSTL | MADV.X | 16.41 | 80,634.12 | 17.99 | 88,408.92 | 4.3 | 2.0 |
| 3,379.567 | HARTFORD CAPITAL APPRECIATION Y | HCAY.X | 31.06 | 104,959.01 | 32.05 | 108,315.12 | 5.3 | 0.0 |
| 5,759.141 | JHANCOCK CLASSIC VALUE I | JCVI.X | 14.41 | 82,991.90 | 15.51 | 89,324.28 | 4.4 | 0.5 |
| 1,861.977 | NUVEEN TRADEWINDS VALUE OPPORTUNITIES I | NVOR.X | 32.58 | 60,656.08 | 34.42 | 64,089.25 | 3.1 | 0.0 |
| | | | | 329,241.11 | | 350,137.57 | 17.2 | 0.6 |
| Mid Cap Funds | | | | | | | | |
| 1,715.446 | COHEN & STEERS INSTL REALTY SHARES | CSRI.X | 34.94 | 59,932.17 | 38.12 | 65,392.80 | 3.2 | 2.1 |
| 2,282.434 | HARTFORD MIDCAP Y | HMDY.X | 20.16 | 46,013.61 | 19.83 | 45,260.67 | 2.2 | 0.0 |
| | | | | 105,945.78 | | 110,653.47 | 5.4 | 1.2 |
| Small Cap Funds | | | | | | | | |
| 2,212.830 | ROYCE SPECIAL EQUITY INSTL | RSEI.X | 19.49 | 43,122.99 | 20.90 | 46,248.15 | 2.3 | 0.6 |
| | | | | 478,309.89 | | 507,039.18 | 24.8 | 0.8 |
| **INTERNATIONAL FUNDS** | | | | | | | | |
| International | | | | | | | | |
| 6,042.188 | BRANDES INSTL INTERNATIONAL EQUITY | BIIE.X | 13.97 | 84,434.87 | 13.68 | 82,657.13 | 4.0 | 4.8 |
| 2,258.918 | NUVEEN TRADEWINDS GLOBAL ALL-CAP I | NWGR.X | 26.92 | 60,816.46 | 27.51 | 62,142.83 | 3.0 | 0.0 |

# PORTFOLIO APPRAISAL

*November 30, 2011*

| Quantity | Security | Security Symbol | Unit Cost | Total Cost | Price | Market Value | Pct. Assets | Cur. Yield |
|---|---|---|---|---|---|---|---|---|
| 1,199.355 | PRUDENTIAL GLOBAL REAL ESTATE Z | PURZ.X | 17.61 | 21,116.35 | 17.70 | 21,228.58 | 1.0 | 2.2 |
| 8,060.817 | ROYCE GLOBAL VALUE INVMT | RGVI.X | 13.05 | 105,199.76 | 12.51 | 100,840.82 | 4.9 | 0.9 |
| 2,484.184 | THORNBURG INTERNATIONAL VALUE I | TGVI.X | 25.22 | 62,643.12 | 25.23 | 62,675.96 | 3.1 | 1.5 |
| | | | | 334,210.56 | | 329,545.33 | 16.1 | 1.9 |
| | | | | 334,210.56 | | 329,545.33 | 16.1 | 1.9 |
| **BALANCED EQUITY FUNDS** | | | | | | | | |
| Balanced Funds | | | | | | | | |
| 3,442.090 | THORNBURG INVESTMENT INCOME BUILDER I | TIBI.X | 18.14 | 62,453.29 | 17.97 | 61,854.36 | 3.0 | 6.8 |
| | | | | 62,453.29 | | 61,854.36 | 3.0 | 6.8 |
| **TOTAL PORTFOLIO** | | | | **2,034,772.89** | | **2,041,205.85** | **100.0** | **3.3** |

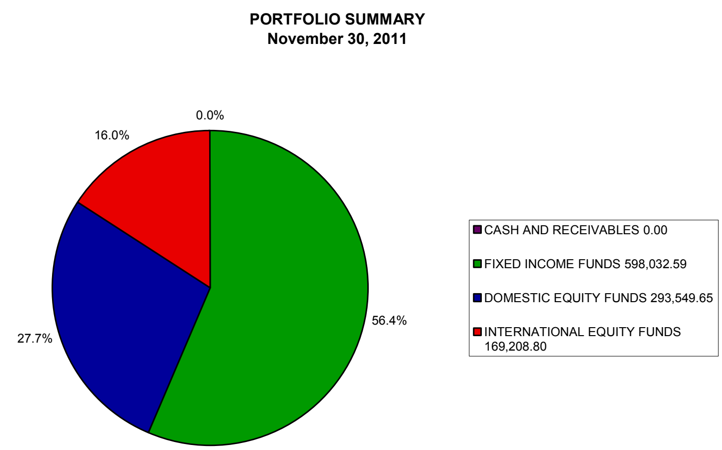
*ASSOCIATED STUDENTS INC CAL POLY SAN LUIS OBISPO*

*November 30, 2011*

## Change In Portfolio

| | |
|---|---|
| Portfolio Value on 12-31-10 | 709,513.30 |
| Contributions | 350,000.02 |
| Withdrawals | -1,388.57 |
| Change in Market Value | -12,850.56 |
| Income Received | 22,373.05 |
| Portfolio Fees | -6,856.20 |
| Portfolio Value on 11-30-11 | 1,060,791.04 |
| | 1,060,791.04 |

## Asset Allocation




## Time Weighted Return - Gross of Fees

| | Month To Date | Quarter To Date | Year To Date | Latest 1 Year | Annualized Latest 3 Year | Inception To Date |
|---|---|---|---|---|---|---|
| Account | -1.72 | 3.74 | 0.55 | - | - | 0.55 |
| S&P/Barclays Blend | -0.16 | 5.36 | 4.19 | 7.10 | 11.58 | 4.19 |
| Barclays Aggregate | -0.09 | 0.02 | 6.69 | 5.54 | 7.70 | 6.69 |
| S&P 500 Adj for Divs | -0.22 | 10.69 | 1.09 | 7.84 | 14.12 | 1.09 |
| NASDAQ | -2.39 | 8.48 | -1.23 | 4.89 | 19.50 | -1.23 |
| MSCI EAFE | -4.85 | 4.32 | -11.30 | -4.12 | 10.11 | -11.30 |

## Time Weighted Return - Net of Fees

| | Month To Date | Quarter To Date | Year To Date | Latest 1 Year | Annualized Latest 3 Year | Inception To Date |
|---|---|---|---|---|---|---|
| Account | -1.81 | 3.55 | -0.28 | - | - | -0.28 |
| S&P/Barclays Blend | -0.16 | 5.36 | 4.19 | 7.10 | 11.58 | 4.19 |
| Barclays Aggregate | -0.09 | 0.02 | 6.69 | 5.54 | 7.70 | 6.69 |
| S&P 500 Adj for Divs | -0.22 | 10.69 | 1.09 | 7.84 | 14.12 | 1.09 |
| NASDAQ | -2.39 | 8.48 | -1.23 | 4.89 | 19.50 | -1.23 |
| MSCI EAFE | -4.85 | 4.32 | -11.30 | -4.12 | 10.11 | -11.30 |

# PORTFOLIO APPRAISAL

*November 30, 2011*

| Quantity | Security | Security Symbol | Unit Cost | Total Cost | Price | Market Value | Pct. Assets | Cur. Yield |
|---|---|---|---|---|---|---|---|---|
| **CASH AND RECEIVABLES** | | | | | | | | |
| | CASH | CASH | | -0.02 | | -0.02 | 0.0 | 0.0 |
| | NORTHERN INSTL FUNDS GOVERNMENT SELECT | BGSX.X | | 0.02 | | 0.02 | 0.0 | 0.0 |
| | | | | 0.00 | | 0.00 | 0.0 | 0.0 |
| **FIXED INC MUTUAL FUNDS** | | | | | | | | |
| Taxable Funds | | | | | | | | |
| 11,170.982 | DELAWARE DIVERSIFIED INCOME INSTL | DPFF.X | 9.51 | 106,246.11 | 9.28 | 103,666.71 | 9.8 | 4.5 |
| 3,741.077 | LEGG MASON BW GLOBAL OPPS BD IS | GOBS.X | 10.80 | 40,412.46 | 10.97 | 41,039.61 | 3.9 | 7.0 |
| 10,027.010 | METROPOLITAN WEST TOTAL RETURN BOND I | MWTI.X | 10.57 | 106,010.92 | 10.38 | 104,080.36 | 9.8 | 4.6 |
| 7,978.606 | OPPENHEIMER INTERNATIONAL BOND Y | OIBY.X | 6.44 | 51,405.21 | 6.29 | 50,185.43 | 4.7 | 4.3 |
| 7,344.537 | PRUDENTIAL TOTAL RETURN BOND Z | PDBZ.X | 13.99 | 102,729.04 | 14.16 | 103,998.64 | 9.8 | 4.0 |
| 7,153.458 | TEMPLETON GLOBAL BOND ADV | TGBA.X | 13.17 | 94,244.15 | 12.69 | 90,777.38 | 8.6 | 5.0 |
| 9,480.404 | WESTERN ASSET CORE PLUS BOND INSTL | WACP.X | 10.94 | 103,696.81 | 11.00 | 104,284.44 | 9.8 | 3.8 |
| | | | | 604,744.70 | | 598,032.59 | 56.4 | 4.6 |
| | | | | 604,744.70 | | 598,032.59 | 56.4 | 4.6 |
| **DOMESTIC EQUITY FUNDS** | | | | | | | | |
| Large Cap Funds | | | | | | | | |
| 2,563.881 | BLACKROCK EQUITY DIVIDEND INSTL | MADV.X | 16.71 | 42,834.73 | 17.99 | 46,124.22 | 4.3 | 2.0 |
| 1,732.419 | HARTFORD CAPITAL APPRECIATION Y | HCAY.X | 33.23 | 57,566.68 | 32.05 | 55,524.03 | 5.2 | 0.0 |
| 2,983.268 | JHANCOCK CLASSIC VALUE I | JCVI.X | 15.06 | 44,914.44 | 15.51 | 46,270.49 | 4.4 | 0.5 |
| 952.058 | NUVEEN TRADEWINDS VALUE OPPORTUNITIES I | NVOR.X | 34.36 | 32,716.66 | 34.42 | 32,769.84 | 3.1 | 0.0 |
| | | | | 178,032.50 | | 180,688.57 | 17.0 | 0.7 |
| Mid Cap Funds | | | | | | | | |
| 871.423 | COHEN & STEERS INSTL REALTY SHARES | CSRI.X | 36.36 | 31,682.97 | 38.12 | 33,218.64 | 3.1 | 2.1 |
| 1,168.277 | HARTFORD MIDCAP Y | HMDY.X | 21.40 | 24,999.97 | 19.83 | 23,166.93 | 2.2 | 0.0 |
| | | | | 56,682.93 | | 56,385.58 | 5.3 | 1.2 |
| Small Cap Funds | | | | | | | | |
| 1,153.194 | ROYCE SPECIAL EQUITY INSTL | RSEI.X | 20.21 | 23,303.49 | 20.90 | 24,101.75 | 2.3 | 0.6 |
| | | | | 258,018.93 | | 261,175.90 | 24.6 | 0.8 |

# PORTFOLIO APPRAISAL

*November 30, 2011*

| Quantity | Security | Security Symbol | Unit Cost | Total Cost | Price | Market Value | Pct. Assets | Cur. Yield |
|---|---|---|---|---|---|---|---|---|
| **INTERNATIONAL FUNDS** | | | | | | | | |
| International | | | | | | | | |
| 3,167.125 | BRANDES INSTL INTERNATIONAL EQUITY | BIIE.X | 13.96 | 44,205.75 | 13.68 | 43,326.27 | 4.1 | 4.8 |
| 1,161.606 | NUVEEN TRADEWINDS GLOBAL ALL-CAP I | NWGR.X | 27.97 | 32,491.10 | 27.51 | 31,955.78 | 3.0 | 0.0 |
| 611.224 | PRUDENTIAL GLOBAL REAL ESTATE Z | PURZ.X | 18.55 | 11,338.09 | 17.70 | 10,818.66 | 1.0 | 2.2 |
| 4,052.721 | ROYCE GLOBAL VALUE INVMT | RGVI.X | 13.92 | 56,421.17 | 12.51 | 50,699.54 | 4.8 | 0.9 |
| 1,284.524 | THORNBURG INTERNATIONAL VALUE I | TGVI.X | 25.95 | 33,328.71 | 25.23 | 32,408.54 | 3.1 | 1.5 |
| | | | | 177,784.82 | | 169,208.80 | 16.0 | 1.9 |
| | | | | 177,784.82 | | 169,208.80 | 16.0 | 1.9 |
| **BALANCED EQUITY FUNDS** | | | | | | | | |
| Balanced Funds | | | | | | | | |
| 1,801.544 | THORNBURG INVESTMENT INCOME BUILDER I | TIBI.X | 18.49 | 33,316.14 | 17.97 | 32,373.75 | 3.1 | 6.8 |
| | | | | 33,316.14 | | 32,373.75 | 3.1 | 6.8 |
| **TOTAL PORTFOLIO** | | | | **1,073,864.59** | | **1,060,791.04** | **100.0** | **3.3** |

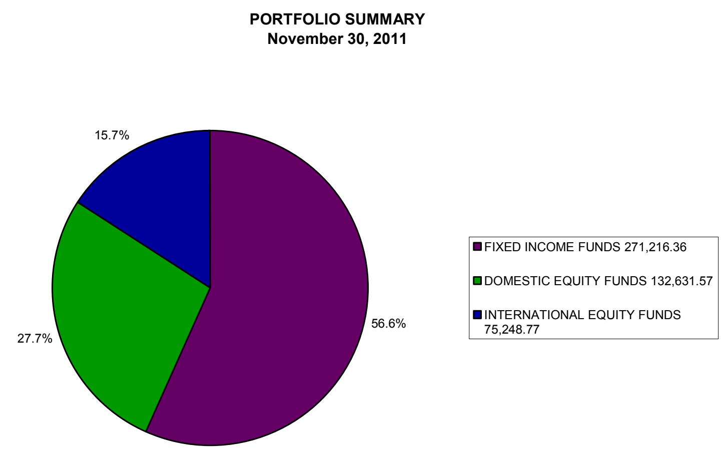
***UNIVERSITY ENTERPRISES INC CSU SACRAMENTO CSU AUXILIARIES INC***

*November 30, 2011*

## Change In Portfolio

| | |
|---|---|
| Portfolio Value on 12-31-10 | 0.00 |
| Contributions | 510,000.00 |
| Withdrawals | -10,000.00 |
| Change in Market Value | -25,815.44 |
| Income Received | 6,731.87 |
| Portfolio Fees | -1,819.73 |
| Portfolio Value on 11-30-11 | 479,096.70 |
| | 479,096.70 |

## Asset Allocation




## Time Weighted Return - Gross of Fees

| | Month To Date | Quarter To Date | Year To Date | Latest 1 Year | Annualized Latest 3 Year | Inception To Date |
|---|---|---|---|---|---|---|
| Account | -1.71 | 3.72 | - | - | - | -4.29 |
| S&P/Barclays Blend | -0.16 | 5.36 | 4.19 | 7.10 | 11.58 | -0.21 |
| Barclays Aggregate | -0.09 | 0.02 | 6.69 | 5.54 | 7.70 | 3.85 |
| S&P 500 Adj for Divs | -0.22 | 10.69 | 1.09 | 7.84 | 14.12 | -4.66 |
| NASDAQ | -2.39 | 8.48 | -1.23 | 4.89 | 19.50 | -5.52 |
| MSCI EAFE | -4.85 | 4.32 | -11.30 | -4.12 | 10.11 | -15.50 |

## Time Weighted Return - Net of Fees

| | Month To Date | Quarter To Date | Year To Date | Latest 1 Year | Annualized Latest 3 Year | Inception To Date |
|---|---|---|---|---|---|---|
| Account | -1.80 | 3.54 | - | - | - | -4.65 |
| S&P/Barclays Blend | -0.16 | 5.36 | 4.19 | 7.10 | 11.58 | -0.21 |
| Barclays Aggregate | -0.09 | 0.02 | 6.69 | 5.54 | 7.70 | 3.85 |
| S&P 500 Adj for Divs | -0.22 | 10.69 | 1.09 | 7.84 | 14.12 | -4.66 |
| NASDAQ | -2.39 | 8.48 | -1.23 | 4.89 | 19.50 | -5.52 |
| MSCI EAFE | -4.85 | 4.32 | -11.30 | -4.12 | 10.11 | -15.50 |

# PORTFOLIO APPRAISAL

*November 30, 2011*

| Quantity | Security | Security Symbol | Unit Cost | Total Cost | Price | Market Value | Pct. Assets | Cur. Yield |
|---|---|---|---|---|---|---|---|---|
| **FIXED INC MUTUAL FUNDS** | | | | | | | | |
| Taxable Funds | | | | | | | | |
| 5,094.366 | DELAWARE DIVERSIFIED INCOME INSTL | DPFF.X | 9.31 | 47,438.97 | 9.28 | 47,275.72 | 9.9 | 4.5 |
| 1,689.637 | LEGG MASON BW GLOBAL OPPS BD IS | GOBS.X | 10.86 | 18,341.69 | 10.97 | 18,535.32 | 3.9 | 7.0 |
| 4,587.393 | METROPOLITAN WEST TOTAL RETURN BOND I | MWTI.X | 10.44 | 47,896.63 | 10.38 | 47,617.14 | 9.9 | 4.6 |
| 3,561.734 | OPPENHEIMER INTERNATIONAL BOND Y | OIBY.X | 6.71 | 23,889.86 | 6.29 | 22,403.31 | 4.7 | 4.3 |
| 3,351.996 | PRUDENTIAL TOTAL RETURN BOND Z | PDBZ.X | 14.07 | 47,177.13 | 14.16 | 47,464.26 | 9.9 | 4.0 |
| 3,172.675 | TEMPLETON GLOBAL BOND ADV | TGBA.X | 13.83 | 43,881.22 | 12.69 | 40,261.25 | 8.4 | 5.0 |
| 4,332.670 | WESTERN ASSET CORE PLUS BOND INSTL | WACP.X | 10.94 | 47,409.18 | 11.00 | 47,659.37 | 9.9 | 3.8 |
| | | | | 276,034.67 | | 271,216.36 | 56.6 | 4.5 |
| | | | | 276,034.67 | | 271,216.36 | 56.6 | 4.5 |
| **DOMESTIC EQUITY FUNDS** | | | | | | | | |
| Large Cap Funds | | | | | | | | |
| 1,165.611 | BLACKROCK EQUITY DIVIDEND INSTL | MADV.X | 18.42 | 21,468.66 | 17.99 | 20,969.34 | 4.4 | 2.0 |
| 781.728 | HARTFORD CAPITAL APPRECIATION Y | HCAY.X | 36.08 | 28,205.43 | 32.05 | 25,054.38 | 5.2 | 0.0 |
| 1,341.190 | JHANCOCK CLASSIC VALUE I | JCVI.X | 17.03 | 22,846.43 | 15.51 | 20,801.86 | 4.3 | 0.5 |
| 428.739 | NUVEEN TRADEWINDS VALUE OPPORTUNITIES I | NVOR.X | 35.43 | 15,191.58 | 34.42 | 14,757.20 | 3.1 | 0.0 |
| | | | | 87,712.10 | | 81,582.78 | 17.0 | 0.7 |
| Mid Cap Funds | | | | | | | | |
| 392.091 | COHEN & STEERS INSTL REALTY SHARES | CSRI.X | 41.42 | 16,242.31 | 38.12 | 14,946.51 | 3.1 | 2.1 |
| 529.144 | HARTFORD MIDCAP Y | HMDY.X | 24.09 | 12,747.82 | 19.83 | 10,492.93 | 2.2 | 0.0 |
| | | | | 28,990.12 | | 25,439.43 | 5.3 | 1.2 |
| Small Cap Funds | | | | | | | | |
| 525.451 | ROYCE SPECIAL EQUITY INSTL | RSEI.X | 20.97 | 11,017.27 | 20.90 | 10,981.93 | 2.3 | 0.6 |
| | | | | 127,719.49 | | 118,004.14 | 24.6 | 0.8 |
| **INTERNATIONAL FUNDS** | | | | | | | | |
| International | | | | | | | | |
| 1,399.742 | BRANDES INSTL INTERNATIONAL EQUITY | BIIE.X | 15.38 | 21,533.88 | 13.68 | 19,148.47 | 4.0 | 4.8 |
| 522.899 | NUVEEN TRADEWINDS GLOBAL ALL-CAP I | NWGR.X | 29.29 | 15,314.59 | 27.51 | 14,384.95 | 3.0 | 0.0 |

# PORTFOLIO APPRAISAL

*November 30, 2011*

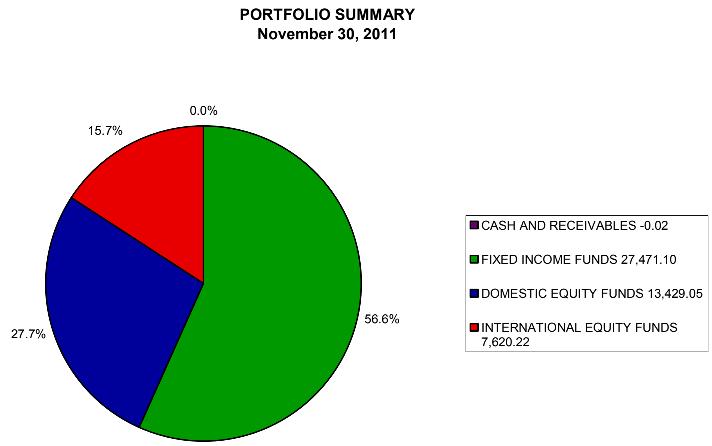
| Quantity | Security | Security Symbol | Unit Cost | Total Cost | Price | Market Value | Pct. Assets | Cur. Yield |
|---|---|---|---|---|---|---|---|---|
| 273.113 | PRUDENTIAL GLOBAL REAL ESTATE Z | PURZ.X | 19.65 | 5,365.79 | 17.70 | 4,834.10 | 1.0 | 2.2 |
| 1,795.372 | ROYCE GLOBAL VALUE INVMT | RGVI.X | 14.80 | 26,579.19 | 12.51 | 22,460.10 | 4.7 | 0.9 |
| 571.587 | THORNBURG INTERNATIONAL VALUE I | TGVI.X | 29.27 | 16,732.68 | 25.23 | 14,421.14 | 3.0 | 1.5 |
| | | | | 85,526.12 | | 75,248.77 | 15.7 | 1.9 |
| | | | | 85,526.12 | | 75,248.77 | 15.7 | 1.9 |
| **BALANCED EQUITY FUNDS** | | | | | | | | |
| Balanced Funds | | | | | | | | |
| 813.992 | THORNBURG INVESTMENT INCOME BUILDER I | TIBI.X | 19.37 | 15,767.22 | 17.97 | 14,627.44 | 3.1 | 6.8 |
| | | | | 15,767.22 | | 14,627.44 | 3.1 | 6.8 |
| **TOTAL PORTFOLIO** | | | | **505,047.50** | | **479,096.70** | **100.0** | **3.3** |

***LOKER STUDENT UNION INC***
*November 30, 2011*

## Change In Portfolio

| | |
|---|---|
| Portfolio Value on 12-31-10 | 0.00 |
| Contributions | 55,000.00 |
| Withdrawals | -5,096.39 |
| Change in Market Value | -2,198.68 |
| Income Received | 1,051.90 |
| Portfolio Fees | -236.49 |
| Portfolio Value on 11-30-11 | 48,520.34 |
| | 48,520.34 |

## Asset Allocation




## Time Weighted Return - Gross of Fees

| | Month To Date | Quarter To Date | Year To Date | Latest 1 Year | Annualized Latest 3 Year | Inception To Date |
|---|---|---|---|---|---|---|
| Account | -1.71 | 3.72 | - | - | - | -2.92 |
| S&P/Barclays Blend | -0.16 | 5.36 | 4.19 | 7.10 | 11.58 | 1.00 |
| Barclays Aggregate | -0.09 | 0.02 | 6.69 | 5.54 | 7.70 | 6.23 |
| S&P 500 Adj for Divs | -0.22 | 10.69 | 1.09 | 7.84 | 14.12 | -4.57 |
| NASDAQ | -2.39 | 8.48 | -1.23 | 4.89 | 19.50 | -5.78 |
| MSCI EAFE | -4.85 | 4.32 | -11.30 | -4.12 | 10.11 | -14.19 |

## Time Weighted Return - Net of Fees

| | Month To Date | Quarter To Date | Year To Date | Latest 1 Year | Annualized Latest 3 Year | Inception To Date |
|---|---|---|---|---|---|---|
| Account | -1.80 | 3.53 | - | - | - | -3.39 |
| S&P/Barclays Blend | -0.16 | 5.36 | 4.19 | 7.10 | 11.58 | 1.00 |
| Barclays Aggregate | -0.09 | 0.02 | 6.69 | 5.54 | 7.70 | 6.23 |
| S&P 500 Adj for Divs | -0.22 | 10.69 | 1.09 | 7.84 | 14.12 | -4.57 |
| NASDAQ | -2.39 | 8.48 | -1.23 | 4.89 | 19.50 | -5.78 |
| MSCI EAFE | -4.85 | 4.32 | -11.30 | -4.12 | 10.11 | -14.19 |

# PORTFOLIO APPRAISAL

*November 30, 2011*

| Quantity | Security | Security Symbol | Unit Cost | Total Cost | Price | Market Value | Pct. Assets | Cur. Yield |
|---|---|---|---|---|---|---|---|---|
| **CASH AND RECEIVABLES** | | | | | | | | |
| | CASH | CASH | | -0.02 | | -0.02 | 0.0 | 0.0 |
| **FIXED INC MUTUAL FUNDS** | | | | | | | | |
| Taxable Funds | | | | | | | | |
| 515.996 | DELAWARE DIVERSIFIED INCOME INSTL | DPFF.X | 9.20 | 4,749.56 | 9.28 | 4,788.44 | 9.9 | 4.5 |
| 171.137 | LEGG MASON BW GLOBAL OPPS BD IS | GOBS.X | 10.69 | 1,829.41 | 10.97 | 1,877.37 | 3.9 | 7.0 |
| 464.643 | METROPOLITAN WEST TOTAL RETURN BOND I | MWTI.X | 10.39 | 4,828.88 | 10.38 | 4,822.99 | 9.9 | 4.6 |
| 360.791 | OPPENHEIMER INTERNATIONAL BOND Y | OIBY.X | 6.54 | 2,360.18 | 6.29 | 2,269.38 | 4.7 | 4.3 |
| 339.510 | PRUDENTIAL TOTAL RETURN BOND Z | PDBZ.X | 13.84 | 4,698.65 | 14.16 | 4,807.46 | 9.9 | 4.0 |
| 321.371 | TEMPLETON GLOBAL BOND ADV | TGBA.X | 13.61 | 4,372.56 | 12.69 | 4,078.20 | 8.4 | 5.0 |
| 438.841 | WESTERN ASSET CORE PLUS BOND INSTL | WACP.X | 10.81 | 4,745.94 | 11.00 | 4,827.25 | 9.9 | 3.8 |
| | | | | 27,585.17 | | 27,471.10 | 56.6 | 4.5 |
| | | | | 27,585.17 | | 27,471.10 | 56.6 | 4.5 |
| **DOMESTIC EQUITY FUNDS** | | | | | | | | |
| Large Cap Funds | | | | | | | | |
| 118.027 | BLACKROCK EQUITY DIVIDEND INSTL | MADV.X | 18.44 | 2,176.30 | 17.99 | 2,123.31 | 4.4 | 2.0 |
| 79.078 | HARTFORD CAPITAL APPRECIATION Y | HCAY.X | 37.04 | 2,928.80 | 32.05 | 2,534.45 | 5.2 | 0.0 |
| 135.804 | JHANCOCK CLASSIC VALUE I | JCVI.X | 16.99 | 2,307.19 | 15.51 | 2,106.32 | 4.3 | 0.5 |
| 43.416 | NUVEEN TRADEWINDS VALUE OPPORTUNITIES I | NVOR.X | 35.66 | 1,548.14 | 34.42 | 1,494.38 | 3.1 | 0.0 |
| | | | | 8,960.43 | | 8,258.45 | 17.0 | 0.7 |
| Mid Cap Funds | | | | | | | | |
| 39.747 | COHEN & STEERS INSTL REALTY SHARES | CSRI.X | 39.64 | 1,575.41 | 38.12 | 1,515.16 | 3.1 | 2.1 |
| 53.569 | HARTFORD MIDCAP Y | HMDY.X | 24.08 | 1,290.20 | 19.83 | 1,062.27 | 2.2 | 0.0 |
| | | | | 2,865.61 | | 2,577.43 | 5.3 | 1.2 |
| Small Cap Funds | | | | | | | | |
| 53.150 | ROYCE SPECIAL EQUITY INSTL | RSEI.X | 21.32 | 1,132.91 | 20.90 | 1,110.84 | 2.3 | 0.6 |
| | | | | 12,958.95 | | 11,946.72 | 24.6 | 0.8 |
| **INTERNATIONAL FUNDS** | | | | | | | | |
| International | | | | | | | | |
| 141.741 | BRANDES INSTL INTERNATIONAL EQUITY | BIIE.X | 15.38 | 2,180.17 | 13.68 | 1,939.02 | 4.0 | 4.8 |

# PORTFOLIO APPRAISAL

*November 30, 2011*

| Quantity | Security | Security Symbol | Unit Cost | Total Cost | Price | Market Value | Pct. Assets | Cur. Yield |
|---|---|---|---|---|---|---|---|---|
| 52.951 | NUVEEN TRADEWINDS GLOBAL ALL-CAP I | NWGR.X | 29.47 | 1,560.44 | 27.51 | 1,456.68 | 3.0 | 0.0 |
| 27.676 | PRUDENTIAL GLOBAL REAL ESTATE Z | PURZ.X | 19.14 | 529.66 | 17.70 | 489.87 | 1.0 | 2.2 |
| 181.780 | ROYCE GLOBAL VALUE INVMT | RGVI.X | 14.88 | 2,704.60 | 12.51 | 2,274.07 | 4.7 | 0.9 |
| 57.891 | THORNBURG INTERNATIONAL VALUE I | TGVI.X | 29.13 | 1,686.35 | 25.23 | 1,460.59 | 3.0 | 1.5 |
| | | | | 8,661.21 | | 7,620.22 | 15.7 | 1.9 |
| | | | | 8,661.21 | | 7,620.22 | 15.7 | 1.9 |
| **BALANCED EQUITY FUNDS** | | | | | | | | |
| Balanced Funds | | | | | | | | |
| 82.489 | THORNBURG INVESTMENT INCOME BUILDER I | TIBI.X | 19.47 | 1,606.23 | 17.97 | 1,482.33 | 3.1 | 6.8 |
| | | | | 1,606.23 | | 1,482.33 | 3.1 | 6.8 |
| **TOTAL PORTFOLIO** | | | | **50,811.54** | | **48,520.34** | **100.0** | **3.3** |

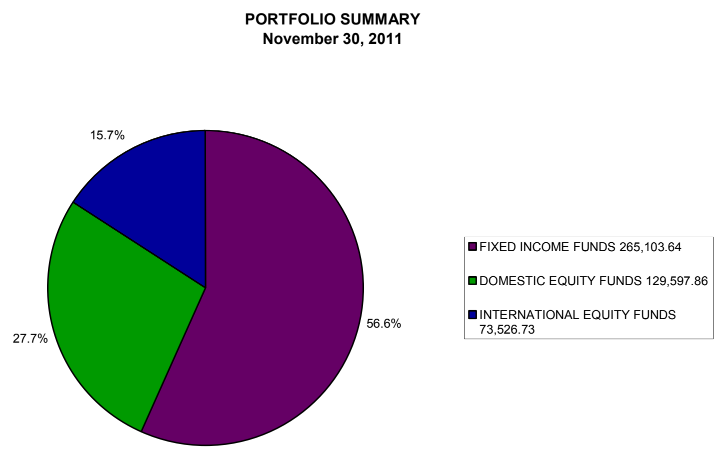
***UNIVERSITY STUDENT UNION BOARD CA STATE UNIV, LOS ANGELES CSU AUXILIARIE***

*November 30, 2011*

## Change In Portfolio

| | |
|---|---|
| Portfolio Value on 12-31-10 | 0.00 |
| Contributions | 500,000.00 |
| Withdrawals | -5,612.67 |
| Change in Market Value | -32,618.94 |
| Income Received | 8,569.40 |
| Portfolio Fees | -2,109.56 |
| Portfolio Value on 11-30-11 | 468,228.23 |
| | 468,228.23 |

## Asset Allocation




## Time Weighted Return - Gross of Fees

| | Month To Date | Quarter To Date | Year To Date | Latest 1 Year | Annualized Latest 3 Year | Inception To Date |
|---|---|---|---|---|---|---|
| Account | -1.71 | 3.72 | - | - | - | -5.21 |
| S&P/Barclays Blend | -0.16 | 5.36 | 4.19 | 7.10 | 11.58 | -1.19 |
| Barclays Aggregate | -0.09 | 0.02 | 6.69 | 5.54 | 7.70 | 3.55 |
| S&P 500 Adj for Divs | -0.22 | 10.69 | 1.09 | 7.84 | 14.12 | -6.25 |
| NASDAQ | -2.39 | 8.48 | -1.23 | 4.89 | 19.50 | -7.58 |
| MSCI EAFE | -4.85 | 4.32 | -11.30 | -4.12 | 10.11 | -16.56 |

## Time Weighted Return - Net of Fees

| | Month To Date | Quarter To Date | Year To Date | Latest 1 Year | Annualized Latest 3 Year | Inception To Date |
|---|---|---|---|---|---|---|
| Account | -1.80 | 3.53 | - | - | - | -5.63 |
| S&P/Barclays Blend | -0.16 | 5.36 | 4.19 | 7.10 | 11.58 | -1.19 |
| Barclays Aggregate | -0.09 | 0.02 | 6.69 | 5.54 | 7.70 | 3.55 |
| S&P 500 Adj for Divs | -0.22 | 10.69 | 1.09 | 7.84 | 14.12 | -6.25 |
| NASDAQ | -2.39 | 8.48 | -1.23 | 4.89 | 19.50 | -7.58 |
| MSCI EAFE | -4.85 | 4.32 | -11.30 | -4.12 | 10.11 | -16.56 |

# PORTFOLIO APPRAISAL

*November 30, 2011*

| Quantity | Security | Security Symbol | Unit Cost | Total Cost | Price | Market Value | Pct. Assets | Cur. Yield |
|---|---|---|---|---|---|---|---|---|
| **FIXED INC MUTUAL FUNDS** | | | | | | | | |
| Taxable Funds | | | | | | | | |
| 4,979.548 | DELAWARE DIVERSIFIED INCOME INSTL | DPFF.X | 9.38 | 46,707.37 | 9.28 | 46,210.21 | 9.9 | 4.5 |
| 1,651.542 | LEGG MASON BW GLOBAL OPPS BD IS | GOBS.X | 10.95 | 18,087.97 | 10.97 | 18,117.42 | 3.9 | 7.0 |
| 4,483.941 | METROPOLITAN WEST TOTAL RETURN BOND I | MWTI.X | 10.54 | 47,252.94 | 10.38 | 46,543.31 | 9.9 | 4.6 |
| 3,481.683 | OPPENHEIMER INTERNATIONAL BOND Y | OIBY.X | 6.71 | 23,350.98 | 6.29 | 21,899.79 | 4.7 | 4.3 |
| 3,276.374 | PRUDENTIAL TOTAL RETURN BOND Z | PDBZ.X | 14.12 | 46,269.84 | 14.16 | 46,393.46 | 9.9 | 4.0 |
| 3,101.324 | TEMPLETON GLOBAL BOND ADV | TGBA.X | 13.89 | 43,068.65 | 12.69 | 39,355.80 | 8.4 | 5.0 |
| 4,234.879 | WESTERN ASSET CORE PLUS BOND INSTL | WACP.X | 11.00 | 46,586.54 | 11.00 | 46,583.67 | 9.9 | 3.8 |
| | | | | 271,324.30 | | 265,103.64 | 56.6 | 4.5 |
| | | | | 271,324.30 | | 265,103.64 | 56.6 | 4.5 |
| **DOMESTIC EQUITY FUNDS** | | | | | | | | |
| Large Cap Funds | | | | | | | | |
| 1,139.101 | BLACKROCK EQUITY DIVIDEND INSTL | MADV.X | 18.73 | 21,333.90 | 17.99 | 20,492.43 | 4.4 | 2.0 |
| 763.236 | HARTFORD CAPITAL APPRECIATION Y | HCAY.X | 37.68 | 28,755.35 | 32.05 | 24,461.71 | 5.2 | 0.0 |
| 1,310.506 | JHANCOCK CLASSIC VALUE I | JCVI.X | 17.38 | 22,775.68 | 15.51 | 20,325.95 | 4.3 | 0.5 |
| 419.019 | NUVEEN TRADEWINDS VALUE OPPORTUNITIES I | NVOR.X | 36.20 | 15,170.21 | 34.42 | 14,422.63 | 3.1 | 0.0 |
| | | | | 88,035.15 | | 79,702.72 | 17.0 | 0.7 |
| Mid Cap Funds | | | | | | | | |
| 383.285 | COHEN & STEERS INSTL REALTY SHARES | CSRI.X | 41.68 | 15,976.98 | 38.12 | 14,610.82 | 3.1 | 2.1 |
| 516.903 | HARTFORD MIDCAP Y | HMDY.X | 24.58 | 12,707.82 | 19.83 | 10,250.19 | 2.2 | 0.0 |
| | | | | 28,684.79 | | 24,861.01 | 5.3 | 1.2 |
| Small Cap Funds | | | | | | | | |
| 513.234 | ROYCE SPECIAL EQUITY INSTL | RSEI.X | 21.51 | 11,038.19 | 20.90 | 10,726.59 | 2.3 | 0.6 |
| | | | | 127,758.13 | | 115,290.32 | 24.6 | 0.8 |
| **INTERNATIONAL FUNDS** | | | | | | | | |
| International | | | | | | | | |
| 1,367.640 | BRANDES INSTL INTERNATIONAL EQUITY | BIIE.X | 15.85 | 21,671.01 | 13.68 | 18,709.32 | 4.0 | 4.8 |
| 511.029 | NUVEEN TRADEWINDS GLOBAL ALL-CAP I | NWGR.X | 30.01 | 15,336.59 | 27.51 | 14,058.41 | 3.0 | 0.0 |

# PORTFOLIO APPRAISAL

*November 30, 2011*

| Quantity | Security | Security Symbol | Unit Cost | Total Cost | Price | Market Value | Pct. Assets | Cur. Yield |
|---|---|---|---|---|---|---|---|---|
| 266.952 | PRUDENTIAL GLOBAL REAL ESTATE Z | PURZ.X | 19.98 | 5,333.52 | 17.70 | 4,725.05 | 1.0 | 2.2 |
| 1,754.031 | ROYCE GLOBAL VALUE INVMT | RGVI.X | 15.30 | 26,835.84 | 12.51 | 21,942.93 | 4.7 | 0.9 |
| 558.503 | THORNBURG INTERNATIONAL VALUE I | TGVI.X | 30.07 | 16,791.41 | 25.23 | 14,091.03 | 3.0 | 1.5 |
| | | | | 85,968.37 | | 73,526.73 | 15.7 | 1.9 |
| | | | | 85,968.37 | | 73,526.73 | 15.7 | 1.9 |
| **BALANCED EQUITY FUNDS** | | | | | | | | |
| Balanced Funds | | | | | | | | |
| 796.190 | THORNBURG INVESTMENT INCOME BUILDER I | TIBI.X | 19.83 | 15,791.87 | 17.97 | 14,307.53 | 3.1 | 6.8 |
| | | | | 15,791.87 | | 14,307.53 | 3.1 | 6.8 |
| **TOTAL PORTFOLIO** | | | | **500,842.67** | | **468,228.23** | **100.0** | **3.3** |

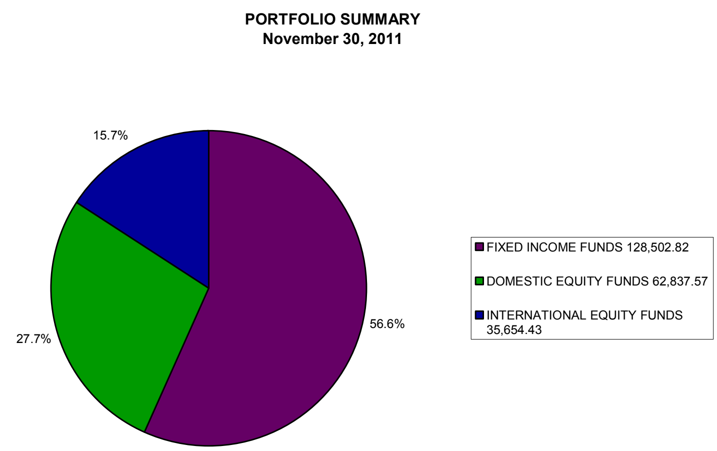
*ASI - CSU SAN BERNARDINO CSU AUXILIARIES MULTIPLEEMPLOYER VEBA TRUST*

*November 30, 2011*

## Change In Portfolio

| | |
|---|---|
| Portfolio Value on 12-31-10 | 0.00 |
| Contributions | 242,255.00 |
| Withdrawals | -5,297.38 |
| Change in Market Value | -12,851.99 |
| Income Received | 3,912.24 |
| Portfolio Fees | -1,023.05 |
| Portfolio Value on 11-30-11 | 226,994.82 |
| | 226,994.82 |

## Asset Allocation




## Time Weighted Return - Gross of Fees

| | Month To Date | Quarter To Date | Year To Date | Latest 1 Year | Annualized Latest 3 Year | Inception To Date |
|---|---|---|---|---|---|---|
| Account | -1.71 | 3.72 | - | - | - | -5.33 |
| S&P/Barclays Blend | -0.16 | 5.36 | 4.19 | 7.10 | 11.58 | -1.19 |
| Barclays Aggregate | -0.09 | 0.02 | 6.69 | 5.54 | 7.70 | 3.55 |
| S&P 500 Adj for Divs | -0.22 | 10.69 | 1.09 | 7.84 | 14.12 | -6.25 |
| NASDAQ | -2.39 | 8.48 | -1.23 | 4.89 | 19.50 | -7.58 |
| MSCI EAFE | -4.85 | 4.32 | -11.30 | -4.12 | 10.11 | -16.56 |

## Time Weighted Return - Net of Fees

| | Month To Date | Quarter To Date | Year To Date | Latest 1 Year | Annualized Latest 3 Year | Inception To Date |
|---|---|---|---|---|---|---|
| Account | -1.80 | 3.53 | - | - | - | -5.75 |
| S&P/Barclays Blend | -0.16 | 5.36 | 4.19 | 7.10 | 11.58 | -1.19 |
| Barclays Aggregate | -0.09 | 0.02 | 6.69 | 5.54 | 7.70 | 3.55 |
| S&P 500 Adj for Divs | -0.22 | 10.69 | 1.09 | 7.84 | 14.12 | -6.25 |
| NASDAQ | -2.39 | 8.48 | -1.23 | 4.89 | 19.50 | -7.58 |
| MSCI EAFE | -4.85 | 4.32 | -11.30 | -4.12 | 10.11 | -16.56 |

# PORTFOLIO APPRAISAL

*November 30, 2011*

| Quantity | Security | Security Symbol | Unit Cost | Total Cost | Price | Market Value | Pct. Assets | Cur. Yield |
|---|---|---|---|---|---|---|---|---|
| **FIXED INC MUTUAL FUNDS** | | | | | | | | |
| Taxable Funds | | | | | | | | |
| 2,413.682 | DELAWARE DIVERSIFIED INCOME INSTL | DPFF.X | 9.37 | 22,616.37 | 9.28 | 22,398.97 | 9.9 | 4.5 |
| 800.541 | LEGG MASON BW GLOBAL OPPS BD IS | GOBS.X | 10.86 | 8,696.99 | 10.97 | 8,781.93 | 3.9 | 7.0 |
| 2,173.496 | METROPOLITAN WEST TOTAL RETURN BOND I | MWTI.X | 10.55 | 22,926.01 | 10.38 | 22,560.89 | 9.9 | 4.6 |
| 1,687.679 | OPPENHEIMER INTERNATIONAL BOND Y | OIBY.X | 6.60 | 11,137.17 | 6.29 | 10,615.50 | 4.7 | 4.3 |
| 1,588.153 | PRUDENTIAL TOTAL RETURN BOND Z | PDBZ.X | 14.10 | 22,397.07 | 14.16 | 22,488.25 | 9.9 | 4.0 |
| 1,503.240 | TEMPLETON GLOBAL BOND ADV | TGBA.X | 13.78 | 20,715.12 | 12.69 | 19,076.12 | 8.4 | 5.0 |
| 2,052.833 | WESTERN ASSET CORE PLUS BOND INSTL | WACP.X | 11.01 | 22,602.68 | 11.00 | 22,581.16 | 9.9 | 3.8 |
| | | | | 131,091.41 | | 128,502.82 | 56.6 | 4.5 |
| | | | | 131,091.41 | | 128,502.82 | 56.6 | 4.5 |
| **DOMESTIC EQUITY FUNDS** | | | | | | | | |
| Large Cap Funds | | | | | | | | |
| 552.256 | BLACKROCK EQUITY DIVIDEND INSTL | MADV.X | 18.42 | 10,172.70 | 17.99 | 9,935.09 | 4.4 | 2.0 |
| 370.143 | HARTFORD CAPITAL APPRECIATION Y | HCAY.X | 36.76 | 13,608.19 | 32.05 | 11,863.08 | 5.2 | 0.0 |
| 635.458 | JHANCOCK CLASSIC VALUE I | JCVI.X | 17.02 | 10,817.03 | 15.51 | 9,855.95 | 4.3 | 0.5 |
| 203.117 | NUVEEN TRADEWINDS VALUE OPPORTUNITIES I | NVOR.X | 35.69 | 7,248.70 | 34.42 | 6,991.29 | 3.1 | 0.0 |
| | | | | 41,846.63 | | 38,645.41 | 17.0 | 0.7 |
| Mid Cap Funds | | | | | | | | |
| 185.792 | COHEN & STEERS INSTL REALTY SHARES | CSRI.X | 41.23 | 7,660.44 | 38.12 | 7,082.39 | 3.1 | 2.1 |
| 250.685 | HARTFORD MIDCAP Y | HMDY.X | 24.12 | 6,046.91 | 19.83 | 4,971.08 | 2.2 | 0.0 |
| | | | | 13,707.35 | | 12,053.47 | 5.3 | 1.2 |
| Small Cap Funds | | | | | | | | |
| 248.927 | ROYCE SPECIAL EQUITY INSTL | RSEI.X | 21.01 | 5,229.58 | 20.90 | 5,202.57 | 2.3 | 0.6 |
| | | | | 60,783.55 | | 55,901.46 | 24.6 | 0.8 |
| **INTERNATIONAL FUNDS** | | | | | | | | |
| International | | | | | | | | |
| 663.265 | BRANDES INSTL INTERNATIONAL EQUITY | BIIE.X | 15.30 | 10,146.48 | 13.68 | 9,073.47 | 4.0 | 4.8 |
| 247.751 | NUVEEN TRADEWINDS GLOBAL ALL-CAP I | NWGR.X | 29.23 | 7,242.78 | 27.51 | 6,815.63 | 3.0 | 0.0 |

# PORTFOLIO APPRAISAL

*November 30, 2011*

| Quantity | Security | Security Symbol | Unit Cost | Total Cost | Price | Market Value | Pct. Assets | Cur. Yield |
|---|---|---|---|---|---|---|---|---|
| 129.416 | PRUDENTIAL GLOBAL REAL ESTATE Z | PURZ.X | 19.68 | 2,546.78 | 17.70 | 2,290.66 | 1.0 | 2.2 |
| 850.529 | ROYCE GLOBAL VALUE INVMT | RGVI.X | 14.89 | 12,663.21 | 12.51 | 10,640.12 | 4.7 | 0.9 |
| 270.890 | THORNBURG INTERNATIONAL VALUE I | TGVI.X | 29.17 | 7,903.11 | 25.23 | 6,834.55 | 3.0 | 1.5 |
| | | | | 40,502.36 | | 35,654.43 | 15.7 | 1.9 |
| | | | | 40,502.36 | | 35,654.43 | 15.7 | 1.9 |
| **BALANCED EQUITY FUNDS** | | | | | | | | |
| Balanced Funds | | | | | | | | |
| 385.983 | THORNBURG INVESTMENT INCOME BUILDER I | TIBI.X | 19.54 | 7,542.30 | 17.97 | 6,936.11 | 3.1 | 6.8 |
| | | | | 7,542.30 | | 6,936.11 | 3.1 | 6.8 |
| **TOTAL PORTFOLIO** | | | | **239,919.61** | | **226,994.82** | **100.0** | **3.3** |

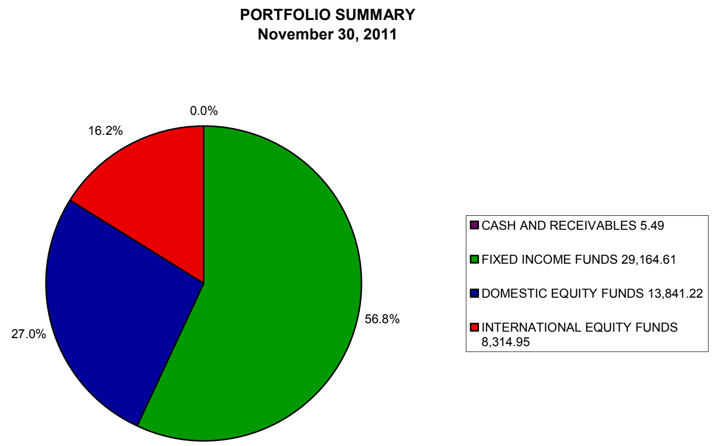
***ASI-CSU DOMINGUEZ HILLS CSU AUXILIARIES MULTIPLE EMPLOYER VEBA TRUST***

*November 30, 2011*

## Change In Portfolio

| | |
|---|---|
| Portfolio Value on 12-31-10 | 0.00 |
| Contributions | 50,000.00 |
| Withdrawals | 0.00 |
| Change in Market Value | 1,067.35 |
| Income Received | 307.20 |
| Portfolio Fees | -48.28 |
| Portfolio Value on 11-30-11 | 51,326.27 |
| | 51,326.27 |

## Asset Allocation




## Time Weighted Return - Gross of Fees

| | Month To Date | Quarter To Date | Year To Date | Latest 1 Year | Annualized Latest 3 Year | Inception To Date |
|---|---|---|---|---|---|---|
| Account | -1.74 | - | - | - | - | -1.74 |
| S&P/Barclays Blend | -0.16 | 5.36 | 4.19 | 7.10 | 11.58 | -0.16 |
| Barclays Aggregate | -0.09 | 0.02 | 6.69 | 5.54 | 7.70 | -0.09 |
| S&P 500 Adj for Divs | -0.22 | 10.69 | 1.09 | 7.84 | 14.12 | -0.22 |
| NASDAQ | -2.39 | 8.48 | -1.23 | 4.89 | 19.50 | -2.39 |
| MSCI EAFE | -4.85 | 4.32 | -11.30 | -4.12 | 10.11 | -4.85 |

## Time Weighted Return - Net of Fees

| | Month To Date | Quarter To Date | Year To Date | Latest 1 Year | Annualized Latest 3 Year | Inception To Date |
|---|---|---|---|---|---|---|
| Account | -1.83 | - | - | - | - | -1.83 |
| S&P/Barclays Blend | -0.16 | 5.36 | 4.19 | 7.10 | 11.58 | -0.16 |
| Barclays Aggregate | -0.09 | 0.02 | 6.69 | 5.54 | 7.70 | -0.09 |
| S&P 500 Adj for Divs | -0.22 | 10.69 | 1.09 | 7.84 | 14.12 | -0.22 |
| NASDAQ | -2.39 | 8.48 | -1.23 | 4.89 | 19.50 | -2.39 |
| MSCI EAFE | -4.85 | 4.32 | -11.30 | -4.12 | 10.11 | -4.85 |

# PORTFOLIO APPRAISAL

*November 30, 2011*

| Quantity | Security | Security Symbol | Unit Cost | Total Cost | Price | Market Value | Pct. Assets | Cur. Yield |
|---|---|---|---|---|---|---|---|---|
| **CASH AND RECEIVABLES** | | | | | | | | |
| | CASH | CASH | | 5.49 | | 5.49 | 0.0 | 0.0 |
| **FIXED INC MUTUAL FUNDS** | | | | | | | | |
| Taxable Funds | | | | | | | | |
| 545.221 | DELAWARE DIVERSIFIED INCOME INSTL | DPFF.X | 9.20 | 5,016.24 | 9.28 | 5,059.65 | 9.9 | 4.5 |
| 182.277 | LEGG MASON BW GLOBAL OPPS BD IS | GOBS.X | 11.01 | 2,006.87 | 10.97 | 1,999.58 | 3.9 | 7.0 |
| 482.939 | METROPOLITAN WEST TOTAL RETURN BOND I | MWTI.X | 10.40 | 5,022.54 | 10.38 | 5,012.91 | 9.8 | 4.6 |
| 396.613 | OPPENHEIMER INTERNATIONAL BOND Y | OIBY.X | 6.33 | 2,510.57 | 6.29 | 2,494.70 | 4.9 | 4.3 |
| 356.012 | PRUDENTIAL TOTAL RETURN BOND Z | PDBZ.X | 14.10 | 5,019.89 | 14.16 | 5,041.13 | 9.8 | 4.0 |
| 356.625 | TEMPLETON GLOBAL BOND ADV | TGBA.X | 12.68 | 4,522.36 | 12.69 | 4,525.57 | 8.8 | 5.0 |
| 457.371 | WESTERN ASSET CORE PLUS BOND INSTL | WACP.X | 10.97 | 5,017.42 | 11.00 | 5,031.08 | 9.8 | 3.8 |
| | | | | 29,115.89 | | 29,164.61 | 56.8 | 4.6 |
| | | | | 29,115.89 | | 29,164.61 | 56.8 | 4.6 |
| **DOMESTIC EQUITY FUNDS** | | | | | | | | |
| Large Cap Funds | | | | | | | | |
| 118.923 | BLACKROCK EQUITY DIVIDEND INSTL | MADV.X | 16.83 | 2,001.62 | 17.99 | 2,139.42 | 4.2 | 2.0 |
| 81.865 | HARTFORD CAPITAL APPRECIATION Y | HCAY.X | 30.56 | 2,502.02 | 32.05 | 2,623.77 | 5.1 | 0.0 |
| 138.125 | JHANCOCK CLASSIC VALUE I | JCVI.X | 14.49 | 2,001.62 | 15.51 | 2,142.32 | 4.2 | 0.5 |
| 46.245 | NUVEEN TRADEWINDS VALUE OPPORTUNITIES I | NVOR.X | 32.46 | 1,501.21 | 34.42 | 1,591.75 | 3.1 | 0.0 |
| | | | | 8,006.47 | | 8,497.27 | 16.6 | 0.6 |
| Mid Cap Funds | | | | | | | | |
| 42.692 | COHEN & STEERS INSTL REALTY SHARES | CSRI.X | 35.16 | 1,501.21 | 38.12 | 1,627.42 | 3.2 | 2.1 |
| 54.665 | HARTFORD MIDCAP Y | HMDY.X | 20.51 | 1,121.37 | 19.83 | 1,084.01 | 2.1 | 0.0 |
| | | | | 2,622.58 | | 2,711.43 | 5.3 | 1.3 |
| Small Cap Funds | | | | | | | | |
| 52.121 | ROYCE SPECIAL EQUITY INSTL | RSEI.X | 19.20 | 1,000.81 | 20.90 | 1,089.33 | 2.1 | 0.6 |
| | | | | 11,629.86 | | 12,298.02 | 24.0 | 0.8 |
| **INTERNATIONAL FUNDS** | | | | | | | | |
| International | | | | | | | | |
| 150.035 | BRANDES INSTL INTERNATIONAL EQUITY | BIIE.X | 13.34 | 2,001.62 | 13.68 | 2,052.48 | 4.0 | 4.8 |

# PORTFOLIO APPRAISAL

*November 30, 2011*

| Quantity | Security | Security Symbol | Unit Cost | Total Cost | Price | Market Value | Pct. Assets | Cur. Yield |
|---|---|---|---|---|---|---|---|---|
| 56.731 | NUVEEN TRADEWINDS GLOBAL ALL-CAP I | NWGR.X | 26.46 | 1,501.21 | 27.51 | 1,560.67 | 3.0 | 0.0 |
| 30.052 | PRUDENTIAL GLOBAL REAL ESTATE Z | PURZ.X | 16.65 | 500.41 | 17.70 | 531.92 | 1.0 | 2.2 |
| 205.911 | ROYCE GLOBAL VALUE INVMT | RGVI.X | 12.15 | 2,502.02 | 12.51 | 2,575.95 | 5.0 | 0.9 |
| 63.176 | THORNBURG INTERNATIONAL VALUE I | TGVI.X | 23.76 | 1,501.21 | 25.23 | 1,593.93 | 3.1 | 1.5 |
| | | | | 8,006.47 | | 8,314.95 | 16.2 | 1.9 |
| | | | | 8,006.47 | | 8,314.95 | 16.2 | 1.9 |
| **BALANCED EQUITY FUNDS** | | | | | | | | |
| Balanced Funds | | | | | | | | |
| 85.876 | THORNBURG INVESTMENT INCOME BUILDER I | TIBI.X | 17.48 | 1,501.21 | 17.97 | 1,543.19 | 3.0 | 6.8 |
| | | | | 1,501.21 | | 1,543.19 | 3.0 | 6.8 |
| **TOTAL PORTFOLIO** | | | | **50,258.92** | | **51,326.27** | **100.0** | **3.3** |

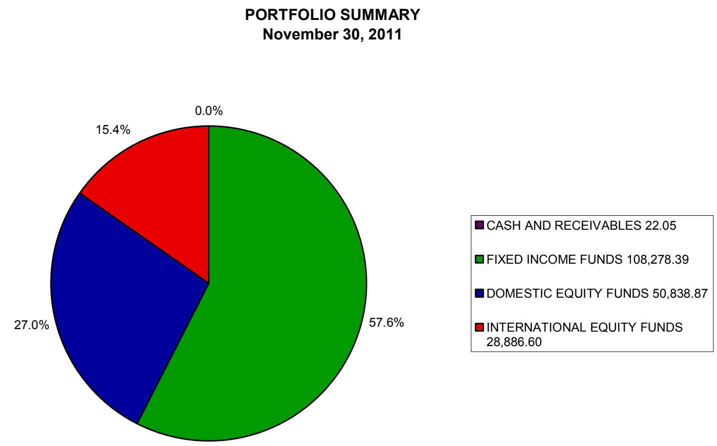
***ASSOCIATE STUDENTS INC LONG BEACH CSU AUXILIERS MULTIPLE EMPLOYER VERBA***

*November 30, 2011*

## Change In Portfolio

| | |
|---|---|
| Portfolio Value on 12-31-10 | 0.00 |
| Contributions | 200,000.00 |
| Withdrawals | -5,125.57 |
| Change in Market Value | -8,681.38 |
| Income Received | 2,615.52 |
| Portfolio Fees | -782.65 |
| Portfolio Value on 11-30-11 | 188,025.92 |
| | 188,025.92 |

## Asset Allocation




## Time Weighted Return - Gross of Fees

| | Month To Date | Quarter To Date | Year To Date | Latest 1 Year | Annualized Latest 3 Year | Inception To Date |
|---|---|---|---|---|---|---|
| Account | -1.72 | 3.65 | - | - | - | -4.46 |
| S&P/Barclays Blend | -0.16 | 5.36 | 4.19 | 7.10 | 11.58 | -0.21 |
| Barclays Aggregate | -0.09 | 0.02 | 6.69 | 5.54 | 7.70 | 3.85 |
| S&P 500 Adj for Divs | -0.22 | 10.69 | 1.09 | 7.84 | 14.12 | -4.66 |
| NASDAQ | -2.39 | 8.48 | -1.23 | 4.89 | 19.50 | -5.52 |
| MSCI EAFE | -4.85 | 4.32 | -11.30 | -4.12 | 10.11 | -15.50 |

## Time Weighted Return - Net of Fees

| | Month To Date | Quarter To Date | Year To Date | Latest 1 Year | Annualized Latest 3 Year | Inception To Date |
|---|---|---|---|---|---|---|
| Account | -1.81 | 3.46 | - | - | - | -4.85 |
| S&P/Barclays Blend | -0.16 | 5.36 | 4.19 | 7.10 | 11.58 | -0.21 |
| Barclays Aggregate | -0.09 | 0.02 | 6.69 | 5.54 | 7.70 | 3.85 |
| S&P 500 Adj for Divs | -0.22 | 10.69 | 1.09 | 7.84 | 14.12 | -4.66 |
| NASDAQ | -2.39 | 8.48 | -1.23 | 4.89 | 19.50 | -5.52 |
| MSCI EAFE | -4.85 | 4.32 | -11.30 | -4.12 | 10.11 | -15.50 |

# PORTFOLIO APPRAISAL

*November 30, 2011*

| Quantity | Security | Security Symbol | Unit Cost | Total Cost | Price | Market Value | Pct. Assets | Cur. Yield |
|---|---|---|---|---|---|---|---|---|
| **CASH AND RECEIVABLES** | | | | | | | | |
| | CASH | CASH | | 22.05 | | 22.05 | 0.0 | 0.0 |
| **FIXED INC MUTUAL FUNDS** | | | | | | | | |
| Taxable Funds | | | | | | | | |
| 1,926.974 | DELAWARE DIVERSIFIED INCOME INSTL | DPFF.X | 9.36 | 18,036.72 | 9.28 | 17,882.32 | 9.5 | 4.5 |
| 721.049 | LEGG MASON BW GLOBAL OPPS BD IS | GOBS.X | 10.85 | 7,826.21 | 10.97 | 7,909.91 | 4.2 | 7.0 |
| 1,756.399 | METROPOLITAN WEST TOTAL RETURN BOND I | MWTI.X | 10.49 | 18,423.41 | 10.38 | 18,231.42 | 9.7 | 4.6 |
| 1,513.531 | OPPENHEIMER INTERNATIONAL BOND Y | OIBY.X | 6.66 | 10,076.45 | 6.29 | 9,520.11 | 5.1 | 4.3 |
| 1,346.660 | PRUDENTIAL TOTAL RETURN BOND Z | PDBZ.X | 14.10 | 18,991.52 | 14.16 | 19,068.71 | 10.1 | 4.0 |
| 1,309.808 | TEMPLETON GLOBAL BOND ADV | TGBA.X | 13.70 | 17,946.84 | 12.69 | 16,621.46 | 8.8 | 5.0 |
| 1,731.315 | WESTERN ASSET CORE PLUS BOND INSTL | WACP.X | 10.97 | 18,994.44 | 11.00 | 19,044.47 | 10.1 | 3.8 |
| | | | | 110,295.59 | | 108,278.39 | 57.6 | 4.6 |
| | | | | 110,295.59 | | 108,278.39 | 57.6 | 4.6 |
| **DOMESTIC EQUITY FUNDS** | | | | | | | | |
| Large Cap Funds | | | | | | | | |
| 446.826 | BLACKROCK EQUITY DIVIDEND INSTL | MADV.X | 18.10 | 8,088.90 | 17.99 | 8,038.40 | 4.3 | 2.0 |
| 299.674 | HARTFORD CAPITAL APPRECIATION Y | HCAY.X | 35.49 | 10,634.02 | 32.05 | 9,604.55 | 5.1 | 0.0 |
| 514.005 | JHANCOCK CLASSIC VALUE I | JCVI.X | 16.88 | 8,674.40 | 15.51 | 7,972.22 | 4.2 | 0.5 |
| 164.259 | NUVEEN TRADEWINDS VALUE OPPORTUNITIES I | NVOR.X | 34.77 | 5,712.05 | 34.42 | 5,653.79 | 3.0 | 0.0 |
| | | | | 33,109.37 | | 31,268.96 | 16.6 | 0.7 |
| Mid Cap Funds | | | | | | | | |
| 150.246 | COHEN & STEERS INSTL REALTY SHARES | CSRI.X | 40.72 | 6,117.37 | 38.12 | 5,727.38 | 3.0 | 2.1 |
| 202.932 | HARTFORD MIDCAP Y | HMDY.X | 23.73 | 4,814.87 | 19.83 | 4,024.14 | 2.1 | 0.0 |
| | | | | 10,932.24 | | 9,751.52 | 5.2 | 1.2 |
| Small Cap Funds | | | | | | | | |
| 201.471 | ROYCE SPECIAL EQUITY INSTL | RSEI.X | 20.69 | 4,168.48 | 20.90 | 4,210.74 | 2.2 | 0.6 |
| | | | | 48,210.10 | | 45,231.23 | 24.1 | 0.8 |
| **INTERNATIONAL FUNDS** | | | | | | | | |
| International | | | | | | | | |
| 536.124 | BRANDES INSTL INTERNATIONAL EQUITY | BIIE.X | 15.01 | 8,049.19 | 13.68 | 7,334.18 | 3.9 | 4.8 |

# PORTFOLIO APPRAISAL

*November 30, 2011*

| Quantity | Security | Security Symbol | Unit Cost | Total Cost | Price | Market Value | Pct. Assets | Cur. Yield |
|---|---|---|---|---|---|---|---|---|
| 202.429 | NUVEEN TRADEWINDS GLOBAL ALL-CAP I | NWGR.X | 28.66 | 5,801.57 | 27.51 | 5,568.82 | 3.0 | 0.0 |
| 104.661 | PRUDENTIAL GLOBAL REAL ESTATE Z | PURZ.X | 19.34 | 2,023.79 | 17.70 | 1,852.50 | 1.0 | 2.2 |
| 687.834 | ROYCE GLOBAL VALUE INVMT | RGVI.X | 14.48 | 9,962.23 | 12.51 | 8,604.80 | 4.6 | 0.9 |
| 219.037 | THORNBURG INTERNATIONAL VALUE I | TGVI.X | 28.69 | 6,283.42 | 25.23 | 5,526.30 | 2.9 | 1.5 |
| | | | | 32,120.20 | | 28,886.60 | 15.4 | 1.9 |
| | | | | 32,120.20 | | 28,886.60 | 15.4 | 1.9 |
| **BALANCED EQUITY FUNDS** | | | | | | | | |
| Balanced Funds | | | | | | | | |
| 312.056 | THORNBURG INVESTMENT INCOME BUILDER I | TIBI.X | 19.12 | 5,967.59 | 17.97 | 5,607.65 | 3.0 | 6.8 |
| | | | | 5,967.59 | | 5,607.65 | 3.0 | 6.8 |
| **TOTAL PORTFOLIO** | | | | **196,615.53** | | **188,025.92** | **100.0** | **3.3** |

**AUXILIARIES MULTIPLE EMPLOYER VEBA**
**TRUSTEES MEETING**

| | | | |
|---|---|---|---|
| PRESENTED TO: | | DATE: | 01/09/2012 |
| VEBA Trustees | | | |
| SUBJECT: | | ITEM #: | 2011/2012-021 |
| Market Overview | | Enclosure: | Yes |
| | | Action Item | No |

Prepared by: Morgan Stanley Smith Barney

Requested by: Retirement Board of Authority

**BACKGROUND:**

The Trustees of the Auxiliaries Multiple Employer VEBA should understand the impact of changing global capital market conditions on the VEBA Trust assets.

**STATUS:**

Morgan Stanley Smith Barney (MSSB) will provide an overview of the actions of the global capital markets since the last VEBA Trustees meeting.

**RECOMMENDATION:**

The VEBA Trustees should hear and accept the information presented.

| MODELS (USING CAPITAL MARKET ASSUMPTIONS AND EFFICIENT FRONTIER) | | | | | | |
|---|---|---|---|---|---|---|
| | **Portfolio 4.5** | **Portfolio 5** | **Portfolio 6** | **Portfolio 7** | **Portfolio 8** | **Portfolio 9** |
| **Target Returns** | **4.5%** | **5%** | **6%** | **7%** | **8%** | **9%** |
| EQUITIES | | | | | | |
| Large Cap Growth | 0% | 1% | 3% | 5% | 5% | 7% |
| Large Cap Value | 0% | 4% | 7% | 8% | 11% | 14% |
| Small/Mid Growth | 0% | 0% | 1% | 2% | 4% | 6% |
| Small/Mid Value | 0% | 2% | 3% | 5% | 8% | 10% |
| | 0% | 7% | 14% | 20% | 28% | 37% |
| International | 0% | 6% | 13% | 18% | 25% | 32% |
| REITs | 0% | 1% | 3% | 4% | 5% | 7% |
| Total Equities | 0% | 14% | 30% | 42% | 58% | 76% |
| FIXED INCOME | | | | | | |
| Domestic Intermediate | 80% | 60% | 48% | 40% | 27% | 14% |
| International Intermediate | 20% | 26% | 22% | 18% | 15% | 10% |
| Total Fixed Income | 100% | 86% | 70% | 58% | 42% | 24% |
| Grand Total | 100% | 100% | 100% | 100% | 100% | 100% |
| PORTFOLIO STATISTICS | | | | | | |
| Avg Annual Return | 4.61% | 5.03% | 6.09% | 7.11% | 8.01% | 9.15% |
| Standard Deviation (Risk) | 3.92% | 3.89% | 5.24% | 6.84% | 8.66% | 11.33% |
| Sharpe Ratio | 0.54 | 0.65 | 0.69 | 0.68 | 0.64 | 0.58 |
| Nominal Benchmarks | | | | | | |
| Standard & Poor's 500 | 0% | 10% | 25% | 40% | 60% | 75% |
| Barclay's Aggregate Bond | 100% | 90% | 75% | 60% | 40% | 25% |

NOTE: The Futuris portfolios listed above are sample representations only and may be altered from time to time at the discretion of the Trustee.

| PORTFOLIOS | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Portfolio 4.5 | Portfolio 5 | Portfolio 6 | Portfolio 7 | Portfolio 8 | Portfolio 9 |
| **EQUITIES** | **Style** | **Ticker** | **Expenses** | **4.5% Target** | **5% Target** | **6% Target** | **7% Target** | **8% Target** | **9% Target** |
| *Domestic Equities* | | | | | | | | | |
| Hartford Capital Appreciation | Large Growth | HCAYX | 0.71% | 0% | 1% | 3% | 5% | 5% | 7% |
| Blackrock Equity Dividend | Large Value | MADVX | 0.74% | 0% | 2% | 3% | 4% | 5% | 7% |
| John Hancock Classic Value | Large Value | JCVIX | 0.88% | 0% | 2% | 4% | 4% | 6% | 7% |
| | | | *Subtotals* | *0%* | *5%* | *10%* | *13%* | *16%* | *21%* |
| Hartford Midcap | Mid Growth | HMDYX | 0.79% | 0% | 0% | 1% | 2% | 4% | 6% |
| Nuveen Tradewinds Value Opportunities | Mid Blend | NVORX | 1.17% | 0% | 1% | 2% | 3% | 4% | 5% |
| Royce Special Equity | Small Blend | RSEIX | 1.05% | 0% | 1% | 1% | 2% | 4% | 5% |
| | | | *Subtotals* | *0%* | *2%* | *4%* | *7%* | *12%* | *16%* |
| Cohen & Steers Realty Shares | Real Estate | CSRIX | 0.75% | 0% | 1% | 2% | 3% | 3% | 5% |
| Prudential Global Real Estate | Real Estate | PURZX | 1.07% | 0% | 0% | 1% | 1% | 2% | 2% |
| | | | *Subtotals* | *0%* | *1%* | *3%* | *4%* | *5%* | *7%* |
| *International/Global Equities* | | | | | | | | | |
| Royce Global Value | Small Blend | RGVIX | 1.63% | 0% | 2% | 3% | 5% | 7% | 10% |
| Brandes International Equity | Large Value | BIIEX | 1.13% | 0% | 1% | 3% | 4% | 5% | 6% |
| Nuveen Tradewinds Global All-Cap | Multi Value | NWGRX | 1.08% | 0% | 1% | 2% | 3% | 4% | 5% |
| Thornburg International Value | Large Blend | TGVIX | 0.89% | 0% | 1% | 3% | 3% | 5% | 6% |
| Thornburg Investment Income Builder | World Allocation | TIBIX | 0.89% | 0% | 1% | 2% | 3% | 4% | 5% |
| | | | *Subtotals* | *0%* | *6%* | *13%* | *18%* | *25%* | *32%* |
| FIXED INCOME | | | | | | | | | |
| *Domestic Fixed Income* | | | | | | | | | |
| Metropolitan West Total Return Bond | Intermediate Term | MWTIX | 0.45% | 20% | 15% | 12% | 10% | 7% | 3% |
| Delaware Diversified Income | Intermediate Term | DPFFX | 0.72% | 20% | 15% | 12% | 10% | 7% | 4% |
| Prudential Total Return Bond Fund | Intermediate Term | PDBZX | 0.72% | 20% | 15% | 12% | 10% | 6% | 3% |
| Western Asset Core Plus Bond | Intermediate Term | WACPX | 0.46% | 20% | 15% | 12% | 10% | 7% | 4% |
| | | | *Subtotals* | *80%* | *60%* | *48%* | *40%* | *27%* | *14%* |
| *International Fixed Income* | | | | | | | | | |
| Brandywine Global Opportunities Bond | Global Bond | GOBSX | 0.65% | 5% | 6% | 5% | 4% | 3% | 2% |
| Oppenheimer International Bond Inst | International Bond | OIBYX | 0.54% | 5% | 7% | 6% | 5% | 4% | 3% |
| Templeton Global Bond Inst | Global Bond | TGBAX | 0.67% | 10% | 13% | 11% | 9% | 8% | 5% |
| | | | *Subtotals* | *20%* | *26%* | *22%* | *18%* | *15%* | *10%* |
| SUMMARY | | | | | | | | | |
| Total Equities | | | | 0% | 14% | 30% | 42% | 58% | 76% |
| Total Fixed Income | | | | 100% | 86% | 70% | 58% | 42% | 24% |
| Grand Total | | | | 100% | 100% | 100% | 100% | 100% | 100% |
| *Blended Expense Ratio* | | | | 0.59% | 0.65% | 0.71% | 0.76% | 0.83% | 0.90% |

NOTE: The Futuris portfolios listed above are sample representations only and may be altered from time to time at the discretion of the Trustee.

# Disclosures

## Other Important Disclosures

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Investments and services offered through Morgan Stanley Smith Barney LLC, member SIPC.

Q3 2011

# Capital Markets Overview

## Introduction

- In the third quarter, the global equity upswing of the first half of the year stalled due to concerns over the cumulative effects on the global economy of the European sovereign debt crisis, partisan bickering in the U.S. Congress, and persistently high unemployment.
- Although the likelihood of a U.S. recession is slight, in our view, the Federal Reserve has pledged to stand by the economy and housing market via lower borrowing costs.
- Both Morgan Stanley and Citi economists reduced global growth expectations for 2011 to 3.9% and 3.0%, respectively, and 3.8% and 2.9% for 2012. U.S. economic growth is expected by both firms to be 1.7% in 2011 and about 2% in 2012.
- According to the Dow Jones-UBS Commodity Index, commodity prices fell more steeply in the third quarter than they fell in the second quarter.
- The third quarter saw the slowing of emerging-market economies—and China's in particular. However, given the relatively strong overall pace of growth in the more fiscally sound emerging economies, the underlying demand for commodities should be persistent.
- Mergers-and-acquisitions activity decreased in the third quarter. Global M&A volume for the quarter totaled $595.2 billion, down 18% from the second quarter. Global deal volume for the third quarter was down 21% from a year ago.
- The Dow Jones Industrials were down 11.5% for the third quarter.
- The NASDAQ Composite declined 12.9% for the quarter.
- The S&P 500 lost 13.9% for the quarter.

## The U.S. Economy

- In its September 29 update, the Department of Commerce estimated that Gross Domestic Product grew at an annual rate of 1.3% in the second quarter of 2011, in comparison with 0.4% in the first quarter of 2011. Both Morgan Stanley and Citi economists forecast that U.S. GDP will grow 1.7% in 2011.
- For the quarter, the seasonally adjusted unemployment rate fell from 9.3% for July to 9.1% for September. The slight increase in employment was caused by the return to work in August of 45,000 striking telecommunications workers. Job gains in the quarter took place in construction, health care, and professional and business services. Government jobs continued their downward trend.
- According to the most recent estimate from the Commerce Department, corporate profits rose 3.3% between the first quarter of 2011 and the second quarter of 2011, and rose 8.5% between the second quarter of 2010 and the second quarter of 2011.
- Inflation remained low in the U.S. According to the Bureau of Labor Statistics, the seasonally adjusted Consumer Price Index rose 0.5% in July and 0.4% in August. Both Morgan Stanley and Citi economists expect an inflation rate of 1.6% for 2011.
- The Census Bureau reported that privately owned housing starts in August 2011 were at a seasonally adjusted annual rate of 571,000—5.0% below the revised July estimate, and 5.8% below August 2010 housing starts. Most experts agree that uncertainties about the economy and expectations of ongoing declines in house prices continue to weigh down demand for new homes.
- The Census Bureau also reported that seasonally adjusted retail and food services sales were unchanged between July and August, but increased 7.2% between August 2010 and August 2011.
- In September, the Institute for Supply Management's manufacturing-sector index ("PMI") was 51.6, up 1.0 from August, and up from July's 50.9. PMI has been above 50 for 26 consecutive months, and above 42 for 28 consecutive months.
- The ISM Nonmanufacturing Index ("NMI") fell 0.3 points to 53.0 between August and September, but rose 0.6 between July and August. The index has now been above 50 for twenty-two consecutive months. Generally speaking, a PMI or NMI over 50 indicates that the sector is expanding, and a PMI over 42 indicates that the overall economy is expanding.

## The U.S. Equity Markets

- For the third quarter, the Dow Jones Industrials were down 11.5%, the NASDAQ Composite declined 12.9%, and the S&P 500 lost 13.9%.
- Nine out of ten sectors of the S&P 500 Stock Sectors fell for the quarter. Utilities fared the best, with a 1.6% gain. Consumer Staples showed a comparatively small drop of 4.2%. Information Technology and Telecommunications Services also fell moderately, losing 7.7% and 8.0%, respectively. Financials and Materials were the laggards, down 22.8% and 24.5%, respectively.
- Equity investors grew agitated during the third quarter, according to the CBOE VIX volatility index, the so-called "fear index." Concerns about the global economy, the European sovereign debt crisis, continued high U.S. unemployment, the U.S. debt-ceiling debate, and the downgrade of the U.S. sovereign rating caused the VIX to register the largest quarterly increase in its history, rising 160% to 42.96. This level has been surpassed just 3% of the time in the past 20 years.
- On August 4 to 8, the VIX experienced its largest three-day increase ever. It closed during that period at a 29-month high of 48. The index hovered above 30 for 41 days through the end of the quarter. Analysts suggest that such levels can occur prior to stock rebounds.
- In a quarter of minimal growth, stocks of large-capitalization companies outperformed stocks of mid- and small-cap companies. The Russell 1000 index, a large-cap index, fell 14.7% for the quarter. In comparison, the Russell 2000 index, a small-cap index, fell 21.9% for the third quarter. The Russell Midcap index declined 18.9% for the quarter.
- Although the third quarter was challenging for both value- and growth-style stocks, growth stocks fared slightly better. Growth stocks often outperform as the pace of earnings growth moderates. The large-cap Russell 1000 Value index fell 16.2% for the quarter, while the Russell 1000 Growth index fell 13.1% for the quarter. The Russell Midcap Value index fell 18.5% for the quarter, while the Russell Midcap Growth index fell 19.3% for the quarter. In small caps, the Russell 2000 Value index fell 21.5% for the quarter, while the Russell 2000 Growth index also fell steeply for the quarter.

**Key U.S. Stock-Market Index Returns (%) for the Period Ending 9/30/11**

| | Quarter | 12 Months | Five Years (Annualized) | Seven Years (Annualized) |
|---|---|---|---|---|
| S&P 500 | (13.9) | 1.1 | (1.2) | 2.3 |
| Dow Jones | (11.5) | 3.8 | 1.4 | 3.8 |
| Russell 2000 | (21.9) | (3.5) | (1.0) | 3.0 |
| Russell Midcap | (18.9) | (0.9) | 0.6 | 5.0 |
| Russell 1000 | (14.7) | 0.9 | (0.9) | 2.7 |

Source: Vestek

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

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

## Global Equity Markets

- Europe’s protracted debt woes, along with the weakening Chinese and U.S. economies, roiled overseas equity markets in the third quarter.
- The MSCI EAFE index (a benchmark for developed markets) fell 19.0% for U.S.-currency investors, and fell 15.7% for local-currency investors, as the U.S. dollar appreciated in relation to the currencies of other nations on the index. In contrast, in the second quarter of 2011, the MSCI EAFE index was up 1.8% in U.S. dollars, and fell 0.5% in local currency.
- The worsening of the global economic outlook has helped drive emerging-market equities down from their May 2 peak. For the third quarter, the MSCI Emerging Markets index was down 22.5% for U.S.-currency investors, and fell 14.9% for local-currency investors, as the U.S. dollar appreciated in relation to many emerging-market currencies. This contrasts with the previous quarter, when the MSCI Emerging Markets index was down 1.1% for U.S.-dollar based investors, and fell 2.6% for local-currency investors.
- The MSCI Europe index of developed markets fell 22.6% for U.S.-currency investors, and dropped 17.5% for local-currency investors during the quarter. In comparison, the MSCI Far East index fell 8.7% for the quarter in terms of the dollar, and fell 11.8% in terms of local currencies.
- More-specific emerging-economy equity market indices also struggled in the face of the quarter’s European debt concerns. The MSCI BRIC (Brazil, Russia, India, and China) index fell 25.8% for the quarter in terms of the dollar. The MSCI BRIC fell 19.0% for the quarter in local terms. For the quarter, the MSCI EM Asia index fell 21.1% in U.S.-dollar terms, and fell 16.9% in local terms.

**Key Global Equity-Market Indices Based on the U.S. Dollar (%) for the Period Ending 9/30/11**

| | Quarter | 12 Months | Five Years (Annualized) | Seven Years (Annualized) |
|---|---|---|---|---|
| MSCI EAFE | (19.0) | (9.0) | (3.0) | 3.8 |
| MSCI EAFE Growth | (19.0) | (8.5) | (1.8) | 4.3 |
| MSCI EAFE Value | (19.0) | (9.5) | (4.3) | 3.3 |
| MSCI Europe | (22.6) | (11.3) | (3.6) | 3.6 |
| MSCI Japan | (6.4) | 0.1 | (4.8) | 1.7 |
| MSCI Emerging Markets | (22.5) | (15.9) | 5.2 | 12.6 |

Source: Vestek

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

## The U.S. Bond Market

- As U.S. economic data and European sovereign debt worries worsened in the third quarter, investors shopped for safe havens among bonds.
- Investors flocked to Treasury bonds, in particular, in the third quarter. This flight to safety sparked a strong Treasurys rally. Treasurys that mature in 10 or more years rose in price, while yields fell to historic lows. The yield on 30-year Treasury bonds fell to 2.9% at the end of the quarter, which represents the best quarterly return on Treasurys since the end of 2008, at the peak of the financial crisis.
- At the same time, yields on corporate bonds rose relative to Treasurys, as yields on the latter fell to levels not seen since the 1940s.
- The Barclays Capital U.S. Aggregate Bond index, a general measure of the fixed-income market, rose 3.8% for the third quarter. In contrast, the Barclays Capital High Yield index, a measure of lower-rated corporate bonds, fell 6.1% for the quarter.
- Investors shook off their wariness of mortgage-backed securities, sending the Barclays Capital Mortgage Backed index up 2.4% for the quarter.
- During the third quarter, investors overlooked the ongoing negative headlines about state and local government finances, which was a boon to the municipal-bond market.
- In addition, the rally in U.S. Treasurys sparked municipal bond price gains. As a result, the Barclays Capital Muni index was up 3.8% for the quarter.

**U.S. Bond-Market Index Returns (%) for the Period Ending 9/30/11**

| | Quarter | 12 Months | Five Years (Annualized) | Seven Years (Annualized) |
|---|---|---|---|---|
| Barclays Capital U.S. Aggregate | 3.8 | 5.3 | 6.5 | 5.6 |
| Barclays Capital High Yield | (6.1) | 1.8 | 7.1 | 7.2 |
| Barclays Capital Govt/Credit | 4.7 | 5.1 | 6.5 | 5.5 |
| Barclays Capital Government | 5.9 | 5.6 | 6.6 | 5.5 |
| Barclays Capital Intermediate Govt/Credit | 2.4 | 3.4 | 5.9 | 4.9 |
| Barclays Capital Long Govt/Credit | 15.6 | 12.7 | 9.4 | 8.0 |
| Barclays Capital Mortgage Backed Securities | 2.4 | 5.6 | 6.7 | 5.8 |
| Barclays Capital Muni | 3.8 | 3.9 | 5.0 | 4.8 |

Source: Vestek

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

## INDEX DESCRIPTIONS:

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

**THE BARCLAYS CAPITAL U.S. AGGREGATE BOND INDEX:** A broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS. **BARCLAYS CAPITAL GOVERNMENT INDEX:** Barclays Capital Treasury bond and agency bond indices (all publicly issued debt of agencies of the U.S. government, quasi-federal corporations and corporate debt guaranteed by the U.S. government, but no mortgage-backed securities) are combined to form the government bond index. **BARCLAYS CAPITAL U.S. INTERMEDIATE GOVERNMENT/CREDIT BOND INDEX:** The Barclays Capital U.S. Intermediate Government/Credit Bond index is a total return index consisting of investment-grade corporate debt issues as well as debt issues of U.S. government agencies and the U.S. Treasury. The debt issues all maintain maturities within a range of one to 10 years. An investment cannot be made directly in a market index. **BARCLAYS CAPITAL HIGH YIELD INDEX:** The Barclays Capital U.S. High Yield index covers the universe of fixed rate, non-investment-grade debt. Pay-in-kind (PIK) bonds, Eurobonds and debt issues from countries designated as emerging markets (e.g., Argentina, Mexico, Venezuela, etc.) are excluded, but Yankee and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes and step-up coupon structures are also included. Liquidity Rules: All bonds included in the High Yield index must be dollar-denominated and nonconvertible and have at least one year remaining to maturity and an outstanding par value of at least $150 million. Quality Rating Rules: Securities in the index must be rated Ba1 or lower. If both Moody's and S&P provide a rating for a security, the lower of the two ratings is used. A small number of unrated bonds are included in the index; to be eligible they must have previously held a high yield rating or have been associated with a high yield issuer, and must trade accordingly. Components: The index has several subcomponents. Intermediate indices include bonds with remaining maturities of less than 10 years; long indices include bonds with remaining maturities of 10 years or more. The index also has subdivisions by credit quality, and subindices are available that exclude securities in default**. BARCLAYS CAPITAL MUNI INDEX:** The composite measure of the total return performance of the muni-bond market. The muni market contains over 2 million bond issues. The market is divided into seven major sectors: state G.O. debt (31%), prerefunded bonds (7.7%); electric-utility revenue bonds (7.79%); hospital revenue bonds (3.4%); state-housing revenue bonds (3.4%); industrial-development and /pollution-control revenue bonds (1.8%); and transportation revenue bonds (7.1%). These weightings are reviewed annually. **BARCLAYS CAPITAL GOVT/CREDIT INDEX:** The U.S. Government/Credit index is the nonsecuritized component of the U.S. Aggregate index and was the first macro index launched by Barclays Capital. The U.S. Government/Credit index includes Treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year), government-related issues (i.e., agency, sovereign, supranational and local-authority debt) and U.S. dollar corporates. In order to qualify for inclusion in the U.S. Government/Credit index, a bond or security must have at least one year to maturity; at least $250 million par amount outstanding; must be rated Baa3 by Moody's, BBB- by Standard & Poor's, and BBB- by Fitch Investor Service; must be fixed rate, although it can carry a coupon that steps up; and it must be U.S.-dollar denominated. **BARCLAYS CAPITAL LONG GOVERNMENT/CREDIT INDEX:** Composed of all bonds covered by BARCLAYS CAPITAL GCB index with maturities of 10 years or greater. Total return comprises price appreciation/depreciation and income as a percent of the original investment. Indices are rebalanced monthly by market capitalization. **BARCLAYS CAPITAL MORTGAGE BACKED SECURITIES INDEX:** Includes all fixed securities issued and backed by mortgage pools of Ginnie Mae (GNMA), Fannie Mae (FNMA), Freddie Mac (FHLMC) and half-coupon securities. The index excludes buydowns, graduated equity mortgages (GEM), project loans, Nonagency (whole loans), jumbos, collateralized mortgage obligations (CMOs), graduated payment mortgages (GPMs), adjustable rate mortgages (ARMs), manufactured home mortgages, prepayment-penalty collateral. Formed by grouping the universes of over 1 million individual fixed-rate MBS pools into approximately 5,500 generic aggregates. Pool aggregates must be U.S.-dollar denominated, have at least $250 million current outstanding and average weighted life of at least one year.

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

# DISCLOSURES

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

The indices are unmanaged, and an investor cannot invest directly in an index. The indices are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns consist of income and capital appreciation (or depreciation) and do not take into account fees, taxes or other charges. Such fees and charges would reduce performance.

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



2011-PS-2897
10/2011

# Asset Allocation and Strategy Weekly

INVESTMENT OUTLOOK

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- The November US jobs figure was decent but heavily seasonal. The jobless rate's drop to 8.6% was more a function of people leaving the workforce than robust employment growth. It suggests that the US economy is growing at a modest rate this quarter.

- Since we adopted a more cautious tactical asset allocation in early October, US and global equities have rebounded by 8% as policymakers, especially in Europe, moved faster than we had expected to address challenges. US GDP data was, for the most part, stronger than anticipated.

- With a European Union (EU) summit meeting scheduled for Dec. 9, European policymakers are moving with alacrity toward a degree of fiscal policy union. The EU, a loose confederation with no strong central authority, is now firmly on the path to more centralized decision-making.

- Meanwhile, the European Central Bank (ECB) is withholding further sovereign debt purchases to keep EU policymakers committed to a path of fiscal union. The ECB is on track to take short-term interest rates to 0%, following the Federal Reserve and the Bank of England. We also expect the ECB to embark on Quantitative Ease (QE) at some point. However, this easing could be too late to avoid a European recession; both Morgan Stanley and Citi economists are now forecasting a recession next year. This will likely have a negative effect on US and global GDP and profit growth.

- Given slow US GDP growth, we expect that the Fed will opt for QE3, though the timing is uncertain. Fed Chairman Bernanke has noted several times that it is up to Congress to stimulate fiscal policy to generate stronger growth.

- Divided government in the US makes large fiscal policy stimulus highly unlikely. Still, we expect that Congress will extend existing tax relief into 2012.

- With limited stimulus options from US policymakers, and the US economy growing slowly, we expect that the US economy will soon enter recession.

- Net global and US earnings per share (EPS) revisions, which peaked in the summer, have recently stabilized. The 52-week forward expected EPS for the S&P 500 appears to have stopped its decline; it's now modestly up to $107.06. If our recession call is correct, EPS expectations will soon resume their decline.

- Global GDP growth in 2011-2012 is expected to be just under 4% but very uneven. Morgan Stanley and Citi economists estimate that most of the contribution to global growth will come from emerging market (EM) economies.

- Given challenges in developed-market (DM) economies, fundamentals have held up well in many EM economies. Inflationary pressures have receded and GDP deceleration has been modest. EM central banks' tightening regime has ended. Indeed, central bankers in some important EM countries such as Turkey, Brazil and China have already begun to ease.

## The Metrics

(YEAR TO DATE AS OF DEC. 1, 2011)

| | LEVEL | % CHANGE |
|---|---|---|
| S&P 500 | 1,244.6 | -1.0 |
| RUSSELL 2000 | 730.8 | -6.8 |
| MSCI WORLD | 1,184.5 | -7.5 |
| MSCI EUROPE | 1,268.5 | -12.9 |
| MSCI PACIFIC EX JAPAN | 1,152.0 | -13.2 |
| MSCI EMERGING MARKETS | 959.1 | -16.7 |
| 10-YEAR US TREASURY YIELD | 2.11 | -36.0 |
| MOODY'S BAA YIELD | 5.41 | -9.5 |
| NYMEX CRUDE OIL | $100.20 | 9.7 |
| DJ-UBS COMMODITY INDEX | 145.9 | -10.2 |
| COMEX SPOT GOLD | $1,751.0 | 24.0 |
| DXY US DOLLAR INDEX | 78.33 | -0.9 |

Note: Barclays Capital US Credit Index has an average quality of A2/A3 and is used as a proxy for the Moody's Baa total return. Source: Bloomberg, LLC, FactSet and MSCI.

## Asset Allocation Weightings

| | UNDER | EQUAL | OVER |
|---|---|---|---|
| Global Cash | ○ | ○ | ● |
| Global Bonds | ○ | ● | ○ |
| Corp. & Securitized, High Yield Bonds | ○ | ○ | ● |
| Emerging Market Bonds | ○ | ● | ○ |
| Dev. Sovereign, Short Duration Bonds | ● | ○ | ○ |
| Global Equities | ● | ○ | ○ |
| US Large Caps, Emerging Markets and US Growth to Value | ○ | ○ | ● |
| Japan, Europe including UK | ● | ○ | ○ |
| Asia-Pacific ex Japan, Australia, US Small and Mid Caps, World Small Cap ex US | ○ | ● | ○ |
| Global Alternative / Absolute Return Investments | ○ | ● | ○ |
| REITS and Commodities | ● | ○ | ○ |
| Inflation-Linked Securities | ○ | ● | ○ |
| Managed Futures, Hedge Funds | ○ | ○ | ● |

## Global Investment Committee Tactical Asset Allocation

*The Global Investment Committee provides guidance on investment allocation decisions through its various model portfolios. The eight models below are recommended for accounts with $1 million to $20 million in investable assets. They are based on an increasing scale of risk (expected volatility) and expected return.*

## Equities Bullish Factors

- A forward price/earnings (P/E) ratio of below 12 for global and US equities is historically low. Equities are also cheap relative to bonds and cash.
- Despite the likelihood of recessions in Europe and the US, global growth will likely remain positive, driven by strong growth in most EM economies.
- Incremental EM consumer spending eclipsed US consumer spending several years ago. What's more, EM consumer growth is in its infancy: for example, only 2% of Brazilians have a mortgage.
- Global inflation is low and likely to go lower. Price pressures are thus unlikely to pose a problem in most economies for an extended period.
- By almost any metric, the planet is now more peaceful than at any time in human history. Remember the old adage: when goods cross borders, soldiers don't.

## Equities Bearish Factors

- The ongoing deleveraging in the big DM economies could take several years to run its course, the byproduct of which would be sluggish growth for a long time.
- Europe is at risk of slipping into a "lost decade" triggered by fiscal tightening and the lack of institutional flexibility at the ECB and elsewhere.
- Global growth is overwhelmingly dependent on EM policymakers. Many are not as seasoned as DM policymakers.
- Sovereign debt burdens are too high in several developed countries. Hard political choices need to be made or currency values are at risk.
- US home prices, as per the S&P/Case-Shiller Home Price Index, have not improved much from their cyclical low.
- The benchmark 10-year US Treasury yield remains near a multi-decade low. If it rises in the years ahead, it will be a headwind for expansion of P/E multiples.
- "Event risk," such as a terrorist attack, is ever-present.

Source: Morgan Stanley Smith Barney Investment Strategy, Morgan Stanley & Co. LLC Research, Citi Investment Research & Analysis, ECRI, Bloomberg.
Note: Unless otherwise indicated, data as of Dec. 1, 2011

## Profit Forecasts

| | 2010 | | | 2011E | | | 2012E | | |
|---|---|---|---|---|---|---|---|---|---|
| **EARNINGS PER SHARE** | MS | CITI | CONSENSUS | MS | CITI | CONSENSUS | MS | CITI | CONSENSUS |
| S&P 500 Index | 85.00 | 85.49 | 85.28 | 96.00 | 99.25 | 98.00 | 103.00 | 101.00 | 107.95 |
| MSCI All Country World Index | NA | NA | 23.20 | NA | NA | 25.63 | NA | NA | 28.45 |

## Macro Forecasts

| | GDP (%) | | | | | | INFLATION (%) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | MS | CITI | MS | CITI | MS | CITI | MS | CITI | MS | CITI | MS | CITI |
| | 2011E | | 2012E | | 2013E | | 2011E | | 2012E | | 2013E | |
| Global Economy | 3.9 | 3.0 | 3.5 | 2.5 | 3.9 | 3.1 | 4.3 | 3.9 | 3.2 | 3.0 | 3.0 | 3.2 |
| US Economy | 1.8 | 1.7 | 2.2 | 1.9 | 1.8 | 1.9 | 3.2 | 3.2 | 2.1 | 1.8 | 1.8 | 1.7 |

| | INTEREST RATES | | | | |
|---|---|---|---|---|---|
| | | MORGAN STANLEY | | CITI | |
| **POLICY RATES (%)** | **CURRENT** | **1Q12E** | **1Q13E** | **1Q12E** | **1Q13E** |
| US | 0.00-0.25 | 0.13 | 0.13 | 0.25 | 0.25 |
| Euro Zone | 1.25 | 0.50 | 0.50 | 1.00 | 0.90 |
| China | 6.56*/3.50** | 6.56* | 6.56* | 3.50** | 4.00** |
| **10-YR. GOVT. BOND YIELDS (%)** | **CURRENT** | **1Q12E** | **1Q13E** | **1Q12E** | **1Q13E** |
| US | 2.11 | 1.75 | 2.25 | 2.00 | 2.50 |
| Euro Zone | 2.15 | 1.60 | 2.60 | 1.75 | 1.50 |

*Morgan Stanley's current and forecast policy rate is the one-year lending rate. **Citi's current and forecast policy rate is the one-year deposit rate.

Source: Morgan Stanley Smith Barney Investment Strategy, Morgan Stanley & Co. LLC Research, Citi Investment Research & Analysis, Bloomberg, Thomson Reuters and FactSet as of Dec. 1, 2011

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

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

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

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

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

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

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

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

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

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

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

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

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

Physical precious metals are non-regulated products. Precious metals are speculative investments, which may experience short-term and long term price volatility. The value of precious metals investments may fluctuate and may appreciate or decline, depending on market conditions. If sold in a declining market, the price you receive may be less than your original investment. Unlike bonds and stocks, precious metals do not make interest or dividend payments. Therefore, precious metals may not be suitable for investors who require current income. Precious metals are commodities that should be safely stored, which may impose additional costs on the investor. The Securities Investor Protection Corporation ("SIPC") provides certain protection for customers' cash and securities in the event of a brokerage firm's bankruptcy, other financial difficulties, or if customers' assets are missing. SIPC insurance does not apply to precious metals or other commodities.

Because of their narrow focus, sector investments tend to be more volatile than investments that diversify across many sectors and companies.

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

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**AUXILIARIES MULTIPLE EMPLOYER VEBA**
**TRUSTEES MEETING**

| | | | |
|---|---|---|---|
| PRESENTED TO: | | DATE: | 01/09/2012 |
| VEBA Trustees | | | |
| SUBJECT: | | ITEM #: | 2011/2012-022 |
| Election of "New" VEBA Trustee | | Enclosure: | No |
| | | Action Item | No |

Prepared by: Keenan Financial Services

Requested by: VEBA Trustees

**BACKGROUND:**

The VEBA Trust has been created to facilitate the prefunding of CSU Auxiliaries retiree medical liabilities. The VEBA Trustees may appoint additional qualified Trustees authorized to represent the VEBA Trust.

**STATUS:**

The VEBA Trustees will vote to approve Intef Wessler, Executive Director, Associated Students Inc., California State University, Los Angeles and Dave Nakamura, Executive Director, Humboldt State University Center as a Trustee qualified to represent the VEBA as authorized.

**RECOMMENDATION:**

The VEBA Trustees should hear and accept the information presented.

**AUXILIARIES MULTIPLE EMPLOYER VEBA**
**TRUSTEES MEETING**

| | | | |
|---|---|---|---|
| PRESENTED TO: | | DATE: | 01/09/2012 |
| VEBA Trustees | | | |
| SUBJECT: | | ITEM #: | 2011/2012-023 |
| Administrative Cost Recovery Policy | | Enclosure: | Yes |
| | | Action Item | Yes |

Prepared by: Keenan Financial Services

Requested by: VEBA Trustees

## BACKGROUND:

The Statement of Administrative Fee Policy is intended to provide guidelines for the prudent recovery of costs associated with the administration of the VEBA. The administrative expenses of the VEBA may include but are not limited to legal, audit and tax fees, investment advisor fees, fiduciary and custodial fees and program coordinator fees.

## STATUS:

The VEBA Trustees will discuss the Administrative Cost Recovery Policy #2 regarding changes to the policy with respect to the one-time administrative cost recovery fee and payment procedures. A copy of the suggested tracked changes to the policy is attached for your reference.

## RECOMMENDATION:

The VEBA Trustees shall review and take action as deemed necessary and appropriate.

**AUXILIARIES MULTIPLE EMPLOYER VEBA**

**POLICIES AND PROCEDURES**

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**Subject:** **Administrative Fee Policy** **Policy No. 2**

**Reference:** **Date: 8/9/11**

---

## I. PURPOSE

To provide guidance for the cost recovery of administrative expenses.

## II. POLICY

This Statement of Administrative Fee Policy is intended to provide guidelines for the Board of Trustees (the "Board") of the Auxiliaries Multiple Employer VEBA (the "Auxiliaries VEBA") and the Corporate Trustee for the prudent recovery of costs associated with the administration of the VEBA. The administrative expenses of the VEBA may include but are not limited to legal, audit and tax fees, investment advisor fees, fiduciary and custodial fees and program coordinator fees.

An administrative cost recovery fee will be governed in the following areas:

- For all participating auxiliaries, an initial one time fee (currently five thousand dollars ($5,000)) will be assessed at the time of the submission of an enrollment package, and automatically charged to the respective sub-account of an auxiliary and the funds transferred to the General VEBA account to defray a portion of the cost of administrative expenses.

- It is assumed that the initial one time fee will not be adequate to recover all the costs of administrative expenses and therefore it is contemplated there will be an annual administrative fee (1.125% with a $13.0 mil portfolio) automatically charged to the respective sub-account of an auxiliary and the funds transferred to the General VEBA account to defray the remaining portion of the cost of administrative expenses.

- If the above two administrative cost recovery fees are inadequate to pay for all of the administrative expenses in a given year then the Board may have to take action and initiate a special assessment to those participating auxiliary(s) to cover the balance required to pay for the remaining administrative expenses.

**AUXILIARIES MULTIPLE EMPLOYER VEBA**

**POLICIES AND PROCEDURES**

---

**Subject:** **Administrative Fee Policy** **Policy No.** **2**

**Reference:** **Date:** **1/9/2012**

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## I. PURPOSE

To provide guidance for the cost recovery of administrative expenses.

## II. POLICY

This Statement of Administrative Fee Policy is intended to provide guidelines for the Board of Trustees (the "Board") of the Auxiliaries Multiple Employer VEBA (the "Auxiliaries VEBA") and the Corporate Trustee for the prudent recovery of costs associated with the administration of the VEBA. The administrative expenses of the VEBA may include but are not limited to legal, audit and tax fees, investment advisor fees, fiduciary and custodial fees and program coordinator fees.

An administrative cost recovery fee will be governed in the following areas:

- For all participating auxiliaries, an initial one-time fee (currently five thousand dollars ($5,000) and increased to seven thousand five hundred dollars ($7,500) effective July 1, 2012) will be assessed at the time of the submission of an enrollment package, and automatically charged to the respective sub-account of an auxiliary. The funds should be separate from the monies being deposited into the respective sub-account of an auxiliary and made payable directly to the General VEBA account to defray a portion of the cost of administrative expenses.

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- It is assumed that the initial one-time fee will not be adequate to recover all the costs of administrative expenses and therefore it is contemplated there will be an annual administrative fee (1.125% with a $13.0 mil portfolio) automatically charged to the respective sub-account of an auxiliary and invoiced separately. The funds should be made payable directly to the General VEBA account to defray the remaining portion of the cost of administrative expenses.

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- If the above two administrative cost recovery fees are inadequate to pay for all of the administrative expenses in a given year then the Board may have to take action and initiate a special assessment to those participating auxiliary(s) to cover the balance required to pay for the remaining administrative expenses.

Revised 1-9-2012
8-9-2011
2-9-2011

**AUXILIARIES MULTIPLE EMPLOYER VEBA**
**TRUSTEES MEETING**

| | | | |
|---|---|---|---|
| PRESENTED TO: | | DATE: | 01/09/2012 |
| VEBA Trustees | | | |
| SUBJECT: | | ITEM #: | 2011/2012-024 |
| Accounting Services for VEBA | | Enclosure: | Yes |
| | | Action Item | Yes |

Prepared by: Keenan Financial Services

Requested by: VEBA Trustees

## BACKGROUND:

The General VEBA Fund is designed for the distribution of payment of various expenses associated with the administration and operation of the Auxiliaries Multiple Employer VEBA. A dedicated accounting service is proposed by SETECH, A Division of Keenan & Associates, to accurately track all expense schedules associated with the Auxiliaries Multiple Employer VEBA.

## STATUS:

The VEBA Trustees will discuss a proposal from SETECH, A Division of Keenan & Associates to provide accounting services with respect to the Auxiliaries Multiple Employer General VEBA Fund.

## RECOMMENDATION:

The VEBA Trustees shall review and take action as deemed necessary and appropriate.

# CSU Auxiliaries Multiple Employer VEBA Trust
# Administrative Fund

## Financial Statements

### For Fiscal Years Ended

### June 30, 2010 and June 30, 2011

### and

### The Five Months Ended

### November 30, 2011

SETECH

A Keenan Solution

Innovative Solutions. Enduring Principles.

License No. 0451271

For the Meeting of January 9, 2012

# CSU Auxiliaries Multiple Employer VEBA Trust

# Administrative Fund

## Table of Contents

## Fiscal Year Ended 06/30/2010

# CSU Auxiliaries Multiple Employer VEBA Trust
## Administrative Fund
## Monthly Cash Flows Statement
## Fiscal Year Ended 06/30/2010

| | Actual | | | | | | As of |
|---|---|---|---|---|---|---|---|
| | 01/2010 | 02/2010 | 03/2010 | 04/2010 | 05/2010 | 06/2010 | 06/30/2010 |
| **Beginning Cash Balance** | $ - - | $ - - | $ - - | $ - - | $ - - | $ - - | $ - - |
| **Deposits and Interest:** | | | | | | | |
| Member Contributions | - - | - - | - - | - - | - - | - - | - - |
| Withdrawal from Loan | 40,410.88 | - - | 1,514.58 | - - | - - | 3,444.00 | 45,369.46 |
| Interest Earned | - - | - - | - - | - - | - - | - - | - - |
| Accounts Receivable | - - | - - | - - | - - | - - | - - | - - |
| Total Deposits and Credits | 40,410.88 | - - | 1,514.58 | - - | - - | 3,444.00 | 45,369.46 |
| **Disbursements/ Other Payments:** | | | | | | | |
| Attorney Fees | (40,410.88) | - - | (1,514.58) | - - | - - | (3,444.00) | (45,369.46) |
| Accounting Services | - - | - - | - - | - - | - - | - - | - - |
| D&O Coverage | - - | - - | - - | - - | - - | - - | - - |
| United States Treasury | - - | - - | - - | - - | - - | - - | - - |
| Franchise Tax Board | - - | - - | - - | - - | - - | - - | - - |
| Travel | - - | - - | - - | - - | - - | - - | - - |
| Loan Repayment | - - | - - | - - | - - | - - | - - | - - |
| Accounts Payable | - - | - - | - - | - - | - - | - - | - - |
| Total Disbursements | (40,410.88) | - - | (1,514.58) | - - | - - | (3,444.00) | (45,369.46) |
| Ending Cash Balance | $ - - | $ - - | $ - - | $ - - | $ - - | $ - - | $ - - |

| **Summary:** | | | | | | |
|---|---|---|---|---|---|---|
| Cash in Account | $ - - | $ - - | $ - - | $ - - | $ - - | $ - - |
| Ending Cash Balance | $ - - | $ - - | $ - - | $ - - | $ - - | $ - - |
| Loan Balance | 40,410.88 | 40,410.88 | 41,925.46 | 41,925.46 | 41,925.46 | 45,369.46 |
| Loan Balance | $ 40,410.88 | $ 40,410.88 | $ 41,925.46 | $ 41,925.46 | $ 41,925.46 | $ 45,369.46 |

# CSU Auxiliaries Multiple Employer VEBA Trust
# Administrative Fund

## Disbursements

## Payment Order Number 2009/2010 - 01

| Ck Date | Check # | Payee | Invoice # | | Amount | Transaction Description |
|---|---|---|---|---|---|---|
| 01/11/10 | | Nixon Peabody LLP | 9158028 | $ | 25,122.88 | Legal Fees |
| 01/11/10 | | Nixon Peabody LLP | 9158026 | | 15,288.00 | Legal Fees |
| 03/18/10 | | Nixon Peabody LLP | 9178810 | | 1,514.58 | Legal Fees |
| 06/25/10 | | Nixon Peabody LLP | 9206415 | | 3,444.00 | Legal Fees |
| | | | Total | $ | 45,369.46 | |

## Fiscal Year Ended 06/30/2011

# CSU Auxiliaries Multiple Employer VEBA Trust

## Administrative Fund

## Monthly Cash Flows Statement

## Fiscal Year Ended 06/30/2011

| | 07/2010 | 08/2010 | 09/2010 | 10/2010 | 11/2010 | 12/2010 | 01/2011 | 02/2011 | 03/2011 | 04/2011 | 05/2011 | 06/2011 | As of 06/30/2011 | Since Inception |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Beginning Cash Balance | $ - - | $ - - | $ - - | $ - - | $ 5,000.04 | $ 4,150.12 | $ 315.15 | $ 315.15 | $ 315.15 | $ 5,315.15 | $ 2,268.18 | $ 6,598.21 | $ - - | $ - - |
| **Deposits and Interest:** | | | | | | | | | | | | | | |
| Member Contributions | - - | - - | - - | 5,000.00 | - - | 5,000.00 | - - | - - | 5,000.00 | - - | 10,000.00 | - - | 25,000.00 | 25,000.00 |
| Withdrawal from Loan | - - | - - | - - | 15,042.00 | - - | - - | - - | - - | - - | - - | - - | - - | 15,042.00 | 60,411.46 |
| Interest Earned | - - | - - | - - | 0.04 | 0.08 | 0.03 | - - | - - | - - | 0.03 | 0.03 | - - | 0.21 | 0.21 |
| Accounts Receivable | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - |
| Total Deposits and Credits | - - | - - | - - | 20,042.04 | 0.08 | 5,000.03 | - - | - - | 5,000.00 | 0.03 | 10,000.03 | - - | 40,042.21 | 85,411.67 |
| **Disbursements/ Other Payments:** | | | | | | | | | | | | | | |
| Attorney Fees | - - | - - | - - | (15,042.00) | - - | - - | - - | - - | - - | - - | - - | - - | (15,042.00) | (60,411.46) |
| Accounting Services | - - | - - | - - | - - | - - | (8,835.00) | - - | - - | - - | - - | (5,670.00) | - - | (14,505.00) | (14,505.00) |
| D&O Coverage | - - | - - | - - | - - | - - | - - | - - | - - | - - | (3,047.00) | - - | - - | (3,047.00) | (3,047.00) |
| United States Treasury | - - | - - | - - | - - | (850.00) | - - | - - | - - | - - | - - | - - | - - | (850.00) | (850.00) |
| Franchise Tax Board | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - |
| Travel | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - |
| Loan Repayment | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - |
| Accounts Payable | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - |
| Total Disbursements | - - | - - | - - | (15,042.00) | (850.00) | (8,835.00) | - - | - - | - - | (3,047.00) | (5,670.00) | - - | (33,444.00) | (78,813.46) |
| Ending Cash Balance | $ - - | $ - - | $ - - | $ 5,000.04 | $ 4,150.12 | $ 315.15 | $ 315.15 | $ 315.15 | $ 5,315.15 | 2,268.18 | $ 6,598.21 | $ 6,598.21 | $ 6,598.21 | $ 6,598.21 |

| **Summary:** | 07/2010 | 08/2010 | 09/2010 | 10/2010 | 11/2010 | 12/2010 | 01/2011 | 02/2011 | 03/2011 | 04/2011 | 05/2011 | 06/2011 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cash in Account | $ - - | $ - - | $ - - | $ 5,000.04 | $ 4,150.12 | $ 315.15 | $ 315.15 | $ 315.15 | $ 5,315.15 | $ 2,268.18 | $ 6,598.21 | $ 6,598.21 |
| Ending Cash Balance | $ - - | $ - - | $ - - | $ 5,000.04 | $ 4,150.12 | $ 315.15 | $ 315.15 | $ 315.15 | $ 5,315.15 | $ 2,268.18 | $ 6,598.21 | $ 6,598.21 |
| Loan Balance | 45,369.46 | 45,369.46 | 45,369.46 | 60,411.46 | 60,411.46 | 60,411.46 | 60,411.46 | 60,411.46 | 60,411.46 | 60,411.46 | 60,411.46 | 60,411.46 |
| Loan Balance | $ 45,369.46 | $ 45,369.46 | $ 45,369.46 | $ 60,411.46 | $ 60,411.46 | $ 60,411.46 | $ 60,411.46 | $ 60,411.46 | $ 60,411.46 | $ 60,411.46 | $ 60,411.46 | $ 60,411.46 |

# CSU Auxiliaries Multiple Employer VEBA Trust

## Administrative Fund

### Member Contributions

### Fiscal Year Ended 06/30/2011

| | Contribution | Date Deposited |
|---|---|---|
| Cal Poly Pomona - Foundation, Inc. | $ 5,000 | 10/15/10 |
| Cal Poly San Luis Obispo - Assoc. Students, Inc. | 5,000 | 12/09/10 |
| CSU Dominguez Hills - Loker Student, Inc. | 5,000 | 03/31/11 |
| CSU Los Angeles -Student Union Board | 5,000 | 05/12/11 |
| CSU San Bernardino - Assoc. Students, Inc. | 5,000 | 05/23/11 |
| Total | $ 25,000 | |

# CSU Auxiliaries Multiple Employer VEBA Trust
# Administrative Fund

## Disbursements

## Payment Order Number 2010/2011 - 01

| Ck Date | Check # | Payee | Invoice # | | Amount | Transaction Description |
|---|---|---|---|---|---|---|
| 10/14/10 | | Nixon Peabody LLP | 9235895 | $ | 15,042.00 | Legal Fees |
| 11/29/10 | | United States Treasury | Form 8718 | | 850.00 | Filing |
| 12/17/10 | | Rsm McGladrey Inc. | R-3488392-159 | | 8,835.00 | Accounting Services |
| 04/11/11 | | Alliance Insurance Services | 34123 | | 3,047.00 | D&O Coverage |
| 05/12/11 | | Rsm McGladrey Inc. | R-3538198-159 | | 5,670.00 | Accounting Services |
| | | | Total | $ | 33,444.00 | |

## Fiscal Year Ended 06/30/2012

# CSU Auxiliaries Multiple Employer VEBA Trust

## Administrative Fund

## Monthly Cash Flows Statement

## Fiscal Year Ended 06/30/2012

| | Actuals | | | | | | | | | | | | As of | Since |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 07/2011 | 08/2011 | 09/2011 | 10/2011 | 11/2011 | 12/2011 | 01/2012 | 02/2012 | 03/2012 | 04/2012 | 05/2012 | 06/2012 | 11/30/2011 | Inception |
| Beginning Cash Balance | $ 6,598.21 | $ 16,598.36 | $ 11,550.46 | $ 9,914.53 | $ 5,947.31 | $ 5,947.33 | $ 5,947.33 | $ 5,947.33 | $ 5,947.33 | $ 5,947.33 | $ 5,947.33 | $ 5,947.33 | $ 6,598.21 | $ - - |
| **Deposits and Interest:** | | | | | | | | | | | | | | |
| Member Contributions | 10,000.00 | 10,000.00 | 5,000.00 | 10,000.00 | - - | - - | - - | - - | - - | - - | - - | - - | 35,000.00 | 60,000.00 |
| Withdrawal from Loan | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | 60,411.46 |
| Interest Earned | 0.15 | 0.10 | 0.07 | 0.13 | 0.02 | - - | - - | - - | - - | - - | - - | - - | 0.47 | 0.68 |
| Accounts Receivable | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - |
| Total Deposits and Credits | 10,000.15 | 10,000.10 | 5,000.07 | 10,000.13 | 0.02 | - - | - - | - - | - - | - - | - - | - - | 35,000.47 | 120,412.14 |
| **Disbursements/ Other Payments:** | | | | | | | | | | | | | | |
| Attorney Fees | - - | (15,000.00) | (6,636.00) | (13,942.35) | - - | - - | - - | - - | - - | - - | - - | - - | (35,578.35) | (95,989.81) |
| Accounting Services | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | (14,505.00) |
| D&O Coverage | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | (3,047.00) |
| United States Treasury | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | (850.00) |
| Franchise Tax Board | - - | - - | - - | (25.00) | - - | - - | - - | - - | - - | - - | - - | - - | (25.00) | (25.00) |
| Travel | - - | (48.00) | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | (48.00) | (48.00) |
| Loan Repayment | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - |
| Accounts Payable | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - | - - |
| Total Disbursements | - - | (15,048.00) | (6,636.00) | (13,967.35) | - - | - - | - - | - - | - - | - - | - - | - - | (35,651.35) | (114,464.81) |
| Ending Cash Balance | $ 16,598.36 | $ 11,550.46 | $ 9,914.53 | $ 5,947.31 | $ 5,947.33 | $ 5,947.33 | $ 5,947.33 | $ 5,947.33 | $ 5,947.33 | $ 5,947.33 | $ 5,947.33 | $ 5,947.33 | $ 5,947.33 | $ 5,947.33 |

| **Summary:** | 07/2011 | 08/2011 | 09/2011 | 10/2011 | 11/2011 | 12/2011 | 01/2012 | 02/2012 | 03/2012 | 04/2012 | 05/2012 | 06/2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cash in Account | $ 16,598.36 | $ 11,550.46 | $ 9,914.53 | $ 5,947.31 | $ 5,947.33 | $ - - | $ - - | $ - - | $ - - | $ - - | $ - - | $ - - |
| Ending Cash Balance | $ 16,598.36 | $ 11,550.46 | $ 9,914.53 | $ 5,947.31 | $ 5,947.33 | $ - - | $ - - | $ - - | $ - - | $ - - | $ - - | $ - - |
| Loan Balance | 60,411.46 | 60,411.46 | 60,411.46 | 60,411.46 | 60,411.46 | 60,411.46 | 60,411.46 | 60,411.46 | 60,411.46 | 60,411.46 | 60,411.46 | 60,411.46 |
| Loan Balance | $ 60,411.46 | $ 60,411.46 | $ 60,411.46 | $ 60,411.46 | $ 60,411.46 | $ 60,411.46 | $ 60,411.46 | $ 60,411.46 | $ 60,411.46 | $ 60,411.46 | $ 60,411.46 | $ 60,411.46 |

# CSU Auxiliaries Multiple Employer VEBA Trust

## Administrative Fund

### Member Contributions

### Fiscal Year Ended 06/30/2012

| | | Contribution | Date Deposited |
|---|---|---|---|
| CSU Sacramento - University Enterprises, Inc. | $ | 5,000 | 07/12/11 |
| CSU Long Beach - Assoc. Student, Inc. | | 5,000 | 07/25/11 |
| Cal Poly Pomona - Assoc. Student, Inc. | | 5,000 | 08/11/11 |
| CSU Long Beach - Forty-Niner Shops, Inc. | | 5,000 | 08/30/11 |
| San Jose State Univ. - Tower Foundation | | 5,000 | 09/26/11 |
| CSU Dominguez Hills - Assoc Students, Inc. | | 5,000 | 10/18/11 |
| San Jose State Univ. - Student Union | | 5,000 | 10/26/11 |
| Total | $ | 35,000 | |

# CSU Auxiliaries Multiple Employer VEBA Trust
# Administrative Fund

## Disbursements

## Payment Order Number 2011/2012 - 01

| Ck Date | Check # | Payee | Invoice # | | Amount | Transaction Description |
|---|---|---|---|---|---|---|
| 08/12/11 | | Nixon Peabody LLP | - - | $ | 15,000.00 | Legal Fees |
| 08/16/11 | | CSU Fullerton | 9246540 | | 48.00 | Travel |
| 09/20/11 | | Nixon Peabody LLP | - - | | 6,636.00 | Legal Fees |
| 10/07/11 | | Franchise Tax Board | - - | | 25.00 | Tax Filing |
| 10/27/11 | | Nixon Peabody LLP | - - | | 4,476.35 | Legal Fees |
| 11/02/11 | | Nixon Peabody LLP | 9264064 | | 9,466.00 | Legal Fees |
| | | | Total | $ | 35,651.35 | |

**AUXILIARIES MULTIPLE EMPLOYER VEBA**
**TRUSTEES MEETING**

| | | | |
|---|---|---|---|
| PRESENTED TO: | | DATE: | 01/09/2012 |
| VEBA Trustees | | | |
| SUBJECT: | | ITEM #: | 2011/2012-025 |
| Additional Participating Auxiliaries (Prospects) | | Enclosure: | Yes |
| | | Action Item | No |

Prepared by: Keenan Financial Services

Requested by: VEBA Trustees

**BACKGROUND:**

The VEBA Trust has been created to facilitate the prefunding of CSU Auxiliaries retiree medical liabilities.

**STATUS:**

The VEBA Trustees will discuss the status of additional CSU Auxiliaries joining the VEBA Trust.

**RECOMMENDATION:**

The VEBA Trustees shall review and accept the information presented.

**California State University**
**Auxiliary Other Postemployment Benefits Obligations**

12/20/2011

| Campus | Auxiliary Name | Noncurrent | Contact Person | Trustee / Coordinator Assigned | Title | Prospect Type | Sold Y/N | Total | GASB / FASB | Status | Auxiliary Fee Funded | Funded | Original Date Funded | Auxiliaries Approved |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| San Luis Obispo | Associated Students, Inc., California Polytechnic State University, San Luis Obispo | 3,915,142 | Dwayne Brummett,Ttee | Dwayne | | | Y | 3,915,142 | FASB | Approved | $5,000 | $1,050,000.00 | 12/1/2010 | 1 |
| Fullerton | CSU Fullerton Auxiliary Services Corporation | 4,560,874 | Frank Mumford | Frank | Executive Director | | Y | 4,560,874 | FASB | Approved | | | | 2 |
| Pomona | Cal Poly Pomona Foundation, Inc. | 12,171,588 | David Prenovost, Ttee | David | | | Y | 12,171,588 | FASB | Approved | $5,000 | $2,000,000.00 | 10/14/2010 | 3 |
| Dominguez Hills | The Donald P. and Katherine B. Loker University Student Union, Inc., California State University, Dominguez Hills | 212,215 | Kim Clark , Ttee | Kim | Executive Director | | Y | 212,215 | GASB | Approved | $5,000 | $50,000.00 | 3/29/2011 | 4 |
| Long Beach | Associated Students, Inc., California State University, Long Beach | 5,834,425 | Richard Haller | David | | | Y | 5,834,425 | FASB | Approved | $5,000 | $200,000.00 | 6/27/2011 | 5 |
| San Bernardino | Associated Students, Incorporated, California State University, San Bernardino | 335,823 | Patrick Areffi | Keenan | Executive Director | | Y | 335,823 | FASB | Approved | $5,000 | $242,255.00 | 5/20/2011 | 6 |
| Los Angeles | University - Student Union Board, California State University, Los Angeles | 798,388 | Rowena Tran | David | Assistant Director | | Y | 798,388 | FASB | Approved | $5,000 | $500,000 | 5/9/2011 | 7 |
| Long Beach | Forty-Niner Shops, Inc. (Long Beach) | - | Bob DeWitt | David | Controller | | Y | - | FASB | Approved | $5,000 | $1,000,000 | 6/30/2011 | 8 |
| Dominguez Hills | Associated Students, Inc., California State University, Dominguez Hills | 294,474 | Guy Witherspoon | Kim | Executive Director | | Y | 294,474 | GASB | Approved | $5,000 | $50,000 | 10/3/2011 | 9 |
| Sacramento | University Enterprises, Inc. | 2,301,727 | Jim Reinhart | Frank | | | Y | 2,301,727 | GASB | Approved | $5,000 | $500,000 | 6/30/2011 | 10 |
| Pomona | Associated Students, Inc., California State Polytechnic University, Pomona | 2,994,804 | Cora Culla | David | Executive Director | | Y | 2,994,804 | FASB | Approved | $5,000 | | | 11 |
| San Jose | Tower Foundation | | Leslie Rohn | | Controller | | Y | 25,846 | GASB | Approved | $5,000 | $16,784 | 9/28/2011 | 12 |
| San Jose | The Student Union of San Jose State University | 492,043 | Kristin Kelly | Kim | Executive Director | | Y | 492,043 | GASB | Approved | $5,000 | $231,000 | 11/30/2011 | 13 |
| Los Angeles | Associated Students Inc. of California State University, Los Angeles, Inc. | 123,763 | Intef W. Weser | Dwayne | Executive Director | | Y | 123,763 | FASB | Approved | | | | 14 |
| Humboldt | Humboldt State University Center Board of Directors | 6,711,710 | Heidi Chien, | David/Keenan | Assoc Exec Director | | Y | 6,711,710 | FASB | Approved | | | | 15 |
| Northridge | Associated Students, Inc., California State University, Northridge | 2,569,580 | Diane Hartjen | Dwayne | Dir of Acctng/ Financial Svcs | A | | 2,569,580 | FASB | Interested | | | | |
| San Jose | Associated Students Inc. of San Jose State University | 715,420 | Cheryl Vargas | Kim | Executive Director | AA | | 715,420 | GASB | Interested | | | | |
| San Bernardino | Santos Manuel Student Union of California State University, San Bernardino | 371,444 | Mark Day | David | Executive Director | AA | | 371,444 | GASB | Interested | | | | |
| San Luis Obispo | Cal Poly Corporation | 23,768,292 | Bonnie Murphy | David | Executive Director | B | | 23,768,292 | FASB | | | | | |
| Dominguez Hills | California State University Dominguez Hills Foundation | 1,316,156 | Dawn Shimizu | Kim | Dir Finance | B | | 1,316,156 | GASB | Interested | | | | |
| Bakersfield | California State University, Bakersfield, Foundation | 2,034,660 | Michael Neal | Frank | VP,Business Svcs | B | | 2,034,660 | FASB | Interested | | | | |
| Chico | The CSU, Chico Research Foundation | 582,699 | | Dwayne | | B | | 582,699 | GASB | Interested | | | | |
| San Bernardino | The Foundation for California State University, San Bernardino | 4,305,510 | Debbie Burns | Kim | Executive Director | B | | 4,305,510 | FASB | Interested | | | | |
| Stanislaus | University Student Union of California State University, Stanislaus | 255,097 | | Dwayne | | B | | 255,097 | FASB | Interested | | | | |
| Stanislaus | Associated Students Incorporated of California State University, Stanislaus | 189,666 | | Dwayne | | | | 189,666 | FASB | | | | | |
| Chico | Associated Students of California State University, Chico | 775,573 | | Dwayne | | | | 775,573 | FASB | | | | | |
| San Diego | Associated Students of San Diego State University | 1,357,253 | | Dwayne | | | | 1,357,253 | FASB | | | | | |
| Fullerton | Associated Students, California State University, Fullerton, Inc. | 814,891 | | Dwayne | | | | 814,891 | FASB | | | | | |
| East Bay | Associated Students, Inc. of California State University, East Bay | 263,236 | | Dwayne | | | | 263,236 | GASB | | | | | |
| San Diego | Aztec Shops, Ltd. | 10,514,471 | | Frank | | | | 10,514,471 | FASB | | | | | |
| Los Angeles | Cal State L.A. University Auxiliary Services, Inc. | 1,469,729 | | Frank | | | | 1,469,729 | GASB | Interested | | | | |
| East Bay | California State University, East Bay Foundation, Inc. | 2,636,321 | | Frank | | | | 2,636,321 | GASB | | | | | |
| Fresno | California State University, Fresno Association, Inc. | - | | Frank | | | | - | FASB | | | | | |
| Long Beach | California State University, Long Beach Foundation | 4,304,750 | Brian Nowlin | David | COO | | | 4,304,750 | GASB | | | | | |
| Stanislaus | California State Unviersity, Stanislaus Auxiliary and Business Services | 171,606 | | Frank | | | | 171,606 | FASB | | | | | |
| San Jose | San Jose State University Research Foundation | 15,830,801 | Paul Harris | David | Dir of Finance/Acctng | | | 15,830,801 | FASB | | | | | |
| Sonoma | Sonoma Student Union Corporation | 52,974 | | Frank | | | | 52,974 | GASB | | | | | |
| San Jose | Spartan Shops, Inc. | 1,045,053 | | Frank | | | | 1,045,053 | FASB | | | | | |
| Northridge | The University Corporation (Northridge) | 3,199,419 | | Kim | | | | 3,199,419 | FASB | | | | | |
| Fullerton | Titan Student Union Associated Students California State University, Fullerton, Inc | 956,340 | | Frank | | | | 956,340 | FASB | | | | | |
| San Marcos | University Auxiliary and Research Services Corporation | 774,530 | | Kim | | | | 774,530 | FASB | | | | | |
| Northridge | University Student Union, Inc., California State University, Northridge | 1,159,080 | | Kim | | | | 1,159,080 | FASB | | | | | |
| | **Total** | - | | | | | | 122,207,373 | | | | **$5,840,039.00** | | |

**AUXILIARIES MULTIPLE EMPLOYER VEBA**
**TRUSTEES MEETING**

| | | | |
|---|---|---|---|
| PRESENTED TO: | | DATE: | 01/09/2012 |
| VEBA Trustees | | | |

| | | | |
|---|---|---|---|
| SUBJECT: | | ITEM #: | 2011/2012-026 |
| Application for Recognition of Exemption Update | | Enclosure: | Yes |
| | | Action Item | No |

| | |
|---|---|
| Prepared by: | Keenan Financial Services |
| Requested by: | VEBA Trustees |

## BACKGROUND:

The Internal Revenue Service (IRS) provides Recognition of Exemption status under Section 501(a) of the Internal Revenue Code (IRS) regarding the VEBA Trust. This allows for contributions, plan assets, interest and dividends to be treated as tax free transactions.

## STATUS:

The VEBA Trustees will receive an update on the status of the Application for Recognition of Exemption under Section 501(a) from the Internal Revenue Service regarding the VEBA Trust.

## RECOMMENDATION:

The VEBA Trustees shall hear and accept the information presented.

INTERNAL REVENUE SERVICE
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Dat SEP 25 2011

AUXILIARIES MULTIPLE EMPLOYER VEBA
C/O NIXON PEABODY LLP
DAVID S FOSTER
ONE EMBARCADERO CENTER 18TH FLOOR
SAN FRANCISCO, CA 94111-3600

Employer Identification Number:
27-3301107
DLN:
17053028300001
Contact Person:
CHRIS BROWN ID# 31503
Contact Telephone Number:
(877) 829-5500
Accounting Period Ending:
June 30
Form 990 Required:
Yes
Effective Date of Exemption:
September 22, 2010
Contribution Deductibility:
No
Addendum Applies:
No

Dear Applicant:

We are pleased to inform you that upon review of your application for tax-exempt status we have determined that you are exempt from Federal income tax under section 501(c)(9) of the Internal Revenue Code. Because this letter could help resolve any questions regarding your exempt status, you should keep it in your permanent records.

Please see enclosed Publication 4221-NC, Compliance Guide for Tax-Exempt Organizations (Other than 501(c)(3) Public Charities and Private Foundations), for some helpful information about your responsibilities as an exempt organization.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

Lois G. Lerner
Director, Exempt Organizations

Enclosure: Publication 4221-NC

Letter 948 (DO/CG)

**AUXILIARIES MULTIPLE EMPLOYER VEBA**
**TRUSTEES MEETING**

| | | | |
|---|---|---|---|
| PRESENTED TO: | | DATE: | 01/09/2012 |
| VEBA Trustees | | | |
| SUBJECT: | | ITEM #: | 2011/2012-027 |
| VEBA Trustee Comments | | Enclosure: | No |
| | | Action Item | No |

Prepared by: Keenan Financial Services

Requested by: VEBA Trustees

## RECOMMENDATION:

Each VEBA Trustee may report about various matters involving the Auxiliaries Multiple Employer VEBA Trust.

**AUXILIARIES MULTIPLE EMPLOYER VEBA**
**TRUSTEES MEETING**

| | | | |
|---|---|---|---|
| PRESENTED TO: | | DATE: | 01/09/2012 |
| VEBA Trustees | | | |
| SUBJECT: | | ITEM #: | 2011/2012-028 |
| Program Coordinator/Consultant Comments | | Enclosure: | No |
| | | Action Item | No |

Prepared by: Keenan Financial Services

Requested by: VEBA Trustees

## RECOMMENDATION:

The VEBA Trustees may be addressed by the Program Coordinator/Consultant on any matter that has not been discussed in the VEBA agenda format.

**AUXILIARIES MULTIPLE EMPLOYER VEBA**
**TRUSTEES MEETING**

| | | | |
|---|---|---|---|
| PRESENTED TO: | | DATE: | 01/09/2012 |
| VEBA Trustees | | | |
| SUBJECT: | | ITEM #: | 2011/2012-029 |
| Other Comments | | Enclosure: | No |
| | | Action Item | No |

Prepared by: Keenan Financial Services

Requested by: VEBA Trustees

## RECOMMENDATION:

The VEBA Trustees may be addressed on any matter that has not been discussed in the VEBA agenda format.

**AUXILIARIES MULTIPLE EMPLOYER VEBA**
**TRUSTEES MEETING**

| | | | |
|---|---|---|---|
| PRESENTED TO: | | DATE: | 01/09/2012 |
| VEBA Trustees | | | |
| SUBJECT: | | ITEM #: | 2011/2012-030 |
| Date, Time and Agenda Items Next Meeting | | Enclosure: | No |
| | | Action Item | No |

Prepared by: Keenan Financial Services

Requested by: VEBA Trustees

**RECOMMENDATION:**

The VEBA Trustees and visitors may suggest agenda items for consideration at the next VEBA Trustees meeting and determine the date, time and place of the next meeting.