



Gallagher Fiduciary Advisors, LLC
a Subsidiary of Gallagher Benefit Services, Inc.

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MEMORANDUM

To: Regis P. Garris, Jr., Deputy Controller
From: Christiaan J. Brokaw, CFA, AIF®, Senior Consultant
Date: July 25, 2012
Re: Westmoreland County – 2Q12 Performance Report

Please find enclosed portfolio performance for the 4th quarter of 2011, as well as a review of the markets.

The second quarter proved to be the end of an uncommon equity market rally. The S&P 500 Index gained 25.9% over the six-months ending March 31, 2012, which ranked among the top 5% of all six-month periods over the last 60 years. During the second quarter, however, the S&P 500 lost its momentum and declined 2.8%. International equities, up 14.6% over the previous six-month period, declined 7.1% during the quarter. Like equity markets, the global economy also lost momentum during the second quarter. Economic growth slowed both in the U.S. and in China, and European growth continues to be hobbled by the ramifications of its debt crisis. The beneficiaries of the global slowdown were primarily fixed-income markets. The 10-year U.S. Treasury yield sank below 1.5% in early June before ending the quarter at 1.66%.

Looking forward, we recognize that the market will be strongly influenced in coming months by factors that are broader than pure economics and investment fundamentals. Both the United States and Europe face serious fiscal and political challenges. China, the economic leader in Asia, faces the prospect of economic growth falling below the country's long-term targets. Unfortunately, the outcome of these scenarios is very difficult to forecast with any degree of certainty. Tougher still is predicting the market's response to new political and fiscal developments. Investors, therefore, should look to their long-term goals and objectives to maintain the appropriate perspective for their portfolios. Equities continue to represent a better relative value than fixed income. Given the political and fiscal uncertainty, however, we recommend moderation when considering tactical portfolio changes in the second half of the year.

Please contact me should you have any questions.



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The information contained in this report has been obtained from sources believed to be accurate and complete. However, because of the possibility of human and/or mechanical error, the report's accuracy and completeness, and the opinions based thereon, are not and cannot be guaranteed.



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**Westmoreland County
Employees' Retirement Fund
Performance Analysis
Through June 30, 2012**

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Westmoreland County Employees' Retirement Fund Performance Analysis Through March 31, 2012

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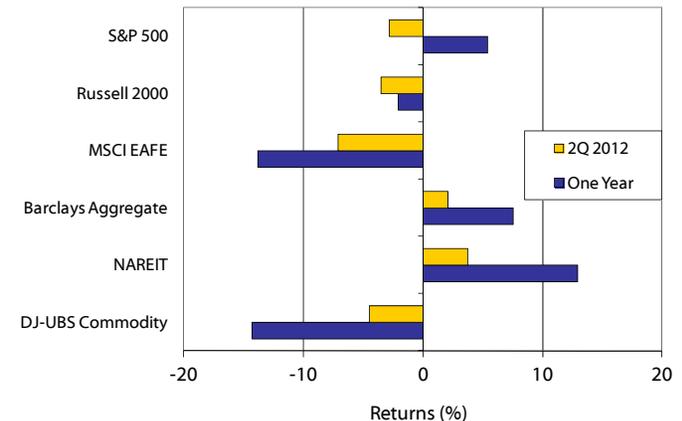
Market Background

2nd Quarter 2012

Economy

- The Federal Reserve kept short-term rates near zero during the quarter, and extended Operation Twist through the end of 2012.
- The yield on the 10-year U.S. Treasury note dipped below 1.5% during the quarter before finishing at 1.7%.
- The Consumer Price Index (CPI) rose 0.0% during the second quarter and 1.7% over the past year.
- First quarter 2012 GDP growth increased 1.9% net of inflation. The deceleration in GDP in the first quarter reflected slowed growth in inventory investment and nonresidential fixed investment.
- The unemployment rate remained steady at 8.2% during the quarter.

Index Performance by Asset Class



U.S. Equities

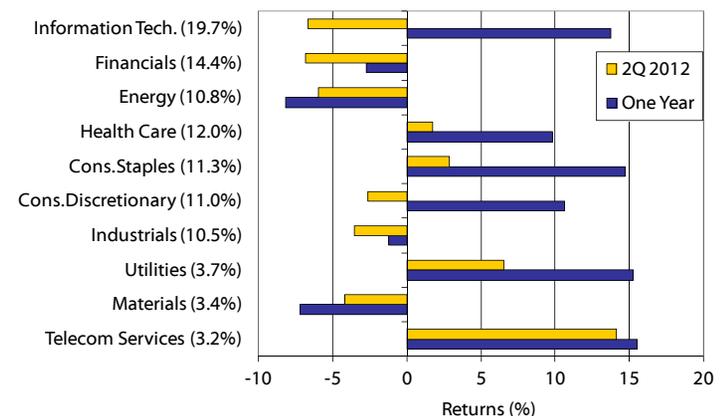
- Domestic equity indices were weak during the quarter. Large cap value was the best performing segment for the quarter and large cap growth for the year. There was a wide dispersion in sector performance as the traditional defensive sectors, telecom services and utilities, outperformed while the more cyclical sectors, including IT, financials and energy lagged the broader market.

U.S. Equity Returns (%)

	Value	Core	Growth
Large	-2.2	-3.1	-4.0
Mid	3.0	4.4	5.8
Small	-3.3	-4.4	-5.6
	-0.4	-1.7	-3.0
	-3.0	-3.5	-3.9
	-1.4	-2.1	-2.7

Legend: 2Q 2012 1 Year Best total return during the period

U.S. Equities: Sector Performance



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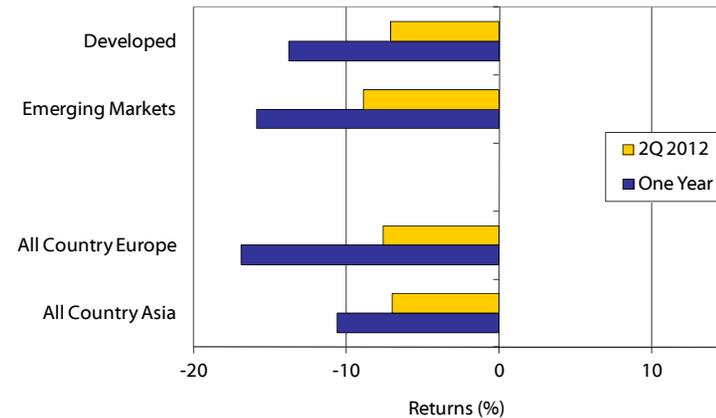
Market Background

2nd Quarter 2012

International Equities

- The U.S. dollar rose 5.1% against the Euro and fell 4.1% versus the Yen during the quarter.
- Among developed nations' stock markets, the United Kingdom performed the best (down 4.0%) while Spain and Italy both fell more than 10% during the quarter.
- The MSCI Emerging Markets index lost 8.9% during the quarter as investors shied away from riskier assets and concerns over global growth continued to plague the markets.
- Among Emerging Markets, Turkey posted the best quarterly return (+0.9%) while Brazil was the worst (-18.9%) during the quarter.

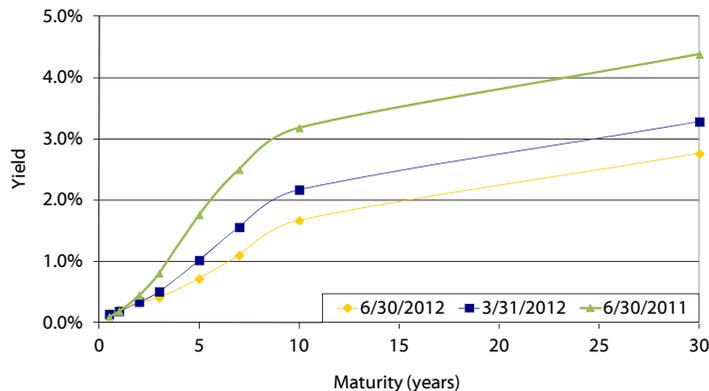
International Equities: Market Performance



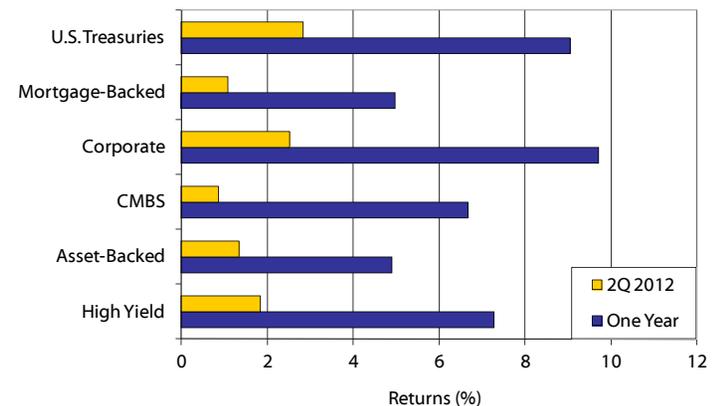
Fixed Income

- Rates ended the quarter lower as the short end of the yield curve flattened amid a rally in the fixed income market. Expectations for another round of quantitative easing rose as investors looked to the Federal Reserve to combat a weakening economy.
- Treasuries and other higher quality sectors outperformed as spread sectors, including commercial mortgages and high yield, lagged these sectors during the second quarter and over the last 12 months.

Treasury Yield Curve: 6/30/12, 3/31/12 and 6/30/11



Fixed Income: Sector Performance



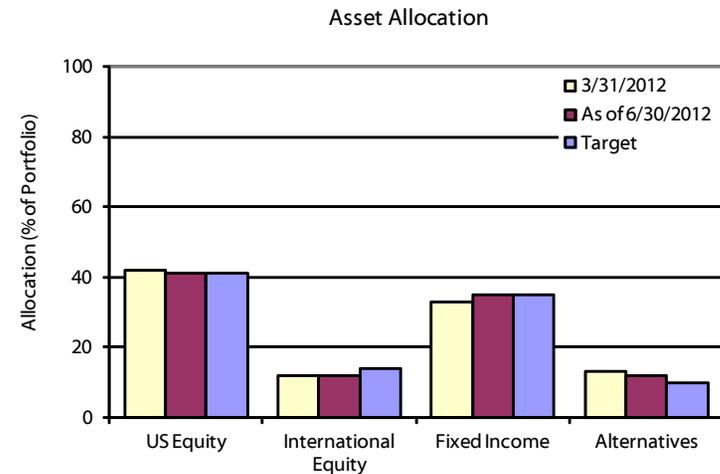
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Portfolio Summary

Westmoreland County As of 6/30/2012

<u>Principal Changes - \$(000)</u>	<u>One Year</u>	<u>Three Years</u>
Beginning Balance	340,952	254,977
Net Cash Flows	(4,784)	(10,529)
Investment Earnings:	3,856	95,576
Policy Asset Allocation Effect	7,459	91,122
Deviation from Policy Effect	(1,492)	(1,502)
Investment Manager Effect	(2,111)	5,954
Ending Balance	340,024	340,024
Total change in market value:	(928)	85,047



Portfolio Observations:

- Investment Manager Effect was positive for the three year trailing period due primarily to strong performance by the plan's equity managers.
- Fixed income was the only asset class to have a positive return for the quarter.

Definitions:

Policy Asset Allocation Effect: amount portfolio would have earned if portfolio was exactly in-line with target allocation and investment managers matched benchmark performance.

Deviation from Policy Effect: impact of the portfolio being either overweight or underweight asset classes relative to the target allocation.

Investment Manager Effect: impact of investment managers outperforming or underperforming their benchmarks.



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Report Highlights

Net of Fees Investment Performance Ending June 30, 2012

	<u>Quarter</u>	<u>Year To Date</u>	<u>One Year</u>	<u>Two Years</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Ten Years</u>
Equity							
C.S. McKee	-3.9%	8.7%	0.0%	15.4%	15.1%	-0.5%	N.A.
Russell 1000 Value Index	-2.2	8.7	3.0	15.2	15.8	-2.2	5.3%
Sit	-5.0	9.7	3.9	17.4	N.A.	N.A.	N.A.
Russell 1000 Growth Index	-4.0	10.1	5.8	19.5	17.5	2.9	6.0
CIM	-4.3	8.7	3.6	16.0	14.7	-0.7	4.4
Manning & Napier Equity	-4.9	6.0	-3.8	11.7	11.9	-0.6	N.A.
Vanguard S&P 500 Index Fund	-2.8	9.5	5.4	17.4	16.4	N.A.	N.A.
Emerald - LCC	-3.5	8.7	6.9	17.2	N.A.	N.A.	N.A.
S&P 500 Index	-2.8	9.5	5.4	17.4	16.4	0.2	5.3
Emerald - MCG	-8.2	8.7	-9.2	16.9	17.6	N.A.	N.A.
Russell Mid Cap Growth Index	-5.6	8.1	-3.0	17.9	19.0	1.9	8.5
Victory Gradison	-3.4	6.0	1.5	15.6	19.5	2.7	8.9
Russell 2000 Value Index	-3.0	8.2	-1.4	13.8	17.4	-1.0	6.5
Emerald - SCG	-7.8	11.4	-2.5	20.6	21.1	1.9	N.A.
Russell 2000 Growth Index	-3.9	8.8	-2.7	18.1	18.1	2.0	7.4
International Equity							
C.S. McKee - Int'l Equity	-7.2	4.1	-15.1	4.4	5.8	-5.0	5.5
MSCI EAFE Index	-7.1	3.0	-13.8	6.0	6.0	-6.1	5.1
Total Fund - Equity							
S&P 500 Index	-2.8	9.5	5.4	17.4	16.4	0.2	5.3



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Report Highlights

Net of Fees Investment Performance Ending June 30, 2012

	<u>Quarter</u>	<u>Year To Date</u>	<u>One Year</u>	<u>Two Years</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Ten Years</u>
Alternatives							
CCA Gold I	-3.6%	-1.1%	3.6%	8.3%	9.1%	N.A.	N.A.
CCA Gold II	-6.7	-6.1	-3.1	5.2	7.9	N.A.	N.A.
CCA Blue	-4.2	-2.7	0.5	N.A.	N.A.	N.A.	N.A.
Grosvenor	-1.2	3.1	-2.3	2.5	4.9	-0.5%	4.1%
HFR Fund of Funds	-2.7	0.7	-4.8	0.8	2.1	-2.1	3.2
Fixed Income							
C.S. McKee	1.9	2.6	8.9	6.5	7.6	8.2	N.A.
MetWest	2.1	4.6	7.5	7.0	11.7	8.9	7.3
Barclays AGG Index	2.1	2.4	7.5	5.7	6.9	6.8	5.6
Total Portfolio							
Total Fund	-2.4	5.4	1.2	10.1	11.1	2.3	6.0
TMI (34/7/14/10/35)	-1.6	5.3	2.2	10.3	10.6	2.0	5.6
TMI (65/35)	-1.0	7.1	6.6	13.5	13.4	2.9	5.8
CPI Index	0.0	1.7	1.7	2.6	2.1	2.0	2.4



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Report Highlights

Asset Allocation Ending June 30, 2012

	<u>Target</u>	<u>@6/30/12</u>	<u>@3/31/12</u>	<u>@12/31/11</u>	<u>@9/30/11</u>
Large Cap Equity	27%	26%	29%	27%	27%
All Cap Equity	7	6	5	4	4
Small/Mid Cap Equity	7	9	9	9	8
International Equity	14	12	12	12	12
Alternatives	10	12	12	12	13
Fixed Income	35	33	32	34	35
Short Term Investment	0	2	1	2	1



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Report Highlights

Summary of Principal Changes \$(000) - Current Quarter

	<u>3/31/2012 Beginning Balance</u>	<u>+ Net Flows</u>	<u>+ Net Earnings</u>	<u>= 6/30/2012 Ending Balance</u>
C.S. McKee - Equity	\$33,809	\$(201)	\$(1,298)	32,310
C.S. McKee - Fixed Income	65,587	300	1,389	67,276
C.S. McKee - Cash	3,394	(2,091)	0	1,303
Sit	38,511	(4)	(1,877)	36,630
CIM	13,739	(2)	(582)	13,155
Manning & Napier Equity	16,226	(2)	(771)	15,453
Vanguard S&P 500 Index Fund	5,486	0	(151)	5,335
Emerald - LCC	10,034	(3)	(333)	9,698
Emerald - MCG	8,230	(4)	(655)	7,571
Victory Gradison	16,524	(9)	(537)	15,978
Emerald - SCG	8,463	(8)	(639)	7,816
International Equity	42,745	0	(3,078)	39,667
CCA Gold I	13,402	0	(487)	12,915
CCA Gold II	1,683	0	(113)	1,570
CCA Blue	6,870	0	(292)	6,578
Grosvenor	19,730	0	(235)	19,495
MetWest	<u>48,129</u>	<u>(1,905)</u>	<u>1,050</u>	<u>47,274</u>
Combined	\$352,562	\$(3,929)	\$(8,609)	\$340,024



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Portfolio Objectives

Total Fund

Three-Year Trailing Period

Asset Allocation*

	<u>Target</u>	<u>Actual</u>	<u>Achievement?</u>	
			<u>Yes</u>	<u>No</u>
The Total Equity allocation may range between 50% and 60% with a target of 55%.	50 - 60%	53%	•	
The Large Cap Value allocation may range between 7% and 15% with a target of 11%.	7 - 15%	9%	•	
The Large Cap Growth allocation may range between 7% and 15% with a target of 11%.	7 - 15%	10%	•	
The Large Cap Core allocation may range between 3% and 7% with a target of 5%.	3 - 7%	8%		•
The All Cap Variable Style allocation may range between 4% and 10% with a target of 7%.	4 - 10%	6%	•	
The Small and Mid Cap allocation may range between 4% and 10% with a target of 7%.	4 - 10%	9%	•	
The International allocation may range between 10% and 18% with a target of 14%.	10 - 18%	12%	•	
The Alternatives allocation may range between 7% and 13% with a target of 10%.	7 - 13%	12%	•	
The Fixed Income allocation may range between 30% and 40% with a target of 35%.	30 - 40%	33%	•	
The Short Term Investment allocation may range between 0% and 10% with a target of 0%.	0 - 10%	2%	•	

Return Objectives

The Total Fund return (net of fees) should exceed the TMI (34/7/14/10/35) by 0.4%. (New TMI effective 2/1/09)	11.0%	11.1%	•	
The Total Fund return should exceed the rate of inflation, as measured by the CPI, by 4.0% over a five-year period.	6.0%	2.3%		•
The Total Fund return should exceed the actuarial rate (7.5%) plus 0.1%	7.6%	11.1%	•	

*Asset allocation objectives are measured as of the current quarter-end.



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Portfolio Objectives

Large-Cap Equity Managers

Three-Year Trailing Period

	<u>Target</u>	<u>Actual</u>	<u>Achievement?</u>	
			<u>Yes</u>	<u>No</u>
C.S. McKee & Co., Inc.				
The Large Cap Value Equity return (net of fees) should exceed the Russell 1000 Value Index return.	22.8%	23.3%	•	
The Large Cap Value Equity return should rank in the top 50% of the GRID® Mutual Fund Large-Cap Value Universe.	50%	20%	•	
No more than 5% (at cost) of equity portfolios may be invested in a single equity security.	< 5%	1.9%	•	
No more than 10% (at market) of equity portfolios may be invested in a single equity security.	< 10%	1.9%	•	
No more than 20% (at market) of equity portfolios may be invested in any one industry sector.	< 20%	3.6%	•	
Emerald Asset Management				
The Large Cap Core return (net of fees) should exceed the S&P 500 Index.*	5.4%	6.9		
The Total Portfolio return (net of fees) should rank in the top 50% of the GRID® Mutual Fund Large-Cap Core Equity Universe.*	50%	30%	•	
No more than 5% (at cost) of equity portfolios may be invested in a single equity security.	< 5%	3.2%	•	
No more than 10% (at market) of equity portfolios may be invested in a single equity security.	< 10%	5.7%	•	
No more than 20% (at market) of equity portfolios may be invested in any one industry sector.	< 20%	19.7%	•	
CIM Investment Management				
The Large Cap Core Equity return (net of fees) should exceed the S&P 500 Index.	16.4%	14.7%		•
The Total Portfolio return should rank in the top 50% of the GRID® Mutual Fund Large-Cap Core Equity Universe.	50%	40%	•	
No more than 5% (at cost) of equity portfolios may be invested in a single equity security.	< 5%	2.0%	•	
No more than 10% (at market) of equity portfolios may be invested in a single equity security.	< 10%	5.3%	•	
No more than 20% (at market) of equity portfolios may be invested in any one industry sector.	< 20%	18.9	•	

*Trailing one-year period



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Portfolio Objectives

Large-Cap Equity Managers

Three-Year Trailing Period

Sit Investment Associates

	<u>Target</u>	<u>Actual</u>	<u>Achievement?</u>	
			<u>Yes</u>	<u>No</u>
The Total Portfolio return (net of fees) should exceed the Russell 1000 Growth Index.*	5.8%	3.9%		•
The Total Portfolio return should rank in the top 50% of the GRID® Total Fund Large-Cap Growth Equity Universe.*	50%	30%	•	
No more than 5% (at cost) of equity portfolios may be invested in a single equity security.	< 5%	2.9%	•	
No more than 10% (at market) of equity portfolios may be invested in a single equity security.	< 10%	6.7%	•	
No more than 20% (at market) of equity portfolios may be invested in any one industry sector.	< 20%	18.5%	•	

* Trailing one-year period



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Portfolio Objectives

All-Cap & Mid-Cap Equity Managers

Three-Year Trailing Period

Achievement?

Target

Actual

Yes

No

Manning & Napier

The Total Portfolio return (net of fees) should exceed the S&P 500 Index.

16.4%

11.9%

•

The Total Portfolio return should rank in the top 50% of the GRID® Total Fund All Cap Equity Universe.

50%

90%

•

No more than 5% (at cost) of equity portfolios may be invested in a single equity security.

< 5%

3.8%

•

No more than 10% (at market) of equity portfolios may be invested in a single equity security.

< 10%

3.6%

•

No more than 20% (at market) of equity portfolios may be invested in any one industry sector.

< 20%

18.7%

•

Emerald Asset Management

The Total Portfolio return (net of fees) should exceed the Russell Mid Cap Growth Index.

19.0%

17.6%

•

The Total Portfolio return (net of fees) should rank in the top 50% of the GRID® Mutual Fund Mid-Cap Growth Universe.

50%

40%

•

No more than 5% (at cost) of equity portfolios may be invested in a single equity security

< 5%

2.9%

•

No more than 10% (at market) of equity portfolios may be invested in a single equity security.

< 10%

4.1%

•

No more than 20% (at market) of equity portfolios may be invested in any one industry sector

< 20%

20.7%

•



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Portfolio Objectives

Small-Cap & International Equity Managers

Three-Year Trailing Period

Small-Cap Equity Managers

Victory Gradison

	<u>Target</u>	<u>Actual</u>	<u>Achievement?</u>	
			<u>Yes</u>	<u>No</u>
The Total Portfolio return (net of fees) should exceed the Russell 2000 Value Index.	17.4%	19.5%	•	
The Small Cap Value Equity return should rank in the top 50% of the GRID® Mutual Fund Small-Cap Value Universe.	50%	20%	•	
No more than 5% (at cost) of equity portfolios may be invested in a single equity security	< 5%	1.7%	•	
No more than 10% (at market) of equity portfolios may be invested in a single equity security.	< 10%	1.8%	•	
No more than 20% (at market) of equity portfolios may be invested in any one industry sector.	< 20%	18.7%	•	

Emerald Asset Management

The Total Portfolio return (net of fees) should exceed the Russell 2000 Growth Index.	18.1%	21.1%	•	
The Total Portfolio return (net of fees) should rank in the top 50% of the GRID® Mutual Fund Small-Cap Growth Universe.	50%	5%	•	
No more than 5% (at cost) of equity portfolios may be invested in a single equity security	< 5%	2.2%	•	
No more than 10% (at market) of equity portfolios may be invested in a single equity security.	< 10%	2.4%	•	
No more than 20% (at market) of equity portfolios may be invested in any one industry sector.	< 20%	22.9%		•

International Equity Manager

C.S. McKee & Co., Inc.

The Total Portfolio return (net of fees) should exceed the MSCI EAFE Index.	6.0%	5.8%		•
The International Equity return should rank in the top 50% of the GRID® Mutual Fund International Equity Universe.	50%	70%		•



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Portfolio Objectives

Fixed Income Managers

Three-Year Trailing Period

C.S. McKee & Co., Inc.

	<u>Target</u>	<u>Actual</u>	<u>Achievement?</u>	
			<u>Yes</u>	<u>No</u>
The Fixed Income return (net of fees) should exceed the BC AGG Index.	6.9%	7.6%	•	
The Fixed Income return (net of fees) should rank in the top 50% of the GRID® Mutual Fund Fixed Income Universe.	50%	5%	•	
Excluding U.S. Govt and Agencies, no more than 10% (at market) of fixed income portfolios may be invested in any one issuer.	< 10%	0.8%	•	
The effective duration should range within 1.5 years of the BC Agg duration.	3.0 - 6.0 yrs.	4.9 yrs.	•	
The average market-weighted quality shall be no less than 3.0 based on the following scale: U.S. Govt & Agencies, 5.0; Aaa bonds, 4.0; Aa bonds, 3.0; A bonds, 2.0; Baa bonds, 1.0.	> 3.0	4.0	•	

Metropolitan West Asset Management

The Fixed Income return should exceed the BC AGG Index.	6.9%	11.7%	•	
The Fixed Income return should rank in the top 50% of the GRID® Mutual Fund Fixed Income Universe.	50%	5%	•	
Excluding U.S. Govt and Agencies, no more than 10% (at market) of fixed income portfolios may be invested in any one issuer.	< 10%	0.7%	•	
The effective duration should range within 1.5 years of the BC Agg duration.	3.0 - 6.0 yrs.	4.1 yrs.	•	
The average market-weighted quality shall be no less than 3.0 based on the following scale: U.S. Govt & Agencies, 5.0; Aaa bonds, 4.0; Aa bonds, 3.0; A bonds, 2.0; Baa bonds, 1.0.	> 3.0	3.0	•	



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Manager Impact

Investment performance is determined by three primary factors; the target mix policy, the impact of asset allocation, and the impact of security selection. These factors are defined and measured as follows:

Target Mix Return

The long-term target for the mix of stocks, bonds, and cash equivalents in the portfolio. For measurement purposes, a fixed weight index composed of a predetermined proportion of the stock, bond, and T-bill indexes is used.

Asset Allocation Impact

The cumulative effect of the manager's decisions to hold a portfolio with an asset mix that differs from the asset mix policy.

Security Selection Impact

The cumulative impact of the manager's ability to select securities which produce returns different from the returns of the respective market index.

Periods Ending June 30, 2012

	<u>Quarter</u>	<u>One Year</u>	<u>Since Inception</u>
Sit			3/10
Target Mix Return*	-4.0%	5.8%	10.8%
+ Asset Allocation	+0.2	+0.1	-0.1
+ <u>Security Selection</u>	<u>-1.2</u>	<u>-2.0</u>	<u>-1.7</u>
= Total Return	-5.0%	3.9%	9.1%
CIM			3/02
Target Mix Return**	-2.8%	5.4%	3.7%
+ Asset Allocation	0.0	-0.1	+0.3
+ <u>Security Selection</u>	<u>-1.6</u>	<u>-1.8</u>	<u>-1.0</u>
= Total Return	-4.3%	3.6%	3.0%
Manning & Napier Equity			5/06
Target Mix Return***	-2.8%	5.4%	3.3%
+ Asset Allocation	0.0	-1.0	-0.3
+ <u>Security Selection</u>	<u>-2.2</u>	<u>-8.3</u>	<u>-0.6</u>
= Total Return	-4.9%	-3.8%	2.5%

*Russell 1000 Growth Index

**S&P 500 Index

***S&P 500 Index

****S&P 500 Index

Values may not add due to basis point rounding.



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The cumulative impact of the manager's ability to select securities which produce returns different from the returns of the respective market index.

Periods Ending June 30, 2012

	Quarter	One Year	Since Inception
Emerald - LCC			8/09
Target Mix Return*	-2.8%	5.4%	13.0%
+ Asset Allocation	0.0	0.0	-0.1
+ <u>Security Selection</u>	<u>-0.8</u>	<u>+1.5</u>	<u>-1.3</u>
= Total Return	-3.5%	6.9%	11.7%
Emerald - MCG			8/08
Target Mix Return**	-5.6%	-3.0%	5.1%
+ Asset Allocation	0.0	+0.1	+0.4
+ <u>Security Selection</u>	<u>-2.6</u>	<u>-6.3</u>	<u>+1.1</u>
= Total Return	-8.2%	-9.2%	6.6%
Victory Gradison			7/98
Target Mix Return***	-3.0%	-1.4%	7.4%
+ Asset Allocation	-0.3	+0.2	-0.7
+ <u>Security Selection</u>	<u>-0.1</u>	<u>+2.7</u>	<u>+2.3</u>
= Total Return	-3.4%	1.5%	9.0%
Emerald - SCG			3/04
Target Mix Return****	-3.9%	-2.7%	5.4%
+ Asset Allocation	+0.1	+0.2	+0.3
+ <u>Security Selection</u>	<u>-4.0</u>	<u>0.0</u>	<u>-0.5</u>
= Total Return	-7.8%	-2.5%	5.2%

*S&P 500 Index

**Russell Mid Cap Growth Index

***Russell 2000 Value

****Russell 2000 Growth Index

Values may not add due to basis point rounding.



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Manager Impact

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Target Mix Return

The long-term target for the mix of stocks, bonds, and cash equivalents in the portfolio. For measurement purposes, a fixed weight index composed of a predetermined proportion of the stock, bond, and T-bill indexes is used.

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The cumulative effect of the manager's decisions to hold a portfolio with an asset mix that differs from the asset mix policy.

Security Selection Impact

The cumulative impact of the manager's ability to select securities which produce returns different from the returns of the respective market index.

Periods Ending June 30, 2012

	<u>Quarter</u>	<u>One Year</u>	<u>Since Inception</u>
C.S. McKee - International Equity			6/96
Target Mix Return*	-7.1%	-13.8%	3.4%
+ Asset Allocation	0.0	0.0	0.0
+ <u>Security Selection</u>	<u>-0.1</u>	<u>-1.3</u>	<u>+1.8</u>
= Total Return	-7.2%	-15.1%	5.3%
MetWest			12/00
Target Mix Return**	2.1%	7.5%	6.0%
+ Asset Allocation	-0.1	-0.4	-0.4
+ <u>Security Selection</u>	<u>+0.3</u>	<u>+0.8</u>	<u>+1.9</u>
= Total Return	2.2%	7.8%	7.5%

*MSCI EAFE Index

**Barclays AGG Index

Values may not add due to basis point rounding.



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GRID[®] Comparison

Gallagher Fiduciary Advisors maintains a database of managed portfolios through the **GRID[®]** (Graphical Ranking of Investment Descriptors) system according to equity exposure and measurement period. Your portfolio is compared to the universe that most closely parallels your equity exposure during the evaluation period. This ensures comparability between rates of return and **GRID[®]** statistics.

The **GRID[®]** database includes composite and/or individually managed portfolio results from nearly 1,200 investment advisors, banks, and insurance companies. There are over 5,000 investment funds tracked in the database.

Performance results are requested from managers who participate in the **GRID[®]** database on a quarterly basis. Either monthly or quarterly data is acceptable. Results are requested as gross of fees. Performance for client accounts is calculated internally, based upon transaction statements and asset listings provided by the custodian. Rates of return include realized and unrealized gains and losses, income, and dividends. Returns have been reduced for expenses and other costs of portfolio management, but not for management fees. In addition, our universes are constructed by grouping together portfolios according to asset class as well as investment style to assure a valid comparison.

The **GRID[®]** Universe Table below describes the equity exposure of the standard **GRID[®]** Universes.

Gallagher Fiduciary Advisors GRID[®] system also produces a number of proprietary balanced fund indices. These are calculated on a monthly basis from specific weightings in recognized market indices (see **GRID[®]** Index Table). They are then used in the evaluation of a balanced fund's performance.

The bar charts on the following page(s) represent the range of returns for your fund's appropriate **GRID[®]** Universe. The median return is identified by the solid line that is approximately in the middle of each bar. The dashed lines denote the 25th and 75th percentiles. The solid line at the top and bottom of each bar indicates the 5th and 95th percentiles, respectively.

Your manager(s) results are plotted on the chart and displayed in the table below the graph.

GRID[®] Universe Table

<u>Universe</u>	<u>Average Equity Exposure (%)</u>
1) Fixed-Income Funds	< 25
2) Balanced (Low Equity)	25-45
3) Balanced (Core Equity)	40-60
4) Balanced (High Equity)	55-75
5) Equity Funds	> 75
6) Aggressive Equity Funds (Beta > 1.5)	> 75
7) Style Universes	Varies

GRID[®] Index Table

<u>Index</u>	<u>S&P 500</u>	<u>Components of Index</u>		
		<u>BC G/C</u>	<u>BC G/C I</u>	<u>T-Bill</u>
1) LOW INDEX	35%	50%	0%	15%
2) LOW INTMD	35	0	50	15
3) CORE INDEX	50	40	0	10
4) CORE INTMD	50	0	40	10
5) HIGH INDEX	65	30	0	5
6) HIGH INTMD	65	0	30	5

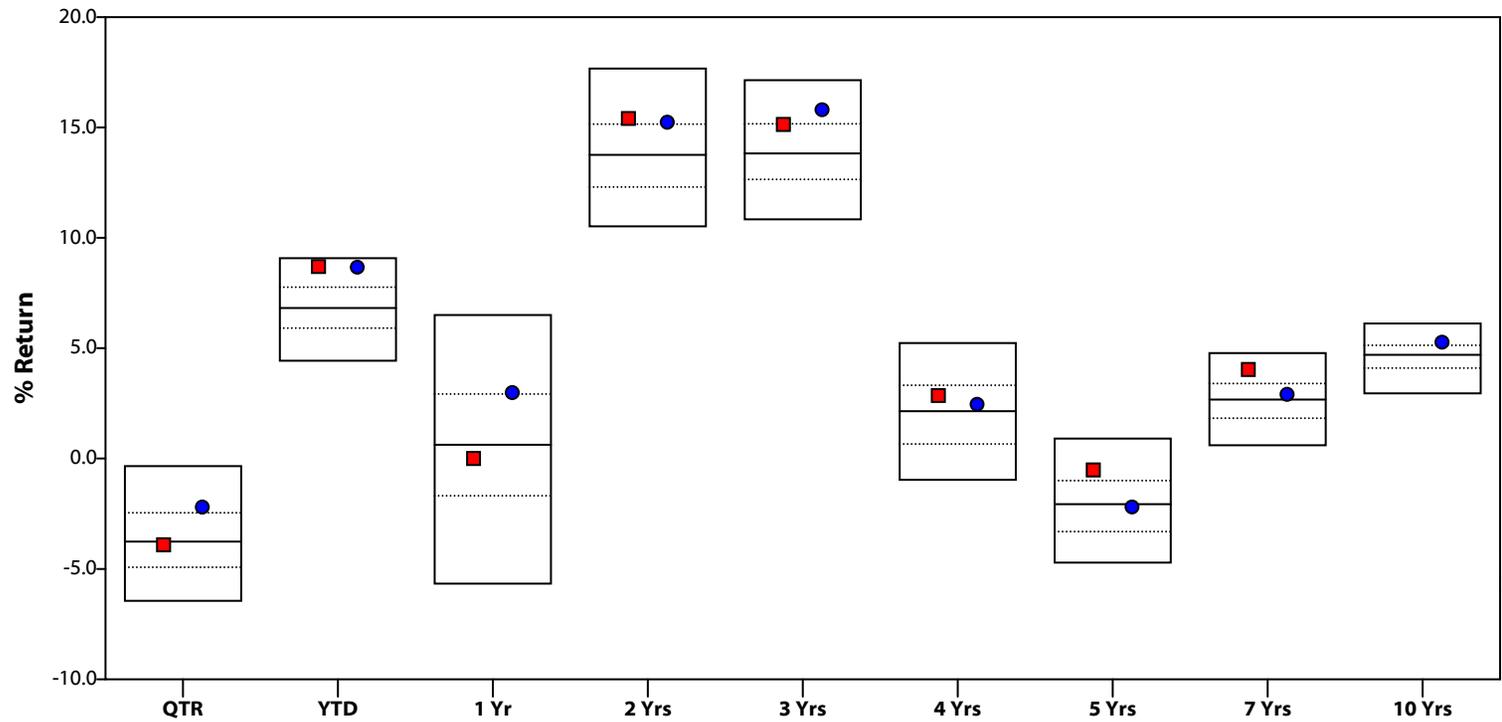


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GRID® Comparison – Trailing Year Performance

Periods Ending Jun 2012

Mutual Fund Large-Cap Value Universe



■ C.S. McKee
● Russell 1000 Value Index

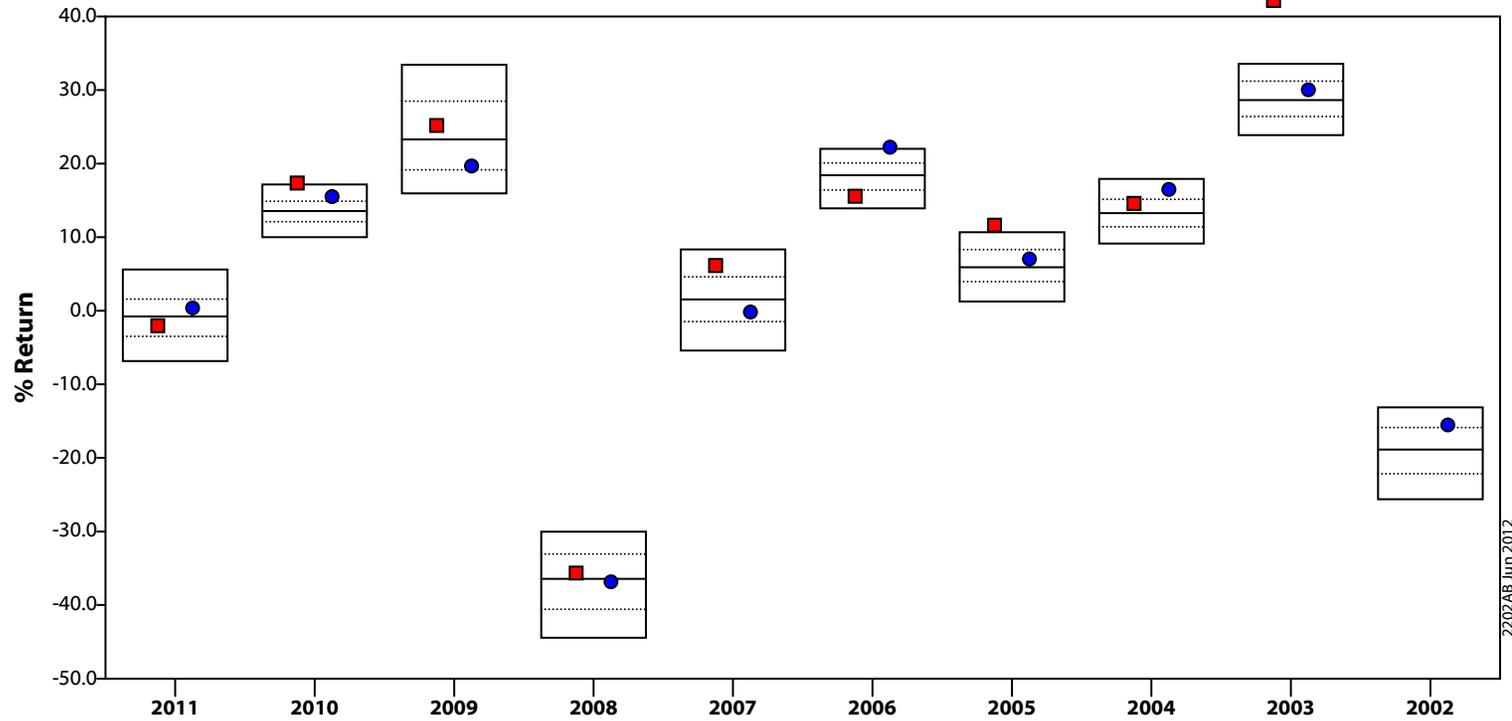
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GRID® Comparison – Calendar Year Performance

Mutual Fund Large-Cap Value Universe



■ C.S. McKee
● Russell 1000 Value Index

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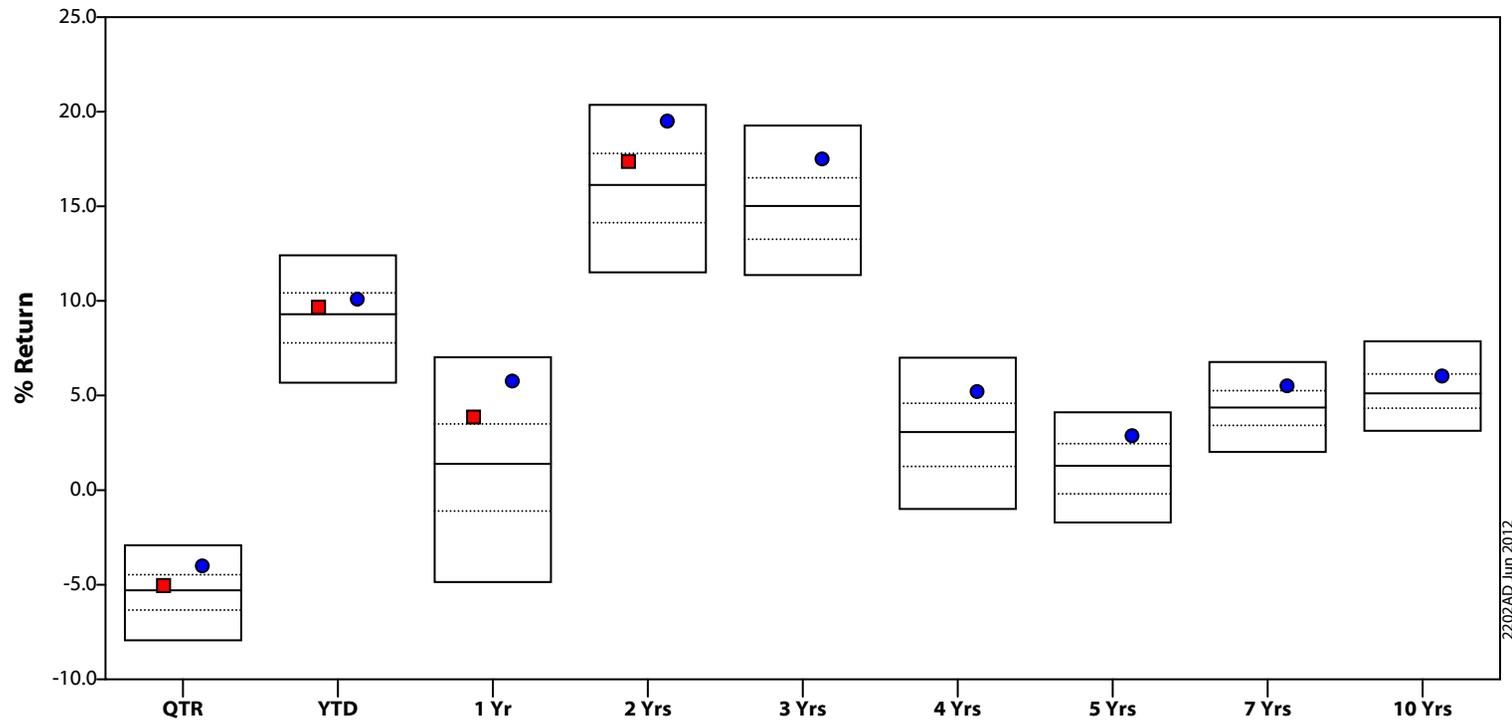


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GRID[®] Comparison – Trailing Year Performance

Periods Ending Jun 2012

Mutual Fund Large-Cap Growth Universe



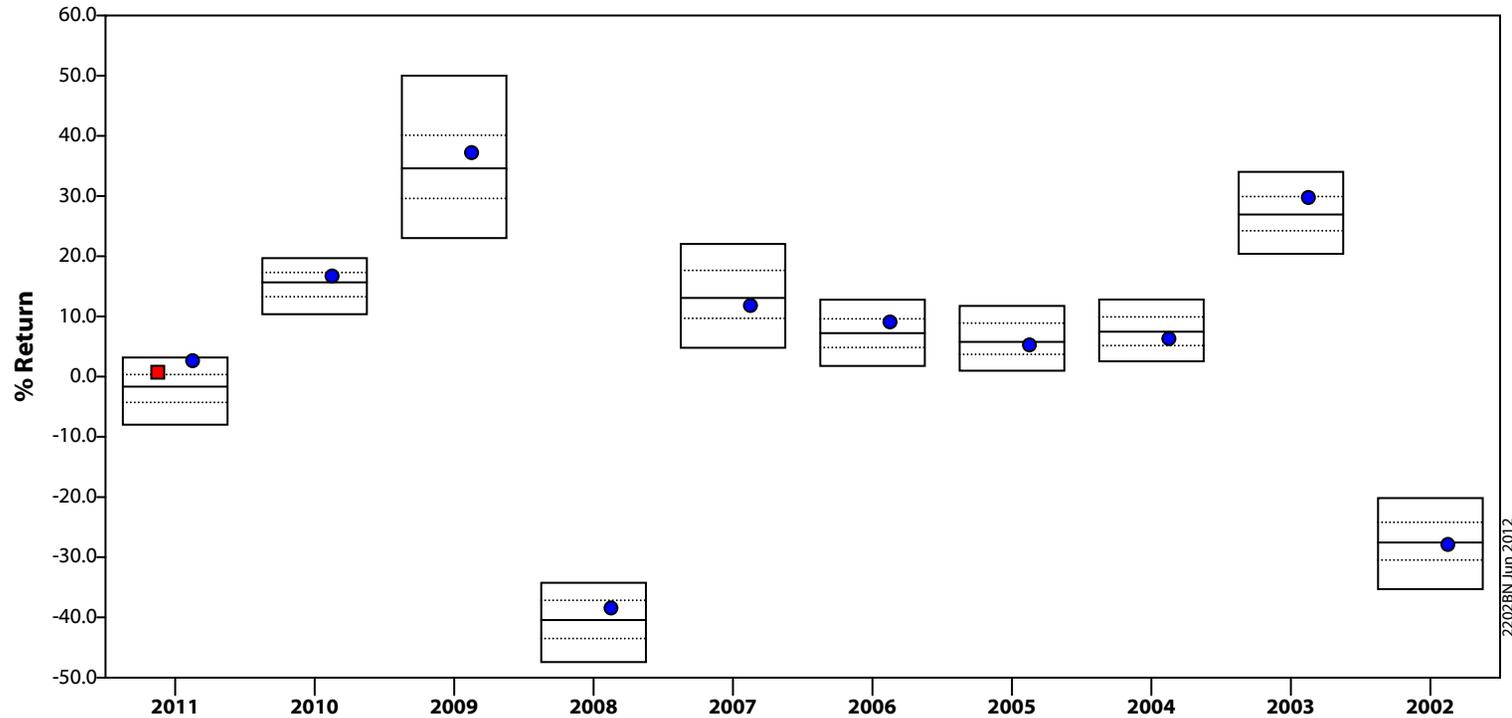
■ Sit
● Russell 1000 Growth Index



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GRID[®] Comparison – Calendar Year Performance

Mutual Fund Large-Cap Growth Universe



Year	Sit	Russell 1000 Growth Index
2011	0.7	0.7
2010		16.7
2009		37.2
2008		-38.4
2007		11.8
2006		9.1
2005		5.3
2004		6.3
2003		29.8
2002		-27.9

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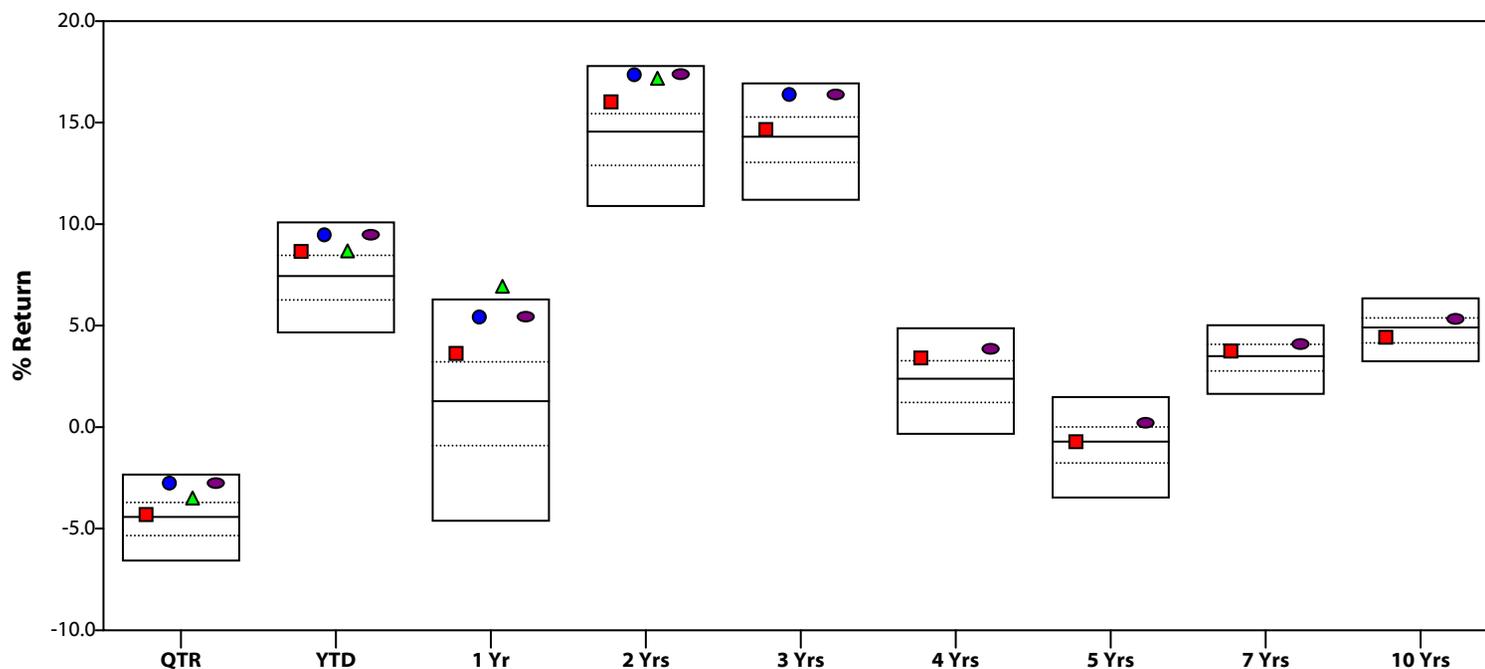


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GRID® Comparison – Trailing Year Performance

Periods Ending Jun 2012

Mutual Fund Large-Cap Core Equity Universe



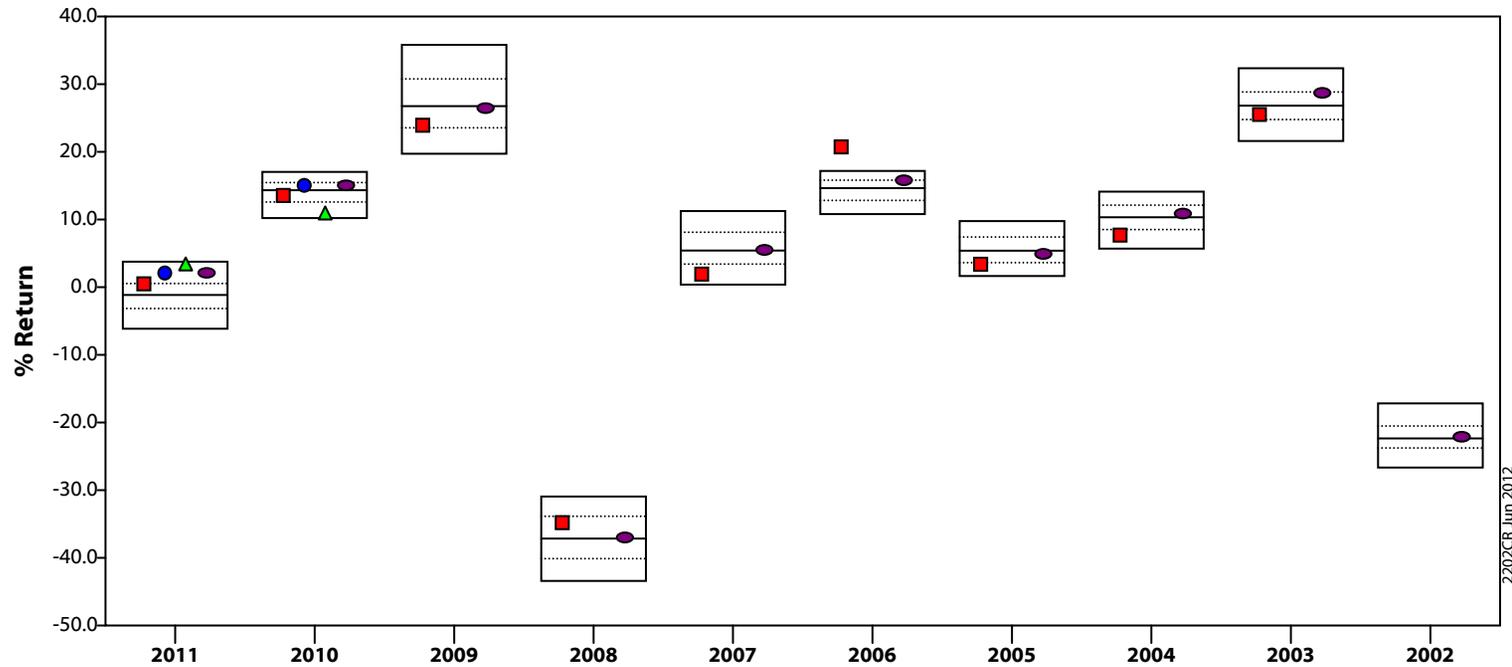
	QTR	YTD	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	7 Yrs	10 Yrs
■ CIM	-4.3	8.7	3.6	16.0	14.7	3.4	-0.7	3.7	4.4
● Vanguard S&P 500 Index Fund	-2.8	9.5	5.4	17.4	16.4				
▲ Emerald - LCC	-3.5	8.7	6.9	17.2					
● S&P 500 Index	-2.8	9.5	5.4	17.4	16.4	3.9	0.2	4.1	5.3



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GRID® Comparison – Calendar Year Performance

Mutual Fund Large-Cap Core Equity Universe



	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
■ CIM	0.5	13.5	23.9	-34.8	1.9	20.7	3.4	7.7	25.5	
● Vanguard S&P 500 Index Fund	2.1	15.1								
▲ Emerald - LCC	3.4	11.0								
● S&P 500 Index	2.1	15.0	26.5	-37.0	5.5	15.8	4.9	10.9	28.7	-22.1

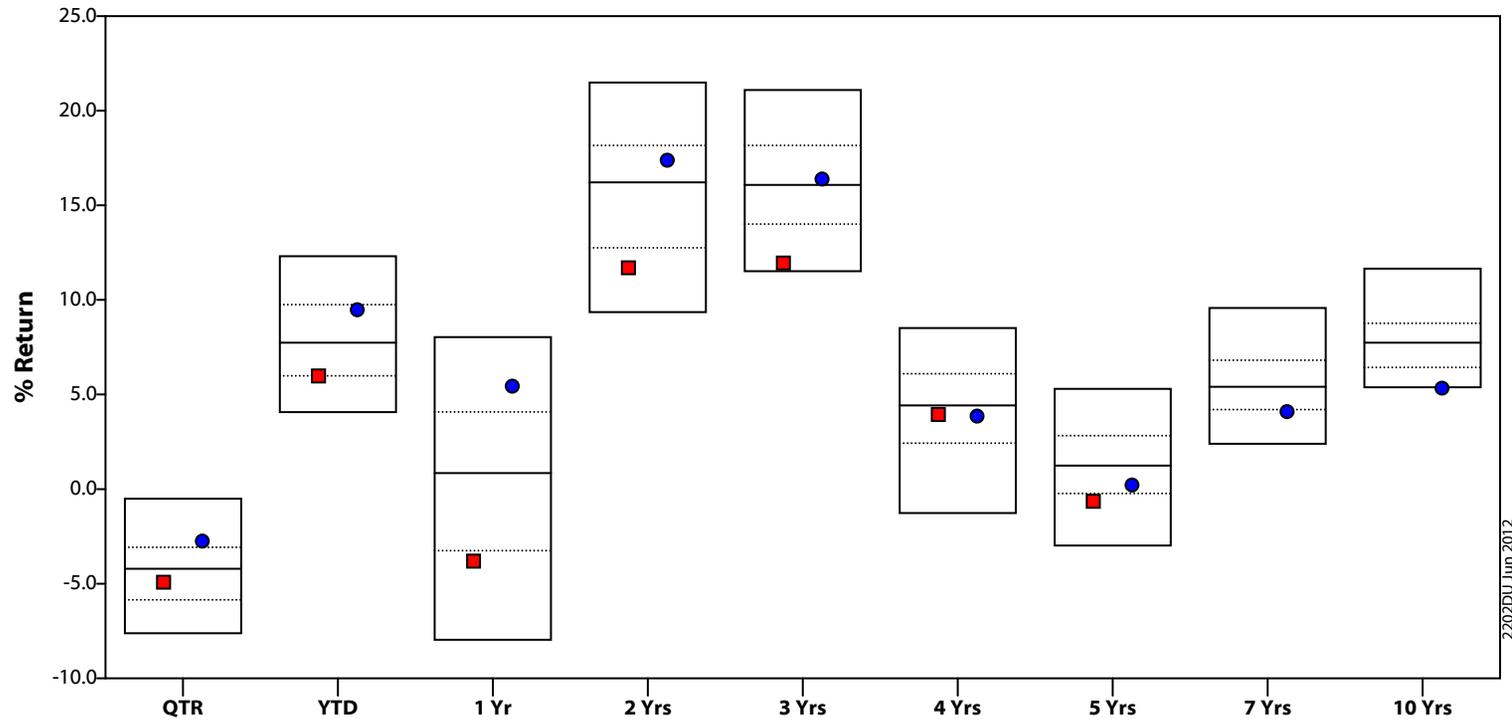


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GRID® Comparison – Trailing Year Performance

Periods Ending Jun 2012

Total Fund All Cap Equity Universe



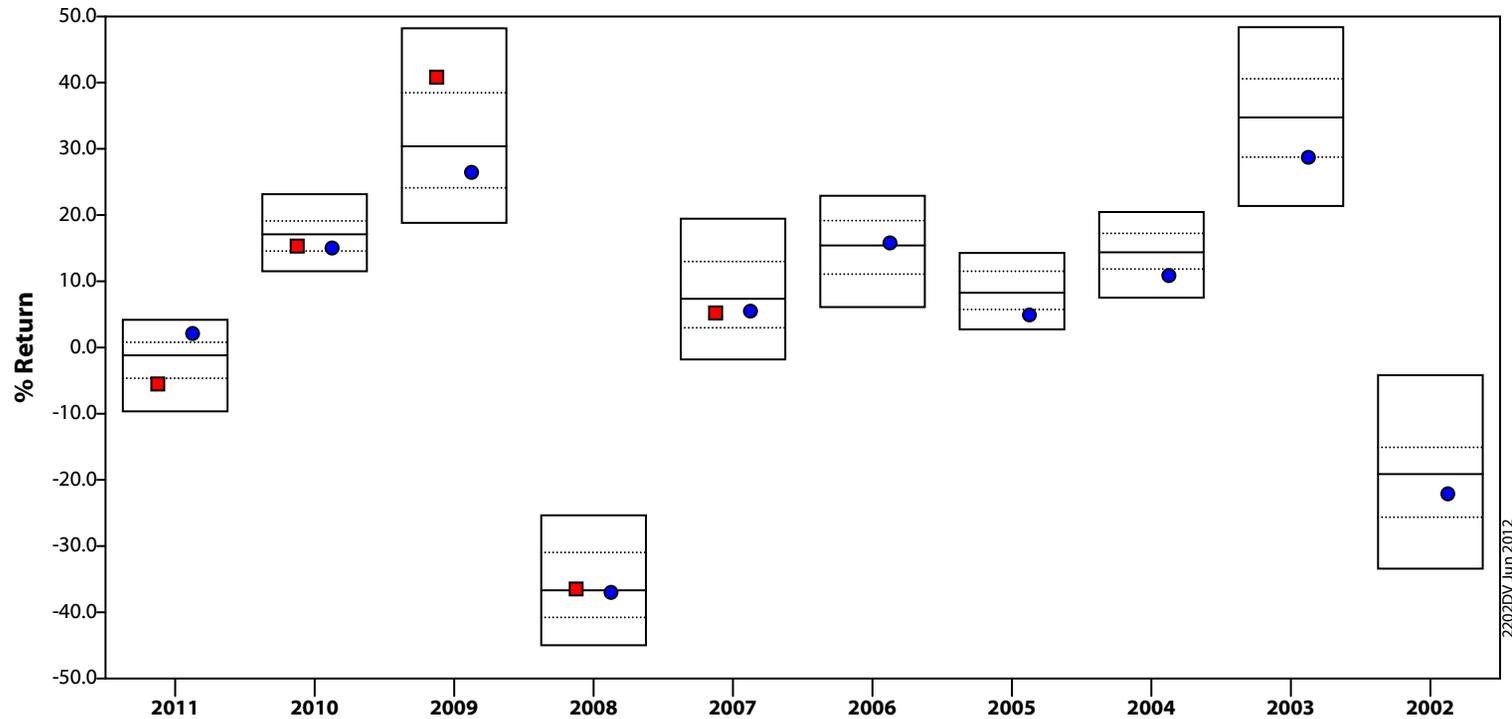
■ Manning & Napier Equity
● S&P 500 Index



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GRID[®] Comparison – Calendar Year Performance

Total Fund All Cap Equity Universe



■ Manning & Napier Equity
● S&P 500 Index

-5.5	15.3	40.8	-36.5	5.2	15.8	4.9	10.9	28.7	-22.1
2.1	15.0	26.5	-37.0	5.5	15.8	4.9	10.9	28.7	-22.1

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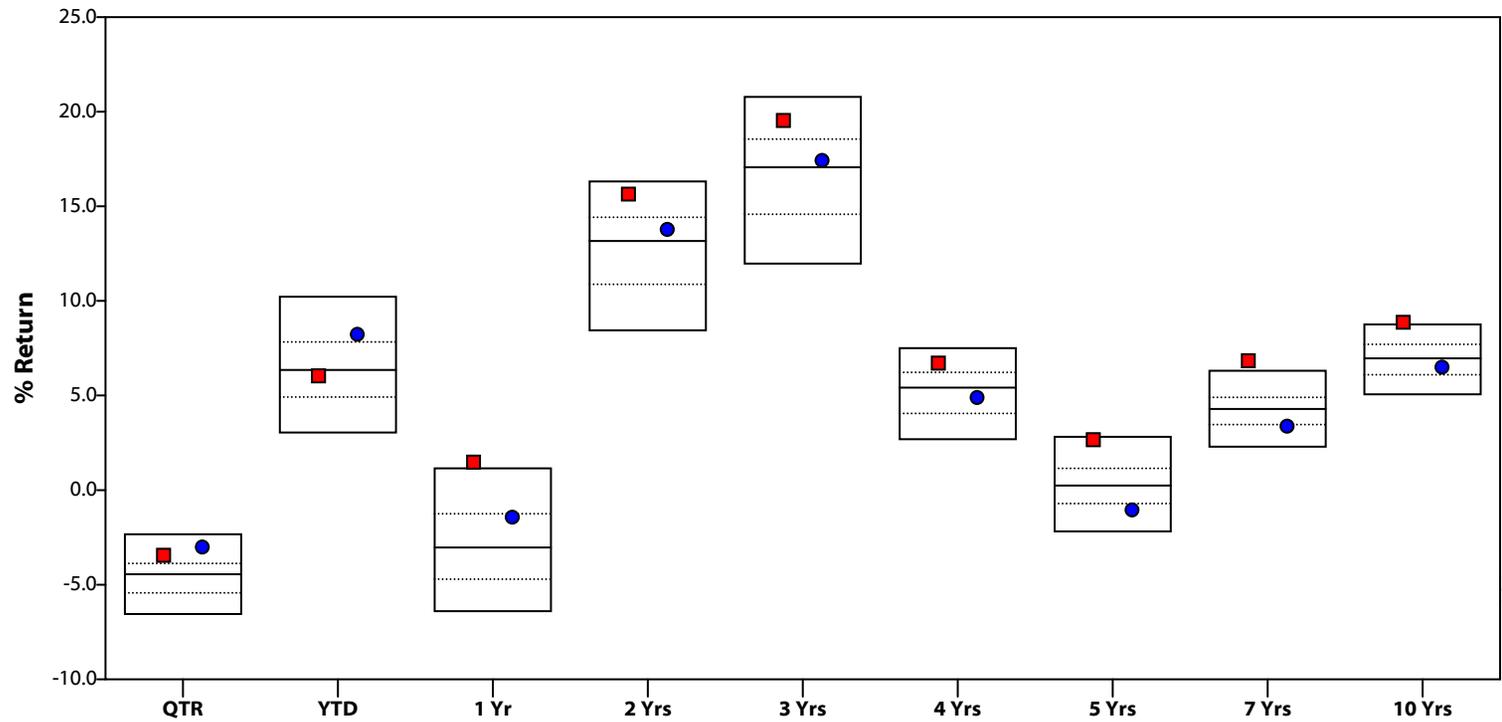


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GRID[®] Comparison – Trailing Year Performance

Periods Ending Jun 2012

Mutual Fund Small-Cap Value Universe



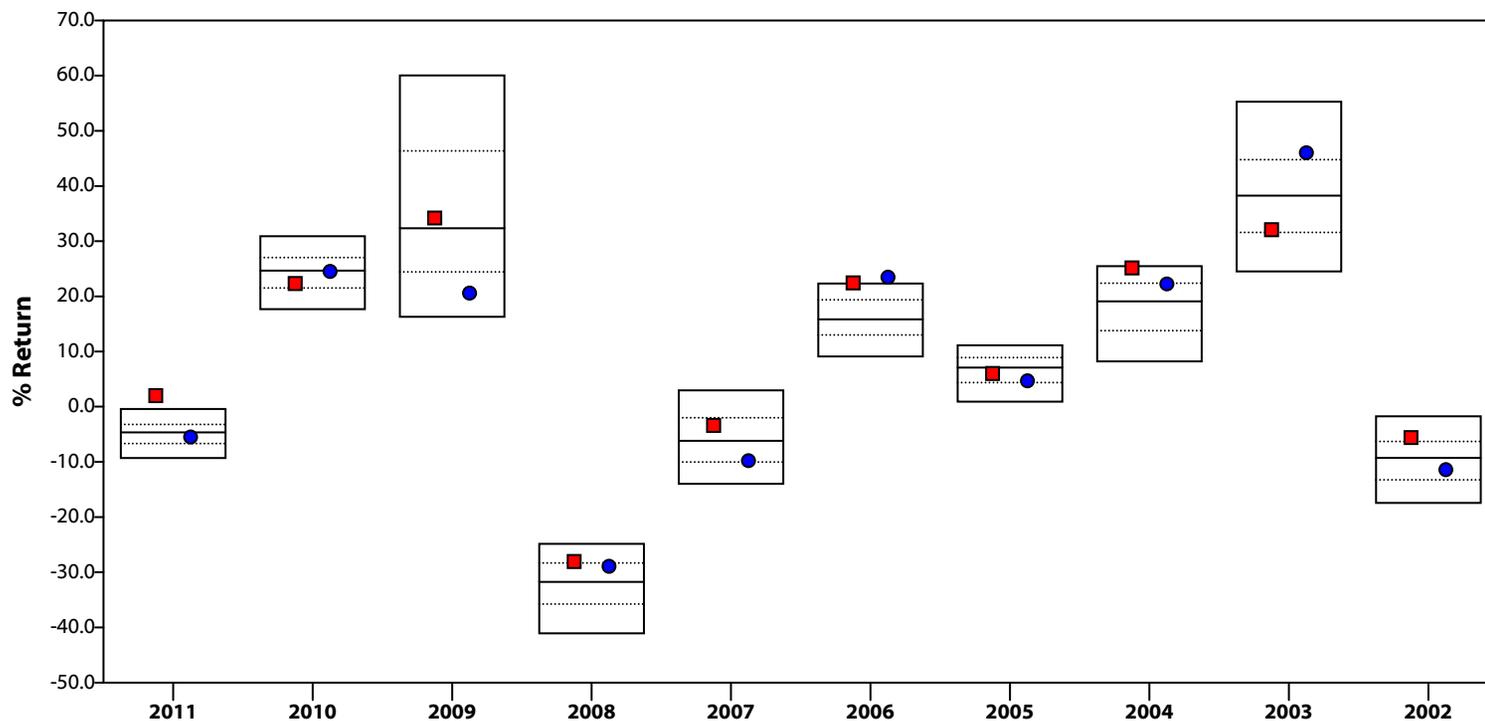
■ Victory Gradison	-3.4	6.0	1.5	15.6	19.5	6.7	2.7	6.8	8.9
● Russell 2000 Value Index	-3.0	8.2	-1.4	13.8	17.4	4.9	-1.0	3.4	6.5



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GRID® Comparison – Calendar Year Performance

Mutual Fund Small-Cap Value Universe



■ Victory Gradison
● Russell 2000 Value Index

2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
2.0	22.3	34.2	-28.0	-3.4	22.4	6.0	25.2	32.1	-5.6
-5.5	24.5	20.6	-28.9	-9.8	23.5	4.7	22.3	46.0	-11.4

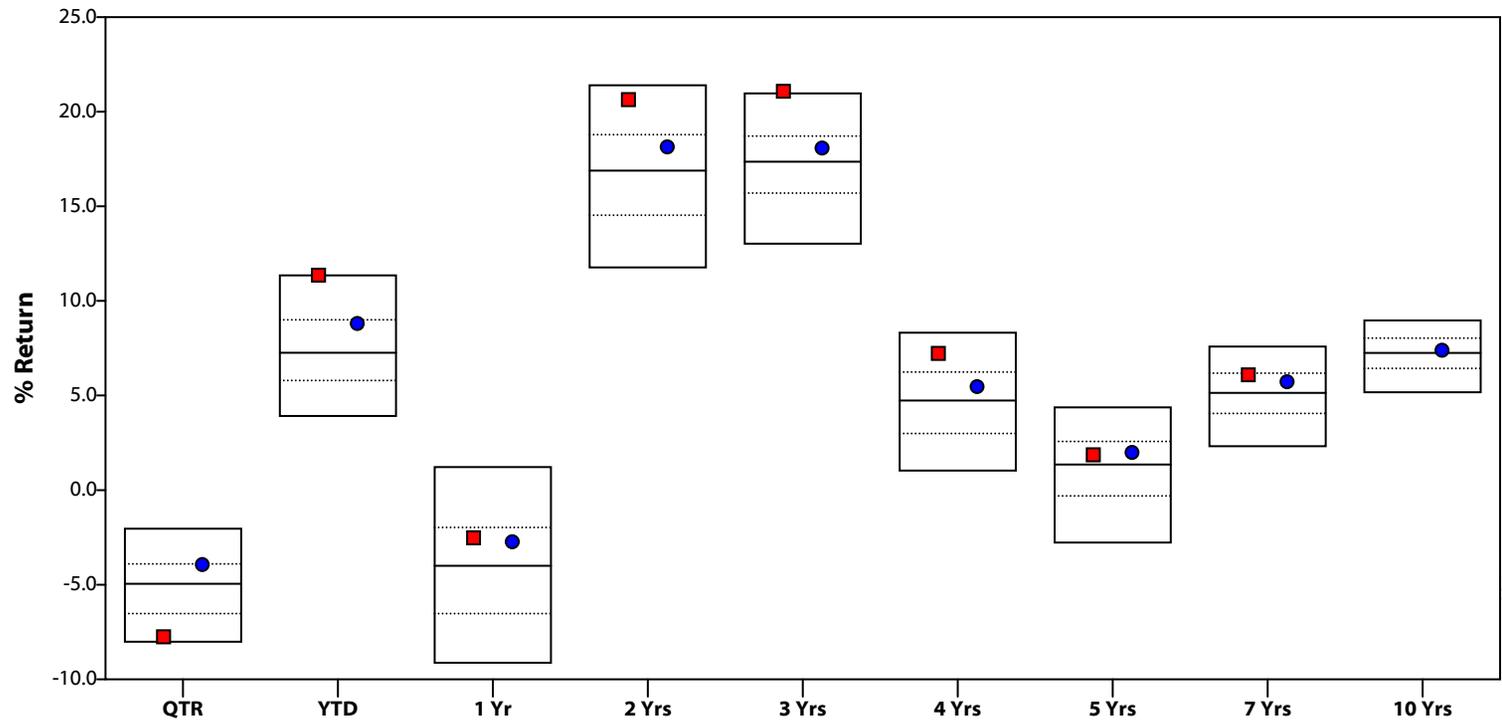


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GRID® Comparison – Trailing Year Performance

Periods Ending Jun 2012

Mutual Fund Small-Cap Growth Universe



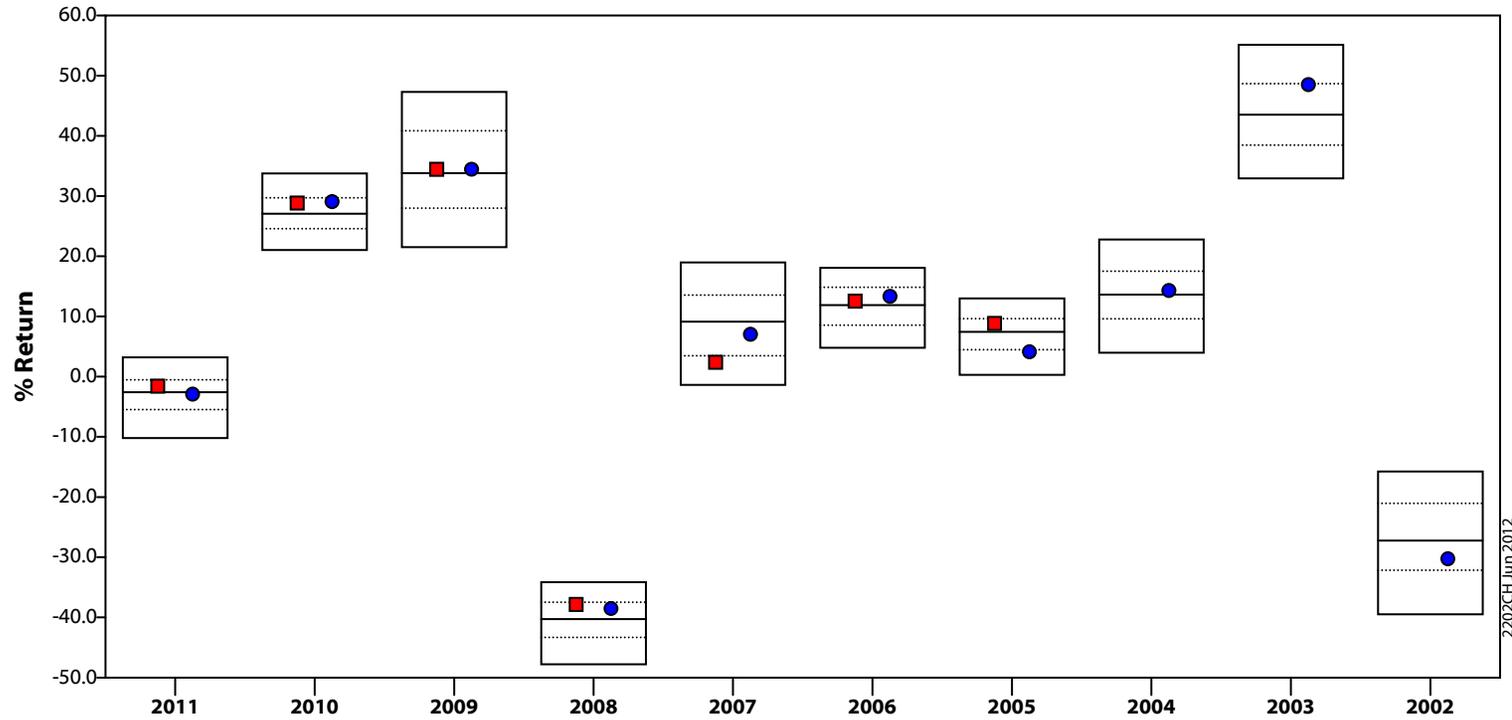
■ Emerald - SCG	-7.8	11.4	-2.5	20.6	21.1	7.2	1.9	6.1	
● Russell 2000 Growth Index	-3.9	8.8	-2.7	18.1	18.1	5.5	2.0	5.7	7.4



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GRID® Comparison – Calendar Year Performance

Mutual Fund Small-Cap Growth Universe



■ Emerald - SCG
● Russell 2000 Growth Index

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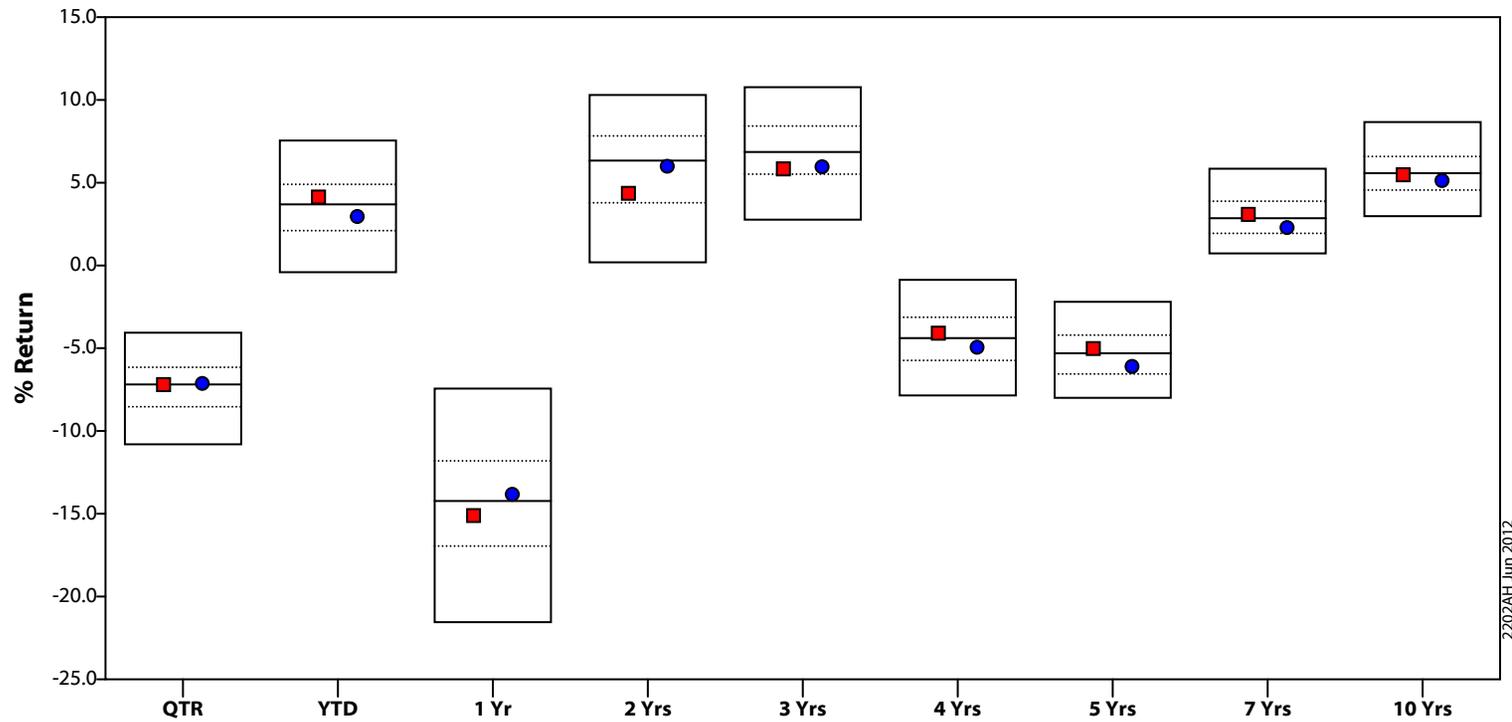


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GRID® Comparison – Trailing Year Performance

Periods Ending Jun 2012

Mutual Fund International Equity Universe



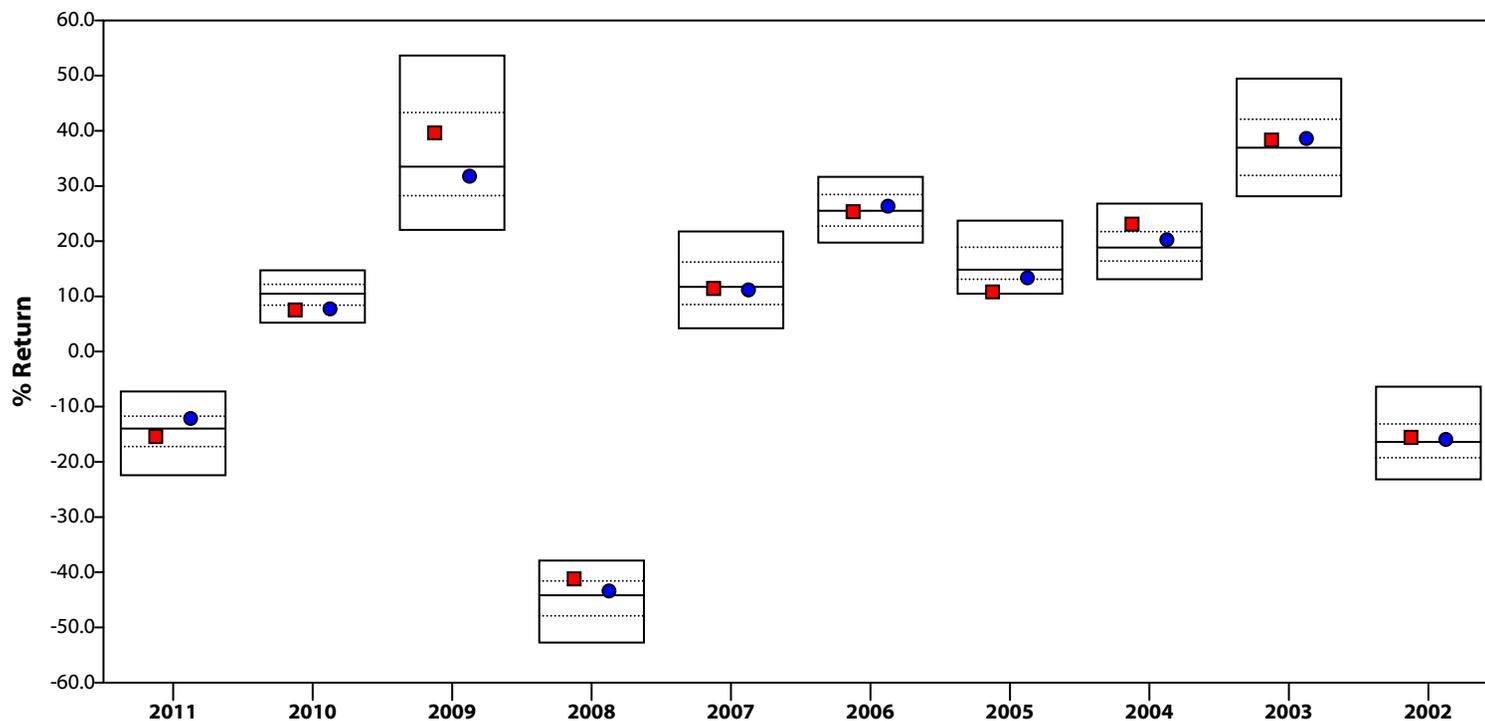
■ C.S. McKee - Int'l Equity
● MSCI EAFE Index



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GRID® Comparison – Calendar Year Performance

Mutual Fund International Equity Universe



■ C.S. McKee - Int'l Equity
● MSCI EAFE Index

-15.4	7.5	39.6	-41.2	11.4	25.3	10.8	23.1	38.3	-15.6
-12.1	7.7	31.8	-43.4	11.2	26.3	13.4	20.2	38.6	-15.9

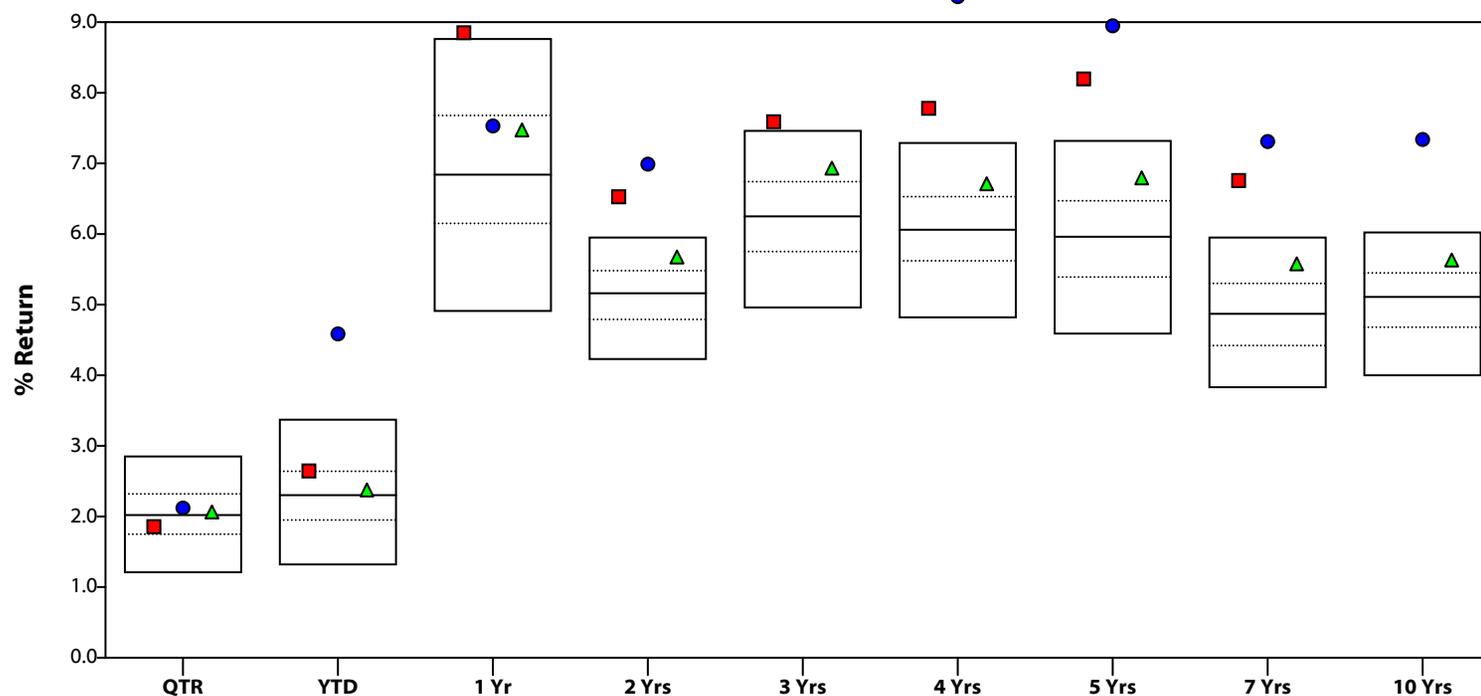


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GRID® Comparison – Trailing Year Performance

Periods Ending Jun 2012

Mutual Fund Fixed Income Universe



	QTR	YTD	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	7 Yrs	10 Yrs
■ C.S. McKee	1.9	2.6	8.9	6.5	7.6	7.8	8.2	6.8	
● MetWest	2.1	4.6	7.5	7.0	11.7	9.4	8.9	7.3	7.3
▲ Barclays AGG Index	2.1	2.4	7.5	5.7	6.9	6.7	6.8	5.6	5.6

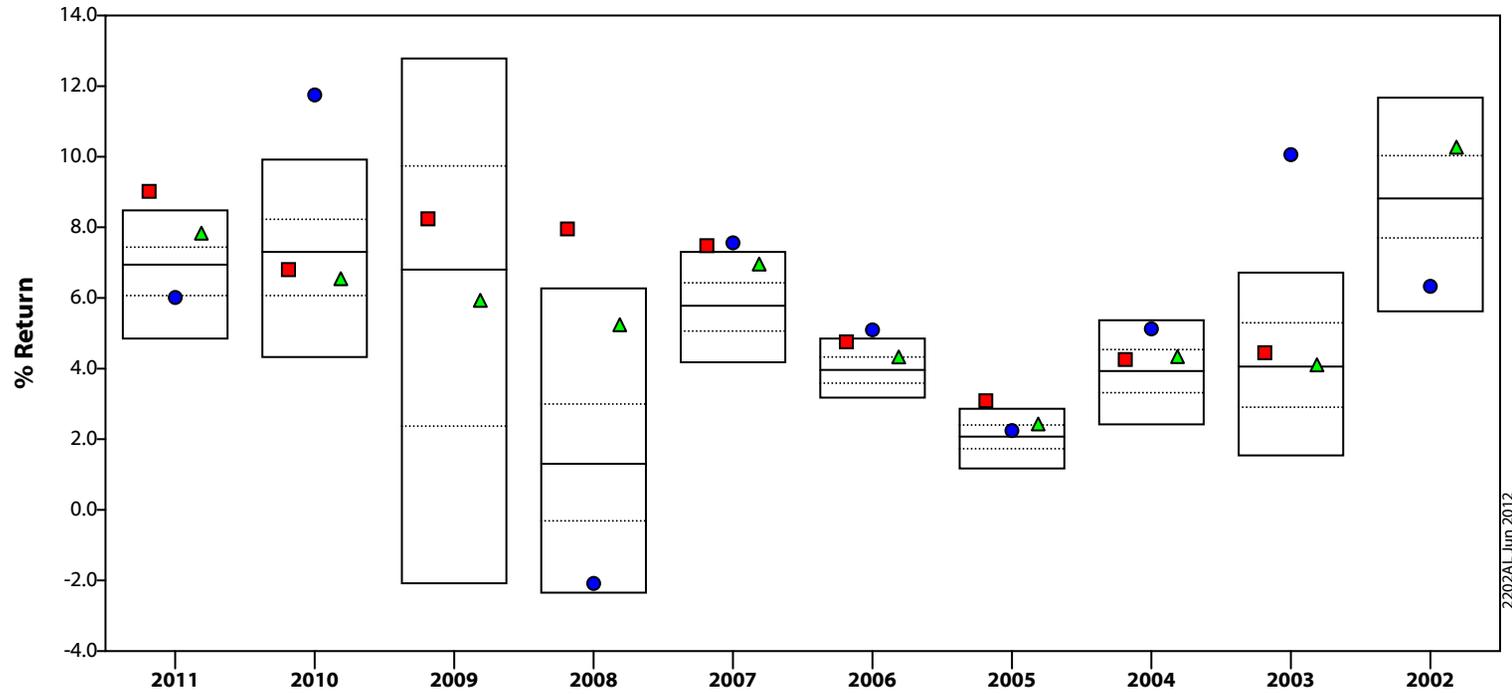
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GRID[®] Comparison – Calendar Year Performance

Mutual Fund Fixed Income Universe



■ C.S. McKee	9.0	6.8	8.2	8.0	7.5	4.8	3.1	4.3	4.4	
● MetWest	6.0	11.7	19.2	-2.1	7.6	5.1	2.2	5.1	10.1	6.3
▲ Barclays AGG Index	7.8	6.5	5.9	5.2	7.0	4.3	2.4	4.3	4.1	10.3

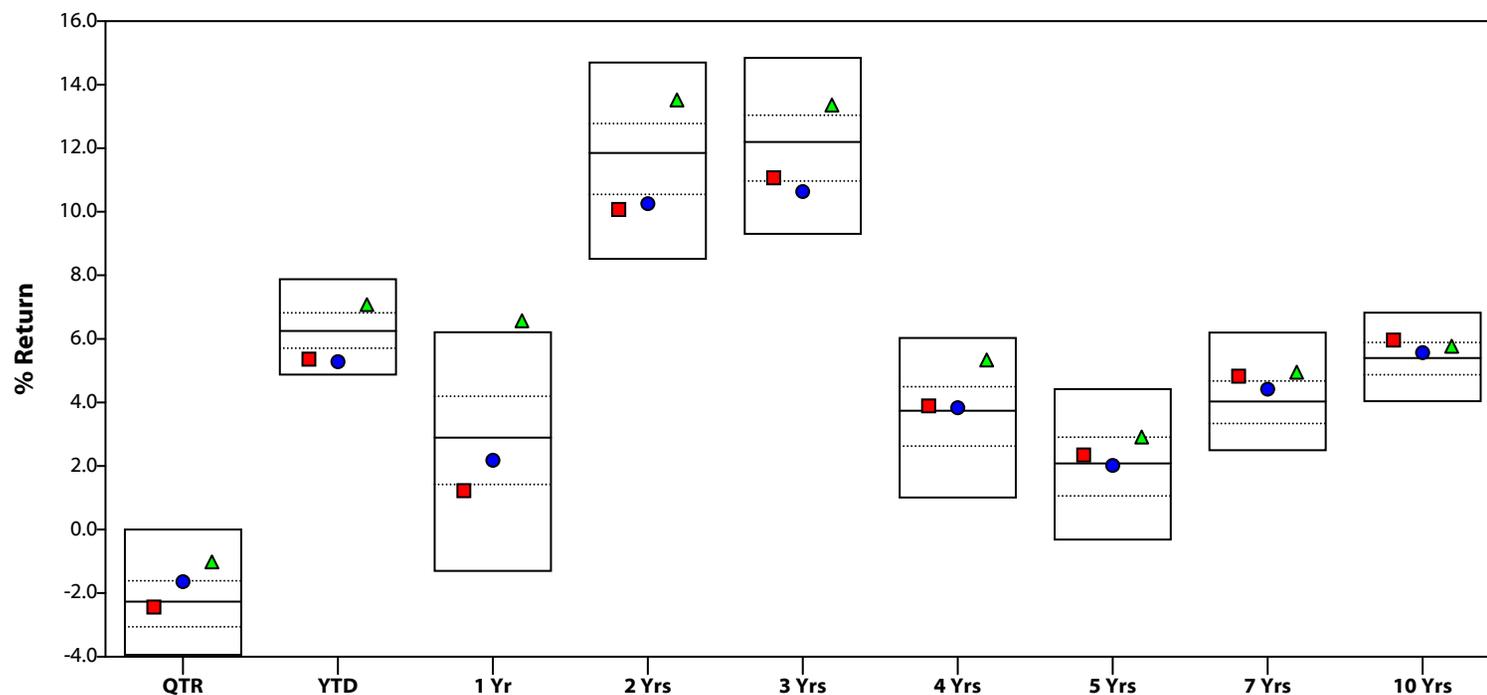


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GRID® Comparison – Trailing Year Performance

Periods Ending Jun 2012

Mutual Fund High Balanced Universe



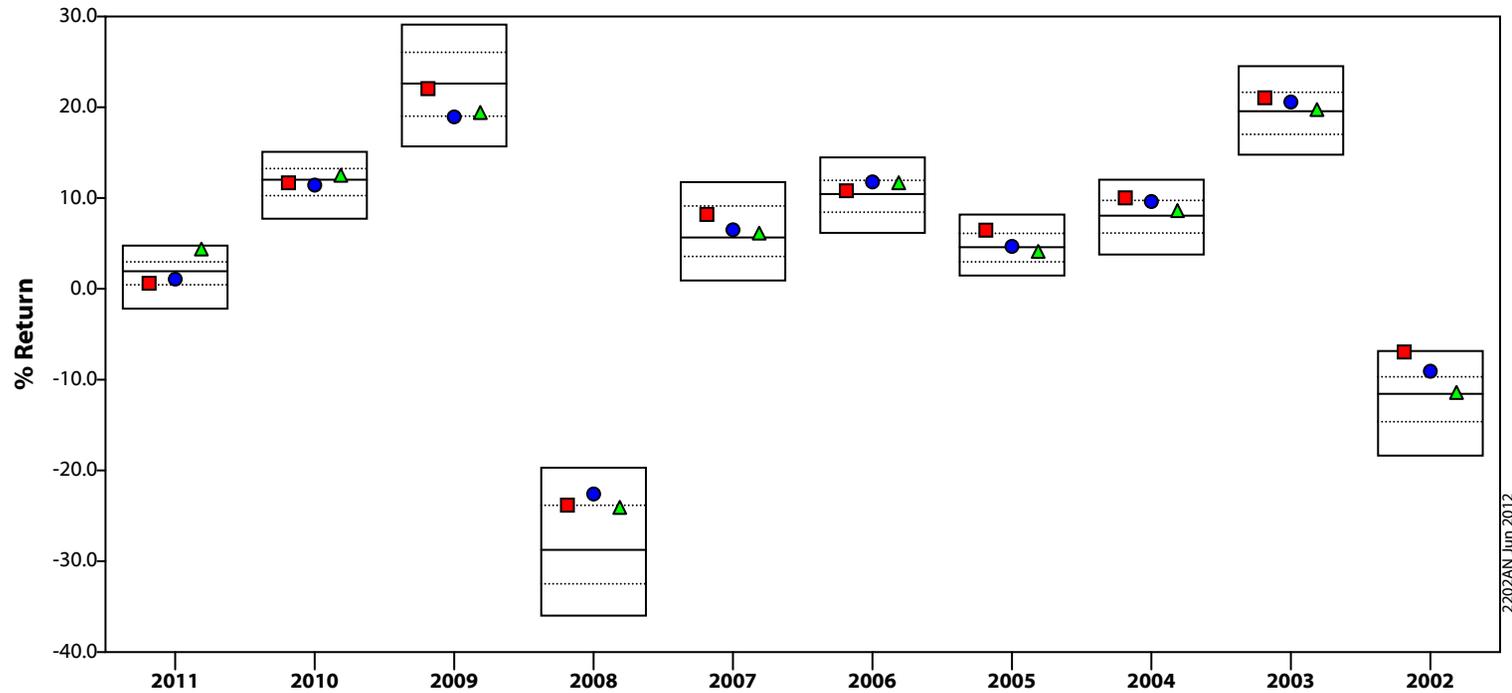
	QTR	YTD	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	7 Yrs	10 Yrs
■ Total Fund	-2.4	5.4	1.2	10.1	11.1	3.9	2.3	4.8	6.0
● TMI (34/7/14/10/35)	-1.6	5.3	2.2	10.3	10.6	3.8	2.0	4.4	5.6
▲ TMI (65/35)	-1.0	7.1	6.6	13.5	13.4	5.3	2.9	5.0	5.8



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GRID® Comparison – Calendar Year Performance

Mutual Fund High Balanced Universe



■ Total Fund	0.6	11.7	22.1	-23.8	8.2	10.8	6.5	10.0	21.1	-7.0
● TMI (34/7/14/10/35)	1.1	11.4	18.9	-22.6	6.5	11.8	4.7	9.6	20.6	-9.1
▲ TMI (65/35)	4.4	12.5	19.4	-24.1	6.1	11.7	4.1	8.6	19.7	-11.4



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GRID® Comparison – Risk/Return Analysis

Period Ending Jun 2012

Mutual Fund High Balanced Universe



	S.D.	Return	Risk (Standard Deviation)
■ Total Fund	13.5	2.3	
● TMI (34/7/14/10/35)	13.1	2.0	
▲ TMI (65/35)	13.9	2.9	



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Appendix



Overview and Benchmarks

Overview

Gallagher Fiduciary Advisors, LLC was retained by Westmoreland County to measure the ongoing performance results of the Employees' Retirement Fund. The Retirement Fund utilizes a diversified approach that includes large cap domestic value, growth and core equities, small cap domestic value and growth equities, international equities, hedge funds, and diversified fixed income (including a strategic allocation to domestic high yield and emerging market debt instruments). Measuring and diagnosing performance is a key link in the fund management process. It provides information that can be used to evaluate and appraise managers, rethink investment policy, and plan portfolio strategies. Investment monitoring also serves as the basis for a continuing dialogue with your investment managers.

Benchmarks for Comparison

We concentrate our industry-standard comparisons in four fundamental areas. Specifically, we show performance relative to:

- stated investment objectives,
- appropriate market indices,
- the amount of risk taken, and
- other professionally managed funds.

Unless otherwise indicated, the following market benchmarks are used throughout this report:

For equities: Standard & Poor's 500 Stock Index (S&P 500 Index)
Russell 1000 Value Index
Russell 1000 Growth Index
Russell 1000 Mid Cap Growth Index
Russell 2000 Value Index
Russell 2000 Growth Index
Europe, Australasia & Far East Index (EAFE Index)

For hedge funds: HFR Fund of Funds Index

For bonds: Barclays Aggregate Index (BC Agg Index)

For cash reserves: 90-Day T-Bill rate (T-Bills)

For total fund: From 2/1/09 to Present – TMI (34/7/14/10/35) constructed of 34% S&P 500, 7% Russell 2000, 14% EAFE, 10% HFR Fund of Funds, and 35% BC Agg. From 6/1/06 to 1/31/09 – TMI (39/8/8/10/35) constructed of 39% S&P 500, 8% Russell 2000, 8% EAFE, 10% HFR Fund of Funds, and 35% BC Agg. From 12/31/00 to 5/31/06 – TMI (44/8/8/40) constructed of 44% S&P 500, 8% Russell 2000, 8% EAFE, and 40% BC Agg.

In addition, the Consumer Price Index (CPI) is used as a benchmark for inflation.



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Research: Market Review and Outlook – Domestic Equities

Domestic equities (S&P 500 Index) fell 2.8% during the second quarter of 2012. Despite weaker than expected U.S. economic data, corporate earnings continued to grow at a faster pace than stock prices. The Federal Reserve confronted weakness in the economy by easing monetary policy yet again. The Fed's extension of Operation Twist helped push the 10-year U.S. Treasury yield to record lows. As interest rates move lower, bonds become riskier and encourage investors to seek alternatives. With corporate earnings at all-time highs and bond yields at all-time lows, bonds appear to present more risk than equities over the long-run.

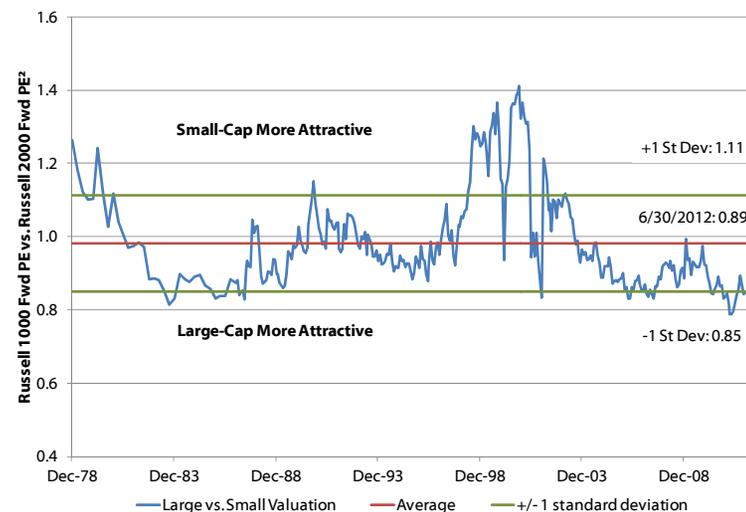
U.S. Equities

- Domestic equity valuations became more attractive during the quarter, based on the price-to-earnings ratio.
- Given the tremendous 26% rally in equities from September 2011 to March 2012, this quarter's modest correction appears reasonable.
- U.S. large-cap equities appear more attractively valued than small-cap equities, as measured by the forward price-to-earnings ratio.
- The Russell Top 50 Index, which represents fifty of the largest companies in the Russell 3000 Index, outperformed the Russell 2000 Index by 2.9% during the first half of the year.

U.S. Equity Price-to-Earnings Ratio
December 1972 - June 2012



Russell 1000 Forward PE vs. Russell 2000 Forward PE
December 1978 - June 2012



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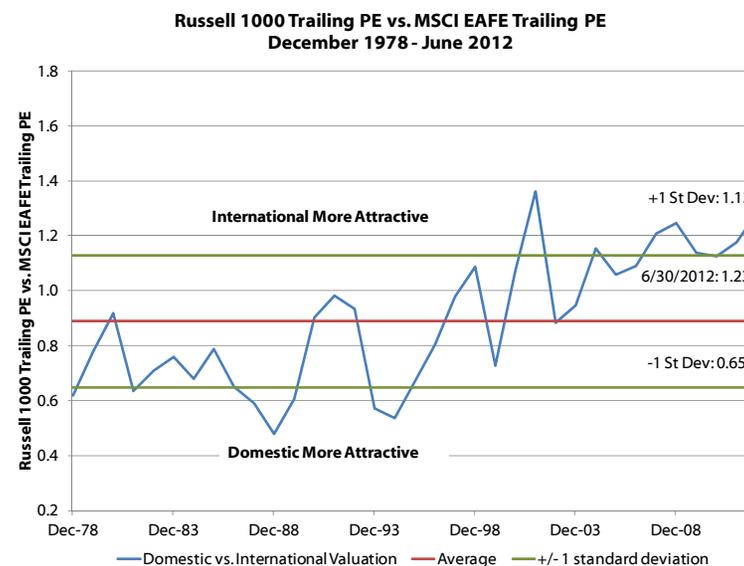
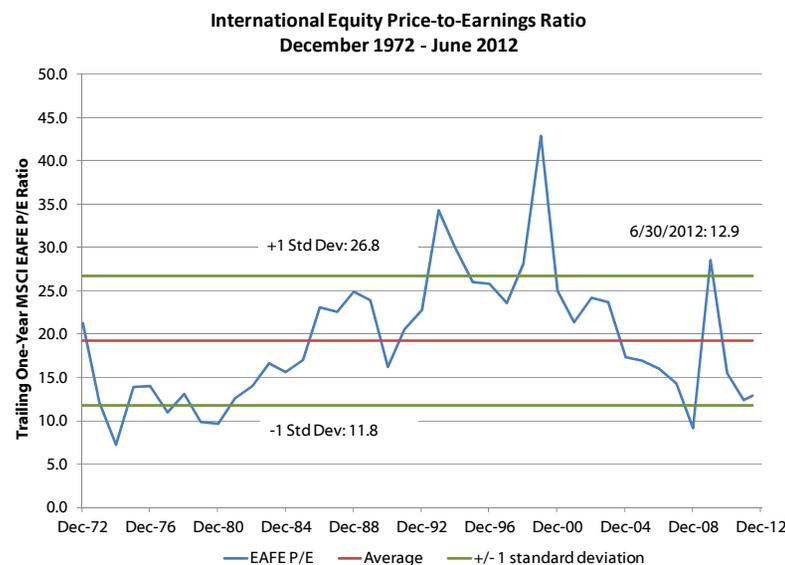
¹ Based on the cyclically adjusted price/earnings ratio developed by Robert Shiller, Yale University. ² IBES one year earnings estimates used to calculate forward price-to-earnings ratios.

Research: Market Review and Outlook – International Equities

International equities (MSCI ACWI ex-US Index) fell 7.6% during the quarter, as concerns over Europe and China intensified. Whispers of potential runs on Spanish banks and unsustainable government debts left some investors expecting the worst. Spanish borrowing costs soared to fresh record highs, which forced the government to request aid. To quell fears of contagion, European officials devised a \$125 billion bailout package for Spain. News out of China did not help alleviate fears of a global slowdown. Sky-high property values and slowing U.S. and European demand for Chinese exports have led some investors to question the sustainability of China's growth. Perhaps the markets have been signaling this slowdown for quite some time. Chinese equities ended the quarter 41% below the all-time high set in October 2007.

International Equities

- Developed international equity valuations are at levels not seen since the financial crisis, presenting the potential for yet another rare opportunity for outsized gains.
- At quarter-end, the German and French equity markets had pulled back 29% from their three-year highs. The U.S. equity market was only 4% below its three-year high.
- Over the past thirty years, developed international equities have, on average, traded at a 10% premium to U.S. equities. Currently they trade at a 20% discount.
- Emerging market equities currently trade at a 39% discount to U.S. equities, as measured by the trailing one year price-to-earnings ratio.



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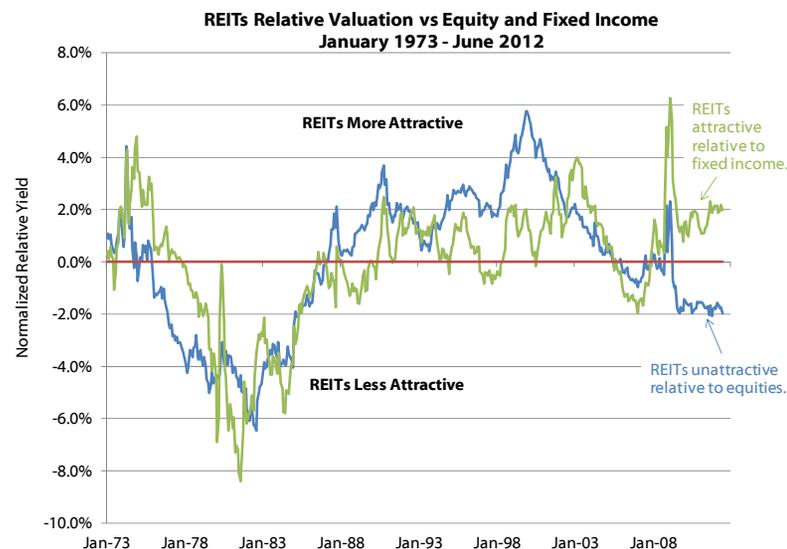
¹ Based on the cyclically adjusted price/earnings ratio developed by Robert Shiller, Yale University.

Research: Market Review and Outlook – Alternatives

Real Estate Investment Trusts (REITs)

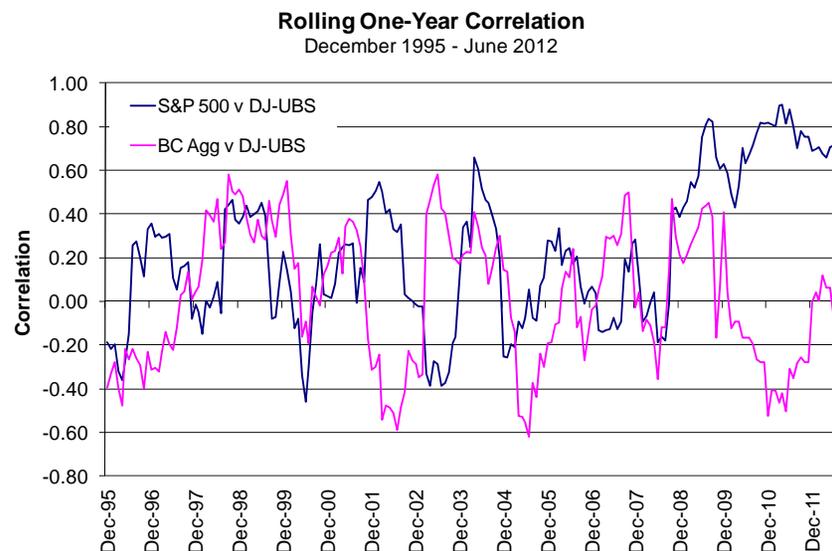
- REITs proved resilient, gaining 3.7% during the quarter.
- The NAREIT* Index dividend yield ended the quarter unchanged at 3.5%.
- REITs appear overvalued relative to equities, primarily due to the low dividend yield, but appear attractively valued relative to fixed income.

*National Association of Real Estate Investment Trusts



Commodities

- Commodities trailed most indices during the quarter, returning -4.5%.
- Natural gas touched multi-year lows early in the quarter, but managed to reverse course and post a positive 13.9% gain during the quarter. Crude oil fell by 18.5%.
- After an initial spike in correlations in 2008, correlations with equities have remained high but are beginning to decline. Correlation is a measure of diversification; the lower the correlation, the better the diversification. Over the long-term, commodities can provide diversification and offer the potential to hedge inflation more effectively than equities and fixed income.



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Research: Market Review and Outlook – Fixed Income

Fixed Income

- The combination of tightening credit spreads and lower interest rates (bond prices and rates move in opposite directions) led to strong fixed-income returns during the quarter. Credit spreads tightened 0.2%, but the credit sector remains attractively priced relative to U.S. Treasuries.
- High-yield trailed higher-quality issues, but still managed to post positive returns during the quarter. Credit spreads suggest that high-yield remains reasonably valued.
- Interest rates made record lows during the quarter. The U.S. Treasury market has benefited from what appears to be the perfect storm: unprecedented Fed intervention, nearly \$1 trillion of net flows into bond mutual funds since 2007 and a debt crisis in Europe. We continue to believe the high demand for U.S. debt is unsustainable and interest rates will eventually move higher.

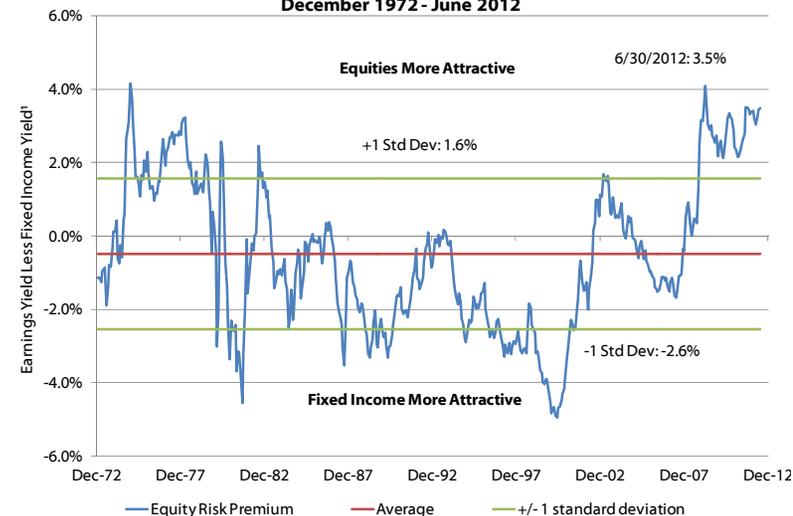
Total Portfolio

- The bottom chart shows the earnings yield for U.S. equities (earnings yield is the inverse of the Price/Earnings ratio: Earnings/Price) minus the yield for fixed income (BC Intermediate Gov't/Credit). The chart illustrates the equity premium, or the additional return investors require to invest in equities rather than fixed income.
- Despite the exceptional bull market during the past several years, the equity premium remains within 1% of the premium during the financial crisis, suggesting that investors are being adequately compensated for taking risk in the equity markets.
- We recommend that most portfolios maintain an equity allocation between the long-term target and the upper bound of the allowable range. Fixed-income allocations should be between the long-term target and the lower bound of the allowable range.

AA Credit Spreads - History
December 1973 - June 2012



S&P 500 Earnings Yield (inverse CAPE) Less Fixed Income Yield:
December 1972 - June 2012



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Research: Market Review and Outlook – Summary

Given the current market characteristics and valuation metrics, we have developed an intermediate-term outlook for capital markets by asset class. These are shorter-term recommendations intended to complement our long-term (10-year) Capital Market Assumptions. The recommendations that follow represent general guidelines for many portfolios, however, the unique investment and operational characteristics of each institution should be carefully considered before implementing any change in portfolio or investment strategy.

Asset Class	Recommended Allocation	Explanation
U.S. Equities	Between target and upper bound of allowable range	U.S. equities appear reasonably priced based on long-term price-to-earnings ratios; the current valuation decreased slightly during the second quarter, but remains attractive relative to fixed income. We believe, therefore, that current valuation levels are reasonable. Equity investors should continue to expect above-average market volatility.
International Equities	Between target and upper bound of allowable range	International and emerging market equities appear cheap based on current valuation metrics, relative to their history and relative to domestic equities. We believe that current conditions justify an overweight allocation to international and emerging market equities, relative to both fixed-income and domestic equities.
Real Estate	At target	REIT dividend yields remain low by historical standards, but the decline in fixed-income yields has made REITs slightly more attractive on a comparative basis. REITs remain likely to underperform equities, but the degree of their expected outperformance relative to fixed income is a positive development for investors.
Commodities	Between target and lower bound of allowable range	Commodities underperformed most asset classes during the second quarter, but they continue to offer potential as both a hedge against unexpected inflation and a diversifying asset in most portfolios. The diverse nature of the asset class can help to mute volatile price swings for any single commodity (such as oil, gold or wheat).
Fixed Income	Between target and lower bound of allowable range	Interest rates remain extremely low compared to long-term averages, and we expect rates to rise if and when economic growth resumes. Credit spreads are above long-term averages, suggesting that investors will be better compensated by investing their fixed-income allocation outside the U.S. Treasury sector.



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Glossary

Alpha (Manager Impact)

Alpha, a measure of the manager's contribution to performance, is expressed as an annual compounded rate of return, adjusted for risk. Alpha represents the difference between the actual performance and the expected performance of a fund given its volatility (or risk). The expected value for alpha is zero. If positive, the fund has achieved a return above that expected for its volatility. A negative alpha reflects fund performance below that expected for its volatility.

Beta (Volatility)

Beta measures the sensitivity of a fund's return to changes in the market index. It is commonly referred to as "market-related risk". A fund's beta measures the historical percentage change in the fund's rate of return accompanying a 1% change in the index return. Funds with a beta of 1.00 are, by definition, as volatile as the market index. Funds with a beta of 0.50 are half as volatile.

Cash and Equivalents

Cash and equivalents include all money market funds (sweep accounts), bonds and debentures that have a maturity of less than one year at a time of purchase, and cash held in the income and principal accounts.

Diversification Factor

Diversification measures the correlation between a fund's performance and the performance of a comparable index. This correlation identifies the amount of variability that is derived from the market. A value of 1.00 means that all variability is due to the market while a value of 0.85 means that only 85% of the variability can be traced to the market.

Equities

Equities include all common stocks, convertible preferred stock, convertible bonds and debentures, and warrants.

Fixed Income

Fixed income includes all bonds and debentures that have maturity greater than one year at time of purchase. When a fixed-income issue's maturity has become less than one year, it remains in the fixed-income section.

Market

For comparative purposes, the term "market" normally refers to the S&P 500 for equities and to one of the Barclays Capital Government/Corporate Bond Indices (BC G/C or BC G/C I) for fixed-income securities. For the total fund, a composite index is constructed from the S&P 500 Index, the Bond Index and the three-month Treasury Bill rates in the same target mix allocation for the fund.

Rates of Return

All returns are time weighted. Returns for less than one year are not annualized. Returns for periods greater than one year are presented as annual-compounded rates.

Selection

Selection measures the manager's ability to select investments that outperform a comparable index. Selection is calculated as the difference between your fund's return and the return of a hypothetical composite market index which has the same asset allocation.

Standard Deviation (Variability)

Standard deviation measures the dispersion of monthly returns around their average. The higher the variability, the greater the total risk associated with the portfolio.

Timing

Timing measures the manager's ability to add value by altering asset mix. Shifting assets into markets that are rising results in positive timing, while shifting assets into markets that are falling results in a negative timing impact.

Total Fund

Total fund includes equities, fixed-income securities, cash equivalents, and any other investments such as real estate, international, etc.



Firm Update: Gallagher Fiduciary Advisors, LLC

Fiduciaries engage the consulting professionals of Gallagher Fiduciary Advisors, LLC to deliver fiduciary risk mitigation and management in an effort to enhance overall governance and meet investment objectives.

About Gallagher Fiduciary Advisors, LLC

- Independent investment consulting arm of Arthur J. Gallagher & Co. (NYSE: AJG)
- Approximately \$48.5 billion investment consulting assets, 159 clients (as of March 31, 2012)
- Approximately \$3.0 billion in discretionary assets, 129 clients (as of March 31, 2012)
- Primary Offices: Newark, Pittsburgh, Washington D.C.
- 57 employees
 - 18 Chartered Financial Analyst (CFA) charterholders
 - 9 Chartered Financial Analyst (CFA) candidates
 - 7 Accredited Investment Fiduciary® designees
 - 4 Attorneys (JDs)
 - 2 Chartered Alternative Investment Analyst (CAIA) designees
 - 1 Certified Public Accountant (CPA) designee

