

# Peralta Community College District

September 13, 2012

**Neuberger Berman Trust Company N.A.**

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INVESTMENT PERFORMANCE REVIEW AS OF AUGUST 31, 2012

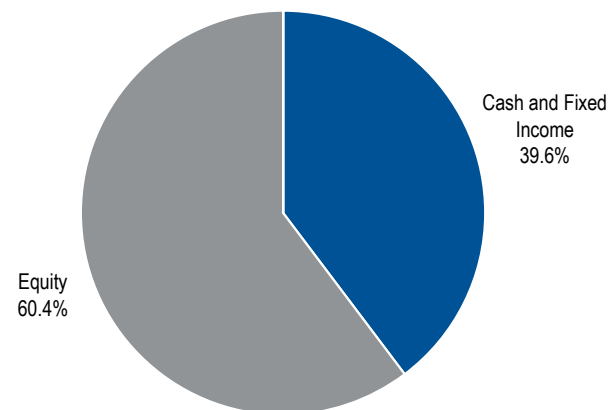
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# Peralta Community College District

## Executive Summary as of August 31, 2012

### PORTFOLIO COMPOSITION

Asset Class	Market Value	% of Total
<b>Cash and Fixed Income</b>		
Cash and Equivalents	9,470,360	5.4%
Investment Grade Fixed Income	46,245,107	26.5%
High Yield Corporates	7,154,956	4.1%
Non-U.S. Fixed Income	6,326,087	3.6%
<b>Subtotal</b>	<b>\$ 69,196,509</b>	<b>39.6%</b>
<b>Equity</b>		
U.S. Large Cap	54,466,630	31.2%
U.S. SMID Cap	13,330,344	7.6%
Developed International Equities	19,635,874	11.2%
Emerging Market Equities	10,871,514	6.2%
Public Real Estate	7,105,261	4.1%
<b>Subtotal</b>	<b>\$ 105,409,623</b>	<b>60.4%</b>
<b>TOTAL PORTFOLIO</b>	<b>\$ 174,606,132</b>	<b>100.0%</b>



### NET PERFORMANCE SUMMARY

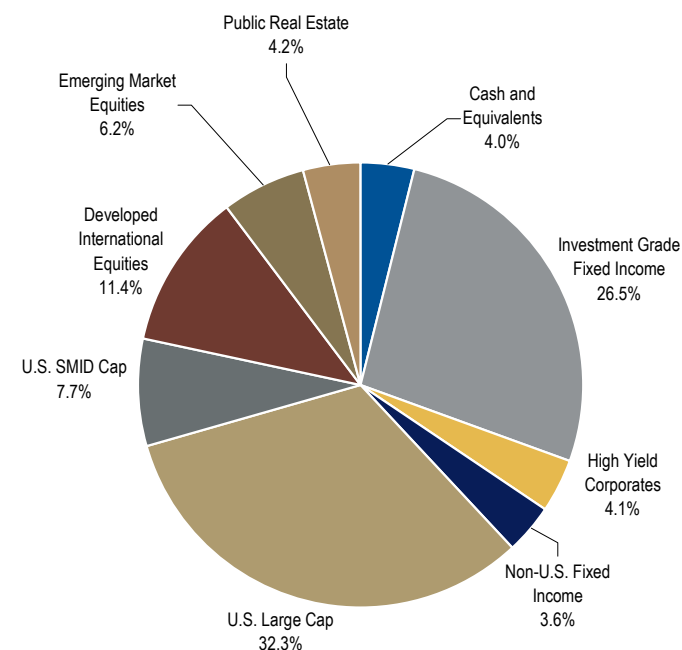
	Trailing 1 Month	Trailing 3 Months	Year- to-Date	Trailing 1 Year	Annualized Since Inception	Cumulative Since Inception
Total Portfolio (1/31/2006)	1.67	5.97	9.68	9.19	4.29	31.83
Investment Policy Benchmark <sup>(1)</sup>	1.33	5.88	8.61	9.85	4.43	33.05

<sup>(1)</sup> From 5/31/2012 to present consists of: 35% Barclays Capital Aggregate, 5% Barclays Capital US Corporate High Yield, 23% Russell 1000, 8% Russell 2000, 15% MSCI EAFE, 7% MSCI Emerging Markets, 4% NAREIT Equity, and 3.0% DJ-UBS Commodity Index. From 1/31/2006 to 5/31/2012 consists of: 35% Barclays Capital Aggregate, 30% S&P 500 Index, 10% Russell 2000, 20% MSCI EAFE, and 5% NAREIT Equity.

# Peralta Community College District

## Allocation by Investment Manager as of August 31, 2012

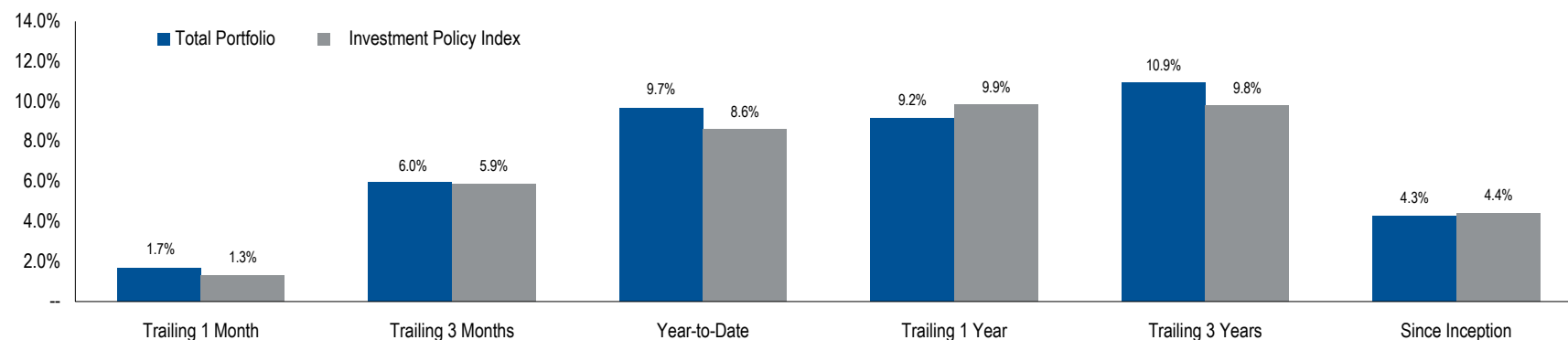
Manager/Asset Class	Market Value	% Of
JP Morgan US Treasury Money Market Fund - VPIXZ	6,947,508	4.0%
<b>Total Cash and Equivalents</b>	<b>\$ 6,947,508</b>	<b>4.0%</b>
NB Fixed Income Structure Core	46,245,107	26.5%
<b>Total Investment Grade Fixed Income</b>	<b>46,245,107</b>	<b>26.5%</b>
NB High Income Bond Fund - NHILX	7,154,956	4.1%
<b>Total High Yield Corporates</b>	<b>7,154,956</b>	<b>4.1%</b>
Dreyfus EM Debt Fund - DDBIX	6,326,087	3.6%
<b>Total Non-U.S. Fixed Income</b>	<b>6,326,087</b>	<b>3.6%</b>
<b>Total Fixed Income</b>	<b>\$ 59,726,150</b>	<b>34.2%</b>
NB Large Cap Disciplined Growth	18,442,690	10.6%
NB Large Cap Value	18,828,085	10.8%
NB Socially Responsible Investing Group	19,125,253	11.0%
<b>Total U.S. Large Cap</b>	<b>56,396,028</b>	<b>32.3%</b>
NB Genesis Fund - NBGIX	6,215,653	3.6%
Pinnacle Associates Small Cap Growth	7,250,004	4.2%
<b>Total U.S. SMID Cap</b>	<b>13,465,657</b>	<b>7.7%</b>
Harding Loevner International Equity ADR	9,548,289	5.5%
NB International Fund - NBIIX	10,397,170	6.0%
<b>Total Developed Equities</b>	<b>19,945,459</b>	<b>11.4%</b>
Vanguard MSCI Emerging Markets ETF - VWO	10,871,514	6.2%
<b>Total Emerging Market Equities</b>	<b>10,871,514</b>	<b>6.2%</b>
NB REITs	7,253,816	4.2%
<b>Total Public Real Estate</b>	<b>7,253,816</b>	<b>4.2%</b>
<b>Total Equity</b>	<b>\$ 107,932,475</b>	<b>61.8%</b>
<b>Total Portfolio</b>	<b>\$ 174,606,132</b>	<b>100.0%</b>



Note: The market value reflects the \$6.7 million contribution expected in September.

## Peralta Community College District

### Composite Performance Summary (Net) as of August 31, 2012



Composite / Index (Inception)	Mkt Val	% of	Trailing 1 Month	Trailing 3 Months	Year- to-Date	Trailing Annualized Performance*		
						1 Year	3 Years	Inception
<b>Total Portfolio (1/31/2006)</b>	\$ 174,606,132		<b>1.67</b>	<b>5.97</b>	<b>9.68</b>	<b>9.19</b>	<b>10.94</b>	<b>4.29</b>
<i>Investment Policy Benchmark<sup>(1)</sup></i>			1.33	5.88	8.61	9.85	9.79	4.43
<b>Total Fixed Income (1/31/2006)</b>	\$ 59,726,150	34.2%	<b>0.33</b>	<b>3.16</b>	<b>5.84</b>	<b>7.85</b>	<b>8.33</b>	<b>6.46</b>
<i>Barclays Capital U.S. Aggregate Bond Index</i>			0.07	1.49	3.85	5.78	6.51	6.19
<b>Total Equity (1/31/2006)</b>	\$ 107,932,475	61.8%	<b>2.44</b>	<b>7.65</b>	<b>11.92</b>	<b>9.99</b>	<b>12.31</b>	<b>2.69</b>
<i>MSCI All Country World Index</i>			2.22	8.83	9.88	6.82	8.28	3.33
<b>Total U.S. Equity (1/31/2006)</b>	\$ 77,115,501	44.2%	<b>2.67</b>	<b>7.25</b>	<b>13.02</b>	<b>14.09</b>	<b>13.96</b>	<b>3.74</b>
<i>Russell 3000 Index</i>			2.50	7.57	13.15	17.03	13.83	4.12

(1) From 5/31/2012 to present consists of: 35% Barclays Capital Aggregate, 5% Barclays Capital US Corporate High Yield, 23% Russell 1000, 8% Russell 2000, 15% MSCI EAFE, 7% MSCI Emerging Markets, 4% NAREIT Equity, and 3.0% DJ-UBS Commodity Index. From 1/31/2006 to 5/31/2012 consists of: 35% Barclays Capital Aggregate, 30% S&P 500 Index, 10% Russell 2000, 20% MSCI EAFE, and 5% NAREIT Equity.

## Peralta Community College District

### Net Performance by Investment Manager as of August 31, 2012

Manager (Inception)	Market Value	% of Tot. Port.	Annualized Perf. (%)						
			1 Month	Trailing 3 Months	Year-to-Date	Trailing 1 Year	Trailing 3 Years	Since Inception	
<b>Investment Grade Fixed Income</b>									
<b>NB Fixed Income Structure Core (1/31/2006)</b>	\$ 46,245,107	26.5%	0.21	2.05	4.69	6.69	7.94	6.29	
<i>Barclays Capital US Aggregate Bond Index</i>			0.07	1.49	3.85	5.78	6.51	6.19	
<i>Variance from Index</i>			0.14	0.56	0.84	0.91	1.43	0.10	
<b>High Yield Corporates</b>									
<b>NB High Income Bond Fund - NHILX (5/31/2012)</b>	\$ 7,154,956	4.1%	0.83	5.76	-	-	-	5.76	
<i>BofA ML US High Yield Master II Constrained Index</i>			1.21	5.24	-	-	-	5.24	
<i>Variance from Index</i>			(0.38)	0.51	-	-	-	0.51	
<b>Non-U.S. Fixed Income</b>									
<b>Dreyfus EM Debt Fund - DDBIX (5/31/2012)</b>	\$ 6,326,087	3.6%	0.62	9.06	-	-	-	9.06	
<i>JP Morgan GBI-EMG Core Index</i>			(0.11)	7.82	-	-	-	7.82	
<i>Variance from Index</i>			0.73	1.24	-	-	-	1.24	
<b>U.S. Large Cap</b>									
<b>NB Large Cap Disciplined Growth (1/31/2006)</b>	\$ 18,442,690	10.6%	2.89	5.70	12.63	10.72	11.67	5.01	
<i>Russell 1000 Growth Index</i>			2.69	6.89	14.55	17.37	15.59	5.12	
<i>Variance from Index</i>			0.20	(1.20)	(1.92)	(6.65)	(3.91)	(0.11)	
<b>NB Large Cap Value (1/20/2006)</b>	\$ 18,828,085	10.8%	2.53	7.06	10.98	14.96	11.25	2.48	
<i>Russell 1000 Value Index</i>			2.17	8.35	12.19	17.30	12.08	2.51	
<i>Variance from Index</i>			0.36	(1.29)	(1.21)	(2.34)	(0.83)	(0.04)	
<b>NB Socially Responsible Investing Group (5/31/2012)</b>	\$ 19,125,253	11.0%	3.16	9.29	-	-	-	9.29	
<i>S&amp;P 500</i>			2.25	7.94	-	-	-	7.94	
<i>Variance from Index</i>			0.91	1.35	-	-	-	1.35	
<b>U.S. SMID Cap</b>									
<b>NB Genesis Fund - NBGIX (5/31/2012)</b>	\$ 6,215,653	3.6%	2.44	3.60	-	-	-	3.60	
<i>Russell 2000 Value Index</i>			3.08	6.95	-	-	-	6.95	
<i>Variance from Index</i>			(0.64)	(3.35)	-	-	-	(3.35)	

Note: Benchmark inception dates correspond with that of the respective manager. Performance shown for periods of less than one year is cumulative.

## Peralta Community College District

### Net Performance by Investment Manager as of August 31, 2012

Manager (Inception)	Market Value	% of Tot. Port.	1 Month	Trailing 3 Months	Year-to-Date	Annualized Perf. (%)		
						Trailing 1 Year	Trailing 3 Years	Since Inception
<b>Pinnacle Associates Small Cap Growth (5/29/2012)</b>	\$ 7,250,004	4.2%	4.48	9.25	-	-	-	9.85
<i>Russell 2500 Growth Index</i>			3.86	6.14	-	-	-	3.61
<i>Variance from Index</i>			0.62	3.11	-	-	-	6.24
<b>Developed International Equity</b>								
<b>Harding Loevner International Equity ADR (5/29/2012)</b>	\$ 9,548,289	5.5%	1.85	9.66	-	-	-	9.16
<i>MSCI EAFE Index</i>			2.69	11.13	-	-	-	8.59
<i>Variance from Index</i>			(0.84)	(1.47)	-	-	-	0.56
<b>NB International Fund - NBIIIX (1/31/2006)</b>	\$ 10,397,170	6.0%	3.62	9.84	10.36	0.77	8.30	0.71
<i>MSCI EAFE Index</i>			2.69	11.13	6.92	(0.04)	2.40	(0.01)
<i>Variance from Index</i>			0.93	(1.29)	3.44	0.81	5.90	0.72
<b>Emerging Market Equity</b>								
<b>Vanguard MSCI Emerging Markets ETF - VWO (5/31/2012)</b>	\$ 10,871,514	6.2%	0.24	5.48	-	-	-	5.48
<i>MSCI Emerging Markets Index</i>			(0.33)	5.53	-	-	-	5.53
<i>Variance from Index</i>			0.57	(0.05)	-	-	-	(0.05)
<b>Public Real Estate</b>								
<b>NB REITS (1/31/2006)</b>	\$ 7,253,816	4.2%	(0.32)	7.75	16.79	20.75	25.35	7.30
<i>NAREIT All Equity REIT Index</i>			0.12	8.39	17.54	20.61	23.70	4.96
<i>Variance from Index</i>			(0.44)	(0.64)	(0.76)	0.14	1.65	2.35

Note: Benchmark inception dates correspond with that of the respective manager. Performance shown for periods of less than one year is cumulative.



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## ASSET ALLOCATION & IMPLEMENTATION REVIEW

## Asset Allocation

As of September 4, 2012

		Minimum	Current	Long-Term Target	Proposed	Maximum
<b>Cash &amp; Fixed Income</b>	<b>Barclays Capital Aggregate</b>	<b>25.0%</b>	<b>38.2%</b>	<b>40.0%</b>	<b>38.2%</b>	<b>55.0%</b>
Cash & Equivalents	Citi 3-Month T-Bill	0.0%	4.0%	0.0%	4.0%	10.0%
Investment Grade Fixed Income	Barclays Capital Aggregate	20.0%	26.5%	30.0%	26.5%	50.0%
High Yield Corporates	Barclays Capital US Corporate High Yield Bond	0.0%	4.1%	5.0%	4.1%	10.0%
Non-U.S. Fixed Income	Barclays Capital Global Aggregate ex USD	0.0%	3.6%	5.0%	3.6%	10.0%
<b>Equities</b>	<b>MSCI ACWI</b>	<b>45.0%</b>	<b>61.8%</b>	<b>57.0%</b>	<b>61.8%</b>	<b>70.0%</b>
U.S. Large Cap	Russell 1000	10.0%	32.3%	23.0%	32.3%	40.0%
U.S. SMID Cap	Russell 2500	0.0%	7.8%	8.0%	7.8%	15.0%
Master Limited Partnerships	Alerian MLP	0.0%	0.0%	0.0%	0.0%	10.0%
Developed International Equities*	MSCI EAFE	5.0%	11.3%	15.0%	11.3%	25.0%
Emerging Market Equities*	MSCI Emerging Markets	0.0%	6.2%	7.0%	6.2%	15.0%
Public Real Estate	NAREIT Equity	0.0%	4.2%	4.0%	4.2%	10.0%
<b>Real &amp; Alternative Assets</b>	<b>HFRI FoF Composite</b>	<b>0.0%</b>	<b>0.0%</b>	<b>3.0%</b>	<b>0.0%</b>	<b>10.0%</b>
Commodities	DJ-UBS Commodity	0.0%	0.0%	3.0%	0.0%	10.0%
Lower-Vol Hedge Funds	HFRI FOF Conservative	0.0%	0.0%	0.0%	0.0%	10.0%
Macro Hedge Funds	HFRI FOF Macro	0.0%	0.0%	0.0%	0.0%	10.0%
Private Equity	ThompsonOne Private Equity	0.0%	0.0%	0.0%	0.0%	10.0%

\* The combined maximum allocation to Developed International Equities and Emerging Market Equities is 30.0%

## Implementation Review

As of September 4, 2012

<u>Manager / Asset Class</u>	<u>Market Value as of 9/4/2012</u>	<u>% Of</u>	<u>Proposed Change</u>	<u>Proposed Value</u>	<u>% Of</u>
JP Morgan US Treasury Money Mkt Fund - VPIXZ*	\$ 6,910,843	4.0%	\$ -	6,910,843	4.0%
<b>Total Cash</b>	<b>\$ 6,910,843</b>	<b>4.0%</b>	<b>\$ -</b>	<b>\$ 6,910,843</b>	<b>4.0%</b>
NB Fixed Income Structure Core	46,264,234	26.5%	-	46,264,234	26.5%
<b>Total Investment Grade Fixed Income</b>	<b>46,264,234</b>	<b>26.5%</b>	<b>-</b>	<b>46,264,234</b>	<b>26.5%</b>
NB High Income Bond Fund - NHILX	7,191,622	4.1%	-	7,191,622	4.1%
<b>Total High Yield Fixed Income</b>	<b>7,191,622</b>	<b>4.1%</b>	<b>-</b>	<b>7,191,622</b>	<b>4.1%</b>
Dreyfus EM Debt Fund - DDBIX	6,330,435	3.6%	-	6,330,435	3.6%
<b>Total Non-US Fixed Income</b>	<b>6,330,435</b>	<b>3.6%</b>	<b>-</b>	<b>6,330,435</b>	<b>3.6%</b>
<b>Total Fixed Income</b>	<b>\$ 59,786,291</b>	<b>30.6%</b>	<b>\$ -</b>	<b>\$ 59,786,291</b>	<b>34.2%</b>
NB Large Cap Disciplined Growth	18,444,484	10.6%	-	18,444,484	10.6%
NB Large Cap Value	18,847,828	10.8%	-	18,847,828	10.8%
NB Socially Responsible Investing Group	19,118,440	10.9%	-	19,118,440	10.9%
<b>Total U.S. Large Cap</b>	<b>56,410,752</b>	<b>32.3%</b>	<b>-</b>	<b>56,410,752</b>	<b>32.3%</b>
NB Genesis Fund - NBGIX	6,274,351	3.6%	-	6,274,351	3.6%
Pinnacle Associates Small Cap Growth	7,300,602	4.2%	-	7,300,602	4.2%
<b>Total U.S. Small &amp; Mid Cap</b>	<b>13,574,953</b>	<b>7.8%</b>	<b>-</b>	<b>13,574,953</b>	<b>7.8%</b>
Harding Loevner International Equity ADR	9,455,083	5.4%	-	9,455,083	5.4%
NB International Fund - NBIX	10,340,355	5.9%	-	10,340,355	5.9%
<b>Total Developed Equities</b>	<b>19,795,438</b>	<b>11.3%</b>	<b>-</b>	<b>19,795,438</b>	<b>11.3%</b>
Vanguard MSCI Emerging Markets ETF - VWO	10,820,556	6.2%	-	10,820,556	6.2%
<b>Total Emerging Equities</b>	<b>10,820,556</b>	<b>6.2%</b>	<b>-</b>	<b>10,820,556</b>	<b>6.2%</b>
NB REITs	7,310,064	4.2%	-	7,310,064	4.2%
<b>Total Public Real Estate</b>	<b>7,310,064</b>	<b>4.2%</b>	<b>-</b>	<b>7,310,064</b>	<b>4.2%</b>
<b>Total Equities</b>	<b>\$ 107,911,763</b>	<b>61.8%</b>	<b>\$ -</b>	<b>\$ 107,911,763</b>	<b>61.8%</b>
<b>Total Portfolio</b>	<b>\$ 174,608,897</b>	<b>96.4%</b>	<b>\$ -</b>	<b>\$ 174,608,897</b>	<b>100.0%</b>

\* The market value reflects the \$6.7 million contribution expected.

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NB ASSET ALLOCATION COMMITTEE VIEWS

## About the Asset Allocation Committee

A multidisciplinary committee is polled quarterly for their asset class return outlooks and asset allocation views

### COMMITTEE MEMBERS

#### Joseph Amato

President & Chief Investment Officer, Equity  
28 years industry experience

#### Thanos Bardas, PhD

Portfolio Manager, Head of Interest Rates  
15 years industry experience

#### Alan Dorsey, CFA

Head of Investment Strategy & Risk  
28 years industry experience

#### Gerald Kaminsky

Portfolio Manager, Team Kaminsky  
49 years industry experience

#### Wai Lee, PhD

CIO & Director of Research,  
Quantitative Investment Group  
19 years industry experience

#### Leah Modigliani

Multi-Asset Class Strategist  
17 years industry experience

#### Matthew Rubin, Committee Chair

Director of Investment Strategy & CIO,  
Neuberger Berman Trust Company  
17 years industry experience

#### Raheel Siddiqui

Portfolio & Quantitative Strategist  
8 years industry experience

#### Brad Tank

Chief Investment Officer, Fixed Income  
32 years industry experience

#### Anthony Tutrone

Head of NB Alternatives  
26 years industry experience

### EXPERTISE

- Global economics & research
- Equity strategies
- Fixed income strategies
- Quantitative investing
- Currency strategies
- Risk management

### RESPONSIBILITIES

- Review and set long-term asset allocation guidelines
- Establish preferred near-term tactical asset class allocations
- Client specific review on request

### CONSIDERATIONS

- Macroeconomic factors
- Fundamental market assumptions
- Investable universe
- Excess return opportunities
- Systematic and idiosyncratic risk

*Views expressed herein are generally those of Neuberger Berman's Asset Allocation Committee and do not reflect the views of the firm as a whole. Neuberger Berman advisors and portfolio managers may make recommendations or take positions contrary to the views expressed. Nothing herein constitutes a prediction or projection of future events or future market behavior. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed. See Additional Disclosures at the end of this material, which are an important part of this presentation.*

## Asset Allocation Committee: Market Views

### Market views based on 1-year outlook for each asset class

Asset Class	← Below Normal Return Outlook	Long-Term (10-Yr+) Annual Return	Above Normal Return Outlook →	Change from Previous Outlook	Commentary
<b>Fixed Income</b>					
Investment Grade Fixed Income		◆		□	<p>Within fixed income, the Committee continues to find less value in the highest-grade sectors, particularly Treasuries and developed international fixed income; the lone overweight in fixed income is in high yield as emerging market debt was downgraded to neutral. Although Treasuries have provided an effective hedge to risk assets and yields could stay low and even decline further, the Committee finds very little long-term value in this fixed income segment with yields near 1.60% on the 10Y UST and 2.75% on the 30Y UST. Should the situation improve even slightly in Europe in the months ahead, the Committee believes we could see a correction in interest rates later this summer.</p>
Municipals		◆		□	
U.S. Government Securities	◆			↓	
Investment Grade Corporates		◆		□	
Agency MBS		◆		□	
CMBS / ABS		◆		□	
U.S. TIPS		◆		□	
High Yield Corporates			◆	□	
Developed International Fixed Income	◆			↓	
Emerging Market Fixed Income		◆		↓	
<b>Equity</b>					
U.S. All Cap Core			◆	□	<p>While the Committee believes the global macro backdrop does not provide near-term visibility, particularly as it concerns Europe, it continues to maintain its core view of overweighting equities. Within equities, the Committee maintains its preference for large-cap U.S. equities, but is neutral on emerging market equities. Across the Atlantic, the Committee continues to hold an underweight view of developed international equities as members do not envision an answer to Europe's sovereign debt crisis that will not dislocate markets in the short-term, to some extent.</p>
U.S. Large Cap			◆	□	
U.S. Small Cap		◆		□	
Master Limited Partnerships		◆		□	
Developed International Equities		◆		□	
Emerging Market Equities		◆		↓	
Public Real Estate		◆		□	
<b>Real and Alternative Assets</b>					
Commodities		◆		□	<p>As market volatility can create attractive entry points across a range of asset classes, it also provides an opportunistic environment for hedge funds that employ a macro view of the world. In this regard, the Committee continues to overweight the macro hedge funds asset class and believes there are selective opportunities in the distressed property/debt space.</p>
Lower Volatility Hedge Funds			◆	□	
Macro Hedge Funds			◆	□	
Private Equity		◆		□	

↑ Return outlook higher than previous quarter	□ Return outlook essentially unchanged	↓ Return outlook lower
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## Market “Balance Sheet”

### + OPPORTUNITIES

- Modestly stronger U.S. dollar (vs. Euro and Yen)
- Rising corporate earnings
- Good operational/margin leverage
- Rising dividends
- Recovering securities issuance
- Periodic increase to financing
- Potential reversing in consumer/corporate deleveraging
- More private equity activity in the middle market
- M&A activity pickup

### — RISKS / CHALLENGES

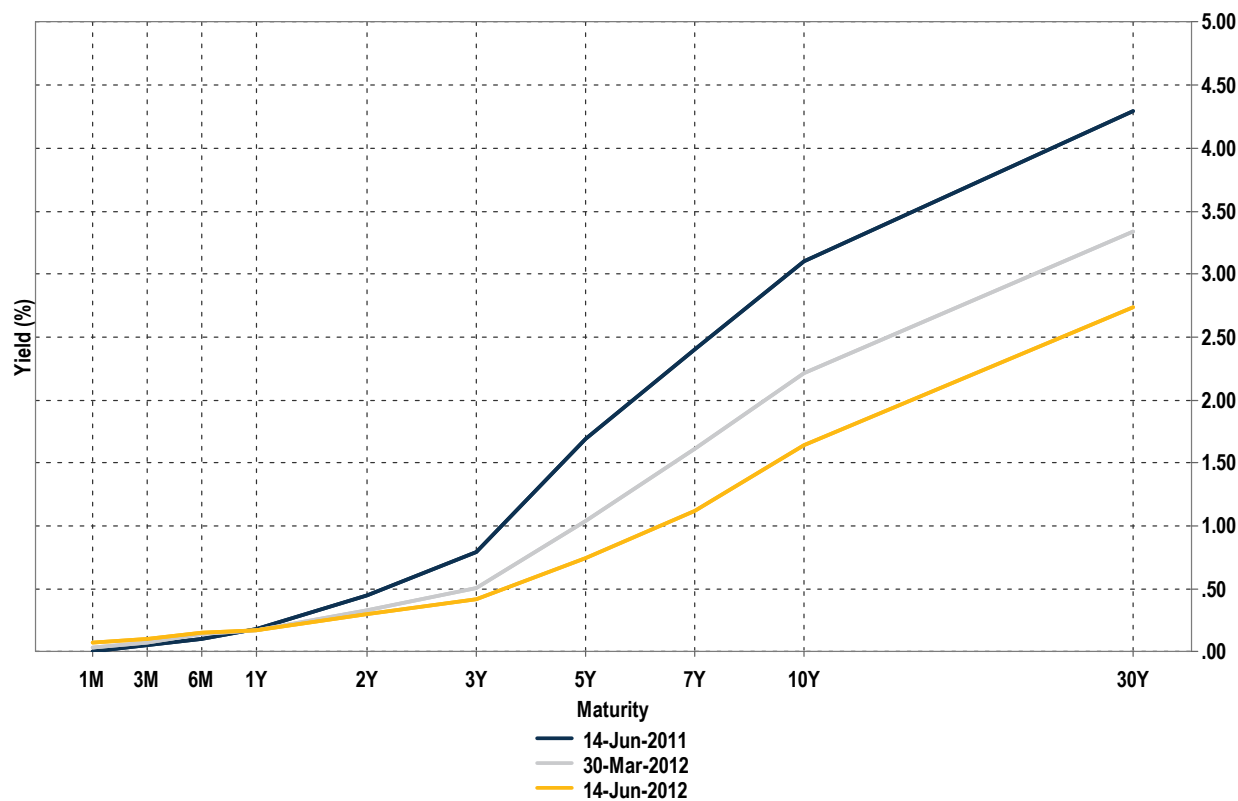
- Modestly higher inflation
- Very soft developed market economies
- Continued volatility
- Additional risks: Europe, oil, U.S. housing and employment, China growth

*Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security. Investing entails risks, including possible loss of principal. See Additional Disclosures at the end of this presentation, which are an important part of this presentation.*

## U.S. Investment Grade Fixed Income

The Committee sees very little long-term value at current yields within U.S. Treasuries

### U.S. TREASURY YIELD CURVE



- The Committee downgraded U.S. government securities to a very underweight position due to historically low yields.
- Although Treasuries have provided an effective hedge to risk assets and could stay low and even decline further, the Committee finds very little long-term value in this fixed income segment with yields near 1.60% on the 10Y UST and 2.75% on the 30Y UST.
- Should the situation improve even slightly in Europe in the months ahead, the Committee believes we could see a correction in interest rates later this summer.

Source: FactSet.

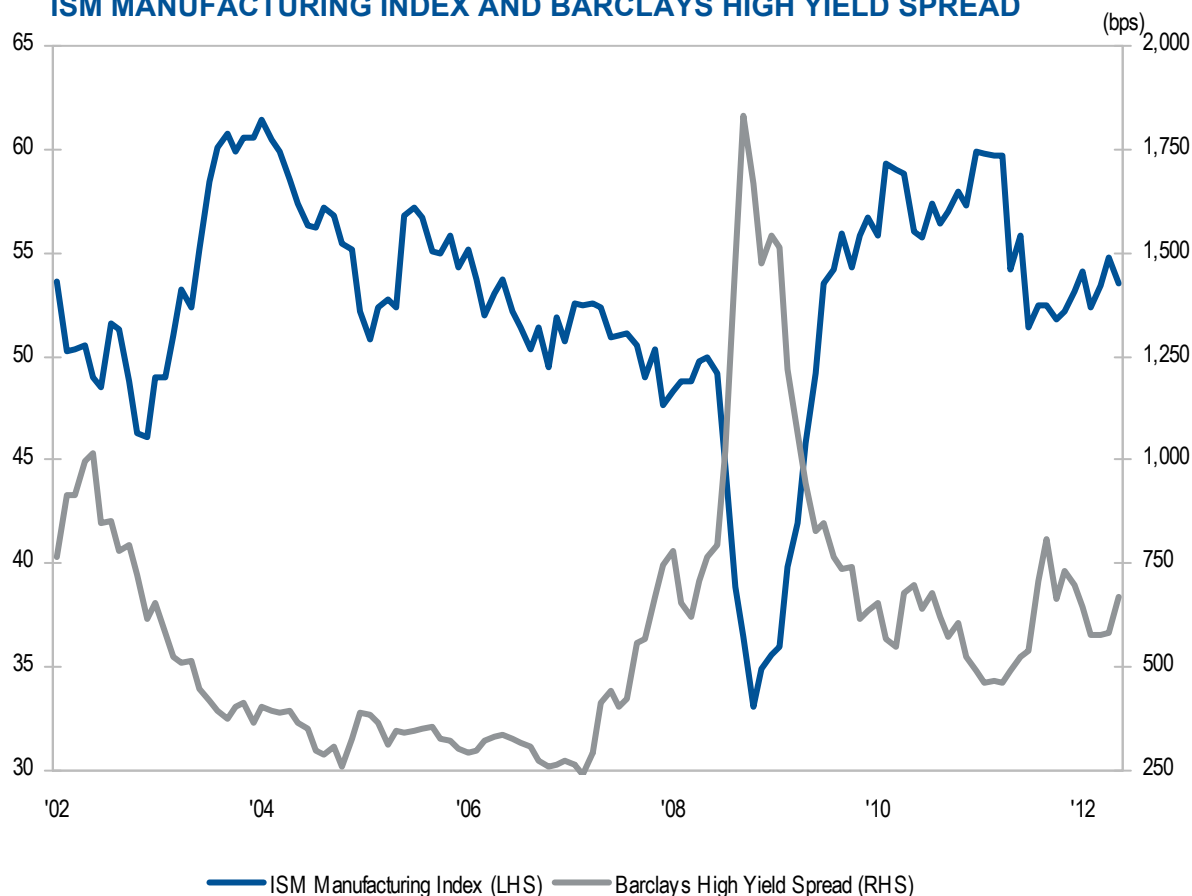
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## U.S. High Yield Fixed Income

The credit cycle and business cycle have been closely linked (spreads widen when growth falters and vice versa); given the strength of corporate balance sheets, this trend could be broken

### ISM MANUFACTURING INDEX AND BARCLAYS HIGH YIELD SPREAD



Source: FactSet.

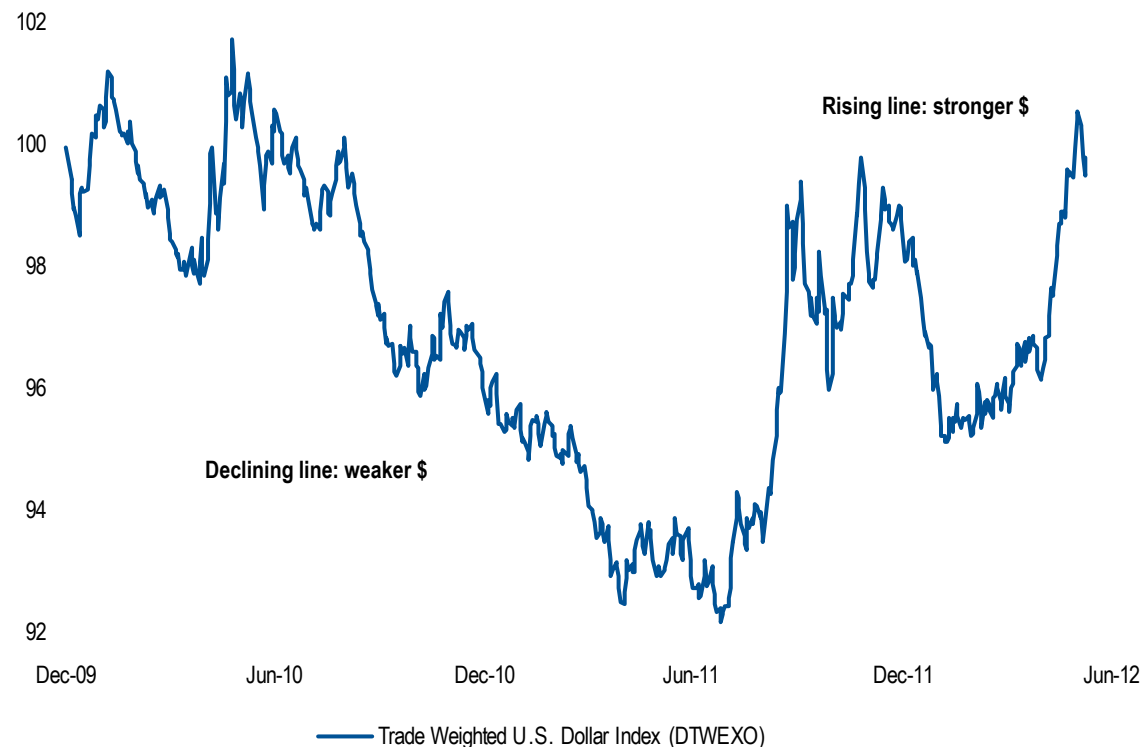
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- The committee expects default rates to remain low in the high yield market and is holding steady with an overweight position in the sector. Committee members, however, are expressing concerns over weakening domestic economic data and the potential for negative European headlines to affect investor sentiment.
- The committee believes high yield fixed income warrants additional consideration as a potential source for attractive returns, particularly if yields move up toward the 9-10% range (near 8% currently).

## Emerging Market Debt + Equities

The Committee's expectation for a slightly stronger dollar could dampen emerging market debt and equity returns

### TRADE WEIGHTED U.S. DOLLAR INDEX (DTWEXO)



- As the Committee expects a stronger U.S. dollar to dampen emerging market debt and equity returns over the next 12 months, it has downgraded both to a neutral position.
- The Committee will be monitoring the European sovereign debt crisis as emerging markets are closely linked to growth in Europe—depending on how events play out, the Committee will likely revisit their positions for emerging market debt and equities.

Source: Board of Governors of the Federal Reserve System.

Note: DTWEXO is a weighted average of the foreign exchange value of the U.S. dollar against a subset of the broad index currencies that do not circulate widely outside the country of issue. Countries whose currencies are included in the other important trading partners index are Mexico, China, Taiwan, Korea, Singapore, Hong Kong, Malaysia, Brazil, Thailand, Philippines, Indonesia, India, Israel, Saudi Arabia, Russia, Argentina, Venezuela, Chile and Colombia.

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## Developed International Equities

The Committee continues to forecast a moderate recession in Europe due to financial market stress and austerity in the region

### EURO AREA MANUFACTURING PURCHASING MANAGER INDEXES

	Current	Previous	3m ago	6m ago
Euro Area	45.1	45.9	49.0	46.4
Austria	50.2	51.2	52.0	47.6
France	44.7	46.9	50.0	47.3
Germany	45.2	46.2	50.2	47.9
Greece	43.1	40.7	37.7	40.9
Ireland	51.2	50.1	49.7	48.5
Italy	44.8	43.9	47.8	44.0
Netherlands	47.6	49.0	50.3	46.1
Spain	42.0	43.5	45.0	43.8

- The Committee continues to hold an underweight view of developed international equities as members do not envision an answer to Europe's sovereign debt crisis that will not dislocate markets in the short-term, to some extent.
- For Committee members to become more constructive on developed international equities, they would like to see a positive resolution in Greece, clear steps toward fiscal integration and more easing measures from the European Central Bank.

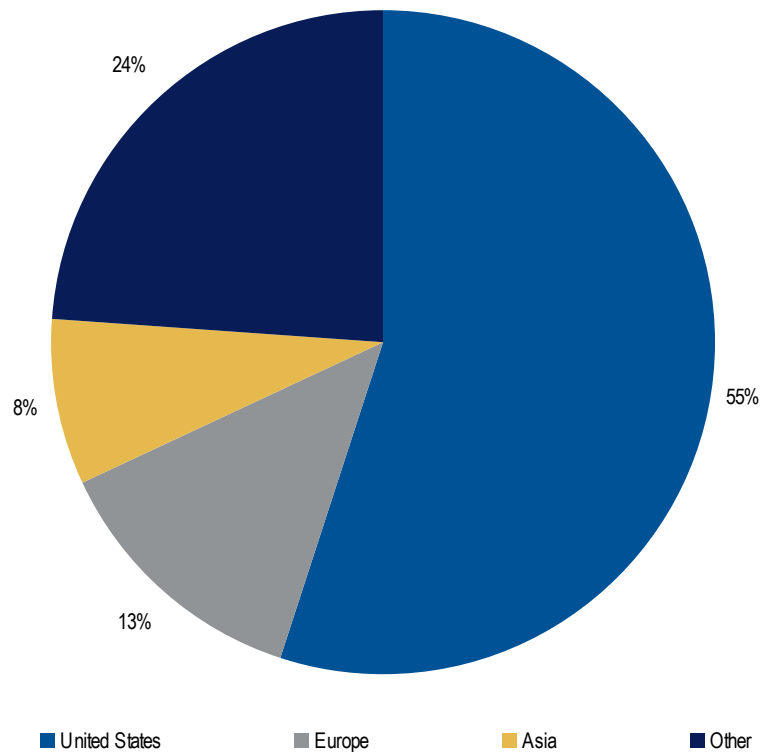
Source: Markit.

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## Macro Hedge Funds

The global nature of financial markets is creating opportunities for managers that employ a macro view of the world

### S&P 500 GEOGRAPHIC REVENUE SOURCES



- The Committee continues to overweight the macro hedge funds asset class and believes there are selective opportunities in the distressed property/debt space. In addition, and although it takes a longer-term mindset, the Committee believes illiquid, specialty credits (such as non-performing loans and aircraft leases) are appealing investments due to significant mispricing today.

Source: Standard & Poor's.

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REVIEW AND ACTION ITEMS

## Characteristics of Private Equity – Advantages

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Private equity has a number of structural advantages that can allow it to generate higher returns

- Private equity firms have excellent access to information before making investment decisions
  - Thorough due diligence, extensive access to private information
  - Meetings with management teams
  - Review budget forecasts, strategic plans, growth opportunities
- Private equity firms often invest at attractive prices
  - Less efficient market
  - Highly negotiated sales process
  - Sellers often concerned with factors other than price
- Private equity firms typically exercise significant strategic and operating control post-investment that helps improve profitability, cash flows and multiples upon exit
  - Board representation
  - Liquidation and voting preferences
  - Operational and/or turn-around specialists who get involved in portfolio company operations
  - Focus on long-term success, not quarter by quarter
- Financial engineering
  - Prudent use of leverage amplifies returns that are above cost of capital

## Potential Benefits of Hedge Fund Investing

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Hedge funds offer investors the potential for enhanced returns and downside protection

### Attractive Returns with Reduced Volatility

- Hedge funds have generally **outperformed** traditional equity and fixed income benchmarks over the last 3-, 5- and 10-year periods with significantly lower volatility

### Downside Protection

- Unlike long-only managers, hedge funds have the **flexibility** to adjust their net market exposure through short selling and the use of options and hedges, in order to help protect capital in declining markets

### Diversification

- Adding relatively **uncorrelated** assets, like hedge funds, to an otherwise traditional portfolio has the potential to lower the overall portfolio risk without reducing expected returns

Past performance is not indicative of future results. All historical performance shown and information presented is for illustrative purposes only and is not meant to forecast, imply or guarantee future performance. Hedge Funds are speculative investments that involve a high degree of risk. Please see the "Risk Considerations" section of this presentation for additional information.

## Why Commodities?

We believe commodities offer strategic diversification benefits not replicable by other asset classes

- Historically low correlation to other asset classes over the long-term, such as stocks and bonds
  - Return potential across different business cycles
  - Independent risk sources (weather anomalies, political unrests, export bans etc.)
- Track world GDP growth and supply shortages
- May provide a hedge against
  - Unexpected inflation
  - Currency depreciation
- Potential opportunity for gains from frequent rebalancing (buy low / sell high, volatility pumping)
- “Safe-haven” properties during uncertain times
  - Physical commodities generally do not default<sup>1</sup>
- Very liquid investments (as defined by index membership and bid-ask spreads)

<sup>1</sup> While there is not an inherent risk of default in holding a physical commodity, there is risk of default with regard to commodities futures in which the Fund primarily invests.



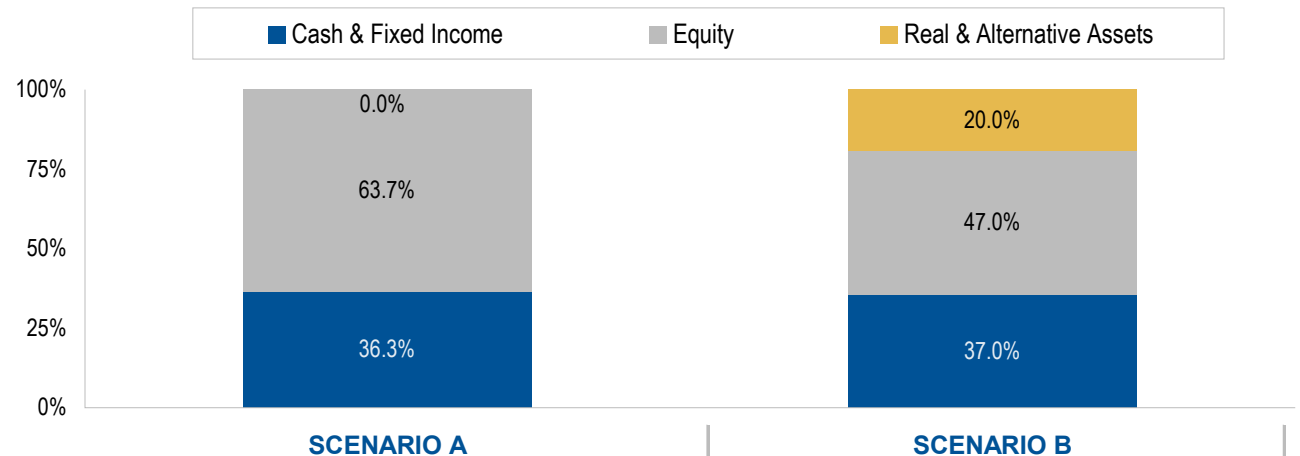
## Monte Carlo Simulation

### An Overview

- Investment forecasting would be a simple matter if we knew exactly what rates of return, interest rates and inflation would be in the future. Unfortunately, we know that these factors change constantly and we have no crystal ball. A realistic forecast must consider economic and market uncertainty.
- Monte Carlo simulation is a complex mathematical technique that helps us understand the likelihood that you will meet your financial goals under a wide range of potential market scenarios. This gives us a realistic picture of investment risk and a basis to compare alternative investment strategies.
- We start with an investment universe consisting of 22 asset classes. Our analysts determine a hypothetical level of return, risk and yield for each asset class; these estimates are shown on page three. Each portfolio is analyzed as a mix of these asset classes. Next we account for planned contributions and withdrawals and input the tax rates that you pay. We then simulate 500 separate possible outcomes for your portfolio and tabulate the results:
- This analysis helps answer the following questions
  - How much income can be taken from this account while maintaining principal?
  - What range of ending values of the portfolio can we expect at the investment horizon?
  - How much effect could negative market conditions have on this portfolio?
  - How risky is the current portfolio?
  - What is the lowest risk portfolio that provides you with the opportunity to meet your goals?
- While this technique is more sophisticated than straight-line forecasting, it still has its limitations. No analytical tool can capture every element of risk that you face as an investor. A detailed description of our methodology is given in the “Important Disclosures” section at the end of this report.
- *Hypothetical Forward Looking* estimates are the results of our Monte Carlo simulation process where we forecast an ending value of your portfolio at the investment horizon.
- *25-Year Forward Looking Probabilities* estimate the likelihood of eroding your purchasing power or falling to zero.
- *The Hypothetical Expected Return, Risk and Ending Value* reflect how we believe this portfolio could behave based on market assumptions determined by the Neuberger Berman Asset Allocation Committee. Please read the disclosures in the appendix at the end of this document for details about our methodology.

## Summary

Assumptions	
Client Name	Peralta
Time Horizon	25 Years
Annual Contribution	\$ 7,000,000
Annual Withdrawal	\$ 10,000,000
Inflation Rate	2.5%



### Hypothetical Forward Looking

Return	7.2%	7.7%
Standard Deviation	10.6%	10.4%

### 25 -Year Post Tax Return Probabilities

Invading Principal	15.4%	8.4%
Assets Falling to Zero	0.0%	0.0%

### Monte Carlo Results: Hypothetical Expected Ending Values

#### Investment Time Horizon: 25 Years

Nominal \$		
95th Percentile	\$1,390,025,590	\$1,619,542,511
50th Percentile	\$546,910,957	\$659,282,941
5th Percentile	\$197,514,293	\$249,824,125
Real \$, Adjusted for 2.5% Expected Inflation		
95th Percentile	\$749,766,722	\$873,565,990
50th Percentile	\$294,998,624	\$355,611,014
5th Percentile	\$106,537,351	\$134,752,782

**IMPORTANT:** The projections or other information generated by this analysis regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. These hypothetical returns are used for discussion purposes only and are not intended to represent, and should not be construed to represent, predictions of future rates of return. Actual returns may vary significantly. Our assumptions are subject to change without notice. The standard twenty-five year time horizon is selected based on the long-term nature of equilibrium risk/return assumptions and not based on age(s) of prospective client(s). Please refer to the Appendix which contains Additional Disclosures and Index Definitions which are a required part of this presentation..

## Monte Carlo Results: Summary Table

### Scenario A

What investment factors led to the three outcomes on the previous page?

	95th Percentile	50th Percentile	5th Percentile
<b>PORTFOLIO SUMMARY - NOMINAL \$</b>			
Beginning Simulation Market Value	\$158,847,663	\$158,847,663	\$158,847,663
Appreciation & Net Income	\$1,333,651,219	\$490,536,586	\$141,139,921
Cumulative Additions	\$239,104,348	\$239,104,348	\$239,104,348
Cumulative Withdrawals	-\$341,577,639	-\$341,577,639	-\$341,577,639
<b>Ending Simulation Market Value</b>	<b>\$1,390,025,590</b>	<b>\$546,910,957</b>	<b>\$197,514,293</b>
<b>PORTFOLIO SUMMARY - REAL \$</b>			
Beginning Simulation Market Value	\$158,847,663	\$158,847,663	\$158,847,663
Appreciation & Net Income	\$693,392,351	\$238,624,252	\$50,162,979
Cumulative Additions	\$239,104,348	\$239,104,348	\$239,104,348
Cumulative Withdrawals	-\$341,577,639	-\$341,577,639	-\$341,577,639
<b>Ending Simulation Market Value</b>	<b>\$749,766,722</b>	<b>\$294,998,624</b>	<b>\$106,537,351</b>

*These hypothetical portfolio values represent a point in time vs. the entire time period. The numbers displayed do not represent a guaranteed amount, but rather a range in which the hypothetical return or dollar amount for a particular investment period may fall. Results may vary with each use and over time. Hypothetical returns are gross of fees. The projections or other information generated by this analysis regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. These hypothetical returns are used for discussion purposes only and are not intended to represent, and should not be construed to represent, predictions of future rates of return. Actual returns may vary significantly. Our assumptions are subject to change without notice. Please refer to the Appendix which contains Additional Disclosures and Index Definitions which are a required part of this presentation.*

## Monte Carlo Results: Summary Table

### Scenario B

What investment factors led to the three outcomes on the previous page?

	95th Percentile	50th Percentile	5th Percentile
<b>PORTFOLIO SUMMARY - NOMINAL \$</b>			
Beginning Simulation Market Value	\$158,847,663	\$158,847,663	\$158,847,663
Appreciation & Net Income	\$1,563,168,140	\$602,908,570	\$193,449,754
Cumulative Additions	\$239,104,348	\$239,104,348	\$239,104,348
Cumulative Withdrawals	-\$341,577,639	-\$341,577,639	-\$341,577,639
<b>Ending Simulation Market Value</b>	<b>\$1,619,542,511</b>	<b>\$659,282,941</b>	<b>\$249,824,125</b>
<b>PORTFOLIO SUMMARY - REAL \$</b>			
Beginning Simulation Market Value	\$158,847,663	\$158,847,663	\$158,847,663
Appreciation & Net Income	\$817,191,619	\$299,236,643	\$78,378,411
Cumulative Additions	\$239,104,348	\$239,104,348	\$239,104,348
Cumulative Withdrawals	-\$341,577,639	-\$341,577,639	-\$341,577,639
<b>Ending Simulation Market Value</b>	<b>\$873,565,990</b>	<b>\$355,611,014</b>	<b>\$134,752,782</b>

*These hypothetical portfolio values represent a point in time vs. the entire time period. The numbers displayed do not represent a guaranteed amount, but rather a range in which the hypothetical return or dollar amount for a particular investment period may fall. Results may vary with each use and over time. Hypothetical returns are gross of fees. The projections or other information generated by this analysis regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. These hypothetical returns are used for discussion purposes only and are not intended to represent, and should not be construed to represent, predictions of future rates of return. Actual returns may vary significantly. Our assumptions are subject to change without notice. Please refer to the Appendix which contains Additional Disclosures and Index Definitions which are a required part of this presentation.*

## Next Steps:

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- **Understand Retirement Board/Trustee's views on alternatives**
- **Review upcoming actuarial report and consult with actuary regarding potential asset allocation implications**
- **Conduct Monte Carlo simulations**
- **Recommend changes to Investment Policy Statement as appropriate and implement**

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**DISCLOSURES**

## Disclosures

### Criteria and Methodology

**Asset Class Universe:** The asset classes are selected to represent the universe of normally available investments. They are not inclusive of all investments available to an investor and not all asset classes will be available to each investor. Each asset class is represented by a benchmark index, these are listed and described on the “Index Definitions” section on the following pages.

**Asset Class Inputs:** The asset class inputs are revised each quarter by the Neuberger Berman Investment Committee or more frequently if required by changing economic conditions. These inputs are **hypothetical** in nature and are not based on actual returns earned by any account, index or asset. These inputs are forward-looking and are subject to periodic revision.

**Portfolio Hypothetical Return:** Hypothetical return for the portfolio is the weighted average of the hypothetical returns of the asset classes used in the portfolio as shown on page three. It is determined by the given portfolio asset class weights and the hypothetical returns from the asset class inputs. After-tax hypothetical return reflects the impact of capital gains and income taxes at the rates given by the client. No effort is made to forecast future **income tax rates or tax policy changes**.

**Portfolio Hypothetical Standard Deviation:** Standard deviation is a measure of risk that considers the dispersion of returns. Hypothetical expected standard deviation of the component asset classes is shown on page three. Hypothetical expected standard deviation of the portfolio is determined by the weights of the portfolio mix, the standard deviations of the individual asset classes shown on page three, and correlations of the assets calculated by historic correlations of the benchmark indices described on the “Index Definitions” section on the following pages. Post-tax standard deviation considers the effect of the given capital gains tax rate on portfolio standard deviation.

**Portfolio Hypothetical Yield:** Portfolio yield is the weighted average of the hypothetical yields of the asset classes used in the portfolio as shown on page three. Post-tax hypothetical yield considers the impact of the given client income tax rate on the yield of the account.

**Estimated Annual Portfolio Turnover:** Turnover represents the proportion of the portfolio that is assumed to be sold each year for purposes of estimating the Capital Gains Tax. This figure is provided by the Wealth Advisor. For example, if the turnover percentage is 20%, then one-fifth of the portfolio is turned over each year, resulting in capital gains exposure. A 20% turnover rate implies a five-year holding period for the portfolio to turn over 100%.

**Monte Carlo Simulation:** The Monte Carlo simulation engine is provided by Neuberger Berman. The simulation process generates 500 possible returns for each asset class for each time horizon of the simulation. Returns are randomly selected from a lognormal distribution based on asset class inputs. The simulation considers given cash flows and tax rates and generates wealth levels at each given time horizon and probability percentile. Because of the random element of return generation, results may not be exactly equal when re-running the simulation with the same inputs.

**RESULTS OF THIS SIMULATION MAY VARY WITH EACH USE AND OVER TIME**

## Asset Class Benchmarks and Definitions

Asset Class	Benchmark	Definition of Benchmark
Investment Grade Taxable Fixed Income	Barclays Capital U.S. Aggregate	The Barclays Capital U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. Index rules: Must have at least one year to final maturity regardless of call features. • Must have at least \$250 million par amount outstanding. Asset-backed securities must have at least \$500 million deal size and \$25 million tranche size. For commercial mortgage-backed securities, the original transaction must have a minimum deal size of \$500 million, and a minimum tranche size of \$25 million; the current outstanding transaction size must be at least \$300 million to remain in the index. • Must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade. • Must be fixed rate, although it can carry a coupon that steps up or changes according to a predetermined schedule. • Must be dollar-denominated and non-convertible. • Must be publicly issued. However, 144A securities with Registration Rights and Reg-S issues are included.
U.S. Government/Agency	Barclays Capital U.S. Government	The U.S. Government Index is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes Treasuries (public obligations of the U.S. Treasury that have remaining maturities of more than one year) and U.S. agency debentures (publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The index is a component of the U.S. Government/Credit Index and the U.S. Aggregate Index.
Investment Grade Corporates	Barclays Capital U.S. Corporate	The U.S. Corporate Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers that meet specified maturity, liquidity and quality requirements. Securities in the index roll up to the U.S. Credit and U.S. Aggregate Indices. The U.S. Corporate Index was launched on January 1, 1973.
Agency MBS	Barclays Capital U.S. MBS	The U.S. Mortgage Backed Securities (MBS) Index covers agency mortgage-backed passthrough securities (both fixed-rate and hybrid ARM) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). Introduced in 1986, the GNMA, FHLMC, and FNMA fixed-rate indices for 30- and 15- year securities were backdated to January 1976, May 1977, and November 1982, respectively. Balloon securities were added in 1992 and removed on January 1, 2008. 20-year securities were added in July 2000. On April 1, 2007, agency hybrid adjustable-rate mortgage (ARM) passthrough securities were added to the U.S. MBS Index. Hybrid ARMs are eligible until 1 year prior to their floating coupon date.



## Asset Class Benchmarks and Definitions

### Continued

Asset Class	Benchmark	Definition of Benchmark
Securitized ABS/CMBS	Barclays Capital ABS + CMBS	The ABS + CMBS Index is a custom index including the investment grade ABS and CMBS components of the U.S. Aggregate index. Securities must be rated investment-grade by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade. Securities must be ERISA eligible under the underwriter's exemption. 144A securities are not included. The ABS index includes pass-through, bullet, and controlled amortization structures. The ABS index includes only the senior class of each ABS issue and the ERISA-eligible B and C tranche. Inherited Rules: must have an average life of at least one year, must have at least \$500 million deal size and \$25 million tranche size. Must be fixed rate, must be the senior class, ERISA-eligible B or C tranche of the deal. Must belong to one of the following categories of asset-backed securities: Credit Card and Charge Card, Auto Loan, Utility or must be issued from an eligible issuer as determined by Barclays Capital based on pricing availability.
High Yield Corporates	Barclays Capital U.S. Corporate High-Yield Bond	The U.S. Corporate High-Yield Bond Index covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes Emerging Markets debt. The index was created in 1986, with index history backfilled to January 1, 1983. The U.S. Corporate High-Yield Index is part of the U.S. Universal and Global High-Yield Indices.
Municipal Bonds	Barclays Capital Municipal Bond	The U.S. Municipal Index covers the USD-denominated long term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Many of the indices have historical data to January 1980. In addition, several subindices based on maturity and revenue source have been created, some with inception dates after January 1980 but no later than July 1, 1993. In January 1996, Barclays Capital also began publishing a non-investment grade municipal bond index and "enhanced" state-specific indices for Arizona, Connecticut, Maryland, Massachusetts, Minnesota and Ohio. These indices are published separately from the Barclays Capital Municipal Bond Index.
U.S. TIPS	Barclays Capital U.S. Treasury Inflation Protected Securities (TIPS)	The U.S. Treasury Inflation-Protected Securities (TIPS) Index (Series-L) is a rules-based, market value-weighted index that tracks inflation protected securities issued by the U.S. Treasury. The index is a subset of the Global Inflation-Linked Index (Series-L), with a 36.4 market value weight in that index (as of December 31, 2009), but is not eligible for other nominal Treasury or Aggregate indices. To prevent the erosion of purchasing power, TIPS are indexed to the non-seasonally adjusted Consumer Price Index for All Urban Consumers, or the CPI-U (CPI).
Non-U.S. Investment Grade Fixed Income	Barclays Capital Global Aggregate x USD	The Global Aggregate ex-U.S. Index is a subindex of the Global Aggregate Bond Index, which contains the U.S. Aggregate, the Pan-European Aggregate and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government and agency and corporate securities. Constituents must have a remaining maturity of at least one year. Mortgages and asset-backed securities must have a remaining average life of at least one year. Securities must be fixed rate, although zero coupon bonds and step-ups are permitted. Exclusions: Convertibles, floating-rate notes, fixed-rate perpetuals, warrants, linked bonds, and structured products, debt denominated in Swiss Francs and privately placed Japanese Government Bonds.

## Asset Class Benchmarks and Definitions

### Continued

Asset Class	Benchmark	Definition of Benchmark
U.S. All Cap Core	Russell 3000	The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies, representing approximately 98% of the investable U.S. equity market. As of the latest reconstitution, the weighted average market capitalization was approximately \$58.2 billion; the median market capitalization was approximately \$589 million. The index had a total market capitalization range from approximately \$78 million to \$338 billion.
U.S. Large Cap	Russell 1000	The Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000® Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution, the weighted average market capitalization was approximately \$62.8 billion; the median market capitalization was approximately \$3.4 billion. The smallest company in the index had an approximate market capitalization of \$829 million.
U.S. Large Cap Growth	Russell 1000 Growth	The Russell 1000 Growth Index measures the performance of those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values.
U.S. Large Cap Value	Russell 1000 Value	The Russell 1000 Value Index measures the performance of those Russell 1000® companies with lower price-to-book ratios and lower forecasted growth values.
U.S. Small Cap	Russell 2000	The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution, the weighted average market capitalization was approximately \$732 million; the median market capitalization was approximately \$306 million. The largest company in the index had an approximate market capitalization of \$1.7 billion and the smallest of \$78 million.
U.S. Small Cap Growth	Russell 2000 Growth	The Russell 2000 Growth Index measures the performance of those Russell 2000® companies with higher price-to-book ratios and higher forecasted growth values.
U.S. Small Cap Value	Russell 2000 Value	The Russell 2000 Value Index measures the performance of those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values.

## Asset Class Benchmarks and Definitions

### Continued

Asset Class	Benchmark	Definition of Benchmark
Master Limited Partnerships	Alerian MLP	The Alerian MLP Index is a market-cap weighted, float-adjusted index created to provide a comprehensive benchmark for investors to track the performance of the energy MLP sector. The index components are selected by Alerian Capital Management, LLC ("Alerian"). Alerian is a registered investment advisor that exclusively manages portfolios focused on midstream energy MLPs.
Developed International Equities	MSCI EAFE – Net Return	The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. As of June 2006 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.
Emerging Market Equities	MSCI Emerging Markets – Net Return	The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2006 the index consisted of the following 25 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.
Public Real Estate	FTSE NAREIT REIT	The FTSE NAREIT REIT Index measures the performance of all publicly traded equity real estate investment trusts traded on U.S. exchanges. NAREIT is the National Association of Real Estate Investment Trusts®. It is the trade association for REITs and publicly traded real estate companies with an interest in the U.S. property and investment markets. Members are REITs and listed companies that own, operate and finance in-come-producing real estate, as well as those firms and individuals who advise, study and service these businesses. NAREIT's responsibilities include industry representation before policymakers affecting the REIT and publicly traded real estate community and outreach to the investment community.
Commodities	Dow Jones-UBS Commodity	The Dow Jones-UBS Commodity Index is composed of futures contracts on physical commodities. The index is composed of commodities traded on U.S. exchanges, with the exception of aluminum, nickel and zinc, which trade on the London Metal Exchange (LME). The index is designed to be a highly liquid and diversified benchmark for commodities investments. To ensure that no single commodity or commodity sector dominates the index, the index relies on several diversification rules. Among these rules are the following: no related group of commodities (eg., energy, precious metals, livestock or grains) may constitute more than 33% of the index. Also, no single commodity may constitute less than 2% of the index. The diversification rules are applied annually when the index is reweighted and rebalanced on a price-percentage basis.
Conservative Hedge Funds	HFRI FOF Conservative	The HFRI FOF Conservative Index includes Fund-of-Funds (FOFs) classified as 'Conservative' which exhibit one or more of the following characteristics: seeks consistent returns by primarily investing in funds that generally engage in more 'conservative' strategies such as Equity Market Neutral, Fixed Income Arbitrage, and Convertible Arbitrage; exhibits a lower historical annual standard deviation than the HFRI Fund of Funds Composite Index. A fund in the HFRI FOF Conservative Index shows generally consistent performance regardless of market conditions.
Private Equity	ThomsonOne Private Equity	The ThomsonOne Private Equity Index is a capitalization-weighted composite IRR of the buyout, venture, and special situations fund performances reported to Thomson; all historical IRRs are subject to, and regularly undergo, revision.

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Equity and Fixed Income AUM Outperformance Note: Firm equity and fixed income Assets Under Management (“AUM”) outperformance figures are based upon the aggregate assets for all Neuberger Berman LLC and Neuberger Berman Fixed Income LLC traditional equity and fixed income strategies that are included in each firm’s institutional separate account (“ISA”), managed account/wrap (“MAG”) and private asset management/high net worth (“PAM”) composites. The AUM outperformance results are based on the overall performance of each individual investment strategy against its respective strategy benchmark and results are asset weighted so strategies with the largest amount of assets under management have the largest impact on the results. As of 12/31/2011, seven equity teams/strategies accounted for approximately 53% of the total firm equity (PAM, ISA and MAG combined) assets reflected, and eight strategies accounted for approximately 71% of the total firm fixed income (PAM, ISA and MAG combined) assets reflected. The performance of the individual PAM equity teams/strategies is generally shown as a supplemental exhibit to the PAM Equity Composite. The respective ISA, MAG and PAM composite reports, as well as the PAM Management Team supplemental performance exhibits are available upon request. Individual strategies may have experienced negative performance during certain periods of time. Hedge fund, private equity and other private investment vehicle assets are not reflected in the AUM and product outperformance results shown. AUM outperformance for ISA and MAG strategies is based on gross of fee returns. Gross of fee returns do not reflect the deduction of investment advisory fees and other expenses. If such fees and expense were reflected, AUM and products outperformance results would be lower. Investing entails risk including possible loss of principal. **Past performance is no guarantee of future results.**

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Investments in hedge funds and private equity are speculative and involve a higher degree of risk than more traditional investments. Investments in hedge funds and private equity are intended for sophisticated investors only.

All information as the date indicated, except as otherwise noted. Firm data, including employee and assets under management figures, reflects collective data for the various affiliated investment advisers that are subsidiaries of Neuberger Berman Group LLC (the “firm”), including, but not limited to, Neuberger Berman LLC, Neuberger Berman Management LLC, Neuberger Berman Fixed Income LLC, NB Alternative Fund Management LLC, NB Alternative Investment Management LLC, NB Alternatives GP Holdings LLC, and NB Alternatives Advisers LLC.

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2. The PI presented is based upon the most recent estimates of Fund Account net asset value as December 31, 2011. The PI is net of NB Alternatives' fees, expenses and carried interest is a composite, does not represent the performance of any one Fund Account, and does not equate with the returns experienced by an investor in any particular Fund Account as a result of differences in the nature, timing and terms of investments. The PI does not include Fund Accounts that focus on secondary private equity investments or co-investments. If secondary and co-investment Fund Accounts were included, the since inception aggregate IRR ending December 31, 2011, net of fees and expenses, is 14.2%. The capital flows between a Fund Account and its investors and the investors' capital account balance on the date of the calculation are utilized to calculate the PI. The PI does not include the performance of recent Fund Accounts that commenced after 2009, as these Fund Accounts are too early in their investment cycle to have meaningful performance information. Certain Fund Accounts included in the PI consist of capital contributed by employees and affiliates and do not have fees, expenses, or carried interest. The PI also includes primary private equity fund commitments made for investment purposes by an internal fund of funds whose sole investors were the Predecessors and their employees, which commitments were selected prior to the acquisition of the Predecessors by current and former members of the Investment Committee. The PI does not include other private equity fund investments made by the Predecessors or Neuberger Berman for strategic purposes.

Past performance is not an indicator, guarantee or projection of future performance. The PI illustrates the investment performance as compared to the following indices. The investment attributes of the PI differ materially from those of the Indices, and therefore, the Fund Accounts and the Indices should not be considered equivalent in respect of potential investment returns or risks. The Indices are presented merely to show general trends in the markets for the listed vintage year. The Indices are unmanaged and have no expenses. Capital contributions and distributions occurred periodically throughout the life of the Fund Accounts. In order to accurately compare the Indices to the Fund Accounts, capital contributions and distributions are treated as purchases and redemptions from the Indices, which are priced based upon the market value of the Indices on the corresponding dates. At the end of the period, all shares are assumed sold to provide a terminal value. Fund Account returns are reported net of all fees, expenses, and GP carry.

3. Thomson Reuters' Private Equity Performance Index is based on statistics as of December 31, 2011 published by Thomson Reuters' Private Equity Performance Database analyzing the cash flows and returns for approximately 3,802 venture capital and private equity funds having an aggregate capital commitment of approximately \$1,684.1 billion to such funds. The Thomson data are compiled from information provided to Thomson by limited partner investors and general partners of such partnerships and are not independently verified by Thomson or NB Alternatives. Returns are net to investors after management fees, expenses and carried interests at the underlying fund level, but, since the data are collected in respect of underlying funds, the index does not reflect the impact on returns of fund of funds level management fees, expenses and carried interests. The Thomson data presented measure performance of the applicable index since January 1, 1987. The investment strategies of the funds included in the Thomson index are in some cases not the same as those in which NB Alternatives' funds and accounts directly or indirectly invested.

4. Source: Bloomberg L.P. The Standard & Poor's 500 ("S&P 500") is a basket of 500 widely-held stocks that is weighted by market value. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ National Market. The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. As of June 2007 the MSCI World Index consisted of the following 23 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The FTSE 100 Index (Financial Times Stock Exchange Index) is a share index of the 100 most highly capitalized UK companies listed on the London Stock Exchange. Returns for the public stock indices are based upon simple market price appreciation of an investment in the index beginning on December 31, 1986. The return is a 100 quarter annualized performance number. Public market returns, other than MSCI World, exclude all dividends including both payment of dividends to an investor in the index and reinvestment of dividends in the index. Public market returns for MSCI World include all dividend payments to an investor in the index and exclude reinvestment of dividends in the index.

5. References to NB Alternatives include the Predecessors, the assets of which are presently owned by NB Alternatives and its affiliated companies.

## Disclosures

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### CROSSROADS INDEX METHOD

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