



LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

Portfolio Performance Review

Quarter Ending December 31, 2011

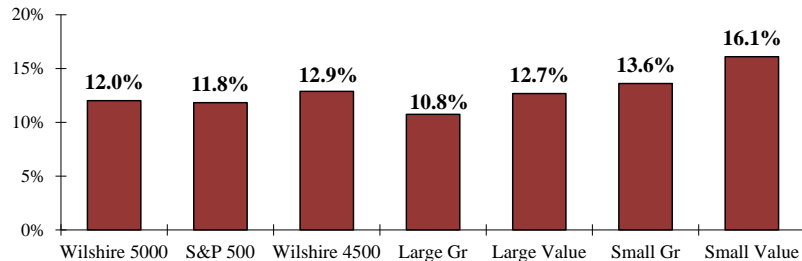


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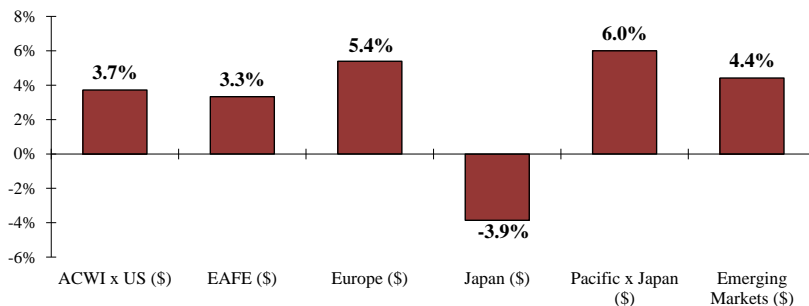
Executive Summary

Market and Economic Review

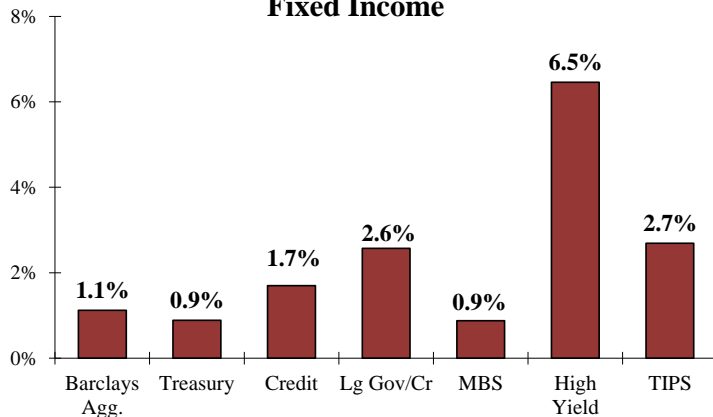
U.S. Equity



Non U.S. Equity



Fixed Income



- Equity markets rallied significantly during the 4Q/2011 despite continued sovereign debt crisis in Europe
- US GDP posted an annualized growth rate of 2.8% in 4Q/11, an increase from 1.8% in 3Q/11
- Unemployment rate dipped in 4Q to 8.5%, compared to 9.1% in 3Q
- Consumer Price Index declined to -0.5% for the quarter; a significant drop from 0.5% in 3Q
- Fed Funds Rate remained unchanged at the range of 0% to 0.25%
- All major non-U.S. markets had positive returns for the quarter, with the exception of Japan, despite fears of a double-dip recession in Europe and slowing economic growth in China
- Pacific Basin x Japan was the best performer, while Japan was the worst performer
- U.S. dollar strengthened against both Pound and Euro; however, it marginally declined against the Japanese Yen
- U.S. yield curve virtually remained the same for all maturities compared to 3Q11
- Yields were at historic lows across all maturities and significantly lower than a year ago
- Investors' flight to safety slowed during the quarter as they rotated back into equities
- Spreads in High Yield market tightened and this sector was the strongest sector of the entire fixed income market

Performance Overview

- *LACERS investment portfolio ended the 4th quarter with a market value of \$10.2 billion, up \$0.4 billion from the previous quarter. The Fund's net of fee return was 5.6% for the quarter and -0.1% for the one-year period.*
- *The Total Fund underperformed its policy benchmark by 1.5% for the quarter and by 1.3% for the one-year period.*
- *In a comparison to other public funds with market values greater than \$1 billion in TUCS (Trust Universe Comparison Service), LACERS ranked in the 28th percentile for the quarter and in the 81st percentile for the one-year period.*
- *All asset classes, except Alternative Investments, produced positive returns in the 4th quarter of 2011.*
- *Publicly traded portfolios, except Non-U.S. Equity, outperformed their respective benchmarks for the quarter.*
- *Real Estate and Alternative Investments underperformed their benchmarks by 2.2% and 16.2%, respectively.*

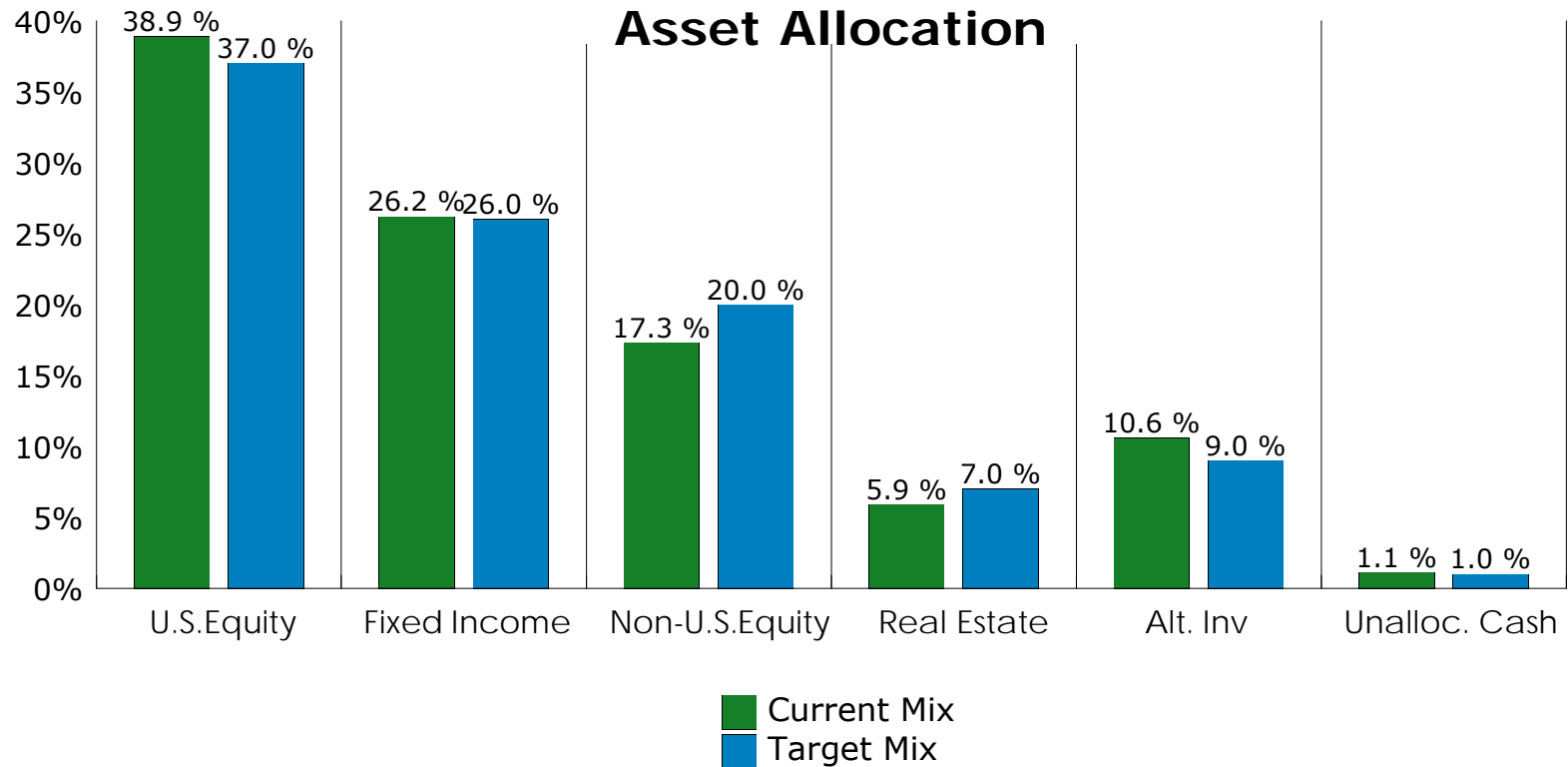
Note: Due to the J-curve effect in early stages of a fund's life, returns may lag prior to realization of proceeds in later years.



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Fund Overview



	As of 12/31/2011	Target *	Minimum	Maximum
U.S. Equity	38.9%	37.0%	33.0%	42.0%
Fixed Income	26.2%	26.0%	23.0%	29.0%
Non-U.S. Equity	17.3%	20.0%	17.0%	24.0%
Real Estate	5.9%	7.0%	4.0%	10.0%
Alternative Inv.	10.6%	9.0%	6.0%	12.0%
Unallocated Cash	1.1%	1.0%	0.0%	3.0%

* Revised 4th Qtr 2009 - decrease U.S. Equity from 42% to 37%; increase Fixed Income from 22% to 26%; increase Alternative Inv. from 8% to 9%.

LACERS Total Fund

(Returns are Gross of Fees)

	Market Value (\$million)	% to Total Fund	Current Quarter	One Year	Three Years	Five Years	Ten Years	Fifteen Years	Since Inception	5 Year Tracking Error
LACERS Master Trust	\$ 10,233	100.0%	5.7	0.1	10.4	1.5	5.9	6.2	7.7	2.5
<i>Policy Benchmark</i>			7.1	1.2	11.9	1.7	5.6	6.5	7.8	
<i>Excess Return</i>			-1.4	-1.1	-1.5	-0.2	0.3	-0.3	-0.1	
US Equity	\$ 3,976	38.9%	12.7	-1.2	14.8	-0.3	4.0	6.2	8.9	1.4
<i>Russell 3000</i>			12.1	1.0	14.9	0.0	3.5	5.1	7.4	
<i>Excess Return</i>			0.6	-2.2	-0.1	-0.3	0.5	1.1	1.5	
International Equity	\$ 1,767	17.3%	3.5	-15.0	11.0	-2.7	6.6	3.4	4.1	1.8
<i>MSCI ACWI ex US *</i>			3.7	-13.7	10.7	-2.9	6.3	4.6	4.8	
<i>Excess Return</i>			-0.2	-1.3	0.3	0.2	0.3	-1.2	-0.7	
Total Fixed Income	\$ 2,677	26.2%	2.3	6.2	11.4	7.1	6.8	7.1	7.5	2.7
<i>BC US Universal *</i>			1.5	7.4	7.7	6.4	6.0	6.1	6.6	
<i>Excess Return</i>			0.8	-1.2	3.7	0.7	0.8	1.0	0.9	
Real Estate**	\$ 602	5.9%	1.2	12.9	-13.4	-6.2	3.0	5.4	5.7	10.4
<i>NCREIF Property (Lagged)</i>			3.3	16.1	-1.5	3.4	7.8	9.4	9.3	
<i>Excess Return</i>			-2.1	-3.2	-11.9	-9.6	-4.8	-4.0	-3.6	
Alternative Investments**	\$ 1,085	10.6%	-3.1	12.7	6.6	9.3	10.0	10.4	9.5	19.9
<i>Russell 3000 + 400 bps</i>			13.1	5.0	18.9	4.0	7.5	9.1	11.4	
<i>Excess Return</i>			-16.2	7.7	-12.3	5.3	2.5	1.3	-1.9	

* Both the MS ACWI ex US and Barclays US Universal indices are historically blended with other indices.

** Due to the J-Curve effect in early stages of a fund's life, returns may lag prior to realization of proceeds in later years.

LACERS Total Fund

(Returns are Net of Fees)

	Market Value (\$million)	% to Total Fund	Current Quarter	One Year	Three Years	Five Years	Ten Years	Fifteen Years ¹	Since Inception ¹	5 Year Tracking Error
LACERS Master Trust	\$ 10,233	100.0%	5.6	-0.1	10.1	1.3	5.6	6.2	7.7	2.5
<i>Policy Benchmark</i>			7.1	1.2	11.9	1.7	5.6	6.5	7.8	
Excess Return			-1.5	-1.3	-1.8	-0.4	0.0	-0.3	-0.1	
U.S. Equity	\$ 3,976	38.9%	12.6	-1.4	14.6	-0.5	3.7	6.2	8.9	1.4
<i>Russell 3000</i>			12.1	1.0	14.9	0.0	3.5	5.1	7.4	
Excess Return			0.5	-2.4	-0.3	-0.5	0.2	1.1	1.5	
Non-U.S. Equity	\$ 1,767	17.3%	3.4	-15.3	10.6	-3.1	6.2	3.4	4.1	1.7
<i>MSCI ACWI ex U.S.*</i>			3.7	-13.7	10.7	-2.9	6.3	4.6	4.8	
Excess Return			-0.3	-1.6	-0.1	-0.2	-0.1	-1.2	-0.7	
Total Fixed Income	\$ 2,677	26.2%	2.2	6.0	11.2	6.9	6.7	7.1	7.5	2.7
<i>BC U.S. Universal</i>			1.5	7.4	7.7	6.4	6.0	6.1	6.6	
Excess Return			0.7	-1.4	3.5	0.5	0.7	1.0	0.9	
Real Estate **	\$ 602	5.9%	1.1	12.8	-13.5	-6.3	2.9	5.4	5.7	10.4
<i>NCREIF Property (Lagged)</i>			3.3	16.1	-1.5	3.4	7.8	9.4	9.3	
Excess Return			-2.2	-3.3	-12.0	-9.7	-4.9	-4.0	-3.6	
Alternative Investments **	\$ 1,085	10.6%	-3.1	12.7	6.6	9.2	9.8	10.4	9.5	19.9
<i>Russell 3000 + 400 bps</i>			13.1	5.0	18.9	4.0	7.5	9.1	11.4	
Excess Return			-16.2	7.7	-12.3	5.2	2.3	1.3	-1.9	

¹ Indicates gross returns

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