Private Equity Services to Institutional Investors Worldwide

PATHWAY
capital management, llc

2003
2nd Quarter

Los Angeles City Employees' Retirement System

Alternative Investment Report

July 2003

Private Equity Services to Institutional Investors Worldwide

PATHWAY capital management, llc

Alternative Investment Portfolio Update

Los Angeles City Employees' Retirement System

Second Quarter 2003

In This Report:

Introduction

Pathway Capital Management, LLC, ("Pathway") has assisted the Los Angeles City Employees' Retirement System ("LACERS") in committing $621.2 million to 46 alternative investment partnerships as of June 30, 2003.[1] LACERS' market value target allocation for its alternative investment portfolio is 7.0% of the total pension fund size.[2] As of March 31, 2003, the alternative investment portfolio had a market value of $250.7 million, or 4.1% of LACERS' total pension fund's market value.

This report contains an overview of the alternative investment environment and information regarding the investment activity of LACERS' portfolio during the first and second quarters of 2003.[3]

Portfolio Overview

Table 1 illustrates the first quarter activity for LACERS' alternative investment portfolio. For a breakdown by partnership, please refer to the Portfolio Summary included in this report.

Table 1 **LACERS' Alternative Investment Portfolio**
First Quarter 2003 Activity
($ in millions)

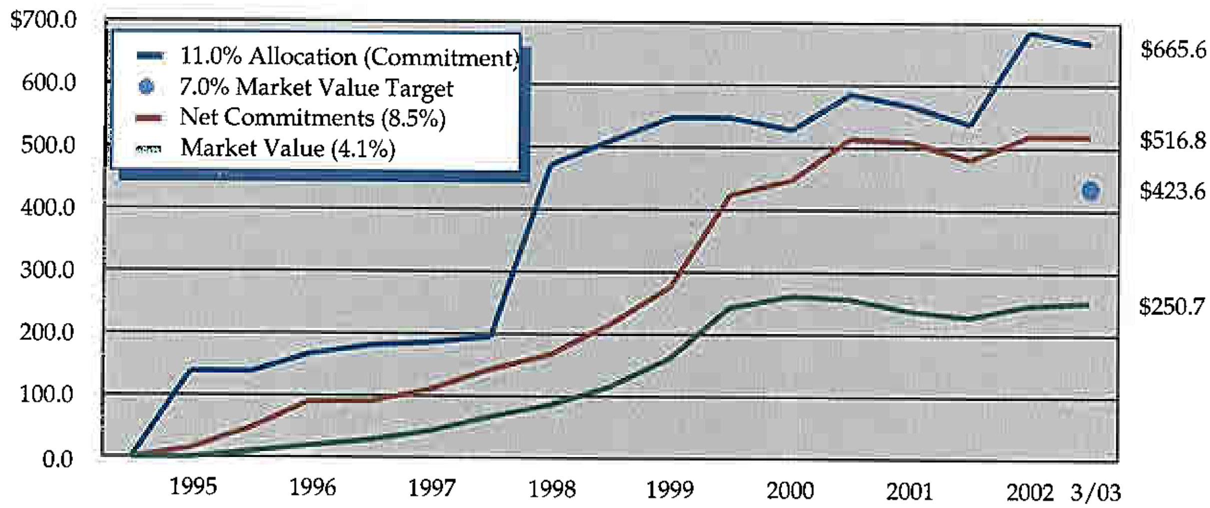
	No. of Psps.[a]	Commit.[b]	Cum. Cont.[c]	Mkt. Value	Cum. Dist	Total Value[d]	Gain/ (Loss)	Incep. IRR	Qtr. Return[e]
Mar. 31, 2003	45	$612.4	$374.7	$250.7	$141.4	$392.1	$17.4	2.2%	-1.9%
Dec. 31, 2002	45	609.8	360.9	246.4	136.5	382.9	22.0	3.0%	-0.2%
Quarter Change	*0*	*$2.6*	*$13.8*	*$4.3*	*$4.9*	*$9.2*	*($4.6)*	*-0.8%*	

[a] One additional partnership commitment was made during the second quarter of 2003.
[b] Commitments to non-U.S. partnerships are accounted for by multiplying the unfunded commitment amount by the quarter-ending exchange rate, added to cumulative capital contributions, causing LACERS' commitment to each partnership to fluctuate on a quarterly basis. LACERS' commitments as of June 30, 2003, totaled $621.2 million.
[c] Includes management fees called outside of LACERS' capital commitment.
[d] The total value is equal to the market value plus cumulative distributions.
[e] Quarterly return is not annualized.

1. While the date of this report is June 30, 2003, the most recent partnership financial data available is as of March 31, 2003.
2. During the fourth quarter of 2002, LACERS' Investment Board approved an increase in its market value target from 5% to 7%.
3. In the course of preparing our report, we have relied, without independent verification other than as specifically described herein, upon the accuracy and completeness of financial and other information publicly available or provided to us by the general partners, their professional staffs, and others contacted by us. Our conclusions do not reflect an audit of any portfolio investment by us, and are based on conditions prevailing at the date of this report and known to us.

Target Allocation

Figure 1 **LACERS' Alternative Investment Portfolio Target Allocation as of March 31, 2003 ($ in millions)**

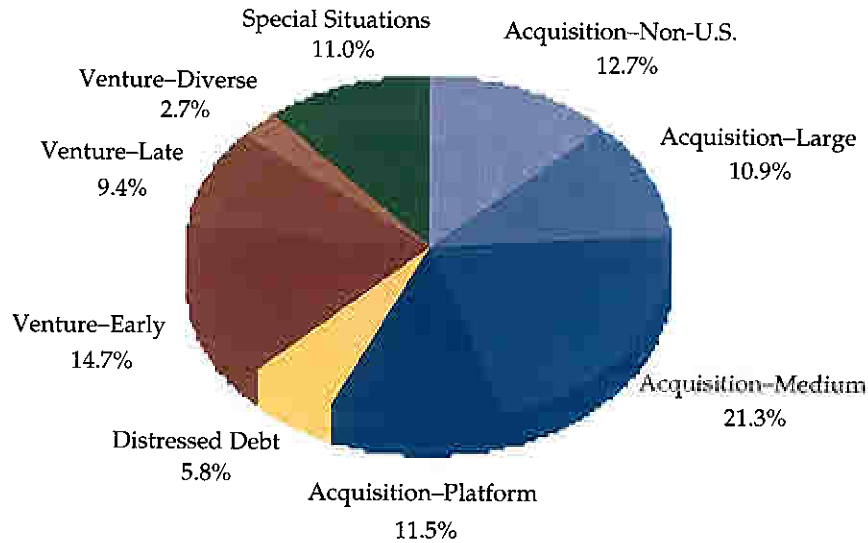


NOTE: LACERS' allocation and market value targets increased from 8% to 11% and from 5% to 7%, respectively, during the fourth quarter of 2002.

Diversification

One of Pathway's objectives is to create an alternative investment portfolio for LACERS that is diversified by investment strategy. Figure 2 illustrates the diversification of the investment strategies utilized by LACERS partnerships. As shown in the graph, LACERS portfolio is well-diversified among acquisition, venture capital, distressed debt, and special situation strategies, all of which are within their long-term target allocation ranges.

Figure 2 **Investment Strategy Diversification (% of Market Value plus Unfunded Capital Commitments) As of June 30, 2003**



NOTE: Estimated market value as of June 30, 2003. See Appendix A for breakdown by partnership.

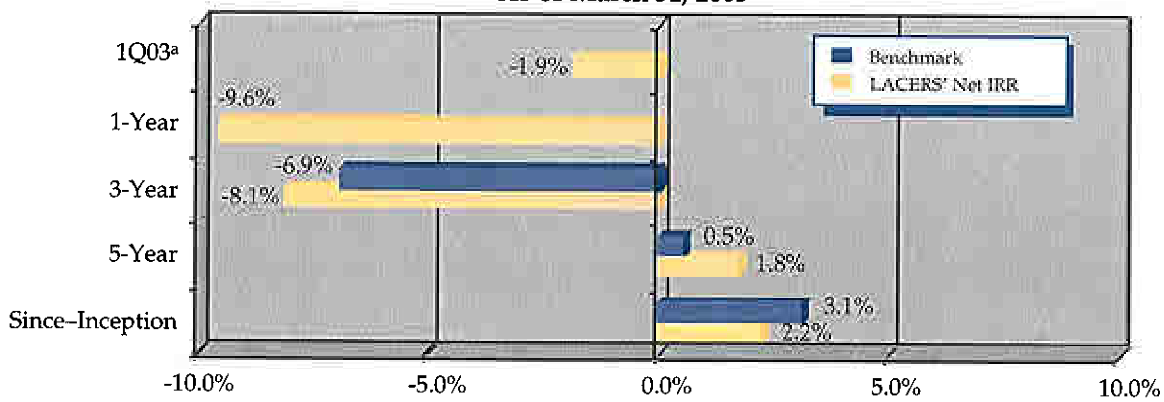
Performance

Due to the long-term nature of the alternative investment asset class, Pathway measures performance using a variety of methods, as illustrated in the following charts.

Returns and Benchmark

Figure 3 illustrates LACERS' quarterly, 1-, 3-, 5-year, and since-inception returns for its alternative investment portfolio as of March 31, 2003, along with the 3-, 5-year, and since-inception benchmark returns. As of March 31, 2003, LACERS' alternative investment portfolio had generated a net IRR of 2.2% since inception, compared with the benchmark of 3.1%. The alternative investment portfolio as a whole generated a net IRR of –1.9% during the first quarter of 2003. OCM II and Interwest VI had the largest negative impact on the portfolio during the quarter, returning –23.4% and –13.6%, respectively. OCM IV has helped to offset those losses by generating a return of 13.4%.

Figure 3 Quarterly, 1-, 3-, 5-Year, Since-Inception Net IRRs vs. LACERS' Benchmark
As of March 31, 2003



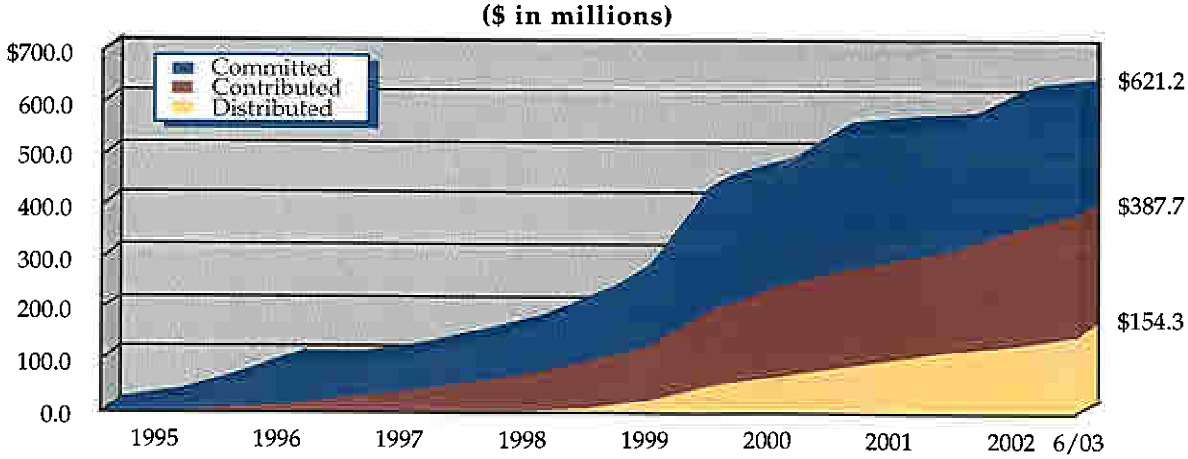
Note: LACERS' custom benchmark is dollar-weighted by quarter based on the Russell 3000 (for capital contributions more than three years old). A 400-basis-point premium is added to the Russell 3000 benchmark component to account for the additional illiquidity and risk involved with alternative investments.

[a] Quarterly return is not annualized.

LACERS' Commitments, Contributions, and Distributions

Figure 4 illustrates the amount of capital that LACERS has committed and contributed to its 46 alternative investment partnerships since the inception of the program in 1995 through June 30, 2003, as well as cumulative distributions received. During the second quarter, LACERS received $12.9 million in proceeds from its partnerships, bringing total cumulative distributions received by LACERS to $154.3 million. Cumulative distributions represent 39.8% of the $387.7 million LACERS has contributed to date.

Figure 4 Total Capital Committed, Contributed, and Distributed
As of June 30, 2003
($ in millions)



First Quarter 2003 Significant Events

Interwest VI

- The partnership's portfolio value decreased by $20.9 million during the quarter, primarily due to the write-down of three life science companies and the weak performance of a public company's stock price, resulting in a loss of $0.5 million on LACERS's investment in the fund.
- The public company, a developer of medical equipment and supplies, experienced a 25% decrease in its public stock price. However, the fund's investment in this company is currently valued at 2.7 times cost.
- LACERS has a $5.0 million commitment to this $175.0 million 1997 generation fund. The net IRR as of March 31, 2003, was 49.8%, versus 51.7% for the previous quarter. The net IRR of 49.8% is well above the median IRR for venture capital funds of the same generation.

OCM II

- During the quarter, the partnership's market value declined by 25.4%. At March 31, 2003, the net IRR was 2.9%, compared with 6.2% at December 31, 2002. LACERS' investment in the fund decreased in value by $1.8 million. This is a 1997 vintage fund with $1.5 billion in capital commitments.
- The fund's performance during the quarter was most severely impacted by the struggles of Spalding Holdings, a sporting goods company, which experienced problems with its golf business unit that includes the Top-Flite, Strata, and Ben Hogan brands. On June 30, 2003, Callaway Golf announced its agreement to purchase the assets of the Top Flite Golf Company, a part of Spalding.
- The portfolio also suffered from the performance of Orion Refining. Orion's operations were essentially shut down by a fire, as well as the oil strike in Venezuela. In June 2003, a bankruptcy court gave final approval for a loan agreement of $55 million so the company can meet its operating needs while it finalizes plans to sell its refining assets.
- The general partner no longer expects OCM II to achieve its 8% hurdle rate; however, a positive return to investors is anticipated. As of March 31, 2003, the portfolio had a cost of $977.6 million and a value of $723.7 million.
- Yosuke Mishiro, head of OCM's Japan office, submitted his resignation. He joined OCM in 2001. Based on a lack of investments in Japan, his departure should have no impact on the general partner's investment performance.

OCM IV

- During the quarter, the partnership experienced a market value increase of 11.4%, resulting in a $1.4 million increase in LACERS' investment in the fund. Overall, the portfolio has a cost of $2.1 billion and a value of $2.4 billion. The fund is vintage 2001 and has $2.1 billion in capital commitments.
- The general partner completed the sale of its position in Tyco International, realizing a profit of $51 million for the fund.
- During the second quarter of 2003, the fund completed its first two distributions. LACERS received $2.0 million, or 20% of its $10 million commitment. Note that the capital distributed is subject to recall by the general partner.

Vestar IV

- Co-founder and chief investment officer Prakash A. Melwani resigned from Vestar Capital Partners to join the Blackstone Group on May 8, 2003.
- Mr. Melwani was one of eight founding partners and had been with the firm since 1988. The departure leaves Vestar with 18 partners, and a total of 37 investment professionals.

Second Quarter 2003 Amendments and Consents

There were no amendments to any of LACERS' partnerships during the second quarter of 2003.

Second Quarter 2003 Significant Distributions

KKR 1996

- During the second quarter, KKR 1996 made two distributions to LACERS, totaling $3.5 million. Of the $3.5 million distributed, $2.9 million, or 82.9%, represented gain. This brings cumulative distributions received by LACERS from KKR 1996 to $14.3 million as of June 30, 2003, representing 57.2% of its $25.0 million commitment to the fund.

CVC I

- On June 27, 2003, CVC I distributed $1.4 million to LACERS, consisting of proceeds received from the sale of various portfolio companies. Of the amount distributed, $0.2 million was a return of cost, resulting in a gain of $1.2 million. As of June 30, 2003, LACERS had received $14.9 million in distributions from CVC I, representing 149.0% of its $10.0 million commitment to the fund.

Recent Commitments

Olympus IV, L.P.

LACERS' Commitment:	$7.0 million
Fund Size:	$757.5 million
LACERS' Ownership:	0.9%
Partnership's First Closing Date:	May 23, 2003
Investment Strategy:	Special Situation
Industry Focus:	Diversified
Geographic Focus:	Diversified

Olympus IV will continue the investment strategy employed by the general partner since 1989, focusing on transactions consisting primarily of middle-market leveraged buyouts and late-stage growth financings. The General Partner will continue to pursue investments in industry sectors where it has extensive experience, including: financial services, medical/healthcare, communications, computer software, and industrial.

Alternative Investment Environment

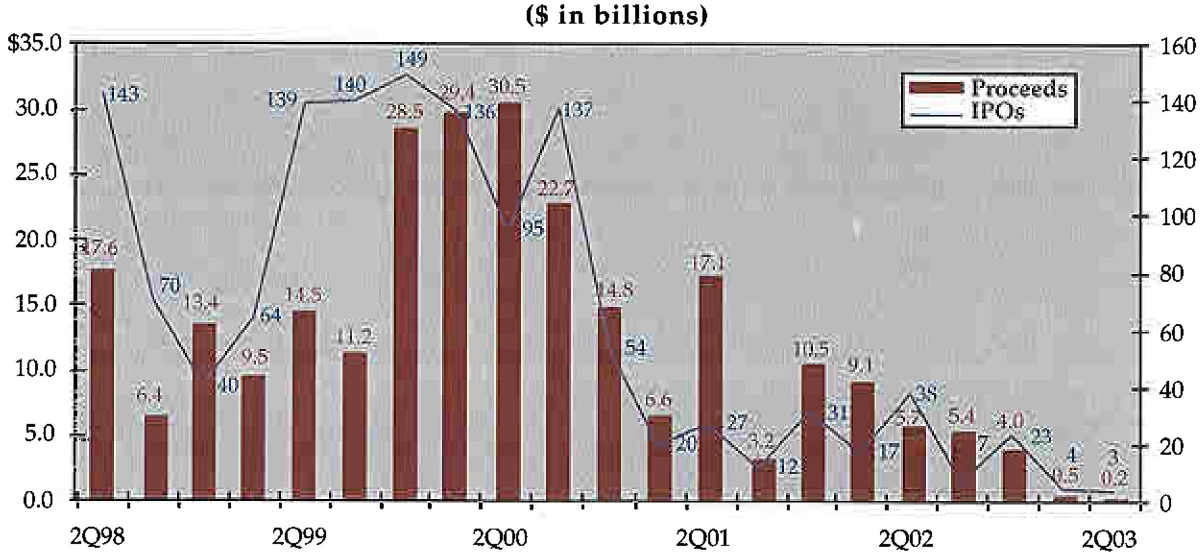
Economy and Public Markets

The major U.S. equity indexes rallied during the second quarter of 2003 with the DJIA, the S&P 500, and the Nasdaq composite all posting double-digit percentage gains. The 15.4% gain by the S&P 500 was its best showing since the fourth quarter of 1998. This strong performance occurred as investors grew optimistic that the fiscal and monetary stimuli introduced into the economy thus far would translate into increased economic activity in the second half of 2003. The U.S. economy grew at an annual rate of 1.4% in the first quarter of 2003 according to the final figures released by the Commerce Department in late June. Looking ahead, it is widely expected that low interest rates, tax cuts, increased consumer confidence, and a weaker U.S. dollar will combine to spur economic growth in the second half of this year, though these effects may be offset by a weak job market and continued reluctance by businesses to increase capital spending. In June, the U.S. central bank cut its target for the federal funds rate by 25 basis points to 1.0%, the lowest level since 1958. In Europe, the European Central Bank cut its key interest rate by 50 basis points to 2.0%, citing a flat Eurozone economy and the rise in the value of the euro against the U.S. dollar.

IPO Review

While the broad equity markets performed well during the quarter, only a few companies managed to raise equity capital through an initial public offering. Three companies, excluding real-estate investment trusts, raised $174.0 million during the quarter, compared with four IPOs and $505.0 million raised the prior quarter. Two of these companies were venture capital backed, bringing the total number of private equity–backed IPOs during the year to four. Despite the multidecade low in IPOs, the outlook for this market is beginning to brighten. During the last week of the quarter, two REITs completed IPOs, raising $1.4 billion on the same day. Subsequent to the end of the quarter, Molina Healthcare and Axis Capital completed their IPOs, and an additional six companies are expected to come to market by mid August. In addition, the performance of second quarter offerings has been strong. IPayment, which debuted on May 12, closed the quarter with a gain of 49%, and Formfactor, which debuted on June 12, had seen its price jump 26% as of the end of the quarter. Figure 5 shows quarterly U.S. IPO issuance and proceeds over the past five years.

Figure 5 **Quarterly U.S. IPO Issues**
($ in billions)

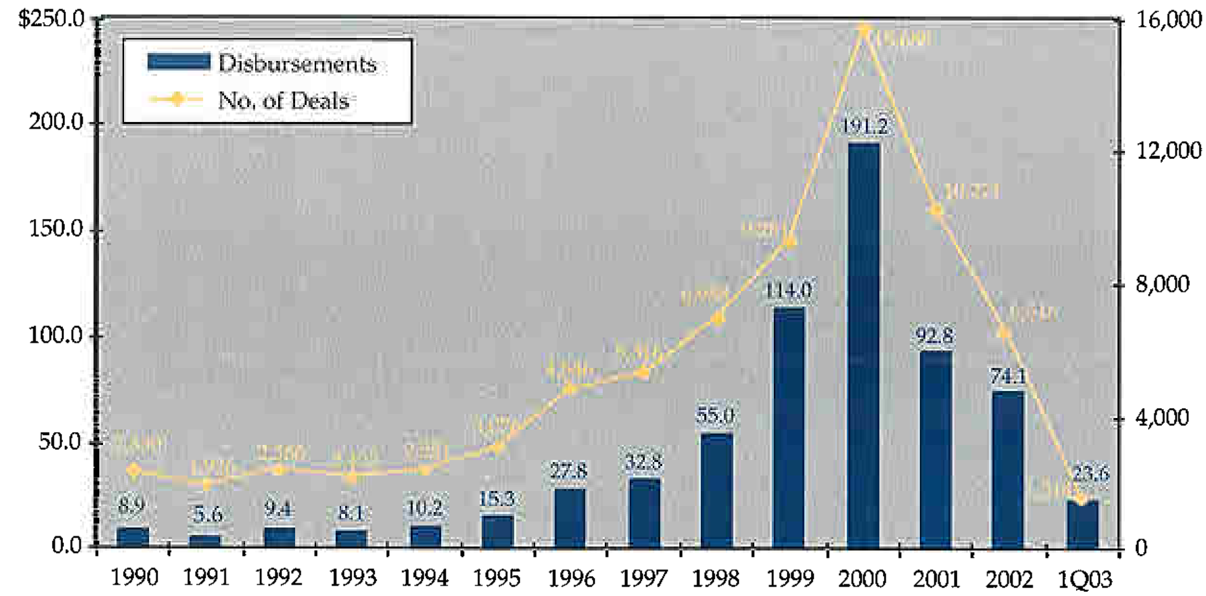


SOURCE: Bloomberg, Thomson Financial.

Alternative Investment Activity

In the first quarter of 2003, alternative investment firms worldwide invested a total of $23.6 billion, a 10% decline from the previous quarter. Venture capital investments accounted for just 33% of the first quarter total, roughly the same proportion as in the previous quarter. The $4.7 billion invested in U.S. venture deals was the lowest quarterly total in five years. Technology-related companies continued to receive the most venture capital dollars, garnering 68% of the quarter's total, compared with 52% in the previous quarter. Medical and life sciences companies received 18% of the quarter's total, compared with 31% in the fourth quarter of 2002. Figure 6 shows annual worldwide alternative investment disbursements from 1990 to the first quarter of 2003.

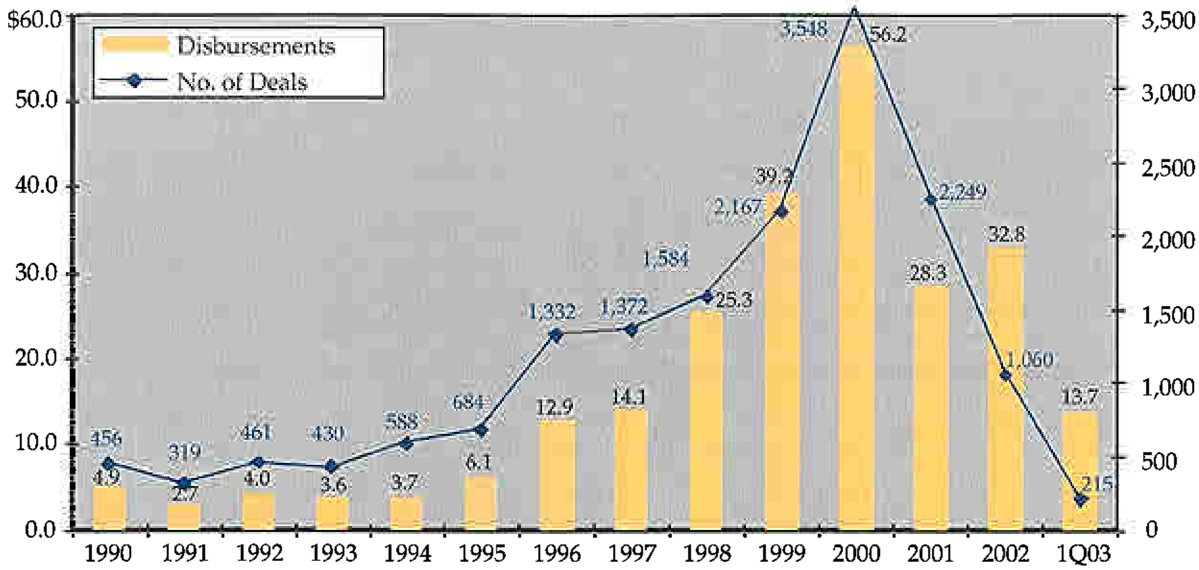
Figure 6 Worldwide Alternative Investment Disbursement and Deal Volume ($ in billions)



SOURCE: Venture Economics.

As expected, buyout activity continues to account for most of the alternative investment activity, making up 58% of the quarter's total disbursements. Other investments, including mezzanine financing, accounted for 9% of the quarter's total. Figure 7 shows worldwide buyout activity from 1990 to the first quarter of 2003. Although total capital invested in buyout transactions decreased by 12% from the previous quarter, 2003 is on pace to be one of the most active years ever for buyout investors. Market participants are citing attractive valuations and a slight increase in lending multiples, particularly in the senior debt markets, as reasons for the increased activity. Additionally, there continues to be strong deal flow coming from corporations wishing to sell non-core divisions, as well as from public companies wishing to go private. The largest buyout deal of the year was announced in the second quarter: the €5.7 billion purchase of Seat Pagine Gialle from Telecom Italia by a syndicate of four European alternative investment firms. When completed, this purchase will be Europe's largest leveraged buyout ever. It will also be the third telephone directory deal in 2003, showing the continued attractiveness of this sector to buyout investors. Pathway expects buyout investment activity to remain high throughout the remainder of 2003.

Figure 7 **Worldwide Buyout Activity and Deal Volume**
($ in billions)

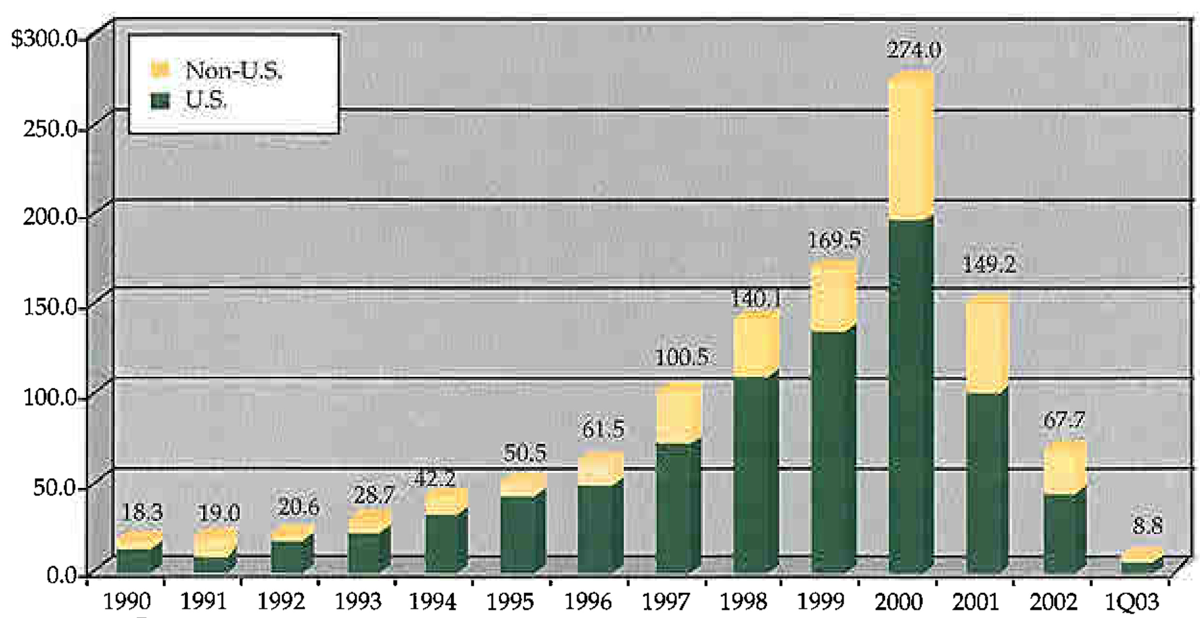


SOURCE: Venture Economics.

Alternative Investment Fundraising

In the first quarter of 2003, alternative investment firms worldwide raised $8.8 billion, down 51% from the $17.9 billion raised in the previous quarter. This is the lowest quarterly total since the second quarter of 1996. The dramatic decrease in fundraising, illustrated in figure 8, was not unexpected, as there remains a large amount of capital committed to the alternative investment asset class that has yet to be put to work. Venture Economics recently reported that this capital overhang decreased last year for venture capital and buyout firms by 13% and 22%, respectively, driven by fund size reductions, limited fundraising, and increased buyout activity. Despite this decrease in capital overhang, it is likely that quarterly fundraising totals for alternative investments, particularly for venture capital funds, will remain at depressed levels throughout the year.

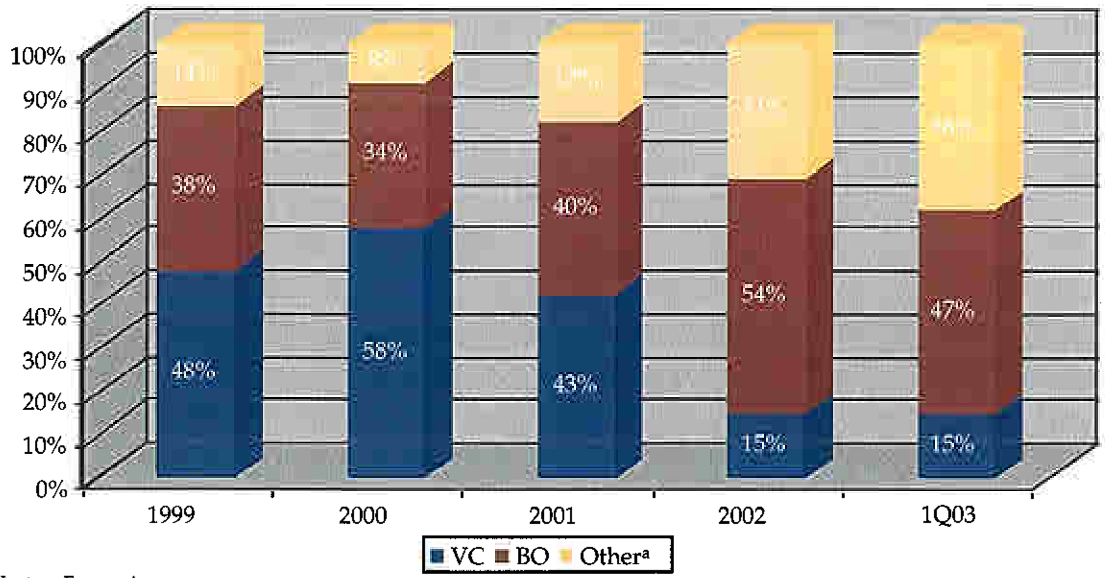
Figure 8 **Worldwide Alternative Investment Fundraising**
($ in billions)



SOURCE: Venture Economics.
NOTE: Fundraising amounts are based on net amounts raised, which adjusts for fund downsizing.

In the first quarter of 2003, venture capital firms again bore the brunt of the fundraising drought. Venture firms worldwide raised just $1.3 billion during the quarter, the lowest quarterly total in nine years. Several of the larger venture fund closings during the first quarter were of funds targeting investments in life sciences companies. Buyout firms worldwide raised $4.1 billion in the first quarter of 2003, while mezzanine and distressed debt firms raised $3.4 billion. The percentage of alternative investment funds raised during the first quarter by mezzanine and distressed debt firms is the highest since 1991, helped by multiple distressed debt funds that together closed on almost $2.0 billion during the quarter. Figure 9 shows the breakdown among venture capital, buyout, and mezzanine/distressed debt fundraising since 1991.

Figure 9 **Worldwide Alternative Investment Fundraising by Strategy**



SOURCE: Venture Economics.
NOTE: Fundraising amounts are based on net amounts raised, which adjusts for fund downsizing.
[a]Includes mezzanine, distressed debt, and other strategies.

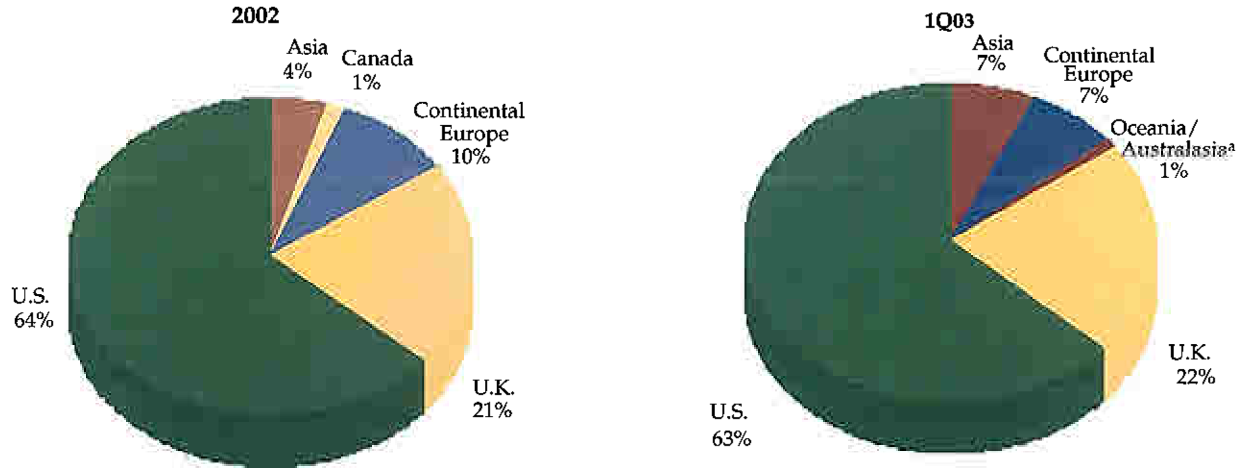
Non-U.S. Alternative Investment

Europe continues to be a less homogeneous market than the United States and will remain so in the foreseeable future despite the introduction of the euro and continent-wide legislation from Brussels. Europe comprises many local economies with local networks of businesses. Cultures vary significantly from region to region, and negotiation conventions are different in virtually every country. Deal flow in local markets is difficult to access, particularly in France and southern Europe. There also continues to be fewer experienced entrepreneurs, relative to the United States, and a smaller pool of experienced alternative investment professionals in continental countries. Although these factors present challenges, the European market also offers opportunities such as relatively low alternative investment penetration; continuing trends towards convergence and consolidation; increased focus on core competencies; and legislative change. European alternative investment managers are reporting increases in deal flow and Pathway anticipates that deal volume will increase in the medium term.

Non-U.S. alternative investment firms invested $5.4 billion in the first quarter of 2003. Of this amount, 64% was invested in buyout-related transactions, including the $2.0 billion buyout of Gala Group, a U.K.-based casino and bingo game operator. The pipeline of European buyout deals continues to be robust. Similar to in the United States, 2003 may be one of the most active years ever for buyout investors in the region. Venture capital investments by non-U.S. alternative investment firms fell 15% from the previous quarter to $1.9 billion.

Non-U.S. alternative investment firms raised $3.2 billion during the first quarter of 2003, a 42% decrease from the previous quarter. Alternative investment firms in the U.K. alone raised 60% of the quarter's total. Fundraising by Europe-based buyout partnerships outpaced fundraising by U.S.-based buyout partnerships by 66% during the first quarter, in expectation of increased buyout activity levels in the region. If this pace continues throughout the year, 2003 would mark the first time non-U.S.-based buyout partnerships raised more money than their U.S. counterparts. Figure 10 illustrates total alternative investment fundraising by geographic region for 2002 and the first quarter of 2003.

Figure 10 **Breakdown of Alternative Investment Fundraising by Region**



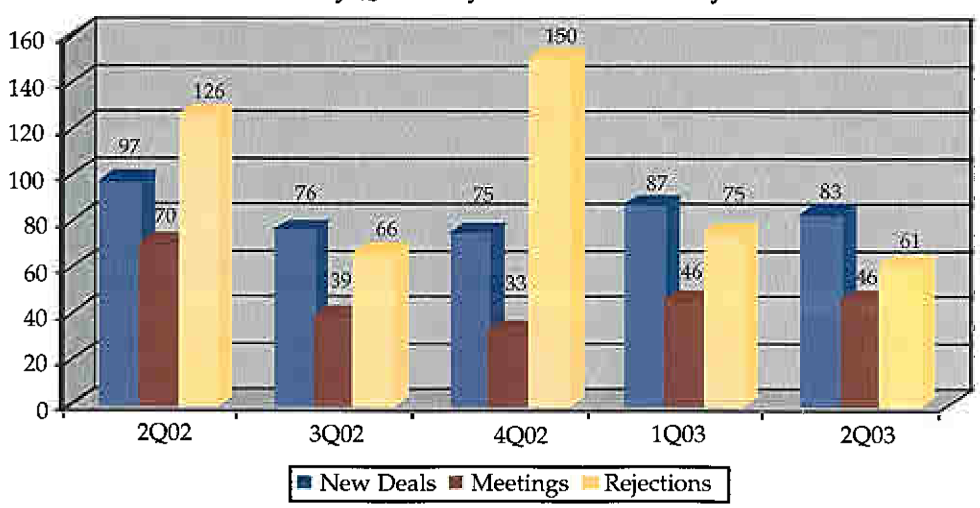
SOURCE: Venture Economics.

NOTE: Fundraising amounts are based on net amounts raised, which adjusts for fund downsizing.
[a]Includes Cook Islands, Fiji, French Polynesia, Micronesia, Marshall Islands, Nauru, New Zealand, Tuvalu, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Vanuatu, and Kiribati.

Pathway New Deal Activity

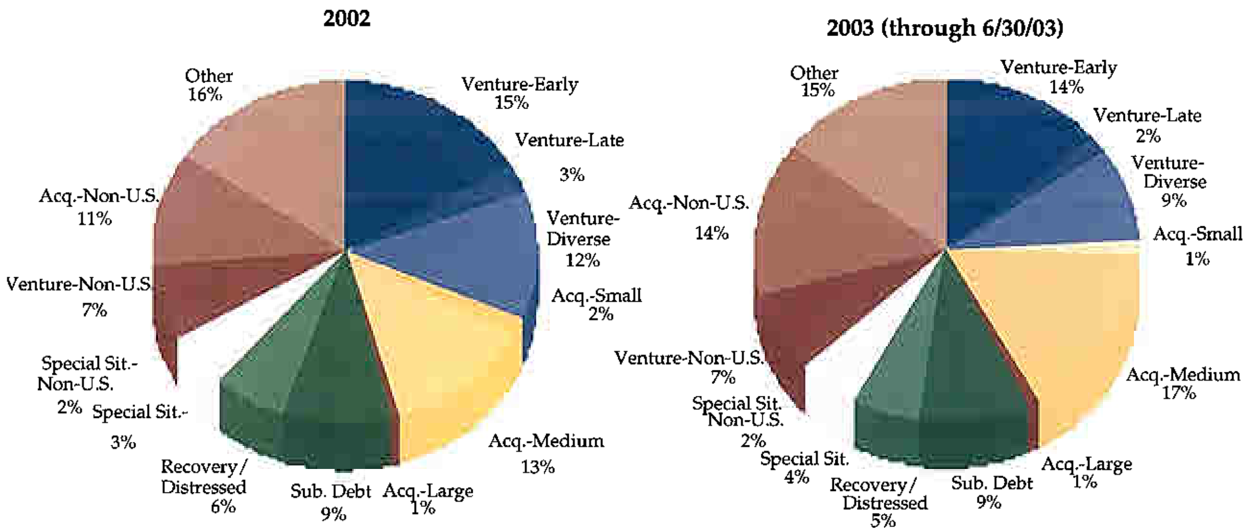
In the second quarter of 2003, Pathway reviewed 83 new investment opportunities, a 15% decrease over the year-ago quarter and down slightly from the previous quarter. Year to date, Pathway has reviewed a total of 170 new investments. During the second quarter, Pathway met with 46 partnerships, the same number of partnerships Pathway met with in the first quarter of this year. Because of the significant number of investment opportunities Pathway reviews each quarter, and in order to make the most efficient use of time and resources, Pathway only meets with the partnerships that satisfy its basic investment criteria. Figure 11 shows the number of new investment opportunities Pathway received, met with, and rejected over the past five quarters.

Figure 11 **Pathway Quarterly New Deal Activity**



Pathway's deal flow in the second quarter of 2003 has been diverse, representing a variety of investment strategies. Acquisition funds accounted for 33% of all opportunities reviewed in the first half of 2003. Venture capital partnerships represented the next largest category, accounting for 32% of all opportunities reviewed. The biggest change in relative share from 2002 to the first half of 2003 was in middle-market acquisition funds, which increased from 13% of last year's total to 17% of this year's total. Figure 12 illustrates the breakdown by investment strategy of Pathway's deal flow for 2002 and the first half of 2003.

Figure 12 **New Deal Opportunities**
(by Investment Strategy)



LACERS' Alternative Investment Portfolio Summary

From Inception to March 31, 2003

($000s)

	Partnership	Fund Incept. Date	Fund Size (In Mil.)	Commit.	Contrib.[a]	Market Value	Distrib.	Total Value	Gain/ (Loss)	Inception IRR[b]	V. E. Median Q'tile[c]	V. E. Upper Q'tile[c]
	1995 Generation											
1	WCAS VII	10/95	$1,425.7	$15,000	$15,000	$8,431	$17,306	$25,737	$10,737	15.2%	3.3%	15.8%
2	OCM	10/95	670.7	11,000	11,000	3,582	13,091	16,673	5,673	10.0%	3.3%	16.3%
				$26,000	**$26,000**	**$12,013**	**$30,397**	**$42,410**	**$16,410**	**12.8%**	**3.3%**	**16.0%**
	1996 Generation											
3	CVC European	2/96	$630.0	$10,000	$9,753	$5,897	$13,486	$19,383	$9,630	21.8%	14.3%	23.6%
4	CGW Southeast III	4/96	278.1	9,000	8,611	2,294	3,829	6,123	(2,488)	-10.8%	0.5%	11.6%
				$19,000	**$18,364**	**$8,191**	**$17,315**	**$25,506**	**$7,142**	**10.4%**	**7.8%**	**18.0%**
	1997 Generation											
5	InterWest VI	6/96	$175.0	$5,000	$5,000	$3,040	$9,174	$12,214	$7,214	49.8%	14.1%	61.0%
6	GTCR Fund V	7/96	521.0	10,000	10,000	7,324	6,486	13,810	3,810	8.4%	-2.6%	6.6%
7	KKR 1996 Fund	9/96	6,012.0	25,000	26,347	23,033	10,805	33,837	7,490	9.2%	-2.6%	6.6%
8	Menlo VII	10/96	252.5	5,000	4,750	1,380	22,729	24,109	19,359	145.0%	14.1%	61.0%
9	OCM II	10/97	1,500.0	11,000	11,000	5,862	6,371	12,232	1,232	2.9%	-0.2%	6.6%
				$56,000	**$57,097**	**$40,638**	**$55,565**	**$96,203**	**$39,105**	**21.4%**	**0.7%**	**15.9%**
	1998 Generation											
10	Thomas Lee IV	12/97	$3,450.0	$7,000	$6,036	$4,535[e]	$296	$4,831	($1,205)	-6.4%	-2.2%	9.4%
11	Kelso VI	2/98	1,500.0	5,000	3,771	3,043	1,074	4,117	345	4.7%	-2.2%	9.4%
12	Apollo IV	4/98	3,600.0	5,000	4,658	4,132	590	4,722	64	0.4%	0.7%	12.3%
13	GTCR Fund VI	4/98	870.0	10,000	9,904	4,575	5,474	10,049	144	0.8%	-2.2%	9.4%
14	Thoma Cressey VI	5/98	450.0	5,000	4,845	3,122	421	3,543	(1,302)	-11.1%	-2.2%	9.4%
15	CVC European II	6/98	2,500.0	10,000	9,010	7,565	4,453	12,019	3,008	11.0%	1.7%	9.2%
16	Essex Woodlands IV	6/98	137.4	4,000	3,514	2,429[e]	1,862	4,291	777	10.9%	1.1%	18.8%
17	WCAS VIII	7/98	3,000.0	15,000	14,550	7,751	0	7,751	(6,799)	-17.8%	-2.2%	9.4%
				$61,000	**$56,289**	**$37,152**	**$14,169**	**$51,321**	**($4,968)**	**-3.5%**	**-1.1%**	**10.2%**

LACERS' Alternative Investment Portfolio Summary

From Inception to March 31, 2003

($000s)

	Partnership	Fund Incept. Date	Fund Size (In Mil.)	Commit.	Contrib.[a]	Market Value	Distrib.	Total Value	Gain/ (Loss)	Inception IRR[b]	V. E. Median Q'tile[c]	V. E. Upper Q'tile[c]
	1999 Generation											
18	Madison Dearborn III	1/99	$2,173.0	$16,000	$15,091	$11,339	$3,161	$14,500	($591)	-1.7%	-9.6%	-1.3%
19	CGW Southeast IV	4/99	404.5	10,000	5,521	3,335	27	3,362	(2,160)	-22.3%	-9.6%	-1.3%
20	Chisholm IV	5/99	275.0	9,000	7,836	4,527	192	4,719	(3,117)	-20.7%	-15.6%	-1.0%
21	Menlo VIII	5/99	505.1	18,000	14,400	4,652	1,039	5,691	(8,709)	-37.8%	-21.5%	-5.8%
22	OCM III	9/99	2,076.9	10,000	10,000	7,597	4,029	11,626	1,626	6.5%	-5.6%	4.8%
23	Richland III	9/99	202.0	18,000	14,724	8,997	0	8,997	(5,727)	-17.4%	-21.5%	-5.8%
24	Vestar IV	10/99	2,525.0	17,000	6,201	5,924	5	5,929	(272)	-2.7%	-9.6%	-1.3%
25	Austin VII	10/99	825.0	17,000	10,818	5,516	701	6,217	(4,601)	-27.8%	-21.5%	-5.8%
26	J.H. Whitney IV	11/99	1,003.0	25,000	22,448	7,874	1,916	9,790	(12,659)	-29.6%	-21.5%	-5.8%
27	Alchemy Investment Plan[f,g]	12/99	425.0	24,675	18,073	14,312	2,952	17,264	(809)	-3.7%	0.9%	5.0%
				$164,675	**$125,113**	**$74,074**	**$14,022**	**$88,095**	**($37,017)**	**-15.8%**	**-14.1%**	**-2.1%**
	2000 Generation											
28	TPG III	12/99	$3,413.7	$25,000	$14,547	$15,379	$2,767	$18,146	$3,599	13.5%	N.M.	N.M.
29a	GTCR Fund VII	1/00	1,516.5	18,750	15,469	12,805	3,227	16,032	563	2.6%	N.M.	N.M.
30	VantagePoint IV	4/00	1,391.6	15,000	3,600	1,751	0	1,751	(1,849)	-46.5%	N.M.	N.M.
31	Weston Presidio IV	4/00	1,352.8	15,000	4,500	3,463	0	3,463	(1,037)	-19.3%	N.M.	N.M.
32	Thomas Lee V	4/00	6,114.0	15,000	3,121	2,729	0	2,729	(392)	-12.3%	N.M.	N.M.
33	WCAS IX	6/00	3,781.4	15,000	8,100	6,866	0	6,866	(1,234)	-14.7%	N.M.	N.M.
34	Nautic V	6/00	1,082.7	15,000	3,846	2,828	13	2,841	(1,005)	-38.8%	N.M.	N.M.
35	Essex Woodlands V	7/00	280.4	10,000	4,400	3,661	211	3,872	(528)	-10.4%	N.M.	N.M.
36	Trident V	8/00	519.0	10,588	3,689	2,653	0	2,653	(1,036)	-34.1%	N.M.	N.M.
37	Madison Dearborn IV	11/00	4,036.0	25,000	4,677	2,870	1,104	3,974	(702)	-20.8%	N.M.	N.M.
				$164,338	**$65,949**	**$55,005**	**$7,322**	**$62,328**	**($3,621)**	**-4.4%**	**N.M.**	**N.M.**

LACERS' Alternative Investment Portfolio Summary

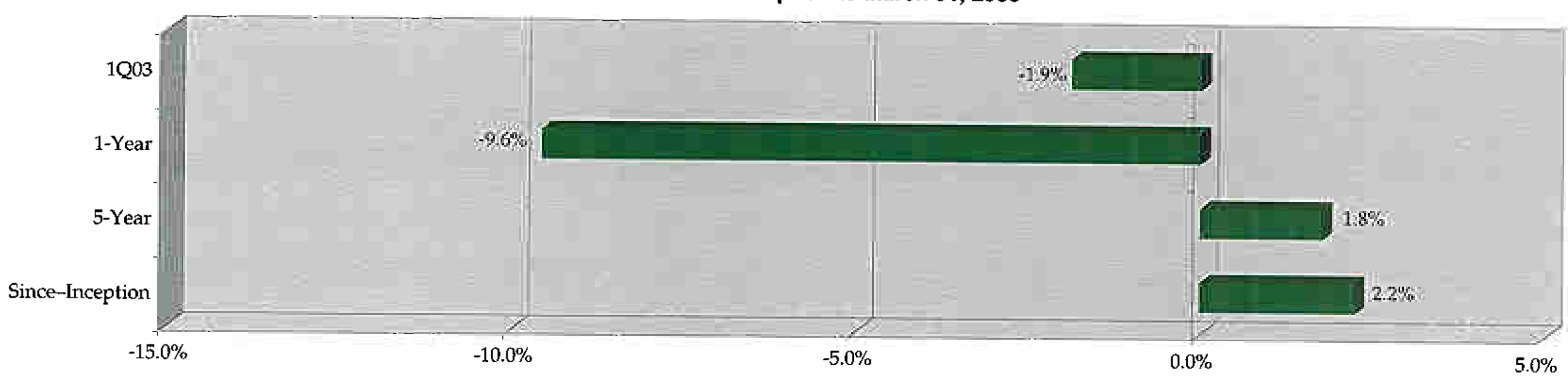
From Inception to March 31, 2003

($000s)

	Partnership	Fund Incept. Date	Fund Size (In Mil.)	Commit.	Contrib.[a]	Market Value	Distrib.	Total Value	Gain/ (Loss)	Inception IRR[b]	V. E. Median Q'tile[c]	V. E. Upper Q'tile[c]
	2001 Generation											
29b	GTCR VII-A	7/00	$483.5	$6,250	$1,922	$1,663	$1,673	$3,336	$1,414	N.M.	N.M.	N.M.
38	Menlo IX	7/00	1,515.2	20,000	5,000	3,581	0	3,581	(1,419)	N.M.	N.M.	N.M.
39	Austin VIII	1/01	830.0	8,300	1,650	823	230	1,053	(597)	N.M.	N.M.	N.M.
40	Whitney V	1/01	1,118.4	10,000	3,705	2,827	674	3,501	(204)	N.M.	N.M.	N.M.
41	CVC III	1/01	3,450.0	15,000	2,808	2,623	1	2,624	(184)	N.M.	N.M.	N.M.
42	OCM IV	12/01	2,124.6	10,000	10,000	11,753	0	11,753	1,753	N.M.	N.M.	N.M.
				$69,550	**$25,085**	**$23,270**	**$2,577**	**$25,847**	**$763**	**N.M.**	**N.M.**	**N.M.**
	2002 Generation											
43	Resolute Fund	9/02	$1,500.0	$20,000	$825	$406	$0	$406	($420)	N.M.	N.M.	N.M.
				$20,000	**$825**	**$406**	**$0**	**$406**	**($420)**	**N.M.**	**N.M.**	**N.M.**
	2003 Generation											
44	GTCR VIII	12/02	$2,000.0	$20,000	$0	$0	$0	$0	$0	N.M.	N.M.	N.M.
45	Nordic V[g]	12/02	1,621.2	11,880	0	0	0	0	0	N.M.	N.M.	N.M.
				$31,880	**$0**	**$0**	**$0**	**$0**	**$0**	**N.M.**	**N.M.**	**N.M.**
	Total			**$612,443**	**$374,721**	**$250,748**	**$141,368**	**$392,116**	**$17,395**	**2.2%**		

LACERS' Alternative Investment Portfolio Performance

From Inception to March 31, 2003



Notes to the Portfolio Summary

[a] Capital contributions may exceed capital commitments due to the inclusion of outside management fees.

[b] IRRs are net of fees, expenses, and general partner carried interest.

[c] Preliminary industry median and upper quartile IRR reported by Venture Economics as of March 31. 2003, except for CVC, CVC II, and Alchemy, which are being compared with Venture Economics European Final 12/31/02 performance data. The benchmark is particular to the investment strategy of each partnership.

[d] Blended performance benchmark calculations: ([psp. contributed capital/generation contributed capital] times preliminary industry median [upper] IRR).

[e] Market values reduced to reflect values that are net of the general partners' carried interest.

[f] LACERS' is scheduled to commit £4.2 million each year over a three-year period.

[g] Commitment amounts are accounted for by multiplying the remaining unfunded commitment in foreign currency by the prevailing exchange rate at the end of the respective quarter, added to cumulative capital contributions at the end of the respective quarter. As a result, commitment amounts will fluctuate slightly on a quarterly basis.

N.M. - Not Meaningful

LACERS' Alternative Investment Portfolio Summary **Appendix A**

Second Quarter Activity

as of June 30, 2003

($000s)

Partnership	Commit.	Actual 3/31/2003 Market Value	2nd Qtr Contrib.	2nd Qtr Distrib.	Estimated 6/30/2003 Market Value	Cum. Contrib.[a,b]	Cum. Distrib.
1995 Generation							
1 WCAS VII	$15,000	$8,431	$0	$172	$8,259	$15,000	$17,478
2 OCM	11,000	3,582	0	737	2,845	11,000	13,828
	$26,000	**$12,013**	**$0**	**$909**	**$11,104**	**$26,000**	**$31,306**
1996 Generation							
3 CVC European	$10,000	$5,897	$0	$1,398	$4,848	$9,753	$14,884
4 CGW Southeast III	9,000	2,294	0	0	2,294	8,611	3,829
	$19,000	**$8,191**	**$0**	**$1,398**	**$7,142**	**$18,364**	**$18,713**
1997 Generation							
5 InterWest VI	$5,000	$3,040	$0	$144	$2,896	$5,000	$9,318
6 GTCR Fund V	10,000	7,324	0	388	6,936	10,000	6,874
7 KKR 1996 Fund	25,000	23,033	0	3,512	19,521	26,339	14,316
8 Menlo VII	5,000	1,380	0	0	1,380	4,750	22,729
9 OCM II	11,000	5,862	0	0	5,862	11,000	6,371
	$56,000	**$40,638**	**$0**	**$4,044**	**$36,594**	**$57,089**	**$59,609**
1998 Generation							
10 Thomas Lee IV	$7,000	$4,535	$78	$0	$4,613	$6,114	$296
11 Kelso VI	5,000	3,043	60	0	3,103	3,831	1,074
12 Apollo IV	5,000	4,132	0	39	4,093	4,658	629
13 GTCR Fund VI	10,000	4,575	0	0	4,575	9,904	5,474
14 Thoma Cressey VI	5,000	3,122	0	0	3,122	4,845	421
15 CVC European II	10,000	7,565	(43)	534	7,437	8,967	4,987
16 Essex Woodlands IV	4,000	2,429	80	0	2,509	3,594	1,862
17 WCAS VIII	15,000	7,751	300	0	8,051	14,850	0
	$61,000	**$37,152**	**$476**	**$573**	**$37,502**	**$56,764**	**$14,743**
1999 Generation							
18 Madison Dearborn III	$16,000	$11,339	($46)	$322	$10,971	$15,046	$3,483
19 CGW Southeast IV	10,000	3,335	44	0	3,379	5,566	27
20 Chisholm IV	9,000	4,527	240	0	4,767	8,075	192
21 Menlo VIII	18,000	4,652	0	0	4,652	14,400	1,039
22 OCM III	10,000	7,597	0	1,490	6,107	10,000	5,519
23 Richland III	18,000	8,997	0	0	8,997	14,724	0
24 Vestar IV	17,000	5,924	0	0	5,924	6,201	5
25 Austin VII	17,000	5,516	927	0	6,444	11,745	701
26 J.H. Whitney IV	25,000	7,874	0	0	7,874	22,448	1,916
27 Alchemy Investment Plan[c]	25,718	14,312	727	1,222	14,502	18,800	4,174
	$165,718	**$74,074**	**$1,892**	**$3,034**	**$73,617**	**$127,005**	**$17,056**
2000 Generation							
28 TPG III	$25,000	$15,379	$0	$844	$14,536	$14,547	$3,610
29a GTCR Fund VII	18,750	12,805	141	0	12,945	15,609	3,227
30 VantagePoint Ventures IV	15,000	1,751	0	0	1,751	3,600	0
31 Weston Presidio IV	15,000	3,463	900	0	4,363	5,400	0
32 Thomas Lee V	15,000	2,729	742	0	3,471	3,917	0
33 WCAS IX	15,000	6,866	0	0	6,866	8,100	0
34 Nautic V	15,000	2,828	1,533	0	4,361	5,379	13
35 Essex Woodlands V	10,000	3,661	500	0	4,161	4,900	211
36 Trident V	10,588	2,653	0	0	2,653	3,689	0
37 Madison Dearborn IV	25,000	2,870	1,092	87	3,875	5,769	1,191
	$164,338	**$55,005**	**$4,907**	**$931**	**$58,982**	**$70,910**	**$8,253**

LACERS' Alternative Investment Portfolio Summary
Second Quarter Activity
as of June 30, 2003
($000s)

Appendix A - cont'd

Partnership	Commit.	Actual 3/31/2003 Market Value	2nd Qtr Contrib.	2nd Qtr Distrib.	Estimated 6/30/2003 Market Value	Cum. Contrib.[a,b]	Cum. Distrib.
2001 Generation							
29b GTCR VII-A	$6,250	$1,663	$0	$0	$1,663	$1,922	$1,673
38 Menlo IX	20,000	3,581	1,000	0	4,581	6,000	0
39 Austin VIII	8,300	823	400	0	1,223	2,050	230
40 Whitney V	10,000	2,827	1,929	0	4,756	5,634	674
41 CVC III	15,000	2,623	2,193	0	4,972	5,001	1
42 OCM IV	10,000	11,753	0	2,000	9,753	10,000	2,000
	$69,550	**$23,270**	**$5,522**	**$2,000**	**$26,948**	**$30,607**	**$4,577**
2002 Generation							
43 Resolute Fund	$20,000	$406	$156	$1	$561	$981	$1
	$20,000	**$406**	**$156**	**$1**	**$561**	**$981**	**$1**
2003 Generation							
44 GTCR VIII	$20,000	$0	$0	$0	$0	$0	$0
45 Nordic V[c]	12,584	0	0	0	0	0	0
46 Olympus IV	7,000	0	0	0	0	0	0
	$39,584	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
6/30/03 Total	**$621,190**	**$250,748**	**$12,953**	**$12,889**	**$252,450**	**$387,720**	**$154,257**

[a] Capital contributions may exceed capital commitments due to the inclusion of outside management fees.

[b] Includes outside contributions except outside management fees.

[c] Commitment amounts are accounted for by multiplying the remaining unfunded commitment in foreign currency by the prevailing exchange rate at the end of the respective quarter, added to cumulative capital contributions at the end of the respective quarter. As a result, commitment amounts will fluctuate slightly on a quarterly basis.