LOS ANGELES CITY

EMPLOYEES' RETIREMENT SYSTEM

DECEMBER 31, 2005

ALTERNATIVE INVESTMENT REVIEW

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PORTFOLIO OVERVIEW

Hamilton Lane was engaged by the Los Angeles City Employees' Retirement System ("LACERS") in January 2005 to select new investments, monitor, and provide advice in accordance with the investment objectives for the alternative portfolio (the "Portfolio") of LACERS. This report represents the review by Hamilton Lane of LACERS' portfolio investments as of December 31, 2005 *with highlights through March 31, 2006.*

In the first quarter of 2006, the Portfolio closed on the following five new commitments totaling $56 million:

Charterhouse Capital Partners VIII, L.P. ($20 million) will make buyout investments in large companies located in Western Europe, primarily within the U.K. and France. The partnership will make equity investments ranging from €200 million to €450 million in companies with enterprise values ranging from €400 million to €2.0 billion. Investments will be focused on the business services, leisure, financial services, consumer and industrial sectors. The general partner expects to be the sole investor in each transaction and will typically work with incumbent management teams.

Halifax Capital Partners II, L.P. ($10 million) will complete control-oriented buyout investments in small to lower middle-market companies based in North America, primarily in the United States. The partnership will generally participate in transactions involving companies that i) have owners and/or founders seeking partial liquidity with significant equity ownership post-investment, or ii) are small "orphans" of larger corporations that can be spun-out with existing management. In either case, the partnership will target companies with the following characteristics: a) operating in sectors with strong growth dynamics; b) driven by identifiable demographics; c) highly fragmented competition; and d) relatively recession resistant, focusing on non-discretionary products or services.

Polaris Venture Partners V, L.P. ($15 million) is a venture capital partnership being raised to complete seed-, early- and later-stage investments in information techmology and life sciences companies based primarily in the East and West Coasts of the United States. The partnership may also invest in growth capital opportunities on a selective basis. Approximately 2/3 of the partnership will be allocated to seed- and early-stage investment opportunities, and approximately 1/3 of the partnership will be allocated to later-stage investment opportunities.

Pharos Capital Partners II-A, L.P. ($5 million) will invest in growth or expansion capital for mid to- late-stage companies primarily located in underserved markets throughout the United States. The general partner will seek to generate attractive returns through investments in companies that are located, or have operations in, underserved ethnic, regional and national markets.

TA X, L.P. ($6 million) will make private equity investments in middle-market companies based primarily in North America and Western Europe. The partnership will participate in a wide range of transactions including growth equity investments, growth buyouts, and recapitalizations. The general partner will typically seek to lead each of its investments, and will focus on generating proprietary deal flow through its well-established outbound cold-calling program.

PERFORMANCE ASSESSMENT

As of December 31, 2005, the Portfolio has generated a since inception Internal Rate of Return ("IRR") of 11.12%, which represents an increase of 248 basis points over the prior year. During the past year, the Portfolio generated an IRR of 25.59%. As seen in the chart below, the Portfolio experienced a net increase in value of over $92.7 million. The net change in value calculation includes both net cash flows in the Portfolio as well as unrealized appreciation of the underlying holdings. During the year, the Portfolio was cash flow negative, with paid-in capital exceeding distributions by $25.0 million. Given the Portfolio's weighted average age of commitments is approximately 4.5 years, there is still more new investment activity than realization activity causing the negative cash flow.

Performance for the year has been strong and was driven by distributions, and unrealized appreciation. The Portfolio generated more than $113 million in distributions proceeds over the quarter and experienced a market value increase exceeding $92 million. This reflects both a strong private equity market, as general partners were able to get attractive pricing on the realization of their investments, and a healthy portfolio with a number of companies performing well.

PORTFOLIO PERFORMANCE SUMMARY FOR THE YEAR ENDED DECEMBER 31, 2005 ($ Millions)		
		IRR
Market Value 12-31-2004	$348.29	8.64%
Paid-In Capital	$138.54	
Distributions	$113.51	
Market Value 12-31-2005	$465.98	11.12%
Net Change in Value	$92.66	
Point-to-Point IRR		25.59%

The chart on the following page highlights the top eight portfolio drivers, during 2005, as measured by net value change, which includes both net cash flow as well as unrealized appreciation. The top performer over the past year was TPG Partners III. This partnership distributed $12.0 million to LACERS over the year and the current portfolio holdings are valued at 2.13x cost. Another partnership managed by the general partner, TPG Partners IV, also appears among the top eight portfolio drivers. This partnership generated a greater than 6% increase in net value during the year. Concurrently, the general partner raised a successor fund, TPG Partners V, in 2006, to which LACERS made a $30 million commitment. This is consistent with the strategy of continuing relationships with strong performing general partners.

In keeping with this strategy, both First Reserve and Golder, Thoma Cressey & Rauner are in the market with successor funds. Barring any unforeseen issues, Hamilton Lane expects LACERS will make a commitment to these two managers.

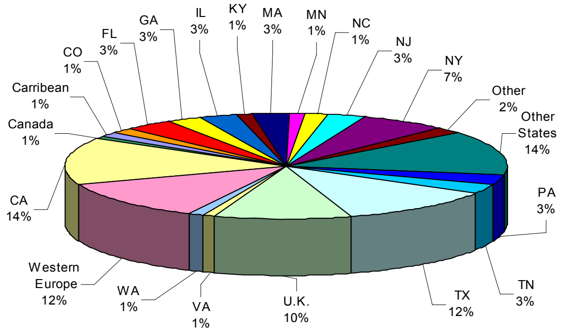
Portfolio Drivers Net Value Change For the Twelve Months Ended December 31, 2005		
Investment Name	**Net Value Change $ 000's**	**% of Total Portfolio Change**
TPG Partners III, L.P.	$11,109	11.99%
Golder, Thoma, Cressey & Rauner Fund VII, L.P.	$8,909	9.61%
Madison Dearborn Capital Partners IV, L.P.	$6,993	7.55%
First Reserve Fund X, L.P.	$6,287	6.78%
Alchemy Investment Plan (LACERS)	$6,069	6.55%
TPG Partners IV, L.P.	$5,684	6.13%
Welsh, Carson, Anderson & Stowe IX, L.P.	$4,223	4.56%
Whitney V, L.P.	$3,958	4.27%

PORTFOLIO ANALYTICS

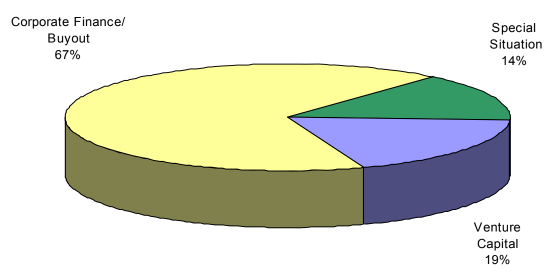
The charts below highlight the Portfolio's current diversification both by investment strategy and geography as of December 31, 2005. With respect to geography, the Portfolio is well diversified, with 22% of its underlying market value attributable to companies headquartered in Western Europe, with 10% of this exposure attributed specifically to the United Kingdom. In terms of diversification within the United States, the majority of the underlying investment value is located within California at 14% and Texas at 12%, respectively.

With respect to strategy, the Portfolio continues to be focused on the Corporate Finance/Buyout, with 67% of its total exposure related to that strategy. Total exposure combines the Portfolio's market value and the unfunded commitment to provide an indication of what the Portfolio will ultimately look like as current commitments become fully invested. In addition, the Portfolio's largest commitments going forward will likely be in the Corporate Finance/Buyout strategy, and, as such, this strategy will continue to make up the most significant exposure of the Portfolio.

Geographic Diversification by Exposed Market Value As of December 31, 2005



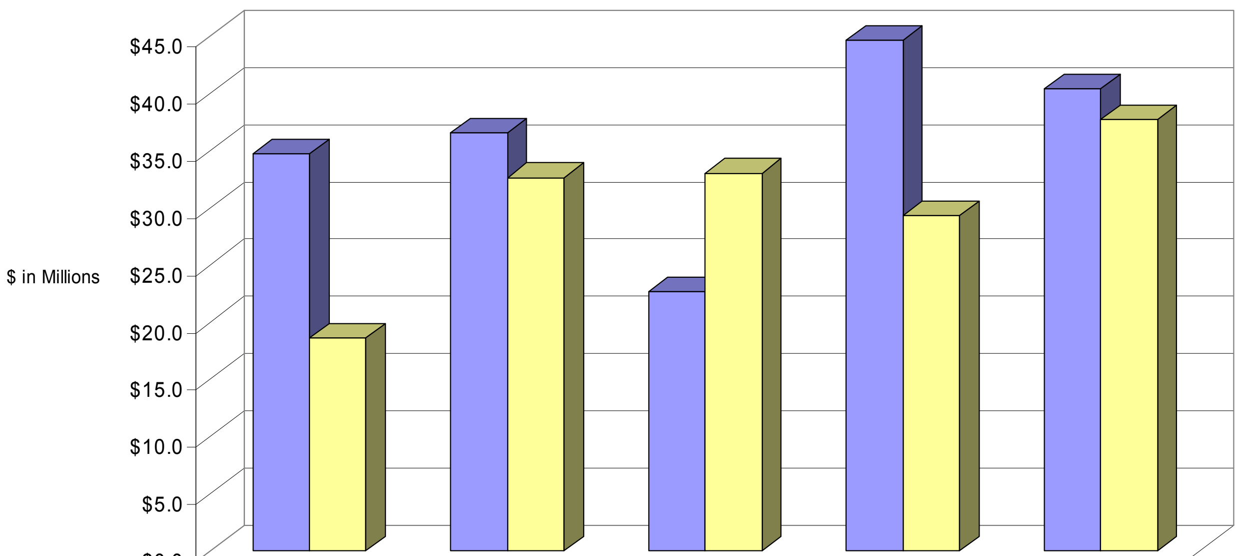
Portfolio Strategic Divcersification As Measured by Total Exposure As of December 31, 2005



CASH FLOW ANALYSIS

As shown in the following chart, the Portfolio has been cash flow negative, with paid-in capital exceeding distributions for four of the past five quarters. This is a result of the Portfolio's increased commitment pace over the past year. For example, in the 4th quarter of 2005, the Portfolio had drawdowns totaling $44.6 million, the highest in the past two years. More than 26% of these total drawdowns were attributable to 2005 vintage year partnerships, many of which made their initial investments during the quarter. While the Portfolio has been cash flow negative over this period, distributions have been steady, averaging $30.2 million over the past five quarters. The Portfolio will likely see a continuation of this trend, with distributions growing related to the older partnerships reaching their post-investment periods and paid-in capital increasing relative to the increased annual commitment pace, noted earlier.

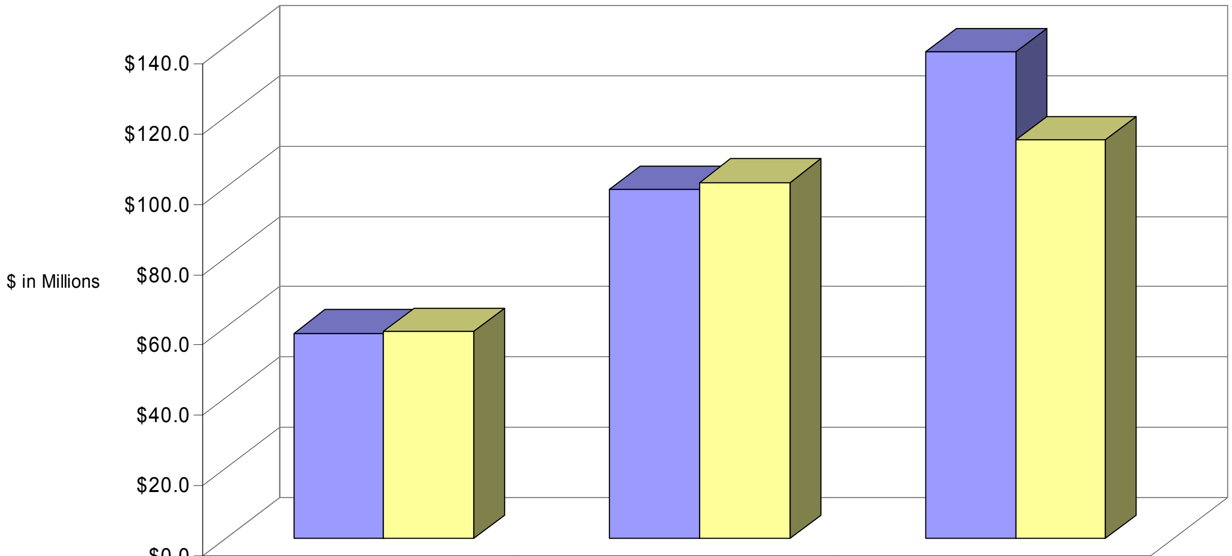
During the first quarter of 2006, the Portfolio had a net cash flow of ($2.7) million. The largest single drawdown was by CVC European Equity Partners IV, calling $4.8 million from LACERS to fund two new investments. From a distribution perspective, LACERS received $4.6 million from the Alchemy Investment Plan, related to the realization of several underlying holdings.



	1st Quarter 2005	2nd Quarter 2005	3rd Quarter 2005	4th Quarter 2005	1st Quarter 2006
Paid-In Capital	$34.7	$36.6	$22.6	$44.6	$40.4
Capital Distributed	$18.6	$32.6	$33.0	$29.3	$37.7

To further highlight the cash flow patterns, the chart on the following page shows the annual cash flows over the past three years for the Portfolio. For 2003 and 2004, the differences between paid-in capital and distributions were nominal. However, in 2005, the Portfolio saw a sharp increase (nearly 40%) in paid-in capital. More than 66% of the paid-in capital in 2005 was attributable to partnerships in the Corporate Finance/Buyout strategy, which is consistent with the Portfolio's strategic diversification.

Los Angeles City Employees’ Retirement System
Portfolio Update December 31, 2005



	Year Ended 12/31/03	Year Ended 12/31/04	Year Ended 12/31/05
Paid-In Capital	$58.4	$99.2	$138.5
Capital Distributed	$58.9	$101.3	$113.5

2005 Fourth Quarter Market Update

U.S. Performance

The buyout market continued to perform well while the venture capital market has shown significant improvements. The total private equity asset class (venture capital, buyouts and mezzanine) gained 27.9% for the year ended September 30, 2005. Buyout was the best performing sub-asset class during this period, generating one-year returns of 35.1%. Early stage venture continues to lag behind its counterparts with a 9.2% yearly return compared to the 28.1% and 13.1% returns of balanced and later stage funds, respectively. Private equity three-year returns continued to improve with all private equity gaining 11.7% and venture capital gaining 5.3% for the three-year period ended September 30, 2005, versus gains of 8.2% and of 3.0%, respectively, for the three years ended June 30, 2005. The three-year buyout return continued to improve, gaining 15.1% through September 30, 2005, after a positive return of 11.0% for the three years ended June 30, 2005. The chart below details the annualized performance of various U.S. private equity sub-asset classes through September 30, 2005.

US Private Equity Performance Index Returns Through 9/30/2005					
Fund Type	**1 Yr**	**3 Yr**	**5 Yr**	**10 Yr**	**20 Yr**
Early/Seed VC	9.2%	0.7%	-12.9%	46.7%	20.2%
Seed Stage VC	10.5%	-6.5%	-6.3%	12.0%	10.7%
Early Stage VC	9.2%	1.0%	-13.1%	48.4%	21.1%
Balanced VC	28.1%	9.7%	-5.4%	20.7%	14.6%
Later Stage VC	13.1%	6.4%	-7.4%	12.8%	13.6%
All Venture	**19.0%**	**5.3%**	**-9.0%**	**26.4%**	**16.4%**
Small Buyouts	36.9%	9.1%	2.5%	7.3%	26.3%
Med Buyouts	33.8%	8.8%	0.3%	10.2%	17.9%
Large Buyouts	26.6%	15.6%	1.8%	9.3%	12.8%
Mega Buyouts	36.8%	16.2%	4.1%	8.6%	11.2%
All Buyouts	**35.1%**	**15.1%**	**3.3%**	**8.8%**	**13.4%**
Mezzanine	**9.1%**	**4.6%**	**2.4%**	**6.6%**	**9.1%**
Buyouts and Other PE	31.3%	14.2%	3.7%	8.7%	12.6%
All Priv Equity	**27.9%**	**11.7%**	**-0.6%**	**12.5%**	**14.3%**
NASDAQ	**13.8%**	**24.7%**	**-14.6%**	**10.8%**	**14.3%**
S&P 500	**12.3%**	**16.7%**	**-1.5%**	**9.5%**	**10.0%**
Source: Thomson Financial Venture Economics / NVCA, Bloomberg as of March 10, 2006					

European Performance

European buyout funds continued to experience significant gains, with a preliminary Venture Economics return of 26.7% for the year ended September 30, 2005. For much of 2004, European performance was more attractive to US-based investors due to foreign currency gains, as the Euro had gained ground against the dollar. However, after opening 2005 at \$1.35/€, the Euro has depreciated slightly with the exchange rate stabilizing around \$1.20/€ by the end of 2005. The following chart details the annualized performance of various European private equity sub-asset classes through September 30, 2005.

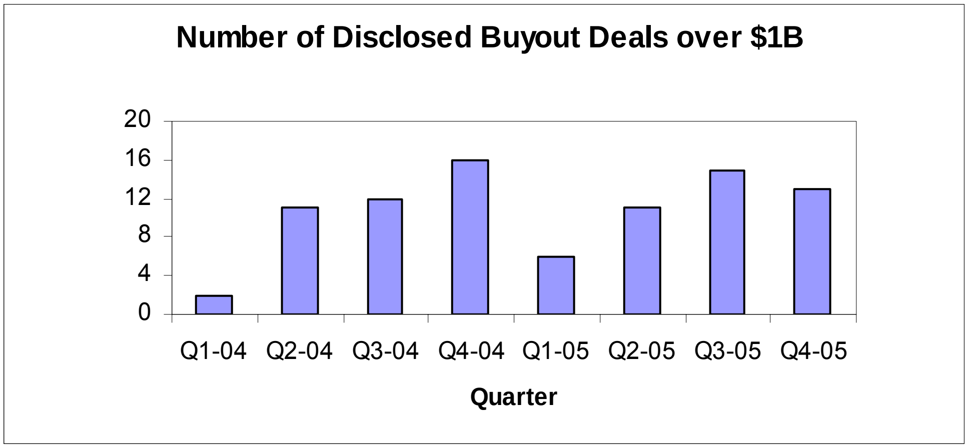
European Private Equity Performance Index Returns Through 9/30/2005					
Fund Type	**1 Yr**	**3 Yr**	**5 Yr**	**10 Yr**	**20 Yr**
Early Stage VC	0.0%	-6.9%	-8.1%	-0.9%	-0.2%
Balanced VC	15.7%	-4.6%	-5.2%	6.2%	5.5%
Development Stage VC	5.2%	-0.9%	-0.4%	10.5%	8.4%
All Venture	**2.3%**	**-4.4%**	**-5.0%**	**5.0%**	**4.9%**
Small Buyouts	14.3%	4.0%	4.7%	13.4%	12.3%
Med Buyouts	2.3%	8.6%	10.9%	21.9%	16.9%
Large Buyouts	0.0%	-3.6%	-2.5%	25.0%	20.5%
Mega Buyouts	29.3%	9.0%	7.6%	8.1%	8.1%
All Buyouts	**26.7%**	**6.4%**	**5.8%**	**13.3%**	**12.7%**
Generalist	74.7%	0.5%	-5.6%	9.7%	8.7%
All Private Equity	**25.5%**	**2.8%**	**1.1%**	**10.5%**	**9.6%**
Source: Thomson Financial Venture Economics / NVCA, Bloomberg as of March 12, 2006					

Note: Performance return data is directly from the Venture Economics database. Hamilton Lane has no means to verify the accuracy of index returns provided.

Deal Activity

U.S. Buyouts/Corporate Finance

The size and pace of buyout transactions have continued to be impressive during 2005. According to *Buyouts*, the fourth quarter of 2005 was a record setting quarter for the LBO industry. During the fourth quarter of 2005, over 195 deals comprising $59 billion of aggregate value were completed. This exceeds the third quarter total of $57 billion in aggregate value in 190+ deals, which was the previous record. Since the beginning of the year, investors have closed 845 disclosed deals totaling more than $197.8 billion. The trend towards larger deals also continued in the fourth quarter, with the completed $15 billion acquisition of Hertz Corp. from Ford Motor Co. by Clayton Dubilier & Rice, Carlyle, and Merrill Lynch Global Private Equity trumping earlier mega-deals in 2005, including the $8 billion acquisition of Toys 'R' Us by Bain Capital, Kohlberg Kravis Roberts & Co., and Vornado Realty Trust, as well as the $11.3 billion acquisition of SunGard Data Systems. These mega deals exemplified the increasing prevalence of club deals in 2005. Of the 845 deals completed in the past year, 125 were club deals that involved two or more private equity sponsors. Although club deals represented only 15% of the total number of deals, they accounted for approximately $102 billion of transaction value, or more than 50% of total transaction volume in dollar terms.



Source: Buyouts

European Buyouts/Corporate Finance

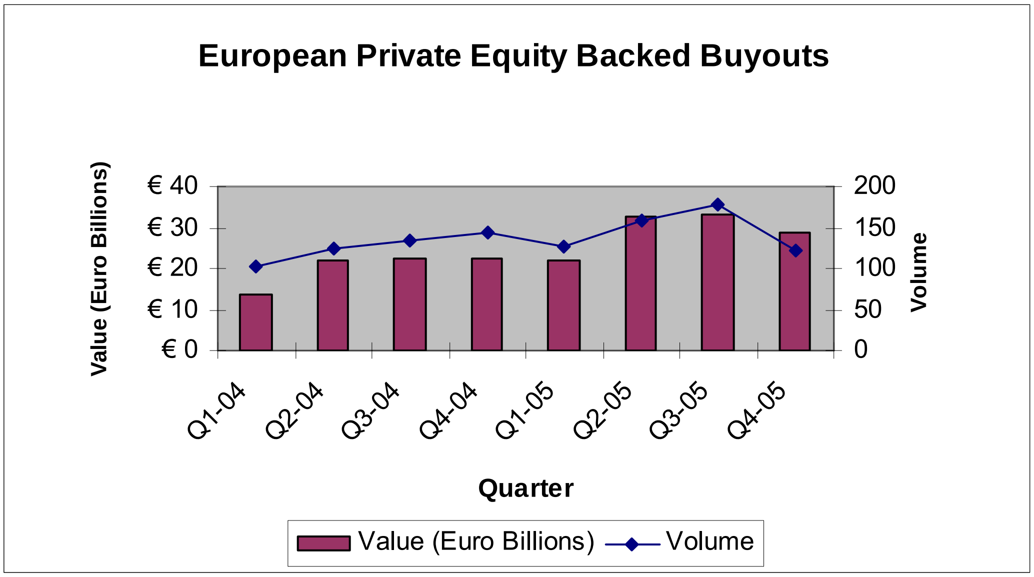
The European buyout market continued to see a large number of transactions this quarter, with 123 deals being completed. Although the volume of deals was down 30.9% from the 178 deals that were completed in the third quarter of 2005, aggregate deal value decreased by less than 13%. While aggregate deal value decreased from the record levels of the third quarter, the fourth quarter witnessed substantially higher aggregate deal values relative to all quarters prior to the second quarter of 2005. The fourth quarter saw an increase in the average deal size to €235.77 million, which is 37% larger than the average deal size over the prior seven quarters. Buyouts from private sources accounted for less of the market, equaling 26% of total deals, a decrease from the 46% share in the third quarter of 2005.

European Private Equity Backed Buyouts
Distribution of Transactions by Total Deal Value

	< €160 million				€160 million to €1.65 billion				> €1.65 billion				Quarterly Totals	
Quarters	Num.	% of Qtr.	Value (€mm)	% of Qtr.	Num.	% of Qtr.	Value (€mm)	% of Qtr.	Num.	% of Qtr.	Value (€mm)	% of Qtr.	Num.	Value (€mm)
Q3 2004	104	77%	4,794	21%	29	21%	13,176	58%	2	1%	4,640	21%	135	22,610
Q4 2004	104	73%	4,200	19%	38	27%	16,430	73%	1	1%	1,951	9%	143	22,581
Q1 2005	98	77%	4,227	19%	27	21%	12,473	57%	2	2%	5,316	24%	127	22,016
Q2 2005	120	75%	4,936	15%	36	23%	17,824	54%	3	2%	9,965	30%	159	32,725
Q3 2005	137	77%	6,821	21%	39	22%	21,593	65%	2	1%	4,850	15%	178	33,264
Q4 2005	83	67%	4,153	14%	38	31%	20,780	72%	2	2%	4,100	14%	123	29,033

Source: Initiative Europe Barometer

As shown in the table above, the distribution of deals by size remained relatively stable during the quarter; deals in the small range (less than €160M) accounted for 67% of the number of deals completed and 14% of the transaction value, representing small declines from third quarter levels. Deals in the mid-size range (€160M-€1.65B) accounted for 31% of the number of deals completed and 72% of the transaction value. The number of deals in the large range (greater than €1.65B) accounted for 2% of the number of deals completed and 14% of the transaction value. Some of the fourth quarter's largest deals included JC Flowers' €2.1 billion acquisition of NIB Capital (Netherlands), the €2 billion acquisition of SBS Broadcasting SA (Luxembourg) by Permira and KKR, the €1.6 billion acquisition of Somerfield (UK) by Apax Partners, and the €1.4 billion acquisition of Dyno Nobel ASA (Norway) by Macquarie Bank.

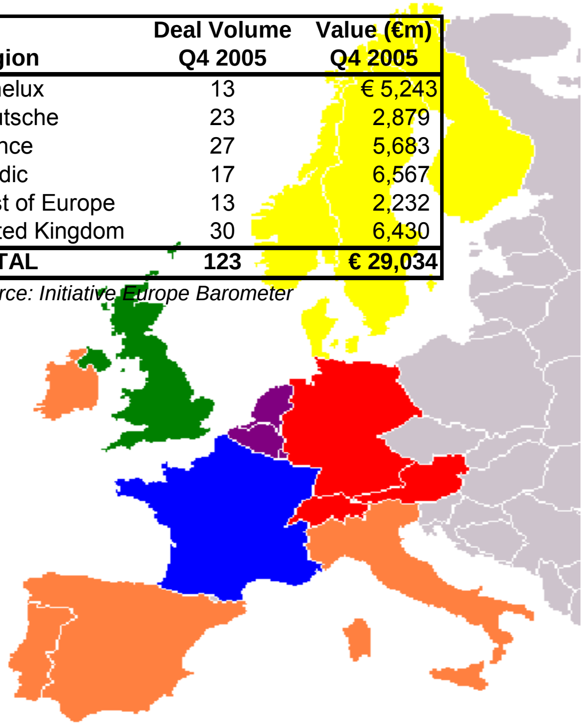


Source: Initiative Europe Barometer

As shown on the chart on the following page, the UK continued to hold a large share of the European buyout market, with 30 deals completed in the quarter. Overall, the UK represented 24% by volume and 22% by deal value of the total European market. The Deutsche (Germanic) region also held steady in terms of deal volume, but declined in deal value. The region generated 27 buyout deals in the third quarter of 2005, followed by 23 in the fourth quarter of 2005, accounting for 19% of the market by volume but only 10% by deal value. France saw the largest decrease of any country in terms of volume from the previous quarter, with only 27 buyouts in the fourth quarter compared to 39 in the third quarter. However France's market share in terms of deal value held relatively steady, decreasing from €6.4 billion to €5.7 billion. In the fourth quarter of 2005, French buyouts made up approximately 20% of all European buyout value, more than any other individual nation except the UK. The Nordic region saw 17 total deals completed in the fourth quarter. While this represents a small decline in volume from the previous quarter, deal value increased from €3.6 billion to €6.6 billion, which represents a 23% share of the European market. The Benelux region increased its share of the market in the fourth quarter with a 257% increase in the value of its buyout deals from the previous quarter. The 13 fourth quarter deals in the Benelux region, worth approximately €5.2 billion, represent an 18% share of the total value of the European buyout market for the quarter.

Region	Deal Volume Q4 2005	Value (€m) Q4 2005
Benelux	13	€ 5,243
Deutsche	23	2,879
France	27	5,683
Nordic	17	6,567
Rest of Europe	13	2,232
United Kingdom	30	6,430
TOTAL	**123**	**€ 29,034**

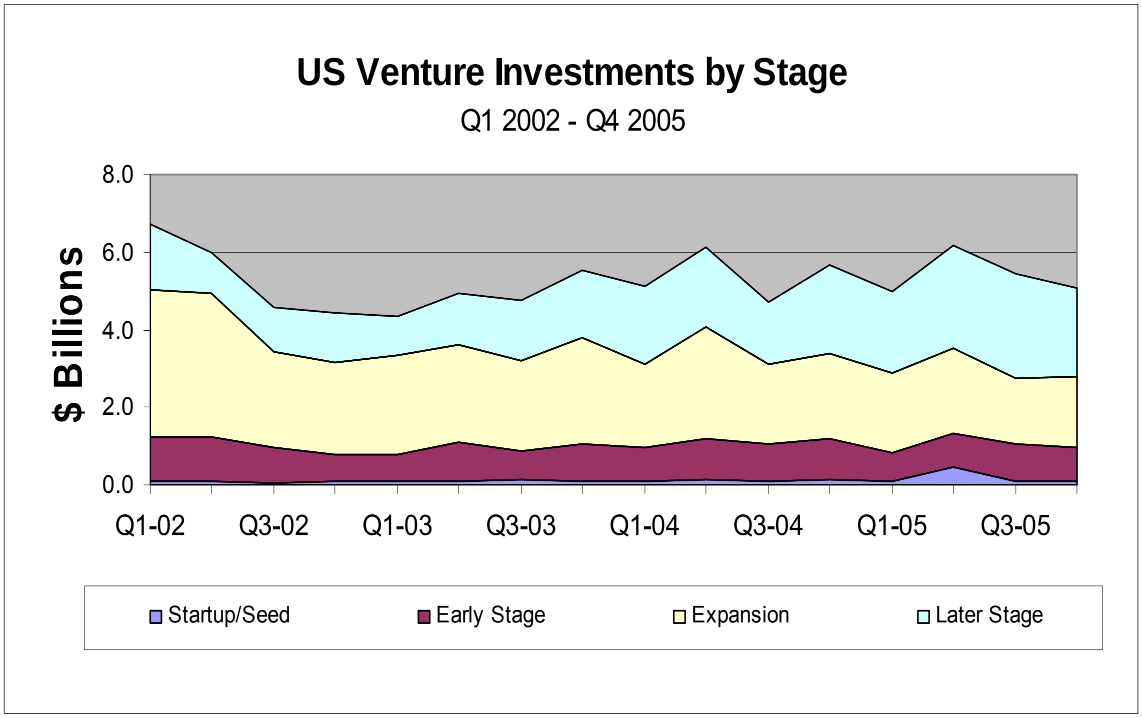
Source: Initiative Europe Barometer



U.S. Venture Capital

Venture capital investing slowed in the fourth quarter of 2005, with $5.1 billion invested in 709 companies, according to The MoneyTree™ Survey by PricewaterhouseCoopers, Thomson Venture Economics and the National Venture Capital Association. Funding did not meet the third quarter of 2005's $5.4 billion, nor the fourth quarter of 2004's $5.7 billion. For the full-year 2005, firms invested $21.7 billion compared to $21.6 billion for the full-year 2004.

The Life Sciences sector (Biotechnology and Medical Devices) and the Software Industry received the majority of funding during the quarter as was seen in the previous quarter, together taking almost $2.8 billion or approximately 51% of all venture investing for the quarter. Overall numbers for the Life Sciences sector were similar to those of the prior quarter. A total of 172 Life Sciences companies received $1.7 billion, compared to $1.6 billion in the third quarter. In the fourth quarter 203 Software companies gathered $1.1 billion, which represents an increase from the 185 companies that collected $1.0 billion in the third quarter.



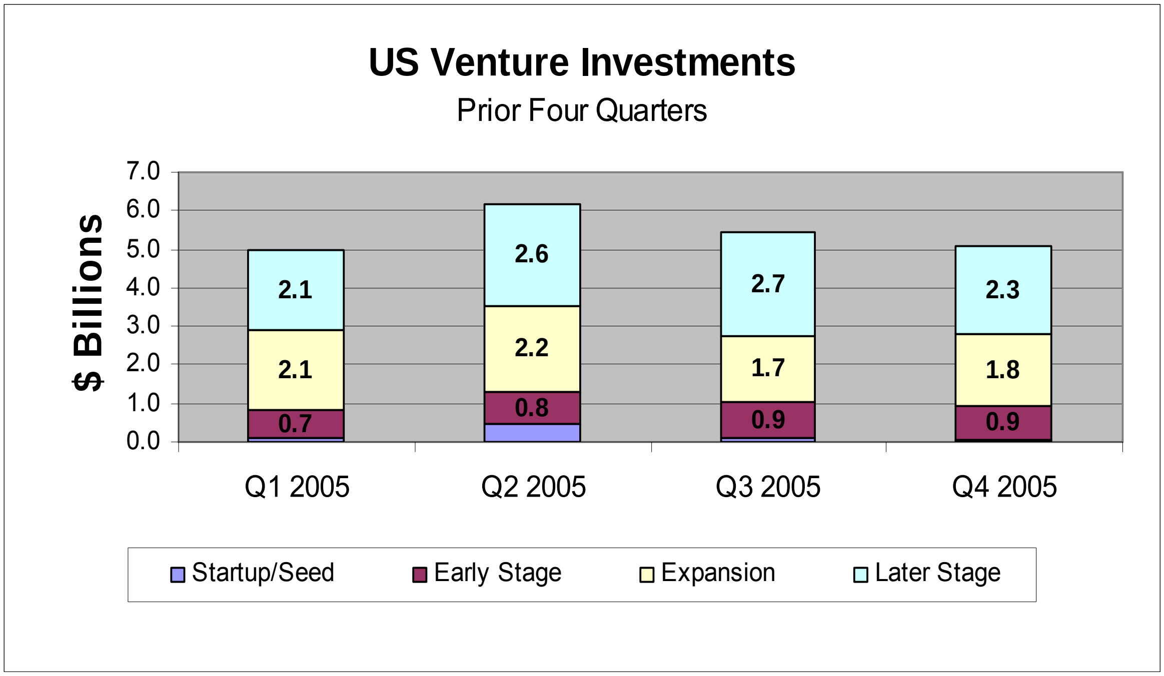
US Venture Investments by Stage										
	Q1 2005		Q2 2005		Q3 2005		Q4 2005		2005 Total	
Stage	Num.	Value ($bn)	Num.	Value ($bn)	Num.	Value ($bn)	Num.	Value ($bn)	Num.	Value ($bn)
Startup/Seed	35	0.1	49	0.5	49	0.1	42	0.1	175	0.7
Early Stage	201	0.7	194	0.8	178	0.9	174	0.9	747	3.4
Expansion	268	2.1	291	2.2	252	1.7	254	1.8	1,065	7.8
Later Stage	200	2.1	250	2.6	263	2.7	239	2.3	952	9.7
Total	**704**	**5.0**	**784**	**6.2**	**742**	**5.4**	**709**	**5.1**	**2,939**	**21.7**

Source: MoneyTree™ Survey

As shown in the chart and table above, later-stage funding in the fourth quarter of 2005 fell to $2.3 billion in fundraisings for 239 companies, compared to $2.7 billion in fundraisings for 263 companies in the third quarter. For the full-year 2005, later-stage funding totaled $9.7 billion, hitting a four-year peak and significantly surpassing full-year 2004 figures of $8.0 billion. The average post-money valuation rose to $81.9 million for the 12 months ending in the third quarter of 2005, compared to $78.9 million for the 12 months ending in the second quarter of 2005 and $73 million for the 12 months ending in the third quarter of 2004. (Valuation data provided by Thomson Venture Economics and the NVCA lags investment data by one quarter.)

Funding for start-up and early-stage companies fell in the fourth quarter of 2005 to $960 million for 216 companies, but that figure is still above the first quarter totals. The year-end 2005 totals of $4.1 billion and 922 deals are slightly below full-year 2004 totals of $4.4 billion and 1,038 deals. Average post-money valuations of early-stage companies fell to $12.9 million for the 12 months ending in the third quarter of 2005, compared to $14.4 million for the 12 months ending in the second quarter 2005 and $15.4 million for the 12 months ending in the third quarter of 2004.

Investing in expansion-stage companies increased slightly from the third quarter of 2005, but still fell short of the first and second quarters with $1.8 billion invested in 254 companies. Year-end 2005 totals of $7.8 billion and 1,065 deals were significantly lower than year-end 2004 totals of $9.3 billion and 1,195 deals. Average post-money valuations dropped to $42.3 million for the 12 months ending in the third quarter of 2005, compared to $46.2 million for the 12 months ending in the second quarter of 2005 and $53.8 million for the 12 months ending in the third quarter of 2004.



Source: MoneyTree™ Survey

Fundraising Update and Forecast

U.S. Buyouts/Corporate Finance

Many GP's have been raising their latest funds in the past two years, and 2005 was a record year for fundraising by buyout funds. With strong investment activity and realized returns, the fundraising environment has been quite conducive for raising larger vehicles. According to Thomson Venture Economics and the National Venture Capital Association, 36 buyout and mezzanine funds raised $30 billion in the fourth quarter of 2005. This was the largest single quarter figure ever for buyout/mezzanine fundraising, and represented a 66% increase over the third quarter's $18.1 billion. Access continues to be difficult among the best performing funds. Mega funds continued to attract attention as several general partners raised capital in record time, and many were oversubscribed leaving a number of LPs with reduced allocations or none at all. Seventeen mega funds launched in 2005 accounted for 67% of the total fundraising by buyout funds in 2005, including: Blackstone Capital Partners V, which closed on $11 billion in the fourth quarter; Apollo Investment Fund VI, which closed on $10.1 billion in the second half of 2005; and GS Capital Partners, which raised $8.5 billion for its latest fund in the second quarter.

Asia

According to Venture Economics, 44 private equity funds located in Asia raised approximately $12.6 billion in 2005, representing a 98% increase over 2004. Two of the largest Asia-focused private equity funds raised in 2005 included JP Morgan Capital Partners' Asia Opportunity Fund II and Newbridge Capital Ltd's Newbridge Asia IV, which raised $1.58 billion and $1.5 billion, respectively.

Australia

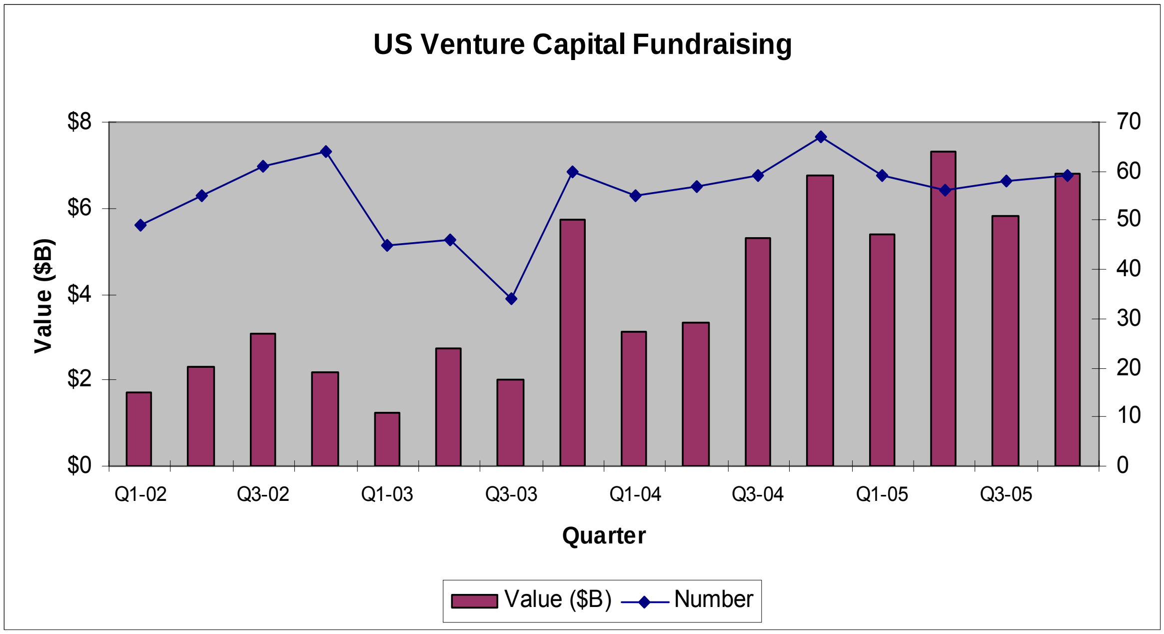
According to Venture Economics, 15 private equity funds located in Oceania (Australia, New Zealand, other) raised approximately $1.6 billion in 2005, representing a 38% decrease from 2004. CHAMP Private Equity, an affiliate of U.S.-based Castle Harlan, Inc. raised the third quarter's largest pool of capital focused on investment in Australia. In August, the firm raised $950 million (approximately $730 million) for the CHAMP II Buyout Trust and the CHAMP Buyout Worldwide II Fund.

Europe

According to Venture Economics, 55 private equity funds located in Europe raised approximately €6.8 billion in the fourth quarter of 2005. For the full year, 188 private equity funds located in Europe raised approximately €53.9 billion across all strategies. The mega buyout trend exemplified by U.S.-based firms also was reflected by fundraising activity in Europe. Large Europe-focused buyout funds launched or raised in 2005 included CVC European Equity Partners IV (€6 billion), The Candover 2005 Fund (€3.5 billion), KKR Europe II (€3 billion), and Electra Partner's European Fund II (€1.25 billion), among others.

U.S. Venture Capital

Venture capital experienced another active period of fundraising in the fourth quarter of 2005, with 50 venture funds raising $6.7 billion, versus $5.8 billion raised in the third quarter. Venture capital fundraising in the fourth quarter of 2005 failed to surpass the $7.3 billion raised in the second quarter; however, it did surpass the $6.4 billion raised in the fourth quarter of 2004. Over the past 12 months, 182 venture funds have raised $25.2 billion, compared to $17.3 billion raised by 194 funds in 2004. Overall, the average size of venture capital funds raised in 2005 grew by 55% compared to 2004.



Source: Venture Economics and NVCA

The largest venture capital funds raised in 2005 included: Technology Crossover VI, which raised $1.4 billion for later-stage investments and Menlo Ventures X, which raised $1.2 billion for balanced-stage investments.

Exit Opportunities

IPO Market

The fourth quarter of 2005 saw a pickup in public market activity from earlier quarters, with seventeen venture-backed companies raising $1.6 billion through IPOs, according to Thomson Venture Economics and the National Venture Capital Association. This level of activity surpassed the third quarter, when nineteen IPOs generated $1.5 billion, and the second quarter, when ten IPOs generated $714.1 million. This latest quarter marks the highest level of activity this year in terms of proceeds, but still a large decline from the 27 IPOs that generated $3.0 billion in the fourth quarter of 2004. The technology sector made up the bulk of fourth quarter IPOs with ten offerings generating $1.1 billion. The technology sector contained the largest IPO of the quarter and of the year, IntercontinentalExchange, Inc.'s $415.9 million offering. IntercontinentalExchange was backed by TA and Goldman Sachs. The second largest IPO of the quarter, the $170 million offering by DealerTrack, Inc., was also in the technology sector. DealerTrack was backed by JPMorgan Partners and GRP Partners. The largest life sciences IPOs of the quarter were NxStage Medical, Inc. and Somaxon Pharmaceutical, Inc., both of which raised $55 million. For the full-year 2005, venture-backed companies completed 56 IPOs raising $4.5 billion, representing a steep decline from the full-year 2004 results of 93 IPOs raising $11.0 billion. The technology sector represented 57% of all venture-backed IPOs by amount of capital raised and 46% of all venture-backed IPOs by number of companies.

There were ten IPOs by buyout-backed companies in the fourth quarter of 2005, down from 23 in the third quarter of 2005. The average offer amount decreased from $204.4 million in the third quarter to $138.0 million in the fourth quarter. However, the full-year 2005 numbers represented a significant increase from 2004, with buyout-backed companies completing 67 IPOs raising $15.8 billion in 2005, compared to 57 IPOs raising $11.3 billion in 2004.

M&A Activity

Total disclosed valuations for venture-backed mergers and acquisitions decreased in the fourth quarter of 2005, according to Thomson Venture Economics. The fourth quarter had 89 venture-backed M&A deals, with a total disclosed value of $6.1 billion (only 42 deals disclosed values), according to Venture Economics. This represents a 66% increase in average deal size over the third quarter of 2005, which saw 106 deals with an aggregate disclosed value of $4.4 billion for 51 disclosed deals. By comparison, 84 deals with a disclosed value of $2.9 billion for 46 disclosed deals were reported in the fourth quarter a year ago. The average deal size of $144.5 million for the fourth quarter of 2005 is the highest of any quarter in the past three years. The technology sector was the most active area for venture-backed M&A, with the Internet-specific and computer software sectors being particularly active.

Venture Capital Backed M&A by Quarter 2003-2005				
Quarter	Total Number of Deals	Total Disclosed Deal Value ($B)	Number of Disclosed Deals	Average Size of Disclosed Deals ($M)
Q1-03	75	$ 1.50	22	$ 67.97
Q2-03	79	1.84	27	68.22
Q3-03	78	2.13	41	51.89
Q4-03	74	2.33	35	66.61
2003 Total	**306**	**$ 7.80**	**125**	**$ 62.37**
Q1-04	82	3.97	47	84.39
Q2-04	90	4.51	48	94.05
Q3-04	89	4.14	47	88.15
Q4-04	84	2.86	46	62.22
2004 Total	**345**	**$ 15.49**	**188**	**$ 82.37**
Q1-05	83	4.46	47	95.00
Q2-05	81	4.52	35	129.17
Q3-05	106	4.44	51	87.14
Q4-05	89	6.07	42	144.45
2005 Total	**359**	**$ 19.50**	**175**	**$ 111.41**

Source: Thomson Financial Venture Economics / NVCA, as of March 16, 2006

Total disclosed valuations for buyout-backed mergers and acquisitions decreased in the fourth quarter of 2005, according to Thomson Venture Economics. The fourth quarter had 32 buyout-backed M&A deals, with a total disclosed value of $6.1 billion (only 17 deals disclosed values), according to Venture Economics. This represents a 24% decrease in average deal size over the third quarter of 2005, which saw 31 deals with an aggregate disclosed value of $9.4 billion for 20 disclosed deals. By comparison, 7 deals with a disclosed value of $1.2 billion for 6 disclosed deals were reported in the fourth quarter a year ago. The average deal size of $358.2 million in the fourth quarter of 2005 is generally in line with the first three quarters of 2005.

Buyout Backed M&A by Quarter 2003-2005				
Quarter	Total Number of Deals	Total Disclosed Deal Value ($B)	Number of Disclosed Deals	Average Size of Disclosed Deals ($M)
Q1-03	4	$ 2.94	2	$ 1,471.94
Q2-03	10	0.92	6	153.66
Q3-03	2	1.05	1	1,047.51
Q4-03	21	3.66	15	243.92
2003 Total	**37**	**$ 8.57**	**24**	**$ 357.18**
Q1-04	8	3.22	5	643.41
Q2-04	5	2.20	3	732.23
Q3-04	14	1.63	8	203.33
Q4-04	7	1.21	6	202.00
2004 Total	**34**	**$ 8.25**	**22**	**$ 375.11**
Q1-05	8	1.94	5	387.06
Q2-05	22	4.50	13	346.30
Q3-05	31	9.44	20	472.04
Q4-05	32	6.09	17	358.18
2005 Total	**93**	**$ 21.97**	**55**	**$ 399.40**

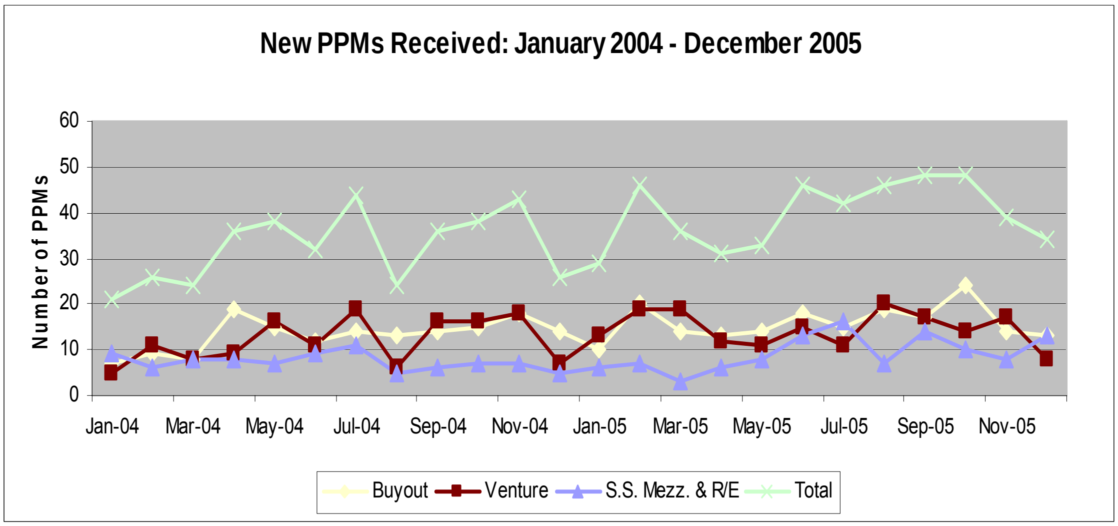
Source: Thomson Financial Venture Economics / NVCA, as of March 16, 2006

Hamilton Lane Due Diligence Activity

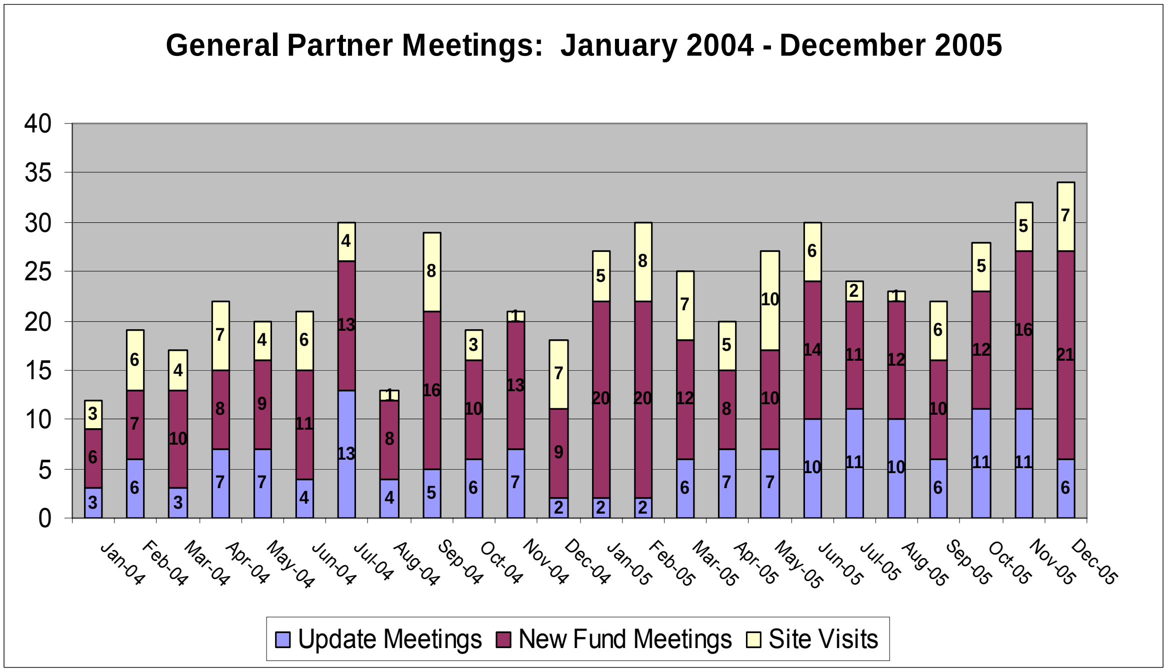
During the fourth quarter of 2005, Hamilton Lane reviewed 121 new investment opportunities, a decrease of 15% from the third quarter of 2005. Hamilton Lane reviewed 478 PPMs in 2005. By comparison, Hamilton lane reviewed 300 and 388 PPMs in 2003 and 2004, respectively. The 478 PPMs received in 2005 were spread among the following types of funds:

- Corporate finance/buyout – 191
- Venture capital - 176
- Special situations, mezzanine, and real estate - 111

The number of PPMs received by Hamilton Lane from January 2004 through December 2005 is detailed by sub-asset class on a monthly basis in the chart below.



During the fourth quarter of 2005, Hamilton Lane met with 77 general partner groups, compared to 60 in the third quarter of 2005, and 47 in the fourth quarter of 2004. Of the 77 meetings, 49 were for new funds and 28 were update meetings on existing relationships. Also during the fourth quarter of 2005, Hamilton Lane conducted 17 due diligence site visits; nearly double that of the nine site visits completed during the third quarter of 2005. The following chart provides a breakdown of the number and type of general partner meetings conducted by Hamilton Lane during 2004 and the first three quarters of 2005.


General Partner Meetings: January 2004 - December 2005
Update Meetings
New Fund Meetings
Site Visits
Jan-04
Feb-04
Mar-04
Apr-04
May-04
Jun-04
Jul-04
Aug-04
Sep-04
Oct-04
Nov-04
Dec-04
Jan-05
Feb-05
Mar-05
Apr-05
May-05
Jun-05
Jul-05
Aug-05
Sep-05
Oct-05
Nov-05
Dec-05

SECTION 2

PORTFOLIO ASSESSMENT

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PERFORMANCE SUMMARY BY INVESTMENT
AS OF DECEMBER 31, 2005

INVESTMENT NAME	VINTAGE YEAR	INVESTMENT STRATEGY	CAPITAL COMMITTED	PAID-IN CAPITAL	CAPITAL DISTRIBUTED [1]	REPORTED MARKET VALUE	NET IRR
Alchemy Investment Plan (LACERS)	1999	Special Situation	$ 41,539,856	$ 29,201,385	$ 11,087,833	$ 29,685,569	13.94%
Apollo Investment Fund IV, L.P.	1998	Corporate Finance/Buyout	5,000,000	4,954,624	4,638,461	3,496,818	10.14%
Apollo Investment Fund VI, L.P.	2006	Corporate Finance/Buyout	15,000,000	-	-	-	0.00%
Austin Ventures VII, L.P.	1999	Venture Capital	17,000,000	15,557,579	3,606,369	9,374,277	(5.16%)
Austin Ventures VIII, L.P.	2001	Venture Capital	8,300,000	5,550,000	806,323	4,658,738	(0.77%)
Avenue Special Situations Fund IV, L.P.	2006	Special Situation	10,000,000	-	-	-	0.00%
Blackstone Capital Partners V, L.P.	2006	Corporate Finance/Buyout	15,000,000	-	-	-	0.00%
Carlyle Partners IV, L.P.	2005	Corporate Finance/Buyout	20,000,000	4,397,627	-	4,191,032	(21.79%)
CGW Southeast Partners III, L.P.	1996	Corporate Finance/Buyout	9,000,000	8,636,399	10,549,354	1,178,045	6.10%
CGW Southeast Partners IV, L.P.	1999	Corporate Finance/Buyout	10,000,000	8,356,864	2,031,499	6,448,929	0.38%
Chisholm Partners IV, L.P.	1999	Special Situation	9,000,000	8,359,804	1,270,448	4,615,987	(7.25%)
CHS Private Equity V, L.P.	2005	Corporate Finance/Buyout	20,000,000	1,229,415	-	1,229,415	0.00%
CVC European Equity Partners II, L.P.	1998	Corporate Finance/Buyout	10,000,000	9,129,405	15,095,711	4,192,038	18.71%
CVC European Equity Partners III, L.P.	2001	Corporate Finance/Buyout	15,000,000	13,891,331	9,743,386	12,904,272	32.01%
CVC European Equity Partners IV, L.P.	2005	Corporate Finance/Buyout	23,792,544	2,571,119	-	2,282,945	(11.21%)
CVC European Equity Partners, LP	1996	Corporate Finance/Buyout	10,000,000	9,736,644	23,617,312	2,964,408	24.36%
Enhanced Equity Fund, L.P.	2006	Corporate Finance/Buyout	10,000,000	-	-	-	0.00%
Essex Woodlands Health Ventures Fund IV, L.P.	1998	Venture Capital	4,000,000	4,000,000	3,288,715	2,238,566	10.23%
Essex Woodlands Health Ventures Fund V, L.P.	2000	Venture Capital	10,000,000	7,900,000	1,398,565	7,133,431	3.03%
Essex Woodlands Health Ventures Fund VI, L.P.	2004	Venture Capital	15,000,000	5,347,500	-	4,455,337	(21.32%)
First Reserve Fund X, L.P.	2004	Special Situation	20,000,000	8,424,455	2,874,279	11,767,000	122.44%
Golder, Thoma, Cressey & Rauner Fund V, LP	1997	Corporate Finance/Buyout	10,000,000	10,000,000	14,161,181	3,267,025	10.84%
Golder, Thoma, Cressey & Rauner Fund VI, L.P.	1998	Corporate Finance/Buyout	10,000,000	9,904,197	7,657,570	3,284,337	3.53%
Golder, Thoma, Cressey & Rauner Fund VII, L.P.	2000	Corporate Finance/Buyout	18,750,000	17,859,375	17,478,803	15,723,197	19.92%
Golder, Thoma, Cressey & Rauner Fund VII-A, L.P.	2001	Corporate Finance/Buyout	6,250,000	3,546,875	4,633,809	4,186,419	94.92%
Golder, Thoma, Cressey & Rauner Fund VIII, L.P.	2003	Corporate Finance/Buyout	20,000,000	11,200,000	2,420,300	12,015,940	33.89%
Hellman & Friedman Capital Partners V, L.P.	2004	Corporate Finance/Buyout	11,000,000	3,526,040	-	3,432,495	(6.43%)
InterWest Partners VI, L.P.	1997	Venture Capital	5,000,000	5,000,000	13,785,589	1,028,644	49.35%
J.H. Whitney IV, L.P.	2000	Venture Capital	25,000,000	22,448,463	3,069,590	2,356,692	(28.40%)
J.H. Whitney VI, L.P.	2005	Corporate Finance/Buyout	15,000,000	1,360,903	-	1,277,435	(6.13%)
Kelso Investment Associates VI, L.P.	1998	Corporate Finance/Buyout	5,000,000	4,291,449	4,245,767	1,719,490	10.86%
Kelso Investment Associates VII, L.P.	2004	Corporate Finance/Buyout	18,000,000	6,478,495	408,538	8,216,572	55.41%
KKR 1996 Fund, LP	1997	Corporate Finance/Buyout	25,000,000	26,258,581	36,351,101	7,274,330	13.13%

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PERFORMANCE SUMMARY BY INVESTMENT
AS OF DECEMBER 31, 2005

INVESTMENT NAME	VINTAGE YEAR	INVESTMENT STRATEGY	CAPITAL COMMITTED	PAID-IN CAPITAL	CAPITAL DISTRIBUTED [(1)]	REPORTED MARKET VALUE	NET IRR
KKR European Fund II, L.P.	2005	Corporate Finance/Buyout	15,000,000	1,076,577	-	1,067,932	(1.10%)
Levine Leichtman Capital Partners III, L.P.	2003	Corporate Finance/Buyout	20,000,000	6,832,923	2,272,995	5,615,115	25.52%
Madison Dearborn Capital Partners III, L.P.	1999	Corporate Finance/Buyout	16,000,000	15,854,153	11,972,551	10,052,641	7.99%
Madison Dearborn Capital Partners IV, L.P.	2000	Corporate Finance/Buyout	25,000,000	19,031,534	6,096,816	20,639,481	23.71%
Menlo Ventures IX, L.P.	2001	Venture Capital	20,000,000	14,000,000	-	11,502,474	(8.25%)
Menlo Ventures VII, L.P.	1997	Venture Capital	5,000,000	5,000,000	22,728,937	835,421	135.83%
Menlo Ventures VIII, L.P.	1999	Venture Capital	18,000,000	16,200,000	3,810,475	3,458,101	(20.24%)
Nautic Partners V, L.P.	2000	Special Situation	15,000,000	10,906,803	1,215,367	10,606,039	3.92%
Newbridge Asia IV, L.P.	2005	Corporate Finance/Buyout	10,000,000	917,083	-	906,064	(1.20%)
Nordic Capital V, L.P.	2004	Corporate Finance/Buyout	13,891,520	12,087,132	1,567,540	12,411,146	17.57%
OCM Opportunities Fund II, L.P.	1998	Special Situation	11,000,000	11,000,000	13,754,195	2,517,075	8.25%
OCM Opportunities Fund III, L.P.	1999	Special Situation	10,000,000	10,500,000	13,452,359	1,625,563	11.71%
OCM Opportunities Fund IV, L.P.	2001	Special Situation	10,000,000	10,000,000	14,653,705	1,231,531	27.74%
OCM Opportunities Fund V, L.P.	2004	Special Situation	7,100,000	7,100,000	7,781	8,125,308	13.95%
OCM Opportunities Fund, LP	1996	Special Situation	11,000,000	11,000,000	15,849,547	1,658,804	10.07%
Olympus Growth Fund IV, L.P.	2003	Corporate Finance/Buyout	7,000,000	3,658,165	42,515	3,961,899	8.94%
Onex Partners, L.P.	2003	Corporate Finance/Buyout	20,000,000	13,796,625	3,918,378	12,801,721	28.63%
Permira Europe III	2004	Corporate Finance/Buyout	20,631,730	9,376,377	2,985,485	8,783,420	32.40%
Providence Equity Partners V-A L.P.	2005	Corporate Finance/Buyout	18,000,000	5,670,737	-	5,588,137	(3.45%)
Resolute Fund, L.P.	2002	Corporate Finance/Buyout	20,000,000	6,727,099	805	8,278,021	11.74%
Richland Ventures III, L.P.	1999	Venture Capital	18,000,000	16,524,000	4,411,608	6,599,793	(9.31%)
Spark Capital, L.P.	2005	Venture Capital	9,000,000	675,000	-	675,000	0.00%
TCV V, L.P.	2004	Venture Capital	19,500,000	13,082,550	-	13,006,672	(0.56%)
Thoma Cressey Fund VI, L.P.	1998	Corporate Finance/Buyout	5,000,000	4,845,000	1,125,961	2,490,403	(5.84%)
Thomas H. Lee Equity Fund IV, L.P.	1998	Corporate Finance/Buyout	7,000,000	6,253,842	4,924,033	1,634,616	0.88%
Thomas H. Lee Equity Fund V, L.P.	2001	Corporate Finance/Buyout	15,000,000	12,522,914	7,063,296	12,447,124	25.45%
TPG Partners III, L.P.	2000	Corporate Finance/Buyout	25,000,000	22,780,932	22,878,926	20,771,849	24.15%
TPG Partners IV, L.P.	2003	Corporate Finance/Buyout	25,000,000	15,850,359	3,042,568	18,169,405	41.91%
Trident Capital Fund V, L.P.	2000	Venture Capital	10,587,999	7,606,752	2,372,666	5,586,711	1.90%
Trident Capital Fund V, L.P. - Secondary	2000	Venture Capital	3,781,680	2,316,434	826,419	1,995,386	14.11%
Trident Capital Fund VI, L.P.	2005	Venture Capital	8,500,000	1,700,000	-	1,455,708	(16.41%)
VantagePoint Venture Partners IV, L.P.	2000	Venture Capital	15,000,000	10,500,000	2,914,767	7,936,580	1.47%

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PERFORMANCE SUMMARY BY INVESTMENT
AS OF DECEMBER 31, 2005

INVESTMENT NAME	VINTAGE YEAR	INVESTMENT STRATEGY	CAPITAL COMMITTED	PAID-IN CAPITAL	CAPITAL DISTRIBUTED [1]	REPORTED MARKET VALUE	NET IRR
Vestar Capital Partners IV, L.P.	1999	Corporate Finance/Buyout	17,000,000	14,563,413	6,743,901	11,450,341	10.32%
Welsh, Carson, Anderson & Stowe IX, L.P.	2000	Corporate Finance/Buyout	15,000,000	13,500,000	5,916,221	14,142,171	16.22%
Welsh, Carson, Anderson & Stowe VII, LP	1995	Corporate Finance/Buyout	15,000,000	15,000,000	27,688,782	3,671,987	17.65%
Welsh, Carson, Anderson & Stowe VIII, L.P.	1998	Corporate Finance/Buyout	15,000,000	15,000,000	2,221,692	11,567,576	(1.43%)
Weston Presidio Capital IV, L.P.	2000	Venture Capital	15,000,000	12,924,751	3,159,336	10,375,867	2.32%
Weston Presidio Capital IV, L.P. - Secondary	2000	Venture Capital	2,826,000	2,398,569	640,395	2,103,177	11.65%
Whitney V, L.P.	2001	Corporate Finance/Buyout	10,000,000	9,591,353	6,365,645	11,633,378	30.48%
TOTAL PORTFOLIO:			**$ 1,010,451,329**	**$ 657,489,604**	**$ 410,846,169**	**$ 465,979,020**	**11.12%**

[1] *Capital distributed includes recallable returns of capital, which will increase the unfunded commitment.*

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PERFORMANCE SUMMARY BY CATEGORY
AS OF DECEMBER 31, 2005

	CAPITAL COMMITTED	PAID-IN CAPITAL	PERCENTAGE CONTRIBUTED	CAPITAL DISTRIBUTED [1]	PERCENTAGE DISTRIBUTED	REPORTED MARKET VALUE	NET IRR
Investment Strategy							
Corporate Finance/Buyout	$ 636,315,794	$ 382,265,560	60.07%	$ 269,860,901	70.60%	$ 297,369,570	14.45%
Special Situation	144,639,856	106,492,447	73.63%	74,165,513	69.64%	71,832,876	10.96%
Venture Capital	229,495,679	168,731,597	73.52%	66,819,754	39.60%	96,776,574	(1.44%)
TOTAL PORTFOLIO:	**$ 1,010,451,329**	**$ 657,489,604**	**65.07%**	**$ 410,846,169**	**62.49%**	**$ 465,979,020**	**11.12%**
Vintage Year							
1995	$ 15,000,000	$ 15,000,000	100.00%	$ 27,688,782	184.59%	$ 3,671,987	17.65%
1996	30,000,000	29,373,043	97.91%	50,016,213	170.28%	5,801,257	14.13%
1997	45,000,000	46,258,581	102.80%	87,026,807	188.13%	12,405,420	26.13%
1998	72,000,000	69,378,517	96.36%	56,952,104	82.09%	33,140,919	5.96%
1999	156,539,856	135,117,198	86.31%	58,387,044	43.21%	83,311,201	1.41%
2000	180,945,679	150,173,612	82.99%	67,967,871	45.26%	119,370,580	8.26%
2001	84,550,000	69,102,473	81.73%	43,266,164	62.61%	58,563,936	21.59%
2002	20,000,000	6,727,099	33.64%	805	0.01%	8,278,021	11.74%
2003	92,000,000	51,338,072	55.80%	11,696,756	22.78%	52,564,080	32.71%
2004	125,123,250	65,422,548	52.29%	7,843,623	11.99%	70,197,951	23.30%
2005	139,292,544	19,598,461	14.07%	-	0.00%	18,673,668	(16.22%)
2006	50,000,000	-	0.00%	-	N/A	-	N/A
TOTAL PORTFOLIO:	**$ 1,010,451,329**	**$ 657,489,604**	**65.07%**	**$ 410,846,169**	**62.49%**	**$ 465,979,020**	**11.12%**

[1] *Capital distributed includes recallable returns of capital, which will increase the unfunded commitment.*

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PRIVATE EQUITY BENCHMARKS
AS OF DECEMBER 31, 2005

CORPORATE FINANCE/BUYOUT NORTH AMERICA

VINTAGE YEAR	NET IRR	POOLED AVG IRR [1]
1995	17.65%	8.30%
1996	6.10%	5.30%
1997	12.32%	8.80%
1998	1.74%	1.60%
1999	6.86%	7.50%
2000	21.35%	10.90%
2001	33.77%	19.60%
2002	11.74%	9.70%
2003	32.71%	43.30%
2004	38.82%	2.70%
2005	(10.61%)	(24.90%)

SPECIAL SITUATION NORTH AMERICA

VINTAGE YEAR	NET IRR	POOLED AVG IRR [1]
1995	N/A	20.40%
1996	10.07%	24.10%
1997	N/A	13.80%
1998	8.25%	6.20%
1999	2.94%	0.40%
2000	3.92%	3.70%
2001	27.74%	12.20%
2002	N/A	10.70%
2003	N/A	33.70%
2004	57.48%	2.30%
2005	N/A	(15.80%)

VENTURE CAPITAL NORTH AMERICA

VINTAGE YEAR	NET IRR	POOLED AVG IRR [1]
1995	N/A	61.30%
1996	N/A	86.20%
1997	90.96%	52.30%
1998	10.23%	21.30%
1999	(10.92%)	(9.80%)
2000	(7.95%)	(3.40%)
2001	(6.24%)	(0.90%)
2002	N/A	(2.30%)
2003	N/A	7.80%
2004	(5.46%)	(6.70%)
2005	(16.38%)	(18.60%)

[1] Source: Venture Economics, 12/31/2005 Benchmarks. The benchmarks reflect pooled average returns from the vintage year to the latest available reported date in Venture Economics.

N/A - No investments made in the specified vintage year in the defined investment strategy.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PRIVATE EQUITY BENCHMARKS
AS OF DECEMBER 31, 2005

CORPORATE FINANCE/BUYOUT WESTERN EUROPE		
VINTAGE YEAR	NET IRR	POOLED AVG IRR [1]
1995	N/A	37.10%
1996	24.36%	18.80%
1997	N/A	10.90%
1998	18.71%	5.00%
1999	N/A	4.00%
2000	N/A	10.90%
2001	32.01%	17.10%
2002	N/A	3.90%
2003	N/A	14.80%
2004	23.68%	(5.10%)
2005	(10.65%)	(19.30%)

SPECIAL SITUATION WESTERN EUROPE		
VINTAGE YEAR	NET IRR	POOLED AVG IRR [1]
1995	N/A	34.50%
1996	N/A	17.20%
1997	N/A	9.10%
1998	N/A	4.10%
1999	13.94%	1.70%
2000	N/A	4.40%
2001	N/A	11.70%
2002	N/A	4.10%
2003	N/A	9.60%
2004	N/A	(5.00%)
2005	N/A	(23.10%)

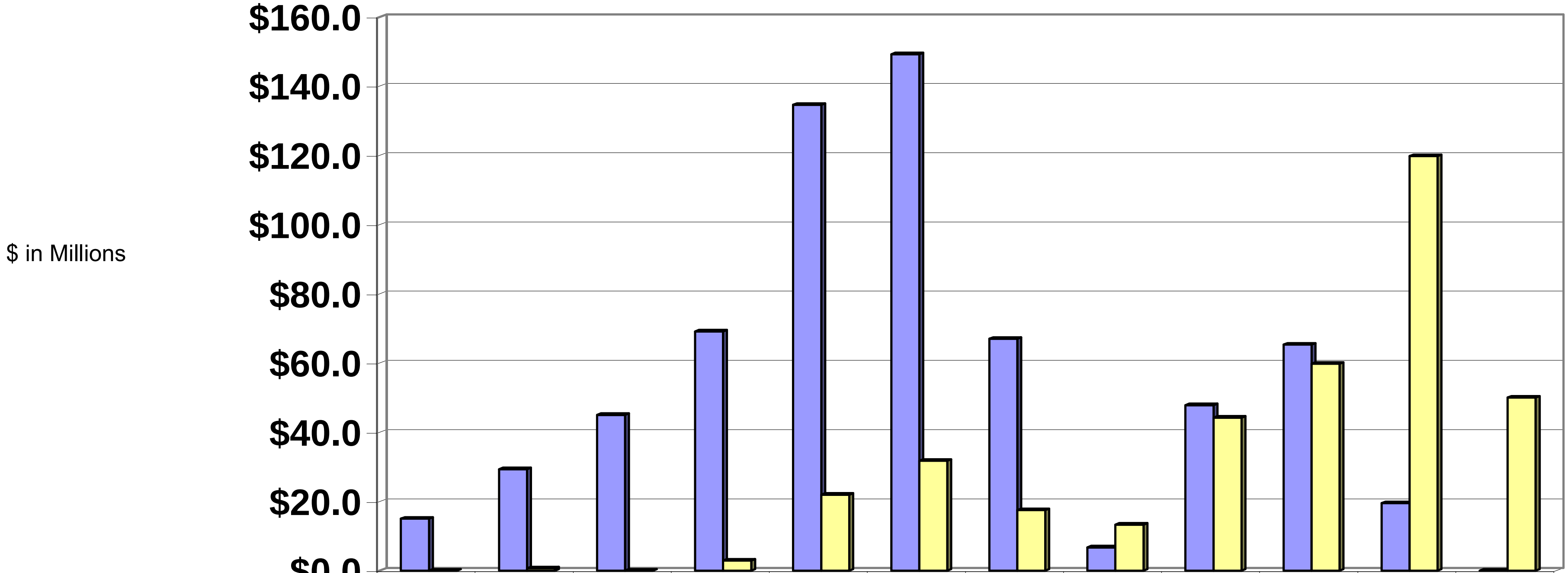
[1] Source: Venture Economics, 12/31/2005 Benchmarks. The benchmarks reflect pooled average returns from the vintage year to the latest available reported date in Venture Economics.

N/A - No investments made in the specified vintage year in the defined investment strategy.

SECTION 3

PORTFOLIO ANALYTICS

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
COMMITMENTS BY VINTAGE YEAR
AS OF DECEMBER 31, 2005

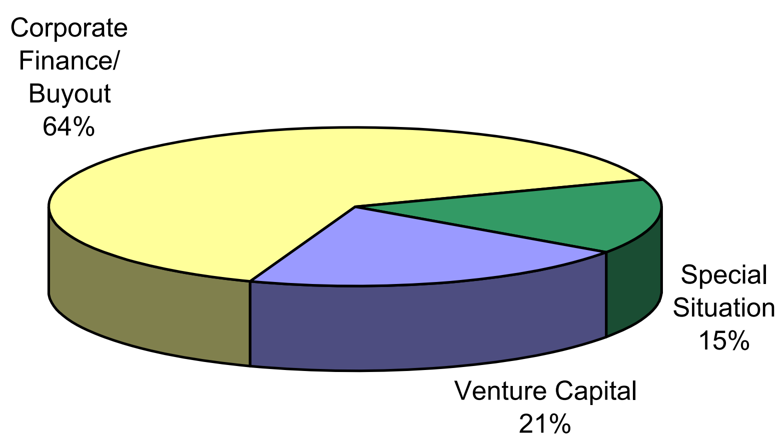


	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Funded Commitments*	$15.0	$29.3	$45.0	$69.1	$134.6	$149.2	$67.0	$6.7	$47.8	$65.3	$19.5	$0.0
Unfunded Commitments**	$0.0	$0.7	$0.0	$2.9	$21.9	$31.7	$17.5	$13.3	$44.2	$59.8	$119.8	$50.0

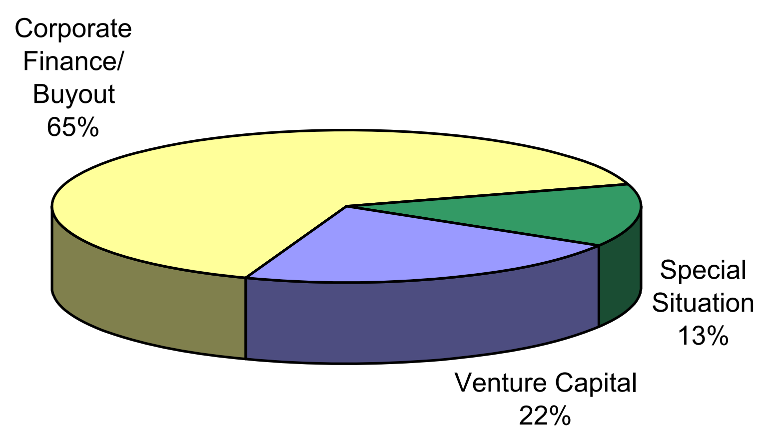
**Funded Commitments exclude additional fees.*
***Unfunded Commitments include recallable returns of capital.*

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PORTFOLIO STRATEGIC DIVERSIFICATION
AS MEASURED BY REPORTED MARKET VALUE

As of December 31, 2005



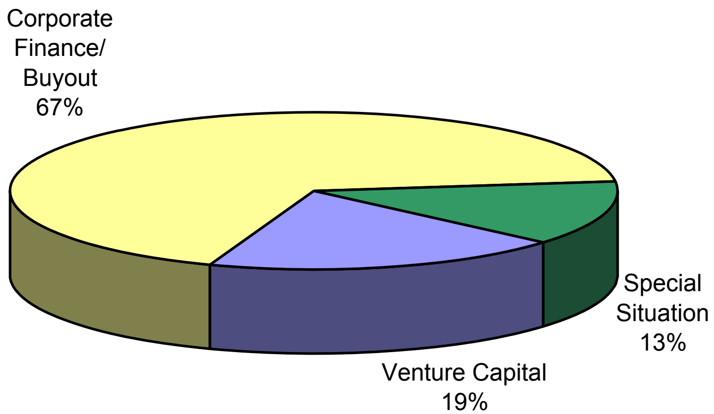
As of December 31, 2004



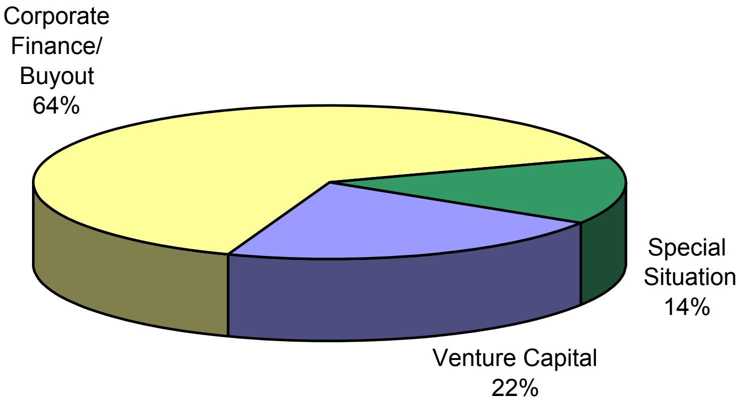
Note: Based on reported market values provided by the general partners.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PORTFOLIO STRATEGIC DIVERSIFICATION
AS MEASURED BY TOTAL EXPOSURE

As of December 31, 2005



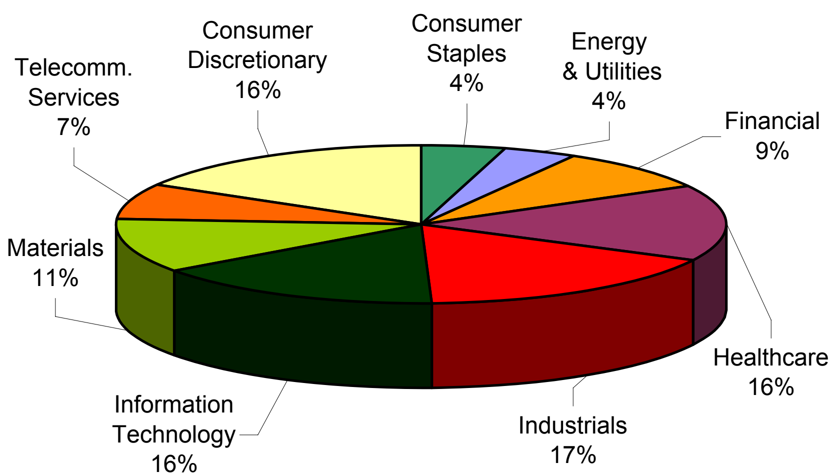
As of December 31, 2004



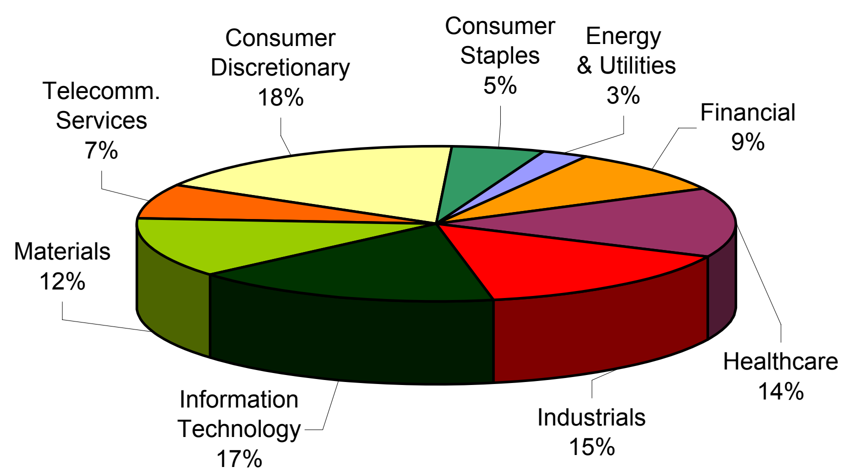
Note: Based on reported market values provided by the general partners.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
UNDERLYING INVESTMENT DIVERSIFICATION
BY INDUSTRY CLASSIFICATION

As of December 31, 2005

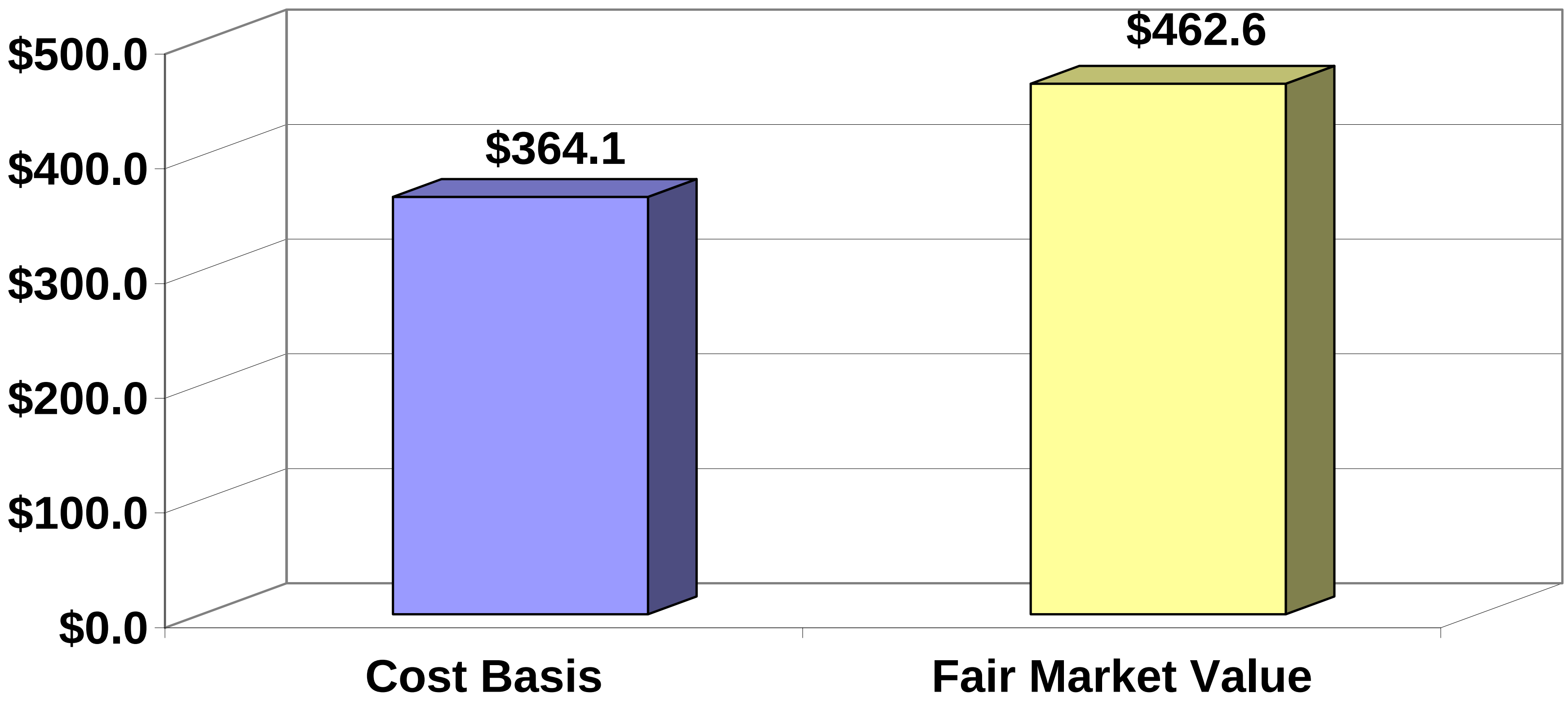


As of December 31, 2004



Note: Based on reported market values provided by the general partners.

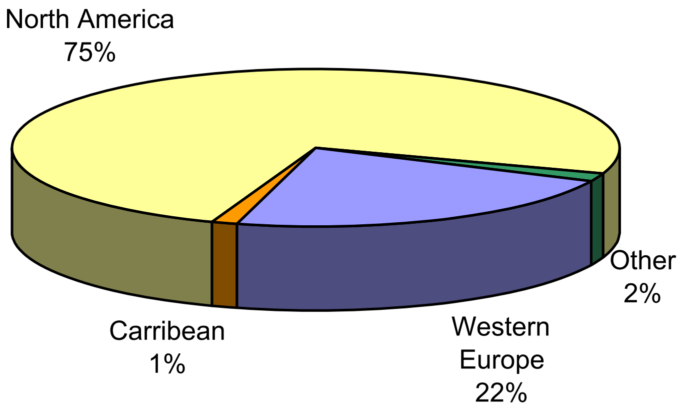
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
COST AND FAIR MARKET VALUE (EXPOSED MARKET VALUE)
OF PORTFOLIO HOLDINGS
AS OF DECEMBER 31, 2005



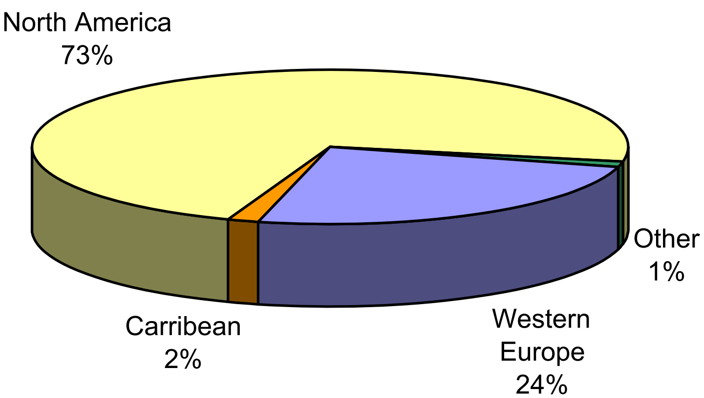
Note: Based on the reported market values provided by the general partners.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
UNDERLYING INVESTMENT DIVERSIFICATION
BY GEOGRAPHIC LOCATION

As of December 31, 2005



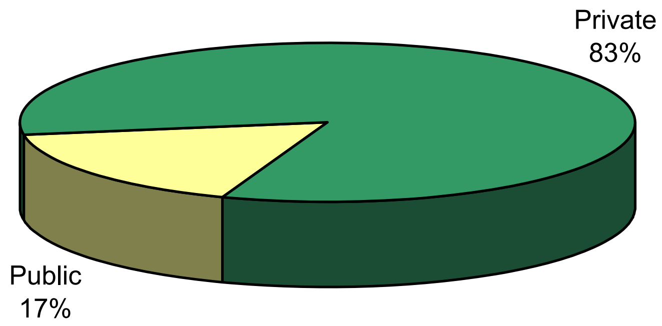
As of December 31, 2004



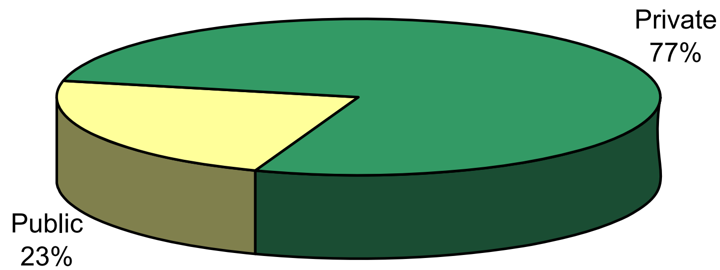
Note: Based on reported market values provided by the general partners.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PUBLIC VS. PRIVATE HOLDINGS
AS OF DECEMBER 31, 2005

Based on Number of Companies



Based on Reported Market Value



Note: Based on reported market values provided by the general partners.

APPENDIX A

GLOSSARY OF TERMS

GLOSSARY OF TERMS

ADDITIONAL FEES: The amount of capital an investor pays into a fund/investment that does not count against the investors' commitment. Additional fees typically consist of management fees or late-closing interest expense.

CAPITAL COMMITTED: An investor's financial obligation to provide a set amount of capital to the investment.

CAPITAL CONTRIBUTED: Capital contributed from an investor's capital commitment to fund partnership investments, organizational expenses and management fees.

CAPITAL DISTRIBUTED: Cash or stock disbursed to the investors of an investment.

CO/DIRECT INVESTMENT: A direct investment is a purchased interest of an operating company. A co-investment is a direct investment made alongside a partnership.

CORPORATE FINANCE/BUYOUT: Funds seeking to make controlling and non-controlling investments in established companies which have the potential to achieve greater value through improved performance.

COST BASIS: Capital contributions less return of principal.

FUND-OF-FUNDS: An investment vehicle which invests in other private equity partnerships.

FUND/INVESTMENT SIZE: The total amount of capital committed by investors to a fund.

INVESTMENT CATEGORY: Used to identify investments in one of the following categories: co/direct investments, fund-of-funds, primary funds, secondary fund-of-funds or secondary purchases.

INVESTMENT STRATEGY: A sub-classification of a partnership's investment type, such as Co/Direct Investment, Corporate Finance/Buyout, Mezzanine, Real Estate, Special Situation, Venture Capital.

LIFE CYCLE PERIOD: The current stage of a partnership depending on the percentage contributed to date. Life cycle periods are investment and realization.

MEZZANINE: An investment strategy involving the purchase of subordinated debt. These securities exist between the senior debt and equity of a holding's capital structure. Subordinated debt carries a lower level of risk than pure equity structures because they generate current income and have a more senior position in the company's capital structure.

NET INTERNAL RATE OF RETURN ("IRR"): The discount rate that equates the net present value of the partnership's cash outflows with its inflows and residual value at the time of calculation. The calculation is net of management fees and the general partner's carried interest.

ORIGINATOR: The institution responsible for recommending a client commit to an investment.

GLOSSARY OF TERMS

OWNERSHIP PERCENTAGE: The investor’s percent of ownership as measured by capital committed divided by fund/investment size.

PAID-IN CAPITAL: The amount of capital an investor has contributed to a partnership, which includes capital contributions and additional fees.

POOLED AVERAGE IRR: An IRR calculation which aggregates cash flows (paid-in capital and capital distributed) and the reported market values of each investment within a portfolio to create one portfolio investmen and return.

PORTFOLIO HOLDING EXPOSURE: The limited partner's pro rata allocation to an underlying investment based on the its ownership percentage of the partnership.

PRIMARY FUND: Defines when the investor acquired an interest in the partnership. Primary fund is the investment category when an investor participates in a closing at the inception of the partnership.

PRIVATE EQUITY PARTNERSHIP: A professionally managed pool of capital that generally invests in unlisted companies or securities. Common investment strategies include corporate finance/buyout, mezzanine, special situations and venture capital.

REALIZED MULTIPLE: Ratio of cumulative distributions to paid-in capital.

RETURN ON INVESTMENT ("ROI"): A calculation based on the total value (market value plus distributions) divided by paid-in capital for an investment.

REPORTED MARKET VALUE: The investment’s capital account balance at quarter end, which includes the general partner’s reported value of the underlying holdings and other assets and liabilities.

SECONDARY FUND-OF-FUNDS: A private equity vehicle formed to purchase active partnership interests from an investor.

SECONDARY PURCHASE: A purchase of an existing partnership interest or pool of partnership interests from an investor.

SPECIAL SITUATION: Partnerships that invest using a unique strategy. Examples include distressed and turnaround, industry focused and multi-stage partnerships.

TOTAL EXPOSURE: Calculated by the summation of market value and unfunded commitments.

VENTURE CAPITAL: An investment strategy that provides start-up or growth capital to companies in the early stages of development. Venture investments generally involve a greater degree of risk, but have the potential for higher returns.

VINTAGE YEAR: The year in which a partnership makes its first capital call for an investment into a portfolio company/holding.

APPENDIX B

DISCLOSURE STATEMENTS

DISCLOSURE STATEMENTS

Non-public information contained in this report is confidential and intended solely for dissemination to Los Angeles City Employees' Retirement System and/or its Affiliates. Hamilton Lane has prepared this report to enable Los Angeles City Employees' Retirement System and/or its Affiliates to assess the performance and status of its alternative investment portfolio. Hamilton Lane hereby disclaims any liability resulting from any unauthorized dissemination of the attached information.

The information contained in this report may include forward-looking statements regarding the funds presented or their portfolio companies. Forward-looking statements include a number of risks, uncertainties and other factors beyond the control of the funds or the portfolio companies, which may result in material differences in actual results, performance or other expectations. The information presented is not a complete analysis of every material fact concerning each fund or each company. The opinions, estimates and analyses reflect our current judgment, which may change in the future.

The past performance information contained in this report is not necessarily indicative of future results and there is no assurance that the funds will achieve comparable results or that they will be able to implement their investment strategy or achieve their investment objectives. The actual realized value of currently unrealized investments will depend on a variety of factors, including future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions and circumstances on which the current unrealized valuations are based.

Any tables, graphs or charts relating to past performance included in this report are intended only to illustrate the performance of the funds or the portfolio companies referred to for the historical periods shown. Such tables, graphs and charts are not intended to predict future performance and should not be used as the basis for an investment decision.