

ENNISKNUPP

PERFORMANCE REPORT

Independent
advice for
the institutional
investor

Ventura County
Employees'
Retirement
Association

Fourth Quarter 2006

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Ennis, Knupp + Associates calculates rates of return for each manager quarterly. Occasionally discrepancies arise between returns computed by the managers and those calculated by Ennis, Knupp + Associates due to differences in computational procedures, securities pricing services, etc. We monitor these discrepancies closely and find that they generally do not tend to persist over time. If a material discrepancy does persist, we will bring the matter to your attention. A description of the policy portfolios and fund universes used throughout this report appears in Appendix II. All rates of return contained in this report for time periods greater than one year are annualized. Returns are calculated net of fees and expenses.

HIGHLIGHTS

HIGHLIGHTS

Fourth Quarter 2006

The Russell 3000 Index advanced 7.1% during the fourth quarter and gained 15.7% over the one-year period. The majority of the U.S. stock return occurred in the latter half of the year as concerns over energy prices, foreign affairs, and the looming hurricane season dissipated. The manufacturing sector of the US economy struggled during 2006, but on the flip-side the service industries - financial services, health care, and retail - performed well and carried the market. The moderate outlook for GDP growth and declining energy prices caused the Federal Reserve to hold interest rates at existing levels. The equity markets responded favorably to the economic environment, with the Dow Jones Industrial Average closing at an all time high of 12,510.57 during the quarter.

Non-U.S. equity markets, as measured by the MSCI ACWI-ex U.S. Index, gained 11.2% during the quarter and 26.7% over the one-year period. Continued economic development across the world and a weakening dollar boosted gains for U.S. based investors. Emerging markets posted yet another year of stellar gains, advancing 32.2% over the trailing year. Latin American stocks led gains in international markets, posting impressive gains of 43.5%.

The Lehman Brothers Aggregate Bond Index gained 4.3% in 2006. The U.S. Treasury yield curve remained inverted at the end of the quarter. The high yield sector, which has generated positive returns for four of the past five calendar years, advanced 11.8% in 2006.

RETURN SUMMARY ENDING 12/31/06

	Fourth Quarter	1 Year Ending 12/31/06	3 Years Ending 12/31/06
Russell 3000 Index	7.1%	15.7%	11.2%
MSCI All Country World Ex-U.S. Index	11.2	26.7	21.3
LB Aggregate Bond Index	1.2	4.3	3.7

Asset Growth

VCERA's Total Fund increased by \$134.4 million during the quarter. The asset gain is attributable to investment gains of \$165.9 million and withdrawals during the quarter of \$31.5 million.

Market Value (millions) as of 9/30/06	\$2,819.9
Income/Appreciation	165.9
Net Contributions/Withdrawals	(31.5)
Market Value (millions) at 12/31/06	\$2,954.3

Fourth Quarter 2006

Asset Allocation

The table below highlights VCERA's current investment allocations relative to its policy. As of December 31, 2006, VCERA was slightly overweight to U.S. equity, non-U.S. equity and global equity and underweight to fixed income and real estate. As of quarter-end, the portfolio was in compliance with the Investment Policy Statement's rebalancing policy.

During the quarter VCERA made three withdrawals totaling \$31.5 million from the BGI US Equity Index Fund.

ACTUAL VS. CURRENT POLICY

	Actual Allocation	Policy Allocation	Difference
U.S. Equity	47.3%	47.0%	+0.3%
Non-U.S. Equity	14.3	14.0	+0.3
Global Equity	4.4	4.0	+0.4
U.S. Fixed Income	27.2	28.0	-0.8
Real Estate	6.8	7.0	-0.2

Total Investments

The table on the following page highlights VCERA's total portfolio return for the quarter, as well as the returns for each of the individual asset class components within the Total Fund. During the fourth quarter, the Total Fund increased 5.8% and matched the return of the policy benchmark. The relative outperformance of the fixed income and real estate asset classes offset poor relative results from the equity asset classes.

The total U.S. equity portfolio increased 7.0% and approximated the Russell 3000 Index during the quarter. Delta and Wasatch both underperformed their respective benchmarks during the quarter. LSV and the passive U.S. equity investments approximated the returns of their benchmarks. The non-U.S. equity portfolio trailed its benchmark as the strong relative returns of Sprucegrove were offset by the weak relative results of Capital Guardian. The global equity portfolio detracted from performance during the quarter due to weak relative performance by both managers.

The fixed income portfolio exceeded its benchmark during the fourth quarter as all of the asset class' managers outpaced or matched their benchmarks during the period. The relative performance of the Loomis Sayles and Western portfolios accounted for a majority of the gains. The total real estate portfolio exceeded its policy benchmark by 90 basis points as UBS and Guggenheim outperformed their respective benchmarks.

HIGHLIGHTS

Fourth Quarter 2006

RETURN SUMMARY ENDING 12/31/06

	Fourth Quarter		1 Year Ending 12/31/06		3 Years Ending 12/31/06		5 Years Ending 12/31/06		10 Years Ending 12/31/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Fund	5.8%	49	14.0%	49	10.9%	62	8.7%	71	8.9%	29	10.0%	--	3/31/80
Policy Portfolio	5.8	48	14.0	48	10.9	61	8.6	74	8.7	44	--	--	
Total U.S. Equity	7.0	49	15.3	31	10.7	75	7.0	74	8.6	65	10.6	64	12/31/93
Russell 3000 Index	7.1	38	15.7	25	11.2	60	7.2	67	8.6	63	10.9	60	
Total Non-U.S. Equity	10.8	42	25.2	50	21.1	30	16.1	40	10.0	35	10.4	33	3/31/94
Performance Benchmark	11.2	33	26.7	30	21.3	27	16.2	39	8.2	74	8.2	77	
Total Global Equity	8.3	57	19.5	52	--	--	--	--	--	--	19.5	--	4/30/05
MSCI All Country World Index	9.1	45	21.0	47	--	--	--	--	--	--	21.5	--	
Total U.S. Fixed Income	1.5	43	5.3	31	4.5	30	5.7	38	6.6	36	6.3	--	2/28/94
LB Aggregate Bond Index	1.2	60	4.3	62	3.7	69	5.1	64	6.2	65	6.3	--	
Total Real Estate	4.5	--	15.6	--	16.3	--	14.1	--	12.4	--	11.6	--	3/31/94
Policy Benchmark	3.6	--	15.3	--	16.6	--	13.0	--	12.6	--	11.7	--	

MARKET ENVIRONMENT
Fourth Quarter 2006

MARKET ENVIRONMENT

OVERVIEW

MAJOR MARKET RETURNS

	Fourth Quarter	1 Year Ending 12/31/06	3 Years Ending 12/31/06	5 Years Ending 12/31/06	10 Years Ending 12/31/06
Dow Jones Wilshire 5000 Index	7.2 %	15.8 %	11.5 %	7.6 %	8.7 %
MSCI All-Country World Ex-US Free	11.2	26.7	21.3	16.4	8.2
MSCI EAFE Free	10.4	26.3	19.9	15.0	7.7
MSCI Emerging Markets	17.6	32.2	30.5	26.6	9.1
MSCI All-Country World Index	9.1	21.0	15.6	10.8	7.8
Lehman Brothers Aggregate Bond Index	1.2	4.3	3.7	5.1	6.2

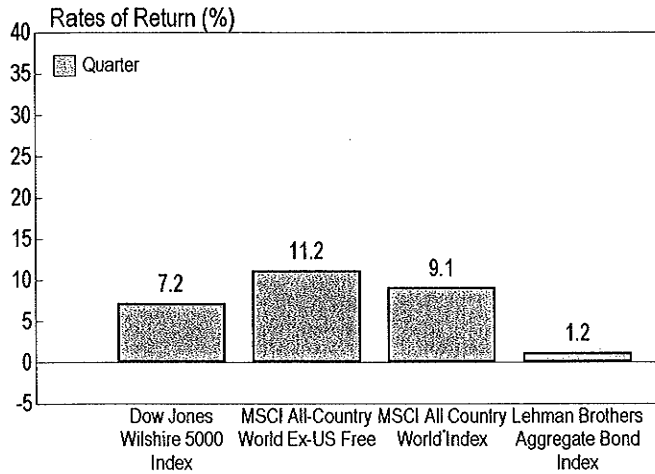
The broad U.S. equity market continued its strong run of performance, posting another impressive gain for the quarter. U.S. stocks continued to advance, led by lower inflation concerns, a continued decline in commodities prices, and persistent earnings growth. Final GDP estimates showed that growth is continuing to moderate as GDP grew only 2.0% during the third quarter, down from the previous two quarters. This, along with lower energy prices, allowed the Federal Reserve to hold interest rates steady for the time being. The equity markets responded to this favorable environment and on December 27, 2006 the Dow Jones Industrial Average closed at an all time record high of 12,510.57. Another milestone occurred during the quarter as the S&P 500 Index continued its impressive streak of double-digit earnings growth. Third quarter numbers, which were announced during the fourth quarter, marked the eighteenth consecutive quarter of double digit earnings growth, a streak that dates back to March 2002.

The Dow Jones Wilshire 5000 Index gained 7.2% during the fourth quarter. The index advanced 15.8% in 2006, which marked the fourth consecutive year of gains for the Index. All sectors advanced during the quarter, with energy leading the way gaining 11.1%. Materials and utilities also out-performed the Index during the quarter, gaining 10.0% and 8.9%, respectively. Utilities and energy were the best performing sectors during 2006, gaining 28.0% and 21.7% over the last twelve months. During the past quarter and one-year period, small cap stocks have outperformed their large cap counterparts, and value has outperformed growth.

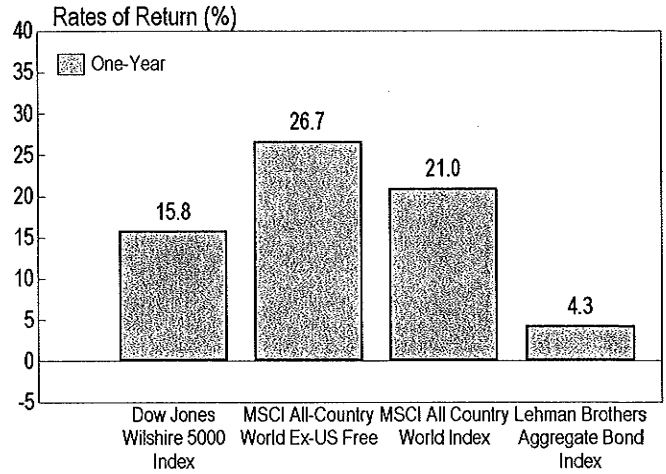
Non-U.S. stocks outperformed domestic equities, gaining an impressive 11.2%. Over the past year the MSCI All Country World ex-U.S. Index advanced 26.7% due to continued economic growth around the globe, and also in part due to the weakening dollar which boosted foreign stock returns for U.S. based investors. In local currency, the Index returned 18.1% for the year. Emerging markets also finished the year strongly, advancing 17.6% during the quarter and 32.2% for the year. South Africa was the best performing region during the fourth quarter, advancing 28.4%. Over the past year, Latin America was the top gaining region advancing 43.5%. Japan lagged the index during both the fourth quarter and one-year period, returning 5.0% and 6.2%, respectively.

The U.S. bond market, as measured by the Lehman Brothers Aggregate Bond Index, advanced 1.2% during the fourth quarter and 4.3% for the year. Once again, the high yield sector performed well, gaining 4.2% during the quarter. Over the past year the high yield sector advanced 11.8%. The high yield market has produced positive returns for the last four out of five years. All Treasury yields rose slightly during the quarter, and the yield curve remains inverted, with short term yields exceeding those of longer term maturities.

**MAJOR MARKET RETURNS
FOURTH QUARTER**

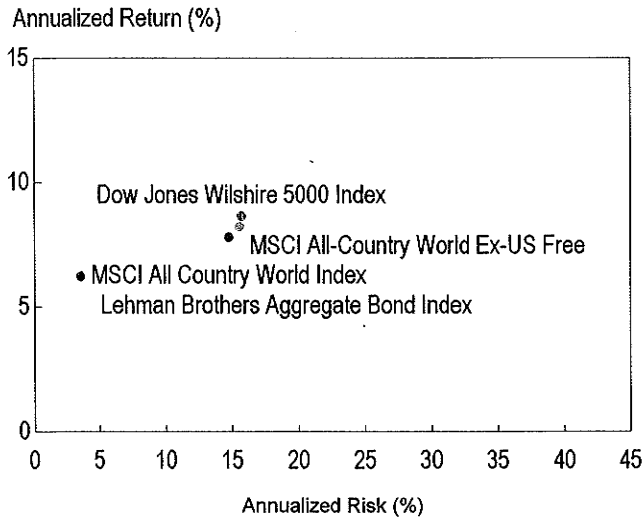


**MAJOR MARKET RETURNS
ONE-YEAR ENDING 12/31/06**

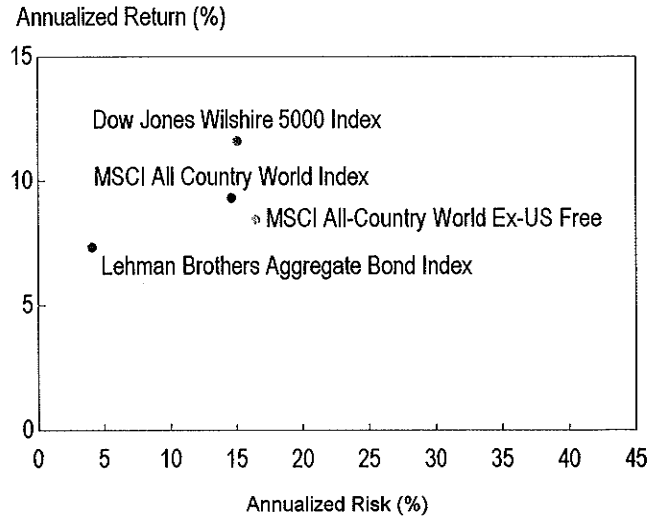


The exhibits above show the performance of the major capital markets during the fourth quarter and one-year period.

**MARKET RISK/RETURN
10 YEARS ENDING 12/31/06**



**MARKET RISK/RETURN
20 YEARS ENDING 12/31/06**

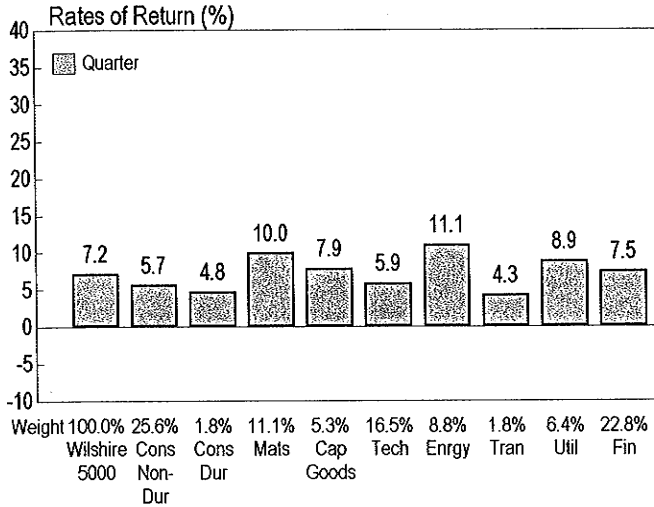


The exhibits above show the historical performance of the major capital markets and the amount of risk (volatility of returns) incurred. Points near the top of the chart represent a greater return and points near the right of the chart indicate greater volatility.

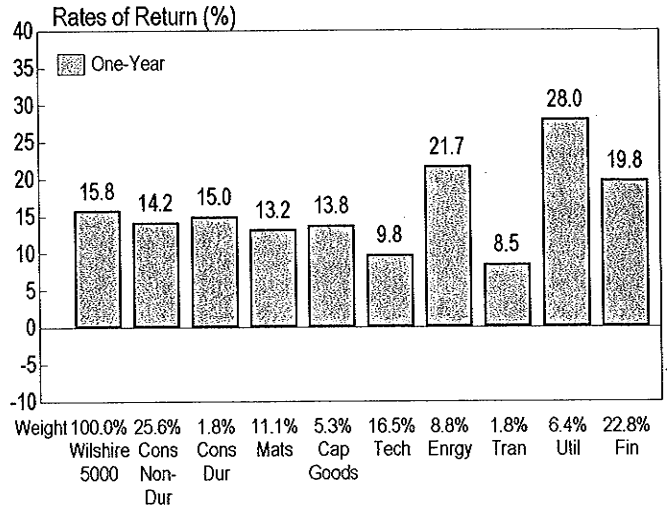
MARKET ENVIRONMENT

U.S. STOCK MARKET

SECTOR RETURNS FOURTH QUARTER



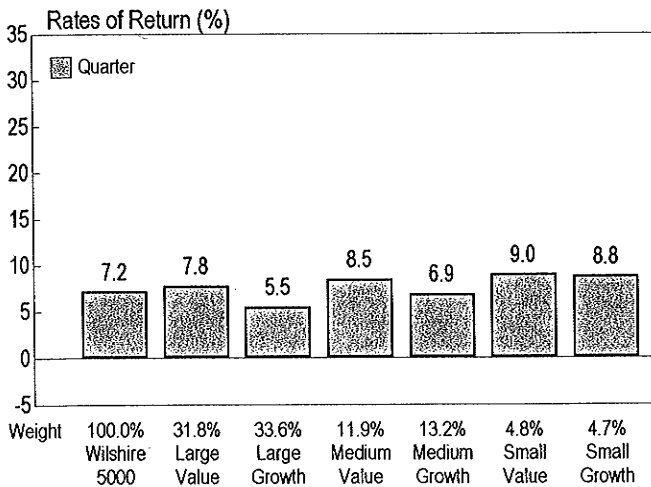
SECTOR RETURNS ONE-YEAR ENDING 12/31/06



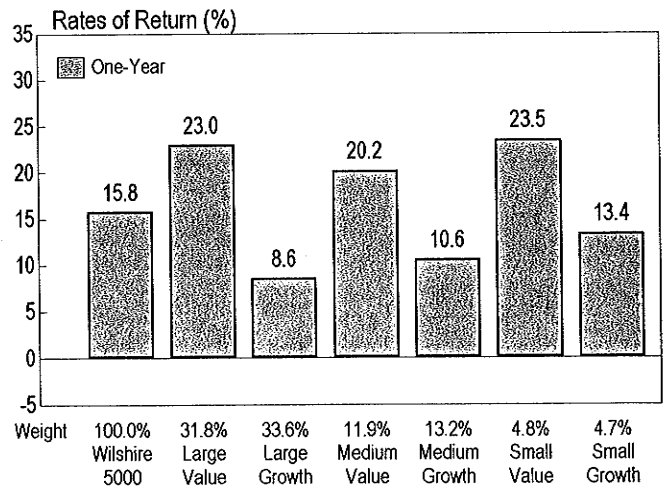
The Dow Jones Wilshire 5000 Index is the broadest available measure of the aggregate domestic stock market. It includes all domestic common stocks with readily available price information.

The exhibits above show the performance of the sectors that comprise the Dow Jones Wilshire 5000 Index. The percentage below each bar indicates the sector's weight within the Dow Jones Wilshire 5000 Index at quarter-end.

STYLE RETURNS FOURTH QUARTER

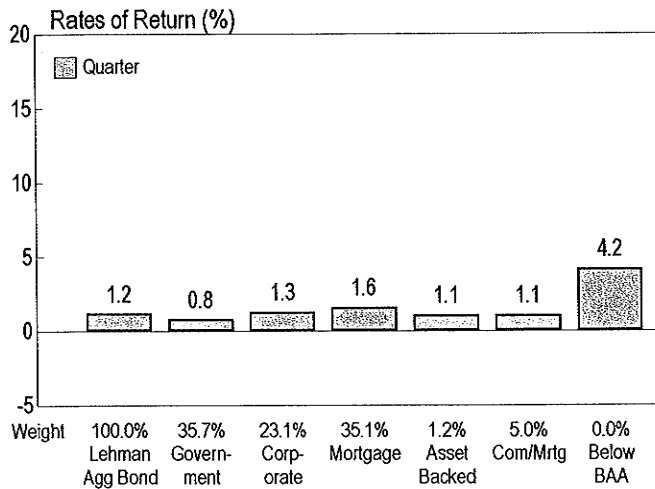


STYLE RETURNS ONE-YEAR ENDING 12/31/06

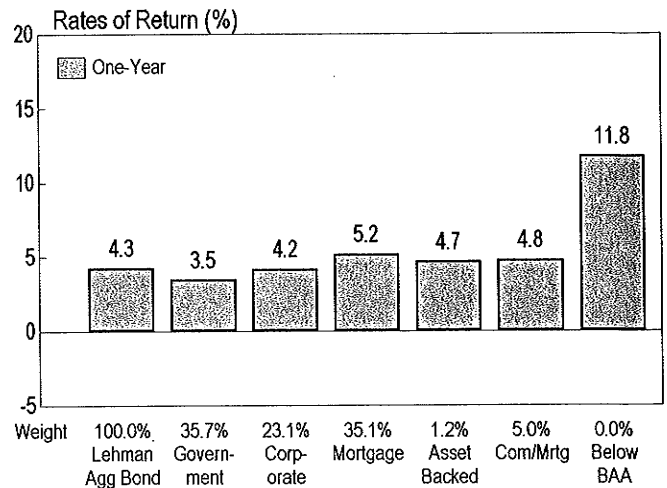


The exhibits above illustrate the performance of stock investment styles according to capitalization (large and small) and style characteristics (value and growth). The percentage below each bar indicates the segment's weight within the Dow Jones Wilshire 5000 Index at quarter-end.

**SECTOR RETURNS
FOURTH QUARTER**



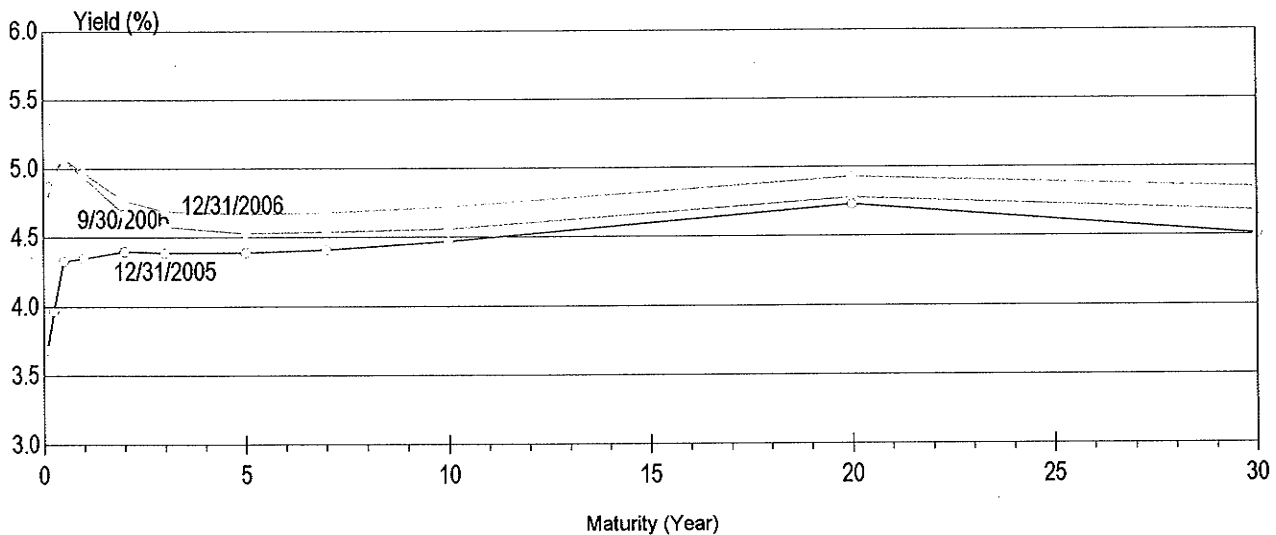
**SECTOR RETURNS
ONE-YEAR ENDING 12/31/06**



The Lehman Brothers Aggregate Bond Index is a broad measure of the U.S. investment grade fixed income market. The Index consists of the corporate, government, and mortgage-backed indexes and includes credit card, auto, and home equity loan-backed securities.

The exhibits above show the performance of the sectors that comprise the broad domestic bond market. The percentage below each bar indicates the sector's weight within the Lehman Brothers Aggregate Bond Index at quarter-end.

U.S. TREASURY YIELD CURVE

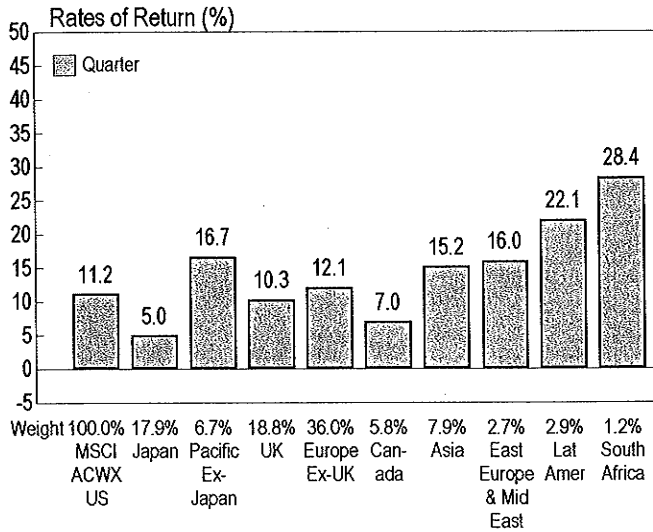


The exhibit above illustrates yields of Treasury securities of various maturities as of December 31, 2005, September 30, 2006, and December 31, 2006.

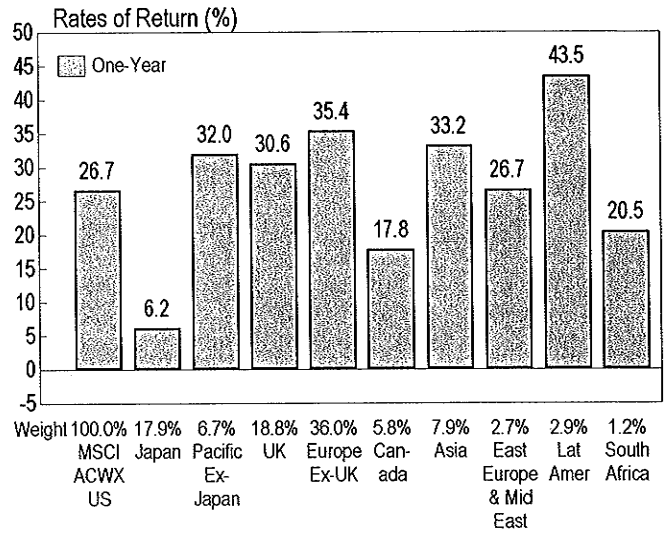
MARKET ENVIRONMENT

NON-U.S. STOCK MARKETS

**NON-U.S. STOCK MARKET RETURNS
FOURTH QUARTER**

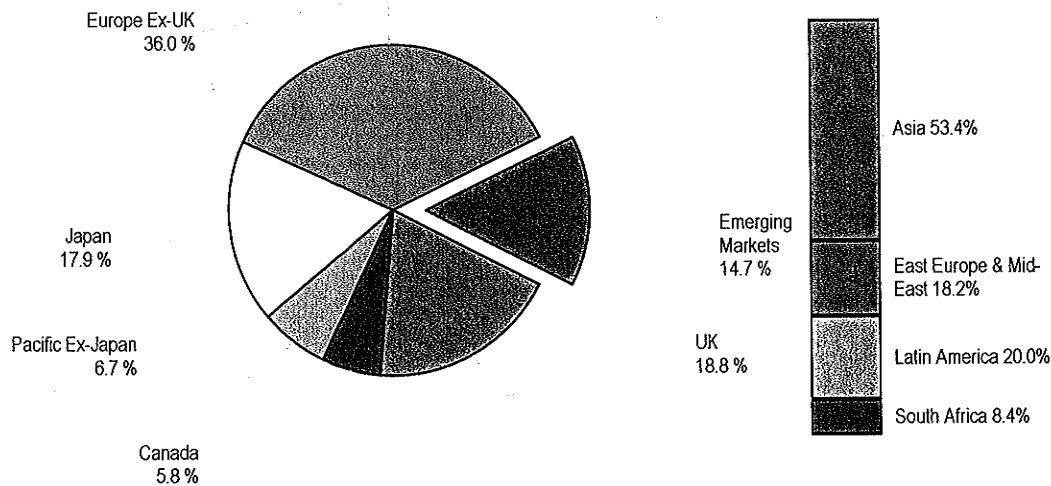


**NON-U.S. STOCK MARKET RETURNS
ONE-YEAR ENDING 12/31/06**



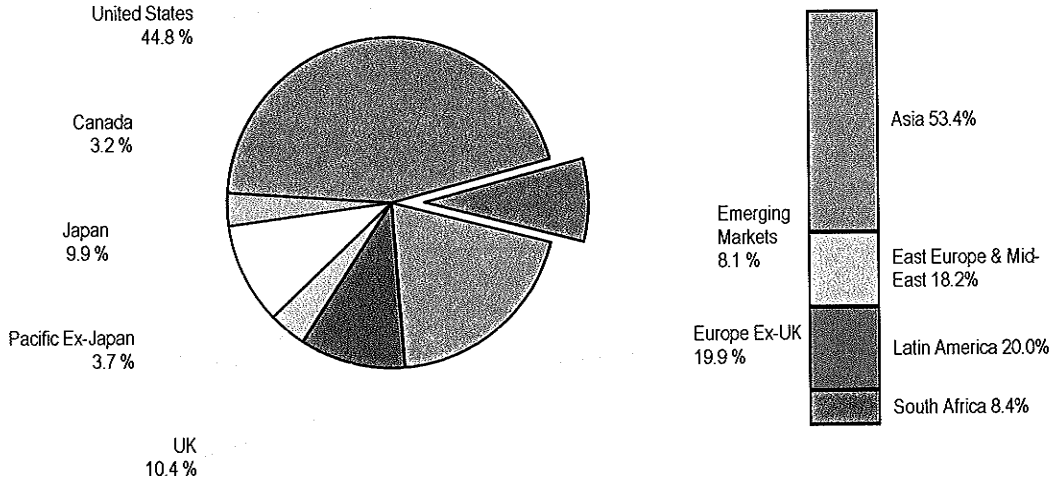
The MSCI All Country World ex-U.S. Index is a capitalization-weighted index of stocks representing 22 developed stock markets and 25 emerging stock markets around the world. The exhibits above show the performance of the regions that comprise the MSCI All Country World ex-U.S. Index at quarter-end.

**MSCI ALL COUNTRY WORLD EX-U.S. STOCK INDEX
GEOGRAPHIC ALLOCATION AS OF 12/31/06**



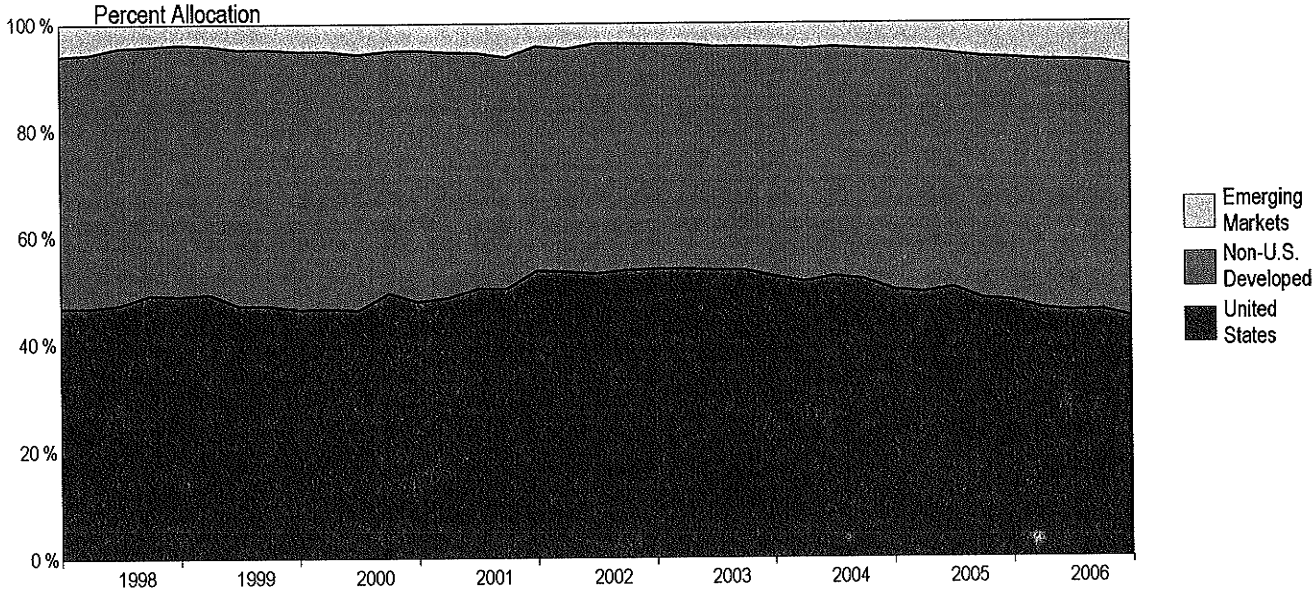
The exhibit above illustrates the percent each region represents of the non-U.S. stock market as measured by the MSCI All Country World ex-U.S. Index.

MSCI ALL COUNTRY WORLD STOCK INDEX
GEOGRAPHIC ALLOCATION AS OF 12/31/06



The MSCI All Country World Index is a capitalization-weighted index of stocks representing 23 developed stock markets and 25 emerging stock markets around the world. The graph above shows the allocation to each region at quarter-end.

ALLOCATION



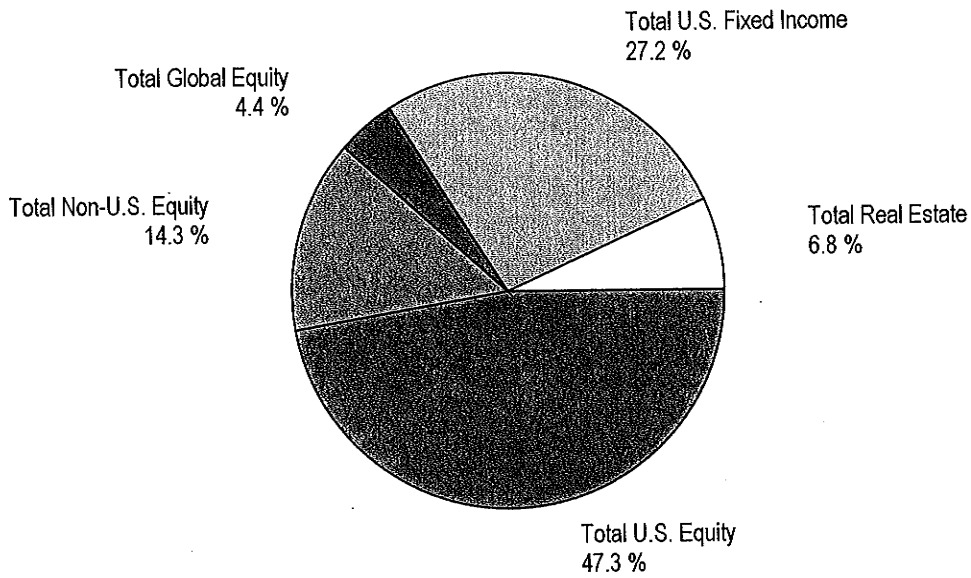
The graph above shows the changes in the breakdown between the United States, non-U.S. developed markets, and emerging markets in the MSCI All Country World Index over time.

ASSET ALLOCATION

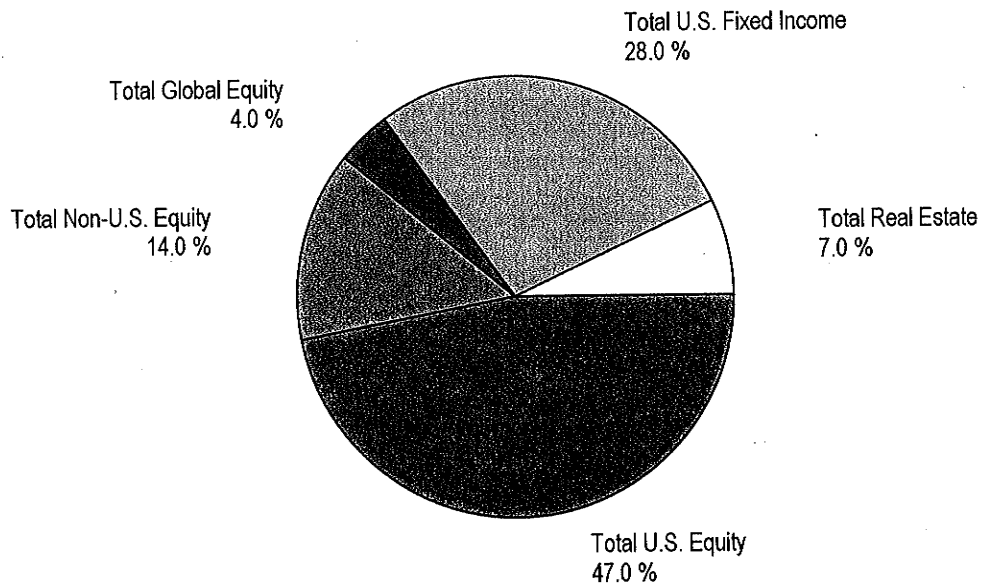
ASSET ALLOCATION

Fourth Quarter 2006

ASSET ALLOCATION ACTUAL AS OF 12/31/2006



ASSET ALLOCATION POLICY AS OF 12/31/2006



ASSET ALLOCATION

Fourth Quarter 2006

ASSET ALLOCATION AS OF 12/31/06

(\$ in thousands)

	U.S. Equity	Non-U.S. Equity	U.S. Bond	Non-U.S. Bond	Real Estate	Cash	Total	Percent of Total	Policy
Delta	\$249,346	--	--	--	--	\$11,204	\$260,550	8.8 %	
BGI Equity Index Fund	872,507	--	--	--	--	--	872,507	29.5	
LSV	92,828	--	--	--	--	1,127	93,955	3.2	
Wasatch	69,743	\$8,675	--	--	--	6,634	85,052	2.9	
BGI Extended Equity	84,839	--	--	--	--	--	84,839	2.9	
Total U.S. Equity	1,369,263	8,675	--	--	--	18,965	1,396,903	47.3	47.0 %
Capital Guardian	--	\$263,644	--	--	--	\$2,394	\$266,038	9.0 %	
Sprucegrove	--	153,095	--	--	--	4,735	157,830	5.3	
Total Non-U.S. Equity	--	416,738	--	--	--	7,129	423,867	14.3	14.0 %
GMO Global Fund	\$21,947	\$43,371	--	--	--	--	\$65,318	2.2 %	
Wellington Global Equity	29,242	34,391	--	--	--	\$256	63,888	2.2	
Total Global Equity	51,188	77,762	--	--	--	256	129,206	4.4	4.0 %
Western	--	--	\$259,914	\$16,190	--	\$13,010	\$289,114	9.8 %	
BGI U.S. Debt Fund	--	--	178,647	--	--	--	178,647	6.0	
Reams	--	--	247,822	--	--	8,192	256,014	8.7	
Loomis Sayles	--	--	62,996	14,440	--	1,904	79,340	2.7	
Total U.S. Fixed Income	--	--	749,378	30,630	--	23,107	803,115	27.2	28.0 %
Prudential Real Estate	--	--	--	--	\$79,878	--	\$79,878	2.7 %	
UBS Real Estate	--	--	--	--	93,383	--	93,383	3.2	
Guggenheim	--	--	--	--	27,908	--	27,908	0.9	
Total Real Estate	--	--	--	--	201,170	--	201,170	6.8	7.0 %
Total Fund	\$1,420,451	\$503,176	\$749,378	\$30,630	\$201,170	\$49,457	\$2,954,262	100.0 %	100.0 %
Percent of Total	48.1%	17.0%	25.4%	1.0%	6.8%	1.7%	100.0%		

The table above highlights VCERA's current investment allocations relative to its policy. As of December 31, 2006, VCERA was slightly overweight to U.S. equity, non-U.S. equity and global equity investments. A corresponding underweight was experienced within the Fund's fixed income and real estate portfolios.

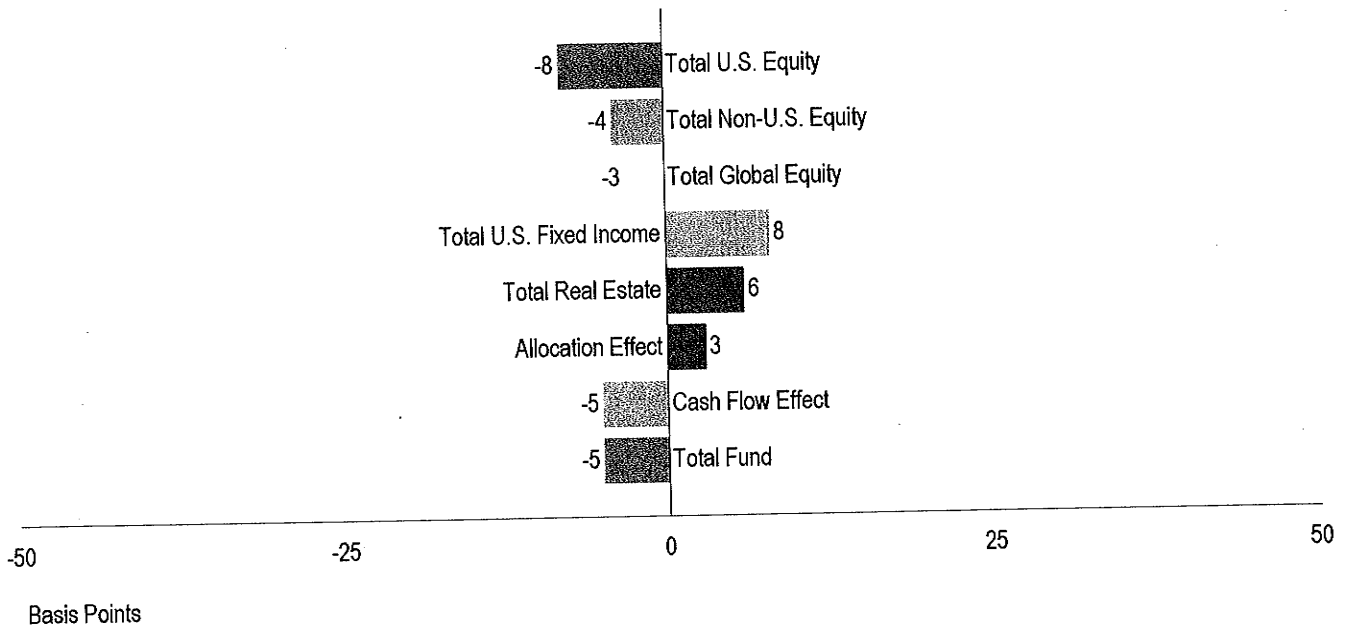
During the quarter VCERA made three withdrawals totaling \$31.5 million from the BGI US Equity Index Fund.

PERFORMANCE EVALUATION

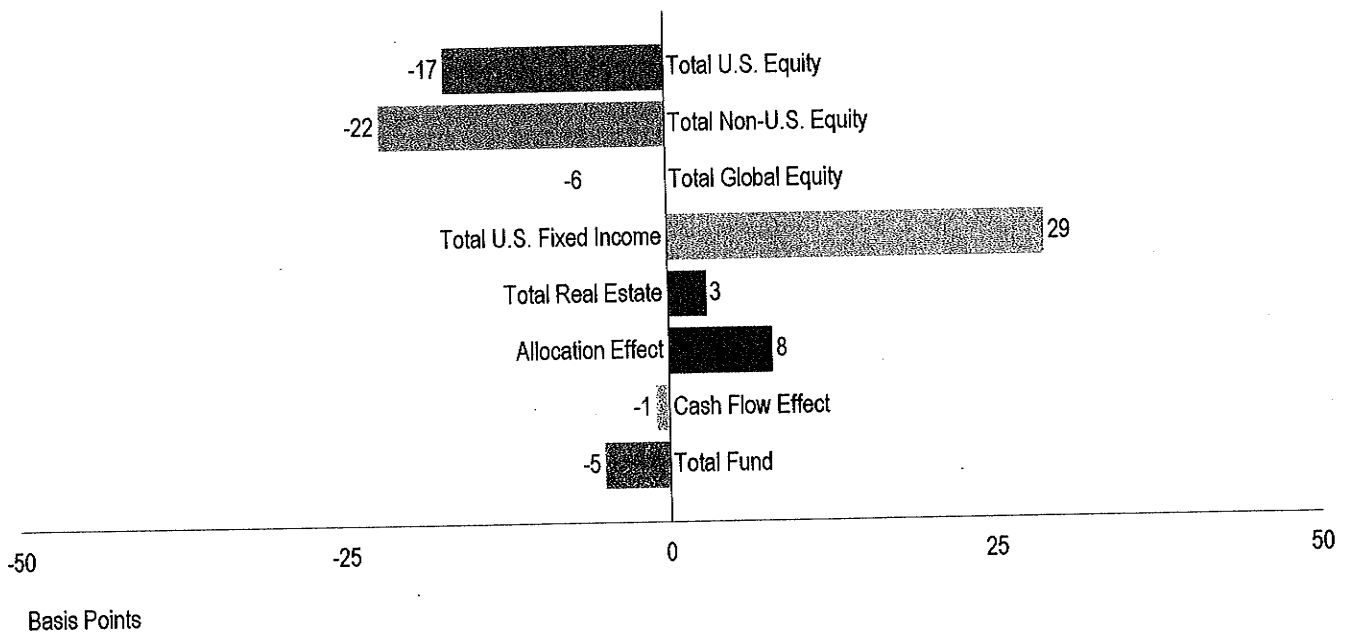
TOTAL FUND

Fourth Quarter 2006

TOTAL FUND ATTRIBUTION ANALYSIS 3 MONTHS ENDING 12/31/06



TOTAL FUND ATTRIBUTION ANALYSIS 1 YEAR ENDING 12/31/06



Fourth Quarter 2006

RETURN SUMMARY
ENDING 12/31/06

	Fourth Quarter		1 Year Ending 12/31/06		3 Years Ending 12/31/06		5 Years Ending 12/31/06		10 Years Ending 12/31/06	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
Total Fund	5.8%	49	14.0%	49	10.9%	62	8.7%	71	8.9%	29
Policy Portfolio	5.8	48	14.0	48	10.9	61	8.6	74	8.7	44

Commentary on Investment Performance

During the fourth quarter, the Total Fund increased 5.8% and approximated the return of the benchmark. The relative outperformance of the fixed income and real estate asset classes offset poor relative results from the equity asset classes.

The total U.S. equity portfolio increased 7.0% and approximated the Russell 3000 index during the quarter. Delta and Wasatch both underperformed their respective benchmarks during the quarter. LSV and the passive U.S. equity investments approximated the returns of their benchmarks. The non-U.S. equity portfolio trailed its benchmark as the strong relative returns of Sprucegrove were offset by the weak relative results of Capital Guardian. The global equity portfolio detracted from performance during the quarter due to weak relative performance by both managers. The fixed income portfolio exceeded its benchmark during the fourth quarter as all of the asset class' managers outpaced or matched their benchmarks during the period. The relative performance of the Loomis Sayles and Western portfolios accounted for a majority of the gains. The total real estate portfolio exceeded its policy benchmark by 90 basis points as UBS and Guggenheim outperformed their respective benchmarks.

The attribution analysis on the top of the previous page highlights the separate components' contribution within VCERA's total portfolio for the fourth quarter. As shown, the greatest contributors included the fixed income and real estate portfolios. All three equity asset classes detracted from results.

The attribution graph on the bottom of the previous page highlights VCERA's performance over the one-year period. The Total Fund trailed the performance of its benchmark by 5 basis points. Over the period, the non-U.S. equity and U.S. equity portfolios contributed the most to the underperformance, while the fixed income asset class added value.

TOTAL FUND

Fourth Quarter 2006

HISTORICAL RETURNS (BY YEAR)

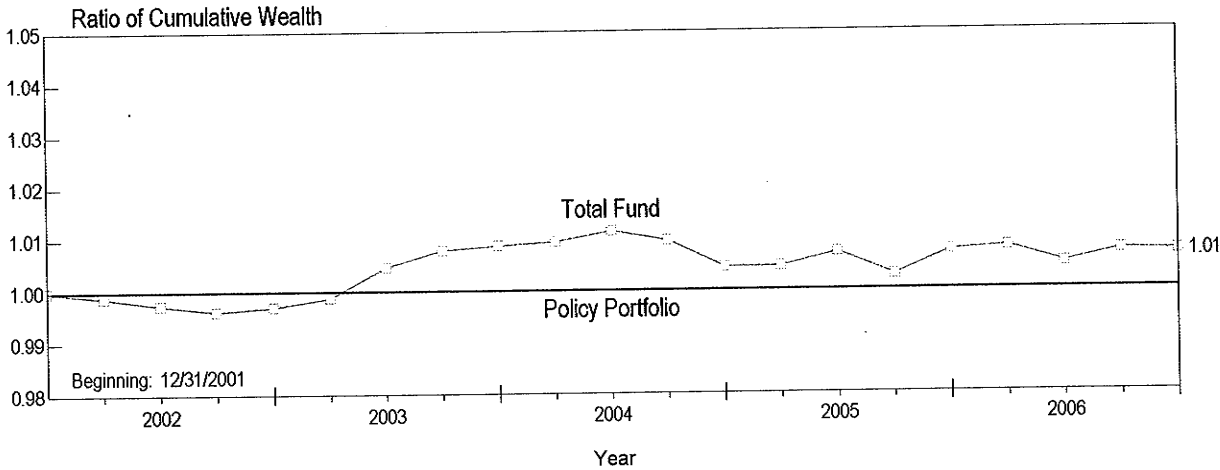
	Total Fund	Policy Portfolio	Return Difference
	Return	Return	
1980	7.7%	9.1%	-1.4
1981	2.2	4.5	-2.3
1982	32.4	26.4	6.0
1983	13.3	11.6	1.7
1984	8.4	11.4	-3.0
1985	22.4	22.8	-0.4
1986	15.4	15.4	0.0
1987	6.6	3.4	3.2
1988	10.1	11.7	-1.6
1989	19.6	21.9	-2.3
1990	6.1	2.9	3.2
1991	19.8	22.1	-2.3
1992	8.6	7.7	0.9
1993	10.0	8.6	1.4
1994	-2.1	0.8	-2.9
1995	25.2	24.6	0.6
1996	14.9	13.6	1.3
1997	18.8	19.9	-1.1
1998	16.8	20.3	-3.5
1999	13.5	14.3	-0.8
2000	0.7	-1.8	2.5
2001	-2.2	-6.0	3.8
2002	-10.4	-10.1	-0.3
2003	24.4	22.9	1.5
2004	10.8	11.3	-0.5
2005	7.9	7.6	0.3
2006	14.0	14.0	0.0
Trailing 3-Year	10.9%	10.9%	0.0
Trailing 5-Year	8.7	8.6	0.1
Trailing 10-Year	8.9	8.7	0.2

Commentary

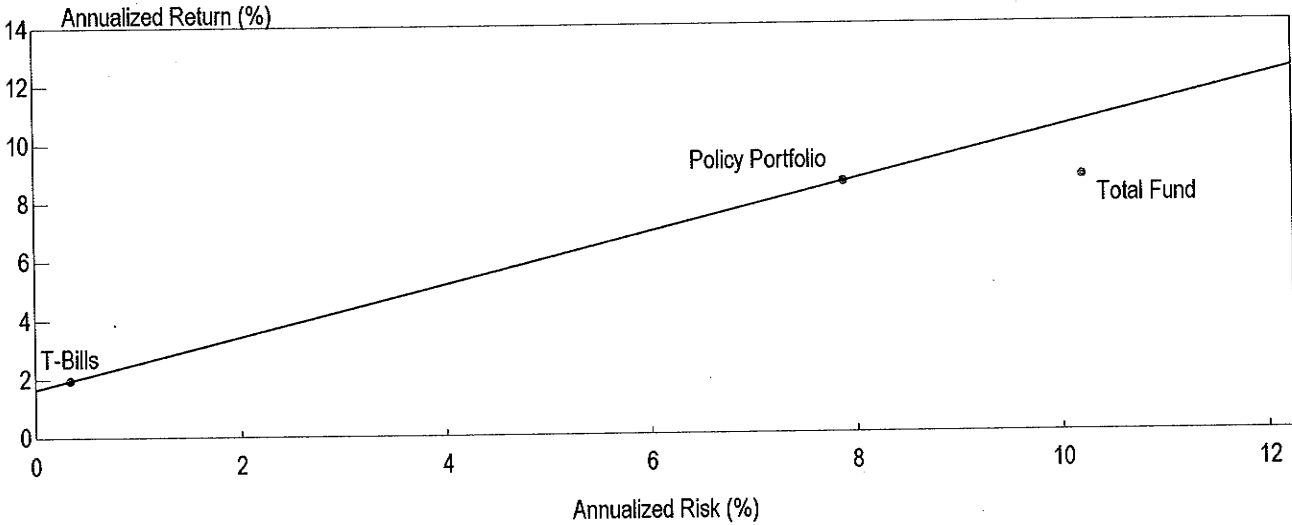
The table above compares the historical returns of VCERA's Total Fund with those of the policy benchmark. The Total Fund's trailing five-and ten-year returns have exceeded that of the benchmark by 0.1 and 0.2 percentage points, respectively.

Fourth Quarter 2006

**RATIO OF CUMULATIVE WEALTH
5 YEARS ENDING 12/31/06**



**ANNUALIZED RISK RETURN
5 YEARS ENDING 12/31/06**



The Ratio of Cumulative Wealth graph above illustrates the Total Fund's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark while a downward sloping line indicates a lower return. As shown, the Total Fund approximated its benchmark over the past five years.

The risk/return graph above exhibits the risk/return characteristics of VCERA's Total Fund, relative to that of its policy portfolio. As seen in the graph, over the past five years, VCERA experienced a similar rate of return but had a higher volatility than the benchmark.

TOTAL FUND

Fourth Quarter 2006

IMRS SCORES

	IMRS SCORE	IMRS Rating	Any Change During the Quarter
U.S. Equity			
Delta	13	Good	No
LSV	16	Excellent	No
Wasatch	17	Excellent	No
Non-U.S. Equity			
Capital Guardian	19	Excellent	No
Sprucegrove	17	Excellent	No
Global Equity			
GMO	15	Good	No
Wellington	15	Good	No
Fixed Income			
Western	16	Excellent	No
Reams	16	Excellent	No
Loomis Sayles	16	Excellent	No
Real Estate			
Prudential	17.5	Excellent	No
UBS	18	Excellent	No
Guggenheim	14	Good	No

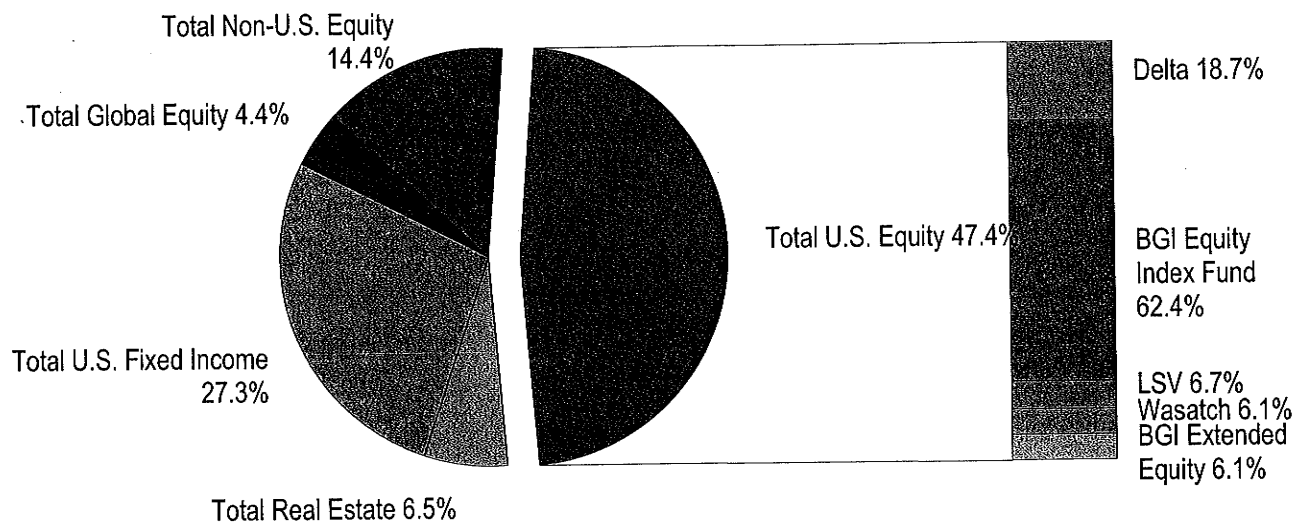
There were no material changes to the managers' ratings during the quarter.

TOTAL U.S. EQUITY

\$1,396.9 Million and 47.3% of Fund

Fourth Quarter 2006

ASSET ALLOCATION AS OF 12/31/06

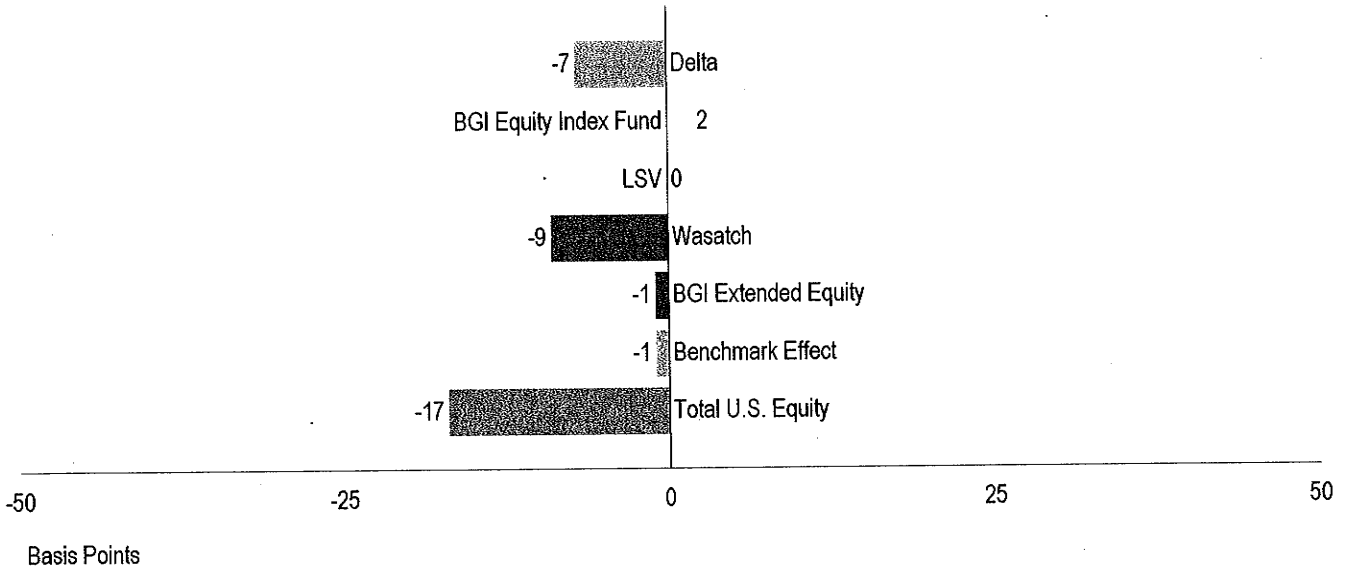


TOTAL U.S. EQUITY

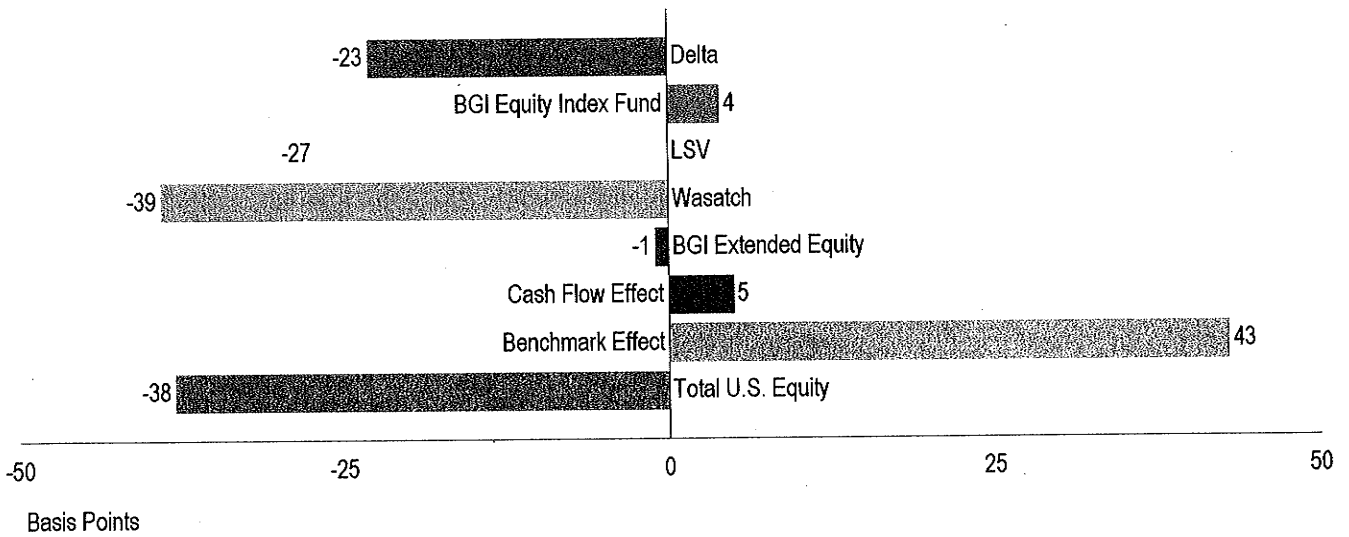
\$1,396.9 Million and 47.3% of Fund

Fourth Quarter 2006

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 12/31/06



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 12/31/06



TOTAL U.S. EQUITY

\$1,396.9 Million and 47.3% of Fund

Fourth Quarter 2006

**RETURN SUMMARY
ENDING 12/31/06**

	Fourth Quarter		1 Year Ending 12/31/06		3 Years Ending 12/31/06		5 Years Ending 12/31/06		10 Years Ending 12/31/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total U.S. Equity	7.0 %	49	15.3 %	31	10.7 %	75	7.0 %	74	8.6 %	65	10.6 %	64	12/31/93
Russell 3000 Index	7.1	38	15.7	25	11.2	60	7.2	67	8.6	63	10.9	60	
Delta	6.3	58	14.6	50	9.4	67	5.8	63	8.9	53	11.3	57	9/30/91
S&P 500 Index	6.7	46	15.8	41	10.4	56	6.2	58	8.4	61	11.0	60	
BGI Equity Index Fund	6.7	45	15.9	40	10.5	55	6.2	57	--	--	6.0	--	7/31/97
S&P 500 Index	6.7	46	15.8	41	10.4	56	6.2	58	--	--	6.0	--	
LSV	9.0	39	19.3	33	15.7	47	18.6	8	--	--	15.8	42	9/30/98
Russell 2000 Value Index	9.0	33	23.5	7	16.5	34	15.4	48	--	--	14.6	66	
Wasatch	7.2	63	8.0	78	8.9	67	6.6	54	--	--	14.5	--	11/30/99
Performance Benchmark	8.8	43	13.3	34	10.5	44	6.9	50	--	--	6.3	--	
BGI Extended Equity	8.8	30	15.2	45	14.6	32	--	--	--	--	20.8	--	10/31/02
DJ Wilshire 4500 Index	9.1	27	15.3	44	14.4	33	--	--	--	--	20.9	--	

TOTAL U.S. EQUITY

\$1,396.9 Million and 47.3% of Fund

Fourth Quarter 2006

The Russell 3000 Index advanced 7.1% during the fourth quarter and gained 15.7% over the one-year period. The majority of the U.S. stock return occurred in the latter half of the year as concerns over energy prices, foreign affairs, and the looming hurricane season dissipated. The manufacturing sector of the US economy struggled during 2006, but on the flip-side the service industries - financial services, health care, and retail - performed well and carried the market. The moderate outlook for GDP growth and declining energy prices caused the Federal Reserve to hold interest rates at existing levels. The equity markets responded favorably to the economic environment, with the Dow Jones Industrial Average closing at an all time high of 12,510.57 during the quarter.

The total U.S. equity portfolio's return approximated that of its benchmark during the fourth quarter. Active managers, Delta and Wasatch, underperformed their benchmarks by 0.4 and 1.6 percentage points, respectively. The portfolio's other active manager, LSV, approximated its benchmark.

Performance over the one-, three-, five-, and since-inception time periods is below that of the Russell 3000 Index.

The attribution analysis on page 24 highlights each manager's contribution within VCERA's U.S. equity portfolio. The benchmark effect in the quarter and one-year attribution graphs is the cumulative performance of the individual manager's benchmarks relative to the Russell 3000 Index (the U.S. equity benchmark). During the one-year period, the positive benchmark effect is a result of the manager's benchmarks (S&P 500 and Russell 2000 Value Index) outperforming the broad market Index during the period.

Fourth Quarter 2006

RETURN SUMMARY
ENDING 12/31/06

	Fourth Quarter		1 Year Ending 12/31/06		3 Years Ending 12/31/06		10 Years Ending 12/31/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Delta	6.3%	58	14.6%	50	9.4%	67	8.9%	53	11.3%	57	9/30/91
S&P 500 Index	6.7	46	15.8	41	10.4	56	8.4	61	11.0	60	

Philosophy and Process

Delta Asset Management attempts to identify changes in the economic/business environment that could positively impact groupings of stocks. The macroeconomic analysis determines the types of sectors/industries upon which the firm focuses. The manager conducts analysis at the security level to identify those companies that are well positioned to benefit from its economic outlook. The manager uses fundamental research to identify those companies that are expected to show an increase in revenue and earnings as a result of changes in the company's business, products or market position.

Commentary on Investment Performance

During the quarter, Delta returned 6.3% but underperformed the S&P 500 Index by 40 basis points primarily due to poor sector allocation decisions. The manager was underweight in the consumer discretionary and telecommunications sectors where stocks performed favorably. Additionally, the manager continued to hold a large overweight to information technology (23% vs. 15% for the Index) and this hindered results during both the quarter and the one-year time periods as information technology holdings have not enjoyed the same success as other mega cap stocks. The manager did hold an underweight to health care selections which helped to mitigate some of the manager's poor sector allocation decisions.

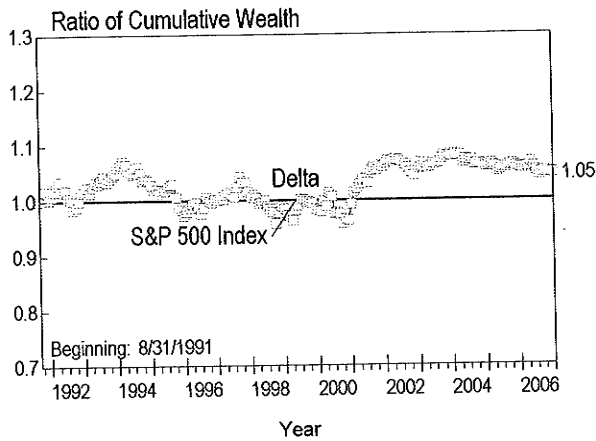
Delta's longer-period returns are mixed when compared with those of the S&P 500 Index.

DELTA

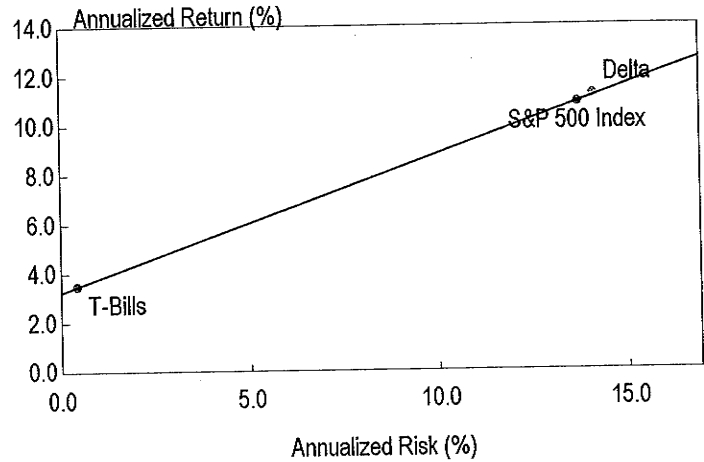
\$260.5 Million and 8.8% of Fund

Fourth Quarter 2006

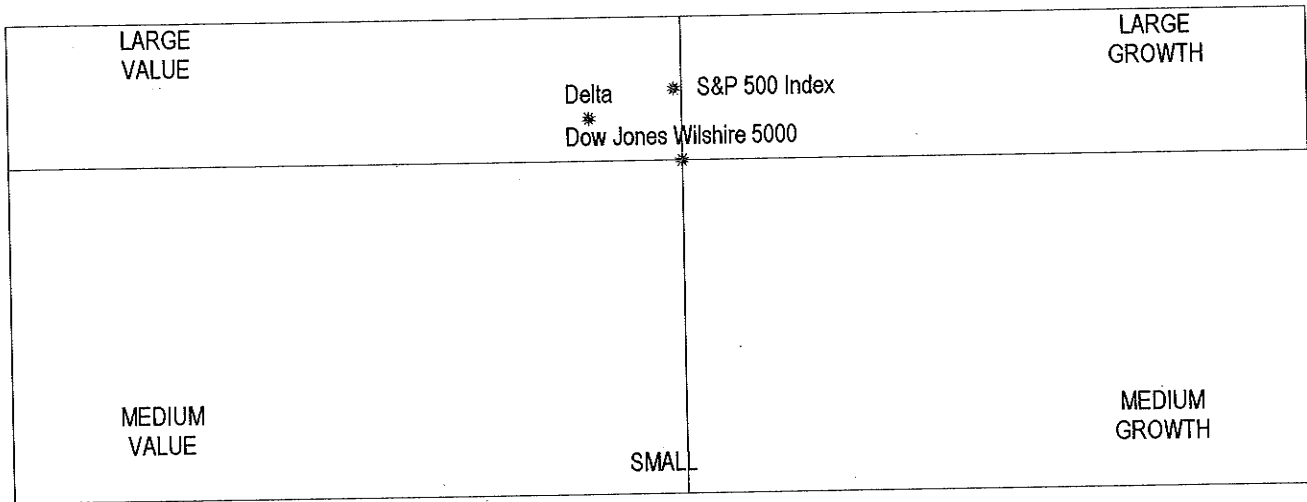
RATIO OF CUMULATIVE WEALTH
15 YEARS 4 MONTHS ENDING 12/31/06



ANNUALIZED RISK RETURN
15 YEARS 4 MONTHS ENDING 12/31/06



EFFECTIVE STYLE MAP
15 YEARS 4 MONTHS ENDING 12/31/06



The Ratio of Cumulative Wealth graph above on the left illustrates the manager's cumulative performance relative to that of the S&P 500 Index. An upward sloping line between two points indicates that the component's return exceeded that of the Index, while a downward sloping line indicates a lesser return. As seen in the graph, the manager has added value since inception as relative performance was strong in 2000, 2001, and 2003.

The risk/return graph above on the right illustrates the risk return characteristics of Delta, relative to the S&P 500 Index. As seen from the chart, Delta's return is greater than that of the Index while taking on a correspondingly higher level of risk.

The bottom graph highlights Delta's investment style over time.

Fourth Quarter 2006

HISTORICAL RETURNS
(BY YEAR)

	Delta		S&P 500 Index		Return Difference
	Return	Rank	Return	Rank	
1991 (3 months)	7.5 %	67	8.4 %	58	-0.9
1992	8.3	59	7.7	64	0.6
1993	15.0	35	10.1	75	4.9
1994	-1.8	74	1.3	36	-3.1
1995	30.2	86	37.6	34	-7.4
1996	26.5	19	23.0	47	3.5
1997	34.0	27	33.4	33	0.6
1998	25.9	47	28.6	39	-2.7
1999	20.7	46	21.0	45	-0.3
2000	-8.1	67	-9.1	71	1.0
2001	-5.4	30	-11.9	57	6.5
2002	-22.8	57	-22.1	53	-0.7
2003	31.4	28	28.7	51	2.7
2004	9.0	68	10.9	51	-1.9
2005	4.7	70	4.9	68	-0.2
2006	14.6	50	15.8	41	-1.2
Trailing 3-Year	9.4 %	67	10.4 %	56	-1.0
Trailing 5-Year	5.8	63	6.2	58	-0.4
Trailing 10-Year	8.9	53	8.4	61	0.5
Since Inception (9/30/91)	11.3	57	11.0	60	0.3

The chart above shows the historical performance of the Delta portfolio and its benchmark, the S&P 500 Index. As shown, 1994 and 1995 accounted for the greatest below-benchmark performance, while 1993 and 2001 were the calendar years that contributed most to the outperformance since inception. The ten-year and since-inception returns have added value relative to the benchmark.

	Delta	S&P 500
Capitalization Focus	Large	Large
Number of Holdings	105	500
Top 5 Holdings	Citigroup ExxonMobil General Electric Bank of America Microsoft	ExxonMobil General Electric Citigroup Microsoft Bank of America
Sector Emphasis	Information Technology	Financial Services
Cash Allocation	4.3%	0.0%
Total Strategy Assets	\$4.1 Billion	--
Inception Date	9/30/91	--
Portfolio Manager(s)	Carl Goldsmith, Marla Ryan	--

BGI EQUITY INDEX FUND

\$872.5 Million and 29.5% of Fund

Fourth Quarter 2006

RETURN SUMMARY ENDING 12/31/06

	Fourth Quarter		1 Year Ending 12/31/06		3 Years Ending 12/31/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI Equity Index Fund	6.7 %	45	15.9 %	40	10.5 %	55	6.0 %	--	7/31/97
S&P 500 Index	6.7	46	15.8	41	10.4	56	6.0	--	

Philosophy and Process

The BGI Equity Index Fund is an index fund which is designed to replicate the performance of the S&P 500 Index. BGI looks to replicate the performance of the S&P 500 Index by holding each security within the Index.

Commentary on Investment Performance

The BGI Equity Index Fund successfully tracked the performance of the S&P 500 Index during the quarter. Additionally, the Fund closely tracked the benchmark over all longer time periods analyzed.

BGI EQUITY INDEX FUND

\$872.5 Million and 29.5% of Fund

Fourth Quarter 2006

HISTORICAL RETURNS (BY YEAR)

	BGI Equity Index Fund		S&P 500 Index		Return Difference
	Return	Rank	Return	Rank	
1997 (5 months)	2.4%	--	2.4%	--	0.0
1998	28.6	39	28.6	39	0.0
1999	21.0	45	21.0	45	0.0
2000	-9.1	71	-9.1	71	0.0
2001	-11.9	57	-11.9	57	0.0
2002	-22.1	53	-22.1	53	0.0
2003	28.7	50	28.7	51	0.0
2004	10.9	51	10.9	51	0.0
2005	5.0	67	4.9	68	0.1
2006	15.9	40	15.8	41	0.1
Trailing 3-Year	10.5%	55	10.4%	56	0.1
Trailing 5-Year	6.2	57	6.2	58	0.0
Since Inception (7/31/97)	6.0	--	6.0	--	0.0

BGI EXTENDED EQUITY INDEX FUND

\$84.8 Million and 2.9% of Fund

Fourth Quarter 2006

RETURN SUMMARY ENDING 12/31/06

	Fourth Quarter		1 Year Ending 12/31/06		3 Years Ending 12/31/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI Extended Equity	8.8 %	30	15.2 %	45	14.6 %	32	20.8 %	--	10/31/02
DJ Wilshire 4500 Index	9.1	27	15.3	44	14.4	33	20.9	--	

Philosophy and Process

The BGI Extended Market Index Fund provides investment in the U.S. equity market excluding those stocks represented in the S&P 500 Index. The Extended Market Index Fund is managed using an optimization technique and as such does not hold all of the securities in the benchmark.

Commentary on Investment Performance

The BGI Extended Equity Index Fund, as expected, successfully tracked the DJ Wilshire 4500 Index over all time periods shown above.

BGI EXTENDED EQUITY INDEX FUND**\$84.8 Million and 2.9% of Fund****Fourth Quarter 2006****HISTORICAL RETURNS
(BY YEAR)**

	BGI Extended Equity		DJ Wilshire 4500 Index		Return Difference
	Return	Rank	Return	Rank	
2002 (2 months)	2.1 %	--	2.4 %	--	-0.3
2003	43.2	46	43.8	44	-0.6
2004	18.1	70	18.1	70	0.0
2005	10.5	27	10.0	34	0.5
2006	15.2	45	15.3	44	-0.1
Trailing 3-Year	14.6 %	32	14.4 %	33	0.2
Since Inception (10/31/02)	20.8	--	20.9	--	-0.1

LSV

\$94.0 Million and 3.2% of Fund

Fourth Quarter 2006

RETURN SUMMARY ENDING 12/31/06

	Fourth Quarter		1 Year Ending 12/31/06		3 Years Ending 12/31/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
LSV	9.0 %	39	19.3 %	33	15.7 %	47	15.8 %	42	9/30/98
Russell 2000 Value Index	9.0	33	23.5	7	16.5	34	14.6	66	

Philosophy and Process

LSV's small-cap value philosophy attempts to purchase undervalued securities with the expectation that they will appreciate in value. The process uses a quantitative three-factor model that looks at how cheap a security is relative to the company's earnings and cash flows, long-term performance (1 to 5 years before a security is purchased) and momentum factors. Once securities are selected from LSV's 7,500 stock universe, they are ranked and given an expected return. The most attractive stocks make it into the portfolio.

Commentary on Investment Performance

LSV's fourth-quarter return was 9.0% which equaled the return of the Russell 2000 Value Index. The manager's overweight allocation to materials, this quarter's best performing small cap sector, was additive to results although poor stock selection offset gains achieved by the allocation. Also contributing to results was positive stock selection within the technology and utilities sectors.

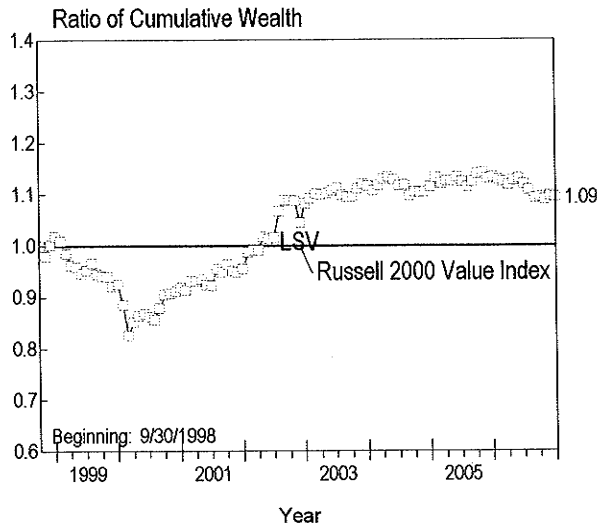
The performance of all longer time periods analyzed above was mixed. The one- and three-year returns trailed the benchmark, while the since-inception results were favorable.

At quarter-end the portfolio's cash allocation was 1.0%, which was within the limits of their policy guidelines.

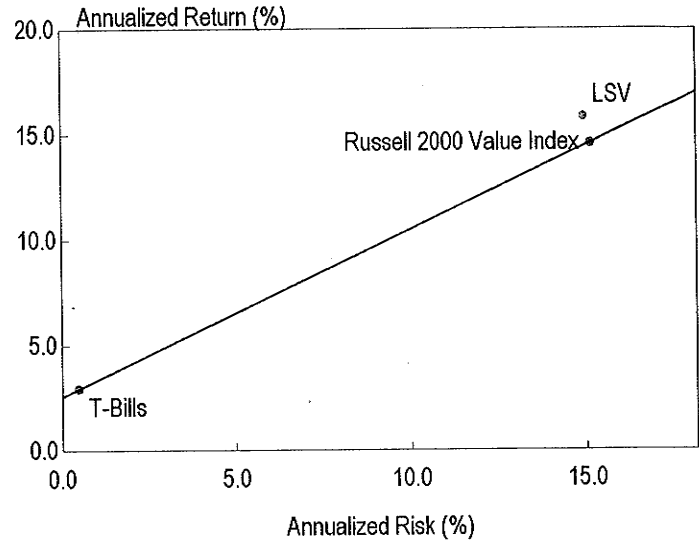
The manager did, however, violate its guideline of a maximum of 140 holdings as of quarter-end, by holding 169 securities. The portfolio's guidelines were adjusted during the first quarter of 2007 and the maximum number of names allowed in the portfolio was increased to 175 names.

Fourth Quarter 2006

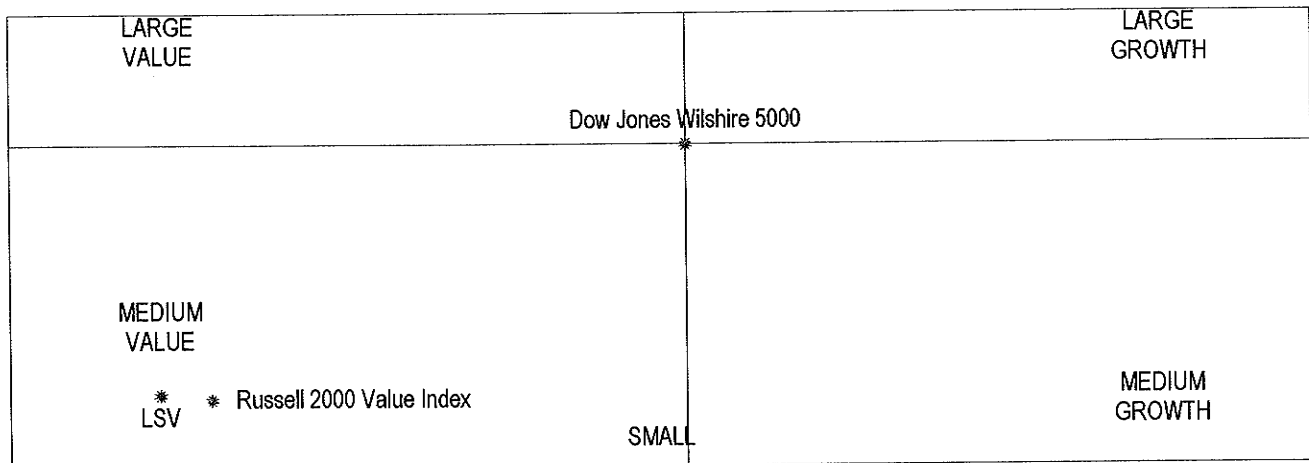
**RATIO OF CUMULATIVE WEALTH
8 YEARS 3 MONTHS ENDING 12/31/06**



**ANNUALIZED RISK RETURN
8 YEARS 3 MONTHS ENDING 12/31/06**



**EFFECTIVE STYLE MAP
8 YEARS 3 MONTHS ENDING 12/31/06**



The Ratio of Cumulative Wealth graph above on the left illustrates the manager's cumulative performance relative to that of the benchmark. As seen in the graph, the manager added value relative to the benchmark since inception. Since early 2000, performance has been strong, making up for the deficit in performance experienced early in the portfolio's performance history.

The risk/return graph above (right) illustrates the portfolio's risk and return characteristics compared to the benchmark. The LSV portfolio has produced a greater return while incurring a lower level of volatility as the benchmark.

The bottom graph highlights LSV's investment style over time.

LSV

\$94.0 Million and 3.2% of Fund

Fourth Quarter 2006

HISTORICAL RETURNS (BY YEAR)

	LSV		Russell 2000 Value Index		Return Difference
	Return	Rank	Return	Rank	
1998 (3 months)	11.1%	57	9.1%	71	2.0
1999	-10.5	99	-1.5	74	-9.0
2000	22.1	47	22.8	44	-0.7
2001	18.4	43	14.0	68	4.4
2002	0.4	4	-11.4	50	11.8
2003	50.5	21	46.0	36	4.5
2004	22.1	44	22.3	43	-0.2
2005	6.4	67	4.7	76	1.7
2006	19.3	33	23.5	7	-4.2
Trailing 3-Year	15.7%	47	16.5%	34	-0.8
Trailing 5-Year	18.6	8	15.4	48	3.2
Since Inception (9/30/98)	15.8	42	14.6	66	1.2

The table above shows the historical performance of the LSV portfolio and the Russell 2000 Value Index. 1999 was by far LSV's worst performing calendar year in both absolute and relative terms. 2002 posted the greatest relative return compared to that of its benchmark in terms of calendar years. The manager's since-inception return comfortably outdistanced that of the benchmark.

	LSV	Russell 2000 Value
Capitalization Focus	Small	Small
Number of Holdings	169	1,310
Top 5 Holdings	FMC Corp. Indymac Bancorp Inc. National Penn Bancshares Ohio Cas Corp. Woodward Governor Co.	Realty Income Corp. Big Lots Inc. Nationwide Health Properties Alexandria Real Estate PHM Resources Inc.
Sector Emphasis	Financial Services	Financial Services
Cash Allocation	1.0%	0.0%
Total Strategy Assets	\$2.6 Billion	--
Inception Date	9/30/98	--
Portfolio Manager(s)	Team Managed	--

Fourth Quarter 2006

**RETURN SUMMARY
ENDING 12/31/06**

	Fourth Quarter		1 Year Ending 12/31/06		3 Years Ending 12/31/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Wasatch	7.2%	63	8.0%	78	8.9%	67	14.5%	--	11/30/99
Performance Benchmark	8.8	43	13.3	34	10.5	44	6.3	--	

Philosophy and Process

Wasatch is a bottom-up qualitative manager that typically invests in companies that are ignored by Wall Street analysts because they are too small. The firm conducts hundreds of on-site research visits per year with companies that may or may not end up in their portfolios.

In early December 2001, the portfolio was transitioned from the Small Cap Core Growth strategy to the Small Cap Growth strategy in an effort to move VCERA's total equity portfolio towards a higher degree of style neutrality. The portfolio's benchmark changed from the Russell 2000 to the Russell 2000 Growth as of December 31, 2001 as a result of the transition.

Commentary on Investment Performance

Wasatch's fourth-quarter return was 7.2%, which lagged the return of its performance benchmark by 1.6 percentage points. Most of the portfolio's value added occurred in the month of September when the manager's consumer discretionary holdings contributed as the retail sector delivered positive results. Results within the retail sector were strengthened by the decline in energy prices. Unlike in the previous two quarters of 2006, the portfolio was aided by holding a pronounced underweight to energy which lagged the returns of the Index.

The portfolio's significant underweight to commodity-driven sectors (i.e. energy) has negatively impacted performance over the year-to-date and one-year periods as the energy sector has performed well during the past year.

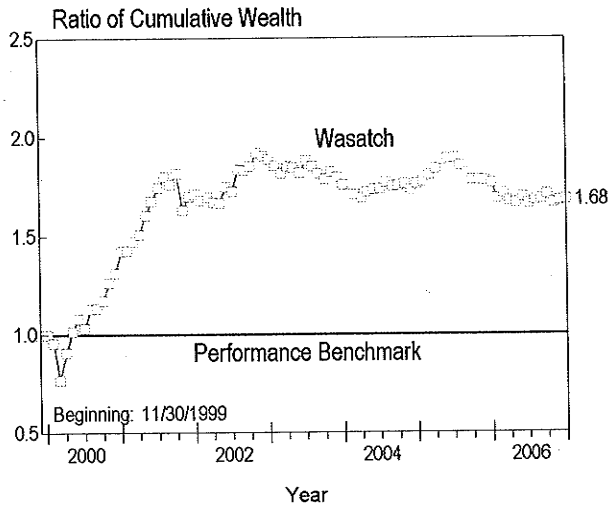
The manager's longer-term returns shown above all detracted value relative to the performance benchmark with the only exception being the since-inception return.

WASATCH

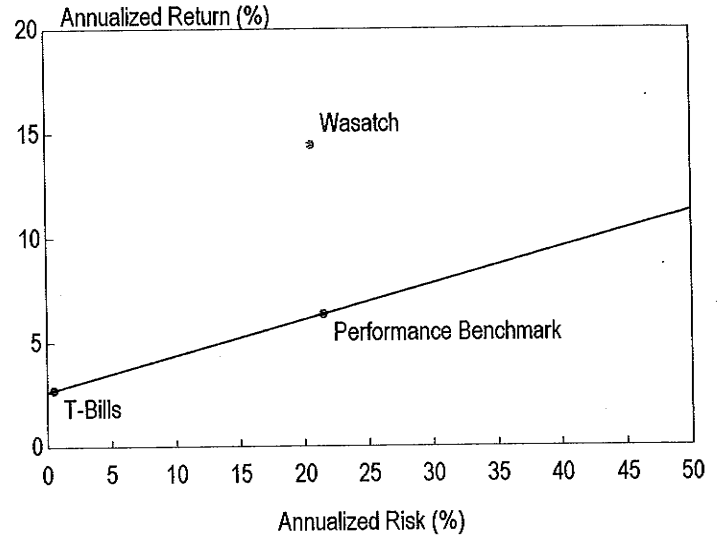
\$85.1 Million and 2.9% of Fund

Fourth Quarter 2006

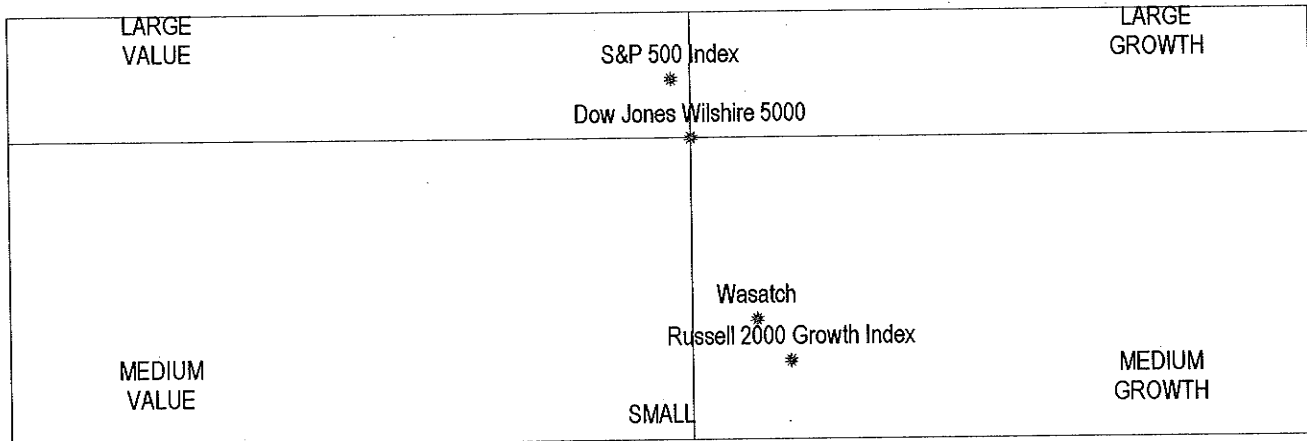
**RATIO OF CUMULATIVE WEALTH
7 YEARS 1 MONTH ENDING 12/31/06**



**ANNUALIZED RISK RETURN
7 YEARS 1 MONTH ENDING 12/31/06**



**EFFECTIVE STYLE MAP
7 YEARS 1 MONTH ENDING 12/31/06**



The Ratio of Cumulative Wealth graph above (left) illustrates the manager's cumulative performance relative to that of the performance benchmark. As seen in the graph, the manager has consistently added value relative to its performance benchmark.

The risk/return characteristics above (right) show the manager's return exceeded that of the Index, while incurring a slightly higher level of volatility.

The style map shown above reflects VCERA's actual experience since switching from the small cap core strategy to the small cap growth strategy at year-end 2001. Data prior to that represents the manager's small cap growth composite history.

Fourth Quarter 2006

**HISTORICAL RETURNS
(BY YEAR)**

	Wasatch		Performance Benchmark		Return Difference
	Return	Rank	Return	Rank	
1999 (1 month)	11.4%	--	11.3%	--	0.1
2000	37.6	1	-3.0	33	40.6
2001	23.5	5	2.5	16	21.0
2002	-23.0	25	-30.3	58	7.3
2003	38.3	87	48.5	47	-10.2
2004	14.7	30	14.3	32	0.4
2005	4.3	76	4.1	77	0.2
2006	8.0	78	13.3	34	-5.3
Trailing 3-Year	8.9%	67	10.5%	44	-1.6
Trailing 5-Year	6.6	54	6.9	50	-0.3
Since Inception (11/30/99)	14.5	--	6.3	--	8.2

The table above shows the historical performance of the Wasatch portfolio. The 2000 calendar year saw a difference of over 40 percentage points between the manager's return and the benchmark. The 2001 calendar year return had a deviation of 21 percentage points between the returns of the portfolio and the Index. 2003 and 2006 are the only calendar year periods for which performance of the Wasatch portfolio trailed that of the performance benchmark. The since-inception return positively deviates from that of the performance benchmark by 8.2 percentage points.

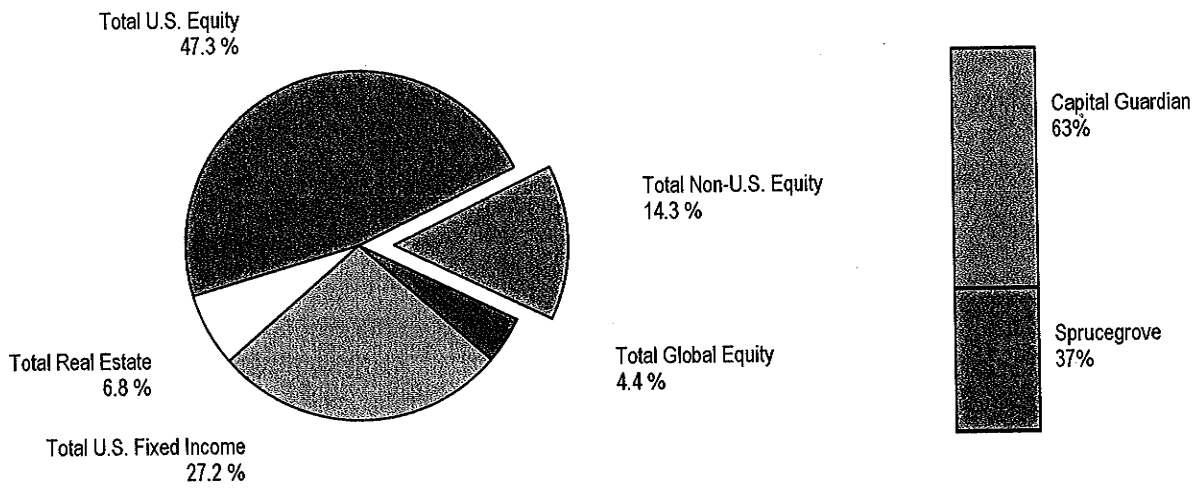
	Wasatch	Russell 2000 Growth
Capitalization Focus	Small	Small
Number of Holdings	91	1,294
Top 5 Holdings	O'Reilly Automotive, Inc. Knight Transportation Inc. FactSet Research Systems, Inc. United Surgical Partners Internation Techne Corp.	Hologic Inc. Herman Miller Inc. Acuity Brands Inc. Valueclick Inc. Varian Semiconductor
Sector Emphasis	Health Care	Consumer Discretionary
Cash Allocation	7.8%	0.0%
Total Strategy Assets	\$0.9 billion	--
Inception Date	11/30/99	--
Portfolio Manager(s)	Jeff Cardon	--

TOTAL NON-U.S. EQUITY

\$423.9 Million and 14.3% of Fund

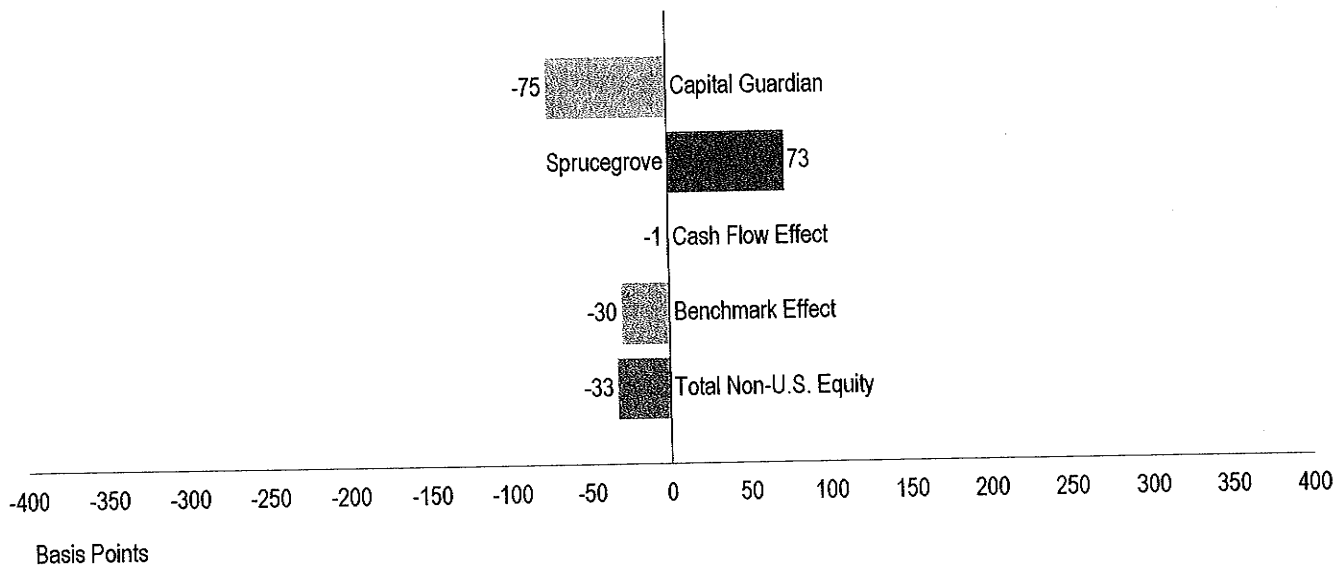
Fourth Quarter 2006

ASSET ALLOCATION ACTUAL AS OF 12/31/06

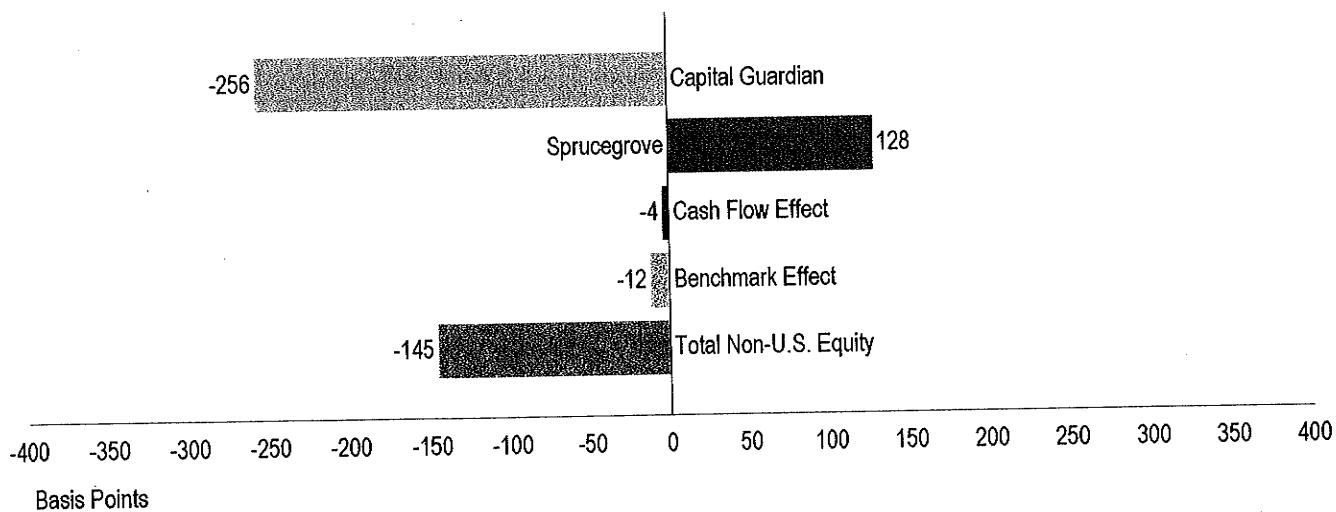


Fourth Quarter 2006

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 12/31/06



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 12/31/06



TOTAL NON-U.S. EQUITY

\$423.9 Million and 14.3% of Fund

Fourth Quarter 2006

Non-U.S. equity markets, as measured by the MSCI ACWI-ex U.S. Index, gained 11.2% during the quarter and 26.7% over the one-year period. Continued economic development across the world and a weakening dollar boosted gains for U.S. based investors. Emerging markets posted yet another year of stellar gains, advancing 32.2% over the trailing year. Latin American stocks led gains in international markets, posting impressive gains of 43.5%.

The non-U.S. equity composite trailed the performance of its benchmark during the period by 0.4 percentage points. The relative outperformance generated by Sprucegrove was offset by poor relative results experienced by Capital Guardian.

The total non-U.S. equity portfolio underperformed the performance benchmark by 1.5 percentage points during 2006. Capital Guardian also detracted value during the one-year period underperforming its performance benchmark by 410 basis points. Sprucegrove had a strong year, aided by an out-of-benchmark allocation to emerging market equities, and outperformed by 360 basis points. Sprucegrove typically invests in developed market securities while Capital Guardian invests in the entire non-U.S. equity opportunity set.

The attribution analysis on page 41 highlights each manager's contribution within VCERA's non-U.S. equity portfolio. The benchmark effect in the quarter and one-year attribution graphs is the cumulative performance of the individual manager's benchmarks relative to the Performance Benchmark (the non-U.S. equity benchmark), which is currently made up entirely of the MSCI ACWI-ex U.S. Index. As approximately one-third of the non-U.S. equity portfolio is benchmarked against an index that does not include emerging markets (the MSCI EAFE) a negative benchmark effect is evident.

The performance benchmark for the total non-U.S. equity portfolio is the MSCI All-Country World Ex-U.S. Index. Prior to May 2002, the benchmark was the MSCI EAFE Index.

TOTAL NON-U.S. EQUITY
\$423.9 Million and 14.3% of Fund

Fourth Quarter 2006

RETURN SUMMARY
ENDING 12/31/06

	Fourth Quarter		1 Year Ending 12/31/06		3 Years Ending 12/31/06		5 Years Ending 12/31/06		10 Years Ending 12/31/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Non-U.S. Equity	10.8 %	42	25.2 %	50	21.1 %	30	16.1 %	40	10.0 %	35	10.4 %	33	3/31/94
Performance Benchmark	11.2	33	26.7	30	21.3	27	16.2	39	8.2	74	8.2	77	
Capital Guardian	10.0	69	22.6	78	20.0	48	15.0	51	--	--	6.0	--	7/31/00
Performance Benchmark	11.2	37	26.7	45	21.3	32	16.2	39	--	--	7.1	--	
Sprucegrove	12.3	18	29.9	20	22.8	14	--	--	--	--	18.9	15	3/31/02
MSCI EAFE Index	10.4	58	26.3	50	19.9	50	--	--	--	--	15.7	51	

CAPITAL GUARDIAN

\$266.0 Million and 9.0% of Fund

Fourth Quarter 2006

RETURN SUMMARY ENDING 12/31/06

	Fourth Quarter		1 Year Ending 12/31/06		3 Years Ending 12/31/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Capital Guardian	10.0%	69	22.6%	78	20.0%	48	6.0%	--	7/31/00
Performance Benchmark	11.2	37	26.7	45	21.3	32	7.1	--	

Philosophy and Process

Capital Guardian refers to its investment approach as a multiple-manager system. Under this system, portfolios are divided among nine portfolio managers (75%) and the firm's research analysts (25%). Each sub-portfolio is invested in an individual portfolio at the discretion of the portfolio manager or analyst team. For the analysts' research portfolio, each analyst manages a small percentage of the portfolio based on their industry and/or country research responsibility. All stocks are selected from the firm's "buy" list of about 200 companies. To minimize transaction costs, all sales are posted to an internal list that other portfolio managers have the opportunity to buy. All portfolio managers have the discretion to hedge their portfolio.

The firm's investment process is driven by value-oriented stock selection. The firm attempts to identify the difference between the underlying value of a company and its stock price through fundamental analysis and direct company contact. Individual company analysis is blended with the firm's macroeconomic and political judgments based on its outlook for world economies, industries, markets and currencies.

Commentary on Investment Performance

Capital Guardian's non-U.S. equity strategy posted a strong absolute return of 10.0% during the quarter but underperformed its performance benchmark by 1.2 percentage points. Stock selection within Japan had the largest negative impact on performance. Within Japanese holdings, financials such as Mizuho Financial Group and Mitsui Sumitomo Insurance were primary contributors to poor relative performance. Weak stock selection within the health care sector, particularly AstraZeneca and Novartis, also hurt performance this quarter. Additionally, an underweight to the United Kingdom had a negative currency impact on the portfolio. Strong stock selection in Canada and within the energy sector in general was unable to offset currency losses during the quarter.

During the quarter and one-year periods, the manager's slight overweight to emerging market countries added value. Additionally during the one-year period weak stock selection in the information technology, financials, and industrials sectors coupled with poor performance and an overweight to Japanese holdings negatively impacted results. The biggest disappointment came from top-ten holding, Softbank, which declined in price more than 50% over the year and detracted close to 150 basis points from performance.

The manager has underperformed over all time periods shown above.

CAPITAL GUARDIAN

\$266.0 Million and 9.0% of Fund

Fourth Quarter 2006

COUNTRY ALLOCATION RETURNS 3 MONTHS ENDING 12/31/06

	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	0.2 %	0.5 %	18.9 %
Belgium	0.7	1.0	10.1
Czech Republic*	0.0	0.1	18.2
Denmark	0.4	0.7	16.1
Finland	0.9	1.1	10.4
France	9.6	8.0	10.5
Germany	4.5	5.9	14.4
Greece	0.0	0.5	15.1
Hungary*	0.1	0.2	32.0
Ireland	0.5	0.7	17.4
Italy	0.4	3.1	12.0
Netherlands	4.0	2.7	7.1
Norway	0.2	0.7	26.1
Poland*	0.1	0.2	22.9
Portugal	--	0.3	12.9
Russia*	0.9	1.6	17.2
Spain	3.5	3.2	14.3
Sweden	0.7	2.1	19.9
Switzerland	7.9	5.5	7.9
United Kingdom	14.9	18.8	10.3
Asia/Pacific			
Australia	2.4 %	4.4 %	16.2 %
China*	1.4	1.8	35.9
Hong Kong	2.2	1.4	14.5
India*	0.9	1.0	16.3
Indonesia*	0.6	0.2	19.7
Japan	22.9	17.9	5.0
Korea*	3.0	2.3	4.8
Malaysia*	0.5	0.4	20.8
New Zealand	--	0.1	21.8
Pakistan*	--	0.0	-5.2
Philippines*	0.1	0.1	20.3
Singapore	0.6	0.8	23.3
Taiwan, China*	2.4	1.9	12.9
Thailand*	0.3	0.2	1.9
Americas			
Argentina*	0.0 %	0.1 %	33.7 %
Brazil*	1.4	1.6	24.6
Canada	5.4	5.8	7.0
Chile*	0.1	0.2	18.7
Colombia*	0.0	0.0	17.6
Mexico*	2.3	0.9	18.4
Peru*	--	0.1	13.9
United States	0.3	--	--
Other			
Egypt*	0.3 %	--	--
Israel*	0.4	0.3 %	4.1 %
Jordan*	--	0.0	-8.9
South Africa*	2.2	1.2	28.4
Turkey*	0.5	0.2	12.8
Other Countries*	0.2	0.2	0.0
Cash			
Cash	0.1 %	--	--
Total	100.0 %	100.0 %	11.2 %
Developed	82.2	85.2	
Emerging*	17.7	14.8	
Cash	0.1	--	

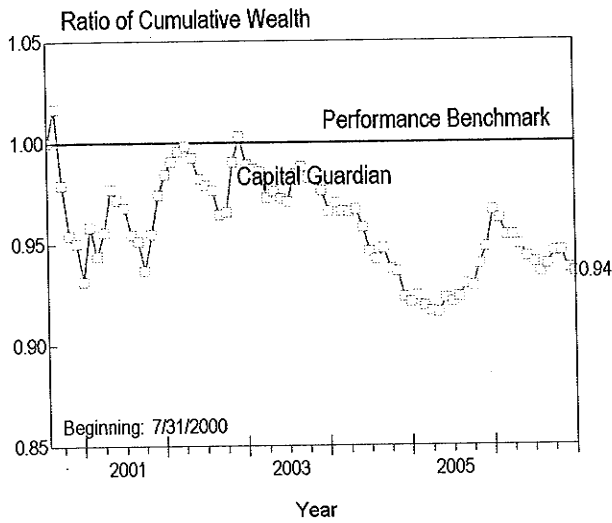
*Emerging market countries

CAPITAL GUARDIAN

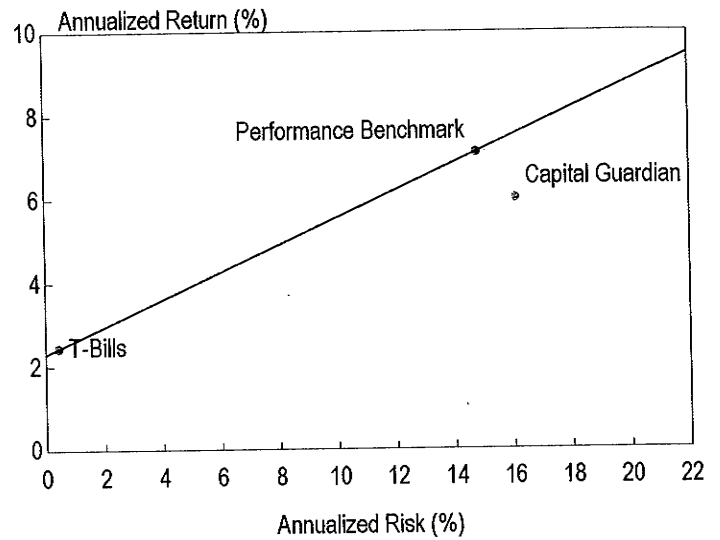
\$266.0 Million and 9.0% of Fund

Fourth Quarter 2006

**RATIO OF CUMULATIVE WEALTH
6 YEARS 5 MONTHS ENDING 12/31/06**



**ANNUALIZED RISK RETURN
6 YEARS 5 MONTHS ENDING 12/31/06**



The graph above on the left illustrates that Capital Guardian's performance has lagged that of the Index since inception.

The graph above on the right depicts the manager's risk and reward characteristics versus its benchmark. As shown, the manager's return was lower than that of the benchmark while taking on a greater level of risk over the since inception period.

CAPITAL GUARDIAN

\$266.0 Million and 9.0% of Fund

Fourth Quarter 2006

**HISTORICAL RETURNS
(BY YEAR)**

	Capital Guardian		Performance Benchmark		Return Difference
	Return	Rank	Return	Rank	
2000 (5 months)	-13.0%	--	-6.6%	--	-6.4
2001	-17.0	29	-21.4	55	4.4
2002	-15.4	54	-15.8	57	0.4
2003	37.5	45	40.8	22	-3.3
2004	15.3	70	20.9	28	-5.6
2005	22.3	11	16.6	39	5.7
2006	22.6	78	26.7	45	-4.1
Trailing 3-Year	20.0%	48	21.3%	32	-1.3
Trailing 5-Year	15.0	51	16.2	39	-1.2
Since Inception (7/31/00)	6.0	--	7.1	--	-1.1

SPRUCEGROVE

\$157.8 Million and 5.3% of Fund

Fourth Quarter 2006

RETURN SUMMARY ENDING 12/31/06

	Fourth Quarter		1 Year Ending 12/31/06		3 Years Ending 12/31/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Sprucegrove	12.3 %	18	29.9 %	20	22.8 %	14	18.9 %	15	3/31/02
MSCI EAFE Index	10.4	58	26.3	50	19.9	50	15.7	51	

Philosophy and Process

Sprucegrove is a value manager, following a bottom-up approach, and seeking to invest in quality companies selling at attractive valuations. As a value manager, Sprucegrove believes that the international markets are inefficient and that through research, a disciplined valuation process to utilize that research and by maintaining a long term perspective, they can capitalize on mispricings in the market. Investment objectives are: to maximize the long-term rate of return while preserving the investment capital of the fund by avoiding investment strategies that expose fund assets to excessive risk; to outperform the benchmark over a full market cycle; and to achieve a high ranking relative to similar funds over a market cycle.

High emphasis is given to balance sheet fundamentals, historical operating results, and company management. If a company is truly promising, the portfolio management team instructs the analyst to do a full research report to ensure the company qualifies for inclusion in Sprucegrove's investable universe. There are approximately 300 companies on Sprucegrove's working list.

Commentary on Investment Performance

Sprucegrove's fourth-quarter return exceeded that of the benchmark by 1.9 percentage points. The manager's out-of-benchmark allocation to emerging markets (11.5% at the end of the fourth quarter) and significant underweight exposure (10.8% vs. 22.5% for the Index) to Japan, helped the portfolio's fourth quarter results. Additionally, the manager's holdings within materials, industrials, and energy.

The theme from Sprucegrove's fourth quarter outperformance also explains their strong results throughout 2006. Their emerging market exposure coupled with an underweight allocation to Japan drove results during the year.

The manager's longer term returns shown above have exceeded the returns of the MSCI EAFE Index.

The manager stated that they are unable to find low valued stocks in Japan but are finding some in emerging market countries. As a result of their negative outlook on Japan their portfolio guidelines were revised during the first quarter. Sprucegrove is now able to hold a minimum allocation of 5% to Japanese securities (the previous minimum was 10%).

Fourth Quarter 2006

COUNTRY ALLOCATION/RETURNS
3 MONTHS ENDING 12/31/06

	Manager Allocation	Index Allocation	Index Return
Europe		0.6 %	18.9 %
Austria	--	1.3	10.1
Belgium	--	0.0	18.2
Czech Republic*	--	0.8	16.1
Denmark	0.5 %	1.4	10.4
Finland	0.3	10.1	10.5
France	3.5	7.4	14.4
Germany	3.6	0.6	15.1
Greece	1.2	0.0	32.0
Hungary*	0.9	0.9	17.4
Ireland	7.3	3.9	12.0
Italy	3.0	3.4	7.1
Netherlands	3.6	0.9	26.1
Norway	0.2	0.0	22.9
Poland*	--	0.3	12.9
Portugal	--	0.0	17.2
Russia*	--	4.1	14.3
Spain	2.4	2.6	19.9
Sweden	--	6.9	7.9
Switzerland	10.4	23.7	10.3
United Kingdom	24.5		
Asia/Pacific		5.6 %	16.2 %
Australia	2.1 %	0.0	35.9
China*	0.6	1.8	14.5
Hong Kong	4.9	0.0	16.3
India*	0.2	0.0	19.7
Indonesia*	--	22.5	5.0
Japan	10.8	0.0	4.8
Korea*	2.4	0.0	20.8
Malaysia*	0.5	0.2	21.8
New Zealand	--	0.0	-5.2
Pakistan*	--	0.0	20.3
Philippines*	--	1.0	23.3
Singapore	3.9	0.0	24.6
Sri Lanka*	--	0.0	12.9
Taiwan, China*	--	0.0	1.9
Thailand*	--		
Americas		0.0 %	33.7 %
Argentina*	--	0.0	24.6
Brazil*	2.1 %	0.0	7.0
Canada	3.3	0.0	18.7
Chile*	--	0.0	17.6
Colombia*	--	0.0	18.4
Mexico*	3.9	0.0	13.9
Peru*	--		
Other		0.0 %	4.1 %
Israel*	--	0.0	-8.9
Jordan*	--	--	--
South Africa*	0.9 %		
Cash			
Cash:	3.0 %	--	--
Total	100.0 %	100.0 %	10.4 %
Developed	85.5	100.0	
Emerging*	11.5	0.0	
Cash	3.0	--	

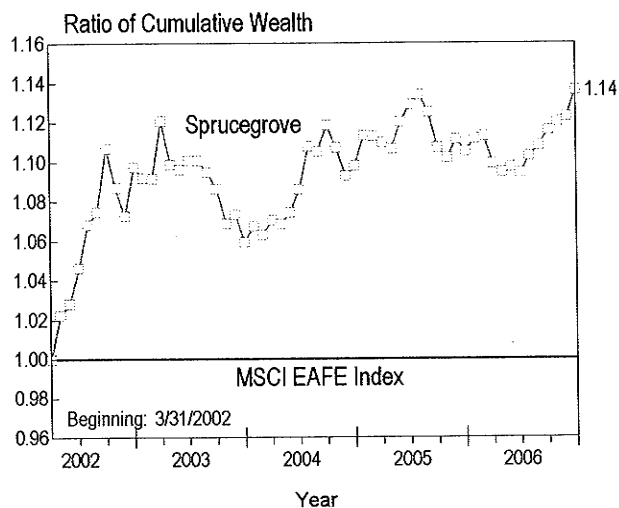
*Emerging market countries

SPRUCEGROVE

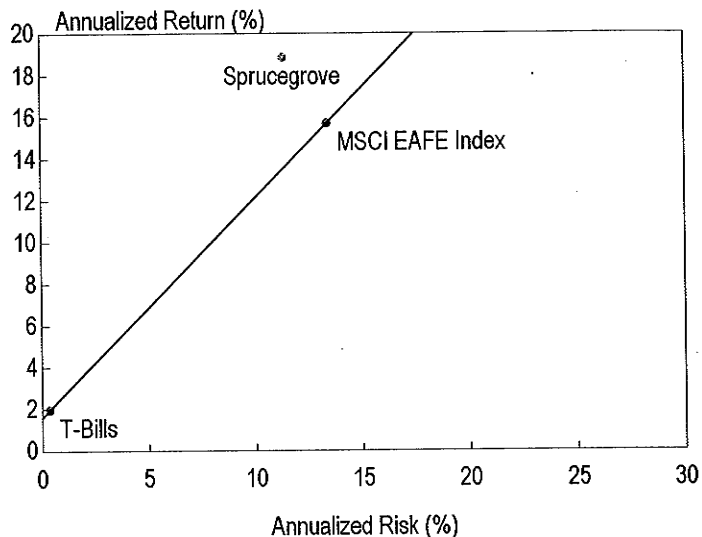
\$157.8 Million and 5.3% of Fund

Fourth Quarter 2006

**RATIO OF CUMULATIVE WEALTH
4 YEARS 9 MONTHS ENDING 12/31/06**



**ANNUALIZED RISK RETURN
4 YEARS 9 MONTHS ENDING 12/31/06**



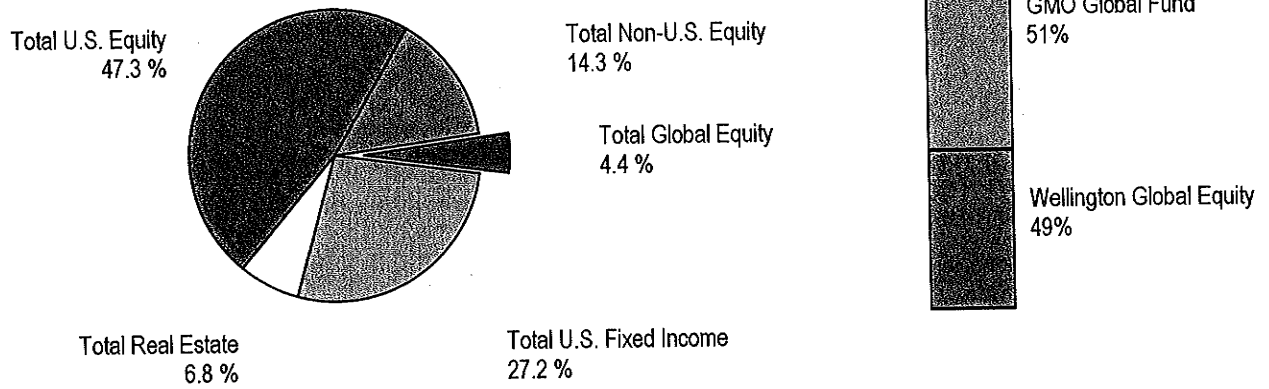
The graph above illustrates that Sprucegrove's performance has exceeded that of the Index since inception.

The chart shown above depicts the historical risk (volatility of returns) and return of Sprucegrove and the benchmark. As shown, the manager has produced a greater return than the benchmark at a modestly lower amount of risk.

TOTAL GLOBAL EQUITY
\$129.2 Million and 4.4% of Fund

Fourth Quarter 2006

ASSET ALLOCATION
ACTUAL AS OF 12/31/06

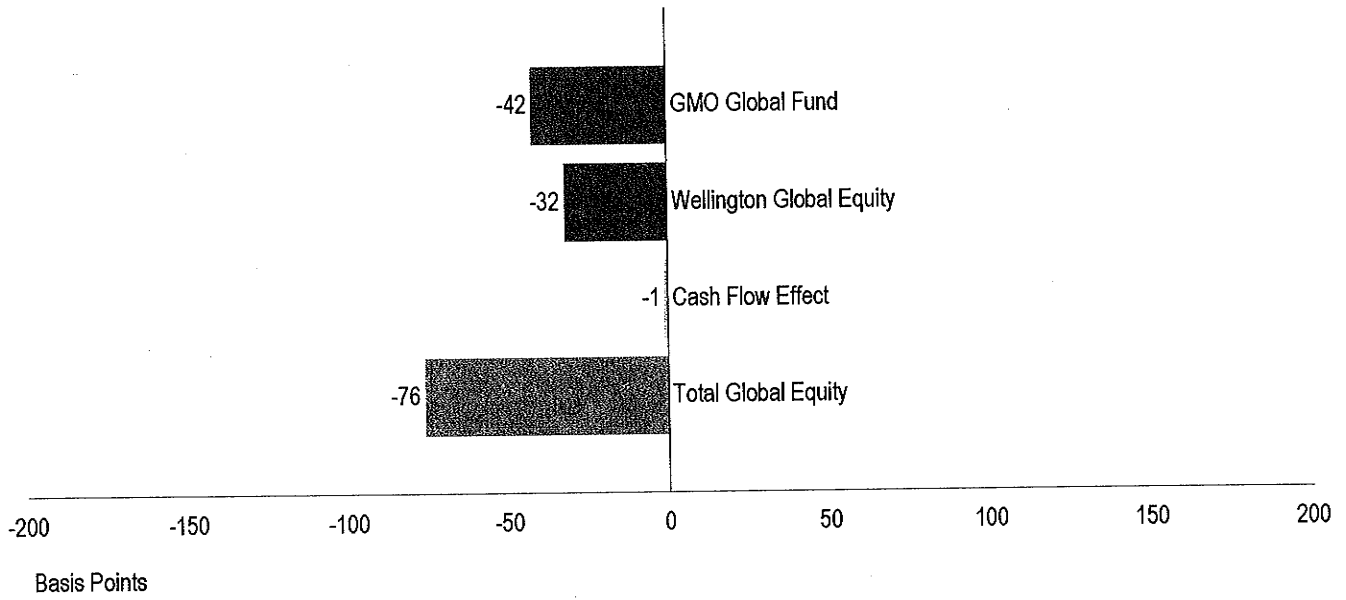


TOTAL GLOBAL EQUITY

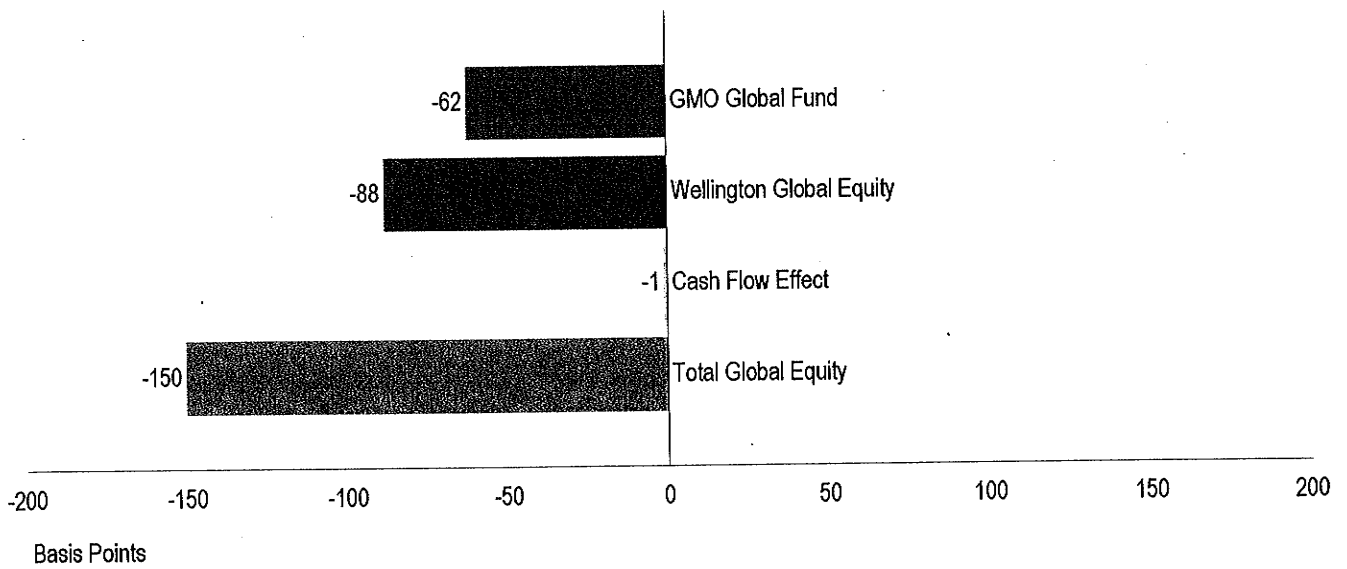
\$129.2 Million and 4.4% of Fund

Fourth Quarter 2006

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 12/31/06



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 12/31/06



Fourth Quarter 2006

During the quarter, the global equity market, as represented by the MSCI All-Country World Index, returned 9.1%. Performance was driven by the non-U.S. equity market as U.S. equities, representing approximately half the Index hindered results during the period. The collective return of emerging market countries helped performance.

The total global equity portfolio return of 8.4 percentage points during the fourth quarter trailed the return of the MSCI All-Country World Index. Both managers detracted from results.

VCERA allocated a policy weight of 4.0% to the global equity segment of the market during the second quarter of 2005.

TOTAL GLOBAL EQUITY

\$129.2 Million and 4.4% of Fund

Fourth Quarter 2006

RETURN SUMMARY ENDING 12/31/06

	Fourth Quarter		1 Year Ending 12/31/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	
Total Global Equity	8.3%	57	19.5%	52	19.5%	--	4/30/05
MSCI All Country World Index	9.1	45	21.0	47	21.5	--	
GMO Global Fund	8.2	59	19.7	52	20.4	--	4/30/05
MSCI All Country World Index	9.1	45	21.0	47	21.5	--	
Wellington Global Equity	8.4	55	19.2	53	19.0	--	5/31/05
MSCI All Country World Index	9.1	45	21.0	47	21.4	--	

Fourth Quarter 2006

RETURN SUMMARY
ENDING 12/31/06

	Fourth Quarter		1 Year Ending 12/31/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	
GMO Global Fund	8.2%	59	19.7%	52	20.4%	--	4/30/05
MSCI All-Country World Index	9.1	45	21.0	47	21.5	--	

Philosophy and Process

Grantham Mayo Van Otterloo's (GMO) Global Asset Allocation strategy uses quantitative methods to allocate among the firm's mutual funds including U.S. equity, non-U.S. developed market equity, emerging markets, fixed income, and real estate funds. GMO attempts to add value from allocations across sectors as well as security selection within sectors. The firm desires to make large bets on a few high-conviction opportunities, while still incurring less absolute risk than the benchmark.

GMO does not employ a traditional team of fundamental security analysts. Instead, they attempt to exploit market inefficiencies by evaluating asset classes and individual securities largely through quantitative analysis. They believe their edge lies in their ability to interpret already available information, as opposed to an explicit information edge. Although the process will consider both valuation and momentum factors in selecting stocks, the portfolio will tend to exhibit value characteristics.

Commentary on Investment Performance

GMO's global equity strategy returned 8.2% during the fourth quarter and underperformed the benchmark by 0.9 percentage points. The largest detractors to performance were the results of the U.S. Core and U.S. Quality portfolio's, which both underperformed their benchmark, the S&P 500 Index. Additionally, the manager's international value and emerging markets holdings also underperformed. An underweight allocation to the U.S. (33.6% versus the Index's 44.7%) aided relative performance as the U.S. underperformed other major developed markets.

The portfolio continues to be underweight U.S. securities in favor of international equities. However, the manager has a slightly negative view on the equity markets (in terms of beta exposure) and they requested to implement into their guidelines an alpha-only strategy (up to 10% of total market value). VCERA approved this change at their January board meeting and the investment guidelines have been revised.

Performance over the longer time periods trailed the return of the Index.

WELLINGTON

\$63.9 Million and 2.2% of Fund

Fourth Quarter 2006

RETURN SUMMARY ENDING 12/31/06

	Fourth Quarter		1 Year Ending 12/31/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	
Wellington Global Equity	8.4 %	55	19.2 %	53	19.0 %	--	5/31/05
MSCI All-Country World Index	9.1	45	21.0	47	21.4	--	

Philosophy and Process

The Wellington Global Research Equity portfolio focuses on stock selection within industries; industry weights are kept similar to those of the MSCI All Country World Index. The strategy is formally re-balanced to the industry weight of the Index on a quarterly basis. Country weights are a result of the security selection process. The Global Research Equity strategy consists of multiple sub-portfolios, each actively managed by one of Wellington's global industry analysts. The allocation of assets to each of the sub-portfolios corresponds to the relative weight of each research analyst's coverage of the MSCI All-Country World Index. Each analyst can hold up to the number of stocks equal to their benchmark weight plus one.

Commentary on Investment Performance

Wellington's fourth quarter return was 8.4% but despite a strong absolute return performance trailed the benchmark. Weak stock selection was the main detractor from performance as six of the ten broad market sectors within the portfolio, particularly industrials and information technology underperformed. Within the industrial sector, trucking company Forward Air (United States) negatively impacted performance amid concerns that freight trucking demand was slowing. In the information technology sector United States holdings Corning and Electronic Arts traded lower amid concerns of slowing demand for their products. However, Wellington disagrees with the market consensus and is maintaining their positions in all three companies. Slightly tempering negative results were health care and financial sector holdings, Schering-Plough, UnitedHealth, and Citigroup.

Since inception, the manager's return lagged that of the benchmark by 2.4 percentage points.

Fourth Quarter 2006

COUNTRY ALLOCATION RETURNS

3 MONTHS ENDING 12/31/06

	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	--	0.3 %	18.9 %
Belgium	--	0.6	10.1
Czech Republic*	--	0.1	18.2
Denmark	--	0.4	16.1
Finland	--	0.6	10.4
France	8.3 %	4.4	10.5
Germany	3.7	3.3	14.4
Greece	--	0.3	15.1
Hungary*	--	0.1	32.0
Ireland	1.9	0.4	17.4
Italy	2.3	1.7	12.0
Netherlands	1.9	1.5	7.1
Norway	1.0	0.4	26.1
Poland*	--	0.1	22.9
Portugal	--	0.2	12.9
Russia*	2.4	0.9	17.2
Spain	2.3	1.8	14.3
Sweden	1.3	1.1	19.9
Switzerland	3.9	3.0	7.9
United Kingdom	6.4	10.4	10.3
Asia/Pacific			
Australia	1.3 %	2.4 %	16.2 %
China*	1.4	1.0	35.9
Hong Kong	0.6	0.8	14.5
India*	--	0.5	16.3
Indonesia*	--	0.1	19.7
Japan	8.3	9.9	5.0
Korea*	0.3	1.3	4.8
Malaysia*	--	0.2	20.8
New Zealand	--	0.1	21.8
Pakistan*	--	0.0	-5.2
Philippines*	0.3	0.0	20.3
Singapore	--	0.4	23.3
Taiwan, China*	0.8	1.0	12.9
Thailand*	--	0.1	1.9
Americas			
Argentina*	--	0.1 %	33.7 %
Brazil*	1.4 %	0.9	24.6
Canada	3.1	3.2	7.0
Chile*	--	0.1	18.7
Colombia*	--	0.0	17.6
Mexico*	--	0.5	18.4
Peru*	--	0.0	13.9
United States	45.8	44.7	6.6
Other			
Egypt*	0.2 %	--	--
Israel*	--	0.2 %	4.1 %
Jordan*	--	0.0	-8.9
South Africa*	0.1	0.7	28.4
Turkey*	0.7	0.1	12.8
Other Countries*	--	0.1	0.0
Cash			
Cash	0.5 %	--	--
Total	100.0 %	100.0 %	9.1 %
Developed	92.0	91.8	
Emerging*	7.5	8.2	
Cash	0.5	--	

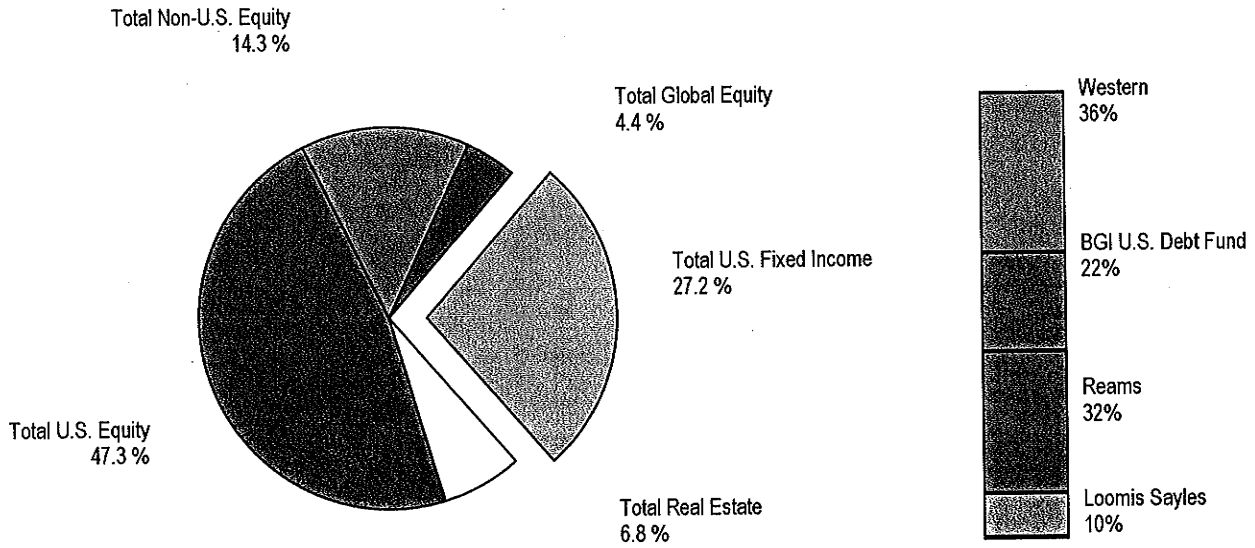
*Emerging market countries

TOTAL U.S. FIXED INCOME

\$803.1 Million and 27.2% of Fund

Fourth Quarter 2006

ASSET ALLOCATION ACTUAL AS OF 12/31/06

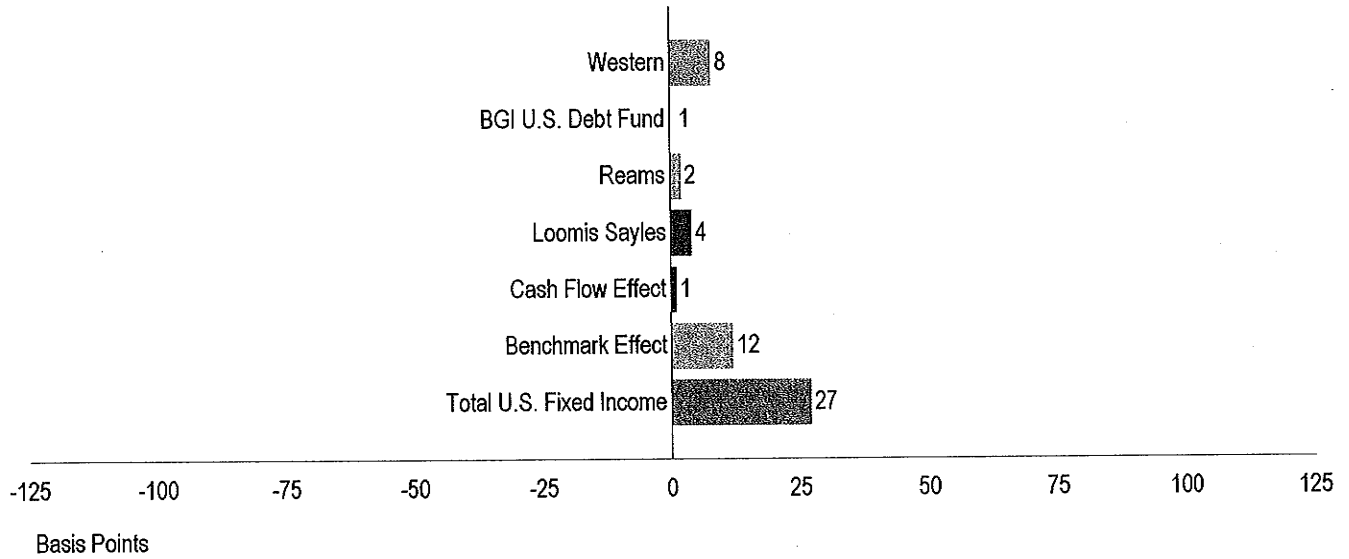


TOTAL U.S. FIXED INCOME

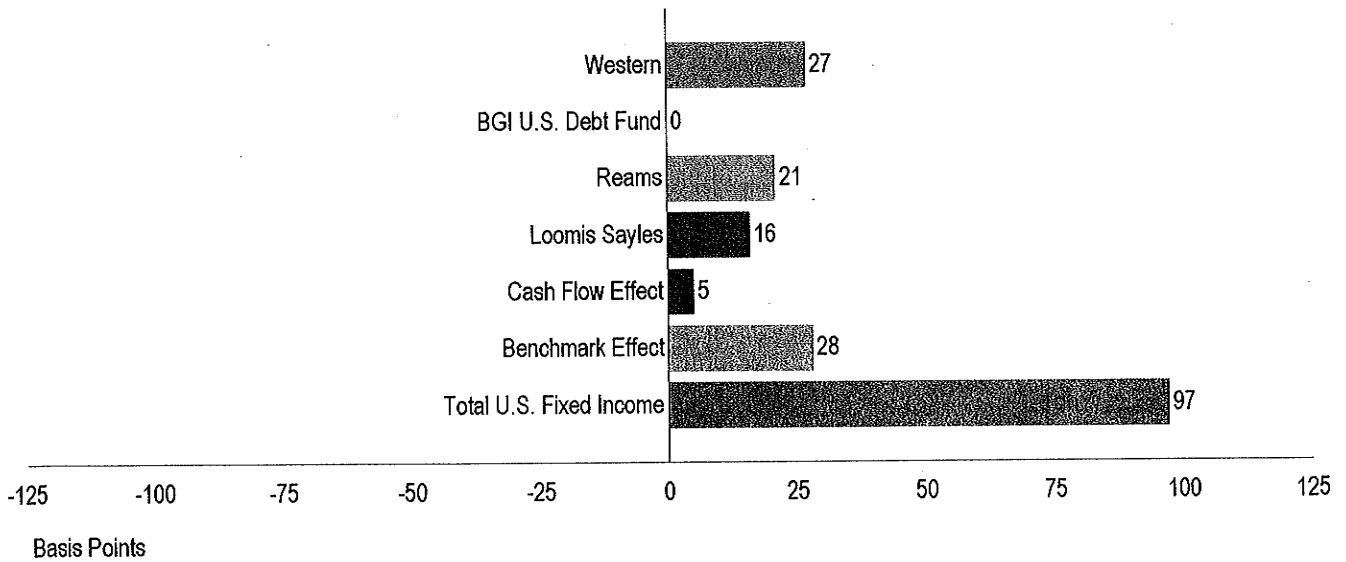
\$803.1 Million and 27.2% of Fund

Fourth Quarter 2006

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 12/31/06



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 12/31/06



TOTAL U.S. FIXED INCOME

\$803.1 Million and 27.2% of Fund

Fourth Quarter 2006

The U.S. bond market, as measured by the Lehman Brothers Aggregate Bond Index, increased 1.2% during the quarter and gained 4.3% in 2006. The U.S. Treasury yield curve remained inverted at the end of the quarter. The high yield sector, which has generated positive returns for four of the past five calendar years, advanced 11.8% in 2006.

The fixed income portfolio's performance exceeded that of the Lehman Brothers Aggregate Bond Index during the quarter. All fixed income managers aided results during the quarter, with Western and Loomis Sayles adding the most relative performance.

The long-term performance of the fixed income portfolio remained favorable as the portfolio added value relative to the Index over all time periods shown on the following page with the exception of the since-inception period which approximated the benchmark.

TOTAL U.S. FIXED INCOME

\$803.1 Million and 27.2% of Fund

Fourth Quarter 2006

**RETURN SUMMARY
ENDING 12/31/06**

	Fourth Quarter		1 Year Ending 12/31/06		3 Years Ending 12/31/06		5 Years Ending 12/31/06		10 Years Ending 12/31/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total U.S. Fixed Income	1.5 %	43	5.3 %	31	4.5 %	30	5.7 %	38	6.6 %	36	6.3 %	--	2/28/94
LB Aggregate Bond Index	1.2	60	4.3	62	3.7	69	5.1	64	6.2	65	6.3	--	
Western	1.5	31	5.1	15	4.9	7	6.6	6	7.1	4	7.1	4	12/31/96
LB Aggregate Bond Index	1.2	56	4.3	53	3.7	62	5.1	59	6.2	44	6.2	44	
BGI U.S. Debt Fund	1.3	50	4.3	55	3.7	64	5.1	58	6.2	44	6.1	--	11/30/95
LB Aggregate Bond Index	1.2	56	4.3	53	3.7	62	5.1	59	6.2	44	6.1	--	
Reams	1.3	45	5.0	16	4.7	7	5.4	38	--	--	4.9	51	9/30/01
LB Aggregate Bond Index	1.2	56	4.3	53	3.7	62	5.1	59	--	--	4.8	57	
Loomis Sayles	2.8	--	9.0	--	--	--	--	--	--	--	6.9	--	7/31/05
Performance Benchmark	2.4	--	7.3	--	--	--	--	--	--	--	5.4	--	

WESTERN

\$289.1 Million and 9.8% of Fund

Fourth Quarter 2006

RETURN SUMMARY ENDING 12/31/06

	Fourth Quarter		1 Year Ending 12/31/06		3 Years Ending 12/31/06		5 Years Ending 12/31/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Western	1.5 %	31	5.1 %	15	4.9 %	7	6.6 %	6	7.1 %	4	12/31/96
LB Aggregate Bond Index	1.2	56	4.3	53	3.7	62	5.1	59	6.2	44	

Philosophy and Process

Western Asset Management seeks to add value in fixed income accounts by employing multiple investment strategies while controlling risk. Western is an active sector rotator and attempts to exploit market inefficiencies by making opportunistic trades. The firm emphasizes non-Treasury sectors such as corporate and mortgages. The firm's team approach to fixed income management revolves around an investment outlook developed by the Investment Strategy Group. This group interacts on a daily basis, evaluating developments in both the market and the economy. Additionally, the group meets formally twice a month to review its outlook and investment strategy.

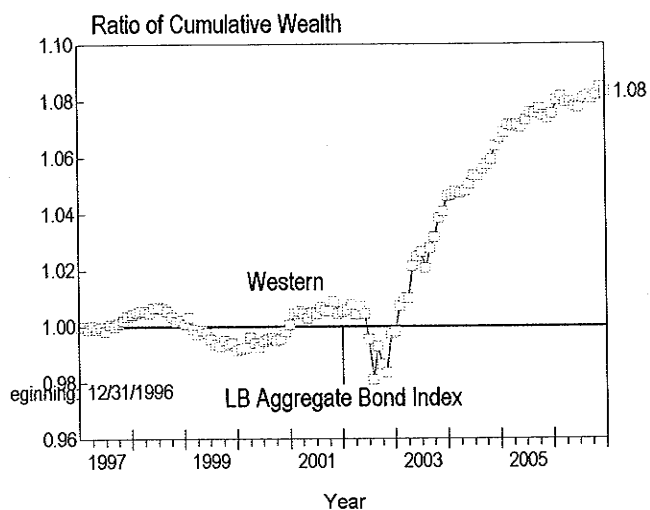
Commentary on Investment Performance

Western's fourth-quarter return of 1.5 percentage points exceeded that of the LB Aggregate Bond Index by approximately 30 basis points. The shorter than benchmark duration at the beginning of the fourth quarter helped performance as rates rose during that period. Additionally, Western's allocation to both high yield and emerging market debt positively contributed to relative performance. Finally, a 5% cash position aided performance, as short rates exceeded longer rates. However, Western's non-dollar exposure and slight bias towards a steeper yield curve hindered performance.

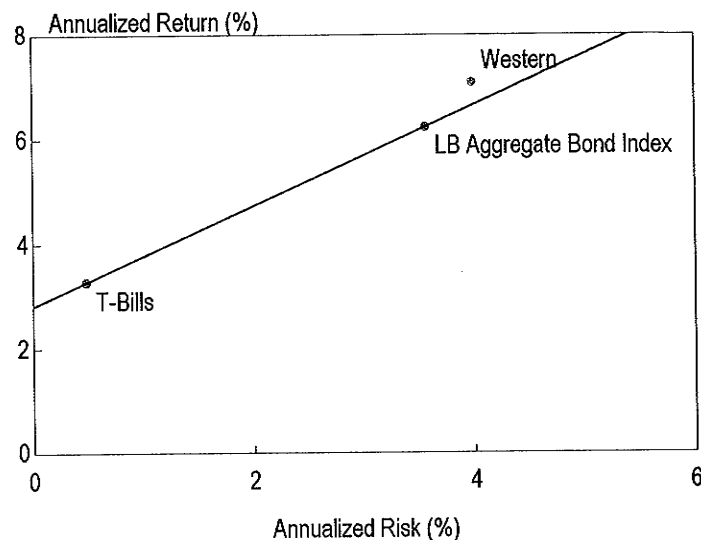
The manager has added a significant level of value during all longer time periods analyzed above and also ranks in or near the top quartile within a universe of its fixed income peers.

Fourth Quarter 2006

**RATIO OF CUMULATIVE WEALTH
10 YEARS ENDING 12/31/06**



**ANNUALIZED RISK RETURN
10 YEARS ENDING 12/31/06**



The Ratio of Cumulative Wealth graph shown above on the left illustrates the manager's cumulative performance relative to that of the Aggregate Bond Index. As seen in the graph, the manager's performance has exceeded that of the performance benchmark since inception. Performance in mid-2002 was especially trying for the manager. However, the manager experienced a subsequent turn-around in performance during 2003.

The second graph above on the right illustrates the risk/return characteristics of the Western portfolio relative to the Aggregate Bond Index. As shown in the graph, the manager's return exceeded that of the benchmark with a slightly greater level of volatility.

WESTERN

\$289.1 Million and 9.8% of Fund

Fourth Quarter 2006

HISTORICAL RETURNS (BY YEAR)

	Western		LB Aggregate Bond Index		Return Difference
	Return	Rank	Return	Rank	
1997	10.1%	31	9.7%	58	0.4
1998	8.3	57	8.7	42	-0.4
1999	-1.7	80	-0.8	53	-0.9
2000	12.6	10	11.6	43	1.0
2001	8.9	15	8.4	38	0.5
2002	9.5	44	10.3	24	-0.8
2003	9.1	6	4.1	69	5.0
2004	6.4	6	4.3	58	2.1
2005	3.2	8	2.4	58	0.8
2006	5.1	15	4.3	53	0.8
Trailing 3-Year	4.9%	7	3.7%	62	1.2
Trailing 5-Year	6.6	6	5.1	59	1.5
Since Inception (12/31/96)	7.1	4	6.2	44	0.9

The table above shows Western's historical performance relative to that of the Index. Since inception, the manager's return exceeded that of the benchmark.

The table below shows Western's portfolio characteristics compared with those of the Aggregate Bond Index.

	Western Fixed Income Portfolio		LB Aggregate Bond Index	
	% at 9/30/06	% at 12/31/06	% at 12/31/06	Fourth Quarter Return
Sector Weightings:				
Treasury/Agency	18%	18%	36%	0.8%
Corporate	24	23	23	1.3
Mortgage-Related	47	48	40	1.6
Asset-Backed	1	1	1	1.1
Foreign Bonds	6	6	--	--
Other	--	--	--	--
Cash & Equiv.	4	4	--	--
Total	100 %	100 %	100 %	1.2%
Average Duration	4.3 years	4.9 years	4.5 years	--

BGI U.S. DEBT FUND

\$178.6 Million and 6.0% of Fund

Fourth Quarter 2006**RETURN SUMMARY
ENDING 12/31/06**

	Fourth Quarter		1 Year Ending 12/31/06		3 Years Ending 12/31/06		10 Years Ending 12/31/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI U.S. Debt Fund	1.3%	50	4.3%	55	3.7%	64	6.2%	44	6.1%	--	11/30/95
LB Aggregate Bond Index	1.2	56	4.3	53	3.7	62	6.2	44	6.1	--	

Philosophy and Process

The BGI U.S. Debt Fund is an index fund which is designed to replicate the performance of the Aggregate Bond Index. The U.S. Debt Fund is constructed by holding 7 different sub-funds that track specific sector/maturity combinations of the Lehman Brothers Aggregate Bond Index.

Commentary on Investment Performance

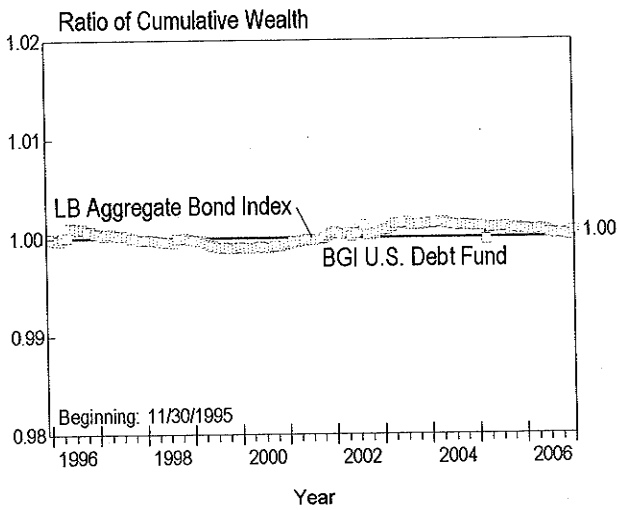
The BGI U.S. Debt Fund successfully tracked the performance of the Aggregate Bond Index during the quarter. Longer-term results shown above have also successfully tracked those of the Aggregate Bond Index.

BGI U.S. DEBT FUND

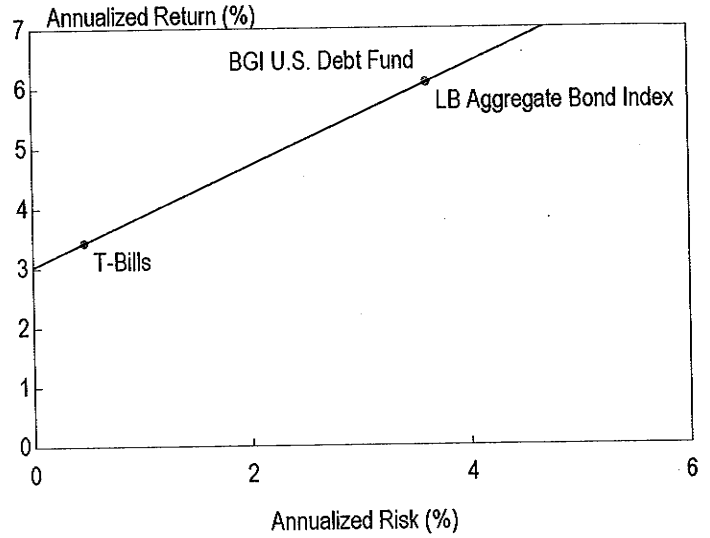
\$178.6 Million and 6.0% of Fund

Fourth Quarter 2006

**RATIO OF CUMULATIVE WEALTH
11 YEARS 1 MONTH ENDING 12/31/06**



**ANNUALIZED RISK RETURN
11 YEARS 1 MONTH ENDING 12/31/06**



The Ratio of Cumulative Wealth and risk/return graphs above show how similar the Aggregate Bond Index and GI have performed since the inception of the portfolio.

BGI U.S. DEBT FUND

\$178.6 Million and 6.0% of Fund

Fourth Quarter 2006

**HISTORICAL RETURNS
(BY YEAR)**

	BGI U.S. Debt Fund		LB Aggregate Bond Index		Return Difference
	Return	Rank	Return	Rank	
1995 (1 month)	1.4%	--	--	--	--
1996	3.7	48	--	--	--
1997	9.6	62	--	--	--
1998	8.7	43	--	--	--
1999	-0.9	55	--	--	--
2000	11.7	41	--	--	--
2001	8.6	34	--	--	--
2002	10.3	24	--	--	--
2003	4.2	68	--	--	--
2004	4.3	59	--	--	--
2005	2.4	60	--	--	--
2006	4.3	55	--	--	--
Trailing 3-Year	3.7%	64	--	--	--
Trailing 5-Year	5.1	58	--	--	--
Since Inception (11/30/95)	6.1	--	--	--	--

REAMS

\$256.0 Million and 8.7% of Fund

Fourth Quarter 2006

RETURN SUMMARY ENDING 12/31/06

	Fourth Quarter		1 Year Ending 12/31/06		3 Years Ending 12/31/06		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Reams	1.3 %	45	5.0 %	16	4.7 %	7	4.9 %	51	9/30/01
LB Aggregate Bond Index	1.2	56	4.3	53	3.7	62	4.8	57	

Philosophy and Process

Reams' investment process revolves around the manager's ability to combine top-down macroeconomic portfolio positioning with bottom-up bond selection. The top-down interest rate positioning is somewhat contrarian in that the manager uses real interest rates to gauge when the market is expensive and when it is cheap, increasing duration when the market is cheap and decreasing duration when it is expensive.

The manager attempts to exploit its relatively small size and uncover issues not widely followed by Wall Street. The manager prefers to hold securities by underlying collateral. The firm tends to avoid residential mortgages in favor of commercial mortgages.

Commentary on Investment Performance

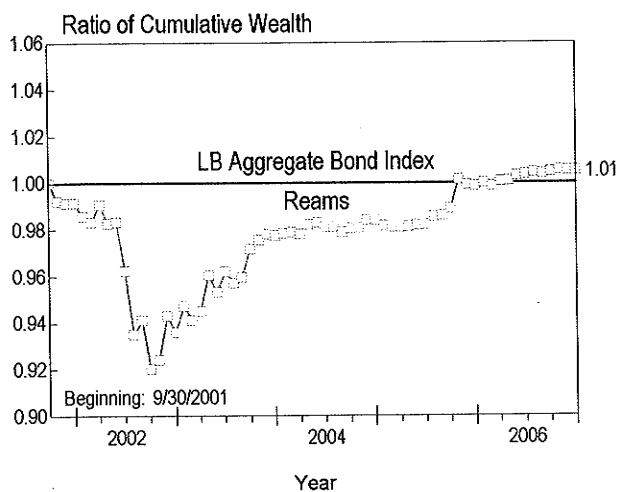
Reams outperformed the Lehman Aggregate Bond Index by approximately 10 basis points during the fourth quarter. From a sector and security selection standpoint, Reams' overweight position to mortgage related securities and exposure to high yield credits, such as Ford and GM, generated positive returns for the quarter. Offsetting the positives was an overall underweight to the corporate sector throughout much of the fourth quarter.

The portfolio's one-year performance exceeded that of the Index by 0.7 percentage points. Results were aided by the manager's defensive duration positioning throughout much of 2006 when rates were rising. Additionally, the manager's holdings within mortgage related securities and automotive high yield credits were strong contributors.

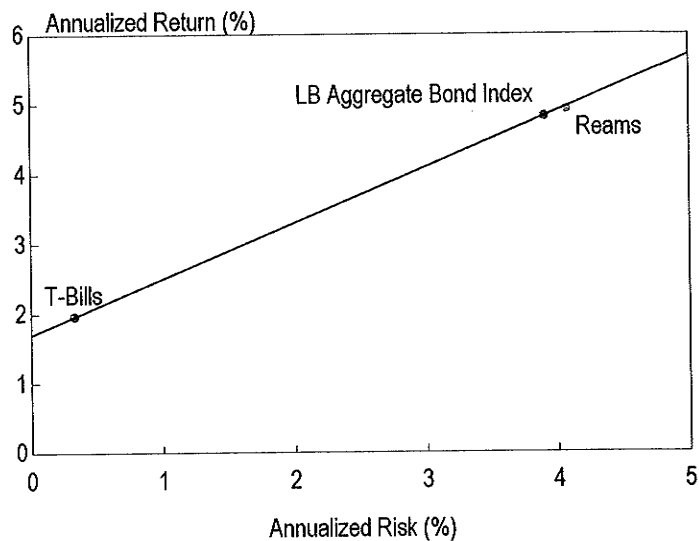
The manager's long-term results shown above all compare favorably versus those of the Index.

Fourth Quarter 2006

**RATIO OF CUMULATIVE WEALTH
5 YEARS 3 MONTHS ENDING 12/31/06**



**ANNUALIZED RISK RETURN
5 YEARS 3 MONTHS ENDING 12/31/06**



The graph on the left illustrates that Reams' performance has slightly exceeded that of the Index since inception.

The second graph depicts the historical risk (volatility of returns) and return of Reams and the benchmark. As shown, since the inception of the strategy, the manager's performance slightly exceeded that of the benchmark with a moderately higher level of volatility.

REAMS

\$256.0 Million and 8.7% of Fund

Fourth Quarter 2006

HISTORICAL RETURNS (BY YEAR)

	Reams		LB Aggregate Bond Index		Return Difference
	Return	Rank	Return	Rank	
2001 (3 months)	-0.8%	91	0.0%	53	-0.8
2002	4.1	98	10.3	24	-6.2
2003	8.7	7	4.1	69	4.6
2004	5.0	22	4.3	58	0.7
2005	3.9	5	2.4	58	1.5
2006	5.0	16	4.3	53	0.7
Trailing 3-Year	4.7%	7	3.7%	62	1.0
Since Inception (9/30/01)	4.9	51	4.8	57	0.1

The table above shows Reams' historical performance relative to that of the Index. Since inception, the manager has approximated the benchmark.

The table below shows Reams' portfolio characteristics compared with those of the Aggregate Bond Index.

	Reams Fixed Income Portfolio		LB Aggregate Bond Index	
	% at 9/30/06	% at 12/31/06	% at 12/31/06	Fourth Quarter Return
Sector Weightings:				
Treasury/Agency	13%	39%	36%	0.8%
Corporate	18	13	23	1.3
Mortgage-Related	64	44	40	1.6
Asset-Backed	--	1	1	1.1
Foreign Bonds	--	--	--	--
Other	--	--	--	--
Cash & Equiv.	5	3	--	--
Total	100 %	100 %	100 %	1.2%
Average Duration	4.7 years	4.7 years	4.5 years	--

Fourth Quarter 2006

**RETURN SUMMARY
ENDING 12/31/06**

	Fourth Quarter	1 Year Ending 12/31/06	Since Inception	Inception Date
Loomis Sayles	2.8 %	9.0 %	6.9 %	7/31/05
Performance Benchmark	2.4	7.3	5.4	
LB Aggregate Bond Index	1.2	4.3	3.6	

Philosophy and Process

Loomis, Sayles' fixed income philosophy is rooted in identifying undervalued securities through in-house credit research. Its philosophy emphasizes identifying issuers whose credit ratings appear likely to be upgraded or downgraded. The fixed income analysts use forward-looking analyses of cash flow, along with source and application of funds, to identify factors that may affect a debt issuer's future credit rating. Loomis, Sayles believes that considerable value can be added by holding under-rated issues for which the firm has projected a credit upgrading.

Loomis typically allocates up to 40% of its assets to high yield securities and its portfolio's duration is significantly higher than that of the broad bond market. The manager also invests in convertible securities.

The performance benchmark for the strategy is 60% Lehman Brothers Aggregate Bond Index and 40% Lehman Brothers High Yield Index.

Commentary on Investment Performance

Loomis Sayles outperformed the performance benchmark during the fourth quarter by 0.4 percentage points. The manager was aided by positive security selection, particularly within high yield issues as automotive credits again drove performance. Additionally, the manager held a slight overweight to lower rated high yield securities (rated B or lower) which was additive. Loomis Sayles extended duration from 6.5 years in the third quarter to 7.4 years as of the end of the fourth quarter. Duration was extended primarily through purchases of long-term corporate bonds.

Loomis Sayles longer term results shown above have all exceeded the performance benchmark.

TOTAL REAL ESTATE

\$201.2 Million and 6.8% of Fund

Fourth Quarter 2006

RETURN SUMMARY ENDING 12/31/06

	Fourth Quarter	1 Year Ending 12/31/06	3 Years Ending 12/31/06	5 Years Ending 12/31/06	Since Inception	Inception Date
Total Real Estate	4.5 %	15.6 %	16.3 %	14.1 %	11.6 %	3/31/94
Policy Benchmark	3.6	15.3	16.6	13.0	11.7	
NCREIF Open End Fund Index	3.6	15.3	15.9	12.6	11.8	
Prudential Real Estate	3.6	15.1	--	--	12.4	6/30/04
Policy Benchmark	3.6	15.3	--	--	17.6	
UBS Real Estate	5.1	15.6	16.4	--	14.9	3/31/03
NCREIF Open End Fund Index	3.6	15.3	15.9	--	14.7	
Guggenheim	6.3	--	--	--	11.3	6/30/06
Performance Benchmark	6.0	--	--	--	11.5	

The total real estate portfolio exceeded its policy benchmark by 90 basis points as two of the three managers outperformed their benchmarks during the fourth quarter. Guggenheim in their second quarter of managing assets for VCERA experienced strong absolute and relative results returning 6.3 percentage points. UBS also contributed during the quarter and added 160 basis points of relative performance.

Prudential Real Estate assumed control of the INVESCO portfolio in the third quarter of 2004. The portfolio's performance track record began July 1, 2004. Prudential took over the properties that were historically managed by Invesco. Those properties were sold and an investment has been made into Prudential's open-end core real estate fund, PRISA. The returns shown above for Prudential includes the separate account properties and the investment in the commingled fund, which was initially funded at the end of the first quarter 2005. Beginning January 2006, the return stream for Prudential solely represents the commingled fund as the sale of the remaining separate account property took place in December.

The Board approved the change of the total real estate policy benchmark from the National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index (Property Index) to the NCREIF Open-End Fund Property Index (Open Fund Index). Both of these indices are sponsored by the NCREIF, a leading real estate investment management advocacy group. Consistent with the motion approved, the benchmark changed when the funding of a second open-end real estate fund manager (Prudential PRISA Fund) was complete and no separate account properties remained. The new benchmark went into effect in January 2006 and is represented as the Policy Benchmark for the real estate asset class.

Fourth Quarter 2006

RETURN SUMMARY
ENDING 12/31/06

	Fourth Quarter	1 Year Ending 12/31/06	Since Inception	Inception Date
Prudential Real Estate	3.6%	15.1%	12.4%	6/30/04
Policy Benchmark	3.6	15.3	17.6	
PRISA Fund I	3.6	15.0	18.9	3/31/05
NCREIF Open End Fund Index	3.6	15.3	17.4	

Investment Approach

PRISA is a core-only product with no value-added component. In addition the manager utilizes low leverage (max 30%) and is diversified across both property types and regions. PRISA has a dedicated team of 15 regional research professionals who work on the portfolio. In constructing the PRISA portfolio, the lead portfolio manager annually develops a forward-looking three-year forecast. The forecast is based on macroeconomic predictions, along with input from the manager's proprietary software systems. The transaction team utilizes this forward-looking forecast in its search for potential properties.

The real estate fund had 164 properties as of quarter-end. The sector breakdown is as follows: office properties account for 30%, retail 17%, industrial 20%, apartments 19%, self-storage 9%, and hotels 5%.

Commentary on Investment Performance

Prudential's PRISA product returned 3.6% during the fourth quarter matching the return of its performance benchmark during the period. The manager points to declining income in their suburban office properties as a main reason for the underperformance. The decreasing income levels are a result of several large lease expirations. All three properties have new leases which are set to begin in the fourth quarter of this year. PRISA believes this will help to bring income levels back to their previous levels. The fund currently stands at \$10.7 billion in net assets and is 22.3% levered. The Fund's allocations among property types and geographic regions remained largely unchanged from recent quarters.

Continuing with its master plan to sell older properties, PRISA's disposition activity increased from the previous quarter. The manager sold eleven investments during the quarter, consisting of a residential complex, three office properties, and seven industrial buildings. In aggregate, PRISA placed \$1.1 billion among new and existing assets during the fourth quarter. The largest transaction comprised a partnership with Kimco and two other PREI funds to acquire Pan Pacific Realty, a portfolio of grocery anchored shopping centers. At year-end, the Fund accepted \$702.2 million in new commitments. The monies were used to pay down their line of credit.

There is still a small interest in the Soule Park Golf Course (approximately \$81,000) which was inherited by INVESCO from the legacy portfolio.

The policy benchmark for the Prudential Real Estate account changed from the National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index (Property Index) to the NCREIF Open-End Fund Property Index (Open Fund Index) in January 2006.

UBS REALTY

\$93.4 Million and 3.2% of Fund

Fourth Quarter 2006

RETURN SUMMARY ENDING 12/31/06

	Fourth Quarter	1 Year Ending 12/31/06	3 Years Ending 12/31/06	Since Inception	Inception Date
UBS Real Estate	5.1%	15.6%	16.4%	14.9%	3/31/03
NCREIF Open End Fund Index	3.6	15.3	15.9	14.7	
NCREIF NPI	4.5	16.6	17.0	15.5	

Portfolio Characteristics

UBS Realty's Real Estate Separate Account (RESA) investment strategy utilizes broad market and economic trends as well as future forecasts. The real estate portfolio attempts to recognize long-term trends, capitalize on short-term pricing opportunities and minimize risk by diversifying its assets. RESA is a core fund that occasionally purchases new development or redevelopment properties that the manager feels could enhance the portfolio's return.

The real estate fund had 137 properties as of quarter-end. The sector breakdown is as follows: office properties account for 31%, retail 25%, industrial 9%, apartments 28%, and hotels 7%.

Commentary on Investment Performance

RESA experienced gains of 5.2% during the fourth quarter, outperforming the NCREIF Property Index by 0.7 percentage points. The Fund's overweight to the hotel sector (relative to NCREIF) continues to be main contributor to performance. Hotels were the highest performing sector during fourth quarter, posting a 7.0% return. As of December 31, 2006, RESA's total asset value was \$19.2 billion; a significant increase compared to its third quarter value of \$10.1 billion. The increase was the result of acquisition activity. At 9.6%, the Fund utilizes a modest amount of leverage when compared to other core funds. RESA's portfolio currently holds 152 properties. UBS reports that current property type and geographic allocations are in line with long term targets. They will, however, increase their allocation to properties located in the Midwest region as opportunities arise.

During the fourth quarter, RESA acquired seven new properties and acquired additional properties for an existing investment totaling \$454.2 million. The acquired properties consist of an office property, an apartment community, and three industrial properties. Staying consistent with their strategy, the properties are not located in major markets.

Fourth Quarter 2006

RETURN SUMMARY
ENDING 12/31/06

	Fourth Quarter	Since Inception	Inception Date
Guggenheim	6.3%	11.3%	6/30/06
Performance Benchmark	6.0	11.5	

Portfolio Characteristics

The Guggenheim Real Estate PLUS Strategy invests 70% of its assets in private real estate equity and 30% of its assets in public real estate securities. The firm employs considerable leverage in implementing the strategy, both through its REIT holdings and its limited partnership investments. The manager attempts to add value through exploiting pricing differentials between public and private real estate markets and emphasizes diversification both in structure of investment vehicles as well as by property type and location.

The benchmark for this strategy comprises 70% of the NCREIF Index and 30% of the NAREIT Index, reflective of the blend between public and private real estate that characterizes the strategy.

Commentary on Investment Performance

Guggenheim experienced gains of 4.7% during the quarter, trailing the returns of its performance benchmark during the period by 50 basis points during the period. The manager stated that results were hindered by the relative performance of their small cap REIT strategy. In the third quarter, Guggenheim held an overweight to small cap REITs, which underperformed their large cap counterparts by a wide margin. As of September 30, the fund reported total assets of approximately \$2.3 billion while employing leverage equal to 42.4% of the fund's total value.

During the third quarter, Guggenheim acquired eleven new investments consisting of seven office properties, two retail properties, and two industrial properties. Additionally, an initial investment was made in TIAA-CREF Asset Management Core Property Fund and a mezzanine loan investment was made. The newly acquired properties were located broadly across the United States.

RETURNS OF THE MAJOR CAPITAL MARKETS

RETURNS OF THE MAJOR CAPITAL MARKETS

	Fourth Quarter	Annualized Periods Ending 12/31/06			
		1-Year	3-Year	5-Year	10-Year
Stock Indices:					
DJ Wilshire 5000 Index	7.2%	15.8%	11.5%	7.6%	8.7%
S&P 500 Index	6.7	15.8	10.4	6.2	8.4
Russell 3000 Index	7.1	15.7	11.2	7.2	8.6
Russell 1000 Value Index	8.0	22.2	15.1	10.9	11.0
Russell 1000 Growth Index	5.9	9.1	6.9	2.7	5.4
Russell MidCap Value Index	8.5	20.2	18.8	15.9	13.6
Russell MidCap Growth Index	6.9	10.7	12.7	8.2	8.6
Russell 2000 Value Index	9.0	23.5	16.5	15.4	13.3
Russell 2000 Growth Index	8.8	13.3	10.5	6.9	4.9
Bond Indices:					
Lehman Brothers Aggregate	1.2%	4.3%	3.7%	5.1%	6.2%
Lehman Brothers Gov't/Credit	1.0	3.8	3.4	5.2	6.3
Lehman Brothers Long-Term Gov't/Credit	1.0	2.7	5.5	7.4	7.7
Lehman Brothers Intermed. Gov't/Credit	1.0	4.1	2.9	4.5	5.8
Lehman Brothers Mortgage Backed	1.6	5.2	4.2	4.8	6.2
Lehman Brothers 1-3 Yr Gov't	1.0	4.1	2.3	3.0	4.8
Lehman Brothers Universal	1.5	5.0	4.2	5.6	6.4
Real Estate Indices:					
NCREIF Open End Fund Index	3.6%	15.3%	15.9%	12.6%	12.4%
Wilshire Real Estate Securities Index	9.1	35.9	27.8	24.0	15.0
Foreign Indices:					
MSCI All Country World ex-U.S. Index	11.2%	26.7%	21.3%	16.4%	8.2%
MSCI EAFE Free	10.4	26.3	19.9	15.0	7.7
MSCI Emerging Markets	17.6	32.2	30.5	26.6	9.1
MSCI Hedged EAFE Foreign Stock Index	7.6	19.2	20.1	8.4	8.0
SSB Non U.S. World Gov't Bond	2.1	6.9	2.9	9.5	4.7
Citigroup World Gov't Bond Hedged	0.7	3.1	4.7	4.5	6.3
Cash Equivalents:					
Treasury Bills (30-Day)	1.1%	3.9%	2.5%	2.0%	3.3%
EnnisKnupp STIF Index	1.4	5.3	3.2	2.6	4.0
Inflation Index:					
Consumer Price Index	-0.5%	2.5%	3.1%	2.7%	2.4%

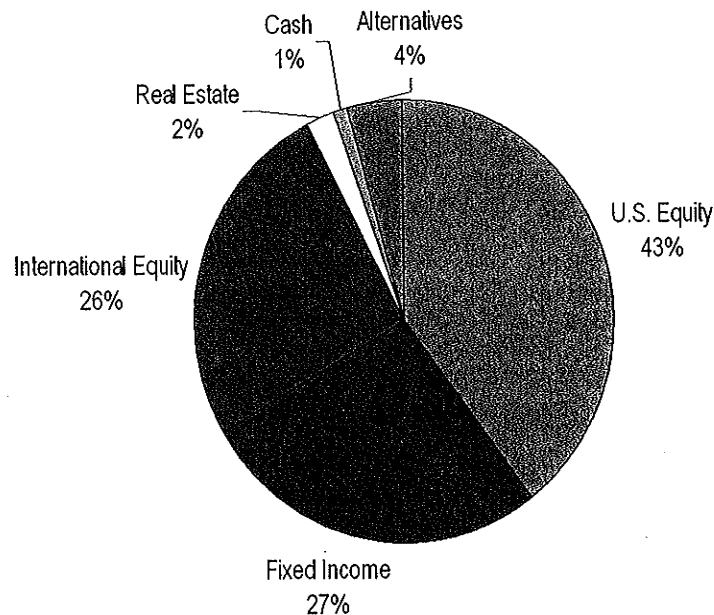
APPENDIX II

Description of Benchmarks

Policy Portfolio - As of June 2005, the return was based on a combination of 47% Russell 3000 Index, 29% Lehman Brothers Aggregate Bond Index, 14% MSCI All Country World Ex-U.S. Index, 4% MSCI All Country World Index and 6% NCREIF Real Estate Index. Prior to June 2005, the return was based on a combination of 49% Russell 3000 Index, 29% Lehman Brothers Aggregate Bond Index, 16% MSCI All Country World Ex-U.S. Index and 6% NCREIF Real Estate Index. Prior to April 2003, the return was based on a combination of 49% Russell 3000 Index, 32% Lehman Brothers Aggregate Bond Index, 16% MSCI All Country World Ex-U.S. Index and 3% NCREIF Real Estate Index. Prior to May 2002 the return was based on a combination of 49% Russell 3000 Index, 32% Lehman Brothers Aggregate Bond Index, 16% MSCI EAFE Index and 3% NCREIF Real Estate Index. Prior to April 2002 the return was based on a combination of 53% Russell 3000 Index, 32% Lehman Brothers Aggregate Bond Index, 12% MSCI Europe, Australasia and Far East (EAFE) Index and 3% NCREIF Real Estate Index. Prior to October 2001, the policy portfolio consisted of a combination of 53% Russell 3000, 22% Lehman Brothers Aggregate Bond Index, 12% MSCI Europe, Australasia and Far East (EAFE) Index, 3% NCREIF Real Estate Index, and 10% Solomon Brothers World Government Bond Index Hedged. Historically, the policy return is based on the historic policy allocations provided by the VCERA staff.

Public Fund Universe - An equal-weighted index that is designed to represent the average return earned by U.S. public funds. The index is calculated based on data provided by Mellon Analytical Solutions, and includes 58

Russell/Mellon Aggregate Public Fund as of 12/31/2006



Description of Benchmarks (continued)

Russell 3000 Stock Index- A capitalization-weighted stock index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This index is a broad measure of the performance of the aggregate domestic equity market.

S&P 500 Stock Index- A capitalization-weighted index representing the 500 largest publicly traded U.S. stocks.

Russell 1000 Value Stock Index - An index that measures the performance of those stocks included in the Russell 1000 Index with lower price-to-book ratios and lower I/B/E/S earnings growth forecasts.

Russell 2000 Stock Index - A capitalization-weighted index of the 2000 smallest stocks in the Russell 3000 Index. This index excludes the largest-and smallest-capitalization issues in the domestic stock market.

Russell 2000 Value Stock Index- A capitalization-weighted index representing those companies within the Russell 2000 Index with lower price-to-book ratios and lower I/B/E/S earnings growth forecasts.

Russell 2000 Growth Stock Index- A capitalization-weighted index representing those companies within the Russell 2000 Index with higher price-to-book ratios and higher I/B/E/S earnings growth forecasts.

MSCI Europe, Australasia, Far East (EAFE) Foreign Stock Index- A capitalization-weighted index of 20 stock markets in Europe, Australia, Asia and the Far East.

MSCI All-Country World Index - An index of major world stock markets, including the U.S., representing countries according to their approximate share of world market capitalization. The weights are adjusted to reflect foreign currency fluctuations relative to the U.S. dollar.

Lehman Brothers Aggregate Bond Index- A market value-weighted index consisting of the Lehman Brothers Corporate, Government and Mortgage-Backed Indices. This index is the broadest available measure of the aggregate U.S. fixed income market.

NCREIF Property Index- A capitalization-weighted index of privately owned investment grade income-producing properties representing approximately \$67 billion in assets.

APPENDIX II

Description of Terms

Rank - A representation of the percentile position of the performance of a given portfolio, relative to a universe of similar funds. For example, a rank of 25 for a given manager indicates outperformance by that manager of 75% of other funds in that same universe.

Universe - A distribution of the returns achieved by a group of funds with similar investment objectives.

U.S. Stock Universe - The rankings are based on a universe that is designed to represent the average equity return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by Mellon Analytical Solutions, and includes 472 funds with an equity aggregate market value of \$612.5 billion.

Non-U.S. Equity Universe - The rankings are based on a universe that is designed to represent the average international equity return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by Mellon Analytical Solutions, and includes 429 funds with an international equity aggregate market value of \$306.2 billion.

Global Equity Universe - The rankings are based on a universe that is designed to represent the average global equity return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by Mellon Analytical Solutions, and includes 54 funds with a global equity aggregate market value of \$93.2 billion.

Fixed Income Universe - The rankings are based on a universe that is designed to represent the average fixed income return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by Mellon Analytical Solutions, and includes 462 funds with a fixed income aggregate market value of \$340.1 billion.

Ratio of Cumulative Wealth Graph - An illustration of a portfolio's cumulative, unannualized performance relative to that of its benchmark. An upward sloping line indicates superior fund performance. Conversely, a downward sloping line indicates underperformance by the fund. A flat line is indicative of benchmark-like performance.

Risk-Return Graph - The horizontal axis, annualized standard deviation, is a statistical measure of risk, or the volatility of returns. The vertical axis is the annualized rate of return. As most investors generally prefer less risk to more risk and always prefer greater returns, the upper left corner of the graph is the most attractive place to be. The line on this exhibit represents the risk and return tradeoffs associated with market portfolios or index funds.

Style Map - This illustration represents the manager's style compared to that of the broadest stock index (the Wilshire 5000). Any manager falling above the axis is referred to as large-cap and any manager falling below the axis is considered to be medium- to small-cap.

Manager	Restrictions	In Compliance as of 9/30/06
BGI	-Portfolio is a commingled fund.	N/A
BGI	-Portfolio is a commingled fund.	N/A
Delta	-Holdings range from 50 to 110 securities -Maximum allocation to one stock is no greater than 5% of the portfolio's value -Maximum cash allocation is 10% under normal circumstances -Median market capitalization greater than or equal to the S&P 500 -The portfolio contains no prohibited securities named in the investment guidelines -Derivatives are not used to lever the portfolio*	YES YES YES YES YES YES
LSV	-Holdings range from 90 to 140 securities -Maximum allocation to one security is no greater than 3% of the portfolio's value -The market capitalization of securities purchased falls between \$100 million and \$2.5 billion -The market capitalization of any one stock can not exceed \$4 billion -Maximum cash allocation is 3% under normal circumstances -The portfolio contains no prohibited securities named in the investment guidelines -Derivatives are not used to lever the portfolio*	No - 169 YES YES YES YES YES YES
Wasatch	-Holdings range from 50 to 120 securities -Maximum allocation to one security is no greater than 10% of the portfolio's value -Maximum cash allocation is 10% with a long-term target maximum of 5% -The weighted average market capitalization of the portfolio should not exceed \$2.0 billion -The portfolio contains no prohibited securities named in the investment guidelines -Derivatives are not used to lever the portfolio*	YES YES YES YES YES YES
Capital Guardian	-Portfolio is a commingled fund.	N/A
Sprucegrove	-Portfolio is a commingled fund.	N/A
GMO	-Portfolio is a separate account of mutual funds.	N/A
Wellington	-Portfolio is a commingled fund.	N/A
BGI U.S. Debt	-Portfolio is a commingled fund.	N/A
Reams	-Duration may be managed to a maximum 25% deviation relative to the Aggregate Bond Index -The total portfolio shall maintain an average quality rating of A -A maximum of 20% of the portfolio may be invested in bonds issued by a non-U.S. entity -A maximum of 15% of the portfolio may be invested in high yield bonds -A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer -A maximum of 5% of the portfolio may be invested in high interest rate sensitivity mortgage-backed securities -The portfolio's combined allocation may not exceed 30% to the following securities; non-U.S. bonds, privately placed debt, excluding 144A securities and mortgage-backed securities that exhibit unusually high interest rate sensitivity -Bonds rated investment grade by either Moody's or Standard & Poor's must comprise at least 90% of the total portfolio -The portfolio contains no prohibited securities named in the investment guidelines -Derivatives are not used to lever the portfolio*	YES YES YES YES YES YES YES YES YES YES YES YES YES YES
Loomis Sayles	-At least 50% of the portfolio must be invested in investment grade securities at time of purchase -A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer -60% of the portfolio must be invested in U.S. domiciled issues	YES YES YES
Western	-Duration may be managed to a maximum 20% deviation relative to the Aggregate Bond Index -The total portfolio shall maintain an average quality rating of AA -A maximum of 20% of the portfolio may be invested in bonds issued by a non-U.S. entity at time of purchase -A maximum of 10% of the portfolio may be invested in high yield bonds at time of purchase -A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer at time of purchase -A maximum of 5% of the portfolio may be invested in high interest rate sensitivity mortgage-backed securities at the time of purchase -The portfolio's combined allocation may not exceed 30% to the following securities; non-U.S. bonds, privately placed debt, excluding 144A securities and mortgage-backed securities that exhibit unusually high interest rate sensitivity and bonds not receiving an investment grade rating -Bonds rated investment grade by either Moody's or Standard & Poor's must comprise at least 90% of the total portfolio at the time of purchase -The portfolio contains no prohibited securities named in the investment guidelines -Derivatives are not used to lever the portfolio*	YES YES YES YES YES YES YES YES YES YES YES YES YES YES

* Based on affirmative statement from manager

An update on each of the violations can be found in the manager's quarterly writeup found earlier in this report.

INVESTMENT MANAGEMENT FEES

	Fee in Basis Points	Liquidity	Investment Vehicle
Delta	23	Daily	Separate Acct.
BGI Equity Index	1	Daily	Commingled Fund
BGI Extended Market Fund	4	Daily	Commingled Fund
LSV	64	Daily	Separate Acct.
Wasatch	80	Daily	Separate Acct.
Capital Guardian	49	Monthly	Commingled Fund
Sprucegrove	42	Monthly	Commingled Fund
GMO	66	Daily	Commingled Fund
Wellington	74	Monthly	Commingled Fund
BGI U.S. Debt Fund	7	Daily	Commingled Fund
Reams	18	Daily	Separate Acct.
Western	23	Daily	Separate Acct.
Loomis Sayles	34	Daily	Separate Acct.
Prudential	100	Quarterly	Commingled Fund
UBS Realty	90	Monthly	Commingled Fund
Guggenheim	225	Quarterly	Commingled Fund
Total Fund	26	--	--

Manager "Watch" Status Policy

A manager may be placed on "Watch" status for:

- Failure to meet one or more of the standards, objectives, goals, or risk controls as set forth in this policy statement
- Violation of ethical, legal, or regulatory standards
- Material adverse change in the ownership of the firm or personnel changes
- Failure to meet reporting or disclosure requirements
- Failure to meet performance objectives or goals
- Any actual or potentially adverse information, trends, or developments that the Board feels might impair the investment manager's ability to deliver successful outcomes for the participants of the plan

The Board may take action to place a manager on Watch status. Managers placed on Watch status shall be notified in writing, and be made aware of the reason for the action and the required remediation. Watch status is an optional interim step that may be used to formally communicate dissatisfaction to the investment manager and the potential for termination. Watch status is not a required step in terminating a manager. Watch status will normally be for a period of six months, but the time frame may be determined by action of the Board. The Board retains the right to terminate the manager at any time, extend the period of the Watch status, or remove the manager from Watch status at any time.

Watch status indicates that the manager shall be subject to increased focus on the remediation of the factors that caused the manager to be placed on Watch status. Discussion of the manager on Watch status shall become a regular monthly reporting agenda item for the Board. Staff or retained Consultant shall prepare a written monthly report addressing the progress of the manager in the remediation of the dissatisfaction.