

ENNISKNUPP

PERFORMANCE REPORT

Independent
advice for
the institutional
investor

Ventura County
Employees'
Retirement
Association

Second Quarter 2007

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Ennis Knupp + Associates calculates rates of return for each investment manager monthly. 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

Second Quarter 2007

Market Comments

The broad U.S. equity market overcame many obstacles during the second quarter to produce its fourth straight quarter of positive returns. The markets rallied in April and May but struggled in June amid headwinds from higher energy prices, a soft U.S. housing market, sub-prime mortgage defaults, rising long-term interest rates, and concerns about the impact of tighter credit on merger and acquisition transaction growth and acquisition premiums. Energy and capital goods were the best-performing sectors advancing 14.6% and 12.8% respectively, during the second quarter. Once again, the financial sector was the worst-performing sector lagging the broad Index and gaining only 1.5% during the quarter. Sub-prime mortgage defaults and exposure to long-term interest rates weighed on financial stocks during the second quarter. On a style and capitalization basis large cap stocks outperformed their small cap counterparts and growth stocks outperformed value during the period.

Non-U.S. stocks continued to post favorable returns relative to the U.S. equity market as the MSCI EAFE Index advanced 6.4% during the second quarter. Latin America and Asia were the best-performing regions during the second quarter advancing 19.8% and 18.5%, respectively, while Japan lagged the Index, declining 0.6% for the quarter. Growth continued in emerging markets across the world as the MSCI Emerging Markets Index produced strong returns, advancing 15.0% during the second quarter.

The U.S. bond market, as measured by the Lehman Brothers Aggregate Bond Index, declined 0.5% during the second quarter as Treasury yields rose and spreads widened. High yield bonds continued to outperform the Index, gaining 0.2% during the quarter. The Federal Reserve met twice during the quarter and decided to leave the federal funds rate unchanged at 5.25%. The U.S. Treasury yield curve flattened out in the second quarter with longer-term maturity yields rising above yields of shorter term maturities.

MAJOR MARKET RETURNS

	Second Quarter	Year-To-Date	1 Year Ending 6/30/07	3 Years Ending 6/30/07
Dow Jones Wilshire 5000 Index	6.1%	7.6%	20.5%	12.7%
MSCI All-Country World Ex-US Free	8.2	12.2	29.6	24.5
MSCI EAFE Free	6.4	10.7	27.0	22.2
MSCI Emerging Markets	15.0	17.5	45.0	38.2
MSCI All Country World Index	7.2	9.9	25.2	18.0
Lehman Brothers Aggregate Bond Index	-0.5	1.0	6.1	4.0

Second Quarter 2007
Asset Growth

As shown below, the asset value of VCERA's Total Fund increased by approximately \$104.8 million during the second quarter. The growth in assets was attributable to investment gains of \$128.7 million and net withdrawals of \$23.9 million.

Market Value (millions) as of 3/31/07	\$2,972.7
Income/Appreciation	128.7
Net Contributions/Withdrawals	(23.9)
Market Value (millions) at 6/30/07	\$3,077.5

Asset Allocation

The table below highlights VCERA's current investment allocations relative to its policy. As of June 30th, 2007, the Fund was overweight relative to its policy within the U.S. equity, non-U.S. equity, global equity, and real estate components. A corresponding underweight was experienced within the fixed income component. As of quarter-end, the portfolio was within the appropriate policy target ranges set forth in the Investment Policy Statement's rebalancing policy.

During the quarter, VCERA made two withdrawals of \$24.0 million from the BGI Equity Index Fund to fund employees' benefits. An additional \$32 million (\$14 million from Sprucegrove and \$18 million from Capital Guardian) was rebalanced away from the non-U.S. equity asset class to the U.S. equity asset class. In May, Western's U.S. Index Plus product was funded with \$100.0 million from the Delta Asset Management U.S. equity portfolio.

ACTUAL VS. CURRENT POLICY

	Actual Allocation	Policy Allocation	Difference
U.S. Equity	47.8%	47.0%	+0.8
Non-U.S. Equity	14.2	14.0	+0.2
Global Equity	4.6	4.0	+0.6
U.S. Fixed Income	26.3	28.0	-1.7
Real Estate	7.1	7.0	+0.1

HIGHLIGHTS

Second Quarter 2007

RETURN SUMMARY ENDING 6/30/07

	Second Quarter		Year-To-Date		1 Year Ending 6/30/07		3 Years Ending 6/30/07		5 Years Ending 6/30/07		10 Years Ending 6/30/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Fund	4.4 %	53	6.0 %	78	17.2 %	54	11.9 %	67	11.2 %	66	8.5 %	40	10.0 %	--	3/31/80
Policy Portfolio	4.3	56	6.3	72	17.3	54	12.2	60	11.1	75	8.2	58	--	--	
Public Fund Index	4.4	52	7.0	45	17.2	54	12.8	51	11.4	59	8.2	57	--	--	
Total U.S. Equity	6.2	45	7.2	70	20.0	38	11.9	77	11.4	67	7.8	63	10.7	70	12/31/93
Performance Benchmark*	6.1	53	7.4	63	20.4	30	12.6	55	11.6	60	7.6	67	11.0	62	
Total Non-U.S. Equity	7.2	65	10.1	89	28.1	55	23.5	37	18.5	44	9.5	44	10.8	34	3/31/94
Performance Benchmark**	8.2	38	12.2	36	29.6	39	24.5	24	19.5	28	8.3	68	8.8	73	
Total Global Equity	6.3	72	8.2	77	21.8	67	--	--	--	--	--	--	18.9	--	4/30/05
MSCI All Country World Index	7.2	45	9.9	42	25.2	35	--	--	--	--	--	--	21.4	--	
Total U.S. Fixed Income	-0.8	89	0.8	85	6.5	42	4.7	34	5.4	41	6.3	40	6.1	--	2/28/94
LB Aggregate Bond Index	-0.5	46	1.0	59	6.1	61	4.0	70	4.5	74	6.0	56	6.1	--	
Total Real Estate	4.9	--	8.6	--	17.8	--	16.5	--	14.9	--	12.6	--	11.9	--	3/31/94
Policy Benchmark	4.6	--	8.3	--	16.1	--	17.5	--	14.1	--	12.9	--	11.9	--	

Commentary on Investment Performance

The table above highlights VCERA's Total Fund return for the quarter, as well as the returns for each of the individual asset class components. The ranks in the table shown above are from 1 to 99 with "1" representing the best performer and "99" the worst performer. The individual managers are ranked within style specific universes provided by Mellon Analytical Solutions. A description of each universe is provided in Appendix II of this report.

During the quarter, the Total Fund gained 4.4 percent and exceeded the return of the Policy Portfolio by approximately 0.1 percentage point, net of fees. Above-benchmark performance from within the U.S. equity and real estate components was partially offset by the below-benchmark performance of the non-U.S. equity, global equity, and fixed income components.

Despite posting a double-digit gain, the Total Fund's trailing one-year return of 17.2% lagged the result of the Policy Portfolio by approximately 0.1 percentage point. Impeding the period's relative return was underperformance within the non-U.S. equity, U.S. equity, and global equity components. Offsetting some of the period's underperformance was the strong relative return of the fixed income and real estate components.

The attribution analysis exhibits on page 18 provide additional information regarding each sub-components' contribution to performance during the quarter and trailing one-year period.

Longer-term relative performance of the Total Fund remained mixed. While the Total Fund's trailing three-year return lagged those of the benchmark, the trailing five- and ten-year returns modestly exceeded the policy portfolio.

*The DJ Wilshire 5000 Index. Prior to May 2007, the Russell 3000 Index

**The MSCI All Country World ex-U.S. Index. Prior to May 2002, the MSCI EAFE Index.

MARKET ENVIRONMENT
Second Quarter 2007

MARKET ENVIRONMENT

OVERVIEW

MAJOR MARKET RETURNS

	Second Quarter	Year-To-Date	1 Year Ending 6/30/07	3 Years Ending 6/30/07	5 Years Ending 6/30/07	10 Years Ending 6/30/07
Dow Jones Wilshire 5000 Index	6.1%	7.6%	20.5%	12.7%	12.0%	7.7%
MSCI All-Country World Ex-US Free	8.2	12.2	29.6	24.5	19.5	8.2
MSCI EAFE Free	6.4	10.7	27.0	22.2	17.7	7.6
MSCI Emerging Markets	15.0	17.5	45.0	38.2	30.2	9.1
MSCI All Country World Index	7.2	9.9	25.2	18.0	14.9	7.2
Lehman Brothers Aggregate Bond Index	-0.5	1.0	6.1	4.0	4.5	6.0

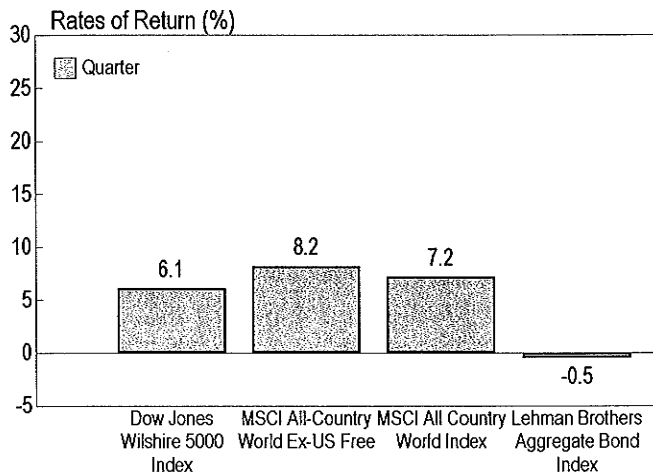
The broad U.S. equity market posted solid gains in the second quarter of 2007. The market was able to overcome many obstacles to produce its fourth straight quarter of positive returns. A continued weak housing market, sub-prime mortgage defaults, rising long-term interest rates, and higher energy prices were unable to slow the market down during the quarter. During April and May the markets posted impressive gains of 4.0% and 3.7%, respectively. Stronger than anticipated corporate earnings and continued merger and acquisition activity helped propel the market to another positive quarter. On May 30, 2007, the S&P 500 Index broke its all-time high, set in March of 2000, closing at 1,530.23. After two strong months the market slowed down in June, declining 1.6%.

The Dow Jones Wilshire 5000 Index advanced 6.1% during the second quarter and has now gained 7.6% year-to-date. Energy and capital goods were the best-performing sectors advancing 14.6% and 12.8% respectively, during the second quarter. Once again, financials were the worst-performing sector lagging the broad Index and gaining only 1.5% during the quarter. Sub-prime mortgage defaults and exposure to long-term interest rates weighed on financial stocks during the second quarter. Boosted by high oil prices, increased demand, and unexpected supply interruptions, the energy sector has been the best-performing sector year-to-date, gaining 18.6%. On a style and capitalization basis large cap stocks outperformed their small cap counterparts and growth stocks outperformed value during the second quarter.

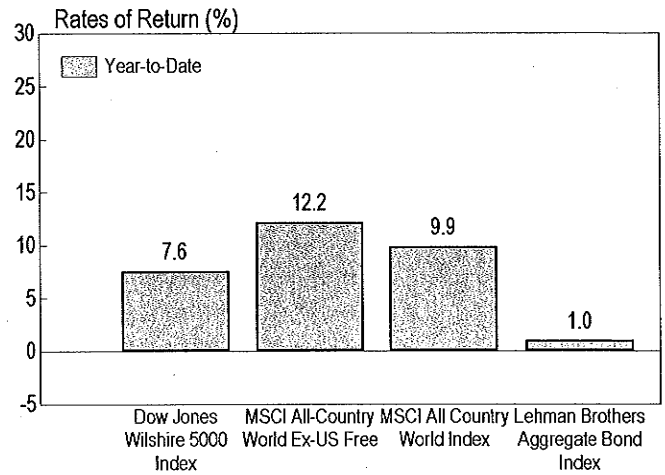
Non-U.S. stocks posted another quarter of solid returns as the MSCI All Country World ex-U.S. Index gained 8.2% during the second quarter, and has advanced 12.2% year-to-date. Latin America and Asia were the best-performing regions during the second quarter advancing 19.8% and 18.5%, respectively. The Latin American region continues to post impressive gains, 27.1% year-to-date, due to the rising value of regional currencies, high commodities prices, and continued economic growth. Japan lagged the Index, declining 0.6% during the quarter and gaining only 2.8% year-to-date. Growth continued in emerging markets across the world as the MSCI Emerging Markets Index produced strong returns, advancing 15.0% during the second quarter and 17.5% year-to-date.

The U.S. bond market, as measured by the Lehman Brothers Aggregate Bond Index, declined 0.5% during the quarter, and has gained 1.0% year-to-date. The bond market was hurt as Treasury yields rose and spreads widened during the second quarter. High yield bonds continued to outperform the Index and have gained 2.9% year-to-date. The Federal Reserve met twice during the quarter and decided to leave the federal funds rate unchanged at 5.25%. The U.S. Treasury yield curve flattened out in the second quarter with long-term maturity yields rising above yields of shorter term maturities.

**MAJOR MARKET RETURNS
SECOND QUARTER**

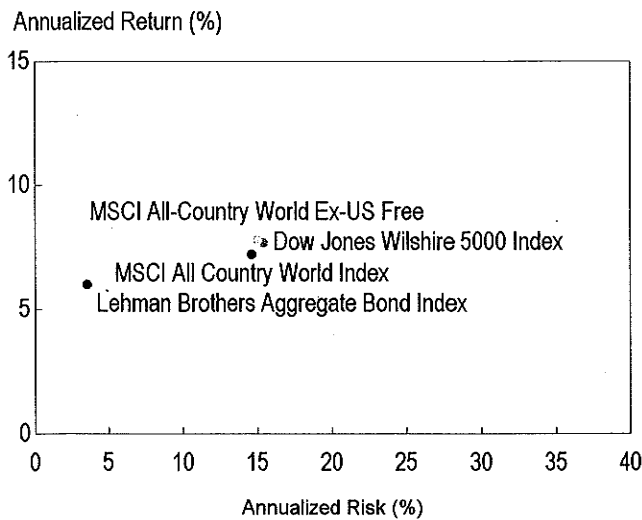


**MAJOR MARKET RETURNS
YEAR-TO-DATE ENDING 6/30/07**

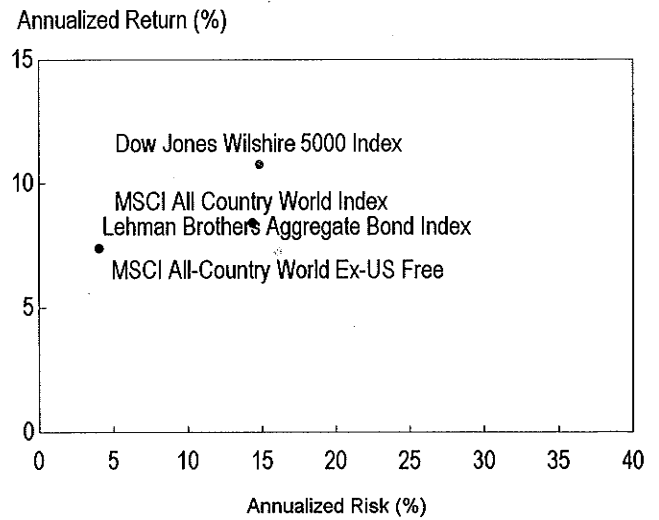


The exhibits above show the performance of the major capital markets during the second quarter and year-to-date period.

**MARKET RISK/RETURN
10 YEARS ENDING 6/30/07**



**MARKET RISK/RETURN
20 YEARS ENDING 6/30/07**

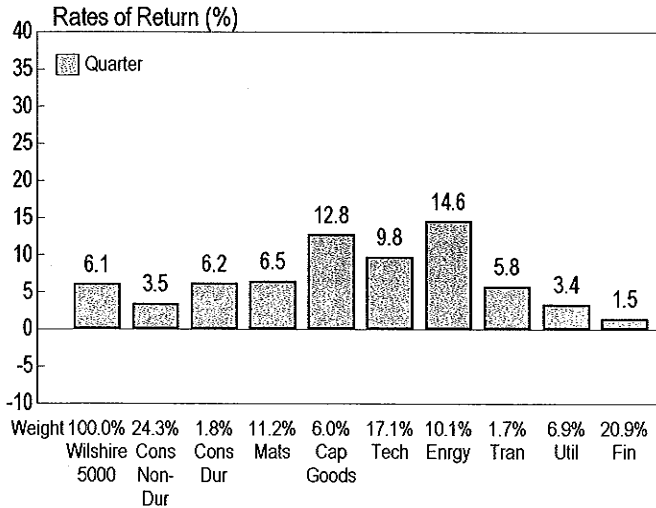


The exhibits above show the historical performance of the major capital markets and the amount of risk (volatility of returns) incurred. Points near the top of the chart represent a greater return and points near the right of the chart indicate greater volatility.

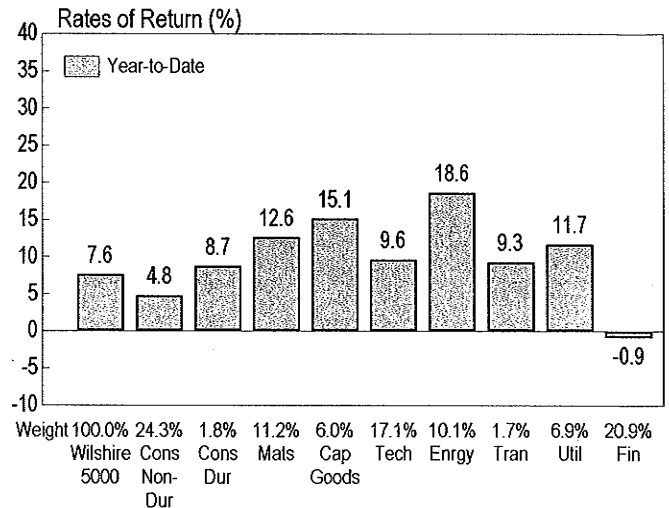
MARKET ENVIRONMENT

U.S. STOCK MARKET

SECTOR RETURNS SECOND QUARTER



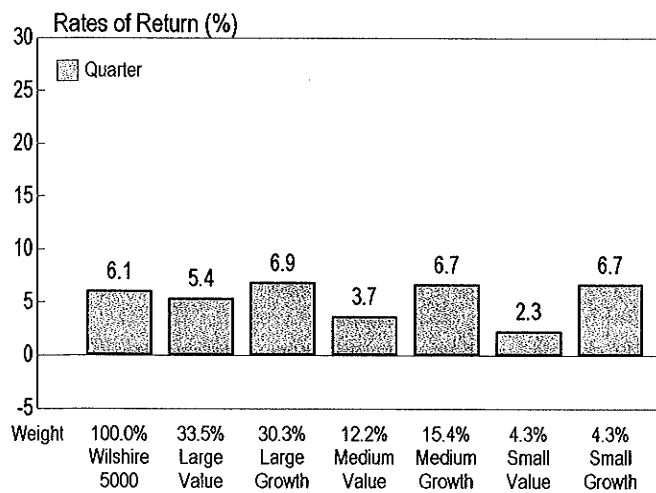
SECTOR RETURNS YEAR-TO-DATE ENDING 6/30/07



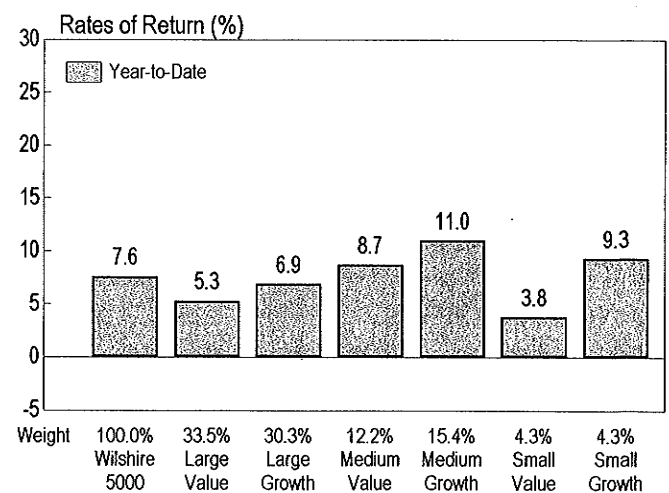
The Dow Jones Wilshire 5000 Index is the broadest available measure of the aggregate domestic stock market. It includes all domestic common stocks with readily available price information.

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 SECOND QUARTER



STYLE RETURNS YEAR-TO-DATE ENDING 6/30/07

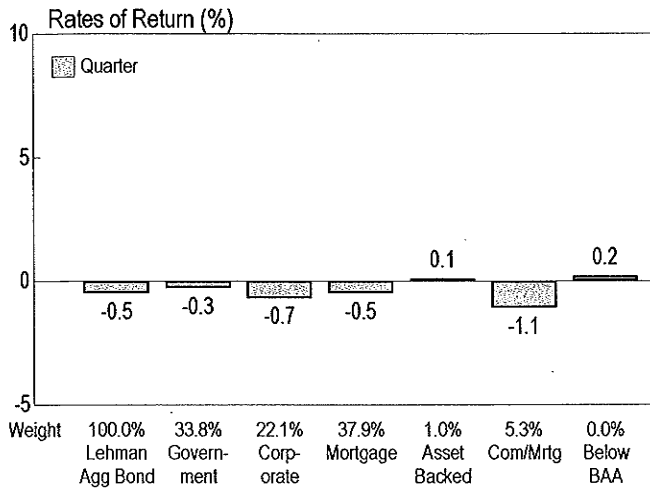


The exhibits above illustrate the performance of stock investment styles according to capitalization (large and small) and style characteristics (value and growth). The percentage below each bar indicates the segment's weight within the Dow Jones Wilshire 5000 Index at quarter-end.

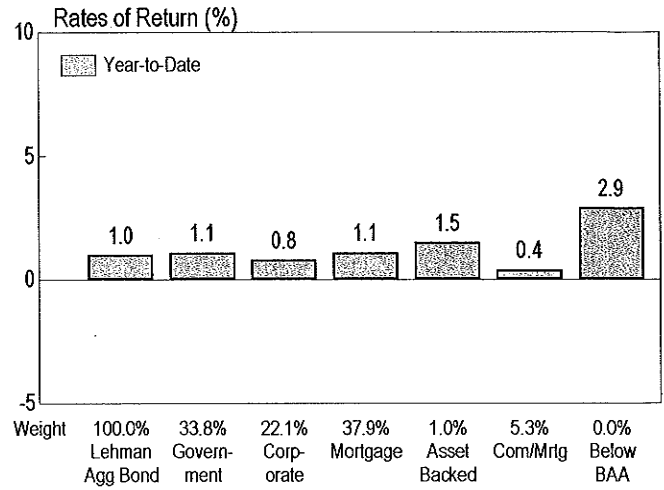
MARKET ENVIRONMENT

U.S. BOND MARKET

SECTOR RETURNS SECOND QUARTER



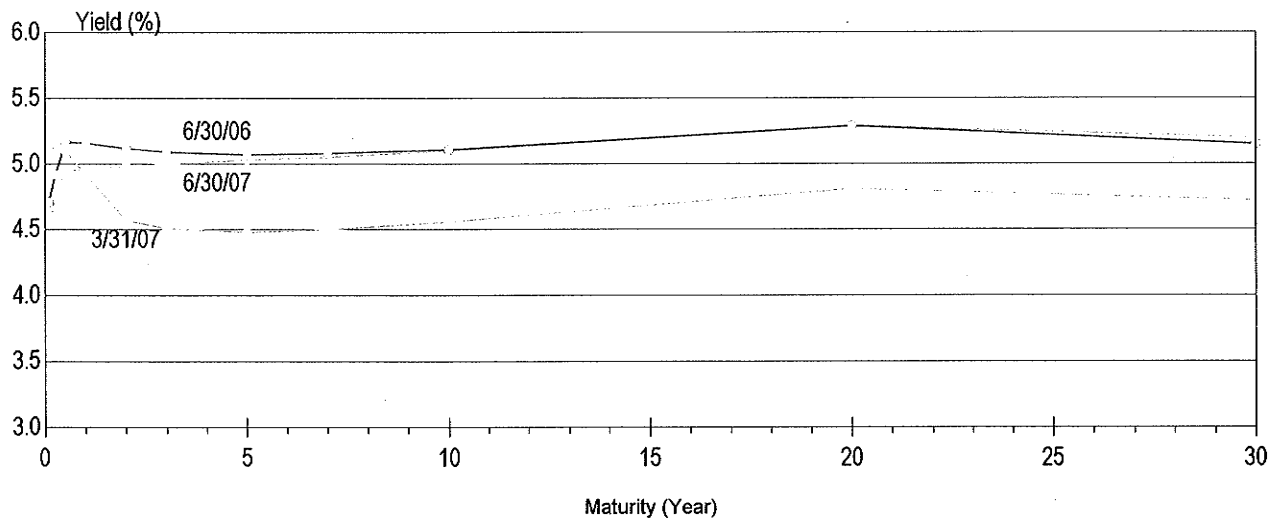
SECTOR RETURNS YEAR-TO-DATE ENDING 6/30/07



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 CURVE

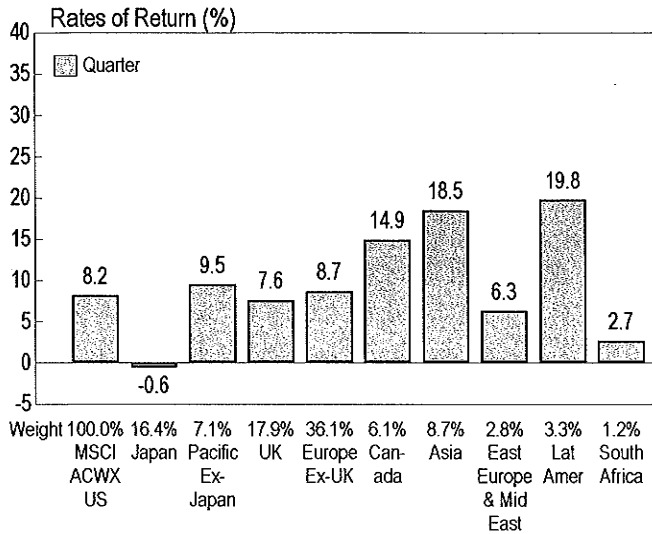


The exhibit above illustrates yields of Treasury securities of various maturities as of June 30, 2006, March 31, 2007, and June 30, 2007.

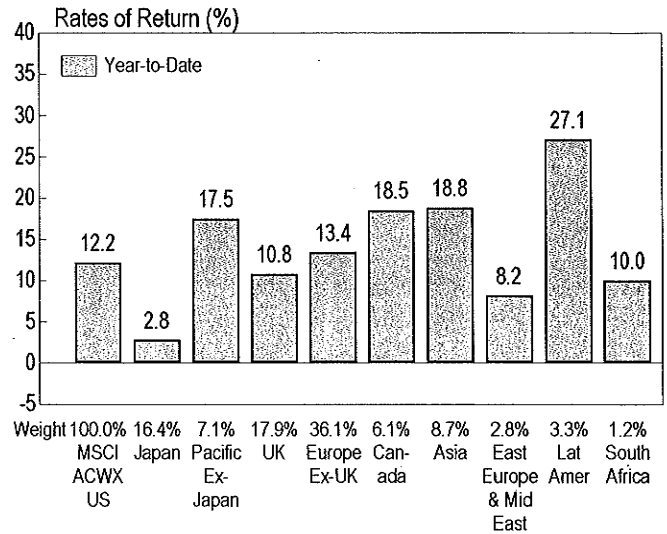
MARKET ENVIRONMENT

NON-U.S. STOCK MARKETS

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

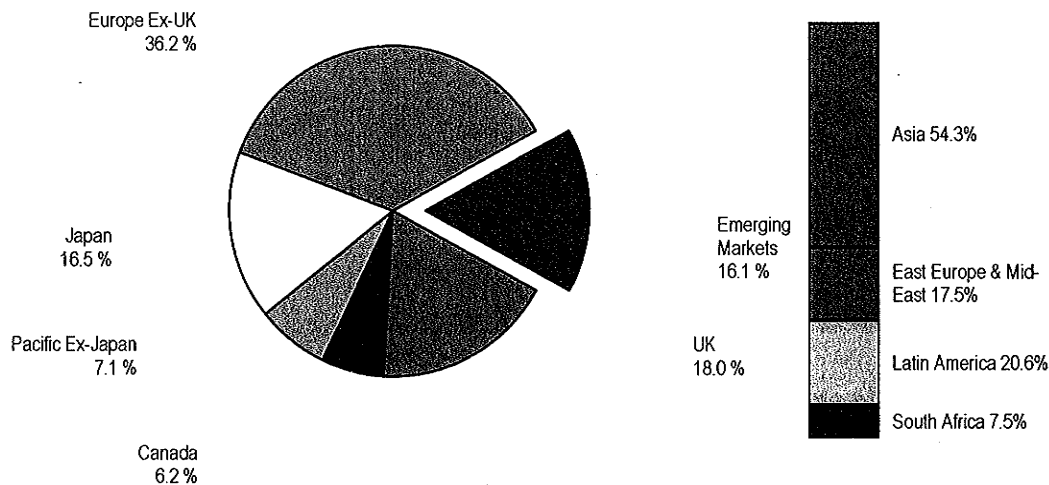


**NON-U.S. STOCK MARKET RETURNS
YEAR-TO-DATE ENDING 6/30/07**



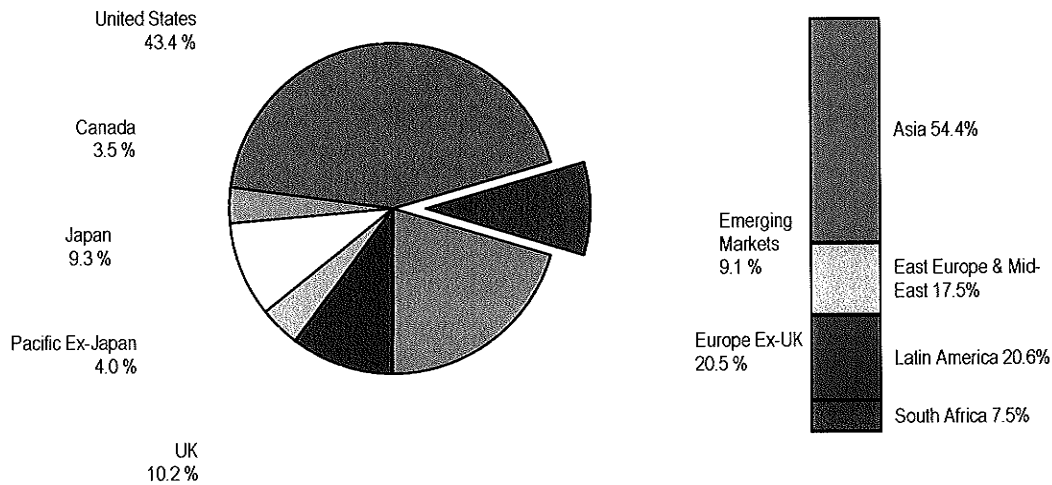
The MSCI All Country World ex-U.S. Index is a capitalization-weighted index of stocks representing 22 developed stock markets and 25 emerging stock markets around the world. The exhibits above show the performance of the regions that comprise the MSCI All Country World ex-U.S. Index at quarter-end.

**MSCI ALL COUNTRY WORLD EX-U.S. STOCK INDEX
GEOGRAPHIC ALLOCATION AS OF 6/30/07**



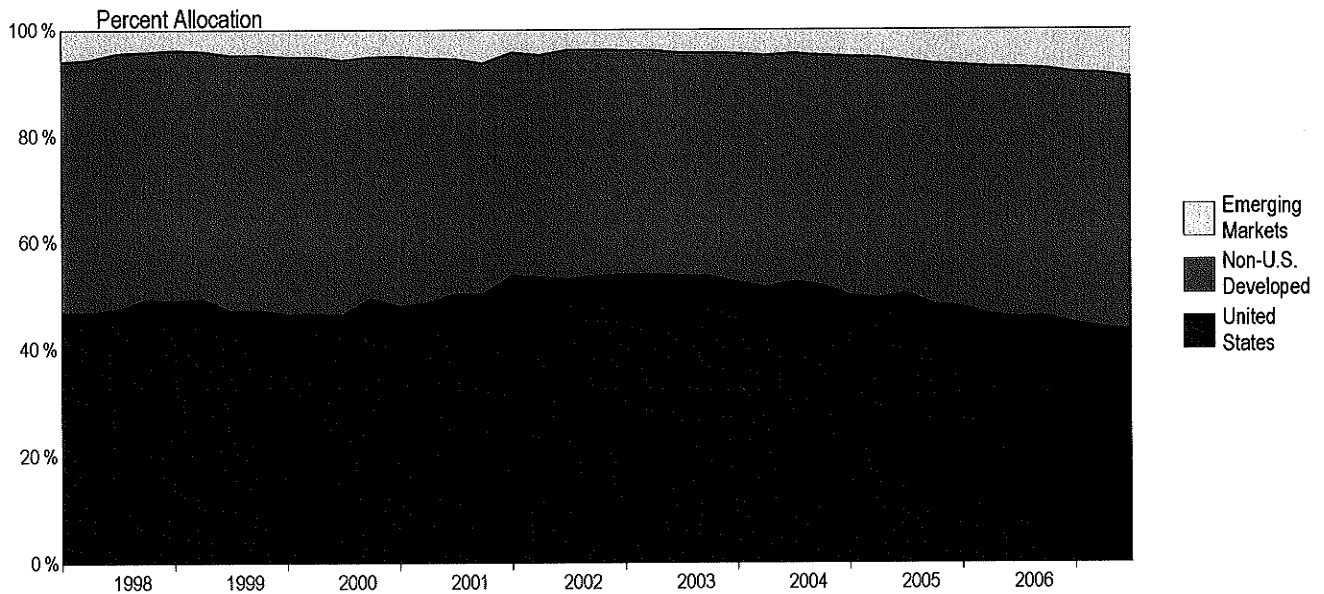
The exhibit above illustrates the percent each region represents of the non-U.S. stock market as measured by the MSCI All Country World ex-U.S. Index.

**MSCI ALL COUNTRY WORLD STOCK INDEX
GEOGRAPHIC ALLOCATION AS OF 6/30/07**



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



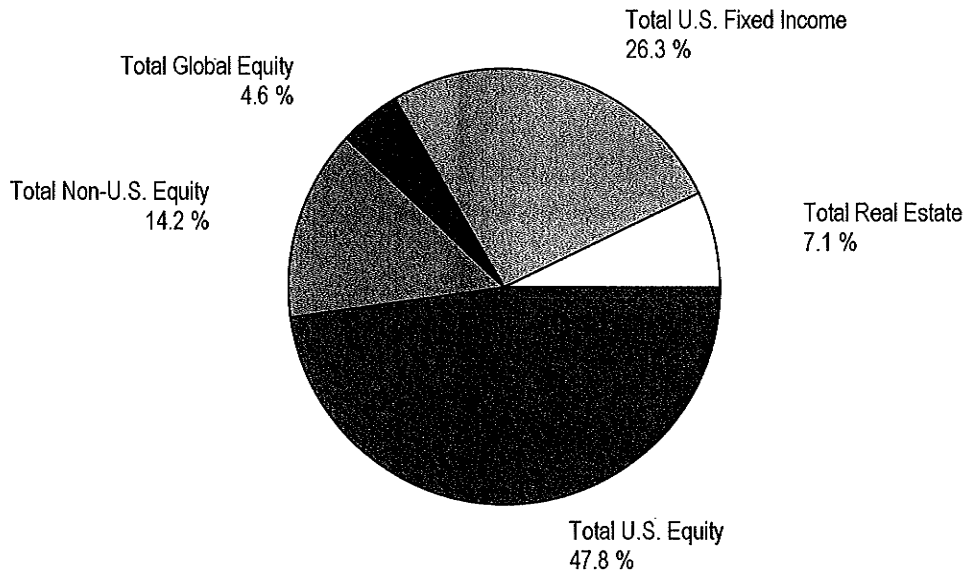
The graph above shows the changes in the breakdown between the United States, non-U.S. developed markets, and emerging markets in the MSCI All Country World Index over time.

ASSET ALLOCATION

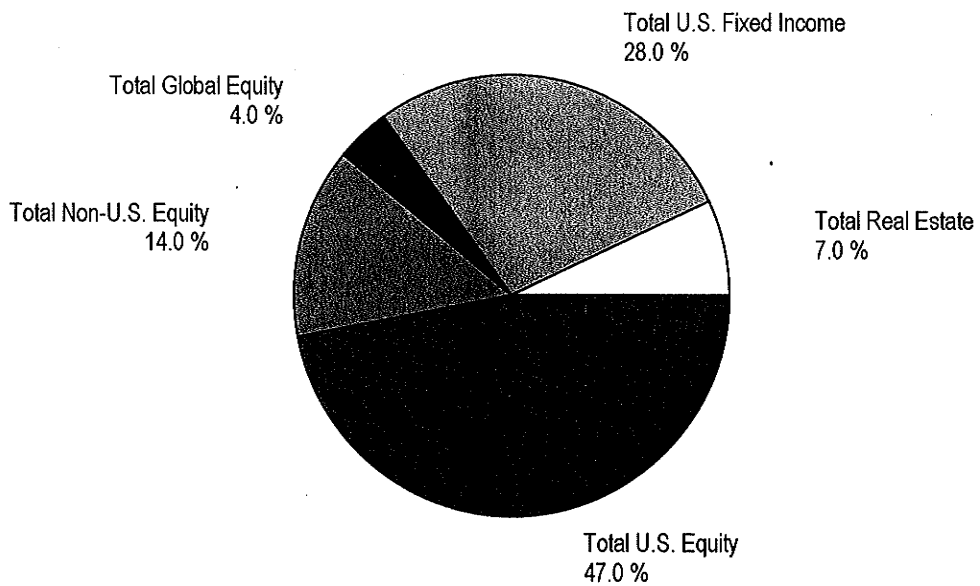
ASSET ALLOCATION

Second Quarter 2007

ASSET ALLOCATION
ACTUAL AS OF 6/30/07



ASSET ALLOCATION
POLICY AS OF 6/30/07



ASSET ALLOCATION

Second Quarter 2007

ASSET ALLOCATION AS OF 6/30/07

(\$ 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	\$176,445	--	--	--	--	\$5,083	\$181,528	5.9%	
BGI Equity Index Fund	908,098	--	--	--	--	--	908,098	29.5	
LSV	99,145	--	--	--	--	498	99,643	3.2	
Wasatch	74,954	\$8,187	--	--	--	7,823	90,963	3.0	
BGI Extended Equity	92,921	--	--	--	--	--	92,921	3.0	
Western U.S. Index Plus	--	--	\$87,739	\$5,161	--	5,210	98,110	3.2	
Total U.S. Equity	1,351,562	8,187	87,739	5,161	--	18,613	1,471,262	47.8	47.0%
BGI ACWI ex-U.S. Index	--	\$120,506	--	--	--	--	\$120,506	3.9%	
Capital Guardian	--	157,362	--	--	--	\$2,073	159,434	5.2	
Sprucegrove	--	147,158	--	--	--	9,727	156,885	5.1	
Total Non-U.S. Equity	--	425,026	--	--	--	11,800	436,825	14.2	14.0%
GMO Global Fund	\$23,224	\$45,115	\$1,824	--	--	\$1,068	\$71,231	2.3%	
Wellington Global Equity	30,749	37,767	--	--	--	289	68,804	2.2	
Total Global Equity	53,973	82,881	1,824	--	--	1,357	140,036	4.6	4.0%
Western	--	--	\$267,737	\$14,406	--	\$7,710	\$289,852	9.4%	
BGI U.S. Debt Fund	--	--	180,457	--	--	--	180,457	5.9	
Reams	--	--	258,822	--	--	--	258,822	8.4	
Loomis Sayles	--	--	64,295	14,856	--	2,030	81,181	2.6	
Total U.S. Fixed Income	--	--	771,310	29,262	--	9,740	810,311	26.3	28.0%
Prudential Real Estate	--	--	--	--	\$88,098	--	\$88,098	2.9%	
UBS Real Estate	--	--	--	--	101,432	--	101,432	3.3	
Guggenheim	--	--	--	--	29,572	--	29,572	1.0	
Total Real Estate	--	--	--	--	219,102	--	219,102	7.1	7.0%
Total Fund	\$1,405,535	\$516,094	\$860,874	\$34,422	\$219,102	\$41,510	\$3,077,537	100.0%	100.0%
Percent of Total	45.7%	16.8%	28.0%	1.1%	7.1%	1.3%	100.0%		

Asset Allocation

In the table above, we detail the Total Fund's allocations among managers. On the right side of the table, we show the actual percent of total. The bottom row of the table shows the Fund's percentage investments in each asset class. These allocations reflect both the Committee's decisions on manager allocations as well as the managers' active allocation decisions.

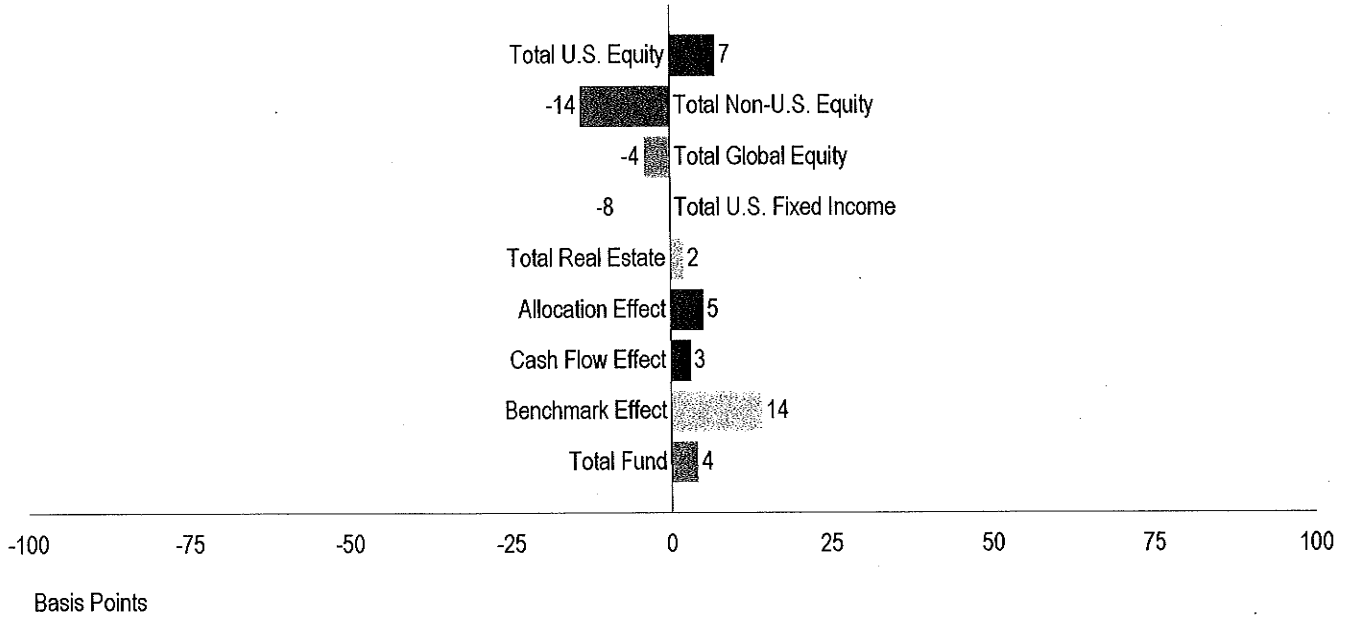
The asset value of VCERA's Total Fund increased by approximately \$104.8 million during the quarter. The growth in assets was attributable to investment gains of \$128.7 million and net withdrawals of \$23.9 million.

PERFORMANCE EVALUATION

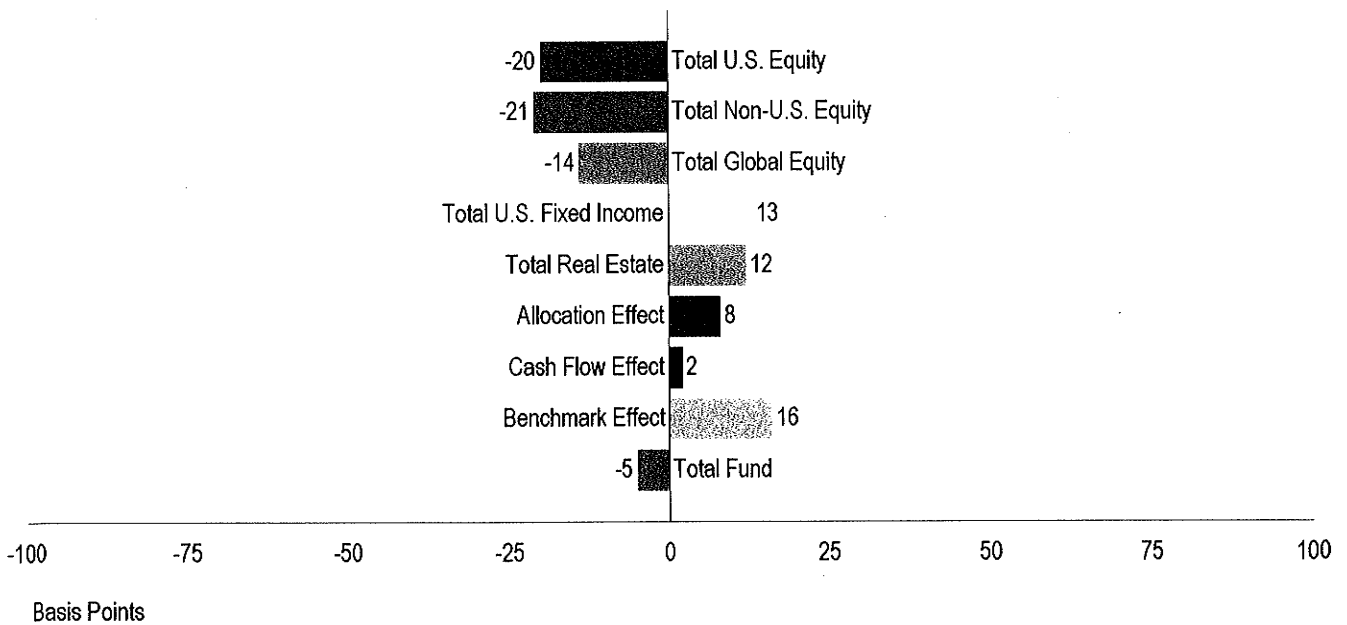
TOTAL FUND

Second Quarter 2007

TOTAL FUND ATTRIBUTION ANALYSIS 3 MONTHS ENDING 6/30/07



TOTAL FUND ATTRIBUTION ANALYSIS 1 YEAR ENDING 6/30/07



Second Quarter 2007

RETURN SUMMARY
ENDING 6/30/07

	Second Quarter		Year-To-Date		1 Year Ending 6/30/07		3 Years Ending 6/30/07		5 Years Ending 6/30/07		10 Years Ending 6/30/07	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
Total Fund	4.4%	53	6.0%	78	17.2%	54	11.9%	67	11.2%	66	8.5%	40
Policy Portfolio	4.3	56	6.3	72	17.3	54	12.2	60	11.1	75	8.2	58

Commentary on Investment Performance

During the quarter, the Total Fund gained 4.4 percent and exceeded the return of the Policy Portfolio by approximately 0.1 percentage point, net of fees. Above-benchmark performance from within the U.S. equity and real estate components was partially offset by the below-benchmark performance of the non-U.S. equity, global equity, and fixed income components.

On a year-to-date basis, the Total Fund advanced 6.0% and lagged the return of the Policy Portfolio by approximately 0.3 percentage points.

Despite posting a double-digit gain, the Total Fund's trailing one-year return of 17.2% lagged the result of the Policy Portfolio by approximately 0.1 percentage point. Impeding the period's relative return was underperformance within the non-U.S. equity, U.S. equity, and global equity components. Somewhat offsetting the period's underperformance was the strong relative return of the fixed income and real estate components.

Longer-term relative performance of the Total Fund remained mixed. While the Total Fund's trailing three-year return lagged that of the benchmark, the trailing five- and ten-year returns modestly exceeded the Policy Portfolio.

The attribution graphs on the opposite page illustrate each asset class's contribution to the relative performance of the Total Fund over the past three-month and trailing one-year periods. A positive value for a component indicates a positive contribution to the aggregate relative performance. A negative value indicates a detrimental impact. The top five bars indicate the value added or subtracted by each asset class over the specified time period based on the average weight of each asset class multiplied by the amount of its outperformance (or underperformance). The bar labeled Allocation Effect details the impact on performance due to deviations from the policy allocation targets. If the Fund's asset allocation was always identical to that of its policy, the Allocation Effect would be zero. The bar labeled "Cash Flow Effect" illustrates the effect on the Total Fund's performance by the timing of cash contributions, withdrawals, and asset movements between accounts. All of the effects combine to equal the "Total Fund" bar in these graphs. This is the difference between the Total Fund's return and that of the Policy Portfolio.

TOTAL FUND

Second Quarter 2007

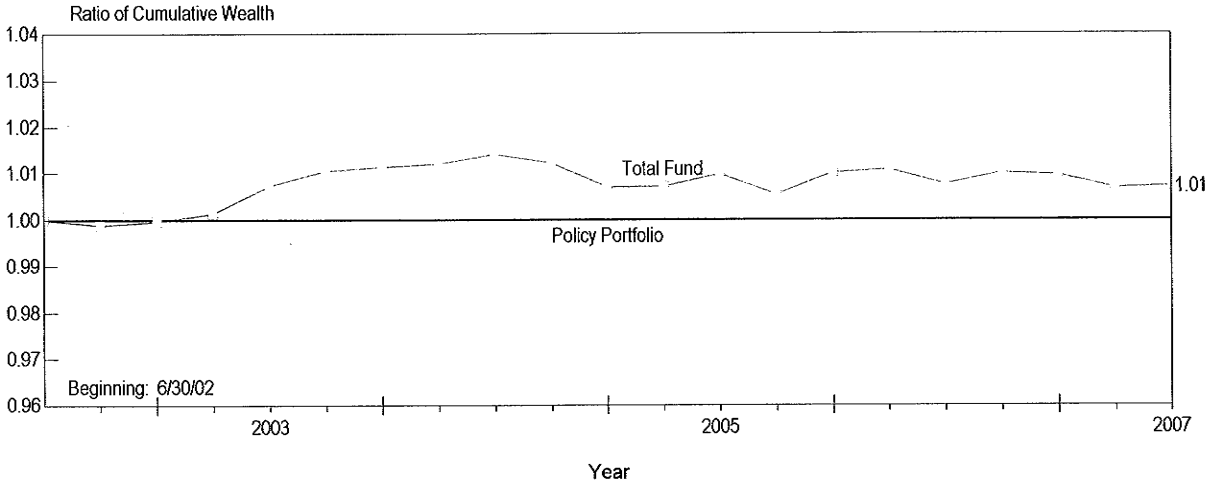
HISTORICAL RETURNS (BY YEAR)

	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
2007 (6 months)	6.0	6.3	-0.3
Trailing 1-Year	17.2%	17.3%	-0.1
Trailing 3-Year	11.9	12.2	-0.3
Trailing 5-Year	11.2	11.1	0.1
Trailing 10-Year	8.5	8.1	0.4

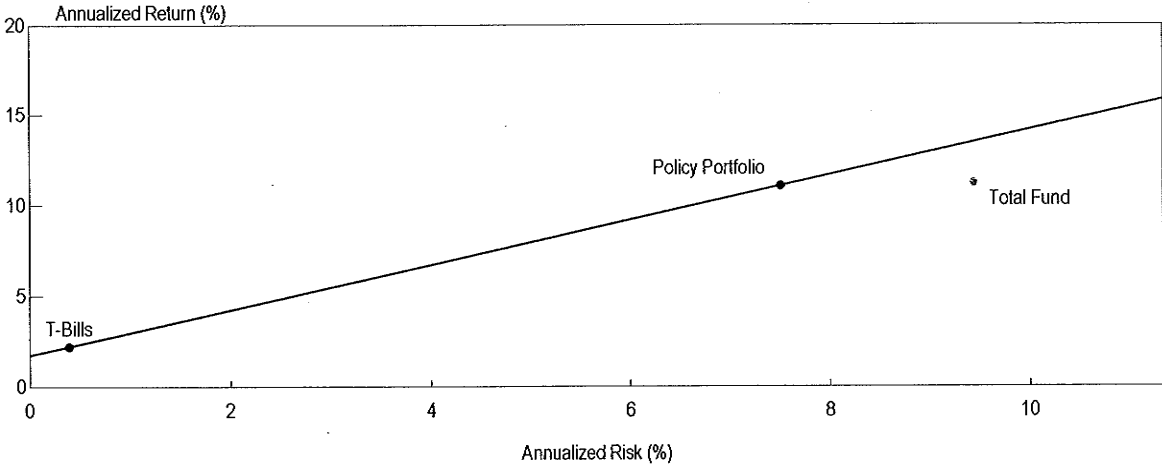
The table above compares the historical annual and cumulative annualized returns of VCERA's Total Fund with those of the Policy Portfolio.

Second Quarter 2007

**RATIO OF CUMULATIVE WEALTH
5 YEARS ENDING 6/30/07**



**ANNUALIZED RISK RETURN
5 YEARS ENDING 6/30/07**



The Ratio of Cumulative Wealth graph on the top of the page illustrates the Total Fund's cumulative performance relative to the policy portfolio. An upward sloping line between two points indicates that the component's return exceeded that of the Policy Portfolio, while a downward sloping line indicates a lesser return. A flat line is indicative of benchmark-like performance. As shown, the Total Fund earned a slightly higher rate of return than that of the Policy Portfolio over the trailing five-years.

The Risk/Return graph on the bottom of the page illustrates the historical risk (volatility of returns) and return of VCERA's Total Fund to that of its policy portfolio. During the trailing five-years, the Total Fund experienced a similar rate of return while incurring a higher level of risk than that of the Policy Portfolio.

TOTAL FUND

Second Quarter 2007

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
Western	16	Excellent	No
Non-U.S. Equity			
Capital Guardian	19	Excellent	No
Sprucegrove	16	Excellent	Yes
Global Equity			
GMO	18	Good	No
Wellington	16	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

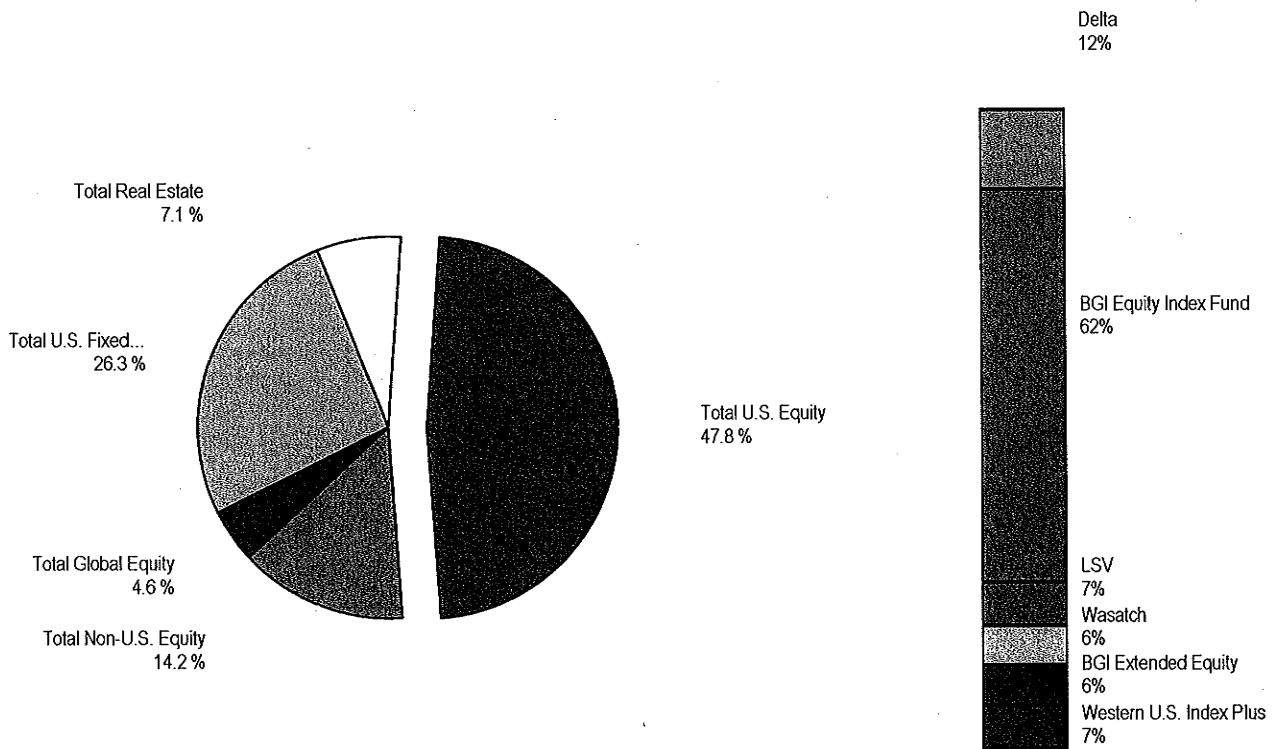
The table above highlights each manager's score within EnnisKnupp's proprietary Investment Manager Rating System (IMRS).

TOTAL U.S. EQUITY

\$1,471.3 Million and 47.8% of Fund

Second Quarter 2007

ASSET ALLOCATION ACTUAL AS OF 6/30/07

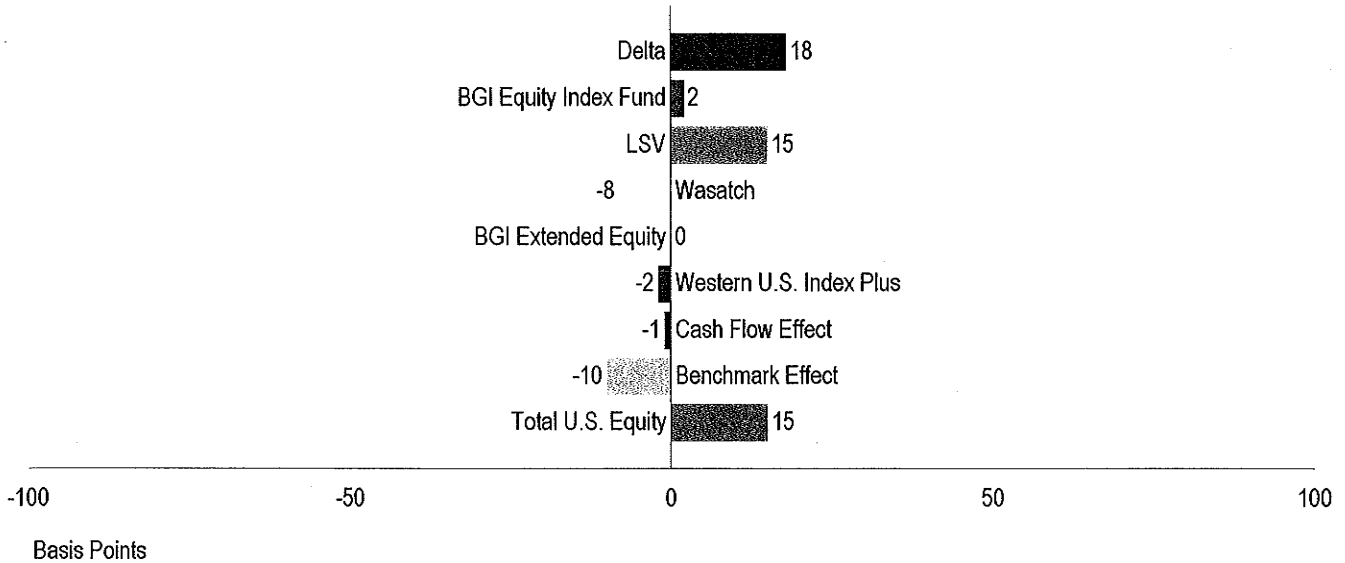


TOTAL U.S. EQUITY

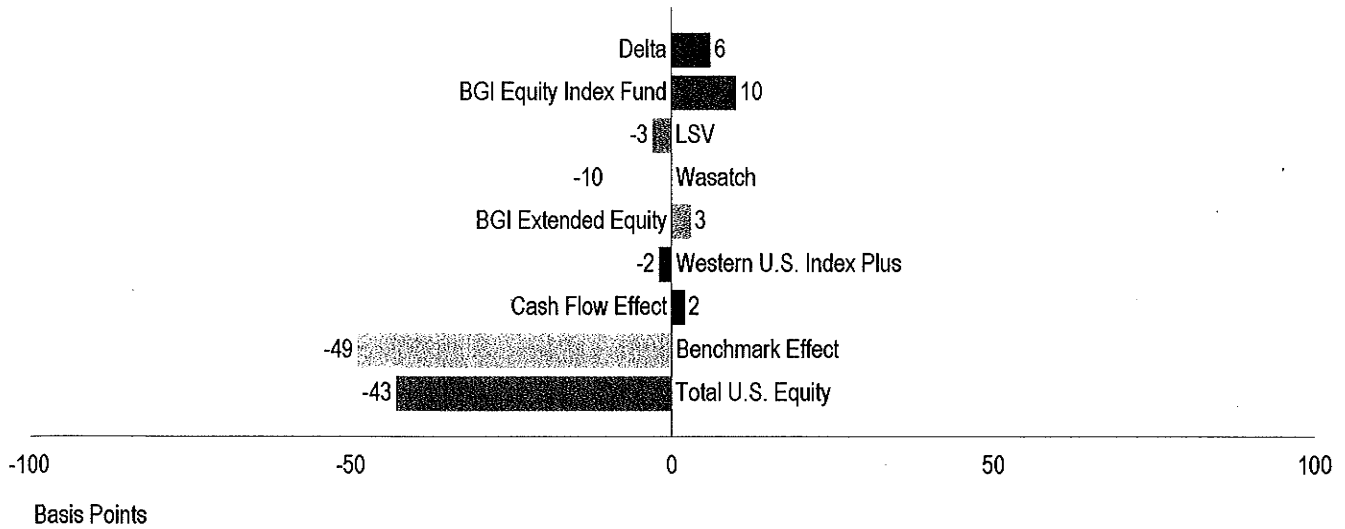
\$1,471.3 Million and 47.8% of Fund

Second Quarter 2007

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 6/30/07



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 6/30/07



TOTAL U.S. EQUITY**\$1,471.3 Million and 47.8% of Fund****Second Quarter 2007****RETURN SUMMARY
ENDING 6/30/07**

	Second Quarter	Year-To-Date	1 Year Ending 6/30/07	3 Years Ending 6/30/07	5 Years Ending 6/30/07	10 Years Ending 6/30/07	Since Inception	Inception Date
Total U.S. Equity	6.2%	7.2%	20.0%	11.9%	11.4%	7.8%	10.7%	12/31/93
Performance Benchmark*	6.1	7.4	20.4	12.6	11.6	7.6	11.0	
Delta	7.5	7.9	21.2	11.1	10.5	7.6	11.4	9/30/91
S&P 500 Index	6.3	7.0	20.6	11.7	10.7	7.1	11.2	
BGI Equity Index Fund	6.3	7.0	20.8	11.7	10.8	--	6.4	7/31/97
S&P 500 Index	6.3	7.0	20.6	11.7	10.7	--	6.4	
LSV	4.5	5.7	15.6	14.9	16.8	--	15.6	9/30/98
Russell 2000 Value Index	2.3	3.8	16.1	15.0	14.6	--	14.2	
Wasatch	5.4	6.6	15.3	9.6	11.9	--	14.4	11/30/99
Performance Benchmark**	6.7	9.3	16.8	11.8	13.1	--	7.2	
BGI Extended Equity	5.3	9.5	19.4	15.8	--	--	20.7	10/31/02
DJ Wilshire 4500 Index	5.3	9.6	18.8	15.4	--	--	20.6	
Western U.S. Index Plus	--	--	--	--	--	--	-1.9	5/31/07
S&P 500 Index	--	--	--	--	--	--	-1.7	

Commentary on Investment Performance

VCERA's U.S. equity component advanced 6.2% during the quarter and outperformed the Performance Benchmark by 0.1 percentage point. Delta and LSV were successful in adding value during the period due to favorable security selection and sector allocation decisions. Wasatch struggled in relative terms due to an underweight allocation to the cyclical and commodity-oriented sectors. The component's passive U.S. equity investments successfully tracked the performance of their respective indices during the quarter.

The U.S. equity component lagged the result of Performance Benchmark during the trailing one-year period. A significant portion of the component's performance was attributed to the below-benchmark returns generated by LSV and Wasatch. Conversely, an above-benchmark return generated by Delta benefited relative results. As expected, the passive U.S. equity investments closely tracked the performance of their respective indices.

While positive on an absolute basis, longer-term relative performance of the U.S. equity component remained mixed. While the component's trailing three- and five-year returns fell short of the Index, the trailing ten-year return remained 0.2 percentage points ahead of the Performance Benchmark, net of fees.

The attribution analysis on the previous page highlights each manager's contribution to the relative performance within VCERA's U.S. equity component over the past three-month and trailing one-year periods. The benchmark effect in the quarter and one-year attribution graphs is a result of the cumulative performance of the individual manager's benchmarks (the S&P 500 Index, the DJ Wilshire 4500 Index, the Russell 2000 Value Index, and the Russell 2000 Value Index) outperforming/underperforming the U.S. equity component's Performance Benchmark (the DJ Wilshire 5000 Index).

*The DJ Wilshire 5000 Index. Prior to May 2007, the Russell 3000 Index

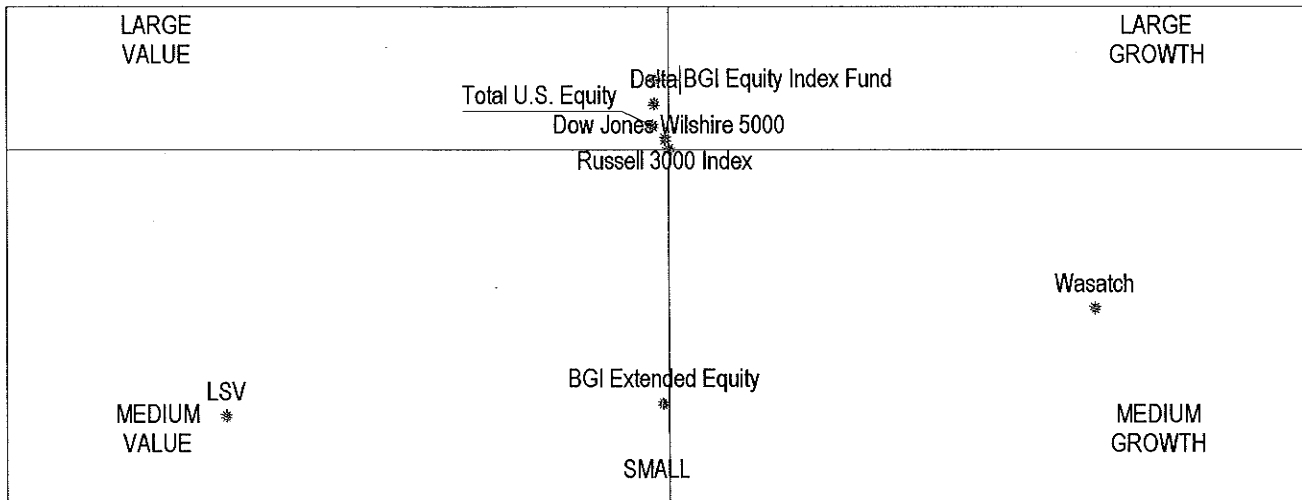
**The Russell 2000 Growth Index. Prior to December 2001, the Russell 2000 Index.

TOTAL U.S. EQUITY

\$1,471.3 Million and 47.8% of Fund

Second Quarter 2007

EFFECTIVE STYLE MAP
4 YEARS 8 MONTHS ENDING 6/30/07



U.S. Equity Style Map

The exhibit above highlights the style and capitalization orientation of the total U.S. equity component and the domestic equity managers utilized in VCERA's investment program.

As shown, the U.S. equity component exhibits a style and capitalization bias similar to that of the DJ Wilshire 5000 Index.

Second Quarter 2007

RETURN SUMMARY
ENDING 6/30/07

	Second Quarter		Year-To-Date		1 Year Ending 6/30/07		3 Years Ending 6/30/07		5 Years Ending 6/30/07		10 Years Ending 6/30/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Delta	7.5 %	23	7.9 %	41	21.2 %	37	11.1 %	62	10.5 %	60	7.6 %	60	11.4 %	58	9/30/91
S&P 500 Index	6.3	53	7.0	62	20.6	44	11.7	58	10.7	55	7.1	68	11.2	65	

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

Delta's return of 7.5% exceeded the S&P 500 Index by 1.2 percentage points during the quarter. An overweight allocation to the information technology sector proved beneficial as relative performance in the sector significantly outperformed the broader market. Specifically, communication equipment, software, and IT services companies were particularly additive to relative results. In addition, the manager's holdings within metal and mining stocks, which benefited from favorable fundamentals and industry consolidation, and an underweight allocation to the weak performing utilities sector further buoyed results.

Over the year-to-date period, performance remained favorable due to favorable security selection and sector allocation decisions.

The portfolio's return of 21.2% outperformed the S&P 500 Index by 0.6 percentage points over the trailing one-year period. A zero percent weighting in the utilities sector provided the largest drag on relative performance.

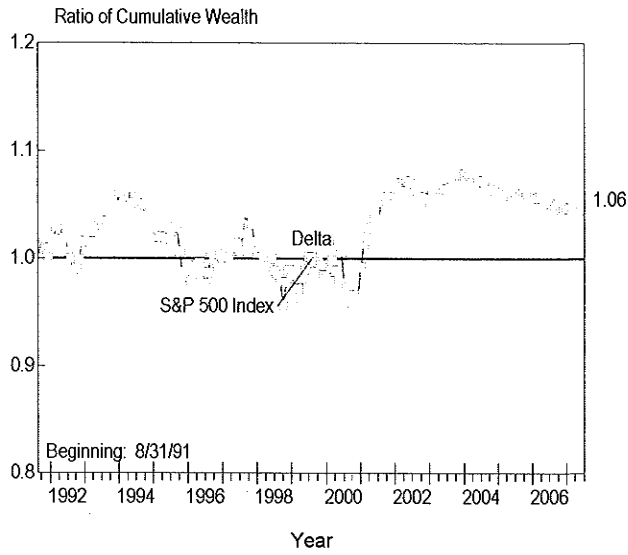
Delta's longer-period returns are mixed when compared to those of the S&P 500 Index. The portfolio's trailing three- and five-year return underperformed the benchmark, while the trailing ten-year and since-inception results remained favorable.

DELTA

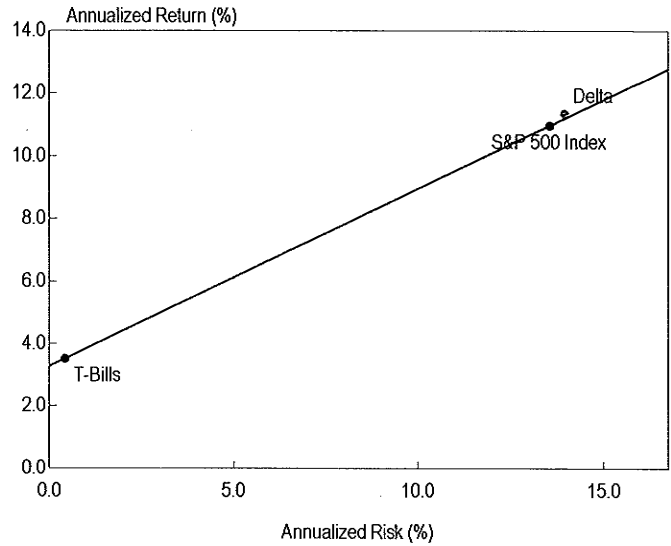
\$181.5 Million and 5.9% of Fund

Second Quarter 2007

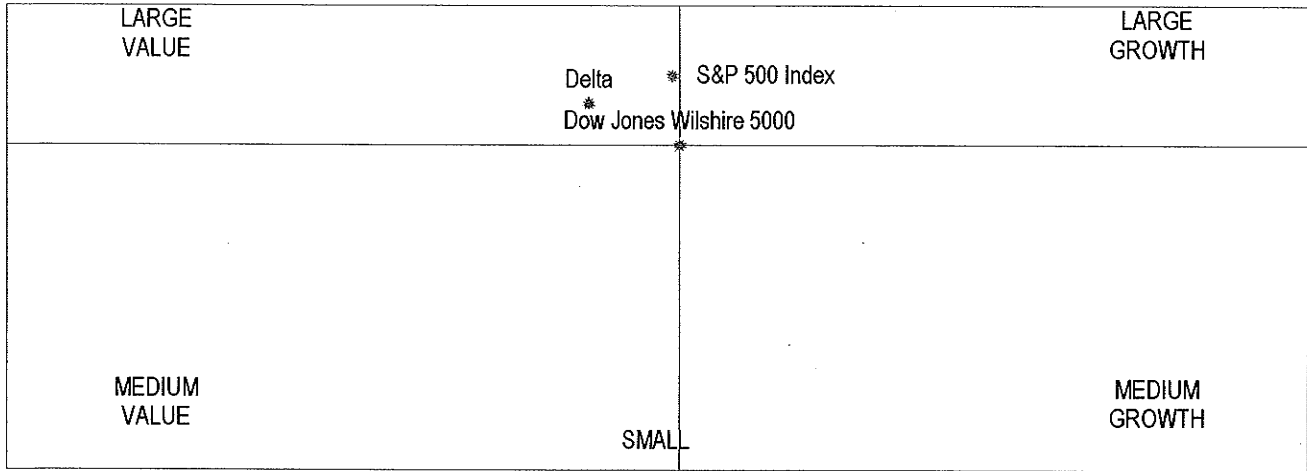
RATIO OF CUMULATIVE WEALTH
15 YEARS 10 MONTHS ENDING 6/30/07



ANNUALIZED RISK RETURN
15 YEARS 10 MONTHS ENDING 6/30/07



EFFECTIVE STYLE MAP
15 YEARS 10 MONTHS ENDING 6/30/07



Second Quarter 2007

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
2007 (6 months)	7.9	41	7.0	62	0.9
Trailing 1-Year	21.2%	37	20.6%	44	0.6
Trailing 3-Year	11.1	62	11.7	58	-0.6
Trailing 5-Year	10.5	60	10.7	55	-0.2
Trailing 10-Year	7.6	60	7.1	68	0.5
Since Inception (9/30/91)	11.4	58	11.2	65	0.2

The table above compares the historical annual and cumulative annualized returns of the Delta portfolio and its benchmark, the S&P 500 Index. The table below compares the characteristics of the Delta portfolio with those of the S&P 500 Index.

	Delta	S&P 500
Capitalization Focus	Large	Large
Number of Holdings	109	500
Top 5 Holdings	ExxonMobil General Electric Citigroup Bank of America Microsoft	ExxonMobil General Electric AT&T Citigroup Microsoft
Sector Emphasis	Information Technology	Financials
Cash Allocation	2.8%	N/A
Total Strategy Assets	\$2.3 Billion	N/A
Inception Date	9/30/91	N/A
Portfolio Manager(s)	Team Managed	N/A

BGI EQUITY INDEX FUND

\$908.1 Million and 29.5% of Fund

Second Quarter 2007

RETURN SUMMARY ENDING 6/30/07

	Second Quarter		Year-To-Date		1 Year Ending 6/30/07		3 Years Ending 6/30/07		5 Years Ending 6/30/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI Equity Index Fund	6.3 %	53	7.0 %	61	20.8 %	42	11.7 %	57	10.8 %	54	6.4 %	--	7/31/97
S&P 500 Index	6.3	53	7.0	62	20.6	44	11.7	58	10.7	55	6.4	--	

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 Fund tracked the return of the S&P 500 Index during the quarter. The resurgent information technology sector was among the S&P 500 Index's best performers during the quarter. Energy and industrials also saw significant gains. The quarter's weakest performer was the utilities sector. In a testament to the index's broad-based gains, no other sector declined in the quarter. However, gains in the financials and consumer staples sectors lagged the return of the Index.

As expected, the Fund closely tracked the Index over all the longer-term trailing periods shown above.

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
2007 (6 months)	7.0	61	7.0	62	0.0
Trailing 1-Year	20.8 %	42	20.6 %	44	0.2
Trailing 3-Year	11.7	57	11.7	58	0.0
Trailing 5-Year	10.8	54	10.7	55	0.1
Since Inception (7/31/97)	6.4	--	6.4	--	0.0

BGI EXTENDED EQUITY INDEX FUND

\$92.9 Million and 3.0% of Fund

Second Quarter 2007

RETURN SUMMARY ENDING 6/30/07

	Second Quarter		Year-To-Date		1 Year Ending 6/30/07		3 Years Ending 6/30/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI Extended Equity	5.3 %	54	9.5 %	46	19.4 %	31	15.8 %	30	20.7 %	--	10/31/02
DJ Wilshire 4500 Index	5.3	54	9.6	44	18.8	33	15.4	36	20.6	--	

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 Fund is passively managed using a "fund optimization" technique. The Fund typically invests all, or substantially all, assets in the 1,300 largest stocks in the Index and in a representative sample of the remainder. Stocks are selected based on appropriate industry weightings, market capitalizations and certain fundamental characteristics (e.g. price/earnings ratio and dividend yield) that closely align the Fund's characteristics with those of its benchmark.

Commentary on Investment Performance

The BGI Extended Equity Index Fund successfully tracked the performance of the DJ Wilshire 4500 Index during the quarter. The Index's best-performing sectors were energy and industrials. The sectors with the smallest gains were utilities and financials.

As expected, the Fund closely tracked the Index over all the longer-term trailing periods shown above.

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	9.9	36	0.6
2006	15.2	45	14.3	50	0.9
2007 (6 months)	9.5	46	9.6	44	-0.1
Trailing 1-Year	19.4 %	31	18.8 %	33	0.6
Trailing 3-Year	15.8	30	15.4	36	0.4
Since Inception (10/31/02)	20.7	--	20.6	--	0.1

LSV

\$99.6 Million and 3.2% of Fund

Second Quarter 2007

RETURN SUMMARY ENDING 6/30/07

	Second Quarter		Year-To-Date		1 Year Ending 6/30/07		3 Years Ending 6/30/07		5 Years Ending 6/30/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
LSV	4.5 %	58	5.7 %	75	15.6 %	66	14.9 %	52	16.8 %	26	15.6 %	51	9/30/98
Russell 2000 Value Index	2.3	95	3.8	87	16.1	64	15.0	47	14.6	62	14.2	73	

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 second-quarter return of 4.5% exceeded the Russell 2000 Value Index by approximately 2.2 percentage points. The period's strong relative performance was due to favorable stock selection in the consumer discretionary, consumer staples, and financials sectors. In addition, the manager cited that an overweight allocation to materials and an underweight allocation to REITs also added value relative to the Index. The manager's deep value style had little impact during the quarter as the small cap growth index outperformed the small cap value index.

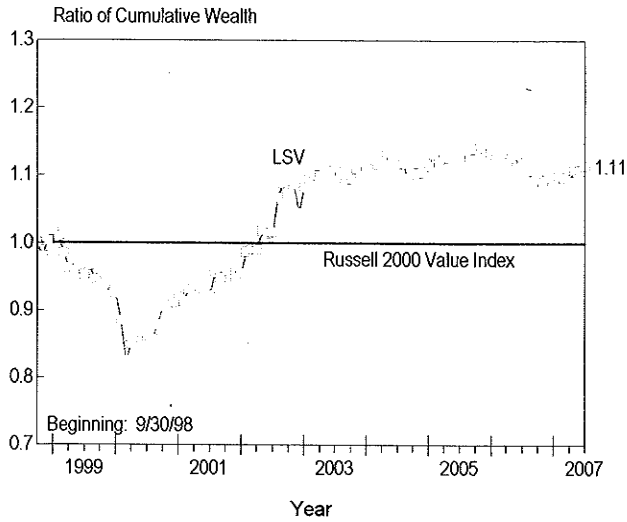
Absolute and relative performance remained favorable over the year-to-date period.

For the trailing one-year period, LSV underperformed the return of the index by 0.5 percentage points as the manager's deep value approach struggled to keep-pace with the benchmark. The majority of the period's underperformance was due to poor stock selection within the energy, materials, and industrials sectors as growth-orientated names outperformed in the Index. Conversely, stock selection in consumer staples, health care, utilities, and financials (ex REITs) sectors had a positive impact, but were insufficient to overcome the main detractors during the year.

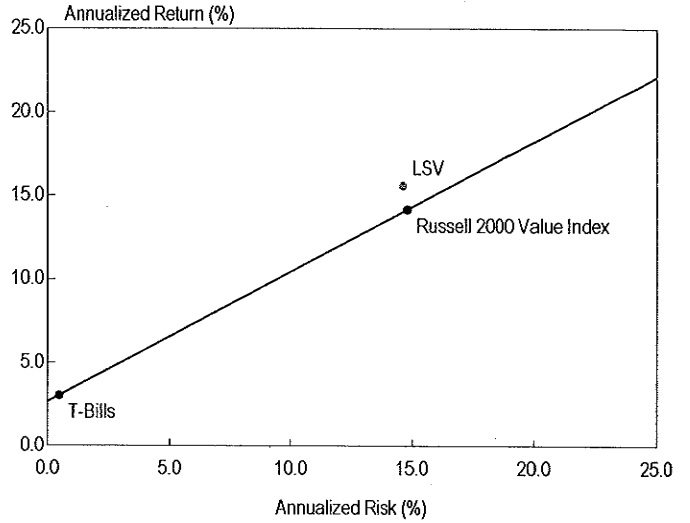
While the trailing three-year return modestly lagged that of the Index, longer-term returns continued to compare favorably.

Second Quarter 2007

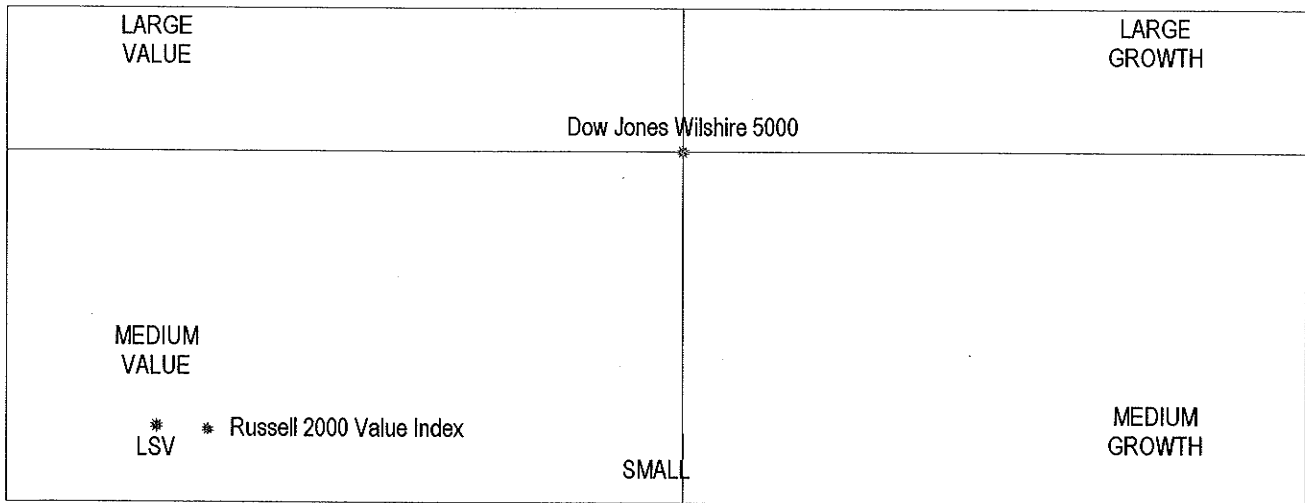
RATIO OF CUMULATIVE WEALTH
8 YEARS 9 MONTHS ENDING 6/30/07



ANNUALIZED RISK RETURN
8 YEARS 9 MONTHS ENDING 6/30/07



EFFECTIVE STYLE MAP
8 YEARS 9 MONTHS ENDING 6/30/07



LSV

\$99.6 Million and 3.2% of Fund

Second Quarter 2007

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
2007 (6 months)	5.7	75	3.8	87	1.9
Trailing 1-Year	15.6%	66	16.1%	64	-0.5
Trailing 3-Year	14.9	52	15.0	47	-0.1
Trailing 5-Year	16.8	26	14.6	62	2.2
Since Inception (9/30/98)	15.6	51	14.2	73	1.4

The table above compares the historical annual and cumulative annualized returns of the LSV portfolio and its benchmark, the Russell 2000 Value Index. The table below compares the characteristics of the LSV portfolio with those of the Russell 2000 Value Index.

	LSV	Russell 2000 Value
Capitalization Focus	Small	Small
Number of Holdings	163	1,293
Top 5 Holdings	Ohio Casualty Corp. LandAmerica Financial Group FMC Corp. Technitrol Inc. K2 Inc.	CF Industries Holdings Ohio Casualty Corp. Realty Income Corp. Aspen Insurance Holdings Emcor Group Inc.
Sector Emphasis	Financial Services	Financial Services
Cash Allocation	0.5%	N/A
Total Strategy Assets	\$2.8 Billion	N/A
Inception Date	9/30/98	N/A
Portfolio Manager(s)	Team Managed	N/A

Second Quarter 2007

**RETURN SUMMARY
ENDING 6/30/07**

	Second Quarter		Year-To-Date		1 Year Ending 6/30/07		3 Years Ending 6/30/07		5 Years Ending 6/30/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Wasatch	5.4%	89	6.6%	96	15.3%	75	9.6%	84	11.9%	70	14.4%	--	11/30/99
Performance Benchmark*	6.7	75	9.3	80	16.8	65	11.8	66	13.1	51	7.2	--	

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 Index to the Russell 2000 Growth Index as of December 31, 2001 as a result of the transition.

Commentary on Investment Performance

The Wasatch Small Cap Growth portfolio registered a gain of 5.4% during the quarter and underperformed the Russell 2000 Growth Index by 1.3 percentage points. While results were strong in absolute terms, the manager reported that performance relative to the Index faced two challenges. First, a focus on steady-eddy, quality growth companies was an impediment as these types of companies typically lag in a rapidly rising market. Second, the period's strongest performers were in cyclical and commodity-based sectors where Wasatch traditionally has had low exposure. Top holdings that performed poorly included Abaxis, Inc. (-14%), a maker of portable blood analysis systems and CRA International, Inc. (-8.0%), a provider of legal, regulatory and business consulting services.

The manager struggled in relative terms versus the Index during the year-to-date and trailing one-year periods. A significant portion of the manager's below-benchmark performance was attributed to the portfolio's concentration in the cyclical and commodity-oriented sectors. Despite its focus on quality growth names, the manager believes an emphasis on quality will ultimately be rewarded once the current market cycle runs its course.

The manager's longer-term returns are mixed when compared with those of the performance benchmark. While the portfolio's trailing three- and five-year returns lagged those of the benchmark, the since-inception result exceeded the benchmark by an impressive 7.2 percentage points, annually.

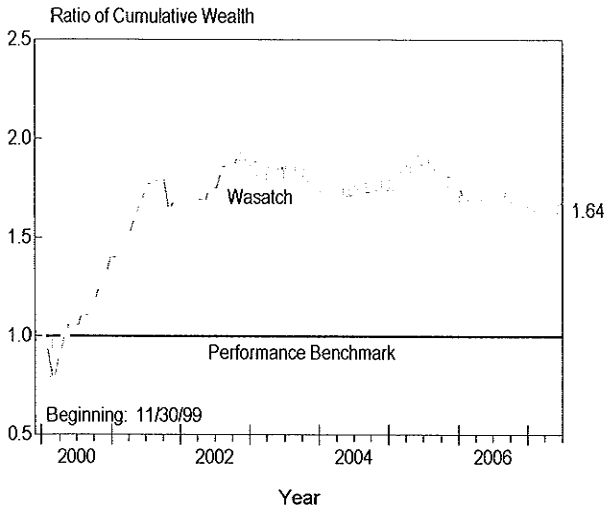
*The Russell 2000 Growth Index. Prior to December 2001, the Russell 2000 Index.

WASATCH

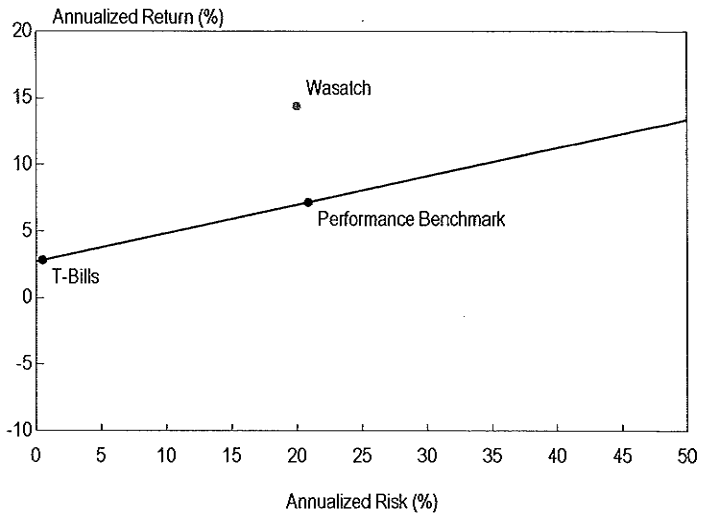
\$91.0 Million and 3.0% of Fund

Second Quarter 2007

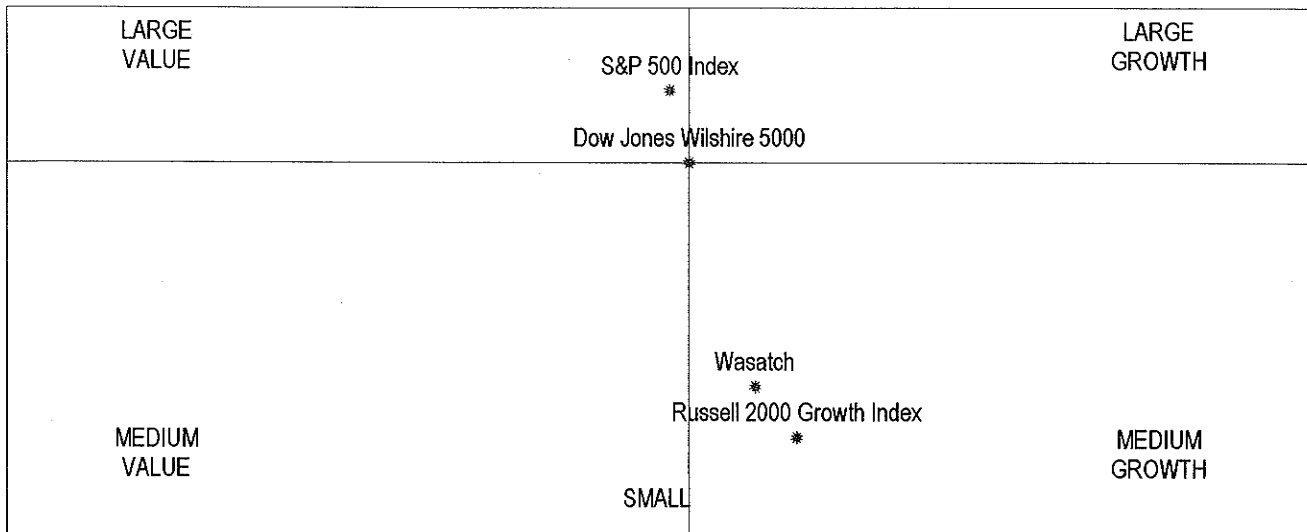
**RATIO OF CUMULATIVE WEALTH
7 YEARS 7 MONTHS ENDING 6/30/07**



**ANNUALIZED RISK RETURN
7 YEARS 7 MONTHS ENDING 6/30/07**



**EFFECTIVE STYLE MAP
7 YEARS 7 MONTHS ENDING 6/30/07**



The style map 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.

WASATCH

\$91.0 Million and 3.0% of Fund

Second Quarter 2007**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
2007 (6 months)	6.6	96	9.3	80	-2.7
Trailing 1-Year	15.3%	75	16.8%	65	-1.5
Trailing 3-Year	9.6	84	11.8	66	-2.2
Trailing 5-Year	11.9	70	13.1	51	-1.2
Since Inception (11/30/99)	14.4	--	7.2	--	7.2

The table above compares the historical annual and cumulative annualized returns of the Wasatch portfolio and the Performance Benchmark. The table below compares the characteristics of the Wasatch portfolio with those of the Russell 2000 Growth Index.

	Wasatch	Russell 2000 Growth
Capitalization Focus	Small	Small
Number of Holdings	93	1,255
Top 5 Holdings	O'Reilly Automotive, Inc. Knight Transportation Inc. Healthways Inc. Resources Connection Inc. Techne Corp.	Polycom Inc. Florida East Coast Industries Flir Systems Inc. Sothebys Hologic Inc.
Sector Emphasis	Information Technology	Information Technology
Cash Allocation	8.6%	N/A
Total Strategy Assets	\$0.9 billion	N/A
Inception Date	11/30/99	N/A
Portfolio Manager(s)	Jeff Cardon	N/A

WESTERN U.S. INDEX PLUS

\$98.1 Million and 3.2% of Fund

Second Quarter 2007

RETURN SUMMARY ENDING 6/30/07

	Since Inception		Inception Date
	Return	Rank	
Western U.S. Index Plus	-1.9 %	--	5/31/07
S&P 500 Index	-1.7	--	

Philosophy and Process

Western employs a value-oriented investment approach that has proven success in adding excess returns across various market cycles. This versatility comes from the manager's multiple sources of value added and focus on finding long-term fundamental value. Western seeks to achieve balance between multiple sources of value added - duration management, yield curve positioning, sector allocation, and security selection - while diversifying risk. Western has one of the deepest teams of investment/risk professionals in the industry. The manager also has dedicated significant resources to analytics and risk management. We would highlight that active sector rotation and portfolio construction are key strengths of Western.

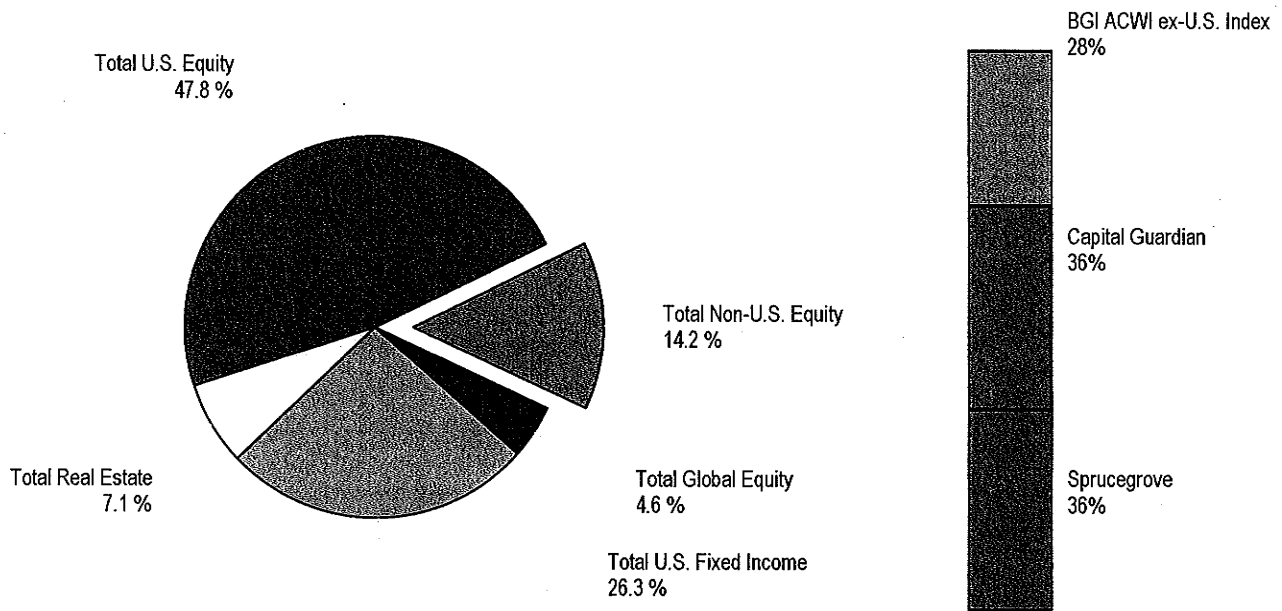
Commentary on Investment Performance

Since the initial funding in May of 2007, the Western Index Plus portfolio lagged the S&P 500 Index by 0.2 percentage points. Tactical duration adjustments subtracted from performance as rates rose more than expected during the period. In addition, an overweight exposure to mortgages and a moderate exposure to non-dollar bonds further detracted from results as spreads widened, volatility rose, and currencies moved adversely.

TOTAL NON-U.S. EQUITY
\$436.8 Million and 14.2% of Fund

Second Quarter 2007

ASSET ALLOCATION
ACTUAL AS OF 6/30/07

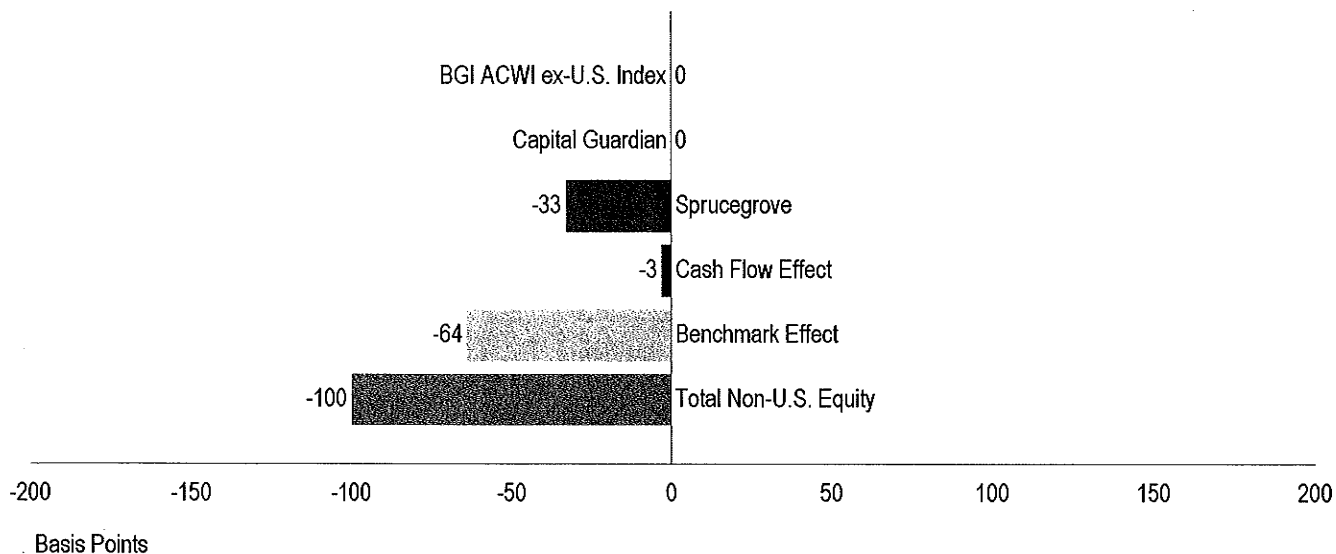


TOTAL NON-U.S. EQUITY

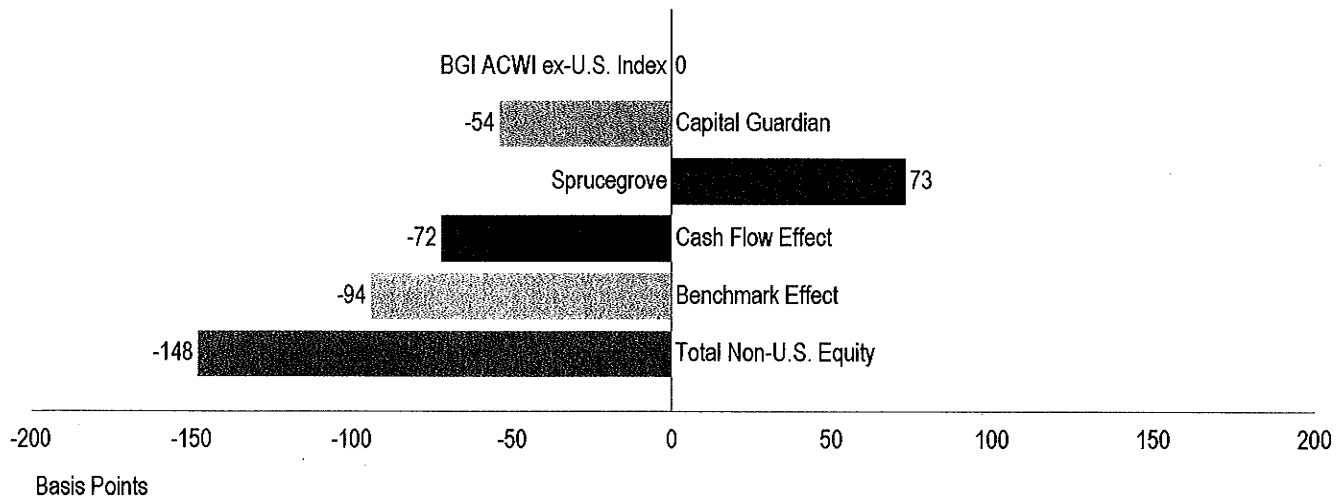
\$436.8 Million and 14.2% of Fund

Second Quarter 2007

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 6/30/07



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 6/30/07



TOTAL NON-U.S. EQUITY
\$436.8 Million and 14.2% of Fund

Second Quarter 2007

RETURN SUMMARY
ENDING 6/30/07

	Second Quarter		Year-To-Date		1 Year Ending 6/30/07		3 Years Ending 6/30/07		5 Years Ending 6/30/07		10 Years Ending 6/30/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
	Total Non-U.S. Equity	7.2%	65	10.1%	89	28.1%	55	23.5%	37	18.5%	44	9.5%	44	10.8%	
Performance Benchmark*	8.2	38	12.2	36	29.6	39	24.5	24	19.5	28	8.3	68	8.8	73	
BGI ACWI ex-U.S. Index	8.2	30	--	--	--	--	--	--	--	--	--	--	8.2	30	3/31/07
MSCI All Country World ex-U.S. Index	8.2	30	--	--	--	--	--	--	--	--	--	--	8.2	30	
Capital Guardian	8.2	30	12.1	33	28.8	36	24.0	34	18.3	35	--	--	7.3	--	7/31/00
Performance Benchmark*	8.2	30	12.2	30	29.6	27	24.5	22	19.5	27	--	--	8.4	--	
Sprucegrove	5.5	90	8.2	93	28.9	36	23.2	44	19.1	30	--	--	18.7	21	3/31/02
MSCI EAFE Index	6.4	68	10.7	56	27.0	57	22.2	56	17.7	48	--	--	16.3	49	

Commentary on Investment Performance

The collective return of the non-U.S. equity component advanced 7.2% during the quarter and underperformed the MSCI All Country World ex-U.S. Index by 1.0 percentage point. Sprucegrove underperformed by 0.9 percentage points while Capital Guardian approximated the return of the Index.

Despite posting a double-digit gain, the relative results realized during the quarter extended into the year-to-date period. The non-U.S. equity component lagged the return of the Policy Portfolio by approximately 2.1 percentage points. Both Sprucegrove and Capital Guardian hindered results.

Over the trailing one-year period, the non-U.S. equity component advanced an impressive 28.1%, but lagged the Performance Benchmark by approximately 1.5 percentage points. Capital Guardian underperformed the Performance Benchmark by approximately 0.8 percentage points and offset Sprucegrove's 1.9 percentage points of value-added.

While strong on an absolute basis, longer-term relative performance of the non-U.S. equity component remained mixed. The component's trailing three- and five-year returns fell short of the Index, while the trailing ten-year and since-inception returns outpaced the Performance Benchmark.

The attribution analysis on the previous page highlights each manager's contribution to relative performance within VCERA's non-U.S. equity component. The benchmark effect in the quarter and one-year attribution graphs is a result of the cumulative performance of the individual managers' benchmarks (the MSCI All-Country World ex-U.S. Index and the MSCI EAFE Index) underperforming the non-U.S. equity components performance benchmark (the MSCI All-Country World ex-U.S. Index).

*The MSCI All Country World ex-U.S. Index. Prior to May 2002, the MSCI EAFE Index.

CAPITAL GUARDIAN

\$159.4 Million and 5.2% of Fund

Second Quarter 2007

RETURN SUMMARY ENDING 6/30/07

	Second Quarter		Year-To-Date		1 Year Ending 6/30/07		3 Years Ending 6/30/07		5 Years Ending 6/30/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Capital Guardian	8.2%	30	12.1%	33	28.8%	36	24.0%	34	18.3%	35	7.3%	--	7/31/00
Performance Benchmark*	8.2	30	12.2	30	29.6	27	24.5	22	19.5	27	8.4	--	

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 returned 8.2% during the quarter, approximating the return of the Performance Benchmark. The largest positive contributors to relative results were the portfolio's holdings in the energy and materials sectors. Poor stock selection within the industrials (BEA Systems), telecommunications (Softbank), and healthcare (Sanofi-Aventis) sectors dragged on overall results. The manager noted that they continue to see infrastructure spending (a byproduct of continued global growth) as a good catalyst for finding opportunities not only in developed but also in emerging countries. In addition, while the portfolio is underweight the financial sector, the manager continues to believe in the growing profitability of Japanese financial companies.

On a year-to-date basis, performance was slightly below the Performance Benchmark. The period's shortfall was largely due to poor stock selection within the healthcare (Sanofi-Aventis, Forest Laboratories, and Novartis), information technology (Infosys and Yahoo Japan), and industrial sectors. Stock selection within the United States detracted from results during the period.

Over the trailing one-year period, the strategy underperformed due to poor stock selection in Japan, specifically within financials. Stock picks within the industrial, information technology, and health care sectors further detracted from relative results.

The manager has been unable to add value relative to the Index over the longer-term periods highlighted above.

Second Quarter 2007

COUNTRY ALLOCATION RETURNS
3 MONTHS ENDING 6/30/07

	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	0.7 %	0.5 %	5.0 %
Belgium	0.7	1.0	4.5
Czech Republic*	0.0	0.1	12.8
Denmark	0.6	0.7	6.5
Finland	1.2	1.3	15.6
France	12.2	8.1	9.9
Germany	5.9	6.5	16.2
Greece	0.1	0.5	6.6
Hungary*	0.0	0.2	28.7
Ireland	0.7	0.7	3.6
Italy	0.6	2.9	4.2
Netherlands	4.3	2.7	8.4
Norway	0.5	0.8	14.7
Poland*	0.0	0.3	12.4
Portugal	0.0	0.3	17.6
Russia*	0.0	1.5	0.5
Spain	3.2	3.1	4.4
Sweden	0.6	2.0	8.3
Switzerland	8.0	5.1	3.2
United Kingdom	15.5	18.0	7.6
Asia/Pacific			
Australia	3.0 %	4.8 %	10.3 %
China*	0.1	2.0	24.5
Hong Kong	2.6	1.3	5.8
India*	0.2	1.0	20.8
Indonesia*	0.0	0.3	16.0
Japan	24.9	16.4	-0.6
Korea*	1.1	2.5	18.3
Malaysia*	0.0	0.4	8.8
New Zealand	0.0	0.1	13.0
Pakistan*	0.0	0.0	23.2
Philippines*	0.0	0.1	21.0
Singapore	1.1	0.8	10.5
Sri Lanka*	0.0	--	--
Taiwan, China*	0.6	2.0	14.2
Thailand*	0.0	0.2	18.1
Americas			
Argentina*	0.0 %	0.1 %	6.8 %
Brazil*	0.3	1.8	23.9
Canada	7.4	6.1	14.9
Chile*	0.0	0.3	20.6
Colombia*	0.0	0.1	17.7
Mexico*	1.5	1.0	13.0
Peru*	0.0	0.1	33.7
United States	0.2	--	--
Venezuela*	0.0	--	--
Other			
Egypt*	0.0 %	0.1 %	10.2 %
Israel*	0.0	0.4	10.0
Jordan*	0.0	0.0	-5.0
Morocco*	0.0	0.1	1.8
South Africa*	0.6	1.2	2.7
Turkey*	0.0	0.3	15.8
Other Countries*	0.3	--	--
Cash			
Cash	1.3 %	--	--
Total	100.0 %	100.0 %	8.2 %
Developed	94.0	83.8	
Emerging*	4.7	16.2	
Cash	1.3	--	

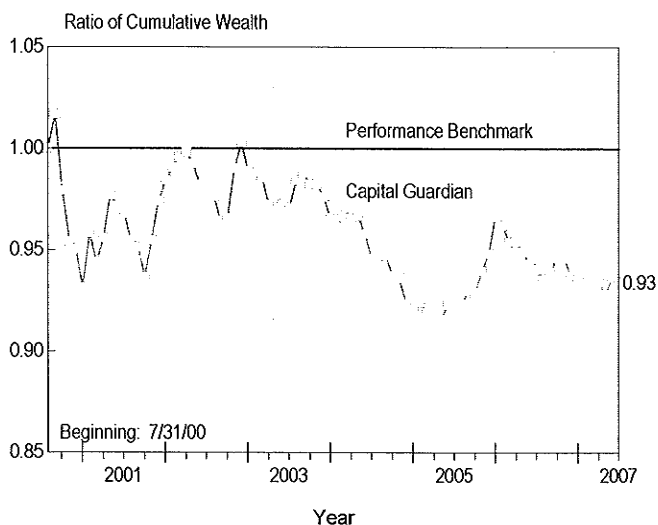
*Emerging market countries

CAPITAL GUARDIAN

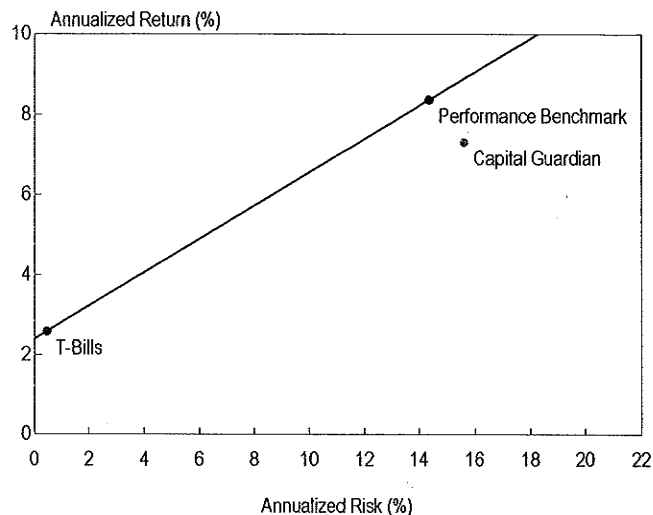
\$159.4 Million and 5.2% of Fund

Second Quarter 2007

RATIO OF CUMULATIVE WEALTH
6 YEARS 11 MONTHS ENDING 6/30/07



ANNUALIZED RISK RETURN
6 YEARS 11 MONTHS ENDING 6/30/07



	Capital Guardian	MSCI All Country World ex-U.S. Index
Country Emphasis	Japan 25.2% United Kingdom 15.7% France 12.3% Switzerland 8.1% Canada 7.5%	United Kingdom 21.4% Japan 19.6% France 9.6% Germany 7.8% Canada 7.3%
Capitalization/Style Factors	Large Value	Large/Blend
Average Market Capitalization	\$54.7 billion	\$8.6 billion
Number of Holdings	229	2,094
Top 5 Holdings	Royal Dutch Shell Plc Sumitomo Mitsui Financial Group Inc. Softbank Royal Bank Of Scotland Group Potash Corporation Of Saskatche	BP HSBC Vodafone Group Total SA Toyota Motor Corp.
Sector Emphasis	Financials	Financials
Cash Allocation	1.3%	N/A
Annual Turnover	32.0%	N/A
Annual Expense Ratio	N/A	
Total Fund Assets	\$159.4 billion	N/A
Inception Date	7/14/2000	N/A
Portfolio Manager	Team Approach	N/A

CAPITAL GUARDIAN

\$159.4 Million and 5.2% of Fund

Second Quarter 2007**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	26.6	46	-4.0
2007 (6 months)	12.1	33	12.2	30	-0.1
Trailing 1-Year	28.8%	36	29.6%	27	-0.8
Trailing 3-Year	24.0	34	24.5	22	-0.5
Trailing 5-Year	18.3	35	19.5	27	-1.2
Since Inception (7/31/00)	7.3	--	8.4	--	-1.1

The table above compares the historical annual and cumulative annualized returns of the Capital Guardian portfolio and its Performance Benchmark.

SPRUCEGROVE

\$156.9 Million and 5.1% of Fund

Second Quarter 2007

RETURN SUMMARY ENDING 6/30/07

	Second Quarter		Year-To-Date		1 Year Ending 6/30/07		3 Years Ending 6/30/07		5 Years Ending 6/30/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Sprucegrove	5.5%	90	8.2%	93	28.9%	36	23.2%	44	19.1%	30	18.7%	21	3/31/02
MSCI EAFE Index	6.4	68	10.7	56	27.0	57	22.2	56	17.7	48	16.3	49	

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 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.

Manager Monitoring

On July 9, 2007, EnnisKnupp conducted an onsite visit at Sprucegrove in Toronto, Canada. A memorandum detailing our observations is included with this report.

Commentary on Investment Performance

The second quarter return of the Sprucegrove portfolio fell short of the MSCI EAFE Index by 0.9 percentage points. The quarter's underperformance was primarily attributable to weak stock selection in the U.K., an underweight allocation to Germany, and an overweight allocation to Hong Kong and Ireland. Positive effects from the portfolios underweight positions in Japan and its exposure to emerging markets partially offset the period's underperformance. From a sector perspective, the portfolio underperformed the Index in the consumer discretionary, information technology, industrials, and utilities sectors. The portfolio's exposure to emerging markets increased over the quarter to 13.8%.

For the trailing one year period, the portfolio's return of 28.9% exceeded the Index by 1.9 percentage points. The period's outperformance was attributable to an underweight position in Japan, positive stock selection in Switzerland and Holland, and an out-of-benchmark allocation to emerging markets. From a sector perspective, above-benchmark returns in the telecommunication services, financials, and materials sectors further benefited results. Longer-term performance remained favorable as the manager has been successful in consistently adding value over time due to the manager's value orientation and adept stock selection.

Second Quarter 2007

COUNTRY ALLOCATION/RETURNS
3 MONTHS ENDING 6/30/07

	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	--	0.6 %	5.0 %
Belgium	--	1.2	4.5
Czech Republic*	--	0.0	12.8
Denmark	0.4 %	0.9	6.5
Finland	0.3	1.6	15.6
France	3.7	10.4	9.9
Germany	3.6	8.4	16.2
Greece	1.0	0.7	6.6
Hungary*	1.3	0.0	28.7
Ireland	6.9	0.8	3.6
Italy	3.3	3.8	4.2
Netherlands	3.8	3.5	8.4
Norway	0.2	1.0	14.7
Poland*	--	0.0	12.4
Portugal	--	0.4	17.6
Russia*	--	0.0	0.5
Spain	1.8	4.0	4.4
Sweden	--	2.6	8.3
Switzerland	10.2	6.6	3.2
United Kingdom	23.0	23.1	7.6
Asia/Pacific			
Australia	1.7 %	6.2 %	10.3 %
China*	0.2	0.0	24.5
Hong Kong	4.2	1.7	5.8
India*	1.5	0.0	20.8
Indonesia*	--	0.0	16.0
Japan	9.1	21.2	-0.6
Korea*	3.3	0.0	18.3
Malaysia*	0.5	0.0	8.8
New Zealand	--	0.2	13.0
Pakistan*	--	0.0	23.2
Philippines*	--	0.0	21.0
Singapore	4.1	1.1	10.5
Sri Lanka*	--	0.0	-8.4
Taiwan, China*	--	0.0	14.2
Thailand*	--	0.0	18.1
Americas			
Argentina*	--	0.0 %	6.8 %
Brazil*	2.1 %	0.0	23.9
Canada	2.7	0.0	14.9
Chile*	--	0.0	20.6
Colombia*	--	0.0	17.7
Mexico*	4.0	0.0	13.0
Peru*	--	0.0	33.7
Other			
Egypt*	--	0.0 %	10.2 %
Israel*	--	0.0	10.0
Jordan*	--	0.0	-5.0
Morocco*	--	0.0	1.8
South Africa*	1.0 %	0.0	2.7
Turkey*	--	0.0	15.8
Cash			
Cash	6.2 %	--	--
Total	100.0 %	100.0 %	6.4 %
Developed	80.0	100.0	
Emerging*	13.8	0.0	
Cash	6.2	--	

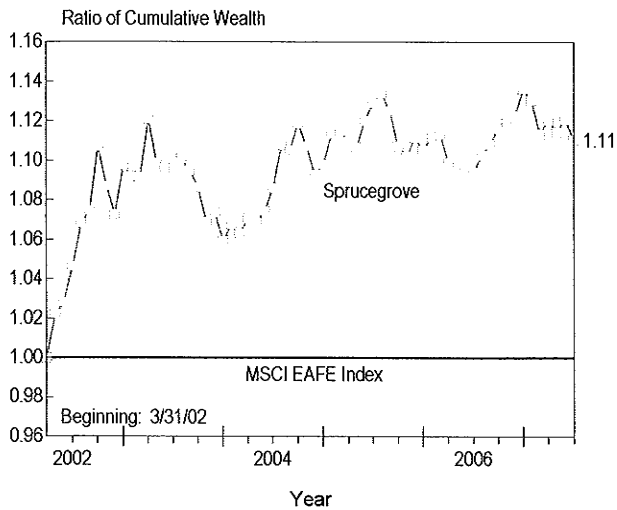
*Emerging market countries

SPRUCEGROVE

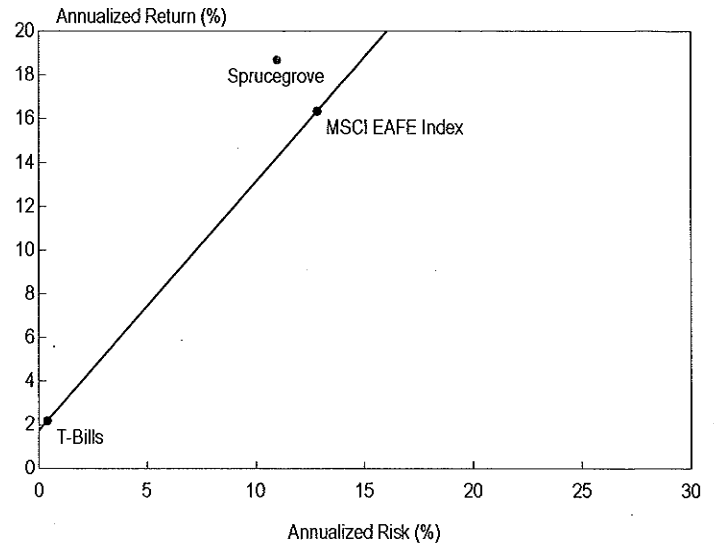
\$156.9 Million and 5.1% of Fund

Second Quarter 2007

**RATIO OF CUMULATIVE WEALTH
5 YEARS 3 MONTHS ENDING 6/30/07**



**ANNUALIZED RISK RETURN
5 YEARS 3 MONTHS ENDING 6/30/07**



	Sprucegrove		MSCI EAFE	
Country Emphasis	United Kingdom	23.0%	United Kingdom	23.1%
	Switzerland	10.2%	Japan	21.2%
	Japan	9.1%	France	10.4%
	Ireland	6.9%	Germany	8.4%
	Hong Kong	4.2%	Switzerland	6.6%
Capitalization/Style Factors	Large Value		Large/Blend	
Average Market Capitalization	\$35.4 billion		\$12.2 billion	
Number of Holdings	106		1,145	
Top 5 Holdings	Total		BP	
	Nestle		HSBC	
	Allied Irish Banks		Vodafone Group	
	CRH		Total SA	
	Petrobras		Toyota Motor Corp.	
Sector Emphasis	Financials		Financials	
Cash Allocation	6.2%		N/A	
Annual Turnover	8.0%		N/A	
Annual Expense Ratio	N/A		N/A	
Total Fund Assets	\$1.2 billion		N/A	
Inception Date	4/1/2002		N/A	
Portfolio Manager	Team Approach		N/A	

SPRUCEGROVE

\$156.9 Million and 5.1% of Fund

Second Quarter 2007**HISTORICAL RETURNS
(BY YEAR)**

	Sprucegrove		MSCI EAFE Index		Return Difference
	Return	Rank	Return	Rank	
2002 (9 months)	-8.2%	22	-16.4%	57	8.2
2003	33.8	65	38.6	40	-4.8
2004	24.6	9	20.2	33	4.4
2005	14.3	61	13.6	69	0.7
2006	29.9	20	26.3	50	3.6
2007 (6 months)	8.2	93	10.7	56	-2.5
Trailing 1-Year	28.9%	36	27.0%	57	1.9
Trailing 3-Year	23.2	44	22.2	56	1.0
Since Inception (3/31/02)	18.7	21	16.3	49	2.4

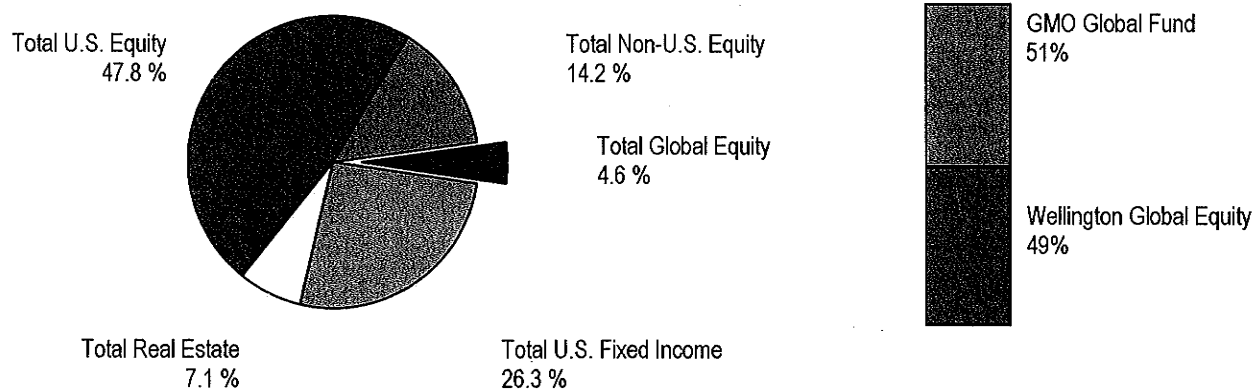
The table above compares the historical annual and cumulative annualized returns of the Sprucegrove portfolio and its benchmark, the MSCI EAFE Index.

TOTAL GLOBAL EQUITY

\$140.0 Million and 4.6% of Fund

Second Quarter 2007

ASSET ALLOCATION ACTUAL AS OF 6/30/07

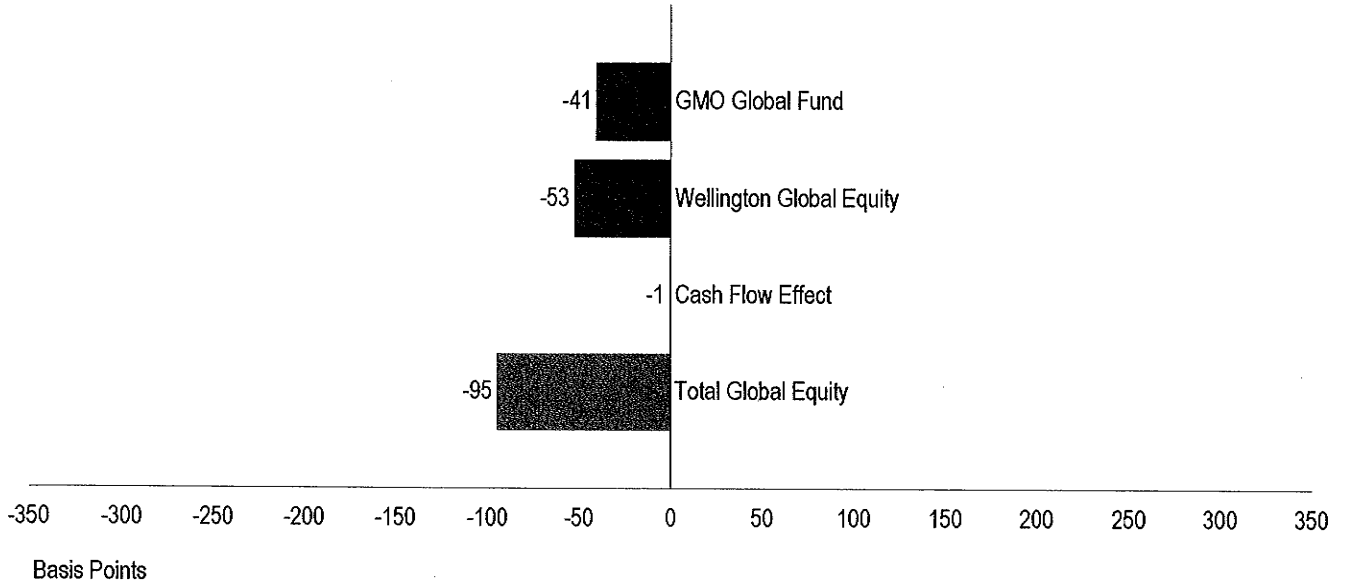


TOTAL GLOBAL EQUITY

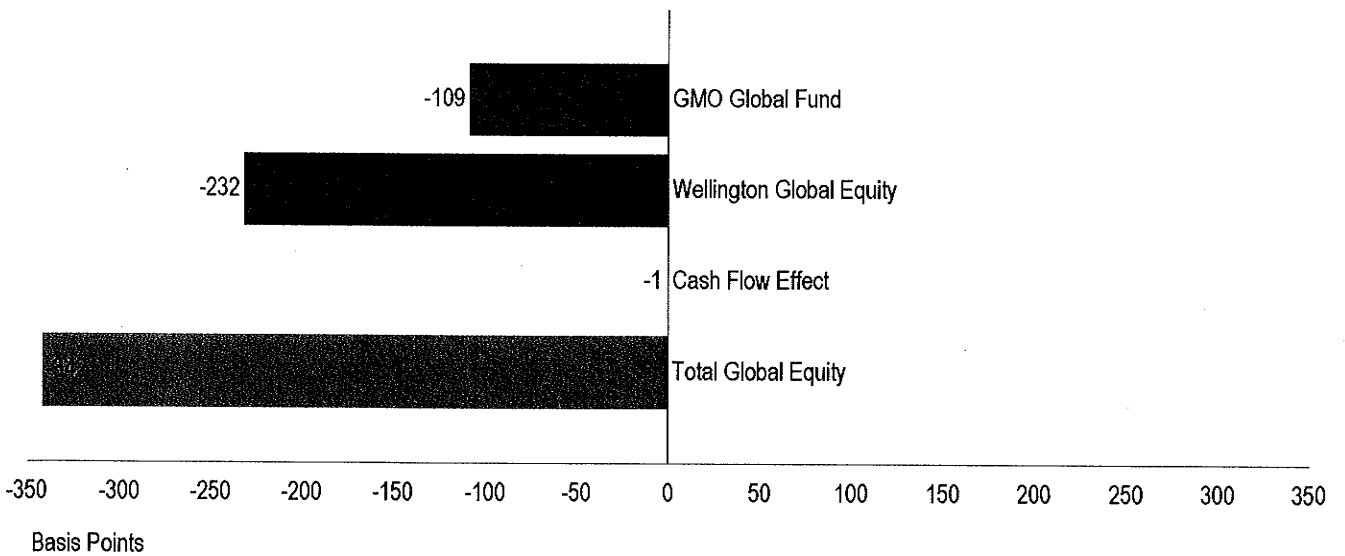
\$140.0 Million and 4.6% of Fund

Second Quarter 2007

**MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 6/30/07**



**MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 6/30/07**



TOTAL GLOBAL EQUITY

\$140.0 Million and 4.6% of Fund

Second Quarter 2007

RETURN SUMMARY ENDING 6/30/07

	Second Quarter		Year-To-Date		1 Year Ending 6/30/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Global Equity	6.3 %	72	8.2 %	77	21.8 %	67	18.9 %	--	4/30/05
MSCI All Country World Index	7.2	45	9.9	42	25.2	35	21.4	--	
GMO Global Fund	6.4	69	9.1	56	23.1	54	20.0	--	4/30/05
MSCI All Country World Index	7.2	45	9.9	42	25.2	35	21.4	--	
Wellington Global Equity	6.2	75	7.3	89	20.6	77	18.1	--	5/31/05
MSCI All Country World Index	7.2	45	9.9	42	25.2	35	21.2	--	

Commentary on Investment Performance

The collective return of the global equity component advanced 6.3% during the quarter and underperformed the MSCI All-Country World Index by 0.9 percentage points. Both managers hindered results.

The results realized during the quarter extended into the year-to-date and trailing one-year periods as the return of the global equity component fell short of the Index by 1.7 and 3.4 percentage points, respectively. Both managers hindered results.

While strong on an absolute basis, longer-term relative performance of the global equity component fell short of the Index.

The attribution analysis on the previous page highlights each manager's contribution to relative performance within VCERA's global equity component over the past three-month and trailing one-year periods. The bar labeled "Cash Flow Effect" illustrates the effect on performance by the timing of cash contributions, withdrawals, and asset movements between accounts. The "Total" bar in these graphs represents the difference between the global equity component's return and that of the Index.

Second Quarter 2007

RETURN SUMMARY
ENDING 6/30/07

	Second Quarter		Year-To-Date		1 Year Ending 6/30/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
GMO Global Fund	6.4%	69	9.1%	56	23.1%	54	20.0%	--	4/30/05
MSCI All Country World Index	7.2	45	9.9	42	25.2	35	21.4	--	

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

The GMO Global Equity Allocation Fund posted an absolute return of 6.4% during the quarter and underperformed the MSCI All-Country World Index by 0.8 percentage points. The manager's implementation decisions detracted from performance as the portfolios U.S. equity strategies underperformed as their focus on high quality stocks detracted from returns. In addition, the Emerging Markets Quality Fund underperformed during the quarter as country selection, which concentrated on larger, more liquid countries, detracted from performance. GMO noted that while an overweight to Russia hurt the portfolio, stock selection in Brazil, India, Korea, Mexico, and South Africa also detracted from results.

Since GMO's inception with VCERA, the manager lagged the return of the MSCI All Country World Index by an annualized 1.4 percentage points.

The manager continues to believe more attractive opportunities can be found abroad, hence the corresponding overweight in non-U.S. equities. In addition, the manager continues to believe that low quality stocks within the U.S. are overvalued and high quality stocks represent the best opportunity.

Second Quarter 2007

COUNTRY ALLOCATION/RETURNS
3 MONTHS ENDING 6/30/07

	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	0.3 %	0.3 %	5.0 %
Belgium	1.3	0.6	4.5
Czech Republic*	0.0	0.1	12.8
Denmark	0.4	0.4	6.5
Finland	0.7	0.7	15.6
France	6.4	4.6	9.9
Germany	6.1	3.7	16.2
Greece	0.0	0.3	6.6
Hungary*	0.1	0.1	28.7
Ireland	0.9	0.4	3.6
Italy	2.0	1.7	4.2
Netherlands	2.5	1.5	8.4
Norway	0.6	0.5	14.7
Poland*	0.2	0.2	12.4
Portugal	--	0.2	17.6
Russia*	0.8	0.9	0.5
Spain	1.8	1.8	4.4
Sweden	2.0	1.1	8.3
Switzerland	2.5	2.9	3.2
United Kingdom	12.0	10.2	7.6
Asia/Pacific			
Australia	2.3 %	2.7 %	10.3 %
China*	1.0	1.2	24.5
Hong Kong	2.3	0.8	5.8
India*	0.5	0.6	20.8
Indonesia*	0.1	0.1	16.0
Japan	12.8	9.3	-0.6
Korea*	1.3	1.4	18.3
Malaysia*	0.2	0.3	8.8
New Zealand	--	0.1	13.0
Pakistan*	--	0.0	23.2
Philippines*	0.0	0.1	21.0
Singapore	1.6	0.5	10.5
Taiwan, China*	1.0	1.1	14.2
Thailand*	0.1	0.1	18.1
Americas			
Argentina*	0.1 %	0.1 %	6.8 %
Brazil*	0.9	1.0	23.9
Canada	0.4	3.5	14.9
Chile*	0.1	0.2	20.6
Colombia*	--	0.0	17.7
Mexico*	0.4	0.6	13.0
Peru*	--	0.1	33.7
United States	31.8	43.4	6.0
Other			
Egypt*	--	0.1 %	10.2 %
Israel*	0.2 %	0.2	10.0
Jordan*	--	0.0	-5.0
Morocco*	--	0.0	1.8
South Africa*	0.6	0.7	2.7
Turkey*	0.0	0.1	15.8
Cash			
Cash	1.5 %	--	--
Total	100.0 %	100.0 %	7.2 %
Developed	90.8	90.8	
Emerging*	7.7	9.2	
Cash	1.5	--	

*Emerging market countries

Second Quarter 2007

RETURN SUMMARY
ENDING 6/30/07

	Second Quarter		Year-To-Date		1 Year Ending 6/30/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Wellington Global Equity	6.2%	75	7.3%	89	20.6%	77	18.1%	--	5/31/05
MSCI All Country World Index	7.2	45	9.9	42	25.2	35	21.2	--	

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 trailed the MSCI All-Country World Index during the quarter by 1.0 percentage point. Wellington was hurt by weak stock selection and poor sector allocation decisions. The industrials and energy sectors contributed the most to Wellington's underperformance. Within the industrials sector, Ryanair struggled as lower ticket prices led to a smaller profit forecast for the year while Danaher enjoyed moderate success during the second quarter but still lagged the industry as a whole. The manager noted that they increased its position in Ryanair during the quarter as they see the potential for strong growth in the future. Within energy stocks, Lukoil and Gazprom, were hurt by declining oil prices and uncertain taxation by the Russian government.

On a positive note, information technology stocks such as Research in Motion and Apple, saw earnings rise and enjoyed strong quarters. In the utilities sector E.ON had a strong quarter on news the German company dropped its bid to buy Endesa. Chinese utility company, Huaneng Power, enjoyed positive results due to increased demand.

While positive on an absolute basis, the manager has been unable to add relative value since its inception with VCERA in 2005.

WELLINGTON

\$68.8 Million and 2.2% of Fund

Second Quarter 2007

COUNTRY ALLOCATION RETURNS 3 MONTHS ENDING 6/30/07

	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	--	0.3 %	5.0 %
Belgium	--	0.6	4.5
Czech Republic*	--	0.1	12.8
Denmark	--	0.4	6.5
Finland	1.1 %	0.7	15.6
France	6.0	4.6	9.9
Germany	3.3	3.7	16.2
Greece	--	0.3	6.6
Hungary*	--	0.1	28.7
Ireland	1.9	0.4	3.6
Italy	2.3	1.7	4.2
Netherlands	2.1	1.5	8.4
Norway	0.2	0.5	14.7
Poland*	--	0.2	12.4
Portugal	--	0.2	17.6
Russia*	3.9	0.9	0.5
Spain	1.8	1.8	4.4
Sweden	1.2	1.1	8.3
Switzerland	4.1	2.9	3.2
United Kingdom	6.2	10.2	7.6
Asia/Pacific			
Australia	1.3 %	2.7 %	10.3 %
China*	0.8	1.2	24.5
Hong Kong	0.7	0.8	5.8
India*	--	0.6	20.8
Indonesia*	0.5	0.1	16.0
Japan	7.5	9.3	-0.6
Korea*	--	1.4	18.3
Malaysia*	--	0.3	8.8
New Zealand	--	0.1	13.0
Pakistan*	--	0.0	23.2
Philippines*	--	0.1	21.0
Singapore	--	0.5	10.5
Taiwan, China*	0.8	1.1	14.2
Thailand*	--	0.1	18.1
Americas			
Argentina*	--	0.1 %	6.8 %
Brazil*	3.1 %	1.0	23.9
Canada	4.6	3.5	14.9
Chile*	--	0.2	20.6
Colombia*	--	0.0	17.7
Mexico*	--	0.6	13.0
Peru*	--	0.1	33.7
United States	44.7	43.4	6.0
Other			
Egypt*	0.7 %	0.1 %	10.2 %
Israel*	--	0.2	10.0
Jordan*	--	0.0	-5.0
Morocco*	--	0.0	1.8
South Africa*	0.0	0.7	2.7
Turkey*	0.8	0.1	15.8
Cash			
Cash	0.4 %	--	--
Total	100.0 %	100.0 %	7.2 %
Developed	89.0	90.8	
Emerging*	10.6	9.2	
Cash	0.4	--	

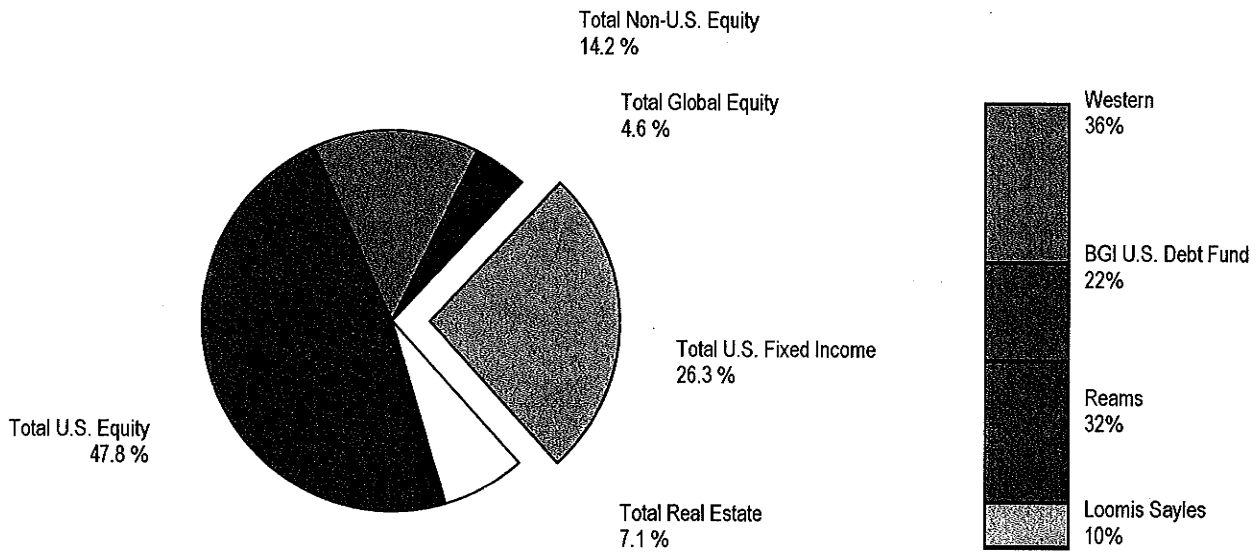
*Emerging market countries

TOTAL U.S. FIXED INCOME

\$810.3 Million and 26.3% of Fund

Second Quarter 2007

ASSET ALLOCATION ACTUAL AS OF 6/30/07

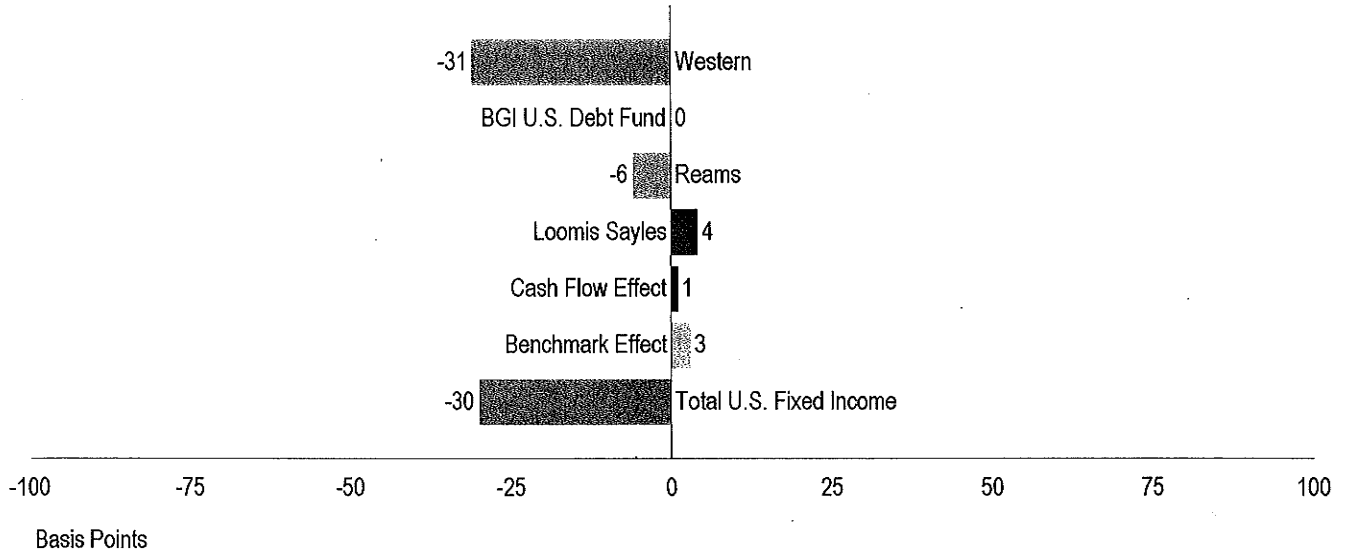


TOTAL U.S. FIXED INCOME

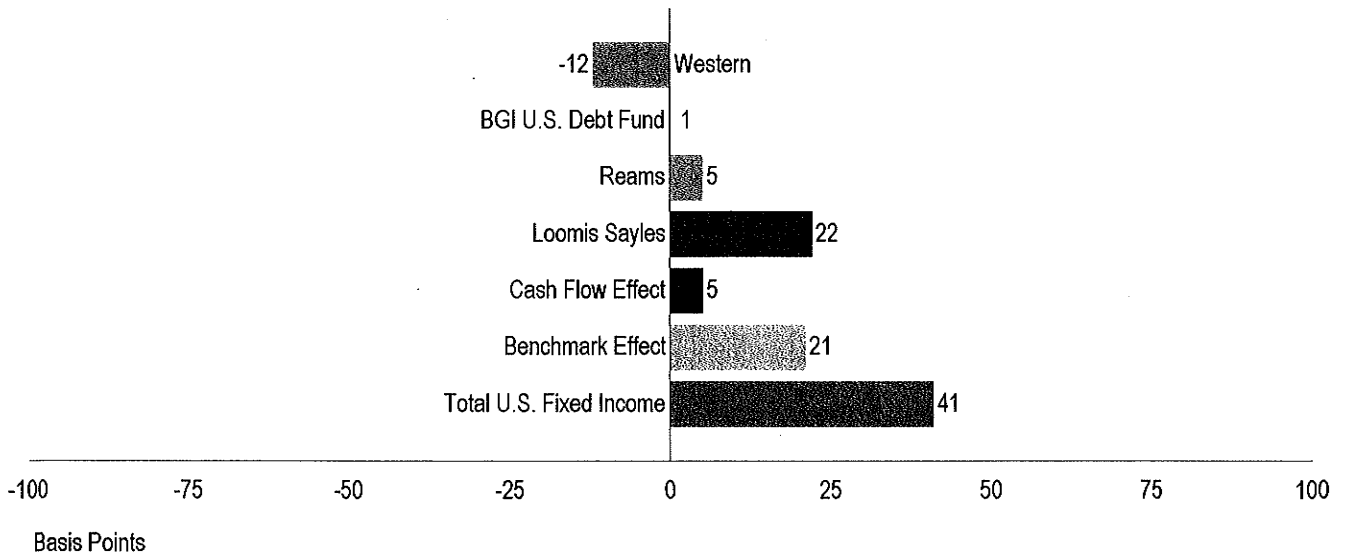
\$810.3 Million and 26.3% of Fund

Second Quarter 2007

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 6/30/07



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 6/30/07



TOTAL U.S. FIXED INCOME

\$810.3 Million and 26.3% of Fund

Second Quarter 2007

RETURN SUMMARY

ENDING 6/30/07

	Second Quarter		Year-To-Date		1 Year Ending 6/30/07		3 Years Ending 6/30/07		5 Years Ending 6/30/07		10 Years Ending 6/30/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total U.S. Fixed Income	-0.8%	89	0.8%	85	6.5%	42	4.7%	34	5.4%	41	6.3%	40	6.1%	--	2/28/94
LB Aggregate Bond Index	-0.5	46	1.0	59	6.1	61	4.0	70	4.5	74	6.0	56	6.1	--	
Western	-1.4	99	0.1	99	5.8	75	4.6	12	6.1	7	6.8	5	6.8	4	12/31/96
LB Aggregate Bond Index	-0.5	27	1.0	37	6.1	47	4.0	58	4.5	67	6.0	47	6.0	48	
BGI U.S. Debt Fund	-0.5	25	1.0	34	6.2	44	4.0	59	4.5	69	6.0	46	5.9	--	11/30/95
LB Aggregate Bond Index	-0.5	27	1.0	37	6.1	47	4.0	58	4.5	67	6.0	47	5.9	--	
Reams	-0.7	80	1.0	37	6.3	36	4.8	7	5.4	22	--	--	4.7	51	9/30/01
LB Aggregate Bond Index	-0.5	27	1.0	37	6.1	47	4.0	58	4.5	67	--	--	4.6	57	
Loomis Sayles	0.2	--	2.1	--	10.6	--	--	--	--	--	--	--	6.2	--	7/31/05
Performance Benchmark	-0.2	--	1.7	--	8.3	--	--	--	--	--	--	--	4.9	--	

Commentary on Investment Performance

The fixed income component declined 0.8% during the quarter and underperformed the Lehman Brothers Aggregate Bond Index by 0.3 percentage points. Below-benchmark results generated by Western and Reams were partially offset by above-benchmark results from Loomis Sayles. As expected, BGI produced benchmark-like returns during the period.

The results realized during the quarter extended into the year-to-date period as the fixed income component lagged the return off the Lehman Brothers Aggregate Bond Index by 0.2 percentage points

The collective return of the fixed income component exceeded the Lehman Brothers Aggregate Bond Index over the trailing one-year period. Above -benchmark results generated by Loomis Sayles and Reams were partially offset by above-benchmark results from Western.

The attribution analysis on the previous page highlights each manager's contribution to relative performance within VCERA's fixed income component over the past three-month and trailing one-year periods. The bar labeled "Cash Flow Effect" illustrates the effect on performance by the timing of cash contributions, withdrawals, and asset movements between accounts. The benchmark effect in the quarter and one-year attribution graphs is a result of the cumulative performance of the individual manager's benchmarks outperforming the fixed income component's benchmark.

WESTERN

\$289.9 Million and 9.4% of Fund

Second Quarter 2007

RETURN SUMMARY ENDING 6/30/07

	Second Quarter		Year-To-Date		1 Year Ending 6/30/07		3 Years Ending 6/30/07		5 Years Ending 6/30/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Western	-1.4%	99	0.1%	99	5.8%	75	4.6%	12	6.1%	7	6.8%	4	12/31/96
LB Aggregate Bond Index	-0.5	27	1.0	37	6.1	47	4.0	58	4.5	67	6.0	48	

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

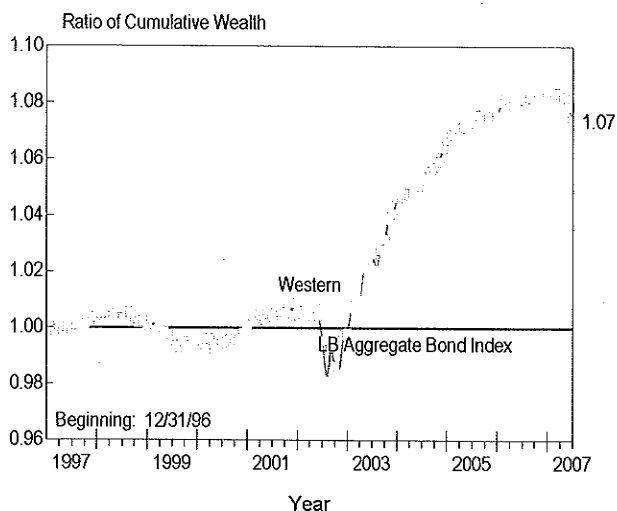
The Western Core-Plus portfolio declined 1.4% during the second quarter and underperformed the LB Aggregate Bond Index by 0.9 percentage points. This performance short-fall was primarily due to the manager's long duration position versus the benchmark as rates backed up in May. Increased volatility was also detrimental to the manager's overweight position in mortgages as spreads widened across the board. Tempering the relative underperformance was the manager's slight underweight allocation to investment-grade credit and a bias to lower quality within that sector. High yield security selection and curve steepening were also modestly positive for performance.

Over the trailing one-year period, the Fund lagged the Index by 0.3 percentage points. Undermining performance was an overweight allocation to mortgage backed securities as spreads widened and volatility was high. In addition, an allocation to non-dollar bonds that underperformed relative to the U.S. bonds and the manager's tactical duration trading in the face of an unanticipated rising interest rate environment further detracted from performance.

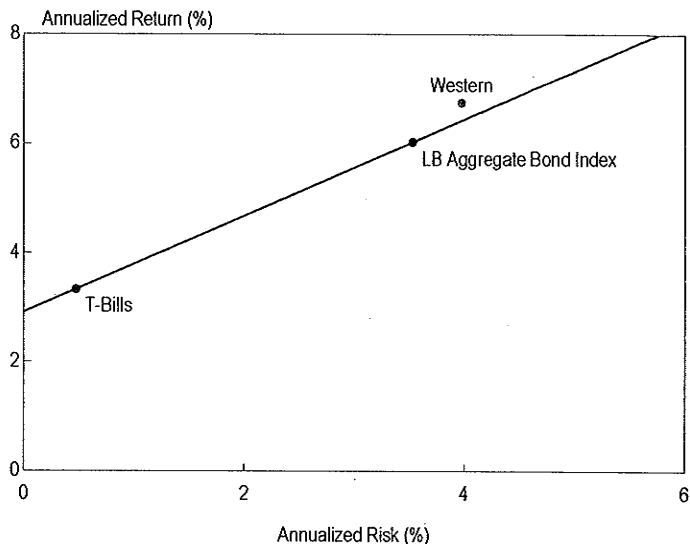
Western has performed well over longer timeframes despite recent underperformance associated with its top-down macro view of lower U.S. interest rates. Since its inception with VCERA in 1996, the manager has exceeded the benchmark by an annualized 0.8 percentage points, net of fees.

Second Quarter 2007

**RATIO OF CUMULATIVE WEALTH
10 YEARS 6 MONTHS ENDING 6/30/07**



**ANNUALIZED RISK RETURN
10 YEARS 6 MONTHS ENDING 6/30/07**



The table below details Western's sector allocation relative to the LB Aggregate Bond Index. The allocation to cash represents highly-liquid short-term fixed income instruments such as money market funds and commercial paper.

	Western Fixed Income Portfolio		LB Aggregate Bond Index	
	% at 3/31/07	% at 6/30/07	% at 6/30/07	Second Quarter Return
Sector Weightings:				
Treasury/Agency	18%	16%	34%	-0.3%
Corporate	23	24	22	-0.7
Mortgage-Related	48	52	43	-0.6
Asset-Backed	1	1	1	0.1
Foreign Bonds	6	5	N/A	N/A
Other	--	--	N/A	N/A
Cash & Equiv.	4	3	N/A	N/A
Total	100 %	100 %	100 %	-0.5
Average Duration	5.0 years	5.0 years	4.5 years	--

WESTERN

\$289.9 Million and 9.4% of Fund

Second Quarter 2007

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
2007 (6 months)	0.1	99	1.0	37	-0.9
Trailing 1-Year	5.8%	75	6.1%	47	-0.3
Trailing 3-Year	4.6	12	4.0	58	0.6
Trailing 5-Year	6.1	7	4.5	67	1.6
Since Inception (12/31/96)	6.8	4	6.0	48	0.8

The table above compares the historical annual and cumulative annualized returns of the Western portfolio and its benchmark, the LB Aggregate Bond Index.

BGI U.S. DEBT FUND

\$180.5 Million and 5.9% of Fund

Second Quarter 2007

RETURN SUMMARY ENDING 6/30/07

	Second Quarter		Year-To-Date		1 Year Ending 6/30/07		3 Years Ending 6/30/07		5 Years Ending 6/30/07		10 Years Ending 6/30/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI U.S. Debt Fund	-0.5%	25	1.0%	34	6.2%	44	4.0%	59	4.5%	69	6.0%	46	5.9%	--	11/30/95
LB Aggregate Bond Index	-0.5	27	1.0	37	6.1	47	4.0	58	4.5	67	6.0	47	5.9	--	

Philosophy and Process

The BGI U.S. Debt Fund is an index fund which is designed to replicate the performance of the LB 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 LB Aggregate Bond Index during the quarter. The BGI U.S. Debt Fund successfully tracked the performance of the LB Aggregate Bond Index during the quarter. Fixed income markets came under pressure in the quarter, as intermediate- and long-term yields rose in response to lingering inflationary pressures, concerns in the subprime mortgage market, and the market's belief that the Federal Reserve Board is less likely to cut its target rate (which remains at 5.25%) in the near future.

As expected, the Fund closely tracked the LB Aggregate Bond Index over all the longer-term trailing periods shown above.

HISTORICAL RETURNS (BY YEAR)

	BGI U.S. Debt Fund		LB Aggregate Bond Index		Return Difference
	Return	Rank	Return	Rank	
2000 (9 months)	9.3%	31	9.2%	36	0.1
2001	8.6	34	8.4	38	0.2
2002	10.3	24	10.3	24	0.0
2003	4.2	68	4.1	69	0.1
2004	4.3	59	4.3	58	0.0
2005	2.4	60	2.4	58	0.0
2006	4.3	55	4.3	53	0.0
2007 (6 months)	1.0	34	1.0	37	0.0
Trailing 1-Year	6.2%	44	6.1%	47	0.1
Trailing 3-Year	4.0	59	4.0	58	0.0
Trailing 5-Year	4.5	69	4.5	67	0.0
Since Inception (11/30/95)	5.9	--	5.9	--	0.0

REAMS

\$258.8 Million and 8.4% of Fund

Second Quarter 2007

RETURN SUMMARY ENDING 6/30/07

	Second Quarter		Year-To-Date		1 Year Ending 6/30/07		3 Years Ending 6/30/07		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Reams	-0.7 %	80	1.0 %	37	6.3 %	36	4.8 %	7	4.7 %	51	9/30/01
LB Aggregate Bond Index	-0.5	27	1.0	37	6.1	47	4.0	58	4.6	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

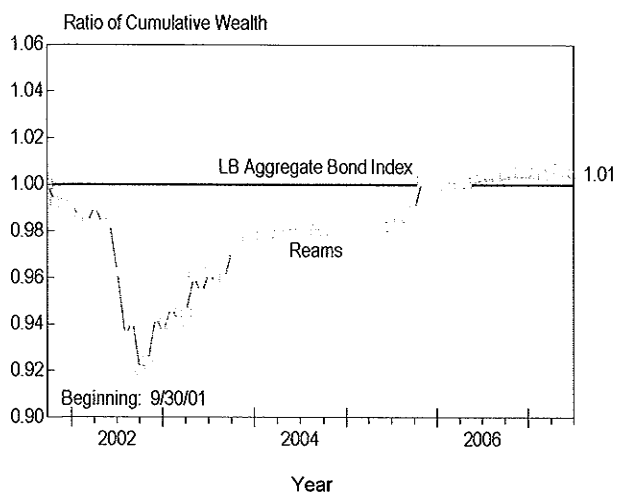
Reams returned -0.7% during the quarter, underperforming the benchmark return by 0.2 percentage points. Overall, the manager's duration positioning was the main detractor from performance during the period. Additionally, yield curve positioning and sector allocation decisions further detracted from relative results. The portfolio benefited from the manager's positive security selection in mortgage-backed securities, investment grade credit, and high yield.

The performance of the Reams portfolio approximated the Index during the year-to-date period.

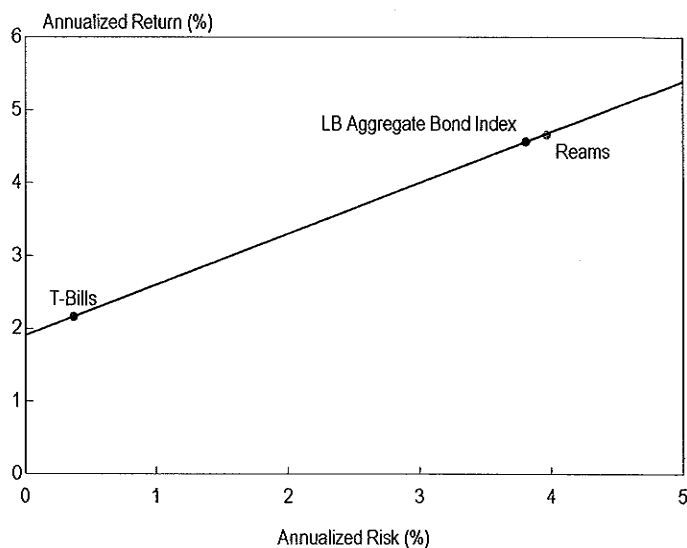
The portfolio's trailing one-year performance exceeded that of the Index by 0.2 percentage points. The portfolio benefited from positive security selection in mortgage securities, investment grade credit, and high yield. Yield curve positioning also aided results as the portfolio was underweighted in the weaker-performing long end of the curve.

Second Quarter 2007

**RATIO OF CUMULATIVE WEALTH
5 YEARS 9 MONTHS ENDING 6/30/07**



**ANNUALIZED RISK RETURN
5 YEARS 9 MONTHS ENDING 6/30/07**



The table below details Reams' sector allocation relative to the LB Aggregate Bond Index.

	Reams Fixed Income Portfolio		LB Aggregate Bond Index	
	% at 3/31/07	% at 6/30/07	% at 6/30/2007	Second Quarter Return
Sector Weightings:				
Treasury/Agency	11%	20%	34%	-0.3%
Corporate	16	13	22	-0.7
Mortgage-Related	65	62	43	-0.6
Asset-Backed	--	--	1	0.1
Foreign Bonds	--	4	--	--
Other	--	--	--	--
Cash & Equiv.	8	--	--	--
Total	100 %	100 %	100 %	-0.5 %
Average Duration	4.7 years	4.7 years	4.7 years	--

REAMS

\$258.8 Million and 8.4% of Fund

Second Quarter 2007

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
2007 (6 months)	1.0	37	1.0	37	0.0
Trailing 1-Year	6.3%	36	6.1%	47	0.2
Trailing 3-Year	4.8	7	4.0	58	0.8
Since Inception (9/30/01)	4.7	51	4.6	57	0.1

The table above compares the historical annual and cumulative annualized returns of the Reams portfolio and its benchmark, the LB Aggregate Bond Index.

Second Quarter 2007

RETURN SUMMARY

ENDING 6/30/07

	Second Quarter	Year-To-Date	1 Year Ending 6/30/07	Since Inception	Inception Date
Loomis Sayles	0.2%	2.1%	10.6%	6.2%	7/31/05
Performance Benchmark	-0.2	1.7	8.3	4.9	
LB Aggregate Bond Index	-0.5	1.0	6.1	3.2	

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 earned 0.2% during the quarter and outperformed the Performance Benchmark by 0.4 percentage points. The period's outperformance was due to strong security selection within the portfolio's non-U.S. holdings. In particular, strong currency returns from the Canadian dollar and Brazilian real helped performance while the portfolio's allocation to long duration U.S. Treasuries proved to be a detracted from relative results.

Loomis Sayles was successful in adding incremental value versus the Performance Benchmark during the year-to-date period.

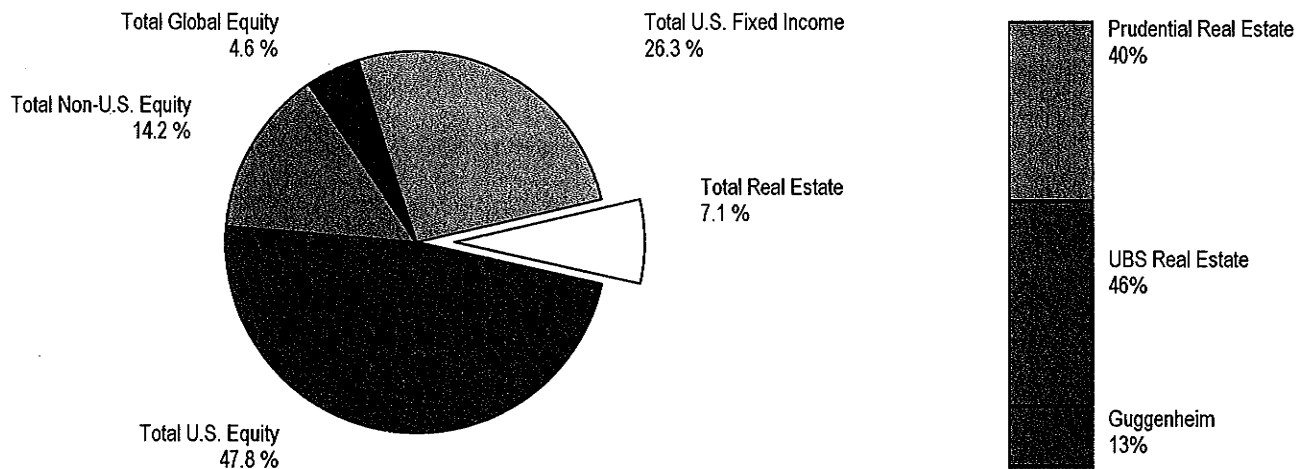
Loomis Sayles has outperformed the Performance Benchmark by a comfortable margin over the longer time periods analyzed above. Historically, the manager has benefited greatly from its interest rate positioning. Additionally, allocations to non-U.S. bonds (both in developed and emerging countries) and high-yield bonds have greatly impacted results.

TOTAL REAL ESTATE

\$219.2 Million and 7.1% of Fund

Second Quarter 2007

ASSET ALLOCATION ACTUAL AS OF 6/30/07



TOTAL REAL ESTATE**\$219.2 Million and 7.1% of Fund****Second Quarter 2007****RETURN SUMMARY
ENDING 6/30/07**

	Second Quarter	Year-To-Date	1 Year Ending 6/30/07	3 Years Ending 6/30/07	5 Years Ending 6/30/07	Since Inception	Inception Date
Total Real Estate	4.9 %	8.6 %	17.8 %	16.5 %	14.9 %	11.9 %	3/31/94
Policy Benchmark	4.6	8.3	16.1	17.5	14.1	11.9	
Prudential Real Estate	5.9	9.9	17.6	13.7	--	13.7	6/30/04
Policy Benchmark	4.6	8.3	16.1	17.5	--	17.5	
UBS Real Estate	5.2	8.6	18.4	17.6	--	15.2	3/31/03
NCREIF Open End Fund Index	4.6	8.3	16.1	16.9	--	15.0	
Guggenheim	0.6	5.3	18.3	--	--	18.3	6/30/06
Performance Benchmark	0.4	4.1	16.1	--	--	16.1	

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.

Commentary on Investment Performance

The real estate component's collective return of 3.4% exceeded the Policy Benchmark by 0.3 percentage points during the second quarter. Each of the component's managers was successful in adding incremental value versus their respective benchmarks during the period.

The positive relative results realized during the quarter extended into the year-to-date period.

During the trailing one-year period, the real estate component advanced an impressive 17.8% and exceeded the Policy Benchmark by 1.7 percentage points.

With the exception of the trailing three-year period, the real estate component enjoyed relative success versus the benchmark over the long-term periods analyzed above.

PRUDENTIAL

\$88.2 Million and 2.9% of Fund

Second Quarter 2007

RETURN SUMMARY ENDING 6/30/07

	Second Quarter	Year-To-Date	1 Year Ending 6/30/07	Since Inception	Inception Date
Prudential Real Estate	5.8 %	9.8 %	17.5 %	13.7 %	6/30/04
Policy Benchmark	4.6	8.3	16.1	17.5	
PRISA Fund I	5.5	9.5	17.1	19.2	3/31/05
NCREIF Open End Fund Index	4.6	8.3	16.1	17.4	

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 include 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 2005.

Investment Approach

Prudential's 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.

Commentary on Investment Performance

Prudential's PRISA Fund I returned 5.5% during the second quarter, outperforming the NCREIF Open End Fund Index by 0.9 percentage points. The manager reported that the Fund's CBD office portfolio experienced appreciation gains of \$257.1 million during the quarter, accounting for approximately half of the Fund's appreciation return. The fund currently stands at \$11.8 billion in net assets and is 23.9% 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 disposed of an office building in Jacksonville Florida, a less desirable market that PRISA is attempting to exit.. In aggregate, PRISA acquired \$240 million in assets during the quarter. The largest transaction was an office property in downtown Tampa, Florida. At year-end, the Fund maintained a queue of approximately \$900 million in commitments. Prudential expects to invest these commitments prior to year-end

Performance of over the longer-term periods shown above continued to remain strong.

Second Quarter 2007

**RETURN SUMMARY
ENDING 6/30/07**

	Second Quarter	Year-To-Date	1 Year Ending 6/30/07	3 Years Ending 6/30/07	Since Inception	Inception Date
UBS Real Estate	5.2 %	8.6 %	18.4 %	17.6 %	15.2 %	3/31/03
NCREIF Open End Fund Index	4.6	8.3	16.1	16.9	15.0	
NCREIF NPI	4.6	8.4	17.2	18.0	15.7	

Portfolio Characteristics

UBS Realty's Real Estate Separate Account (RESA) is an actively managed core portfolio that utilizes broad market and economic trends to provide attractive returns while limiting downside risk. The investment process for the portfolio is very analytic and research intensive. The RESA team relies on multiple proprietary pricing and asset allocation models which analyze different property types in over 25 national markets. The UBS Realty Strategy Team, which is composed of the senior-most professionals from the different areas of UBS Realty, works on an ongoing basis with the research department to modify continually the proprietary modeling systems. RESA management tends to purchase properties in slower-growing markets, as they believe that faster-growth areas generate more attention by the investment community, and thus the ability for value-added is diminished.

Commentary on Investment Performance

The UBS RESA portfolio posted gains of 5.2% during the quarter, outperforming both the NCREIF Open End and the NCREIF Property Index. The Fund's overweighting to the hotel sector (relative to NCREIF) continued to be a main contributor to performance as the hotel sector (+5.0%) outperformed the broad NPI during the quarter. As of June 30, 2007, RESA's total gross asset value was \$11.5 billion.

The Fund acquired one asset and added on to a current investment for a total of \$139.3 million in new investment activity. The Fund sold eight properties for a net sales price of \$264.4 million. These dispositions took advantage of strong pricing in certain markets while unloading properties that will require heavy capital expenditures in the near term. At 10.0%, the Fund utilizes a low amount of leverage when compared to other core funds. 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.

Performance of the RESA portfolio continued to remain strong over the longer-term periods shown above.

GUGGENHEIM

\$29.6 Million and 1.0% of Fund

Second Quarter 2007

RETURN SUMMARY ENDING 6/30/07

	Second Quarter	Year-To-Date	1 Year Ending 6/30/07	Since Inception	Inception Date
Guggenheim	0.6 %	5.3 %	18.3 %	18.3 %	6/30/06
Performance Benchmark	0.4	4.1	16.1	16.1	

Portfolio Characteristics

The Guggenheim Real Estate PLUS Trust 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

During the second quarter, the Guggenheim Plus II portfolio exceeded the Performance Benchmark by approximately 0.2 percentage points. At the end of the quarter, the Fund used investor contributions to reallocate, keeping its public market target allocation at 29% and its overall target allocation to private market investments at 71%. With respect to public market investments, the Fund increased its holdings in REIT managers with large-cap and value-orientated directives, while reducing holdings with small-cap REIT managers. The Fund remained well diversified both across geographic regions and amongst property types.

The fund made four property acquisitions, two property dispositions, and an additional contribution to a third-party investment fund during the quarter. The property acquisitions were of office properties in San Jose, CA, and Parsippany, NJ, and of industrial properties located in Poway, CA and Pleasanton, CA. The property dispositions were of office properties located in Los Angeles, CA and Sunrise, FL. The additional contribution was in the INVESCO Core Real Estate USA LLC.

Performance of the Guggenheim Plus II continued to remain strong over the longer-term periods shown above.

RETURNS OF THE MAJOR CAPITAL MARKETS

RETURNS OF THE MAJOR CAPITAL MARKETS

	Second Quarter	Annualized Periods Ending 6/30/07			
		1-Year	3-Year	5-Year	10-Year
Stock Indices:					
DJ Wilshire 5000 Index	6.1%	20.5%	12.7%	12.0%	7.7%
S&P 500 Index	6.3	20.6	11.7	10.7	7.1
Russell 3000 Index	5.8	20.1	12.4	11.5	7.6
Russell 1000 Value Index	4.9	21.9	15.9	13.3	9.9
Russell 1000 Growth Index	6.9	19.0	8.7	9.3	4.4
Russell MidCap Value Index	3.7	22.1	19.3	17.2	13.1
Russell MidCap Growth Index	6.7	19.7	14.5	15.5	8.7
Russell 2000 Value Index	2.3	16.1	15.0	14.6	12.1
Russell 2000 Growth Index	6.7	16.8	11.8	13.1	5.3
Bond Indices:					
Lehman Brothers Aggregate	-0.5%	6.1%	4.0%	4.5%	6.0%
Lehman Brothers Gov't/Credit	-0.5	6.0	3.8	4.7	6.1
Lehman Brothers Long-Term Gov't/Credit	-1.9	7.0	5.4	6.5	7.4
Lehman Brothers Intermed. Gov't/Credit	-0.1	5.8	3.4	4.1	5.7
Lehman Brothers Mortgage Backed	-0.5	6.4	4.3	4.1	5.9
Lehman Brothers 1-3 Yr Gov't	0.7	5.2	3.0	2.9	4.7
Lehman Brothers Universal	-0.5	6.6	4.5	5.2	6.2
Real Estate Indices:					
NCREIF Open End Fund Index	4.6%	16.1%	16.9%	13.9%	12.6%
Wilshire Real Estate Securities Index	-9.5	11.7	22.3	19.5	13.6
Foreign Indices:					
MSCI All Country World ex-U.S. Index	8.2%	29.6%	24.5%	19.5%	8.2%
MSCI EAFE Free	6.4	27.0	22.2	17.7	7.6
MSCI Emerging Markets	15.0	45.0	38.2	30.2	9.1
MSCI Hedged EAFE Foreign Stock Index	6.4	25.7	21.7	13.0	7.3
SSB Non U.S. World Gov't Bond	-1.8	2.2	3.3	6.9	5.0
Citigroup World Gov't Bond Hedged	-0.9	4.0	4.4	4.1	5.9
Cash Equivalents:					
Treasury Bills (30-Day)	1.1%	4.2%	3.1%	2.2%	3.3%
EnnisKnupp STIF Index	1.3	5.4	3.9	2.9	4.0
Inflation Index:					
Consumer Price Index	1.5%	2.7%	3.2%	3.0%	2.7%

APPENDIX II

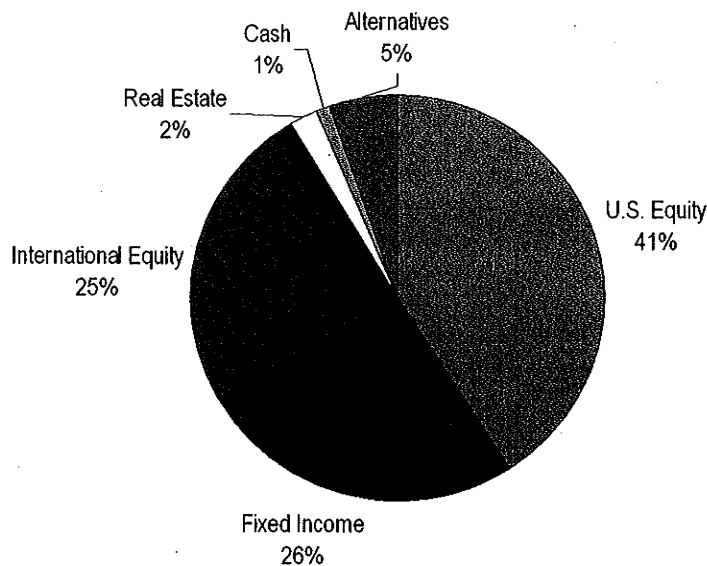
Description of Fund Benchmarks and Universe Rankings

Total Fund

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 pension funds. The index is calculated based on a universe of 52 funds compiled by Mellon Analytical Solutions with an aggregate market value of \$748.3 billion as of 6/30/2007.

Mellon Analytical Aggregate Public Fund as of 6/30/2007



Benchmark. The Russell 3000 Index.

Universe. A universe of 408 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$624.1 billion as of 6/30/2007.

Delta

Benchmark. The S&P 500 Index.

Universe. A universe of 405 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$827.7 billion as of 6/30/2007.

BGI Equity Index Fund

Benchmark. The S&P 500 Index.

Universe. A universe of 405 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$827.7 billion as of 6/30/2007.

BGI Extended Equity Index Fund

Benchmark. The DJ Wilshire 4500 Index.

Universe. A universe of 67 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$86.3 billion as of 6/30/2007.

LSV

Benchmark. The Russell 2000 Value Index.

Universe. A universe of 109 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$92.7 billion as of 6/30/2007.

Wasatch Advisors

Benchmark. The Russell 2000 Growth Index. Prior to December 2001, the Russell 2000 Index.

Universe. A universe of 90 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$64.2 billion as of 6/30/2007.

APPENDIX II

Benchmark. The S&P 500 Index.

Universe. A universe of 405 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$827.7 billion as of 6/30/2007.

Total Non-U.S. Equity

Benchmark. The Morgan Stanley Capital International All-Country World ex-U.S. Free Index. Prior to May 2002, the Morgan Stanley Capital International EAFE-Free Stock Index.

Universe. A universe of 371 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$347.8 billion as of 6/30/2007.

BGI ACWI ex U.S.

Benchmark. The Morgan Stanley Capital International All-Country World ex-U.S. Free Index.

Universe. A universe of 81 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$328.5 billion as of 6/30/2007.

Capital Guardian

Benchmark. The Morgan Stanley Capital International All-Country World ex-U.S. Free Index. Prior to May 2002, the Morgan Stanley Capital International EAFE-Free Stock Index.

Universe. A universe of 81 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$328.5 billion as of 6/30/2007.

Sprucegrove

Benchmark. The Morgan Stanley Capital International EAFE-Free Stock Index.

Universe. A universe of 81 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$328.5 billion as of 6/30/2007.

Total Global Equity

Benchmark. The Morgan Stanley Capital International All Country World Index.

Universe. A universe of 52 actively managed global stock portfolios compiled by Mellon Analytical Solutions with an aggregate market

Grantham Mayo Van Otterloo (GMO)

Benchmark. The Morgan Stanley Capital International All Country World Index.

Universe. A universe of 52 actively managed global stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$82.7 billion as of 6/30/2007.

Wellington

Benchmark. The Morgan Stanley Capital International All Country World Index.

Universe. A universe of 52 actively managed global stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$82.7 billion as of 6/30/2007.

Total Fixed Income

Benchmark. The Lehman Brothers Aggregate Bond Index.

Universe. A universe of 122 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$583.0 billion as of 6/30/2007.

Western Asset Management

Benchmark. The Lehman Brothers Aggregate Bond Index.

Universe. A universe of 122 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$583.0 billion as of 6/30/2007.

BGI U.S. Debt Index Fund

Benchmark. The Lehman Brothers Aggregate Bond Index.

Universe. A universe of 122 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$583.0 billion as of 6/30/2007.

APPENDIX II

Reams

Benchmark. The Lehman Brothers Aggregate Bond Index.

Universe. A universe of 122 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$583.0 billion as of 6/30/2007.

Loomis Sayles

Benchmark. 60% of the Lehman Brothers Aggregate Bond Index and 40% of the Lehman Brothers High Yield Index.

Universe. A universe of 122 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$583.0 billion as of 6/30/2007.

Total Real Estate

Benchmark. The National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Fund. Prior to January 2006, the NCREIF Property Index.

Prudential Real Estate

Benchmark. The National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Fund. Prior to January 2006, the NCREIF Property Index.

Prudential Real Estate PRISA

Benchmark. The National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Fund.

UBS RESA

Benchmark. The National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Fund.

Guggenheim

Benchmark. 70% of the National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Fund and 30% of the NAREIT Index.

Description of Benchmarks (continued)

Russell 3000 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 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 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 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 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 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 Open End Fund 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 "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.

Capital Guardian is currently on watch for performance reasons.

Wellington is currently on watch for potentially adverse information, trends or developments that the Board feels might impair the investment manager's ability to deliver a successful outcome.

APPENDIX II

Manager	Restrictions	In Compliance as of 6/30/07
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*	YES 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 NO 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
Loomis Sayles	-At least 50% of the portfolio must 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 1% per issue for below investment grade securities -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 NO YES YES YES YES YES YES YES YES YES YES

* Based on affirmative statement from manager

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	63	Daily	Separate Acct.
Wasatch	79	Daily	Separate Acct.
Western U.S. Index Plus	20	Daily	Separate Acct.
Capital Guardian	48	Monthly	Commingled Fund
Sprucegrove	39	Monthly	Commingled Fund
GMO	66	Daily	Commingled Fund
Wellington	72	Monthly	Commingled Fund
BGI U.S. Debt Fund	4	Daily	Commingled Fund
Reams	18	Daily	Separate Acct.
Western	23	Daily	Separate Acct.
Loomis Sayles	39	Daily	Separate Acct.
Prudential	81	Quarterly	Commingled Fund
UBS Realty	90	Monthly	Commingled Fund
Guggenheim	225	Quarterly	Commingled Fund
Total Fund	25	--	--

Uniform Application for Investment Adviser Registration

Name of Investment Adviser: Ennis, Knupp & Associates, Inc.			
Address: (Number and Street)	(City)	(State)	(Zip Code)
10 S. Riverside Plaza, Suite 1600	Chicago, IL	60606	
Area Code:		Telephone Number:	
312		715-1700	

This part of Form ADV gives information about the investment adviser and its business for the use of clients.
The information has not been approved or verified by any governmental authority.

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	Balance Sheet, if required	Schedule G

(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Applicant:	SEC File Number: 801-	Date:
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1. A. Advisory Services and Fees. (check the applicable boxes) For each type of service provided, state the approximate % of total advisory billings from that service. (See instruction below.)

Applicant:

<input type="checkbox"/> (1) Provides investment supervisory services.....	_____ %
<input type="checkbox"/> (2) Manages investment advisory accounts not involving investment supervisory services	_____ %
<input checked="" type="checkbox"/> (3) Furnishes investment advice through consultations not included in either service described above	<u>100</u> %
<input type="checkbox"/> (4) Issues periodicals about securities by subscription	_____ %
<input type="checkbox"/> (5) Issues special reports about securities not included in any service described above.....	_____ %
<input type="checkbox"/> (6) Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities	_____ %
<input checked="" type="checkbox"/> (7) On more than an occasional basis, furnishes advice to clients on matters not involving securities	<u>100</u> %
<input type="checkbox"/> (8) Provides a timing service	_____ %
<input type="checkbox"/> (9) Furnishes advice about securities in any manner not described above	_____ %

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

NOTE: Ennis, Knupp & Associates, Inc. does not have discretionary control over funds held by our clients, nor do we advise our clients at the security level.

B. Does applicant call any of the services it checked above financial planning or some similar term? Yes No

C. Applicant offers investment advisory services for: (check all that apply)

<input type="checkbox"/> (1) A percentage of assets under management	<input type="checkbox"/> (4) Subscription fees
<input checked="" type="checkbox"/> (2) Hourly charges	<input type="checkbox"/> (5) Commissions
<input checked="" type="checkbox"/> (3) Fixed fees (not including subscription fees)	<input checked="" type="checkbox"/> (6) Other

D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

2. Types of clients — Applicant generally provides investment advice to: (check those that apply)

<input checked="" type="checkbox"/> A. Individuals	<input checked="" type="checkbox"/> E. Trusts, estates, or charitable organizations
<input type="checkbox"/> B. Banks or thrift institutions	<input checked="" type="checkbox"/> F. Corporations or business entities other than those listed above
<input type="checkbox"/> C. Investment companies	<input type="checkbox"/> G. Other (describe on Schedule F)
<input checked="" type="checkbox"/> D. Pension and profit sharing plans	

Applicant:

SEC File Number:

Date:

801-

3. Types of Investments. Applicant offers advice on the following: (check those that apply)

- | | | | |
|--------------------------|--|--------------------------|--|
| <input type="checkbox"/> | A. Equity securities | <input type="checkbox"/> | H. United States government securities |
| <input type="checkbox"/> | (1) exchange-listed securities | | I. Options contracts on: |
| <input type="checkbox"/> | (2) securities traded over-the-counter | <input type="checkbox"/> | (1) securities |
| <input type="checkbox"/> | (3) foreign issuers | <input type="checkbox"/> | (2) commodities |
| <input type="checkbox"/> | B. Warrants | | J. Futures contracts on: |
| <input type="checkbox"/> | C. Corporate debt securities (other than commercial paper) | <input type="checkbox"/> | (1) tangibles |
| <input type="checkbox"/> | D. Commercial paper | <input type="checkbox"/> | (2) intangibles |
| <input type="checkbox"/> | E. Certificates of deposit | | K. Interests in partnerships investing in: |
| <input type="checkbox"/> | F. Municipal securities | <input type="checkbox"/> | (1) real estate |
| | G. Investment company securities | <input type="checkbox"/> | (2) oil and gas interests |
| <input type="checkbox"/> | (1) variable life insurance | <input type="checkbox"/> | (3) other (explain on Schedule F) |
| <input type="checkbox"/> | (2) variable annuities | <input type="checkbox"/> | L. Other (explain on Schedule F) |
| <input type="checkbox"/> | (3) mutual fund shares | | |

4. Methods of Analysis, Sources of Information, and Investment Strategies.

A. Applicant's security analysis methods include: (check those that apply)

- | | | | |
|------------------------------|-------------|------------------------------|-------------------------------|
| (1) <input type="checkbox"/> | Charting | (4) <input type="checkbox"/> | Cyclical |
| (2) <input type="checkbox"/> | Fundamental | (5) <input type="checkbox"/> | Other (explain on Schedule F) |
| (3) <input type="checkbox"/> | Technical | | |

B. The main sources of information applicant uses include: (check those that apply)

- | | | | |
|------------------------------|---------------------------------------|------------------------------|---|
| (1) <input type="checkbox"/> | Financial newspapers and magazines | (5) <input type="checkbox"/> | Timing services |
| (2) <input type="checkbox"/> | Inspections of corporate activities | (6) <input type="checkbox"/> | Annual reports, prospectuses, filings with the Securities and Exchange Commission |
| (3) <input type="checkbox"/> | Research materials prepared by others | (7) <input type="checkbox"/> | Company press releases |
| (4) <input type="checkbox"/> | Corporate rating services | (8) <input type="checkbox"/> | Other (explain on Schedule F) |

C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- | | | | |
|------------------------------|--|------------------------------|---|
| (1) <input type="checkbox"/> | Long term purchases
(securities held at least a year) | (5) <input type="checkbox"/> | Margin transactions |
| (2) <input type="checkbox"/> | Short term purchases
(securities sold within a year) | (6) <input type="checkbox"/> | Option writing, including covered options, uncovered options, or spreading strategies |
| (3) <input type="checkbox"/> | Trading (securities sold within 30 days) | (7) <input type="checkbox"/> | Other (explain on Schedule F) |
| (4) <input type="checkbox"/> | Short sales | | |

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

Applicant:	SEC File Number: 801-	Date:
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5. Education and Business Standards.

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients?..... Yes No

(If yes, describe these standards on Schedule F.)

6. Education and Business Background.

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- | | |
|---|--|
| <ul style="list-style-type: none"> • name • year of birth | <ul style="list-style-type: none"> • formal education after high school • business background for the preceding five years |
|---|--|

7. Other Business Activities. (check those that apply)

- A. Applicant is actively engaged in a business other than giving investment advice.
- B. Applicant sells products or services other than investment advice to clients.
- C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

8. Other Financial Industry Activities or Affiliations. (check those that apply)

- A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:

<ul style="list-style-type: none"> <input type="checkbox"/> (1) broker-dealer <input type="checkbox"/> (2) investment company <input type="checkbox"/> (3) other investment adviser <input type="checkbox"/> (4) financial planning firm <input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant <input type="checkbox"/> (6) banking or thrift institution 	<ul style="list-style-type: none"> <input type="checkbox"/> (7) accounting firm <input type="checkbox"/> (8) law firm <input type="checkbox"/> (9) insurance company or agency <input type="checkbox"/> (10) pension consultant <input type="checkbox"/> (11) real estate broker or dealer <input type="checkbox"/> (12) entity that creates or packages limited partnerships
--	---

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

- D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest?..... Yes No

(If yes, describe on Schedule F the partnerships and what they invest in.)

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

Applicant:

SEC File Number:
801-

Date:

9. Participation or Interest in Client Transactions.

Applicant or a related person: (check those that apply)

- A. As principal, buys securities for itself from or sells securities it owns to any client.
- B. As broker or agent effects securities transactions for compensation for any client.
- C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

- 10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services and impose a minimum dollar value of assets or other conditions for starting or maintaining an account? Yes No

(If yes, describe on Schedule F.)

11. Review of Accounts. If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

Not applicable

- B. Describe below the nature and frequency of regular reports to clients on their accounts.

Applicant:	SEC File Number: 801-	Date:
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12. Investment or Brokerage Discretion.

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

- | | | | |
|-----|--|--------------------------|----|
| | | Yes | No |
| (1) | securities to be bought or sold? | <input type="checkbox"/> | X |
| (2) | amount of the securities to be bought or sold? | <input type="checkbox"/> | X |
| (3) | broker or dealer to be used? | <input type="checkbox"/> | X |
| (4) | commission rates paid? | <input type="checkbox"/> | X |

B. Does applicant or a related person suggest brokers to clients?

Yes No
 X

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

13. Additional Compensation.

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- | | | | |
|----|--|--------------------------|----|
| | | Yes | No |
| A. | is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? | <input type="checkbox"/> | X |
| B. | directly or indirectly compensates any person for client referrals? | <input type="checkbox"/> | X |

(For each yes, describe the arrangements on Schedule F.)

14. Balance Sheet. Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities (unless applicant is registered or registering only with the Securities and Exchange Commission); or
- requires prepayment of more than \$500 in fees per client and 6 or more months in advance

	Yes	No
Has applicant provided a Schedule G balance sheet?	<input type="checkbox"/>	X

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

**Schedule F of
Form ADV
Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
	801-	

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Ennis, Knupp & Associates, Inc.	IRS Empl. Ident. No.: 36-3109431
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Item of Form (identify)	Answer
1, 7	<p>Ennis, Knupp & Associates, Inc. (EnnisKnupp) is an independent consulting firm providing professional services to tax-exempt funds. The firm provides conflict-free advice to clients on many matters related to their investment program and operations including:</p> <ul style="list-style-type: none"> ▪ Investment Policy Planning and Asset Allocation ▪ Manager Structure and Selection ▪ Performance Review and Manager Monitoring ▪ Client and Fiduciary Education ▪ Board/Committee Governance ▪ Fiduciary Audits and Operational Reviews ▪ Strategic Planning <p>EnnisKnupp's related services include defined contribution services, master trustee/custodian evaluation, and asset transition services. The firm also has considerable experience in formulating spending and investment policies for endowments, and we provide expert witness testimony in fiduciary litigation.</p> <p>Investment Policy Planning and Asset Allocation Help clients define and control risk for their specific requirements, diversify their assets, develop investment objectives and a statement of investment policy, meet their cash flow needs efficiently, and provide appropriate instructions to their investment managers. Make recommendations regarding an appropriate allocation of assets among various investment managers and manager types in all asset classes based on a proprietary risk model that defines individual manager and overall style and risk characteristics.</p> <p>Manager Structure and Selection Periodically review the number and types of managers and funds regarding efficiency, costs, and management oversight. Assist in the screening, interviewing and selection of manager candidates that meet the needs of the client. Assist in the preparation of written manager guidelines and performance objectives.</p> <p>Performance Review and Manager Monitoring Conduct ongoing discussions with client investment managers, focusing on investment performance and organizational issues such as changes in ownership, retention of professional staff, fee changes, new products, etc. As a result of this monitoring, communicate with clients regarding any important developments and any recommendations for changes in assignments when appropriate. Evaluation of all managers in the context of their guidelines and objectives, and specifically comment on factors affecting performance. Prepare written performance reports, tailoring them to suit client preferences for time periods, types of comparisons, level of detail, etc.</p> <p>Private Equity Advisory and Funds Management Services Review and develop investment policy, asset allocation, and portfolio design, as well as analyze program sizing and cash flow pacing. Conduct global private equity fund selection and due diligence within each sub-sector, as well as legal review and negotiation of terms and conditions. Provide performance reporting, portfolio analysis, independent valuation, and comprehensive portfolio company review. Perform secondary sale assistance in addition to private equity education and market analysis including commentary on current issues.</p> <p>Real Estate Advisory Services Development of real estate portfolio investment objectives, programs, and policies. Real estate investment strategic planning and implementation including: investment pacing, size, and investment strategy diversification; investment vehicle analysis and planning; property and portfolio leverage planning; manager search, selection, and monitoring; and performance measurement and attribution analysis. Conduct topical real estate research and market analysis. Perform transaction structure and terms modeling, analysis, and negotiations.</p> <p>Client and Fiduciary Education Prepare written reports that provide background information, alternatives and recommendations on a given issue, and the rationale underlying the recommendations. Prepare special research or educational materials on topics to discuss with staff or committees. Provide fiduciary training to boards and committees and discuss current issues facing peers. Host a client conference covering a variety of investment-related topics. Conduct quarterly in-house education sessions in our office.</p> <p>Board/Committee Governance Assist in the development of governance manuals, policies, procedures, and monitoring methods to assist with oversight responsibilities and reporting structure.</p> <p>Fiduciary Audits and Operational Reviews Review major systems and assess their effectiveness and appropriateness and provide recommendations for improvement. The systems include: investment portfolio objectives, asset allocation, and policy; investment operations and the processes in place; Board oversight, policies, and principles; and organization, staffing structure, and policies. Create a report to reflect findings and recommendations for delivery to the governing body.</p>

Complete amended pages in full, circle amended items and file with execution page (page 1).

**Schedule F of
Form ADV
Continuation Sheet for Form ADV Part II**

Applicant:

SEC File Number:

Date:

801-

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:		IRS Empl. Ident. No.:
Ennis, Knupp & Associates, Inc.		36-3109431
Item of Form (identify)	Answer	
1, 7 (cont'd)	<p>Strategic Planning Assist in the design of strategic plans and development of mission statements and core values as well as reasonable and achievable goals and objectives. Assist in implementation and evaluation of the success of the plans.</p> <p>Some of the services described are rendered on a project basis (e.g. policy consulting, manager selection and governance). Additional services provided on a project basis include:</p> <ul style="list-style-type: none"> ▪ Conducting Investment Program Review ▪ Providing Defined Contribution Plan Services ▪ Advising Clients on Custodian Selection ▪ Reviewing Manager Agreements ▪ Overseeing Asset Transfers at Client Direction <p>EnnisKnupp has no affiliations with brokerage, custodial, investment management, investment banking firms, or any other service providers to our clients, nor do we sell information or services to these entities and therefore has no implicit or explicit conflicts of interest.</p> <p>Fees</p> <p>Fees for the foregoing services are negotiated in advance and vary depending on a number of factors, including the complexity of the assignment, number of plans, number of investment managers, frequency of meetings and reports, etc. For ongoing retainer relationships, annual fees are billed on a quarterly basis in advance and generally range from \$50,000 to \$300,000 per year or more. Retainer fees may be adjusted during the year for changes in services rendered or when services are terminated.</p> <p>Fees for project work are based on the particular project and are negotiated on a fixed-fee or hourly-rate basis. Hourly-rate projects are billed monthly based on the number of hours worked. Fixed fees are based on the complexity of the project and determined with the client in advance. Fixed fees generally range from \$20,000 to \$60,000 or more and are billed in installments at the beginning and end of the project.</p>	
6	<p><u>Stephen T. Cummings, CFA, Principal, Director, and President and Chief Executive Officer; 1963</u> University of Texas, BS, 1985 University of Chicago, MBA, 1989 Ennis, Knupp & Associates, Inc., 1989 to 1997, 2000 to present</p> <p><u>Russell K. Ivinjack, Principal; 1970</u> Northern Illinois University, BS, 1991 DePaul University, MBA, 1996 Ennis, Knupp & Associates, Inc., 1994 to present</p> <p><u>Gregory J. Pritz, CPA, Principal and Chief Operating Officer; 1957</u> DePaul University, BSC, 1980 Northwestern University, MM, 1995 Ennis, Knupp & Associates, Inc., 2001 to present</p> <p><u>Michael D. Sebastian, Principal; 1973</u> University of Illinois, BS, 1994 University of Illinois, MS, 1996 Ennis, Knupp & Associates, Inc., 1997 to present</p> <p><u>Steven A. Voss, Principal; 1970</u> Seattle University, BA, 1992 Ennis, Knupp & Associates, Inc., 1994 to 1999, 1999 to present</p>	

Complete amended pages in full, circle amended items and file with execution page (page 1).