ENNISKNUPP

PERFORMANCE REPORT

Independent
advice for
the institutional
investor

**Ventura County
Employees'
Retirement
Association**

Second Quarter 20

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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 2008

Market Comments

The second quarter of 2008 proved to be quite volatile for capital markets. Despite posting positive returns during the months of April and May, U.S. stocks plummeted in June, producing the worst one-month decline since September 2002. An abundance of concerns, including rising oil prices, declining home prices, recessionary fears, and downgrades in the financial industry, plagued the markets. The DJ Wilshire 5000 Index declined 1.5% during the second quarter, resulting in a year-to-date loss of 10.9%. The Index's negative performance during the quarter was driven by the financial (-15.8%), consumer goods (-8.4%), and industrial (-6.8%) sectors. Conversely, energy (+16.9%), basic materials (+13.0%), and utilities (+9.2%) were the best performing sectors. On a size basis, small cap stocks outperformed their large cap counterparts, as small cap stock performance was aided by strong returns from energy stocks. Growth stocks outperformed value stocks, as growth stocks benefited from positive performance in the technology sector while value stocks were weighed down by poor performance from the financial sector.

During the quarter, Non-U.S. stocks experienced a similar fate as U.S. stocks, advancing in April and May and taking a tumble in June. Non-U.S. stocks as measured by the MSCI EAFE Index declined 2.3%, underperforming U.S. stocks for the first time in seven quarters. Similar to U.S stocks, the financial and consumer stocks dragged on the Index's performance, while energy and material stocks generated positive returns. The MSCI Emerging Markets Index fell 0.9% during the quarter, as a result of concerns over rising oil and food prices and rising inflation. From a country perspective, Brazil (+18%) had the strongest performance, while Taiwan (-11%) performed the worst.

The second quarter proved to also be quite challenging for the fixed income markets. In the beginning of the quarter, the Federal Reserve's actions to save struggling banks and brokerages, as seen from the collapse of Bear Stearns, gave bond investors confidence to invest in riskier securities. However, concerns over rising inflation, economic weakness, and de-leveraging, overwhelmed the bond market, resulting in a flight to quality. The Lehman Brothers Aggregate Index declined 1.0% in the second quarter, but has advanced 1.1% year-to-date.

MAJOR MARKET RETURNS

	Second Quarter	Year-To-Date	1 Year Ending 6/30/08	3 Years Ending 6/30/08
Dow Jones Wilshire 5000 Index	**-1.5%**	**-10.9%**	**-12.5%**	**5.0%**
MSCI All Country World ex-U.S. Index	**-1.1**	**-10.2**	**-6.6**	**15.7**
MSCI EAFE Index	-2.3	-11.0	-10.6	12.8
MSCI Emerging Markets Index	-0.9	-11.8	4.6	27.1
MSCI All Country World Index	**-1.6**	**-10.7**	**-9.3**	**10.3**
Lehman Brothers Aggregate Bond Index	**-1.0**	**1.1**	**7.1**	**4.1**

Second Quarter 2008

Asset Growth

VCERA's Total Fund asset value declined by approximately $83.8 million during the second quarter, as shown below. The decrease in assets was due to net withdrawls of approximately $29.3 million and investment losses of $54.5 million.

Market Value (millions) as of 3/31/08	$2,947.7
Income/Appreciation	(54.5)
Net Contributions/Withdrawals	(29.3)
Market Value (millions) at 6/30/08	$2,863.9

Asset Allocation

The table below highlights VCERA's investment allocations relative to its policy. As of June 30, 2008, the Fund was underweight relative to its policy within the U.S. and global equity components. A corresponding overweight was experienced within the non-U.S. equity, fixed income, real estate, and cash components. 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 month of May, Delta, LSV, Wasatch, and BGI Equity Index were terminated. Assets from the terminated funds totaled approximately $1.2 billion and were transferred to the BGI ACWI ex-U.S. Index Fund. An additional $67.7 million was transferred to the BGI ACWI ex-U.S. Index Fund from BGI Extended Index. In June, approximately $1.0 billion was transferred from BGI ACWI ex-U.S. to fund BGI Equity Market Fund. Acadian was also funded for approximately $100 million which came from BGI ACWI ex-U.S. and Wellington, who was terminated. Additionally, $29.7 million was transferred to GMO from BGI ACWI ex-U.S. Over the quarter, approximately $29.5 million ($24.5 million from BGI Equity Index and $5 million from BGI U.S. Debt Fund) was withdrawn to fund employees benefit payments.

ACTUAL VS. CURRENT POLICY

	Actual Allocation	Policy Allocation	Difference
U.S. Equity	37.6%	40.0%	-2.4
Non-U.S. Equity	19.7	18.0	+1.7
Global Equity	6.4	7.0	-0.6
Fixed Income	27.5	27.0	+0.5
Real Estate	8.8	8.0	+0.8
Cash	0.0	0.0	+0.0

Second Quarter 2008

RETURN SUMMARY
ENDING 6/30/08

	Second Quarter		Year-To-Date		1 Year Ending 6/30/08		3 Years Ending 6/30/08		5 Years Ending 6/30/08		10 Years Ending 6/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Fund	**-1.7%**	**93**	**-7.5%**	**90**	**-6.7%**	**87**	**6.2%**	**76**	**8.8%**	**73**	**5.9%**	**65**	**9.4%**	**--**	**3/31/80**
Policy Portfolio	-1.1	67	-6.5	66	-4.7	49	7.1	58	9.2	60	5.7	74	--	--	
Public Fund Index	-0.7	42	-5.6	40	-4.1	36	7.6	55	9.8	53	6.1	52	--	--	
Total U.S. Equity	**-4.1**	**98**	**-13.7**	**95**	**-16.1**	**88**	**3.0**	**91**	**7.3**	**89**	**3.6**	**65**	**8.6**	**80**	**12/31/93**
Performance Benchmark*	-1.5	66	-10.9	52	-12.5	47	4.9	50	8.5	61	3.6	67	9.2	57	
Total Non-U.S. Equity	**-2.4**	**76**	**-10.4**	**47**	**-9.1**	**58**	**14.1**	**50**	**17.2**	**55**	**7.4**	**56**	**9.3**	**36**	**3/31/94**
Performance Benchmark**	-1.1	37	-10.2	44	-6.6	28	15.7	25	18.9	22	7.0	66	7.6	69	
Total Global Equity	**-1.3**	**54**	**-11.6**	**66**	**-9.0**	**48**	**8.8**	**61**	**--**	**--**	**--**	**--**	**9.3**	**--**	**4/30/05**
MSCI All Country World Index	-1.6	56	-10.7	58	-9.3	49	10.3	49	--	--	--	--	10.7	--	
Total U.S. Fixed Income	**-0.7**	**43**	**-0.1**	**62**	**5.4**	**49**	**4.0**	**44**	**4.2**	**30**	**5.8**	**--**	**6.1**	**--**	**2/28/94**
LB Aggregate Bond Index	-1.0	79	1.1	31	7.1	34	4.1	37	3.9	50	5.7	--	6.2	--	
Total Real Estate	**-1.1**	**--**	**-0.2**	**--**	**3.6**	**--**	**12.7**	**--**	**13.1**	**--**	**11.9**	**--**	**11.3**	**--**	**3/31/94**
Policy Benchmark	0.3	--	1.5	--	7.9	--	14.1	--	14.2	--	12.0	--	11.6	--	

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. The individual managers are ranked within style specific universes provided by Mellon Analytical Solutions (MAS). A description of each universe is provided in Appendix II of this report.

The Total Fund declined 1.7% during the second quarter and underperformed the Policy Portfolio and the Public Fund Index by 0.6 and 1.0 percentage points, respectively. Underperformance within the U.S. equity, non-U.S. equity, and real estate components detracted from the Fund's performance. Although negative in absolute returns, returns from the global equity and fixed income portfolios added value to the Fund.

Over the trailing one-year period, the Total Fund fell 6.7%, trailing both the Policy Portfolio and Public Fund Index. Barring the global equity portfolio, each of the Total Fund's underlying components produced below benchmark returns, impeding the Fund's performance.

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 for the Total Fund remains mostly unfavorable. The Total Fund has underperformed the Policy Portfolio during the trailing three- and five-year periods, but has outperformed during the ten-year period.

*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 2008

MARKET ENVIRONMENT

OVERVIEW

MAJOR MARKET RETURNS

	Second Quarter	Year-To-Date	1 Year Ending 6/30/08	3 Years Ending 6/30/08	5 Years Ending 6/30/08	10 Years Ending 6/30/08
Dow Jones Wilshire 5000 Index	**-1.5 %**	**-10.9 %**	**-12.5 %**	**5.0 %**	**8.7 %**	**3.6 %**
MSCI All Country World ex-U.S. Index	**-1.1**	**-10.2**	**-6.6**	**15.7**	**18.9**	**7.3**
MSCI EAFE Index	-2.3	-11.0	-10.6	12.8	16.7	5.8
MSCI Emerging Markets Index	-0.9	-11.8	4.6	27.1	29.7	15.2
MSCI All Country World Index	**-1.6**	**-10.7**	**-9.3**	**10.3**	**13.1**	**4.9**
Lehman Brothers Aggregate Bond Index	**-1.0**	**1.1**	**7.1**	**4.1**	**3.9**	**5.7**

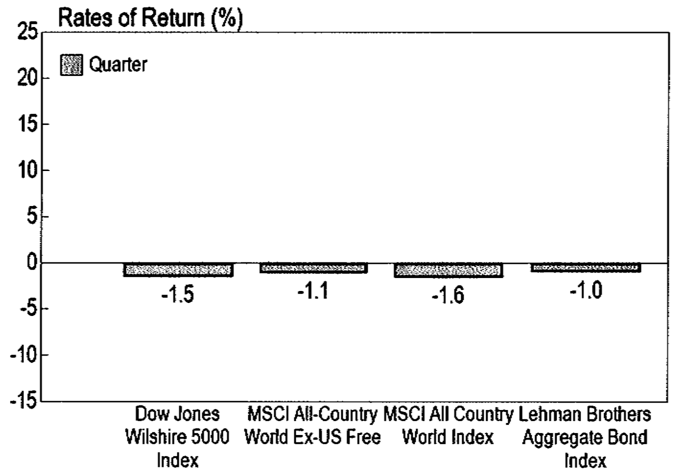
The U.S. broad equity market sought direction in the second quarter of 2008 amid rising oil prices, declining home values, rising unemployment, and inflationary pressures. Continued economic woes ensued as corporate profitability and the availability of credit weighed on the market. Related concerns about a contraction in consumer spending affected the market despite government stimulus rebate checks arriving at taxpayers' doorsteps. Oil and commodity prices skyrocketed, causing consumers to pull back the reins on spending. Investors saw a brief turn in the market during April and May, as the U.S. broad market made up for losses incurred during the first quarter. The relief rally was cut short in June, as evidenced by the DJ Wilshire 5000 Index's decline of 8.1% during the month.

Despite recessionary fears, real GDP grew at an annual rate of approximately 1.0% during the first quarter of the year. Contrary to widespread concerns, consumption and business investment offset weakness in residential construction. The weak dollar allowed exports to contribute positively to output. At the June 25th Federal Reserve (Fed) meeting, monetary policymakers held the target federal funds rate at 2.00 percent. The Fed also noted that although inflation and inflation expectations have increased, inflation should remain moderate throughout the rest of this year and next, signaling that there was little likelihood of a change in the Federal Funds rate in the near future. However, as of July, Fed Funds futures imply rate hikes toward the end of 2008 and into 2009.

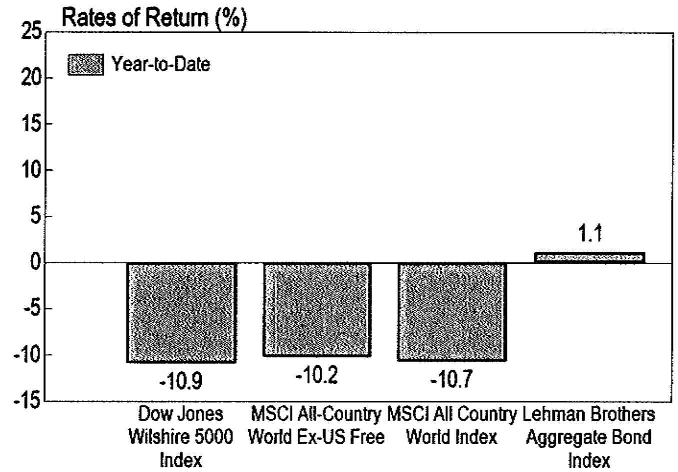
International stock markets experienced similar volatility during the second quarter. The MSCI All Country World ex-U.S. Index declined 1.1% during the second quarter, outperforming the U.S. market by 40 basis points. Year-to-date the index posted a loss of 10.2 percent. The greatest detractors from performance were the Europe ex-UK and Asian regions, reporting losses of 5.6% and 9.1%, respectively. Emerging markets suffered losses during the quarter as well, due to rising inflation, tighter monetary policy and concern over global growth. Increased demand for energy, grains, metals, and other commodities by developing countries, such as China and India, outpaced supply, resulting in an increase in global inflation.

The domestic fixed income market, as measured by the Lehman Brothers Aggregate Bond Index, faltered for the first time in three quarters to post a loss of 1.0 percent. The painful process of de-leveraging continued to affect the credit market while financial institutions simultaneously reduced their holdings of mortgages and other structured products. The financial sector plunged again in response to financial institutions taking massive writedowns and becoming increasingly capital constrained. The Treasury yield curve flattened modestly after the Fed-sponsored JP Morgan bail out of Bear Stearns. Treasuries were the worst performing sector as the flight to quality subsided. The best performing sector of the U.S. Bond Market was non-investment grade credit, or high yield, which performed poorly during the first quarter of 2008.

MAJOR MARKET RETURNS
SECOND QUARTER

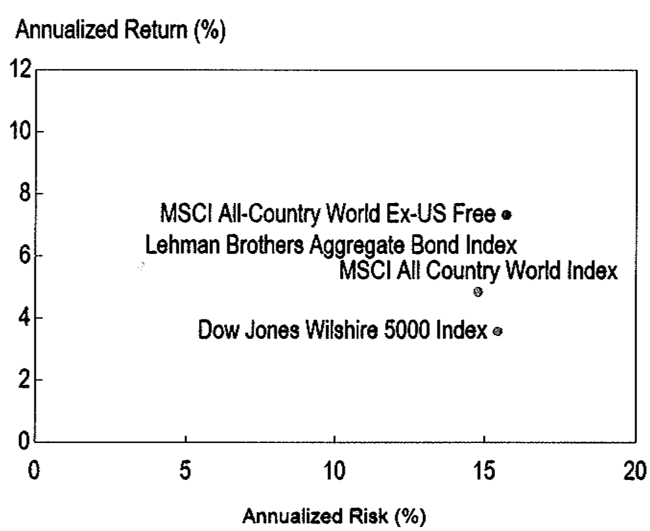


MAJOR MARKET RETURNS
YEAR-TO-DATE ENDING 6/30/08

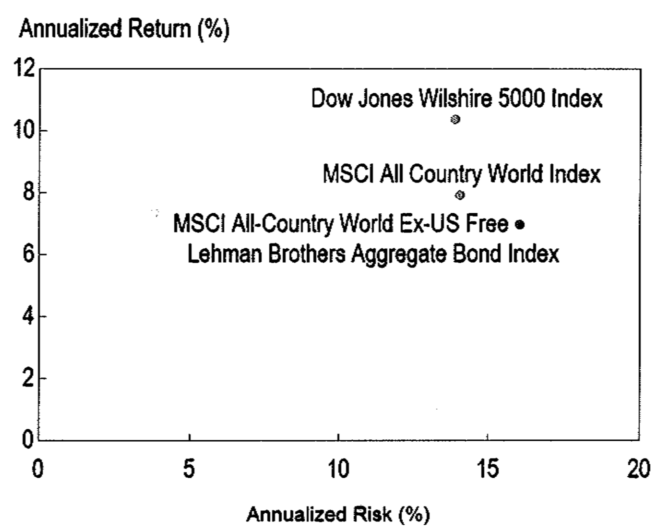


The exhibits above show the performance of the major capital markets during the second quarter and year-to-date period.

MARKET RISK/RETURN
10 YEARS ENDING 6/30/08

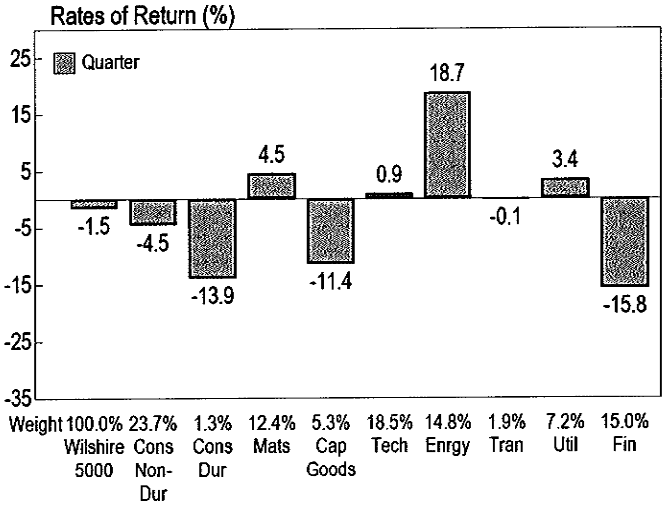


MARKET RISK/RETURN
20 YEARS ENDING 6/30/08

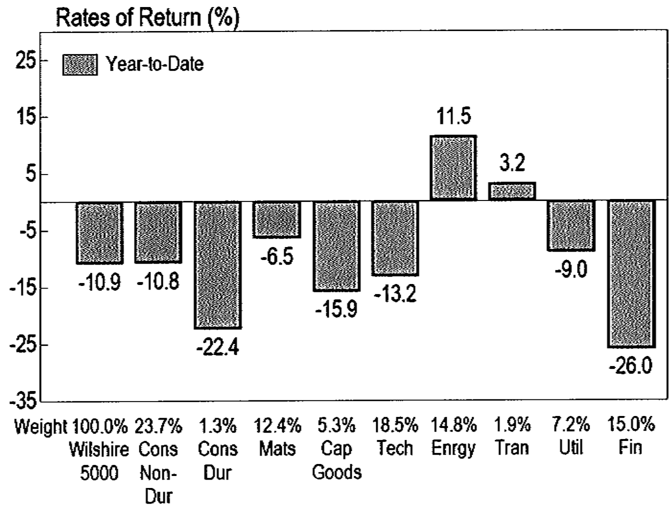


The exhibits above show the historical performance of the major capital markets and the amount of risk (volatility of returns) incurred. Points near the top of the chart represent a greater return and points near the right of the chart indicate greater volatility.

SECTOR RETURNS
SECOND QUARTER



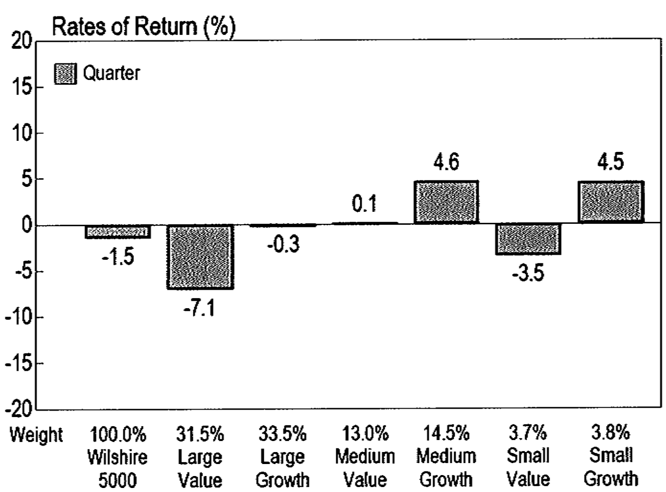
SECTOR RETURNS
YEAR-TO-DATE ENDING 6/30/08



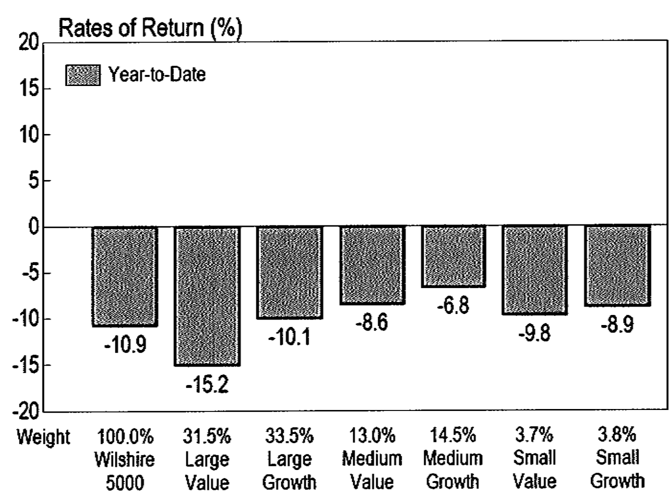
The Dow Jones Wilshire 5000 Index is the broadest available measure of the aggregate domestic stock market. It includes all domestic common stocks with readily available price information.

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

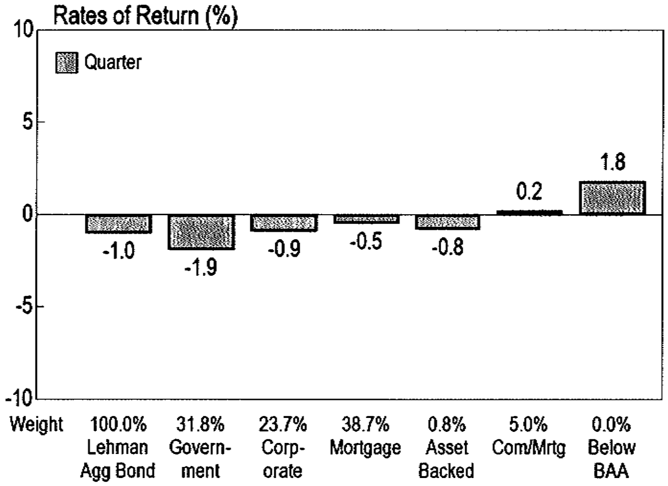


STYLE RETURNS
YEAR-TO-DATE ENDING 6/30/08

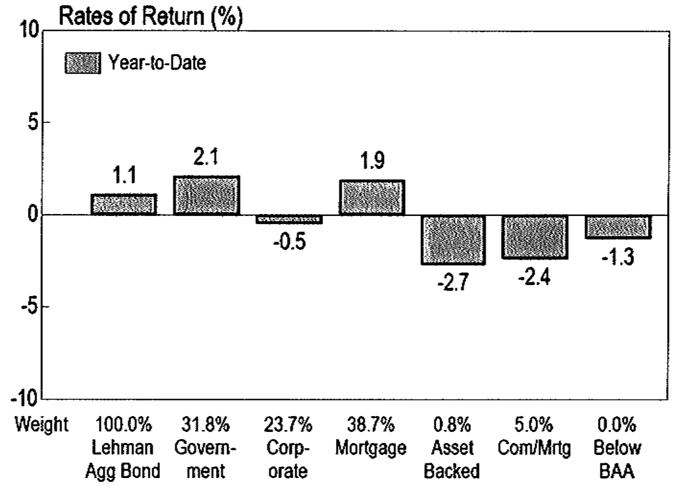


The exhibits above illustrate the performance of stock investment styles according to capitalization (large and small) and style characteristics (value and growth). The percentage below each bar indicates the segment's weight within the Dow Jones Wilshire 5000 Index at quarter-end.

SECTOR RETURNS SECOND QUARTER



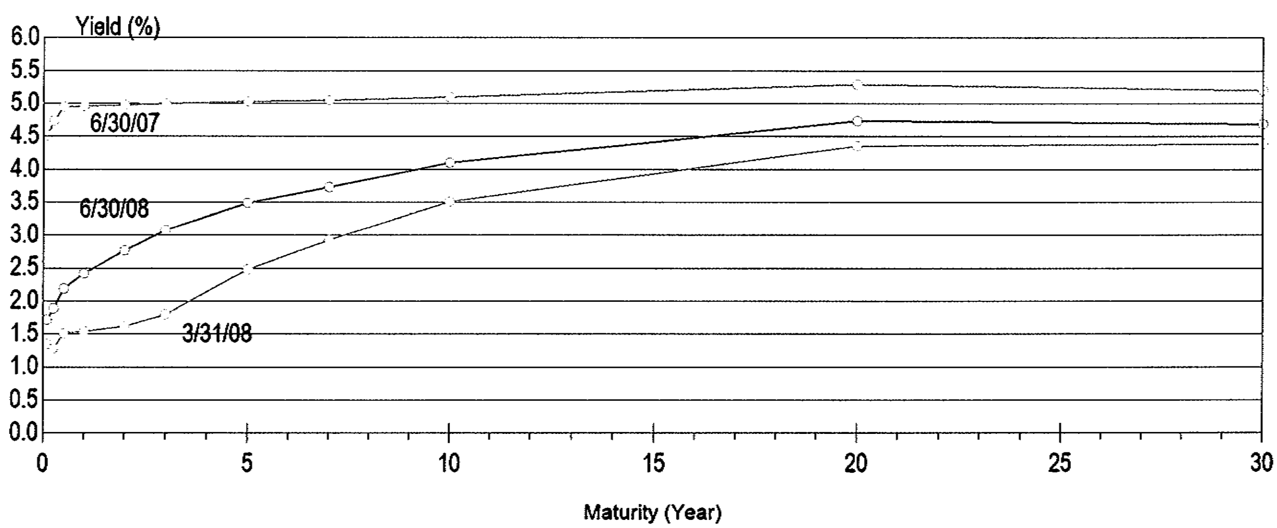
SECTOR RETURNS YEAR-TO-DATE ENDING 6/30/08



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

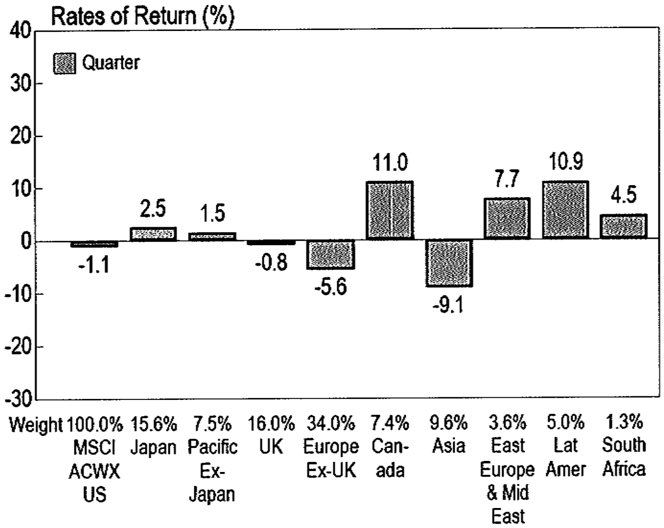


The exhibit above illustrates yields of Treasury securities of various maturities as of June 30, 2007, March 31, 2008, and June 30, 2008.

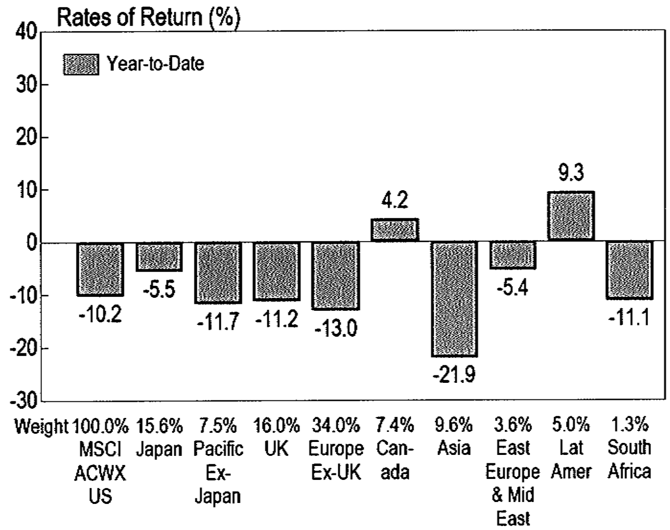
MARKET ENVIRONMENT

NON-U.S. STOCK MARKETS

NON-U.S. STOCK MARKET RETURNS
SECOND QUARTER

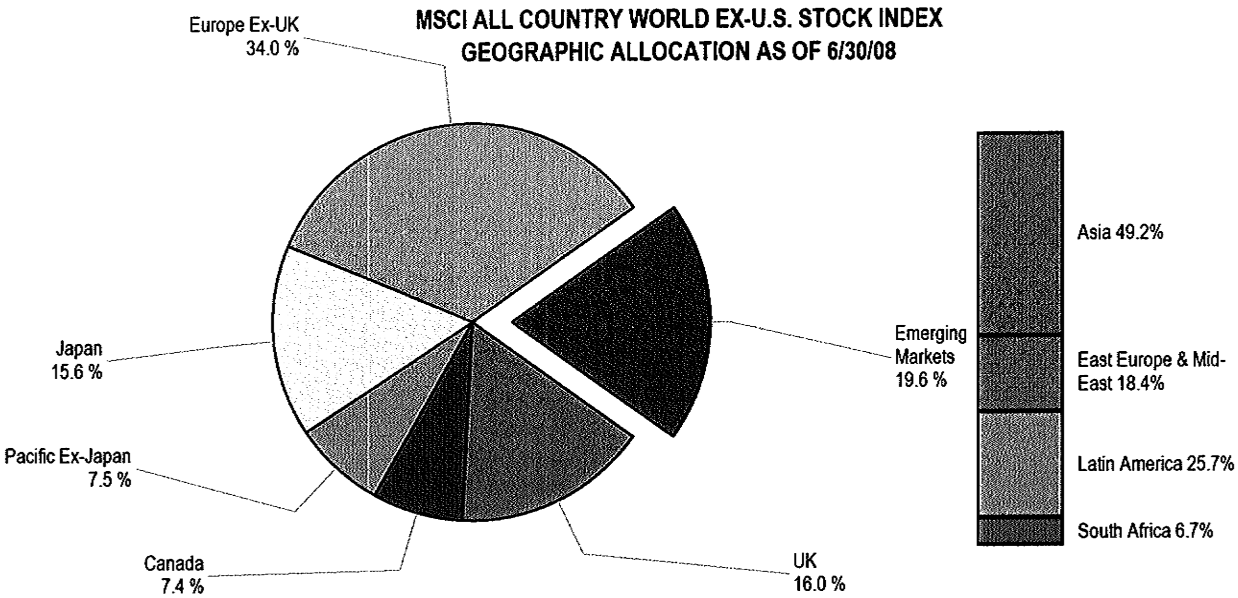


NON-U.S. STOCK MARKET RETURNS
YEAR-TO-DATE ENDING 6/30/08

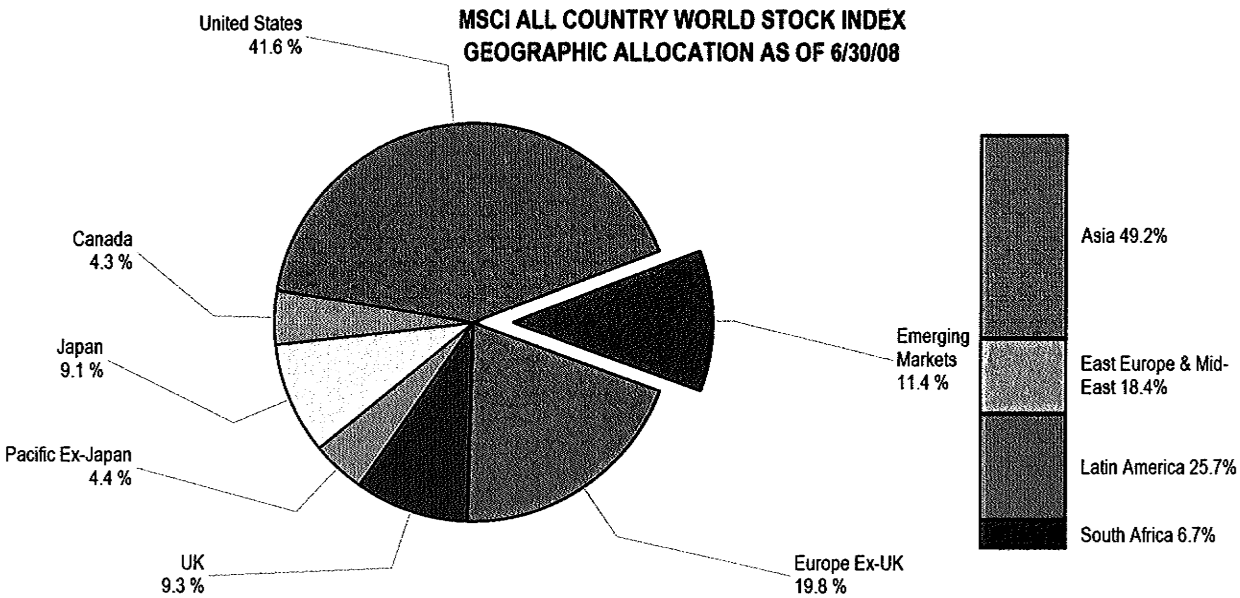


The MSCI All Country World ex-U.S. Index is a capitalization-weighted index of stocks representing 22 developed stock markets and 25 emerging stock markets around the world. The exhibits above show the performance of the regions that comprise the MSCI All Country World ex-U.S. Index at quarter-end.

MSCI ALL COUNTRY WORLD EX-U.S. STOCK INDEX
GEOGRAPHIC ALLOCATION AS OF 6/30/08

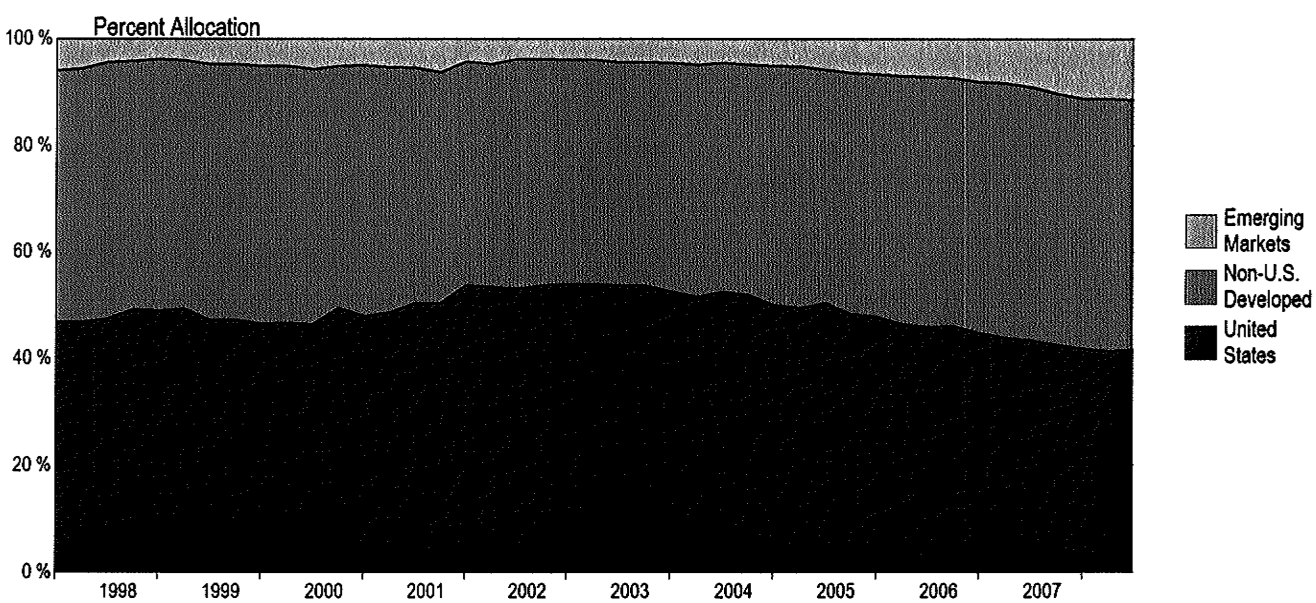


The exhibit above illustrates the percent each region represents of the non-U.S. stock market as measured by the MSCI All Country World ex-U.S. Index.



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

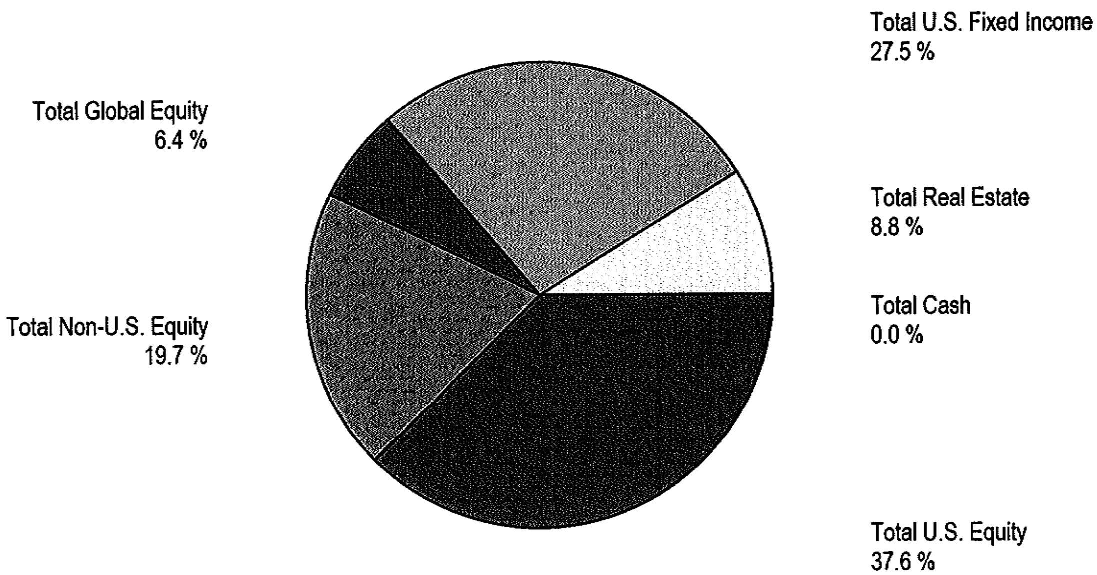


The graph above shows the changes in the breakdown between the United States, non-U.S. developed markets, and emerging markets in the MSCI All Country World Index over time.

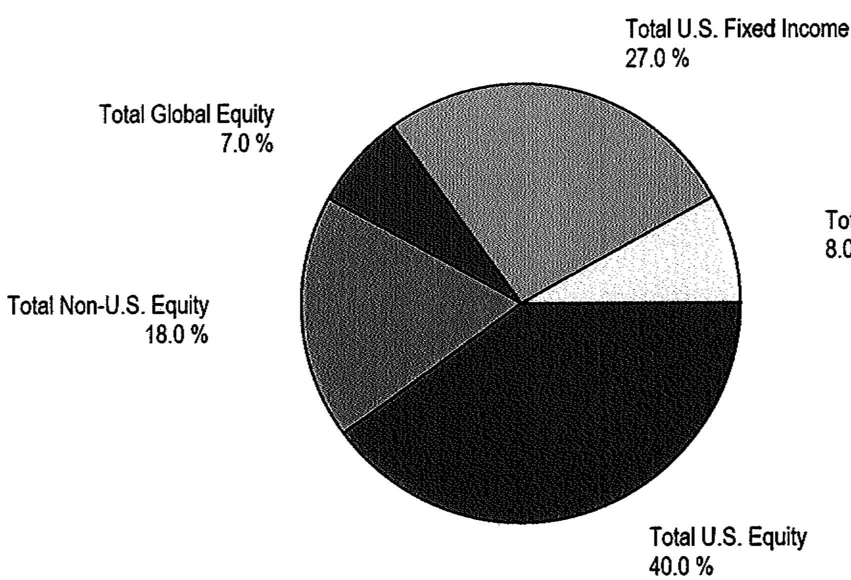
ASSET ALLOCATION

Second Quarter 2008

ASSET ALLOCATION
ACTUAL AS OF 6/30/08



ASSET ALLOCATION
POLICY AS OF 6/30/08



Second Quarter 2008

ASSET ALLOCATION AS OF 6/30/08
($ in thousands)

	U.S. Equity	Non-U.S. Equity	U.S. Bond	Non-U.S. Bond	Real Estate	Cash	Total	Percent of Total	Policy
Wasatch	--	--	--	--	--	$15	$15	0.0 %	
BGI Extended Equity Index Fund	$21,737	--	--	--	--	--	21,737	0.8	
Western U.S. Index Plus	73,655	--	--	--	--	7,517	81,172	2.8	
BGI Equity Market Fund	972,917	--	--	--	--	--	972,917	34.0	
Total U.S. Equity	1,068,310	--	--	--	--	7,531	1,075,841	37.6	40.0 %
BGI ACWI ex-U.S. Index	--	$279,375	--	--	--	--	$279,375	9.8 %	
Capital Guardian	--	142,419	--	--	--	$5,013	147,432	5.1	
Sprucegrove	--	128,579	--	--	--	7,772	136,351	4.8	
Total Non-U.S. Equity	--	550,373	--	--	--	12,785	563,158	19.7	18.0 %
GMO Global Fund	$39,226	$47,254	$4,807	--	--	$1,579	$92,866	3.2 %	
Acadian	35,334	55,733	--	--	--	--	91,067	3.2	
Total Global Equity	74,560	102,987	4,807	--	--	1,579	183,933	6.4	7.0 %
Western	--	--	$284,791	$6,921	--	$1,554	$293,266	10.2 %	
BGI U.S. Debt Fund	--	--	144,139	--	--	--	144,139	5.0	
Reams	--	--	264,901	--	--	3,761	268,663	9.4	
Loomis Sayles	--	$13,904	67,522	--	--	508	81,934	2.9	
Total U.S. Fixed Income	--	13,904	761,354	6,921	--	5,824	788,003	27.5	27.0 %
Total Prudential Real Estate	--	--	--	--	$95,042	--	$95,042	3.3 %	
UBS Real Estate	--	--	--	--	105,603	--	105,603	3.7	
Guggenheim	--	--	--	--	29,209	--	29,209	1.0	
RREEF	--	--	--	--	23,095	--	23,095	0.8	
Total Real Estate	--	--	--	--	252,948	--	252,948	8.8	8.0 %
Clifton Group	--	--	--	--	--	$5	$5	0.0 %	
Total Cash	--	--	--	--	--	5	5	0.0	0.0 %
Total Fund	$1,142,870	$667,264	$766,161	$6,921	$252,948	$27,723	$2,863,887	100.0 %	100.0 %
Percent of Total	39.9%	23.3%	26.8%	0.2%	8.8%	1.0%	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 Board's decisions on manager allocations as well as the managers' active allocation decisions.

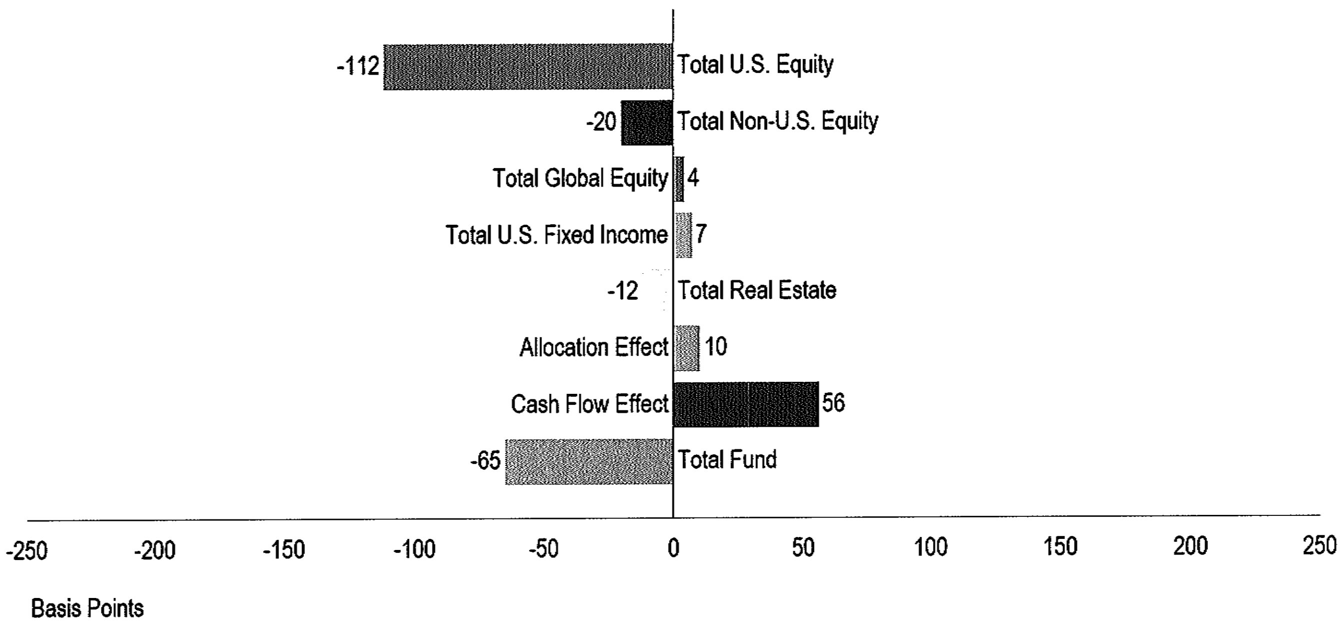
VCERA's Total Fund asset value declined by approximately $83.8 million during the second quarter, as shown below. The decrease in assets was due to net withdrawls of approximately $29.3 million and investment losses of $54.5 million.

During the month of May, Delta, LSV, Wasatch, and BGI Equity Index were terminated. Assets from the terminated funds totaled approximately $1.2 billion and were transferred to the BGI ACWI ex-U.S. Index Fund. An additional $67.7 million was transferred to the BGI ACWI ex-U.S. Index Fund from BGI Extended Index. In June, approximately $1.0 billion was transferred from BGI ACWI ex-U.S. to fund BGI Equity Market Fund. Acadian was also funded for approximately $100 million which came from BGI ACWI ex-U.S. and Wellington, who was terminated. Additionally, $29.7 million was transferred to GMO from BGI ACWI ex-U.S. Over the quarter, approximately $29.5 million ($24.5 million from BGI Equity Index and $5 million from BGI U.S. Debt Fund) was withdrawn to fund employees benefit payments.

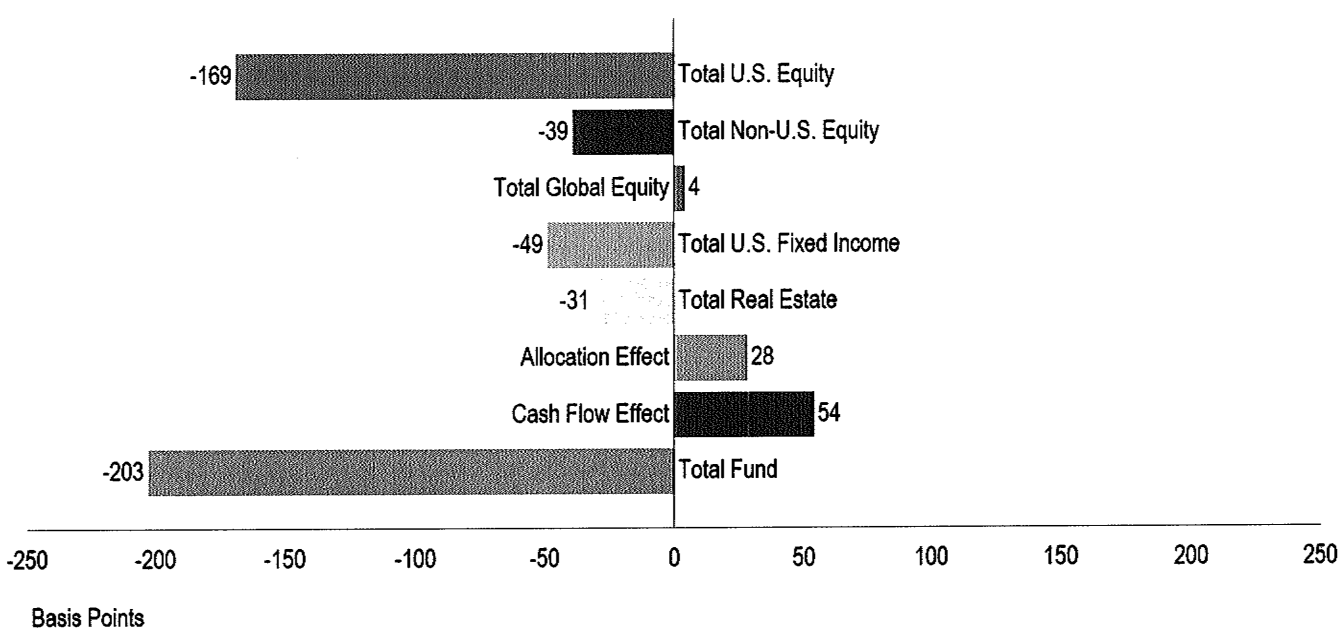
PERFORMANCE EVALUATION

Second Quarter 2008

TOTAL FUND ATTRIBUTION ANALYSIS
3 MONTHS ENDING 6/30/08



TOTAL FUND ATTRIBUTION ANALYSIS
1 YEAR ENDING 6/30/08



Second Quarter 2008

RETURN SUMMARY
ENDING 6/30/08

	Second Quarter		Year-To-Date		1 Year Ending 6/30/08		3 Years Ending 6/30/08		5 Years Ending 6/30/08		10 Years Ending 6/30/08	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
Total Fund	**-1.7%**	**93**	**-7.5%**	**90**	**-6.7%**	**87**	**6.2%**	**76**	**8.8%**	**73**	**5.9%**	**65**
Policy Portfolio	-1.1	67	-6.5	66	-4.7	49	7.1	58	9.2	60	5.7	74
Public Fund Index	-0.7	42	-5.6	40	-4.1	36	7.6	55	9.8	53	6.1	52

Commentary on Investment Performance

The Total Fund declined 1.7% during the second quarter and underperformed the Policy Portfolio and the Public Fund Index by 0.6 and 1.0 percentage points respectively. Underperformance within the U.S. equity, non-U.S. equity, and real estate components detracted from the Fund's performance. Although negative in absolute returns, returns from the global equity and fixed income portfolios added value to the Fund.

Over the trailing one-year period, the Total Fund fell 6.7%, trailing both the Policy Portfolio and Public Fund Index. Barring the global equity portfolio, each of the Total Fund's underlying components produced below benchmark returns, impeding the Fund's performance.

Longer-term relative performance for the Total Fund remains mostly unfavorable. The Total Fund has underperformed the Policy Portfolio during the trailing three- and five-year periods, but has outperformed during the ten-year period.

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.

Second Quarter 2008

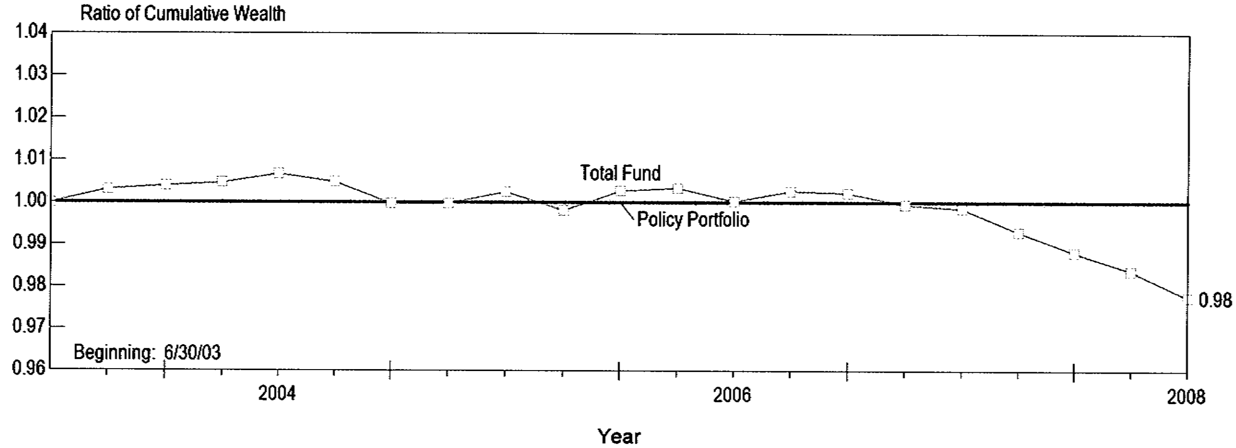
HISTORICAL RETURNS
(BY YEAR)

	Total Fund	Policy Portfolio	
	Return	Return	Return Difference
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	6.9	8.5	-1.6
2008 (6 months)	-7.5	-6.5	-1.0
Trailing 1-Year	-6.7 %	-4.7 %	-2.0
Trailing 3-Year	6.2	7.1	-0.9
Trailing 5-Year	8.8	9.2	-0.4
Trailing 10-Year	5.9	5.7	0.2

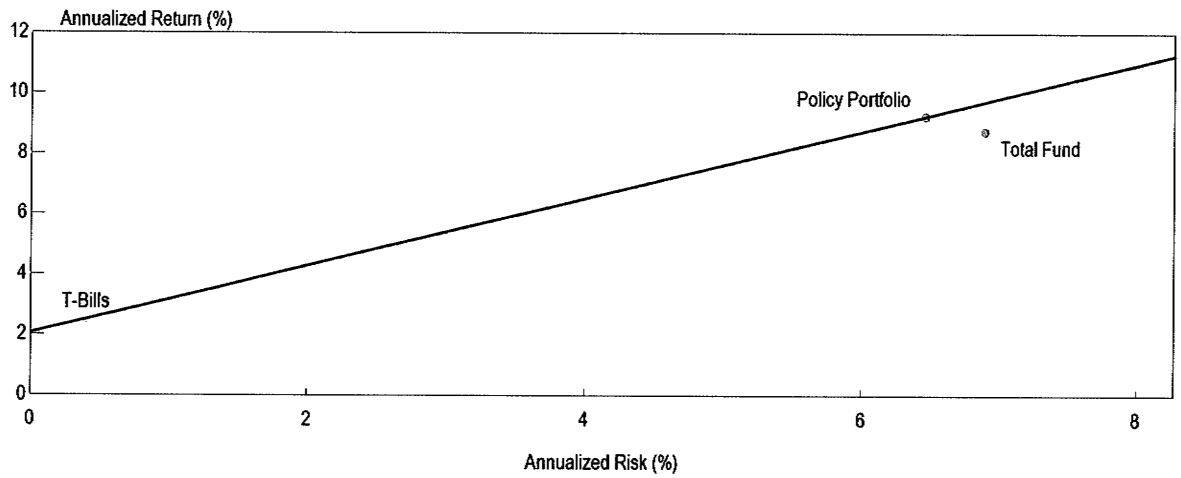
The table above compares the historical annual and cumulative annualized returns of VCERA's Total Fund with those of the Policy Portfolio.

Second Quarter 2008

RATIO OF CUMULATIVE WEALTH
5 YEARS ENDING 6/30/08



ANNUALIZED RISK RETURN
5 YEARS ENDING 6/30/08



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 has modestly underperformed the return 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 slightly lower rate of return while incurring a higher level of risk.

Second Quarter 2008

IMRS SCORES

	IMRS SCORE	IMRS Rating
U.S. Equity		
Western U.S. Index Plus	15	Good
Non-U.S. Equity		
Capital Guardian	19	Excellent
Sprucegrove	18	Excellent
Global Equity		
GMO	20	Excellent
Acadian	16	Excellent
Fixed Income		
Western	15	Good
Reams	16	Excellent
Loomis Sayles	15	Good
Real Estate		
Prudential	16	Excellent
UBS	18	Excellent
Guggenheim	15	Good
RREEF	15	Good

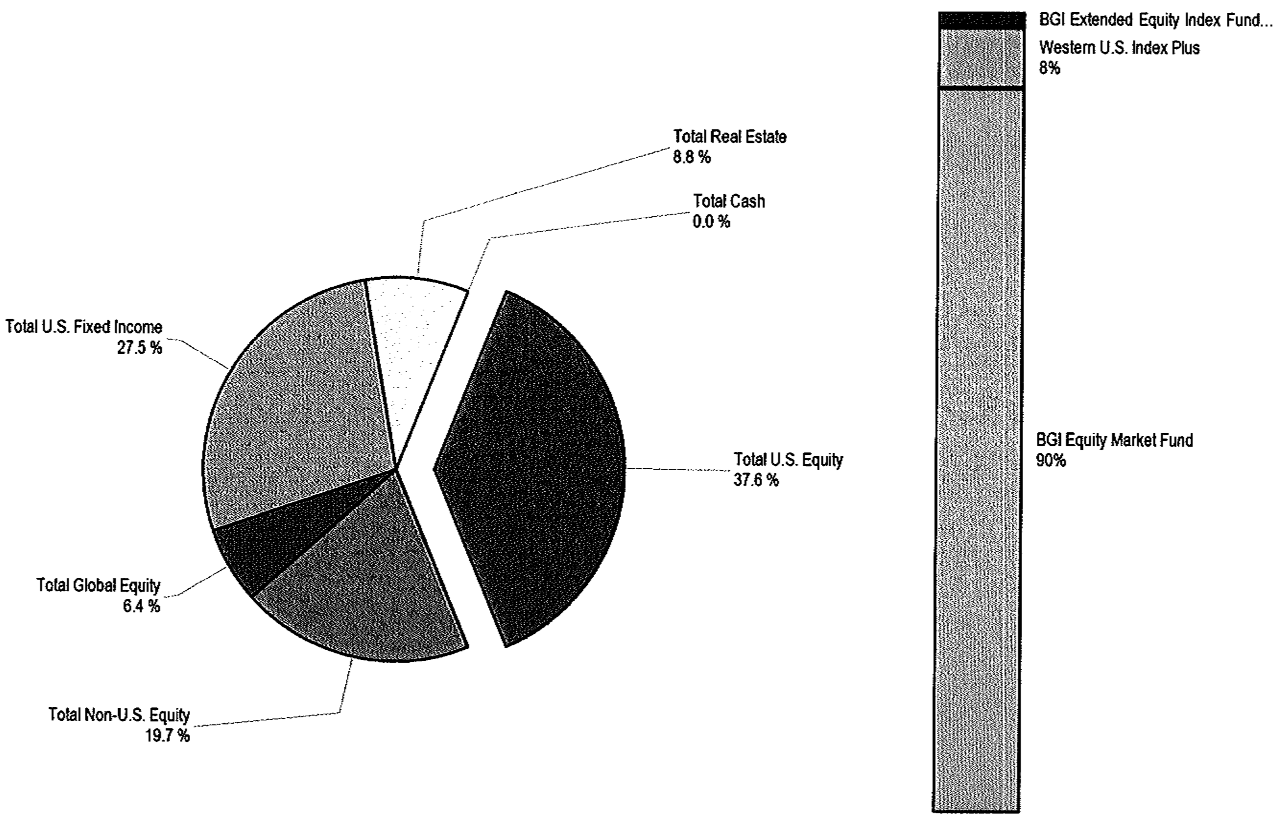
The table above highlights each manager's score within EnnisKnupp's proprietary Investment Manager Rating System (IMRS).

TOTAL U.S. EQUITY

$1,075.8 Million and 37.6% of Fund

Second Quarter 2008

ASSET ALLOCATION
ACTUAL AS OF 6/30/08

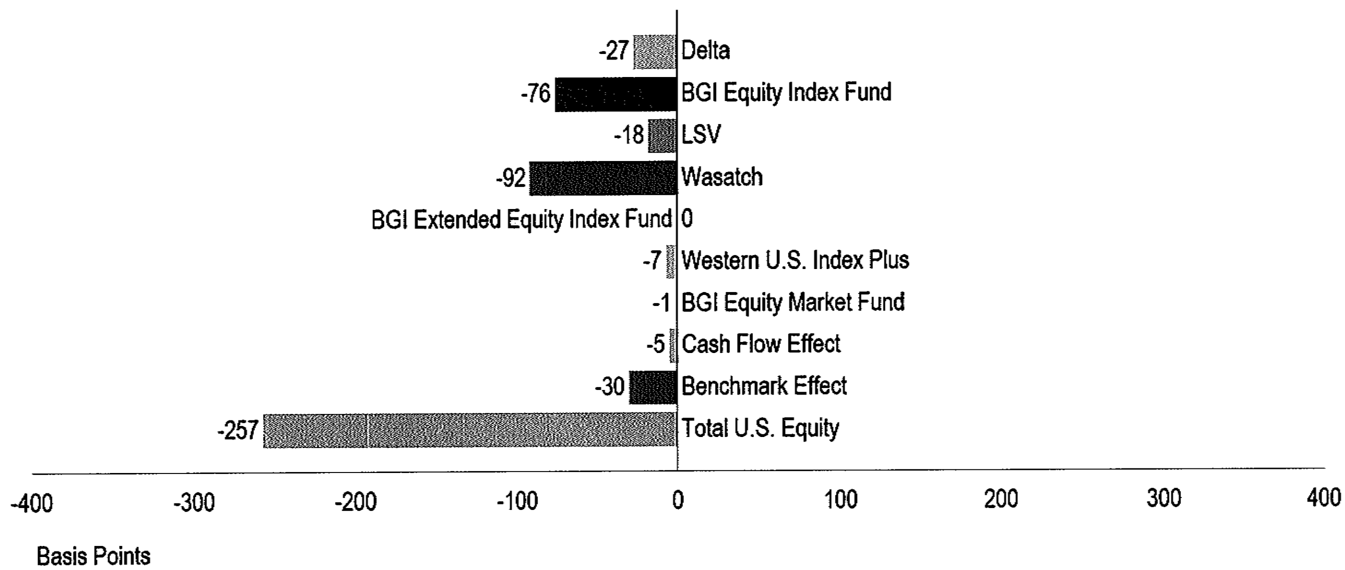


TOTAL U.S. EQUITY

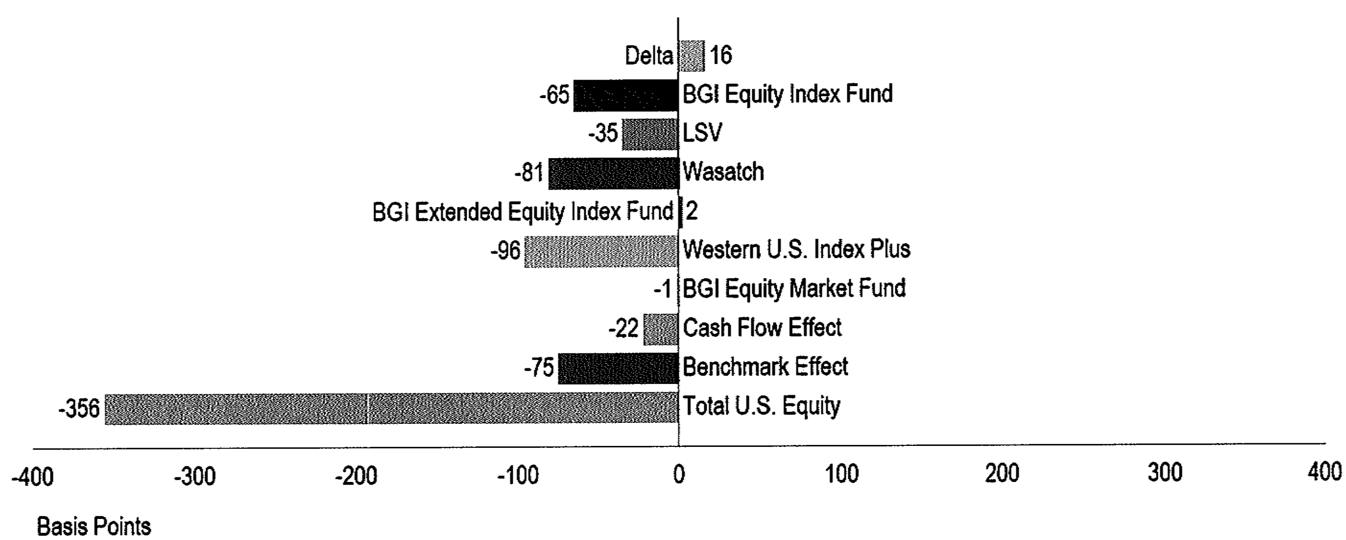
$1,075.8 Million and 37.6% of Fund

Second Quarter 2008

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 6/30/08



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 6/30/08



Second Quarter 2008

RETURN SUMMARY
ENDING 6/30/08

	Second Quarter	Year-To-Date	1 Year Ending 6/30/08	3 Years Ending 6/30/08	5 Years Ending 6/30/08	10 Years Ending 6/30/08	Since Inception	Inception Date
Total U.S. Equity	**-4.1 %**	**-13.7 %**	**-16.1 %**	**3.0 %**	**7.3 %**	**3.6 %**	**8.6 %**	**12/31/93**
Performance Benchmark*	-1.5	-10.9	-12.5	4.9	8.5	3.6	9.2	
BGI Extended Equity Index Fund	**2.0**	**-7.7**	**-11.2**	**6.6**	**12.3**	**--**	**14.4**	**10/31/02**
DJ Wilshire 4500 Index	2.2	-7.9	-11.4	6.5	12.2	--	14.4	
Western U.S. Index Plus	**-3.5**	**-20.7**	**-26.9**	**--**	**--**	**--**	**-26.4**	**5/31/07**
S&P 500 Index	-2.7	-11.9	-13.1	--	--	--	-13.5	
BGI Equity Market Fund	**--**	**--**	**--**	**--**	**--**	**--**	**-8.2**	**5/31/08**
DJ Wilshire 5000 Index	--	--	--	--	--	--	-8.1	

Commentary on Investment Performance

The collective return of the U.S. Equity portfolio declined 4.1% during the second quarter, trailing the Performance Benchmark by 2.6 percentage points. Below benchmark returns from Western contributed to the portfolio's underperformance. Additionally, underperformance during the month of April by LSV, one the portfolio's terminated managers, dragged on performance. Although the BGI Extended Equity Index approximated the DJ Wilshire 4500 Index, the Fund incurred slight negative tracking relative to the Index.

Over the trailing one-year period, the U.S. equity portfolio has trailed the Performance Benchmark by 3.6 percentage points. The largest detractor on performance was Western as it trailed its benchmark by 13.8 percentage points during the period. LSV also contributed negatively to the portfolio's performance.

While positive in an absolute basis, on a relative basis the U.S. equity portfolio has lagged the Performance Benchmark during the trailing five-year and since inception periods. During the trailing ten-year period, the portfolio matched the return of its benchmark.

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 combined 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 Growth Index) underperforming the U.S. equity component's Performance Benchmark (the DJ Wilshire 5000 Index).

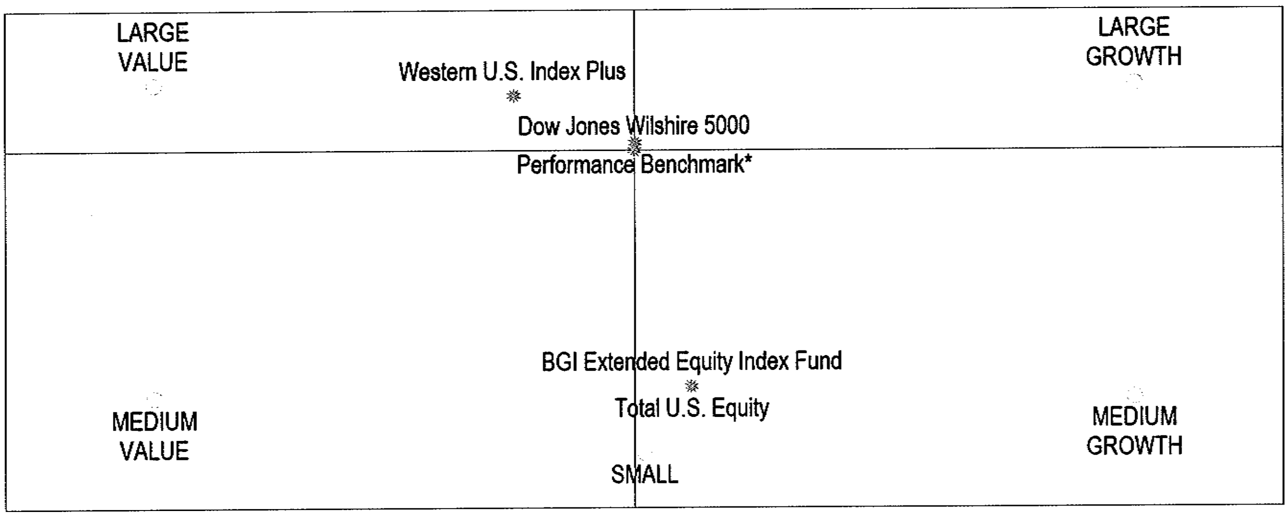
*The DJ Wilshire 5000 Index. Prior to May 2007, the Russell 3000 Index.

TOTAL U.S. EQUITY

$1,075.8 Million and 37.6% of Fund

Second Quarter 2008

EFFECTIVE STYLE MAP
5 YEARS ENDING 6/30/08



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. Managers plotting above the horizontal crosshair are larger-cap than the DJ Wilshire 5000 Index, while those plotting below are smaller-cap. Managers plotting to the left of the vertical crosshair are effectively more value-oriented than the DJ Wilshire 5000 Index, while managers plotting to the right are effectively more growth-oriented.

BGI EXTENDED EQUITY INDEX FUND

$21.7 Million and 0.8% of Fund

Second Quarter 2008

RETURN SUMMARY
ENDING 6/30/08

	Second Quarter		Year-To-Date		1 Year Ending 6/30/08		3 Years Ending 6/30/08		5 Years Ending 6/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI Extended Equity Index Fund	**2.0 %**	**42**	**-7.7 %**	**44**	**-11.2 %**	**24**	**6.6 %**	**24**	**12.3 %**	**32**	**14.4 %**	**--**	**10/31/02**
DJ Wilshire 4500 Index	2.2	40	-7.9	45	-11.4	24	6.5	24	12.2	32	14.4	--	

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

During the second quarter, the BGI Extended Equity Index Fund experienced approximately 20 basis points in negative tracking relative to the DJ Wilshire 4500 Index. Energy (+29.7%) and capital goods (+8.0%) were the Index's best performing sectors during the quarter. Negating from performance were the consumer durables (-13.4%) and financials (-9.5%) sectors, as they were the worst performing sectors. Both sectors were hurt by continued rising energy and oil prices, inflation, and concerns over a possible recession.

The Fund closely tracked the Index over all the longer-term trailing periods shown above.

HISTORICAL RETURNS
(BY YEAR)

	BGI Extended Equity Index Fund		DJ Wilshire 4500 Index		Return Difference
	Return	Rank	Return	Rank	
2002 (2 months)	2.1 %	--	2.4 %	--	-0.3
2003	43.2	46	43.8	44	-0.6
2004	18.1	70	18.1	70	0.0
2005	10.5	27	10.0	34	0.5
2006	15.2	45	15.3	44	-0.1
2007	5.4	30	5.4	30	0.0
2008 (6 months)	-7.7	44	-7.9	45	0.2
Trailing 1-Year	-11.2 %	24	-11.4 %	24	0.2
Trailing 3-Year	6.6	24	6.5	24	0.1
Trailing 5-Year	12.3	32	12.2	32	0.1
Since Inception (10/31/02)	14.4	--	14.4	--	0.0

WESTERN U.S. INDEX PLUS

$81.2 Million and 2.8% of Fund

Second Quarter 2008

RETURN SUMMARY
ENDING 6/30/08

	Second Quarter		Year-To-Date		1 Year Ending 6/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Western U.S. Index Plus	**-3.5 %**	**77**	**-20.7 %**	**99**	**-26.9 %**	**97**	**-26.4 %**	**--**	**5/31/07**
S&P 500 Index	-2.7	70	-11.9	62	-13.1	61	-13.5	--	

Philosophy and Process

Western employs a value-oriented investment approach that has proven successful 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.

Manager Monitoring

As of June 30, 2008, the manager reported that the portfolio was not in compliance with VCERA's account guidelines, which VCERA was made aware of. Specifically, the portfolio held a 6.0% allocation to U.S. securities rated below investment grade, exceeding the maximum 5% allocation stated in the guidelines. In addition, the Fund held a 2.6% allocation to GMAC, which is rated below investment grade. VCERA's account guidelines allow for a maximum of 1% to any one holding rated below investment grade.

Commentary on Investment Performance

The Western U.S. Index Plus portfolio posted a loss of 3.5% during the second quarter and lagged the S&P 500 Index by 0.8 percentage points. Western's decision to overweight its tactical duration and curve steepening positions detracted from the portfolio's return, as short interest rates rose and the yield curve flattened. Market conditions also did not favor the portfolio's exposure to investment grade credit and high yields, which further inhibited performance. Once again, the portfolio's emphasis on the financial sector demonstrated to be disadvantageous. The manager noted that its exposure to local currency emerging market subtracted from performance but was counterbalanced by value added from strong local currencies.

Western's trailing one-year return underperformed that of the S&P 500 Index by 13.8 percentage points. The period's underperformance was due to the strategy's emphasis on lower quality credit holdings, as spreads widened significantly during this period. Adding to underperformance was Western's significant exposure to the financial sector, during a time were the sector has struggled due to weak earnings, bank de-leveraging, and declining equity markets. Partially offsetting losses was the strategy's exposure to local emerging market debt.

Second Quarter 2008

	Portfolio Allocation	
	$MM	**%**
Sector Distribution:		
Treasury	$0.0	0%
Agency	0.0	0
Investment Grade Corporates		
Finance	10.4	13
Industrial	4.6	6
Utilities	1.1	1
High Yield Corporates	5.0	6
Yankee	0.6	1
Asset-Backed	6.1	8
Mortgage-Backed	42.2	52
Foreign Bonds	1.1	1
Emerging Market Debt	0.0	0
Cash	7.5	9
Other (Derivatives)	2.4	3
Total	$81.2	100.0%

	Portfolio Allocation	
	$MM	**%**
Quality Distribution:		
Treasury/Agency	$0.0	0%
Aaa/AAA	53.1	65
Aa/AA	4.7	6
A/A	6.6	8
Baa/BBB	11.2	14
BB/Ba	2.0	3
B	1.9	2
Below B	1.7	2
Total	$81.2	100.0%

The tables above illustrate the portfolio characteristics of the Western U.S. Index Plus as of June 30, 2008.

BGI Equity Market Fund

$972.9 Million and 34.0% of Fund

Second Quarter 2008

RETURN SUMMARY
ENDING 6/30/08

	Since Inception	Inception Date
BGI Equity Market Fund	**-8.2 %**	**5/31/08**
DJ Wilshire 5000 Index	-8.1	

Philosophy and Process

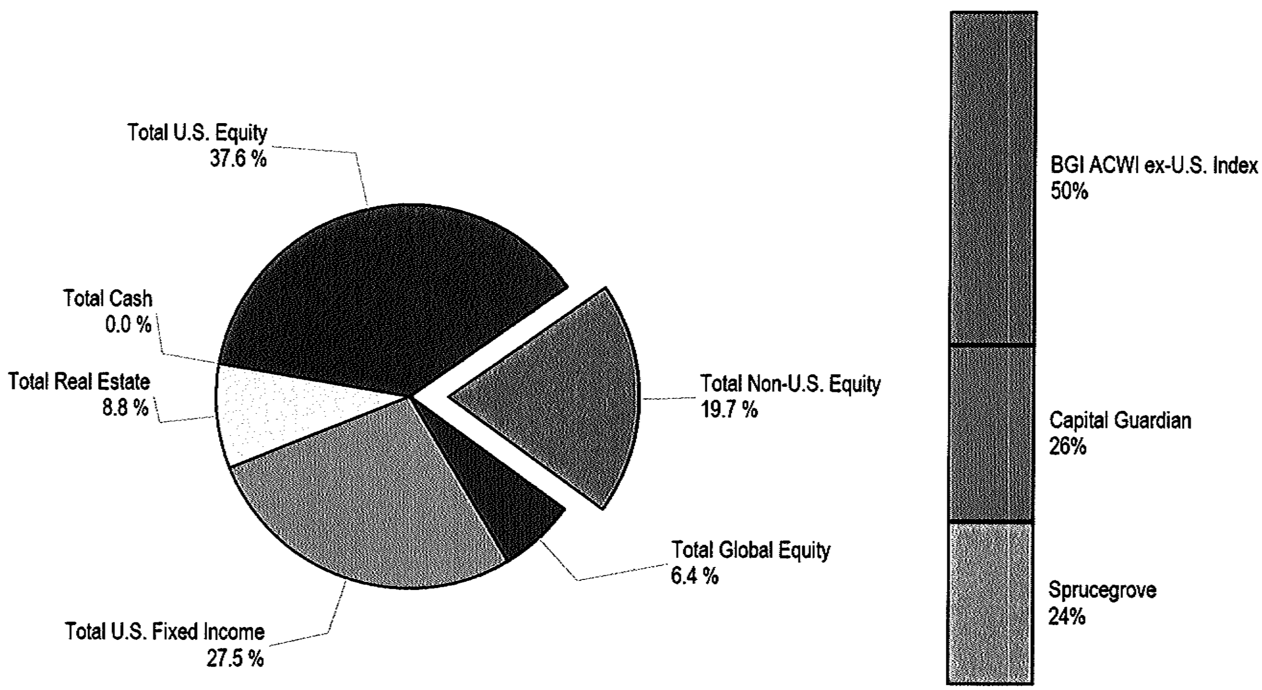
The objective of the BGI U.S. Equity Market Fund is to approximate the return of the DJ Wilshire 5000 Index. The DJ Wilshire 5000 Index contains essentially all publicly traded stocks in the U.S. Accordingly, it is the broadest available measure of the domestic stock market.

Commentary on Investment Performance

Since the Fund's inception in May, the BGI Equity Market Fund has approximated the return of the DJ Wilshire 5000 Index.

Second Quarter 2008

ASSET ALLOCATION
ACTUAL AS OF 6/30/08

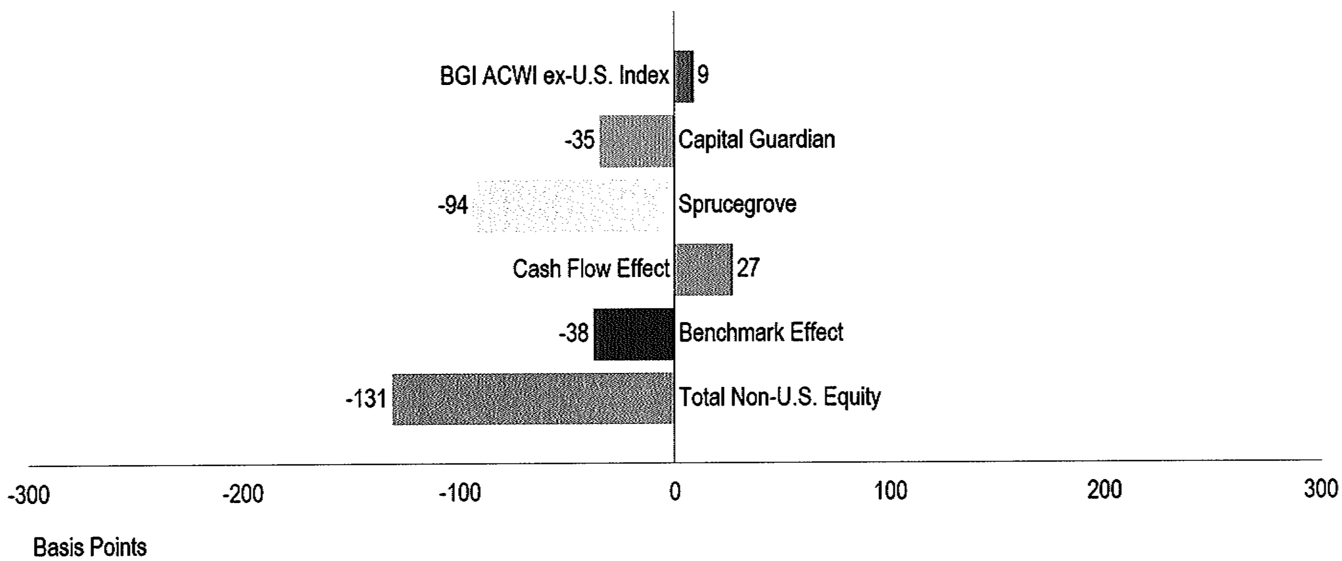


TOTAL NON-U.S. EQUITY

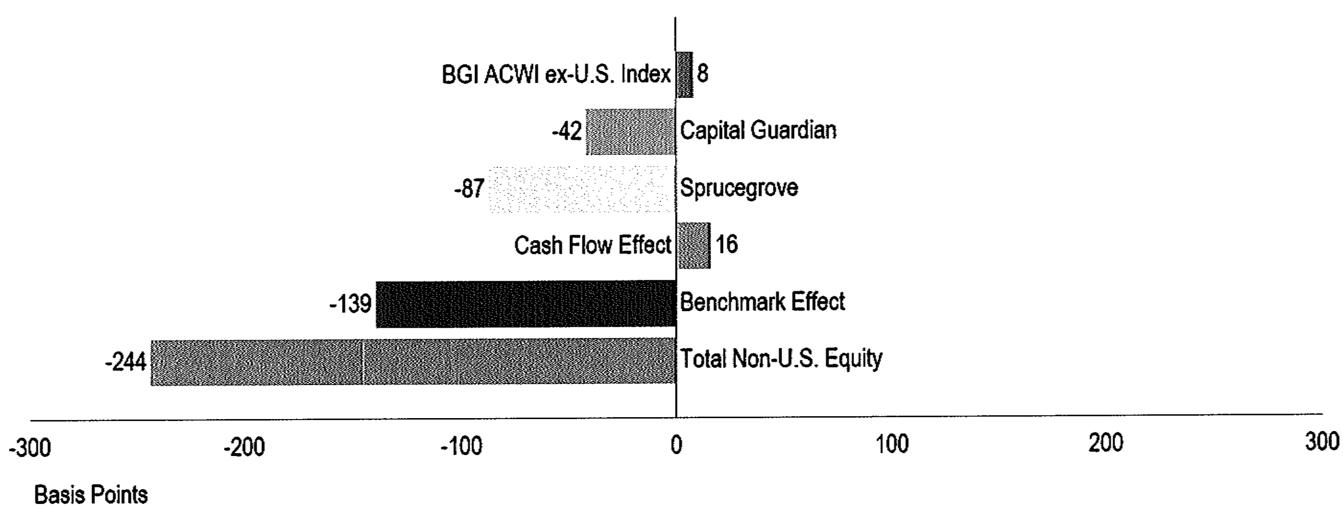
$563.2 Million and 19.7% of Fund

Second Quarter 2008

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 6/30/08



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 6/30/08



Second Quarter 2008

RETURN SUMMARY
ENDING 6/30/08

	Second Quarter		Year-To-Date		1 Year Ending 6/30/08		3 Years Ending 6/30/08		5 Years Ending 6/30/08		10 Years Ending 6/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Non-U.S. Equity	**-2.4 %**	**76**	**-10.4 %**	**47**	**-9.1 %**	**58**	**14.1 %**	**50**	**17.2 %**	**55**	**7.4 %**	**56**	**9.3 %**	**36**	**3/31/94**
Performance Benchmark*	-1.1	37	-10.2	44	-6.6	28	15.7	25	18.9	22	7.0	66	7.6	69	
BGI ACWI ex-U.S. Index	**-0.9**	**35**	**-9.9**	**39**	**-6.4**	**29**	--	--	--	--	--	--	**1.0**	**27**	**3/31/07**
MSCI All Country World ex-U.S. Index	-1.1	41	-10.2	44	-6.6	31	--	--	--	--	--	--	0.8	27	
Capital Guardian	**-2.2**	**65**	**-11.1**	**61**	**-8.0**	**39**	**15.7**	**31**	**17.7**	**37**	--	--	**5.2**	--	**7/31/00**
Performance Benchmark*	-1.1	41	-10.2	44	-6.6	31	15.7	31	18.9	20	--	--	6.4	--	
Sprucegrove	**-5.4**	**96**	**-11.5**	**65**	**-13.5**	**76**	**11.0**	**81**	**16.1**	**69**	--	--	**12.8**	**30**	**3/31/02**
MSCI EAFE Index	-2.3	68	-11.0	60	-10.6	53	12.8	59	16.7	58	--	--	11.5	57	

Commentary on Investment Performance

The collective return of the non-U.S. equity portfolio fell 2.4% during the second quarter and trailed the MSCI All Country World ex-U.S. Index by 1.3 percentage points. Both of the portfolio's active managers produced below benchmark returns due to poor stock selection. BGI experienced approximately 20 basis points of positive tracking relative to the MSCI All Country World ex-U.S. Index.

Over the trailing one-year period, the non-U.S. equity portfolio generated a loss of 9.1% and lagged its benchmark by 2.5 percentage points. Capital Guardian and Sprucegrove detracted from performance, while BGI continued to experience positive tracking relative to the Index.

The portfolio's long-term performance remains mixed. Albeit posting double digit returns, the portfolio has underperformed the Performance Benchmark during the trailing three- and five-year periods. The portfolio's trailing ten-year and since inception returns compared favorably to those of 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 component's 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.

BGI ACWI ex-U.S. Index

$279.4 Million and 9.8% of Fund

Second Quarter 2008

RETURN SUMMARY
ENDING 6/30/08

	Second Quarter		Year-To-Date		1 Year Ending 6/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI ACWI ex-U.S. Index	**-0.9%**	**35**	**-9.9%**	**39**	**-6.4%**	**29**	**1.0%**	**27**	**3/31/07**
MSCI All Country World ex-U.S. Index	-1.1	41	-10.2	44	-6.6	31	0.8	27	

Philosophy and Process

The Barclays Global Investors (BGI) ACWI ex-U.S. Index Fund is designed to track the performance and risk characteristics of the MSCI All Country World ex-U.S. Index

Commentary on Investment Performance

During the second quarter, the BGI ACWI ex-U.S. Index Fund declined 0.9% and incurred a positive tracking error relative to the MSCI All Country World ex-U.S. Index.

As expected, the Fund has approximated the MSCI All Country World ex-U.S. Index over all long-term periods shown above.

CAPITAL GUARDIAN

$147.4 Million and 5.1% of Fund

Second Quarter 2008

RETURN SUMMARY
ENDING 6/30/08

	Second Quarter		Year-To-Date		1 Year Ending 6/30/08		3 Years Ending 6/30/08		5 Years Ending 6/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Capital Guardian	**-2.2 %**	**65**	**-11.1 %**	**61**	**-8.0 %**	**39**	**15.7 %**	**31**	**17.7 %**	**37**	**5.2 %**	**--**	**7/31/00**
Performance Benchmark*	-1.1	41	-10.2	44	-6.6	31	15.7	31	18.9	20	6.4	--	

Philosophy and Process

Capital Guardian refers to its investment approach as a multiple-manager system. Under this system, portfolios are divided among the firm's portfolio managers (75%) and 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

The Capital Guardian non-U.S. equity portfolio returned -2.2% during the quarter, falling short of the MSCI All Country World ex-U.S. Index by 1.1 percentage points. Poor stock selection in the industrials, health care, and utilities sectors impeded the portfolio's return. Individual names detracting from performance include Nestle (-7.5%), Softbank (-7.0%), and Roche (-4.4%). Further negating from performance was adverse stock selection in Switzerland, Australia, and France. In contrast, stock selection in Canada, specifically within the energy sector, added value. Additionally, an overweight allocation to the financial sector relative to the Index positively impacted the portfolio's return.

Capital Guardian's one-year return of -8.0% trailed that of the Performance Benchmark by 1.4 percentage points. Weak stock selection in the information technology and utilities sectors coupled with poor stock selection in Germany dragged on the portfolio's overall performance. Conversely, the portfolio benefited from stock selection in the information technology sector and in Canada. An overweight allocation to emerging markets relative to the Performance Benchmark proved to be beneficial, as emerging markets outperformed developed markets during the one-year period.

Although posting strong absolute returns during the longer-term periods illustrated above, Capital Guardian underperformed the Performance Benchmark during the trailing five-year and since inception period.

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

CAPITAL GUARDIAN

$147.4 Million and 5.1% of Fund

Second Quarter 2008

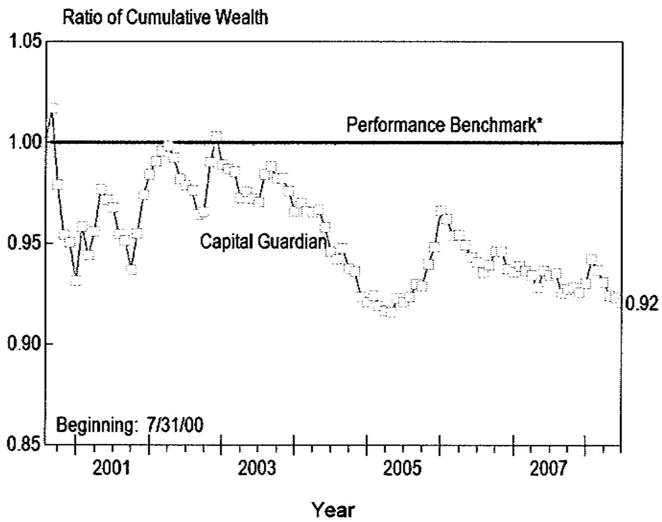
COUNTRY ALLOCATION RETURNS

3 MONTHS ENDING 6/30/08

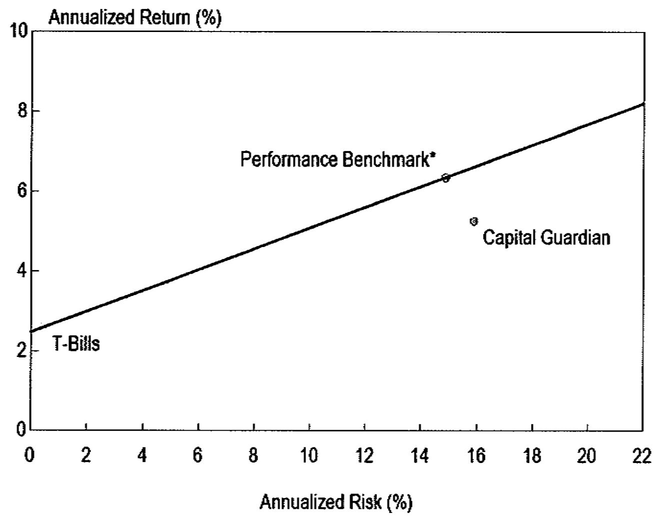
	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	0.8 %	0.5 %	5.1 %
Belgium	0.2	0.8	-19.5
Czech Republic*	–	0.2	11.9
Denmark	0.4	0.8	-1.0
Finland	0.2	1.1	-13.8
France	10.9	7.8	-3.9
Germany	3.1	6.6	-2.4
Greece	–	0.5	-13.0
Hungary*	–	0.2	3.4
Ireland	1.0	0.4	-17.7
Italy	–	2.8	-5.4
Netherlands	2.2	1.9	-8.8
Norway	1.1	0.8	13.5
Poland*	0.3	0.3	-8.4
Portugal	–	0.2	-14.1
Russia*	3.6	2.2	10.8
Spain	1.5	3.0	-8.5
Sweden	0.9	1.6	-10.2
Switzerland	8.3	5.2	-5.6
United Kingdom	11.4	15.9	-0.8
Asia/Pacific			
Australia	1.9 %	5.0 %	4.0 %
China*	2.1	2.8	-3.5
Hong Kong	0.8	1.6	-3.9
India*	0.7	1.1	-19.7
Indonesia*	0.5	0.3	-4.8
Japan	21.6	15.5	2.5
Korea*	2.6	2.5	-7.6
Malaysia*	0.4	0.4	-9.1
New Zealand	–	0.1	-14.4
Pakistan*	–	0.0	-26.6
Philippines*	0.1	0.1	-24.9
Singapore	0.3	0.9	-0.9
Taiwan, China*	2.1	2.1	-10.6
Thailand*	0.3	0.3	-11.9
Americas			
Argentina*	0.1 %	0.1 %	35.4 %
Brazil*	1.2	3.5	18.4
Canada	9.4	7.4	11.0
Chile*	0.2	0.2	-11.9
Colombia*	0.1	0.1	3.9
Mexico*	3.0	1.0	-4.5
Peru*	–	0.1	2.4
United States	0.1	–	-2.2
Other			
Egypt*	0.3 %	0.1 %	-10.3 %
Israel*	0.2	0.5	11.7
Morocco*	–	0.1	-2.6
Jordan*	–	0.0	17.4
Other Countries*	1.0	–	–
South Africa*	1.2	1.3	4.5
Turkey*	0.2	0.3	-1.6
Cash			
Cash	3.4 %	–	–
Total	100.0 %	100.0 %	-1.1 %
Developed	76.2	80.2	
Emerging*	20.4	19.8	
Cash	3.4	–	

Second Quarter 2008

RATIO OF CUMULATIVE WEALTH
7 YEARS 11 MONTHS ENDING 6/30/08



ANNUALIZED RISK RETURN
7 YEARS 11 MONTHS ENDING 6/30/08



	Capital Guardian		MSCI All Country World ex-U.S. Index	
Country Emphasis	Japan	21.6%	United Kingdom	15.9%
	United Kingdom	11.4%	Japan	15.6%
	France	10.9%	France	7.8%
	Canada	9.4%	Canada	7.4%
	Switzerland	8.3%	Germany	6.6%
Capitalization/Style Factors	Large Value		Large/Blend	
Weighted Average Market Capitalization	$51.1 billion		N/A	
Number of Holdings	221		1,906	
Top 5 Holdings	CG Non-US Small Cap Fund		BP	
	Potash		Total	
	Canadian Nat Res		HSBC Holdings	
	Roche		Nestle	
	Softbank		Vodafone	
Sector Emphasis	Financials		Financials	
Cash Allocation	3.4%		N/A	
Annual Turnover	39.0%		N/A	
Total Fund Assets	$147.4 million		N/A	
Inception Date	7/14/2000		N/A	
Portfolio Manager	Team Approach		N/A	

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

CAPITAL GUARDIAN

$147.4 Million and 5.1% of Fund

Second Quarter 2008

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	15.9	29	16.6	25	-0.7
2008 (6 months)	-11.1	61	-10.2	44	-0.9
Trailing 1-Year	-8.0%	39	-6.6%	31	-1.4
Trailing 3-Year	15.7	31	15.7	31	0.0
Trailing 5-Year	17.7	37	18.9	20	-1.2
Since Inception (7/31/00)	5.2	--	6.4	--	-1.2

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

SPRUCEGROVE

$136.4 Million and 4.8% of Fund

Second Quarter 2008

RETURN SUMMARY
ENDING 6/30/08

	Second Quarter		Year-To-Date		1 Year Ending 6/30/08		3 Years Ending 6/30/08		5 Years Ending 6/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Sprucegrove	**-5.4%**	**96**	**-11.5%**	**65**	**-13.5%**	**76**	**11.0%**	**81**	**16.1%**	**69**	**12.8%**	**30**	**3/31/02**
MSCI EAFE Index	-2.3	68	-11.0	60	-10.6	53	12.8	59	16.7	58	11.5	57	

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.

Commentary on Investment Performance

During the second quarter, Sprucegrove declined 5.4% and lagged the MSCI EAFE Index by 3.1 percentage points. The quarter's below Index return was a result of adverse stock selection in the financials, building-related, and consumer discretionary sectors. Tempering losses was strong stock selection in the energy and materials sectors. From a country perspective, Belgium (-19.5%) and Ireland (-17.7%) were the largest detractors from performance, while favorable stock selection in Norway (13.5%) and Canada (11.0%) added the most value. During the quarter, a new position was added to the portfolio, Rieter (Switzerland/Consumer Discretionary), while four holdings were eliminated: Kurita Water (Japan/Industrials), Sangetsu (Japan/Consumer Discretionary), UBS (Switzerland/Financials), and Barratt Developments (U.K./Consumer Discretionary).

Sprucegrove's one-year return trailed the MSCI EAFE Index by approximately 2.9 percentage points. The manager cited poor stock selection in the banking, building-related, and consumer sectors, particularly in the U.K. and Ireland, as a primary reason for underperformance. In contrast, the portfolio benefited from exposure to emerging markets and advantageous stock selection in the energy sector.

Long-term performance remained mixed as the three- and five-year returns lagged those of the benchmark, while the since-inception results remain ahead of the benchmark.

SPRUCEGROVE

$136.4 Million and 4.8% of Fund

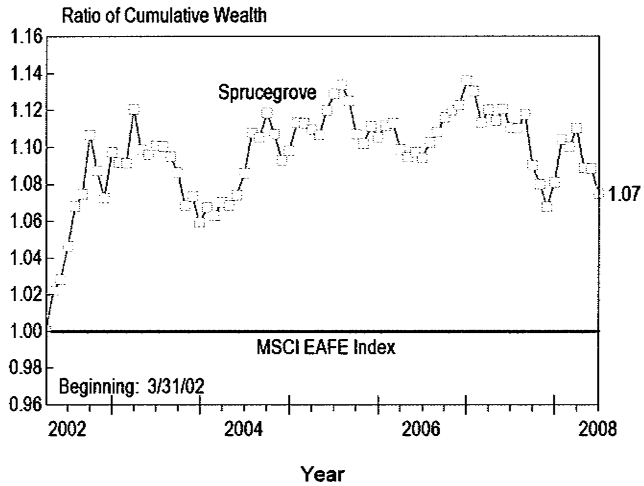
COUNTRY ALLOCATION/RETURNS

3 MONTHS ENDING 6/30/08

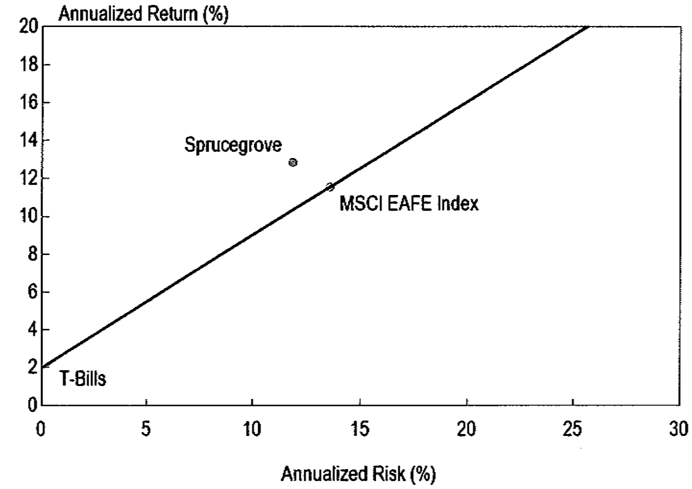
	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	–	0.7 %	5.1 %
Belgium	–	1.0	-19.5
Czech Republic*	–	–	11.9
Denmark	0.3 %	1.0	-1.0
Finland	0.2	1.6	-13.8
France	4.1	10.8	-3.9
Germany	3.8	9.1	-2.4
Greece	0.8	0.7	-13.0
Hungary*	1.3	–	3.4
Ireland	6.5	0.6	-17.7
Italy	3.8	3.8	-5.4
Netherlands	2.5	2.6	-8.8
Norway	0.3	1.1	13.5
Poland*	–	–	-8.4
Portugal	–	0.3	-14.1
Russia*	–	–	10.8
Spain	1.8	4.1	-8.5
Sweden	–	2.2	-10.2
Switzerland	11.3	7.1	-5.6
United Kingdom	20.2	21.9	-0.8
Asia/Pacific			
Australia	1.2 %	6.8 %	4.0 %
China*	–	–	-3.5
Hong Kong	4.6	2.1	-3.9
India*	1.7	–	-19.7
Indonesia*	–	–	-4.8
Japan	12.8	21.3	2.5
Korea*	3.1	–	-7.6
Malaysia*	0.5	–	-9.1
New Zealand	–	0.1	-14.4
Pakistan*	–	–	-26.6
Philippines*	–	–	-24.9
Singapore	4.2	1.2	-0.9
Taiwan, China*	–	–	-10.6
Thailand*	–	–	-11.9
Americas			
Argentina*	–	–	35.4 %
Brazil*	1.6 %	–	18.4
Canada	2.5	–	11.0
Chile*	–	–	-11.9
Colombia*	–	–	3.9
Mexico*	4.2	–	-4.5
Peru*	–	–	2.4
United States	–	–	-2.2
Other			
Egypt*	–	–	-10.3 %
Israel*	–	–	11.7
Morocco*	–	–	-2.6
Jordan*	–	–	17.4
South Africa*	1.0 %	–	4.5
Turkey*	–	–	-1.6
Cash			
Cash	5.7 %	–	–
Total	100.0 %	100.0 %	-2.3 %
Developed	80.8	100.0	
Emerging*	13.5	–	
Cash	5.7	–	

Second Quarter 2008

RATIO OF CUMULATIVE WEALTH
6 YEARS 3 MONTHS ENDING 6/30/08



ANNUALIZED RISK RETURN
6 YEARS 3 MONTHS ENDING 6/30/08



	Sprucegrove		MSCI EAFE	
Country Emphasis	United Kingdom	20.2%	United Kingdom	21.9%
	Japan	12.8%	Japan	21.4%
	Switzerland	11.3%	France	10.8%
	Ireland	6.5%	Germany	9.1%
	Hong Kong	4.6%	Switzerland	7.1%
Capitalization/Style Factors	Large Value		Large/Blend	
Weighted Average Market Capitalization	$27.7 billion		N/A	
Number of Holdings	105		1,023	
Top 5 Holdings	Nestle		BP	
	Total		Total	
	Novartis		HSBC Holdings	
	ENI Spa		Nestle	
	HSBC Holdings		Vodafone	
Sector Emphasis	Financials		Financials	
Cash Allocation	5.7%		N/A	
Annual Turnover	11.0%		N/A	
Total Fund Assets	$136.4 mllion		N/A	
Inception Date	4/1/2002		N/A	
Portfolio Manager	Team Approach		N/A	

SPRUCEGROVE

$136.4 Million and 4.8% of Fund

Second Quarter 2008

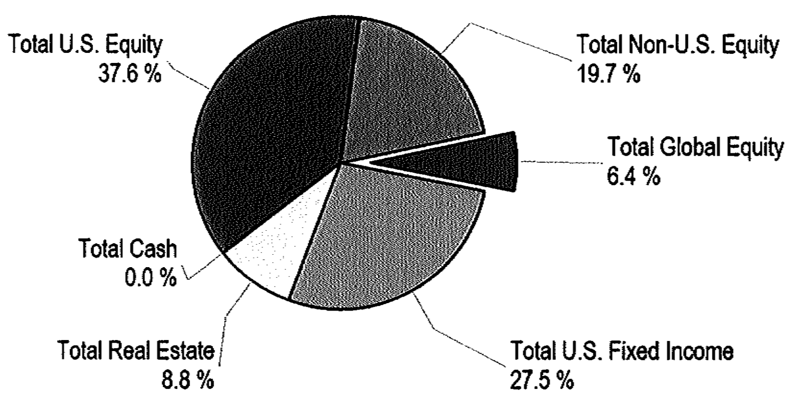
HISTORICAL RETURNS
(BY YEAR)

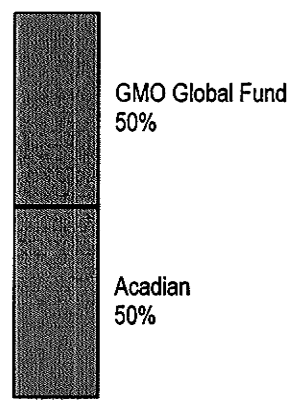
	Sprucegrove		MSCI EAFE Index		Return Difference
	Return	Rank	Return	Rank	
2002 (9 months)	-8.2%	22	-16.4%	57	8.2
2003	33.8	65	38.6	40	-4.8
2004	24.6	9	20.2	33	4.4
2005	14.3	61	13.6	69	0.7
2006	29.9	20	26.3	50	3.6
2007	5.8	88	11.2	56	-5.4
2008 (6 months)	-11.5	65	-11.0	60	-0.5
Trailing 1-Year	-13.5%	76	-10.6%	53	-2.9
Trailing 3-Year	11.0	81	12.8	59	-1.8
Trailing 5-Year	16.1	69	16.7	58	-0.6
Since Inception (3/31/02)	12.8	30	11.5	57	1.3

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

Second Quarter 2008

ASSET ALLOCATION
ACTUAL AS OF 6/30/08



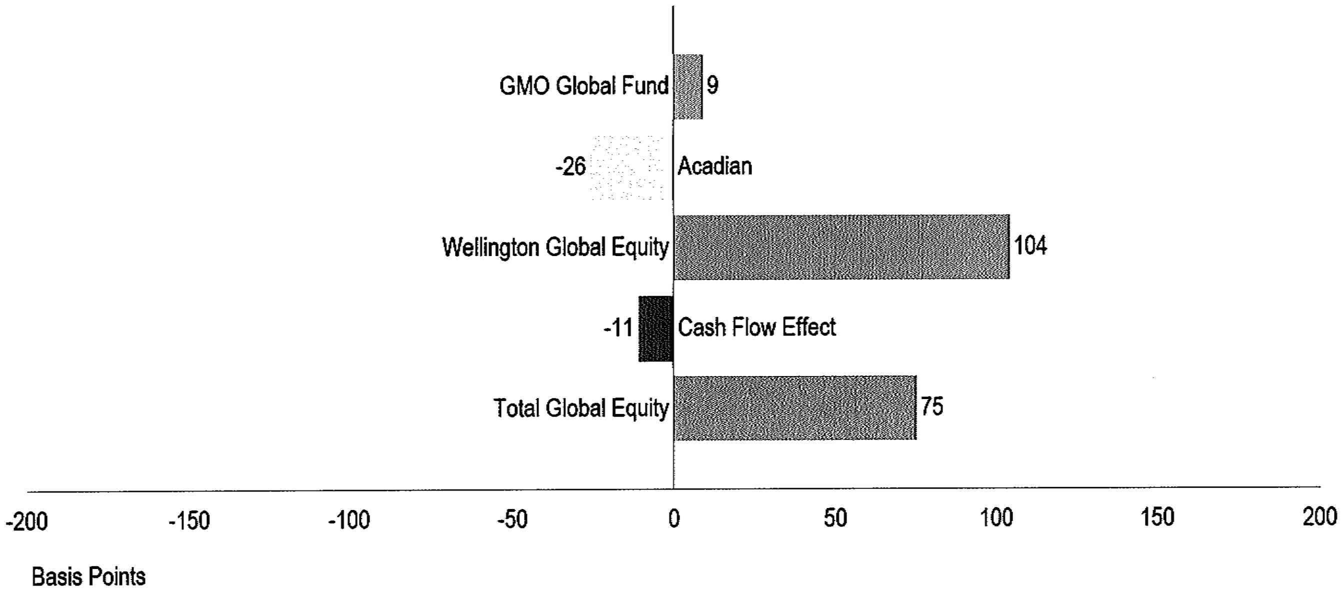


TOTAL GLOBAL EQUITY

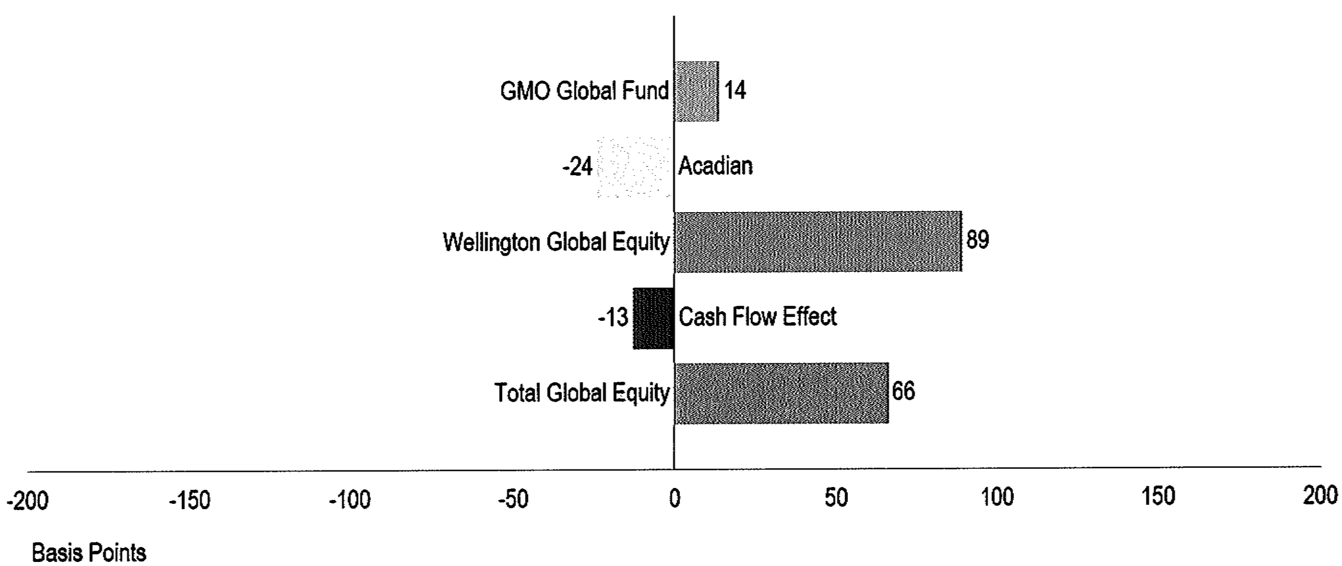
$183.9 Million and 6.4% of Fund

Second Quarter 2008

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 6/30/08



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 6/30/08



TOTAL GLOBAL EQUITY

$183.9 Million and 6.4% of Fund

Second Quarter 2008

RETURN SUMMARY
ENDING 6/30/08

	Second Quarter		Year-To-Date		1 Year Ending 6/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Global Equity	**-0.8 %**	**52**	**-11.2 %**	**63**	**-8.6 %**	**48**	**9.4 %**	**--**	**4/30/05**
MSCI All Country World Index	-1.6	56	-10.7	58	-9.3	49	10.7	--	
GMO Global Fund	**-1.4**	**55**	**-9.8**	**37**	**-9.0**	**48**	**10.0**	**--**	**4/30/05**
MSCI All Country World Index	-1.6	56	-10.7	58	-9.3	49	10.7	--	
Acadian	**--**	**--**	**--**	**--**	**--**	**--**	**-8.7**	**--**	**5/31/08**
MSCI All Country World Index	--	--	--	--	--	--	-8.2	--	

Commentary on Investment Performance

Albeit with a negative return, the Global Equity component surpassed the return of the MSCI All Country World Index by 0.8 percentage points, during the second quarter. Outperformance resulted from above benchmark results from GMO and Wellington, who was terminated in June.

Over the trailing one-year, the global equity portfolio declined 8.6%, but outperformed the MSCI All Country World Index by 0.7 percentage points. Aside from GMO's above benchmark return, Wellington's returns prior to being terminated positively contributed to the period's outperformance.

Although positive in absolute terms, the component's since inception return trailed the Index by approximately 1.3 percentage points. Each of the component's underlying mangers, including Wellington, contributed negatively to the period's performance.

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.

GMO

$92.9 Million and 3.2% of Fund

Second Quarter 2008

RETURN SUMMARY
ENDING 6/30/08

	Second Quarter		Year-To-Date		1 Year Ending 6/30/08		3 Years Ending 6/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
GMO Global Fund	**-1.4%**	**55**	**-9.8%**	**37**	**-9.0%**	**48**	**9.4%**	**56**	**10.0%**	**--**	**4/30/05**
MSCI All Country World Index	-1.6	56	-10.7	58	-9.3	49	10.3	49	10.7	--	

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.

Manager Monitoring

GMO recently announced that its current eight person Executive Committee will be replaced by a three person Executive Office, effective April 24th. 2008. Additionally, Ann Spruill, partner and Head of the International Active Team, announced she will be resigning from GMO effective June 30th, 2008. Richard Mattione, a partner and a member of the International Active Team, will be replacing Ann Spruill. While we view the departure of Ms. Spruill's as a loss for GMO, we continue to find merit in the Asset Allocation team, as the depth of the team remains strong. In our opinion, this has little effect on the strategic decision making ability of the team, which centers on Ben Inker and Jeremy Grantham.

Commentary on Investment Performance

The GMO Global Equity Allocation Fund returned -1.4% during the second quarter and outperformed the MSCI All Country World Index by approximately 20 basis points. GMO noted that their asset allocation and implementation decisions both modestly added value. With regards to asset allocation, the Fund's exposure to fixed income was additive and mitigated losses suffered from equity holdings. The Fund's international core equity strategy was one of the largest drivers of relative outperformance. Strong stock selection specifically in France, Japan, and Switzerland, proved beneficial. From a sector perspective, an overweight allocation to the energy sector and underweight allocation to financials positively impacted the Fund's results. Among the Fund's eight underlying strategies, the international intrinsic value strategy added the largest value resulting from strong performance by Total, ENI, and GlaxoSmithKline. In contrast, the U.S. quality equity and international growth equity strategy dragged on the Fund's performance due to adverse stock selection.

The Fund's long-term results remained mixed. While the Fund has outperformed the MSCI All Country World Index during the trailing one-year period, returns have fallen short of the Index during the trailing three-year and inception periods.

COUNTRY ALLOCATION/RETURNS
3 MONTHS ENDING 6/30/08

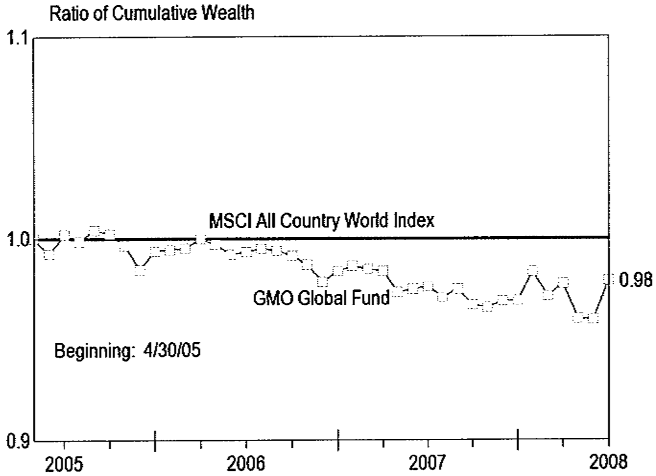
	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	0.1 %	0.3 %	5.1 %
Belgium	0.3	0.4	-19.5
Czech Republic*	--	0.1	11.9
Denmark	0.7	0.4	-1.0
Finland	1.6	0.7	-13.8
France	4.7	4.6	-3.9
Germany	4.6	3.9	-2.4
Greece	0.2	0.3	-13.0
Hungary*	--	0.1	3.4
Ireland	0.2	0.3	-17.7
Italy	1.1	1.6	-5.4
Netherlands	1.2	1.1	-8.8
Norway	0.3	0.5	13.5
Poland*	0.1	--	-8.4
Portugal	--	0.1	-14.1
Russia*	0.6	1.3	10.8
Spain	1.2	1.7	-8.5
Sweden	0.5	0.9	-10.2
Switzerland	3.9	3.0	-5.6
United Kingdom	9.9	9.3	-0.8
Asia/Pacific			
Australia	2.1 %	2.9 %	4.0 %
China*	0.4	1.6	-3.5
Hong Kong	1.0	0.9	-3.9
India*	0.2	0.7	-19.7
Indonesia*	0.1	0.2	-4.8
Japan	10.1	9.1	2.5
Korea*	0.9	1.5	-7.6
Malaysia*	0.1	0.3	-9.1
New Zealand	--	0.0	-14.4
Pakistan*	--	0.0	-26.6
Philippines*	--	0.0	-24.9
Singapore	1.3	0.5	-0.9
Taiwan, China*	0.7	1.2	-10.6
Thailand*	0.2	0.2	-11.9
Americas			
Argentina*	0.1 %	0.1 %	35.4 %
Brazil*	1.1	2.0	18.4
Canada	1.9	4.3	11.0
Chile*	--	0.1	-11.9
Colombia*	--	0.1	3.9
Mexico*	0.2	0.6	-4.5
Peru*	--	0.1	2.4
United States	46.4	41.7	-2.2
Other			
Egypt*	--	0.1 %	-10.3 %
Israel*	0.1 %	0.3	11.7
Morocco*	--	0.0	-2.6
Jordan*	--	0.0	17.4
South Africa*	0.3	0.8	4.5
Turkey*	0.1	0.2	-1.6
Cash			
Cash	1.7 %	--	--
Total	100.0 %	100.0 %	-1.6 %
Developed	93.1	88.6	
Emerging*	5.2	11.4	
Cash	1.7	--	

GMO

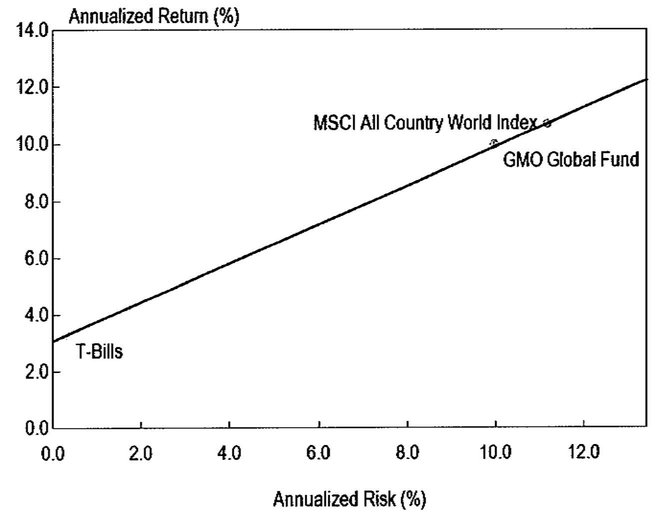
$92.9 Million and 3.2% of Fund

Second Quarter 2008

RATIO OF CUMULATIVE WEALTH
3 YEARS 2 MONTHS ENDING 6/30/08



ANNUALIZED RISK RETURN
3 YEARS 2 MONTHS ENDING 6/30/08



HISTORICAL RETURNS
(BY YEAR)

	GMO Global Fund		MSCI All Country World Index		
	Return	Rank	Return	Rank	Return Difference
2005 (8 months)	13.7%	--	14.4%	--	-0.7
2006	19.7	52	21.0	47	-1.3
2007	10.0	56	11.7	46	-1.7
2008 (6 months)	-9.8	37	-10.7	58	0.9
Trailing 1-Year	-9.0%	48	-9.3%	49	0.3
Trailing 3-Year	9.4	56	10.3	49	-0.9
Since Inception (4/30/05)	10.0	--	10.7	--	-0.7

Second Quarter 2008

RETURN SUMMARY
ENDING 6/30/08

	Since Inception		Inception Date
	Return	Rank	
Acadian	**-8.7 %**	**--**	**5/31/08**
MSCI All Country World Index	-8.2	--	

Philosophy and Process

Acadian Asset Management, Inc. applies a disciplined, multi-factor model to a broad universe of equities with the objective of earning superior returns. The firm utilizes both stock factors (micro) and country/sector factors (macro) to forecast returns fro the entire 25,000 stock universe. They evaluate four categories of stock factors: valuation, earnings trends, earnings quality, and price momentum. Acadian combines both micro and macro factors to produce forecasted returns for individual stocks. Positions are then sized by optimizing the return forecasts with expected transaction costs, stock borrowing cost, and liquidity. For the global 130-30 fund, the maximum long is 5% and the maximum short is -3% of portfolio value. The strategy targets gross exposures of 130% long and 30% short for a net exposure of 100% long. The maximum short exposure the fund will take is 50%. As shorting local emerging markets stocks is not feasible, Acadian will occasionally utilized ADRs to short emerging markets.

Commentary on Investment Performance

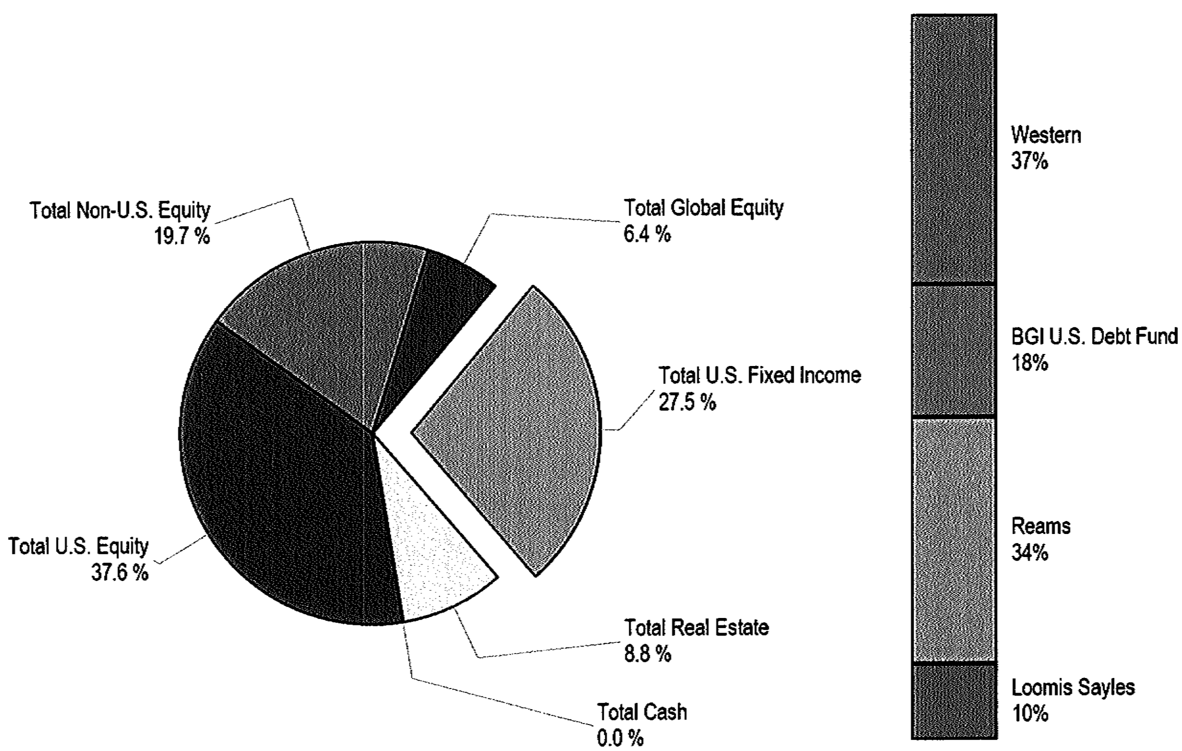
Since the inception of the Acadian Global with Opportunistic Shorting Fund, the Fund returned -8.7%, falling short of the MSCI All Country World Index return. Stock selection and overweight allocations in Japan and France aided performance. Poor stock selection and overweight allocations to Italy and the Netherlands dragged on the Fund's overall performance.

TOTAL U.S. FIXED INCOME

$788.0 Million and 27.5% of Fund

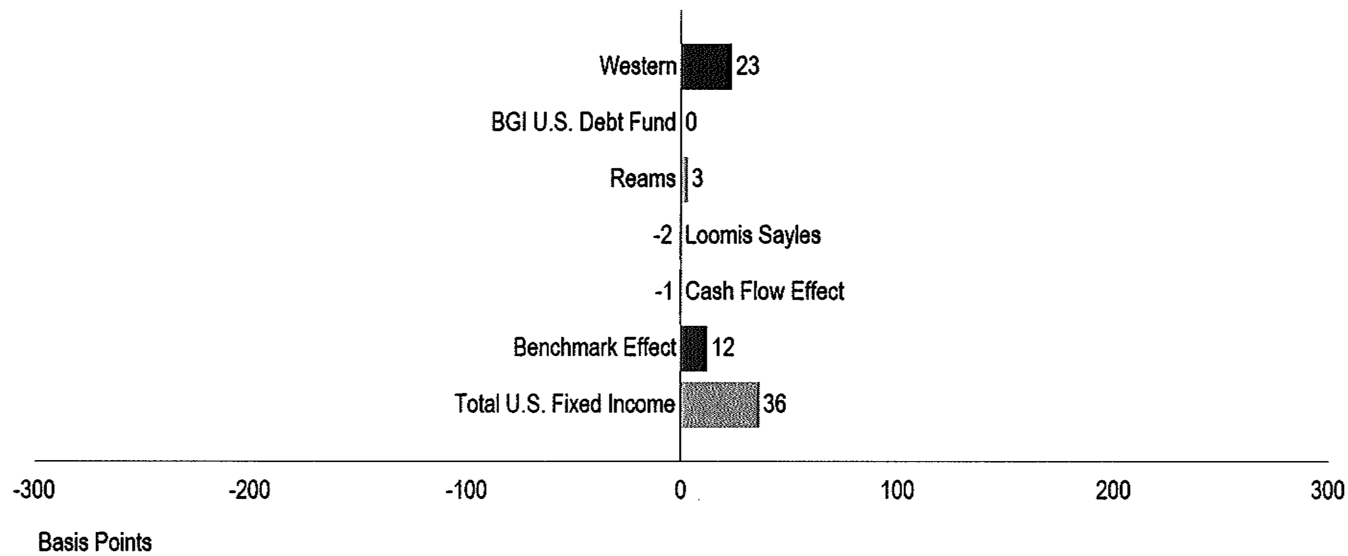
Second Quarter 2008

ASSET ALLOCATION
ACTUAL AS OF 6/30/08

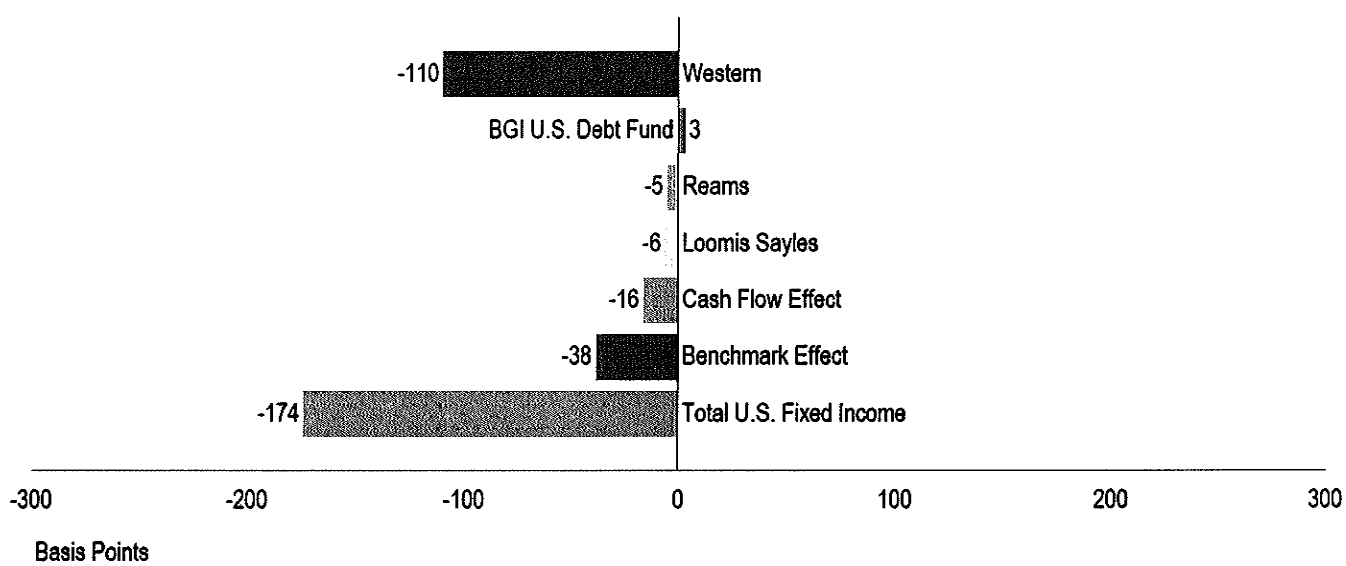


Second Quarter 2008

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 6/30/08



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 6/30/08



TOTAL U.S. FIXED INCOME

$788.0 Million and 27.5% of Fund

Second Quarter 2008

RETURN SUMMARY
ENDING 6/30/08

	Second Quarter		Year-To-Date		1 Year Ending 6/30/08		3 Years Ending 6/30/08		5 Years Ending 6/30/08		10 Years Ending 6/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total U.S. Fixed Income	**-0.7 %**	**43**	**-0.1 %**	**62**	**5.4 %**	**49**	**4.0 %**	**44**	**4.2 %**	**30**	**5.8 %**	**--**	**6.1 %**	**--**	**2/28/94**
LB Aggregate Bond Index	-1.0	79	1.1	31	7.1	34	4.1	37	3.9	50	5.7	--	6.2	--	
Western	**-0.4**	**14**	**-0.5**	**76**	**4.1**	**67**	**3.1**	**74**	**4.2**	**17**	**6.1**	**6**	**6.5**	**7**	**12/31/96**
LB Aggregate Bond Index	-1.0	64	1.1	26	7.1	23	4.1	23	3.9	32	5.7	27	6.1	29	
BGI U.S. Debt Fund	**-1.0**	**64**	**1.2**	**22**	**7.3**	**20**	**4.1**	**21**	**3.9**	**31**	**5.7**	**26**	**6.0**	**--**	**11/30/95**
LB Aggregate Bond Index	-1.0	64	1.1	26	7.1	23	4.1	23	3.9	32	5.7	27	6.0	--	
Reams	**-0.9**	**56**	**0.6**	**43**	**7.0**	**26**	**4.9**	**3**	**4.7**	**6**	**--**	**--**	**5.0**	**31**	**9/30/01**
LB Aggregate Bond Index	-1.0	64	1.1	26	7.1	23	4.1	23	3.9	32	--	--	4.9	35	
Loomis Sayles	**0.0**	**5**	**-1.7**	**88**	**2.8**	**84**	**--**	**--**	**--**	**--**	**--**	**--**	**5.0**	**--**	**7/31/05**
Performance Benchmark	0.1	4	0.2	57	3.4	77	--	--	--	--	--	--	4.4	--	

Commentary on Investment Performance

During the second quarter, the collective return of the fixed income component declined 0.7%, but outperformed the Lehman Brothers Aggregate Bond Index by 0.3 percentage points. Western and Reams both added value to the component's return. In contrast, Loomis Sayles modestly underperformed its benchmark as a result of unfavorable security selection decisions. As expected, BGI matched the return of its benchmark.

Over the trailing one-year period, the fixed income component trailed its benchmark by approximately 1.7 percentage points. Underperformance from Western, Loomis Sayles, and Reams detracted from the component's return, while BGI positively impacted the component's results.

The component's long-term performance remains mixed. While the three-year and since inception returns modestly fall short of the Index, the trailing five- and ten-year returns surpass those of the Index.

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 (Lehman Brothers Aggregate Bond Index and Lehman Brothers High Yield Index) underperforming the fixed income component's benchmark (Lehman Brothers Aggregate Bond Index).

Second Quarter 2008

RETURN SUMMARY
ENDING 6/30/08

	Second Quarter		Year-To-Date		1 Year Ending 6/30/08		3 Years Ending 6/30/08		5 Years Ending 6/30/08		10 Years Ending 6/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Western	**-0.4%**	**14**	**-0.5%**	**76**	**4.1%**	**67**	**3.1%**	**74**	**4.2%**	**17**	**6.1%**	**6**	**6.5%**	**7**	**12/31/96**
LB Aggregate Bond Index	-1.0	64	1.1	26	7.1	23	4.1	23	3.9	32	5.7	27	6.1	29	

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.

Manager Monitoring

On September 3, 2008, Western Asset announced that Ken Leech, chief investment officer (CIO), returned to Western, following a four month medical leave of absence. It was also announced that Mr. Leech stepped down from his CIO role. Steve Walsh, who served as the deputy CIO, has replaced Mr. Leech. Mr. Leech will continue to be a full time employee of Western and will participate in the firm's strategy discussions going forward.

Commentary on Investment Performance

Although negative in absolute terms, Western's return of -0.4% outperformed the Lehman Brothers Aggregate bond Index by 0.6 percentage points. The Fund's exposure to TIP proved beneficial as, TIPS benefited from increasing commodity prices and concerns of inflation. Additionally, the Fund's duration strategy had a positive impact on the second quarter return. On the other hand, an overweight position to the mortgage and financial sectors hampered the Fund's results. An overweight allocation to the high yield sector also proved unfavorable as investors preferred higher-quality issues.

Over the trailing one-year period, Western has underperformed the Index by approximately 3.0 percentage points. An overweight allocation to the mortgage-backed sector relative to the Index demonstrated to be disadvantageous as volatility increased and spreads widened. Also hindering returns was Western's emphasis on lower-quality credits as spreads tended higher in the mist of the sub-prime lending crisis. Performance was aided by the Fund's exposure to TIPS and a curve-steepening strategy.

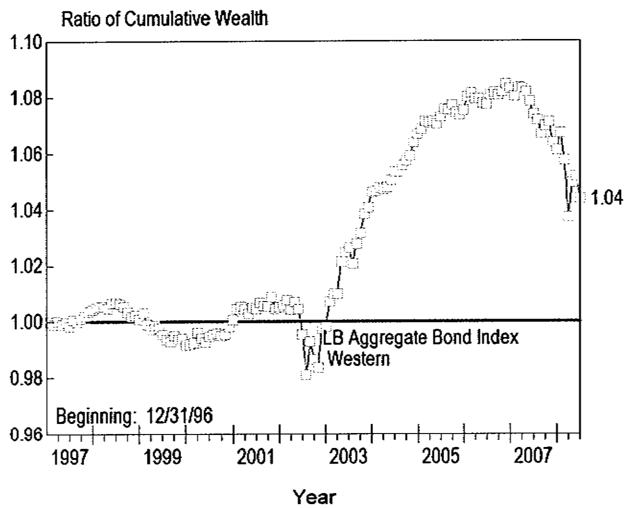
All of Western's long-term returns remain favorable, with the exception of three-year period.

WESTERN

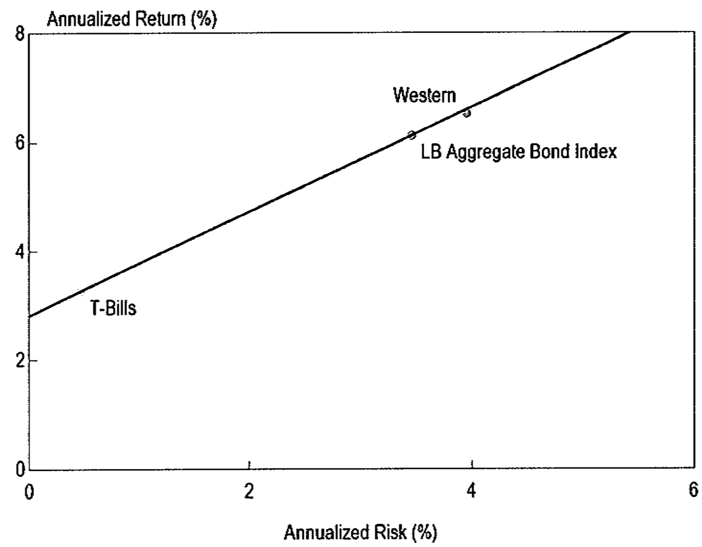
$293.3 Million and 10.2% of Fund

Second Quarter 2008

RATIO OF CUMULATIVE WEALTH
11 YEARS 6 MONTHS ENDING 6/30/08



ANNUALIZED RISK RETURN
11 YEARS 6 MONTHS ENDING 6/30/08



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 3/31/08	% at 6/30/08	% at 6/30/08	Second Quarter Return
Sector Weightings:				
Treasury/Agency	6%	5%	32%	(1.9%)
Corporate	31	31	23	(0.9)
Mortgage-Backed Securities	56	60	39	(0.5)
Commercial Mortgage-Backed Securities	0	0	5	0.2
Asset-Backed	1	1	1	(0.8)
Foreign Bonds	3	2	--	--
Other	--	--	--	--
Cash & Equiv.	1	1	--	--
Total	100 %	100 %	100 %	(1.0%)
Average Duration	4.2 years	5.4 years	4.7 years	--

HISTORICAL RETURNS
(BY YEAR)

	Western		LB Aggregate Bond Index		
	Return	Rank	Return	Rank	Return Difference
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	4.8	86	7.0	16	-2.2
2008 (6 months)	-0.5	76	1.1	26	-1.6
Trailing 1-Year	4.1 %	67	7.1 %	23	-3.0
Trailing 3-Year	3.1	74	4.1	23	-1.0
Trailing 5-Year	4.2	17	3.9	32	0.3
Trailing 10-Year	6.1	6	5.7	27	0.4
Since Inception (12/31/96)	6.5	7	6.1	29	0.4

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

$144.1 Million and 5.0% of Fund

Second Quarter 2008

RETURN SUMMARY
ENDING 6/30/08

	Second Quarter		Year-To-Date		1 Year Ending 6/30/08		3 Years Ending 6/30/08		5 Years Ending 6/30/08		10 Years Ending 6/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI U.S. Debt Fund	**-1.0 %**	**64**	**1.2 %**	**22**	**7.3 %**	**20**	**4.1 %**	**21**	**3.9 %**	**31**	**5.7 %**	**26**	**6.0 %**	**--**	**11/30/95**
LB Aggregate Bond Index	-1.0	64	1.1	26	7.1	23	4.1	23	3.9	32	5.7	27	6.0	--	

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 second quarter return of the BGI U.S. Debt Fund matched that of the Lehman Brothers Aggregate Bond Index. Spreads continued to widen on fears that the Fed would be less responsive to slowing economic conditions.

Over long-term period, the Fund has approximated the return of the Lehman Brothers Aggregate Bond Index, as to be expected.

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	7.0	15	7.0	16	0.0
2008 (6 months)	1.2	22	1.1	26	0.1
Trailing 1-Year	7.3%	20	7.1%	23	0.2
Trailing 3-Year	4.1	21	4.1	23	0.0
Trailing 5-Year	3.9	31	3.9	32	0.0
Trailing 10-Year	5.7	26	5.7	27	0.0
Since Inception (11/30/95)	6.0	--	6.0	--	0.0

Second Quarter 2008

RETURN SUMMARY
ENDING 6/30/08

	Second Quarter		Year-To-Date		1 Year Ending 6/30/08		3 Years Ending 6/30/08		5 Years Ending 6/30/08		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Reams	**-0.9 %**	**56**	**0.6 %**	**43**	**7.0 %**	**26**	**4.9 %**	**3**	**4.7 %**	**6**	**5.0 %**	**31**	**9/30/01**
LB Aggregate Bond Index	-1.0	64	1.1	26	7.1	23	4.1	23	3.9	32	4.9	35	

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.

Manager Monitoring

Bob Crider, managing director and co-founder of Reams has distributed his entire equity stake (37%) to other owners of the firm, which effectively increases the current ownership stake of existing members. Earlier this year, Mr. Crider signed a new five year employment contract. It is speculated that Mr. Cider is planning to transition into retirement during his new five year employment contract. According to Reams, the timing of the ownership transfer is to ensure a smooth transition of ownership and not to cause any disruption to the firm.

Commentary on Investment Performance

The Reams Core-Plus portfolio posted a return of -0.9% during the quarter, modestly outpacing the Lehman Brother Aggregate Bond Index. The portfolio benefited from favorable sector selection, particularly in high yield and mortgage-backed securities. As Treasury rates increased during the second quarter, the portfolio's duration strategy helped performance due to the portfolio's defensive positioning in the strategy. An overweight allocation to CMBS also proved favorable. The portfolio's yield curve strategy hindered performance as a result of poor security selection.

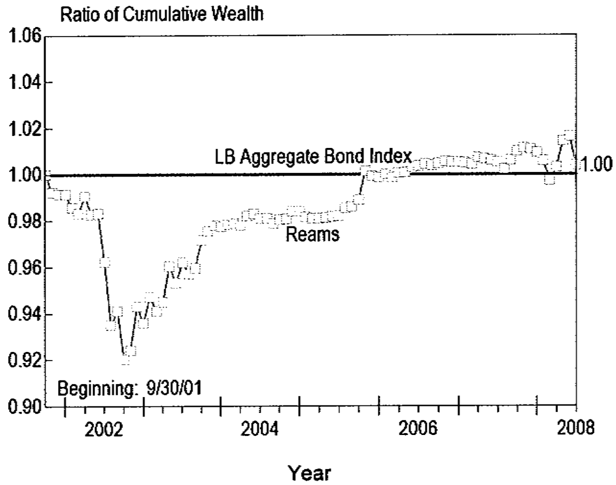
Ream's trailing one-year return of 7.0% modestly lagged the Lehman Brothers Aggregate Bond Index. Holdings in high yield and investment grade credit hampered the portfolio's returns, as de-leveraging continued to weigh down on the credit market. Further negating performance was the portfolio's duration strategy. The manager noted that MBS and government related holdings benefited the portfolio's returns.

REAMS

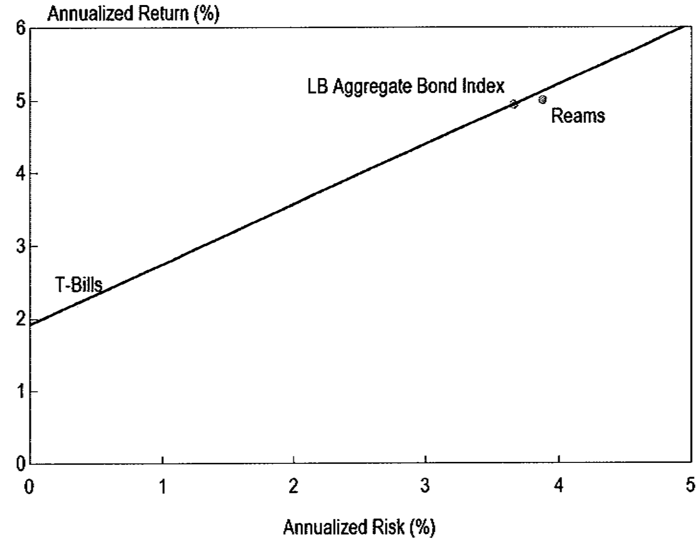
$268.7 Million and 9.4% of Fund

Second Quarter 2008

RATIO OF CUMULATIVE WEALTH
6 YEARS 9 MONTHS ENDING 6/30/08



ANNUALIZED RISK RETURN
6 YEARS 9 MONTHS ENDING 6/30/08



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

	Reams Fixed Income Portfolio		LB Aggregate Bond Index	
	% at 3/31/08	% at 6/30/08	% at 6/30/08	Second Quarter Return
Sector Weightings:				
Treasury/Agency	--	1%	32%	(1.9%)
Corporate	40%	39	23	(0.9)
Mortgage-Backed Securities	55	58	39	(0.5)
Commercial Mortgage-Backed Securities	0	0	5	0.2
Asset-Backed	1	1	1	(0.8)
Foreign Bonds	--	--	--	--
Other	2	0	--	--
Cash & Equiv.	2	1	--	--
Total	100 %	100 %	100 %	(1.0%)
Average Duration	4.3 years	4.6 years	4.7 years	--

Second Quarter 2008

HISTORICAL RETURNS
(BY YEAR)

	Reams		LB Aggregate Bond Index		
	Return	Rank	Return	Rank	Return Difference
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	7.4	6	7.0	16	0.4
2008 (6 months)	0.6	43	1.1	26	-0.5
Trailing 1-Year	7.0 %	26	7.1 %	23	-0.1
Trailing 3-Year	4.9	3	4.1	23	0.8
Trailing 5-Year	4.7	6	3.9	32	0.8
Since Inception (9/30/01)	5.0	31	4.9	35	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.

LOOMIS SAYLES

$81.9 Million and 2.9% of Fund

Second Quarter 2008

RETURN SUMMARY
ENDING 6/30/08

	Second Quarter	Year-To-Date	1 Year Ending 6/30/08	Since Inception	Inception Date
Loomis Sayles	**0.0%**	**-1.7%**	**2.8%**	**5.0%**	**7/31/05**
Performance Benchmark	0.1	0.2	3.4	4.4	
LB Aggregate Bond Index	-1.0	1.1	7.1	4.5	

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

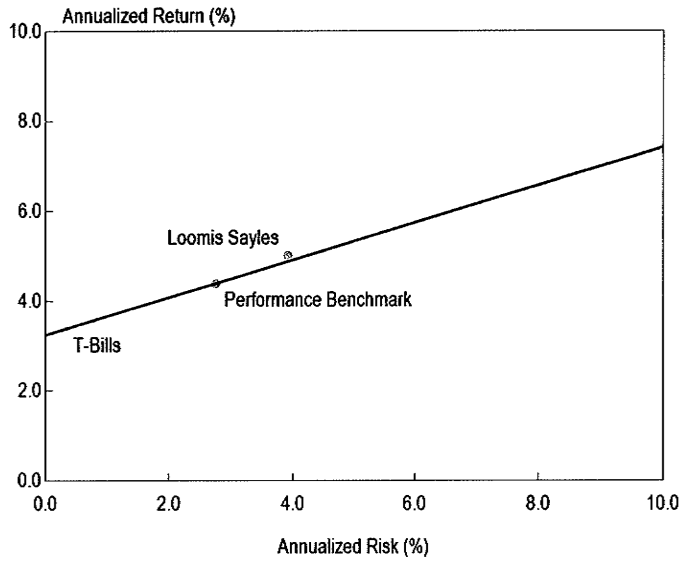
During the second quarter, Loomis Sayles trailed the Performance Benchmark by approximately 0.1 percentage points. The portfolio's underweight allocation, relative to the Benchmark, in U.S. Treasuries contributed the most to relative results, as rising commodity prices pressured bond yields higher during the quarter. Additionally, the manager's decision to not hold any U.S. agencies or MBS issues benefited the portfolio's performance. Conversely, the portfolio's exposure to high yield and investment grade issues coupled with non-U.S. dollar holdings impeded results.

Over the trailing one-year period, Loomis Sayles advanced 2.8%, but trailed the Benchmark by 0.6 percentage points. The portfolio's MBS and investment grade holdings were the largest detractors from performance. In contrast, non-U.S. dollar and U.S. high yield holdings added value.

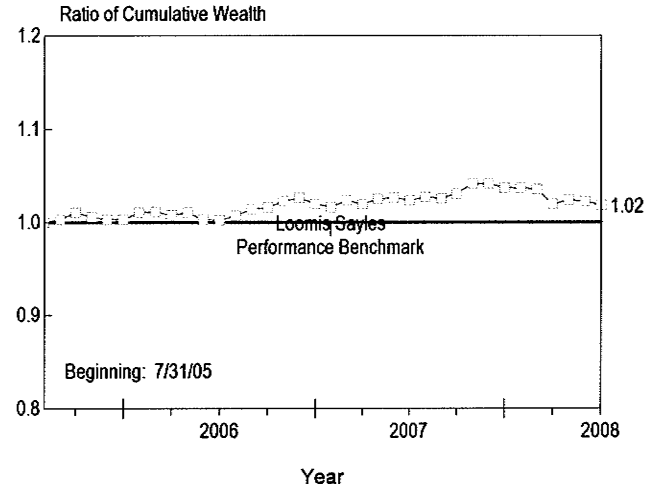
The portfolio's since inception return remained favorable as it surpassed the Benchmark by 0.6 percentage points.

Second Quarter 2008

ANNUALIZED RISK RETURN
2 YEARS 11 MONTHS ENDING 6/30/08



RATIO OF CUMULATIVE WEALTH
2 YEARS 11 MONTHS ENDING 6/30/08



	Loomis Sayles Fixed Income Portfolio		LB Aggregate Bond Index	
	% at 3/31/08	% at 6/30/08	% at 6/30/08	Second Quarter Return
Sector Weightings:				
Treasury/Agency	6%	--	32%	(1.9%)
Corporate	70	78	23	(0.9)
Mortgage-Backed Securities	--	--	39	(0.5)
Commercial Mortgage-Backed Securities	--	--	5	0.2
Asset-Backed	--	--	1	(0.8)
Foreign Bonds	24	17	--	--
Other	--	4	--	--
Cash & Equiv.	--	1	--	--
Total	100 %	100 %	100 %	(1.0%)
Average Duration	7.3 Years	7.3 Years	4.7 Years	--

LOOMIS SAYLES

$81.9 Million and 2.9% of Fund

HISTORICAL RETURNS
(BY YEAR)

	Loomis Sayles		Performance Benchmark		
	Return	Rank	Return	Rank	Return Difference
2005 (5 months)	0.7 %	--	0.4 %	--	0.3
2006	9.0	1	7.3	2	1.7
2007	6.7	23	5.0	84	1.7
2008 (6 months)	-1.7	88	0.2	57	-1.9
Trailing 1-Year	2.8 %	84	3.4 %	77	-0.6
Since Inception (7/31/05)	5.0	--	4.4	--	0.6

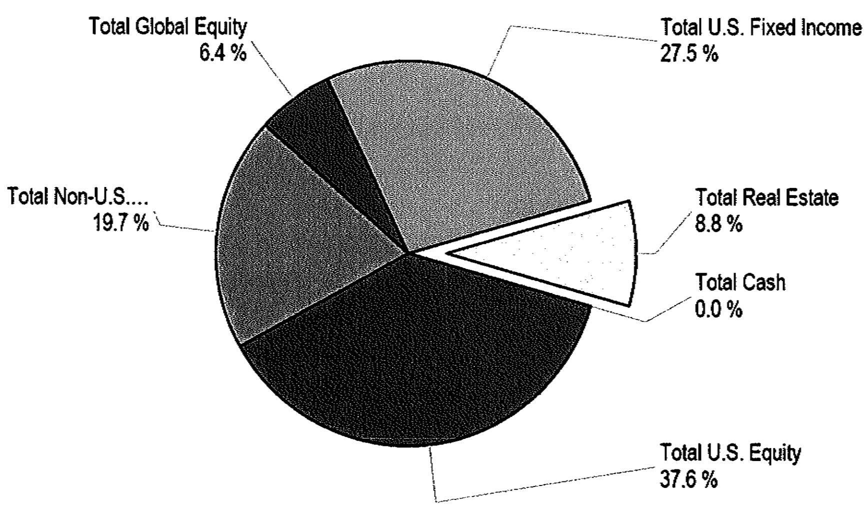
The table above compares the historical annual and cumulative annualized returns of the Loomis SaylesReams portfolio and its Performance Benchmark.

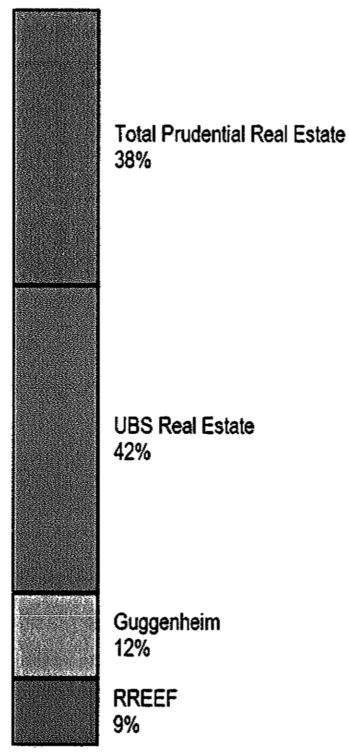
TOTAL REAL ESTATE

$252.9 Million and 8.8% of Fund

Second Quarter 2008

ASSET ALLOCATION
ACTUAL AS OF 6/30/08





TOTAL REAL ESTATE

$252.9 Million and 8.8% of Fund

Second Quarter 2008

RETURN SUMMARY
ENDING 6/30/08

	Second Quarter	Year-To-Date	1 Year Ending 6/30/08	3 Years Ending 6/30/08	5 Years Ending 6/30/08	Since Inception	Inception Date
Total Real Estate	**-1.1 %**	**-0.2 %**	**3.6 %**	**12.7 %**	**13.1 %**	**11.3 %**	**3/31/94**
Policy Benchmark	0.3	1.5	7.9	14.1	14.2	11.6	
Total Prudential Real Estate	**0.5**	**0.9**	**7.0**	**14.8**	**--**	**12.0**	**6/30/04**
Policy Benchmark	0.3	1.5	7.9	14.1	--	15.0	
UBS Real Estate	**-0.9**	**0.4**	**4.2**	**12.2**	**13.2**	**13.1**	**3/31/03**
NCREIF Open End Fund Index	0.3	1.5	7.9	13.8	13.8	13.6	
Guggenheim	**-1.3**	**-0.2**	**-1.7**	**--**	**--**	**7.8**	**6/30/06**
Performance Benchmark	-0.9	0.6	2.3	--	--	9.0	
RREEF	**-7.4**	**-7.8**	**--**	**--**	**--**	**-7.8**	**10/1/07**
NCREIF Open End Fund Index	0.3	1.5	--	--	--	3.8	

In January 2006, the Board approved the change of the total real estate policy benchmark from the NCREIF Property Index to the NCREIF Open-End Fund Property Index. Both of these indices are sponsored by the National Council of Real Estate Investment Fiduciaries (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.

Commentary on Investment Performance

The composite return of the real estate portfolio declined 1.1% and trailed the benchmark by 1.4 percentage points. An above benchmark return from Prudential was offset by underperformance from UBS, Guggenheim, and RREEF.

The real estate portfolio's training one-year return of 3.6% underperformed that of the policy benchmark by 4.3 percentage points. Underperformance was due to below benchmark returns from all underlying funds.

Although the portfolio has posted strong returns during longer-term periods shown above, it has underperformed the benchmark during all those periods.

Second Quarter 2008

RETURN SUMMARY
ENDING 6/30/08

	Second Quarter	Year-To-Date	1 Year Ending 6/30/08	3 Years Ending 6/30/08	Since Inception	Inception Date
Total Prudential Real Estate	**0.5%**	**0.9%**	**7.0%**	**14.8%**	**12.0%**	**6/30/04**
Policy Benchmark	0.3	1.5	7.9	14.1	15.0	
PRISA Fund I	**0.5**	**0.9**	**7.0**	**14.7**	**15.4**	**3/31/05**
NCREIF Open End Fund Index	0.3	1.5	7.9	13.8	14.4	

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 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.

Philosophy and Process

Prudential's PRISA is a core-only product with no value-added component. 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 PRISA Fund I posted a gain of 0.5% during the quarter, outperforming the Index by 0.2 percentage points. The fund's net proceeds of all sales completed in the second quarter totaled $231.6 million. The Fund has experienced value losses from tow office projects, as a result of decreased rent growth assumptions and increased investor pricing parameters. The Fund's property type and geographic allocations did not change significantly from the previous quarter. During the quarter, PRISA completed $149.4 million of acquisitions. At the end of the quarter, the net asset value of the portfolio was approximately $12.2 billion.

From a strategy perspective, Prudential has been focusing on making mezzanine investments because it believes risk-adjusted returns on mezzanine investments are more favorable than current equity returns. PRISA currently has a 5% maximum allocation to mezzanine investments which it has almost reached. The manager is also focusing on investment opportunities occurring from current market conditions including purchasing distressed properties and changing failed condominium projects into rental apartments. The manager has noted some difficulty in selling properties, particularly retail assets, as the deposition process has been taking longer than projected, with outcomes being less favorable than expected.

The manager's longer-term performance remained mixed. While the Fund has trailed the benchmark during the trailing one-year and since inception period, it has outperformed during the trailing three-year period.

UBS REALTY

$105.6 Million and 3.7% of Fund

Second Quarter 2008

RETURN SUMMARY
ENDING 6/30/08

	Second Quarter	Year-To-Date	1 Year Ending 6/30/08	3 Years Ending 6/30/08	5 Years Ending 6/30/08	Since Inception	Inception Date
UBS Real Estate	**-0.9%**	**0.4%**	**4.2%**	**12.2%**	**13.2%**	**13.1%**	**3/31/03**
NCREIF Open End Fund Index	0.3	1.5	7.9	13.8	13.8	13.6	
NCREIF NPI	0.6	2.2	9.2	15.0	14.7	14.4	

Philosophy and Process

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 continually modify 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.

Manager Monitoring

On June 16, 2008, UBS hired Doug Harper as an Executive Director within the Client and Portfolio Services Group. Mr. Harper previously served in a similar position at Broadway Partners. Mr. Harper has also worked at BlackRock/SSR Reality and NCREIF.

Commentary on Investment Performance

UBS RESA declined 0.9% during the quarter and lagged both the NCREIF Open-End Fund Index and the NCREIF Property Index. Three investments were sold totaling $154.9 million. Seventy-five investments were valued during the quarter, which accounted for approximately 58% of the market value of the portfolio. Of those investments, 21 were write-ups and 54 were write-downs, which aggregated to a net loss of $172.9 million. At quarter end, the portfolio was comprised of 168 assets with a net value of $9.9 billion.

UBS observed a decline in availability for capital and a lower volume of high quality properties being offered for sale during the second quarter. (real estate environment was experienced.) Due to these market conditions, UBS did not acquire any new properties during the quarter. The manager believes that seller expectations have started to moderate, thus more opportunities to purchase high quality properties will be available during the remainder of the year. UBS is focusing on purchasing TPF funds in addition to well-located, well-leased, and quality properties, primarily apartment and industrial assets.

Even though the portfolio has posted strong returns during long-term periods, it has underperformed both Indices during all long-term periods shown above.

GUGGENHEIM

$29.2 Million and 1.0% of Fund

Second Quarter 2008

RETURN SUMMARY
ENDING 6/30/08

	Second Quarter	Year-To-Date	1 Year Ending 6/30/08	Since Inception	Inception Date
Guggenheim	**-1.3%**	**-0.2%**	**-1.7%**	**7.8%**	**6/30/06**
Performance Benchmark	-0.9	0.6	2.3	9.0	

Philosophy and Process

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

Guggenheim Plus II portfolio produced a loss of 1.3% and trailed the Performance Benchmark by 0.4 percentage points during the second quarter. The Fund decreased its exposure to the public market to 29%, during the quarter, while increasing its allocation to private investments to 71%. Additionally, the Fund increased its allocation to REITS to 32%, setting an overweight allocation relative to its benchmark. Given the spread levels in certain areas of the CMBS market, Guggenheim invested in two separate CMBS portfolios during the quarter. The manager stated that it's focusing on older, seasoned vintages of CMBS (2004 - 2005), which is believed to utilized better underwriting standards. The Fund is also focusing on reducing its allocation to office properties in favor of industrial and retail properties. The Fund maintained approximately the same geographic and property type allocations as those in the previous quarter.

Over all long-term periods shown above, Guggenheim has underperformed the Performance Benchmark.

RREEF

$23.1 Million and 0.8% of Fund

Second Quarter 2008

RETURN SUMMARY
ENDING 6/30/08

	Second Quarter	Year-To-Date	Since Inception	Inception Date
RREEF	**-7.4%**	**-7.8%**	**-7.8%**	**10/1/07**
NCREIF Open End Fund Index	0.3	1.5	3.8	

Philosophy and Process

RREEF employs 625 real estate investment professionals in 115 offices located in every major metropolitan market nationwide. RREEF America III (RA III) is a $600 million open-end private REIT that pursues value-added investment opportunities in the U.S. The RREEF research process, dubbed the Market Profile Process, is led by Asieh Mansour, Ph. D and is roughly 65% bottom up asset-specific fundamental research and 25% top down market and demographic research. The remainder focuses on the investment performance of real estate in both public market and private market settings. This process is executed by the 17 members of the full-time research staff.

RA III has a target total fund size of $1-2 billion, which RA III management expects to reach over a five year period. RREEF expects RA III to produce more than one-half of its total return from realized and unrealized gains resulting from the improvements it makes in the fund's assets. RA III investments will include income-producing properties, properties requiring re-positioning, and speculative development. The fund is scheduled to have a 15-year life and will commence an orderly liquidation of assets on January 22, 2016. RA III shareholders and the Board of Directors are considering a proposal to extend product life. As a REIT, oversight of RA III is maintained by an independent board that approves: the investment plan, dispositions, financing, and quarterly valuations.

Commentary on Investment Performance

During the second quarter, RREEF posted a staggering return of -7.4%, trailing the NCREIF Open End Fund Index by 7.7 percentage points. The underperformance was attributed to a write-down of $227.0 million, approximately 4.5% of the Fund, which occurred during the quarter, as all of the Fund's assets were externally appraised. Value adjustments occurred across all property types and asset classes. RREEF noted that the majority of the write downs occurred in the Silicon Valley Portfolio, a volatile market which has experienced significant value gains over the past two years. The Fund's development portfolio experienced the largest negative adjustment. On a positive note, the portfolio is expected to experience gains in the near future as projects in the portfolio are progressing through construction and leasing phases. Also contributing to RREEF's underperformance was an upward movement in market interest rates which resulted in a $25.6 million debt and derivate adjustment.

RREEF made one disposition and no acquisitions during the quarter. The property disposition was a 0.86 acre land parcel located in Austin, TX. The Fund did not have an entry queue, but currently has eight full or partial requests in the exit queue totaling approximately $119 million. The manager does not foresee making any strategic changes over the coming periods. The Fund will continue selling stabilized and well located assets in order to increase share market value and maximize returns.

RREEF's long-term performance remains unfavorable, as it has significantly lagged the NCREIF Open End Fund Index during all periods illustrated above.

RETURNS OF THE MAJOR CAPITAL MARKETS

	Second Quarter	Annualized Periods Ending 6/30/08				
		1-Year	3-Year	5-Year	10-Year	15-Year
Domestic Stock Indices:						
DJ Wilshire 5000 Index	-1.5 %	-12.5 %	5.0 %	8.7 %	3.6 %	9.3 %
S&P 500 Index	-2.7	-13.1	4.4	7.6	2.9	9.2
Russell 3000 Index	-1.7	-12.7	4.7	8.4	3.5	9.3
Russell 1000 Value Index	-5.3	-18.8	3.5	8.9	4.9	10.1
Russell 1000 Growth Index	1.2	-6.0	5.9	7.3	1.0	8.0
Russell MidCap Value Index	0.1	-17.1	5.0	13.0	8.4	11.8
Russell MidCap Growth Index	4.6	-6.4	8.2	12.3	5.6	9.7
Russell 2000 Value Index	-3.5	-21.6	1.4	10.0	7.5	10.9
Russell 2000 Growth Index	4.5	-10.8	6.1	10.4	2.8	6.3
Domestic Bond Indices:						
Lehman Brothers Aggregate Index	-1.0 %	7.1 %	4.1 %	3.9 %	5.7 %	6.1 %
Lehman Brothers Govt/Credit Index	-1.5	7.2	3.8	3.6	5.7	6.1
Lehman Brothers Long Govt/Credit Index	-1.5	6.8	2.2	4.0	6.3	7.1
Lehman Brothers 1-3 Year Govt/Credit Index	-0.6	6.7	4.6	3.4	4.9	5.1
Lehman Brothers U.S. MBS Index	-0.5	7.8	4.8	4.6	5.8	6.1
Lehman Brothers High Yield Index	1.8	-2.3	4.5	6.9	4.9	6.7
Lehman Brothers Universal Index	-0.8	6.2	4.1	4.2	5.8	6.2
Real Estate Indices:						
NCREIF Property Index	0.6 %	9.2 %	15.0 %	14.7 %	12.2 %	11.3 %
NCREIF ODCE Index	0.1	7.0	13.7	13.5	11.2	10.4
DJ Wilshire Real Estate Securities Index	-5.4	-15.4	4.8	14.9	11.0	11.5
FTSE NAREIT US Real Estate Index	-4.9	-13.6	5.0	14.3	10.6	11.5
Foreign/Global Stock Indices:						
MSCI All Country World Index	-1.6 %	-9.3 %	10.3 %	13.1 %	4.9 %	8.1 %
MSCI All Country World IMI	-1.5	-9.8	10.2	13.5	5.4	--
MSCI All Country World ex-U.S. Index	-1.1	-6.6	15.7	18.9	7.3	7.9
MSCI All Country World ex-U.S. IMI	-1.4	-7.5	15.5	19.1	7.7	--
MSCI All Country World ex-U.S. Small Cap Index	-4.9	-15.9	13.5	20.7	9.8	--
MSCI EAFE Index	-2.3	-10.6	12.8	16.7	5.8	7.2
MSCI EAFE IMI	-2.4	-11.2	12.7	16.9	6.3	--
MSCI EAFE Index (in local currency)	-0.9	-20.3	6.7	11.2	2.6	5.7
MSCI Emerging Markets IMI	-1.6	2.8	26.5	29.3	13.3	--
Foreign Bond Indices:						
Citigroup World Gov't Bond Index	-4.7 %	18.7 %	6.7 %	7.1 %	6.7 %	6.6 %
Citigroup Hedged World Gov't Bond Index	-2.4	4.6	3.0	3.5	5.1	6.7
Cash Equivalents:						
Treasury Bills (30-Day)	0.3 %	2.6 %	3.3 %	2.5 %	3.0 %	3.5 %
EnnisKnupp STIF Index	0.7	4.4	4.6	3.4	3.9	4.3
Inflation Index:						
Consumer Price Index	2.5 %	5.0 %	4.0 %	3.6 %	3.0 %	2.8 %

APPENDIX II

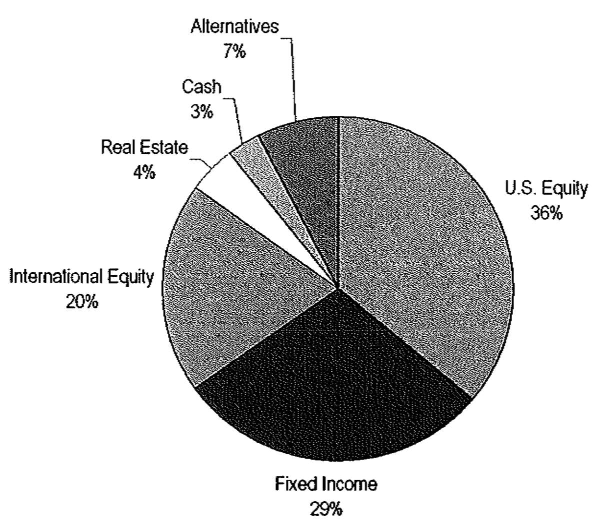
Description of Fund Benchmarks and Universe Rankings

Total Fund

Policy Portfolio- As of June 2008, the return was based on a combination of 40% Russell 3000 Index, 27% Lehman Brothers Aggregate Bond Index, 18% MSCI All Country World Ex-U.S. Index, 7% MSCI All Country World Index and 8% NCREIF Real Estate Index. Prior to June 2008, the return was based on a combination of 47% Russell 3000 Index, 27% Lehman Brothers Aggregate Bond Index, 14% MSCI All Country World Ex-U.S. Index, 4% MSCI All Country World Index and 8% NCREIF Real Estate Index. Prior to October 2007, 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 60 funds compiled by Mellon Analytical Solutions with an aggregate market value of $931.0 billion as of 6/30/2008.

Mellon Analitical Aggregate Public Fund as of 6/30/2008



Total U.S. Equity

Benchmark. The Russell 3000 Index.

Universe. A universe of 524 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of $669.7 billion as of 6/30/2008.

BGI Extended Equity Index Fund

Benchmark. The DJ Wilshire 4500 Index.

Universe. A universe of 63 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of $53.4 billion as of 6/30/2008.

Western U.S. Index Plus

Benchmark. The S&P 500 Index.

Universe. A universe of 372 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of $723.5 billion as of 6/30/2008.

BGI Equity Market Fund

Benchmark. The DJ Wilshire 5000 Index.

Universe. A universe of 710 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of $902.3 billion as of 6/30/2008.

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 461 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of $348.3 billion as of 6/30/2008.

BGI ACWI ex U.S.

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

Universe. A universe of 74 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of $275.6 billion as of 6/30/2008.

APPENDIX II

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 74 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of $275.6 billion as of 6/30/2008.

Sprucegrove

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

Universe. A universe of 74 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of $275.6 billion as of 6/30/2008.

Total Global Equity

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

Universe. A universe of 54 actively managed global stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of $129.3 billion as of 6/30/2008.

Grantham Mayo Van Otterloo (GMO)

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

Universe. A universe of 54 actively managed global stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of $129.3 billion as of 6/30/2008.

Acadian

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

Universe. A universe of 54 actively managed global stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of $129.3 billion as of 6/30/2008.

Total Fixed Income

Benchmark. The Lehman Brothers Aggregate Bond Index.

Universe. A universe of 121 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of $600.4 billion as of 6/30/2008.

Western Asset Management

Benchmark. The Lehman Brothers Aggregate Bond Index.

Universe. A universe of 121 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of $600.4 billion as of 6/30/2008.

BGI U.S. Debt Index Fund

Benchmark. The Lehman Brothers Aggregate Bond Index.

Universe. A universe of 121 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of $600.4 billion as of 6/30/2008.

Reams

Benchmark. The Lehman Brothers Aggregate Bond Index.

Universe. A universe of 121 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of $600.4 billion as of 6/30/2008.

Loomis Sayles

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

Universe. A universe of 121 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of $600.4 billion as of 6/30/2008.

APPENDIX II

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.

RREEF

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

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.

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 524 funds with an equity aggregate market value of $669.7 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 461 funds with an international equity aggregate market value of $348.3 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 $129.3 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 121 funds with a fixed income aggregate market value of $600.4 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.

"Watch" status:

- 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 6/30/08
BGI	-Portfolio is a commingled fund.	N/A
BGI	-Portfolio is a commingled fund.	N/A
Western Index Plus	- Average weighted Duration of portfolio security holdings are one year or less	YES
	-Bonds rated investment grade by either Moody's, Standard & Poor's, or Fitch's must comprise at least 90% of the total portfolio at the time of purchase	YES
	-Below-investment grade holdings must not exceed 1% in any single issuer	**NO**
	-A maximum of 10% of the portfolio may be invested in non-dollar denominated securities	YES
	-A maximum of 5% of the portfolio may be invested in un-hedged non-dollar denominated securities	YES
	-A maximum of 5% of the portfolio may be invested in U.S. securities rated below investment grade	**NO**
	-A maximum of 10% of the portfolio may be invested in non-U.S. securities (dollar and non-dollar denominated) rated below investment grade	YES
	-A maximum of 10% of the portfolio may be invested in CDOs, CBOs & CLOs	YES
	-A maximum of 10% per issuer for obligations of ther national governments	YES
	-A maximum of 10% per issuer of private mortgage-backed and asset-backed securities, unless the collateral is credit-independent of the issuer and the security's credit enhancement is generated internally, in which the maximum is 25% per issuer	YES
	-A maximum of 3% per issuer of investmetn grade corporations	YES
	-A maximum of 2% per issuer for obligations of other issuers excluding investments in commingled vehicles	YES
	-A maximum of 10% of portfolio may be invested in issuers rated below Baa3 or BBB- / A2 or P2	YES
	-A maximum of 20% of the portfolio may be invested in original futures, margin, and option premiums, exclusive of any in-the-money protion of premiums.	YES
	-No leverage is permitted in the portfolio	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
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	YES
	-The total portfolio shall maintain an average quality rating of A	YES
	-A maximum of 20% of the portfolio may be invested in bonds issued by a non-U.S. entity	YES
	-A maximum of 15% of the portfolio may be invested in high yield bonds	YES
	-A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer	YES
	-A maximum of 5% of the portfolio may be invested in high interest rate sensitivity mortgage-backed securities	YES
	-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	YES
	-Bonds rated investment grade by either Moody's or Standard & Poor's must comprise at least 90% of the total portfolio	YES
	-The portfolio contains no prohibited securities named in the investment guidelines	YES
	-Derivatives are not used to lever the portfolio*	YES

*Based on affirmative statement from manager

APPENDIX II

Manager	Restrictions	In Compliance as of 6/30/08
Loomis Sayles	-At least 50% of the portfolio must invested in investment grade securities at time of purchase	YES
	-A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer	YES
	-60% of the portfolio must be invested in U.S. domiciled issues	YES
Western Core Plus	-Duration may be managed to a maximum 20% deviation relative to the Aggregate Bond Index	YES
	-The total portfolio shall maintain an average quality rating of AA	YES
	-A maximum of 20% of the portfolio may be invested in bonds issued by a non-U.S. entity at time of purchase	YES
	-A maximum of 10% of the portfolio may be invested in high yield bonds at time of purchase	YES
	-A maximum of 1% per issue for below investment grade securities	**NO**
	-A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer at time of purchase	YES
	-A maximum of 5% of the portfolio may be invested in high interest rate sensitivity mortgage-backed securities at the time of purchase	YES
	-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	YES
	-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	YES
	-The portfolio contains no prohibited securities named in the investment guidelines	YES
	-Derivatives are not used to lever the portfolio*	YES

* Based on affirmative statement from manager

INVESTMENT MANAGEMENT FEES

	Fee in Basis Points	Liquidity	Investment Vehicle
BGI Extended Market Fund	4	Daily	Commingled Fund
Western U.S. Index Plus	20	Daily	Separate Acct.
BGI Equity Market Fund	23	Daily	Commingled Fund
Capital Guardian	49	Monthly	Commingled Fund
Sprucegrove	41	Monthly	Commingled Fund
BGI ACWI ex-U.S. Index	9	Daily	Commingled Fund
GMO	66	Daily	Commingled Fund
Acadian	75	Daily	Commingled Fund
BGI U.S. Debt Fund	4	Daily	Commingled Fund
Reams	18	Daily	Seperate Acct.
Western	23	Daily	Seperate Acct.
Loomis Sayles	38	Daily	Seperate Acct.
Prudential	81	Quarterly	Commingled Fund
UBS Realty	90	Monthly	Commingled Fund
Guggenheim	50	Quarterly	Commingled Fund
RREEF	60	Quarterly	Commingled Fund
Total Fund	28	--	–