

PERFORMANCE REPORT

Independent
advice for
the institutional
investor

Ventura County
Employees'
Retirement
Association

First Quarter 2009

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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.

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HIGHLIGHTS

HIGHLIGHTS

First Quarter 2009

Market Comments

After experiencing one of the worst calendar years on record, broad equity markets both in the U.S. and overseas continued to decline in January and February. A decrease in consumer spending, continued rising unemployment and disappointing earnings reports were the main drivers of the continued downturn in the market. In March, the markets rallied on the news that several large banks recorded profits for the first two months of 2009. The market also reacted favorably to the Federal Reserve's decision to purchase \$300 billion in long-term Treasuries with the goal of improving liquidity in the credit markets. Despite the rally in equity markets, increasing unemployment continued to mitigate any sustained market optimism.

During the quarter, the U.S. stock market declined 10.6% as measured by the DJ Wilshire 5000 Index (now the Dow Jones U.S. Total Stock Market Index). From a capitalization standpoint, large cap stocks outperformed small cap stocks, while from a style perspective, growth outperformed value. Information technology, the only sector to post a gain during the quarter, and materials were the two best performing sectors. Meanwhile the financials and industrials sectors each declined over 20%.

The non-U.S. stock market, as measured by the MSCI All Country World ex-U.S. Index, returned -10.7% during the first quarter and lagged the U.S. market. From a regional standpoint, the Latin American and Asian regions were the best performers for the quarter, while Japan and the Europe ex-U.K. region performed the poorest.

The U.S. bond market, as measured by the Barclays Capital Aggregate Bond Index, returned 0.1% during the first quarter and 3.1% over the trailing year. The asset-backed, high-yield and mortgage sectors were the best-performing sectors during the quarter, while corporates and commercial mortgages performed the poorest. Despite the initiatives of the Federal Reserve, credit spreads on investment grade corporate bonds widened further during the quarter.

MAJOR MARKET RETURNS

	First Quarter	1 Year Ending 3/31/09	3 Years Ending 3/31/09
Dow Jones US Total Stock Index	-10.6%	-38.0%	-13.3%
MSCI All Country World ex-U.S. Index	-10.7	-46.5	-13.1
MSCI EAFE Index	-13.9	-46.5	-14.5
MSCI Emerging Markets Index	0.9	-47.1	-8.2
MSCI All Country World Index	-10.7	-43.1	-13.3
Barclays Capital Aggregate Bond Index	0.1	3.1	5.8

First Quarter 2009
Asset Growth

As shown below, the asset value of VCERA's Total Fund decreased by \$219.0 million during the quarter. The decline in assets was a result of investment losses of \$183.5 million and net withdrawals of approximately \$35.5 million.

Market Value (millions) ex-Clifton at 12/31/08	\$2,191.2
Income/Appreciation	(183.5)
Net Contributions/Withdrawals	(35.5)
Market Value (millions) ex-Clifton at 3/31/09	\$1,972.2

Asset Allocation

The table below illustrates VCERA's investment allocations relative to its policy. As of March 31, 2009, the Fund was overweight relative to its policy within the fixed income, real estate, and cash components. A corresponding underweight was experienced within the U.S., non-U.S., and global equity components.

During the quarter, approximately \$35.1 million was withdrawn from the BGI U.S. Debt Fund for employees benefit payments.

ACTUAL VS. CURRENT POLICY

	Actual Allocation	Policy Allocation	Difference
U.S. Equity	36.3%	40.0%	-3.7
Non-U.S. Equity	15.9	18.0	-2.1
Global Equity	5.7	7.0	-1.3
Fixed Income	32.7	27.0	+5.7
Real Estate	9.2	8.0	+1.2
Clifton	0.2	0.0	+0.2

HIGHLIGHTS

First Quarter 2009

RETURN SUMMARY ENDING 3/31/09

	First Quarter		1 Year Ending 3/31/09		3 Years Ending 3/31/09		5 Years Ending 3/31/09		10 Years Ending 3/31/09		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Fund	-8.5 %	93	-32.4 %	94	-9.4 %	96	-2.0 %	96	1.4 %	87	7.7 %	--	3/31/80
Policy Portfolio	-7.5	80	-28.8	66	-7.2	64	-0.6	64	1.3	87	--	--	
Public Fund Index	-5.8	43	-26.2	41	-6.1	39	0.4	36	2.5	54	--	--	
Total Fund ex-Clifton	-8.4	92	-32.5	94	-9.4	96	-2.1	96	1.4	87	7.7	--	3/31/80
Total U.S. Equity	-11.2	77	-40.8	86	-15.3	77	-5.9	86	-1.7	61	4.8	75	12/31/93
Performance Benchmark*	-10.6	63	-38.0	45	-13.3	33	-4.5	43	-2.2	69	5.5	54	
Total Non-U.S. Equity	-10.9	41	-45.7	49	-13.7	56	-1.2	46	1.2	56	4.6	35	3/31/94
Performance Benchmark**	-10.7	39	-46.5	60	-13.1	43	-0.7	37	0.1	74	2.9	70	
Total Global Equity	-13.7	90	-39.5	23	-12.3	30	--	--	--	--	-5.2	--	4/30/05
MSCI All Country World Index	-10.7	64	-43.1	46	-13.3	37	--	--	--	--	-5.6	--	
Total U.S. Fixed Income	-1.1	84	-10.2	85	0.5	76	1.3	78	4.4	--	5.1	--	2/28/94
Barclays Capital Aggregate Bond Index	0.1	60	3.1	7	5.8	8	4.1	12	5.7	--	6.2	--	
Total Real Estate	-15.3	--	-29.4	--	-3.5	--	4.5	--	7.2	--	8.2	--	3/31/94
Policy Benchmark	-9.2	--	-17.7	--	2.3	--	8.2	--	8.7	--	9.5	--	

Commentary on Investment Performance

During the first quarter, the Total Fund declined 8.5% and trailed the return of the Policy Portfolio and the Public Fund Index by 1.0 and 2.7 percentage points, respectively. The Total Fund's below-benchmark return was a result of underperformance from each of the Total Fund's underlying component. The largest contributor to the Fund's underperformance, on an absolute and relative basis, was the real estate component.

Parallel to the quarter, the Fund trailed both the Policy Portfolio and Public Fund Index over the trailing one-year period. The U.S. equity, fixed income, and real estate components hampered performance, while non-U.S. and global equity components saved value relative to their respective benchmarks.

The Total Fund's longer-term relative performance remains mixed. The Total Fund has lagged the returns of the Policy Portfolio over the trailing three- and five-year periods, but has outperformed over the trailing ten-year period. The Fund's since inception return remains favorable at 7.7%.

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.

*The DJ U.S. Total Stock Market Index. The Index was formerly named 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
First Quarter 2009

MARKET ENVIRONMENT

OVERVIEW

MAJOR MARKET RETURNS

	First Quarter	1 Year Ending 3/31/09	3 Years Ending 3/31/09	5 Years Ending 3/31/09	10 Years Ending 3/31/09
Dow Jones Wilshire 5000 Index	-10.6 %	-38.0 %	-13.3 %	-4.4 %	-2.1 %
MSCI All Country World ex-U.S. Index	-10.7	-46.5	-13.1	-0.7	0.5
MSCI EAFE Index	-13.9	-46.5	-14.5	-2.2	-0.8
MSCI Emerging Markets Index	0.9	-47.1	-8.2	5.9	7.8
MSCI All Country World Index	-10.7	-43.1	-13.3	-2.9	-1.7
Barclays Capital Aggregate Bond Index	0.1	3.1	5.8	4.1	5.7

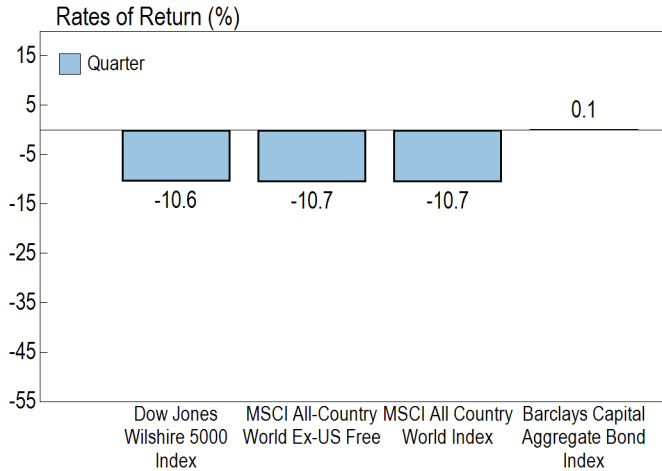
The U.S. broad equity market continued to decline through January and February, bottoming out for the quarter in early March at levels not seen since more than a decade ago. Market volatility increased as a new administration took office and the combined postings of large corporate losses and continued negative economic reports left investors uncertain. The U.S. government continued in its efforts to stabilize the economy, investing more money in Citigroup, AIG and the auto industry. The Federal Reserve announced that it would purchase \$300 billion in long-term Treasuries as well as an additional \$750 billion in agency mortgage-backed securities and \$100 billion of agency debt. The Term Asset-Backed Securities Lending Facility (TALF) was launched to provide loans to support the asset-backed securities market. On March 26th the U.S. Bureau of Economic Analysis revealed that the gross domestic product decreased by an annualized 6.3% during the fourth quarter of 2008. Americans continued to lose jobs with an estimated 4.4 million jobs lost within the past year.

The Dow Jones Wilshire 5000 Index ended the first quarter of 2009 down 10.6%, with value stocks suffering as top-rated companies, including General Electric and Berkshire Hathaway, had their debt downgraded by rating agencies. The financial, capital goods and transportation sectors performed the worst, returning -4.9%, -24.2% and -22.1%, respectively. Technology and consumer durables were the best relative performers, yielding quarterly returns of -0.2% and -2.1%, respectively. The quarter closed amidst a feeling of hesitant optimism as the Dow Jones Wilshire 5000 rebounded 8.7% during the month of March.

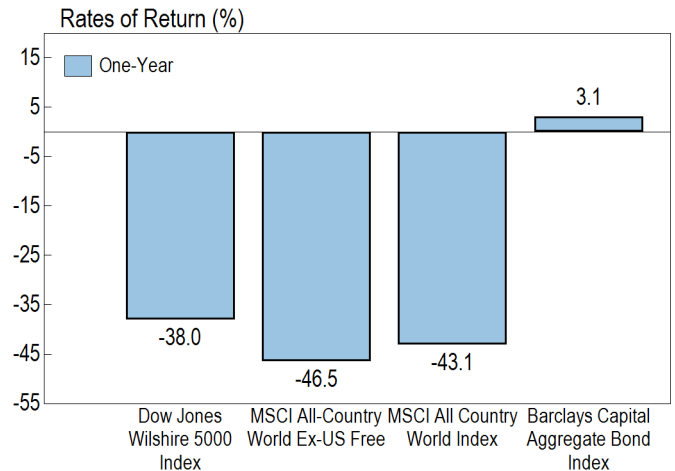
International markets kept pace with U.S. stocks during the first quarter with the MSCI All Country World ex-U.S. Index losing -10.7% of its value. Emerging markets outperformed developed markets during all three months, delivering a positive return of 0.9%. In March, the European Central Bank and the Bank of England both cut their target interest rates by half a percent, lowering their rates to 1.5% and 0.5%, respectively. The Latin American and Asian regions provided the only positive returns for the quarter, yielding 4.9% and 1.6% respectively, while Japan and the Europe ex-U.K. region declined by 16.6% and 16.2%, respectively.

The domestic fixed income market, as measured by the Barclays Capital Aggregate Bond Index, returned 0.1% during the first quarter of 2009, outperforming the broad global equity indices. The asset-backed, high-yield and mortgage sectors produced the highest returns as the Federal Reserve announced several programs to restore liquidity and confidence in the credit markets, including TALF and the purchase of agency securities and debt. Despite the initiatives of the Federal Reserve, credit spreads on investment-grade corporate bonds widened further due to the ongoing concern of increased default rates. Treasury yields rose slightly across all maturities as investors at least temporarily halted last year's flight to quality. At a meeting on March 17-18th, the Federal Reserve Open Markets Committee resolved to keep the target federal funds rate at 0.00-0.25%.

**MAJOR MARKET RETURNS
FIRST QUARTER**

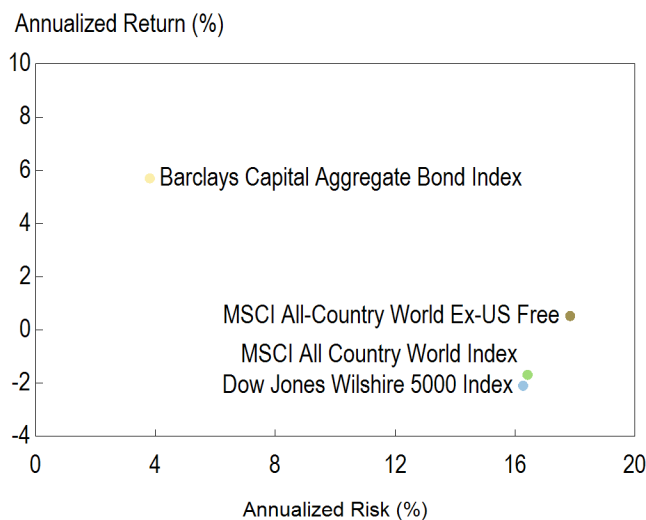


**MAJOR MARKET RETURNS
ONE-YEAR ENDING 3/31/09**

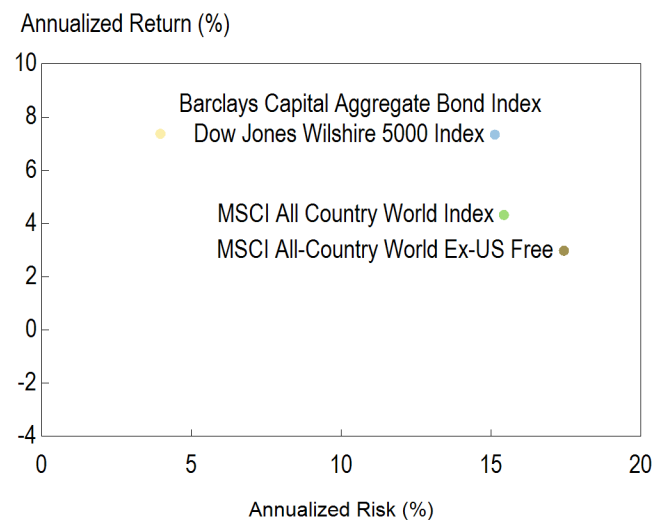


The exhibits above show the performance of the major capital markets during the first quarter and one-year periods.

**MARKET RISK/RETURN
10 YEARS ENDING 3/31/09**



**MARKET RISK/RETURN
20 YEARS ENDING 3/31/09**

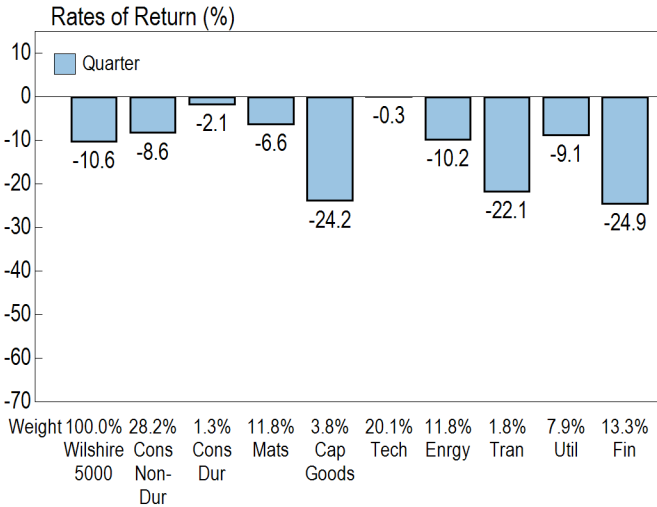


The exhibits above show the historical performance of the major capital markets and the amount of risk (volatility of returns) incurred. Points near the top of the chart represent a greater return and points near the right of the chart indicate greater volatility.

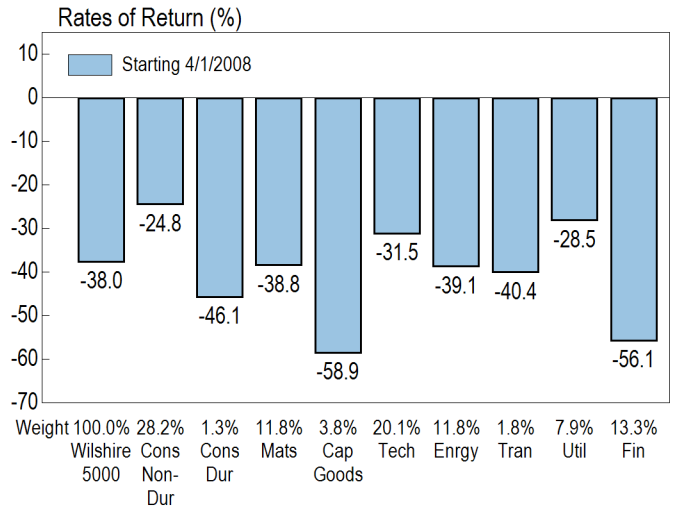
MARKET ENVIRONMENT

U.S. STOCK MARKET

SECTOR RETURNS FIRST QUARTER



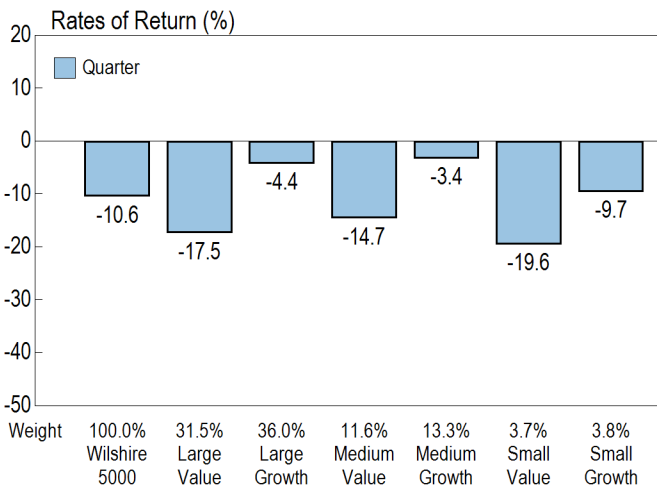
SECTOR RETURNS ONE-YEAR ENDING 3/31/09



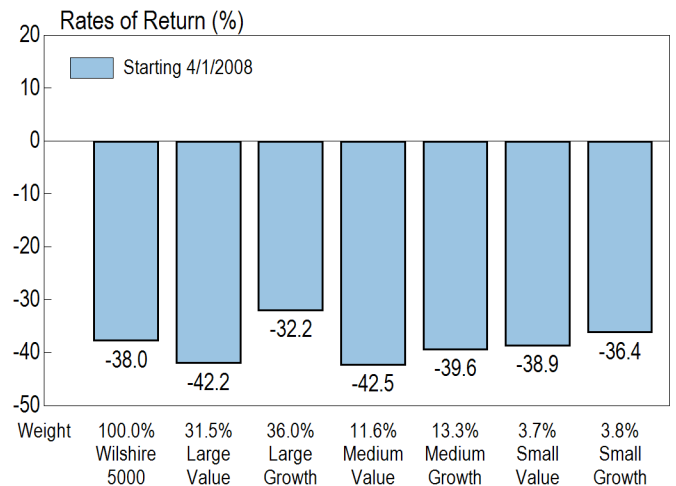
The Dow Jones Wilshire 5000 Index is the broadest available measure of the aggregate domestic stock market. It includes all domestic common stocks with readily available price information.

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 FIRST QUARTER

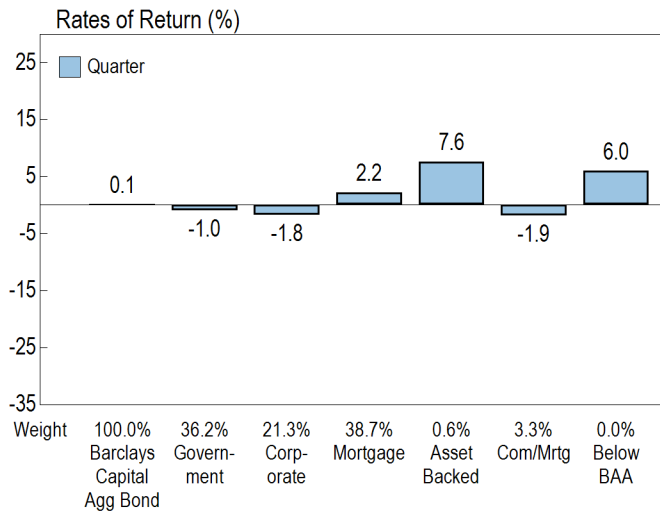


STYLE RETURNS ONE-YEAR ENDING 3/31/09

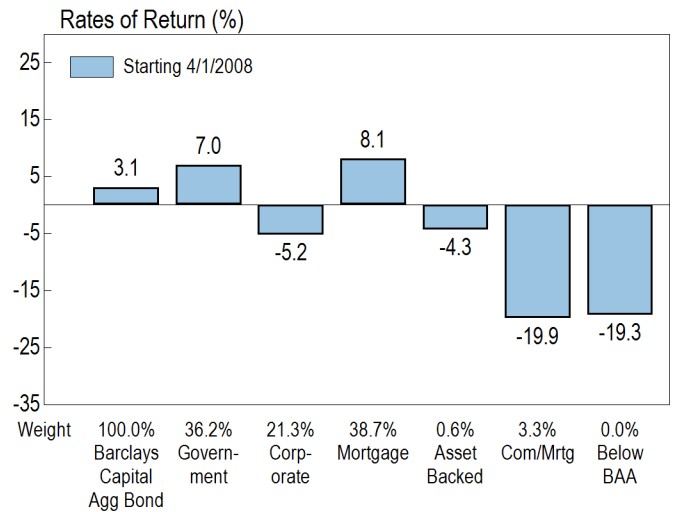


The exhibits above illustrate the performance of stock investment styles according to capitalization (large and small) and style characteristics (value and growth). The percentage below each bar indicates the segment's weight within the Dow Jones Wilshire 5000 Index at quarter-end.

**SECTOR RETURNS
FIRST QUARTER**



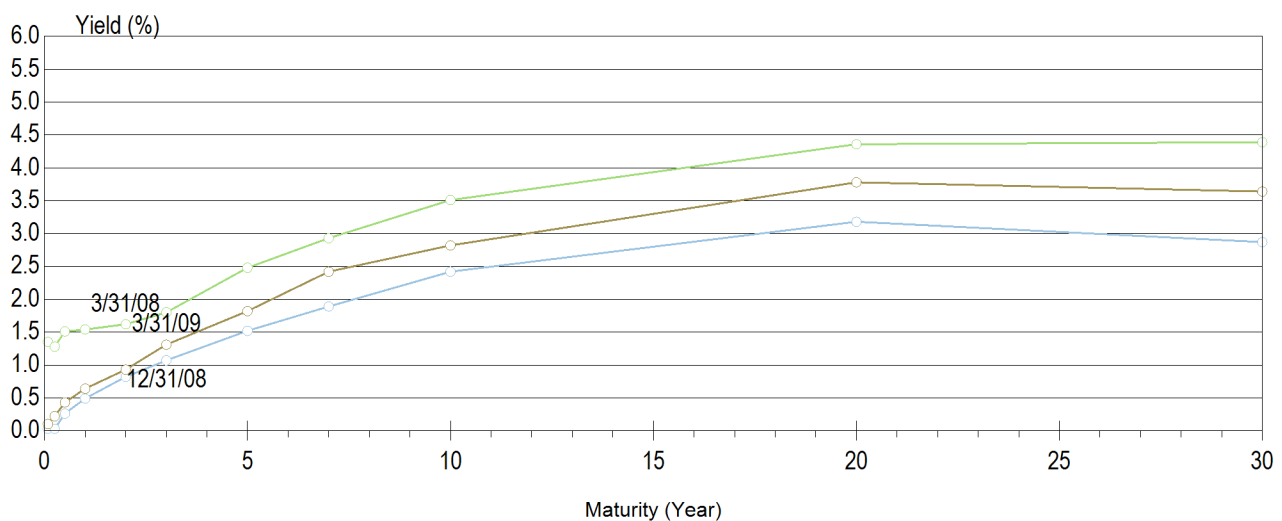
**SECTOR RETURNS
ONE-YEAR ENDING 3/31/09**



The Barclays Capital 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 Barclays Capital Aggregate Bond Index at quarter-end.

U.S. TREASURY CURVE

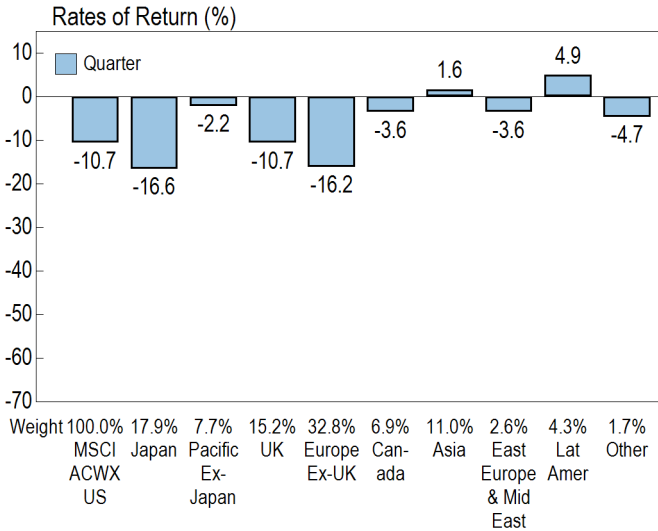


The exhibit above illustrates yields of Treasury securities of various maturities as of March 31, 2008, December 31, 2008, and March 31, 2009.

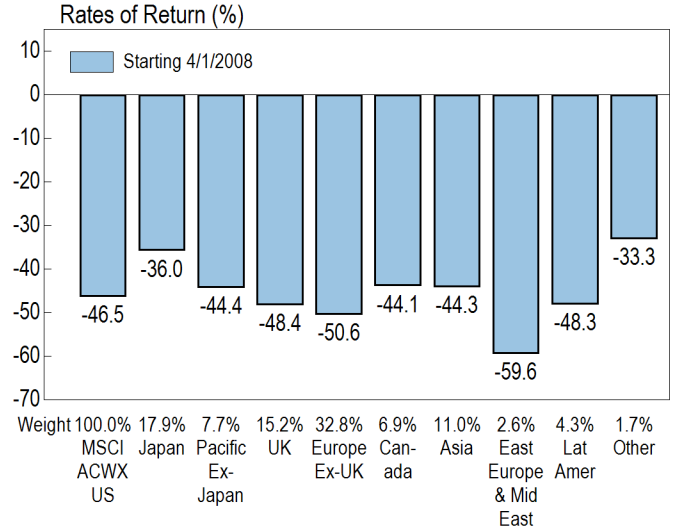
MARKET ENVIRONMENT

NON-U.S. STOCK MARKETS

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

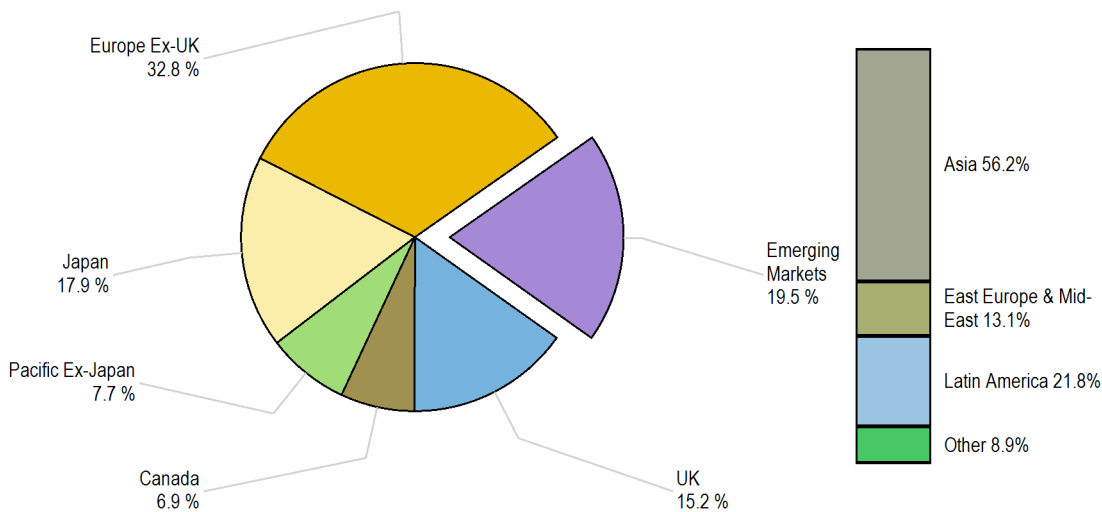


**NON-U.S. STOCK MARKET RETURNS
ONE-YEAR ENDING 3/31/09**



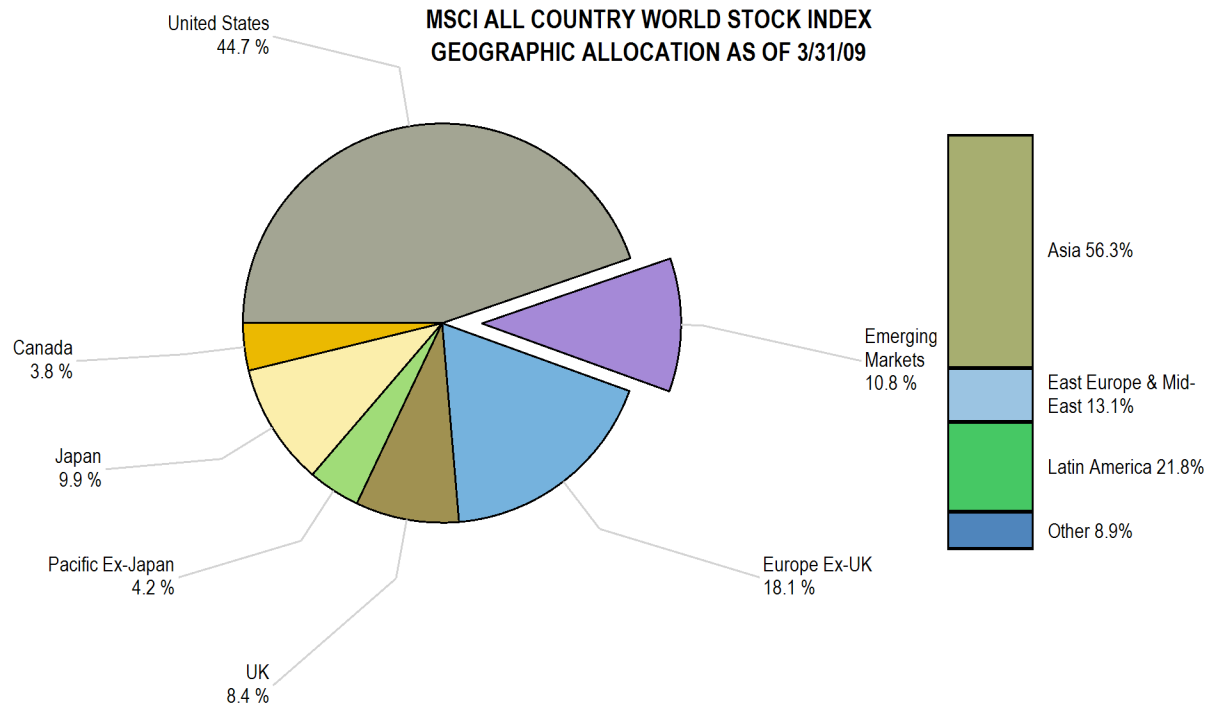
The MSCI All Country World ex-U.S. Index is a capitalization-weighted index of stocks representing 22 developed stock markets and 24 emerging stock markets around the world. The exhibits above show the performance of the regions that comprise the MSCI All Country World ex-U.S. Index at quarter-end.

**MSCI ALL COUNTRY WORLD EX-U.S. STOCK INDEX
GEOGRAPHIC ALLOCATION AS OF 3/31/09**



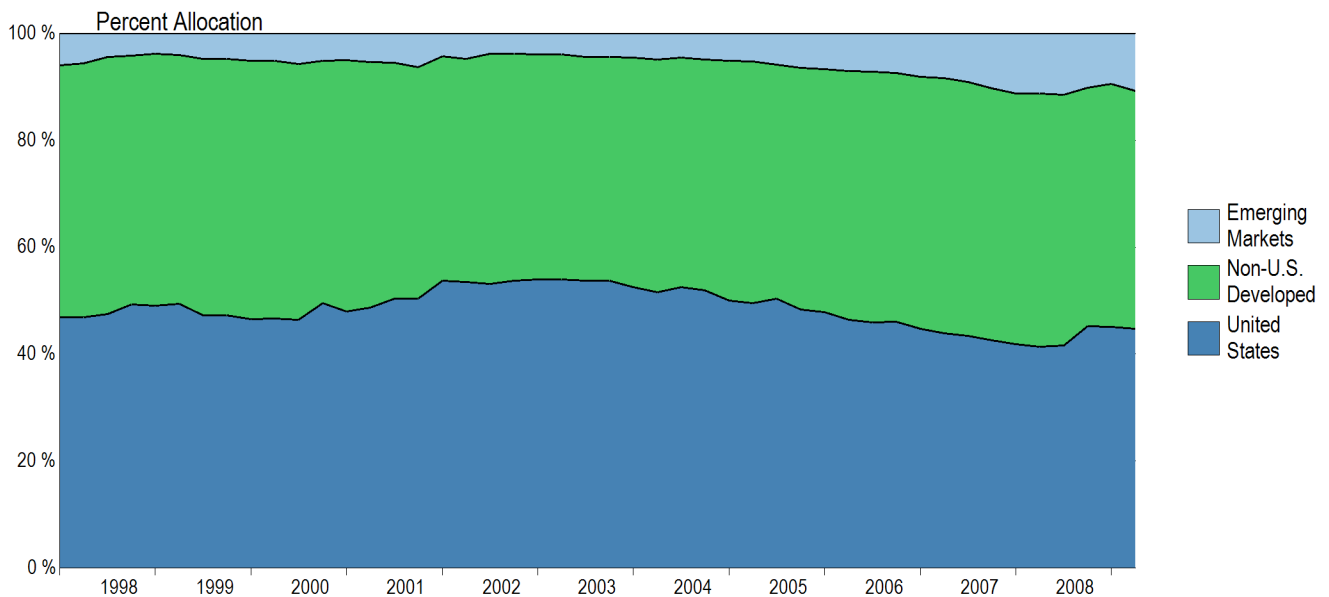
The exhibit above illustrates the percent each region represents of the non-U.S. stock market as measured by the MSCI All Country World ex-U.S. Index.

Note on Other: Includes South Africa, Egypt and Morocco. Returns expressed are the weighted average returns.



The MSCI All Country World Index is a capitalization-weighted index of stocks representing 23 developed stock markets and 24 emerging stock markets around the world. The graph above shows the allocation to each region at quarter-end.
 Note on Other: Includes South Africa, Egypt and Morocco.

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.

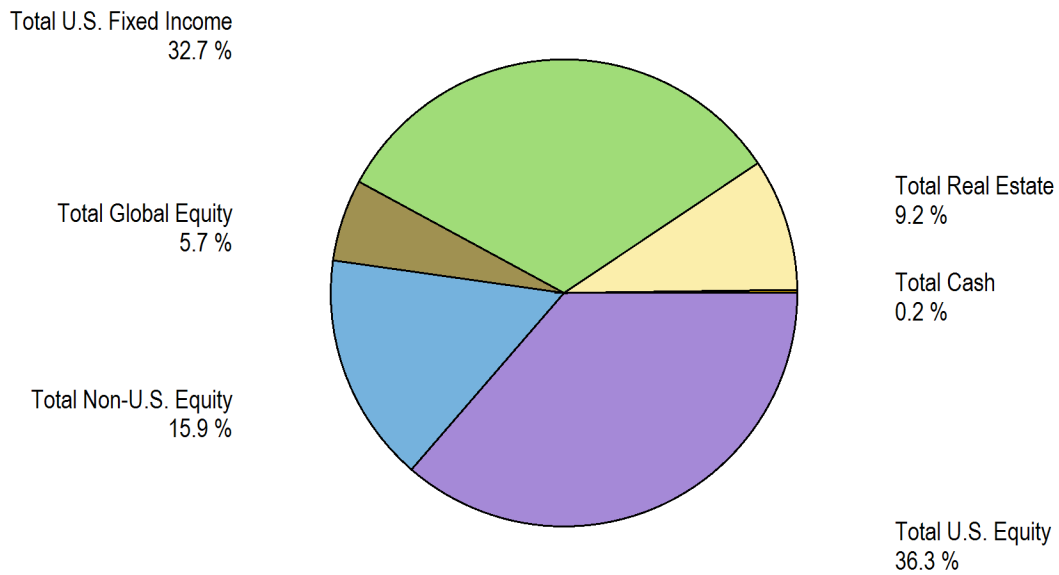
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ASSET ALLOCATION

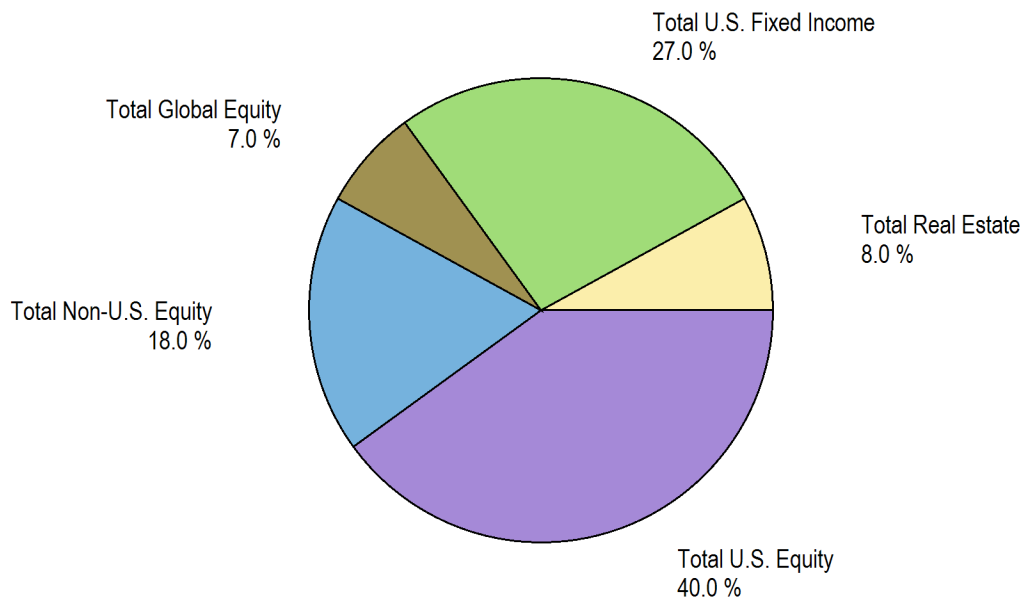
ASSET ALLOCATION

First Quarter 2009

ASSET ALLOCATION
ACTUAL AS OF 3/31/09



ASSET ALLOCATION
POLICY AS OF 3/31/09



ASSET ALLOCATION

First Quarter 2009

ASSET ALLOCATION AS OF 3/31/09

(\$ in thousands)

	U.S. Equity	Non-U.S. Equity	U.S. Bond	Non-U.S. Bond	Real Estate	Cash	Total	Percent of Total	Policy
BGI Extended Equity Index Fund	\$13,007	--	--	--	--	--	\$13,007	0.7%	
Western U.S. Index Plus	\$32,521	--	--	--	--	\$7,579	\$40,100	2.0%	
BGI Equity Market Fund	\$665,145	--	--	--	--	--	\$665,145	33.7%	
Total U.S. Equity	\$710,673	--	--	--	--	\$7,579	\$718,252	36.3%	40.0%
BGI ACWI ex-U.S. Index	--	\$122,594	--	--	--	--	\$122,594	6.2%	
Capital Guardian	--	\$65,454	--	--	--	\$5,924	\$71,379	3.6%	
Sprucegrove	--	\$65,728	--	--	--	\$3,314	\$69,042	3.5%	
Artio International Equity II	--	\$46,390	--	--	--	\$4,622	\$51,012	2.6%	
Total Non-U.S. Equity	--	\$300,166	--	--	--	\$13,860	\$314,026	15.9%	18.0%
GMO Global Fund	\$29,448	\$28,392	\$1,429	--	--	\$2,858	\$62,127	3.1%	
Acadian	\$24,260	\$26,004	--	--	--	-\$150	\$50,113	2.5%	
Total Global Equity	\$53,708	\$54,396	\$1,429	--	--	\$2,708	\$112,240	5.7%	7.0%
Western	--	--	\$255,152	\$5,458	--	\$6,957	\$267,568	13.5%	
BGI U.S. Debt Fund	--	--	\$86,932	--	--	--	\$86,932	4.4%	
Reams	--	--	\$218,191	--	--	\$6,517	\$224,707	11.4%	
Loomis Sayles	--	--	\$57,410	\$9,458	--	\$302	\$67,170	3.4%	
Total U.S. Fixed Income	--	--	\$617,686	\$14,916	--	\$13,776	\$646,378	32.7%	27.0%
Total Prudential Real Estate	--	--	--	--	\$68,950	--	\$68,950	3.5%	
UBS Real Estate	--	--	--	--	\$86,151	--	\$86,151	4.4%	
Guggenheim	--	--	--	--	\$16,063	--	\$16,063	0.8%	
RREEF	--	--	--	--	\$10,112	--	\$10,112	0.5%	
Total Real Estate	--	--	--	--	\$181,275	--	\$181,275	9.2%	8.0%
Clifton Group	--	--	--	--	--	\$4,209	\$4,209	0.2%	
Total Cash	--	--	--	--	--	\$4,209	\$4,209	0.2%	0.0%
Total Fund	\$764,381	\$354,562	\$619,115	\$14,916	\$181,275	\$42,131	\$1,976,380	100.0%	100.0%
Percent of Total	38.7%	17.9%	31.3%	0.8%	9.2%	2.1%	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.

The asset value of VCERA's Total Fund decreased by \$219.0 million during the quarter. The decline in assets was a result of investment losses of \$183.5 million and net withdrawals of approximately \$35.5 million.

During the quarter, approximately \$35.1 million was withdrawn from the BGI U.S. Debt Fund for employees benefit payments.

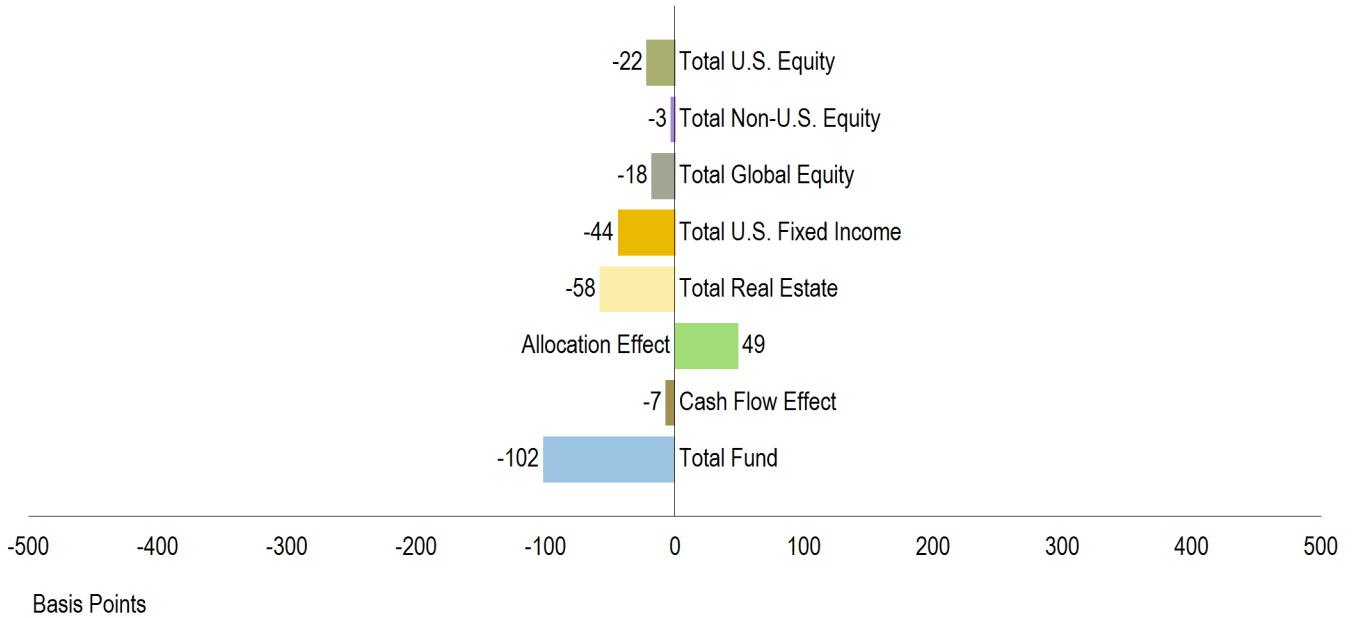
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PERFORMANCE EVALUATION

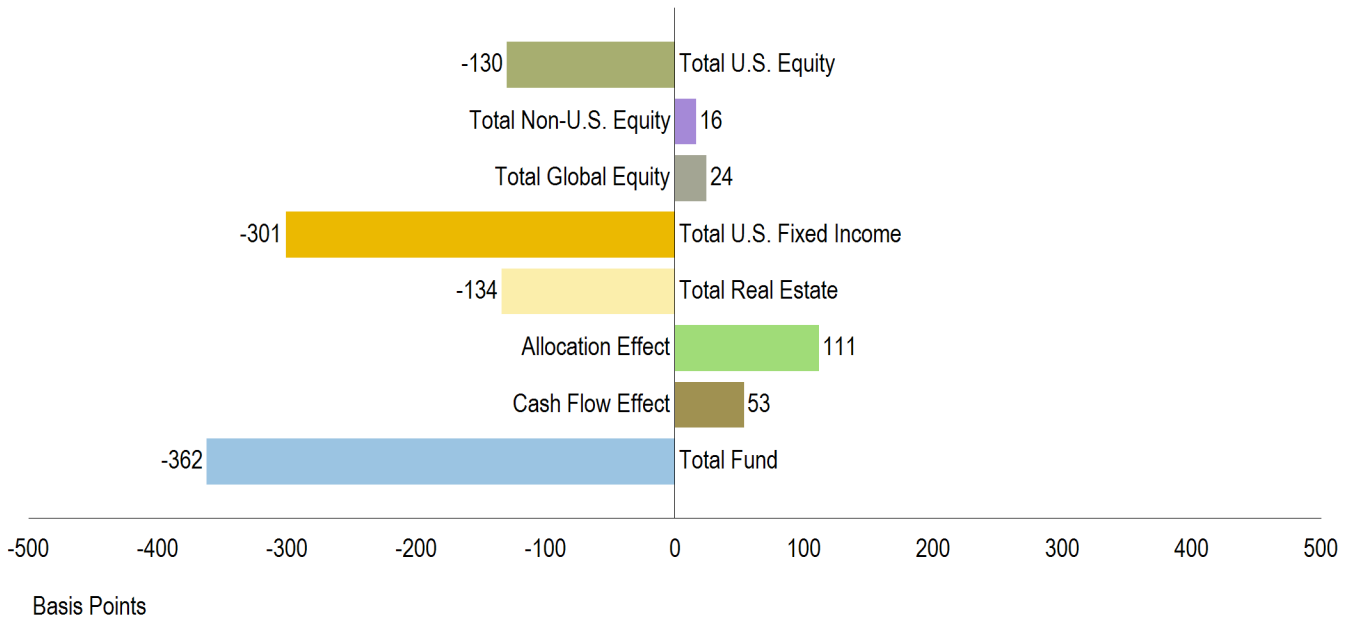
TOTAL FUND

First Quarter 2009

TOTAL FUND ATTRIBUTION ANALYSIS 3 MONTHS ENDING 3/31/09



TOTAL FUND ATTRIBUTION ANALYSIS 1 YEAR ENDING 3/31/09



First Quarter 2009

RETURN SUMMARY
ENDING 3/31/09

	First Quarter		1 Year Ending 3/31/09		3 Years Ending 3/31/09		5 Years Ending 3/31/09		10 Years Ending 3/31/09	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
Total Fund	-8.5 %	93	-32.4 %	94	-9.4 %	96	-2.0 %	96	1.4 %	87
Policy Portfolio	-7.5	80	-28.8	66	-7.2	64	-0.6	64	1.3	87
Public Fund Index	-5.8	43	-26.2	41	-6.1	39	0.4	36	2.5	54

Commentary on Investment Performance

During the first quarter, the Total Fund declined 8.5% and trailed the return of the Policy Portfolio and the Public Fund Index by 1.0 and 2.7 percentage points, respectively. The Total Fund's below-benchmark return was a result of underperformance from each of the Total Fund's underlying component. The largest contributor to the Fund's underperformance, on an absolute and relative basis, was the real estate component.

Parallel to the quarter, the Fund trailed both the Policy Portfolio and Public Fund Index over the trailing one-year period. The U.S. equity, fixed income, and real estate components hampered performance, while non-U.S. and global equity components saved value relative to their respective benchmarks.

The Total Fund's longer-term relative performance remains mixed. The Total Fund has lagged the returns of the Policy Portfolio over the trailing three- and five-year periods, but has outperformed over the trailing ten-year period. The Fund's since inception return remains favorable at 7.7%.

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

TOTAL FUND

First Quarter 2009

HISTORICAL RETURNS

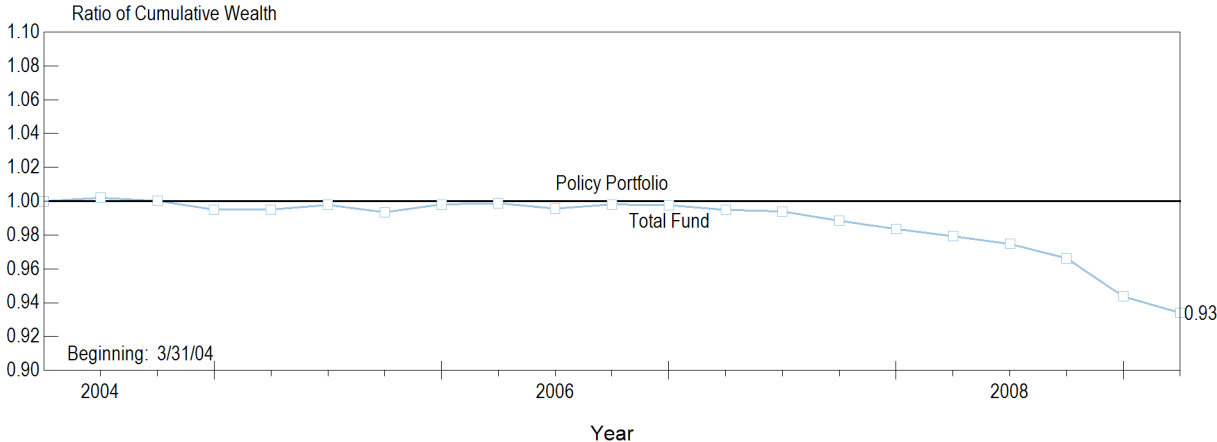
(BY Years)

	Total Fund	Policy Portfolio	Return Difference
	Return	Return	
1980	7.7%	9.1	-1.4
1981	2.2	4.5	-2.3
1982	32.4	26.4	6.0
1983	13.3	11.6	1.7
1984	8.4	11.4	-3.0
1985	22.4	22.8	-0.4
1986	15.4	15.4	0.0
1987	6.6	3.4	3.2
1988	10.1	11.7	-1.6
1989	19.6	21.9	-2.3
1990	6.1	2.9	3.2
1991	19.8	22.1	-2.3
1992	8.6	7.7	0.9
1993	10.0	8.7	1.4
1994	-2.8	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	14.4	-0.9
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	-30.4	-27.2	-3.2
2009 (3 months)	-8.5	-7.5	-1.0
Trailing 1-Year	-32.4%	-28.8%	-3.6
Trailing 3-Year	-9.4	-7.2	-2.2
Trailing 5-Year	-2.0	-0.6	-1.4
Trailing 10-Year	1.4	1.3	0.1

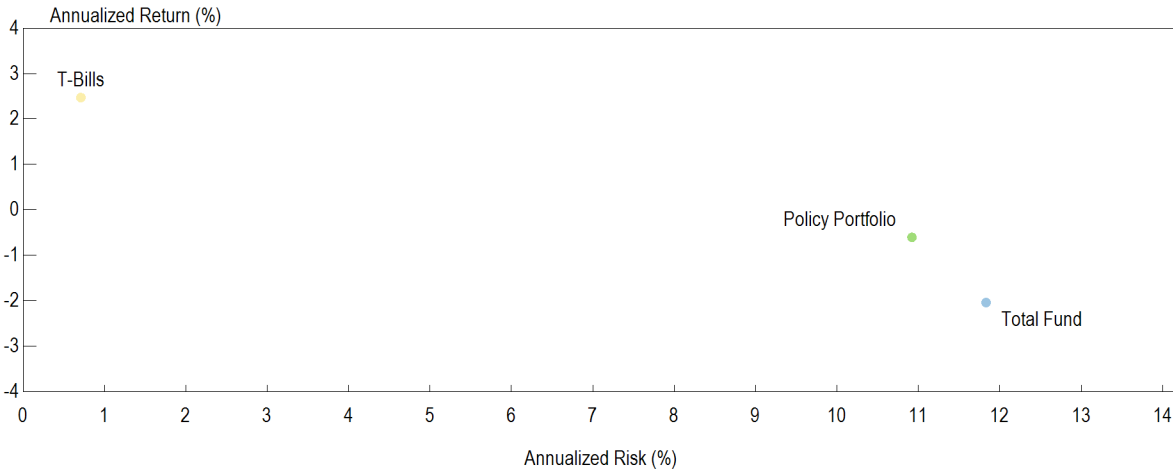
The table above compares the historical annual and cumulative annualized returns of VCERA's Total Fund with those of the Policy Portfolio.

First Quarter 2009

**RATIO OF CUMULATIVE WEALTH
5 YEARS ENDING 3/31/09**



**ANNUALIZED RISK RETURN
5 YEARS ENDING 3/31/09**



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 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 lower rate of return while incurring a higher level of risk.

TOTAL FUND

First Quarter 2009

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

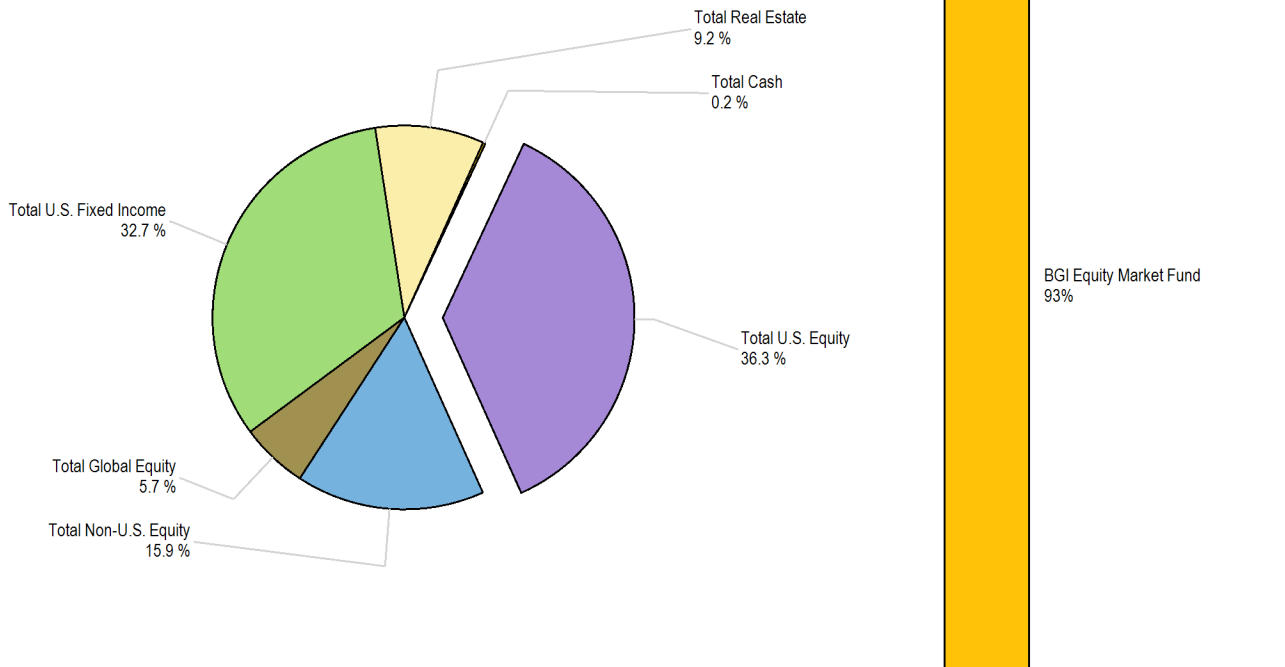
The table above highlights each manager's score within EnnisKnupp's proprietary Investment Manager Rating System (IMRS).

TOTAL U.S. EQUITY

\$718.3 Million and 36.3% of Fund

First Quarter 2009

ASSET ALLOCATION
ACTUAL AS OF 3/31/09

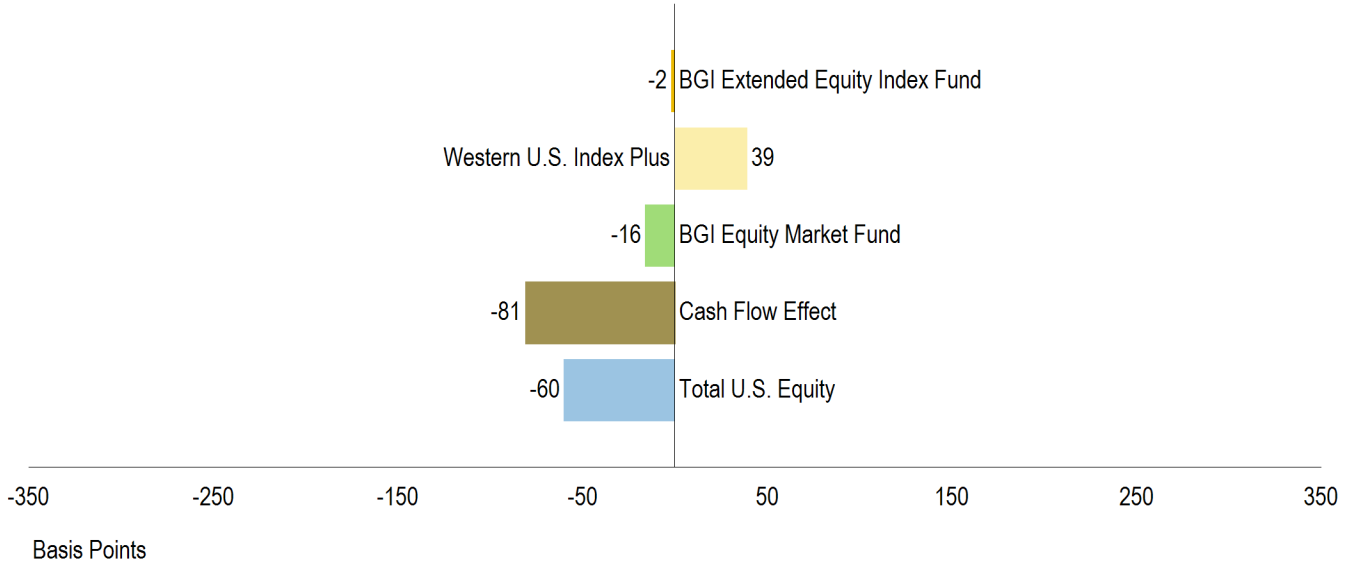


TOTAL U.S. EQUITY

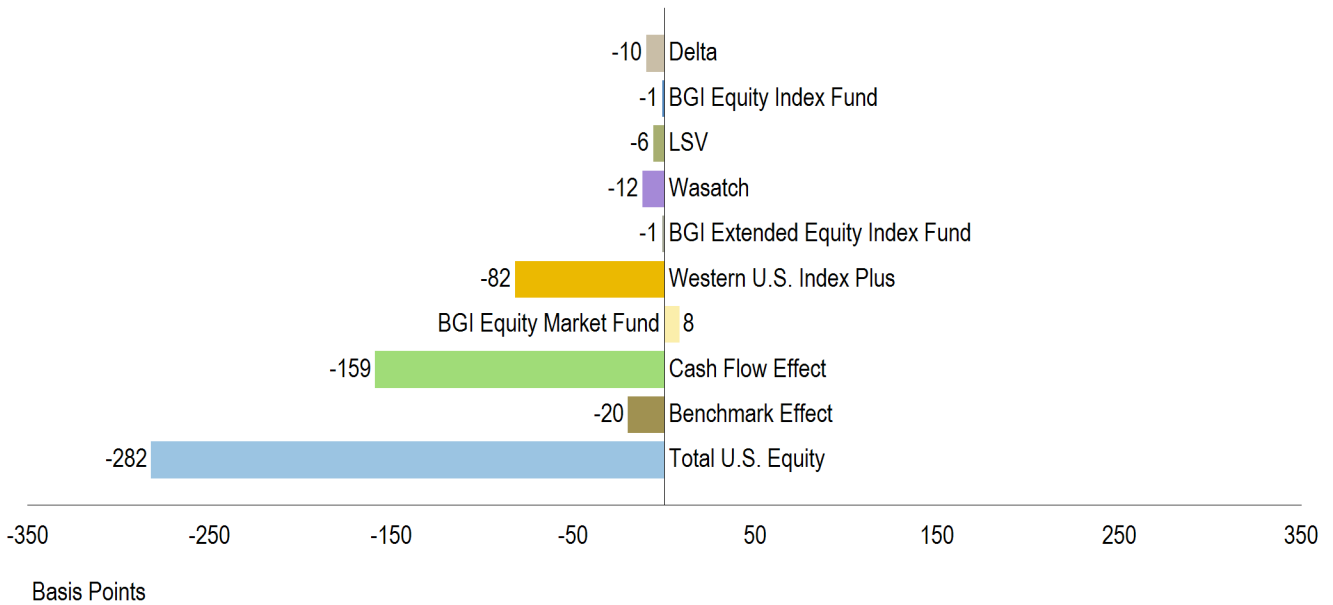
\$718.3 Million and 36.3% of Fund

First Quarter 2009

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 3/31/09



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 3/31/09



TOTAL U.S. EQUITY**\$718.3 Million and 36.3% of Fund****First Quarter 2009****RETURN SUMMARY
ENDING 3/31/09**

	First Quarter		1 Year Ending 3/31/09		3 Years Ending 3/31/09		5 Years Ending 3/31/09		10 Years Ending 3/31/09		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total U.S. Equity	-11.2%	77	-40.8%	87	-15.3%	77	-5.9%	86	-1.7%	61	4.8%	75	12/31/93
Performance Benchmark*	-10.6	63	-38.0	45	-13.3	33	-4.5	43	-2.2	69	5.5	54	
BGI Extended Equity Index Fund	-10.4	39	-39.0	59	-15.1	33	-3.7	36	--	--	3.9	--	10/31/02
Dow Jones U.S. Completion Total Stock Market Index	-9.3	31	-38.7	56	-15.0	31	-3.8	36	--	--	4.0	--	
Western U.S. Index Plus	-5.2	22	-49.6	98	--	--	--	--	--	--	-41.5	--	5/31/07
S&P 500 Index	-11.0	67	-38.1	60	--	--	--	--	--	--	-28.3	--	
BGI Equity Market Fund	-10.7	62	--	--	--	--	--	--	--	--	-42.0	--	5/31/08
Dow Jones U.S. Total Stock Market Index	-10.6	60	--	--	--	--	--	--	--	--	-42.1	--	

Commentary on Investment Performance

The collective return of the U.S. equity component fell 11.2% and trailed the Performance Benchmark by 0.6 percentage points. Underperformance was due to negative tracking error experienced by both BGI funds. Partially offsetting the period's underperformance was above-benchmark results from Western.

The U.S. equity component lagged the return of the Performance Benchmark by 2.8 percentage points over the trailing one-year period. Significant underperformance from Western was responsible for the component's below-benchmark return.

The U.S. equity portfolio's longer-term performance remains mixed. The portfolio has outperformed its benchmark during the trailing ten-year period, but it has underperformed over the trailing three- and five-year periods.

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 one-year attribution graphs is a result of the combined performance of the individual managers' benchmarks (the S&P 500 Index and the DJ U.S. Completion Total Stock Market Index) underperforming the U.S. equity component's Performance Benchmark (the DJ U.S. Total Stock Index).

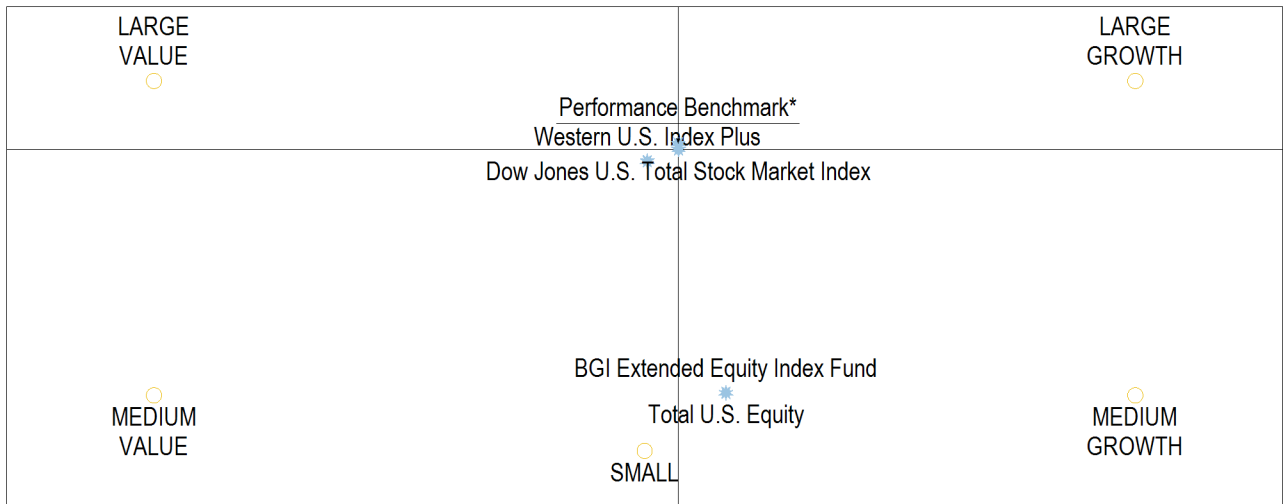
*The DJ U.S. Total Stock Market Index. The Index was formerly named the DJ Wilshire 5000 Index. Prior to May 2007, the Russell 3000 Index.

TOTAL U.S. EQUITY

\$718.3 Million and 36.3% of Fund

First Quarter 2009

EFFECTIVE STYLE MAP 5 YEARS ENDING 3/31/09



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 U.S. Total Stock Market 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 U.S. Total Stock Market Index, while managers plotting to the right are effectively more growth-oriented.

*The DJ U.S. Total Stock Market Index. The Index was formerly named the DJ Wilshire 5000 Index. Prior to May 2007, the Russell 3000 Index.

BGI EXTENDED EQUITY INDEX FUND

\$13.0 Million and 0.7% of Fund

First Quarter 2009

RETURN SUMMARY ENDING 3/31/09

	First Quarter		1 Year Ending 3/31/09		3 Years Ending 3/31/09		5 Years Ending 3/31/09		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI Extended Equity Index Fund	-10.4 %	39	-39.0 %	59	-15.1 %	33	-3.7 %	36	3.9 %	--	10/31/02
Dow Jones U.S. Completion Total Stock Market Index	-9.3	31	-38.7	56	-15.0	31	-3.8	36	4.0	--	

Philosophy and Process

The BGI Extended Market Index Fund provides investment in the U.S. equity market excluding those stocks represented in the S&P 500 Index. The Fund is passively managed using a "fund optimization" technique. The Fund typically invests all, or substantially all, assets in the 1,300 largest stocks in the Index and in a representative sample of the remainder. Stocks are selected based on appropriate industry weightings, market capitalizations, and certain fundamental characteristics (e.g. price/earnings ratio and dividend yield) that closely align the Fund's characteristics with those of its benchmark.

Commentary on Investment Performance

The BGI Extended Equity Index Fund experienced 1.1 percentage points of negative tracking relative to the Dow Jones U.S. Completion Total Stock Market Index (formally the Dow Jones Wilshire 4500 Index) during the quarter. The manager noted that the negative tracking error experienced was from not holding the publicly traded partnerships (PTPs) that outperformed the Index. The DJ U.S. Completion Total Stock Market Index includes PTPs but the Fund does not hold PTPs because of their potential to distribute unrelated business taxable income. While there will likely be tracking discrepancies on a quarter-to-quarter basis, we expect the difference to be minimal over longer time periods.

As expected, the Fund has approximated the Index over all longer-term trailing periods illustrated above.

HISTORICAL RETURNS

(BY YEAR)

	BGI Extended Equity Index Fund		Dow Jones U.S. Completion Total Stock Market 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	-38.4	58	-39.0	65	0.6
2009 (3 months)	-10.4	39	-9.3	31	-1.1
Trailing 1-Year	-39.0 %	59	-38.7 %	56	-0.3
Trailing 3-Year	-15.1	33	-15.0	31	-0.1
Trailing 5-Year	-3.7	36	-3.8	36	0.1
Since Inception (10/31/02)	3.9	--	4.0	--	-0.1

WESTERN U.S. INDEX PLUS

\$40.1 Million and 2.0% of Fund

First Quarter 2009

RETURN SUMMARY ENDING 3/31/09

	First Quarter		1 Year Ending 3/31/09		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	
Western U.S. Index Plus	-5.2%	22	-49.6%	98	-41.5%	--	5/31/07
S&P 500 Index	-11.0	67	-38.1	60	-28.3	--	

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

On March 25, 2009, Western announced it was laying off 126 employees, approximately 12% of its staff which totaled 1,046 employees at the end of 2008. The impetus for the recent layoffs can be attributed to the 2007/2008 financial crisis which had a detrimental impact on Western's performance across the vast majority of its products. While such changes to the broad personnel structure are material, EnnisKnupp views this development as less concerning as investment professionals were less impacted.

The firm also announced the addition of three senior fixed income investment professionals. Ivor Schucking will join as Senior Investment Grade Credit Analyst and will primarily cover the global financial sector. Dipankar Shewrama joined on April 14th as Head of Non-U.S. Investment Grade Credit and will be based in London. Western also announced the hiring of a Senior Portfolio Manager based in New York who is expected to join the firm in May of 2009, with a primary focus on insurance clients and accounts requiring customized and constrained total return solutions.

As of March 31, 2009, 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 7.4% allocation to U.S. securities rated below investment grade, exceeding the maximum 5% allocation stated in the guidelines. In addition, the portfolio held a 2.0% allocation to GMAC and a 1.5% allocation to Ford, which are both 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

Albeit with a negative return, the Western U.S. Index Plus portfolio outperformed the S&P 500 Index by 5.8 percentage points. Western's absolute performance suffered as a result of significant exposure to the mortgage-backed sector. Non-agency issues also hindered performance as defaults continued to impact the asset class. Conversely, Western's curve-steepening strategy had a positive impact on results. The portfolio also benefited from exposure to the high-yield sector.

The portfolio has significantly trailed the S&P 500 Index over the longer-term periods shown above. The portfolio's emphasis on lower quality bonds and the financial sector have detracted from performance.

WESTERN U.S. INDEX PLUS

\$40.1 Million and 2.0% of Fund

First Quarter 2009

	Portfolio Allocation	
	\$MM	%
Sector Distribution:		
Treasury	\$0.0	0%
Agency	0.0	0
<i>Investment Grade Corporates</i>		
Finance	3.3	8
Industrial	1.1	3
Utilities	0.8	2
High Yield Corporates	2.8	7
Yankee	0.0	0
Asset-Backed	2.8	7
Mortgage-Backed	21.7	54
Foreign Bonds	0.0	0
Emerging Market Debt	0.0	0
Cash	7.6	19
Other (Derivatives)	0	0
Total	\$40.1	100.0%

	Portfolio Allocation	
	\$MM	%
Quality Distribution:		
Treasury/Agency	\$0.0	0%
Aaa/AAA	28.6	71
Aa/AA	1.5	4
A/A	2.8	7
Baa/BBB	3.8	10
BB/Ba	0.6	1
B	0.3	1
Below B	2.5	6
Total	\$40.1	100.0%

The tables above illustrate the portfolio characteristics of the Western U.S. Index Plus as of March 31, 2009.

BGI Equity Market Fund

\$665.1 Million and 33.6% of Fund

First Quarter 2009

RETURN SUMMARY ENDING 3/31/09

	First Quarter		Since Inception		Inception Date
	Return	Rank	Return	Rank	
BGI Equity Market Fund	-10.7%	62	-42.0%	--	5/31/08
Dow Jones U.S. Total Stock Market Index	-10.6	60	-42.1	--	

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

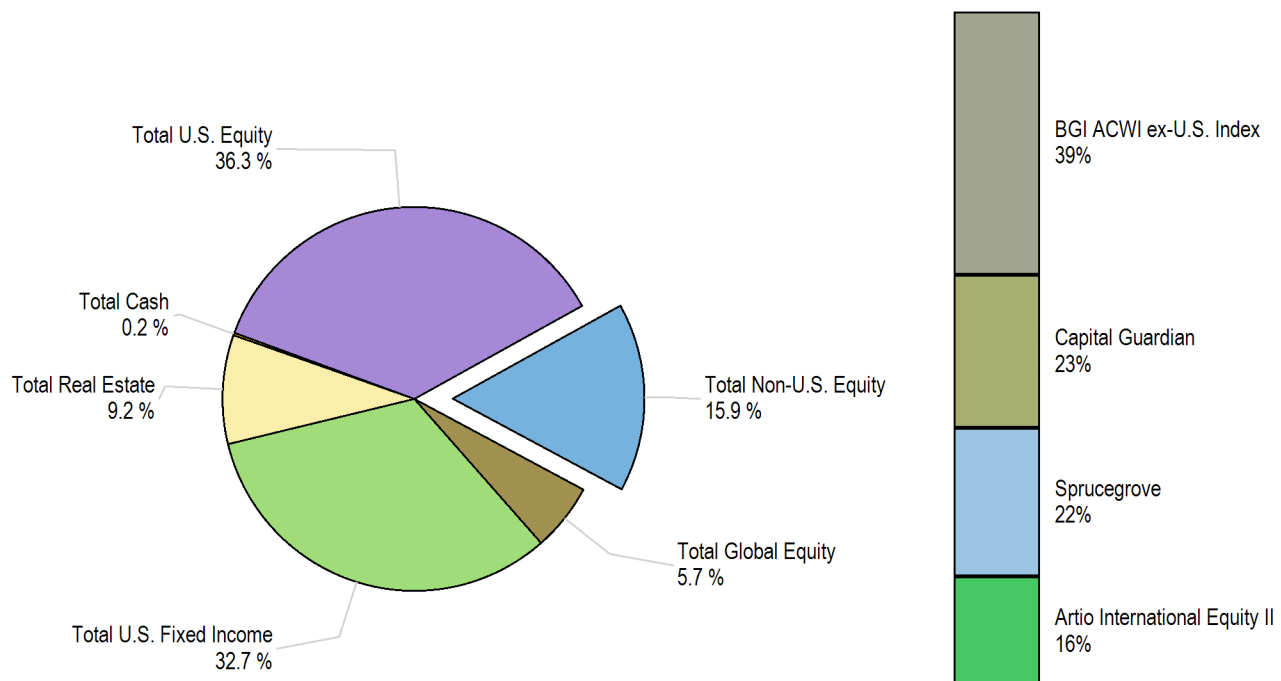
During the quarter, the Fund declined fell 10.7% and experienced approximately 10 basis points of negative tracking compared to the Dow Jones U.S. Total Stock Market Index (formally the Dow Jones Wilshire 5000 Index). While there will likely be tracking discrepancies on a quarter-to-quarter basis, we expect the differences to be minimal over longer time periods

Since the Fund's inception, it has approximated the return of the Index.

TOTAL NON-U.S. EQUITY
\$314.0 Million and 15.9% of Fund

First Quarter 2009

ASSET ALLOCATION
ACTUAL AS OF 3/31/09

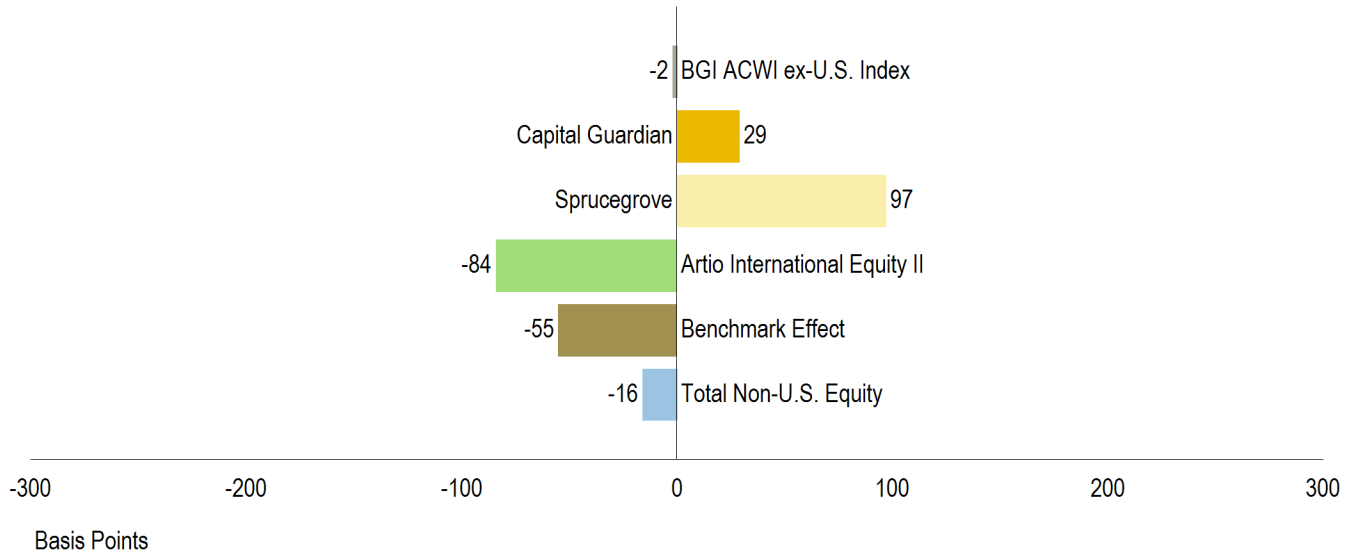


TOTAL NON-U.S. EQUITY

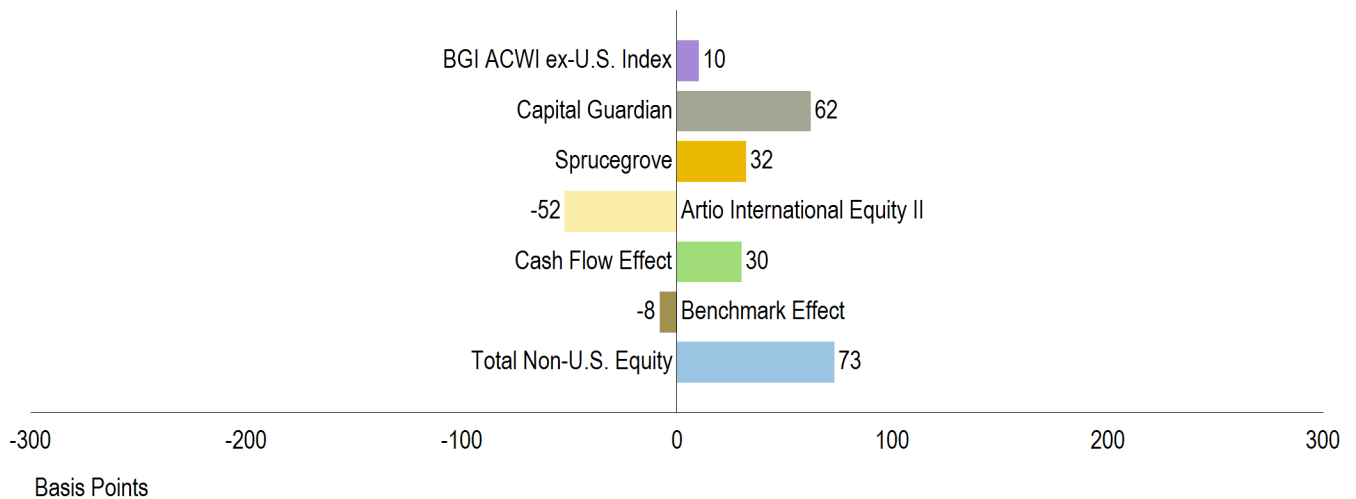
\$314.0 Million and 15.9% of Fund

First Quarter 2009

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 3/31/09



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 3/31/09



TOTAL NON-U.S. EQUITY
\$314.0 Million and 15.9% of Fund

First Quarter 2009

RETURN SUMMARY
ENDING 3/31/09

	First Quarter		1 Year Ending 3/31/09		3 Years Ending 3/31/09		5 Years Ending 3/31/09		10 Years Ending 3/31/09		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Non-U.S. Equity	-10.9 %	41	-45.7 %	49	-13.7 %	56	-1.2 %	46	1.2 %	55	4.6 %	35	3/31/94
Performance Benchmark*	-10.7	39	-46.5	60	-13.1	43	-0.7	37	0.1	74	2.9	70	
BGI ACWI ex-U.S. Index	-10.3	21	-46.3	49	--	--	--	--	--	--	-26.0	39	3/31/07
Performance Benchmark	-10.3	21	-46.6	54	--	--	--	--	--	--	-26.1	41	
Capital Guardian	-9.4	15	-43.6	29	-12.4	24	-0.4	27	--	--	-1.7	--	7/31/00
Performance Benchmark*	-10.7	27	-46.5	52	-13.1	32	-0.7	29	--	--	-1.4	--	
Sprucegrove	-9.5	15	-44.4	32	-13.1	29	-0.7	29	--	--	3.2	27	3/31/02
MSCI EAFE Index	-13.9	72	-46.5	54	-14.5	58	-2.2	61	--	--	1.1	61	
Artio International Equity II	-15.6	93	--	--	--	--	--	--	--	--	-15.2	--	10/31/08
MSCI All Country World ex-U.S. Index	-10.7	27	--	--	--	--	--	--	--	--	-11.1	--	

Commentary on Investment Performance

The non-U.S. equity portfolio declined 10.9% during the first quarter, trailing the MSCI All Country World ex-U.S. Index by 20 basis points. Artio's below-benchmark results were responsible for the portfolio's underperformance. Capital Guardian and Sprucegrove both saved value relative to their respective benchmarks, while BGI matched the return of its benchmark.

Over the trailing one-year period, the collective return of the non-U.S. equity portfolio declined 45.7%, but saved approximately 80 basis points in value compared to its benchmark. Similar to the quarter, both Capital Guardian and Sprucegrove saved value relative to their respective benchmarks. BGI experienced modest positive tracking during the quarter.

Over longer-term periods, the portfolio has produced mixed results. The portfolio has underperformed its benchmark over the trailing three- and five-year periods, while it has outperformed over the trailing ten-year and since inception periods.

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 graph is a result of the cumulative performance of the individual managers' benchmarks (the MSCI EAFE Index and the MSCI All Country World ex-U.S. IMI 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

\$122.6 Million and 6.2% of Fund

First Quarter 2009

RETURN SUMMARY ENDING 3/31/09

	First Quarter		1 Year Ending 3/31/09		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	
BGI ACWI ex-U.S. Index	-10.3 %	21	-46.3 %	49	-26.0 %	39	3/31/07
Performance Benchmark	-10.3	21	-46.6	54	-26.1	41	

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. IM Index.

Commentary on Investment Performance

The BGI ACWI ex-U.S. Index Fund generated a loss of 10.3% and matched the return of the MSCI All Country World ex-U.S. IMI Index during the quarter.

The Fund has approximated the returns of the MSCI All Country World ex-U.S. IMI Index over all long-term periods, as expected.

First Quarter 2009

RETURN SUMMARY
ENDING 3/31/09

	First Quarter		1 Year Ending 3/31/09		3 Years Ending 3/31/09		5 Years Ending 3/31/09		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Capital Guardian	-9.4 %	15	-43.6 %	29	-12.4 %	24	-0.4 %	27	-1.7 %	--	7/31/00
Performance Benchmark*	-10.7	27	-46.5	52	-13.1	32	-0.7	29	-1.4	--	

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

Although negative in absolute terms, Capital Guardian non-U.S. equity portfolio's return of -9.4% surpassed that of the MSCI All Country World ex-U.S. Index by 1.3 percentage points. According to the manager, the favorable performance resulted from positive stock selection in the health care sector. In addition, the strategy's overweight allocation to the information technology sector, which outperformed the Index, was additive. Specifically, securities in the semiconductor industry gained ground. The strategy further benefited from being underweight to the financial sector. In contrast, the strategy's overweight allocation to the telecommunications sector hurt results. Stock selection in the consumer staples and energy sectors also hampered performance.

The manager continues to believe that emerging markets are positioned to hold up well amidst the decline of global economic activity. To that end, the manager is looking to increase its positions in both China and India.

The portfolio's longer-term performance remains mixed. Capital Guardian has outperformed the return of its benchmark during the trailing one-, three-, and five-year periods, but has underperformed during the since-inception period.

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

CAPITAL GUARDIAN

\$71.4 Million and 3.6% of Fund

First Quarter 2009

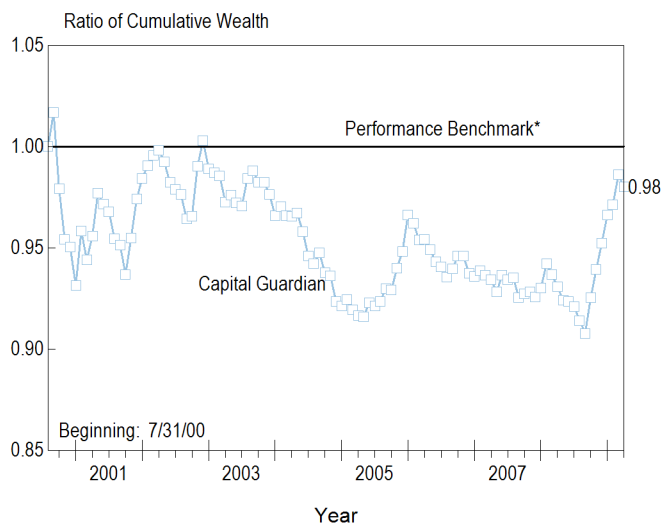
COUNTRY ALLOCATION RETURNS

3 MONTHS ENDING 3/31/09

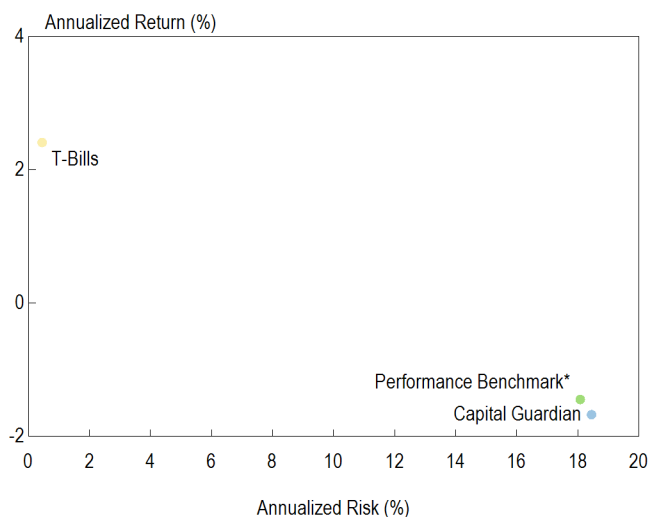
	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	0.2 %	0.3 %	-8.1 %
Belgium	0.1	0.7	-4.4
Czech Republic*	0.1	0.1	-15.7
Denmark	0.2	0.6	-11.3
Finland	--	0.9	-22.2
France	10.9	7.9	-16.0
Germany	5.1	6.0	-19.5
Greece	0.1	0.4	-12.6
Hungary*	0.1	0.1	-28.8
Ireland	1.0	0.3	-9.2
Italy	0.1	2.5	-20.6
Netherlands	3.3	1.7	-16.5
Norway	0.6	0.5	3.2
Poland*	0.1	0.2	-31.5
Portugal	--	0.3	-7.8
Russia*	0.8	1.2	5.9
Spain	0.8	3.2	-18.5
Sweden	1.4	1.7	-6.3
Switzerland	8.4	6.0	-15.4
United Kingdom	12.2	15.2	-10.7
Asia/Pacific			
Australia	1.8 %	5.1 %	-1.6 %
China*	3.9	3.7	1.3
Hong Kong	0.9	1.7	-0.5
India*	1.4	1.2	-1.5
Indonesia*	0.3	0.3	1.1
Japan	17.0	17.9	-16.6
Korea*	2.4	2.6	-0.5
Malaysia*	0.5	0.6	-3.1
New Zealand	--	0.1	-3.1
Philippines*	0.2	0.1	5.9
Singapore	0.6	0.9	-9.0
Taiwan, China*	1.7	2.3	8.3
Thailand*	0.2	0.3	-5.0
Americas			
Argentina*	--	0.0 %	-15.1 %
Brazil*	2.2 %	2.8	12.5
Canada	5.4	6.9	-3.6
Chile*	0.3	0.3	13.6
Colombia*	--	0.1	-10.1
Mexico*	3.5	0.9	-14.0
Peru*	--	0.1	6.5
Other			
Egypt*	0.2 %	0.1 %	-11.4 %
Israel*	0.5	0.7	5.6
Morocco*	--	0.1	-8.7
Other Countries*	1.2	--	--
South Africa*	1.8	1.5	-4.0
Turkey*	0.2	0.3	-12.7
Cash			
Cash	8.3 %	--	--
Total	100.0 %	100.0 %	-10.7 %
Developed	70.1	80.5	
Emerging*	21.6	19.6	
Cash	8.3	--	

First Quarter 2009

**RATIO OF CUMULATIVE WEALTH
8 YEARS 8 MONTHS ENDING 3/31/09**



**ANNUALIZED RISK RETURN
8 YEARS 8 MONTHS ENDING 3/31/09**



	Capital Guardian	MSCI All Country World ex-U.S. Index
Country Emphasis	Japan 17.0% United Kingdom 12.2% France 10.9% Switzerland 8.4% Canada 5.4%	Japan 17.9% United Kingdom 15.2% France 7.9% Canada 6.9% Switzerland 6.0%
Capitalization/Style Factors	Large Value	Large/Blend
Weighted Average Market Capitalization	\$31.4 billion	N/A
Number of Holdings	190	1,818
Top 5 Holdings **	CG Non-Small Cap Fund Roche Softbank Koninklijke Nintendo	Nestle BP Total HSBC Roche
Sector Emphasis	Financials	Financials
Cash Allocation	8.3%	N/A
Annual Turnover	71%	N/A
Total Fund Assets	\$71.4 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 International Non-U.S. Equity Fund

CAPITAL GUARDIAN

\$71.4 Million and 3.6% of Fund

First Quarter 2009

HISTORICAL RETURNS

(BY YEAR)

	Capital Guardian		Performance Benchmark*		Return Difference
	Return	Rank	Return	Rank	
2000 (5 months)	-13.0 %	--	-6.6 %	--	-6.4
2001	-17.0	29	-21.4	55	4.4
2002	-15.4	54	-15.8	57	0.4
2003	37.5	45	40.8	22	-3.3
2004	15.3	70	20.9	28	-5.6
2005	22.3	11	16.6	39	5.7
2006	22.6	78	26.7	45	-4.1
2007	15.9	29	16.7	25	-0.8
2008	-43.4	40	-45.5	60	2.1
2009 (3 months)	-9.4	15	-10.7	27	1.3
Trailing 1-Year	-43.6 %	29	-46.5 %	52	2.9
Trailing 3-Year	-12.4	24	-13.1	32	0.7
Trailing 5-Year	-0.4	27	-0.7	29	0.3
Since Inception (7/31/00)	-1.7	--	-1.4	--	-0.3

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

First Quarter 2009

**RETURN SUMMARY
ENDING 3/31/09**

	First Quarter		1 Year Ending 3/31/09		3 Years Ending 3/31/09		5 Years Ending 3/31/09		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Sprucegrove	-9.5 %	15	-44.4 %	32	-13.1 %	29	-0.7 %	29	3.2 %	27	3/31/02
MSCI EAFE Index	-13.9	72	-46.5	54	-14.5	58	-2.2	61	1.1	61	

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

Sprucegrove's quarter return of -9.5% saved 4.4 percentage points in value relative to the MSCI EAFE Index during the first quarter. The manager noted top performers included companies in the technology and consumer discretionary sectors. The Fund also benefited from favorable stock selection in the utilities and industrials sectors and an underweight allocation to financials. In country terms, favorable stock selection in Japan aided results, while emerging market holdings contributed positively to performance. An overweight allocation to Ireland and weak stock selection within the U.K. hindered performance.

The Fund's longer-term results remains favorable on a relative basis. Sprucegrove has outperformed the return of the MSCI EAFE Index during all trailing periods illustrated above.

SPRUCEGROVE

\$69.0 Million and 3.5% of Fund

First Quarter 2009

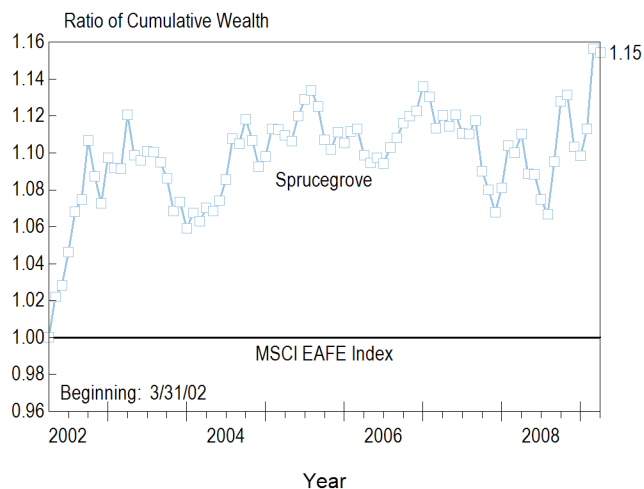
COUNTRY ALLOCATION/RETURNS

3 MONTHS ENDING 3/31/09

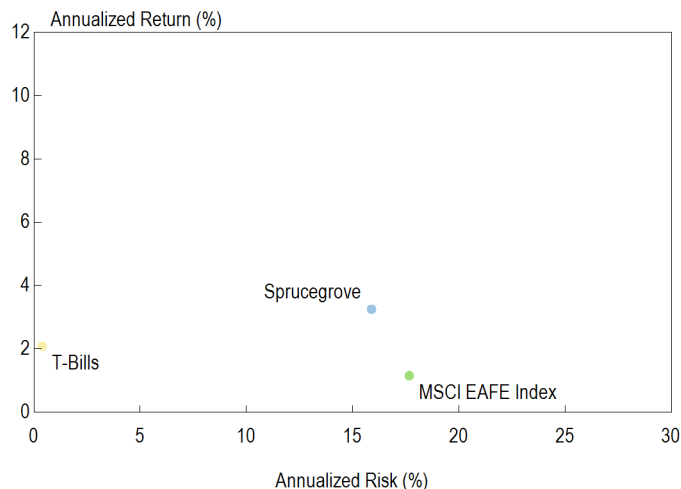
	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	0.0 %	0.3 %	-8.1 %
Belgium	0.0	0.9	-4.4
Czech Republic*	0.0	--	-15.7
Denmark	0.0	0.9	-11.3
Finland	1.5	1.3	-22.2
France	4.1	10.7	-16.0
Germany	3.8	8.1	-19.5
Greece	0.0	0.5	-12.6
Hungary*	0.5	--	-28.8
Ireland	4.8	0.3	-9.2
Italy	2.6	3.4	-20.6
Netherlands	1.6	2.3	-16.5
Norway	0.0	0.7	3.2
Poland*	0.0	--	-31.5
Portugal	0.0	0.4	-7.8
Russia*	0.0	--	5.9
Spain	1.1	4.3	-18.5
Sweden	0.0	2.3	-6.3
Switzerland	12.2	8.2	-15.4
United Kingdom	14.6	20.7	-10.7
Asia/Pacific			
Australia	1.1 %	6.9 %	-1.6 %
China*	0.0	--	1.3
Hong Kong	5.3	2.3	-0.5
India*	2.9	--	-1.5
Indonesia*	0.0	--	1.1
Japan	23.0	24.3	-16.6
Korea*	3.9	--	-0.5
Malaysia*	0.9	--	-3.1
New Zealand	0.0	0.1	-3.1
Pakistan*	0.0	--	--
Philippines*	0.0	--	5.9
Singapore	4.2	1.2	-9.0
Sri Lanka*	0.0	--	--
Taiwan, China*	0.0	--	8.3
Thailand*	0.0	--	-5.0
Americas			
Argentina*	0.0 %	--	-15.1 %
Brazil*	1.5	--	12.5
Canada	2.6	--	-3.6
Chile*	0.0	--	13.6
Colombia*	0.0	--	-10.1
Mexico*	1.8	--	-14.0
Peru*	0.0	--	6.5
United States	0.0	--	-10.7
Venezuela*	0.0	--	--
Other			
Egypt*	0.0 %	--	-11.4 %
Israel*	0.0	--	5.6
Morocco*	0.0	--	-8.7
Jordan*	0.0	--	--
Other Countries*	0.0	--	--
South Africa*	1.2	--	-4.0
Turkey*	0.0	--	-12.7
Cash			
Cash	4.8 %	--	--
Total	100.0 %	100.0 %	-13.9 %
Developed	82.5	100.0	
Emerging*	12.7	--	
Cash	4.8	--	

First Quarter 2009

**RATIO OF CUMULATIVE WEALTH
7 YEARS ENDING 3/31/09**



**ANNUALIZED RISK RETURN
7 YEARS ENDING 3/31/09**



	Sprucegrove	MSCI EAFE
Country Emphasis	Japan 23.0% United Kingdom 14.6% Switzerland 12.2% Hong Kong 5.3% Ireland 4.8%	Japan 24.3% United Kingdom 20.7% France 10.7% Switzerland 8.2% Germany 8.1%
Capitalization/Style Factors	Large Value	Large/Blend
Weighted Average Market Capitalization	\$18.0 billion	N/A
Number of Holdings	98	983
Top 5 Holdings	Novartis Nestle Total CRH Honda Motor	Nestle BP Total HSBC Roche
Sector Emphasis	Consumer Discretionary	Financials
Cash Allocation	4.8%	N/A
Annual Turnover	11%	N/A
Total Fund Assets	\$69.0 million	N/A
Inception Date	4/1/2002	N/A
Portfolio Manager	Team Approach	N/A

SPRUCEGROVE

\$69.0 Million and 3.5% of Fund

First Quarter 2009

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	13.5	69	0.8
2006	29.9	20	26.3	50	3.6
2007	5.8	88	11.2	56	-5.4
2008	-42.5	33	-43.4	40	0.9
2009 (3 months)	-9.5	15	-13.9	72	4.4
Trailing 1-Year	-44.4 %	32	-46.5 %	54	2.1
Trailing 3-Year	-13.1	29	-14.5	58	1.4
Trailing 5-Year	-0.7	29	-2.2	61	1.5
Since Inception (3/31/02)	3.2	27	1.1	61	2.1

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

First Quarter 2009

RETURN SUMMARY

ENDING 3/31/09

	First Quarter		Since Inception		Inception Date
	Return	Rank	Return	Rank	
Artio International Equity II	-15.6 %	93	-15.2 %	--	10/31/08
MSCI All Country World ex-U.S. Index	-10.7	27	-11.1	--	

Philosophy and Process

Artio's International Equity II strategy is a core, primarily top-down, non-U.S. equity product offering with market capitalization exposure similar to that of the MSCI All Country World ex-U.S. Index. The investment process starts from a macro perspective with focus on how changing global factors will impact individual industries, sectors, and countries. While every member of the investment team is involved at each step of the investment process, it is Mr. Younes who is the primary driver of investment thought and new idea generation. The team applies different fundamental factors to each industry, sector, and country. Country factor analysis is a dominating tool as it pertains to emerging markets. While the investment process is predominately theme-based, bottom-up analysis is employed once specific pockets of relative value are discovered through the top-down process. Artio's bottom-up analysis focuses on industry/country fundamentals, growth expectations, assessment of management, and relative valuation.

Commentary on Investment Performance

During the quarter, Artio generated a loss of 15.6% and lagged the return of the MSCI All Country World ex-U.S. Index by 4.9 percentage points. According to the manager, the bulk of the underperformance came from the Fund's positioning in eastern and central Europe. Another source of detractor was the Fund's underweight position to the financials sector. Not holding banks in the developed markets was advantageous in the first 2 months of the quarter. However, as the market rebounded in March, the net effect was negative for the quarter. The manager continues to believe that European banks face more challenging times ahead than U.S. commercial banks and are comfortable remaining on the sidelines while governments decide a proper course of action. Regarding Japan, the Fund received positive contribution from its stock holdings. The manager also noted that valuation levels are becoming more enticing and have started to decrease its underweight position to this country.

From a portfolio positioning perspective, the Fund is still heavily underweight to the financials sector and is overweight to the materials and energy sectors. The manager believes that as China and the U.S. have proposed broad infrastructure plans as part of their respective economic stimulus packages, certain industries stand to benefit. To that end, they're looking for companies that are well positioned as market leaders in the construction, energy, capital goods, and metals and mining industries.

Artio has trailed the return of the MSCI All Country World ex-U.S. Index since its inception.

Artio International Equity II

\$51.0 Million and 2.6% of Fund

First Quarter 2009

COUNTRY ALLOCATION/RETURNS

3 MONTHS ENDING 3/31/09

	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	0.7 %	0.3 %	-8.1 %
Belgium	0.3	0.7	-4.4
Czech Republic*	1.4	0.1	-15.7
Denmark	0.4	0.6	-11.3
Finland	0.7	0.9	-22.2
France	13.6	7.9	-16.0
Germany	7.6	6.0	-19.5
Greece	0.1	0.4	-12.6
Hungary*	0.9	0.1	-28.8
Ireland	1.6	0.3	-9.2
Italy	3.9	2.5	-20.6
Netherlands	6.4	1.7	-16.5
Norway	1.0	0.5	3.2
Poland*	0.7	0.2	-31.5
Portugal	0.3	0.3	-7.8
Russia*	0.2	1.2	5.9
Spain	2.1	3.2	-18.5
Sweden	1.9	1.7	-6.3
Switzerland	7.4	6.0	-15.4
United Kingdom	14.3	15.2	-10.7
Asia/Pacific			
Australia	4.5 %	5.1 %	-1.6 %
China*	0.5	3.7	1.3
Hong Kong	1.5	1.7	-0.5
India*	0.1	1.2	-1.5
Indonesia*	0.0	0.3	1.1
Japan	13.2	17.9	-16.6
Korea*	2.7	2.6	-0.5
Malaysia*	0.0	0.6	-3.1
New Zealand	0.0	0.1	-3.1
Pakistan*	0.0	--	--
Philippines*	0.0	0.1	5.9
Singapore	0.1	0.9	-9.0
Sri Lanka*	0.0	--	--
Taiwan, China*	0.1	2.3	8.3
Thailand*	0.0	0.3	-5.0
Americas			
Argentina*	0.0 %	0.0 %	-15.1 %
Brazil*	1.2	2.8	12.5
Canada	1.2	6.9	-3.6
Chile*	0.0	0.3	13.6
Colombia*	0.0	0.1	-10.1
Mexico*	0.1	0.9	-14.0
Peru*	0.0	0.1	6.5
United States	0.2	--	--
Venezuela*	0.0	--	--
Other			
Egypt*	0.0 %	0.1 %	-11.4 %
Israel*	0.0	0.7	5.6
Morocco*	0.0	0.1	-8.7
Jordan*	0.0	--	--
Other Countries*	0.0	--	--
South Africa*	0.1	1.5	-4.0
Turkey*	0.0	0.3	-12.7
Cash			
Cash	9.1 %	--	--
Total	100.0 %	100.0 %	-10.7 %
Developed	82.9	80.5	
Emerging*	8.0	19.6	
Cash	9.1	--	

Artio International Equity II

\$51.0 Million and 2.6% of Fund

First Quarter 2009

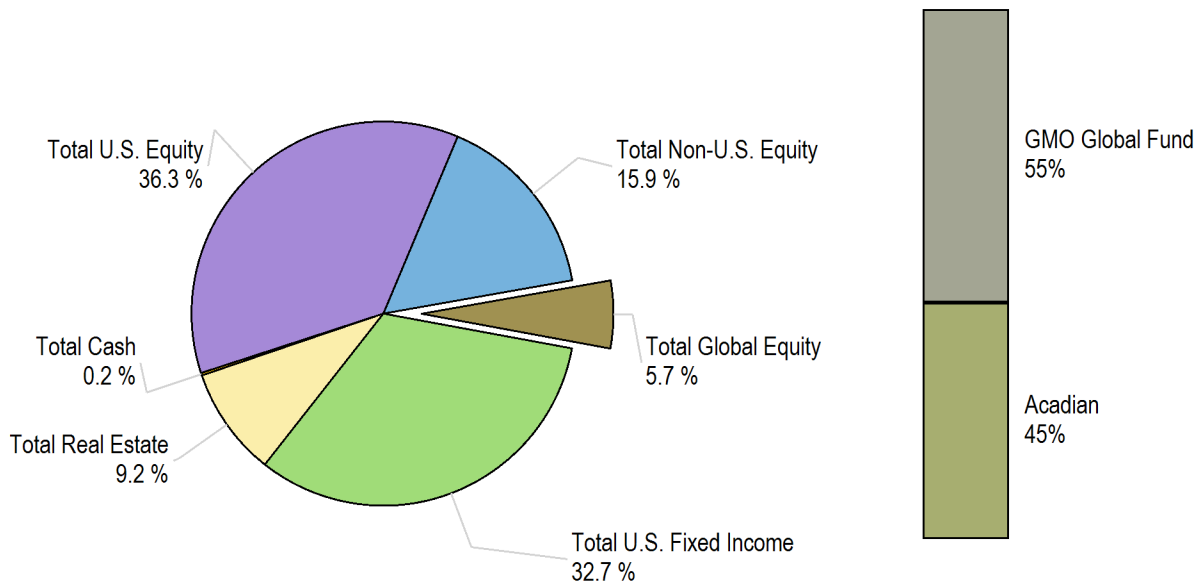
	Artio International Equity II	MSCI All Country World ex-U.S. Index
Country Emphasis	United Kingdom 14.3% France 13.6% Japan 13.2% Germany 7.6% Switzerland 7.4%	Japan 17.9% United Kingdom 15.2% France 7.9% Canada 6.9% Switzerland 6.0%
Weighted Average Market Capitalization	\$43.8 billion	N/A
Number of Holdings	178	1,818
Top 5 Holdings **	Total Nestle ENI Royal Dutch Sell Class France Telecom	Nestle BP Total HSBC Roche
Sector Emphasis	Materials	Financials
Cash Allocation	9.1%	N/A
Annual Turnover	averages 60-100%	N/A
Total Fund Assets	\$51.0 million	N/A
Inception Date	10/31/2008	N/A
Portfolio Manager	Team Managed	N/A

TOTAL GLOBAL EQUITY

\$112.2 Million and 5.7% of Fund

First Quarter 2009

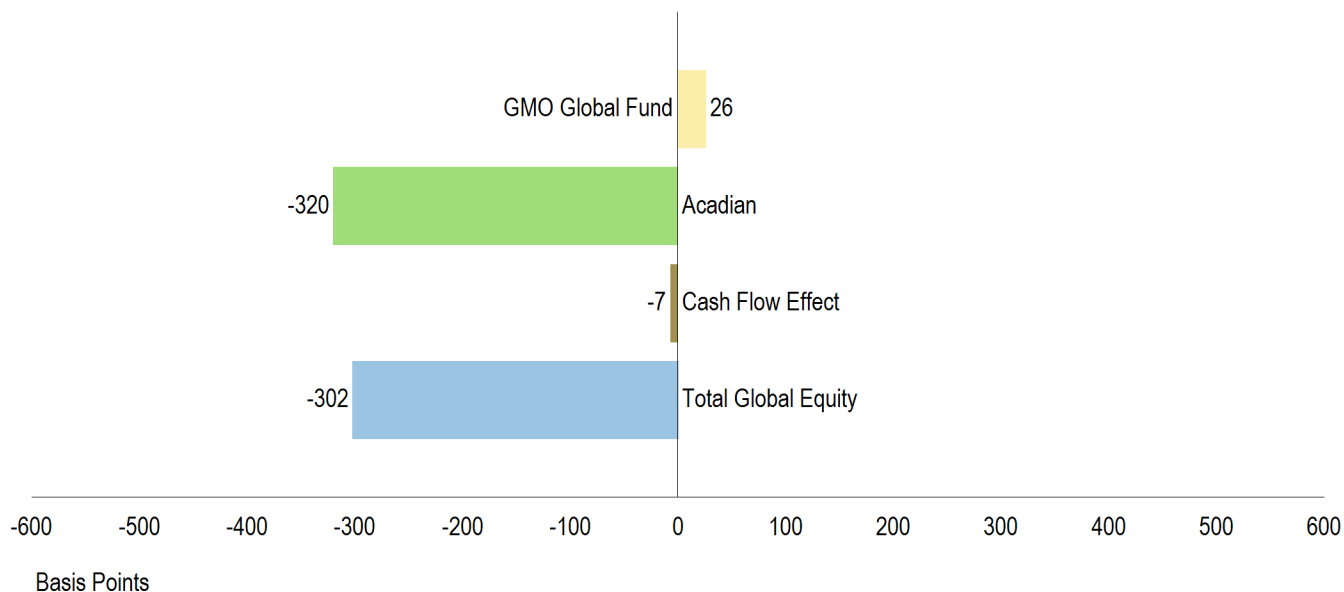
ASSET ALLOCATION ACTUAL AS OF 3/31/09



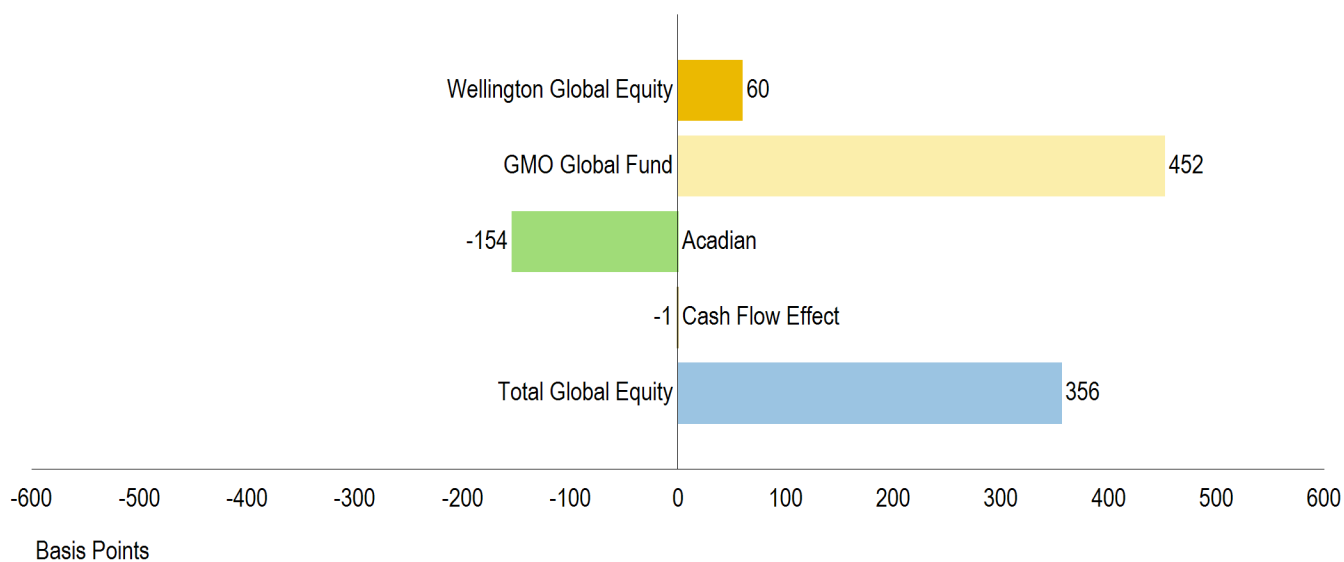
TOTAL GLOBAL EQUITY
\$112.2 Million and 5.7% of Fund

First Quarter 2009

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 3/31/09



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 3/31/09



TOTAL GLOBAL EQUITY

\$112.2 Million and 5.7% of Fund

First Quarter 2009

RETURN SUMMARY ENDING 3/31/09

	First Quarter		1 Year Ending 3/31/09		3 Years Ending 3/31/09		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total Global Equity	-13.7 %	90	-39.5 %	23	-12.3 %	30	-5.2 %	--	4/30/05
MSCI All Country World Index	-10.7	64	-43.1	46	-13.3	37	-5.6	--	
GMO Global Fund	-10.2	59	-34.1	16	-9.6	8	-2.5	--	4/30/05
MSCI All Country World Index	-10.7	64	-43.1	46	-13.3	37	-5.6	--	
Acadian	-17.6	99	--	--	--	--	-49.8	--	5/31/08
MSCI All Country World Index	-10.7	64	--	--	--	--	-46.9	--	

Commentary on Investment Performance

During the first quarter, the collective return of the global equity portfolio declined 13.7% and lagged the return of the MSCI All Country World Index by 3.0 percentage points. Underperformance was attributed to Acadian's weak relative performance, while GMO's above-benchmark return partially offset performance.

The portfolio's trailing one- year return of -39.5% saved approximately 3.6 percentage points in value relative to the Index. Above benchmark returns from GMO contributed to the portfolio's relative outperformance.

Since the global equity portfolio's inception, the portfolio has outpaced the return of the MSCI All Country World Index by 40 basis points.

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.

First Quarter 2009

RETURN SUMMARY
ENDING 3/31/09

	First Quarter		1 Year Ending 3/31/09		3 Years Ending 3/31/09		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
GMO Global Fund	-10.2 %	59	-34.1 %	16	-9.6 %	8	-2.5 %	--	4/30/05
MSCI All Country World Index	-10.7	64	-43.1	46	-13.3	37	-5.6	--	

Philosophy and Process

Grantham Mayo Van Otterloo's (GMO) Global Asset Allocation strategy uses quantitative methods to allocate among the firm's mutual funds including U.S. equity, non-U.S. developed market equity, emerging markets, fixed income, and real estate funds. GMO attempts to add value from allocations across sectors as well as security selection within sectors. The firm desires to make large bets on a few high-conviction opportunities, while still incurring less absolute risk than the benchmark. GMO does not employ a traditional team of fundamental security analysts. Instead, they attempt to exploit market inefficiencies by evaluating asset classes and individual securities largely through quantitative analysis. They believe their edge lies in their ability to interpret already available information, as opposed to an explicit information edge. Although the process will consider both valuation and momentum factors in selecting stocks, the portfolio will tend to exhibit value characteristics.

Commentary on Investment Performance

The GMO Global Equity Allocation Fund's return of -10.2% saved value relative to the MSCI All Country World Index during the first quarter. The manager noted that its asset allocation decisions contributed the most to relative performance. Although overall the Fund's implementation decisions detracted from performance, there were certain strategies that saved value. In particular, the Fund's U.S. Quality and U.S. Core strategies outperformed their respective benchmarks. In contrast the Fund's Flexible Equities and Emerging Markets strategies subtracted value. Holding a significant cash allocation, 4.6% at quarter-end, favored performance.

Although negative in absolute value, the Fund's longer-term performance remains favorable as illustrated above. The Fund has saved value relative to the MSCI All Country World Index during all long-term performance shown above.

GMO

\$62.1 Million and 3.1% of Fund

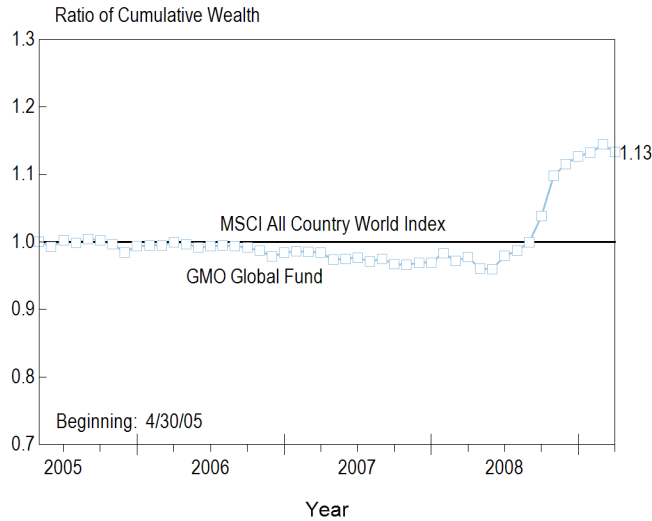
First Quarter 2009

COUNTRY ALLOCATION/RETURNS 3 MONTHS ENDING 3/31/09

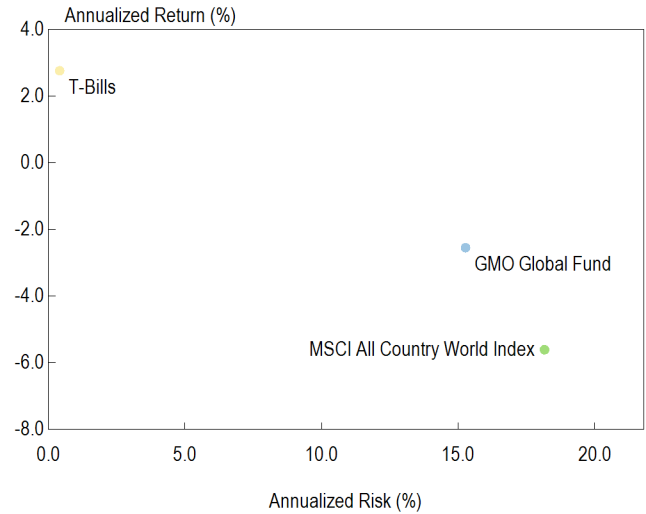
	Manager Allocation	Index Allocation	Index Return
Europe			
Austria	0.0 %	0.1 %	-8.1 %
Belgium	0.3	0.4	-4.4
Czech Republic*	0.0	0.1	-15.7
Denmark	0.4	0.4	-11.3
Finland	0.5	0.5	-22.2
France	4.0	4.3	-16.0
Germany	2.5	3.3	-19.5
Greece	0.1	0.2	-12.6
Hungary*	--	0.1	-28.8
Ireland	0.1	0.1	-9.2
Italy	1.3	1.4	-20.6
Netherlands	1.1	0.9	-16.5
Norway	0.2	0.3	3.2
Poland*	0.1	0.1	-31.5
Portugal	0.0	0.2	-7.8
Russia*	0.5	0.7	5.9
Spain	0.6	1.8	-18.5
Sweden	0.7	0.9	-6.3
Switzerland	4.1	3.3	-15.4
United Kingdom	8.1	8.4	-10.7
Asia/Pacific			
Australia	1.2 %	2.8 %	-1.6 %
China*	1.4	2.0	1.3
Hong Kong	0.6	0.9	-0.5
India*	0.2	0.7	-1.5
Indonesia*	0.1	0.2	1.1
Japan	12.4	9.9	-16.6
Korea*	1.9	1.4	-0.5
Malaysia*	0.3	0.3	-3.1
New Zealand	--	0.0	-3.1
Philippines*	0.1	0.1	5.9
Singapore	0.5	0.5	-9.0
Taiwan, China*	1.3	1.3	8.3
Thailand*	0.4	0.1	-5.0
Americas			
Argentina*	--	0.0 %	-15.1 %
Brazil*	1.8 %	1.5	12.5
Canada	0.6	3.8	-3.6
Chile*	0.1	0.2	13.6
Colombia*	0.0	0.1	-10.1
Mexico*	0.1	0.5	-14.0
Peru*	0.0	0.1	6.5
United States	46.5	44.7	-10.7
Other			
Egypt*	0.0 %	0.1 %	-11.4 %
Israel*	0.2	0.4	5.6
Morocco*	--	0.1	-8.7
South Africa*	0.6	0.9	-4.0
Turkey*	0.5	0.1	-12.7
Cash			
Cash	4.6 %	--	--
Total	100.0 %	100.0 %	-10.7 %
Developed	85.8	89.2	
Emerging*	9.6	10.8	
Cash	4.6	--	

First Quarter 2009

**RATIO OF CUMULATIVE WEALTH
3 YEARS 11 MONTHS ENDING 3/31/09**



**ANNUALIZED RISK RETURN
3 YEARS 11 MONTHS ENDING 3/31/09**



**HISTORICAL RETURNS
(BY YEAR)**

	GMO Global Fund		MSCI All Country World Index		Return Difference
	Return	Rank	Return	Rank	
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	-32.8	9	-42.2	53	9.4
2009 (3 months)	-10.2	59	-10.7	64	0.5
Trailing 1-Year	-34.1 %	16	-43.1 %	46	9.0
Trailing 3-Year	-9.6	8	-13.3	37	3.7
Since Inception (4/30/05)	-2.5	--	-5.6	--	3.1

ACADIAN

\$50.1 Million and 2.5% of Fund

First Quarter 2009

RETURN SUMMARY ENDING 3/31/09

	First Quarter		Since Inception		Inception Date
	Return	Rank	Return	Rank	
Acadian	-17.6%	99	-49.8%	--	5/31/08
MSCI All Country World Index	-10.7	64	-46.9	--	

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 from 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 utilize ADRs to short emerging markets.

Manager Monitoring

In April, Acadian announced it had reduced its total staff by approximately 8% in ongoing efforts to reduce and manage costs during current challenging market conditions. The majority of the staff reduction came from the IT group. Acadian stated that it continues to be a profitable and viable organization. EnnisKnupp views this development as less concerning as no key personnel including portfolio managers were affected.

Commentary on Investment Performance

The Acadian Global with Opportunistic Shorting Fund generated a loss of 17.6% and trailed the return of the MSCI All Country World Index by 6.9 percentage points. Weak stock selection coupled with overweight allocations to the U.S. and Germany hindered results. Poor stock selection and an underweight position to Japan also detracted from performance. Additionally, an underweight allocation to Norway hurt results as Norway was the only developed country to produce a positive first quarter return. Conversely, the Fund's overweight allocation to Russia and China benefited performance.

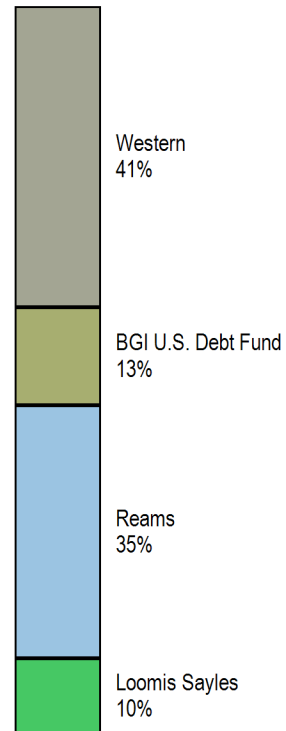
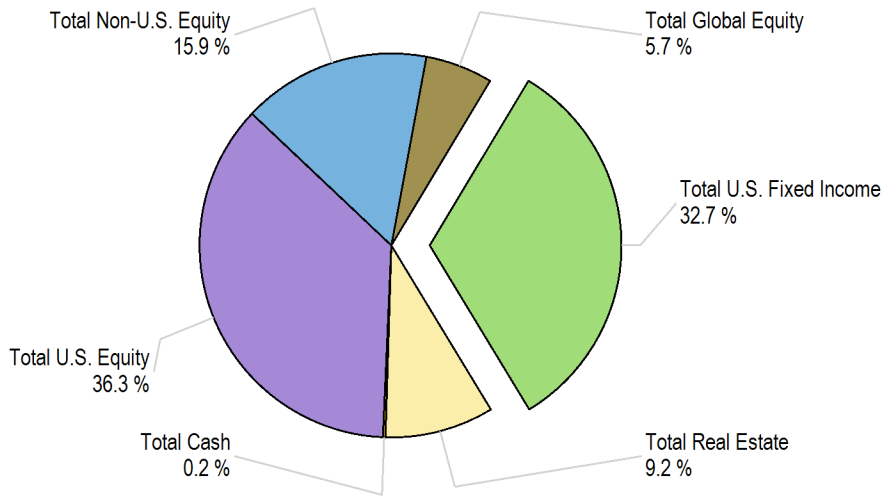
Acadian has trailed the return of the MSCI All Country World Index since its inception as a result of recent weak performance.

TOTAL U.S. FIXED INCOME

\$646.4 Million and 32.7% of Fund

First Quarter 2009

ASSET ALLOCATION ACTUAL AS OF 3/31/09

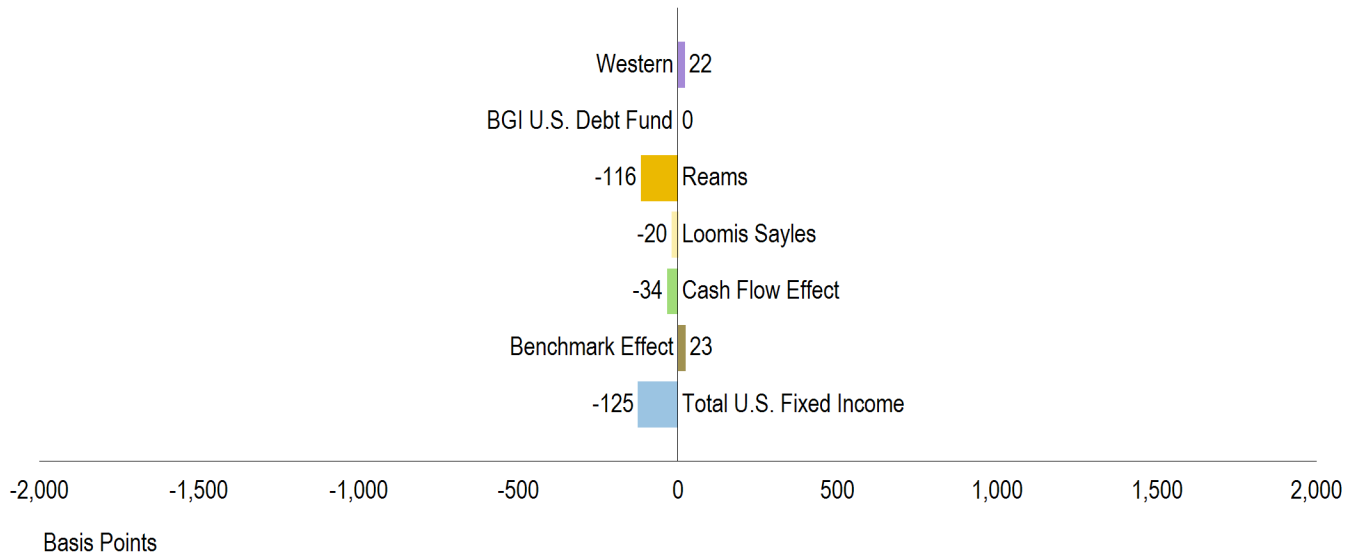


TOTAL U.S. FIXED INCOME

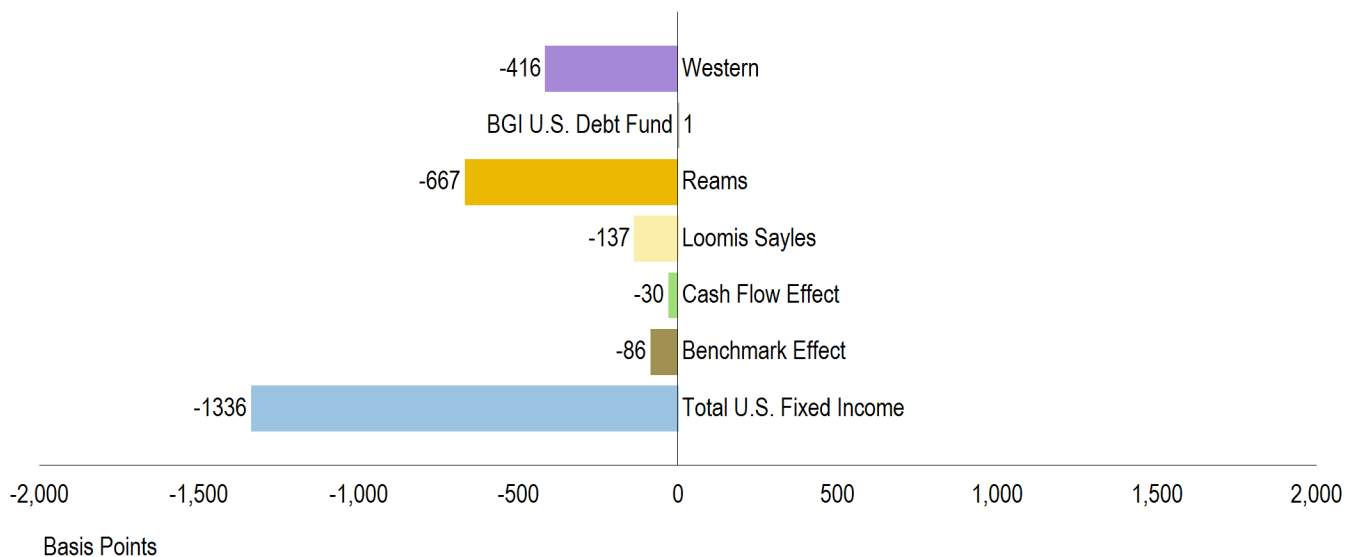
\$646.4 Million and 32.7% of Fund

First Quarter 2009

MANAGER ATTRIBUTION ANALYSIS 3 MONTHS ENDING 3/31/09



MANAGER ATTRIBUTION ANALYSIS 1 YEAR ENDING 3/31/09



TOTAL U.S. FIXED INCOME**\$646.4 Million and 32.7% of Fund****First Quarter 2009****RETURN SUMMARY
ENDING 3/31/09**

	First Quarter		1 Year Ending 3/31/09		3 Years Ending 3/31/09		5 Years Ending 3/31/09		10 Years Ending 3/31/09		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Total U.S. Fixed Income	-1.1 %	84	-10.2 %	85	0.5 %	76	1.3 %	78	4.4 %	--	5.1 %	--	2/28/94
Barclays Capital Aggregate Bond Index	0.1	60	3.1	7	5.8	8	4.1	12	5.7	--	6.2	--	
Western	0.7	43	-8.1	85	0.5	87	1.6	79	4.9	67	5.4	67	12/31/96
Barclays Capital Aggregate Bond Index	0.1	64	3.1	20	5.8	23	4.1	24	5.7	20	6.1	17	
BGI U.S. Debt Fund	0.1	64	3.2	20	5.8	21	4.2	23	5.7	16	6.0	--	11/30/95
Barclays Capital Aggregate Bond Index	0.1	64	3.1	20	5.8	23	4.1	24	5.7	20	6.0	--	
Reams	-3.4	99	-16.4	98	-1.3	94	0.4	94	--	--	2.2	96	9/30/01
Barclays Capital Aggregate Bond Index	0.1	64	3.1	20	5.8	23	4.1	24	--	--	5.0	20	
Loomis Sayles	0.4	56	-18.3	99	-2.6	98	--	--	--	--	-1.6	--	7/31/05
Performance Benchmark	2.5	4	-5.9	77	1.7	74	--	--	--	--	1.7	--	

Commentary on Investment Performance

During the quarter, the U.S. fixed income component returned -1.1% compared to the Barclays Capital Aggregate Bond Index's return of 0.1%. Reams and Loomis Sayles both contributed negatively to the component's return, while Western added value on an absolute and relative basis. As expected, BGI matched the return of the Index.

Over the trailing one-year period, the U.S. fixed income component declined 10.2% and trailed the return of the Index by 13.3 percentage points. Underperformance was a result of all the component's underlying managers producing below-benchmark results.

Although positive on an absolute basis, the component's longer-term performance remains unfavorable relative the Barclays Capital Aggregate Bond 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 graph is a result of one of the individual manager's benchmark (performance benchmark of Loomis Sayles) outperforming the fixed income component's benchmark (Barclays Capital Aggregate Bond Index). Additionally, the benchmark effect in the one-year attribution graph is a result of the cumulative performance of one of the individual manager's benchmark (performance benchmark of Loomis Sayles) underperforming the fixed income component's benchmark (Barclays Capital Aggregate Bond Index).

WESTERN

\$267.6 Million and 13.5% of Fund

First Quarter 2009

RETURN SUMMARY

ENDING 3/31/09

	First Quarter		1 Year Ending 3/31/09		3 Years Ending 3/31/09		5 Years Ending 3/31/09		10 Years Ending 3/31/09		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Western	0.7%	43	-8.1%	85	0.5%	87	1.6%	79	4.9%	67	5.4%	67	12/31/96
Barclays Capital Aggregate Bond Index	0.1	64	3.1	20	5.8	23	4.1	24	5.7	20	6.1	17	

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 March 25, 2009, Western announced it was laying off 126 employees, approximately 12% of its staff which totaled 1,046 employees at the end of 2008. The impetus for the recent layoffs can be attributed to the 2007/2008 financial crisis which had a detrimental impact on Western's performance across the vast majority of its products. While such changes to the broad personnel structure are material, EnnisKnupp views this development as less concerning as investment professionals were less impacted.

The firm also announced the addition of three senior fixed income investment professionals. Ivor Schucking will join as Senior Investment Grade Credit Analyst and will primarily cover the global financial sector. Dipankar Shewrama joined on April 14th as Head of Non-U.S. Investment Grade Credit and will be based in London. Western also announced the hiring of a Senior Portfolio Manager based in New York who is expected to join the firm in May of 2009, with a primary focus on insurance clients and accounts requiring customized and constrained total return solutions.

Commentary on Investment Performance

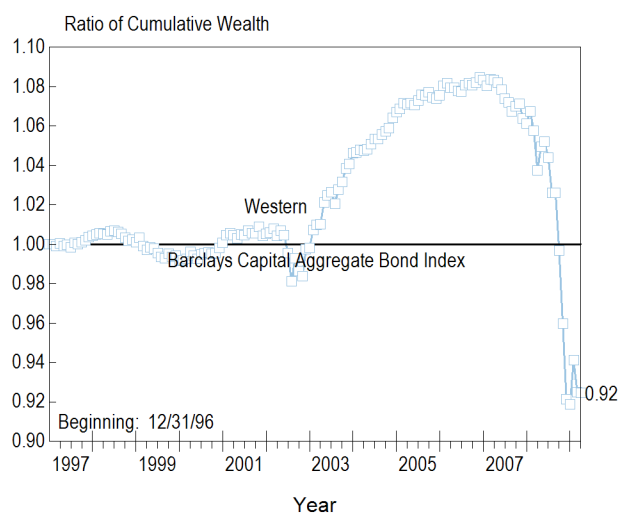
The Western U.S. Core Full composite advanced 0.7% and outperformed the Barclays Capital Aggregate Bond Index during the first quarter. The manager's exposure to Treasury Inflation-Protected securities and high yield bonds aided performance. High yield spreads narrowed in concurrence with equity markets' rally in March. The manager's credit positions detracted from relative value as the emphasis on financials hindered results. Additionally, allocation to low-quality, high-yield bonds hindered results. The non-agency mortgage market struggled early in the quarter. However, this segment appeared to reflect a rebound in March in response to policy actions aimed at providing liquidity and credit to the markets. For instance, the Term Asset-Backed Securities Loan Facility (TALF) that was created in November was designed to have just that effect on the credit markets.

Western continued to struggle relative to the Index over the trailing one-year period, as it underperformed the Index by 11.2 percentage points. While the portfolio has experienced dramatic mark-to-market losses, the portfolio's securities continue to pay coupons and there has been no principal impairment. Western does not plan on changing the composition of its portfolio as the manager is awaiting normalcy to return to the fixed income markets in order to realize its yield advantage versus the benchmark.

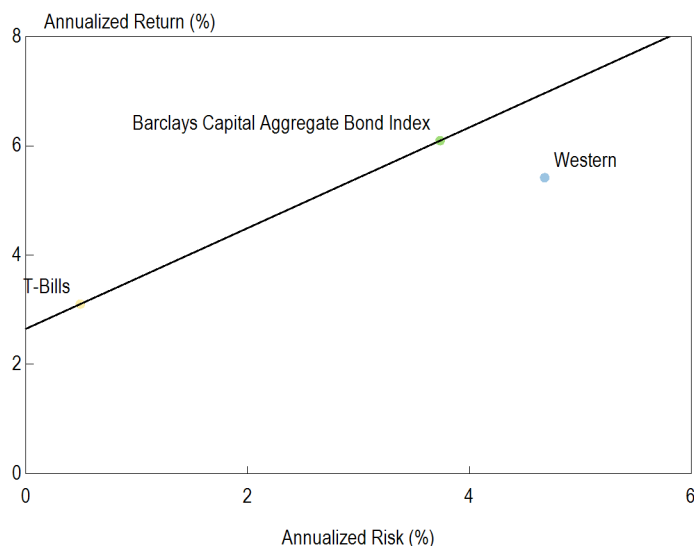
The Fund's long-term performance remains unfavorable, as it has lagged the return of the Index during all periods illustrated above.

First Quarter 2009

**RATIO OF CUMULATIVE WEALTH
12 YEARS 3 MONTHS ENDING 3/31/09**



**ANNUALIZED RISK RETURN
12 YEARS 3 MONTHS ENDING 3/31/09**



The table below details Western's sector allocation relative to the Barclays Capital 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		Barclays Capital Aggregate Bond Index	
	% at 12/31/08	% at 3/31/09	% at 3/31/09	First Quarter Return
Sector Weightings:				
Treasury/Agency	5%	9%	36%	(1.0%)
Corporate	29	33	21	(1.8)
Mortgage-Backed Securities	58	50	39	2.2
Commercial Mortgage-Backed Securities	3	3	3	(1.9)
Asset-Backed	1	1	1	7.6
Foreign Bonds	2	2	--	--
Other	--	--	--	--
Cash & Equiv.	2	2	--	--
Total	100 %	100 %	100 %	0.1%
Average Duration	3.3 years	3.9 years	3.7 years	--

WESTERN

\$267.6 Million and 13.5% of Fund

First Quarter 2009

HISTORICAL RETURNS

(BY YEAR)

	Western		Barclays Capital Aggregate Bond Index		Return Difference
	Return	Rank	Return	Rank	
1997	10.1%	31	9.7%	58	0.4
1998	8.3	57	8.7	42	-0.4
1999	-1.7	80	-0.8	53	-0.9
2000	12.6	10	11.6	43	1.0
2001	8.9	15	8.4	38	0.5
2002	9.5	44	10.3	24	-0.8
2003	9.1	6	4.1	69	5.0
2004	6.4	6	4.3	58	2.1
2005	3.2	8	2.4	58	0.8
2006	5.1	15	4.3	53	0.8
2007	4.8	86	7.0	16	-2.2
2008	-8.9	85	5.2	16	-14.1
2009 (3 months)	0.7	43	0.1	64	0.6
Trailing 1-Year	-8.1%	85	3.1%	20	-11.2
Trailing 3-Year	0.5	87	5.8	23	-5.3
Trailing 5-Year	1.6	79	4.1	24	-2.5
Trailing 10-Year	4.9	67	5.7	20	-0.8
Since Inception (12/31/96)	5.4	67	6.1	17	-0.7

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

First Quarter 2009

**RETURN SUMMARY
ENDING 3/31/09**

	First Quarter		1 Year Ending 3/31/09		3 Years Ending 3/31/09		5 Years Ending 3/31/09		10 Years Ending 3/31/09		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
BGI U.S. Debt Fund	0.1 %	64	3.2 %	20	5.8 %	21	4.2 %	23	5.7 %	16	6.0 %	--	11/30/95
Barclays Capital Aggregate Bond Index	0.1	64	3.1	20	5.8	23	4.1	24	5.7	20	6.0	--	

Philosophy and Process

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

Commentary on Investment Performance

The BGI U.S. Debt Fund matched the Barclays Capital Aggregate Bond Index return of 0.1% during the first quarter.

The Fund has provided returns that have approximated those of the Barclays Capital Aggregate Bond Index over long-term periods illustrated above.

HISTORICAL RETURNS

(BY YEAR)

	BGI U.S. Debt Fund		Barclays Capital 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	5.4	16	5.2	16	0.2
2009 (3 months)	0.1	64	0.1	64	0.0
Trailing 1-Year	3.2 %	20	3.1 %	20	0.1
Trailing 3-Year	5.8	21	5.8	23	0.0
Trailing 5-Year	4.2	23	4.1	24	0.1
Trailing 10-Year	5.7	16	5.7	20	0.0
Since Inception (11/30/95)	6.0	--	6.0	--	0.0

REAMS

\$224.7 Million and 11.4% of Fund

First Quarter 2009

RETURN SUMMARY ENDING 3/31/09

	First Quarter		1 Year Ending 3/31/09		3 Years Ending 3/31/09		5 Years Ending 3/31/09		Since Inception		Inception Date
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	
Reams	-3.4 %	99	-16.4 %	98	-1.3 %	94	0.4 %	94	2.2 %	96	9/30/01
Barclays Capital Aggregate Bond Index	0.1	64	3.1	20	5.8	23	4.1	24	5.0	20	

Philosophy and Process

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

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

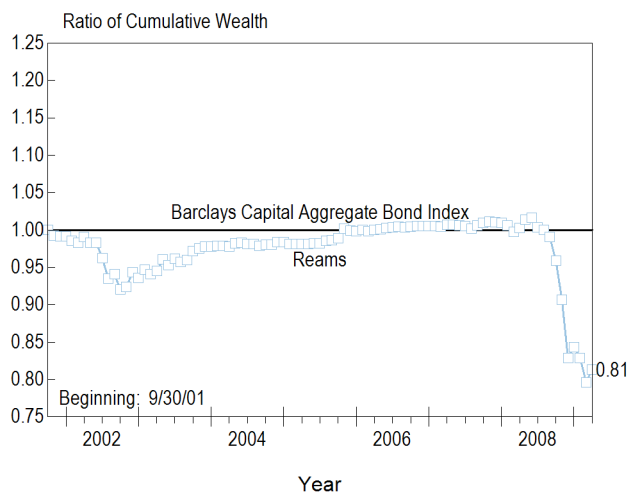
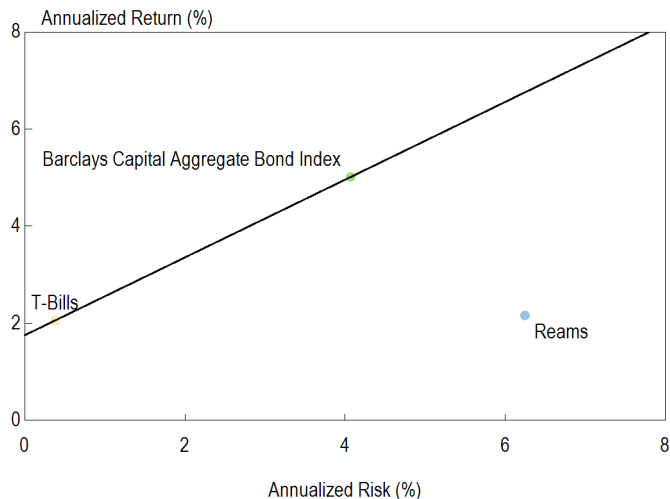
Commentary on Investment Performance

The Reams Core-Plus portfolio fell 3.4% and trailed the return of the Barclays Capital Aggregate Bond Index. Underperformance was attributed to the manager's duration strategy. Sector and security selection also hindered performance. The manager noted that within these categories, investment grade credit holdings hampered returns, as an overweight allocation was held in the financial sector. Additionally, CMBS subtracted from performance as spreads widened during the quarter. Partially offsetting results was the portfolio's yield curve strategy and high yield holdings, as spreads tightened during the quarter.

The portfolio continues to be significantly overweight in CMBS and corporate sectors. The manager believes that CMBS holdings have very low delinquency rates and have a low risk of incurring any underlying losses, thus having an overweight allocation is seen as quite beneficial in the long-term. Additionally, the manager notes that spreads experienced in the financial and industrial sectors are well higher than historical extremes. The manager increased its allocation to high yield as the sector performed relatively well. Former investment grade issuers have moved into the high yield sector as rating agencies have issued countless downgrades.

Longer-term performance remains unfavorable, as the portfolio has lagged the return of the Barclays Capital Aggregate Bond Index during all trailing periods illustrated above. Underperformance during these periods have been a result of recent poor performance, as the portfolio has outperformed the Index in five of the past seven calendar years.

First Quarter 2009

**RATIO OF CUMULATIVE WEALTH
7 YEARS 6 MONTHS ENDING 3/31/09**

**ANNUALIZED RISK RETURN
7 YEARS 6 MONTHS ENDING 3/31/09**


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

	Reams Fixed Income Portfolio		Barclays Capital Aggregate Bond Index	
	% at 12/31/08	% at 3/31/09	% at 3/31/09	First Quarter Return
Sector Weightings:				
Treasury/Agency	2%	0%	36%	(1.0%)
Corporate	55	58	21	(1.8)
Mortgage-Backed Securities	2	2	39	2.2
Commercial Mortgage-Backed Securities	35	34	3	(1.9)
Asset-Backed	4	3	1	7.6
Foreign Bonds	--	--	--	--
Other	0	0	--	--
Cash & Equiv.	2	3	--	--
Total	100 %	100 %	100 %	0.1%
Average Duration	4.4 years	4.0 years	3.7 years	--

REAMS

\$224.7 Million and 11.4% of Fund

First Quarter 2009

HISTORICAL RETURNS

(BY YEAR)

	Reams		Barclays Capital Aggregate Bond Index		Return Difference
	Return	Rank	Return	Rank	
2001 (3 months)	-0.8 %	91	0.0 %	53	-0.8
2002	4.1	98	10.3	24	-6.2
2003	8.7	7	4.1	69	4.6
2004	5.0	22	4.3	58	0.7
2005	3.9	5	2.4	58	1.5
2006	5.0	16	4.3	53	0.7
2007	7.4	6	7.0	16	0.4
2008	-12.1	95	5.2	16	-17.3
2009 (3 months)	-3.4	99	0.1	64	-3.5
Trailing 1-Year	-16.4 %	98	3.1 %	20	-19.5
Trailing 3-Year	-1.3	94	5.8	23	-7.1
Trailing 5-Year	0.4	94	4.1	24	-3.7
Since Inception (9/30/01)	2.2	96	5.0	20	-2.8

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

First Quarter 2009

**RETURN SUMMARY
ENDING 3/31/09**

	First Quarter	1 Year Ending 3/31/09	3 Years Ending 3/31/09	Since Inception	Inception Date
Loomis Sayles	0.4 %	-18.3 %	-2.6 %	-1.6 %	7/31/05
Performance Benchmark	2.5	-5.9	1.7	1.7	
Barclays Capital Aggregate Bond Index	0.1	3.1	5.8	4.8	

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% Barclays Capital Aggregate Bond Index and 40% Barclays Capital High Yield Index.

Commentary on Investment Performance

Loomis Sayles advanced 0.4% during the quarter, but trailed the return of the Performance Benchmark by 2.1 percentage points. The portfolio's significant overweight allocation to the U.S. investment grade sector detracted the most from performance. In particular, an overweight allocation to investment grade corporates impeded results as spreads continued to widened due to continued concerns of increased default rates. Additionally, performance was hurt by the managers yield curve position. On the other hand, having no exposure to U.S. Treasuries and U.S. Agencies aided performance.

Over the trailing one-year period, Loomis Sayles has lagged the return of the Performance Benchmark by 12.4 percentage points. The portfolio's mortgage-backed security and investment grade holdings detracted the most from performance. Conversely, the manager benefited from its yield curve positioning and U.S. high yield holdings.

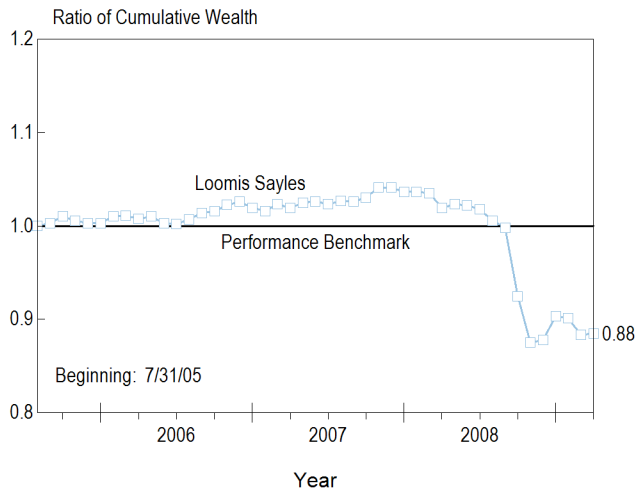
The portfolio's trailing three-year and since inception returns have trailed that of the Performance Benchmark and the Barclays Capital Aggregate Bond Index.

LOOMIS SAYLES

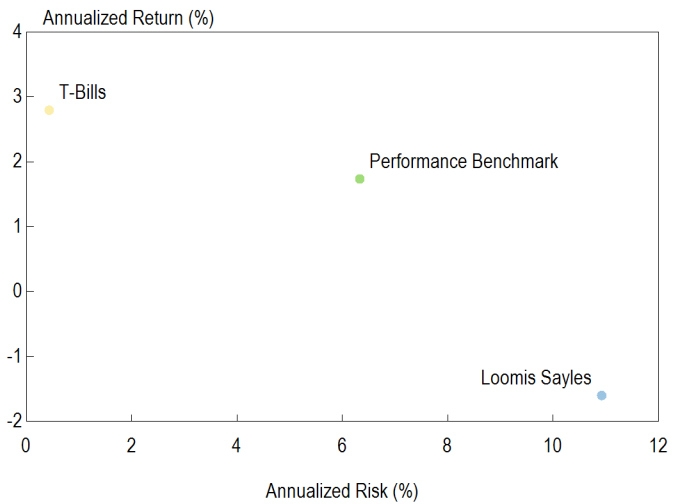
\$67.2 Million and 3.4% of Fund

First Quarter 2009

RATIO OF CUMULATIVE WEALTH 3 YEARS 8 MONTHS ENDING 3/31/09



ANNUALIZED RISK RETURN 3 YEARS 8 MONTHS ENDING 3/31/09



	Loomis Sayles Fixed Income Portfolio		Barclays Capital Aggregate Bond Index	
	% at 12/31/08	% at 3/31/09	% at 3/31/09	First Quarter Return
Sector Weightings:				
Treasury/Agency	--	--	36%	(1.0%)
Corporate	78%	79%	21	(1.8)
Mortgage-Backed Securities	--	--	39	2.2
Commercial Mortgage-Backed Securities	1	3	3	(1.9)
Asset-Backed	0	1	1	7.6
Foreign Bonds	14	14	--	--
Other	3	2	--	--
Cash & Equiv.	4	1	--	--
Total	100 %	100 %	100 %	0.1%
Average Duration	6.8 Years	6.7 Years	3.7 Years	--

First Quarter 2009

**HISTORICAL RETURNS
(BY YEAR)**

	Loomis Sayles		Performance Benchmark		Return Difference
	Return	Rank	Return	Rank	
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	-19.9	99	-8.1	83	-11.8
2009 (3 months)	0.4	56	2.5	4	-2.1
Trailing 1-Year	-18.3 %	99	-5.9 %	77	-12.4
Trailing 3-Year	-2.6	98	1.7	74	-4.3
Since Inception (7/31/05)	-1.6	--	1.7	--	-3.3

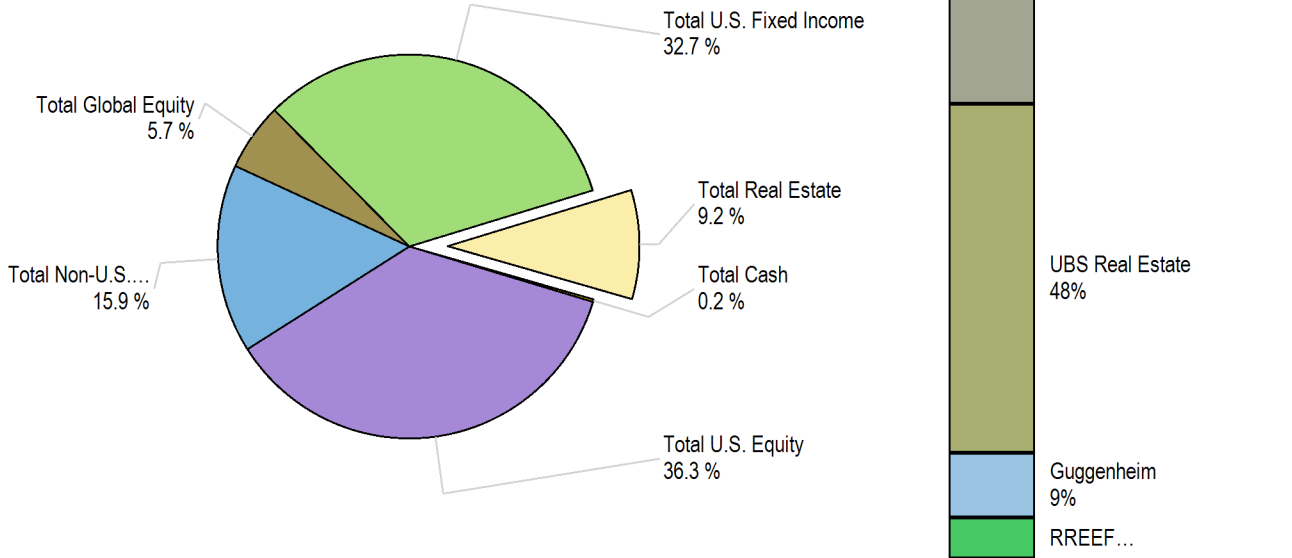
The table above compares the historical annual and cumulative annualized returns of the Loomis Sayles portfolio and its Performance Benchmark.

TOTAL REAL ESTATE

\$181.3 Million and 9.2% of Fund

First Quarter 2009

ASSET ALLOCATION
ACTUAL AS OF 3/31/09



TOTAL REAL ESTATE
\$181.3 Million and 9.2% of Fund

First Quarter 2009

RETURN SUMMARY
ENDING 3/31/09

	First Quarter	1 Year Ending 3/31/09	3 Years Ending 3/31/09	5 Years Ending 3/31/09	Since Inception	Inception Date
Total Real Estate	-15.3%	-33.2%	-5.2%	3.3%	7.8%	3/31/94
Policy Benchmark	-9.2	-17.7	2.3	8.2	9.5	
Total Prudential Real Estate	-15.7	-27.6	-2.1	--	2.7	6/30/04
Policy Benchmark	-9.2	-17.7	2.3	--	8.0	
UBS Real Estate	-10.8	-19.4	1.2	7.3	7.6	3/31/03
NCREIF Open End Fund Index	-9.2	-17.7	2.3	7.9	8.2	
Guggenheim	-22.6	-45.7	--	--	-15.0	6/30/06
Performance Benchmark	-14.8	-28.9	--	--	-5.7	
RREEF	-31.2	-59.7	--	--	-47.6	10/1/07
NCREIF Open End Fund Index	-9.2	-17.7	--	--	-10.1	

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 collective return of the real estate component declined 15.3%, trailing the Policy Benchmark by 6.1 percentage points. Each of the underlying managers contributed negatively to absolute and relative performance. In particular, RREEF and Guggenheim detracted the most from performance on both a relative and absolute basis.

The portfolio's long-term results remain unfavorable as shown above. The real estate portfolio has trailed its Policy Benchmark during all trailing periods illustrated above.

PRUDENTIAL

\$69.0 Million and 3.5% of Fund

First Quarter 2009

RETURN SUMMARY ENDING 3/31/09

	First Quarter	1 Year Ending 3/31/09	3 Years Ending 3/31/09	Since Inception	Inception Date
Total Prudential Real Estate	-15.7 %	-27.6 %	-2.1 %	2.7 %	6/30/04
Policy Benchmark	-9.2	-17.7	2.3	8.0	
PRISA Fund I	-15.7	-27.6	-2.1	3.5	3/31/05
NCREIF Open End Fund Index	-9.2	-17.7	2.3	6.2	

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's PRISA declined 15.7% during the first quarter, trailing the return of NCREIF Property Index by 6.5 percentage points. Property market values continued to decline during the quarter due to deteriorating property fundamentals resulting from the deepening economic and financial crises. For the second quarter in a row, depreciation occurred across all property types and occurred most notably in the office, retail, and industrial sectors. The manager noted that five of PRISA's investments accounted for 25% of the Fund's value losses. These investments included the Fund's largest investment, International Place, the Self Storage Portfolio, and the Oakmont Industrial Program.

During the quarter, the manager stated that PRISA invested \$208.5 million in pipeline acquisitions. Additionally, PRISA completed two sales during the quarter. Net proceeds totaled \$34.3 million, producing an 8.8% IRR over an eleven-year hold period.

PRISA has outstanding forward purchase commitment obligations of approximately \$700.0 million and approximately \$1.3 billion of short-term debt maturing through 2010. We have concerns regarding the Fund's ability to address these capital needs with little to no new capital being committed to the Fund. With little to no new capital being committed to the Fund, PRISA may need to increase its leverage and/or sell assets at distressed pricing. EnnisKnupp's global real estate research team is conducting further diligence and is working on an in-dept memo which will be distributed to the Board upon its completion.

First Quarter 2009

RETURN SUMMARY
ENDING 3/31/09

	First Quarter	1 Year Ending 3/31/09	3 Years Ending 3/31/09	5 Years Ending 3/31/09	Since Inception	Inception Date
UBS Real Estate	-10.8 %	-19.4 %	1.2 %	7.3 %	7.6 %	3/31/03
NCREIF Open End Fund Index	-9.2	-17.7	2.3	7.9	8.2	
NCREIF NPI	-7.3	-14.7	4.2	9.4	9.5	

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.

Commentary on Investment Performance

UBS Trumbull Property Fund (TPF) declined 10.8% during the first quarter, underperforming its benchmark by 1.6 percentage points. The total return was comprised of a depreciation return of 11.8% and an income return of 1.4%. The first quarter provided \$119 million in net investment income, but was reduced by a net realized and unrealized loss of \$1,035 million mainly due to valuation declines and appraisers' use of more conservative assumptions to reflect the current market. The Fund paid off two loans during the quarter totaling \$40.2 million. Also during the quarter, the Fund sold an apartment building for a gross sales price of \$21.7 million.

The strategy is diversified by property type, with office (30%), apartments (29%), and retail (23%) comprising the majority of investments and smaller allocations of 6% and 12% to hotels and industrial, respectively. Office properties performed the best during the quarter, while the Fund's two smaller allocations to hotels and industrial properties both performed the worst on a relative basis.

Over all longer-term periods illustrated above, the portfolio has underperformed its benchmark, mostly as a result of recent unfavorable performance.

GUGGENHEIM

\$16.1 Million and 0.8% of Fund

First Quarter 2009

RETURN SUMMARY ENDING 3/31/09

	First Quarter	1 Year Ending 3/31/09	Since Inception	Inception Date
Guggenheim	-22.6%	-45.7%	-15.0%	6/30/06
Performance Benchmark	-14.8	-28.9	-5.7	

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

During the first quarter, the Guggenheim portfolio declined 22.0% and trailed its benchmark by 7.2 percentage points. The manager attributes significant underperformance to its appraisal methodologies and those of third party funds, which are typically more robust than that of the NCREIF Property Index. All properties in the portfolio undergo an external revaluation on a quarterly basis. Meanwhile, several of the properties underlying in the NCREIF Property Index are valued less frequently, usually on a yearly basis. Thus the Index can be delayed in showing losses occurred. Another reason for underperformance is the Fund's use of leverage. The Fund's overall leverage was 61%. In contrast, the Index is an unlevered benchmark. Thus losses are magnified by the Fund's use of leverage when compared to the return of the Index. With regards to geography and property type allocations, the Fund experienced no significant change from the previous quarter.

During the trailing one-year and since-inception periods, the portfolio has significantly lagged the return of its benchmark. Underperformance is a result of recent weak performance during the current challenging market environment.

First Quarter 2009
**RETURN SUMMARY
ENDING 3/31/09**

	First Quarter	1 Year Ending 3/31/09	Since Inception	Inception Date
RREEF	-31.2%	-59.7%	-47.6%	10/1/07
NCREIF Open End Fund Index	-9.2	-17.7	-10.1	

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 quarter, RREEF America III declined 31.2%, and lagged the NCREIF Open End Fund Index by 22.0 percentage points. All of the portfolio's underlying properties were valued during the quarter, resulting in a decline of \$428.1 million. At quarter-end, the portfolio's market value was \$2.6 billion. The Fund's office and development portfolio's both suffered significant losses. The Fund has approximately 2.5 million shares in the redemption queue, which as of March 31, 2009, represented \$143 million.

As previously mentioned, RREEF America III has faced impending liquidity concerns since mid-2008. The Fund's first quarter update call revealed that RREEF (the Firm) needs to renegotiate the Fund's in-place debt with lenders and may potentially need to raise additional capital to recapitalize the portfolio. Initial attempts to renegotiate debt terms have been done on a case-by-case basis with individual lenders. Such efforts have resulted in extensions requiring adjustments to terms, including significant principal pay-downs in many cases. This process has been time consuming, and given the early concessions required to renegotiate terms, RREEF has determined that the Fund does not have sufficient cash on hand to continue making sizable pay-downs. On May 19, 2009, RREEF held a conference call to discuss recapitalization plans with investors and consultants. Please see the RREEF America III Recapitalization Plan memorandum which details the recapitalization plan discussed.

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RETURNS OF THE MAJOR CAPITAL MARKETS

RETURNS OF THE MAJOR CAPITAL MARKETS

	First Quarter	Annualized Periods Ending 3/31/09				
		1-Year	3-Year	5-Year	10-Year	15-Year
Domestic Stock Indices:						
Dow Jones US Total Stock Index	-10.6%	-38.0%	-13.3%	-4.4%	-2.1%	5.8%
S&P 500 Index	-11.0	-38.1	-13.1	-4.8	-3.0	5.9
Russell 3000 Index	-10.8	-38.2	-13.6	-4.6	-2.3	5.8
Russell 1000 Value Index	-16.8	-42.4	-15.4	-4.9	-0.6	6.4
Russell 1000 Growth Index	-4.1	-34.3	-11.3	-4.4	-5.3	4.8
Russell MidCap Value Index	-14.7	-42.5	-16.7	-3.8	3.1	7.7
Russell MidCap Growth Index	-3.4	-39.6	-14.9	-3.9	-0.9	5.3
Russell 2000 Value Index	-19.6	-38.9	-17.5	-5.3	4.9	6.9
Russell 2000 Growth Index	-9.7	-36.4	-16.2	-5.4	-1.6	2.4
Domestic Bond Indices:						
Barclays Capital Aggregate Index	0.1%	3.1%	5.8%	4.1%	5.7%	6.4%
Barclays Capital Govt/Credit Index	-1.3	1.8	5.5	3.7	5.6	6.3
Barclays Capital Long Govt/Credit Index	-6.2	1.0	4.9	3.9	6.3	7.4
Barclays Capital 1-3 Year Govt/Credit Index	0.6	2.8	5.4	3.7	4.8	5.3
Barclays Capital U.S. MBS Index	2.2	8.1	7.6	5.6	6.2	6.8
Barclays Capital High Yield Index	6.0	-19.3	-4.7	-0.1	2.6	4.8
Barclays Capital Universal Index	0.4	1.1	4.9	3.8	5.6	6.4
Real Estate Indices:						
NCREIF Property Index	-7.3%	-14.7%	4.2%	9.4%	9.4%	9.9%
NCREIF ODCE Index	-13.9	-24.0	-0.6	6.1	7.2	8.3
Dow Jones Real Estate Securities Index	-33.9	-61.0	-27.2	-9.4	3.4	4.9
FTSE NAREIT US Real Estate Index	-31.9	-58.2	-25.1	-8.6	3.9	5.2
Foreign/Global Stock Indices:						
MSCI All Country World Index	-10.7%	-43.1%	-13.3%	-2.9%	-1.7%	3.7%
MSCI All Country World IMI	-10.5	-43.2	-14.0	-3.1	-1.1	--
MSCI All Country World ex-U.S. Index	-10.7	-46.5	-13.1	-0.7	0.5	2.8
MSCI All Country World ex-U.S. IMI	-10.3	-46.7	-13.5	-0.7	0.9	--
MSCI All Country World ex-U.S. Small Cap Index	-6.6	-49.5	-16.4	-1.4	3.2	--
MSCI EAFE Index	-13.9	-46.5	-14.5	-2.2	-0.8	2.3
MSCI EAFE IMI	-13.5	-46.7	-14.8	-2.2	-0.5	--
MSCI EAFE Index (in local currency)	-10.1	-36.9	-15.7	-2.0	-2.1	2.0
MSCI Emerging Markets IMI	1.2	-47.2	-8.2	5.8	7.0	--
Foreign Bond Indices:						
Citigroup World Gov't Bond Index	-5.7%	-6.4%	7.4%	4.4%	5.5%	5.9%
Citigroup Hedged World Gov't Bond Index	0.1	5.8	5.7	5.0	5.2	7.0
Cash Equivalents:						
Treasury Bills (30-Day)	0.0%	0.7%	2.7%	2.5%	2.7%	3.4%
EnnisKnupp STIF Index	0.2	2.0	4.1	3.5	3.6	4.2
Inflation Index:						
Consumer Price Index	1.2%	-0.4%	2.1%	2.6%	2.6%	2.5%

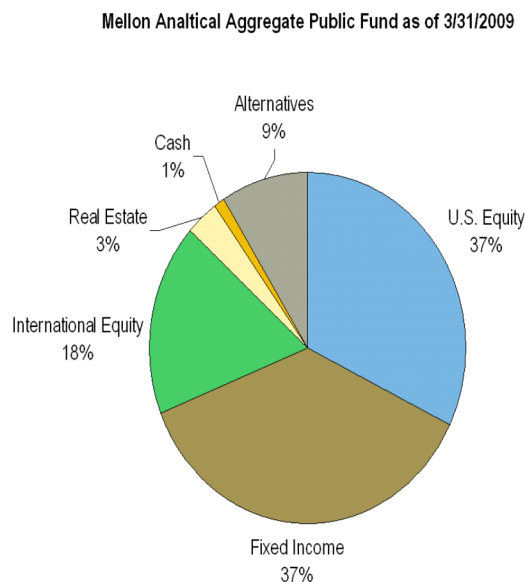
APPENDIX II

Description of Fund Benchmarks and Universe Rankings

Total Fund

Policy Portfolio- As of June 2008, the return was based on a combination of 40% DJ U.S. Total Stock Market Index, 27% Barclays Capital 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% DJ U.S. Total Stock Market Index, 27% Barclays Capital 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% DJ U.S. Total Stock Market Index, 29% Barclays Capital 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% Barclays Capital 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% Barclays Capital 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% Barclays Capital 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% Barclays Capital 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% Barclays Capital 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 70 funds compiled by Mellon Analytical Solutions with an aggregate market value of \$660.2 billion as of 3/31/2009.



Total U.S. Equity

Benchmark. The DJ U.S. Total Stock Market Index.

Universe. A universe of 450 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$361.7 billion as of 3/31/2009.

BGI Extended Equity Index Fund

Benchmark. The DJ U.S. Completion Total Stock Market Index.

Universe. A universe of 66 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$31.8 billion as of 3/31/2009.

Western U.S. Index Plus

Benchmark. The S&P 500 Index.

Universe. A universe of 419 actively managed domestic large cap stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$452.0 billion as of 3/31/2009.

BGI Equity Market Fund

Benchmark. The DJ U.S. Total Stock Market Index.

Universe. A universe of 815 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$596.2 billion as of 3/31/2009.

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 397 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$191.3 billion as of 3/31/2009.

BGI ACWI ex U.S.

Benchmark. The MSCI All Country World ex-U.S. IMI Index

Universe. A universe of 95 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$155.7 billion as of 3/31/2009.

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 95 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$155.7 billion as of 3/31/2009.

Sprucegrove

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

Universe. A universe of 95 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$155.7 billion as of 3/31/2009.

Artio Global

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 95 actively managed domestic stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$155.7 billion as of 3/31/2009.

Total Global Equity

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

Universe. A universe of 52 actively managed global stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$75.0 billion as of 3/31/2009.

Grantham Mayo Van Otterloo (GMO)

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

Universe. A universe of 52 actively managed global stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$75.0 billion as of 3/31/2009.

Acadian

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

Universe. A universe of 52 actively managed global stock portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$75.0 billion as of 3/31/2009.

Total Fixed Income

Benchmark. The Barclays Capital Aggregate Bond Index.

Universe. A universe of 63 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$198.7 billion as of 3/31/2009.

Western Asset Management

Benchmark. The Barclays Capital Aggregate Bond Index.

Universe. A universe of 113 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$541.6 billion as of 3/31/2009.

BGI U.S. Debt Index Fund

Benchmark. The Barclays Capital Aggregate Bond Index.

Universe. A universe of 113 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$541.6 billion as of 3/31/2009.

Reams

Benchmark. The Barclays Capital Aggregate Bond Index.

Universe. A universe of 113 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$541.6 billion as of 3/31/2009.

Loomis Sayles

Benchmark. 60% of the Barclays Capital Aggregate Bond Index and 40% of the Barclays Capital High Yield Index.

Universe. A universe of 113 actively managed fixed income portfolios compiled by Mellon Analytical Solutions with an aggregate market value of \$541.6 billion as of 3/31/2009.

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.

Barclays Capital Aggregate Bond Index- A market value-weighted index consisting of the Barclays Capital 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 450 funds with an equity aggregate market value of \$361.7 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 397 funds with an international equity aggregate market value of \$191.3 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 52 funds with a global equity aggregate market value of \$75.0 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 63 funds with a fixed income aggregate market value of \$198.7 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 DJ U.S. Total Stock Market Index). 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, Westerm, and RREEF are currently on watch for performance reasons.

APPENDIX II

Manager	Restrictions	In Compliance as of 3/31/09
Loomis Sayles	<ul style="list-style-type: none"> -At least 50% of the portfolio must be invested in investment grade securities at time of purchase -A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer -60% of the portfolio must be invested in U.S. domiciled issues 	<ul style="list-style-type: none"> YES YES YES
Western Core Plus	<ul style="list-style-type: none"> -Duration may be managed to a maximum 20% deviation relative to the Aggregate Bond Index -The total portfolio shall maintain an average quality rating of AA -A maximum of 20% of the portfolio may be invested in bonds issued by a non-U.S. entity at time of purchase -A maximum of 10% of the portfolio may be invested in high yield bonds at time of purchase -A maximum of 1% per issue for below investment grade securities -A maximum of 5% of the portfolio may be invested in any single investment grade U.S. issuer at time of purchase -A maximum of 5% of the portfolio may be invested in high interest rate sensitivity mortgage-backed securities at the time of purchase -The portfolio's combined allocation may not exceed 30% to the following securities: non-U.S. bonds, privately placed debt, excluding 144A securities and mortgage-backed securities that exhibit unusually high interest rate sensitivity and bonds not receiving an investment grade rating -Bonds rated investment grade by either Moody's or Standard & Poor's must comprise at least 90% of the total portfolio at the time of purchase -The portfolio contains no prohibited securities named in the investment guidelines -Derivatives are not used to lever the portfolio* 	<ul style="list-style-type: none"> YES YES YES YES YES YES YES YES YES YES YES YES

* Based on affirmative statement from manager

APPENDIX II

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	2	Daily	Commingled Fund
Capital Guardian	60	Monthly	Commingled Fund
Sprucegrove	58	Monthly	Commingled Fund
Artio Global	72	Daily	Commingled Fund
BGI ACWI ex-U.S. Index	12	Daily	Commingled Fund
GMO	66	Daily	Commingled Fund
Acadian	75	Daily	Commingled Fund
BGI U.S. Debt Fund	3	Daily	Commingled Fund
Reams	18	Daily	Separate Acct.
Western	23	Daily	Separate Acct.
Loomis Sayles	43	Daily	Separate 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	--	--