
CITY OF
Costa Mesa COSTA MESA

and



CHANDLER
ASSET
MANAGEMENT

March 18, 2013

 CFA
President

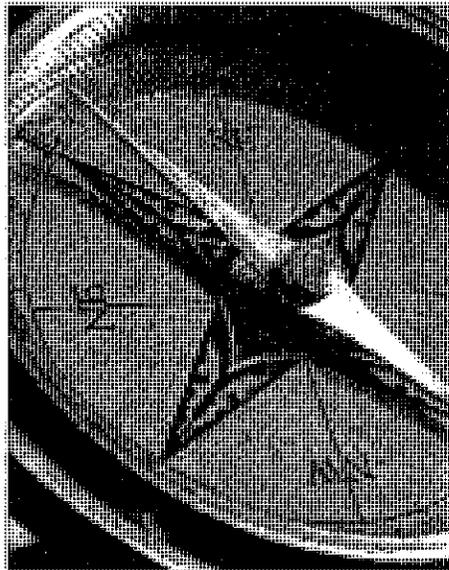
 CFA
SVP, Portfolio Manager


VP, Client Service



Presenting Chandler Asset Management

SECTION 1	Optimal Investment Program for the City of Costa Mesa
SECTION 2	Adherence to Forward-Thinking, Risk-Controlled Philosophy and Process
SECTION 3	Chandler: Offering Safety, Liquidity and Return
SECTION 4	Comprehensive Investment Program
SECTION 5	Final Thoughts
SECTION 6	Professional Credentials and Disclosures
SECTION 7	Supplemental Materials & Software Demo



SECTION 1

Optimal Investment Program for the City of Costa Mesa



Understanding Your Scope of Work

City of Costa Mesa

- Optimal use of internal resources
- Cash flow management
- Enhanced returns in a safe environment
- Capitalize on additional market opportunities
- Access to technology and staff
- Partner with Fixed Income Investment Management Specialist

Chandler Asset Management

- Focus on Safety, Liquidity and Yield
- Customized investment program
- Disciplined investment process
- Transparency through customized reporting
- Total Return strategy

Long-Term Benefits

- Continuing assurance of portfolio compliance
- Consistent return pattern
- Effective leveraging of staff resources
- Program continuity through staff and management changes
- Ongoing communication, market research



What We've Learned About Costa Mesa

Recommendations for your policy

Add total return benchmark language for evaluating portfolio risk and return

Consider greater diversification for Agency securities

Indemnification and Conflict of Interest language

Consider including language about Risk Management and Mitigation

Utilize Prudent Investor Standard from CGC 53600.3

Comments on your portfolio

Lengthen the duration of the portfolio for longer-term growth

Add core holding of 15%-25% in U.S. Treasury Securities

Diversify Agency callables with Agency bullets

Consider high quality short-term Commercial Paper and NCD's

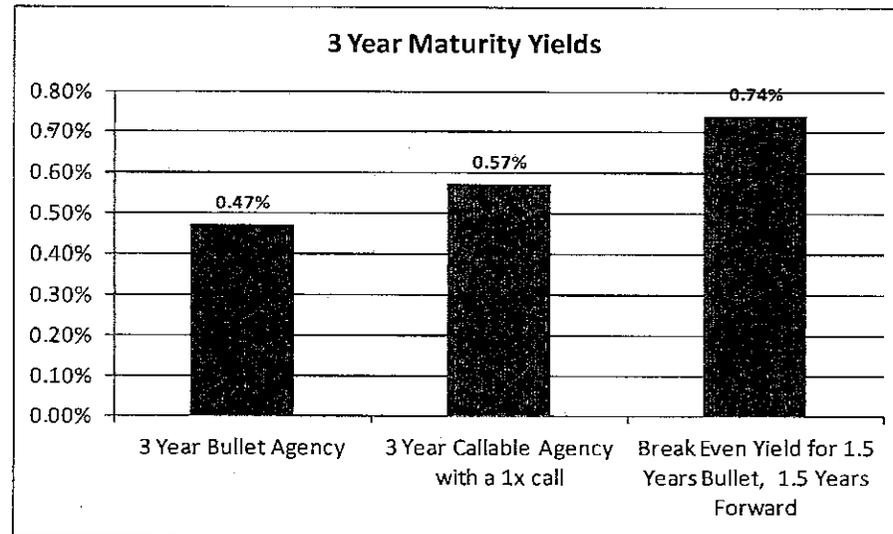
Consider high quality Corporates and high quality Asset Backed Securities

This information is provided by special request, and does not create any contractual or fiduciary relationships between parties at this time.



Challenges of Callable Bonds

3 Year Bullet/Callable Agency Comparison



- Cash flows are uncertain; investors dislike uncertainty
- Liquidity for callable notes is lower than for bullet issues
- Reinvestment risk is elevated since principal, as well as interest, may have to be reinvested.
- Price appreciation is capped near the redemption price for callable notes – depreciation is not capped (negatively convex).
- Actual duration of a callable note is unknown.

* Graph Source: Bloomberg



Return Comparison

Sector Performance Return Comparison As of March 13, 2013

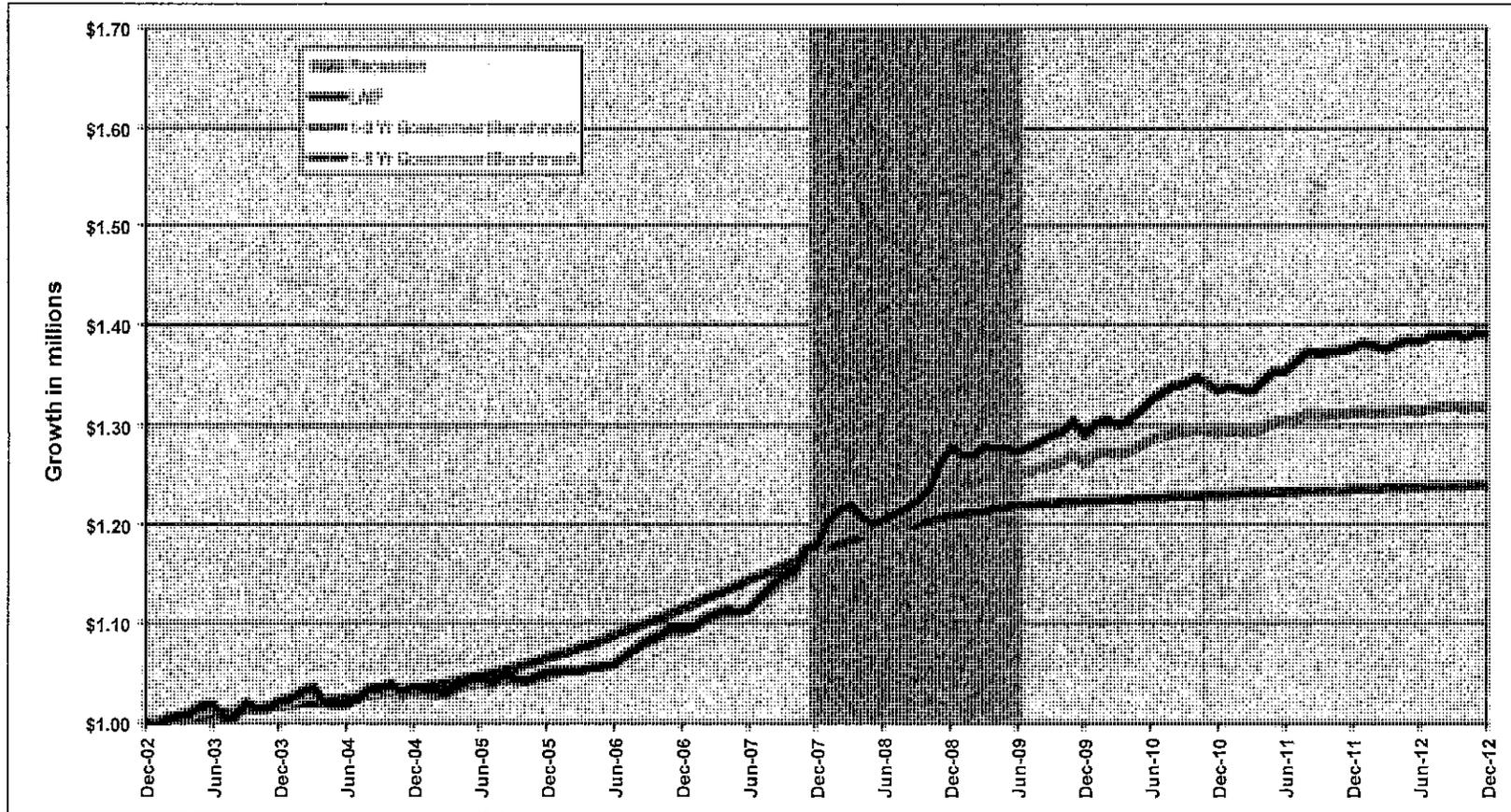
Sector Performance	Current Yields
Commercial Paper (270 days)	0.23%
Negotiable CD's (270 days)	0.27%
3 Year Treasury	0.41%
3 Year Agency	0.47%
3 Year Asset Backed Securities	0.58%
3 Year Corporate	0.66-1.06%

*Graph Source: Bloomberg



Longer-Term Portfolios Provide Higher Expected Return

Comparison of LAIF, 1-3 Yr Government Benchmark and 1-5 Yr Government Benchmark

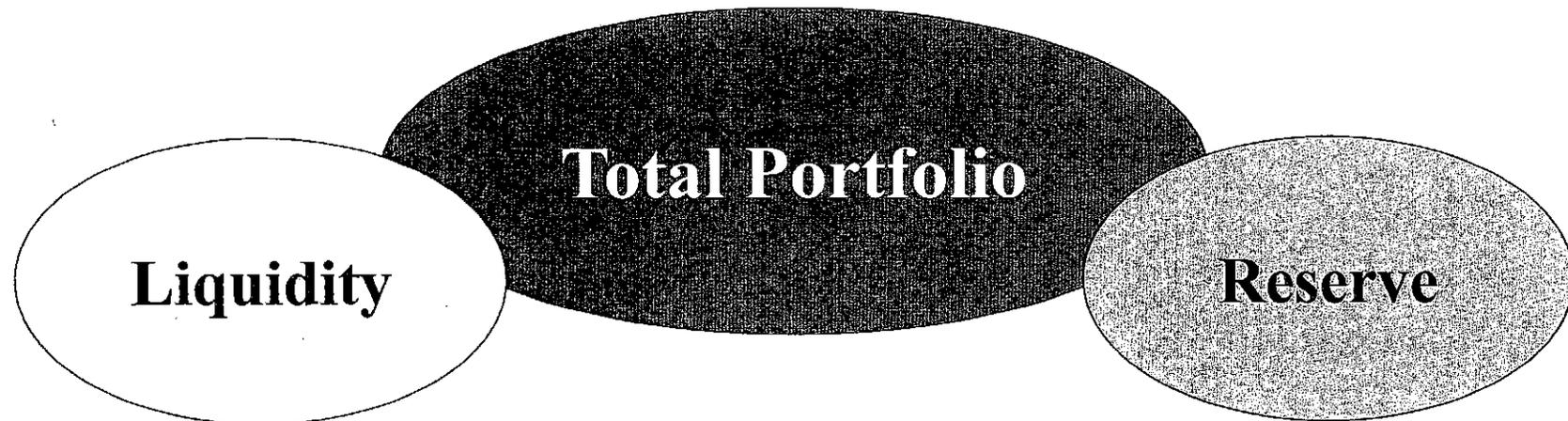


Source: Index return information provided by Bank of America/Merrill Lynch; California State Treasurer Local Agency Investment Fund (LAIF)

Value on 12/31/2012 of \$50 million invested 12/31/2002		
	12/31/2012	Annualized Return
LAIF	\$62,042,271	2.18%
1-3 Yr Government Benchmark	\$65,977,922	2.81%
1-5 Yr Government Benchmark	\$69,565,217	3.36%



Segmenting the Portfolio



- LAIF
- Matching maturities to known expenditures
 - Money market instruments
 - Agency Discount Notes
 - Commercial Paper
 - Certificates of Deposit
- Target generally to a higher duration to enhance the potential to increase earnings
- Invest in liquid securities:
 - U.S. Treasury Securities
 - U.S. Agency Securities
 - High-Grade Corporate Bonds (where authorized)



SECTION 2

Adherence to Forward-Thinking, Risk-Controlled Philosophy and Process



Adhering to a Disciplined Investment Philosophy

We believe our forward thinking, risk controlled process results in client investment programs that protect principal, manage risk and enhance income



Adding Value by Controlling Risk

FOUR KEY ELEMENTS OF OUR APPROACH

Portfolio
Duration

Constraining portfolio duration relative to the benchmark

Sector
Allocation

Strategic allocations to key sectors, with value-based rotation

Term
Structure

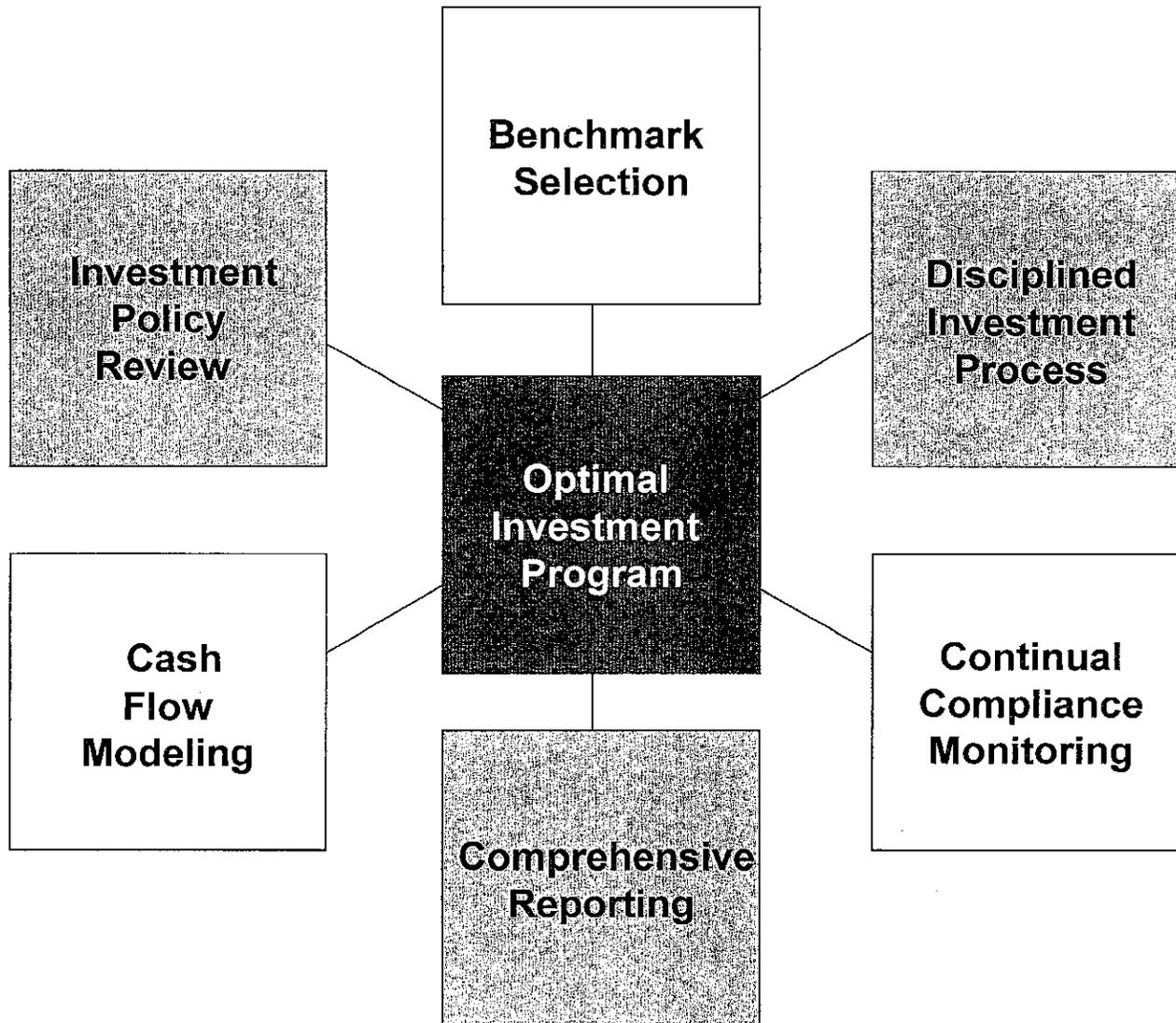
Positioning securities along the yield curve to capture value across maturities

Security
Selection

Selecting bonds that we believe are undervalued and offer the greatest potential for risk-adjusted return

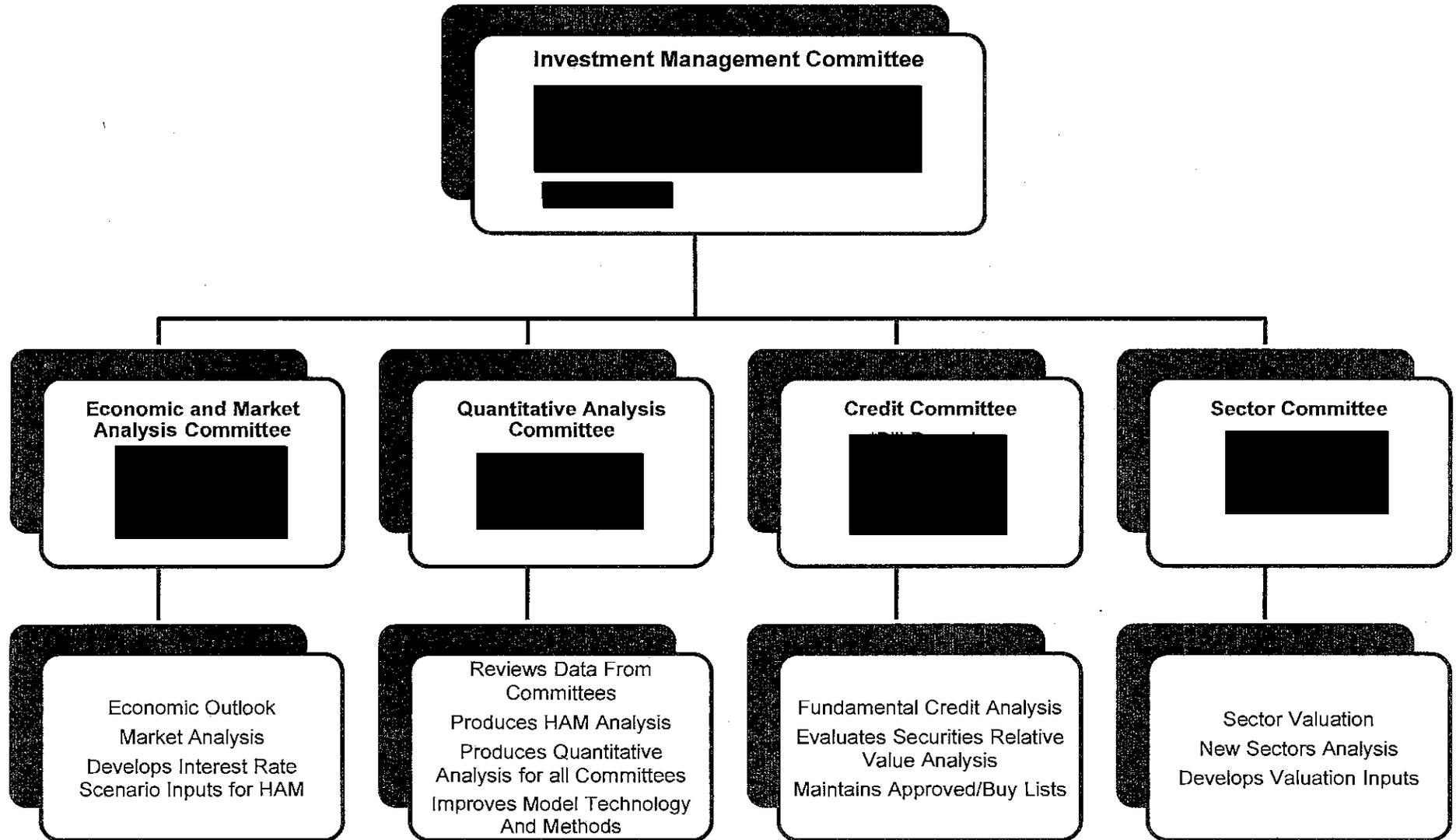


More Than A Portfolio—A Comprehensive Investment Program





Facilitating Communication and Decision Making

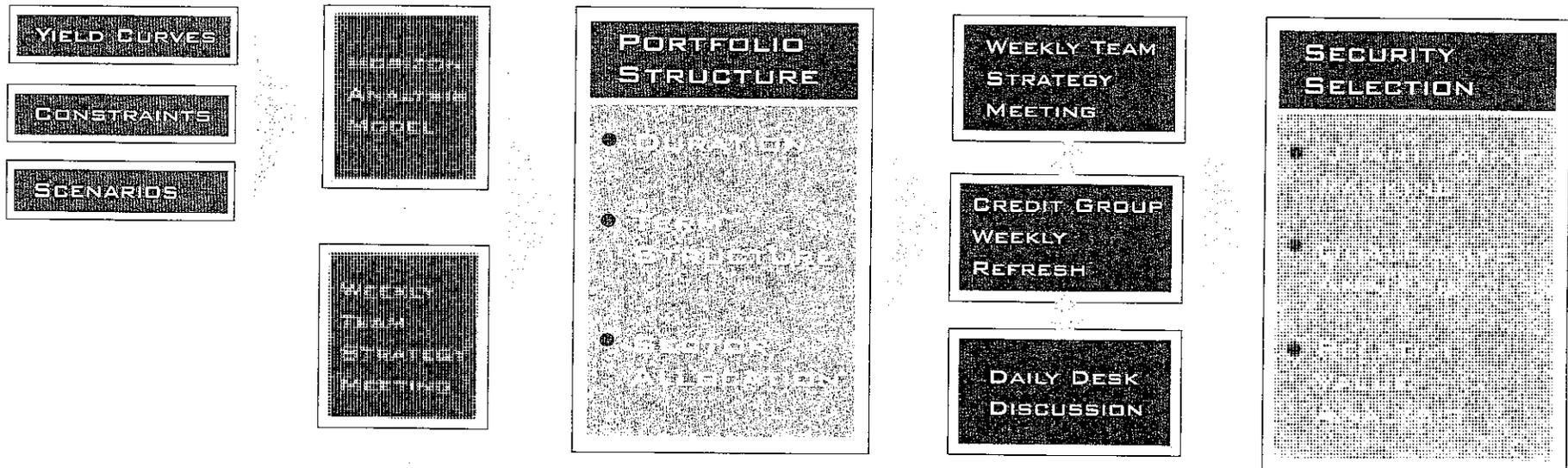


* Committee Chair



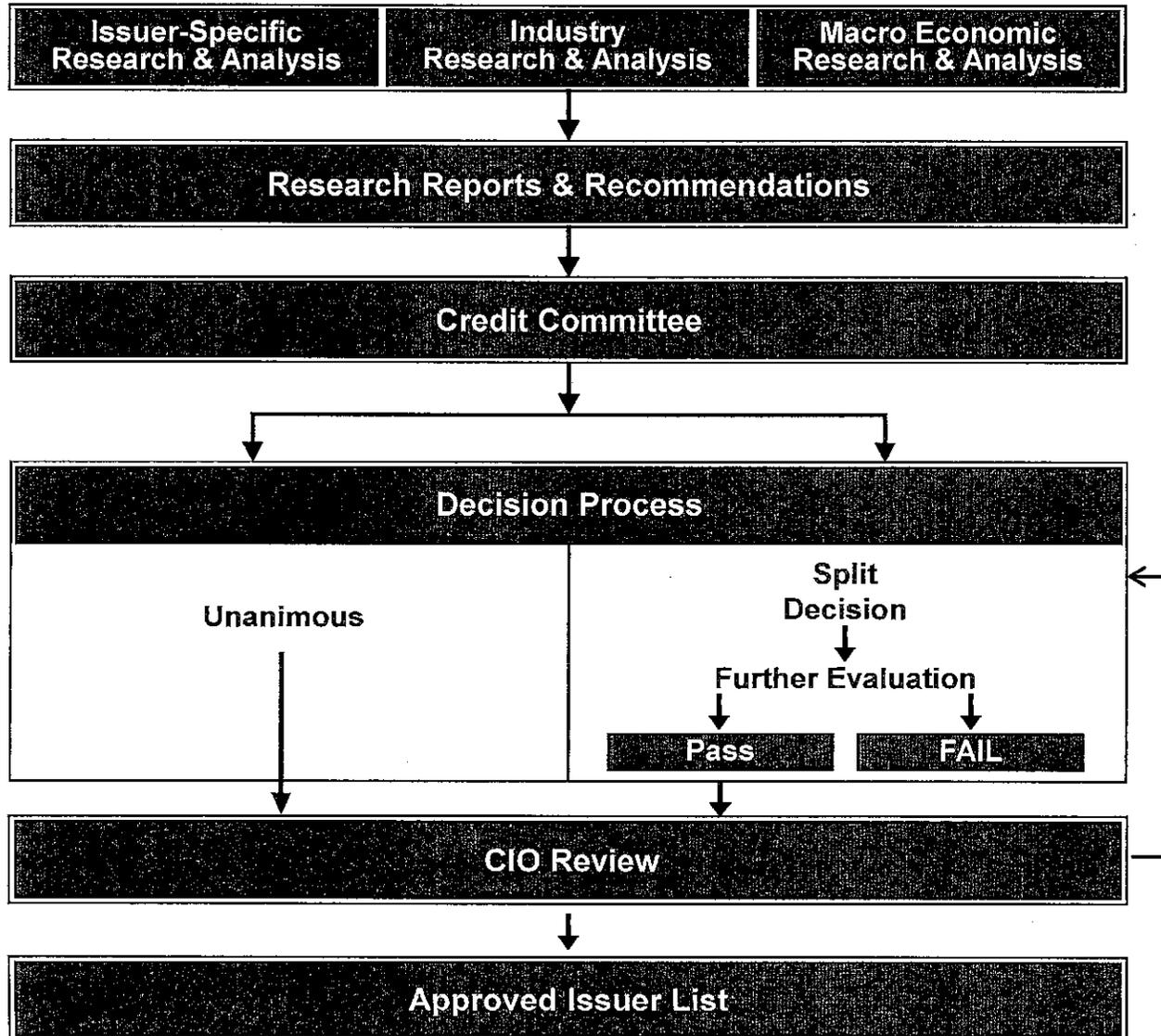
Implementing a Disciplined, Repeatable Investment Process

- Proprietary quantitative Horizon Analysis Model suggests sector allocation and term structure.
- The security selection process employs quantitative tools and rigorous qualitative analysis to determine relative value.





Selecting Securities Through Bottom-Up Credit Research





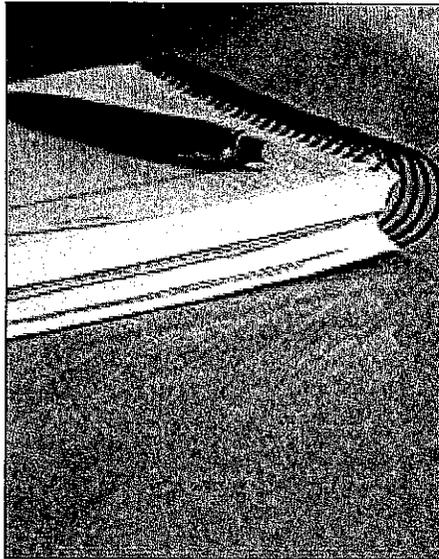
Providing Significant Value

Chandler Investment Styles 10-Year Returns December 2002 – December 2012

Investment Style	Portfolio Duration	Annualized Total Return		Chandler Added Value Net of Fees Over 10Yr
		10 Year Period 12/31/12 Net Fees (0.09 of 1%)	10-Year Growth of \$50 Million Net of Fees	
LAIF	0.62	2.18%	\$62 million	N/A
Chandler Ultra Short Bond	1.01	2.46%	\$63.8 million	\$1.8 million
Chandler Limited Maturity	1.73	3.11%	\$67.9 million	\$5.9 million
Chandler Short Term Bond	2.45	3.61%	\$71.3 million	\$9.3 million

Sample fee calculated for a \$50 million portfolio. Past performance is not a guarantee of future results. Please see attached GIPS® Compliant Performance Presentations.

SECTION 3



**Chandler: Offering Safety,
Liquidity and Return**



Specializing in Fixed Income Asset Management

■ Independent & Employee-Owned

- Fixed income specialist since 1988
- Serve institutions with public sector focus
- Fully aligned with client interests

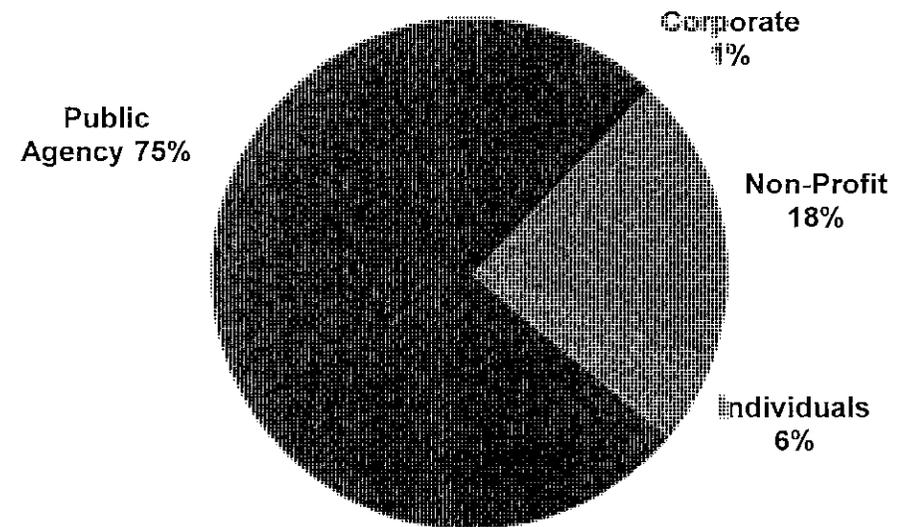
■ Custom Investment Programs

- Designed to address each client's objectives and policies
- Proactive approach to communication
- Full suite of timely, comprehensive reports

■ Skilled Fixed Income Team

- Strategic team-based decision making
- Disciplined, forward-thinking investment philosophy and process
- Chartered Financial Analyst® designation

Assets Under Management* \$6.4 Billion



*As of 12/31/2012



Focusing on Public Entity Investment Needs

Neighboring Clients

Client	Managed Since
City of Brea	1996
City of Buena Park	2006
Big Independent Cities Excess Pool	1996
City of Chino Hills	2011
City of Corona	2006
City of La Habra	1999
City of La Mirada	2008
City of Long Beach	2009
City of Moreno Valley	2010
City of Newport Beach	1991
City of Westminster	2003

* It is not known whether the listed clients approve or disapprove of Chandler Asset Management services provided. List of neighboring clients in alphabetical order. List includes discretionary and non-discretionary accounts.

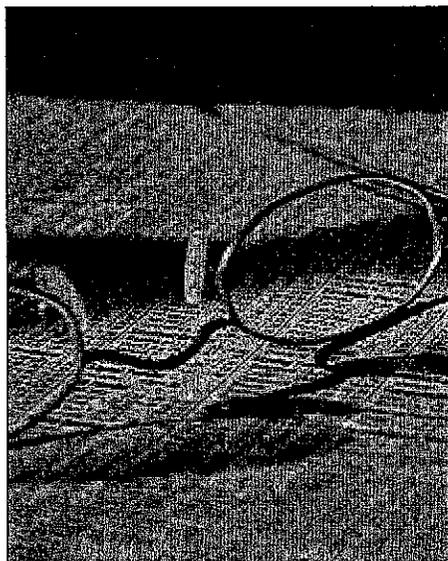


Partnering With the Chandler Team

Investment Professional	Responsibility	Industry Experience	Firm Tenure
██████████ CFA CEO, Chief Investment Officer	Leads the investment team Oversight of the firm's business	1987	1991
██████████ CFA SVP, Portfolio Manager	Oversight of client portfolios Portfolio management and trading	1987	1999
██████████ CFA SVP, Portfolio Manager	Oversight of portfolio management, desk operations Portfolio management and trading	1994	1995
██████████ CFA SVP, Portfolio Manager	Portfolio management and trading	1992	2011
██████████ VP, Credit Analyst	Credit analysis	2000	2009
██████████ Assistant Portfolio Manager	Portfolio management support and research	2010	2012
██████████ Portfolio Management Associate	Analyst	2008	2012

Client Service and Operations	Responsibility	Industry Experience	Firm Tenure
██████████ CFA President	Strategic planning and client service	1975	1988
██████████, JD COO, Chief Compliance Officer	Leads investment operations team Regulatory compliance	2000	2001
██████████ VP, Client Service	Client service and relationship management	1997	2004
██████████ Operations, IT Manager	Investment operations and IT resource	2003	2004

SECTION 4



**Comprehensive
Investment Program**



Implementing the Comprehensive Investment Program

Your objectives will form the basis for our recommendations

ACTION ITEM	DESCRIPTION
1. Define cashflow requirements	Cashflow forecast
2. Segment portfolio	Liquidity/Reserve
3. Review risk benchmarks	Market indexes with different risk/return profiles
4. Compare Chandler styles to benchmarks	Our composites and our customized portfolios
5. Select investment style and benchmark	This documents your risk/return preferences
6. Structure portfolio into selected style	We will manage the portfolio to your risk profile
7. Regular reports and meetings	We will report performance as compared to your risk benchmark



Establishing the Account

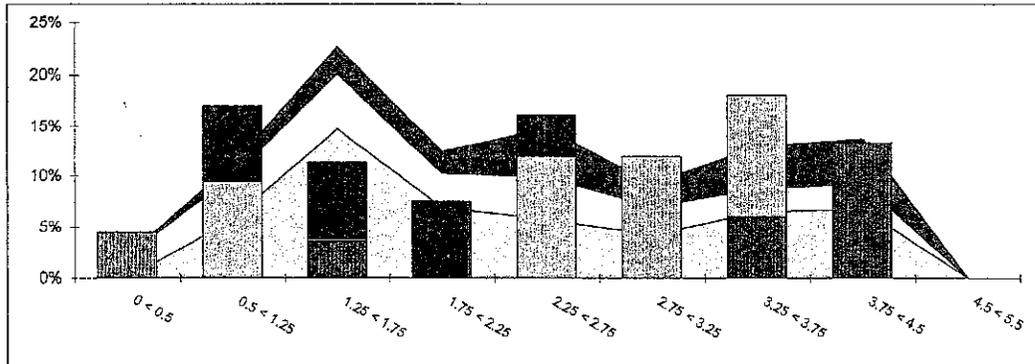
Implementation Schedule

Action Item/Deliverable	Timetable/Deadline	Owner
1. Execute agreement	Week 1	Costa Mesa and Chandler
2. Account establishment documents	Week 1-2	Costa Mesa and Chandler
3. Assign online access, designate signers	Week 1-2	Costa Mesa and Chandler
4. Review and select custodian	Complete/Bank of New York	City of Costa Mesa
5. Investment policy review	Week 2	Chandler Asset Management
6. Review cash flow projections	Week 2-3 Kick-off meeting	City of Costa Mesa and Chandler
7. Select investment strategy	Week 2-3 Kick-off meeting	City of Costa Mesa and Chandler
8. Establish schedule for meetings	Week 2-3 Kick-off meeting	City of Costa Mesa and Chandler
9. Input investment constraints in CRD	Week 2-3	Chandler Asset Management
10. Monthly reports by 3 rd business day	3 rd Business Day of each Month	Chandler Asset Management
11. Prepare and provide GASB 40 report	Annually	Chandler Asset Management

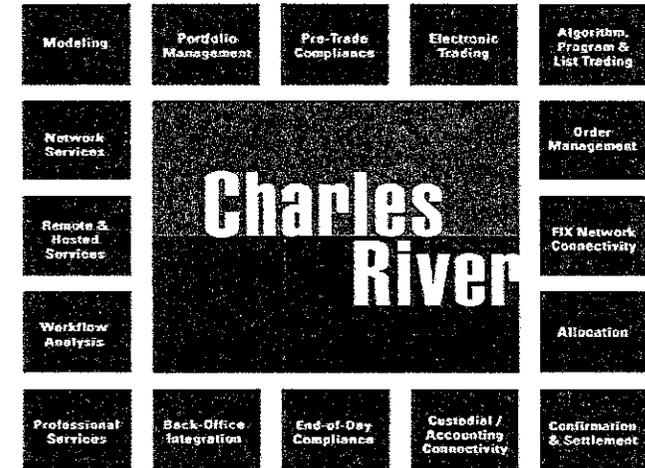


Leveraging Investment Technology and Resources

Chandler Proprietary Horizon Analysis Model



Compliance and Trade Allocation



Bloomberg

<HELP> for explanation; <MENU> for similar functions. Corp BTMM

FED FUND		US T-BILL YIELD/PRICE				EUROSDEP		REVERSE REP				
12:21		4W	-0.03	-0.04	0.00	-0.03	3M	1.4000	2.1500	O/N	0.20	0.05
BID/ASK		3M	0.04	0.01	0.05	0.04	6M	1.7500	2.5000	1W	0.25	0.10
LST/OPEN		6M	0.31	0.04	0.32	0.31	1Y	2.2000	3.4500	2W	0.30	0.15
HIGH/LOW		1Y	0.53	0.06	0.54	0.52				1M	0.45	0.30

US BONDS YLD/BID/ASK/CHG		DEALER C		90D EUR\$ FUT		FUNDS FUT		LIBOR FIX					
1 1/2	11/30/10	0.814	100-26+	100-27	-05	15D	0.410	MAR	98.46	DEC	99.76	1W	0.32500
1 3/8	12/15/11	1.082	100-03+	100-04	-06	30D	1.000	JUN	98.43	JAN	99.63	2M	0.88375
2	11/30/13	1.527	102-07+	102-08	-06	60D	1.760	SEP	98.34	FEB	99.64	3M	1.56750
3 3/8	11/15/18	2.506	110-26+	110-27+	-02	90D	1.980	DEC	98.21	MAR	99.61	4M	1.84750
4 1/2	05/15/38	2.913	131-05+	131-06+	31+	120D	2.170	MAR	98.13	APR	99.57	5M	2.07750
						180D	2.220	JUN	97.96	MAY	99.54	6M	2.16750
												1Y	2.36750

SPOT FOREX		Key Rates		Swaps		10yr Note Fut		30Y MBS	
JPY	89.9680	Prime	4.00	3Y	2.061	CBT	124-29+	06+	
EUR	1.3818	BLR	2.75	5Y	2.384				
GBP	1.5335	FDTR	1.00	10Y	2.722				
CHF	1.1404	Discount	1.25	30Y	2.680				
CAD	1.1249								

Date/Time	Event	Survey	Actual	Prior	Revised
12/18 8:30 US	1) Consumer Price Index (MoM)	NOV	-1.3%	-1.7%	-1.0%
12/18 8:30 US	2) CPI Ex Food & Energy (MoM)	NOV	0.1%	0.0%	-0.1%
12/18 8:30 US	3) Consumer Price Index (YoY)	NOV	1.5%	1.1%	3.7%
12/18 8:30 US	4) CPI Ex Food & Energy (YoY)	NOV	2.1%	2.0%	2.2%

TradeWeb®

Main Lists Edit Book Msg Pman Pref Admin Window Print Help

TradeWeb On The Run Treasury

Yield	Rating	ISIN
USDEMO1		

Coupon	Maturity	Price	Dealer	Yield
4.675	3/16	102-21/236	6-5	3.391-394
4.675	3/16	102-01/203	6-8	3.413-407
4.625	2/15	102-05/204	8-7	3.486-480
4.500	5/17	102-05/193	7-6	3.519-515
4.750	8/17	102-162/173	6-7	3.544-549
4.250	N17	102-21/216	8-8	3.549-545
3.500	2/18	99-20+/21	10-3	3.543-641
6.250	5/30	126-21/223	7-8	4.356-354
5.375	3/31	102-01/17	5-7	4.366-363
4.500	2/26	102-01/03	7-8	4.373-369
4.750	2/27	106-05+/07+	7-5	4.371-367
5.000	5/27	102-01/15+	8-7	4.364-360
4.375	2/28	99-29/30	6-6	4.380-378
2.750	2/13	101-07/076	9-7	2.602-597
2.750	2/13	100-182/19	11-6	2.624-619
2.500	3/13	99-124/13	9-12	2.622-628
3mo	07-17	1.0650-0600	4-	3.1082-078
6mo	19-16	1.4000-3950	7-	5.1430-124

Click Here to View Full TradeWeb Swap Rates



Committing to Excellence in Service and Communication

Portfolio Management

- Direct contact with assigned PM
- Regular meetings with management and board
- Daily monitoring of portfolio
- Initial and ongoing Policy review

Client Service

- Assigned Client Service Officer
- Ensures directives are executed
- Staff training and education
- General resource on best practices

Operations / Compliance

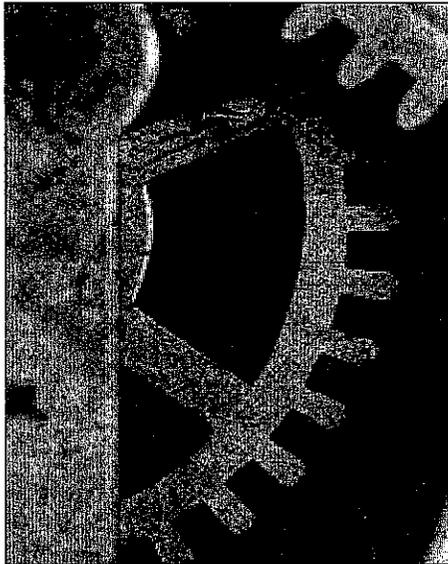
- Investment reports delivered by 3rd business day
- Monthly statement of compliance to each client
- Daily and monthly reconciliation with Banks

Systems / Technology

- Secure online access to reports and transactions
- Compliance and trade allocation resources
- Website provides
 - Bond Market Review
 - White Papers

← Client communication across the entire Chandler Team →

SECTION 5



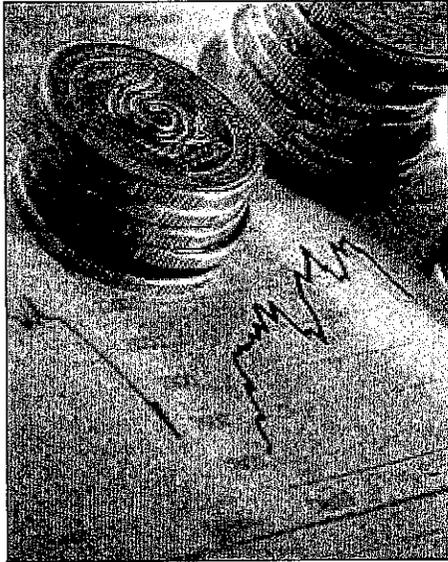
Final Thoughts



Ensuring the Right Partner for the City of Costa Mesa

- The investment program we manage for you will be specifically tailored to your unique requirements.
- Our safety focused investment approach employs a forward-thinking, risk-controlled discipline designed to achieve above-benchmark returns.
- You will have confidence that you have selected a firm that is working hard to help achieve the City's goals of increased transparency and financial stability as you celebrate your 60th anniversary.

We look forward to fulfilling your investment objectives and exceeding your expectations in every way.



SECTION 6

**Professional Credentials
and Disclosures**



Biographies

██████████ CFA
President

██████████ is the president of Chandler Asset Management and founded the firm in 1988. Ms. ██████████ is responsible for overseeing all aspects of the firm's investment process. She leads client service and communication and is focused on the strategic direction of the firm. Recognized for her expertise, she is frequently asked to speak on topics such as investment policy, portfolio management, and the risk characteristics of fixed income securities.

Ms. ██████████ served as the investment officer for the County of San Diego from 1975 until 1983 and then in the same position for the City of San Diego from 1983 until 1985. As a Managing Director at Pacific Century Advisers from 1985 until 1988, she managed over \$1 billion in fixed-income assets for institutional investors. She is a co-author of *The California Public Fund Investment Primer*, commissioned by the California State Treasurer and published in 2005.

Ms. ██████████ received her B.A. from Oberlin College in 1970, and attended graduate school at San Diego State University. She is a member of the CFA Society of San Diego and holds the designation of Chartered Financial Analyst.

She is a member of the Board of Governors of the San Diego Foundation and serves as a member of the Foundation's Investment Committee.

██████████ CFA
CEO, Chief Investment Officer

██████████ is the chief executive and investment officer at Chandler Asset Management and is a principal of the firm. Mr. ██████████ is responsible for defining, planning, and directing company programs. He heads implementation of the firm's investment strategies and portfolio risk management. He designed the proprietary quantitative models that drive our investment process, establishing duration, structure, and asset allocation throughout client portfolios.

Mr. ██████████ joined Chandler Asset Management in 1991 from the City of San Diego where he managed a \$1 billion fixed income portfolio. He began his investment career in 1987 managing portfolios at World Savings and Loan.

Mr. ██████████ received his B.S. in finance from California State University, Hayward. He is a member of the CFA Society of San Diego and holds the designation of Chartered Financial Analyst. He is also a member of the California Association of Joint Power Authorities (CAJPA) finance committee.



Biographies

██████████ CFA

Senior Vice President, Portfolio Manager

██████████ is a senior vice president and senior portfolio manager at Chandler Asset Management. In addition to his duties as a portfolio manager, he oversees daily trading and is responsible for implementing portfolio strategy. Mr. ██████████ leads the Portfolio Management and Sector Committees.

Prior to joining Chandler Asset Management in 1999, Mr. ██████████ served as a vice president and fund manager for Sefton Capital Management. He was responsible for the management of over \$300 million in both mutual fund vehicles and individually managed institutional portfolios. From 1988 through 1994, Mr. ██████████ managed money market and enhanced money market funds for San Diego Trust and Savings Bank and its successor, San Diego Financial Capital Management.

Mr. ██████████ earned both his B.A. and M.B.A. in finance from San Diego State University. He is a member of the CFA Society of San Diego and holds the designation of Chartered Financial Analyst.

██████████
██████████
Vice President, Client Service

██████████ joined Chandler Asset Management in 2004 and is a vice president of client service. Ms. ██████████ is an active member of CSMFO, CMTA and GFOA. Her focus is on the development of client relationships and client service. Ms. ██████████ has more than ten years of financial industry experience.

Prior to joining Chandler, Ms. ██████████ was employed at Nicholas Applegate Capital Management for five years, as an institutional client service assistant, then as an assistant marketing manager for the managed accounts division of the firm where she worked on marketing initiatives, developing collateral material and product communication pieces.

Ms. ██████████ earned her B.A. in speech communication with an emphasis in business communications from San Diego State University.



Biographies

■■■■■■■■■■ IACCP
COO, Chief Compliance Officer

■■■■■■■■■■ is the chief operating and compliance officer at Chandler Asset Management. Ms. ■■■■■■■■■■ is responsible for regulatory compliance and legal matters, and implements and oversees the firm's operational and administrative functions. She also directly oversees the investment operations department, which is responsible for maintaining data integrity, trade settlement, performance calculation, client reporting and portfolio accounting.

Prior to joining Chandler in 2001, she served as a trading associate on the institutional fixed income sales desk at Merrill Lynch.

Ms. ■■■■■■■■■■ earned her B.A. from the University of San Diego in business economics and her J.D. from the University of San Diego School of Law. She is a member of the State Bar of California, the American Bar Association, the San Diego County Bar Association, and the Southern California Compliance Group. Additionally, Ms. Dragoo holds the designation of Investment Adviser Certified Compliance Professional (IACCP).

■■■■■■■■■■ CFA
Senior Vice President, Portfolio Manager

■■■■■■■■■■ is a senior vice president and portfolio manager at Chandler Asset Management. He has been instrumental in the development and integration of quantitative analytic tools for the portfolio management process.

Prior to joining Chandler Asset Management in 1995, Mr. ■■■■■■■■■■ was employed as a financial analyst with USA Federal Credit Union in San Diego, managing a \$100 million liquidity book. His responsibilities there also included asset/liability management.

Mr. ■■■■■■■■■■ earned his B.A. in economics from San Diego State University. He is a member of the CFA Society of San Diego and holds the designation of Chartered Financial Analyst.



Biographies

■■■■■ II, CFA
Senior Vice President, Portfolio Manager

■■■■■ joined Chandler Asset Management in 2011 as a portfolio manager, responsible for implementing portfolio strategy and securities trading in client accounts.

Prior to joining Chandler, Mr. ■■■■■ worked at Northern Trust Global Investments in Chicago, most recently as senior portfolio manager and vice president, with a wide range of responsibilities in asset allocation, quantitative and qualitative analysis.

Mr. ■■■■■ earned his B.S. in business administration, option in finance, at California State University, Chico. He holds the designation of Chartered Financial Analyst.

■■■■■
VP, Credit Analyst

■■■■■ joined Chandler Asset Management as a credit analyst in 2009. She is actively involved in analyzing and assessing the credit suitability of debt issuers and assisting portfolio managers in the portfolio management process. Ms. ■■■■■ is a member of the firm's Credit Committee and is responsible for monitoring developments in the financial markets and providing fundamental economic and investment research.

Ms. ■■■■■ brings more than eight years of experience in equity research and financial analysis. Most recently, she was an associate analyst at Bear, Stearns & Co. Inc., focusing on the consumer/retail sector. Prior to joining Bear Stearns, Ms. ■■■■■ was an equity research associate at C.L. King & Associates. She began her career at Ford Equity Research in San Diego as a quantitative equity analyst. Ms. ■■■■■ was a three-year member of Institutional Investor magazine's "All-America Research Team," and is a Level III Candidate in the CFA program.

Ms. ■■■■■ earned her B.A. in business economics from the University of California, Santa Barbara.



Biographies

██████████
██████████
Assistant Portfolio Manager

██████████ joined Chandler Asset Management as an assistant portfolio manager in 2012. Mr. ██████████ assists the portfolio managers performing portfolio and fixed income research, and transacting securities.

Prior to joining Chandler, Mr. ██████████ worked at Bank of Internet in San Diego as an investment analyst where he analyzed MBS and structure debt. Mr. ██████████ started his career at Western Asset Management as a mutual fund treasury administrator in their proprietary funds division.

Mr. ██████████ earned his B.S. in managerial economics, as well as his M.S. in agricultural and resource economics from the University of California, Davis. Mr. ██████████ has passed all three levels of the CFA program and will be eligible for award of the CFA charter upon completion of the required work experience.

██████████
██████████
Portfolio Management Associate

██████████ joined the Chandler Asset Management as a portfolio management associate in 2012. His responsibilities include assisting the portfolio management team with analysis of individual securities, researching portfolios and transacting securities on behalf of the portfolio managers.

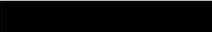
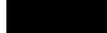
Prior to joining Chandler, Mr. ██████████ worked in the investment division of the County of Orange. At the County he shared responsibility of managing a \$50 million money market fund and assisted the team in overseeing \$6.5 billion in fixed income investments.

Mr. ██████████ holds B.A. and M.A. degrees in economics from the California State University of Fullerton. He is a 2012 Level I Candidate in the CFA program.



Biographies


Operations/IT Manager

 is the operations/IT manager at Chandler Asset Management. He is responsible for leading the investment operations team and managing the firm's IT resources. Mr.  oversees trade processing, trade settlements, portfolio accounting, statement reconciliation, and client reporting.

Mr.  joined Chandler Asset Management in 2004 as an operation associate. His previous experience includes financial accounting and reporting.

Mr.  earned his B.S. in business administration with a specialization in finance from California State University San Marcos in 2003. In 2009, Mr.  received his M.B.A. in finance from National University.



GIPS® Compliant Verification Statement



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GIPS® Compliance Verification Statement Chandler Asset Management, Inc

GIPS® Compliance Verification Statement

Chandler Asset Management, Inc
Issued February 22, 2012

The following report issued by ACA Verification Services, LLC ("ACA Beacon") is for a firm-wide GIPS Verification of Chandler Asset Management, Inc's ("Chandler") claim of compliance with the Global Investment Performance Standards ("GIPS standards") for the period June 30, 1997 through December 31, 2012.

We have examined whether Chandler (1) complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) designed its policies and procedures to calculate and present performance results in compliance with the GIPS standards for the period June 30, 1997 through December 31, 2012. Chandler's management is responsible for compliance with the GIPS standards and the design of the policies and procedures that present the firm's performance results in accordance with the GIPS standards. ACA Beacon's responsibility is to express an opinion on Chandler's compliance based on its verification procedures.

ACA Beacon has completed this firm-wide GIPS Verification in accordance with the required verification procedures set forth in the GIPS standards. It is ACA Beacon's opinion that Chandler has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis. Furthermore, it is ACA Beacon's opinion that Chandler's policies and procedures were designed to calculate and present performance results in compliance with the GIPS standards for the period June 30, 1997 through December 31, 2012.

In performing the firm-wide verification addressed above, it is not ACA Beacon's responsibility to express an opinion on any particular composite presentation nor does verification ensure the accuracy of any specific composite presentation. Chandler is responsible for the production and distribution of materials presented in conformity with the GIPS standards.

ACA Verification Services, LLC
ACA Verification Services, LLC

06/30/97 through 12/31/12

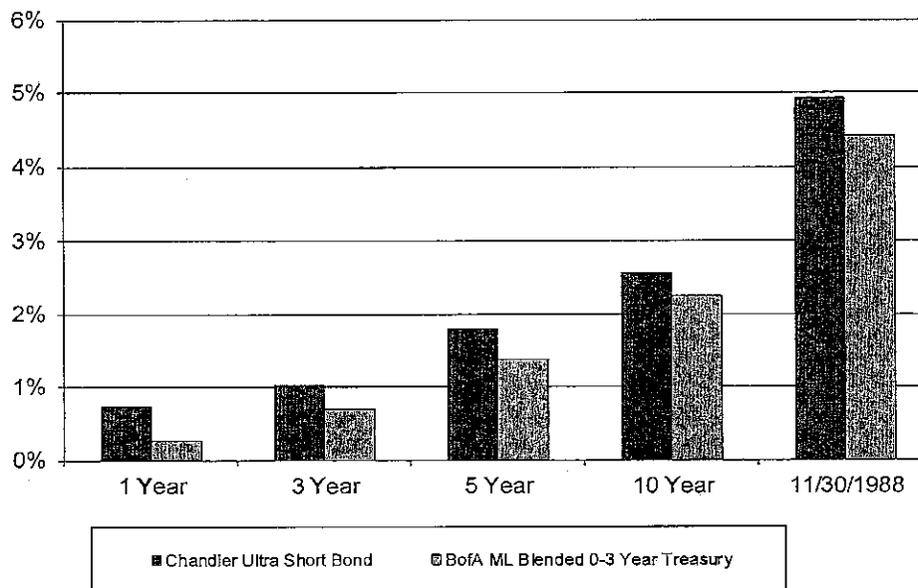
METRO DC NEW YORK MORRISTOWN CHICAGO BOSTON LOS ANGELES
BOCA RATON RICHMOND CHATTANOOGA DENVER LONDON JERSEY



GIPS® Compliant Performance

INVESTMENT PERFORMANCE¹

Ultra Short Bond
December 31, 2012



Period	Chandler Ultra Short Bond	BofA ML Blended 0-3 Year Treasury
1 Year	0.74%	0.26%
3 Year	1.02%	0.69%
5 Year	1.79%	1.38%
10 Year	2.55%	2.25%
Since Inception 11/30/1988	4.93%	4.42%

¹All performance figures greater than 1 year are annualized.

²Returns are presented gross of fees. Please see next page for additional information about the composite.



GIPS® Compliant Performance

Ultra Short Bond Annual Rates of Return 2003 through 2012

Year End	Returns			3 Yr Annualized Standard Deviation		Dispersion Asset Wtd Std. Dev.	Number of Portfolios	Assets		
	Total Gross	Total Net	Index	Composite	Index			Composite (MM)	Pct of Firm Assets	Firm (MM)
2003	2.15%	1.89%	1.49%	n/a	n/a	0.53%	6	53	3.1%	1,735.41
2004	1.34%	1.08%	1.13%	n/a	n/a	≤5	4	33	1.7%	1,960.83
2005	2.57%	2.31%	2.52%	n/a	n/a	0.07%	6	111	4.4%	2,540.33
2006	4.77%	4.51%	4.48%	n/a	n/a	0.08%	7	252	8.7%	2,884.73
2007	5.82%	5.56%	6.11%	n/a	n/a	0.26%	6	222	6.8%	3,285.55
2008	4.61%	4.35%	4.32%	n/a	n/a	0.55%	7	267	7.5%	3,542.87
2009	1.35%	1.10%	0.55%	n/a	n/a	0.20%	6	158	3.6%	4,394.10
2010	1.51%	1.25%	1.08%	n/a	n/a	0.12%	6	114	2.2%	5,080.90
2011	0.81%	0.56%	0.73%	0.45%	0.42%	≤5	5	119	2.3%	5,220.82
2012	0.74%	0.49%	0.26%	0.37%	0.31%	≤5	4	77	1.3%	5,824.76

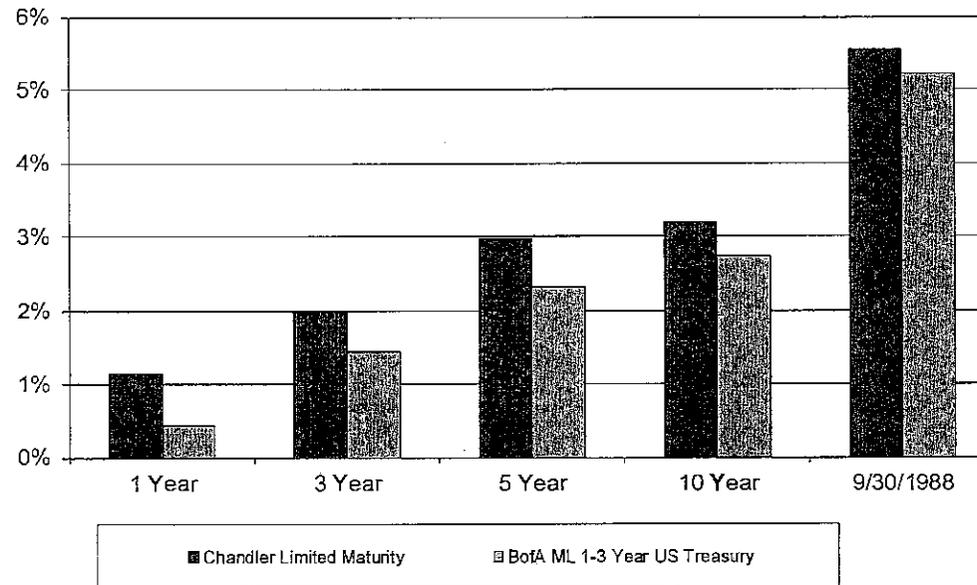
Chandler Asset Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Chandler Asset Management has been independently verified by Beacon Verification Services for the period of June 30, 1997 through December 31, 2012. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. 1. Chandler Asset Management is an independent investment adviser registered as such with the Securities and Exchange Commission under the Investment Adviser's Act of 1940. Since 1988, Chandler Asset Management has provided fixed income investment management services to the public sector, as well as to foundations, endowments, individuals and corporations. A complete list and description of all of the firm's composites is available upon request. 2. The Ultra Short Bond Composite is a composite of individually managed accounts with an average modified duration approximately equal to the modified duration of the Bank of America Merrill Lynch Blended 0-3 year Treasury index and a maximum final stated maturity of individual securities of three years. The minimum account size required to be included in this composite is \$2 million. This composite was created in November 1988. The name of this composite was changed from Principal Preservation effective June 30, 2009. 3. The B of A Merrill Lynch Blended 0-3 Year Treasury Index is a static, internally-maintained blended benchmark comprised of US Treasury securities issued by the US Government. Prior to 1/1/2001, it consisted of 1 Year T-Bills. Effective 1/1/2001, it consists of the following indices: 30% BoA/ML 3-Month U.S. T-Bill, 30% BoA/ML 6-Month U.S. T-Bill and 40% BoA/ML 1-3 Year U.S. Treasuries. Securities in this benchmark include current 3- and 6-month T-Bills and 1-3 year treasuries that have fixed coupon rates and a maturity not greater than three years regardless of any call features. Indexes are referred to for comparative purposes only and are not intended to parallel the risk or investment style of the portfolios in the Composite. Indexes do not utilize leverage. Index calculations do not reflect fees, brokerage commissions or other expenses of investing. Investors may not make direct investments into any index. Index data contained herein (and all trademarks related thereto) are owned by the indicated index provider, and may not be redistributed. The information herein has not been approved by the index provider. 4. Valuations are computed and performance reported in U.S. Dollars. Firm assets shown are those managed on a discretionary basis only and therefore may differ from the Regulatory Assets Under Management reflected on our Form ADV. 5. Performance is calculated using a time-weighted total rate of return, which links performance monthly, and is reported gross of investment management fees and custodial fees, but after all trading expenses. Results reflect the reinvestment of income, dividends and other earnings, and include realized and unrealized gains and losses and interest accrued through the last day of each month. Results do not reflect the potential impact of taxes. Past performance is not indicative of future results. Fees charged by Chandler Asset Management will reduce performance. 6. Net-of-fees performance returns are calculated by reducing the monthly gross performance by one-twelfth (1/12) of the actual maximum applicable fee of 0.25%, which is representative of our current fee schedule for this composite. These monthly returns are then geometrically linked to produce annual returns which are presented before custodial fees but after management fees, all trading expenses and withholding taxes. An account of \$10 million charged a management fee of 0.40 of 1% and with an annualized total return of 6% would have a value of \$13,488,502 and would have paid fees of \$266,218 after five years. Fees are negotiable and additional information regarding Chandler's fees is included in our Part 2A of Form ADV. 7. Asset weighted standard deviation of annual returns relative to the composite return is presented as a measure of composite dispersion. For those years when less than six portfolios were included in the composite for the full year, no dispersion measure is presented. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period and is required by GIPS for periods beginning after January 1, 2011. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.



GIPS® Compliant Performance

INVESTMENT PERFORMANCE¹

Limited Maturity
December 31, 2012



Period	Chandler Limited Maturity	BofA ML 1-3 Year US Treasury
1 Year	1.16%	0.43%
3 Year	2.00%	1.44%
5 Year	2.96%	2.32%
10 Year	3.20%	2.72%
Since Inception 9/30/1988	5.54%	5.21%

¹All performance figures greater than 1 year are annualized.

²Returns are presented gross of fees. Please see next page for additional information about the composite



GIPS® Compliant Performance

Limited Maturity Annual Rates of Return 2003 through 2012

Year End	Returns			3 Yr Annualized			Assets			
	Total Gross	Total Net	Index	Composite	Index	Asset Wtd Std. Dev.	Number of Portfolios	Composite (MM)	Pct of Firm Assets	Firm (MM)
2003	2.30%	2.04%	1.90%	n/a	n/a	≤5	3	131	7.5%	1,735.41
2004	1.49%	1.23%	0.91%	n/a	n/a	≤5	3	126	6.4%	1,960.83
2005	2.03%	1.78%	1.67%	n/a	n/a	≤5	4	129	5.1%	2,540.33
2006	4.60%	4.34%	3.96%	n/a	n/a	≤5	4	44	1.5%	2,884.73
2007	6.88%	6.62%	7.32%	n/a	n/a	0.13%	6	90	2.7%	3,285.55
2008	6.82%	6.56%	6.61%	n/a	n/a	0.20%	8	202	5.7%	3,542.87
2009	2.10%	1.85%	0.78%	n/a	n/a	0.34%	9	224	5.1%	4,394.10
2010	2.96%	2.70%	2.35%	n/a	n/a	0.38%	8	201	4.0%	5,080.90
2011	1.88%	1.62%	1.55%	1.02%	1.02%	0.31%	9	222	4.3%	5,220.82
2012	1.16%	0.91%	0.43%	0.78%	0.73%	0.06%	15	474	8.1%	5,824.76

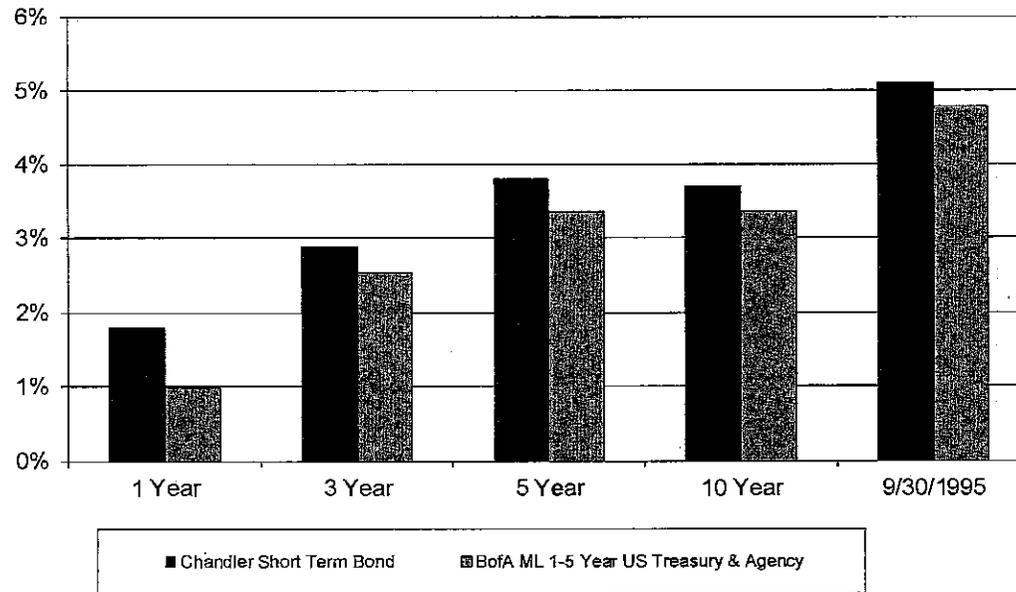
Chandler Asset Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Chandler Asset Management has been independently verified by Beacon Verification Services for the period of June 30, 1997 through December 31, 2012. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. 1. Chandler Asset Management is an independent investment adviser registered as such with the Securities and Exchange Commission under the Investment Adviser's Act of 1940. Since 1988, Chandler Asset Management has provided fixed income investment management services to the public sector, as well as to foundations, endowments, individuals and corporations. A complete list and description of all of the firm's composites is available upon request. 2. The Limited Maturity Composite is a composite of individually managed accounts with an average modified duration approximately equal to the modified duration of the Bank of America Merrill Lynch 1-3 Year US Treasury Index and a final stated maturity of individual securities of five years. The minimum account size required to be included in this composite is \$2 million. This composite was created September 1988. The name of this composite was changed from Short-Term Fixed Income effective June 30, 2009. 3. The B of A Merrill Lynch 1-3 Year US Treasury Index is comprised of US Treasury securities issued by the US Government. All securities in the index must have fixed coupon rates and have at least one year but not greater than three years to maturity regardless of any call features. Indexes are referred to for comparative purposes only and are not intended to parallel the risk or investment style of the portfolios in the Composite. Indexes do not utilize leverage. Index calculations do not reflect fees, brokerage commissions or other expenses of investing. Investors may not make direct investments into any index. Index data contained herein (and all trademarks related thereto) are owned by the indicated index provider, and may not be redistributed. The information herein has not been approved by the index provider. 4. Valuations are computed and performance reported in U.S. Dollars. Firm assets shown are those managed on a discretionary basis only and therefore may differ from the Regulatory Assets Under Management reflected on our Form ADV. 5. Performance is calculated using a time-weighted total rate of return, which links performance monthly, and is reported gross of investment management fees and custodial fees, but after all trading expenses. Results reflect the reinvestment of income, dividends and other earnings, and include realized and unrealized gains and losses and interest accrued through the last day of each month. Results do not reflect the potential impact of taxes. Past performance is not indicative of future results. Fees charged by Chandler Asset Management will reduce performance. 6. Net-of-fees performance returns are calculated by reducing the monthly gross performance by one-twelfth (1/12) of the actual maximum applicable fee of 0.25%, which is representative of our current fee schedule for this composite. These monthly returns are then geometrically linked to produce annual returns which are presented before custodial fees but after management fees, all trading expenses and withholding taxes. An account of \$10 million charged a management fee of 0.40 of 1% and with an annualized total return of 6% would have a value of \$13,488,502 and would have paid fees of \$266,218 after five years. Fees are negotiable and additional information regarding Chandler's fees is included in our Part 2A of Form ADV. 7. Asset weighted standard deviation of annual returns relative to the composite return is presented as a measure of composite dispersion. For those years when less than six portfolios were included in the composite for the full year, no dispersion measure is presented. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period and is required by GIPS for periods beginning after January 1, 2011. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.



GIPS® Compliant Performance

INVESTMENT PERFORMANCE¹

Short Term Bond
December 31, 2012



Period	Chandler Short Term Bond	BofA ML 1-5 Year US Treasury & Agency
1 Year	1.80%	0.98%
3 Year	2.88%	2.54%
5 Year	3.80%	3.35%
10 Year	3.70%	3.36%
Since Inception 9/30/1995	5.09%	4.79%

¹All performance figures greater than 1 year are annualized.

²Returns are presented gross of fees. Please see next page for additional information about the composite



GIPS® Compliant Performance

Short Term Bond Annual Rates of Return 2003 through 2012

Year	Return		3 Yr Annualized		Dispersion		Assets	
	Total	Net of Fees	Standard Deviation	Standard Deviation	Asset Wtd	Number of Composites	End of Period	Beginning of Period
End	Gross	Net	Index	Composite	Std. Dev.	Portfolios	(\$MM)	(\$MM)
2003								
2004								
2005								
2006								
2007								
2008								
2009								
2010								
2011								
2012								

Chandler Asset Management claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in accordance with the GIPS standards. Chandler Asset Management has been independently verified by Bureau Verification Services for the period of June 30, 2007 through December 31, 2012. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. 1. Chandler Asset Management is an independent investment adviser registered as such with the Securities and Exchange Commission under the Investment Adviser's Act of 1940. Since 1988, Chandler Asset Management has provided fixed income investment management services to the public sector, as well as to foundations, endowments, individuals and corporations. A complete list and description of all of the firm's composites is available upon request. 2. The Short Term Bond Composite is a composite of individually managed accounts with an average modified duration approximately equal to the modified duration of the Bank of America Merrill Lynch 1-5 Year US Treasury & Agency Index and a maximum final stated maturity of individual securities of five years. The minimum account size required to be included in this composite is \$2 million. This composite was created in September 1995. The name of this composite was changed from 1-5 Year Government Fixed Income effective June 30, 2009. 3. The B of A Merrill Lynch 1-5 Year US Treasury & Agency Index is comprised of securities issued by entities of the US Government, including the US Treasury and Agencies such as Fannie Mae, Resolution Trust Funding and the Federal Home Loan Bank. Corporate or foreign debt guaranteed by the US Government, such as USAID securities, may also be included in the index. All securities in the index must be investment grade, have fixed coupon rates or rates that change according to a predetermined schedule, and have at least one year but not greater than five years to maturity regardless of any call features. Indexes are referred to for comparative purposes only and are not intended to parallel the risk or investment style of the portfolios in the Composite. Indexes do not utilize leverage. Index calculations do not reflect fees, brokerage commissions or other expenses of investing. Investors may not make direct investments into any index. Index data contained herein (and all trademarks related thereto) are owned by the indicated index provider, and may not be redistributed. The information herein has not been approved by the index provider. 4. Valuations are computed and performance reported in U.S. Dollars. Firm assets shown are those managed on a discretionary basis only and therefore may differ from the Regulatory Assets Under Management reflected on our Form ADV. 5. Performance is calculated using a time-weighted total rate of return, which links performance monthly, and is reported gross of investment management fees and custodial fees, but after all trading expenses. Results reflect the reinvestment of income, dividends and other earnings, and include realized and unrealized gains and losses and interest accrued through the last day of each month. Results do not reflect the potential impact of taxes. Past performance is not indicative of future results. Fees charged by Chandler Asset Management will reduce performance. 6. Net-of-fees performance returns are calculated by reducing the monthly gross performance by one-twelfth (1/12) of the actual maximum applicable fee of 0.25%, which is reflective of our current fee schedule for this composite. These monthly returns are then geometrically linked to produce annual returns which are presented before custodial fees but after management fees, all trading expenses and withholding taxes. An account of \$10 million charged a management fee of 0.40 of 1% and with an annualized total return of 8% would have a value of \$13,488,502 and would have paid fees of \$266,218 after five years. Fees are negotiable and additional information regarding Chandler's fees is included in our Part 2A of Form ADV. 7. Asset weighted standard deviation of annual returns relative to the composite return is presented as a measure of composite dispersion. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period and is required by GIPS for periods beginning after January 1, 2011. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.



LAIF

The California State Local Agency Investment Fund (LAIF) is an investment portfolio managed by the State Treasurer. All securities are purchased under the authority of Government Code Section 16430 and 16480.4 and include securities issued by entities of the U.S. Government, including the U.S. Treasury and Agencies, Corporate debt, Certificates of Deposit, Mortgage Backed Securities and certain loans to the State and state agencies. The average maturity of the Fund will be between 120 days and 18 months.

Bank of America Merrill Lynch Blended 0-3 Treasury Index

The BofA Merrill Lynch Blended 0-3 Treasury Year Index is a static, internally-maintained blended benchmark comprised of US Treasury securities issued by the US Government. Prior to 1/1/2001, it consisted of 1 Year T-Bills. Effective 1/1/2001, it consists of the following indices: 30% BofA/ML 3-Month U.S. T-Bill, 30% BofA/ML 6-Month U.S. T-Bill and 40% BofA/ML 1-3 Year U.S. Treasuries. Securities in this benchmark include current 3- and 6-month T-Bills and 1-3 year treasuries that have fixed coupon rates and a maturity not greater than three years regardless of any call features.

BofA Merrill Lynch 1-3 Year US Treasury Index

The Merrill Lynch 1-3 Year US Treasury Index is comprised of U.S. Treasury securities issued by the U.S. Government. All securities in the index must have fixed coupon rates and have at least one year but not greater than three years to maturity regardless of any call features.

BofA Merrill Lynch 1-5 Year US Treasury & Agency Index

The Merrill Lynch 1-5 Year US Treasury & Agency Index is comprised of securities issued by entities of the U.S. Government, including the U.S. Treasury and Agencies such as Fannie Mae, Resolution Trust Funding and the Federal Home Loan Bank. Corporate or foreign debt guaranteed by the U.S. Government, such as USAID securities, may also be included in the index. All securities in the index must be investment grade, have fixed coupon rates or rates that change according to a predetermined schedule, and have at least one year but not greater than five years to maturity regardless of any call features.



SECTION 7

Supplementary Materials



Modern Portfolio Theory Statistics

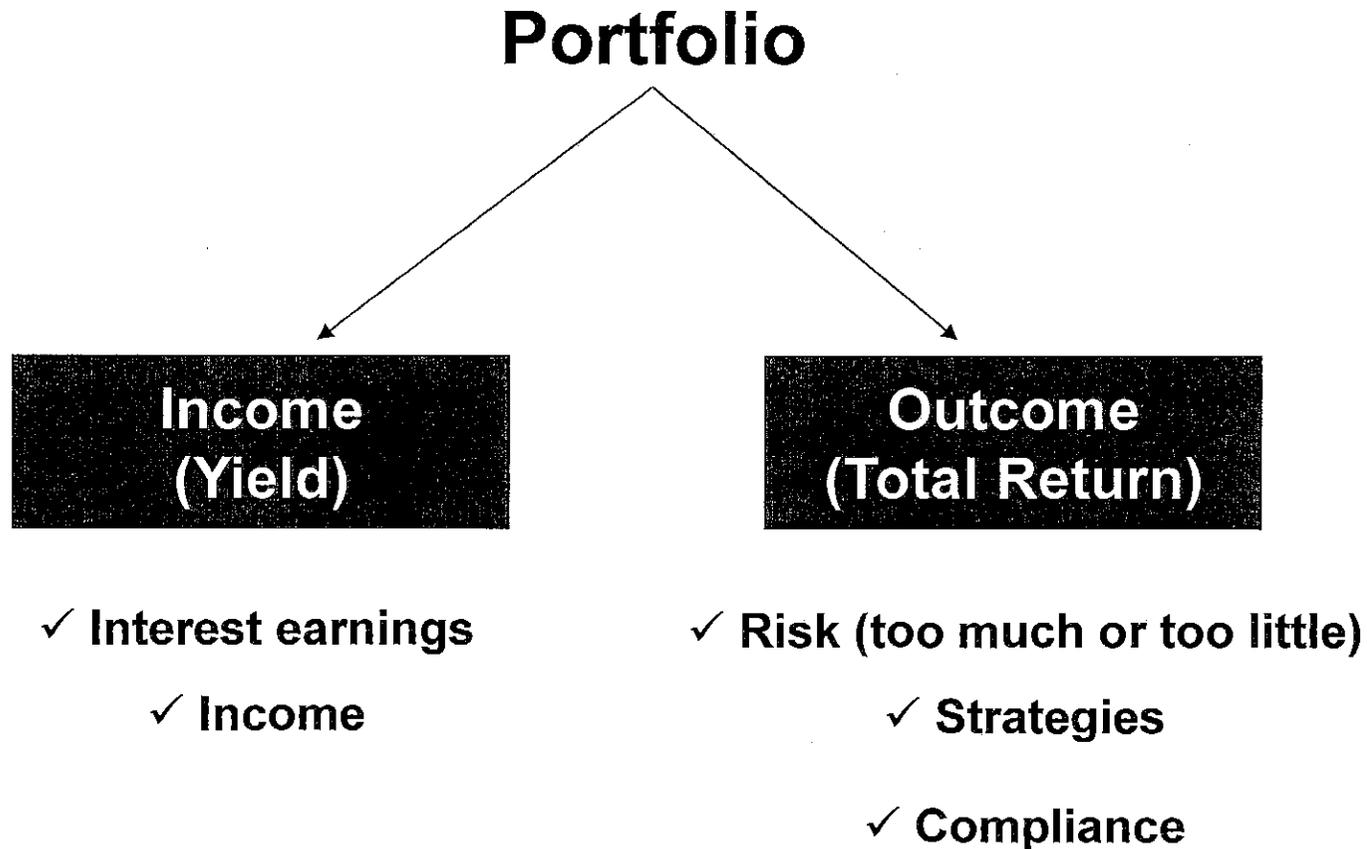
Chandler Short Term Bond Composite 1-, 3-, and 5-year modern portfolio theory statistics

	Composite Returns	Standard Deviation	Alpha	Beta	Sharpe Ratio
1-Year	1.79%	0.73	0.96	0.84	2.34
3-Year	2.89%	1.19	0.64	0.88	2.34
5-Year	3.80%	0.45	0.74	0.91	1.65

* Gross of fees. Please refer to our GIPS-compliant presentations. Past performance is not indicative of future results.



Why you need yield and total return



Report Viewer DEMO

www.chandlerasset.com



Features

- Secure online report viewer
- Assign each authorized user a unique login and password

- **1) Reporting**
 - A- Run Reports, PDF
 - B- Download Data, Excel

- **2) Document Retrieval**
 - A- Download Statements, Monthly and Quarterly
 - B- Forms



- **Holdings Report**

- Daily- Daily snapshots for each business day in the current month
- Monthly- Historical snapshot for month end periods for prior two years

- **Transaction Ledger Report**

- Daily- All transactions for current month
- Monthly- Historical monthly transactions for prior two years

- **Data Only- Holdings, Transactions, Income Earned Reports**

- Unformatted Excel download, to integrate easily into internal systems

- **Income Earned**

- Accounting report for monthly periods over past two years



Documents

- **Monthly and Quarterly Statements**

- **Forms**
 - Chandler Statement Glossary
 - Contribution/Withdrawal request form
 - Authorized Representatives