



GOVERNMENT OF GUAM  
**RETIREMENT FUND**  
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Trustee

March 6, 2009

**To: Joe T. San Agustin, Board Chairman**  
**From: Wilfred Leon Guerrero, Investment Committee Chairman**  
**Subject: Quarterly Performance Meeting and Annual Manager Reviews**

**Defined Benefit Plan**

On March 4, 5 and 6, 2009, the Investment Committee held its performance review for the quarter ended December 31, 2008 with Mercer Investment Consulting Inc. The Committee also held Annual Manager Reviews of its Fixed Income and International Managers.

In attendance were Trustees Gerard Cruz, James Taylor, Joe T. San Agustin, Katherine Taitano, George Santos, Antolina Leon Guerrero, and I. Other attendees were Terry Dennison of Mercer Investment Consulting Inc., Paula Blas, Diana Bernardo and Rosalia Bordallo.

**The following were discussed and approved by the Committee for Board action.**

**1. Robeco Letter "Guideline Change"**

As a follow-up to Robeco's request for a Guideline change (Refer to the Investment Committee Report dated 2/27/09):

- a. Robeco did not provide an analysis supporting its request.
- b. Instead in a February 19, 2009 email, Kimo Blaisdell of Robeco indicated the following:

"There would be no immediate impact on the portfolio. The composition of the portfolio today will not change based upon your decision to approve or not approve this requested change. There is currently 1 name in the index that exceeds 5% (Exxon) but we have made a decision to underweight that name relative to the index. The request is being made not because we want to make changes today but to provide us with flexibility going forward. We are mindful that other stocks in the index could become larger than 5% and we would like to have the ability to overweight those names should we deem it appropriate."

**Recommendation**

Although Robeco did not provide an analysis, as requested by the Investment Committee, Terry Dennison provided further clarification and recommended approval. As such, the Investment Committee recommends approval of Robeco's request.

## 2. Funding of Managers

- a) REITS (Cornerstone) - Partially funded in Dec. 2008.
- b) REITS (Security Capital) – Partially funded in Dec. 2008.
- c) U.S. Domestic Small Cap (Thomson Horstmann & Bryant “THB”) - Not yet funded.

Based on discussions with Terry Dennison, he noted the following:

- a. For **REITs**, he recommended that the Fund maintain status quo and hold further funding at this time.
- b. For **U.S. Domestic Small Cap**, he indicated that Mercer has downgraded THBs rating and does not recommend funding at this time. However, he recommended funding of the U.S. Domestic Small Cap mandate via Exchange Traded Funds (ETFs), at less than the full 10% allocation.

### Recommendation

The Investment Committee recommends:

- a. Deferring further funding of the **REITs** mandate, and
- b. That the **U.S. Domestic Small Cap** mandate be funded via ETFs at 10% of the targeted allocation.

## 3. IRM Requests

During the annual manager review meeting with Steve Weiss of IRM, the Committee discussed IRM’s request to:

- a. Extend the ‘Guideline Waiver’ beyond the six-month time frame granted by the Board in October 2008, and
- b. Move \$19M out of the IRM Portfolio into the Transition Portfolio.

### Recommendation

The Investment Committee recommends:

- a. Extending the ‘Guideline Waiver’ for another six months, and
- b. Permitting the transfer of assets to the Transition Portfolio.

## Informational Items

### 4. 12/31/08 Quarterly Performance Meeting

Terry Dennison provided an overview of the DB Plan’s 12/31/08 Quarterly Investment Performance, which reflected a portfolio return of -11.6%.

### 5. Securities Lending

Terry Dennison also provided an update on Securities Lending (SL) and indicated that the Fund should continue to suspend participation in the SL program.

**6. Managers reviewed included the following:**

1. Capital International
2. Fisher Investments
3. AXA Rosenberg
4. Franklin Templeton
5. Dimensional Fund Advisers
6. Income Research Management
7. Davis Hamilton

**7. March 31, 2009 Quarterly Performance Meeting**

The next Quarterly Performance Meeting is Scheduled for May 28 and 29, 2009.