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**Quarter Ended 9/30/11 Performance Meetings
 & Annual Manager Reviews**
 December 1, 2011
 Retirement Fund Conference Room

Board of Trustees Present:

Joe T. San Agustin, Chairman, Board of Trustees
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 George A. Santos, Member

Staff Present:

Paula M. Blas, Director

Other Present:

Maggie Ralbovsky, Wilshire
 Doris Flores-Brooks, Office of the Public Auditor

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9:00am-9:45am Robeco

(start of tape 1)

Wilfred Leon Guerrero: You're scheduled 45 minutes for this presentation and of course we're interested in your performance, we're also interested in whether any of the regulatory agencies have issues with you and changes in personnel, we would like to know. So we will turn it over to you and we'll interrupt whenever we feel like.

David Gullen: Great. We're looking forward to that and I know you have a very full schedule so I'll keep my prepared comments brief and we'll proceed from there. Just right off the top there are no regulatory issues to report, no changes in personnel to report. We'll focus on your investment with us and coming up on 3 and a half years ago now June 2008, a large cap so big companies, big U.S. companies is where we specialize. We start with price and we have a valuation discipline to do that and I'll talk about where we've been in terms of performance and our investment decisions, where we are today in terms of the portfolio, its characteristics, its holdings and so forth and where we're going in terms of an outlook and key variables that we're keeping an eye on.

So with that I'd like to start with the performance and quickly introduce myself. I'm Dave Gullen, I've been with Robeco for 11 years and I'm a member of the large cap team. You met my colleague Dave Pyle last year who sends his regards, we sit next door in the offices next door to each other over in California and I am your primary contact person going forward. I know we have corresponded electronically so it's very nice to have some faces with names and so forth.

Let's start with performance and I'm turning to page 1, thank you Paula (Blas) and Diana (Bernardo) who I don't think is joining us and Maggie (Ralbovsky) for your guidance in terms of agenda. We've presented numbers here through the end of last month and they were over near intermediate and since inception time periods, since inception number, anything longer than one year is annualized, which means we just take the average of that over a period and so since June 1998 it has been a bumpy 3 and a half years to say least. Capital markets have served up all sorts of volatility especially from a big picture macro economic point of view and we'll touch up on that. The companies specific things that are transpiring, corporate America's recovery from the down turn has been nothing short of phenomenal, but there's a lot of stress and concern about what's happening in Europe with its deficit issues there, the political dysfunction there. We have a good dose of that in the United States as well and that's been sitting on the performance of corporate America like a big wet blanket.

So since inception over those last 3 and a half years an annualized return of 0.7%, that pencils out to an accumulated return of about 2.3%. The markets, the Russell 1000 Value Index was down nearly 10% over that period with a negative 10% return and the S&P 500 down about 3 and a half percent accumulatively over that period as well. So it has been negative markets, over this time stretch we've been able to eke out a positive return that's been a function of what we're holding, these numbers are disguised in pockets of strength that we do hold but as well as what we have not been holding or decisions around when to sell something, when it's criteria, when it no longer meets our criteria. An example of that if you look at the one year number there through September the column to the left, .0.88 return, ahead of the value index by a percentage point and one of the main contributors there has been what we did in the finance area, we held Bank of America, we became very concerned about the political risk, regulatory risks, you couldn't do much analysis in terms of what the companies were worth from a book value perspective which is just to say, what do is own, what does it owe, what do I as a shareholder lay claim to and because of these risks we decided to sell these stocks from the portfolio. During this one year period that we held it Bank of America was down 5% so we sold it for a loss. In the index it was in there the entire period it was down 53%, so that helped shore up some of the performance of your return and in addition there were some pockets of strength, healthcare holdings where you'll see we have a good chunk of your portfolio invested, none of us are getting any younger and although there are some very big headline risks as to what is going to happen with regulatory

reform in the U.S., there are some very good companies trading at good prices that serve an important demographic demand and have good operators and so forth. Your healthcare holdings over this period were up about 12% as well as in the consumer service area which is another major pocket of value we've been finding for our clients, up 8% in a 1% sector of the market and with companies like CBS up 15% over that period, folks are using EBay its stock is up 20%, it's repairing some of its business model issues and so forth.

More recently October was a strong month up 12%. A lot of just simply relief around what appeared to be good news coming out of Europe that they had to resolve to address the issues there that helped some of the strong underlying fundamentals of how corporate America has been doing from a profit perspective shine through and we saw a lift very quickly to returns in this past month. That brought your year to date return through October to 0.7%, again fairly anemic absolute return number but in a negative market which was down 1.1% the Russell 1000 Value during that period.

The one year instance is interesting, if you look at corporate earnings for the 3rd quarter of 2011 compared to the 3rd quarter of 2010 they increased about 18%. Cash flow generations and investors love cash because cash is king, it enables companies to increase your holder value across multiple different ways was also up about 18%, but the debt deficit issues in the political wrangling especially in Europe threw a bucket of cold water on to those and held back share prices and this negative sentiment has been a very strong variable in terms of performance that we've seen near term.

Turning to page 2, what we've been doing for your portfolio has been to plant some seeds while it's been raining so that when the sun comes out and eventually it will come out, we're able to have a stronger harvest of holdings for our clients and the way we've been doing that is how we've always been doing that is to find companies that are meeting these 3 intersecting criteria starting with price. So pay an attractive price for a good business, that's what the business fundamentals circle refers to there, that's doing the right kinds of things to get its share prices to go up over time. This has been how we've continued to invest in your portfolio, good price, good business, doing the right kinds of things with the discipline and patience of institutional clients like yourself to take advantage of these opportunities because you have the time horizon to do that.

Turning to page 3, what this has resulted in especially in this environment over the last few years in terms of characteristics is the profile this portfolio in terms of the profitability of the companies that we own and the price that we're paying for that is the most attractive it's been in the history of this product which dates back to 1995. Let me point a couple of things out to you. This is a snapshot of where we are today and what we're looking to do is to buy better companies at better prices than are generally available in the market, that's a winning formula over time and as value investors we start with, we love companies that are profitable, we love companies that are growing, but what are we paying for that growth and that profitability and do we have a margin of protection to the downside because we paid a good price for it on the way in. So in this valuation circle the lower the number, the better price to earnings is what P/E stands for there this year and next at an attractive absolute level and discount to the market. There's a statistic here that's not presented here I think you'll find interesting, as I noted because corporate America management frankly over responded to the downturn in 2008 stopped spending and laid off lots of people unfortunately and they have been generating tremendous amounts of cash flow as conditions have recovered. Cash enables businesses to unlock value for shareholders by using it to pay dividends, by buying

back stock and we own companies that are benefiting from that, by paying debt, you're seeing a lot of that across the board in corporate America, by buying other businesses at a good price such that when demand returns again as the economy gets better, they're in a position now to be even stronger for it, or if things are going well, to keep re-investing that cash because that's the best return available.

The free cash flow yield which is like a dividend yield, it just says how much cash I'm paying for the price of this stock and this portfolio is 7%, for the market it's 3.9% and it's even higher for the blue chip S&P Index which is about 4.2%. So we've been very focused on buying companies that are kicking off a lot of cash that we think have the management teams to use that cash effectively and higher quality companies that can when you look at their profitability or just better than average companies and that takes us to the second circle. OROA and ROE, this just refers to operating return on operating assets, so for all the capital that the business retains, that it uses to make whatever it makes to sell degenerative profit, how strong of a return does it get for that, so the higher the percentage, the better the company at using its resources to generate a profit. This is where we've been tilting your portfolio, better companies at better prices and working very hard to make sure that the momentum of the company, this is the catalyst on the bottom, is on the positive of the ledger so it's doing, increasing its business, it's doing the kind of things that ultimately lead to stronger earnings down the road.

Where we've been finding this is just by taking advantage of what the market's been putting on sale and if you move to page 4 you'll see your portfolio as of the end of October (31, 2011).

Wilfred Leon Guerrero: Before we move on, what is that bottom part there on the right hand side? David Gullen: The market capitalization (page 3). That refers to the average, the size of the companies we hold in your portfolio. So market capitalization is the number of shares that are out in the market place that investors can buy times the price for that share and you get a number. The weighted average of 81.5 says that the average size of the company by market cap and that's how they determine whether it's a big company, whether it's a mid-sized company or a small sized company is \$81.5 billion dollars which is a little larger than what you're finding in the large cap value index of 68 billion on average and about in line with what you find in the blue chip S&P 500 Index. These breaks are a little bit arbitrary but where they draw the line by this definition of how many shares do you have out there, what do I pay per share, multiply the 2 and you get a market cap number. It's typically and Russell reconstitutes and that's what I'll refer to, I know Wilshire has some sophisticated metrics that it uses, but under 2 billion is typically in range in range with a small cap company, something greater than 18 billion is generally considered to be a large cap company and that's where we're investing your portfolio. In between 2 and 18 (billion) is generally considered to be kind of a mid cap company, something in the middle of the market.

Joe T. San Agustin: You're saying our fund is engaged in an industry that will be capitalized or it has the potential to, what does that mean? Maggie Ralbovsky: No, it just means that our portfolio holds larger companies. Joe T. San Agustin: Yes, companies that are overly capitalized or just large? David Gullen: It's one of these arbitrary definitions. Joe T. San Agustin: You make an investment on a company basically and you say you're concentrating on companies that have much more potential to capitalize or are overly capitalized. David Gullen: What it's saying is by this arbitrary definition of what makes a big company, what makes a small company or a mid-size company, which is market cap, you own large

companies. Joe T. San Agustin: A company is made up on a stock ownership or equity, that's what I'm saying, are we investing too much capital or well structured? David Gullen: No, you're investing in companies that are very liquid, so if you want to buy or sell stock in these companies they're big and you're able to go into the market and do that because there's so much of it out there. Joe T. San Agustin: So the liquidity is high. David Gullen: Yes. Joe T. San Agustin: So in any case of bankruptcy they're able to cash it out. David Gullen: The shareholders are the last in line. What we're saying is these are big companies, they have large market caps, so as we look to buy or sell positions for your portfolio we don't have the risk of moving the price of it against ourselves like someone who buys very, very small companies would have because there is more money chasing fewer stocks in the market place, so it trades more easily and this statistic is really just a... Joe T. San Agustin: So the turnover is not as great as normal on that particular company. Maggie Ralbovsky: You can think of the transaction cost being low. The turnover is more stabilized, your investment on that particular large company is much more stabilized, you don't trade...there is very limited speculation. David Gullen: Let me give you an example. So you own for instance Pfizer and Pfizer's market cap, just to give you an idea on the trading is 153 billion, you have a 3% position in a \$72 million dollar portfolio so you own about \$2 million dollars worth of shares in Pfizer which all the shares being traded on Pfizer today is \$153 billion dollars, so when we make decisions to buy or sell this position in Pfizer it's so small that it doesn't have an impact on price, of the share price. If we were in the small market... Joe T. San Agustin: You can influence the price structure. David Gullen: Right. Joe T. San Agustin: In this case because you're so big you're not able to... but is the price competitive? David Gullen: That's what markets are, they're just big pricing machines. Joe T. San Agustin: So they're much more stable in other words. David Gullen: The swings in price from trading won't be as dramatic as a small company let's say that has \$100 million dollars instead of \$153 billion dollars. Joe T. San Agustin: So the turnover is low then in terms of overall stock trading. David Gullen: I don't know what the overall volumes would be. Maggie Ralbovsky: It doesn't mean turnover is low but it means if you have to turn it over you pay very little in terms of transaction costs.

Joe T. San Agustin: You tend to invest in companies that are much more stable, much more structurally capitalized, the debt structure is not high enough... Maggie Ralbovsky: It didn't say anything about debt. Joe T. San Agustin: But that's how the company runs. When they start investing they have to support the debt structure by the capital structure. David Gullen: Sure. This is a separate item. Joe T. San Agustin: It's a function in the measurement of... Maggie Ralbovsky: If a large company goes bankrupt, Lehman Brothers was large, Enron was large, they go bankrupt you still get wiped out as a shareholder, it doesn't mean with large companies you're protected as shareholders if they go bankrupt. Joe T. San Agustin: I understand that but in the selection of buying and selling, participating in the stock, that's the characteristic, the company has to be big enough that you wouldn't make a dent in buying it. David Gullen: That's correct and that referred to the liquidity of the stock and all we mean by liquidity is when we go to make a trade can we get a fair price for it and the smaller the cap of the company becomes, the more difficult that is. Joe T. San Agustin: You need to get your money back. David Gullen: Right. If it gets too small you can start moving the position, the price against yourself. Joe T. San Agustin: You have a possibility of not getting the price you want, you may have some capital loss. David Gullen: If it's illiquid, yes. Joe T. San Agustin: That's what I'm getting at, the liquidity is the function of your price structure. David Gullen: That's correct. The market cap is an indication of how easily you can get in and out of the stock without a negative impact on price by virtue of your trading. Joe T. San Agustin: And the yield is attractive enough to be

able to stay in terms of investment. That's what we're getting at because we're doing it for investment purposes. David Gullen: Correct. Joe T. San Agustin: So is the liquidity a positive or a negative, the returns? David Gullen: The decision making around a sell has to do with where does it stand now in terms of its price, do we think it's fairly valued, we look to buy a company that we think is inexpensive to what a fair price for it would be given the fundamentals of the business, given the improvements that might be taking place in the business, the market has mis-priced what we think it's worth, so we'll sell a name, every name that comes in we strike a target valuation on it, we monitor it and when it becomes a fair price we'll look to sell it. We like to keep that risk return trade off slanted this way which is to say you've got greater upside potential and less downside risk because you paid a good price to get into a good business. Joe T. San Agustin: So you're saying less chance of getting a capital loss, most likely you're getting a capital gain? David Gullen: That's what we're looking to accomplish, that's correct. Joe T. San Agustin: The risk of getting a capital loss is very minimal. David Gullen: When we look to buy and when we make the decision to buy into your portfolio, we look for the upside potential to be greater than the downside risk and that's where the price discipline comes in. Now as I mentioned, we'll sell a name for a loss, it's not something we like to do but if we think the risk of holding it is even greater, for example, Bank of America over this one year period it lost over 5% but we thought the risk to the name was far too greater than the loss realized when we sold it. Joe T. San Agustin: So you could have lost more if you hung on. David Gullen: Correct. Had we hung on for this period it would have lost 53%.

Gerard Cruz: How do you measure that kind of risk? Was it a gut that told you that Bank of America was probably not a good hold? David Gullen: We couldn't get our arms around what we thought the book value would be worth because of all the risks surrounding political and regulatory risks and if you can't get a handle around that then it's difficult to get a valuation and to say whether it's cheap or not cheap or worth it. So are thinking there was we're not comfortable with our understanding of the business, it's inherently un-analyzable right now given the nature of these risks, so sell it and move on. Gerard Cruz: Because financials are a part of the index in which you're being measure on, how do you determine that Bank of America is something that we need to unload but a company like Citigroup to hold on to? David Gullen: Kind of pursuant to the investment thesis and the reasons we hold it, we hold Citigroup because of a couple of reasons, one a better grasp of what its book value is worth and Bank of America has been kind of the poster child really of regulatory and political risks that have been going on with the banking sector. Citigroup has wood to chop but it's been working its way through recovering by way of asset sales so it's been pairing down some of the asset sales on its book, we like its emerging markets exposure, it's inexpensive to book value, we think it merits a place in the portfolio, but we'll continue to watch. Gerard Cruz: It hasn't been able to hold on to its price. David Gullen: Not many banks have been, right now there's lots of consternation around what's transpiring in the industry.

We think the catalyst as it relates to banks, valuation among major banks and that's where we're primarily invested, when we're investing in banks in your portfolio are trading at or below book value, the credit, there are a few catalysts, the first catalyst is how credit has been performing, credit has done fairly well the last couple of years the thing is investors don't really care about it at this point, eventually it will gain some recognition. The other catalyst is loan growth which has been fairly anemic, it's improving but it's still very low. Expectations in where loan growth is going to go, what loan growth will be is really at the bottom end of history if you look at among major banks what they think loan growth will be

for 2011 compared to the last 85 years you're talking the bottom decile of expectations. As value investors what that gives you is some upside potential should banks manage to perform better than what are our expectations for growth over the near term. We don't think banks are necessarily going to grow more than expected, but we like the risk return profile given the price we're paying and given how low expectations are for some potential upside from there. We're looking at banks more over a kind of 5 year cycle, we think that as the credit continues to improve you're going to need the economy to continue to improve so they can get some loan growth going, regulatory risks are starting to get clarified buying large and that should enable them to start to generate higher returns on their capital. They're not going to return to past peaks which was anywhere from 15-18% to given the changes in their business models and more expensive regulation, but on a conservative assumption that they'll be able to get back to about 12 or 13% and that's what we're using for our analysis, from book value you're looking at a return vehicle of kind of a low double digit number and a market that over the next 5 years is most likely going to be something around a high single digit number, so we're seeing some value there from an investment perspective.

Gerard Cruz: I understand that, I'm just wondering why Citigroup made your screen given all that you just said. David Gullen: Well Citigroup is very inexpensive, it's on a pathway towards getting better, it's selling down its assets, it has emerging markets exposure. Gerard Cruz: Even emerging markets they're having kind of a tough time these days as well. Did you buy it after or before the split? David Gullen: I would have to check that. We don't take concentrated positions, we take positions based on valuation and we continue to monitor the information as it comes available. Gerard Cruz: You're just in the financial sector, when you look at a company like (JP) Morgan, but how about Allied (Bank) who has gotten some Government support and they got out of it and seem to have a real strong presence now. David Gullen: We screen the universe every week and our banking analyst Kevin Duggan is on the case with all of these, our Director of Research was our banking analyst before he took over those responsibilities so everything is continually on the table. I couldn't tell you what the status of Allied (Bank) would be in terms of our research process right now. We're comfortable with positions that we have right now in your portfolio but we continue to monitor as information becomes available and as that relates to what our investment thesis is.

What happened with Bank of America was given the outside nature of those risks, we just couldn't get our arms around it. Gerard Cruz: I think you made a good decision. David Gullen: Part of the decision was know what you don't know and we just couldn't know it, we couldn't measure the risk there and if that meant moving on and if that meant somehow we missed the bottom, that's okay we'll come back in when we can see the whites of its eyes a little better.

If we do our work correctly we believe the odds are in our favor, however there is no shortage from experience of unexpected results so you spread it around and you watch the information as it comes in and you make decisions and you continue to refresh. The philosophy in process we use has been in place for nearly a quarter of a century and it's on simple principle so it's in the execution. Those 3 circles I showed you earlier, they all have quantitative areas that we screen for, we run the universe through, the investable universe through those screens, through those metrics and we continue to look at the portfolio in terms of those metrics and qualitatively overlay with our judgment how is it fitting today compared with why we own it. That's the objective and there will be names that won't work out, for instance, thinking a little bit about that bottom circle the things moving correctly, we

held Gap in the portfolio for a while, it had done well, we had noticed that it was starting to build inventory, that can pressure earnings down the road so thinking of that bottom circle, that momentum we sold it from the portfolio and moved on. It's a big universe of names we look at. Gerard Cruz: The Gap does or doesn't have a new CEO? David Gullen: I would have to double check that but they did make some changes within the last year in their executive suite but I don't recall the particulars on that. So we were looking from a business momentum point of view and specifically around the inventory turns and as the build came in there a little bit we thought it was perhaps right for some margin pressure on earnings disappointment somewhere down the road.

Sometimes you get to declare victory, Williams-Sonoma would be an instance there, that's a high quality retailer, we like the things it was doing with its online channel, had nice free cash flow characteristics, did well, became more fully priced and so we moved on to the next case.

Gerard Cruz: So as of today you're under weight, according to sector in REITs. David Gullen: Yes, we're under weight. Where we've been finding things on sale and by the way, we're not just looking for something that's statistically inexpensive, we're trying to find a good deal, we're trying to find a bargain that's where the value proposition comes in. We're under weight REITs and utilities, utilities are expensive, there has been some dividend yield chasing. We have some high quality dividend names in the portfolio which I'm sure you saw, you've got Philip Morris in there, Pfizer is in there, General Electric came in more recently. We think these names which has equivalent dividend yields on them have better growth prospects given the nature of their business compared to a utility. So we just populate from the bottom up, as you can see for instance we don't own any transportation stocks, there's nothing in that part of the market that we're finding to meet our criteria. We own a mortgage REIT, Annaly (Capital Management Inc.) which buys some Government guaranteed mortgage bonds and earns a spread on it. It borrows in the short term markets, invests longer term and earns the difference. It has a 14% dividend yield and so forth and so we found a place in the portfolio for it. Where the opportunities have tended to gather, where we've been finding good deals for you have been in the consumer services areas and we have a mix of names there. Technology areas and healthcare is a meaningful part of your portfolio.

We tend to like businesses that aren't terribly asset intensive because they can generate higher returns on the capital that they retain in their business so we tend to kind of gather around those parts of the market as opposed to something like basic industries or so forth, which they tend to have trouble meeting their cost of capital over a full cycle, they tend to be longer term value destroyers.

Technology is an area where we find a mix of names including these businesses who have a high percentage of their profits coming from recurring sources so there is some stability to their earnings there. They are also economically sensitive businesses so as things begin to recover they have some stronger earnings potential in store and they've been kicking off cash and consolidating in different parts of the market where they compete and we like to see that kind of thing.

What I want to point out to you just as I'm looking at page 4 and please jump in, this portfolio looks different from the index, your portfolio is the blue bar, the Russell 1000 Value Index is the brown bar and it's just a function, the chips fall where they may. What we're finding from the bottom up, they meet our criteria, they come in, they don't meet our criteria,

they stay out, they fall out of our criteria along the way, they get kicked out and we bring something else in. We stay fully invested, I think the guidelines are about 5% and we're about half of that. We'll leave market timing to other folks, this is what we do.

You'll see some activity on page 5. A green name, that's new this year so measurement period is year to date throughout October. A red name means we sold it from your portfolio, a black name means it was in your portfolio at the end of last year and we did some tradings around the margins with some of those names. So we've been staying busy this year on your behalf, but I would say there have been really no wholesale changes to your portfolio from the last time we met we just continue to take what the market is putting on sale around those criteria we have of price, quality, momentum and making the stock specific changes that were appropriate to those criteria.

Wilfred Leon Guerrero: Did we lose money or did we make money? David Gullen: Over which period, year to date? Wilfred Leon Guerrero: Yes. When was the last time we met? David Gullen: About this time last year. Wilfred Leon Guerrero: Okay, how much was the value of the portfolio? David Gullen: I don't have that, I have year to date which was through October was up 0.7%. It's down a little bit this month. So October to October it was a 7% return. Wilfred Leon Guerrero: Positive? David Gullen: Positive. We can credit October for that. It's funny, that's how these markets work, it's a surprisingly small number of days that can determine meaningfully impacted performance.

So I hope I've addressed your questions, I've very much enjoyed them and we all thank you for your business and your continued confidence. Wilfred Leon Guerrero: Well thank you and continue the good work. David Gullen: These are trying times, there's certainly no shortage of volatility. Joe T. San Agustin: May I ask something? Back in the page on performance attribution, the total overall is 0.78%, can you explain that? David Gullen: Page 19 under Tab 2, that's the one year number, trailing one year number through October, 6.9%, there is a little lift from cash over that period so it's going to be a little higher on the front page. Joe T. San Agustin: The .78% on the bottom there, the performance attribution. David Gullen: So how does this work? Joe T. San Agustin: Yes. David Gullen: Okay, let's look at that far right hand column, what this does is it takes the return that your portfolio earned and that the index produced over this one year period and says, where did it come from and it looks at where it came from in terms of what industry the stock was in so we start with basic industries on the far left you'll see at the top and work our way over to the right alphabetically until you see utilities, so it would be 13 there and it will show you how you did in each of those parts of the markets. So for instance, if you look at the Government of Guam and it's in the shaded row right in the middle, your basic industry stocks as a group were up 11.39% over the last year and you can see how your holdings did within each of these industry groupings here. The grand total for your portfolio's stock performance over that year was 6.93%, the index was 6.15% and the difference between those 2 is that 0.78%.

So that's about half of it. The other half what this does if you're interested, is it says, what helped you relative to the index and what hurt you relative to the index and that's what those bottom 2 rows do. Joe T. San Agustin: That was my original question, you hit 60% of the time and this basically seems to be supporting it. You look at your index 6.15% and we're higher than the index and the 0.78% difference. David Gullen: That's the difference in return between the 2 and what really drove the out performance is the stock picking. Where we were invested was a penalty, it cost us 1.58 percentage points against the index and a good amount of that was utilities because we've been under weight there and that's been one

of the few parts of the market over this period that has been doing okay. Joe T. San Agustin: But your stock selection is plus 2 points. David Gullen: That's correct. That's what we do, that's where we focus, we don't make decisions around should we show up in this sector because we have this big 50,000 foot view in terms of the sector and let's just go and fill in names to express that view. Rather where we end up sector-wise is going to be a function of when we're looking at the universe in the bottom up name by name, what's meeting our criteria, what's not. The sector allocation especially over short term periods is really just a residual effect.

Wilfred Leon Guerrero: Thank you. David Gullen: Okay, thank you very much.
(End of Presentation by Robeco)

10:00am-10:45am MetWest

Wilfred Leon Guerrero: Same routine, we want to know your performance and we want to know if any of the regulatory agencies have issues with you. Mark Heath: No regulatory issues. Wilfred Leon Guerrero: You have a change in CIO but you appear to be doing what you're supposed to be doing. You don't have any other major changes? Mark Heath: No, that's all. We continue to do what we've done with you for the last 11 years. The CIO did leave, Gary Lisenbee who is our CEO continues to do what he does since he founded the firm. If you look at the portfolio you will see that it's very similar to what it has been since day one and if you look at our sectors we're still as we always have been under weight in financials. We just think that having 25% of the fund in financials is a little risky and we're over weight in technology. Other than that we have a few that are over and under, if you look at the portfolio in terms of specific items there's very little turnover year to date, that's been our normal case, one in 5, one in 6 of our holdings have sold in the last year or so and as you mentioned our returns in the last year have been very well, have done quite well and the further back you go in terms of the historical it's consistent with our ability to beat the benchmark I think in every time segment that's showing in the standard reports. So we're very happy to report that even with the change our investment team continues to perform very well, same philosophy, same way of looking for quality firms that we think we think are significantly under priced, looking for a firm that we think is worth \$100 dollars that we can buy at \$60 dollars, that has quality, that has dominance within this industry, has ability to set price, we know these very, very well, there are a few hundred that we've been following since the firm was founded and we know their suppliers, we know their customers, we know their strength, we know their weaknesses, we know their good employees, their CFO's, their CEO's, those that have a good track record we often follow them through their careers.

In terms of the firm itself, there was a big disruption when Howard (Gleicher) left in November of last year. Since that time we've basically stabilized, we're still a fairly large company with about \$7.8 billion dollars in assets. When we first started with the Government of Guam that was \$200 or \$300 million so we've grown significantly since that time. We did peak at a much higher number, we did lose some clients when Howard (Gleicher) left, we expected that, but recently we've started to gain new clients and the existing clients have put more money with us, have funded us for additional mandates or increasing the amounts of the mandates they have given us. Here in our neck of the woods we've also added MPLT, they have recently become a client a few months ago and we're very happy to have them on board now.

So when we met you after Howard's (Gleicher) departure we told you that we would continue on, that there wouldn't be any change in the philosophy, the investment team itself, the entity is strong and I think we've proven that point with our performance, we told you that the portfolio would remain very similar year to year as you've seen over the last decade and that has happened so we're happy to report that we continue to beat the benchmark and every indication is that we will continue to do that in the future and we hope to continue working with you.

Wilfred Leon Guerrero: We withdrew two thirds of your portfolio and put it in an ETF and I'm just wondering, that was 61, am I reading this correctly, 54? Mark Heath: Fiscal year to date the ETF would be down. Paula Blas: Are you looking at the November 25th numbers? Wilfred Leon Guerrero: I'm looking at this one. Paula Blas: Okay, that's November 25th and Mark (Heath) is only talking about the... Wilfred Leon Guerrero: No, I'm trying to figure out whether we made a big mistake or a slight mistake. Maggie Ralbovsky: You would have been better off in them. Paula Blas: We would have been better off there. Wilfred Leon Guerrero: So are you prepared to do the good work again? Mark Heath: Absolutely. Nothings changed, we continue to be very dedicated. Wilfred Leon Guerrero: So what we're transferring back to them is 54 right? Paula Blas: At the time of transfer whatever the market value is. Wilfred Leon Guerrero: We took 61 from them. Paula Blas: This is as of 11/25/11. Wilfred Leon Guerrero: The 61 was the cost value. Paula Blas: Yes, but the market value right now as of 11/25/2011 is 54 so it will be whatever the market value is when we transfer. Wilfred Leon Guerrero: Our recommendation was to take you off our watch list. Mark Heath: Okay. Wilfred Leon Guerrero: We just parked that money in an ETF until we're going to give it back to you. Mark Heath: Thank you very much, we appreciate that very much.
(End of presentation by MetWest)

11:00am-11:45am High Yield Investments

Maggie Ralbovsky: So the shaded portion is the relevant asset size for GGRF to be benchmarked against. The base column are the number of funds that fall under this category they surveyed that has responded, so not everybody responded to these question but these are the answers they received and you can see in 2010 there are 59 sponsors that responded under \$1-5 billion dollar category. The next column is selecting and supervising external managers, so these are the number of people on average among the responded funds that are reporting how many people they have full time in selecting and monitoring external managers. The number for 2010 is 2.8, that seems to be slightly increased, actually increased by 50% since 2008. Gerard Cruz: Just so I understand, what this is saying is that of the firms in the \$1-5 billion dollar total assets, 3 about people are used on average to select and supervise external managers? Maggie Ralbovsky: That's right. Full time employees monitor outside managers. There are also funds that manage some portions of the assets internally so this is not relevant but you can see some people also have money managed internally. Gerard Cruz: And that would be the fund actually engaged in the active management? Maggie Ralbovsky: That's right. They don't use consultants, they don't use managers, they manage funds themselves.

The next one is administrative services, how many people they use for administrative services. It looks like it's 2 people and providing benefit administrative services it's about 14 people. So that's how you read this data.

And then we also surveyed our clients that fall in between \$500 million and \$10 billion and these are the responses we got. I think the summary of this is on the next page by the total assets and you can see we plotted the relevant portion is somewhere at the left hand side between \$1 and \$2 billion dollars, how many investment staff they have, somewhere between zero and 3 seems to be consistent with the Greenwich Survey on average one and a half, if you count that \$10 billion dollar one it will drag you to about 2 people on average.

Wilfred Leon Guerrero: What kind of pedigree do these people have? Maggie Ralbovsky: From the experience we have they usually have a degree in a related field, finance or accounting or investments. Wilfred Leon Guerrero: And experience? Maggie Ralbovsky: Some of them have just graduated from school, they tend to work with somebody who has experience, but they're full time doing this so they'll have other functions. The people who qualify under the survey are full time employees that do these different functions, not shared personnel.

Wilfred Leon Guerrero: The problem that we have is we do have a position with the Government of Guam, it's called an "Investment Officer" but the salary is something like \$25,000 which is the reason we're not hiring anyone and I guess the discussion that we're having, can we get someone that can do the job and maybe negotiate or have the law changed, that \$25,000 (salary) is an impediment. Maggie Ralbovsky: How many positions, you have 2, can you combine that into one? Paula Blas: No and that's only because of the type of position. Wilfred Leon Guerrero: The issue is not the money. The Government of Guam Civil Service has a position called "Investment Officer" and the salary is \$25,000. Gerard Cruz: So we can't hire an investment person for market because we're limited to that. Maggie Ralbovsky: I see. Wilfred Leon Guerrero: What kind of salaries are we looking at? Paula Blas: I just asked her that if she can share that with us in terms of the survey that was done, what the industry is dictating. Maggie Ralbovsky: I think it would start with \$45,000. At our firm we start our analysts at \$45,000 and those are under grad degrees. Wilfred Leon Guerrero: I think \$45,000 might be something reasonable. Joe T. San Agustin: That's only a training approach. You're talking about putting someone to oversee this working with you. Paula Blas: That's the experience but this is somebody right out of college. What he's saying is that's not probably the position that we're looking for. Maggie Ralbovsky: You're actually looking for someone more senior than that? Joe T. San Agustin: Yes. \$1.7 billion in assets, how many managers, how much money are we spending also on an investment consultant. Paula Blas: You're not going to remove the outside. Joe T. San Agustin: No. When you look at all of our costs for all these investment managers and all the things that we pay just to administer, it's so difficult to sit someone here in-house and then somebody across the street is making 3 times as much as you, you're overwhelmed, there's no way you can counteract. Paula Blas: But we're not asking this individual to be active managing either. Joe T. San Agustin: No. I'm not talking about that, I'm talking about one that can really look on our side and be able to converse with you

Maggie Ralbovsky: We'll continue the survey and I'll provide you with more data. Wilfred Leon Guerrero: The Chairman is ready to have the law changed, but we need the justification. Maggie Ralbovsky: Okay. So do you want me to write a memo after I get the survey? Paula Blas: A recommendation. Wilfred Leon Guerrero: My sense is that if we have somebody on board that works strictly on investments I think we will make better use of you (Maggie Ralbovsky) and your time. Maggie Ralbovsky: More efficient then. Wilfred Leon Guerrero: Yes. Most of the interaction that's taking place is your interaction with the Board

and we do this once a month. Maggie Ralbovsky: Okay I understand and I will follow up on that.

Let's talk about the buckets again. I know this is not a new slide for you, but I want to reiterate the definitions of the buckets. We just went through a quarter actually it's a good example that the Fund lost 13%. Remember we talked about the Fund currently has 95% in the growth bucket even though the asset allocation to equities is only 60%, somewhere around there, but 95% is in the growth bucket and if you just actually do quick math, that was actually a pretty good estimate because the market S&P was down 15%, you were down 13%. So even though you have the other asset classes like the bonds and stuff that didn't fall into the growth bucket, the growth bucket was driving the return, you pretty much know that your return is about 95% of the market return. So the definition of risk here is to translate the tradition asset class into the risk framework which is to say that just because you're in to 2 different asset classes doesn't mean you are diversified because they all are driven by the same economic force. So that is the definition of buckets and the growth buckets are the asset classes that are going to do well when growth is strong and when growth dominates in the world. Stability buckets are the asset classes that will do well when things don't do very well in terms of growth. Inflation hedging buckets are the asset classes that have a high correlation with unexpected inflation changes. Now the credit buckets and this is a bucket that is a hybrid bucket, it actually does not correlate with either growth or stability or inflation hedge perfectly, actually it doesn't have very high correlation with any of these 3 it stands alone, by itself. It actually provides a lot of diversification under the combination of these 3 buckets so it makes itself an eligible fourth bucket.

That's the topic I want to talk about today. I know we talked about inflation hedging before, we're going to probably revisit that later but the credit bucket is the one I want to talk about today. Joe T. San Agustin: You're saying that these are the extension of the 3 buckets? Maggie Ralbovsky: No, this is the fourth bucket. Joe T. San Agustin: But it stands alone? The other 3 don't stand alone basically. Maggie Ralbovsky: Why it stands alone, let me show you the next page. The others stand alone as well. Let me show you why the credit bucket is a stand alone bucket. It's actually on the next page in that dotted chart in the upper left hand corner.

On this chart we charted all the asset classes in terms of correlation to stability and correlation to growth, the X axis is the correlation to growth. This is to say that if stocks do well, does this particular asset class do as well and that is the correlation. The higher the number, the higher the correlation, so it moves more in tandem with equity stocks and you can see I shaded in blue those are the asset classes you currently have which are U.S. equity, non-U.S. equity and emerging market equity, so that's in that blue category which is the growth bucket.

Now the red shaded items are the asset classes that have high correlation on the vertical axis with stability, so that is the different categories of bonds, treasury bonds, mortgage bonds, agency bonds, corporate bonds, high grade corporate bonds and stuff like that. So that is the stability bucket which you currently also have exposure to. So the current exposure for GGRF's portfolio are in these 2 categories.

Now I circled in the middle these other classes and you can see they have low correlation to either the blue bucket or the red bucket which makes it a stand alone bucket. I put down the different classes there that's relevant to the credit bucket and these are the credit bucket

asset classes which usually include U.S. and European high yield, this is the largest category in the credit bucket and there is the emerging market debt, there are the bank loans, there is the distress debt and distressed bank loans. Not every category is appropriate for GGRF but right now this is the bucket.

The bottom 2 pie charts is also a repeat from the prior presentations and you can see the current asset allocation in dollar terms seems to be very diversified in different colors, but if you break it down into the economic factors it's very concentrated in growth.

So let's put the bucket into the risk return context and that is on page 4. On page 4 I have this graph which has the risk on the bottom horizontal scale, so the more towards the right hand side the higher the risk of this bucket, the higher the risk of this asset class and the Y axis gives you the return expectations. You can see risk is associated with return so the higher the risk the higher the return. The thing I want to point out here is the blue bubble which is the credit bucket, the credit bucket is actually somewhere below the equity bucket in terms of risk. I want to point out the fact that when a portfolio is allowed to invest in equity categories but not allowed to invest in this particular blue bucket, it appears to be inconsistent in terms of logical thinking. Okay, that is my first time mentioning this concept and I want to continue that. Gerard Cruz: Are you going to explain that? Maggie Ralbovsky: Yes, I will explain that.

If you look at the next page, I have a typical company in blue it says "Assets," so if you look at a typical company you have these kind of areas, these kind of assets, it will have cash, it will have accounts receivable, it might have properties, it may hold a lease, it may have plants, it may have equipment, it may have intangibles which are trademarks and stuff and they may hold specific stocks that are subsidiaries. So this is a corporation in terms of assets, but these assets are also balanced with other liabilities, so what are the liabilities for this corporation. That's the capital structure, you start with bank loans on the top and usually bank loans are collateralized by the assets and we have bankers in this room so everybody can probably support that view that banks are the most supported creditors, so some of the assets are pledged to support their bank loans. After a company grows up and they have the ability, the credibility with the capital markets they may also issue unsupported bonds, so they may have subordinated bonds which do not have the same sort of collateralization as bank loans, they may be uncollateralized. So those are the bonds and I'm putting there high yield bonds because I'm picking lower rated corporations, I'm not talking about GE, I'm not talking about IBM, I'm talking about a small company, this could be Continental Airlines, it doesn't have to be small, Continental Airlines happens to be a high yield company. So then after the bond tranche they will have equities, so eventually they will have stock holdings and in terms of a pecking order, a capital structure, if this company goes bankrupt, let's say it's a liquidation bankruptcy, you liquidate all the assets, you start from the top, you pay off the banks, you pay off the high yield bonds, if there is anything left over you pay the equity holder. If there is nothing left over, equity holders get wiped out, usually it gets wiped out when you file for bankruptcy. We have gone through Lehman Brothers, Fannie Mae, Freddie Mac, we have gone through General Motors. So bank holders get paid off first, then high yield end holders may or may not get paid off, so this is the pecking order, capital structure order.

Now the next 2 pages I already discussed yesterday but I want to point out the last bullet point on page 6. Page 6 we talked yesterday about the fact currently in the world private companies are in a de-leveraging mode. What does that mean? That means they're trying to

hoard cash, they're trying to pay off their debt, they're trying to shore up their balance sheet, they do not want to invest for the future, they do not want to borrow more money to invest for the future and that is good for whom, for the top tranches because if a company does not invest for the future, the equity piece does not grow or does not grow as much and usually has more of the assets left over to be shared by the bond holders, so it makes the bond holders more supported, therefore if a de-leveraging environment is not too hostile, too hostile means a lot of companies go bankrupt then you have to restructure, so if it is not too hostile people just hang in there and wait for better opportunities. Bonds will return more than stocks and that's what I'm trying to say here is that the current environment or the next environment may be better for creditors than for stock holders. Gerard Cruz: And that's because why? Maggie Ralbovsky: That's because the company is de-leveraging, meaning they're not taking on more debt. If you're a debt holder you don't want companies to take on more debt because you'll have to share more, share with other people and if they're de-leveraging, they're paying down debt or they're shoring up their balance sheet without taking more debt, it gives you more security of what you're getting paid for. Gerard Cruz: But you cap your upside potential right? Maggie Ralbovsky: Bonds have no upside. Your upside is getting paid at cost. Gerard Cruz: So if companies de-lever, they're shoring up their balance sheet and they're becoming stronger, wouldn't you rather, because they're propensity to succeed is greater. Maggie Ralbovsky: No, not necessarily, the propensity to grow is smaller, because the way a company grows, it needs to borrow more money... Gerard Cruz: Not necessarily, but it can. Maggie Ralbovsky: If it does not borrow... So the stake holders priority... the bond holders get more secured benefit, because when companies want to grow they tend to borrow more money and expand and when they expand, they have a higher propensity to fail.

Gerard Cruz: Okay, let's look at the last 2 years as an example, where many companies are as you comment, have been de-leveraging and there have been... Maggie Ralbovsky: The default rate has dropped to less than 1%. Gerard Cruz: Correct. Maggie Ralbovsky: That's exactly what I'm talking about, with a company de-leveraging chances are they're not going to default on their debt. Gerard Cruz: The equity markets have done well, the owners of the companies, the stock holders of the companies have done better than the bond holders of the companies in the last few years. Maggie Ralbovsky: No. High yield is the best performing asset class for the past 3 years, I have data to show you that. Gerard Cruz: But is high yield the best performing asset class over the last 3 years because during the downturn the high yield and distressed debt took a harder fall? Maggie Ralbovsky: Took a less fall. High yield was down for 2008... Gerard Cruz: Distressed debt... Maggie Ralbovsky: I'm not talking about distressed debt, I'm talking about high yield debt. Gerard Cruz: Okay, but even high yield debt had a huge drop... Maggie Ralbovsky: It dropped 26% in 2008, equity dropped 49% in 2008. Gerard Cruz: No, it didn't drop 49%. Maggie Ralbovsky: Yes. Emerging market dropped 60%. Gerard Cruz: Okay.

Wilfred Leon Guerrero: You hear that companies are sitting on cash. Maggie Ralbovsky: That's right, that's good for debt holders. Joe T. San Agustin: A lot of banks are doing that. Maggie Ralbovsky: Because you're paying your interest rate, you have no upside, you only want your money back. Gerard Cruz: There is no upside. Well the upside is the interest rate. Maggie Ralbovsky: So the upside is you get your money back and they don't default on you, that's what you're hoping for as a bond holder, you don't care if they grow in the business. Wilfred Leon Guerrero: But if a company is sitting on cash and basically they're in a holding pattern, they're not trying to, because of the conditions, just wait and see. Maggie Ralbovsky: That's right. They pay you interest. Wilfred Leon Guerrero: I guess I'm thinking

if they're just in a holding pattern, they don't owe people anything. Maggie Ralbovsky: They already have the bond, they already issued a bond, they may pay you down if they find the opportunity to pay down with debt which is good for you because your debt price will go up. Paula Blas: So what you're basically saying is to find companies or buy these high yield bonds with companies that haven't paid down all of their debt yet. Maggie Ralbovsky: No, I'm not making that case yet, I'm just making a case to say... Gerard Cruz: It's an appropriate asset class as a diversifier? Maggie Ralbovsky: As a diversifier number one, money maker number 2. Just hold that thought and follow me now with the pecking order. Now I'm only making a case for the pecking order.

Does everybody agree with me that if a company is in distress you're better off as a bond holder than a stock holder? Wilfred Leon Guerrero: In distress? Maggie Ralbovsky: If a company is in distress are you better off as a bond holder? Wilfred Leon Guerrero: You're saying... Gerard Cruz: It's better to hold secure debt. Paula Blas: You're the first one's to get paid. Maggie Ralbovsky: Okay, thank you. That's finance 101, capital structure, we established that. Number 2 thing I want to establish, does everybody agree with me that when a company is not growing, a company just tries to hold on to their cash, it's better off to be a bond holder than to be a stock holder? Joe T. San Agustin: Yes. Maggie Ralbovsky: That's all I'm trying to establish. George Santos: Open minded. Maggie Ralbovsky: Very open minded. Gerard Cruz: But what company goes into business to hold? Maggie Ralbovsky: They're not trying to hold, the environment is forcing them to hold. Gerard Cruz: The environment that they're looking at is temporary. Maggie Ralbovsky: How temporary is this, I'm trying to establish a... Gerard Cruz: However temporary it is it's still temporary. Maggie Ralbovsky: I'm not pitching you to sell all your stocks and buy bonds, I'm just making a case. This is a legitimate asset class. Gerard Cruz: I agree that it's legitimate. Joe T. San Agustin: It's an alternative. Maggie Ralbovsky: So far we agree, that's great.

I'm going to move on. I'm actually going to skip the next 2 pages, we talked about the next 2 pages yesterday, I may come back to that, especially page 8, I want to come back to page 8 as a conclusion. On page 9, what is a credit market, how big is the credit market? On this page I want to show you that the largest 3 credit market baskets or buckets total market cap is \$3 trillion dollars, so this is not like a small emerging market asset class, it's a very large asset class, it actually bigger than REITs, it's bigger than TIPs. You have REITs in your portfolio and TIPs is widely accepted as a liquid institutional asset class, institutional quality asset class. Gerard Cruz: You're circling sovereign, high yield, emerging market and sovereign emerging market debt. Maggie Ralbovsky: That's right, local currency and U.S. dollar currency. Gerard Cruz: But you're not proposing that we look at those classes as options? Maggie Ralbovsky: I do. I am. Gerard Cruz: Sovereign emerging market debt? Maggie Ralbovsky: Yes. They're actually mostly investment grade rated. Majority of sovereign debt is double A, single A rated, they have higher quality than high yield, but it is in the credit bucket. Gerard Cruz: These are country debt? Maggie Ralbovsky: That's right. Gerard Cruz: Like Greece. Maggie Ralbovsky: Greece is not in the emerging market debt.

Doris Flores-Brooks: Who would be the countries? Maggie Ralbovsky: Okay, who is in sovereign emerging market debt. The biggest issuers are Brazil, Argentina, China is not a big issuer, China has an internal debt, it doesn't have external debt, then Kuwait, then you have Korea, South Korea and then all these countries are higher rated, they're not far away from U.S. Treasuries which is double A rated. Gerard Cruz: But people don't flock there. Maggie

Ralbovsky: I understand, because it's a less liquid class, they're not even considered high grade even though they are high grade that's why they're in the credit bucket.

Wilfred Leon Guerrero: When you say, less liquid class what do you mean? Maggie Ralbovsky: Because they're smaller. Gerard Cruz: So if you wanted to get out you may not be able to... Wilfred Leon Guerrero: What kind of duration are we looking at? Maggie Ralbovsky: \$1.3 trillion. That compared to something like \$10 trillion U.S. Treasury. Gerard Cruz: You can get out, it may take a little longer. Doris Flores-Brooks: The duration... Gerard Cruz: How long if you wanted to get out... Maggie Ralbovsky: Well how long it takes you to get out, well it depends, 2008, for example 2008, emerging market debt was best performing asset class up until the day before Lehman Brothers went bankrupt, the day after Lehman Brothers went bankrupt you cannot sell any of those, there's no buyers. So that's the risk obviously you have to think about, however... Wilfred Leon Guerrero: It's a function of the market being... Maggie Ralbovsky: How much is being traded. Wilfred Leon Guerrero: There's not a Government restriction. Maggie Ralbovsky: Like Guam bonds, is Guam debt a good investment? Well it's a \$150 million dollar issue, you can't get out, you buy Guam debt, you have to find someone to buy it, you cannot sell. I'm just using that as an analogy. Liquidity is a risk, but it is not a credit risk, but it is a risk you have to consider and that's why they're in the bucket even though they're double A rated, they're not considered high grade because they correlate with the credit bucket.

Okay so we're good, we agree to this point. Gerard Cruz: What is this point that we just agreed to? George Santos: We agree that sovereign debt is not in the other buckets. Gerard Cruz: Is that the point? Maggie Ralbovsky: They're in my credit bucket. Sovereign debt is in my credit bucket. So when I say the credit bucket that includes sovereign debt and high yield. Gerard Cruz: Okay and we agree. Maggie Ralbovsky: We agree.

Now let me try to beautify the junk bond category. These are not your shady businesses. Look at the kind of industry allocation it is. This is as America as it gets, it pretty much is in every industry, it is a very diversified category. When high yield was first created it was mostly in the technology and media and telecomm sectors, so during those days many institutions didn't think it was institutional quality, but now this is as diversified as you get, it is in every category and it does have many, many nicknames in this category. I want to get this out so we don't have surprises where people say, you invest in speculative grade bonds, that is exactly what we're talking about. Other names are junk bonds, we already know and we also know it's called non-investment grade bond, sub-investment grade bond, below investment grade bond, all these are nicknames for high yield or for the credit bucket.

Let me put some faces to this category, if you move to page 11 you probably know all these companies here. I took one of these airlines to Guam and I stay in one of the hotels here, I rented a car from one of these places, I shop at Neiman Marcus, I bought toys for my kids at Toys R Us. Doris Flores-Brooks: Rated B+, that's where Guam has always been until just recently. Maggie Ralbovsky: The reason Guam was higher rated is because you pledged a super priority. Anyway, junk bonds as a matter of fact, 80% of U.S. small cap companies are junk rated. Let me remind everyone that we decided as a group to overweight small cap, yesterday we talked about 25% of our U.S. equity are in small cap companies and did you know 80% of them are junk rated, so you own junk rated companies stocks, but you are not allowed to buy the bonds and we just established bonds are less risky; apples to apples, therefore that's inconsistent. Gerard Cruz: We also established that there is upside potential to owning the stock that you don't have and owning the bonds. Maggie Ralbovsky: Yes we

did, I'm not disputing that, I'm not asking you to sell all your stocks to buy bonds, I'm just saying, why is the logic sound to disallow investing in junk bonds? Gerard Cruz: Owner rather than a creditor? I understand your point. Maggie Ralbovsky: That's good. Doris Flores-Brooks: So if you're an owner, why not be a creditor? Wilfred Leon Guerrero: Well actually she's going more that than, she's saying, you're taking more risk. Maggie Ralbovsky: You are. Doris Flores-Brooks: But as a creditor your risk is less. Gerard Cruz: But your upside potential is cap because all you get is the interest rate. Maggie Ralbovsky: I'm not disputing that at all, I'm saying this is a legitimate asset class you should allow because... Doris Flores-Brooks: It's just how you dipped your toe into emerging markets, she's suggesting you dip your toe into high yield, because it took you guys a long time to go into emerging markets. Paula Blas: That's all you're saying that in that asset class add these other sub classes. Maggie Ralbovsky: Exactly. That's all she's saying. She's not saying liquidate your equities to buy bonds.

Maggie Ralbovsky: So it's not as junky as the name may suggest, it's not as scary, these are real businesses and most of them will never default. Let's go back to page 10, I think I did not defined junk bonds. The junk bond category definition is publicly traded so these are not private placement bonds and they're non-convertible bonds so it cannot be converted to equity and they're corporate bonds and they are below investment grade rated, but not in default, they are not in default. Most junk bonds never default, most. Wilfred Leon Guerrero: What's the percentage of default? Maggie Ralbovsky: Last year was less than 1%. On average I have the statistics on the next page so just hold that thought.

The next page, page 12 will answer all your questions about risk return. In the upper left corner box it tells you the default rate. The long term average default rate is 4.37%, this is since inception of this asset class, on average, 4.37% of the bonds defaulted. Once they default however, you on average have a recovery rate of 42.2%, meaning once the company defaults, we talked about the company once they default they went in to bankruptcy, restructuring and then they have to pay off their different pecking order of their creditors and eventually you end up with 40 cents on the dollar, so your cumulative loss is 1.88%, because let's say 4% of default and you get 40 cents on the dollar back, so your average implied loss historically was 1.88%, therefore if the junk bond pays you 1.88% on average, higher than the treasury rate, you should break even; if it pays more than that, you're better off. Wilfred Leon Guerrero: How can we compare that? Can we compare that to the equity? Maggie Ralbovsky: Not right now. Wilfred Leon Guerrero: There's no way that you can... Maggie Ralbovsky: I will compare to equity about return and risk. This is a bond, all you're hoping for is to get your principle back and get the interest they paid you, but that doesn't always happen because these are not U.S. Treasury bonds, so there is a chance they're going to default on you and the chance of the default is 4.37% on average, but that's not smooth right, like last year was less than 1% which implies that some years will be higher. The highest default year was in... the highest default rate was 12%, I may have that data somewhere. The highest default rate was one year at 12%, so if you think there's a 12% default, you get 40 cents back, your loss is 4.5%. If the junk bond pays you more than 5% more than Treasury, even in the worst year you would have been better off and let me tell you, in 2008 junk bond traded to 20% interest. Wilfred Leon Guerrero: Maggie (Ralbovsky) you have to start preparing the equity versus the bond. Maggie Ralbovsky: I will, I will, just give me a minute. Can you follow me with the red box first, did we get the red box, did we get it? Gerard Cruz: Yes.

Maggie Ralbovsky: Okay, now let's go to the blue box, the blue box on the right hand side. Let me explain what the spread is, the spread is if you take a 10 year treasury, currently let's say trading at 2%, a 10 year treasury pays you 2% per year... Gerard Cruz: What is a 10 year treasury, never mind the percentage? Maggie Ralbovsky: A 10 year treasury obligation bond that has a 10 year duration... Gerard Cruz: And you take a high yield bond... Maggie Ralbovsky: You take a high yield bond, 10 year duration, long term average interest rate, the difference between that interest rate versus the 10 year treasury is called the spread. Gerard Cruz: So you would expect to be paid 5.58% more for a high yield debt or high yield bond over the Treasury assuming the additional risk? Maggie Ralbovsky: Exactly and that's on average. Historically it's been 5.58% more. Doris Flores-Brooks: But the current spread has been more. Maggie Ralbovsky: The current spread is 5.84% and put that into the current context, the historical, the red box. So if you're implied loss is 1.88% and your long term average is 5.58% above the Treasury, you get paid more than your share of risk historically.

So you draw a conclusion, historically high yield has paid you better which was the case and right now at 8.45% pays you really well, because we just established even in the worst default year high yield had a 12% default, you got 40 cents back. If somebody pays you 8.45% more, you're still better off. There is risk, there is nobody who is denying, I'm not denying there is risk, there is additional risk for this asset category, but there is always a price for that risk and you're well compensated for the risk that you're taking.

Now Dr. Leon Guerrero let me point you to the middle boxes that answer your questions. Since 1986, the top box is the entire history of the high yield asset class and that includes the earlier years when high yield... For the entire history of high yield bonds I shaded in yellow that has a 8.45% annualized return and 8.59% annualized risk and how does that compare to the stock market which is Wilshire 5000 and you can see for this entire time period which includes the best bull market of the U.S equity history, that U.S. equity returned 8.82% annualized. Some where higher than the high yield bonds, but the risk is double; you see the risk number, 16%. Now the high yield index compared to the straight forward bonds which are the Barclays Capital U.S. Aggregate and you can see the U.S. Aggregate returned 7.2% with a 4% risk, so this is also the best period of the bonds return of the 4 high grade bonds.

Now look at the more recent history which I think is actually more indicative of this asset class because the earlier history includes very concentrated issues for high yield. High yield has grown up as a more institutional policy asset class and look at the last 10 years, this includes some of the worst months of high yield return, September was a terrible month for example. So during this 10 year period, high yield returned 8.57% annualized, that beat both stocks and bonds which established itself as a diversifier and a legitimate asset class with much less risk than equity as well. It has a higher risk than bonds, that obviously is true, but you're compensated for that risk. Hopefully that answered Dr. Leon Guerrero's question.

Now let me try to answer Joe T. (San Agustin's) question. Let me address the Chairman's question, what are the best and worst returns. So this is the entire history of high yield index on this very busy graph and let's just try to digest what this graph is. Remember I talked about the red box, the red box is corresponding the red line on this chart, okay, so this is the high yield default rate. You can see historically the default rate is not a straight line of 4.37%, the default rate during years that's terrible, they're terrible years of default, I said the worst was 15% actually, I think I said actually 12%. So 15% was the 1991 to 1992

recession, high yield bond had a 15% default rate, that's the worst year on history and then you follow that and you can see there are years that have very, very low default and years that are in the teens default. So that corresponds with the red box.

We also said, just because something defaulted, the asset class has risk, it doesn't mean you're not paid for it, so how are you paid for it? Look at the blue line, we talked about the blue box and the blue box corresponds with the blue line; here is how much you're paid for that risk that you're taking and you can see the high yield spread actually forecasts the default rate. Look at 1991, the spread went up before it defaults, it actually is very, very consistently forecasting that. There are actually stock managers out there that look at the spread because they actually forecast 6 months ahead of time what is going to happen for the future and the spread basically immediately goes up and you get paid immediately for the future possible default, that has been consistently the case.

Now look at 2008, it went all the way to 1,800 basis points, that's 18% spread over treasury, so you were paid 20% to take on that risk that eventually did not materialize. Now let's look at the purple bars or maroon bars. The maroon bars were the annualized returns of high yield and you can see for the entire history of high yield, there's only a handful of years that had negative returns, they had much more consistent returns than equities. The worst return was 2008 at -26%, but you're more than paid for the next year. The next year high yield returned 58%, more than canceling the risk, the loss you suffered in 2008.

Wilfred Leon Guerrero: Do you have information about the Ford Motor Company? The stock was selling at something like \$6 dollars? Gerard Cruz: \$2 dollars, \$2.70. Wilfred Leon Guerrero: So you're saying an investor would have been better off loaning to Ford than buying the stock? Maggie Ralbovsky: Well I don't want to go there, it's very dangerous for me to make that statement. I'm trying here to justify this asset class, but whether it's better off is really a case by case scenario and in the case of Ford, obviously Ford did not file for bankruptcy, therefore their stocks recovered and their bonds recovered as well, so I cannot make a statement to say you're better off at that particular point in time to buy bonds than stock, but I can make a definitive statement to say, you would be less risky to buy their bonds than their stocks. Or GM which filed for bankruptcy, wiped out all the equity. GM which went to bankruptcy, bond holders got paid 10 cents on the dollar, that was a pretty bad example in terms of the capital markets distribution because the Government came in and gave a huge chunk to the union. Okay, that aside, you get paid 10 cents on the dollar as a bond holder, stock holders got wiped out, you got zero. So it is definitely the case that if the company will be in distress, you're better off as a bond holder. It is also definitely the case if a company eventually did not go into distress, you are less risky to be a bond holder and whether you are going to be better off buying the bond, a particular company's bond versus equity is a case by case scenario. I'm not asking to sell all your equities and by bonds, I'm saying this is a good asset class, it diversifies your risk, it is a stand alone bucket, you need to have it.

Gerard Cruz: Where would the money come from? Maggie Ralbovsky: I'm going to answer that question later, so hold on to that thought. I have answers to all your questions, but you need to follow me step by step. Gerard Cruz: Just admit it, you would be better owning stock in Ford. Maggie Ralbovsky: In hindsight you probably got better returns. Gerard Cruz: Because if you owned Ford your downside potential is to lose \$2, but your upside potential is infinity. Doris Flores-Brooks: But you're saying that now in hindsight. Gerard Cruz: But if the stock is that cheap, today Ford was selling at \$2. Maggie Ralbovsky: But if

you bought Ford bond, it was paying 18% interest. Doris Flores Brooks: But if that was the case, why didn't you guys buy the stock then? Maggie Ralbovsky: Let's go back to your point, you said you bought Ford stock at \$2, the Ford bonds were trading at 18% giving you like 20 cents on the dollar, you get 18% return. Gerard Cruz: But if you own the stock, if you lose, you lose everything, you lose \$2 dollars a share. Maggie Ralbovsky: 100%, \$2 dollars a share, 100%. Gerard Cruz: But if you win, you win infinity, you're upside potential is limitless. Maggie Ralbovsky: That is such an unfair statement, but I'm willing to resolve with you later.

I'm going to move on now, let's move to the next page. Gerard Cruz: Are we still building a case? Maggie Ralbovsky: Yes I am. On the next page, because I think so far everybody is with me, keep with me on the next page (page 13). At the current high yield spread level it has the potential to deliver equity like returns and I circled the current spread level which is in this range and you can see historically when high yield has this kind of spread. In the next 3 years it delivers more than 20% return. Gerard Cruz: Are these spreads, I'm sorry, these were taken as of, are these very recent? Maggie Ralbovsky: Yes, I took these spreads somewhere in October. Gerard Cruz: So there's still a little bit of volatility with the debt markets in general right? They hadn't settled down yet. Maggie Ralbovsky: That's right, you still have the opportunity, of course if I sit here for a year I can't make that statement, so right now it is a good time to get in. Paula Blas: We can't take as long as we did. Maggie Ralbovsky: You cannot.

I think page 14 answers Gerry's (Cruz) question. This is Gerry's (Cruz) question about where to take the money. I did some scenarios, I didn't do any optimizations obviously and I have been taking very baby steps, I took 5% in alternative 1 out of equity as the equity substitute and you can see you will not sacrifice return and you're going to reduce risk. Gerard Cruz: So 5% out of equity. Maggie Ralbovsky: If you take 5% out of equity, you use high yield as your equity substitute, you can reduce return, reduce risk or your portfolio and do not sacrifice return and if you take that 5%, if you take 5% from equity and 5% from fixed income, that's 10%. Gerard Cruz: That's \$100 million. Maggie Ralbovsky: That's \$100 million. You will go to alternative 2 which will increase return and reduce risk and if you take 5% straight from fixed income, you do not want to reduce your equity, you actually can increase return and increase your risk as well; I do believe equity should be reduced and maybe the core fixed income should be reduced as well so if I have to make a recommendation... Gerard Cruz: To core fixed? Maggie Ralbovsky: Yes, alternative 2. You diversify fixed income because this is diversified fixed income. Doris Flores-Brooks: And you're saying 10% in high yield as opposed to 5%, alternative 1 and 3. Maggie Ralbovsky: that's right. This is an example, I want to make it clear that this is not a recommendation, this is a scenario analysis to show you this is a distinct asset class, it is not fixed income per say, it is not equity.

Paula Blas: Okay, but now your recommendation is? Maggie Ralbovsky: My recommendation is on the next page, on page 20. Gerard Cruz: We still have to get asset class approved. Paula Blas: So that we can kind of get an idea of what she's looking at. Maggie Ralbovsky: I'm looking at you to change your law. Wilfred Leon Guerrero: How low can we go on a... Maggie Ralbovsky: Can you hold onto that, I have it here on page 20.

I recommend strongly to change these 2 clauses in the current law. 8154, I would like to suggest removing investment grade restriction; currently it says it was to be investment grade rated, remove that restriction. I do think you can impose a 15% total investment limit

in this category which is sort of consistent with your 15% foreign equity and this is a lower risk category than foreign equity which logical, this is conservative.

Number 2 thing I want to suggest is to change the current investment vehicle language to say, that to recognize that a commingled fund is just an investment vehicle, so if the investment within that vehicle is consistent with the rest of the Legislature, the rest of the statute, then that should not have a limit. Why would it matter if somebody buys separate account versus a commingled vehicle that has the same... Gerard Cruz: But that has consequences. Maggie Ralbovsky: I would suggest if it is consistent, the holdings of the vehicle is consistent with the rest of statute there's no limit and you impose a 15% limit if it is not consistent. Gerard Cruz: That may have some consequences. You'd have to change the limitation on equity holds. Maggie Ralbovsky: Why? Gerard Cruz: Because if you considered commingled and mutual funds as consistent with what those mutual funds are... then what happens is our equity holdings in mutual funds become part of equity and then we are beyond the limit as to how much we can hold in equity. Maggie Ralbovsky: But you can still have 15% there if it is not consistent. Gerard Cruz: No, I understand. We can have.. our statute... Maggie Ralbovsky: I understand what you're saying. We still keep that 15% but we just remove, just release... so you don't have to use that 15% for things that are currently consistent.

Gerard Cruz: So then under your scenario just to cut to the chase, would our mutual fund equity holdings be considered part of equity? Maggie Ralbovsky: It could be both. Gerard Cruz: If we changed it today would we be in or out of compliance of the law? Maggie Ralbovsky: You will be in compliance. Because a commingled fund which I understand where you're going, a commingled fund, a mutual fund, however you wrap it, whatever is being held within it is... Paula Blas: You just want to make sure the total percentage still comes out. Gerard Cruz: Correct. Maggie Ralbovsky: So currently you have a 15% non-U.S. equity constraint, you have a 15% commingled fund constraint... Gerard Cruz: But we also have a 50% equity constraint. Maggie Ralbovsky: You have a 50% like a dividend paying constraint. Gerard Cruz: No. We can have no more than 50% of our portfolio in equities. Maggie Ralbovsky: That's right. So what I'm saying now is right now you have like 7 or 8% in non-U.S. equities that is in commingled funds. Gerard Cruz: Correct. Maggie Ralbovsky: Right now it's using 15% commingled fund constraint. Gerard Cruz: Right. Maggie Ralbovsky: By changing this clause, a portion of that can be moved in to the non-U.S. equity constraint because they're qualified as non-U.S. equity, but if it hits the 15% it becomes the other, it can still go back to the 15% fund.

Gerard Cruz: My only concern is that we don't inadvertently pass a law that's going to bring us out of compliance, because we did a lot of math before we changed the law to ensure that we remain in compliance. Maggie Ralbovsky: Yes. I put the spreadsheet together. Joanne (Grimes) needs to take a look at this. So that is my suggestion and I would urge you to act as soon as possible. Doris Flores-Brooks: Laws don't more that quickly. Paula Blas: It depends. Doris Flores-Brooks: From the time you made the decision the last time, how long did it take? Paula Blas: The law itself didn't take long, it was the decision to move into it is what took longer. Joe T. San Agustin: You go back to this paragraph, an allocation (made by GGRF) to high yield out of global could reduce the portfolio's reliance on the growth factor, that's the key paragraph here. Maggie Ralbovsky: Yes. Right now you have 95%... Joe T. San Agustin: Your goal is for that. Maggie Ralbovsky: My total goal is to make the Fund, not sacrificing return for reduce reliance on growth. Joe T. San Agustin: That's a given factor, anything you change you have to have that.

Maggie Ralbovsky: My promise was to go back to that slide which I will. My slide I want to go back to is my paradigm slide on page 8. We talked about that right now we're so concentrated on the upper left hand corner and I want you to consider the upper bottom left hand corner, which has the nominal spread which has the high yield in that bucket. Doris Flores-Brooks: Where is high yield? Maggie Ralbovsky: High yield is somewhere in between the top and bottom left hand corner so it's sort of the active risk kind of a bucket which is in the middle which really helps you especially when the portfolio is so growth and we have a question mark on whether the growth is going to materialize. Joe T. San Agustin: So what is my risk profile overall? Maggie Ralbovsky: You're going to get a reduced risk profile in most of the cases. Wilfred Leon Guerrero: I think you pointed out to us that the current portfolio has 95%... Maggie Ralbovsky: 95% reliance on growth. Wilfred Leon Guerrero: Okay, so if we change it you can't say what it would be? Maggie Ralbovsky: Put 15% in credit. Gerard Cruz: Which removes our reliance on growth to what? Maggie Ralbovsky: You're going to remove a large percentage, maybe 10%. Gerard Cruz: Which means we do well in down markets and stagnant markets. Maggie Ralbovsky: Which means you will do better because you're still going to have a lot in growth. I'm not asking you to remove growth tremendously, because eventually we really have to rely on growth. Gerard Cruz: Of course because how are we going to make money? Maggie Ralbovsky: That's right, but we wanted to protect the downside as well, we can't just single-handedly bet on one thing. Gerard Cruz: I know you guys say that but we've had major down markets in the last... Maggie Ralbovsky: It is not the same as a de-leveraging down market. Gerard Cruz: It's not the same, but how do we know that the tools you are using are going to work effectively? Have you ever seen a de-leveraging down market? Maggie Ralbovsky: We have not seen in our lifetime, but the world has experienced in multiple places and we know that bonds do better than equities and when you diversify the bond portfolio, we can't just focus on the high grade Government bonds. Paula Blas: That's basically what she's trying to do is just expand the bond portfolio. Maggie Ralbovsky: That's right. Let's expand it and let's change this law. (end of tape 1)
(End of Discussion on High Yield Investments)

1:00pm-1:45pm Eaton Vance

(start of tape 2)

Kristen Gaspar: I'm actually going to call in to have the portfolio manager on the phone with us for the meeting. Hi Nancy (Tooke) it's Kristen Gaspar here with the Government of Guam Retirement Board, how are you? Nancy Tooke: I'm doing well. Good evening to all of you or good afternoon. Kirsten Gaspar: Nancy (Tooke) is joining us as the lead portfolio manager from Boston and it is 10pm there yesterday. Wilfred Leon Guerrero: It's noon over here.

Because this is Kristen's (Gaspar) first time around, we thought we would just go around and introduce everybody and explain the rule of engagement. To your left is Maggie Ralbovsky, she's from Wilshire, she's our coach, our guiding path and if anything goes wrong with us she's responsible. At the end of the table is Mr. Joe T. San Agustin, he's our Chairman of the Board, next to him is Paula Blas, our Director and facing you is Jackie (Blas) and then we have George Santos, Trustee, Gerard Cruz, Trustee and I'm Wilfred Leon Guerrero, Chairman of the Investment Committee. Kristen Gaspar: Okay, thank you for that.

Wilfred Leon Guerrero: What we would like to hear from you is the review of your performance, we'd also like to hear whether there's been any major changes in personnel in

your company, whether any of the regulatory agencies have issues with you. Those are the 3 things that we want you to address, but you can talk about anything else.

Kristen Gaspar: Hafa Adai, I'm Kristen Gaspar and thanks for inviting us here for the annual review for the Government of Guam. Joining me is Nancy Tooke, lead portfolio manager, she's been managing money for over 25 years and knows the small cap world well which is what the Government of Guam is invested in with Eaton Vance. We've prepared remarks and I can give you an update on the firm and the things that you've asked about and then I'm going to turn it over to Nancy (Tooke) to talk about her team performance of the portfolio, although it's been one year so we're short of a full market cycle, but we think it's important to get in front of you as often as you like, certainly at least annually, but we're happy to make that more frequent if that's something you'd like as well and I'm not too far away so I'm happy to come as often as you need. Nancy (Tooke) is going to look to the portfolio performance, clearly discuss a little bit about what's been going on in the market environment, big picture information that would be helpful for you to know. She's going to talk about the positioning, what changes she's been making within the portfolio and then that market outlook, what you see as looking ahead for the markets, we've seen a lot of activities so this is a timely update after the 3rd quarter when the markets went crazy today on the good side, so that's good news, but day to day your portfolio is changing quite a bit and in small cap that tends to fluctuate a little more so it's important to review what's going on and we're happy to stay in contact with you and Maggie (Ralbovsky) to make sure you have all the information that you need.

If you turn to page 2 in the presentation book is a snapshot of Eaton Vance. Just as a reminder we're investment managers based out of Boston and investment management is the only thing we do and we think we do that pretty well, we've been doing it since 1924. As of September 30th we had assets of \$178 billion dollars, which is comprised of equity assets which you're invested in, fixed income and floating-rate income investment mandates. We really take a long term approach to investing and also a long term approach to partnering with our clients so I hope I'm back here year after year providing you with an update and we really feel that our culture is part of what is critical to our success. It is a unique place, I joined there in October of 2010 and I found it very team oriented, very collaborative and that carries over not only from the marketing side which is what I know, but also to the investment side with Nancy (Tooke) and her team and the entire core research group that is all based in Boston helping that effort. Relative to our culture we are very value driven and do take pride in staying out of the headlines all through 2008 and beyond, so as far as litigation and SEC investigations, there have been no filings since you hired us, no issues with the SEC, we're certainly reviewed regularly by the SEC so we'll remain in contact should any of that change in the coming years so we'll be diligent in that.

On the right hand side of the page you see our AUM carved up by investment mandate but also by market channel; the institutional business is that black slice of 20% and it's continued to flourish, the company made a commitment to that business in 2006 and it's grown to 35 billion in 5 years, so that's something that we're very proud of. We had the investment talent already in-house and just brought that out to the institutional market place to very sophisticated clients like yourselves.

Page 3 is our representative client list; we're just proud to list a different variety of plan types, public funds, corporates, endowments and foundations. I know we keep your name confidential but should you ever let us we would be proud to put you on this list as well.

Page 4 is your relationship with Eaton Vance. I mentioned that the institutional business has flourished and with the growth in assets, you also want to make sure that you get growth in resources and Eaton Vance has done that. Nancy's (Tooke) team was built to manage a certain amount of money so the growth doesn't affect her so much, but on the marketing side you need to add people to service the accounts as they come in so with the addition of myself and additional resources of the support and recording staff the group was re-organized so that we're based in territory to be closer to our clients, as I mentioned I just moved to San Francisco in March to cover our West Coast and Pacific based clients and happy to formulize a service plan that works you and works for Maggie (Ralbovsky) and make sure everybody is in constant communication and you have all the information that you need. Two of the folks that are key to me are Rachael Carey and Kristen Novello, those are my resources back in Boston that are critical in your reporting needs and my day to day just being able to gather some information for my clients.

Relevant to a new business development perspective, Bill Irvin who I believe you met at the final a year ago is no longer with the firm, but part of our West Coast business team, we've Rodrigo Soto who is based in Seattle Washington and he and I work very closely in a team to manage your client service needs, so you may meet him on one of our annual trips.

Just so you know, I'm your advocate within the firm so just let me know how I can better partner with you.

Page 5 is your fund guidelines. The objective is to manage U.S. small cap portfolio versus the Russell 2000 Index. The performance expectations are to out perform that index over a full market cycle. We're going to dive into that in a few more pages, but I want to ensure that we are within the guidelines that you provided for us.

Do you have any questions about the firm right now, otherwise I'm going to let Nancy (Tooke) talk about her team and performance and we'll dive into the portfolio? (No.) Okay, Nancy (Tooke).

Nancy Tooke (via telephone conference): Thank you very much Kristen (Gaspar). I'm going to start on page 6 and this is the dedicated small --- team that works on all equities in the United States in the Russell 2000 and Russell 2500 and as you can see, each of my analysts have large sectors of the economy which they are responsible for and 2 of these analysts are new since I met with you back in the Spring of 2010, Danielle Williams and Gerald Moore joined the team last October 31st and both analysts replaced analysts who had been on the team who frankly were having trouble being productive with such large sleeve of stocks to follow, they just weren't coming up with a sufficient number of good ideas that were useful in the portfolios. We worked with them for 2 years warning them that we needed more productivity and it didn't work out in either case and we were very fortunate that Danielle (Williams) and Gerard (Moore) were available and they've plugged very seamlessly into the team. Danielle (Williams) came from another Boston money manager called Independence which had been merged into Lee Munder and Lee Munder had actually taken in the assets and then they reduced the staffing of the Independence people that came in and so Danielle (Williams) was available and we were able to recruit her at exactly the time that we needed her, but she came with 7 years of experience researching small cap financials for Independence. Gerald Moore came out of Putnam, he had been with Putnam for about 18 years doing healthcare and also managing a healthcare select fund at one point and a multi-

cap fund as well so he also is very experienced. Both these analysts have been adding names to the portfolio, over the past year we have been very under weighted in both healthcare and financials and we remain under weighted in financials but we brought our healthcare positions up to a Russell market weighting, actually slightly over that.

Wilfred Leon Guerrero: What is interest sensitive? Nancy Tooke: Interest sensitive is financials. It's kind of a catchall, it's a huge sleeve in the Russell 2000 which is our benchmark, it's about 30% of the index, but it's a hodgepodge, it includes REITs, it includes banks, insurance companies, specialty financials and housing so it's a pretty broad.

Turning then the next page as you'll probably recall, in small cap we believe that there is a lot of inefficiency in the market and that's because it's such a broad universe of companies, you can think of it as 2,000 companies, it's actually more than that particularly because when you get these market meltdowns which we had in August and September, you get a lot of mid-sized companies that come back into the small cap definition. By definition we consider anything selling at \$3 billion or under in market capitalization of small cap. There are so many companies and so few --- analysts dedicated to small cap that there are just an awful lot of really high quality companies that fall between the cracks and people aren't analyzing them. It's our belief that if you do your homework and dot your i's and cross your t's you can make outsized returns for your clients over time just because you are doing the detailed research and discovering these companies that have a lot of potential and are very under valued.

So that's what we do, we seek to exploit that inefficiency with fundamental research and that's what these analysts on my team are charged with doing. We seek excess returns versus the Russell, over a full Russell market cycle. The Russell small caps tend to out perform large caps for periods of 3 to 7 years and then large caps will sometimes take over and out perform small caps for a period of time, but we consider a Russell cycle in that area of 3 to 7 years and we seek to generate excess returns of 3 to 4% versus the Russell over that period of time.

Going to page 8, this is the performance of the Government of Guam Retirement Fund since inception which was October 1, 2010. It has been an exceedingly volatile year as you know and it's been a year in which I would say it's not been a stock selectors market, it's been much more an equity market that is focused on macro issues and so what's been going on is people are worried about the European debt situation, they're worried about the United States deficits, the failure of the super committee, there is just a litany of problems on a global basis as you all well know and because people have worried so much about that they kind of ignore the actual individual ideas within the market and the market is very highly correlated, that means that it's tending to, all votes rise at the same time, all votes fall at the same time and there's very little differentiation. To me this spells enormous opportunity because what's happening in my market is all companies are compressed into the same valuation ranges and it doesn't differentiate the higher quality companies from the lower quality companies. So my experience in small cap markets is that if you have some patience you're going to end up making a lot of money because the higher quality companies with the higher growth rates that we're selecting for the portfolio will begin to out perform as the market stops focusing on these macro things and begins to go back and people go back to doing analysis on individual companies and they begin to find that some of these situations are ridiculously under valued. So what I charge my team with, what I'm doing right now is trying to upgrade the portfolio, we're constantly looking for the best of the best because the

best of the best is trading at the same valuations that the poorer quality companies are trading at the present time.

We have had a very difficult 2nd and 3rd quarter in 2011 and I'm pleased to tell you that the 4th quarter to date has begun to be better for our performance and as of yesterday quarter to date the portfolio was up 11.3% against the Russell being up 8.3%, so we gained 300 basis points as of yesterday. Today you probably saw that the market went wild and the Russell 2000 was up 5.9% and we were up 5.1% and so those numbers when you get your November statement will look slightly different and slightly better than the 11% and the 8% that I just gave you. Wilfred Leon Guerrero: Do you have the numbers? Nancy Tooke: For then end of today? Basically I can eyeball them and tell you that we'll be up for the quarter to date as of the end of the day about 16.4% and the Russell will probably be about 14.2%. That's the thing, this market is wild, the volatility is unprecedented. In the 3rd quarter I think 36% of the days the Russell was up or down 3% or more which is really unprecedented volatility.

Our long term record is on page 9 and you'll see that the years that we under performed generally are followed by years where we out performed and it is again what I was referring to before, it's the realization that when things under perform and they're just not focused on the fundamentals of companies, the market tends to correct and go back to old fashioned analysis, after the dot.com boom that was true and I think that it will again happen this time. In 2004 we were up and let's see, in 2008 we had a tough year, but you can see in 2009 we more than made up for it. It's an asset class where it pays to go through the entire market cycle and sometimes it's a little bumpy, but usually if you're using fundamental analysis you will get excess returns.

If you look at page 10, this is the way that the portfolio was positioned as of September 30th. We don't manage to sector distribution, we build the portfolio one stock at a time from the bottom up. We do achieve diversification because each of the 5 analysts and I want stocks in the portfolio and so even if your sector is out of favor, with a universe of over 2,000 companies and in some of these sectors the universe of 400 or 500 companies you can usually find one or 2 ideas that is going to counter the trend of that sub-sector and is under valued that we can use in the portfolio.

Today we're positioned in kind of a barbell, I think of the portfolio of being about half the census and about half cyclicals that are selling at their low ranges pricing in a pretty good recession and so we've got good consumer defensive stocks, we've got a lot of healthcare, we've got utilities and as you can see we have energy and industrials and technology on the more cyclical side.

What we've been observing in the portfolio in the 4th quarter is that the portfolio is going up less than the market on days like today, but it's been going down less than the Russell 2000 on bad days and that's consistent with our upside/downside capture which you can see on page 15, this is the historic 10 year upside/downside capture. You can see that normally we've captured about 93.8% of the upside, but we've experienced only 85.3% of the downside over a 10 year period and that's fairly characteristic of this product in the way we've been managing it.

We've had one takeover in 2011, that's an unusually low number and had you asked me at the beginning of the year how many takeovers we would have, I would have said probably 4 or 5, that's often the case. This year because of all of the economic uncertainty and the fact

that companies are uncertain about their outlook, they're not hiring and they're kind of hoarding their cash, because they're not quite sure when they're going to need it.

The one take over is Brigham Exploration, it's an energy company, it operates in the Bakken Shale up in North Dakota and it is being taken over actually as of today and we're going to get cash for this today for \$36.50 a share. They're being taken over by Statoil which is a Norwegian company and that particular company we have owned since the Spring of 2009. We actually acquired our beginning position in the company at \$2 dollars a share, it's been a tremendous winner. We bought it when we met the management, we went out and we saw their holdings in Bakken and shortly after we went to visit them in North Dakota they came through with a secondary stock offering. What was really unusual about that particular stock offering was that the management, Bud Brigham himself and his son and his brothers were buying the stock on the deal, that's very, very unusual and they already had a lot of the stock, so we also bought on that deal and they have discovered a lot of oil in the Bakken and anyway it's kind of hard to kiss that time goodbye, but that's the way it was.

You're also going to notice in this portfolio that as of September 30th we had a company called MF Global, it was one big fat mistake and I want to tell you why we were in it and fortunately we're out of it, but MF Global passed or processed and our process and our criteria for buying a stock are first the valuation has a lot of potential upside and not much downside risk that there's at least one very good catalyst that would cause other investors to want to invest in the situation with us because you don't want something in small cap land that's under valued but nobody else notices because you'll have to be a very, very patient person in that instance. The third criteria is that you have an A management, a management that you can execute and we thought that we had fulfilled all of those criteria.

We bought MF Global in April and May at an average price of about \$8 dollars a share and at that time it was selling at about 106% book value which is the metrics that we use on this kind of a company and its peers were selling at 150% book value. The catalyst here was that the Dodd Frank Legislation had forced the big investment banks like Goldman Sachs and BOA and Merrill Lynch and CS Credit Suisse to drop their proprietary trading desks and so MF Global guided by Jon Corzine was recruiting talent from proprietary trading desks from all over Wall Street. These were people that Jon Corzine had known when he was CEO at Goldman Sachs, he himself was a trader, he was tapping into some very big names and some very talented individuals and bringing them to MF Global at a time when MF Global was positioned to be able to take a lot of market shares because so much of the competition had been forced out by this Legislation. Jon Corzine was in small cap land in what certainly looked like an A management, he was after all an ex-CEO of Goldman Sachs, he had been in the U.S. Senate, he had been a Governor of the state of New Jersey and unfortunately he was doubling dealing and not disclosing what he was doing and it all came to light very, very suddenly on October 25. We were on a conference call at 7:30am on October 25th where they pre-announced their earnings in reaction to a credit down grade that had been made the night before and our shares were all on our trading desks before the market opened. We got out of the stock at \$2.15 a share so a great big hit from the \$8 dollars a share that we paid for it, but the stock closed at a \$1.83 that day and now as you know it's bankrupt and there are all kinds of ugly things going on with clients and balances that are missing and a lot of stories about how Jon Corzine was single handedly speculating, a very unusual situation that somebody would bet his fortune and his considerable reputation on a trading desk and that's what happened.

Kristen Gaspar: Nancy (Tooke) let me stop you for a moment. Paula Blas: What company is that? Kristen Gaspar: It's called MF Global and it's listed under financials. Joe T. San Agustin: Do we own any stock in that? Kristen Gaspar: You did hold it as of September 30th and Nancy (Tooke) was just outlining that she did go in and we did sell it. Joe T. San Agustin: And you had a loss. Kristen Gaspar: At a loss. Nancy Tooke: Yes, at a big loss. Kristen Gaspar: At \$2.15 prior to right after they reported earnings and prior to them going bankrupt, but now they are bankrupt. Joe T. San Agustin: What was the loss we had, what was the initial investment versus... did we recover anything or was it wiped out? Kristen Gaspar: We paid \$8 dollars a share and it sold at \$2.15. Joe T. San Agustin: What was the total investment dollar-wise? Kristen Gaspar: Can you hear that Nancy (Tooke), what position size did you hold in that name as far as dollar amount lost would that equate to? Nancy Tooke: It was a relatively smaller position, I think it was 1.25%... Joe T. San Agustin: What was our exposure in dollars? Your original investment was so much and when you were able to pay it off what was it? What was the dollar loss? Kristen Gaspar: We can look up the trade information for you. Nancy Tooke: I don't have it, I'm terribly sorry but we will get you the dollar loss.

Gerard Cruz: You were picking up positions in April and May? Kristen Gaspar: Yes. Half in April and half in May. Gerard Cruz: None through the summer? I mean it did come pretty quick, the news did come quick. Kristen Gaspar: It came quickly and we acted quickly. Nancy Tooke: It came quickly, nobody would have known of it until all of a sudden it was down graded, they pulled forward their earnings and they revealed they were speculating in European sovereign debt to a huge degree and it just hadn't been publicly disclosed where their proprietary trading investment bets were.

Wilfred Leon Guerrero: We haven't heard from Bernstein. Paula Blas: It just happened? Kristen Gaspar: It just happened in October. Joe T. San Agustin: Is that the only loss on our account? Paula Blas: We don't know if there is any reason to litigate at this point right now so I think they're still researching it. Nancy Tooke: There are likely to be class action suits all over the place on this one. I did want you to understand what happen. Joe T. San Agustin: When did that happen? Kristen Gaspar: When did the news break? Nancy Tooke: October 25, 2011. Joe T. San Agustin: And it's November now, how come we just learned about it? Gerard Cruz: When did you exit the position? Nancy Tooke: I exited it on October 25, 2011. I had the shares on the desk as soon as I understood what was going on, I had a 7:30am conference call with a group of analysts and management and before 9:30am the shares were on the desk and we were out by probably 10:00am or 10:30am.

Kristen Gaspar: So just to be clear, you weren't invested when they went bankrupt, you were out of the stock. Joe T. San Agustin: I know but we had it and we lost... Nancy Tooke: I'm giving you the good, the bad and the ugly. You made a lot of money in Brigham and sometimes we make mistakes and MF Global was a mistake. Kristen Gaspar: This particular stock was a loss for the portfolio. Joe T. San Agustin: That kind of loss should be reported right away. It happened about a month ago. Okay, that's fine. Kristen Gaspar: We would just review it as a regular part of attribution what helped the portfolio, what hurt the portfolio, there's always stocks that are in there that are going to be a loss and always stocks that are going to make money. Joe T. San Agustin: That kind of substantial loss will become part of litigation and we would have to go to our counsel. Paula Blas: I haven't heard anything yet. Kristen Gaspar: We're happy to provide any additional information you need that's part of any litigation, but we were sold out of it prior to the bankruptcy. Nancy Tooke: The bankruptcy was actually on October 31st if that helps you. Joe T. San Agustin: This is

December 1st. Kristen Gaspar: He's (Joe T. San Agustin) wondering why we wouldn't communicate that earlier than this review. Joe T. San Agustin: I can see market losses all the way through but when it comes to this I would think there would be some notification.

Kristen Gaspar: Nancy (Tooke) do you have some comments on an outlook going forward? Nancy Tooke: Sure. Let's quickly go to page 11 and these are your top 10 holdings as of September 30th (2011) and they normally constitute about 30-35% of the portfolio in this instance at September 30th (2011) they were about 32% of the total portfolio.

On page 12, the portfolio characteristics of this product have been fairly consistent and what we're trying to do is we're trying to pay a forward price earnings ratio that's less than the Russell 2000 Index for 3 year projected growth that's greater than the Russell 2000. So you can see that as of September 30th (2011) we were paying 11 times forward earnings for about 20% growth compared to the Russell which was at 14 times forward earnings and 14.7% for projected growth. You can see that the debt to total capital is quite low in our portfolio compared to the Russell and what I really like to point out here is the return on equity of our companies, it's at 15.2% compared with 3.5% with the Russell. This tells you the quality of the stocks that we're invested in right now. We're paying a below market multiple for companies that are generating a lot of strong positive cash flow in growth and we just keep picking up better and better companies at these very, very low valuations.

One of the things I'd like to say is, I think this may be the highest quality portfolio I've ever owned in the small cap space and I say that with confidence because a lot of the companies that we own like other companies in 2008 and 2009 in that severe recession cut back their expenses to the bone in most cases, but the good companies didn't cut back their product innovation and development. The companies that had so much debt that they were drowning in it had to cut back even their R&D and so as the economy has come back and demand is beginning to come back the companies that were able to innovate and continue to develop over that period of time have very strong product arrays and they're beginning to gobble up market share at the expense of their often weakened competitors, but the market isn't making that differentiation yet, but it will. As we come across niches where we're finding companies that can gobble up market share and do very well in this economy, we know that they're the ones that the market will eventually single out and pay for and that's what we've got in the portfolio at the present time. It's a great time to be a small cap investor you just need patience.

You'll also notice that our weighted market capitalization is about \$1.8 billion compared with \$1 billion for the Index. This is intentional, we're trying to stay on the liquid side of our market cap and the reason for that is simply that the \$1 billion dollar market cap companies are trading with very, very low volumes these days and so if you accumulate a large position, it's hard to gracefully exist if you need to and so we believe that it mitigates some risk to be in the more liquid end of the small cap spectrum at the present time. We had about 49 names in the portfolio as of September 30th (2011).

That is pretty much my review and I'd love more questions if you have any. Joe T. San Agustin: This return of equity, 15.2% that transaction that made a stock loss, how much of an impact was on that or maybe it was just impact at all? Kristen Gaspar: How much of an impact on your return on equity did that one stock have, MF Global. Nancy Tooke: It would have had no impact. Kristen Gaspar: And I'll get you the loss for the numbers, but you see the top 10 that she (Nancy Tooke) included here on page 11... Joe T. San Agustin: It's still a

loss for our portfolio, maybe not for your overall portfolio. Kristen Gaspar: When you net all that in there as well on the stocks that made money, on the stocks that lose money... Maggie Ralbovsky: This return on equity is not how much you made. Joe T. San Agustin: I know, it's overall. I hope this is a compensating balance to cover that loss in my portfolio. Kristen Gaspar: Yes, we're only talking about your portfolio. Wilfred Leon Guerrero: You (Paula Blas) might want to check with Blair Nichols whether they're doing anything about it. Paula Blas: Okay. Gerard Cruz: It's a little early. Paula Blas: It's okay. I will go ahead and bring it up and ask him (Blair Nichols) if he's even aware.

Nancy Tooke: Thank you very much for your time, good night. Kristen Gaspar: Can I answer any more of your questions? (end of tape 2)
(End of presentation by Eaton Vance)

2:00pm- Other: Draft Investment Policy Statement

Asset Allocation

(start of tape 3)

Maggie Ralbovsky: The Board review it... Gerard Cruz: So you don't need action until January (2012). Maggie Ralbovsky: That's right, I just want to make sure this is brought to the attention... Paula Blas: Because she actually did, she took a first draft at it and then we sent it to Legal Counsel and then Legal (Counsel) came back with their own recommendations. Gerard Cruz: There's no changes for allocation. Paula Blas: No, you can't change that. Maggie Ralbovsky: This is a re-draft of your current policy, there's no change in the policy, but it is more streamlining. In the old policy there's many repetitions of what's in the law and there's inconsistencies here and there. Wilfred Leon Guerrero: But if we do change the law... Paula Blas: Then this would be amended. Gerard Cruz: If we change the law we have to change it again. Maggie Ralbovsky: If we change the law and change the asset allocation it would be changed again because the law is not repeated in the body of this document, the law is an attachment so if you change the law you change the attachment. There are actually a couple of other things that may need to be changed as well, fine tuning, but I want us to review this as a group and approve the general flow of this.

Joe T. San Agustin: I'd like to have an explanation, it changes from what to what; this language was "that" now it's going to be "the," that kind of deal. Paula Blas: Section by section. Maggie Ralbovsky: Well the thing is the sections are different. Joe T. San Agustin: That's the point. Maggie Ralbovsky: And I added sections, I added securities lending, I added brokerage. Joe T. San Agustin: There was a significance of the change... Gerard Cruz: There was a section on securities lending. Maggie Ralbovsky: No. In the old policy there was nothing and there was nothing about custodian. Wilfred Leon Guerrero: I think the reason the securities lending is on this one is because we were not treating it as an investment instrument.

(End of discussion on Draft Investment Policy Statement)

Respectfully submitted,

Affirmed:



Stephanie A. Herrera
Recording Secretary



Wilfred P. Leon Guerrero
Chairman