

# CHELSEA MANAGEMENT COMPANY

Investment Counsel



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# CHELSEA MANAGEMENT COMPANY



Founded in 1971

Employee Owned / Operated

Independent

# EXPERIENCED MANAGEMENT TEAM

- Average 33 years of Industry Experience
- Average 16 year Tenure at Chelsea
- Proven Industry Success Prior to joining Chelsea
- 100% Employee Owned





# QUALITATIVE FRAMEWORK



- Stability in Leadership & Philosophy
- Consistent Long-Term Perspective
- 18 Years Audited GIPS Performance Compliance and Verification

# A SEASONED, PROFESSIONAL TEAM OF EXPERTS

The average staff tenure at Chelsea is a remarkable 33 years of industry experience and 16 years of tenure, providing our clients with a depth of experience and knowledge that is hard to match anywhere else.

## Research & Investment Committee Members

Name	Title	Industry Experience	Years at CMC
Frederick J. Ruopp. Sr.	Chairman Chief Executive Officer	60	42
Thomas A. Techentin	Vice Chairman Chief Compliance Officer	41	31
Patrick C. Pascal	President	35	10
Frederick J. Ruopp, Jr.	Executive Vice President	17	17
Al Dew	Senior Vice President Chief Trader	26	15
Don W. Brown	Senior Vice President Investments	30	2
John O'Keefe	Director	42	13
<b>Average Tenure</b>		<b>36 years</b>	<b>18.5 years</b>

# SEPARATELY MANAGED ACCOUNTS



## **Customized Portfolio Management Tailored to Client Criteria**

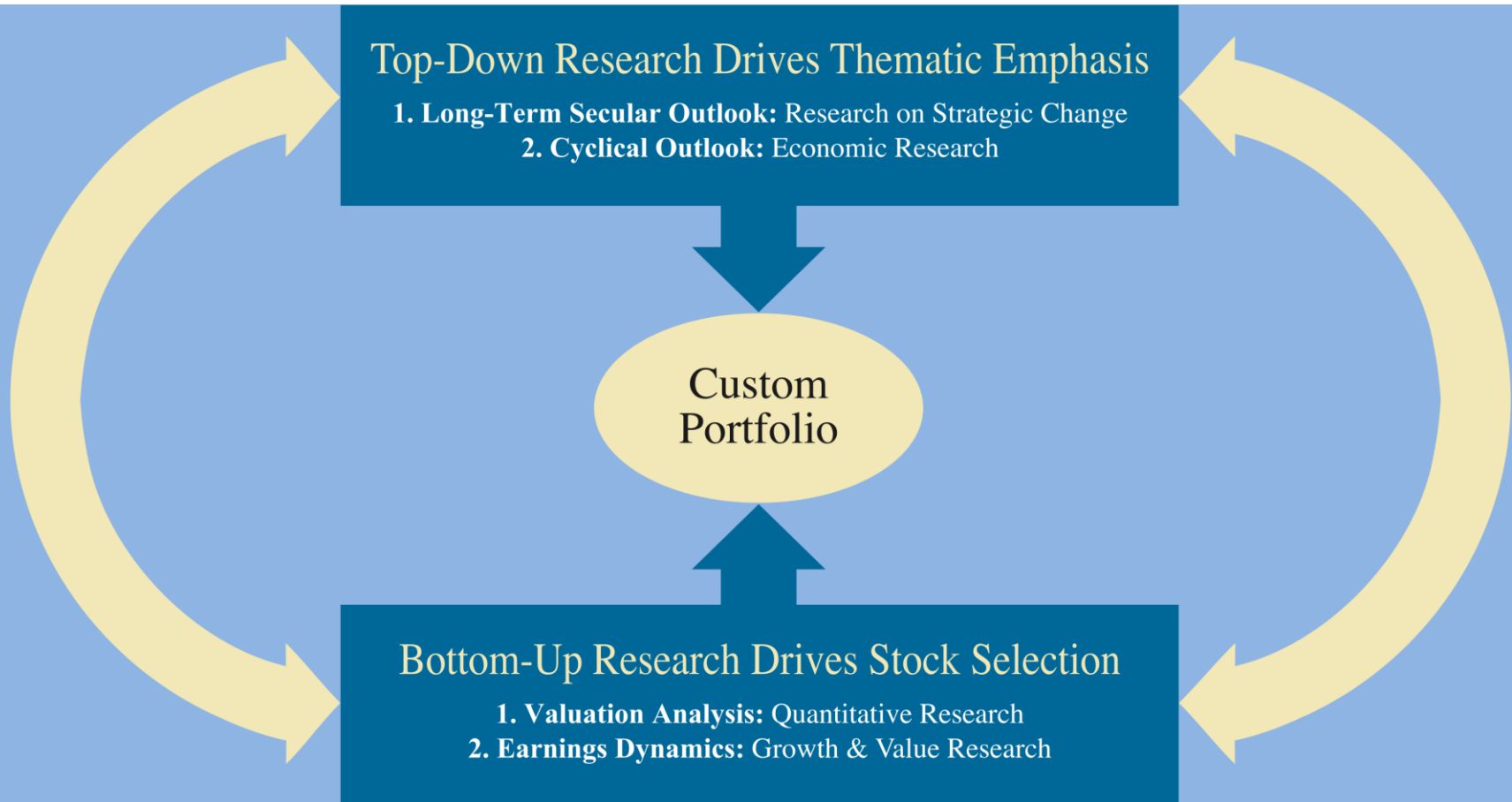
- Custom Criteria Molds  
Investment Selection
- Investment Policy Requirements
- Capital Preservation / Income /  
Growth Needs
- Cash Flow Requirements
- Risk Management
- Compliance Issues
- Income Tax
- Estate Tax
- ERISA / Taft Hartley

# RESEARCH & INVESTMENT COMMITTEE



- All Chelsea Portfolio Managers
- Director of Research
- Outside Professionals

# DISCIPLINED INVESTMENT PROCESS



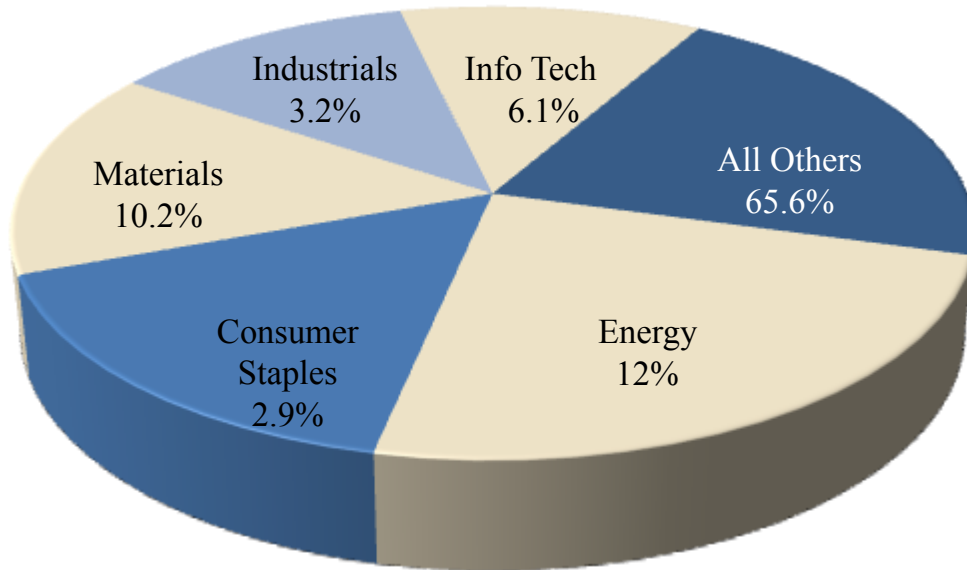
## Top Down Style

- Macro World Economic View Point
- Sector Over / Under Weight
- Business Industry Focus
- Industry leaders



# SECURITY SELECTION PROCESS

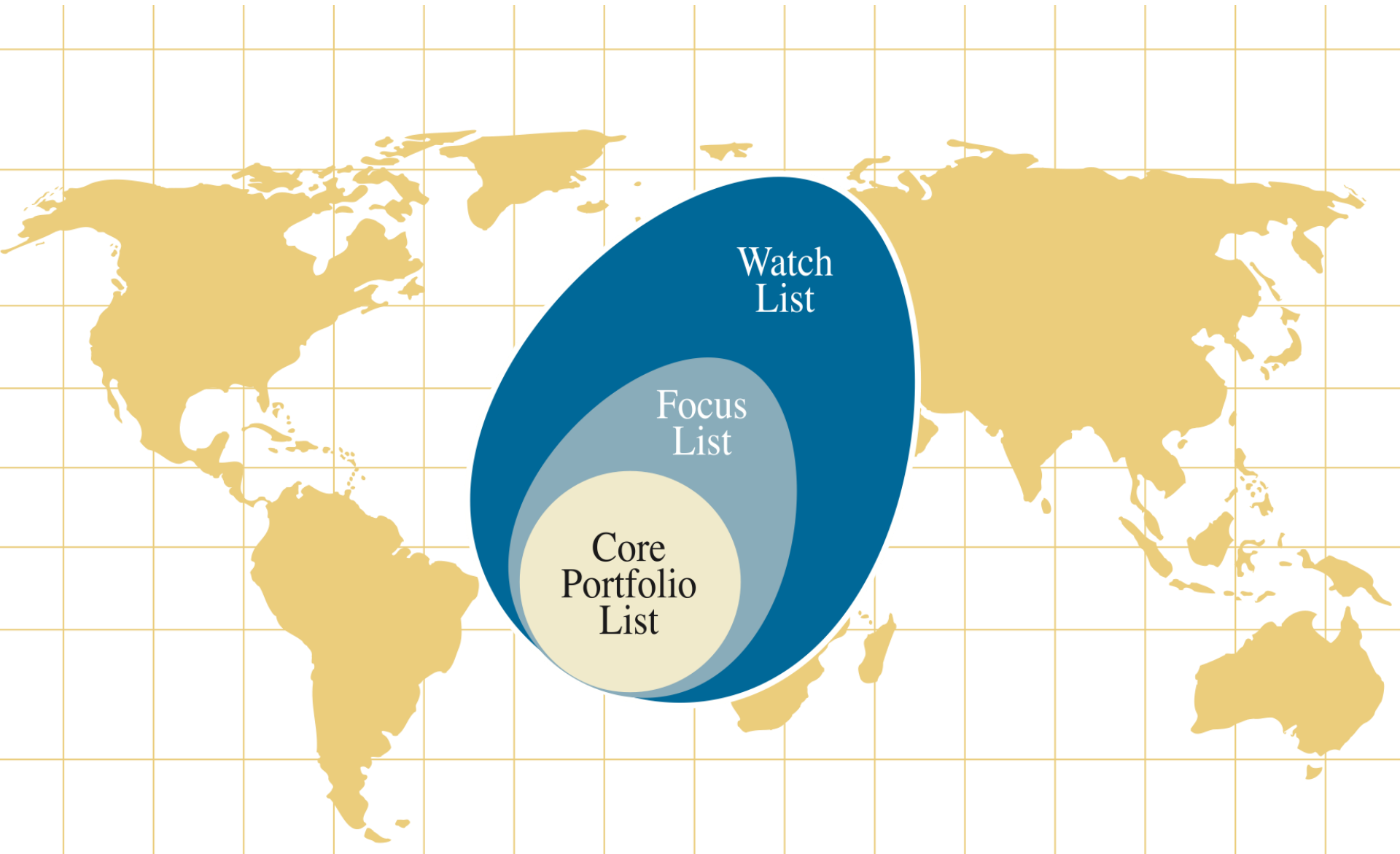
## Sector Allocation



### Selection Criterion:

- Industry Sector
- Industry Leaders
- Strong Management
- Consistent Earnings Growth
- History of Increasing Dividends
- Strong Balance Sheet
- Valuation

# SECURITY SELECTION PROCESS



# REVIEW and CRITIQUE



- Assess Client Needs & Goals
- Evaluate Investment Policy and Compliance
- Monitor and Evaluate Portfolio Positions, Risk and Performance
- Evaluate Market Conditions
- Income Tax Efficiency
- Measure Performance Relative to Objectives

# CHELSEA MANAGEMENT COMPANY

Disciplined Process – Superior Results



- Independent Research & Analysis
- Time Tested Process with Proven Results
- Client Focused
- Experienced Management Team
- Continuity of Experience & Culture



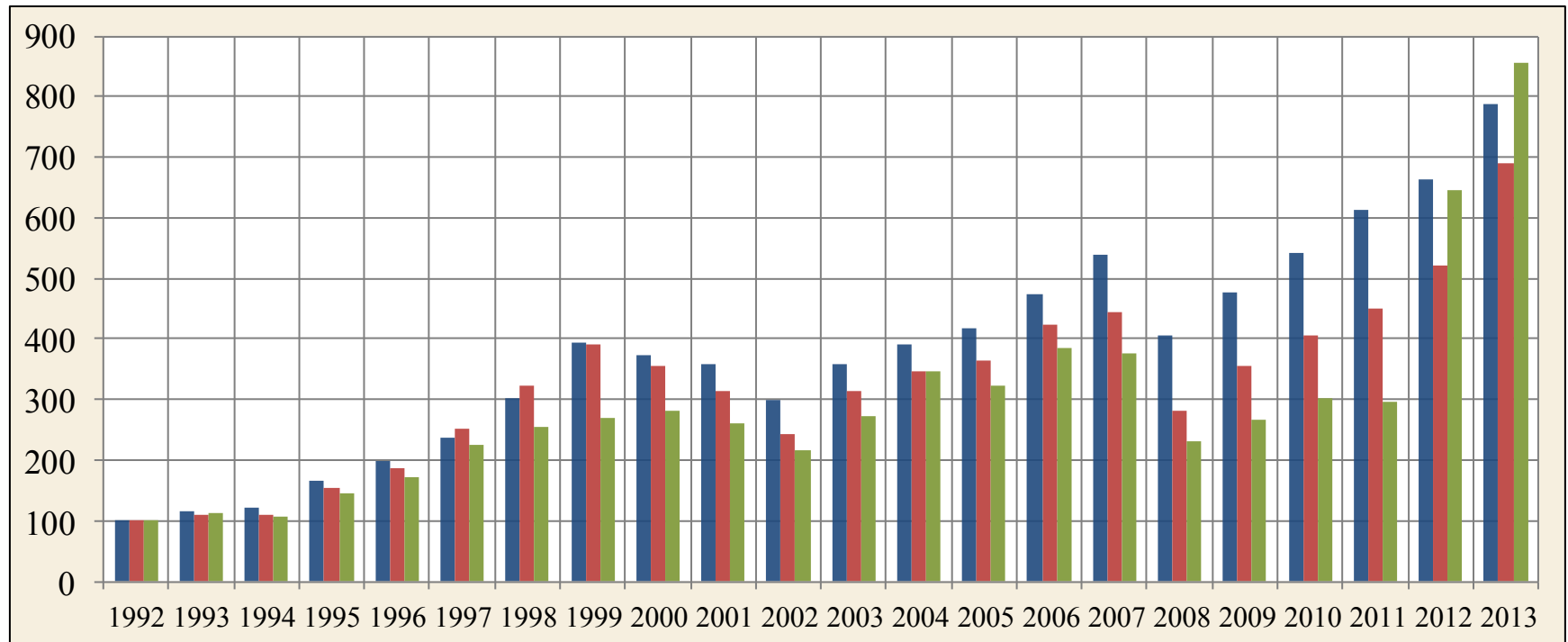
# ANNUAL PERFORMANCE OF CHELSEA EQUITY ACCOUNTS

## Asset-Weighted Gross Rates of Return (Before Fees)

	Chelsea	S&P 500	Difference
1992	11.93%	7.64%	4.28%
1993	15.29%	10.06%	5.23%
1994	5.51%	1.27%	4.24%
1995	37.40%	37.54%	-0.01%
1996	18.13%	22.99%	-4.86%
1997	20.17%	33.33%	-13.16%
1998	27.05%	28.58%	-1.52%
1999	30.74%	21.03%	9.71%
2000	-5.19%	-9.15%	3.96%
2001	-4.18%	-11.91%	7.72%
2002	-16.26%	-22.15%	5.89%
2003	19.75%	28.62%	-8.87%
2004	9.31%	10.92%	-1.60%
2005	6.93%	4.88%	2.05%
2006	12.91%	15.80%	-2.89%
2007	13.66%	5.48%	8.18%
2008	-24.43%	-37.03%	12.60%
2009	17.54%	26.50%	-8.96%
2010	13.22%	15.06%	-1.84%
2011	1.01%	2.11%	-1.10%
2012	8.15%	16.00%	-7.85%
2013	19.10%	32.36%	-13.26%+
Cumulative Return			
12/31/92 – 12/31/13	688.8%	589.0%	99.8%
Annualized Returns			
3 Years	9.2%	16.2%	-7.0%
5 Years	11.6%	17.9%	-6.3%
10 Years	7.0%	7.4%	-0.4%

# PERFORMANCE COMPARISON - EQUITY STRATEGY

Growth of \$100,000 Investment  
Equity Return Comparison (Before Fees)



In thousands



CMC Equity Composite



S&P 500 Index

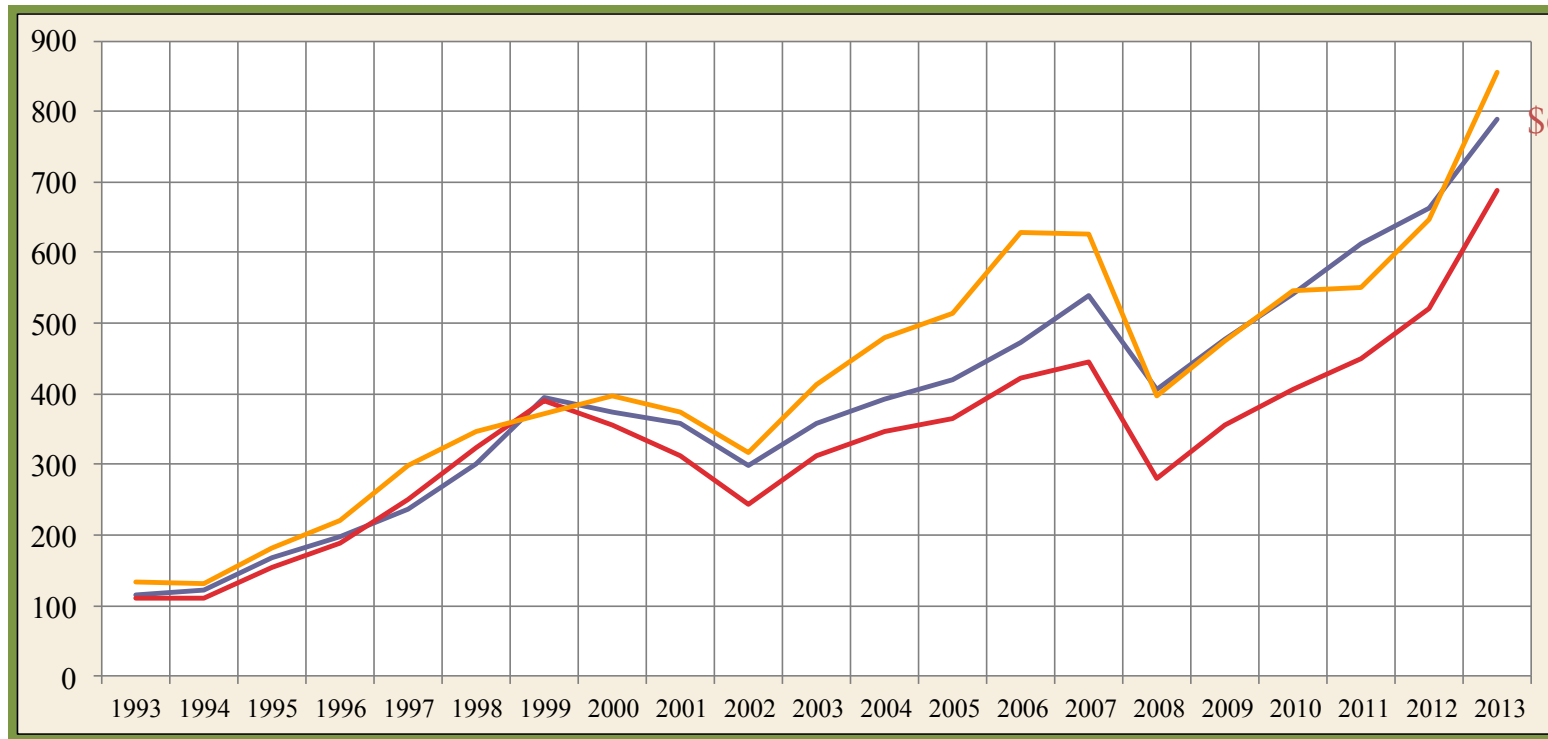


Russell 1000 Value Index

# PERFORMANCE COMPARISON - EQUITY STRATEGY

Growth of \$100,000 Investment  
Equity Return Comparison (Before Fees)

\$662,310

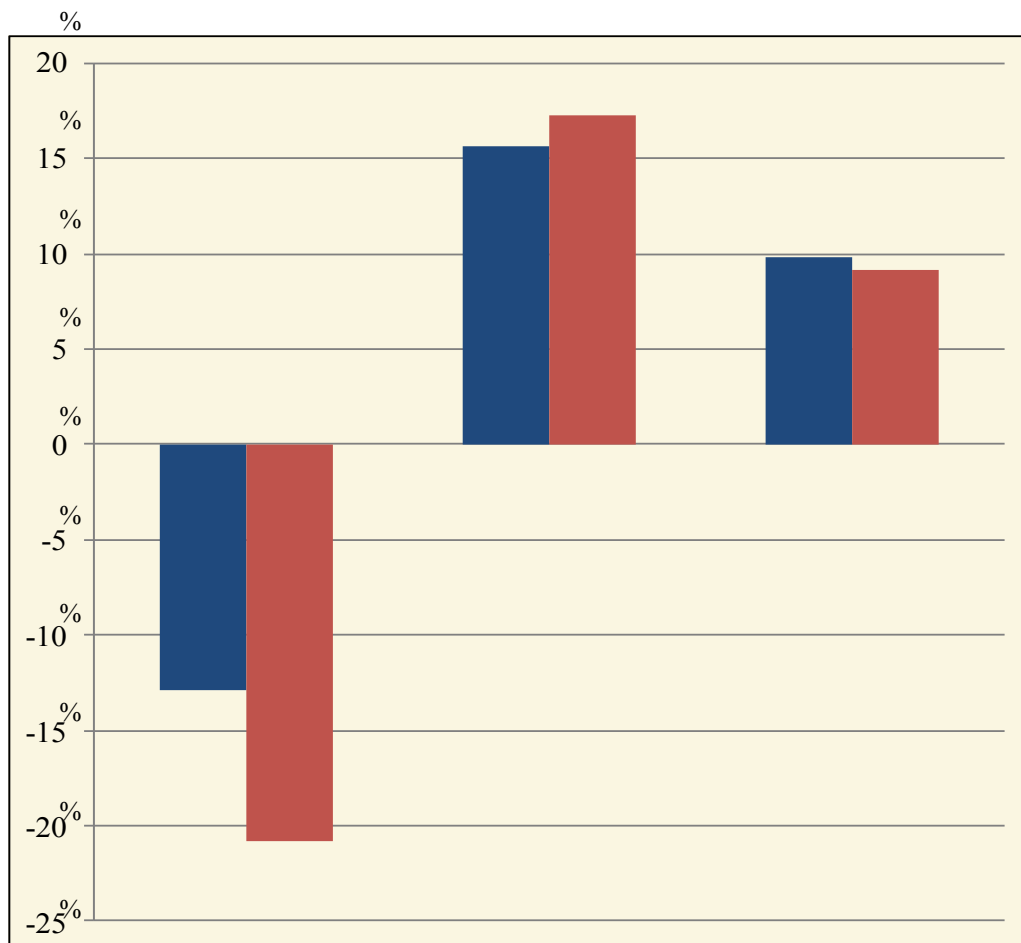


In thousands

- CMC Equity Composite
- S&P 500 Index
- Russell 1000 Value Index

# RESULTS OF RISK MANAGEMENT - EQUITY STRATEGY

(1992-2013 Before Fees)



- Outperform Most Declining Markets
- Capture Most of Rising Markets
- Less Susceptible to Short Term Market Fluctuation
- Security Diversification Reduces Portfolio Risk

Falling Years: 2000-02, 2008

Rising Years: 1992-99, 2003-07, 2009-2013

CMC Equity Composite

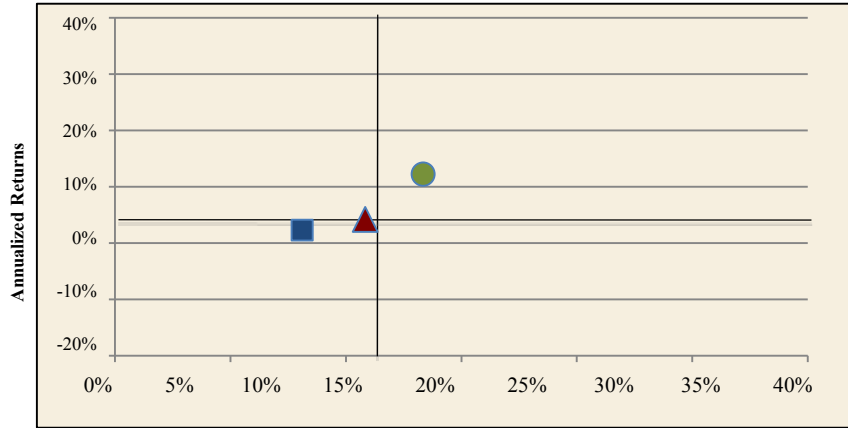
S&P 500 Index



# CONSISTENT INVESTMENT PERFORMANCE OVER SEVERAL BUSINESS CYCLES

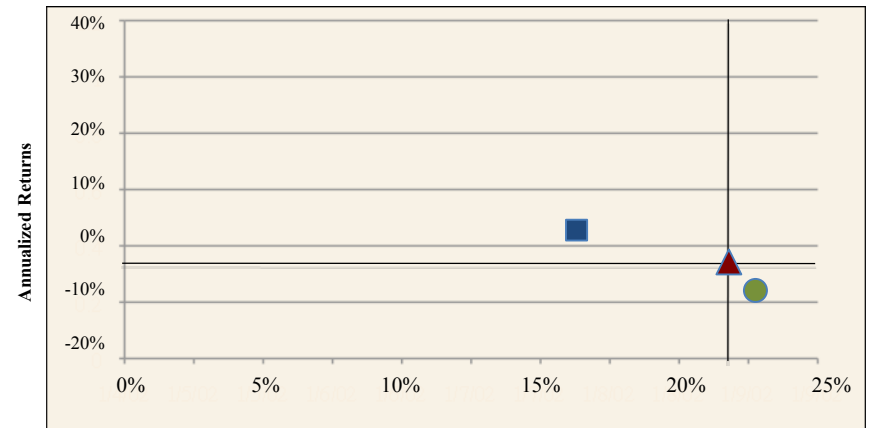
## Risk vs. Return (Before Fee)

One Year Ending December 31, 2010



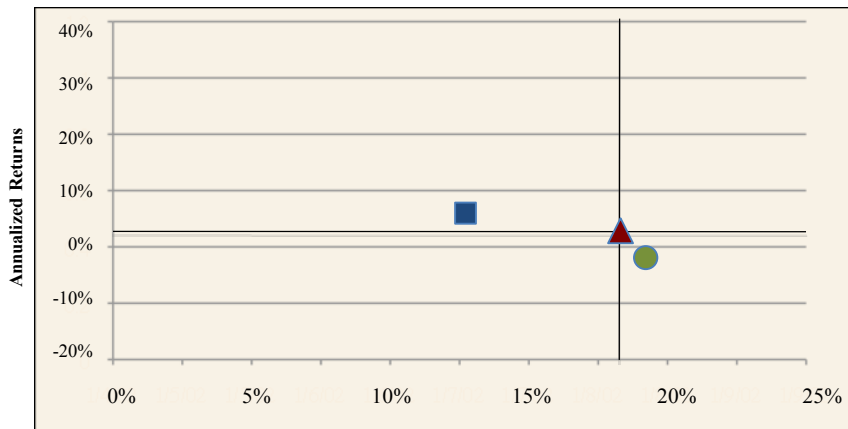
Standard Deviation

Three Years Ending December 31, 2010



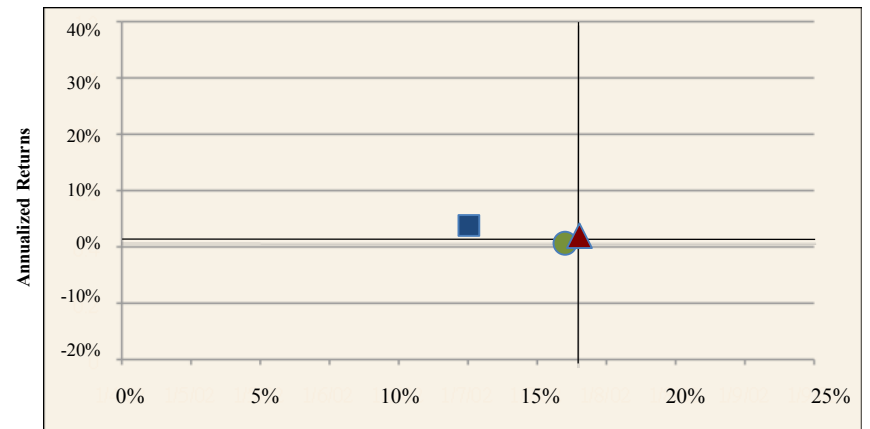
Standard Deviation

Five Years Ending December 31, 2010



Standard Deviation

Ten Years Ending December 31, 2010



Standard Deviation



CMC Equity Composite



Russell 1000 Value



S&P 500 w/Dividends Reinvested

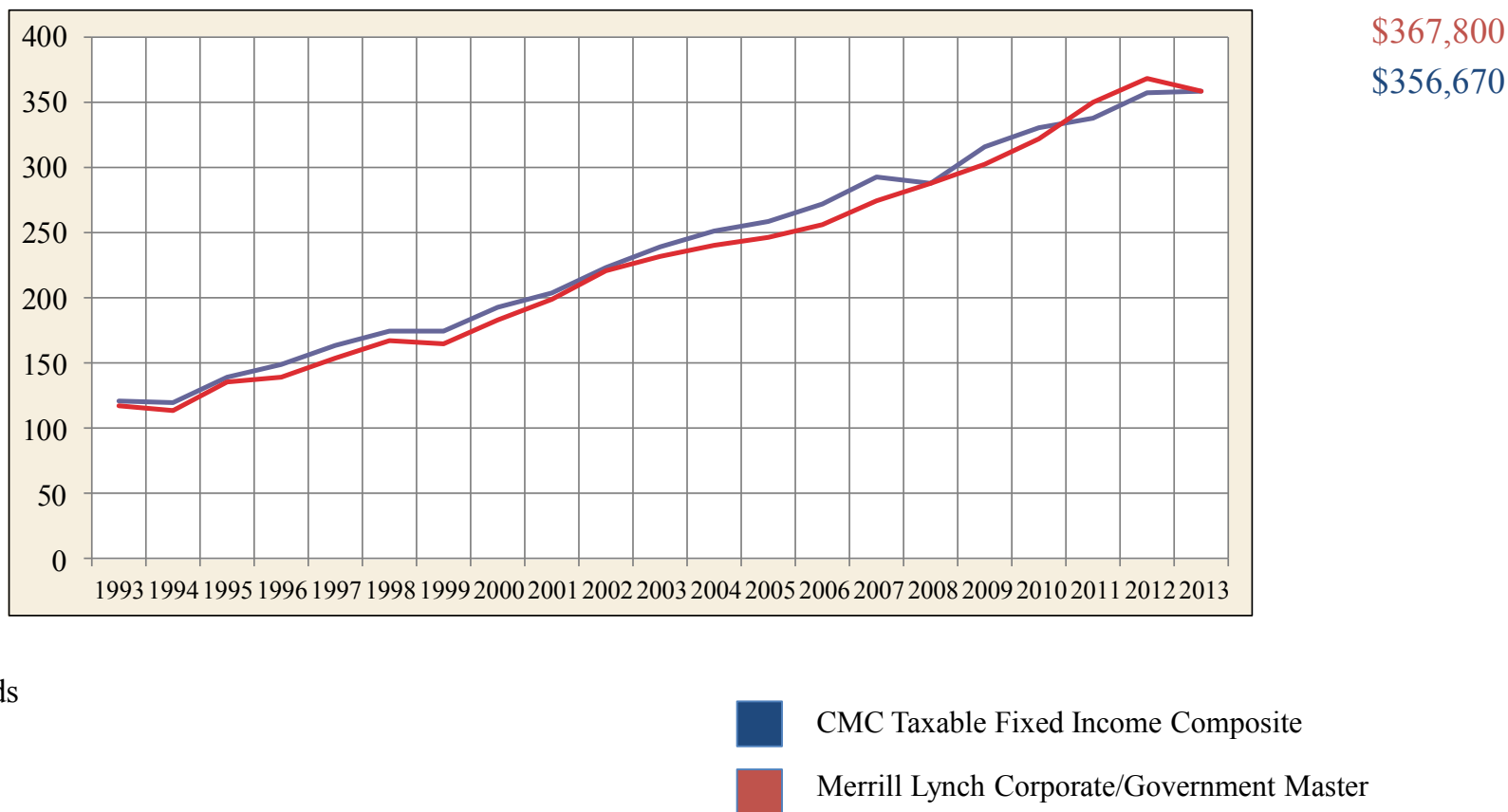
# ANNUAL PERFORMANCE OF FIXED INCOME ACCOUNTS

## Asset-Weighted Gross Rates of Return (Before Fees)

	Chelsea	Merrill Lynch Gov't/Corp Index	Difference
1992	9.16%	5.63%	3.53%
1993	11.20%	11.06%	0.15%
1994	-1.10%	-3.27%	2.16%
1995	16.20%	19.06%	-2.86%
1996	6.50%	2.91%	3.60%
1997	9.40%	9.78%	-0.38%
1998	6.90%	9.53%	-2.62%
1999	-0.05%	-2.05%	2.01%
2000	11.29%	11.94%	-0.66%
2001	5.67%	8.42%	-2.75%
2002	9.22%	10.95%	-1.73%
2003	7.07%	4.54%	2.53%
2004	4.95%	4.15%	0.80%
2005	3.05%	2.52%	0.53%
2006	5.35%	3.83%	1.52%
2007	7.33%	7.27%	0.06%
2008	-1.23%	4.95%	-6.18%
2009	9.09%	4.84%	4.26%
2010	4.95%	6.83%	-1.89%
2011	1.89%	8.62%	-6.73%
2012	5.99%	5.09%	0.90%
2013	0.29%	-2.68%	2.97%
Cumulative Return			
12/31/91 – 12/31/13	257.7%	258.0%	-0.3%
Annualized Returns			
3 Years	2.7%	3.6%	-0.9%
5 Years	4.4%	4.5%	-0.1%
10 Years	4.1%	4.5%	-0.4%

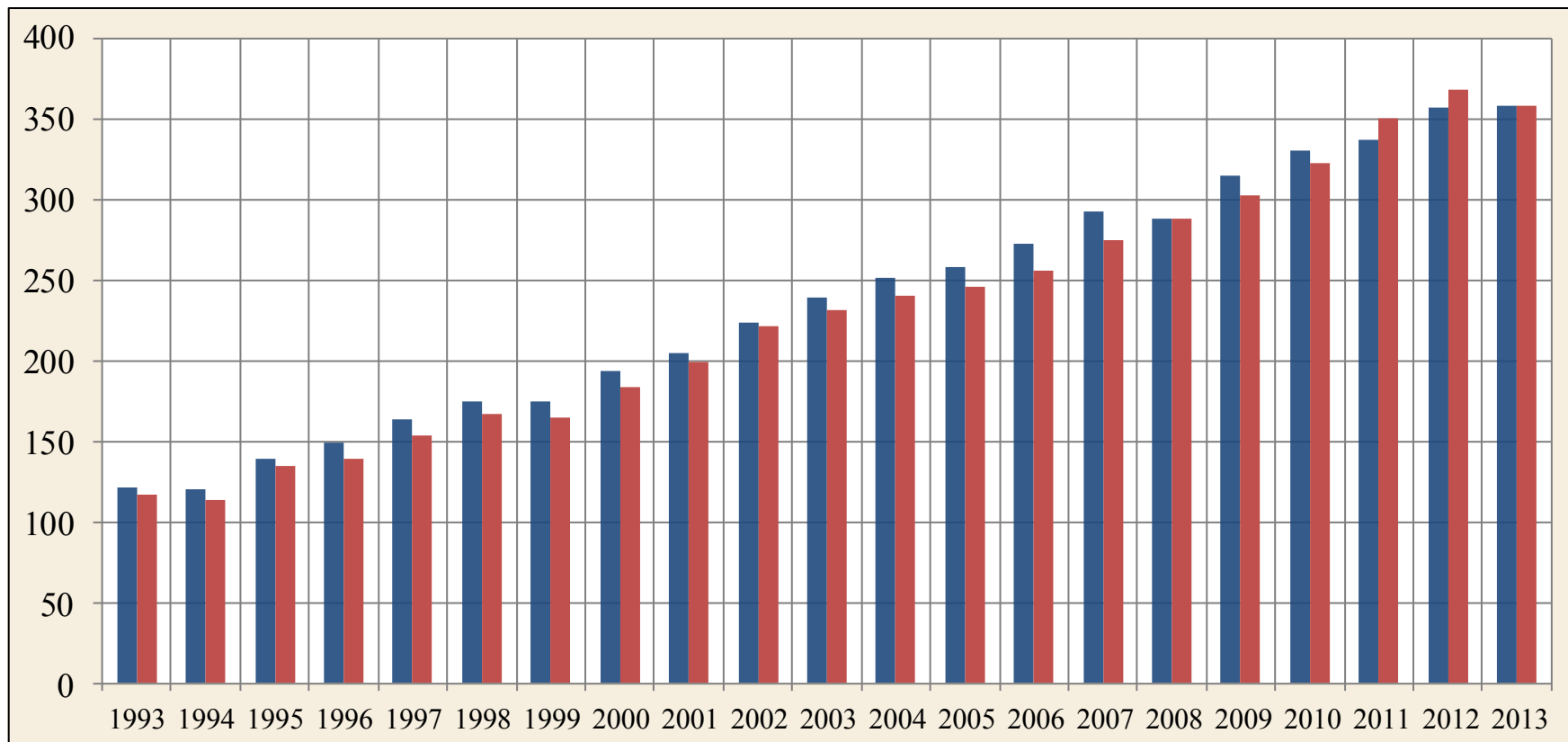
# PERFORMANCE COMPARISON – TAXABLE FIXED INCOME STRATEGY

Growth of \$100,000 Investment  
Taxable Fixed Income Return Comparison (Before Fees)

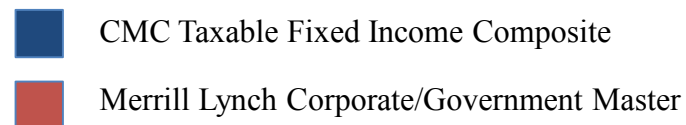


# PERFORMANCE COMPARISON – TAXABLE FIXED INCOME STRATEGY

Growth of \$100,000 Investment  
Taxable Fixed Income Return Comparison (Before Fees)



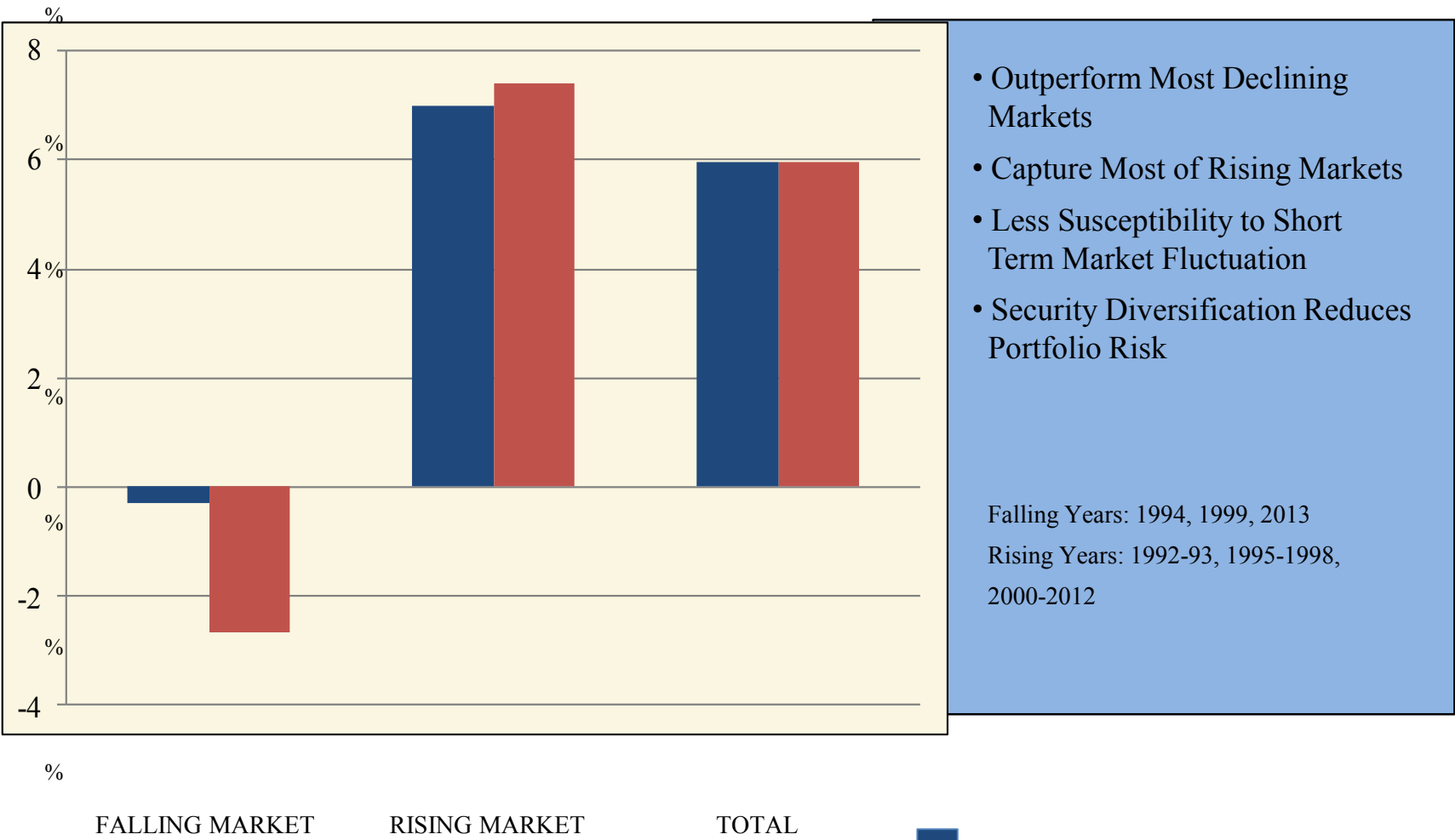
In thousands





# RESULTS OF RISK MANAGEMENT – TAXABLE FIXED INCOME STRATEGY

(1992-2013 Before Fees)



- Outperform Most Declining Markets
- Capture Most of Rising Markets
- Less Susceptibility to Short Term Market Fluctuation
- Security Diversification Reduces Portfolio Risk

Falling Years: 1994, 1999, 2013  
Rising Years: 1992-93, 1995-1998, 2000-2012

Chelsea Taxable Fixed Income Composite  
Merrill Lynch Corporate/Government Master

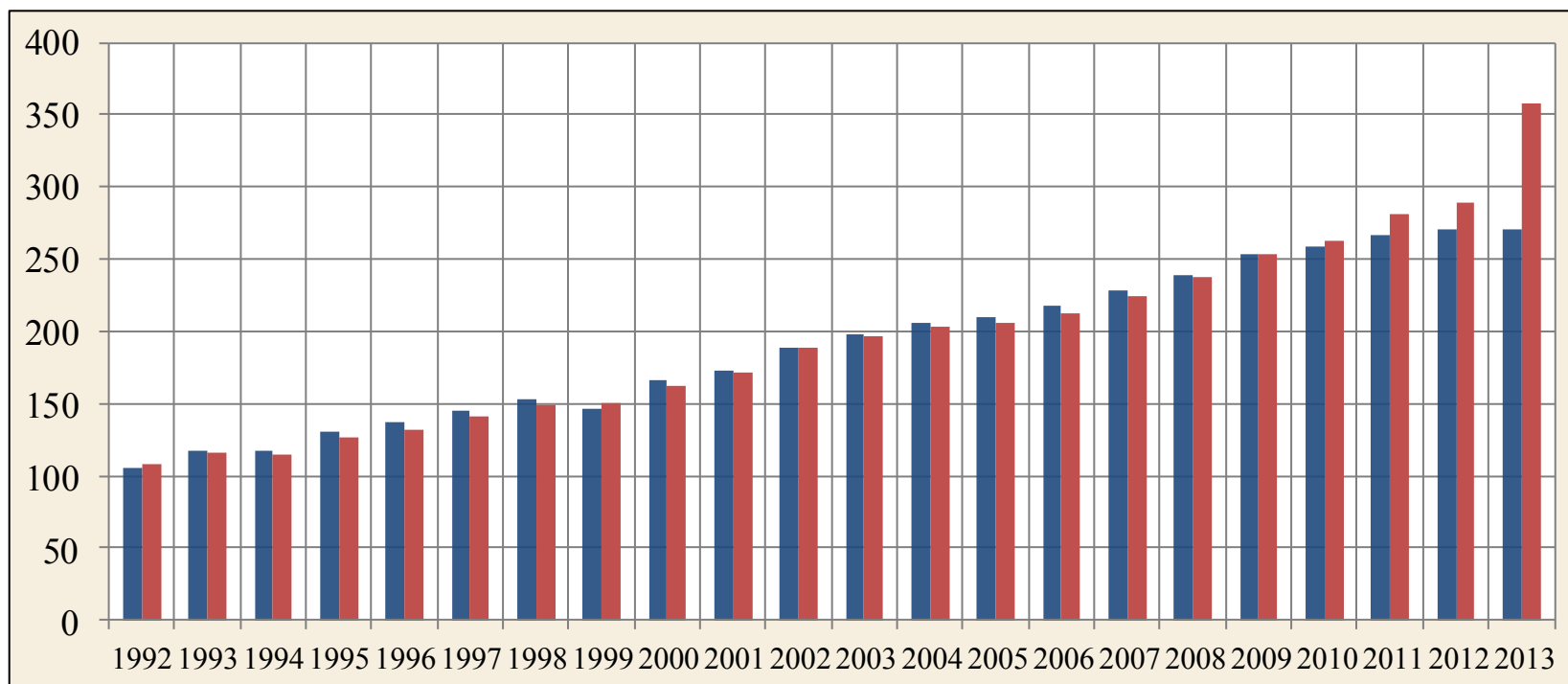
# ANNUAL PERFORMANCE OF TAX-FREE MUNICIPAL BOND ACCOUNTS

## Asset-Weighted Gross Rates of Return (Before Fees)

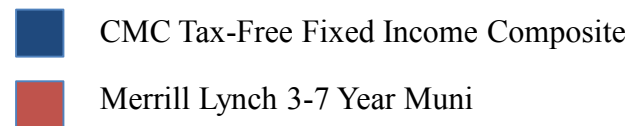
	Chelsea	Merrill Lynch 3-7 Years Muni Index	Difference
1992	5.36%	7.81%	-2.46%
1993	10.65%	7.98%	2.66%
1994	0.48%	-1.72%	2.20%
1995	11.97%	10.65%	1.32%
1996	4.74%	4.26%	0.48%
1997	5.84%	6.48%	-0.64%
1998	4.96%	5.95%	-0.98%
1999	-3.50%	0.66%	-4.16%
2000	12.99%	8.25%	4.74%
2001	3.93%	5.97%	-2.04%
2002	9.57%	10.10%	-0.53%
2003	4.30%	4.22%	0.08%
2004	4.12%	2.91%	1.20%
2005	1.91%	1.27%	0.64%
2006	3.85%	3.42%	0.43%
2007	4.65%	5.28%	-0.63%
2008	4.76%	5.92%	-1.17%
2009	6.15%	7.16%	-1.01%
2010	2.09%	3.35%	-1.26%
2011	3.33%	6.90%	-3.57%
2012	1.46%	3.03%	-1.57%
2013	0.32%	0.70%	-1.02%
<b>Cumulative Return</b>			
<b>12/31/91 – 12/31/13</b>	<b>170.4%</b>	<b>191.3%</b>	<b>-20.9%</b>
<b>Annualized Returns</b>			
<b>3 Years</b>	<b>1.5%</b>	<b>3.5%</b>	<b>-2.0%</b>
<b>5 Years</b>	<b>2.5%</b>	<b>4.2%</b>	<b>-1.7%</b>
<b>10 Years</b>	<b>3.2%</b>	<b>4.0%</b>	<b>-0.8%</b>

# PERFORMANCE COMPARISON – TAX-FREE FIXED INCOME STRATEGY

Growth of \$100,000 Investment  
Tax-Free Fixed Income Return Comparison (Before Fees)

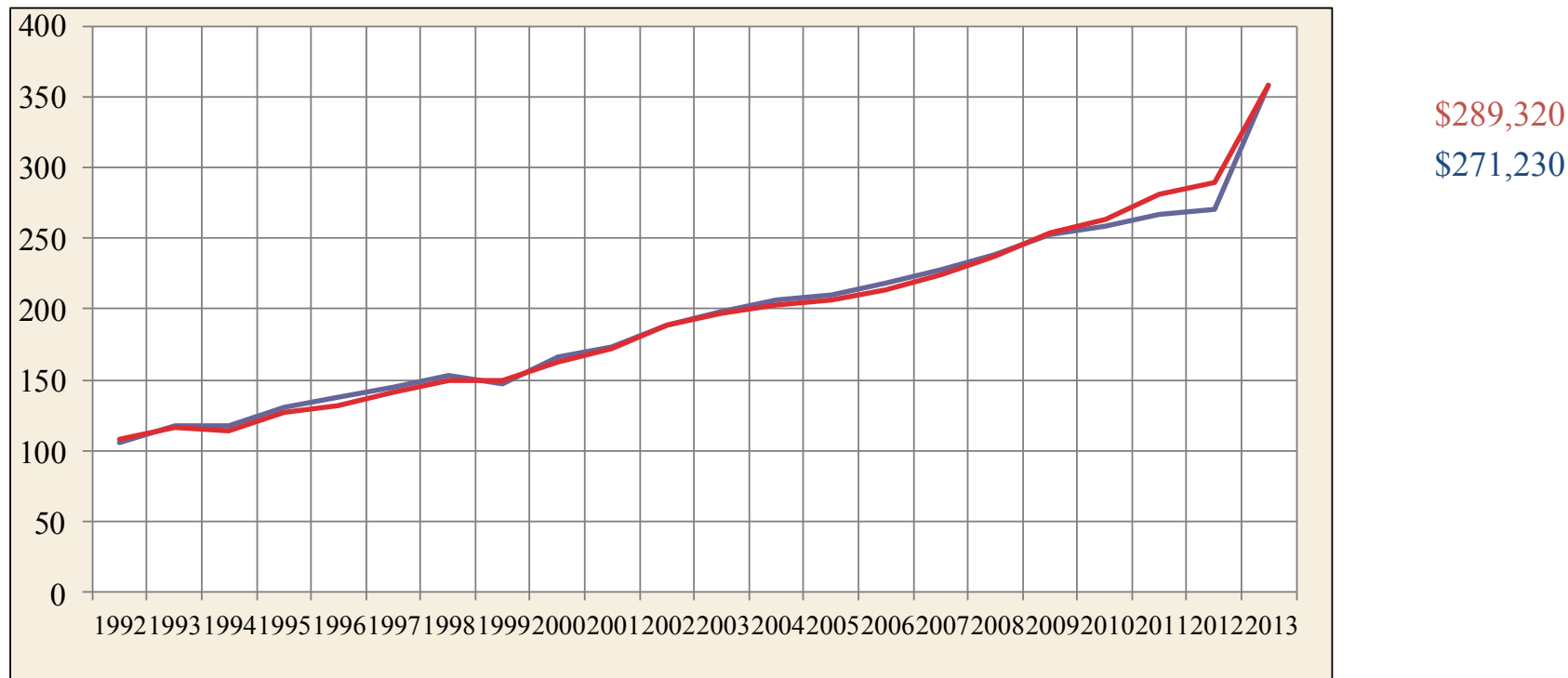


In thousands



# PERFORMANCE COMPARISON – TAX-FREE FIXED INCOME STRATEGY

Growth of \$100,000 Investment  
Tax-Free Fixed Income Return Comparison (Before Fees)



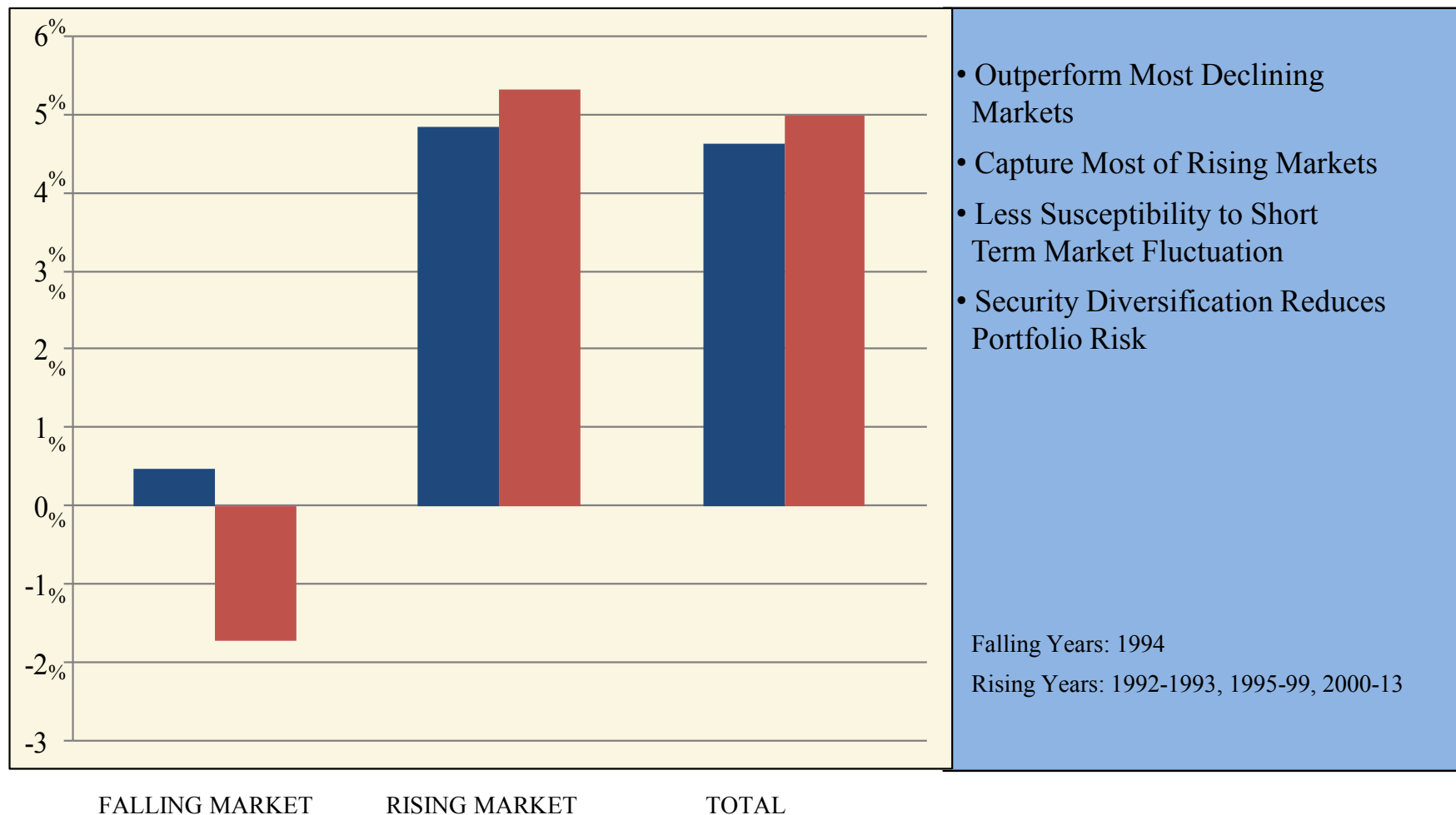
In thousands

- CMC Tax-Free Fixed Income Composite
- Merrill Lynch 3-7 Year Muni



# RESULTS OF RISK MANAGEMENT – TAX-FREE FIXED INCOME STRATEGY

(1992-2013 Before Fees)



- Outperform Most Declining Markets
- Capture Most of Rising Markets
- Less Susceptibility to Short Term Market Fluctuation
- Security Diversification Reduces Portfolio Risk

Chelsea Tax-Free Fixed Income Composite

Merrill Lynch 3-7 Year Muni

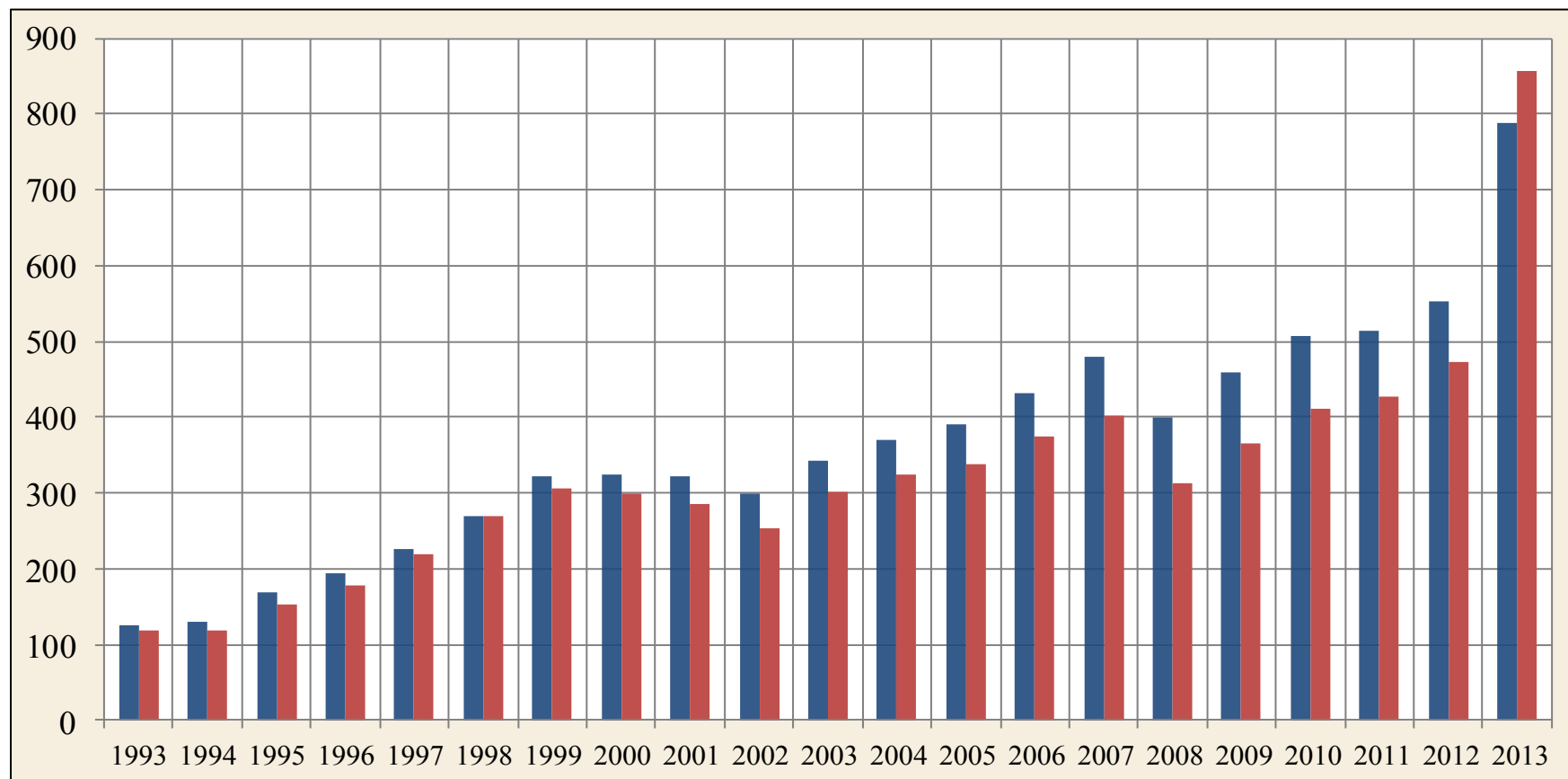
# ANNUAL PERFORMANCE OF 65% EQUITY/35% FIXED INCOME BLEND

## Asset-Weighted Gross Rates of Return (Before Fees)

	Chelsea	65% S&P 500 35% Merrill Lynch 3-5 Years Index	Difference
1992	11.02%	7.62%	3.40%
1993	13.85%	9.69%	4.16%
1994	3.21%	-0.12%	3.33%
1995	29.80%	29.74%	0.06%
1996	13.96%	15.92%	-1.96%
1997	16.40%	24.15%	-7.75%
1998	20.25%	22.42%	-2.17%
1999	19.51%	13.65%	5.85%
2000	0.36%	-2.39%	2.75%
2001	-0.52%	-4.71%	4.19%
2002	-7.68%	-11.04%	3.36%
2003	15.39%	19.03%	-3.64%
2004	7.80%	7.84%	-0.04%
2005	5.64%	3.54%	2.10%
2006	10.24%	11.40%	-1.16%
2007	11.46%	7.16%	4.31%
2008	-16.75%	-22.15%	5.40%
2009	14.76%	16.85%	-2.10%
2010	10.54%	12.23%	-1.69%
2011	1.44%	3.83%	-2.39%
2012	7.46%	10.90%	-3.44%
2013	12.24%	19.77%	-7.53%
<b>Cumulative Return</b>			
<b>12/31/92 – 12/31/13</b>	<b>520.7%</b>	<b>466.1%</b>	<b>54.6%</b>
<b>Annualized Returns</b>			
<b>3 year</b>	<b>7.0%</b>	<b>11.3%</b>	<b>-4.3%</b>
<b>5 Years</b>	<b>9.2%</b>	<b>12.6%</b>	<b>-3.4%</b>
<b>10 Years</b>	<b>6.1%</b>	<b>6.5%</b>	<b>-0.4%</b>

# PERFORMANCE COMPARISON – BALANCED (65/35) STRATEGY

Growth of \$100,000 Investment  
Balanced (65/35) Return Comparison (Before Fees)



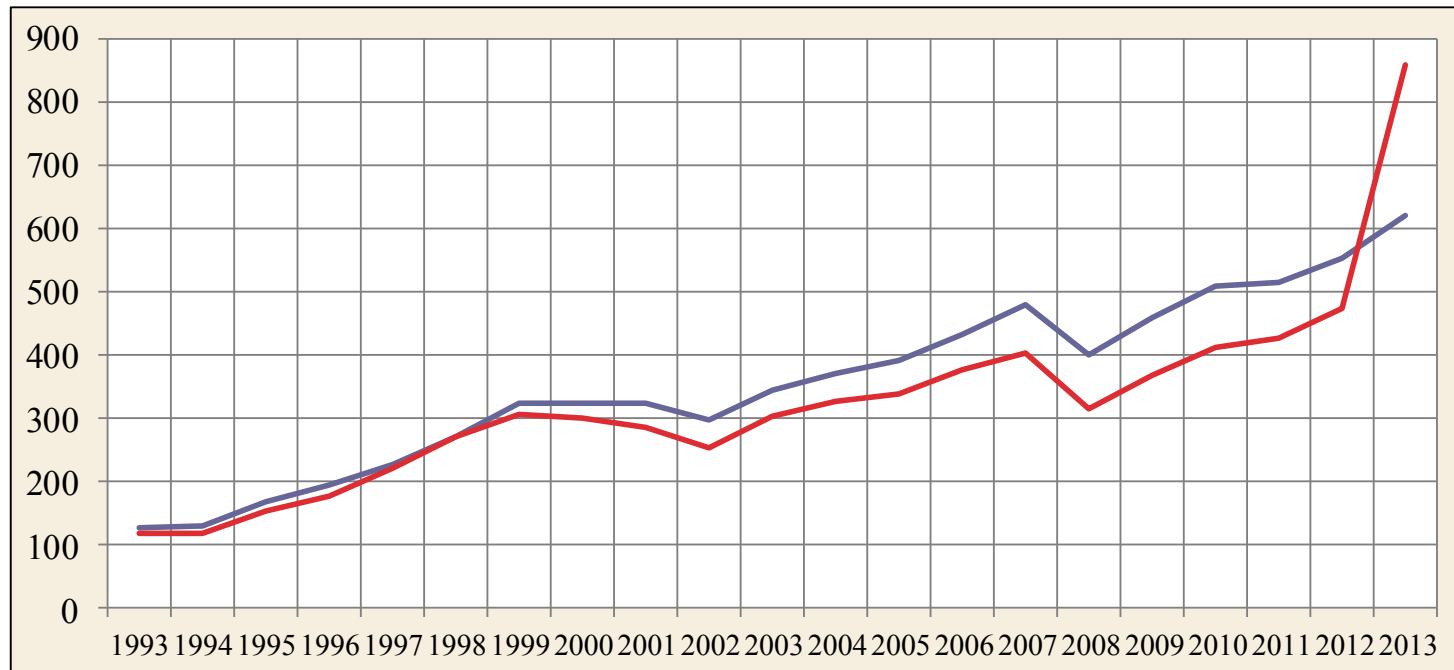
In thousands

CMC Balanced (65/35) Composite

65% S&P w/Dividends Reinvested, 35% Merrill Lynch 3-5 Year Treasury

# PERFORMANCE COMPARISON - BALANCED (65/35) STRATEGY

Growth of \$100,000 Investment  
Balanced (65/35) Return Comparison (Before Fees)



\$553,000

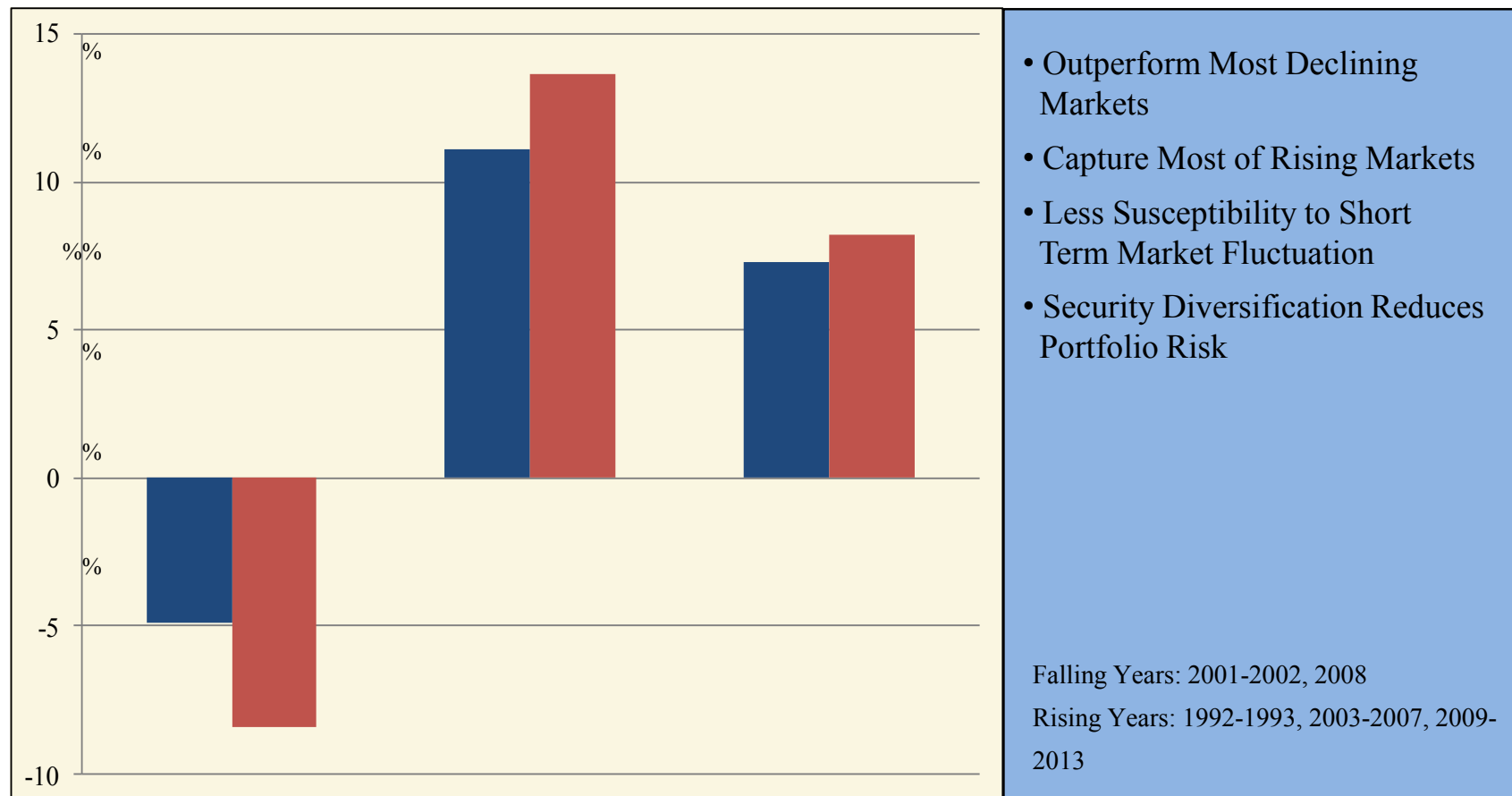
\$472,680

In thousands

- CMC Balanced (65/35) Composite
- 65% S&P w/Dividends Reinvested, 35% Merrill Lynch 3-5 Year Treasury

# RESULTS OF RISK MANAGEMENT – BALANCED (65/35) STRATEGY

(1992-2013 Returns Before Fees)



- Outperform Most Declining Markets
- Capture Most of Rising Markets
- Less Susceptibility to Short Term Market Fluctuation
- Security Diversification Reduces Portfolio Risk

Falling Years: 2001-2002, 2008

Rising Years: 1992-1993, 2003-2007, 2009-2013

Chelsea

65% S&P w/Dividends Reinvested, 35%  
Merrill Lynch 3-5 Year Treasury

# THE PEOPLE OF CHELSEA MANAGEMENT COMPANY

## **Frederick J. Ruopp** **Chairman and Chief Executive Officer**



Mr. Ruopp founded Chelsea Management Company in 1971 to provide investment counsel to individual and institutional clients. He has continuously served as the Chief Investment Officer of the firm, actively managing portfolios for over forty years.

Ruopp also co-chairs the firm's Research and Committee, monitoring the adherence to Chelsea's core investment principle of selecting and following high quality fixed income and equity securities to achieve an appropriate balance of risk and return in accordance with the objectives of its clients.

Prior to founding Chelsea, Ruopp handled important retirement portfolios at the First National Bank of Chicago and spent a number of years at Lehman Brothers investment banking firm where he managed investments. He was also a senior investment officer of Transamerica's diverse insurance and investment counsel operations.

An honors graduate of the University of Illinois, Ruopp earned his MBA from Northwestern University Graduate School of Business (Kellogg). He is a Chartered Financial Analyst, a Chartered Investment Counselor and a member of the Institute of Chartered Financial Analysts, the Los Angeles Financial Analysts Society and the Investment Counsel Association of America. He also holds a Senior Security Analyst designation from the New York Society of Security Analysts.

He has served as a member of a number of corporate and philanthropic boards over the years. He is currently a member of the Board of Governors of Thomas Aquinas College, serving as the Board's Chair from 1986-92. He is a Board Member of the Los Angeles Master Chorale.



## **Thomas A. Techentin** **Vice Chairman and Chief Compliance Officer**

Mr. Techentin joined Chelsea Management Company in 1983 and is responsible for portfolio management, fixed income coordination and account relations. He has been fully involved in investing of client funds his entire professional life, beginning with Western Bancorp – First Interstate Bank, now part of Wells

Fargo Bank. He was a principal and director of Fixed Income Investments of Wagenseller & Durst, Inc., a Los Angeles brokerage firm, where his primary responsibilities provided him with experience in security and credit analysis, trading activities and corporate and municipal due diligence. Before joining Chelsea, Mr. Techentin worked for Pacific Investment Management Company (PIMCO) as a Sr. Vice President of Account Relations, where he managed major individual and institutional accounts.

Mr. Techentin earned both a Bachelors and MBA from the University of Southern California. During his military service he was an Officer with the United States Coast Guard, and remained active with the Coast Guard Reserve until retiring as a Commander in 1986.

Thomas is a native of Los Angeles and is active on the Board of a number of charitable and business organizations in Southern California, including Big Brothers of Greater Los Angeles, The Gene Autry Museum of the American West, The Rotary Club of Los Angeles (LA5), the Investment Association of America, and serves as Trustee, Treasurer of the First United Methodist Church and Foundation in Pasadena.

He is a member of the CFA Institute and Society of Los Angeles.



**Patrick C. Pascal  
President**

Mr. Pascal has over 35 years experience in the investment industry. His investment career began at Crowell Weedon & Co. where he ultimately ran a specialist post on the Pacific Stock Exchange while earning his undergraduate degree at University Southern California. In

1990 he formed his own investment firm providing asset management and brokerage services. After serving several years as an outside member of Chelsea Management's Investment Committee, he joined the firm in 2002 and is now the committee Co-Chairman. He was named President of the firm in 2010.

Born in Ireland, Patrick has lived in Los Angeles for nearly 50 years, where he and his wife have raised two children. He serves on several charitable boards. Mr. Pascal's interests include 20th Century California history and architectural preservation.



**Frederick J. Ruopp, Jr.  
Executive Vice President**

Fred Ruopp Jr. has 25 years of computer science experience in the academic and business environments. Mr. Ruopp did his undergraduate degree work at San Diego State University and California Polytechnic University Pomona. He has received an IBM certificate in computer

programming. In addition, Mr. Ruopp worked in the well-known Dr. Weiss biogenetic research lab at the University of California, Los Angeles.

After a career in education, Mr. Ruopp joined Chelsea Management Company where he serves as the Executive Vice President, overseeing the company's data and technology systems. He is a member of the Chelsea Investment Committee, concentrating his research in the area of high technology. Mr. Ruopp Jr. enjoys mountain biking and skiing along with his wife and their two children.



**Donald W. Brown  
Senior Vice President – Investments**

Mr. Brown joined Chelsea Management Company in 2011 after 27 years in corporate banking. At Chelsea he is a member of the Investment Committee with duties focused on expanding the institutional business and the firm's Research Department capabilities. He holds both the Chartered Financial Analyst (CFA) and the Financial Risk Manager (FRM) designations, a BA from the University of Michigan and Master of International Management from Thunderbird School of Global Management. He has been an active volunteer at the CFA Institute since 1997.

His last 22 years in banking were with the Los Angeles Office of San Paolo Bank (headquartered in Turin, Italy and merged to become Intesa San Paolo in 2006) where he was promoted to General Manager and later Representative.

He served as an Officer in the U.S. Navy, lived and studied abroad at the International Christian University in Mitaka, Japan, and has been a Director on the Board of Directors for OR Concepts Applied of Whittier, California since 1989.





**Albert S. Dew**  
**Senior Vice President – Chief Trader**

Mr. Dew directs equity and fixed income trading activities for Chelsea Management Company. Prior to joining Chelsea, he was Manager of Planning and Analysis for Unocal, developing long-range plans and presenting complex strategy studies and acquisition reports. Prior to Unocal, Mr. A. Dew was a consultant with Theodore Berry evaluating utilities integration and business efficiencies.

A graduate of the University of Southern California with a Bachelor of Science Degree in Electrical Engineering, and also holds a Masters of Business Administration in Finance from USC and earned a Certificate in Personal Financial Planning from UCLA in 2003.



**Jean D. Chang**  
**Senior Financial Analyst**

Mrs. Chang joined Chelsea Management Company in 2011. She is involved in the research and analysis of our equity and fixed income positions as well as placing trades on behalf of client portfolios. Ms. Chang has nearly 30 years experience in corporate banking including more than 20 years at the Los Angeles office of San Paolo Bank where she led the Loan Service Department, oversaw profitability analysis and was active in internal and governmental audits. She received her Bachelor of Art degree from the National Taiwan Normal University.



**Sally M. Gallagher**  
**Vice President**

Mrs. Gallagher has executive responsibility in the client / broker relations, business administration and compliance areas of our firm. Before joining Chelsea Management, her experience included trading and compliance in the securities industry and she was a professional educator. Mrs. Gallagher received her Bachelor of Arts degree from the University of Arizona. She is active in a number of not-for-profit organizations, including the Blind Childrens Center, the Salvation Army Advisory Council, the Rotary Club of Los Angeles (LA5), the CFA Institute and CFA Society of Los Angeles.



**John F. O'Keefe**  
**Director**

Mr. O'Keefe is a seasoned fixed income manager, having been on both the "buy" and "sell" side his entire career. His experience includes serving as the Vice President of Loyola University in Chicago, where he oversaw major gift fundraising.

For the better part of 23 years, O'Keefe was First Vice President of Smith Barney, Inc. in Los Angeles where he was a leading producer among the firm's nationwide sales group and specialized in institutional bond sales. Mr. O'Keefe was with Chelsea Management as a Senior Vice President and Portfolio Manager for several years. Currently he is a member of the Investment Committee and serves on the Board of Directors.

O'Keefe graduated from Loyola University of Chicago and has a Masters Degree in Business Administration, Finance from the University of Chicago. He actively serves a number of charitable organizations, including UCLA Medical Center, the American Art Council of Los Angeles County Museum of Art, a committee which he currently chairs.

**Lawrence P. McNeil**  
**Vice Chairman and Director**

Mr. McNeil has been actively involved in the investment community since graduating from the University of California at Los Angeles. He received his MBA from California State University Long Beach and he served as a Naval aviator.

He was instrumental in the building of First Pacific Advisors, first as Executive Vice President Marketing, then as President Marketing, and President and CEO of FPA Fund Distributors. Prior to FPA, he worked for Mitchum Jones and Templeton, and Goodbody & Company.

Among his active professional memberships are the CFA Institute and Los Angeles Society of Financial Analysts. In addition, Mr. McNeil is the Trustee Chair of the Investment Committee Catholic Charities of the Los Angeles, Past Chairman Finance Advisory Committee of the Blind Childrens Center, and Corporate Director Schramsberg Vineyards Company.

**Harry P. Gelles**  
**Director**

Harry P. Gelles was a Senior Advisor at Trust Company of the West, a Vice President of Corporate Finance at Goldman Sachs, and Vice President of Finance for Del Webb Corporation in Phoenix before joining Chelsea Management in 1997. His experience includes investment banking, investment management and real estate.

Mr. Gelles is a graduate of Harvard Collage and Harvard Graduate School of Business Administration. He taught investment management at UCLA's John E. Anderson School of Management. Over the years, Mr. Gelles has served on numerous philanthropic and corporate boards

Currently, Mr. Gelles serves on the board of directors of the Santa Barbara Zoo, Casa de Maria and Vocalpoint. He also serves on the corporate boards of two biotech companies in Santa Barbara.

**Tom Sullivan**  
**Director**

Mr. Sullivan attended the University of California, Los Angeles. He has for many years been CEO of Jefferson House and President of Jefferson Realty Corp. and Jefferson Development Corp. Mr. Sullivan has been very active in community and educational affairs including President of the Pasadena City College Foundation, Chairman of the Board, Thomas Aquinas College, Advisory Board for The Salvation Army, President of the Rotary Club of Los Angeles, and President of the Los Angeles County Productivity Committee.

**Individual / Families**

**Insurance Companies**

**Foundations**

**Charitable Organizations**

**Endowments**

**Religious Organizations**

**Pension Plans**

**Union Funds / Taft Hartley**

## REPRESENTATIVE INSTITUTIONAL CLIENT LIST\*

*California Charter Schools Association*

*Century National Insurance Company*

*Daichi Tokyo Re Insurance Company (DTRIC), Limited*

*Dominican Sisters Vision of Hope*

*Honolulu Ford, Inc. Pension Plan*

*Hospitaller Foundation of California St. John of God*

*Retirement and Care Center*

*Human Family Educational and Cultural Institute*

*K-W Reinsurance Company*

*Lark Ellen Lion Charity*

*Little Sisters of the Poor of Los Angeles*

*Patron Saints Foundation*

*Sisters of St. Louis California Region Retirement Plan*

*Smart & Final Employee Pension Plan*

*Solheim Lutheran Home Foundation*

*St. Anne's Maternity Home Foundation*

\*It is not known whether the institutional clients listed above approve or disapprove of Chelsea Management Company or the advisory services provided. This partial list of clients has been selected primarily based on size (over \$1 million) and whether the organization is considered to be in the public domain. No client is listed if they wish to remain anonymous.

# MODEL VS. COMPOSITE

## Model Portfolio

A selection of core investments of which most current accounts are comprised.

## CMC Equity Portfolio

Includes all the investments we manage for all clients, and may include client specific holdings and/or legacy positions.

See disclosure appendix.



**Independent Accountant's Verification Report**

Board of Directors  
Chelsea Management Company:

We have examined whether (1) Chelsea Management Company (the "Firm") has complied with all the composite construction requirements of the Global Investment Performance Standards (GIPS® standards) on a firm-wide basis for the periods from January 1, 1993, to December 31, 2012, and (2) the Firm's policies and procedures are designed to calculate and present performance results in compliance with the GIPS standards as of December 31, 2012. The Firm's management is responsible for compliance with the GIPS standards and the design of its policies and procedures. Our responsibility is to express an opinion based on our examination.

**Scope of Work**

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Firm's compliance with the previously mentioned requirements; evaluating the design of the Firm's policies and procedures previously referred to; and performing the procedures for a verification required by the GIPS standards and such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

**Opinion**

In our opinion, in all material respects,

- the Firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis for the periods from January 1, 1993, to December 31, 2012; and
- the Firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards as of December 31, 2012.

We have not been engaged to examine and did not examine any presentation of the Firm's composites for any period, including any presentations that may accompany this report, and accordingly, we express no opinion on any such performance.

*Ashland Partners & Company LLP*  
Ashland Partners & Company LLP  
May 16, 2013

**CHELSEA MANAGEMENT COMPANY**  
**EQUITY MANAGEMENT COMPOSITE (Annual)**

	Total Firm	Composite Assets		Annual Performance Results			3-Yr. Std. Deviation	
Year End	Assets (millions)	USD (millions)	Number of Accounts	Composite Gross	S&P 500	Internal Dispersion	Composite	S&P 500
2013	891	303	80	19.11%	32.36%	2.9%	9.7%	11.9%
2012	822	257	76	8.15%	16.00%	1.4%	11.9%	15.1%
2011	902	237	80	1.01%	2.11%	2.3%	14.4%	18.7%
2010	926	213	77	13.22%	15.06%	2.9%	16.8%	21.9%
2009	999	161	75	17.54%	26.50%	6.4%	15.1%	19.7%
2008	1,089	80	81	(24.43%)	(37.03%)	6.2%	12.3%	15.1%
2007	1,153	110	82	13.66%	5.48%	5.3%	7.2%	7.7%
2006	1,072	101	83	12.91%	15.80%	3.6%	6.5%	6.8%
2005	1,060	97	106	6.93%	4.88%	5.1%	8.0%	9.0%
2004	1,015	83	93	9.31%	10.92%	2.9%	11.9%	14.9%
2003	858	36	31	19.75%	28.62%	7.1%	14.5%	18.1%
2002	726	30	36	(16.26%)	(22.15%)	5.3%	N/A	N/A
2001	659	38	48	(4.18%)	(11.91%)	8.1%	N/A	N/A
2000	688	41	53	(5.19%)	(9.15%)	8.2%	N/A	N/A
1999	635	45	56	30.74%	21.03%	10.1%	N/A	N/A
1998	613	36	51	27.05%	28.58%	11.2%	N/A	N/A
1997	599	24	27	20.17%	33.33%	6.6%	N/A	N/A
1996	583	24	39	18.13%	22.99%	8.9%	N/A	N/A
1995	564	37	26	37.40%	37.54%	13.9%	N/A	N/A
1994	488	32	25	5.51%	1.27%	7.5%	N/A	N/A

**CHELSEA MANAGEMENT COMPANY**  
**FIXED INCOME MANAGEMENT COMPOSITE**  
**ANNUAL DISCLOSURE PRESENTATION**

	Total Firm	Composite Assets		Annual Performance Results				fi3-Yr. Std. Deviation		
Year End	Assets (millions)	USD (millions)	Number of Accounts	Composite Gross	ML Corp/ Master	ML Treas. 3-5 years	Internal Dispersion	Composite	ML Corp/ Master	ML Treas. 3-5 years
2013	891	200	10	0.29%	-2.68%	-0.91%	1.34%	2.4%	3.2%	2.2%
2012	822	180	22	5.99%	5.09%	1.58%	2.8%	1.7%	3.0%	2.5%
2011	902	222	27	1.89%	8.62%	6.24%	1.2%	2.7%	3.5%	3.2%
2010	926	248	27	4.95%	6.83%	5.70%	1.1%	3.9%	5.4%	4.3%
2009	999	224	26	9.09%	4.84%	(0.67%)	2.9%	3.9%	5.2%	4.4%
2008	1,089	682	30	(1.23%)	4.95%	12.15%	2.8%	3.3%	5.0%	3.8%
2007	1,153	738	30	7.33%	7.27%	9.84%	1.4%	2.2%	3.1%	2.9%
2006	1,072	696	30	5.35%	3.83%	3.55%	0.8%	3.1%	3.7%	3.0%
2005	1,060	678	37	3.05%	2.52%	0.86%	2.0%	4.8%	4.9%	3.9%
2004	1,015	647	29	4.95%	4.15%	2.11%	1.7%	5.0%	5.2%	4.6%
2003	858	444	11	7.07%	4.54%	2.47%	1.2%	4.7%	5.1%	4.5%
2002	726	406	12	9.22%	10.95%	11.42%	1.9%	N/A	N/A	N/A
2001	659	404	16	5.67%	8.42%	8.47%	3.7%	N/A	N/A	N/A
2000	688	434	16	11.29%	11.94%	10.86%	2.0%	N/A	N/A	N/A
1999	635	413	16	(0.05%)	(2.05%)	0.04%	1.6%	N/A	N/A	N/A
1998	613	402	18	6.90%	9.53%	9.08%	1.4%	N/A	N/A	N/A
1997	599	417	20	9.40%	9.78%	8.03%	1.9%	N/A	N/A	N/A
1996	583	375	25	6.50%	2.91%	3.56%	2.1%	N/A	N/A	N/A
1995	564	357	31	16.20%	19.06%	16.10%	3.0%	N/A	N/A	N/A
1994	488	174	36	(1.10%)	(3.27%)	(2.74%)	2.1%	N/A	N/A	N/A

***Fixed Income Management Composite** contains fully discretionary fixed income accounts with majority having 2-10 year maturities. Some accounts may hold up to 25% in equity. For comparison purposes this composite is measured against the Merrill Lynch Corporate/Government Master and the Merrill Lynch Treasury Three to Five Year indices. Beginning January 1, 1997, the minimum account size for this composite is \$100,000. The Fixed Income Management Composite was created in 1979.*

Chelsea Management Company claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Chelsea Management Company has been independently verified for the periods January 1, 1993 through December 31, 2011 by Ashland Partners & Company LLP. A copy of the verification report is available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. Chelsea Management Company is a registered investment adviser. The firm maintains a complete list and description of composites, which is available upon request. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Past performance is not indicative of future results.

The U.S. Dollar is the currency used to express performance. Returns are presented gross of management fees and include the reinvestment of all income. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. The collection of fees produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) quarterly fee assessment, (b) \$1,000,000 investment, (c) portfolio return of 8% a year, and (d) 0.50% annual investment advisory fee would be \$5,208 in the first year, and cumulative effects of \$29,908 over five years and \$71,715 over ten years. Effective April 1, 2006, the accounting method for dividend income was changed from cash to accrual basis. The annual composite dispersion presented is an asset-weighted standard deviation calculated for accounts in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The management fee schedule is as follows: 0.50% on the first \$1 million, 0.375% on the next \$4 million, 0.25% on the next \$5 million, and excess over \$10 million is negotiable. Actual investment advisory fees incurred by clients may vary.



**CHELSEA MANAGEMENT COMPANY**  
**MUNI COMPOSITE**  
**ANNUAL DISCLOSURE PRESENTATION**

Year End	Total Firm Assets (millions)	Composite Assets			Annual Performance Results				3-Yr. Std. Deviation		
		USD (millions)	No. of Accounts	Carve-Outs	Composite Gross	ML Muni 3-7 Yrs.	ML CA Muni 3-7 Yrs.	Internal Dispersion	Composite	ML Muni 3-7 Yrs.	ML CA Muni 3-7 Yrs.
2013	891	96	3	0.0%	-0.32%	0.70%	0.29	N/A	1.1%	2.3%	2.5%
2012	822	123	5	0.0%	1.46%	3.03%	2.93%	N/A	1.3%	2.3%	2.5%
2011	902	170	5	0.0%	3.33%	6.90%	7.47%	N/A	2.8%	3.2%	3.2%
2010	926	198	5	0.0%	2.09%	3.35%	3.37%	N/A	4.3%	4.3%	4.3%
2009	999	298	6	0.0%	6.15%	7.16%	7.07%	N/A	4.3%	4.1%	4.0%
2008	1,089	254	8	99.5%	4.76%	5.92%	5.59%	0.4%	3.8%	3.4%	3.4%
2007	1,153	221	8	99.5%	4.65%	5.28%	5.02%	0.1%	2.7%	1.7%	1.7%
2006	1,072	204	8	99.5%	3.85%	3.42%	3.63%	0.1%	3.9%	2.5%	2.5%
2005	1,060	195	9	N/A	1.91%	1.27%	1.09%	N/A	5.3%	3.4%	3.5%
2004	1,015	146	6	N/A	4.12%	2.91%	3.87%	N/A	5.6%	4.3%	4.5%
2003	858	106	4	N/A	4.30%	4.22%	3.76%	N/A	5.2%	4.2%	4.4%
2002	726	58	4	N/A	9.57%	10.10%	8.83%	N/A	N/A	N/A	N/A
2001	659	122	4	N/A	3.93%	5.97%	4.80%	N/A	N/A	N/A	N/A
2000	688	119	5	N/A	12.99%	8.25%	7.95%	N/A	N/A	N/A	N/A
1999	635	102	5	N/A	(3.50%)	0.66%	0.27%	N/A	N/A	N/A	N/A
1998	613	66	6	N/A	4.96%	5.95%	6.31%	0.4%	N/A	N/A	N/A

**Muni Composite** contains fully discretionary accounts investing in State and Federal tax-exempt securities, the majority having 2-10 year maturities. For comparison purposes the composite is measured against the Merrill Lynch Municipals 3-7 Years index and the Merrill Lynch California Municipals 3-7 Years index. Beginning January 1, 1997, the minimum account size for this composite is \$100,000. The Muni Composite was created in 1983.

Chelsea Management Company claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Chelsea Management Company has been independently verified for the periods January 1, 1993 through December 31, 2011 by Ashland Partners & Company LLP. A copy of the verification report is available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Chelsea Management Company is a registered investment adviser. The firm maintains a complete list and description of composites, which is available upon request. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Past performance is not indicative of future results.

The U.S. Dollar is the currency used to express performance. Returns are presented gross of management fees and include the reinvestment of all income. Cash is allocated to carve-out returns based on the ratio of aggregate muni market value to total market value in the multi-asset class account. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. The collection of fees produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) quarterly fee assessment, (b) \$1,000,000 investment, (c) portfolio return of 8% a year, and (d) 0.50% annual investment advisory fee would be \$5,208 in the first year, and cumulative effects of \$29,908 over five years and \$71,715 over ten years. The annual composite dispersion presented is an asset-weighted standard deviation calculated for accounts in the composite the entire year. A dispersion return is not shown if there are five or fewer such accounts. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The management fee schedule is as follows: 0.50% on the first \$1 million, 0.375% on the next \$4 million, 0.25% on the next \$5 million, and excess over \$10 million is negotiable. Actual investment advisory fees incurred by clients may vary.

# CHELSEA MANAGEMENT COMPANY

## BALANCED COMPOSITE

### ANNUAL DISCLOSURE PRESENTATION

Year End	Total Firm Assets (millions)	Composite Assets		Annual Performance Results			3-Yr. Std. Deviation	
		USD (millions)	Number of Accounts	Composite Gross	65/35% Blended Index	Internal Dispersion	Composite	65/35% Blended Index
2013	891	193	79	11.25%	19.77%	3.6%	6.8%	7.7%
2012	822	174	82	5.92%	10.90%	1.6%	7.5%	9.5%
2011	902	172	83	1.09%	3.83%	2.2%	9.1%	12.1%
2010	926	171	76	9.75%	12.23%	2.2%	11.1%	13.8%
2009	999	147	57	14.38%	16.85%	3.1%	11.6%	12.4%
2008	1,089	119	48	(16.50%)	(22.15%)	4.2%	8.8%	9.1%
2007	1,153	145	46	13.17%	7.16%	3.0%	5.5%	4.7%
2006	1,072	140	48	8.81%	11.40%	2.8%	4.9%	4.5%
2005	1,060	134	56	6.95%	3.54%	3.4%	5.7%	5.9%
2004	1,015	125	63	6.73%	7.84%	3.0%	7.5%	9.0%
2003	858	67	36	16.27%	19.03%	5.5%	8.6%	10.9%
2002	726	61	36	(8.88%)	(11.04%)	5.6%	N/A	N/A
2001	659	71	39	(2.21%)	(4.71%)	3.9%	N/A	N/A
2000	688	77	39	7.30%	(2.39%)	3.7%	N/A	N/A
1999	635	79	42	14.03%	13.65%	6.9%	N/A	N/A
1998	613	77	35	14.76%	22.42%	4.6%	N/A	N/A

**Balanced Composite** contains fully discretionary accounts holding a blend of equity and fixed income securities with the criterion that accounts' fixed income component is greater than or equal to 35% of total market value. The equities include domestic stocks and ADR's with a style focused on large-cap value. The majority of the fixed income securities have 2-10 year maturities. For comparison purposes the composite is measured against a blend: 65% of the S&P 500 with Dividends Reinvested Index and 35% of the Merrill Lynch Treasury 3-5 Year Index, calculated monthly. Additional information regarding these indexes is available upon request. Beginning January 1, 1997, the minimum account size for this composite is \$100,000. The Balanced Composite was created in 1979.

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The U.S. Dollar is the currency used to express performance. Returns are presented gross of management fees, include the reinvestment of all income, and are calculated net of foreign withholding taxes on dividends, interest, and capital gains. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. The collection of fees produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) quarterly fee assessment, (b) \$2,000,000 investment, (c) portfolio return of 8% a year, and (d) 1.00% annual investment advisory fee would be \$20,832 in the first year, and cumulative effects of \$119,632 over five years and \$286,860 over ten years. Effective April 1, 2006, the accounting method for dividend income was changed from cash to accrual basis. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The management fee schedule is as follows: 1.50% on the first \$1 million, 1.00% on the next \$2 million, 0.75% on the next \$2 million, 0.50% on the next \$5 million, and excess over \$10 million is negotiable. Actual investment advisory fees incurred by clients may vary.