BOARD OF RETIREMENT
FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

April 30, 2010

Trustees Present:

Michael Cardenas	Nick Cornacchia	Franz Criego
Vicki Crow	Eulalio Gomez	James Hackett
Steve Jolly	Phil Larson	John Souza

Others Present:

Ronald S. Frye, Alternate Trustee
Clark J. Winslow, Winslow Capital Management
John A. Maschoff, Winslow Capital Management
David M. Reneker, Nuveen Investments
Sharon Kedar, Sands Capital Management
John K. Freeman, Sands Capital Management
Daniel P. Becker, Waddell & Reed Investment Management
T. Clayton Johnston, Waddell & Reed Investment Management
Jeff MacLean, Wurts & Associates
Susan Coberly, Senior Deputy County Counsel
Roberto L. Peña, Retirement Administrator
Becky Van Wyk, Assistant Retirement Administrator
Elizabeth Avalos, Administrative Secretary

1. Call to Order

Chair Gomez called the meeting to order at 8:35 AM.

2. Pledge of Allegiance

Recited.

3. Public Presentations

None.

4. Discussion and appropriate action on selection of investment management firms for the Large Cap Growth mandate

Jeffrey MacLean, Wurts & Associates, opened discussions by reminding the Board of its decision to place INTECH on watch status and to potentially terminate INTECH if it is determined that there is a suitable replacement.

Mr. MacLean noted that the Large Cap Growth mandate consists of approximately $140 million invested with INTECH and an additional $115 million invested in the Russell 1000 Growth Index.

In response to a question from Trustee Souza regarding INTECH's recent performance, Mr. MacLean noted that INTECH modestly outperformed the index in the first quarter but is underperforming on a long-term basis. Roberto L. Peña, Retirement Administrator, added that, shortly before the meeting, he had a conversation with Steve Brennan of INTECH who noted that INTECH outperformed the index by 130 basis points. Mr. Peña noted that the period of outperformance is unclear.

Winslow Capital Management (Winslow)

David M. Reneker, Senior Vice President, Nuveen Investments, began the presentation with a brief summary of the firm's ownership noting that in November 2008 Winslow reached an agreement to become a wholly owned subsidiary of Nuveen Investments. The investment team and entire staff remain in place continuing to serve its clients. The principals of the firm have entered into long-term employment contracts with non-compete provisions. Through the terms of an operating agreement with Nuveen, Winslow's principals serve as the Operating Committee of the firm and have authority over the management of the business, its staff, and have full authority and discretion over the investment process and its implementation. The investment team and other key professionals have significant equity-based incentives to ensure that their interests and those of the firm are completely aligned with those of the clients as they have in the past. They continue to operate as Winslow Capital Management, Inc., a Minnesota corporation.

John A. Maschoff, Managing Director, Winslow, gave a brief summary of the firm's professional team noting their years of experience and education.

Clark J. Winslow, CEO/CIO, Winslow, reviewed Winslow's investment strategy noting that the Large Cap Growth team believes that investing in companies with above-average earnings growth provides the best opportunity for achieving superior portfolio returns over the long term. Winslow believes that while above-average earnings growth is a necessity, valuation relative to estimated earnings growth rate is also important in selecting stock. In the Large Cap product Winslow invests in companies they believe can deliver future annual earnings growth of at least 12% with a rising return on invested capital. Their portfolios have a weighted three-year forward annual earnings growth rate of about 18%. Winslow invests in three types of earnings growth: long-term sustainable earnings growth, cyclical growth in the right part of the cycle, and new industries with rapid growth. Over time each of these averages one-third of the portfolio.

Mr. Winslow stated that the firm's philosophy is founded on fundamental research. All of the investment principals have had many years of research experience. The majority of their analytical work is conducted internally by the investment principals. They are "bottom-up" stock pickers and position the portfolio decision-makers as close as possible to the flow and source of fundamental information from a company, its suppliers, and competitors. Mr. Winslow believes that this hands-on research process eliminates "information filtering". They also work with selected Street analysts whom they believe have the best insights. Importantly, they use their research skill to identify factors which will lead to a company's earnings growth beating street consensus expectations over the next few years.

Mr. Winslow reviewed the investment process noting that in order to identify investment candidates they begin by using a quantitative screen of the companies in the Russell 1000 index with market caps exceeding $4 billion complimented with a limited number of companies that are either not in the index and/or are below the $4 billion market cap limit. They screen for factors such as revenue and earnings growth, return of invested capital, earnings consistency, earnings revisions, low financial leverage, and high free cash flow rates relative to net income. This process narrows the list to approximately 300 companies. A more thorough qualitative assessment is then made in the context of each company's respective industry sector. Their analysis emphasizes competitive advantage in determining whether a company meets their definition of a high-quality growth company and narrows the list to approximately 100 companies that they actively analyze.

Winslow's active analysis of the 100 companies includes detailed review of income statements, cash flow and balance sheet projections, and their own estimation of the companies' future earnings. They determine which of the companies can meet or beat Wall Street earnings estimates to choose the most attractively valued stocks. Their valuation approach is price/earnings driven relative to: (i) the Russell 1000 Growth index, (ii) sector peers, and (iii) the company's sustainable future growth rate. They generally own position sizes of 1-3% and hold 55-62 stocks in the portfolio. In addition, they diversify the portfolio with respect to companies' earnings growth rates, market capitalizations, and price/earnings ratios.

In response to a question from Trustee Jolly regarding the stock selection decision process, Mr. Winslow noted that investment decisions are made as a team. The firm believes it is important to have decision-makers close to the source and flow of information, with no filtering of facts. Each idea is sponsored by a team member and is thoroughly reviewed by the whole team before purchase. Decision-making involves their fundamental analysis of a company's business and then a valuation judgment of the stock price.

Mr. Winslow continued the review of the investment process noting that to outperform the Russell 1000 Growth index, they build portfolios that are different from the index. After the portfolio is constructed, they compare it to their benchmark to know where they are different and why, and to understand completely the active structure of their investments. Sector weightings vary from +/- 10 percentage points of the index weight. Maximum individual stock position is 5% of the portfolio at market price.

Mr. Winslow stated that controlling risk, both absolute and benchmark relative risk, is very important to them. A stock holding is reviewed completely if it declines 20% from cost or 20% from a recent high. Perceived weakening fundamentals precipitate an immediate sell order. They also control portfolio risk by being diversified in four factors: by range of P/E's, market caps, growth rates, and economic sectors.

Mr. Winslow reviewed the firm's Large Cap Growth composite returns versus the Russell 1000 Growth index for the periods beginning April 1, 1999 through present and noted any significant underperformance and outperformance.

Detailed discussions ensued regarding Winslow's management team's experience, investment processes and fee structure.

Sands Capital Management (Sands)

Sharon Kedar, CFA, Director of Client Relations, Sands, began the presentation with an overview of the firm's background and investment philosophy noting that Sands is a bottom-up, large cap growth manager concentrating on high-quality large capitalization growth companies. The firm's investment philosophy is rooted in the belief that over time common stock prices will reflect the earnings growth of the underlying business.

Sands has a highly-disciplined investment strategy based on a bottom-up fundamental approach with an emphasis on quality and believes its value-added relative to an index is a consequence of the firm's on-going qualitative and quantitative assessment of companies' long term prospects for the sustainability of growth. Ms. Kedar noted that many growth companies have high projected rates of earnings growth, but very few will actually deliver consistently on such exalted growth expectations over long periods of time. Sand's mission and focus is to identify and own these few leading companies in client accounts, and to construct a concentrated, high conviction, benchmark agnostic portfolio of 25-30 businesses.

John Freeman, Sr. Research Analyst & Sr. Portfolio Manager, Sands, reviewed the firm's investment process stating that the firm seeks to own businesses that meet the following criteria:

- Sustainable above-average earnings growth driven by…
- Leadership position in a promising business space
- Significant competitive advantages/unique business franchise
- Clear mission and value-added focus
- Financial strength
- Rational valuation relative to the market and business prospects

Mr. Freeman noted that Sands uses a proprietary universe of securities that it has developed and used since 1987 to identify potential holdings in client portfolios. The universe consists of approximately 250-300 companies growing in sectors of the economy such as advanced technology, financial services, health care, and retailers. Companies are selected for inclusion in the universe if they are demonstrating superior historical and projected sales and earnings growth and have the potential for wealth creation. Companies are removed from the universe when acceptable rates of sales and earnings growth can no longer be maintained, or if the Sands investment team has conclusively determined that the company does not have the potential to meet its other investment criteria. From this proprietary universe of securities Sands constructs a universe of approximately 80 to 100 leading companies. Companies are selected if they demonstrate the following qualitative success factors: (1) creating growth drivers: new products/services and entering new markets; (2) developing and anticipating important industry trends; (3) creating competitive barriers; (4) gaining market share; (5) building financial muscle to weather adverse periods and fund new opportunities; (6) displaying superior management ability; and (7) applying technology to add value. These 80 to 100 companies are closely followed by the Sands investment team and the universe from which new purchases are considered.

Ms. Kedar stated that several members of the investment team are charged with developing the investment case for each company that best matches Sands investment criteria. The in-depth research includes evaluation of a company's business model, market position, management, financial strength, projected sustainable earnings growth, and valuation. The investment team discusses and debates the investment case in an on-going vetting and consensus-building process. With substantial input from the entire investment team and the Director of Research, Frank Sands, Sr., Chief Investment Officer, makes the final investment decisions.

Ms. Kedar briefly reviewed the firm's yearly investment results versus the Russell 1000 Growth index for the periods 1987 through March 31, 2010 and noted any significant underperformance and outperformance.

Detailed discussions ensued regarding the firm's management team's experience, investment structure and processes, and fee structure.

Waddell & Reed Investment Management (Waddell & Reed)

Clayton Johnston, Vice President, Institutional Marketing, Waddell & Reed, began the presentation with an overview of the firm's background noting that Waddell & Reed has been providing services to the institutional marketplace since 1972. Waddell & Reed was established in 1937 and has provided continuous investment management services for over 70 years.

Mr. Johnston reviewed the firm's investment philosophy noting that significant long term excess returns can potentially be achieved by focusing on a smaller subset of unique business franchises which typically increases the odds of success and by having a mindset geared to methodically avoiding common mistakes by emphasizing franchise power and earnings sustainability over earnings growth rates.

Daniel Becker, CFA, Senior Vice President, Portfolio Manager, Waddell & Reed, reviewed the firm's investment strategy noting that Waddell & Reed's Large Cap Growth investment strategy is a combination of top-down and bottom-up investment styles. The stock selection process is a blend of quantitative and fundamental research. Mr. Becker stated that Waddell & Reed's Large Cap Growth Equity style is predicated on three core beliefs 1) the market tends to overpay for high near-term earnings growth and undervalues long-term structural earnings power 2) structurally advantaged companies are characterized by high levels of profitability and 3) growth investors often underestimates risk.

Mr. Becker reviewed the firm's investment process noting that he and Philip Sanders, Co-portfolio managers, are the key decision makers have full discretion over the portfolio and all investment decisions. Stock selections must be agreed upon by both portfolio managers for inclusion into the portfolio. The large cap equity team effectively leverages the firm's collaborative, team-oriented approach to the generation and sharing of primary fundamental research. While the portfolio managers have sole discretion for decisions in their portfolios, they believe in idea sharing and promote cross-fertilization of ideas among the investment management staff.

The initial stock selection process includes both quantitative and fundamental research. From a quantitative standpoint, the team concentrates on profitability, capital intensity, cash flow, and valuation measures, as well as earnings growth rates. Key to the fundamental research effort is the identification of those companies that the team believes possess a sustainable competitive advantage, the essential characteristic which typically enables a company to generate superior levels of profitability and growth for an extended period of time. Special focus is given to those companies that appear well positioned to benefit from secular macroeconomic trends embedded in the marketplace.

Mr. Becker reviewed the firm's risk controls noting that the Large Cap Growth team monitors and manages risk in part through its analysis of a company's business model. The team characterizes speculative growth as companies that are not profitable but may be moving on momentum versus asset growth where companies are growing primarily through acquisition. They concentrate at least 90% of the holdings from Accelerating Growth to Controlled Growth to Cyclical Growth. This is consistent with the focus on stable, profitable companies.

In another step to control risk, the team has implemented security and weight restrictions within the portfolio which limit individual holdings to a maximum weighting of 5% of the portfolio.

Mr. Becker briefly reviewed the firm's annual investment results versus the Russell 1000 Growth index for the periods August 1998 through March 31, 2010 and noted any significant underperformance and outperformance.

In response to a question from Trustee Jolly regarding the how the firm's holdings are sold or reduced, Mr. Becker stated that holdings are sold or reduced when a company experiences deterioration in its growth and or profitability characteristics, a fundamental breakdown of its sustainable competitive advantages, or if more attractive investment opportunities arise.

At the request of Mr. Peña, Mr. Becker explained in detail the firm's underperformance over the last twelve month period.

Detailed discussions ensued regarding the experience of Winslow's management team, investment structure and processes and fee structure.

Mr. Peña reminded the Board of its decision to place INTECH on watch status and to potentially terminate INTECH if it is determined that there is a suitable replacement. Mr. Peña referred to correspondence from Wurts & Associates confirming its recommendation to terminate INTECH due to, among other issues such as performance, INTECH's decision to begin implementing adjustments to the parameters utilized to select stocks as reported by Bloomberg on April 23, 2010.

Trustee Souza noted his support for further consideration of Winslow Capital and Waddell & Reed Investment Management.

Mr. Peña reminded the Board the current Large Cap Growth mandate consists of approximately $280 million. INTECH actively manages $157 million with the remaining $123 million passively invested in the Russell 1000 Growth index.

Mr. Peña recommended that, should the Board decide to continue the passive approach with the Russell 1000 Growth index, the Board consider Sands Capital's concentrated strategy to diversify the Large Cap Growth mandate.

Mr. MacLean recommended that the Board select two firms for the Large Cap Growth mandate and to retain $50 million in the Russell 1000 Growth index to counter the tracking error of at least one of the managers.

Detailed discussions ensued regarding the various strategies, approaches, and fee structures of each of the firms.

A motion was made by Chair Gomez, seconded by Vice Chair Hackett, to select Winslow Capital and Waddell & Reed Investment Management for further consideration and to proceed with the on-site due diligence process.

In response to a question from Trustee Criego regarding which firms Wurts recommends for the mandate, Mr. MacLean recommended Sands Capital and Winslow Capital for further consideration.

The motion was restated as follows:

To select Winslow Capital and Waddell & Reed Investment Management for further consideration and to delay on-site due diligence until a decision is made on INTECH. VOTE: Yes – Cardenas, Cornacchia, Crow, Gomez, Hackett, Jolly, Larson, Souza. No – Criego. MOTION PASSED.

5. Adjourn

There being no further business, the meeting adjourned at 11:55 AM.

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Roberto L. Peña
Secretary to the Board