

## Portfolio Management

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### Objective

The objective of the New York City Deferred Compensation Plan Mid Cap Growth Portfolio (the “Portfolio”) is to outperform the Russell Mid Cap Growth Index (the “Index”) by 200 basis points, annualized, over a market cycle.

### Performance Review

	Annualized Total Returns (%) (USD)				
	Periods Ended 31 December 2011				
	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs
<b>NYC Deferred MCG</b>	16.3	- 6.4	- 6.4	22.9	1.7
<b>NYC Deferred MCG (net of fee)</b>	16.1	- 6.9	- 6.9	22.2	1.1
Russell Midcap Growth	11.2	- 1.7	- 1.7	22.1	2.4
Russell Midcap	12.3	- 1.5	- 1.5	20.2	1.4

Returns for periods of less than one year are not annualized.

Gross performance results are net of commissions and other direct expenses, but before (gross of) advisory fees, custody charges, withholding taxes, and other indirect expenses and include reinvestment of dividends. Net performance results are based on the highest published US advisory fee for this product, include reinvestment of dividends, and are net of advisory fees, commissions, and other direct expenses, but before custody charges, withholding taxes, and other indirect expenses.

- US equities closed the year on a strong note while sovereign debt and solvency troubles in the eurozone continued to dominate headlines and dictate investor sentiment in the fourth quarter. Ultimately, improved global economic data, interest rate cuts by the European Central Bank, and speculation that China may ease its monetary policy outweighed continued uncertainty over the outcome of the eurozone debt crisis. Positive employment data and rising consumer confidence gave investors hope that the US economy may be poised for a rebound.
- The Portfolio (+16.3%) outperformed the Russell Midcap Growth Index (+11.2%) during the quarter, in large part as a result of favorable stock selection in the Information Technology, Industrials and Health Care sectors
- During the quarter, the Russell Midcap Growth Index recovered nearly completely from the significant losses of the third quarter with nine of ten sectors posting positive absolute returns. Traditionally more economically sensitive sectors, Energy, Industrials and Materials, that lagged most in the third quarter performed best. More defensive sectors, including Consumer Staples underperformed.

## Attribution Results and Commentary

- Security selection in Information Technology was the largest contributor to relative performance. In particular, positions in electronic component manufacturer Arrow Electronics, supply chain software company JDA Software, and internet network service provider F5 Networks boosted returns.
- Industrials sector positions in industrial equipment distributor WESCO International and industrial pump, valve, and mechanical seal manufacturer Flowserve were additive to returns.
- An underweight allocation to Consumer Staples contributed positively to returns as the sector underperformed during the quarter.
- Security selection in Consumer Discretionary detracted most from returns; shares in technical degree program provider ITT Educational and footwear retailer Deckers declined.

## Portfolio Positioning and Outlook

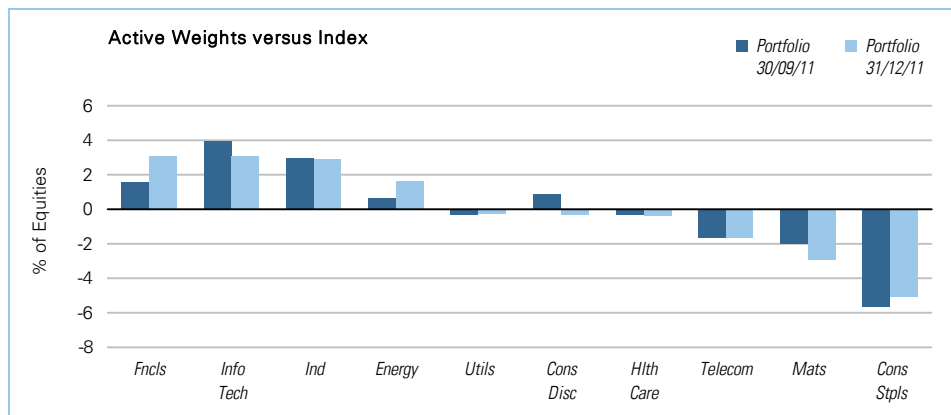
From a sector perspective, our greater-than-benchmark exposure to Information Technology favors Technology Hardware, including Arrow Electronics. Our holdings are leveraged to several strong product cycles and emerging product categories.

Industrials exposure is weighted to Capital Goods. Top active positions include WESCO International, Belden, and Flowserve. We established a new position in Esterline.

We have reduced our exposure to the Consumer Discretionary sector as we found more attractive investment opportunities in other sectors. Within the Consumer Discretionary sector, we favor companies with strong fundamentals which should also benefit from an economic recovery, albeit a slow growth recovery, and continued penetration in developing markets. We trimmed our position in Children’s Place and added to our position in Deckers Outdoor.

We are underweight more defensively oriented sectors, such as Consumer Staples, where we see fewer attractive earnings growth opportunities relative to current valuations.

## Sector Weights



## Top Ten Holdings

Company	Industry	Portfolio*	Index
ITT Educational Svcs	Consumer Svcs	3.2%	0.1%
Ameriprise Financial	Diversified Financials	3.0	0.0
Whiting Petroleum	Energy	3.0	0.3
AFLAC	Insurance	2.9	0.0
Wesco International	Capital Goods	2.7	0.1
Western Union	Software & Svcs	2.7	0.6
Buckle	Retailing	2.6	0.0
Advance Auto Parts	Retailing	2.3	0.3
Global Payments	Software & Svcs	2.3	0.2
Mylan	Pharm, Biotech & Life Sciences	2.2	0.5
<b>Total</b>		<b>26.9%</b>	<b>2.0%</b>

\*Percent of Equities

## Portfolio Statistics

	Portfolio	Index
Market Cap - Asset Weighted	\$6.2 bil	\$7.9 bil
Yield	0.8%	1.1%
Number of Equity Names	69	466
Turnover	93%	—
<b>Valuation</b>		
EPS Growth (Next 3-5 Years)	14.1%	14.9%
P/E (Projected)	10.4x	14.8x
P/B	2.3x	3.5x
<b>Risk Characteristics-3Yr Historical</b>		
Tracking Risk	7.8%	—
Beta	1.27	—
R-Squared	0.96	—

Note: Totals may not add due to rounding

The specific securities identified are not representative of all of the securities purchased, sold or recommended for clients. It should not be assumed that an investment in the securities identified have or will be profitable