

The City of New York Deferred Compensation Plan – Global SRI Equity Fund

Quarter 4, 2011



Portfolio manager

Global Equity Team

Investment strategy

The City of New York Deferred Compensation Plan – Global SRI Equity Fund will invest in a portfolio of a broad range of international equity securities, in accordance with the relevant socially responsible criteria. These criteria cover issues including the environment, social issues and governance.

Investment objective

Rolling 3 year period net of fees - equal or exceed the return of the MSCI World Index and exceed on average the median of a representative Global Equity Universe.

Rolling 5 year period net of fees - exceed the return of the MSCI World Index by 1.5% with an information ratio equal or greater than 0.50. Exceed on average the median of a representative Global Equity Universe.

Benchmark

MSCI World

Inception date

February 8th, 2007

Performance summary

(% in USD terms)	Portfolio (gross)	Portfolio (net)	Benchmark
December 2011	-0.32	-0.36	-0.02
3 months	8.29	8.17	7.72
1year	-4.20	-4.60	-5.02
Since inception * (pa)	-0.62	-1.05	-2.33

* February 8th, 2007

Portfolio manager's report

Performance

The portfolio outperformed by 57bps during the 4th quarter, returning +8.29% versus a benchmark return from the MSCI World of +7.72%. Stock selection had a positive impact of 161bps, whilst asset allocation detracted 104bps.

Portfolio and market review

The crisis in the Eurozone would appear to be lurching from one issue to the next. Two governments have been replaced in the shape of Italy and Greece during the course of the quarter. Many meetings were convened, and much blood, sweat and tears were shed, but we are still no nearer resolving the root cause, too much debt! The monetary policy of the Trichet-led ECB has been reversed by the new Draghi-led ECB, with rates across the Eurozone having been cut twice during the quarter.

Emerging Markets have been considered by many to be the cure to the ills in the West. However, those that had been advocating decoupling have been disappointed this quarter. Notable weakness has been exhibited in a number of major emerging market economies. It will be interesting to see whether these countries will have the capability of effecting soft landings.

The hoped for solution to gridlock in the United States debt ceiling discussions failed to materialise. The so called 'Super-Committee' could not come to any agreement. The United States is at the beginning of the primary election process, so politicking would appear to continue to be the name of the game. Unfortunately, the longer it takes to find some kind of meaningful resolution, the greater the impact on the US, and by implication, global growth.

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Region breakdown (%)

	Portfolio	Benchmark	Difference
Developed Asia	17.4	14.7	2.8
Developed Middle East	0.0	0.3	-0.3
Emerging Markets	16.4	0.0	16.4
Europe	40.5	27.2	13.3
North America	22.9	57.8	-34.9
Cash	2.7	0.0	2.7
Total	100.0	100.0	0.0

Top ten holdings

	%
Roche	4.6
Taiwan Semiconductor	4.6
Zurich Financial Services	4.5
Vodafone	4.5
Novartis	3.8
Johnson & Johnson	3.4
PepsiCo	3.3
QBE Insurance	3.2
Standard Chartered	3.1
Banco Bradesco	2.9
Total	38.0

Portfolio characteristics

Tracking error	5.73
Portfolio risk (%)	22.17
Benchmark risk (%)	23.68
Portfolio beta	0.91
Number of stocks	43

Source: APT

Portfolio manager's report (continued)

Outlook

The die would appear to be cast. Economic growth is on a slowing trend across the world. As far as we are concerned, this is good news. Not necessarily for those in some of the developed countries in the West where there is the likelihood that their economies will contract in 2012, but for some of the emerging economies, where they had pushed through their non-inflationary growth rates. It is interesting to reflect that global growth had become too imbalanced, with disproportionate growth rates coming from some of these large emerging economies. Were this a normal cycle, then monetary policy would be coming down in many economies, with the hope of achieving soft landings. Unfortunately, that avenue is not open to many countries as they have had to use up their entire monetary arsenal over the course of the past 20 years. Some of these countries may consider or continue to apply so called 'non-conventional' monetary policy, in the form of quantitative easing. It is highly debatable whether any of the countries that have gone down this road over the past few years have seen much benefit.

Sector breakdown (%)

	Portfolio	Benchmark	Difference
Energy	12.5	11.8	0.7
Materials	2.7	7.2	-4.6
Industrials	6.8	11.0	-4.3
Consumer Discretionary	0.0	10.3	-10.3
Consumer Staples	7.9	11.0	-3.1
Health Care	14.7	10.5	4.2
Financials	21.3	17.6	3.7
Information Technology	15.7	12.0	3.7
Telecom Services	11.5	4.4	7.0
Utilities	4.2	4.0	0.3
Cash	2.7	0.0	2.7
Total	100.0	100.0	0.0

Past Performance is no guarantee of future results. Performance includes the reinvestment of dividends and other earnings.

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