



*Savings Banks  
Employees  
Retirement  
Association*

*Participant  
Investment  
Guide*

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***THE SAVINGS BANKS EMPLOYEES RETIREMENT ASSOCIATION***

***INVESTMENT GUIDE***

**INTRODUCTION**

After you decide how much you can afford to contribute to your own retirement, the most important decision you must make is how should you construct your investment portfolio. Your SBERA Plan offers a variety of investment accounts, each having different degrees of risk and potential return.

This Investment Guide is intended to acquaint you with the characteristics and performance histories of the various investment accounts. Based on your own analysis of your own investment horizon, risk tolerance and long-term financial goals, it is your responsibility to construct an investment allocation plan.

If you have any questions on the information presented in this Investment Guide, please contact your Plan Representative.

## **GENERAL INFORMATION TO CONSIDER**

### **WHY MAKE CONTRIBUTIONS TO SBERA?**

Most persons do not know the income level they will need after retirement to maintain the standard of living they enjoy while working. Numerous studies have shown that, for most retirees, post-retirement income equal to 70% to 80% of a person's final annual income is needed to maintain a person's pre-retirement lifestyle.

An excellent way to save for retirement is to make contributions to your SBERA 401(k). Such contributions may be invested in any or all of SBERA's various investment accounts in such proportions as you may determine. The investment accounts are professionally managed, and monitored closely by SBERA's Investment Committee and the Board of Trustees.

### **WHEN MAY I CHANGE MY INVESTMENT ALLOCATION?**

Any and all investment selections may be changed on any day by calling SBERA's toll-free touch-tone Voice Access System (1-888-723-7201). (Special rules apply if an employer Certificate of Deposit or stock fund is offered in your employer's SBERA plan. See your Plan Representative for details.) Current contributions and/or past balances may be allocated to the investment accounts of your choice in the whole percentages determined by you. Or you can make the changes on the Internet at [www.sbera.com](http://www.sbera.com).

### **HOW OFTEN WILL I RECEIVE INFORMATION ON MY ACCOUNT?**

Shortly after the end of each calendar quarter, you will receive a quarterly statement for your account which will give a complete reconciliation of your funds including beginning balance, contributions for the quarter, investment results, investment changes and ending balance. In addition, the investment performance results for all SBERA investment accounts will be shown along with the performance of various market indexes. You can also obtain information about your account any time from the Voice Response System (1-888-723-7201) or from [www.sbera.com](http://www.sbera.com).

### **HOW ARE CONTRIBUTIONS MADE TO SBERA?**

Participants' contributions to SBERA can be made only through payroll deductions authorized by the Participant. Employee contributions can be made only in whole percentages, 1%, 2%, etc.

## WHAT IS THE ADVANTAGE OF DOLLAR COST AVERAGING?

Dollar Cost Averaging is a disciplined approach to investing whereby you invest a constant dollar amount from your pay each pay period. This method of systematic investing helps you remove the emotion from investment decisions because you invest at regular intervals without trying to guess when the market is at a high or low.

Dollar Cost Averaging is a result of systematic investing. That is because the same amount of money buys proportionately more shares as the price of those shares fall and fewer when the price rises. For example, a constant \$100 will purchase 10 shares when they are selling for \$10 per share; but if the price rises to \$20, the same \$100 buys 5 shares.

A disciplined approach to investing assures you that money will be added to your account on a regular basis. It is also possible that your investment will be building at a greater rate than if you simply saved outside of the Plan whenever it occurred to you or when you thought the market was “right”.

## PROXY VOTING BY INVESTMENT MANAGERS

In accordance with SBERA’s 401 (k) Investment Policy Statement, all stock proxies shall be voted by investment managers in a manner which will enhance the interests of Plan participants and beneficiaries. Their voting decisions shall be based on what is in the economic interest of Plan participants and beneficiaries over the time period the stock is expected to be held.

## SELECTING THE OPTIONS THAT ARE BEST FOR YOU

The various investment accounts are described in considerable detail in this Investment Guide. You must decide which account or accounts you wish to invest in and in what percentages. Based on their investment selections, two employees making the exact same contributions to the Plan could have radically different account balances after twenty years. The table below shows how different investment performance was for the twenty-year period 1991 through 2010:

	<u>Average Annual Return</u>	<u>Value of a \$2,000 per year Contribution for 20 Years*</u>
Standard & Poor 500 Index	9.14%	\$ 113,442
Three Month Treasury Bills	3.74%	\$ 52,367
Inflation**	2.50%	\$ 60,143

\*assumes payments are at the beginning of year, present value is 0, with 20 years of compounding.

\*\* as measured by the seasonally adjusted CPI.

As you can see, how you invest your contributions can dictate your ultimate account balance as much as the amount of your contributions. Since the end of World War II, stocks have on average outperformed bonds, treasury bills, certificates of deposit and, most importantly, inflation. However, since past performance is no guarantee of future investment results, these results may differ in the next twenty years.

## RISK TOLERANCE

Before deciding where you should invest your contributions, you must assess your tolerance for Risk. Very simply, Risk Tolerance is the willingness to accept volatility and possible short-term negative returns in the hope of achieving superior long-term returns. Risk tolerance is an individual assessment, which can be made only by you. Please consider the following when assessing your tolerance for risk:

- ◆ The closer you are to retirement or the need to withdraw funds, the less risk you should take. You want the funds to be there when you need them.
- ◆ If you find negative returns intolerable, you should lower risk to a level you find comfortable.
- ◆ You must recognize that returns are generally proportionate to risk.

Please weigh carefully the Investment Goals, Objectives, Results and Risks of SBERA's Investment Options when constructing your portfolio. Once you have selected a portfolio, you should resist the temptation to "market time". Few people have successfully "market timed" over long periods. Most persons attempting to do so are often basing their selection on the prior year's investment returns. Time, not timing, is the critical element in a long-term investment strategy.

The "Smarter Money" Financial Planning Software can assist you in constructing your investment allocation based on the above and other considerations. It is available through the SBERA web site.

## A BRIEF OVERVIEW OF SBERA'S ACCOUNTS

### STOCK ACCOUNTS

#### **Equity Account**

This Account seeks to provide capital appreciation through a professionally managed, diversified portfolio of domestic and international stocks.

#### **Index 500 Account**

This Account attempts to provide investment results that parallel the performance of the Standard & Poor's 500 Composite Stock Price Index.

#### **Small Cap Growth Account**

This Account seeks long-term growth by investing primarily in common stocks of small to medium sized companies that the Investment Managers believe have potential for capital appreciation significantly greater than that of the market averages.

#### **International Equity Account**

This Account seeks to provide long-term capital appreciation by investing in foreign equity securities.

#### **Small Cap Value Account**

This Account utilizes a highly disciplined, bottom-up value approach to investing. The process is intended to generate excess returns primarily through stock selection.

#### **Large Cap Value Account**

This Account's investment philosophy combines detailed fundamental research, bottom-up stock selection and portfolio construction, and disciplined management of portfolio volatility to achieve strong risk-adjusted returns over full market cycles.

#### **Large Cap Growth Account**

This Account uses a highly disciplined, mathematical investment strategy designed to seek long-term returns in excess of the target benchmark, while reducing the risk of significant under performance.

#### **Life Path Accounts**

These funds are intended for participants who would rather leave their 401(k) account asset allocation decisions to a professional investment manager. Each fund utilizes a predetermined mix of specific asset classes with frequent re-balancing back to the fund's target allocation.

**All Asset Account** – The objective of the All Asset Account is to produce returns which are 5% above the Consumer Price Index (CPI). The strategy is designed as a “fund of funds” that allocates its assets among a group of PIMCO funds. The All Asset Account rebalances among the funds as real return values shift in the market.

#### **The SBERA Account**

The SBERA Account is designed to provide results that parallel the performance of the SBERA Defined Benefit Plan Assets. Given this objective, the Account is expected to provide investors with long-term growth of capital and income. The SBERA Account provides investors with great diversification and significantly less risk than a more concentrated portfolio.

## **BALANCED ACCOUNTS**

### **Money Market Account**

This Account seeks to provide income consistent with the preservation of principal. This Account invests solely in U. S. Treasury or agency obligations with maturities of six months or less.

### **Certificate of Deposit (CDs)**

Many bank employers make available certain CDs of the bank as an investment option for their 401(k) participants. For further information, please check with your Human Resources Department.

### **Bond Account**

This Account seeks to provide a real rate of return after inflation with a high degree of stability and low volatility. The Bond Account is invested in U.S. Government and other investment grade fixed income debt. The fund aims to match the performance of the Barclays Capital Aggregate Bond Index, the most widely recognized benchmark for U.S. debt.

## **GLOSSARY OF INVESTMENT TERMS**

### **Asset Allocation**

The process of deciding how your investment dollars will be apportioned among various classes of financial assets, such as stocks, bonds, and short-term reserves.

### **Average Coupon**

The weighted average coupon of all issues, excluding cash equivalents.

### **Average Duration**

The weighted average duration of the issues in the portfolio including cash equivalents.

### **Average Price**

The weighted average price of the issues in the portfolio excluding cash equivalents.

### **Average Maturity**

The weighted average maturity of issues in the portfolio including cash equivalents.

### **Average Quality**

The weighted average quality of all issues excluding cash equivalents.

### **Beta**

This represents the portfolio's sensitivity to the fluctuation of the overall market and indicates whether historically it has been more volatile (A beta greater than 1.0) or less volatile (a beta less than 1.0) than the S & P 500 Index (A beta equal to 1.0)

### **Current Yield**

The weighted average current yield of the portfolio including cash equivalents.

**Five-Year Return on Equity (ROE)**

The geometric average of the percent return on common equity shareholders' interest averaged over five years.

**Market Capitalization**

Number of shares outstanding times the price per share.

**Maturity**

The length of time that a debt security (such as a bond) is outstanding.

**Number of Issues**

Number of individual securities held in the portfolio regardless of the number of issuers.

**Price Earning (P-E) Ratio**

The per share price divided by trailing twelve-month earnings per share.

**Price to Book**

The per share price divided by the reported book value per share.

**Yield**

Indicated annual dividend divided by the per share price.

**SAVINGS BANKS EMPLOYEES RETIREMENT FUNDS**  
**CHARACTERISTICS AND PERFORMANCE HISTORY**

**EQUITY ACCOUNT**

**Investment Objective and Philosophy**

The Equity Account seeks long-term growth of capital and income by investing in common stocks of domestic and foreign companies. The Account is managed by eight investment advisors; each with a different investment mandate. The International Equity Account has two Managers and the Large Cap Value Account has two Managers.

**Investment Managers**

The Equity Account has eight investment managers. Their shares of the total Account are as follows:

<b>Investment Manager</b>	<b>Percent of Account As of December 31, 2010</b>
Aronson+Johnson+Ortiz, Philadelphia, PA	7.34%
Mesirow Financial, Chicago, IL	2.29%
Times Square Small Cap Growth, New York, NY	18.11%
Institutional Capital Corporation, Chicago, IL	9.43%
Mercator Asset Management, L. P., Boca Raton, FL	16.07%
State Street Global Advisors, Boston, MA (International)	11.23%
INTECH, West Palm Beach, FL	16.72%
State Street Global Advisors, Boston, MA (S&P 500 Flagship)	18.81%

The investment managers used for the Equity Account are selected by SBERA’s Board of Trustees and may change from time to time. The allocation for each manager is also determined by the Board and may change from time to time. The Equity Account is rebalanced at least quarterly.

**Investment Strategy and Portfolio Managers**

Aronson, while primarily value oriented, believes superior results are best achieved through a combination of value, growth and momentum. Their approach is computer-oriented and their decision making process is bottom-up. Their process includes multi-factor valuation, disciplined portfolio construction and cost effective portfolio rebalancing rules.

Mesirow’s Small Cap Value Investment Process is a highly disciplined, three-stage process which is intended to result in about fifty-five securities with attractive valuations within the Russell 2000 sectors that exhibit earnings growth with low turnover.

The Small Cap Growth Manager seeks long-term growth by investing in common stocks of small to medium sized companies that they believe have potential for capital appreciation significantly greater than that of the market averages.

Institutional Capital Corporation (ICAP) seeks to achieve a total return greater than the S & P 500 over a full market cycle by investing primarily in U.S. dollar-denominated equity securities of companies with market capitalizations of at least \$2 Billion. ICAP uses a team approach with a value-oriented investment style. All buy and sell decisions are made collectively by the investment team that looks for significant appreciation through identifiable catalysts that drive the team's decisions.

The International Equity Managers seek to obtain long-term growth through a diversified portfolio of marketable equity securities of foreign companies. The performance objective is to out-perform the Morgan Stanley Capital International EAFE Index over a market cycle.

State Street S&P 500 Index Account attempts to provide investment results that parallel the performance of the Standard & Poor's 500 Composite Stock Price Index.

INTECH has managed Large Cap Growth assets since 1993 and believes that they can add value using natural stock price volatility through a mathematically based risk controlled process.

### Risk

The Equity Account offers the risk and return characteristics of domestic and international equities and predominately active portfolio management. (There are two index accounts included in the Equity Account: State Street's S&P 500 and State Street's International Daily MSCI EAFE Index.) Because of the construction of the six equity portfolios (with a total of eight investment managers) that make up the Equity Account, the profile of the account will be different from the profile of broad market indexes such as the S & P 500 Index, the Russell 2000 Index or the EAFE Index. The make-up of the account will cause the account to perform quite differently at times relative to the broad market.

### Portfolio Characteristics – As of December 31, 2010

Ten Largest Domestic Holdings	Ten Largest Foreign Holdings
1. Apple, Inc.	1. WPP Plc
2. Microsoft Corp.	2. Kao Corp
3. Wells Fargo & Co. Apple, Inc.	3. Nissan Motor Co
4. Chevron Corp.	4. Hutchinson Whampoa
5. Exxon Mobil Corp.	5. Bridgestone Corp
6. Coca Colaco/The	6. Toyota Motor Corp
7. Intl Business Machines Corp.	7. Daiichi Sankyo
8. Merck + Co. Inc.	8. Sumitomo Trust +Bkg
9. Conocophillips	9. Sumitomo Corp
10. Pepsico Inc.	10. Vodafone Group PLC

	<u>Account (Domestic Only)</u>	<u>S &amp; P 500 Index</u> (Weighted)
Market Cap – (in billions)	51.4	86.3
P-E Ratio	16.9	15.6
Yield	1.5	1.9
Price to Book	3.6	3.4
5 Year ROE	17.8	23.8
BETA	1.0	1.0

### Performance Results

Average Returns for period ended December 31, 2010

	<u>Quarter</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
SBERA Equity Account	10.62%	15.38%	15.38%	-1.75%	3.49%	2.53%
75% Russell 3000/25% MSCI EAFE Index	10.36%	14.68%	14.68%	-3.19%	2.74%	2.56%

\*Includes the reinvestment of all dividends and capital gains distributions. All returns are net of expenses.

Ratio of Expenses to Average Net Assets for most recent fiscal year: 0.43%

**SAVINGS BANKS EMPLOYEES RETIREMENT FUNDS**  
**CHARACTERISTICS AND PERFORMANCE HISTORY**

<b>STATE STREET GLOBAL ADVISORS</b> <b>Index 500 Account</b>
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**Investment Objective and Philosophy**

The Index 500 Account attempts to provide investment results that parallel the performance of the Standard & Poor's 500 Composite Stock Price Index. Given this objective, the Account is expected to provide investors with long-term growth of capital and income.

The Index 500 Account is designed for investors who want a low-cost method of consistently paralleling the return of the S & P 500 Index. The Account provides investors with broad diversification and significantly less specific risk than a more concentrated portfolio.

**Investment Administrator**

The Index 500 Account is administered by the State Street Global Advisors, Boston, Massachusetts.

**Investment Strategy and Portfolio Administration**

The Index 500 Account is passively administered using a "Full Replication" approach. Under this method, the portfolio holds all of the 500 underlying securities in proportion to their weighting in the Index. Full replication significantly reduces the risk that the Account will perform differently from the Index.

The Account remains fully invested in equities at all times. The Portfolio Administrator does not make judgmental calls on the direction of the S & P 500 Index. Because of this discipline, the Account has closely tracked the S & P 500 Index, even while accommodating large cash flows. The quality of performance is illustrated by the strong correlation (over 99%) between the Account and the S & P 500 Index.

The Account's expense ratio ranks it among the lowest in the mutual fund industry, reflecting in part the absence of any advisory fees.

The buy/sell decision process for the Account is based upon comprehensive decision rules. Each day, the specially designed software selects securities for purchase or sale, to accommodate cash flow and to maintain close correlation with the characteristics of the Index. To supplement this process and further assure a fully invested position and tight tracking, the Portfolio Administrator may hold up to 5% of the Account's net assets in S & P 500 futures contracts.

## Risk

The Index 500 Account remains fully invested at all times as it seeks to track the performance of the S & P 500 Index. Due to the high correlation of the Index 500 Account and the S & P Index, the risk level of the 500 Account is equivalent to that of the Index. As a passively administered portfolio that replicates a well-defined index, the Account does not incur specific issue or sector risk in the same way as actively managed portfolios. For the participant, owning shares in the Account indicates a desire for equity returns equal to that of the S & P 500 Index and an acceptance of the volatility that is inherent to common stock investments.

## Portfolio Characteristics – As of December 31, 2010

### Ten Largest Holdings

1. Exxon Mobil Corp	6. IBM
2. Apple Inc.	7. Procter & Gamble Co.
3. Microsoft Corp.	8. AT&T Inc.
4. General Electric	9. Johnson & Johnson
5. Chevron Corp.	10. JPMorgan Chase & Co.

	<u>Account</u>	<u>S &amp; P 500 Index</u>
Market Cap – (in billions)	\$88.8	Fund
P-E Ratio	14.5	Replicates
30 Day Yield	1.9	Benchmark
Price to Book	2.2	
5 Year ROE	19.8	
BETA	1	

## Performance Results

Average Return for periods ended December 31, 2010

	<u>Quarter</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Years</u>	<u>10 Years</u>
State Street S&P 500 Flagship	10.75%	15.07%	15.07%	-2.81%	2.38%	1.46%
S & P 500 Index	10.76%	15.06%	15.06%	-2.86%	2.29%	1.41%

Includes the reinvestment of all dividends and capital gains distributions. All returns are net of expenses.

Account available for SBERA participants January 1993.

Ratio of Expenses to Average Net Assets for most recent fiscal year: 0.05%.

**SAVINGS BANKS EMPLOYEES RETIREMENT FUNDS**  
**CHARACTERISTICS AND PERFORMANCE HISTORY**

**SMALL CAP GROWTH ACCOUNT**

**TIMES SQUARE SMALL CAP GROWTH ACCOUNT**

**Investment Objective and Philosophy**

Times Square Capital Management's investment objective is to outperform the Russell 2000 Growth Index in a risk-controlled manner. Times Square uses a bottom-up, research-intensive approach to identify small cap growth stocks with the greatest potential to achieve superior price appreciation over a twelve to eighteen month time horizon.

**Investment Administrator**

Since February 2005, the Small Cap Growth Account has been administered and managed by Times Square Capital Management, Inc., headquartered in New York City.

**Investment Strategy and Portfolio Administration**

Times Square constructs a 100-120 stock portfolio by looking for companies with market capitalizations between \$50 million and \$1.5 billion at time of purchase that have demonstrated the ability to grow earnings and sales at least 15% per year. Times Square focuses primarily on the fundamental aspects of the business model, looking for companies that meet the criteria their team has successfully utilized for over fifteen years. Times Square's definition of a superior growth business includes one with exceptional management with clear goals, distinct sustainable competitive advantage and strong sustainable top line and bottom line growth. Dividend and interest income is not a consideration in the selection of portfolio investments.

**Risk**

The Small Cap Growth Account managed by Times Square offers the risk, return characteristics and potential of domestic equities and active portfolio management. Risk management is implemented through portfolio construction, with 100-120 stocks in a diversified portfolio; maximum 5% per issue and maximum twice the benchmark weight for major industries.

**Ten Largest Holdings As of December 31, 2010**

1. Solera Holdings	6. StanCorp Financial
2. Global Payments	7. Bio-Rad Laboratories
3. Ultimate Software Group Concho	8. Bottomline Technologies
4. Wright Express Corporation	9. Wabco Holdings
5. Genesee & Wyoming	10. TransDigm Group

**Portfolio Characteristics – As of December 31, 2010**

	<u>Account</u>	<u>Russell 2000 Growth Index</u>
Wtd. Med. Market Cap (in billions)	1.394	1.231
P/E (FY1 Forecast)	21x	20x
Yield	0.54	0.51
Price to Book	2.77	3.28
5 Year ROE	N/A	N/A
BETA	0.82	1.00

**Performance Results**

Average Annual Return for periods ended December 31, 2010

	<u>Quarter</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>
Savings Banks Employees Retire Assoc.	19.08%	29.46%	29.46%	6.90%	9.52%
Russell 2000® Growth Index	17.11%	29.09%	29.09%	2.18%	5.30%

Ratio of Expenses to Average Net Assets for most recent fiscal year: 0.98%

## **SAVINGS BANKS EMPLOYEES RETIREMENT FUNDS**

### **CHARACTERISTICS AND PERFORMANCE HISTORY**

#### **INTERNATIONAL EQUITY ACCOUNT**

Effective December 1, 2003, SBERA's International Equity Account was divided between two new account managers:

**State Street Global Advisors  
Mercator Asset Management, L. P.**

The characteristics and performance histories of the two managers are outlined below.

#### **STATE STREET GLOBAL ADVISORS DAILY MSCI EAFE INDEX STRATEGY ACCOUNT**

##### **Investment Objective and Philosophy**

The daily MSCI EAFE Index Strategy Account seeks to match the performance of the MSCI EAFE Index while providing daily liquidity. (MSCI = Morgan Stanley Capital International and EAFE = Europe Australasia and Far East)

##### **Investment Administrator**

The Daily MSCI EAFE Index Strategy Account is administered by State Street Global Advisors, Boston, Massachusetts, the largest manager of international index assets.

##### **Investment Strategy and Portfolio Administration**

The MSCI EAFE Index consists of almost 1,000 stocks in twenty-one countries outside of North and South America, and represents approximately 85% of the total market capitalization in those countries. The Daily MSCI EAFE Index Strategy Account invests in three country/regional funds, which together make up the MSCI EAFE Index. Those funds include Europe, Japan, and Pacific Basin ex-Japan. This approach allows investors to gain daily exposure to EAFE as a whole, or any combination of the three component parts. The Daily MSCI EAFE Index Strategy Account employs an index replication approach in an attempt to match the returns of the Index. Replication results in low turnover, accurate tracking, and low costs. The Daily MSCI EAFE Index Strategy Account uses a hierarchy of trading processes when appropriate including internal crossing, external crossing, futures, and agency trades to attempt to capitalize on every opportunity to reduce the Account's transaction costs. In order to facilitate daily liquidity, the Account may hold up to 20% of its value in international equity index futures.

## Risk

International index strategies help clients achieve broad diversification across the markets and take advantage of low implementation costs. State Street's approach to index investing seeks to preserve the benefits of index management while utilizing the most effective investment methodology in every situation. The objective is to provide cost-efficient implementation with stringent risk controls and tracking requirements. Their experience has shown that, with sufficient asset size and a liquid benchmark, replication approach is the most effective way to match the returns of the Index in these markets.

## Portfolio Characteristics – As of December 31, 2010

<b>Ten Largest Holdings</b>	
1. Nestle SA	6. Novartis
2. HSBC Holdings	7. Total SA
3. Vondafone Group	8. Royal Dutch Shell PLC
4. BP PLC	9. Banco Santander
5. BHP Billiton Ltd	10. Telefonica S.A.

## Strategy Characteristics – As of December 31, 2010

	<b>Account</b>	<b>EAFE</b>
Number of Stocks	986	Fund
Market Cap (in billions)	51.3	Replicates
P-E	13.3	Benchmark
Yield	2.92	
Price to Book	2.8	
5 Year ROE	10.57	

<b>Top Ten Countries</b>					
<b>Country</b>	<b>Portfolio %</b>	<b>EAFE%</b>	<b>Country</b>	<b>Portfolio %</b>	<b>EAFE %</b>
Japan	22.40	Fund	Switzerland	8.11	Fund
United Kingdom	21.15	Replicates	Spain	3.38	Replicates
France	9.37	Benchmark	Sweden	3.31	Benchmark
Australia	8.67		Hong Kong	2.74	
Germany	8.43		Italy	2.69	

## Performance Results

Average Return for periods ended December 31, 2010

	<b>Quarter</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Years</b>
International Equity Account	6.58%	7.79%	7.79%	-6.82%	2.65%
EAFE Index	6.61%	7.75%	7.75%	-7.02%	2.46%

\* Quarter returns are those of the actual Commingled Fund in which SBERA invests: ZV3R. YTD, 1, 3 & 5 Year returns are those of the Base fund which has a longer history: ZV31LEN  
Ratio of Expenses to Average Net Assets for most recent fiscal year: 0.10%

**MERCATOR ASSET MANAGEMENT, L. P.  
INTERNATIONAL EQUITY ACCOUNT**

**Investment Objective and Philosophy**

Seeks long-term capital appreciation by investing primarily in equity securities traded principally on markets outside the United States.

**Investment Administrator**

The International Equity Account is managed by Mercator Asset Management, L. P. of Boca Raton, Florida.

**Investment Strategy and Portfolio Administration**

The fund invests in securities of foreign corporations that are traded on foreign exchanges or over-the-counter. The fund's basic approach to portfolio management is one of individual equity selection that seeks to identify undervalued stocks. The fund does not initially make industry or country allocations. As a result, country exposure may be concentrated at times, although prudent portfolio diversification practices are followed, designed to ensure that no sector becomes unduly overweighted. Under normal market conditions the fund invests at least 80% of assets in at least three countries not including the U.S.

**Risk**

It is important for you to know that it is possible to lose money by investing in this account. An investment in the account is not a deposit in a bank, nor is it insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth less than their original cost.

Because the account may invest in a limited number of issues, it may be subject to greater risk than other mutual funds having a greater number of holdings.

**Strategy Characteristics – As of December 31, 2010**

**Ten Largest Holdings**

1. WPP	6. Daiichi Sankyo
2. Hutchinson Whampoa	7. Vodafone Group
3. Sumitomo Tr. & Bk.	8. Nissan Motor
4. Bridgestone Corp.	9. Novartis
5. Kao Corp.	10. Nestle

## Strategy Characteristics – As of December 31, 2010

<u>Country</u>	<u>Portfolio %</u>	<u>Country</u>	<u>Portfolio %</u>
Japan	24.7%	Hong Kong	4.4%
Switzerland	15.5%	S. Korea	3.7%
Britain	13.5%	Spain	3.1%
France	10.0%	China	2.6%
Italy	4.7%	Singapore	2.5%

## Performance Results

Average Return for periods ended December 31, 2010

	<u>Quarter</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Years</u>
International Equity Account	5.4%	6.3%	6.3%	-4.2%	3.9%
EAFE Index	6.6%	7.8%	7.8%	-7.0%	2.5%

Ratio of Expenses to Average Net Assets for most recent fiscal year: 0.67%.

## SAVINGS BANKS EMPLOYEES RETIREMENT FUNDS

### CHARACTERISTICS AND PERFORMANCE HISTORY

#### MONEY MARKET ACCOUNT

##### Investment Objective and Philosophy

The Money Market Account seeks the maximum current income that is consistent with preservation of capital and liquidity. The Account intends to maintain a consistent net cash value of \$1.00 per share. The objective of the Account is to consistently out-perform the Lipper Average Money Market Fund Index.

##### Investment Administrator

The Money Market Account is presently managed internally by the Savings Banks Employees Retirement Association.

##### Investment Strategy and Portfolio Administration

All Money Market Account assets are invested in short-term securities issued by the U. S. Government and agencies of the U.S. Government, with maturities of six months or less. Interest is calculated at the end of the month. Interest on withdrawals is calculated to the date of withdrawal.

##### Risk

The Money Market Account offers the lowest risk of all the SBERA investment options. Great care is taken to ensure that the constant \$1.00 net asset value is maintained.

##### Portfolio Characteristic – As of December 31, 2010

###### Financial Attributes

1. Number of Holdings	26
2. Average Maturity (days)	104
3. Average Quality	All U.S. Agencies

##### Performance Results

###### Average Returns\* for Periods Ended December 31, 2010

	<u>Quarter</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
SBERA Money Market Account	0.04%	0.15%	0.15%	1.11%	2.56%	2.40%
Lipper Average Money Market Fund	0.00%	0.03%	0.03%	0.89%	2.37%	2.10%

\*Includes the reinvestment of all dividends and capital gains distributions. All returns are net of expenses.

Ratio of Expenses to Average Net Assets for most recent fiscal year: 0.02%

## SAVINGS BANKS EMPLOYEES RETIREMENT FUNDS

### CHARACTERISTICS AND PERFORMANCE HISTORY

#### **BOND ACCOUNT**

Effective August 2009, The SBERA Bond Account has three Managers

	<u>% December 31, 2010</u>
BlackRock U.S. Debt Index	33.06%
PIMCO Total Return	41.90%
Wellington Core Bond Plus	<u>25.04%</u>
	100.00%

#### Historically

Putnam Bond Account from 3-1-95 to 8-1-02

Barclays U.S. Debt Index from 8-1-02 to 8-26-09

#### **BlackRock U.S. Debt Index Fund**

#### **Investment Objective and Philosophy**

The Fund aims to match the performance of the Barclays Capital Aggregate Bond Index, the most widely recognized benchmark for U.S. debt. The Index measures the performance of the total universe of U.S. Government and other investment-grade fixed income debt, such as corporate and international dollar-denominated bonds, mortgage-backed and asset backed securities.

#### **Investment Manager**

BlackRock, Inc. San Francisco, California purchased the U.S. Debt index Fund from Barclays Global Investors on December 1, 2009.

#### **Investment Strategy**

BlackRock's investment strategy is designed to deliver high quality and efficient index-based portfolio management. They employ a stratified sampling approach to manage the bonds that make up the Index. The sampling strategy matches the systemic risk and return factors of the Index by mirroring important benchmark characteristics such as maturity, coupon and duration. This disciplined investment approach provides for a level of diversification, close benchmark tracking and lower transaction costs.

The Fund holds approximately 3,200 of the approximately 6,900 bonds in the Index and includes medium-to-high-quality bonds with maturities of at least one year including government, corporate, mortgage-backed and asset-backed securities. The Fund is broadly diversified across sectors, quality, coupon and time to maturity.

The Fund's duration is significantly lower than a long-term fund. As a result, the Fund is likely to experience lower price volatility because its duration is significantly less than a less diversified, long-term bond fund. In periods of rising interest rates, the Fund would be expected to lose less of its value than a long duration fund. However, in periods of declining interest rates, the expected return would be lower.

## Risk

The Fund is designed for investors seeking a high level of income. Comprised entirely of fixed-income securities, the Fund is exposed to a number of risks including interest rate, income, credit and prepayment risk. The Fund has a moderate exposure to changes in interest rates, particularly increases in interest rates. The risk level is moderate to low.

## Portfolio Characteristics – As of December 31, 2010

	<u>Fund Percent*</u>	<u>Index Percent</u>
U.S. Treasuries	33.28	33.75
U.S. Government Agencies	7.56	7.23
Finance	6.70	6.72
Industrial	9.90	9.90
Utility	2.10	2.12
Non-U.S. Credit**	3.94	3.94
Asset-Backed Securities	0.27	0.28
Mortgage Backed Securities	31.57	31.61
Commercial MBS	2.67	2.48
Hybrid ARM	1.05	1.12
Other (taxable muni)	0.95	0.84

\*Breakdowns may not sum to total due to rounding, exclusion of cash, STIF and statistically immaterial factors.

\*\*Dollar denominated bonds issued in the U.S. by a non-U.S. entity.

## Performance Results

Average Returns for the Periods Ended December 31, 2010

	<b>Quarter</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
BlackRock Bond Account	-1.34%	6.56%	6.56%	5.93%	5.83%	N/A
Barclays Capital Aggregate Bond Index	-1.30%	6.54%	6.54%	5.90%	5.80%	5.84%

All income is reinvested in the fund. The fund's inception is 10/01/01. Fund returns since inception is reported net of management fees and certain transaction costs and expenses charged to the fund. Returns prior to inception are those of a fund with similar investment strategy and are calculated gross of investment management fees.

Ratio of Expenses to Average Net Assets for most recent fiscal year: 0.06%

**PIMCO Total Return (Institutional)**  
**Available to SBERA Participants August 27, 2009**

**Investment Objective and Philosophy**

The fund seeks to provide consistent excess returns with similar or lower risk relative to the benchmark (Barclays Capital U.S. Aggregate Index) over a business cycle.

**Investment Manager**

Pacific Investment Management Company LLC (PIMCO) Newport Beach, California

**Investment Strategy**

- Continue to favor high quality, yield oriented securities in an environment of low growth and political uncertainty
- Target an overweight to duration as Treasury yields are near the top of our expected range over a cyclical time frame
- Look to continue yield curve steepening strategies in the U.S., Europe and the U.K. as central banks are likely to tighten more slowly than markets expect.
- Plan to retain an overweight to Agency mortgages but at reduced levels; these securities remain a relatively attractive source of high quality income, through their recent rally has driven their yield premiums closer to fair value
- Retain focus on high-grade corporate sectors with defensive characteristics and assets that typically provide strong collateral, such as pipeline, utility, telecom and energy companies. Plan to trim holdings of financials after their recent rally
- Seek to hold municipal bonds, especially longer maturities, which still offer attractive relative value versus taxable bonds
- Look to add to existing positions in TIPS, where new issuance is expected to be light and which offer a potential hedge against long-run inflation risks

**Risk**

Investing in a bond market is subject to certain risks including market, interest-rate, issuer, credit, and inflation risk. Investments may be worth more or less than original cost when redeemed. Mortgage and asset-backed securities may be sensitive to changes in interest rates, subject to early repayment risk, and their value may fluctuate in response to the market's perception of issuer creditworthiness; while generally supported by some form of government or private guarantee there is no assurance that private guarantors will meet their obligations. Investing in foreign denominated and/or domiciled securities may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. High-yield, lower-rated securities involve greater risk than higher-rated securities;

portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. Inflation-linked bonds (ILBs) issued by a government are fixed-income securities whose principal value is periodically adjusted according to the rate of inflation; ILBs decline in value when real interest rates rise. Treasury Inflation-Protected Securities (TIPS) are ILBs issued by the U.S. Government. Income from municipal bonds may be subject to state and local taxes and at times the alternative minimum tax. Currency rates may fluctuate significantly over short periods of time and may reduce the returns of a portfolio. Derivatives may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested

### Portfolio Characteristics – As of December 31, 2010

Sector Allocation	Percent of Market Value December 31, 2010	Percent of Duration December 31, 2010
Government-Related	22	15
Mortgage	45	31
Invest. Grade Credit	17	18
High Yield Credit	6	3
Non U.S. Developed	4	4
Emerging Markets	9	5
Municipal	3	8
Other	1	1
Net Cash Equivalents	-7	15
Commercial Paper / STIF	11	1
ST Government-Related	11	1
ST Mortgage	2	0
ST Credit	16	0
U.S. Money Market Futures/Options	61	12
Non-U.S. Money Market Futures	1	0
Other	5	1
Less: Liabilities	-114	0
<b>Total</b>	<b>100</b>	<b>100</b>

Allocation mix is subject to change and may not be representative of current or future allocations.

Government Related may include nominal and inflation-protected Treasuries, agencies, interest rate swaps, Treasury futures and options, and FDIC guaranteed corporate securities.

### Performance Results

Average Annual Returns for the Period Ended December 31, 2010

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years
PIMCO Total Return	-0.81%	9.33%	9.33%	9.59%	8.53%	7.80%
Barclays Capital Aggregate Bond Index	-1.30%	6.54%	6.54%	5.90%	5.80%	5.84%

Ratio of Expense to Average Net Assets for most recent fiscal year: 0.44%

**Wellington Core Bond Plus  
(Available to SBERA Participants August 25, 2009)**

**Investment Objective**

The Investment objective of a Core Bond Plus Portfolio is to achieve a long-term total rate of return well in excess of the Barclays Global Aggregate Bond Index.

**Investment Manager**

Wellington Management, Boston, Massachusetts.

**Investment Strategy**

The Core Bond Plus philosophy is based on three beliefs:

Diligent fundamental research will enable the management team to profit from having a view different from the view reflected in market prices;

The best results are achieved when the team has multiple active “bets” in the Portfolio, all of which can help add to returns, but no one of which will dominate the others, and;

An emphasis on risk control throughout the investment process is an essential step.

The team’s long-term investment results are achieved through their proven ability to translate this philosophy from abstract principles into concrete portfolios.

**Risk**

Typically, as the level of risk increases for an investment, investors expect greater returns. However, assuming a higher level of risk only enables an investor to potentially realize a higher rate of return; it is not guaranteed.

The Core Bond Plus Portfolio invests primarily in bonds of companies based in the United States. Among asset classes, bonds are more risky than cash/money market funds, but less risky than stocks (equity). Among various fixed income approaches, the Core Bond Plus Portfolio is more risky than US government bond funds but less risky than balanced funds, which include both stocks and bonds.

The performance of bonds is typically less volatile than those of stocks, however investment in the Portfolio could lose money over short-or even long-term periods. You should expect the Portfolio’s share price and total return to fluctuate similar to the fluctuation of the overall bond market.

The Portfolio’s performance could be hurt by:

**Interest Rate Risk:** Bond prices overall may be affected by interest rate changes. In general, bond prices rise when interest rates fall, and vice versa. This effect is usually more pronounced for longer-term securities.

**Credit Risk:** The company or entity that issues the bond may fail to pay the interest and principal in a timely manner. In addition, negative perceptions of the issue’s ability to make such payments may cause the price of the bond to decline.

**Derivatives Risk:** Derivative may be used for the purpose of reducing risk and/or obtaining efficient investment exposure. Derivatives may exhibit different return and risk characteristics from stocks and bonds, and also may be subject to counterparty risks.

**Non-US Securities Risk:** The Portfolio may invest a percentage of its assets in non-US securities and ADRs. Non-US securities and ADRs may be subject to different and additional risks, including currency, accounting, disclosure, securities regulation, commissions, taxes, and political or social instability.

**Manager Risk:** Poor security selection may cause the strategy to underperform relevant benchmarks or other funds with a similar investment objective.

Quality Distributions	Portfolio Percent	Index Percent
Cash	-23.5	0.3
Aaa	74.1	78.5
Aa	3.8	5.3
A	12.6	9.1
Baa	13.4	6.9
Ba	4.7	0.0
B	2.0	0.0
Below B	2.8	0.0
Not Rated	9.9*	0.0
Total**	99.8	100

\*Cash offset

\*\* May not add to 100% due to derivative positions held in portfolio.

## Performance Results

Average Annual Returns for the Periods Ended December 31, 2010

	Quarter	YTD	1 Year	3 Years	5 Years
Wellington Core Bond Plus	-0.39%	8.93%	8.93%	7.46%	6.39%
Barclays Capital Aggregate Bond Index	-1.29%	6.56%	6.56%	5.91%	5.80%

All income is reinvested in the fund. The fund’s inception is 5/31/00. Fund returns since inception are reported net of management fees and certain transaction costs and expenses charged to the fund. Performance returns for less than one year are not annualized. Past performance is no guarantee of future results.

Ratio of Expenses to Average Net Assets for most recent fiscal year: 0.35%.

## SAVINGS BANKS EMPLOYEES RETIREMENT FUNDS

### CHARACTERISTICS AND PERFORMANCE HISTORY

#### SMALL CAP VALUE ACCOUNT

(Available for SBERA Participants August 1, 2002)

Please Note: The Small Cap Value Account has been managed by Mesriow Financial Investment Management, Inc. since February 2009. The prior manager was Ark Asset Management Co.

#### Investment Objective and Philosophy

Mesriow's Small Cap Value philosophy reflects the belief that a diversified portfolio of undervalued securities will outperform the market over time as well as preserve principal in a difficult market environment. The strategy's goal is to outperform the Russell 2000 Value Index over a full market cycle.

#### Investment Manager

Mesriow Financial Investment Management, Inc. whose main office is in Chicago, Illinois has been administering the Small Cap Value Account since February 2009. Mesriow Financial is a diversified financial services firm founded in 1937 and employs 1,100 employees in fourteen states, Puerto Rico and London. It is an independent, employee-owned firm with \$31.4 billion in assets under management across eight distinct product areas.

#### Investment Strategy and Portfolio Administration

Mesriow's Small Cap Value Investment Process is a highly disciplined, three stage process. In the first stage, two thousand companies are evaluated based on universe selection, quantitative data analysis, industry grouping by the valuation model to select one hundred fifty undervalued companies based on historical market research. In the second stage, the one hundred fifty companies undergo a detailed analysis of free cash flow review and valuing financial statement analysis, industry analysis, due diligence interviews and analyst recommendation. In the third and final stage, up to fifty-five companies are selected for the portfolio after which they are continually monitored by the investment team. There is strict adherence to a value driven stock selection process with equally weighted security positions with low turnover.

#### Risk

Mesriow's Small Cap Value investment process and valuation discipline is designed to be conservative and less volatile than the market. Their deep-value equity strategy, which focuses on dividend yield and free cash flow, has allowed the portfolio to participate in bull markets, but more importantly seek to protect principal in bear markets. They maintain a rigid market capitalization that forbids them from "drifting" into other asset classes. The portfolio is diversified across up to fifty-five holdings with individual holdings limited to a five percent position.

### Top Ten Small Cap Value Portfolio Holdings as of December 31, 2010

BorgWarner	4.5%
EZCORP	3.6%
OmniVision Technologies	3.3%
P.F. Chang's China Bistro	2.8%
Oil States International	2.7%
Silgan Holdings	2.6%
Jo-Ann Stores	2.6%
IBERIABank	2.6%
Children's Place Retail Stores	2.6%
Health Management Associate.	2.5%
<b>Total</b>	<b>29.8%</b>

### Portfolio Characteristics – As of December 31, 2010

	Small Cap Value	Russell 2000® Value Index
Weighted Average Market Cap (\$MM)	\$1,952	\$1,131
P/E Ratio (I/B/E/S One Year Forecast)	23.0	29.3%
Dividend Yield	1.3%	1.9%
Price to Book Ratio	1.8	1.4
5 Year ROE	17.2	20.0
Beta	9.8%	3.5%

### Performance Results as of December 31, 2010

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years
Small Cap Value	13.48%	22.30%	22.30%	4.73%	6.02%	11.06%
Russell 2000 Value Index	15.36%	24.51%	24.51%	2.18%	3.52%	8.42%

Performance information that is provided gross of fees does not reflect the deduction of advisory fees. Client returns will be reduced by such fees and other expenses that may be incurred in the management of the account. Advisory fees are described in Part II of Form ADV of Mesirow Financial Investment Management, Inc. We have used our maximum stated fee (1.00% per annum) to calculate net performance. We do, however, have clients that pay lower fees than the maximum. Performance results include the reinvestment of dividends and earnings in the composite. Past performance is not necessarily indicative of future results.

The Russell 2000 Value Index offers investors access to the small cap value segment of the U.S. equity universe. The Russell 2000 Value Index is constructed to provide a comprehensive and unbiased barometer of the small cap value market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine value probability approximated the aggregate small cap manager's opportunity set.

This index has been displayed as a comparison to the performance of the Mesirow Financial Investment Management, Inc. Small Cap Value Equity Composite.

Ratio of Expenses to Average Net Assets for most recent fiscal year: 0.95%

## SAVINGS BANKS EMPLOYEES RETIREMENT FUNDS

### CHARACTERISTICS AND PERFORMANCE HISTORY

#### LARGE CAP VALUE ACCOUNT

Since October 22, 2010, SBERA's Large Cap Value Account has been managed by two investment managers:

**Aronson+Johnson+Ortiz**

**Institutional Capital**

The characteristics and performance history of the two managers are outlined below.

#### Aronson+Johnson+Ortiz

#### Investment Objective and Philosophy

While primarily value-oriented, AJO believes superior results are best achieved through a combination of value, growth and momentum. Their approach is computer-oriented. AJO focuses on asset-rich companies, selling at relatively low multiples of earnings, with proven and confident management, and earnings and price momentum. AJO's decision-making process is bottom-up. Their process includes multifactor valuation, disciplined portfolio construction, and cost effective portfolio rebalancing rules.

#### Investment Administrator

Aronson+Johnson+Ortiz is predominately a Large Cap Value Manager from Philadelphia, Pennsylvania.

#### Investment Strategy and Portfolio Administration

AJO starts their stock selection process by screening primarily Compustat for candidates that they believe are liquid, financially strong, and seasoned (i.e., three years operating history). Of the remaining 1,700 names, AJO will focus on the largest 1,000 companies excluding American Depositary Receipts (ADRs). After the initial screens, their multifactor valuation model takes over. They divide their universe into thirteen sectors reflecting statistical and fundamental economic relationships among stocks. In addition to aiding security analysis, peer-group classification also contributes to portfolio diversification.

For each stock-selection criteria, they attempt to determine the relative position of each company within its sector. The better the relative position, the higher the expected return contribution from the stock selection factor. Four measures of relative attractiveness get equal influence in their calculation of expected return: assets, earnings and sales, management and momentum.

AJO's portfolios hold between 100 and 120 stocks. Positions are generally initiated at 0.4% weights, and can grow to no more than 1.5% above the index weight. Sector weights are neutral to the benchmark, the Russell 1000 Value. Annual turnover is approximately 110%.

## Risk

It is important for you to know that it is possible to lose money by investing in this account. An investment in the account is not a deposit in a bank, nor is it insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth less than their original cost.

Because the account may invest in a limited number of issues, it may be subject to greater risk than other mutual funds having a greater number of holdings.

## Strategy Characteristics – As of December 31, 2010

Ten Largest Holdings	
1. Chevron	6. Johnson & Johnson
2. JPMorgan Chase	7. ConocoPhillips
3. Wells Fargo & Co	8. Microsoft Corp
4. AT&T	9. UnitedHealth Group
5. Procter & Gamble	10. Hess Corp

## Strategy Characteristics – As of December 31, 2010

	<u>Account</u>	<u>Russell 1000 Index</u>
Number of Stocks	113	668
Market Cap (in billions)	61.9	71.0
P/E Ratio (FY1)	11.6	12.8
Yield	1.9	2.2
Price to Book	1.6	1.6
5 Year ROE	17.7	14.8

## Performance Results – As of December 31, 2010

	<u>Quarter</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Years*</u>	<u>5 Years*</u>
Aronson Large Cap Value Account	10.45%	15.71%	15.71%	-3.20%	1.53%
Russell 1000 Value Index	10.54%	15.51%	15.51%	-4.42%	1.27%

\* Returns for time periods greater than one year have been annualized.

Ratio of Expenses to Average Net Assets for most recent fiscal year: 0.55%.

**SAVINGS BANKS EMPLOYEES RETIREMENT FUNDS**  
**CHARACTERISTICS AND PERFORMANCE HISTORY**

**ICAP Large Cap Value Account**

**(Originally available to SBERA Participants March 1, 2002 as a  
Mid-Large Cap Value Account)**

**Investment Objective and Philosophy**

The investment objective of the ICAP Large Cap Value account is to seek a superior total return with only a moderate degree of risk. The Account seeks to achieve its investment objective by investing primarily in U.S. dollar-denominated equity securities of companies with market capitalizations of at least \$2 Billion. The Account seeks to achieve a total return greater than the S & P 500 over a full market cycle and indices comprised of value-oriented stocks over shorter periods. The Account may invest in cash and cash equivalents but the Account's investment in such instruments will generally not exceed 5% of its total assets. The Account intends to be virtually fully invested in equity securities at all times. The Account will typically hold between 40 and 45 securities.

**Investment Manager**

Institutional Capital Corporation (ICAP) is located in Chicago, Illinois, and is one of the two managers for the Large Cap Value Account.

**Investment Selection Process**

ICAP uses a team approach with a value-oriented investment style. ICAP employs a rigorous evaluation process that starts with a universe of approximately 450 stocks. This universe includes the largest companies in the S & P 500 and about 50 American Depositary Receipts (ADRs) of large multi-national companies (based mostly in Canada and Europe including the United Kingdom). ICAP looks beyond traditional measures of value to find companies where a catalyst for positive change is about to occur. Specifically, ICAP focuses on companies where this catalyst has the potential to produce significant stock appreciation relative to the market over a twelve-to-eighteen month time period. All buy and sell decisions are made collectively by the investment team. The 40 to 45 stocks chosen are the best 10% of their 450 stock universe based on ICAP's evaluations and projections.

## Risk

The ICAP Large Cap Value Account will invest primarily in equity securities. Equity securities generally increase or decrease in value based on earnings of a company and on general industry and market conditions. Equity securities markets may be volatile and are affected by economic growth and market conditions, interest rate levels, and political events. Therefore, especially in the short term, the Account's value will fluctuate and may, at redemption be worth more or less than your initial purchase price – accordingly, you could lose money on this investment.

### Strategy Characteristics – As of December 31, 2010

Ten Largest Holdings	
1. Pfizer	6. Vodafone Group
2. ConocoPhillips	7. Merck
3. PepsiCo	8. Wells Fargo
4. Occidental Petroleum	9. Chevron
5. Viacom	10. Honeywell International

### Strategy Characteristics – As of December 31, 2010

	<u>Account*</u>	<u>S &amp; P 500 Index</u>
Wtd. Average Market Cap – (in billions)	\$75 billion	\$81 billion
P-E Ratio (forward)	12.2x	15.2
Yield	2.3%	1.9%
Price-to-Book	2.5x	3.6x
5 Year ROE	18.3%	23.3%

\*ICAP Equity Composite characteristics are as of December 31, 2009. The portfolios included in the composite are actively managed and the portfolio characteristics may change at any time. The ICAP Equity Composite reflects the portfolio characteristics of all of ICAP's fully invested separate accounts subject to certain exclusions. ICAP excludes from its composite the account it maintains for ICAP Funds, Inc. Accounts managed by ICAP for less than one full month are also excluded. Accounts with severe restrictions on investments in certain securities or industries are likewise excluded from the composite.

### Performance Results – As of December 31, 2010

	<u>Quarter</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>Since Inception*</u>
ICAP Large Cap Value Account	11.10%	17.20%	17.20%	-1.81%	4.19%	4.86%
S & P 500 Index	10.76%	15.06%	15.06%	-2.86%	2.29%	1.10%

Performance figures are gross of fees. Fees and other expenses incurred will reduce investment returns. Past performance does not guarantee future results.

\*Inception date is October 31, 1999. Performance for periods greater than one year is annualized.

Ratio of Expenses to Average Net Assets for most recent fiscal year: 0.53%

## SAVINGS BANKS EMPLOYEES RETIREMENT FUNDS

### CHARACTERISTICS AND PERFORMANCE HISTORY

#### LIFEPATH ACCOUNTS (Available for SBERA Participants July 1, 2003)

These funds are intended for participants who would rather leave their 401(k) account asset allocation decisions to a professional investment manager. Each fund utilizes a predetermined mix of specific asset classes with frequent re-balancing back to the fund's target allocation

The LifePath series includes the following separate funds:

- LifePath Retirement
- LifePath 2010 (merged into "LifePath Retirement" on December 31, 2009)
- LifePath 2020
- LifePath 2030
- LifePath 2040
- LifePath 2050 (available January 4, 2010)

The number —as in LifePath 2020 — is the approximate year when a participant plans to start withdrawing their money. One portfolio, *Retirement* — does not include a number because it is designed for people currently withdrawing their money. That portfolio is intended for people already in their retirement.

Each fund has a different allocation of assets depending upon the year. The LifePath 2050 for example has the largest percentage of equities since the time to withdrawal is the furthest away. As the year referenced in the fund nears, the asset allocation automatically becomes more conservative.

#### Investment Managers

Effective December 1, 2009, Barclay's LifePath Funds were acquired by BlackRock, Inc with principal offices in San Francisco, CA.

#### Investment Strategy

The LifePath portfolios are designed to be complete investment solutions for individuals. Each LifePath strategy is a broadly diversified portfolio designed for both a particular risk tolerance and when the money will be needed. The LifePath portfolios are monitored each day to ensure that each portfolio at all times will have the characteristics and asset allocation determined by the LifePath model. That way each portfolio will consistently be positioned on the efficient frontier, i.e. maximizing expected return for any given level of risk. At all times, they maintain extremely well diversified portfolios, drastically reducing security specific risk, again maintaining long-term goals and objectives at all times. The portfolios are typically rebalanced 15-25 times a year. The typical rebalance is 2% of the total assets, with an annual turnover of approximately 40%-45%.

## Risk

The LifePath series has been designed to cover the risk spectrum from low to high. The LifePath Retirement represents the lowest risk while the LifePath 2050 represents the highest risk. The risk is controlled through the portfolio holdings with the LifePath Retirement having a larger concentration of lower-risk investments, such as bonds and money market instruments together with a small allocation to equities. LifePath 2050 has a larger concentration in equities and a smaller allocation to bonds. The allocation of each fund is shown below.

### Portfolio Characteristics as of December 31, 2010

Fund	Stocks		Bonds	Money Market	REITS	TIPS
	Domestic	International				
LifePath Retirement	26.88	11.05	52.64	0.00	0.75	8.69
LifePath 2010	38.33	16.62	35.89	0.00	3.62	5.58
LifePath 2020	47.58	21.05	22.50	0.00	5.88	2.99
LifePath 2030	54.96	24.59	11.56	0.00	7.77	1.12
LifePath 2040	61.36	27.70	1.52	0.00	9.41	0.00

### Performance Results as of December 31, 2010

	Quarter	YTD	1 Year	3 Years	5 Years	Since Inception
LifePath Retirement	3.14	10.20	10.20	3.52	5.00	5.95
LifePath 2010	5.47	11.73	11.73	0.67	3.90	6.95
LifePath 2020	7.21	12.77	12.77	-0.94	3.20	7.06
LifePath 2030	8.61	13.63	13.63	-2.32	2.56	7.25
LifePath 2040	9.84	14.32	14.32	-	-	-1.90

### Benchmarks

	Quarter	YTD	1 Year	3 Years	5 Years	Since Inception
Treasury Bills	0.04	0.13	0.13	0.69	2.30	3.58
Barclays Aggregate	-1.30	6.54	6.54	5.90	5.80	6.10
S & P 500 Index Total Return	10.76	15.06	15.06	-2.86	2.29	7.97
Dow Jones US Completion Total Stock	15.49	28.62	28.62	2.53	5.54	9.33
ACWI ex US	7.73	12.73	12.73	-4.42	4.89	5.77
TIPS	-0.65	6.31	6.31	4.97	5.33	6.76
REITS	6.15	20.40	20.40	-1.98	1.27	10.04

Rates of expenses to Average Net Assets for most recent fiscal year: 0.52%

\*MSCI® ACWI ex-US IMI replaced MSCI® ACWI ex-US Index April 1, 2008. The above are combined historical performance returns.

\*The FTSE EPPA/NAREIT Global Index replaced the MSCI US REIT Index on April 1, 2008. The above are combined historical performance returns.

## **SAVINGS BANKS EMPLOYEES RETIREMENT FUNDS**

### **CHARACTERISTICS AND PERFORMANCE HISTORY**

#### **LARGE CAP GROWTH ACCOUNT**

**(Available for SBERA Participants August 1, 2003)**

#### **Investment Objective and Philosophy**

INTECH Investment Management, LLC (INTECH) offers equity investors a highly disciplined, mathematical investment strategy designed to seek long-term returns in excess of the target benchmark, while reducing the risk of significant under performance. The Large Cap Growth Account uses the S & P Citigroup Growth Index as a benchmark.

INTECH's active strategies are based on a rigorous mathematical theory that seeks to demonstrate that by combining securities with high relative volatility, but low covariance, a portfolio could be constructed that would outperform a benchmark index over the long term. The key element is in INTECH's engineering of that process into a specific portfolio construction methodology.

The underlying premise of the strategy capitalizes on the covariance structure of the market and stock volatility to build portfolios of companies whose price variability is designed to produce returns in excess of the benchmark. The innovative element of INTECH's approach derives from the fact that no estimates are necessary of the future rates of return for the stocks in the portfolio. In practice, such estimates are based on analysts' forecasts and are susceptible to error. INTECH's process is based on mathematically proven market dynamics and does not depend on proprietary fundamental forecasts.

INTECH's process is different than either traditional fundamental or quantitative strategies and the hallmark of the process is the risk managed nature of the strategy.

#### **Investment Manager**

The Large Cap Growth Account is managed by INTECH Investment Management, LLC (INTECH) of West Palm Beach, Florida. The firm has managed Large Cap Growth assets since June 30, 1993, and believes that they can add value using natural stock price volatility through a mathematically based risk controlled process. INTECH's strategy has produced net returns in excess of the benchmark since inception.

#### **Investment Strategy and Portfolio Administration**

For the Large Cap Growth Strategy, the process begins with the universe of securities in the S & P 500 Growth Index or the Russell 1000 Growth Index. From that universe, the mathematical process is applied with specific risk parameters for the Large Gap Growth Mandate.

Target proportions are established as a result of a routine designed to build a portfolio that will outperform a passive benchmark over the long term. Those target proportions are established using a mathematical formula to determine the ideal weightings of each stock in the portfolio. Once the proportions are determined and the portfolio is constructed, it is then re-balanced to those target proportions every six business days and partially re-optimized weekly. The resultant turnover in the portfolio is approximately 90% per year.

### Risk

INTECH strategies attempt to provide consistent upside potential combined with downside protection. Risk management is at the heart of INTECH's investment process as they do not "pick or predict" the direction of stocks, but use natural stock price volatility to attempt to generate excess returns.

### Top Ten Large Cap Growth Portfolio Holdings as of December 31, 2010

Large Cap Growth	% Total	S & P 500 Growth Index	% Total
Apple Inc.	4.83	Apple Inc.	5.07
International Business Machine	2.94	Microsoft Corp.	3.60
Microsoft Corp.	2.37	International Business Mchine	3.12
Cognizant Technology Solutions	2.34	Coca-Cola Co.	2.62
McDonald;s Corp.	2.22	Google, Inc.	2.54
Altria Grupo Inc.	2.06	Oracle Corp.	2.08
NepApp Inc.	1.81	Schlumberger Ltd.	1.95
Ford Morot Co.	1.72	Phillip Morris International Inc	1.82
General Mills	1.67	PepsiCo Inc.	1.77
Express Scripts Inc.	1.64	Johnson & Johnson	1.75

### Portfolio Characteristics – As of December 31, 2010

	Large Cap Growth Composite	S & P Citigroup Growth
Weighted Average Market Cap (\$B)	\$57.23	\$79.52
P/E Ratio Forecasted	22.74	18.68
Dividend Yield (Current)	1.53%	1.73%
P/B Ratio	6.50	4.95
ROE (Annual)	26.28	23.45
Beta	0.93	1.00

### Performance Results As of December 31, 2010

	Quarter	YTD	1 Year	3 Year	5 Years
Large Cap Growth Composite	10.49%	17.43%	17.43%	-0.15%	3.19%
S & P 500 Growth Index	11.02%	15.05%	15.05%	-0.50%	3.58%

*\*From inception to 12/31/05, the portfolio's benchmark was the S&P 500/Barra Growth Index (the 'Barra Index'). During the period from 1/01/2006 to 3/31/2006, the benchmark return consisted partially of the return of the Barra Index and the S&P 500/Citigroup Growth Index (the 'Citigroup Index') to resemble the portfolio's composition during the transitional period. On 4/01/2006, the portfolio's benchmark was changed to the Citigroup Index. Effective 12/9/2009, the Citigroup Index name changed to S&P 500 Growth Index.*

Ratio of Expenses to Average Net Assets for most recent fiscal year 0.65%.

## **SAVINGS BANKS EMPLOYEES RETIREMENT FUNDS**

### **CHARACTERISTICS AND PERFORMANCE HISTORY**

#### **ALL ASSET ACCOUNT**

**(Available for SBERA Participants July 15, 2005)**

#### **Investment Objective and Philosophy**

The objective of the All Asset Account is to produce returns which are 500 basis points above the Consumer Price Index (CPI) which measures inflation experienced by consumers in their day-to-day living expenses. The All Asset Account seeks to achieve its investment objective by investing under normal circumstances substantially all of its assets in Institutional Class Shares of other Funds of the Trust with the exception of the All Asset Authority Fund. While the All Asset Account can invest in almost any PIMCO fund in order to reach its target return, it focuses on certain funds listed under "Portfolio Characteristics" below

#### **Investment Administrator**

The PIMCO family of funds is located in Newport Beach, California. The All Asset Account is sub-advised by Research Affiliates, LLC, an advisory firm majority-owned by Robert Arnott. Mr. Arnott is well known as a practitioner for creating innovative investment products that add value to client portfolios.

#### **Investment Strategy and Portfolio Administration**

The All Asset Account employs an active, multi-market strategy that fundamentally seeks to provide necessary long-term real inflation-adjusted returns, along with significant asset class diversification. The strategy is designed as a fund of funds that allocates among a full range of PIMCO strategies and targets real returns in excess of the Consumer Price Index. The All Asset Account measures itself against two benchmarks. One is the Barclays Capital Global Real: U.S. TIPS 1-10 year index. (TIPS refers to Treasury Inflation Protected Securities.) The second is a benchmark created by adding 500 points to the CPI. The strategy is a core asset offering to replace conventional assets:

- If you are concerned with current low earnings yields, or that future equity total returns may not match historic norms, the funds offer a more balanced approach to active allocation, using tactical equity exposure only when attractive and not as a core asset.
- If you have an allocation to inflation hedging or hard assets, the funds contribute to the real return portion of your portfolio through real yield, and potential capital appreciation, and with daily liquidity.
- If you are just beginning to consider alternative investments, the funds may offer an attractive risk/return profile, with transparency and daily liquidity that rarely is available in this special market area.

The All Asset Account rebalances among funds, as real return value shifts in the market. In pursuit of its inflation-plus targeted return, the fund investments are actively managed by Research Affiliates, LLC, a sub-advisor that possesses the experience, technology, and expertise necessary to allocate and rebalance among PIMCO mutual funds. A key feature is the broad selection of asset classes available to the sub-advisor as it pursues the account's return objective. The sub-advisor relies on a number of essential building blocks to make its allocation decisions. In order of importance:

1. Potential for long term real returns. The sub-advisor bases expected returns on models that project an asset's current yield and anticipated real growth in yield. It then compares expected returns of the asset class with historical yields and with yields of other asset classes to determine whether the asset is under, over, or fairly valued. The sub-advisor intends that, as market views change, positions should experience rewards sooner, rather than over the long term.
2. Potential value added to PIMCO specialty portfolio managers. The All Asset Account derives part of its return from the ability of underlying component fund managers to outperform their funds' benchmark indices. Whether a fund manager consistently is able to beat the benchmark is a factor used to determine allocation to a particular component fund.
3. Current equity and bond risk premium. A high equity risk premium benefits assets with equity-like characteristics, including high-yield bonds. An environment of low equity risk premiums is likely to favor other sectors, like TIPS or commodity indices.
4. Lead/lag relationships and return patterns. Some markets lead economic events; others often lag. Markets may also lead or lag one another. And one market may tend to trend while another may exhibit "residual reversal". The All Asset Account considers these less appreciated factors as part of the active allocation process.
5. Expertise. Experts at PIMCO and Research Affiliates possess an uncommon depth and breadth of experience within various asset classes. Formally once a month, and informally thorough out the month as required, key personnel at both firms engage in substantive dialogue, formulating strategy that then is incorporated into the final allocation decisions.

## Risk

PIMCO which has extensive fund-management experience, controls the operational risk of the funds. Sub-advisor Research Affiliates recommends trades and new allocations, while PIMCO executes the recommendations within its mutual fund management platform. To optimize risk controls and targeted tracking error, PIMCO maintains internal guidelines for the All Asset Account, including:

- No more than fifty percent of the account is invested in any single PIMCO fund.
- No more than fifty percent of the fund is invested in PIMCO funds that track equity indices (e.g., Stocks PLUS, Stocks PLUS Total Return and International Stocks PLUS Total Return). No investment in Short Stock Funds.
- No more than seventy percent of the account is invested in PIMCO's Real Return funds, including the Commodity Real Return Strategy Fund and Real Estate Real Return Fund.

## Portfolio Characteristics – As of December 31, 2010

<b>Short-Term Strategies</b>	<b>6.9%</b>
Low Duration Fund	
Short Term Fund	
Floating Income Fund	
<b>US Bond Strategies</b>	<b>9.8%</b>
GNMA Fund	
Total Return Mortgage Fund	
Long Term US Government Fund	
Total Return Fund	
<b>Alternative Strategies:</b>	<b>36.7%</b>
High Yield Fund	
Emerging Markets Bond Fund	
Global Bond Fund (Unhedged)	
Foreign Bond Fund (Unhedged)	
<b>Inflation Related Strategies:</b>	<b>18.7%</b>
Real Return Fund	
Real Return Asset Fund	
Commodity Real Return Strategy Fund	
Real Estate Real Return Strategy	
<b>Equity Strategies</b>	<b>8.5%</b>
Stocks PLUS Fund	
Stocks PLUS Total Return Fund	
Int'l Stocks PLUS TR Strategy Fund	
<b>Other Strategies</b>	<b>19.5%</b>
Convertible Fund	
European Convertible Fund	
	<b>100.1%</b>

## Performance Results

Average Annual Return for periods ended December 31, 2010

	<u>Quarter</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>
All Asset Account	1.18%	13.68%	13.68%	5.73%	6.22%
Consumer Price Index plus 5%	1.60%	6.68%	6.68%	6.61%	7.40%

Includes the reinvestment of all dividends and capital gains distributions. All returns are net of expenses.

All Asset Account's inception was 7/31/02. Available to SBERA 401(k) participants July 15, 2005.

Ratio of Expenses to Average Net Assets for most recent fiscal year: 0.87%

SAVINGS BANKS EMPLOYEES RETIREMENT FUNDS

CHARACTERISTICS AND PERFORMANCE HISTORY

**SBERA ACCOUNT**

**(Available to 401(k) Participants June 1, 2006)**

**Investment Objective and Philosophy**

The SBERA Account is designed to provide results that parallel the performance of the SBERA Defined Benefit Plan Assets. Given this objective, the Account is expected to provide investors with long-term growth of capital and income. The SBERA Account provides investors with great diversification and significantly less risk than a more concentrated portfolio.

**Note: This is not a Balanced Account or a Life Cycle Account such as the Life Path Accounts.**

**Investment Administrator**

The SBERA Account is administered by the Savings Banks Employees Retirement Association and provides results that are similar to the performance of the SBERA Defined Benefit Plan Assets which are administered by the SBERA Investment Committee.

**Investment Strategy and Portfolio Administration**

The SBERA Account is passively administered using a “Full Replication” approach holding the investments of the SBERA Defined Benefit Assets in the same proportion as are held in the Defined Benefit Assets. The Account is rebalanced at least monthly.

**Risk**

The SBERA Account remains fully invested in the same proportion as the Defined Benefit Plan Assets. For the participant, owning shares in the Account indicates a desire for investment returns equal to that of the SBERA Defined Benefit Plan Assets with the acceptance of the volatility that is inherent in equity and fixed income investments.

## Portfolio Characteristics – As of December 31, 2010

<i>Allocation*</i>		
<b>Equities</b>	<b>Percent</b>	<b>Priced</b>
S & P 500 Account	9.92	Daily
Large Cap Value Account	8.84	Daily
Large Cap Growth Account	8.81	Daily
Small Cap Value Account	1.21	Daily
Small Cap Growth Account	9.61	Daily
International Account	14.35	Daily
<b>Fixed Income &amp; Other</b>		
Bond Account	19.72	Daily
All Asset Account	9.16	Daily
GMO Offshore Account	1.11	Monthly
GMO Benchmark Fee Account	4.62	Daily
Mellon Global Alpha 1 Account	4.70	Daily
Entrust Capital Account	4.34	Monthly
Crestline Investors Account	3.61	Monthly
	100.00	

\*Although the SBERA Account is priced daily, some of the investments within the account are priced monthly as indicated above. The prices are updated during the month when the new price is received from the investment manager.

<b>Ten Largest Equity Holdings</b>			
Apple Inc.	1.1%	Coca ColaCo/The	0.7%
Microsoft Corp.	1.0%	Intl.Business Machines.	0.7%
Wells Fargo & Co.	0.9%	Merck + Co. Inc.	0.6%
Chevron Corp.	0.8%	Conocophillips	0.6%
Exxon Mobil Corp	0.8%	Pepsico, Inc.	0.6%

## Performance Results as of December 31, 2010

Average Returns for period ended December 31, 2010

	<b>Quarter</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years*</b>
SBERA Account*	6.08%	12.52%	12.52%	0.82%	4.20%
60% S&P 40% Barclays Capital Agg. Bond Index	5.58%	12.13%	12.13%	1.14%	4.08%

\*The performance results shown are for the SBERA Defined Benefit Employer Assets for the period indicated. Past performance is no guarantee of future results.

Ratio of Expenses to Average Net Assets for most recent fiscal year: 0.45%

## Plan Administrator's Summary

This Investment Guide has been developed by SBERA to be a helpful tool for SBERA Plan Participants to use in establishing their long-term investment program. Hopefully, you will find it to be an informative and straightforward addition to the Smarter Money Financial Planning Software available through the SBERA website and your employer's Human Resources Department.

If you have any questions concerning this Investment Guide or the operation of your SBERA Plan(s), please contact your Plan Representative.

**Produced and Distributed  
By**

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