

### Proposal – Fidelity / Pyramis Emerging Market Allocation

**Recommended:** That Pyramis Global Advisors be allowed to invest up to 15% of its International Growth mandate into the Pyramis Emerging Markets Equity Trust (“15% EME”).

#### Investment Performance Analysis:

##### Annualized Returns (As of September 30, 2010)

	1-Yr	2-Yr	3-Yr	4-Yr	5-Yr
Pyramis International Growth	0.76%	2.29%	-6.97%	-2.04%	1.01%
Pyramis Emerging Markets Equity Composite	14.63%	13.12%	-4.21%	5.94%	9.46%
International Growth + 15% EME	2.75%	3.99%	-6.42%	-0.76%	2.36%
Value added (Over Pyramis International Growth)	1.99%	1.70%	0.54%	1.28%	1.35%

##### Annual Returns (Years Ended September 30)

	2010	2009	2008	2007	2006
Pyramis International Growth	0.76%	3.84%	-23.03%	14.35%	14.21%
Pyramis Emerging Markets Equity Composite	14.63%	11.63%	-31.31%	43.34%	24.71%
International Growth + 15% EME	2.75%	5.24%	-24.22%	18.38%	15.86%
Value added (Over Pyramis International Growth)	1.99%	1.40%	-1.19%	4.02%	1.65%

##### Volatility (As of September 30, 2010)

	1-Yr	2-Yr	3-Yr	4-Yr	5-Yr
Pyramis International Growth	11.84%	15.99%	16.98%	15.46%	14.76%
Pyramis Emerging Markets Equity Composite	13.69%	24.52%	25.76%	23.54%	23.05%
International Growth + 15% EME	12.04%	16.81%	17.81%	16.22%	15.55%
Additional volatility (Over Pyramis International Growth)	0.20%	0.82%	0.83%	0.76%	0.79%

##### Sharpe Ratio (As of September 30, 2010)

	1-Yr	2-Yr	3-Yr	4-Yr	5-Yr
Pyramis International Growth	0.032	0.092	N/A	N/A	N/A
Pyramis Emerging Markets Equity Composite	1.041	0.502	N/A	N/A	N/A
International Growth + 15% EME	0.196	0.188	N/A	N/A	N/A
Value added (Over Pyramis International Growth)	0.165	0.097	N/A	N/A	N/A
91-Day T-Bills	0.38%	0.82%	1.77%	2.42%	2.67%

#### Arguments in Favour of Emerging Markets:

- 1) Would have added 1.35% annualized to our portfolio over the past 5 years and would have added value in four of the past five years
- 2) Higher risk-adjusted return, based on Sharpe ratio
- 3) Increasing global importance of emerging markets
- 4) Attractive investment opportunities for companies located in emerging markets
- 5) Favourable demographics
- 6) Potential for growth in domestic demand
- 7) Highly competitive labour costs
- 8) Stronger fiscal positions
- 9) No change in fees with up to 15% in emerging markets

**Arguments Against Emerging Markets:**

- 1) Would have increased the volatility of our portfolio by 0.79% annualized over the past 5 years
- 2) Stronger GDP growth does not necessarily imply stronger stock market performance
- 3) Volatility in emerging markets tends to be greater
- 4) Correlation with developed markets has been increasing over time
- 5) Higher transaction costs and lower liquidity
- 6) Currency risk is difficult to hedge
- 7) Corporate governance concerns

**Impact on Diversified Equity Fund and Non-North American Equity Fund:**

Manager	Existing Emerging Markets Constraints	Emerging Markets Exposure as of Sep 30, 2010	Proposed Emerging Markets Exposure	Weight in Diversified Equity Fund	Weight in Non-North American Equity Fund
AllianceBernstein	May include emerging markets	6.0%	6.0%	15%	50%
Pyramis	If country to be added to MSCI EAFE Index or stock traded on a designated stock exchange	2.9%	15.0%	15%	50%
Harris	Max 15%	4.3%	4.3%	8.75%	0%
T. Rowe Price	MSCI World AC + 15%	23.5%	23.5%	8.75%	0%
Diversified Equity Fund	See above	3.8%	5.6%	N/A	N/A
Non-North American Equity Fund	See above	4.4%	10.5%	N/A	N/A

**Implementation Considerations:**

- 1) Advance notice to members of the mandate change
- 2) Amendments to trust agreement and investment manager agreement