GOVERNMENT OF GUAM

RETIREMENT FUND

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Date: April 1, 2010

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Document(s): Copy of Mercer Investment Consulting, Inc.'s Executive Summary of the Government of Guam Retirement Fund Investment Performance for First Fiscal Quarter 2010

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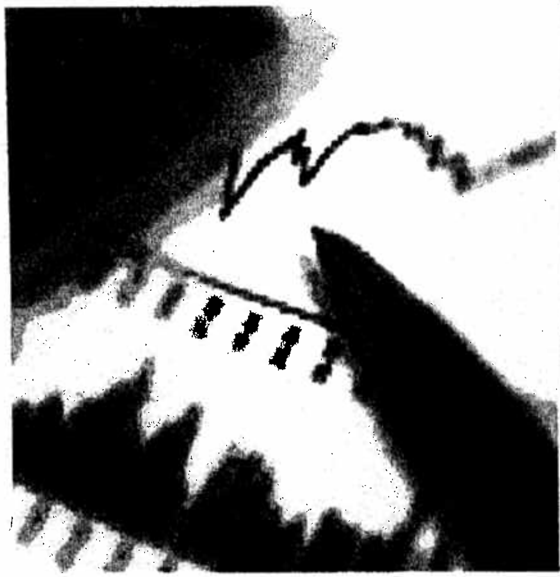
DEFINED BENEFIT PLAN
DECEMBER 31, 2009



Government of Guam

Investment Performance for First Fiscal Quarter 2010

Services provided by Mercer Investment Consulting, Inc.

Total Fund Comments and Recommendations

The Government of Guam Retirement Fund (GGRF) outperformed its Blended Index and ranked in the top half of the Public Funds Universe for all periods evaluated. For the 1-, 3-, and 5-year periods, the GGRF ranked at or above the 16th percentile of the Public Funds Universe. Performance for 2009 was particularly strong for the GGRF, gaining 26.1%.

At quarter-end the Fund was invested as follows: 38.8% domestic equity, 23.0% international equity, 34.7% fixed income, 3.5% real estate, and 0.1% cash. With the exception of cash, each broad asset class was within its target range at quarter-end.

Exhibit 1 lists the current investment managers within the Fund and shows our recommendations.

Though we recommend no immediate action, Mercer intends to discuss the INTECH large cap growth and AXA Rosenberg International Small Cap Equity portfolios with the Board.

Though not stellar, the performance GGRF has experienced with INTECH has been acceptable. Mercer however has concerns with INTECH's research capacity due to product proliferation, recent asset outflows, and the firm's ability to operate autonomously from its parent company. As such, our confidence in INTECH has been reduced. Since June 30, 2009, INTECH has had outflows in excess of $1 billion from the large cap growth product. For now, we will continue to closely monitor the portfolio.

For AXA, performance has been disappointing, but Mercer continues to have confidence in AXA Rosenberg. We will continue to closely monitor the portfolio for consistent performance improvements and signs of increased confidence in the investment model. As markets stabilize and become more favorable to AXA Rosenberg's investment approach, we will reassess the portfolio's performance and review our recommendation accordingly.

It was announced that the AXA Rosenberg International large cap equity portfolio would be merging with the Schwab International Core Equity portfolio during the fourth quarter of 2009. Because of the merger, the fund will now be

Exhibit 1

Managers	Recommendations
Domestic Large Cap Core Equity	
Atalanta/Sosnoff	Retain
Domestic Large Cap Growth Equity	
Winslow	Retain
INTECH	Discuss
Domestic Large Cap Value	
Robeco	Retain
MetWest	Retain
Small Cap Value Equity	
Barclays Global iShares Russell 2000 ETF	Retain
Thomson Horstmann & Bryant	Retain
International Large Cap Equity	
Fisher	Retain
Schwab (formerly AXA Rosenberg)	Terminate
International Small Cap Equity	
AXA Rosenberg	Discuss
Dimensional Fund Advisors	Retain
Emerging Markets Equity	
Capital International	Retain
Domestic Fixed Income	
Income Research Management	Retain
DHJA	Retain
Franklin Templeton	Retain
Real Estate	
Cornerstone	Retain
Security Capital	Retain

Total Fund Asset Allocation

The GGRF had a market value of $1,201.1 million at December 31, 2009, an increase of $31.0 million from the previous quarter-end market value of $1,170.1 million. At quarter-end, the Fund's assets were allocated across domestic large cap equity (33.1%), domestic small cap equity (5.7%), developed international equity (14.1%), developed international small cap equity (3.5%), emerging markets equity (5.4%), fixed income (34.7%), real estate (3.5%), and cash (0.1%).

With the exception of developed international equity and cash, each asset class was within its allowable range. The chart below shows the asset allocation range and difference from the target allocation for each asset class.

Asset Class	Target Range	Target	Difference from Target
US Large Cap Equity	24%–36.0%	30.0%	+3.1%
US Small Cap Equity	5.0%–15.0%	10.0%	-4.3%
Developed International Equity	7.25%–11.25%	9.25%	+4.9%
Developed International Small Cap Equity	3.0%–7.0%	5.0%	-1.5%
Emerging Markets Equity	3.75%–7.75%	5.75%	-0.4%
Fixed Income	25.0%–45.0%	30.0%	+4.7%
Real Estate	0.0%–12.0%	10.0%	-6.5%

It is important to note that the target allocation and corresponding target range was increased for the emerging markets equity asset class. As such, changes were made to all target allocations and target ranges within international equity. The changes can be seen in the chart below.

	Current Target	Previous Minimum	Previous Maximum	New Target	New Minimum	New Maximum
Non-US Developed Market Equity	12.00%	8.0%	15.0%	9.25%	7.25%	11.25%
Non-US Small-Cap Equity	5.00%	0.0%	7.0%	5.00%	3.00%	7.00%
Non-US Emerging Market Equity	3.00%	0.0%	6.0%	5.75%	3.75%	7.75%
Total Non-US Equity	**20.00%**	**12.0%**	**24.0%**	**20.0%**	**12.0%**	**24.0%**

Fourth Quarter 2009

Economy

The fourth quarter of 2009 was characterized by better-than-expected performance in the equity markets. Oil prices remained largely unchanged from the previous quarter, while housing prices declined. The unemployment rate topped 10.0% over the quarter, while the Federal Open Market Committee left the Federal Funds Target Rate unchanged, with a target range of 0.00% to 0.25%. The advance estimate of fourth quarter annualized GDP growth was 5.7%.

Consumer prices, as measured by the Consumer Price Index (CPI), rose at an annualized rate of 3.3% during the fourth quarter and grew by 2.7% during 2009. The CPI, excluding volatile food and energy prices, gained an annualized 1.3% during the quarter and increased 1.8% over the past 12 months. The Producer Price Index for finished goods rose 4.4% in 2009. Preliminary production capacity utilization was 72.0% at the end of December, representing a 1.5% increase from the September level, and was 8.9% below the average for the period 1972 – 2008. The national unemployment rate rose from 9.8% at the end of the third quarter to 10.0% in December. The Consumer Confidence Index stood at 52.9 in December, essentially unchanged from the third quarter level of 53.4. In 1985, the Consumer Confidence Index stood at 100.

Oil prices were approximately $81/barrel at the end of December. Home prices, as measured by the S&P/Case-Shiller 20-City Composite Home Price Index, declined over the trailing one-year period by 7.3% in October. The National Association of Home Builders/Wells Fargo Housing Market Index declined from a seasonally adjusted high of 19 in September to 16 in December; readings below 50 are considered negative. The yields on three-month Treasuries declined further, from 0.14% at the end of September to 0.06% at the end of December. Ten-year Treasury yields rose, from 3.31% at the end of September to 3.85% at the end of December.

Markets

The broad market rally that was sparked during the earlier months of the year continued in the fourth quarter as all US equity indices finished in positive territory. Several major indices continued to see substantial gains, with positive returns across all sectors except financials. The information technology sector was the strongest performer during the quarter, while the financials sector was the biggest detractor.

Corporate earnings continued to aid the rebound in the equity markets during the fourth quarter, with more than 82% of the companies within the S&P 500 Index reporting earnings that exceeded analysts' estimates. Strong earnings growth was led by financial firms JPMorgan Chase & Co and Goldman Sachs Group as corporate cost-cutting measures, as well as the lifeline given to these companies through the Troubled Asset Relief Program (TARP), had a positive impact on the bottom line.

Large Cap Core Equity – Atalanta/Sosnoff Capital Corporation (Atalanta)

Atalanta held $81.2 million at December 31, 2009, an increase of $4.2 million from the September 30, 2009 market value of $77.0 million.

The portfolio outperformed the S&P 500 Index and Mercer Institutional US Equity Large Cap Core Universe median for all periods evaluated. Performance was particularly strong for the 3- and 5-year periods when the portfolio outperformed the index by more than 500 basis points and ranked in the top decile of the universe. Since inception, the portfolio has return 9.7% as compared to 7.8% for the index.

For the quarter, the portfolio benefited from an overweight allocation and favorable stock selection in the information technology sector. Stock selection in the industrial and materials sectors also aided performance. Holdings contributing to performance included Google (25.0% return), Apple (13.7% return), and Microsoft (19.0% return).

The financials sector performed negatively for the quarter, and hurt portfolio performance. An overweight to biotech, within health care, also hampered performance as did the portfolio's cash holdings (2.5%). Holdings detracting from performance included Goldman Sachs (-8.2% return), Bank of America (-10.9% return), and CVS/Caremark (-9.7% return).

The number of holdings declined to 37 from 42 at the previous quarter-end. The top 10 holdings accounted for 47.0% of total assets under management. The portfolio's cash position was 2.5% at December 31, 2009.

Large Cap Growth Equity – Winslow Capital Management

At quarter-end, the Winslow portfolio had a market value of $86.0 million, an increase of $6.5 million from the previous quarter-end market value of $79.5 million.

Winslow outperformed the Russell 1000 Growth Index and the Mercer Institutional US Equity Large Cap Growth Universe median for all periods evaluated. The portfolio was funded during December 2008 to replace DHJA as a large cap growth manager. Since inception, the portfolio has returned 40.9% as compared to 37.2% for the index.

For the quarter, an overweight to the information technology and telecommunication services sectors aided performance. Holdings contributing to performance included Google (25.0% return), Visa (26.7% return), and priceline.com (31.7% return).

Overweight allocations to the financials and energy sectors hurt performance for the quarter. Holdings detracting from performance included Goldman Sachs (-8.2% return), Illumina (-27.8% return), and CVS Caremark (-9.7% return).

For the quarter, the portfolio benefited from positive stock selection and overweight allocations in the consumer staples and information technology sectors. Stock selection in the health care sector was also strong. Holdings contributing to performance included McGraw-Hill (34.3% return), priceline.com (31.7% return), and NetApp (28.8% return).

Unfavorable stock selection in the materials, consumer discretionary and financials sectors hurt performance for the quarter. Holdings detracting from performance included Iron Mountain (-14.6% return), American International Group (-32.0% return), and MGM Mirage (-24.3% return).

It is important to note that because of the risk-controlled nature of the process, performance for the strategy is not expected to deviate significantly from the benchmark in either up or down markets, but rather to approximate its intended alpha target over time.

News Item (February 26, 2010): Janus Capital Group (JCG) Increases Ownership of INTECH

INTECH announced that its founders, Bob Garvy and Dr. Bob Fernholz, have exercised their option to sell an additional 3% (approximately 1.5% each) of their equity to JCG for estate planning purposes. This increases JCG's ownership of INTECH to 95% from 92%.

Mercer View
This news does not surprise us as we had expected the continued equity redemptions of Garvy and Fernholz to add to JCG's ownership of INTECH as their contractual terms approach expiration in 2011. The founders continue to own a small percentage of the firm and will have the right to do so after retirement. While the future course of firm ownership changes remains unclear, INTECH, through negotiations with JCG, looks to broaden ownership to its employees that would ultimately move the current percentage closer to 10%. A broad base of existing employees currently holds equity stakes in the firm. We will keep the field apprised of new developments that come to light regarding INTECH's ownership plan.

We are not recommending any changes to the ratings of INTECH's strategies as a result.

Large Cap Value Equity – Robeco Investment Management

The Robeco portfolio held $65.8 million at quarter-end, an increase of $2.3 million from the September 30, 2009 market value of $63.5 million.

The portfolio slightly underperformed the Russell 1000 Value Index by 10 basis points and ranked in the bottom half of the Mercer Institutional US Equity Large Cap Value Universe for the quarter. For the 1-year period, however, the portfolio outperformed the index and ranked in the top half of the universe. Since inception, the portfolio has decline 6.8% compared to a 13.8% for the index.

Large Cap Value Equity – Metropolitan West (MetWest)

The MetWest portfolio had a market value of $81.8 million at quarter end, an increase of $3.7 million from the previous quarter-end market value of $78.1 million.

The portfolio underperformed the Russell 1000 Value Index and ranked at or above the Mercer Institutional US Equity Large Cap Value Universe median for all periods evaluated.

For the quarter, stock selection in the health care, consumer discretionary and financials sectors detracted from performance. Holdings detracting from performance included Synovus Financial (-45.1% return), Zion's Bancorporation (-28.5% return) and JC Penney (-20.7% return).

An underweight to financials, along with stock selection in the information technology, consumer staples, and industrials sectors, helped performance during the quarter. Contributors to performance included Estee Lauder (32.0% return), Deere & Co (26.7% return) and Oracle (18.0% return).

The MetWest Large Cap Value portfolio had 42 positions at quarter-end, with the top 10 holdings accounting for 31.8% of the portfolio. Foreign equity accounted for 5.8% of the funds holdings.

Small Cap Core Equity – Barclays Global Investors (now BlackRock) iShares Russell 2000 ETF

At quarter-end, the BGI iShares portfolio held $22.8 million, an increase of $0.7 million from the September 30, 2009 market value of $22.1 million.

The portfolio tracked the Russell 2000 Index within an acceptable range for all periods evaluated. The portfolio was funded April 8, 2009, to provide exposure to small cap equity until the search for an active manager is completed.

For the quarter, the strongest-performing sectors of the Russell 2000 Index included materials (10.3% return), consumer staples (7.7% return) and energy (7.1% return).

The worst-performing sectors of the Russell 2000 Index included financials (1.8% return), health care (2.7% return) and information technology (3.4% return).

After a decline in assets in 2008, Fisher decided to abandon some of its ventures to focus its resources on the firm's core products. The mergers and acquisition team was dismantled and the team members that had been pulled into the group have been returned to their previous positions. Fisher also eliminated some of the new products such as midcap growth and rolled the assets into other products. We are pleased to see that Fisher has refocused its efforts on its flagship products but we are cautious that the firm may renew these endeavors once the market environment improves.

One venture that Fisher is retaining is the Fisher Press. This group publishes books written by the analysts as an educational service for its client base, but these books are also sold through mainstream retail outlets. Arbuckle claims that the production of these books are not a distraction to the analysts and do not take up much of their time. Having perused some of the titles, the books seem rather comprehensive and we doubt that they were written with little effort. We are not entirely convinced that this program is as minor as Fisher presents it, but we are willing to give the analysts the benefit of the doubt as the subject matters are in their realm of expertise.

After the decline in assets at the end of 2008, Fisher went through a round of layoffs, mainly in the private client group and IT, and ratcheted back on its marketing and advertising efforts. While Fisher did reduce headcount, the firm added to its institutional client services and investment groups. With better performance in 2009, assets were up and Fisher has no plans to further reduce headcount.

Issues to watch
Due to a 50% decline in assets in 2008, Fisher decided to scale back on some of its firm initiatives so that the team could focus on the investment process. Once the firm believes that revenues have recovered to reasonable levels, will Fisher once again branch out into these non-core activities?

International Equity – Schwab

Schwab managed $30.2 million at quarter end. The portfolio was funded on December 3, 2009. Since inception, the portfolio has declined 2.4% compared to a decline of 1.9% for the index.

International Equity Composite Account

On December 3, 2009, the GGRF's international equity portfolio, which had been subadvised by AXA Rosenberg, merged with the Schwab Core Equity portfolio. The International Equity Composite Account, in the performance summary, reflects the linked performance of the two managers, AXA Rosenberg and Schwab. Performance from inception through December 3, 2009 is reflective of the portfolio subadvised by AXA Rosenberg. Performance from December 4, 2009 through December 31, 2009 is reflective of the Schwab Core Equity portfolio.

made the forecasts relatively more influenced by technical rather than fundamental features. So in order to keep the impact of price momentum on the earnings growth forecasts within a more normal range, the team reduced the impact of this variable by 50 percent. According to Mead, the model had already been reducing the exposure to momentum, but the team decided to accelerate what it believed the model would have done anyway by manually decreasing the weight of the factor. AXA Rosenberg does not expect to revert back to the model-driven weight for momentum until later in 2010. While the team has made subjective decisions at the individual stock level, a manual override of the model on a factor level is rare for AXA Rosenberg. The team could not give us an example of previous instances in which a change like this was made. Mead claims that the move was not based on recent performance and that the model would have gone in this direction eventually. We are concerned by this action because the firm has historically been more deliberate in making changes to its models, and this change in weighting seems somewhat reactionary to recent performance issues. To AXA Rosenberg's credit, the team still believes in the long-term efficacy of its factors and has not made significant changes to the inclusion of specific factors in the model in response to underperformance.

On the research front, AXA Rosenberg continues to work on enhancements to the process. The two most significant changes address improving the earnings forecast at the extremes of perceived earnings certainty (ROE reversal process) and building a consistent accounting framework for all stocks (treatment of goodwill impairment). Another area of research that may lead to changes to the process in the near future is a state contingent risk model. This would be used in conjunction with the current risk model and is meant to capture risk that cannot be explained by the defined attributes of the BARRA model. We appreciate that most of AXA Rosenberg's research process is till forward looking and focused on enhancing both the alpha generation and risk components.
While we have concerns about the team's willingness to manually override its model and what that says about its confidence in the model, this has not been a frequent occurrence with AXA Rosenberg. The firm continues to invest in the research team and its research process remains thorough and reflects forward thinking. Overall, AXA Rosenberg's quantitative process is solid, but perhaps not one of our best in class.

Issues to watch
If the strategies continue to underperform, will AXA Rosenberg be more willing to make manual overrides to its process?

International Small Cap Equity – Dimensional Fund Advisors (DFA)

DFA managed $39.6 million at quarter-end, representing an increase of $0.4 million from the September 30, 2009 market value of $39.2 million.

The DFA portfolio outperformed the MSCI EAFE Small Cap Index for each period evaluated excluding the 1- and 3-year periods. However, the portfolio ranked in the bottom half of the Mercer Institutional Equity Small Cap Universe for all periods evaluated.

For the quarter, stock selection in the consumer discretionary, financials, materials, and health care sectors benefited performance. An overweight to materials and underweight to financials also helped. From a regional perspective, stock selection within the US & Canada, UK & Ireland, and

At quarter-end, Capital managed $65.0 million, and increase of $4.6 million from the previous quarter-end market value of $60.4 million.

The portfolio underperformed the MSCI Emerging Markets index and Mercer Institutional Emerging Markets Equity Universe median for the quarter, fiscal year-to-date, and 1-year periods. The portfolio outperformed both benchmarks for the 3-year period. Since inception, the portfolio has returned 13.4% versus 10.1% for the index.

For the quarter, stock selection in the information technology and materials sector hurt performance. On a regional basis stock selection in Russia and India also had a negative impact on results. Holdings detracting from performance included Bharti Airtel (-18.8% return), Samsung Electronics (-0.8% return), and Gazprom (1.5% return).

Favorable stock selection and overweight allocations in the energy and consumer staples sectors benefited performance. Stock selection in the industrials sector was also positive. From a regional perspective, stock selection in China helped for the quarter. Holdings contributing to performance included Weichai Power (28.4% return), United Spirits (42.3% return), and China Shenhua (14.7% return)

Domestic Fixed Income – Income Research & Management (IRM)

The IRM portfolio held $112.0 million at December 31, 2009, an increase of $1.9 million from the previous quarter-end market value of $110.1 million. During the quarter, there was a $1.0 million outflow from the account.

The portfolio outperformed the Barclays Capital Aggregate Index but ranked in the bottom half of the Mercer Institutional US Fixed Core Universe for the quarter/fiscal year-to-date period. The portfolio outperformed both benchmarks for the 1-year period. Since inception, the fund has returned 4.1%. Performance monitoring for the IRM portfolio began February 28, 2009.

For the quarter, the portfolio benefited from an underweight to treasuries and overweight to corporates, especially financials. An overweight to CMBS also contributed to performance as the securities continued to benefit from TALF purchases.

Domestic Fixed Income – Davis Hamilton Jackson & Associates (DHJA)

DHJA managed $123.9 million at quarter-end, an increase of $0.8 million from the previous quarter-end market value of $123.1 million. During the quarter, there was an outflow of $1.0 million.

The portfolio outperformed the Barclays Capital Aggregate Index and ranked in the top half of the Mercer Institutional US Fixed Core Universe for all periods evaluated. Since inception, the portfolio has returned 14.2% as compared to 8.5% for the index.

Executive Summary

The portfolio benefited from strong stock selection and favorable allocations to the regional malls, shopping centers, and health care sectors. Holdings contributing to performance included Federal Realty (11.4% return), Macerich Company (20.9% return), and Senior Housing Property Trust (16.6% return).

Stock selection in the office and lodging sectors hurt performance for the quarter. Holdings detracting from performance included Host Hotels (1.5% return) and Boston Properties (3.1% return).