

# **Los Angeles Department of Water and Power Pension Investment Portfolio:**

## **Quarterly Report Executive Summary**

**March 31, 2007**

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## RETIREMENT PORTFOLIO SUMMARY

The WPERP Total Retirement Portfolio, as of March 31, 2007, had an aggregate value of \$7.2 billion. This represents a \$105.5 million increase in value over last quarter including minus (\$49.1) million in net contributions. During the previous one-year period, the WPERP total portfolio increased by \$540.7 million.

### Asset Allocation Trends

The asset allocation targets (see table on page 13) reflect those as adopted by the Board in early 2003.

WPERP's actual equity allocation decreased from the previous quarter (see page 14) to end March 31, 2007 with a 65% allocation. WPERP's fixed income allocation ended the quarter at 33%. One percent of the WPERP portfolio was allocated to cash/short-term investments.

### Recent Investment Performance Trends

During the most recent quarter, the portfolio kept pace with its policy benchmark. Over recent longer periods, the portfolio has lagged its policy benchmark.

#### Recent Investment Performance Total Retirement

	Quarter	1 Year	3 Year	5 Year	8 Year
Total Portfolio*	2.0	11.0	9.5	7.2	6.7
Policy Benchmark	2.0	11.3	9.9	8.3	4.7
<b>Excess Return</b>	<b>0.0</b>	<b>-0.3</b>	<b>-0.4</b>	<b>-1.1</b>	<b>2.0</b>
Reference: Median Fund**	2.5	11.8	11.6	10.0	---

\*Gross of Fees

\*\*Mellon Total Funds Public Universe

## Economic Review

**Economic Growth** – The U.S. economy increased at an annual growth rate of 1.3% during the first quarter of 2007, down from 2.5% annualized growth in the previous quarter. The deceleration during the first quarter reflected a downturn in exports, an increase in imports, a decrease in government spending, as well as a slowing in consumer spending, especially on food. In contrast, however, there was an upturn in nonresidential business investment.

**Inflation** – On a seasonally adjusted basis, the Consumer Price Index (“CPI”) increased 0.6% in March, resulting in a compounded annual rate (using the latest 3-month data ending March 31, 2007) of 4.7%. In comparison, the compounded annual rate during the first quarter of 2006 was 4.3%.

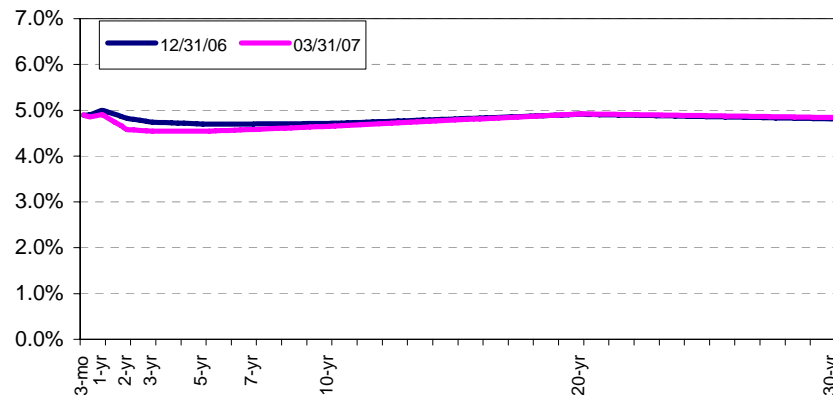
**U.S. Dollar** – During the first quarter of 2007, the U.S. dollar depreciated 1.0% against the Yen, and 1.2% against the Euro.

**Unemployment** – The domestic unemployment rate was essentially unchanged from the previous quarter at 4.4%. Employment increased in construction, retail trade, and health care. The number of manufacturing jobs continued to trend down.

**Domestic Interest Rates** – During the quarter, the U.S. Treasury yield curve inverted slightly as yields decreased. Yields on shorter and longer-term securities were higher than most intermediate issues.

At both the January and March 2007 meetings, the Federal Reserve kept the federal funds rate unchanged at 5.25%. The Federal Reserve Committee said that recent economic indicators had been mixed and the adjustment in the housing sector is ongoing. However, the committee believes that the economy will likely continue to expand at a moderate pace over coming quarters.

**Treasury Yield Curve Changes**



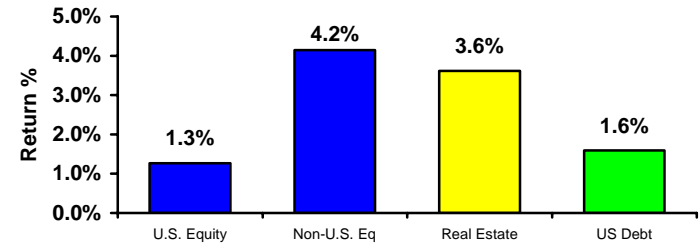
Source: Federal Reserve

## Market Overview

### Capital Market Highlights – Latest Quarter Ending March 31, 2007

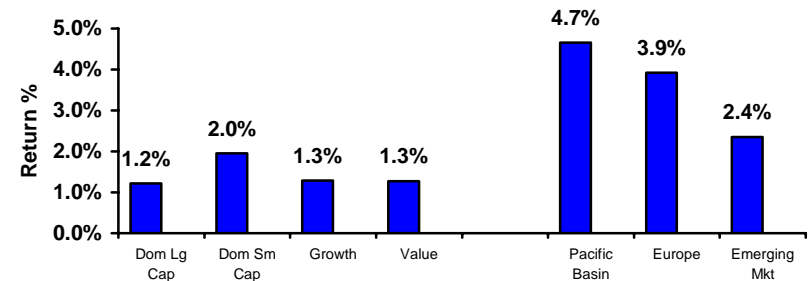
During the quarter, non-U.S. equity markets outpaced U.S. equity markets...

- Concern about the sub-prime mortgage market contributed to U.S. equity's lag.
- Non-U.S. equity benefited from a weakening U.S. dollar.
- U.S. debt rose as anxiety intensified about the weak housing market and sub-prime market raised concerns about an economic slowdown.



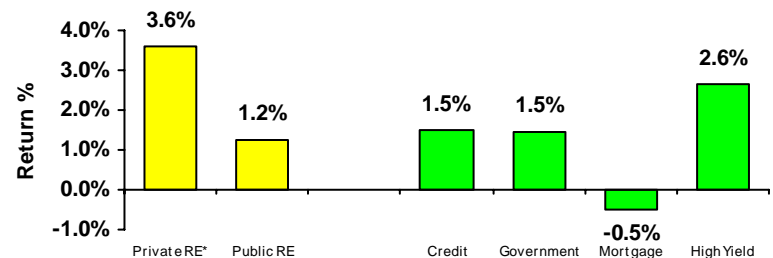
...with the Pacific Basin sub-component demonstrating solid growth...

- European and Asian markets continued to outperform most U.S. benchmarks.
- U.S. small cap stocks outperformed large cap stocks.
- Lackluster performance among many tech and consumer stocks, as well as volatility energy shares, led to equivalent growth and value returns.



...while high yield, credit, and government subcomponents gained.

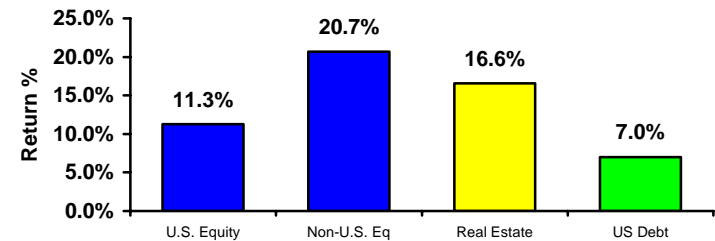
- Private and public real estate returns diminished since last quarter.
- The mortgage sector's drop reflected late February's deterioration of the sub-prime U.S. real estate mortgage market.



## Capital Market Highlights – Latest Year Ending March 31, 2007

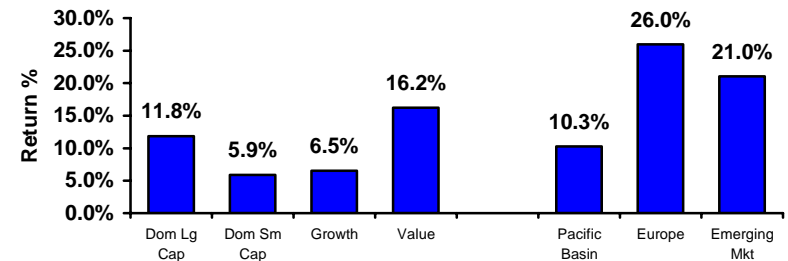
### All major asset classes enjoyed strong returns...

- Non-U.S. equity provided the strongest returns.
- Both U.S. equities and real estate generated solid returns.
- Increasing economic uncertainty aided fixed returns.



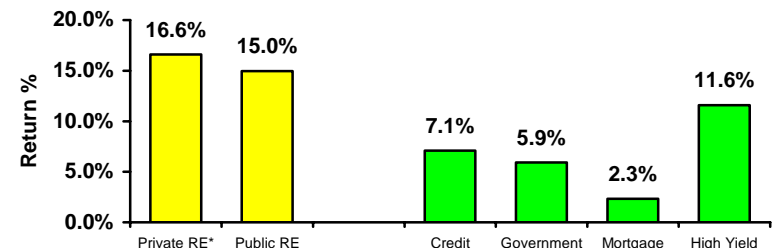
### ... with Europe outpacing the Pacific Basin and Emerging market subcomponents ...

- The Pacific Basin slowed as a result of Japan's economic uncertainty.
- U.S. large cap stocks outperformed small cap stocks.
- U.S. value stocks outperformed growth stocks.



### ...and public and private real estate, as well as the high yield fixed income subcomponent, generated strong returns.

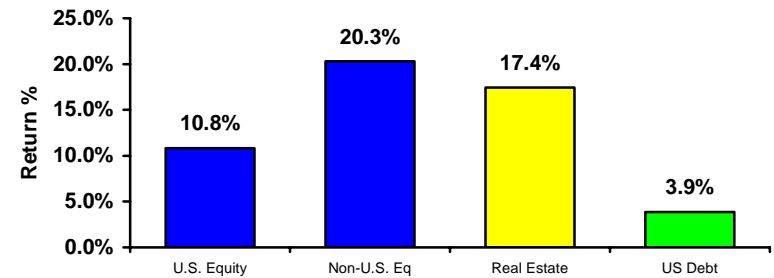
- Private real estate outperformed Public Real Estate.
- The high yield sub-component generated the highest returns, as investors continued their trend of seeking additional returns in risk-oriented sectors.



## Capital Market Highlights – Latest 3 Years Ending March 31, 2007

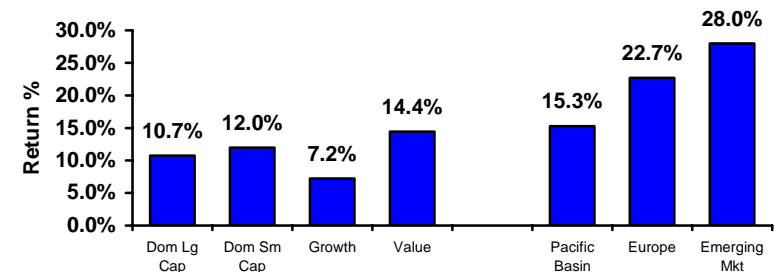
During the latest 3 years, Non-U.S. equity outpaced all other asset classes...

- Real estate and U.S. equity performed well.
- The effects of Hurricane Katrina provided less benefit to U.S. debt than projected.



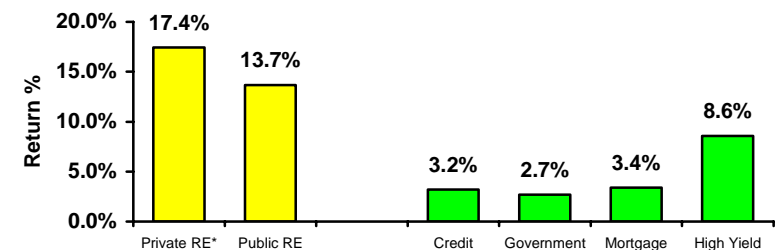
...as emerging markets dominated the Non-U.S. equity subcomponent...

- All equity components continued to generate strong returns.
- Non-U.S. equity subcomponents continued to outperform domestic.
- U.S. value stocks outpace all of U.S. equity subcomponents.



...and both public and private real estate demonstrated strong track records.

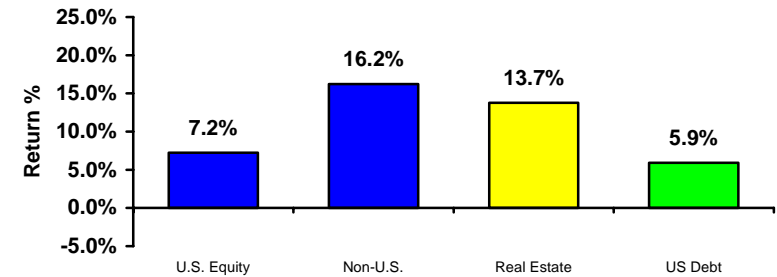
- Private real estate performed even better than public.
- High yield significantly outperformed all other U.S. fixed income segments.



## Capital Market Highlights – Latest 5 Years Ending March 31, 2007

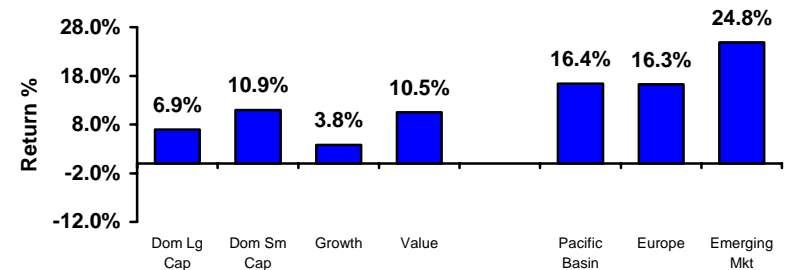
During the latest 5 years, Non-U.S. equity generated the strongest returns...

- Real Estate generated solid returns as investors have sought diversification.
- Traditional U.S. asset classes lagged as a result of a slowing U.S. economy.



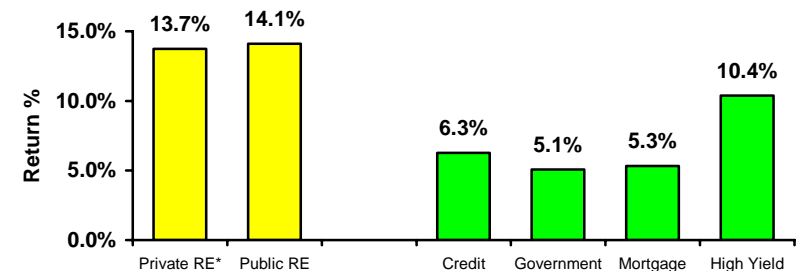
...with emerging markets outperformed all other equity sub-components...

- Europe and Pacific Basin provided strong performance.
- U.S. small cap stocks and value stocks outpaced large cap and growth.



...and real estate provided strong results over the latest five years.

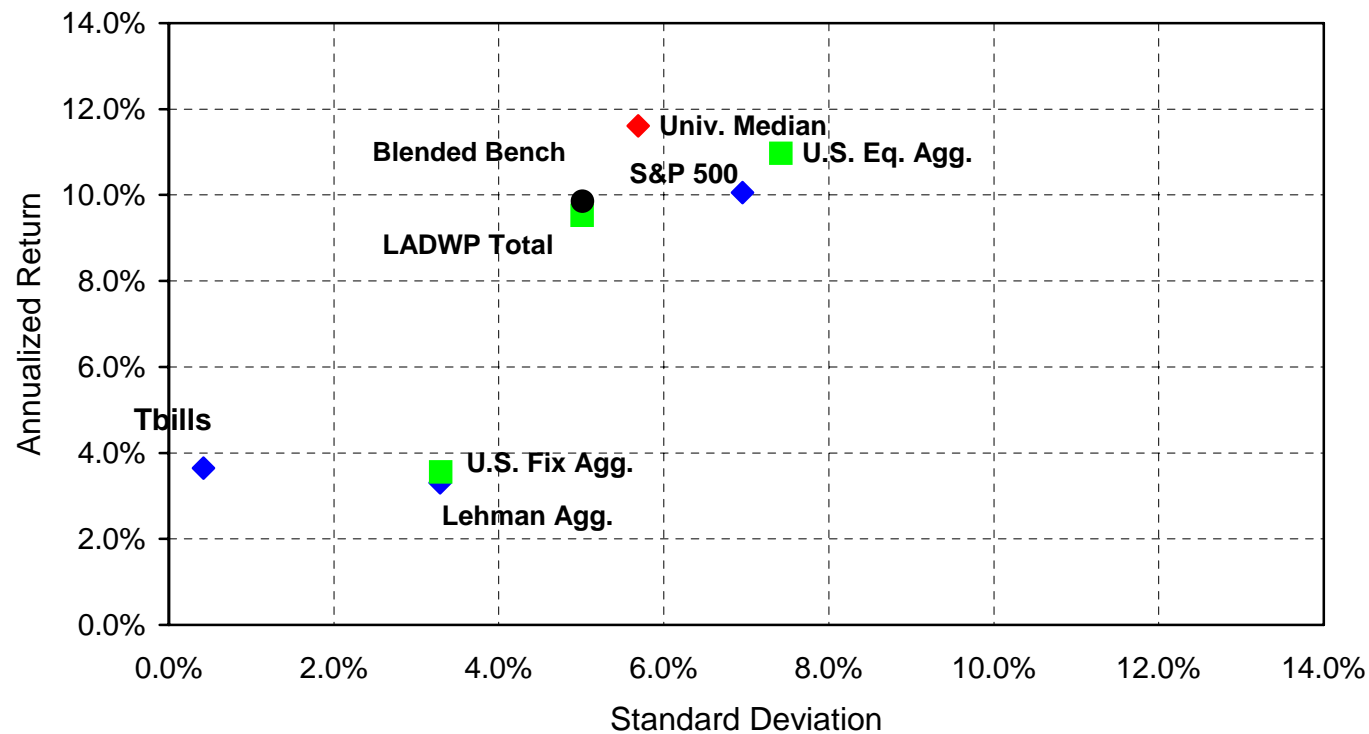
- Over the longer cycle, public and private real estate produced equivalent results.
- U.S. fixed income generated solid returns, with the high yield sub-component leading the pack as credit spreads narrowed.





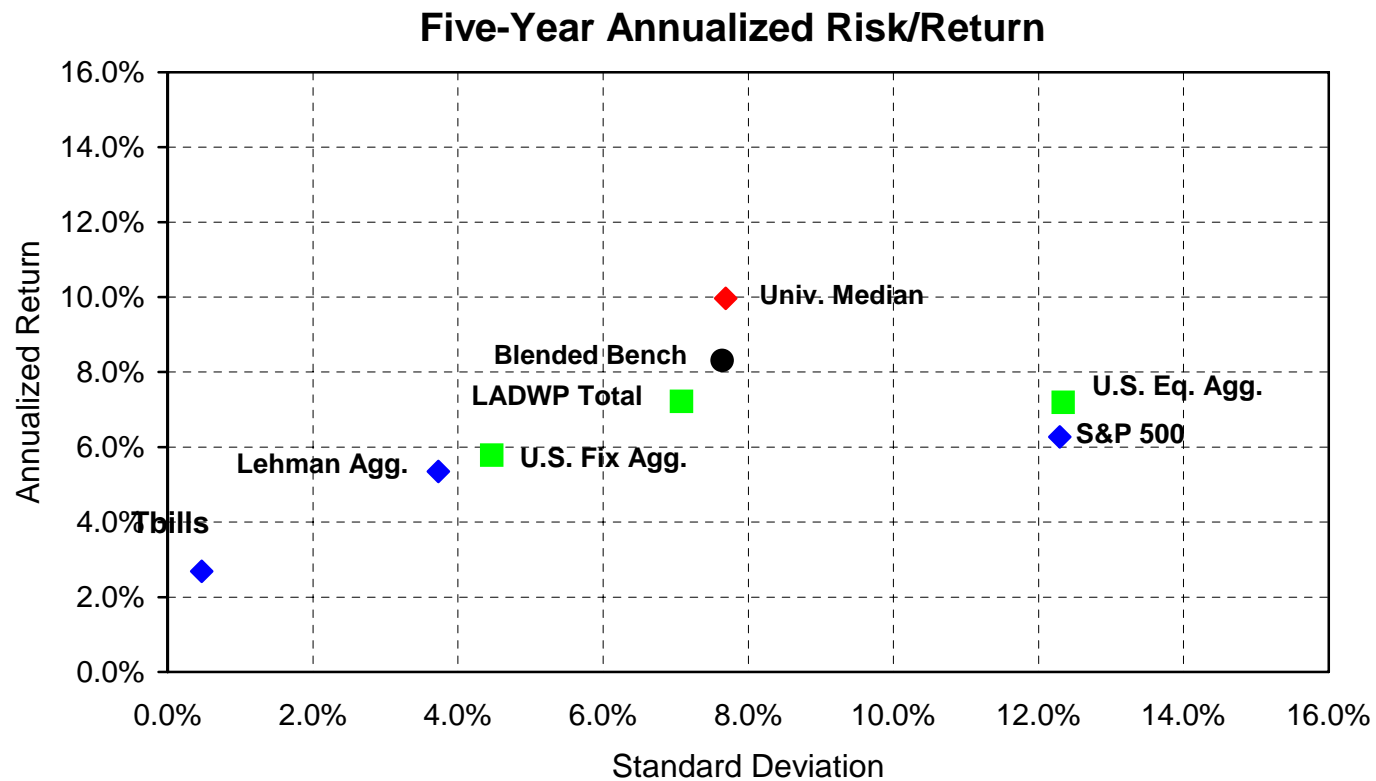
## LADWP Risk/Return Analysis Period ending March 31, 2007

### Three-Year Annualized Risk/Return



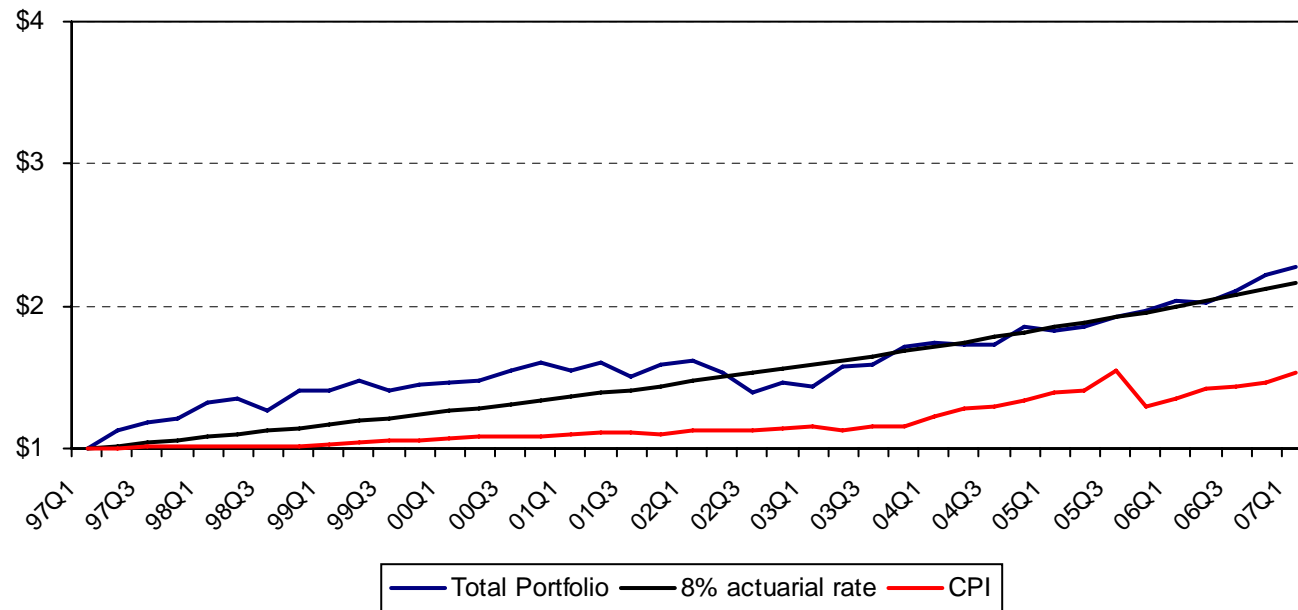
\*Median Fund in the Mellon Total Fund Public Universe.

## **LADWP Risk/Return Analysis** **Period ending March 31, 2007**



\*Median Fund in the Mellon Total Fund Public Universe.

## Growth of a Dollar-Latest 10 Years Total Portfolio



## LADWP PORTFOLIO PERFORMANCE

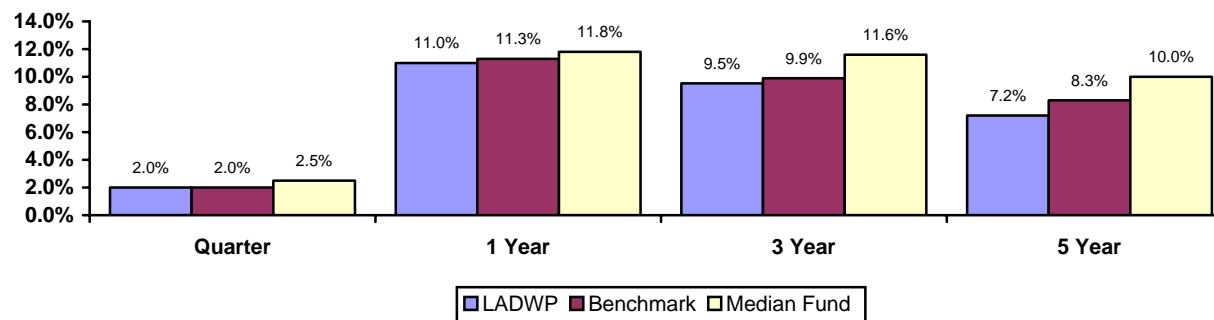
This section includes an overview of the performance of the LADWP investment portfolio and a detailed analysis of asset classes and specific mandates.

### Portfolio Performance Overview

During the latest quarter ending March 31, 2007, the LADWP total portfolio generated a return of 2.0%, matching the policy target benchmark<sup>1</sup> return of 2.0% but underperforming the median fund<sup>2</sup> return of 2.5%.

During the latest 1-year period, the LADWP portfolio trailed both its policy benchmark and the median fund by 30 and 80 basis points, respectively. The median fund benefited from a larger exposure to real estate and alternatives than the LADWP portfolio. Over the longer 3-year period, the fund underperformed its policy benchmark by (0.4%) and the median fund by (2.1%). Over the latest 5-year period, the LADWP portfolio trailed the policy benchmark average annual return of 8.3% by 1.1% and trailed the median fund return of 10.0% by (2.8%). As seen during the latest year, the longer term underperformance relative to the median fund stems from LADWP's non-exposure to real estate and private equity, both of which produced strong absolute results during the longer-term periods. LADWP has developed a paced and deliberate funding process to enter into the two private classes.

### Periods Ending March 31, 2007 (annualized)\*

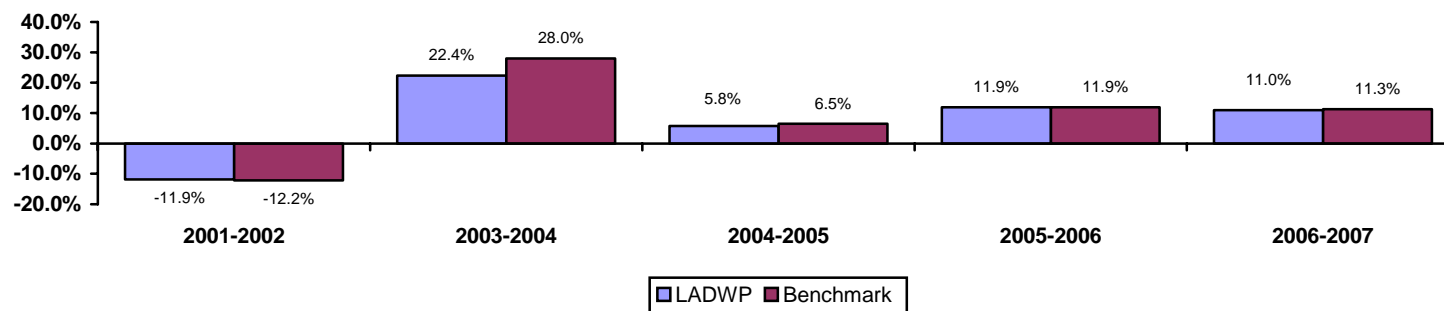


\* LADWP performance reported gross of fees.

<sup>1</sup> Mellon Total Fund Public Universe

Trailing twelve month absolute performance results have been generally positive over the last five 12-month periods, including positive absolute results over the four most recent time periods.

## 12-month Performance – Period Ending March 31, 2007



## Portfolio Valuation

The WPERP total portfolio, as of March 31, 2007, had an aggregate value of \$7.2 billion. This represents a \$105.5 million increase in value over last quarter including minus (\$42.2) million in net contributions. During the previous one-year period, the WPERP total portfolio increased by \$540.7 million.

## Portfolio Valuation as of March 31, 2007, Gross of Fees

	<u>1Q 2007</u>		<u>1-Year</u>		<u>3-Year</u>		<u>5-Year</u>
Beginning Market Value	\$7,050.4		\$6,615.2		\$5,990.8		\$6,028.5
Net Flow	-49.1		-187.0		-709.6		-1,378.7
<b>Investment Return in \$ (in%)</b>	<b><u>376.7</u></b>	<b>2.0%</b>	<b><u>727.7</u></b>	<b>11.0%</b>	<b><u>1,874.7</u></b>	<b>9.5%</b>	<b><u>2,506.1</u></b>
Ending Market Value	\$7,155.9		\$7,155.9		\$7,155.9		\$7,155.9

\*Dollar figures in millions (\$), differences due to rounding

\*\*Recent Quarter net flow per Mellon. 1-year, 3-year, 5-year net flows estimated per PCA

## Actual vs. Target Allocations

With respect to policy targets, the portfolio ended the latest quarter overweight international equity, while underweight real estate and alternatives. Target allocations represent those as adopted by the Board earlier in 2003.

### As of March 31, 2007

Segment	Actual (\$MM)	Actual %	Target* %	Variance
Total Portfolio	7,745.3	100	100	---
Total Retirement**	7,155.9	100	100	---
Domestic Equity	3,197.8	45	40	5
International Equity	1,397.6	20	15	5
Fixed Income	2,344.2	33	35	-2
Alternatives	14.1	0	5	-5
Hedge F of F***	---	0	1	-1
Private Equity	14.1	0	4	-4
Real Estate	10.0	0	4	-4
Cash	84.5	1	1	0
Health Plan	531.5	100	100	---
Domestic Equity	319.0	60	60	0
Domestic Fixed	212.1	40	40	0
Cash/Short Term	0.3	0	0	0
Death Benefit	27.4	100	100	---
Domestic Fixed	26.2	96	100	-4
Cash/Short Term	1.2	4	0	4
Disability	30.5	100	100	---
Domestic Fixed	28.5	93	93	-7
Cash/Short Term	2.0	7	7	7

\*2003 asset allocation policy targets.

\*\* Including \$107.5 million in transition assets.

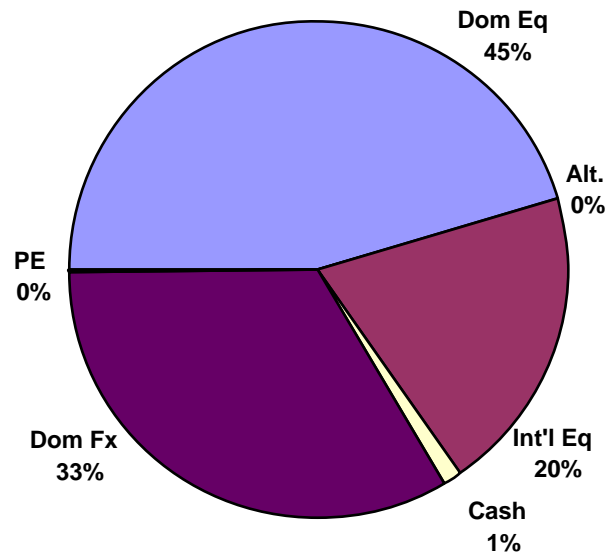
\*\*\* Hedge fund assets is included in transition account and will be shown in 2Q 2007, due to one quarter lag.

WPERP's actual equity allocation decreased from the previous quarter (see next page) to end March 31, 2007 with a 65% allocation. WPERP's fixed income allocation ended the quarter at 33%. One percent of the WPERP portfolio was allocated to cash/short-term investments.

## Actual Asset Allocation Comparison – Retirement Portfolio

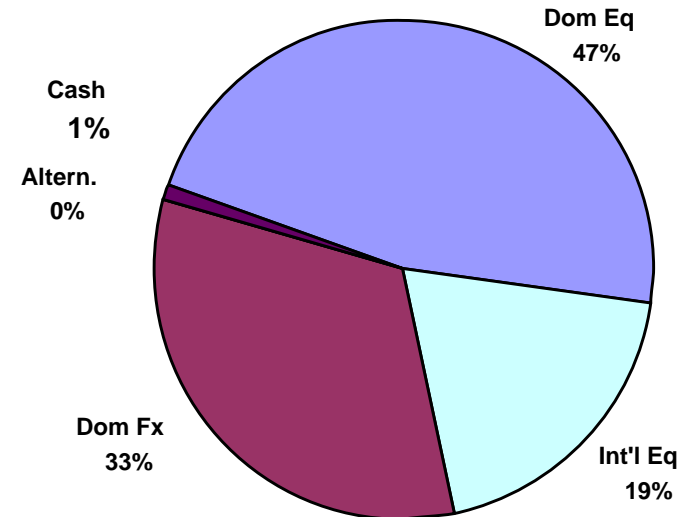
March 31, 2007

Retirement



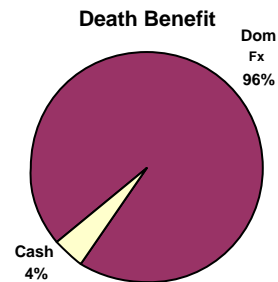
December 31, 2006

Retirement

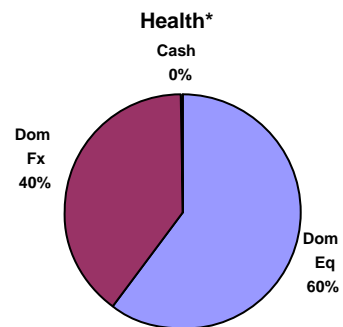
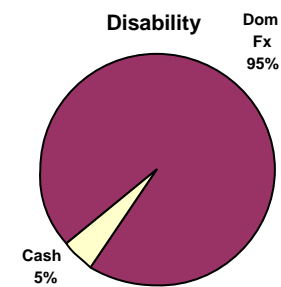
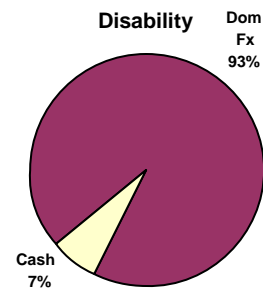
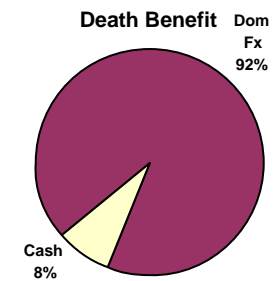


## Actual Asset Allocation Comparison – Death, Disability, Health Portfolios

March 31, 2007



December 31, 2006



N/A

\*Health portfolio was fully funded by the end of 1Q 2007.



## Asset Class Performance

The Domestic Equity asset class outperformed the policy benchmark's return of 1.3% during the quarter by 50 basis points. Over the latest one and three year periods, domestic equity matched its benchmark and outperformed by 20 basis points, respectively. During the most recent 5-year period, the asset class matched its benchmark return.

During the latest quarter, the Fixed Income portfolio slightly outperformed the policy benchmark posting a return of 1.7%. Over the latest 1-year, 3-year, and 5-year periods, the Fixed Income asset class provided mixed relative performance versus its policy benchmark with returns of 7.1%, 3.6%, and 5.8% per annum, respectively.

The International Equity portfolio underperformed its policy benchmark, returning 2.9%. Underperformance from all of the plan's developed and emerging market managers detracted from performance. Over the latest 1-year period, the International Equity portfolio trailed its benchmark with a 17.9% return. Poor relative performance from the plan's developed value and emerging markets managers detracted from performance.

## Periods ending March 31, 2007

Asset Class	Quarter	1 Year	3 Year	5 Year
Total Retirement	2.0	11.0	9.5	7.2
<i>Policy Benchmark*</i>	2.0	11.3	9.9	8.3
Domestic Equity	1.8	11.3	11.0	7.2
<i>Russell 3000 (blend)</i>	1.3	11.3	10.8	7.2
International Equity	2.9	17.9	---	---
<i>MSCI ACWI ex U.S.</i>	3.8	20.3	---	---
Fixed Income	1.7	7.1	3.6	5.8
<i>Lehman Universal</i>	1.6	7.0	3.9	5.9
Alternatives**	2.2	---	---	---
<i>Blended Benchmark**</i>	3.7	---	---	---
Private Equity**	2.2	---	---	---
<i>Cambridge USPE**</i>	4.0	---	---	---
Real Estate**	---	---	---	---
<i>NCREIF**</i>	---	---	---	---
Cash	1.3	5.3	3.6	2.7
<i>Citigroup T-bills</i>	1.2	5.0	3.3	2.5

\*See Appendix for list of benchmarks used in this section.

\*\*Returns are lagged one quarter.

## Manager Performance

### Domestic Equity – Periods ending March 31, 2007

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR
BlackRock	1,630,563	Large Cap Core	1.2	11.9	10.9	---
<i>Russell 1000 Index</i>	---	---	1.2	11.8	10.7	---
MFS	365,264	Large Cap Value	2.6	18.6	15.1	---
<i>Russell 1000 Value Index</i>	---	---	1.2	16.8	14.4	---
T. Rowe Price	353,059	Large Cap Value	0.3	16.6	---	---
<i>Russell 1000 Value Index</i>	---	---	1.2	16.8	---	---
Fred Alger	310,432	Large Cap Growth	6.4	1.1	6.8	---
<i>Russell 1000 Growth Index</i>	---	---	1.2	7.1	7.0	---
Intech	313,274	Large Cap Growth	1.6	5.5	9.1	---
<i>Russell 1000 Growth Index</i>	---	---	1.2	7.1	7.0	---
Earnest Partners	119,741	Small Cap Value	-1.3	-0.3	---	---
<i>Russell 2000 Value Index</i>	---	---	1.5	10.4	---	---
Northpointe	51,487	Small Cap Growth	1.4	---	---	---
<i>Russell 2000 Growth Index</i>	---	---	2.5	---	---	---
Paradigm	54,014	Small Cap Growth	4.2	---	---	---
<i>Russell 2000 Growth Index</i>	---	---	2.5	---	---	---

### Latest Quarter

During the first quarter of 2007, five of WPERP's eight reporting domestic equity managers outperformed or matched their respective benchmarks.

WPERP's passive large cap core manager, BlackRock, ended the quarter with a 1.2% return matching the Russell 1000 Index, which is in-line with expectations. MFS produced a quarterly return of 2.6% outperforming the Russell 1000 Value Index return by 1.4%. Stock selection within consumer discretionary and industrials benefited portfolio performance. T. Rowe Price trailed the Russell 1000 Value Index by 90 basis points, with a 0.3% return. Fred Alger completed the quarter with a 6.4% return strongly surpassing the Russell 1000 Growth Index return by 5.2%. Strong stock selection within technology was the primary contributor to portfolio performance. Intech outperformed the Russell 1000 Growth Index by 40 basis points with a 1.6% quarterly return. Earnest Partners, WPERP's small cap value manager ended the quarter with an minus (1.3%) return, trailing the Russell 2000 Value Index's 1.5% return. Stock selection

within consumer discretionary and materials detracted from performance. Northpointe finished the first quarter and returned 1.4%, trailing the Russell 2000 Growth Index by 1.1%. Paradigm completed the quarter and returned 4.2% versus 2.5% for the Russell 2000 Growth Index. The manager's overweight to energy and basic materials versus the index enhanced portfolio performance.

## Latest Year

During the latest 12-month period, WPERP's passive core manager BlackRock performed within tracking expectations with an 11.9% return, slightly outperforming its benchmark. MFS, one of the plan's large cap value managers, finished the latest 12-month period with an 18.6% return and outperformed the Russell 1000 Value Index's return of 16.8%. Positive stock selection within financials and utilities contributed to 12-month excess performance. T. Rowe Price posted a 16.6% return and slightly trailed the Russell 1000 Value Index's return by 20 basis points. Fred Alger posted a 1.1% return and underperformed the Russell 1000 Growth Index return of 7.1%. Poor stock selection within consumer discretionary and health care reduced relative performance. Intech completed the latest 12-month period returning 5.5%, trailing the Russell 1000 Growth Index return of 7.1%. Stock selection with technology and consumer discretionary contributed to lagging performance.

Earnest Partners, WPERP's small cap value manager, completed the latest 12-month period with a minus (0.3%) return and trailed the Russell 2000 Value Index return of 10.4%. Poor stock selection within the financials, consumer discretionary, technology, and materials reduced performance. Earnest Partners has been on probation since June 30, 2006, PCA will review this manager within the next 3-4 months.

## Latest Three Years

During the latest 36-month period, WPERP's passive core manager BlackRock performed within tracking expectations with a 10.9% return, surpassing its benchmark by 20 basis points. This performance is within expectations.

MFS finished its first complete 36-month period and surpassed the Russell 1000 Value index return of 14.4% with a 15.1% return. Fred Alger completed the latest 36-month period with a 6.8% return, slightly trailing the Russell 1000 Growth Index by 20 basis points. Intech, WPERP's other large cap growth manager, completed the most recent 36-month period with a 9.1% return, outperforming its target benchmark, the Russell 1000 Growth, by 2.1%. Positive stock selection within technology contributed to positive relative performance.

## International Equity – Periods ending March 31, 2007

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR
Invesco	459,432	Developed Markets	3.8	20.1	---	---
<i>EAFE + Canada ND Index</i>	---	---	4.0	19.6	---	---
The Boston Company	364,760	Developed Markets	2.2	15.9	---	---
<i>EAFE + Canada Value ND Index</i>	---	---	3.2	21.8	---	---
Pyramis	416,505	Developed Markets	3.2	16.9	---	---
<i>EAFE + Canada Growth ND Index</i>	---	---	4.8	17.4	---	---
The Boston Company	78,597	Emerging Markets	1.0	16.5	---	---
T. Rowe Price	78,335	Emerging Markets	1.7	21.1	---	---
<i>MSCI EMF Index</i>	---	---	2.3	21.0	---	---

### Latest Quarter

WPERP's active core international manager, Invesco, slightly underperformed the MSCI EAFE + Canada ND return of 4.0%, ending the quarter with a 3.8% return. The plan's active international value manager, Boston Company, completed the quarter with a 2.2% return, trailing the MSCI EAFE + Canada Value ND Index return of 3.2%. The manager's overweight position in Japan was the major contributor to the portfolio's underperformance. Pyramis, the plan's active international growth manager, completed the quarter with a 3.2% return, trailing the MSCI EAFE + Canada Growth ND Index return of 4.8%. Poor stock selection within consumer discretionary and technology reduced performance.

Boston Company, one of WPERP's two emerging markets managers, finished the quarter trailing its benchmark's return of 2.3%, with a 1.0% return. An overweight position in Taiwan, which lagged during the quarter, reduced relative performance. T. Rowe Price, the plan's other emerging markets manager, completed the fourth quarter with a 1.7% return, underperforming the MSCI Emerging Markets index by 60 basis points.

### Latest Year

Invesco, WPERP's international core manager, finished its latest 12-month period with a 20.1% return, and surpassed its benchmark return of 19.6%. Pyramis completed the latest 12-month period with a 16.9% return, trailing the MSCI EAFE + Canada Growth ND Index return of 17.4%. The Boston Company completed the period trailing its benchmark by 5.9%, with a 15.9% return. Stock selection within Switzerland and an overweight to Japan reduced relative performance.

During the latest 12-month period, The T. Rowe Price emerging market account generated a return of 21.1% and surpassed its index return by 10 basis points. The Boston Company completed its latest 12-month period producing a positive 16.5% return, but trailing the MSCI Emerging Markets Index's return of 21.0%. Stock selection with in China and South Korea reduced relative performance.

## Fixed Income – Periods ending March 31, 2007

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR
ING	1,041,703	Core	1.6	6.5	---	---
Wells	1,048,966	Core	1.6	6.9	---	---
<i>LB Aggregate Index</i>	---	---	1.5	6.6	---	---
Loomis	132,289	High Yield	2.7	11.4	---	---
Wells	121,287	High Yield	2.4	11.0	---	---
<i>LB High Yield Index</i>	---	---	2.6	11.6	---	---

### Latest Quarter

ING and Wells, WPERP's core fixed income managers, finished the quarter with a 1.6% return, slightly outperforming their benchmark return of 1.5%. One of WPERP's two High Yield portfolio managers, Wells, finished the quarter with a 2.4% return, underperforming the Lehman High Yield Index by 20 basis points. Loomis Sayles, the portfolio's other high yield manager, finished the first quarter with a 2.7% return, outperforming its benchmark by 10 basis points.

### Latest Year

ING and Wells, WPERP's core fixed income managers, finished the latest 12-month period with a 6.5% and 6.9% return, respectively, versus their benchmark's return of 6.6%. The Wells high yield portfolio completed its latest 12-month period with an 11.0%, underperforming the Lehman High Yield Index's return of 11.6%. Loomis Sayles, the plan's other high yield manager, finished the latest 12-month period with an 11.4% return, slightly trailing its benchmark by 20 basis points.

# Quarterly Report

Q1-07

## Hedge Fund of Funds – Periods ending March 31, 2007

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR
Aetos Capital*	---	Hedge FoF's	---	---	---	---
Tbills + 3%*	---	---	---	---	---	---
PAAMCO*	---	Hedge FoF's	---	---	---	---
Tbills + 3 %*	---	---	---	---	---	---

\*Returns are lagged one quarter

During the first quarter of 2007, WPERP funded two hedge fund of fund managers, Aetos and PAAMCO. Returns for these managers are lagged one quarter and will be shown in 2Q2007.

## Private Equity – Periods ending March 31, 2007

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR
Lexington Capital*	6,202	Private Equity	4.4	---	---	---
Cambridge U.S. PE*	---	---	4.0	---	---	---
Landmark Equity Partners*	7,883	Private Equity	---	---	---	---
Cambridge U.S. PE*	---	---	---	---	---	---

\* Returns are lagged one quarter

Lexington Capital completed the first quarter of 2007 and returned 4.4%, surpassing its policy benchmark the Cambridge U.S. Private Equity Index return of 4.0%.

WPERP's other private equity manager, Landmark Equity Partners, will start reporting performance in 2Q 2007.

## Health Plan Performance

The LADWP - Health portfolio ended the first quarter of 2007 with an aggregate value of approximately \$531.5 million.

### Health Plan - Periods ending March 31, 2007, Gross of Fees

Asset Class	Quarter	1 Year	3 Year	5 Year
Total Portfolio	2.7	---	---	---
<i>Policy Benchmark*</i>	1.3	---	---	---
BlackRock	---	---	---	---
<i>R1000 Index</i>	---	---	---	---
Wells	---	---	---	---
<i>LB Aggregate</i>	---	--	---	---

\*Policy benchmark consists of 60% Russell 1000 Index and 40%LB Aggregate Bond Index.

**Q1 2007** – The Health Plan's 2.7% quarterly return includes returns of the transition and cash accounts in January, and the managers' returns in February and March. Returns for both BlackRock and Wells will be shown in 2Q 2007. The benchmark portfolio consists of passively managed asset class portfolios held at the Health Plan's policy weightings.

### Health Plan – Asset Allocation as of 3/31/07

Segment	Actual \$(000)	Actual %	Target %	Variance
Total Portfolio	\$531,518	100	100	---
Domestic Equity	319,043	60	60	0
BlackRock	319,043	60	60	0
Fixed Income	212,132	40	40	0
Wells	212,132	40	40	0
Cash	344	0	0	0

**Asset Allocation** – The Health Plan target allocation is 60% domestic equity and 40% domestic fixed income. By the close of 1Q 2007, there were two managers, BlackRock and Wells. The total fund was 100% invested in these managers.



## Disability Plan Performance

The LADWP - Disability portfolio ended the first quarter of 2007 with an aggregate value of approximately \$30.5 million.

### Disability Plan - Periods ending March 31, 2007, Gross of Fees

Asset Class	Quarter	1 Year	3 Year	5 Year
Total Portfolio	1.6	6.8	3.5	5.5
<i>Policy Benchmark*</i>	1.5	6.6	3.3	5.4
Wells	1.6	6.9	---	---
<i>LB Aggregate</i>	1.5	6.6	---	---

\*Policy benchmark consists of 95% LB Aggregate Bond Index and 5% Citigroup T-Bill.

**Q1 2007** – During the first quarter of 2007, the Disability Plan returned 1.6%, which slightly surpassed its benchmark policy return of 1.5%. The benchmark portfolio consists of passively managed asset class portfolios held at the Disability Plan's policy weightings.

**One Year** – Over the previous 12-month period, the Disability Plan returned 6.8% outperforming its policy benchmark performance of 6.6%.

### Disability Plan – Asset Allocation as of 3/31/07

Segment	Actual \$(000)	Actual %	Target %	Variance
Total Portfolio	\$30,537	100.0	100	---
Fixed Income	28,499	93	100	-7
Wells	28,499	93	100	-7
Cash	2,038	7	0	7

**Asset Allocation** – The Disability Plan target allocation is 100% domestic fixed income. By the close of 1Q 2007, there was one fixed income manager, Wells. The total fund was 93% invested in this manager.

## Death Plan Performance

The LADWP – Death portfolio ended the first quarter of 2007 with an aggregate value of approximately \$27.4 million.

### Death Plan - Periods ending March 31, 2007, Gross of Fees

Asset Class	Quarter	1 Year	3 Year	5 Year
Total Portfolio	1.5	6.8	3.6	4.5
<i>Policy Benchmark*</i>	1.5	6.6	3.3	5.4
Wells	1.6	6.9	---	---
<i>LB Aggregate</i>	1.5	6.6	---	---

\*Policy benchmark consists of 96% LB Aggregate Bond Index and 4% Citigroup T-bill.

**Q1 2007** – During the first quarter of 2007, the Death Plan returned 1.5%, which matched its benchmark policy return. The benchmark portfolio consists of passively managed asset class portfolios held at the Death Plan's policy weightings.

**One Year** – Over the previous 12-month period, the Death Plan returned 6.8% surpassing its policy benchmark performance of 6.6%.

### Death Plan – Asset Allocation as of 3/31/07

Segment	Actual \$(000)	Actual %	Target %	Variance
Total Portfolio	\$27,420	100	100	---
Fixed Income	26,171	96	100	-4
Wells	26,171	96	100	-4
Cash	1,249	4	0	4

**Asset Allocation** – The Death Benefit Plan target allocation is 100% domestic fixed income. By the close of 1Q 2007, there was one fixed income manager, Wells. The total fund was 94% invested in this manager.

# Quarterly Report

Q1-07

## Managers Placed on Probationary Status As of March 31, 2007 Return vs. Benchmark Since Probation

Portfolio	Style Group	Concern	1 Month	1 Quarter	2 Quarters	3 Quarters	1st Year	Since Placed on Notice*	Date of Notice
Fred Alger	Large Growth	Performance	4.0	6.4	---	---	---	6.4	12/31/2006
Russell 1000 Growth	Large Growth		2.6	1.2	---	---	---	1.2	---
Fred Alger Perf. Target	Russell 1000 Growth		N/M	N/M	N/M	N/M	---	N/M	---
Earnest Partners	Small Value	Performance	-3.3	-2.7	5.5	4.1	---	4.1	7/1/2006
Russell 2000 Value	Small Value		-1.4	2.6	11.8	13.4	---	13.4	---
Earnest Partners Perf. Vs. Target	Russell 2000 Value		N/M	N/M	N/M	N/M	---	N/M	---
Pyramis	Developed Markets	Organizational	3.7	4.7	21.3	29.8	22.9	25.1	8/1/2005
MSCI EAFE + Canada Growth ND	Developed Markets		3.3	4.3	19.4	28.0	22.2	24.2	---
Pyramis Perf. Vs. Target	MSCI EAFE + Canada Growth ND		N/M	N/M	N/M	N/M	0.7	2.5	---
The Boston Company	Emerging Markets	Performance	2.8	9.3	20.3	---	---	22.0	8/1/2006
MSCI Emerging Markets	Emerging Markets		2.6	8.4	20.4	---	---	24.6	---
Boston Company Perf. Vs. Target	MSCI EMF		N/M	N/M	N/M	---	---	N/M	---

\*Performance based on data provided by Mellon

(See next page)

\***Fred Alger** was placed on probationary status on December 31, 2006 due to performance related reasons.

\***Earnest Partners** was placed on probationary status on June 30, 2006 due to performance related reasons.

\***Pyramis** was placed on probationary status on August 1, 2005 due to organizational concerns.

\***The Boston Company** was placed on probationary status on July 1, 2006 due to performance related reasons.

Periods marked as ‘---’ do not indicate that returns are not available for these periods only that the manager in question has not been on probationary status for these periods.

Periods marked as “N/M” indicate returns are not meaningful enough to fairly judge investment performance.

# LADWP Total Fund Universe Rankings as of March 31, 2007

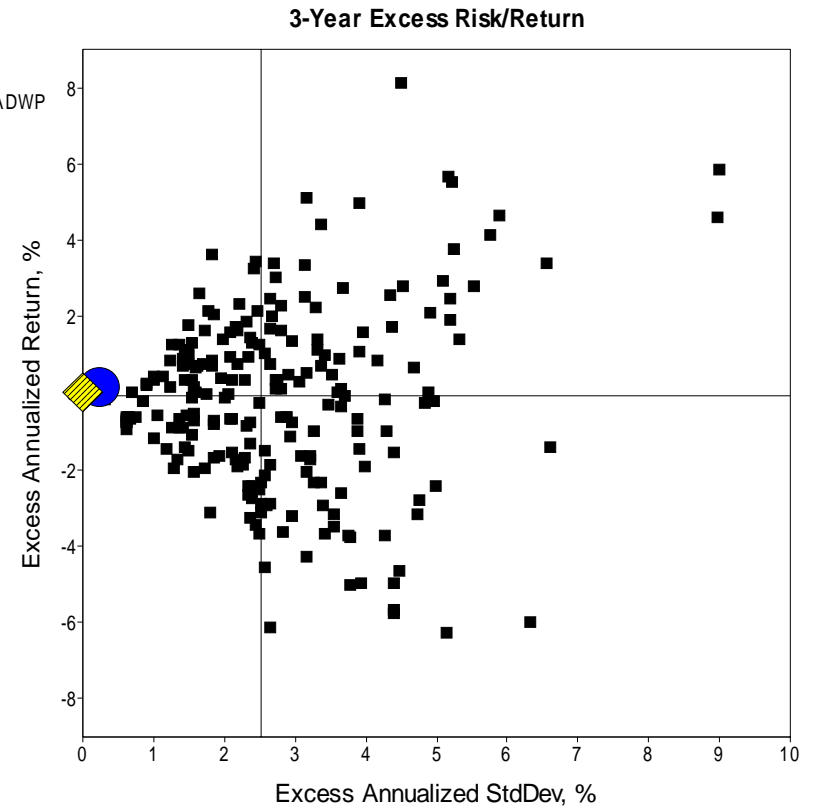
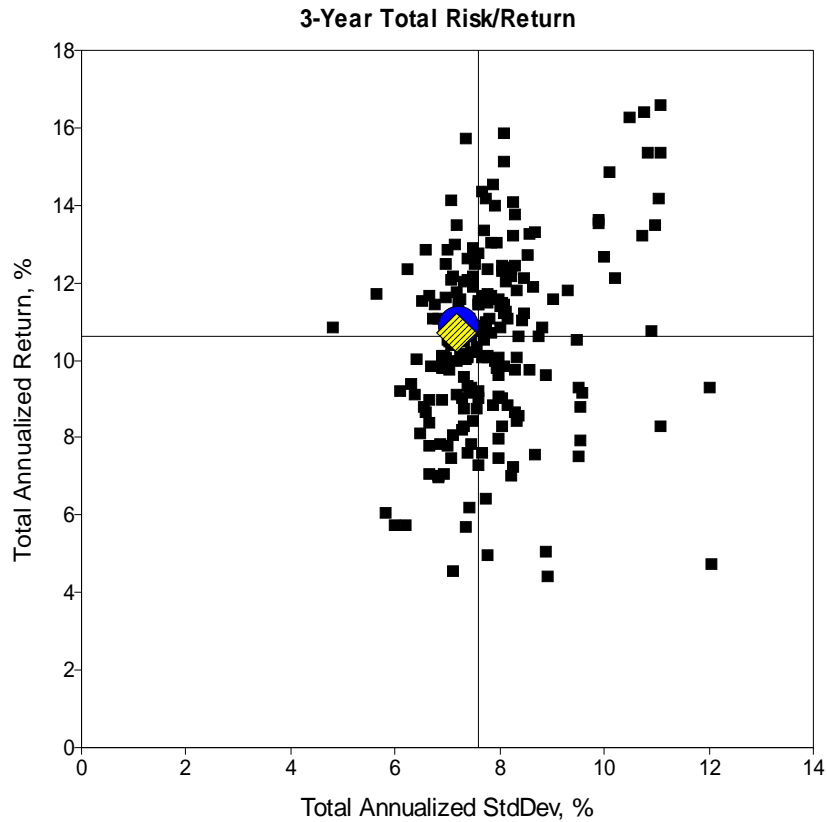
LADWP Performance Summary and Universe Rankings Period Ending March 31, 2007				
<b>Mellon Total Funds - Public Universe</b>				
	<u>Quarter</u>	<u>1- Year</u>	<u>3-Year</u>	<u>5-Year</u>
Maximum	3.6	15.0	15.1	12.5
Percentile 25	3.0	12.7	12.5	10.7
Median	2.5	11.8	11.6	10.0
Percentile 75	2.1	10.8	10.7	9.1
Minimum	1.8	7.8	6.6	6.6
Number of Portfolios	52	50	47	46
<b>LADWP Total Fund</b>				
Return	2.0	11.0	9.5	7.2
Quartile Rank	4th	3rd	4th	4th

**Notes:**

Sources: Universe Information; Mellon Total Public Funds

All performance is shown **gross of fees**.

# LADWP Large Cap Core Manager Comparisons as of March 31, 2007



	Annualized Return, %	Annualized StdDev, %	Information Ratio
BlackRock - LADWP	10.91	7.22	1.51
Russell 1000	10.73	7.18	1.49
Large Cap Manager Universe Median	10.64	7.59	1.41

	Annualized Excess Return, %	Annualized Excess StdDev, %	Information Ratio, Excess
BlackRock - LADWP	0.18	0.22	0.82
Russell 1000	0.00	0.00	NA
Large Cap Manager Universe Median	-0.09	2.51	-0.04

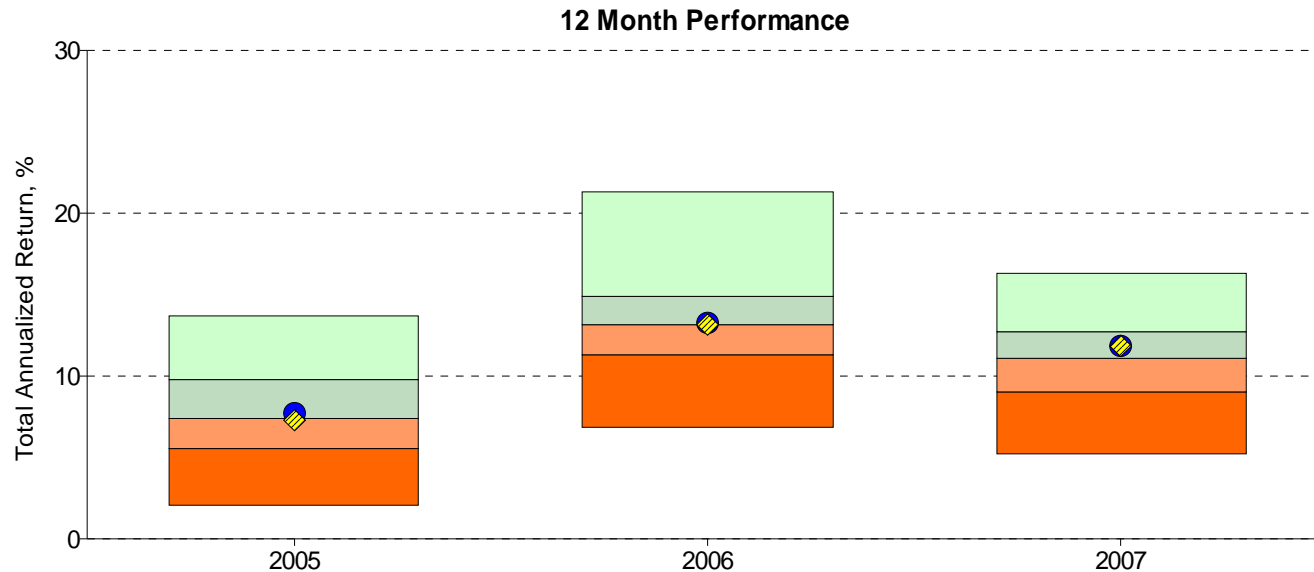
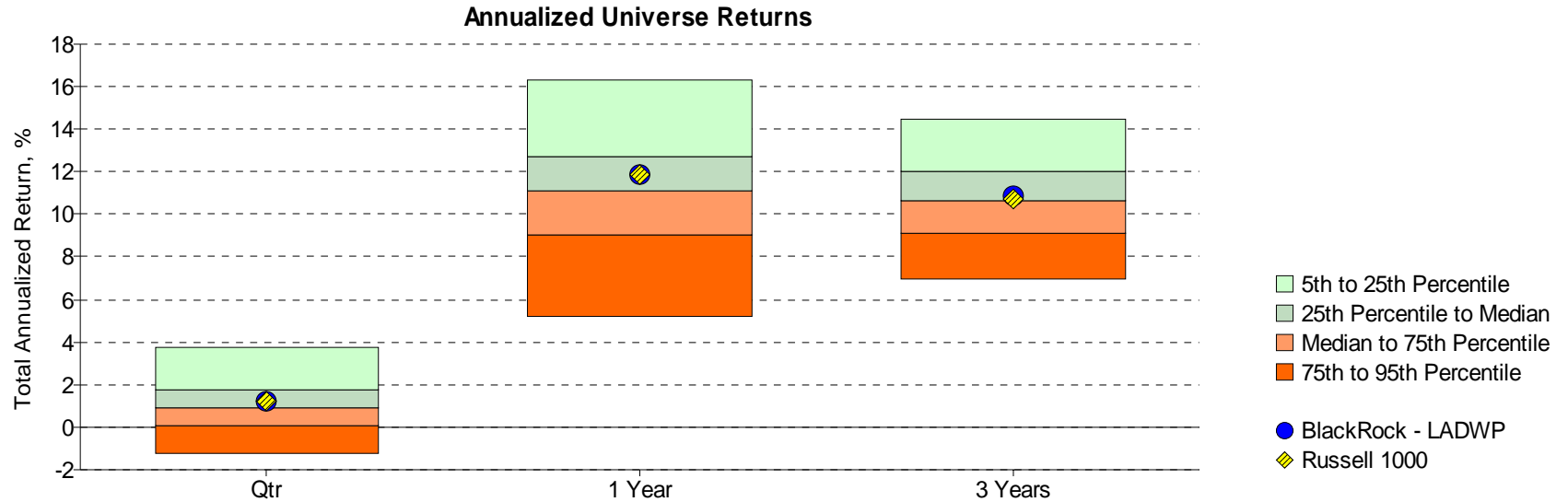
## Notes:

Sources: Data MPI/eVestment Alliance (index information).

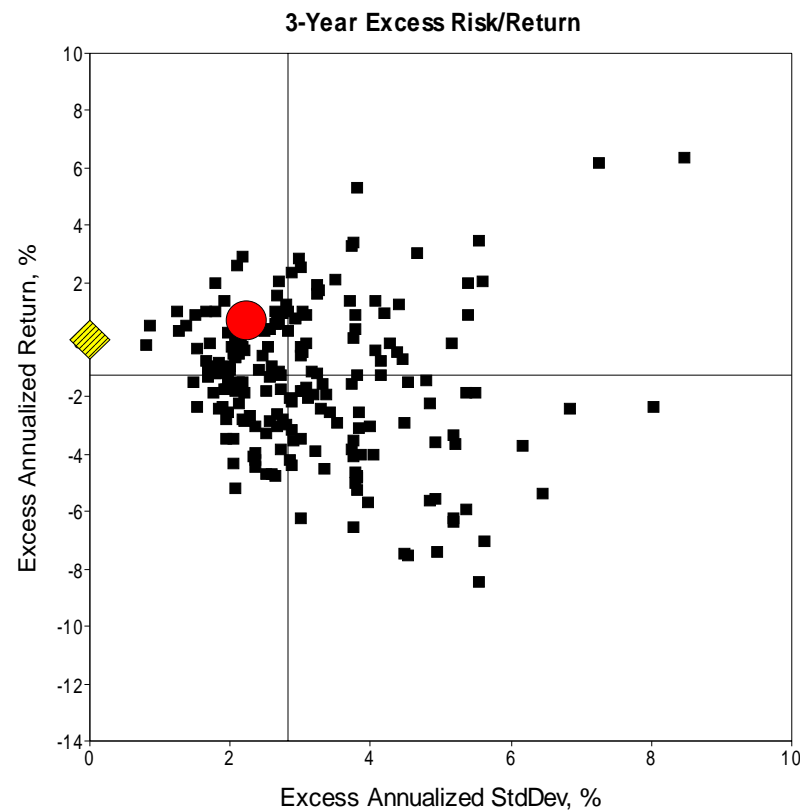
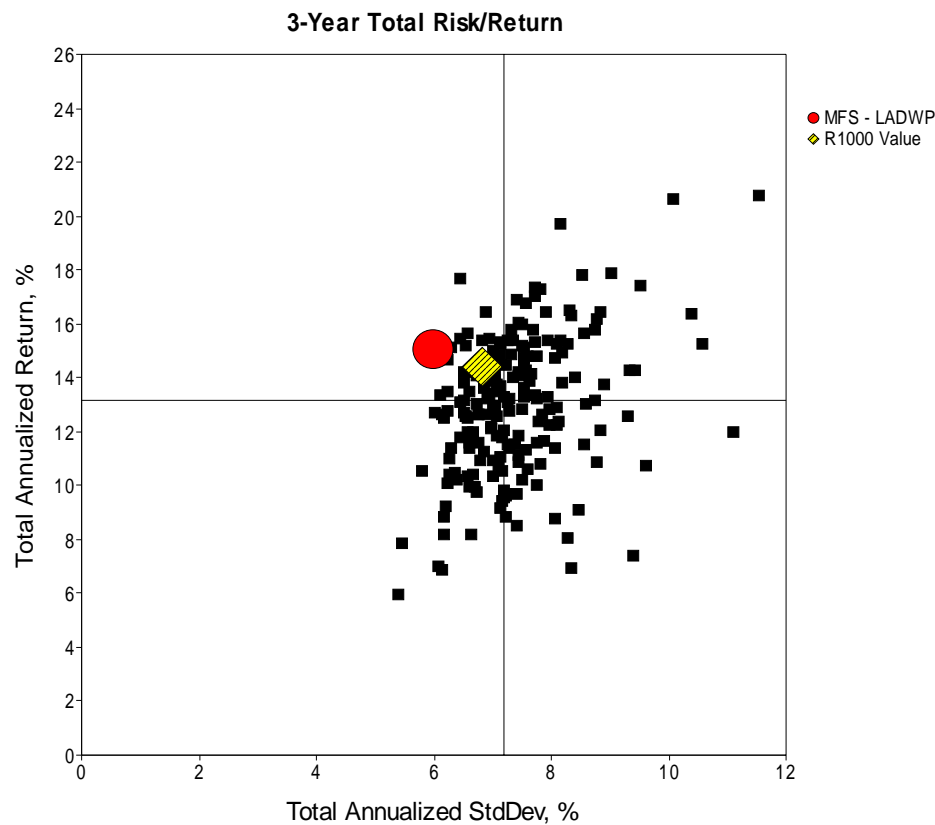
All performance is shown **gross of fees**.

Performance and related statistics calculated using MPI software that geometrically linked and compounded returns.

# LADWP Large Cap Core Manager Comparisons as of March 31, 2007



# LADWP Large Cap Value Manager Comparisons as of March 31, 2007

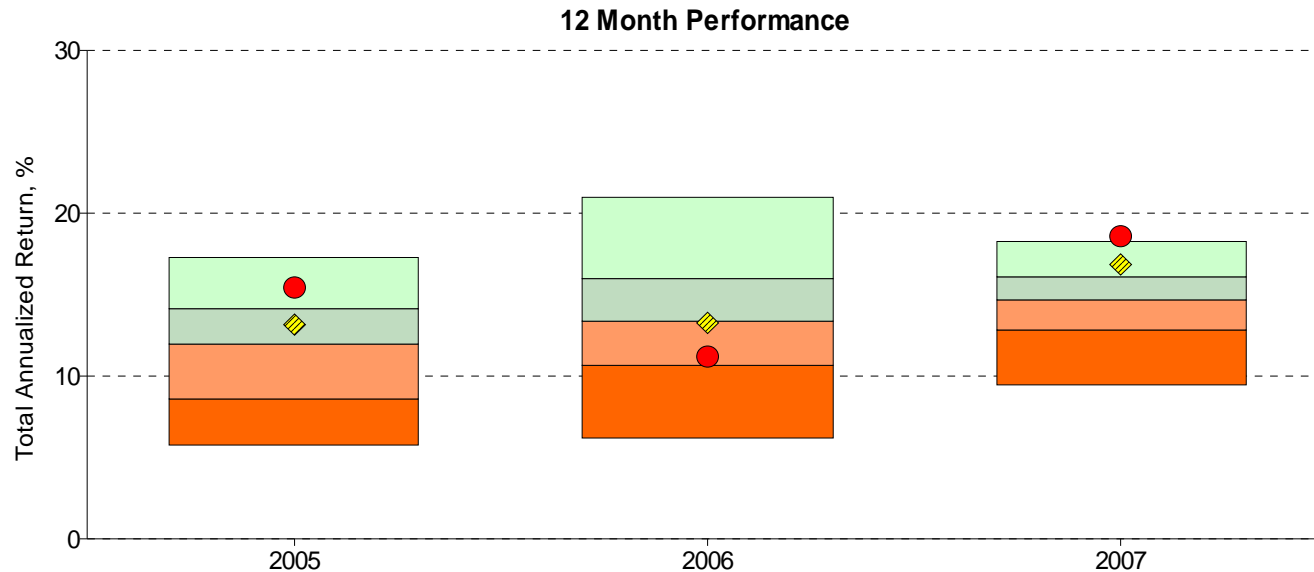
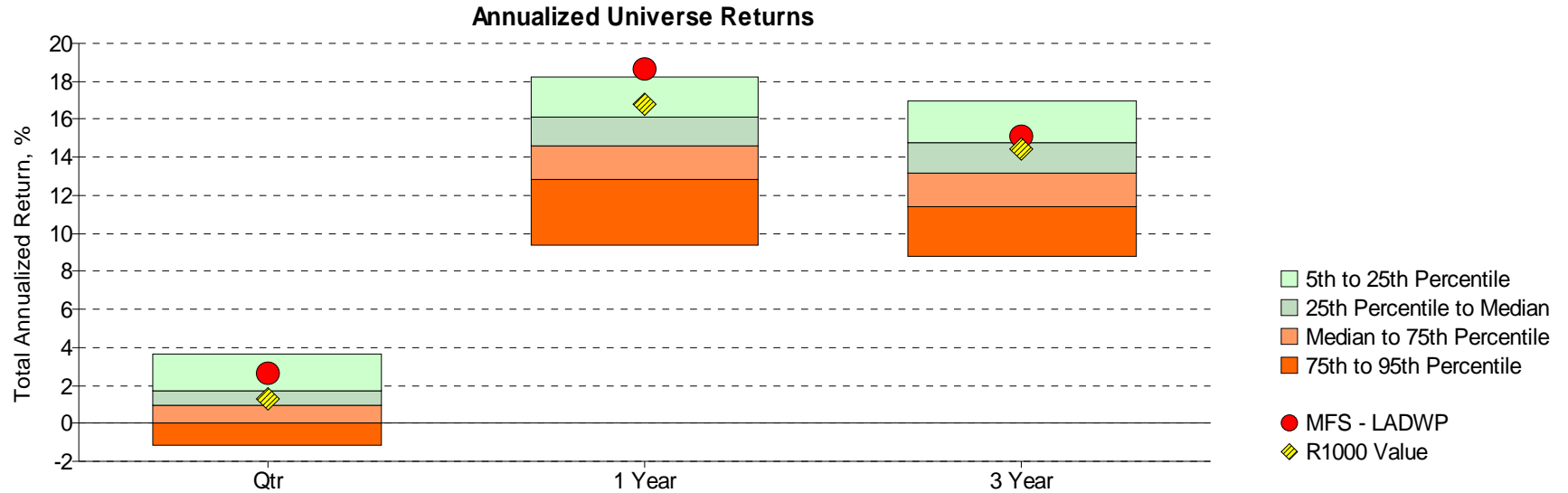


	Annualized Return, %	Annualized StdDev, %	Information Ratio
MFS - LADWP	15.07	5.99	2.52
R1000 Value	14.41	6.83	2.11
Large Value Manager Universe Median	13.17	7.21	1.83

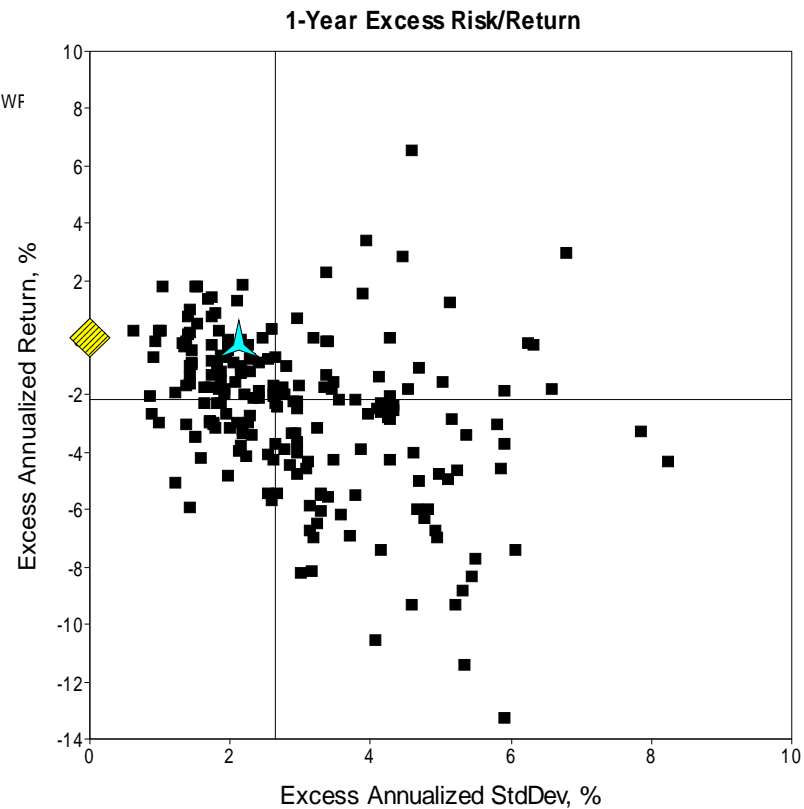
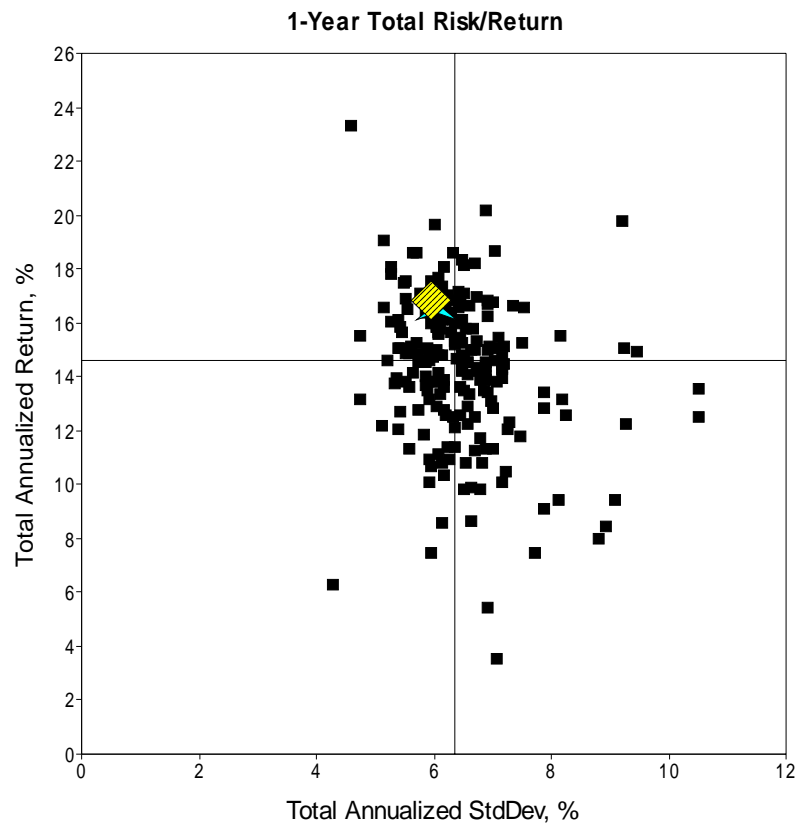
	Annualized Excess Return, %	Annualized Excess StdDev, %	Information Ratio, Excess
MFS - LADWP	0.67	2.22	0.30
R1000 Value	0.00	0.00	NA
Large Value Manager Universe Median	-1.24	2.82	-0.45



# LADWP Large Cap Value Manager Comparisons as of March 31, 2007



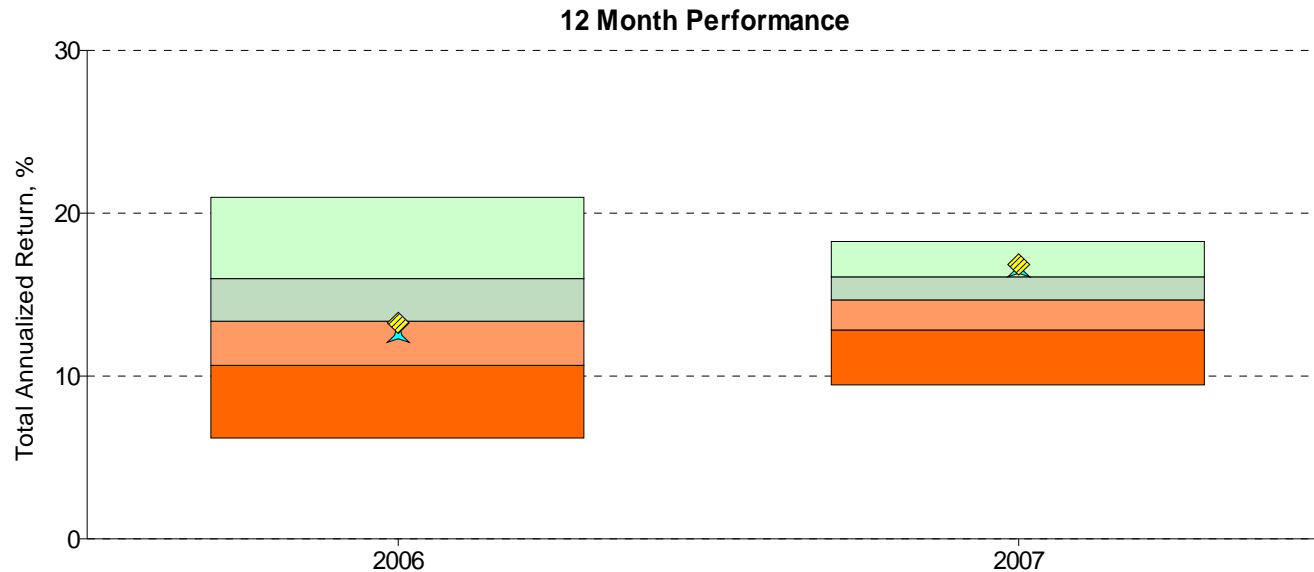
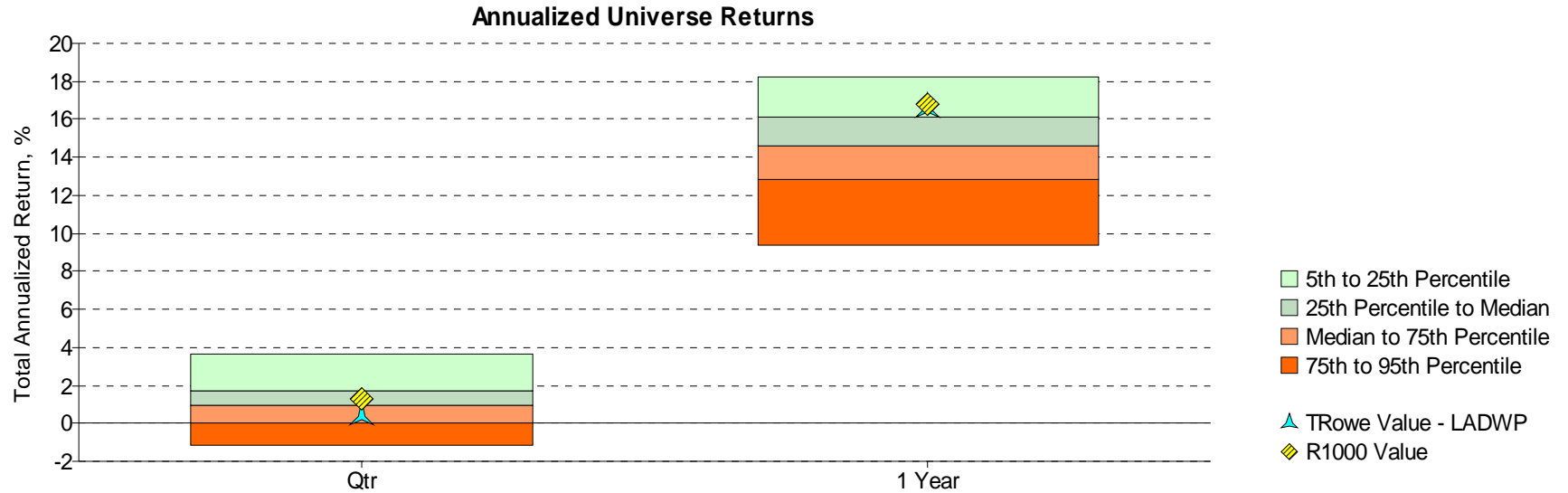
# LADWP Large Cap Value Manager Comparisons as of March 31, 2007



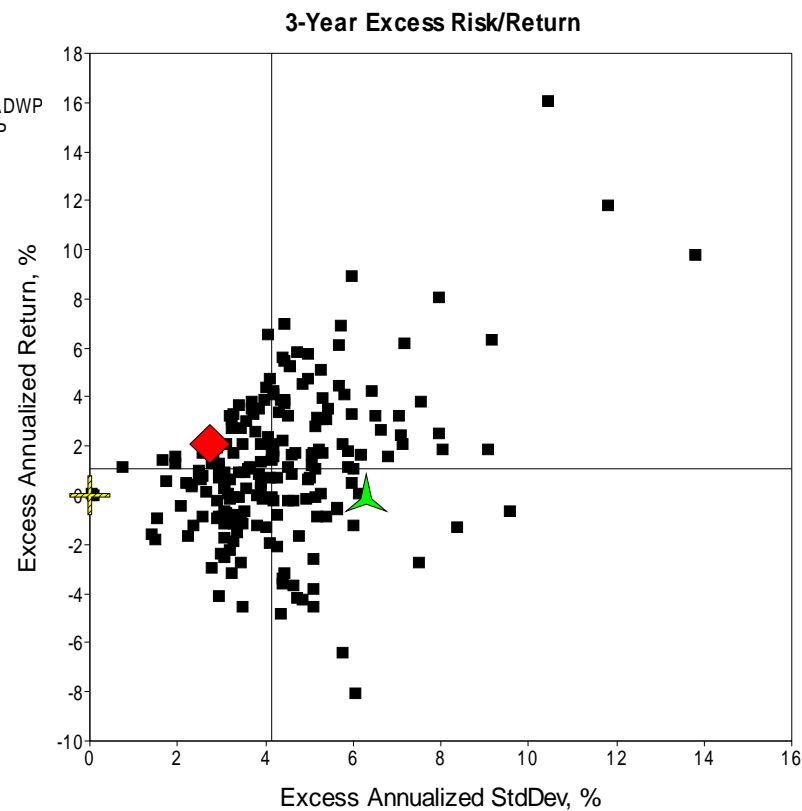
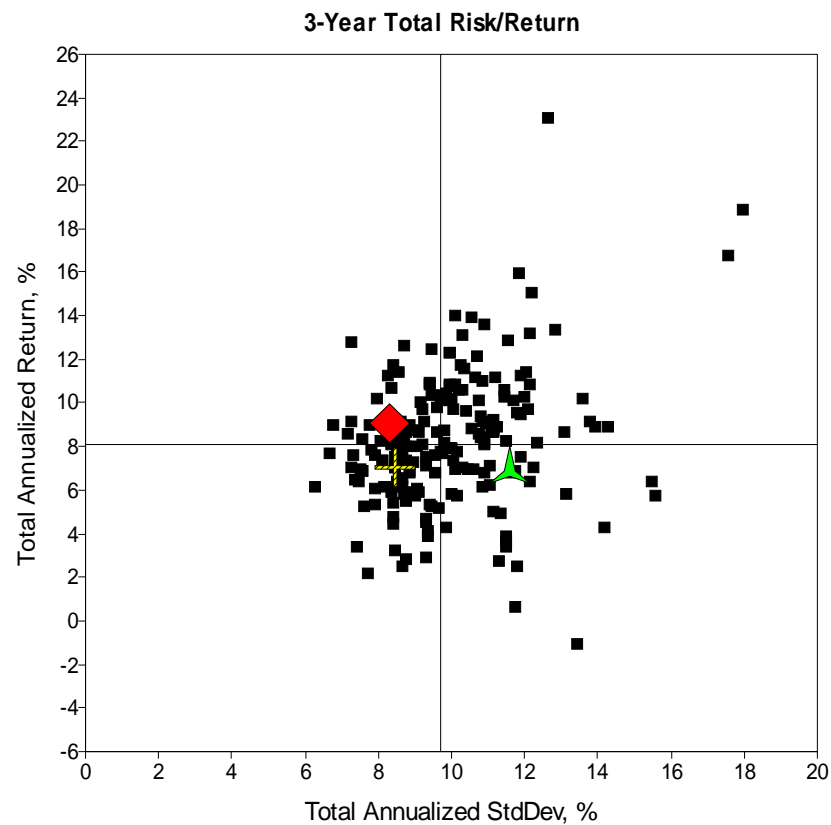
	Annualized Return, %	Annualized StdDev, %	Information Ratio
TRowe Value - LADWP	16.57	6.06	2.74
R1000 Value	16.81	5.95	2.82
Large Value Manager Universe Median	14.63	6.36	2.28

	Annualized Excess Return, %	Annualized Excess StdDev, %	Information Ratio, Excess
TRowe Value - LADWP	-0.24	2.13	-0.11
R1000 Value	0.00	0.00	NA
Large Value Manager Universe Median	-2.18	2.63	-0.76

# LADWP Large Cap Value Manager Comparisons as of March 31, 2007



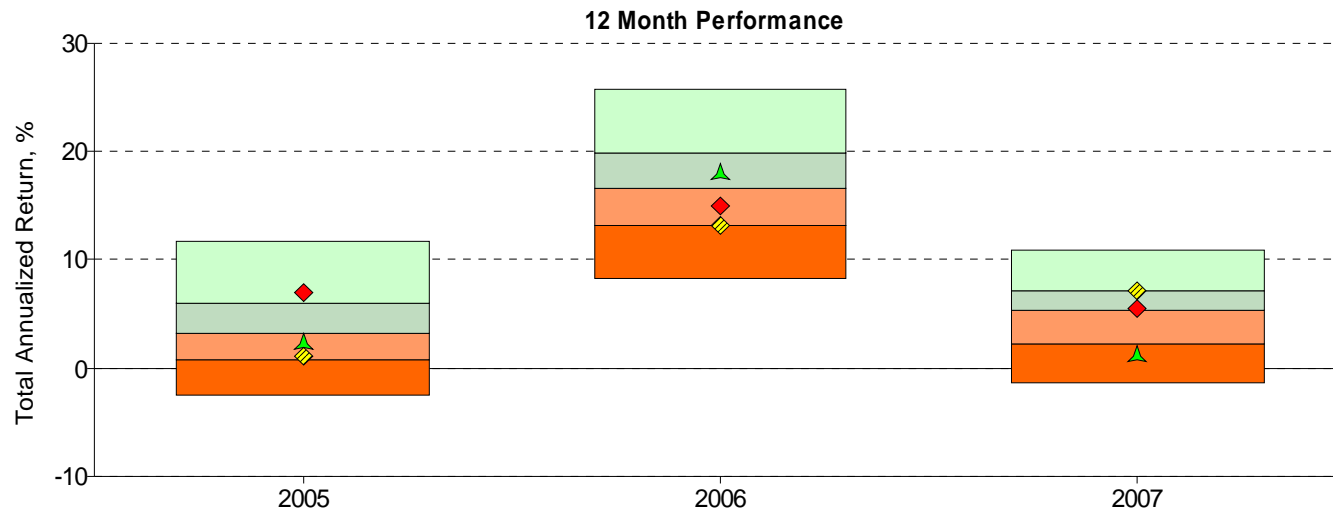
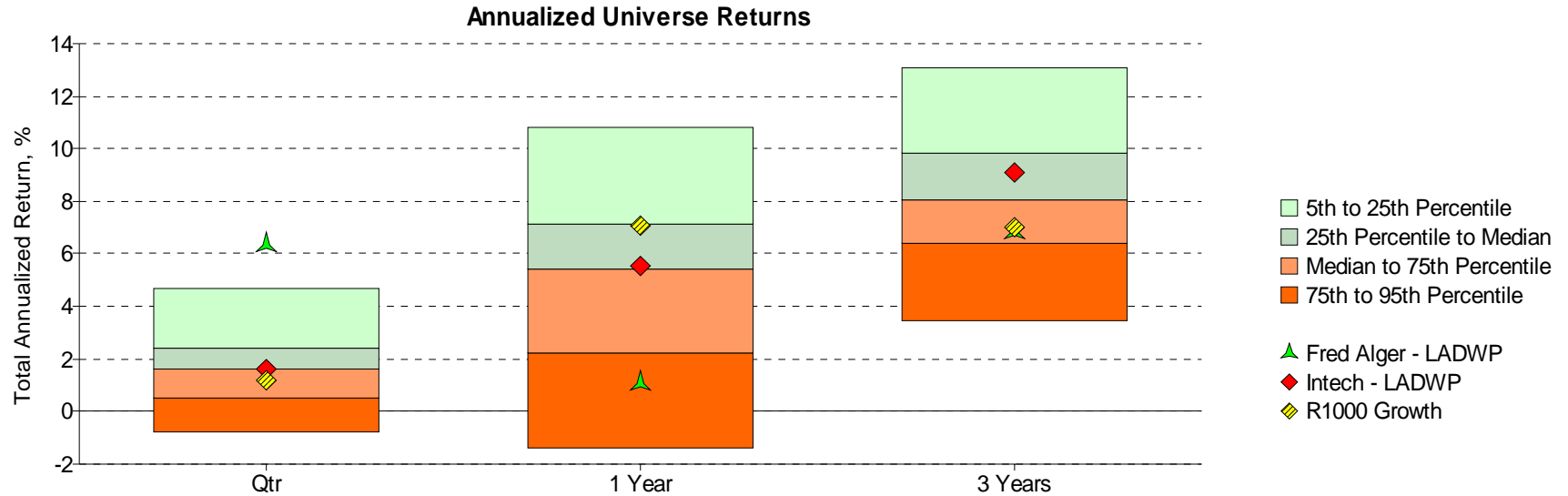
# LADWP Large Cap Growth Manager Comparisons as of March 31, 2007



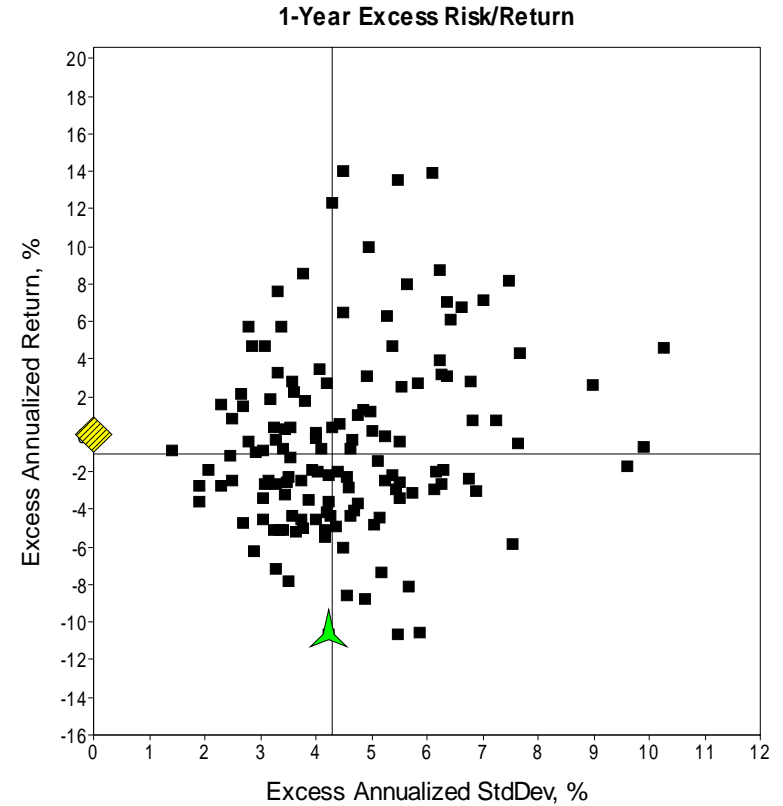
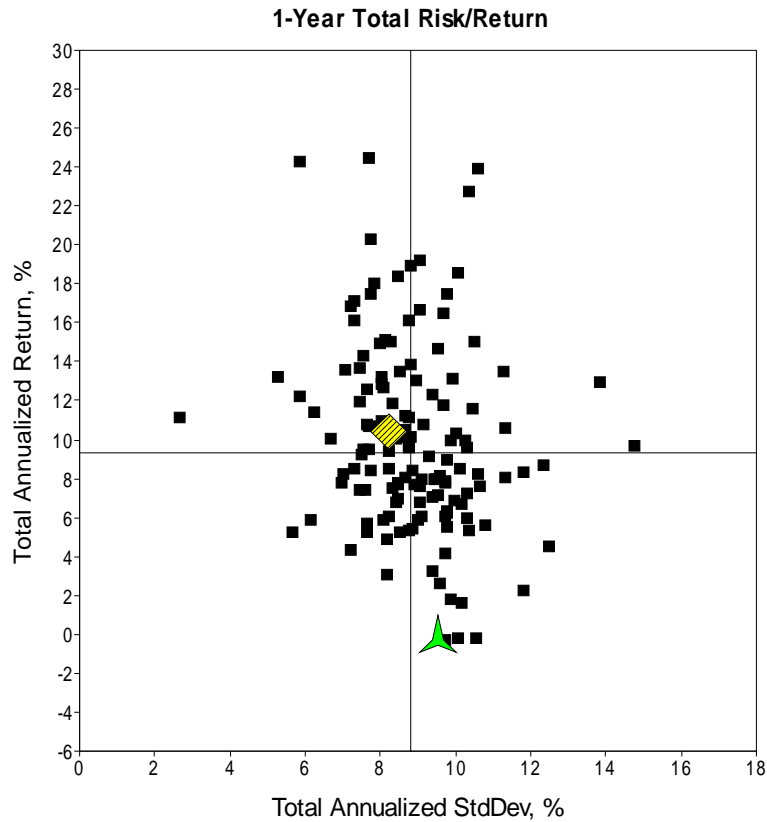
	Annualized Return, %	Annualized StdDev, %	Information Ratio
Fred Alger - LADWP	6.84	11.57	0.59
Intech - LADWP	9.08	8.32	1.09
R1000 Growth	7.02	8.47	0.83
Large Growth Manager Universe Median	8.08	9.68	0.84

	Annualized Excess Return, %	Annualized Excess StdDev, %	Information Ratio, Excess
Fred Alger - LADWP	-0.17	6.30	-0.03
Intech - LADWP	2.06	2.76	0.75
R1000 Growth	0.00	0.00	NA
Large Growth Manager Universe Median	1.06	4.13	0.28

# LADWP Large Cap Growth Manager Comparisons as of March 31, 2007



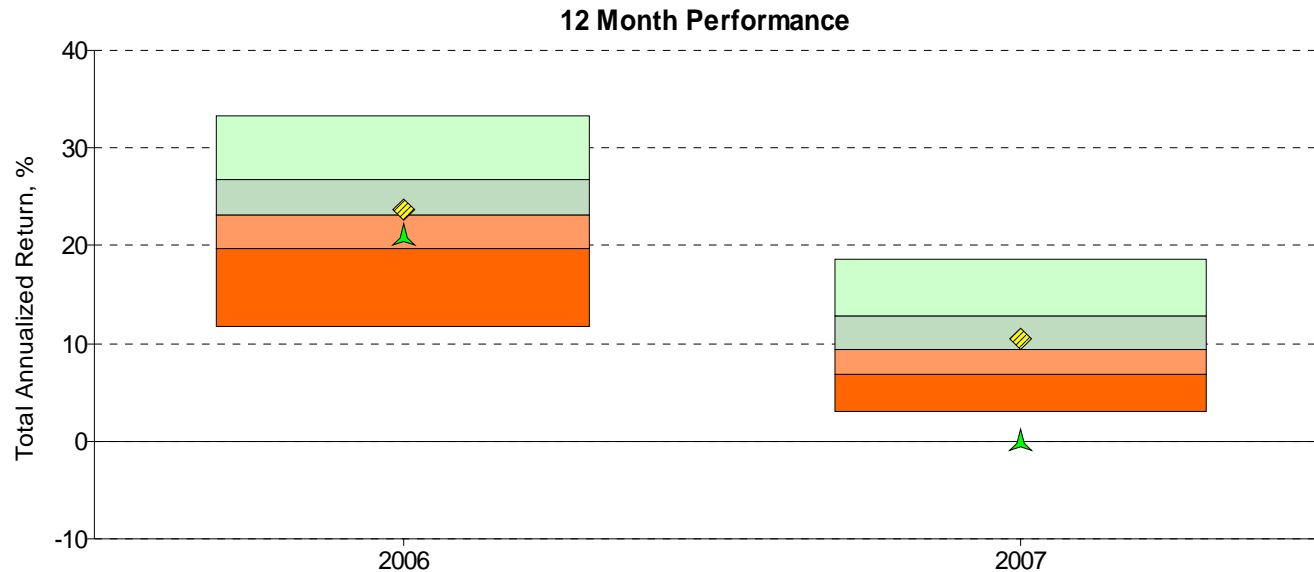
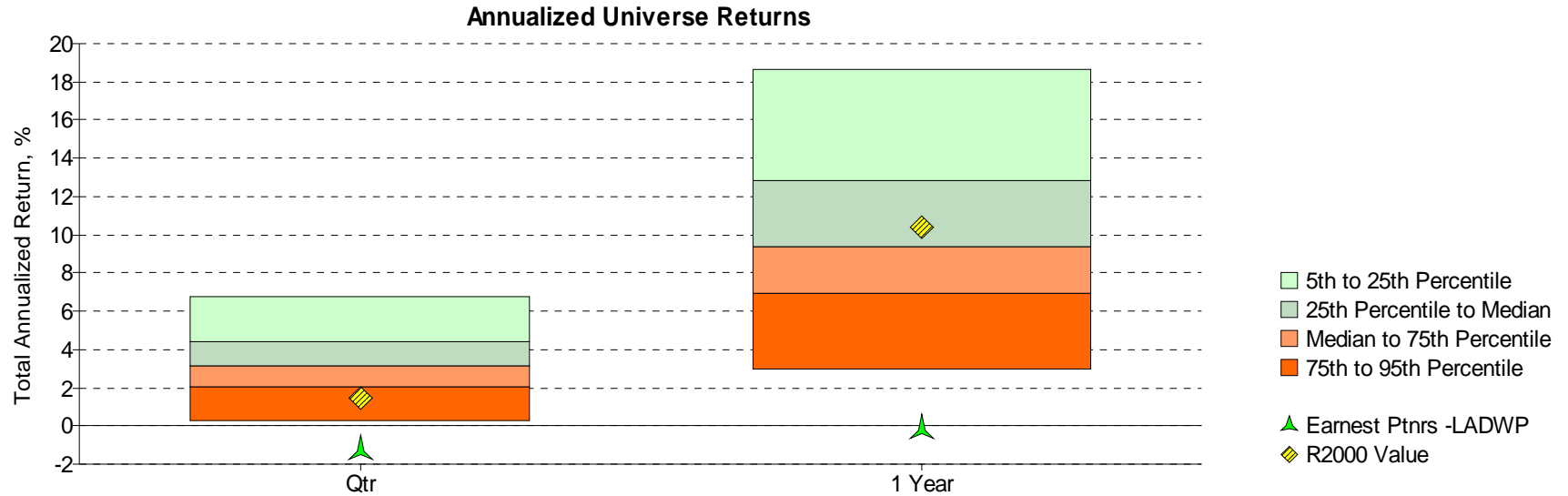
# LADWP Small Cap Value Manager Comparisons as of March 31, 2007



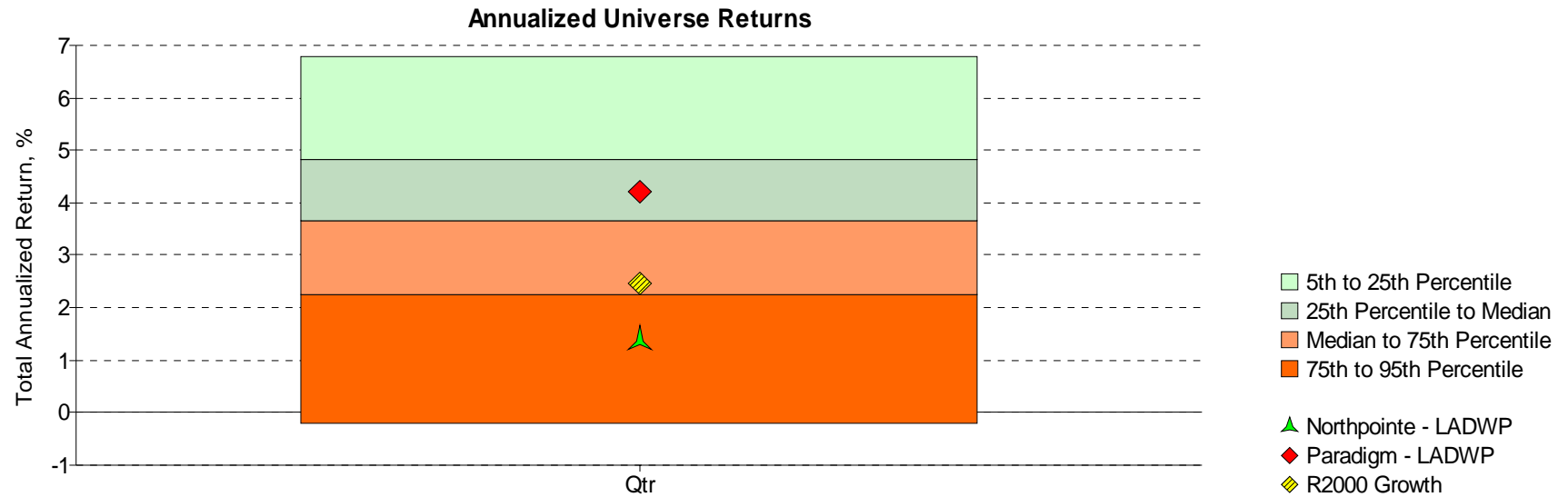
	Annualized Return, %	Annualized StdDev, %	Information Ratio
Earnest Ptnrs -LADWP	-0.25	9.55	-0.03
R2000 Value	10.39	8.21	1.26
Small Cap Value Universe Median	9.36	8.79	1.02

	Annualized Excess Return, %	Annualized Excess StdDev, %	Information Ratio, Excess
Earnest Ptnrs -LADWP	-10.64	4.22	-2.52
R2000 Value	0.00	0.00	NA
Small Cap Value Universe Median	-1.02	4.31	-0.31

# LADWP Small Cap Value Manager Comparisons as of March 31, 2007

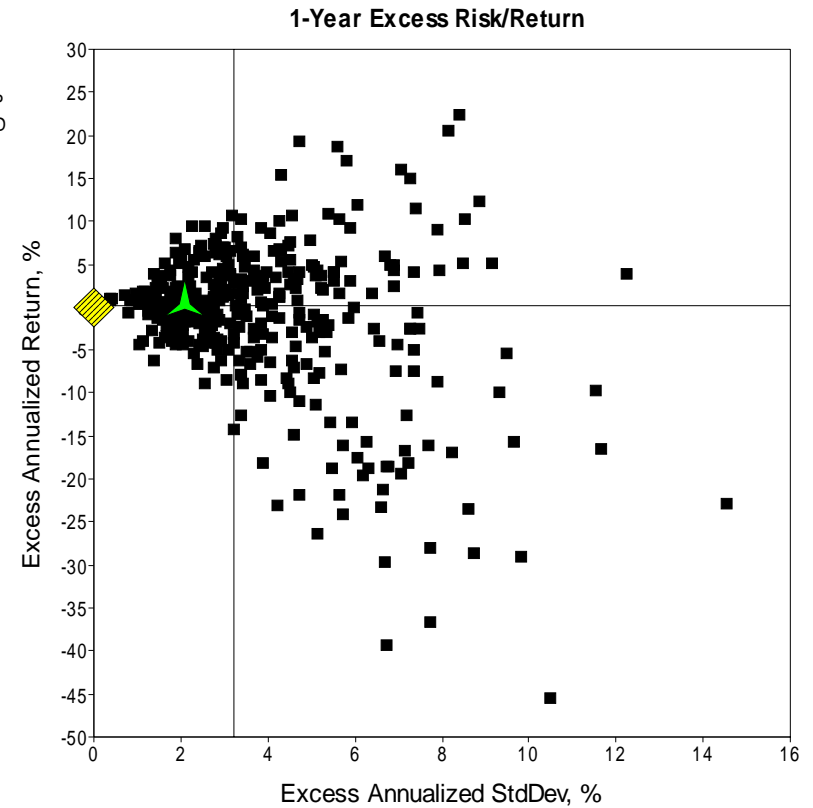
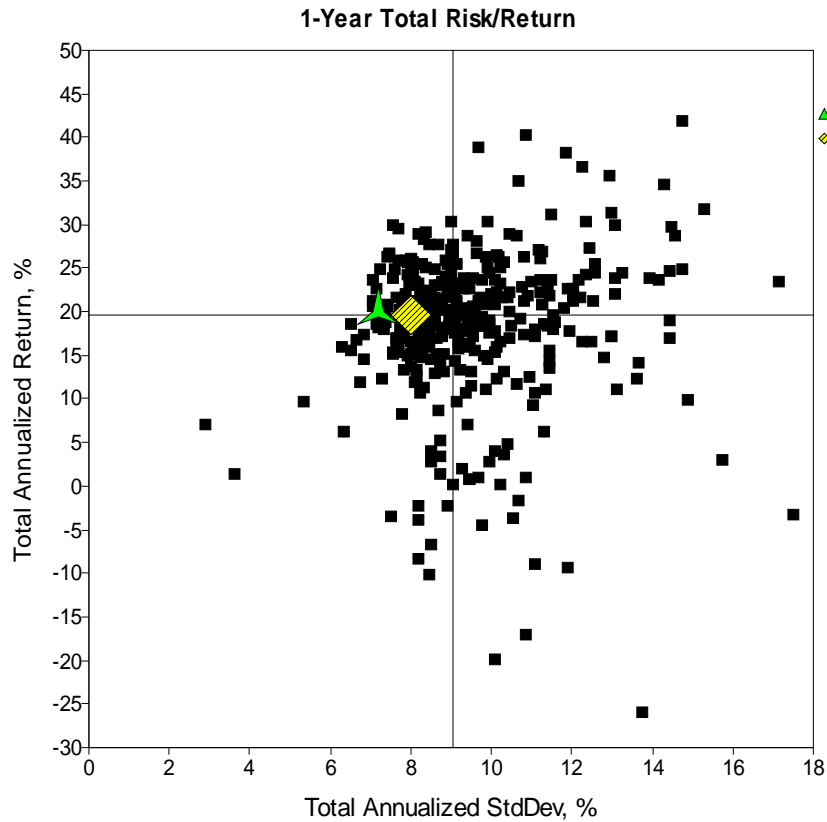


# LADWP Small Cap Growth Manager Comparisons as of March 31, 2007





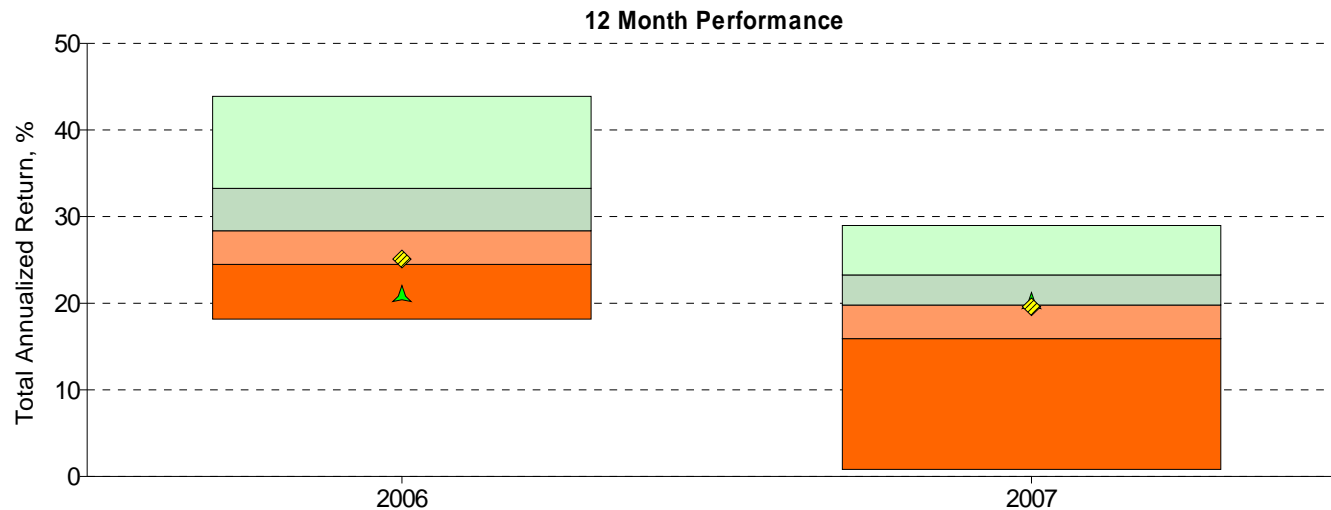
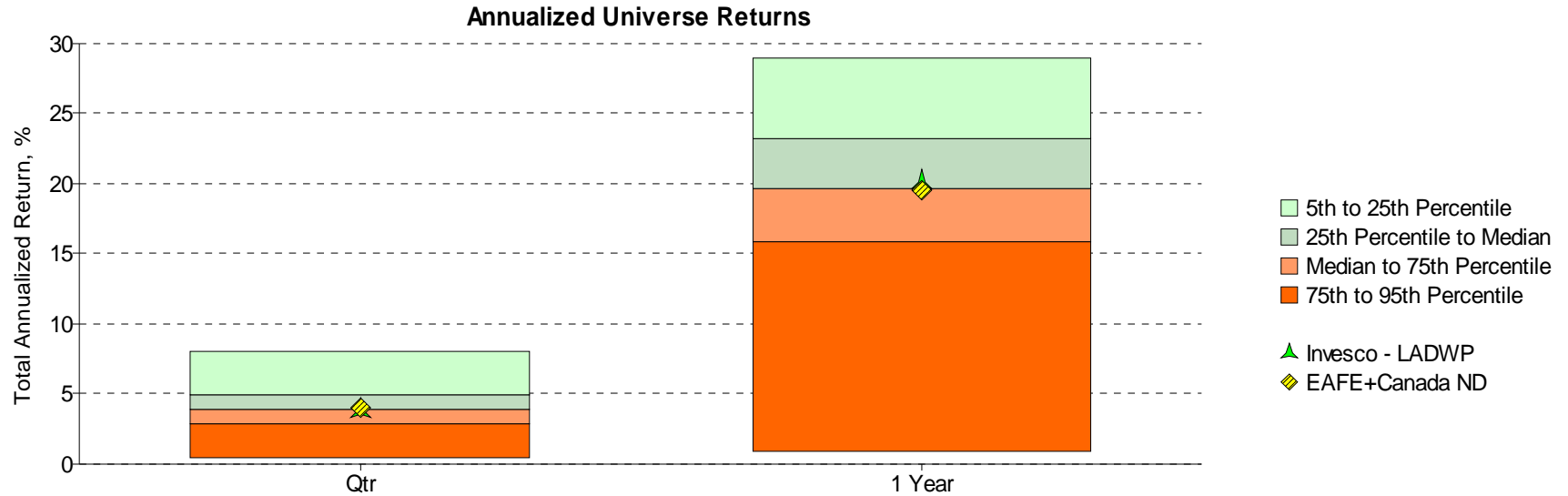
# LADWP International Equity Manager Comparisons as of March 31, 2007



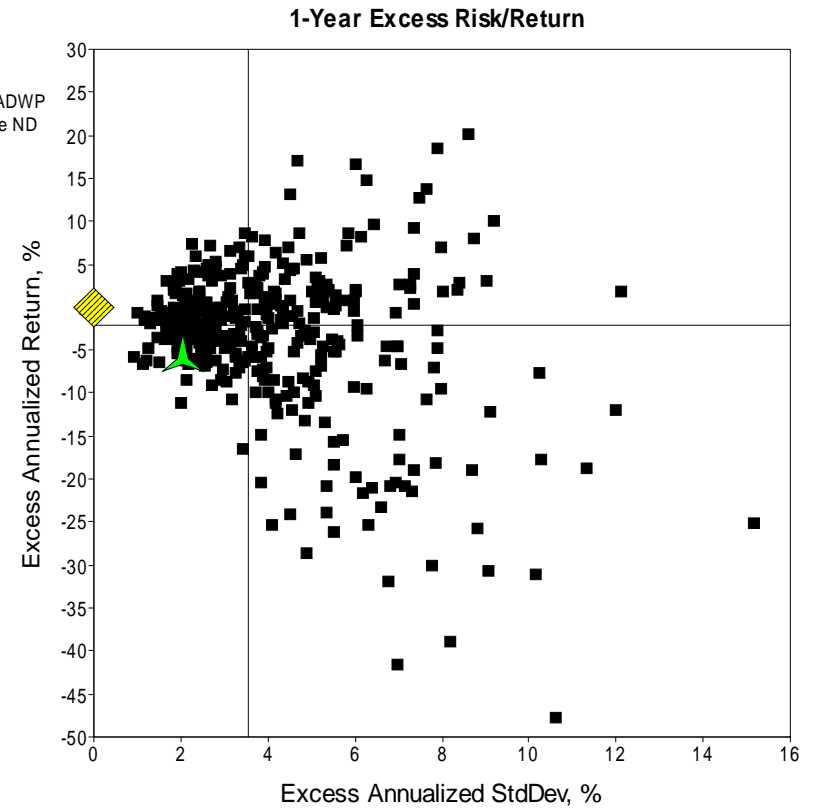
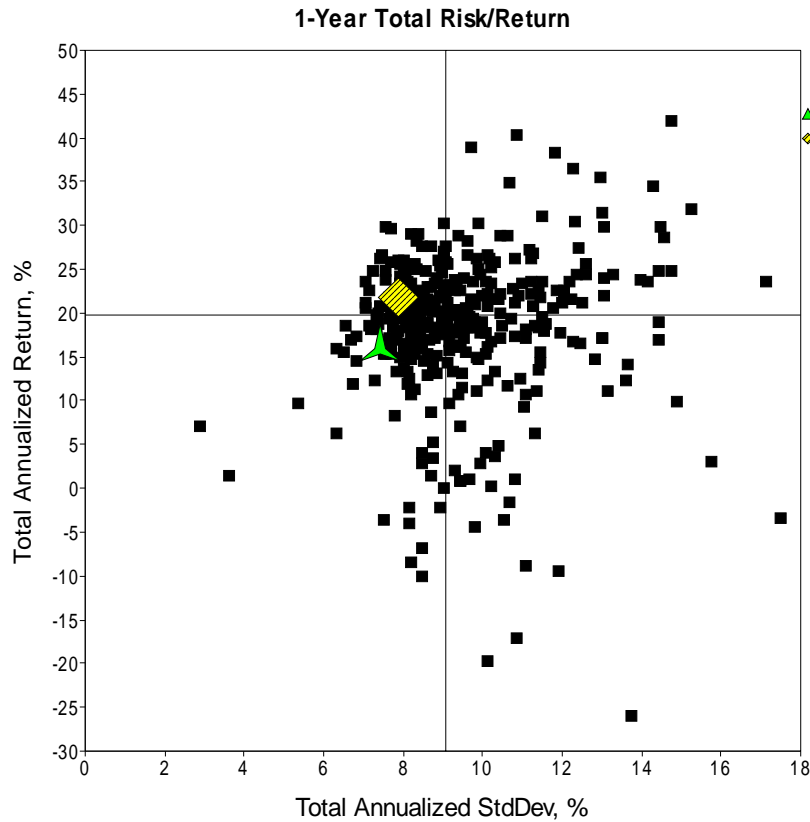
	Annualized Return, %	Annualized StdDev, %	Information Ratio
Invesco - LADWP	20.07	7.18	2.80
EAFE+Canada ND	19.59	7.99	2.45
International Equity Universe Median	19.70	9.06	2.12

	Annualized Excess Return, %	Annualized Excess StdDev, %	Information Ratio, Excess
Invesco - LADWP	0.48	2.07	0.23
EAFE+Canada ND	0.00	0.00	NA
International Equity Universe Median	0.11	3.20	0.05

# LADWP International Equity Manager Comparisons as of March 31, 2007



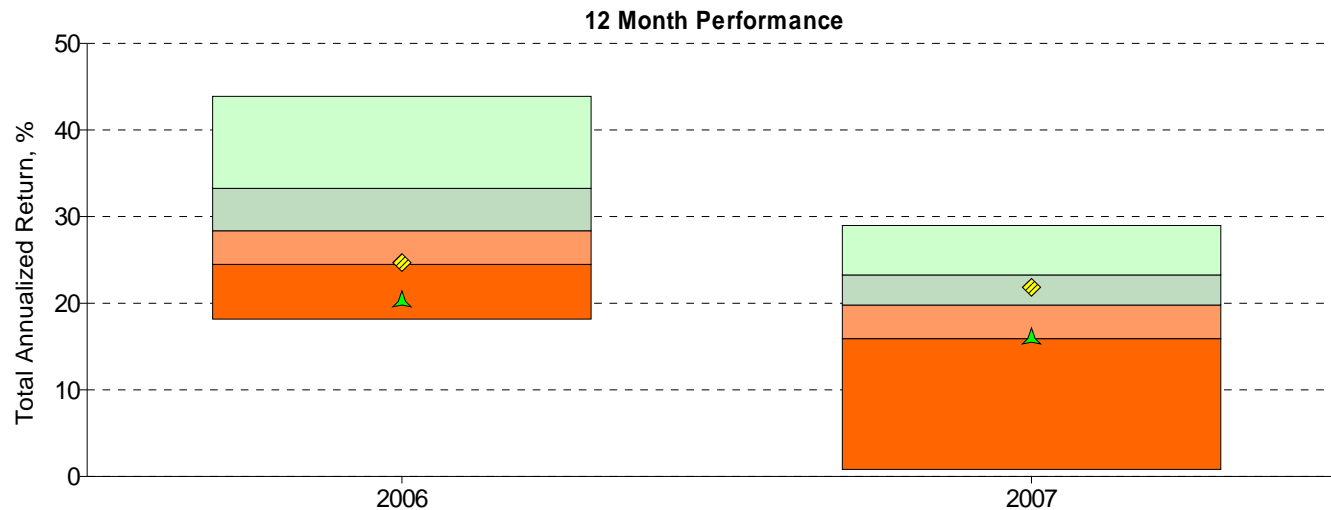
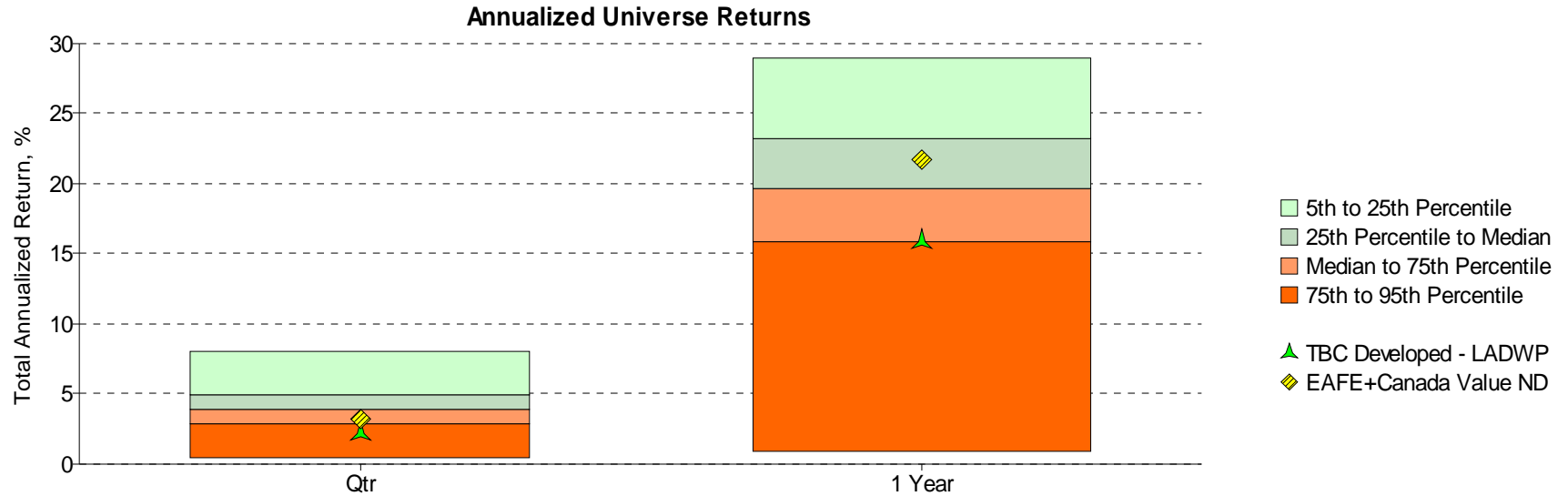
# LADWP International Equity Manager Comparisons as of March 31, 2007



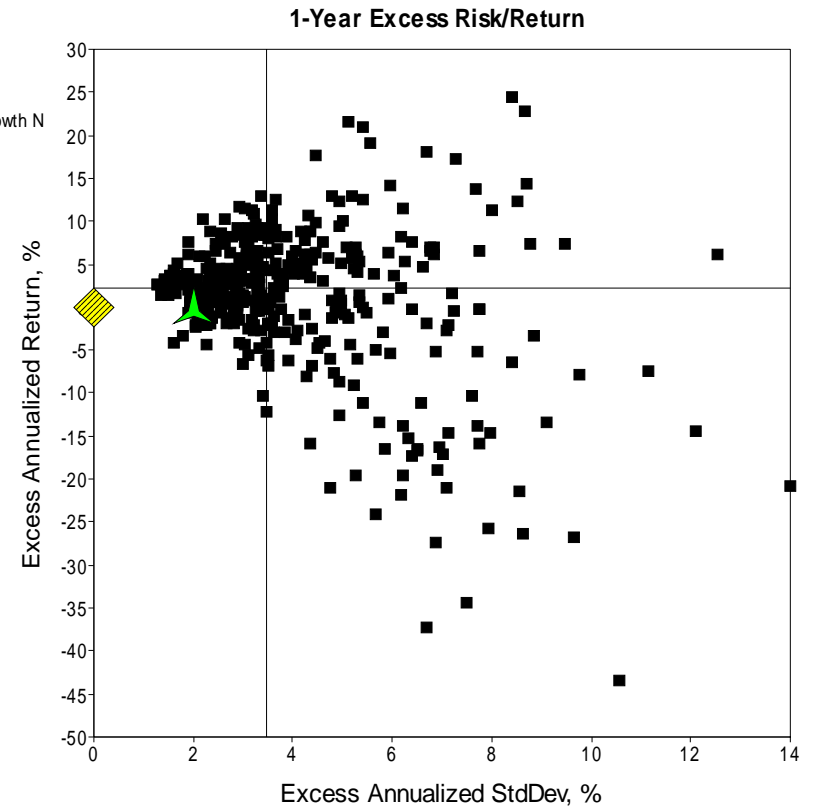
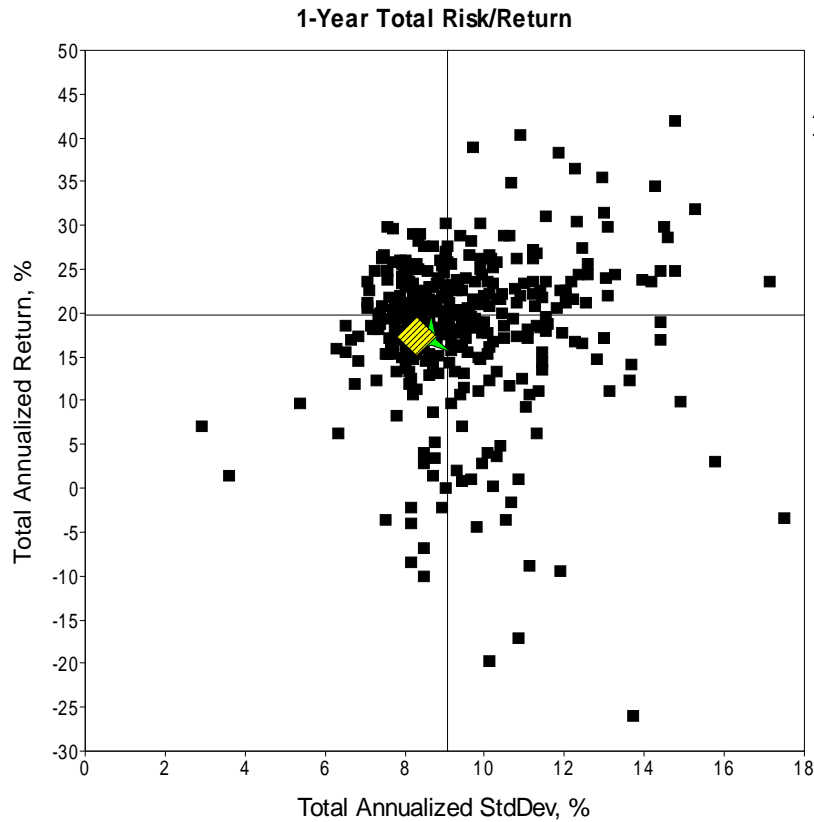
	Annualized Return, %	Annualized StdDev, %	Information Ratio
TBC Developed - LADWP	15.87	7.43	2.14
EAFE+Canada Value ND	21.77	7.87	2.76
International Equity Universe Median	19.70	9.06	2.12

	Annualized Excess Return, %	Annualized Excess StdDev, %	Information Ratio, Excess
TBC Developed - LADWP	-5.90	2.07	-2.86
EAFE+Canada Value ND	0.00	0.00	NA
International Equity Universe Median	-2.07	3.57	-0.84

# LADWP International Equity Manager Comparisons as of March 31, 2007



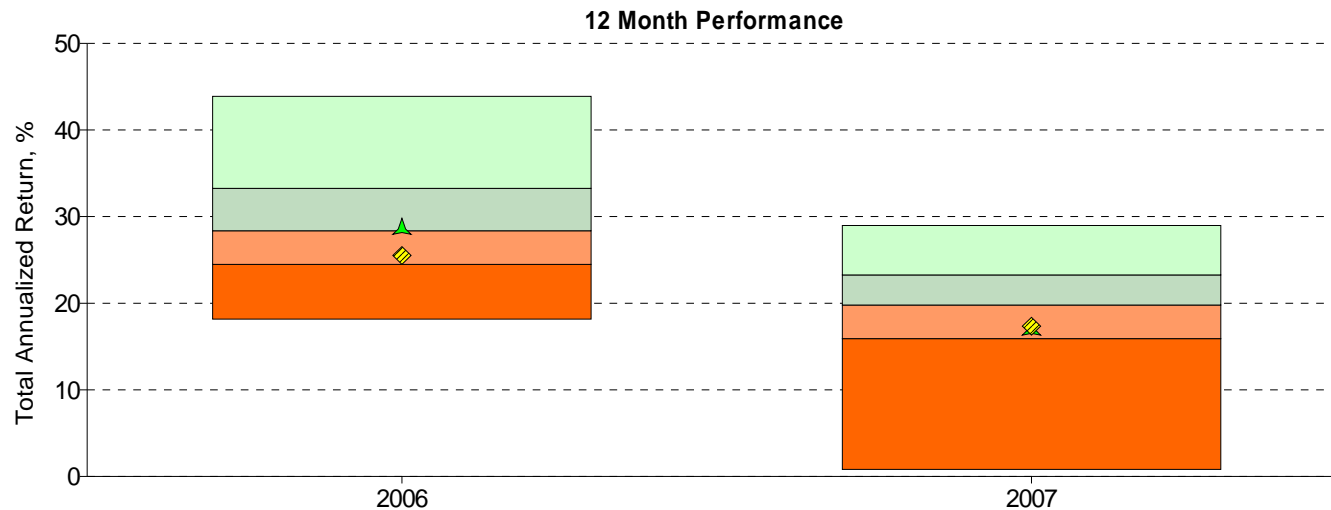
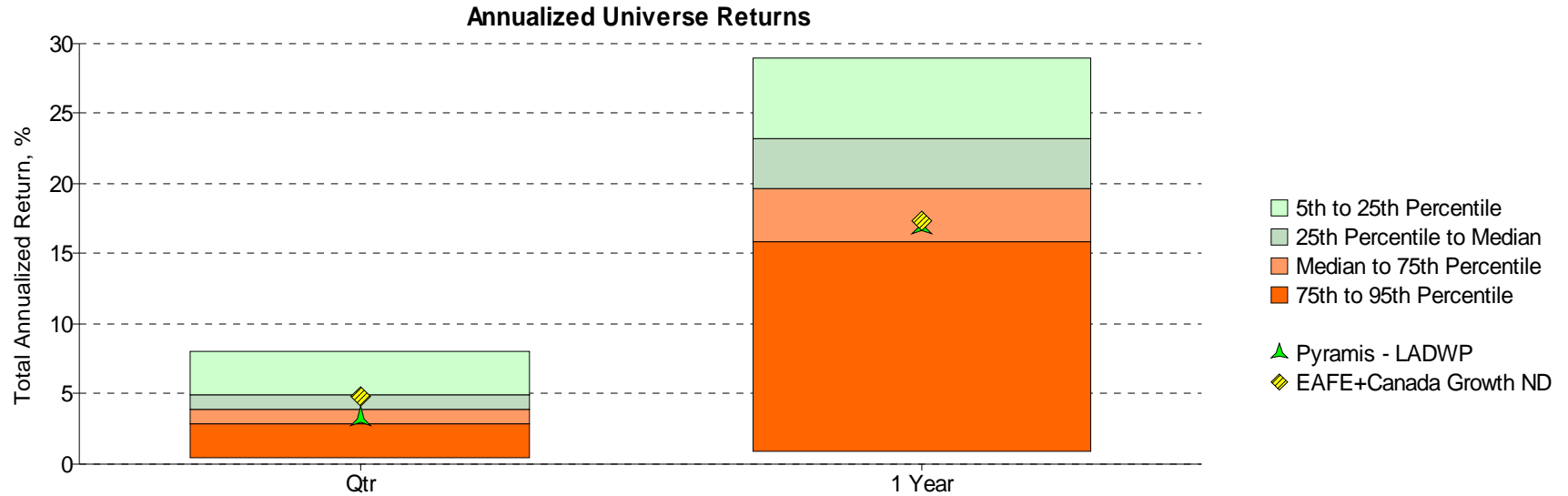
# LADWP International Equity Manager Comparisons as of March 31, 2007



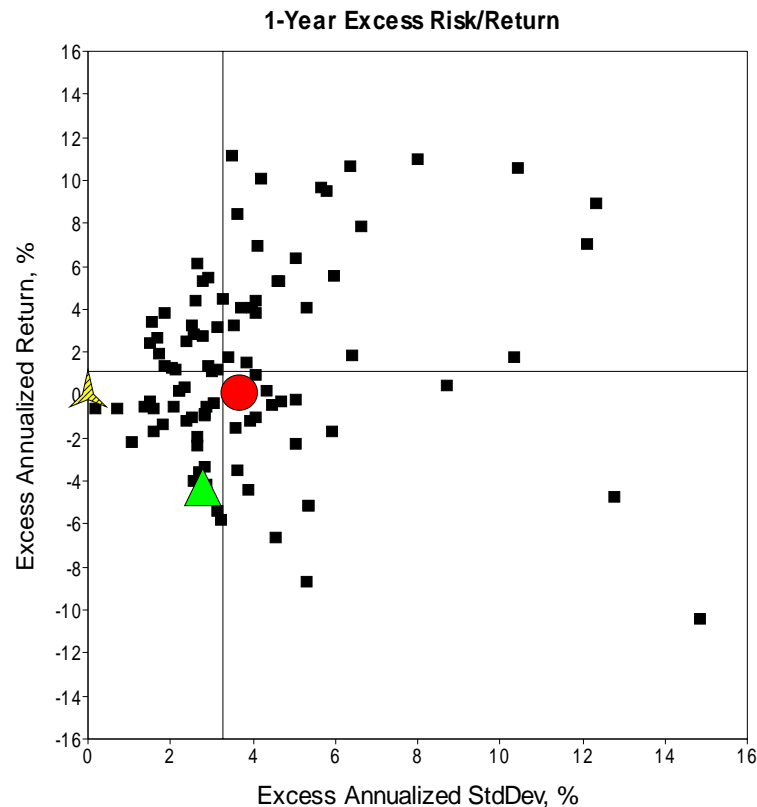
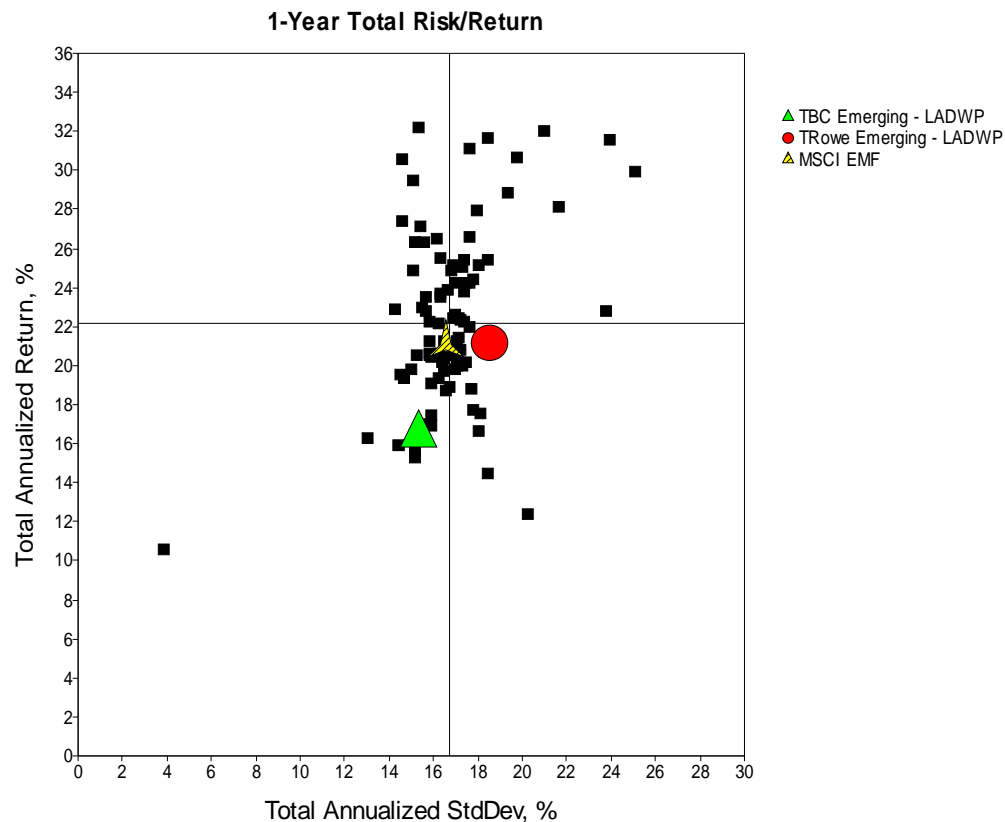
	Annualized Return, %	Annualized StdDev, %	Information Ratio
Pyramis - LADWP	16.89	8.68	1.95
EAFE+Canada Growth ND	17.39	8.32	2.09
International Equity Universe Median	19.70	9.06	2.12

	Annualized Excess Return, %	Annualized Excess StdDev, %	Information Ratio, Excess
Pyramis - LADWP	-0.50	2.00	-0.25
EAFE+Canada Growth ND	0.00	0.00	NA
International Equity Universe Median	2.31	3.46	0.78

# LADWP International Equity Manager Comparisons as of March 31, 2007



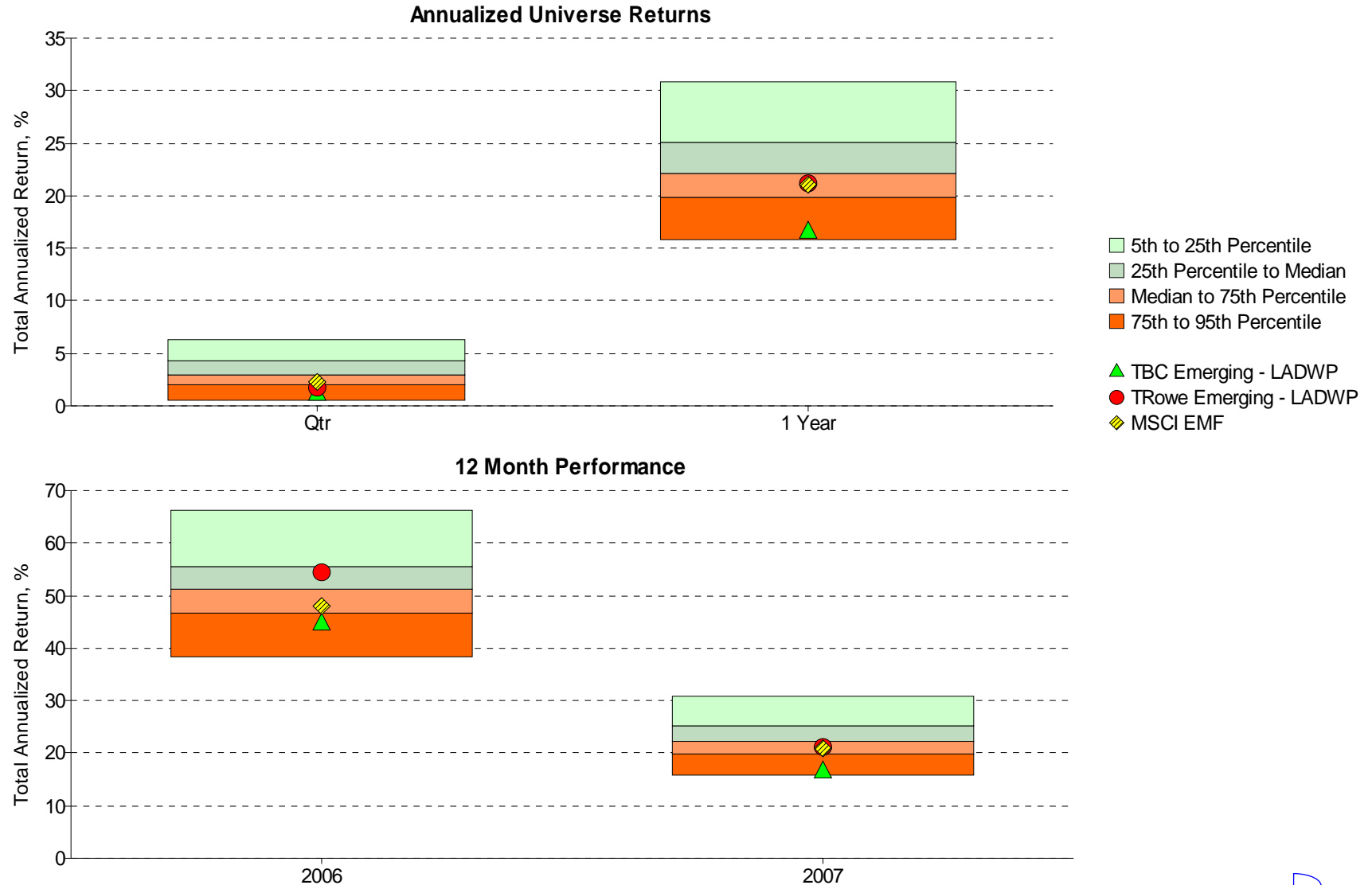
# LADWP Emerging Equity Manager Comparisons as of March 31, 2007



	Annualized Return, %	Annualized StdDev, %	Information Ratio
TBC Emerging - LADWP	16.47	15.31	1.08
TRowe Emerging - LADWP	21.14	18.49	1.14
MSCI EMF	21.04	16.54	1.27
Emerging Equity Universe Median	22.15	16.73	1.32

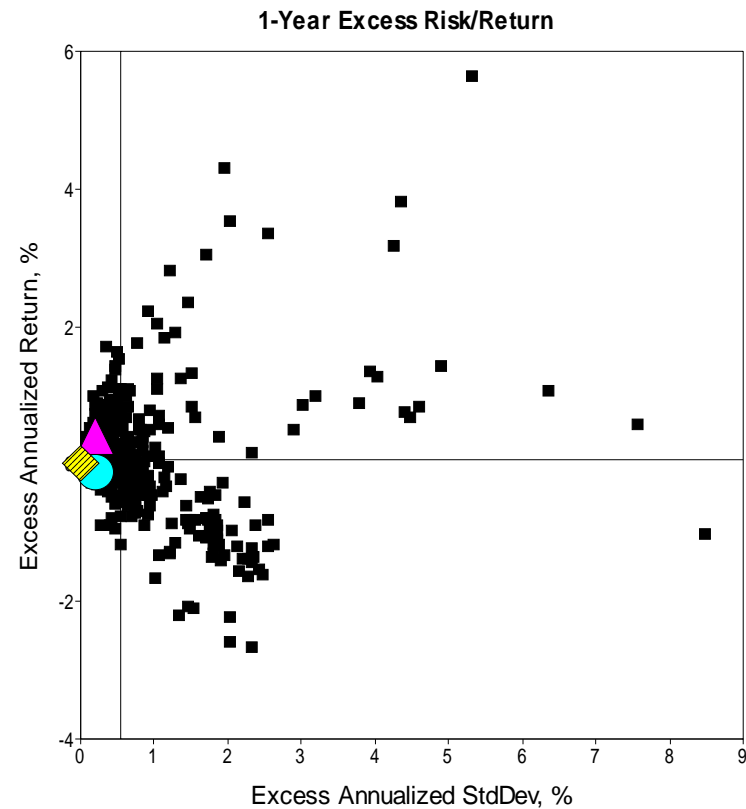
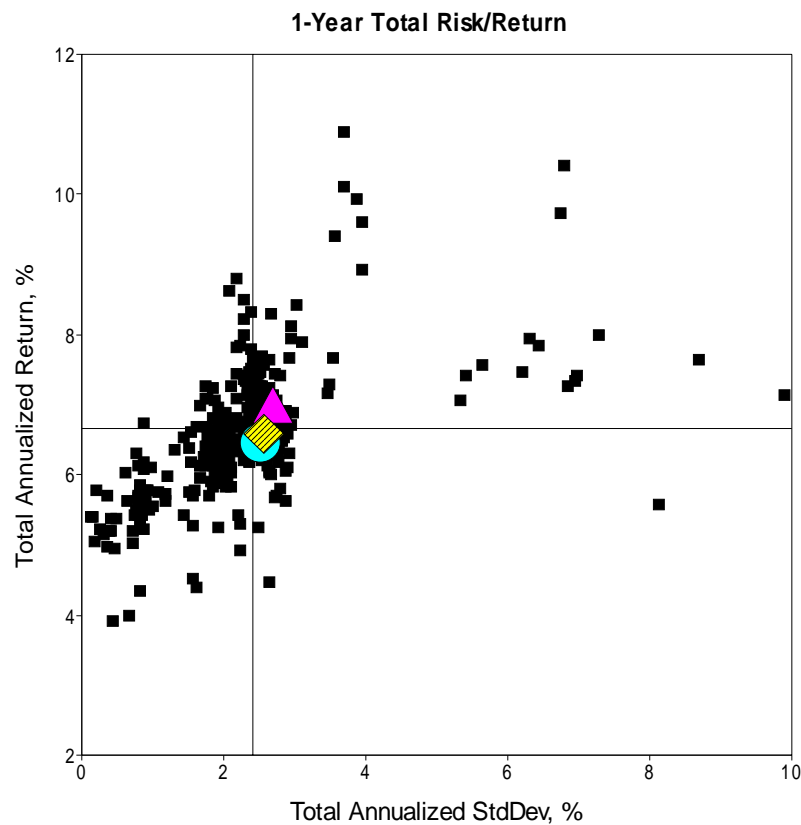
	Annualized Excess Return, %	Annualized Excess StdDev, %	Information Ratio, Excess
TBC Emerging - LADWP	-4.56	2.80	-1.63
TRowe Emerging - LADWP	0.11	3.66	0.03
MSCI EMF	0.00	0.00	NA
Emerging Equity Universe Median	1.11	3.26	0.23

# LADWP Emerging Equity Manager Comparisons as of March 31, 2007





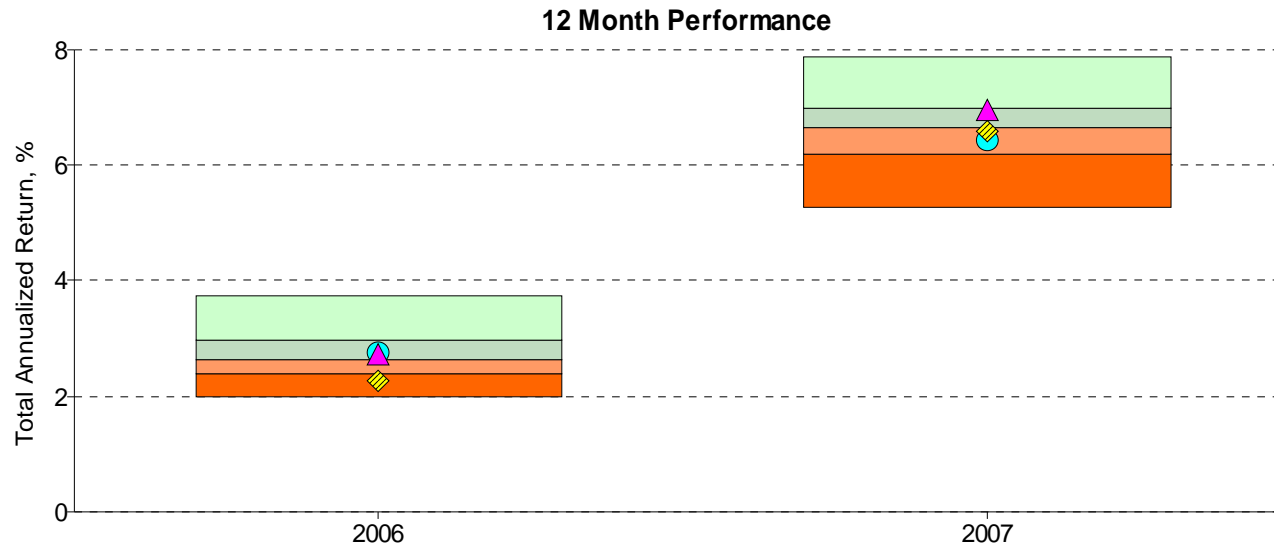
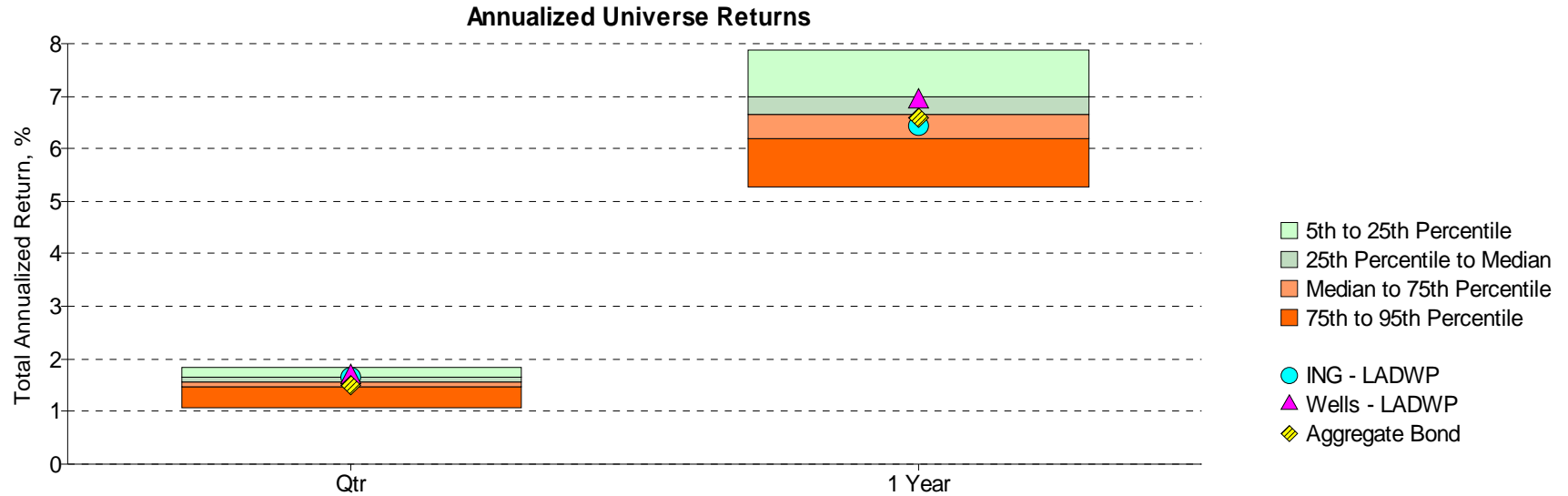
# LADWP Fixed Income Manager Comparisons as of March 31, 2007



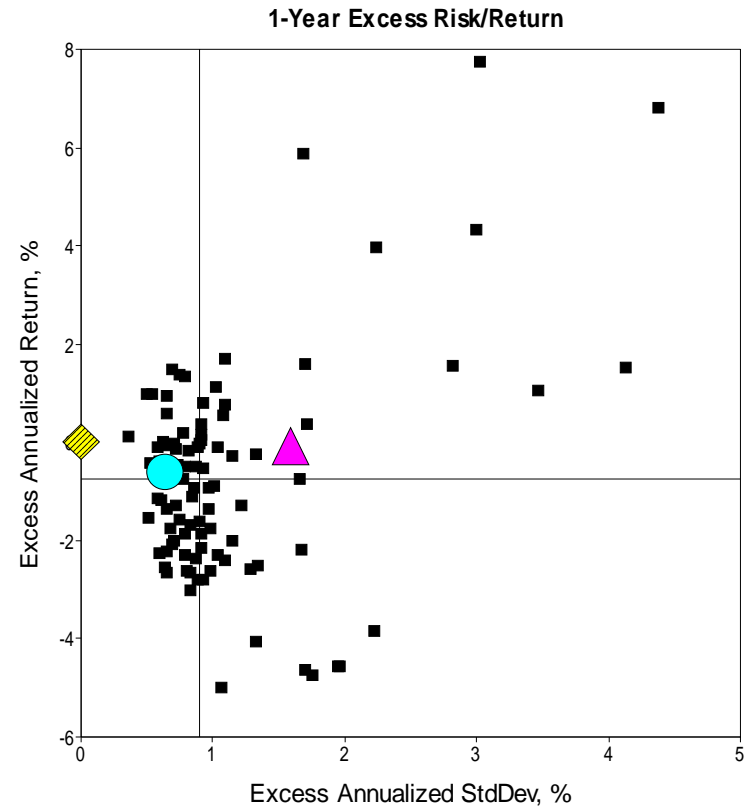
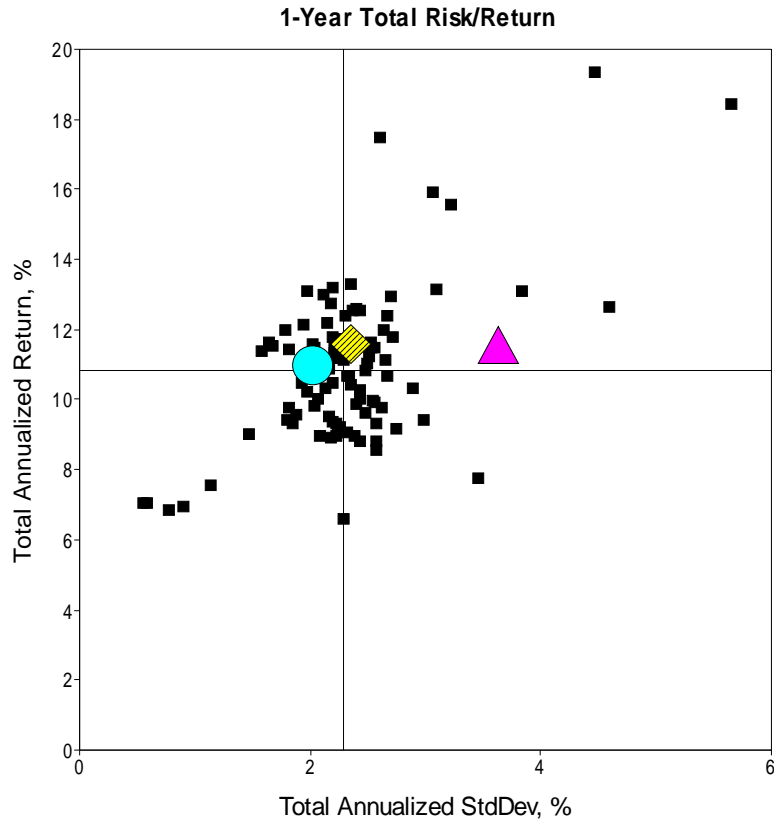
	Annualized Return, %	Annualized StdDev, %	Information Ratio
ING - LADWP	6.45	2.52	2.56
Wells - LADWP	6.91	2.70	2.56
Aggregate Bond	6.58	2.58	2.55
U.S. Fixed Income Universe Median	6.65	2.42	2.86

	Annualized Excess Return, %	Annualized Excess StdDev, %	Information Ratio, Excess
ING - LADWP	-0.13	0.21	-0.62
Wells - LADWP	0.33	0.20	1.68
Aggregate Bond	0.00	0.00	NA
U.S. Fixed Income Universe Median	0.07	0.55	0.14

# LADWP Fixed Income Manager Comparisons as of March 31, 2007



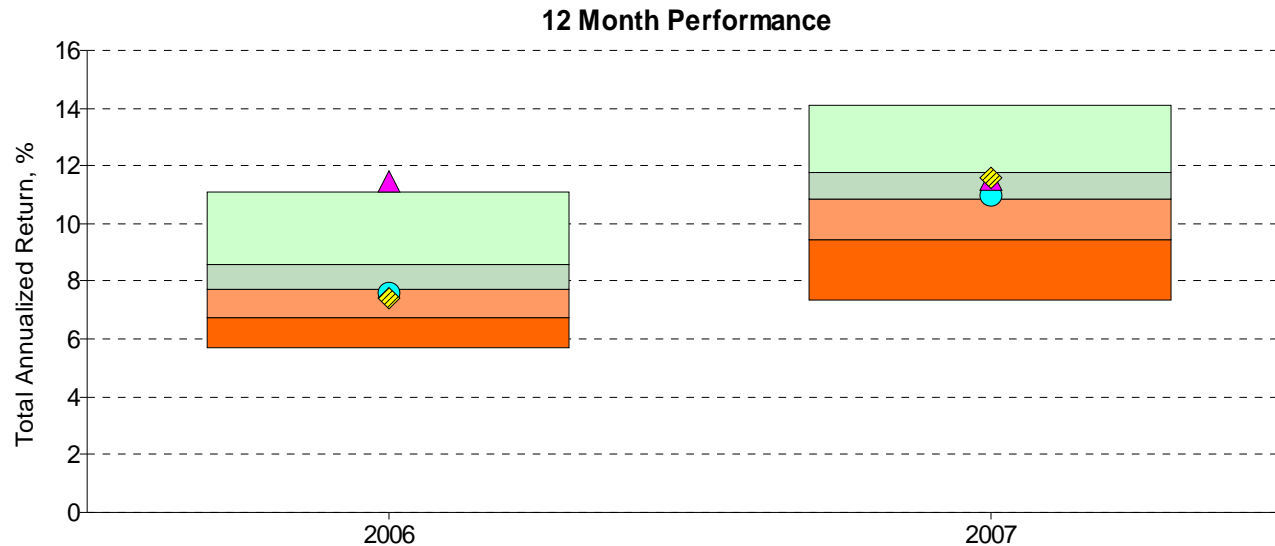
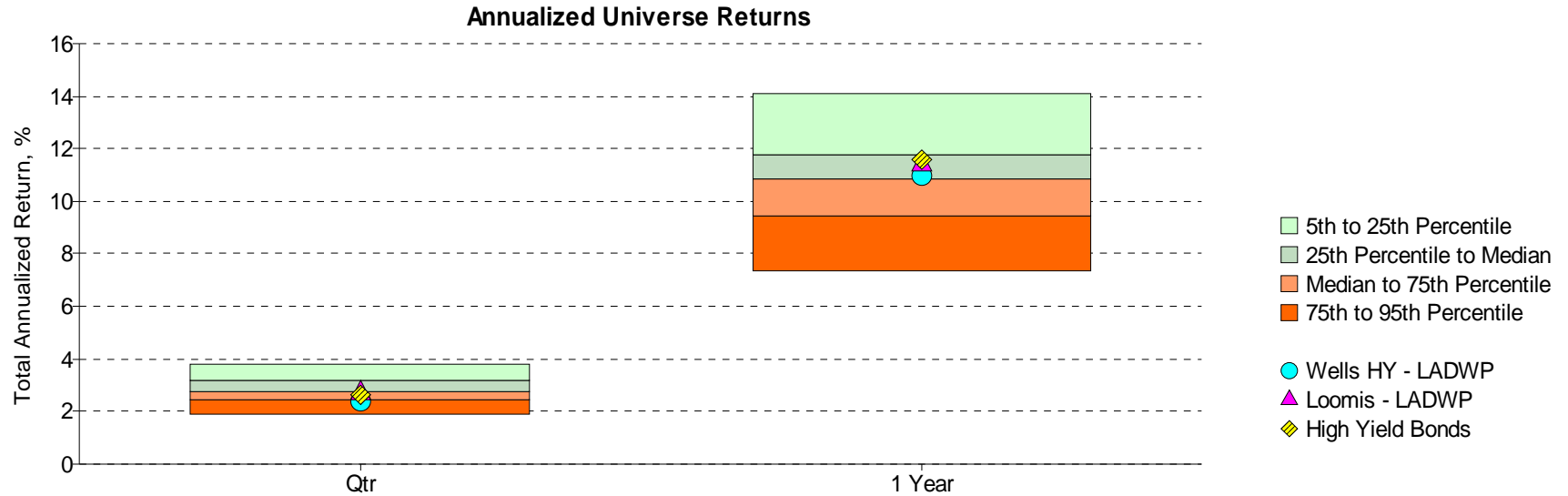
# LADWP High Yield Manager Comparisons as of March 31, 2007



	Annualized Return, %	Annualized StdDev, %	Information Ratio
Wells HY - LADWP	10.99	2.01	5.46
Loomis - LADWP	11.40	3.63	3.14
High Yield Bonds	11.60	2.35	4.95
U.S. High Yield Universe Median	10.85	2.29	4.81

	Annualized Excess Return, %	Annualized Excess StdDev, %	Information Ratio, Excess
Wells HY - LADWP	-0.61	0.63	-0.98
Loomis - LADWP	-0.19	1.58	-0.12
High Yield Bonds	0.00	0.00	NA
U.S. High Yield Universe Median	-0.75	0.90	-0.96

# LADWP High Yield Manager Comparisons as of March 31, 2007



## Appendix

# Quarterly Report

## Managers Probationary Criteria As of March 31, 2007

Asset Class	Short-term (Rolling 12 mth periods)	Medium-term (Rolling 36 mth periods)	Long-term
Active Domestic Equity	Portfolio Return < Benchmark Return – 3.0% <sup>1</sup> in any quarter	Portfolio Annlzd. Return <sup>2</sup> < Benchmark Annlzd. Return – 1.5% for 2 consecutive qtrs.	VRR <sup>3</sup> < 0.98 for 2 consecutive quarters
Passive Domestic Equity	Tracking Error <sup>4</sup> > 0.35% in any quarter	Tracking Error > 0.20% for 2 consecutive qtrs.	Portfolio Annlzd. Return < Benchmark Annlzd. Return – 0.10% for 2 consecutive qtrs.
Active International Equity	Portfolio Return < Benchmark Return – 4.5% in any quarter	Portfolio Annlzd. Return < Benchmark Annlzd. Return – 2.5% for 2 consecutive qtrs.	VRR < 0.98 for 2 consecutive qtrs.
Active Fixed Income	Portfolio Return < Benchmark Return – 1.0% in any quarter	Portfolio Annlzd. Return < Benchmark Annlzd. Return – 0.6% for 2 consecutive qtrs.	VRR < 0.99 for 2 consecutive qtrs.

\*Two (2) consecutive quarters is defined as six (6) months in a row; does not necessarily correspond to calendar quarter-end dates

\*\*See Addendum in Statement of Investment Policy for specific benchmark information

<sup>1</sup> Return discounts from a benchmark return based on 2/3 of the typical tracking error estimates of the specified type of portfolio.

<sup>2</sup> Annualized Return is the average annual return of either the portfolio or its benchmark.

<sup>3</sup> VRR – Value Relative Ratio – is calculated as: Portfolio Cumulative Return Relative / Benchmark Cumulative Return Relative.

<sup>4</sup> Tracking error is a measure of the volatility of the average annual difference between the portfolio's return and the benchmark's return.

# Quarterly Report

## Summary of Portfolio Transitions –

Manager	Mandate	Funded	Terminated
<b>2003</b>			
Merrill Lynch	Passive Core	3Q 2003	
Northern Trust	Passive Core	3Q 2003	1Q 2005
<b>2004</b>			
Fred Alger	Large Cap Growth	1Q 2004	---
Intech	Large Cap Growth	1Q 2004	---
MFS	Large Cap Value	1Q 2004	---
T. Rowe Price	Large Cap Value	3Q 2004	---
Invesco	International	2Q 2004	---
ING/Aeltus	Core Fixed Income	3Q 2004	---
Wells Capital	Core Fixed Income	3Q 2004	---
Bank of New York	Small Cap Growth	4Q 2004	---
Earnest Partners	Small Cap Value	4Q 2004	---
Fidelity	International	4Q 2004	---
Wells Capital	High Yield	4Q 2004	---
<b>2005</b>			
Boston Company	International	1Q 2005	---
Loomis Sayles	High Yield	1Q 2005	---
Boston Company	Emerging Markets	1Q 2005	---
T. Rowe Price	Emerging Markets	1Q 2005	---
Boston Company	Large cap Active	---	1Q 2005
<b>2006</b>			
Bank of New York	Small Cap Growth	---	1Q 2006
Lexington	Private Equity	3Q2006	---
Northpointe	Small Cap Growth	3Q2006	---
Paradigm	Small Cap Growth	2Q2006	---
Landmark	Private Equity	4Q2006	---
<b>2007</b>			
Aetos	Small Cap Growth	1Q2007	---
PAAMCO	Private Equity	1Q2007	---

# Quarterly Report

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## Glossary

### Definitions of Indices -

**Lehman Brothers Universal:** includes market coverage by the Aggregate Bond Index fixed rate debt issues, which are rated investment grade or higher by Moody's Investor Services, Standard and Poor's Corporation, or Fitch Investor's Service, in that order with all issues having at least one year to maturity and an outstanding par value of at least \$100 million) and includes exposures to high yield CMBS securities. All returns are market value weighted inclusive of accrued interest.

**Lehman Brothers Aggregate:** an index comprised of approximately 6,000 publicly traded investment-grade bonds including U.S. Government, mortgage-backed, corporate, and yankee bonds with an approximate average maturity of 10 years.

**Lehman Brothers High-Yield:** an index consisting of non-investment grade domestic and yankee bonds with a minimum outstanding amount of \$100 million and maturing over one year.

**MSCI ACWI xUS:** MSCI ACWI (All Country World Index) Free excluding US (gross dividends): is a free-floating adjusted market capitalization index designed to measure equity performance in the global developed and emerging markets. As of April 2002, the index consisted of 49 developed and emerging market country indices.

**MSCI EAFE (Europe, Australasia, Far East):** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. As of April 2002 the index consisted of 21 developed market country indices.

**MSCI EAFE plus Canada:** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance similar to the MSCI EAFE. This index excludes the US, but includes Canada.

**MSCI EMF (Emerging Markets Free):** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of April 2002 the index consisted of 26 emerging market country indices.

**NAREIT Index:** consists of all tax-qualified REITs listed on the New York Stock Exchange, American Stock Exchange, and the NASDAQ National Market System. The data is market weighted.

**NCREIF Property Index:** the NPI contains investment-grade, non-agricultural, income-producing properties which may be financed in excess of 5% gross market value; were acquired on behalf of tax exempt institutions; and are held in a fiduciary



## Quarterly Report

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environment. Returns are gross of fees; including income, realized gains/losses, and appreciation/depreciation; and are market value weighted. Index is lagged one quarter.

**Russell 1000:** measures the performance of the 1,000 largest securities in the Russell 3000 Index. Russell 1000 is highly correlated with the S&P 500 Index and capitalization-weighted.

**Russell 1000 Growth:** measures the performance of those Russell 1000 securities with a greater-than-average growth orientation. Securities in this index tend to exhibit higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values than the Value universe.

**Russell 1000 Value:** measures the performance of those Russell 1000 securities with a less-than-average growth orientation. Securities in this index tend to exhibit lower price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values than the Growth universe.

**Russell 2000:** measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

**Russell 3000:** represents the largest 3,000 US companies based on total market capitalization, representing approximately 98% of the investable US equity market.

**Salomon 3-Month Treasury Bills (T-bills):** an average of the last three 3-month treasury bill issues monthly return equivalents of yield averages, which are not marked to market.

**Salomon Brothers World Government Bond Index (SBWGB):** a market-capitalization weighted benchmark that tracks the performance of the 14 Government bonds markets of Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Spain, Sweden, the United Kingdom, and the United States.

## Quarterly Report

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### LADWP Asset Class Benchmarks

Retirement Total Plan = 35% Lehman Universal, 40% Russell 3000, 15% MSCI ACWI ex U.S., 4% NCREIF, 3.4% Cambridge U.S. Private Equity Lag, 0.6% Cambridge U.S. Venture Capital, 1% T Bill, 1% Tbills +3% as of 3/1/07

US Equity = Russell 3000 Index as of 4/1/03, S & P 500 thru 3/31/03

Non-US Equity = MSCI ACWI ex U.S.

Total Fixed Income = Lehman Brothers Universal Index

Alternatives = 3.4% Cambridge U.S. Private Equity; 0.6% Cambridge U.S. Venture; 1% Tbills + 3% as of 3/1/07  
4.25% Cambridge U.S. Private Equity, 0.75% Cambridge U.S. Venture 1/1/07 – 2/28/07

Real Estate = NCREIF

Cash = Citigroup 3-Month Tbills

## Benchmarks used in Market Overview

US Equity = Russell 3000 Index

Non-US Equity = MSCI EAFE

Real Estate = NCREIF

Public Real Estate = Wilshire REIT

US Debt = Lehman Brothers Universal Index

Domestic Large Cap = Russell 1000

Domestic Small Cap = Russell 2000

Growth = Russell 3000 Growth Index

Value = Russell 3000 Value Index

Pacific = MSCI Pacific

Europe = MSCI Europe

Emerging = MSCI Emerging Markets Free

Private Real Estate = NCREIF Index

Credit = Lehman Brother U.S. Credit Index

Government = Lehman Brothers Government Index

Mortgage = Lehman Brothers Mortgage Index

High Yield = Lehman Brothers High Yield Index