Portfolio Highlights

Valuation

The LADWP portfolio, as of June 30 2002, had an aggregate value of $5.7 billion[1]. This represents a $392.7 million decrease in value over last quarter and a $484.4 million decrease in value over the last year.

Due primarily to market performance, LADWP's actual equity allocation decreased 3% to end the quarter with a 57% allocation. LADWP's Fixed income allocation ended the quarter at 30% (up 2% from the previous quarter). Thirteen percent of the LADWP portfolio was allocated to cash/short-term investments.

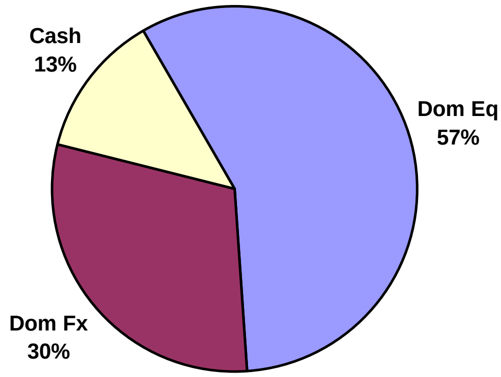
Relative to plan sponsors in the TUCS Master Trust Universe, LADWP's allocations to equities and bonds are in-line with the peer median (but are less diversified as many of the peers in the universe include exposure to international investments). LADWP's 13% allocation to cash/short-term investments is significantly above the peer median allocation of 3.5%. The overweight position in cash has contributed to performance during recent economic difficulties, but would be expected to dampen results over longer periods of sustained growth.

LADWP Portfolio Valuation – June 30, 2002 (millions)

Segment	Actual $	Actual % *
Total Portfolio	5,717.3	100%
Domestic Equity	3,269.8	57%
Domestic Fixed	1,712.1	30%
Cash/short-term	735.4	13%

* Differences in totals due to rounding.

**LADWP Portfolio Valuation
As of 6/30/02**



[1] Total portfolio value contains Retirement, Death and Disability accounts.

Performance--Periods ending June 30, 2002

Latest Quarter

For the latest quarter, LADWP's total investment portfolio declined 5.5% outperforming a market-based proxy (comprised of: 60% S&P 500, 30% Salomon Broad and 10% T-Bills) by 1.6%. Relative outperformance by the equity component of the balanced mandates contributed to this result.

The domestic equities segment of the LADWP portfolio returned minus (10.5%) over the past three months outperforming the S&P 500 (a market proxy representative of the domestic equity market) by 2.9%. All three equity accounts, due primarily to exposure to value stocks, outperformed this proxy over the latest quarter. The domestic fixed income segment trailed the Salomon Broad, which is a representative proxy for domestic fixed income market performance, by 70 basis points. All three fixed income components underperformed the Salomon Broad over this period.

LADWP's total portfolio results placed them in the 52nd percentile in the TUCS Master Trust Universe[2]. The median return for the quarter was minus (5.4%).

At the quarter's end, discretionary authority was transferred to the investment managers and the third quarter 2002 report will reflect these changes.

Comparative Performance--Quarter Return

Segment	Actual Return	Market-Based Proxy Return *
Total Portfolio	-5.5%	-7.1%
Domestic Equities	-10.5%	-13.4%
Domestic Fixed	2.8%	3.5%

* Market-based proxies are comprised of: 60% S&P 500, 30% Salomon Broad and 10% T-Bills for the Total Portfolio, the S&P 500 for Domestic Equities and the Salomon Broad Index for Domestic Fixed.

[2] The **T**rust **U**niverse **C**omparison **S**ervice (**TUCS**) is a cooperative effort among custodial organizations and Wilshire Associates. Custodians submit asset positions and performance data to be pooled into universes of managed tax-exempt portfolios. TUCS is the most widely accepted benchmark for the performance of institutional assets.

Latest Year

For the latest year, LADWP's total investment portfolio lost 4.0% and outperformed the representative market-proxy by 4.4%. Strong relative results by both the equity and fixed income components of the balanced mandates contributed to this result.

The domestic equities segment of the LADWP portfolio decreased by 11.2% over the past year outperforming the market proxy by 6.8% (as all three equity components of LADWP's managers significantly outperformed). According to return-based style analysis (see page XXIV for output), all three managers benefited from exposure to value issues over the latest year, as value stocks outperformed growth stocks. The domestic fixed income component exceeded the market proxy by 10 basis points with a return of 8.6%. All three fixed income components outperformed this proxy. This result also exceeded the long-term expected return for fixed income investments.

Over the latest year, LADWP's total portfolio results placed in the 27th percentile in the TUCS Master Trust Universe (median: minus (6.0%)).

Comparative Performance—One-Year Return

Segment	Actual Return	Market-based Proxy Return *	Long-term Expected Return **
Total Portfolio	-4.0%	-8.4%	8.0% - 9.4% / year
Domestic Equities	-11.2%	-18.0%	10.0% / year
Domestic Fixed	8.6%	8.5%	8.0% / year

* Market-based proxies are comprised of: 60% S&P 500, 30% Salomon Broad and 10% T-Bills for the Total Portfolio, the S&P 500 for Domestic Equities and the Salomon Broad Index for Domestic Fixed.

** Expected returns per DWP Objectives and Policies adopted 2/17/2000. The expected Long-term (a ten-year horizon) Equity return is an average annual return of 10%, per Section IV.H.6. The expected Long-term Fixed return is an average return of 8%, per Section IV.G.3. The expected Long-term Total Portfolio return ranges between the fixed expected return and the equity expected return due to the constraints assigned to the major asset classes. Maximum exposure to fixed is 100%. Maximum exposure to equities is 70%.

Latest Three Years

For the latest three-year period, LADWP's total investment portfolio posted an annualized 1.5% return and outperformed the representative market-based proxy by 4.1% per year. Strong relative results by the equity components of the balanced mandates contributed significantly to this result. However, these results are significantly below LADWP's long-term expectations as the equity components trailed their long-term targets.

The domestic equities segment of the LADWP portfolio posted a minus (2.4%) average annual return over the past three years outperforming the market proxy by 6.8% per year (as all three components benefited from exposure value companies and outperformed the benchmark). The domestic fixed income component lagged the market-based proxy by 10 basis points per year with an average annual return of 8.0% as all three fixed income components slightly underperformed the proxy. However, this result was in-line with the long-term return expectation for fixed income investments.

Over the latest three-year period, LADWP's total portfolio results placed in the 22nd percentile in the TUCS Master Trust Universe (median: minus (0.3%)).

Comparative Performance—Three-Year Return

Segment	Actual Return	Market-based Proxy Return *	Long-term Expected Return **
Total Portfolio	1.5%	-2.6%	8.0% - 9.4% / year
Domestic Equities	-2.4%	-9.2%	10.0% / year
Domestic Fixed	8.0%	8.1%	8.0% / year

* Market-based proxies are comprised of: 60% S&P 500, 30% Salomon Broad and 10% T-Bills for the Total Portfolio, the S&P 500 for Domestic Equities and the Salomon Broad Index for Domestic Fixed.

** Expected returns per DWP Objectives and Policies adopted 2/17/2000. The expected Long-term (a ten-year horizon) Equity return is an average annual return of 10%, per Section IV.H.6. The expected Long-term Fixed return is an average return of 8%, per Section IV.G.3. The expected Long-term Total Portfolio return ranges between the fixed expected return and the equity expected return due to the constraints assigned to the major asset classes. Maximum exposure to fixed is 100%. Maximum exposure to equities is 70%.

Latest Five Years

For the latest five-year period, LADWP's total investment portfolio increased by 6.5% per year and outperformed the market-based proxy by 1.1% annually. Strong relative results by both the equity components and fixed income components of the balanced mandates drove this result. However, total portfolio performance lagged LADWP's long-term return expectations.

The domestic equities segment of the LADWP portfolio posted a 5.9% average annual return over the past five years outperforming the market proxy by 2.2% per year. Over this period, all three of LADWP's equity components outperformed the proxy. The domestic fixed income component exceeded the market-based proxy by 10 basis points with an average annual return of 7.6%. Two-of-three fixed income components outperformed the proxy.

LADWP's significant allocation to cash/short-term investments dampened total portfolio results as cash investments (as represented by the Salomon T-Bill) generated a 4.7% average annual return over the latest five-year period.

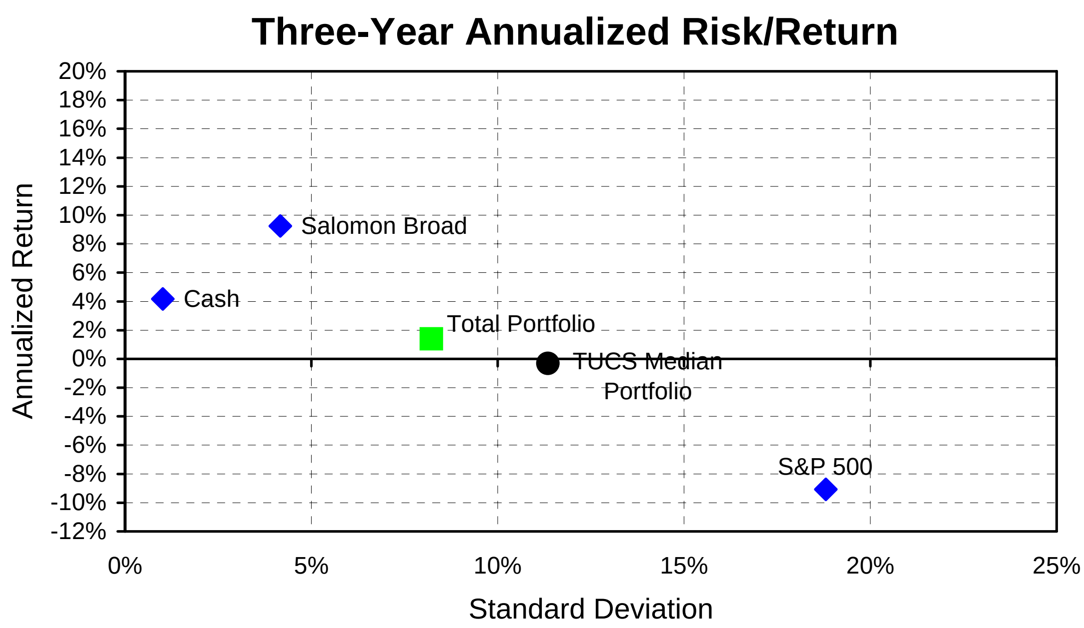
Over the latest five-year period, LADWP's total portfolio results placed them in the 27th percentile in the TUCS Master Trust Universe (median: 5.7%).

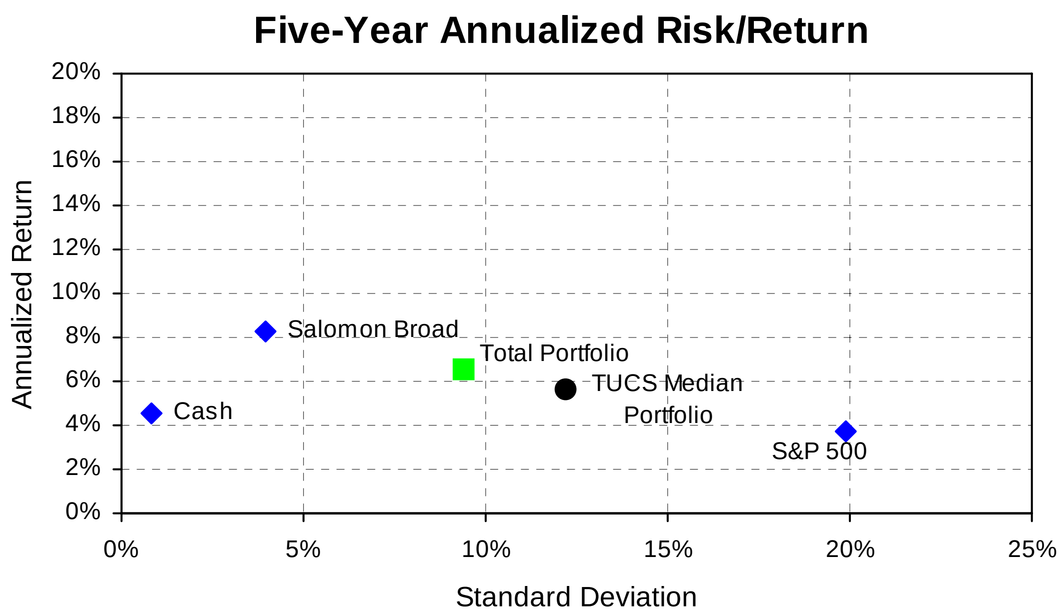
Comparative Performance—Five-Year Return

Segment	Actual Return	Market-based Proxy Return *	Long-term Expected Return **
Total Portfolio	6.5%	5.4%	8.0% - 9.4% / year
Domestic Equities	5.9%	3.7%	10.0% / year
Domestic Fixed	7.6%	7.5%	8.0% / year

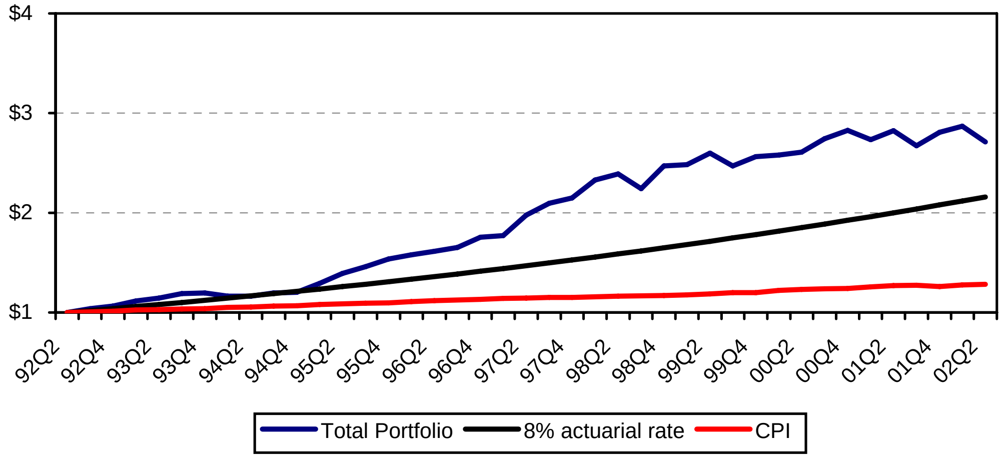
* Market-based proxies are comprised of: 60% S&P 500, 30% Salomon Broad and 10% T-Bills for the Total Portfolio, the S&P 500 for Domestic Equities and the Salomon Broad Index for Domestic Fixed.

** Expected returns per DWP Objectives and Policies adopted 2/17/2000. The expected Long-term (a ten-year horizon) Equity return is an average annual return of 10%, per Section IV.H.6. The expected Long-term Fixed return is an average return of 8%, per Section IV.G.3. The expected Long-term Total Portfolio return ranges between the fixed expected return and the equity expected return due to the constraints assigned to the major asset classes. Maximum exposure to fixed is 100%. Maximum exposure to equities is 70%.

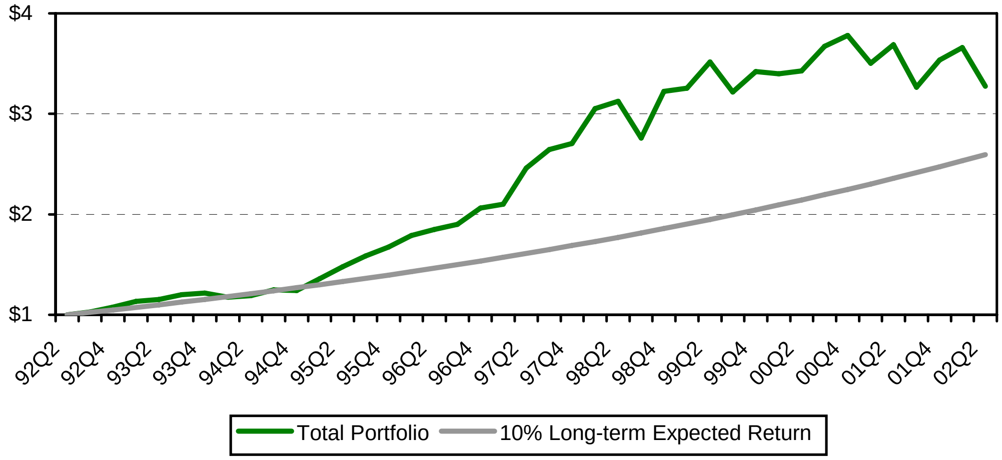

Three-Year Annualized Risk/Return
Annualized Return
20%
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
-2%
-4%
-6%
-8%
-10%
-12%
Salomon Broad
Cash
Total Portfolio
TUCS Median Portfolio
S&P 500
0%
5%
10%
15%
20%
25%
Standard Deviation


Five-Year Annualized Risk/Return
Annualized Return
20%
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
Salomon Broad
Total Portfolio
TUCS Median Portfolio
Cash
S&P 500
0%
5%
10%
15%
20%
25%
Standard Deviation

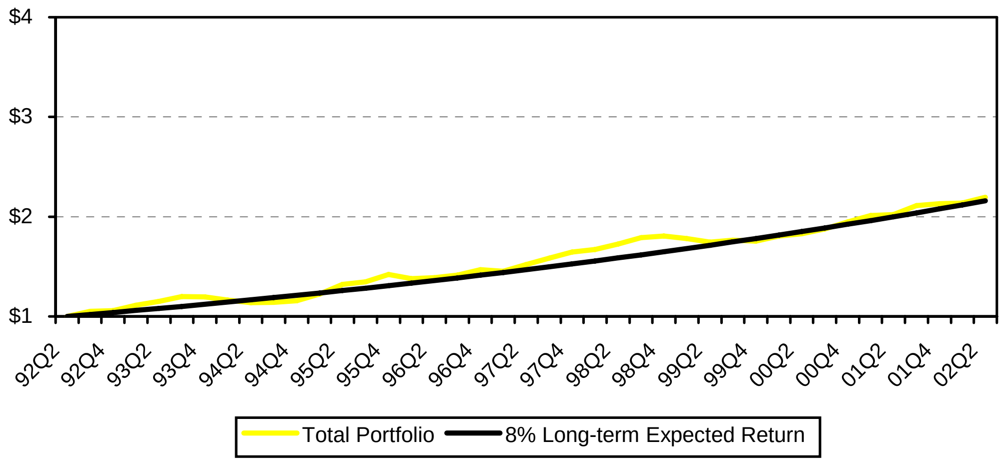
Growth of a Dollar- Latest 10 Years
Total Portfolio



Growth of a Dollar- Latest 10 Years
Equity Segment



Growth of a Dollar- Latest 10 Years
Fixed Segment



Economic Review

As measured by the real gross domestic product (GDP)[3], the US economy increased at an annual growth rate of 1.1% during the second quarter of 2002, down from 5.0% annualized growth in the previous quarter. The major contributors to the increase in real GDP were personal consumption expenditures, private inventory investment, exports, and federal government spending. The positive contributions of these components were partially offset by a decrease in nonresidential structures. Imports, which are a subtraction in the calculation of GDP, increased sharply.

Fixed income markets experienced the strongest performance among the major asset classes over the latest quarter as equities fell across the board. A proxy for the international fixed income market, the SBWGB Index, gained an impressive 11.7% during the quarter while its domestic counterpart, as measured by the Lehman Aggregate Index, managed a 3.7% quarterly return. The international fixed income markets benefited significantly from a decline in the value of the US dollar relative to most major currencies. As for equities, small-cap stocks outperformed large-cap stocks. The Russell 2000 Index, a measure of small capitalization stock performance, posted a minus (8.4%) return for the quarter compared to a minus (13.4%) return for the S&P 500 Index, which represents the large domestic equity market. In terms of style, value was favored during the quarter as the Russell 3000 Value Index posted a minus (8.0%) return outperforming the Russell 3000 Growth Index's minus (18.5%) return. During the second quarter, the MSCI EAFE returned a minus (1.9%), as the MSCI Europe sub-component struggled, posting a minus (4.3%) quarterly return.

- **Inflation** – The Consumer Price Index (CPI) rose by 0.1% in June, on a seasonally-adjusted basis, resulting in a compounded annual rate (three-months ended June 30, 2002) of 2.5%. This compares to an annualized increase of 3.0% during the first quarter of 2002.

- **Domestic Interest Rates** – During the second quarter of 2002 yields decreased across most of the maturity spectrum. The yield on one-year Treasury Bonds decreased by 64 basis points to 2.06% for the quarter while the yield on thirty-year Treasury Bonds increased by 23 basis points to 5.68%. The spread between the one-year Treasury and the 30-year Treasury ended the quarter at 362 basis points compared to a 275 basis point spread at the end of last quarter. As a result, the yield curve steepened and shifted downward, benefiting short- and intermediate-term bonds.

- **US Dollar** – The US dollar weakened over the latest quarter against most major currencies including the Yen, by 5.9%, and the Euro, by 9.1%.

- **Unemployment** – The domestic unemployment rate rose during the second quarter, increasing to 5.9% in June from 5.7% at the end of last quarter.

[3] An "advance" estimate based on source data subject to further revision as reported by the Bureau of Economic Analysis (BEA).

Capital Market Highlights

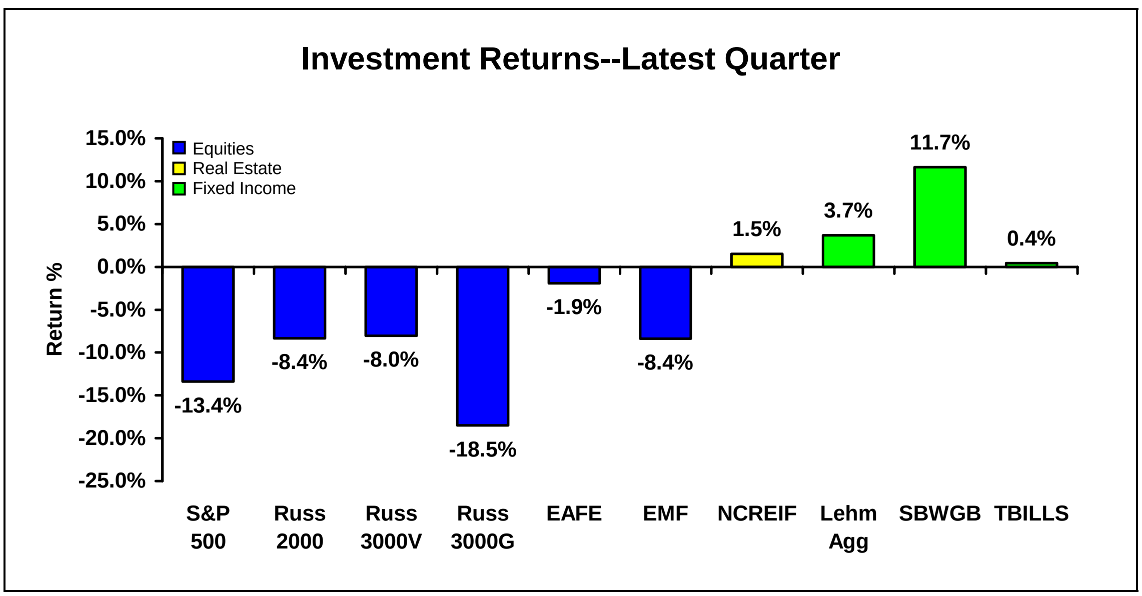
Latest Quarter

Bonds proved to be the safest investment for investors during the second quarter of 2002. Both domestic and international bond markets produced positive absolute results during the latest 3-month period. International bonds, measured by the SBWGB Index, produced a double-digit return of 11.7%, which was the highest quarterly return among major asset classes. This strong relative performance was largely due to a decline in the value of the US dollar versus most major currencies. The domestic bond market, as measured by the LB Aggregate, also provided investors with positive absolute performance, returning 3.7% during the quarter.

The US stock market continued its slide as concerns of terrorist attacks and a succession of corporate accounting scandals took favor over an improving economic climate. In general, small-cap stocks faired better than large-cap stocks during the quarter with style being an important factor in terms of performance. As measured by the Russell 2000 Index, small-cap stocks returned minus (8.4%) during the quarter while large-cap stocks struggled further posting a minus (13.4%) return, as measured by the S&P 500 Index. Value-oriented stocks, measured by the Russell 3000 Value Index, outperformed growth stocks (Russell 3000 Growth) by a significant margin of 10.5% with respective quarterly returns of minus (8.0%) and minus (18.5%).

International stocks, as measured by the MSCI EAFE Index, performed better than domestic stocks but still resided in negative territory with a minus (1.9%) return. The Pacific Basin sub-component of the MSCI-EAFE (including Japan) was the best performing region and increased by 4.3% during the quarter.

Over the quarter, real estate (as measured by the NCREIF Index) generated a total return of 1.5% while T-bills posted a 0.4% gain.



NCREIF Property Index information is as of March 31, 2002.

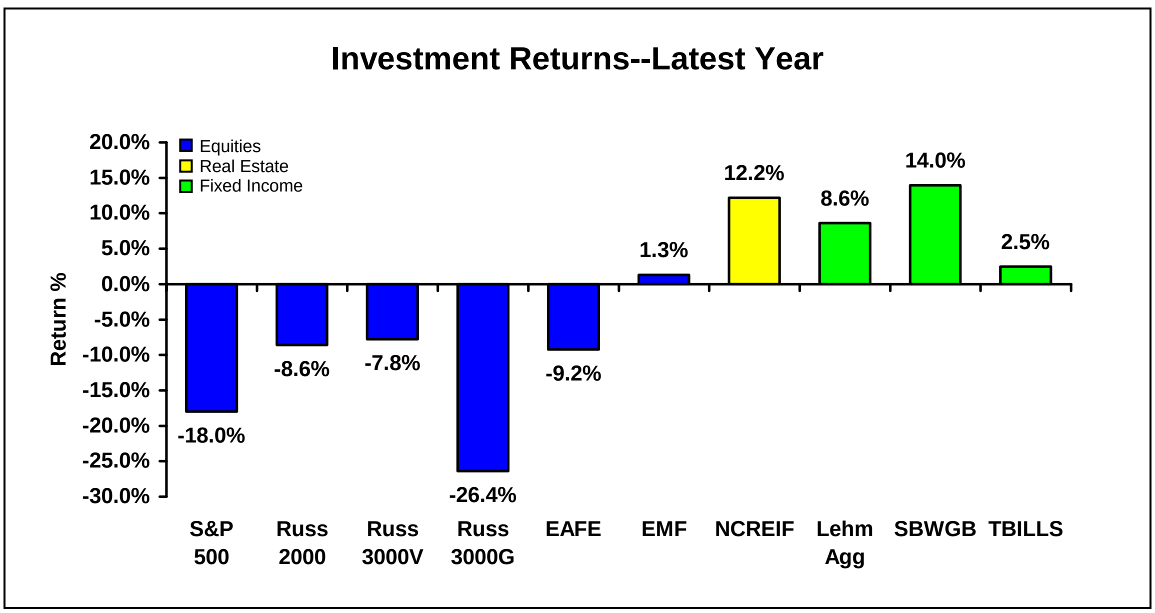
Latest Year

As seen in the chart below, bonds clearly outperformed equities over the latest 12-month period. The broad domestic bond market, as measured by the Lehman Aggregate Index, managed a 1-year return of 8.6%. In general, this positive result was a function of the government bond sector as negative headlines weighed heavily on corporate (credit) issues. The Lehman Government (bond) Index gained 8.8% versus a gain of 7.5% for the Lehman Corporate (bond) Index. International bonds surpassed domestic issues during the latest year due to, in large part, a strong second quarter of 2002. A weakening US dollar and higher interest rates abroad made foreign markets more attractive to investors.

Over the latest year, equity markets continued to struggle, making the continued market downturn a historic event of epic proportion. The domestic equity market experienced negative absolute returns across the board as investors became more sensitive to market risk (or volatility). Reflecting recent trends, value stocks significantly outperformed growth stocks over the latest 12-month period in both small and larger capitalization issues. For example, the Russell 3000 Value Index declined by (7.8%) while the Russell 3000 Growth Index fell by (26.4%). In general, small cap stocks, as measured by the Russell 2000 Index, performed better than large cap stocks (S&P 500 Index), with respective returns of minus (8.6%) and minus (18.0%).

Over the latest year, the MSCI-EAFE posted a minus (9.2%) return outperforming domestic equities. Earlier underperformance of countries in the Pacific Basin, especially Japan, and those within the MSCI European subcomponent contributed to this result.

The real estate market continued its steady performance as the NCREIF Index produced a 12.2% total return for the year and T-Bills posted a 2.5% return.



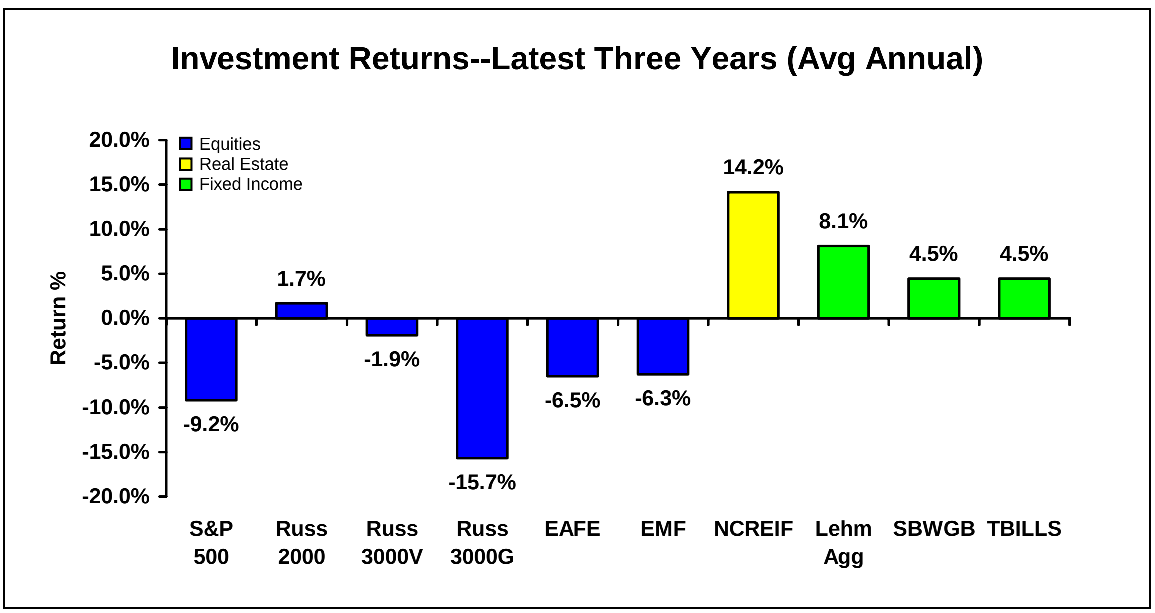
NCREIF Property Index information is as of March 31, 2002.

Latest Three Years

During the last three years, equity markets were down across the globe but results varied significantly by market capitalization (size) and style. Both the S&P 500 Index and the MSCI EAFE Index posted negative absolute annualized results of minus (9.2%) and minus (6.5%), respectfully. However, certain segments of the equity market were able to provide some protection such as value-oriented stocks and smaller company stocks. Small-cap stocks, represented by the Russell 2000 Index, gained 1.7% per annum, supported by strong performance earlier in the period. In terms of style, value stocks significantly outperformed growth stocks. The Russell 3000 Value Index posted a minus (1.9%) average annual return compared to a minus (15.7%) annualized return for Russell 3000 Growth Index during this period.

The domestic bond market, as measured by the Lehman Aggregate Index, averaged an annual return of 8.1% over the past three years, slightly surpassing long-term expectations. This return was, on average, 3.6% higher than that of international bonds (measured by the SBWGB Index), which gained an annualized 4.5%. Declining yields and a focus on quality contributed significantly to these results. Money-market yields (T-Bills) averaged 4.5% per year.

Real estate markets produced very strong results posting a 14.2% average annual return over the latest three-year period.



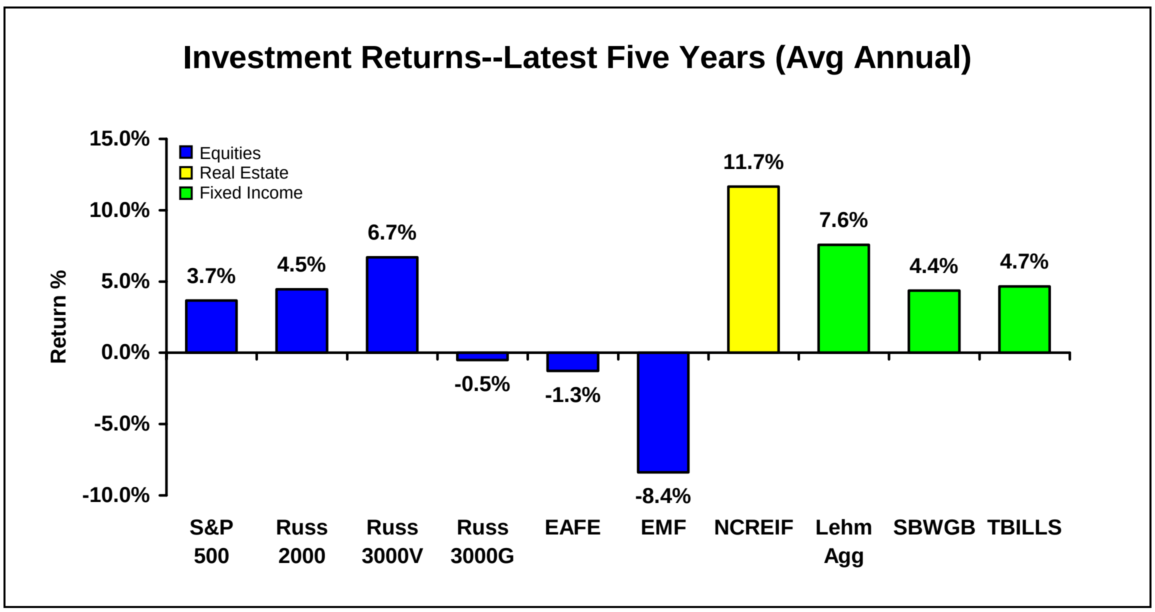
NCREIF Property Index information is as of March 31, 2002.

Latest Five Years

During the latest five-year period, of most obvious concern is the underperformance of the domestic equity market relative to long-term expectations. As measured by the S&P 500, the domestic equity market gained an average annual return of only 3.7%. Small-cap stocks performed slightly better with an annualized return of 4.5%, as measured by the Russell 2000 Index, due to strong relative results over recent periods. International equities resided in negative territory with a return of minus (1.3%) per annum. Underperformance by the MSCI Pacific sub-index at minus (7.7%) per year significantly contributed to this result.

Despite a recent surge in international bonds, the US fixed income markets continued to outperform their international counterparts over a 5-year period. The Lehman Aggregate returned 7.6% per year versus that of the SBWGB, which returned 4.4% per year on average, reflecting the influence of a strong U.S. dollar earlier in the period. Money-market returns (T-Bills) returned 4.7% per year over the latest five-year period.

Real estate markets have produced strong results, generating an 11.7% average annual return.



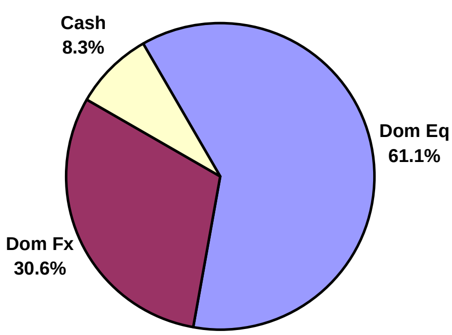
NCREIF Property Index information is as of March 31, 2002.

Manager Performance- Summary

Balanced Manager Performance Comparison- as of 6/30/02

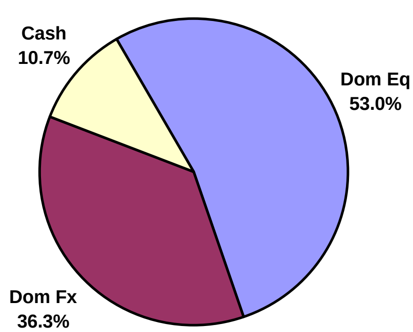
Manager	Segment	Current Value $ (000)	Performance 1 Year	3 Year	5 Year
Boston Company	**Balanced**	**1,886,974**	**-1.6%**	**2.1%**	**5.9%**
	Equity	1,153,005	-6.8%	-1.1%	5.3%
	Fixed Income	577,614	8.6%	7.8%	7.4%
	Cash/short-term	156,355	2.5%	3.4%	4.3%
Highmark Capital	**Balanced**	**729,289**	**-1.1%**	**2.3%**	**7.2%**
	Equity	386,576	-7.9%	-1.7%	6.4%
	Fixed Income	264,634	9.0%	8.3%	8.0%
	Cash/short-term	78,079	2.5%	3.3%	4.4%
TCW	**Balanced**	**3,019,373**	**-6.4%**	**0.7%**	**6.7%**
	Equity	1,730,251	-14.7%	-3.4%	6.1%
	Fixed Income	869,857	8.6%	8.0%	7.7%
	Cash/short-term	419,265	2.6%	3.3%	4.2%
Benchmarks					
Market-based Total Portfolio Proxy	*Balanced*	---	*-8.4%*	*-2.6%*	*5.4%*
Long-term Expected Equity Return	*Equity*	---	*10.0%*	*10.0%*	*10.0%*
S&P 500	Large Core	---	-18.0%	-9.2%	3.7%
Russell 1000 Value	Large Value	---	-9.0%	-2.9%	6.5%
Long-term Expected Fixed Return	*Fixed Income*	---	*8.0%*	*8.0%*	*8.0%*
Salomon Broad	Fixed Income	---	8.5%	8.1%	7.5%

Boston Company



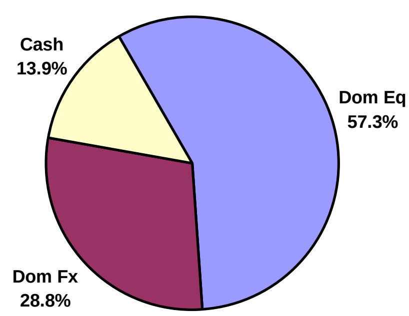
Total Portfolio
$1,887.0 million

Highmark Capital



Total Portfolio
$729.3 million

TCW



Total Portfolio
$3,019.4 million

Manager Performance - Latest Quarter

During the quarter, all three of LADWP's balanced managers produced results above the market-based proxy. Highmark posted the strongest relative results with a minus (3.5%) return followed by Boston Company and TCW with returns of minus (4.4%) and minus (6.8%), respectively.

Among equity components within the balanced mandates, all three managers exceeded the S&P 500 with two managers placing above-median versus their peers. Boston Company, reflective of a value-oriented approach, posted the highest absolute return of minus (8.3%) and placed in the top quartile among their peers. This result exceeded the Russell 1000 Value (a market-based proxy for large-cap value domestic equity mandates) by 20 basis points. Highmark Capital, also placing in the top quartile among their peers, posted a return of minus (8.4%) exceeding the Russell 1000 Value by 10 basis points and the S&P 500 by 5.0%. Highmark also benefited from its exposure to value stocks. TCW outperformed the S&P 500 Index (a market-based proxy for large-cap core domestic equity mandates) by 1.0% due to an overweighting of stronger performing value issues relative to the benchmark.

Among fixed income components within the balanced mandates, all three managers underperformed the Salomon Broad proxy. Highmark Capital posted the strongest results over the latest quarter with a 3.4% return and trailed the Salomon Broad, a market-based core fixed income proxy, by only 10 basis points. Boston Company and TCW also trailed the Salomon Broad by 70 and 80 basis points, respectively with returns of 2.8% and 2.7%. Exposure to the underperforming corporate sector dampened results for these managers.

Manager Comparison--Latest Quarter

Portfolio	Style Group	Ranking**	Return
Domestic Equity			
Boston Company	Large Value	21	-8.3
Highmark Capital	Large Value	23	-8.4
Russell 1000 Value *	Large Value	---	-8.5
TCW	Large Core	52	-12.4
S&P 500 Index *	Large Core	65	-13.4
Domestic Fixed Income			
Salomon Broad *	Fixed	39	3.5
Highmark Capital	Fixed	45	3.4
Boston Company	Fixed	61	2.8
TCW	Fixed	65	2.7

* Market-based performance proxies

** Equity components are ranked in the TUCS Equity Sector Universe and the fixed income components are ranked in the TUCS Fixed Sector Universe.

Manager Performance - Latest Year

During the latest year, all three of LADWP's balanced managers produced results above the market-based proxy benchmark which posted a minus (8.4%) return. Highmark generated the strongest performance with a minus (1.1%) return followed by Boston Company and TCW with returns of minus (1.6%) and minus (6.4%), respectively. Overall, strong relative results for all three managers in both the equity and fixed income components over the latest year contributed to this outperformance.

Among equity components within the balanced mandates, all three managers outpaced the S&P 500 and placed above-median among their peers. Boston Company posted the highest absolute return of minus (6.8%) over the latest 12-month period. Boston Company benefited from exposure to stronger performing mid-cap value stocks while also outperforming the Russell 1000 Value proxy by 1.7%. Highmark also outperformed the Russell 1000 Value proxy with a minus (7.9%) return indicating added value above and beyond investment style. TCW posted a minus (14.7%) return and outperformed the S&P 500 proxy by 3.3%. TCW benefited from both overweighting mid-cap value issues earlier in the year and underweighting growth issues relative to the S&P 500 over the latest year. However, all three managers significantly underperformed the 10.0% expected long-term average annual return objective for equities.

Among fixed income components within the balanced mandates, all three managers outperformed the Salomon Broad proxy and placed above-median versus their peers. Highmark posted the strongest results over the latest year with a 9.0% return and exceeded the Salomon Broad proxy by 50 basis points. Boston Company and TCW each exceeded the Salomon Broad proxy by 10 basis points as both managers posted an 8.6% return for the year. The Salomon Broad proxy posted an 8.5% return over the latest year. All three fixed income components outperformed the long-term expected return objective for fixed income of 8.0% per year.

Manager Comparison--Latest Year

Portfolio	Style Group	Ranking	Return
Domestic Equity			
Long-term Expected Equity Return *	Equity	---	10.0
Boston Company	Large Value	23	-6.8
Highmark Capital	Large Value	25	-7.9
Russell 1000 Value **	Large Value	---	-9.0
TCW	Large Core	46	-14.7
S&P 500 Index **	Large Core	63	-18.0
Domestic Fixed Income			
Highmark Capital	Fixed	28	9.0
Boston Company	Fixed	41	8.6
TCW	Fixed	39	8.6
Salomon Broad **	Fixed	42	8.5
Long-term Expected Fixed Return *	Fixed	---	8.0

* Expected returns per DWP Objectives and Policies adopted 2/17/2000. The expected Long-term (a ten-year horizon) Equity return is an average annual return of 10%, per Section IV.H.6. The expected Long-term Fixed return is an average return of 8%, per Section IV.G.3.

** Market-based performance proxies

Manager Performance - Latest Three Years

During the latest three-year period, all three of LADWP's three balanced managers produced positive results. Highmark generated the strongest results with a 7.0% average annual return followed by Boston Company and TCW with average annual returns of 6.3% and 2.2%, respectively.

Among equity components within the balanced mandates, all three managers outperformed the S&P 500 and placed above-median versus their peers. Boston Company posted the highest absolute average return of minus (1.1%) per year over the latest three-year period. This performance exceeded the Russell 1000 Value proxy by 1.8% per year which posted a minus (2.9%) average annual return. Boston Company's exposure to smaller value-oriented issues contributed to this result. Highmark posted a minus (1.7%) average annual return and exceeded the S&P 500 by 7.4% per year. In addition, this result led the Russell 1000 Value proxy by 1.2% per year as Highmark also benefited from exposure to smaller value-oriented stocks. TCW outperformed the S&P 500 proxy by 5.8% per year with a minus (3.4%) average annual return. This significant outperformance is due, in large part, to exposure to smaller capitalized companies relative to the S&P 500 over the latest three-year period as small-cap stocks outperformed large-cap stocks. TCW's exposure to value issues relative to the S&P 500 also contributed to performance. Due to recent abysmal absolute results, all three managers significantly underperformed the expected long-term return objective for equities of 10.0% per year.

Among fixed income components within the balanced mandates, two-of-three managers slightly trailed the Salomon Broad proxy which posted an 8.1% return per year over the latest three-year period. However, all three managers placed above median versus their peers. Highmark posted the strongest average annual return of 8.3% return exceeding the Salomon Broad by 20 basis points. TCW trailed the Salomon Broad proxy by 10 basis points with an average annual return of 8.0% for the period. Boston Company generated a 7.8% average annual return trailing the Salomon Broad proxy by 30 basis points. Two-of-three fixed income components either matched or exceeded the expected long-term return objective for fixed income of 8.0% per year.

Manager Comparison--Latest Three Years

Portfolio	Style Group	Ranking	Return
Domestic Equity			
Long-term Expected Equity Return *	Equity	---	10.0
Boston Company	Large Value	34	-1.1
Highmark Capital	Large Value	37	-1.7
Russell 1000 Value **	Large Value	---	-2.9
TCW	Large Core	46	-3.4
S&P 500 Index **	Large Core	75	-9.2
Domestic Fixed Income			
Highmark Capital	Fixed	32	8.3
Salomon Broad **	Fixed	39	8.1
Long-term Expected Fixed Return *	Fixed	---	8.0
TCW	Fixed	40	8.0
Boston Company	Fixed	48	7.8

* Expected returns per DWP Objectives and Policies adopted 2/17/2000. The expected Long-term (a ten-year horizon) Equity return is an average annual return of 10%, per Section IV.H.6. The expected Long-term Fixed return is an average return of 8%, per Section IV.G.3.

** Market-based performance proxies

Manager Performance - Latest Five Years

During the latest five-year period, all three of LADWP's balanced managers produced positive results that exceeded the market-based proxy. Highmark posted the strongest results with a 7.2% average annual return followed by TCW and Boston Company with returns of 6.7% and 5.9%, respectively.

Among equity components within the balanced mandates, all three managers outperformed the S&P 500 and two managers placed median-or-above among their peers. Highmark posted the highest absolute average annual return of 6.4% over the latest five-year period. This result exceeded the S&P 500 proxy by 2.7% per year. As with the three-year period, TCW benefited from exposure to smaller, value-oriented issues relative to the S&P 500 proxy. TCW posted a 6.1% average annual return and outperformed the S&P 500 proxy by 2.4% per year. Boston Company outperformed the S&P 500 by 1.6% per year, but trailed the Russell 1000 Value proxy (which posted a 6.5% average annual return) by 1.2% with a 5.3% per year return. Over the latest five-year period, all three managers trailed the expected long-term return objective for equities of 10.0% per year.

Among fixed income components within the balanced mandates, two-of-three managers outperformed the Salomon Broad proxy and all three managers placed above-median among their peers. Highmark posted an average annual return of 8.0% and outperformed the Salomon Broad proxy by 50 basis points. TCW generated a 7.7% average annual return exceeding the market-based proxy by 20 basis points. Boston Company trailed the proxy's 7.5% average annual return by 10 basis points per year. Only one of LADWP's three fixed income managers performed in-line with the expected long-term return objective for fixed income of 8.0% per year.

Manager Comparison--Latest Five Years

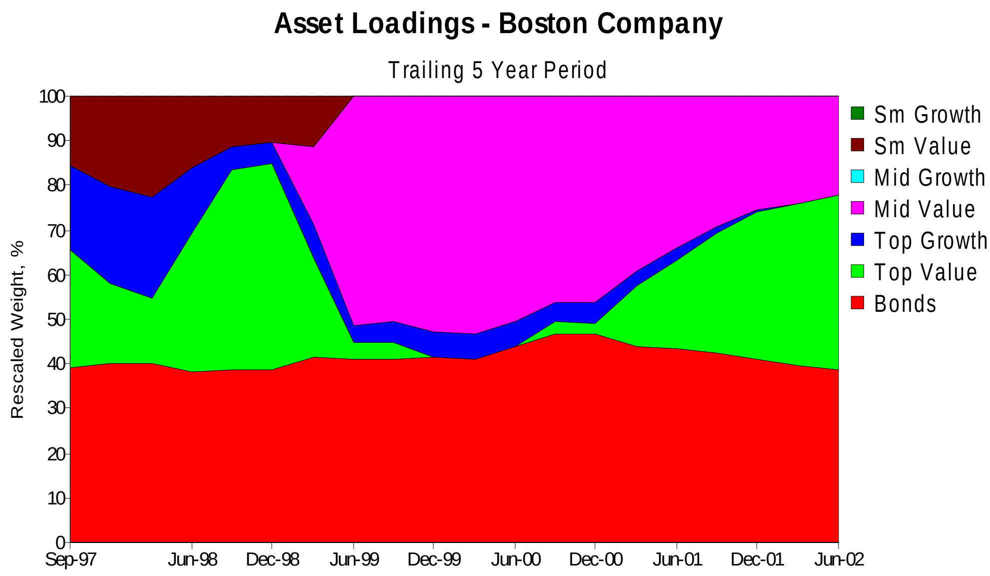
Portfolio	Style Group	Ranking	Return
Domestic Equity			
Long-term Expected Equity Return *	Equity	---	10.0
Russell 1000 Value **	Large Value	---	6.5
Highmark Capital	Large Value	46	6.4
TCW	Large Core	50	6.1
Boston Company	Large Value	56	5.3
S&P 500 Index **	Large Core	72	3.7
Domestic Fixed Income			
Highmark Capital	Fixed	23	8.0
Long-term Expected Fixed Return *	Fixed	---	8.0
TCW	Fixed	34	7.7
Salomon Broad **	Fixed	38	7.5
Boston Company	Fixed	43	7.4

***** Expected returns per DWP Objectives and Policies adopted 2/17/2000. The expected Long-term (a ten-year horizon) Equity return is an average annual return of 10%, per Section IV.H.6. The expected Long-term Fixed return is an average return of 8%, per Section IV.G.3.

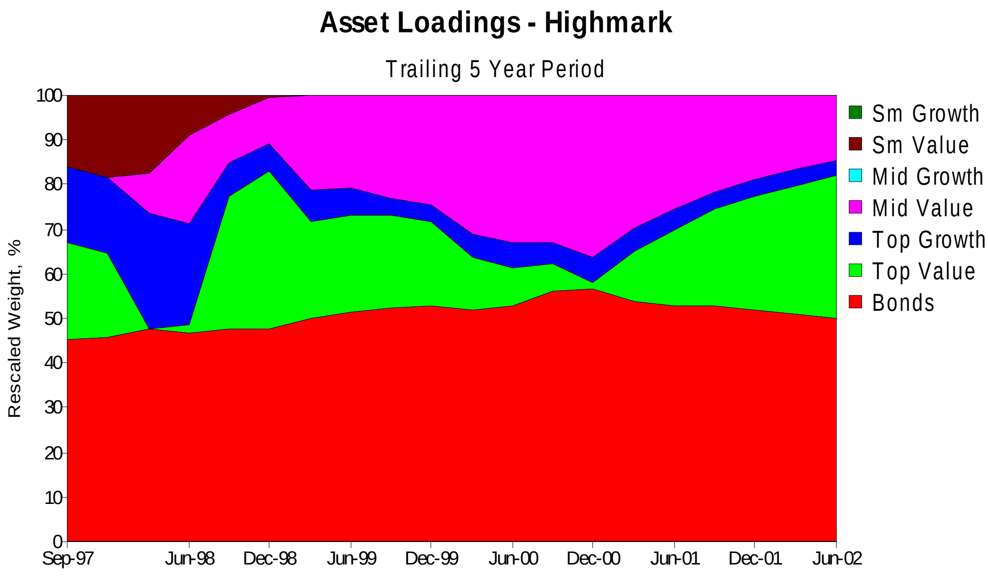
** Market-based performance proxies

Return-Based Style Analysis

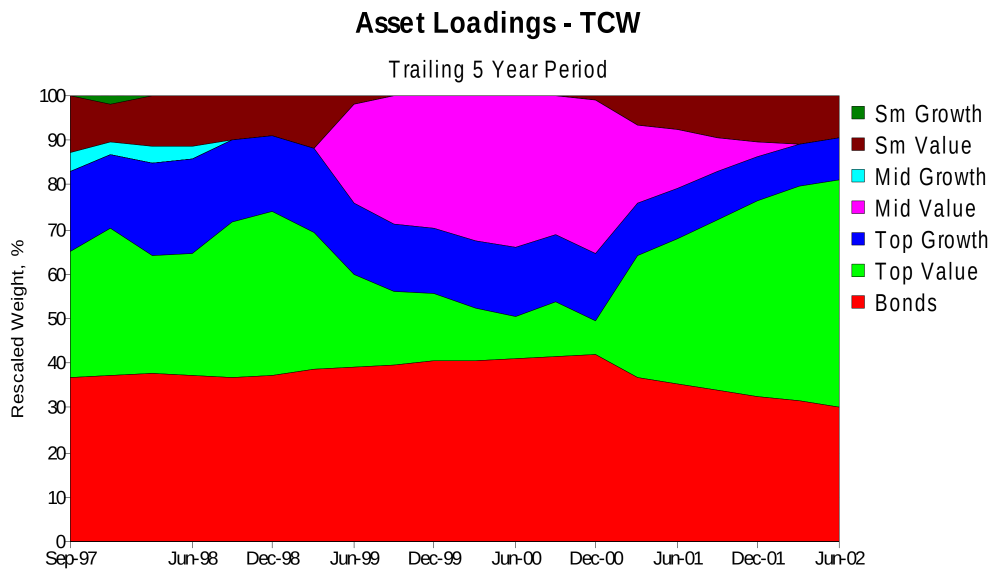
The charts below are produced from a return-based style analysis. This analysis utilizes the returns generated by an investment manager and compares these returns to style benchmarks to determine the various style and capitalization exposures within the portfolio over time.



As the chart above depicts, Boston Company has maintained a consistent exposure to fixed income investments over time averaging approximately 40% of total assets (see scaling on the left axis). More recently, the equity component of Boston Company's balanced mandate has been dominated by exposure to value issues as represented by the pink (and more recently green) area in the chart above. This has added value to the portfolio as value issues have been strongest performing style segment.



Highmark Capital has maintained a consistent allocation to fixed income. This higher allocation to fixed income investments has added value over the latest three years as fixed income investments have outperformed equity investments. Highmark has also benefited from exposure to mid-cap value issues (more recently large-cap value issues) as represented by the pink area above. These factors have contributed to Highmark's balanced mandate performance to be the strongest among LADWP's three managers over the latest one-year, three-year and five-year periods.



As with LADWP's other two managers, TCW has maintained a relatively constant exposure to fixed income investments and has benefited from exposure to mid-cap value issues. Given their core-oriented mandate, TCW has a slightly greater exposure to large-cap growth issues (represented by the blue area above) which has dampened performance slightly relative to the other two managers as growth issues have underperformed.