

Portfolio Highlights

Valuation

The LADWP portfolio, as of September 30, 2003, had an aggregate value of \$5.7 billion¹. This represents a \$16.9 million increase in value over last quarter and a \$521.0 million increase in value over the last year.

During the quarter, LADWP's actual equity allocation increased 1% to end the quarter with a 56% allocation. LADWP's fixed income allocation ended the quarter at 26% (down 1% from the previous quarter). Eighteen percent of the LADWP portfolio was allocated to cash/short-term investments. Cash levels continue to remain high as existing managers are not allowed to reinvest liquidated securities during the portfolio transition and specific manager funding decisions have been delayed.

LADWP adopted a new "Statement of Investment Objectives, Goals, and Guidelines" on February 26, 2003. To date, five domestic equity managers have been selected as part of the portfolio transition. Merrill Lynch Investment Management and Northern Trust Global Investments were selected for passive core equity mandates and funded during the third quarter of 2003. Fred Alger Management and INTECH were selected for large-cap growth mandates. MFS was selected for the large-cap value mandate.

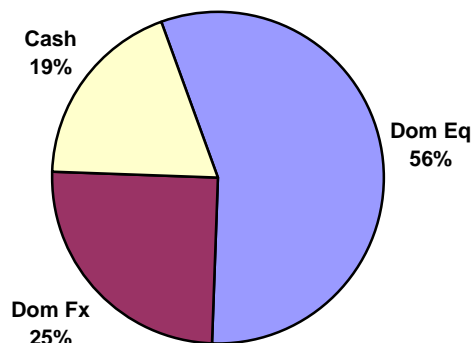
LADWP Portfolio Valuation – September 30, 2003 (millions)

Segment	Actual \$	Actual % *	Target %**
Total Portfolio	5,664.3	100%	100%
Domestic Equity	3,174.4	56%	40%
International Equity	---	---	15%
Domestic Fixed	1,471.0	26%	35%
Alternative Investments	---	---	5%
Real Estate	---	---	4%
Cash/short-term	1,018.9	18%	1%

* Differences in totals due to rounding.

** Adopted on February 26, 2003

**LADWP Portfolio Valuation
As of 9/30/03**



¹ Total portfolio value contains Retirement, Death and Disability accounts. As of 9/30/2003 (\$mil): Retirement = \$4,598.9; Death Benefit = \$19.7; Disability = \$26.8; Cash = \$1,018.9.

Performance--Periods ending September 30, 2003

Latest Quarter

For the latest quarter, LADWP's total investment portfolio increased 1.3% while underperforming its policy benchmark return by 1.7%. Strong absolute results by the unfunded international equity and alternative asset classes contributed to this relative underperformance. Manager selection and funding activities for the domestic equity and international asset classes continued during the third quarter of 2003.

During the third quarter of 2003, LADWP's domestic equity asset class returned 3.6% outperforming its policy benchmark, the Russell 3000 index, by 20 basis points, and outperforming the S&P 500 return of 2.6% (previously the market proxy representative of the domestic equity market) by 1.0%. One-of-three equity accounts outperformed this market proxy over the latest quarter. The domestic fixed income asset class trailed its policy benchmark, the Lehman Universal index, by 60 basis points. The Salomon Broad, formerly the representative proxy for domestic fixed income market results, had a quarterly return of minus (0.2%). All three fixed income managers exceeded the proxy over the latest quarter.

LADWP's total portfolio results placed them in the 91st percentile (below median) in the TUCS Total Trust Universe². The median return for the quarter was 3.1%.

Comparative Performance--Quarter Return

Segment	Actual Return	Policy Return*	Market-based Proxy Return
Total Portfolio	1.3	3.0	1.6
Domestic Equities	3.6	3.4	2.6
Domestic Fixed	-0.5	0.1	-0.2
International Equities	N/A	8.7	---
Alternative ³	N/A	4.2	---
Real Estate ³	N/A	2.1	---
Cash ³	N/A	0.3	---

*Policy return consists of passively managed asset class portfolios held at LADWP policy weightings. Total portfolio policy return consists of returns for domestic and international equity, domestic fixed and cash. Total portfolio does not include allocations to the alternative and real estate asset classes.

² The Trust Universe Comparison Service (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.

³ Benchmarks for Real Estate, Alternative and Cash asset classes not yet approved. These are currently represented by asset class benchmarks widely used by PCA's clients.

Alternative = Russell 3000 + 300 bps

Real Estate = NCREIF

Cash = Tbills

Latest Year

For the latest year, LADWP's total investment portfolio increased 14.8% but underperformed the representative blended policy return* by 5.0%. The blended policy return contains the current policy return as of 2Q 2003 consisting of passively managed asset class portfolios held at LADWP policy weightings, and the market-based proxy return utilized prior to 2Q 2003. Relative to the blended policy return, an underweighting of the strong performing domestic equity and fixed income asset classes combined with an overweighting of cash dampened performance.

LADWP's domestic equity asset class increased by 25.2% over the past year trailing the blended policy return by 1.1%. Relative underperformance by all three domestic equity managers contributed to this result. However, these results exceeded the long-term expected return of 10% per year for equity investments. The domestic fixed income component exceeded the blended policy return by 1.0% with a return of 7.3%. This result slightly trailed the long-term expected return of 8.0% for fixed income investments.

Over the latest year, LADWP's total portfolio results placed in the 79th percentile (below median) in the TUCS Total Trust Universe (median: 17.8%).

Comparative Performance—One-Year Return

Segment	Actual Return	Blended Policy Return*	Market-based Proxy Return**
Total Portfolio	14.8	19.8	16.4
Domestic Equities	25.2	26.3	24.4
Domestic Fixed	7.3	6.3	5.5
International Equities	N/A	N/A	---
Alternative	N/A	N/A	---
Real Estate	N/A	N/A	---
Cash	1.3	1.2	---

*Policy return is a blend of passively managed asset class portfolios held at LADWP policy weightings beginning 2Q 2003 (including asset class returns for domestic and international equity, domestic fixed and cash), and the Market-based proxy return utilized prior to 2Q 2003.

**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.

Latest Three Years

For the latest three-year period, LADWP's total investment portfolio increased 0.8% per year and outperformed the representative blended policy return by 2.9% on an annual basis. Strong relative results by the domestic equity and domestic fixed asset classes contributed to this result. However, these results are significantly below LADWP's long-term expectations of 8.0% - 9.4% annually as the equity asset class trailed its long-term absolute target.

The domestic equity asset class posted a minus (3.5%) average annual return over the past three years outperforming the blended policy return by 6.2% per year (as both equity accounts with performance history spanning over three years benefited from exposure to value companies and outperformed the benchmark). The domestic fixed income component outperformed the blended policy return by 30 basis points per year with an average annual return of 9.5%. This result exceeds the long-term return expectation of 8.0% per year for fixed income investments.

Over the latest three-year period, LADWP's total portfolio results placed in the 20th percentile (above median) in the TUCS Total Trust Universe (median: minus (1.4%)).

Comparative Performance—Three-Year Return

Segment	Actual Return	Blended Policy Return*	Market-based Proxy Return**
Total Portfolio	0.8	-2.1	-3.0
Domestic Equities	-3.5	-9.7	-10.1
Domestic Fixed	9.5	9.2	8.9
International Equities	N/A	N/A	---
Alternative	N/A	N/A	---
Real Estate	N/A	N/A	---
Cash	N/A ¹	2.7	---

*Policy return is a blend of passively managed asset class portfolios held at LADWP policy weightings beginning 2Q 2003 (including asset class returns for domestic and international equity, domestic fixed and cash), and the Market-based proxy return utilized prior to 2Q 2003.

**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.

¹ Cash returns were not tracked prior to 3Q 2002 and, therefore, do not contain three years of data.

Latest Five Years

For the latest five-year period, LADWP's total investment portfolio increased by 4.5% per year and outperformed the blended policy return by 50 basis points annually. Positive relative results by the domestic equity asset class contributed to this result. However, total portfolio performance significantly lagged LADWP's long-term return expectations of 8.0% - 9.4%. Both the equity and fixed income asset classes lagged long-term expectations contributing to this result.

The domestic equities segment of the LADWP portfolio posted a 3.6% average annual return over the past five years outperforming the blended policy return by 2.3% per year. Over this period, both of LADWP's equity accounts with five years of performance history outperformed the proxy. The domestic fixed income component slightly trailed the blended policy return by 20 basis points per year with an average annual return of 6.6%.

Over the latest five-year period, LADWP's total portfolio results placed them in the 65th percentile (below median) in the TUCS Total Trust Universe (median: 5.0%).

Comparative Performance—Five-Year Return

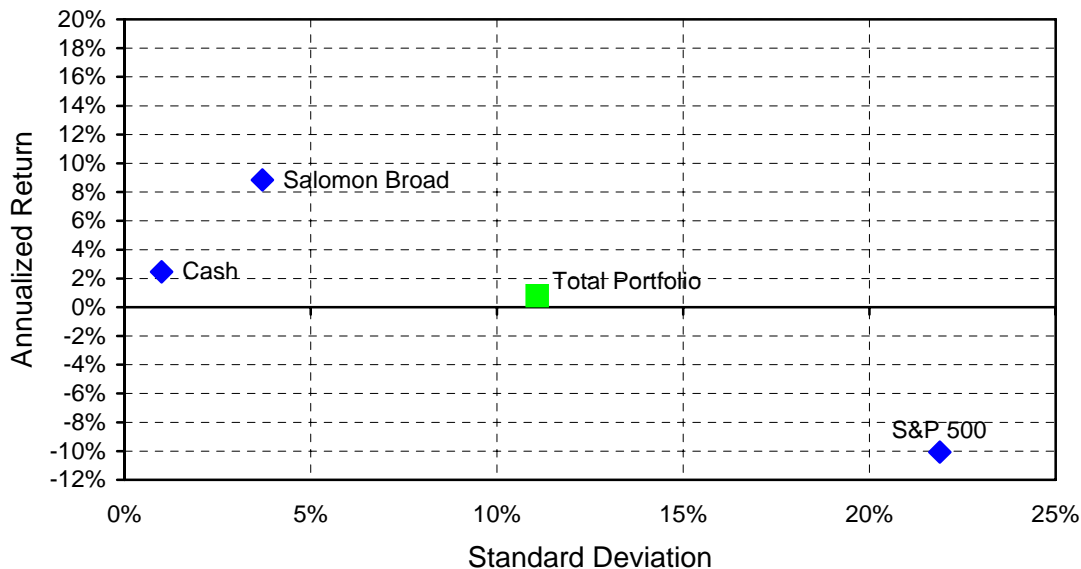
Segment	Actual Return	Blended Policy Return*	Market-based Proxy Return**
Total Portfolio	4.5	4.0	3.4
Domestic Equities	3.6	1.3	1.0
Domestic Fixed	6.6	6.8	6.6
International Equities	N/A	N/A	---
Alternative	N/A	N/A	---
Real Estate	N/A	N/A	---
Cash	N/A ¹	3.7	---

*Policy return is a blend of passively managed asset class portfolios held at LADWP policy weightings beginning 2Q 2003 (including asset class returns for domestic and international equity, domestic fixed and cash), and the Market-based proxy return utilized prior to 2Q 2003.

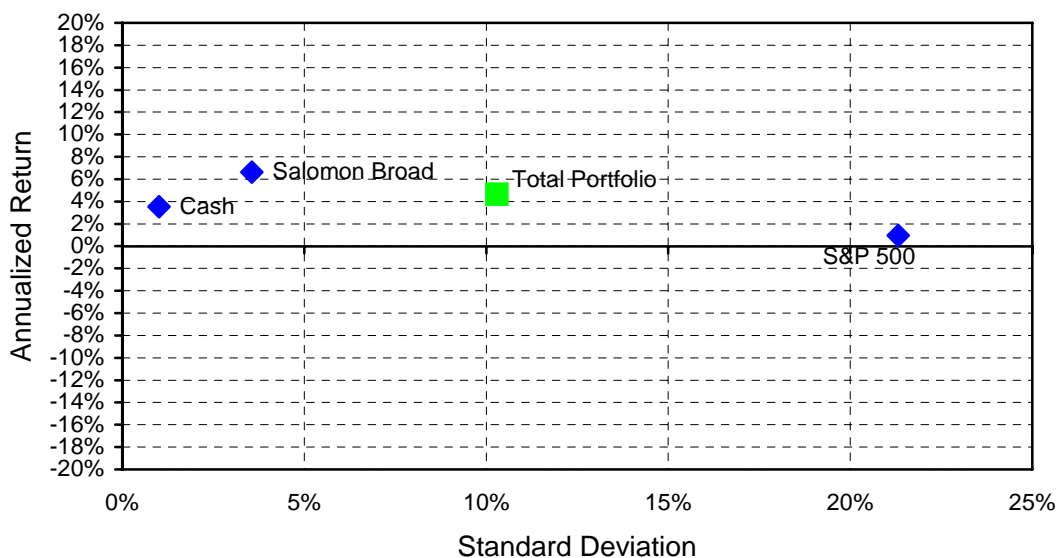
**Market-based proxies are comprised of: 60% S&P 500, 30% Salomon Broad and 10% T-Bills for the Total Portfolio, the S&P 500 for Domestic Equities and the Salomon Broad Index for Domestic Fixed.

¹ Cash returns were not tracked prior to 3Q 2002 and, therefore, do not contain five years of data.

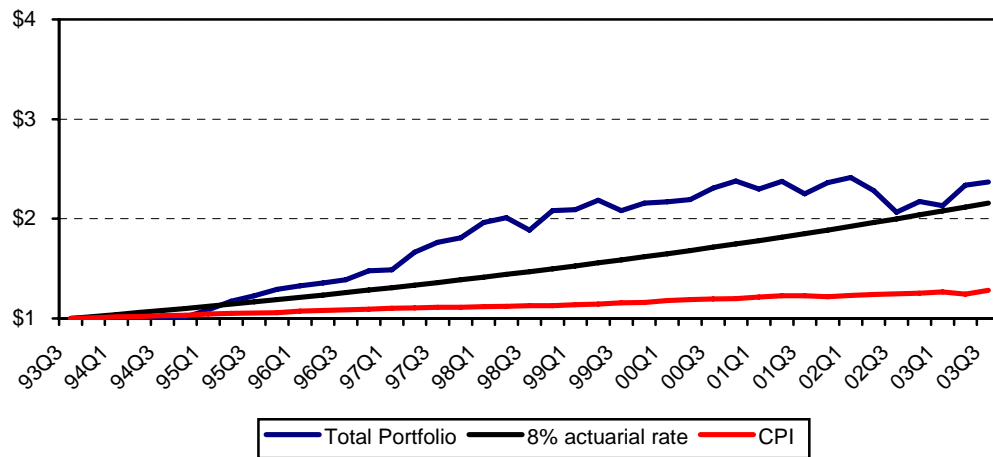
Three-Year Annualized Risk/Return



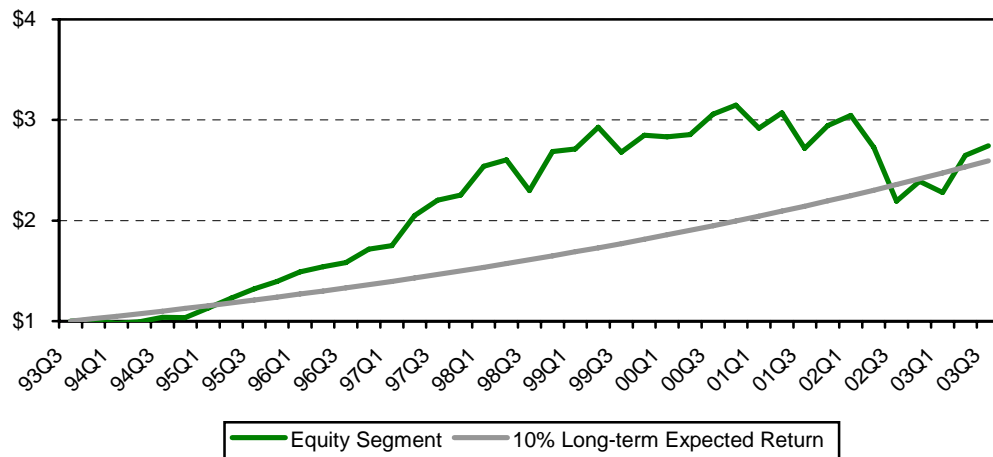
Five-Year Annualized Risk/Return



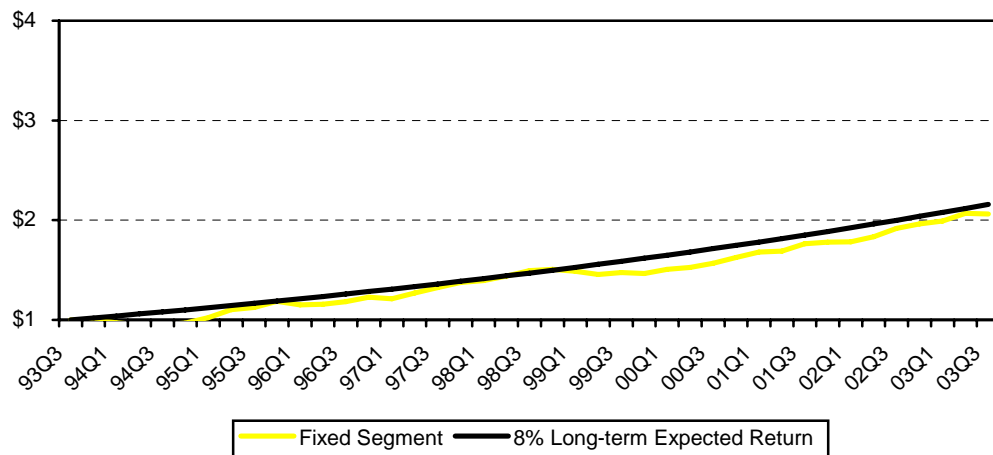
Growth of a Dollar- Latest 10 Years Total Portfolio



Growth of a Dollar- Latest 10 Years Equity Segment



Growth of a Dollar- Latest 10 Years Fixed Segment



Economic Review

The US economy increased at an annual growth rate of 8.2% during the third quarter of 2003, up from 3.3% annualized growth in the previous quarter representing its fastest growth since 1984³. The major contributors to the increase include personal consumption expenditures, equipment and software, residential fixed investment, and exports. The positive contributions of these components were partially offset by a negative contribution from private inventory investment.

During the third quarter of 2003, equity markets generated the strongest returns among the major asset classes. The Russell 2000 Index, a measure of small capitalization stock performance, posted a 9.1% return for the quarter compared to a 2.6% return for the S&P 500 Index, which represents the large domestic equity market. Growth stocks were favored over value stocks. The representative Russell 3000 Growth Index posted a 4.4% return, while the Russell 3000 Value Index posted a 2.5% return. During the third quarter, the MSCI EAFE returned 8.2%, as the MSCI Pacific sub-component provided a strong 18.9% quarterly return. The Lehman Aggregate Index, a proxy for the domestic fixed income market, posted a minus (0.1%) quarterly return during the quarter while its international counterpart, as measured by the SBWGB Index, gained 2.0%.

- **Inflation** – The Consumer Price Index (CPI) increased by 0.3% in September, on a seasonally adjusted basis, resulting in a compounded annual rate (three-months ended September 30, 2003) of 3.1%. In comparison, the CPI increased 2.5% (on an annualized basis) during the third quarter of 2002.
- **Domestic Interest Rates** – During the third quarter of 2003 mid-term yields increased while short and long-term rates remained steady. The annual yield on one-year Treasury Bonds increased slightly by 6 basis points to 1.2% as of September 30, 2003, while the yield on thirty-year Treasury Bonds also increased by 6 basis points to 5.0%. The spread between the one-year Treasury and the 30-year Treasury ended the quarter at 386 basis points, unchanged from last quarter. As a result, the yield curve became more convex, primarily dampening returns for holders of intermediate term bonds.
- **US Dollar** – During the third quarter of 2003, the US dollar depreciated against the Yen by 6.9%, the Euro by 1.2%, and the Canadian dollar by 0.4%.
- **Unemployment** – The domestic unemployment rate decreased to 6.1% as of September 30, 2003, from 6.4% at the end of previous quarter.

³ As measured by the real Gross Domestic Product (GDP). An “advance” estimate based on source data subject to further revision as reported by the Bureau of Economic Analysis (BEA).

Capital Market Highlights

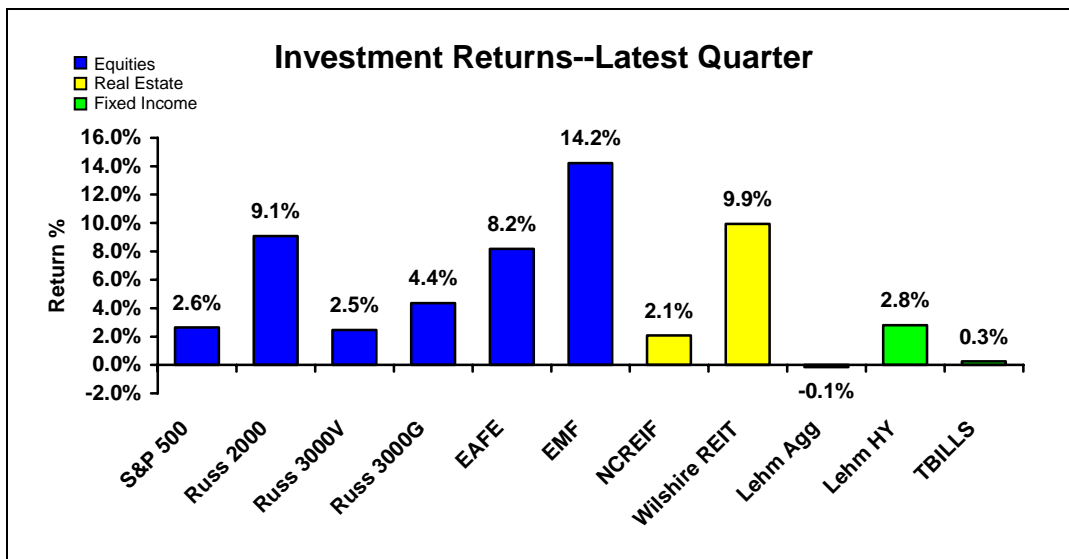
Third Quarter 2003

US equity markets continued to rally during the latest quarter. The rally, which began in the previous quarter, was fueled by improved economic data early in the quarter, but weakened as doses of mixed economic data later in the quarter caused investors to question if the economy could maintain its current momentum. In general, small-cap stocks fared better than large-cap stocks. Small-cap stocks, as measured by the Russell 2000 Index, returned 9.1% while large-cap stocks posted a 2.6% return, as measured by the S&P 500 Index. Growth stocks outperformed Value stocks. The Russell 3000 Growth Index, a measure of growth stocks, outperformed value stocks (Russell 3000 Value) by a margin of 1.9% with respective quarterly returns of 4.4% and 2.5%.

International stocks generated strong positive results during the quarter benefiting from an improving global economic climate. Emerging Markets, as measured by the MSCI EMF, posted a strong 14.2% return as stronger than expected global growth and liquidity, and a low interest rate environment caused inflows to increase. As measured by the MSCI EAFE Index, international stocks finished the quarter with an 8.2% return. The Pacific sub-component (including Japan) ended the quarter with an 18.9% return.

The domestic bond market, as measured by the Lehman Aggregate Index, returned minus (0.1%) during the quarter due to rising rates in intermediate term maturities. The high yield bond market provided positive absolute results during the third quarter of 2003. As measured by the Lehman High Yield Index, high yield bonds produced a positive return of 2.8%.

Over the quarter, private real estate (as measured by the NCREIF Index) generated a total return of 2.1% while the Wilshire REIT index, a measure of the public real estate investment market, posted a 9.9% return. T-bills finished the quarter with a 0.3% gain.



NCREIF Property Index information is as of June 30, 2003.

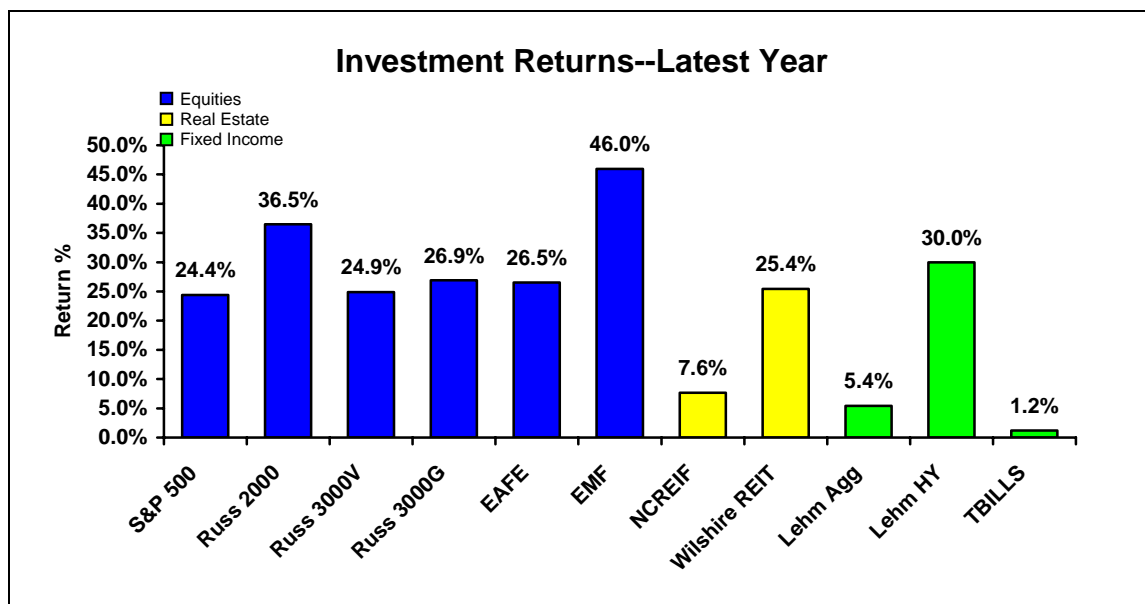
Latest Year – Ending September 30, 2003

During the latest year, the domestic equity market generated strong positive returns. Growth stocks, measured by the Russell 3000 Growth Index, increased by 26.9%, outperforming value stocks (as measured by the Russell 3000 Value Index), which increased by 24.9%. In general, small cap stocks, as measured by the Russell 2000 Index, performed better than large cap stocks (as measured by the S&P 500 Index), with respective returns of 36.5% and 24.4%.

Emerging markets stocks generated the highest absolute return among equities during the latest 12-month period with a strong 46.0% return. As mentioned earlier, a strong global macroeconomic environment helped boost this asset class. The MSCI-EAFE posted a 26.5% return. Strong performance of the MSCI Pacific subcomponent (excluding Japan) contributed significantly to this result with a 35.3% return.

As shown in the chart below, bonds continued their positive performance over the latest 12-month period. The broad domestic bond market, as measured by the Lehman Aggregate Index, posted a 1-year return of 5.4%. High yield bonds generated a 30.0% return surpassing broad domestic fixed income issues during the latest year. Lower quality issues were favored earlier in the period over higher-quality as investors looked to boost returns.

The private real estate market continued its steady performance. The NCREIF Index produced a 7.6% return while the Wilshire REIT index had a 25.4% total return for the year. T-Bills posted a 1.2% return.



NCREIF Property Index information is as of June 30, 2003.

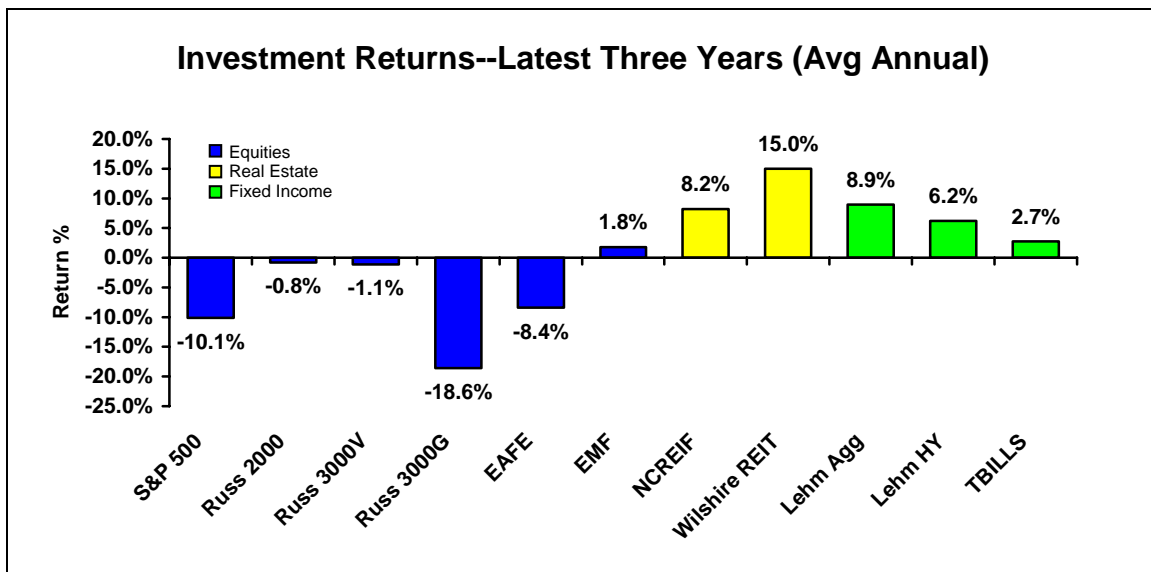
Latest Three Years – Ending September 30, 2003

During the previous three-year period, bonds outperformed equities with positive absolute returns. The Lehman Aggregate Index (a measure of the broad domestic fixed income market), gained an annualized 8.9% over the past three years. This return was, on average, 2.7% higher than that of the high-yield bond market, as measured by the Lehman High Yield Index, which averaged an annual return of 6.2%. Declining yields and investors' focus on protection of capital in earlier periods contributed significantly to these strong bond market results.

Domestic equity markets declined across the board. 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 in general (Russell 2000 Index), performed better than large cap stocks (S&P 500 Index) with returns of minus (0.8%) and minus (10.1%) per annum, respectively. Value stocks significantly outperformed growth stocks during this period. The Russell 3000 Value Index posted a minus (1.1%) average annual return compared to a minus (18.6%) annualized return for Russell 3000 Growth Index during this period.

International equity markets had mixed results during the latest three-year period. The MSCI EAFE Index posted a negative absolute annualized result of minus (8.4%) per year. Poor performance by both the MSCI Pacific (including Japan) and Europe sub-indexes contributed significantly to this result with a minus (9.0%) return and minus (8.1%) return per year, respectively. The MSCI EMF Index posted an annualized 1.8% return.

The NCREIF index produced strong results posting an 8.2% average annual return while the Wilshire REIT had a strong 15.0% return over the latest three-year period. Money-market yields (T-Bills) averaged 2.7% per year.



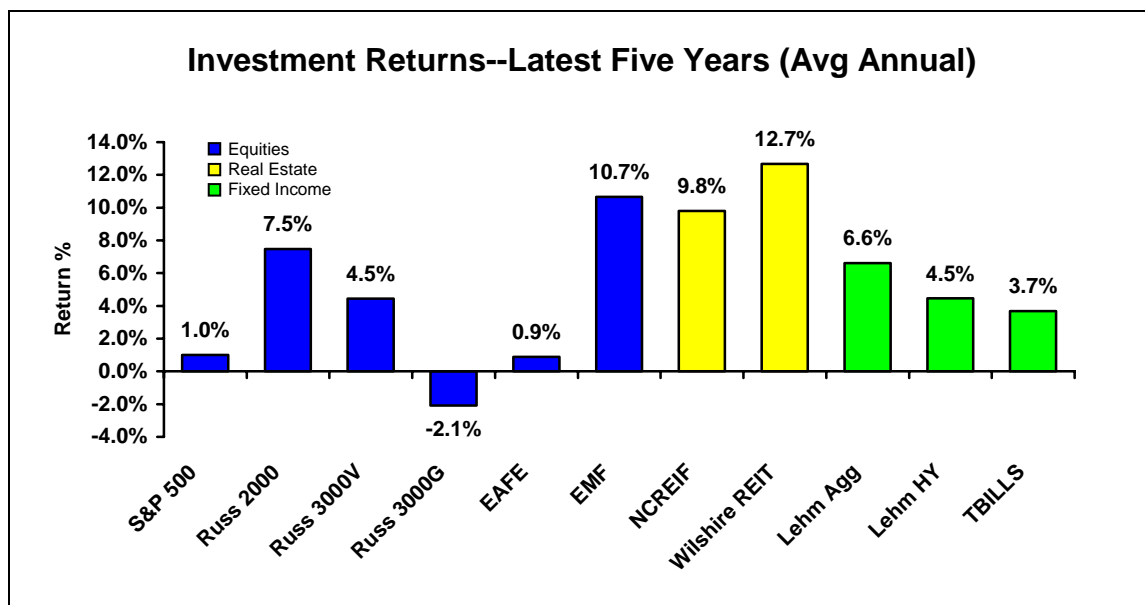
NCREIF Property Index information is as of June 30, 2003.

Latest Five Years – Ending September 30, 2003

During the latest five-year period, equity markets in general generated positive returns. As measured by the S&P 500, the domestic equity market increased with an average annual return of 1.0%. Small-cap stocks fared better with an annualized return of 7.5%, as measured by the Russell 2000 Index. During this period, investors experienced a loss of principal primarily in growth stocks, as represented by the Russell 3000 Growth Index, which finished the period with a minus (2.1%) return per year. However, value stocks provided some protection as the Russell 3000 Value Index ended the period with a 4.5% return per year. International equities provided modestly positive results with a return of 0.9% per annum. Strong performance by the MSCI Pacific sub-index (excluding Japan) at 10.6% per year significantly contributed to this result.

The Lehman Aggregate returned 6.6% per year versus that of the Lehman High Yield, which returned 4.5% per year on average, reflecting investor preferences toward high quality issues earlier in the period. Money-market returns (T-Bills) returned 3.7% per year over the latest five-year period.

Real estate markets have produced strong results, generating a 9.8% average annual return for the NCREIF index and a 12.7% return for the Wilshire REIT index.



NCREIF Property Index information is as of June 30, 2003.

Manager Performance- Summary

Manager Performance Comparison- as of 9/30/03

		Current Value	Performance			
Manager	Segment	\$ (000)	Qtr.	1 Year	3 Year	5 Year
Debt						
Standish I (previously Boston)	Fixed Income	455,514	-0.1%	5.0%	8.5%	5.8%
Standish II (previously Highmark)	Fixed Income	246,508	0.0%	6.3%	9.3%	6.3%
TCW	Fixed Income	722,496	0.9%	8.9%	10.2%	7.1%
Equity ⁴						
Boston (previously Highmark)	Equity	22,535	0.7%	23.2%	N/A	N/A
Boston Company	Equity	1,532,881	3.9%	23.6%	-2.3%	3.3%
Merrill	Equity	805,485	N/A	N/A	N/A	N/A
Northern	Equity	805,768	N/A	N/A	N/A	N/A
TCW	Equity	7,691	1.0%	22.9%	-5.9%	3.1%
Benchmarks						
Total Portfolio Policy Benchmark	Diversified	---	3.0%	19.8%**	-2.1%**	4.0%**
Market-based Total Portfolio Proxy	Balanced	---	1.6%	16.4%	-3.0%	3.4%
Russell 3000	Domestic Equity		3.4%	---	---	---
Long-term Expected Equity Return	Equity	---	N/A	10.0%	10.0%	10.0%
S&P 500	Large Core	---	2.6%	24.4%	-10.1%	1.0%
Russell 1000 Value	Large Value	---	2.1%	24.4%	-2.0%	4.0%
Lehman Universal	Fixed Income	---	0.1%	---	---	---
Long-term Expected Fixed Return	Fixed Income	---	N/A	8.0%	8.0%	8.0%
Salomon Broad	Fixed Income	---	-0.2%	5.5%	8.9%	6.6%
MSCI ACWI xUS	Intl Equity	---	8.7%	---	---	---
Russell 3000 + 300bps*	Alternative	---	6.4%	---	---	---
NCRIF*	Real Estate	---	2.1%	---	---	---
Cash*	T-Bills	---	0.3%	---	---	---

*Benchmarks for Real Estate, Alternative, and Cash asset classes not yet approved. These are currently represented by asset class benchmarks widely used by PCA's clients.

**Blend of passively managed asset class portfolios held at LADWP policy weightings beginning 2Q 2003, and the Market-based proxy return utilized prior to 2Q 2003.

⁴ LADWP's two passive core equity managers, Merrill Lynch Investment Management and Northern Trust Global Investments, were funded in August of 2003. Manager valuations are presented on this page in with the first full quarter of performance to be presented in the fourth quarter report.

Manager Performance - Latest Quarter

Among domestic equity accounts in LADWP's portfolio, all produced positive returns, but only one-of-three managers exceeded the S&P 500 (a market-based proxy for large-cap core domestic equity mandates). Boston Company posted the highest absolute return of 3.9% exceeding the Russell 1000 Value (a market-based proxy for large-cap value domestic equity mandates) by 1.8% and the S&P 500 by 1.3%. Positive relative results were due, in part, to the portfolio's mid-cap exposure. TCW posted an absolute return of 1.0% and trailed the S&P 500 Index by 1.6%, partially due to the portfolio's value tilt. The temporary Boston Company account, previously managed by Highmark, posted a quarterly return of 0.7%. This result trailed the S&P 500 by 1.9% and the Russell 1000 Value Index by 1.4%.

Among fixed income components within LADWP's portfolio, two of three managers exceeded the Salomon Broad proxy (a market-based proxy for core domestic fixed income mandates). Standish II (previously managed by Highmark) posted the highest absolute return during the quarter with a flat return, and exceeded the Salomon Broad's minus (0.2%) return by 20 basis points. Standish I (previously managed by Boston Company) outperformed the Salomon Broad by 10 basis points. TCW posted a minus (0.9%) return over the latest quarter and trailed the Salomon Broad by 70 basis points.

LADWP began funding of its new investment managers during the third quarter of 2003 with the funding of two passive core equity managers (Merrill Lynch and Northern Trust). Given the timing of these fundings, the first full quarter of performance results for these managers will be presented in the fourth quarter report.

Manager Comparison--Latest Quarter

Portfolio	Style Group	Account Ranking**	Segment Return
Domestic Equity			
Boston Company	Large Value	48	3.9
S&P 500 Index *	Large Core	72	2.6
Russell 1000 Value *	Large Value	---	2.1
TCW	Large Core	93	1.0
Boston (previously Highmark)	Large Value	95	0.7
Domestic Fixed Income			
Standish II (previously Highmark)	Fixed	53	0.0
Standish I (previously Boston)	Fixed	56	-0.1
Salomon Broad *	Fixed	63	-0.2
TCW	Fixed	90	-0.9

* 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

Despite strong positive performance, all three domestic equity managers with one-year of performance history trailed the S&P 500. Boston Company posted a return of 23.6% over the latest 12-month period trailing the S&P 500 and the Russell 1000 Value by 80 basis points. The temporary Boston Company account, previously managed by Highmark, posted a return of 23.2% over the latest year, underperforming the S&P 500 and the Russell 1000 Value's return of 24.4% by 1.2% due to poor stock selection. TCW posted a 22.9% return and trailed the S&P 500 proxy by 1.5%. TCW's exposure to value oriented stocks, which underperformed during the period, contributed to this result. All three managers exceeded the 10.0% expected long-term average annual return objective for domestic equities.

Over the latest 12-month period, two-of-three fixed income managers outperformed the Solomon Broad index. TCW posted an 8.9% return outperforming the Salomon Broad proxy by 3.4%. Positive relative results were partially due to TCW's underweighting in the mortgage sector which underperformed during the period. Standish II, previously managed by Highmark, posted a 6.3% return, exceeding the Salomon Broad proxy by 80 basis points. Standish I, previously managed by Boston Company, posted a 5.0% return during the previous 12-month period, underperforming the Salomon Broad proxy by 50 basis points. Two-of-three managers underperformed the 8.0% expected long-term average annual return objective for domestic fixed income.

Manager Comparison--Latest Year

Portfolio	Style Group	Account Ranking	Segment Return
Domestic Equity			
S&P 500 Index **	Large Core	58	24.4
Russell 1000 Value **	Large Value	---	24.4
Boston Company	Large Value	65	23.6
Boston (previously Highmark)	Large Value	67	23.2
TCW	Large Core	68	22.9
Long-term Expected Equity Return *	Equity	---	10.0
Domestic Fixed Income			
TCW	Fixed	23	8.9
Long-term Expected Fixed Return *	Fixed	---	8.0
Standish II (previously Highmark)	Fixed	46	6.3
Salomon Broad **	Fixed	64	5.5
Standish I (previously Boston)	Fixed	71	5.0

* 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

Among domestic equity accounts with three-years of performance history, both managers outpaced the S&P 500 and placed above-median among their peers. Boston Company posted the highest absolute average annual return of minus (2.3%) over the latest three-year period. Boston Company benefited from exposure to stronger performing value stocks relative to the broad market benchmark. However, Boston Company underperformed the Russell 1000 Value proxy by 30 basis points per year. TCW posted a minus (5.9%) average annual return and outperformed the S&P 500 proxy by 4.2% per year. This significant outperformance is due, in large part, to TCW's exposure to smaller capitalized value companies which outperformed over this period. However, both managers significantly underperformed the 10.0% expected long-term average annual return objective for domestic equities.

Two of LADWP's three fixed income accounts with three-years of performance history outperformed the Salomon Broad while all three exceeded the long-term expected return objective for fixed income. Over the latest three-years, TCW posted a 10.2% average annual return exceeding the Salomon Broad proxy by 1.3% per year, and placed in the 16th percentile among their peers. Standish II (previously managed by Highmark) outperformed the Salomon Broad by 40 basis points annually, while Standish I (previously managed by Boston Company) trailed the Salomon Broad's average annual 8.9% return by 40 basis points per year.

Manager Comparison--Latest Three Years

Portfolio	Style Group	Account Ranking	Segment Return
Domestic Equity			
Long-term Expected Equity Return *	Equity	---	10.0
Russell 1000 Value **	Large Value	---	-2.0
Boston Company	Large Value	33	-2.3
TCW	Large Core	45	-5.9
S&P 500 Index **	Large Core	68	-10.1
Domestic Fixed Income			
TCW	Fixed	16	10.2
Standish II (previously Highmark)	Fixed	---	9.3
Salomon Broad **	Fixed	51	8.9
Standish I (previously Boston)	Fixed	---	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 Five Years

Among domestic equity accounts with five-years of performance history, both managers outpaced the S&P 500. Boston Company posted the highest absolute return of 3.3% per year and outperformed the S&P 500 proxy by 2.3% per year. Boston Company benefited from exposure to stronger performing value stocks relative to the broad market benchmark. TCW posted an average annual return of 3.1% over the latest five-year period and exceeded the S&P 500 proxy by 2.1% per year. As with the three-year period, exposure to smaller, value-oriented issues relative to the S&P 500 contributed to TCW's results as value stocks outperformed growth stocks and small-cap stocks outperformed large-cap stocks. However, as with the three-year time period, both managers significantly underperformed the 10.0% expected long-term average annual return objective for domestic equities.

Over the latest five-years, only one of LADWP's three fixed income managers outperformed the Salomon Broad while all three trailed the long-term expected return objective for fixed income. TCW posted a 7.1% average annual return exceeding the Salomon Broad's 6.6% annual return by 50 basis points per year and placed in the 20th percentile among their peers. Standish II (previously managed by Highmark) trailed the Salomon Broad by 30 basis points per year, while Standish I (previously managed by Boston Company) underperformed the Salomon Broad by 80 basis points 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	---	4.0
Boston Company	Large Value	58	3.3
TCW	Large Core	60	3.1
S&P 500 Index **	Large Core	82	1.0
Domestic Fixed Income			
Long-term Expected Fixed Return *	Fixed	---	8.0
TCW	Fixed	20	7.1
Salomon Broad **	Fixed	44	6.6
Standish II (previously Highmark)	Fixed	---	6.3
Standish I (previously Boston)	Fixed	---	5.8

* 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