


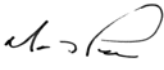


Memorandum

Date: June 5, 2012

To: James H. Grossman, Jr.
Deputy Chief Investment Officer
Pennsylvania Public School Employees Retirement System

From: William G. Bensur, Jr., CFA 
Managing Director
Wilshire Associates Incorporated

Marlin D. Pease, CFA 
Managing Director
Wilshire Associates Incorporated

Re: Atlantic Trust MLP Strategy

The purpose of this memorandum is to provide background analysis and a recommendation for Atlantic Trust to manage an active Master Limited Partnership (“MLP”) portfolio that will serve a strategic role in the PSERS investment program. Wilshire believes the Atlantic Trust MLP Strategy is an institutional quality product with an experienced investment team.

Organization

Atlantic Trust is a wholly-owned subsidiary of Invesco Ltd. (“Invesco”), with \$19.5 billion in assets under management. The MLP product is managed by Paul McPheeters and Adam Karpf. Paul has been managing the MLP strategy for nine years and has 16 years of industry experience. In May of 2010, Adam Karpf joined as co-portfolio manager from hedge fund Magnetar, where he served as the head of MLP research. Prior to Magnetar, Adam was a senior MLP analyst at Lehman Brothers and the number one ranked analyst by the Wall Street Journal in the Oil, Gas and Equity Services sector for his work in 2006. Paul and Adam are supported by three analysts, two of whom have been on the team since 2007 and the third since 2004. The team manages approximately \$1 billion in MLP assets, of which roughly \$300 million are long-only strategies.

An organizational concern regarding Atlantic Trust is the possibility that Invesco may divest its ownership of the subsidiary; however, several factors mitigate the risks associated with a potential sale. A sale could have a positive impact by further aligning the interests of the Atlantic Trust team and a potential buyer. In addition, PSERS will directly own the securities in a separately managed account, thus allowing the exposure to be migrated in an efficient manner to an existing institutional quality MLP manager in the PSERS investment program. Wilshire will continue to monitor Atlantic Trust and evaluate the appropriate course of action if divestment occurs.

Investment Approach

The investment philosophy focuses on MLPs that have strong, stable and sustainable business models. The team seeks to invest in a broad range of energy MLPs with attractive growth and cash flow characteristics. Security selection is based on six primary variables: cash flow valuation vs. distribution yield, location and quality of assets, strength of management team, organic and acquisition growth prospects, incentive split between GP and LP, and financial and commodity risk management. In total,



the investment process is 80 percent bottom-up / 20 percent top-down. While all of Atlantic Trust's research is generated in-house, they track estimates submitted by sell-side analysts and news reports for indications of changing fundamentals.

After ranking the attractiveness of each stock, the MLP team creates portfolios that generally contain 15-25 securities, designed to offer optimal risk / return characteristics. Security weights are conviction-based and range from a minimum of 3% to a maximum of 10%; however, position limits are continuously monitored based on trading liquidity, cash flow stability, and the level of risk exposure inherent in the position.

Performance

Cumulative Performance vs. the S&P MLP Index (as of March 31, 2012)

Manager	Quarter	One Year	Three Years	Five Years
Atlantic Trust	5.82	18.43	39.51	16.59
S&P MLP Index	1.76	9.20	35.98	10.59

Atlantic Trust has consistently outperformed the S&P MLP index, adding approximately 350 and 600 basis points of alpha over the three and five year periods, respectively.

5 Year Risk and Return Statistics (as of March 31, 2012)

Manager	Risk	Tracking Error	Sharpe Ratio	Information Ratio
Atlantic Trust	19.62	4.37	0.77	1.24

Fees

Atlantic Trust has proposed the following fee:

- A) 0.25% base fee on all assets
- B) 16.67% performance fee on returns over benchmark with a 0.50% hurdle rate
- C) The all-in fee (base plus performance) is capped at 0.75%

The performance based fee represents an attractive alignment of interest between Atlantic Trust and the PSERS investment program.

Please let us know if you have any questions or if we may be of assistance.