

City of Jonesboro

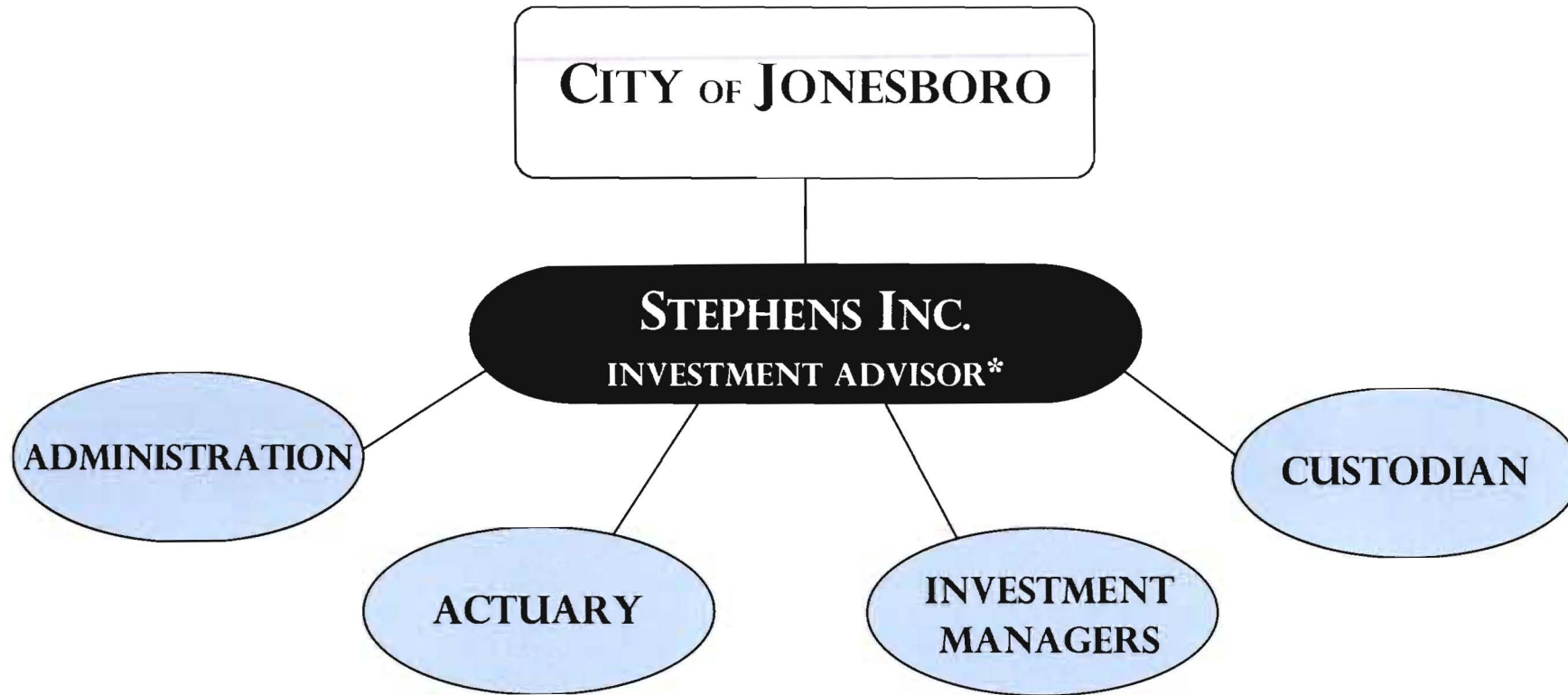
DEFINED BENEFIT PLAN



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Capitalize on Independence™

Member NYSE, SIPC

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Capital Management



Stephens Capital Management will provide or interface with the above services for an all inclusive fee of *109 basis points*** - representing approximately a 20% cost reduction in comparison to the current provider.

** Process is reviewed quarterly by an independent fiduciary – Arkansas Municipal League.*

*** Fee includes actuarial cost which is subject to change .*

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Services Provided

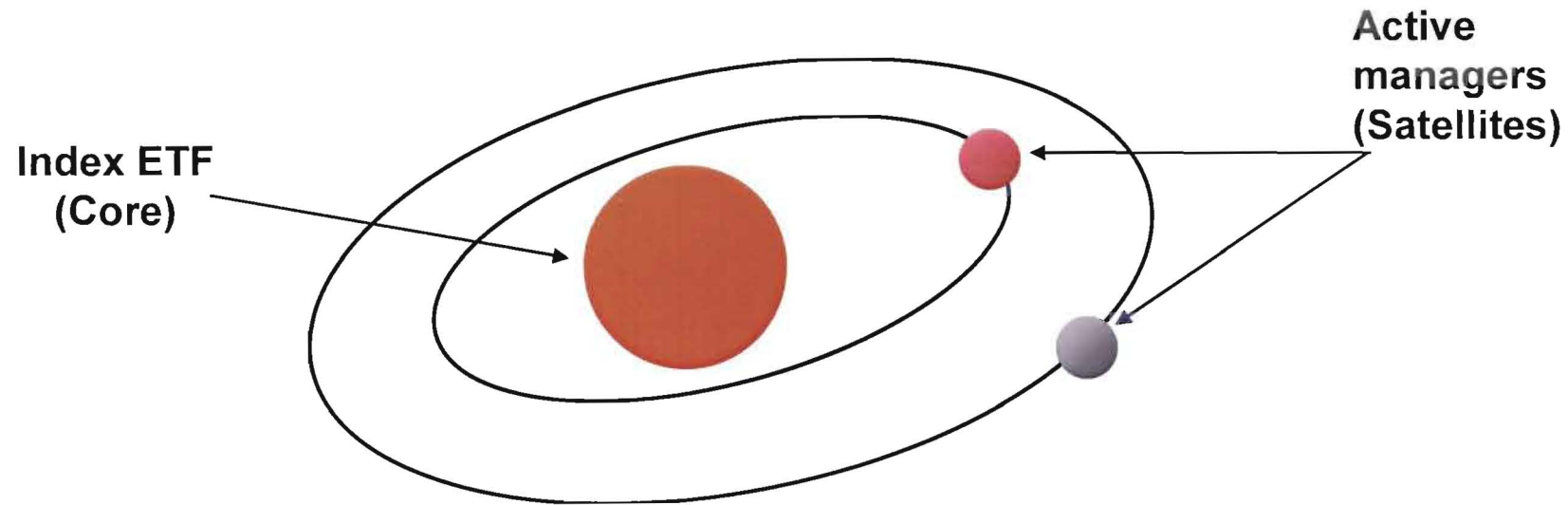
- Development of and/or review of Investment Policy
- Provide consolidated financial reports on targeted cash flow/capital gains & losses
- Review of current investments
- Recommendation of asset allocation based on risk model
- Rebalance of account based on market and allocation model
- Manager search
- Manager interviews
- Manager selection and negotiation
- Quarterly monitoring of manager performance vs. peer and index
- Monthly investment performance reconciliation
- Annual on-site manager visits
- Advise on market conditions
- Recommend inclusion or deletion of manager
- Transition any manager change
- Interface with Actuary
- Client Support Team

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Institutional strategy evolves to Core/Satellite

“Core/Satellite”



Modern portfolio theory

- Active-only produced benchmark risk

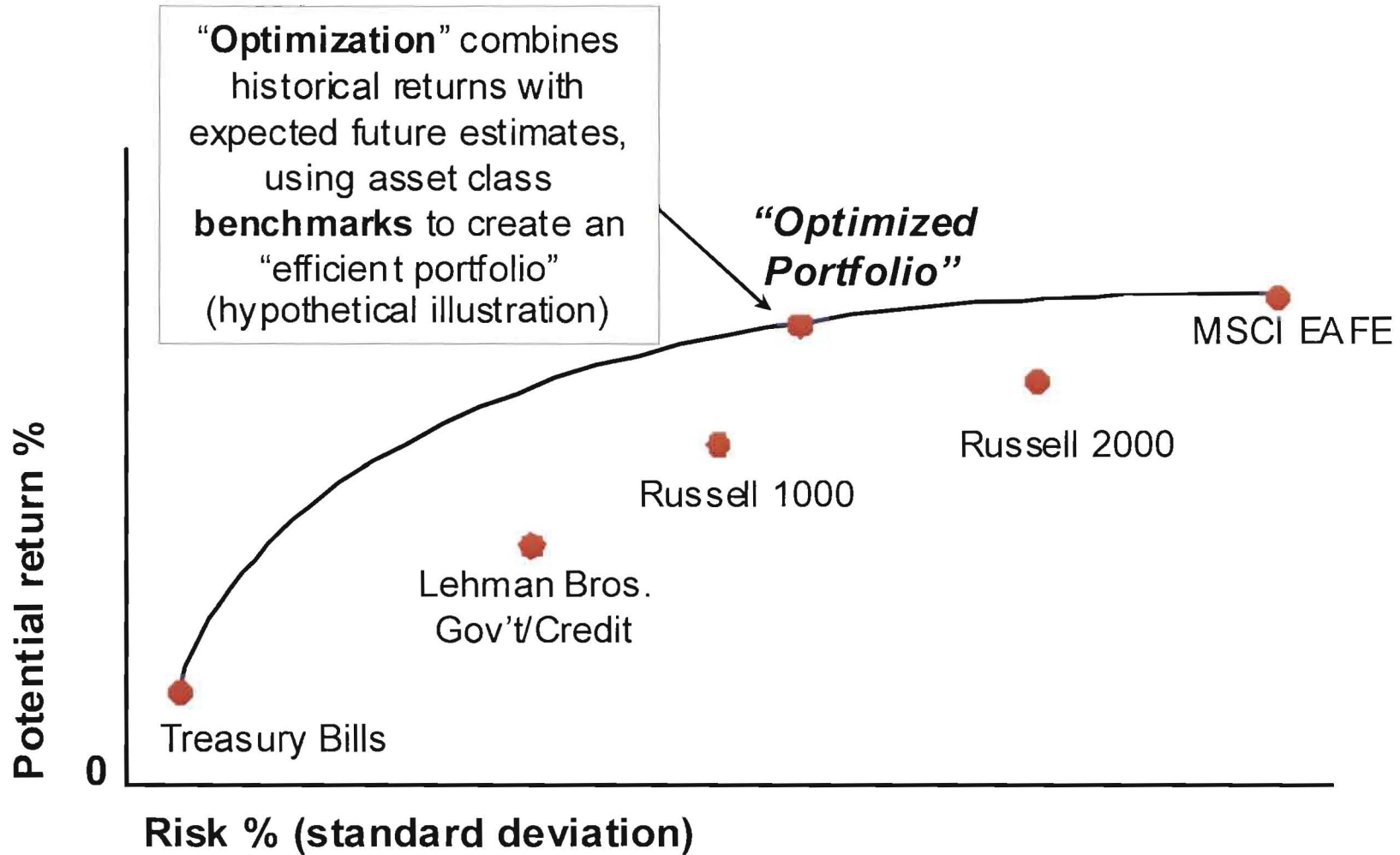
Solution: Index/active blend

- Index core portfolio (multi-asset class)
- Active managers layered to enhance returns

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Overall strategy starts with asset allocation policy



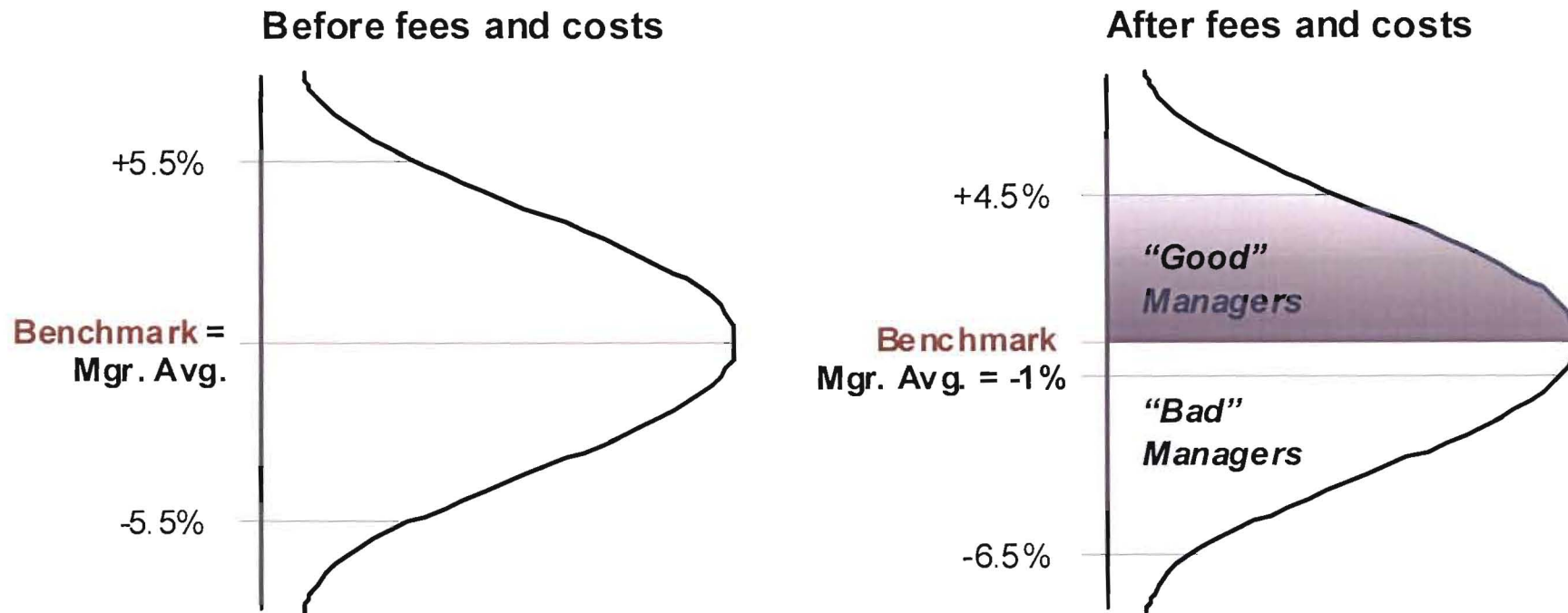
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A model of active manager returns

“Properly measured, the average actively managed dollar must under-perform the average passively managed dollar, net of costs”

— Bill Sharpe, *The Arithmetic of Active Management*



Source: Sharpe, "Arithmetic of Active Management", *Financial Analyst Journal*, Jan-Feb, 1991. Waring, Whitney, Pirone and Castille, "Optimizing Manager Structure and Budgeting Manager Risk," *Journal of Portfolio Management* 25, Spring 2000.

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