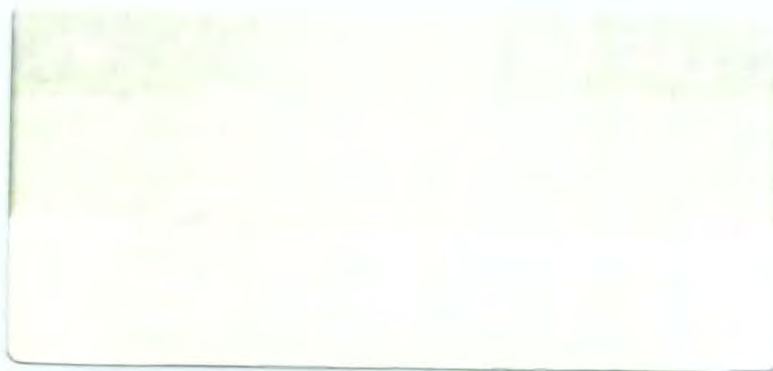


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# MINNESOTA STATE BOARD OF INVESTMENT



**Governor Tim Pawlenty**  
**State Auditor Rebecca Otto**  
**Secretary of State Mark Ritchie**  
**Attorney General Lori Swanson**

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MINNESOTA STATE BOARD  
OF INVESTMENT  
MEETING  
**June 10, 2009**



**STATE BOARD OF INVESTMENT**

**AGENDA AND MINUTES**

**June 10, 2009**

**AGENDA**  
**STATE BOARD OF INVESTMENT MEETING**  
**Wednesday, June 10, 2009**  
**9:00 A.M. – Room 123**  
**State Capitol – St. Paul**

- 1. Approval of Minutes of March 11, 2009**
  
- 2. Report from the Executive Director (H. Bicker) A**
  - A. Quarterly Investment Review  
(January 1, 2009 – March 31, 2009)
  
  - B. Administrative Report B
    1. Reports on budget and travel
    2. Legislative Update
    3. Update on Sudan
    4. Litigation Update
  
- 3. Report from the SBI Administrative Committee (K. Kardell) C**
  - A. Review of Executive Director's Proposed Workplan for FY10.
  - B. Review of Budget Plan for FY10.
  - C. Review of Continuing Fiduciary Education Plan.
  - D. Review of Executive Director's Evaluation Process.
  - E. Update of Disaster Recovery Plan.
  
- 4. Investment Advisory Council Report (J. Bailey)**
  - A. Stock and Bond Report D**
    1. Review of manager performance for the period ending March 31, 2009.
    2. Investment Manager Review, International Equity.
    3. Proposed Fixed Income Investment.
  
  - B. Alternative Investment Report E**
    1. Review of current strategy.
    2. Consideration of new fund investments with an existing yield-oriented manager, and an existing private equity manager.
  
- 5. Other items**



**Minutes  
State Board of Investment  
March 11, 2009**

The State Board of Investment (SBI) met at 9:00 A.M. Wednesday, March 11, 2009 in Room 318, State Capitol, St. Paul, Minnesota. Governor Tim Pawlenty; State Auditor Rebecca Otto; Secretary of State Mark Ritchie and Attorney General Lori Swanson were present.

The minutes of the December 10, 2008 meeting were approved. Mr. Bicker introduced Jeff Bailey as the new Chair of the Investment Advisory Council.

**Executive Director's Report**

Mr. Bicker, Executive Director, referred members to Tab A of the meeting materials and he reported that the Combined Funds had slightly trailed its Composite Index over the ten year period ending December 31, 2008 (Combined Funds 2.9% vs. Composite 3.0%), and had provided a real rate of return over the latest 20 year period (Combined Funds 8.3% vs. CPI 2.8%). He stated that the Basic Funds had slightly underperformed its Composite Index (Basic Funds 3.0% vs. Composite 3.1%) over the last ten years and reported that the Post Fund had also slightly underperformed its composite over the last ten-year period (Post Fund 2.7% vs. Composite 2.9%).

Mr. Bicker reported that the Basic Funds' assets decreased 14% for the quarter ending December 31, 2008 due to negative investment returns. He reported that the Basic Funds underperformed its Composite Index for the quarter (Basic Funds -14.5% vs. Composite -14.3%) and for the year (Basic Funds -26.1% vs. Composite -25.0%).

Mr. Bicker reported that the market value of the Post Fund's assets decreased 16% for the quarter ending December 31, 2008, due mostly to negative investment returns. He stated that the Post Fund underperformed its Composite Index for the quarter (Post Fund -14.1% vs. Composite -13.2%) and for the year (Post Fund -26.2% vs. Composite -24.1%).

Mr. Bicker reported that the domestic stock manager group underperformed its target for the quarter (Domestic Stock -23.2% vs. Domestic Equity Asset Class Target -22.8%) and for the year (Domestic Stocks -38.1% vs. Domestic Equity Asset Class Target -37.3%). He said the International Stock manager group outperformed its Composite Index for the quarter (International Stocks -21.9% vs. International Equity Asset Class Target -22.3%) and for the year (International Stocks -45.3% vs. International Equity Asset Class Target -45.5%). Mr. Bicker stated that the bond segment underperformed its target for the quarter (Bonds -0.7% vs. Fixed Income Asset Class Target 4.6%) and for the year (Bonds -4.2% vs. Fixed Income Asset Class Target 5.2%). He noted that bond performance suffered due to the managers' underweighting in government securities. He noted that the alternative investments had weaker performance for the year (Alternatives 1.4%). He concluded his report with the comment that as of December 31, 2008, the SBI was responsible for over \$47 billion in assets.



Mr. Bicker referred members to Tab B of the meeting materials for an update on the budget and travel for the quarter. He stated that the SBI's financial audit had been completed and that members would each receive a copy of the audit opinion.

### **Legislative Update**

Mr. Bicker updated members on legislative items of interest to the SBI. He reported that budget hearings are taking place and that the SBI had its hearing in the Senate and will have one in the House soon. He stated that legislation has been introduced related to Iran divestment. He reported that staff is working on a potential amendment to the bill that would give the Board the ability to pursue shareholder resolutions as an alternative to divestment.

Mr. Bicker stated that legislation is expected relating to the establishment of a statewide fire relief association plan. He said that if the bill passes, the SBI will establish a new investment option in the Supplemental Investment Fund for this plan.

Mr. Bicker reported that legislation is expected regarding the merger of the Minneapolis Employees Retirement Fund (MERF) with PERA. He said that the SBI currently manages MERF's assets and that they currently have a different asset allocation. Mr. Bicker reminded members of the upcoming merger of the Basics and Post funds on June 30, 2009. He noted that there is also legislation to eliminate references to the Post Retirement Fund in various sections of statute.

Mr. Bicker stated that staff had completed the quarterly update on SBI actions concerning companies with operations in Sudan.

### **Litigation Update**

Ms. Eller reported that the State has filed a claim in the Lehman bankruptcy proceedings. She noted that part of the State's claim had been given higher priority. She said that the case is proceeding slowly.

### **State College Savings Plan**

Mr. Bicker reported that the contract for the state's 529 Plan needs to be renewed. He said the Office of Higher Education (OHE) sent out an RFP and received three responses. In response to a question from Governor Pawlenty, Mr. Bicker clarified that the SBI is only responsible for the investment related decisions and that OHE is responsible for the administrative side of the operation. He noted that OHE has been satisfied with the current vendor, TFI. Mr. Ritchie moved approval of staff's recommendation to retain TFI, Inc. as stated in Tab B of the meeting materials which reads: **"Staff and the Investment Advisory Council recommend that the Board authorize the Executive Director, with assistance from legal counsel, to work with the Office of Higher Education to negotiate and execute a new five year contract with TIAA-CREF Tuition Financing, Inc. to provide services for the Minnesota College Savings Plan."** The motion passed.



### **IAC Membership Review Committee Report**

Ms. Kardell referred members to Tab C of the meeting materials and stated that the Committee is recommending the appointment of Dennis Duerst and Gary Martin to the IAC. In response to a question from Governor Pawlenty, Ms. Kardell stated that two other applications had been received. Ms. Swanson moved approval of the Committee's recommendation, as stated in the Committee Report which reads: **"The Committee recommends that the Board appoint Dennis Duerst and Gary Martin as members of the Investment Advisory Council with a term expiring in January 2011."** The motion passed.

### **Proxy Voting Committee Report**

Ms. Kardell referred members to Tab D of the meeting materials and stated that staff is requesting the re-authorization of the Proxy Voting Committee. She noted that state statutes require this re-authorization every two years, and she referenced the resolution for the re-authorization (see **Attachment A**). Ms. Otto moved approval of staff's recommendation, as stated in the Committee Report which reads: **"The Executive Director recommends that the SBI adopt the resolution in Attachment A which reauthorizes the Proxy Voting Committee and delegates proxy voting responsibilities according to established guidelines."** The motion passed.

Ms. Kardell reported that the Proxy Committee is recommending approval of the Proxy Voting Guidelines (see **Attachment B**). Ms. Swanson moved approval of the Committee's recommendation, as stated in the Committee Report which reads: **"The Proxy Voting Committee recommends that the Board reaffirm the Proxy Voting Guidelines as shown in Attachment B."** The motion passed.

### **Review of Manager Performance**

Mr. Bailey referred members to Tab E of the meeting materials. He noted the negative absolute performance in the markets over the last year and stated that pension plans across the country are all being affected. He said the staff and the IAC are not recommending any manager changes at this time.

### **Alternative Investment Report**

Mr. Bailey referred members to Tab F of the meeting materials and stated that staff and the IAC are recommending new investments with an existing yield-oriented manager, Prudential, and an existing private equity manager, Hellman & Friedman. Mr. Ritchie moved approval of both recommendations, as stated in the Alternative Investment Report, which reads: **"The Investment Advisory Council recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$50 million or 20%, whichever is less, in Prudential Capital Partners III, L.P. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by Prudential upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Prudential or reduction or termination of the commitment."**

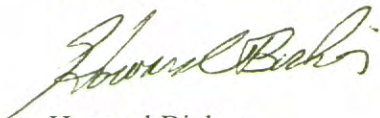


The Investment Advisory Council recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$50 million or 20%, whichever is less, in Hellman & Friedman Capital Partners VII, L.P. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by Hellman & Friedman upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Hellman & Friedman or reduction or termination of the commitment." The motion passed.

Mr. Bicker distributed a memo to members regarding some potential changes to the SBI's investment in Lehman Brothers Real Estate Partners Funds II and III (see **Attachment C**). He stated that these two investments are not part of the Lehman bankruptcy and that staff is requesting authority to work with the Attorney General's office in negotiating any potential changes. Ms. Swanson moved approval of staff's recommendation, as stated in Attachment C which read: "**Staff recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to review, negotiate and act upon restructuring proposals and amendments to the SBI's investments in the Lehman Brothers Real Estate Funds II and III.**" The motion passed.

The meeting adjourned at 9:30 A.M.

Respectfully submitted,



Howard Bicker  
Executive Director

**RESOLUTION OF THE  
MINNESOTA BOARD OF INVESTMENT  
CONCERNING PROXY VOTING**


WHEREAS, as a stockholder, the Minnesota State Board of Investment (SBI) is entitled to sponsor and cosponsor shareholder resolutions and participate in corporate annual meetings by casting its votes by proxy or through direct attendance at the meetings; and

WHEREAS, the SBI has previously established a Proxy Committee:

NOW THEREFORE, BE IT RESOLVED THAT:

1. To advise and assist the SBI in the implementation of proxy voting guidelines previously adopted by the Board the SBI hereby authorizes and reaffirms the establishment of the SBI Proxy Committee composed of a representative selected by each member of the SBI to be chaired by the designee of the Governor and convened as necessary in accord with the Guidelines.
2. The SBI further authorizes the SBI Proxy Committee to review the Guidelines periodically and report to the SBI as necessary.
3. The SBI further directs its staff to advise and assist the Proxy Committee in the implementation of this resolution and directs its Executive Director to obtain such consulting and reporting services as may be necessary.
4. This resolution shall take effect immediately.

Adopted this 11th day  
of March, 2009



Governor Tim Pawlenty  
Chair, Minnesota  
State Board of Investment



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## Proxy Voting Guidelines

The Minnesota State Board of Investment (SBI) has formulated proxy voting guidelines by which it casts votes on a wide range of corporate governance and social responsibility issues.

As a stockholder, the Board is entitled to participate in corporate annual meetings by casting its votes by proxy or through direct attendance at the meetings. The following guidelines constitute an effort by the SBI to manage and control its proxy voting.

### Overview of the SBI

By the Minnesota Constitution, the Board is composed of the Governor, the State Auditor, the Secretary of State, and the Attorney General. The Board employs a professional staff to carry out its policies. The Board and staff are assisted by a seventeen member Investment Advisory Council.

The SBI invests the pension assets of the three statewide public employee retirement systems with approximately 320,000 members:

- Public Employees Retirement Association (PERA)
- Teachers Retirement Association (TRA)
- Minnesota State Retirement System (MSRS)

The SBI also invests the cash balances of state government funds and assets of several trust funds.

### Statutory Purpose

According to statute, state assets are to be responsibly invested by the SBI to maximize the total rate of return without incurring undue risk.<sup>1</sup> Only a small portion of the SBI's equity holdings are in non-pension accounts. The focus, therefore, of the SBI's proxy voting activities is the extensive domestic and international equity holdings within the pension asset portfolios.

### Fiduciary Responsibility

As fiduciaries of pension assets, members of the Board and the executive director owe a fiduciary duty to the members of the plans, to the taxpayers of the state and political subdivisions who help to finance the plans, and to the State of Minnesota.<sup>2</sup>

In addition to the general standard of fiduciary conduct, members of the Board, the executive director, the members of the Investment Advisory Council, staff, and members of Board committees must carry out their duties in accordance with the prudent person standard as articulated in statute.<sup>3</sup>



**Voting  
Process**

The Board recognizes its fiduciary responsibility to cast votes on proxy issues. The Board delegates proxy voting responsibilities to its Proxy Committee. Each Board member appoints one member to the Proxy Committee. The four member Committee meets only if it has a quorum and casts votes on proxy issues based on a majority vote of those present. In the unusual event that it reaches a tie vote or a quorum is not present, the Committee will cast a vote to abstain.

The Committee has formulated guidelines by which it casts votes on a wide range of corporate governance and social responsibility issues. These guidelines encompass both domestic and international proxy issues. Each year the Committee reviews existing guidelines and determines which issues it will review on a case-by-case basis. The Proxy Committee also reviews certain corporate governance issues pertaining to companies headquartered in Minnesota.

Domestic voting: The SBI directly votes shares held in non-pension accounts and shares held in domestic equity manager portfolios.

International voting: The SBI delegates to international equity managers the voting of shares held in the managers' portfolios. The SBI believes that several factors affecting the voting of international proxies, including time constraints and lack of company specific information, support the conclusion that the SBI's international equity managers can more efficiently and effectively vote the proxies in their portfolios.

**Corporate Governance Issues**

**Routine  
Matters**

In general, the SBI **supports** management on routine matters of corporate governance. These issues include:

- uncontested election of directors.
- selection of auditors and approval of financial statements.
- management proposals on non-executive compensation issues including savings plans and stock options.
- limits on director and officer liability or increases in director and officer indemnification permitted under the laws of the state of incorporation.

The SBI directs the Proxy Committee, at its discretion, to review the positions taken by directors and withhold votes from some or all of the directors standing for election if they have taken positions on issues which are potentially not in the best interests of shareholders.

**Shareholder Rights**

In general, the SBI **opposes** proposals that would restrict shareholder ability to effect change. Such proposals include:

- instituting supermajority requirements to ratify certain or events.
- creating classified boards.
- barring shareholders from participating in the determination of the rules governing the board's actions, such as quorum requirements and the duties of directors.
- prohibiting or limiting shareholder action by written consent.
- granting certain stockholders superior voting rights over other stockholders.

In general, the SBI **supports** proposals that preserve shareholder rights to effect change. Such proposals include:

- having boards of directors comprised of a majority of independent directors.
- having compensation committees comprised entirely of independent directors.
- requiring shareholder approval of poison pill plans.
- repealing classified boards.
- adopting secret ballot of proxy votes.
- reinstating cumulative voting.
- adopting anti-greenmail provisions.

**Executive Compensation**

In general, the SBI **supports** efforts to have executive compensation linked to a company's long-term performance and to encourage full disclosure of compensation packages for principal executives. Accordingly, the SBI evaluates compensation packages on a case-by-case basis, including compensation agreements that are contingent upon corporate change in control.

**Buyouts**

In general, the SBI **supports** friendly takeovers and management buyouts.



**Special Cases**

The SBI evaluates the following proposals on a case-by-case basis:

- hostile takeovers.
- recapitalization plans.
- contested election of directors.

Notwithstanding the above, in general, the SBI reviews corporate governance issues if the company is incorporated or is headquartered in Minnesota.

**Social Responsibility Issues**

**Tobacco**

The SBI supports shareholder resolutions that call for a company to reduce its involvement in liquor and tobacco production, product marketing and other related lines of business in order to diversify its business in a manner that will reduce or eliminate potential liability to legal claims associated with liquor and tobacco that may negatively impact the value of the SBI's holdings.

In furtherance of this policy, the SBI has sponsored and co-sponsored shareholder resolutions to reduce youth access to tobacco products, to request companies to voluntarily comply with FDA regulations, to eliminate smoking in restaurants, and other tobacco related issues.

**Northern  
Ireland**

The SBI **supports** resolutions that call for the adoption of the MacBride Principles as a means to encourage equal employment opportunities in Northern Ireland.

The SBI **supports** resolutions that request companies to submit reports to shareholders concerning their labor practices or their sub-contractors' labor practices in Northern Ireland.

In addition to casting proxy votes, the SBI sponsors and cosponsors Northern Ireland resolutions as required by *Minnesota Statutes*, Section 11A.241.



**Environmental  
Protection/Awareness**

In general, the SBI **supports** resolutions that require a corporation to report or disclose to shareholders company efforts in the environmental arena.

In general, the SBI **supports** resolutions that request a corporation to report on progress toward achieving the objectives of the CERES Principles, an environmental code of conduct for corporations.

**Sudan**

Laws of Minnesota 2007, Chapter 117, which became effective August 1, 2007 requires the SBI to make its best efforts to identify all "scrutinized companies" with operations in the Sudan, in which the SBI has direct or indirect holdings or could possibly have holdings in the future. The SBI will engage each scrutinized company. The legislation calls for the SBI to: encourage companies with inactive business operations to continue to refrain from initiating active operations; and to notify companies with active business operations that it may be subject to divestment by the State Board of Investment. In general, the SBI **supports** resolutions consistent with this legislation.

**Other  
Issues**

In general, the SBI **supports** proposals that require a company to report or disclose to shareholders company efforts concerning a variety of social responsibility issues. In the past, these reporting resolutions have included issues such as affirmative action programs, animal testing procedures, and nuclear plant safety procedures.

In general, the SBI **opposes** proposals that require a company to institute a specific business action in response to such issues. As an example, the SBI voted against a shareholder proposal which would have required a utility to phase out operations of a nuclear power plant.

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1 *Minnesota Statutes* 2008, Section 11A.01.

2 *Minnesota Statutes* 2008, Section 356A.04, subdivision 1.

3 *Minnesota Statutes* 2008, Section 11A.09, and Section 356A.04, subdivision 2.





**Potential Changes to the SBI's investments in Lehman Brothers Real Estate Partners Funds II and III.**

In September 2008, the parent company of Lehman Brothers, Lehman Brothers Holdings Inc. (LBHI), filed bankruptcy. The SBI has two investments with Lehman Brothers in the Lehman Brothers Real Estate Partnership Funds II and III with SBI capital commitments of \$75 million and \$150 million, respectively. The Funds, however, are separate legal entities from LBHI and are not part of the bankruptcy filing. The SBI's investments are intact and continuing to be managed by the Lehman real estate investment management team.

However, due to the bankruptcy filing of LBHI, a transfer/sale of the general partner interest in the Funds from LBHI is being explored. An independent financial and legal counsel has been engaged to consult with Limited Partners on the potential transfer/sale. At some time in the near future, Limited Partners may have to vote regarding the transfer.

Staff needs the flexibility, with assistance from the SBI's legal counsel, to review, negotiate and act upon restructuring proposals and amendments to the SBI's investments in the Lehman Brothers Real Estate Funds II and III potentially prior to the next quarterly SBI meeting in June 2009 and with a very short deadline.

**RECOMMENDATION:**

**Staff recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to review, negotiate and act upon restructuring proposals and amendments to the SBI's investments in the Lehman Brothers Real Estate Funds II and III.**

# **Tab A**



**LONG TERM OBJECTIVES**  
**Period Ending 3/31/2009**

<b>COMBINED FUNDS: \$32.8 Billion</b>	<b>Result</b>	<b>Compared to Objective</b>
<p><b>Match or Exceed Composite Index (10 Yr.)</b></p> <p>Outperform a composite market index weighted in a manner that reflects the long-term asset allocation of the Combined Funds over the latest 10 year period.</p>	1.8% (1)	0.1 percentage point below target
<p><b>Provide Real Return (20 yr.)</b></p> <p>Provide returns that are 3-5 percentage points greater than inflation over the latest 20 year period.</p>	7.6%	4.8 percentage points above CPI

<b>BASIC RETIREMENT FUNDS: \$17.2 Billion</b>	<b>Result</b>	<b>Compared to Objective</b>
<p><b>Match or Exceed Composite Index (10 Yr.)</b></p> <p>Outperform a composite market index weighted in a manner that reflects the long-term asset allocation of the Basic Funds over the latest 10 year period.</p>	1.9%	matched the target

<b>POST RETIREMENT FUND: \$15.6 Billion</b>	<b>Result</b>	<b>Compared to Objective</b>
<p><b>Match or Exceed Composite Index (10 Yr.)</b></p> <p>Outperform a composite market index weighted in a manner that reflects the long-term asset allocation of the Post Fund over the latest 10 year period.</p>	1.8%	matched the target

(1) Performance is calculated net of fees.

## SUMMARY OF ACTUARIAL VALUATIONS

### All Eight Plans of MSRS, PERA and TRA Including Post Fund July 1, 2008

	Active (Basics)	Retired (Post)	Total (Combined)
<b>Liabilities</b>			
Actuarially Accrued Liabilities	\$28.92 billion	\$28.89 billion	\$57.81 billion
<b>Assets</b>			
Current Actuarial Value	\$24.11 billion	\$22.96 billion	\$47.07 billion
<b>Funding Ratio</b>			
Current Actuarial Value divided by Accrued Liabilities	83.4%	79.5%	81.4%

**Notes:**

1. Liabilities calculated using entry age normal cost method.
2. Difference between actual returns and actuarially expected returns spread over five years for Basics.

**Actuarial Assumptions:**

Interest/Discount Rate:

8.5% Basics, 8.5% Post (6% on required reserves, 2.5% on inflation)

Full Funding Target Date:

2020 – MSRS General

2031 – PERA General

2037 – TRA



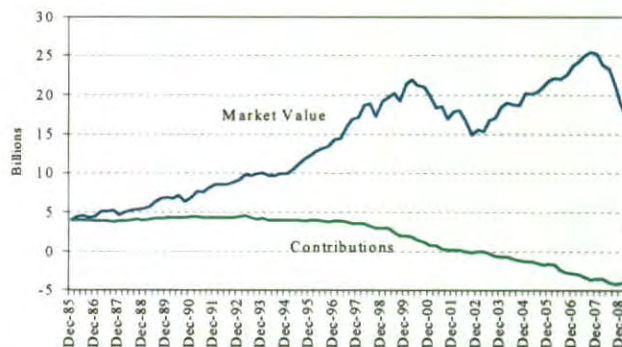
**EXECUTIVE SUMMARY**  
**Basic Retirement Funds (Net of Fees)**

**Asset Growth**

The market value of the Basic Funds decreased 5.8% during the first quarter of 2009. Negative investment returns accounted for the decrease.

**Asset Growth**  
**During First Quarter 2009**  
**(Millions)**

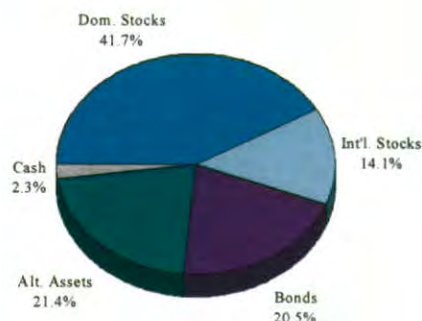
Beginning Value	\$ 18,245
Net Contributions	371
Investment Return	-1,435
Ending Value	\$ 17,181



**Asset Mix**

The allocation to domestic stocks decreased due to a declining equity market. Bond allocation increased due to positive investment returns. The international equity allocation decreased slightly due to a declining market. Cash increased due the sale of bonds to raise cash during the quarter. Alternatives were mostly unchanged.

	Policy Targets	Actual Mix 3/31/2009	Actual Market Value (Millions)
Domestic Stocks	45.0%	41.7%	\$7,162
Int'l. Stocks	15.0	14.1	2,415
Bonds	19.0	20.5	3,531
Alternative Assets*	20.0	21.4	3,683
Unallocated Cash	1.0	2.3	389
	100.0%	100.0%	\$17,180

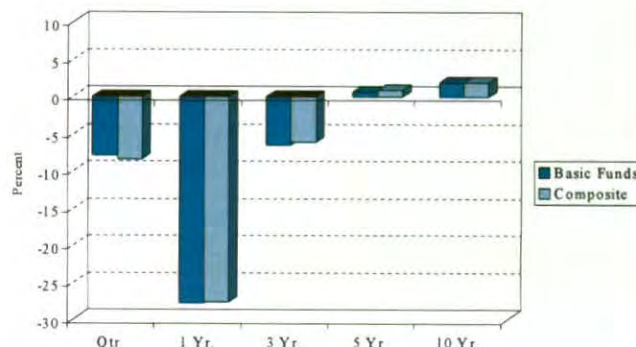


\* Any uninvested allocation is held in domestic bonds.

**Fund Performance (Net of Fees)**

The Basic Funds outperformed its target for the quarter and was even for the year.

	Period Ending 3/31/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Basics	-7.9%	-27.7%	-6.5%	0.6%	1.9%
Composite	-8.4	-27.7	-6.1	0.8	1.9



## EXECUTIVE SUMMARY

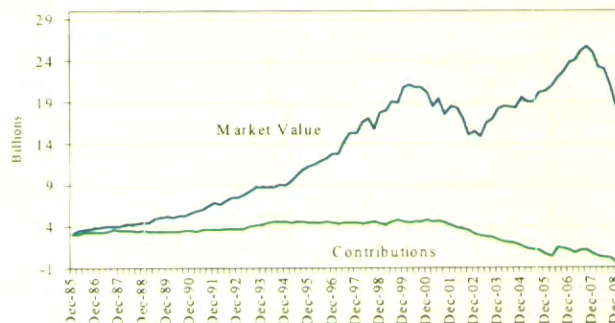
### Post Retirement Fund (Net of Fees)

#### Asset Growth

The market value of the Post Fund decreased 11.3% during the first quarter of 2009. Negative investment returns were the main driver behind the decrease.

#### Asset Growth During First Quarter 2009 (Millions)

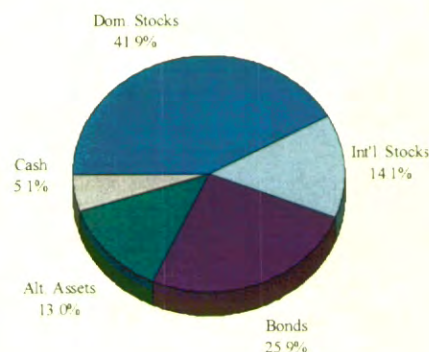
Beginning Value	\$17,612
Net Contributions	-759
Investment Return	-1,234
Ending Value	\$15,619



#### Asset Mix

The asset allocation to domestic and foreign equities decreased due to declining equity markets in the first quarter. The bond allocation decreased slightly due to contradicting cash-raising and positive investment return factors.

	Policy Targets	Actual Mix 3/31/2009	Actual Market Value (Millions)
Domestic Stocks	45.0%	41.9%	\$6,546
Int'l. Stocks	15.0	14.1	2,207
Bonds	25.0	25.9	4,048
Alternative Assets*	12.0	13.0	2,020
Unallocated Cash	3.0	5.1	798
	100.0%	100.0%	\$15,619

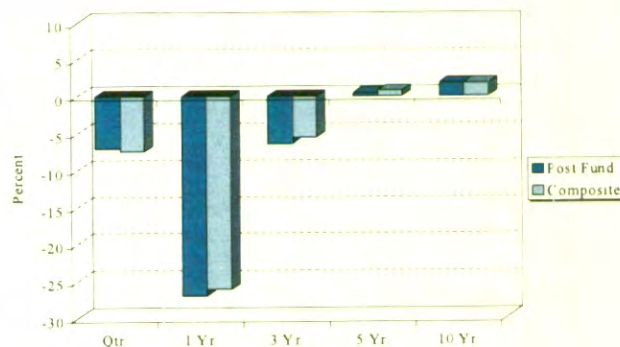


\* Any uninvested allocation is held in domestic equities.

#### Fund Performance (Net of Fees)

The Post Fund outperformed its target for the quarter and underperformed for the year.

	Period Ending 3/31/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Post	-7.1%	-27.1%	-6.4%	0.4%	1.8%
Composite	-7.5	-26.1	-5.6	0.8	1.8





## EXECUTIVE SUMMARY

### Stock and Bond Manager Performance (Net of Fees)

#### Domestic Stocks

The domestic stock manager group (active, semi-passive and passive combined) outperformed its target for the quarter and underperformed for the year.

**Russell 3000:** The Russell 3000 measures the performance of the 3,000 largest U.S. companies based on total market capitalization.

	Period Ending 3/31/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Dom. Stocks</b>	-10.5%	-38.3%	-14.1%	-4.9%	-2.8%
Asset Class Target*	-10.8	-38.2	-13.6	-4.6	-2.6

\* The Domestic Equity Asset Class Target is the Russell 3000 effective 10/1/03. From 7/1/99 to 9/30/03, it was the Wilshire 5000 Investable Index. From 11/1/93 to 6/30/99, the target was the Wilshire 5000 as reported with no adjustments.

#### International Stocks

The international stock manager group (active, semi-passive and passive combined) outperformed its target for the quarter and for the year.

**MSCI ACWI Free ex U.S. (net):** The Morgan Stanley Capital International All Country World Index is a free float-adjusted market capitalization Index that is designed to measure equity market performance in the global developed and emerging markets. There are 45 countries included in this index. It does not include the United States.

	Period Ending 3/31/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Int'l. Stocks</b>	-10.5%	-46.0%	-12.9%	-0.6%	0.8%
Asset Class Target*	-10.7	-46.4	-13.1	-0.6	0.4

\* Since 6/1/08 the International Equity Asset Class Target is the Standard MSCI ACWI ex U.S. (net). From 10/1/07 to 5/31/08 the benchmark was the Provisional Standard MSCI ACWI ex U.S. (net). From 10/1/03 to 9/30/07 the target was MSCI ACWI ex U.S. (net). From 1/1/01 to 9/30/03, the target was MSCI EAFE Free (net) + Emerging Markets Free (EMF) (net), and from 7/1/99 to 12/31/00 was MSCI EAFE Free (net) + EMF (gross). From 7/1/99 to 9/30/03, the weight of each index fluctuated with market cap. From 12/31/96 to 6/30/99 the target was fixed at 87% EAFE Free/13% EMF. On 5/1/96 the portfolio transitioned from 100% EAFE Free to the 12/31/96 fixed weights. 100% EAFE Free prior to 5/1/96.

#### Bonds

The bond manager group (active and semi-passive combined) outperformed its target for the quarter and underperformed for the year.

**Barclays Capital Aggregate:** The Barclays Capital Aggregate Bond Index reflects the performance of the broad bond market for investment grade (Baa or higher) bonds, U.S. treasury and agency securities, and mortgage obligations with maturities greater than one year.

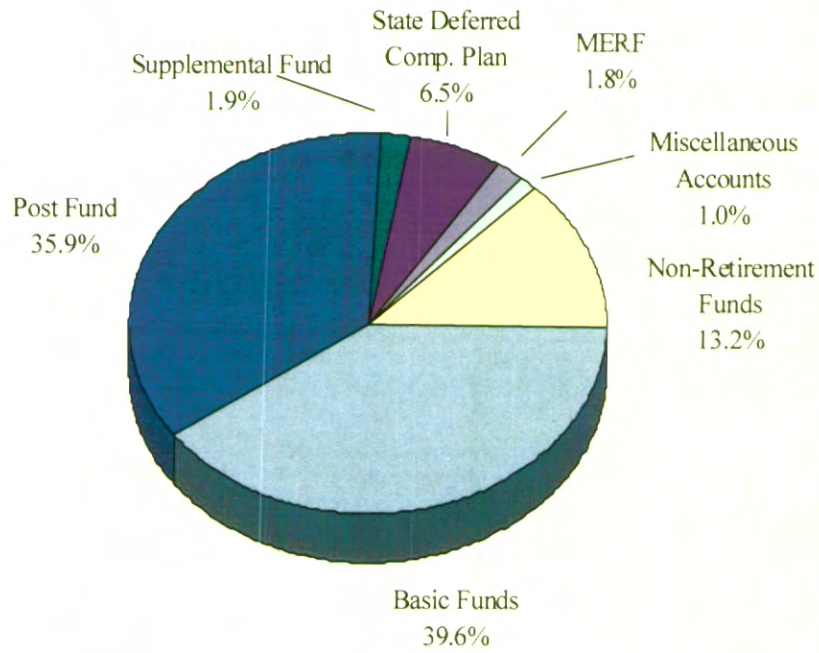
	Period Ending 3/31/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Bonds</b>	0.9%	-3.4%	2.6%	2.5%	5.0%
Asset Class Target*	0.1	3.1	5.8	4.1	5.7

\* The Fixed Income Asset Class Target is the Barclays Capital Aggregate, effective 7/1/1994. Prior to 7/1/1994, the fixed income target was the Salomon BIG.

#### Alternative Investments

	Period Ending 3/31/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Alternatives</b>	-9.4%	-11.3%	10.7%	19.3%	14.0%

**EXECUTIVE SUMMARY**  
**Funds Under Management**



	<b>3/31/2009</b> <b>Market Value</b> <b>(Billions)</b>
<b>Retirement Funds</b>	
Basic Retirement Funds	\$17.2
Post Retirement Fund	15.6
Supplemental Investment Fund	0.8
State Deferred Compensation Plan Non-SIF Assets	2.8
Minneapolis Employees Retirement Fund (MERF)	0.8
<b>Non-Retirement Funds</b>	
Assigned Risk Plan	0.3
Permanent School Fund	0.6
Environmental Trust Fund	0.4
State Cash Accounts	4.4
<b>Miscellaneous Accounts</b>	<b>0.4</b>
<b>Total</b>	<b>\$43.3</b>



# MINNESOTA STATE BOARD OF INVESTMENT

## QUARTERLY INVESTMENT REPORT

First Quarter 2009  
(January 1, 2009 - March 31, 2009)

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## VARIOUS CAPITAL MARKET INDICES

	Period Ending 3/31/2009				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Domestic Equity</b>					
Dow Jones Wilshire Composite	-10.6%	-38.0%	-13.3%	-4.4%	-2.1%
Dow Jones Industrials	-12.4	-35.9	-9.5	-3.6	-0.3
S&P 500	-11.0	-38.1	-13.1	-4.8	-3.0
Russell 3000 (broad market)	-10.8	-38.2	-13.6	-4.6	-2.3
Russell 1000 (large cap)	-10.5	-38.3	-13.2	-4.5	-2.6
Russell 2000 (small cap)	-15.0	-37.5	-16.8	-5.2	1.9
<b>Domestic Fixed Income</b>					
Barclays Capital Aggregate (1)	0.1	3.1	5.8	4.1	5.7
Barclays Capital Gov't./Corp.	-1.3	1.8	5.5	3.7	5.6
3 month U.S. Treasury Bills	0.0	1.0	3.3	3.1	3.2
<b>International</b>					
EAFE (2)	-13.9	-46.5	-14.5	-2.2	-0.8
Emerging Markets Free (3)	1.0	-46.9	-7.9	6.2	8.1
ACWI Free ex-U.S. (4)	-10.6	-46.2	-12.8	-0.2	0.9
World ex-U.S. (5)	-13.1	-46.3	-14.1	-1.7	-0.4
Salomon Non U.S. Gov't. Bond	-5.7	-6.4	7.4	4.4	5.5
<b>Inflation Measure</b>					
Consumer Price Index CPI-U (6)	1.2	-0.4	2.1	2.4	2.5
Consumer Price Index CPI-W (7)	1.2	-0.9	2.0	2.5	2.5

(1) Barclays Capital Aggregate Bond index. Includes governments, corporates and mortgages.

(2) Morgan Stanley Capital International index of Europe, Australasia and the Far East (EAFE). (Net index)

(3) Morgan Stanley Capital International Emerging Markets Free index. (Gross index)

(4) Morgan Stanley Capital International All Country World Index Ex-U.S. (Gross index)

(5) Morgan Stanley Capital International World Ex-U.S. Index (Developed Markets) (Net index)

(6) Consumer Price Index (CPI) for all urban consumers, also known as CPI-U.

(7) Consumer Price Index (CPI) for all wage earners, also known as CPI-W.



**FINANCIAL MARKETS REVIEW**

**DOMESTIC STOCKS**

The U.S. stock market, as measured by the Russell 3000 index, posted a -10.8% return during the first quarter of 2009 making this the sixth consecutive quarter of negative returns for the Russell 3000. This is the second worst bear market of all time, trailing only 1929-1932. During the quarter equities were battered by worries about the banking sector and a spreading global recession. Within the Russell 3000, Technology was the best performing sector up 3.8% (primarily due to Apple and IBM) and the Financial sector was the worst performing sector with a -24.8% return for the quarter. Growth companies outperformed value across all market capitalizations within the Russell 3000.

Performance of the Russell Style Indices for the quarter is shown below:

Large Growth	Russell 1000 Growth	-4.1%
Large Value	Russell 1000 Value	-16.8%
Small Growth	Russell 2000 Growth	-9.7%
Small Value	Russell 2000 Value	-19.6%

The Russell 3000 index returned -38.2% for the year ending March 31, 2009.

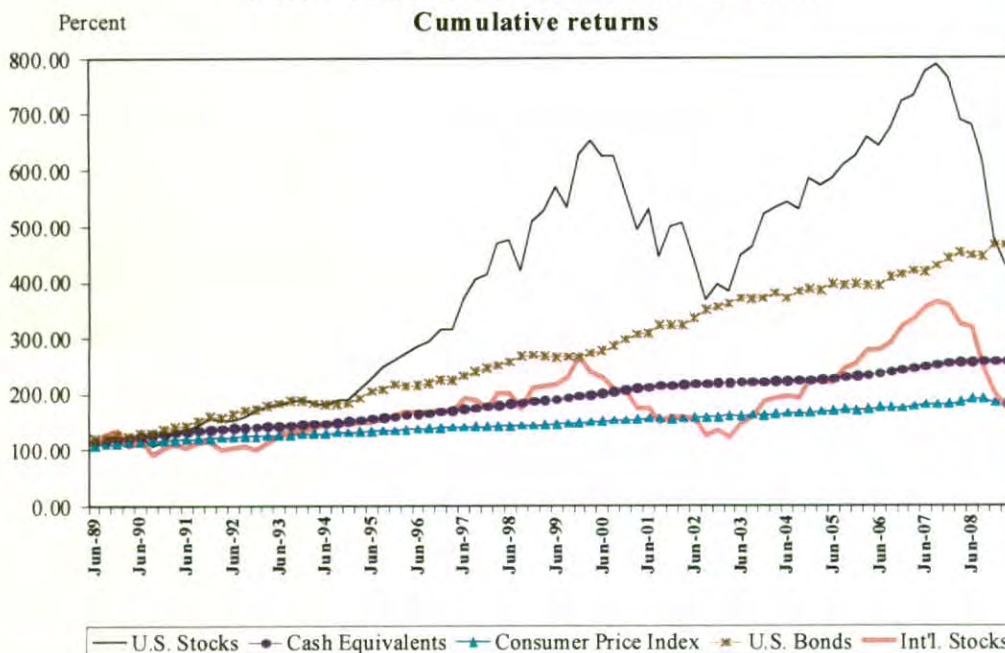
**DOMESTIC BONDS**

Despite consistently weak economic data, the recovery in non-Treasury fixed income assets that began in December continued in the first quarter, albeit in an uneven fashion. The Barclay's Capital Aggregate Index returned 0.1% in the first quarter, driven primarily by the sell off in Treasuries. Relatively attractive yields and distressed valuations have captured investor attention, as capital has begun to flow into the non-Treasury sectors causing yield spreads to contract and generating positive excess returns. The passage of the Economic Stimulus package in February, along with the Federal Reserve's announcements in March to continue and expand quantitative easing, helped keep yields low during the quarter. The March announcement by the Treasury department to expand the TALF program to legacy assets—as well as the introduction of the PPIP—helped non-Agency MBS and CMBS rally at the end of the quarter. The Treasury curve steepened during the quarter due to the sell-off in the long-end of the curve.

The major sector returns for the Barclays Capital Aggregate for the quarter were:

U.S. Treasury	-1.3%
Agency	-0.1
Corporates	-1.9
Residential Mortgages	2.2
Commercial Mortgages	-1.9
Asset-backed	7.6

**PERFORMANCE OF CAPITAL MARKETS**





## FINANCIAL MARKETS REVIEW

### INTERNATIONAL STOCKS

In aggregate, developed international stock markets (as measured by the MSCI World ex U.S. index) provided a return of -13.1% for the quarter. The quarterly performance of the six largest stock markets is shown below:

United Kingdom	-10.7%
Japan	-16.6
France	-16.0
Canada	-3.6
Germany	-19.5
Switzerland	-15.4

The World ex U.S. index returned -46.3% during the last year.

The World ex U.S. index is compiled by Morgan Stanley Capital International (MSCI) and is a measure of 22 markets located in Europe, Australasia, Far East, and Canada. The major markets listed above comprise about 75% of the value of the international markets in the index.

### EMERGING MARKETS

Emerging markets (as measured by MSCI Emerging Markets Free index) provided a return of 1.0% for the quarter. The quarterly performance of the five largest stock markets in the index is shown below:

Brazil	12.5%
China	1.3
Korea	-0.1
Russia	5.9
Taiwan	8.3
South Africa	-4.0

The Emerging Markets Free index returned -46.9% during the last year.

The Emerging Markets Free (EMF) index is compiled by MSCI and measures performance of 23 stock markets in Latin America, Asia, Africa and Eastern Europe. EMF includes only those securities foreign investors are allowed to hold. The markets listed above comprise about 64% of the value of the international markets in the index.

### REAL ESTATE

The real estate investment environment continues to remain extremely challenging. Suffering from the sub-prime crisis of 2007, the real estate market continues to be restrained by a lack of newly available debt liquidity. As markets deleverage and correct, the length and severity of the repricing process will influence the pace and timing of new transactions. Transaction volumes were down and property prices continued to fall in the first quarter of 2009. Patient cash buyers will benefit from a further continuation of distressed sellers selling non-distressed assets.

### PRIVATE EQUITY

In the first quarter of 2009, there were very few private equity transactions compared to the booms years of 2005-2007. Capital calls and distributions slowed considerably in the first quarter. Exiting private equity positions has proved difficult due to capital market restrictions and has proved undesirable due to market prices and comparable public company valuations.

### RESOURCE FUNDS

During the first quarter of 2009, crude oil averaged \$43 per barrel, down from the average price of \$60 per barrel during the fourth quarter. Oil prices declined due to weak economic conditions.



COMBINED FUNDS

The "Combined Funds" represent the assets of both the Basic and Post Retirement Funds. While the Combined Funds do not exist under statute, the Board finds it instructive to review asset mix and performance of all defined benefit pension assets under its control. This more closely parallels the structure of other public and corporate pension plan assets and therefore allows for more meaningful comparison with other pension fund investors.

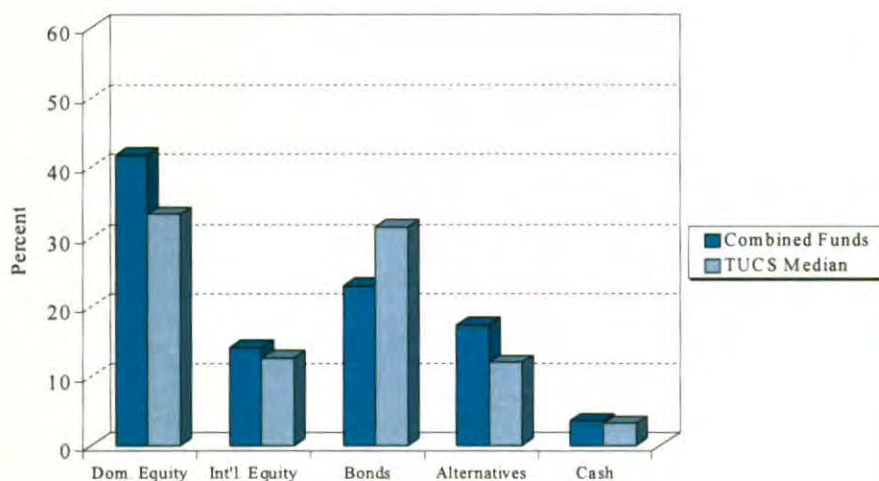
The comparison universe used by the SBI is the Trust Universe Comparison Service (TUCS). Only funds with assets over \$1 billion are included in the comparisons shown in this section.

Asset Mix Compared to Other Pension Funds

On March 31, 2009, the actual asset mix of the Combined Funds was:

	\$ Millions	%
Domestic Stocks	\$13,707	41.8%
International Stocks	4,623	14.1
Bonds	7,579	23.1
Alternative Assets	5,703	17.4
Unallocated Cash	1,187	3.6
<b>Total</b>	<b>\$32,799</b>	<b>100.0%</b>

Comparisons of the Combined Funds' asset mix to the median allocation to stocks, bonds and other assets of the public and corporate funds in TUCS over \$1 billion are shown below:



	Dom. Equity	Int'l Equity	Bonds	Alternatives	Cash
<b>Combined Funds</b>	<b>41.8%</b>	<b>14.1%</b>	<b>23.1%</b>	<b>17.4%</b>	<b>3.6%</b>
Median Allocation in TUCS*	33.3	12.6	31.5	12.0**	3.6

\* Public and corporate plans over \$1 billion.

\*\* May include assets other than alternatives.

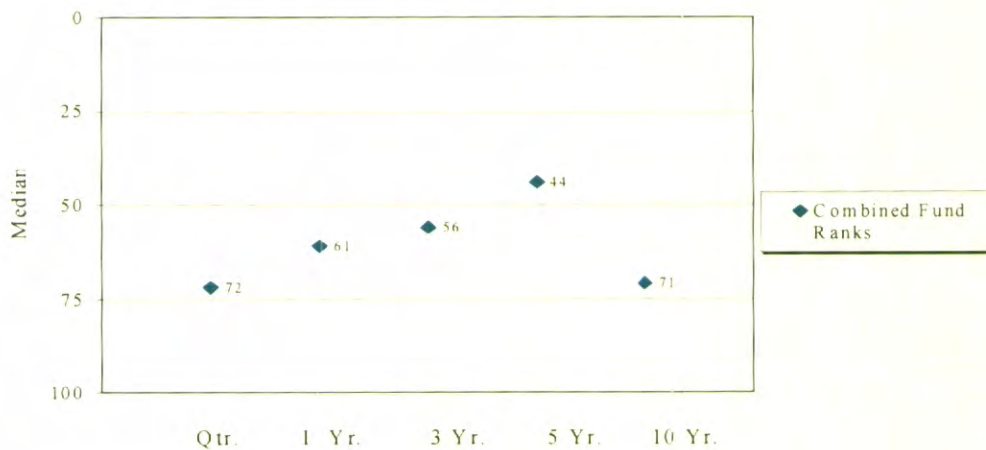
**COMBINED FUNDS  
Performance Compared to Other Pension Funds**

While the SBI is concerned with how its returns compare to other pension investors, universe comparisons should be used with great care. There are several reasons why such comparisons will provide an “apples to oranges” look at performance:

- **Differing Allocations.** Asset allocation will have a dominant effect on return. The allocation to stocks among the funds in TUCS typically ranges from 20-90%, a very wide range for meaningful comparison. In addition, it appears that many funds do not include alternative asset holdings in their reports to TUCS. This further distorts comparisons among funds.
- **Differing Goals/Liabilities.** Each pension fund structures its portfolio to meet its own liabilities and risk tolerance. This will result in different choices on asset mix. Since asset mix will largely determine investment results, a universe ranking is not relevant to a discussion of how well a plan sponsor is meeting its long-term liabilities.

With these considerations in mind, the performance of the Combined Funds compared to other public and corporate pension funds in Trust Universe Comparison Service (TUCS) are shown below.

The SBI’s returns are ranked against public and corporate plans with over \$1 billion in assets. All funds in TUCS report their returns gross of fees.



	Period Ending 3/31/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds Percentile Rank in TUCS*	72nd	61st	56th	44th	71st

\* Compared to public and corporate plans greater than \$1 billion, gross of fees.

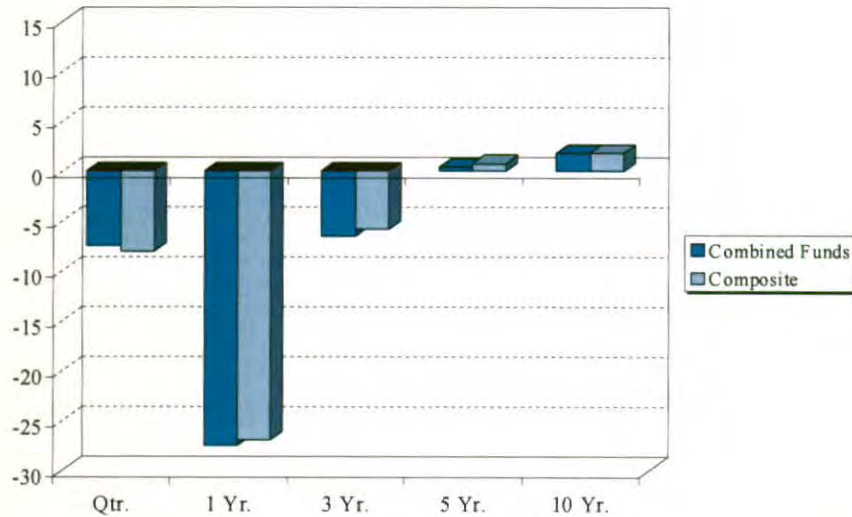


**COMBINED FUNDS**  
**Performance Compared to Composite Index**

The Combined Funds' performance is evaluated relative to a composite of market indices. The composite is weighted in a manner that reflects the asset allocation of the Combined Funds:

	Market Index	Combined Funds Composite* 1Q09
Domestic Stocks	Russell 3000	44.5%*
Int'l. Stocks	MSCI ACWI Free ex-U.S.	15.0
Bonds	Barclays Capital Aggregate	21.1
Alternative Investments	Alternative Investments	17.4*
Unallocated Cash	3 Month T-Bills	2.0
		100.0%

\* Alternative asset and domestic equity weights are reset in the composite at the start of each month to reflect the amount of unfunded commitments in alternative asset classes. The above Combined Funds Composite weighting was as of the beginning of the quarter.



Period Ending 3/31/2009

	Qtr.	1 Yr.	3 Yr.	Annualized 5 Yr.	10 Yr.
Combined Funds**	-7.5%	-27.4%	-6.5%	0.5%	1.8%
Composite Index	-7.9	-26.9	-5.8	0.8	1.9

\*\*Includes performance of Basic Funds through 6/30/93, Basic and Post Funds thereafter. Actual returns are reported net of fees.

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## BASIC RETIREMENT FUNDS

### Investment Objectives

The Basic Retirement Funds are composed of the retirement assets for currently working participants in eight statewide retirement funds. The Funds serve as accumulation pools for the pension contributions of public employees and their employers during the employees' years of active service. Approximately 322,000 public employees participate in the Basic Funds.

Employee and employer contribution rates are specified in state law as a percentage of an employee's salary. The rates are set so that contributions plus expected investment earnings will cover the projected cost of promised pension benefits. In order to meet these

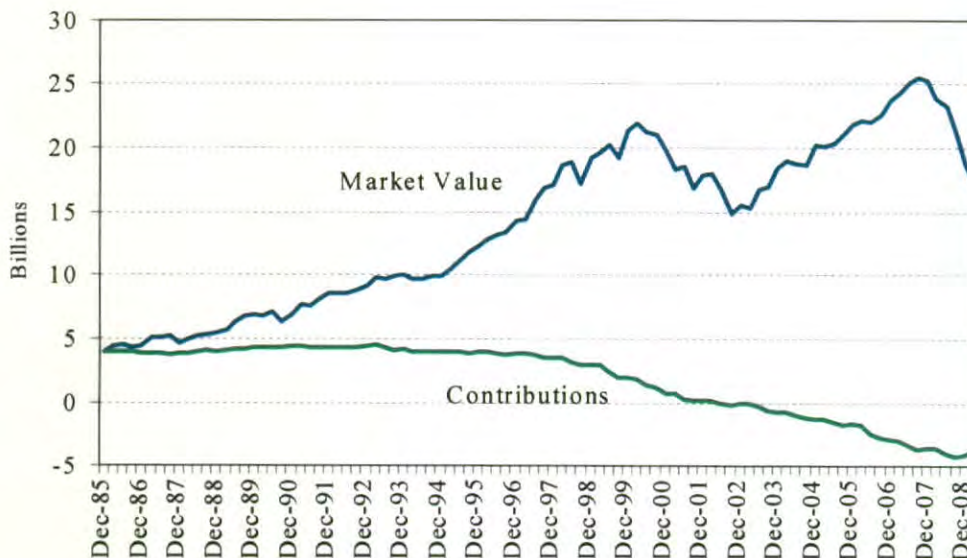
projected pension costs, the Basic Retirement Funds must generate investment returns of at least 8.5% on an annualized basis, over time.

Normally, pension assets will accumulate in the Basic Retirement Funds for thirty to forty years during an employee's years of active service. This provides the Basic Funds with a long investment time horizon and permits the Board to take an aggressive, high expected return investment policy which incorporates a sizeable equity component in order to meet or exceed its actuarial return target.

### Asset Growth

The market value of the Basic Funds decreased 5.8% during the first quarter of 2009.

Negative investment returns accounted for the decrease.



	Last Five Years					Latest Qtr.
	In Millions					
	12/04	12/05	12/06	12/07	12/08	3/09
Beginning Value	\$18,435	\$20,201	\$21,816	\$23,694	\$25,301	\$18,245
Net Contributions	-577	-411	-1,219	-662	-582	371
Investment Return	2,343	2,026	3,097	2,269	-6,474	-1,435
Ending Value	\$20,201	\$21,816	\$23,694	\$25,301	\$18,245	\$17,181



**BASIC RETIREMENT FUNDS**

**Asset Mix**

The long-term asset allocation of the Basic Funds is based on the superior performance of common stocks over the history of the capital markets. The asset allocation policy is designed to add value to the Basic Funds over their long-term investment time horizon.

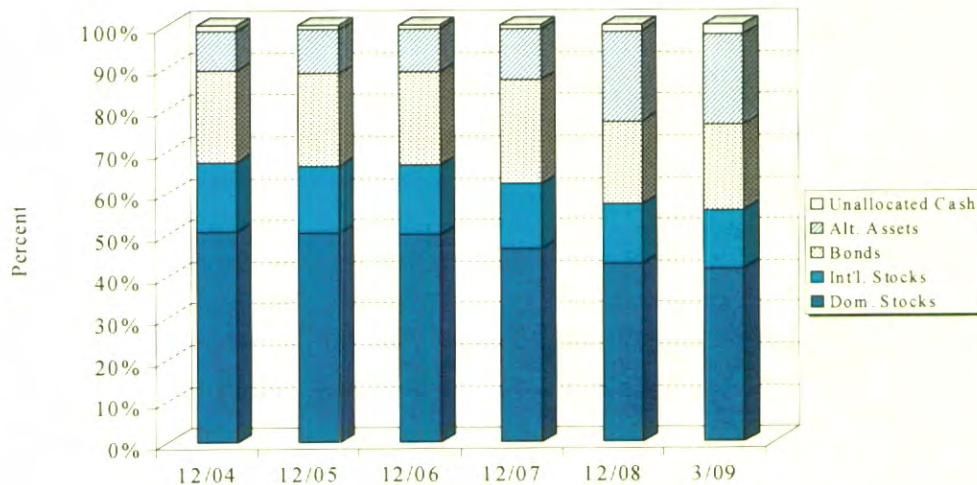
Domestic Stocks	45.0%
Int'l. Stocks	15.0
Bonds	19.0
Alternative Assets*	20.0
Unallocated Cash	1.0

\* Alternative assets include equity-oriented real estate, venture capital, resource, and yield-oriented funds. Any uninvested allocation is held in bonds as of July 1, 2008.

In October 2003, the Board provisionally revised its long term asset allocation targets for the Basic Funds, increasing the allocation for alternative investments from 15% to 20% and decreasing fixed income from 24% to 19%. This change went into effect on July 1, 2008 after the Post Fund reached its 12% allocation to Alternatives.

Over the last year, the allocation to domestic and foreign equities declined due to negative investment returns. The bond allocation decreased due to the change in asset allocation effective July 1, 2008. The allocation to alternatives increased due to strong returns and an increase to the alternative asset allocation.

During the quarter, the allocation to domestic and foreign stocks decreased due to a declining equity market. Alternative investments were relatively unchanged. Bond allocation increased slightly due positive investment returns. Cash increased due to the sale of bonds to raise cash during the quarter.



	Last Five Years					Latest Qtr.
	12/04	12/05	12/06	12/07	12/08	3/09
Domestic Stocks	50.9%	50.3%	50.1%	46.4%	42.8%	41.7%
Int'l. Stocks	16.6	16.3	16.6	15.8	14.4	14.1
Bonds	21.8	22.1	22.2	24.7	19.8	20.5
Alternative Assets	9.4	10.4	10.3	12.1	21.6	21.4
Unallocated Cash	1.3	0.9	0.8	1.0	1.4	2.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

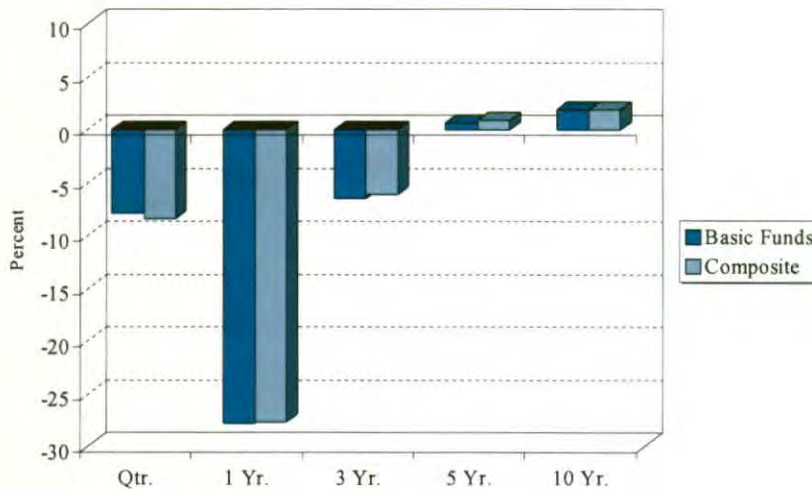


**BASIC RETIREMENT FUNDS**  
**Total Fund Performance (Net of Fees)**

The Basic Funds' performance is evaluated relative to a composite of market indices. The composite is weighted in a manner that reflects the long-term asset allocation of the Funds:

	<b>Basics Target</b>	<b>Market Index</b>	<b>Basics Composite* 1Q09</b>
Domestic Stocks	45.0%	Russell 3000	45%
Int'l. Stocks	15.0	MSCI ACWI Free ex-U.S.	15.0
Bonds	19.0	Barclays Capital Aggregate	17.4*
Alternative Investments	20.0	Alternative Investments	21.6*
Unallocated Cash	1.0	3 Month T-Bills	1.0
	100.0%		100.0%

\* Alternative asset and fixed income weights are reset in the composite at the start of each month to reflect the uninvested portion of the allocation to alternative assets. The above Basic Funds Composite weighting was as of the beginning of the quarter.



**Period Ending 3/31/2009**

	<b>Qtr.</b>	<b>1 Yr.</b>	<b>3 Yr.</b>	<b>Annualized 5 Yr.</b>	<b>10 Yr.</b>
<b>Basic Funds**</b>	-7.9%	-27.7%	-6.5%	0.6%	1.9%
Composite Index	-8.4	-27.7	-6.1	0.8	1.9

\*\*Returns are reported net of fees.

Effective July 1, 1993, the Basic and Post Funds share the same domestic stock, international stock, and bond managers. See page 15 for the performance of these asset pools. Effective July 1, 2003, the Basic and Post Funds share the same alternative pool. Performance of the alternative assets is on page 16.

### POST RETIREMENT FUND

The Post Retirement Investment Fund contains the pension assets of retired public employees covered by statewide retirement plans. Approximately 114,000 retirees receive monthly annuities from the assets of the Fund.

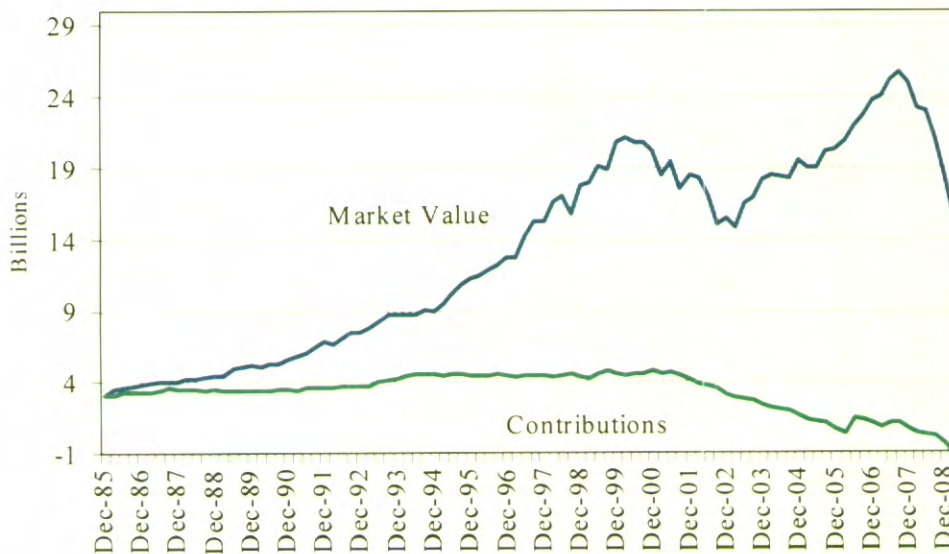
The post retirement benefit increase formula is based on the total return of the Fund. As a result, the Board maintains a long-term asset allocation strategy for the Post Fund which incorporates a substantial commitment to common stocks.

Upon an employee's retirement, a sum of money sufficient to finance the fixed monthly annuity is transferred from accumulation pools in the Basic Funds to the Post Fund. In order to support promised benefits, the Post Fund must "earn" at least 6% on its invested assets on an annualized basis. If the Post Fund exceeds this earnings rate, excess earnings are used to finance permanent benefit increases for eligible retirees.

#### Asset Growth

The market value of the Post Fund decreased 11.3% during the first quarter of 2009.

Negative investment returns were the main driver behind the decrease.



	Last Five Years					Latest Qtr.
	12/04	12/05	12/06	12/07	12/08	3/09
Beginning Value	\$18,162	\$19,480	\$20,295	\$23,733	\$24,998	\$17,612
Net Contributions	-749	-984	-240	-886	-1,022	-759
Investment Return	2,067	1,799	1,295	2,151	-6,364	-1,234
Ending Value	\$19,480	\$20,295	\$23,733	\$24,998	\$17,612	\$15,619



**POST RETIREMENT FUND**

**Asset Mix**

The Board adopted an asset allocation strategy for the Post Fund in fiscal year 1993 which reflects the post retirement benefit increase formula enacted by the Legislature. Throughout fiscal year 1993, the actual asset mix of the Post Fund moved toward a 50% allocation to common stocks. In fiscal year 1994, the Board added allocations to international stocks and alternative investments.

The large allocation to common stocks allows the Fund to increase the long-term earning power of its assets and allow the Fund to focus on generating higher long-term total rates of return.

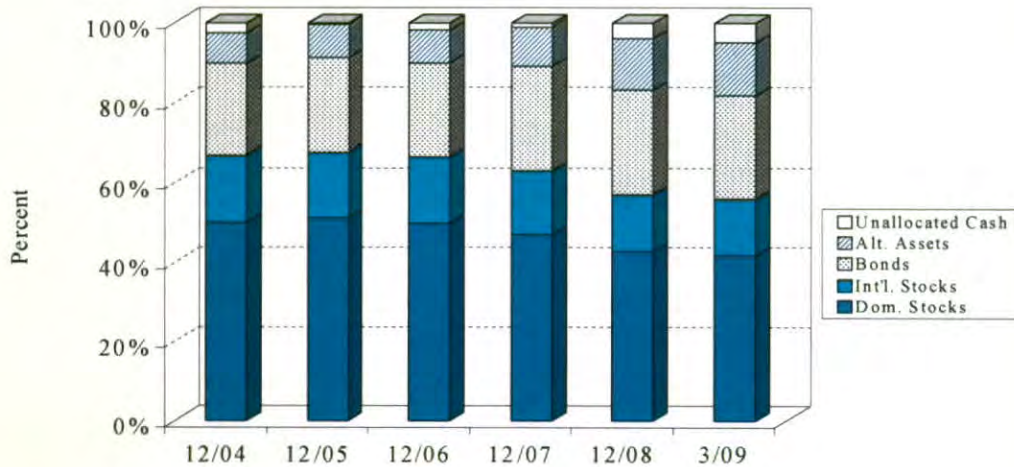
In October 2003, the Board revised its long term asset allocations for the Post Fund, increasing alternative investments from 5% to 12% and decreasing domestic equity from 50% to 45% and decreasing fixed income from 27% to 25%.

Over the last year, equity allocations decreased due to a declining equity market in 2008. This drove up the allocation to bonds and alternative assets, as these assets outperformed equities. Cash increased due to cash-raising activities.

Domestic Stocks	45.0%
Int'l. Stocks	15.0
Bonds	25.0
Alternative Assets*	12.0
Unallocated Cash	3.0
	100.0%

\* Alternative assets include equity-oriented real estate, venture capital, resource, and yield-oriented funds. Any uninvested allocation is held in domestic stocks.

During the quarter, relative outperformance of bonds vs. equities caused the domestic equity allocation to decline amidst a difficult equity environment. Bond and alternative investment allocations increased slightly due to relative outperformance vs. equities. Cash increased due to cash-raising activities.



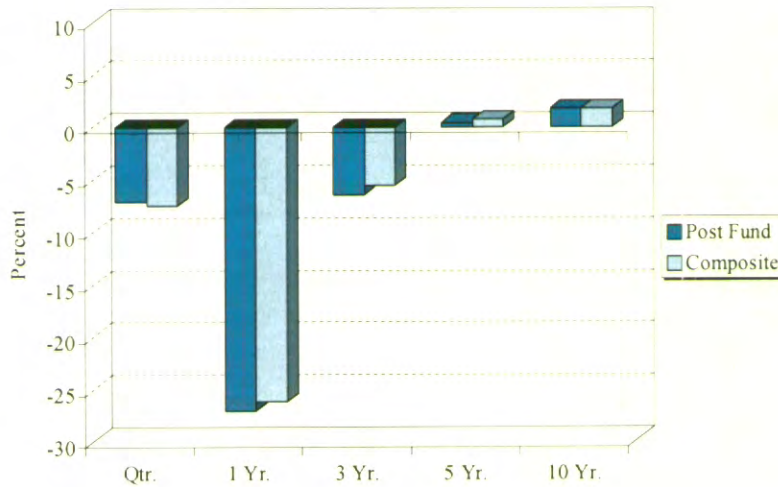
	Last Five years				Latest Qtr.	
	12/04	12/05	12/06	12/07	12/08	3/09
Dom. Stocks	50.2%	51.1%	49.9%	47.1%	42.7%	41.9%
Int'l. Stocks	16.8	16.6	16.7	16.0	14.4	14.1
Bonds	22.9	23.5	23.3	26.1	26.2	25.9
Alt. Assets	7.6	8.5	8.3	9.8	12.9	13.0
Unallocated Cash	2.5	0.3	1.8	1.0	3.8	5.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

**POST RETIREMENT FUND**  
**Total Fund Performance (Net of Fees)**

The Post Fund's performance is evaluated relative to a composite of market indices. The composite is weighted in a manner that reflects the long-term asset allocation of the Fund:

Asset Class	Post Target	Market Index	Post Composite* 1Q09
Domestic Stocks	45.0%	Russell 3000	44.0%*
Int'l. Stocks	15.0	MSCI ACWI Free ex-U.S.	15.0
Bonds	25.0	Barclays Capital Aggregate	25.0
Alternative Investments	12.0	Alternative Investments	13.0*
Unallocated Cash	3.0	3 Month T-Bills	3.0
	100.0%		100.0%

\* Alternative assets and domestic stock weights are reset in the composite at the start of each month to reflect the uninvested portion of the allocation to alternative assets. The above Post Fund Composite weighting was as of the beginning of the quarter.



Period Ending 3/31/2009

	Qtr.	1 Yr.	3 Yr.	Annualized 5 Yr.	10 Yr.
Post Fund**	-7.1%	-27.1%	-6.4%	0.4%	1.8%
Composite Index	-7.5	-26.1	-5.6	0.8	1.8

\*\* Returns are reported net of fees.

Effective July 1, 1993, the Basic and Post Funds share the same domestic stock, international stock, and bond managers. See page 15 for the performance of these asset pools. Effective July 1, 2003, the Basic and Post Funds share the same alternative pool. Performance of the alternative assets is on page 16.



**STOCK AND BOND MANAGERS**  
**Performance of Asset Pools (Net of Fees)**

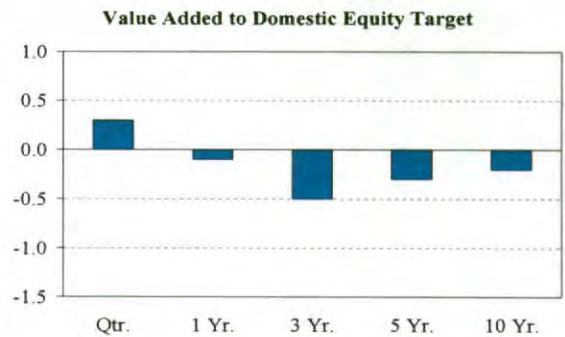
**Domestic Stocks**

**Target:** Russell 3000

**Expectation:** If one-third of the pool is actively managed, one-third is semi-passively managed, and one-third is passively managed, the entire pool is expected to exceed the target by .18% - .40% annualized, over time.

	Period Ending 3/31/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Domestic Stocks</b>	<b>-10.5%</b>	<b>-38.3%</b>	<b>-14.1%</b>	<b>-4.9%</b>	<b>-2.8%</b>
Asset Class Target*	-10.8	-38.2	-13.6	-4.6	-2.6

\* The Domestic Equity Asset Class Target is the Russell 3000 effective 10/1/03. From 7/1/99 to 9/30/03, it was the Wilshire 5000 Investable Index. From 11/1/93 to 6/30/99, the target was the Wilshire 5000 as reported with no adjustments.



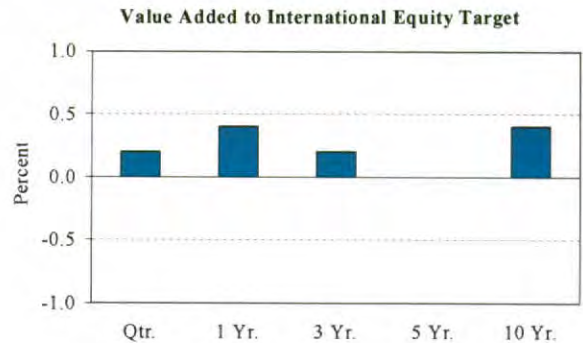
**International Stocks**

**Target:** MSCI ACWI Free ex U.S. (net)

**Expectation:** If at least one-third of the pool is managed actively, no more than one-third is semi-passively managed, and at least one-quarter is passively managed, the entire pool is expected to exceed the target by .25% - .75% annualized, over time.

	Period Ending 3/31/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Int'l. Stocks</b>	<b>-10.5%</b>	<b>-46.0%</b>	<b>-12.9%</b>	<b>-0.6%</b>	<b>0.8%</b>
Asset Class Target*	-10.7	-46.4	-13.1	-0.6	0.4

\* The Int'l Equity Asset Class Target is MSCI ACWI Free ex U.S. (net) effective 10/1/03. From 1/1/01 to 9/30/03, the target was MSCI EAFE Free (net) + Emerging Markets Free (EMF) (net), and from 7/1/99 to 12/31/00 was MSCI EAFE Free (net) + EMF (gross). From 7/1/99 to 9/30/03, the weight of each index fluctuated with market cap. From 12/31/96 to 6/30/99 the target was fixed at 87% EAFE-Free/13% EMF. On 5/1/96 the portfolio transitioned from 100% EAFE Free to the 12/31/96 fixed weights. 100% EAFE-Free prior to 5/1/96.

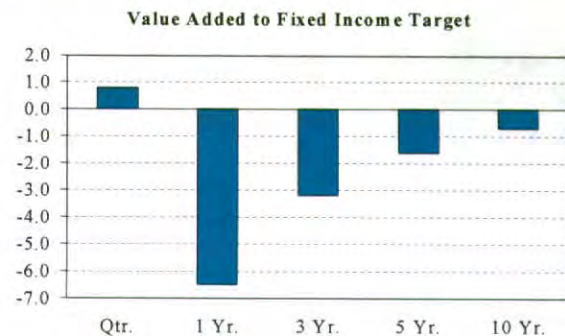


**Bonds**

**Target:** Barclays Capital Aggregate Bond Index

**Expectation:** If half of the pool is actively managed and half is managed semi-passively, the entire pool is expected to exceed the target by .20% - .35% annualized, over time.

	Period Ending 3/31/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Bonds</b>	<b>0.9%</b>	<b>-3.4%</b>	<b>2.6%</b>	<b>2.5%</b>	<b>5.0%</b>
Asset Class Target	0.1	3.1	5.8	4.1	5.7





**ALTERNATIVE INVESTMENTS**  
**Performance of Asset Categories**  
**(Net of Fees)**

**Alternative Investments**

**Expectation:** The alternative investments are measured against themselves using actual portfolio returns.

	Period Ending 3/31/2009				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Alternatives	-9.4%	-11.3%	10.7%	19.3%	14.0%
Inflation	1.2%	-0.4%	2.1%	2.4%	2.5%

**Real Estate Investments (Equity emphasis)**

**Expectation:** Real estate investments are expected to exceed the rate of inflation by 5% annualized, over the life of the investment.

The SBI began its real estate program in the mid-1980's and periodically makes new investments. Some of the existing investments are relatively immature and returns may not be indicative of future results.

	Period Ending 3/31/2009				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Real Estate	-8.0%	-9.4%	8.6%	12.9%	11.0%

**Private Equity Investments (Equity emphasis)**

**Expectation:** Private equity investments are expected to exceed the rate of inflation by 10% annualized, over the life of the investment.

The SBI began its private equity program in the mid-1980's and periodically makes new investments. Some of the existing investments are relatively immature and returns may not be indicative of future results.

	Period Ending 3/31/2009				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Private Equity	-10.4%	-17.9%	7.0%	17.5%	12.3%

**Resource Investments (Equity emphasis)**

**Expectation:** Resource investments are expected to exceed the rate of inflation by 5% annualized, over the life of the investment.

The SBI began its resource program in the mid-1980's and periodically makes new investments. Some of the existing investments are relatively immature and returns may not be indicative of future results.

	Period Ending 3/31/2009				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Resource	-4.1%	8.2%	28.0%	46.4%	30.2%

**Yield Oriented Investments (Debt emphasis)**

**Expectation:** Yield oriented investments are expected to exceed the rate of inflation by 5.5% annualized, over the life of the investment.

The SBI began its yield oriented program in 1994. Some of the existing investments are relatively immature and returns may not be indicative of future returns.

	Period Ending 3/31/2009				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Yield Oriented	-10.2%	0.1%	17.2%	22.6%	16.8%



## SUPPLEMENTAL INVESTMENT FUND

The Minnesota Supplemental Investment Fund is a multi-purpose investment program that offers a range of investment options to state and local public employees. The different participating groups use the Fund for a variety of purposes:

1. It functions as the investment manager for all assets of the Unclassified Employees Retirement Plan, Public Employees Defined Contribution Plan and Hennepin County Supplemental Retirement Plan.
2. It is one investment vehicle offered to employees as part of Minnesota State Colleges and University's Individual Retirement Account Plan and College Supplemental Retirement Plan.
3. It serves as an external money manager for a portion of some local police and firefighter retirement plans.

A wide diversity of investment goals exists among the Fund's participants. In order to meet those needs, the Fund has been structured much like a "family of mutual funds." Participants may allocate their investments among one or more accounts that are appropriate for their needs, within the statutory requirements and rules established by the participating organizations. Participation in the Fund is accomplished through the purchase or sale of shares in each account.

The investment returns shown in this report are calculated using a time-weighted rate of return formula. They are net of investment management fees.

**On March 31, 2009 the market value of the entire Fund was \$0.8 billion.**

### Investment Options

	<b>3/31/2009 Market Value (In Millions)</b>
<b>Income Share Account</b> – a balanced portfolio utilizing both common stocks and bonds.	\$174
<b>Growth Share Account</b> – an actively managed, all common stock portfolio.	\$68
<b>Common Stock Index Account</b> – a passively managed, all common stock portfolio designed to track the performance of the entire U.S. stock market.	\$166
<b>International Share Account</b> – a portfolio of non U.S. stocks that incorporates both active and passive management.	\$70
<b>Bond Market Account</b> – an actively managed, all bond portfolio.	\$94
<b>Money Market Account</b> – a portfolio utilizing short-term, liquid debt securities.	\$172
<b>Fixed Interest Account</b> – a portfolio of guaranteed investment contracts (GIC's) and GIC type investments which offer a fixed rate of return for a specified period of time.	\$92



## SUPPLEMENTAL INVESTMENT FUND ACCOUNTS

## INCOME SHARE ACCOUNT

**Investment Objective**

The primary investment objective of the Income Share Account is similar to that of the Combined Funds. The Account seeks to maximize long-term real rates of return, while limiting short-run portfolio return volatility.

**Asset Mix**

The Income Share Account is invested in a balanced portfolio of common stocks and bonds. Common stocks provide the potential for significant capital appreciation, while bonds act as a deflation hedge and provide portfolio diversification.

	Target	Actual
Stocks	60.0%	55.1%
Bonds	35.0	44.8
Unallocated Cash	5.0	0.1
	100.0%	100.0%

## Period Ending 3/31/2009

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	-5.1%	-23.0%	-6.0%	-0.7%	1.0%
Benchmark*	-6.3	-24.8	-6.5	-1.3	0.8

\* 60% Russell 3000/35% Barclays Capital Aggregate Bond Index/5% T-Bills Composite since 10/1/03. 60% Wilshire 5000/35% Barclays Capital Aggregate Bond Index/5% T-Bills composite through 9/30/03.

## GROWTH SHARE ACCOUNT

**Investment Objective**

The Growth Share Account's investment objective is to generate above-average returns from capital appreciation on common stocks.

**Asset Mix**

The Growth Share Account is invested primarily in the common stocks of US companies. The managers in the account also hold varying levels of cash.

## Period Ending 3/31/2009

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	-10.2%	-38.5%	-14.5%	-5.2%	-3.1%
Benchmark*	-10.8	-38.2	-13.6	-4.6	-2.6

\* Russell 3000 since 10/1/03. 100% Wilshire 5000 Investable from July 1999 to September 2003. 100% Wilshire 5000 from November 1996 to June 1999. 95% Wilshire 5000/5% T-Bills Composite through October 1996.

## COMMON STOCK INDEX ACCOUNT

**Investment Objective and Asset Mix**

The investment objective of the Common Stock Index Account is to generate returns that track those of the U.S. stock market as a whole. The Account is designed to track the performance of the Russell 3000, a broad-based equity market indicator.

The Account is invested 100% in common stock.

## Period Ending 3/31/2009

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	-10.9%	-38.0%	-13.4%	-4.4%	-2.3%
Benchmark*	-10.8	-38.2	-13.6	-4.6	-2.5

\* Russell 3000 since 10/1/03. Wilshire 5000 Investable from 7/1/00 to 9/30/03. Wilshire 5000 through 6/30/00.

## INTERNATIONAL SHARE ACCOUNT

**Investment Objective and Asset Mix**

The investment objective of the International Share Account is to earn a high rate of return by investing in the stock of companies outside the U.S. At least twenty-five percent of the Account is "passively managed" and up to 10% of the Account is "semi-passively managed." These portions of the Account are designed to track and modestly outperform, respectively, the return of 22 developed markets included in the Morgan Stanley Capital International World ex U.S. Index. The remainder of the Account is "actively managed" by several international managers and emerging markets specialists who buy and sell stocks in an attempt to maximize market value.

## Period Ending 3/31/2009

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	-10.5%	-45.8%	-12.8%	-0.5%	0.9%
Benchmark*	-10.7	-46.4	-13.1	-0.6	0.4

\* The Int'l Equity Asset Class Target is MSCI ACWI Free ex U.S. (net) since 10/1/03. From 1/1/01 to 9/30/03, the target was MSCI EAFE Free (net) + Emerging Markets Free (EMF) (net), and from 7/1/99 to 12/31/00 was MSCI EAFE Free (net) + EMF (gross). From 7/1/99 to 9/30/03, the weight of each index fluctuated with market cap. From 12/31/96 to 6/30/99 the target was fixed at 87% EAFE-Free/13% EMF. On 5/1/96 the portfolio transitioned from 100% EAFE Free to the 12/31/96 fixed weights. 100% EAFE-Free prior to 5/1/96.



**SUPPLEMENTAL INVESTMENT FUND ACCOUNTS**

**BOND MARKET ACCOUNT**

**Investment Objective**

The investment objective of the Bond Market Account is to exceed the return of the broad domestic bond market by investing in fixed income securities.

**Asset Mix**

The Bond Market Account invests primarily in high-quality, government and corporate bonds that have intermediate to long-term maturities, usually 3 to 20 years.

	Period Ending 3/31/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>0.8%</b>	<b>-3.4%</b>	<b>2.6%</b>	<b>2.5%</b>	<b>5.0%</b>
Barclays Capital					
Aggregate	0.1	3.1	5.8	4.1	5.7

**MONEY MARKET ACCOUNT**

**Investment Objective**

The investment objective of the Money Market Account is to purchase short-term, liquid debt securities that pay interest rates that are competitive with those available in the money market.

**Asset Mix**

The Money Market Account is invested entirely in high quality short-term investments such as U.S. Treasury Bills, bank certificates of deposit, repurchase agreements, and high grade commercial paper. The average maturity of these investments is 30 to 60 days.

	Period Ending 3/31/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>0.1%</b>	<b>2.1%</b>	<b>4.0%</b>	<b>3.5%</b>	<b>3.6%</b>
3 month T-Bills	0.0	1.0	3.3	3.1	3.2

**FIXED INTEREST ACCOUNT**

**Investment Objectives**

The investment objectives of the Fixed Interest Account are to protect investors from loss of their original investment and to provide competitive interest rates using somewhat longer term investments than typically found in a money market account.

**Asset Mix**

The assets in the Account are **invested primarily in stable value instruments** such as insurance company investment contracts, bank investment contracts, and security backed contracts. These instruments are issued by highly rated U.S. financial institutions, typically have maturities of 3-6 years and are rated "A" or better at the time of purchase. The interest rate credited will change, reflecting the blended interest rate available from all investments in the account including cash reserves which are maintained to provide liquidity. The Fixed Interest Benchmark in the 3 year Constant Maturity Treasury Bill +45 basis points.

	Period Ending 3/31/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>1.2%</b>	<b>4.7%</b>	<b>4.7%</b>	<b>4.5%</b>	<b>5.1%</b>
Benchmark*	0.4	2.4	3.9	4.0	4.2

\* The Fixed Interest Benchmark is the 3 year Constant Maturity Treasury Bill +45 basis points.

## DEFERRED COMPENSATION PLAN ACCOUNTS

The Deferred Compensation Plan provides public employees with a tax-sheltered retirement savings plan that is a supplement to their primary retirement plan. (In most cases, the primary plan is a defined benefit plan administered by TRA, PERA, or MSRS.)

Participants choose from 6 actively managed mutual funds and 5 passively managed mutual funds.

The SBI also offers a money market option, a fixed interest option, and a fixed fund option. All provide for daily pricing needs of the plan administrator. Participants may also choose from hundreds of funds in a mutual fund window. The current plan structure became effective March 1, 2004. The investment options and objectives are outlined below.

### Investment Options

	<b>3/31/2009 Market Value (in Millions)</b>
Vanguard Institutional Index (passive)	\$259
Janus Twenty (active)	\$290
Legg Mason Appreciation Y (active)	\$83
Vanguard Mid Cap Index (passive)	\$84
T. Rowe Price Small Cap (active)	\$211
Fidelity Diversified International (active)	\$150
Vanguard Institutional Developed Markets (passive)	\$45
Dodge & Cox Balanced Fund (active)	\$169
Vanguard Balanced Fund (passive)	\$125
Dodge & Cox Income Fund (active)	\$98
Vanguard Total Bond Market Fund (passive)	\$92
Money Market Account	\$110
Fixed Interest Account	\$1,059



## DEFERRED COMPENSATION PLAN ACCOUNTS

## LARGE CAP EQUITY

**Vanguard Institutional Index (passive)**

- A passive domestic stock portfolio that tracks the S&P 500.

Fund	Period Ending 3/31/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
				Annualized
S&P 500	-11.0%	-38.0%	-13.0%	-4.7%
	-11.0	-38.1	-13.1	-4.8

**Janus Twenty (active)**

- A concentrated fund of large cap stocks which is expected to outperform the S&P 500, over time.

Fund	Period Ending 3/31/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
				Annualized
S&P 500	0.2%	-38.2%	-4.8%	2.7%
	-11.0	-38.1	-13.1	-4.8

**Legg Mason Partners Appreciation Y (active)**

- A diversified fund of large cap stocks which is expected to outperform the S&P 500, over time.

Fund	Period Ending 3/31/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
				Annualized
S&P 500	-10.0%	-32.7%	-8.5%	-2.2%
	-11.0	-38.1	-13.1	-4.8

## MID CAP EQUITY

**Vanguard Mid Cap Index (passive)**

- A fund that passively invests in companies with medium market capitalizations that tracks the Morgan Stanley Capital International (MSCI) U.S. Midcap 450 index.

Fund	Period Ending 3/31/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
				Annualized
MSCI US	-8.4%	-40.4%	-15.7%	-3.3%
Mid-Cap 450	-8.4	-40.4	-15.7	-3.3

## SMALL CAP EQUITY

**T. Rowe Price Small Cap (active)**

- A fund that invests primarily in companies with small market capitalizations and is expected to outperform the Russell 2000.

Fund	Period Ending 3/31/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
				Annualized
Russell 2000	-9.5%	-32.4%	-15.6%	-3.9%
	-15.0	-37.5	-16.8	-5.2

## INTERNATIONAL EQUITY

**Fidelity Diversified International (active)**

- A fund that invests primarily in stocks of companies located outside the United States and is expected to outperform the MSCI index of Europe, Australasia and the Far East (EAFE), over time.

Fund	Period Ending 3/31/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
				Annualized
MSCI EAFE	-11.8%	-46.5%	-14.4%	-2.0%
	-13.9	-46.5	-14.5	-2.2

**Vanguard Institutional Developed Markets (passive)**

- A fund that passively invests in stocks of companies located outside the United States that tracks the MSCI EAFE index.

Fund	Period Ending 3/31/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
				Annualized
MSCI EAFE	-15.8%	-46.3%	-14.2%	-2.0%
	-13.9	-46.5	-14.5	-2.2



## DEFERRED COMPENSATION PLAN ACCOUNTS

## BALANCED

**Dodge & Cox Balanced Fund (active)**

A fund that invests in a mix of stock and bonds. The fund invests in mid-to large-cap stocks and in high quality bonds, and is expected to outperform a weighted benchmark of 60% S&P 500/40% Barclays Capital Aggregate, over time.

	Period Ending 3/31/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	-10.3%	-35.2%	-12.7%	-4.4%
Benchmark	-6.5	-23.7	-5.7	-1.1

**Vanguard Balanced Fund (passive)**

- A fund that passively invests in a mix of domestic stocks and bonds. The fund is expected to track a weighted benchmark of 60% MSCI US Broad Market Index/40% Barclays Capital Aggregate.

	Period Ending 3/31/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	-5.9%	-23.0%	-5.6%	-0.7%
Benchmark	-6.3	-23.5	-5.9	-0.8

## FIXED INCOME

**Dodge & Cox Income Fund (active)**

- A fund that invests primarily in investment grade securities in the U.S. bond market which is expected to outperform the Barclays Capital Aggregate, over time.

	Period Ending 3/31/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	0.3%	-0.6%	3.3%	2.7%
Barclays Capital Aggregate	0.1	3.1	5.8	4.1

**Vanguard Total Bond Market Fund (passive)**

- A fund that passively invests in a broad, market-weighted bond index that is expected to track the Lehman Aggregate.

	Period Ending 3/31/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	0.4%	3.3%	5.9%	4.2%
Barclays Capital Aggregate	0.1	3.1	5.8	4.1

**Money Market Account**

- A fund that invests in short-term debt instruments which is expected to outperform the return on 3-month U.S. Treasury Bills.

	Period Ending 3/31/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	0.1%	2.1%	4.0%	3.5%
3-Mo. Treas.	0.0	1.0	3.3	3.1

## FIXED INTEREST ACCOUNT

- A portfolio composed of stable value instruments which are primarily investment contracts and security backed contracts. The account is expected to outperform the return of the 3 year Constant Maturity Treasury + 45 basis points, over time.

	Period Ending 3/31/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	1.1%	4.6%	4.7%	4.5%
Benchmark	0.4	2.4	3.9	4.0



## MINNEAPOLIS EMPLOYEES RETIREMENT FUND

### Investment Objectives

The Minneapolis Employees Retirement Fund (MERF) seeks to produce investment returns that are commensurate with high levels of liquidity and quality. The fund invests the retirement assets of Minneapolis employees and pays monthly benefits to retirees. SBI began management of MERF assets on October 1, 2008.

### Asset Mix

MERF is invested in a portfolio of stocks and bonds. The actual asset mix will fluctuate in response to changes in the market value of the assets and due to any rebalancing activity.

#### Asset Mix 3/31/09

	\$ Thousands	% Target Allocation	% Actual Allocation
U.S. Equities	328,055	49.0	43.1
Non-U.S. Equities	154,408	21.0	20.3
Bonds	257,778	29.0	33.8
Cash	21,239	1.0	2.8
<b>Total</b>	<b>761,480</b>	<b>100.0</b>	<b>100.0</b>

### Investment Management

SBI staff began management of all MERF assets on October 1, 2008. The bond and equity segments are managed to add incremental value through sector and security selection.

### Performance

Quarterly performance through March 31, 2009 for MERF was **-6.6%**.

### Market Value

On March 31, 2009, the market value of MERF was \$761 million.

**ASSIGNED RISK PLAN**

**Investment Objectives**

The Assigned Risk Plan has two investment objectives: to minimize the mismatch between assets and liabilities and to provide sufficient liquidity for the payment of on-going claims and operating expenses.

**Asset Mix**

The Assigned Risk Plan is invested in a portfolio of common stocks and bonds. The actual asset mix will fluctuate in response to changes in the Plan's liability stream.

	3/31/2009 Target	3/31/2009 Actual
Stocks	20.0%	14.5%
Bonds	80.0	85.5
Total	100.0%	100.0%

**Investment Management**

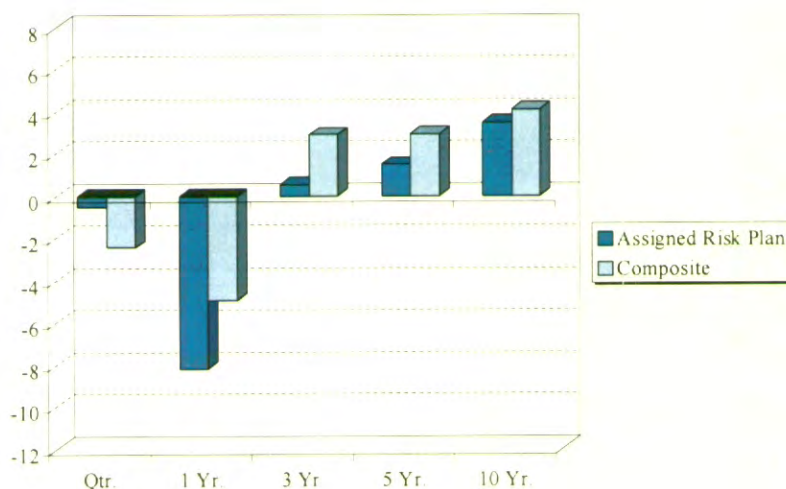
Voyageur Asset Management manages the bond segment of the Fund. GE Investment Management manages the equity segment.

**Performance Benchmarks**

A custom benchmark has been established for the fixed income portfolio. It reflects the duration of the liability stream and the long-term sector allocation of Voyageur Asset Management. Since July 1, 1994, the equity benchmark has been the S&P 500 index. The total fund benchmark is a combination of the fixed income and equity benchmarks, weighted according to the total fund asset allocation targets.

**Market Value**

On March 31, 2009 the market value of the Assigned Risk Plan was \$294 million.



**Period Ending 3/31/2009**

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Fund*</b>	<b>-0.5%</b>	<b>-8.2%</b>	<b>0.5%</b>	<b>1.5%</b>	<b>3.5%</b>
Composite	-2.4	-4.9	2.9	2.9	4.1
<b>Equity Segment*</b>	<b>-7.0</b>	<b>-34.1</b>	<b>-10.1</b>	<b>-3.5</b>	<b>-1.4</b>
Benchmark	-11.0	-38.1	-13.1	-4.8	-3.0
<b>Bond Segment*</b>	<b>0.7</b>	<b>-1.8</b>	<b>2.9</b>	<b>2.4</b>	<b>4.2</b>
Benchmark	0.4	6.4	7.4	5.0	5.8

\* Actual returns are calculated net of fees.



PERMANENT SCHOOL FUND

Investment Objectives

The investment objective of the Permanent School Fund is to produce a growing level of spendable income, within the constraints of maintaining adequate portfolio quality and liquidity. The income from the portfolio is used to offset expenditures on school aid payments to local school districts.

Asset Mix

Effective with FY98, the Permanent School Fund is invested in a balanced portfolio of common stocks and bonds. Common stocks provide the potential for significant capital appreciation, while bonds provide portfolio diversification and a more stable stream of current income.

	3/31/2009 Target	3/31/2009 Actual
Stocks	50.0%	46.3%
Bond	48.0	51.6
Cash	2.0	2.1
Total	100.0%	100.0%

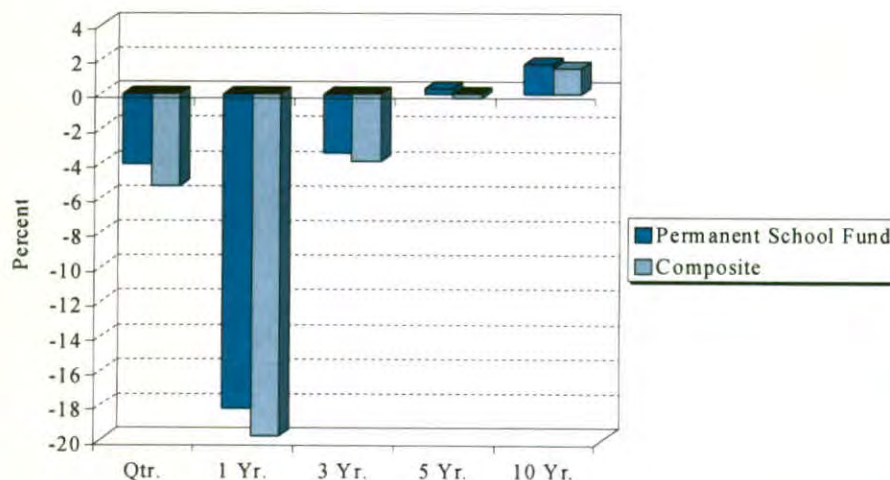
Prior to FY98, the Fund was invested entirely in fixed income securities in order to maximize current income. It is understood that the change in asset mix will reduce portfolio income in the short term, but will enhance the value of the fund, over time.

Investment Management

SBI staff manages all assets of the Permanent School Fund. The stock segment is passively managed to track the performance of the S&P 500. The bond segment is actively managed to add incremental value through sector, security and yield curve decisions.

Market Value

On March 31, 2009 the market value of the Permanent School Fund was \$561 million.



Period Ending 3/31/2009

Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Fund (1) (2)</b>	<b>-4.1%</b>	<b>-18.1%</b>	<b>-3.4%</b>	<b>0.3%</b>	<b>1.8%</b>
Composite	-5.3	-19.7	-3.9	-0.3	1.5
<b>Equity Segment (1) (2)</b>	<b>-10.9</b>	<b>-37.9</b>	<b>-12.9</b>	<b>-4.7</b>	<b>-2.9</b>
S&P 500	-11.0	-38.1	-13.1	-4.8	-3.0
<b>Bond Segment (1)</b>	<b>2.7</b>	<b>4.5</b>	<b>5.9</b>	<b>4.7</b>	<b>6.0</b>
Barclays Capital Agg.	0.1	3.1	5.8	4.1	5.7

(1) Actual returns are calculated net of fees.

(2) Equities were added to the asset mix for FY98. Prior to that date the fund was invested entirely in bonds. The composite Index has been weighted accordingly.

**ENVIRONMENTAL TRUST FUND**

**Investment Objective**

The objective of the Environmental Trust Fund is to increase the market value of the Fund over time in order to increase the annual amount made available for spending.

**Asset Mix**

The Environmental Trust Fund is invested in a balanced portfolio of common stocks and bonds. Common stocks provide the potential for significant capital appreciation, while bonds act as a deflation hedge and provide portfolio diversification. As of July 1, 1999, the asset

allocation changed from 50% stocks/50% fixed income to 70% stocks /30% fixed income.

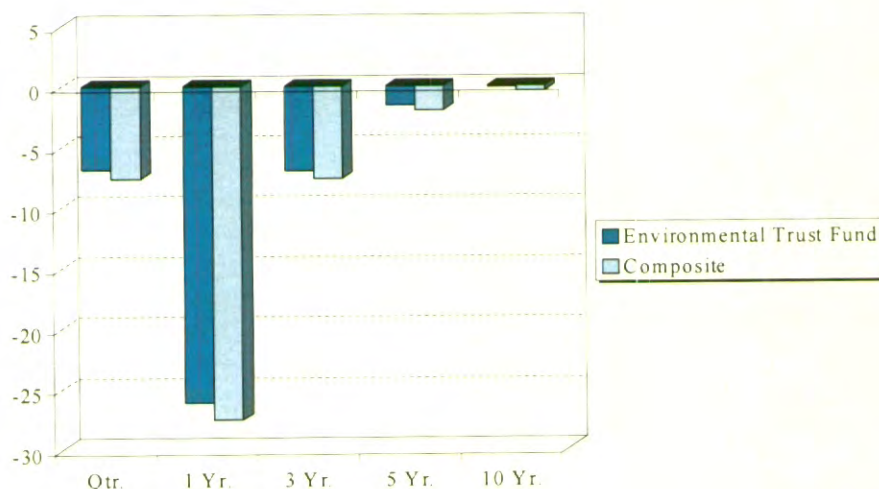
**Investment Management**

SBI staff manage all assets of the Environmental Trust Fund. The bond segment is actively managed to add incremental value through sector, security and yield curve decisions. The stock segment is passively managed to track the performance of the S&P 500.

**Market Value**

On March 31, 2009 the market value of the Environmental Trust Fund was \$356 million.

	3/31/2009 Target	3/31/2009 Actual
Stocks	70.0%	67.3%
Bonds	28.0	32.0
Cash	2.0	0.7
Total	100.0%	100.0%



	Period Ending 3/31/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Fund*</b>	-6.8%	-26.1%	-7.0%	-1.5%	-0.1%
Composite	-7.6	-27.5	-7.6	-2.0	-0.4
<b>Equity Segment*</b>	-10.9	-37.8	-12.9	-4.6	-2.9
S&P 500	-11.0	-38.1	-13.1	-4.8	-3.0
<b>Bond Segment*</b>	2.7	4.3	5.9	4.6	6.0
Barclays Capital Agg.	0.1	3.1	5.8	4.1	5.7

\* Actual returns are calculated net of fees.



**CLOSED LANDFILL INVESTMENT FUND**

**Investment Objectives**

The investment objective of the Closed Landfill Investment Fund is to generate high returns from capital appreciation. The Fund will be used by the Commissioner of the PCA (Pollution Control Agency) to pay for the long-term costs of maintaining the integrity of landfills in Minnesota once they are closed. However, by statute, the assets of the Fund are unavailable for expenditure until after fiscal year 2020.

**Investment Management**

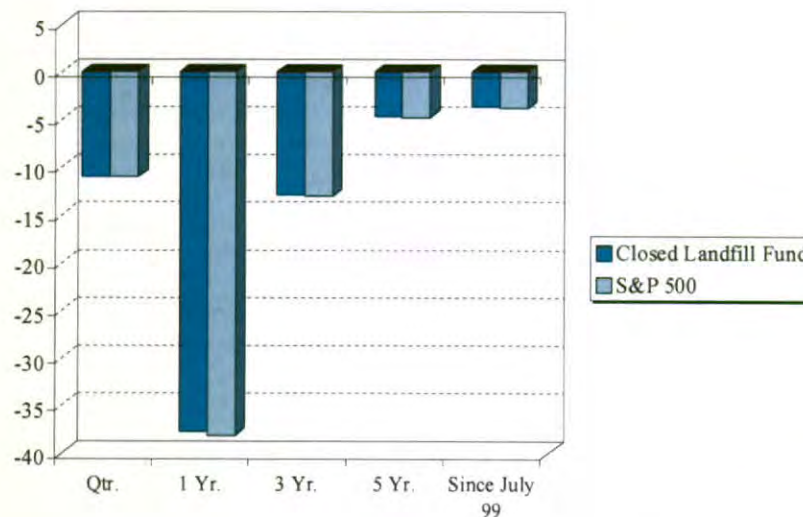
SBI staff manage all assets of the Closed Landfill Investment Fund. The assets are managed to passively track the performance of the S&P 500 index.

**Market Value**

On March 31, 2009, the market value of the Closed Landfill Investment Fund was \$32.5 million.

**Asset Mix**

Effective July 1999, the Closed Landfill Investment Fund is invested entirely in common stock. Given the long time horizon of this Fund and the lack of need for any short or mid-term withdrawals, this strategy will maximize the long-term gain of the Fund.



**Period Ending 3/31/2009**

	Qtr.	1 Yr.	Annualized 3 Yr.	5 Yr.	Since 7/1/1999
<b>Total Fund (1)</b>	-10.9%	-37.7%	-12.9%	-4.6%	-3.7%
<b>S&amp;P 500 (2)</b>	-11.0	-38.1	-13.1	-4.8	-3.8

- (1) Actual returns are calculated net of fees.
- (2) The benchmark of the fund is the S&P 500. The portfolio was initially invested in mid July 1999. The benchmark was adjusted to reflect this mid month starting period.

STATE CASH ACCOUNTS

**Description**

State Cash Accounts represent the cash balances in more than 400 separate accounts that flow through the Minnesota State Treasury. These accounts range in size from \$5,000 to over \$400 million.

Most accounts are invested by SBI staff through two short-term pooled funds:

1. Trust Fund Pool contains the temporary cash balances of certain trusts and retirement-related accounts.
2. Treasurer's Cash Pool contains the cash balances of special or dedicated accounts necessary for the operation of certain State agencies and non dedicated cash in the State Treasury.

In addition, each State of Minnesota bond sale requires two additional pools; one for bond proceeds and one for the debt reserve transfer.

Because of special legal restrictions, a small number of cash accounts cannot be commingled. These accounts are invested separately.

**Investment Objectives**

**Safety of Principal.** To preserve capital.

**Competitive Rate of Return.** To provide a high level of current income.

**Liquidity.** To meet cash needs without the forced sale of securities at a loss.

**Asset Mix**

The SBI maximizes current income while preserving capital by investing all cash accounts in high quality, liquid short term investments. These include U.S. Treasury and Agency issues, repurchase agreements, bankers acceptances, commercial paper, and certificates of deposit.

**Investment Management**

All state cash accounts are managed by the SBI investment staff. As noted above, most of the assets of the cash accounts are invested through two large commingled investment pools.

	Market Value (Millions)	Period Ending 3/31/2009				
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Treasurer's Cash Pool*</b>	<b>\$4,245</b>	<b>0.4%</b>	<b>2.1%</b>	<b>4.1%</b>	<b>3.6%</b>	<b>3.8%</b>
Custom Benchmark**		0.1	1.4	3.4	2.9	3.2
<b>Trust Fund Cash Pool*</b>	<b>\$29</b>	<b>0.0</b>	<b>1.0</b>	<b>3.6</b>	<b>3.2</b>	<b>3.4</b>
Custom Benchmark***		0.1	1.4	3.4	2.9	3.0
3 month T-Bills		0.0	1.0	3.3	3.1	3.2

\* Actual returns are calculated net of fees.

\*\* Beginning in January 2003, the Treasurer's Cash Pool is measured against the iMoneyNet, All Taxable Money Fund Report Average. From January 1997 to December 2002 the fund was measured against a blended benchmark consisting of the Barclays Capital 1-3 year Government Index and the iMoneyNet, All Taxable Money Fund Report Average. The proportion of each component of the blended benchmark is adjusted periodically as the asset allocation of the Cash Pool is modified. From April 1993 through December 1996, the benchmark was 75% State Street Short Term Investment Fund/25% Barclays Capital 1-3 Year Treasury Index.

\*\*\* Beginning in January 1997, the Trust Fund Pool is measured against the iMoneyNet, All Taxable Money Fund Report Average. From April 1993 through December 1996, the benchmark was 75% State Street Short Term Investment Fund/25% 1-3 year Treasuries.



**MINNESOTA STATE BOARD OF INVESTMENT**  
**Composition of State Investment Portfolios By Type of Investment**  
**Market Value March 31, 2009 (in Thousands)**

	<b>Cash and Short term</b>	<b>Bonds Internal</b>	<b>Bonds External</b>	<b>Stocks Internal</b>	<b>Stocks External</b>	<b>External Int'l</b>	<b>Alternative Assets</b>	<b>Total</b>
<b>BASIC RETIREMENT FUNDS:</b>								
Teachers Retirement Fund	125,932 2.30%	0	1,127,487 20.55%	0	2,286,746 41.67%	771,111 14.05%	1,176,011 21.43%	5,487,287 100%
Public Employees Retirement Fund	131,026 2.58%	0	1,038,543 20.49%	0	2,106,245 41.55%	710,281 14.01%	1,083,239 21.37%	5,069,334 100%
State Employees Retirement Fund	70,571 1.81%	0	802,373 20.65%	0	1,627,274 41.88%	548,759 14.12%	836,906 21.54%	3,885,883 100%
Public Employees Police & Fire	47,380 2.18%	0	447,952 20.57%	0	908,479 41.72%	306,363 14.07%	467,230 21.46%	2,177,404 100%
Highway Patrol Retirement Fund	3,197 1.95%	0	33,833 20.62%	0	68,615 41.82%	23,139 14.10%	35,289 21.51%	164,073 100%
Judges Retirement Fund	952 2.46%	0	7,943 20.51%	0	16,108 41.60%	5,432 14.03%	8,285 21.40%	38,720 100%
Correctional Employees Retirement	4,851 2.22%	0	44,964 20.56%	0	91,190 41.71%	30,752 14.06%	46,899 21.45%	218,656 100%
Public Employees Correctional	5,231 3.75%	0	28,244 20.24%	0	57,280 41.05%	19,316 13.85%	29,459 21.11%	139,530 100%
<b>TOTAL BASIC FUNDS</b>	389,140 2.26%	0	3,531,339 20.55%	0	7,161,937 41.69%	2,415,153 14.06%	3,683,318 21.44%	17,180,887 100%
<b>POST RETIREMENT FUND</b>	797,968 5.11%	0	4,048,263 25.92%	0	6,545,764 41.91%	2,207,388 14.13%	2,019,894 12.93%	15,619,277 100%
<b>TOTAL BASIC AND POST</b>	1,187,108 3.62%	0	7,579,602 23.11%	0	13,707,701 41.79%	4,622,541 14.09%	5,703,212 17.39%	32,800,164 100%

	Cash and Short term	Bonds Internal	Bonds External	Stocks Internal	Stocks External	External Int'l	Alternative Assets	Total
Mpls EE Retirement Plan	19,389 2.80%	0	234,472 33.86%	0	297,892 43.01%	140,762 20.33%	0	692,515 100%
Mpls EE Retirement Active	1,851 2.68%	0	23,329 33.82%	0	30,164 43.72%	13,646 19.78%	0	68,990 100%
Mpls EE Retirement Deposit Acct	1,992 100.00%	0	0	0	0	0	0	1,992 100%
<b>TOTAL MERF FUNDS</b>	23,232 3.04%	0	257,801 33.77%	0	328,056 42.97%	154,408 20.22%	0	763,497 100%
<b>MINNESOTA SUPPLEMENTAL FUNDS:</b>								
Income Share Account	145 0.08%	77,882 44.77%	0	0	95,958 55.15%	0	0	173,985 100%
Growth Share Account	0	0	0	0	67,677 100.00%	0	0	67,677 100%
Money Market Account	172,498 100.00%	0	0	0	0	0	0	172,498 100%
Common Stock Index	0	0	0	0	166,018 100.00%	0	0	166,018 100%
Bond Market Account	0	0	93,820 100.00%	0	0	0	0	93,820 100%
International Share Account	0	0	0	0	0	70,293 100.00%	0	70,293 100%
Stable Value Fund Monthly	826 0.89%	0	91,515 99.11%	0	0	0	0	92,341 100%
<b>TOTAL SUPPLEMENTAL FUNDS</b>	173,469 20.74%	77,882 9.31%	185,335 22.15%	0	329,653 39.40%	70,293 8.40%	0	836,632 100%



	Cash and Short Term	Bond Internal	Bond External	Stock Internal	Stock External	External Int'l	Alternative Assets	Total
MN DEFERRED COMP PLAN	117,929 4.27%	0	1,337,279 48.37%	0	1,114,821 40.33%	194,453 7.03%	0	2,764,482 100%
TOTAL RETIREMENT FUNDS	1,501,738 4.04%	77,882 0.21%	9,360,017 25.18%	0	15,480,231 41.65%	5,041,695 13.57%	5,703,212 15.35%	37,164,775 100%
ASSIGNED RISK PLAN	13,369 4.55%	0	239,578 81.45%	0	41,184 14.00%	0	0	294,131 100%
ENVIRONMENTAL FUND	2,638 0.74%	113,898 31.95%	0	239,911 67.31%	0	0	0	356,447 100%
PERMANENT SCHOOL FUND	12,084 2.16%	288,999 51.56%	0	259,433 46.28%	0	0	0	560,516 100%
CLOSED LANDFILL INVESTMENT	69 0.21%	0	0	32,466 99.79%	0	0	0	32,535 100%
TREASURERS CASH	4,306,458 100.00%	0	0	0	0	0	0	4,306,458 100%
HOUSING FINANCE AGENCY	0	83,349 100.00%	0	0	0	0	0	83,349 100%
MINNESOTA DEBT SERVICE FUND	0	56,051 100.00%	0	0	0	0	0	56,051 100%
MISCELLANEOUS ACCOUNTS	66,178 17.49%	221,178 58.46%	0	90,962 24.05%	0	0	0	378,318 100%
TOTAL CASH AND NON-RETIREMEN	4,400,796 72.53%	763,475 12.58%	239,578 3.95%	622,772 10.26%	41,184 0.68%	0	0	6,067,805 100%
GRAND TOTAL	5,902,534 13.65%	841,357 1.95%	9,599,595 22.21%	622,772 1.44%	15,521,415 35.90%	5,041,695 11.66%	5,703,212 13.19%	43,232,580 100%

# **Tab B**



## **EXECUTIVE DIRECTOR'S ADMINISTRATIVE REPORT**

DATE: June 3, 2009

TO: Members, State Board of Investment

FROM: **Howard Bicker**

### **1. Reports on Budget and Travel**

A report on the SBI's administrative budget for the period ending April 30, 2009 is included as **Attachment A**.

A report on travel for the period from February 5, 2009 – May 4, 2009 is included as **Attachment B**.

### **2. Legislative Update**

A summary of legislative activity of interest to the SBI is in **Attachment C**.

### **3. Update on Sudan**

Each quarter, staff provides a report to the Board on steps taken to implement Laws of Minnesota 2007, Chapter 117 that requires SBI actions concerning companies with operations in Sudan.

Staff receives periodic reports from the Sudan Divestment Task Force about the status of companies with operations in Sudan. The SBI is restricted from purchasing stock in the companies designated as highest offenders by the Task Force. Accordingly, staff updates the list of restricted stocks and notifies investment managers that they may not purchase shares in companies on the restricted list. Staff receives monthly reports from the SBI's custodian bank concerning SBI holdings of companies on the Task Force list and writes letters as required by law.

If after 90 days following the SBI's communication with a company and it continues to have active business operations, then the SBI must divest holdings of the company according to the following schedule:

- at least 50% shall be sold within nine months after the company appeared on the Task Force list; and
- 100% shall be sold within fifteen months after the company appeared on the list.

During 2008, SBI's managers divested all shares of companies required to be divested. As was reported last quarter, ABB, a Swiss company, was added to the divestment list for 2009. However, due to a change in its business activities, ABB has been removed from the divestment list.

**Attachment D** is a copy of the April 9, 2009 letter sent to each international equity manager and domestic equity manager containing the most recent restricted list and the list of stocks to be divested.

**Attachment E** is an updated list of companies with operations in Sudan.

#### **4. Litigation Update**

SBI legal counsel will give the Board a verbal update on the status of the litigation at the Board meeting on June 10, 2009.



ATTACHMENT A

**STATE BOARD OF INVESTMENT  
FISCAL YEAR 2009 ADMINISTRATIVE BUDGET REPORT  
FISCAL YEAR TO DATE THROUGH APRIL 30, 2009**

ITEM	FISCAL YEAR 2009 BUDGET	FISCAL YEAR 2009 4/30/2009
<b>PERSONAL SERVICES</b>		
FULL TIME EMPLOYEES	\$ 2,672,000	\$ 2,162,928
PART TIME EMPLOYEES	\$ 75,000	\$ 63,050
SEVERENCE PAYOFF	20,000	11,150
WORKERS COMPENSATION INSURANCE	1,000	504
MISCELLANEOUS PAYROLL	4,000	0
<b>SUBTOTAL</b>	<b>\$ 2,772,000</b>	<b>\$ 2,237,632</b>
<b>STATE OPERATIONS</b>		
RENTS & LEASES	205,000	161,212
REPAIRS/ALTERATIONS/MAINTENANCE	10,000	3,945
PRINTING & BINDING	10,000	11,502
PROFESSIONAL/TECHNICAL SERVICES	0	0
COMPUTER SYSTEMS SERVICES	20,000	6,314
COMMUNICATIONS	30,000	21,899
TRAVEL, IN-STATE	1,000	1,517
TRAVEL, OUT-STATE	50,000	22,306
SUPPLIES	35,000	26,311
EQUIPMENT	20,000	4,835
EMPLOYEE DEVELOPMENT	15,000	10,361
OTHER OPERATING COSTS	9,000	9,317
<b>SUBTOTAL</b>	<b>\$ 405,000</b>	<b>\$ 279,519</b>
<b>TOTAL ADMINISTRATIVE BUDGET</b>	<b>\$ 3,177,000</b>	<b>\$ 2,517,151</b>





## ATTACHMENT B

## STATE BOARD OF INVESTMENT

Travel Summary by Date  
SBI Travel February 5, 2009 – May 4, 2009

Purpose	Name(s)	Destination and Date	Total Cost
<b>Conference:</b> 2009 Winter Roundtable Navigating Without a Map: Politics and the Future of Global Finance sponsored by: Pacific Pension Institute	H. Bicker	La Jolla, CA 2/25-2/27	\$1,670.66
<b>Manager Monitoring:            Alternative Investment            Managers:</b> Elevation Partners; Hellman & Friedman; KKR; Silver Lake Blum Capital Annual Investors Meeting	M. McGirr	San Francisco, CA 3/8-3/11	1,130.82
<b>Manager Monitoring:            International Manager:</b> INVESCO <b>Conference:</b> National Association of State Investment Professionals (NASIP)	S. Gleeson	Atlanta, GA Charleston, SC 3/9-3/13	2,635.10
<b>Conference:</b> National Association of State Investment Professionals (NASIP)	T. Brusehaver M. Menssen	Charleston, SC 3/10-3/13	4,094.60
<b>Conference:</b> Institutional Limited Partners Association (ILPA)	J. Griebenow M. McGirr	Atlanta, GA 3/25-3/27	2,542.67

Purpose	Name(s)	Destination and Date	Total Cost
<b>Manager Monitoring:</b> <b>Domestic Equity Manager:</b> Goldman Sachs <b>Conference:</b> 2009 Spring Meeting sponsored by: Council of Institutional Investors	T. Richardson	Washington, D.C. 4/5-4/7	\$1,055.84
<b>Manager Monitoring:</b> <b>Domestic Equity Managers:</b> LSV; UBS; Voyageur <b>Consultant Visit:</b> Richards & Tierney, Inc.	T. Richardson T. Brusehaver P. Ammann	Chicago, IL 4/14-4/15	1,022.49
<b>Manager Monitoring:</b> <b>Alternative Investment Manager:</b> Lehman Brothers Real Estate Bidders Presentation	J. Griebenow	New York, NY 4/16-4/18	911.00
<b>Manager Monitoring:</b> <b>Alternative Investment Managers:</b> Merit Energy Annual Partners Meeting; NGP	J. Griebenow	Dallas, TX 4/20-4/21	691.20
<b>Manager Monitoring:</b> <b>Alternative Investment Managers:</b> Credit Suisse; Lexington Partners; Summit Partners; TA Realty; Warburg Pincus Annual Meeting <b>Manager Search:</b> <b>Alternative Investment Manager:</b> Wayzata <b>Master Custodian:</b> State Street Bank & Trust	M. McGirr	New York, NY Boston, MA 4/21-4/24	966.73



Purpose	Name(s)	Destination and Date	Total Cost
<b>Conference:</b> Public Funds Roundtable sponsored by: Institutional Investor Institute	H. Bicker	San Diego, CA 4/21-4/24	\$1,531.29
<b>Manager Monitoring:            Alternative Investment            Managers:</b> GTCR Annual Meeting; Merit Capital Partners	M. McGirr	Chicago, IL 4/29-4/30	555.03





**Bills of Interest to the Minnesota State Board of Investment  
2009 Legislative Session  
Includes Action Through End of Session**

Description of Bill	HF/SF # and Author	Current Status
Iran Divestiture	<b>HF 111 (Winkler)</b> SF 131 (Bonoff)	5/16 Governor signed Chapter 90
Statewide Volunteer Fire Plan - In omnibus pension bill	HF 723 (Murphy) <b>SF 191 (Betzold)</b>  See Article 9	5/22 Governor signed Chapter 169
Post Fund Clean-Up Bill - In omnibus pension bill	HF 723 (Murphy) <b>SF 191 (Betzold)</b>  See Article 1	
SBI Budget - In State Government Budget Bill	HF 1781 (Kahn) <b>SF 2082 (Betzold)</b>  See Article 1, Section 9	5/16 Governor signed Chapter 101
Stillwater Lift Bridge Endowment Fund -In Transportation Finance Bill	<b>HF 1309 (Lieder)</b> SF 1276 (Murphy)  See Article 3, Section 5	5/7 Governor signed; Chapter 36





ATTACHMENT D

Letter to SBI International Equity Managers

April 9, 2009

**Regarding: Sudan Companies**

Dear Manager:

The Minnesota State Board of Investment (SBI) sent you prior communication concerning holdings in companies doing business in Sudan. **This new communication applies to all SBI international equity portfolios managed by your organization and replaces all prior communications.**

Laws of Minnesota 2007, Chapter 117 requires the SBI to implement a Sudan restriction.

**Attachment 1** is the List of Restricted Sudan Stocks. **These securities may not be purchased for the SBI portfolio that your organization manages.** Please note that the attached List makes a change to the List of Restricted Sudan Stocks that was attached to the March 25, 2009 letter you received. **This new list is effective April 13, 2009.**

- The following company has been deleted from the restricted list:
  - ABB

**Attachment 2** is the List of Sudan Stocks Requiring Divestment. There were no additions to the list.

- The following company has been deleted from the divestment list:
  - ABB

**If you own securities of companies on the List of Sudan Stocks Requiring Divestment in the SBI portfolio that your organization manages, then you must divest those holdings** according to the schedules provided in the Attachment:

- **At least 50 percent of a company's holdings must be sold by the date indicated, and**
- **At least 100 percent of a company's holdings must be sold by the date indicated.**

**Attachment 3** is a list of security identifiers for the companies on the List of Restricted Sudan Stocks (**Attachment 1**) that your organization may use. Please note that the list of security identifiers was not updated and that ABB remains on the list.

If you have any questions about this matter, please contact Stephanie Gleeson, International Equities; or James E. Heidelberg, Manager, Public Programs.

Sincerely,

Teresa J. Richardson  
Assistant Executive Director

Enclosures

cc: James E. Heidelberg, Manager, Public Programs  
Stephanie Gleeson, International Equities



Letter to SBI Domestic Equity Managers

April 9, 2009

**Regarding: Sudan Companies**

Dear Manager:

The Minnesota State Board of Investment (SBI) sent you prior communication concerning holdings in companies doing business in Sudan. **This new communication applies to all SBI domestic equity portfolios managed by your organization and replaces all prior communications. This communication applies to ADR's of any of the listed companies.**

Laws of Minnesota 2007, Chapter 117 requires the SBI to implement a Sudan restriction.

**Attachment 1** is the List of Restricted Sudan Stocks. **These securities may not be purchased for the SBI portfolio that your organization manages.** Please note that the attached List makes a change to the List of Restricted Sudan Stocks that was attached to the March 25, 2009 letter you received. **This new list is effective April 13, 2009.**

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- **At least 100 percent of a company's holdings must be sold by the date indicated.**

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If you have any questions about this matter, please contact Tammy Brusehaver or Patricia Ammann, Domestic Equities; or James E. Heidelberg, Manager, Public Programs.

Sincerely,

Teresa J. Richardson  
Assistant Executive Director

Enclosures

cc: James E. Heidelberg, Manager, Public Programs  
Tammy Brusehaver, Domestic Equities  
Patricia Ammann, Domestic Equities



**ATTACHMENT 1**

<b>Restricted Sudan Stocks</b>	
<b>Company Name</b>	<b>Country of Origin</b>
AviChina Industry & Technology Co. Ltd.	China
Dongfeng Automotive Company Ltd.	China
Hafei Aviation Industry Co.	China
Harbin Power Equipment	China
Jiangxi Changhe Automobile Co. Ltd.	China
Jiangxi Hongdu Aviation AKA Hongdu Aviation	China
PetroChina	China
Sinopec Corporation AKA China Petroleum and Chemical Corporation	China
Sinopec Shanghai Petrochemical Co. Ltd.	China
Sinopec Yizheng Chemical Fibre Company, Ltd.	China
Wuhan Boiler Co.	China
China North Industries Group Corporation AKA CNGC/Norinco	China
Norinco International Cooperation Ltd.	China
CNPC Hong Kong	Hong Kong
Sinopec Kanton Holdings, Ltd.	Hong Kong
Bharat Heavy Electricals Ltd.	India
Bongaigaon Refinery & Petrochemicals Limited (BRPL)	India
Chennai Petroleum Corporation Ltd. (CPCL)	India
Indian Oil Corporation Ltd. AKA IOCL	India
Lanka IOC Ltd.	India
Mangalore Refinery and Petrochemical Ltd.	India
Oil and Natural Gas Company, AKA ONGC	India
Alstom Projects India Limited	India
Egypt Kuwaiti Holding Company	Egypt
Kingdream PLC	Egypt/China
Arab Aluminum Company SAE	Egypt
Kuwait Foods AKA Americana	Kuwait
AREF Investment Group	Kuwait
ONA S.A.	Morocco
Managem	Morocco
Kejuruteraan Samudra Timur Berhad	Malaysia
Kencana Petroleum Berhad	Malaysia
Malaysia International Shipping Company AKA MISC Berhad	Malaysia
Muhibbah Engineering Berhad	Malaysia
PECD Berhad	Malaysia
Petronas Gas, Bhd.	Malaysia
Petronas Dagangan, Bhd.	Malaysia



ATTACHMENT 1

<b>Restricted Sudan Stocks</b>	
<b>Company Name</b>	<b>Country of Origin</b>
Ranhill Berhad	Malaysia
Scomi Group Bhd	Malaysia
Scomi Engineering Bhd	Malaysia
Electricity Generating PCL AKA EGCO	Thailand
Wartsila Oyj	Finland
Alstom	France
Areva SA	France
Dietswell Engineering	France
Lundin International SA	France
Lundin Petroleum AB	Sweden

Note: List contains parent companies and subsidiaries publicly traded.  
AKA means "Also Known As"

Source: Sudan Divestment Task Force

April 9, 2009



**ATTACHMENT 2**

<b>Sudan Stocks Requiring Divestment</b>			
<b>Company Name</b>	<b>Country of Origin</b>	<b>Divest 50 Percent By this Date</b>	<b>Divest 100 Percent By this date</b>
China Petroleum and Chemical Corporation AKA Sinopec Corp	China	April 30, 2008	October 31, 2008
PetroChina Company	China	April 30, 2008	October 31, 2008
Bharat Heavy Electricals Ltd.	India	April 30, 2008	October 31, 2008
Oil and Natural Gas Corp AKA ONGC	India	April 30, 2008	October 31, 2008
Malaysia International Shipping Company AKA MISC Berhad	Malaysia	April 30, 2008	October 31, 2008
Alstom	France	April 30, 2008	October 31, 2008
Lundin Petroleum	Sweden	April 30, 2008	October 31, 2008
Wartsila Oyj	Finland	May 31, 2008	November 30, 2008
Harbin Power Equipment	China	June 30, 2008	December 31, 2008

Note: AKA means "Also Known As"

Source: Sudan Divestment Task Force

April 9, 2009



**Highest Offenders Security Identifiers (Stocks)**

[CLICK HERE FOR CURRENT BOND IDENTIFIERS](#)

The following security identifiers correlate with the Feb. 28, 2009 issue of the Sudan Company Report

[CLICK HERE FOR STOCKS REMOVED FROM LAST REPORT](#)

ALL DATA IS FROM BLOOMBERG LP UNLESS OTHERWISE NOTED. ALL CORPORATE RELATIONSHIPS ARE CONFIRMED BY A SECONDARY SOURCE

STOCKS ADDED FROM LAST REPORT ARE HIGHLIGHTED

Company	Primary Company (Affiliate/Parent)	Exchange	Security Type	Security Name	Ticker	WPK Number	SECDL	CUSIP	ISICNAM	ISIN	COMMON	CNS	CATS Code	Valorem
ABB LTD (SWITZERLAND)	ABB LTD	SWX Europe1 (XVTX)	Common Stock	ABB LTD-REG	ABBN VX	919730	710889 CH	505385		CH0012221716	012891539			001222171
ABB LTD (SWITZERLAND)	ABB LTD	Xetra (XETR)	Common Stock	ABB LTD-REG	ABJ GR	919730	7144053 DE	505385		CH0012221716	012891539			012891539
ABB LTD (SWITZERLAND)	ABB LTD	Stockholm (XSTO)	Common Stock	ABB LTD-REG	ABB SS	919730	7113815 SE	505385		CH0012221716	012891539			01222171
ABB LTD (SWITZERLAND)	ABB LTD	OTC US (XOTC)	Common Stock	ABB LTD-REG	ABLZ US	919730	802724 US			CH0012221716	012891539	H0010V101		001222171
ABB LTD (SWITZERLAND)	ABB LTD	Chi-X AR TS (CHIX)	Common Stock	ABB LTD-REG	ABB IX	919730	7113815 SE	505385		CH0012221716	012891539			001222171
ABB LTD (SWITZERLAND)	ABB LTD	Chi-X AR TS (CHIX)	Common Stock	ABB LTD-REG	ABBN IX	919730	710889 CH	505385		CH0012221716	012891539			001222171
ABB LTD (SWITZERLAND)	ABB LTD	Euro OTC (XLON)	Common Stock	ABB LTD-REG	ABBN EO	919730	BOYBLH2 GB			CH0012221716	012891539			001222171
ABB LTD (SWITZERLAND)	ABB LTD	Euro Comp (XLON)	Common Stock	ABB LTD-REG	ABBN EU	919730	BOYBLH2 GB			CH0012221716	012891539			001222171
ABB LTD (SWITZERLAND)	ABB LTD	Euro Comp (XLON)	Common Stock	ABB LTD-REG	ABBN EUR EU	919730	BOYBLH2 GB			CH0012221716	012891539			001222171
ABB LTD (SWITZERLAND)	ABB LTD	Euro OTC (XLON)	Common Stock	ABB LTD-REG	ABBN EUR EU	919730	BOYBLH2 GB			CH0012221716	012891539			001222171
ABB LTD (SWITZERLAND)	ABB LTD	Euro Comp (XLON)	Common Stock	ABB LTD-REG	ABBNGBX EU	919730	BOYBLH2 GB			CH0012221716	012891539			001222171
ABB LTD (SWITZERLAND)	ABB LTD	Euro OTC (XLON)	Common Stock	ABB LTD-REG	ABBNGBX EU	919730	BOYBLH2 GB			CH0012221716	012891539			001222171
ABB LTD (SWITZERLAND)	ABB LTD	Euro Comp (XLON)	Common Stock	ABB LTD-REG	ABBNGBP EO	919730	BOYBLH2 GB			CH0012221716	012891539			001222171
ABB LTD (SWITZERLAND)	ABB LTD	PLUS Mid Grp (XPLU)	Common Stock	ABB LTD-REG	ABB PZ	919730	BOYBLH2 GB	505385		CH0012221716	012891539			001222171
ABB LTD (SWITZERLAND)	ABB LTD	Euro Comp (XLON)	Common Stock	ABB LTD-REG	ABBNSEK EU	919730	BOYBLH2 GB			CH0012221716	012891539			001222171
ABB LTD (SWITZERLAND)	ABB LTD	Euro OTC (XLON)	Common Stock	ABB LTD-REG	ABBNSEK EU	919730	BOYBLH2 GB			CH0012221716	012891539			001222171
ABB LTD (SWITZERLAND)	ABB LTD	Euro Comp (XLON)	Common Stock	ABB LTD-REG	ABBNUSD EU	919730	BOYBLH2 GB			CH0012221716	012891539			001222171
ABB LTD (SWITZERLAND)	ABB LTD	Euro OTC (XLON)	Common Stock	ABB LTD-REG	ABBNUSD EO	919730	BOYBLH2 GB			CH0012221716	012891539			001222171
ABB LTD (SWITZERLAND)	ABB LTD	SWX Europe1 (XVTX)	Common Stock	ABB LTD-2ND LINE	ABBNVX	919730	ADNEOL			CH0037934822	003793482			001222171
ABB LTD (SWITZERLAND)	ABB LTD	Turquoise (TRQX)	Common Stock	ABB LTD-REG	ABBNSEK TQ	919730	7113815 SE	505385		CH0012221716	012891539			001222171
ABB LTD (SWITZERLAND)	ABB LTD	Turquoise (TRQX)	Common Stock	ABB LTD-REG	ABBN TQ	919730	710889 CH	505385		CH0012221716	012891539			001222171
ABB LTD (SWITZERLAND)	ABB LTD	NSDQ OMX Eur (NURO)	Common Stock	ABB LTD-REG	ABBNSEK NQ	919730	7113815 SE	505385		CH0012221716	012891539			001222171
ABB LTD (SWITZERLAND)	ABB LTD	NSDQ OMX Eur (NURO)	Common Stock	ABB LTD-REG	ABBN NQ	919730	710889 CH	505385		CH0012221716	012891539			001222171
ABB LTD (SWITZERLAND)	ABB LTD	BATS Europe (BATE)	Common Stock	ABB LTD-REG	ABBNSEK EB	919730	7113815 SE	505385		CH0012221716	012891539			001222171
ABB LTD (SWITZERLAND)	ABB LTD	BATS Europe (BATE)	Common Stock	ABB LTD-REG	ABBN EB	919730	710889 CH	505385		CH0012221716	012891539			001222171
ABB LTD (SWITZERLAND)	ABB LTD	New York (XNYS)	ADR	ABB LTD-SPON ADR	ABB US	675089	2748472 US			US0003752047	01306679			
ABB LTD (SWITZERLAND)	ABB LTD	Frankfurt (XFRA)	ADR	ABB LTD-SPON ADR	ABJA GR	675089	8025344 DE			US0003752047	01306679			
ABB LTD (SWITZERLAND)	ABB LTD	Buenos Floor (XBUE)	Receipt	ABB LTD-CEDEAR	ABE AR	2803808 AR				ARDEUT112380				
ARAB ALUMINIUM CO SAE (EGYPT)	MOHAMMED ABDUL MOHSIN AL-KHARAFI & SONS COMPANY	Egypt (EGX)	Common Stock	ARAB ALUMINIUM CO SAE	ALUM EY		BO4M4X EG			EG0330031018				
EGYPTIAN KUWAIT HOLDING CO (EGYPT)	MOHAMMED ABDUL MOHSIN AL-KHARAFI & SONS COMPANY	Cairo (JCA)	Common Stock	EGYPTIAN KUWAIT HOLDING CO	EKHO EY	ADH1G7	BOGM000							
EGYPTIAN KUWAIT HOLDING CO (EGYPT)	MOHAMMED ABDUL MOHSIN AL-KHARAFI & SONS COMPANY	Kuwait (KXUW)	Common Stock	EGYPTIAN KUWAIT HOLDING CO	EKHO DINKK	ADH1G7	BO5BH15 KW			EG68902C013				
KUWAIT FOODS aka AMERICANA (KUWAIT)	MOHAMMED ABDUL MOHSIN AL-KHARAFI & SONS COMPANY	Kuwait (XKJW)	Common Stock	KUWAIT FOODS (AMERICANA)	FOOD KK		6503140 KW			KW06Q0701247				
ALSTOM (FRANCE)	ALSTOM	EN Paris (XPAR)	Common Stock	ALSTOM	ALO FP	ADP7BK	BO0J8Q5 FR			FR0010220475	022581074			
ALSTOM (FRANCE)	ALSTOM	OTC US (XOTC)	Common Stock	ALSTOM RGPT	ACMF US	ADP7BK	BOGLY93 US			FR0010220475	022581074	F0259M475		
ALSTOM (FRANCE)	ALSTOM	Frankfurt (XFRA)	Common Stock	ALSTOM RGPT	ACMD GR	ADP7BK	BOG0412 DE			FR0010220475	022581074			
ALSTOM (FRANCE)	ALSTOM	Virt-x (XVTX)	Common Stock	ALSTOM RGPT	ALS VX	ADP7BK	BO0J8Q5 FR			FR0010220475	022581074			
ALSTOM (FRANCE)	ALSTOM	PLUS Mid Grp (XPLU)	Common Stock	ALSTOM	ALO PZ	ADP7BK	BOYL1Q7 GB			FR0010220475	022581074			
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALO EU	ADP7BK	BOYL1Q7 GB			FR0010220475	022581074			
ALSTOM (FRANCE)	ALSTOM	Chi-X AR TS (CHIX)	Common Stock	ALSTOM RGPT	ADMG IX	ADP7BK	BOG0412 DE			FR0010220475	022581074			
ALSTOM (FRANCE)	ALSTOM	Chi-X AR TS (CHIX)	Common Stock	ALSTOM	ALSP IX	ADP7BK	BO0J8Q5 FR			FR0010220475	022581074			
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALOGBX EU	ADP7BK	BOYL1Q7 GB			FR0010220475	022581074			
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALOGBX EO	ADP7BK	BOYL1Q7 GB			FR0010220475	022581074			
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALOGBP EO	ADP7BK	BOYL1Q7 GB			FR0010220475	022581074			
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALDUSD EO	ADP7BK	BOYL1Q7 GB			FR0010220475	022581074			
ALSTOM (FRANCE)	ALSTOM	Turquoise (TRQX)	Common Stock	ALSTOM	ALO TQ	ADP7BK	BO0J8Q5 FR			FR0010220475	022581074			
ALSTOM (FRANCE)	ALSTOM	NSDQ OMX Eur (NURO)	Common Stock	ALSTOM	ALO NQ	ADP7BK	BO0J8Q5 FR			FR0010220475	022581074			
ALSTOM (FRANCE)	ALSTOM	Equisdct (XEGT)	Common Stock	ALSTOM	ALO BQ	ADP7BK	BO0J8Q5 FR			FR0010220475	022581074			
ALSTOM (FRANCE)	ALSTOM	BATS Europe (BATE)	Common Stock	ALSTOM	ALO EB	ADP7BK	BO0J8Q5 FR			FR0010220475	022581074			
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALO EO	ADP7BK	BOYL1Q7 GB			FR0010220475	022581074			
ALSTOM PROJECTS INDIA LTD (INDIA)	ALSTOM	Natl India (XNSE)	Common Stock	ALSTOM PROJECTS INDIA LTD	ABRAP IN	ACEAYM	0230034 IN			IN678AD1011				
WUHAN BOILER CO (CHINA)	ALSTOM	Shenzhen (XSHE)	Common Stock	WUHAN BOILER CO B	200770 CH	913689	6111928 CN			CNE000000V7				
AREF INVESTMENT GROUP (KUWAIT)	KUWAIT FINANCE HOUSE	Kuwait (XKJW)	Common Stock	AREF INVESTMENT GROUP CO	AIG KK	AJDJFG	6131335 KW			KW06Q0020398				
AVICHINA INDUSTRY & TECHNOLOGY LTD (CHINA)	CHINA AVIATION INDUSTRY CORPORATION II aka AVIC II	Hong Kong (XHKG)	Common Stock	AVICHINA INDUSTRY & TECH-H	2357 HK	ADM4WY	670789 HK			CNE1000001Y8				
AVICHINA INDUSTRY & TECHNOLOGY LTD (CHINA)	CHINA AVIATION INDUSTRY CORPORATION II aka AVIC II	Frankfurt (XFRA)	Common Stock	AVICHINA INDUSTRY & TECH-H	AVT GR	ADM4WY	670789 HK			CNE1000001Y8				
AVICHINA INDUSTRY & TECHNOLOGY LTD (CHINA)	CHINA AVIATION INDUSTRY CORPORATION II aka AVIC II	OTC US (XOTC)	Common Stock	AVICHINA INDUSTRY & TECH-H	AVLJF US	ADM4WY	BO1W483 US			CNE1000001Y8				Y0485Q109
HAFEI AVIATION INDUSTRY CO (CHINA)	CHINA AVIATION INDUSTRY CORPORATION II aka AVIC II	Shanghai (XSHG)	Common Stock	HAFEI AVIATION INDUSTRY CO	600338 CH	ADM4E8	6306586 CN			CNE0000015V6				
HARBIN DONGAN AUTO ENGINE CO (CHINA)	CHINA AVIATION INDUSTRY CORPORATION II aka AVIC II	Shanghai (XSHG)	Common Stock	HARBIN DONGAN AUTO ENGINE A	600178 CH	ADM369	6128519 CN			CNE0000000J9				
JIANGXI CHANGHE AUTOMOBILE CO LTD (CHINA)	CHINA AVIATION INDUSTRY CORPORATION II aka AVIC II	Shanghai (XSHG)	Common Stock	JIANGXI CHANGHE AUTOMOBILE A	600372 CH	ADM4G1	6371896 CN			CNE0000018C0				
JIANGXI HONGDU AVIATION INDUSTRY CO LTD (CHINA)	CHINA AVIATION INDUSTRY CORPORATION II aka AVIC II	Shanghai (XSHG)	Common Stock	JIANGXI HONGDU AVIATION-A	600316 CH	ADM4E4	6304375 CN			CNE0000015N3				
JIANGXI HONGDU AVIATION INDUSTRY CO LTD (CHINA)	CHINA AVIATION INDUSTRY CORPORATION II aka AVIC II	OTC US (XOTC)	Common Stock	JIANGXI HONGDU AVIATION-A	JNIF US	ADM4E4	61MT2Q1 US			CNE0000015N3				Y4445M109
BHARAT HEAVY ELECTRICALS (INDIA)	BHARAT HEAVY ELECTRICALS	Mumbai (XBOM)	Common Stock	BHARAT HEAVY ELECTRICALS	BHEL IN	946065	6129523 IN			IN6257AD1018				
BHARAT HEAVY ELECTRICALS (INDIA)	BHARAT HEAVY ELECTRICALS	OTC US (XOTC)	Common Stock	BHARAT HEAVY ELECTRICALS	BHHEF US	946065	61N31W1 US			IN6257AD1018				Y06821177
CNPC HONG KONG LTD (BERMUDA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Hong Kong (XHKG)	Common Stock	CNPC HONG KONG LIMITED	135 HK	888613	6340078 HK	952131		BMG2237F1005	00779755			
CNPC HONG KONG LTD (BERMUDA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Frankfurt (XFRA)	Common Stock	CNPC HONG KONG LIMITED	CTJ GR	888613	5387753 DE	952131		BMG2237F1005	00779755			
CNPC HONG KONG LTD (BERMUDA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	OTC Exchange (XOTC)	Common Stock	CNPC HONG KONG LIMITED	CKKHF US	888613	601DQZ3 US	952131		BMG2237F1005	00779755			
CNPC HONG KONG LTD (BERMUDA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	OTC Exchange (XOTC)	ADR	CNPC HONG KONG LTD-UNSP ADR	CKKHY US		63L2812 US			US1262P1093				
DAQING HUAKE GROUP CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Shenzhen (XSHE)	Common Stock	DAQING HUAKE GROUP CO A	000985 CH	ADM4C2	6277949 CN			CNE000001402				
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Hong Kong (XHKG)	Common Stock	PETROCHINA CO LTD H	857 HK	ADM4YQ	6226576 HK			CNE1000003W8	011014674			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Frankfurt (XFRA)	Common Stock	PETROCHINA CO LTD	PC6 GR	ADM4YQ	5839507 DE			CNE1000003W8	011014674			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	OTC US (XOTC)	Common Stock	PETROCHINA CO LTD	PCCFY US	ADM4YQ	601DNL9 US			CNE1000003W8	011014674			Y6883Q104
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Shanghai (XSHG)	Common Stock	PETROCHINA CO LTD H	001857 CH		6285LD9 CN			CNE1000007Q1				
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	London Int (XLON)	Common Stock	PETROCHINA CO LTD H	PC6 LU	ADM4YQ	6174987 GB			CNE1000007Q1	011014674			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Chi-X AR TS (CHIX)	Common Stock	PETROCHINA CO LTD	PCGJ IX	ADM4YQ	5839507 DE			CNE1000003W8	011014674			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	New York (XNYS)	ADR	PETROCHINA CO LTD-ADR	PTR US	936983	2568841 US			US71646E1001	011511449			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Frankfurt (XFRA)	ADR	PETROCHINA CO LTD-ADR	PC6A GR									



**Highest Offenders Security Identifiers (Stocks)**

The following security identifiers correlate with the Feb. 28, 2009 issue of the Sudan Company Report

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STOCKS ADDED FROM LAST REPORT ARE HIGHLIGHTED

**ATTACHMENT 3**

Company	Primary Company (Ultimate/Parent)	Exchange	Security Type	Security Name	Ticker	SPK Number	SEDOL	CUSIP	Stevens	ISIN	COMMON	CNS	CATS Code	Valores
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Munich (XMUN)	ADR	CHINA PETROLEUM & CHEMICAL-ADR	CHINA GR	778971	BORSWV00 DE			US18941R1086	01189374			
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	London Intl (XLON)	ADR	CHINA PETROLEUM & CHEMICAL-ADR	SNP LU					US18941R1086	01189374			
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Buenos Floor (XBUE)	Receipt	CHINA PETROLEUM & CHEMICAL-CEDRA	SNP AR		265475 GB			US18941R1086	01189374			
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Buenos Floor (XBUE)	Receipt	CHINA PETROLEUM & CHEMICAL-CEDBL	SNP AR		81C5X3			US18941R1086	01189374			
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Buenos Floor (XBUE)	Receipt	CHINA PETROLEUM & CHEM-C-CE	SNP AR					US18941R1086	01189374			
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Buenos Floor (XBUE)	Receipt	CHINA PETROLEUM & CHEM-CED S	SNP AR					US18941R1086	01189374			
KINDREAM PLC (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Shenzhen (XSHE)	Common Stock	KINDREAM PUBLIC LIMITED-A	000852 US	A0M37A	6136385 CN			CNE0000000X7				
SINOPEC KANTON HOLDINGS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Hong Kong (XHKG)	Common Stock	SINOPEC KANTONS HOLDINGS	934 HK	923923	6162892 HK			BMG8185U1009	011563384			
SINOPEC KANTON HOLDINGS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	SINOPEC KANTONS HOLDINGS	SAK GR	923923	4601197 DE			BMG8185U1009	011563384			
SINOPEC KANTON HOLDINGS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OQTC)	Common Stock	SINOPEC KANTONS HOLDINGS	SKNHF	923923	83K3VC3 US			BMG8185U1009	011563384		G8165U100	
SINOPEC KANTON HOLDINGS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OQTC)	Common Stock	SINOPEC KANTONS-UNSPON ADR	SPKCY US		83K3T80 US			US82354W2070				
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Shanghai (XSHG)	Common Stock	SINOPEC SHANGHAI PETROCHEM	600888 CH	A0M3RA	8802784 CN			CNE0000000B2				
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	London Intl (XLON)	Common Stock	SINOPEC SHANGHAI PETROCHEM	SNH LI	A0M4Y5	817KWS1 GB			CN1000004C8	005096162			
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	SINOPEC SHANGHAI PETROCHEM	SOJH GR	A0M4Y5	3888632 DE	908303		CNE1000004C8	005096162			
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Hong Kong (XHKG)	Common Stock	SINOPEC SHANGHAI PETROCHEM-H	SP7F US	A0M4Y5	8797458 HK	908303		CNE1000004C8	005096162			
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OQTC)	Common Stock	SINOPEC SHANGHAI PETROCHEM-H	SHI US	A0M4Y5	8017X06 US			CNE1000004C8	005096162		Y80373106	
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	New York (XNYS)	ADR	SINOPEC SHANGHAI-SPONS ADR	SHI GR	887169	2800059 US	908289		US82353M1089	012248750			
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	ADR	SINOPEC SHANGHAI-SPONS ADR	SHI GR	887169	5734638 DE	908289		US82353M1089	012248750			
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OQTC)	Common Stock	SINOPEC SHANGHAI PETROCHEM	SINFF US	A0M3RA	80378V0 US			CNE1000004C8			Y80373114	
SINOPEC YIZHENG CHEMICAL FIBRE CO LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Hong Kong (XHKG)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	1033 HK	A0M4Y6	6984699 HK	917700		CHE1000004D6	00809662			
SINOPEC YIZHENG CHEMICAL FIBRE CO LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OQTC)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	Y2CF US	A0M4Y6	801XV15 US			CHE1000004D6	00809662		Y841W106	
SINOPEC YIZHENG CHEMICAL FIBRE CO LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	Y2ZH GR	A0M4Y6	4303875 DE	917700		CHE1000004D6	00809662			
SINOPEC YIZHENG CHEMICAL FIBRE CO LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Shanghai (XSHG)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	600871 CH	A0M4Y6	6986740 CN			CNE000000H53				
DIETSWELL ENGINEERING (FRANCE)	DIETSWELL ENGINEERING	EN Paris (XPAR)	Common Stock	DIETSWELL ENGINEERING	ALDIE FP	A0M1X8	81NTY19 FR			FR0010377127	027019013			
DIETSWELL ENGINEERING (FRANCE)	DIETSWELL ENGINEERING	Barlin (XBER)	Common Stock	DIETSWELL ENGINEERING	JFZ GR	A0M1X8	81P4MDD DE			FR0010377127	027019013			
DIETSWELL ENGINEERING (FRANCE)	DIETSWELL ENGINEERING	CH-X AS TS (CHX)	Common Stock	DIETSWELL ENGINEERING	DIET IX	A0M1X8	81NTY19 FR			FR0010377127	027019013			
DIETSWELL ENGINEERING (FRANCE)	DIETSWELL ENGINEERING	CH-X AS TS (CHX)	Common Stock	DIETSWELL ENGINEERING	DIEG IX	A0M1X8	81P4MDD DE			FR0010377127	027019013			
DONGFENG AUTOMOBILE CO LTD (CHINA)	DONGFENG AUTOMOBILE CO LTD	Shanghai (XSHG)	Common Stock	DONGFENG AUTOMOBILE CO LTD-A	600006 CH	A0M39C	6163833 CN			CNE0000002T3				
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Bangkok (XBKK)	Common Stock	ELECTRICITY GENERATING PCL	EGCO TB	893182	6304832 TH	929726		TH0485010005	008148590			
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	OTC US (OQTC)	Common Stock	ELECTRICITY GENERATING PCL	EVGDF US	893182		929726		TH0485010005	008148590		Y22834108	
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Bangkok (XBKK)	Common Stock	ELECTRICITY GEN PUB CO-FOR R	EGCOF TB	893183	6304843 TH	930467		TH0485010013	008148590			
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Frankfurt (XFRA)	Common Stock	ELECTRICITY GEN PUB CO-FOR R	EGCF GR	893183	5336799 DE	930467		TH0485010013	008148590			
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	OTC US (OQTC)	Common Stock	ELECTRICITY GEN PUB CO-FOR R	EVGDF US	893183		930467		TH0485010013	008148590		Y22834116	
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Bangkok (XBKK)	Receipt	ELECTRICITY GENERA PCL-NVDR	EGCO-R TB	676043	6385553 TH			TH0485010R13	015662883			
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	OTC US (OQTC)	Receipt	ELECTRICITY GENERA PCL-NVDR	EVUFU US	676043	805P8X0 US			TH0485010R13	015662883		Y22834124	
HARBIN POWER EQUIPMENT CO LTD (CHINA)	ELECTRICITY GENERATING CO (EGCO)	Munich (XMUN)	Receipt	ELECTRICITY GENERA PCL-NVDR	NVAE GR	878043	801LYC1 DE			TH0485010R13	015662883			
HARBIN POWER EQUIPMENT CO LTD (CHINA)	HARBIN POWER EQUIPMENT CO LTD	Hong Kong (XHKG)	Common Stock	HARBIN POWER EQUIPMENT CO-H	1133 HK	A0M4X8	6422781 HK	930709		CNE1000003C0	011043780			
HARBIN POWER EQUIPMENT CO LTD (CHINA)	HARBIN POWER EQUIPMENT CO LTD	Frankfurt (XFRA)	Common Stock	HARBIN POWER EQUIPMENT CO-H	HPB GR	A0M4X8	81HJDX0 DE	930709		CNE1000003C0	011043780			
HARBIN POWER EQUIPMENT CO LTD (CHINA)	HARBIN POWER EQUIPMENT CO LTD	OTC US (OQTC)	Common Stock	HARBIN POWER EQUIPMENT CO-H	HPWV US	A0M4X8	838HK00 US	930709		CNE1000003C0	011043780		Y30683109	
BONGAIGAON REFINERY & PETROCHEMICALS LTD (INDIA)	INDIAN OIL CORP LTD (IOCL)	Mumbai (XBOM)	Common Stock	BONGAIGAON REFINERY & PETRO	BRPL IN	A0DKQE	6313636 IN			INE241A01012				
BONGAIGAON REFINERY & PETROCHEMICALS LTD (INDIA)	INDIAN OIL CORP LTD (IOCL)	Natl India (XNSE)	Common Stock	BONGAIGAON REFINERY & PETRO	NBRPL IN	A0DKQE	6313636 IN			INE241A01012				
BONGAIGAON REFINERY & PETROCHEMICALS LTD (INDIA)	INDIAN OIL CORP LTD (IOCL)	OTC US (OQTC)	Common Stock	BONGAIGAON REFINERY & PETRO	BOGNF US	A0DKQE	801VVC9 US			INE241A01012			Y0526A119	
CHENNAI PETROLEUM CORPORATION LIMITED (INDIA)	INDIAN OIL CORP LTD (IOCL)	Mumbai (XBOM)	Common Stock	CHENNAI PETROLEUM CORP LTD	MRL IN	A08988	6121563 IN			INE178A01016				
CHENNAI PETROLEUM CORPORATION LIMITED (INDIA)	INDIAN OIL CORP LTD (IOCL)	Natl India (XNSE)	Common Stock	CHENNAI PETROLEUM CORP LTD	NMRL IN	A08988	6121563 IN			INE178A01016				
CHENNAI PETROLEUM CORPORATION LIMITED (INDIA)	INDIAN OIL CORP LTD (IOCL)	OTC US (OQTC)	Common Stock	CHENNAI PETROLEUM CORP LTD	CHNPF US	A08988	805P883 US			INE178A01016			Y53733104	
INDIAN OIL CORP LTD (INDIA)	INDIAN OIL CORPORATION LTD	Mumbai (XBOM)	Common Stock	INDIAN OIL CORPORATION LTD	IOCL IN	A089FM	6253767 IN			INE242A01010				
INDIAN OIL CORP LTD (INDIA)	INDIAN OIL CORPORATION LTD	Natl India (XNSE)	Common Stock	INDIAN OIL CORPORATION LTD	IOCL IN	A089FM	6253767 IN			INE242A01010				
LANKA IOC LTD (INDIA)	INDIAN OIL CORP LTD (IOCL)	Colombo (XCCL)	Common Stock	LANKA IOC LTD	LIOC SL	A0D83L	8059154 LK			LI0345N00005				
KEJURUTERAAN SAMUDRA TIMUR BHD (MALAYSIA)	KEJURUTERAAN SAMUDRA TIMUR BERHAD (KSTB)	Kuala Lumpur (XKLS)	Common Stock	KEJURUTERAAN SAMUDRA TIMUR	KSTB MK	80M987 MY				MY171850C001	7185			
KENCANA PETROLEUM BHD (MALAYSIA)	KENCANA PETROLEUM BERHAD	Kuala Lumpur (XKLS)	Common Stock	KENCANA PETROLEUM BHD	KEPB MK	80M5V5 MY	8117233 MY			MY151220C009	5122			
LUNDA PETROLEUM AB (SWEDEN)	LUNDA PETROLEUM AB	EN Paris (XPAR)	Common Stock	LUNDA INTERNATIONAL SA	MLCOP FP	866532	5828895 FR	007414		FR0000074171	010349281			
LUNDA PETROLEUM AB (SWEDEN)	LUNDA PETROLEUM AB	Stockholm (XSTO)	Common Stock	LUNDA PETROLEUM AB	LUPE SF	729364	7187627 SE			SE0000825820	013489424			
LUNDA PETROLEUM AB (SWEDEN)	LUNDA PETROLEUM AB	OTC US (OQTC)	Common Stock	LUNDA PETROLEUM AB	LUNDF US	729364	802V553 US			SE0000825820	013489424		W64506107	
LUNDA PETROLEUM AB (SWEDEN)	LUNDA PETROLEUM AB	Euro Comp (XLON)	Common Stock	LUNDA PETROLEUM AB	LUPE EU	729364	82090K7 GB			SE0000825820	013489424			
LUNDA PETROLEUM AB (SWEDEN)	LUNDA PETROLEUM AB	Frankfurt (XFRA)	Common Stock	LUNDA PETROLEUM AB	LYV GR	729364	80MQ168 DE			SE0000825820	013489424			
LUNDA PETROLEUM AB (SWEDEN)	LUNDA PETROLEUM AB	CH-X All TS (CHX)	Common Stock	LUNDA PETROLEUM AB	LUPE IX	729364	7187627 SE			SE0000825820	013489424			
LUNDA PETROLEUM AB (SWEDEN)	LUNDA PETROLEUM AB	Euro OTC (XLON)	Common Stock	LUNDA PETROLEUM AB	LUPE EO	729364	82090K7 GB			SE0000825820	013489424			
LUNDA PETROLEUM AB (SWEDEN)	LUNDA PETROLEUM AB	Euro OTC (XLON)	Common Stock	LUNDA PETROLEUM AB	LUPEUR EU	729364	82090K7 GB			SE0000825820	013489424			
LUNDA PETROLEUM AB (SWEDEN)	LUNDA PETROLEUM AB	Euro Comp (XLON)	Common Stock	LUNDA PETROLEUM AB	LUPEGBX EU	729364	82090K7 GB			SE0000825820	013489424			
LUNDA PETROLEUM AB (SWEDEN)	LUNDA PETROLEUM AB	Euro OTC (XLON)	Common Stock	LUNDA PETROLEUM AB	LUPE PZ	729364	82090K7 GB			SE0000825820	013489424			
LUNDA PETROLEUM AB (SWEDEN)	LUNDA PETROLEUM AB	PLUS Mkt Grp (XPLU)	Common Stock	LUNDA PETROLEUM AB	LUPE GP	729364	82090K7 GB			SE0000825820	013489424			
LUNDA PETROLEUM AB (SWEDEN)	LUNDA PETROLEUM AB	Euro OTC (XLON)	Common Stock	LUNDA PETROLEUM AB	LUPEGP EO	729364	82090K7 GB			SE0000825820	013489424			
LUNDA PETROLEUM AB (SWEDEN)	LUNDA PETROLEUM AB	Turquoise (TRGX)	Common Stock	LUNDA PETROLEUM AB	LUPE TQ	729364	7187627 SE			SE0000825820	013489424			
LUNDA PETROLEUM AB (SWEDEN)	LUNDA PETROLEUM AB	NSDG OMX Eur (NUR0)	Common Stock	LUNDA PETROLEUM AB	LUPE NO	729364	7187627 SE			SE0000825820	013489424			
LUNDA PETROLEUM AB (SWEDEN)	LUNDA PETROLEUM AB	BATS Europe (BATE)	Common Stock	LUNDA PETROLEUM AB	LUPE EB	729364	7187627 SE			SE0000825820	013489424			
ONA S.A. (MORROCCO)	ONA S.A.	EN Paris (XPAR)	Common Stock	ONA SA	ONA FP	808173	4658386 FR	049808		MA0000010316	015107839			
ONA S.A. (MORROCCO)	ONA S.A.	Casablanca (XCAS)	Common Stock	ONA SA	ONA MC	808173	6393205 MA			MA0000010316	015107839			
ONA S.A. (MORROCCO)	ONA S.A.	Euro OTC (XLON)	Common Stock	ONA SA	ONA EO	808173	8290Y08 GB			MA0000010316	015107839			
ONA S.A. (MORROCCO)	ONA S.A.	Euro Comp (XLON)	Common Stock	ONA SA	ONA EU	808173	8290Y08 GB			MA0000010316	015107839			
ONA S.A. (MORROCCO)	ONA S.A.	PLUS Mkt Grp (XPLU)	Common Stock	ONA SA	ONAEUR EU	808173	8290Y08 GB			MA0000010316	015107839			
ONA S.A. (MORROCCO)	ONA S.A.	Euro OTC (XLON)	Common Stock	ONA SA	ONAEUR EU	808173	8290Y08 GB			MA0000010316	015107839			
MANAGEM (MORROCCO)	MANAGEM	Casablanca (XCAS)	Common Stock	MANAGEM	MNMG US</									



Highest Offenders Security Identifiers (Stocks)

[CLICK HERE FOR CURRENT BOND IDENTIFIERS](#)

The following security identifiers correlate with the Feb. 28, 2009 issue of the Sudan Company Report

[CLICK HERE FOR STOCKS REMOVED FROM LAST REPORT](#)

ALL DATA IS FROM BLOOMBERG LP UNLESS OTHERWISE NOTED. ALL CORPORATE RELATIONSHIPS ARE CONFIRMED BY A SECONDARY SOURCE.

STOCKS ADDED FROM LAST REPORT ARE HIGHLIGHTED

Company	Primary Company (Affiliate/Parent)	Exchange	Security Type	Security Name	Ticker	WPK Number	SEDOL	CUSIP	Sicovam	ISIN	COMMON	CNS	CATS Code	Valoren
PECD BHD (MALAYSIA)	PECD BHD	Kuala Lumpur (KKLS)	Common Stock	PECD BHD	PECD MK		B033B13 MY			MYL509300009			5093	
PECD BHD (MALAYSIA)	PECD BHD	OTC US (OOTC)	Common Stock	PECD BHD	PCDFB US		B05PZG0 US			MYL509300009				
KLCC PROPERTY HOLDINGS BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	OTC US (OOTC)	Common Stock	KLCC PROPERTY HOLDINGS BHD	KPYHF US	A0D36E	B08H5K8 US			MYL508900007		Y4804V104		
KLCC PROPERTY HOLDINGS BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	Kuala Lumpur (KKLS)	Common Stock	KLCC PROPERTY HOLDINGS BHD	KLCC MK	A0D36E	B02FW17			MYL508900007			5089	
MALAYSIA INTERNATIONAL SHIPPING COMPANY aka MISC BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	Kuala Lumpur (KKLS)	Common Stock	MISC BHD	MISC MK	880504	8557997 MY	905279		MYL381800005	003527883		3818	
MALAYSIA INTERNATIONAL SHIPPING COMPANY aka MISC BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	Kuala Lumpur (KKLS)	Common Stock	MISC BHD-FRGN	MISC MK	883081	6558031 MY	908550		MYF3816Q1005	006036111		3816F	
PETRONAS DAGANGAN BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	Kuala Lumpur (KKLS)	Common Stock	PETRONAS DAGANGAN BHD	PETD MK	895131	6695938 MY			MYL568100001	005378044		5681	
PETRONAS DAGANGAN BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	OTC US (OOTC)	Common Stock	PETRONAS DAGANGAN BHD	PNASF US	895131				MYL568100001	005378044	Y6885A107		
PETRONAS GAS BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	Kuala Lumpur (KKLS)	Common Stock	PETRONAS GAS BHD	PTG MK	896633	6703972 MY			MYL803300004			6033	
PETRONAS GAS BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	Munich (XMUN)	Common Stock	PETRONAS GAS BERHAD	PTR GR	896633	5330694 DE			MYL803300004	007076959			
PETRONAS GAS BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	OTC US (OOTC)	Common Stock	PETRONAS GAS BERHAD	PNAGF US	896633	807H3P4 US			MYL803300004	007076959	Y6885J116		
RANHILL BERHAD (MALAYSIA)	RANHILL BERHAD	Kuala Lumpur (KKLS)	Common Stock	RANHILL BHD	RANH MK	A08936	6138717 MY			MYL503000001			5030	
RANHILL BERHAD (MALAYSIA)	RANHILL BERHAD	OTC US (OOTC)	Common Stock	RANHILL BHD	RNLFE US	A08936	B02HKV6 US			MYL503000001		Y7189A108		
SCOMI ENGINEERING BERHAD (MALAYSIA)	SCOMI GROUP BERHAD	Kuala Lumpur (KKLS)	Common Stock	SCOMI ENGINEERING BHD	SEB MK	903056	6098452 MY			MYL736600007			7366	
SCOMI ENGINEERING BERHAD (MALAYSIA)	SCOMI GROUP BERHAD	OTC US (OOTC)	Common Stock	SCOMI ENGINEERING BHD	BLQNG US	903056				MYL736600007		Y7541G108		
SCOMI GROUP BERHAD (MALAYSIA)	SCOMI GROUP BERHAD	Kuala Lumpur (KKLS)	Common Stock	SCOMI GROUP BHD	SOB MK	120745	B00PKJ3 MY			MYL715800008			7158	
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Helsinki (XHEL)	Common Stock	WARTSILA OYJ-A SHS	WRTAV FH	888242	4525178 FI			F10009003719	003021416			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Euro Comp (XLON)	Common Stock	WARTSILA OYJ-A SHS	WRTAV EU	888242	B28N640 GB			F10009003719	003021416			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Euro Comp (XLON)	Common Stock	WARTSILA OYJ-B SHARES	WRTBV EU	881050	B28N651 GB			F10009003727	004174488			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Helsinki (XHEL)	Common Stock	WARTSILA OYJ-B SHARES	WRTBV FH	881050	4525189 FI	980070		F10009003727	004174488			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Helsinki (XHEL)	Common Stock	WARTSILA OYJ	WRT1V FH	881050	4525189 FI	980070		F10009003727	004174488			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Stuttgart (XSTU)	Common Stock	WARTSILA OYJ-B SHARES	MTA GR	881050	B06KRC4 DE	980070		F10009003727	004174488			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Chi-X All TS (CHIX)	Common Stock	WARTSILA OYJ-B SHARES	WRTB IX	881050	452189 FI	980070		F10009003727	004174488			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	PLUS Mid Grp (XPLU)	Common Stock	WARTSILA OYJ-B SHARES	WRTBV PZ	881050		980070		F10009003727	004174488			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	OTC US (OOTC)	Common Stock	WARTSILA OYJ-A SHS	WRTAF US	888242	B1J7851 US			F10009003719	003021416	X98155108		
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	OTC US (OOTC)	Common Stock	WARTSILA OYJ	WRTBF US	881050	B06MMZ8	980070		F10009003727	004174488	X98155108		
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Euro OTC (XLON)	Common Stock	WARTSILA OYJ	WRT1V EO	881050	B28N651 GB			F10009003727	004174488			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Euro Comp (XLON)	Common Stock	WARTSILA OYJ	WRT1V EU	881050	B28N651 GB			F10009003727	004174488			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Euro Comp (XLON)	Common Stock	WARTSILA OYJ	WRT1VGRKEI	881050	B28N651 GB			F10009003727	004174488			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Euro OTC (XLON)	Common Stock	WARTSILA OYJ	WRT1VGBPEI	881050	B28N651 GB			F10009003727	004174488			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Euro OTC (XLON)	Common Stock	WARTSILA OYJ	WRT1VGBPEI	881050				F10009003727	004174488			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Turquoise (TROX)	Common Stock	WARTSILA OYJ	WRT1V TQ	881050	4525189 FI	980070		F10009003727	004174488			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	NSDQ OMX Eur (NURO)	Common Stock	WARTSILA OYJ	WRT1V NQ	881050	4525189 FI	980070		F10009003727	004174488			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	BATS Europe (BATE)	Common Stock	WARTSILA OYJ	WRT1V EB	881050	4525189 FI	980070		F10009003727	004174488			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	OTC US (OOTC)	ADR	WARTSILA OYJ-UNSPON ADR	WRTBY US		B3FDCN2 US			US9365441057				



## ATTACHMENT E

**Sudan Divestment Task Force List of "Highest Offenders" Companies in Sudan**  
**Task Force List Effective Through May 31, 2009**  
 Companies Ranked from Worst to Least Problematic

<u>Company Name</u>	<u>Country of Origin</u>
China National Petroleum Corporation AKA CNPC	China
PetroChina	China
CNPC Hong Kong	Hong Kong
Petronas Gas Berhad	Malaysia
Petronas Dagangan	Malaysia
Malaysia International Shipping Company AKA MISC Berhad	Malaysia
Oil and Natural Gas Company, AKA ONGC	India
Mangalore Refinery and Petrochemicals Ltd.	India
Sinopec Group AKA China Petrochemical Corporation	China
Kingdream PLC	China
Sinopec Corporation AKA China Petroleum and Chemical Corporation	China
Sinopec Shanghai Petrochemical Co. Ltd.	China
Sinopec Kanton Holdings	China
Sinopec Yizheng Chemical Fibre Company, Ltd.	China
AREF Investment Group	Kuwait
Mohammed Abdulmohsin Al-Kharafi & Sons Company AKA Al-Kharafi Group	Kuwait
Arab Aluminum Company SAE	Egypt
Egypt Kuwaiti Holding Company	Egypt
Kuwait Foods AKA Americana	Kuwait
Ranhill Berhad	Malaysia
Muhibbah Engineering Berhad	Malaysia
Kencana Petroleum Berhad	Malaysia
Kejuruteraan Samundra Timur Bhd	Malaysia
Lundin Petroleum AB	Sweden
Lundin International SA	France
Dietswell Engineering	France
China North Industries Corporation AKA Norinco	China
Norinco International Cooperation Ltd.	China
AviChina Industry & Technology Company, Ltd.	China
Jiangxi Hongdu Aviation AKA Hongdu Aviation	China
Hafei Aviation Industry	China
Jiangxi Changhe Automobile Co.	China
China Hydraulic and Hydroelectric Construction Group AKA Sinohydro	China
Harbin Power Equipment Company Limited	China
Wartsila Oyj	Finland
Bharat Heavy Electricals	India
Dongfeng Automotive Company Limited	China
Indian Oil Corporation Ltd. AKA IOCL	India
Lanka IOC Limited	India
Bongaigaon Refinery & Petrochemicals Limited AKA BRPL	India
Chennai Petroleum Corporation Limited AKA CPCL	India
Scomi Group Berhad	Malaysia
Scomi Engineering Berhad	Malaysia
Alstom	France
Alstom Projects India Ltd	India
Wuhan Boiler Company	France
PECD Berhad	Malaysia
Electricity Generating Company Limited AKA EGCO	Thailand
ONA S.A.	Morocco
Managem	Morocco

Note: List contains parent companies and subsidiaries publicly traded  
 AKA means "also known as"

**Sudan Divestment Task Force List of Companies in Sudan for Ongoing Engagement**

**Task Force List Effective Through May 31, 2009**

Companies Ranked from Worst to Least Problematic

<b><u>Company Name</u></b>	<b><u>Country of Origin</u></b>
Bharat Electronics Limited	India
Sudan Telecommunications Company AKA Sudatel	Sudan
Kamaz	Russia
Total SA	France
GDF Suez	France
Coyne et Bellier	France
Shanghai Power Transmission and Distribution Co. Ltd.	China
Saras S.p.A.	Italy
Atlas Copco AB	Sweden
Nam Fatt Corporation Berhad	Malaysia
Reliance Industries Limited AKA RIL	India
Man AG	Germany
Nippon Oil Corporation	Japan
ABB	Switzerland
Schlumberger	France
La Mancha Resources	Canada
Petrofac	UK
Mercator Lines	India
GAZ Group	Russia
China Poly Group Corporation	China
Essar Oil	India
Inmarsat	UK
Tanjung Offshore Services	Malaysia
Andritz VA TECH HYDRO	Austria



**Sudan Divest.Task Force List of Companies in Sudan with No Publicly Traded Equity**  
**Task Force List Effective Through May 31, 2009**

<b><u>Company Name</u></b>	<b><u>Country of Origin</u></b>
Africa Energy	Nigeria
Al-Qahtani & Sons Group of Companies	Saudi Arabia
Ansan Wikfs/Shaher Trading Company	Yemen
APS Engineering Company	Italy
Arcadia Petroleum	UK
Ascom Group SA	Moldova
China International Water & Electric Corp AKA CWE	China
Delta Petroleum	Turkey/Luxembourg
Dindir Petroleum International/Edgo Group	Jordan
Express Petroleum and Gas Company	Nigeria
GIAD Industrial City	Sudan
Hi Tech Petroleum Group Co. Ltd.	Sudan
HTC Yemen International Limited	Yemen
K & K Capital Group AKA KKCG	Czech Republic
Kuwait Foreign Petroleum Exploration Company AKA Kufpec	Kuwait
Lahmeyer International	Germany
Mohan Energy Corp.	India
Mott MacDonald	UK
Mubadala Development Company	UAE
Oil India Limited	India
Peschaud & Cie International	France
Petroleum Oil and Gas Corporation of South Africa AKA PetroSA	South Africa
Petrolin	Gabon
Petroneeds Service International Company	Sudan
PT Pertamina Persero AKA Pertamina	Indonesia
Shandong Electric Power Construction Corporation AKA Shandong Electric Power Group	China
Snowy Mountain Engineering Corporation	Australia
Sudan Petroleum Company AKA Sudapet	Sudan
Tamoil	Libya
Trafigura Beheer	Netherlands
Vitol Group	Switzerland
Zaver Petroleum Corporation Ltd.	Pakistan

9-Apr-09

# Tab C



## **SBI ADMINISTRATIVE COMMITTEE REPORT**

---

DATE: June 3, 2009

TO: Members, State Board of Investment

**FROM: SBI Administrative Committee**

The Administrative Committee met on May 12, 2009 to consider the following agenda items:

- Review of Executive Director's Proposed Workplan for FY10
- Review of Budget Plan for FY10
- Review of Continuing Fiduciary Education Plan
- Review of Executive Director's Evaluation Process
- Update of Disaster Recovery Plan

**Action is required by the SBI on the first four items.**

### **1. Review of Executive Director's Proposed Workplan for FY10.**

The Executive Director's Proposed Workplan for FY10 was presented. As in previous workplans, the FY10 plan follows the same category order found in the Executive Director's position description. The plan is a compilation of on-going responsibilities as well as the new initiatives the Executive Director will undertake during the next fiscal year.

A summary of the proposed plan is shown in **Attachment A** on **page 5** of this Tab. Supporting information was sent to each Board member in May 2008 as part of the FY10 Management and Budget Plan document.

### **RECOMMENDATION:**

**The Committee recommends that the SBI approve the FY10 Executive Director's Workplan. Further, the Committee recommends that the workplan serve as the basis for the Executive Director's performance evaluation for FY10.**

## **2. FY10 Administrative Budget Plan.**

The SBI's Administrative budget is set annually by the Board with direct charge back to entities that invest with the SBI. The general fund appropriation for the management of general fund assets is appropriated by the Legislature.

An overview of the budget is **Attachment B** on **page 7** of this tab. Supporting information was sent to each Board member in May 2009 as part of the FY10 Management and Budget Plan.

### **RECOMMENDATION:**

**The Committee recommends that the SBI approve the FY10 Administrative Budget Plan, as presented to the Committee, and that the Executive Director have the flexibility to reallocate funds between budget categories if the Executive Director deems necessary.**

## **3. Review of Continuing Fiduciary Education Plan.**

*Minnesota Statutes* Chapter, 356A requires each public pension plan to establish a continuing education plan for its fiduciaries. The plan approved by the Committee is in **Attachment C** on **page 9** of this Tab. Please note that the travel allocation policy for Board members and their designees is included in the plan.

### **RECOMMENDATION:**

**The Committee recommends that the SBI adopt the attached Continuing Fiduciary Education Plan.**

## **4. Review of Executive Director's Evaluation Process.**

The Committee discussed the process that will be used by the Board to evaluate the Executive Director for FY09. The Committee members agreed that the performance reviews should be completed prior to the September 2009 meeting of the SBI and should follow the process used in the past.

### **RECOMMENDATION:**

**The Committee recommends that the SBI adopt the following process for the Executive Director's FY09 performance evaluation:**

- **The evaluation will be completed prior to the September 2009 meeting of the SBI and will be based on the results of the Executive Director's workplan for FY09.**



- **The SBI deputies/designees will develop an appropriate evaluation form for use by each member, which will reflect the categories in the Executive Director's position description and workplan.**
- **The Governor's representative (Department of Finance), will coordinate distribution and collection of the evaluation forms and will forward the completed forms to the Executive Director. Board members are encouraged to meet individually with the Executive Director to review their own evaluation.**

**5. Update of Disaster Recovery Plan.**

Staff updated the Committee regarding the SBI's Disaster Recovery Plan. The plan provides information and procedures required to respond to an emergency.

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ATTACHMENT A

STATE BOARD OF INVESTMENT  
Executive Director's Proposed Workplan

FY10

(Categories A, B, C, D, E correspond to the position description)

	<b>Projected Time Frame</b>
<b>A. DEVELOPMENT OF INVESTMENT POLICIES</b>	
1. New Alternative Investment Asset Classes	Ongoing
2. Review the application of Enhanced Performance Measurement and Reporting Systems available through our current custodial bank	Jul – Dec
3. Review asset management fee structures for the Domestic Equity external managers	Sep – Mar
4. Asset Allocation for new Volunteer Firefighter Plan SIF Option, If Passed	Jul – Sep
<b>B. IMPLEMENTATION OF INVESTMENT POLICIES APPROVED BY THE SBI</b>	
1. Meet or exceed the performance objectives	Ongoing
2. Conduct Investment Manager Compliance Review of Guidelines and Contracts	Ongoing
3. Investments with New/Existing Alternative Asset Managers	Ongoing
4. Repurchase Agreement Review	Jul – Dec
5. Review Investment Options Structure in DCP	Sep – Jan
6. Manager Search Process	Ongoing
7. Implement State Law Concerning Sudan	Ongoing
8. Implement State Law Concerning Iran, If Passed	_____
9. Establish New Stillwater Lift Bridge Endowment Fund, If Passed	_____
<b>C. REVIEW AND CONTROL OF INVESTMENT POLICIES</b>	
1. Review the International Equity Semi-Passive Program	Oct – Dec

- |  |           |
|--|-----------|
| 2. Review of the Semi-Passive Bond Manager Program                                       | Jul – Jun |
| 3. Review Investment Guidelines related to Securities Lending Collateral and Cash Pools  | Jul – Aug |
| 4. Manager Guidelines  | Ongoing   |
| 5. Provide Staff Support to Proxy Committee for Proxy Voting and Shareholder Initiatives | Jul – Jun |
| 6. Monitor Implementation of Northern Ireland Mandate                                    | Oct – Mar |

**D. ADMINISTRATION AND MANAGEMENT OF STAFF OPERATIONS**

- |  |           |
|--|-----------|
| 1. Coordinate Financial Audit by Legislative Auditor | Jul - Dec |
| 2. Prepare 2010 Legislative package                  | Jul - May |
| 3. Prepare FY11 Management and Budget Plan           | Jan - Jun |
| 4. Annual Update of Disaster Recovery Plan           | Apr       |

**E. COMMUNICATION AND REPORTING**

- |  |              |
|--|--------------|
| 1. Prepare reports on investment results                           | Qtly         |
| 2. Prepare status reports  | As requested |
| 3. Meet with SBI and IAC   | Qtly         |
| 4. Meet with Board's designees                                     | Qtly         |
| 5. Prepare FY 2009 Annual Report                                   | Jul - Jan    |
| 6. Prepare Annual SIF Investment Options Prospectus                | May - Aug    |
| 7. Fire Relief Association Reporting and Communication             | Jul – Jan    |
| 8. Coordinate Public Pension Plan Performance Reporting Disclosure | Jul – Jun    |
| 9. Conduct Manager Round Tables                                    | Periodic     |



ATTACHMENT B

**Administrative Budget  
FY 10 – 11 Budget Plan  
Overview**

The FY 10 – 11 budget request is based on budget procedures instituted by Department of Minnesota Management and Budget.

New statutory authority was passed during the 2006 legislative session to establish a fixed amount from the General Fund and to have the balance of the MSBI's budget billed to organizations that use the MSBI's services. This authority was used to generate the fiscal year 2009 budget and also is the basis for the 2010 – 2011 budget projections.

	<b>FY09 Budget</b>	<b>FY09 Projected</b>	<b>FY10 Request</b>	<b>FY11 Request</b>
Personnel Services	\$2,772,000	\$2,741,604	\$3,023,000	\$3,055,000
Operating Expense	405,000	359,000	433,000	433,000
	<b>\$3,177,000</b>	<b>\$3,100,604</b>	<b>\$3,456,000</b>	<b>\$3,488,000</b>

**Personnel Services:**           **85% of the budget**  
Salaries, retirement, insurance, FICA, severance

**Operating Expenses:**       **15% of the budget**  
Rents, leases, printing, data processing  
Professional/technical contracts  
Communications, travel, employee development, misc. fees  
Office equipment, furnishings, supplies

**STATE BOARD OF INVESTMENT  
FISCAL YEAR 2010 BUDGET PLAN**

DESCRIPTION	FY2006 ACTUAL	FY2007 ACTUAL	FY2008 ACTUAL	FY2009 PROJECTED	FY2010 BUDGET
<b>PERSONAL SERVICES</b>					
FULL TIME EMPLOYEES	\$ 1,765,555	\$ 1,892,995	\$ 1,989,699	\$ 2,655,000	\$ 2,923,000
PART TIME EMPLOYEES	-	48,246	76,761	74,950	75,000
SEVERENCE PAYOFF	-	33,929	58,035	11,150	20,000
WORKERS COMPENSATION INSURANCE	994	777	653	504	1,000
MISCELLANEOUS PAYROLL	-	-	-	-	4,000
<b>SUBTOTAL</b>	<u>\$ 1,766,549</u>	<u>\$ 1,975,947</u>	<u>\$ 2,125,148</u>	<u>\$ 2,741,604</u>	<u>\$ 3,023,000</u>
<b>STATE OPERATIONS</b>					
RENTS & LEASES	205,851	202,087	186,859	195,000	205,000
REPAIRS/ALTERATIONS/MAINTENANCE	5,628	5,700	58,652	5,500	10,000
PRINTING & BINDING	5,040	6,693	2,788	11,500	10,000
PROFESSIONAL/TECHNICAL SERVICES	-	-	-	-	-
COMPUTER SYSTEMS SERVICES	10,642	12,532	22,519	15,000	20,000
COMMUNICATIONS	20,828	23,628	25,689	23,000	30,000
TRAVEL, IN-STATE	468	365	910	2,000	3,000
TRAVEL, OUT-STATE	30,952	43,173	44,085	36,000	60,000
SUPPLIES	24,025	23,875	35,255	31,000	40,000
EQUIPMENT	43,210	46,334	87,556	16,000	25,000
EMPLOYEE DEVELOPMENT	12,580	10,797	15,983	14,000	20,000
OTHER OPERATING COSTS	6,503	8,642	11,288	10,000	10,000
<b>SUBTOTAL</b>	<u>\$ 365,727</u>	<u>\$ 383,826</u>	<u>\$ 491,584</u>	<u>\$ 359,000</u>	<u>\$ 433,000</u>
<b>TOTAL GENERAL FUND</b>	<u><u>\$ 2,132,276</u></u>	<u><u>\$ 2,359,773</u></u>	<u><u>\$ 2,616,732</u></u>	<u><u>\$ 3,100,604</u></u>	<u><u>\$ 3,456,000</u></u>
<b>PERCENT INCREASE OVER PRIOR YEAR</b>		10.7%	10.9%	18.5%	11.5%



**CONTINUING FIDUCIARY EDUCATION PLAN**

**REQUIRED BY MS 356A.13**

The State Board of Investment (SBI) undertakes the following activities related to fiduciary education. Taken as a group, these activities shall constitute the plan for continuing fiduciary education required by Minnesota Statutes 356A.13 (copy attached). In addition, pursuant to statutory requirements of qualification, the SBI executive director and many members of the Board's Investment Advisory Council (IAC) can be reasonably considered to be experts with respect to their duties as fiduciaries.

**1. Briefing for New Board/IAC Members**

Shortly after election to the Board or appointment to the IAC, each new member is briefed on SBI operations and policies. As part of the briefing, SBI's legal counsel will review the member's fiduciary obligations and responsibilities as specified in Minnesota Statutes Chapters 11A and 356A.

**2. Development and Review of Investment Policies**

The SBI adopts comprehensive investment policies for each fund under its control. The policies cover investment objectives, asset allocation, management structure and performance evaluation. Policy papers or reports on these topics are developed and written by SBI staff in conjunction with the IAC and consultants. Relevant research and analyses from the academic and professional investment fields are used to formulate these policy guidelines.

After the Board formally adopts them, these written policies guide the management of all assets under the SBI's control. The SBI intends to review its stated investment policies periodically. This review may occur within the framework of the SBI's regular quarterly meetings or may take place at special meetings or seminars specifically designated for this purpose.

**3. Input from Board's Consultants**

The SBI retains outside investment consultants to advise the Board members on a wide variety of investment management issues. As part of their contracts with the SBI, the consultants offer to meet with the Board members or their designees to discuss investment-related issues. These individual consultations occur throughout the year. In addition, the general consultant is available at each meeting of the Board and IAC. These meetings are supplemented by quarterly reports on investment performance prepared by the general consultant.



#### 4. **Manager Round Tables**

The SBI intends to convene small groups of its external money managers to discuss issues related to investment management and the financial markets. These round table discussions will be held periodically throughout the year and will be open to Board members and their designees, IAC members and other interested parties. It is anticipated that 1-2 round tables will be held each year.

#### 5. **Travel Allocation**

The SBI allocates \$4,000 annually to each Board member (or their designee) for costs associated with attendance at investment-related seminars and conferences. This allocation is used at the discretion of each Board member.

Date: May, 2009

#### **2008 Minnesota Statutes**

##### 356A.13. CONTINUING FIDUCIARY EDUCATION.

Subdivision 1. **Obligation of fiduciaries.** A fiduciary of a covered pension plan shall make reasonable effort to obtain knowledge and skills sufficient to enable the fiduciary to perform fiduciary activities adequately. At a minimum, a fiduciary of a covered pension plan shall comply with the program established in accordance with subdivision 2.

Subd. 2. **Continuing fiduciary education program.** The governing boards covered pension plans shall each develop and periodically revise a program for the continuing education of any of their board members and any of their chief administrative officers who are not reasonably considered to be experts with respect to their activities as fiduciaries. The program must be designed to provide those persons with knowledge and skills sufficient to enable them to perform their fiduciary activities adequately.



# **Tab D**

## INVESTMENT ADVISORY COUNCIL REPORT

---

DATE: June 3, 2009

TO: Members, State Board Investment

**FROM: Members, Investment Advisory Council**

The Investment Advisory Council met on Wednesday, May 20, 2009 to consider the following agenda items:

- Review the manager performance for the period ending March 31, 2009.
- Investment Manager Review, International Equity.
- Proposed Fixed Income Investment

**Action is required by the SBI on the last two items.**

### INFORMATION ITEMS:

#### 1. Review the manager performance for the period ending March 31, 2009.

- *Domestic Equity Program*

For the period ending March 31, 2009, the **Domestic Equity Program** outperformed for the quarter and underperformed over all other time periods.

Time period	Total Program	Russell 3000
Quarter	-10.5%	-10.8%
1 Year	-38.3%	-38.2%
3 Years	-14.1%	-13.6%
5 Years	-4.9%	-4.6%

The performance evaluation reports for the domestic equity managers start on the **blue page A-1** of this Tab.



- **Fixed Income Program**

For the period ending March 31, 2009, the **Fixed Income Program** outperformed for the quarter and underperformed over all other time periods.

<b>Time period</b>	<b>Total Program</b>	<b>Lehman Aggregate</b>
<b>Quarter</b>	0.9%	0.1%
<b>1 Year</b>	-3.4%	3.1%
<b>3 Years</b>	2.6%	5.8%
<b>5 Years</b>	2.5%	4.1%

The performance evaluation reports for the fixed income managers start on the **blue page A-91** of this Tab.

- **International Equity Program**

For the period ending March 31, 2009, the **International Equity Program** outperformed over the quarter, one-year and three-year time periods, and matched the benchmark over the five-year time period.

<b>Time Period</b>	<b>Total Program</b>	<b>Int'l Equity Asset Class Target*</b>
<b>Quarter</b>	-10.5%	-10.7%
<b>1 Year</b>	-46.0%	-46.4%
<b>3 Year</b>	-12.9%	-13.1%
<b>5 Year</b>	-0.6%	-0.6%

\* Since 10/1/07 the International Equity asset class target is the Standard MSCI ACWI ex U.S. (net). From 10/1/07 to 5/31/08, the International Equity asset class target was the Provisional Standard MSCI ACWI ex U.S. (net). From 10/1/03 to 9/30/07, the target was the MSCI ACWI Free ex. U.S. (net).

The performance evaluation reports for the international equity managers start on the **blue page A-105** of this Tab.



## **ACTION ITEMS:**

### **2. Investment Manager Review, International Equity.**

Staff reviewed and UBS appeared before the February 13, 2008 Stock & Bond Manager Committee meeting. At that time, Staff outlined the significant amount of issues UBS was experiencing in this product, including an extremely high level of investment staff turnover, asset loss and performance issues. UBS discussed these issues at the Committee meeting, said they had put key new people in place and were addressing the problems. However, since the February 2008 meeting, there has been continued turnover of investment staff, asset loss, and underperformance of the stock selection strategy. (The currency selection strategy, which is managed separately and by a different team, has added value.)

#### **Investment Team**

By 2007 UBS' Global Equity team had grown from ten to fifteen people, all of whom have since left the team. At the Stock & Bond Manager Committee meeting in 2008, UBS introduced the new head of the Global Equity team, Nick Melhuish who joined UBS from Nicholas Applegate in October 2007. UBS also stated that another new team member, Nick Irish, would be joining from HSBC in March 2008 to manage the SBI's account and all other Global ex-US accounts. The newly configured Global Equity team also included four other UBS members: Bruno Bertocci, Niraj Bahwat, Shari Gilfillan and Nicola Hinton-Jones. Since the February 2008 meeting, the four UBS members are no longer on the portfolio management team, and Nick Melhuish and Nick Irish remain the sole Global Equity team members.

#### **Research**

There has been a significant amount of turnover on the research staff for the Global equity product. In the two years prior to 2007, UBS changed 80% of the European research analysts. In 2008, there was additional turnover. In the 2Q08, UBS terminated all but one of the firm's global equity Japan analysts. The remaining analyst, who covers consumer sectors, was relocated to Singapore. UBS hired two other Japan analysts who sit with the Singapore team and cover Japanese financials, and Japanese machinery/materials/industrials respectively. In the 3Q08, Marcus Eichacher, Research Director for Asia ex-Japan, left the firm and in the 4Q08, Jill Dodds, Research Director for European Equities left UBS. UBS also rebuilt the European financials coverage (which SBI staff recently learned had been another area of weakness) by adding a senior insurance analyst, and a senior banks analyst in 2008.

UBS has acknowledged that communication between portfolio managers and analysts in all regions was poor and they were effectively operating in separate "camps". Nick Melhuish was tasked with "helping to integrate research and portfolio management" and with "getting research to where it needs to be in different locations". Whether or not this has occurred is not clear to SBI staff. In the 1Q09 Nick Melhuish announced that he will add a new group of six Global Sector analysts to the Global Equity team.



Currently, regional analysts sit in several locations worldwide and conduct detailed fundamental research on stocks in sectors within those regions. When SBI staff discussed this change with Nick Melhuish, he did not specify the roles and functions of this new layer of global sector analysts. It is not clear if they will conduct primary research, if they will calculate a separate alpha rating for stocks (or will otherwise rank/grade stocks), and how the communication will flow between the regional analysts, the global sector analysts, and the portfolio management team. This apparent lack of clarity is of considerable concern to SBI staff given both the research issues and the communication issues between analysts and investment managers that UBS has previously acknowledged.

#### **Assets Under Management**

Over the last three years, there has been a significant loss of assets in the product in which the SBI is invested. Other institutional investors have clearly lost confidence in this strategy.

<b>CY</b>	<b>Accounts Lost</b>	<b>Accounts Gained</b>	<b>Product Assets Under Management (4Q)</b>	<b>SBI Account (4Q)</b>
<b>2006</b>	<b>\$2.2 billion</b>	<b>\$0.4 billion</b>	<b>\$11.6 billion</b>	<b>\$546 million</b>
<b>2007</b>	<b>\$2.9 billion</b>	<b>\$0</b>	<b>\$5.5 billion</b>	<b>\$322 million</b>
<b>2008</b>	<b>\$3.1 billion</b>	<b>\$0</b>	<b>\$1.5 billion</b>	<b>\$180 million</b>

#### **Performance & Attribution**

The portfolio has underperformed in each of the last six calendar years, in ten out of sixteen calendar years since inception (the portfolio was funded in 2Q of 1993.) In five out of the last six calendar years, stock selection in Japan has been the primary negative contributor to the portfolio's underperformance. In the rolling five-year vtm chart, the portfolio vtm has plotted below the benchmark line since approximately March 2006. Quarterly performance and a vtm chart are included on page A-117.

#### **RECOMMENDATION:**

**The SBI staff and the IAC are concerned by the continued amount of turnover on UBS' global equity investment team, the lack of clearly defined roles for the new global sector analysts, the continued asset loss in the product, and the persistent underperformance of the stock selection strategy particularly in Japan. The SBI staff and the IAC recommend that the Board terminate its relationship with UBS for the international equity mandate.**

### **3. Proposed Fixed Income Investment.**

The Investment Advisory Council discussed at length the attached memo (see page 7) at its May 20, 2009 meeting. The memo presents staff's proposal to invest up to one percent of the combined funds in the United States Treasury Department's announced

Public-Private Investment Program (PPIP). This program is designed to purchase mortgage-backed securities and whole loans from the balance sheets of U.S. financial institutions.

All information related to this program is not currently available. Staff has presented in the memo the terms and timing of the program that are currently available. Depending on the final terms, the program could provide the SBI with very attractive fixed income returns.

The IAC supported the staff proposal. The following recommendation is being presented to the Board for its approval.

**RECOMMENDATION:**

**The IAC recommends the Board approve an investment of up to one percent of the Combined Funds assets with one or more managers in the Legacy Securities Program of the U.S. Treasury Public-Private Investment Program. The assets would come from the current fixed income portfolio. After staff has completed its due diligence of the program and has determined if it is an appropriate investment for the SBI, and if time allows, staff will bring a detailed recommendation to the Board in September for final approval. If there is not time to bring a recommendation to the Board, a meeting of the Administrative Committee will be called to review and approve staff recommendations.**



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**MINNESOTA  
STATE  
BOARD OF  
INVESTMENT**



**Board Members:**

Governor  
Tim Pawlenty

State Auditor  
Rebecca Otto

Secretary of State  
Mark Ritchie

Attorney General  
Lori Swanson

**Executive Director:**

Howard J. Bicker

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An Equal Opportunity  
Employer

DATE: May 20, 2009

TO: Members, Investment Advisory Council

FROM: Howard Bicker

Handwritten initials "AB" in black ink.

SUBJECT: **Proposed Fixed Income Investment**

In March 2009, the U.S. Treasury Department announced the Public-Private Investment Program (PPIP) which is designed to purchase mortgage-backed securities and whole loans from the balance sheets of U.S. financial institutions. Staff talked with a number of fixed income managers to gather information about the program.

All the information related to this program, however, is not yet available. What is known is that at least five investment managers will be selected by the government in late May to run the program. The investment managers will then raise approximately \$75 billion to \$100 billion of capital from investors. This capital will be matched dollar for dollar by the government. The government will also provide additional capital to leverage the programs. It is anticipated that the program to purchase asset backed bonds, called the Legacy Securities Program, will be provided leverage up to a 1 to 1 basis. The program to purchase whole loans, called the Legacy Loan Program, will receive additional capital to leverage purchases up to a 6 to 1 basis.

These programs could provide the SBI with very attractive fixed income returns in the range of 15% to 20%. Any investment made by the Board would have no liquidity for at least three years. It is currently anticipated the SBI would get its money back in about 5 to 7 years.

Staff suggests the SBI consider investing in the Legacy Securities Program due to its lower level of risk. Staff recommends the SBI consider investing one percent of the Combined Funds, approximately \$300 million, in the program with assets coming from the fixed income portfolio. The structure of the investment vehicle will be in the form of a limited partnership with monitoring and reporting conducted by the fixed income program. (See **Attachment A** for further background information.)

Staff has been informed by a number of organizations that the fund-raising for these investments will be completed by July or early August. Therefore, if the SBI would like to participate in these programs, the Board will need to approve



action at the June meeting. However, staff does not have, at this time, all the information related to the programs. Staff suggests that if there is not sufficient time to bring the issue to the Board, a meeting of the Administrative Committee will be called to review and approve details of any recommendations.

**RECOMMENDATION:**

**Staff requests that the Board approve an investment of up to one percent of the Combined Funds assets with one or more managers in the Legacy Securities Program of the U.S. Treasury Public-Private Investment Program. The assets would come from the current fixed income portfolio. After staff has completed its due diligence of the program and has determined if it is an appropriate investment for the SBI, if time allows, staff will bring a detailed recommendation to the Board in September for final approval. If there is not time to bring a recommendation to the Board, a meeting of the Administrative Committee will be called to review and approve staff recommendations.**

## ATTACHMENT A

### *Public-Private Investment Program (PPIP)*

#### **Program Overview**

The Public-Private Investment Program (PPIP) was introduced by the U.S. Treasury Department in March 2009. The focus of this government-sponsored program is to attract investments of \$75 billion to \$100 billion and provide financing for investments up to \$1 trillion in the loan and securities markets. Private investors will have the opportunity to receive a dollar-for-dollar match of government funds, in addition to term, non-recourse financing, toward the purchase of "legacy" loans and securities currently valued at distressed prices.

There are two separate programs in the PPIP:

- Legacy Loans Program
- Legacy Securities Program

The purpose of the Legacy Loans Program is to cleanse bank balance sheets of troubled legacy loans while providing attractive terms for investment to the private sector. Public-private investment funds will be set up to purchase asset pools on a discrete basis. The U.S. Treasury will match private capital dollar-for-dollar (1:1 ratio) in a separate investment vehicle which will acquire assets alongside the private capital funds on a pro-rata basis. Then, the Term Asset-Backed Loans Facility (TALF) will provide term, non-recourse financing to the fund for asset purchases to provide leverage up to a 6 to 1 ratio.

The purpose of the Legacy Securities Program is to fund purchases of distressed securities to take devalued securities off bank balance sheets and to jump-start the securitization market. Taxpayer money will be combined with capital raised by select asset managers to buy mortgage-related assets, including non-agency RMBS and CMBS. The Treasury will provide capital on a dollar-for-dollar (1:1) basis and invest in a separate investment vehicle which will acquire assets alongside the private capital funds on a pro-rata basis. This fund is also eligible for term, non-recourse financing provided by the TALF to provide leverage in the range of a 0.5:1 to 1:1 ratio. The Treasury will select five or more managers to operate a Legacy Securities fund.

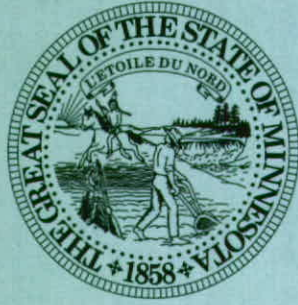
The financing provided by the TALF will be on a 10 year term and will come with a 25 basis point fee. This financing will be repaid on a pro-rata basis as cash flows from the investments are received.



## **A Proposed Fund Set-up**

One of SBI's fixed income managers submitted a proposal to the U.S. Government to operate a Legacy Securities fund. The fund would be a limited partnership fund with the following features:

- There would be an initial three year investment lockup period.
- The manager would look to raise about \$7 billion of private capital and match it with taxpayer money. This \$14-15 billion would be levered up to 1x for a total fund of \$25-30 billion.
- The fund would target a return of 20%.
- A 25 basis point fee on the TALF financing would be passed on to investors in addition to a 25 basis point upfront management fee, resulting in a total 50 basis point fee. (Other managers may propose a different management fee.)
- Profit sharing will take place after the investors receive 100% of their principal back plus a 10% return. After that threshold has been achieved, additional returns will be split 80/20 with the manager taking 20%.



# STATE BOARD OF INVESTMENT

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## Domestic Equity Manager Evaluation Reports

First Quarter, 2009



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# Domestic Equity

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**COMBINED RETIREMENT FUNDS**  
**ACTIVE DOMESTIC STOCK MANAGERS**  
**Periods Ending March, 2009**

	Quarter		1 Year		3 Years		5 Years			
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
Russell 1000 Core Aggregate	-8.6	-10.5	-38.0	-38.3	-14.4	-13.2	-4.8	-4.5		
Russell 1000 Growth Aggregate	-2.6	-4.1	-35.5	-34.3	-13.7	-11.3	-5.9	-4.4		
Russell 1000 Value Aggregate	-14.4	-16.8	-40.6	-42.4	-14.9	-15.4	-5.2	-4.9		
Russell 2000 Growth Aggregate	-7.7	-9.7	-40.9	-36.4	-17.4	-16.2	-6.2	-5.4		
Russell 2000 Value Aggregate	-16.8	-19.6	-43.3	-38.9	-22.1	-17.5	-8.2	-5.3		
<b>Active Manager Aggregate</b>	<b>-9.5</b>	<b>-11.5</b>	<b>-38.9</b>	<b>-38.3</b>	<b>-15.4</b>	<b>-14.0</b>	<b>-5.7</b>	<b>-4.8</b>		
<b>Semi-Passive Aggregate</b>	<b>-10.8</b>	<b>-10.5</b>	<b>-38.2</b>	<b>-38.3</b>	<b>-13.7</b>	<b>-13.2</b>	<b>-4.9</b>	<b>-4.5</b>		
<b>Passive Manager (BGI)</b>	<b>-10.9</b>	<b>-10.8</b>	<b>-38.1</b>	<b>-38.2</b>	<b>-13.5</b>	<b>-13.6</b>	<b>-4.5</b>	<b>-4.6</b>		
<b>Total Domestic Equity Aggregate</b>	<b>-10.5</b>	<b>-10.9</b>	<b>-38.3</b>	<b>-38.2</b>	<b>-14.1</b>	<b>-13.6</b>	<b>-4.9</b>	<b>-4.6</b>		
<b>SBI DE Asset Class Target</b>		<b>-10.8</b>		<b>-38.2</b>		<b>-13.6</b>		<b>-4.6</b>		
<b>Russell 3000 Index</b>		<b>-10.8</b>		<b>-38.2</b>		<b>-13.6</b>		<b>-4.6</b>		

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	2008		2007		2006		2005		2004	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Core Aggregate	-39.6	-37.6	2.4	5.8	15.8	15.5	6.4	6.3	14.5	11.4
Russell 1000 Growth Aggregate	-42.7	-38.4	14.9	11.8	2.2	9.1	7.3	5.3	6.1	6.3
Russell 1000 Value Aggregate	-38.0	-36.8	3.6	-0.2	17.4	22.2	6.0	7.1	14.3	16.5
Russell 2000 Growth Aggregate	-46.8	-38.5	21.6	7.0	10.0	13.3	4.7	4.2	9.7	14.3
Russell 2000 Value Aggregate	-36.1	-28.9	-13.4	-9.8	13.1	23.5	7.7	4.7	25.0	22.2
<b>Active Manager Aggregate</b>	<b>-40.5</b>	<b>-36.9</b>	<b>6.3</b>	<b>4.2</b>	<b>11.5</b>	<b>15.8</b>	<b>6.5</b>	<b>6.0</b>	<b>12.5</b>	<b>12.3</b>
<b>Semi-Passive Aggregate</b>	<b>-37.2</b>	<b>-37.6</b>	<b>3.2</b>	<b>5.8</b>	<b>16.1</b>	<b>15.5</b>	<b>6.2</b>	<b>6.3</b>	<b>11.7</b>	<b>11.4</b>
<b>Passive Manager (BGI)</b>	<b>-37.1</b>	<b>-37.3</b>	<b>5.1</b>	<b>5.1</b>	<b>15.8</b>	<b>15.7</b>	<b>6.2</b>	<b>6.1</b>	<b>12.0</b>	<b>11.9</b>
<b>Total Domestic Equity Aggregate</b>	<b>-38.1</b>	<b>-37.3</b>	<b>4.9</b>	<b>5.1</b>	<b>14.5</b>	<b>15.7</b>	<b>6.4</b>	<b>6.1</b>	<b>12.2</b>	<b>11.9</b>
<b>SBI DE Asset Class Target</b>		<b>-37.3</b>		<b>5.1</b>		<b>15.7</b>		<b>6.1</b>		<b>11.9</b>
<b>Russell 3000 Index</b>		<b>-37.3</b>		<b>5.1</b>		<b>15.7</b>		<b>6.1</b>		<b>11.9</b>



**COMBINED RETIREMENT FUNDS  
ACTIVE DOMESTIC STOCK MANAGERS**

Periods Ending March, 2009

Performance versus Russell Style Benchmarks for All Periods

	Quarter		1 Year		3 Years		5 Years		Since Inception (1)		Market Value (in millions)	Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
<b>LARGE CAP</b>												
<b>Russell 1000 Core</b>												
Mellon Capital	-11.8	-10.5	-41.8	-38.3	-15.3	-13.2	-5.5	-4.5	7.4	7.5	\$266.7	1.9%
New Amsterdam Partners	-3.5	-10.5	-31.1	-38.3	-11.9	-13.2	-3.5	-4.5	8.3	6.5	\$331.2	2.3%
UBS Global	-11.2	-10.5	-41.3	-38.3	-16.3	-13.2	-5.7	-4.5	5.5	5.7	\$275.3	1.9%
<b>Aggregate</b>	<b>-8.6</b>	<b>-10.5</b>	<b>-38.0</b>	<b>-38.3</b>	<b>-14.4</b>	<b>-13.2</b>	<b>-4.8</b>	<b>-4.5</b>			<b>\$873.3</b>	<b>6.1%</b>
<b>Russell 1000 Growth</b>												
Alliance Capital	-2.9	-4.1	-32.9	-34.3	-12.8	-11.3	-4.2	-4.4	11.1	8.1	\$182.9	1.3%
INTECH	-4.7	-4.1	-37.4	-34.3	-14.3	-11.3			-7.9	-6.3	\$196.1	1.4%
Jacobs Levy	-5.9	-4.1	-39.5	-34.3	-16.4	-11.3			-10.3	-6.3	\$166.9	1.2%
Knelman Asset Mgmt.	-4.7	-4.1	-34.7	-34.3	-11.6	-11.3			-5.9	-6.3	\$38.8	0.2%
Sands Capital	5.0	-4.1	-36.5	-34.3	-14.8	-11.3			-8.8	-6.3	\$134.4	0.9%
Voyageur-Chicago Equity (2)	-4.8	-4.1	-35.3	-34.3	-13.9	-11.3	-6.2	-4.4	-5.2	-8.8	\$31.9	0.2%
Winslow-Large Cap	-0.5	-4.1	-32.0	-34.3	-8.8	-11.3			-3.0	-6.3	\$82.8	0.5%
Zevenbergen Capital	-2.0	-4.1	-33.2	-34.3	-11.8	-11.3	-2.5	-4.4	6.0	4.8	\$167.9	1.0%
<b>Aggregate</b>	<b>-2.6</b>	<b>-4.1</b>	<b>-35.5</b>	<b>-34.3</b>	<b>-13.7</b>	<b>-11.3</b>	<b>-5.9</b>	<b>-4.4</b>			<b>\$1,001.8</b>	<b>6.7%</b>
<b>Russell 1000 Value</b>												
Barrow, Hanley	-14.9	-16.8	-37.5	-42.4	-14.3	-15.4	-3.8	-4.9	-3.8	-4.9	\$266.9	1.9%
Earnest Partners	-9.4	-16.8	-38.7	-42.4	-14.3	-15.4	-2.8	-4.9	-1.0	-0.9	\$109.1	0.7%
Lord Abbett & Co.	-15.4	-16.8	-40.9	-42.4	-14.2	-15.4	-5.2	-4.9	-5.2	-4.9	\$188.8	1.3%
LSV Asset Mgmt.	-16.1	-16.8	-43.5	-42.4	-16.3	-15.4	-4.2	-4.9	-4.2	-4.9	\$238.1	1.7%
Systematic Financial Mgmt	-13.2	-16.8	-41.6	-42.4	-14.6	-15.4	-4.0	-4.9	-4.0	-4.9	\$182.3	1.3%
<b>Aggregate</b>	<b>-14.4</b>	<b>-16.8</b>	<b>-40.6</b>	<b>-42.4</b>	<b>-14.9</b>	<b>-15.4</b>	<b>-5.2</b>	<b>-4.9</b>			<b>\$985.2</b>	<b>6.8%</b>
<b>SMALL CAP</b>												
<b>Russell 2000 Growth</b>												
McKinley Capital	-6.3	-9.7	-42.8	-36.4	-19.1	-16.2	-8.2	-5.4	-6.5	-4.1	\$125.7	0.9%
Next Century Growth	-7.6	-9.7	-41.7	-36.4	-16.0	-16.2	-1.2	-5.4	-6.1	-6.1	\$142.0	0.9%
Turner Investment Partners	-9.1	-9.7	-38.2	-36.4	-16.2	-16.2	-4.6	-5.4	-3.8	-4.1	\$141.5	1.0%
<b>Aggregate</b>	<b>-7.7</b>	<b>-9.7</b>	<b>-40.9</b>	<b>-36.4</b>	<b>-17.4</b>	<b>-16.2</b>	<b>-6.2</b>	<b>-5.4</b>			<b>\$409.3</b>	<b>2.7%</b>
<b>Russell 2000 Value</b>												
Goldman Sachs	-12.8	-19.6	-34.0	-38.9	-13.7	-17.5	-3.1	-5.3	-2.2	-3.8	\$83.3	0.6%
Hotchkis & Wiley	-14.4	-19.6	-50.2	-38.9	-28.0	-17.5	-12.8	-5.3	-10.4	-3.8	\$52.5	0.4%
Martingale Asset Mgmt	-19.8	-19.6	-43.2	-38.9	-22.8	-17.5	-8.6	-5.3	-6.5	-3.8	\$65.9	0.5%
Peregrine Capital	-18.2	-19.6	-45.9	-38.9	-23.8	-17.5	-8.7	-5.3	2.4	3.9	\$95.7	0.6%
RiverSource/Kenwood	-20.1	-19.6	-42.7	-38.9	-21.7	-17.5	-8.1	-5.3	-6.2	-3.8	\$30.0	0.2%
<b>Aggregate</b>	<b>-16.8</b>	<b>-19.6</b>	<b>-43.3</b>	<b>-38.9</b>	<b>-22.1</b>	<b>-17.5</b>	<b>-8.2</b>	<b>-5.3</b>			<b>\$327.4</b>	<b>2.2%</b>
<b>Active Mgr. Aggregate (3)</b>	<b>-9.5</b>	<b>-11.5</b>	<b>-38.9</b>	<b>-38.3</b>	<b>-15.4</b>	<b>-14.0</b>	<b>-5.7</b>	<b>-4.8</b>			<b>\$3,597.0</b>	<b>24.5%</b>

(1) Since retention by the SBI. Time period varies for each manager.

(2) Voyageur's benchmark was changed to the Russell 1000 Growth for all time periods on 1/1/2007.

(3) The Active Manager Aggregate Benchmark is the aggregate of the weighted average of the active manager benchmarks and is not the Russell 3000.

**COMBINED RETIREMENT FUNDS  
ACTIVE DOMESTIC STOCK MANAGERS  
Calendar Year Returns Versus  
Russell Style Benchmarks for All Periods**

	2008		2007		2006		2005		2004	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
<b>LARGE CAP</b>										
<b>Russell 1000 Core</b>										
Mellon Capital	-40.7	-37.6	2.4	5.8	20.4	15.5	3.4	6.3	15.7	11.4
New Amsterdam Partners	-36.7	-37.6	5.0	5.8	9.3	15.5	7.6	6.3	14.8	11.4
UBS Global	-41.3	-37.6	0.8	5.8	16.8	15.5	8.6	6.3	13.4	11.4
<b>Aggregate</b>	<b>-39.6</b>	<b>-37.6</b>	<b>2.4</b>	<b>5.8</b>	<b>15.8</b>	<b>15.5</b>	<b>6.4</b>	<b>6.3</b>	<b>14.5</b>	<b>11.4</b>
<b>Russell 1000 Growth</b>										
Alliance Capital	-40.3	-38.4	15.4	11.8	-0.4	9.1	14.2	5.3	5.7	6.3
INTECH	-42.8	-38.4	11.4	11.8	7.4	9.1	7.8	5.3		
Jacobs Levy	-44.9	-38.4	8.4	11.8	6.1	9.1	5.3	5.3		
Knelman Asset Mgmt.	-39.9	-38.4	18.0	11.8	7.1	9.1	6.6	5.3		
Sands Capital	-48.6	-38.4	19.5	11.8	-5.5	9.1	10.9	5.3		
Voyageur-Chicago Equity (1)	-39.3	-38.4	10.9	11.8	2.1	9.1	3.9	5.3	10.6	6.3
Winslow-Large Cap	-39.1	-38.4	22.0	11.8	7.6	9.1	10.5	5.3		
Zevenbergen Capital	-43.2	-38.4	24.0	11.8	6.2	9.1	9.0	5.3	13.1	6.3
<b>Aggregate</b>	<b>-42.7</b>	<b>-38.4</b>	<b>14.9</b>	<b>11.8</b>	<b>2.2</b>	<b>9.1</b>	<b>7.3</b>	<b>5.3</b>	<b>6.1</b>	<b>6.3</b>
<b>Russell 1000 Value</b>										
Barrow, Hanley	-35.2	-36.8	2.6	-0.2	15.4	22.2	9.6	7.1		
Earnest Partners	-39.8	-36.8	6.5	-0.2	13.8	22.2	15.6	7.1	18.9	16.5
Lord Abbett & Co.	-36.3	-36.8	4.4	-0.2	18.6	22.2	3.5	7.1		
LSV Asset Mgmt.	-39.3	-36.8	1.3	-0.2	21.7	22.2	12.5	7.1		
Systematic Financial Mgmt.	-40.6	-36.8	8.3	-0.2	17.9	22.2	10.3	7.1		
<b>Aggregate</b>	<b>-38.0</b>	<b>-36.8</b>	<b>3.6</b>	<b>-0.2</b>	<b>17.4</b>	<b>22.2</b>	<b>6.0</b>	<b>7.1</b>	<b>14.3</b>	<b>16.5</b>
<b>SMALL CAP</b>										
<b>Russell 2000 Growth</b>										
McKinley Capital	-49.1	-38.5	16.2	7.0	12.5	13.3	0.2	4.2	12.2	14.3
Next Century Growth	-49.3	-38.5	34.2	7.0	12.4	13.3	25.2	4.2	6.4	14.3
Turner Investment Partners	-41.9	-38.5	14.8	7.0	13.6	13.3	6.2	4.2	11.6	14.3
<b>Aggregate</b>	<b>-46.8</b>	<b>-38.5</b>	<b>21.6</b>	<b>7.0</b>	<b>10.0</b>	<b>13.3</b>	<b>4.7</b>	<b>4.2</b>	<b>9.7</b>	<b>14.3</b>
<b>Russell 2000 Value</b>										
Goldman Sachs	-26.8	-28.9	-5.0	-9.8	17.8	23.5	4.1	4.7	19.9	22.2
Hotchkis & Wiley	-44.1	-28.9	-18.8	-9.8	3.0	23.5	10.4	4.7	27.1	22.2
Martingale Asset Mgmt.	-33.8	-28.9	-16.8	-9.8	14.8	23.5	6.2	4.7	30.8	22.2
Peregrine Capital	-39.4	-28.9	-13.4	-9.8	14.3	23.5	10.1	4.7	23.6	22.2
RiverSource/Kenwood	-35.5	-28.9	-11.8	-9.8	19.4	23.5	4.8	4.7	25.8	22.2
<b>Aggregate</b>	<b>-36.1</b>	<b>-28.9</b>	<b>-13.4</b>	<b>-9.8</b>	<b>13.1</b>	<b>23.5</b>	<b>7.7</b>	<b>4.7</b>	<b>25.0</b>	<b>22.2</b>
<b>Active Mgr. Aggregate (2)</b>	<b>-40.5</b>	<b>-36.9</b>	<b>6.3</b>	<b>4.2</b>	<b>11.5</b>	<b>15.8</b>	<b>6.5</b>	<b>6.0</b>	<b>12.5</b>	<b>12.3</b>

(1) Voyageur's benchmark was changed to the Russell 1000 Growth for all time periods on 1/1/2007.

(2) The Active Manager Aggregate Benchmark is the aggregate of the weighted average of the active manager benchmarks and is not the Russell 3000.

Note: Includes full-year returns only. Performance of managers hired during a calendar year are reported beginning with the following calendar year.



**COMBINED RETIREMENT FUNDS  
DOMESTIC STOCK MANAGERS  
Periods Ending March, 2009  
Versus Manager Benchmarks**

	Quarter		1 Year		3 Years		5 Years		Since Inception (2)		Market Value (in millions)	Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
<b>SEMI-PASSIVE MANAGERS (1)</b>												
Barclays Global Investors	-10.8	-10.5	-38.1	-38.3	-14.2	-13.2	-4.9	-4.5	5.5	5.1	\$1,910.2	13.3%
JP Morgan	-9.7	-10.5	-37.4	-38.3	-12.7	-13.2	-4.5	-4.5	5.2	5.1	\$1,705.9	11.9%
Mellon Capital	-11.8	-10.5	-39.3	-38.3	-14.3	-13.2	-5.3	-4.5	4.5	5.1	\$1,493.1	10.4%
<b>Semi-Passive Aggregate (R1000)</b>	<b>-10.8</b>	<b>-10.5</b>	<b>-38.2</b>	<b>-38.3</b>	<b>-13.7</b>	<b>-13.2</b>	<b>-4.9</b>	<b>-4.5</b>	<b>5.1</b>	<b>5.1</b>	<b>\$5,109.2</b>	<b>35.6%</b>
<b>PASSIVE MANAGER (R3000)</b>												
Barclays Global Investors	-10.9	-10.8	-38.1	-38.2	-13.5	-13.6	-4.5	-4.6	4.5	4.4	\$5,659.0	39.4%
<b>Historical Aggregate (3)</b>	<b>-10.5</b>	<b>-10.9</b>	<b>-38.3</b>	<b>-38.2</b>	<b>-14.1</b>	<b>-13.6</b>	<b>-4.9</b>	<b>-4.6</b>	<b>8.3</b>	<b>8.6</b>	<b>\$14,365.2</b>	<b>100.0%</b>
SBI DE Asset Class Target (4)		-10.8		-38.2		-13.6		-4.6		8.5		
Russell 3000		-10.8		-38.2		-13.6		-4.6		8.9		
Wilshire 5000		-10.6		-38.0		-13.3		-4.4		8.8		
Russell 1000		-10.5		-38.3		-13.2		-4.5		9.1		
Russell 2000		-15.0		-37.5		-16.8		-5.2		7.1		

(1) Semi-Passive managers' benchmark is the Russell 1000 index beginning 1/1/04 and was the Completeness Fund benchmark prior to 1/1/04.

(2) Since retention by the SBI. Time period varies for each manager.

(3) Includes the performance of terminated managers.

(4) The Domestic Equity Asset Class Target is the Russell 3000 effective 10/1/03. From 7/1/99 to 9/30/03, it was the Wilshire 5000 Investable Index. From 11/1/93 to 6/30/99, the target was the Wilshire 5000 as reported with no adjustments. Prior to 11/1/93, the Wilshire 5000 was adjusted to reflect SBI mandated restrictions, which included liquor and tobacco, American Home Products and South Africa.

**COMBINED RETIREMENT FUNDS  
DOMESTIC STOCK MANAGERS  
Calendar Year Returns Versus  
Manager Benchmarks**

	2008		2007		2006		2005		2004	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
<b>SEMI-PASSIVE MANAGERS (1)</b>										
Barclays Global Investors	-37.1	-37.6	2.2	5.8	15.6	15.5	7.6	6.3	11.7	11.4
Mellon Capital	-37.6	-37.6	2.5	5.8	16.5	15.5	6.1	6.3	11.7	11.4
JP Morgan	-37.1	-37.6	5.1	5.8	16.5	15.5	4.7	6.3	11.7	11.4
<b>Semi-Passive Aggregate (R1000)</b>	<b>-37.2</b>	<b>-37.6</b>	<b>3.2</b>	<b>5.8</b>	<b>16.1</b>	<b>15.5</b>	<b>6.2</b>	<b>6.3</b>	<b>11.7</b>	<b>11.4</b>
<b>PASSIVE MANAGER (R3000)</b>										
Barclays Global Investors	-37.1	-37.3	5.1	5.1	15.8	15.7	6.2	6.1	12.0	11.9
<b>Historical Aggregate (2)</b>	<b>-38.1</b>	<b>-37.3</b>	<b>4.9</b>	<b>5.1</b>	<b>14.5</b>	<b>15.7</b>	<b>6.4</b>	<b>6.1</b>	<b>12.2</b>	<b>11.9</b>
SBI DE Asset Class Target (3)		-37.3		5.1		15.7		6.1		11.9
Russell 3000		-37.3		5.1		15.7		6.1		11.9
Wilshire 5000		-37.2		5.6		15.8		6.4		12.5
Russell 1000		-37.6		5.8		15.5		6.3		11.4
Russell 2000		-33.8		-1.6		18.4		4.6		18.3

(1) Semi-Passive managers' benchmark is the Russell 1000 index beginning 1/1/04 and was the Completeness Fund benchmark prior to 1/1/04.

(2) Includes the performance of terminated managers.

(3) The Domestic Equity Asset Class Target is the Russell 3000 Index effective 10/1/03. From 7/1/99 to 9/30/03, it was the Wilshire 5000 Investable Index.

From 11/1/93 to 6/30/99, the target was the Wilshire 5000 as reported with no adjustments. Prior to 11/1/93, the Wilshire 5000 was adjusted to reflect SBI mandated restrictions, which included liquor and tobacco, American Home Products and South Africa.

Note: Includes full-year returns only. Performance of managers hired during a calendar year are reported beginning with the following calendar year.



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## **Large Cap Core (R1000)**



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## Large Cap Core (R1000)

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**MELLON CAPITAL MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Tony Garvin**

**Assets Under Management: \$266,745,432**

**Investment Philosophy – Active Style**

Mellon believes that rigorous and consistent application of fundamentally based valuation criteria will produce value added investment returns. Mellon builds a portfolio by using a series of more than 30 integrated computer models that value a universe of 3500 stocks. Their models rank each security based on fundamental momentum, relative value, future cash flow, and supplementary models. A composite ranking then provides one ranked list of securities reflecting relative attractiveness. Stocks that fall below the median ranking are sold and proceeds are reinvested in stocks from the top deciles in the ranking system. Mellon uses the BARRA E3 risk model to monitor the portfolio's systematic risk and industry weightings, relative to the selected benchmark, to achieve a residual risk of 4.0 to 4.5 percent for the active portfolio.

**Staff Comments**

The portfolio trailed its benchmark for the quarter and the year due to weak stock selection. For both periods, names held in the Technology, Integrated Oils and Producer Durables sectors detracted from performance. For the year, stock selection in the Health Care sector had the most negative impact on return.

The Franklin legacy investment team and process have not changed since the merger with Mellon Capital on January 1, 2009. They have announced one staff departure: Paul Healey, COO and President, is expected to leave Mellon Capital by June 30, 2009. An integration group has been created within the two investment teams (Franklin and Mellon Capital) to establish a shared investment infrastructure during 2009.

**Recommendation**

No action required

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Core</b>
Last Quarter	-11.8%	-10.5%
Last 1 year	-41.8	-38.3
Last 2 years	-27.9	-23.6
Last 3 years	-15.3	-13.2
Last 4 years	-9.2	-7.3
Last 5 years	-5.5	-4.5
Since Inception (4/89)	7.4	7.5

**Calendar Year Returns**

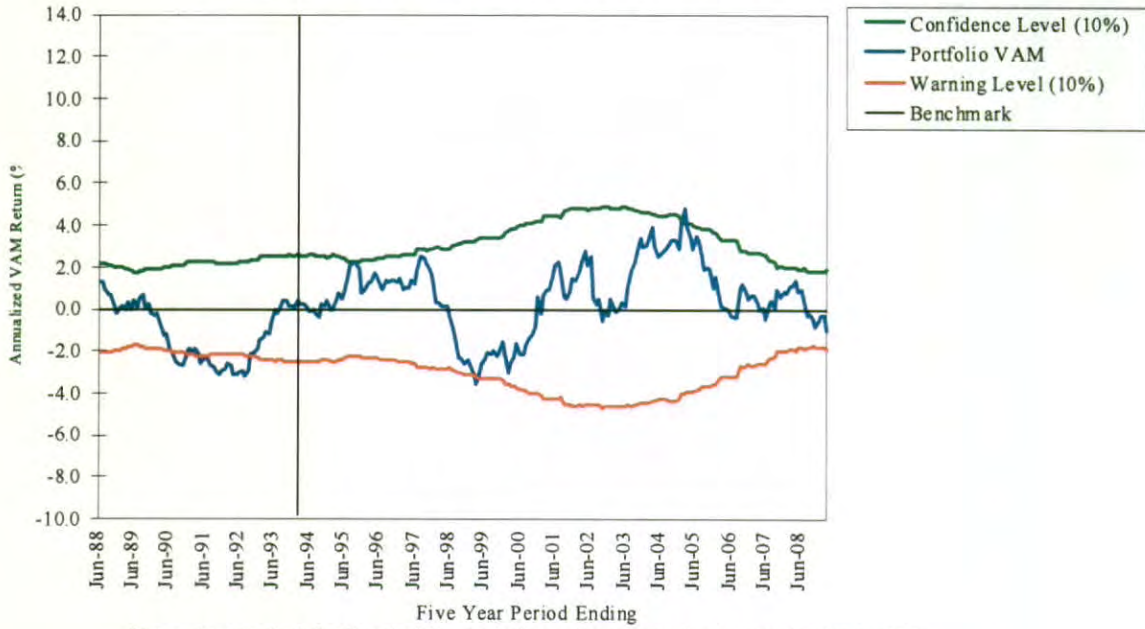
	<b>Actual</b>	<b>Russell 1000 Core</b>
2008	-40.7%	-37.6%
2007	2.4	5.8
2006	20.4	15.5
2005	3.4	6.3
2004	15.7	11.4

**MELLON CAPITAL MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Tony Garvin**

**Assets Under Management: \$266,745,432**

MELLON CAPITAL MANAGEMENT - Active  
Rolling Five Year VAM vs. Russell 1000 Core



Note: Area to the left of vertical line includes performance prior to retention by the SBI.



**NEW AMSTERDAM PARTNERS**  
**Periods Ending March, 2009**

**Portfolio Manager: Michelle Clayman**

**Assets Under Management: \$331,195,847**

**Investment Philosophy**

New Amsterdam Partners believes that investment results are evaluated by actual return, and therefore, investment opportunities should be evaluated by expected return. They believe that all valid techniques depend on forecasts of the amounts and timing of future cash flows. Thus, the firm focuses on forecasted earnings growth, yield, price-to-book ratio, and forecasted return on equity. They believe that the disciplined application of their valuation techniques, in conjunction with sound financial analysis of companies, is the key to understanding and maximizing investment returns.

**Staff Comments**

The portfolio outperformed its benchmark for the quarter and the year from both strong stock selection and sector allocation. An underweight position in Financial Services and an overweight in Consumer Discretionary along with strong stock selection in both sectors helped performance for the quarter. For the year, an underweight position in Financial Services and strong stock selection in Consumer Discretionary added value to the portfolio.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell Index</b>
Last Quarter	-3.5%	-10.5%
Last 1 year	-31.1	-38.3
Last 2 years	-20.5	-23.6
Last 3 years	-11.9	-13.2
Last 4 years	-6.7	-7.3
Last 5 years	-3.5	-4.5
Since Inception (1) (4/94)	8.3	6.5

**Calendar Year Returns**

	<b>Actual</b>	<b>Russell Index (1)</b>
2008	-36.7%	-37.6%
2007	5.0	5.8
2006	9.3	15.5
2005	7.6	6.3
2004	14.8	11.4

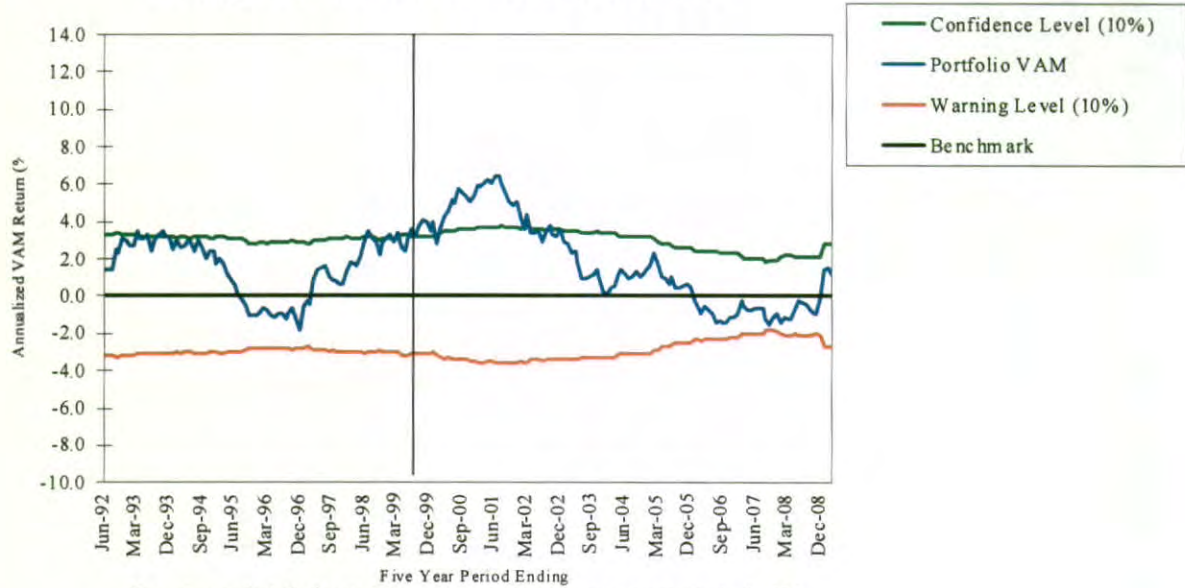
(1) New Amsterdam Partners' published benchmark is the Russell 1000 Core beginning 10/1/03. Prior to that date it was the Russell Midcap index.

**NEW AMSTERDAM PARTNERS**  
**Periods Ending March, 2009**

**Portfolio Manager: Michelle Clayman**

**Assets Under Management: \$331,195,847**

NEW AMSTERDAM PARTNERS  
 Rolling Five Year VAM vs. Russell Index (1)



Note: Area to the left of vertical line includes performance prior to retention by the SBI.



**UBS GLOBAL ASSET MANAGEMENT, INC.**  
**Periods Ending March, 2009**

**Portfolio Manager: John Leonard**

**Assets Under Management: \$275,331,315**

**Investment Philosophy**

UBS uses a relative value approach to equity investing. They believe that the market price will ultimately reflect the present value of the cash flows the security will generate for the investor. They focus on a bottom-up stock selection process to provide insight into finding opportunistic investments. UBS uses a proprietary discounted free cash flow model as the primary analytical tool for estimating the intrinsic value of a company.

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Core</b>
Last Quarter	-11.2%	-10.5%
Last 1 year	-41.3	-38.3
Last 2 years	-27.5	-23.6
Last 3 years	-16.3	-13.2
Last 4 years	-9.1	-7.3
Last 5 years	-5.7	-4.5
Since Inception (7/93)	5.5	5.7

**Calendar Year Returns**

	<b>Actual</b>	<b>Russell 1000 Core</b>
2008	-41.3%	-37.6%
2007	0.8	5.8
2006	16.8	15.5
2005	8.6	6.3
2004	13.4	11.4

**UBS GLOBAL ASSET MANAGEMENT, INC.**  
**Periods Ending March, 2009**

**Portfolio Manager: John Leonard**

**Assets Under Management: \$275,331,315**

UBS GLOBAL ASSET MANAGEMENT, INC.  
 Rolling Five Year VAM vs. Russell 1000 Core



Note: Area to the left of vertical line includes performance prior to retention by the SBI.



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## **Large Cap Growth (R1000 Growth)**





## Large Cap Growth (R1000 Growth)

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**ALLIANCE CAPITAL MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Stephanie Simon**

**Assets Under Management: \$182,877,000**

**Investment Philosophy**

Alliance searches for companies likely to experience high rates of earnings growth, on either a cyclical or secular basis. Alliance invests in a range of medium to large growth and cyclically sensitive companies. There is no clear distinction on the part of the firm as to an emphasis on one particular type of growth company over another. However, the firm's decision-making process appears to be much more oriented toward macroeconomic considerations than is the case with most other growth managers. Accordingly, cyclical earnings prospects, rather than secular, appear to play a larger role in terms of stock selection. Alliance is not an active market timer, rarely raising cash above minimal levels.

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Growth</b>
Last Quarter	-2.9%	-4.1%
Last 1 year	-32.9	-34.3
Last 2 years	-18.6	-19.2
Last 3 years	-12.8	-11.3
Last 4 years	-5.2	-5.7
Last 5 years	-4.2	-4.4
Since Inception (1/84)	11.1	8.1

**Calendar Year Returns**

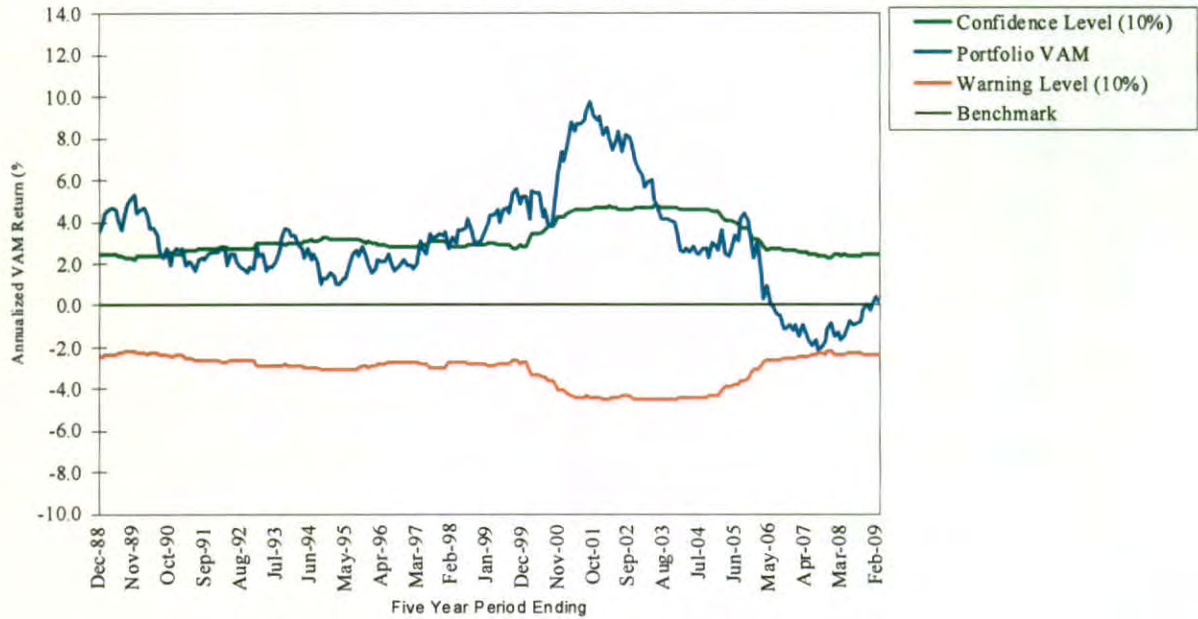
	<b>Actual</b>	<b>Russell 1000 Growth</b>
2008	-40.3%	-38.4%
2007	15.4	11.8
2006	-0.4	9.1
2005	14.2	5.3
2004	5.7	6.3

**ALLIANCE CAPITAL MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Stephanie Simon**

**Assets Under Management: \$182,877,000**

ALLIANCE CAPITAL MANAGEMENT  
 Rolling Five Year VAM vs. Russell 1000 Growth





**INTECH INVESTMENT MANAGEMENT LLC**  
**Periods Ending March, 2009**

**Portfolio Manager: Robert Fernholz**

**Assets Under Management: \$ 196,060,236**

**Investment Philosophy**

Through the application of a proprietary mathematical process, the investment strategy is designed to determine more efficient weightings of the securities within the Russell 1000 Growth benchmark. No specific sector or security selection decisions based on fundamentals are required. Risk parameters include: 1) minimize absolute standard deviation or maximize information ratio, 2) security positions limited to lesser of 2.5% or 10 times maximum index security weight, and 3) beta equal to or less than benchmark beta. Target security positions are established using an optimization routine designed to build a portfolio that will outperform a passive benchmark over the long term. Rebalancing to target proportions occurs every six (6) business days, and partial re-optimization occurs weekly.

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Growth</b>
Last Quarter	-4.7%	-4.1%
Last 1 year	-37.4	-34.3
Last 2 years	-22.6	-19.2
Last 3 years	-14.3	-11.3
Last 4 years	-8.0	-5.7
Last 5 years	N/A	N/A
Since Inception (1/05)	-7.9	-6.3

**Calendar Year Returns**

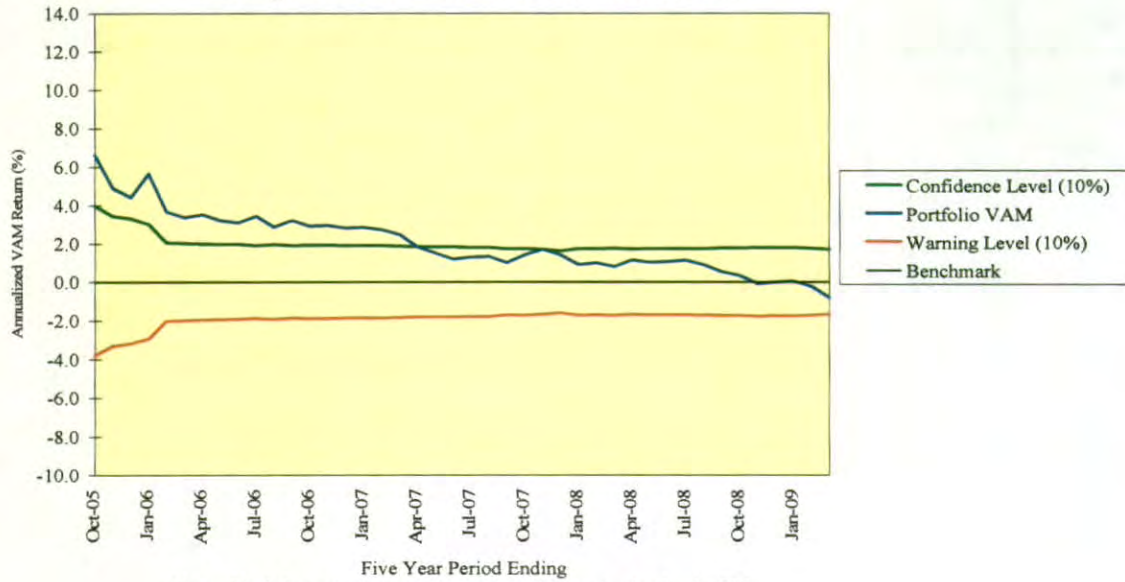
	<b>Actual</b>	<b>Russell 1000 Growth</b>
2008	-42.8%	-38.4%
2007	11.4	11.8
2006	7.4	9.1
2005	7.8	5.3
2004	N/A	N/A

**INTECH INVESTMENT MANAGEMENT LLC**  
**Periods Ending March, 2009**

**Portfolio Manager: Robert Fernholz**

**Assets Under Management: \$196,060,236**

INTECH Investment Management LLC  
 Rolling Five Year VAM vs. Russell 1000 Growth



Note: Shaded area includes performance prior to retention by the SBI.



**JACOBS LEVY EQUITY MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Bruce Jacobs and Ken Levy**

**Assets Under Management: \$166,942,932**

**Investment Philosophy**

The strategy combines human insight and intuition, finance and behavioral theory, and state-of-the-art quantitative and statistical methods. Security expected returns generated from numerous models become inputs for the firm's proprietary portfolio optimizer. The optimizer is run daily with the objective of maximizing the information ratio, while ensuring proper diversification across market inefficiencies, securities, industries, and sectors. Extensive data scrubbing is conducted on a daily basis using both human and technology resources. Liquidity, trading costs, and investor guidelines are incorporated within the optimizing process.

**Staff Comments**

The portfolio underperformed its benchmark for the quarter and the year. For both periods, performance was hurt by an underweight position in the Technology and Materials & Processing sectors in addition to weak stock selection in Health Care, Other Energy and Materials & Processing sectors. Weak stock selection in Consumer Discretionary also detracted from performance for the year.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Growth</b>
Last Quarter	-5.9%	-4.1%
Last 1 year	-39.5	-34.3
Last 2 years	-24.8	-19.2
Last 3 years	-16.4	-11.3
Last 4 years	-9.9	-5.7
Last 5 years	N/A	N/A
Since Inception (1/05)	-10.3	-6.3

**Calendar Year Returns**

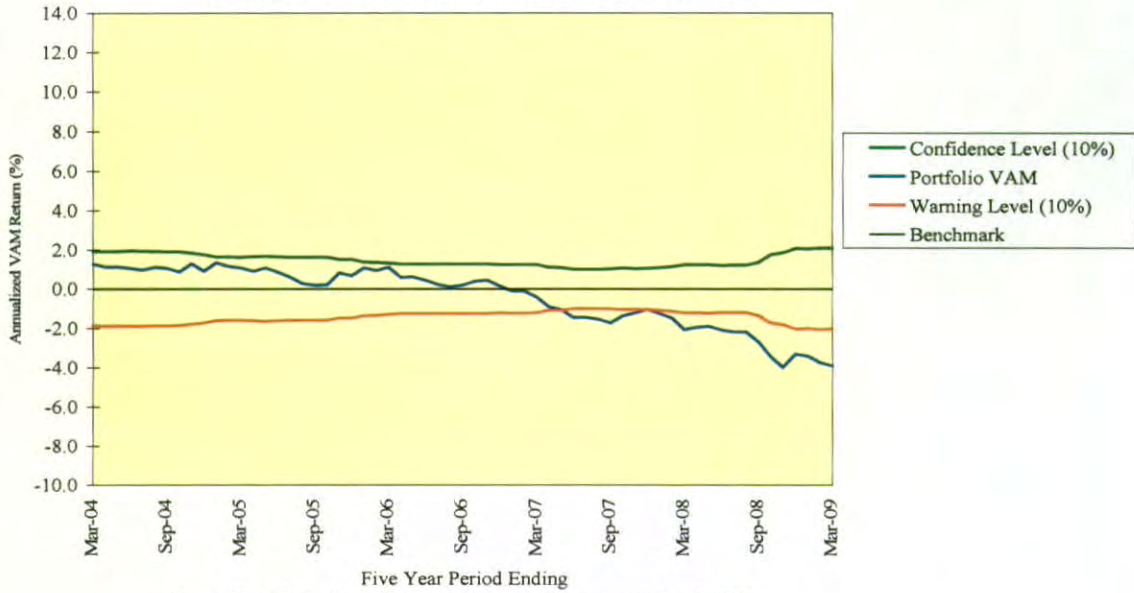
	<b>Actual</b>	<b>Russell 1000 Growth</b>
2008	-44.9%	-38.4%
2007	8.4	11.8
2006	6.1	9.1
2005	5.3	5.3
2004	N/A	N/A

**JACOBS LEVY EQUITY MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Bruce Jacobs and Ken Levy**

**Assets Under Management: \$166,942,932**

**JACOBS LEVY EQUITY MANAGEMENT**  
**Rolling Five Year VAM vs. Russell 1000 Growth**



Note: Shaded area includes performance prior to retention by the SBI.



**KNELMAN ASSET MANAGEMENT, LLC**  
**Periods Ending March, 2009**

**Portfolio Manager: Kip Knelman**

**Assets Under Management: \$38,843,557**

**Investment Philosophy**

The strategy invests in companies exhibiting substantial growth opportunities, strong business models, solid management teams, and the probability for positive earnings surprises. The approach emphasizes earnings growth as the fundamental driver of stock prices over time. The process combines quantitative, qualitative and valuation criteria. The quantitative component addresses fundamentals and is focused on operating trends. Qualitative analysis involves confirmation of company fundamentals through discussions with company contacts and related parties. Valuation models focus on relative rankings of the fundamentals within the industry, the market overall and the company itself.

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Growth</b>
Last Quarter	-4.7%	-4.1%
Last 1 year	-34.7	-34.3
Last 2 years	-19.1	-19.2
Last 3 years	-11.6	-11.3
Last 4 years	-5.3	-5.7
Last 5 years	N/A	N/A
Since Inception (1/05)	-5.9	-6.3

**Calendar Year Returns**

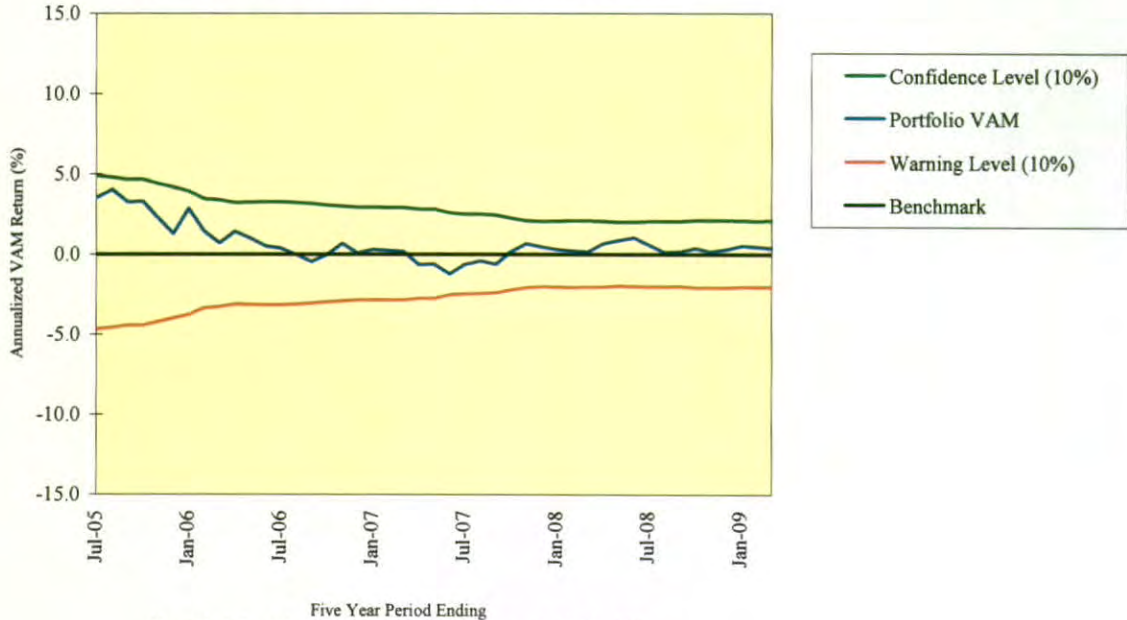
	<b>Actual</b>	<b>Russell 1000 Growth</b>
2008	-39.9%	-38.4%
2007	18.0	11.8
2006	7.1	9.1
2005	6.6	5.3
2004	N/A	N/A

**KNELMAN ASSET MANAGEMENT, LLC**  
**Periods Ending March, 2009**

**Portfolio Manager: Kip Knelman**

**Assets Under Management: \$38,843,557**

KNELMAN ASSET MANAGEMENT, LLC.  
 Rolling Five Year VAM vs. Russell 1000 Growth



Note: Shaded area includes performance prior to retention by the SBI.



**SANDS CAPITAL MANAGEMENT LLC**  
**Periods Ending March, 2009**

**Portfolio Manager: Frank Sands, Jr.**

**Assets Under Management: \$134,433,905**

**Investment Philosophy**

The manager invests in high-quality, seasoned and growing businesses. Bottom-up, company-focused, long-term oriented research is the cornerstone of the investment process. The strategy focuses on six (6) key investment criteria: 1) sustainable above average earnings growth; 2) leadership position in a promising business space; 3) significant competitive advantages or unique business franchise; 4) management with a clear mission and value added focus; 5) financial strength; and 6) rational valuation relative to the overall market and the company's business prospects.

**Staff Comments**

Sands outperformed its benchmark for the quarter but trailed for the year. Strong stock selection in Technology, Other Energy, Consumer discretionary and Financial Services sectors contributed to the portfolio's positive absolute return for the quarter. The one year performance was negatively impacted by poor stock selection in Health Care and Consumer Discretionary in addition to an overweight position in the Other Energy sector.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Growth</b>
Last Quarter	5.0%	-4.1%
Last 1 year	-36.5	-34.3
Last 2 years	-20.7	-19.2
Last 3 years	-14.8	-11.3
Last 4 years	-7.1	-5.7
Last 5 years	N/A	N/A
Since Inception (1/05)	-8.8	-6.3

**Calendar Year Returns**

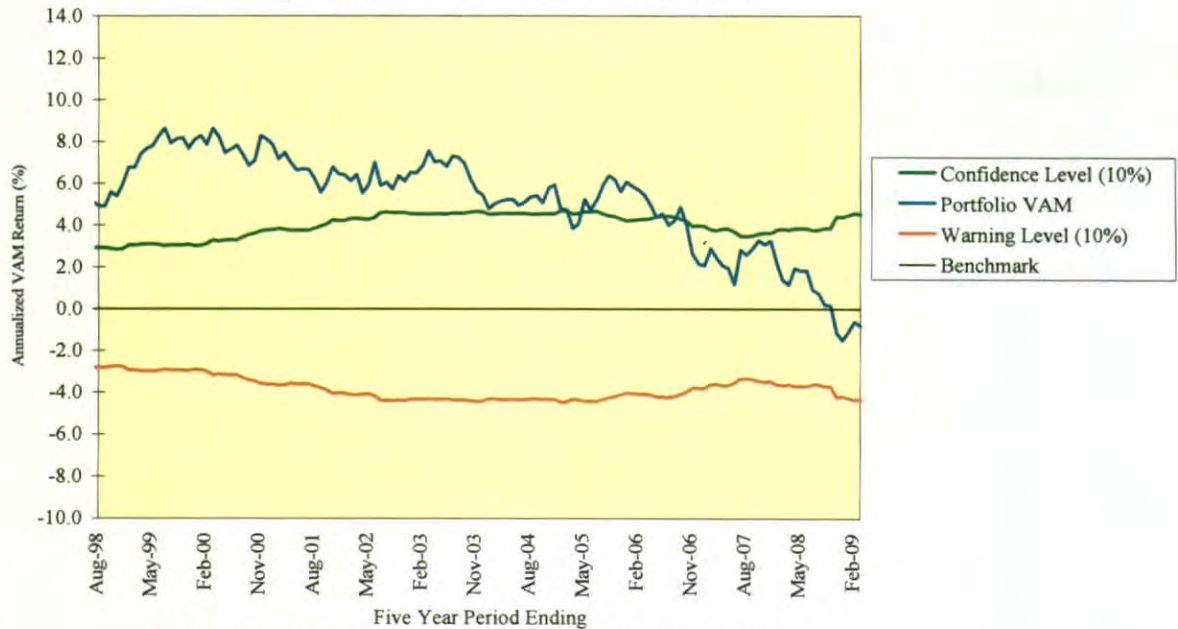
	<b>Actual</b>	<b>Russell 1000 Growth</b>
2008	-48.6%	-38.4%
2007	19.5	11.8
2006	-5.5	9.1
2005	10.9	5.3
2004	N/A	N/A

**SANDS CAPITAL MANAGEMENT LLC**  
**Periods Ending March, 2009**

**Portfolio Manager: Frank Sands, Jr.**

**Assets Under Management: \$134,433,905**

Sands Capital Management, LLC  
 Rolling Five Year VAM vs. Russell 1000 Growth



Note: Shaded area includes performance prior to retention by the SBI.



**VOYAGEUR ASSET MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Gordon Telfer and Nancy Scinto      Assets Under Management: \$31,935,447**

**Investment Philosophy**

Voyageur's Large Cap Growth Equity strategy is focused on achieving consistent, superior performance with near-benchmark risk. They seek high quality growth companies with exceptional financial strength and proven growth characteristics. They believe that sound fundamental analysis reveals those companies with superior earnings achievement and potential. Their screening process identifies companies that over the past five years have had higher growth in sales, earnings, return on equity, earnings stability and have lower debt ratios relative to their benchmark. Because they focus on diversification and sector limitations, they believe they can continue to outperform as different investment styles move in and out of favor.

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Growth</b>
Last Quarter	-4.8%	-4.1%
Last 1 year	-35.3	-34.3
Last 2 years	-20.0	-19.2
Last 3 years	-13.9	-11.3
Last 4 years	-8.2	-5.7
Last 5 years	-6.2	-4.4
Since Inception (7/00)	-5.2	-8.8

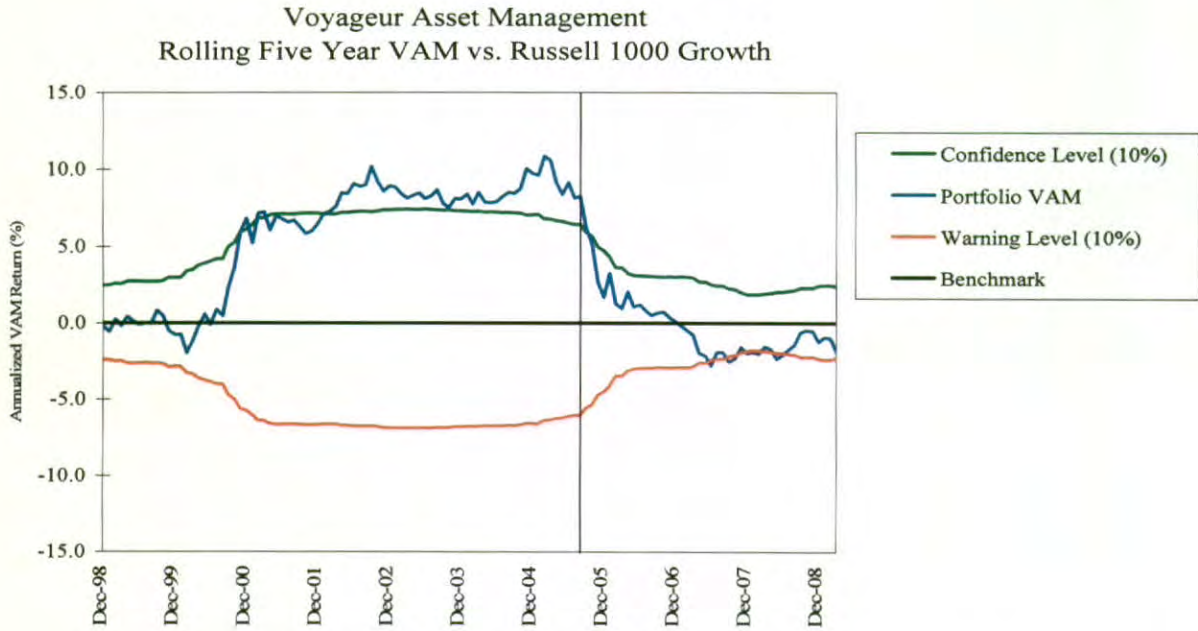
**Calendar Year Returns**

	<b>Actual</b>	<b>Russell 1000 Growth</b>
2008	-39.3%	-38.4%
2007	10.9	11.8
2006	2.1	9.1
2005	3.9	5.3
2004	10.6	6.3

**VOYAGEUR ASSET MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Gordon Telfer and Nancy Scinto**

**Assets Under Management: \$31,935,447**



Five Year Period Ending  
 Note: Area to the left of the vertical line includes performance prior to retention by the SBI.



**WINSLOW CAPITAL MANAGEMENT, INC.**  
**Periods Ending March, 2009**

**Portfolio Manager: Bart Wear and Justin Kelly**

**Assets Under Management: \$82,805,357**

**Investment Philosophy**

The strategy identifies companies that can grow earnings above consensus expectations to build portfolios with forward weighted earnings growth in the range of 15-20% annually. A quantitative screen is employed for factors such as revenue and earnings growth, return on invested capital, earnings consistency, earnings revisions, low financial leverage and high free cash flow rates relative to net income. Resulting companies are subjected to a qualitative assessment within the context of industry sectors. Detailed examination of income statements, cash flow and balance sheet projections is conducted, along with a judgment on the quality of management. Attractively valued stocks are chosen based on P/E relative to the benchmark, sector peers, the company's sustainable future growth rate and return on invested capital. Final portfolio construction includes diversification by economic sectors, earnings growth rates, price/earnings ratios and market capitalizations.

**Staff Comments**

Winslow Capital employs a team approach to manage the large cap growth portfolio. As part of the succession plan, Clark Winslow has gradually reduced his day to day portfolio investment responsibilities as they transitioned to the current co-portfolio managers for the large cap growth strategy, Bart Wear and Justin Kelly. Clark Winslow will continue in his role as CEO and CIO of the firm.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Growth</b>
Last Quarter	-0.5%	-4.1%
Last 1 year	-32.0	-34.3
Last 2 years	-14.7	-19.2
Last 3 years	-8.8	-11.3
Last 4 years	-1.9	-5.7
Last 5 years	N/A	N/A
Since Inception (1/05)	-3.0	-6.3

**Calendar Year Returns**

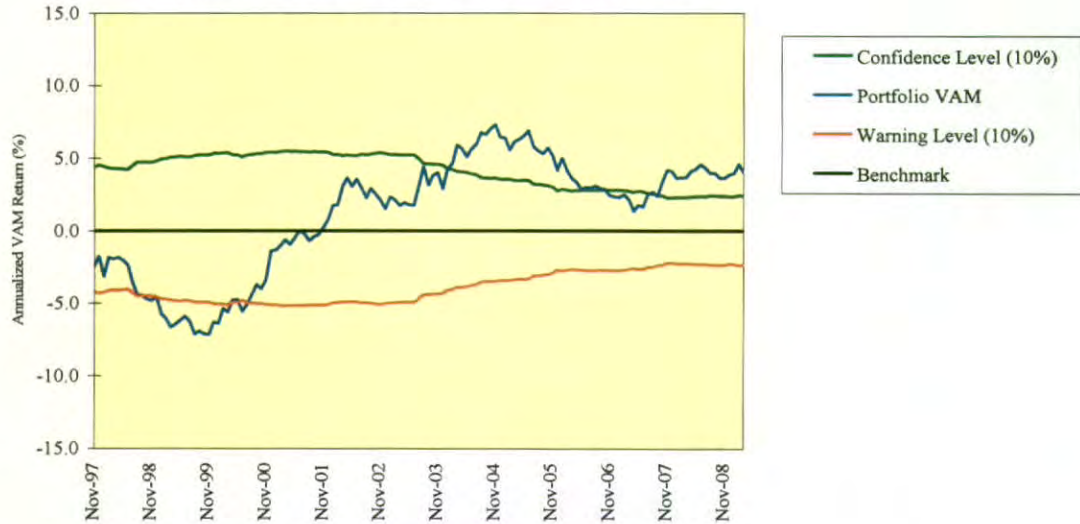
	<b>Actual</b>	<b>Russell 1000 Growth</b>
2008	-39.1%	-38.4%
2007	22.0	11.8
2006	7.6	9.1
2005	10.5	5.3
2004	N/A	N/A

**WINSLOW CAPITAL MANAGEMENT, INC.**  
**Periods Ending March, 2009**

**Portfolio Manager: Bart Wear and Justin Kelly**

**Assets Under Management: \$82,805,357**

WINSLOW CAPITAL MANAGEMENT, INC.  
 Rolling Five Year VAM vs. Russell 1000 Growth



Five Year Period Ending  
 Note: Shaded area includes performance prior to retention by the SBI.



**ZEVENBERGEN CAPITAL INC.**  
**Periods Ending March, 2009**

**Portfolio Manager: Nancy Zevenbergen**

**Assets Under Management: \$167,940,422**

**Investment Philosophy**

Zevenbergen is an equity growth manager. The investment philosophy is based on the belief that earnings drive stock prices while quality provides capital protection. Hence, portfolios are constructed with companies showing above-average earnings growth prospects and strong financial characteristics. They consider diversification for company size, expected growth rates and industry weightings to be important risk control factors. Zevenbergen uses a bottom-up fundamental approach to security analysis. Research efforts focus on finding companies with superior products or services showing consistent profitability. Attractive buy candidates are reviewed for sufficient liquidity and potential diversification. The firm emphasizes that they are not market timers.

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Growth</b>
Last Quarter	-2.0%	-4.1%
Last 1 year	-33.2	-34.3
Last 2 years	-18.9	-19.2
Last 3 years	-11.8	-11.3
Last 4 years	-3.7	-5.7
Last 5 years	-2.5	-4.4
Since Inception (4/94)	6.0	4.8

**Calendar Year Returns**

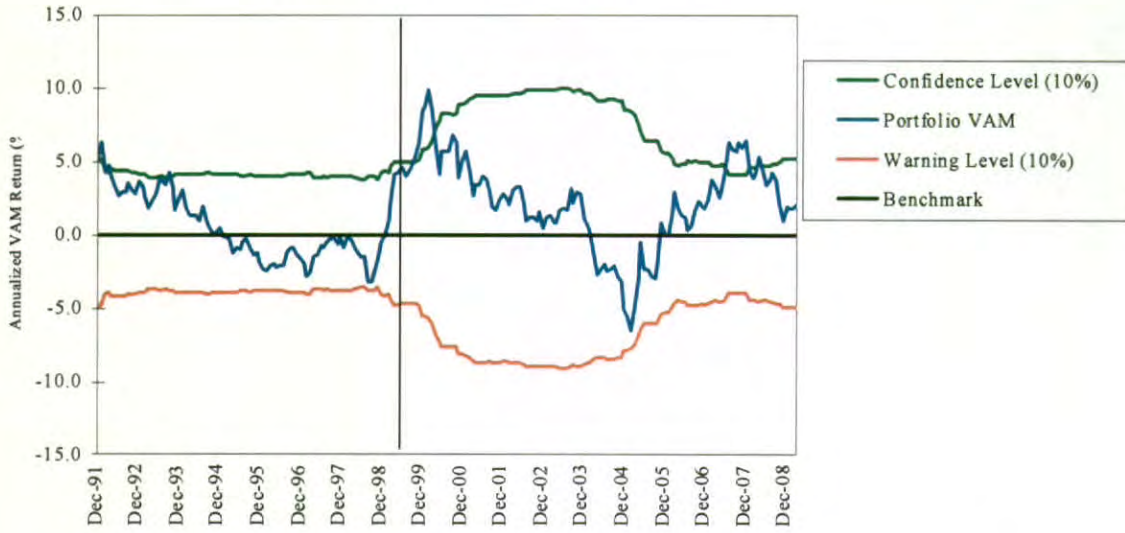
	<b>Actual</b>	<b>Russell 1000 Growth</b>
2008	-43.2%	-38.4%
2007	24.0	11.8
2006	6.2	9.1
2005	9.0	5.3
2004	13.1	6.3

**ZEVENBERGEN CAPITAL INC.**  
**Periods Ending March, 2009**

**Portfolio Manager: Nancy Zevenbergen**

**Assets Under Management: \$167,940,422**

Zevenbergen Capital Inc.  
 Rolling Five Year VAM vs. Russell 1000 Growth



Five Year Period Ending  
 Note: Area to the left of vertical line includes performance prior to retention by the SBI.



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## **Large Cap Value (R1000 Value)**



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## Large Cap Value (R1000 Value)

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**BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.**  
**Periods Ending March, 2009**

**Portfolio Manager: Tim Culler**

**Assets Under Management: \$266,881,440**

**Investment Philosophy**

The manager's approach is based on the underlying philosophy that markets are inefficient. Inefficiencies can best be exploited through adherence to a value-oriented investment process dedicated to the selection of securities on a bottom-up basis. The team does not attempt to time the market or rotate in and out of broad market sectors.

The manager remains fully invested with a defensive, conservative orientation based on the belief that superior returns can be achieved while taking below average risks. This strategy is implemented by constructing portfolios of individual stocks that exhibit price/earnings and price/book ratios significantly *below* the market and dividend yields significantly *above* the market. Risk control is achieved by limiting sector weights to 35% and industry weights to 15%. In periods of economic recovery and rising equity markets, profitability and earnings growth are rewarded by the expansion of price/earnings ratios and the generation of excess returns.

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Value</b>
Last Quarter	-14.9%	-16.8%
Last 1 year	-37.5	-42.4
Last 2 years	-25.5	-28.0
Last 3 years	-14.3	-15.4
Last 4 years	-8.5	-9.0
Last 5 years	-3.8	-4.9
Since Inception (4/04)	-3.8	-4.9

**Calendar Year Returns\***

	<b>Actual</b>	<b>Russell 1000 Value</b>
2008	-35.2%	-36.8%
2007	2.6	-0.2
2006	15.4	22.2
2005	9.6	7.1
2004	N/A	N/A

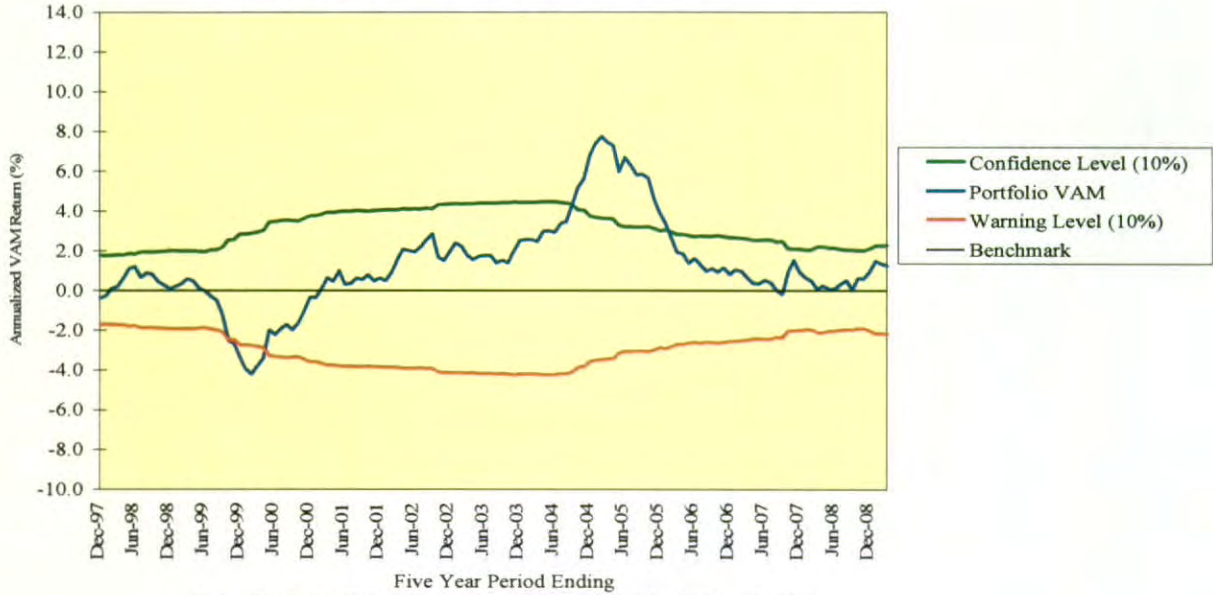
\* Note: Manager was funded 4/04. Includes full-year returns only. Performance of managers hired during a calendar year are reported beginning with the following calendar year.

**BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.**  
**Periods Ending March, 2009**

**Portfolio Manager: Tim Culler**

**Assets Under Management: \$266,881,440**

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.  
 Rolling Five Year VAM vs. Russell 1000 Value



Note: Shaded area includes performance prior to retention by the SBI.



**EARNEST PARTNERS, LLC**  
**Periods Ending March, 2009**

**Portfolio Manager: Paul Viera**

**Assets Under Management: \$109,126,409**

**Investment Philosophy**

Earnest Partners utilizes its proprietary Return Pattern Recognition model and rigorous fundamental review to identify stocks with the most attractive relative returns. They have identified six performance drivers – valuation measures, operating trends, market trends, growth measures, profitability measures and macroeconomic measures. Extensive research is conducted to determine which combination of performance drivers, or return patterns, precede out-performance for stocks in each sector. They select stocks whose return patterns suggest favorable performance and control risk using a statistical program designed to measure and control the prospects of substantially under-performing the benchmark. The portfolio is diversified across industry groups.

**Staff Comments**

The portfolio outperformed its benchmark for the quarter and the year primarily due to strong stock selection. For both the quarter and the year holdings in the Consumer Discretionary and Technology sectors benefited performance. An overweight position in the Technology sector was also a big contributor to the portfolios positive relative return for the quarter.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Value</b>
Last Quarter	-9.4%	-16.8%
Last 1 year	-38.7	-42.4
Last 2 years	-24.3	-28.0
Last 3 years	-14.3	-15.4
Last 4 years	-7.2	-9.0
Last 5 years	-2.8	-4.9
Since Inception (7/00)	-1.0	-0.9

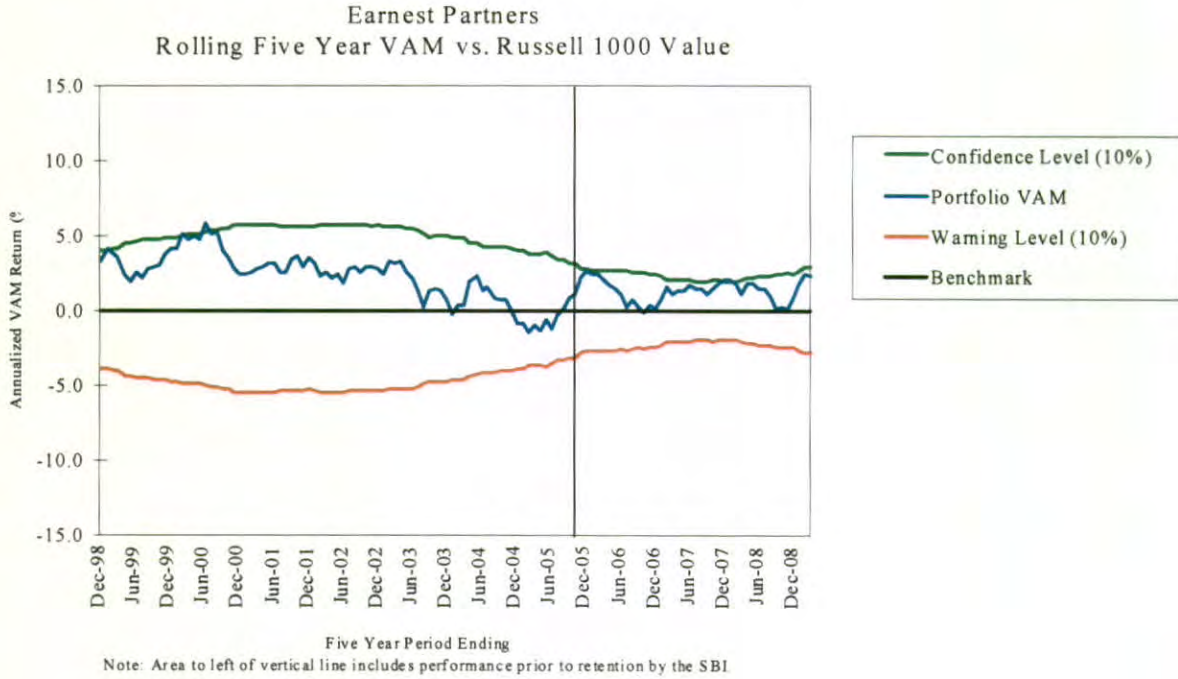
**Calendar Year Returns**

	<b>Actual</b>	<b>Russell 1000 Value</b>
2008	-39.8%	-36.8%
2007	6.5	-0.2
2006	13.8	22.2
2005	15.6	7.1
2004	18.9	16.5

**EARNEST PARTNERS, LLC**  
**Periods Ending March, 2009**

**Portfolio Manager: Paul Viera**

**Assets Under Management: \$109,126,409**





**LORD ABBETT & CO. LLC**  
**Periods Ending March, 2009**

**Portfolio Manager: Eli Salzmann**

**Assets Under Management: \$188,788,634**

**Investment Philosophy**

Utilizing a value-based, disciplined investment process that employs both informed judgment and quantitative analysis, Lord Abbett seeks to invest in companies with improving business fundamentals that are attractively valued. This process is implemented via a traditional fundamental active stock selection approach.

As a value manager, Lord Abbett believes that the market systematically misprices stocks. By coupling valuation criteria with thorough research of corporate and industry fundamentals, informed judgments can be made about where the market would price these stocks at fair value. The portfolio is constructed to exploit pricing discrepancies where it is perceived that: 1) these price differences will be closed over a reasonable period of time, or 2) there may be a catalyst for price appreciation. This process is implemented while maintaining sensitivity to both benchmark and macro-economic risk exposures.

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Value</b>
Last Quarter	-15.4%	-16.8%
Last 1 year	-40.9	-42.4
Last 2 years	-25.1	-28.0
Last 3 years	-14.2	-15.4
Last 4 years	-8.2	-9.0
Last 5 years	-5.2	-4.9
Since Inception (4/04)	-5.2	-4.9

**Calendar Year Returns\***

	<b>Actual</b>	<b>Russell 1000 Value</b>
2008	-36.3%	-36.8%
2007	4.4	-0.2
2006	18.6	22.2
2005	3.5	7.1
2004	N/A	N/A

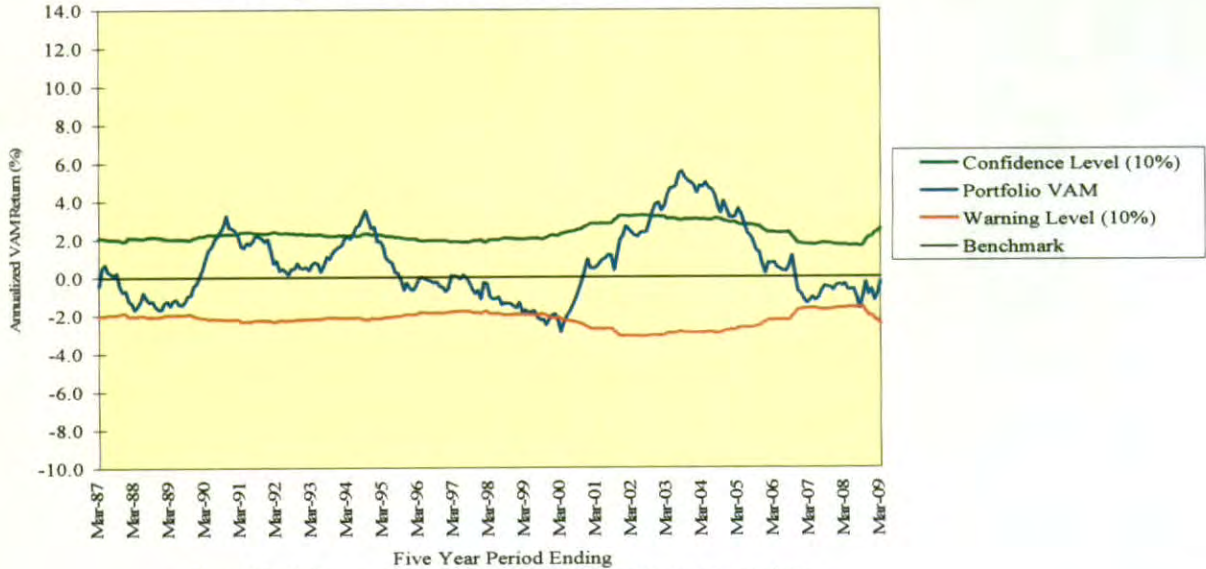
\* Note: Manager was funded 4/04. Includes full-year returns only. Performance of managers hired during a calendar year are reported beginning with the following calendar year.

**LORD ABBETT & CO. LLC**  
**Periods Ending March, 2009**

**Portfolio Manager: Eli Salzman**

**Assets Under Management: \$188,788,634**

**LORD ABBETT & CO. LLC**  
**Rolling Five Year VAM vs. Russell 1000 Value**





**LSV ASSET MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Josef Lakonishok**

**Assets Under Management: \$238,068,396**

**Investment Philosophy**

The fundamental premise on which LSV's investment philosophy is based is that superior long-term results can be achieved by systematically exploiting the judgmental biases and behavioral weaknesses that influence the decisions of many investors. These include: the tendency to extrapolate the past too far into the future, wrongly equating a good company with a good investment irrespective of price, ignoring statistical evidence and developing a "mindset" about a company.

The strategy's primary emphasis is the use of quantitative techniques to select individual securities in what would be considered a bottom-up approach. Value factors and security selection dominate sector/industry factors as explanatory variables of performance. The competitive strength of this strategy is that it avoids introducing to the process any judgmental biases and behavioral weaknesses that often influence investment decisions.

**Staff Comments**

The portfolio outperformed its benchmark for the quarter and trailed for the year. For the quarter, an underweight to General Electric and the Financial Services sector in addition to an overweight to Technology added value. For the year, weak stock selection primarily in the Autos & Transportation, Consumer Discretionary and Financial Services sectors detracted from performance.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Value</b>
Last Quarter	-16.1%	-16.8%
Last 1 year	-43.5	-42.4
Last 2 years	-29.1	-28.0
Last 3 years	-16.3	-15.4
Last 4 years	-8.7	-9.0
Last 5 years	-4.2	-4.9
Since Inception (4/04)	-4.2	-4.9

**Calendar Year Returns\***

	<b>Actual</b>	<b>Russell 1000 Value</b>
2008	-39.3%	-36.8%
2007	1.3	-0.2
2006	21.7	22.2
2005	12.5	7.1
2004	N/A	N/A

\* Note: Manager was funded 4/04. Includes full-year returns only. Performance of managers hired during a calendar year are reported beginning with the following calendar year.

**LSV ASSET MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Josef Lakonishok**

**Assets Under Management: \$238,068,396**

**LSV ASSET MANAGEMENT**  
**Rolling Five Year VAM vs. Russell 1000 Value**



Note: Shaded area includes performance prior to retention by the SBI.



**SYSTEMATIC FINANCIAL MANAGEMENT, L.P.**  
**Periods Ending March, 2009**

**Portfolio Manager: Kevin McCreesh**

**Assets Under Management: \$182,325,091**

**Investment Philosophy**

Systematic's investment strategy favors companies with low forward P/E multiples and a positive earnings catalyst. Cash flow is analyzed to confirm earnings and to avoid companies that may have employed accounting gimmicks to report earnings in excess of Wall Street expectations. The investment strategy attempts to avoid stocks in the "value trap" by focusing only on companies with confirmed fundamental improvement as evidenced by a genuine positive earnings surprise.

The investment process begins with quantitative screening that ranks the universe based on: 1) low forward P/E, and 2) a positive earnings catalyst, which is determined by a proprietary 16-factor model that is designed to be predictive of future positive earnings surprises. The screening process generates a research focus list of 150 companies, sorted by sector, upon which rigorous fundamental analysis is conducted to confirm each stock's value and catalysts for appreciation.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Value</b>
Last Quarter	-13.2%	-16.8%
Last 1 year	-41.6	-42.4
Last 2 years	-26.5	-28.0
Last 3 years	-14.6	-15.4
Last 4 years	-7.9	-9.0
Last 5 years	-4.0	-4.9
Since Inception (4/04)	-4.0	-4.9

**Calendar Year Returns\***

	<b>Actual</b>	<b>Russell 1000 Value</b>
2008	-40.6%	-36.8%
2007	8.3	-0.2
2006	17.9	22.2
2005	10.3	7.1
2004	N/A	N/A

\* Note: Manager was funded 4/04. Includes full-year returns only. Performance of managers hired during a calendar year are reported beginning with the following calendar year.

**Staff Comments**

No comment at this time.

**Recommendation**

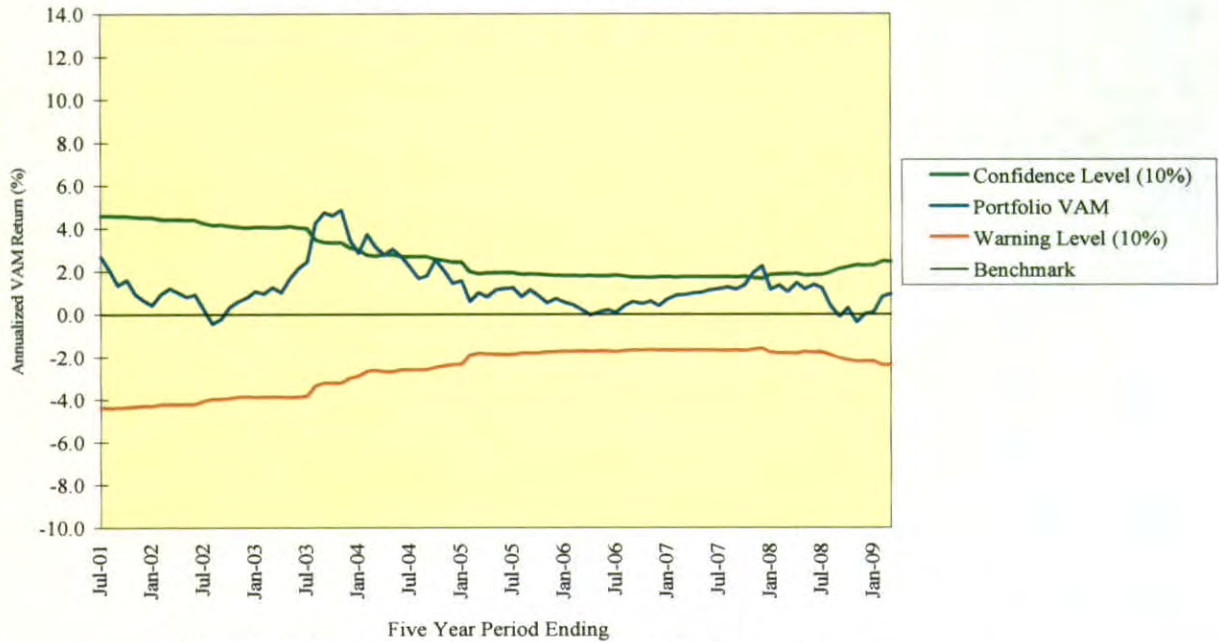
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**SYSTEMATIC FINANCIAL MANAGEMENT, L.P.**  
**Periods Ending March, 2009**

**Portfolio Manager: Kevin McCreesh**

**Assets Under Management: \$182,325,091**

SYSTEMATIC FINANCIAL MANAGEMENT, LP  
 Rolling Five Year VAM vs. Russell 1000 Value



Note: Shaded area includes performance prior to retention by the SBI.



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## **Small Cap Growth (R2000 Growth)**



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## **Small Cap Growth (R2000 Growth)**

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**MCKINLEY CAPITAL MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Robert A. Gillam**

**Assets Under Management: \$125,678,331**

**Investment Philosophy**

The team believes that excess market returns can be achieved through the construction and management of a diversified, fundamentally sound portfolio of inefficiently priced securities whose earnings growth rates are accelerating above market expectations. Using proprietary quantitative models, the team systematically searches for and identifies early signs of accelerating growth. The initial universe consists of growth and value stocks from all capitalization categories.

The primary model includes a linear regression model to identify common stocks that are inefficiently priced relative to the market while adjusting each security for standard deviation. The ratio of alpha to standard deviation is the primary screening value and is used to filter out all but the top 10% of stocks in our initial universe. The remaining candidates are tested for liquidity and strength of earnings. In the final portfolio construction process, qualitative aspects are examined, including economic factors, Wall Street research, and specific industry themes.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 2000 Growth</b>
Last Quarter	-6.3%	-9.7%
Last 1 year	-42.8	-36.4
Last 2 years	-27.6	-23.9
Last 3 years	-19.1	-16.2
Last 4 years	-9.0	-6.9
Last 5 years	-8.2	-5.4
Since Inception (1/04)	-6.5	-4.1

**Calendar Year Returns**

	<b>Actual</b>	<b>Russell 2000 Growth</b>
2008	-49.1%	-38.5%
2007	16.2	7.0
2006	12.5	13.3
2005	0.2	4.2
2004	12.2	14.3

**Staff Comments**

The portfolio outperformed its benchmark for the quarter and trailed for the year. Security selection helped the quarterly performance, particularly in Healthcare. The one-year return was negatively impacted by poor stock selection across sectors.

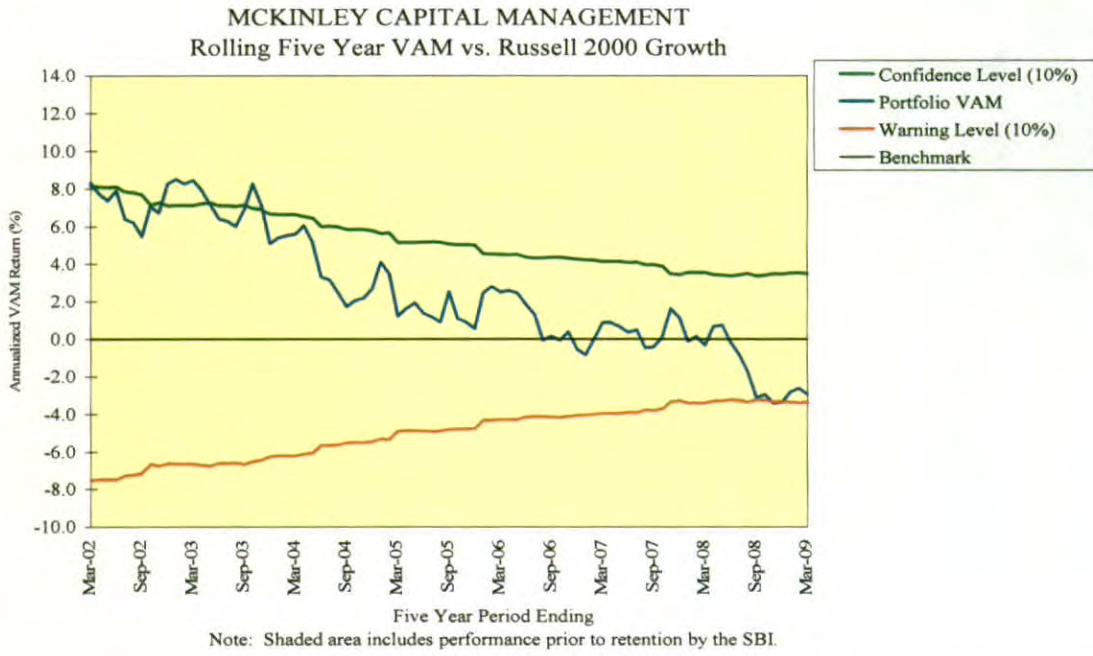
**Recommendation**

No action required.

**MCKINLEY CAPITAL MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Robert A. Gillam**

**Assets Under Management: \$125,678,331**





**NEXT CENTURY GROWTH INVESTORS, LLC**  
**Periods Ending March, 2009**

**Portfolio Manager: Thomas Press and Don Longlet**

**Assets Under Management: \$142,031,525**

**Investment Philosophy**

Next Century Growth's (NCG) goal is to invest in the highest quality and fastest growing companies in America. They believe that growth opportunities exist regardless of the economic cycle. NCG uses fundamental analysis to identify companies that will surpass consensus earnings estimates, which they believe to be the number one predictor of future out-performance. Their investment process focuses on growth companies that have superior top line revenue growth (15% or greater), high profitability, and strong balance sheets, and are well poised to outperform the market. NCG believes in broad industry diversification; sector exposures are limited to twice the benchmark weighting and individual positions to five percent.

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 2000 Growth</b>
Last Quarter	-7.6%	-9.7%
Last 1 year	-41.7	-36.4
Last 2 years	-22.2	-23.9
Last 3 years	-16.0	-16.2
Last 4 years	-2.8	-6.9
Last 5 years	-1.2	-5.4
Since Inception (7/00)	-6.1	-6.1

**Calendar Year Returns**

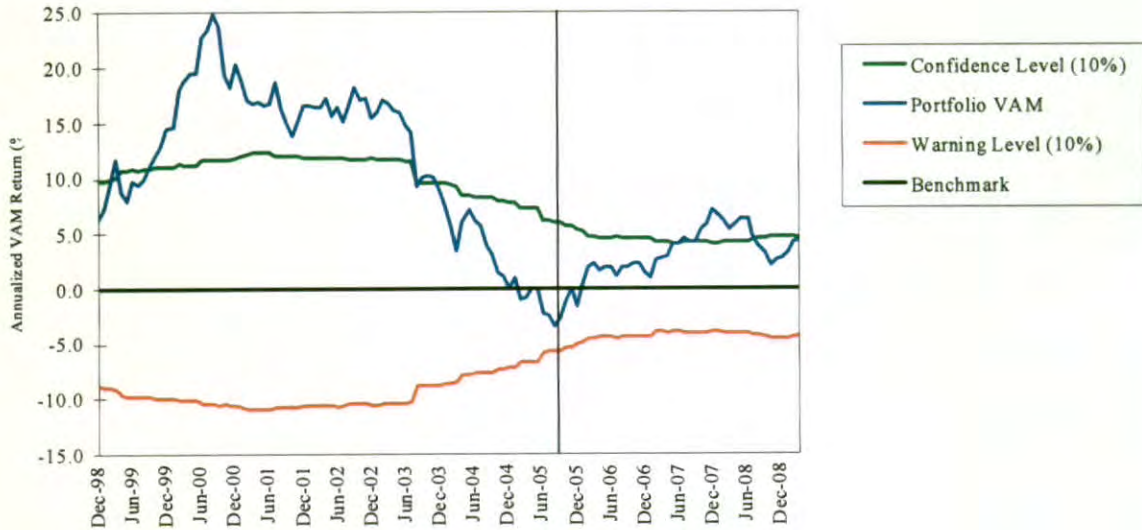
	<b>Actual</b>	<b>Russell 2000 Growth</b>
2008	-49.3%	-38.5%
2007	34.2	7.0
2006	12.4	13.3
2005	25.2	4.2
2004	6.4	14.3

**NEXT CENTURY GROWTH INVESTORS, LLC**  
**Periods Ending March, 2009**

**Portfolio Manager: Thomas Press and Don Longlet**

**Assets Under Management: \$142,031,525**

Next Century Growth Investors  
 Rolling Five Year VAM vs. Russell 2000 Growth



Five Year Period Ending  
 Note: Area to left of vertical line includes performance prior to the retention by the SBI.



**TURNER INVESTMENT PARTNERS**  
**Periods Ending March, 2009**

**Portfolio Manager: William McVail**

**Assets Under Management: \$141,547,096**

**Investment Philosophy**

The team's investment philosophy is based on the belief that earnings expectations drive stock prices. The team adds value primarily through stock selection and pursues a bottom-up strategy. Ideal candidates for investment are growth companies that have above average earnings prospects, reasonable valuations, favorable trading volume, and price patterns. Each security is subjected to three separate evaluation criteria: fundamental analysis (80%), quantitative screening (10%), and technical analysis (10%).

Proprietary computer models enable the team to assess the universe based on multiple earnings growth and valuation factors. The factors are specific to each economic sector. Fundamental analysis is the heart of the stock selection process and helps the team determine if a company will exceed, meet or fall short of consensus earnings expectations. Technical analysis is used to evaluate trends in trading volume and price patterns for individual stocks as the team searches for attractive entry and exit points.

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 2000 Growth</b>
Last Quarter	-9.1%	-9.7%
Last 1 year	-38.2	-36.4
Last 2 years	-23.6	-23.9
Last 3 years	-16.2	-16.2
Last 4 years	-5.8	-6.9
Last 5 years	-4.6	-5.4
Since Inception (1/04)	-3.8	-4.1

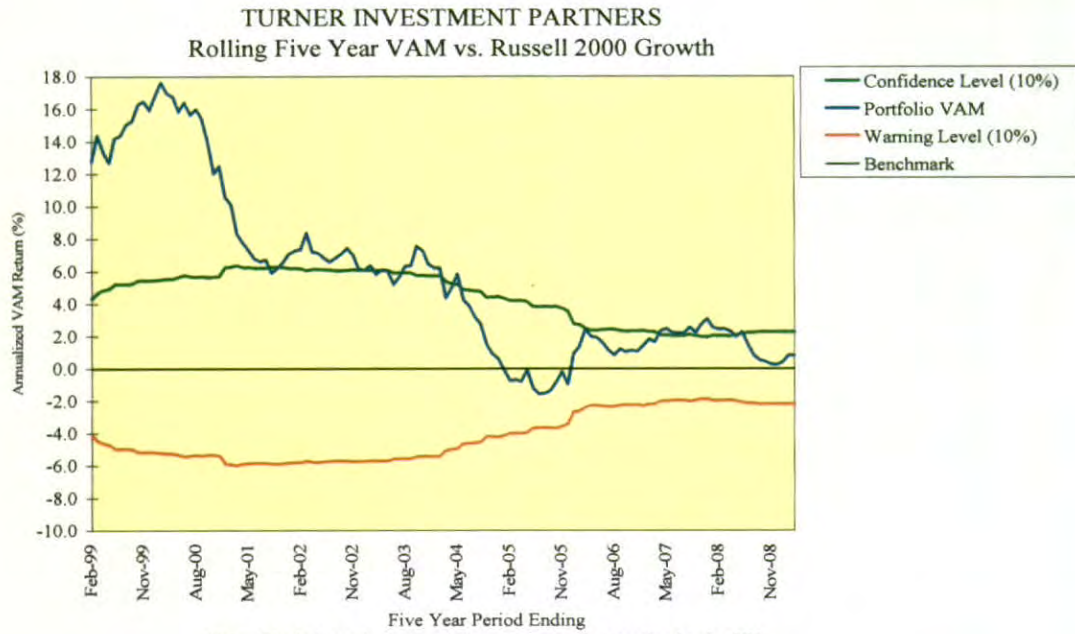
**Calendar Year Returns**

	<b>Actual</b>	<b>Russell 2000 Growth</b>
2008	-41.9%	-38.5%
2007	14.8	7.0
2006	13.6	13.3
2005	6.2	4.2
2004	11.6	14.3

**TURNER INVESTMENT PARTNERS**  
**Periods Ending March, 2009**

**Portfolio Manager: William McVail**

**Assets Under Management: \$141,547,096**





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## **Small Cap Value (R2000 Value)**



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## Small Cap Value (R2000 Value)

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**GOLDMAN SACHS ASSET MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Chip Otness**

**Assets Under Management: \$83,335,574**

**Investment Philosophy**

The firm's value equity philosophy is based on the belief that all successful investing begins with fundamental stock selection that should thoughtfully weigh a stock's price and prospects. A company's prospective ability to generate high cash flow returns on capital will strongly influence investment success. The team follows a strong valuation discipline to purchase well-positioned, cash generating businesses run by shareholder-oriented management teams.

Through extensive proprietary research, the team confirms that a candidate company's long-term competitive advantage and earnings power are intact. The team seeks to purchase a stock at a price that encompasses a healthy margin of safety. The investment process involves three steps: 1) prioritizing research, 2) analyzing fundamentals, and 3) portfolio construction. The independent Risk and Performance Analytics Group (RPAG) monitors daily portfolio management risk, adherence to client guidelines and general portfolio strategy.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 2000 Value</b>
Last Quarter	-12.8%	-19.6%
Last 1 year	-34.0	-38.9
Last 2 years	-23.1	-28.7
Last 3 years	-13.7	-17.5
Last 4 years	-6.0	-8.7
Last 5 years	-3.1	-5.3
Since Inception (1/04)	-2.2	-3.8

**Calendar Year Returns**

	<b>Actual</b>	<b>Russell 2000 Value</b>
2008	-26.8%	-28.9%
2007	-5.0	-9.8
2006	17.8	23.5
2005	4.1	4.7
2004	19.9	22.2

**Staff Comments**

Goldman outperformed the benchmark for the quarter and the year. The portfolio was helped by strong stock selection in the Financial Services sector for both periods.

Goldman announced some leadership changes in April. There were no changes to the small cap value team. Eileen Rominger, global head of Fundamental Equity, has assumed a newly created role of global chief investment officer of Goldman's portfolio management business.

**Recommendation**

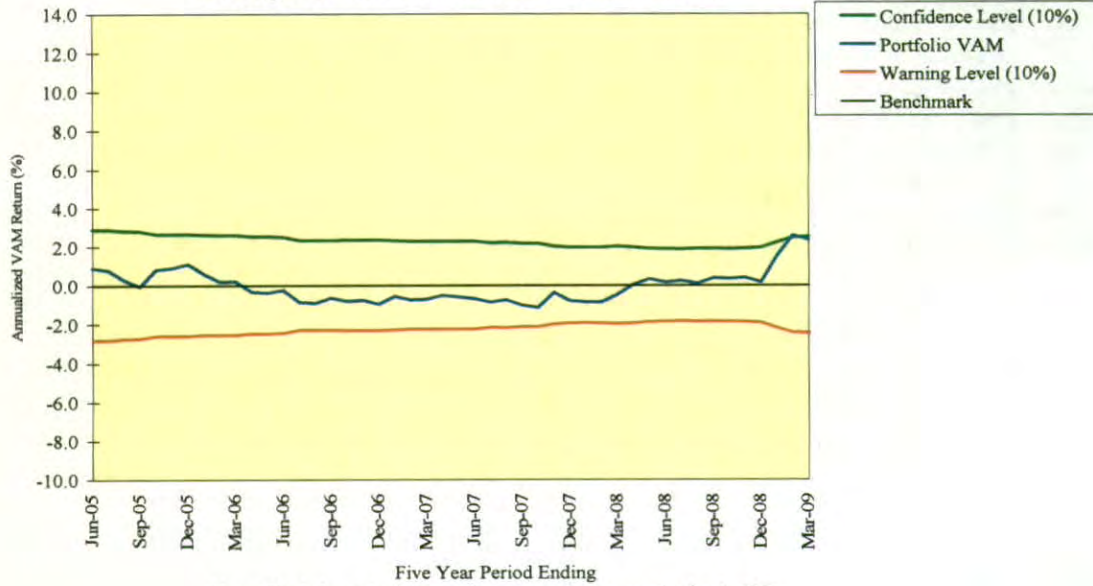
No action required.

**GOLDMAN SACHS ASSET MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Chip Otness**

**Assets Under Management: \$83,335,574**

**GOLDMAN SACHS ASSET MANAGEMENT**  
**Rolling Five Year VAM vs. Russell 2000 Value**



Note: Shaded area includes performance prior to retention by the SBI.



**HOTCHKIS & WILEY CAPITAL MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Jim Miles and David Green**

**Assets Under Management: \$52,522,780**

**Investment Philosophy**

The firm seeks to exploit mis-priced securities in the small cap market by investing in "undiscovered" or "out of favor" companies. The team invests in stocks where the present value of the company's future cash flows exceeds the current market price. This approach exploits equity market inefficiencies created by irrational investor behavior and lack of Wall Street research coverage of smaller capitalization stocks. The team employs a disciplined, bottom-up investment process that emphasizes internally generated fundamental research.

The investment process begins with a quantitative screen based on market capitalization, trading liquidity and enterprise value/normalized EBIT, supplemented with ideas generated from the investment team. Internal research is then utilized to identify the most attractive valuation opportunities within this value universe. The primary focus of the research analyst is to determine a company's "normal" earnings power, which is the basis for security valuation.

**Staff Comments**

The portfolio exceeded its benchmark for the quarter and trailed for the year. The quarterly return was helped by stock selection in the Consumer Discretionary sector. For the year, the majority of the underperformance came from negative stock selection in the Consumer Discretionary and Financial Services sectors. The portfolio has an underweight to the Financial Services sector, but several securities with overweight positions had significant double digit losses.

Staff continues to monitor the portfolio closely.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 2000 Value</b>
Last Quarter	-14.4%	-19.6%
Last 1 year	-50.2	-38.9
Last 2 years	-38.6	-28.7
Last 3 years	-28.0	-17.5
Last 4 years	-18.3	-8.7
Last 5 years	-12.8	-5.3
Since Inception (1/04)	-10.4	-3.8

**Calendar Year Returns**

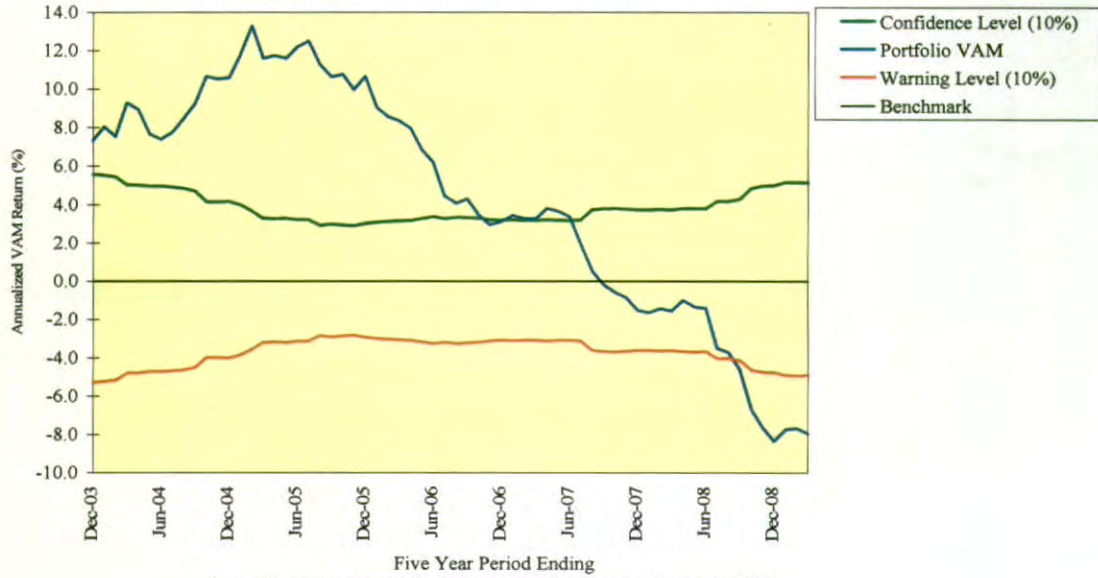
	<b>Actual</b>	<b>Russell 2000 Value</b>
2008	-44.1%	-28.9%
2007	-18.8	-9.8
2006	3.0	23.5
2005	10.4	4.7
2004	27.1	22.2

**HOTCHKIS & WILEY CAPITAL MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Jim Miles and David Green**

**Assets Under Management: \$52,522,780**

**HOTCHKIS & WILEY CAPITAL MANAGEMENT**  
**Rolling Five Year VAM vs. Russell 2000 Value**





**MARTINGALE ASSET MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: William Jacques**

**Assets Under Management: \$65,866,579**

**Investment Philosophy**

Martingale's investment process seeks to exploit the long-term link between undervalued company fundamentals and current market prices to achieve superior investment returns. Martingale has a long history of employing sound quantitative methods.

The valuation process is comprised of well-researched valuation indicators that have stood the test of time, with improvements made only after careful evaluation, testing and analysis. Multiple characteristics of quality, value and momentum are examined. The quality of company management is assessed by reviewing commitment to R&D, accounting practices with regard to earnings and cash flow from operations, and the ability to manage inventory.

The average holding period of a stock is typically one year. Every holding is approached as an investment in the business, with the intention of holding it until either objectives are reached, or it becomes apparent that there are better opportunities in other stocks.

**Staff Comments**

Martingale trailed the benchmark for the quarter and the year. Both periods were negatively impacted by stock selection.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 2000 Value</b>
Last Quarter	-19.8%	-19.6%
Last 1 year	-43.2	-38.9
Last 2 years	-33.7	-28.7
Last 3 years	-22.8	-17.5
Last 4 years	-13.9	-8.7
Last 5 years	-8.6	-5.3
Since Inception (1/04)	-6.5	-3.8

**Calendar Year Returns**

	<b>Actual</b>	<b>Russell 2000 Value</b>
2008	-33.8%	-28.9%
2007	-16.8	-9.8
2006	14.8	23.5
2005	6.2	4.7
2004	30.8	22.2

**MARTINGALE ASSET MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: William Jacques**

**Assets Under Management: \$65,866,579**

**MARTINGALE ASSET MANAGEMENT**  
**Rolling Five Year VAM vs. Russell 2000 Value**



Note: Shaded area includes performance prior to retention by the SBI.



**PEREGRINE CAPITAL MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Doug Pugh and Tasso Coin**

**Assets Under Management: \$95,699,606**

**Investment Philosophy**

Peregrine's Small Cap Value investment process begins with the style's proprietary valuation analysis, which is designed to identify the small cap value stocks most likely to outperform. The valuation analysis identifies the most under-priced securities on a sector-by-sector basis. Drawing on thirty years of data, the analysis looks at different combinations of sixty fundamental factors most relevant in each independent sector to identify stocks that offer significant value relative to the companies' underlying fundamentals. The focus of the team's fundamental research is to determine if one or more of the style's "Value Buy Criteria" are present. These include short-term problems, unrecognized assets, take-over potential, and catalysts for change. The portfolio is diversified and sector weights are aligned closely with the benchmark. This allows stock selection to drive performance.

**Staff Comments**

Peregrine exceeded the benchmark for the quarter and trailed for the year. For the quarter, stock selection and an overweight to the Consumer Discretionary sector helped performance. Stock selection in the Financial Services sector detracted from both periods. The one-year return was overwhelmingly due to the negative performance in the fourth quarter 2008.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 2000 Value</b>
Last Quarter	-18.2%	-19.6%
Last 1 year	-45.9	-38.9
Last 2 years	-35.1	-28.7
Last 3 years	-23.8	-17.5
Last 4 years	-13.8	-8.7
Last 5 years	-8.7	-5.3
Since Inception (7/00)	2.4	3.9

**Calendar Year Returns**

	<b>Actual</b>	<b>Russell 2000 Value</b>
2008	-39.4%	-28.9%
2007	-13.4	-9.8
2006	14.3	23.5
2005	10.1	4.7
2004	23.6	22.2

**PEREGRINE CAPITAL MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Doug Pugh and Tasso Coin**

**Assets Under Management: \$95,699,606**

Peregrine Capital Management  
 Rolling Five Year VAM vs. Russell 2000 Value



Note: Area to left of vertical line includes performance prior to retention by SBI.



**RIVERSOURCE INVESTMENTS/KENWOOD CAPITAL MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Jacob Hurwitz and Kent Kelley**

**Assets Under Management: \$29,984,728**

**Investment Philosophy**

The portfolio management team relies primarily on quantitative appraisal; fundamental analysis supplements the model-based stock selection discipline. The goal is to systematically tilt client portfolios toward stocks that offer a superior return-to-risk tradeoff. In order to achieve consistency of performance, risk management is integrated into all aspects of the investment process. Risk is monitored at the security, sector, and portfolio level.

The centerpiece of the stock selection process is a quantitative model that ranks stocks based upon potential excess return. Key elements of the model include assessments of valuation, earnings, and market reaction. Models are created for twelve sectors using sector-specific criteria. Qualitative analysis assesses liquidity, litigation/regulatory risk, and event risk. The team focuses on bottom up stock selection within a sector neutral framework.

**Staff Comments**

Riversource/Kenwood underperformed the benchmark for the quarter and the year. Negative stock selection across several sectors hurt performance in both periods. The majority of the one-year underperformance occurred in the third quarter of 2008.

During the quarter there were some staff promotions. Kent Kelley now serves as Chief Executive Officer. Ken Heinecke is a Principal and Senior Portfolio Manager. Joshua Howard and Jason Schmidt were promoted to Portfolio Managers and were granted ownership interests in the firm.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 2000 Value</b>
Last Quarter	-20.1%	-19.6%
Last 1 year	-42.7	-38.9
Last 2 years	-32.7	-28.7
Last 3 years	-21.7	-17.5
Last 4 years	-12.4	-8.7
Last 5 years	-8.1	-5.3
Since Inception (1/04)	-6.2	-3.8

**Calendar Year Returns**

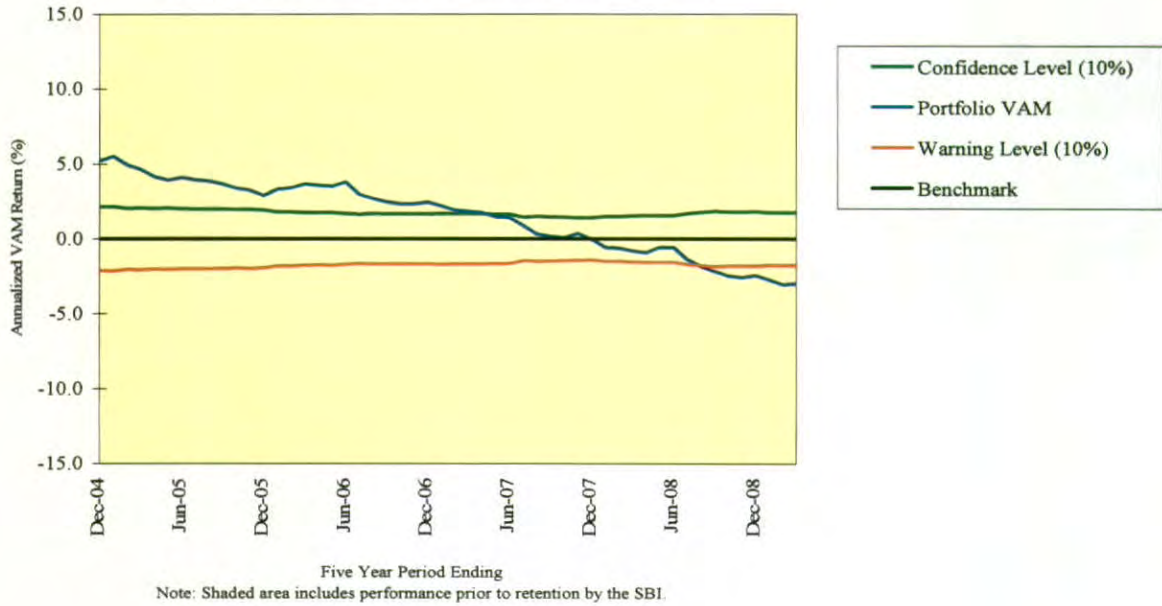
	<b>Actual</b>	<b>Russell 2000 Value</b>
2008	-35.5%	-28.9%
2007	-11.8	-9.8
2006	19.4	23.5
2005	4.8	4.7
2004	25.8	22.2

**RIVERSOURCE INVESTMENTS/KENWOOD CAPITAL MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Jacob Hurwitz and Kent Kelley**

**Assets Under Management: \$29,984,728**

**RIVERSOURCE / KENWOOD CAPITAL MANAGEMENT**  
**Rolling Five Year VAM vs. Russell 2000 Value**





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## **Semi-Passive and Passive**



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## **Semi-Passive and Passive**

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**BARCLAYS GLOBAL INVESTORS**  
**Periods Ending March, 2009**

**Portfolio Manager: Russ Koesterich**

**Assets Under Management: \$1,910,213,576**

**Investment Philosophy – Semi-Passive Style**

**Staff Comments**

The Core Alpha Model desegregates individual equity returns for each of the 3500 stocks in their universe into fundamental, expectational, and technical components. The fundamental factors look at measures of underlying company value including earnings, book value, cash flow, and sales. These factors help identify securities that trade at prices below their true economic value. The expectational factors incorporate future earnings and growth rate forecasts made by over 2500 security analysts. The technical factors provide a measure of recent changes in company fundamentals, consensus expectations, and performance. Estimated alphas are then calculated and are used in a portfolio optimization algorithm to identify the optimal portfolio.

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Manager Benchmark*</b>
Last Quarter	-10.8%	-10.5%
Last 1 year	-38.1	-38.3
Last 2 years	-24.7	-23.6
Last 3 years	-14.2	-13.2
Last 4 years	-7.8	-7.3
Last 5 years	-4.9	-4.5
Since Inception (1/95)	5.5	5.1

**Calendar Year Returns**

	<b>Actual</b>	<b>Manager Benchmark*</b>
2008	-37.1%	-37.6%
2007	2.2	5.8
2006	15.6	15.5
2005	7.6	6.3
2004	11.7	11.4

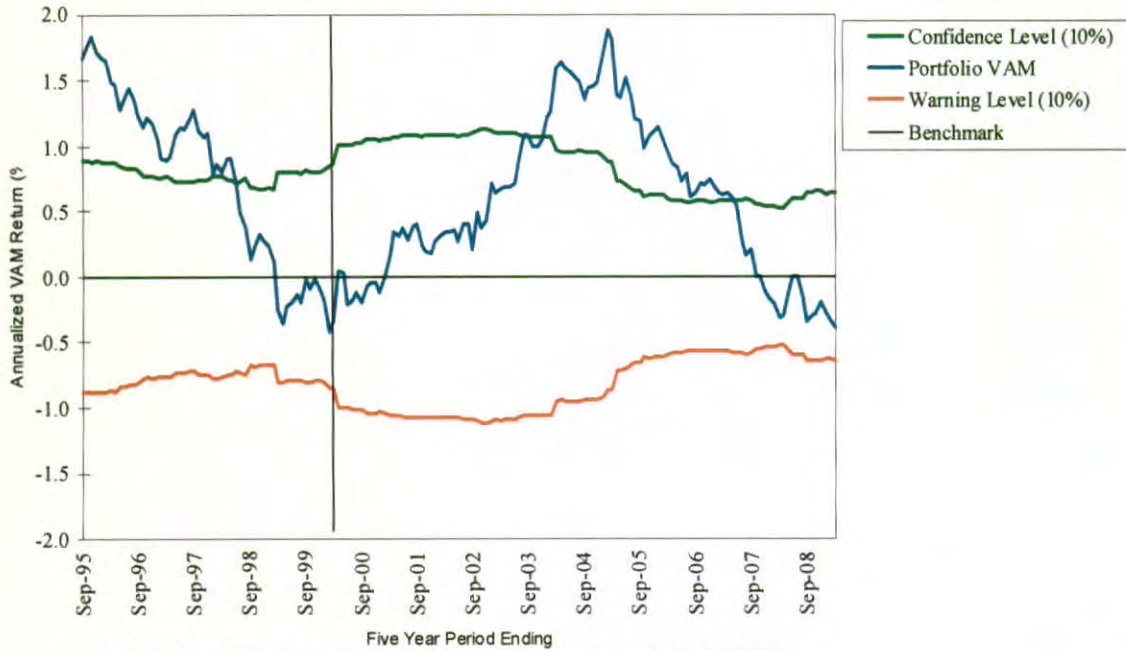
\*Russell 1000 since 1/1/04, Completeness Fund through 12/31/03.

**BARCLAYS GLOBAL INVESTORS**  
**Periods Ending March, 2009**

**Portfolio Manager: Russ Koesterich**

**Assets Under Management: \$1,910,213,576**

**BARCLAYS GLOBAL INVESTORS - SEMI-PASSIVE**  
**Rolling Five Year VAM vs. Manager Benchmark**



Note: Area to the left of vertical line includes performance prior to retention by the SBI.



**J.P. MORGAN INVESTMENT MANAGEMENT, INC.**  
**Periods Ending March, 2009**

**Portfolio Manager: Ralph Zingone and Terance Chen    Assets Under Management: \$1,705,877,724**

**Investment Philosophy – Semi-Passive Style**

J.P. Morgan believes that superior stock selection is necessary to achieve excellent investment results. To accomplish this objective, they use fundamental research and a systematic valuation model. Analysts forecast the earnings and dividends for the 650 stock universe and enter them into a stock valuation model that calculates an expected return for each security. The stocks are ranked according to their expected return within their economic sectors. The most undervalued stocks are placed in the first quintile. The portfolio includes stocks from the first four quintiles, always favoring the highest ranked stocks whenever possible. Stocks in the fifth quintile are sold. In addition, the portfolio closely approximates the sector, style, and security weightings of the index chosen by the plan sponsor. The firm remains fully invested at all times.

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Manager Benchmark*</b>
Last Quarter	-9.7%	-10.5%
Last 1 year	-37.4	-38.3
Last 2 years	-23.3	-23.6
Last 3 years	-12.7	-13.2
Last 4 years	-7.1	-7.3
Last 5 years	-4.5	-4.5
Since Inception (1/95)	5.2	5.1

**Calendar Year Returns**

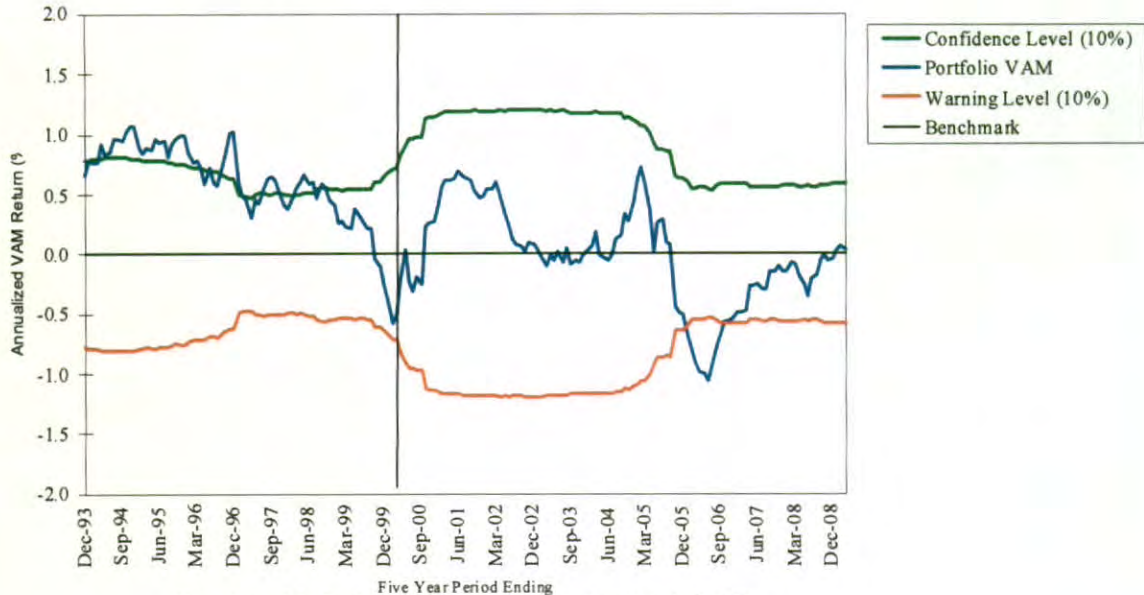
	<b>Actual</b>	<b>Manager Benchmark*</b>
2008	-37.1%	-37.6%
2007	5.1	5.8
2006	16.5	15.5
2005	4.7	6.3
2004	11.7	11.4

\*Russell 1000 since 1/1/04, Completeness Fund through 12/31/03.

**J.P. MORGAN INVESTMENT MANAGEMENT, INC.**  
**Periods Ending March, 2009**

**Portfolio Manager: Ralph Zingone and Terance Chen    Assets Under Management: \$1,705,877,724**

JP MORGAN - SEMI-PASSIVE  
 Rolling Five Year VAM vs. Manager Benchmark



Note: Area to left of vertical line includes performance prior to retention by SBI



**MELLON CAPITAL MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Tony Garvin**

**Assets Under Management: \$1,493,111,402**

**Investment Philosophy – Semi-Passive Style**

Mellon believes that rigorous and consistent application of fundamentally based valuation criteria will produce value added investment returns. Mellon builds a portfolio by using a series of more than 30 integrated computer models that value a universe of 3500 stocks. Their models rank each security based on fundamental momentum, relative value, future cash flow, and supplementary models. A composite ranking then provides one ranked list of securities reflecting their relative attractiveness. Stocks that fall below the median ranking are sold, and proceeds are reinvested in stocks from the top deciles in the ranking system. They use the BARRA risk model to monitor the portfolio's systematic risk and industry weightings relative to the selected benchmark. For this semi-passive mandate, they seek to achieve a residual risk of 1.5% or less. The firm remains fully invested at all times.

**Staff Comments**

The Franklin legacy investment team and process have not changed since the merger with Mellon Capital on January 1, 2009. They have announced one staff departure: Paul Healey, COO and President, is expected to leave Mellon Capital by June 30, 2009. An integration group has been created within the two investment teams (Franklin and Mellon Capital) to establish a shared investment infrastructure during 2009.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Manager Benchmark*</b>
Last Quarter	-11.8%	-10.5%
Last 1 year	-39.3	-38.3
Last 2 years	-25.4	-23.6
Last 3 years	-14.3	-13.2
Last 4 years	-8.3	-7.3
Last 5 years	-5.3	-4.5
Since Inception (1/95)	4.5	5.1

**Calendar Year Returns**

	<b>Actual</b>	<b>Manager Benchmark*</b>
2008	-37.6%	-37.6%
2007	2.5	5.8
2006	16.5	15.5
2005	6.1	6.3
2004	11.7	11.4

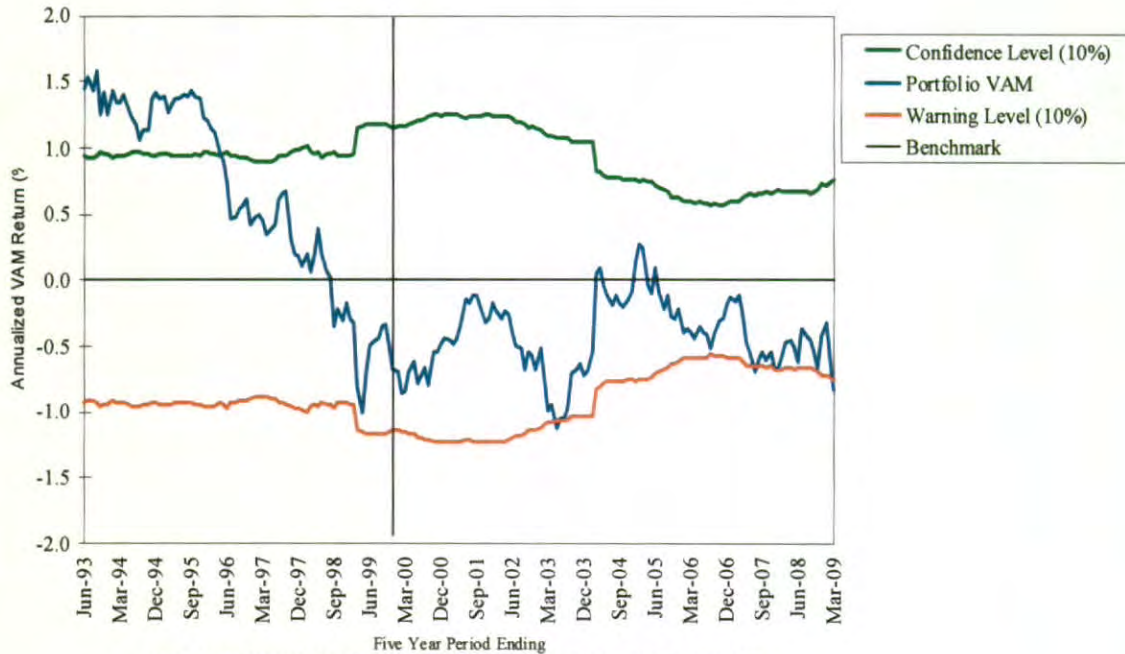
\*Russell 1000 since 1/1/04, Completeness Fund through 12/31/03.

**MELLON CAPITAL MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Tony Garvin**

**Assets Under Management: \$1,493,111,402**

**MELLON CAPITAL MANAGEMENT - SEMI-PASSIVE**  
**Rolling Five Year VAM vs. Manager Benchmark**



Note: Area to the left of vertical line includes performance prior to retention by the SBI.



**BARCLAYS GLOBAL INVESTORS**  
**Periods Ending March, 2009**

**Portfolio Manager: Amy Schioldager**

**Assets Under Management: \$5,659,012,014**

**Investment Philosophy – Passive Style**

Barclays Global Investors seeks to minimize 1) tracking error, 2) transaction costs, and 3) investment and operational risks. The portfolio is passively managed against the asset class target using a proprietary optimization process that integrates a transaction cost model. The resulting portfolio closely matches the characteristics of the benchmark with less exposure to illiquid stocks.

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Manager Benchmark*</b>
Last Quarter	-10.9%	-10.8%
Last 1 year	-38.1	-38.2
Last 2 years	-23.7	-23.8
Last 3 years	-13.5	-13.6
Last 4 years	-7.2	-7.3
Last 5 years	-4.5	-4.6
Since Inception (7/95)	4.5	4.4

**Calendar Year Returns**

	<b>Actual</b>	<b>Manager Benchmark*</b>
2008	-37.1%	-37.3%
2007	5.1	5.1
2006	15.8	15.7
2005	6.2	6.1
2004	12.0	11.9

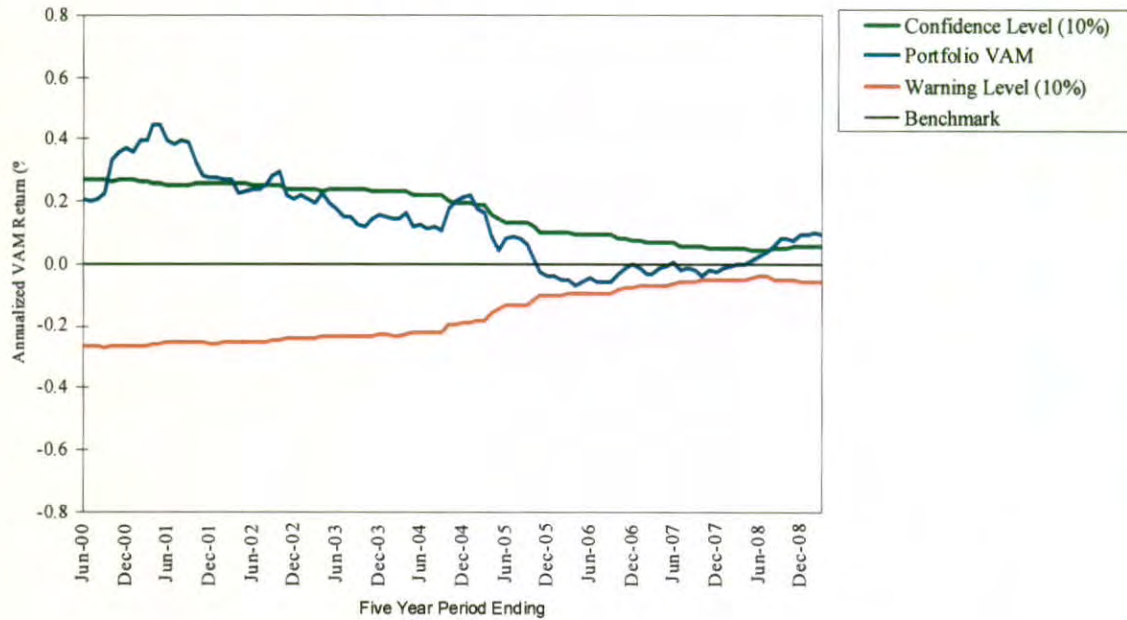
\* The Domestic Equity Asset Class Target is the Russell 3000 Index effective 10/1/03. From Account inception to 6/30/99, the target was the Wilshire 5000 as reported with no adjustments.

**BARCLAYS GLOBAL INVESTORS**  
**Periods Ending March, 2009**

**Portfolio Manager: Amy Schioldager**

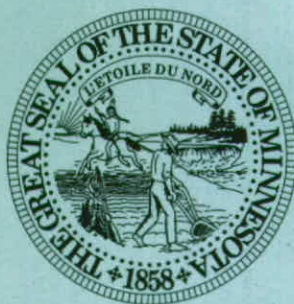
**Assets Under Management: \$5,659,012,014**

**BARCLAYS GLOBAL INVESTORS - PASSIVE**  
**Rolling Five Year VAM vs. Domestic Equity Target**  
**(Russell 3000 as of 10/1/2003)**





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# STATE BOARD OF INVESTMENT

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## Bond Manager Evaluation Reports

First Quarter, 2009



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## **Bond Managers**

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**COMBINED RETIREMENT FUNDS  
BOND MANAGERS  
Periods Ending March, 2009**

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value (in millions)	Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
<b>Active Managers</b>												
Aberdeen	1.0	0.1	-12.9	3.1	-1.5	5.8	0.0	4.1	4.1	6.2	\$760.9	9.6%
Dodge & Cox	-0.3	0.1	-0.9	3.1	3.4	5.8	3.0	4.1	6.2	6.2	\$799.4	10.1%
PIMCO	0.4	0.1							0.7	4.7	\$704.2	8.9%
RiverSource	2.4	0.1	-2.8	3.1	2.9	5.8	2.6	4.1	5.4	6.1	\$693.5	8.7%
Western	1.7	0.1	-5.3	3.1	1.9	5.8	2.3	4.1	9.2	8.6	\$1,041.1	13.1%
<b>Active Mgr. Aggregate</b>	<b>1.0</b>	<b>0.1</b>	<b>-5.7</b>	<b>3.1</b>	<b>1.4</b>	<b>5.8</b>	<b>1.9</b>	<b>4.1</b>	<b>8.4</b>	<b>8.5</b>	<b>\$3,999.2</b>	<b>50.4%</b>
<b>Semi-Passive Managers</b>												
BlackRock	0.4	0.1	-1.7	3.1	3.7	5.8	3.0	4.1	5.9	6.2	\$1,312.0	16.5%
Goldman	1.0	0.1	-0.5	3.1	3.9	5.8	3.2	4.1	6.0	6.1	\$1,309.5	16.5%
Neuberger	0.1	0.1	-2.0	3.1	3.2	5.8	2.6	4.1	7.0	7.3	\$1,310.2	16.5%
<b>Semi-Passive Mgr. Aggregate</b>	<b>0.6</b>	<b>0.1</b>	<b>-1.3</b>	<b>3.1</b>	<b>3.6</b>	<b>5.8</b>	<b>3.0</b>	<b>4.1</b>	<b>7.2</b>	<b>7.3</b>	<b>\$3,931.7</b>	<b>49.6%</b>
<b>Since 7/1/84</b>												
<b>Historical Aggregate (2)</b>	<b>0.9</b>	<b>0.1</b>	<b>-3.4</b>	<b>3.1</b>	<b>2.6</b>	<b>5.8</b>	<b>2.5</b>	<b>4.1</b>	<b>8.3</b>	<b>8.6</b>	<b>\$7,930.87</b>	<b>100.0%</b>
Barclays Capital Aggregate (3)		0.1		3.1		5.8		4.1		8.6		

(1) Since retention by the SBI. Time period varies for each manager.

(2) Includes performance of terminated managers.

(3) Prior to July 1994, this index reflects the Salomon BIG.

**COMBINED RETIREMENT FUNDS  
BOND MANAGERS  
Calendar Year Returns**

	2008		2007		2006		2005		2004	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
<b>Active Managers</b>										
Aberdeen	-14.7	5.2	5.6	7.0	4.8	4.3	2.7	2.4	5.1	4.3
Dodge & Cox	0.1	5.2	5.3	7.0	5.5	4.3	2.5	2.4	4.1	4.3
RiverSource	-4.9	5.2	6.6	7.0	4.7	4.3	2.6	2.4	5.1	4.3
Western	-6.8	5.2	5.4	7.0	5.4	4.3	2.7	2.4	6.6	4.3
<b>Active Mgr. Aggregate</b>	<b>-7.3</b>	<b>5.2</b>	<b>5.8</b>	<b>7.0</b>	<b>5.0</b>	<b>4.3</b>	<b>2.9</b>	<b>2.4</b>	<b>5.3</b>	<b>4.3</b>
<b>Semi-Passive Managers</b>										
BlackRock	-1.1	5.2	6.8	7.0	4.3	4.3	2.7	2.4	4.5	4.3
Goldman	-1.2	5.2	7.0	7.0	4.5	4.3	2.8	2.4	5.1	4.3
Neuberger	-1.9	5.2	6.3	7.0	4.5	4.3	2.5	2.4	4.6	4.3
<b>Semi-Passive Mgr. Aggregate</b>	<b>-1.4</b>	<b>5.2</b>	<b>6.7</b>	<b>7.0</b>	<b>4.5</b>	<b>4.3</b>	<b>2.6</b>	<b>2.4</b>	<b>4.7</b>	<b>4.3</b>
<b>Historical Aggregate</b>										
Barclays Capital Aggregate		5.2		7.0		4.3		2.4		4.3



**ABERDEEN ASSET MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Neil Moriarty**

**Assets Under Management: \$760,943,775**

**Investment Philosophy**

Aberdeen (formerly Deutsche) believes there are significant pricing inefficiencies inherent in bond markets and that diligent credit analysis, security structure evaluation, and relative value assessment can be used to exploit these inefficiencies. The firm avoids interest rate forecasting and sector rotation because they believe these strategies will not deliver consistent out performance versus the benchmark over time. The firm's valued added is derived primarily from individual security selection. Portfolio managers and analysts research bonds within their sector of expertise and construct portfolios from the bottom-up, bond by bond. Sector weightings are a byproduct of the bottom-up security selection. Aberdeen was retained by the SBI in February 2000.

**Staff Comments**

Aberdeen outperformed the benchmark by 90 bps in the first quarter but underperformed by 1600 bps over the last 12 months. A significant overweight to the utilities and industrials corporate bond sectors with good security selection within those sectors added to 1Q09 performance. An increased exposure to Agency MBS also added to performance. Non-Agency MBS continue to be a drag on performance. For the year, overweights to non-Agency MBS and CMBS were drivers of underperformance as well as financial sector corporates.

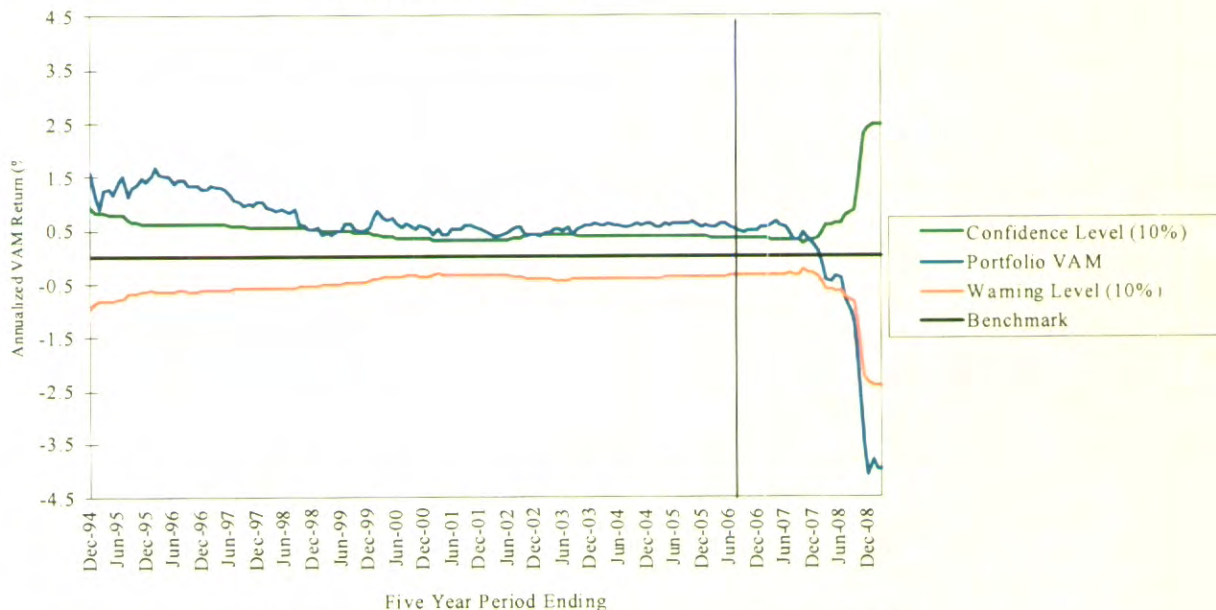
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	1.0%	0.1%
Last 1 year	-12.9	3.1
Last 2 years	-5.4	5.4
Last 3 years	-1.5	5.8
Last 4 years	-0.5	4.9
Last 5 years	0.0	4.1
Since Inception (2/00)	4.1	6.2

**Recommendations**

No action required.

**ABERDEEN ASSET MANAGEMENT**  
**Rolling Five Year VAM**



Note: Area to the left of the vertical line includes performance prior to retention by the SBI.

**DODGE & COX INVESTMENT MANAGERS**  
**Periods Ending March, 2009**

**Portfolio Manager: Dana Emery**

**Assets Under Management: \$799,417,329**

**Investment Philosophy**

Dodge & Cox manages a high quality, diversified portfolio of securities that are selected through fundamental analysis. The firm believes that by combining fundamental research with a long-term investment horizon it is possible to uncover inefficiencies in market sectors and individual securities. The firm combines this fundamental research with a disciplined program of risk analysis. To seek superior returns over the long-term, Dodge & Cox emphasizes sector and security selection, strives to build portfolios that have a higher yield than the broad bond market, and analyzes portfolio and individual security risk. Dodge & Cox was retained by the SBI in February 2000.

**Staff Comments**

Dodge & Cox underperformed the benchmark by 40 bps in the first quarter, and by 400 bps over the last 12 months. The primary source of underperformance for the quarter and year was the portfolio's corporate bond sector overweight—particularly the financial sector. The portfolio's GSE-guaranteed MBS holdings added to performance, but a short-duration stance detracted from performance over the last 12 months.

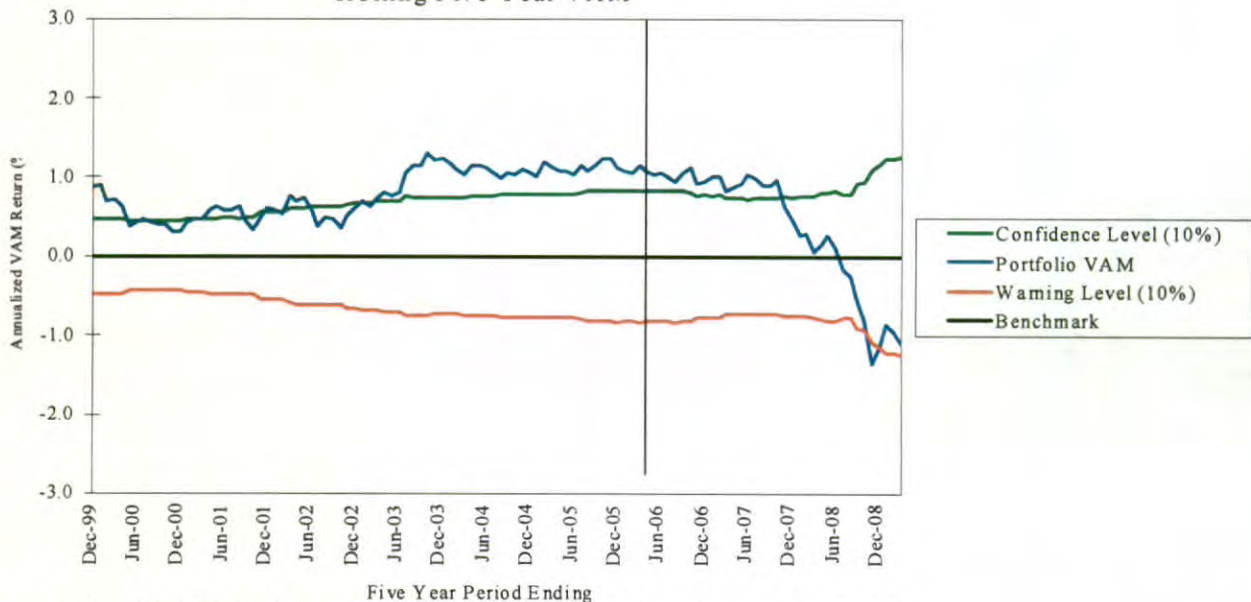
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-0.3%	0.1%
Last 1 year	-0.9	3.1
Last 2 years	1.7	5.4
Last 3 years	3.4	5.8
Last 4 years	3.3	4.9
Last 5 years	3.0	4.1
Since Inception (2/00)	6.2	6.2

**Recommendations**

No action required.

**DODGE & COX INVESTMENT MANAGERS**  
**Rolling Five Year VAM**



Note: Area to the left of the vertical line includes performance prior to retention by the SBI



**PACIFIC INVESTMENT MANAGEMENT CO. LLC (PIMCO)**  
**Periods Ending March, 2009**

**Portfolio Manager: Bill Gross**

**Assets Under Management: \$704,230,483**

**Investment Philosophy**

PIMCO's investment approach seeks to outperform a client's benchmark on a consistent basis, while maintaining overall risk similar to the index. PIMCO's approach to investing has three key principles: the utilization of multiple strategies, a long-term orientation and bond selection from a broad universe. PIMCO's investment process starts with an annual Secular Forum. The goal of this Forum is to look beyond the current business cycle and determine how secular forces will play out over the next 3 to 5 years. Quarterly, PIMCO holds Economic Forums to evaluate growth and inflation over the next 6 to 9 months. Following PIMCO's Secular and Economic Forums, the PIMCO Investment Committee (IC) develops key portfolio strategies. They consider both the "top-down" conclusions emanating from PIMCO's Forum, as well as the "bottom-up" market intelligence provided by PIMCO's teams of sector specialist portfolio managers. Through an interactive series of meetings, the IC defines a set of consistent strategies that are then implemented.

**Staff Comments**

PIMCO outperformed the benchmark by 40 bps in the first quarter and has underperformed by 400 bps since inception in October 2008. An overweight to Agency MBS added to 1Q09 performance. However, an overweight to corporate bonds, non-Agency MBS, and CMBS has contributed to underperformance since the portfolio was transferred from Morgan Stanley to PIMCO. PIMCO has been trimming the non-Agency MBS exposure and has been adding select corporate bonds as well as TIPS and U.S. Agency and Treasury debt.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	0.5%	0.1%
Last 1 year	N/A	N/A
Last 2 years	N/A	N/A
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (9/08)	N/A	N/A

**Recommendations**

No action required.

**VAM Graph will be drawn for period ending 3/31/2010.**

**RIVERSOURCE INVESTMENTS**  
**Periods Ending March, 2009**

**Portfolio Manager: Colin Lundgren**

**Assets Under Management: \$693,503,759**

**Investment Philosophy**

RiverSource (formerly American Express) manages portfolios using a top-down approach culminating with in-depth fundamental research and credit analysis. Five portfolio components are actively managed: duration, maturity structure, sector selection, industry emphasis, and security selection. Duration and maturity structure are determined by the firm's economic analysis and interest rate outlook. This analysis also identifies sectors and industries expected to produce the best risk adjusted return. In-depth fundamental research and credit analysis combined with proprietary valuation disciplines is used to identify attractive individual securities. RiverSource was retained by the SBI in July 1993.

**Staff Comments**

Riversource outperformed the benchmark by 230 bps for the quarter and underperformed by 590 bps over the last 12 months. Security selection in investment-grade corporate bonds and MBS contributed to outperformance in 1Q09. An overweight to the High Yield corporate bond sectors also positively impacted performance. Over the last year, underperformance was driven by sector allocation and security selection in CMBS and non-Agency MBS. An overall portfolio duration underweight during the last 12 months also detracted from performance as interest rates have fallen significantly.

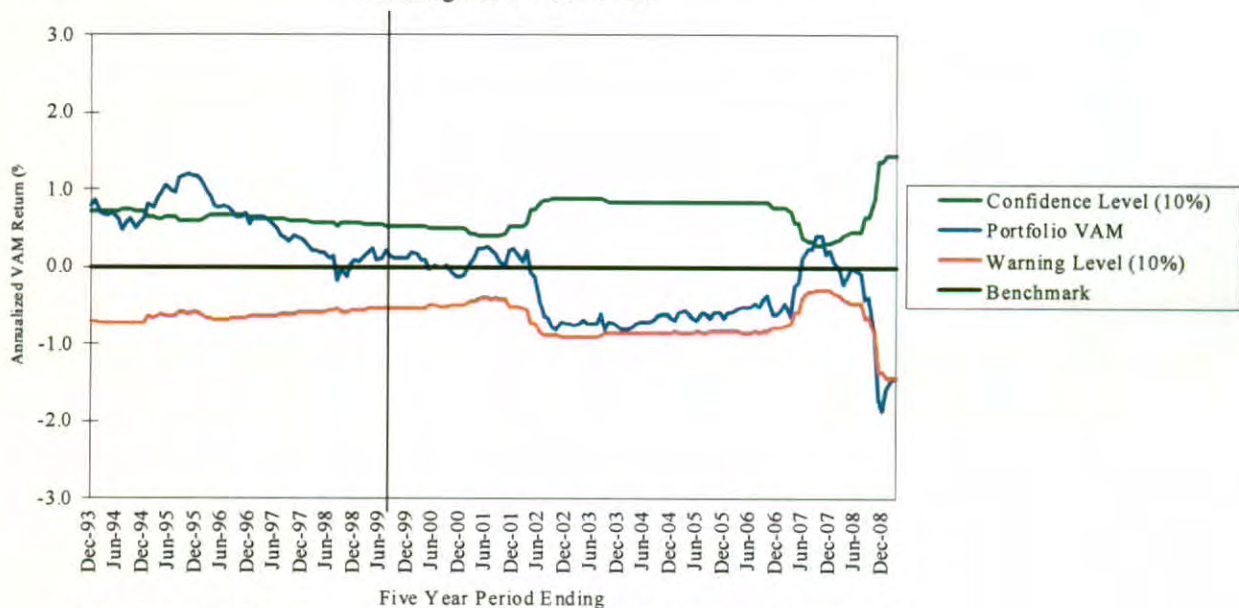
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	2.4%	0.1%
Last 1 year	-2.8	3.1
Last 2 years	1.1	5.4
Last 3 years	2.9	5.8
Last 4 years	2.8	4.9
Last 5 years	2.6	4.1
Since Inception (7/93)	5.4	6.1

**Recommendations**

No action required.

**RIVERSOURCE INVESTMENTS - FIXED INCOME**  
**Rolling Five Year VAM**



Note: Area to the left of the vertical line includes performance prior to retention by the SBI.



**WESTERN ASSET MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Steve Walsh**

**Assets Under Management: \$1,041,062,140**

**Investment Philosophy**

Western emphasizes the use of multiple strategies and active sector and issue selection, while constraining interest rate risk. Multiple strategies are proportioned so that results do not depend on one or two opportunities. This approach adds consistent value over time and can reduce volatility. Long term value investing is Western's fundamental approach. In making their sector decision, the firm seeks out the greatest long-term value by analyzing all fixed income market sectors and their economic expectations. Individual issues are identified based on relative credit strength, liquidity, issue structure, event risk, and market valuation. Western believes that successful interest rate forecasting is extremely difficult and consequently keeps portfolio duration within a narrow band around the benchmark. Western was retained by the SBI in July 1984.

**Staff Comments**

Western outperformed the benchmark by 160 bps in the first quarter but underperformed by 840 bps over the last 12 months. Western held a modest TIPS exposure in 1Q09 as well as an overweight to the U.S. Agency sector. These factors as well as an overweight to Agency MBS and security selection within the corporate bond sector boosted 1Q09 performance. A corporate bond sector overweight detracted from first quarter and 12 month performance. Non-Agency MBS holdings were the main driver of underperformance over the last 12 months as that sector suffered from deteriorating fundamentals and a lack of liquidity.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	1.7%	0.1%
Last 1 year	-5.3	3.1
Last 2 years	-0.9	5.4
Last 3 years	1.9	5.8
Last 4 years	2.2	4.9
Last 5 years	2.3	4.1
Since Inception (7/84)	9.2	8.6

**Recommendations**

No action required.

**WESTERN ASSET MANAGEMENT**  
**Rolling Five Year VAM**



**BLACKROCK, INC.**  
**Periods Ending March, 2009**

**Portfolio Manager: Keith Anderson**

**Assets Under Management: \$1,312,035,963**

**Investment Philosophy**

BlackRock manages an enhanced index portfolio closely tracking the Lehman Aggregate. The firm's enhanced index strategy is a controlled-duration, sector rotation style, which can be described as active management with tighter duration, sector, and quality constraints. BlackRock seeks to add value through: (i) controlling portfolio duration within a narrow band relative to the benchmark, (ii) relative value sector/sub-sector rotation and security selection, (iii) rigorous quantitative analysis to the valuation of each security and of the portfolio as a whole, (iv) intense credit analysis and review, and (v) the judgment of experienced portfolio managers. Advanced risk analytics measure the potential impact of various sector and security strategies to ensure consistent value added and controlled volatility. BlackRock was retained by the SBI in April 1996.

**Staff Comments**

Blackrock outperformed the benchmark by 30 bps in the first quarter but underperformed by 480 bps over the last 12 months. Security selection within the CMBS sector as well as an overweight to the ABS sectors were drivers of outperformance in 1Q09. However security selection within the corporate bond sector as well as an overall CMBS sector overweight detracted from 1Q09 returns. Over the last year, a CMBS sector overweight detracted from returns as that sector posted historic negative performance.

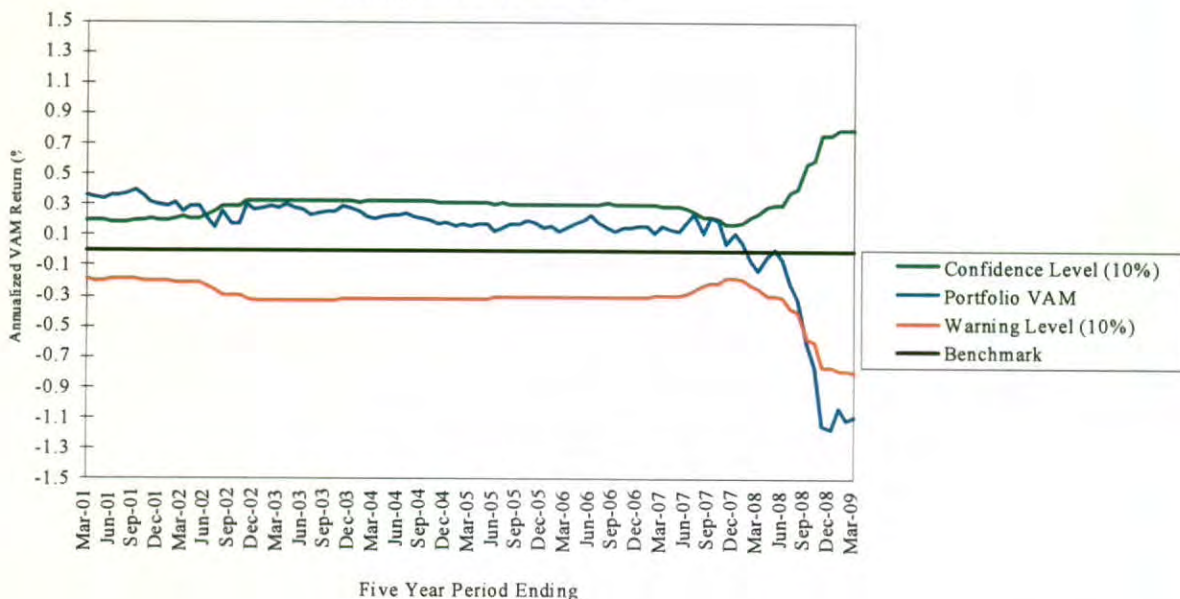
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	0.4%	0.1%
Last 1 year	-1.7	3.1
Last 2 years	2.3	5.4
Last 3 years	3.7	5.8
Last 4 years	3.4	4.9
Last 5 years	3.0	4.1
Since Inception (4/96)	5.9	6.2

**Recommendation**

No action required.

BLACKROCK, INC.  
 Rolling Five Year VAM





**GOLDMAN SACHS ASSET MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Jonathon Beinner**

**Assets Under Management: \$1,309,506,066**

**Investment Philosophy**

Goldman manages an enhanced index portfolio closely tracking the Lehman Aggregate. Goldman's process can be viewed as active management within a very risk-controlled framework. The firm relies primarily on sector allocation and security selection strategies to generate incremental return. To a lesser degree, term structure strategies are also implemented. Goldman combines long-term strategic investment tilts with short-term tactical trading opportunities. Strategic tilts are based on fundamental and quantitative sector research and seek to optimize the long-term risk/return profile of portfolios. Tactical trades between sectors and securities within sectors are implemented to take advantage of short-term market anomalies. Goldman was retained by the SBI in July 1993.

**Staff Comments**

Goldman Sachs outperformed the benchmark by 90 bps for the quarter and underperformed by 360 bps over the last 12 months. Outperformance for the quarter was driven by security selection within the ABS, CMBS, and Government (TIPS) sectors. Credit-sensitive MBS continued to suffer from a lack of liquidity in the quarter, and those securities detracted from performance. Over the last year, these same credit-sensitive MBS were the main detractor of performance. An overweight to the CMBS sector also contributed to the underperformance in the 12 month period as that sector performed poorly.

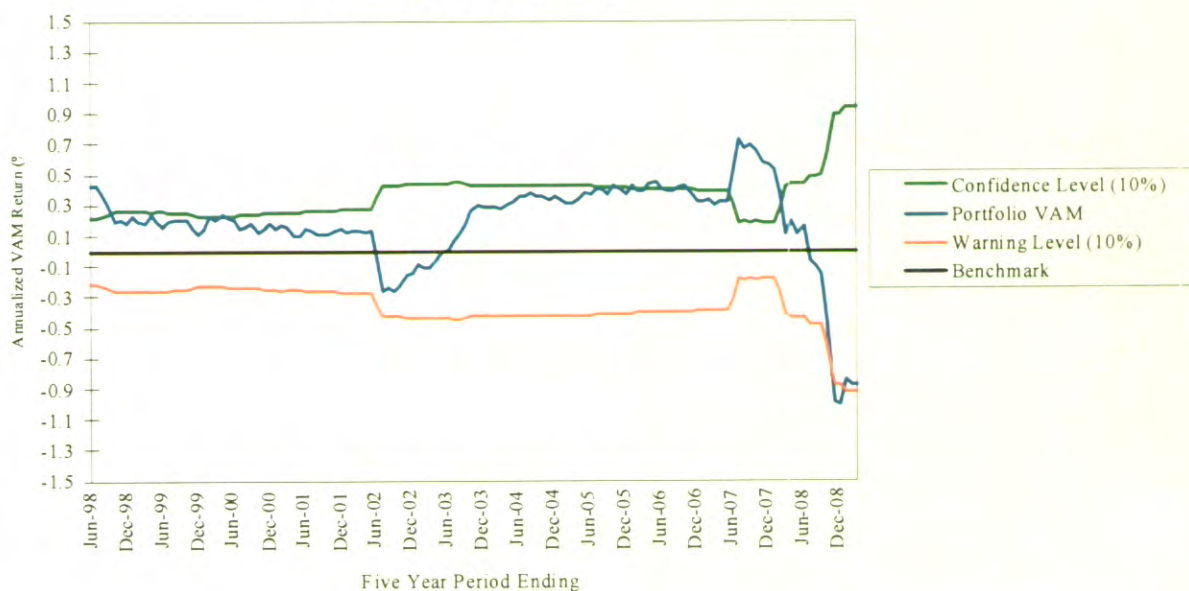
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	1.0%	0.1%
Last 1 year	-0.5	3.1
Last 2 years	2.5	5.4
Last 3 years	3.9	5.8
Last 4 years	3.6	4.9
Last 5 years	3.2	4.1
Since Inception (7/93)	6.0	6.1

**Recommendations**

No action required.

**GOLDMAN SACHS ASSET MANAGEMENT**  
**Rolling Five Year VAM**



**NEUBERGER INVESTMENT MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Andrew Johnson**

**Assets Under Management: \$1,310,170,673**

**Investment Philosophy**

Neuberger (formerly Lincoln) manages an enhanced index portfolio closely tracking the Barclay's Capital Aggregate. Neuberger's process relies on a combination of quantitative tools and active management judgment. Explicit quantification and control of risks are at the heart of their process. Neuberger uses proprietary risk exposure measures to analyze 25 interest rate factors, and over 30 spread-related factors. For each interest rate factor, the portfolio is very closely matched to the index to ensure that the portfolio earns the same return as the index for any change in interest rates. For each spread factor, the portfolio can deviate slightly from the index as a means of seeking value-added. Setting target active risk exposures that must fall within pre-established maximums controls risk. To control credit risk, corporate holdings are diversified across a large number of issues. Neuberger was retained by the SBI in July 1988.

**Staff Comments**

Neuberger was flat to the benchmark for the quarter and underperformed by 510 bps over the last 12 months. 1Q09 performance suffered from an overweight to the CMBS sector, but benefited from security selection in the RMBS and corporate bond sectors. Over the last 12 months, performance was negatively impacted by overweights in the CMBS and RMBS sectors, as those sectors performed poorly. A corporate bond sector overweight added to performance.

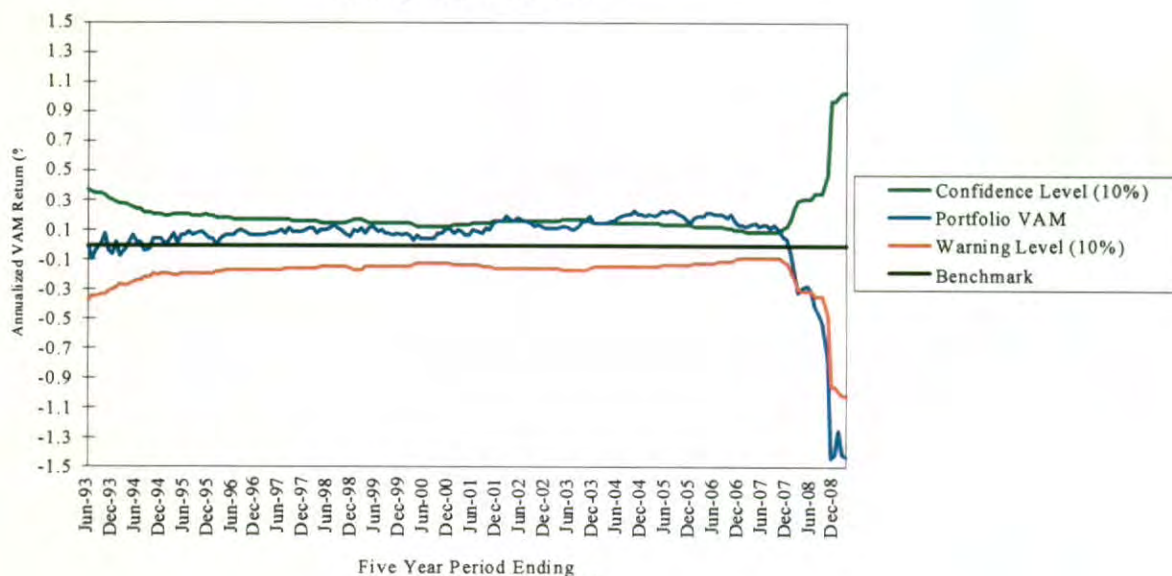
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	0.1%	0.1%
Last 1 year	-2.0	3.1
Last 2 years	1.4	5.4
Last 3 years	3.2	5.8
Last 4 years	3.0	4.9
Last 5 years	2.6	4.1
Since Inception (7/88)	7.0	7.3

**Recommendations**

No action required.

NEUBERGER INVESTMENT MANAGEMENT  
 Rolling Five Year VAM





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# STATE BOARD OF INVESTMENT

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## International Manager Evaluation Reports

First Quarter, 2009



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# International Managers

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**COMBINED RETIREMENT FUNDS  
INTERNATIONAL STOCK MANAGERS  
Periods Ending March, 2009**

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value (in millions)	Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
<b>Active Developed Markets (2)</b>												
Acadian	-14.3	-13.1	-53.0	-46.3	-17.8	-14.0			-7.5	-5.8	\$147.3	3.0%
Invesco	-12.9	-13.1	-40.6	-46.3	-12.6	-14.0	-1.1	-1.7	-0.4	-2.7	\$173.5	3.6%
J.P. Morgan	-12.0	-13.1	-43.3	-46.3	-14.4	-14.0			-6.2	-5.8	\$143.4	3.0%
Marathon	-12.9	-13.1	-41.9	-46.3	-10.3	-14.0	1.4	-1.7	6.0	2.4	\$321.1	6.6%
McKinley	-12.4	-13.1	-49.2	-46.3	-15.1	-14.0			-5.8	-5.8	\$152.7	3.1%
Pyramis (Fidelity)	-11.5	-13.1	-44.0	-46.3	-12.6	-14.0			-4.1	-5.8	\$158.7	3.3%
RiverSource	-10.7	-13.1	-41.8	-46.3	-12.7	-14.0	-1.0	-1.7	-4.7	-2.7	\$165.3	3.4%
UBS Global	-10.0	-13.1	-44.1	-46.3	-14.5	-14.0	-2.8	-1.7	4.4	3.6	\$162.6	3.4%
<b>Aggregate</b>	<b>-12.2</b>	<b>-13.1</b>	<b>-44.6</b>	<b>-46.3</b>	<b>-13.4</b>	<b>-14.0</b>	<b>-1.5</b>	<b>-1.7</b>	<b>3.5</b>	<b>2.4</b>	<b>\$1,424.6</b>	<b>29.4%</b>
<b>Active Emerging Markets (3)</b>												
AllianceBernstein	0.5	0.9	-50.2	-46.9	-10.8	-8.0	4.3	6.0	6.8	8.0	\$218.2	4.5%
Capital International	3.2	0.9	-43.0	-46.9	-4.0	-8.0	8.3	6.0	7.5	8.0	\$374.6	7.7%
Morgan Stanley	-3.1	0.9	-48.0	-46.9	-8.6	-8.0	5.6	6.0	8.0	8.0	\$347.9	7.2%
<b>Aggregate</b>	<b>0.2</b>	<b>0.9</b>	<b>-46.9</b>	<b>-46.9</b>	<b>-7.7</b>	<b>-8.0</b>	<b>6.1</b>	<b>6.0</b>	<b>3.6</b>	<b>3.5</b>	<b>\$940.8</b>	<b>19.4%</b>
<b>Semi-Passive Developed Markets (2)</b>												
AQR	-13.1	-13.1	-46.1	-46.3	-15.3	-14.0			-6.5	-5.8	\$152.7	3.2%
Pyramis (Fidelity)	-12.9	-13.1	-46.6	-46.3	-12.7	-14.0			-4.3	-5.8	\$168.7	3.5%
State Street	-13.1	-13.1	-47.6	-46.3	-15.7	-14.0			-6.9	-5.8	\$152.1	3.1%
<b>Aggregate</b>	<b>-13.0</b>	<b>-13.1</b>	<b>-46.8</b>	<b>-46.3</b>	<b>-14.5</b>	<b>-14.0</b>			<b>-5.9</b>	<b>-5.8</b>	<b>\$473.6</b>	<b>9.8%</b>
<b>Passive Developed Markets (2)</b>												
State Street	-13.1	-13.1	-46.2	-46.3	-13.8	-14.0	-1.5	-1.7	4.2	3.9	\$2,008.3	41.4%
<b>Since 10/1/92</b>												
Equity Only (4) (6)	-10.5	-10.7	-46.0	-46.4	-12.9	-13.1	-0.6	-0.6	4.6	4.2	\$4,847.2	100.0%
<b>Total Program (5) (6)</b>	<b>-10.5</b>	<b>-10.7</b>	<b>-46.0</b>	<b>-46.4</b>	<b>-12.9</b>	<b>-13.1</b>	<b>-0.6</b>	<b>-0.6</b>	<b>4.9</b>	<b>4.2</b>	<b>\$4,847.2</b>	<b>100.0%</b>
SBI Int'l Equity Target (6)		-10.7		-46.4		-13.1		-0.6		4.2		
MSCI ACWI Free ex. U.S. (7)		-10.7		-46.5		-13.1		-0.7		4.5		
MSCI World ex U.S. (net)		-13.1		-46.3		-14.1		-1.7		4.1		
MSCI EAFE Free (net)		-13.9		-46.5		-14.5		-2.2		3.8		
MSCI Emerging Markets Free (8)		0.9		-47.1		-8.2		5.9		6.4		

(1) Since retention by the SBI. Time period varies for each manager.

(2) Since 6/1/08 the developed markets manager's benchmark is the Standard (large + mid) MSCI World ex U.S. (net). From 10/1/07 through 5/31/08 the benchmark was the Provisional Standard MSCI World ex U.S. (net). From 10/1/03 to 9/30/07 the benchmark was MSCI World ex U.S. (net). Prior to that date, it was MSCI EAFE Free (net). From 10/1/01 to 5/31/02 the benchmark was the Provisional MSCI EAFE Free (net).

(3) Since 6/1/08 the emerging markets manager's benchmark is the Standard (large + mid) MSCI Emerging Markets Free (net). From 10/1/07 through 5/31/08 the benchmark was the Provisional Standard MSCI Emerging Markets Free (net). From 1/1/01 to 9/30/07 the benchmark was MSCI Emerging Markets Free (net). Prior to that date, it was MSCI Emerging Markets Free (gross). From 10/1/01 to 5/31/02 the benchmark was the Provisional MSCI Emerging Markets Free (net).

(4) Equity managers only. Includes impact of terminated managers.

(5) Includes impact of currency overlay on the passive EAFE portfolio from 12/1/95-10/31/00.

(6) Since 6/1/08 the International Equity asset class target is the Standard (large + mid) MSCI ACWI ex U.S. (net). From 10/1/07 through 5/31/08 the benchmark was the Provisional Standard MSCI ACWI ex U.S. (net). From 10/1/03 to 9/30/07 the target was MSCI ACWI ex U.S. (net). From 1/1/01 to 9/30/03, the target was MSCI EAFE Free (net) plus Emerging Markets Free (net), and from 7/1/99 to 12/31/00 the target was MSCI EAFE Free (net) plus Emerging Markets Free (gross). From 7/1/99 to 9/30/03, the weighting of each index fluctuated with market capitalization. From 10/1/01 to 5/31/02 all international benchmarks being reported were the MSCI Provisional indices. From 12/31/96 to 6/30/99 the benchmark was fixed at 87% EAFE Free (net)/13% Emerging Markets Free (gross). On 5/1/96, the portfolio began transitioning from 100% EAFE Free (net) to the 12/31/96 fixed weights. 100% EAFE Free (net) prior to 5/1/96.

(7) MSCI ACWI Free ex U.S. (gross) through 12/31/00. MSCI ACWI Free ex U.S. (net) thereafter.

(8) MSCI Emerging Markets Free (gross) through 12/31/00. MSCI Emerging Markets Free (net) thereafter.



**COMBINED RETIREMENT FUNDS  
INTERNATIONAL STOCK MANAGERS  
Calendar Year Returns**

	2008		2007		2006		2005		2004	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
<b>Active Developed Markets (1)</b>										
Acadian	-50.5	-43.5	10.0	12.6	31.9	25.7				
Invesco	-38.8	-43.5	8.4	12.6	26.0	25.7	10.6	14.5	21.4	20.4
J.P. Morgan	-41.5	-43.5	8.8	12.6	23.1	25.7				
Marathon	-38.0	-43.5	15.4	12.6	27.5	25.7	16.4	14.5	24.6	20.4
McKinley	-48.5	-43.5	20.4	12.6	25.4	25.7				
Pyramis (Fidelity)	-42.9	-43.5	17.7	12.6	22.7	25.7				
RiverSource	-40.8	-43.5	12.4	12.6	23.6	25.7	14.2	14.5	17.5	20.4
UBS Global	-44.0	-43.5	7.7	12.6	25.6	25.7	10.0	14.5	20.1	20.4
<b>Aggregate</b>	<b>-42.8</b>	<b>-43.5</b>	<b>13.0</b>	<b>12.6</b>	<b>25.8</b>	<b>25.7</b>	<b>13.6</b>	<b>14.5</b>	<b>19.0</b>	<b>20.4</b>
<b>Active Emerging Markets (2)</b>										
AllianceBernstein	-56.0	-53.2	38.8	39.9	30.4	32.2	32.7	34.0	28.6	25.5
Capital International	-48.9	-53.2	38.4	39.9	35.6	32.2	38.4	34.0	19.5	25.5
Morgan Stanley	-54.5	-53.2	43.0	39.9	37.6	32.2	34.3	34.0	24.2	25.5
<b>Aggregate</b>	<b>-53.0</b>	<b>-53.2</b>	<b>40.0</b>	<b>39.9</b>	<b>34.4</b>	<b>32.2</b>	<b>34.9</b>	<b>34.0</b>	<b>22.9</b>	<b>25.5</b>
<b>Semi-Passive Developed Markets (1)</b>										
AQR	-44.0	-43.5	9.0	12.6	25.2	25.7				
Pyramis (Fidelity)	-44.0	-43.5	18.2	12.6	26.8	25.7				
State Street	-45.3	-43.5	9.1	12.6	27.1	25.7				
<b>Aggregate</b>	<b>-44.4</b>	<b>-43.5</b>	<b>12.1</b>	<b>12.6</b>	<b>26.4</b>	<b>25.7</b>				
<b>Passive Developed Markets (1)</b>										
State Street	-43.4	-43.5	12.9	12.6	26.0	25.7	14.6	14.5	20.6	20.4
Equity Only (3) (5)	-45.3	-45.5	17.1	16.9	27.0	26.7	16.4	16.6	20.0	20.9
<b>Total Program (4) (5)</b>	<b>-45.3</b>	<b>-45.5</b>	<b>17.1</b>	<b>16.9</b>	<b>27.0</b>	<b>26.7</b>	<b>16.4</b>	<b>16.6</b>	<b>20.0</b>	<b>20.9</b>
SBI Int'l Equity Target (5)	-45.5		16.9		26.7		16.6		20.9	
MSCI ACWI Free ex. U.S. (6)	-45.5		16.7		26.7		16.6		20.9	
MSCI World ex U.S. (net)	-43.6		12.4		25.7		14.5		20.4	
MSCI EAFE Free (net)	-43.4		11.2		26.3		13.5		20.2	
MSCI Emerging Markets Free (7)	-53.3		39.4		32.2		34.0		25.5	

- (1) Since 6/1/08 the developed markets manager's benchmark is the Standard (large + mid) MSCI World ex U.S. (net). From 10/1/07 through 5/31/08 the benchmark was the Provisional Standard MSCI World ex U.S. (net). From 10/1/03 to 9/30/07 the benchmark was MSCI World ex U.S. (net). Prior to that date, it was MSCI EAFE Free (net). From 10/1/01 to 5/31/02 the benchmark was the Provisional MSCI EAFE Free (net).
- (2) Since 6/1/08 the emerging markets manager's benchmark is the Standard (large + mid) MSCI Emerging Markets Free (net). From 10/1/07 through 5/31/08 the benchmark was the Provisional Standard MSCI Emerging Markets Free (net). From 1/1/01 to 9/30/07 the benchmark was MSCI Emerging Markets Free (net). Prior to that date, it was MSCI Emerging Markets Free (gross). From 10/1/01 to 5/31/02 the benchmark was the Provisional MSCI Emerging Markets Free (net).
- (3) Equity managers only. Includes impact of terminated managers.
- (4) Includes impact of currency overlay on the passive EAFE portfolio from 12/1/95-10/31/00.
- (5) Since 6/1/08 the International Equity asset class target is the Standard (large + mid) MSCI ACWI ex U.S. (net). From 10/1/07 through 5/31/08 the benchmark was the Provisional Standard MSCI ACWI ex U.S. (net). From 10/1/03 to 9/30/07 the target was MSCI ACWI ex U.S. (net). From 1/1/01 to 9/30/03, the target was MSCI EAFE Free (net) plus Emerging Markets Free (net), and from 7/1/99 to 12/31/00 the target was MSCI EAFE Free (net) plus Emerging Markets Free (gross). From 7/1/99 to 9/30/03, the weighting of each index fluctuated with market capitalization. From 10/1/01 to 5/31/02 all international benchmarks being reported were the MSCI Provisional indices. From 12/31/96 to 6/30/99 the benchmark was fixed at 87% EAFE Free (net)/13% Emerging Markets Free (gross). On 5/1/96, the portfolio began transitioning from 100% EAFE Free (net) to the 12/31/96 fixed weights. 100% EAFE Free (net) prior to 5/1/96.
- (6) MSCI ACWI Free ex U.S. (gross) through 12/31/00. MSCI ACWI Free ex U.S. (net) thereafter.
- (7) MSCI Emerging Markets Free (gross) through 12/31/00. MSCI Emerging Markets Free (net) thereafter.



**ACADIAN ASSET MANAGEMENT LLC**  
**Periods Ending March, 2009**

**Portfolio Manager: John Chisholm**

**Assets Under Management: \$147,324,297**

**Investment Philosophy**

Acadian believes there are inefficiencies in the global equity markets that can be exploited by a disciplined quantitative investment process. In evaluating markets and stocks, Acadian believes it is most effective to use a range of measures, including valuation, price trends, financial quality and earnings information. Risk control is a critical part of the Acadian approach. Acadian's process seeks to capture value-added at both the stock and the sector/country level. The process is active and bottom-up, but each stock forecast also contains a sector/country forecast. Selection is made from a very broad investment universe using disciplined, factor-driven quantitative models. Portfolios are constructed with an optimizer and are focused on targeting a desired level of active risk relative to a client's chosen benchmark index.

**Staff Comments**

During the quarter, the portfolio's underweight position in the energy and materials sectors detracted from performance as did stock selection in those sectors.

For the year, stock selection in Japan, as well as in the industrials and materials sectors, detracted.

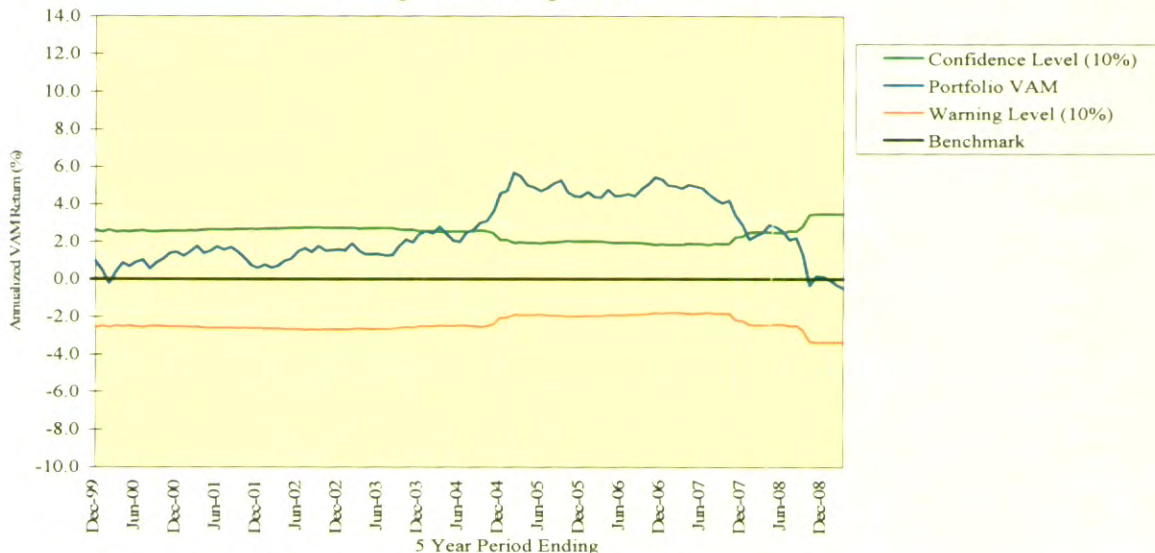
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-14.3%	-13.1%
Last 1 year	-53.0	-46.3
Last 2 years	-32.9	-27.1
Last 3 years	-17.8	-14.0
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (7/05)	-7.5	-5.8

**Recommendations**

No action required.

**ACADIAN ASSET MANAGEMENT**  
**Rolling Five Rolling VAM**



Note: Shaded area includes performance prior to retention by the SBI.

**INVESCO GLOBAL ASSET MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Erik Granade**

**Assets Under Management: \$173,471,281**

**Investment Philosophy**

INVESCO believes they can add value by identifying and investing in companies whose share price does not reflect the proven and sustainable growth of the company's earnings and assets. They also believe that a systematic process that identifies mis-valued companies, combined with a consistently applied portfolio design process, can control the predictability and consistency of returns. Portfolios are constructed on a bottom-up basis; they select individual companies rather than countries, themes, or industry groups. This is the first of four cornerstones of their investment approach. Secondly, they conduct financial analysis on a broad universe of non-U.S. companies whose key financial data is adjusted to be comparable across borders and currencies. Third, Invesco believes that using local investment professionals enhances fundamental company research. Finally, they manage risk and assure broad diversification relative to clients' benchmarks through a statistics-based portfolio construction approach rather than resorting to country or industry constraints.

**Staff Comments**

Stock selection in Japan and in the information technology and industrials sectors contributed positively to the portfolio's relative returns over both the quarter and the year.

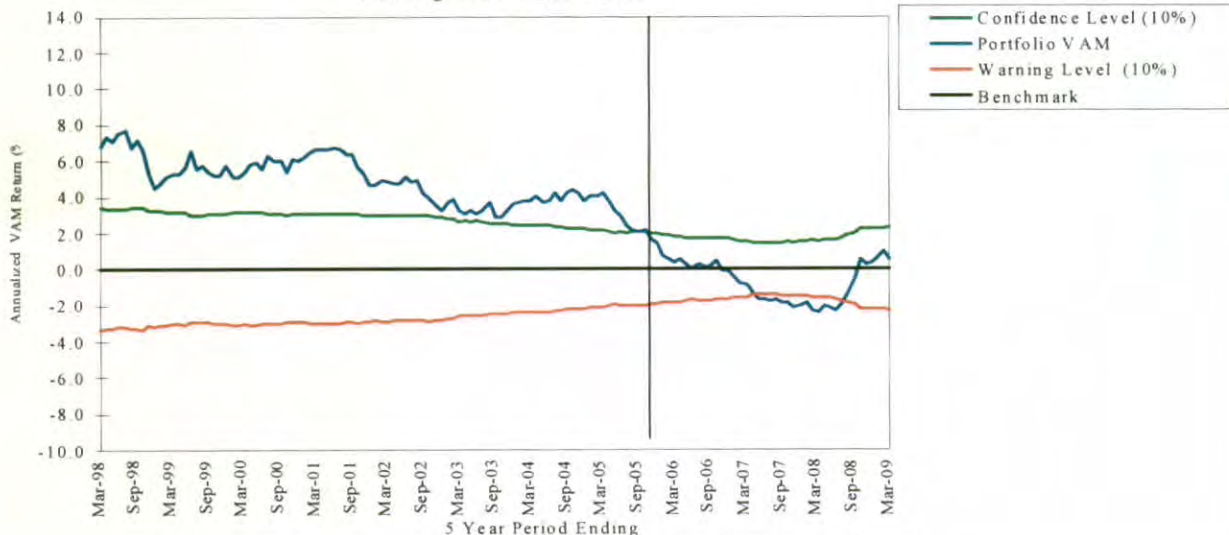
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-12.9%	-13.1%
Last 1 year	-40.6	-46.3
Last 2 years	-25.4	-27.1
Last 3 years	-12.6	-14.0
Last 4 years	-5.3	-5.6
Last 5 years	-1.1	-1.7
Since Inception (3/00)	-0.4	-2.7

**Recommendations**

No action required.

INVESCO GLOBAL ASSET MANAGEMENT  
 Rolling Five Year VAM



Note: Area to the left of vertical line includes performance prior to retention by the SBI.



**J.P. MORGAN INVESTMENT MANAGEMENT INC.**  
**Periods Ending March, 2009**

**Portfolio Manager: James Fisher**

**Assets Under Management: \$143,388,167**

**Investment Philosophy**

JP Morgan's international equity strategy seeks to add value through active stock selection, while remaining diversified by both sector and region. The portfolio displays a large capitalization size bias and a slight growth orientation. Stock selection decisions reflect the insights of approximately 150 locally based investors, ranking companies within their respective local markets. The most attractive names in each region are then further validated by a team of Global Sector Specialists who seek to take the regional team rankings and put these into a global context. The team of six senior portfolio managers draws together the insights of both the regional and global specialists, constructing a portfolio of the most attractive names.

**Staff Comments**

Relative to the benchmark, the portfolio outperformed during the quarter and the year. Stock selection in the consumer discretionary and consumer staples sectors added significantly to returns over both periods.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-12.0%	-13.1%
Last 1 year	-43.3	-46.3
Last 2 years	-25.9	-27.1
Last 3 years	-14.4	-14.0
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (7/05)	-6.2	-5.8

**Recommendations**

No action required.

J.P. MORGAN INVESTMENT MANAGEMENT, INC.  
 Rolling Five Rolling VAM



Note: Shaded area includes performance prior to retention by the SBI

**MARATHON ASSET MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: William Arah**

**Assets Under Management: \$321,134,310**

**Investment Philosophy**

Marathon uses a blend of flexible, qualitative disciplines to construct portfolios which exhibit a value bias. Style and emphasis will vary over time and by market, depending on Marathon's perception of lowest risk opportunity. Since they believe that competition determines profitability, Marathon is attracted to industries where the level of competition is declining and they will hold a sector position as long as the level of competition does not increase. At the stock level, Marathon tracks a company's competitive position versus the attractiveness of their products or services and attempts to determine whether the company is following an appropriate reinvestment strategy for their current competitive position.

**Staff Comments**

The portfolio's underweight position in financials, one of the worst performing sectors, as well as stock selection in that sector contributed significantly to performance over the quarter and the year.

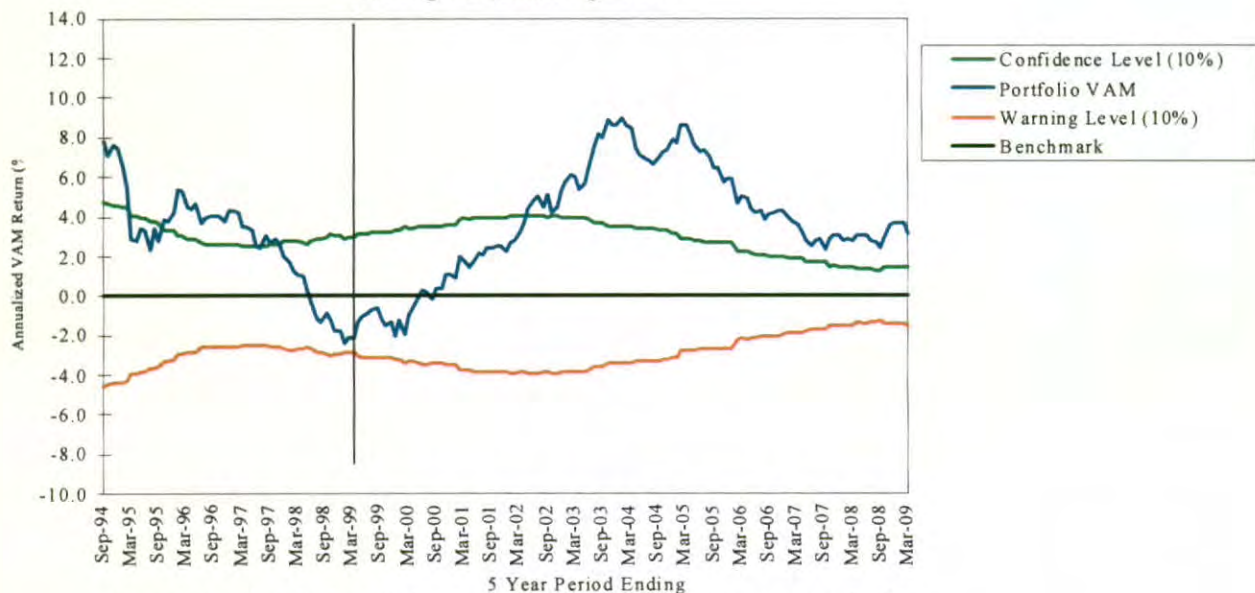
**Quantitative Evaluation**

	<b>Actual</b>	<b>Custom Benchmark</b>
Last Quarter	-12.9%	-13.1%
Last 1 year	-41.9	-46.3
Last 2 years	-23.3	-27.1
Last 3 years	-10.3	-14.0
Last 4 years	-2.4	-5.6
Last 5 years	1.4	-1.7
Since Inception (11/93)	6.0	2.4

**Recommendations**

No action required.

**MARATHON ASSET MANAGEMENT**  
**Rolling Five Rolling VAM**



Note: Area to the left of vertical line includes performance prior to retention by the SBI.



**MCKINLEY CAPITAL MANAGEMENT, INC.**  
**Periods Ending March, 2009**

**Portfolio Manager: Robert A. Gillam**

**Assets Under Management: \$152,671,448**

**Investment Philosophy**

At McKinley Capital, investment decisions are based on the philosophy that excess market returns can be achieved through the construction and active management of a diversified, fundamentally sound portfolio of inefficiently priced common stocks whose earnings growth rates are accelerating above market expectations. A disciplined quantitative investment process drives all product strategies. The firm can be described as a bottom-up growth manager. They employ both a systematic screening process and a qualitative overview to construct and manage portfolios. Investment ideas are initially generated by the quantitative investment process. The balance of the qualitative overlay seeks to identify securities with earnings estimates that are reasonable and sustainable. All portfolios managed by McKinley Capital use the same investment process and construction methodology to manage portfolios.

**Staff Comments**

During the quarter, stock selection in the energy and materials sectors, which rebounded, contributed to positive relative performance. For the year, selection and weighting decisions in these two sectors detracted. Over both time periods, the portfolio's underweight to financials added value.

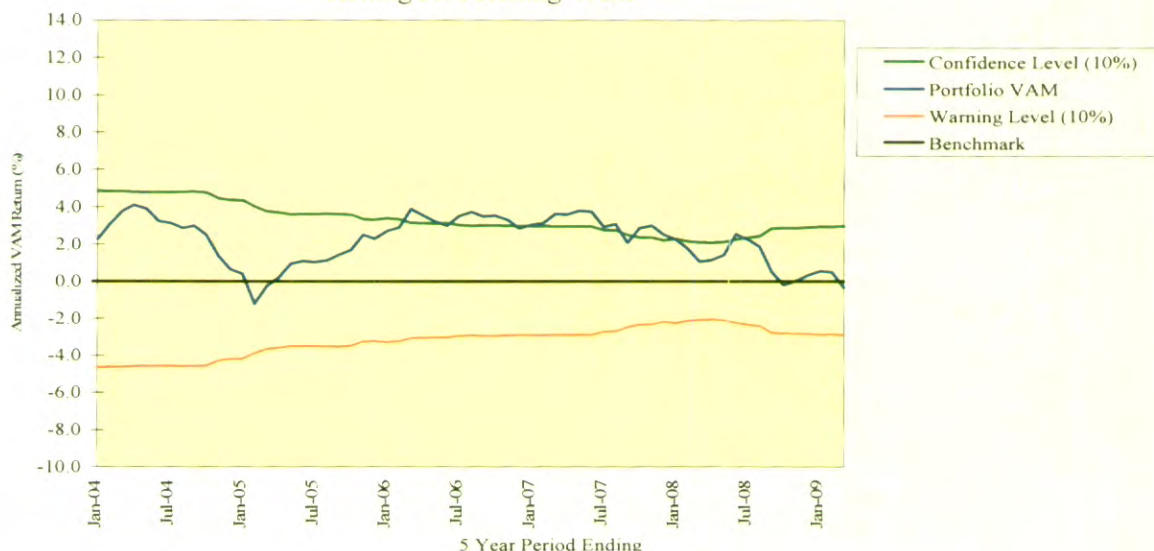
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-12.4%	-13.1%
Last 1 year	-49.2	-46.3
Last 2 years	-28.6	-27.1
Last 3 years	-15.1	-14.0
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (7/05)	-5.8	-5.8

**Recommendations**

No action required.

MCKINLEY CAPITAL MANAGEMENT, INC.  
 Rolling Five Rolling VAM



Note: Shaded area includes performance prior to retention by the SBI.

**PYRAMIS GLOBAL ADVISORS TRUST COMPANY**  
**(Formerly Fidelity Management Trust Company)**  
**Periods Ending March, 2009**

**Portfolio Manager:** Michael Strong

**Assets Under Management:** \$158,702,791

**Investment Philosophy**

International Growth is a core, growth-oriented strategy that provides diversified exposure to the developed international markets. The investment process combines active stock selection and regional asset allocation. Four portfolio managers in London, Tokyo, Hong Kong, and Boston construct regional sub-portfolios, selecting stocks based on Fidelity analysts' bottom-up research and their own judgment and expertise. Portfolio guidelines seek to ensure risk is commensurate with the performance target and to focus active risk on stock selection. Resulting portfolios typically contain between 200-250 holdings.

**Staff Comments**

During the quarter and the year, stock selection in the materials, consumer staples and financials sectors, contributed positively to the portfolio's performance.

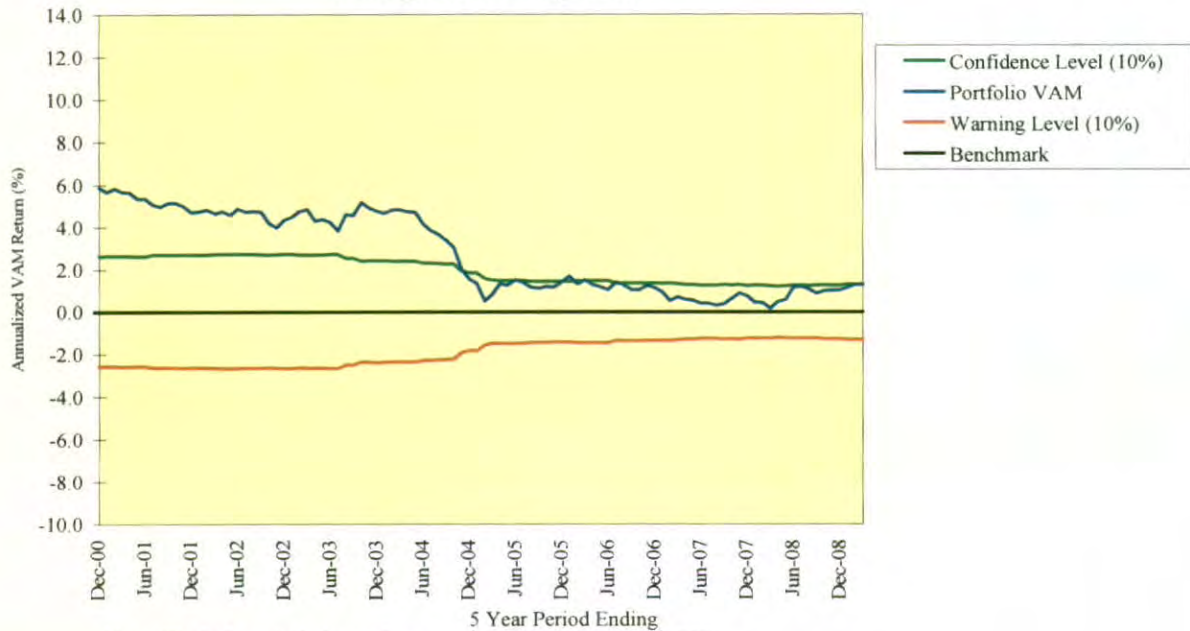
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-11.5%	-13.1%
Last 1 year	-44.0	-46.3
Last 2 years	-23.9	-27.1
Last 3 years	-12.6	-14.0
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (7/05)	-4.1	-5.8

**Recommendations**

No action required.

**PYRAMIS GLOBAL ADVISORS TRUST Co. - INTL GROWTH**  
**Rolling Five Rolling VAM**



Note: Shaded area includes performance prior to retention by the SBI.



**RIVERSOURCE INVESTMENTS**  
**Periods Ending March, 2009**

**Portfolio Manager:** Esther Perkins

**Assets Under Management:** \$165,301,459

**Investment Philosophy**

RiverSource's philosophy focuses on key forces of change in markets and the companies that will benefit. The firm believes that in a global marketplace, where sustainable competitive advantage is rare, their research should focus on the dynamics of change. A good understanding of the likely impact of these changes at a company level, complemented with an appreciation of the ability of management to exploit these changes, creates significant opportunities to pick winners and avoid losers.

**Staff Comments**

Stock selection decisions overall, particularly in the materials, energy and healthcare sectors, added value over both the quarter and the year.

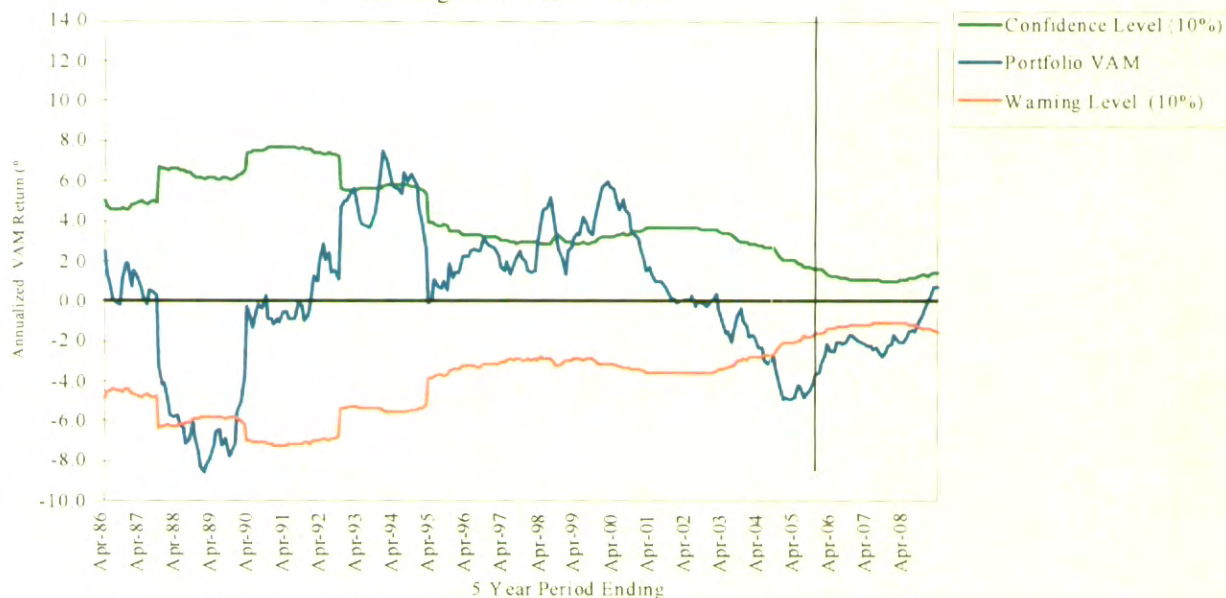
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-10.7%	-13.1%
Last 1 year	-41.8	-46.3
Last 2 years	-24.3	-27.1
Last 3 years	-12.7	-14.0
Last 4 years	-4.1	-5.6
Last 5 years	-1.0	-1.7
Since Inception (3/00)	-4.7	-2.7

**Recommendations**

No action required.

**RIVERSOURCE INVESTMENTS**  
**Rolling Five Year VAM**



Note: Area to the left of vertical line includes performance prior to retention by the SBI

**UBS GLOBAL ASSET MANAGEMENT, INC.**  
**Periods Ending March, 2009**

**Portfolio Manager: Nick Irish**

**Assets Under Management: \$162,584,042**

**Investment Philosophy**

UBS's investment research process focuses on identifying discrepancies between a security's fundamental or intrinsic value and its observed market price both across and within international equity markets. UBS exploits these discrepancies using a disciplined fundamental approach. The research analysts evaluate companies in their markets around the world and assign relative price/intrinsic value rankings based on the present value of the future cash flows. The portfolio management team draws upon the analysts' stock and industry-level research and synthesizes it with the firm's macro analysis of the global economy, country specific views and various market-driven issues to systematically develop portfolio strategy. UBS develops currency strategies separately and in coordination with country allocations. They utilize currency equilibrium bands to determine which currencies are over or under valued.

**Staff Comments**

The portfolio added value over the quarter and the year, in large part due to UBS' currency strategy, which is managed separately from the stock selection strategy. During the year, Japanese stock selection was again the single largest negative contributor to the portfolio's performance.

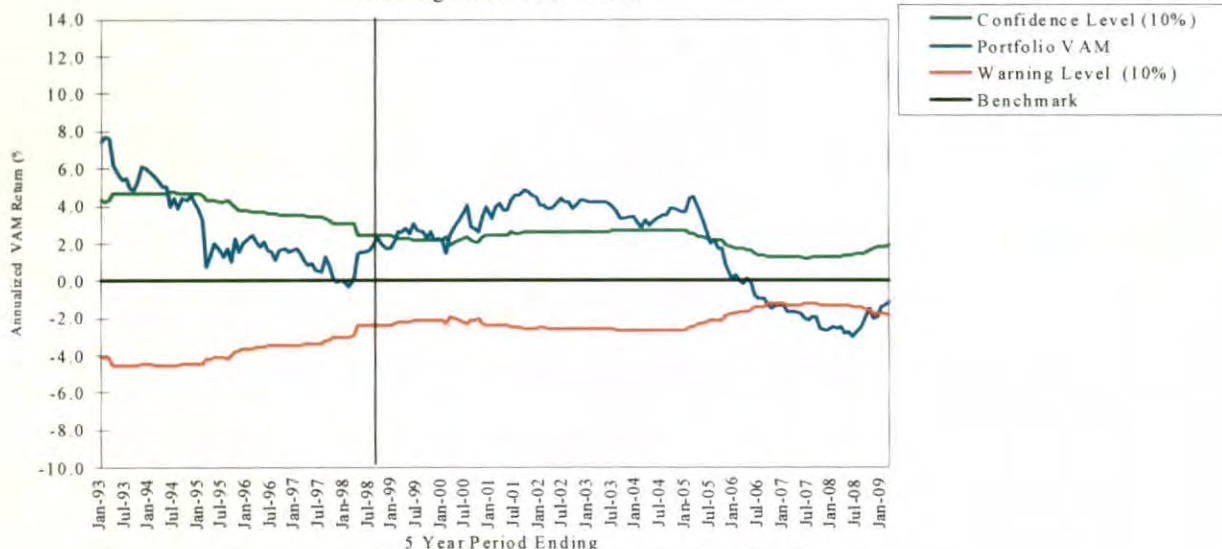
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-10.0%	-13.1%
Last 1 year	-44.1	-46.3
Last 2 years	-27.0	-27.1
Last 3 years	-14.5	-14.0
Last 4 years	-6.8	-5.6
Last 5 years	-2.8	-1.7
Since Inception (4/93)	4.4	3.6

**Recommendations**

A recommendation regarding this manager will be made at the IAC meeting.

UBS GLOBAL ASSET MANAGEMENT, INC. (INT'L)  
 Rolling Five Year VAM



Note: Area to the left of vertical line includes performance prior to retention by the SBI



**ALLIANCEBERNSTEIN L.P.**  
**Periods Ending March, 2009**

**Portfolio Manager: Steve Beinhacker**

**Assets Under Management: \$218,249,198**

**Investment Philosophy**

Alliance employs a growth style of investment management. They believe that fundamental research-driven stock selection, structured by industries within regions, will produce superior investment performance. Their strategy emphasizes bottom-up, large capitalization stock selection. Country and industry exposures are a by-product of stock selection. Alliance looks for companies with the best combination of forward-looking growth and valuation attractiveness.

**Staff Comments**

The portfolio underperformed during the quarter and the year. Over both periods, stock selection in the telecommunications and materials sectors detracted from returns.

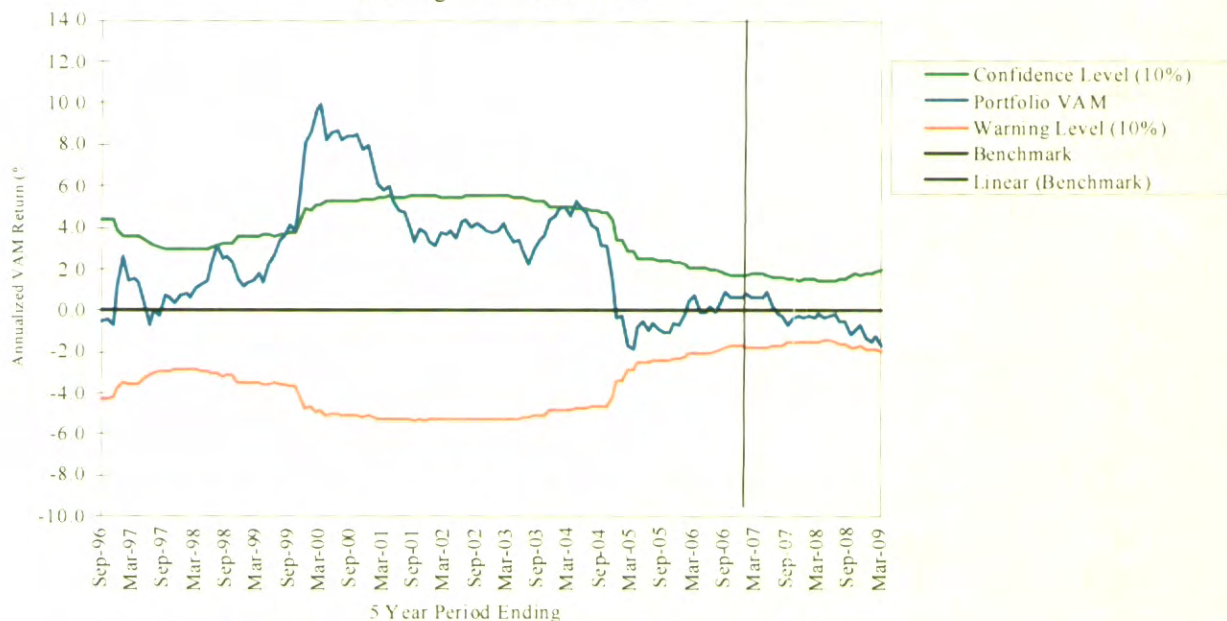
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	0.5%	0.9%
Last 1 year	-50.2	-46.9
Last 2 years	-22.8	-19.6
Last 3 years	-10.8	-8.0
Last 4 years	1.2	3.5
Last 5 years	4.3	6.0
Since Inception (3/01)	6.8	8.0

**Recommendations**

No action required.

ALLIANCEBERNSTEIN L.P.  
 Rolling Five Year VAM



Note: Area to the left of vertical line includes performance prior to retention by the SBI.

**CAPITAL INTERNATIONAL, INC.**  
**Periods Ending March, 2009**

**Portfolio Manager: Victor Kohn**

**Assets Under Management: \$374,627,207**

**Investment Philosophy**

Capital International's philosophy is value-oriented, as they focus on identifying the difference between the underlying value of a company and the price of its securities in its home market. Capital International's basic, fundamental, bottom-up approach is blended with macroeconomic and political judgments on the outlook for economies, industries, currencies and markets. The team of portfolio managers and analysts each select stocks for the portfolio based on extensive field research and direct company contact.

**Staff Comments**

Over the quarter and the year, the portfolio outperformed. An underweight position in financials contributed positively over both time periods. During the quarter, stock selection in China and South Africa contributed positively, as did stock selection in Korea and Taiwan over the year.

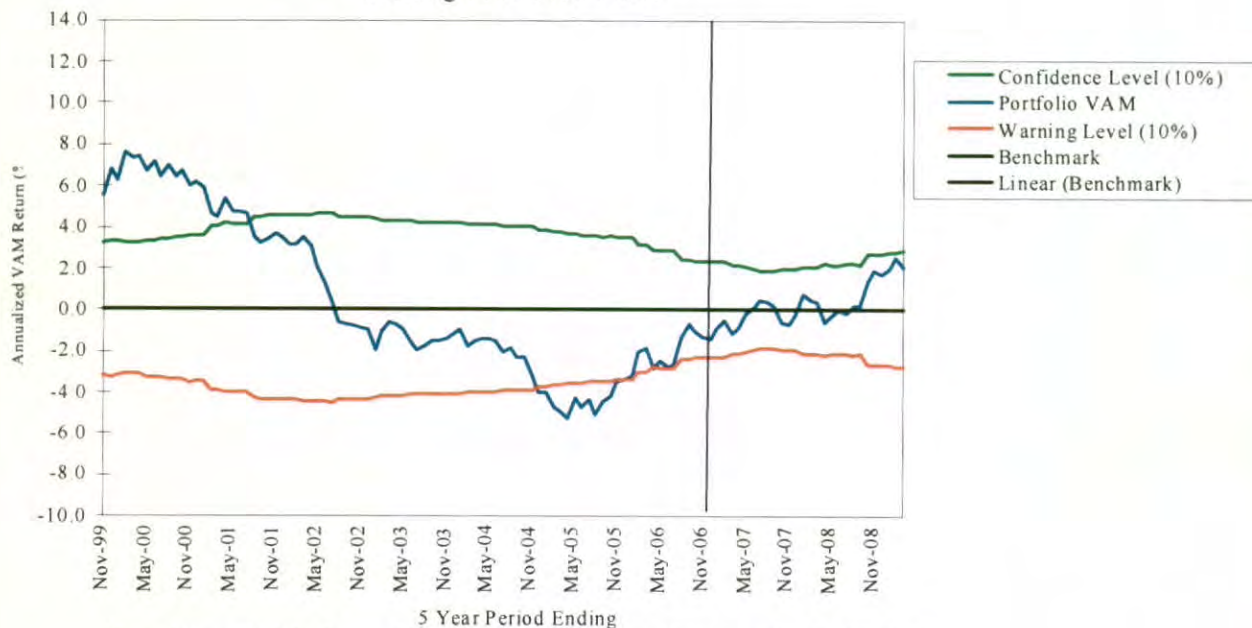
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	3.2%	0.9%
Last 1 year	-43.0	-46.9
Last 2 years	-16.4	-19.6
Last 3 years	-4.0	-8.0
Last 4 years	7.8	3.5
Last 5 years	8.3	6.0
Since Inception (3/01)	7.5	8.0

**Recommendations**

No action required.

**CAPITAL INTERNATIONAL, INC.**  
**Rolling Five Year VAM**





**MORGAN STANLEY INVESTMENT MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Ruchir Sharma**

**Assets Under Management: \$347,911,209**

**Investment Philosophy**

Morgan Stanley's style is core with a growth bias. They follow a top-down approach to country allocation and a bottom-up approach to stock selection. Morgan Stanley's macro-economic and stock selection analyses are qualitative as well as quantitative, concentrating on fundamentals. Their top-down analysis highlights countries with improving fundamentals and attractive valuations. Their bottom-up approach to stock selection focuses on purchasing companies with strong operating earnings potential at attractive valuations.

**Staff Comments**

The portfolio underperformed over both the quarter and the year. Stock selection and weighting decisions in Poland, Brazil, and in the financials and materials sectors detracted from returns over both time periods.

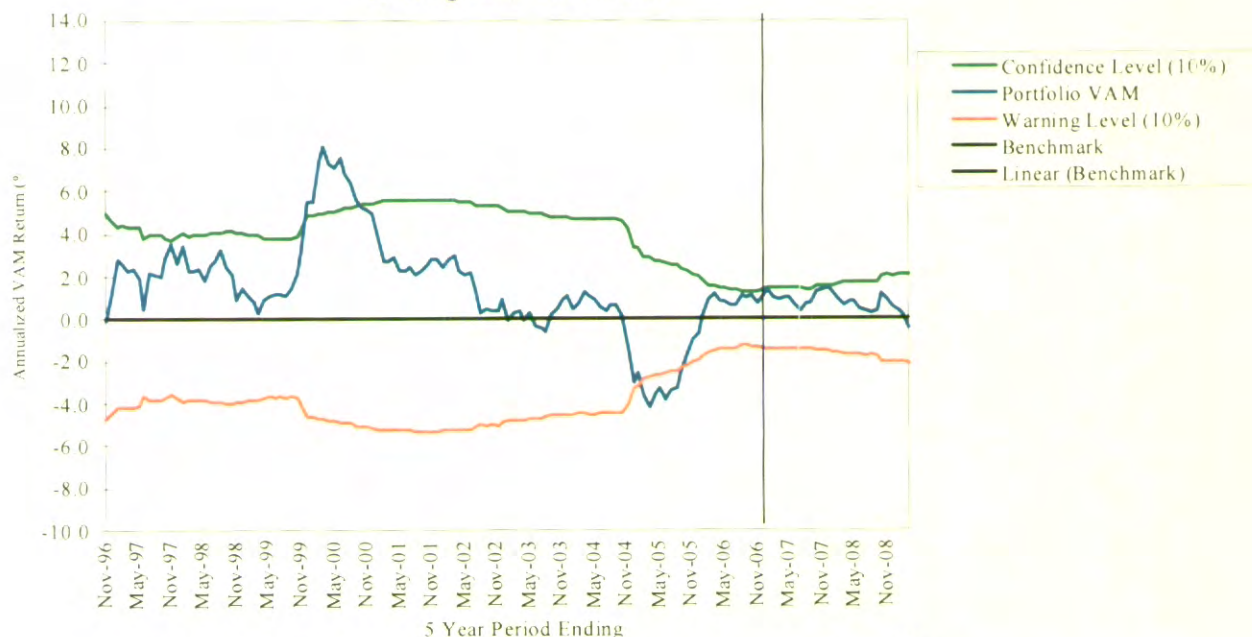
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-3.1%	0.9%
Last 1 year	-48.0	-46.9
Last 2 years	-21.6	-19.6
Last 3 years	-8.6	-8.0
Last 4 years	3.5	3.5
Last 5 years	5.6	6.0
Since Inception (3/01)	8.0	8.0

**Recommendations**

No action required.

**MORGAN STANLEY INVESTMENT MANAGEMENT**  
**Rolling Five Year VAM**



Note: Area to the left of vertical line includes performance prior to retention by the SBI

**AQR CAPITAL MANAGEMENT, LLC**  
**Periods Ending March, 2009**

**Portfolio Manager:** Cliff Asness

**Assets Under Management:** \$152,738,203

**Investment Philosophy**

AQR employs a disciplined quantitative approach emphasizing both top-down country/currency allocation and bottom-up security selection decisions to generate excess returns. AQR's investment philosophy is based on the fundamental concepts of value and momentum. AQR's international equity product incorporates stock selection, country selection, and currency selection models as the primary alpha sources. Dynamic strategy allocation (between the three primary alpha sources) and style weighting are employed as secondary alpha sources.

**Staff Comments**

The portfolio matched the index over the quarter and narrowly added value over the year. The portfolio's underweight position in the financials sector, which was one of the worst performers, contributed significantly over both time periods.

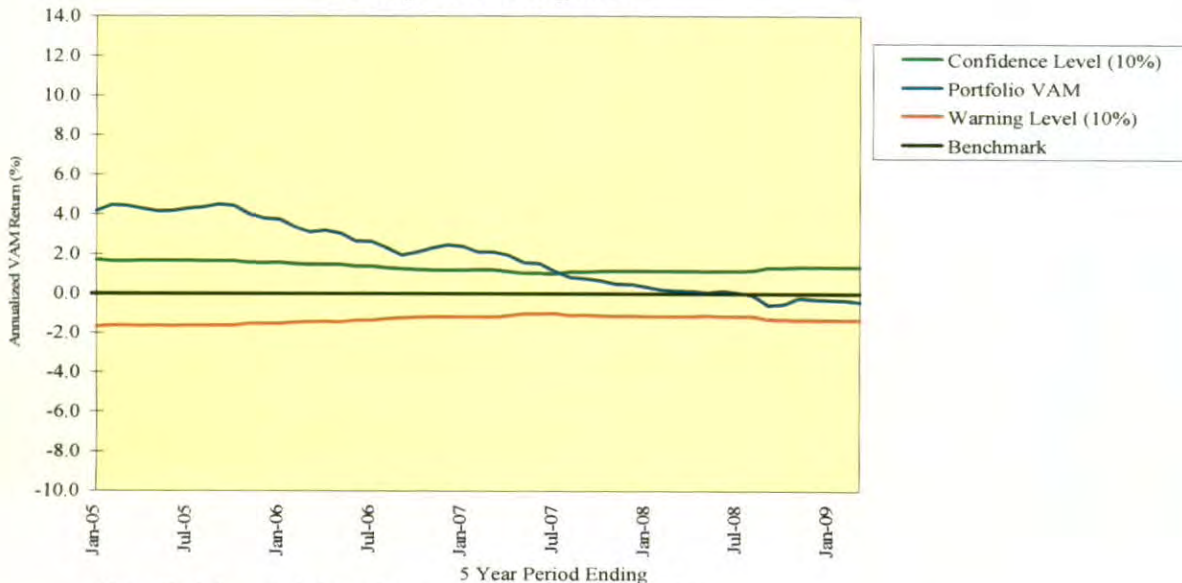
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-13.1%	-13.1%
Last 1 year	-46.1	-46.3
Last 2 years	-28.2	-27.1
Last 3 years	-15.3	-14.0
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (7/05)	-6.5	-5.8

**Recommendations**

No action required.

AQR CAPITAL MANAGEMENT, LLC  
 Rolling Five Rolling VAM



Note: Shaded area includes performance prior to retention by the SBI.



**PYRAMIS GLOBAL ADVISORS TRUST COMPANY**  
**(Formerly Fidelity Management Trust Company)**  
**Periods Ending March, 2009**

**Portfolio Manager: Cesar Hernandez**

**Assets Under Management: \$168,701,983**

**Investment Philosophy**

Select International combines active stock selection with quantitative risk control to provide consistent excess returns above the benchmark while minimizing relative volatility and risk. By combining five regional sub-portfolios in the U.K., Canada, Continental Europe, Japan, and the Pacific Basin ex Japan, the portfolio manager produces a portfolio made up of the best ideas of the firm's research analysts. Each regional portfolio is created so that stock selection is the largest contributor to active return while systematic, sector, and factor risks are minimized. The portfolio manager uses a combination of proprietary and third-party optimization models to monitor and control risk within each regional module. Resulting portfolios typically contain between 275-325 holdings.

**Staff Comments**

The portfolio narrowly outperformed over the quarter and underperformed during the year. Negative stock selection in Japan contributed significantly over both periods, but was offset during the quarter by the positive effects of stock selection in the United Kingdom and in the information technology and materials sectors.

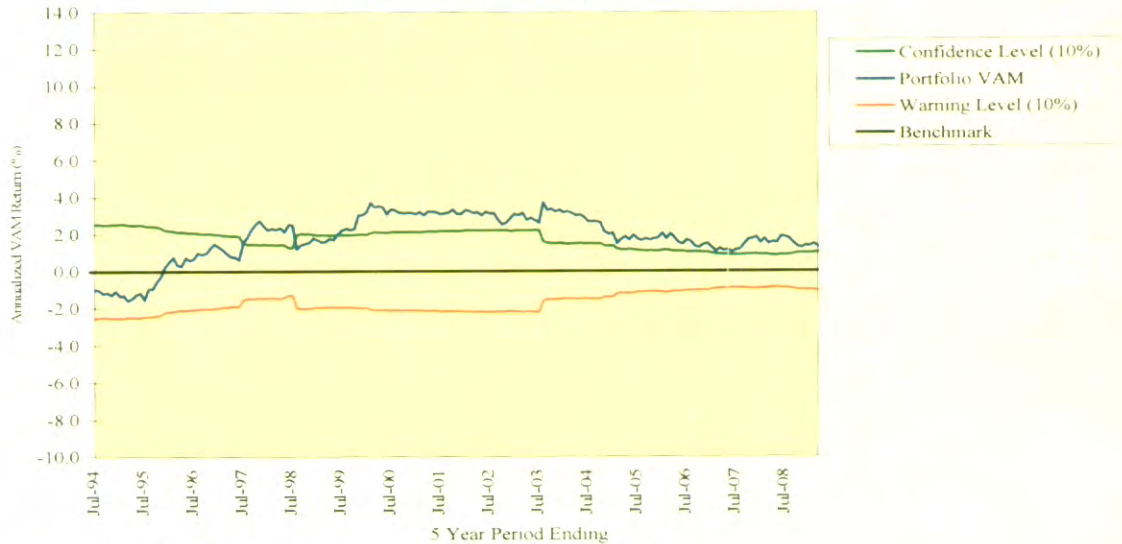
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-12.9%	-13.1%
Last 1 year	-46.6	-46.3
Last 2 years	-25.7	-27.1
Last 3 years	-12.7	-14.0
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (7/05)	-4.3	-5.8

**Recommendations**

No action required.

**PYRAMIS GLOBAL ADVISORS TRUST Co. - SELECT INTL**  
**Rolling Five Rolling VAM**



Note: Shaded area includes performance prior to retention by the SBI.

**STATE STREET GLOBAL ADVISORS**  
**Periods Ending March, 2009**

**Portfolio Manager: Didier Rosenfeld**

**Assets Under Management: \$152,141,589**

**Investment Philosophy**

SSgA's Alpha strategy is managed using a quantitative process. Stock selection provides the best opportunity to add consistent value. Industry factors have come to dominate country factors and an approach that uses industry weights to add incremental value complements stock selection. Unwanted biases are controlled for through disciplined risk-control techniques. Country and regional allocations are a result of the security selection process but are managed to remain with +/- 5% of the benchmarks allocation. Sector and industry allocations are managed to be within +/- 3% of the benchmarks allocation. The portfolio managers on this team have extensive experience and insight, which is used in conjunction with the models to create core portfolios.

**Staff Comments**

The portfolio matched the index over the quarter and underperformed for the year. Stock selection in the financials sector detracted significantly from returns over both periods. During the quarter, this was offset by positive contributions from selection in the consumer staples and energy sectors.

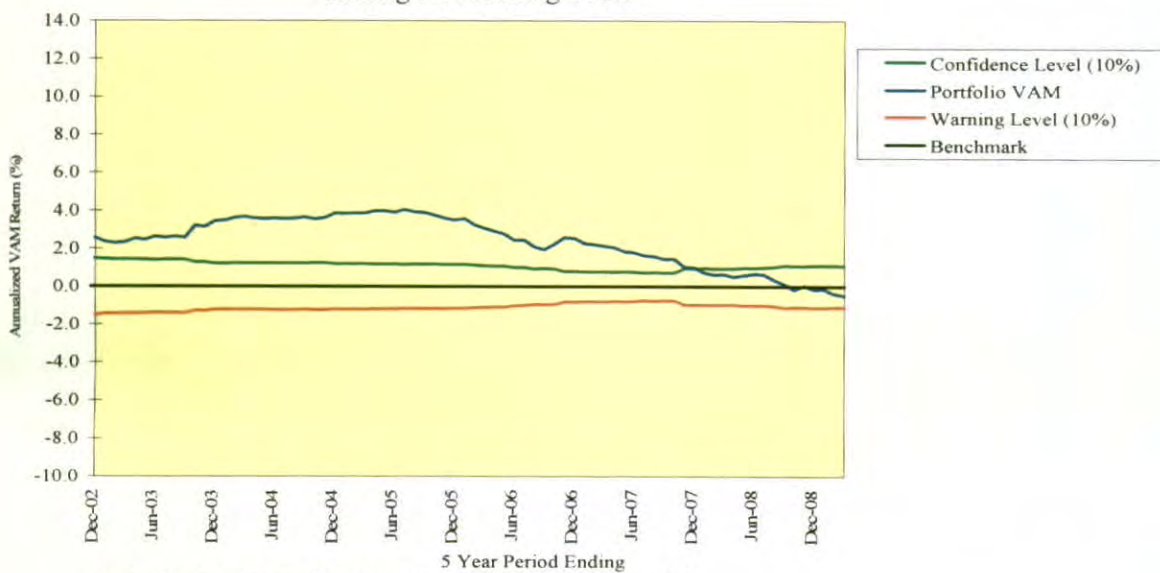
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-13.1%	-13.1%
Last 1 year	-47.6	-46.3
Last 2 years	-29.3	-27.1
Last 3 years	-15.7	-14.0
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (7/05)	-6.9	-5.8

**Recommendations**

No action required.

**STATE STREET GLOBAL ADVISORS - ALPHA**  
**Rolling Five Rolling VAM**



Note: Shaded area includes performance prior to retention by the SBI.



**STATE STREET GLOBAL ADVISORS**  
**Periods Ending March, 2009**

**Portfolio Manager: Lynn Blake**

**Assets Under Management: \$2,008,262,310**

**Investment Philosophy**

State Street Global Advisors passively manages the portfolio against the Morgan Stanley Capital International (MSCI) World ex U.S. index of 22 markets located in the developed markets outside of the United States (including Canada). SSgA fully replicates the index whenever possible because it results in lower turnover, higher tracking accuracy and lower market impact costs. The MSCI World ex U.S. (net) index reinvests dividends assuming a withholding tax on dividends, according to the Luxembourg tax rate. Whereas the portfolio reinvests dividends using all available reclaims and tax credits available to a U.S. pension fund, which should result in modest positive tracking error, over time.

**Staff Comments**

The tracking error of the portfolio is within expectation over all time periods.

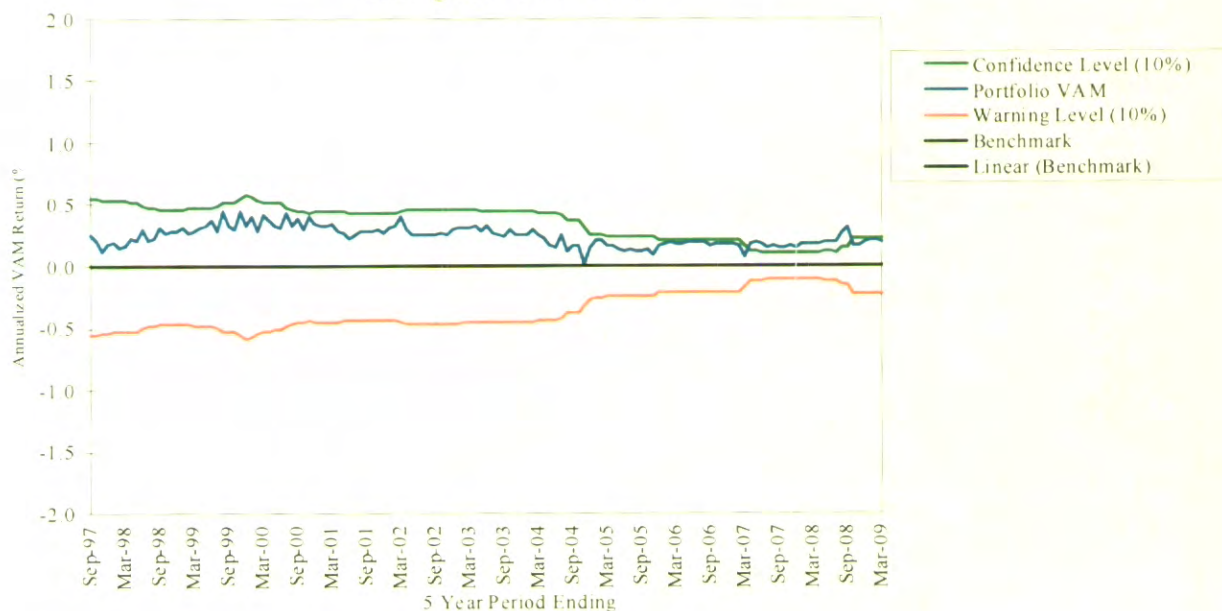
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-13.1%	-13.1%
Last 1 year	-46.2	-46.3
Last 2 years	-26.9	-27.1
Last 3 years	-13.8	-14.0
Last 4 years	-5.4	-5.6
Last 5 years	-1.5	-1.7
Since Inception (10/92)	4.2	3.9

**Recommendation**

No action required.

**STATE STREET GLOBAL ADVISORS - PASSIVE**  
**Rolling Five Year VAM**





# STATE BOARD OF INVESTMENT

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## Non-Retirement Manager Evaluation Reports

First Quarter, 2009



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## Non-Retirement Managers

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**NON - RETIREMENT MANAGERS**  
**Periods Ending March, 2009**

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value (in millions)
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	
GE Asset Management (S&P 500 Index)	-7.0	-11.0	-34.1	-38.1	-10.1	-13.1	-3.5	-4.8	6.9	5.8	\$42.7
Voyageur Asset Management (Custom Benchmark)	0.7	0.4	-1.8	6.4	2.9	7.4	2.4	5.0	5.8	6.6	\$251.5
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)	1.1	0.4	4.6	2.4	4.7	3.9	4.5	4.0	5.6	4.8	\$1,150.9
Internal Stock Pool (S&P 500 Index)	-10.9	-11.0	-37.7	-38.1	-12.9	-13.1	-4.6	-4.8	5.8	5.7	\$622.8
Internal Bond Pool - Income Share (Barclays Capital Aggregate) (2)	2.1	0.1	2.6	3.1	5.0	5.8	4.1	4.1	7.5	7.3	\$77.9
Internal Bond Pool - Trust (Barclays Capital Aggregate)	2.7	0.1	4.3	3.1	5.9	5.8	4.6	4.1	7.0	6.6	\$496.1

(1) Since retention by the SBI. Time period varies by manager.

(2) Prior to July 1994, the benchmark was the Salomon BIG.

**NON - RETIREMENT MANAGERS**  
**Calendar Year Returns**

	2008		2007		2006		2005		2004	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
GE Asset Management (S&P 500 Index)	-35.6	-37.0	8.5	5.5	16.4	15.8	2.6	4.9	8.8	10.9
Voyageur Asset Management (Custom Benchmark)	-2.4	9.5	5.8	7.9	4.5	4.3	2.5	2.1	3.2	3.0
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)	4.7	2.6	4.8	4.7	4.6	5.2	4.3	4.4	4.2	3.3
Internal Stock Pool (S&P 500 Index)	-36.7	-37.0	5.5	5.5	15.9	15.8	4.9	4.9	10.9	10.9
Internal Bond Pool - Income Share (Barclays Capital Aggregate) (1)	1.3	5.2	6.4	7.0	5.0	4.3	2.7	2.4	5.1	4.3
Internal Bond Pool - Trust (Barclays Capital Aggregate)	2.6	5.2	7.1	7.0	5.1	4.3	2.8	2.4	5.0	4.3

(1) Prior to July 1994, the benchmark was the Salomon BIG.



**GE ASSET MANAGEMENT - Assigned Risk Plan**  
**Periods Ending March, 2009**

**Portfolio Manager: Dave Carlson**

**Assets Under Management: \$42,687,211**

**Investment Philosophy**  
**Assigned Risk Plan**

GE's Multi-Style Equity program attempts to outperform the S&P 500 consistently while controlling overall portfolio risk through a multiple manager approach. A value portfolio, a growth portfolio and a research portfolio are combined to create a well diversified equity portfolio while maintaining low relative volatility and a style-neutral position between growth and value. All GE managers focus on stock selection from a bottom-up perspective.

**Staff Comments**

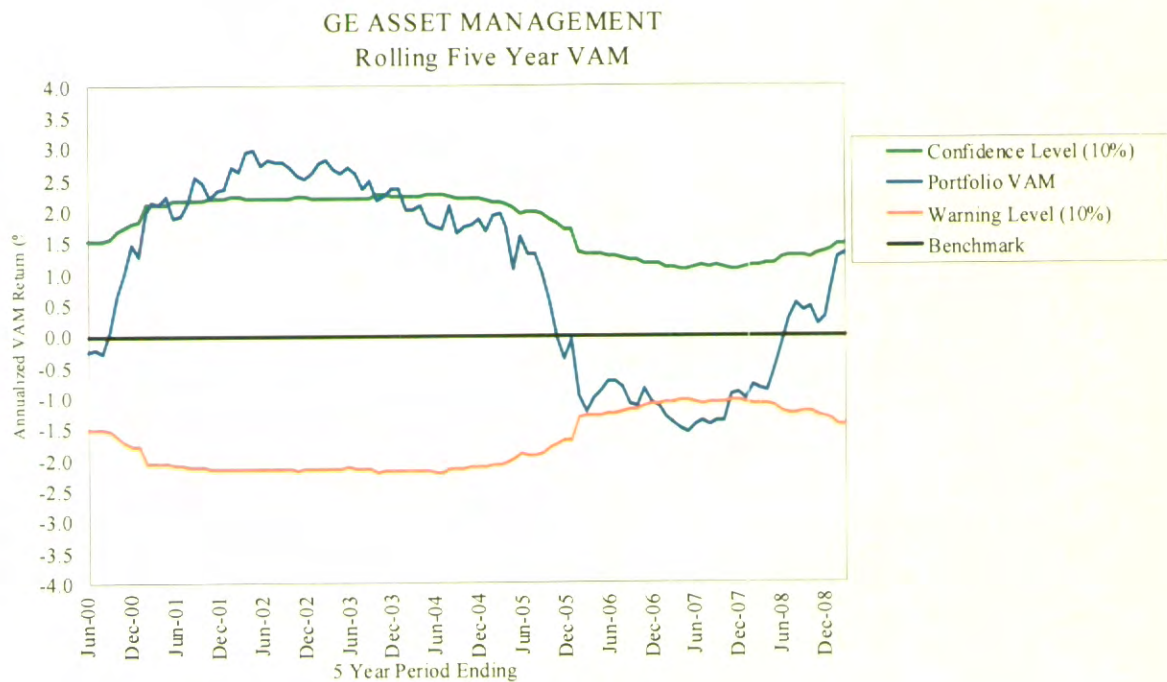
No comment at this time.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-7.03%	-11.01%
Last 1 year	-34.08	-38.09
Last 2 years	-19.44	-23.34
Last 3 years	-10.13	-13.06
Last 4 years	-5.67	-7.43
Last 5 years	-3.52	-4.76
Since Inception (1/95)	6.91	5.84

**Recommendation**

No action required.



**VOYAGEUR ASSET MANAGEMENT - Assigned Risk Plan**  
**Periods Ending March, 2009**

**Portfolio Manager: John Huber**

**Assets Under Management: \$251,462,430**

**Investment Philosophy**  
**Assigned Risk Plan**

Voyageur uses a top-down approach to fixed income investing. Their objective is to obtain superior long-term investment returns over a pre-determined benchmark that reflects the quality constraints and risk tolerance of the Assigned Risk Plan. Due to the specific liability requirement of the plan, return enhancement will focus on sector analysis and security selection. Yield curve and duration analysis are secondary considerations.

**Staff Comments**

No comment at this time.

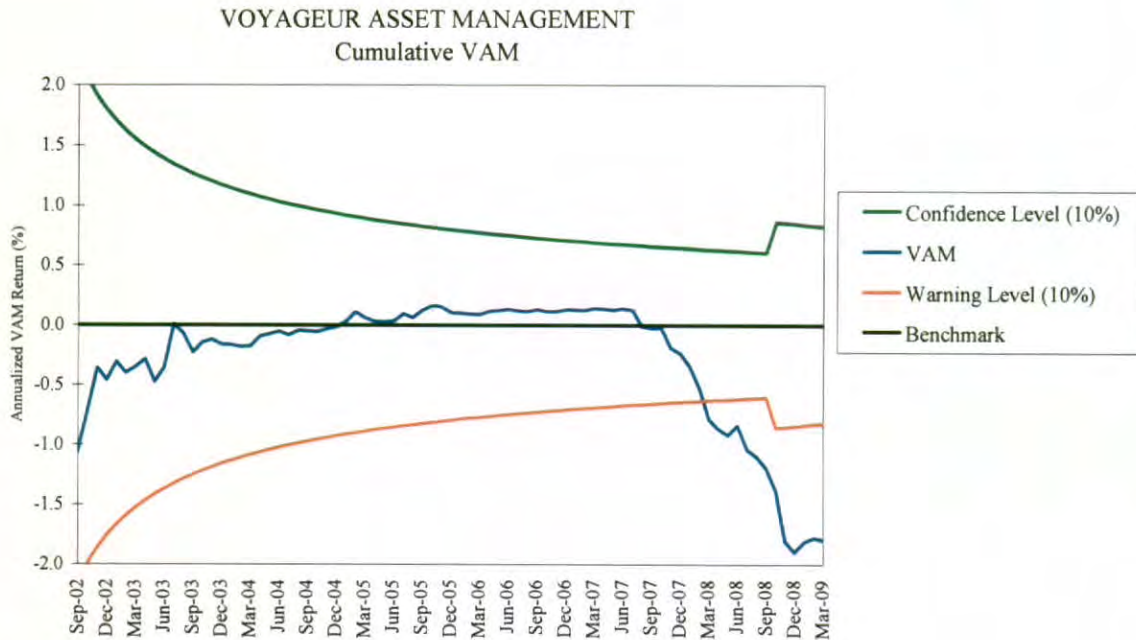
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	0.67%	0.43%
Last 1 year	-1.80	6.36
Last 2 years	1.15	8.15
Last 3 years	2.88	7.45
Last 4 years	2.80	6.15
Last 5 years	2.43	4.98
Since Inception (7/91)	5.76	6.57

**Recommendation**

No action required.

\* Effective 4/1/02 blended benchmark consists of 25% Merrill Lynch (ML) Mortgage Master, 25% ML 1-3 Yr. Gov't, 25% ML 5-10 Yr. Tsy/Ag, 15% ML 3-5 Yr. Tsy/Ag, 10% ML 91 day T-Bill.





**GALLIARD CAPITAL MANAGEMENT**  
**Periods Ending March, 2009**

**Portfolio Manager: Karl Tourville**

**Assets Under Management: \$1,150,947,169**

**Investment Philosophy**

Galliard Capital Management manages the Fixed Interest Account in the Supplemental Investment Fund. The stable value fund is managed to protect principal and provide competitive interest rates using instruments somewhat longer than typically found in money market-type accounts. The manager invests cash flows to optimize yields. The manager invests in high quality instruments diversified among traditional investment contracts and alternative investment contracts with U.S. and non-U.S. financial institutions. To maintain necessary liquidity, the manager invests a portion of the portfolio in its Stable Return Fund and in cash equivalents. The Stable Return Fund is a large, daily priced fund consisting of a wide range of stable value instruments that is available to retirement plans of all sizes.

**Staff Comments**

No comment at this time.

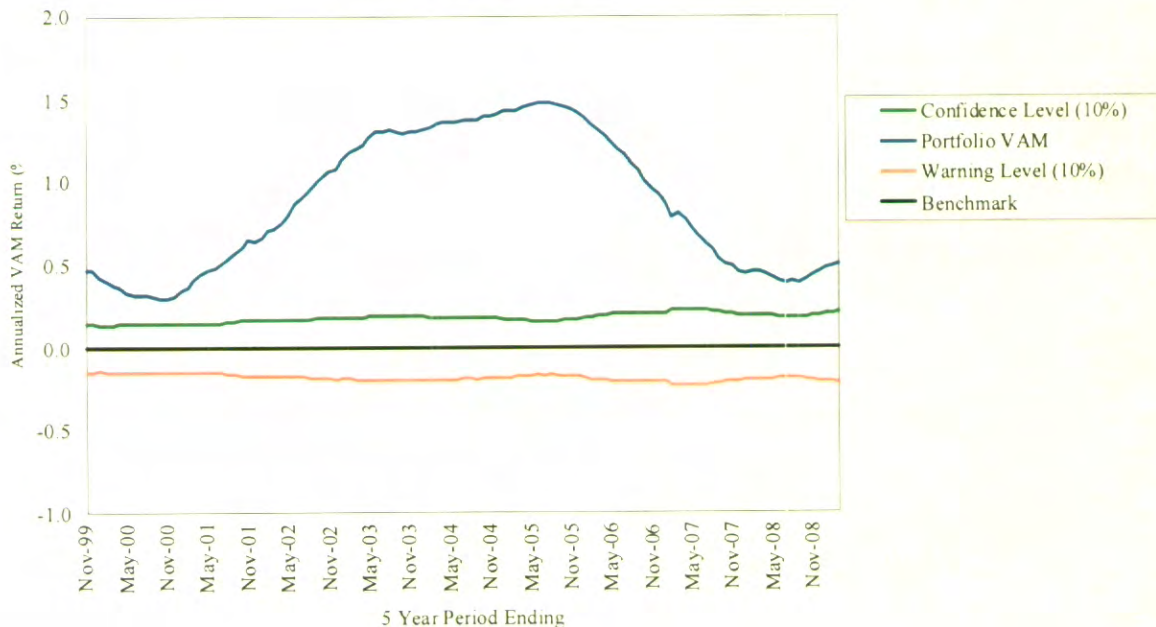
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	1.12%	0.43%
Last 1 year	4.63	2.44
Last 2 years	4.72	3.24
Last 3 years	4.71	3.89
Last 4 years	4.63	4.08
Last 5 years	4.52	3.99
Since Inception (11/94)	5.59	4.77

**Recommendation**

No action required.

Galliard Capital Management  
 Rolling Five Year VAM



**INTERNAL STOCK POOL - Trust/Non-Retirement Assets**  
**Periods Ending March, 2009**

**Portfolio Manager: Mike Messen**

**Assets Under Management: \$622,768,880**

**Investment Philosophy**  
**Environmental Trust Fund**  
**Permanent School Fund**

**Staff Comments**

The Internal Equity Pool is managed to closely track the S&P 500 Index. The strategy replicates the S&P 500 by owning all of the names in the index at weightings similar to those of the index. The optimization model's estimate of tracking error with this strategy is approximately 10 basis points per year.

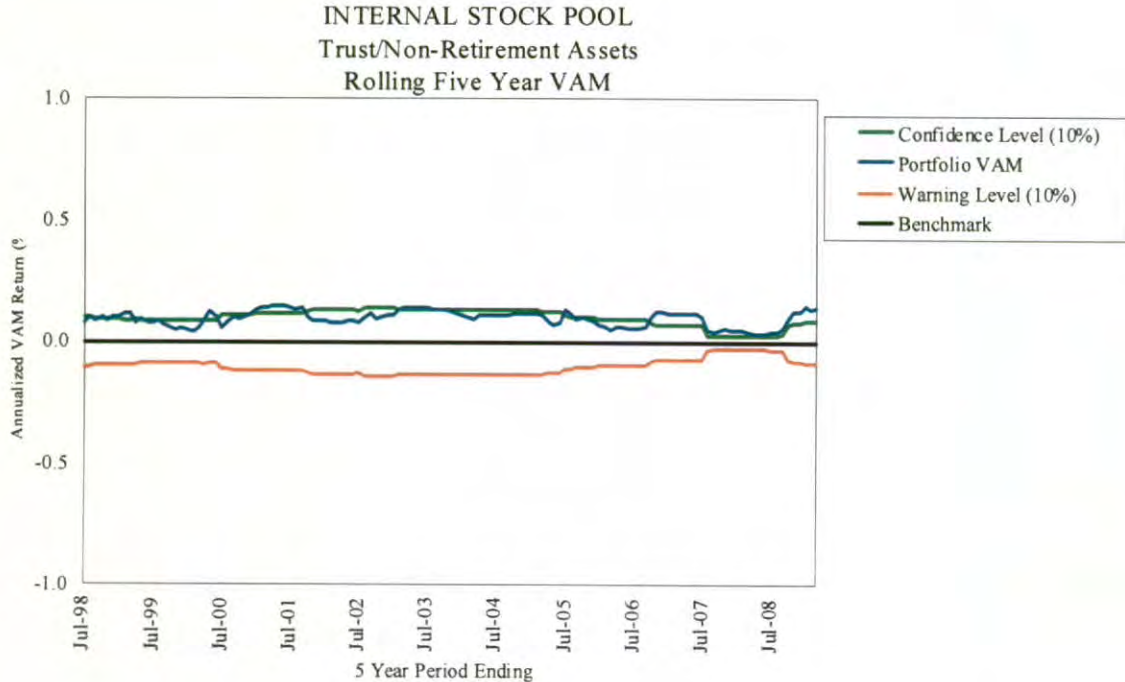
No comment at this time.

**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-10.93%	-11.01%
Last 1 year	-37.73	-38.09
Last 2 years	-23.10	-23.34
Last 3 years	-12.86	-13.06
Last 4 years	-7.26	-7.43
Last 5 years	-4.63	-4.76
Since Inception (7/93)	5.80	5.68

No action required.





**INTERNAL BOND POOL - Income Share Account**  
**Periods Ending March, 2009**

**Portfolio Manager: Mike Messen**

**Assets Under Management: \$77,882,364**

**Investment Philosophy**  
**Income Share Account**

The investment approach emphasizes sector and security selection. The approach utilizes sector trading and relative spread analysis of both sectors and individual issues. The portfolio weightings in mortgage and corporate securities are consistently equal to or greater than the market weightings. The portfolio duration remains close to the benchmark duration but may be shortened or lengthened depending on changes in the economic outlook.

**Staff Comments**

No comment at this time.

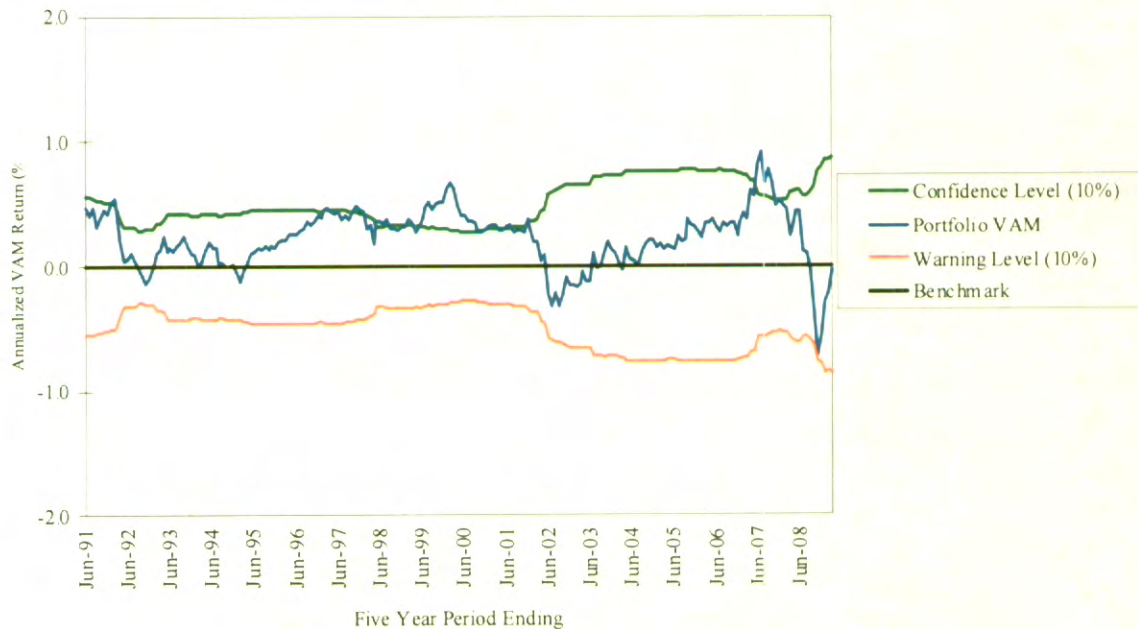
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	2.15%	0.12%
Last 1 year	2.61	3.13
Last 2 years	4.03	5.37
Last 3 years	5.00	5.78
Last 4 years	4.50	4.89
Last 5 years	4.10	4.13
Since Inception (7/86)	7.52	7.30

**Recommendation**

No action required.

**INTERNAL BOND POOL - INCOME SHARE ACCOUNT**  
**Rolling Five Year VAM**



**INTERNAL BOND POOL - Trust/Non-Retirement Assets**  
**Periods Ending March, 2009**

**Portfolio Manager: Mike Messen**

**Assets Under Management: \$496,143,543**

**Investment Philosophy**  
**Environmental Trust Fund**  
**Permanent School Trust Fund**

**Staff Comments**

The internal bond portfolio's investment approach emphasizes sector and security selection. The approach utilizes sector trading and relative spread analysis of both sectors and individual issues. The portfolio weightings in mortgage and corporate securities are consistently equal to or greater than the market weightings. The portfolio duration remains close to the benchmark duration but may be shortened or lengthened depending on changes in the economic outlook.

No comment at this time.

**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	2.71%	0.12%
Last 1 year	4.28	3.13
Last 2 years	5.31	5.37
Last 3 years	5.86	5.78
Last 4 years	5.17	4.89
Last 5 years	4.62	4.13
Since Inception (7/94)*	6.97	6.58

No action required.

\* Date started managing the pool against the Barclays Capital Aggregate.

**INTERNAL BOND POOL - TRUST/NON-RETIREMENT ASSETS**  
**Rolling Five Year VAM**





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# STATE BOARD OF INVESTMENT

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## Deferred Compensation Plan Evaluation Reports

First Quarter, 2009



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# Mutual Fund Managers

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**MN STATE 457 DEFERRED COMPENSATION PLAN**  
**MUTUAL FUND MANAGERS**  
**Periods Ending March, 2009**

457 Mutual Funds	Quarter		1 Year		3 Years		5 Years		Since Retention		State's Participation In Fund (\$ millions)
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	by SBI * %	%	
<b>Large Cap Equity:</b>											
Janus Twenty (S&P 500)	0.2	-11.0	-38.2	-38.1	-4.8	-13.1	2.7	-4.8	-2.7	-3.7	\$289.8
Legg Mason Partners Appr I (S&P 500)	-10.0	-11.0	-32.7	-38.1	-8.5	-13.1	-2.2	-4.8	-0.8	-3.2	\$83.3
Vanguard Institutional Index Plus (S&P 500)	-11.0	-11.0	-38.0	-38.1	-13.0	-13.1	-4.7	-4.8	-3.7	-3.7	\$259.0
<b>Mid Cap Equity:</b>											
Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	-8.4	-8.4	-40.4	-40.4	-15.7	-15.7	-3.3	-3.3	-2.3	-2.3	\$84.5
<b>Small Cap Equity:</b>											
T. Rowe Price Small-Cap Stock (Russell 2000)	-9.5	-15.0	-32.4	-37.5	-15.6	-16.8	-3.9	-5.2	3.1	0.5	\$211.3
<b>Balanced:</b>											
Dodge & Cox Balanced Fund (60% S&P 500/40% Lehman Agg)	-10.3	-6.5	-35.2	-23.7	-12.7	-5.7	-4.4	-1.1	-1.6	0.6	\$169.5
Vanguard Balanced Index Inst. Fund (60% MSCI US Broad Market, 40% Barclays Capital Agg)	-5.9	-6.3	-23.0	-23.5	-5.6	-5.9	-0.7	-0.8	0.4	0.3	\$125.4
<b>Bond:</b>											
Dodge & Cox Income Fund (Barclays Capital Aggregate)	0.3	0.1	-0.6	3.1	3.3	5.8	2.7	4.1	5.5	5.9	\$97.8
Vanguard Total Bond Market Index Inst. (Barclays Capital Aggregate)	0.4	0.1	3.3	3.1	5.9	5.8	4.2	4.1	4.6	4.6	\$91.9
<b>International:</b>											
Fidelity Diversified International (MSCI EAFE-Free)	-11.8	-13.9	-46.5	-46.5	-14.4	-14.5	-2.0	-2.2	3.1	-1.1	\$149.8
Vanguard Inst. Dev. Mkts. Index (MSCI EAFE)	-15.8	-13.9	-46.3	-46.5	-14.2	-14.5	-2.0	-2.2	0.3	0.1	\$44.7

Benchmarks for the Funds are noted in parentheses below the Fund names.

\* Vanguard Mid-Cap Index Fund retained January 2004; Legg Mason, Vanguard Inst. Dev. Mkt., Vanguard Balanced, Vanguard Total Bond Mkt. retained December 2003; Dodge & Cox Balanced Fund retained in October 2003; all others, July 1999.

**MN STATE 457 DEFERRED COMPENSATION PLAN  
MUTUAL FUND MANAGERS  
Calendar Year Returns**

457 Mutual Funds	2008		2007		2006		2005		2004	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
<b>Large Cap Equity:</b>										
Janus Twenty (S&P 500)	-42.0	-37.0	35.9	5.5	12.3	15.8	9.4	4.9	23.9	10.9
Legg Mason Partners Appr I (S&P 500)	-28.8	-37.0	8.6	5.5	15.0	15.8	4.6	4.9	9.3	10.9
Vanguard Institutional Index Plus (S&P 500)	-36.9	-37.0	5.5	5.5	15.8	15.8	5.0	4.9	10.9	10.9
<b>Mid Cap Equity:</b>										
Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	-41.8	-41.8	6.2	6.2	13.8	13.7	14.1	13.9	20.5	20.5
<b>Small Cap Equity:</b>										
T. Rowe Price Small-Cap Stock (Russell 2000)	-33.4	-33.8	-1.7	-1.6	12.8	18.4	8.4	4.6	18.8	18.3
<b>Balanced:</b>										
Dodge & Cox Balanced Fund (60% S&P 500/40% Lehman Agg)	-33.6	-22.4	1.7	6.2	13.8	11.1	6.6	4.0	13.3	8.3
Vanguard Balanced Index Inst. Fund (60% MSCI US Broad Market, 40% Lehman Agg)	-22.1	-22.4	6.3	6.3	11.1	11.1	4.8	4.8	9.5	9.3
<b>Bond:</b>										
Dodge & Cox Income Fund (Lehman Aggregate)	-0.3	5.2	4.7	7.0	5.3	4.3	2.0	2.4	3.8	4.3
Vanguard Total Bond Market Index Inst. (Lehman Aggregate)	5.2	5.2	7.0	7.0	4.4	4.3	2.5	2.4	4.4	4.3
<b>International:</b>										
Fidelity Diversified International (MSCI EAFE-Free)	-45.2	-43.4	16.0	11.2	22.5	26.3	17.2	13.5	19.7	20.2
Vanguard Inst. Dev. Mkts. Index (MSCI EAFE)	-41.5	-43.4	11.0	11.2	26.3	26.3	13.6	13.5	20.3	20.2

Benchmarks for the Funds are noted in parentheses below the Fund names.



**MN STATE 457 DEFERRED COMPENSATION PLAN  
LARGE CAP EQUITY – JANUS TWENTY  
Periods Ending March, 2009**

**Portfolio Manager: Ron Sachs**

**State's Participation in Fund: \$289,757,762  
Total Assets in Fund: \$6,930,000,000**

**Investment Philosophy  
Janus Twenty**

The investment objective of this fund is long-term growth of capital from increases in the market value of the stocks it owns. The fund will concentrate its investments in a core position of between twenty to thirty common stocks. This non-diversified fund seeks to invest in companies that the portfolio manager believes have strong current financial positions and offer growth potential.

**Staff Comments**

No comment at this time.

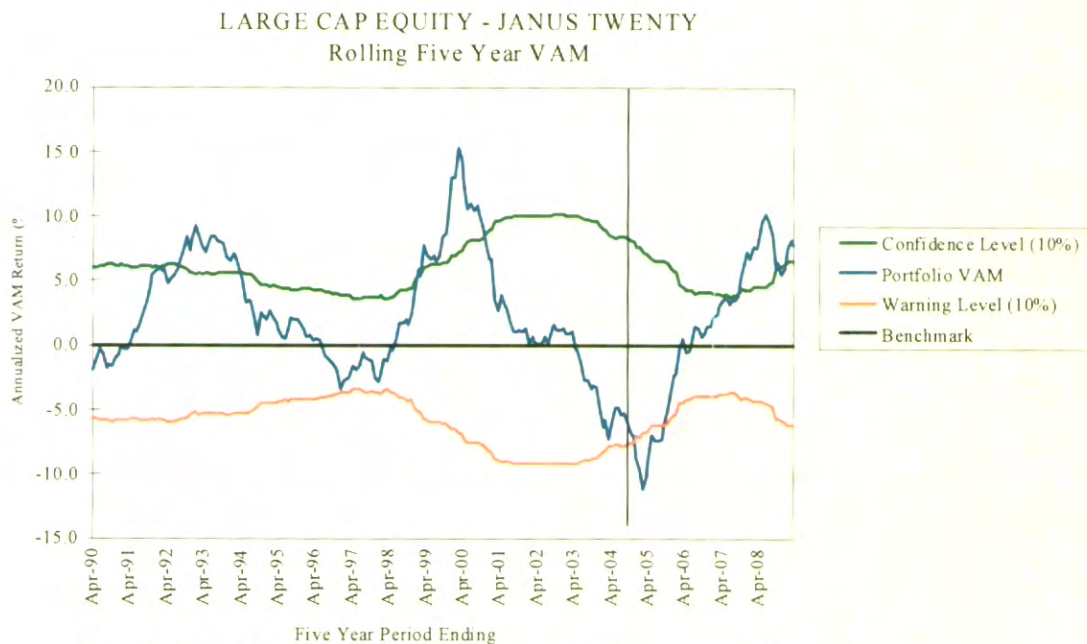
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	0.2%	-11.0%
Last 1 year	-38.2	-38.1
Last 2 years	-12.2	-23.3
Last 3 years	-4.8	-13.1
Last 4 years	1.1	-7.4
Last 5 years	2.7	-4.8
Since Retention by SBI (7/99)	-2.7	-3.7

**Recommendation**

No action required.

\*Benchmark is the S&P 500.



Note: Area to the left of the vertical line includes performance prior to retention by the SBI.

**MN STATE 457 DEFERRED COMPENSATION PLAN  
LARGE CAP EQUITY – LEGG MASON PARTNERS APPRECIATION I  
Periods Ending March, 2009**

**Portfolio Manager: Scott Glasser**

**State's Participation in Fund: \$83,333,746  
Total Assets in Fund: \$3,266,228,971**

**Investment Philosophy  
Legg Mason Partners Appreciation I**

The Fund invests in U.S. growth and value stocks, primarily blue-chip companies that are dominant in their industries. Investments are selected from among a core base of stocks with a strong financial history, recognized industry leadership, and effective management teams that strive to earn consistent returns for shareholders. The portfolio manager looks for companies that he believes are undervalued with the belief that a catalyst will occur to unlock these values.

**Staff Comments**

No comment at this time.

**Quantitative Evaluation**

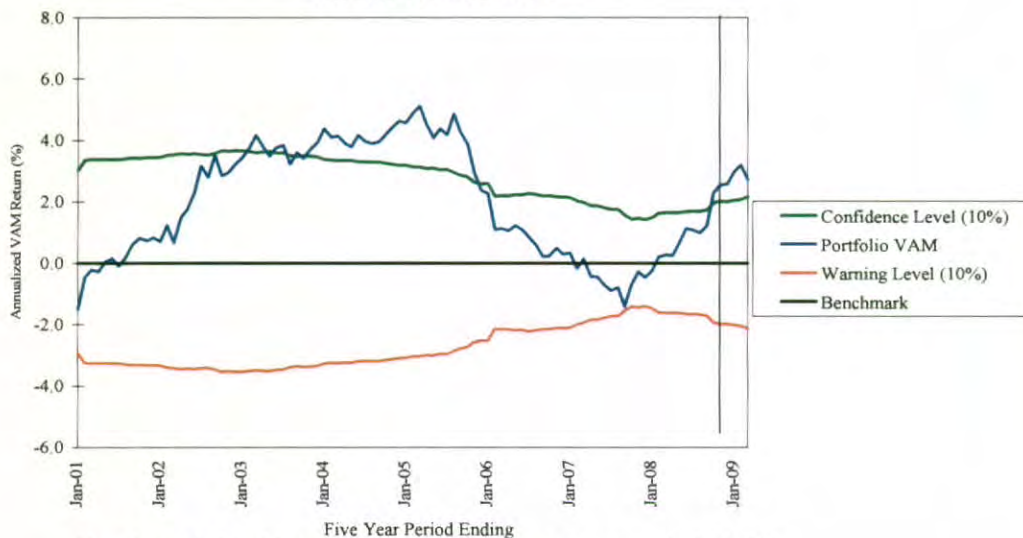
	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	-10.0%	-11.0%
Last 1 year	-32.7	-38.1
Last 2 years	-16.5	-23.3
Last 3 years	-8.5	-13.1
Last 4 years	-4.2	-7.4
Last 5 years	-2.2	-4.8
Since Retention by SBI (12/03)	-0.8	-3.2

**Recommendation**

No action required.

\*Benchmark is the S&P 500.

**LARGE CAP EQUITY - LEGG MASON PARTNERS APPRECIATION I  
Rolling Five Year VAM**



Note: Area to the left of the vertical line includes performance prior to retention by the SBI.



**MN STATE 457 DEFERRED COMPENSATION PLAN  
EQUITY INDEX – VANGUARD INSTITUTIONAL INDEX PLUS  
Periods Ending March, 2009**

**Portfolio Manager: Donald Butler**

**State's Participation in Fund: \$258,956,748  
Total Assets in Fund: \$17,144,000,000**

**Investment Philosophy  
Vanguard Institutional Index**

This fund attempts to provide investment results, before fund expenses, that parallel the performance of the Standard & Poor's 500 Index. The fund invests in all 500 stocks listed in the S&P 500 index in approximately the same proportions as they are represented in the index. The managers have tracked the S&P 500's performance with a high degree of accuracy. The fund may use futures and options for temporary purposes, but generally remains fully invested in common stock.

**Staff Comments**

No comment at this time.

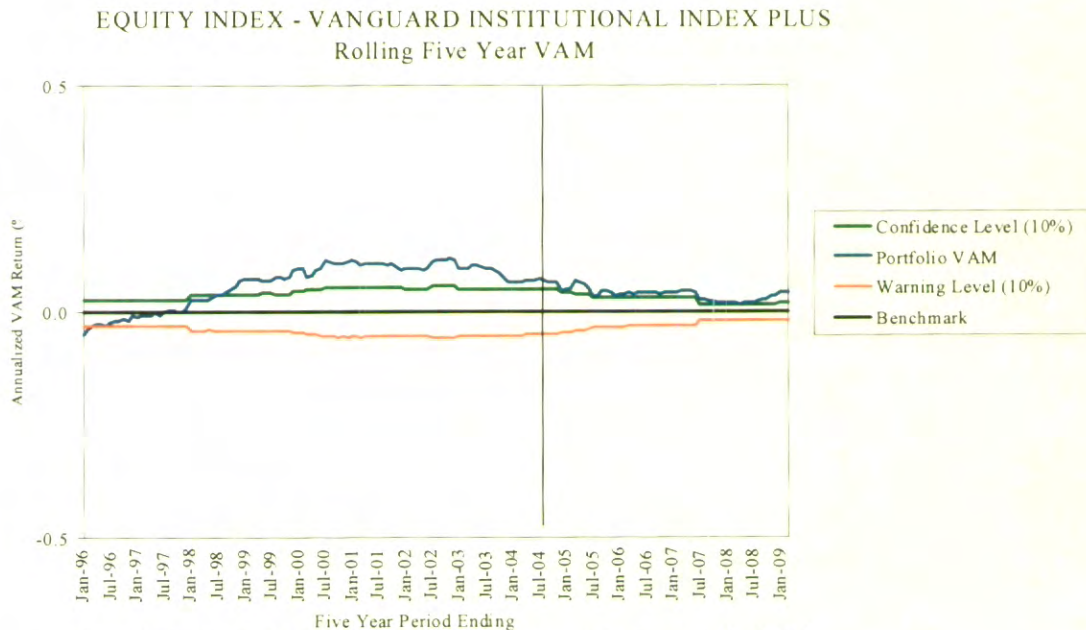
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	-11.0%	-11.0%
Last 1 year	-38.0	-38.1
Last 2 years	-23.3	-23.3
Last 3 years	-13.0	-13.1
Last 4 years	-7.4	-7.4
Last 5 years	-4.7	-4.8
Since Retention by SBI (7/99)	-3.7	-3.7

**Recommendation**

No action required.

\*Benchmark is the S&P 500.



Note: Area to the left of the vertical line includes performance prior to retention by the SBI.

**MN STATE 457 DEFERRED COMPENSATION PLAN  
MID CAP EQUITY – VANGUARD MID-CAP INDEX  
Periods Ending March, 2009**

**Portfolio Manager: Donald Butler**

**State's Participation in Fund: \$84,496,005  
Total Assets in Fund: \$3,648,000,000**

**Investment Philosophy  
Vanguard Mid-Cap Index**

The fund employs a “passive management”- or indexing-investment approach designed to track the performance of the MSCI US Mid Cap 450 Index, a broadly diversified index of stocks of medium-size U.S. companies. The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting within the index.

**Staff Comments**

No comment at this time.

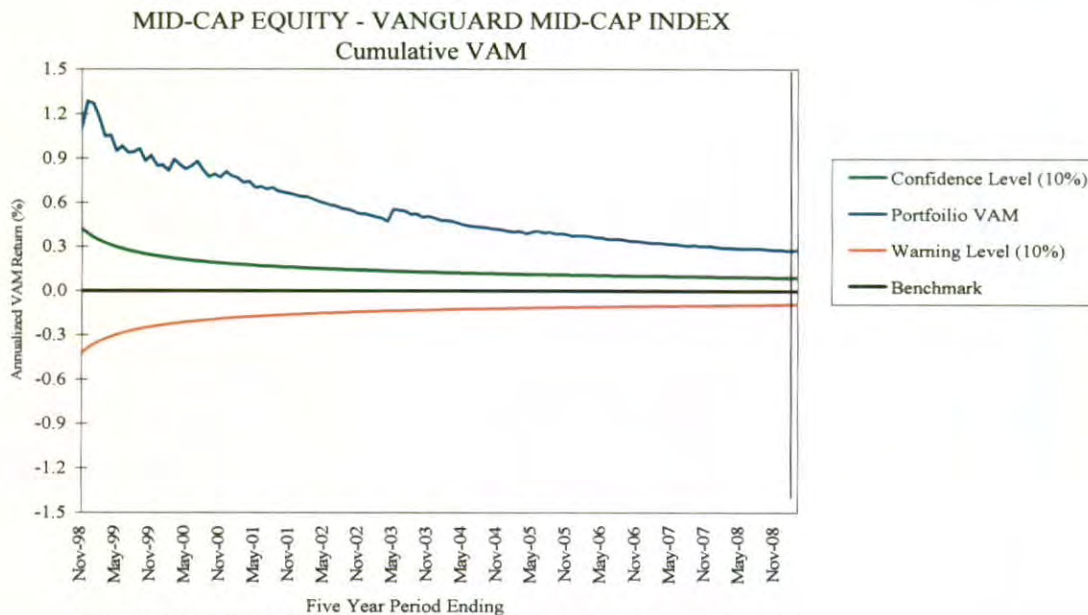
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	-8.4%	-8.4%
Last 1 year	-40.4	-40.4
Last 2 years	-26.4	-26.4
Last 3 years	-15.7	-15.7
Last 4 years	-7.3	-7.4
Last 5 years	-3.3	-3.3
Since Retention by SBI (1/04)	-2.3	-2.3

**Recommendation**

No action required.

\*Benchmark is the MSCI US Mid Cap 450.



Note: Area to the left of the vertical line includes performance prior to retention by the SBI.



**MN STATE 457 DEFERRED COMPENSATION PLAN  
SMALL CAP EQUITY – T. ROWE PRICE SMALL CAP STOCK FUND  
Periods Ending March, 2009**

<b>Portfolio Manager:</b> Gregory A. McCrickard	<b>State's Participation in Fund:</b> 211,298,753	
	<b>Total Assets in Fund:</b> 3,359,584,824	

**Investment Philosophy  
T. Rowe Price Small Cap Equity Fund**

The strategy of this fund is to invest primarily in stocks of small to medium-sized companies that are believed to offer either superior earnings growth or appear undervalued. The fund normally invests at least 80% of assets in equities traded in the U.S over-the-counter market. The manager does not favor making big bets on any particular sector or any particular stock. The fund's combination of growth and value stocks offers investors relatively more stable performance compared to other small cap stock funds.

**Staff Comments**

No comment at this time.

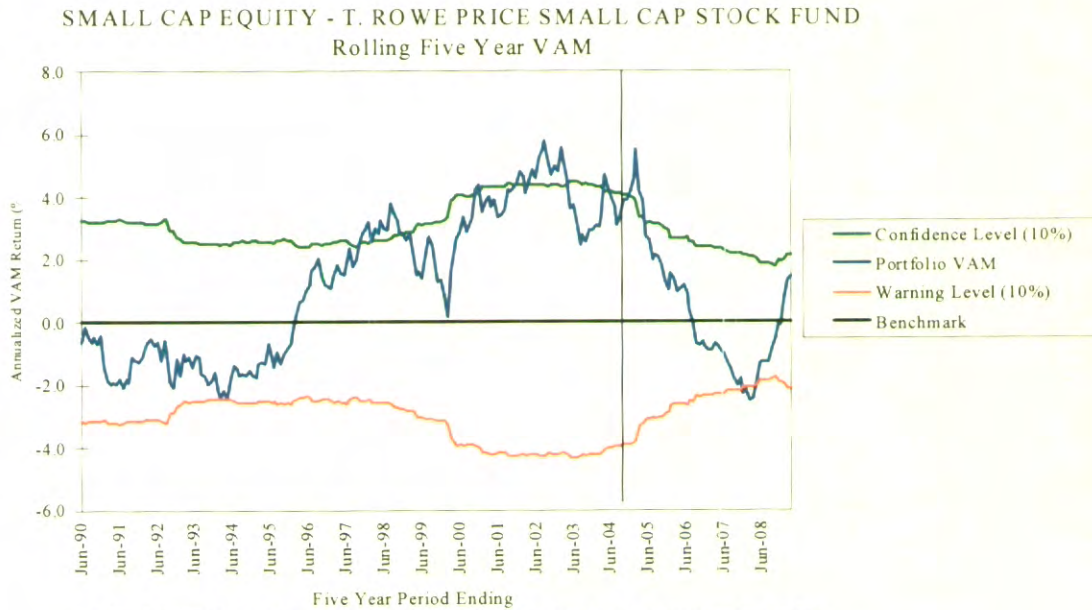
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	-9.5%	-15.0%
Last 1 year	-32.4	-37.5
Last 2 years	-24.0	-26.3
Last 3 years	-15.6	-16.8
Last 4 years	-6.9	-7.7
Last 5 years	-3.9	-5.2
Since Retention by SBI (7/99)	3.1	0.5

**Recommendation**

No action required.

\*Benchmark is the Russell 2000.



Note: Area to the left of the vertical line includes performance prior to retention by the SBI

**STATE 457 DEFERRED COMPENSATION PLAN  
BALANCED – DODGE & COX BALANCED FUND  
Periods Ending March, 2009**

**Portfolio Manager: John Gunn**

**State's Participation in Fund: \$169,459,390  
Total Assets in Fund: \$12,453,668,481**

**Investment Philosophy  
Dodge & Cox Balanced Fund**

The Fund seeks regular income, conservation of principal and an opportunity for long-term growth of principal and income. The Fund invests in a diversified portfolio of common stocks preferred stocks and fixed income securities.

**Staff Comments**

The manager underperformed in the quarter and for the year, primarily due to a higher relative allocation to equities and to stock selection in financials and information technology. While the last several quarters have been quite disappointing, the manager remains committed to maintaining its bottom-up, fundamental research-driven approach to investing.

**Quantitative Evaluation**

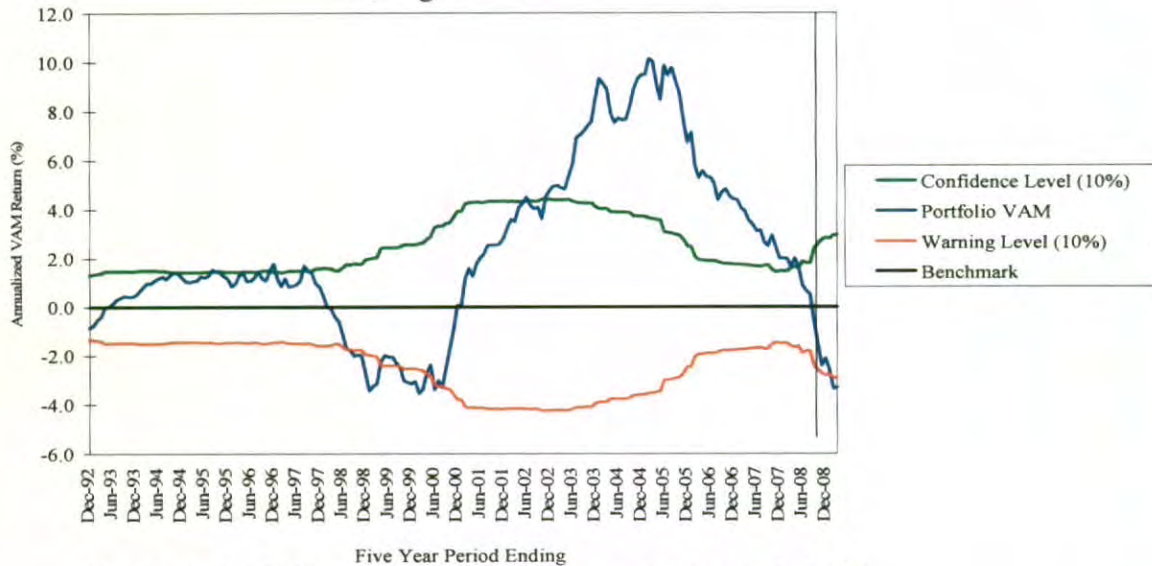
	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	-10.3%	-6.5%
Last 1 year	-35.2	-23.7
Last 2 years	-22.8	-12.6
Last 3 years	-12.7	-5.7
Last 4 years	-7.4	-2.5
Last 5 years	-4.4	-1.1
Since Retention By SBI (10/03)	-1.6	0.6

**Recommendation**

No action required.

\*Benchmark is 60% S&P 500, 40% Barclays Capital Aggregate.

**BALANCED - DODGE & COX BALANCED FUND  
Rolling Five Year VAM**



Note: Area to the left of the vertical line includes performance prior to retention by the SBI.



**MN STATE 457 DEFERRED COMPENSATION PLAN  
BALANCED – VANGUARD BALANCED INDEX INSTITUTIONAL FUND  
Periods Ending March, 2009**

**Portfolio Manager: Michael Perre**

**State's Participation in Fund: \$125,422,783  
Total Assets in Fund: \$2,218,000,000**

**Investment Philosophy  
Vanguard Balanced Index Fund**

The fund's assets are divided between stocks and bonds, with an average of 60% of its assets in stocks and 40% in bonds. The fund's stock segment attempts to track the performance of the MSCI US Broad Market Index, an unmanaged index representing the overall U.S. equity market. The fund's bond segment attempts to track the performance of the Lehman Brothers Aggregate Bond Index, an unmanaged index that covers virtually all taxable fixed-income securities.

**Staff Comments**

No comment at this time.

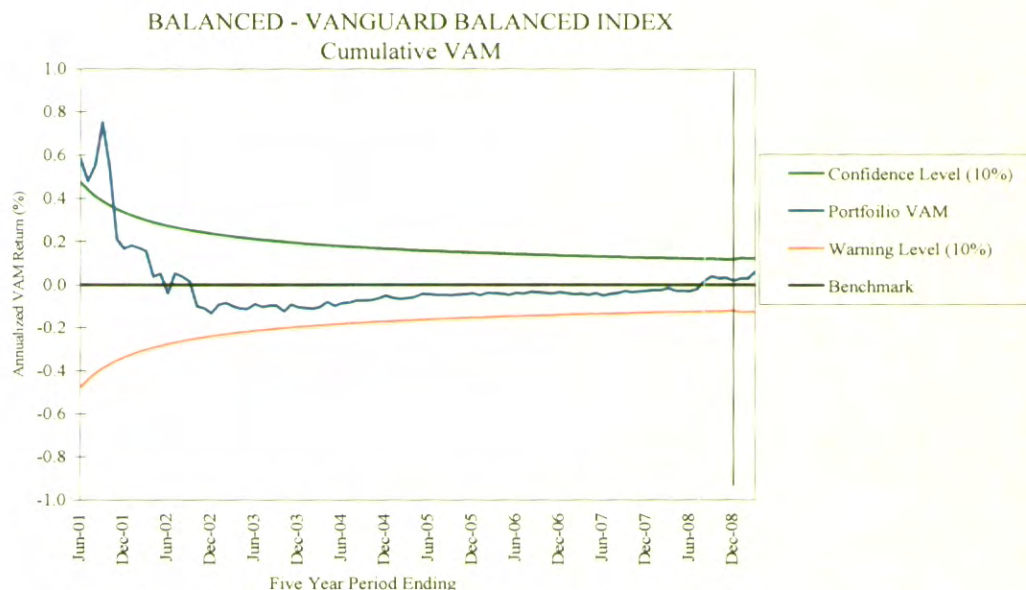
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	-5.9%	-6.3%
Last 1 year	-23.0	-23.5
Last 2 years	-12.3	-12.7
Last 3 years	-5.6	-5.9
Last 4 years	-2.0	-2.2
Last 5 years	-0.7	-0.8
Since Retention by SBI (12/03)	0.4	0.3

**Recommendation**

No action required.

\*Benchmark is 60% MSCI US Broad Market, 40% Barclays Capital Aggregate. Equity benchmark was Wilshire 5000 prior to April 1, 2005.



**MN STATE 457 DEFERRED COMPENSATION PLAN  
BOND – DODGE & COX INCOME FUND  
Periods Ending March, 2009**

**Portfolio Manager: Dana Emery**

**State's Participation in Fund: \$97,755,681  
Total Assets in Fund: \$13,630,305,229**

**Investment Philosophy  
Dodge & Cox Income Fund**

**Staff Comments**

The objective of this fund is a high and stable rate of current income with capital appreciation being a secondary consideration. This portfolio is invested primarily in intermediate term, investment-grade quality corporate and mortgage bonds and, to a lesser extent, government issues. While the fund invests primarily in the U.S. bond market, it may invest a small portion of assets in dollar-denominated foreign securities. The duration of the portfolio is kept near that of the bond market as a whole.

No comment at this time.

**Quantitative Evaluation**

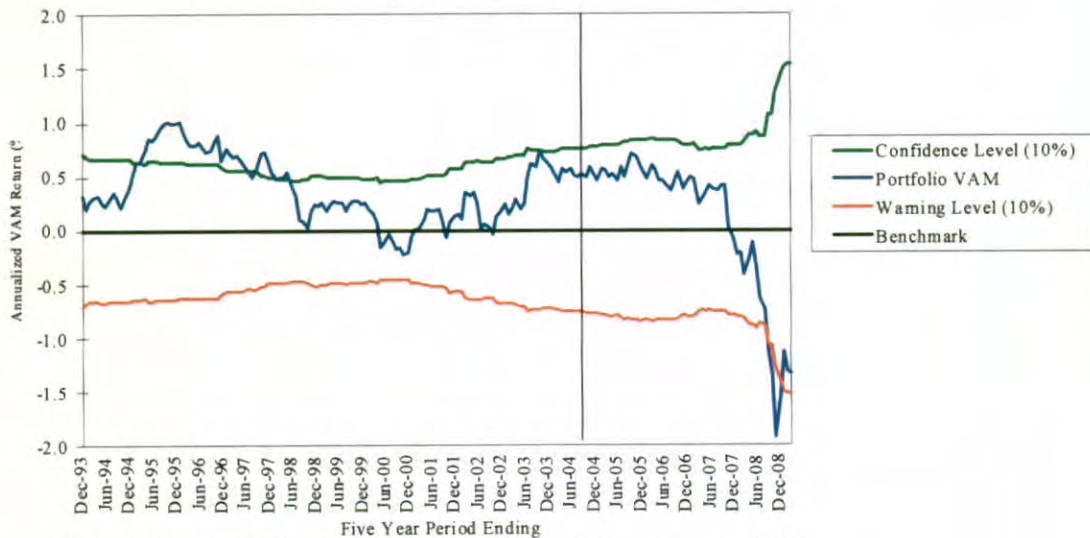
**Recommendation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	0.3%	0.1%
Last 1 year	-0.6	3.1
Last 2 years	1.6	5.4
Last 3 years	3.3	5.8
Last 4 years	3.1	4.9
Last 5 years	2.7	4.1
Since Retention By SBI (7/99)	5.5	5.9

No action required.

\*Benchmark is the Barclays Capital Aggregate.

**BOND - DODGE & COX INCOME FUND  
Rolling Five Year VAM**



Note: Area to the left of the vertical line includes performance prior to retention by the SBI.



**MN STATE 457 DEFERRED COMPENSATION PLAN  
BOND – VANGUARD TOTAL BOND MARKET INDEX INSTITUTIONAL  
Periods Ending March, 2009**

**Portfolio Manager: Kenneth Volpert**

**State's Participation in Fund: \$91,876,207  
Total Assets in Fund: \$5,423,000,000**

**Investment Philosophy  
Vanguard Total Bond Market Index  
Institutional**

**Staff Comments**

The fund attempts to track the performance of the Lehman Brothers Aggregate Bond Index, which is a widely recognized measure of the entire taxable U.S. bond market. The index consists of more than 5,000 U.S. Treasury, federal agency, mortgage-backed, and investment-grade corporate securities. Because it is not practical or cost-effective to own every security in the index, the fund invests in a large sampling that matches key characteristics of the index (such as market-sector weightings, coupon interest rates, credit quality, and maturity). To boost returns, the fund holds a higher percentage than the index in short-term, investment-grade corporate bonds and a lower percentage in short-term Treasury securities.

No comment at this time.

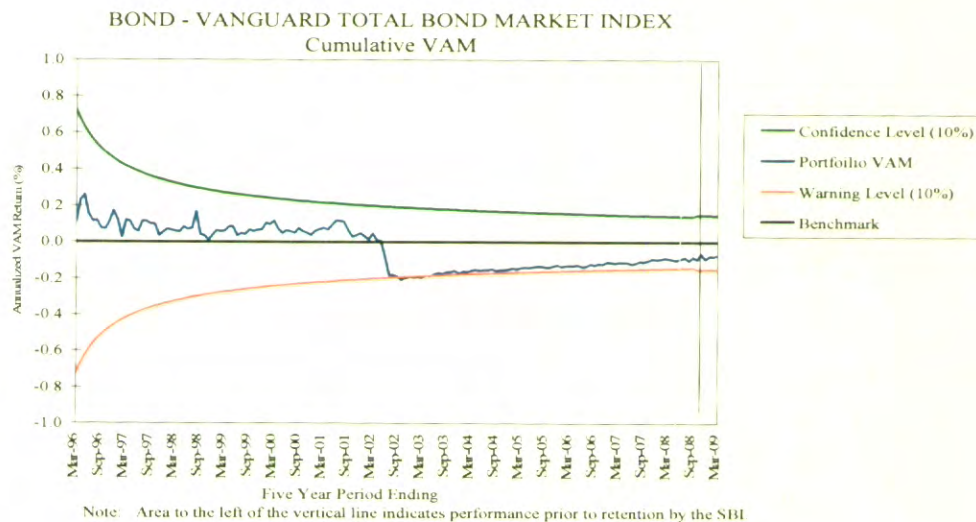
**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	0.4%	0.1%
Last 1 year	3.3	3.1
Last 2 years	5.5	5.4
Last 3 years	5.9	5.8
Last 4 years	5.0	4.9
Last 5 years	4.2	4.1
Since Retention by SBI (12/03)	4.6	4.6

No action required.

\*Benchmark is the Barclays Capital Aggregate.



**MN STATE 457 DEFERRED COMPENSATION PLAN  
INTERNATIONAL – FIDELITY DIVERSIFIED INTERNATIONAL  
Periods Ending March, 2009**

**Portfolio Manager: William Bower**

**State's Participation in Fund: \$149,780,494  
Total Assets in Fund: \$22,519,153,382**

**Investment Philosophy  
Fidelity Diversified International**

The goal of this fund is capital appreciation by investing in securities of companies located outside of the United States. While the fund invests primarily in stocks, it may also invest in bonds. Most investments are made in companies that have a market capitalization of \$100 million or more and which are located in developed countries. To select the securities, the fund utilizes a rigorous computer-aided quantitative analysis supplemented by relevant economic and regulatory factors. The manager rarely invests in currency to protect the account from exchange fluctuations.

**Staff Comments**

No comment at this time.

**Quantitative Evaluation**

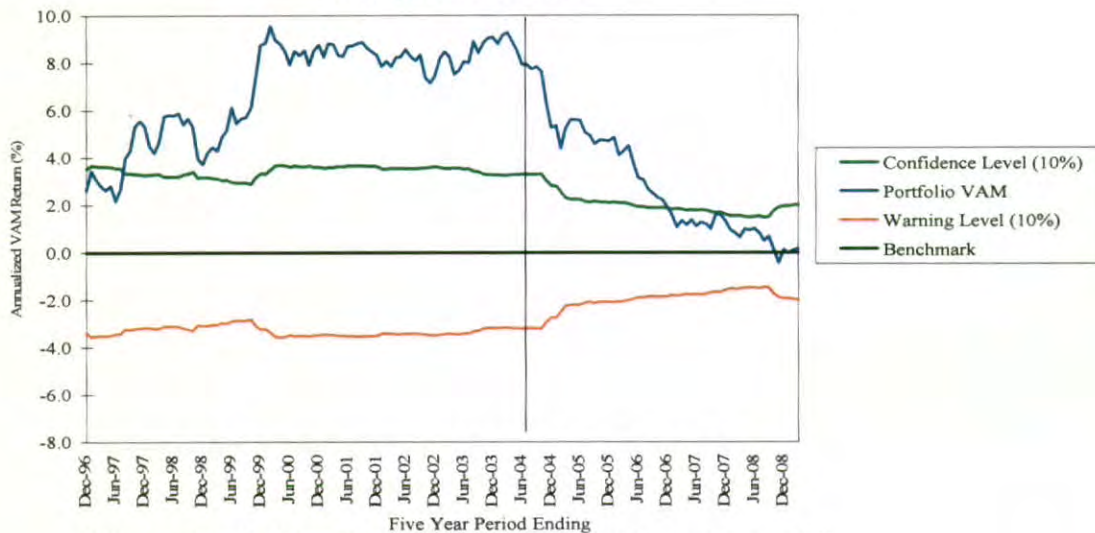
	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	-11.8%	-13.9%
Last 1 year	-46.5	-46.5
Last 2 years	-26.3	-27.9
Last 3 years	-14.4	-14.5
Last 4 years	-5.3	-6.1
Last 5 years	-2.0	-2.2
Since Retention By SBI (7/99)	3.1	-1.1

**Recommendation**

No action required.

\*Benchmark is the MSCI EAFE-Free.

**INTERNATIONAL - FIDELITY DIVERSIFIED INTERNATIONAL  
Rolling Five Year VAM**



Note: Area to the left of the vertical line includes performance prior to retention by the SBI.



**MN STATE 457 DEFERRED COMPENSATION PLAN  
INTERNATIONAL – VANGUARD INSTITUTIONAL DEVELOPED MARKETS INDEX  
Periods Ending March, 2009**

**Portfolio Manager:** Duane Kelly and Michael Bueck      **State's Participation in Fund:** \$44,672,877  
**Total Assets in Fund:** \$3,273,000,000

**Investment Philosophy  
Vanguard Institutional Developed Market  
Index**

**Staff Comments**

The fund seeks to track the performance of the MSCI EAFE Index by passively investing in two other Vanguard funds—the European Stock Index Fund and the Pacific Stock Index Fund. The combination of the two underlying index funds, in turn, seeks to track the investment results of the Morgan Stanley Capital International (MSCI) Europe, Australasia, Far East (EAFE) Index. The MSCI EAFE Index includes approximately 1,000 common stocks of companies located in Europe, Australia, Asia, and the Far East.

No comment at this time.

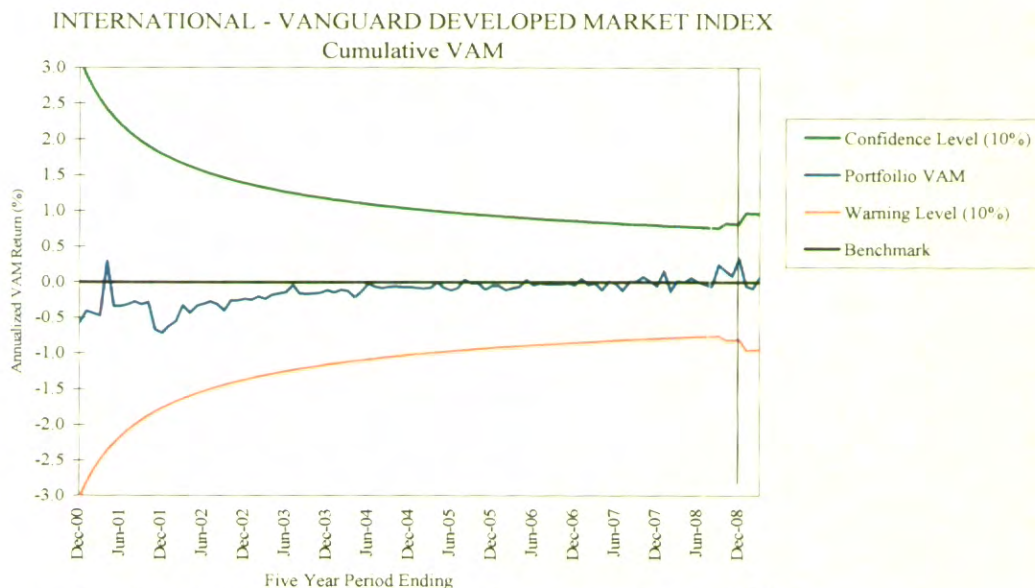
**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	-15.8%	-13.9%
Last 1 year	-46.3	-46.5
Last 2 years	-27.6	-27.9
Last 3 years	-14.2	-14.5
Last 4 years	-5.8	-6.1
Last 5 years	-2.0	-2.2
Since Retention by SBI (12/03)	0.3	0.1

No action required.

\*Benchmark is the MSCI EAFE International



Note: Area to the left of the vertical line indicates performance prior to retention by the SBI

# **Tab E**



## **INVESTMENT ADVISORY COUNCIL REPORT**

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DATE: June 3, 2009

TO: Members, State Board of Investment

**FROM: Members, Investment Advisory Council**

The Investment Advisory Council met on May 20, 2009 to review the following information and action agenda items:

1. Review of current strategy.
2. New investment with an existing yield-oriented manager, Merit Capital and a new investment with an existing private equity manager, Lexington Capital Partners.

**Board action is required on the last item.**

### **INFORMATION ITEMS:**

#### **1) Review of Current Strategy.**

To increase overall portfolio diversification, 20% of the Basic and Post Retirement Funds are allocated to alternative investments. Alternative investments include real estate, private equity, resource, and yield-oriented investments in which Minnesota State Board of Investment (SBI) participation is limited to commingled funds or other pooled vehicles. Charts summarizing the Board's current commitments are attached (see **Attachments A and B**).

1. The real estate investment strategy calls for the establishment and maintenance of a broadly diversified real estate portfolio comprised of investments that provide overall diversification by property type and location. The main component of this portfolio consists of investments in diversified Real Estate Investment Trusts (REITs), open-end commingled funds and closed-end commingled funds. The remaining portion of the portfolio can include investments in less diversified; more focused (specialty) commingled funds and REITs.
2. The private equity investment strategy, which includes leveraged buyouts and venture capital, is to establish and maintain a broadly diversified private equity portfolio comprised of investments that provide diversification by industry type, stage of corporate development and location.



3. The strategy for resource investments is to establish and maintain a portfolio of resource investment vehicles that provide an inflation hedge and additional diversification. Resource investments will include oil and gas investments, energy service industry investments and other investments that are diversified geographically and by type.
4. The strategy for yield-oriented investments will target funds that typically provide a current return and may have an equity component such as subordinated debt or mezzanine investments. Yield-oriented investments will provide diversification by including investments in the private equity, resource and real estate categories.

**ACTION ITEM:**

**1) Investment with an existing yield-oriented manager, Merit Capital, in Merit Mezzanine Fund V, L.P.**

Merit is seeking investors for a new \$600 million yield-oriented fund. This fund is a successor to four prior yield-oriented funds managed by Merit. The SBI has invested in funds III and IV. Like the prior funds, this fund will seek to earn attractive returns through a diversified portfolio of yield-oriented investments.

In addition to reviewing the attractiveness of the Merit Mezzanine V, L.P. investment offering, staff has conducted reference checks, a literature database search and reviewed the potential investor base for fund V.

More information on Merit Mezzanine V, L.P. is included as **Attachment C**.

**RECOMMENDATION:**

**The Investment Advisory Council recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$50 million or 20%, whichever is less, in Merit Mezzanine V, L.P. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by Merit upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Merit or reduction or termination of the commitment.**



**2) Investment with an existing private equity manager, Lexington Capital Partners, in Lexington Capital Partners VII, L.P.**

Lexington Capital Partners is seeking investors for a new \$5 billion private equity fund. This fund is a successor to six other prior private equity funds managed by Lexington Capital Partners. The SBI has invested in fund VI. Like the prior funds, this fund will seek to earn attractive returns through a diversified portfolio of private equity, mezzanine, and venture capital investments through secondary transactions.

In addition to reviewing the attractiveness of the Lexington Capital Partners VII, L.P. investment offering, staff has conducted reference checks, a literature database search and reviewed the potential investor base for fund VII.

More information on Lexington Capital Partners VII, L.P. is included as **Attachment D**.

**RECOMMENDATION:**

**The Investment Advisory Council recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$50 million or 20%, whichever is less, in Lexington Capital Partners VII, L.P. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by Lexington Capital Partners upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Lexington Capital Partners or reduction or termination of the commitment.**

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**ATTACHMENT A**

**Minnesota State Board of Investment**  
*Pooled Alternative Investments*  
*Combined Retirement Funds*  
 March 31, 2009

Basic Retirement Funds Market Value	\$17,180,755,601
Post Retirement Fund Market Value	\$15,619,133,190
 Amount Available for Investment	 <b>\$874,768,765</b>

	<b>Current Level</b>	<b>Target Level</b>	<b>Difference</b>
Market Value (MV)	\$5,668,184,433	\$6,559,977,758	\$891,793,325
MV +Unfunded	\$8,965,197,872	\$9,839,966,637	\$874,768,765

<b>Asset Class</b>	<b>Market Value</b>	<b>Unfunded Commitment</b>	<b>Total</b>
Private Equity	\$2,999,059,128	\$1,782,385,823	\$4,781,444,951
Real Estate	\$1,109,998,608	\$295,010,124	\$1,405,008,732
Resource	\$454,486,557	\$499,746,610	\$954,233,167
Yield-Oriented	\$1,104,640,140	\$719,870,882	\$1,824,511,022
<b>Total</b>	\$5,668,184,433	\$3,297,013,439	\$8,965,197,872

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## ATTACHMENT B

### Minnesota State Board of Investment - Alternative Investments - As of March 31 2009

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
<b><u>I. Real Estate</u></b>							
<b>Blackstone</b>							
Blackstone Real Estate V	100,000,000	85,831,714	103,060,475	22,751,431	14,168,286	21.69	2.92
Blackstone Real Estate VI	100,000,000	42,939,792	44,241,555	46,623	57,060,208	-0.43	2.00
<b>Colony Capital</b>							
Colony Investors III	100,000,000	100,000,000	6,054,400	167,834,385	0	14.84	11.25
<b>CSFB</b>							
CSFB Strategic Partners III RE	25,000,000	18,681,700	16,804,268	568,588	6,318,300	-4.61	3.75
CS Strategic Partners IV RE	50,000,000	33,360,952	32,219,574	14,802	16,639,048	-4.11	0.79
<b>Lehman Brothers Real Estate Partners</b>							
Lehman Brothers Real Estate Partners II	75,000,000	65,568,548	57,151,931	22,008,951	9,431,452	10.45	3.75
Lehman Brothers Real Estate Partners III	150,000,000	61,107,170	50,815,317	0	88,892,830	-26.40	0.86
Prime Property Fund	40,000,000	40,000,000	281,667,349	19,251,104	0	7.79	27.47
<b>T.A. Associates Realty</b>							
Realty Associates Fund V	50,000,000	50,000,000	22,025,691	77,371,607	0	11.81	9.85
Realty Associates Fund VI	50,000,000	50,000,000	46,630,423	41,171,691	0	15.52	6.76
Realty Associates Fund VII	75,000,000	75,000,000	73,576,588	18,725,329	0	6.64	4.37
Realty Associates Fund VIII	100,000,000	97,500,000	87,481,875	4,106,525	2,500,000	-6.51	2.75
Realty Associates Fund IX	100,000,000	0	0	0	100,000,000	N/A	0.60
UBS Trumbull Property Fund	42,376,529	42,376,529	288,269,162	2,818,431	0	7.96	26.92
<b>Real Estate Total</b>	<b>1,057,376,529</b>	<b>762,366,405</b>	<b>1,109,998,608</b>	<b>376,669,467</b>	<b>295,010,124</b>		
<b><u>II. Resource</u></b>							
Apache Corp III	30,000,000	30,000,000	6,963,690	54,074,657	0	12.35	22.25
EnCap Energy Capital Fund VII	100,000,000	26,272,881	21,322,066	1,234,124	73,727,119	-20.78	1.75
<b>First Reserve</b>							
First Reserve Fund VII	40,000,000	40,000,000	101,354	60,916,558	0	10.22	12.75
First Reserve Fund VIII	100,000,000	100,000,000	1,848,000	201,883,104	0	15.87	10.92
First Reserve Fund IX	100,000,000	100,000,000	1,008,000	298,659,472	0	48.13	7.98
First Reserve Fund X	100,000,000	100,000,000	82,863,142	110,288,083	0	48.19	4.41
First Reserve Fund XI	150,000,000	108,303,362	113,326,796	354,267	41,696,638	4.31	2.27
First Reserve Fund XII	150,000,000	43,099,438	43,083,573	15,865	106,900,562	0.00	0.42
<b>NGP</b>							
NGP Midstream & Resources	100,000,000	52,830,546	54,206,717	849,279	47,169,454	5.04	2.00
Natural Gas Partners IX	150,000,000	24,384,267	20,715,714	365,317	125,615,733	-15.48	1.44
Sheridan Production Partners I	100,000,000	38,752,260	32,882,866	4,000,000	61,247,740	-3.62	2.00
<b>Simmons</b>							
SCF-IV	47,626,265	47,626,265	20,271,669	145,600,193	0	25.12	11.00
T. Rowe Price	71,002,692	71,002,692	0	97,346,757	0	28.11	N/A
TCW Energy Partners XIV	100,000,000	56,610,636	55,892,970	8,311,189	43,389,364	14.48	1.95
<b>Resource Total</b>	<b>1,338,628,957</b>	<b>838,882,347</b>	<b>454,486,557</b>	<b>983,898,865</b>	<b>499,746,610</b>		
<b><u>III. Yield-Oriented</u></b>							
Carbon Capital	46,184,308	46,184,308	1,761,008	59,522,956	0	15.55	6.88
<b>Citicorp Mezzanine</b>							
Citicorp Mezzanine I	40,000,000	40,000,000	94,653	60,023,024	0	11.26	14.25
Citicorp Mezzanine III	100,000,000	88,029,296	10,867,069	120,226,813	11,970,704	15.73	9.41
<b>DLJ Investment Partners</b>							
DLJ Investment Partners II	50,000,000	23,119,388	5,920,642	30,553,876	26,880,612	11.61	9.25
DLJ Investment Partners III	100,000,000	20,628,907	17,912,472	1,495,396	79,371,093	-4.19	2.77



**Minnesota State Board of Investment**  
**- Alternative Investments -**  
**As of March 31 2009**

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
<b>Gold Hill Venture Lending</b>							
<i>Gold Hill Venture Lending</i>	40,000,000	40,000,000	34,910,434	12,758,211	0	7.15	4.51
<i>Gold Hill 2008</i>	50,000,000	4,803,996	4,686,120	0	45,196,004	-9.14	0.75
<b>GS Mezzanine Partners</b>							
<i>GS Mezzanine Partners II</i>	100,000,000	83,092,437	38,375,460	84,111,091	16,907,563	9.35	9.08
<i>GS Mezzanine Partners III</i>	75,000,000	52,896,411	30,860,365	39,124,047	22,103,589	9.55	5.72
<i>GS Mezzanine Partners 2006 Institutional</i>	100,000,000	67,374,802	48,127,833	13,122,742	32,625,198	-7.10	2.98
<i>GS Mezzanine Partners V</i>	150,000,000	43,483,987	40,189,510	1,110,168	106,516,013	-5.27	1.44
<b>GTCR Capital Partners</b>	80,000,000	69,589,422	3,423,743	104,523,155	10,410,578	10.97	9.38
<b>KB Mezzanine Fund II</b>	25,000,000	25,000,000	311,897	12,218,730	0	-13.42	13.50
<b>Merit Capital Partners (fka William Blair)</b>							
<i>William Blair Mezzan. Cap. Fd. III</i>	60,000,000	56,958,000	13,173,434	89,260,609	3,042,000	15.19	9.25
<i>Merit Mezzanine Fund IV</i>	75,000,000	61,001,374	55,695,697	9,992,267	13,998,626	4.11	4.29
<b>Merit Energy Partners</b>							
<i>Merit Energy Partners B</i>	24,000,000	24,000,000	69,567,474	80,711,217	0	25.55	12.75
<i>Merit Energy Partners C</i>	50,000,000	50,000,000	216,252,493	164,159,707	0	34.35	10.42
<i>Merit Energy Partners D</i>	88,000,000	70,938,303	186,191,902	103,145,055	17,061,697	28.11	7.85
<i>Merit Energy Partners E</i>	100,000,000	36,489,813	50,070,261	18,265,886	63,510,187	16.88	4.46
<i>Merit Energy Partners F</i>	100,000,000	23,440,563	22,223,545	1,770,831	76,559,437	1.07	3.02
<b>Prudential Capital Partners</b>							
<i>Prudential Capital Partners I</i>	100,000,000	96,057,053	32,167,671	99,836,755	3,942,947	10.28	7.95
<i>Prudential Capital Partners II</i>	100,000,000	89,530,606	85,583,395	16,719,352	10,469,394	7.47	3.75
<i>Prudential Capital Partners III</i>	50,000,000	0	0	0	50,000,000	0.00	0.00
<b>Quadrant Real Estate Advisors</b>							
<i>Institutional Commercial Mortgage Fd IV</i>	14,300,000	14,300,000	1,564,044	21,499,922	0	8.28	11.25
<i>Institutional Commercial Mortgage Fd V</i>	37,200,000	37,200,000	18,179,090	40,650,900	0	8.22	9.66
<b>Summit Partners</b>							
<i>Summit Subordinated Debt Fund I</i>	20,000,000	18,000,000	84,201	31,406,578	2,000,000	30.55	15.00
<i>Summit Subordinated Debt Fund II</i>	45,000,000	40,500,000	4,172,900	83,140,047	4,500,000	56.31	11.66
<i>Summit Subordinated Debt Fund III</i>	45,000,000	37,065,965	24,826,653	17,249,912	7,934,035	6.55	5.12
<i>Summit Subordinated Debt Fund IV</i>	50,000,000	0	0	0	50,000,000	N/A	1.01
<b>T. Rowe Price</b>	54,428,437	54,428,437	557,420	52,747,795	0	-9.88	N/A
<b>TCW/Crescent Mezzanine</b>							
<i>TCW/Crescent Mezzanine Partners I</i>	40,000,000	37,213,077	1,218,422	60,761,020	2,786,923	14.97	13.00
<i>TCW/Crescent Mezzanine Partners II</i>	100,000,000	87,479,046	146,434	137,859,454	12,520,954	13.42	10.35
<i>TCW/Crescent Mezzanine Partners III</i>	75,000,000	68,835,264	14,359,301	140,519,649	6,164,736	36.74	8.00
<b>Windjammer Capital Investors</b>							
<i>Windjammer Mezzanine &amp; Equity Fund II</i>	66,708,861	51,087,650	35,045,819	40,995,359	15,621,211	10.06	9.00
<i>Windjammer Senior Equity Fund III</i>	67,974,684	40,197,303	36,118,778	3,467,540	27,777,381	-1.73	3.24
 <i>Yield-Oriented Total</i>	 2,318,796,290	 1,598,925,408	 1,104,640,140	 1,752,950,065	 719,870,882		
<b>IV. Private Equity</b>							
<b>Adams Street Partners</b>							
<i>Adams Street VPAF Fund I</i>	3,800,000	3,800,000	39,863	9,440,295	0	13.23	20.89
<i>Adams Street VPAF Fund II</i>	20,000,000	20,000,000	48,187	37,988,511	0	24.09	18.34
<b>Advent International GPE VI</b>	50,000,000	6,250,000	4,704,869	0	43,750,000	-28.13	1.00
<b>Affinity Ventures</b>							
<i>Affinity Ventures IV</i>	4,000,000	2,511,847	1,560,015	405,436	1,488,153	-13.31	4.75
<i>Affinity Ventures V</i>	5,000,000	1,000,000	941,235	0	4,000,000	-11.82	0.74
<b>Banc Fund</b>							
<i>Banc Fund VII</i>	45,000,000	39,600,000	20,954,855	812,725	5,400,000	-21.51	4.00
<i>Banc Fund VIII</i>	98,250,000	2,947,500	2,985,019	0	95,302,500	1.89	0.93



**Minnesota State Board of Investment**  
**- Alternative Investments -**  
**As of March 31 2009**

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
<b>Blackstone</b>							
<i>Blackstone Capital Partners II</i>	47,271,190	47,271,190	3,745,458	95,379,217	0	34.08	15.35
<i>Blackstone Capital Partners IV</i>	70,000,000	66,629,430	45,019,397	87,721,288	3,370,570	40.79	6.72
<i>Blackstone Capital Partners V</i>	140,000,000	105,516,131	74,330,654	5,061,592	34,483,869	-17.62	3.16
<i>Blackstone Capital Partners VI</i>	100,000,000	0	0	0	100,000,000	N/A	0.68
<b>BLUM Capital Partners</b>							
<i>Blum Strategic Partners I</i>	50,000,000	49,001,812	3,530,494	89,408,820	998,188	12.06	10.27
<i>Blum Strategic Partners II</i>	50,000,000	40,187,230	6,848,303	72,946,530	9,812,770	22.02	7.70
<i>Blum Strategic Partners III</i>	75,000,000	73,976,127	37,630,303	24,239,937	1,023,873	-7.76	3.83
<i>Blum Strategic Partners IV</i>	150,000,000	125,916,713	82,887,983	105,449	24,083,287	-36.10	1.36
<b>CVI Global Value Fund</b>	200,000,000	152,500,000	127,861,378	2,087,004	47,500,000	-10.33	2.21
<b>Chicago Growth Partners (William Blair)</b>							
<i>Chicago Growth Partners I</i>	50,000,000	43,741,998	35,664,087	15,789,143	6,258,002	10.93	3.68
<i>Chicago Growth Partners II</i>	60,000,000	6,624,211	6,653,397	0	53,375,789	-3.59	1.05
<i>William Blair Capital Partners VII</i>	50,000,000	48,000,000	17,260,026	56,980,990	2,000,000	11.26	8.06
<b>Coral Partners</b>							
<i>Coral Partners IV</i>	15,000,000	15,000,000	985,571	13,538,879	0	-0.79	14.69
<i>Coral Partners V</i>	15,000,000	15,000,000	2,980,574	3,106,198	0	-12.49	10.79
<b>Court Square Capital</b>							
<i>Court Square Capital Partners I</i>	100,000,000	79,874,913	27,849,822	126,485,018	20,125,087	28.71	7.30
<i>Court Square Capital Partners II</i>	175,000,000	53,323,721	48,655,765	1,446,224	121,676,279	-4.02	2.57
<b>Crescendo</b>							
<i>Crescendo III</i>	25,000,000	25,000,000	805,125	9,321,908	0	-21.91	10.40
<i>Crescendo IV</i>	101,500,000	101,500,000	36,479,206	4,018,614	0	-13.52	9.06
<b>CSFB/ DLJ</b>							
<i>DLJ Merchant Banking Partners III</i>	125,000,000	119,589,604	79,052,091	164,667,686	5,410,397	20.01	8.50
<i>DLJ Strategic Partners</i>	100,000,000	88,346,075	26,658,107	138,031,724	11,653,925	23.77	8.19
<i>CSFB Strategic Partners II-B</i>	100,000,000	83,262,718	46,269,411	115,751,544	16,737,282	41.27	5.70
<i>CSFB Strategic Partners III VC</i>	25,000,000	22,447,220	22,023,730	6,680,560	2,552,780	13.81	3.83
<i>CSFB Strategic Partners III-B</i>	100,000,000	92,111,131	88,583,709	28,982,120	7,888,869	18.24	3.83
<i>CS Strategic Partners IV-B</i>	100,000,000	40,062,500	41,980,782	2,089,126	59,937,500	13.48	1.01
<i>CS Strategic Partners IV VC</i>	40,000,000	19,280,130	19,244,672	160,470	20,719,870	-0.14	0.79
<b>CVC European Equity Partners V</b>	132,770,034	20,797,643	13,769,383	3,554,487	111,972,391	-20.54	1.01
<b>Diamond Castle Partners IV</b>	100,000,000	59,665,831	38,421,198	12,445,847	40,334,169	-9.30	2.56
<b>DSV Partners IV</b>	10,000,000	10,000,000	32,874	39,196,082	0	10.61	23.97
<b>EBF Merced Partners II</b>	75,000,000	60,000,000	56,100,660	0	15,000,000	-7.72	2.00
<b>Elevation Partners</b>	75,000,000	47,702,712	23,053,076	14,244,241	27,297,288	-15.19	3.87
<b>Fox Paine Capital Fund</b>							
<i>Fox Paine Capital Fund II</i>	50,000,000	39,003,919	21,692,602	45,038,976	10,996,081	21.73	8.75
<b>GHJM Marathon Fund</b>							
<i>GHJM Marathon Fund IV</i>	40,000,000	39,051,000	12,434,931	44,201,952	949,000	8.47	9.96
<i>GHJM Marathon Fund V</i>	50,000,000	46,932,114	40,300,059	13,614,933	3,067,886	6.87	4.50
<b>Golder, Thoma, Cressey &amp; Rauner</b>							
<i>Golder, Thoma, Cressey &amp; Rauner Fund III</i>	14,000,000	14,000,000	185,019	78,123,015	0	30.86	21.42
<i>Golder, Thoma, Cressey &amp; Rauner Fund IV</i>	20,000,000	20,000,000	28,060	42,160,456	0	25.00	15.16
<i>Golder, Thoma, Cressey &amp; Rauner Fund V</i>	30,000,000	30,000,000	2,275,335	53,955,241	0	11.36	12.75
<b>GS Capital Partners</b>							
<i>GS Capital Partners 2000</i>	50,000,000	50,000,000	25,915,240	79,762,693	0	24.15	8.58
<i>GS Capital Partners V</i>	100,000,000	66,390,364	109,043,586	13,787,485	33,609,636	24.13	4.00
<i>GS Capital Partners VI</i>	100,000,000	33,166,994	27,359,055	2,082,010	66,833,006	-7.76	2.16



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Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
<b>GTCR Golder Rauner</b>							
<i>GTCR VI</i>	90,000,000	90,000,000	7,275,117	75,082,762	0	-3.11	10.75
<i>GTCR VII</i>	175,000,000	159,249,989	7,510,185	365,457,657	15,750,011	24.78	9.14
<i>GTCR IX</i>	75,000,000	22,493,105	19,213,510	4,741,730	52,506,895	6.08	2.75
<b>Hellman &amp; Friedman</b>							
<i>Hellman &amp; Friedman Capital Partners III</i>	32,113,684	32,113,684	0	72,930,553	0	34.45	14.53
<i>Hellman &amp; Friedman Capital Partners IV</i>	150,000,000	133,967,494	19,596,467	347,829,859	16,032,506	34.80	9.25
<i>Hellman &amp; Friedman Capital Partners V</i>	160,000,000	142,485,547	125,888,712	129,080,577	17,514,453	28.83	4.33
<i>Hellman &amp; Friedman Capital Partners VI</i>	175,000,000	110,284,823	95,718,876	2,712,656	64,715,177	-8.57	2.00
<i>Hellman &amp; Friedman Capital Partners VII</i>	50,000,000	0	0	0	50,000,000	0.00	0.00
<b>Kohlberg Kravis Roberts</b>							
<i>KKR 1987 Fund</i>	145,373,652	145,373,652	909,791	396,018,930	0	8.70	21.35
<i>KKR 1993 Fund</i>	150,000,000	150,000,000	348,664	308,128,283	0	16.74	15.28
<i>KKR 1996 Fund</i>	200,000,000	200,000,000	18,491,876	337,773,594	0	12.75	12.58
<i>KKR Millennium Fund</i>	200,000,000	200,000,000	130,336,459	149,594,566	0	14.55	6.31
<i>KKR 2006 Fund</i>	200,000,000	150,742,528	105,822,366	5,932,838	49,257,472	-18.28	2.51
<b>Lexington Capital Partners VI-B</b>	100,000,000	75,001,070	60,856,587	15,462,469	24,998,930	1.38	3.26
<b>RWI Ventures</b>							
<i>RWI Ventures I</i>	7,603,265	7,528,265	2,426,394	4,025,809	75,000	-8.59	2.75
<i>RWI Group III</i>	616,430	616,430	117,710	330,192	0	-19.48	2.75
<b>Sightline Healthcare</b>							
<i>Sightline Healthcare Fund II</i>	10,000,000	10,000,000	1,831,682	4,883,002	0	-5.60	12.08
<i>Sightline Healthcare Fund III</i>	20,000,000	20,000,000	7,691,524	3,288,320	0	-8.63	10.19
<i>Sightline Healthcare Fund IV</i>	7,700,000	7,055,842	4,073,336	4,008,034	644,158	4.25	5.51
<b>Silver Lake Partners</b>							
<i>Silver Lake Partners II</i>	100,000,000	86,857,842	59,773,286	25,315,234	13,142,158	-0.80	4.75
<i>Silver Lake Partners III</i>	100,000,000	22,102,944	10,689,043	588,153	77,897,056	-53.13	2.00
<b>Split Rock Partners</b>							
<i>Split Rock Partners</i>	50,000,000	26,581,821	25,263,773	428,377	23,418,179	-1.67	3.92
<i>Split Rock Partners II</i>	60,000,000	3,600,000	3,600,000	0	56,400,000	0.00	0.92
<b>Summit Partners</b>							
<i>Summit Ventures II</i>	30,000,000	28,500,000	167,765	74,524,292	1,500,000	28.82	20.88
<i>Summit Ventures V</i>	25,000,000	24,125,000	2,004,583	32,228,645	875,000	8.68	11.00
<b>T. Rowe Price</b>	832,306,744	832,306,744	67,146,487	790,388,878	0	4.93	N/A
<b>Thoma Cressey</b>							
<i>Thoma Cressey Fund VI</i>	35,000,000	33,915,000	10,014,426	15,371,225	1,085,000	-4.18	10.61
<i>Thoma Cressey Fund VII</i>	50,000,000	49,104,075	27,157,948	46,489,614	895,925	21.24	8.60
<i>Thoma Cressey Fund VIII</i>	70,000,000	65,852,574	65,519,162	0	4,147,426	-0.52	2.92
<b>Thomas McNerney &amp; Partners</b>							
<i>Thomas McNerney &amp; Partners I</i>	30,000,000	25,200,000	15,853,928	10,504,694	4,800,000	1.67	6.40
<i>Thomas McNerney &amp; Partners II</i>	50,000,000	18,250,000	13,993,881	768,885	31,750,000	-15.57	2.75
<b>Varde Fund IX</b>	100,000,000	85,000,000	77,983,675	0	15,000,000	-9.98	0.77
<b>Vestar Capital Partners</b>							
<i>Vestar Capital Partners IV</i>	55,000,000	52,217,330	29,618,481	54,760,364	2,782,670	14.14	9.29
<i>Vestar Capital Partners V</i>	75,000,000	56,227,363	50,823,830	4,239,291	18,772,637	-0.84	3.28
<b>Warburg Pincus</b>							
<i>Warburg, Pincus Ventures</i>	50,000,000	50,000,000	449,773	255,993,050	0	49.21	14.25
<i>Warburg Pincus Equity Partners</i>	100,000,000	100,000,000	14,937,170	129,432,094	0	8.62	10.76
<i>Warburg Pincus Private Equity VIII</i>	100,000,000	100,000,000	75,032,800	81,529,796	0	13.00	6.96
<i>Warburg Pincus Private Equity IX</i>	100,000,000	100,000,000	88,564,435	8,046,200	0	-1.61	3.68
<i>Warburg Pincus Private Equity X</i>	150,000,000	50,310,914	35,198,220	121,413	99,689,086	-33.29	1.43



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Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
<b>Wayzata</b>							
<i>Wayzata Opportunities Fund</i>	100,000,000	99,600,000	119,520,996	339,109	400,000	7.18	3.28
<i>Wayzata Opportunities Fund II</i>	150,000,000	144,000,000	138,720,096	429,900	6,000,000	-4.89	1.44
<b>Welsh, Carson, Anderson &amp; Stowe</b>							
<i>Welsh, Carson, Anderson &amp; Stowe VIII</i>	100,000,000	100,000,000	30,503,615	82,347,673	0	1.62	10.69
<i>Welsh, Carson, Anderson &amp; Stowe IX</i>	125,000,000	118,750,000	68,987,361	129,107,565	6,250,000	13.65	8.76
<i>Welsh, Carson, Anderson &amp; Stowe X</i>	100,000,000	82,578,466	73,600,122	0	17,421,534	-5.62	3.29
<i>Welsh, Carson, Anderson &amp; Stowe XI</i>	100,000,000	943,897	943,897	0	99,056,103	0.00	0.69
<b>Zell/ Chilmark Fund</b>	30,000,000	30,000,000	35,955	77,129,496	0	17.71	18.72
 <i>Private Equity Total</i>	 7,952,304,999	 6,169,919,176	 2,999,059,128	 5,602,180,206	 1,782,385,823		
 <i>Alternatives Total</i>	 12,667,106,776	 9,370,093,335	 5,668,184,433	 8,715,698,602	 3,297,013,440		

\* None of the data presented herein has been reviewed or approved by either the general partner or investment manager. The performance and valuation data presented herein is not a guarantee or prediction of future results. Ultimately, the actual performance and value of any investment is not known until final liquidation. Because there is no industry-standardized method for valuation or reporting, comparisons of performance and valuation data among different investments is difficult.





## ATTACHMENT C

### YIELD-ORIENTED MANAGER SUMMARY PROFILE

#### I. Background Data

<b>Name of Fund:</b>	Merit Mezzanine Fund V, L.P. ("The Fund")
<b>Type of Fund:</b>	Yield-Oriented
<b>Total Fund Size:</b>	\$600 million
<b>Fund Manager:</b>	Merit Capital Partners V, L.P.
<b>Manager Contact:</b>	Marc Walfish 303 West Madison St., Ste. 2100 Chicago, IL 60606 312-592-6150

#### II. Organization and Staff

Based in Chicago, the six senior managers of the General Partner will be Thomas F. Champion, David M. Jones, Timothy J. MacKenzie, Daniel E. Pansing, Terrance M. Shipp and Marc J. Walfish, who managed the four prior mezzanine funds. Funds I, II and III were named William Blair Mezzanine as it reflected the investment bank's involvement in the General Partner. Beginning with Fund IV, William Blair was no longer involved as a general partner, necessitating a name change to Merit. These individuals have an average experience in the mezzanine industry of over twenty years.

#### III. Investment Strategy

Fund V's investment objective is to provide investors with a superior risk-adjusted return by constructing a diversified portfolio of mezzanine investments providing significant current income and equity-oriented capital appreciation. It is anticipated that the current income component will average approximately 10% to 11% annually, with the balance of the return derived from equity-related gains. To achieve the targeted returns, the principals will continue to pursue a strategy of proactive, value-added investing based on the following fundamental principles:

*Disciplined Investing Approach and Diversification:* The General Partner will adhere to the same disciplined investing philosophy its principals have employed in the past. The focus will remain on investing in stable, established, well-managed, middle-market companies demonstrating strong and consistent earnings and cash flow. The General Partner will focus on companies with defensible market positions in industries with significant barriers to entry. The target portfolio will be diversified by making approximately 20 separate investments, avoiding industry concentration while financing recapitalizations and growth situations as well as management buyouts.



*Unique Investment Origination Capabilities and Transaction Control:* The General Partner expects the performance of Fund V to be enhanced by its direct origination capabilities, combined with Fund V's objective to be the lead mezzanine investor in substantially all of its investments. These two factors minimize competitive bidding situations, increasing Fund V's ability to structure investments, set terms and obtain favorable pricing.

*Proactive Mezzanine Investing:* From both a personnel and strategic standpoint, the General Partner is very comfortable taking a much more active role in the sourcing, structuring and monitoring of its investments than a traditional mezzanine investor. The General Partner's principals have successfully participated in this proactive market segment for many years. They find it to be a highly attractive segment for two primary reasons. First, since private equity sponsors normally are not involved in these transactions, the market is not dependent upon leveraged buyout activity which ebbs and flows with the availability of senior debt, the prevailing cost of capital, and the level of investment banker generated deal flow. Many of the opportunities in the proactive market instead take the form of recapitalizations and growth situations, quite often at more conservative valuations than in the leveraged buyout market. The General Partner's principals have successfully sourced transactions in both the recapitalization and leveraged buyout markets and will continue to invest in each depending on relative market conditions.

The second, and even more compelling reason to concentrate on this proactive market segment, relates to simple economics. By adding significant value to the process, both upfront and over time, competition and pricing pressure are greatly reduced. In each of the prior funds, the General Partner was able to source numerous transactions in which there were few, if any, direct competitors. The General Partner was thus able to consistently structure investments in the prior funds with minimum targeted gross returns in excess of 20%. The General Partner believes the attractive risk-adjusted expected returns of the prior funds are a direct result of its demonstrated ability to successfully operate in this less efficient market segment.

*Current Market Opportunity:* The General Partner is confident that, despite the current economic difficulties, this is an opportune time to invest in quality mezzanine transactions. The General Partner believes that the current recessionary climate shares certain similarities with the 2001 through 2003 economic cycle, including a reduction in the number of competitive sources of capital, lower valuation multiples and a conservative credit environment. Transactions consummated by the General Partner during this 2001 to 2003 period resulted in gross returns that were significantly higher than its overall historical average return of slightly more than 20%. The General Partner anticipates that the supply of mezzanine capital, particularly in the proactive segment, will be insufficient to adequately fund the available opportunities over the next few years. As a result, pricing is expected to increase from levels recently observed and provide for gross projected returns meaningfully in excess of 20%. From the standpoint of deal flow, the General Partner's ability to finance recapitalizations, which does not require an outright sale, will allow it to invest throughout all cycles, even when M&A activity has diminished.



#### **IV. Investment Performance**

Previous fund performance as of December 31, 2008 for Merit Capital Partners and the SBI's investments with previous funds, where applicable, is shown below:

<b>Fund</b>	<b>Inception Date</b>	<b>Total Equity Commitments</b>	<b>SBI Investment</b>	<b>Net IRR from Inception</b>
Merit Mezz. Fund IV	2005	\$455 million	\$75 million	4%
William Blair Mezz. Fund III	2000	\$311 million	\$60 million	16%
William Blair Mezz. Fund II	1997	\$190 million	--	11%
William Blair Mezz Fund I	1993	\$115 million	--	14%

Previous Fund investments may be relatively immature and therefore, returns may not be indicative of future results.

#### **V. General Partner's Investment**

The General Partner will commit at least \$12 million to Fund V.

#### **VI. Takedown Schedule**

Commitments are expected to be drawn down as needed with not less than 10 days' prior written notice.

#### **VII. Management Fee**

Commencing on the Effective Date and during the six-year investment period ("Commitment Period"), Fund V will pay the General Partner an annual management fee (the "Management Fee") equal to 1.75% of aggregate Commitments, payable quarterly in advance. The Management Fee will be reduced each year by all transaction fee income received by the General Partner. In the year immediately following the expiration of the Commitment Period, the Management Fee will be equal to 1.75% of Invested Capital (as defined in the PPM). Upon the occurrence of a "Triggering Event" (defined as the earlier of (i) the seventh anniversary of the Effective Date and (ii) the effective date of a new mezzanine fund of the type described under "Other Mezzanine Funds" in the PPM), the Management Fee will be reduced in accordance with the schedule described in the PPM.

#### **VIII. Distributions**

Income from short-term investments (e.g., Treasury bills, certificates of deposit, etc.) will be allocated to the Capital Accounts of the Partners in proportion to their Commitments.

Portfolio interest income, dividends and gains and losses will be allocated 80% to all Partners in proportion to their Commitments and 20% to the General Partner. Organizational expenses payable by Fund V will be allocated to all Partners in proportion to their Commitments, while the Management Fee and other Fund V expenses generally will be allocated 80% to the Capital Accounts of all Partners in proportion to their Commitments, and 20% to the Capital Account of the General Partner.

Notwithstanding the above, income, gains, losses and expenses will be allocated as follows:

First, 100% to the accounts of all Partners in proportion to their Commitments, until such time as they have been allocated a compounded annual rate of 8% on their investment (the "Preferred Return");

Second, 100% to the General Partner until such time as the General Partner has been allocated (excluding allocations to the General Partner with respect to its Commitment) its 20% profit participation; and

Thereafter, in the manner described in the section above (See "Allocation of Income, Gains, Losses & Expenses"); that is, generally 80% to all Partners in proportion to their Commitments and 20% to the General Partner.

#### ***IX. Investment Period and Term***

The Fund will have a six-year investment period and a term of ten years, with discretion of the General Partner to extend the term for not more than three one-year periods to allow for the orderly termination and liquidation of Fund V's investments.



<b>PRIVATE EQUITY MANAGER SUMMARY PROFILE</b>
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**I. Background Data**

<b><i>Name of Fund:</i></b>	Lexington Capital Partners VII, L.P.
<b><i>Type of Fund:</i></b>	Private Equity Limited Partnership
<b><i>Total Fund Size:</i></b>	\$5.0 billion
<b><i>Fund Manager:</i></b>	Lexington Advisors Inc.
<b><i>Manager Contact:</i></b>	Nick Harris 3000 Sand Hill Rd. Building 1, Ste 220 Menlo Park, CA 94025 650-561-9600

**II. Organization and Staff**

During the period 1990 to 1995, several principals of what is now Lexington Advisors Inc. helped organize secondary interest funds (Co-Managed Funds) as part of another secondary firm, Landmark Partners Inc. In early 1996, Lexington Advisors Inc. spun-out from Landmark Partners Inc. to form a separate and independent secondary interest investment entity. Collectively, since 1990, through the Lexington and Co-Managed Funds, Lexington has committed to invest approximately \$9.7 billion, acquiring a total of 1,390 interests in 943 partnerships.

Lexington currently employs 58 people and has offices in New York, Boston, London and Menlo Park.

**III. Investment Strategy**

Historically, between 4% - 5% of commitments to private equity funds have been sold on the secondary market by original investors. Original investors have sold their commitments in response to various factors including pruning of managers, excess commitments, regulatory changes, and general liquidity needs. The secondary investment strategy is benefiting in the current environment from an increase in investors seeking liquidity, including distressed and cash constrained investors, such as banks and financial institutions, endowments and foundations, and family offices. The supply of private equity commitments on the secondary market is estimated to be \$100 billion or more over the next five years. Meanwhile, the available capital in the hands of secondary managers is anticipated to be approximately \$35 billion, assuming funds that are currently being raised achieve their targeted capitalizations. Therefore, the combination of greater supply of interests and more modest available capital has resulted in attractive prices in the secondary market with discounts to most recent GP reported values approaching 50% or more.



Lexington Capital Partners VII, L.P. is being formed to seek to generate superior returns for its investors primarily by acquiring a diversified portfolio of interests in established global buyout, mezzanine and venture capital funds (“private equity funds”) through secondary transactions. Lexington expects the Partnership to provide investors an opportunity to achieve higher returns at lower levels of risk as compared to investments in newly formed private equity funds. Lexington’s investment strategy targets the entire spectrum of secondary transactions, from complex, multi-billion dollar portfolio transactions to individual private equity fund interests. While LCP VII is expected to concentrate on acquiring portfolios of global buyout, mezzanine and venture capital fund interests, the Partnership will also consider opportunities to acquire direct company investments and other private equity fund interests through secondary transactions. Lexington’s broad, opportunistic investment strategy will allow LCP VII to deploy capital to the segments of the secondary market offering the most attractive risk-adjusted returns. LCP VII may also invest up to 10% of its capital in newly formed private equity funds. Over the past 10 years, Lexington has committed approximately \$1 billion to 170 global buyout, mezzanine and venture capital partnerships. The ability to invest in newly formed private equity funds has been beneficial in generating returns as well as establishing or strengthening relationships between the Lexington principals and leading private equity sponsors. Investment relationships with these private equity sponsors have helped Lexington source and analyze potential secondary transactions.

#### **IV. Investment Performance**

Previous fund performance as of September 30, 2008 for the Lexington Secondary Funds is shown below:

<b>Fund</b>	<b>Inception Date/s</b>	<b>Total Equity Commitments</b>	<b>SBI Investment</b>	<b>Net IRR from Inception</b>
Lexington Capital Partners VI	2006	\$3,774 million	\$100 million	2%
Lexington Middle Market Investors	2004	\$556 million		16%
Lexington Capital Partners V	2002	\$2,004 million		25%
Lexington Capital Partners IV	2000	\$606 million		21%
Lexington Capital Partners III	1999	\$657 million		10%
Lexington Capital Partners II	1998	\$1,111 million		9%
Lexington Capital Partners I	1996	\$240 million		13%
3 Co-Managed Buyout and Mezzanine Funds	1993-1995	\$565 million		31%
3 Co-Managed Venture Capital Funds	1990-1995	\$440 million		25%



Previous fund investments may be relatively immature and therefore, returns may not be indicative of future results.

#### **V. *General Partner's Investment***

The general partner will commit to invest at least 1% of aggregate capital commitments to the Partnership.

#### **VI. *Takedown Schedule***

Capital will be called from the limited partners, as needed, with ten business days notice.

#### **VII. *Management Fee***

During the investment period: 1.0% per annum of commitments; provided that the fee with respect to amounts invested in Primary Entities (interests in new private equity funds) shall be 0.5% per annum. Thereafter: The sum of (a) 0.85% per annum of the sum of (i) the "reported value" of interests in all portfolio investments, other than interests in Primary Entities and (ii) unfunded commitments that are committed to or reserved for investment in Secondary Entities; plus (b) 0.5% per annum of the sum of (i) the reported value of interests in Primary Entities and (ii) unfunded commitments committed for investment in Primary Entities.

#### **VIII. *Distributions***

Proceeds from Secondary Entities (interests in established private equity funds and direct or indirect interests in operating companies acquired through secondary market purchases) otherwise allocable to limited partners will be distributed as follows: First, 100% to the limited partner until it has received distributions of such proceeds equal to the aggregate amount of capital contributions made by such limited partner in respect of investments in Secondary Entities; and Second, 90% to such limited partner and 10% to the general partner. Proceeds from investments in Primary Entities will be made pro rata based on each partner's percentage interest in such investments.

Upon liquidation of the Partnership, the general partner will be required to contribute to the Partnership the amount, if any, by which cumulative carried interest distributions received by the general partner with respect to any limited partner exceed 10% of the cumulative net profits earned with respect to such limited partner from Secondary Entities after all fees and expenses allocable thereto and in no event more than the cumulative carried interest distributions received by the general partner with respect of such limited partner (calculated on an after-tax basis).

***IX. Investment Period and Term***

The Partnership will have an investment period of five years from the final closing date. The Partnership's term will be ten years from the initial closing date, subject to extension by the general partner (unless a majority of limited partners disapprove) for up to three years to permit orderly dissolution.